The Anatomy of Shareholder Proposals*

Florian Berg[a], Bram van der Kroft[a], Juan Palacios[a,b], Roberto Rigobon[a], Siqi Zheng[a]

[a]Massachusetts Institute of Technology

[b]Maastricht University

February 1, 2026

Abstract

Modern corporations delegate control to professional managers, creating agency frictions that shareholders may address through proposal filings under SEC Rule 14a-8. While proposals can discipline managers, they may also constrain informed decision-making, leaving the net value of investor voice unresolved. Existing evidence from close-call votes captures effects of implementation but cannot identify the financial consequences of the marginal proposal due to selection and announcement effects. We introduce a judge-leniency design exploiting random assignment of omission No-Action requests to SEC lawyers, whose discretionary rulings generate exogenous variation in whether proposals reach the ballot. Using hand-collected data on all 5,031 requests from 2007–2024, we estimate announcement and filing effects. Marginal governance proposals yield neutral returns, suggesting shareholders balance control and delegation. By contrast, social and environmental proposals generate positive announcement but negative filing effects, indicating value in information revelation but costs in shareholder-led implementation.

Key words: Corporate governance; No-Action Requests; SEC enforcement discretion

JEL codes: G11, M14, Q56

*Contact information: bramvdk@mit.edu. We thank Rob Bauer, Kevin Chuah, Stefan Flagner, Elena Fumagalli, Oliver Hart, Torsten Jochem, Peiran Jiao, Stefano Lugo, Irene Monasterolo, Peter Schotman, Paul Smeets, Thomas Walther, Elisa de Weerd, and Yilong Xu as well as seminar participants of the MIT Climate and Sustainability Consortium, MIT Aggregate Confusion Project, University of Amsterdam, SAFE (Frankfurt), University of Munster, Utrecht University, Maastricht University, and Open University Netherlands for feedback. We thank Eric Anderson, Clarice (Yichong) Chen, Leqi Chen, Frederic Dai, Caleb Davis, Grace Demartino, Neha Gupta, Stephanie (Meilin) Guo, Aleks Ianov, Mehdi Kaaniche, Ashley Lu, Victoire Marcaillou, Connor McHale, Sophie Nguyen, Feng Qui, Luc Ruijl, Olivia Scarpaci, Isaac Villalobos, and Victoria Wong for amazing research assistance.

1 Introduction

Modern corporations separate ownership from control. Professional managers run firms on behalf of dispersed shareholders, who hold limited formal authority over major decisions (Berle and Means, 1932). This structure leverages managers' informational and coordination advantages while also giving management broad discretion that can create incentives to pursue private interests, leading to agency problems (Shleifer and Vishny, 1997). Balancing these trade-offs, shareholders sometimes exercise their voice and intervene in managerial decision-making (Hirschman, 1972).

Theory offers two counterbalancing forces that could affect the financial implications of investor voice (Burkart et al., 1997). Shareholder proposals may discipline managers by limiting private benefits or improving inefficient strategies (Jensen and Meckling, 1976). However, they may also weaken managerial decision-making if they impose external views that do not reflect firm-specific conditions (Burkart et al., 1997). The overall effect of shareholder voice on firm value therefore remains an empirical question.

Shareholder proposals play a central role in this balance. Under SEC Rule 14A-8, investors may submit proposals that place strategic, governance, or environmental and social issues on the proxy ballot. These proposals provide the most direct channel for investors to influence firm policy. They let shareholders challenge managerial decisions and coordinate around alternative actions. Although proposals are formally advisory, those that receive majority support often lead managers to comply (Levit and Malenko, 2011).

The existing literature mainly studies whether proposals create value by comparing those that narrowly pass or fail shareholder votes. These studies observe positive abnormal returns following firms' implementation of proposed governance or environmental and social actions (Cuñat et al., 2012; Flammer, 2015; Cuñat et al., 2016; Flammer and Bansal, 2017; Cuñat et al., 2020). While informative on the effects of implementation, close-call designs cannot address the deeper question of whether investor voice deters agency issues or limits informed managerial decision-making. Selection in proposal filings and announcement effects also complicate the interpretation of these estimates. To assess whether shareholders impose too many constraints or demand too little, the goal of our study is to identify the financial implications of the *marginal* proposal.

Let us be more precise about the channels through which shareholder proposal filings affect financial performance. Proposals influence firm outcomes not only through implementation, but also through announcement effects. The filing itself can convey new information to investors in semi or weakly efficient markets. Once investors learn about the proposal, managers may respond even before any vote takes place. Financial implications can arise when investors incorporate potentially new information and update their expectations about managerial response to it. The proposal can encourage action through soft control ahead of implementation.

Announcement effects also shape how we interpret financial changes after a proposal is

adopted. The observed financial shock reflects the difference between the manager's original approach and the shareholder's recommended action. Thus, the financial implications of filing a proposal constitute the announcement effect and the difference between the financial consequences of the shareholder's and management's responses.

Measuring the impact of the marginal shareholder proposal is challenging. Investors face limited resources when filing and voting on proposals (Malenko and Shen, 2016; Bebchuk et al., 2017). These constraints lead them to file proposals only when they expect large financial upside. This positive selection introduces bias when observing the *average* effects of proposal filings and expected outcomes. Proposals that reach the ballot do so because investors anticipate a profit. Any additional proposal therefore likely has more negative financial implications than the last. The *average* proposal is not representative of the *marginal* one.

These selection concerns are not addressed by close-call proposals. If anything, they are amplified by them. Close-call proposals tend to receive higher levels of support than the average, see Figure 2. Because shareholders vote strategically, close-call proposals are likely to face a positive selection on their financial implications compared to the average proposal. By extension, close-call proposals also exhibit a positive selection bias to the marginal proposal. This highlights the need for a different identification strategy.

These selection concerns remain unresolved in close-call regression discontinuity designs. If anything, they become stronger. Close-call proposals receive higher levels of support than the average proposal, as shown in Figure 2. Shareholders vote strategically, so proposals that come close to passing are likely to reflect stronger expected financial implications than the typical filing. Close-call proposals thus exhibit positive selection relative to both the average and the marginal proposal. This pattern underscores the need for a different identification strategy.

We introduce judge-leniency designs to corporate governance to identify the financial consequences of the *marginal* shareholder proposal. Firms may petition the SEC to remove proposals from the ballot when they believe the proposals violate proxy voting rules. These petitions are called *omission No-Action requests* and are randomly assigned to specialized lawyers in the SEC Division of Corporate Finance. After review, they may side with the firm and allow omission, or side with the proponent and require proposals to be filed on corporate ballots. These decisions involve discretion because legal standards are loosely defined, resulting in agent-specific leniency. We use SEC agent leniency as an instrument to determine whether a proposal is filed. This approach isolates filing decisions from positive selection bias and provides random variation in whether *marginal* proposals reach the ballot. Proposals not at the margin would always be accepted or rejected, regardless of the agent's leniency.

We hand-collected the full population of 5,031 No-Action requests filed by US firms between 2007 and 2024. A team of 18 research assistants retrieved the names of SEC agents, along with 96 proposal characteristics, for each request. We also scraped SEC DEF 14-A filings to collect and standardize every corporate ballot item for all US firms over this period, and scraped 10-Q and 8-K filings to obtain voting outcomes. Using SEC agent names and rul-

ings, we construct an unbiased jackknife instrumental variable estimator (UJIVE) instrument. This measure captures each agent's past tendency to rule in favor of filing rather than omitting proposals.[1]

We take several steps to ensure that our SEC agent leniency instrument satisfies IV assumptions. First, we adjust our UJIVE estimates for procedural omission requests, since these cases may affect both SEC agent rulings and financial outcomes.[2] Second, SEC agent leniency is a strong instrument in determining whether proposals reach the ballot, with first-stage F-statistics exceeding 150 even after controlling for 96 proposal characteristics (Stock et al., 2002; Kolesár et al., 2015). It appears that SEC agent leniency plays a larger role in explaining whether proposals get filed than its legal representation, omission arguments, proposal demands, subjects, direction, specificity, coalition type, repeat filings, and communication between proponents and firms. Third, our instrument passes the Frandsen et al. (2023) test, providing evidence consistent with monotonicity and the exclusion restriction. We also confirmed with three SEC employees that agent assignment is random and occurs before the No-Action stage. Finally, agent leniency remains stable over time, which reduces concerns about intertemporal shifts in instrument strength (see Chan et al., 2022).

The financial implications of shareholder proposals may differ across proposal types. Corporate governance proposals aim to reduce inefficient resource use and limit agency problems. In contrast, environmental and social proposals often target externalities and social objectives. These proposals may not focus solely on shareholder value. As a result, both selection patterns and treatment effects can vary across categories. We therefore analyze their impacts separately.

We conduct an event-study analysis, computing cumulative abnormal returns on the day the SEC releases its No-Action decision and the following day. We rely on the Fama and French (2015) five-factor model with momentum from Carhart (1997) as our benchmark.[3]

We find that the marginal corporate governance proposal generates neutral announcement and filing returns. Neutral announcement effects suggest that governance concerns are already reflected in prices or that expected managerial responses do not change firm valuation. Neutral filing effects further imply that investors view the shareholder's proposed resolution as no more or less profitable than management's approach. Together, these findings indicate that shareholders strike a balance between disciplining managers and preserving managerial discre-

[1] See Chyn et al. (2025) for a methodology review. While our paper introduces leniency designs to corporate governance, related approaches have been used to study crime (Aizer and Doyle, 2015; Dobbie et al., 2018; Agan et al., 2023), foster care (Doyle, 2007, 2008), health outcomes (Chan et al., 2022), banking regulation (Agarwal et al., 2014), bankruptcy outcomes (Dobbie and Song, 2015), and disability insurance (Maestas et al., 2013).

[2] Proposals with procedural issues may reflect lower quality filings, since proponents did not follow Proxy Rule 14A-8. When firms raise valid procedural defects, SEC agents have little discretion and must allow omission. This can create a mechanical link between agent leniency and proposal outcomes. This correction mirrors Aizer and Doyle (2015), who accounts for offenses where sentencing is more objective and less judge-dependent.

[3] Using factor models is a standard procedure (Cuñat et al., 2012; Flammer, 2015; Cuñat et al., 2020). Results are robust when using CAPM, the Fama and French (1993) three-factor model, the three-factor model with momentum, and the five-factor model without momentum. Estimates are also robust when focusing only on the announcement day.

tion. If marginal filings increased firm value, shareholders would appear too passive and could file more proposals. If marginal filings reduced firm value, shareholders would appear too restrictive and could file fewer. Instead, the absence of financial effects implies that investors strike a balance between control and delegation in filing governance proposals.

In contrast to corporate governance, social and environmental shareholder proposals display a more nuanced story on the balance between reducing agency issues and constraining managerial freedom. The marginal social and environmental proposal exhibits positive announcement effects of 0.63% and 2.86%, respectively. These reactions suggest that shareholders provide useful information or prompt managerial actions that investors view as value-enhancing.

At the same time, firms experience negative abnormal returns when proposals are filed on firm ballots: -1.76% and -5.03% for social and environmental proposals, respectively. This suggests that adopting shareholder plans on this issue may impose costs beyond management's expectations. We are agnostic as to whether this dissonance arises from management being better equipped to address internalizing externalities financially, or whether shareholders' implementation internalizes them more extensively. Combining these effects, investor activism through social and environmental shareholder proposals appears to add value by revealing issues and potentially triggering managerial responses, while destroying value in their proposed measures to address them.

1.1 Related Literature

There is a subtle interaction between law and finance: investor protection and corporate governance are inseparable from legal rules and their enforcement (Porta et al., 1998). Shareholders can discipline managers only when securities law provides protections that courts and regulators can enforce (Benston, 1973). By extension, they affect managerial accountability and market outcomes (Pagano and Volpin, 2005; Greenstone et al., 2006). Without legal safeguards, managers could tunnel shareholders' funds (Johnson et al., 2000).

Execution of investor protection, however, is not mechanical. As in other areas of public enforcement (Kleinberg et al., 2018), shareholder proposal regulation operates through a decentralized process. Frontline SEC staff interpret the rules and apply judgment in individual cases. Corporate governance outcomes thus depend not only on formal statutes, but also on how enforcement agents implement them in practice.

Our paper provides evidence that such decision-makers matter for the operation of shareholder rights. Exploiting the random assignment of omission No-Action requests to SEC Division of Corporate Finance lawyers, we show that the interpreters of Rule 14a-8 exert substantial discretion over whether proposals reach the corporate ballot. Strikingly, SEC agent leniency predicts proposal inclusion more strongly than 96 observable proposal characteristics, implying that shareholder governance rights vary with who decides, not merely what the law says or how apt shareholder requests are. We contribute to a growing literature demonstrating that

individual enforcement agents shape real economic outcomes, from banking supervision (Agarwal et al., 2014) to judicial decisions (Kleinberg et al., 2018; Dobbie et al., 2018; Agan et al., 2023). These findings are especially salient as the SEC's No-Action process is shifting toward greater reliance on costly litigation starting in November 2025, potentially restricting effective shareholder oversight to only the wealthiest proponents (see Zingales, 2017, on the power of the corporation).[4] Broadly speaking, our results highlight that securities regulators are not passive administrators of governance rules: through their discretion, SEC agents operating under a single federal regime become de facto architects of the set of governance tools available to investors and the constraints managers ultimately face.

Within the current application of US securities law, our paper also contributes to our understanding of whether shareholder pressure and the exercise of control rights contribute to shareholder value. Trade-offs between inefficient control and potential agency issues are at play in a range of financial decisions (Dessein, 2002), such as active monitoring by large shareholders (Burkart et al., 1997), the decision to go public (Pagano and Röell, 1998), and optimal financial structures (Dewatripont and Tirole, 1994). When investors decide whether to put pressure on firms, they face a narrow balance between being too prescriptive in constraining managerial decision-making under limited firm-specific knowledge, versus addressing potential inefficient resource use by management. Evidence of where investors stand on this narrow balance lies in the *filing* of the *marginal* shareholder proposal, which we causally identify. We find that corporate governance shareholder proposals strike the balance exactly right: their announcement and filing effects are not significant. These findings show that investors are generally aware of proposed governance issues and deem the suggested solutions to them by shareholders equal to those by management. These findings extend existing literature that explores the adoption of shareholder over manager actions for the *average* shareholder proposal using a regression discontinuity design (Cuñat et al., 2012, 2016; Flammer and Bansal, 2017; Cuñat et al., 2020).

A final contribution of this paper relates to sustainable finance and shareholder activism. Existing models show how investors with non-pecuniary motives can internalize firm externalities. These models often assume that doing so imposes a cost on the firm and therefore on investors (Heinkel et al., 2001; Pástor et al., 2021; Broccardo et al., 2022; Oehmke and Opp, 2024). They typically rely on equilibrium settings and perfect information in financial markets.

In practice, sustainability reporting remains unstandardized. Environmental and social data also differ widely across providers (Berg et al., 2022). Our findings highlight this complexity. We show that environmental and social shareholder activism can both add and destroy value. On the one hand, the filing of the marginal proposal generates positive abnormal returns, suggesting proposals can surface concerns that matter to shareholders and encourage managerial responses that improve firm value. Such effects can arise when markets are not fully efficient,

[4] See `https://www.sec.gov/newsroom/speeches-statements/statement-regarding-division-corporation-fin` Following the self-regulatory oversight model of DeMarzo et al. (2005), firms, and especially those with agency issues, will be less subject to shareholder oversight under the current No-Action regime.

when proposals expand management's information set, or when they alert investors to issues the firm has not addressed. On the other hand, shareholder-led implementation of the marginal proposal generates large negative returns relative to management-led implementation. This pattern aligns more closely with theory. It may reflect that shareholders face information limits when proposing sustainability goals, or that management can address these concerns more selectively. These implementation results complement the work of Flammer (2015), which examines proposals that pass or fail by narrow margins.

2 Institutional setting

2.1 What is a shareholder proposal?

Shareholder proposals give investors a direct channel to influence corporate governance and managerial decisions. Investors in listed firms are often distant from daily operations, which separates ownership from control (Berle and Means, 1932). The SEC established shareholder proposal rights in 1942 through Rule X-14A-7, which allows shareholders to propose changes to the firm's operations or governance provisions. Firms distribute these proposals to all shareholders on the corporate ballot before the annual meeting, where shareholders vote on them. While proposals are advisory and nonbinding, voting outcomes matter for managers and often shape subsequent decisions (Levit and Malenko, 2011). The legal framework governing shareholder proposals reached its current form in 1998 with the amendment of Rule 14a 8.[5]

2.2 The shareholder proposals process

The sequence of actions from proposal submission to the final vote is central to our identification strategy and judge assignment. We therefore outline the process step by step in Figure 1. The process begins when a shareholder or a coalition of shareholders, the proponent(s), drafts a shareholder proposal. The proposal includes two parts: a resolution and a supporting statement. The resolution states the request to the firm, and the supporting statement explains the rationale for the request. The shareholder then submits the proposal to the SEC at least 165 days before the firm's expected annual meeting date.

Once the proposal reaches the SEC, the agency randomly assigns it to an SEC agent, who acts as the judge in our judge fixed effects framework.[6] These agents are lawyers with expertise in corporate law who work in the SEC's Division of Corporate Finance. After assignment, the agent notifies the firm of the proposal. Proposals initially pass through the SEC to enforce

[5]See Securities Exchange Act Release No. 3347 (Dec. 18, 1942), Fed. Reg. 10653 (Dec. 24, 1942) for further details on Rule X-14A-7, and `https://www.sec.gov/rules-regulations/1998/05/amendments-rules-shareholder-proposals` for the 1998 amendment to Rule 14-A8.

[6]We verified this random assignment through private communications with several SEC agents and senior SEC staff. We test random assignment (and monotonicity) using the Frandsen et al. (2023) test in the methods section.

shareholder rights and ensure that firms respond to them.

When a firm receives notice of a shareholder proposal, it chooses among three possible responses. One option is to remain passive and place the proposal on the corporate ballot together with management's response and voting recommendation. The firm distributes the ballot to investors through Form DEF 14A filings, and shareholders vote at the annual meeting. Management then counts the votes and discloses whether the proposal passes or fails in a Form 10-Q before 2010 and in a Form 8-K after 2010.

Another option is for managers to submit an omission No-Action request after receiving a shareholder proposal. In this legal process, the firm asks the SEC to take no enforcement action if it excludes the proposal from the ballot. Effectively, the firm seeks permission to disregard the proposal based on specific legal grounds. The SEC introduced No-Action requests to shield shareholders from proposals that are likely to reduce firm value and to keep corporate elections focused.

After a firm files a No-Action request, the initially assigned SEC agent reviews the firm's legal arguments. The agent evaluates whether the proposal meets one of the fourteen grounds for omission listed in Rule 14A-8. If the agent grants the request, the firm may exclude the proposal from the ballot, and the proposal ends. If the agent denies the request, the firm must include the proposal on the ballot, and shareholders vote on it in the normal way.

Last, managers may reach a settlement with the shareholder and file a withdrawal with the SEC. Such withdrawals require mutual agreement that the firm has substantively implemented the request, in full or in part, through negotiation with the shareholder. The firm and the shareholder then jointly submit a withdrawal request, and the proposal succeeds without a shareholder vote.

3 Data

We compile a comprehensive dataset on shareholder proposals using four SEC filings. We obtain No-Action requests and DEF 14A filings to identify shareholder proposals. We use Forms 10-Q and 8-K to retrieve voting outcomes. We also collect stock price data from CRSP and accounting data from Compustat.

3.1 No-action Requests

We hand-collected the population of 5,109 No-Action requests from January 2007 to December 2024 for all US-listed firms using original SEC documents. These filings lack standardization and often include scanned material and long legal text, sometimes exceeding 350 pages per request. We train a team of 18 research assistants to collect and standardize the data over 20 months. We manually match CIK codes and firm names to gvkeys, permnos, and cusips to link the data to Compustat and CRSP. After removing observations without outcomes and those not

linkable to external datasets, we retain 5,031 No-Action requests, which represent 98.5 percent of the No-Action request population.[7]

No action requests include four main sections: the SEC response letter, firm legal arguments for omission, the shareholder proposal and supporting statement, and correspondence between firms and proponents. From the SEC response letter, we collect the SEC agent's name, the verdict, the firm name, the proponent names, the proponent roles, the date, and any legal arguments accepted by the SEC. From firm legal arguments, we compile summaries of all arguments, the cited Rule 14A-8 violations, and the names of law firms used by the firm or its proponents. From the shareholder proposal exhibit, we collect proposal text, supporting statement text, the number of external sources, and additional proponent names not listed in the SEC letter. We manually standardize names and classify proponents into 15 groups. From the final section, we retrieve the number of non-procedural emails exchanged between the firm and the proponent. We use Gemini 2.0 Flash to categorize proposals along five dimensions covering demands, topics, direction, specificity, and assertiveness. Table 1 reports summary statistics, and Appendix A describes the data construction, cleaning, and categorization process and the Gemini prompts.

3.2 DEF 14A Forms

Alongside No-Action requests, we collect the population of 129,270 DEF 14A filings for all US-listed firms from April 2004 to December 2024. These filings report the ballot information that firms provide to shareholders before a vote. They include management and shareholder proposals, a voting recommendation, and a management response that explains their recommendation. The filings also report the voting threshold required for approval.[8]

We collect these 50-150-page filings via the EDGAR API. We parse the HTML into text and apply multiple Gemini prompts to first extract the relevant ballot sections, then extract the related information. We classify the content of shareholder proposals from DEF 14A filings using the same approach as for No-Action requests. We retain a total of XX,XXX shareholder proposals from these filings. Appendix A describes the data collection, cleaning, and Gemini prompts in more detail.

[7] We filed a number of Freedom of Information Act requests to increase data coverage or to better understand the institutional setting surrounding the SEC data generation process and also spoke with multiple SEC agents. See FOIA Appeal No. 25-00028-APPS, 24-02181-FOIA, 24-03667-FOIA, 24-03668-FOIA, 24-03677-FOIA, 24-03678-FOIA, 25-00864-FOIA, 25-00869-FOIA, 25-00872-FOIA, 25-00878-FOIA, 25-00888-FOIA, 25-00891-FOIA, 25-00892-FOIA, 25-00896-FOIA.

[8] There are four vote types: for, against, abstain, and broker non-votes. Voting thresholds vary by proposal in whether abstentions or broker non-votes count as support or opposition. The required share of affirmative votes may also differ across proposals.

3.3 8-K and 10-Q Forms

The third and fourth SEC filings report voting outcomes. We collect the universe of 76,788 Form 8-K filings and 22,482 Form 10-Q filings with voting information for all US-listed firms from April 2004 to December 2024 using the EDGAR API. Before 2010, firms reported election results in their quarterly Form 10-Q filings. In recent years, firms have reported results shortly after shareholder meetings in Form 8-K filings. For each report and proposal, we use Gemini to collect counts of for, against, abstain, and broker non-votes. When available, we also record the firm's reported voting result. We match voting outcomes to ballots using CIK codes, date proximity, and ballot order.

4 Method

4.1 The identification problem

We aim to estimate the implications of filing the marginal shareholder proposal on firms' financial performance. In Equation 1, we characterize the problem into the following equation where R_i denotes the financial performance consequences of shareholder proposal i on the targeted firm, SP_i being an indicator variable equal to one when the firm receives a shareholder proposal. The vector X_i contains control variables, and ε_i denotes the error term.

$$R_i = \alpha + \beta Filing_i + \gamma' X_i + \varepsilon_i, \tag{1}$$

Any assessment of the financial effects of filing shareholder proposals must address selection in proposal choice. Investors tend to file proposals they expect to have the largest impact. These proposals may generate stronger announcement effects, more positive financial consequences when implemented, or a higher likelihood of adoption by management. Bebchuk et al. (2017) notes that investors operate with limited staff when filing proposals. Consequently, a rational investor would allocate effort to proposals with the highest expected returns, whether financial or social, depending on their motives. This behavior creates positive selection in proposal "quality". As a result, the OLS estimates of β that capture the average proposal effect are too positive compared to the marginal proposal, our vocal interest.

Even with a rich set of control variables, unobserved factors may correlate with both firm financial performance and the decision to file a shareholder proposal. These factors likely increase the probability of filing and bias upward the estimated effects. We therefore require an instrument to identify the impact of filing the marginal proposal.

In addition, the effects of filing shareholder proposals on financial performance are likely heterogeneous across proposal types. One of the main reasons why shareholders file corporate governance shareholder proposals is to reduce inefficient resource use by management. Since this is likely value-adding, the selection bias in filing proposals can be pronounced. Conversely,

a central reason for filing environmental and social shareholder proposals is to reduce externalities, rather than to necessarily address inefficiency in resource use. When investors selectively file these proposals, their goal is to minimize externalities, leading to the possible selection of financially beneficial environmental and social proposals as well as those with large expected reductions in externalities. Therefore, the selection bias in the financial consequences of filing shareholder proposals is arguably heterogeneous across proposal types.

Additionally, the potential selection bias varies across proposal types. Shareholders often file governance proposals to curb potential mismanagement of resources. These proposals are likely value-enhancing, which strengthens selection in filing. In contrast, shareholders file environmental and social proposals to reduce externalities rather than to target inefficiency. Investors may equally well select proposals with financial benefits that are more readily accepted, or those with large expected reductions in externalities that are not necessarily profitable. As a result, the selection of the financial consequences of filing shareholder proposals differs across proposal types, preventing us from analyzing heterogeneous treatment effects even in relative terms.

We instrument the likelihood of proposal filing using differences in SEC agent stringency during No-Action requests. When managers seek to omit a proposal, an SEC agent reviews the request and decides whether to grant it. SEC agent stringency involves a trade-off between investor freedom and investor protection: a balance between removing potentially irrelevant proposals from the ballot and enabling investors to make their own judgment. Requests are randomly assigned to agents, and we condition on observable proposal characteristics. Variation in agent stringency, therefore, shifts the probability that a proposal reaches the ballot without affecting its financial impact once filed. The next section explains how we use this variation as an instrument in a two-stage least squares (2SLS) unbiased jackknife instrumental variable estimator (UJIVE) approach (see also Stock et al., 2002; Kolesár et al., 2015).

4.2 Computing SEC Agent Leniency

For each shareholder proposal, we assign an instrument that measures "SEC agent leniency", defined as the average likelihood that the agent allowed a proposal to be filed based on past decisions. We construct this measure as a leave-one-out share of proposals that passed the No-Action stage and appeared on the ballot in the agent's prior cases. To remain conservative, we estimate this leave-one-out mean after residualizing for procedural mistakes in the filing of a shareholder proposal, following the UJIVE approach in Hansen and Kozbur (2014). Equations 2 and 3 describe the construction of this instrument.

$$V_i = \gamma_{j(i)} + X_i'\beta + u_i \tag{2}$$

$$Z_{j(i)} = \frac{1}{n_{j(i)-1}} \sum_{k \neq i}^{n_{j(i)}-1} (V_k - X_k' \hat{\beta}) \tag{3}$$

In a first step, we regress an indicator variable equal to one when a firm argues that shareholder proposal i should be omitted under procedural reasons X_i' on an indicator variable equal to one when a proposal goes to the ballot V_i in Equation 2. In this specification, we correct for SEC agent fixed effects $\gamma_{j(i)}$, which represents j indicator variables equal to one when SEC agent j makes a decision on the proposal at hand. In this estimation, we estimate the β coefficient.

We adopt this residualization because SEC agents must side with proponents when procedural issues arise. At the same time, these proposals tend to have weaker financial implications. By correcting for procedural omission attempts, we address potential selection concerns.[9]

In a second step, we construct a measure of SEC agent leniency as defined in Equation 3. The variable $Z_{j(i)}$ captures the stringency of SEC agent j who handles proposal i. The variable $n_{j(i)}$ denotes the number of proposals the agent has handled up to proposal i, while k indexes the sequence of those proposals. The indicator V_k equals one when proposal k is voted on, and the term $X_k'\hat{\beta}$ adjusts for procedural omissions using the estimates from Equation 2.

For each proposal, we compute the leave-one-out mean of the agent's past decisions as the share of proposals that reached a vote relative to the total number of prior decisions, adjusted for procedural omission attempts. We first construct the adjusted likelihood that a proposal is filed as $V_k - X_k'\hat{\beta}$. We then sum this likelihood over all decisions made by the agent before proposal i and divide by the number of those prior decisions. This instrument captures the agent's past tendency to rule in favor of proponents. It follows established UJIVE approaches such as Aizer and Doyle (2015) and Frandsen et al. (2023).[10]

On average, SEC Agents' residualized leave-one-out mean is 42.2% with a standard deviation of 14.3%. The full distribution of average voted propensities is shown in Figure 3. There is substantial variation in the extent to which agents allow proposals to be voted on, with the 10th and 90th percentiles of the residualized leave-one-out means being 23.6% and 83.8%, respectively. This variation, corrected for proposal characteristics, highlights the degree to which SEC agent leniency affects the No-Action procedure.

The average residualized leave-one-out mean of SEC agent decisions is 42.2 percent, with a standard deviation of 14.3 percent. Figure 3 shows the full distribution of voting propensities.

[9] Appendix B Table B2 provides a validation of the accuracy of this procedure.

[10] We only consider No-Action requests that seek to omit rather than withdraw a proposal, since withdrawal reflects substantive implementation of the proposal and does not require judgment by SEC agents. Following Heckman (1981) and Greene et al. (2001), we do not compute leave-one-out means for the first ten proposals handled by each SEC agent to limit outliers. Instead, we replace them with the eleventh decision. Because the SEC restricted access to agent identities after mid 2021 and did not release this information despite multiple FOIA requests, we treat this period as decisions by a single agent. We also pool agents with fewer than ten observations. This procedure affects less than 25 percent of the sample, and results remain robust without it. We cluster standard errors at the agent level to account for the higher variance implied by this approach.

Agents differ markedly in how often they allow proposals to reach a vote. The 10th and 90th percentiles equal 23.6 percent and 83.8 percent, respectively. This variation shows that SEC agent leniency plays a meaningful role in the No-Action process.

After constructing the instrument, we implement the 2SLS approach shown below. Equation 4 reports the first stage, in which we fit the likelihood that a proposal is filed, using SEC agent leniency as an instrument. Equation 5 presents the second stage, in which we regress the instrumented filing of a shareholder proposal on firm financial performance, R_i. α captures the announcement effect of shareholder proposals, including the financial consequences associated with information provision as well as the potential adoption of management. β captures the difference in the expected financial consequences of implementing the issue as suggested by the shareholder and the management. To estimate these coefficients correctly, we need to address positive selection bias, and the SEC agent's leniency must be unrelated to the proposal's financial implications. To this end, we test the assumptions of random assignment, monotonicity, persistent agent skill, and sufficient instrument strength in the paragraphs below.

$$Filing_i = \omega + \upsilon Z_{j(i)} + \psi' X_i + \tilde{\varepsilon}_i \tag{4}$$

$$R_i = \alpha + \beta \widehat{Filing_i} + \gamma' X_i + \varepsilon_i \tag{5}$$

4.2.1 Random Assignment

From private conversations with three current and former SEC staff members at different career stages, we received independent confirmation that the assignment of SEC agents to No Action requests is random. Random assignment is central to the validity of a judge leniency design (Frandsen et al., 2023). Without random assignment, correlations between agent leniency and the financial implications of proposals could remain and bias the estimates. The observed random assignment of shareholder proposal No-Action requests to SEC agents rules out such correlations.

SEC agents who decide on No-Action requests are skilled lawyers in the Division of Corporate Finance. Their roles cover many tasks unrelated to No-Action decisions. For instance, they review IPO filings, M&A transactions, and proxy solicitations; provide guidance on securities law; issue legal opinions for firms; and help draft SEC reporting rules. Moreover, they review a sample of firms' annual and quarterly reports for accuracy before annual meetings. During this already busy period, SEC Agents are tasked with reviewing No-Action requests.[11] In short, SEC agents handle No-Action requests seasonally during the most demanding part of the year.

To manage workloads during the proxy season, the SEC assigns shareholder proposals to agents through a sequential rotational system. This assignment takes place months before firms file omission No-Action requests. When a firm files such a request, the initially assigned agent

[11] 77.2 percent of No Action decisions occur in January, February, and March.

handles the case. Because assignment occurs randomly at the notification stage, each agent faces the same likelihood of receiving a No-Action request when the number of proposals is large, balancing workloads across agents. In sum, the assignment of SEC agents to shareholder proposal No-Action omission requests is random and supports the exclusion restriction for our instrument.

4.2.2 Monotonicity

The second key assumption for an unbiased UJIVE instrument is monotonicity. Strict monotonicity would require that an SEC agent who is more lenient on average allows every proposal to be filed that a stricter agent would also allow to be filed. Weak monotonicity requires this ordering to hold on average across proposals. Monotonicity fails if some agents favor certain types of proposals despite their overall leniency. For example, monotonicity would be violated if some agents were systematically more permissive toward environmental or social proposals, or if others were more permissive toward governance proposals that promote shareholder rights.[12]

Although no test can directly confirm monotonicity, Frandsen et al. (2023) propose a test whose rejection indicates a failure of the monotonicity or exclusion restriction/random assignment assumption. No rejection of the test allows researchers to reasonably infer the absence of monotonicity with sufficient certainty. The test evaluates whether the conditional expectation of the outcome given an agent's treatment propensity is a continuous function with a bounded slope. In our setting, it non-parametrically examines whether the relationship between the financial implications of a shareholder proposal and SEC agent leniency is smooth, even though leniency affects outcomes only through proposal filing. Rejection of the test would signal a violation of monotonicity or the exclusion restriction.

We find no evidence of a violation of the monotonicity assumption using the test developed by Frandsen et al. (2023). Figure 4 shows a smooth relationship between the financial consequences of shareholder proposals and SEC agent leniency. The test yields slope-based p-values of 1.000, fit-based p-values of 0.856, and combined p-values of 0.856. The flat shape of the curve indicates virtually no selection among agents who receive proposals with weaker or stronger financial implications. Instead, the pattern is consistent with differences in views among SEC agents concerning investor protection versus investor discretion, rather than differences in proposal "quality". Overall, the test provides no evidence against the exclusion or monotonicity assumptions that support the IV assumptions underlying judge leniency designs.

[12]We examine this particular example of monotonicity using the public party affiliation of SEC agents. Among the small set of agents who reported a political affiliation by the end of 2024, 23 identified as Democrats and 2 as Republicans. This limited dispersion makes large political deviations unlikely.

4.2.3 SEC Agent Skill

A third assumption for an unbiased leniency design is that agents have constant leniency over time. Chan et al. (2022) show, in their study of radiologists diagnosing pneumonia, that greater experience leads agents to become more certain of their correct decisions over time. Therefore, greater experience might lead SEC agents to err less on the side of caution, and thus, leniency can differ within individuals over time. In our setting, experience may affect SEC agent behavior in either direction. Agents may become more conservative toward proponents or toward firms, depending on their underlying views on investor freedom versus investor protection. They will take fewer precautions in judgment calls.

We show that SEC agents' experience does not affect their leniency. Table 2 examines the relationship between experience and leniency. We measure experience using linear and quadratic trends in the number of shareholder proposals an agent has judged and using indicators for the first 10, 25, and 50 proposals across specifications. The estimates show no statistically or economically meaningful effects across all specifications. These results provide evidence against experience-driven shifts in SEC agent leniency that could potentially affect the 2SLS UJIVE estimator employed.

4.2.4 Instrument Strength and the First Stage

Last, we test instrument strength. Staiger and Stock (1997) emphasize the importance of using strong instruments in IV estimation (for an overview of this literature, see Andrews et al., 2019). Weak instruments can bias 2SLS point estimates and lead to unrealistic standard errors. We assess instrument strength using the first-stage F-statistic. An F-statistic of 10 is generally sufficient for reliable inference.

Our SEC agent leniency instrument remains strong and retains sufficient statistical power even after controlling for 96 shareholder proposal characteristics. In Table 3, we estimate several first-stage specifications with increasingly rich controls. In Column (1), without controls, the instrument yields an F-statistic of 280.8, which exceeds the 10 threshold. The instrument is also economically meaningful. A one standard deviation increase in SEC agent leniency raises the probability that a proposal is voted on by 10.3 percentage points, which corresponds to a 27.8% increase relative to the mean.[13]

Another way to express this effect is that an agent who previously allowed all proposals to be voted on differs by 65.7 percentage points from an agent who omitted all proposals. In this setting, SEC agent leniency explains twice as much variation in voting outcomes as the proposal's content. The implementation of US corporate governance rules thus appears to lie more with those who execute them than with the content of the decision, at least in the setting of shareholder proposals.

[13]Multiply the coefficient of 65.69% by the standard deviation of the UJIVE instrument of 15.62% and divide by the mean probability of a proposal being voted on of 36.93%.

Instrument strength remains high across all specifications. The first-stage F-statistic stays above 150 in Columns (2) through (12), even as we add extensive controls. These include legal representation of companies and proponents, the number and type of legal arguments in omission requests, the proposal demand and topic, the direction of the request, textual complexity and outside sourcing, communication intensity between proponents and firms, detailed categories of proponent type and collaboration, the firm's prior history of resisting proposals, and whether either side challenges SEC agent decisions to omit or withdraw a proposal. The economic impact of SEC agent leniency remains largely unchanged despite correcting for these extensive controls. Specifically, the likelihood of a proposal getting filed on the ballot is between 64.0 and 49.1 percentage points higher for an agent who previously allowed all proposals to be voted on compared to an agent who omitted all prior proposals. This is economically sizable compared to a 36.9% mean share of filed proposals, further emphasizing the role that SEC agents' personal leniency plays in corporate governance provisions. After confirming the key assumptions underlying our SEC agent leniency UJIVE instrument, we proceed to the main results.

5 Results

5.1 The financial implications of filing a shareholder proposal

We examine the financial performance effects of filing shareholder proposals in Table 4. We use an event study design around the announcement day of the SEC No-Action letter decision. Our abnormal return window includes the announcement day and the following day. This short-term approach follows Cuñat et al. (2012) and Flammer (2015), which focus on announcement day returns. We add one additional day because shareholder proposal voting outcomes receive broader attention than No-Action announcements, so information may spread more gradually. We estimate abnormal returns over this window using the Fama and French (2015) five-factor model with a Carhart (1997) momentum factor, consistent with common practice in the literature.[14] We report results from both OLS and a 2SLS UJIVE specification based on SEC agent leniency

Filing the marginal shareholder proposal reduces financial performance. In Table 4, Panel A Column (1), we find no statistically or economically meaningful effect of filing shareholder proposals on firm performance. In contrast, Panel B Column (1) shows a significant negative effect when we instrument proposal filing with SEC agent leniency. Firms underperform by 1.12% when a shareholder proposal appears on the ballot and may be implemented according to shareholders' preferences rather than management's approach. The more negative 2SLS esti-

[14]Cuñat et al. (2012) and Flammer (2015) use a Fama & French three-factor model plus momentum. These studies were written before the five-factor model was introduced. Cuñat et al. (2020) also applies a Fama & French factor model, but does not specify whether it is a three or five-factor version.

mate confirms that OLS results reflect positive selection bias. Proposals with stronger expected financial outcomes are more likely to be filed. Overall, these results suggest that the implementation component of shareholder proposal filing lowers firm value because shareholder-driven changes perform worse than management's policies.

Conversely, filing the marginal shareholder proposal has a positive announcement component. As with the implementation effect, we find no significant announcement returns in the OLS specification, captured by the constant term. In contrast, when we instrument proposal filing with SEC agent leniency, we observe positive and significant cumulative abnormal returns of 0.43%. This result suggests that shareholder proposals convey information that markets value, and that management may respond constructively to this signal. One interpretation is that shareholder oversight can add value, even if shareholder-proposed changes are not always the best outcome.

5.2 Corporate governance proposals

As noted above, we study governance, social, and environmental proposals separately because they reflect different motives, financial selection, and information frictions. We classify each proposal as governance-related, social, or environmental based on its text. Table 1 summarizes the main topics. We begin with governance-related shareholder proposals.

The financial effects of filing governance proposals are neutral. We find no significant effects on implementation or announcements. Panel A, Column (2) shows no meaningful association in the OLS estimates. Panel B, Column (2) yields the same conclusion in the 2SLS results.

These neutral effects suggest that investors understand the balance in filing governance proposals at the margin. They appear to manage the costs of constraining managerial discretion with the benefits of limiting inefficient resource use. Too few proposals would allow managers more room to exploit agency conflicts. Too many proposals would impose excessive constraints and reduce flexibility.

Neutral returns do not imply that governance proposals lack value, even for marginal ones. Managers operate in an environment where proposals remain a credible tool. The possibility of filing can deter opportunistic behavior and encourage greater effort. This discipline can improve firm outcomes even when the act of filing a proposal does not generate positive abnormal returns.

5.3 Social and environmental proposals

Announcing social and environmental proposals adds value, while their potential implementation is costly. In an OLS setting, we again find no discernible impact of shareholder proposals on either the announcement or implementation components of social or environmental shareholder proposals, see Panel A, Columns (3) and (4). Results differ when using 2SLS in Panel

B. We observe negative abnormal implementation returns of -1.76% and -5.03% for social and environmental proposals in Columns (3) and (4), respectively. Implementing shareholder proposals thus appears more financially costly than adopting management-backed initiatives.

The decline in performance following social and environmental proposals is consistent with their aim of reducing negative externalities: costs not fully borne by the firm. If abatement were privately profitable, firms would likely have already acted without shareholder prompting. Thus, remaining externalities are unlikely to yield financial benefits when addressed, helping explain negative cumulative abnormal returns when management adoption reduces externalities less than shareholders'. Moreover, the idiosyncratic nature of environmental and social improvements may also leave shareholders at an informational disadvantage relative to governance changes.

Despite limited financial benefits from implementation, the announcement effects of social and environmental proposals are positive. Although the OLS estimates remain insignificant, the 2SLS results show significant abnormal returns of 0.63% for social proposals and 2.86% for environmental proposals. This suggests that shareholder proposals generate value by revealing information about social and environmental issues and by prompting constructive management responses. These gains are consistent with markets that are at most semi-efficient, which is plausible given the noise and disagreement in the sustainability data and ratings available to investors (Hartzmark and Sussman, 2019; Berg et al., 2022). Overall, the results point to a mixed role for social and environmental investor activism. Shareholder proposals can create value through information and oversight, even if their direct implementation proves costly.

5.4 Support at the ballot and financial implications

We conduct a validation analysis that shows a positive correlation between voting support and the financial implications of different proposal types. Figure 5 presents a scatter plot of average cumulative abnormal returns and the share of supportive votes reported in 8-K and 10-Q filings across proposal topics.[15] Across proposal categories, the fitted line slopes upward, indicating that proposals with stronger shareholder support tend to have more positive financial effects. This pattern suggests that investors vote with meaningful information and are more likely to back proposals that create value for firms.

[15]Board Compensation, Executive Compensation, Board Nomination/Proxy Access, Board Voting, Special shareholder meeting, Board Independence, Lobbying/Public Policy, Dividends/Buybacks, Executive Termination Payments, Shareholder Proposal Voting Rights, Charitable Donations, Executive Expenses, Liquidation/Divestitures/Spin-offs, Mergers & Acquisitions, Shareholder Approval Bylaws Amendments, Poison Pill, Accounting Practices, Miscellaneous Governance, Community Relations, Labor Practices, Living Wage, & Retirement, Employee Engagement and DEI, Occupational Safety, Access to Healthcare, Responsible Marketing, Supply Chain Management, Customer Privacy, Human Rights, Human Capital, Product Quality and Safety, Customer Relationship, Animal Welfare, Worker Representation Board, Miscellaneous Social, Climate Risk Management, GHG Emissions and Policy, Biodiversity, Energy Management, Pollution, Product Life-cycle Management, Raw Material Sourcing, Water and Wastewater Management, Hazardous Waste, Waste Management, & Recycling, Green Buildings, and Miscellaneous Environmental. See Figure 1 for the prevalence of topics.

6 Conclusion

Modern corporations rely on delegated control, so shareholder voice can either discipline managers or distort informed decision-making. We study where this balance lies using the *marginal* shareholder proposal. Leveraging random assignment of Rule 14a-8 No-Action requests to SEC Division of Corporate Finance lawyers with heterogeneous propensities to proposal inclusion, we identify the causal effect of filing a marginal proposal on firm value. The central finding is that shareholders strike the exact correct balance between exercising voice and enabling managerial decision-making as marginal governance proposals are financially neutral. By contrast, marginal social and environmental proposals deliver sizable positive announcement returns but large negative filing returns. Shareholder voice on environmental and social issues creates value by surfacing issues and catalyzing managerial response, while shareholder-prescribed implementation is costlier than management's preferred approach.

Our paper highlights the interplay between legal enforcement and corporate governance: shareholder rights are not determined solely by formal securities rules, but by how those rules are interpreted in practice. We show that individual enforcement agents exercise substantial discretion over whether shareholder proposals reach the corporate ballot, with agent leniency predicting proposal inclusion more strongly than observable proposal characteristics. These findings underscore that regulators are not passive administrators but de facto architects of the governance tools available to investors. Such individual decision-making power can impair shareholder rights; for example, SEC agents omitted shareholder proposals targeting reporting on CMBS exposure at Lehman Brothers and Bear Stearns in 2007.[16]

Beyond documenting enforcement-driven variation in shareholder rights, we provide causal evidence on the value relevance of investor voice in balancing managerial freedom and potential agency concerns. Answering this question can contribute to the fundamentals of corporate governance (Shleifer and Vishny, 1997) and feed into broader financial decision-making, such as active monitoring by large shareholders (Burkart et al., 1997), the decision to go public (Pagano and Röell, 1998), and optimal financial structures (Dewatripont and Tirole, 1994). Taken together, our findings sharpen the understanding of the economic mechanisms underlying shareholder proposals.

Bibliography

Agan, A., Doleac, J. L. and Harvey, A. (2023). Misdemeanor prosecution, *Quarterly Journal of Economics* **138**(3): 1453–1505.

Agarwal, S., Lucca, D., Seru, A. and Trebbi, F. (2014). Inconsistent regulators: Evidence from banking, *Quarterly Journal of Economics* **129**(2): 889–938.

[16] See https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2008/lehmanbrothersholdings020508-14a8.pdf and https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2008/bearstearns020508-14a8.pdf.

Aizer, A. and Doyle, J. J. (2015). Juvenile incarceration, human capital, and future crime: Evidence from randomly assigned judges, *Quarterly Journal of Economics* **130**(2): 759–803.

Andrews, I., Stock, J. H. and Sun, L. (2019). Weak instruments in instrumental variables regression: Theory and practice, *Annual Review of Economics* **11**(1): 727–753.

Bebchuk, L. A., Cohen, A. and Hirst, S. (2017). The agency problems of institutional investors, *Journal of Economic Perspectives* **31**(3): 89–112.

Benston, G. J. (1973). Required disclosure and the stock market: An evaluation of the securities exchange act of 1934, *American Economic Review* **63**(1): 132–155.

Berg, F., Koelbel, J. F. and Rigobon, R. (2022). Aggregate confusion: The divergence of ESG ratings, *Review of Finance* **26**(6): 1315–1344.

Berle, Adolf A., J. and Means, G. C. (1932). *The Modern Corporation and Private Property*, Commerce Clearing House / Macmillan, New York.

Broccardo, E., Hart, O. and Zingales, L. (2022). Exit versus voice, *Journal of Political Economy* **130**(12): 3101–3145.

Brown, S. J. and Warner, J. B. (1980). Measuring security price performance, *Journal of Financial Economics* **8**(3): 205–258.

Burkart, M., Gromb, D. and Panunzi, F. (1997). Large shareholders, monitoring, and the value of the firm, *Quarterly Journal of Economics* **112**(3): 693–728.

Carhart, M. M. (1997). On persistence in mutual fund performance, *Journal of Finance* **52**(1): 57–82.

Chan, D. C., Gentzkow, M. and Yu, C. (2022). Selection with variation in diagnostic skill: Evidence from radiologists, *Quarterly Journal of Economics* **137**(2): 729–783.

Chyn, E., Frandsen, B. and Leslie, E. C. (2025). Examiner and judge designs in economics: A practitioner's guide, *Technical report*, National Bureau of Economic Research.

Cuñat, V., Gine, M. and Guadalupe, M. (2012). The vote is cast: The effect of corporate governance on shareholder value, *Journal of Finance* **67**(5): 1943–1977.

Cuñat, V., Giné, M. and Guadalupe, M. (2016). Say pays! Shareholder voice and firm performance, *Review of Finance* **20**(5): 1799–1834.

Cuñat, V., Giné, M. and Guadalupe, M. (2020). Price and probability: Decomposing the takeover effects of anti-takeover provisions, *Journal of Finance* **75**(5): 2591–2629.

DeMarzo, P. M., Fishman, M. J. and Hagerty, K. M. (2005). Self-regulation and government oversight, *Review of Economic Studies* **72**(3): 687–706.

Dessein, W. (2002). Authority and communication in organizations, *Review of Economic Studies* **69**(4): 811–838.

Dewatripont, M. and Tirole, J. (1994). A theory of debt and equity: Diversity of securities and manager-shareholder congruence, *Quarterly Journal of Economics* **109**(4): 1027–1054.

Dobbie, W., Goldin, J. and Yang, C. S. (2018). The effects of pre-trial detention on conviction, future crime, and employment: Evidence from randomly assigned judges, *American Economic Review* **108**(2): 201–240.

Dobbie, W. and Song, J. (2015). Debt relief and debtor outcomes: Measuring the effects of consumer bankruptcy protection, *American Economic Review* **105**(3): 1272–1311.

Doyle, J. J. (2007). Child protection and child outcomes: Measuring the effects of foster care, *American Economic Review* **97**(5): 1583–1610.

Doyle, J. J. (2008). Child protection and adult crime: Using investigator assignment to estimate causal effects of foster care, *Journal of Political Economy* **116**(4): 746–770.

Fama, E. F. and French, K. R. (1993). Common risk factors in the returns on stocks and bonds, *Journal of Financial Economics* **33**(1): 3–56.

Fama, E. F. and French, K. R. (2015). A five-factor asset pricing model, *Journal of Financial Economics* **116**(1): 1–22.

Flammer, C. (2015). Does corporate social responsibility lead to superior financial performance? A regression discontinuity approach, *Management Science* **61**(11): 2549–2568.

Flammer, C. and Bansal, P. (2017). Does a long-term orientation create value? evidence from a regression discontinuity, *Strategic Management Journal* **38**(9): 1827–1847.

Frandsen, B., Lefgren, L. and Leslie, E. (2023). Judging judge fixed effects, *American Economic Review* **113**(1): 253–277.

Greene, W. et al. (2001). Estimating econometric models with fixed effects, *Department of Economics, Stern School of Business, New York University* .

Greenstone, M., Oyer, P. and Vissing-Jorgensen, A. (2006). Mandated disclosure, stock returns, and the 1964 Securities Acts amendments, *Quarterly Journal of Economics* **121**(2): 399–460.

Hansen, C. and Kozbur, D. (2014). Instrumental variables estimation with many weak instruments using regularized JIVE, *Journal of Econometrics* **182**(2): 290–308.

Hartzmark, S. M. and Sussman, A. B. (2019). Do investors value sustainability? A natural experiment examining ranking and fund flows, *Journal of Finance* **74**(6): 2789–2837.

Heckman, J. J. (1981). An incidental parameters problem and the problem of initial conditions in estimating a discrete time-discrete data stochastic process, *The structural analysis of discrete data* pp. 179–195.

Heinkel, R., Kraus, A. and Zechner, J. (2001). The effect of green investment on corporate behavior, *Journal of Financial and Quantitative Analysis* **36**(4): 431–449.

Hirschman, A. O. (1972). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*, Harvard university press.

Jensen, M. C. and Meckling, W. H. (1976). Theory of the Firm: Managerial behavior, agency costs and ownership structure, *Journal of Financial Economics* **3**(4): 305–360.

Johnson, S., La Porta, R., Lopez-de Silanes, F. and Shleifer, A. (2000). Tunneling, *American Economic Review* **90**(2): 22–27.

Kleinberg, J., Lakkaraju, H., Leskovec, J., Ludwig, J. and Mullainathan, S. (2018). Human decisions and machine predictions, *Quarterly Journal of Economics* **133**(1): 237–293.

Kolesár, M., Chetty, R., Friedman, J., Glaeser, E. and Imbens, G. W. (2015). Identification and inference with many invalid instruments, *Journal of Business & Economic Statistics* **33**(4): 474–484.

Levit, D. and Malenko, N. (2011). Nonbinding voting for shareholder proposals, *Journal of Finance* **66**(5): 1579–1614.

MacKinlay, A. C. (1997). Event studies in economics and finance, *Journal of Economic Literature* **35**(1): 13–39.

Maestas, N., Mullen, K. J. and Strand, A. (2013). Does disability insurance receipt discourage work? using examiner assignment to estimate causal effects of SSDI receipt, *American Economic Review* **103**(5): 1797–1829.

Malenko, N. and Shen, Y. (2016). The role of proxy advisory firms: Evidence from a regression-discontinuity design, *Review of Financial Studies* **29**(12): 3394–3427.

Oehmke, M. and Opp, M. M. (2024). A theory of socially responsible investment, *Review of Economic Studies* p. rdae048.

Pagano, M. and Röell, A. (1998). The choice of stock ownership structure: Agency costs, monitoring, and the decision to go public, *Quarterly Journal of Economics* **113**(1): 187–225.

Pagano, M. and Volpin, P. F. (2005). The political economy of corporate governance, *American Economic Review* **95**(4): 1005–1030.

Pástor, L., Stambaugh, R. F. and Taylor, L. A. (2021). Sustainable investing in equilibrium, *Journal of Financial Economics* **142**(2): 550–571.

Porta, R. L., Lopez-de Silanes, F., Shleifer, A. and Vishny, R. W. (1998). Law and finance, *Journal of Political Economy* **106**(6): 1113–1155.

Shleifer, A. and Vishny, R. W. (1997). A survey of corporate governance, *Journal of Finance* **52**(2): 737–783.

Staiger, D. O. and Stock, J. H. (1997). Instrumental variables regression with weak instruments, *Econometrica* **65**(3): 557–586.

Stock, J. H., Wright, J. H. and Yogo, M. (2002). A survey of weak instruments and weak identification in generalized method of moments, *Journal of Business & Economic Statistics* **20**(4): 518–529.

Zingales, L. (2017). Towards a political theory of the firm, *Journal of Economic Perspectives* **31**(3): 113–130.

7 Tables & Figures

Table 1: Summary statistics: The Content of Shareholder Proposals

Table 1 provides summary statistics on proposal representation, omission details, demands, accuracy, topics, and proponents. Legal representation, omission statuses, and proponents are hand-collected from No-Action request filings of the SEC Division of Corporate Finance. Based on hand-collected shareholder proposals and supporting statements, proposal demands, accuracy, and topics are determined using Gemini Flash 2.0. For further details on the prompts used, see Appendix A. Columns (2) to (7), respectively, contain the number of observations, mean, median, standard deviation, minimum, and maximum for all variables.

Variable name	N	mean	median	sd	min	max
Main dependent variable						
SEC agent leniency	5,031	42.16%	43.07%	14.27%	0.00%	94.58%
Representation details						
Company law firm	5,031	0.61	1.00	0.49	0.00	1.00
Proponent law firm	5,031	0.11	0.00	0.32	0.00	1.00
Reasons omission						
Number of omission reasons	5,031	1.66	1.00	0.97	1.00	7.00
Procedural						
Mistake in procedure	5,031	0.18	0.00	0.38	0.00	1.00
Multiple proposals	5,031	0.03	0.00	0.18	0.00	1.00
Mistaken timing	5,031	0.06	0.00	0.24	0.00	1.00
No presence past meetings	5,031	0.01	0.00	0.10	0.00	1.00
Content						
Improper under state law	5,031	0.04	0.00	0.20	0.00	1.00
Violation of law (state, federal, foreign)	5,031	0.07	0.00	0.26	0.00	1.00
Misleading	5,031	0.26	0.00	0.44	0.00	1.00
Personal grievance	5,031	0.03	0.00	0.16	0.00	1.00
Relevance	5,031	0.02	0.00	0.15	0.00	1.00
Absence of power	5,031	0.08	0.00	0.26	0.00	1.00
Ordinary business	5,031	0.37	0.00	0.48	0.00	1.00
Director elections	5,031	0.02	0.00	0.15	0.00	1.00
Conflicts company's proposal	5,031	0.05	0.00	0.23	0.00	1.00
Substantially implemented	5,031	0.28	0.00	0.45	0.00	1.00
Duplication by topic	5,031	0.06	0.00	0.23	0.00	1.00
Resubmissions threshold	5,031	0.03	0.00	0.16	0.00	1.00
Specifies dividend	5,031	0.01	0.00	0.09	0.00	1.00
Proposal demands						
Reporting	5,031	0.41	0.00	0.49	0.00	1.00
Policy	5,031	0.73	1.00	0.44	0.00	1.00
Target	5,031	0.03	0.00	0.18	0.00	1.00
Performance	5,031	0.16	0.00	0.37	0.00	1.00
Proposal topics						
Total Governance	5,031	0.72	1.00	0.45	0.00	1.00
Total Social	5,031	0.32	0.00	0.46	0.00	1.00
Total Environmental	5,031	0.14	0.00	0.34	0.00	1.00
Proposal topics: Governance						
Board Compensation	5,031	0.01	0.00	0.09	0.00	1.00
Executive Compensation	5,031	0.13	0.00	0.34	0.00	1.00
Board Nomination/Proxy Access	5,031	0.08	0.00	0.27	0.00	1.00
Board Voting	5,031	0.07	0.00	0.25	0.00	1.00
Special shareholder meeting	5,031	0.06	0.00	0.24	0.00	1.00
Board Independence	5,031	0.07	0.00	0.26	0.00	1.00
Lobbying/Public Policy	5,031	0.10	0.00	0.30	0.00	1.00
Dividends/Buybacks	5,031	0.02	0.00	0.15	0.00	1.00

Continued

Table 1 – continued

Variable name	N	mean	median	sd	min	max
Executive Termination Payments	5,031	0.02	0.00	0.15	0.00	1.00
Shareholder Proposal Voting Rights	5,031	0.14	0.00	0.35	0.00	1.00
Charitable Donations	5,031	0.02	0.00	0.14	0.00	1.00
Executive Expenses	5,031	0.00	0.00	0.06	0.00	1.00
Liquidation/Divestitures/Spin-offs	5,031	0.01	0.00	0.12	0.00	1.00
Mergers & Acquisitions	5,031	0.01	0.00	0.09	0.00	1.00
Shareholder Approval Bylaws Amendments	5,031	0.06	0.00	0.25	0.00	1.00
Poison Pill	5,031	0.00	0.00	0.06	0.00	1.00
Accounting Practices	5,031	0.03	0.00	0.18	0.00	1.00
Miscellaneous Governance	5,031	0.05	0.00	0.22	0.00	1.00
Proposal topics: Social						
Community Relations	5,031	0.06	0.00	0.24	0.00	1.00
Labor Practices, Living Wage, & Retirement	5,031	0.04	0.00	0.19	0.00	1.00
Employee Engagement and DEI	5,031	0.05	0.00	0.23	0.00	1.00
Occupational Safety	5,031	0.01	0.00	0.11	0.00	1.00
Access to Healthcare	5,031	0.03	0.00	0.17	0.00	1.00
Responsible Marketing	5,031	0.02	0.00	0.13	0.00	1.00
Supply Chain Management	5,031	0.03	0.00	0.18	0.00	1.00
Customer Privacy	5,031	0.01	0.00	0.10	0.00	1.00
Human Rights	5,031	0.05	0.00	0.23	0.00	1.00
Human Capital	5,031	0.01	0.00	0.08	0.00	1.00
Product Quality and Safety	5,031	0.03	0.00	0.16	0.00	1.00
Customer Relationship	5,031	0.02	0.00	0.13	0.00	1.00
Animal Welfare	5,031	0.02	0.00	0.14	0.00	1.00
Worker Representation Board	5,031	0.00	0.00	0.05	0.00	1.00
Miscellaneous Social	5,031	0.02	0.00	0.14	0.00	1.00
Proposal topics: Environmental						
Climate Risk Management	5,031	0.05	0.00	0.21	0.00	1.00
GHG Emissions and Policy	5,031	0.06	0.00	0.24	0.00	1.00
Biodiversity	5,031	0.00	0.00	0.06	0.00	1.00
Energy Management	5,031	0.01	0.00	0.12	0.00	1.00
Pollution	5,031	0.02	0.00	0.14	0.00	1.00
Product Life-cycle Management	5,031	0.01	0.00	0.10	0.00	1.00
Raw Material Sourcing	5,031	0.01	0.00	0.08	0.00	1.00
Water and Wastewater Management	5,031	0.01	0.00	0.09	0.00	1.00
Hazardous Waste, Waste Management, & Recycling	5,031	0.01	0.00	0.08	0.00	1.00
Green Buildings	5,031	0.00	0.00	0.01	0.00	1.00
Miscellaneous Environmental	5,031	0.02	0.00	0.12	0.00	1.00
Proposal directionality						
Subtract	5,031	0.02	0.00	0.15	0.00	1.00
Proposal Specificity						
Number of Sources	5,031	1.01	0.00	2.54	0.00	22.00
Specificity	5,031	0.58	0.58	0.13	0.00	0.84
Proponent types						
Bank	5,031	0.01	0.00	0.10	0.00	1.00
Individual	5,031	0.80	1.00	0.97	0.00	20.00
Religious	5,031	0.27	0.00	1.37	0.00	35.00
Pension fund	5,031	0.20	0.00	0.93	0.00	45.00
Labor union	5,031	0.05	0.00	0.22	0.00	2.00
SRI mutual fund active	5,031	0.02	0.00	0.16	0.00	2.00
SRI mutual fund passive	5,031	0.00	0.00	0.06	0.00	1.00
Mutual fund active	5,031	0.01	0.00	0.13	0.00	4.00
Mutual fund passive	5,031	0.01	0.00	0.10	0.00	2.00
SRI mutual fund	5,031	0.07	0.00	0.35	0.00	14.00
Mutual fund	5,031	0.04	0.00	0.26	0.00	13.00
Hedge fund	5,031	0.01	0.00	0.11	0.00	2.00
NGO	5,031	0.16	0.00	0.44	0.00	6.00
Insurance corporation	5,031	0.01	0.00	0.11	0.00	6.00
Activist investor	5,031	0.02	0.00	0.16	0.00	2.00
Other Company	5,031	0.07	0.00	0.31	0.00	7.00
Other	5,031	0.01	0.00	0.12	0.00	2.00

Continued

Table 1 – continued

Variable name	N	mean	median	sd	min	max
Proponent Company Communication						
Number of written communications	5,031	1.72	1.00	2.75	0.00	36.00
Company determination						
Company voted (%)	5,031	32.44	33.33	22.67	0.00	100.00
Acceptance of omission reasons (%)	5,031	66.37	100.00	44.23	0.00	100.00
Company forced SEC to reconsider	5,031	0.02	0.00	0.13	0.00	1.00
Company withdrawn (%)	5,031	16.51	12.50	18.54	0.00	100.00

Table 2: SEC Agent experience

Table 2 analyzes the impact of SEC agent experience on their leniency. Chan et al. (2022) show that experience can affect leniency instruments as more skilled agents tend to be less conservative in cases where skill in judgment is required. We capture agent experience using the number of proposals and proposals squared in Column (1) and dummies for the first 10, 25, and 50 proposals in Columns (2) to (4). Agent-clustered standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

VARIABLES	(1)	(2)	(3)	(4)
Number of proposals	-0.002			
	(0.025)			
Number of proposals squared	0.000			
	(0.000)			
Proposals<10		-1.280		
		(2.529)		
Proposals<25			-1.302	
			(2.570)	
Proposals<50				-1.374
				(2.704)
Observations	3,672	3,672	3,672	3,672
Adjusted R-squared	0.042	0.000	0.000	0.001

Table 3: Instrument Strength in the First Stage

Table 3 analyzes the first-stage instrument strength of SEC agent leniency in affecting whether proposals end up on the ballot. We regress the SEC agents' past propensity to judge in favor of a proponent in an omission request on their subsequent decision to omit a proposal. To showcase the strength of the instrument, we introduce an increasingly rigorous set of shareholder proposal characteristics that likely influence whether a proposal reaches a vote. Legal Representation includes two indicator variables for whether the company and the proponent employ a law firm to assist them in the No-Action process. Omission Arguments capture 18 indicator variables for the omission reasons companies provide, as well as the number of omission reasons. Proposal Demands introduces four indicator variables on whether proponents demand a report, a policy, a target, or performance improvements. Proposal Topics includes 18 governance, 15 social, and 11 environmental indicator variables, each equal to 1 when a proposal concerns the corresponding topic. Proposal Direction introduces an indicator variable equal to 1 when a shareholder proposal seeks to weaken corporate governance provisions or reduce firms' efforts in environmental and social dimensions. Proposal Specificity controls for the number of external sources used in the shareholder proposal, as well as the share of obsolete text. Proponent Type introduces 17 indicator variables equal to one when a shareholder proposal has proponent(s) of the corresponding type. Communication reflects the number of content-related emails sent between the company and the proponent in a shareholder proposal. Repeated introduces an indicator variable whether either the proponent or the company asks for a reconsideration of the SEC agent judgment. Standard errors clustered at the agent-level. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: Dummy Voted (in percent)									
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
SEC Agent Leniency	65.65***	64.03***	53.43***	52.33***	52.11***	52.17***	50.06***	49.09***	49.75***	49.79***
	(5.15)	(5.03)	(4.15)	(4.00)	(3.65)	(3.67)	(3.83)	(3.78)	(3.90)	(3.81)
SEC Agent Leniency s.d.	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%
Mean Voted	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%
Observations	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672
Adjusted R-squared	0.04	0.04	0.20	0.21	0.25	0.25	0.25	0.26	0.26	0.27
Legal Representation	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Omission Arguments	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Demands	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Topics	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Direction	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Proposal Specificity	No	No	No	No	No	No	Yes	Yes	Yes	Yes
Proponent Type	No	No	No	No	No	No	No	Yes	Yes	Yes
Communication	No	No	No	No	No	No	No	No	Yes	Yes
Repeated	No	No	No	No	No	No	No	No	No	Yes

Table 4: The Financial Consequences of Filing a Shareholder Proposal

Table 4 analyzes the financial consequences of filing a shareholder proposal. Columns (1) to (4) represent an OLS estimation, and Columns (5) to (8) show a 2SLS estimation using SEC Agent lenient as an instrument. Financial performance is computed as the cumulative abnormal return of the firm receiving the shareholder proposal on the announcement day and the day after using the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor. Columns (1) and (5) capture the full sample of all shareholder proposals. Columns (2) and (6), Columns (3) and (7), and (4) and (8) analyze sub-samples of governance-related, social-related, and environmental-related shareholder proposals, respectively. The R-squared is not computed for the 2SLS estimation. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

	Panel A: OLS Estimation			
	Full sample	Governance proposals	Social proposals	Environmental proposals
Variables	(1)	(2)	(3)	(4)
Filed	0.075	0.047	0.127	0.102
	(0.073)	(0.099)	(0.125)	(0.191)
Constant	-0.011	-0.044	0.008	0.150
	(0.046)	(0.061)	(0.073)	(0.136)
Observations	3,456	2,033	1,114	413
Adjusted R-squared	0.000	0.000	0.001	0.001

	Panel B: 2SLS - SEC Agent Leniency			
	Full sample	Governance proposals	Social proposals	Environmental proposals
Variables	(1)	(2)	(3)	(4)
Filed	-1.118**	-0.422	-1.764**	-5.033**
	(0.437)	(0.547)	(0.859)	(2.256)
Constant	0.430**	0.129	0.630**	2.860**
	(0.168)	(0.210)	(0.292)	(1.217)
Observations	3,456	2,033	1,114	413

Figure 1: Sequence of Shareholder Proposals

Figure 1 clarifies the sequence of interactions between the firm and the SEC on a shareholder proposal. In a first stage, a proponent files a shareholder proposal to the SEC, which assigns an SEC agent and communicates the proposal to the firm. Subsequently, the firm decides to file for omission, put the proposal to a vote, or settle with the proponent. In the No-Action stage, the firm provides arguments for why it requests the proposals to be removed from its ballot. In the last stage, the SEC agent makes a decision and either sends the proposal up for a vote or allows the firm to omit it.

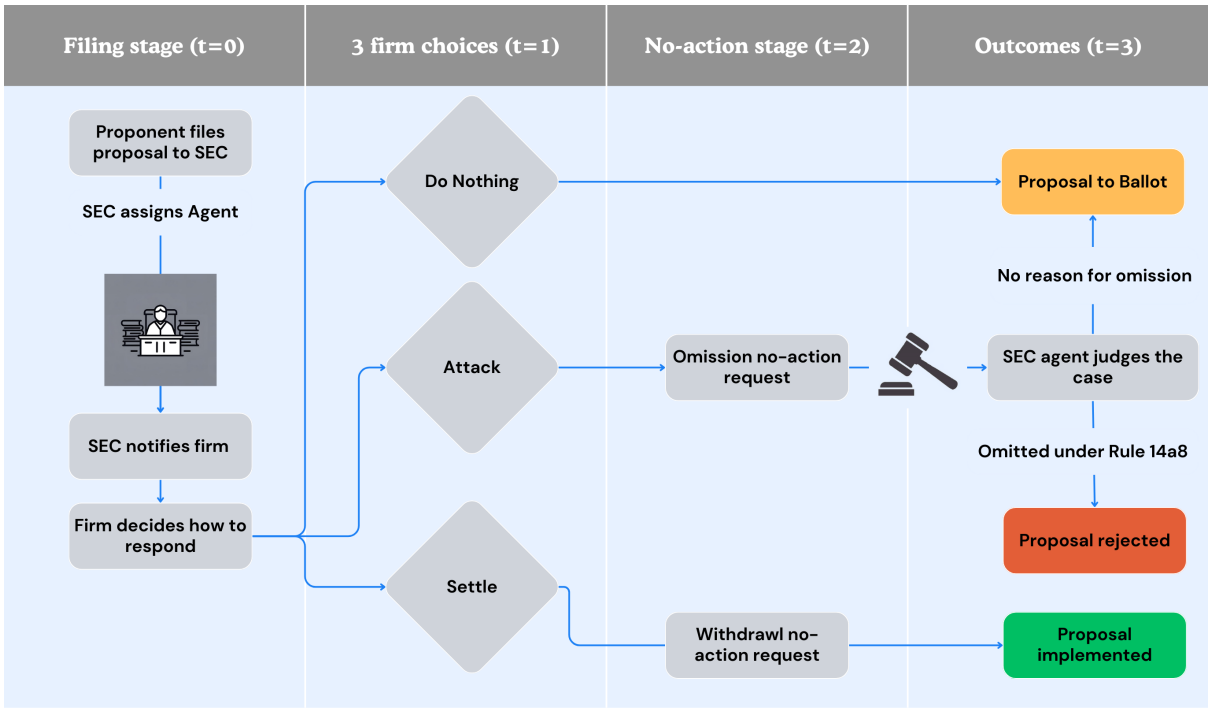


Figure 2: Distribution of Supportive Votes

Figure 2 displays the frequency of shareholder proposal outcomes using data from 8-K and 10-Q filings. Environmental proposals are depicted in green, social ones in blue, and corporate governance proposals in gray. The graph shows a bimodal distribution with relatively low density around the 50% threshold (highlighted in red). The distributions suggest that shareholder proposals around this threshold may be unrepresentative of the average proposal filed. For environmental and social proposal, they are represent the ones with he highest level of support. For governance proposal, they more closely represent the average proposal.

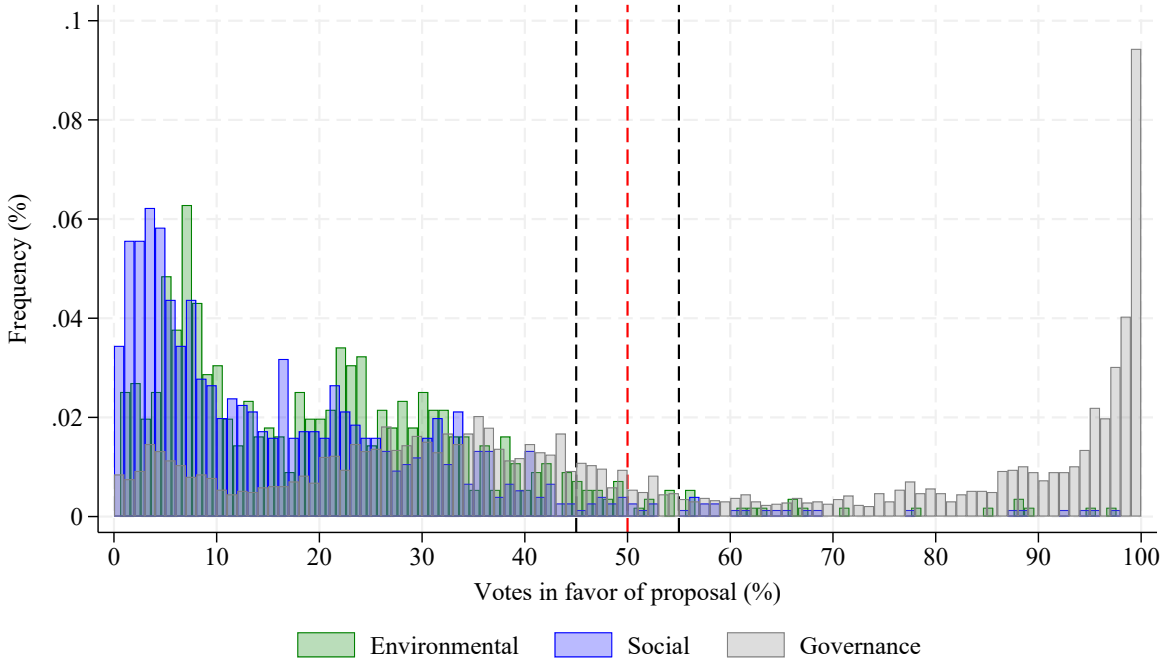


Figure 3: Propensity of SEC agents to allow proposals to a vote

Figure 3 displays the frequency and kernel density of SEC agent leniency. There is considerable leniency across agents, suggesting substantial variation in our instrument.

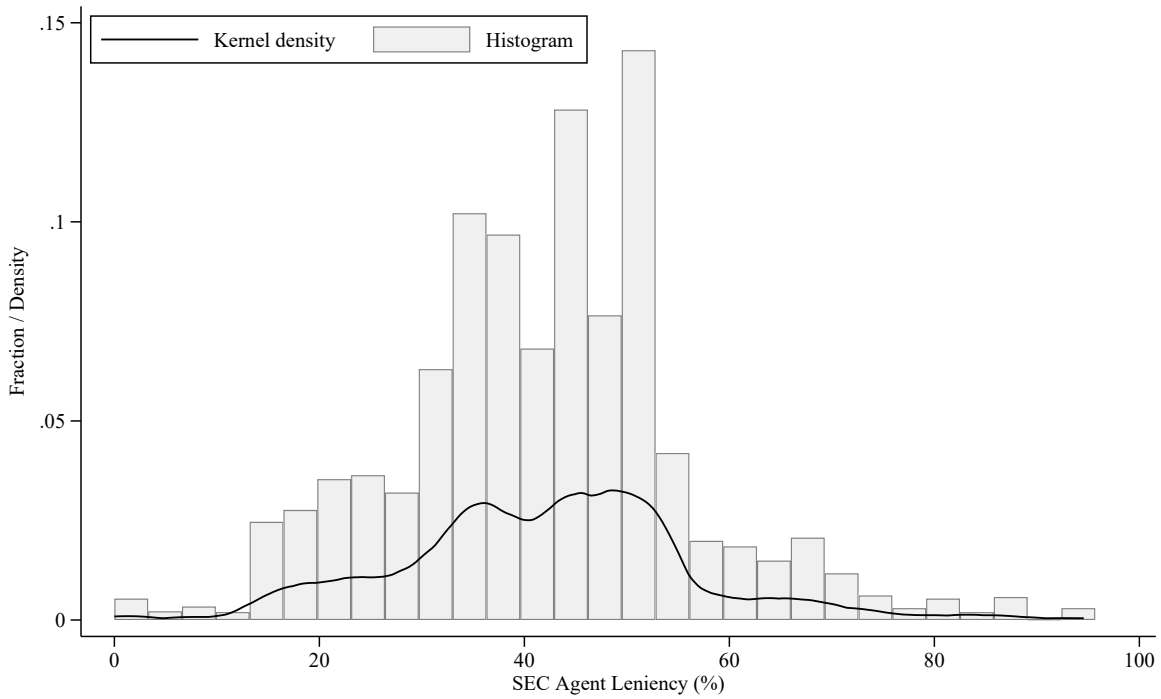


Figure 4: SEC Agent Monotonicity

Figure 4 displays the Frandsen et al. (2023) monotonicity and exclusion restriction test. We fail to reject the test given the smoothness of the curve, suggesting no violation of the exclusion and/or monotonicity assumptions that support the IV assumptions underlying judge leniency designs. Essentially, the flatness of the curve suggests no relationship between the financial performance implications of a judge's average shareholder proposal and their likelihood to let the proposal go to a vote. The test is performed using the statistical package provided by Frandsen et al. (2023).

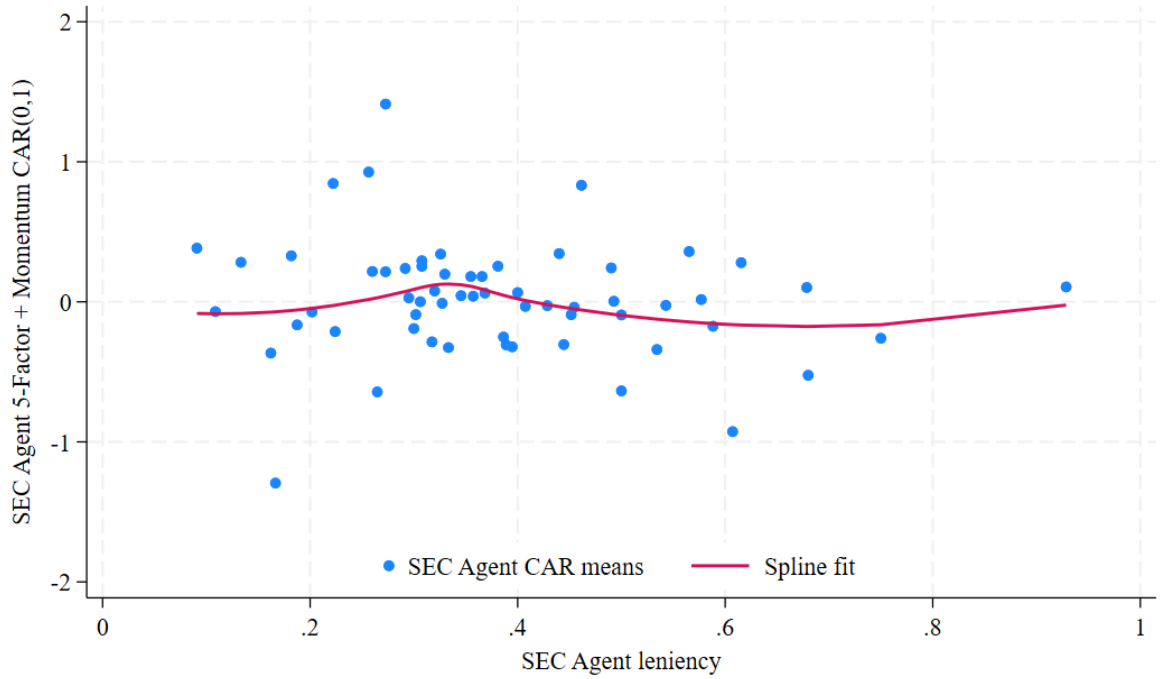
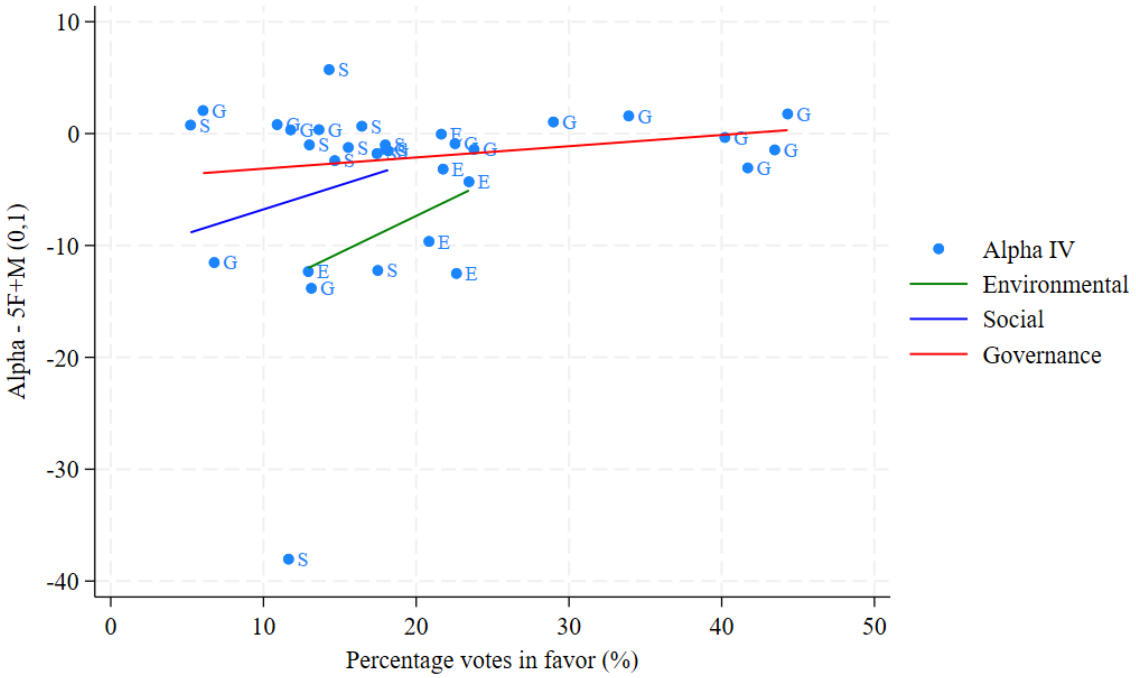


Figure 5: Financial Performance and Investor Voting

Figure 5 displays the relationship between the average percentage of supportive votes and a proposal's financial performance by the list of shareholder proposal topics depicted in Table 1. We find an upward-sloping curve across all proposal types, suggesting that investors vote more positively for proposals they expect to yield higher returns.



Internet Appendix

Appendix A Gemini Prompts

In this Appendix, we disclose all Gemini prompts used in the paper. We use Gemini to classify shareholder proposals, collect information from DEF-14A ballots, and collect information from 8-K and 10-Q shareholder proposal voting outcomes.

A.1 Shareholder proposal classification

Unlike ISS, we have collected and will publicly provide, upon publication of this study, the shareholder proposal and supporting statement text. We classify these proposals in several dimensions before analyzing them in this study. We classify each shareholder proposal using Gemini 2.0 Flash, Google CoLabs, and a Python async multiprocessing program.

A.1.1 Proposal Topic

First, we collect the topic of the shareholder proposal. For this classification, we use only the shareholder proposal, not the supporting statement, because the shareholder proposal component will be voted on by investors and potentially adopted by firms, whereas the supporting statement merely provides information to investors and is sometimes not directly related to the proposal itself. We ask Gemini the following **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. Here is the proposal of a shareholder proposal: *ShareholderProposalText*. Please classify the shareholder proposal with topics from this list: *TopicList*. Provide a secondary topic if there is absolutely no way the proposal content can be explained by one topic. Never report more than two topics. Never report two topics from the same category. These categories are indicated with their first letter E, S, and G. Report only the topic code(s), separated by commas in the exceptional case where there is more than one topic. Report nothing else."

We feed in this *TopicList*: E1: Climate Risk Management, E2: GHG Emissions and Policy, E3: Biodiversity, E4: Energy Management, E5: Pollution, E6: Product Lifecycle Management, E7: Raw Material Sourcing, E8: Water and Wastewater Management, E9: Hazardous Waste and Waste Management and Recycling, E10: Green Buildings, S11: Community Relations, S12: Labor Practices and Living Wage and retirement, S13: Employee Engagement and Diversity and Inclusion, S14: Occupational Safety, S15: Access to Healthcare, S16: Responsible Marketing, S17: Supply Chain Management, S18: Customer Privacy, S19: Human Rights (non-weapon related), S20: Human Capital Development, S21: Product Quality and Safety, S22: Customer Relationship Management, S23: Animal Welfare, S44: Worker Representation on Board, G24: board compensation, G25: managerial compensation (executive

non-termination), G26: board nomination and proxy access (can be combined with S13 if related to woman on board), G27: board voting, G28: special shareholder meeting, G29: board independence, G30: lobbying and public policy, G31: dividends and buybacks, G32: managerial termination payments (golden parachutes), G33: shareholder proposal voting rights, G34: charitable donations, G35: managerial and executive expenses, G36: company liquidation and divestures and spin-offs and liquidation of operations, G37: Acquire or merge with another company (M&A), G38: shareholder approval bylaws amendments, G39: poison pill, G40: accounting practices, E43: miscellaneous environmental, S42: miscellaneous social, G41: miscellaneous governance

A.1.2 Proposal demand

Second, we classify proposals by the investor demand. We adopt 4 types of demands: reporting, policies, targets, and activities. We perform prompts for each demand type separately to improve accuracy. To prevent overfitting, we explicitly told Gemini that there is only one demand. Oftentimes, shareholders mask targets or performance as reporting or policies to not be omitted from the ballot under the ordinary business clause. We wrote the prompt so it could capture these instances.

Prompt Report: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify whether the firm is requested to report on something. Reporting means that the firm is asked to provide information to its shareholders on a certain topic. For instance, reporting on employee living wages, reporting on carbon emissions, or reporting on board compensation. Reporting does not mean to impose a policy. Reporting does not mean setting a target. Reporting does not require direct performance improvements. Reporting does not require changes in firm behavior. Only answer yes if you are certain the following shareholder proposal asks the firm to report on something. Answer only yes or no without further explanation."

Prompt Policy: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify this proposal as policy when it requests a new policy or policy change. A policy can be a set of guidelines. A policy could be setting guidelines for paying workers a living wage, adopting a policy on renewable energy use, or curbing excess board compensation, for instance. Policies do not require reporting. Policies do not set a target. A policy does not require direct performance improvements or immediate changes in firm actions. Only answer yes if you are certain the following shareholder proposal contains a policy. Answer only yes or no without further explanation."

Prompt target: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main

demand. Classify whether the demand is a target. A target means the firm is asked to set explicit goals or targets on a specific topic within a given timeline. For instance, pay 50% of workers a living wage in 2030, attain net zero carbon emissions by 2050, or have CEO remuneration less than 50 times the median worker by 2030. A target always has a target date by which the firm should achieve the goal or target. Only answer yes if you are certain the following shareholder proposal contains a target. Answer only yes or no without further explanation."

Prompt Performance: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify whether it asks for immediate improvements in a certain outcome or performance. Performance means the firm is supposed to immediately change an outcome on a certain topic. For instance, increase worker pay by 20%, stop using a polluting chemical, or reduce CEO remuneration. Since these are immediate performance changes, there should not be a target date. Answer 'yes' if the following shareholder proposal contains a performance demand for a specific outcome. Answer only yes or no without further explanation."

A.1.3 Proposal specificity

Third, we collected proposal specificity. We operationalized this as the extent of information provided in the proposal. Specifically, we asked Gemini to reduce the text as much as possible without removing information. We then compute the share of the remaining words over the original words. The higher the share, the more information the shareholder provides and the less fluffy the text. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ShareholderProposal*. Remove all redundant text from this proposal. Do not alter the proposal's content. Retain as much factual information as you can from the original proposal. Do not insert markers. Report everything as one paragraph of text under any condition. Do not use bullet points. Do not explain or justify what you did. The output should be the shareholder proposal without redundant text and nothing else."

A.1.4 No Demands

In rare cases, some proposals do not have a clear demand to be voted on by investors. For instance, labor unions tend to argue that workers get a low wage, the CEO gets a multiple of that wage, without specifying that they want the CEO to take a pay cut or the workers to get paid more. We detect such instances using the following prompt. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ShareholderProposal*. Shareholder proposals usually contain a request, a demand, or a suggested action. In rare cases, proponents of the shareholder proposal just make statements that do not contain any request, demand, or suggested action. If there is only a statement but no request, demand or suggest action, the output should be a no. If it contains a request, demand, or suggest action, the output should be yes. Answer yes or no only."

A.1.5 Subtractions

Last, we consider the proposal direction. Not all proposals on a given topic requesting a given demand want to add it. In recent years, there has been a pushback on certain environmental and social issues. For example, some activist groups, like the National Center for Public Policy Research, want to remove carbon-reduction or DEI initiatives. We separately assess the direction of environmental, social, and governance proposals. For environmental proposals, we ask whether the firm wants to aid (subtract=0) or harm (subtract =1) the environment, using the following prompt. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might harm or improve the environment. If it harms the environmental issues, write subtract. Else, write add. Examples of proposals that harm the environment are: 1) remove emissions targets, 2) request to emit more, 3) request to use oil and gas, and 4) stop climate change activities. Do not provide an explanation. Only answer add or subtract."

For social issues, we perform a similar prompt. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might harm or improve social issues. If it harms social issues, write subtract. Else, write add. Examples of harmful proposals are: 1) ignore diversity, equity, and inclusion, 2) stop reporting on human rights, 3) reduce wages for non-executive workers, and 4) stop community programs. Do not provide an explanation. Only answer add or subtract."

For corporate governance, we classify subtracting proposals as those that reduce corporate governance stringency and increase managerial freedom. We cannot simply check whether a corporate governance provision is removed or added as removing a golden parachute is good for governance, but removing voting power from investors would be bad for governance. We provide some examples in the prompt to ensure the algorithm accurately captures them. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might add or subtract shareholder rights. If it harms shareholder rights, write subtract. Else, write add. Proposals are adopted if they support/increase shareholder rights. For instance, removing supermajority voting thresholds or reducing executive compensation would be adopted rather than subtracted. preventing CEOs from working for other companies is added. Preventing the private membership costs of board members or executives is added. Demands to reduce executive or board compensation count as an add. Demands to incorporate simple majority votes that were previously supermajority votes count as additional. Preventing named executive officers or board members from serving on other boards or having additional jobs counts as an addition. Do not provide an explanation. Only answer add or subtract."

Appendix B Instrument validity and the UJIVE procedure

This appendix provides two tests that further verify the validity of SEC agent leniency as an instrument for determining whether shareholder proposals are being filed. In the first analysis, we use an instrument validation test from Aizer and Doyle (2015), in which we split our sample into SEC agent terciles and display observable characteristics of shareholder proposals. This test complements the more formal instrument validity first-stage regression test. In Table B1, we find that the average SEC agent leniency is 27.3% for the lowest tercile, 42.6% for the middle tercile, and 57.5% for the highest tercile. The difference in the likelihood of a proposal getting on the ballot across agents in the high and low buckets is 30.2 percentage points, more than the mean in the lower bucket. For the same tercile split, we compute a fitted probability that a proposal will not be omitted based on observable shareholder proposal characteristics using a linear probability model. Here, the difference between fitted probabilities in the high and low terciles is only 6.8 percentage points. From this comparison, one can conclude that it is highly unlikely that SEC agent decisions are solely explained by shareholder proposal characteristics rather than personal beliefs, since the difference in leniency is 4.44 times larger than the difference in fitted probability.

We further analyze whether individual proposal characteristics stand out. Mindful of multiple hypothesis testing, we focus on the most economically relevant differences. First, we find that more lenient SEC agents handle proposals involving a company hiring a law firm. This likely indicates a positive relationship with financial performance, as firms can hire a law firm to increase their chances of success when they target an existing agency conflict or when they have a weaker legal case, and the proposal should be voted on. Second, SEC agents who are more lenient handle more reporting cases, albeit only in the highest tercile. Such proposals are likely to have a lower absolute financial impact than more tangible targets or direct performance improvements. Third, agents with greater leniency toward proponents are more likely to approve environmental and social shareholder proposals and less likely to approve governance proposals. Such proposals are likely less profitable because they do not address resource inefficiencies alone. Lastly, proposals judged by more lenient SEC agents appear to contain more external references, suggesting "higher quality" and more financially positive proposals. The combination of positive and negative expected correlations between proposal characteristics and SEC agent leniency, along with differences in fitted probabilities, provides suggestive evidence that SEC agent leniency is at least not fully explained by the "quality" or financial implications of the shareholder proposals they judge.

In the second analysis, we provide additional insights into the mechanical relationship between shareholder proposals receiving a "voted" outcome during the No-Action process and those with procedural omission requests in Table B2. We adopt a UJIVE approach to mechanically remove such correlation, as it might introduce a positive bias between our instrument and financial performance. Such bias can arise when proposals with procedural mistakes are

omitted more frequently and are of"lower quality" and carry lower financial implications. To ensure robustness in the validity of this procedure, we regress an indicator variable equal to 1 when a shareholder proposal has an omission reason indicating procedural mistakes, multiple proposals addressing the same topic, violations of the proposal timing rules, or the proponent's absence at the prior annual meeting of the firm. We find that the coefficient shrinks from -0.023 in a JIVE setting to -0.012 in the UJIVE procedure. This reduction indicates that the mechanical variation has been removed. Since only the mechanical correlation should be removed, the UJIVE coefficient need not be zero.

Table B1: Instrument and Voting outcomes

This table provides summary statistics of shareholder proposal characteristics, split into terciles, for our instrument. Pr(Voted — characteristics) reflects the probability that a shareholder proposal who goes through an omission No-Action request gets voted given all shareholder proposal characteristics listed below using SEC agent-clustered standard errors.

Variable name	Bottom tercile	Middle tercile	Top tercile	Middle vs. bottom tercile p-value	Top vs. bottom tercile p-value
SEC Agent leniency	0.273	0.426	0.575	(0.00)	(0.00)
Pr(Voted — characteristics)	0.341	0.358	0.409	(0.08)	(0.00)
Representation details					
Company law firm	0.525	0.602	0.658	(0.00)	(0.00)
Proponent law firm	0.117	0.116	0.139	(0.94)	(0.11)
Reasons omission					
Number of omission reasons	1.698	1.707	1.689	(0.84)	(0.82)
Procedural					
Mistake in procedure	0.232	0.212	0.157	(0.22)	(0.00)
Multiple proposals	0.032	0.048	0.042	(0.04)	(0.20)
Mistaken timing	0.076	0.085	0.050	(0.42)	(0.01)
No presence past meetings	0.012	0.014	0.011	(0.72)	(0.85)
Content					
Improper under state law	0.059	0.050	0.032	(0.32)	(0.00)
Violation of law (state, federal, & foreign)	0.085	0.070	0.095	(0.17)	(0.40)
Misleading	0.302	0.287	0.278	(0.42)	(0.20)
Personal grievance	0.043	0.034	0.028	(0.25)	(0.04)
Relevance	0.015	0.027	0.028	(0.03)	(0.03)
Absence of power	0.086	0.078	0.090	(0.46)	(0.73)
Ordinary business	0.363	0.412	0.442	(0.01)	(0.00)
Director elections	0.027	0.030	0.019	(0.63)	(0.17)
Conflicts company's proposal	0.086	0.064	0.042	(0.04)	(0.00)
Substantially implemented	0.137	0.169	0.193	(0.03)	(0.00)
Duplication by topic	0.061	0.054	0.053	(0.48)	(0.43)
Resubmissions threshold	0.031	0.020	0.029	(0.10)	(0.72)
Specifies dividend	0.009	0.007	0.020	(0.49)	(0.02)
Proposal demands					
Reporting	0.340	0.358	0.478	(0.36)	(0.00)
Policy	0.775	0.757	0.701	(0.30)	(0.00)
Target	0.029	0.041	0.029	(0.13)	(0.99)
Performance	0.197	0.194	0.177	(0.83)	(0.21)
Proposal topics					
Total Environmental	0.108	0.087	0.158	(0.09)	(0.00)
Total Social	0.287	0.325	0.340	(0.04)	(0.01)
Total Governance	0.765	0.739	0.688	(0.14)	(0.00)
Proposal topics: Environmental					
Climate Risk Management	0.032	0.034	0.057	(0.74)	(0.00)
GHG Emissions and Policy	0.040	0.047	0.078	(0.38)	(0.00)
Biodiversity	0.001	0.002	0.005	(0.32)	(0.06)
Energy Management	0.017	0.007	0.016	(0.02)	(0.75)
Pollution	0.025	0.008	0.016	(0.00)	(0.15)
Product Life-cycle Management	0.007	0.004	0.009	(0.40)	(0.49)
Raw Material Sourcing	0.005	0.004	0.007	(0.76)	(0.44)
Water and Wastewater Management	0.015	0.003	0.006	(0.00)	(0.03)
Hazardous Waste, Waste Management, & Recycling	0.004	0.003	0.009	(0.74)	(0.13)
Miscellaneous Environmental	0.011	0.008	0.019	(0.53)	(0.09)
Proposal topics: Social					
Community Relations	0.050	0.080	0.064	(0.00)	(0.14)
Labor Practices, Living Wage, & Retirement	0.038	0.048	0.044	(0.24)	(0.48)
Employee Engagement and DEI	0.035	0.059	0.063	(0.01)	(0.00)
Occupational Safety	0.008	0.007	0.015	(0.82)	(0.13)
Access to Healthcare	0.034	0.027	0.039	(0.29)	(0.52)

Continued

Table B1 – continued

Variable name	Bottom tercile	Middle tercile	Top tercile	Middle vs. bottom tercile p-value	Top vs. bottom tercile p-value
Responsible Marketing	0.016	0.020	0.020	(0.45)	(0.46)
Supply Chain Management	0.032	0.034	0.029	(0.74)	(0.72)
Customer Privacy	0.007	0.005	0.013	(0.44)	(0.16)
Human Rights	0.042	0.056	0.056	(0.11)	(0.09)
Human Capital	0.009	0.003	0.010	(0.07)	(0.84)
Product Quality and Safety	0.030	0.025	0.032	(0.38)	(0.82)
Customer Relationship	0.016	0.018	0.021	(0.76)	(0.37)
Animal Welfare	0.023	0.018	0.018	(0.39)	(0.39)
Worker Representation Board	0.000	0.005	0.002	(0.01)	(0.16)
Miscellaneous Social	0.014	0.014	0.024	(1.00)	(0.06)
Proposal topics: Governance					
Board Compensation	0.014	0.009	0.007	(0.25)	(0.11)
Executive Compensation	0.164	0.143	0.130	(0.14)	(0.02)
Board Nomination/Proxy Access	0.050	0.086	0.050	(0.00)	(0.99)
Board Voting	0.065	0.047	0.060	(0.06)	(0.61)
Special shareholder meeting	0.091	0.068	0.073	(0.04)	(0.10)
Board Independence	0.091	0.087	0.076	(0.77)	(0.18)
Lobbying/Public Policy	0.109	0.083	0.114	(0.03)	(0.66)
Dividends/Buybacks	0.021	0.030	0.033	(0.16)	(0.08)
Executive Termination Payments	0.026	0.022	0.028	(0.51)	(0.81)
Shareholder Proposal Voting Rights	0.135	0.137	0.095	(0.87)	(0.00)
Charitable Donations	0.011	0.021	0.027	(0.06)	(0.01)
Executive Expenses	0.006	0.004	0.002	(0.56)	(0.09)
Liquidation/Divestitures/Spin-offs	0.017	0.016	0.020	(0.87)	(0.66)
Mergers & Acquisitions	0.011	0.007	0.005	(0.39)	(0.11)
Shareholder Approval Bylaws Amendments	0.080	0.069	0.061	(0.32)	(0.07)
Poison Pill	0.002	0.003	0.001	(0.71)	(0.32)
Accounting Practices	0.050	0.041	0.035	(0.28)	(0.07)
Miscellaneous Governance	0.047	0.045	0.062	(0.77)	(0.11)
Proposal directionality					
Subtract	0.025	0.020	0.033	(0.49)	(0.19)
Proposal Specificity					
Number of Sources	0.296	0.895	1.776	(0.00)	(0.00)
Specificity %	0.580	0.571	0.573	(0.08)	(0.14)
Proponents					
Bank	0.012	0.008	0.006	(0.31)	(0.09)
Individual	0.843	0.837	0.757	(0.87)	(0.02)
Religious	0.222	0.261	0.198	(0.48)	(0.58)
Pension fund	0.196	0.177	0.196	(0.67)	(0.99)
Labor union	0.059	0.041	0.049	(0.06)	(0.30)
SRI mutual fund active	0.016	0.017	0.027	(0.89)	(0.10)
SRI mutual fund passive	0.003	0.002	0.002	(0.70)	(0.70)
Mutual fund active	0.010	0.011	0.007	(0.76)	(0.39)
Mutual fund passive	0.008	0.008	0.006	(1.00)	(0.46)
SRI mutual fund	0.050	0.080	0.069	(0.05)	(0.08)
Mutual fund	0.033	0.059	0.034	(0.05)	(0.83)
Hedge fund	0.014	0.014	0.007	(1.00)	(0.11)
NGO	0.099	0.150	0.197	(0.00)	(0.00)
Insurance corporation	0.006	0.011	0.003	(0.40)	(0.36)
Activist investor	0.014	0.020	0.030	(0.27)	(0.01)
Other Company	0.057	0.074	0.077	(0.17)	(0.10)
Other	0.005	0.009	0.020	(0.25)	(0.00)
Company determination					
Company forced SEC to reconsider	0.025	0.017	0.020	(0.16)	(0.34)
Proponent Company Communication					
Number of written communications	1.947	1.538	1.401	(0.00)	(0.00)
Observations	1223	1224	1225	2447	2448

Table B2: Procedural Proposals and UJIVE

Table B2 provides evidence that the UJIVE procedure removes the mechanical relationship between the JIVE estimate and proposals that are procedurally wrong. Coefficients need not be zero in the UJIVE regression, as only the *mechanical* variation is removed, not all variation. This mechanical variation could have induced a positive selection bias and has now been removed. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

	(1)	(2)
VARIABLES	JIVE SEC Agent Leniency	UJIVE SEC Agent Leniency
Omission Attempt Procedural	-0.023***	-0.012***
	(0.005)	(0.005)
Observations	5,031	5,031
Adjusted R-squared	0.004	0.001

Appendix C Alternative Financial Performance Analyses

This appendix provides robustness to the financial performance analyses presented in the main paper. Cumulative abnormal returns are sensitive to the event window and financial market model used (Brown and Warner, 1980; MacKinlay, 1997). To ensure the reader that our results are robust across specifications, we adopt 9 alternative cumulative abnormal return estimations and find similar results. Specifically, we compute CAPM alphas, Fama and French (1993) 3-Factor alphas, Fama and French (1993) 3-Factor + Carhart (1997) momentum alphas, Fama and French (2015) 5-Factor alphas, and Fama and French (2015) 5-Factor + Carhart (1997) momentum alphas for the (0,0) and (0,1) event windows. We omit the Fama and French (2015) 5-Factor + Carhart (1997) momentum (0,1) specification used in the main manuscript.

We observe economically and statistically similar results for the OLS estimations in Table C1. In our preferred specification, we find insignificant alphas equal to 0.075% for the average proposal using OLS. In the alternative specifications of Panel A, we similarly do not observe significant effects with an average coefficient estimate of 0.051, a minimum of 0.009, and a maximum of 0.126. We similarly observe no significant effect for subsamples of governance, social, and environmental proposals in Panels B through D. The average coefficients are 0.041, 0.072, and 0.090, respectively, not more than 6 bps different from our initial estimates of 0.047, 0.127, and 0.102.

We also observe economically similar results for the robustness 2SLS UJIVE estimations in Table C2. For the full sample of proposals, we obtained coefficient estimates ranging from -1.397 to -0.578 with an average of -0.886. The coefficients are significant in 7 out of the 9 specifications and compatible with the -1.118 coefficient of the preferred estimate. For governance proposals, we observe coefficient estimates ranging from -0.394 to 0.031 with an average of -0.299. These estimates are compatible with the -0.422 coefficient from the main specification and similarly insignificant in all estimations. For social proposals, observe coefficient estimates ranging from -2.106 to -1.072, with an average of -1.508. These estimates are significant in 7 out of 9 specifications and compatible with the -1.764 coefficient from the main specification. For environmental proposals, observe a somewhat wider range of coefficient estimates, ranging from -5.534 to -2.161, with an average of -3.747. These estimates are significant in 6 out of 9 specifications and are slightly lower than the -5.033 estimate from the preferred specification. These analyses provide some indication that our results are generally robust across specifications. Coefficient estimates are within the ranges of alternative estimation procedures across analyses and show similar signs of significance in many specifications.

As a final validation, we perform a financial performance analysis of our unadjusted JIVE instrument, without controlling for procedural omissions. We observe average coefficient estimates of -0.774, -0.291, -1.295, and -3.001 for the full sample, governance proposals, social proposals, and environmental proposals. These coefficient estimates are comparable with but slightly higher than the preferred specifications' estimates of -1.118, -0.422, -1.764, and -5.033.

These somewhat higher coefficient estimates resonate with the reason for adopting the UJIVE approach, as we feared a positive bias in financial outcomes due to SEC agents having less leeway to be lenient to "lower quality" proposals with procedural issues that simultaneously exhibit lower returns. We observe statistically significant effects in 8 out of 10 specifications for the full sample at the 5% level. For social and environmental proposals, we observe significance in only 5 and 7 out of 10 specifications, respectively.

Table C1: Alpha Robustness OLS

This Table replicates the OLS financial performance analysis presented in Table 4 for multiple event windows as well as financial market models. We adopt (0,0) and (0,1) windows, consistent with Cuñat et al. (2012) and Flammer (2015). Moreover, we compute abnormal returns using CAPM alphas, Fama and French (1993) 3-Factor alphas, Fama and French (1993) 3-Factor + Carhart (1997) momentum alphas, Fama and French (2015) 5-Factor alphas, and Fama and French (2015) 5-Factor + Carhart (1997) momentum alphas.

Model	**CAPM**		**3-Factor**		**3-Factor + Momentum**		**5-Factor**		**5-Factor + Momentum**
Window	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: OLS - All proposals									
Voted	0.011	0.075	0.028	0.089	0.009	0.075	0.034	0.126*	0.011
	(0.057)	(0.078)	(0.054)	(0.074)	(0.053)	(0.074)	(0.052)	(0.074)	(0.052)
Observations	3,479	3,456	3,476	3,456	3,474	3,456	3,472	3,456	3,472
R-squared	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000
Panel B: OLS - Governance proposals									
Voted	-0.011	0.021	0.029	0.095	-0.010	0.067	0.052	0.123	0.001
	(0.077)	(0.107)	(0.072)	(0.099)	(0.072)	(0.099)	(0.070)	(0.099)	(0.072)
Observations	2,057	2,038	2,053	2,033	2,051	2,032	2,049	2,031	2,049
R-squared	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000
Panel C: OLS - Social proposals									
Voted	0.045	0.150	0.048	0.087	0.037	0.101	0.017	0.150	0.014
	(0.096)	(0.129)	(0.088)	(0.127)	(0.087)	(0.128)	(0.087)	(0.126)	(0.087)
Observations	1,117	1,112	1,117	1,114	1,116	1,115	1,117	1,116	1,116
R-squared	0.000	0.001	0.000	0.000	0.000	0.001	0.000	0.001	0.000
Panel D: OLS - Environmental proposals									
Voted	0.105	0.320	-0.007	0.127	0.040	0.106	-0.012	0.103	0.032
	(0.148)	(0.201)	(0.143)	(0.198)	(0.139)	(0.199)	(0.140)	(0.190)	(0.135)
Observations	408	410	409	413	410	413	409	413	410
R-squared	0.001	0.006	0.000	0.001	0.000	0.001	0.000	0.001	0.000

Table C2: Alpha Robustness UJIVE

This Table replicates the 2SLS financial performance analysis presented in Table 4 for multiple event windows as well as financial market models. We adopt (0,0) and (0,1) windows, consistent with Cuñat et al. (2012) and Flammer (2015). Moreover, we compute abnormal returns using CAPM alphas, Fama and French (1993) 3-Factor alphas, Fama and French (1993) 3-Factor + Carhart (1997) momentum alphas, Fama and French (2015) 5-Factor alphas, and Fama and French (2015) 5-Factor + Carhart (1997) momentum alphas.

Model	**CAPM**		**3-Factor**		**3-Factor + Momentum**		**5-Factor**		**5-Factor + Momentum**
Window	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: UJIVE - All proposals									
Voted	-0.578*	-1.141***	-0.701**	-1.070**	-0.794***	-1.397***	-0.723**	-0.789*	-0.785**
	(0.317)	(0.439)	(0.306)	(0.439)	(0.302)	(0.451)	(0.303)	(0.430)	(0.307)
Observations	3,479	3,456	3,476	3,456	3,474	3,456	3,472	3,456	3,472
Panel B: UJIVE - Governance proposals									
Voted	0.031	-0.394	-0.334	-0.401	-0.369	-0.682	-0.265	-0.003	-0.277
	(0.400)	(0.539)	(0.394)	(0.550)	(0.386)	(0.553)	(0.388)	(0.549)	(0.398)
Observations	2,057	2,038	2,053	2,033	2,051	2,032	2,049	2,031	2,049
Panel C: UJIVE - Social proposals									
Voted	-1.271**	-2.106**	-1.072*	-1.628**	-1.141**	-2.089**	-1.322**	-1.581*	-1.360**
	(0.635)	(0.882)	(0.549)	(0.822)	(0.542)	(0.877)	(0.581)	(0.821)	(0.579)
Observations	1,117	1,112	1,117	1,114	1,116	1,115	1,117	1,116	1,116
Panel D: UJIVE - Environmental proposals									
Voted	-3.122*	-5.084**	-2.161*	-5.227**	-2.855**	-5.534**	-2.198*	-4.770**	-2.772**
	(1.656)	(2.545)	(1.272)	(2.468)	(1.436)	(2.559)	(1.209)	(2.189)	(1.341)
Observations	408	410	409	413	410	413	409	413	410

Table C3: Alpha Robustness JIVE

This Table replicates the financial performance analysis presented in Table 4 for the JIVE estimate instead of the UJIVE estimate. It uses multiple event windows and financial market models. We adopt (0,0) and (0,1) windows, consistent with Cuñat et al. (2012) and Flammer (2015). Moreover, we compute abnormal returns using CAPM alphas, Fama and French (1993) 3-Factor alphas, Fama and French (1993) 3-Factor + Carhart (1997) momentum alphas, Fama and French (2015) 5-Factor alphas, and Fama and French (2015) 5-Factor + Carhart (1997) momentum alphas. As predicted by our positive selection concerns, estimates are less negative.

Model	**CAPM**		**3-Factor**		**3-Factor + Momentum**		**5-Factor**		**5-Factor + Momentum**	
Window	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)	(0,0)	(0,1)
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Panel A: UJIVE - All proposals										
Voted	-0.487*	-1.007**	-0.621**	-0.862**	-0.722***	-1.172***	-0.624**	-0.605	-0.704**	-0.934**
	(0.284)	(0.395)	(0.277)	(0.393)	(0.273)	(0.401)	(0.273)	(0.387)	(0.277)	(0.393)
Observations	3,479	3,456	3,476	3,456	3,474	3,456	3,472	3,456	3,472	3,456
Panel B: UJIVE - Governance proposals										
Voted	-0.011	-0.439	-0.339	-0.313	-0.379	-0.585	-0.262	0.071	-0.295	-0.356
	(0.367)	(0.501)	(0.360)	(0.502)	(0.352)	(0.504)	(0.355)	(0.502)	(0.362)	(0.502)
Observations	2,057	2,038	2,053	2,033	2,051	2,032	2,049	2,031	2,049	2,033
Panel C: UJIVE - Social proposals										
Voted	-1.051*	-1.736**	-0.928*	-1.339*	-1.026**	-1.745**	-1.131**	-1.317*	-1.198**	-1.477*
	(0.564)	(0.769)	(0.504)	(0.733)	(0.506)	(0.779)	(0.527)	(0.737)	(0.530)	(0.769)
Observations	1,117	1,112	1,117	1,114	1,116	1,115	1,117	1,116	1,116	1,114
Panel D: UJIVE - Environmental proposals										
Voted	-2.183*	-3.855**	-1.633*	-4.042**	-2.238**	-4.417**	-1.666*	-3.750**	-2.177**	-4.044**
	(1.148)	(1.787)	(0.981)	(1.797)	(1.088)	(1.884)	(0.927)	(1.620)	(1.011)	(1.684)
Observations	408	410	409	413	410	413	409	413	410	413