

Corporate Political Disclosure and Shareholder Voting

Comments on Paper by Jill Fisch and Adriana Robertson

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Background and context



Key contributions of the paper



Some thoughts for consideration

Background

SUPREME COURT OF THE UNITED STATES

Syllabus

**CITIZENS UNITED *v.* FEDERAL ELECTION
COMMISSION**

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLUMBIA

No. 08–205. Argued March 24, 2009—Reargued September 9, 2009—
Decided January 21, 2010

- ▶ Corporate political expenditures
- ▶ A matter for “corporate democracy”
- ▶ Shareholder rights and corporate governance

Context

- ▶ Academic literature expounding on governance implications of *Citizens United*
- ▶ Theoretical: e.g., series of papers by Bebchuk and Jackson, et al.
 - Including in the context of proposals for mandatory disclosure of corporate political expenditure

Context

- ▶ Empirical examination of shareholder influence post–*Citizens United*
 - Steel, *Corporate Political Spending and the Size Effect* (2018)
 - Min & You, *Active Firms and Active Shareholders* (2019)
 - Zhang & Zhang, *Shining Light on Corporate Political Spending* (2022)

The Paper's Contribution

- ▶ Continued relevance of the topic
- ▶ Comprehensive data collection
 - From multiple sources: ISS, Sustainable Investments Institute, contributions to 527 organizations
- ▶ Mixed methods: empirical and qualitative analysis
 - Interviews with investors

The Paper's Contribution

- ▶ Focus on withdrawn and omitted proposals
 - They speak an important story
- ▶ Novel institutional insights
 - Role of the Center for Political Accountability (CPA)
 - Contrasts with proposals brought without CPA involvement

The Paper's Contribution

- ▶ Twin focus
 - Issuers' perspective: mostly empirical
 - Investors' perspective: empirical and qualitative
- ▶ Adds to the debate surrounding the shareholder proposal process more generally
 - Challenges the narrative that shareholder proposals are ineffective
 - Broadly supports the judicial position in *Citizens United*

Thoughts for Consideration



1. Scope and Design
2. Normative Implications

1. Scope and Design

- ▶ Possible research questions/hypotheses underlying the data collection
- ▶ Motivating hypotheses
 - *H1: Contrary to prevailing criticisms, the shareholder proposal process is a responsive mechanism for improving transparency in corporate political expenditure*
 - *H2: The proposal process generates significant variation among investor strategies and outcomes*

1. Scope and Design

- ▶ Paper covers disclosure of political expenditures
 - Extent of coverage of lobbying to be clarified
 - Currently based on a snapshot analysis
 - Nature of relationship between political expenditure and lobbying more generally

1. Scope and Design

- ▶ Dual role of CPA as both a governance “entrepreneur” and an index provider
 - How does potential bias affect the interpretation of results?
 - Also, is there “box ticking” by companies influenced by CPA-led shareholder proposals?

1. Scope and Design

- ▶ Qualitative interviews with 14 investor participants
 - How were they chosen?
 - What was the scope of the interviews?
 - Any steps taken to mitigate self-selection bias?

2. Normative Implications

- ▶ Implications more generally
 - Specific policy and regulatory implications of the paper's findings
- ▶ Private ordering vs. regulatory mandate
 - What does the paper tell us about the utility of private ordering through shareholder proposals?
 - Stewardship codes/obligations
 - Corporate governance best practices
 - Role of proxy advisory firms

3. Normative Implications

- What impact do the findings have on the (rather controversial) debate surrounding mandatory disclosure of political expenditure?
 - SEC rulemaking process; congressional restrictions
- ▶ Overall, an examination of the various policy choices
 - Including potentially a comparative analysis
 - E.g., the UK regime requiring shareholder votes for significant political expenditures

3. Normative Implications

- ▶ Heterogeneity in investor voting
 - What drives this phenomenon?
 - Is heterogeneity desirable or problematic?
- ▶ Finally, engagement with existing papers such as Min & You and Zhang & Zhang
 - Comparisons and contrasts with their findings

Conclusion

- ▶ Important piece of work in the arena of political expenditure by corporations, disclosures, and the shareholder proposal process more generally
- ▶ Potential to define the field

THANK YOU