

# **Intermediary power in corporate elections and the value of shareholder proposals: a quasi-natural experiment**

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## **Abstract**

I examine the impact of a vote tabulation firm's decision to withhold interim vote tally data from proposal sponsors on shareholder proposals in corporate elections. The results show a positive market response to the decision, particularly among firms that used the vote tabulation firm for vote tallying. The results also reveal a decline in support for shareholder proposals. These findings suggest that the decision weakened shareholders' ability to secure a majority vote for their proposals and reduced the likelihood of proposal implementation. The results also emphasize the importance of understanding the role of intermediaries in corporate affairs and their implications for shareholder value and provide initial evidence that vote-counting procedures—that should have no impact on the outcome—indeed could influence the functioning of shareholder rights.

Keywords: shareholder proposals; shareholder rights; governance; shareholder voting; vote tabulation firms

JEL Classification: G34

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## **Abstract**

I examine the impact of a vote tabulation firm's decision to withhold interim vote tally data from proposal sponsors on shareholder proposals in corporate elections. The results show a positive market response to the decision, particularly among firms that used the vote tabulation firm for vote tallying. The results also reveal a decline in support for shareholder proposals. These findings suggest that the decision weakened shareholders' ability to secure a majority vote for their proposals and reduced the likelihood of proposal implementation. The results also emphasize the importance of understanding the role of intermediaries in corporate affairs and their implications for shareholder value and provide initial evidence that vote-counting procedures—that should have no impact on the outcome—indeed could influence the functioning of shareholder rights.

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## 1. Introduction

When considering shareholder democracy, the primary concern has been the voting rights exercised by shareholders (Bhagat and Brickley, 1984; Kahan and Rock, 2008; and Maug and Rydqvist, 2009, for example). It is typically assumed that the significance of these rights remains consistent regardless of how the votes are tallied. In an ideal scenario, the voting process would be purely administrative, exerting no influence on the final results. However, the voting process has become a subject of debate in recent years (as discussed in Section 2), with certain stakeholders arguing that it has an impact on the outcomes. In this study, I contribute to the literature on shareholder rights by presenting what may be the initial evidence that voting process indeed affect the functioning of shareholder rights. I do so by examining the decision of a vote-tabulating firm, Broadridge, Inc., to withhold interim vote tally data from proposal sponsors in exempt solicitation campaigns in 2013. By analyzing this decision, I both investigate the market's perception of shareholder proposals' value and how the decision affected support for shareholder proposals. But importantly, my analysis helps us understand the power that intermediaries, such as Broadridge, has in corporate elections and how their decisions could affect shareholder value. The analysis further sheds light on the voting process and is also related to recent shareholder proposals on fair elections that a number of firms received in the 2023 proxy season.

Numerous studies have explored the advantages and disadvantages of enhancing shareholder rights, with some supporting it and others highlighting its drawbacks. Improving shareholder rights, in theory, can help reduce agency costs and promote better corporate governance by aligning managers' actions with shareholders' interests (Bebchuk, 2005). Others argue that shareholders should have a say in corporate decisions, especially in firms facing agency problems (Harris and Raviv, 2008). Enhancing shareholder rights has been associated with improvements in shareholder value and corporate governance practices (Gulen and O'Brien, 2017; Cuñat, Gine, and Guadalupe, 2012).<sup>1</sup> However, not all studies support the control benefits of increasing shareholder rights. In line with this view, some argue that shareholder

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<sup>1</sup> Several other studies also find support for shareholder empowerment (Chhaochharia and Grinstein, 2007; Hochberg, Sapienza, and Vissing-Jorgensen, 2009; Banerjee, Humphery-Jenner and Nanda, 2015; Correa and Lel, 2016).

proposals lack real benefits and fail to pressure management due to their non-binding nature. Others advocate for preserving the current regime of limited shareholder rights, suggesting that uniform regulations might deviate firms from their value-maximizing governance structure (Bainbridge, 2006).<sup>2</sup> Matsusaka and Ozbas (2017) even show that giving shareholders the right to propose policies can potentially harm shareholder value. These contrasting perspectives contribute to the ongoing debate on the implications and efficacy of shareholder rights enhancement and the value of shareholder proposals.

One of the ways that shareholders can exercise their rights is through the submission of shareholder proposals. Rule 14a-8 of the Securities Exchange Act of 1934 allows shareholders to propose non-binding resolutions for a vote at annual meetings, aiming to address specific corporate matters. While these proposals have been traditionally viewed as having little impact on shareholder value (Black, 1990; Bebchuk, 2005; Thomas and Cotter, 2007; Cai, Garner and Walkling, 2009), they can potentially reduce agency costs by increasing board responsiveness to shareholder concerns. Past studies showed insignificantly negative average abnormal returns on the value effects of these proposals, indicating limited influence until the early 2000s (Denes, Karpoff, and McWilliams, 2017). However, following corporate governance scandals of the early 2000s, the focus of shareholder proposals shifted to governance-related issues.

The corporate governance scandals of the early 2000s also spurred a demand for increased shareholder participation in corporate decision-making. Shareholders have gained additional rights such as voting on executive compensation and nominating directors, in addition to submitting governance-focused proposals (Bebchuk, 2005). Consequently, boards have become more responsive to majority vote proposals,

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<sup>2</sup> Some of the studies that report results against shareholder rights include Del Guercio and Hawkins (1999), Prevost and Rao (2000), Woidtke (2002), Belinfanti, (2009), Larcker, McCall, and Ormazabal (2012), and Ertimur, Ferri, and Oesch (2015).

with potential consequences for directors who fail to implement them, such as increased turnover and reduced opportunities for future board appointments.<sup>3</sup>

Given that boards are now more responsive to shareholder proposals that receive support from majority of shareholders, both proposal sponsors and management can employ various tactics to secure majority votes or prevent proposals from passing. For instance, sponsors may engage in outreach to other shareholders to improve the chances of success, while management might lobby shareholders to increase turnout or campaign more aggressively against certain proposals. Management's job is easier compared to shareholder proposal sponsors as it can view incoming vote totals (provided by a vote tallying firm such as Broadridge, Inc.) during the vote counting period. Up until May 10, 2013, shareholder proposal sponsors in exempt solicitation campaigns also had the ability to receive interim vote tally data from Broadridge.<sup>4</sup> However, in response to a request made by an industry association, Broadridge stopped providing such data to shareholder proposal sponsors on May 10, 2013. Proposal sponsors argued that this decision, discussed in detail in Section 2, weakened their ability to obtain majority votes for their proposals.

The foregoing discussion suggests that obtaining the support of more than 50% of shareholders has become more important for proposal sponsors as it increases the chance that management will implement the proposal. Given the importance of a majority vote in corporate elections, the rules surrounding the voting process such as how votes are counted, how the results are disseminated, or what information is provided to proposal sponsors have, thus, become important. In this study, I examine Broadridge's decision to withhold interim vote tally data from proposal sponsors to better understand how the market views shareholder proposals. Additionally, the Broadridge policy change represents a notable and valuable setting to examine the value relevance of shareholder proposal, as it introduces an exogenous shock that reduces shareholder rights. Importantly, I also examine Broadridge' decision to shed light on how intermediaries –

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<sup>3</sup> See, for example, Thomas and Cotter (2007), Del Guercio, Seery, and Woidtke (2008), Cai et al. (2009), Ertimur, Ferri and Stubben (2010), Renneboog and Szilagyi (2011), Buchanan, Netter, and Yang (2015), Bach and Metzger (2019) and Aggarwal, Dahiya and Prabhala (2019).

<sup>4</sup> An exempt solicitation is some form of communication – usually a letter prepared by a proposal sponsor – that does not involve the distribution of a proxy card. In an exempt solicitation, the proponent is mostly explaining their vote to other shareholders on a particular proposal. An example would be a “vote no” campaign.

such as Broadridge – could affect shareholder value through a process that should be purely administrative and have no effect on outcomes.

I start my analysis by first examining the market's perception of shareholder proposals via an event study around Broadridge's decision (May 10, 2013). The event study results indicate the market's view of Broadridge's decision was more positive for firms that used Broadridge to tally votes. In the multivariate analysis, controlling for firm-specific variables, I confirm the positive market response to Broadridge's decision among Broadridge firms. The coefficients for Broadridge remain significantly positive across models, indicating that the market's positive perception of the decision persists even after controlling for other factors. Taken together, the results point towards a positive revaluation of firms that used Broadridge to count votes at annual meetings. The analysis also highlights that the market's reaction was not significantly influenced by whether firms received a shareholder proposal, a specific proposal type, or a proposal from a specific sponsor type. Instead, the use of Broadridge as an agent for vote tallying played a more significant role in shaping the market's response. The results, thus, emphasize the impact that intermediaries' decisions can have on firms, regardless of underlying firm or proposal characteristics.

After showing that the market reacted differently for Broadridge firms, I investigate how Broadridge's decision affected support for shareholder proposals. I find that support for shareholder proposals declined for firms that used Broadridge as an agent to tally votes compared to other firms that did not use Broadridge. The results indicate that support went down by about 4% and are in line with the arguments raised by proposal sponsors at the time that Broadridge's decision would negatively affect communication and coordination among shareholders and reduce the level of support for shareholder proposals.

I also conduct additional tests to get a further insight into the main findings of the study. Firstly, I examine an alternative specification for creating proposal variables to assess the sensitivity of the results. The alternative approach uses a broader range of proposal data from 2011 to 2013. The results from this alternative specification are generally consistent with the main findings. Secondly, I consider an alternative event date of May 15 to explore whether the market reaction occurred on a different day. The results indicate

that May 10 remains a valid event date. Thirdly, I analyze the market reaction of regulated firms to understand how it differs from non-regulated firms. The findings suggest that regulated firms experienced a consistently negative market reaction, but Broadridge firms within this group had a relatively less negative reaction compared to non-Broadridge firms. Finally, I categorize firms into *Before* and *After* groups based on the date of their annual meetings to assess the differential market reaction. The results show that the positive market reaction to Broadridge's decision primarily stemmed from Broadridge firms in the *After* group, indicating that the market's response was much stronger for firms that had not yet had their annual meeting at the time of Broadridge's decision. However, in a multivariate analysis, the results do not indicate that the market's reaction was different for the *After* group of firms. This result aligns with earlier results showing that the market's reaction was not influenced by underlying firm characteristics or proposal characteristics.

My study is related to studies that examine the value implications of limiting shareholder rights. In a paper that examines the value implications of limiting the effect of shareholder votes, Bhagat and Brickley (1984) document negative abnormal returns in firms that remove cumulative voting and in firms that adopt a staggered board.<sup>5</sup> My work is also related to the literature that examines corporate voting such as Kahan and Rock (2008) and Maug and Rydqvist (2009). Although a large part of the literature on corporate voting does not view voting as an effective governance mechanism (Black, 1998; Karpoff, 2001; Romano, 2001; Gillan and Starks, 2007; Armstrong, Gow, and Larcker, 2013), recent studies report results consistent with voting being an effective monitoring tool (Ertimur et al., 2010; Cai et al., 2009; Del Guercio, et al., 2008).

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<sup>5</sup> As noted in Yermack (2010), other studies usually show that the market reacts negatively when shareholder rights are limited (Gompers, Ishii, and Metrick, 2003; Bebchuk and Cohen, 2005; Faleye, 2007; Gompers, Ishii and Metrick, 2009). In contrast with these studies, Dimitrov and Jain (2006) document that the performance of firms adopting dual-class structures improves.

## **2. Background on Broadridge’s decision to withhold interim vote tallies**

In this section, I provide information about the services provided by Broadridge (Section 2.1) and discuss its decision to withhold interim vote tally data (Section 2.2) from proposal sponsors in exempt solicitation campaigns.

### **2.1 Broadridge and interim vote tally data**

Broadridge Financial Solutions, Inc. (Broadridge) is a U.S. public company that specializes in the distribution of proxy statements and the tallying of shareholder votes on behalf of its clients. While precise market share data for Broadridge is not available, media reports indicate that the company holds a significant portion of the proxy distribution market, estimated to be over 80%. Schaefer (2013) reports an 85% control of the proxy distribution market by Broadridge, while Chasan (2014) suggests this percentage to be around 90%. However, in terms of vote tabulation, Broadridge’s market share is reported to be approximately 50%, as indicated in Racanelli (2018).

Most shares are held by brokerages in “street names,” and these brokerages have a responsibility to ensure that shareholders receive all shareholder communications. To fulfill this obligation, brokerages often delegate this task to a third-party service provider like Broadridge. Since Broadridge acts as an agent for firms and is responsible for tallying votes at annual meetings on behalf of some of its clients, it also provides interim vote tally data to these firms for the proposals voted upon during those meetings. According to Gumbs, Hamblet, and Stortini (2013), Broadridge was providing “interim voting reports with respect to any solicitation that is subject to the proxy rules, whether exempt or non-exempt.” This means that Broadridge was providing interim voting data not only to the firms themselves but also to “third parties involved in contested proxy solicitations.” Additionally, until May 10, 2013, they provided such data to “third parties conducting exempt proxy solicitations”, such as “vote no” campaigns, as stated by Gumbs et al. It is worth noting that the interim voting data provided by Broadridge is aggregated data across its various broker and bank clients, as highlighted by Gumbs et al.

## **2.2 Broadridge's decision**

JPMorgan Chase & Co (JPMorgan) held its annual meeting on May 21, 2013. One of the proposals included in the company's proxy statement was a shareholder proposal calling for the separation of the roles of chairman and CEO. The proposal was submitted by the American Federation of State, County and Municipal Employees (co-sponsored by Hermes Fund Managers, the City of New York Comptroller's Office, and the Connecticut Retirement Plans and Trust Funds) and an exempt solicitation was filed. In the previous year, a similar proposal received 40% support from shareholders, indicating its significance. News reports prior to the annual meeting indicated that the vote on this proposal was closely watched and highly contentious (Browdie, 2013). However, according to Craig and Silver-Greenberg (2013b), Broadridge ceased providing interim vote tally data to the sponsors of the JPMorgan proposal on May 10, 2013, following the urging of the Securities Industry and Financial Markets Association (SIFMA), which also represents JPMorgan.<sup>6</sup> Broadridge defended its decision by highlighting its contractual obligation to follow the directives of its clients.<sup>7</sup> More importantly, Broadridge stopped providing interim vote tally data to sponsors of proposals at other companies as well (Craig and Silver-Greenberg, 2013a).

After facing significant criticism from investors, JPMorgan eventually agreed to allow Broadridge to provide interim results to the sponsors of the proposal on May 20, 2013 (Silver-Greenberg and Craig, 2013c). However, Broadridge initially hesitated to share the interim results with the sponsors due to uncertainty regarding its legal authority to do so following SIFMA's request. Subsequently, JPMorgan agreed to directly provide the information to the sponsors, but under the condition that they sign a

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<sup>6</sup> Craig and Silver-Greenberg (2013b) report that "...Broadridge said, it stopped giving shareholder sponsors access to real-time updates last Friday.". As the date of the Craig and Silver-Greenberg (2013b) article was Friday May 17, 2013, this indicates that Broadridge stopped providing interim vote tally data to the proposal sponsors at JPMorgan on Friday May 10, 2013.

<sup>7</sup> Browdie (2013) reports that SIFMA was concerned that shareholder groups were leaking the early vote results after it was asked to pursue the issue by one of its working groups. SIFMA later denied this account that it asked Broadridge to stop providing real-time vote results to the sponsors and argued that the association was merely asking on what authority or basis Broadridge was relying when it was sharing interim vote results with interested parties (Craig and Silver-Greenberg, 2013b). SIFMA also noted that when the association approached Broadridge, Broadridge had already "independently determined" to suspend its practice. A senior executive of Broadridge noted that the company took the call from SIFMA as a directive from its customers and felt compelled to obey (Craig and Silver-Greenberg, 2013a).

confidentiality agreement. Despite these developments, some investors, including CtW, argued that receiving the interim results at that stage would be of little value to them (Freifeld and Henry, 2013).

The shareholder proposal that became the focal point of the dispute between JPMorgan and the sponsors received support from 32.2% of shareholders based on the number of votes cast at the annual meeting. As previously noted, a similar proposal had been submitted at the company's 2012 annual meeting, which had received the support of 40% of shareholders.

According to a company report released in April 2014, Broadridge revised its policy in December 2013.<sup>8</sup> As per the new policy, Broadridge started providing interim vote results to sponsors of proposals in exempt solicitations, subject to approval from the issuer and the signing of a three-party confidentiality agreement. This agreement involves Broadridge, the issuer, and the proposal sponsor.

Following Broadridge's policy change regarding interim vote tally data in exempt solicitations in May 2013, investors argued that having access to interim vote results would assist both sides in formulating their campaigns. As noted by Silver-Greenberg and Craig (2013a), a side that is currently losing may choose to allocate more resources to their campaign, such as making additional calls or sending extra letters to shareholders, in order to increase the chances of their proposal passing. When Broadridge decided not to share the interim vote results with the sponsors of the JPMorgan proposal, some institutional investors argued that this decision provided JPMorgan, which had access to frequent updates, an advantage in adjusting its campaign strategy accordingly (Silver-Greenberg and Craig, 2013b). Henry (2013) reports that an individual from the office of New York City Comptroller expressed that "it is hard to know what kind of strategy to pursue and what kind of resources to invest." Overall, it can be argued that interim vote results hold significance for both sides of a proposal. The ability to review interim vote results was a valuable tool for shareholder proposal sponsors, and Broadridge's decision on May 10, 2013, may have placed them at a disadvantage in designing effective campaigns.

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<sup>8</sup> The report can be found at <http://media.broadridge.com/documents/broadridge-interim-vote-reports-a-background-document.pdf>.

Broadridge's decision specifically was related to interim vote tally data in exempt solicitations. It is important to note that exempt solicitations are typically filed to explain why the proponent is supporting a specific shareholder proposal (Blank, Cole, Schumann, and Woidtke, 2015). Exempt solicitations can be used by both institutional and individual investors.<sup>9</sup> However, it is worth mentioning that not all proposal sponsors make use of exempt solicitations, and therefore, interim vote tally data is not universally accessible to all sponsors. Broadridge technically provided vote tally data only to sponsors who filed an exempt solicitation, while those who did not submit one would not receive vote tally data from Broadridge. As part of its policy change, Broadridge ceased providing vote tally data to sponsors who filed an exempt solicitation. However, proposal sponsors can easily file an exempt solicitation and request interim vote tally data from Broadridge.<sup>10</sup> It is worth noting that the use of exempt solicitations has been on the rise. A study by Blank et al. (2015) examines exempt solicitation campaigns between 1997 and 2008, reporting 141 such campaigns over the 12-year period. However, a report from Sullivan & Cromwell highlights a substantial increase in exempt solicitation filings in recent years. According to their findings, there were 355 such filings in the first half of 2023 alone.<sup>11</sup>

It is also crucial to highlight that news reports surrounding Broadridge's decision did not explicitly reference exempt solicitations, but rather focused on the impact the decision would have on *all* proposal sponsors. A senior executive at Broadridge mentioned in a New York Times article on May 15, 2013 (Craig and Silver-Greenberg, 2013a) that Broadridge was obligated to provide real-time vote results to companies and had been providing the same information to proposal sponsors, without specifically mentioning exempt solicitations. The executive also stated that "the new policy would apply to countless other votes around

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<sup>9</sup> For example, James McRitche, an individual investor, filed a notice of exempt solicitation in 2018 on behalf of his spouse, Myra Young, urging General Electric shareholders to support an executive compensation proposal. The filing is available at <https://www.sec.gov/Archives/edgar/data/40545/000121465918002652/144180px14a6g.htm>.

<sup>10</sup> Blank et al. (2015), studying 141 exempt solicitation campaigns between 1997-2008 note that the use of exempt solicitations has been increasing. See Blank et al. (2015) for a discussion on the proxy solicitation process.

<sup>11</sup> The report can be accessed at [https://www.sullcrom.com/SullivanCromwell/\\_Assets/PDFs/Memos/sc-publication-2023-proxy-season-review-part-1.pdf](https://www.sullcrom.com/SullivanCromwell/_Assets/PDFs/Memos/sc-publication-2023-proxy-season-review-part-1.pdf).

the country.” Thus, the prevailing perception in the media, and potentially in the market, at that time was that Broadridge’s decision would significantly impact sponsors of all shareholder proposals.<sup>12</sup>

Given the media’s and possibly the market’s perception at the time that all proposal sponsors had lost access to interim vote tally data, coupled with the fact that proposal sponsors could easily file an exempt solicitation and request interim vote tally data from Broadridge, all firms with a shareholder proposal are included in the analysis.

### **3. Data and sample characteristics**

To construct my sample, I start with 3,645 firms that had stock price return data in the Center for Research in Security Prices (CRSP) on May 10, 2013 (event date).<sup>13</sup> I require firms to have a minimum of 70 days of stock return data prior to the event date to calculate abnormal returns. This requirement leaves me with 3,309 firms. Out of 3,309 firms, I remove 740 regulated firms (financial firms with two-digit SIC codes of 60 to 69 and utilities with a two-digit SIC code of 49) from the sample, which reduces the sample size to 2,569 firms.

In their study examining the factors influencing management-sponsored proposals and the voting process surrounding them, Babenko, Choi, and Sen (2018) control for various variables. In my analysis, I adopt the approach of Babenko et al. by controlling for various variables that may influence the market’s response to Broadridge’s decision and shareholders’ inclination to target specific firms. Specifically, I control for firm size, growth opportunities, profitability, cash position, leverage, R&D, capital expenditures, past stock price return, stock return volatility, institutional ownership, and analyst coverage.

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<sup>12</sup> It is worth noting that there may have been confusion surrounding when and how Broadridge provided vote tally data to proposal sponsors, as evidenced by documents and communications involving Broadridge (see for example the report in Footnote 9) and various parties, such as the Securities and Exchange Commission (see for example, <https://www.sec.gov/spotlight/investor-advisory-committee-2012/impartiality-disclosure-prelim-voting-results.pdf>). Due to this confusion, it is likely that many market participants, including traders, did not fully comprehend the implications of the policy change.

<sup>13</sup> I use share codes 10 and 11.

Large firms may become the target of shareholder proposals due to their higher visibility, while institutional investors in small firms may find it easier to coordinate their efforts to secure majority support. To account for these possibilities, I use total assets (at) from Compustat as a proxy for firm size. To measure growth opportunities, I use the market-to-book ratio, which compares the market value of equity (prcc\_f \*csho) to the book value of equity (ceq). <sup>14</sup>

Financial performance, financial position, and stock price performance can impact shareholders' likelihood of submitting a proposal. I capture these possibilities by considering return on assets ((ni - xido) / at), cash flows ((ib + dp) / at), and size-adjusted 12-month cumulative stock price returns until April 2013. To assess a firm's ability to generate income from its assets and gain insights into its financial health and stability, I control for cash flows calculated as income (ib + dp) scaled by total assets (at).

Furthermore, I account for a firm's debt level, as there may be a substitution effect between monitoring by creditors and shareholders. A higher level of debt could influence shareholders' propensity to submit proposals. Poulsen, Strand, and Thomsen (2010) note that higher leverage is expected to increase monitoring by creditors, thereby reducing shareholders' incentives for active involvement. Leverage is calculated as total debt (dlc + dltt) scaled by total assets (at).

Babenko et al.'s findings indicate that the intensity of shareholder proposals is associated with the operational aspects of a business, with higher R&D expenditures and greater stock return volatility leading to a higher number of proposals. To address these factors, I include controls for R&D intensity, capital expenditures, and stock return volatility. R&D intensity is calculated by dividing R&D expenditures (xrd) by total assets (at), while capital expenditures are determined by subtracting the sale of property, plant, and equipment and investment gains/loss (sppiv) from capital expenditures (capx), scaled by total assets (at). Moreover, to gauge stock return volatility, I compute the standard deviation of daily stock returns over the preceding 12 months until April 10, 2013.

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<sup>14</sup> All financial variables are measured as of the end of the most recent fiscal year before May 10, 2013.

After ensuring the availability of these variables for all firms, the sample size is reduced to 1,865 firms. To mitigate the influence of outliers, I exclude the top and bottom 1% of observations for market-to-book ratio, return on assets, cash flows, size-adjusted returns, and cumulative abnormal returns. The main sample consists of 1,769 firms. Information on annual meetings, including shareholder proposals, is sourced from SharkRepellent.<sup>15</sup>

In addition, I incorporate institutional ownership and analyst coverage in my analysis as these factors can potentially act as substitutes for shareholder monitoring. Institutional ownership is expressed as the percentage of shares held by institutions, as reported in Thomson Reuters' 13F filings database, as of March 31, 2013. Analyst coverage represents the log number of analysts following the firm during the last fiscal year prior to the event date, as reported in IBES.

It can be argued that the impact of Broadridge's decision would be more pronounced on firms using its services compared to those using other agents for vote tabulation during annual meetings. To account for this possibility, I conduct a search for the keyword "proxyvote.com" in the 2013 proxy statements within my sample. Proxyvote.com is an online platform maintained by Broadridge for facilitating voting during annual meetings. Firms that employ Broadridge as their vote tabulation agent typically direct their shareholders to proxyvote.com through their proxy statements. By identifying the presence of this keyword in a proxy statement, I assume that the respective firm is using Broadridge's services for vote tabulation. However, it should be noted that this approach is not perfect and may not capture all firms using Broadridge's services during annual meetings. Consequently, this method may work against the likelihood of discovering significant results. Through the keyword approach, I find that out of the 1,769 firms in the sample for 2013, 798 firms (45.11%) employed Broadridge as their agent during their respective annual meeting. This finding aligns with the 50% market share reported by Racanelli (2018) for Broadridge's vote tabulation services. By using this variable, I categorize the sample into two groups: Broadridge firms and non-Broadridge firms.

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<sup>15</sup> SharkRepellent is a FactSet database that focuses on takeover defenses, shareholder activism, management and shareholder proposals, and voting results.

I also use SharkRepellent to generate several variables related to shareholder proposals. SharkRepellent provides valuable information on whether a proposal is withdrawn prior to an annual meeting or proceeds to a vote during the meeting. When examining firms with shareholder proposals, I focus on shareholder proposals that are put to a vote at the annual meeting. For these specific proposals, SharkRepellent provides data on the counts of “for,” “against,” and “abstained” votes, as well as the number of shares eligible to vote and the total number of votes cast for each proposal at the meeting. Moreover, the database categorizes proposals based on their types and sponsors. Some of the proposal types include governance, proxy-fight (which is distinct from governance proposals), and social responsibility and environmental issue proposals (SRE). Furthermore, certain proposal categories may have subcategories.<sup>16</sup> Regarding proposal sponsors, they are classified into various categories, such as hedge funds, pension funds, labor unions, and individuals. I define all the variables that I use in my analysis in Appendix A.

I present the summary statistics in Table 1, which includes the full sample as well as sub-groups of Broadridge and non-Broadridge firms. In Panel A, I focus on firm characteristics. On average, firms have total assets of \$4.98 billion and a market-to-book ratio of 3.04. The average 12-month size-adjusted return stands at -0.8%. Within the sample, 9.5% of firms (168 firms) received a shareholder proposal in 2013 that went to a vote. As previously mentioned, 45.11% of the firms used Broadridge as their vote tabulation agent during their 2013 annual meeting. Upon examining the sub-groups, I observe that Broadridge firms tend to be larger than non-Broadridge firms. Consequently, it is not surprising that the Broadridge group has a higher percentage of shareholder proposals compared to the non-Broadridge group (10.7% vs. 8.5%).

Moving to Panels B and C, I analyze the percentage of proposals received according to proposal type and sponsor. Within the full sample, 6.9% of firms received a governance proposal in 2013, while proxy-fight related proposals were relatively rare, with only 0.8% of firms receiving such proposals.<sup>17</sup> Furthermore, 3.5% of firms received an SRE proposal in 2013. Upon closer examination of the sub-groups,

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<sup>16</sup> For example, the governance category has the following subcategories for shareholder sponsored proposals: board related, executive compensation, miscellaneous corporate governance, reincorporate in another state, and shareholder rights/takeover defense.

<sup>17</sup> Pound (1988) report that proxy fights are rare, occurring in between 10 and 20 companies each year.

it becomes evident that the Broadridge group has a higher percentage of governance and SRE proposals compared to the non-Broadridge group. Since the majority of proposals fall into the governance, proxy-fight, and SRE categories, I will focus solely on these types for the remainder of the analysis.

In Panel C, I investigate proposal sponsors and discover a wide range of sponsors. Within the full sample, proposals were primarily received from individuals (4.5%), pension funds (2.9%), and labor unions (2%) in 2013. Hedge-fund sponsored proposals were relatively rare, accounting for only 0.4% of the firms in the sample. The Broadridge group of firms received a higher percentage of proposals from individuals, investment advisors, labor unions, other stakeholders, and pension funds.

In Table 2, I present the total number of shareholder proposals categorized by proposal type and sponsor. Panel A reveals that in 2013, a total of 310 proposals went to a vote. Within the full sample, individual investors submitted 99 proposals, with the majority of these proposals addressing governance-related issues (86 proposals). Following individual investors, pension funds submitted 58 proposals, primarily focusing on governance matters, and labor unions submitted 43 proposals, with a similar emphasis on governance issues. Hedge funds accounted for 27 proposals, all of which were related to proxy fights. The statistics for the two sub-groups are presented in the remaining panels. For Broadridge firms in 2013, there were 49 proposals submitted by individual investors, while non-Broadridge firms received 50 proposals from individual investors. Notably, there were no hedge fund proposals for Broadridge firms, whereas non-Broadridge firms received 27 hedge fund-sponsored proposals.

#### **4. The market's reaction to Broadridge's decision**

I start the analysis by exploring the value implications of Broadridge's decision in order to determine how the market reacted to it and how the market perceives shareholder proposals. Additionally, I explore whether the market's response varied for firms with specific proposal types. Section 4.1 presents an event study that investigates abnormal returns, while Section 4.2 focuses on analyzing the relationship between abnormal returns and proposal types and sponsors. I further examine the market's reaction in a multivariate setting in Sections 4.3 and 4.4.

#### 4.1 Abnormal returns

Following Matsusaka et al. (2021), I use both the market-adjusted model and the Fama-French four-factor model to calculate abnormal returns across various event windows. The estimation period spans 100 trading days with a requirement of at least 70 days of available stock returns. Consistent with Matsusaka et al., the event windows I use start on trading day -1 and extend up to trading day +10 subsequent to the event date (May 10, 2013). I also winsorize CARs at 1% in each tail. Furthermore, I adopt Matsusaka et al.'s approach and exclude firms with concurrent events in some of the tests. Specifically, I use the S&P Capital IQ's Key Developments database, which tracks over 100 event types for firms, and I eliminate firms that experienced any of these events within the event window considered.

I present the event study results for various windows in Table 3. In Panel A, I analyze the full sample and also calculate abnormal returns separately for Broadridge and non-Broadridge firms. The market-adjusted returns for the full sample in Panel A reveal that Broadridge's decision was well-received by the market, as all the mean cumulative abnormal returns (CARs) are significantly positive across all four windows. However, when employing the Fama-French model, the abnormal returns are not statistically significant.

Focusing on Broadridge firms in Columns (3) and (4), I observe that all of the mean CARs are statistically significant using both approaches. The market-adjusted CARs range from 0.45% to 1.32%, while the Fama-French model yields mean CARs ranging from 0.24% to 0.60%. Moving on to the next two columns, I present the mean CARs for non-Broadridge firms. Interestingly, I find that the mean CARs are mostly insignificant and, in some windows, even negative. In the last two columns of the table, I compare the mean CARs for Broadridge and non-Broadridge firms. The p-values indicate that CARs for Broadridge firms significantly differ from those of non-Broadridge firms in two out of four windows. For instance, in the (-1, +3) window, the mean CAR for Broadridge firms, using market-adjusted returns, is 0.595% compared to -0.003% for non-Broadridge firms. This difference is statistically significant at the 5% level. Taken together, the CARs for Broadridge and non-Broadridge firms suggest that the market reacted much more positively to Broadridge's decision among firms that used Broadridge for vote tallying.

In Panel B, I recalculate CARs by excluding firms with concurrent events following the methodology of Matsusaka et al. As in Matsusaka et al., this conservative approach significantly reduces the sample size. For instance, the full sample size for the (-1, +1) window consists of 1,769 firms in Panel A, but after excluding concurrent events, it reduces to 1,133 firms in Panel B. Despite this reduction, the results in Panel B are similar to those in Panel A. Once again, these results indicate that the market's response to Broadridge's decision was more favorable for firms that used Broadridge in comparison to non-Broadridge firms.

In summary, based on the findings in Table 3, it is evident that the market held a positive perception of Broadridge's decision to withhold interim vote tally data from proposal sponsors. This conclusion is supported by the more positive stock price reaction observed among firms that relied on Broadridge for vote tallying. Additionally, the positive market reaction observed for Broadridge firms could also reflect both the value implications of the policy change for firms using Broadridge and the potential for additional future changes that could be imposed by Broadridge. While the results in Table 3 provide valuable insights, an important question remains: Did the market's reaction vary based on proposal type and sponsor? I will examine this question in the next section.

#### **4.2 Market's reaction by proposal and sponsor type**

In this section, I examine CARs with respect to proposal type and sponsor. Table 1 provides an overview of three proposal types: Governance, social/environmental, and proxy fight. To provide more granularity, I separate the social/environmental category, resulting in four distinct proposal types. Regarding proposal sponsors, Table 1 also reveals the presence of seven sponsor types: hedge funds, individuals, investment advisors, labor unions, other stakeholders, pension funds, and religious groups. For each specific proposal and sponsor type, I identify the firms that received such proposals and plot their mean CARs in Figures 1 and 2. The mean CARs are presented for each of the four event windows, categorized based on whether the firms used Broadridge to tally votes.

Figure 1 consists of multiple graphs, each containing mean CARs for the four event windows. Within each graph, there are also mean CARs for both Broadridge firms (represented by squares) and non-Broadridge firms (represented by diamonds). Additionally, the mean CARs calculated using the Fama-French model are presented in the graphs. The mean CARs based on market-adjusted returns are shown in black, while the CARs derived from the Fama-French model are shown in grey. Moving on to the panels, Panel A includes all firms that received a specific proposal, providing a comprehensive view of the mean CARs for each category. In contrast, Panel B excludes firms that experienced concurrent events, ensuring a more focused analysis by removing any potential confounding factors.

In the first graph of each panel, I examine mean CARs for firms with a shareholder proposal. Panel A shows that mean CARs were generally insignificantly positive for Broadridge firms and mostly insignificantly negative for non-Broadridge firms. Moving on the next graph, which focuses on firms with governance proposals, the mean CARs for Broadridge firms tend to be insignificantly positive, whereas the mean CARs for non-Broadridge firms lean towards the negative side. Notably, the governance plots reveal an interesting trend: the mean CARs become increasingly positive over time for Broadridge firms, while they become more negative for non-Broadridge firms. When examining other proposal types, no clear pattern emerges in the CARs. However, it is worth mentioning that the mean CARs for social and environmental proposals demonstrate a relatively lower level of negativity for Broadridge firms compared to non-Broadridge firms. The graphs in Panel B are generally in line with those in Panel A. For example, for governance proposals, the mean CARs in Panel B also become increasingly positive over time for Broadridge firms, while they become more negative for non-Broadridge firms.

Shifting the focus to proposal sponsors in Figure 2, I observe that there is no distinct pattern in the mean CARs for firms with hedge fund-sponsored proposals. On the other hand, firms receiving proposals from individual investors experienced a more positive market reaction. Notably, Broadridge firms exhibit a significantly positive mean CAR in the (-1, 10) window. Furthermore, it is noteworthy that mean CARs for Broadridge firms demonstrate an increasing trend over time, while they decrease for non-Broadridge

firms. In the remaining graphs, there are no clear patterns or consistently significant mean CARs for other proposal sponsor types. The graphs in Panel B again report results that are similar to the ones in Panel A.

Taking into account the findings from Table 3, which indicate more positive CARs for Broadridge firms, the results presented in Figures 1 and 2 also reveal more positive (or less negative) CARs for Broadridge firms and suggest that the market's reaction was not contingent on the specific types of proposals received by firms. Instead, it appears that the market reassessed Broadridge firms as a collective entity.

### 4.3 Multivariate analysis

As previously noted, an important question revolves around how the market's reaction was influenced by firm and proposal characteristics. To further explore this, I examine the market's response in Table 4 in a multivariate framework while controlling for firm and proposal characteristics.

In Table 4, I conduct regressions using the CARs from the (-1, +3) event window as Table 3 shows that the difference between the CARs of Broadridge and non-Broadridge groups is statistically more significant in this window. The models incorporate the control variables discussed in Section 3 and include firm size, market-to-book ratio, return on assets, cash flows, prior stock return, whether Broadridge was employed as an agent, and whether firms received a shareholder proposal. Robust standard errors, accounting for heteroskedasticity, are used for all test statistics.

Panel A of Table 4 includes all firms, while Panel B excludes firms with concurrent events. In the first model of Panel A, the only control variable is the *Broadridge* indicator. Consistent with the univariate results, *Broadridge* has a significantly positive coefficient at the 5% level with a coefficient of 0.60%. Model (2) introduces additional control variables, and the coefficient for *Broadridge* still remains significant, though the coefficient reduces to 0.45%. Model (3) incorporates only the *Broadridge* and *Proposal* variables, the latter denoting whether a firm received a shareholder proposal. In this case, the coefficient on *Proposal* is insignificantly negative, while Broadridge remains significantly positive with a coefficient of 0.61%. Model (4) introduces an interaction term between *Broadridge* and *Proposal*, but the

interaction is insignificantly negative, with the coefficient for Broadridge (0.65%) remaining significantly positive at the 5% level. Finally, in the last model, the interaction term and all control variables are included, and the coefficient for *Broadridge* remains significantly positive with a coefficient of 0.43%, while the interaction term remains insignificantly negative. In Panel B, after excluding firms with concurrent events, the positive and mostly significant coefficient for Broadridge persists.

Overall, Table 4 demonstrates that the market reacted positively to Broadridge's decision among firms that employed Broadridge as an agent for tallying votes. Considering that the *Proposal* variable is insignificant across all models, in conjunction with the univariate findings, the results indicate that the market's reaction was not driven by whether a firm received a proposal or not, but rather by whether the firm used Broadridge for vote tallying. This finding highlights the impact an intermediary's decision can have on firms in the market, irrespective of their underlying factors or characteristics.

One caveat with the preceding analysis is that it does not consider the nature of the proposal or the identity of the proposal sponsor. It is possible that the market's reaction varied for firms with specific types of proposals or proposals submitted by particular sponsors. I will investigate this possibility in the next section.

#### 4.4 Multivariate analysis based on proposal type and sponsor

The previous analysis focused solely on whether firms received a shareholder proposal, without considering the specific type of proposal or the proposal sponsor. In this section, I address this issue by replacing the *Proposal* variable with indicator variables for proposal types and proposal sponsors. These variables are then interacted with the *Broadridge* variable, while controlling for all other variables included in the last model of Table 4. I then extract the coefficient on the interaction variable and present it in Figure 3.

Similar to the previous figures, Figure 3 consists of different graphs representing the full sample and the sample where firms with concurrent events are excluded. The first two graphs use proposal types,

while the last two graphs employ proposal sponsors. Each graph displays the coefficients on the interaction terms alongside their corresponding confidence intervals for the (-1, 3) event window.<sup>18</sup>

The graphs in Figure 3 indicate that all interaction variables, representing specific proposal types or sponsors in conjunction with the *Broadridge* variable, are statistically insignificant. This finding aligns with the previous results and further underscores that the market's reaction to Broadridge's decision was not driven by specific proposal types or sponsors. Instead, it reaffirms that the market's response was primarily influenced by whether firms used Broadridge as an agent for vote counting. The results further emphasize the importance of gaining a better understanding of how intermediaries wield their power and how their decisions can affect firms.

## 5. Vote results

The previous section showed that the market's response was more positive for firms that used Broadridge to count votes. This suggests that the market was perhaps expecting changes in shareholder proposal support following Broadridge's decision. If Broadridge's decision weakened coordination and communication among shareholders, I would expect shareholder proposals to receive less support in firms' that used Broadridge to tally votes.<sup>19</sup> In this section, I examine whether Broadridge's decision affected vote outcomes.<sup>20</sup> In Section 5.1, I investigate how support for shareholder proposals at the firm level changed in 2013 relative to 2012. Section 5.2 considers individual proposals and presents a difference-in-difference analysis based on Broadridge use. I examine the impact of Broadridge's decision on support for shareholder proposals in a multivariate setting in Section 5.3.

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<sup>18</sup> In unreported tables and figures, I repeat the analysis in Table 4 and Figure 3 for the other event windows and generally find that the proposal variables are generally insignificant.

<sup>19</sup> As discussed in Section 2.2, Broadridge changed its policy at the end of 2013 and is now ready to share interim vote data with proposal sponsors subject to a three-party confidentiality agreement. As the exact date Broadridge changed its policy is not publicly available, I assume that Broadridge did not share interim vote data with sponsors until January 1, 2014.

<sup>20</sup> A possibility is that firms may have behaved opportunistically between May 10, 2013 and the end of 2013 and brought controversial management sponsored proposals to a vote. An examination of 2013 proposals before and after May 10, 2013 does not indicate that management's behaviour changed following Broadridge's decision. For example, in 2013, there were 64 different management proposal types before May 10, 2013 and 67 after May 10, 2013.

## **5.1 Support for shareholder proposals in 2012 and 2013**

I start the analysis by examining the changes in vote outcomes from 2012 to 2013 for both Broadridge and non-Broadridge firms. I assume that firms that used Broadridge in 2013 also used it in the previous year.

In Table 5, I calculate the percentage of “for” votes for each shareholder proposal, based on the total number of votes cast at the meeting. I then aggregate the results at the firm level to determine an average percentage for each firm. In Panel A, I present the vote results for all firms that had a shareholder proposal. In 2012, there were 164 firms with proposals, while in 2013, there were 168 firms. Out of these, 86 proposals in 2012 and 85 proposals in 2013 were directed at Broadridge firms, while 78 proposals in 2012 and 83 proposals in 2013 were directed at non-Broadridge firms. Both years and sub-groups had a similar number of proposals. On average, the support for shareholder proposals in 2012 was 45.93%, with a median of 38.39%. The mean support for shareholder proposals in 2012 was 43.40% for Broadridge firms, compared to 48.71% for non-Broadridge firms. In 2013, the overall support for shareholder proposals was 44.25%. For Broadridge firms, the support decreased by approximately 3.5% compared to 2012, reaching 39.75%. On the other hand, the support for non-Broadridge firms in 2013 practically remained unchanged from 2012 and was 48.86%. Examining the medians, support for shareholder proposals in 2013 decreased by about 1% for Broadridge firms compared to 2012, while for non-Broadridge firms, it decreased even further (44.40% vs. 40.80%). However, none of the means and medians in 2013 showed a statistically significant difference compared to the means in 2012, as indicated by the p-values in the last two columns. Overall, Panel A indicates that the support for shareholder proposals was lower in 2013.

In Panel A, I include all the proposals received by each firm. However, one concern with this approach is that a proposal submitted in a specific year may not be resubmitted in the following year. To obtain a more precise estimate, I restrict the analysis in Panel B to only those same proposals submitted by the same sponsor in both years. Panel B consists of 49 firms with such proposals, and both years have an equal number of firms since I am specifically examining the firms with the same proposals submitted by the same sponsors. Out of these, 22 firms belong to the Broadridge group, while 27 firms belong to the non-

Broadridge group. The overall support for these same proposals in the 49 firms was 31.93% in 2012 and 28.44% in 2013, indicating a decrease of approximately 3.5%. This difference is statistically significant at the 5% level. When comparing Broadridge firms in 2013 to their performance in 2012, the support for the same proposals was about 6.8% lower (30.77% vs. 23.99%), and this difference is also statistically significant at the 5% level. However, I do not observe a meaningful drop in support for non-Broadridge firms in 2013. The average support in 2013 was 32.06% for non-Broadridge firms, compared to 32.88% in 2012. This difference is not statistically significant (*p*-value: 0.432). Similar patterns emerge when considering the medians. There is a 10.20% decrease in support for Broadridge firms (33.45% in 2012 vs. 23.25% in 2013), and this difference is statistically significant at the 5% level. The median for non-Broadridge firms was also lower in 2013 compared to 2012 (29.20% vs. 32.10%), but the difference is not statistically significant (*p*-value: 0.355).

Taken together, the univariate results in Table 5 suggest that Broadridge's decision weakened coordination and communication among institutional investors and, thus, lowered support for shareholder proposals in 2013, especially for Broadridge firms.

## 5.2 Vote results for individual proposals based on Broadridge usage

The previous analysis presented in Table 5 focuses on the firm level vote outcomes and does not take into account individual proposals. In this section, I investigate the effect of Broadridge's decision on vote outcomes by specifically examining whether Broadridge firms experienced lower levels of support for their proposals compared to non-Broadridge firms. To do this, I will consider all firms that received a proposal in both 2012 and 2013, and conduct a difference-in-difference analysis.

I present the results for vote outcomes based on Broadridge usage in Table 6, organized into two panels. Panel A includes all the shareholder proposals received in 2012 and 2013, providing a comprehensive analysis. Panel B on the other hand, similar to Table 5, focuses specifically on the same proposals received from the same sponsors in both years, allowing for a more specific examination.

Panel A shows that in 2012, there were 149 shareholder proposals directed at Broadridge firms, which decreased to 133 in 2013. Conversely, the number of shareholder proposals increased for non-Broadridge firms in 2013, rising from 144 in the previous year to 177. In both 2012 and 2013, shareholder proposals directed at Broadridge firms received less support from shareholders compared to those at non-Broadridge firms. For instance, in 2013, the average support for proposals at Broadridge firms was 38.69%, while it was 49.04% at non-Broadridge firms, resulting in a difference of -10.35%. Notably, the differences in support for both years are relatively similar, with a difference-in-difference (diff-in-diff) of only -1.54%, which is not statistically significant. Similarly, the diff-in-diff for the medians is also not statistically significant (p-value: 0.665).

In Panel B, I narrow down the analysis to focus on the same proposals received from the same sponsors in both years. Among Broadridge firms, there were 26 such proposals, while non-Broadridge firms had 38. In 2012, the mean support for proposals in Broadridge firms was 30.06%, whereas it was 32.63% for non-Broadridge firms, resulting in a difference of -2.57%. However, in 2013, the mean support for Broadridge firms decreased to 24.18%, while the support for non-Broadridge firms remained unchanged at 32.40%. As a result, the difference increased to 8.22% in 2013 in absolute terms. Similarly, when considering the median support, the difference was -4.30% in 2013 compared to 0.35% in 2012. These differences are comparable to those observed in Panel B of Table 3. Analyzing the difference-in-difference, I find a difference of -5.65% for the mean support and -4.65% for the median support. This indicates that shareholder proposals received by Broadridge firms in 2013 had less support compared to non-Broadridge firms, in comparison to the levels observed in 2012.

### 5.3 Multivariate analysis

Tables 5 and 6 provide univariate evidence that the support for shareholder proposals received by Broadridge firms declined in 2013 when compared to 2012. In this section, I expand the analysis to investigate the impact of Broadridge's decision on the support for shareholder proposals in a multivariate setting. Specifically, I regress the percentage of "for" votes (out of the total votes cast) in both 2012 and

2013 on various factors such as firm size, market-to-book ratio, return on assets, cash flows, size-adjusted past stock return, and institutional ownership. By including these firm characteristics as control variables, I can assess the specific influence of Broadridge's decision on the support for shareholder proposals. Furthermore, I generate an indicator variable (*Year 2013*) that takes the value of one for proposals voted on in 2013. This indicator variable is then interacted with another indicator variable for Broadridge firms (*Broadridge*). Essentially, this interaction variable serves as a difference-in-difference analysis, enabling the examination of the impact of Broadridge's decision on vote outcomes while considering other factors that may be correlated with vote outcomes. The results of this analysis are presented in Table 7.

Model (1) shows that the total number of shareholder proposals that underwent voting in 2012 and 2013 amounted to 603. In the first model, only *Year 2013*, the *Broadridge* indicator, and their interaction variable are included. In Model (2), I introduce firm characteristics to the model. The interaction variable between *Year 2013* and *Broadridge* is negative but statistically insignificant in Model (1). The coefficient value is -1.542, suggesting a decrease of 1.542% in support for shareholder proposals among Broadridge firms in 2013. This aligns with the difference-in-difference observed in Panel A of Table 6.

Moving to Model (2), where firm characteristics are taken into account, the negative and insignificant interaction variable between *Year 2013* and *Broadridge* remains. However, consistent with the findings from previous tables, the magnitude of the interaction variable is large. The coefficient for the interaction variable is -3.46% (p-value = 0.409) in the second model, indicating that shareholder proposals received less support in 2013, after controlling for other factors. Although the -3.46% difference is not statistically significant, it holds economic significance. Considering that the average percentage of "for" votes in 2012 was approximately 46% (Panel A of Table 5), a 3.46% decline in support equates to more than 7.5% decrease in support at the mean. Furthermore, firm size, market-to-book ratio, and return on assets consistently exhibit significantly negative coefficients across all models, indicating that shareholder proposals tend to receive less support in larger and well-performing firms.

As discussed in Section 2.2, Broadridge modified its policy at the end of 2013 and decided to share interim vote data with proposal sponsors under a three-party confidentiality agreement. Since the exact date

of Broadridge's policy change is not publicly available, I assume that Broadridge did not begin sharing interim vote data with sponsors until January 1, 2014. If Broadridge's decision had a negative impact on shareholders' ability to communicate and coordinate their efforts, one would expect to observe an improvement in support for shareholder proposals in 2014, following the reversal of Broadridge's decision. I explore this possibility in Models (3) and (4) of the table. In Model (3), I conduct the same analysis as in Model (1), but this time I only consider proposals from 2013 and 2014. The interaction between *Year 2014* and *Broadridge* is positive and of substantial economic magnitude (7.804%). Moving on to Model (4), I introduce firm characteristics, and the interaction term remains economically significant (6.796%). These findings indicate that support for shareholder proposals was lower in 2013 when Broadridge changed its policy, but it increased in 2014 when Broadridge reversed its stance.

Shareholder proposal sponsors do not randomly select firms to submit their proposals to. Previous studies have shown that factors such as firm size or poor performance increase the likelihood of receiving a shareholder proposal (Becker, Cronqvist, Fahlenbrach, 2011; Cai and Walking, 2011). Moreover, Broadridge's decision may have reduced shareholders' inclination to submit proposals if the decision reduced the chances of a proposal being successful. To account for this selection bias, I employ the Heckman two-stage analysis in the last two models of the table.

In the first stage, Model (5), I construct the selection equation where the dependent variable equals one if a firm receives a shareholder proposal and 0 otherwise. The control variables used in previous models are also included. The results of this stage align with the existing literature, indicating that larger firms, less profitable firms, and firms with higher cash reserves are more likely to receive shareholder proposals (Becker, Cronqvist, Fahlenbrach, 2011; Cai and Walking, 2011). Moving to the second stage, Model (6), I incorporate lambda (the predicted probability from the first stage) as an additional explanatory variable. The dependent variable is set as the percentage of "for" votes. The results of this stage reveal a significant decrease in support for shareholder proposals in 2013. The coefficient on the interaction term *Year 2013* and *Broadridge* is -5.580%, and it is statistically significant at the 10% level.

Overall, the findings presented in Table 5 provide evidence that Broadridge's decision had a negative impact on the level of support for shareholder proposals. These results align with the notion that the decision undermined communication and coordination among shareholders and reduced support for shareholder proposals. Considering the positive market reaction in Section 4 for Broadridge firms, these results indicate that the market tends to have a negative view of shareholder proposals. It also suggests that the market anticipated a decrease in support for these proposals, reacting positively to Broadridge's decision.

## 6. Additional tests

In this section, I conduct additional tests to gain further insights into the results. In Section 6.1, I examine an alternative specification to create proposal type and sponsor variables, aiming to gauge the sensitivity of my results to this alternative approach. Furthermore, in Section 6.2, I consider May 15 as an alternative event date. Additionally, I assess the impact of Broadridge's decision on regulated firms in Section 6.3. Finally, I examine the main results with respect to two new subgroups of firms in Section 6.4.

### 6.1 Alternative set of proposal receiving firms

In my analysis, I use shareholder proposals from 2013 to create the proposal variables. For instance, to create the governance proposal dummy, I examine the 2013 shareholder proposals that underwent voting to determine whether a firm had a governance proposal submitted by a shareholder. However, it could be argued that relying solely on 2013 proposals might not fully capture the probability of firms receiving proposals in subsequent years. It is possible that firms which previously received shareholder proposals before the event date are more likely to receive proposals in the future (Gantchev and Giannetti, 2021). To address this concern and assess the sensitivity of my results to the use of 2013 proposals, I construct an alternative set of proposal variables. In this case, I consider any firm that received a shareholder proposal between 2011 and 2013 to create the proposal variables. Using this new set of proposal variables, I reconstruct the tables and figures in which I used the proposal variables. In these unreported tables and

figures, I find that the results from this alternative specification are generally in line with those reported here.

## 6.2 Alternative event dates

Although Broadridge decided to stop providing interim vote tally data to proposal sponsors on May 10, 2013, the first news article about this decision was published on May 15, 2013 (Craig and Silver-Greenberg, 2013a). In this section, I consider May 15 as an alternative event date to explore the possibility of whether the market reaction to Broadridge's decision occurred on May 15 instead of May 10.

To investigate this, I replicate Table 3 by replacing the event date with May 15 and present the results in Table 8. The mean CARs for the full sample, based on market-adjusted returns, reveal three significant event windows in Panel A. Even when excluding concurrent events, these significant windows persist. However, the mean CARs using the Fama-French model are mostly insignificant for the full sample in both panels. When I focus on Broadridge and non-Broadridge firms, a similar pattern emerges: market-adjusted returns show significance, but Fama-French abnormal returns are largely insignificant. It also should be noted that May 10, 2013 was a Friday and May 15, 2013 was a Wednesday and considering the sizes of and the overlaps in the event windows, observing some significant results is expected with May 15 as the event window.

Comparing the results in Table 8 to those in Table 3, I observe that the mean CARs in Table 8 generally have smaller magnitudes. For instance, the market-adjusted mean CAR in the (-1, 1) window is 0.448% in Table 3, whereas it is 0.326% in Table 8 for Broadridge firms. Additionally, in Panel A, all Fama-French abnormal returns for Broadridge firms are significant in Table 3, but only one is significant in Table 8. Moreover, there is no significant difference between the mean CARs of Broadridge and non-Broadridge firms as indicated in the last two columns. Overall, despite some statistically significant returns in Table 8 and overlapping event windows, the consistent presence of significant returns in Table 3 suggests that May 10 is a valid event date.

### **6.3 Regulated firms**

As mentioned in Section 3, the analysis excludes regulated firms, which are defined as utilities (SIC code 49) and financial services firms (SIC codes 60 to 69). This exclusion is common in corporate governance studies due to the regulatory differences these firms face. For instance, Chang, Hsiao, Ljungqvist, and Tseng (2022) explain that “Following standard practice, we exclude utilities (SIC code 49) and financial services firms (SIC code 6[0-9]), as accounting rules and disclosure requirements are different for regulated firms.”

In this section, I focus on regulated firms to understand how their market reactions differ from those of non-regulated firms. To do so, I analyze the mean CARs specifically for regulated firms, using the structure of Table 3. The results of this analysis are presented in Table 9.

Table 9 reveals that the market reaction around Broadridge’s decision for regulated firms was consistently negative across all four event windows for both the full sample and the subgroups of Broadridge and non-Broadridge firms. For example, in the (-1, 1) window, the mean CAR is -0.38%, which is statistically significant at the 1% level. These results suggest that the market’s response to Broadridge’s decision was universally negative for regulated firms compared to non-regulated firms.

However, the mean CARs also demonstrate that Broadridge firms generally experienced a less negative market reaction, and the mean CARs based on market-adjusted returns are generally not statistically significant. For instance, in the (-1, 1) window, the mean CAR for Broadridge firms is -0.236%, which is not statistically significant. In contrast, the mean CAR for non-Broadridge firms in the same window is -0.469% and statistically significant at the 1% level. This finding that the market reaction was less negative for regulated Broadridge firms is consistent with the earlier observations in Section 4.2, where Broadridge firms exhibited a more positive market reaction compared to non-Broadridge firms.

While it is possible that other factors influenced the negative stock price reaction of regulated firms around May 10, the results, overall, suggest that regulated firms experienced a negative market reaction, but Broadridge firms experienced a relatively less negative reaction compared to non-Broadridge firms.

## 6.4 Before and after groups

While the market's reaction to Broadridge's decision should reflect changes in investors' expectations regarding the direct and indirect impact of the decision on firm values going forward, there may still be nuances in how the market reacted for specific groups of firms. In this section, I will divide my sample into two groups based on their 2013 annual meeting dates and examine the market's response for firms that had not yet held their annual meeting as of the date of Broadridge's decision.

In my analysis, I use the shareholder proposals that were voted on in 2013. For the companies that held their annual meetings on or before the event date (May 10, 2013), the market had complete information regarding the proposals being voted on. However, for companies that had their annual meetings after the event date, the market did not possess full information regarding the proposals that were going to be voted on, at least for some firms. To determine for which firms the market had information about regarding their proposals that were to be voted on after the event date, I categorize the firms into two groups based on the date of their 2013 annual meeting. The first group consists of firms that held their annual meetings on or before the event date. This group includes 623 firms and is referred to as the "Before" group. The second group comprises firms that held their annual meetings after the event date and includes 1,146 firms. This second group is named the "After" group. In this section, I investigate whether the market reacted differently to firms that had not yet held their annual meetings as of May 10.

First, I analyze the mean CARs for each group and their subgroups of Broadridge and non-Broadridge firms, as shown in Table 10. Panel A of Table 10 displays mostly negative mean CARs for the full sample of firms in the Before group. Upon examining Broadridge and non-Broadridge firms, I observe that the mean CARs are more positive or less negative for Broadridge firms, which aligns with the previous findings.

Moving on to Panel B, which is about the After group of firms, I find that the full sample mean CARs are predominantly positive and statistically significant. Hence, most of the positive results observed in Table 3 originate from the After group of firms. When analyzing Broadridge and non-Broadridge firms within this group, I find that the majority of positive CARs in the After group are attributed to Broadridge

firms. For instance, in the (-1, 3) window, the mean CAR is 0.82% (p-value: 0.000) for Broadridge firms and 0.12% (p-value: 0.605) for non-Broadridge firms. The difference is also statistically significant at the 5% level. Comparing these findings to the Broadridge group of firms in Panel A, Panel B suggests that most of the positive market reaction to Broadridge's decision stems from Broadridge firms that held their annual meetings after the event date. This indicates that the market anticipated these firms to be positively affected by Broadridge's decision, at least in the short run.

Next, I examine the market's reaction to Broadridge's decision in a multivariate setting by controlling for firm characteristics. Specifically, I regress the CARs from each of the four windows onto an indicator variable indicating whether a firm used Broadridge to tally votes, an indicator variable denoting whether the firm is categorized as *Before* or *After*, the interaction between these two variables, and a set of control variables from Table 4. The results related to the key variables are presented in Figure 4. Plot A of Figure 4 includes all firms, while Plot B excludes firms with concurrent events. The plots illustrate the coefficient estimates for each of the key variables along with their confidence intervals. It is clear from the plots that, although the *Broadridge* and *After* variables have positive coefficients, they are not statistically significant. Furthermore, the interaction term is also not statistically significant. Consequently, although the univariate results in Table 10 suggest that the positive market reaction to Broadridge's decision primarily arises from the *After* group of firms that used Broadridge as an agent, there is no statistically significant coefficient for the interaction term once firm characteristics are taken into account. This result is also inline with the earlier findings that the market's response was primarily influenced by whether firms used Broadridge as an agent for vote counting.

As an additional test, I examine vote outcomes for the *After* group of firms in a multivariate setting. I create a triple interaction term using Year 2013, Broadridge, and *After*, based on the second model in Table 7. The untabulated results indicate that, although the support for Broadridge firms in the *After* period in 2013 was approximately 2% lower, the coefficient for the triple interaction term is not statistically significant.

Overall, the analysis in this section reveals nuanced dynamics within specific groups of firms. Notably, the market's response appeared to be significantly positive for firms that held their annual meetings after the event date, particularly those that employed Broadridge for vote tallying. However, when considering various firm characteristics and controlling for potential confounding factors, the statistical significance of the positive market reaction diminishes, suggesting that the choice of vote-counting agent played a significant role in shaping the market's response.

## 7. Conclusion

The findings of this study reveal that the market's reaction to Broadridge's decision was not contingent on the specific characteristics of the proposals or the firms themselves. This implies that the market's response was primarily influenced by the use of intermediaries like Broadridge in corporate affairs, particularly in the context of corporate voting. These results shed light on the significant impact that intermediaries can have on firm values and outcomes, such as the outcomes of shareholder proposals.

As mentioned before, Broadridge dominates the proxy distribution market with an estimated 90% market share, but not all customers rely on Broadridge for vote counting. In the vote counting market, Broadridge's market share is approximately 50%. The results of this study, thus, also speak to the impact of Broadridge's decisions in the vote counting process and how intermediaries such as Broadridge could affect corporate outcomes. The study, thus, highlights the power wielded by intermediaries like Broadridge and emphasizes the need to understand how they use this power in important corporate affairs. The decisions made by intermediaries can have far-reaching consequences for firm values, as demonstrated by the positive market reaction to Broadridge's decision among firms that used its services for vote tallying. This calls for further research in this area to gain a deeper understanding of how intermediaries can affect shareholder value and the mechanisms through which their decisions influence firm outcomes.

In summary, this study underscores the importance of recognizing and studying the role of intermediaries like Broadridge in corporate affairs. It highlights the potential impact of their decisions on firm values and emphasizes the need for a more comprehensive understanding of their influence. By

exploring the dynamics between intermediaries and firm outcomes, future research can contribute to a better understanding of how these intermediaries shape corporate governance and ultimately impact shareholder value.

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## Appendix A. Variable definitions

### *Firm characteristics*

Broadridge	= An indicator variable that equals one if a firm uses the keyword <i>proxyvote.com</i> in its 2013 proxy statement and zero otherwise.
Shareholder proposal	= An indicator variable that equals one if a firm had a shareholder-sponsored proposal at its 2013 annual meeting that went to a vote.
Firm size	= Natural logarithm of total assets (at).
Market-to-book	= Market value of equity ( <i>prcc_f</i> * <i>csho</i> ) divided by the book value of equity ( <i>ceq</i> ).
Return on assets (ROA)	= Net income ( <i>ni</i> ) less extraordinary items and discontinued operations ( <i>xido</i> ) scaled by total assets (at).
Cash flow	= Income before extraordinary items ( <i>ib</i> ) plus depreciation and amortization ( <i>dp</i> ) scaled by total assets (at).
Leverage	= Fraction of total debt ( <i>dlc</i> + <i>dltt</i> ) scaled by total assets (at).
R&D	= R&D intensity is calculated by dividing R&D expenditures ( <i>xrd</i> ) by total assets (at).
CAPEX	= Capital expenditures are determined by subtracting the sale of property, plant, and equipment and investment gains/loss ( <i>sppiv</i> ) from capital expenditures ( <i>capx</i> ), scaled by total assets (at).
Stock return	= Size adjusted 12-month cumulative stock price return up to the month before the annual meeting, multiplied by 100.
Volatility	= Volatility is computer as the standard deviation of daily stock returns over the preceding 12 months until April 10, 2013.
Institutional ownership	= Percentage of shares owned by institutional investors as calculated from 13F filings at the end of March 31, 2013.
Analysts	= Analyst coverage represents the natural log number of analysts following the firm during the last fiscal year prior to the event date, as reported in IBES.

### *Proposal type*

Governance	= An indicator variable that equals one if a shareholder proposal is classified as a corporate governance proposal by SharkRepellent.
Miscellaneous	= An indicator variable that equals one if a shareholder proposal is classified as a miscellaneous proposal by SharkRepellent.
Proxy fight	= An indicator variable that equals one if a firm was involved in a proxy fight in 2012. SharkRepellent defines proxy fight as “Campaign under which a stockholder or group of stockholders (the “dissident”) solicits the proxy or written consent of fellow stockholders in support of a resolution it is advancing.”
Social /Environmental	= An indicator variable that equals one if a proposal is classified as being related to social and environmental issues by SharkRepellent.
Value maximization	= An indicator variable that equals one if a firm had a shareholder proposal that was classified as a value maximization related proposal by SharkRepellent.

### *Proposal sponsor*

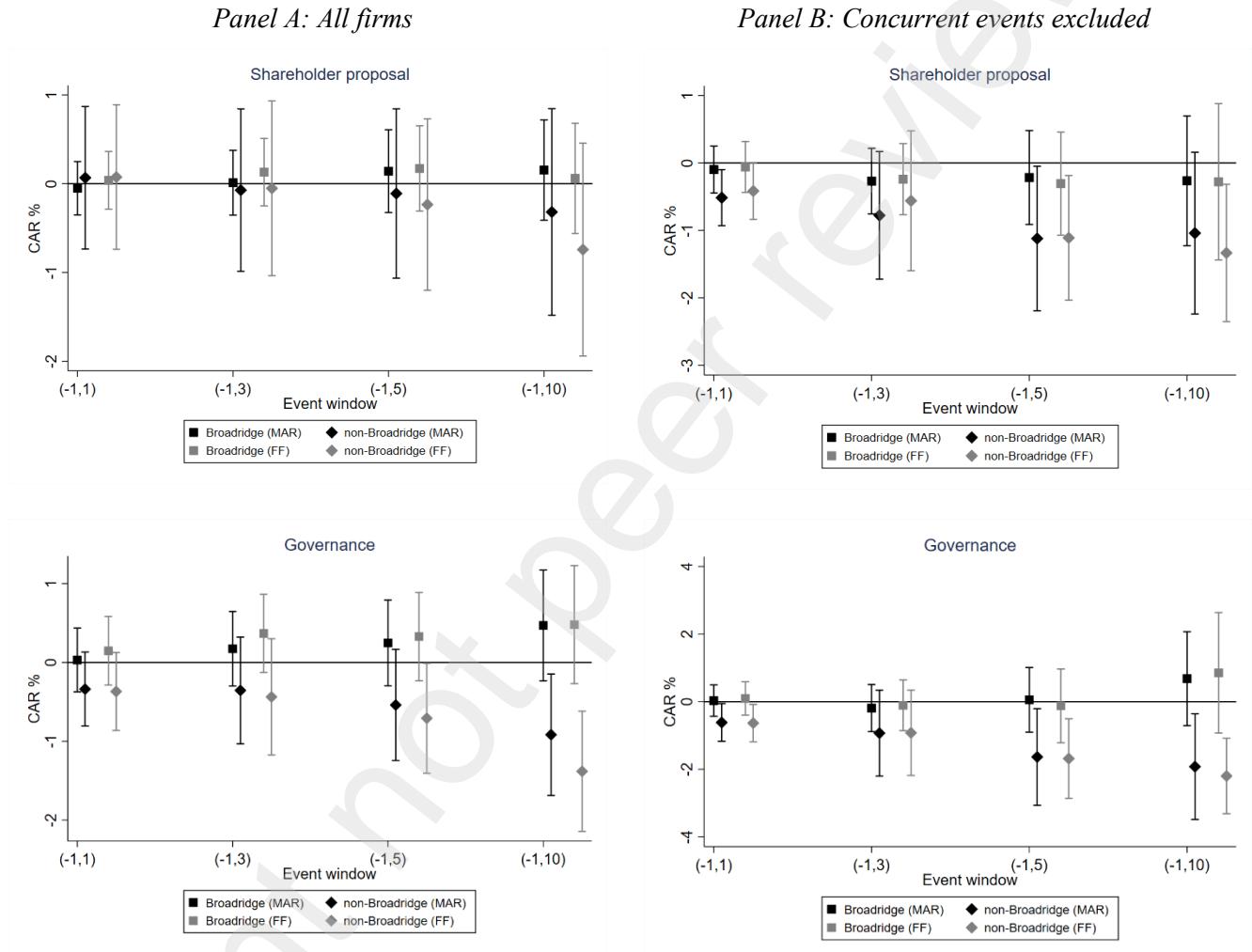
Hedge fund	= An indicator variable that equals one if a proposal is categorized as being sponsored by a hedge fund by SharkRepellent.net. According to SharkRepellent, institution types are sourced from FactSet Lionshares.
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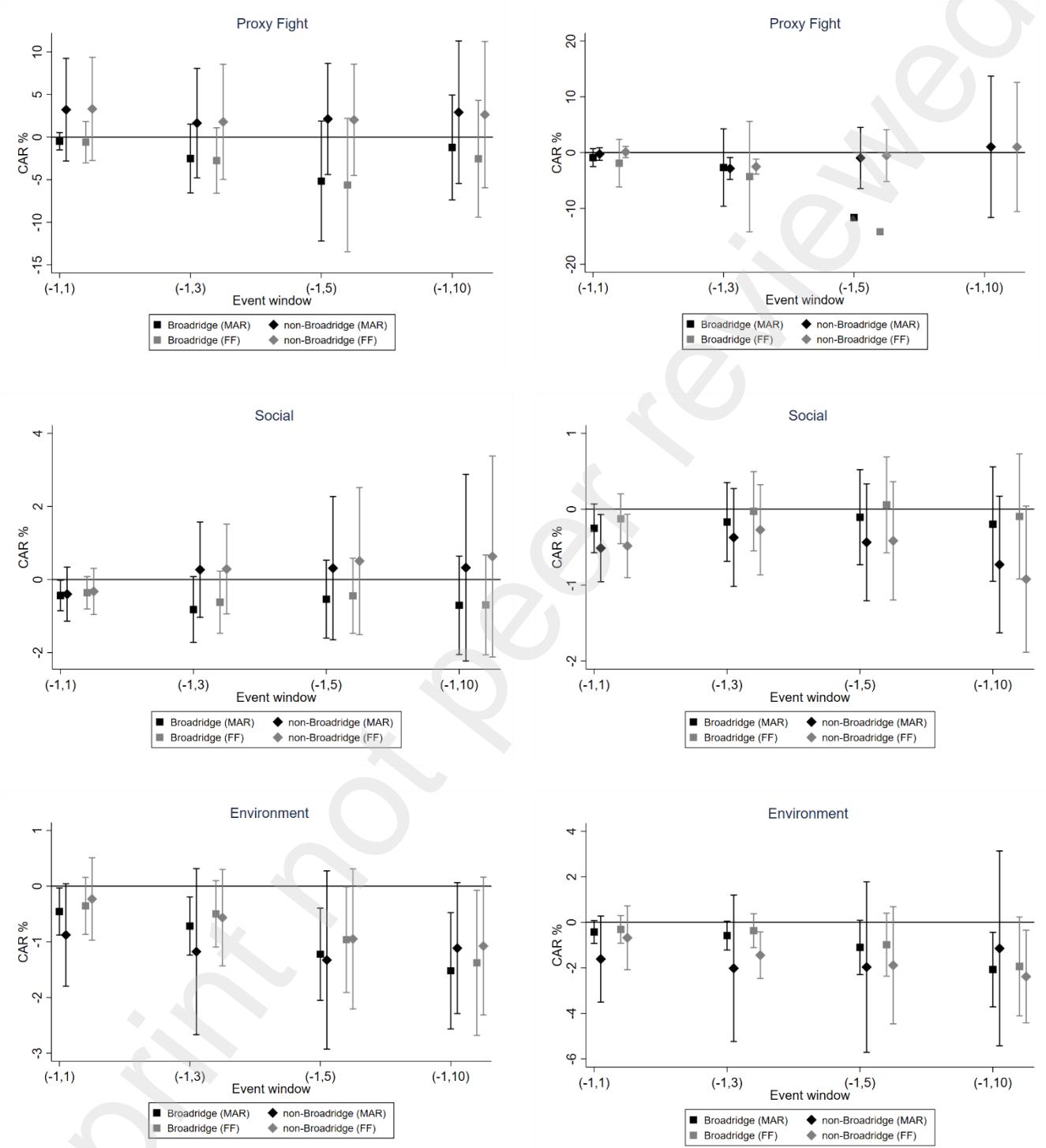
Individual	= An indicator variable that equals one if a proposal is categorized as being sponsored by an individual or a family by SharkRepellent.
Investment advisor	= An indicator variable that equals one if a proposal is categorized as being sponsored by an investment advisor by SharkRepellent. If an investment firm does not have the majority of its investments in mutual funds and is not a subsidiary of a bank, brokerage firm, or insurance company, then the firm is considered an investment advisor by SharkRepellent.
Labor union	= An indicator variable that equals one if a proposal is categorized as being sponsored by a labor union or a labor union pension fund by SharkRepellent.
Other stakeholders	= An indicator variable that equals one if a proposal is categorized as being sponsored by other stakeholders by SharkRepellent. According to SharkRepellent, other stakeholders are other non-individual and non-institutional investor entities such as ESOPs, venture capital, private equity firms, and other investment firms not categorized as an institution by FactSet LionShares.
Pension fund	= An indicator variable that equals one if a proposal is categorized as being sponsored by a pension fund by SharkRepellent.net. According to SharkRepellent, institution types are sourced from FactSet Lionshares.
Religious groups	= An indicator variable that equals one if a proposal is categorized as being sponsored by a religious organization by SharkRepellent.

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**Figure 1. Abnormal returns by proposal type**

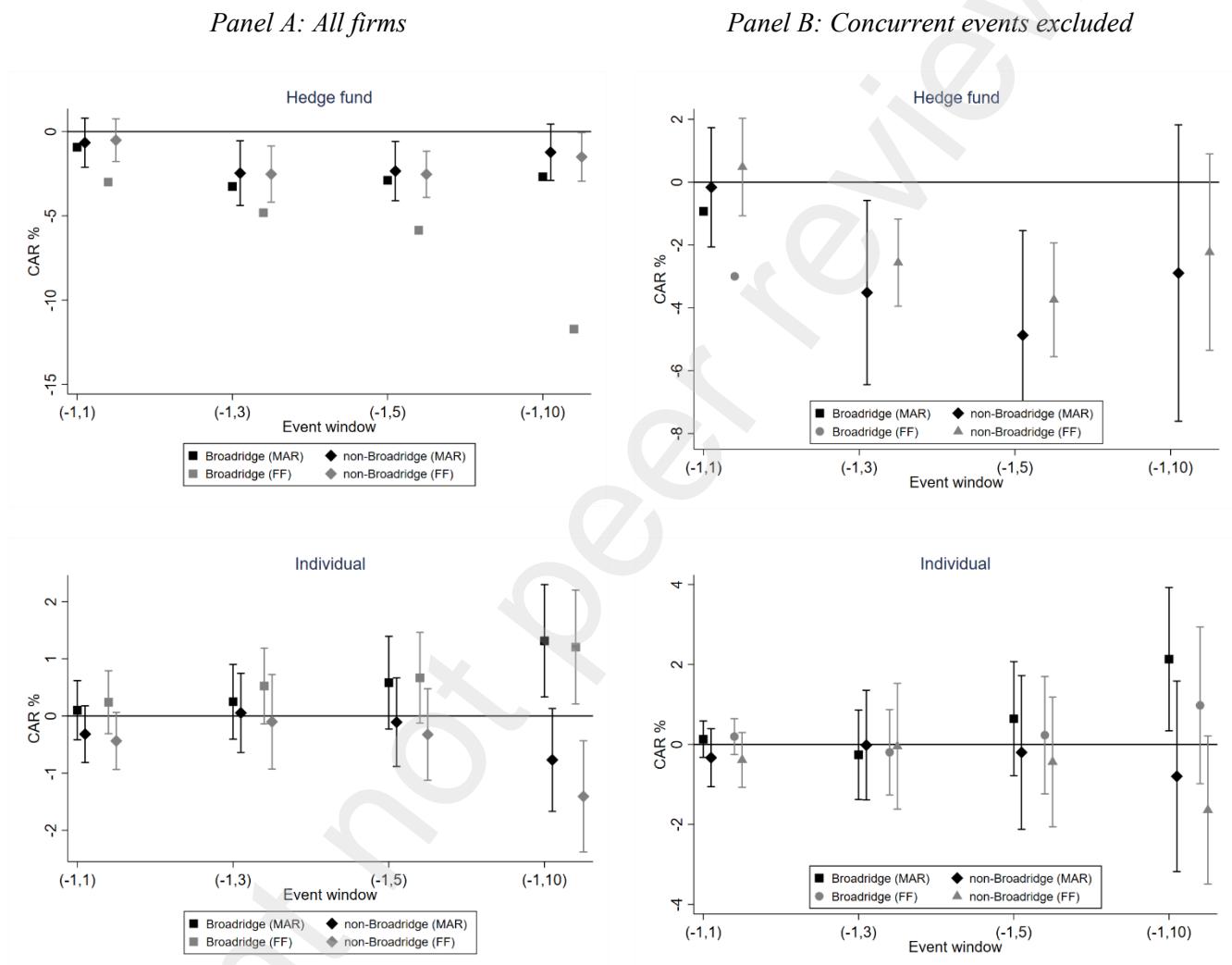
This figure displays the mean cumulative abnormal returns (CARs) for different proposal types within four event windows, both for Broadridge and non-Broadridge firms. The considered proposal types include governance proposals, proxy fights, social responsibility proposals, and environmental proposals. The CARs are presented along with their confidence intervals. The black bars represent CARs calculated using the market-adjusted model (MAR), while the grey bars indicate CARs computed using the Fama-French model (FF). Broadridge firms are represented by squares, and non-Broadridge firms are indicated by diamonds.

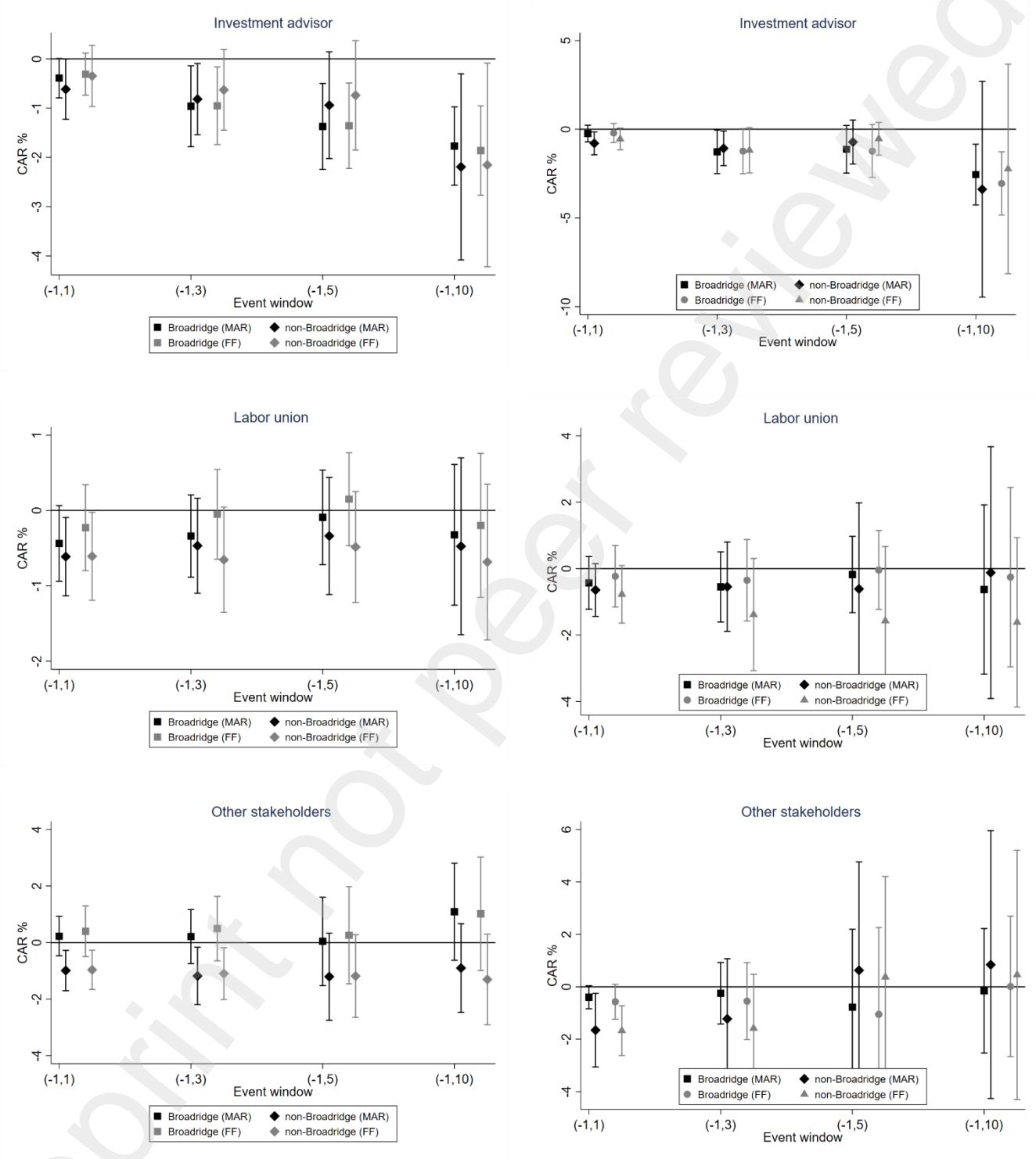


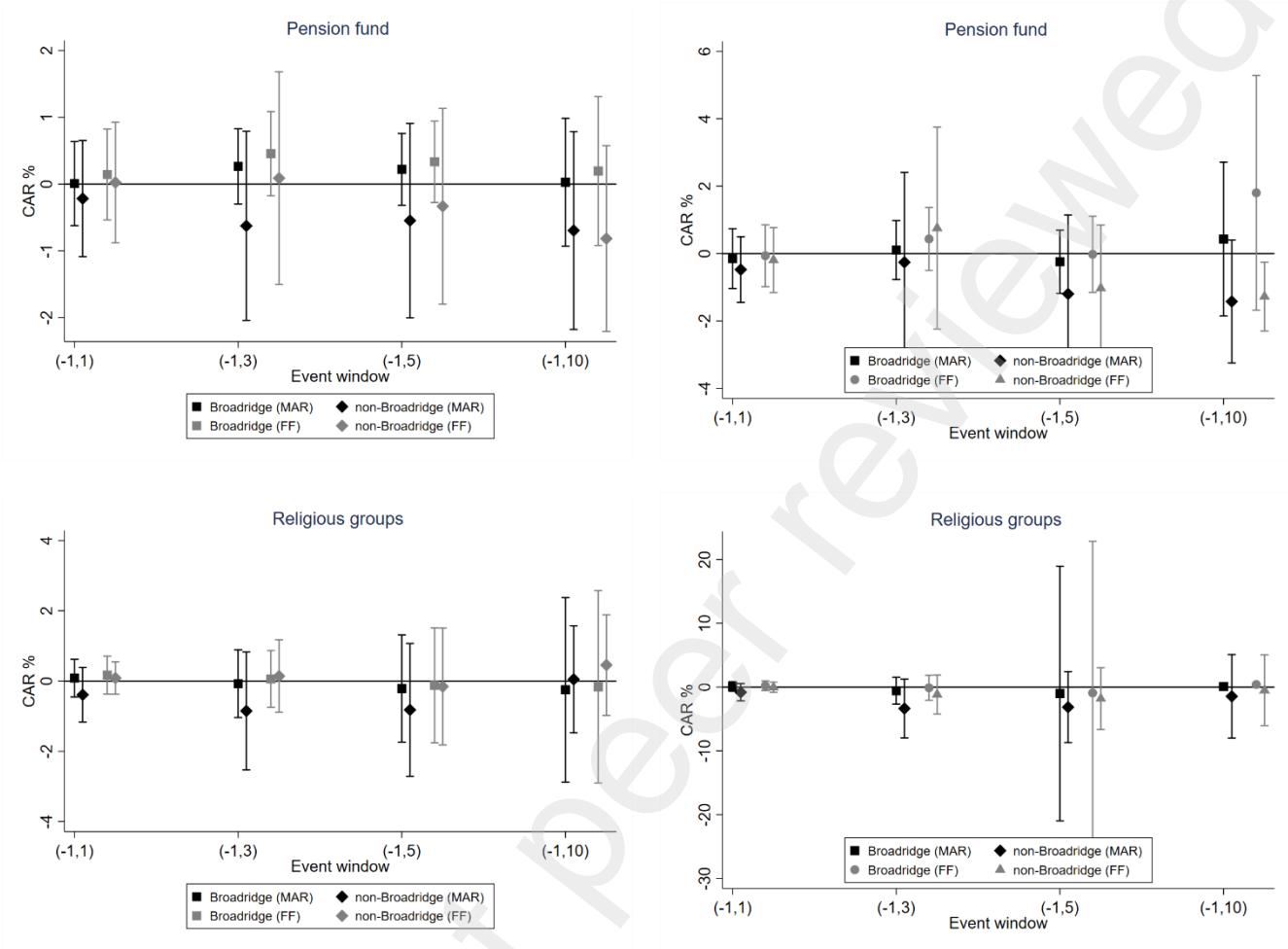


**Figure 2. Abnormal returns by sponsor type**

This figure presents the mean cumulative abnormal returns (CARs) and confidence intervals for different proposal sponsor types within four event windows, for both Broadridge and non-Broadridge firms. The sponsor types considered include hedge funds, individuals, investment advisors, labor unions, other stakeholders, pension funds, and religious groups. Black bars represent CARs calculated using the market-adjusted model, while gray bars represent CARs computed using the Fama-French model. Broadridge firms are represented by squares, and non-Broadridge firms are indicated by diamonds.

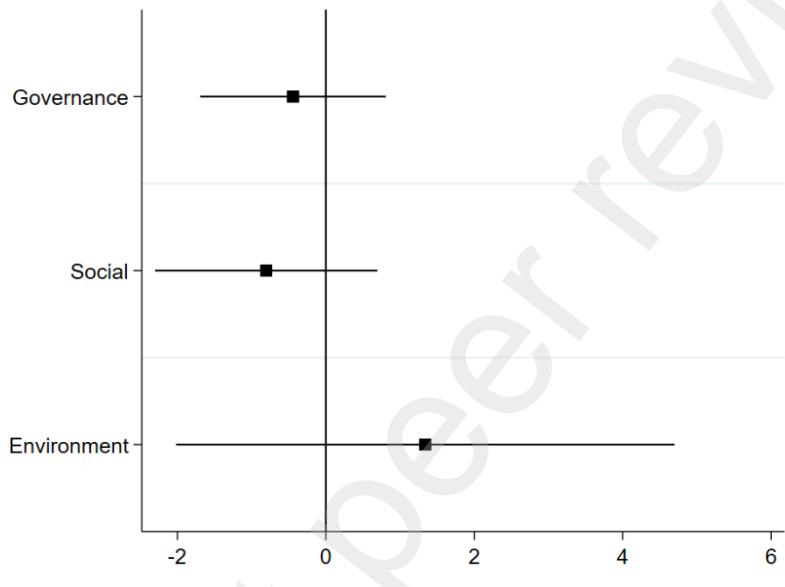




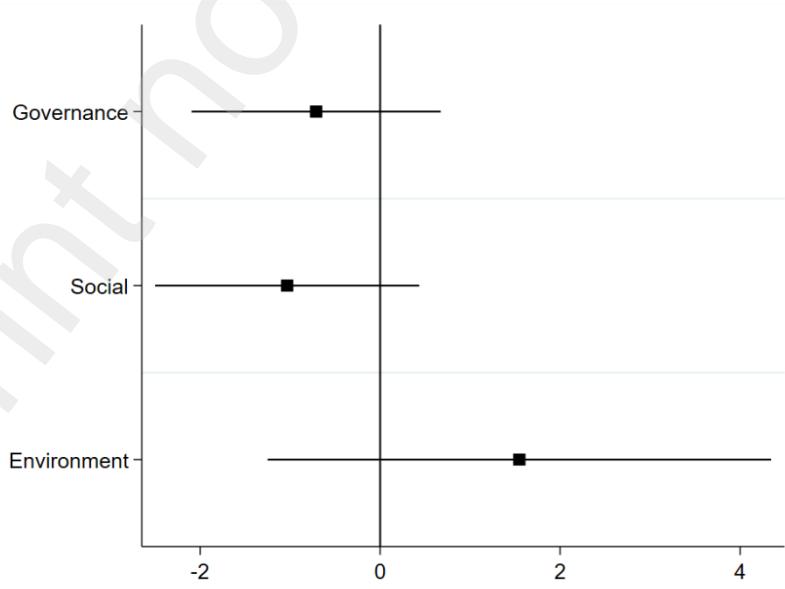


### Figure 3. Multivariate analysis with proposal types and sponsors

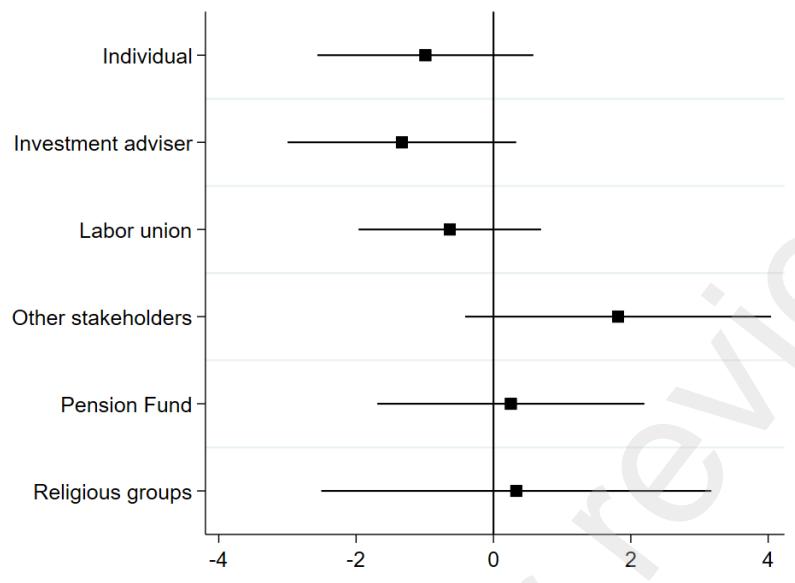
This figure shows the coefficients and their corresponding confidence intervals obtained from regression models that analyze the relationship between cumulative abnormal returns (CARs) based on market-adjusted returns from the (-1, 3) window and proposal types, as well as firm characteristics. The coefficients specifically represent interaction coefficients that involve a *Broadridge* indicator variable and a proposal type variable, such as *Broadridge \* Governance proposal*. Each model incorporates the control variables used in Table 4. Graphs 5A and 5B are derived from regressions employing proposal types, while Graphs 5C and 5D are based on proposal sponsors. All firms are included in Graphs 5A and 5C, whereas Graphs 5B and 5D exclude firms with concurrent events.



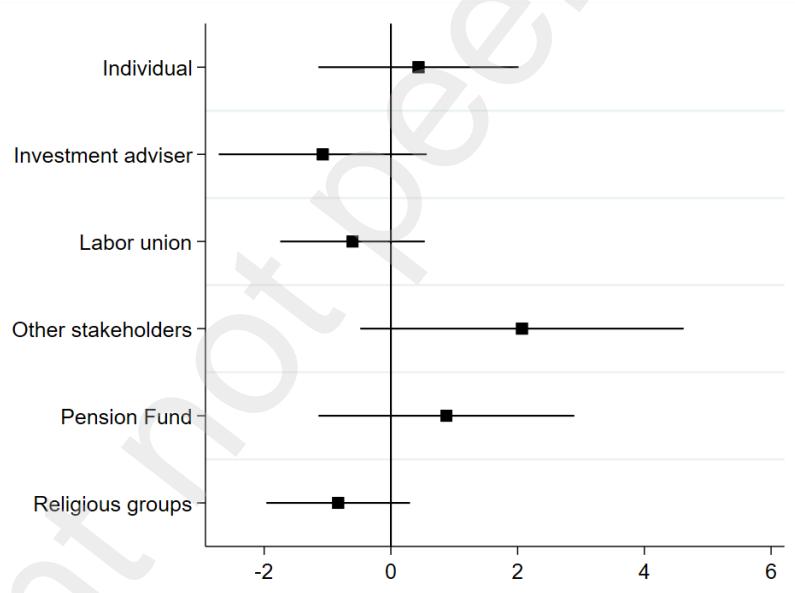
Graph 5A: Proposal types with all firms



Graph 5B: Proposal types with concurrent events excluded



Graph 5C: Proposal sponsors with all firms

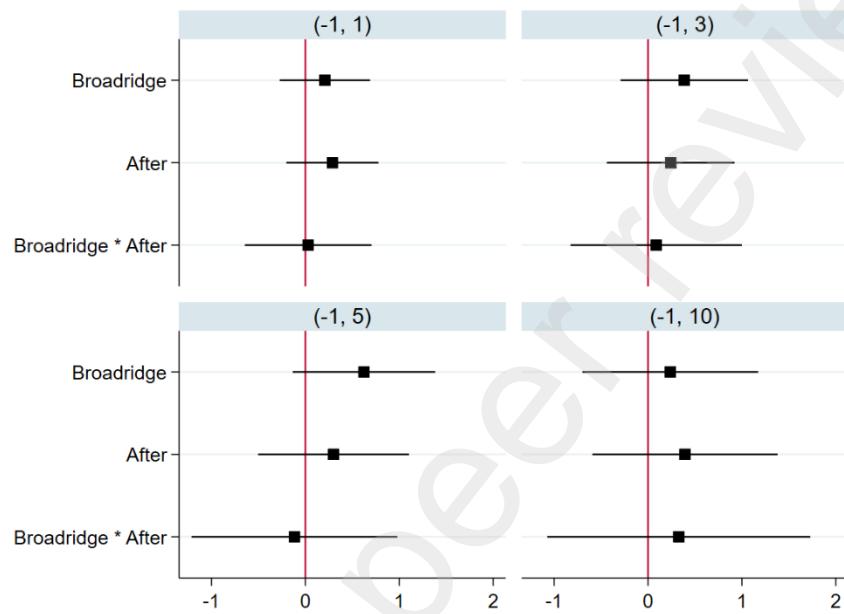


Graph 5D: Proposal sponsors with concurrent events excluded

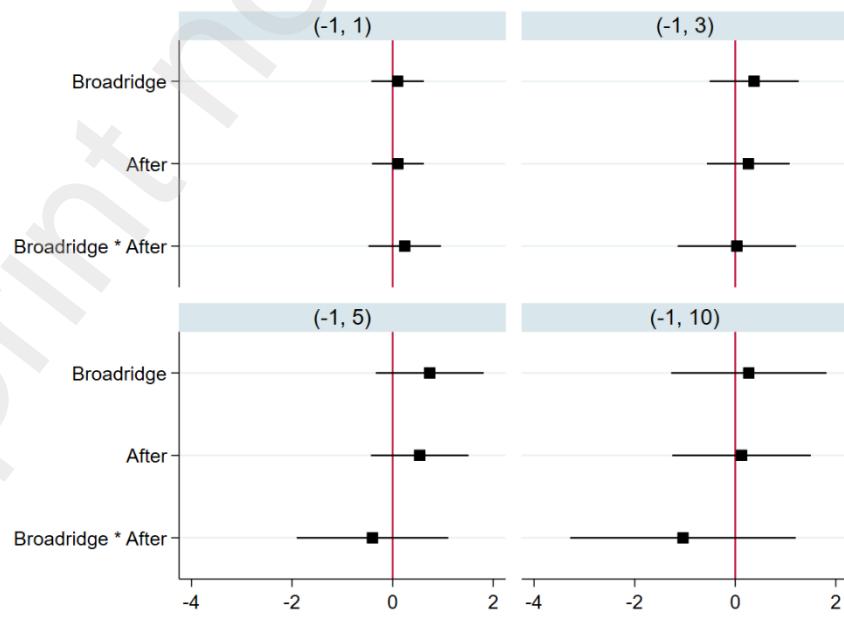
**Figure 4. Broadridge use and Before and After groups**

This figure displays the coefficients obtained from regressing CARs on Broadridge use, an indicator variable for After firms, their interactions, and the corresponding confidence intervals for four different event windows. Each model incorporates the control variables used in Table 4. Plot A includes all firms, while Plot B excludes firms with concurrent events.

*Plot A: All firms*



*Plot B: Concurrent events excluded*



**Table 1. Summary statistics**

This table provides a summary of firm and shareholder-proposal related statistics. The financial variables are calculated based on the most recent fiscal year before the event date, while the size-adjusted 12-month cumulative stock price return is calculated up until the end of April 2013. The shareholder proposal statistics are based on proposals from 2013 that went to a vote. The firm characteristics are presented in Panel A, while the statistics for proposal types are reported in Panel B, and the statistics for proposal sponsors are presented in Panel C. SD stands for standard deviation. The full sample comprises 1,769 observations. The number of observations for the number of analysts is 1,742. The Broadridge group of firms refers to those firms that used Broadridge as an agent to tally votes at annual meetings. Other firms are classified as non-Broadridge firms. All variables are defined in Appendix A.

Variables	Full sample (1,769)			Broadridge (798)			Non-Broadridge (971)		
	Mean	Median	SD	Mean	Median	SD	Mean	Median	SD
<i>Panel A: Firm characteristics</i>									
Firm size (\$ millions)	4,975	736	23,727	5,644	1,052	17,377	4,425	533	27,882
Market-to-book	3.039	2.065	3.044	3.288	2.198	3.328	2.835	1.967	2.775
ROA	0.002	0.044	0.175	0.009	0.047	0.177	-0.003	0.040	0.173
Cash flow	0.047	0.083	0.176	0.053	0.088	0.178	0.042	0.080	0.175
Leverage	0.182	0.146	0.182	0.184	0.156	0.173	0.181	0.140	0.189
R&D	0.056	0.006	0.129	0.061	0.008	0.150	0.052	0.003	0.107
CAPEX	0.056	0.034	0.072	0.053	0.034	0.062	0.058	0.034	0.080
Stock return (%)	-0.799	0.447	37.361	0.659	1.374	36.716	-1.997	-0.757	37.860
Volatility	0.025	0.023	0.011	0.024	0.022	0.011	0.026	0.023	0.012
Institutional ownership	0.688	0.767	0.259	0.724	0.786	0.236	0.659	0.734	0.274
Analysts	9.287	7	8.228	10.711	8	8.828	8.116	6	7.505
Shareholder proposal	0.095	0	0.293	0.107	0	0.309	0.085	0	0.280
<i>Panel B: Proposal type</i>									
Governance	0.069	0	0.253	0.085	0	0.279	0.056	0	0.229
Social/Environmental	0.035	0	0.184	0.038	0	0.190	0.033	0	0.179
Proxy fight	0.008	0	0.092	0.003	0	0.050	0.013	0	0.0115
Value maximization	0.001	0	0.034	0.000	0	0	0.002	0	0.045
Miscellaneous	0.001	0	0.034	0.001	0	0.035	0.001	0	0.032
<i>Panel C: Proposal sponsor</i>									
Hedge fund	0.004	0	0.063	0	0	0	0.007	0.000	0.085
Individual	0.045	0	0.207	0.053	0	0.223	0.038	0.000	0.192
Investment advisor	0.016	0	0.127	0.018	0	0.131	0.015	0.000	0.123

Labor union	0.020	0	0.141	0.024	0	0.153	0.018	0.000	0.131
Other stakeholders	0.015	0	0.123	0.018	0	0.131	0.013	0.000	0.115
Pension funds	0.029	0	0.167	0.030	0	0.171	0.028	0.000	0.165
Religious groups	0.007	0	0.082	0.004	0	0.061	0.009	0.000	0.096

**Table 2. Shareholder proposals by type and sponsor**

This table presents the number of shareholder proposals categorized by proposal type and sponsor, focusing on the 2013 proposals that went to a vote. The sample includes 1,769 firms. The Broadridge group of firms refers to those firms that used Broadridge as an agent to tally votes at annual meetings. Other firms are classified as non-Broadridge firms. All the variables used in the table are defined in Appendix A.

Sponsor type	Proposal type					
	Governance	Social/ Environmental	Proxy fight	Value maximization	Misc.	Total
<i>Panel A: Full sample</i>						
Hedge fund	0	0	27	0	0	<b>27</b>
Individual	86	12	0	0	1	<b>99</b>
Investment adviser	4	20	8	1	0	<b>33</b>
Labor union	35	8	0	0	0	<b>43</b>
Other stakeholders	16	13	9	0	0	<b>38</b>
Pension fund	38	18	0	1	1	<b>58</b>
Religious groups	0	12	0	0	0	<b>12</b>
<b>Total</b>	<b>179</b>	<b>83</b>	<b>44</b>	<b>2</b>	<b>2</b>	<b>310</b>
<i>Panel B: Broadridge</i>						
Hedge fund	0	0	0	0	0	<b>0</b>
Individual	41	7	0	0	1	<b>49</b>
Investment adviser	2	12	0	0	0	<b>14</b>
Labor union	18	3	0	0	0	<b>21</b>
Other stakeholders	10	7	4	0	0	<b>21</b>
Pension fund	17	8	0	0	0	<b>25</b>
Religious groups	0	3	0	0	0	<b>3</b>
<b>Total</b>	<b>88</b>	<b>40</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>133</b>
<i>Panel C: Non-Broadridge</i>						
Hedge fund	0	0	27	0	0	<b>27</b>
Individual	45	5	0	0	0	<b>50</b>
Investment adviser	2	8	8	1	0	<b>19</b>
Labor union	17	5	0	0	0	<b>22</b>
Other stakeholders	6	6	5	0	0	<b>17</b>
Pension fund	21	10	0	1	1	<b>33</b>
Religious groups	0	9	0	0	0	<b>9</b>
<b>Total</b>	<b>91</b>	<b>43</b>	<b>40</b>	<b>2</b>	<b>1</b>	<b>177</b>

**Table 3. Cumulative abnormal returns around Broadridge's decision**

This table provides the percentage cumulative average abnormal returns for four different event windows centered around the event date (May 10, 2013). The event windows considered are (-1, +1), (-1, 3), (-1, 5), and (-1, 10). The abnormal returns are calculated based on market-adjusted cumulative abnormal returns using the Fama-French three-factor plus momentum model. The estimation window spans 100 days, and only firms with a minimum of 70 valid return observations are included. The total sample consists of 1,769 firms. Non-Broadridge firms in the sample did not use Broadridge for tallying their votes, while Broadridge firms employed Broadridge for this purpose. The levels of statistical significance are indicated by as \*, \*\*, and \*\*\*, representing the 10%, 5%, and 1% significance levels, respectively.

	Full sample			Broadridge			Non-Broadridge			p-value (3 vs. 5)	p-value (4 vs. 6)
	CAR MA (1)	CAR FF (2)	N	CAR MA (3)	CAR FF (4)	N	CAR MA (5)	CAR FF (6)	N		
<i>Panel A: All firms</i>											
(-1, 1)	0.294*** (0.001)	0.110 (0.222)	1,769	0.448*** (0.000)	0.236* (0.054)	798	0.166 (0.197)	0.006 (0.965)	971	0.120	0.202
(-1, 3)	0.267** (0.026)	0.019 (0.877)	1,769	0.595*** (0.000)	0.312* (0.063)	798	-0.003 (0.988)	-0.221 (0.210)	971	0.013***	0.031**
(-1, 5)	0.539*** (0.000)	0.086 (0.558)	1,769	0.899*** (0.000)	0.395* (0.050)	798	0.244 (0.233)	-0.167 (0.429)	971	0.023**	0.058*
(-1, 10)	1.161*** (0.000)	0.474 (0.015)	1,769	1.317*** (0.000)	0.601** (0.028)	798	1.033*** (0.000)	0.370 (0.178)	971	0.445	0.554
<i>Panel B: Concurrent events excluded</i>											
(-1, 1)	0.266*** (0.007)	0.087 (0.385)	1,133	0.443*** (0.002)	0.213 (0.144)	510	0.122 (0.364)	-0.017 (0.903)	623	0.106	0.252
(-1, 3)	0.333** (0.027)	0.033 (0.833)	890	0.628*** (0.005)	0.269 (0.249)	402	0.091 (0.659)	-0.161 (0.455)	488	0.076*	0.176
(-1, 5)	0.600*** (0.002)	0.087 (0.664)	757	0.971*** (0.003)	0.397 (0.222)	333	0.309 (0.205)	-0.156 (0.538)	424	0.094*	0.173
(-1, 10)	0.574* (0.053)	-0.108 (0.730)	502	0.516 (0.301)	-0.021 (0.967)	203	0.614* (0.093)	-0.167 (0.669)	299	0.871	0.819

**Table 4. Abnormal returns and proposal and firm characteristics**

In this table, I conduct a regression analysis to explore the relationship between cumulative abnormal returns within the (-1, +3) event window and several factors. These factors include the use of Broadridge as a voting agent, the presence of a shareholder proposal, and various firm characteristics. Panel A comprises all firms, while Panel B excludes firms with concurrent events from the analysis. For all models, the test statistics are calculated using heteroskedasticity robust standard errors. The definitions of all variables can be found in Appendix A. The p-values associated with the coefficient estimates are provided in parentheses. The levels of statistical significance are indicated by as \*, \*\*, and \*\*\*, representing the 10%, 5%, and 1% significance levels, respectively.

<b>Variables</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
<i>Panel A: All firms</i>					
Broadridge	0.60** (0.01)	0.41* (0.08)	0.61** (0.01)	0.65** (0.01)	0.43* (0.09)
Proposal			-0.43 (0.15)	-0.19 (0.69)	-0.33 (0.49)
Broadridge * Proposal				-0.48 (0.42)	-0.27 (0.64)
Firm size		-0.03 (0.82)			0.02 (0.89)
Market-to-book		0.04 (0.35)			0.05 (0.31)
ROA		-4.54 (0.34)			-4.66 (0.33)
Cash flow		4.43 (0.35)			4.53 (0.35)
Leverage		0.49 (0.57)			0.41 (0.63)
R&D		1.55 (0.45)			1.55 (0.45)
CAPEX		-5.58*** (0.00)			-5.61*** (0.00)
Stock return (%)		0.01* (0.09)			0.01* (0.09)
Volatility		0.43** (0.02)			0.43** (0.02)
Institutional ownership		0.91 (0.18)			0.81 (0.24)
Analysts		0.31 (0.17)			0.31 (0.17)
Constant	-0.00 (0.99)	-2.26** (0.02)	0.03 (0.85)	0.01 (0.94)	-2.43** (0.01)
Observations	1,769	1,742	1,769	1,769	1,742
Adjusted R-squared	0.003	0.021	0.003	0.003	0.020

*Panel B: Concurrent events excluded*

Broadridge	0.54*	0.43	0.55*	0.61*	0.46
	(0.07)	(0.17)	(0.07)	(0.06)	(0.16)
Proposal			-0.49	-0.07	-0.04
			(0.33)	(0.94)	(0.97)
Broadridge * Proposal				-0.76	-0.43
				(0.47)	(0.67)
Firm size		-0.03			-0.01
		(0.86)			(0.96)
Market-to-book		0.03			0.03
		(0.68)			(0.67)
ROA		1.16			1.14
		(0.85)			(0.86)
Cash flow		0.60			0.62
		(0.93)			(0.92)
Leverage		-0.06			-0.09
		(0.95)			(0.93)
R&D		0.22			0.23
		(0.95)			(0.95)
CAPEX		-4.62**			-4.60**
		(0.03)			(0.03)
Stock return (%)		0.01			0.01
		(0.18)			(0.18)
Volatility		0.89***			0.89***
		(0.00)			(0.00)
Institutional ownership		0.70			0.65
		(0.43)			(0.47)
Analysts		0.15			0.15
		(0.58)			(0.58)
Constant	0.09	-2.55**	0.12	0.09	-2.64**
	(0.66)	(0.05)	(0.56)	(0.65)	(0.04)
Observations	890	874	890	890	874
Adjusted R-squared	0.002	0.028	0.002	0.001	0.026

**Table 5. Shareholder proposal results**

I provide the mean and median percentages of “for” votes for shareholder proposals, out of the total number of votes cast at annual meetings. These percentages are calculated at the firm level, which means that for firms receiving multiple shareholder proposals, I first determine the mean and median percentages of “for” votes for each firm and include those values in the reported statistics. I present the mean and median percentages for both 2012 and 2013. The Broadridge group of firms refers to those that used Broadridge as an agent to tally votes at annual meetings, while other firms are classified as non-Broadridge firms. Panel A includes all shareholder proposals received by the sample firms in 2012 and 2013. In Panel B, I focus on proposals submitted in 2012 and subsequently resubmitted by the same sponsor in 2013. For example, there were 49 proposals submitted in 2012 that were resubmitted by the same sponsors in 2013. The p-values in the last two columns represent the differences between the means and medians of 2012 and 2013. In Panel A, the Wilcoxon-Mann-Whitney test is used to test the differences between the medians, while in Panel B, the Wilcoxon signed rank sum test is employed for the median. \*\* indicates statistical significance at the 5% level.

Year	N	Mean (%)	Median (%)	p-value for the mean (2012 vs. 2013)	p-value for the median (2012 vs. 2013)
<i>Panel A: Number of firms with proposals</i>					
2012	164	45.93	38.39		
Broadridge	86	43.40	35.75		
Non-Broadridge	78	48.71	44.40		
2013	168	44.25	36.95	(0.598)	(0.546)
Broadridge	85	39.75	34.70	(0.385)	(0.491)
Non-Broadridge	83	48.86	40.80	(0.976)	(0.864)
<i>Panel B: Number of firms with the same proposals</i>					
2012	49	31.93	32.10		
Broadridge	22	30.77	33.45		
Non-Broadridge	27	32.88	32.10		
2013	49	28.44**	28.80**	(0.020)	(0.022)
Broadridge	22	23.99**	23.25**	(0.027)	(0.019)
Non-Broadridge	27	32.06	29.20	(0.432)	(0.355)

**Table 6. Vote outcomes by Broadridge use**

I present the mean and median percentages of “for” votes for individual shareholder proposals, out of the total number of votes cast at annual meetings. Unlike Table 3, this table specifically focuses on the individual proposals. For example, in 2013, out of the 168 firms that received a proposal (as shown in Table 3), a total of 310 shareholder proposals were received (column 4). The Broadridge group of firms refers to those that used Broadridge as an agent to tally votes at annual meetings, while other firms are classified as non-Broadridge firms. Panel A includes all shareholder proposals received by the sample firms in 2012 and 2013. In Panel B, the focus is on proposals submitted in 2012 and subsequently resubmitted by the same sponsor in 2013. To analyze the differences, a difference-in-difference analysis is employed, comparing the vote results of 2013 with those of 2012 in the last two rows of each panel. In Panel A, the Wilcoxon-Mann-Whitney test is used to test the differences between the medians, while in Panel B, the Wilcoxon signed rank sum test is employed for the median. An asterisk (\*) indicates statistical significance at the 10% level.

Broadridge use	N	2012		2013		Median (%)
		Mean (%)	Median (%)	N	Mean (%)	
<i>Panel A: all proposals</i>						
Broadridge	149	39.83	35.00	133	38.69	34.00
Non-Broadridge	144	48.64	42.10	177	49.04	38.80
Difference		-8.81**	-7.10**		-10.35***	-4.80**
p-value		(0.013)	(0.011)		(0.004)	(0.017)
Diff-in-diff					-1.54	2.30
p-value					(0.756)	(0.665)
<i>Panel B: Same proposals</i>						
Broadridge	26	30.06	32.25	26	24.18	24.70
Non-Broadridge	38	32.63	31.90	38	32.40	29.00
Difference		-2.57	0.35		-8.22*	-4.30
p-value		(0.597)	(0.864)		(0.08)	(0.110)
Diff-in-diff					-5.65	-4.65
p-value					(0.397)	(0.643)

**Table 7. Multivariate analysis**

In this table, I conduct a regression analysis to examine the relationship between the percentage of “for” votes (out of total votes cast) and various firm characteristics. The analysis in the first two models uses 2012 and 2013 shareholder proposals. In these models, the variable *Year 2013* is an indicator that takes a value of one if a proposal was voted on in 2013. Additionally, the variable *Broadridge* is an indicator that equals one if the firm used Broadridge for vote tallying. The analysis in models (3) and (4) use 2013 and 2014 shareholder proposals. In these models, the variable *Year 2014* is an indicator variable that equals one if a proposal was voted on in 2014. All variables used in the analysis are defined in Appendix A. The p-values, provided in parentheses below the coefficient estimates, indicate the statistical significance of the variables. The notation \*, \*\*, and \*\*\* represent significance levels at 10%, 5%, and 1%, respectively.

	OLS			Two-Stage		
	(1)	(2)	(3)	(4)	(5)	(6)
Year 2013	0.398 (0.939)	-0.520 (0.848)				3.127 (0.167)
Year 2014			-3.270 (0.537)	-2.810 (0.306)		
Broadridge	-8.806 (0.104)	-4.550 (0.199)	-10.348* (0.059)	-5.202 (0.146)		-1.019 (0.492)
2013 * Broadridge	-1.542 (0.810)	-3.458 (0.409)				-5.580* (0.078)
2014 * Broadridge			7.804 (0.327)	6.796 (0.191)		
Firm size		-7.883*** (0.000)		-6.754*** (0.000)	0.343*** (0.000)	-1.049 (0.716)
Market-to-book		-1.248*** (0.005)		-1.060*** (0.000)	0.001 (0.143)	-0.015 (0.557)
ROA		-36.398 (0.294)		-122.461*** (0.000)	-3.041*** (0.000)	-28.445 (0.406)
Cash flow		45.561* (0.078)		107.516*** (0.000)	3.381*** (0.000)	25.572 (0.493)
Leverage		3.065 (0.795)		11.898 (0.308)	-0.000 (0.998)	-9.481** (0.038)
R&D		62.974** (0.012)		37.515 (0.121)	0.504 (0.179)	61.266*** (0.002)
CAPEX		6.572 (0.754)		-19.560 (0.449)	0.169 (0.602)	7.708 (0.603)
Stock return (%)		-0.090 (0.184)		-0.172** (0.019)	0.057 (0.262)	-2.271 (0.289)
Volatility		-87.775 (0.638)		-349.464* (0.068)	-6.564*** (0.000)	-78.995 (0.441)
Institutional own.		20.319** (0.038)		23.757** (0.025)	-0.616*** (0.000)	29.349*** (0.000)
Analysts		1.126 (0.719)		-5.578 (0.163)	0.216*** (0.000)	-2.553 (0.324)
Constant	48.637*** (0.000)	102.918*** (0.000)	49.035*** (0.000)	108.587*** (0.000)	-4.085*** (0.000)	23.693 (0.603)
Lambda						10.831 (0.349)
Observations	603	600	617	611	13,459	13,459
Adjusted R squared	0.020	0.359	0.009	0.400		

**Table 8. Cumulative abnormal returns using an alternative event date**

This table presents the mean percentage cumulative average abnormal returns around the alternative event date (May 15, 2013) for four different event windows. The event windows are (-1, +1), (-1, 3), (-1, 5), and (-1, 10). The calculation of abnormal returns is based on market-adjusted cumulative abnormal returns and the Fama-French three-factor plus momentum model. The estimation window spans 100 days, and a minimum of 70 valid returns is required for inclusion in the analysis. The full sample consists of 1,769 firms. The non-Broadridge firms in the sample did not use Broadridge for tallying their votes, whereas the Broadridge firms employed Broadridge for the same purpose. The levels of statistical significance are denoted by \*, \*\*, and \*\*\*, representing the 10%, 5%, and 1% levels, respectively.

	Full sample			Broadridge			Non-Broadridge			p-value (3 vs. 5)	p-value (4 vs. 6)
	CAR MA (1)	CAR FF (2)	N	CAR MA (3)	CAR FF (4)	N	CAR MA (5)	CAR FF (6)	N		
<i>Panel A: All firms</i>											
(-1, 1)	0.179** (0.049)	-0.016 (0.860)	1,769	0.326** (0.012)	0.115 (0.389)	798	0.059 (0.643)	-0.124 (0.340)	971	(0.144)	(0.202)
(-1, 3)	0.553*** (0.000)	-0.120 (0.332)	1,769	0.655*** (0.000)	-0.016 (0.928)	798	0.470*** (0.006)	-0.206 (0.238)	971	(0.448)	(0.445)
(-1, 5)	0.237 (0.103)	0.187 (0.223)	1,769	0.184 (0.361)	0.130 (0.534)	798	0.281 (0.174)	0.234 (0.290)	971	(0.739)	(0.735)
(-1, 10)	1.695*** (0.000)	0.540*** (0.007)	1,769	1.913*** (0.000)	0.823*** (0.004)	798	1.517*** (0.000)	0.308 (0.267)	971	(0.282)	(0.198)
<i>Panel B: Concurrent events excluded</i>											
(-1, 1)	0.166* (0.098)	-0.019 (0.854)	1,233	0.187 (0.240)	-0.015 (0.927)	540	0.150 (0.245)	-0.022 (0.867)	693	(0.854)	(0.974)
(-1, 3)	0.619*** (0.000)	-0.003 (0.982)	1,054	0.672*** (0.004)	0.057 (0.808)	454	0.579*** (0.002)	-0.049 (0.797)	600	(0.751)	(0.723)
(-1, 5)	0.195 (0.271)	0.166 (0.376)	826	0.124 (0.657)	0.081 (0.781)	332	0.243 (0.290)	0.223 (0.363)	494	(0.742)	(0.710)
(-1, 10)	1.147*** (0.000)	-0.179 (0.546)	581	1.378*** (0.001)	-0.135 (0.774)	231	0.994*** (0.003)	-0.208 (0.587)	350	(0.469)	(0.905)

**Table 9. Cumulative abnormal returns for regulated firms**

This table presents the mean percentage cumulative average abnormal returns around the event date (May 10, 2013) for four different event windows using only regulated firms. The event windows are (-1, +1), (-1, 3), (-1, 5), and (-1, 10). The calculation of abnormal returns is based on market-adjusted cumulative abnormal returns and the Fama-French three-factor plus momentum model. The estimation window spans 100 days, and a minimum of 70 valid returns is required for inclusion in the analysis. The full sample consists of 1,769 firms. The non-Broadridge firms in the sample did not use Broadridge for tallying their votes, whereas the Broadridge firms employed Broadridge for the same purpose. The levels of statistical significance are denoted by \*, \*\*, and \*\*\*, representing the 10%, 5%, and 1% levels, respectively.

	Full sample			Broadridge			Non-Broadridge			p-value (3 vs. 5)	p-value (4 vs. 6)
	CAR MA (1)	CAR FF (2)	N	CAR MA (3)	CAR FF (4)	N	CAR MA (5)	CAR FF (6)	N		
<i>Panel A: All firms</i>											
(-1, 1)	-0.380*** (0.000)	-0.490*** (0.000)	503	-0.236 (0.145)	-0.343** (0.039)	192	-0.469*** (0.000)	-0.581*** (0.000)	311	(0.243)	(0.256)
(-1, 3)	-0.387** (0.046)	-0.635*** (0.001)	503	-0.093 (0.655)	-0.362* (0.099)	192	-0.569*** (0.047)	-0.804*** (0.006)	311	(0.234)	(0.281)
(-1, 5)	-0.387* (0.064)	-0.574*** (0.007)	503	-0.146 (0.550)	-0.402* (0.098)	192	-0.536*** (0.077)	-0.680** (0.029)	311	(0.364)	(0.526)
(-1, 10)	-0.141 (0.549)	-0.793*** (0.001)	503	-0.373 (0.212)	-1.128*** (0.000)	192	0.002 (0.995)	-0.586* (0.095)	311	(0.440)	(0.286)
<i>Panel B: Concurrent events excluded</i>											
(-1, 1)	-0.458*** (0.000)	-0.617*** (0.000)	315	-0.372 (0.022)	-0.503*** (0.004)	116	-0.508 (0.001)	-0.683*** (0.000)	199	(0.560)	(0.480)
(-1, 3)	-0.612*** (0.000)	-0.974*** (0.000)	258	-0.330 (0.181)	-0.615** (0.018)	95	-0.776 (0.001)	-1.183*** (0.000)	163	(0.200)	(0.121)
(-1, 5)	-0.728*** (0.001)	-1.022*** (0.000)	230	-0.574 (0.102)	-0.803** (0.015)	82	-0.813 (0.004)	-1.143*** (0.000)	148	(0.600)	(0.470)
(-1, 10)	-0.592** (0.041)	-1.441*** (0.000)	177	-1.149*** (0.008)	-1.923*** (0.000)	59	-0.313 (0.407)	-1.199*** (0.004)	118	(0.172)	(0.274)

**Table 10. Cumulative abnormal returns for Before and After firms**

This table presents the mean percentage cumulative average abnormal returns around the event date (May 10, 2013) for four different event windows using Before and After firms. Before firms are those that held their meeting on or before May 10, 2013 and all other firms are classified as After firms. Panel A is for Before firms and Panel B is for After firm. The event windows are (-1, +1), (-1, 3), (-1, 5), and (-1, 10). The calculation of abnormal returns is based on market-adjusted cumulative abnormal returns and the Fama-French three-factor plus momentum model. The estimation window spans 100 days, and a minimum of 70 valid returns is required for inclusion in the analysis. The full sample consists of 1,769 firms, of which 623 are classified as Before firms and 1,146 are classified as After firms. The non-Broadridge firms in the sample did not use Broadridge for tallying their votes, whereas the Broadridge firms employed Broadridge for the same purpose. The levels of statistical significance are denoted by \*, \*\*, and \*\*\*, representing the 10%, 5%, and 1% levels, respectively.

*Panel A: Before firms*

	Full sample		Broadridge		Non-Broadridge		p-value (3 vs. 5)	p-value (4 vs. 6)		
	CAR MA (1)	CAR FF (2)	N	CAR MA (3)	CAR FF (4)	N	CAR MA (5)	CAR FF (6)		
<i>Panel A1: All firms</i>										
(-1, 1)	-0.076 (0.534)	-0.201* (0.097)	623	0.001 (0.994)	-0.113 (0.500)	279	-0.138 (0.432)	-0.272 (0.115)	344 (0.569)	(0.513)
(-1, 3)	-0.046 (0.787)	-0.306* (0.074)	623	0.176 (0.444)	-0.024 (0.921)	279	-0.226 (0.355)	-0.535** (0.025)	344 (0.239)	(0.138)
(-1, 5)	0.224 (0.236)	-0.218 (0.250)	623	0.552** (0.025)	0.169 (0.500)	279	-0.042 (0.878)	-0.532* (0.054)	344 (0.117)	(0.065)
(-1, 10)	0.451** (0.047)	-0.164 (0.480)	623	0.444 (0.166)	-0.065 (0.839)	279	0.457 (0.151)	-0.244 (0.461)	344 (0.978)	(0.701)
<i>Panel A2: Concurrent events excluded</i>										
(-1, 1)	-0.113 (0.385)	-0.243* (0.065)	418	-0.090 (0.629)	-0.260 (0.181)	183	-0.132 (0.470)	-0.229 (0.199)	235 (0.873)	(0.905)
(-1, 3)	-0.052 (0.805)	-0.413* (0.064)	336	0.150 (0.637)	-0.243 (0.493)	145	-0.205 (0.463)	-0.542* (0.058)	191 (0.402)	(0.504)
(-1, 5)	0.272 (0.260)	-0.285 (0.271)	285	0.644* (0.096)	0.028 (0.946)	122	-0.006 (0.985)	-0.519 (0.115)	163 (0.183)	(0.296)
(-1, 10)	0.618* (0.072)	-0.234 (0.525)	212	0.769 (0.214)	-0.166 (0.805)	81	0.525 (0.197)	-0.277 (0.522)	131 (0.729)	(0.884)

*Panel B: After firms*

	Full sample		N	Broadridge		N	Non-Broadridge		N	p-value (3 vs. 5)	p-value (4 vs. 6)
	CAR MA (1)	CAR FF (2)		CAR MA (3)	CAR FF (4)		CAR MA (5)	CAR FF (6)			
<i>Panel B1: All firms</i>											
(-1, 1)	0.494*** (0.000)	0.278** (0.023)	1,146	0.689*** (0.000)	0.424** (0.010)	519	0.334* (0.057)	0.158 (0.371)	627	(0.147)	(0.278)
(-1, 3)	0.437*** (0.006)	0.196 (0.237)	1,146	0.820*** (0.000)	0.492** (0.027)	519	0.120 (0.605)	-0.050 (0.837)	627	(0.029)**	(0.103)
(-1, 5)	0.711*** (0.000)	0.252 (0.215)	1,146	1.086*** (0.000)	0.516 (0.065)	519	0.401 (0.149)	0.033 (0.910)	627	(0.083)*	(0.236)
(-1, 10)	1.547*** (0.000)	0.821*** (0.003)	1,146	1.786*** (0.000)	0.959** (0.012)	519	1.349*** (0.000)	0.706* (0.066)	627	(0.397)	(0.644)
<i>Panel B2: Concurrent events excluded</i>											
(-1, 1)	0.488*** (0.000)	0.279** (0.043)	715	0.741*** (0.000)	0.478** (0.017)	327	0.276 (0.137)	0.112 (0.559)	388	(0.089)*	(0.186)
(-1, 3)	0.567*** (0.006)	0.304 (0.158)	554	0.898*** (0.002)	0.558* (0.068)	257	0.281 (0.328)	0.084 (0.780)	297	(0.134)	(0.273)
(-1, 5)	0.798*** (0.004)	0.312 (0.269)	472	1.160** (0.012)	0.610 (0.178)	211	0.505 (0.144)	0.071 (0.842)	261	(0.243)	(0.342)
(-1, 10)	0.543 (0.226)	-0.015 (0.974)	290	0.348 (0.631)	0.075 (0.919)	122	0.684 (0.231)	-0.081 (0.894)	168	(0.712)	(0.870)