Why do Investors Vote Against Corporate Directors?

Abstract

Investors now hold directors responsible for newer issues including climate and board composition. Using different metrics for climate risk, we find a significant association between votes against directors and concerns about climate risk. Female directors receive fewer dissent votes, especially if they serve on the nominating committee. There is no such advantage if they hold leadership positions or have had a long tenure. When institutions publicly disclose their concerns about climate risk and board diversity in their rationale for voting against a director, there are more dissent votes and they result in firms taking actions to address the concerns.

JEL classification: G32; G34; G38
Keywords: Institutional Investors, Proxy Voting, Director Elections, Board Composition, Climate Change

Why do Investors Vote Against Corporate Directors?

More Investors Vote Against Corporate Directors Over Climate Change

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

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1 Introduction

Institutional investors play a crucial role in the functioning of financial markets. They can "vote with their voice" by voting for or against management and shareholder-sponsored proposals. We argue that the job of corporate directors today has become more complex and they are held accountable for a wider set of issues than in the past. Concerns about the environment and social issues were previously rare. In addition, institutional investors have begun to publicly disclose the rationale for their votes, particularly when they vote against specific proposals and individual directors. Reasons frequently cited for voting against directors include climate risk, board diversity, board structure, and business ethics and transparency. In this changing landscape, our paper provides valuable insights into the emerging issues that are important to investors, and how institutional investors express their discontent with the policies of a company on these issues.

Our paper addresses the following questions: What emerging issues concern investors? Do institutional investors hold the board of directors responsible for newer issues such as

climate risk, board diversity, and social issues? Which board members are more likely to be targeted? Do the dissent votes differ for female directors and are these differences related to their role on the board? What is the role of the recent trend of institutional investors publicly disclosing the reason for their dissent votes? Do firms respond to this disclosure and dissent votes? To what extent, if any, do certain types of shareholder-sponsored proposals influence voting against management-sponsored directors?

We start by highlighting the key contribution of our paper. To our knowledge, this is the first study to document an association between climate risk and voting outcomes for director elections.[1] Using a number of different metrics for climate risk, we find that shareholders hold directors responsible for this issue. Our first proxy for climate risk is based on environmental and climate scores provided by MSCI ESG ratings service. Our analysis controls for financial performance, governance, and the proxy advisor's recommendation. To address any remaining concerns that these ratings may be picking up other firm-level attributes, we also use alternative proxies to capture concerns about the environment. Specifically, we supplement our climate risk findings, by employing three alternative proxies for firm-specific climate change risk, and continue to find that investor dissent is greater for firms with higher climate change risk.

We also provide new findings on the role of board diversity and also the gender of the director in the outcome of the vote. Gow, Larcker, and Watts (2023) show that directors in firms with more diverse boards and also individual directors who are considered diverse are likely to receive more support. Our objective is different; we focus on examining which

[1]Subsequent related studies examine how climate disclosure policies (Garel et al., 2025) and major environmental and social incidents (Masulis et al., 2024) affect director election outcomes using different data.

directors are more likely to be held responsible for lack of board diversity and especially whether the gender and role of the director matters. The nominating committee is responsible for board structure and we find that directors on the nominating committee are held responsible if there is a lack of diversity on the board. On average, female board members receive significantly fewer dissent votes compared to their male counterparts, especially if they serve on the nominating committee. However, there is no such advantage if they serve in the leadership role of board chair or lead independent director. In fact, female directors with long tenures are likely to receive more dissent votes than their male counterparts.

In addition, we take advantage of a recent trend of institutional investors to voluntarily provide a reason for why they voted against a director. Using novel data on institutional investors' voting rationale, we find that climate change and board diversity frequently appear among the reasons for voting against directors. This information helps alleviate endogeneity concerns and provides us with a unique opportunity to directly examine the reasons why investors vote against proposals and directors rather than relying on proxies previously used in the literature. Our results suggest that investors are not only holding directors responsible by using their voice but also by using the opportunity to voluntarily disclose their voting rationale as a signaling mechanism. For example, Norges Bank Investment Management always provides a rational when they vote against management's recommendation and publishes its voting intention five days before the meeting (see, e.g., Fahlenbrach, Rudolf, and Wegerich, 2024).

Next, we examine whether there are any consequences of concerns expressed by institutional investors via their publicly disclosed voting rationale for voting against a proposal. We find that firms do address investor concerns especially when the percentage of votes against

the proposal is high. For example, in 2021, Blackrock voted against a long-tenured director of Coterra Energy Inc. who was responsible for oversight over climate risk. Blackrock explicitly provided a rationale stating "...company does not meet our expectations of having adequate climate risk disclosures against all 4 pillars of Task Force on Climate-related Financial Disclosure (TCFD). The company does not meet our expectations of having adequate climate-related metrics and targets." According to Trucost data, Coterra Energy started disclosing its carbon emissions the year after Blackrock's dissent. We find similar results for board diversity; firms increase gender diversity of their boards if institutional investors flag it as a rationale for their dissent vote. For example, in 2018, State Universities Retirement System of Illinois (SURS) voted against a director of BorgWarner Inc. stating "...there is insufficient female representation on the board of directors." In 2018, BorgWarner had only one female director, but in 2019 the company added another female director to the board, increasing the number of female directors to two.

We start our analysis by using the composite MSCI ESG scores as a proxy for broader issues that concern investors today and find that lower scores are associated with less support for management-sponsored proposals. These results continue to hold even after controlling for the recommendation of the proxy advisory firm, Institutional Shareholder Services (ISS). The results are primarily driven by proposals related to individual director elections and not by non-director election proposals. These findings indicate that when investors are not satisfied with the policies of a company, they are more likely to vote against the directors recommended by management.

We then dig deeper to examine the specific new issues associated with voting outcomes. MSCI arrives at the individual score of the three components (i.e., E, S, and G) of its

overall ESG score and we examine each of these three components separately. However, we find limited evidence of the importance of the broad categories of environment or social performance on the outcome of votes, while governance is always strongly related to voting outcomes. MSCI estimates each of the individual component (i.e., E, S, and G) by taking a weighted average of various subcomponents within each of these three categories.[2] These four environmental "themes" are climate change, pollution and waste, natural capital, and environmental opportunities. Although broad environmental performance is unrelated to voting outcomes, we find that the climate change component of the environmental score is significant in explaining the voting dissent. Our findings are consistent with the recent attention by institutional investors to climate change and its potential material impact on the performance and valuation of firms. For example, in 2021, activist investor Engine No. 1 successfully waged a proxy battle to install new directors on the ExxonMobil board with the goal of pushing the energy giant to reduce its carbon footprint, which was seen as a business imperative in a changing energy market.[3] The activist investor gained the attention of several large institutional investors, including BlackRock, State Street, and Vanguard. Similarly, the state pension fund CalPERS voted against 95 directors at 26 companies in 2022 due to concerns about climate-related issues.

To check the robustness of our climate-related findings, we employ alternative measures of climate risk developed by Sautner et al. (2023a).[4] We find that directors at firms with high climate change risk receive significantly greater investor dissent. We also use the actual

[2]For example, the environmental score (E) is derived by aggregating the scores on four distinct categories (defined by MSCI as themes).

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

[4]This measure has been extensively tested and used by other studies (see, e.g., Kölbel et al., 2024; Sautner et al., 2023b; Ginglinger and Moreau, 2023).

carbon emissions level data for individual firms as reported by Trucost which has been used by a number of researchers (see, e.g., Azar et al., 2021; Bolton and Kacperczyk, 2021, 2023). We find that directors of firms that have larger carbon emissions or those that do not voluntarily disclose their carbon emission receive significantly higher dissent votes. In additional tests, we use novel data on voting rationale publicly disclosed by institutional investors. This allows us to directly examine reasons articulated by institutional investors in opposing directors. For example, Nuveen states:[5]

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

We find no significant relationship between a firm's MSCI social score and the fraction of dissent votes received by the directors of that firm. We also examine the association between governance and voting outcome. It is important to note that the MSCI governance score captures a wide set of issues, such as board diversity, skills and expertise, accounting practices, business ethics, and tax transparency. Many of the attributes included are not captured by traditional governance indexes used previously in the literature. For example, the Entrenchment Index (E-Index) used in several studies is largely a measure of the anti-takeover defenses of a firm and is composed of six governance attributes related to entrenchment (see, e.g., Bebchuk, Cohen, and Ferrell, 2009). During the sample period of

[5]https://https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-rationales.

our study, the correlation between the E-index and our governance measure (MSCI governance score) is -0.07, which implies that these two measures are essentially uncorrelated. We find this broader MSCI governance score continues to have a significant relation with voting outcome even after controlling for the E-Index. These results indicate that directors are being held accountable for a wider set of issues today than just shareholder rights and anti-takeover provisions.

Our findings indicate that the desire of institutional investors to hold individual directors responsible for newer issues has a meaningful impact on voting outcome. It can be argued that institutional investors can communicate their concerns directly by supporting shareholder-sponsored proposals rather than voting against individual directors. Although directly supporting a shareholder-sponsored proposal can also be an important channel for institutional investors to communicate their disagreement with management, such proposals are fairly infrequent compared to management-sponsored proposals, and some institutions have expressed concerns about them. Shareholder proposals tend to address specific issues that may or may not be aligned with those of other shareholders. In fact, Vanguard's proxy voting guidelines explicitly state their concerns about shareholder-sponsored proposals.[6]

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

We find that the mere presence of a shareholder-sponsored proposal on the ballot is associated with a significantly higher withholding of support for management-nominated di-

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

rectors. Our findings show that simply having a shareholder proposal on the ballot increases the fraction of "against" votes by more than 0.5%. This is an economically significant increase, since the average fraction of votes against a director in our sample is 5%. We also find some evidence of a negative association between shareholder proposals specifically related to the environment and support for directors.

The typical fraction of dissent votes against directors tends to be small. Thus, one might argue that voting is inconsequential. However, Aggarwal, Dahiya, and Prabhala (2019) show that negative votes have significant career and reputation consequences for directors who receive negative votes even when there is no majority dissent. These consequences include a higher likelihood of leaving the board, reduced opportunities for roles on important committees, and fewer appointments on other boards. These potential negative career and reputation consequences could motivate directors to respond to investor demands and work to improve them. Iliev et al. (2015) study non-US firms and report that more dissent votes cast by US mutual funds are associated with director departures in the next year. Furthermore, Cai, Garner, and Walkling (2009) find that poor election results lead to reduced CEO compensation and increased CEO turnover, along with removal of classified boards and anti-takeover mechanisms. Consequently, dissent votes have a significant influence on the careers and reputations of directors and the management of a company.

The recent trend of institutional investors to publicly provide vote rationales suggests that investors are not only holding directors responsible by using their voice, but also using this as a signaling mechanism. It may be a way for them to broadly communicate their preferences on issues such as climate change. Although concerns about "cheap talk" and greenwashing by institutional investors cannot be completely ruled out, however, we find

that companies take steps to address concerns about climate and board diversity expressed by institutional investors in their voting rationales. Michaely, Rubio, and Yi (2023) find that voting rationale are informed and an effective way to communicate concerns.

Our paper contributes to the growing recent literature that has highlighted the importance of climate risks for institutional investors. Ilhan et al. (2023) conduct a survey and find a strong demand for disclosures of climate risks. Several studies have empirically examined the performance of the portfolio and the pricing of climate-related risk (see, e.g., Alok, Kumar, and Wermers, 2020; Krueger, Sautner, and Starks, 2020; Bolton and Kacperczyk, 2021).[7] Investors with E and S consciousness also select companies with higher E and S ratings (Dyck et al., 2019), suggesting that there is a positive screening. Although most shareholder-sponsored E and S related proposals typically fail, He, Kahraman, and Lowry (2021) find that investors' support for these proposals contains information on future risks facing firms. Furthermore, Michaely, Ordonez-Calafi, and Rubio (2021) show that although ES funds are more likely than other funds to vote for ES proposals, they are strategic in their voting. Lowry, Wang, and Wei (2022) show that "committed" ESG funds tend to hold their ESG investments longer and demonstrate more discretionary voting on portfolio firms' ESG proposals. We add to this growing literature and argue that one of the primary tools used by investors to convey their dissatisfaction is voting against management-sponsored directors.

Our paper is also related to several studies that have focused on board diversity and its impact on firm performance.[8] The focus on gender diversity has also increased public

[7] Cornaggia et al. (2024) document the adverse impact of financial shocks caused by natural disasters on human capital.

[8] For example, Adams and Ferreira (2009) and Schwartz-Ziv (2017) document that female directors are more independent of management. Kim and Starks (2016) show that female directors contribute unique skills that their male counterparts do not possess, increasing board heterogeneity and potentially improving corporate investment decisions. Tate and Yang (2015) find evidence that female leadership attenuates gender

awareness of this issue. For example, Giannetti and Wang (2023) document that greater public attention to gender equality pushes firms to widen the pool of potential candidates for director positions. Our results are consistent with previous studies that have shown that director-specific attributes, such as age, tenure, committee memberships, and number of directorships, are significantly related to the fraction of favorable votes received by a director.[9] A recent article by Gow, Larcker, and Watts (2023) examines the impact of gender and race on director elections and reports that female directors and directors of racial diversity (non-white) receive significantly more support although they conclude that the economic significance of the results is modest. Our novel contribution is to show that female directors serving on nominating committees receive significantly lower dissent. In contrast, if the female directors are in board leadership positions there is no significant difference in the votes received by them compared to their male counterparts.

We also add to previous research that examines issues important to investors and how investors express their dissatisfaction by voting, particularly in director elections. Existing research shows that large investors can and do use their voice by engaging with the management of their portfolio companies and pressuring them to change corporate policies (e.g., Dimson, Karakaş, and Li, 2015; Starks, Venkat, and Zhu, 2017; Krueger, Sautner, and Starks, 2020; Chen, Dong, and Lin, 2020; Naaraayanan, Sachdeva, and Sharma, 2021;

pay gaps between rank and file employees, which could improve worker satisfaction and productivity, and Agarwal et al. (2016) show that women who play golf, a predominately male social activity, have a significantly higher probability of serving on corporate boards. Griffin, Li, and Xu (2021) show that board gender diversity is associated with greater corporate innovation. Agarwal et al. (2018) document that women face significantly lower bankruptcy risk than men, largely due to differences in risk-taking behavior. In a recent article, Edmans, Flammer, and Glossner (2023) documents that diversity, equity and inclusion (DEI) are related to improved future accounting performance, greater future earnings surprises and increased valuation ratios, while demographic diversity is not.

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

Barko, Cremers, and Renneboog, 2021). Voting on management-sponsored proposals, especially those related to director elections, is also an important communication channel for institutional investors. Director elections have been examined in a number of studies. Cai, Garner, and Walkling (2009) document that shareholder votes are related to firm performance, governance, director performance, and voting mechanisms. Ertimur, Ferri, and Oesch (2018) find that dissent votes against directors lead to changes in the firm that address shareholder concerns. As shown by Aggarwal, Dahiya, and Prabhala (2019), there are significant career consequences of negative votes for individual directors. The role of connections in the appointment of directors is documented by Cai, Nguyen, and Walkling (2022), while Linck, Netter, and Yang (2008a) find more complex firms have larger and more independent boards. Bolton et al. (2020) find that the proxy voting ideology of the largest investors has remained highly stable during the period 2005-2018. However, they show that the ideologies of a substantial fraction of other investors have evolved substantially over time. They find passive ownership to be associated with more support for shareholder proposals. Other relevant studies examining board directors include Boone et al. (2007), Linck, Netter, and Yang (2008b), Fischer et al. (2009), Coles, Daniel, and Naveen (2014), Iliev et al. (2015), Fedaseyeu, Linck, and Wagner (2018), Fos, Li, and Tsoutsoura (2018), and Erel et al. (2021).

Our paper also contributes to the literature on how investors engage with management using their voice and therefore influence firm policies (Hirschman, 1970; Gillan and Starks, 2000, 2003; Edmans, 2009; Edmans and Manso, 2011; Edmans and Holderness, 2017; Appel, Gormley, and Keim, 2016). The comparative impact of voting versus exiting by institutional investors on firm policies has also been examined.[10] Previous studies suggest that divestment

[10]See, e.g., Cotter, Palmiter, and Thomas (2010), Broccardo, Hart, and Zingales (2022), Berk and van

may not be the most effective way to influence corporate policies. For example, Broccardo, Hart, and Zingales (2022) show that if the majority of investors are even slightly socially responsible, voice achieves the socially optimal outcome. On the contrary, exit by investors fails to achieve socially optimal outcomes unless every investor is significantly socially responsible. Berk and van Binsbergen (2021) find that exit generally has a relatively small effect on the cost of capital of firms. Unlike these studies, Gantchev, Giannetti, and Li (2022) show that even small divestitures by investors can trigger changes in corporate policies and reduce negative E and S incidents. However, Berg et al. (2021) detect a response in governance, but not in the environmental dimension. Instead of simply divesting, Edmans, Levit, and Schneemeier (2022) argue that the optimal strategy is to tilt the portfolio by holding "brown" firms that take corrective action.

2 Data and Descriptive Statistics

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

Binsbergen (2021), Gantchev, Giannetti, and Li (2022), and Berg et al. (2021). For a review of this literature, see Gillan and Starks (2007).

2.1 Proxy Voting

We obtain proxy proposal voting records for all firms in the Russell 3000 index from the ISS Voting Analytics dataset. We start in 2013 to align with the availability of firm-level ESG data. Given the special regulatory environment faced by firms in the financial industry (SIC codes 6000-6999) and utilities (SIC codes 4800-4999), we exclude these firms from our analysis.

Voting information includes the date of the meeting, a description of the proposal, whether the proposal is sponsored by management or shareholders, and voting recommendations from management and ISS. Also included are the number of shares outstanding, the number of shares voted for/against/abstain, the voting threshold requirement for a proposal to pass, and the final voting outcome. We exclude from our analysis all "routine business" management-sponsored proposals, such as those related to "preferred/bondholder" or "appointment of auditors" as these are unlikely to be contentious.[11]

The key dependent variable of interest in our study is *FracAgainst*, which is the fraction of votes received against a proposal. Following previous studies, (e.g., Cai, Garner, and Walkling, 2009; Aggarwal, Dahiya, and Prabhala, 2019), we include the recommendation of the proxy advisory firm ISS for the proposal as a control variable. Specifically, a dummy variable, *ISS FOR*, takes the value of one if ISS recommends voting in support of the proposal, and zero otherwise.

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

2.2 Metrics for Environment and Climate Policy

Our objective is to examine the association between newer issues that investors care about and director election voting outcome. ESG has become a catchall phrase that includes some of these newer issues. Therefore, we first use the composite MSCI ESG ratings; we believe that these ratings account for some of the newer issues for which directors are held responsible. The weighted average of the scores for the three pillars, E, S and G, is normalized relative to industry peers to compute the composite MSCI ESG score (*MSCI ESG Score*). The final score varies from 0 (worst performer) to 10 (best performer). These ratings have been used in several recent studies.[12]

We also obtain raw MSCI scores on environment (*MSCI Env Score*). The environmental score accounts for climate change, natural capital, pollution and waste, and environmental opportunities. We also use the subcategories of the *MSCI Env Score* and focus on the *MSCI Climate Score* because it is well-populated while there is a lot of missing data for the other subcategories. By focusing on the *MSCI Climate Score*, we can directly study the association between voting outcome and climate policies. This also helps address the criticism that composite ESG scores might capture other attributes at the firm level, such as performance. In addition, we use several other proxies to capture climate risk. We employ the climate change risk (*CCRisk*) measure created by Sautner et al. (2023a). They calculate the relative frequency mentions of bigrams related to climate change together with the words "risk" or "uncertainty" (or synonyms thereof) in one sentence in the transcripts of earnings conference calls. The number of such bigrams is divided by the total number of bigrams in

[12]This data is a successor to the MSCI KLD data. Some of the studies that employed this data include Lowry, Wang, and Wei (2022), Berg et al. (2021), Eccles and Stroehle (2018), and Pástor, Stambaugh, and Taylor (2020).

the transcripts to obtain the climate change risk score.

We also employ the firm-level carbon emissions data provided by Trucost as an alternative measure of climate risk associated with each firm. Trucost collects the disclosed and estimated firm-level emissions of carbon and other greenhouse gases. Specifically, we focus on Scope 1 emissions data for each firm that result from direct operations of that firm. It is important to note that if the firm does not disclose its emission level, Trucost estimates it. Thus, we have emissions data for all firm years and we construct *Ln(Emissions)* as the natural logarithm of annual Scope 1 emissions (metric tons of CO_2) at the end of the year. The Trucost data also allow us to determine if a firm voluntarily discloses these data and the year in which such voluntary disclosures started. Thus, we are able to construct a second measure of the firm's climate risk based on the company's carbon emissions disclosure policy. We create a dummy variable, *Disclosure*, that equals to one if Scope 1 carbon emissions are disclosed by the firm in a particular fiscal year and zero otherwise.

Our analysis also uses social (*MSCI Soc Score*) and governance (*MSCI Gov Score*) attributes. The social score includes human capital, product liability, stakeholder opposition, and social opportunities; and the governance score includes captures a wide set of issues, such as board diversity, board structure, skills and expertise, and accounting practices.

2.3 Board and Director Composition

The BoardEx database is our main source for individual directors' board responsibilities, such as leadership positions and committee assignments, as well as demographic attributes, such as the director's age, gender, and education. Our main measures of board-level diversity

and an individual director's gender are from this data set. BoardEx provides extensive data on the service history and biographical data for individuals who serve as directors of large US corporations. We merge the BoardEx data with the ISS Voting Analytics data, which have data on director elections. This matching process requires a one-to-one match of individual directors in the two databases. Although many matches are handled using machine-based text matching algorithms, manual interventions are necessary both to check matches and to resolve ambiguities, as shown by Aggarwal, Dahiya, and Prabhala (2019). We employ a similar methodology by first text-matching the director names across the two data sets. We follow up with manual checking to match additional directors for which the two data sets may report the names in slightly different formats (e.g., Edward versus Ed as the first name).

2.4 Disclosure of Voting Rationale by Institutional Investors

We obtain data on voting rationale provided by institutional investors from Insightia, which is now owned by Diligent Corporation. For this part of the analysis, we focus on the period from 2015 to 2021 because the coverage of the voting rationale improves significantly starting in 2015. Each individual observation in this data set reports the vote cast on a particular proposal by a specific institutional investor who provides a rationale for its voting decision. The data includes both US and non-US investors, such as mutual funds, pension funds, and university endowments. We have information on the proposal, the name of the institutional investor voting on that proposal, the vote cast by that investor ("For" or "Against"), and the rationale for the vote.[13] First, we retain only director election proposals

[13] In some instance the vote cast is reported as "Withhold", we classify such votes as "Against".

sponsored by management. Furthermore, we only keep those observations where the vote is "Against". Although there is no regulatory requirement for institutional investors to disclose the rationale for their voting choices, several institutional investors provide this information voluntarily. Insightia collects voting rationale information from investor websites and other public sources. The rationale provided typically consists of a free-form text that describes the reason why the investor voted against the proposal. An examination of the rationale provided by institutional investors reveals that climate risk and lack of board diversity are frequently cited reasons for voting against a director in recent years.[14] We use textual analysis based on climate related keywords (e.g., "emission", "carbon", and "netzero" etc.) to create a dummy variable *RationaleClimate* which equals one for a director election proposal if the rationale text provided by at least one investor includes one of these climate related keywords and zero otherwise. We repeat this exercise and look for diversity related keywords (e.g., "diversity", "gender", and "women", etc.) to create a dummy variable *RationaleDiversity* that equals one if any investor mentions these diversity related keywords in its rationale and zero otherwise.

We construct additional measures to capture not only the presence but also the intensity of concerns about climate and diversity across all reported rationales. For each director election, we first compute the total number of rationales reported by investors explaining their votes against the director. We then count the subset of these rationales that explicitly reference climate. We define *RationaleShareClimate* as the ratio of climate-related rationales to

[14]We use textual analysis based on keywords to categorize rationales into twelve categories that prior work has identified as potential determinants of institutional voting behavior in director elections (e.g., (Cai et al., 2009)). These twelve categories are board diversity, climate, independence, busyness, tenure, compensation, CEO duality, attendance, board structure, board responsiveness, firm performance, and governance. For the majority of the stated rationales, only one reason is reported. For the remaining cases where more than one reason is provided, we categorize the rationale for all the reasons mentioned.

the total number of rationales associated with that director election. This variable captures the relative prevalence of climate concerns among all stated rationales for opposing a specific director. If no rationale is provided, or if none reference climate, *RationaleShareClimate* is set to zero. We repeat the same procedure to construct *RationaleShareDiversity*, which measures the relative prevalence of diversity-related concerns across all reported rationales.

2.5 Firm Characteristics

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

A.

2.6 Descriptive Statistics

Our final sample for the aggregate voting outcome of non-routine management-sponsored proposals consists of all firms for which ISS Voting Analytics reports vote counts (For, Against, and Abstain) and for which we have data from CRSP, and Compustat. There are a total of 139,647 management-sponsored non-routine proposals that meet this criterion. The management-sponsored proposals described in Table 1 appear on the ballots of 19,856 meetings for 3,214 unique firms. Panel A of Table 1 is based on the entire sample and provides descriptive statistics of variables *FracAgainst* and *ISS For*. The mean and median fraction of votes against management-sponsored proposals is 6% and 2%. Most of the time, investors are satisfied with management and, therefore, vote in support. On average, ISS recommends in favor of 87% of the management-sponsored proposals. We divide our sample of management-sponsored proposals into two categories: director elections and non-director elections proposals. There is one proposal for each individual director who is up for election. Therefore, director election proposals make up a large percentage of management-sponsored proposals. In our sample, 78% of all management proposals are related to director elections. The remaining 22% cover other issues, such as compensation. Panel B shows that the average fraction of votes against director election proposals is 5%. On average, ISS supports 88% of such proposals. Panel C reports that non-director election proposals receive 10% against votes, while ISS support is 83% of such proposals.

[Insert Table 1 here]

Table 2 provides descriptive statistics for firm characteristics as well as various firm-level proxies for investor concerns such as ESG score, climate change risk, and carbon emissions. The mean for the *MSCI Env Score* and *MSCI Climate Score* is 4.67 and 5.88, respectively. The range for the *MSCI Climate Score* is quite large, with the 25th percentile being 4.60 and the 75th percentile 7.20. Based on the Sautner et al. (2023a) proxy for climate change risk, the mean score for *CCRisk* for our sample is 0.03. The Trucost measures of climate risk, *Ln(Emissions)* and *Disclosure* have mean values of 10.07 and 0.30, respectively.

[Insert Table 2 here]

3 Voting Outcome

We are interested in examining what new issues concern investors and leads them to vote against management-sponsored proposals, particularly management-nominated directors. In our analysis, the unit of observation is a unique "firm - meetingdate - proposal" combination. The dependent variable is the fraction of against votes (*FracAgainst*) for the individual proposal, which is calculated as a ratio of the number of "*VotedAgainst*" divided by the sum of "*VotedFor*" and "*VotedAgainst*."[15] In addition, we include several firm-level controls: natural logarithm of total assets in U.S. dollars (*ln(Assets)*), sales growth (*SGrowth*), capital expenditure to assets (*CapEx*), return on assets (*ROA*), market to book (*MB*), book leverage (*Leverage*), institutional ownership (*InstOwnership*), and annual stock return minus the

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

value-weighted stock market return (*Excess Return*).[16]

3.1 Holding Directors Responsible

If investors are not satisfied with the policies of a firm, shareholders have the option of voting against directors and/or submitting shareholder-sponsored proposals. Anecdotal evidence discussed above indicates that many institutional investors express their displeasure with the policies of a company not by showing support for shareholder-sponsored proposals but rather by holding directors accountable and voting against them. In the case of Exxon-Mobil, three of the director nominees put forward by management were not reelected, while the director nominees proposed by activist investor Engine No. 1 were elected.

We start by examining the relation between the firm's ESG composite score and voting outcome for all management-sponsored proposals. We then specifically analyze whether directors are held accountable by splitting all management-sponsored proposals into two groups: director elections and non-director elections, and repeating the analysis above for each group separately.

[Insert Table 3 here]

Columns 1 and 2 of Table 3 report the results for all proposals, columns 3 and 4 for only the director election proposals, and columns 5 and 6 for non-director proposals. The estimates include firm and year fixed effects, and standard errors are clustered at the firm level. Column 1 of Table 3 shows that the coefficient on *MSCI ESG Score* is negative

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

and statistically significant at the 1% level, which implies that investors are less likely to vote against management in companies with higher aggregate ESG scores. This is also economically significant. As reported in Table 2, the interquartile range for the ESG score in our sample is 2.80, as the cutoffs for the highest and lowest quartiles are 5.70 and 2.90, respectively. The coefficient of -0.0013 implies that for a firm with an ESG score at the highest quartile cutoff, the fraction of against votes decreases by 0.36% compared to an otherwise similar firm with an ESG score at the lowest quartile cutoff. While this may appear small in absolute terms, it represents an economically significant effect when compared to the sample average fraction of against votes of 6% 1. Thus, a decrease of 0.36 percentage points represents a 6% relative reduction in dissent votes, indicating a meaningful relationship between ESG score and voting outcome. The absolute size impact of climate change is comparable to the impact of other measures examined by previous papers. For example, in their seminal study of director election results Cai et al. (2009) state: "Directors of firms with poor operating performance receive significantly fewer votes, but the average coefficient suggests that votes are reduced by only 0.37% for a one-standard deviation decrease in the industry-adjusted EBITDA to assets ratio."

As shown in column 2, even after controlling for the ISS recommendation, the coefficient of *MSCI ESG Score* is statistically and economically significant. This implies that the composite ESG score contains information beyond the ISS recommendation and that investors reflect this information in their voting decision. Columns 3 and 4 repeat the analysis for only management-sponsored director election proposals. The coefficient for *MSCI ESG Score* is -0.0014 and is significant at the 1% level even after controlling for the ISS recommendation (column 4). This is also economically significant. Given the interquartile range of 2.80 for

MSCI ESG Score, this coefficient implies a reduction of almost 0.4% in *FracAgainst* (relative to the average dissent of 5%) for a firm in the highest quartile compared to a firm similar to the lowest quartile. On the other hand, for the subsample of non-director election proposals, the coefficient of *MSCI ESG Score* is not significant as reported in columns 5 and 6 of Table 3. These results imply that individual directors are held accountable for a broader set of issues that concern investors today. Newer and more comprehensive measures are important in determining the outcome of voting in director elections. Therefore, if there are concerns about the firm's policies on these issues, directors are held accountable by investors. These results are consistent with earlier anecdotal evidence on why investors vote against directors. Based on the significance of director elections, the rest of our analysis focuses only on director election proposals.

We dig deeper to understand the newer issues that are important for voting purposes and next examine the association between voting outcome and the three components of the composite score, *MSCI Env Score*, *MSCI Soc Score*, and *MSCI Gov Score*. As shown in Table 4, the coefficients of *MSCI Env Score* and *MSCI Soc Score* are not significant, while the coefficient of *MSCI Gov Score* is negative and significant, which implies that directors in firms with high performance on governance issues are less likely to be opposed.

[Insert Table 4 here]

A reasonable concern about the above analysis could be that the results are driven by governance characteristics that have been studied earlier and not by a different set of issues (e.g., Cai, Garner, and Walkling, 2009). However, we believe that the MSCI ESG score in general, and its measurement of governance in particular, is much broader in scope than

traditional proxies for governance (e.g., Entrenchment Index) used in earlier work.[17] As shown in Appendix Figure B.1, the traditional *E-Index* has little overlap with *MSCI Gov Score* and the two measures appear to capture different attributes of governance. Therefore, for robustness, we reestimate the regression controlling for a firm's *E-Index*. The results in Table 5 shows that even after controlling for ISS recommendation and *E-index*, the coefficient of *MSCI Gov Score* continues to be significant at the 1% level. In contrast, the *E-Index* is significant only at the 10% level when both *MSCI Gov Score* and *ISS FOR* are included in the analysis.

[Insert Table 5 here]

3.2 Climate Risk

Investors have become increasingly more vocal about environmental and social issues and are voting against directors as one way to communicate any concerns they may have. In our previous analysis, we did not find a statistically significant relation between *MSCI Env Score* and voting in director elections. Next, we examine whether any individual components that make up the *MSCI Env Score* matter to institutional investors. The environmental score (*MSCI Env Score*) is a weighted average of the following four components/themes: climate change, natural capital, pollution and waste, and environmental opportunities. There is considerable variation across firms in terms of data availability for each of these components. We find that the only component with good coverage for almost all the firms, is the climate

[17] To illustrate this, for each year in our sample, we retain all firms that have both the Entrenchment Index (hereafter *E-Index*) and *MSCI Gov Score* available. Each year, we regress the reported *E-Index* against the *MSCI Gov Score*. Appendix Figure B.1 plots the coefficients of these regressions and their 95% confidence interval for each year in the sample. The results are striking: The coefficients across all years range from 0.03 (year 2021) to −0.08 (year 2013) and are clustered tightly around zero.

change component (*MSCI Climate Score*) therefore, we focus on this component in our analysis.

As shown in columns 1-2 of Panel A of Table 6, the coefficient of the *MSCI Climate Score* is negative and significant. Our results imply that directors of firms with a better climate score receive a significantly higher fraction of votes in favor of their election. As a robustness check, we include *MSCI Gov Score* in this regression specification. As reported in Appendix Table B.1, we find *MSCI Climate Score* continues to have a significant relation with voting outcome even after controlling for the *MSCI Gov Score*. In unreported results, we also divide companies into two groups based on the industry's exposure to climate risk and repeat the analysis of Table 6. High-risk industry is a dummy that takes the value of one for all industries whose environmental weight is above the median in a given year. The coefficient of the climate variable is significant at 10% for the high-risk group and not significant for the low-risk group. Besides climate, none of the other subcategories of environmental performance explain voting outcomes.

[Insert Table 6 here]

To test the robustness of our findings, we re-estimate our regression model using different proxies for firms' climate change risk. An alternative measure (*CCRisk*) developed by Sautner et al. (2023a) is based on textual analysis of earnings call transcripts. The results are reported in Panel B of Table 6. The coefficient for *CCRisk* is positive and statistically significant, implying that directors of firms with higher exposure to climate change risk receive more dissent votes. The coefficient for *CCRisk* in column 2 is 0.0095. As described in Table 2, the sample standard deviation for *CCRisk* is 0.13. implying that one standard

deviation increase in *CCRisk* is associated with almost 1% increase in dissent vote.

As a further robustness test, we use two alternative proxies for firm-level climate change risk based on data from Trucost. First, we include the natural log of total carbon and green house gas emissions. As reported in columns 1 and 2 of Panel C of Table 6, the coefficient for *Ln(Emissions)* is positive and significant, implying that directors of firms with larger emissions tend to receive less support. The other Trucost-based climate risk proxy we use, is a dummy variable, *Disclosure*, which equals one if the firm voluntarily discloses its emission levels in a particular year and zero otherwise. As reportted in columns 3 and 4 of Table 6, the coefficient for *Disclosure* is negative and statistically significant. These results imply that holding all else constant, directors of a firm that discloses its emissions receive 0.34% more support compared to a similar firm that does not disclose its emissions.

In general, these results are consistent with the statements of large institutional investors that they will hold independent directors responsible for climate concerns. For example, Vanguard's guidelines state that it will vote against relevant directors for climate risk oversight failure:[18]

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

Our results lead us to conclude that directors are being held accountable for newer issues such as climate risk in addition to other concerns that existed in the past. If investors see

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

the firm as not doing an adequate job on these emerging issues, they vote against directors. Although, on average, directors receive very high support for reelection, they do face consequences of investor opposition. Aggarwal, Dahiya, and Prabhala (2019) have shown that negative votes have consequences for individual directors in terms of increased turnover, committee assignments, and fewer opportunities for directorships at other firms.

3.3 Institutional Investor Rationale and Voting

We next examine whether a higher frequency of climate- or diversity-related concerns in investors' reported rationales is associated with greater overall dissent against a director. Specifically, we test whether directors for whom a larger share of reported rationales reference climate (or diversity) experience significantly higher dissent relative to directors for whom these concerns represent a smaller share, holding other factors constant. As described in Section 2.4, we use two measures, *RationaleShareClimate* and *RationaleShareDiversity*, which capture the relative prominence of climate and diversity concerns across all rationales reported against a given director.

[Insert Table 7 here]

Table 7 presents the regression results using these measures. The dependent variable is the fraction of votes cast against an individual director, *FracAgainst*. All specifications include firm and year fixed effects, and standard errors are clustered at the firm level. Across specifications with and without controls for ISS recommendations, the coefficient on *RationaleShareClimate* is positive and statistically significant at the 1% level. This indicates that directors for whom climate-related concerns represent a larger share of reported rationales

experience significantly greater voting dissent. The evidence for diversity-related concerns is directionally similar. The coefficient on *RationaleShareDiversity* is positive and statistically significant at the 1% level when ISS recommendations are included. Taken together, these findings suggest that directors whose opposition rationales are disproportionately driven by climate or diversity concerns receive systematically higher levels of shareholder dissent relative to directors for whom these issues are less prominent.

3.4 Board Diversity

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

We use the BoardEx data to further study board diversity along the gender dimension. We create a variable, *FracFemale*, that measures the fraction of board members of a firm that are identified by BoardEx as female. As shown in Figure 1, board diversity has improved considerably over the years. During the last decade, the average proportion of female board members has gone from about 11% in 2013 to almost 25% in 2021 for our sample of firms. A

steep increase is seen after 2017 when the big three, BlackRock, State Street and Vanguard, made a big push for gender diversity (see, e.g., Gormley et al., 2023). In the future, it will be interesting to see the impact of the new Glass-Lewis policy and also Nasdaq's new board diversity listing requirements on gender diversity of corporate boards.

[Insert Figure 1 here]

Our results confirm the findings of Gow, Larcker, and Watts (2023), directors at firms with diverse boards are likely to receive more support. Our main objective is to examine which directors are more likely to be held responsible for lack of board diversity. As seen in the results reported in Table 8, the coefficient for *FracFemale* ranges from −0.0329 to −0.0749 and is significant at the 1% level across all specifications. In columns 3 and 4 of Table 8, we include the variables *NomComm* and the interaction term *FracFemale*×*NomComm*. The coefficient of *NomComm* is positive, implying that board members who serve on the nominating committee are more likely to receive dissent votes. This makes sense because the nominating committee is responsible for recruiting new board members, director renominations, and for board composition more generally. The coefficient of the interaction term is negative and significant. Thus, the greater dissent vote for members of the nominating committee is mitigated if the board has a high level of gender diversity. Columns 5 and 6 of Table 8 includes the explanatory variables, *RationaleDiversity* and the interaction term *FracFemale*×*RationaleDiversity*. As discussed earlier, *RationaleDiversity* is a dummy variable that equals one if at least one investor mentioned diversity concerns in their rationale for voting against a director. The coefficient of *RationaleDiversity* is positive and significant, indicating that if there is concern among institutional investors about diversity that they

disclose as the reason for voting against an individual director, then the directors get more dissent votes. The coefficient for the interaction term is not significant, which implies that if there is diversity, then the existence of a rationale does not matter. Our findings show that shareholders care about board diversity and use their votes to bring about change.

[Insert Table 8 here]

Although the analysis above examines overall board diversity and its impact on individual director election voting outcomes; we extend this analysis by directly controlling for individual director characteristics such as committee memberships, gender, age, tenure, and education. We estimate our baseline regression specification with these additional controls for individual director characteristics. Specifically, we create a dummy variable, *Female*, that equals one if the director facing election is female, and zero otherwise. This allows us to examine the role of board diversity in an alternative way.

[Insert Table 9 here]

As shown in Table 9, similar to earlier studies, we also find that the age, tenure, committee assignments, number of directorships, and expertise of a director are significantly related to the results of the director election. However, unlike previous studies (e.g., Cai, Garner, and Walkling, 2009) that found that gender does not matter, we find that it does. Thus, our results showing a significant relation between voting outcome and director gender are similar to the more recent work of Gow, Larcker, and Watts (2023). The coefficient for *Female* is negative and significant at the level 1% in all specifications. Therefore, female directors are significantly less likely to get an unfavorable vote. The gender of a director is a significant

factor for voting outcome for that director, both statistically and economically. On average, a female director gets 0.7% lower disapproval compared to an otherwise similar director at the same firm but who happens to be a male.

The proportion of female directors on corporate boards has increased in recent years. Thus, it is possible that a larger fraction of female directors is either new in their position (i.e., short tenure) or have not been given leadership positions within the board (e.g., board chairperson, serving on important committees). Our finding of less dissent against female directors may partly be driven by their relatively shorter tenure and/or lack of board leadership roles. Although we control for these attributes by including them in our regression results, we explore the interaction of these factors and director gender more fully. For example, members of the nominating committee are held responsible for board diversity and, therefore, are more likely to receive dissent votes. To examine how gender and membership in the nominating committee jointly impact the voting outcome, we create an interaction variable, *Female*×*NomComm*, where *NomComm* is a dummy variable that equals one if the director is on the nominating committee. We create similar interaction terms with *BoardLead* (equals one if a director is board chairperson, and zero otherwise), *Tenure* (number of years on the board), and *CompComm* (equals one if a member of the compensation committee and zero otherwise).

We estimate our baseline regression specification with these additional interaction terms. As shown in Table 9, the coefficient for *Female* continues to be negative and significant at the 1% level in all specifications. The interaction term, *Female*×*BoardLead*, is negative and significant without controlling for the recommendation of the ISS (column 1). Thus, if the female director serves in the leadership role of chair or lead independent director

of the board, then she receives even fewer dissent votes relative to other female directors on average. However, only a small percentage of female board members serve in these leadership roles. The interaction term, *Female*×*Tenure*, is positive and significant. This finding indicates that long-serving female members are held accountable and are more likely to receive dissent votes than their male counterparts. However, we find that female directors who serve on the nominating committee are likely to receive fewer dissent votes as the interaction term, *Female*×*NomComm*, is negative and significant. It is possible that by having female members on the nominating committee, investors are hopeful that progress will be made on board diversity, and, therefore, they prefer to continue supporting female directors on the committee. The coefficient for the interaction term *Female*× *CompComm* is not significant in any of the specifications. Overall, these results are consistent with industry practice as we find that investors hold directors accountable for a broader set of issues today, including climate and diversity.

As shown in Appendix Table B.2, we find that directors who are CEOs of the firm receive fewer dissent votes than non-CEO directors. The CEO is not considered an independent director and therefore does not serve on the audit, nominating and governance, and compensation committees. These results indicate that investors hold independent directors more accountable when they have concerns. Independent board members represent the interests of shareholders and are responsible for hiring and firing the CEO. Our results differ from some of the previous literature based on different samples that do not find any difference between voting for CEO versus other non-CEO directors (e.g., Ertimur, Ferri, and Oesch, 2018).

4 Do Firms Address Investors' Concerns?

Next, we investigate whether dissent votes and the concerns expressed in voting rationales result in subsequent changes at the firm to address the concerns. Previous research documents that directors typically receive over 90% of votes cast; however, even moderate levels of dissent can have significant consequences for CEOs, firm governance, and directors (e.g., Cai, Garner, and Walkling, 2009; Aggarwal, Dahiya, and Prabhala, 2019). We examine whether firms respond to emerging concerns—specifically related to climate and board diversity—by making changes. While reducing emissions is hard to achieve in the short run, emission-related disclosures can be implemented quickly. Similarly, increasing the female representation on the board is relatively easier to achieve in the short-term. Specifically, we examine whether higher levels of dissent, when accompanied by an explicit rationale, are associated with increased carbon emission disclosures and greater female board representation in subsequent years. Both of these are areas that can be addressed by firms relatively easily.

To conduct this analysis, we collapse our proposal-level data to the firm level. Specifically, for each firm, we take the individual director *FracAgainst* measure and calculate the average across all directors of that firm that up for election. We define this firm-level voter dissent as *AvgFracAgainst* and interpret it as the mean level of dissent voting against all board candidates on the ballot. We then examine the change in carbon disclosure and the proportion of female directors one and two years following the shareholder meeting.

[Insert Table 10 here]

Panel A of Table 10 reports our regression results that examine whether firms change their emission disclosure in response to dissent voting when climate issues have also been

flagged as dissent rationale by at least one investor. The dependent variable is a binary indicator that equals one if a firm did not report its carbon emissions before the dissent vote and accompanying climate-related rationale but starts reporting after the dissent vote. For all other cases, it equals zero. Column 1 reports the regression where we look at the change in disclosure within one year of the dissent vote, while column 2 examines this change within two years of dissent vote. For both columns, we find that the interaction term ($AvgFracAgainst \times RationaleClimate$) is significant at the 1% level. This implies that dissent vote is significantly more likely to be associated with a firm choosing to disclose its emissions if at least one investor stated climate issues as rationale for their dissent vote. In Panel B of Table 10, we report results showing the association between voting dissent and diversity-related dissent rationale and future change in female representation on the board. The dependent variable is the percentage change in *FracFemale* within one year (Column 1) or within two years (Column 2) of the dissent vote. Again we find that the interaction term ($AvgFracAgainst \times RationaleDiversity$) is significant at the 10% level in column 1 and at the 5% level in Column 2. Thus, higher dissent coupled with at least one investor flagging diversity as their dissent rationale is significantly associated with a firm increasing female representation on their broad within two years. Taken together, these results suggest that firms respond to voter dissent on climate and gender diversity issues when these issues are flagged as rationale by investors.

5 Shareholder Discontent

There can be several reasons for shareholder concerns about a particular firm. Shareholders have the option of submitting proposals to be voted on. Investors can express their concerns with management by voting in support of shareholder-sponsored proposals instead of or in addition to voting against directors. Several studies, including He, Kahraman, and Lowry (2021) and Li, Naaraayanan, and Sachdeva (2021), have examined the outcome of shareholder-sponsored proposals. We use the presence of a shareholder-sponsored proposal on the ballot as another proxy for shareholder discontent. In our sample, approximately 10% of the annual meetings included at least one shareholder proposal on the ballot. To capture the impact of shareholder-sponsored proposals, we create a dummy variable, *SH Proposal*, that equals one if there was a shareholder-sponsored proposal on the ballot, and zero otherwise. Thus, for example, if the ballot had four management-sponsored proposals (e.g., elect directors, compensation, etc.) and one or more shareholder proposal(s), then *SH Proposal* would equal one for all four management-sponsored proposal observations. On the other hand, if there were no shareholder proposals on the ballot, *SH Proposal* would equal zero for these observations.

In Appendix Table B.3, we examine the two subsamples of firms where *SH Proposal* is equal to zero (i.e., there were no shareholder-sponsored proposals on the ballot at that meeting) versus the firms where *SH Proposal* equals one (i.e., there was at least one shareholder-sponsored proposal up for voting on the ballot). Shareholder-sponsored proposals on the ballot tend to be at larger firms based on reported total assets.[19] Relative to all firms, those

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

that have shareholder-sponsored proposals tend to have better accounting performance as proxied by ROA but worse market performance as measured by excess returns.

To examine whether the existence of a *SH Proposal* is a significant factor in voting outcome, we include it in the baseline regression specification. As reported in column 1 of Table 11, the coefficient of *SH Proposal* is positive and significant, indicating that the mere presence of a shareholder-sponsored proposal results in less support for directors. These results continue to hold even after controlling for the ISS recommendation, as seen in column 2 of Table 11, the presence of a shareholder proposal increases the disapproval rate by over 0.5%. The results suggest that when shareholders are unhappy (using the presence of a shareholder-sponsored proposal as a proxy for this discontent), management-sponsored directors receive fewer positive votes.

[Insert Table 11 here]

Next, we examine whether the type of shareholder-sponsored proposal matters. We analyze the text of shareholder proposal to determine if it is related to environmental issues by looking for key words such as environment, climate, emission, carbon, chemical, renewable. If the shareholder proposal mentions any of these words, we classify that *SH Proposal* as *ENV Proposal* and assign it a value of one. If there is no mention of environment, *ENV Proposal* equals zero. The results are reported in columns 3 and 4 of Table 11 show a positive coefficient for environmental proposals, and the effect is statistically significant.

6 Conclusion

We find that today investors hold individual directors responsible for new and emerging issues such as climate risk and board diversity. These results are driven exclusively by the voting outcomes for director election proposals, indicating that investors hold independent directors responsible. This is the first study to show an economically and statistically significant negative association between climate risk and support for corporate directors. The climate category captures issues related to carbon emissions, product carbon footprint, financing environmental impact, and climate change vulnerability. We employ several alternative proxies for firm-specific climate change risk and find similar results.

In recent years, several large institutional investors, including mutual funds, pension funds, and university endowments, have voluntarily started to provide rationale for their voting decisions, especially when they vote against a proposal. We use this unique data to directly examine the reasons for their concerns and the impact on voting. In addition to governance issues, climate risk and board diversity are frequently cited reasons for voting against management-sponsored directors. Institutional investors are being transparent about why they vote against a director and are using their rationale disclosure as a signalling mechanism. They are also using the power of their vote to bring about change. If climate is mentioned as a concern by an institutional investor, we find more dissent votes for directors. Similarly, we find that if institutional investors are concerned about board diversity, then directors get more dissent votes. If investors express their concern about climate risk or board diversity, and there are higher dissent votes then we find management pays attention and makes meaningful changes.

Corporate directors who serve on the nominating committee are held responsible for the lack of diversity and receive even fewer votes. This incremental dissent for nominating committee members is mitigated for boards with a high fraction of female directors. We also find that individual female directors receive significantly higher support compared to otherwise similar male directors at the same firm. Importantly, we find that while directors on the nominating committee get less support compared to other directors on the same board, this effect is significantly reduced for female directors on the nominating committee or in leadership positions. However, this gender advantage does not exist for female directors with a long tenure.

Although social issues have gained attention and become important, we do not find any relation between social issues and voting outcome. A possible explanation for the insignificance of social issues for voting outcomes may be due to the wide variation in the types of social issues that shareholders are concerned about, as well as greater noise in the metrics used to capture social issues. Governance is an important driver of voting outcome. Our proxy for governance captures a much wider set of issues that includes board diversity. We show that this proxy is not correlated with the traditional governance measures used in the previous literature. We find that our governance measure continues to have a significant relation with voting outcome even after controlling for traditional measures. Finally, we find significantly less support for directors when there is a shareholder proposal on the ballot. Furthermore, there is a significant association between voting outcome and shareholder-sponsored proposals related to environmental issues.

Our findings lead us to conclude that independent directors are being held accountable for newly emerging issues such as climate change and board diversity, but not for social

issues. We find that shareholders use their voice both in the form of shareholder-sponsored proposals and in holding management-sponsored directors accountable. Earlier studies have documented that dissent votes have real consequences for directors, management, and firm policy. Taken together, our results suggest that institutional investors are not simply green-washing on issues of climate change and diversity, but are using their vote effectively when they have concerns.

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Figure 1
Evolution of Female Representation in Corporate Boards

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

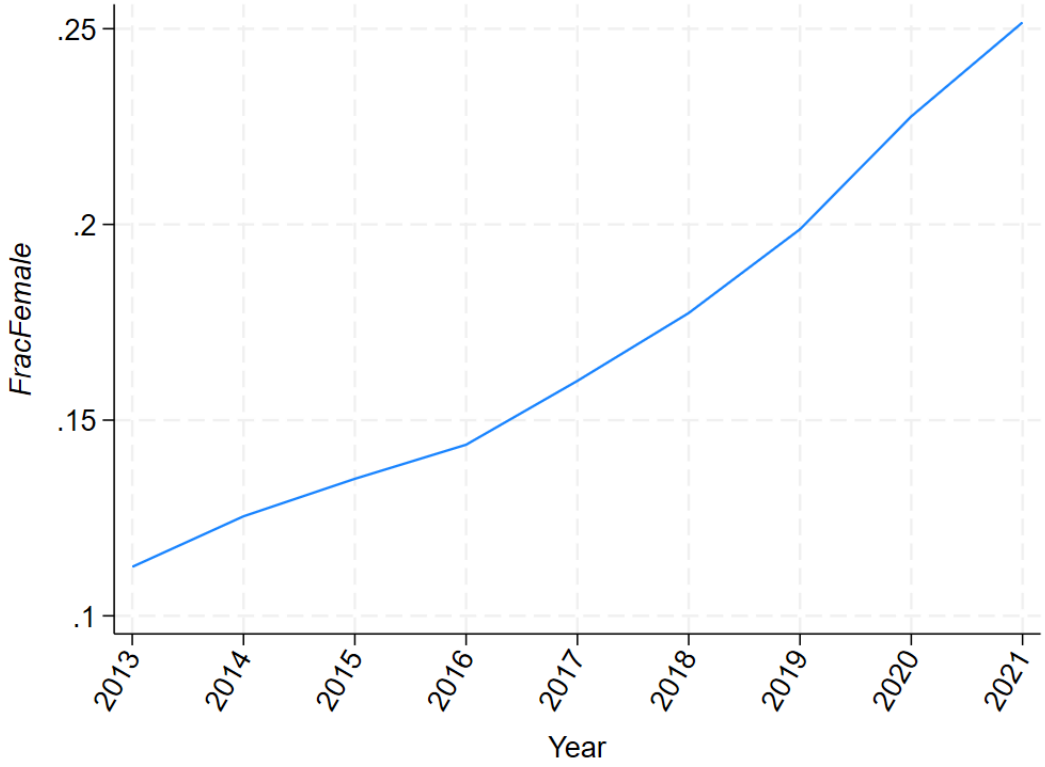


Table 1
Proxy Voting Characteristics

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

Panel A: All Management-Sponsored Proposals

	Count	Mean	Sd	p25	Median	p75
FracAgainst	139,647	0.06	0.10	0.01	0.02	0.07
ISS FOR	139,647	0.87	0.33	1.00	1.00	1.00

Panel B: Management-Sponsored Director Election Proposals

FracAgainst	108,404	0.05	0.08	0.01	0.02	0.06
ISS FOR	108,404	0.88	0.32	1.00	1.00	1.00

Panel C: Management-Sponsored Non-Director Election Proposals

FracAgainst	31,243	0.10	0.13	0.02	0.05	0.13
ISS FOR	31,243	0.83	0.38	1.00	1.00	1.00

Table 2
Firm Characteristics, ESG, and Climate Attributes

The table shows descriptive statistics for the firms that make up our sample of non-routine management-sponsored proposals from ISS Voting Analytics. The sample includes all firms that held shareholder meetings during the period from January 2013 to December 2021 and we keep unique firm-year observations for creating this table. We exclude financials (SIC codes 6000-6999) and utilities (SIC codes 4800-4999). To report firm characteristics we create the base sample by merging the ISS Voting Analytics data with CRSP and Compustat. The sample statistics for MSCI based measures is from merging the base sample with MSCI data. The CCRisk statistics are based on the sample resulting from merging the base sample with Sautner et al. (2023a) while the emissions and disclosure statistics are based on base sample merged with the Trucost data.

	Count	Mean	Sd	p25	Median	p75
ln(Assets)	19,027	6.57	2.07	5.11	6.61	7.99
SGrowth	19,027	0.12	0.52	-0.04	0.05	0.16
CapEx	19,027	0.04	0.05	0.01	0.03	0.05
ROA	19,027	0.02	0.26	0.01	0.10	0.15
MB	19,027	2.35	1.86	1.23	1.72	2.72
Leverage	19,027	0.25	0.22	0.04	0.21	0.37
Excess Return	19,027	0.06	1.12	-0.30	-0.06	0.20
InstOwnership	19,027	0.66	0.37	0.42	0.77	0.91
MSCI ESG Score	11,578	4.41	1.94	2.90	4.20	5.70
MSCI Env Score	11,578	4.67	2.02	3.20	4.50	6.00
MSCI Soc Score	11,578	4.37	1.51	3.40	4.30	5.30
MSCI Gov Score	11,576	5.27	1.86	4.00	5.20	6.20
MSCI Climate Score	10,782	5.88	2.55	4.60	6.10	7.20
CCRisk	16,873	0.03	0.13	0.00	0.00	0.00
Ln(Emissions)	11,005	10.07	2.72	8.43	10.13	11.67
Disclosure	11,005	0.30	0.46	0.00	0.00	1.00

Table 3
Director Elections versus Non-Director Election Proposals

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

	All Sample		Director Elections		Non-Director Elections	
	(1)	(2)	(3)	(4)	(5)	(6)
ISS FOR		-0.2111***		-0.1837***		-0.2587***
		(0.0052)		(0.0065)		(0.0062)
MSCI ESG Score	-0.0013***	-0.0010***	-0.0017***	-0.0014***	0.0008	0.0005
	(0.0005)	(0.0004)	(0.0005)	(0.0004)	(0.0010)	(0.0008)
ln(Assets)	0.0039*	0.0048***	0.0027	0.0039**	0.0068	0.0069*
	(0.0021)	(0.0017)	(0.0022)	(0.0016)	(0.0045)	(0.0037)
SGrowth	-0.0005	-0.0011	0.0002	-0.0004	-0.0036	-0.0029
	(0.0019)	(0.0017)	(0.0019)	(0.0016)	(0.0040)	(0.0030)
CapEx	-0.0324	-0.0409**	-0.0345	-0.0377**	-0.0526	-0.0736*
	(0.0240)	(0.0195)	(0.0241)	(0.0192)	(0.0498)	(0.0429)
ROA	-0.0063	0.0052	0.0081	0.0108	-0.0362*	-0.0027
	(0.0101)	(0.0078)	(0.0093)	(0.0077)	(0.0195)	(0.0135)
MB	-0.0015**	-0.0008	-0.0008	-0.0008	-0.0033**	-0.0003
	(0.0007)	(0.0006)	(0.0007)	(0.0006)	(0.0013)	(0.0010)
Leverage	-0.0049	-0.0096*	-0.0085	-0.0091*	0.0081	-0.0161
	(0.0063)	(0.0056)	(0.0061)	(0.0049)	(0.0115)	(0.0109)
Excess Return	-0.0016**	-0.0010	-0.0012**	-0.0010**	-0.0047***	-0.0019
	(0.0006)	(0.0006)	(0.0006)	(0.0005)	(0.0018)	(0.0015)
InstOwnership	-0.0350***	-0.0120*	-0.0314***	-0.0118*	-0.0418**	-0.0214
	(0.0081)	(0.0066)	(0.0085)	(0.0066)	(0.0164)	(0.0133)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	91,654	91,654	72,805	72,805	18,714	18,714
Adjusted R^2	0.2046	0.5229	0.3177	0.5605	0.1673	0.5546

Table 4
Voting in Director Elections and ESG Components

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ISS FOR				-0.1837***	-0.1837***	-0.1835***		-0.1835***
				(0.0065)	(0.0065)	(0.0065)		(0.0065)
MSCI Env Score	0.0001			0.0000			0.0000	-0.0000
	(0.0004)			(0.0003)			(0.0004)	(0.0003)
MSCI Soc Score		0.0006			0.0004		0.0004	0.0003
		(0.0005)			(0.0004)		(0.0005)	(0.0004)
MSCI Gov Score			-0.0018***			-0.0009***	-0.0018***	-0.0009***
			(0.0003)			(0.0002)	(0.0003)	(0.0002)
ln(Assets)	0.0029	0.0030	0.0028	0.0041**	0.0041**	0.0040**	0.0028	0.0040**
	(0.0022)	(0.0022)	(0.0022)	(0.0016)	(0.0016)	(0.0016)	(0.0022)	(0.0016)
SGrowth	0.0001	0.0001	0.0002	-0.0005	-0.0006	-0.0005	0.0001	-0.0005
	(0.0019)	(0.0019)	(0.0019)	(0.0016)	(0.0016)	(0.0016)	(0.0019)	(0.0016)
CapEx	-0.0364	-0.0364	-0.0390	-0.0392**	-0.0393**	-0.0406**	-0.0391	-0.0407**
	(0.0241)	(0.0242)	(0.0239)	(0.0192)	(0.0192)	(0.0192)	(0.0240)	(0.0192)
ROA	0.0077	0.0079	0.0089	0.0105	0.0106	0.0111	0.0090	0.0112
	(0.0093)	(0.0093)	(0.0093)	(0.0077)	(0.0077)	(0.0077)	(0.0093)	(0.0077)
MB	-0.0009	-0.0009	-0.0009	-0.0008	-0.0008	-0.0008	-0.0009	-0.0008
	(0.0007)	(0.0007)	(0.0007)	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0006)
Leverage	-0.0086	-0.0088	-0.0092	-0.0092*	-0.0093*	-0.0095*	-0.0093	-0.0096*
	(0.0061)	(0.0061)	(0.0061)	(0.0050)	(0.0050)	(0.0049)	(0.0061)	(0.0049)
Excess Return	-0.0012*	-0.0011*	-0.0011*	-0.0010*	-0.0010*	-0.0010*	-0.0011*	-0.0010*
	(0.0006)	(0.0006)	(0.0006)	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0005)
InstOwnership	-0.0321***	-0.0321***	-0.0308***	-0.0123*	-0.0124*	-0.0117*	-0.0308***	-0.0117*
	(0.0085)	(0.0085)	(0.0085)	(0.0066)	(0.0066)	(0.0066)	(0.0085)	(0.0066)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72,805	72,805	72,803	72,805	72,805	72,803	72,803	72,803
Adjusted R^2	0.3173	0.3173	0.3183	0.5602	0.5602	0.5604	0.3183	0.5604

Table 5
Director Elections, MSCI Gov Score, and E-Index

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

	(1)	(2)
ISS FOR		-0.2056***
		(0.0102)
MSCI Gov Score	-0.0018***	-0.0011***
	(0.0004)	(0.0003)
E-Index	0.0050**	0.0026*
	(0.0024)	(0.0015)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	54,587	54,587
Adjusted R^2	0.2891	0.5394

Table 6
Climate Change Risk

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2013 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. In Panel A, we use the climate change component (*MSCI Climate Score*) of the *MSCI Env Score*. In Panel B, we use climate change risk, *CCRisk*, from Sautner et al. (2023a). In Panel C, we use climate change data from Trucost. Specifically, *Ln(Emissions)* is the natural logarithm of annual Scope 1 emissions (metric tons of CO_2) at the end of the year. Scope 1 emissions are caused by the combustion of fossil fuels or releases during manufacturing. *Disclosure* is a dummy variable that indicates whether the firm discloses Scope 1 carbon emissions. Based on the classification in Trucost, it is equal to one if Scope 1 carbon emissions are disclosed by the firm each fiscal year. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel A: MSCI Climate Change Score

	(1)	(2)
ISS FOR		-0.1843***
		(0.0067)
MSCI Climate Score	-0.0006*	-0.0006**
	(0.0004)	(0.0003)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	68,235	68,235
Adjusted R^2	0.3233	0.5615

Panel B: CCRisk (Sautner et al., 2023a)

	(1)	(2)
ISS FOR		-0.1636***
		(0.0046)
CCRisk	0.0083**	0.0095**
	(0.0042)	(0.0044)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	93,609	93,609
Adjusted R^2	0.3336	0.5323

Panel C: Trucost Climate

	(1)	(2)	(3)	(4)
ISS FOR		-0.1671***		-0.1670***
		(0.0059)		(0.0059)
Ln(Emissions)	0.0015*	0.0017**		
	(0.0008)	(0.0007)		
Disclosure			-0.0048**	-0.0034**
			(0.0016)	(0.0013)
Firm Characteristics	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	70,570	70,570	70,570	70,570
Adjusted	0.3679	0.5556	0.3680	0.5556

Table 7
Institutional Investors and Voting Rationales

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2015 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. *RationaleShareClimate* is the ratio of climate-related rationales to the total number of rationales reported by institutional investors voting against a given director election, capturing the relative prevalence of climate concerns. If no rationale is provided or none reference climate, *RationaleShareClimate* is set to zero. *RationaleShareDiversity* is defined analogously for diversity-related rationales. Other variables are described in Appendix A. All columns include firm- and year-fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
ISS FOR		-0.1386***		-0.1386***
		(0.0041)		(0.0041)
RationaleShareClimate	0.0223***	0.0259***		
	(0.0084)	(0.0075)		
RationaleShareDiversity			0.0010	0.0027**
			(0.0013)	(0.0011)
Firm Characteristics	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	83,264	83,264	83,264	83,264
Adjusted R^2	0.3610	0.5166	0.3609	0.5166

Table 8
Board Diversity and Voting Outcome

This table reports the estimates from the regression analysis based on all votes cast for management-sponsored director election proposals. The sample includes all firms that held shareholder meetings during the January 2015 to December 2021 period. The dependent variable is *FracAgainst*, the proportion of votes cast against the proposal. The explanatory variables include *ISS FOR*, a dummy variable that takes the value of one if ISS recommends in support of the proposal, and zero otherwise. *FracFemale* is the fraction of directors that are female. *NomComm* is a dummy variable that takes the value of one if the director is a member of the nomination committee, and zero otherwise. *RationaleDiversity* is a dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise. Other variables are described in Appendix A. All columns include firm and year fixed effects. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
ISS FOR		-0.1393***		-0.1379***		-0.1377***
		(0.0043)		(0.0043)		(0.0043)
FracFemale	-0.0749***	-0.0459***	-0.0644***	-0.0373***	-0.0561***	-0.0329***
	(0.0117)	(0.0106)	(0.0116)	(0.0105)	(0.0124)	(0.0112)
NomComm			0.0206***	0.0164***		
			(0.0013)	(0.0012)		
FracFemale×*NomComm*			-0.0233***	-0.0197***		
			(0.0055)	(0.0048)		
RationaleDiversity					0.0231***	0.0170***
					(0.0023)	(0.0019)
FracFemale×*RationaleDiversity*					-0.0049	-0.0008
					(0.0097)	(0.0081)
Firm Characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	73,050	73,050	73,050	73,050	73,050	73,050
Adjusted R^2	0.3715	0.5286	0.3811	0.5345	0.3816	0.5344

Table 9
Director Gender and Votes

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

	(1)	(2)
ISS FOR		-0.1422***
		(0.0040)
Female	-0.0117***	-0.0070***
	(0.0014)	(0.0012)
BoardLead	0.0169***	-0.0043
	(0.0053)	(0.0037)
Tenure	0.0005***	0.0005***
	(0.0001)	(0.0001)
NomComm	0.0109***	0.0068***
	(0.0009)	(0.0008)
CompComm	0.0054***	0.0044***
	(0.0009)	(0.0008)
Female×*BoardLead*	-0.0433***	-0.0078
	(0.0145)	(0.0092)
Female× *Tenure*	0.0007***	0.0003***
	(0.0001)	(0.0001)
Female×*NomComm*	-0.0042***	-0.0032***
	(0.0013)	(0.0011)
Female×*CompComm*	-0.0006	0.0003
	(0.0012)	(0.0011)
AuditComm	-0.0031***	-0.0011
	(0.0008)	(0.0007)
MultipleComm	0.0017	0.0036***
	(0.0012)	(0.0010)
#Dirships	0.0030***	0.0034***
	(0.0006)	(0.0005)
Board size	-0.0023***	-0.0019***
	(0.0005)	(0.0004)
Age	0.0003***	0.0003***
	(0.0000)	(0.0000)
MBA	-0.0006	-0.0008
	(0.0006)	(0.0005)
Law	0.0027***	0.0019**
	(0.0010)	(0.0009)
IvyPlus	0.0002	0.0001
	(0.0008)	(0.0008)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	87,532	87,532
Adjusted R^2	0.3639	0.5288

Table 10
Changes following Investors' Concerns

This table presents regressions of changes in climate disclosure and board gender diversity on dissent voting and associated voting rationales. The sample includes all firms that held shareholder meetings during the January 2015 to December 2021 period. In Panel A, the dependent variable is a change in carbon emission disclosure, defined as a dummy equal to one if a company switches from non-disclosure to disclosure of carbon emissions, and zero otherwise. In Panel B, the dependent variable is the change in the proportion of female board members. Column 1 reports changes at year *t+1*, and Column 2 at year *t+2*. *AvgFracAgainst* denotes the mean level of dissent voting against all board candidates on the ballot. *RationaleClimate* is a dummy variable that takes the value of one if there exists one or more rationale related to climate change, and zero otherwise. *RationaleDiversity* is a dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise. Other variables are described in Appendix A. All columns include industry and year fixed effects, as well as firm-level control variables. Standard errors are clustered at the firm level and appear in parentheses below each coefficient estimate. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

Panel A: Changes in Carbon Disclosure

	(1)	(2)
AvgFracAgainst	0.0109	0.0253
	(0.0185)	(0.0272)
RationaleClimate	0.0044	0.0808**
	(0.0190)	(0.0362)
AvgFracAgainst×*RationaleClimate*	0.1315***	0.2427***
	(0.0238)	(0.0274)
Firm Characteristics	Yes	Yes
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	16,458	13,657
Adjusted R^2	0.0290	0.0758

Panel B: Changes in Board Gender Diversity

	(1)	(2)
AvgFracAgainst	-0.0452	0.1149
	(0.0621)	(0.1164)
RationaleDiversity	0.0175*	0.0455***
	(0.0096)	(0.0164)
AvgFracAgainst×*RationaleDiversity*	0.2125*	0.4290**
	(0.1247)	(0.2123)
Firm Characteristics	Yes	Yes
Industry FE	Yes	Yes
Year FE	Yes	Yes
Observations	11,440	9,270
Adjusted R^2	0.0109	0.0517

Table 11
Shareholder Dissent and Voting Outcome

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

	(1)	(2)	(3)	(4)
ISS FOR		-0.1410***		-0.1411***
		(0.0039)		(0.0039)
SH Proposal	0.0077***	0.0067***		
	(0.0020)	(0.0016)		
ENV Proposal			0.0040*	0.0034*
			(0.0024)	(0.0019)
Firm Characteristics	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	108,392	108,392	108,392	108,392
Adjusted R^2	0.3363	0.5035	0.3359	0.5032

Appendix A Definition of Variables

Variable	Definition	Data Source
FracAgainst	The proportion of votes against the proposal estimated as $VotedAgainst/(VotedFor + VotedAgainst)$.	ISS Voting Analytics
ISS FOR	A dummy variable that takes the value of one if ISS recommends support for the proposal, and zero otherwise.	ISS Voting Analytics
SH Proposal	A dummy variable that takes the value of one if there is one or more proposal(s) sponsored by shareholders appearing on the ballot, and zero otherwise.	ISS Voting Analytics
ENV Proposal	A dummy variable that takes the value of one if there is one or more proposal(s) sponsored by shareholders that focuses on environmental issues appearing on the ballot, and zero otherwise.	ISS Voting Analytics
MSCI Scores:		
MSCI ESG Score	Industry-adjusted ESC score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
MSCI Env Score	Environmental score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
MSCI Soc Score	Social score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
MSCI Gov Score	Governance score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
MSCI Climate Score	Climate score ranging from 0 (worst) to 10 (best).	MSCI ESG Ratings
Firm Characteristics:		
ln(Assets)	Natural logarithm of book value of assets.	Compustat
SGrowth	Year-on-year growth in sales defined as $[Sale(T)/Sale(T-1)] - 1$.	Compustat
CapEx	Capital expenditure divided by total book assets.	Compustat
ROA	Operating income before depreciation divided by total book assets.	Compustat
MB	Market value of equity divided by the book value of equity.	Compustat and CRSP
Leverage	Total debt divided by total book assets.	Compustat
Excess Return	Annual stock return minus the value-weighted stock market return over the same period.	CRSP
InstOwnership	This is a fraction of company shares held by institutional investors reported on Form 13-F.	Thomson Reuters s34
E-Index	Sum of the number of the six anti-takeover provisions, restricting shareholder rights introduced by Bebchuk, Cohen, and Ferrell (2009).	ISS Governance
Ln(Emissions)	Natural logarithm of annual Scope 1 emissions (metric tons of CO2) at the end of the year. Scope 1 emissions are caused by the combustion of fossil fuels or releases during manufacturing.	Trucost
Disclosure	A dummy variable that indicates whether the firm discloses Scope 1 carbon emissions. Based on the classification in Trucost, it is equal to one if Scope 1 carbon emissions are disclosed by the firm each fiscal year.	Trucost

Variable	Definition	Data Source
CCRisk	Relative frequency with which bigrams related to climate change are mentioned together with the words "risk" or "uncertainty" (or synonyms thereof) in one sentence in the transcripts of earnings conference calls. The number of such bigrams are divided by the total number of bigrams in the transcripts.	Sautner et al. (2023a)
Director Attributes:		
Board Size	This equals the number of directors on the board at the start of the fiscal year immediately preceding the director elections.	BoardEx
FracFemale	The fraction of directors that are female.	BoardEx
Female	Equals one if the director is female, and zero otherwise.	BoardEx
BoardLead	Equals one if the director is a a chairman of the board.	BoardEx
Age	Age in years at the time a particular director is up for election. We impute *Age* by subtracting the year of birth of the director from the year of the election.	BoardEx
Tenure	Length of time served on the current board in years.	BoardEx
CompComm	Equals one if the director is a member of the compensation committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
NomComm	Equals one if the director is a member of the nomination committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
AuditComm	Equals one if the director is a member of the audit committee for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
MultipleComm	Equals one if the director is a member of two or more of the audit, compensation, and nominating committees for the fiscal year immediately before the year of election, and zero otherwise.	BoardEx
#Dirships	Equals the total number directorships held by the individual director at the start of the year in which the election meeting takes place.	BoardEx
MBA	Takes the value one if the director has an MBA degree.	BoardEx
Law	Equals one if the director is listed as having a Juris Doctor (JD) degree.	BoardEx
Ivyplus	A dummy variable that takes the value one when the director up for election attended a high-quality undergraduate institution, which is the Ivy League definition proposed by Zawel (2005).	BoardEx
Voting Rationales:		
RationaleClimate	A dummy variable that takes the value of one if there exists one or more rationale related to climate change, and zero otherwise.	Insightia
RationaleDiversity	A dummy variable that takes the value of one if there exists one or more rationale related to board diversity, and zero otherwise.	Insightia
RationaleShareClimate	Share of climate-related rationales among all rationales cited by institutional investors voting against a director election; zero if none are provided or reference climate.	Insightia
RationaleShareDiversity	Share of diversity-related rationales among all rationales cited by institutional investors voting against a director election; zero if none are provided or reference diversity.	Insightia

Appendix B Additional Tables and Figures

Figure B.1
E-Index and MSCI Gov Scores

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

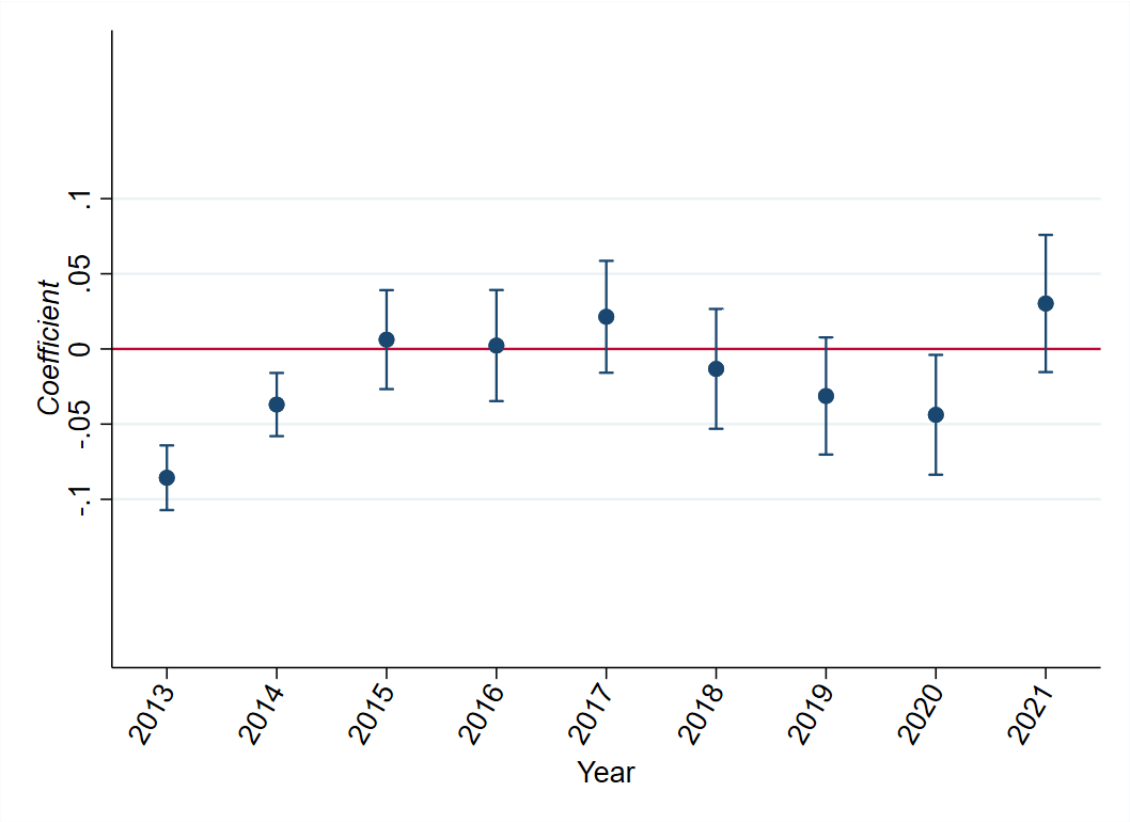


Table B.1
MSCI Climate and Gov Scores

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

	(1)	(2)
ISS FOR		-0.1841***
		(0.0067)
MSCI Climate Score	-0.0007*	-0.0007**
	(0.0004)	(0.0003)
MSCI Gov Score	-0.0017***	-0.0009***
	(0.0003)	(0.0003)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	68,235	68,235
Adjusted R^2	0.3241	0.5617

Table B.2
Voting Outcome for Director Elections - CEO Directors

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

	(1)	(2)
ISS FOR		-0.1816***
		(0.0069)
MSCI ESG Score	-0.0017***	-0.0014***
	(0.0005)	(0.0004)
CEO	-0.0115***	-0.0118***
	(0.0011)	(0.0008)
Firm Characteristics	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	62,889	62,889
Adjusted R^2	0.3276	0.5700

Table B.3
Shareholder Dissent

The table shows descriptive statistics for the firms that make up our sample of management sponsored director election proposals from ISS Voting Analytics separated by the presence or absence of one or more shareholder proposal(s) on the ballot. The sample includes all firms that held shareholder meetings during the sample period from January 2013 to December 2021. We exclude financials (SIC codes 6000-6999) and utilities (SIC codes 4800-4999). The sample is based on data after merging the ISS Voting Analytics data with CRSP and Compustat.

Firm Characteristics						
	Firm Meetings with No Shareholder Proposal on the Ballot		Firm Meetings with at Least One Shareholder Proposal on the Ballot		Test of Difference in Mean	
	Mean	Median	Mean	Median	Diff	*t*-test
	(1)	(2)	(3)	(4)	(3)-(1)	
ln(Assets)	6.29	6.38	9.27	9.45	2.98***	(67.89)
SGrowth	0.13	0.05	0.05	0.04	-0.08***	(-12.82)
CapEx	0.04	0.03	0.05	0.03	0.01***	(4.58)
ROA	0.01	0.09	0.13	0.13	0.12***	(31.78)
MB	2.34	1.70	2.50	1.90	0.16***	(3.61)
Leverage	0.24	0.20	0.30	0.28	0.06***	(12.48)
Excess Return	0.07	-0.06	0.03	-0.01	-0.03*	(-2.47)
InstOwnership	0.65	0.76	0.76	0.81	0.11***	(19.59)
Counts	16,948		1,824		18,772	