

Active Firms and Active Shareholders: Corporate Political Activity and Shareholder Proposals

Abstract

The article reveals corporations' status not only as an active player in politics but, in reverse, as targets of activist shareholders with opposing political preferences. We examine whether a firm's political orientation as measured by corporate political spending serves as a significant driver of shareholder activism manifested in shareholder proposal submissions. Using data on S&P 500 companies between 1997 through 2014, we find that the divergence in political orientations between shareholders and management is strongly associated with the submissions of shareholder proposals on social issues. Firms that contribute more to the Republican Party are more likely to be targeted by non-individual, Democratic-leaning shareholders. This pattern remains even after controlling for firms' records of corporate social responsibility and labor relations. This finding implies that corporate political spending may trigger shareholders with strong political preferences to target donor firms.

1 Introduction

The controversies over corporate political spending have intensified in recent years, especially after the U.S. Supreme Court struck down a federal law banning corporation’s campaign spending for or against expressly identified candidate. The fierce public reaction to the decision has been mostly focused on its potential negative consequences enabling corporations to exercise excessive political influence over American democracy by drastically increasing their political expenditures.¹ Ironically, in contrast to those concerns, our extensive data on corporate political spending shows that it has not increased noticeably after *Citizens United*. It is puzzling why corporations have not exercised their freedom to support or denounce an identified candidate using independent expenditures. This article suggests that corporate political spending tends to trigger internal governance mechanisms by their shareholders, and thus corporations’ political spending is influenced by the pressure of shareholder oversight.

Along with shareholders’ escalated engagement with corporate political spending through shareholder proposal submission², corporate political activity (CPA) has also received substantial attention recently from academics. Recent literature has documented the relationship between a firm’s lobbying & campaign contributions and its stock market returns, taxes, or CEO compensation (Claessens and Laeven 2008; Richter and Timmons 2009; Cooper, Gulen, and Ovtchinnikov 2010; Aggarwal, Meschke, and Wang 2012; Coates 2012). The prior literature on corporate political spending have been “outcome-focused” rather than “process-focused.” Accordingly, while the literature revealed the relationship between a firm’s CPA and various measurements of corporate outcomes, the impact of

¹ *The New York Times* Editorial wrote that “the [Supreme] Court’s conservative majority has paved the way for corporations to use their vast treasuries to overwhelm election and intimidate elected officials into doing their bidding.” Jan 20, 2010 (<http://www.nytimes.com/2010/01/22/opinion/22fri1.html>).

² The most common topic in shareholder proposals submitted by shareholders had to do with political contribution and lobbying activities, which easily outpaced corporate governance issues such as having an independent chair and declassifying boards of directors during the 2014 and 2015 proxy seasons. Elizabeth Ising, “Shareholder Proposal Developments During the 2015 Proxy Season,” (July 17, 2015) available at <http://corpgov.law.harvard.edu/2015/07/17/shareholder-proposal-developments-during-the-2015-proxy-season/>.

CPA on the corporate internal corporate governance processes has rarely been explored.

One internal corporate processes is corporate voting by which shareholders express their voice to management. At the corporate voting, shareholders not only passively vote on the agendas proposed by management, they can also proactively suggest a voting agenda on wide range of issues by submitting a shareholder proposal. Once a shareholder submits a shareholder proposal, management can exclude it from a voting ballot only under very limited circumstances and management often times settle with a proponent of shareholder proposal by accepting a part or all of requests in the proposal in order to make the shareholder withdraw the proposal before it's voted on (Hann 2016). As such, submissions by shareholders already put pressure on companies to at least start considering the proposed issue. In that sense, shareholder proposals are pertinent to understand the link between CPA and shareholder activism.

The internal corporate dynamics between shareholders and management on political spending is an important issue because there is currently no shareholder approval requirement either to approve or reject CPA. Management unilaterally determines whether, how, when, and where to spend corporate money (Bebchuk and Jackson 2010). In case managers make a political contribution to advance their own interests rather than shareholders' interests, it may cause an agency problem (Agrawal and Knoeber 1996; Bebchuk and Fried 2003). Also, the relation between corporate political spending and shareholder activism would also help us better understand the motive of shareholder activism by answering the question of whether the difference in political orientation between shareholders and management is an important driver.

To advance our understanding of this relationship, we examine how firms' lobbying and campaign contribution patterns are associated with one type of shareholder activism - shareholder proposal submission - the most traditional mechanism to deliver shareholders' voice to managements. Given that a shareholder proposal is relatively less costly to submit and thus available to a much broader range of shareholders, the number of shareholder

proposal submissions received by a company can serve as a useful parameter to ascertain how various shareholders react to CPA.

We collected data on S&P 500 companies between 1997 through 2014 and merged a dataset on shareholder proposals, corporate political spending, market performance, and governance structure. We categorized shareholder proposal submissions by agenda and proponent. In order to measure companies' political orientations, we gathered three different levels of campaign contributions: CEO contribution, non-CEO employees contribution, and companies' PAC. On the other hand, in order to measure shareholders' political preference, we collected campaign contribution records of non-individual shareholders who submitted shareholder proposals. This allows us to directly compare the divergence in political preference reflected in campaign contributions between a company and its shareholders.

We find that the divergence in political orientation between management and shareholders is a robust predictor of shareholder proposal submission on social issues. Specifically, Republican-leaning firms, measured by campaign contributions by CEOs, non-CEO employees, and firm's PAC, receive more shareholder proposals on social issues, especially from public pension funds, religious groups and socially responsible investment (SRI) fund shareholders. These non-individual shareholders that submitted the proposals are much more Democratic-leaning than firms they invest in and target with shareholder proposals.

Why is the divergence in political preference between firms and shareholders associated with the submission of shareholder proposals on social issues? It is possible that corporate political spending reveals information not only on firms' political involvement but also on other types of corporate policies, which shareholders may use to gauge the management practice and policies. Recent studies suggest that firms with Republican culture are more likely to become targets of civil rights, labor, and environmental litigation than their Democratic counterparts (Hutton, Jiang, and Kumar 2015), and liberal CEOs put more emphasis on corporate social responsibility (CSR) practices (Chin, Hambrick, and Trevino

2013; Di Giuli and Kostovetsky 2014). If this is the case, we can expect that shareholders who care more about labor, environmental, and CSR issues will be more responsive to a certain pattern of CPA that indicates issues in those dimensions.

We use two datasets to measure corporate policies on social issues to examine whether shareholder activism is mainly driven by differences in those CSR practices. First, to measure labor relations at the firm level from 1997 to 2014, we collect the number of Unfair Labor Practice charges submitted to the National Labor Relations Board. Second, we use Kinder, Lyndberg, Domini Research & Analytics (KLD) STATs dataset to measure a firm's CSR practice. We find that companies that have faced more Unfair Labor Practice charges and had lower CSR records receive more shareholder proposals on social issues. Even after controlling for each firm's labor relations and CSR scores, however, the divergence in political orientation between a company and its shareholders still remains as a significant trigger of shareholders' proposal submissions on social issues. This finding suggests that a submission of shareholder proposal on social issues is not necessarily driven by corporate practice on CSR issues. Even when companies have similar records of CSR records and similar management-labor relationship, shareholders tend to submit more shareholder proposals to companies with an opposing political preference.

We also find that shareholders that submit CPA-related proposals, which may indicate shareholders' political sensitivity, are more reactive to the divergence of political preference of firms' management. Thus, corporate political spending often times reveals management's political preference to shareholders. Our study implies that increasing CPA could lead to more activism by shareholders whose political preferences are not aligned with management. The article reveals corporations' status not only as an active player in politics but, in reverse, as a target of activist shareholders with strong political preference.

2 Corporate Political Activity and Shareholder Response

In 2010, the Supreme Court Decision of *Citizens United v. Federal Election Commission* (hereafter, “Citizens United”) struck down traditional campaign finance law preventing corporations and unions from using their coffers to sponsor campaign activities during campaigns.³ In theory, after *Citizens United*, corporations can use their corporate budgets to sponsor issue advocacy groups that only engage in independent expenditures and do not coordinate with candidates, as is required of “super PACs.” (Kang 2010, 2012; Briffault 2012).

Critics of *Citizens United* expected corporations to unleash their massive resources on the political system. Indeed, the episode of Target Corporation spending \$150,000 in support of Minnesota gubernatorial candidate Tom Emmer in the 2010 midterm election - right after the *Citizens United* decision - seemed to support this prediction (Kang 2012). However, there is little additional evidence that this prediction has come to pass. Most campaign contributions to candidates come from individuals (Ansolabehere, de Figueiredo, and Snyder 2003) and a few publicly traded corporations contributed to super PACs.⁴

Although there has been a seeming lack of corporate involvement in elections than expected, shareholder proposals requesting the disclosure of corporate political spending markedly increased after *Citizens United*, becoming the most frequently submitted shareholder proposal both in the 2014 and 2015 proxy seasons. During the 2014 proxy season, 126 shareholder proposals were submitted on corporate political and lobbying activities, while 110 proposals were submitted in 2015 on the same issue. With respect to the contents of the proposals, among the 126 shareholder proposals in 2014, 112 proposals

³130 S.Ct. 876, 558 U.S. 310 (2010)

⁴The Center for Responsive Politics, 2014, “Four Years After Citizens United: The Fallout,” January 21 (<https://www.opensecrets.org/news/2014/01/four-years-after-citizens-united-the-fallout/>).

requested greater disclosure, and 6 asked for board oversight or required shareholder approval of all political spending. Furthermore, 8 proposals barred companies from political spending entirely.⁵

In responding to requests from shareholders, 160 among 300 of the largest companies in the S&P 500 have been formally engaged by shareholder proposals on corporate political spending and 99 of those companies have reached an agreement to disclose their direct and indirect political spending.⁶ Also, even without any history of shareholder proposals, some companies voluntarily disclose their political spending partially or fully.

The key question is whether disclosure of corporate political spending would enhance the interests of the majority of shareholders. It is difficult to generalize the real motive behind shareholder activism without further information, but both sides agree that disclosure will generate more information about firms. First, it must be ascertained what types of information is revealed through a firm's CPA and how shareholders would respond to this information.

First of all, beyond revealing firms' involvement in politics, CPA disclosure will provide an opportunity for shareholders to learn more about the political preferences of firms. Given that scholars have documented the self-interest of certain shareholders like public pension funds and labor unions (Romano 1993; Agrawal 2011), divergence in preferences between these shareholders and management can loom large. For those shareholders, a company's increased political involvement is more likely to conflict with their interests, as in cases where a company makes contributions to support candidates whose policies could potentially harm the interests of labor and public sector workers by weakening collective bargaining and workers' compensation.

Second, corporate political spending can provide supplemental information beyond firms' involvement in politics. Recent studies present evidence that a firm's political cul-

⁵ *As You Sow*, "Proxy Preview Report 2014," p.39 (2014).

⁶ Center for Political Accountability, "The 2014 CPA-Zicklin index of Corporate Political Disclosure and Accountability," p. 23 (September 24, 2014)

ture is associated with a particular set of corporate policies. For example, Chin, Hambrick, and Trevino (2013) show that, compared to conservative CEOs, liberal CEOs tend to pay more attention to firms' CSR practices. Republican managers tend to adopt more conservative financial policies such as lower levels of corporate debt, and Republican-leaning firms tend to be the subjects of more civil rights, labor, and environmental litigation than Democratic-leaning firms (Hutton, Jiang, and Kumar 2014, 2015). Therefore, if corporate political spending could provide more information about management practice and firms' policies, this can trigger more activism among shareholders with opposing political preferences.

The fact that management's partisan orientation is associated with firm policies on labor, environment, and CSR practices has an important implication for shareholder activism since socially responsible investment (SRI) - an investment based on ethical, moral, and religious principles - has significantly grown in recent years. Based on the principal of SRI, mutual funds and religious groups have been participating in advocacy efforts by submitting shareholder proposals to influence corporate behaviors (Shueth 2003; Renneboog, Horst, and Zhang 2008). If a firm's political culture is an indicator of firm's policies on issues that other shareholders prioritize, activist shareholders will generate tension with management over those policies.

As demonstrated in a recent study by Hart and Zingales (2017), the number of shareholders who pursue social welfare beyond the maximization of market value increases and shareholder voting on corporate policy is an effective way to incorporate shareholders' preferences into the company's policies. Given the growing emphasis on shareholder engagement on corporate social policies, our study provides the empirical evidence to shed lights on one vehicle through which shareholder preferences are voiced.

3 Data and Stylized Facts

We focus on firms in the S&P 500 as of 2014, collecting various data from multiple sources about those companies for the years from 1997 through 2014. Among the multiple sources we relied on for data, we consulted RiskMetrics for shareholder proposal data, such as whether a proposal addresses issues on corporate governance or social issues, the proponent of the proposal and proponent type, the status of the proposal - i.e., omitted, withdrawn, or voted - , and the percentage of support for the proposal if it was put to a vote.

In total, there were 10,156 shareholder proposals submitted to S&P 500 companies between 1997 and 2014.⁷ Our data is distinctive because, whereas previous literature has mainly focused on shareholder proposal related to corporate governance, our study also includes proposals on social issues such as corporate political spending and the environment. Given that the proportion of shareholder proposals on social issues has been on the rise, it is important to include shareholder proposals on social issues to fully understand shareholder activism. This comprehensive data allows us to discern similarities and differences across the various types of proposals in terms of characteristics of the target firms.

Also, previous literature concerning shareholder proposals mainly focused on proposals voted on by shareholders. However, the probability of a submitted proposal being voted on is not random and the reasons for withdrawal or omission may be related to specific company characteristics, such as the relationship between management and shareholders. Examining only the proposals voted on ignores this potential selection bias.⁸ In this study, we consider all shareholder proposals submitted distinguishing between proposals

⁷The original number of the total shareholder proposals during the period is 10,234. There are 78 shareholder proposals that do not have information on proponents. We drop those observations from the analysis.

⁸Renneboog and Szilagyi (2011) note that “Proposals are sometimes withdrawn because the sponsor has negotiated a satisfactory resolution, or the SEC has allowed the firm to reject the submission due to the improper subject matter or technical reasons.”

submitted but not voted on and those submitted and voted on.⁹ As such, this constitutes one of the most comprehensive datasets on shareholder activism through shareholder proposal submissions.

Table 1 presents the summary statistics of shareholder proposal activities. Panel A shows the summary statistics for all types of shareholder proposals submitted to S&P 500 firms from 1997 through 2014. The table shows the number of submitted proposals and the number of proposals put to a vote each year. Some proposals are withdrawn or excluded after submission because management and shareholders reached an agreement or the SEC sent a no-action letter. There is variation across years, but on average, 58% of submitted proposals were voted on. On average, governance-related proposals make up around 63% of the total of submitted proposals and 64% of the total of proposals that reached a vote. Over time, while the number of submitted and voted governance-related proposals peaked in 2010 and has declined since then, the number of proposals on social issues has remained constant and the number of social issues being voted on consistently increased until 2013.¹⁰

Proposals on CPA are categorized as social proposals but we provide a separate summary statistic. Until the early 2000s, very few proposals had been submitted on this issue; but the number of proposals on CPA has been increasing since then, and in 2013 and 2014, proposals on CPA were ranked as the most frequently voted topic. In 2013, for example, over half of the social proposals voted on were related to CPA. This indicates two important trends in the relationship between shareholders and firms. First, activist shareholders now focus not just on corporate governance issues but also on other issues like the political activities of firms. Second, this phenomenon may have been driven in part by the fact that CPA has been dramatically increasing in the last two decades (Drutman 2015) and *Citizens United* may have affected shareholders' perceptions of corporate

⁹RiskMetrics data indicate the status of the proposal as: voted, withdrawn, not in proxy, and omitted, allowing us to infer the proposal's disposition.

¹⁰Table A2 in Appendix A provides summary statistics on the vote outcomes of the proposals.

Table 1: Number of Submitted and Voted Shareholder Proposals, 1997-2014

	All		Governance^a		Social^b		CPA^c	
	Submit ^d	Vote ^e	Submit	Vote	Submit	Vote	Submit	Vote
<i>Panel A. Submission Year</i>								
1997	321	122	180	78	141	44	6	6
1998	300	137	162	85	138	52	9	5
1999	301	170	203	118	98	52	3	2
2000	435	213	287	125	148	88	5	4
2001	431	245	273	142	158	103	9	8
2002	459	256	285	160	174	96	5	4
2003	644	356	452	266	192	90	2	2
2004	710	384	486	257	224	127	38	25
2005	703	382	461	256	242	126	35	24
2006	668	419	413	277	255	142	31	23
2007	768	439	499	297	269	142	46	23
2008	735	364	448	214	287	150	42	21
2009	740	412	469	286	271	126	43	23
2010	712	415	470	284	242	131	45	31
2011	623	350	368	211	255	139	70	47
2012	573	377	351	236	222	141	94	65
2013	595	434	339	277	256	157	114	83
2014	438	414	243	232	195	182	95	91
<i>Panel B. Proponent Type</i>								
Individual	3,637	2,147	3,112	1,887	525	260	81	63
Public Pension Funds	887	496	306	188	581	308	136	96
Unions	2,607	1,469	2,245	1,257	362	212	183	135
Religious	1,185	689	235	136	950	553	55	38
SRI Funds	1,072	590	187	107	885	483	199	134
Other ^f	768	498	304	226	464	272	38	21
Total	10,156	5,889	6,389	3,801	3,767	2,088	692	487

Note: **a** = Corporate governance-related proposals, **b** = Social resolution-issue (Social) proposals, **c** = Corporate political activity (sub-category of social proposals), **d** = number of proposals submitted, **e** = number of proposals being voted, **f** = includes endowment, hedge funds, and special interest groups such as People for the Ethical Treatment for Animals (PETA).

political involvement, causing potentially adverse consequences for firms (Coates 2012).

Panel B of Table 1 portrays the identity of proposal proponents. Individuals are the most active proposal proponents but their proposals mainly concern corporate governance issues. Unions are the second most active proponents, and they also mainly focus on corporate governance issues. Shareholder proponents such as public pension funds, religious groups, and SRI funds such as Trillium Asset Management submitted more proposals on social issues than corporate governance. With respect to proposals on corporate political spending, SRI Funds submitted the most proposals, followed by unions and public pension funds shareholders.¹¹

In addition, we collected information on CPA from the Center for Responsive Politics for the period between 1997 through 2014.¹² For campaign contributions, we gathered three specific types. First, CEOs' campaign contributions to measure political preference of management (Fremeth, Richter, and Schaufele 2013; Gupta and Wowak 2016)¹³; second, all non-CEO employee's individual campaign contributions Democratic and/or Republican candidates, parties, and organizations, from donors who listed a S&P 500 firm as their employer; and third, contributions made by a firm's Political Action Committee (PAC) to Democratic or Republican candidates, parties or organizations including other PACs. Traditionally, scholars have only collected PACs contributions to candidates and parties, but PACs frequently contribute to other PACs and these transfer - despite their significant volume (over 40% of the total PACs' contribution in our data) - have been overlooked in the literature. To overcome this limitation and capture CPA in elec-

¹¹Table A3 in Appendix A shows the top five shareholders who submitted the most proposals in each category.

¹²The Center for Responsive Politics (www.opensecrets.org) compiled campaign finance reports submitted to the Federal Election Commission (FEC) and lobbying reports submitted to the Clerk of the U.S. House of Representatives and the Secretary of the U.S. Senate.

¹³When an individual makes campaign contributions, the FEC requires disclosure of employer of the donor. We only collected individual contributions to candidates, parties, and PACs that clearly identify the recipient's party affiliation to create a measure of political preference. For example, if a CEO contributed to a PAC which does not have a clear party affiliation in data from the FEC data, we did not include those contributions because it is hard to establish how much of the contribution from that CEO went to either party.

tions more accurately, we included PACs' transfers to other PACs in addition to their contributions to candidates in this study.¹⁴

In total, there are 1,016,646 records of contributions that are associated with S&P 500 firms during the period of study. For lobbying activities, we calculated the total annual lobbying expenditures at the firm level for each year. Table 2 presents the total yearly sum of contributions and lobbying spending by S&P 500 firms and related individuals. For individual contributors, we separately present the total campaign contributions by CEOs from contributions by all individuals, including CEOs, who identified a S&P 500 firm as their employer.

Upon examination of the data, we noticed a couple salient patterns. First, election years tend to have more campaign contributions in all three categories of contributions than non-election years. Second, contributions from the PACs to candidates and other PACs increased over time, whereas contributions from CEOs and other individuals associated with S&P 500 firms fluctuated cycle by cycle. Third, lobbying spending by S&P 500 firms is much larger than campaign contributions by the same entities, and the expenditures on lobbying increased over time until 2010.

Figure 1 shows the ratio of contributions given to candidates or PACs associated with the Republican Party.¹⁵ Panel (A) presents the average ratio for the three different types of contributions given to Republicans over the election cycles from 1998 through 2014. All three types of contributions show a similar pattern. Panel (B) shows the distribution of the ratio of total contributions given to Republicans among S&P 500 firms in the 2012 election cycle.¹⁶ The average ratio of contributions given to Republicans is 0.62 in 2012 among S&P 500 firms, and there is significant variation in the ratio among the firms.

To measure the political preference of activist shareholders, we collected campaign

¹⁴We included the contribution in the dataset if recipient PACs have a clear party affiliation in case of PAC to PACs transfers. Across different election cycles, on average, we could identify 99% of recipient PACs' party affiliation for PAC to PACs transfers.

¹⁵Ratio refers to the fraction of contributions given to Republican candidates or PACs out of the total contributions. It ranges from 0 to 1.

¹⁶For this graph, we combined all three types of contributions. Other years show similar distributions.

Table 2: S&P 500 Corporate Political Activities, 1997-2014

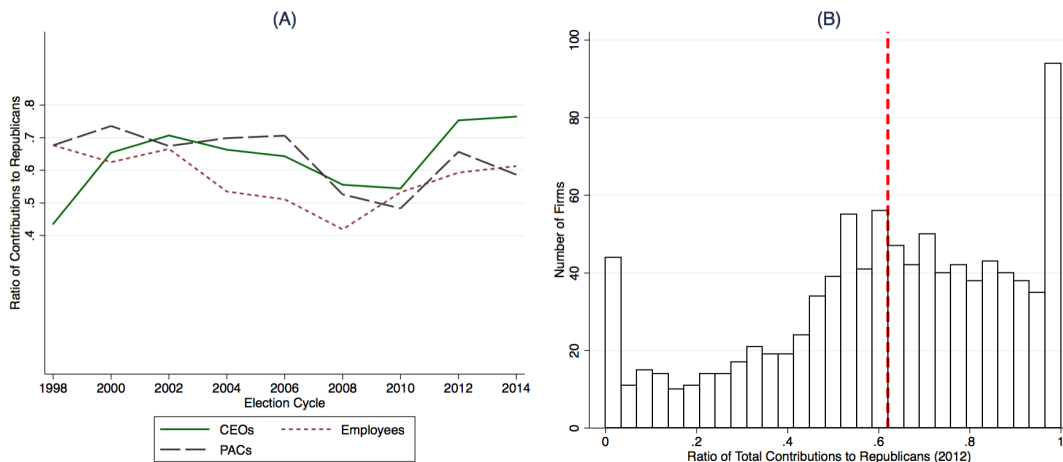
Year	Campaign Contribution (\$M)		Lobbying (\$M)	
	CEO	Employee	PAC	Spending
1997	1.4	22.0	21.7	-
1998	2.9	33.9	32.2	436.4
1999	2.1	44.1	30.9	480.7
2000	6.8	82.1	59.5	513.8
2001	1.3	42.3	34.2	561.4
2002	4.7	63.2	50.6	590.8
2003	1.9	25.3	45.6	684.8
2004	5.8	51.4	66.0	705.4
2005	2.1	17.7	64.2	742.7
2006	3.5	27.5	77.5	827.2
2007	3.2	39.4	76.0	951.8
2008	6.3	71.7	85.8	1,116.2
2009	2.4	19.2	70.5	1,195.5
2010	3.6	32.8	113.3	1,236.5
2011	4.1	38.1	76.1	1,152.4
2012	8.9	103.7	108.0	1,124.7
2013	3.5	26.4	92.2	1,104.0
2014	4.2	31.2	113.2	786.3
Total	69.4	772.9	1,219.3	14,211.5

Note: All numbers are inflation adjusted (in 2014 dollar term). Numbers indicate the total annual contributions and lobbying spending in millions of dollars by S&P 500 firms and related individuals. Lobbying expenditure data are available since 1998.

contribution data on non-individual shareholders that submitted proposals.¹⁷ Except for a few labor union shareholders such as the AFL-CIO, non-individual shareholders including religious groups and SRI funds generally do not have PACs. Therefore, we did not separate out individual member's contributions and PACs contributions for shareholders. Among 256 non-individual shareholders that submitted at least one shareholder proposal during the period, 117 shareholders made positive contributions at least one year over the period. For each shareholder, we collected the total contributions given to candidates as well as

¹⁷Collecting campaign contributions of individual shareholders who submitted proposals is challenging because we had to rely on their names, without knowing their address or specific employment status. Therefore, we focused on non-individual shareholders for which we can clearly identify the employment status of donors.

Figure 1: Ratio of Contributions to Republicans by S& P 500 Firms



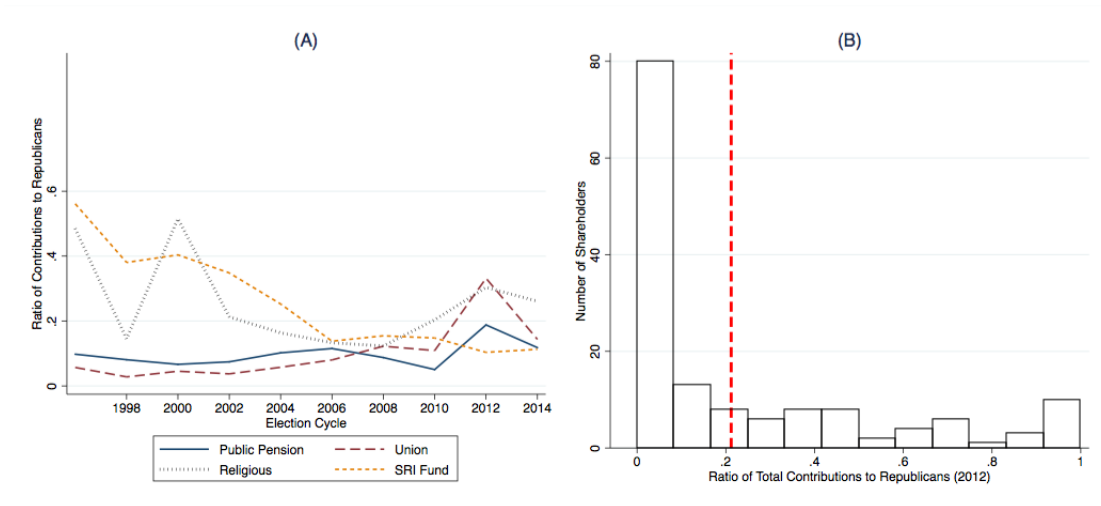
Note: The dotted line on panel (B) indicates the average ratio of contributions given to Republican party by all firms in 2012 electoral cycle.

PACs and calculated the ratio of contributions given to Republicans. In total, there were 162,378 contributions associated by non-individual shareholders that submitted at least one proposal during the period.¹⁸ Figure 2 presents the distribution of average ratios of campaign contributions given to Republicans over the years by four different types of non-individual shareholders over the years.

Panel (A) in Figure 2 presents the average ratio of contributions given to the Republican party by four different types of shareholders for each election cycle from 1998 through 2014. While individuals and PACs associated with public pension funds or unions are significantly Democratic-leaning across all election cycles, shareholders that are associated with religious organizations and SRI funds became more Democratic-leaning during the time period. Panel (B) shows the distribution of the ratio of contributions given to the Republican Party in all types of non-individual shareholders that made contributions during the 2012 election cycle. The average ratio is 0.21 which is in stark contrast to the distribution of the ratio among S&P 500 firms in the same period, presented in Panel (B) in Figure 1. This suggests that shareholders that submitted proposals may have different

¹⁸Table A4 in Appendix A presents the summary statistics of campaign contributions from non-individual shareholders.

Figure 2: Ratio of Contributions to Republicans by Activist Shareholders



Note: The dotted line in panel (B) indicates the average ratio of contributions given to Republican party by all shareholders in 2012 electoral cycle.

political preferences from the firms that they typically target.¹⁹

In addition to data on shareholder proposals and corporate and shareholder political activity, we gathered corporate governance information from the RiskMetrics database. The data shows some discontinuity in terms of types of data collected and the coding before 2007 versus since 2007. Therefore, we selected governance variables that are considered important in terms of shareholder activism and common across all time periods such as classified board and poison pill provisions. Then, we added firm-specific characteristics such as annual sales, standard industry classification (SIC) and financial performance such as Tobins' Q score from COMPUSTAT Fundamental Annual.²⁰

¹⁹This may not apply to non-individual investors or institutional investors that did not submit any shareholder proposals during the period of our study. We downloaded the list of top 500 money managing institutions from the Pension & Investment website (<http://www.pionline.com/specialreports/money-managers/20110530>) to examine the political contributions of top institutional investors such as mutual funds. For example, Vanguard Group, one of the largest mutual funds in the US, shows more balanced partisan orientation in its campaign contributions (49% to Democrats and 51% to Republicans) in the 2014 election cycle. Contribution pattern of Securities & Investment sector, which includes major institutional investors, in 2014 election cycle shows that 44% of their contributions went to Democrats and 56% went to Republicans (<https://www.opensecrets.org/pacs/industry.php?txt=F07&cycle=2014>). Bonica (2014) who analyzed contributions made between 1979 and 2012 also confirms that Banking & Finance sector is more partisan-balanced in its contribution patterns. The fact that activist shareholders who submitted shareholder proposals lean Democrats suggests that large institutional investors that did not submit any proposals are more aligned politically with firms' management.

²⁰Table A5 in Appendix A presents the mean-differences in financial characteristics, governance, and

4 Empirical Analysis and Results

In this section, we test whether CPA is associated with the submission of shareholder proposals and present the main results. The main empirical specification is as follows:

$$y_{ijst} = \beta_0 + \beta_1 \text{Republican Ratio}_{it-1} + \Gamma X'_{it-1} + \alpha_j + \gamma_t + \varepsilon_{ijst} \quad (1)$$

In the specification, y_{ijst} is the number of shareholder proposals submitted to a firm i in an industry j from a shareholder proponent type s in a given year t . *Republican Ratio* $_{it-1}$ indicates the ratio that a firm i 's total campaign contributions given to Republican candidates and PACs. Following Hutton, Jiang, and Kumar (2015), we assume political neutrality for the firms that do not make any contribution in a given year and assign a value of 0.5 to the *Republican Ratio* variable.²¹ X_{it} includes information about financial performance, governance characteristics, total campaign contributions and lobbying expenditure of each firm in the previous year.²² We also included an industry fixed effect with a three-digit SIC industry code (α_j) as well as a year fixed effect (γ_t).

Table 3 presents the results. Column (1) shows the results for all types of proponents. Columns (2) through (5) present the results for different proponents. Panel A shows the result when a dependent variable in Equation (1) is the total number of shareholder proposals on governance issues. Panel B shows the result in the case when a social issue-related proposal is submitted, and Panel C shows the result when a corporate political spending-related proposal (a sub-category of an Social proposal) is submitted. We only present the results regarding corporate political variables here; the Appendix presents the

CPA between targeted and non-targeted firms.

²¹Among 8,545 observations (firm \times year), 1,085 observations show no campaign contributions. For robustness checks, we ran the analysis without imputation thereby limiting the sample to the firms that made positive campaign contributions. We additionally ran a model including the total campaign contribution and the total contribution given to Republican party to avoid the imputation for zero contribution cases. In both cases, the results are similar and the results are reported in Tables A16 and A17 in Appendix C.

²²For the summary statistics of the full list of variables included in the analysis, see Table A6 in Appendix A.

Table 3: Corporate Political Activity and Shareholder Proposal Submission

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
A. Governance						
(ln) Contribution	0.000236 (0.03)	0.00559 (0.85)	0.000468 (0.49)	-0.00665 (-1.47)	-0.0000606 (-0.07)	-0.000432 (-0.55)
Republican Ratio	-0.0310 (-0.33)	-0.104* (-1.69)	0.0242** (2.35)	0.0372 (0.93)	0.00304 (0.36)	0.000606 (0.07)
(ln) Lobbying	0.0133*** (2.82)	0.00604* (1.85)	0.000623 (0.86)	0.00433* (1.79)	0.000546 (1.21)	0.000946** (2.24)
B. Social						
(ln) Contribution	-0.0115* (-1.81)	-0.00227 (-1.15)	0.0000197 (0.01)	-0.00213 (-1.28)	-0.00243 (-0.92)	-0.00216 (-1.07)
Republican Ratio	0.207*** (3.27)	-0.00976 (-0.55)	0.0607*** (3.63)	0.00272 (0.26)	0.0619** (2.57)	0.0491*** (2.61)
(ln) Lobbying	-0.00160 (-0.47)	-0.00146 (-1.11)	0.00147 (1.53)	-0.000395 (-0.47)	-0.00202 (-1.50)	0.000449 (0.26)
C. CPA						
(ln) Contribution	0.000804 (0.45)	-0.000642 (-1.10)	0.000690 (1.16)	0.000205 (0.31)	0.000549 (1.28)	0.0000917 (0.11)
Republican Ratio	0.0270* (1.85)	-0.00500 (-1.08)	0.0210*** (3.11)	-0.00310 (-0.48)	0.00500 (1.46)	0.00853 (1.23)
(ln) Lobbying	0.00112 (0.90)	-0.000501 (-1.37)	0.00134*** (2.95)	0.000138 (0.30)	-0.000151 (-0.74)	0.000576 (0.79)
Firm Characteristics	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓	✓	✓
<i>N</i>	6500	6500	6500	6500	6500	6500

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding CPA are under the category of Social proposal.

full regression results.²³

First, our results suggest firms that spend more on lobbying tend to receive more proposals on governance issues. This is particularly salient for proposals submitted by individual, union, and SRI fund shareholders. Republican-leaning firms do not necessarily receive more governance-related proposals in total, but it varies by proponent. While Republican-leaning firms tend to receive less governance proposals from individuals shareholders, they receive more governance proposals from public pension fund shareholders.

Second, Republican-leaning firms tend to receive more shareholder proposals regarding social issues which is mainly driven by shareholders associated with public pension funds, religious groups, and SRI funds. This is consistent with the fact that these types of shareholders reportedly put more weight on social issues than other types of shareholders like individual investors or hedge funds (Renneboog, Horst, and Zhang 2008). Shareholder proposals on corporate political spending are commonly categorized as SRI proposals. However, we ran a separate analysis on them to see whether CPA proposal submissions show a distinctive pattern. Public pension fund shareholders in particular are more likely to submit proposals on CPA to firms that are Republican-leaning and that spend more on lobbying. Submissions from other types of shareholders are not associated with CPA.

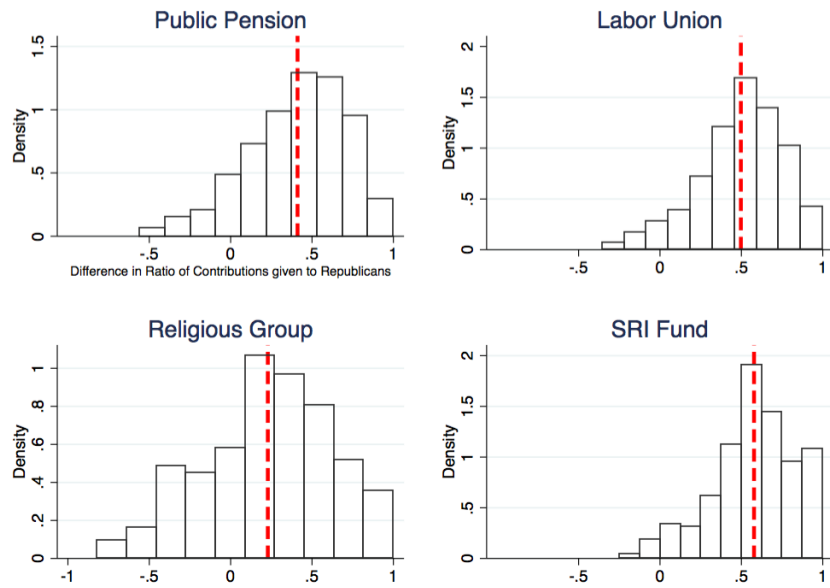
Proponent type may be a good indicator for a proponent's political preference to register the existence of a potential preference gap between management and shareholders, but it is possible that shareholders choose to own shares of firms that exhibit similar political preferences. For example, public pension fund shareholders may own more shares of firms that are Democratic-leaning in their political culture and that are sympathetic to issues affecting public pension funds. If this type of sorting behavior happens in the decision-making stage of investment, shareholder type may not accurately capture the preference difference between firms and shareholders.

To address the issue, we employed a more direct test. Using campaign contributions

²³Full regression results for each type of proposal are presented in Tables A8, A9, and A10 in Appendix C.

by non-individual shareholders, we calculated total campaign contributions and the ratio of contributions given to the Republican party by each shareholder type that submitted proposals to any firm in a given year. Then, we created a variable, *Firm's Republican Leaning*, that indicates the difference in the ratio of campaign contributions to the Republican party between a firm and every type of shareholder (the firm's Republican contribution ratio - shareholders' Republican contribution ratio). A positive number in the *Firms' Republican Leaning* variable indicates that firms are more Republican-leaning than those shareholders that submitted proposals. Figure 3 presents the distribution of the degree of *Firm's Republican Leaning* for the four types of non-individual shareholders across all years. There are some cases where shareholders are more Republican-leaning than the firms in which they invest, but overall, activist shareholders are more Democratic-leaning than the firms to which they submit proposals.

Figure 3: Distribution of *Firm's Republican Leaning* vis-à-vis Shareholders



Note: The dotted lines indicate the average *Firm's Republican Leaning* by each shareholder group.

We used the variable *Firm's Republican Leaning* instead of *Republican Ratio* in Equation (1) and ran the analysis. We also included the total campaign contribution by each

shareholder as a control variable.²⁴ Table 4 presents the results with respect to variables on political spending.²⁵ First, non-individual shareholders that are politically active, measured by their total contribution to candidates and PACs, are more likely to submit both governance and social issue-related proposals. Second, the difference in the ratio of contributions given to the Republican party between firms and shareholders is strongly associated with the submission of social proposals for public pension, religious, and SRI fund shareholders. Specifically, Republican-leaning firms tend to receive more shareholder proposals on social issues. However, we do not observe the pattern that the difference in political preference is associated with submission on governance issues. Third, this pattern is also true for proposals on CPA by shareholders associated with public pension funds.

As a robustness check, we present the results when we include a firm fixed effect in Table A18 in Appendix C. Despite more stringent empirical specification, the difference in political orientation between firms and shareholders are still positively associated with the submission of social proposals. We also run a model with shareholder fixed effect to control for time-invariant shareholder characteristics. Some non-individual shareholders submitted proposals to multiple firms, so we exploit within shareholder variation in the degree of difference in political preference with the firms' management. By including the shareholder fixed effect, given that a shareholder submitted proposals to firms, we are able to compare how shareholders who submit a proposal behaves differently depending on the difference between their political orientations and the firms they invest. Table A19 in Appendix D confirms that the positive relationship between a gap in political preference and the social proposal submission remains robust.

We also divide firms' contributions into those by CEOs, non-CEO employees, and PACs to create the *Republican Ratio* difference measures between each type of contribu-

²⁴If non-individual shareholders that submitted proposals did not contribute at all, we assume political neutrality for those shareholders, following Hutton, Jiang, and Kumar (2015), and assign a value of 0.5 to the ratio of shareholder's contribution to Republicans.

²⁵For the full regression results, see Tables A11, A12, and A13 in Appendix C.

Table 4: Divergence in Political Preference between Firms and Shareholders and Its Relation to Proposal Submission

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious	SRI Fund
A. Governance				
(ln) Firm Contribution	0.000625 (0.71)	-0.00585 (-1.49)	0.000271 (0.30)	-0.000516 (-0.66)
(ln) Shareholder Contribution	0.00996*** (5.49)	0.0307*** (11.12)	0.00794* (1.82)	0.00790*** (2.77)
Firm's Republican Leaning	0.0159 (1.50)	0.00909 (0.26)	-0.0107 (-1.16)	0.00610 (0.65)
(ln) Firm Lobbying	0.000416 (0.62)	0.00256 (1.25)	0.000482 (1.07)	0.000913** (2.20)
B. Social				
(ln) Firm Contribution	-0.0000167 (-0.01)	-0.00198 (-1.23)	-0.00217 (-0.84)	-0.00203 (-1.14)
(ln) Shareholder Contribution	0.0232*** (9.39)	0.00631*** (6.92)	0.0531*** (4.03)	0.0462*** (8.54)
Firm's Republican Leaning	0.0616*** (3.99)	-0.00222 (-0.22)	0.0690*** (3.19)	0.0494*** (2.93)
(ln) Firm Lobbying	0.000985 (1.24)	-0.000751 (-0.90)	-0.00242* (-1.81)	0.000238 (0.17)
C. CPA				
(ln) Firm Contribution	0.000538 (0.90)	0.000240 (0.36)	0.000564 (1.36)	0.000227 (0.29)
(ln) Shareholder Contribution	0.00517*** (3.18)	0.00369*** (5.18)	0.00261 (1.14)	0.0166*** (4.71)
Firm's Republican Leaning	0.0283*** (3.69)	-0.00336 (-0.50)	0.00526 (1.51)	0.00413 (0.59)
(ln) Firm Lobbying	0.00123*** (2.92)	-0.0000660 (-0.15)	-0.000171 (-0.84)	0.000504 (0.79)
Firm Characteristics	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓
<i>N</i>	6500	6500	6500	6500

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

tion and each shareholder to see whether certain shareholders are more responsive to a difference of political preference. Table A14 in Appendix C. Shareholders seem more responsive to the difference between their contribution and firms' official PAC contributions than the gap with contributions of CEOs' or firms' employees. This may be driven by the fact that while contributions by CEOs and firms' employees are made at the individual level, information on firms' PAC contributions may represent a more official stance of firms on many issues.

One surprising pattern is the result with respect to union shareholders. Union shareholders that make more campaign contributions are more likely to submit shareholder proposals both on governance and social issues. The frequency of union shareholders' proposal submissions, however, is not sensitive to companies' political preference. Although this result might be counter-intuitive given the perception on labor unions' political activity, Table 1 shows that unions heavily focus as shareholders on governance proposals. Only 14% of the total proposals that union shareholders submitted were on social issues. In contrast, 65% of the total proposals submitted by public pensions and 82% of the those submitted by SRI funds were on social issues. Union shareholders' disproportionate focus on governance issues may explain why we do not see the same pattern for union shareholders on social proposal submissions.

In addition, recent studies document how labor union shareholders are mainly interested in increasing their influence in unionized firms and bargaining leverage through shareholder proposals (Agrawal (2011); Matsusaka, Ozbas, and Yi (2017)). This may also explain why labor union shareholders are not particularly responsive to firms' political orientation.

Overall, the results presented in Tables 3 and 4 suggest that Republican-leaning firms receive more proposals on social resolutions, particularly from shareholders associated with public pension funds, religious groups, and SRI funds. Given that we control for variables related to corporate governance and financial performance, the argument that

Republican-leaning firms have systematically different governance or market performance can be ruled out. The fact that the difference in political preference as illustrated by patterns of campaign contributions is strongly related to proposal submission on social issues suggests that shareholders may use CPA as a proxy for corporate policy on social issues.

To assess the possibility that the relationship between the political divergence and shareholder activism is driven by firms' pre-existing conditions on social issues, we collect two sources of data. First, we collect the cases submitted to the National Labor Relations Board on "Unfair Labor Practice" against the S&P 500 firms during the period between 1997 and 2014. Individuals, unions or employers can submit charges to NLRB for unfair labor practices described in Section 8 of the National Labor Relations Act. Although most of the majority of charges are settled by the parties before the decision is made by the Board, the number of charges submitted to a firm in a given year could indicate firm's labor relationship.

Second, we use Kinder, Lydenberg, Domini Research & Analytics (KLD) data to measure firms' corporate social responsibility (CSR) activities for the same time of the period. KLD data is most widely used by scholars to measure firms' CSR activities (Hillman and Keim 2001; Baron, Harjoto, and Jo 2011; Richter 2011) and KLD collects information on 7 issue areas and codes strength and concern in each area as dummy variable. Following the prior literature, we created a CSR index by summing all strength indicators and then subtracting all concern indicators. Higher and positive KLD scores indicate stronger CSR records.²⁶

On average, there are 1.7 cases are charged to firms in our sample in a given year but it ranges from 0 to 263. Regarding CSR scores, the average is 0.77 but it ranges from -11 to 19. If Republican-leaning firms have more labor disputes and have lower

²⁶Among 8,545 firm \times year observations in our data, we have KLD information for 6,224 (86%) observations. For more details on the NLRB Unfair Labor Disputes data and the KLD CSR score data, see Appendix B.

CSR scores, shareholders whose political orientation is more aligned with Democrats may use Republican-favoring contribution patterns by firms as an indicator of issues in labor relations or CSR practices of firms. If this is the case, once we control for the number of labor disputes and CSR records of firms, the difference in political orientation between the firm and its shareholders should no longer be associated with the submission of shareholder proposals, particularly on social issues.

Table 5 presents the results on the submission of social proposals when we include the number of labor disputes submitted to the NLRB and KLD scores as control variables.²⁷ Firms that had more charges at NLRB in a previous year tend to receive more shareholder proposals on social issues by public pension and SRI funds. Firms that have higher CSR records in a previous year receive less Social proposals from public pension and religious group shareholders. These results indicate that firms' labor relations and CSR records are associated with shareholder activism on corporate policies regarding social issues. However, even after controlling for firms' labor relations and CSR scores, the relationship between the difference in political orientation among firm and shareholder and the submission of shareholders' Social proposals persists.

We also examine whether shareholders that submitted at least one CPA-related proposal in a given year is more responsive to a difference in political preference from firms' management. Submitting CPA-related proposals might indicate the degree of political sensitivity of shareholders. Table A19 in Appendix present the results. We find that shareholders that submit at least one CPA-related proposal are more sensitive to a difference in political orientation between management and them and these shareholders submit more proposals on social issues when the divergence in ideology increases.

These results, collectively, suggest that a part of the shareholder activism through submitting shareholder proposals on social issues might be motivated by other reasons, beyond the actual corporate policies on social issues. Scholars have proposed two differ-

²⁷For the full regression result, see Table A15 in Appendix C.

Table 5: Divergence in Political Preference between Firms and Shareholders and Its Relation to Social Proposal Submission

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious	SRI Fund
No. NLRB Labor Dispute	0.000709** (2.07)	0.000247 (0.35)	0.000829 (0.72)	0.00370*** (5.18)
KLD CSR Score	-0.00670*** (-3.77)	-0.000664 (-0.47)	-0.0123*** (-3.54)	-0.000336 (-0.13)
(ln) Firm Contribution	-0.000400 (-0.25)	-0.00289 (-1.45)	-0.00464* (-1.75)	-0.00250 (-1.13)
(ln) Shareholder Contribution	0.0234*** (8.98)	0.00536*** (5.97)	0.0531*** (3.79)	0.0453*** (8.07)
Firm's Republican Leaning	0.0493*** (3.08)	-0.000431 (-0.04)	0.0590** (2.54)	0.0418** (2.07)
(ln) Firm Lobbying	0.00102 (1.09)	-0.000611 (-0.66)	-0.000862 (-0.62)	0.000000168 (0.00)
Firm Characteristics	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓
<i>N</i>	5285	5285	5285	5285

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

ent motives behind shareholder activism in corporate matters. One perspective depicts activist shareholders, particularly public pension funds and unions as shareholders, who want to maximize their firm's value. Their activism is mainly guided by concerns over value maximization and Guercio and Hawkins (1999) finds no evidence to support motivations other than fund value maximization.

The other perspective describes shareholders that raise concerns on social issues, particularly public pension funds, as self-interested groups who promote their own prerogatives, which can potentially conflict with those of other shareholders. As Romano (1993) points out, the structure of public pension fund boards and the political affiliation of fund trustees make public pension funds more vulnerable to political pressures than other types of shareholders. Hess (2005) finds, with some caveats, that public pension fund systems

were more likely to be active when more trustee members were elected by pension holders and at least some of the plan members were unionized.

Increased political involvement by corporate managers may be threatening to public pension funds and other shareholders who put more emphasis on social causes if increased contributions are used to sponsor candidates who pursue policies that could potentially weaken the interests of public sector workers and environmental protections. The Republican party supports less regulation on environmental issues and smaller government, while public sector workers and other activist shareholders have overwhelmingly supported Democratic candidates. Therefore, Democratic-leaning shareholders could be incentivized by self-interest to be concerned about corporate political activities if firms in which they invest contribute to candidates whose goal is to weaken those shareholders' interests.

5 Conclusion

Despite shareholder's heightened alertness to CPA in the wake of *Citizens United*, there has been little empirical research on how corporate political spending has influenced firms' internal dynamics between management and shareholders. By constructing the comprehensive data combining corporate political spending and shareholder proposals, this paper advances our understanding of the relationship between CPA and shareholder activism. We find that shareholder activism reflected in shareholder proposal submission is more sensitive to CPA if there is a larger divergence between the political orientation of shareholders and that of management. Our results indicate that Republican-leaning companies receive more shareholder proposals regarding social issues from their public pension, religious group, and socially responsible investment (SRI) fund shareholders that are more Democratic-leaning than the companies they are investing in. This relationship persists even after we control for each company's corporate social responsibility scores and labor relations.

Our finding provides another venue to understand why companies did not increase their corporate political spending after *Citizens United*. There may be more than one reason companies stayed politically neutral or inactive. As the CEO of Chick-fil-A's comments on same-sex marriage has provoked a nation-wide consumer boycott, activists' reactions and potential negative market reaction are concerning (Baron and Diermeier 2007; Egorov and Harstad Forthcoming). In addition to the concern for external reaction, our finding suggests that potential internal reaction by shareholders also function as a constraint on corporate political spending.

This finding has important implications for the long-held debate on the mandatory disclosure of CPA and the role of special-interest shareholders (Bebchuk and Jackson 2013; Copland 2013). Mandatory disclosure of corporate political activities will give shareholders access to more complete and accessible disclosure of political spending with which shareholders will be better informed of the political involvement of companies they invest in. At the same time, our results also illustrate how increased transparency may galvanize certain shareholders to submit proposals. The more a company spends in political activities, this, in turn, can spark activism by certain shareholders who have divergent political views and preferences from the company's management. As shown by the fact that social and environmental issues were the most popular topics of shareholder proposals in 2017 proxy season, shareholders have gradually become more vocal on the social and political choices of companies. Thus, our finding that the political orientation of firms vis-à-vis shareholders is significantly associated with shareholder proposals on social issues has an important implication for ongoing shareholder activism.

The fact that Democratic-leaning shareholders tend to target Republican-leaning firms, however, does not necessarily mean that these shareholders act adversely to firms' or other shareholders' interests. For instance, if a company with a certain political orientation has experienced a systemic conflict between its labor and management, and the conflict disrupts production at the plant level, a shareholder proposal submitted by shareholders

who prioritize labor issues may trigger the company to reconsider the conflict. In case the management and its labor reconcile, shareholders who submitted the proposal may potentially benefit other shareholders as well.²⁸

On the other hand, if shareholder activism is motivated, for instance, by the narrow self-interests of politically-oriented boards of trustees of public pension funds due to their career concerns, this politically-biased activism may create the potentially harmful outcomes to other shareholders. Accordingly, the question of whether the activism by shareholding special-interest groups, often times with strong political preferences, is beneficial or harmful to firms requires more future research.

²⁸In line with this reasoning, Krueger and Mas (2004) show that labor strife at the plant level is related to lower product quality.

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Appendix A: Data Description and Summary Statistics

Table A1: Description of Variables

Variable Name	Description
Total Proposal	Total number of shareholder proposals submitted
Governance Proposal	Total number of governance-related shareholder proposals submitted
Social Proposal	Total number of social resolution-related shareholder proposals submitted
CPA Proposal	Total number of corporate political activity-related shareholder proposal submitted
(ln) Total Contributions	(log) Total campaign contributions from individuals and PACs
(ln) Total Individual Cont. to Rep.	(log) Total individual contributions to Republican candidates
(ln) Total PAC Cont. to Rep.	(log) Total PACs contributions to Republican candidates and PACs
(ln) Lobbying spending	(log) Firm's total lobbying spending
Classified board	Staggered board (1) or not.
Poison pill	Potential bidders to negotiate with a target company's board of directors
Super majority	Supermajority requirements for mergers
LimitAbilitytoAmendBylaws	Limit shareholders' ability to amend bylaws
LimitAbilitytoAmendCharter	Limit shareholders' ability to amend charter
LimitCalltoSpecialMeeting	Limit shareholders' ability to call special meeting
LimitAbilitytoActbyWrittenConsent	Limit shareholders' ability to act by written consent
Assets	Total assets
Liability	Total debt including current.
Market Value	Total market value
Revenue	Total revenue
Book Value per share	Book value per share
Tobin's Q	Tobin's Q score = $\frac{(\text{market value} + \text{liabilities})}{(\text{book value per share} + \text{liabilities})}$
Return on Assets (ROA)	Return on Assets = net income + assets
Return on Equity (ROE)	Return on Equity = net income + shareholder's equity

Table A2: Voting Outcomes on Shareholder Proposals, 1997-2014

	All		Governance^a		Social^b		CPA^c	
	Ratio ^d	Vote(%) ^e	Ratio	Vote(%)	Ratio	Vote(%)	Ratio	Vote(%)
<i>Panel A. Year</i>								
1997	38.0	14.3	43.3	18.6	31.2	6.5	100.0	5.3
1998	45.6	15.3	52.4	20.4	37.6	6.9	55.5	6.0
1999	56.4	19.5	58.1	24.4	53.0	8.3	66.6	6.0
2000	48.9	19.0	43.5	27.7	59.4	6.6	80.0	4.7
2001	56.8	19.5	52.0	27.8	65.1	8.1	88.8	6.0
2002	55.7	24.4	56.1	34.1	55.1	8.2	80.0	5.2
2003	55.2	28.1	58.8	34.2	46.8	10.1	100.0	6.0
2004	54.0	24.6	52.8	31.0	56.7	11.5	65.7	9.2
2005	54.3	26.1	55.5	34.1	52.0	9.7	68.5	10.8
2006	62.7	29.7	67.0	38.7	55.6	12.2	74.1	19.5
2007	57.3	28.9	59.7	35.9	52.7	14.2	50.0	20.1
2008	49.8	27.5	48.4	36.6	52.2	13.6	50.0	22.9
2009	57.0	34.4	62.7	41.9	46.7	16.1	53.4	28.0
2010	58.2	32.7	60.4	39.5	54.1	17.9	68.8	25.5
2011	56.0	32.6	57.1	41.4	54.3	19.2	67.1	27.0
2012	65.9	34.0	67.4	43.2	63.5	18.3	69.1	21.0
2013	72.8	32.5	81.4	39.0	61.3	21.1	72.8	24.2
2014	94.5	32.2	95.4	40.4	93.3	21.6	95.7	24.9
<i>Panel B. Sponsor Type</i>								
Individual	59.0	31.1	60.6	34.3	49.5	7.6	77.8	7.8
Public Pension Fund	55.9	32.4	61.4	51.6	53.0	20.7	70.6	27.8
Union	56.3	34.2	56.0	36.8	58.6	19.1	73.8	22.0
Religious	58.1	13.2	57.9	20.5	58.2	11.4	69.1	22.5
SRI Fund	55.0	20.2	57.2	33.9	54.6	17.1	67.3	22.5
Other	61.9	20.2	66.5	43.3	59.8	8.2	54.5	14.2
Total	57.9	28.3	59.6	35.9	55.4	14.1	70.3	21.3

Note: a = Corporate governance issues, b = Social resolution issues, c = Corporate political activity (sub-category of Social Issues), d = Percentage of submitted proposals being voted, e = Average voting percentage that supported proposals as percentage of votes cast ($\frac{\text{FOR}}{\text{FOR} + \text{AGAINST}} * 100$).

Table A3: Top Five Shareholders in terms of Number of Proposal Submitted

Rank	Individual	Public Pension	Labor Union	SRI Fund	Religious Group
<i>A. Governance</i>					
1	John Chevedden (424)	NYC Funds (92)	UBCJA (629)	Cummings (48)	ICCR (78)
2	Evelyn Davis (326)	CT Fund (44)	AFL-CIO (220)	Walden (39)	Catholic Equity (16)
3	Rossi Family (319)	CALPers (30)	AFSCME (217)	Calvert (28)	Unitarian Universal (14)
4	William Steiner (218)	IL Fund (29)	IBEW (170)	Needmor (16)	Christian Brothers (9)
5	Kenneth Steiner (161)	NC Fund (21)	SMW (160)	Northstar(13)	Mercy Investment (9)
<i>B. Social</i>					
1	Evelyn Davi (72)	NYC Funds (401)	AFL-CIO (101)	Trillium (152)	ICCR (193)
2	John Harrington (21)	NY State (125)	Teamsters (49)	Walden (118)	St. Joseph (53)
3	Thomas Strobhar (18)	CalSTRS (20)	AFSCME (30)	Harrington (113)	Dominican Sisters (46)
4	Ed Foster (17)	MN Fund (15)	SEIU (30)	Calvert (102)	United Methodist (40)
5	Marie Hessler-Grisel (12)	CT Fund (15)	LongView (17)	As You Saw (78)	St. Elizabeth (40)
<i>C. CPA</i>					
1	Evelyn Davis (46)	NY State (66)	Teamsters (31)	Trillium (37)	Mercy (13)
2	James Mackie (7)	NYC Fund (63)	AFL-CIO (26)	Walden (26)	St. Joseph (5)
3	Bart Naylor (3)	CT Fund (3)	AFSCME (24)	Northstar (24)	St. Francis (5)
4	B&J Sloan (3)	NC Fund (2)	SEIU (20)	Cummings (21)	Unitarian Universal (4)
5	Ralph Spelbring (3)	Philadelphia Fund (1)	Laborers (13)	Domini (19)	Benedictine (3)

Note: a. Numbers in parentheses indicate the number of proposals submitted by each sponsor under each category. **b. Abbreviations:** UBCJA = United Brotherhood of Carpenters and Joiners of America, AFSCME = American Federation of State, County and Municipal Employees Pension Plan, IBEW = International Brotherhood of Electrical Workers, SMW = Sheet Metal Workers, SEIU = Service Employees International Union, ICCR = Interfaith Center for Corporate Responsibility.

Table A4: Campaign Contribution Patterns by Activist Shareholders

Cycle	Public Pension		Union		Religious		SRI Fund	
	Total ^a	Ratio ^b	Total	Ratio	Total	Ratio	Total	Ratio
1996	4,280.3	0.10	23,269.6	0.06	21.1	0.48	34.4	0.56
1998	4,290.9	0.08	19,542.9	0.03	29.2	0.15	66.8	0.38
2000	8,520.4	0.07	32,308.8	0.05	52.0	0.52	147.7	0.40
2002	9,450.4	0.07	32,249.9	0.04	39.2	0.21	65.1	0.35
2004	8,400.4	0.10	35,893.2	0.06	165.8	0.16	168.7	0.25
2006	7,080.7	0.12	31,092.9	0.08	114.6	0.13	196.3	0.14
2008	10,284.2	0.09	68,102.0	0.12	268.3	0.12	375.9	0.15
2010	7,511.4	0.05	41,023.7	0.11	62.2	0.20	93.1	0.15
2012	7,415.5	0.19	61,753.1	0.33	581.5	0.30	377.8	0.10
2014	5,722.0	0.12	22,967.3	0.14	132.2	0.26	208.7	0.11
Total	72,956.7	0.10	368,203.7	0.10	1,466.5	0.25	1,735.1	0.26

Note: **a.** Total contribution from each type of shareholders (in thousand US dollars) in each election cycle. **b.** Ratio of total contributions given to Republican party.

Table A5: Descriptive Statistics of Targeted and Non-Targeted Firms

	Targeted			Non-Targeted		
<i>A. Financial</i>						
	N	Median	SD.	N	Median	SD.
Assets (\$B)	3712	18.67	218.79	4768	5.39	50.64
Book Values per share (\$)	3706	15.24	18.69	4665	12.80	29.78
Liabilities (\$B)	3686	11.44	199.60	4674	2.63	45.05
Market Value (\$B)	3697	15.89	58.74	4558	6.47	20.45
Revenue (\$B)	3496	11.65	42.30	4503	3.36	12.62
Tobin Q ^a	3590	1.89	1.42	4394	2.13	3.50
Return on Assets (ROA) ^b	3599	0.051	0.068	4397	0.054	0.147
Return on Equity (ROE) ^c	3599	0.148	3.527	4397	0.137	2.379
<i>B. Governance</i>						
	N	Mean	SD.	N	Mean	SD.
Classified Board	3624	0.41	0.49	3637	0.50	0.50
Poison Pill	3624	0.28	0.45	3637	0.40	0.49
Golden Parachutes ^d	1979	0.69	0.46	1636	0.73	0.44
Supermajority to Merge	3624	0.32	0.47	3637	0.32	0.47
Majority Vote for Director Election ^d	1979	0.65	0.48	1636	0.59	0.49
Limit to Amend Bylaws	3624	0.33	0.47	3637	0.32	0.47
Limit to Amend Charter	3624	0.25	0.43	3637	0.23	0.42
Limit to Call Special Meeting	3624	0.41	0.49	3637	0.39	0.49
Limit to Act by Written Consent	3624	0.49	0.50	3637	0.46	0.50
<i>C. Political Activity</i>						
	N	Mean	SD.	N	Mean	SD.
Total Contribution (\$K)	3734	340.6	693.2	4811	86.6	280.2
CEO Contribution Republican Ratio	2133	0.65	0.40	2088	0.63	0.42
Employee Contribution Republican Ratio	3504	0.60	0.30	3890	0.59	0.36
PACs Contribution Republican Ratio	2625	0.63	0.19	1726	0.64	0.21
Total Lobbying Spending (\$K)	3734	2,591.0	4,293.3	4811	547.0	1,384.2

Note: The unit of observation is firm \times year. The variables are described in Table A1. This table compares the characteristics of firms that are targeted versus those not targeted by shareholder proposals in a given year. Targeted means a proposal was submitted in a given year, regardless of whether it was voted on. Number of observations vary by variables because there are some missing data for some financial and governance variables in some years or for certain firms. **a:** $\frac{\text{Market Value} + \text{Liabilities}}{\text{Book Value per share} + \text{Liabilities}}$. **b:** Net Income + Assets. **c:** Net Income + Shareholder's Equity. **d:** These governance variables are only available since 2007.

Table A6: Summary Statistics of Variables

Variables	Obs.	Mean	S.D.	Min.	Max.
Total Proposal	8545	1.20	2.28	0	28
Governance Proposal	8545	0.76	1.56	0	19
Social Proposal	8545	0.44	1.04	0	12
CPA Proposal	8545	0.08	0.31	0	5
(ln) Total Contribution	8545	9.39	4.08	0.00	16.70
(ln) Total Individual Cont. to Rep.	8545	7.56	4.08	0.00	15.40
(ln) Total PAC Cont. to Rep.	8545	5.50	5.60	0.00	16.32
(ln) Lobbying Spending	8545	8.02	6.86	0.00	17.71
Classified Board	7260	0.46	0.50	0	1
Poison Pill	7260	0.34	0.47	0	1
Super Majority to Merger	7260	0.32	0.47	0	1
LimitAbilitytoAmendBylaws	7260	0.33	0.47	0	1
LimitAbilitytoAmendCharter	7260	0.24	0.43	0	1
LimitAbilitytoCallSpecialMeeting	7260	0.40	0.49	0	1
LimitAbilitytoActbyWrittenConsent	7260	0.47	0.50	0	1
Asset (\$B)	8480	41.5	152.1	0.92	2,573.1
Liability (\$B)	8360	32.7	138.6	0.00	2,341.0
Market Value (\$B)	8255	23.2	43.9	0.03	626.5
Revenue (\$B)	7999	15.0	30.9	0.00	474.2
Book Value per share (\$)	8371	18.62	25.49	-141.12	640.42
Tobin's Q	7984	2.59	2.78	0.99	105.57
Return on Assets (ROA)	7996	0.06	0.12	-5.78	0.99
Return on Equity (ROE)	7996	0.15	2.95	-141.32	141.74

Note: The unit of observation is firm \times year. Proposal and governance data come from RiskMetrics. Campaign contributions and lobbying data come from the Center for Responsive Politics (www.opensecrets.org). Firm finance data come from the Compustat. For some firms, we do not have data for governance and finance and that contribute to different number of observations across variables.

Appendix B: NLRB Data and CSR Scores

NLRB Unfair Labor Practices Data

The National Labor Relations Board (NLRB) is an independent federal agency with the mission to protect workers from unfair labor practices. Employees and unions can file charges against an employer or an organization if they believe their rights under the National Labor Relations Act have been violated. We collect the data on charges alleging Unfair Labor Practices between 1996 and 2014 by scraping the NLRB website.¹ Each charge includes following information: employer name, case number, city and the state that the charge is filed, date that the charge is filed, region assigned which indicates the regional office that investigated the case, status of the charge, date that the charge is closed, reason closed, number of employees in a charged employer, and the year. We match a company ticker to each charge using an employer's name. During the period, there were 14,780 charges filed to the firms in our sample. We calculate the total number of charges filed against a given firm in a given year. On average, 7.7 charges are filed against a firm in a given year but there is significant variation in terms of the number of filed charges. For example, in 2009, there were 263 charges were filed against AT&T.

KDL CSR Scores

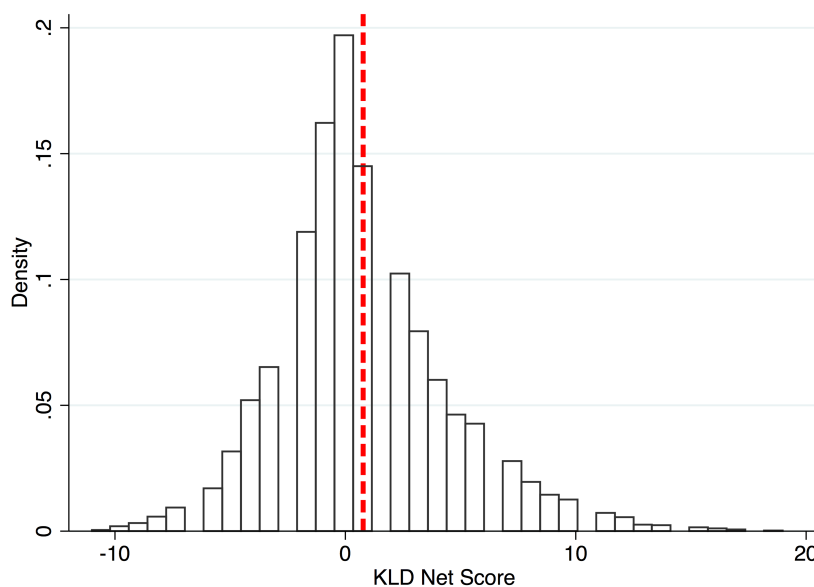
MSCI ESG KLD STATS is an annual data set of positive and negative environmental, social, and governance performance indicators. There are seven categories of issue areas and Table A7 presents the KLD attributes in each issue area that is used to create the KLD CSR scores. Figure A1 presents the distribution of KLD net scores (sum of KLD strength measure - sum of KLD concern measure).

¹<https://www.nlr.gov/news-outreach/graphs-data/recent-filings>.

Table A7: KLD Attributes within Issue Areas

Issue Area	Attribute
Community Relations Strength	Generous Giving, Innovative Giving, Support for Housing, Other Strength
Community Relations Concern	Tax Disputes, Investment Controversies, Negative Economic Impact, Other Concerns
Corporate Governance Strength	Limited Compensation, Ownership Strength, Transparency Strength, Political Accountability Strength, Other Strength
Corporate Governance Concern	High Compensation, Ownership Concern, Transparency Concern, Political Accountability Concern, Other Concern
Diversity Strength	CEO, Promotion, Board of Directors, Family Benefits, Women/Minority Contracting, Employment of the Disabled, Progressive Gay/Lesbian Policies, Other Strength
Diversity Concern	Employee Discrimination, Other Concern
Employee Relations Strength	Union Relations Strength, No Layoff Policy, Cash Profit Sharing, Involvement, Strong Retirement Benefits, Other Strength
Employee Relations Concern	Union Relations Concern, Health and Safety Concern, Workforce Reductions, Other Concern
Environment Strength	Beneficial Products & Services, Pollution Prevention, Recycling, Clean Energy, Other Strength
Environment Concern	Hazardous Waste, Regulatory Problems, Ozone Depleting Chemicals, Substantial Emissions, Agricultural Chemicals, Climate Change Policy, Other Concern
Human Rights Strength	indigenous Peoples Relations
Human Rights Concern	International Labor Concern, Indigenous Peoples Relations, Burma, Mexico, Other Concern
Product Qualities Strength	Quality, R&D/Innovation, Benefits to Economically Disadvantaged, Other Strength
Product Qualities Concern	Product Safety, Marketing/Contracting Controversy, Antitrust, Other Concern

Figure A1: Distribution of KLD CSR Net Score



Note: The dotted lines indicate the average KLD net score. The unit of observation is firm \times year.

Appendix C: Full Regression Results

Tables A8, A9, and A10 present the full regression results for Panel A, B, and C in Table 3, respectively. Tables A11, A12, and A13 present the full regression results for Panel A, B, and C in Table 4, respectively. Table A14 presents the results when firms' campaign contributions are disaggregated into contributions of CEOs, PACs, and employees other than CEOs (replication of Table 4 with disaggregated contribution variables). Table A15 presents the full regression results for Table 5.

Table A8: Corporate Political Activity and Governance Proposal Submission

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
(ln) Contribution	0.000236 (0.03)	0.00559 (0.85)	0.000468 (0.49)	-0.00665 (-1.47)	-0.0000606 (-0.07)	-0.000432 (-0.55)
Republican Ratio	-0.0310 (-0.33)	-0.104* (-1.69)	0.0242** (2.35)	0.0372 (0.93)	0.00304 (0.36)	0.000606 (0.07)
(ln) Lobbying	0.0133*** (2.82)	0.00604* (1.85)	0.000623 (0.86)	0.00433* (1.79)	0.000546 (1.21)	0.000946** (2.24)
(ln) Asset	0.501*** (3.13)	0.296** (2.41)	0.0346** (2.00)	0.108* (1.78)	0.0252 (1.61)	-0.000448 (-0.04)
Book Value	-0.00817** (-2.46)	-0.00585** (-2.49)	0.000107 (0.35)	-0.00106 (-1.11)	-0.000559 (-1.54)	-0.000258 (-0.77)
(ln) Liabilities	-0.0567 (-0.56)	-0.00622 (-0.09)	-0.00730 (-0.63)	-0.0269 (-0.67)	0.00295 (0.34)	-0.00343 (-0.39)
(ln) Market Value	-0.0767 (-0.87)	-0.128* (-1.73)	-0.0190** (-2.22)	0.0217 (0.72)	0.00604 (0.72)	0.0266*** (3.44)
(ln) Revenue	0.299*** (3.73)	0.215*** (3.60)	0.00146 (0.22)	0.0929*** (3.35)	-0.00414 (-0.52)	-0.000395 (-0.07)
Tobin's Q	0.0180 (0.96)	0.0196 (1.24)	0.00291 (1.52)	0.00345 (0.58)	-0.00101 (-0.52)	-0.00334** (-2.16)
ROA	-0.191 (-1.19)	0.0107 (0.10)	-0.00931 (-0.37)	-0.190** (-2.01)	-0.0130 (-0.70)	0.0308 (1.21)
ROE	0.000706 (0.18)	-0.0000767 (-0.03)	0.00126 (0.88)	0.00222 (1.37)	-0.000261 (-0.93)	-0.00222 (-1.64)
Classified Board	-0.0161 (-0.23)	-0.0932 (-1.63)	0.0446*** (5.22)	0.0408 (1.45)	-0.00779 (-1.10)	0.00437 (0.65)
Poison Pill	-0.293*** (-3.76)	-0.221*** (-3.61)	-0.0123 (-1.49)	-0.0148 (-0.47)	-0.0195*** (-3.02)	-0.0117** (-2.07)
Supermajority	-0.103 (-1.39)	-0.113** (-2.28)	0.00497 (0.52)	0.0168 (0.53)	-0.00974 (-1.54)	-0.00817 (-1.00)
LimitByLaw	-0.125 (-1.35)	-0.0750 (-1.03)	-0.00764 (-0.88)	-0.0518 (-1.22)	-0.0146 (-1.64)	0.0105 (1.46)
LimitCharter	-0.120 (-0.94)	-0.163 (-1.47)	0.00708 (0.46)	0.0339 (0.48)	0.00210 (0.16)	-0.00748 (-0.52)
LimitSpecialMeeting	0.0280 (0.46)	0.0601 (1.45)	-0.00754 (-1.10)	-0.0262 (-0.94)	-0.00146 (-0.21)	0.00276 (0.40)
LimitWrittenConsent	0.0193 (0.32)	-0.0166 (-0.38)	-0.00366 (-0.44)	0.0545** (2.23)	0.000723 (0.15)	-0.00593 (-1.00)
Year Fixed Effect	✓	✓	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓	✓	✓
<i>N</i>	6500	6500	6500	6500	6500	6500
adj. <i>R</i> ²	0.420	0.409	0.071	0.220	0.099	0.046

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

Table A9: Corporate Political Activity and SRI Proposal Submission

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
(ln) Contributions	-0.0115* (-1.81)	-0.00227 (-1.15)	0.0000197 (0.01)	-0.00213 (-1.28)	-0.00243 (-0.92)	-0.00216 (-1.07)
Republican Ratio	0.207*** (3.27)	-0.00976 (-0.55)	0.0607*** (3.63)	0.00272 (0.26)	0.0619** (2.57)	0.0491*** (2.61)
(ln) Lobbying	-0.00160 (-0.47)	-0.00146 (-1.11)	0.00147 (1.53)	-0.000395 (-0.47)	-0.00202 (-1.50)	0.000449 (0.26)
(ln) Asset	0.212** (2.19)	0.0413 (1.32)	-0.0107 (-0.48)	0.0332* (1.86)	0.0457 (1.12)	0.0665** (2.28)
Book Value	-0.00435** (-2.02)	-0.00178*** (-2.94)	-0.000436 (-0.84)	-0.000455 (-1.50)	-0.00115 (-1.22)	-0.000434 (-0.66)
(ln) Liabilities	-0.0348 (-0.58)	0.00307 (0.18)	0.0222 (1.37)	-0.0124 (-1.31)	0.00861 (0.33)	-0.0518*** (-2.59)
(ln) Market Value	0.173** (2.55)	0.0416* (1.79)	0.0185 (1.42)	0.00503 (0.51)	0.0195 (0.77)	0.0613*** (4.00)
(ln) Revenue	0.169** (2.57)	0.0117 (0.78)	0.00567 (0.37)	0.0229** (2.56)	0.0722*** (2.93)	0.0376 (1.63)
Tobin's Q	-0.0113 (-1.09)	-0.00343 (-0.93)	-0.000709 (-0.36)	0.000613 (0.34)	0.00163 (0.43)	-0.00476 (-1.62)
ROA	-0.187* (-1.76)	-0.00320 (-0.13)	-0.0361 (-1.45)	-0.0201 (-1.52)	-0.0408 (-0.81)	-0.0698 (-1.46)
ROE	-0.00395 (-1.01)	-0.000678 (-1.41)	0.000424 (0.51)	-0.000573** (-2.50)	-0.00190 (-1.46)	-0.000208 (-0.10)
Classified Board	-0.0957** (-2.24)	-0.0259** (-2.13)	-0.00702 (-0.58)	-0.0133* (-1.79)	-0.0217 (-1.11)	-0.0231* (-1.71)
Poison Pill	-0.133*** (-2.74)	-0.0401*** (-3.23)	-0.0169 (-1.49)	-0.000997 (-0.12)	-0.0411* (-1.85)	-0.0106 (-0.67)
Supermajority	-0.0763 (-1.55)	-0.0128 (-0.70)	-0.000774 (-0.06)	-0.0199** (-2.19)	-0.0348* (-1.90)	0.0109 (0.65)
LimitByLaw	-0.102** (-2.09)	-0.0524*** (-3.58)	0.00830 (0.52)	-0.0267** (-2.40)	-0.0392* (-1.85)	0.0148 (0.87)
LimitCharter	-0.0917 (-1.01)	-0.0453 (-1.41)	-0.0159 (-0.54)	0.0208 (0.81)	-0.0222 (-0.76)	-0.00730 (-0.23)
LimitSpecialMeeting	-0.0347 (-0.77)	-0.0158 (-1.18)	-0.0100 (-0.91)	-0.00473 (-0.56)	-0.0159 (-0.91)	0.00361 (0.26)
LimitWrittenConsent	0.00904 (0.25)	-0.00432 (-0.36)	-0.00507 (-0.41)	0.00570 (0.72)	0.0146 (0.97)	0.00600 (0.43)
Year Fixed Effect	✓	✓	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓	✓	✓
N	6500	6500	6500	6500	6500	6500
adj. R ²	0.407	0.166	0.084	0.115	0.331	0.175

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

Table A10: Corporate Political Activity and CPA Proposal Submission

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
(ln) Contributions	0.000804 (0.45)	-0.000642 (-1.10)	0.000690 (1.16)	0.000205 (0.31)	0.000549 (1.28)	0.0000917 (0.11)
Republican Ratio	0.0270* (1.85)	-0.00500 (-1.08)	0.0210*** (3.11)	-0.00310 (-0.48)	0.00500 (1.46)	0.00853 (1.23)
(ln) Lobbying	0.00112 (0.90)	-0.000501 (-1.37)	0.00134*** (2.95)	0.000138 (0.30)	-0.000151 (-0.74)	0.000576 (0.79)
(ln) Asset	0.0590** (2.03)	0.0113 (1.49)	-0.00901 (-0.68)	0.0242 (1.59)	0.000271 (0.03)	0.0295** (2.18)
Book Value	-0.000727 (-1.01)	-0.000612* (-1.80)	0.0000893 (0.25)	-0.000186 (-0.94)	-0.0000942 (-0.56)	0.000139 (0.31)
(ln) Liabilities	-0.0112 (-0.60)	-0.00138 (-0.34)	0.0130 (1.19)	-0.00391 (-0.60)	0.00120 (0.24)	-0.0211** (-2.26)
(ln) Market Value	0.00115 (0.09)	0.00370 (0.77)	-0.00296 (-0.47)	-0.00732 (-0.97)	-0.00246 (-0.84)	0.00720 (1.15)
(ln) Revenue	0.0318* (1.83)	0.00310 (0.85)	-0.00158 (-0.15)	0.0113** (2.12)	0.00549 (1.59)	0.0133 (1.49)
Tobin's Q	0.00148 (0.55)	-0.000917 (-1.03)	0.00181 (1.34)	0.00222 (1.33)	0.000606 (1.03)	-0.00148 (-1.06)
ROA	-0.0491 (-1.45)	0.00259 (0.32)	-0.000125 (-0.01)	-0.00424 (-0.47)	-0.00567 (-0.62)	-0.0423** (-2.02)
ROE	-0.000857 (-0.88)	-0.000309* (-1.72)	-0.000193 (-0.66)	-0.000436* (-1.70)	-0.000110 (-0.61)	0.000302 (0.69)
Classified Board	-0.0301** (-2.56)	-0.00567 (-1.48)	-0.00568 (-0.94)	-0.00494 (-0.97)	-0.00184 (-0.58)	-0.0115* (-1.93)
Poison Pill	-0.0105 (-0.84)	-0.00622 (-1.51)	-0.00549 (-1.21)	0.00490 (0.80)	-0.00306 (-1.02)	-0.0000393 (-0.01)
Supermajority	-0.0220 (-1.63)	0.0000378 (0.01)	-0.00837 (-1.31)	-0.0142* (-1.90)	-0.00189 (-0.42)	0.00469 (0.64)
LimitByLaw	-0.0158 (-1.16)	-0.0141*** (-2.79)	0.00388 (0.70)	-0.0120* (-1.87)	0.000593 (0.17)	0.00736 (1.15)
LimitCharter	0.0216 (1.08)	-0.00282 (-0.49)	-0.00152 (-0.15)	0.0287** (2.04)	-0.000437 (-0.08)	-0.00659 (-0.58)
LimitSpecialMeeting	-0.0180 (-1.57)	-0.00406 (-1.06)	-0.00179 (-0.40)	-0.00562 (-0.96)	-0.00332 (-1.14)	-0.00129 (-0.24)
LimitWrittenConsent	0.00398 (0.31)	0.00400 (1.05)	-0.00263 (-0.44)	0.00552 (0.89)	-0.00250 (-0.71)	-0.00434 (-0.69)
Year Fixed Effect	✓	✓	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓	✓	✓
N	6500	6500	6500	6500	6500	6500
adj. R^2	0.180	0.047	0.052	0.089	0.023	0.090

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

Table A11: Difference in Political Preference and Shareholder Proposal Submission: Governance Proposal

	(1) Public Pension	(2) Labor	(3) Religious	(4) SRI Fund
(ln) Firm Contribution	0.000625 (0.71)	-0.00585 (-1.49)	0.000271 (0.30)	-0.000516 (-0.66)
(ln) Shareholder Contribution	0.00996*** (5.49)	0.0307*** (11.12)	0.00794* (1.82)	0.00790*** (2.77)
Firm's Republican Leaning	0.0159 (1.50)	0.00909 (0.26)	-0.0107 (-1.16)	0.00610 (0.65)
(ln) Firm Lobbying	0.000416 (0.62)	0.00256 (1.25)	0.000482 (1.07)	0.000913** (2.20)
(ln) Asset	0.0328** (2.02)	0.0933* (1.89)	0.0236 (1.51)	-0.00120 (-0.10)
Book Value	0.000105 (0.37)	-0.000833 (-1.08)	-0.000571 (-1.57)	-0.000260 (-0.84)
(ln) Liabilities	-0.00919 (-0.83)	-0.0262 (-0.81)	0.00317 (0.37)	-0.00294 (-0.34)
(ln) Market Value	-0.0182** (-2.31)	0.0121 (0.47)	0.00599 (0.73)	0.0256*** (3.40)
(ln) Revenue	0.000540 (0.09)	0.0718*** (3.17)	-0.00448 (-0.56)	-0.00148 (-0.27)
Tobin's Q	0.00260 (1.47)	0.00273 (0.54)	-0.00104 (-0.55)	-0.00324** (-2.16)
ROA	-0.00753 (-0.30)	-0.129 (-1.61)	-0.0110 (-0.59)	0.0329 (1.27)
ROE	0.00138 (0.99)	0.00175 (1.26)	-0.000232 (-0.82)	-0.00225 (-1.58)
Classified Board	0.0418*** (5.13)	0.0374 (1.57)	-0.00713 (-1.02)	0.00506 (0.78)
Poison Pill	-0.0101 (-1.29)	-0.00548 (-0.21)	-0.0194*** (-3.06)	-0.0123** (-2.22)
Supermajority	0.00703 (0.77)	0.0196 (0.73)	-0.00823 (-1.32)	-0.00783 (-0.99)
LimitByLaw	-0.00700 (-0.86)	-0.0416 (-1.13)	-0.0141 (-1.60)	0.00967 (1.38)
LimitCharter	0.00414 (0.29)	-0.00924 (-0.15)	0.000904 (0.07)	-0.00643 (-0.46)
LimitSpecialMeeting	-0.00646 (-0.98)	-0.0190 (-0.79)	-0.00126 (-0.18)	0.00280 (0.41)
LimitWrittenConsent	-0.00287 (-0.37)	0.0496** (2.38)	0.000809 (0.17)	-0.00607 (-1.04)
<i>N</i>	6500	6500	6500	6500
adj. <i>R</i> ²	0.091	0.268	0.102	0.053

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

Table A12: Difference in Political Preference and Shareholder Proposal Submission: Social Proposal

	(1) Public Pension	(2) Labor	(3) Religious	(4) SRI Fund
(ln) Firm Contribution	-0.0000167 (-0.01)	-0.00198 (-1.23)	-0.00217 (-0.84)	-0.00203 (-1.14)
(ln) Shareholder Contribution	0.0232*** (9.39)	0.00631*** (6.92)	0.0531*** (4.03)	0.0462*** (8.54)
Firm's Republican Leaning	0.0616*** (3.99)	-0.00222 (-0.22)	0.0690*** (3.19)	0.0494*** (2.93)
(ln) Firm Lobbying	0.000985 (1.24)	-0.000751 (-0.90)	-0.00242* (-1.81)	0.000238 (0.17)
(ln) Asset	-0.0145 (-0.74)	0.0302* (1.76)	0.0370 (0.97)	0.0612** (2.40)
Book Value	-0.000439 (-1.01)	-0.000410 (-1.42)	-0.00121 (-1.52)	-0.000450 (-0.86)
(ln) Liabilities	0.0178 (1.31)	-0.0122 (-1.35)	0.0115 (0.46)	-0.0491*** (-2.74)
(ln) Market Value	0.0208* (1.84)	0.00311 (0.33)	0.0214 (0.94)	0.0542*** (4.02)
(ln) Revenue	0.00267 (0.21)	0.0186** (2.20)	0.0656*** (3.19)	0.0325 (1.59)
Tobin's Q	-0.00141 (-0.85)	0.000468 (0.28)	0.00156 (0.45)	-0.00422 (-1.58)
ROA	-0.0336 (-1.33)	-0.00788 (-0.61)	-0.0350 (-0.74)	-0.0548 (-1.25)
ROE	0.000718 (0.58)	-0.000667*** (-3.05)	-0.00174 (-1.41)	-0.000404 (-0.26)
Classified Board	-0.0143 (-1.43)	-0.0140** (-1.97)	-0.0198 (-1.06)	-0.0182 (-1.49)
Poison Pill	-0.0120 (-1.27)	0.000886 (0.11)	-0.0425** (-2.10)	-0.0139 (-1.00)
Supermajority	0.00331 (0.29)	-0.0194** (-2.26)	-0.0287* (-1.68)	0.0141 (0.94)
LimitByLaw	0.00976 (0.73)	-0.0246** (-2.29)	-0.0367* (-1.77)	0.00958 (0.61)
LimitCharter	-0.0223 (-0.86)	0.0121 (0.48)	-0.0276 (-0.95)	-0.00190 (-0.06)
LimitSpecialMeeting	-0.00773 (-0.79)	-0.00329 (-0.40)	-0.0159 (-0.94)	0.00435 (0.34)
LimitWrittenConsent	-0.00300 (-0.28)	0.00472 (0.62)	0.0163 (1.17)	0.00487 (0.39)
<i>N</i>	6500	6500	6500	6500
adj. <i>R</i> ²	0.150	0.133	0.357	0.217

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level.

Table A13: Difference in Political Preference and Shareholder Proposal Submission: CPA Proposal

	(1) Public Pension	(2) Labor	(3) Religious	(4) SRI Fund
(ln) Firm Contribution	0.000538 (0.90)	0.000240 (0.36)	0.000564 (1.36)	0.000227 (0.29)
(ln) Shareholder Contribution	0.00517*** (3.18)	0.00369*** (5.18)	0.00261 (1.14)	0.0166*** (4.71)
Firm's Republican Leaning	0.0283*** (3.69)	-0.00336 (-0.50)	0.00526 (1.51)	0.00413 (0.59)
(ln) Firm Lobbying	0.00123*** (2.92)	-0.0000660 (-0.15)	-0.000171 (-0.84)	0.000504 (0.79)
(ln) Asset	-0.00972 (-0.76)	0.0225 (1.51)	-0.000173 (-0.02)	0.0276** (2.23)
Book Value	0.0000894 (0.26)	-0.000159 (-0.83)	-0.0000971 (-0.60)	0.000133 (0.34)
(ln) Liabilities	0.0121 (1.16)	-0.00377 (-0.59)	0.00135 (0.27)	-0.0202** (-2.33)
(ln) Market Value	-0.00228 (-0.38)	-0.00837 (-1.12)	-0.00237 (-0.83)	0.00468 (0.82)
(ln) Revenue	-0.00255 (-0.25)	0.00875* (1.75)	0.00517 (1.53)	0.0117 (1.46)
Tobin's Q	0.00165 (1.30)	0.00214 (1.33)	0.000603 (1.03)	-0.00130 (-1.00)
ROA	-0.000103 (-0.01)	0.00258 (0.28)	-0.00538 (-0.59)	-0.0368* (-1.82)
ROE	-0.000124 (-0.32)	-0.000491** (-1.98)	-0.000102 (-0.57)	0.000237 (0.75)
Classified Board	-0.00756 (-1.34)	-0.00542 (-1.10)	-0.00175 (-0.55)	-0.00974* (-1.79)
Poison Pill	-0.00449 (-1.04)	0.00593 (1.00)	-0.00312 (-1.05)	-0.00108 (-0.18)
Supermajority	-0.00769 (-1.22)	-0.0139* (-1.93)	-0.00158 (-0.36)	0.00599 (0.87)
LimitByLaw	0.00418 (0.77)	-0.0108* (-1.74)	0.000710 (0.20)	0.00557 (0.91)
LimitCharter	-0.00280 (-0.29)	0.0237* (1.75)	-0.000708 (-0.13)	-0.00487 (-0.46)
LimitSpecialMeeting	-0.00134 (-0.30)	-0.00483 (-0.84)	-0.00331 (-1.14)	-0.000954 (-0.19)
LimitWrittenConsent	-0.00207 (-0.36)	0.00498 (0.82)	-0.00241 (-0.69)	-0.00478 (-0.83)
<i>N</i>	6500	6500	6500	6500
adj. <i>R</i> ²	0.068	0.101	0.025	0.115

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding corporate political activity (CPA) is under the category of Social proposal.

Table A14: Difference in Republican Contribution Ratio and Shareholder Proposal Submission: Disaggregating Firms' Contributions by CEOs, PACs, and Employees

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious	SRI Fund
A. Governance				
(ln) Firm Contribution	0.000668 (0.73)	-0.00647 (-1.63)	0.000689 (0.74)	-0.000383 (-0.46)
(ln) Shareholder Contribution	0.0101*** (5.26)	0.0292*** (8.76)	0.00841* (1.93)	0.00853*** (2.77)
Δ (CEO - Shareholder) Republican Ratio	-0.00925 (-0.93)	-0.0403 (-1.19)	0.000298 (0.03)	0.00198 (0.25)
Δ (PAC - Shareholder) Republican Ratio	0.00551 (0.20)	0.0994 (1.38)	-0.0343 (-1.55)	-0.0103 (-0.48)
Δ (Employee - Shareholder) Republican Ratio	0.0154 (1.44)	0.00822 (0.29)	-0.0135* (-1.72)	0.00390 (0.47)
(ln) Lobbying	0.000401 (0.60)	0.00222 (1.08)	0.000552 (1.23)	0.000950** (2.27)
B. Social				
(ln) Firm Contribution	-0.000723 (-0.55)	-0.00202 (-1.27)	-0.00343 (-1.31)	-0.00207 (-1.15)
(ln) Shareholder Contribution	0.0208*** (8.58)	0.00611*** (5.50)	0.0510*** (4.01)	0.0440*** (7.82)
Δ (CEO - Shareholder) Republican Ratio	-0.00602 (-0.42)	0.00243 (0.22)	-0.00862 (-0.39)	0.000399 (0.02)
Δ (PAC - Shareholder) Republican Ratio	0.139*** (3.82)	0.00858 (0.36)	0.233*** (4.10)	0.0699* (1.85)
Δ (Employee - Shareholder) Republican Ratio	0.0258* (1.85)	-0.00591 (-0.57)	0.0127 (0.70)	0.0137 (0.79)
(ln) Lobbying	0.000618 (0.79)	-0.000777 (-0.94)	-0.00304** (-2.23)	0.0000576 (0.04)
C. CPA				
(ln) Firm Contribution	0.0000883 (0.14)	0.000266 (0.38)	0.000591 (1.47)	0.000461 (0.59)
(ln) Shareholder Contribution	0.00381** (2.59)	0.00383*** (4.38)	0.00255 (1.10)	0.0174*** (4.60)
Δ (CEO - Shareholder) Republican Ratio	0.00291 (0.42)	-0.00263 (-0.36)	0.00931** (2.23)	0.00397 (0.45)
Δ (PAC - Shareholder) Republican Ratio	0.0635*** (3.90)	-0.00534 (-0.35)	0.00526 (0.58)	-0.00641 (-0.32)
Δ (Employee - Shareholder) Republican Ratio	0.0155** (2.20)	-0.000559 (-0.07)	-0.00364 (-1.00)	-0.00622 (-0.83)
(ln) Lobbying	0.00108*** (2.66)	-0.0000581 (-0.13)	-0.000172 (-0.85)	0.000519 (0.82)
Firm Characteristics Control	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓
N	6500	6500	6500	6500

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding corporate political activity (CPA) is under the category of Social proposal. All variables regarding corporate political activity use the lagged value from the previous year.

Table A15: Difference in Political Preference and Shareholder Proposal Submission on Social Issues - Including Labor Disputes and KLD CSR Scores

	(1) Public Pension	(2) Labor	(3) Religious	(4) SRI Fund
No. NLRB Labor Dispute	0.000709** (2.07)	0.000247 (0.35)	0.000829 (0.72)	0.00370*** (5.18)
KLD CSR Score	-0.00670*** (-3.77)	-0.000664 (-0.47)	-0.0123*** (-3.54)	-0.000336 (-0.13)
(ln) Firm Contribution	-0.000400 (-0.25)	-0.00289 (-1.45)	-0.00464* (-1.75)	-0.00250 (-1.13)
(ln) Shareholder Contribution	0.0234*** (8.98)	0.00536*** (5.97)	0.0531*** (3.79)	0.0453*** (8.07)
Firm's Republican Leaning	0.0493*** (3.08)	-0.000431 (-0.04)	0.0590** (2.54)	0.0418** (2.07)
(ln) Firm Lobbying	0.00102 (1.09)	-0.000611 (-0.66)	-0.000862 (-0.62)	0.000000168 (0.00)
(ln) Asset	-0.0225 (-1.05)	0.0264 (1.35)	0.0300 (0.73)	0.0263 (0.90)
Book Value	-0.000592 (-1.00)	-0.000266 (-0.62)	-0.00139 (-1.48)	-0.000256 (-0.34)
(ln) Liabilities	0.0245* (1.69)	-0.00900 (-0.85)	0.0160 (0.60)	-0.0273 (-1.36)
(ln) Market Value	0.0311** (2.47)	0.0112 (1.12)	0.0275 (1.13)	0.0763*** (4.71)
(ln) Revenue	0.00306 (0.24)	0.0205** (2.06)	0.0678*** (2.98)	0.0379 (1.57)
Tobin's Q	-0.00228 (-1.29)	0.000354 (0.22)	0.000230 (0.07)	-0.00226 (-0.78)
ROA	-0.0226 (-0.76)	-0.0143 (-0.99)	0.00383 (0.07)	-0.0423 (-0.78)
ROE	0.000548 (0.40)	-0.000594*** (-2.72)	-0.00141 (-1.32)	-0.000919 (-0.44)
Classified Board	-0.0128 (-1.13)	-0.0136* (-1.65)	-0.0199 (-0.96)	-0.0174 (-1.22)
Poison Pill	-0.00777 (-0.70)	-0.00242 (-0.27)	-0.0384* (-1.76)	-0.00547 (-0.34)
Supermajority	0.0171 (1.29)	-0.0215** (-2.23)	-0.0304 (-1.63)	0.0171 (1.02)
LimiByLaw	0.00935 (0.67)	-0.0293** (-2.39)	-0.0390* (-1.74)	0.00452 (0.26)
LimitByCharter	-0.0233 (-0.85)	0.0176 (0.64)	-0.0286 (-0.96)	0.00649 (0.21)
LimitSpecialMeeting	-0.00997 (-0.96)	-0.00473 (-0.53)	-0.0147 (-0.85)	0.00540 (0.38)
LimitWrittenConsent	-0.00532 (-0.47)	0.00467 (0.54)	0.0163 (1.06)	0.00639 (0.47)
Firm Characteristics Control	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓
<i>N</i>	5285	5285	5285	5285
adj. <i>R</i> ²	0.165	0.147	0.384	0.237

Note: The unit of observation is firm × year. Numbers in parentheses are t-statistics. **p* < 0.10, ***p* < 0.05, ****p* < 0.01. Errors are clustered at firm level.

Appendix D: Robustness Checks

Table A16 presents the results when we do not use an imputation for a variable *Republican Ratio* for firms that did not contribute at all in a given year. The results are based on observations with a positive campaign contribution. These results are substantially similar to Table 3 in the main text. Table A17 presents the results when we use the total contributions given to Republican to measure the political preference of firms, instead of the ratio of Republican contributions. In this exercise, firms that did not contribute at all in a given year have zero total contribution and we do not need to impute the variable. The main results are robust. Table A18 presents the result when the main independent variable is the difference in the Republican contribution ratio between a firm and a specific shareholder and when we use a firm fixed effect as a robustness check for the results in Table 4. Table A19 presents the results when we include a shareholder fixed effect as a robustness check for the results in Table 4 to address some potential endogeneity issue originated from omitted or unobservable characteristics of shareholders that submitted proposals.

Table A16: Corporate Political Activity and Shareholder Proposal Submission - Firms with Positive Contributions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
A. Governance						
(ln) Contribution	0.0594** (2.52)	0.0315* (1.77)	0.00274 (1.22)	0.0159* (1.81)	0.00318 (1.64)	0.000356 (0.17)
Republican Ratio	-0.0713 (-0.73)	-0.128** (-1.97)	0.0230** (2.13)	0.0187 (0.45)	0.00292 (0.33)	0.00133 (0.15)
(ln) Lobbying Spending	0.00737 (1.30)	0.00178 (0.46)	0.000700 (0.86)	0.00383 (1.33)	0.000492 (1.01)	0.000613 (1.25)
B. Social						
(ln) Contribution	0.0186 (1.15)	-0.000376 (-0.07)	0.00247 (0.63)	0.00168 (0.56)	0.00552 (0.90)	0.00600 (1.20)
Republican Ratio	0.201*** (2.98)	-0.0118 (-0.64)	0.0628*** (3.61)	0.00655 (0.58)	0.0549** (2.15)	0.0448** (2.23)
(ln) Lobbying Spending	-0.00243 (-0.70)	-0.00102 (-0.76)	0.00122 (1.17)	-0.000310 (-0.40)	-0.00174 (-1.36)	-0.000479 (-0.25)
C. CPA						
(ln) Contribution	0.0133*** (3.25)	-0.000241 (-0.23)	0.00438** (2.43)	0.00214 (1.23)	0.00220** (2.08)	0.00273 (1.18)
Republican Ratio	0.0288* (1.90)	-0.00509 (-1.04)	0.0215*** (3.08)	-0.00132 (-0.20)	0.00508 (1.40)	0.00821 (1.12)
(ln) Lobbying Spending	-0.000190 (-0.15)	-0.000369 (-0.99)	0.00106** (2.19)	-0.000318 (-0.59)	-0.000416** (-1.99)	0.000176 (0.21)
Firm Characteristics Control	✓	✓	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓	✓	✓
<i>N</i>	5866	5866	5866	5866	5866	5866

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding corporate political activity (CPA) is under the category of Social proposal. All variables regarding corporate political activity use the lagged value from the previous year.

Table A17: Corporate Political Activity and Shareholder Proposal Submission - Using Total Contribution Given to Republicans, not the Ratio of Republican Contributions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious	SRI Fund
A. Governance						
(ln) Total Contribution	0.000805 (0.07)	0.00745 (0.91)	-0.00229 (-1.26)	-0.00313 (-0.54)	-0.000851 (-0.82)	-0.00147 (-1.33)
(ln) Contribution to Republicans	-0.00124 (-0.12)	-0.00412 (-0.59)	0.00341** (2.05)	-0.00295 (-0.59)	0.000898 (1.00)	0.00110 (1.33)
(ln) Lobbying Spending	0.0134*** (2.82)	0.00623* (1.89)	0.000501 (0.70)	0.00440* (1.80)	0.000516 (1.14)	0.000910** (2.16)
B. Social						
(ln) Total Contribution	-0.0218*** (-3.00)	-0.00206 (-0.86)	-0.00253 (-1.38)	-0.00268 (-1.37)	-0.00438 (-1.49)	-0.00357 (-1.37)
(ln) Contribution to Republicans	0.0151** (2.37)	-0.000430 (-0.24)	0.00395** (2.19)	0.000638 (0.53)	0.00333 (1.30)	0.00251 (1.00)
(ln) Lobbying Spending	-0.00218 (-0.63)	-0.00144 (-1.10)	0.00132 (1.35)	-0.000417 (-0.49)	-0.00215 (-1.61)	0.000345 (0.20)
C. CPA						
(ln) Total Contribution	-0.00213 (-0.94)	-0.000208 (-0.33)	-0.000585 (-0.68)	0.000192 (0.20)	-0.0000245 (-0.06)	-0.000912 (-0.96)
(ln) Contribution to Republican	0.00365** (2.00)	-0.000562 (-1.52)	0.00178** (2.32)	-0.0000501 (-0.06)	0.000709** (2.28)	0.00124* (1.66)
(ln) Lobbying Spending	0.000990 (0.79)	-0.000480 (-1.31)	0.00128*** (2.82)	0.000141 (0.30)	-0.000176 (-0.86)	0.000533 (0.72)
Firm Characteristics Control	✓	✓	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓	✓	✓
Industry Fixed Effect	✓	✓	✓	✓	✓	✓
N	6500	6500	6500	6500	6500	6500

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding corporate political activity (CPA) is under the category of Social proposal. All variables regarding corporate political activity use the lagged value from the previous year.

Table A18: Difference in Republican Contribution Ratio and Shareholder Proposal Submission - Firm Fixed Effect

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious	SRI Fund
A. Governance				
(ln) Firm Contribution	-0.000372 (-0.30)	-0.00112 (-0.32)	0.000528 (0.40)	-0.000887 (-1.22)
(ln) Shareholder Contribution	0.00795*** (4.18)	0.0184*** (6.95)	0.00272 (0.50)	0.00407 (1.30)
Firms' Republican Leaning	0.0305** (2.09)	0.00885 (0.23)	-0.0148 (-1.35)	0.00120 (0.12)
(ln) Firm Lobbying	0.000441 (0.47)	-0.000961 (-0.39)	0.000650 (1.14)	0.00121* (1.92)
B. Social				
(ln) Firm Contribution	-0.000916 (-0.46)	0.00110 (1.01)	0.00209 (0.67)	-0.000450 (-0.20)
(ln) Shareholder Contribution	0.0172*** (7.10)	0.00515*** (5.39)	0.0258*** (2.83)	0.0311*** (5.43)
Firms' Republican Leaning	0.0269* (1.68)	-0.0152 (-1.40)	0.0358* (1.74)	0.0405** (2.25)
(ln) Firm Lobbying	0.000683 (0.62)	0.00135* (1.67)	0.000454 (0.33)	0.000114 (0.07)
C. CPA				
(ln) Firm Contribution	0.000231 (0.34)	-0.000444 (-0.66)	0.000402 (0.55)	0.000718 (0.65)
(ln) Shareholder Contribution	0.00340*** (2.72)	0.00334*** (4.24)	0.00293 (1.27)	0.0126*** (3.56)
Firms' Republican Leaning	0.0186*** (2.99)	-0.0140* (-1.89)	0.00762 (1.63)	0.00442 (0.45)
(ln) Firm Lobbying	0.000626* (1.73)	0.000662 (1.18)	-0.0000416 (-0.16)	0.0000788 (0.12)
Firm Characteristics Control	✓	✓	✓	✓
Year Fixed Effect	✓	✓	✓	✓
Firm Fixed Effect	✓	✓	✓	✓
<i>N</i>	6500	6500	6500	6500

Note: The unit of observation is firm \times year. Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at firm level. Proposals regarding corporate political activity (CPA) is under the category of Social proposal. All variables regarding corporate political activity use the lagged value from the previous year.

Table A19: Difference in Republican Contribution Ratio and Shareholders' Social Proposal Submission - Shareholder Fixed Effect

	(1) Social	(2) Social	(3) CPA
(ln) Firm Contribution	0.00202 (0.63)	0.00231 (0.70)	0.00350* (1.97)
(ln) Shareholder Contribution	-0.00198** (-2.05)	-0.00200** (-2.19)	0.00179 (1.46)
Firms' Republican Leaning	0.0544** (2.06)	-0.0174 (-0.69)	-0.0192 (-0.78)
CPA Submission \times Firms' Republican Leaning		0.187*** (4.34)	
(ln) Firm Lobbying Spending	-0.000702 (-0.64)	-0.000950 (-0.84)	0.00266** (2.05)
Firm Characteristics Control	✓	✓	✓
Year Fixed Effect	✓	✓	✓
Shareholder Fixed Effect	✓	✓	✓
N	4126	4126	4126
adj. R^2	0.615	0.620	0.170

Note: Numbers in parentheses are t-statistics. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Errors are clustered at shareholder level. Proposals regarding corporate political activity (CPA) is under the category of social proposal. All variables regarding corporate political activity use the lagged value from the previous year. The unit of observation is firm \times shareholder \times year for non-individual shareholders who submitted at least one proposal to a firm in a given year. For each unit of observation, we observe whether a shareholder submitted a governance or social proposal. Because of this structure of the data at the shareholder level, regression result on governance proposal is the exact opposite of the regression result on social proposal, and that is why we do not report the results on governance proposal submission.