

# Why do Investors Vote Against Corporate Directors?

Finance Working Paper N° 924/2023

July 2023

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We gratefully acknowledge helpful comments from seminar participants at Georgetown University and Edinburgh Corporate Finance Conference (2023). We are grateful to the Georgetown Psaros Center for Financial Markets and Policy for support. All errors are our own.

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## Abstract

We analyze voting records for management proposals and find that investors today hold directors accountable for a much wider range of issues, such as climate change and board diversity, than in the past. Within environment, climate change is the only subcategory that is significantly associated with voting outcome. Governance is an important driver of voting outcome, however, the newer and broader proxy for governance that we use has little in common with traditional measures used in the literature. Within governance, board diversity is significantly related to voting outcome. However, we find that social issues are not relevant for voting outcomes. Institutional investors have started providing rationale for why they voted against a particular director. The existence of such rationale related to board diversity, busyness, tenure, and independence result in more dissent votes. Female directors receive fewer dissent votes but not so if they are long-tenured. The mere presence of a shareholder proposal is associated with lower support for directors. This effect is driven by governance and not socially responsible proposals.

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Keywords: Institutional Investors, Proxy Voting, Director Elections, Board Diversity, Climate Change

JEL Classifications: G32; G34; G38

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# Why do Investors Vote Against Corporate Directors?

*More Investors Vote Against Corporate Directors Over Climate Change*

*Nuveen, which manages more than \$1.2 trillion, voted against directors at more than 70 companies for climate-related reasons this year, the first time it has made such a move, said Peter Reali, a member of the firm's responsible investing team. The effort came after Nuveen, a subsidiary of Teachers Insurance and Annuity Association of America, sent letters in 2020 asking for improved disclosures and targets and stronger oversight of climate risk. "If we haven't seen a willingness to move along the journey, then yes, we are pulling the trigger on voting against boards," Mr. Reali said*

*Wall Street Journal, July 21, 2022*

## 1 Introduction

Institutional investors play a crucial role in the functioning of financial markets. They can “vote with their voice” by voting for or against management- and shareholder-sponsored proposals. We argue that today directors are held accountable for a wider set of issues than in the past. Concerns about the environment and social issues were rare previously. In recent years, some institutional investors have started to publicly disclose rationale for their votes, particularly negative votes. The reasons cited include board structure, board diversity, business ethics and transparency, and climate risk. Issues related to board diversity and climate receive far more attention now than they did in the past.<sup>1</sup> In this changing landscape, our paper provides valuable insights into how institutional investors express their discontent with a firm's policies on these new, broader issues. In particular, we address the following questions: Do institutional investors hold the board of directors accountable by voting against them? Which board members are more likely to be targeted for which category of issues? Do shareholder-sponsored proposals on the ballot influence voting outcome? Are there certain types of shareholder proposals or their sponsors that matter to the voting outcome?

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<sup>1</sup>We use data from Insightia to understand the rationale given by institutional investors for their votes.

Our analysis starts by using the composite MSCI ESG scores as a proxy for more comprehensive issues that concern investors today. We then dig deeper to examine which specific new issues matter for voting outcome. We find lower composite MSCI ESG scores to be associated with less support for management-sponsored proposals. These results continue to hold even after controlling for the recommendation of the proxy advisory firm ISS, and including firm and year fixed effects. These findings indicate that when investors are not satisfied with a firm's policies, they are more likely to vote against management's recommendations. Our results imply that this disapproval increases by over 0.3% if an otherwise similar firm moves from the highest to the lowest quartile of ESG score. This is economically significant as the average fraction of votes against a management-sponsored, non-routine proposal in our sample is 5%. We find that these results are primarily driven by proposals related to individual director elections and are not driven by non-director election proposals. Board members include both executive and non-executive members. The chief executive officer (CEO) of a company is always a member of the board and is not considered an independent director. Hence, the CEO does not serve on the audit committee, nominating and governance committee, or the compensation committee. We find that the CEO director is less likely to receive dissent votes. For example, if there are concerns about board diversity, nominating committee members will be held accountable and not the CEO. Our findings lead us to conclude that it is the firm's independent directors who are held accountable for these newer, broader issues that concern investors.

MSCI arrives at the individual score of the three components (i.e., E, S, and G) of its overall ESG score by taking a weighted average of various sub-components of each of these three categories. For example, the environmental score (E) is derived by aggregating the scores on four distinct categories (defined as "themes" by MSCI), namely, climate change, natural capital, pollution and waste, and environmental opportunities. The social score (S) is a weighted average of scores on the following categories: human capital, product liability, stakeholder opposition, and social opportunities. Finally, the governance score

(G) is composed of two distinct themes of corporate governance structure and corporate behavior. We find limited evidence of the importance of the broad categories of environment and social performance on voting outcome, while governance is always strongly related to voting outcome. However, we also examine specific attributes within E, S, and G.

It is important to note that the MSCI governance score captures a much wider set of issues, such as board diversity, skills and expertise, accounting practices, business ethics, and tax transparency. Many of the attributes included are not captured by traditional governance indexes used in the literature previously. For example, the Entrenchment Index (E-Index) used in several studies is composed of six entrenchment-related governance attributes (see, e.g., [Bebchuk, Cohen, and Ferrell, 2009](#)). The E-Index is largely a measure of the anti-takeover defenses of a firm. As discussed in more detail later, the MSCI governance score is far more comprehensive and incorporates many additional factors. In fact, during the sample period of our study, the correlation between the E-Index and our measure of governance (MSCI governance score) is  $-0.07$ , implying that these two measures are essentially uncorrelated. Furthermore, our proxy for governance continues to have a significant relation with voting outcome even after controlling for the E-Index, a proxy for the previously used traditional measure of governance. These results indicate that directors are actually being held accountable for a wider set of issues today than just shareholder rights and anti-takeover provisions.

Even though broad environmental performance is not significant in explaining voting outcome, we find that the climate change component of the environmental score is significant. The climate change component itself is derived from firm performance on issues related to carbon emissions, product carbon footprint, financing environmental impact, and climate change vulnerability. Climate change is one of the newer issues that investors care about. Our findings are consistent with the recent attention being paid by institutional investors to climate change and its material impact on the performance and valuation of firms especially in certain industries such as fossil fuel extraction. For example, in 2021, the activist investor

Engine No. 1 successfully waged a proxy battle to install new directors on the board of ExxonMobil with the goal of pushing the energy giant to reduce its carbon footprint, which was seen as a business imperative in a changing energy market.<sup>2</sup> The activist investors got the attention of several large institutional investors, including BlackRock, State Street, and Vanguard. Similarly, the state pension fund, CalPers voted against 95 directors at 26 companies in 2022 due to concerns about climate-related issues.

Next, we examine the aspects of governance that matter for voting. As mentioned earlier, the MSCI governance score captures two broad themes: corporate governance structure and corporate behavior. The corporate governance structure theme includes board tenure and diversity, size, and expertise, while the corporate behavior theme includes business ethics and tax transparency. We find that it is corporate governance structure, and not corporate behavior, that is related to voting outcome.

We take advantage of a recent trend among institutional investors. Some institutional investors have started providing rationale for why they voted against a proposal. This information provides a unique opportunity to directly examine the reasons why investors vote against directors instead of relying on proxies used in the previous literature. For example, Nuveen states:<sup>3</sup>

In order to meet a higher standard of transparency for our clients, rather than providing rationales for select votes, we are disclosing all of our votes against directors at S&P 500 companies and the rationale for the vote against. This amounts to 152 directors at 92 distinct companies. The drivers of the votes against are based on a case-by-case assessment of the boards' alignment with the principles in the TIAA Policy Statement on Responsible Investing regarding board quality, board structure and operation, business ethics transparency and accountability, as well as the board's strategy and oversight of material ESG issues such as climate risk and diversity, equity, and inclusion as assessed within our thematic engagement initiatives.

Using novel data on voting rationale provided by institutional investors, we find the most

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<sup>2</sup><https://www.wsj.com/articles/exxon-vs-activists-battle-over-future-of-oil-and-gas-reaches-showdown-11621950967>.

<sup>3</sup><https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-rationales>.



frequent reasons for voting against management-sponsored directors include older issues such as board independence, director tenure, and busyness. However, board diversity is the most frequent reason cited in the rationale. We find that the existence of voting rationale in each of these categories is associated with less support for directors. Management-sponsored climate-related proposals are rare and therefore the rationale related to climate are also rare. In a recent paper, [Michaely, Rubio, and Yi \(2023\)](#) examine the reasons why and when institutional investors use voting rationales to communicate their discontent and whether management takes actions to address their concerns.

We further examine the importance of board diversity to voting outcome. Investors and regulators worldwide have demanded an increase in diversity on corporate boards. The push for board gender diversity is a relatively recent phenomenon in the U.S. Several of the largest institutional investors have publicly communicated their preference for gender-diverse board firms. The three large institutional investors, BlackRock, State Street, and Vanguard, each launched campaigns to increase gender diversity on corporate boards in 2017. These campaigns led to a significant increase in the number of female directors (see, e.g., [Gormley, Gupta, Matsa, Mortal, and Yang, 2023](#)). In contrast to earlier studies that found director gender not to be a significant determinant of director elections, we find that management-sponsored directors are less likely to be supported at firms that score lower on board diversity. We also find that female directors facing elections are more likely to receive positive votes than their male board colleagues. We show that a female director receives nearly 0.5% in additional support compared to a similar male director at the same firm. However, there is no significant incremental voting advantage for female board members that serve in the leadership role of chairing the board or for those that have served on the board for a long period.

Overall, our results suggest that institutional investors' desire to hold individual directors responsible on newer issues is having a meaningful impact on voting outcome. One can argue that institutional investors can communicate their concerns by directly supporting

shareholder-sponsored proposals rather than voting against individual directors. However, our findings suggest that it is not sufficient to only examine voting in support of shareholder-sponsored proposals. In fact, Vanguard's proxy voting guidelines explicitly state their concerns about shareholder-sponsored proposals.<sup>4</sup>

Shareholders typically do not have sufficient information about specific business strategies to propose specific targets or environmental or social policies for a company, which is a responsibility that resides with management and the board. As a result, shareholder proposals that are more prescriptive in nature will generally not be supported by a fund.

Although directly supporting a shareholder-sponsored proposal can also be an important channel for institutional investors to communicate their disagreement with management, such proposals are fairly infrequent compared to management-sponsored proposals. We find that the mere presence of a shareholder-sponsored proposal on the ballot is associated with significantly higher withholding of support for management-nominated directors. Our findings show that simply having a shareholder proposal on the ballot increases the fraction of against votes by more than 0.5%. This is an economically significant increase as the average fraction of votes against a director in our sample is 5%. In contrast, for non-director election management proposals, the existence of a shareholder-sponsored proposal on the ballot is not related to voting outcome. We split shareholder-sponsored proposals into two categories using ISS's categorization: governance and socially responsible. We find, it is only proposals related to governance that are associated with voting outcome, while socially responsible proposals do not have a significant impact. The type of sponsor of the shareholder-sponsored proposal does not have a significant impact on the voting outcome. Importantly, even after controlling for the existence of shareholder-sponsored proposals and ISS's recommendation, we continue to find ESG ratings to be negatively related to the fraction of votes against a director.

We add to previous research that examines issues important to investors, and how in-

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<sup>4</sup>[https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us\\_proxy\\_voting\\_2023.pdf](https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_2023.pdf).

vestors express their dissatisfaction by voting, particularly in director elections. Existing research shows that large investors can and do employ “voice” by engaging with companies’ management and pressure for changes in corporate policies (e.g., Dimson, Karakas, and Li, 2015; Starks, Venkat, and Zhu, 2017; Krueger, Sautner, and Starks, 2020; Chen, Dong, and Lin, 2020; Naaraayanan, Sachdeva, and Sharma, 2021; Barko, Cremers, and Renneboog, 2021). Voting on management-sponsored proposals, especially those that are related to director elections, is also an important communication channel for institutional investors. Director elections have been examined in a number of studies. Cai, Garner, and Walkling (2009) document that shareholder votes are related to firm performance, governance, director performance, and voting mechanisms. Ertimur, Ferri, and Oesch (2018) find that dissent votes against directors lead to changes at the firm that address the concerns of shareholders. As shown by Aggarwal, Dahiya, and Prabhala (2019), there are significant career consequences of negative votes for individual directors. They find that a director receiving more negative votes is more likely to leave the board and is less likely to get roles on important committees as well as appointments to other boards. The role of connections in appointing directors is documented by Cai, Nguyen, and Walkling (2022), while Linck, Netter, and Yang (2008a) find more complex firms to have larger and more independent boards. Bolton, Li, Ravina, and Rosenthal (2020) find that the proxy voting ideology of the largest investors has remained highly stable during the 2005-2018 period. However, they show that the ideologies of a substantial fraction of other investors have evolved substantially over time. They find passive ownership to be associated with more support for shareholder proposals. Other relevant studies examining board directors include Boone, Field, Karpoff, and Raheja (2007), Linck, Netter, and Yang (2008b), Fischer, Gramlich, Miller, and White (2009), Coles, Daniel, and Naveen (2014), Iliev, Lins, Miller, and Roth (2015), Aggarwal, Dahiya, and Prabhala (2019), Ertimur, Ferri, and Oesch (2018), Cai, Nguyen, and Walkling (2022), Fedaseyev, Linck, and Wagner (2018), Fos, Li, and Tsoutsoura (2018), and Erel, Stern, Tan, and Weisbach (2021).

Recent literature has highlighted the importance of climate risks for institutional investors. [Ilhan, Krueger, Sautner, and Starks \(2023\)](#) conduct a survey and find a strong demand for climate risk disclosures. A number of studies have empirically examined portfolio performance and pricing of climate-related risk. (see, e.g., [Alok, Kumar, and Wermers, 2020](#); [Krueger, Sautner, and Starks, 2020](#); [Bolton and Kacperczyk, 2021](#)). The E- and S-conscious investors also select companies with higher E and S ratings ([Dyck, Lins, Roth, and Wagner, 2019](#)), suggesting that there is positive screening. Even though most E- and S-related proposals sponsored by shareholders typically fail, [He, Kahraman, and Lowry \(2021\)](#) find that investors' support for these proposals contains information regarding future risks that firms face. In addition, [Michaely, Ordonez-Calafi, and Rubio \(2021\)](#) show that while ES funds are more likely than other funds to vote for ES proposals, they are strategic in their voting. [Lowry, Wang, and Wei \(2022\)](#) show that "committed" ESG funds tend to hold their ESG investments longer, and demonstrate more discretionary voting on portfolio firms' ESG proposals. We add to this growing literature and argue that one of the primary tools used by investors to convey dissatisfaction is by voting against management-sponsored directors.

A number of studies have focused on board diversity and its impact on firm performance.<sup>5</sup> The focus on gender diversity has also heightened public awareness of this issue. For example, [Giannetti and Wang \(2023\)](#) document that greater public attention to gender equality pushes firms to widen the pool of potential women candidates for director positions. Our results are consistent with previous studies that have shown that director-specific attributes, such as age, tenure, committee memberships, and number of directorships, are related significantly with the fraction of favorable votes received by a director.<sup>6</sup>

Our paper also contributes to the literature on how investors engage with management

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<sup>5</sup>For example, [Adams and Ferreira \(2009\)](#) and [Schwartz-Ziv \(2017\)](#) document that female directors are more independent of management. [Kim and Starks \(2016\)](#) show that female directors contribute unique skills that their male counterparts do not possess, increasing board heterogeneity, and potentially improving corporate investment decisions. [Tate and Yang \(2015\)](#) find evidence that female leadership attenuates gender pay gaps among rank-and-file employees, which could improve worker satisfaction and productivity, and [Griffin, Li, and Xu \(2021\)](#) show that board gender diversity is associated with greater corporate innovation.

<sup>6</sup>This research includes, among others, [Cai, Garner, and Walkling \(2009\)](#), [Aggarwal, Dahiya, and Prabhala \(2019\)](#), [Erel, Stern, Tan, and Weisbach \(2021\)](#), and [Cai, Nguyen, and Walkling \(2022\)](#).

using their voice and hence influence firms' policies (Hirschman, 1970; Gillan and Starks, 2000, 2003; Edmans, 2009; Edmans and Manso, 2011; Edmans and Holderness, 2017; Appel, Gormley, and Keim, 2016). The comparative impact of voting versus exiting by institutional investors on a firm's policies has also been examined.<sup>7</sup> Previous studies suggest that divestment might not be the most effective way to influence corporate policies. For example, Broccardo, Hart, and Zingales (2022) show that if the majority of investors are even slightly socially responsible, voice achieves the socially optimal outcome. In contrast, exit by investors fails to achieve socially optimal outcomes unless every investor is significantly socially responsible. Berk and van Binsbergen (2021) also highlight the potential value of engagement, as exit generally has a relatively small effect on firms' cost of capital. Gantchev, Giannetti, and Li (2022) show that even small divestitures by investors can trigger changes in corporate policies and reduce negative E and S incidents. However, Berg, Koelbel, Pavlova, and Rigobon (2021) detect a response in the governance, but not on environmental dimension.

## 2 Data and Descriptive Statistics

We aim to examine the impact of investor concerns on the voting outcome for management sponsored proposals. Our main proxy for investor concerns is the MSCI ESG score and its individual components. This data becomes widely available starting in 2013, which motivates our choice of sample period spanning January 2013 to December 2021. Below we provide details of each individual data source.

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<sup>7</sup>For a review of this literature, see Gillan, Starks, et al. (2007) and Cotter, Palmiter, and Thomas (2010), Broccardo, Hart, and Zingales (2022), Berk and van Binsbergen (2021), Gantchev, Giannetti, and Li (2022), Berg, Koelbel, Pavlova, and Rigobon (2021).

## 2.1 Proxy Voting

We obtain proxy proposal voting records for all firms in the Russell 3000 Index from ISS Voting Analytics dataset. We start in 2013 to align with the availability of firm-level ESG data. Given the special regulatory environment faced by firms in the financial industry (SIC codes 6000-6999) and utilities (SIC codes 4800-4999), we exclude these firms from our analysis. The voting information includes the date of the meeting, a description of the proposal, whether the proposal is sponsored by management or shareholders, and voting recommendations from management and ISS. Also included are the number of shares outstanding, the number of shares voted for/against/abstain, voting threshold requirement for a proposal to pass, and the final voting outcome. We exclude from our analysis all “routine business” management-sponsored proposals such as those related to “preferred/bondholder” or “appointment of auditors,” as these are unlikely to be the focus of institutional investors.<sup>8</sup>

The key dependent variable of interest in our study is *FracAgainst*, which is the fraction of votes received against a proposal. Following previous studies, (e.g., Cai, Garner, and Walkling, 2009; Aggarwal, Dahiya, and Prabhala, 2019), we include the recommendation of the proxy advisory firm ISS for the proposal as a control variable. Specifically, a dummy variable, *ISS FOR*, takes the value of one if ISS recommends voting in support of the proposal, and zero otherwise. As of 2022, ISS no longer provides these recommendations.

## 2.2 Institutional Investor Voting Rationale

We obtain data on voting rationale from Insightia, a Diligent company, and focus on the period from 2015 to 2021 as the coverage improves significantly starting in 2015.<sup>9</sup> Each individual observation in this data set reports the vote cast on a particular proposal by a specific institutional investor who provides the rationale for the voting decision. The data includes both U.S. and non-U.S. investors such as mutual funds, pension funds, and uni-

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<sup>8</sup>Specifically, we exclude all management proposals in the ISS Voting Analytics data set that we classify as routine management-sponsored proposals (e.g., ratify auditors).

<sup>9</sup>This data is collected by Proxy Insight which is owned by Insightia. Diligent acquired Insightia in 2022.

iversity endowments. We have information on the proposals, the name of the institutional investor voting on that proposal, vote cast by that investor (“For” or “Against”) and rationale for the vote.<sup>10</sup> First, we retain only management-sponsored director election proposals. Furthermore, we only keep those observations where the vote is “Against”. While there is no regulatory requirement for institutional investors to disclose the rationale for their voting choices, a number of institutional investors provide this information voluntarily. InSightia collects voting rationale information from investor websites and other public sources. The rationale provided is typically one or two sentences that describe the reason why the investor voted against the proposal. We use textual analysis based on key words to categorize rationales into eight categories that prior work has mentioned as possible determinants of institutional votes on director elections (e.g., Cai, Garner, and Walkling, 2009). These eight categories are: diversity, independence, busyness, ownership and control, tenure, climate, pay, and other.<sup>11</sup> The “ownership and control” category includes issues such as ownership structure, shareholder rights, and takeover defenses. The “other” category includes CEO duality, board responsiveness, attendance, and other aspects of board structure. We merge this sample with ISS Voting Analytics and BoardEx and our final sample consists of 24,399 proposals.

Figure 1 shows the relative frequency of the different voting rationales provided by institutional investors for voting against a director for each year in the 2015-2021 sample period. An examination of the rationale provided by institutional investors reveals that lack of board diversity is the most frequently cited reason for voting against a director in every year. Other frequently cited reasons include tenure, busyness, independence, and ownership and control.

[Insert Figure 1 here]

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<sup>10</sup>In some instance the vote cast is reported as “Withhold”, we classify such votes as “Against”.

<sup>11</sup>For majority of the stated rationales only one reason is reported. For the remaining cases where more than one reason is provided, we categorize the rationale for all the reasons mentioned.

## 2.3 Firm Characteristics

We control for several firm-specific characteristics that are also used by earlier studies (e.g., Cai, Garner, and Walkling, 2009; Matvos and Ostrovsky, 2010). We obtain firm characteristics from Compustat and CRSP. We then merge the ISS Voting Analytics sample with CRSP/Compustat. We require that firms have non-missing accounting data and stock returns data for the fiscal year-end preceding the annual shareholders meeting date. We use several other firm-specific control variables that are standard measures for firm characteristics and have been used by other studies. These include (measured as of the last fiscal year end before the proxy voting): natural logarithm of total assets in millions of U.S. dollars ( $\ln(Assets)$ ), annual sales growth ( $SGrowth$ ), capital expenditure to total assets ( $CapEx$ ), return on assets ( $ROA$ ), market to book ( $MB$ ), book leverage ( $Leverage$ ), and annual stock return minus the value-weighted stock market return over the same period ( $Excess Return$ ). We also include institutional ownership ( $InstOwnership$ ), which is the fraction of outstanding shares held by institutional owners as reported in the Schedule 13F filings. For each firm-meeting date observation, we obtain institutional investor holdings for the most recent quarter before the meeting date from the Thomson-Reuters Institutional Holdings (13F) Database.<sup>12</sup>

## 2.4 Proxies for Emerging Corporate Policies

Our objective is to examine the association between newer issues that investors care about and voting outcome. ESG has become a catch-all phrase that includes some of these newer issues. Therefore, we use the MSCI ESG ratings data, we believe that these ratings account for some of the newer issues for which directors are being held responsible. MSCI ESG ratings aim to measure a company's resilience to long-term, financially relevant ESG risks. In doing their research for ratings, MSCI examines four key questions: How is the company governed? What short-, medium- and long-term ESG risks does the company's business face? What is

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<sup>12</sup>All of these variables are defined in [Appendix A](#).



the company's strategy/policies to manage the risks relative to industry peers? What is the evidence that these risks are being managed? Governance assessment is not industry specific, while environmental and social risks vary across industries. For example, health and safety are very important for the energy industry but not for the information technology industry.

MSCI scores have been used in a number of recent studies.<sup>13</sup> As discussed by Pástor, Stambaugh, and Taylor (2020) and Eccles and Strohle (2018), using MSCI data has several advantages. MSCI is the world's largest provider of ESG ratings. The MSCI ESG ratings data are used by the largest pension funds, asset managers, consultants, advisers, banks, and insurers. MSCI covers more firms than other ESG raters, such as Asset4 and Sustainalytics. Berg et al. (2021) find that MSCI's ESG scores are one of the least noisy among the eight ESG data vendors they consider.

The environmental score accounts for climate change, natural capital, pollution and waste, and environmental opportunities; the social score includes human capital, product liability, stakeholder opposition, and social opportunities; and governance score includes corporate governance and corporate behavior. We should note that board diversity is part of governance. The weighted average of underlying issues scores is the basis for the scores on the environment, social, and governance pillars. The weighted average of the three pillars' scores is normalized relative to industry peers, and a composite ESG score is calculated. We start our analysis using the industry-adjusted composite MSCI ESG score (*MSCI ESG Score*), which varies from 0 (worst performer) to 10 (best performer). We also obtain the raw MSCI scores on environment (*MSCI Env Score*), social (*MSCI Soc Score*) and governance (*MSCI Gov Score*). Each of these component scores is also a number between 0 (worst) and 10 (best).<sup>14</sup> Based on the composite score, MSCI also provides a letter rating for each company, with values between AAA and CCC. We do not use the letter grades in our analysis.

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<sup>13</sup>This data is a successor to the MSCI KLD data. Some of the studies that employed this data include Lowry, Wang, and Wei (2022), Berg et al. (2021), Eccles and Strohle (2018), and Pástor, Stambaugh, and Taylor (2020).

<sup>14</sup>Similar to the overall ESG score and the three components (E, S, and G) score, the four themes of E, four themes of S, and two themes of G are also scored on a scale of 0 (worst) to 10 (best).

The sample of firms covered by MSCI expanded substantially in late 2012 and hence our study period begins in 2013. The MSCI ESG scores are reported on a monthly basis and we use the most recent rating immediately preceding the month in which the shareholder meeting (and investor voting) took place.

## 2.5 Director Attributes

The BoardEx database is our primary source for individual directors' board responsibilities such as leadership positions and committee assignments, as well as demographic attributes, such as the director's age, gender, and education. Our main measures of board diversity and an individual director's gender are from this data set. Beyond gender, it is not possible to get other proxies for board diversity. BoardEx provides extensive data on the service history and biographical data for individuals who serve as directors of large U.S. corporations. We merge BoardEx with the ISS Voting Analytics database, which has data on director elections. This matching process requires a one-to-one match of individual directors in the two databases. While many matches are handled through machine-based text matching algorithms, manual interventions are necessary both to check matches and resolve ambiguities as shown by [Aggarwal, Dahiya, and Prabhala \(2019\)](#). We employ a similar methodology by first text-matching the director names across the two data sets. We follow up with manual checking to match additional directors for which the two data sets may report the names in slightly different formats (e.g., Edward versus Ed as the first name).

## 2.6 Descriptive Statistics

Our final sample for the aggregate voting outcome of non-routine management-sponsored proposals consists of all firms for which ISS voting analytics reports vote counts (For, Against, and Abstain) and for which we have data from MSCI, CRSP, and Compustat. There are a total of 94,707 management-sponsored non-routine proposals that meet this criterion. The management-sponsored proposals described in [Table 1](#) appear on the ballots across 12,671

meetings for 2,265 unique firms. Panel A of Table 1 is based on the entire sample and provides descriptive statistics of the variables *FracAgainst* and *ISS For*. The mean and median fraction of votes against management-sponsored proposals is 5% and 2%. Most of the time investors are satisfied with management and therefore vote in support. On average, ISS recommends in favor of 90% of management-sponsored proposals. We divide our sample of management-sponsored proposals into two categories: director election related (79% of the full sample) and non-director election related (21% of the full sample). There is one proposal for each individual directors who is up election. Therefore, director election proposals make up a large percentage of management-sponsored proposals. In our sample, 79% of all management proposals are related to director elections. The remaining 21% cover other issues, such as, compensation. Panel B shows that the average fraction of votes against director election proposals is 4%, while ISS support is 91% of such proposals. Panel C reports that non-director election proposals receive 9% against votes, while ISS support is 87% of such proposals.

[Insert Table 1 here]

In Table 2, we provide the descriptive statistics for the firm characteristics (including the composite ESG score and its three components) that make up this sample. The mean and median values for the composite *MSCI ESG Score* are 4.39 and 4.20, respectively. The range is quite large with the 25<sup>th</sup> percentile being 2.90 and the 75<sup>th</sup> percentile at 5.70. This implies there is wide variation in the scores across firms. If we split, the composite score into E, S, and G, governance has the highest average value with the mean *MSCI Gov Score* at 5.26 compared to 4.66 for *MSCI Env Score* and 4.36 for *MSCI Soc Score*. The higher score for governance is not surprising given that considerable attention has been paid to several aspects of governance in the past. In response to the long standing investor concerns on this issue, firms have made improvements on their governance which is reflected in the higher average governance score. In contrast, social attributes that are important for financial performance are difficult to measure and hence it is not surprising that this aspect of performance has only

recently become focus of investor attention. This explains its relatively lower score. We note that the average institutional ownership for the sample of firms is 83%. Thus, institutional investors' have a large impact on the final voting outcome.

[Insert Table 2 here]

### 3 Voting Outcome

We are interested in examining the issues that are important to investors and why investors vote against management-sponsored proposals. We are specifically interested in newer issues that have emerged in recent years. MSCI ESG scores cover a broad range of issues that are supposed to be important for financial performance. As mentioned earlier, environmental issues such as climate change and governance issues such as board diversity have become far more salient to investors in recent years. In addition to management-sponsored proposals, directly supporting a shareholder-sponsored proposal related to ESG issues can be another way for institutional investors to communicate their disagreement with management. However, such proposals are fairly infrequent compared to management-sponsored proposals. Thus, investors can express their opinion far more effectively by voting for or against management-sponsored proposals. Therefore, we start by examining the relation between the firm's ESG composite score and voting outcome for all management-sponsored proposals.

In our analysis, the unit of observation is a unique firm-meeting date-proposal combination. The dependent variable is the fraction of against votes (*FracAgainst*) for the individual proposal, which is calculated as a ratio of the number of "VotedAgainst" divided by the sum of "VotedFor" and "VotedAgainst."<sup>15</sup> The independent variable of interest is *MSCI ESG Score*. In addition, we include several firm-level controls: natural logarithm of total assets

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<sup>15</sup>For most of our observations these two categories ("VotedFor" and "VotedAgainst") account for all the votes cast. For a small number of observations, a third category, "VotedAbstain" is also listed. All our results continue to hold if we include "VotedAbstain" votes as part of "VotedAgainst" and recalculate *FracAgainst* using the updated definition of *VotedAgainst*.

in U.S. dollars ( $\ln(Assets)$ ), sales growth ( $SGrowth$ ), capital expenditure to assets ( $CapEx$ ), return on assets ( $ROA$ ), market to book ( $MB$ ), book leverage ( $Leverage$ ), institutional ownership ( $InstOwnership$ ), and annual stock return minus the value-weighted stock market return ( $Excess Return$ ).<sup>16</sup>

[Insert Table 3 here]

Column 1 of Table 3 shows that the coefficient on *MSCI ESG Score* is negative and statistically significant (at the 1% level), implying that investors are less likely to vote against management at firms with higher aggregate ESG scores. This is also economically significant. As reported in Table 2, the interquartile range for the ESG score in our sample is 2.80, as the cutoffs for the highest and lowest quartiles are 5.70 and 2.90, respectively. The coefficient of  $-0.0013$  implies that for a firm with an ESG score at the highest quartile cutoff, the fraction of against votes decreases by 0.36% compared to an otherwise similar firm with an ESG score at the lowest quartile cutoff.<sup>17</sup> As shown in Table 1, the average fraction of votes withheld in our sample is 5%. Thus, a decrease of nearly 0.36% (i.e., going from 5% to 4.64%) in the fraction of votes against represents an economically significant impact of ESG score on voting outcome. Note that this composite score is relative to industry peers. Also included are firm and year fixed effects, and standard errors are clustered at the firm-level. As has been shown in previous studies, ISS's recommendation is highly influential in voting outcomes. ISS's recommendation and MSCI scores are both likely to consider some of the same attributes, particularly related to governance. In column 2, we report the results from re-estimating the regression including the ISS recommendation as an additional control variable. Not surprisingly, the coefficient for *ISS FOR* is negative and highly significant (at the 1% level), implying that investors are unlikely to vote against a proposal if ISS supports it. However, even after controlling for ISS's recommendation, the coefficient of *MSCI ESG*

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<sup>16</sup>The choice of our firm-level control variables is motivated by earlier studies that have examined director elections, such as Cai, Garner, and Walkling (2009) and Matvos and Ostrovsky (2010). The results are the same when we use other proxies for firm size, such as market capitalization and revenue.

<sup>17</sup>Estimated as 2.8 (interquartile range) times  $-0.0013$  (coefficient of *MSCI ESG Score*).

*Score* is  $-0.0010$  and continues to be statistically and economically significant. This implies that the composite ESG score carries information over and beyond ISS's recommendation and investors reflect this information in their voting decision. We find that, on average, smaller firms and firms with higher institutional ownership get significantly more support for management-sponsored proposals.

[Insert Table 4 here]

We dig deeper in order to understand what aspects of ESG are important for voting purposes. Therefore, we next examine the association between voting outcome and the three components of the composite score, *MSCI Env Score*, *MSCI Soc Score*, and *MSCI Gov Score*. The results are reported in Table 4. The component scores are no longer industry adjusted as MSCI only reports raw component scores. Hence, our first set of estimates include industry and year fixed effects, which are reported in columns 1 through 3 of Table 4. The coefficients of *MSCI Env Score* and *MSCI Soc Score* are not significant, implying that they are not related to voting outcome. The coefficient of *MSCI Gov Score* (column 3) is negative and significant (at the 1% level), indicating that the management of firms with high performance on governance issues is less likely to be opposed. We next include ISS recommendation as an additional control variable while retaining the industry and year fixed effects. The coefficient for *MSCI Gov Score* (column 6) continues to be negative and significant (at the 1% level).

In columns 7 through 9 of Table 4, we report the results with firm and year fixed effects excluding the ISS recommendation, while columns 10 to 12 report the same estimation with the addition of the ISS recommendation. Again, we find that, even in this highly restrictive specification, *MSCI Gov Score* continues to be negative and significant (columns 9 and 12). The coefficients for *MSCI Gov Score* range from  $-0.0052$  to  $-0.0006$  across different specifications, implying an economically significant impact on the fraction of against votes. The interquartile range for *MSCI Gov Score* is 2.2 and a coefficient of  $-0.0052$  implies a decrease of over 1% in the fraction of against votes. Our results show that it is the governance

aspect of ESG that is most important for voting purposes. Governance issues are considered global by MSCI and are applied to all firms. This finding is not surprising given that currently MSCI places a minimum weight of 33% on governance issues in its calculation of *MSCI ESG Score*, and for many firms it is even higher. Overall, we conclude that governance attributes matter significantly for voting outcome, while environmental and social attributes have no significant effect. As has been shown in previous studies (e.g., [Aggarwal, Dahiya, and Prabhala, 2019](#)), ISS's recommendation already captures many of the governance issues that are of concern to investors. However, even after controlling for the proxy advisor's recommendation, the coefficient on the broader *MSCI Gov Score* continues to be significant. The results suggest that our governance measure is capturing attributes above and beyond what ISS accounts for.

### 3.1 Holding Directors Responsible

If investors are not satisfied with a firm's environmental, social, or governance policies, shareholders have the option of submitting shareholder-sponsored proposals. Several studies, including [He, Kahraman, and Lowry \(2021\)](#) and [Li, Naaraayanan, and Sachdeva \(2021\)](#), have examined the outcome of shareholder-sponsored proposals. Anecdotal evidence discussed earlier indicates that many institutional investors express their displeasure with a firm's policies not by showing support for shareholder-sponsored proposals, but rather by holding directors accountable and voting against them. In the case of ExxonMobil, three of the director nominees put forward by management were not reelected; activist investor Engine One's director nominees were elected instead. We analyze whether directors are held accountable for ESG issues by splitting all management-sponsored proposals into two groups: director elections and non-director elections, and repeating the analysis above for each group separately.

[Insert Table 5 here]

Columns 1 and 2 of Table 5 report the results for only director elections proposals. The estimates include firm and year fixed effects and standard errors are clustered at the firm level. The coefficient of *MSCI ESG Score* is  $-0.0014$  and is significant at the 1% level even after controlling for the proxy advisor's recommendation. This is economically significant as well. Given the interquartile range of 2.80 for *MSCI ESG Score*, this coefficient implies a reduction of almost 0.4% in *FracAgainst* for a firm in the highest quartile compared to an otherwise similar firm in the lowest quartile. On the other hand, for the group of non-director elections proposals, the coefficient of *MSCI ESG Score* is not significant. As seen in columns 3 and 4 of Table 5, for non-director election proposals, the composite ESG performance is not related to voting outcomes even before controlling for the proxy advisor's recommendation. These results imply that it is individual directors who are being held accountable for a broader set of issues that concern investors today. The newer, more comprehensive measures are important in determining the outcome of voting in director elections. Hence, if there are concerns about the firm's policies regarding these issues, directors are held accountable by investors. These results are consistent with the earlier anecdotal examples discussing why investors vote against directors. Based on the significance of director elections, the rest of our analysis focuses only on director election proposals.

[Insert Table 6 here]

The board of directors of a firm include both executive and non-executive directors. The CEO of the firm is a member of the board, in addition, there may be other executives on the board. The CEO is not considered an independent director and hence cannot serve on the audit, nominating and governance, and compensation committees. We examine whether the CEO is held responsible in the same way as the other board members. We include a dummy variable for CEO, *CEO*, that takes the value of one if the director up for election is also the firm's CEO, and zero otherwise. As shown in column 1 of Table 6, the coefficient of *CEO* is negative ( $-0.0115$ ) and significant when we do not include *ISS For*. Both the magnitude and the significance level of the *CEO* coefficient remains largely unchanged even



after inclusion of *ISS For* (column 2). Taken together, these results suggest that CEO director receive less dissent votes. The coefficients of  $-0.0118$  in column 2 implies that the CEO receives an additional 1% support compared to a similar non-CEO individual director. These results indicate that investors hold independent directors more accountable than the CEO. This pattern is consistent with institutional investors holding directors responsible for their stated role. For example, it is members of the nominating committee that are held responsible for lack of board diversity and not the CEO who is not on the committee. Thus, investors would not hold the CEO accountable for diversity related issues. In addition, independent board members represent the interest of shareholders and are responsible for hiring and firing the CEO. Our results are different from some of the previous literature based on different samples that do not find any difference between voting for CEO versus other non-CEO directors (e.g., [Ertimur, Ferri, and Oesch, 2018](#)).

[Insert Table 7 here]

We now turn to the specific aspects of ESG that are associated with voting for directors. Table 7 reports these results. We find that it is only the coefficient for *MSCI Gov Score* that is statistically significant for director election proposals with industry and year fixed effects (columns 1-6) as well as for firm and year fixed effects (columns 7-12). This confirms the role of governance as the primary issue affecting voting outcomes in director elections similar to the results for all management sponsored proposals we saw in Table 4. Therefore, we largely focus on the relation between *MSCI Gov Score* and voting outcome for director elections proposals going forward.

[Insert Figure 2 here]

A reasonable concern about our analysis could be that the results are being driven by governance characteristics that have been studied earlier and not by a different set of issues (e.g., [Cai, Garner, and Walkling, 2009](#)). However, we believe that the MSCI ESG score in

general, and its measurement of governance in particular, is much broader in scope than traditional proxies for governance (e.g., Entrenchment Index) used in earlier work. To illustrate this, for every year in our sample, we retain all firms that have both the Entrenchment Index (hereafter *E-Index*) and *MSCI Gov Score* available. Each year, we regress the reported *E-Index* against the *MSCI Gov Score*. Figure 2 plots the coefficients from these regressions and their 95% confidence interval for each year in the sample. The results are striking: the coefficients across all years range from 0.03 (year 2021) to  $-0.08$  (year 2013) and are clustered tightly around zero. This analysis shows that the traditional *E-Index* has little overlap with *MSCI Gov Score* and the two measures appear to capture distinct attributes of governance. Therefore, for robustness we reestimate the regression controlling for a firm's *E-Index*.

[Insert Table 8 here]

The results after explicitly controlling for the *E-Index* by including it as an independent variable are reported in Table 8. Columns 1 (without ISS recommendation) and 2 (with ISS recommendation) present the results with industry and year fixed effects. Columns 3 (without ISS recommendation) and 4 (with ISS recommendation) report the results with firm and year fixed effects. In all specifications, standard errors are clustered at the firm level. Table 8 shows that, even after controlling for ISS's recommendation and the *E-index*, the coefficient of *MSCI Gov Score* ranges from  $-0.0051$  to  $-0.0011$  and continues to be significant at the 1% level. In contrast, the *E-Index* is significant only at the 10% level when both *MSCI Gov Score* and *ISS FOR* are included in the analysis.

We further examine what aspects of governance matter. As mentioned earlier, MSCI's corporate governance score (*MSCI Gov Score*) is an aggregation of two components (i.e., "themes"), *MSCI CG Score* that captures corporate governance and *MSCI CB Score* that captures corporate behavior. We examine which of these two components matters more for director elections. We find that corporate governance structure (*MSCI CG Score*) is significantly related to director election votes, however, corporate behavior (*MSCI CB Score*)

is not significant. We report the results for *MSCI CG Score* in columns 1-4 of Table 9.<sup>18</sup> The coefficient of *MSCI CG Score* is negative and statistically significant at the 1% level in the specifications with industry and year fixed effects and retains the same level of significance when we include firm and year fixed effects. Our results indicate that components that make up *MSCI CG Score*, namely, board size, standards, tenure and diversity, and expertise matter for the voting outcome, while the components that make up *MSCI CB Score*, i.e., business ethics and tax transparency, do not.

[Insert Table 9 here]

### 3.2 Climate Change

Investors have become much more vocal about environmental and social issues and are using voting against directors as one way to communicate any concerns they might have. Their interest is evident from the fact that in 2021 the number of E&S proposals represented a majority of all shareholder-sponsored proposals for Russell 3000 companies. This pattern is only likely to increase because in July 2021 the Securities and Exchanges Commission made it harder for companies to exclude E&S proposals from proxy statements.

Earlier even though we did not find a statistically significant relation between *MSCI Env Score* or *MSCI Soc Score* and voting in director elections, we next examine whether any components of E and S matter.<sup>19</sup> The environmental score (*MSCI Env Score*) is a weighted average of the following four components/themes: climate change, natural capital, pollution and waste, and environmental opportunities. Similarly, the social score (*MSCI Soc Score*) is also composed of four components, namely, human capital, product liability, stakeholder opposition, and social opportunities. Next, we examine which, if any, of these components have a significant relation with director election voting outcomes. We find that none of

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<sup>18</sup>We repeat this analysis for corporate behavior (*MSCI CB Score*) and do not find any significance. To conserve space, we do not report those results.

<sup>19</sup>There is considerable variation across firms when we examine the data availability for each of these components. Some of these are only relevant for a small subset of firms, while other components are relevant for almost all firms. In our analysis, we focus on those components that are reported for almost all firms.

the social components have a significant coefficient when we include them in our baseline regression model.

We next examine the components that make up the *MSCI Env Score*. As shown in columns 5-8 of Table 9, the coefficient on the climate change component (*MSCI Climate Score*) is negative and significant. Our results imply that directors at firms with a better climate change score receive a significantly higher fraction of votes in favor of their election. None of the other sub-categories of environmental performance explains voting outcomes. These results are again consistent with statements by large institutional investors that they will hold directors responsible for climate concerns. For example, Vanguard's guidelines states that it will vote against relevant directors for oversight failure:<sup>20</sup>

To assess a climate risk oversight failure, factors for the fund to consider include: the materiality of the risk; the effectiveness of disclosures to enable the market to understand and price the risk; whether the company has disclosed business strategies including reasonable risk mitigation plans in the context of the anticipated regulatory requirements and changes in market activity in line with the Paris Agreement or subsequent agreements; and consideration for company-specific context, market regulations, and expectations. The fund will also consider the board's overall governance of and effective independent oversight of climate risk.

Within environment, climate related proposals receive the most attention. In 2021, they were the most frequently filed type of shareholder-sponsored proposal, and also received the most support among the environment and social category. Our results lead us to conclude that the MSCI ESG scores are capturing a different set of issues today, such as climate change, and that directors are being held accountable for these newer issues in addition to issues that existed in the past. If investors view the firm as not doing an adequate job on these emerging issues, then they vote against directors. Even though, on average, directors receive very high support for reelection, they do face consequences of investor opposition. Aggarwal, Dahiya, and Prabhala (2019) have shown that negative votes have consequences for individual directors in terms of higher turnover, committee assignments,

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<sup>20</sup>[https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us\\_proxy\\_voting\\_2023.pdf](https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_2023.pdf)

and fewer opportunities for directorships at other firms.

### 3.3 Institutional Investor Rationale and Voting

We next examine the relation between voting rationale provided by institutional investors and director elections. As described in Section 2.2, we have collected data for individual investors' voting rationale. Since our analysis focuses on aggregate votes for a specific proposal, for many proposals in our rationale data set there are more than one investor who votes against the proposal and provides the rationale. To aggregate such cases at the proposal level we create four dummy variables. The first is *RationaleDiversity*, that takes the value of one if there is at least one investor whose rationale mentions board diversity as a reason for its "Against" vote, and zero otherwise. Similarly, *RationaleIndependence* takes the value of one if there exists one or more investors whose rationale includes board independence, and zero otherwise; *RationaleBusyness* takes the value of one if there exists one or more rationale mentions board busyness, and zero otherwise; and finally *RationaleTenure* takes the value of one if at least one investor's rationale mentions length of service, and zero otherwise.

Table 10 shows the results using the four rationale categories, board diversity, board independence, director busyness, and tenure. The dependent variable is the fraction of votes against an individual director, *FracAgainst*. Results are reported with firm and year fixed effects, and standard errors are clustered at the firm-level.<sup>21</sup> In each case, with and without controlling for ISS's recommendation, the coefficient of each of the rationale category, *RationaleDiversity*, *RationaleIndependence*, *RationaleBusyness*, and *RationaleTenure* is positive and significant at the one percent level. These results suggest that institutional investors voice their concerns by being transparent and publicly communicating their dissatisfaction by providing a rationale for why they are voting against a director. Thus, the disapproval is significantly greater for an individual directors, where at least one institutional investor has provided a public rationale for against vote. In addition, our results shows that institutional

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<sup>21</sup>The results remain unchanged if we use industry and year fixed effects instead.

investors use the ballot box and vote against individual directors to express their dissatisfaction. Interestingly, expression of investor concerns translates into tangible responses by the firms. For example, [Michaely, Rubio, and Yi \(2023\)](#) find that such actions by investors lead firms to take actions to address investor concerns.

[Insert Table 10 here]

### 3.4 Board Diversity

As shown earlier, institutional investors vote against individual directors if they are concerned about board diversity at a firm. If there is dissatisfaction, they typically target members of the board that serve on the nominating committee. For example, in 2021-2022, the asset manager Nuveen voted against several directors at Fox Corporation, Discovery, Charter Communications, and several other firms due to concerns about board diversity. In almost 25% of the cases where dissent votes were cast against directors, they gave lack of board diversity as the rationale. Proxy advisory firm, Glass-Lewis now recommends voting against the chair of the nominating committee of Russell 3000 firms if a 30% threshold is not met for diversity.

We use the BoardEx data to further study board diversity. Given the data limitations, we are constrained to study diversity only along the gender dimension as it is the only diversity related variable reported by BoardEx. We create a variable, *FracFemale*, that measures the fraction of a firm's board members that are identified by BoardEx as female. As shown in [Figure 3](#), board diversity has improved considerably over the years, however, much more work is still needed. During the last decade, the proportion of female board members has gone from about 10% in 2013 to 25% in 2021 for our sample of firms. A steep increase is seen after 2017 when the big three, BlackRock, State Street and Vanguard made a big push for diversity (see, e.g., [Gormley et al., 2023](#)). Going forward, it will be interesting to see the impact of the recent policy by Glass Lewis and also Nasdaq's board diversity listing requirements.

[Insert Figure 3 here]

To examine the association between board diversity and voting outcome, we use *FracFemale*, that measures the proportion of female board members at a firm as our key explanatory variable in the regression. As seen in results reported in Table 11, the coefficient for *FracFemale* ranges from  $-0.0386$  to  $-0.0793$  and is significant at the 1% level. The negative coefficient suggests lower investor dissent for directors of firms with higher female board representation. This implies that the directors at firms with a lower proportion of female board members receive less support from investors.

In columns 3 and 4 of Table 11, we also include the variables *NomComm* and the interaction term *FracFemale* $\times$ *NomComm*. The coefficient of *NomComm* is positive implying that board members who serve on the nominating committee are more likely to get dissent votes. In addition, in each of the specifications, the coefficient of the interaction term is negative and significant. This implies that board members who serve on the nominating committee at firms that score lower on board diversity are even more likely to be held responsible for lack of diversity. This makes sense because the nominating committee is responsible for recruiting board members and for board composition. Columns 5 and 6 of Table 11 include the explanatory variables, *RationaleDiversity* and the interaction term *FracFemale* $\times$ *RationaleDiversity*. The coefficient of *RationaleDiversity* is positive and significant indicating that if there is concern about diversity then individual directors get more dissent votes. The negative coefficient for the interaction term implies that if the board lacks diversity (i.e., low value of *FracFemale*) and at least one institutional investor mentions the diversity issue as rationale for its against vote then the director will get even more dissent votes.<sup>22</sup> Our results indicate that shareholders care about board diversity and use their votes to bring about change. In addition to board diversity, other aspects of corporate governance also matter, as indicated by the positive and statistically significant coefficient of *MSCI CG Score*.

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<sup>22</sup>The results remain unchanged if we use industry and year fixed effects. To conserve space, we do not report these results, but they are available on request.

[Insert Table 11 here]

While the results in Table 11 examine overall board diversity and its impact on individual director election voting outcome, we extend this analysis by directly controlling for individual director characteristics both in terms of their board responsibilities (e.g., committee memberships) as well as demographic attributes such as, gender, age, and education. Previous studies have shown that several individual director attributes (e.g., Cai, Garner, and Walkling, 2009; Aggarwal, Dahiya, and Prabhala, 2019) impact director elections. We estimate our baseline regression specification with these additional controls for individual director characteristics. Specifically, we create a dummy variable, *Female*, that equals one if the director facing election is female, and zero otherwise. This allows us to examine the role of board diversity in an alternative way.

[Insert Table 12 here]

As shown in Table 12, similar to earlier studies, we also find that a director's age, tenure, committee assignments, number of directorships, and expertise are significantly related to director election outcomes. However, unlike previous studies (e.g., Cai, Garner, and Walkling, 2009) that found that gender does not matter, we find that it does. We first report our results for industry and year fixed effects in column 1 (without ISS recommendation) and column 2 (with ISS recommendation). Columns 3 and 4 repeat the same analysis using firm and year fixed effects. The coefficient for *Female* is negative and significant at the 1% level across every specification. Thus, female directors are significantly less likely to get an unfavorable vote. The coefficient for *Female* varies from  $-0.0087$  to  $-0.0053$ . Thus a director's gender is a significant factor for voting outcome for that director, both statistically and economically. On average, a female director gets 0.5% lower disapproval compared to an otherwise similar director at the same firm but who happens to be a male. Finally, the results in Table 12 show that, even after controlling for board diversity and individual director characteristics, the coefficient of *MSCI CG Score* is negatively related to an adverse voting outcome.



The proportion of female directors has increased in recent years. Thus, it is possible that a larger fraction of female directors are either new in their position (i.e., short tenure) or have not been given leadership positions within the board (e.g., board chairperson, serving on important committees). Our finding of less dissent against female directors may partly be driven by their relatively shorter tenure and/or lack of board leadership roles. While we control for these attributes by including them in our regression results reported in Table 12, we explore the interaction of these factors and director gender more fully in Table 13. For example, members of the nominating committee are held responsible for board diversity and therefore are more likely to receive dissent votes. To examine how gender and membership of nominating committee jointly impact the voting outcome, we create an interaction variable, *Female*×*NomComm*, where *NomComm* is a dummy variable that equals one if the director is on the nominating committee. We create similar interaction terms with *BoardLead* (equals one if director is board chairperson, and zero otherwise), *Tenure* (number of years on the board), and *CompComm* (equals one if member of compensation committee, and zero otherwise). We estimate our baseline regression specification with these additional interaction terms. As shown in Table 13, we find that the coefficient for *Female* continues to be negative and significant at the 1% level across all specifications. The interaction term, *Female*×*BoardLead*, is not statistically significant after controlling for ISS's recommendation (columns 2 and 4). Thus, if the female director serves in the leadership role of chair or lead independent director of the board, then she does not receive any incremental support over and above the support given to any female director on average. The interaction term, *Female*×*Tenure*, is either not significant or is positive and significant. This finding indicates that long-serving female members are also held accountable and are more likely to receive dissent votes than their male counterparts. However, we find that female directors who serve on the nominating committee are likely to get less dissent votes as the interaction term, *Female*×*NomComm*, is negative and significant in three out of four specifications. It is possible that by having female members on the nominating committee investors are

hopeful that progress will be made on board diversity and therefore they prefer to continue supporting female directors on the committee. The coefficient for the interaction term *Female*×*CompComm* is not significant in any of the specifications. Overall, these results are consistent with industry practice as we find that investors hold directors accountable for a broader set of issues today, that include climate and diversity.

[Insert Table 13 here]

## 4 Shareholder Discontent

There can be several reasons for shareholder concerns regarding a particular firm. Shareholders have the option of putting forth proposals to be voted on. Investors can express their concerns with management by voting in support of shareholder-sponsored proposals in lieu of or in addition to voting against directors. We use the presence of a shareholder-sponsored proposal at an annual meeting (i.e., on the ballot) as a proxy for shareholder discontent. In our sample, roughly 13% of annual meetings included at least one shareholder proposal on the ballot. To capture the impact of shareholder-sponsored proposals, we create a dummy variable, *SH Proposal*, that equals one if there was a shareholder-sponsored proposal on the ballot, and zero otherwise. Thus, for example, if the ballot had four non-routine management-sponsored proposal (e.g., elect directors, compensation etc.) and one or more shareholder proposal(s), *SH Proposal* would equal one for all four management-sponsored proposal observations. On the other hand, if there were no shareholder proposals on the ballot, *SH Proposal* would equal zero for these observations.

In Table 14, we examine the two subsamples of firms where *SH Proposal* is equal to zero (i.e., there were no shareholder-sponsored proposals on the ballot at that meeting) versus the firms where *SH Proposal* equals one (i.e., there was at least one shareholder-sponsored proposal up for voting on the ballot). Shareholder-sponsored proposals on the ballot tend to be at larger firms based on reported total assets. The average book value of assets

of firms that have a shareholder-sponsored proposal is significantly larger compared to the average book value of assets of firms that do not have any shareholder proposal on the ballot. Relative to all firms, those that have shareholder-sponsored proposals tend to have better accounting performance as proxied by ROA but worse market performance as measured by excess returns. All of these differences are statistically significant. The mean and median composite *MSCI ESG Score* is 4.35 and 4.20 for firms that do not have a shareholder-sponsored proposal on the ballot. The average E, S, and G scores for this group of firms are 4.59, 4.39, and 5.28, respectively. Interestingly, both the mean and median composite *MSCI ESG Score* are higher for firms that have shareholder-sponsored proposals relative to those that only have management proposals. A similar pattern is observed for the E score, however, firms with shareholder proposals, on average, have lower scores on S and G. All the differences are statistically significant.

[Insert Table 14 here]

To examine whether *SH Proposal* as a proxy for shareholder discontent is a significant factor in voting outcome, we include it in the baseline regression specification. As reported in column 1 of Table 15, the coefficient of *SH Proposal* is positive and significant, indicating that the mere presence of a shareholder-sponsored proposal results in less support for directors. These results continue to hold even after controlling for ISS's recommendation, as seen in column 2 of Table 15. Similar results are obtained when firm and year fixed effects are included, as shown in columns 3 and 4. Across all specifications, the coefficient of *SH Proposal* ranges from 0.0094 to 0.0052, implying that, holding all else constant, the mere presence of a shareholder proposal increases the disapproval rate by over 0.5%. The results suggest that, when shareholders are discontent (using the presence of a shareholder-sponsored proposal as a proxy for this discontent), management-sponsored directors receive fewer positive votes.

[Insert Table 15 here]

Next, we examine whether the type of shareholder-sponsored proposal matters. We decompose the *SH Proposal* variable into two separate variables. We create a dummy variable, *SRI Proposal*, that takes the value of one if the shareholder-sponsored proposal is classified as an *SRI proposal* by ISS, and zero otherwise. Similarly, we create a dummy variable, *GOV Proposal*, that takes the value of one if the shareholder-sponsored proposal is classified as a governance proposal by ISS, and zero otherwise. The motivation is to examine what types of shareholder-sponsored proposals are associated with less support for directors. As shown in columns 1-4 of Table 16, we find that it is the presence of shareholder-sponsored governance proposals that is associated with less support for management. The presence of SRI proposals does not matter for voting outcome. We also examine whether the type of sponsor matters. If the sponsor of the shareholder proposal is not an individual, then the dummy *Non Ind Proposal* takes the value of one, and zero otherwise. As shown in columns 5-6 of Table 16, who sponsors the shareholder proposal does not matter for the voting outcome of director elections. We also use dummy variables for other types of shareholder proposal sponsors, including pension funds, religious organizations, and unions, and find that the identity of the sponsor for shareholder proposals is not related to voting outcome.<sup>23</sup>

[Insert Table 16 here]

## 5 Conclusion

Institutional investors employ several different strategies to convey their dissatisfaction with a firm's management. While existing studies have explored investors' private engagement and support for shareholder proposals as potential communication channels, we explore the investors' support (or lack thereof) for management-sponsored proposals as a potential communication channel for investor unhappiness. Specifically, we show that today investors hold individual directors responsible for new and emerging issues that were not a concern

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<sup>23</sup>To conserve space, we do not report these results, but they are available on request.

in the past. The newer proxies for ESG, such as MSCI ESG scores, include a more comprehensive set of issues than were examined in the past. Holding all else constant, moving from the lowest to the highest quartile of ESG score yields a decrease in disapproval percentage (fraction of against votes) of 0.36%, an economically significant change given that the sample average for such disapproval fraction is 5%. We find no such evidence for non-director election proposals.

Voting outcome is primarily driven by concerns about governance. Our proxy for governance captures a much wider set of issues, such as the board diversity, tenure, skills, accounting, and business ethics. This proxy is uncorrelated with measures of governance used in the literature, and continues to be significant even after controlling for the traditional measures.

In recent years, some large institutional investors, including mutual funds, pension funds, university endowments have voluntarily started to provide rationale for their voting decisions, especially when they vote against a proposal. We use this unique data to directly examine the reasons for their concerns and the impact on voting. Board diversity is the most frequently cited reason for voting against management-sponsored director election proposals. We find directors at firms with less board diversity receive less support from shareholders. In particular, members of the nominating committee are held responsible for lack of diversity and they receive even fewer votes. In cases where a rationale is provided by an institutional investor with regard to diversity, busyness, tenure or independence we find more dissent votes against directors. Institutional investors are being transparent about why they vote against a director and they are also using the power of their vote to bring about change. These efforts have resulted in more diverse boards in the last few years with female board members now making up more than 25% of the board.

We also find that female directors receive significantly higher support when compared to otherwise similar male directors at the same firm. This is in contrast to past studies focusing on earlier sample periods that did not find any significant gender effects on voting outcomes.

This advantage is found even for female board members that serve on the nominating committee. However, it does not exist for those that are chair or lead independent director of the board or those with long tenure.

While the broader environmental score that captures climate change, natural capital, pollution and waste, and environmental opportunities is not significantly related to voting outcome, the specific component that captures climate change is significant. This component captures issues related to carbon emissions, product carbon footprint, financing environmental impact, and climate change vulnerability. Even though social issues have gained attention and have become important, we do not find any relation between specific social issues related to human capital, product liability, stakeholder opposition, and social opportunities and voting outcome.

The presence of a shareholder-sponsored proposal on the ballot is another way for shareholders to express dissatisfaction with management. If there is a shareholder proposal on the ballot, then individual directors facing elections that year receive significantly lower support. It is specifically the presence of governance-related shareholder-sponsored proposals that is associated with lower votes for directors. In contrast, SRI proposals and the sponsor of the proposal do not matter for voting outcome. These findings suggest that it is not sufficient to only examine voting in support of shareholder-sponsored proposals.

Overall, we conclude that individual directors are being held accountable for emerging issues such as board diversity and climate change, however, not for social issues. We find that shareholders use their voice both in the form of shareholder-sponsored proposals and holding management-sponsored directors accountable. The votes have real consequences for directors, as has been shown in previous studies. Large institutional investors are not simply greenwashing on issues of climate change and diversity, but are using their vote effectively if they have concerns.

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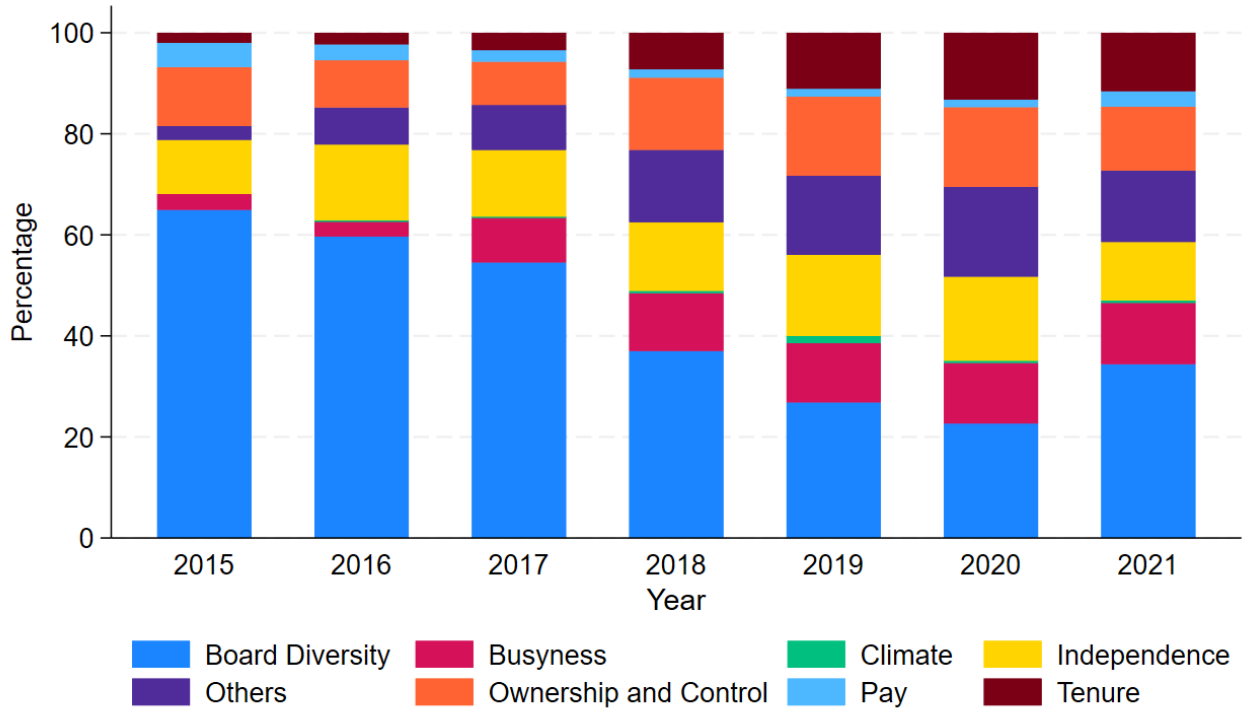


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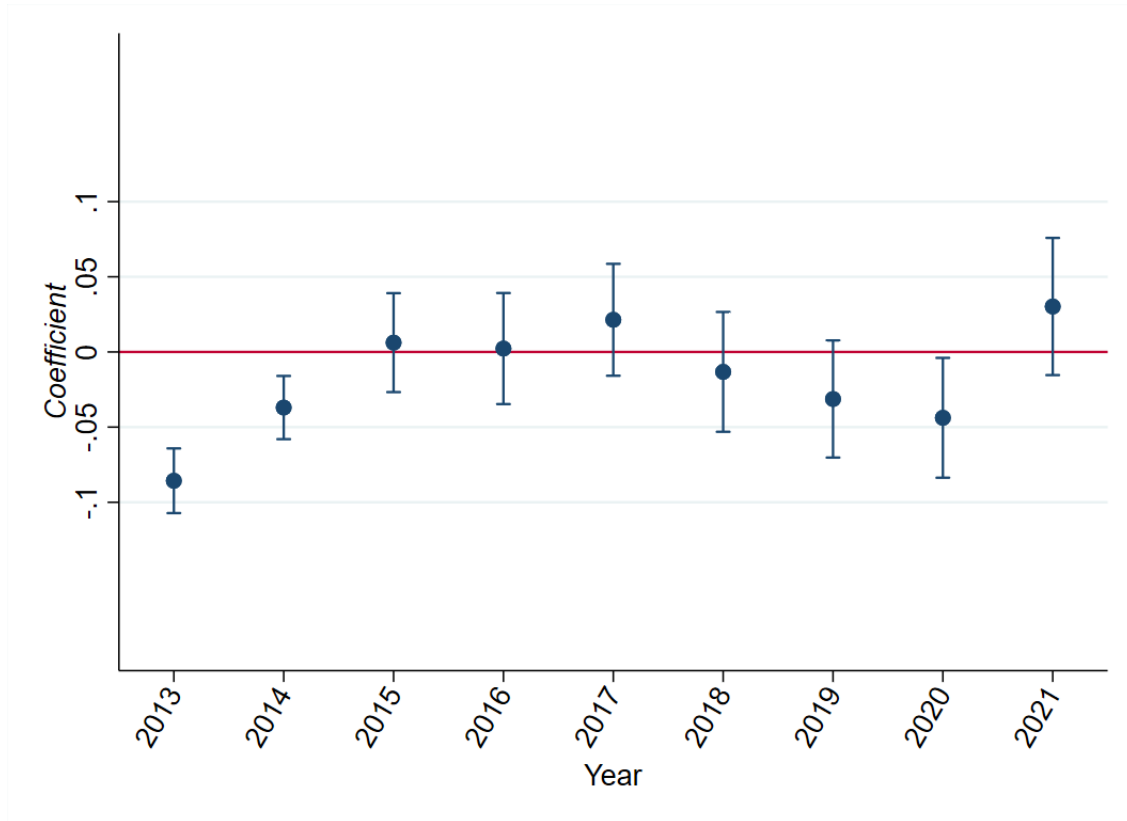
**Figure 1**  
**Relative Frequency of Institutional Investor Voting Rationales**

This plot shows the relative frequency of the different voting rationales provided by institutional investors for voting against a director. The sample is based on management-sponsored director election proposals during the period 2015-2021.



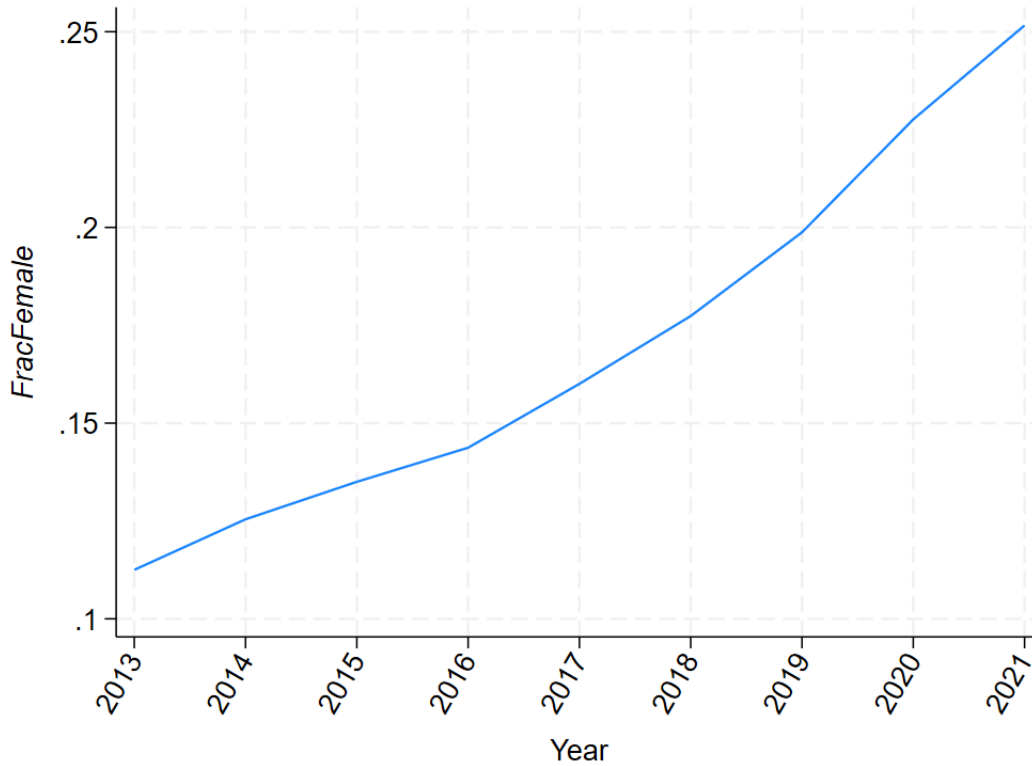
**Figure 2**  
**E-Index and MSCI Gov Scores**

The figure reports the estimated coefficients of a regression of *E-Index* on *MSCI Gov Score* for each year in our sample period, as well as the 95% confidence intervals. *E-Index* is the sum of six anti-takeover provisions, restricting shareholder rights introduced by [Bebchuk et al. \(2009\)](#). The index is based on six governance attributes—staggered boards, limits to shareholder by-law amendments, supermajority requirements for mergers, supermajority requirements for charter amendments, poison pills, and golden parachutes—and is constructed so that it increases as the firm-level governance worsens.



**Figure 3**  
**Evolution of Female Representation in Corporate Boards**

The figure shows the evolution of the fraction of board represented by female directors, *FracFemale*, over our sample period. For each year in our sample period, we note the gender of all directors on the board of a firm in our sample. We then estimate *FracFemale* by dividing the number of female directors by the total number of directors on the board.



**Table 1**  
**Proxy Voting Characteristics**

The table shows descriptive statistics for the sample of aggregate votes for management-sponsored non-routine proposals. The sample includes all annual shareholder meetings from January 2013 to December 2021. We exclude financials (SIC codes 6000-6999) and utilities (SIC codes 4800-4999). The data on proposals, votes received, and proxy recommendations is from the ISS Voting Analytics database. This data was merged with CRSP, Compustat, and MSCI ESG ratings data to obtain firm-level characteristics. “Count” is the number of observations. *FracAgainst* is the proportion of votes against the proposal; *ISS FOR* is a dummy variable that takes the value of one if ISS recommends support for the proposal, and zero otherwise. Panel A reports the data for the full sample of management-sponsored proposals. Panels B and C report the descriptive statistics for sub-samples of director election proposals and non-director election proposals, respectively.

<b>Panel A: All Management-Sponsored Proposals</b>						
	Count	Mean	Sd	p25	Median	p75
<i>FracAgainst</i>	94,707	0.05	0.09	0.01	0.02	0.05
<i>ISS FOR</i>	94,707	0.90	0.29	1.00	1.00	1.00

<b>Panel B: Management-Sponsored Director Election Proposals</b>						
	Count	Mean	Sd	p25	Median	p75
<i>FracAgainst</i>	75,127	0.04	0.07	0.01	0.02	0.04
<i>ISS FOR</i>	75,127	0.91	0.28	1.00	1.00	1.00

<b>Panel C: Management-Sponsored Non-Director Election Proposals</b>						
	Count	Mean	Sd	p25	Median	p75
<i>FracAgainst</i>	19,580	0.09	0.12	0.02	0.04	0.10
<i>ISS FOR</i>	19,580	0.87	0.34	1.00	1.00	1.00

**Table 2**  
**Firm Characteristics and ESG Scores**

The table shows descriptive statistics for the firms that make up our sample of non-routine management-sponsored proposals from ISS Voting Analytics. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021. We exclude financials (SIC codes 6000-6999) and utilities (SIC codes 4800-4999). The sample is based on data after merging the ISS Voting Analytics data with CRSP, Compustat, and MSCI ESG ratings.

	Mean	Sd	p25	Median	p75
<i>ln(Assets)</i>	7.52	1.58	6.37	7.42	8.52
<i>SGrowth</i>	0.12	0.43	-0.02	0.06	0.16
<i>CapEx</i>	0.04	0.05	0.01	0.03	0.05
<i>ROA</i>	0.08	0.18	0.06	0.11	0.16
<i>MB</i>	2.61	1.96	1.37	1.93	3.07
<i>Leverage</i>	0.26	0.21	0.07	0.24	0.39
<i>Excess Return</i>	0.08	0.84	-0.22	-0.01	0.21
<i>InstOwnership</i>	0.83	0.19	0.74	0.87	0.95
<i>MSCI ESG Score</i>	4.39	1.92	2.90	4.20	5.70
<i>MSCI Env Score</i>	4.66	2.01	3.20	4.50	6.00
<i>MSCI Soc Score</i>	4.36	1.50	3.40	4.30	5.30
<i>MSCI Gov Score</i>	5.26	1.84	4.00	5.20	6.20
Count	12,324				

**Table 3**  
**Voting and ESG Performance**

The estimates from the regression analysis based on all votes cast for each management-sponsored, non-routine proposals are presented. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise; *MSCI ESG Score* is the industry-adjusted composite ESG score. Other variables are described in Appendix A. Both columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)
<i>ISS FOR</i>		-0.2111*** (0.0052)
<i>MSCI ESG Score</i>	-0.0013*** (0.0005)	-0.0010*** (0.0004)
<i>ln(Assets)</i>	0.0039* (0.0021)	0.0048*** (0.0017)
<i>SGrowth</i>	-0.0005 (0.0019)	-0.0011 (0.0017)
<i>CapEx</i>	-0.0324 (0.0240)	-0.0409** (0.0195)
<i>ROA</i>	-0.0063 (0.0101)	0.0052 (0.0078)
<i>MB</i>	-0.0015** (0.0007)	-0.0008 (0.0006)
<i>Leverage</i>	-0.0049 (0.0063)	-0.0096* (0.0056)
<i>Excess Return</i>	-0.0016** (0.0006)	-0.0010 (0.0006)
<i>InstOwnership</i>	-0.0350*** (0.0081)	-0.0120* (0.0066)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	91,654	91,654
Adjusted $R^2$	0.2046	0.5229



**Table 4**  
**Voting and ESG Components**

The estimates from the regression analysis based on all votes cast for each management-sponsored, non-routine proposals are presented. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use the raw scores on environment (*MSCI Env Score*), social (*MSCI Soc Score*), and governance (*MSCI Gov Score*). Other variables are described in Appendix A. Columns 1-6 include industry and year fixed effects, and columns 7-12 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>ISS FOR</i>				-0.1906*** (0.0053)	-0.1907*** (0.0053)	-0.1896*** (0.0052)				-0.2111*** (0.0052)	-0.2111*** (0.0052)	-0.2110*** (0.0052)
<i>MSCI Env Score</i>	-0.0005 (0.0005)			-0.0000 (0.0004)			0.0001 (0.0004)			0.0000 (0.0003)		
<i>MSCI Soc Score</i>		-0.0003 (0.0005)			0.0003 (0.0004)			0.0002 (0.0005)			0.0005 (0.0004)	
<i>MSCI Gov Score</i>			-0.0052*** (0.0005)			-0.0015*** (0.0003)			-0.0017*** (0.0003)			-0.0006*** (0.0003)
<i>ln(Assets)</i>	-0.0053*** (0.0007)	-0.0055*** (0.0007)	-0.0056*** (0.0007)	-0.0019*** (0.0006)	-0.0019*** (0.0006)	-0.0019*** (0.0006)	0.0040* (0.0021)	0.0040* (0.0021)	0.0039* (0.0021)	0.0049*** (0.0017)	0.0049*** (0.0017)	0.0048*** (0.0017)
<i>SGrowth</i>	0.0046** (0.0019)	0.0046** (0.0019)	0.0046** (0.0019)	-0.0010 (0.0016)	-0.0010 (0.0016)	-0.0010 (0.0016)	-0.0006 (0.0019)	-0.0006 (0.0019)	-0.0005 (0.0019)	-0.0012 (0.0017)	-0.0012 (0.0017)	-0.0011 (0.0017)
<i>CapEx</i>	0.0021 (0.0193)	0.0023 (0.0193)	-0.0000 (0.0184)	-0.0266 (0.0179)	-0.0263 (0.0179)	-0.0271 (0.0177)	-0.0338 (0.0240)	-0.0338 (0.0240)	-0.0364 (0.0238)	-0.0419** (0.0195)	-0.0420** (0.0195)	-0.0429** (0.0194)
<i>ROA</i>	-0.0415*** (0.0087)	-0.0413*** (0.0087)	-0.0383*** (0.0086)	-0.0068 (0.0063)	-0.0068 (0.0063)	-0.0061 (0.0063)	-0.0066 (0.0101)	-0.0066 (0.0101)	-0.0054 (0.0101)	0.0050 (0.0078)	0.0051 (0.0078)	0.0054 (0.0078)
<i>MB</i>	-0.0013** (0.0006)	-0.0013** (0.0006)	-0.0010 (0.0006)	-0.0017*** (0.0005)	-0.0017*** (0.0005)	-0.0016*** (0.0005)	-0.0016** (0.0007)	-0.0016** (0.0007)	-0.0015** (0.0007)	-0.0008 (0.0006)	-0.0009 (0.0006)	-0.0008 (0.0006)
<i>Leverage</i>	-0.0016 (0.0045)	-0.0014 (0.0045)	-0.0022 (0.0043)	-0.0064 (0.0045)	-0.0063 (0.0045)	-0.0066 (0.0045)	-0.0050 (0.0063)	-0.0051 (0.0063)	-0.0055 (0.0063)	-0.0096* (0.0056)	-0.0097* (0.0056)	-0.0098* (0.0056)
<i>Excess Return</i>	0.0000 (0.0009)	0.0000 (0.0009)	0.0001 (0.0008)	0.0004 (0.0008)	0.0004 (0.0008)	0.0004 (0.0008)	-0.0016** (0.0006)	-0.0016** (0.0006)	-0.0016** (0.0006)	-0.0010 (0.0006)	-0.0010 (0.0006)	-0.0010 (0.0006)
<i>InstOwnership</i>	-0.0190*** (0.0051)	-0.0188*** (0.0052)	-0.0115** (0.0049)	0.0234*** (0.0052)	0.0235*** (0.0052)	0.0253*** (0.0052)	-0.0355*** (0.0082)	-0.0355*** (0.0082)	-0.0342*** (0.0081)	-0.0124* (0.0066)	-0.0125* (0.0066)	-0.0120* (0.0066)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
Firm FE	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	91,656	91,656	91,651	91,656	91,656	91,651	91,654	91,654	91,649	91,654	91,654	91,649
Adjusted <i>R</i> <sup>2</sup>	0.0695	0.0695	0.0784	0.4135	0.4135	0.4142	0.2045	0.2045	0.2051	0.5228	0.5228	0.5229

**Table 5**  
**Director Elections versus Non-Director Election Proposals**

This table reports the estimates from the regression analysis based on all votes cast for each management-sponsored, non-routine proposals. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021. We report estimates for two sub-samples: first, management-sponsored director election proposals and second, all other non-routine management sponsored proposals. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise; *MSCI ESG Score* is the industry-adjusted composite ESG score. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	Director Elections		Non-Director Elections	
	(1)	(2)	(3)	(4)
<i>ISS FOR</i>		-0.1837*** (0.0065)		-0.2587*** (0.0062)
<i>MSCI ESG Score</i>	-0.0017*** (0.0005)	-0.0014*** (0.0004)	0.0008 (0.0010)	0.0005 (0.0008)
<i>ln(Assets)</i>	0.0027 (0.0022)	0.0039** (0.0016)	0.0068 (0.0045)	0.0069* (0.0037)
<i>SGrowth</i>	0.0002 (0.0019)	-0.0004 (0.0016)	-0.0036 (0.0040)	-0.0029 (0.0030)
<i>CapEx</i>	-0.0345 (0.0241)	-0.0377** (0.0192)	-0.0526 (0.0498)	-0.0736* (0.0429)
<i>ROA</i>	0.0081 (0.0093)	0.0108 (0.0077)	-0.0362* (0.0195)	-0.0027 (0.0135)
<i>MB</i>	-0.0008 (0.0007)	-0.0008 (0.0006)	-0.0033** (0.0013)	-0.0003 (0.0010)
<i>Leverage</i>	-0.0085 (0.0061)	-0.0091* (0.0049)	0.0081 (0.0115)	-0.0161 (0.0109)
<i>Excess Return</i>	-0.0012** (0.0006)	-0.0010** (0.0005)	-0.0047*** (0.0018)	-0.0019 (0.0015)
<i>InstOwnership</i>	-0.0314*** (0.0085)	-0.0118* (0.0066)	-0.0418** (0.0164)	-0.0214 (0.0133)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	72,805	72,805	18,714	18,714
Adjusted $R^2$	0.3177	0.5605	0.1673	0.5546

**Table 6**  
**Voting Outcome for Director Elections - CEO Directors**

This table reports the estimates from the regression analysis based on all votes cast for all management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021. We include a dummy variable *CEO* that equals one if the director facing elections is also the CEO of the firm, and zero otherwise. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise; *MSCI ESG Score* is the industry-adjusted composite ESG score. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)
<i>ISS FOR</i>		-0.1816*** (0.0069)
<i>MSCI ESG Score</i>	-0.0017*** (0.0005)	-0.0014*** (0.0004)
<i>CEO</i>	-0.0115*** (0.0011)	-0.0118*** (0.0008)
<i>ln(Assets)</i>	0.0037* (0.0022)	0.0042** (0.0017)
<i>SGrowth</i>	-0.0012 (0.0019)	-0.0012 (0.0016)
<i>CapEx</i>	-0.0471* (0.0257)	-0.0427** (0.0203)
<i>ROA</i>	0.0091 (0.0099)	0.0101 (0.0078)
<i>MB</i>	-0.0004 (0.0007)	-0.0005 (0.0006)
<i>Leverage</i>	-0.0060 (0.0058)	-0.0076 (0.0047)
<i>Excess Return</i>	-0.0013** (0.0006)	-0.0011** (0.0005)
<i>InstOwnership</i>	-0.0289*** (0.0088)	-0.0120* (0.0067)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	62,889	62,889
Adjusted $R^2$	0.3276	0.5700

**Table 7**  
**Voting in Director Elections and ESG Components**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use the raw scores on environment (*MSCI Env Score*), social (*MSCI Soc Score*) and governance (*MSCI Gov Score*). Other variables are described in Appendix A. Columns 1-6 include industry and year fixed effects, and columns 7-12 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>ISS FOR</i>				-0.1633***	-0.1634***	-0.1617***				-0.1837***	-0.1837***	-0.1835***
				(0.0059)	(0.0059)	(0.0058)				(0.0065)	(0.0065)	(0.0065)
<i>MSCI Env Score</i>	-0.0005			-0.0001			0.0001			0.0000		
	(0.0005)			(0.0004)			(0.0004)			(0.0003)		
<i>MSCI Soc Score</i>		-0.0002			0.0002			0.0006			0.0004	
		(0.0005)			(0.0004)			(0.0005)			(0.0004)	
<i>MSCI Gov Score</i>			-0.0053***			-0.0021***			-0.0018***			-0.0009***
			(0.0005)			(0.0003)			(0.0003)			(0.0002)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
Firm FE	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72,811	72,811	72,809	72,811	72,811	72,809	72,805	72,805	72,803	72,805	72,805	72,803
Adjusted $R^2$	0.1042	0.1041	0.1173	0.4153	0.4153	0.4174	0.3173	0.3173	0.3183	0.5602	0.5602	0.5604

**Table 8**  
**Director Elections, MSCI Gov Score, and E-Index**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use the raw scores on governance (*MSCI Gov Score*) and the entrenchment index (*E-Index*) of [Bebchuk, Cohen, and Ferrell \(2009\)](#). Other variables are described in Appendix A. Columns 1-2 include industry and year fixed effects, and columns 3-4 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
<i>ISS FOR</i>		-0.2025*** (0.0096)		-0.2056*** (0.0102)
<i>MSCI Gov Score</i>	-0.0051*** (0.0005)	-0.0023*** (0.0003)	-0.0018*** (0.0004)	-0.0011*** (0.0003)
<i>E-Index</i>	0.0019 (0.0015)	0.0022* (0.0012)	0.0050** (0.0024)	0.0026* (0.0015)
Firm Characteristics	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No
Firm FE	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	54,589	54,589	54,587	54,587
Adjusted $R^2$	0.1253	0.4485	0.2891	0.5394

**Table 9**  
**Governance and Climate Change Themes**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use specific components that make up the overall MSCI Governance and MSCI Environment scores. Specifically, we use the corporate governance structure component (*MSCI CG Score*) of the *MSCI Gov Score* and the climate change component (*MSCI Climate Score*) of the *MSCI Env Score*. Other variables are described in Appendix A. Columns 1-2 and 5-6 include industry and year fixed effects, and columns 3-4 and 7-8 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>ISS FOR</i>		-0.1627*** (0.0058)		-0.1836*** (0.0065)		-0.1639*** (0.0060)		-0.1843*** (0.0067)
<i>MSCI CG Score</i>	-0.0055*** (0.0004)	-0.0021*** (0.0003)	-0.0018*** (0.0003)	-0.0009*** (0.0002)				
<i>MSCI Climate Score</i>					-0.0025*** (0.0004)	-0.0009*** (0.0003)	-0.0006* (0.0004)	-0.0007** (0.0003)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No	Yes	Yes	No	No
Firm FE	No	No	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72,638	72,638	72,633	72,633	68,240	68,240	68,235	68,235
Adjusted $R^2$	0.1126	0.4162	0.3181	0.5602	0.1041	0.4130	0.3232	0.5613

**Table 10**  
**Institutional Investors and Voting Rationales**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use specific components that make up the overall MSCI Governance scores. Specifically, we use the corporate governance structure component (*MSCI CG Score*) of the *MSCI Gov Score*. *RationaleDiversity* is a dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise. *RationaleIndependence* is a dummy variable that takes the value of one if there exists one or more rationale related to board independence, and zero otherwise. *RationaleBusyness* is a dummy variable that takes the value of one if there exists one or more rationale related to board busyness, and zero otherwise. *RationaleTenure* is a dummy variable that takes the value of one if there exists one or more rationale related to length of service, and zero otherwise. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>ISS FOR</i>		-0.1846*** (0.0064)		-0.1824*** (0.0064)		-0.1828*** (0.0064)		-0.1833*** (0.0064)
<i>MSCI CG Score</i>	-0.0018*** (0.0003)	-0.0009*** (0.0002)	-0.0018*** (0.0003)	-0.0009*** (0.0002)	-0.0018*** (0.0003)	-0.0009*** (0.0002)	-0.0018*** (0.0003)	-0.0009*** (0.0002)
<i>RationaleDiversity</i>	0.0099*** (0.0013)	0.0153*** (0.0010)						
<i>RationaleIndependence</i>			0.0223*** (0.0017)	0.0158*** (0.0013)				
<i>RationaleBusyness</i>					0.0402*** (0.0021)	0.0373*** (0.0019)		
<i>RationaleTenure</i>							0.0220*** (0.0017)	0.0209*** (0.0013)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	70,933	70,933	70,933	70,933	70,933	70,933	70,933	70,933
Adjusted $R^2$	0.3220	0.5661	0.3261	0.5645	0.3324	0.5722	0.3235	0.5646

**Table 11**  
**Board Diversity and Voting Outcome**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use specific components that make up the overall MSCI Governance scores. Specifically, we use the corporate governance structure component (*MSCI CG Score*) of the *MSCI Gov Score*. *FracFemale* is the fraction of directors that are female. *NomComm* is a dummy variable that takes the value of one if the director is a member of the nomination committee, and zero otherwise. *RationaleDiversity* is a dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
<i>ISS FOR</i>		-0.1809*** (0.0069)		-0.1798*** (0.0069)		-0.1823*** (0.0069)
<i>MSCI CG Score</i>	-0.0018*** (0.0003)	-0.0009*** (0.0002)	-0.0018*** (0.0003)	-0.0009*** (0.0002)	-0.0018*** (0.0003)	-0.0009*** (0.0002)
<i>FracFemale</i>	-0.0793*** (0.0101)	-0.0522*** (0.0074)	-0.0707*** (0.0101)	-0.0427*** (0.0075)	-0.0701*** (0.0104)	-0.0386*** (0.0074)
<i>NomComm</i>			0.0179*** (0.0015)	0.0154*** (0.0013)		
<i>FracFemale</i> × <i>NomComm</i>			-0.0191*** (0.0061)	-0.0207*** (0.0051)		
<i>RationaleDiversity</i>					0.0153*** (0.0032)	0.0229*** (0.0024)
<i>FracFemale</i> × <i>RationaleDiversity</i>					-0.0332** (0.0133)	-0.0451*** (0.0109)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	62,654	62,654	62,654	62,654	62,654	62,654
Adjusted $R^2$	0.3296	0.5692	0.3390	0.5755	0.3317	0.5744



**Table 12**  
**Director Attributes**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use specific components that make up the overall MSCI Governance. Specifically, we use the corporate governance structure component (*MSCI CG Score*) of the *MSCI Gov Score*. Other variables are described in Appendix A. Columns 1-2 include industry and year fixed effects, and columns 3-4 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
<i>ISS FOR</i>		-0.1620*** (0.0059)		-0.1810*** (0.0067)
<i>MSCI CG Score</i>	-0.0054*** (0.0005)	-0.0022*** (0.0003)	-0.0019*** (0.0003)	-0.0010*** (0.0002)
<i>Female</i>	-0.0099*** (0.0008)	-0.0077*** (0.0008)	-0.0084*** (0.0007)	-0.0065*** (0.0006)
<i>BoardLead</i>	0.0111** (0.0055)	-0.0049 (0.0046)	0.0095* (0.0049)	-0.0037 (0.0042)
<i>Tenure</i>	0.0005*** (0.0001)	0.0005*** (0.0001)	0.0006*** (0.0001)	0.0005*** (0.0001)
<i>NomComm</i>	0.0090*** (0.0012)	0.0072*** (0.0012)	0.0094*** (0.0010)	0.0058*** (0.0010)
<i>CompComm</i>	0.0059*** (0.0012)	0.0052*** (0.0010)	0.0049*** (0.0010)	0.0048*** (0.0008)
<i>AuditComm</i>	-0.0022** (0.0010)	-0.0009 (0.0009)	-0.0028*** (0.0009)	-0.0014* (0.0007)
<i>MultipleComm</i>	0.0009 (0.0015)	0.0027** (0.0013)	0.0024* (0.0013)	0.0035*** (0.0011)
<i>#Dirships</i>	0.0021*** (0.0008)	0.0034*** (0.0007)	0.0032*** (0.0006)	0.0041*** (0.0005)
<i>Board size</i>	-0.0021*** (0.0005)	-0.0014*** (0.0005)	-0.0011** (0.0005)	-0.0011*** (0.0004)
<i>Age</i>	0.0002*** (0.0001)	0.0004*** (0.0001)	0.0003*** (0.0000)	0.0003*** (0.0000)
<i>MBA</i>	-0.0013* (0.0008)	-0.0014** (0.0006)	-0.0001 (0.0006)	-0.0007 (0.0005)
<i>Law</i>	0.0037** (0.0015)	0.0034*** (0.0012)	0.0026** (0.0012)	0.0022** (0.0010)
<i>IvyPlus</i>	0.0016 (0.0012)	-0.0008 (0.0010)	0.0009 (0.0009)	0.0008 (0.0009)
Firm Characteristics	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No
Firm FE	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	58,523	58,523	58,479	58,479
Adjusted $R^2$	0.1321	0.4362	0.3442	0.5813

**Table 13**  
**Director Gender and Votes**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. We use specific components that make up the overall MSCI Governance. Specifically, we use the corporate governance structure component (*MSCI CG Score*) of the *MSCI Gov Score*. Other variables are described in Appendix A. Columns 1-2 include industry and year fixed effects, and columns 3-4 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
<i>ISS FOR</i>		-0.1620*** (0.0059)		-0.1809*** (0.0067)
<i>MSCI CG Score</i>	-0.0054*** (0.0005)	-0.0022*** (0.0003)	-0.0019*** (0.0003)	-0.0010*** (0.0002)
<i>Female</i>	-0.0116*** (0.0017)	-0.0064*** (0.0014)	-0.0127*** (0.0016)	-0.0076*** (0.0012)
<i>BoardLead</i>	0.0116** (0.0055)	-0.0048 (0.0047)	0.0099** (0.0050)	-0.0037 (0.0042)
<i>Tenure</i>	0.0004*** (0.0001)	0.0005*** (0.0001)	0.0005*** (0.0001)	0.0005*** (0.0001)
<i>NomComm</i>	0.0096*** (0.0013)	0.0074*** (0.0012)	0.0100*** (0.0011)	0.0063*** (0.0010)
<i>CompComm</i>	0.0059*** (0.0013)	0.0054*** (0.0010)	0.0049*** (0.0011)	0.0047*** (0.0009)
<i>Female</i> × <i>BoardLead</i>	-0.0307*** (0.0097)	-0.0073 (0.0091)	-0.0328*** (0.0119)	-0.0008 (0.0065)
<i>Female</i> × <i>Tenure</i>	0.0004*** (0.0002)	-0.0000 (0.0002)	0.0007*** (0.0001)	0.0003** (0.0001)
<i>Female</i> × <i>NomComm</i>	-0.0032* (0.0018)	-0.0011 (0.0017)	-0.0029** (0.0014)	-0.0026** (0.0012)
<i>Female</i> × <i>CompComm</i>	-0.0006 (0.0016)	-0.0011 (0.0014)	-0.0000 (0.0013)	0.0001 (0.0012)
Director Attributes	Yes	Yes	Yes	Yes
Firm Characteristics	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No
Firm FE	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	58,523	58,523	58,479	58,479
Adjusted $R^2$	0.1324	0.4362	0.3447	0.5814

**Table 14**  
**Shareholder Dissent**

The table shows descriptive statistics for the firms that make up our sample of management sponsored director election proposals from ISS Voting Analytics separated by the presence or absence of one or more shareholder proposal(s) on the ballot. The sample includes all firms that held shareholder meetings during the sample period from January 2013 to December 2021. We exclude financials (SIC codes 6000-6999) and utilities (SIC codes 4800-4999). The sample is based on data after merging the ISS Voting Analytics data with CRSP and Compustat and MSCI ESG ratings. Panel A reports firm characteristics for each firm-meeting observation. These variables are described in Appendix A. Panel B reports MSCI ESG firm-level ratings. We use the raw scores on environment (*MSCI Env Score*), social (*MSCI Soc Score*), and governance (*MSCI Gov Score*). The weighted average of these three pillars' scores is adjusted for industry peers and the composite ESG score (*MSCI ESG Score*) is calculated by MSCI.

Panel A: Firm Characteristics						
	Firm Meetings with No Shareholder Proposal on the Ballot		Firm Meetings with at Least One Shareholder Proposal on the Ballot		Test of Difference in Mean	
	Mean	Median	Mean	Median	Diff	<i>t</i> -test
	(1)	(2)	(3)	(4)	(3)-(1)	
<i>ln(Assets)</i>	7.23	7.20	9.44	9.56	2.21***	(53.35)
<i>SGrowth</i>	0.13	0.06	0.05	0.04	-0.08***	(-11.61)
<i>CapEx</i>	0.04	0.03	0.05	0.03	0.01***	(4.43)
<i>ROA</i>	0.07	0.11	0.14	0.14	0.06***	(18.61)
<i>MB</i>	2.63	1.92	2.54	1.97	-0.09	(-1.84)
<i>Leverage</i>	0.25	0.23	0.30	0.28	0.05***	(9.97)
<i>Excess Return</i>	0.08	-0.02	0.04	-0.00	-0.04**	(-2.86)
<i>InstOwnership</i>	0.83	0.88	0.80	0.82	-0.04***	(-8.36)
Counts	10,545		1,634		12,179	

Panel B: Firm-Level ESG Scores						
	Mean	Median	Mean	Median	Diff	<i>t</i> -test
	(1)	(2)	(3)	(4)	(3)-(1)	
<i>MSCI ESG Score</i>	4.35	4.20	4.71	4.60	0.36***	(6.06)
<i>MSCI Env Score</i>	4.59	4.50	5.14	5.00	0.55***	(9.29)
<i>MSCI Soc Score</i>	4.40	4.40	4.12	4.10	-0.28***	(-6.76)
<i>MSCI Gov Score</i>	5.28	5.20	5.16	5.10	-0.11*	(-2.30)
Counts	10,545		1,634		12,179	

**Table 15**  
**Shareholder Dissent and Voting Outcome**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise; Our proxy for shareholder dissent is the presence of a shareholder-sponsored proposal. The dummy variable *SH Proposal* takes the value of one if there is one or more proposal(s) sponsored by shareholders appearing on the ballot, and zero otherwise. We also control for various firm characteristics including *MSCI ESG Score*, the industry-adjusted composite ESG score. These variables are described in Appendix A. Columns 1 and 2 include industry and year fixed effects, and columns 3 and 4 include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
<i>ISS FOR</i>		-0.1629*** (0.0058)		-0.1836*** (0.0064)
<i>SH Proposal</i>	0.0094*** (0.0021)	0.0102*** (0.0017)	0.0063*** (0.0021)	0.0052*** (0.0016)
Firm Characteristics	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No
Firm FE	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	72,811	72,811	72,805	72,805
Adjusted $R^2$	0.1095	0.4176	0.3181	0.5607

**Table 16**  
**Shareholder Dissent Issues and Sponsor Type**

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal. Our proxy for shareholder dissent is the presence of a shareholder-sponsored proposal. The dummy variable *SRI Proposal* takes the value of one if there is one or more proposal(s) sponsored by shareholders that focuses on socially responsible investing appearing on the ballot, and zero otherwise. The dummy variable *GOV Proposal* takes the value of one if there is one or more proposal(s) sponsored by shareholders that focuses on governance appearing on the ballot, and zero otherwise. The dummy variable *Non-ind Proposal* takes the value of one if there is one or more proposal(s) sponsored by shareholders is sponsored by non-individual shareholders, and zero otherwise. We also control for various firm characteristics including *MSCI ESG Score*, the industry-adjusted composite ESG score. These variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. \*, \*\*, and \*\*\* indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
<i>ISS FOR</i>		-0.1837*** (0.0065)		-0.1836*** (0.0064)		-0.1837*** (0.0065)
<i>SRI Proposal</i>	0.0019 (0.0019)	0.0013 (0.0016)				
<i>GOV Proposal</i>			0.0061*** (0.0023)	0.0047*** (0.0017)		
<i>Non-Ind Proposal</i>					-0.0016 (0.0017)	-0.0000 (0.0013)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72,805	72,805	72,805	72,805	72,805	72,805
Adjusted $R^2$	0.3177	0.5605	0.3181	0.5607	0.3177	0.5605

## Appendix A Definition of Variables

Variable	Definition	Data Source
<i>FracAgainst</i>	The proportion of votes against the proposal estimated as $VotedAgainst / (VotedFor + VotedAgainst)$ .	ISS Voting Analytics
<i>ISS FOR</i>	A dummy variable that takes the value of one if ISS recommends support for the proposal, and zero otherwise.	ISS Voting Analytics
<i>SH Proposal</i>	A dummy variable that takes the value of one if there is one or more proposal(s) sponsored by shareholders appearing on the ballot, and zero otherwise.	ISS Voting Analytics
<b>MSCI Scores:</b>		
<i>MSCI ESG Score</i>	Industry-adjusted ESC score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
<i>MSCI Env Score</i>	Environmental score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
<i>MSCI Soc Score</i>	Social score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
<i>MSCI Gov Score</i>	Governance score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
<b>Firm Characteristics:</b>		
<i>ln(Assets)</i>	Natural logarithm of book value of assets.	Compustat
<i>SGrowth</i>	Year-on-year growth in sales defined as $[Sale(T) / Sale(T - 1)] - 1$ .	Compustat
<i>CapEx</i>	Capital expenditure divided by total book assets.	Compustat
<i>ROA</i>	Operating income before depreciation divided by total book assets.	Compustat
<i>MB</i>	Market value of equity divided by the book value of equity.	Compustat and CRSP
<i>Leverage</i>	Total debt divided by total book assets.	Compustat
<i>Excess Return</i>	Annual stock return minus the value-weighted stock market return over the same period.	CRSP
<i>InstOwnership</i>	This is a fraction of company shares held by institutional investors reported on Form 13-F.	Thomson Reuters s34
<i>E-Index</i>	Sum of the number of the six anti-takeover provisions, restricting shareholder rights introduced by <a href="#">Bebchuk, Cohen, and Ferrell (2009)</a> .	ISS Governance
<b>Director Attributes:</b>		
<i>Board Size</i>	This equals the number of directors on the board at the start of the fiscal year immediately preceding the director elections.	BoardEx
<i>FracFemale</i>	The fraction of directors that are female.	BoardEx
<i>Female</i>	Equals one if the director is female, and zero otherwise.	BoardEx
<i>BoardLead</i>	Equals one if the director is a chairman of the board.	BoardEx
<i>Age</i>	Age in years at the time a particular director is up for election. We impute <i>Age</i> by subtracting the year of birth of the director from the year of the election.	BoardEx

Variable	Definition	Data Source
<i>Tenure</i>	Length of time served on the current board in years.	BoardEx
<i>CompComm</i>	Equals one if the director is a member of the compensation committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
<i>NomComm</i>	Equals one if the director is a member of the nomination committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
<i>AuditComm</i>	Equals one if the director is a member of the audit committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
<i>MultipleComm</i>	Equals one if the director is a member of two or more of the audit, compensation, and nominating committees for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
<i>#Dirships</i>	Equals the total number directorships held by the individual director at the start of the year in which the election meeting takes place.	BoardEx
<i>MBA</i>	Takes the value one if the director has an MBA degree.	BoardEx
<i>Law</i>	Equals one if the director is listed as having a Juris Doctor (JD) degree.	BoardEx
<i>Ivyplus</i>	A dummy variable that takes the value one when the director up for election attended a high-quality undergraduate institution, which is the Ivy League definition proposed by <a href="#">Zawel (2005)</a> .	BoardEx
<b>Voting Rationales:</b>		
<i>RationaleDiversity</i>	A dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise.	Insightia
<i>RationaleIndependence</i>	A dummy variable that takes the value of one if there exists one or more rationale related to board independence, and zero otherwise.	Insightia
<i>RationaleBusyness</i>	A dummy variable that takes the value of one if there exists one or more rationale related to board busyness, and zero otherwise.	Insightia
<i>RationaleTenure</i>	A dummy variable that takes the value of one if there exists one or more rationale related to length of service, and zero otherwise.	Insightia

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