

Why do Investors Vote Against Corporate Directors?

Finance Working Paper N° 924/2023

January 2024

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Abstract

Investors now hold directors responsible for newer issues like climate change and board diversity. Within the environment category, climate change is the only subcategory associated with voting outcome, whereas none of the social issues are relevant. Governance remains important; however, our proxy differs markedly from traditional measures. Institutional investors have begun to provide rationales for their votes to convey preferences. Dissent votes increase when they express concerns about board diversity, busyness, tenure, and independence. Female directors generally receive fewer dissent votes, except for those with a long tenure. The presence of a shareholder proposal correlates with reduced support.

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 the directors’ job today has become more complex and they are held accountable for a wider set of issues than in the past. Concerns about the environment and social issues were previously rare. In recent years, institutional investors have begun to publicly disclose the rationale for their votes, particularly negative votes. Reasons often cited include board structure, board diversity, business ethics and transparency, and climate risk. Issues related to board diversity and climate receive much more attention now than they did in the past.¹ In this changing landscape, our paper provides valuable insights into how institutional investors express their discontent with the policies of a company on these new and broader issues. In particular, we address the following questions. Do institutional investors hold the board of directors responsible for these newer issues? 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?

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

Our analysis starts by examining all non-routine management-sponsored proposals. We use the composite MSCI ESG scores as a proxy for more comprehensive issues that today concern investors. We then dig deeper to examine which specific new issues matter for voting outcome. We find that lower composite MSCI ESG scores are 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. We find that these results are primarily driven by proposals related to individual director elections and are not driven by non-director election proposals. These findings indicate that when investors are not satisfied with a firm's policies, they are more likely to vote against the directors recommended by the management.

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. Therefore, the CEO does not serve on the audit committee, the nominating and governance committee, or the compensation committee. We find that the CEO director is less likely to receive dissent votes. If there are concerns about board diversity, nominating committee members will be held accountable and not the CEO. For example, in 2022, Nuveen voted against all Fox Corporation directors who served on the nominating committee citing concerns about board diversity and board structure.² However, they did not vote against directors who did not serve on the nominating committee. We find that independent directors of the firm are held responsible for these newer and 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 subcomponents within each of these three categories. For example, the environmental score (E) is derived by aggregating the scores on four distinct categories (defined by MSCI as themes), namely, climate change, natural capital, pollution and waste, and environmental opportunities. The social score (S)

²<https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-directors>.

is a weighted average of scores in the following categories: human capital, product liability, stakeholder opposition, and social opportunities. Finally, the governance score (G) is made up 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 the outcome of votes, while governance is always strongly related to voting outcomes.

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 previously in the literature. For example, the Entrenchment Index (E-Index) used in several studies is composed of six governance attributes related to entrenchment (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 governance measure (MSCI governance score) is -0.07 , which implies 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 being held accountable for a wider set of issues today than just shareholder rights and anti-takeover provisions.

We also examine specific attributes within E, S, and G. Although broad environmental performance is not significant in explaining the outcome of the vote, 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 vulnerability to climate change. Our findings are consistent with the recent attention that institutional investors have paid to climate

change and its potential material impact on the performance and valuation of firms. For example, in 2021, activist investor Engine No. 1 successfully waged a proxy battle to install new directors on the ExxonMobil board 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.³ The activist investors gained 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.

We find that neither the social pillar itself nor any of its subcategories is associated with the outcome of the vote. These results may be due in part to substantial noise in measuring social attributes. Furthermore, opinions differ widely on which aspects of social issues should be considered relevant. Next, we examine the aspects of governance that matter for voting. As mentioned above, the MSCI governance score captures two broad themes: corporate governance structure and corporate behavior. The theme of corporate governance structure includes board tenure and diversity, size, and expertise, while the theme of corporate behavior includes business ethics and tax transparency. We find that it is corporate governance structure and not corporate behavior that is related to voting outcomes.

We take advantage of a recent trend of more information sharing by institutional investors. Some institutional investors have started to provide rationale for why they voted against a proposal. This information provides a unique opportunity to directly examine the reasons why investors vote against directors rather than relying on the proxies used in the previous literature. For example, Nuveen states:⁴

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 equates to 152 directors in 92 different companies. The drivers of the votes against are based on a case-by-case assessment of the boards' alignment with

³<https://www.wsj.com/articles/exxon-vs-activists-battle-over-future-of-oil-and-gas-reaches-showdown-11621950967>.

⁴<https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-rationales>.

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 this novel data on voting rationale provided by institutional investors, we find that common reasons for voting against directors include older issues such as board independence, director tenure, and busyness, and newer issues such as board diversity and climate change. In particular, board diversity is one of the most frequently cited reasons in their rationale. We find that the existence of a voting rationale in each of these categories is associated with lower support for directors. In a recent article, [Michaely, Rubio, and Yi \(2023\)](#) examine the reasons why and when institutional investors use voting rationales to communicate their discontent. They show evidence that institutional investors' concerns are justified and that firms attempt to address the concerns.

We also examine the importance of board diversity to the outcome of the vote. Investors and regulators around the world have demanded an increase in diversity on corporate boards. The push for gender diversity on boards is a relatively recent phenomenon in the United States. Several of the largest institutional investors have publicly communicated their preference for diversity on boards. The three large institutional investors, BlackRock, State Street, and Vanguard, each launched campaigns to increase diversity on corporate boards in 2017. These campaigns led to a significant increase in the number of female directors (see, e.g., [Gormley et al., 2023](#)). In contrast to earlier studies that found that director gender was not 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 women directors facing elections are more likely to receive positive votes than their male board colleagues. However, there is no significant incremental voting advantage for female board members who serve in the leadership role of chairing the board or for those who have served on the board for a long period.

The typical fraction of dissent votes against directors tends to be small. Thus, one might argue that the voting outcome is inconsequential. However, [Aggarwal, Dahiya, and Prabhala \(2019\)](#) show that negative votes have significant career and reputation consequences for directors who receive negative votes even when there is no majority dissent. These consequences include a higher likelihood of leaving the board, reduced opportunities for roles on important committees, and fewer appointments on other boards. These potential negative career and reputation consequences could motivate directors to respond to investor demands and work to improve them. [Iliev et al. \(2015\)](#) study non-US firms and report that more dissent votes cast by US mutual funds are associated with director departures in the next year. Furthermore, [Cai, Garner, and Walkling \(2009\)](#) find that poor election results lead to reduced CEO compensation and increased CEO turnover, along with removal of classified boards and anti-takeover mechanisms. Consequently, dissent votes wield a significant influence on the careers and reputations of directors and a firm's management. Institutional investors' recent trend to publicly provide vote rationales suggests that investors are not only holding directors responsible by using their voice, but are also using this as a signalling mechanism. It may be a way for them to broadly communicate their preferences on issues such as board diversity and climate change. Although concerns about greenwashing by institutional investors cannot be completely ruled out, [Michaely, Rubio, and Yi \(2023\)](#) show that companies take steps to address the concerns expressed by institutional investors.

Our findings indicate that the desire of institutional investors to hold individual directors responsible for newer issues is having a meaningful impact on voting outcome. It can be argued that institutional investors can communicate their concerns directly by supporting shareholder-sponsored proposals rather than voting against individual directors. However, it is not sufficient to examine only voting in support of shareholder-sponsored proposals. In fact, Vanguard's proxy voting guidelines explicitly state their concerns about shareholder-sponsored proposals.⁵

⁵https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_2023.pdf.

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 do find that the mere presence of a shareholder-sponsored proposal on the ballot is associated with a 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, since the average fraction of votes against a director in our sample is 4%. 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 divide shareholder-sponsored proposals into two categories using the ISS’s categorization: governance and socially responsible. We find that only the presence of shareholder proposals related to governance is associated with voting outcome, while socially responsible shareholder proposals are not. The type of sponsor of the shareholder-sponsored proposal also does not have a significant relationship with the voting outcome. Importantly, even after controlling for the existence of shareholder-sponsored proposals and ISS recommendation, we continue to find that ESG ratings are negatively related to the fraction of votes against a director.

We add to previous research that examines issues important to investors and how investors express their dissatisfaction by voting, particularly in director elections. Existing research shows that large investors can and do use their voice by engaging with the management of their portfolio companies and pressure them to change corporate policies (e.g., [Dimson, Karakaş, 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 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 in the firm that address shareholder concerns. As shown by Aggarwal, Dahiya, and Prabhala (2019), there are significant career consequences of negative votes for individual directors. The role of connections in the appointment of directors is documented by Cai, Nguyen, and Walkling (2022), while Linck, Netter, and Yang (2008a) find more complex firms have larger and more independent boards. Bolton et al. (2020) find that the proxy voting ideology of the largest investors has remained highly stable during the period 2005-2018. 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 et al. (2007), Linck, Netter, and Yang (2008b), Fischer et al. (2009), Coles, Daniel, and Naveen (2014), Iliev et al. (2015), Fedaseyev, Linck, and Wagner (2018), Fos, Li, and Tsoutsoura (2018), and Erel et al. (2021).

Recent literature has highlighted the importance of climate risks for institutional investors. Ilhan et al. (2023) conduct a survey and find a strong demand for disclosures of climate risks. Several 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). Investors with E and S consciousness also select companies with higher E and S ratings (Dyck et al., 2019), suggesting that there is a positive screening. Although most shareholder-sponsored E and S related proposals typically fail, He, Kahraman, and Lowry (2021) find that investors' support for these proposals contains information on future risks facing firms. Furthermore, Michaely, Ordenez-Calafi, and Rubio (2021) show that although 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 their dissatisfaction is voting against management-sponsored directors.

Several studies have focused on board diversity and its impact on firm performance.⁶ The focus on gender diversity has also increased 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 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 significantly related to the fraction of favorable votes received by a director.⁷ A key finding of our article is that the gender of a director is a significant determinant of the dissent votes received by that director. Additionally, we find that the lack of gender diversity on the board has a significant impact on the outcome of the vote for director elections.

Our paper also contributes to the literature on how investors engage with management using their voice and therefore influence firm 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 firm policies has also been examined.⁸ Previous studies suggest that divestment

⁶For 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 between 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. In a recent article, [Edmans, Flammer, and Glossner \(2023\)](#) documents that diversity, equity and inclusion (DEI) are related to improved future accounting performance, greater future earnings surprises and increased valuation ratios, while demographic diversity is not.

⁷This research includes, among others, [Cai, Garner, and Walkling \(2009\)](#), [Aggarwal, Dahiya, and Prabhala \(2019\)](#), [Erel et al. \(2021\)](#), and [Cai, Nguyen, and Walkling \(2022\)](#).

⁸See, e.g., [Cotter, Palmiter, and Thomas \(2010\)](#), [Broccardo, Hart, and Zingales \(2022\)](#), [Berk and van Binsbergen \(2021\)](#), [Gantchev, Giannetti, and Li \(2022\)](#), and [Berg et al. \(2021\)](#). For a review of this literature, see [Gillan and Starks \(2007\)](#).

may 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 \(2021\)](#) find that exit generally has a relatively small effect on the cost of capital of firms. Unlike these studies, [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 et al. \(2021\)](#) detect a response in governance, but not in the environmental dimension. Instead of simply divesting, [Edmans, Levit, and Schneemeier \(2022\)](#) argue that the optimal strategy is to tilt the portfolio by holding “brown” firms that take corrective action.

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. These data became widely available starting in 2013, which motivates our choice of sample period spanning January 2013 to December 2021. Below, we provide details of each data source used in the study.

2.1 Proxy Voting

We obtain proxy proposal voting records for all firms in the Russell 3000 index from the 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. Voting information includes the date of the meeting, a description of the proposal, whether the proposal is sponsored by management or shareholders, and voting recommen-

dations from management and ISS. Also included are the number of shares outstanding, the number of shares voted for/against/abstain, the 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 contentious.⁹

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 for this part of the analysis we focus on the period from 2015 to 2021 because the coverage of the voting rationale improves significantly starting in 2015.¹⁰ Each individual observation in this data set reports the vote cast on a particular proposal by a specific institutional investor who provides a rationale for its voting decision. The data include both US and non-US investors, such as mutual funds, pension funds, and university endowments. We have information on the proposal, the name of the institutional investor voting on that proposal, the vote cast by that investor (“For” or “Against”), and the rationale for the vote.¹¹ First, we retain only director election proposals sponsored by management. Furthermore, we only keep those observations where the vote is “Against”. Although there is no regulatory requirement for institutional investors to disclose the rationale for their voting choices, several institutional investors provide this information voluntarily. Insightia collects voting rationale

⁹Specifically, we exclude all management proposals in the ISS Voting Analytics data set that we classify as routine management-sponsored proposals (e.g., ratify auditors).

¹⁰This data is collected by Proxy Insight, which is owned by Insightia. Diligent acquired Insightia in 2022.

¹¹In some instance the vote cast is reported as “Withhold”, we classify such votes as “Against”.

information from investor websites and other public sources. The rationale provided typically consists of a free-form text that describes the reason why the investor voted against the proposal. We use textual analysis based on keywords to categorize rationales into twelve categories that previous work has mentioned as possible determinants of institutional votes in director elections (e.g., Cai, Garner, and Walkling, 2009). These twelve categories are: board diversity, climate, independence, busyness, tenure, compensation, CEO duality, attendance, board structure, board responsiveness, firm performance, and governance.¹²

Appendix B 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.¹³ An examination of the rationale provided by institutional investors reveals that the lack of board diversity is one of the most frequently cited reasons for voting against a director. Other frequently cited reasons include tenure, busyness, board independence, and firm governance.

We merge this sample with ISS Voting Analytics and BoardEx. Our final sample consists of 58,450 director election proposals, of which 35,487 have at least one institutional investor who provides its voting rationale over the period 2015-2021.

2.3 Firm Characteristics

We control for several firm-specific characteristics that are also used in previous 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 have been used in other studies. These

¹²For the 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.

¹³While Insightia provides rationale at the fund-firm-meeting-director level, we aggregate the information at the director level as our analyses are focused at the individual director level (Panel B of Appendix B). Following Michaely, Rubio, and Yi (2023), we also aggregate the rationale at the firm meeting level (panel A of Appendix B).

include (measured as of the last fiscal year end before 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 during 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 prior to the meeting date from the Thomson-Reuters Institutional Holdings (13F) database.¹⁴

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 catchall 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 the resilience of a company to long-term and 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 the company's strategy / policies to manage risks relative to peers in the industry? 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 several recent studies.¹⁵ As discussed by [Pástor, Stambaugh, and Taylor \(2020\)](#) and [Eccles and Strohle \(2018\)](#), using MSCI data has several

¹⁴All of these variables are defined in [Appendix A](#).

¹⁵This 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 \(2020\)](#).

advantages. MSCI is the world's largest provider of ESG ratings. 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 the governance score includes corporate governance and corporate behavior. We should note that board diversity is part of governance. The weighted average of the underlying issue scores is the basis for the scores on the environmental, social, and governance pillars. The weighted average of the three pillar 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 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).¹⁶ The MSCI-covered firm sample 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 main 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

¹⁶Similar 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).

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 the BoardEx data with the ISS Voting Analytics data, which have data on director elections. This matching process requires a one-to-one match of individual directors in the two databases. Although many matches are handled using 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 of 12,671 meetings for 2,265 unique firms. Panel A of [Table 1](#) is based on the entire sample and provides descriptive statistics of 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 the management-sponsored proposals. We divide our sample of management-sponsored proposals into two categories: director elections and non-director elections proposals. There is one proposal for each individual director who is up for 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%. On average, ISS supports 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 descriptive statistics for 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 25th percentile being 2.90 and the 75th percentile at 5.70. This implies that there is wide variation in the scores across firms. If we divide 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 for years, and firms have made improvements in their governance structure. 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 a focus of investor attention. This explains its relatively lower score. We note that the average institutional ownership for our sample of firms is 83%. Therefore, 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 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*.”¹⁷ The independent variable of interest is *MSCI ESG Score*. In addition, we include several firm-level controls: natural logarithm of total assets 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*).¹⁸

[Insert Table 3 here]

Column 1 of Table 3 shows that the coefficient on *MSCI ESG Score* is negative and statistically significant (at the level 1%, which implies that investors are less likely to vote against management in companies 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 cut-offs 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.¹⁹ As shown in Table 1, the average fraction of votes withheld in our sample is 5%. Thus, a decrease of nearly 0.36% (that is, moving from 5% to 4.64%) in the fraction of votes against represents an economically significant relationship between ESG score and voting outcome. Note that this composite score is relative to industry peers. Also included are firm and year fixed effects, and standard errors

¹⁷For 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*.

¹⁸The 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 the size of the firm, such as market capitalization and revenue.

¹⁹Estimated as 2.8 (interquartile range) times -0.0013 (coefficient of *MSCI ESG Score*).

are clustered at the firm level. As shown in previous studies, the recommendation of the ISS is highly influential in voting results. ISS 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 reestimating the regression including the ISS's recommendation as an additional control variable. Not surprisingly, the coefficient for *ISS FOR* is negative and highly significant (at the 1% level), which implies that investors are unlikely to vote against a proposal if ISS supports it. However, even after controlling for the ISS recommendation, the coefficient of *MSCI ESG Score* is statistically and economically significant. This implies that the composite ESG score contains information beyond the ISS recommendation and that investors reflect this information in their voting decision. We find that on average, smaller firms and firms with higher institutional ownership receive significantly more support for management-sponsored proposals.

[Insert Table 4 here]

We dig deeper 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. Component scores are no longer industry adjusted, as MSCI only reports raw component scores. Hence, our first set of estimates includes 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 the outcome of the vote. 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. These results are reported in columns 4 through 6. 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 in 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 more than 1% in the fraction of votes against. 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 apply to all firms. This finding is not surprising given that MSCI currently places a minimum weight of 33% on governance issues in its calculation of *MSCI ESG Score*, and for many firms it is even higher. In general, we conclude that governance attributes matter significantly for voting outcome, while environmental and social attributes do not. Even after controlling for the recommendation of the proxy advisor, the coefficient on the broader *MSCI Gov Score* continues to be significant. The results suggest that our governance measure captures attributes above and beyond what ISS accounts for.

3.1 Holding Directors Responsible

If investors are not satisfied with the policies of a firm, shareholders have the option of voting against directors and/or submitting shareholder-sponsored proposals. Anecdotal evidence discussed above indicates that many institutional investors express their displeasure with the policies of a company not by showing support for shareholder-sponsored proposals but rather by holding directors accountable and voting against them. In the case of Exxon-Mobil, three of the director nominees put forward by management were not reelected, while the director nominees proposed by activist investor Engine No. 1 were elected. 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 reports the results only for the director election proposals. The estimates include firm and year fixed effects, and standard errors are clustered at the firm level. The coefficient for *MSCI ESG score* is -0.0014 and is significant at the 1% level even after controlling for the ISS recommendation. This is also economically significant. Given the interquartile range of 2.80 for *MSCI ESG Score*, this coefficient implies a reduction of almost 0.4% in *FracAgainst* (relative to the average dissent of 4%) for a firm in the highest quartile compared to a firm similar to the lowest quartile. On the other hand, for the group of non-director election 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 appears to be unrelated to voting outcomes even before controlling for the ISS recommendation. These results imply that individual directors are held accountable for a broader set of issues that today concern investors. Newer and more comprehensive measures are important in determining the outcome of voting in director elections. Therefore, if there are concerns about the firm's policies on these issues, directors are held accountable by investors. These results are consistent with earlier anecdotal examples that discuss why investors vote against directors. As discussed earlier, several studies have shown the consequences of dissent votes on directors and management. 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 includes both executive and non-executive directors. While the CEO of a firm is almost always a member of the board, for some firms, other executives may also serve as directors on the board. However, the number of non-CEO executives on the board is typically quite limited. The CEO is not considered an independent

director and therefore does not 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. Both the magnitude and the significance level of the *CEO* coefficient remain largely unchanged even after the inclusion of *ISS For* (column 2). Taken together, these results suggest that CEO directors receive fewer dissent votes. 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 the lack of board diversity, and not the CEO who is not on the committee. In addition, independent board members represent the interests of shareholders and are responsible for hiring and firing the CEO. Therefore, investors do not appear to hold the CEO accountable for diversity-related issues. 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 associated with voting outcomes in director elections similar to the results for all management-sponsored proposals seen in Table 4. Therefore, we mainly focus on the relation between *MSCI Gov Score* and voting outcome for director elections proposals going forward.

[Insert Figure 1 here]

A reasonable concern about our analysis could be that the results are 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 each 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 1 plots the coefficients of 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 different 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 recommendation and *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 9.²⁰ 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 the 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 may 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.

In our previous analysis, we did not find a statistically significant relation between *MSCI Env Score* or *MSCI Soc Score* and voting in director elections. Next, we examine whether any components of E and S matter.²¹ The environmental score (*MSCI Env Score*) is a

²⁰We repeat this analysis for corporate behavior (*MSCI CB Score*) and do not find any significance. To conserve space, we do not report those results.

²¹There 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, whereas other components are relevant for almost all firms. In our analysis, we focus on the components that are reported for almost all firms

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. We find that none of the social components has a significant coefficient when we include them in our baseline regression model.

Next, we examine the components that make up the *MSCI Env Score*. As shown in columns 5-8 of Table 9, the coefficient of the climate change component (*MSCI Climate Score*) is negative and significant. Our results imply that directors of firms with a better climate score receive a significantly higher fraction of votes in favor of their election. In unreported results, we split firms into two groups based on the industry's exposure to climate risk and repeat the analysis of Table 9, column 8. High-risk industry is a dummy that takes the value of one for all industries whose environmental weight is above the median in a given year. The coefficient of (*MSCI Climate Score*) is significant at 10% for the high-risk group and not significant for the low-risk group. Besides climate, none of the other subcategories of environmental performance explains voting outcomes. These results are again consistent with the statements of large institutional investors that they will hold directors responsible for climate concerns. For example, Vanguard's guidelines state that it will vote against relevant directors for oversight failure.²²

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

²²https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting.2023.pdf

most support among the environment and social category. Our results lead us to conclude that the MSCI ESG scores capture 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 see the firm as not doing an adequate job on these emerging issues, then they vote against the directors. Although, 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, and fewer opportunities for directorships at other firms.

3.3 Institutional Investor Rationale and Voting

We also examine the relation between voting rationale provided by institutional investors and director elections. As shown in Appendix B and also reported by Michaely, Rubio, and Yi (2023), board diversity, independence, tenure, and busyness are some of the most frequently mentioned issues by investors for voting against directors. For many proposals in our rationale data set, there is more than one investor who votes against the proposal and provides a rationale. Therefore, we aggregate the data at the proposal level and create four dummy variables. The first is *RationaleDiversity*, which 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 are one or more investors whose rationale includes board independence, and zero otherwise; *RationaleBusyness* takes the value of one if there are one or more institutional investors’ rationales that mention board busyness, and zero otherwise; and finally *RationaleTenure* takes the value of one if at least one investor’s rationale mentions the 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*. The results are reported with firm and year fixed effects, and standard errors are clustered at the firm level.²³ In each case, with and without controlling for ISS's recommendation, the coefficient of each of the rationale categories, *RationaleDiversity*, *RationaleIndependence*, *RationaleBusyness*, and *RationaleTenure* is positive and significant at the 1% 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 individual directors, where at least one institutional investor has provided a public rationale for their votes. Interestingly, the expression of investor concerns is translated into tangible responses by 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 above, 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 the lack of board diversity as the reason. The 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

²³The results remain unchanged if we use industry and year fixed effects instead.

fraction of board members of a firm that are identified by BoardEx as female. As shown in Figure 2, board diversity has improved considerably over the years, however, much more work is still needed. During the last decade, the average proportion of female board members has gone from about 11% in 2013 to nearly 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 gender diversity (see, e.g., Gormley et al., 2023). Going forward, it will be interesting to see the impact of the new Glass-Lewis policy and also Nasdaq's new board diversity listing requirements on gender diversity of corporate boards.

[Insert Figure 2 here]

To examine the association between board diversity and voting outcome, we use *FracFemale*, that measures the proportion of female board members in a firm as our key explanatory variable in the reported regression. As seen in the results reported in Table 11, the coefficient for *FracFemale* ranges from -0.0343 to -0.0821 and is significant at the 1% level. The negative coefficient suggests that there is less investor dissent for directors of firms with higher female board representation. This implies that directors in 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 receive dissent votes. This makes sense because the nominating committee is responsible for recruiting new board members, director renominations, and for board composition more generally. The coefficient of the interaction term is negative and significant. Thus, the greater dissent vote for members of the nominating committee is mitigated if the board has a high level of gender diversity. Columns 5 and 6 of Table 11 includes 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 coefficient for the interaction term is not

significant. Our findings show that shareholders care about board diversity and use their votes to bring about change.²⁴

[Insert Table 11 here]

While the results in Table 11 examines overall board diversity and its impact on individual director election voting outcomes; we extend this analysis by directly controlling for individual director characteristics both in terms of their board responsibilities (e.g., committee memberships) and demographic attributes such as gender, age, tenure, 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 the age, tenure, committee assignments, number of directorships and expertise of a director are significantly related to the results of the director election. 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 level 1% in all specifications. Therefore, female directors are significantly less likely to get an unfavorable vote. The gender of a director is a significant factor for voting outcome for that director, both statistically and economically. On average, a female director gets

²⁴All of our 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.

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 shows 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. Although 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 in the 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 a director is board chairperson, and zero otherwise), *Tenure* (number of years on the board), and *CompComm* (equals one if a member of the 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 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. However, only a small fraction of female board members serve in these leadership roles and, therefore, the sample is limited. The interaction term, *Female*×*Tenure*, is positive and significant in

three of four specifications. 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 receive fewer 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, including climate and diversity.

[Insert Table 13 here]

4 Shareholder Discontent

There can be several reasons for shareholder concerns about a particular firm. Shareholders have the option of submitting 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. Several studies, including He, Kahraman, and Lowry (2021) and Li, Naaraayanan, and Sachdeva (2021), have examined the outcome of shareholder-sponsored proposals. We use the presence of a shareholder-sponsored proposal on the ballot as a proxy for shareholder discontent. In our sample, approximately 13% of the 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 management-sponsored proposals (e.g., elect directors, compensation, etc.) and one or more shareholder proposal(s), then *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.²⁵ The average book value of assets of firms that have a shareholder-sponsored proposal is significantly higher 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 scores for E, S, and G 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. These 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.

²⁵Denes, Karpoff, and McWilliams (2017) provide a summary of the literature and characteristics of firms that tend to attract shareholder proposals.

These results continue to hold even after controlling for the ISS 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. In 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 a socially responsible investing (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 the presence of shareholder-sponsored governance proposals 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 vote 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.²⁶

[Insert Table 16 here]

²⁶To conserve space, we do not report these results, but they are available on request.

5 Conclusion

Institutional investors employ several different strategies to convey their dissatisfaction with the management of a company. We examine investors' support (or lack thereof) for management-sponsored proposals as a potential communication channel for investor concerns. Specifically, we show that today investors hold individual directors responsible for new and emerging issues that were not a concern in the past. Newer proxies for ESG, such as MSCI ESG scores, include a more comprehensive set of issues than those that were examined in the past. Holding everything else constant, moving from the lowest to the highest quartile of the ESG score yields a decrease in the disapproval percentage (fraction of against votes) of 0.36%, an economically significant change given that the sample average for such disapproval fraction is only 5%. We find that these results are driven exclusively by the voting outcomes for director election proposals, suggesting that investors hold independent directors responsible.

We find that the broader environmental score that captures climate change, natural capital, pollution and waste, and environmental opportunities is not significantly related to voting outcome; however, 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. Although social issues have gained attention and become important, we do not find any relation between specific social issues (i.e., human capital, product liability, stakeholder opposition, and social opportunities) and voting outcome. A possible explanation for the insignificance of social issues for voting outcomes may be due to the wide variation in the types of social issues that shareholders are concerned about as well as greater noise in the metrics used to capture social issues. Governance is an important driver of voting outcome. Our proxy for governance captures a much wider set of issues, such as board diversity, tenure, skills, accounting, and business ethics. We show that this proxy is not correlated with the governance measures used in the literature and continues to be significant even after controlling for traditional measures.

In recent years, several large institutional investors, including mutual funds, pension funds, and 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 one of the most frequently cited reasons for voting against management-sponsored directors. We find that directors of firms with less diversity on the board 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 an institutional investor provides a rationale for 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 are using their rationale disclosure as a signaling mechanism. They are also using the power of their vote to bring about change. Earlier literature has shown the consequences of dissent votes on directors and management even when it does not reach the threshold of majority dissent.

We also find that female directors receive significantly higher support compared to otherwise similar male directors at the same firm. This is in contrast to previous studies that focused on earlier sample periods that did not find significant gender effects on voting outcomes. This advantage is found even for female board members who serve on the nominating committee. However, it does not exist for those who are chair or lead independent directors of the board or for those with a long tenure.

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 in 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, socially responsible proposals and the sponsor of the proposal do not matter for voting outcome. These findings indicate the importance of studying both management- and shareholder-sponsored proposals.

In general, we conclude that individual directors are held accountable for emerging issues such as board diversity and climate change, but not for social issues. We find that shareholders use their voice both in the form of shareholder-sponsored proposals and in holding management-sponsored directors accountable. Earlier studies have documented that dissent votes have real consequences for directors and management. Thus, our results suggest that institutional investors are not simply greenwashing on issues of climate change and diversity, but are using their vote effectively when they have concerns.

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Figure 1
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 firm-level governance worsens.

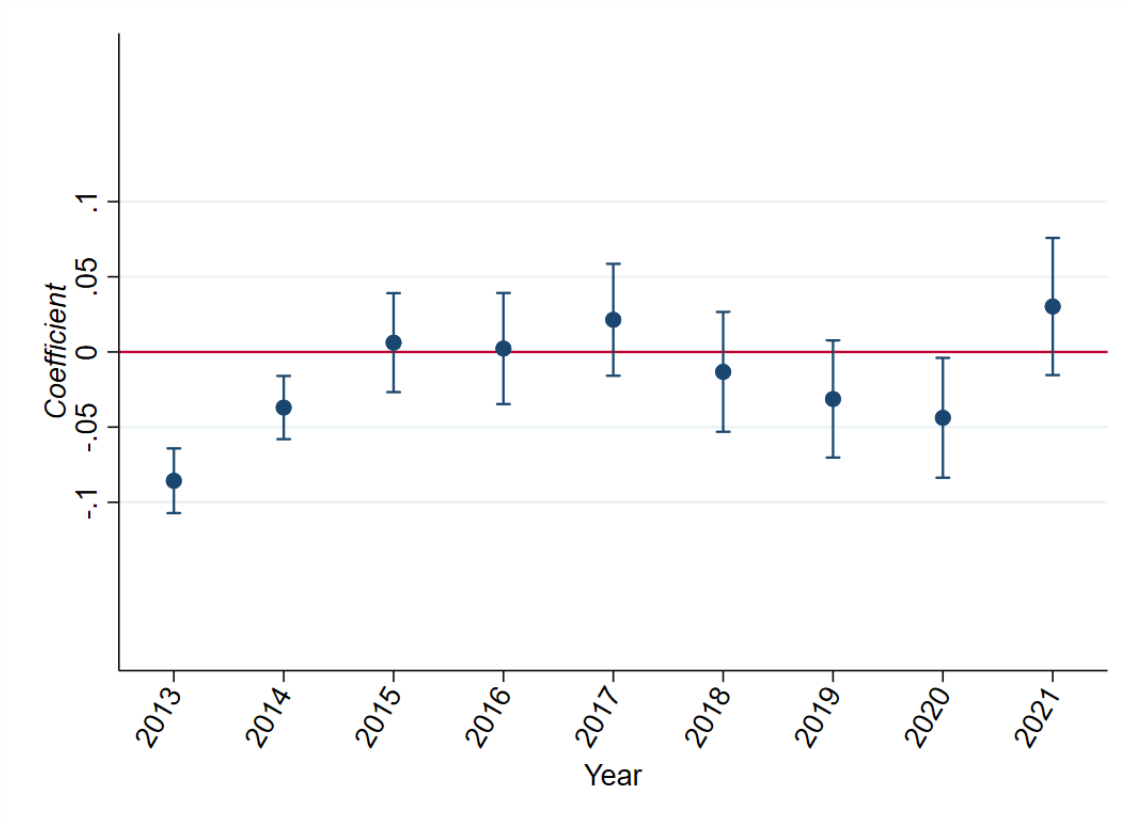


Figure 2
Evolution of Female Representation in Corporate Boards

The figure shows the evolution of the board fraction represented by female directors, *FracFemale*, during 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.

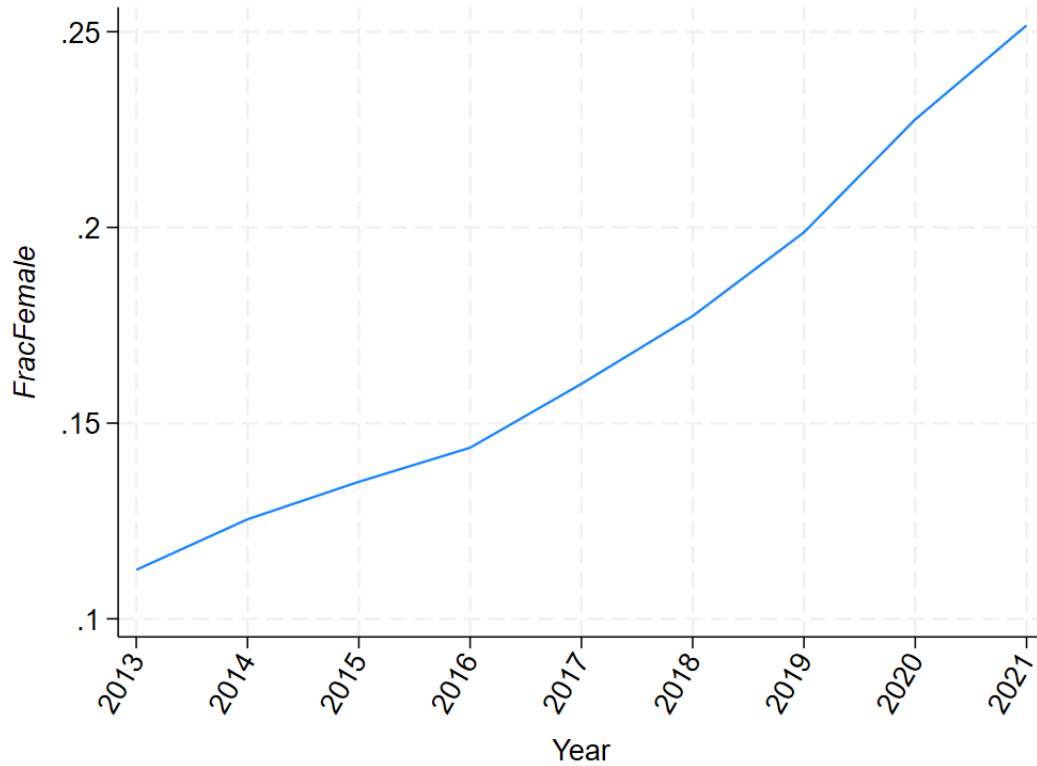


Table 1
Proxy Voting Characteristics

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 are 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.

Panel A: All Management-Sponsored Proposals						
	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

Panel B: Management-Sponsored Director Election Proposals						
	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

Panel C: Management-Sponsored Non-Director Election Proposals						
	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 and we keep unique firm-year observations for creating this table. 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

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 R^2	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 2015 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>		-0.1804*** (0.0065)		-0.1790*** (0.0066)		-0.1810*** (0.0066)		-0.1819*** (0.0066)
<i>MSCI CG Score</i>	-0.0031*** (0.0006)	-0.0021*** (0.0004)	-0.0029*** (0.0006)	-0.0020*** (0.0004)	-0.0027*** (0.0006)	-0.0018*** (0.0004)	-0.0029*** (0.0006)	-0.0020*** (0.0004)
<i>RationaleDiversity</i>	0.0243*** (0.0012)	0.0179*** (0.0009)						
<i>RationaleIndependence</i>			0.0294*** (0.0012)	0.0204*** (0.0009)				
<i>RationaleBusyness</i>					0.0348*** (0.0013)	0.0309*** (0.0012)		
<i>RationaleTenure</i>							0.0277*** (0.0013)	0.0246*** (0.0011)
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	56,542	56,542	56,542	56,542	56,542	56,542	56,542	56,542
Adjusted R^2	0.3518	0.5750	0.3585	0.5771	0.3595	0.5851	0.3482	0.5762

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 2015 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>		-0.1805*** (0.0071)		-0.1790*** (0.0071)		-0.1783*** (0.0070)
<i>MSCI CG Score</i>	-0.0027*** (0.0006)	-0.0018*** (0.0004)	-0.0027*** (0.0006)	-0.0018*** (0.0004)	-0.0028*** (0.0006)	-0.0019*** (0.0004)
<i>FracFemale</i>	-0.0821*** (0.0111)	-0.0524*** (0.0080)	-0.0682*** (0.0109)	-0.0384*** (0.0080)	-0.0577*** (0.0115)	-0.0343*** (0.0082)
<i>NomComm</i>			0.0225*** (0.0017)	0.0193*** (0.0015)		
<i>FracFemale</i> × <i>NomComm</i>			-0.0311*** (0.0069)	-0.0311*** (0.0058)		
<i>RationaleDiversity</i>					0.0250*** (0.0028)	0.0188*** (0.0020)
<i>FracFemale</i> × <i>RationaleDiversity</i>					-0.0121 (0.0109)	-0.0095 (0.0083)
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	50,009	50,009	50,009	50,009	50,009	50,009
Adjusted R^2	0.3469	0.5764	0.3594	0.5846	0.3617	0.5847

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

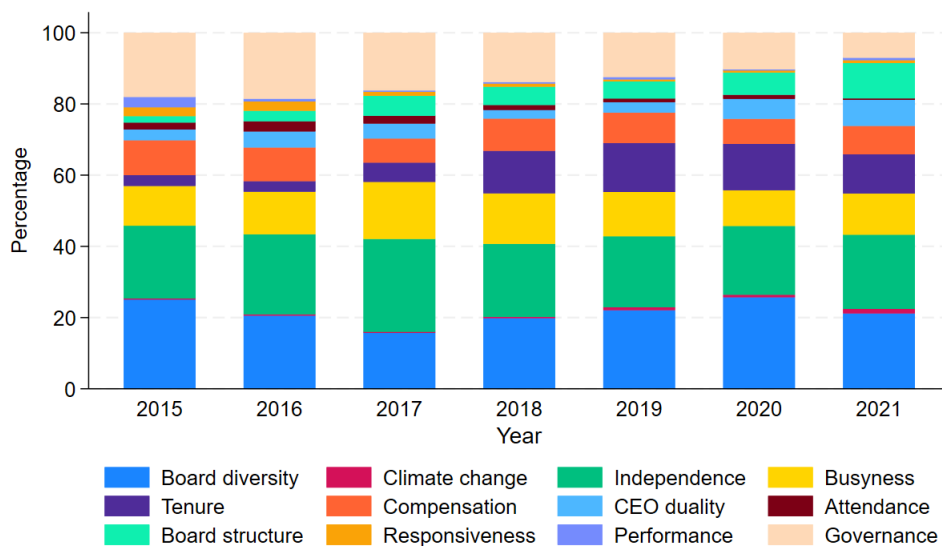
Variable	Definition	Data Source
<i>FracAgainst</i>	The proportion of votes against the proposal estimated as $VotedAgainst / (VotedFor + VotedAgainst)$.	ISS Voting Analytics
<i>ISS FOR</i>	A dummy variable that takes the value of one if ISS recommends support for the proposal, and zero otherwise.	ISS 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
MSCI Scores:		
<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
Firm Characteristics:		
<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 Bebchuk, Cohen, and Ferrell (2009) .	ISS Governance
Director Attributes:		
<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 Zawel (2005) .	BoardEx
Voting Rationales:		
<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

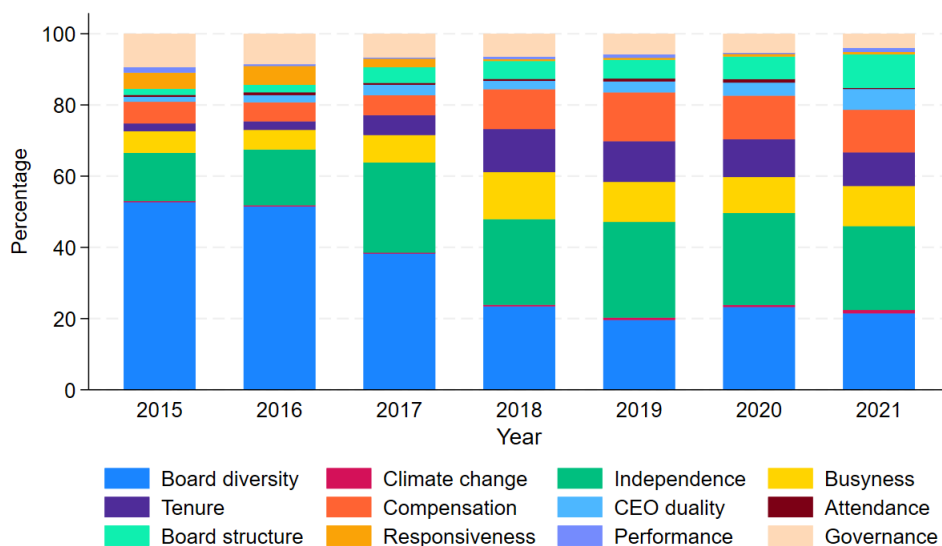
Appendix B Relative Frequency of Institutional Investor Voting Rationales

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. Panel A shows the distribution of different rationales aggregated at the “firm-meeting” level. Panel B shows the distribution of rationales at the “firm-meeting-director proposal” level.

Panel A: Firm-Meeting Level



Panel B: Firm-Meeting-Director Proposal Level



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