

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

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Abstract

This article reveals the positions of corporations not only as active players in politics but also as targets of activist shareholders with opposing political preferences. We examine whether a firm's political orientation, as measured by its political spending, serves as a driver of shareholder proposal submissions, one manifestation of shareholder activism. Using data on S&P 500 companies from 1997 through 2014, we find that the divergence in political orientations between shareholders and corporate management is strongly associated with the number of 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 prompts shareholders with strong political preferences to target firms on the opposite end of the political spectrum.

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1 Introduction

Controversies over corporate political spending have intensified in recent years, especially after the US Supreme Court struck down a federal law banning corporations' campaign spending for or against expressly identified candidates (*Citizens United v. Federal Election Commission*, 130 S.Ct. 876, 558 U.S. 310 (2010)). The fierce public reaction to the decision focused mostly on its potentially negative consequences, such as corporations' excessive influence over American democracy through a drastic increase in their political expenditures.¹ Ironically, in contrast to those concerns, our extensive dataset on corporate political spending shows that companies have not increased their political spending 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 restrained by the pressure of shareholder oversight.

Along with shareholders' escalated engagement in corporate political spending through shareholder proposal submissions², corporate political activity (CPA) has also received substantial attention from academics. Recent literature has documented the relationship between a firm's lobbying and 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, however, has been "outcome-focused" rather than "process-focused." Although the literature has revealed the relationship between a firm's CPA and various measurements of corporate outcomes, the impact of CPA on internal corporate governance processes has been largely overlooked. We know little about how shareholders react to companies' political engagement and whether internal

¹See e.g., *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 elections and intimidate elected officials into doing their bidding." January 20, 2010 (<http://www.nytimes.com/2010/01/22/opinion/22fri1.html>) (accessed May 18, 2017).

²During the 2014 and 2015 proxy seasons, the most common topic in proposals submitted by shareholders was political contributions and lobbying activities. These easily outpaced corporate governance issues, such as appointing an independent chairman and declassifying board of directors. See Lane et al. (2015).

shareholder responses influence the companies' overall political involvement in return.

Understanding the impact of political spending on the internal governance dynamics between shareholders and management is important, especially because shareholders currently do not have voting rights to approve or reject CPA. In general, management unilaterally determines whether, how, when, and where to spend corporate money (Bebchuk and Jackson 2010). Unlike traditional membership-based organizations that often require members' approval of the organization's involvement in politics, corporations have no members in the ordinary sense and the issue of representation could be exacerbated (Schlozman et al. 2015). For example, if managers make political contributions to advance their own interests rather than the shareholders', these contributions might create an agency problem (Agrawal and Knoeber 1996; Bebchuk and Fried 2003).

Shareholder voting traditionally functions as both *ex ante* (e.g., shareholder approval requirements) and *ex post* (e.g., director elections) measures to check boards of directors. Along with the rise of shareholder activism, shareholder proposals have become another effective tool for shareholder engagement. Beyond voting on the agendas proposed by management, shareholders can also proactively suggest voting agendas on a wide range of issues by submitting these shareholder proposals. Once a shareholder proposal is submitted, management can exclude it from a voting ballot only under very limited circumstances (17 CFR 240. 14a-8 (i)). Although shareholder proposals typically are not legally binding, management tends to be attentive to shareholder proposals to prevent further conflicts with shareholders.³ For instance, management occasionally will settle with a proponent of a shareholder proposal by accepting part or all of the requests in the proposal in order to make the shareholder withdraw the proposal before it is voted on (Haan 2016). As such, a submission of a shareholder proposal itself already puts 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 responses.

To advance our understanding of this relationship between CPA and shareholder proposals, we examine how firms' lobbying and campaign contribution patterns are associated with shareholder

³The only exception is a shareholder proposal to amend bylaws, which becomes legally binding once approved by shareholders.

proposal submissions, as one type of shareholder activism that delivers shareholders' voices to management. Given that a shareholder proposal submission is relatively less costly compare to other types of shareholder engagements and thus available to a much broader range of shareholders, the number of shareholder proposals submitted to a company can serve as a useful parameter to ascertain how various shareholders react to CPA.

We collected data on S&P 500 companies from 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. To measure corporate political activity, we gathered three levels of campaign contributions: CEO contributions, non-CEO employee contributions, and companies' Political Action Committees' (PACs) contributions, and also added companies' lobbying expenditures. To measure shareholders' political activity, we collected campaign contribution records of non-individual shareholders like pension funds who submitted shareholder proposals. This allows us to directly compare the divergence in political preference reflected in campaign contributions between a company and its non-individual shareholders.

We find that shareholders that are politically active are more likely to submit shareholder proposals. We also find that shareholders who display a larger divergence in political orientation from management submit shareholder proposals much more actively. Specifically, Republican-leaning firms, measured by total campaign contributions by CEOs, non-CEO employees, and firm's PACs, 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 who submitted the proposals are much more Democratic-leaning compared with the management of the firms they target.

Why is the divergence in political preference between firms and their shareholders associated with the submission of shareholder proposals on social issues? It is possible that corporate political spending reveals information not limited to the firms' political involvement. It could extend to other types of corporate policies that shareholders may use to gauge the management's practices

and policies. Recent studies suggest that firms where top managers heavily contribute to Republican party are more likely to become targets of civil rights, labor, and environmental litigation than their Democratic counterparts (Hutton, Jiang, and Kumar 2015), and that 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 differences in CSR practices across companies are the main driver of these shareholder proposal submissions. First, to measure labor relations at the firm level, we collect the number of Unfair Labor Practice charges submitted to the National Labor Relations Board from 1997 through 2014. Second, we use the Kinder, Lyndberg, Domini Research & Analytics (KLD) STATS dataset to measure each firm's CSR practices. We find that companies that have faced more Unfair Labor Practice charges and had lower CSR records received 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 a significant trigger of shareholder proposal submissions on social issues. Put differently, when companies have similar CSR records and similar management-labor relationships, shareholders tend to submit more shareholder proposals to companies with opposing political preferences.

Combined, politically active, Democratic-leaning shareholders' activism seems to be driven by their ideological differences with management. This type of activism could be triggered by self-interested public pension board members or fund trustees to pursue their own political careers (Romano 1993). Shareholders such as religious groups often opine on social issues including gun controls (Moyer 2018). These shareholders may perceive that Republican-leaning firms may not maximize their welfare if these firms support candidates who pursue policies adverse to their interests (Hart and Zingales 2017).

Our study implies that increasing CPA could lead to more activism by shareholders whose po-

litical preferences are not aligned with firms' management. This internal constraint could explain why publicly traded firms, especially Republican-leaning firms, did not sharply increase their political involvement after the *Citizens United*. As such, this article reveals corporations' statuses not only as active players in politics but, in reverse, as targets of activist shareholders with strong political preferences.

2 Corporate Political Activity and Shareholder Response

On January 21, 2010, the Supreme Court Decision of *Citizens United v. Federal Election Commission* (hereinafter, *Citizens United*) struck down traditional campaign finance law that prevented corporations and unions from using their coffers to sponsor campaign activities during campaigns. 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 incident of Target Corporation spending \$150,000 in support of Minnesota gubernatorial candidate Tom Emmer in the 2010 midterm election - immediately after the *Citizens United* decision - seemed to support this prediction (Kang 2012). However, data do not support the prediction. Most campaign contributions to candidates come from individuals (Ansolabehere, de Figueiredo, and Snyder 2003) and only a small number of publicly traded corporations contributed to super PACs (Mayersohn 2014).

Although there has been less corporate involvement in elections than expected, shareholder proposals on corporate political spending markedly increased after *Citizens United*, becoming the most frequent agenda item for shareholder proposal submissions 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. Regarding the contents of the proposals, 112 of the 126 shareholder proposals on corporate political

spending in 2014 requested greater disclosure, and six proposals asked for board oversight or required shareholder approval of all political spending, and eight proposals called for a complete ban of corporate political spending (Welsh and Passoff 2014).

Among the top 300 largest companies in the S&P 500 list, 160 companies formally received shareholder proposals on corporate political spending and 99 of them have reached an agreement with shareholders to disclose their direct and indirect political spending (Freed 2014). Also, some companies voluntarily disclose their political spending partially or in full even without a history of shareholder proposals requesting the disclosure.

Why have shareholders actively submitted proposals to request more disclosure on CPA in recent years? First, shareholder proposals can make companies disclose more detailed CPA information, which the companies would not have otherwise voluntarily disclosed. Despite the expansion of voluntary disclosures on corporate political spending, some scholars have expressed concerns about its low quality and the costly process of comparing data across companies due to the lack of uniformity of information in companies' voluntary disclosures (Bebchuk and Jackson 2013). In particular, they argue that although federal and state laws require firms to disclose their contributions to candidates and independent expenditure organizations, the public has no information about contributions from companies to trade associations and the US Internal Revenue Code Section 501(c) social welfare groups because these entities do not need to disclose their donors' identities.

Second, CPA disclosure can provide an opportunity for shareholders to learn more about the political preferences of firms. Given that scholars have documented the self-interest-driven shareholder activism by public pension funds and labor unions (Romano 1993; Agrawal 2011), differences in political preferences between these shareholders and management can loom large. For those shareholders, a company's increased political involvement is likely to affect their interests either negatively or positively. For instance, if 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, the company's CPA conflicts with

those shareholders' interests.

Third, CPA disclosure can also provide supplemental information on companies' policies beyond their involvement in politics. Recent studies present evidence that a firm's political culture 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 more likely 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 practices and firms' policies, CPA disclosure can trigger more activism among shareholders with opposing political preferences.

The fact that management's partisan orientation is associated with a company's policies on labor, environment, and CSR practices has an important implication for contemporary shareholder activism because socially responsible investment (SRI) - an investment based on ethical, moral, and/or religious principles - has grown significantly in recent years. Based on the principle 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 preference can be an indicator of the firm's policies on issues that certain shareholders prioritize, activist shareholders will generate tension with management over those policies.

As noted in a recent study by Hart and Zingales (2017), some shareholders prioritize social welfare over shareholder value maximization, and shareholder voting is an effective way to incorporate shareholders' preferences into the companies' policies. Given the growing emphasis on shareholder engagement in corporate social policies, our study provides empirical evidence to shed light on a 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 ISS (formerly RiskMetrics) for shareholder proposal data. This data includes, for instance, whether a proposal addresses issues of corporate governance or social issues, the proponent of the proposal and proponent type, the status of the proposal (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 from 1997 through 2014.⁴ While previous studies have looked mostly at proposals on corporate governance, our data also cover a wide range of proposals on social issues including corporate political spendings and environmental issues. Given that the number of shareholder proposals on social issues has been increasing, it is important to include shareholder proposals on social issues to fully understand shareholder activism. This comprehensive dataset allows us to discern similarities and differences across the various types of proposals in terms of the target firms' characteristics.

Also, previous studies on shareholder proposals have mainly focused on voting results. Significant numbers of shareholder proposals, however, have been either voluntarily withdrawn by sponsors or involuntarily excluded by companies before a shareholder voting. Which submitted shareholder proposals are voted on is not randomly determined. Companies can exclude or omit shareholder proposals only based on the procedural and substantive reasons under the SEC Rule 14a-8, generally with the concurrence of the SEC.⁵ In addition, company-specific characteristics such as managements' ability to settle with shareholders can explain some withdrawals of shareholder proposals before being voted on.(Haan 2016) Thus, examination of only voted proposals may overlook this potential selection bias and we use all shareholder proposal submissions to see

⁴The 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.

⁵See 17 CFR 240.14a-8. Companies seek to exclude a shareholder proposal generally request a "no-action letter" from the SEC staff. Granting of no-action letter indicates that "the SEC staff would not recommend the Commission enforcement action against the requester" based on the issue. See U.S. Securities and Exchange Commission, No Action Letters, available at <https://www.sec.gov/fast-answers/answersnoactionhtm.html> (accessed on July 2, 2017).

the fuller picture of shareholder engagement. As such, this data constitutes one of the most comprehensive datasets on shareholder activism through shareholder proposal submissions.

Table 1 presents the summary statistics of shareholder proposal submissions. 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 voted proposals for each year.⁶ There is variation across years, but on average, 58% of submitted proposals proceeded to votes. On average, governance-related proposals comprised around 63% of the total proposal submissions and 64% of the total proposals that reached a vote. As Panel A of Table 1 shows, while the number of governance-related proposal submissions has declined since 2010, the number of social-issues shareholder proposal submissions has remained constant. The number of social-issues shareholder proposals being voted on consistently increased until 2013.⁷

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. In 2013 and 2014, proposals on CPA were ranked as the most frequently voted-on 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 such as 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 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. Other shareholder proponents such as public pension funds, religious groups, and SRI funds

⁶ISS (formerly RiskMetrics) data indicate the status of each proposal as: voted, withdrawn, not in proxy, and omitted, allowing us to infer the proposal's disposition.

⁷Table A2 in the Appendix provides summary statistics on the vote outcomes for the shareholder proposals.

Table 1: Number of Submitted and Voted on 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 Groups	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 proposals (sub-category of social proposals), **d** = Number of proposals submitted, **e** = Number of proposals being voted on, **f** = Includes endowments, hedge funds, and special interest groups such as People for the Ethical Treatment of Animals (PETA).

(e.g., Trillium Asset Management) submitted more proposals on social issues than corporate governance issues. With respect to proposals on corporate political spending, SRI funds submitted them most frequently, followed by unions and public pension funds shareholders.⁸

In addition, we collected information on CPA from the Center for Responsive Politics for the period from 1997 through 2014.⁹ For campaign contributions, we gathered data on three distinct types: First, individual campaign contributions made by CEOs to measure the political preferences of top executives. (Fremeth, Richter, and Schaufele 2013; Gupta and Wowak 2016).¹⁰; Second, individual campaign contributions made by all non-CEO employees who listed the S&P 500 firms as their employers to Democratic and/or Republican candidates, parties, and organizations. Third, campaign contributions made by a firm's PAC to Democratic or Republican candidates, parties, or organizations including other PACs. Traditionally, scholars have only collected data on PACs' contributions to candidates and parties, but PACs frequently contribute to other PACs and these transfers have been overlooked in the literature.¹¹ To overcome this limitation and capture CPA in elections more accurately, we included PACs' transfers to other PACs in addition to their contributions to candidates.¹²

In total, there are 1,016,646 records of contributions that are associated with S&P 500 firms during the period of study. In addition to campaign contributions, we collected the data on S&P 500 firms' lobbying activities. To measure firms' 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

⁸Table A3 in the Appendix shows the top five shareholders who submitted the most proposals in each category.

⁹The 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 US House of Representatives and the Secretary of the US Senate.

¹⁰When an individual makes campaign contributions, the FEC requires disclosure of the donor's employer. We only collected individual contributions to candidates, parties, and PACs that clearly identified the recipient's party affiliation to create a measure of political preference. For example, if a CEO contributed to a PAC that does not have a clear party affiliation in data from the FEC data, we did not include those contributions because it is difficult to establish how much of the contribution from that CEO went to either party.

¹¹PAC to PACs transfers constitute 40% of the total contributions made by PACs in our data.

¹²We included the contribution in the dataset if recipient PACs have clear party affiliations in cases of PAC to PACs transfers. Across different election cycles, on average, we could identify 99% of recipient PACs' party affiliations for PAC to PACs transfers.

contributors, we present the total campaign contributions by CEOs separately from contributions by all non-CEO individuals who identified S&P 500 firms as their employer.

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

Year	Campaign Contribution (\$M)			Lobbying (\$M)
	CEOs	Non-CEO Employees	PACs	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

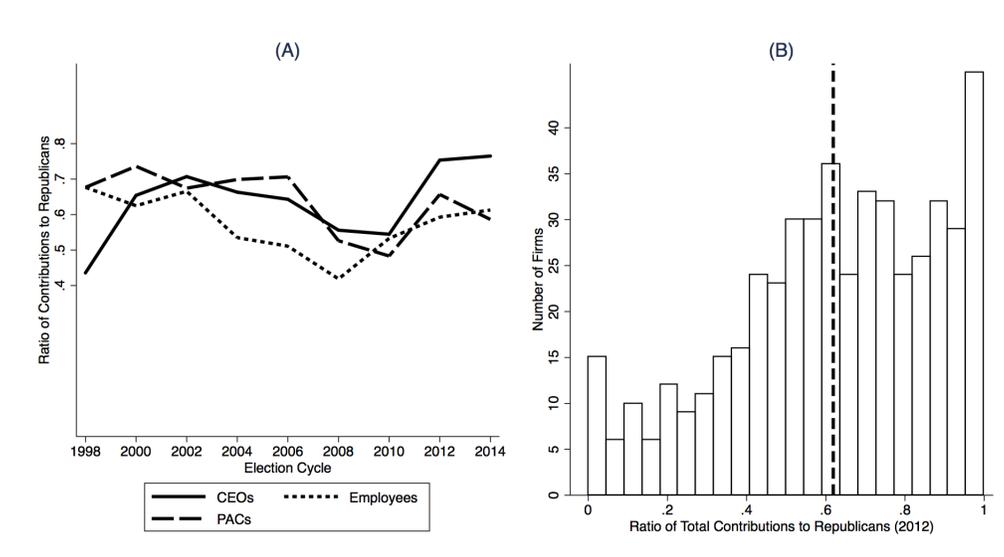
Note: All numbers are inflation adjusted (in 2014 dollar terms). Numbers indicate the total annual contributions and lobbying spending in millions of dollars by S&P 500 firms and related individuals. Lobbying expenditure data are available since 1998.

Three salient patterns emerge from the data. First, election years tend to have more campaign contributions in all three categories of contributions than non-election years. Second, contributions from 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 campaign contributions given to Republican candidates or PACs

associated with the Republican Party.¹³ 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.¹⁴ The average ratio of contributions given to Republicans, indicated by the dotted line on panel (B), is 0.62 in 2012 among S&P 500 firms, and there is significant variation in the ratio among the firms.

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



To measure the political preferences of activist shareholders, we collected campaign contribution records of non-individual shareholders that submitted proposals.¹⁵ 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 each individual member's contributions and PACs' contributions for shareholders. Among 256 non-individual

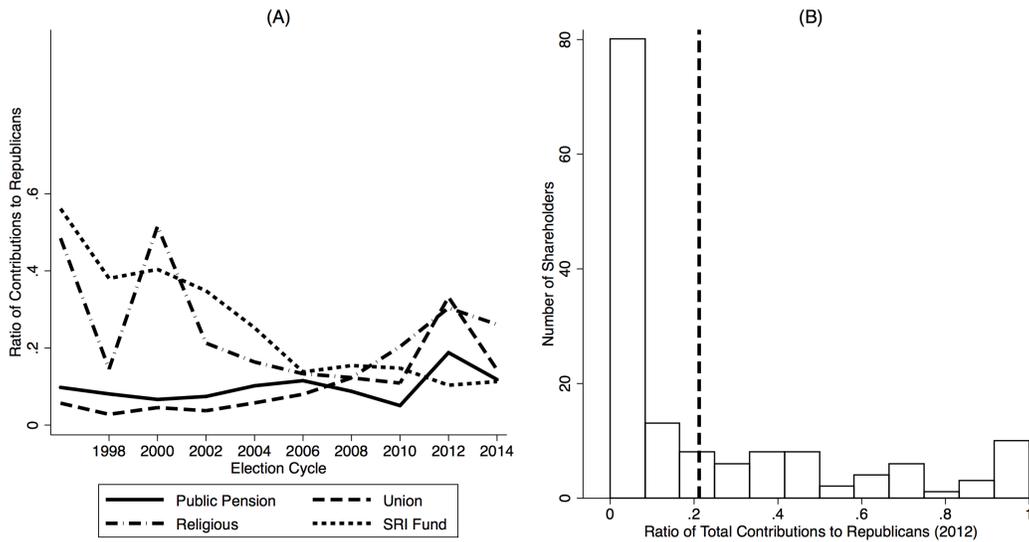
¹³Ratio refers to the fraction of contributions given to Republican candidates or PACs out of total contributions. It ranges from 0 to 1.

¹⁴For this graph, we combined all three types of contributions. Other years show similar distributions.

¹⁵Collecting data on campaign contributions by individual shareholders who submitted proposals is challenging because we could rely solely on shareholder names without access to their addresses or specific employment statuses to identify activist shareholders in the contribution data. When there are multiple donors with the same name in the contribution data, it is difficult to identify the activist individual shareholders without further information. Therefore, we focused on non-individual shareholders for which we can clearly identify donors who are associated with them from the donor's employer information in the contribution data.

shareholders that submitted at least one shareholder proposal during the period, 117 shareholders made positive contributions in at least one year over the period. For each shareholder, we collected the total contributions given to candidates as well as PACs and calculated the ratio of contributions given to Republicans. In total, there were 162,378 contributions associated with non-individual shareholders that submitted at least one proposal during the period.¹⁶

Figure 2: Ratio of Contributions to Republicans by Activist Shareholders



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 associated with religious groups 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, indicated by the dotted line in panel (B), 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 2. This suggests that shareholders

¹⁶Table A4 in the Appendix presents the summary statistics of campaign contributions from non-individual shareholders.

that submitted proposals may have different political preferences from the firms that they typically targeted.¹⁷

In addition to data on shareholder proposals and corporate and shareholder political activity, we gathered corporate governance information from the ISS database. The data shows some discontinuity in terms of types of data collected and the coding before 2007 versus after 2007. Therefore, we selected governance variables that are considered important in terms of shareholder activism and are 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 (e.g., Tobins' Q score from COMPUSTAT Fundamental Annual).¹⁸

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 . $\text{Republican Ratio}_{it-1}$ indicates the ratio of a firm i 's total campaign contributions given to Republican candidates and PACs in year

¹⁷This finding 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 the top 500 money managing institutions from the Pension & Investment website (<http://www.pionline.com/specialreports/money-managers/20110530>) (accessed on July 15, 2017) 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, showed more balanced partisan orientation in its campaign contributions (49% to Democrats and 51% to Republicans) in the 2014 election cycle. Contribution patterns of the Securities & Investment sector, which includes major institutional investors, show that 44% of these contributions went to Democrats and 56% went to Republicans in the 2014 election cycle (<https://www.opensecrets.org/pacs/industry.php?txt=F07&cycle=2014>) (accessed on July 15, 2017). Bonica (2014), who analyzed contributions made between 1979 and 2012, also confirms that the Banking & Finance sector is more partisan-balanced in its contribution patterns. The fact that activist shareholders who submitted shareholder proposals lean Democratic suggests that large institutional investors that did not submit any proposals are more aligned politically with firms' management.

¹⁸Table A5 in the Appendix presents the mean-differences in financial characteristics, governance, and CPA between targeted firms that received at least one shareholder proposal and non-targeted firms.

$t-1$. Following Hutton, Jiang, and Kumar (2015), we assume political neutrality for the firms that do not make any contributions in a given year and assign a value of 0.5 to the *Republican Ratio* variable.¹⁹ X_{it} includes information about financial performance, governance characteristics, total campaign contributions, and lobbying expenditure for each firm in the previous year.²⁰ 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 when the number of social issue-related proposal submissions is a dependent variable, and Panel C shows the result when the number of corporate political spending-related proposal submissions (a sub-category of a Social proposal) is an outcome variable. We only present the results regarding corporate political variables here. The full regression results are presented in the Appendix.²¹

First, our results suggest that 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 the number varies depending on proponents. Republican-leaning firms tend to receive fewer governance proposals from individual shareholders, but they receive more governance proposals from public pension fund shareholders.

Second, Republican-leaning firms tend to receive more shareholder proposals on social issues, 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

¹⁹Among 8,545 total 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 the Republican Party to avoid the imputation for zero contribution cases. In both cases, the results are similar and the results are reported in Tables OC1 and OC2 in Online Appendix OB.

²⁰For the summary statistics of the full list of variables included in the analysis, see Table A6 in the Appendix.

²¹Full regression results for each type of proposal are presented in Tables OB1, OB2, and OB3 in Online Appendix OB.

Table 3: Corporate Political Activity and Shareholder Proposal Submissions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious Group	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 the firm level. Proposals regarding CPA are under the category of *Social*.

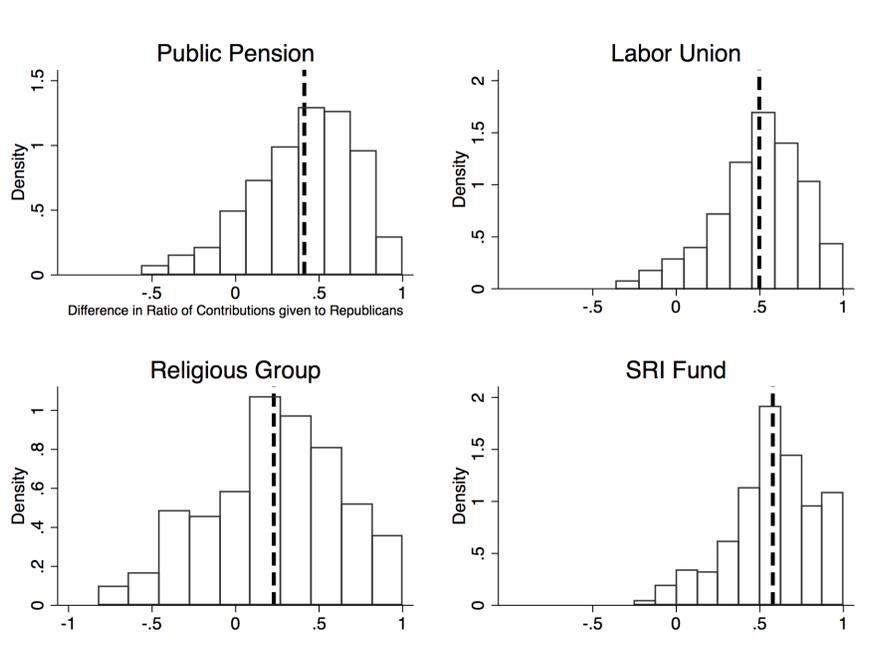
on social issues than other types of shareholders including individual investors or hedge funds (Renneboog, Horst, and Zhang 2008). Shareholder proposals on corporate political spending are commonly categorized as SRI proposals. However, we ran a separate analysis on them to see whether CPA proposal 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 spend more on lobbying. Submissions from other types of shareholders are not associated with CPA.

The type of shareholder proponent may be a good indicator for a proponent's political preference to register the existence of a potential preference gap between a company and its shareholders. But it is possible that investors choose to own shares of companies that exhibit similar political preferences to their own. 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. By contrast, it is also possible that shareholders invest in a company with different political preference primarily to challenge the company's certain practices or policies. If this type of sorting behavior happens in the decision-making stage of investment, the type of shareholder proponent may not accurately capture the preference difference between firms and shareholders.

To address the issue, we employed a more direct test. Using campaign contributions by non-individual shareholders, we calculated the 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. The dotted lines indicate the average Firm's Republican Leaning by

each shareholder group. 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



We used the variable *Firm’s Republican Leaning* instead of *Republican Ratio* in Equation (1) and ran the analysis.²² We also included the total campaign contribution by each shareholder to control the overall level of their political involvement.²³ Table 4 presents the results with respect to variables on political spending.²⁴ First, non-individual shareholders that are politically active, measured by their total contributions 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 group, and SRI fund shareholders. Specifically,

²²If 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.

²³Regardless of the difference in political preference between firms and shareholders, politically active shareholders could submit more shareholder proposals. To control for this, we include a new variable (*ln Shareholder Contribution*).

²⁴For the full regression results, see Tables OB4, OB5, and OB6 in Online Appendix OB.

Republican-leaning firms tend to receive more shareholder proposals on social issues. However, we do not observe that the difference in political preference is associated with shareholder proposal submission on governance issues. Third, this pattern is also true for proposals on CPA submitted by shareholders associated with public pension funds.

As a robustness check, we present the results when we include a firm fixed effect in Table OC3 in Online Appendix OB. While the statistical significance for public pension and SRI funds' activism on SRI-related proposals is reduced from the five percent level to ten percent, the difference in political orientation between firms and shareholders is still positively associated with the submission of social proposals, even after we include a firm fixed effect that only exploits the within-firm variation in the *Firms' Republican Leaning* variable.

We also divide firms' campaign contributions into those by CEOs, non-CEO employees, and PACs to create the *Republican Ratio* difference measures between each type of contribution and each shareholder to see whether certain shareholders are more responsive to a difference in political preferences. Table OB7 in Online Appendix OB shows the results. Shareholders seem more responsive to the difference between their contributions and firms' official PAC contributions than the gap between their contributions and 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 by 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 preferences. Although this result might be counter-intuitive given the popular perception of labor unions' political activities, Table 1 shows that unions as shareholders focus heavily 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 pension funds and 82% of the proposals submitted by SRI funds were on social issues.

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

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious Group	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	✓	✓	✓	✓
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 the firm level.

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 (Forthcoming)). This may also explain why labor union shareholders are not particularly responsive to firms' political orientations.

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 governances or market performances can be ruled out. The finding that the difference in political preferences, as illustrated by campaign contribution patterns, is strongly related to proposal submissions on social issues suggests that shareholders may use CPA as a proxy for corporate policies on social issues.

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

Second, we use data from Kinder, Lydenberg, Domini Research & Analytics (KLD) to measure firms' corporate social responsibility (CSR) activities for the same time of the period. KLD data has been most widely used by scholars to measure firms' CSR activities (e.g., Hillman and Keim 2001; Baron, Harjoto, and Jo 2011; Richter 2016). KLD data offers information about seven issue areas, and it measures strength and concern in each area as a 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.²⁵

Each year, on average, 7.7 unfair labor practice cases were filed with the NLRB against our sample companies. The CSR scores of the sample companies range from -11 to 19, with the average of 0.77. If Republican-leaning contribution patterns are correlated with higher numbers of unfair labor practice cases and lower CSR scores, the relationship we documented in Tables 3 and 4 would be an artifact of these omitted variables, rather than a product of divergence in political preference between a company and its shareholders. If this is the case, once we include the direct measures of unfair practice cases and CSR scores of each firm, the difference in political orientation between a company and its shareholders should no longer be associated with the number of shareholder proposal submissions, 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 in the empirical specification.²⁶ Firms that had more charges against them at the 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 fewer 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. Even after controlling for firms' labor relations and CSR scores, however, the positive relationship between the divergence in shareholders' political orientation from companies' and the submission of shareholders' social proposals persists.

These results, collectively, suggest that part of the shareholder activism through submitting shareholder proposals might be motivated by other reasons beyond the actual corporate policies on social issues. One potential motivation that explains this ideology-driven activism would be political career concerns of board members on public pension funds and other shareholders. As

²⁵ Among 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 Online Appendix OA.

²⁶ For the full regression result, see Table OB8 in Online Appendix OB.

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

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious Group	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 the firm level.

Romano (1993) pointed 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.

Another motivation, which is not mutually exclusive from the first motivation, would be that Democratic-leaning shareholders may have concerns that companies' contributions would be used to sponsor candidates who pursue policies that could potentially weaken the interests of labor unions and their members. These types of corporate activities may not be captured fully in the measures in the NLRB labor disputes or the KLD CSR scores. Given that the Republican Party tends to support less regulation and smaller government, Democratic-leaning shareholders

can be concerned about corporate political activities if the firms in which they invest contribute to candidates whose goals are to weaken those shareholders' interests.

Many shareholders express ethical and social concerns beyond their own immediate material interests, and some shareholders may pursue actions at the corporate level to influence political and social changes. For example, after the mass shooting at Parkland High School in Florida in February 2018, companies with ties to the National Rifle Association (NRA) faced public criticism and public employees put pressure on public pension funds to sell their stakes in companies that manufacture guns (Noguchi 2018). If shareholders assign weight to both profits and social concerns in their welfare calculations, shareholder proposal submissions on corporate policies are a useful way to press companies to avoid welfare-reducing choices even when they are profitable (Hart and Zingales 2017). Thus, social proposal submissions by Democratic-leaning shareholders targeting Republican-leaning firms could be a signal that the firms do not maximize those shareholders' welfare.

5 Conclusion

Despite shareholders' 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 a comprehensive dataset combining corporate political spending and shareholder proposals, this paper advances our understanding on how shareholders respond to corporate political engagement. We find that shareholder activism, reflected in shareholder proposal submissions, 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. This relationship persists even after we control for each company's corporate social responsibility scores and labor relations.

Our finding provides another way 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. Given that, for example, the CEO of Chick-fil-A's comments against same-sex marriage has provoked a nation-wide consumer boycott, activists' reactions and potential negative market reactions are of concern to corporate management (Baron and Diermeier 2007; Egorov and Harstad Forthcoming). In addition to concerns about external reactions, our finding suggests that potential internal reactions 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, and shareholders will be better informed about the political involvement of the companies in which they invest. At the same time, our results also illustrate how increased transparency may galvanize certain shareholders to submit proposals. Increases in the amount a company spends on political activities can spark activism in 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 the 2017 proxy season, shareholders have gradually become more vocal about the social and political choices of companies.

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 proposal submitted by shareholders that prioritize labor issues may prompt the company to reconsider the conflict. If the management and labor force reconcile, shareholders who submitted the proposal may potentially give benefits to other shareholders as well.²⁷

²⁷In line with this reasoning, Krueger and Mas (2004) show that labor strife at the plant level is related to lower product quality.

On the other hand, if for instance shareholder activism is motivated by the narrow self-interest career concerns of politically-oriented boards of trustees of public pension funds, this politically-biased activism may create potentially harmful outcomes for other shareholders. Accordingly, the question of whether the shareholder engagement by special-interest groups is beneficial or harmful to firms requires further research in the future.

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Appendix: Data Description and Summary Statistics

Table A1: Description of Variables

Variable Name	Description
Total Proposal	Total number of shareholder proposal submissions
Governance Proposal	Total number of corporate governance-related shareholder proposal submissions
Social Proposal	Total number of social resolution-related shareholder proposal submissions
CPA Proposal	Total number of corporate political activity-related shareholder proposal submissions
(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) Company's total lobbying spending
Classified board	Board of directors is staggered and only a fraction of directors is elected each year
Poison pill	Shareholders' special rights to purchase stock of target or bidder company at a discount
Supermajority Voting	Supermajority voting requirements for material business actions
Limit Bylaw Amendment	Limitations on shareholders' ability to amend bylaws
Limit Charter Amendment	Limitations on shareholders' ability to amend charter
Limit Special Meeting	Limitations on shareholders' ability to call a special meeting
Limit Written Consent	Limitations on 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 Group	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 Shareholder Proponents by the Number of Proposal Submissions

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 Davis (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 Group		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		
	N	Median	SD.	N	Median	SD.
<i>A. Financial</i>						
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
Supermajority Voting	3624	0.32	0.47	3637	0.32	0.47
Limit Bylaw Amendment	3624	0.33	0.47	3637	0.32	0.47
Limit Charter Amendment	3624	0.25	0.43	3637	0.23	0.42
Limit Special Meeting	3624	0.41	0.49	3637	0.39	0.49
Limit 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
Supermajority Voting	7260	0.32	0.47	0	1
Limit Bylaw Amendment	7260	0.33	0.47	0	1
Limit Charter Amendment	7260	0.24	0.43	0	1
Limit Special Meeting	7260	0.40	0.49	0	1
Limit Written Consent	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 ISS (formerly 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.

Online Appendix OA: 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

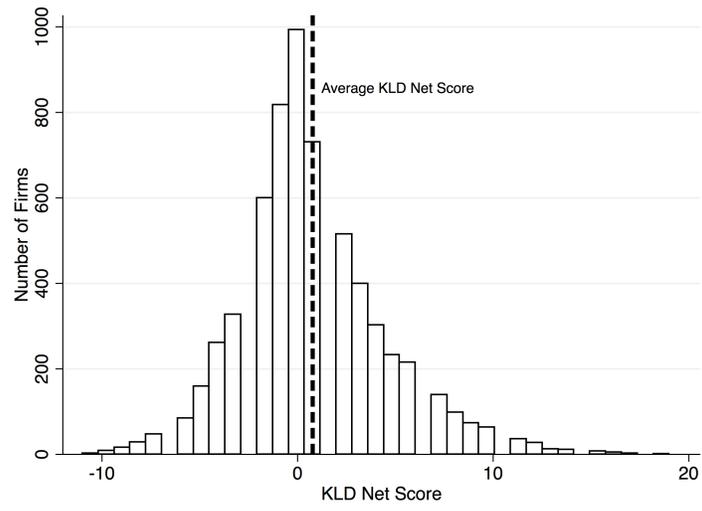
MSCI ESG KLD STATS is an annual data set of positive and negative environmental, social, and governance performance indicators. There are seven categories of issue areas and Table OA1 presents the KLD attributes in each issue area that is used to create the KLD CSR scores. Figure OA1 presents the distribution 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 OA1: 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 OA1: Distribution of KLD CSR Net Score



Online Appendix OB: Full Regression Results

Tables OB1, OB2, and OB3 present the full regression results for Panel A, B, and C in Table 3, respectively. Tables OB4, OB5, and OB6 present the full regression results for Panel A, B, and C in Table 4, respectively. Table OB7 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 OB8 presents the full regression results for Table 5.

Table OB1: Corporate Political Activity and Governance Proposal Submissions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious Group	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 Voting	-0.103 (-1.39)	-0.113* (-2.28)	0.00497 (0.52)	0.0168 (0.53)	-0.00974 (-1.54)	-0.00817 (-1.00)
Limit Bylaw Amendment	-0.125 (-1.35)	-0.0750 (-1.03)	-0.00764 (-0.88)	-0.0518 (-1.22)	-0.0146 (-1.64)	0.0105 (1.46)
Limit Charter Amendment	-0.120 (-0.94)	-0.163 (-1.47)	0.00708 (0.46)	0.0339 (0.48)	0.00210 (0.16)	-0.00748 (-0.52)
Limit Special Meeting	0.0280 (0.46)	0.0601 (1.45)	-0.00754 (-1.10)	-0.0262 (-0.94)	-0.00146 (-0.21)	0.00276 (0.40)
Limit Written Consent	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	✓	✓	✓	✓	✓	✓
N	6500	6500	6500	6500	6500	6500
adj. R ²	0.420	0.409	0.071	0.220	0.099	0.046

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.

Table OB2: Corporate Political Activity and SRI Proposal Submissions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious Group	SRI Fund
(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)
(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 Voting	-0.0763 (-1.55)	-0.0128 (-0.70)	-0.000774 (-0.06)	-0.0199* (-2.19)	-0.0348 ⁺ (-1.90)	0.0109 (0.65)
Limit Bylaw Amendment	-0.102* (-2.09)	-0.0524** (-3.58)	0.00830 (0.52)	-0.0267* (-2.40)	-0.0392 ⁺ (-1.85)	0.0148 (0.87)
Limit Charter Amendment	-0.0917 (-1.01)	-0.0453 (-1.41)	-0.0159 (-0.54)	0.0208 (0.81)	-0.0222 (-0.76)	-0.00730 (-0.23)
Limit Special Meeting	-0.0347 (-0.77)	-0.0158 (-1.18)	-0.0100 (-0.91)	-0.00473 (-0.56)	-0.0159 (-0.91)	0.00361 (0.26)
Limit Written Consent	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 × year. Numbers in parentheses are t-statistics. ⁺p < 0.10, *p < 0.05, **p < 0.01. Errors are clustered at firm level.

Table OB3: Corporate Political Activity and CPA Proposal Submissions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious Group	SRI Fund
(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)
(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 1	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 Voting	-0.0220 (-1.63)	0.0000378 (0.01)	-0.00837 (-1.31)	-0.0142 ⁺ (-1.90)	-0.00189 (-0.42)	0.00469 (0.64)
Limit Bylaw Amendment	-0.0158 (-1.16)	-0.0141** (-2.79)	0.00388 (0.70)	-0.0120 ⁺ (-1.87)	0.000593 (0.17)	0.00736 (1.15)
Limit Charter Amendment	0.0216 (1.08)	-0.00282 (-0.49)	-0.00152 (-0.15)	0.0287* (2.04)	-0.000437 (-0.08)	-0.00659 (-0.58)
Limit Special Meeting	-0.0180 (-1.57)	-0.00406 (-1.06)	-0.00179 (-0.40)	-0.00562 (-0.96)	-0.00332 (-1.14)	-0.00129 (-0.24)
Limit Written Consent	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 × year. Numbers in parentheses are t-statistics. ⁺ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$. Errors are clustered at firm level.

Table OB4: Difference in Political Preference and Shareholder Proposal Submissions: Governance Proposal

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious Group	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 Voting	0.00703 (0.77)	0.0196 (0.73)	-0.00823 (-1.32)	-0.00783 (-0.99)
Limit Bylaw Amendment	-0.00700 (-0.86)	-0.0416 (-1.13)	-0.0141 (-1.60)	0.00967 (1.38)
Limit Charter Amendment	0.00414 (0.29)	-0.00924 (-0.15)	0.000904 (0.07)	-0.00643 (-0.46)
Limit Special Meeting	-0.00646 (-0.98)	-0.0190 (-0.79)	-0.00126 (-0.18)	0.00280 (0.41)
Limit Written Consent	-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 × year. Numbers in parentheses are t-statistics. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$. Errors are clustered at firm level.

Table OB5: Difference in Political Preference and Shareholder Proposal Submissions: Social Proposal

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious Group	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 Voting	0.00331 (0.29)	-0.0194* (-2.26)	-0.0287 ⁺ (-1.68)	0.0141 (0.94)
Limit Bylaw Amendment	0.00976 (0.73)	-0.0246* (-2.29)	-0.0367 ⁺ (-1.77)	0.00958 (0.61)
Limit Charter Amendment	-0.0223 (-0.86)	0.0121 (0.48)	-0.0276 (-0.95)	-0.00190 (-0.06)
Limit Special Meeting	-0.00773 (-0.79)	-0.00329 (-0.40)	-0.0159 (-0.94)	0.00435 (0.34)
Limit Written Consent	-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 × year. Numbers in parentheses are t-statistics. ⁺*p* < 0.10, **p* < 0.05, ***p* < 0.01. Errors are clustered at firm level.

Table OB6: Difference in Political Preference and Shareholder Proposal Submissions: CPA Proposal

	(1) Public Pension	(2) Union	(3) Religious Group	(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 Voting	-0.00769 (-1.22)	-0.0139+ (-1.93)	-0.00158 (-0.36)	0.00599 (0.87)
Limit Bylaw Amendment	0.00418 (0.77)	-0.0108+ (-1.74)	0.000710 (0.20)	0.00557 (0.91)
Limit Charter Amendment	-0.00280 (-0.29)	0.0237+ (1.75)	-0.000708 (-0.13)	-0.00487 (-0.46)
Limit Special Meeting	-0.00134 (-0.30)	-0.00483 (-0.84)	-0.00331 (-1.14)	-0.000954 (-0.19)
Limit Written Consent	-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 OB7: Difference in Republican Contribution Ratio and Shareholder Proposal Submissions: Disaggregating Firms' Contributions by CEOs, PACs, and Employees

	(1)	(2)	(3)	(4)
	Public Pension	Union	Religious Group	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 × 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 OB8: Difference in Political Preference and Shareholder Proposal Submissions on Social Issues - Including Labor Disputes and KLD CSR Scores

	(1) Public Pension	(2) Union	(3) Religious Group	(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 Voting	0.0171 (1.29)	-0.0215* (-2.23)	-0.0304 (-1.63)	0.0171 (1.02)
Limit Bylaw Amendment	0.00935 (0.67)	-0.0293* (-2.39)	-0.0390 ⁺ (-1.74)	0.00452 (0.26)
Limit Charter Amendment	-0.0233 (-0.85)	0.0176 (0.64)	-0.0286 (-0.96)	0.00649 (0.21)
Limit Special Meeting	-0.00997 (-0.96)	-0.00473 (-0.53)	-0.0147 (-0.85)	0.00540 (0.38)
Limit Written Consent	-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	✓	✓	✓	✓
N	5285	5285	5285	5285
adj. R 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.

Online Appendix OC: Robustness Checks

Table OC1 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 OC2 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 OC3 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 OC1: Corporate Political Activity and Shareholder Proposal Submission - Firms with Positive Contributions

	(1)	(2)	(3)	(4)	(5)	(6)
	All	Individual	Public Pension	Union	Religious Group	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	✓	✓	✓	✓	✓	✓
N	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 OC2: 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 Group	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 Republicans	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 × 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 OC3: Difference in Republican Contribution Ratio and Shareholder Proposal Submission - Firm Fixed Effect

	(1) Public Pension	(2) Union	(3) Religious Group	(4) 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	✓	✓	✓	✓
N	6500	6500	6500	6500

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. 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.