

# **Do Parent Firms Influence Proxy Advisors' Recommendations?**

## **Evidence from Shareholder Proposals\***

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### **Abstract**

This study provides the first empirical evidence that a proxy advisory firm's parent company (e.g., pension fund) has a vested interest in proxy votes. Using voting recommendations by Glass Lewis, I find that this affiliation leads proxy advisors to issue significantly more favorable voting recommendations on shareholder proposals at firms in which the parent company has invested relative to proposals at firms in which the parent company has not invested. This effect is stronger after the parent firm suffers a loss from its investment, and when shareholder proposals are sponsored by investors with incentives similar to the parent firm's.

**JEL Classifications:** D43, D82, G34, L15

**Keywords:** proxy advisors, conflict of interest, ownership, shareholder activism, voting recommendations, corporate governance

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# 1 Introduction

Proxy advisory firms play an increasingly important role in shaping both shareholder voting outcomes and corporate governance. Institutional investors rely on proxy advisors for recommendations on how to vote on issues such as executive compensation and director nominations because they lack the necessary expertise and/or resources to attend to corporate governance decisions (Calluzzo and Dudley, 2019; Choi, Fisch and Kahan, 2009; Ertimur, Ferri and Oesch, 2013; Li, 2018; Malenko and Malenko, 2019; Malenko and Shen, 2016). In this study, I document that parent companies of proxy advisory firms also invest in firms for which proxy advisors provide voting recommendations. Organizations such as the Center for Capital Markets Competitiveness (CCMC)<sup>3</sup> have expressed concern about the potential influence of parent firms on proxy advisors' recommendations (CCMC, 2011, 2012).<sup>4</sup> Therefore, I examine whether this conflict of interest adversely affects the proxy-recommendation process.

In a comment letter addressed to the Securities and Exchange Commission (SEC) in 2011, CCMC explicitly pointed out that Glass Lewis, the second largest proxy advisory firm, faced pressure from its parent company, Ontario Teachers' Pension Plan (OTPP).<sup>5</sup> Several reports from CCMC suggested that OTPP, as an investor, urged McGraw-Hill to reorganize to increase shareholder value. Since Glass Lewis issued voting recommendations to McGraw-Hill's shareholders, its corporate control by OTPP could influence the firm's proxy-recommendation process and, consequently, the resulting votes. In a follow-up comment letter in 2012, CCMC insisted on the

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<sup>3</sup> The CCMC was founded by the U.S. Chamber of Commerce to promote a modern, effective regulatory structure for capital markets.

<sup>4</sup> See Appendix A for extracts of the letters from CCMC to the Securities and Exchange Commission.

<sup>5</sup> As of 2019, Glass Lewis has captured more than 37% of the total market for proxy advising.

importance of creating a more transparent and accountable environment for proxy advisory firms. Overall, concern is mounting about structural conflicts of interest in proxy advisory firms, but this issue has not been studied empirically to determine the extent of such conflicts of interest and what effects they have on proxy advisor recommendations.

Previous studies have documented that institutional investors are incentivized to engage in shareholder activism and intervene in corporate governance to further their financial objectives (Gillan and Starks, 2000; Smith, 1996; Song and Szewczyk, 2003). This is particularly true when shareholders are dissatisfied with the firms' stock performance (Gillan and Starks, 2007; John and Klein, 1995; McCahery, Sautner and Starks, 2016; Wahal, 1996). Thus, the intervention hypothesis posits that a parent firm, after suffering a loss from its investment, will be motivated to intervene. In general, shareholders express their interest in shareholder proposals to maximize their value and deem their approval or disapproval of proposals as an effective channel for activism (Gillan and Starks, 2000; Gordon and Pound, 1993; Yeh, 2017). It is plausible, therefore, that a proxy advisory firm owned by an investment firm would be pressured to protect the parent firm's interests via their recommendations on shareholder proposals.

This study explores the existence, magnitude, and consequences of such pressure using a comprehensive dataset on Glass Lewis' recommendations at shareholder meetings. The results show that the proxy advisory firm, on average, is more likely to make favorable recommendations when shareholder proposals are voted at a firm in which the parent firm has invested. In terms of economic magnitude, I find that proxy advisors are 8.3 percentage points more likely to issue a favorable recommendation for proposals at firms in which their parent firm invests (hereafter investees) than for proposals at firms in which their parent firm does not invest (hereafter non-investees),

which represents 16.9% of the mean value of favorable voting recommendations. In addition, Glass Lewis is 7.7 percentage points more likely to issue a conflicting recommendation with the management for proposals at investees. Furthermore, the intervention does not represent the interests of shareholders as a whole; it advances the parent firm's interests. The results show that shareholder proposals at investees are 10.1 percentage points more likely to receive favorable recommendations while being ultimately voted down. These findings are in line with the view that interventions by parent firms reflect extraction of private benefits and are self-serving.

Using a difference-in-difference research design, I find that this intervention is stronger when the parent firm suffers a loss from its investment prior to the shareholder meeting. Following such an adverse return shock, Glass Lewis is 13.8 percentage points more likely to issue a "For" voting recommendation on shareholder proposals at investees than on proposals at non-investees. Similarly, the proxy advisory firm is 10.8 percentage points more likely to come into conflict with the management at investees, following an adverse return shock.

Because different types of proposal sponsors have divergent interests and economic incentives, I further test whether proxy advisors are more likely to issue favorable recommendations on proposals sponsored by investors that fall into the same categories as the parent firms and thus are likely to have similar interests. The results are consistent with the notion that parent firms use their ownership of proxy advisors to extract private benefits. Proxy advisors more often support shareholder proposals when the proposal sponsors are in the same category as their parent firms (i.e., investment funds and labor unions).

This study also addresses channels through which parent firms engage in activism and extract private benefits at the expense of other shareholders. The results show that

proxy advisors use proposals related to board issues, executive compensation and social responsibility to advocate for reforms after parent firms experience losses. While the evidence suggests an alignment of interests for governance-related proposals at investees, the majority of shareholders ultimately vote down proposals related to corporate social responsibility. This finding is consistent with studies documenting pension funds' particular focus on sustainability issues and their long-term investment strategies (Dyck, Lins, Roth and Wagner, 2019).

Importantly, the evidence suggests that parent companies' interventions likely lead to the deterioration of firm operating performance. I focus on parents' investees that receive favorable proxy recommendations on shareholder proposals. Then I compare the subsequent operating performances for firms with shareholder proposals that narrowly passed and firms with proposals that narrowly failed. The results show that when these proposals with favorable recommendations get passed, the investees tend to perform more poorly in the subsequent period.

Despite the difference-in-difference design, this study presents several identification challenges. First, it is plausible that the same firm characteristics that lead the proxy advisory firm to issue favorable recommendations also lead the parent firm to choose to invest. For example, Glass Lewis and its parent firms could both be identifying firms that are likely to obtain favorable voting recommendations on shareholder proposals. In addition, the information relationship between the parent and proxy advisor firms could go in the opposite direction – that instead of receiving instructions from the parent firm, proxy advisors are providing the parent firm with insider voting information because they have greater expertise on voting issues. To mitigate concerns that the results are explained by a common view or reverse causality, I exploit acquisition of Glass Lewis by OTPP in 2007 as an arguably exogenous change

in ownership to test the influence of parent firms on proxy advisor recommendations. Note that OTPP's acquisition of Glass Lewis is relatively exogenous to change in the characteristics of the firms in which OTPP invests. The results show that OTPP's investment choices do not affect Glass Lewis' voting recommendations in periods prior to the acquisition but do affect the recommendations in periods after acquisition. In addition, this analysis is robust to several placebo tests where OTPP's investment choices are replaced with the investees of other pension funds (e.g., California State Teachers' Retirement System and New York State and Local Retirement System).

A second challenge is associated with the possibility that proxy advisors' differential treatment of proposals could result from heterogeneous characteristics of the investees and non-investees. To further mitigate endogeneity concerns, I employ the entropy balance matching method to minimize heterogeneity of the treatment group (investees) and control group (non-investees). Consistent with the intervention hypothesis, the results from this analysis are similar to the ones using the unbalanced sample.

In additional tests, I find that 1) Glass Lewis recommendations are highly correlated with the votes cast by Ontario Teachers' Pension Plan; 2) after reducing the number of shares they hold in a company, the parent firms are less likely to pressure proxy advisors to issue favorable recommendations; 3) relative to ISS, Glass Lewis recommendations are more favorable for shareholder proposals at investees; 4) the portfolio-level losses also likely trigger the intervening behavior of the parent firms; 5) the intervening incentive is stronger when the parent firms have a higher stake in the investee; 6) the results are robust to the inclusion of proposal-type fixed effects and alternative measures of stock performance.

This paper contributes to the literature in several ways. First, it adds to the small

body of studies on proxy advisors' conflicts of interest. Li (2018) documents revenue-based conflicts of interest faced by proxy advisors. He finds that the leading firm, Institutional Shareholder Services (ISS), sells its services to both corporate managers and shareholders and that entrance of a new proxy advisory competitor mutes the tendency of ISS to cater to managers rather than shareholders. This study provides the first empirical evidence that structural conflicts of interest are common and can have serious consequences by documenting the influence of parent firms on proxy advisor recommendations. The results show that corporate and investment structures give rise to conflicts of interest that then lead to differential treatment by proxy advisors when the parent firms have a strong self-serving incentive to protect their own shareholder interests.

The second contribution is to the literature on ownership of information intermediaries and the private benefits of control. Many studies have shown that large corporate shareholders extract a private benefit from their control of public firms (Barclay and Holderness, 1989; Dyck and Zingales, 2004). This study provides evidence of such intervention and control in the context of privately held firms and complements research on large shareholder influence on credit ratings (Kedia, Rajgopal and Zhou, 2017). The results extend our understanding of parent firms' influence on information intermediaries.<sup>6</sup>

The third contribution is its provision of information of interest to regulators and standard setters. The increasingly heated debate about proxy advisory firms highlights the importance of a more-transparent information environment. However, the proxy advisory industry is dominated by just two firms (Glass Lewis and ISS), and this

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<sup>6</sup> Kedia et al. (2017) investigate the case of Moody's, a publicly traded rating agency, and the influence of its large shareholders. This study shows that, in the context of a private proxy advisory firm, parent firms are likely to influence shareholder voting processes in firms in which they invest. Both the contexts and research questions differ substantially.

duopolistic nature gives those two firms outsized influence on standards. The results of this study demonstrate the need for greater attention to the industry from regulators, stronger requirements for disclosure of potential conflicts of interest, and construction of “Chinese Wall” regulatory measures to maintain separation between proxy advisory firms and their parent companies.<sup>7</sup>

## **2 Literature Review and Hypothesis Development**

### **2.1 Ownership and Private Benefits**

Proxy advisors play an influential role in corporate governance by issuing recommendations for shareholder meetings. Li (2018) documents that proxy advisors are subject to revenue-based conflicts of interest. ISS, the leader in the proxy advisory industry, receives fees from shareholders for voting advice and corporate management for consulting services. He finds that ISS catered less to its corporate clients after a new competitor, Glass Lewis, entered the market. To the best of my knowledge, no empirical studies have addressed the impacts of the structural conflict of interest inherent to proxy advisory firms. A legal study by Fagan (2018) points out that this conflict of interest arises when parent firms are shareholders in companies alongside shareholders who look to the proxy firm for advice. Proxy advisory firm Egan Jones, for example, has acknowledged the significance of this structural conflict since “most (if not all) proxy advisory companies are also engaged in other lines of business or are owned by groups who do” (Egan Jones, 2016).

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<sup>7</sup> Glass Lewis reports the structural conflicts of interest in its research products only if “OTPP and/or AIMCO is a top 20 shareholder at a corporate issuer”, or “one or both of Glass Lewis’ parent companies have a significant, reportable stake in a corporate issuer”(Glass Lewis, 2019). In 2019, only 29 cases have been reported in its conflict note. Given its nature as a pension fund, OTPP has a relatively homogeneous portfolio structure with low ownership in each investee. The high threshold of reporting leads a large number of cases where OTPP has an investment to be omitted. Unfortunately, Glass Lewis refused to give access to these reports after several requests.



An extensive accounting and corporate finance literature has documented that ownership structures affect the private benefits gained from corporate control. In terms of public firms, Dyck and Zingales (2004) show that the private benefits of control are positively associated with more-concentrated ownership and less-transparent information environments. Similarly, for privately held firms, Hope, Wayne and Dushyantkumar (2011) find that enhancing the quality of financial reporting mitigates concern about private benefits of controlling owners and thereby reduces external financing constraints. In the context of financial information intermediaries, Kedia et al. (2017) find that shareholders of credit rating agencies exert influence on the rating process and that their influence leads to greater inflation of ratings on bonds issued by firms in which they have invested.

Given what is known about corporate ownership, one can expect that parent firms have an incentive to extract private benefits by influencing the voting recommendations made by proxy advisors. However, proxy advisors gain clients and strengthen their relationships with clients by building a reputation for offering sound advice. Numerous studies of information intermediaries such as credit rating agencies suggest that a strong concern about reputation gives rating agencies an incentive to commit significant effort to making accurate credit assessments (Becker and Milbourn, 2011; Klein and Leffler, 1981; Kraft, 2015; Shapiro, 1983; Smith and Walter, 2001). Furthermore, Glass Lewis, the second largest proxy advisor firm, has stated that “it prides itself on its reputation for conducting business activities” (Glass Lewis, 2018), and its parent firms (OTPP and Alberta Investment Management Corporation (AIMCO)) are excluded from the day-to-day management of Glass Lewis.<sup>8</sup>

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<sup>8</sup> More than 40% of institutional investors in the United States were not clients of proxy advisors (McCahery et al., 2016). Therefore, there is a substantial potential market.

Empirically, it is not clear *ex ante* whether parent firms influence proxy advisors' recommendations. This study exploits a channel through which such intervening behavior is manifested. Both OTPP and AIMCO are driven by investment returns<sup>9</sup> (AIMCO, 2017; OTPP, 2018), and prior studies of determinants of shareholder activism suggest that firms with poor stock returns *ex ante* are more likely to motivate shareholder engagement than firms with positive stock returns (Ertimur, Ferri and Muslu, 2011; Gillan and Starks, 2000; Wahal, 1996). In a survey study, McCahery et al. (2016) confirm that stock performance is one of the main drivers for shareholder activism along with corporate frauds and excessive executive pay. Therefore, an adverse shock to the market value of shareholders' stocks is likely to trigger intervening behavior. In addition, shareholder-sponsored proposals are viewed as a powerful channel of engagement compared to management-sponsored proposals. While management proposals on board elections and executive compensation rarely receive adverse proxy advisor recommendations and vote outcomes, shareholders express their interest in shareholder proposals to maximize their value and advocate for more radical corporate reforms on governance and sustainability issues (Gillan and Starks, 2000; Gordon and Pound, 1993; Yeh, 2017).<sup>10</sup> Parent firms, therefore, have an incentive to pressure proxy advisors to recommend approval of proposals put forward by shareholders at firms in which they invest – to accelerate changes in corporate governance that are seen as protecting themselves from further losses or to advance their own interests. If Glass Lewis' parent firms have influenced its voting recommendations, evidence of differential treatment of investees and non-investees will be observed. However, the opportunistic behavior could be muted if the parent firm

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<sup>9</sup> OTPP's governance is centralized, and an investment committee oversees its investment strategies and risks (OTPP, 2019).

<sup>10</sup> Ertimur, Ferri and Oesch (2017) document that management proposals on director election on average receive 5% of negative votes. Only 7% (16%) of ISS (Glass Lewis) recommendations are negative.

and/or the proxy advisors do not allow the incentive to affect their recommendations due to the reputational cost.

*H1: Proxy advisors are more likely to issue favorable recommendations on shareholder proposals at parent firm's investees. The incentive is stronger following an investment loss by a parent firm.*

## **2.2 Incentives across Shareholders**

Studies have shown that large institutional and individual investors tend to focus on different aspects of corporate governance. Gillan and Starks (2000) find that institutional investors focus primarily on conflicts of interest between shareholders and management while individual investors' interests are more varied. John and Klein (1995) document that pension funds are more likely to target large firms with poor stock performance, while activist groups more often propose shareholder proposals at small firms with a large proportion of independent directors.

Empirically, it is plausible that proxy advisors are more likely to issue favorable recommendations when proposals are sponsored by investors that fall into the same category as the parent firms and thus have similar interests and incentives. According to SEC Rule 14a-8, investors that have more than either \$2,000 invested or a 1% share in a company can submit a proposal. The low threshold allows proposals with divergent underlying incentives to be proposed and there may be little incentive for parent firms to support proposals by all categories of shareholders. However, proposals sponsored by other types of investors than the parent firms can also create more aggregate shareholder value. Gantchev and Giannetti (2019) show that the low-cost shareholder activism via proposals sponsored by individuals can be beneficial for shareholder value when companies are less likely to be targets of traditional hedge fund activism. This

leads to my second hypothesis:

*H2: Proxy advisors are more likely to support shareholder proposals sponsored by investors that have incentives that are similar to the parent firm's incentives.*

## **2.3 Types of Shareholder Proposals**

Broadly, shareholder proposals can be categorized as related to corporate governance or to corporate social responsibility (CSR). The governance-related proposals can deal with board issues (e.g., requirement of board independence, modification of board voting rules, amendments to proxy access bylaw), limitations on executive compensation, and general organization (e.g., call for special meetings, liquidation of companies, dividend payment). When management has unsatisfactory performance and little incentive to fulfill fiduciary duties, proposals addressing corporate governance provide a direct channel through which shareholders can require management to act. (Buchanan, Netter, Poulsen and Yang, 2012; Ertimur et al., 2011; Ertimur, Ferri and Oesch, 2015; Levit and Malenko, 2011).

In recent years, CSR proposals have become an important platform used by shareholders to increase their financial and social returns. In particular, given their long-term investment strategies, pension funds consistently urge firms to reform their sustainability policies (Dyck et al., 2019). Grewal, Serafeim and Yoon (2016) find that consistent with the rising importance of CSR issues, the total number of shareholder CSR proposals doubled between 1999 and 2013. Therefore, parent firms of proxy advisors such as pension funds likely have an incentive to use both governance and CSR proposals as channels of intervention. However, other shareholders may ultimately vote down the proposals with little interest to them. The negative vote outcome can be viewed as a signal of parent firms' attempt to extract private benefits at the expense of

other shareholders. This leads to my third hypothesis:

*H3: While proxy advisors may use proposals related to corporate governance and social responsibility at investees as channels of engagement, the misalignment of interests with other shareholders can lead certain proposals to be ultimately voted down.*

### **3 Research Design**

To test the hypotheses, I first examine proxy advisors' recommendations on shareholder proposals at investees following an adverse return shock that reduced shareholder value. In this section, I describe the proxies used to capture the data and the control variables incorporated in the model.

The first step is to determine formally whether proxy advisors, on average, are more likely to issue favorable voting recommendations for shareholder proposals at investees using observations of recommendations from Glass Lewis.<sup>11</sup> OTPP acquired Glass Lewis from Xinhua Finance in October 2007.<sup>12</sup> Then, in August 2013, AIMCO acquired a 20% stake in Glass Lewis from OTPP. Therefore, I treat OTPP as Glass Lewis' parent firm beginning in 2007 and AIMCO as a parent firm beginning in 2013 (see Appendix B for an illustration of the ownership structure of Glass Lewis).

The model regresses Glass Lewis' recommendations (*GL\_Recommendation*) on its parent firms' portfolio choices (*Investee*). The dependent variable *GL\_Recommendation* is coded one when Glass Lewis issues a "For" recommendation on a shareholder proposal and zero otherwise. The alternative dependent variable *MGM\_GL\_Conflict* is coded one when Glass Lewis recommendation is different from

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<sup>11</sup> Glass Lewis offers an advantage over ISS because Glass Lewis does not provide corporate consulting services. Therefore, it is simpler to identify the structural conflict of interest. ISS is likely subject to the same conflict of interest as it was owned first by MSCI (Morgan Stanley Capital International) and then by Vestar Capital Partners and by Genstar Capital beginning in 2013.

<sup>12</sup> Xinhua Finance owned Glass Lewis for less than a year and is outside the scope of this paper.

the management recommendation and zero otherwise. *MGM\_GL\_Conflict* serves as a measure of whether Glass Lewis comes into conflict with the management. *Investee* equals one when one of the parent firms (OTPP or AIMCO) invests in firm *j* in year *t-1* and zero otherwise.<sup>13</sup>

$$\begin{aligned}
GL\_Recommendation_{j,t} / MGM\_GL\_Conflict_{j,t} = & \alpha + \beta_1 Investee_{j,t-1} \\
& + \sum \beta_k Institutional\_controls_{j,t-1} \\
& + \sum \beta_m Financial\_controls_{j,t-1} \\
& + Firm\_FE + Industry-Year\_FE + \epsilon_{j,t}
\end{aligned} \tag{1}$$

All of the control variables that capture firm's fundamental accounting information are lagged fiscal-year values. I hypothesize that Glass Lewis will, on average, be more likely to issue favorable voting recommendations when firm *j* is part of the parent firms' portfolios.

Next, following Bessembinder (2018), I use annualized buy-and-hold returns on common stocks to identify whether Glass Lewis clients experienced an adverse shock that reduced their stock values in a given fiscal year.<sup>14</sup> These returns are calculated by linking daily returns in a fiscal year. When a stock lists or delists during a fiscal year, the return is calculated corresponding to data availability.

To assess the effect, I employ a difference-in-difference design:

$$\begin{aligned}
GL\_Recommendation_{j,t} / MGM\_GL\_Conflict_{j,t} \\
= & \alpha + \beta_1 Investee_{j,t-1} + \beta_2 Ret\_Shock_{j,t-1} \\
& + \beta_3 Investee_{j,t-1} \times Ret\_Shock_{j,t-1} \\
& + \sum \beta_k Institutional\_Controls_{j,t-1}
\end{aligned}$$

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<sup>13</sup> As a robustness test, I further analyze OTPP's impact on voting recommendations. OTPP is the only stable, large owner of Glass Lewis since 2007.

<sup>14</sup> My use of buy-and-hold returns is motivated by OTPP's stable long-term investment strategy. On average, OTPP invests in a firm for 4.5 years in the sample.

$$\begin{aligned}
& + \sum \beta_m \text{Financial\_Controls}_{j,t-1} \\
& + \text{Firm\_FE} + \text{Industry-Year\_FE} + \varepsilon_{j,t}.
\end{aligned}
\tag{2}$$

In the model, *Ret\_Shock* equals one when the firm's annualized buy-and-hold return is negative and zero otherwise. The variable of interest is the interaction term *Ret\_Shock*  $\times$  *Investee*. Intuitively, a positive sign on the interaction term means that Glass Lewis is more likely to support shareholder proposals at an investee after its parent firms suffer a loss from investing in it in t-1 and therefore have a strong incentive to intervene.

The regression models include a set of control variables that capture the firms' institutional and financial characteristics. The institutional controls included in the models are executive compensation (*Compensation*), institutional ownership (*Institut\_Hold*), number of sell-side equity analysts' forecasts (*Analysts*), and changes in executive compensation (*Change\_in\_Comp*). The financial controls included in the models are total debt-to-assets ratio (*Leverage*), the Herfindahl-Hirschman Index (*HHI*) of industry concentration, operating income growth (*Growth*), firm size (*Size*), asset tangibility (*Tangible*), return on assets (*ROA*), book-to-market value ratio (*BM*), operating income loss (*Loss*), and dividends paid (*Div\_Pay*). These control variables capture various characteristics of the firms that are correlated with proxy advisors' recommendations to shareholders and the parent firms' choices of investments (Gillan and Starks, 2000; Li, 2018; Yeh, 2017).

In addition to the institutional and financial controls, the regressions incorporate firm fixed effects and industry-year fixed effects to absorb firm-invariant and industry-year-invariant factors.<sup>15</sup> The standard errors are clustered by firm. To mitigate concern

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<sup>15</sup> I use the first digit of Standard Industrial Classification codes to identify the industry. The results are robust to use of the Fama French industry classification.

about outliers, the continuous variables are winsorized at the 1% and 99% levels.<sup>16</sup>

## **4 Data and Statistics**

### **4.1 Sample**

The data on Glass Lewis recommendations and shareholder proposals come from Glass Lewis' proxy papers for meeting years 2008 through 2017 for firms publicly listed in the United States. The 2008 starting period corresponds to the first voting year after parent firm OTPP acquired Glass Lewis. The proxy papers allow me to identify ballot items, shareholder meeting dates, the firms' CUSIP codes, and recommendations by Glass Lewis and by firm managers regarding the shareholder proposals. I then merge the Glass Lewis data with data from ISS Voting Analytics identifying the CUSIP codes, meeting dates, and ballot item to determine the results of voting for each proposal. The dataset from Glass Lewis covers both shareholder annual meetings and special shareholder meetings.

The OTPP and AIMCO investment portfolios are identified using 13F filings from the SEC. Institutional investment managers that exercise discretion over \$100 million or more are required to report their holdings on Form 13F within 45 days of the end of each calendar quarter<sup>17</sup> (SEC, 2015), and the forms can be used to identify all of the firms in which OTPP and AIMCO have invested, their percentage ownership, and the market value of their investments. This information is matched to the Glass Lewis recommendations using the CUSIP codes and fiscal years.

I obtain data on stocks from the Center for Research in Security Prices (CRSP)

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<sup>16</sup> In robustness tests, inclusion of these outliers does not change the inferences.

<sup>17</sup> Holdings of less than 10,000 shares and/or \$200,000 in fair market value do not have to be reported. If any such investments are present, they are a much smaller driver of influence on proxy advisor recommendations because of the large assets of OTPP and AIMCO.



and, following Bessembinder (2018), calculate annualized buy-and-hold returns for each firm-year observation. Data on executive compensation come from ExecuComp, institutional ownership from 13F filings, equity analyst coverage from I/B/E/S, and financial information from Compustat. The final sample for the main analysis consists of 3,615 shareholder proposals representing 1,865 firm-year observations. The investee group is composed of 317 unique firms and the non-investee group includes 241 unique firms. The industry and year distributions of the final sample are reported in Panels A and B of Table 1.

Data for the second and third analyses are collected in a similar manner. The information about sponsors and types of shareholder proposals comes from ISS Voting Analytics and is matched to the Glass Lewis voting recommendations using CUSIP code, meeting date, and proposal name.<sup>18</sup> I then merge this data with the ownership information from 13F filings. The distributions by proposal category and sponsor are reported in Panel C and D of Table 1. The largest type of sponsor is individuals (30.5%). Approximately two-thirds of the proposals are governance-related, and shareholders have a particular focus on board issues (35%).

## 4.2 Descriptive Statistics

Panel A of Table 2 presents statistics for the sample at the firm-year level. The average value for *Investee* is 0.73 with a standard deviation of 0.44, meaning that, in the sample of firms receiving shareholder proposals, Glass Lewis' parent firms invested in more than half of the firm-years. In addition, the investments are mainly by the largest owner, OTPP (average value of *Investee\_OTPP* is 0.70). The average value for

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<sup>18</sup> I used fuzzy matching methods to match to proposal names and required the precision to exceed 0.85. I then manually verified all pairs and matched the rest of the proposals.

*Ret\_Shock* is 0.34, meaning that negative buy-and-hold returns occurred in 34% of the firm-years. The institutional control variables show that, on average, the CEOs receive compensation packages of \$9.23 million and the value of executive compensation packages increases 23% per year. For the average firm, 76% of the shareholders are institutional and the average number of equity analyst forecasts is 15. In terms of financial controls, the average firm has assets of approximately \$18.4 billion, the average operating income growth rate is 3%, the average value for return on assets is 0.13, and the average dividend payment per firm-year is \$138 million.

Panel B of Table 2 presents statistics for the sample used in the main shock analysis. The observations are at the shareholder-proposal firm-year level. The Glass Lewis recommendations on the shareholder proposals are coded one when Glass Lewis issues a “For” recommendation and zero otherwise (“Against”). The average value of positive Glass Lewis recommendations is 0.49, indicating that Glass Lewis advisors recommended approval of half of the shareholder proposals it considered. In addition, 38% of the proposals receive a “For” recommendation from Glass Lewis while being ultimately voted down. The values for all other control variables are similar to the firm-year values.

Panel C presents statistics for the investment of OTPP and AIMCO at firms that are subject to Glass Lewis’s voting recommendations. OTPP’s investments in a firm amount to \$21.6 million per year on average. Consistent with the typical investment strategy of pension funds, OTPP owns less than 0.1% of total outstanding shares, on average, of firms in which it invests. This supports the view that OTPP does not have a great deal of direct influence as a shareholder on the firms’ corporate governance.

## 5 Empirical Results

### 5.1 Baseline Model

The first step in the analysis is to examine whether, on average, proxy advisors are more likely to issue favorable voting recommendations on shareholder proposals at investees. The results from the model presented in equation 1 are reported in Panel A of Table 3. Columns 1 and 2 present estimates of the regression with firm and industry-year fixed effects. The variable of interest is *Investee*, which captures investment choices by OTPP and AIMCO. The coefficients are positive and statistically significant at the 5% level or better. In terms of economic magnitude, the coefficient in column 1 indicates that Glass Lewis is 8.3 percentage points more likely to issue a favorable recommendation for a shareholder proposal at an investee, which represents 16.9% of the mean value of *GL\_Recommendation*.<sup>19</sup> Similarly, column 2 presents results of a regression in which *Investee* is replaced by *Investee\_OTPP*, capturing Glass Lewis' favorable recommendations for firms in which OTPP invested. The coefficient is positive and statistically significant at the 1% level. Thus, Glass Lewis is 9.1 percentage points more likely to issue a favorable recommendation on shareholder proposals at investees, which represents 18.6% of the mean value of *GL\_Recommendation*. Columns 3 and 4 provide the results of a robustness test in which firm and fiscal-year fixed effects are added to the preceding regressions. In this case, the coefficients for *Investee\_OTPP* and *Investee* are positive and statistically significant at the 5% level or better.<sup>20</sup> Overall, these results support the view that shareholder proposals at investees, on average, receive preferential treatment from proxy advisors. In columns 5 through 8, I use *MGM\_GL\_Conflict* as the alternative dependent variable. The results show that

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<sup>19</sup> The economic magnitude is calculated as  $0.083 / 0.49 = 16.9\%$ .

<sup>20</sup> The results are robust to use of a probit model.

Glass Lewis and the management are 7.7 percentage points more likely to have conflicting recommendations on shareholder proposals at investees, which represents 16% of the mean value of *MGM\_GL\_Conflict*.<sup>21</sup>

The preceding test shows that proxy advisors are more likely to support shareholder proposals at investees, but it is not yet clear whether the vote outcome is favorable at investees. Panel B reports the results of a regression in which, following Li (2018), the dependent variable *Interest\_Misalignment* is coded as one when Glass Lewis recommends “For” (“Against”) the proposal but the shareholder vote fails to pass it (passes it). This serves as a measure of whether shareholders’ interests are aligned with parent firms’. The underlying assumption is that institutional investors in an efficient market disagree with the proxy advisors’ biased recommendations. In this case, the coefficients for the variables of interest, *Investee* and *Investee\_OTPP*, are positive and statistically significant at the 1% level. Glass Lewis is shown to be 9.7 percentage points more likely to issue a biased recommendation on a shareholder proposal at an investee, which represents 25.5% of the mean value of *Interest\_Misalignment*.<sup>22</sup> This test suggests that parent firms that have “skin in the game” adversely influence the proxy advisor recommendations and, more importantly, that the structural conflict of interest leads to preferential treatment of shareholder proposals that do not represent the interests of all shareholders.

## 5.2 Proxy Advisor Recommendations Subsequent to an Adverse Shock

In the second part of the analysis, I test the impact of an adverse return shock to

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<sup>21</sup> In my sample, all of the management-GL conflicts come from the case where GL recommends “For” and the management recommends “Against”. For observations with *MGM\_GL\_Conflict*=0, 1% of the management recommendations are undetermined.

<sup>22</sup> The economic magnitude is calculated as  $0.097 / 0.38 = 25.5\%$ .

the parent firms' investment on Glass Lewis' recommendations (H1). The results of the model in equation 2 are reported in Table 4. Columns 1 and 2 present estimates from the difference-in-difference model with industry-year fixed effects and firm fixed effects. The results are consistent with the intervention hypothesis; the coefficient for the interaction term *Investee*×*Ret\_Shock*, which measures the differential impacts of the return shock on recommendations at investees and non-investees, is positive and statistically significant at the 1% level. In terms of economic magnitude, following the adverse return shock, the likelihood that Glass Lewis issues a “For” recommendation on a shareholder proposal at an investee is 14 percentage points greater than the likelihood of issuing a “For” recommendation at a non-investee. Column 2 reports the estimated coefficient when testing the interaction term *Investee\_OTPP*×*Ret\_Shock* to identify any influence from OTPP. Likewise, the estimates are positive and statistically significant at the 1% level. In columns 3 and 4, I add firm and year fixed effects as a robustness check. The difference-in-difference estimators are positive and statistically significant at the 5% level or better in both model specifications.

Columns 5 through 7 present estimates from the model with *MGM\_GL\_Conflict* as the alternative dependent variable. Consistently, following the adverse return shock, Glass Lewis is more likely to come into conflict with the management at investees by issuing different recommendations.

With respect to the control variables, note that Glass Lewis is less likely to issue a “For” recommendation when the firm has a high rate of growth and more institutional investors.

Collectively, these empirical results are consistent with the intervention hypothesis (H1). They show that an adverse return shock leads proxy advisors to support shareholder proposals at investees. In addition, the results indicate that active

intervention from the parent firms leads to a greater likelihood of shareholder proposals passing. These findings further our understanding of shareholder activism via channels other than direct confrontations (Becht, Franks, Mayer and Rossi, 2010; Brav, Jiang, Partnoy and Thomas, 2008; Carleton, Nelson and Weisbach, 1998; Dimson, Karakaş and Li, 2015; Levit, 2019; McCahery et al., 2016).

### 5.3 Sponsor Identity and Proxy Advisor Recommendations

The third portion of the analysis explores whether proxy advisors more often support shareholder proposals when the proposal sponsors have incentives that are similar to the incentives of the parent firms (H2). The results are reported in Panel A of Table 5. Column 1 reports the results of regressing a sub-sample consisting of proposals sponsored by investment funds. The coefficient for *Investee*×*Ret\_Shock* is positive and statistically significant at the 5% level. Thus, following an adverse return shock, the likelihood of a “For” recommendation is 25.8 percentage points greater for proposals at investees than for proposals at non-investees. Column 2 reports estimates from regressing a sub-sample consisting of proposals sponsored by labor unions. In this case, the coefficient for the interaction term is positive and statistically significant at the 1% level. Interestingly, OTPP is funded by a unionized teachers’ pension. The coefficients for the interaction term when the proposal sponsors are individuals, religious groups, and other types of investors are not statistically significant (columns 3 through 5).<sup>23</sup>

In Panel B, as a robustness check, the dependent variable, *GL\_Recommendation*, is replaced by *MGM\_GL\_Conflict*. Again, none of the coefficients is statistically significant when the proposal sponsors are not investment funds or labor unions.

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<sup>23</sup> Companies and groups of special interests are aggregated as other types of investors. These categories had very few observations so it was not feasible to regress them separately due to small sample size.

These findings are consistent with H2 and support the view that the likelihood of a shareholder proposal receiving a favorable recommendation from proxy advisors increases in an economically significant way when the proposal is sponsored by shareholders in the same category (e.g., investment funds and labor unions) as the parent firms.

## 5.4 Channels of Engagement

The final portion of the analysis addresses channels through which parent firms engage in activism in investees (H3). The results are reported in Panel A of Table 6. In this analysis, the sample is divided into types of shareholder proposals: board issues, executive compensation, general organization and CSR issues. Columns 1 through 4 present the results for firms with *GL\_Recommendation* as the dependent variable. The coefficients of the variables of interest (*Investee × Ret\_Shock* and *Investee\_OTPP × Ret\_Shock*) are positive and statistically significant at the 10% level or better for proposals related to board issues and executive compensation (columns 1 and 2). For CSR proposals, the coefficient of the variable of interest is positive and statistically significant at the 1% level (column 4). Columns 5 through 8 report the results of the regressions with *MGM\_GL\_Conflict* as the dependent variable. The results remain similar to the previous test.

In Panel B, I examine what kind of private benefits GL's parents extract at the expense of other shareholders. The dependent variable is *Interest\_Misalignment*. The coefficient of the variable of interest is positive and statistically significant at the 1% level for CSR proposals, while none of the coefficients is statistically significant for governance-related proposals. The results suggest that while GL is more likely to support CSR proposals at investees, the majority of shareholders ultimately vote down

these proposals. In addition, the evidence suggests that GL's parents and other shareholders have common interests in proposals related to board issues and executive compensation.

These findings are consistent with H3. They indicate that both corporate governance and social responsibility proposals are relevant channels through which the parent firms exert pressure on proxy advisors. This effect manifests for proposals related to board issues, executive compensation and CSR issues. Use of CSR proposals to engage in activism also likely reflects the extraction of private benefits and the misalignment of interests between GL's parents and other shareholders.

## **5.5 Consequences of Conflicted Recommendations**

One critical question in this study is how parent firms' influences on proxy recommendations affect firms' subsequent performance. It is likely that the parent companies' intervention *ex post* improves their investees' operating performance. Under this scenario, parents' influence may be less concerning from a regulatory point of view. To investigate this question, I focus on parents' investees receiving conflicted proxy recommendations. The proposals are subject to potentially conflicted recommendations when at least one of the parent companies of Glass Lewis has an investment in the firm, and proxy advisors issue a "For" recommendation on the shareholder proposal. Then I compare firm performances subsequent to proposals that narrowly passed and proposals that narrowly failed. This identification strategy allows to identify proposals with relatively similar quality and result in stronger causal inferences (Malenko and Shen, 2016). I therefore restrict the sample to proposals that



narrowly passed/failed within a 10% margin.<sup>24</sup>

The results are reported in Table 7. The measures for operating performances are return on assets (*ROA*), return on investment (*ROIC*), operating margin (*Opmargin*), interest coverage (*Interest\_Coverage*) and loss (*Loss*) in the subsequent year. The variable *Vote\_Result* is an indicator variable that takes a value of one when the shareholder proposal passed, and zero otherwise. The coefficients for *Vote\_Result* are negatively associated with *ROA*, *ROIC* and *Opmargin*. Meanwhile, the coefficient is positively associated with *Loss*. Overall, the results likely suggest that firms with conflicted proposals that pass perform more poorly than firms with proposals that fail. Therefore, the findings are consistent with the notion that parent companies' intervention leads to the deterioration of operating performances, and does not create more aggregate value for shareholders.

## **6 Identification**

### **6.1 Exogenous Change in Ownership**

One can argue that unobservable firm characteristics that lead Glass Lewis to support shareholder proposals also drive the parent firms' investment decisions. Glass Lewis and its parent firms could both be identifying firms that are likely to obtain favorable recommendations on shareholder proposals. In addition, there is still potential for a feedback effect arising from proxy advisors providing the parent firms with insider information on voting recommendations because they have greater expertise on voting issues. To mitigate concern about endogeneity, I exploit acquisition of Glass Lewis in 2007 by OTPP as an identification strategy. OTPP is a large investment fund and

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<sup>24</sup> As a robustness test, I use several alternative cut-off thresholds around 10 percent. The results are largely consistent.

retained ownership of Glass Lewis throughout the study period. The change in ownership arguably is exogenous to change in the characteristics of the investees and non-investees.<sup>25</sup> I hypothesize that the structural conflict of interest is manifested only after OTPP becomes the parent firm.

The results of this analysis are reported in Panel A of Table 8. Column 1 reports the results of a falsification test determining whether Glass Lewis were likely to issue favorable voting recommendations prior to its acquisition by OTPP. *Investee\_OTPP\_Prior* is an indicator variable that takes a value of one when OTPP had an investment in a firm prior to 2007 and zero otherwise. The coefficient for *Investee\_OTPP\_Prior* is not statistically different from zero. These results suggest that voting recommendations by Glass Lewis prior to OTPP acquisition are not driven by OTPP's investment choices. Column 2 presents the results of using a difference-in-difference approach to analyze Glass Lewis' recommendations after it was acquired by OTPP. In this case, the sample period is restricted to five years before and five years after the change in ownership of Glass Lewis. The coefficient for the interaction term *Investee\_OTPP*×*Post* is positive and statistically significant at the 5% level, suggesting that Glass Lewis was likely to support shareholder proposals at investees after it was acquired by OTPP. Column 3 presents the pre- and post- comparison for only the OTPP's investee firms. This approach allows to isolate the treatment effects on the investees and removes the heterogeneity between treatment and control groups. The coefficient for *Post* is positive and statistically significant at the 10% level. Columns 4 through 6 report the results from a model with *MGM\_GL\_Conflict* as the dependent

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<sup>25</sup> To further examine the possibility of a common view and reverse causality, I consider whether the acquisition of Glass Lewis by OTPP was driven by substantial changes in OTPP's investment strategy and examine its annual reports and disclosures of investment strategy. OTPP does not mention any major changes in investment philosophy during the acquisition period. Similarly, I find that, in the post-acquisition period, OTPP retained its shares in more than 80% the firms in which it had invested, which is an average annual portfolio turnover rate for OTPP.

variable. Likewise, the evidence shows that Glass Lewis is more likely to come into conflict with the management at investees after it was acquired by OTPP.

In Panel B, I conduct a placebo test to examine whether in the post-acquisition period, the proxy recommendations by Glass Lewis are more favorable for shareholder proposals at investees of other comparable pension funds (e.g., California State Teachers' Retirement System and New York State and Local Retirement System). *Investee\_CALSTRS* (*Investee\_NYSLRS*) is an indicator variable that equals one when CALSTRS (NYSLRS) holds shares in the firm-year and zero otherwise. I replicate the difference-in-difference model in Panel A. In Columns (1)-(4), none of the coefficients for the interaction term *Investee\_CALSTRS*  $\times$  *Post* (*Investee\_NYSLRS*  $\times$  *Post*) is statistically different from zero.

Overall, these analyses show that favorable voting recommendations by Glass Lewis occur only after OTPP becomes its parent company.<sup>26</sup>

## 6.2 Entropy Balance Matching

In the main regression models, I use investees as the treatment group and non-investees as the control group. However, a potential concern is that differential treatment by proxy advisors could be explained by heterogeneous characteristics of the treatment and control groups. The parent firms could, for example, prefer certain types of firms when investing, and *ex ante* differences between those firms and firms in which they do not invest lead to differential judgement by proxy advisors on shareholder proposals. Therefore, to further address potential endogeneity, entropy balance matching is used to remove heterogeneity between the groups. Empirically, the entropy

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<sup>26</sup> Because the post-acquisition period includes the 2008 financial crisis, I conducted a robustness test excluding the 2008 observations. The results remained robust.

balance matching process assigns a weighting to both groups. The weighting alleviates heterogeneity in various moments of a statistical distribution (e.g., mean, variance). Prior studies have shown that entropy balance matching offers several advantages over propensity score matching in terms of robustness (Hainmueller and Xu, 2013; Watson and Elliot, 2016).

In the first stage, I employ entropy matching to assign a weighting to each of the control variables that were used in the main analysis<sup>27</sup>. The descriptive statistics before and after entropy matching, reported in Panel A of Table 9, show that the two moments of statistical distribution are identical after the matching process<sup>28</sup>.

Next, I match the entropy balance weightings with proposal-level data and estimate the models in the main analysis using a weighted ordinary least square regression. I thereby apply the weightings to each of the institutional and financial controls. Firm fixed effects and industry-year fixed effects are included. These regression results are reported in Panel B. As in previous tests, the coefficients of the interaction terms (*Investee\_OTPP* × *Ret\_Shock* or *Investee\_OTPP* × *Post*) in this regression are positive and statistically significant in all model specifications. On average, the likelihood that a shareholder proposal will receive a favorable recommendation from Glass Lewis is 19 percentage points greater at an investee than at a non-investee.

The sample obtained by entropy balance matching further validates the results

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<sup>27</sup> In addition, I use a probit model to estimate determinants of investment choices by OTPP and AIMCO by regressing the binary variable *Investee* on a set of covariates in the main analysis. The untabulated results suggest that size, return on assets, executive compensation, proportion of institutional shareholders, and number of analysts are positively associated with the investment choices and that the book-to-market value ratio is negatively associated with the investment choices. These results are consistent with findings from prior studies that show that both corporate governance and operational performance are associated with institutional investing decisions (Chung and Zhang, 2011).

<sup>28</sup> The results remain robust if I match upon additional control variables (e.g., stock volatility, six-dimension entrenchment index) despite the loss of data points.

presented in the main model. The treatment and control groups exhibit homogeneous characteristics after the matching procedure and thus show that differential treatment by proxy advisors is not driven by the firms' financial or institutional dimensions.

## **7 Additional Tests**

### **7.1 Vote by OTPP and GL Recommendation**

In the main tests, I examine the parent companies' influence on proxy recommendations by identifying parents' investees. It is also worthwhile investigating how the voting record of the largest parent (OTPP) correlates with Glass Lewis recommendation. I therefore manually collect OTPP's voting record from its website.<sup>29</sup> OTPP discloses its votes at annual and special shareholder meetings starting from 2015. I merge OTPP's voting record and Glass Lewis proxy recommendations based on firm's name, meeting date and proposal description. In Table 10, I tabulate the descriptive statistics for the common coverage of disclosed OTPP votes at shareholder meetings and GL recommendations for shareholder proposals. In Panel A, the statistics suggest that for 86.6% of the shareholder proposals, OTPP and Glass Lewis voted / recommended identically.<sup>30</sup> In only 13.4% of the cases, OTPP and Glass Lewis had divergent views. Panels B and C show that for 44.6% of the proposals OTPP voted favorably, while only 11% of the proposals ultimately passed.

Even though these statistics do not provide any casual inferences, they give some interesting indications on the strong correlation between OTPP's voting record and Glass Lewis proxy recommendation.<sup>31</sup>

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<sup>29</sup> <https://viewpoint.glasslewis.com/WD/?siteId=OTPP>

<sup>30</sup> The Pearson correlation coefficient is 0.73.

<sup>31</sup> One possible interpretation can be that OTPP simply followed Glass Lewis voting recommendations and therefore voted accordingly.

## 7.1 Shareholding Change Analysis

The main analyses determined whether proxy advisors differentially treat shareholder proposals at investees and non-investees. It is reasonable to expect that the parent firms, after reducing the number of shares they hold in a company, will have less incentive to pressure proxy advisors to issue favorable recommendations. Hence, I formally test whether a drop in the number of shares held by the parent firms reduces the likelihood of favorable proxy advisor recommendations for those firms. The independent variables are (1) *Share\_Sold\_Investee*, an indicator variable that equals one when OTPP or AIMCO sells all the shares held in a firm in  $t-1$  and zero otherwise, and (2) *Share\_Sold\_OTPP*, an indicator variable that equals one when OTPP sells all of its shares held in a firm in  $t-1$  and zero otherwise.

The results of this analysis are reported in Table 11. The coefficients of *Share\_Sold\_Investee* (columns 1 and 3) are negative and statistically significant at the 5% level. Therefore, Glass Lewis is 8% (14%) less likely to issue a favorable recommendation on a shareholder proposal (issue a different recommendation than the management) after a parent firm sells all of its stock in the firm. Similarly, the coefficients of the variable *Share\_Sold\_OTPP* (columns 2 and 4) are statistically significant at the 1% level. These results from this association test are consistent with the prediction that, following a substantial reduction in their stakes in investees, the parent firms are less inclined to intervene in recommendations on shareholder proposals.

## 7.2 Glass Lewis and ISS Recommendations

In this test, I use ISS recommendations as benchmarks to examine whether Glass Lewis recommendations are more favorable for shareholder proposals at investees. Going against ISS recommendations is likely to suggest conflicts of interest. The

variable *Diff\_GL\_ISS* is the numerical difference between Glass Lewis recommendation and ISS recommendation. The recommendation equals one if Glass Lewis/ISS recommends “For” and zero if Glass Lewis/ISS recommends “Against”. A higher number indicates a more favorable opinion from Glass Lewis relative to ISS. The results in Table 12. show that relative to ISS, Glass Lewis is more likely to support proposals at investees, suggesting a potential conflict of interest. However, readers should interpret the results with caution because the parent companies of ISS may also have similar vested interests as OTPP and AIMCO (see Note 11).

### **7.3 Portfolio Performance**

In the main analyses, I use firm-level annualized buy-and-hold returns to capture an adverse return shock to the parent firms’ investments. However, it is also plausible that the intervening behavior of the parent firms is triggered by losses in their portfolios overall. I formally analyze the effect of a portfolio-level shock using realized one-year portfolio returns. I obtain data on the annual equity performance of OTPP’s portfolio from its annual reports for 2007 through 2016. The indicator variable, *Perfyear*, is coded one when one-year portfolio performance is negative and zero otherwise and is dropped from all models because of collinearity with the industry-year or year fixed effects. The results are reported in Table 13. The results are consistent with the hypothesis that parent firms engage in activism when they experience portfolio-level losses. The coefficients of *Investee\_OTPP* × *Perfyear* are all positive and statistically significant at the 10% level or better. These findings provide additional evidence of the influence of parent firms’ investment portfolios on proxy advisors’ voting recommendations.

## 7.4 Cross-Sectional Test on OTPP's Stake

Another important question is whether the incentive of issuing differential recommendations is stronger when the parent firms have a higher stake in the investees. To investigate this question, I create a variable *High\_Stake*, an indicator variable that takes a value of one if the dollar value of OTPP's investment in a firm-year is above the median of its investees, and zero otherwise<sup>32</sup>. The results of this analysis are reported in Table 14. As seen in columns 1 and 2, the coefficients for the interaction term *High\_Stake*×*Shock\_Return* are positive and statistically significant at the 5% level. The results are consistent with the prediction that following an adverse return shock, proxy advisors' likelihood to support shareholder proposals is increasing in the importance of OTPP's investees.

## 7.5 Alternative Measure of Return Shock

In the main difference-in-differences tests, I use an indicator variable *Ret\_Shock* to proxy for the adverse return shock. This approach allows to show a sharp contrast relative to returns. As a robustness test, I use a continuous variable, *BH\_Return*, defined as the annualized buy-and-hold return to capture the shock magnitude. In addition, in all model specifications, I include industry-year fixed effects to estimate the impacts of market- or industry-adjusted returns. The results are reported in Table 15. The coefficients for the variable of interest *Investee\_OTPP*×*BH\_Return* and *Investee*×*BH\_Return* are all negative and statistically significant. Please note that the signs of the coefficients switch directions relative to buy-and-hold returns. Adverse shocks are

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<sup>32</sup> Given that OTPP is a pension fund, and its ownership is relatively homogeneous across the investees, I use the dollar value of its investment to capture the importance of the investees. The dollar value of OTPP's investment is proxied by the product of number of shares held in a firm-year and share price.



coded as one if the return is negative, whereas *BH\_Return* is increasing in return.

## 7.6 Proposal-Type Fixed Effects

One might argue that the main results can be driven by the fact that investees and non-investees receive different types of shareholder-sponsored proposals. In order to mitigate this concern, I further include proposal-type fixed effects. The results are reported in Table 16. The coefficients for the variables of interest (*Investee* and *Investee*×*Ret\_Shock*) remain positive and statistically significant at the 1% level.

## 7.7 Management Proposals

Literature on corporate governance documents that shareholder-sponsored proposal is the major channel for shareholders to voice their resolutions (Gillan and Starks, 2000; John and Klein, 1995; Levit and Malenko, 2011). However, as proxy advisors also provide voting recommendations on management-sponsored proposals, it is plausible that parent companies are less likely to support managerial actions (board elections, ratification of auditors and executive compensation) when they are unsatisfied with the stock performance. In order to investigate this question, I complement the current set of results with analysis of management proposals. The results are reported in Table 17. The dependent variable *GL\_Recommendation* equals one (zero) if Glass Lewis recommends “Against” (“For”) on a management-sponsored proposal. The coefficient for the variable of interest (*Investee\_OTPP*) is positive and marginally significant only in column 2. The results likely suggest that relative to shareholder proposals, management proposals provide a less relevant and direct channel for shareholders to engage in activism. The findings are also consistent with

the notion that OTPP rarely pressures the investees using votes on management proposals.<sup>33</sup>

## 8 Conclusion

The proxy advisory industry is dominated by just two firms (Glass Lewis and ISS), and this duopolistic nature gives those two firms outsized influence on standards, but few studies have examined these roles and the inherent conflicts of interest proxy advisors face. This paper provides the first evidence of significant structural conflicts of interest that arise when a proxy advisory firm's parent company invests in firms for which the proxy advisors give voting recommendations on shareholder proposals (Egan Jones, 2016) using data on Glass Lewis, the second largest proxy advisory firm, and its parent firms, OTPP and AIMCO. First, the study documents that a large number of firms fall into this category – approximately 70% on average in the case of Glass Lewis.

The results of this study consistently show that this structural conflict of interest leads to differential treatment in which the proxy advisors issue significantly more favorable voting recommendations on proposals at firms in which the parent companies have invested relative to proposals at firms in which the parent companies have not invested. Furthermore, the results indicate that intervention by parent firms (through pressure on the proxy advisors) is an extraction of private benefits and does not necessarily align with the interests of other shareholders of the firm. This is indicated by the fact that proxy advisors are more likely to give favorable voting recommendations on such shareholder proposals that the majority of shareholders ultimately vote against.

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<sup>33</sup> By examining OTPP's voting record, I find that for only 5.4% of the management proposals, OTPP voted "Against".

The results also show that proxy advisors treat entire classes of sponsoring shareholders differently. Proxy advisors are more likely to support proposals when the sponsors are similar in terms of economic incentives to the parent firms (i.e., investment funds and labor unions). These findings are consistent with the existing literature on ownership and private benefits of control (Barclay and Holderness, 1989; Barclay, Holderness and Pontiff, 1993; Dyck and Zingales, 2004; Kedia et al., 2017; Mikkelsen and Regassa, 1991).

Overall, this paper adds to the currently scant literature on conflicts of interest faced by proxy advisory firms and informs recent debates about whether greater regulation of proxy advisors is needed (Financial Times, 2018). Because the proxy advisory industry is relatively opaque and largely underregulated (Choi et al., 2009; Li, 2018), additional disclosures of their conflicts of interest could mitigate opportunistic behavior. Regulators should take extra care to evaluate the potential consequences of these structural conflicts of interest. The results point to the need for greater attention to the industry from regulators, stronger requirements for disclosure of potential conflicts of interest, and construction of “Chinese Wall” regulatory measures to maintain separation between proxy advisory firms and their parent companies.

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## **Appendix A Institutional Evidence on Parent Firms' Influence on Proxy Advisors**

Extract of letter from Center for Capital Markets Competitiveness (CCMC), September 12, 2011

However, in this case, Ontario also wholly owns Glass Lewis which is a proxy advisory firm. As such, Glass Lewis could issue voting policies and recommendations that are directly or indirectly influenced by Ontario's own unique interests. This creates, in our view, a potential appearance of impropriety and conflict of interest that may color the debate in this case. We believe that such actions could cause harm to the corporate governance system and adversely impact the integrity of proxy voting systems and hamper the long-term management of a corporation.

Extract of letter from Center for Capital Markets Competitiveness (CCMC), May 30, 2012

Both Glass Lewis and Ontario claim they make corporate governance decisions independently of one another, but the fact that the owner's interests were made known to the public just prior to publication of the subsidiary's vote recommendation demonstrates the very strong possibility that Ontario's own unique interests are being deliberately reflected in Glass Lewis' vote recommendations, and that the mutual positions are being coordinated in some manner. The mere appearance of a tangible conflict of interest should be sufficient to justify an inquiry by the SEC.

Extract of conflict of interest statement by Egan Jones, January 26, 2016

Structural conflicts are probably the most problematic and difficult to control of all the possible types of conflict of interest. Since most (if not all) proxy advisory companies are also engaged in other lines of business or are owned by groups who do, this issue is very significant. Some proxy advisory firms are owned by institutions that have a vested interest in proxy votes that may not align with that of other investors. Proxy advisory companies that are owned by investors or private equity often have a strict time horizon in which to maximize profitability (i.e., an upcoming liquidity event), and they may not be as well understood by their ownership as it changes often.

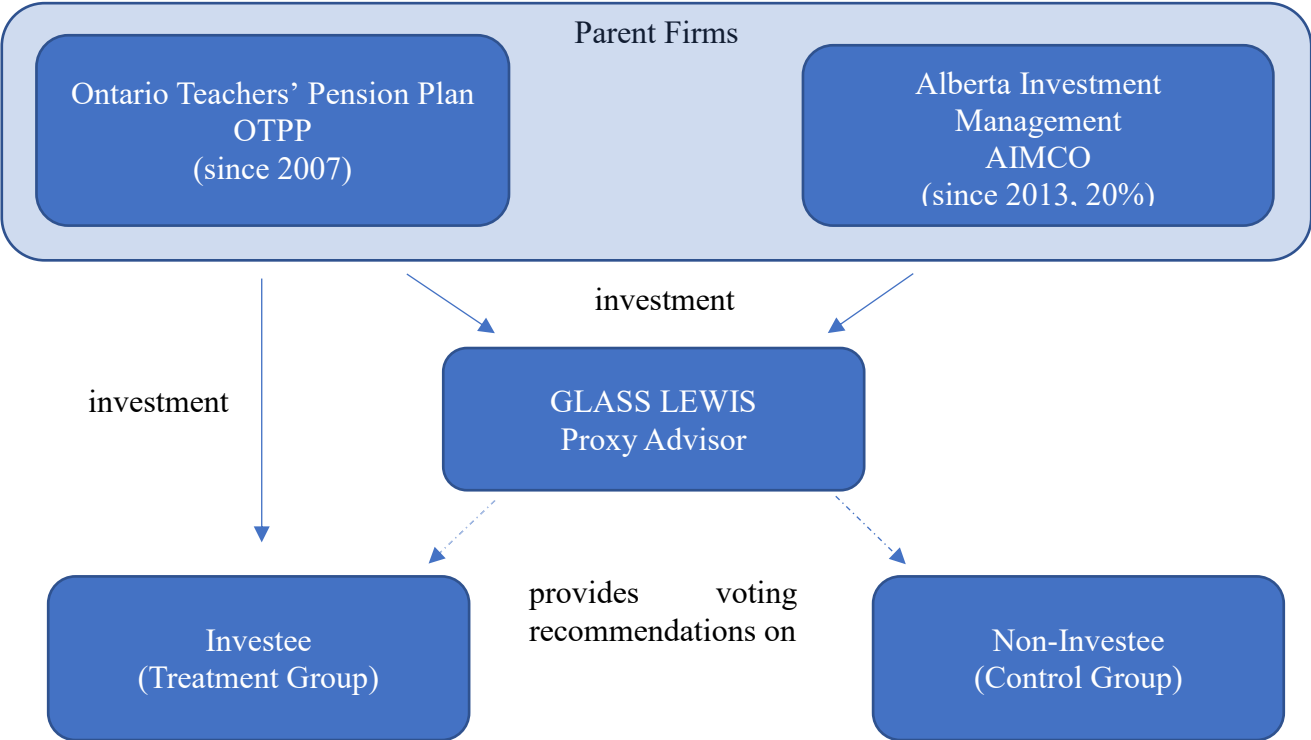
Extract of report *The Ownership of Glass Lewis is All Wrong* by CBS News, November 6, 2007

It's hard to believe, however, that there will be no connection between the two entities. Teachers, with about \$100 billion in assets, invest in stocks of companies around the world as well as other financial instruments. [...]

So how is Glass Lewis going to evaluate the corporate governance practices of BCE? Indeed, how would it rate the practices of any company where Teachers has a major investment? And what if Teachers wants to take over another company? What will the Glass Lewis recommendation be to shareholders?



**Appendix B Illustration of Structural Conflict of Interest**



## Appendix C Variable Definitions

Dependent Variables	Definition	Data Source
<i>GL_Recommendation</i>	Glass Lewis recommendation on a shareholder proposal. Indicator variable that equals one if Glass Lewis recommends For and zero if Glass Lewis recommends Against.	Glass Lewis
<i>MGM_GL_Conflict</i>	Management-Glass Lewis conflict measure. Indicator variable that equals one if Glass Lewis recommendation is different from the management recommendation, and zero otherwise.	Glass Lewis
<i>Diff_GL_ISS</i>	Numerical difference between Glass Lewis recommendation and ISS recommendation. The recommendation equals one if Glass Lewis/ISS recommends For and zero if Glass Lewis/ISS recommends Against. A higher number indicates a more favorable opinion from Glass Lewis relative to ISS.	Glass Lewis/ISS Voting Analytics
<i>Interest_Misalignment</i>	Misalignment of interests between parent companies and other shareholders. Indicator variable that equals one if Glass Lewis recommends For (Against), while the shareholder proposal fails (passes) at the shareholder meeting.	Glass Lewis/ISS Voting Analytics
Independent Variables	Definition	Data Source
<i>Investee</i>	Investee of OTPP or AIMCO. Indicator variable that equals one if at least one of the parent firms holds shares in the firm-year and zero otherwise.	Thomson Reuters-SEC 13F
<i>Investee_OTPP</i>	Investee of OTPP. Indicator variable that equals one if Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise.	Thomson Reuters-SEC 13F
<i>Investee_OTPP_Prior</i>	Investee of OTPP prior to the acquisition of Glass Lewis. Indicator variable that equals one if Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year prior to the change in ownership of Glass Lewis and zero otherwise.	Thomson Reuters-SEC 13F
<i>High_Stake</i>	Indicator variable that takes a value of one if the dollar value of OTPP's investment in a firm-year is above the median of its investees, and zero otherwise.	Thomson Reuters-SEC 13F
<i>Ret_Shock</i>	Adverse return shock. Indicator variable that equals one if a firm experiences a negative annualized buy-and-hold return and zero otherwise.	CRSP
<i>Vote_Result</i>	Indicator variable that takes a value of one when the shareholder proposal passed and zero otherwise.	ISS Voting Analytics
<i>BH_Return</i>	Annualized buy-and-hold return for a given firm-year.	CRSP
<i>Perf1year</i>	One-year portfolio return of OTPP's equity investment. Indicator variable that equals one if the one-year portfolio-level return of OTPP is negative and zero otherwise.	Glass Lewis

<i>Post</i>	Indicator variable that equals one for years subsequent to the change in ownership of Glass Lewis and zero otherwise.	Glass Lewis
<i>Share_Sold_Investee</i>	Indicator variable that equals one if at least one of the parent firms sells all the shares at the investee in year t-1 and zero otherwise.	Thomson Reuters-SEC 13F
<i>Share_Sold_OTPP</i>	Indicator variable that equals one if OTPP sells all the shares at the investee in year t-1 and zero otherwise.	Thomson Reuters-SEC 13F
<b>Institutional Control Variables</b>	<b>Definition</b>	<b>Data Source</b>
<i>Compensation</i>	Natural logarithm of CEO total compensation as reported in SEC filings. The compensation comprises salary, bonus, restricted stock granted, long-term incentive payouts and all other compensation.	Compustat-ExecuComp
<i>Institut_Hold</i>	Percentage of institutional ownership as reported in SEC 13F filings.	Thomson Reuters-SEC 13F
<i>Analysts</i>	Natural logarithm of number of forecasts issued by equity analysts in the most recent date prior to the fiscal year end as captured by I/B/E/S.	I/B/E/S
<i>Change_in_Comp</i>	Annual total compensation growth rate of CEO.	Compustat-ExecuComp
<b>Financial Control Variables</b>	<b>Definition</b>	<b>Data Source</b>
<i>Leverage</i>	Sum of long-term debt and debt in current liabilities scaled by total assets.	Compustat
<i>Growth</i>	Growth rate of operating income before depreciation compared to the lagged fiscal year.	Compustat
<i>HHI</i>	Herfindahl Index where greater values indicate a more monopolistic industry (less competition). Measured at SIC-4 industry level.	Compustat
<i>Loss</i>	Indicator variable that equals one if the operating income before depreciation is negative and zero otherwise.	Compustat
<i>Size</i>	Natural logarithm of total assets.	Compustat
<i>BM</i>	Book to market value ratio, calculated as book value of equity divided by the market value of equity.	Compustat
<i>ROA</i>	Return on assets, calculated as operating income before depreciation divided by the total assets.	Compustat
<i>Tangible</i>	Tangible assets, defined as gross property, plant and equipment (PPEGT) scaled by total assets.	Compustat
<i>Div_Pay</i>	Natural logarithm of dividend paid plus one.	Compustat

### Table 1 (A) Sample Selection

This table presents the sample selection process. The final sample consists of 3,615 shareholder proposals issued between 2008 and 2017.

Total Number of Shareholder Proposals	8,950
Less: firms not domiciliated in the United States	-95
Less: not annual or special meetings	-579
Less: not matched with CUSIP and fiscal year in Compustat	-2,381
Less: observation prior to 2007	-1,403
Less: not matched with CRSP daily stock returns	-199
Less: not matched with ExecuComp annual	-280
Less: not matched with Thomson Reuters 13-F filings	-22
Less: not matched with I/B/E/S	-4
Less: observations with missing value for control variables	-372
Number of Shareholder Proposals in the Final Sample	3,615

### Table 1 (B) Sample Distribution

This table presents the summary statistics for the main variables of the final sample, which consists of 3,615 management proposals issued between 2008 and 2017. Table A presents the sample distribution by year. Table B presents the sample distribution by industry. Table C presents the sample distribution by proposal category. All continuous variables are winsorized at the 1% and 99% levels. All variables are defined in Appendix C.

#### A. Shareholder Proposal: Sample Distribution by Shareholder Meeting Year

Meeting Year	Freq.	Percent
2008	356	9.9
2009	425	11.8
2010	396	11.0
2011	306	8.5
2012	334	9.2
2013	348	9.6
2014	343	9.5
2015	384	10.6
2016	388	10.7
2017	335	9.3
Total	3,615	100

#### B. Shareholder Proposal: Sample Distribution by Industrial Classification

Industry	Freq.	Percent
Agriculture, Forestry and Fishing	10	0.3
Construction	76	2.1
Finance, Insurance and Real Estate	384	10.6
Manufacturing	1,270	35.1
Mining	266	7.4
Public Administration	82	2.3
Retail Trade	425	11.8
Services	279	7.7
Transportation, Communications	756	20.9
Wholesale Trade	67	1.9
Total	3,615	100

#### C. Shareholder Proposal: Sample Distribution by Proposal Categories

Proposal Type	Freq.	Percent
<b>Governance Proposals</b>	2,410	66.7
<i>Board Issues</i>	1,265	35.0
Board Independence	565	15.6
Board Voting Policies	388	10.7
Proxy Access	303	8.4
Nomination/Removal of Directors	9	0.2
<i>Executive Compensation</i>	494	13.7
<i>General Organization</i>	471	13.0
Organizational Policies	305	8.4
Share	152	4.2

Company Liquidation	6	0.2
Dividend	6	0.2
Audit	2	0.1
<i>Miscellaneous</i>	181	5.0
<b>CSR Proposals</b>	1,204	33.3
<b>Total</b>	<b>3,615</b>	<b>100</b>

D. Shareholder Proposals by Sponsor Identity

Sponsor Type	Freq.	Percent
Individual	1,103	30.5
Fund	1,056	29.2
Union	396	11.0
Religious	301	8.3
Special Interest	217	6.0
Company	93	2.6
Non-Identified	235	6.5
<b>Total</b>	<b>3,615</b>	<b>100</b>

**Table 2 Descriptive Statistics**

This table presents the summary statistics for the main variables of the final sample, which consists of 3,615 management proposals issued between 2008 and 2017. Panel A presents the descriptive statistics by firm-year. Panel B presents descriptive statistics by firm-year-proposal. Panel C presents the investment structure of OTPP and AIMCO. All continuous variables are winsorized at the 1% and 99% levels. All variables are defined in Appendix C.

Panel A: Ownership of parent firms and firm characteristics (firm-year observations)

VARIABLES	(1) N	(2) mean	(3) sd	(4) p25	(5) p50	(6) p75
Investee_OTPP	1,865	0.70	0.46	0.00	1.00	1.00
Investee	1,865	0.73	0.44	0.00	1.00	1.00
Ret_Shock	1,865	0.34	0.47	0.00	0.00	1.00
Compensation	1,865	9.13	0.88	8.76	9.25	9.70
Institut_Hold	1,865	0.76	0.15	0.67	0.77	0.86
Analysts	1,865	2.70	0.59	2.40	2.83	3.09
Change_in_Comp	1,865	0.23	0.85	-0.11	0.07	0.32
Leverage	1,865	0.28	0.17	0.16	0.26	0.38
Growth	1,865	0.03	0.49	-0.06	0.04	0.14
HHI	1,865	0.22	0.20	0.08	0.17	0.29
Loss	1,865	0.03	0.17	0.00	0.00	0.00
Size	1,865	9.82	1.54	8.84	9.85	10.74
BM	1,865	0.67	0.24	0.48	0.68	0.87
ROA	1,865	0.13	0.09	0.08	0.13	0.17
Tangible	1,865	0.32	0.26	0.09	0.24	0.55
Div_Pay	1,865	4.93	2.67	3.59	5.56	6.83

Panel B: Glass Lewis recommendation on shareholder proposals (firm-year-proposal observations)

VARIABLES	(1) N	(2) mean	(3) sd	(4) p25	(5) p50	(6) p75
GL_Recommendation	3,615	0.49	0.50	0.00	0.00	1.00
MGM_GL_Conflict	3,615	0.48	0.50	0.00	0.00	1.00
Interest_Misalignment	3,128	0.38	0.49	0.00	0.00	1.00
Diff_GL_ISS	3,128	-0.22	0.52	-1.00	0.00	0.00

Panel C: OTPP and AIMCO Investments

VARIABLES	(1) N	(2) mean	(3) sd	(4) p25	(5) p50	(6) p75
Dollar Value OTPP	1,314	18,025,835	33,651,489	1,464,554	4,188,116	14,133,934
Ownership OTPP (%)	1,314	0.06	0.13	0.01	0.02	0.03
Dollar Value OTPP & AIMCO	1,360	21,590,317	35,621,048	1,841,362	6,429,543	22,118,971
Ownership OTPP & AIMCO (%)	1,360	0.07	0.14	0.01	0.02	0.06

**Table 3 Baseline Model**

This table presents the results from an OLS estimation where the dependent variables are the GL recommendation on shareholder proposals, GL-Management conflict measure and interest misalignment. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when OTPP holds shares in the firm-year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders’ meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

Panel A Parent Firms and GL Recommendation

VARIABLES	(1)	(2) Dependent Variable=GL Recommendation			(5)	(6) Dependent Variable=MGM_GL_Conflict			(8)
		GL recommends “For”			GL recommends “For” & Management recommends “Against”				
<i>Investee</i>	0.0825** (0.03)		0.0714** (0.03)		0.0769** (0.03)		0.0656* (0.03)		
<i>Investee_OTPP</i>		0.0911*** (0.03)		0.0827*** (0.03)		0.0809*** (0.03)		0.0714** (0.03)	
Leverage	-0.0573 (0.16)	-0.0426 (0.16)	-0.0537 (0.15)	-0.0458 (0.15)	-0.0299 (0.16)	-0.0184 (0.16)	-0.0559 (0.15)	-0.0503 (0.15)	
Growth	-0.0360* (0.02)	-0.0357* (0.02)	-0.0402* (0.02)	-0.0398* (0.02)	-0.0371* (0.02)	-0.0369* (0.02)	-0.0442** (0.02)	-0.0438** (0.02)	
HHI	-0.2597 (0.19)	-0.2618 (0.19)	-0.1181 (0.20)	-0.1162 (0.21)	-0.2964 (0.19)	-0.2990 (0.19)	-0.1461 (0.20)	-0.1451 (0.20)	
Loss	-0.1735* (0.09)	-0.1745* (0.09)	-0.1856** (0.09)	-0.1864** (0.09)	-0.2095** (0.08)	-0.2101** (0.08)	-0.2132*** (0.08)	-0.2133*** (0.08)	
Size	0.0287 (0.06)	0.0249 (0.06)	0.0085 (0.05)	0.0035 (0.05)	0.0300 (0.06)	0.0269 (0.06)	0.0042 (0.05)	0.0004 (0.05)	
BM	-0.0937 (0.11)	-0.0978 (0.11)	-0.0904 (0.11)	-0.0950 (0.11)	-0.0760 (0.11)	-0.0796 (0.11)	-0.0644 (0.11)	-0.0686 (0.11)	
ROA	-0.0426 (0.25)	-0.0439 (0.25)	-0.1767 (0.24)	-0.1754 (0.24)	-0.0211 (0.25)	-0.0217 (0.25)	-0.1647 (0.24)	-0.1623 (0.24)	
Tangible	0.0960 (0.24)	0.0840 (0.24)	-0.0067 (0.23)	-0.0104 (0.23)	0.1357 (0.24)	0.1254 (0.24)	-0.0020 (0.23)	-0.0043 (0.23)	
Div_pay	0.0061 (0.01)	0.0057 (0.01)	0.0068 (0.02)	0.0063 (0.02)	0.0085 (0.01)	0.0081 (0.01)	0.0098 (0.02)	0.0094 (0.02)	



Institut_hold	-0.3240*	-0.3252*	-0.3582*	-0.3583*	-0.3020	-0.3020	-0.3499*	-0.3488*
	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)
Analysts	-0.0315	-0.0337	-0.0231	-0.0247	-0.0194	-0.0212	-0.0102	-0.0115
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Compensation	-0.0357	-0.0361	-0.0312	-0.0325	-0.0349	-0.0351	-0.0310	-0.0319
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Change_in_comp	-0.0112	-0.0111	-0.0120	-0.0117	-0.0079	-0.0078	-0.0105	-0.0103
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Observations	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615
R-squared	0.2803	0.2808	0.2630	0.2636	0.2728	0.2731	0.2555	0.2558
Model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES
Fiscal Year FE	NO	NO	YES	YES	NO	NO	YES	YES
Industry-Year FE	YES	YES	NO	NO	YES	YES	NO	NO
Institutional	YES	YES	YES	YES	YES	YES	YES	YES
Controls								
Financial Controls	YES	YES	YES	YES	YES	YES	YES	YES

Panel B Parent Firms and Interest Misalignment

VARIABLES	(1)	(2)	(3)	(4)
	Dependent Variable=Interest_Misalignment			
	GL recommends "For"("Against") & Vote "Fails"("Passes")			
Investee	0.1013*** (0.03)		0.0941*** (0.03)	
Investee_OTPP		0.1145*** (0.03)		0.1099*** (0.03)
Leverage	0.0220 (0.18)	0.0399 (0.17)	0.0554 (0.18)	0.0635 (0.17)
Growth	-0.0304 (0.02)	-0.0303 (0.02)	-0.0374* (0.02)	-0.0369* (0.02)
HHI	-0.6323*** (0.21)	-0.6343*** (0.21)	-0.4405** (0.22)	-0.4375** (0.22)
Loss	-0.0351 (0.09)	-0.0367 (0.09)	-0.0003 (0.09)	-0.0015 (0.09)
Size	0.1243* (0.06)	0.1193* (0.06)	0.0869 (0.06)	0.0799 (0.06)
BM	-0.2139* (0.12)	-0.2195* (0.12)	-0.2021* (0.11)	-0.2077* (0.11)
ROA	-0.0025 (0.26)	-0.0054 (0.26)	-0.1629 (0.26)	-0.1640 (0.25)
Tangible	0.3833 (0.25)	0.3711 (0.24)	0.2233 (0.24)	0.2205 (0.23)
Div_pay	-0.0031 (0.02)	-0.0035 (0.02)	0.0005 (0.02)	0.0000 (0.02)
Institut_hold	-0.1800 (0.21)	-0.1795 (0.21)	-0.2524 (0.20)	-0.2504 (0.20)
Analysts	0.0440 (0.03)	0.0417 (0.03)	0.0405 (0.03)	0.0387 (0.03)
Compensation	-0.0355 (0.03)	-0.0362 (0.03)	-0.0279 (0.03)	-0.0296 (0.03)
Change_in_comp	-0.0084 (0.01)	-0.0083 (0.01)	-0.0116 (0.01)	-0.0113 (0.01)

Observations	3,128	3,128	3,128	3,128
R-squared	0.2764	0.2774	0.2545	0.2557
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Fiscal Year FE	NO	NO	YES	YES
Industry-Year FE	YES	YES	NO	NO
Institutional Controls	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES

**Table 4 Voting Recommendations Subsequent to an Adverse Shock**

This table presents the results from a difference-in-difference estimation where the dependent variables are the Glass Lewis recommendation on shareholder proposals and GL-Management conflict measure. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when OTPP holds shares in the firm-year and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2) Dependent Variable=GL Recommendation			(5)	(6) Dependent Variable= MGM_GL_Conflict			(8)
		GL recommends "For"			GL recommends "For" & Management recommends "Against"				
Investee	0.0317 (0.03)		0.0258 (0.03)		0.0371 (0.03)		0.0308 (0.03)		
Investee_OTPP		0.0502 (0.03)		0.0478 (0.03)		0.0467 (0.03)		0.0434 (0.03)	
Ret_Shock	-0.1184** (0.05)	-0.0995** (0.04)	-0.1078** (0.05)	-0.0863** (0.04)	-0.0927** (0.05)	-0.0827** (0.04)	-0.0832* (0.05)	-0.0696* (0.04)	
Investee×Ret_Shock	0.1381*** (0.05)		0.1248*** (0.05)		0.1081** (0.05)		0.0956** (0.05)		
Investee_OTPP×Ret_Shock		0.1184*** (0.04)		0.1014** (0.04)		0.0989** (0.04)		0.0814* (0.04)	
Leverage	-0.0402 (0.16)	-0.0232 (0.16)	-0.0428 (0.15)	-0.0324 (0.15)	-0.0165 (0.16)	-0.0023 (0.16)	-0.0473 (0.15)	-0.0394 (0.15)	
Growth	-0.0362* (0.02)	-0.0363* (0.02)	-0.0410** (0.02)	-0.0409** (0.02)	-0.0373* (0.02)	-0.0374* (0.02)	-0.0448** (0.02)	-0.0448** (0.02)	
HHI	-0.2406 (0.20)	-0.2441 (0.20)	-0.0990 (0.21)	-0.0996 (0.21)	-0.2815 (0.19)	-0.2843 (0.19)	-0.1314 (0.21)	-0.1316 (0.21)	
Loss	-0.1678* (0.09)	-0.1722* (0.09)	-0.1824** (0.09)	-0.1857** (0.09)	-0.2051** (0.08)	-0.2082** (0.08)	-0.2107** (0.08)	-0.2127*** (0.08)	
Size	0.0324 (0.06)	0.0290 (0.06)	0.0127 (0.05)	0.0086 (0.05)	0.0328 (0.06)	0.0304 (0.06)	0.0073 (0.05)	0.0044 (0.05)	
BM	-0.0696 (0.11)	-0.0782 (0.11)	-0.0729 (0.12)	-0.0810 (0.12)	-0.0571 (0.12)	-0.0641 (0.12)	-0.0500 (0.12)	-0.0569 (0.12)	
ROA	0.0049	-0.0094	-0.1530	-0.1586	0.0161	0.0063	-0.1456	-0.1483	

	(0.26)	(0.26)	(0.24)	(0.24)	(0.26)	(0.26)	(0.24)	(0.24)
Tangible	0.1109	0.1044	0.0074	0.0058	0.1474	0.1422	0.0091	0.0088
	(0.23)	(0.23)	(0.23)	(0.23)	(0.24)	(0.24)	(0.23)	(0.23)
Div_pay	0.0078	0.0072	0.0077	0.0072	0.0098	0.0094	0.0105	0.0101
	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Compensation	-0.0374	-0.0381	-0.0320	-0.0332	-0.0363	-0.0367	-0.0316	-0.0324
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Institut_hold	-0.2985	-0.2985	-0.3361*	-0.3372*	-0.2820	-0.2797	-0.3331*	-0.3319*
	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)	(0.19)
Analysts	-0.0298	-0.0330	-0.0238	-0.0257	-0.0181	-0.0207	-0.0108	-0.0123
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Change_in_comp	-0.0111	-0.0107	-0.0126	-0.0120	-0.0078	-0.0075	-0.0109	-0.0105
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Observations	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615
R-squared	0.2821	0.2823	0.2645	0.2647	0.2739	0.2741	0.2564	0.2565
Model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES
Fiscal Year FE	NO	NO	YES	YES	NO	NO	YES	YES
Industry-Year FE	YES	YES	NO	NO	YES	YES	NO	NO
Institutional Controls	YES	YES	YES	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES	YES	YES	YES

**Table 5 Proposal Sponsor Identity**

This table presents the results from a difference-in-difference estimation where the dependent variables are the Glass Lewis recommendation on shareholder proposals and GL-Management conflict measure. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

Panel A Sponsors and GL Recommendation					
VARIABLES	(1)	(2)	(3)	(4)	(5)
	Dependent Variable=GL Recommendation GL recommends "For"				
	Sponsor=Fund	Sponsor=Union	Sponsor=Religious	Sponsor=Individual	Sponsor=Other
Investee	0.0453 (0.07)	-0.1330 (0.14)	-0.0330 (0.15)	0.0283 (0.07)	0.2002 (0.18)
Ret_Shock	-0.2647** (0.11)	-0.5430** (0.25)	0.0842 (0.20)	-0.0199 (0.09)	-0.0393 (0.21)
<b>Investee×Ret_Shock</b>	<b>0.2578**</b> (0.11)	<b>0.6454***</b> (0.23)	<b>0.0678</b> (0.21)	<b>0.0040</b> (0.09)	<b>0.0898</b> (0.23)
Leverage	0.1361 (0.30)	-1.3421 (1.08)	0.0183 (0.55)	0.3265 (0.32)	0.1915 (0.91)
Growth	-0.0940** (0.05)	-0.0368 (0.10)	0.0275 (0.11)	-0.0826** (0.04)	-0.0684 (0.07)
HHI	0.5327* (0.32)	-1.3956 (1.59)	-0.4842 (0.88)	-0.4430 (0.42)	0.9325 (1.04)
Size	0.0139 (0.09)	0.1877 (0.26)	-0.0567 (0.16)	-0.0124 (0.10)	-0.4719 (0.29)
BM	0.1598 (0.27)	-0.0713 (0.69)	0.1568 (0.50)	-0.3606 (0.24)	-0.7586 (0.67)
ROA	0.0857 (0.40)	0.3192 (1.08)	-0.5080 (1.38)	0.1627 (0.44)	0.2016 (1.23)
Tangible	0.6959** (0.34)	-1.0333 (1.10)	-0.4331 (0.76)	0.0587 (0.45)	-1.0289 (0.99)
Div_Pay	-0.0438** (0.02)	0.0124 (0.07)	0.0179 (0.02)	0.0203 (0.02)	-0.0310 (0.05)

Compensation	-0.0281 (0.05)	-0.1235 (0.12)	-0.0057 (0.07)	-0.0181 (0.05)	-0.0481 (0.08)
Institut_Hold	-1.1255*** (0.31)	0.8470* (0.43)	-0.4871 (0.87)	-0.2527 (0.29)	1.3273* (0.69)
Analysts	-0.0377 (0.09)	-0.1891 (0.17)	-0.0090 (0.11)	-0.0381 (0.07)	0.0133 (0.22)
Change_in_Comp	0.0099 (0.03)	-0.1003 (0.07)	0.0167 (0.03)	-0.0038 (0.03)	0.0143 (0.03)
Constant	1.2138 (1.11)	0.6476 (3.43)	1.4531 (1.69)	1.2249 (1.04)	5.3548* (3.12)
Observations	951	293	216	1,022	230
R-squared	0.4102	0.5247	0.5315	0.3198	0.5587
Model	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES

Panel B Sponsors and GL-Management Conflicts

VARIABLES	(1)	(2)	(3)	(4)	(5)
	Dependent Variable=MGM_GL_Conflict				
	GL recommends "For" & Management recommends "Against"				
	Sponsor=Fund	Sponsor=Union	Sponsor=Religious	Sponsor=Individual	Sponsor=Other
Investee	0.0227 (0.07)	-0.1318 (0.16)	-0.0861 (0.14)	0.0402 (0.07)	0.1932 (0.17)
Ret_Shock	-0.2832*** (0.11)	-0.5548* (0.30)	0.0622 (0.21)	0.0228 (0.09)	-0.0765 (0.21)
Investee×Ret_Shock	0.2782*** (0.11)	0.6302** (0.29)	0.0916 (0.21)	-0.0450 (0.09)	0.1338 (0.23)
Leverage	0.1692 (0.31)	-1.3821 (1.06)	-0.0049 (0.55)	0.4101 (0.32)	0.1901 (0.91)
Growth	-0.0934* (0.05)	-0.0565 (0.11)	0.0257 (0.11)	-0.0890** (0.04)	-0.0717 (0.07)
HHI	0.5196 (0.32)	-3.5506* (1.79)	-0.4039 (0.84)	-0.4672 (0.42)	0.8311 (1.04)
Size	0.0062 (0.09)	0.2780 (0.26)	-0.0541 (0.16)	-0.0243 (0.10)	-0.4266 (0.29)
BM	0.1830 (0.27)	-0.1444 (0.69)	0.1090 (0.50)	-0.2683 (0.24)	-0.7699 (0.65)
ROA	0.0690 (0.40)	0.4968 (1.12)	-0.3274 (1.35)	0.2067 (0.44)	0.1866 (1.25)
Tangible	0.6729* (0.35)	-0.7253 (1.13)	-0.3136 (0.75)	0.1841 (0.46)	-1.0467 (0.98)
Div_pay	-0.0374** (0.02)	-0.0087 (0.07)	0.0161 (0.02)	0.0203 (0.02)	-0.0334 (0.05)
Compensation	-0.0144 (0.05)	-0.1268 (0.13)	0.0050 (0.07)	-0.0135 (0.05)	-0.0609 (0.08)
Institut_hold	-1.0934*** (0.32)	0.9422** (0.46)	-0.6130 (0.83)	-0.2207 (0.29)	1.4049** (0.69)
Analysts	-0.0121 (0.09)	-0.2342 (0.17)	-0.0107 (0.10)	-0.0360 (0.07)	-0.0891 (0.24)
Change_in_comp	0.0120 (0.03)	-0.1268* (0.08)	0.0173 (0.03)	0.0054 (0.03)	0.0150 (0.03)



Observations	951	293	216	1,022	230
R-squared	0.4067	0.5104	0.5456	0.3111	0.5452
Model	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES

**Table 6 Types of Proposals**

This table presents the results from a difference-in-difference estimation where the dependent variables are the Glass Lewis recommendation on shareholder proposals and GL-Management conflict measure. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$

Panel A Types of Proposals and GL Recommendation

VARIABLES	(1) (2) (3) (4) Dependent Variable=GL Recommendation				(5) (6) (7) (8) Dependent Variable=MGM_GL_Conflict			
	GL recommends "For"				GL recommends "For" & Management recommends "Against"			
	Board Issues	Executive Compensation	General Organization	CSR	Board Issues	Executive Compensation	General Organization	CSR
Investee	-0.0496 (0.05)	-0.0192 (0.08)	-0.0274 (0.08)	-0.0431 (0.05)	-0.0339 (0.05)	-0.0192 (0.08)	-0.0274 (0.08)	-0.0428 (0.05)
Ret_Shock	-0.1668*** (0.06)	-0.0664 (0.10)	0.0192 (0.08)	-0.2384*** (0.09)	-0.1331** (0.06)	-0.0664 (0.10)	0.0192 (0.08)	-0.2378*** (0.09)
Investee×Ret_Shock	0.2197*** (0.06)	0.1892** (0.09)	-0.0092 (0.08)	0.2630*** (0.09)	0.1646** (0.07)	0.1892** (0.09)	-0.0092 (0.08)	0.2627*** (0.09)
Leverage	-0.0485 (0.23)	0.4256 (0.41)	-0.5963 (0.47)	-0.4290* (0.22)	-0.1149 (0.24)	0.4256 (0.41)	-0.5963 (0.47)	-0.4323* (0.22)
Growth	-0.0014 (0.03)	-0.1348** (0.06)	0.0549 (0.06)	-0.1338*** (0.04)	0.0049 (0.03)	-0.1348** (0.06)	0.0549 (0.06)	-0.1349*** (0.04)
HHI	-0.4932 (0.36)	-1.5500* (0.79)	0.7153 (0.63)	-0.0040 (0.34)	-0.6191* (0.32)	-1.5500* (0.79)	0.7153 (0.63)	-0.0022 (0.34)
Loss	-0.1086 (0.11)	-0.2156 (0.30)	-0.5375** (0.26)	0.0425 (0.11)	-0.1924* (0.11)	-0.2156 (0.30)	-0.5375** (0.26)	0.0489 (0.11)
Size	0.1507** (0.06)	-0.1237 (0.11)	-0.0327 (0.10)	0.0400 (0.08)	0.1422** (0.07)	-0.1237 (0.11)	-0.0327 (0.10)	0.0401 (0.08)
ROA	-0.2322 (0.31)	0.6790 (0.69)	-0.3732 (0.57)	-0.1392 (0.44)	-0.2352 (0.35)	0.6790 (0.69)	-0.3732 (0.57)	-0.1078 (0.43)
BM	-0.3492** (0.15)	-0.2882 (0.35)	-0.1994 (0.25)	0.0473 (0.26)	-0.3620** (0.17)	-0.2882 (0.35)	-0.1994 (0.25)	0.0521 (0.26)

Tangible	1.1684*** (0.45)	-1.2315** (0.61)	-0.4145 (0.65)	0.1689 (0.28)	1.3938*** (0.46)	-1.2315** (0.61)	-0.4145 (0.65)	0.1612 (0.28)
Div_pay	-0.0077 (0.02)	0.0187 (0.03)	0.0555 (0.04)	0.0068 (0.02)	0.0077 (0.02)	0.0187 (0.03)	0.0555 (0.04)	0.0067 (0.02)
Compensation	-0.0862** (0.04)	0.0784 (0.08)	0.0149 (0.04)	0.0017 (0.03)	-0.0868** (0.04)	0.0784 (0.08)	0.0149 (0.04)	0.0014 (0.03)
Institut_hold	-0.1639 (0.23)	0.7564 (0.71)	0.1343 (0.58)	0.1499 (0.24)	-0.2254 (0.24)	0.7564 (0.71)	0.1343 (0.58)	0.1509 (0.24)
Analysts	0.0078 (0.06)	0.0846 (0.09)	0.1323* (0.08)	0.0064 (0.05)	0.0220 (0.06)	0.0846 (0.09)	0.1323* (0.08)	0.0051 (0.05)
Change_in_comp	-0.0171 (0.01)	-0.0302 (0.03)	0.0034 (0.01)	0.0116 (0.02)	-0.0173 (0.01)	-0.0302 (0.03)	0.0034 (0.01)	0.0115 (0.02)
Observations	1,058	320	286	913	1,058	320	286	913
R-squared	0.3883	0.6377	0.7424	0.5375	0.3862	0.6377	0.7424	0.5389
Model	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES	YES	YES	YES

Panel B Types of Proposals and Misalignment of Interests

VARIABLES	(1)	(2)	(3)	(4)
	Dependent Variable=Interest_Misalignment GL recommends "For"("Against") & Vote "Fails"("Passes")			
	Board Issues	Executive Compensation	General Organization	CSR
Investee	0.1047* (0.05)	0.0986 (0.09)	-0.0003 (0.08)	-0.0389 (0.05)
Ret_Shock	0.0215 (0.07)	-0.0378 (0.12)	0.0945 (0.09)	-0.2240*** (0.08)
Investee×Ret_Shock	0.0906 (0.08)	0.1507 (0.10)	-0.1187 (0.08)	0.2430*** (0.08)
Leverage	0.3261 (0.29)	0.0145 (0.42)	-0.6121 (0.44)	-0.4206* (0.22)
Growth	0.0117 (0.03)	-0.1603*** (0.06)	0.1149* (0.07)	-0.0999** (0.04)
HHI	-0.7423** (0.33)	-1.3364* (0.72)	0.2741 (0.50)	0.0258 (0.35)
Loss	-0.1271 (0.11)	-0.1079 (0.32)	-0.2809 (0.45)	0.1117 (0.13)
Size	0.1301 (0.08)	-0.0523 (0.15)	-0.0371 (0.09)	0.0472 (0.08)
ROA	-0.2706 (0.43)	0.8957 (0.72)	-0.8450 (0.60)	-0.1646 (0.43)
BM	-0.4797** (0.20)	-0.5380 (0.40)	-0.2548 (0.22)	0.0798 (0.26)
Tangible	0.4266 (0.49)	-0.8551 (0.89)	-0.6917 (0.67)	0.1342 (0.30)
Div_pay	-0.0170 (0.03)	0.0212 (0.04)	0.0531 (0.04)	0.0078 (0.02)
Compensation	-0.0813* (0.04)	-0.0118 (0.08)	0.0276 (0.04)	-0.0012 (0.03)
Institut_hold	-0.0278 (0.28)	0.4103 (0.82)	0.1928 (0.55)	0.1316 (0.25)
Analysts	0.0700 (0.08)	0.0827 (0.10)	0.2034* (0.12)	0.0021 (0.05)
Change_in_comp	-0.0091 (0.02)	-0.0363 (0.03)	-0.0040 (0.01)	0.0094 (0.02)
Observations	1,058	320	286	913
R-squared	0.4785	0.6348	0.7477	0.5224
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES

**Table 7 Consequences of Conflicted Recommendations**

This table presents the results from an OLS estimation where the dependent variables are return on assets, return on investment, operating margin, interest coverage and loss. *Vote\_Result* is an indicator variable that takes a value of one when the shareholder proposal passed and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$

Potentially Conflicted Shareholder Proposals: OTPP Investees & GL Recommends "For"					
VARIABLES	(1) ROA <sub>n+1</sub>	(2) ROIC <sub>n+1</sub>	(3) Opmargin <sub>n+1</sub>	(4) Interest_Coverage n+1	(5) Loss <sub>n+1</sub>
<i>Vote_Result</i>	-0.0150** (0.01)	-0.0241*** (0.01)	-0.0232* (0.01)	-1.6832 (2.56)	0.0276** (0.01)
Leverage	-0.0818 (0.06)	-0.0697 (0.09)	-0.3205* (0.19)	-31.9708* (16.21)	-0.0445 (0.09)
Growth	-0.0037 (0.01)	-0.0061 (0.01)	0.0102 (0.03)	0.4795 (5.19)	0.0631 (0.05)
HHI	0.0642 (0.05)	0.1822 (0.12)	0.1261 (0.08)	18.2140 (13.39)	-0.1603 (0.12)
Loss	-0.0034 (0.05)	0.0150 (0.05)	0.1365 (0.12)	-17.2296 (11.62)	-0.1648 (0.22)
Size	-0.0274 (0.02)	-0.0683* (0.04)	-0.0548 (0.05)	-5.8756 (6.20)	0.0445 (0.04)
BM	-0.1426*** (0.05)	-0.2269*** (0.07)	-0.3787*** (0.14)	-19.1838 (12.40)	0.2445** (0.12)
ROA	0.0462 (0.11)	0.1958 (0.18)	-0.2186 (0.30)	-20.3530 (36.84)	-0.0561 (0.35)
Tangible	-0.0370 (0.08)	-0.0837 (0.13)	0.1487 (0.20)	8.1026 (25.22)	-0.0865 (0.14)
Div_Pay	-0.0062* (0.00)	-0.0058 (0.01)	-0.0106 (0.01)	0.7356 (0.93)	0.0095 (0.01)
Compensation	0.0117 (0.01)	0.0000 (0.02)	0.0136 (0.04)	5.0585 (4.94)	0.0183 (0.02)
Institut_Hold	0.0649 (0.09)	0.0112 (0.19)	-0.0314 (0.19)	17.1715 (23.89)	0.0915 (0.16)
Analysts	-0.0249* (0.01)	-0.0393 (0.03)	-0.0131 (0.03)	1.9437 (5.93)	-0.0335 (0.02)
Change_in_Com	0.0061 (0.01)	0.0123 (0.01)	0.0137 (0.02)	2.1692* (1.27)	-0.0002 (0.01)
Observations	277	277	277	277	277
R-squared	0.9160	0.9295	0.7973	0.9017	0.8482
Model	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES
Industry-Year FE	YES	YES	YES	YES	YES
Institutional	YES	YES	YES	YES	YES
Controls					
Financial Controls	YES	YES	YES	YES	YES

**Table 8 Change in Ownership**

This table presents the results from an OLS estimation where the dependent variables are Glass Lewis recommendation and GL-Management conflict measure. *Investee\_OTPP\_Prior* is an indicator variable that equals one when Ontario Teachers’ Pension Plan (OTPP) holds shares in the firm-year before the change in ownership of Glass Lewis and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers’ Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. *Investee\_CALSTRS* is an indicator variable that equals one when CALSTRS holds shares in the firm-year and zero otherwise. *Investee\_NYSLRS* is an indicator variable that equals one when NYSLRS holds shares in the firm-year and zero otherwise. *Post* is an indicator variable that takes a value of one for fiscal years after OTPP’s acquisition of Glass Lewis and zero otherwise. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

Panel A Difference-in-Difference						
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
	Dependent Variable=GL recommendation			Dependent Variable=MGM_GL_Conflict		
	GL recommends “For”			GL recommends “For” & Management recommends “Against”		
<i>Investee_OTPP_Prior</i>	-0.0347 (0.03)			-0.0386 (0.03)		
<i>Investee_OTPP</i>		0.0094 (0.03)			-0.0026 (0.03)	
<i>Post</i>			0.0553* (0.03)			0.0603** (0.03)
<i>Investee_OTPP</i> × <i>Post</i>		0.0895** (0.04)			0.0947** (0.04)	
Leverage	-0.0094 (0.28)	0.1884 (0.17)	0.1135 (0.27)	0.1066 (0.28)	0.1549 (0.17)	0.0994 (0.26)
Growth	0.0026 (0.05)	-0.0044 (0.02)	-0.0295 (0.03)	0.0317 (0.05)	0.0007 (0.02)	-0.0306 (0.03)
HHI	-1.0779** (0.42)	-0.1939 (0.22)	0.1075 (0.27)	-0.8891 (0.60)	-0.0623 (0.22)	0.2357 (0.29)
Loss	-0.0233 (0.16)	-0.0152 (0.07)	0.1116 (0.10)	0.0506 (0.19)	0.0165 (0.07)	0.1079 (0.10)
Size	0.0202 (0.10)	0.0852* (0.04)	0.0705 (0.05)	0.0279 (0.11)	0.0683 (0.04)	0.0624 (0.05)
BM	-0.3483 (0.27)	-0.2845*** (0.11)	0.0682 (0.13)	-0.1320 (0.29)	-0.2274** (0.11)	0.0625 (0.13)

ROA	0.4054 (0.67)	-0.1029 (0.25)	0.8159*** (0.31)	0.7389 (0.68)	0.0044 (0.25)	0.7989** (0.31)
Tangible	-0.3602 (0.47)	-0.4770** (0.23)	-0.5869* (0.33)	0.0732 (0.47)	-0.4050* (0.23)	-0.5357 (0.33)
Div_pay	-0.0010 (0.02)	-0.0018 (0.01)	-0.0057 (0.01)	-0.0011 (0.02)	-0.0033 (0.01)	-0.0063 (0.01)
Institut_hold	-0.4732 (0.36)	-0.3252** (0.15)	-0.5905*** (0.21)	-0.2245 (0.39)	-0.2438 (0.15)	-0.5397*** (0.21)
Analysts	-0.0219 (0.06)	-0.0038 (0.03)	-0.0275 (0.03)	-0.0242 (0.06)	-0.0008 (0.03)	-0.0320 (0.03)
Change_in_comp	0.0001 (0.00)	0.0003 (0.00)	0.0004 (0.00)	0.0000 (0.00)	0.0003 (0.00)	0.0004 (0.00)
Compensation	-0.0175 (0.04)	-0.0269 (0.03)	-0.0409 (0.04)	-0.0064 (0.04)	-0.0236 (0.03)	-0.0320 (0.04)
Observations	1,441	3,348	2,118	1,441	3,348	2,118
R-squared	0.3016	0.2802	0.2381	0.2869	0.2725	0.2364
Model	OLS	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES	YES
Fiscal Year FE	YES	YES	NO	YES	YES	NO
Institutional Controls	YES	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES	YES

Panel B Placebo Test: California State Teachers' Retirement System (CALSTRS) and New York State and Local Retirement System (NYSLRS)

VARIABLES	(1) GL recommendation	(2) MGM_GL_Conflict	(3) GL recommendation	(4) MGM_GL_Conflict
Investee_CALSTRS	-0.1147 (0.08)	-0.1310 (0.09)		
Investee_NYSLRS			0.3465** (0.16)	0.3548** (0.16)
Investee_CALSTRS×Post	0.0244 (0.08)	0.0048 (0.08)		
Investee_NYSLRS×Post			-0.2206 (0.16)	-0.1994 (0.16)
Leverage	0.1567 (0.19)	0.1402 (0.19)	0.1394 (0.19)	0.1284 (0.19)
Growth	-0.0245 (0.02)	-0.0180 (0.02)	-0.0204 (0.02)	-0.0126 (0.02)
HHI	-0.2586 (0.26)	-0.1544 (0.26)	-0.2650 (0.26)	-0.1595 (0.26)
Loss	0.0610 (0.07)	0.0860 (0.08)	0.0566 (0.06)	0.0780 (0.08)
Size	0.1008** (0.05)	0.0900* (0.05)	0.0955* (0.05)	0.0836 (0.05)
BM	-0.2881*** (0.11)	-0.2429** (0.11)	-0.2720** (0.11)	-0.2250** (0.11)
ROA	0.3437 (0.29)	0.4374 (0.30)	0.3297 (0.29)	0.4188 (0.30)
Tangible	-0.5001* (0.29)	-0.4048 (0.29)	-0.4738 (0.29)	-0.3755 (0.28)
Div_pay	-0.0088 (0.01)	-0.0092 (0.01)	-0.0096 (0.01)	-0.0102 (0.01)
Institut_hold	-0.3748* (0.20)	-0.3093 (0.20)	-0.4271** (0.20)	-0.3792* (0.20)
Analysts	0.0098 (0.03)	0.0147 (0.03)	0.0064 (0.03)	0.0105 (0.03)
Change_in_comp	0.0003 (0.00)	0.0003 (0.00)	0.0003 (0.00)	0.0002 (0.00)
Compensation	-0.0241 (0.03)	-0.0169 (0.03)	-0.0245 (0.03)	-0.0174 (0.03)
Observations	2,720	2,720	2,720	2,720
R-squared	0.2928	0.2867	0.2930	0.2867
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES



**Table 9 Entropy Balancing**

This table presents the descriptive statistics of treatment group and control group before and after entropy balancing. Panel A presents the different moments of the covariates before the entropy balance matching process. Panel B presents the different moments of the covariates after the entropy balance matching process. Panel C presents the results from OLS regressions using an entropy balance matched sample design.

## Panel A: Before Balancing

	Treatment Group		Control Group	
	Mean	Variance	Mean	Variance
Leverage	0.2453	0.02713	0.2391	0.03157
Growth	0.07039	0.2654	-0.03329	0.4098
HHI	0.2302	0.03677	0.1997	0.03576
Loss	0.02206	0.02165	0.05051	0.04812
Size	9.615	1.883	8.218	2.031
BM	0.61	0.06072	0.7481	0.06413
ROA	0.1495	0.007368	0.1055	0.006899
Tangible	0.2709	0.05667	0.2789	0.06656
Div_pay	4.179	7.911	2.707	5.218
Compensation	9.195	0.5643	8.278	0.9372
Institut_Hold	0.7902	0.01913	0.7686	0.03294
Analysts	2.7	0.364	2.022	0.5363
Change_in_Comp	0.2909	0.8745	0.2547	0.7611

## Panel B: After Balancing

	Treatment Group		Control Group	
	Mean	Variance	Mean	Variance
Leverage	0.2453	0.02713	0.2453	0.02713
Growth	0.07039	0.2654	0.07039	0.2654
HHI	0.2302	0.03677	0.2302	0.03677
Loss	0.02206	0.02165	0.02205	0.02164
Size	9.615	1.883	9.614	1.883
BM	0.61	0.06072	0.61	0.06072
ROA	0.1495	0.007368	0.1495	0.007368
Tangible	0.2709	0.05667	0.2709	0.05667
Div_pay	4.179	7.911	4.179	7.911
Compensation	9.195	0.5643	9.195	0.5644
Institut_Hold	0.7902	0.01913	0.7902	0.01913
Analysts	2.7	0.364	2.7	0.364
Change_in_Comp	0.2909	0.8745	0.2909	0.8745

**Table 9 Entropy Balancing (Cont.)**

Panel C Regression Results

VARIABLES	(1) (2) (3) Dependent Variable=GL Recommendation			(4) (5) (6) Dependent Variable= MGM_GL_Conflict		
	GL recommends "For"			GL recommends "For" & Management recommends "Against"		
Investee	0.0523 (0.07)			0.0226 (0.07)		
Investee_OTPP		0.0592 (0.07)	0.0269 (0.04)		0.0183 (0.07)	0.0145 (0.04)
Ret_Shock	-0.2199** (0.09)	-0.1973** (0.09)		-0.2217** (0.09)	-0.2084** (0.09)	
Investee×Ret_Shock	0.2155** (0.09)			0.2198** (0.10)		
Investee_OTPP×Ret_Shock		0.1940** (0.09)			0.2093** (0.09)	
Investee_OTPP×Post			0.0991** (0.05)			0.1018** (0.05)
Leverage	-0.1688 (0.17)	-0.1531 (0.17)	0.2046 (0.20)	-0.0798 (0.18)	-0.0673 (0.18)	0.2042 (0.20)
Growth	-0.1489*** (0.03)	-0.1486*** (0.03)	-0.0107 (0.03)	-0.1508*** (0.03)	-0.1508*** (0.03)	-0.0096 (0.03)
HHI	0.0217 (0.20)	0.0173 (0.20)	-0.0569 (0.26)	-0.0842 (0.22)	-0.0880 (0.22)	0.1183 (0.28)
Loss	-0.2745** (0.11)	-0.2758** (0.11)	-0.0522 (0.08)	-0.2324** (0.10)	-0.2328** (0.10)	-0.0037 (0.09)
Size	0.1323 (0.08)	0.1301 (0.08)	0.1220** (0.05)	0.1348 (0.08)	0.1362 (0.09)	0.1154** (0.05)
BM	-0.0458 (0.17)	-0.0525 (0.17)	-0.3295*** (0.12)	-0.0720 (0.18)	-0.0770 (0.18)	-0.3371*** (0.12)
ROA	0.3344 (0.33)	0.3413 (0.32)	-0.0184 (0.25)	0.5896* (0.36)	0.5878* (0.36)	0.0789 (0.25)
Tangible	0.6367 (0.50)	0.6266 (0.50)	-0.4018 (0.35)	0.8603 (0.53)	0.8499 (0.53)	-0.2857 (0.34)
Div_pay	0.0041 (0.02)	0.0037 (0.02)	-0.0035 (0.01)	0.0277 (0.03)	0.0275 (0.03)	-0.0038 (0.01)

Compensation	-0.0799** (0.03)	-0.0803** (0.03)	0.0054 (0.04)	-0.0865*** (0.03)	-0.0865*** (0.03)	0.0083 (0.04)
Institut_hold	0.0885 (0.20)	0.0949 (0.20)	-0.4540** (0.18)	0.1698 (0.20)	0.1773 (0.20)	-0.3394* (0.18)
Analysts	-0.0505 (0.06)	-0.0546 (0.06)	0.0106 (0.03)	-0.0515 (0.06)	-0.0546 (0.06)	0.0063 (0.03)
Change_in_comp	-0.0190* (0.01)	-0.0186* (0.01)	0.0001 (0.00)	-0.0202* (0.01)	-0.0197 (0.01)	0.0001 (0.00)
Observations	3,447	3,447	3,348	3,447	3,447	3,348
R-squared	0.2545	0.2541	0.2310	0.2358	0.2354	0.2260
Model	OLS	OLS	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES	YES	YES
Fiscal Year FE	YES	YES	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES	YES	YES

**Additional Tests**  
**Table 10 Vote by OTPP and GL Recommendation**

This table presents the descriptive statistics for the common coverage of disclosed OTPP vote at shareholder meetings and GL recommendation for shareholder proposals between 2015-2017.

Panel A OTPP Vote and GL Recommendation

	Identical Vote/Recommendation	OTPP voted "For" GL recommended "Against"	OTPP voted "Against" GL recommended "For"
No. of Proposals	811	47	79
Percentage	86.6%	5.0%	8.4%
Pearson Correlation Coefficient	0.7316***		

Panel B OTPP Vote

	OTPP voted "For"	OTPP voted "Against"	Total
No. of Proposals	418	519	937
Percentage	44.6%	55.4%	100%

Panel C Vote Result

	Vote Passed	Vote Failed	Total
No. of Proposals	103	834	937
Percentage	11.0%	89.0%	100%

## Additional Tests

### Table 11 Shareholding Change Analysis

This table presents the results from an OLS estimation where the dependent variables are the Glass Lewis recommendation on shareholder proposals and GL-Management conflict measure. *Share\_Sold\_OTPP* and *Share\_Sold\_Investee* are indicator variables that take a value of one when the parent firms (OTPP) sell all the shares at the investee in year t-1 and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1) Dependent Variable=GL Recommendation	(2) Dependent Variable=GL Recommendation	(3) Dependent Variable=MGM_GL_Conflict	(4) Dependent Variable=MGM_GL_Conflict
<i>Share_Sold_Investee</i>	-0.0764** (0.04)		-0.0722* (0.04)	
<i>Share_Sold_OTPP</i>		-0.1427*** (0.05)		-0.1376*** (0.05)
Observations	2,572	2,516	2,572	2,516
R-squared	0.2513	0.2502	0.2447	0.2456
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Industry-Year FE	YES	YES	YES	YES
Institutional Controls	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES

## Additional Tests

**Table 12 Glass Lewis and ISS Recommendations**

This table presents the results from an OLS estimation where the dependent variable is the difference between Glass Lewis and ISS recommendations on shareholder proposals. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2)
	Dependent Variable= Diff_GL_ISS	
<i>Investee</i>	0.0642*	
	(0.04)	
<i>Investee_OTPP</i>		0.0799**
		(0.03)
Observations	3,128	3,128
R-squared	0.2478	0.2484
Model	OLS	OLS
Firm FE	YES	YES
Industry-Year FE	YES	YES
Institutional Controls	YES	YES
Financial Controls	YES	YES

## Additional Tests

### Table 13 Portfolio Return

This table presents the results from a difference-in-difference estimation where the dependent variables are the Glass Lewis recommendation on shareholder proposals and GL-Management conflict measure. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. *Perf1year* is an indicator variable that takes a value of one when the one-year portfolio return is negative and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2)	(3)	(4)
	Dependent Variable=GL recommendation	Dependent Variable=MGM_GL_Conflict		
Investee_OTPP	0.0321 (0.03)	0.0358 (0.03)	0.0217 (0.03)	0.0271 (0.03)
Investee_OTPP×Perf1year	0.1156** (0.05)	0.1264** (0.05)	0.1137** (0.05)	0.1230** (0.05)
Observations	3,629	3,629	3,629	3,629
R-squared	0.2656	0.2828	0.2578	0.2749
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Industry-Year FE	NO	YES	NO	YES
Year FE	YES	NO	YES	NO
Institutional Controls	YES	YES	YES	YES
Financial Controls	YES	YES	YES	YES

## Additional Tests

**Table 14 Cross-Sectional Test on OTPP's Stake**

This table presents the results from a difference-in-difference estimation where the dependent variable is the Glass Lewis recommendation on shareholder proposals. *High\_Stake* is an indicator variable that takes a value of one if the dollar value of OTPP's investment in a firm-year is above the median, and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1) GL recommendation	(2) MGM_GL_Conflict
High_Stake	-0.0351 (0.03)	-0.0347 (0.03)
Ret_Shock	-0.0307 (0.03)	-0.0319 (0.03)
High_Stake×Ret_Shock	0.0800** (0.04)	0.0839** (0.04)
Observations	3,615	3,615
R-squared	0.2802	0.2729
Model	OLS	OLS
Firm FE	YES	YES
Industry-Year FE	YES	YES
Institutional Controls	YES	YES
Financial Controls	YES	YES



## Additional Tests

### Table 15 Alternative Measure of Return

This table presents the results from a difference-in-difference estimation where the dependent variable is the Glass Lewis recommendation on shareholder proposals. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Investee\_OTPP* is an indicator variable that equals one when Ontario Teachers' Pension Plan (OTPP) holds shares in the firm-year and zero otherwise. *BH\_Return* is the annualized buy-and-hold return for a given fiscal year. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2)
	Dependent Variable= GL recommendation	
Investee	0.0944*** (0.04)	
Investee_OTPP		0.1025*** (0.03)
BH_Return	0.0944* (0.05)	0.0857* (0.05)
<b>Investee×BH_Return</b>	<b>-0.1524**</b> (0.06)	
<b>Investee_OTPP×BH_Return</b>		<b>-0.1415**</b> (0.06)
Observations	3,615	3,615
R-squared	0.2816	0.2819
Model	OLS	OLS
Firm FE	YES	YES
Fiscal Year FE	NO	NO
Industry-Year FE	YES	YES
Institutional Controls	YES	YES
Financial Controls	YES	YES

## Additional Tests

### Table 16 Proposal-Type Fixed Effects

This table presents the results from a difference-in-difference estimation where the dependent variable is the Glass Lewis recommendation on shareholder proposals. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2)
	Dependent Variable=GL recommendation	
<i>Investee</i>	0.0804*** (0.03)	0.0385 (0.03)
<i>Ret_Shock</i>		-0.1002** (0.04)
<i>Investee</i> × <i>Ret_Shock</i>		0.1149*** (0.04)
Observations	3,615	3,615
R-squared	0.4516	0.4529
Model	OLS	OLS
Firm FE	YES	YES
Industry-Year FE	YES	YES
Proposal-Type FE	YES	YES
Institutional Controls	YES	YES
Financial Controls	YES	YES

## Additional Tests

### Table 17 Management Proposals

This table presents the results from an OLS estimation where the dependent variable is the Glass Lewis recommendation on management proposals. *Investee* is an indicator variable that takes a value of one when one of the parent firms invests in the firm-year and zero otherwise. *Ret\_Shock* is an indicator variable that takes a value of one when the investee experiences an adverse return shock during the fiscal year and zero otherwise. All firm accounting characteristics are measured the fiscal year prior to the shareholders' meetings. See Appendix C for variable definitions. Robust standard errors are presented in parentheses. Standard errors are clustered by firm. Firm fixed effects, proposal-type fixed effects and time fixed effects are included. All continuous variables are winsorized at the 1% and 99% levels. \*\*\* denotes  $p < 0.01$ , \*\* denotes  $p < 0.05$ , and \* denotes  $p < 0.1$ .

VARIABLES	(1)	(2)	(3)	(4)
	Dependent Variable=GL Recommendation			
	GL recommends "Against" on a management proposal			
Investee	0.0045 (0.00)		0.0044 (0.00)	
Ret_Shock			0.0025 (0.00)	0.0023 (0.00)
Investee×Ret_Shock			0.0003 (0.00)	
Investee_OTPP		0.0080* (0.00)		0.0077* (0.00)
Investee_OTPP×Ret_Shock				0.0009 (0.00)
Observations	104,593	104,593	104,593	104,593
R-squared	0.1374	0.1374	0.1374	0.1374
Model	OLS	OLS	OLS	OLS
Firm FE	YES	YES	YES	YES
Industry-Year FE	YES	YES	YES	YES
Proposal-Type FE	YES	YES	YES	YES
Controls	YES	YES	YES	YES