

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Finance from the Nova School of Business and Economics.

WHEN NOT-FOR-PROFIT TRY TO INFLUENCE FIRMS

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## **ABSTRACT**

I study the influence of not-for-profit entities in companies, through shareholders proposals in the U.S. largest companies. This paper analyzes the not-for-profit entities involved, the issues addressed by the proposals and the financial characteristics of target companies, as well as market reactions and voting outcomes. Results indicate that not-for-profit entities tend to target companies with higher profitability and value more frequently than general investors. Furthermore, the voting outcome is influenced by insider ownership and types of proposals. Finally, market reactions change with profitability, leverage, ownership structure and types of proposals.

*Key words:* not-for-profit; proposals; shareholder activism

## 1. INTRODUCTION

Shareholders can express their opinions and try to influence a firm by submitting proposals to be voted at shareholders meetings. General meetings are held every year and gather the directors and the shareholders of the company. The proposals submitted require fifty percent of the votes from the shareholders in their meeting to win a majority vote. Managers advise shareholders to vote for or against each proposal.

According to Institutional Shareholder Services (ISS) 2011, in 2010, companies consider that their engagements with shareholders have increased. Financial press reports that a significant number of nonprofit institutions (NPIs) participates in shareholders meetings (Gogoi 2011, Crosby 2000). These organizations do not exist primarily to generate profits and do not issue share capital or distribute their surplus by shareholders, founders or board members. According to 1993 System of Nation Accounts (SNA), they are also separate from government, self-governing and non-compulsory. The most common type of non-for-profit institutions are religious congregations, trade and labor unions, trade and professional associations, public arts and political organizations, foundations and social and sports clubs. The United Nations (2003) states that NPIs constitute a significant and growing economic force in the U.S. and in several countries throughout the world. This paper tries to answer the following question: do nonprofit investors actively monitor firms?

Previous papers illustrate the influence of shareholders proposals in corporate governance (Renneboog and Szilagyi 2011, Noe 2002, Almazan et al. 2005) but none studied the proposals of NPIs. Thus, nothing is known about what the proposals are about, whether they are approved, and if they influence the actions taken by companies.

My study of the participation of non profits in the general meetings begins with a characterization of the entities involved and their proposals. I perform an event study to test whether shareholders proposals from non profits cause a market reaction. Given that these proposals can be seen as disciplinary mechanisms, I expect to find a significant market reaction. I also perform statistic tests to assess for differences in market reactions between shareholders proposals' sponsors and voting outcomes. Therefore, I compare, on one hand the target companies of not-for-profit institutions with target companies of other type of investors, and on the other hand, the companies that have approved proposals with the ones that have only not approved proposals.

I find that a substantial number of proposals in 2009 is submitted by non-for-profit institutions. These proposals are related to several issues, but most of them are about advisory vote in executive compensation. The event study indicates that the stock market reaction is higher after the proxy and meeting dates than before those dates. While the cumulative abnormal returns around the proxy date are positive, there is no evidence that abnormal returns around the meeting date are positive or nonzero. By comparing the target companies of non-for-profit institutions with other type of investors, I find that the first ones tend to have higher book-to-market ratio, return on assets, EPS growth and market capitalization.

About the models, the results suggest that the percentage of votes for the proposals tends to be higher in companies with lower percentage of insider ownership. For six types of proposals both voting outcome and probability of being approved vary. About the stock price reaction around proxy date, it is negatively related to profitability, leverage and percentage of institutional ownership of companies. The dummy variables for cumulative voting and food insecurity influence the CARs around the proxy date

too. Besides the variables that influence the returns around the announcement date, the percentage of insider ownership and majority vote are also negatively related with the abnormal returns surrounding the shareholders meeting date. Furthermore other type of proposals, namely credit card practices and equity compensation retention, cause different market reactions around meeting date.

This paper offers new evidence about the not-for-profit's proposals. My study highlights the actively participation of this type of investors in shareholders meetings, that have never been investigated before. My paper contributes to the debate of shareholder activism, on which type of companies non-for-profit entities tend to submit proposals, summarizing the main differences from the target companies of other investors.

In line with other papers, I examine the outcomes in terms of stock price impact and voting success. Contributing to the literature, I use indicators for valuation, profitability, growth, size, leverage and ownership structure. In addition to the effect of these indicators, I study the possible impact of the different type of proposals in dependent variables (% of votes in favor and CARs).

## **2. LITERATURE REVIEW**

There are plenty of studies which analyze the role of shareholders in corporate governance. These articles discuss the influence of several types of shareholders in different areas of an organization, in different periods of time, and in several countries. Gillan and Starks (2003) mention the evolution of shareholder activism in general (also in the United States) and analyze the evidence provided by several empirical studies on the effects of shareholder activism. The authors highlight the difficulty of establishing a

causal relationship between activism and the changes in the business activities of companies. Furthermore, by analyzing different types of shareholders and proposals, Gillan and Starks (2000) argue that activism of non-coordinated groups has been ineffective in the United States. They observe the voting outcomes and short-term market reactions for the different types of proposals and sponsor identity. Thomas and Cotter (2007) find evidence for a higher number of proposals and level of support from shareholders in the period between 2002-2004 than in earlier periods in the U.S..

Akhigbe et al. (1997) find evidence confirming that firms benefit from increased monitoring, as a result of shareholder activism. Karpoff et al. (1996) report that poorly prior performed companies tend to attract proposals. Noe (2002) adds that strategic investors monitor management in an effectively and profitably way. Finally, Sjöström (2009) proposes that shareholders can be seen as norm entrepreneurs, given that they use their ownership to change norms.

Wen (2009), Sjöström (2008 and 2009), Proffitt and Spicer (2006), Frantz and Instefjord (2007), Tkac (2006) and Guay et al. (2004) are examples of recent studies which analyze the actions undertaken by shareholders in order to influence a company's corporate social responsibility. Wen (2009) and Proffitt and Spicer (2006) concentrate their analysis in institutional investors' activism, revealing a growing awareness of social responsible investments of this type of investors. Proffitt and Spicer (2006), Sjöström (2008) and Tkac (2006) point out that religious groups were the most active investors in the field of corporate social responsibility in the US. Tkac (2006) distinguishes other groups, like social organizations and socially responsibility mutual funds, and studies the social activism via shareholders proposals. She concludes that forty to forty-five percent of the proposals submitted between 1992 and 2002 by these

groups were withdrawn. However, the types of investors and proposals are not the only determinant of the voting results. Renneboog and Szilagyi (2011) study shareholder-initiated proxy proposals and find that both the voting outcomes and the announcement period stock price effects are affected by governance quality. Gifford (2010) defines high levels of power, legitimacy and urgency and the target company managers as the most significant factors that contribute to shareholder salience in improving environmental, social and corporate governance performance of investee company. Ertimur et al. (2010) find significantly that implementation decision varies with shareholders pressure and type of proposals.

Recent literature reports on the relationship between shareholder activism and compensation within the companies. This is because according to Dodd-Frank Act (2011, US), publicly traded firms must let shareholders get a regular (but not binding) vote on executive pay packages, or a “say on pay”. Ertimur et al. (2011) argue that activists target firms with higher levels of CEO compensation. They defend that in companies where CEO payment is excessive, voting support on advisory vote proposals is higher. Ferri and Sandino (2009) explore the expensing of employee stock options. They find evidence proving that in companies where shareholders proposals related to this expense were submitted, the CEO compensation decreased. In June 2011, CFO publishes an article about the increased power given to shareholders in the last years through, for example, the Dodd-Frank Act. Companies are giving more attention about what investors want. However, they fear that a no vote on executive pay packages will conduct to a bad publicity and derivative lawsuits to the company.

### 3. SAMPLE AND DESCRIPTIVE STATISTICS

I use information about the proposals of 190 of the largest firms in the S&P500 Index, this was hand-collected from the 2009 proxy statements.<sup>1</sup> Given that the capital of the largest US firms is highly dispersed, there is a substantial number of shareholders making proposals. Furthermore, due to their size, these firms have a high importance in the economy. Financial data comes from Compustat and market data is retrieved from CRSP.

Table 1 reports the type of proposals submitted by non-for-profit entities in the sample firms in 2009. The most frequent type of proposal is the one about advisory vote on compensation of executives (17 out of a total of 47 proposals, with a participation of 24 out of a total of 78 not-for-profit institutions). Next are health care principles (5 proposals and 7 NPIs) and political contributions and expenditures (4 proposals and 4 NPIs). Although the proposals about weapons in space are not one of the most frequent type (3 proposals), are those which involve more NPIs (19). In 2009, twenty four percent of the proposals related to advisory vote on executive compensation were approved. However, overall, less than nine per cent of the proposals submitted by non-profit institutions obtained the majority of votes in the annual shareholders meeting.

Table 2 summarizes the entities that submitted more than one proposal, or whose proposals were approved in 2009. Only fifty seven out of the eighty one entities (70%) are in these conditions. Table 3 presents the percentage of votes for the proposals in the general meetings of the firms, after I have eliminated those that have little support from the shareholders. Companies with a mean of votes for the proposals (submitted by

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<sup>1</sup> I would like to gratefully acknowledge to Bernardo Maltez for provide me these data.

nonprofit institutions) lower than thirty per cent were cut off from the table. Again, it can be noted that the advisory vote on executive compensation's proposals are the only that were approved in 2009, by getting fifty-one percent of the votes for in Cisco, Honeywell International, and Yum! Brands and fifty-seven percent of the votes in Valero energy. The last column indicates that this issue has the greatest support from shareholders, with an average of forty six percent of votes in favor. I manually check that many of the proposals reproped in 2009 were repeated in 2010 annual meetings (28 of 43). Almost all of the replicate proposals get higher percentage of support in 2010 and five of them, (or 18%), were approved. This was in the following firms/topics: Apple, Allstate, Colgate-Palmolive and EMC about advisory vote and for McKesson about death benefits.

Then I analyze the market reactions to proposals by using two event windows of three days. The event study estimate the short-term stock price impact of the thirty five proposals of non profits by calculating cumulative abnormal returns (CARs) around the proxy and the meeting dates.<sup>2</sup> The proxy date is the date of the first announcement of the proposals, when the proxy statement for annual meeting of shareholders general information were first sent and given to them, with the proposals description and the invitation for the event. The meeting date is the date of the annual shareholders meeting.

The CARs are calculated using a market model to estimate the expected returns of CRSP's value weighted. For each of the two events I analyze the CARs of three different windows: [-1, 0], [-1, 1] and [0, 1].<sup>3</sup> Table 4 reports descriptive statistics on the CARs around the proxy date in Panel A and around the meeting date in Panel B.

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<sup>2</sup> From now on I consider the 35 companies that receive proposals from NPIs institutions, instead of the 47 proposals submitted by them and the 78 NPIs institutions

<sup>3</sup> The cumulative of abnormal returns are also calculated for other event windows, but those do not differ qualitatively from the presented

Without huge differences between them, the [-1, 0] CARs have a mean of 0.009 and -0.003 and a median of 0.004 and -0.002, [-1, 1] get a mean of 0.013 and -0.005 and a median of 0.002 and -0.002 and [0,1] take a mean of 0.012 and -0.001 and a median of 0.003 and -0.001 around the proxy and the meeting date, respectively. This shows that a higher reaction of stock price exists after the proxy and the meeting dates than before those dates, as defended by Renneboog and Szilagyi (2011).

Untabulated results show that the CARs around the date of the proxy are statistically positive (with a 10% confidence level) and CARs around the meeting date are not statistically different from zero.

Table 5 presents the means of [-1, 1] CARs of companies that had a proposal of each type from a not-for-profit company, during 2009. The proposals targeting health care principles have the strongest stock price effect around the proxy date, with the higher CARs mean (0.065).<sup>4</sup> Curiously, the proposals related to executive compensation, despite of having the highest percentage of support in shareholders meetings, are not the ones that have the highest CARs mean. Proposals related to director expertise have the lowest CARs mean (-0.048). Around the meeting date, cumulative voting and non-addictive brands have the lowest cumulative abnormal returns. The proposals related to health care principles, and military sales to foreign governments have the most positively reaction of the market.<sup>5</sup> Overall, the effect of the type of proposal in the CARs seems to be higher around the meeting date than around the proxy data.

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<sup>4</sup> Submitting proposals about health care, shareholders request that the Board of Directors adopt principles for comprehensive health care principles. For example, they defend that health care coverage should be universal, continuous, and affordable to individuals and families.

<sup>5</sup> With the proposals related military sales to foreign governments, shareholders urge the Board of Directors to provide, a comprehensive report, of companies' Industries' foreign sales of military and weapons-related products and services.

I analyze the different stock price reactions in the companies at which at least one proposal receives the majority of votes in the shareholders meetings and the ones that did not get it. In order to study the difference in mean, median and variances between the two samples, Table 6 presents descriptive statistics and Table 7 performs some statistical tests. Table 6 indicates that the market reacts negatively to the proposals which won majority. All these proposals are related to advisory vote in executive compensation. This is consistent with findings of Karpoff et al. (1996), that the average of cumulative abnormal returns for these proposals, around the proxy date, is negative. They suggest that compensation-related proposals destroy value and hamper operations. For the proposals which do not cast the majority of votes, the cumulative abnormal returns have a positive, but insignificant, mean for almost all of the event windows around the two events. Renneboog and Szilagyi (2011) find the same result for proposals that failed to achieve the majority of votes between 1996 and 2005. They consider that market incorrectly anticipate which proposals will be approved.

By performing the parametric tests (cross-sectional t-test and z-test) in Table 7, I find significant evidence about the difference in means for the windows  $[-1, 1]$  and  $[0, 1]$  between the two samples (approved and not approved) around the first announcement of proposals. Around the meeting date the windows  $[-1, 0]$  and  $[-1, 1]$  register significant differences between the mean of cumulative abnormal returns. Assuming unequal variance between the groups and using a Fisher test, I find evidence about the differences in variance for the last sample. Finally, with the nonparametric test based on Mann-Whitney, I find significant evidence that one of the two samples tends to have higher values than the other for  $[0, 1]$  CARs around the proxy and for  $[-1, 0]$  around the meeting. The stock price reaction, one day after the proxy date and one day before the

shareholders meetings, tends to be more significant in proposals that do not won the majority of votes. The influence of the proposal outcome in the short-term cumulative return for [-1, 1] window is further analyzed below. Overall, I find evidence of a difference after the proxy date and before the meeting date.

From the collected information about the proposals in the largest U.S. companies, I compare the cumulative abnormal returns in companies where not-for-profit submitted proposals from the others. I do not find significant differences in mean and median in none of the estimated tests, t, z and U and I conclude that the stock price market reaction between the two groups is the same. The fact does not contradict the finding in Gillan and Starks (2000), that sponsored type of investors (individual and institutional) influence the CARs, because I do not consider all individual investor, only religious organizations.

#### **4. MULTIVARIATE ANALYSIS**

I now turn to multivariate models to analyze the voting outcome and stock market reaction of the proposals submitted by nonprofit institutions in 2009. For the voting outcome, I construct a linear regression model using as dependent variable the percentage of votes in favor at the shareholders meeting. Moreover, I use linear regression models to investigate the stock market reaction after the proxy date and after the meeting date.

##### ***4.1. Analysis of voting outcome***

In order to analyze the voting outcome, the linear regression model tests the variables that influence the percentage of votes cast in favor of the proposals submitted by not-for-profit entities.

I start by using the following model:

% votes in favor = f(valuation, profitability, growth, firm size, leverage and ownership structure, type of proposal)

Financial characteristics are important factors to consider when studying the proposals' effects. In fact, both Karpoff et al. (1996) and Ertimur et al. (2010) conclude that poorly financial performed companies attract proposals. I account, as Karpoff et al. (1996) and Thomas and Cotter (2007), for differences in valuation, profitability, growth, stock price returns, firm size, leverage and ownership structure. They use price-to-book ratio for appraise valuation. However, to value the target firm I use total assets (like Renneboog and Szilagyi 2011), return on assets and book-to-market ratio (as Ertimur et al. 2010), the ratio between book value and market value of equity (the product of price of the company's common stock and common shares outstanding). The operating return on sales (or operating margin), evaluates the company's operation efficiency and profitability and is measured as earnings before interest and taxes divided by sales. Earnings per share (EPS) growth rate, the compound annual rate of changes over the three years preceding the proposal year, and market capitalization, the logarithm of market value of equity, are the indicators for the growth and size of the firm, respectively.<sup>6</sup>

The ratio between assets and long-term debt is also considered by the model to assess leverage. I use as alternative for the leverage, as Renneboog and Szilagyi (2011),

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<sup>6</sup> EPS growth rate =  $\left(\frac{EPS_{2009}}{EPS_{2006}}\right)^{\frac{1}{3}} - 1$

the debt-to-equity ratio, the proportion of debt and equity that the company uses to finance assets, by dividing liabilities by book value of equity. Finally, in order to studying the ownership structure, I consider the percentage of insider and institutional ownership as indicators.<sup>7</sup> This indicator tends to be one of the most influential of stock market and voting outcome, for example in Gillian and Starks (2000). Institutional ownership refers to the percentage of outstanding shares owned by investors and insider ownership concerns as the proportion of these shares held by insiders, that own 5% or more of them, for example by directors and managers of the firm. The financial data is obtained from Compustat monthly updated in North America for the fiscal year of 2009.

By considering the financial characteristics of the companies where the non-for-profit institutions submitted proposals during 2009, target firms, I obtain the descriptive statistics presented in Panel A of Table 8. Comparatively, Panel B presents the descriptive statistics of the firms where non-for-profit institutions did not submit proposals during 2009 (non-target firms). In order to compare the two groups I perform some tests, the results are shown in Table 9. In the parametric tests, Panel A, I conclude that the book-to-market ratio, return on assets, earnings per share growth and market capitalization means of target companies tend to be different than the other group. No significant differences are estimated in the other variables. In the non-parametric test, Panel B, I find significant differences between the financial values of target companies and non-target companies in sales, book-to-market ratio, return on assets, earnings per share growth and market capitalization. Therefore, I can conclude that not-for-profit entities tend to target companies with relatively similar financial characteristics as than the other shareholders. General nonprofit institutions tend to target companies with

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<sup>7</sup> I use current data about ownership from money central website, because the historical is not available

higher valuation (book-to-market ratio), higher profitability relatively to assets owned (return on assets), higher profitability per unit of equity (EPS growth) and more valuable companies (higher market capitalization). Unlike Thomas and Cotter (2007) no difference in firm size is found.

Next I compare the chosen financial indicators for two groups of companies with different voting outcomes. One group of companies, where the submitted proposals were approved during the year (obtaining more than fifty percent of the votes) and other, where this goal has not been achieved. Untabulated findings indicate that there are no differences in mean and median, between the approved and not approved proposals, for a ten percent of significance in parametric and non parametric tests in all the financial variables.

Table 10 presents the results of estimating equation. In model 1, with the control variables that measure valuation (book-to-market), profitability (operating return on sales), growth (EPS growth rate), firm size (market capitalization), leverage and ownership structure (institutional and insider ownership), I use the dummy variables for the type of proposals: advisory vote, energy report, genetically products, health care, military sales and weapons in space. The variables take the value one if the proposal is related to each one of the issue and zero otherwise. Given the dimension of the sample, only thirty five observations, the other type of proposals is excluded from the model.<sup>8</sup> For each one the six types of proposals I find significant evidence for different probability of being approved. The effect is positive for advisory compensation vote and negative for all the other issues addressed. In model 1 I also find that the percentage of

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<sup>8</sup> When I include all the type of proposals' dummy variables the significant effect of insider ownership is eliminated.

insider ownership is determinant for the percentage of votes in favor. Managers recommend shareholders for voting against almost all of the proposals, so it is evident that higher the percentage of insider shareholders lower is the percentage of vote in favor.

In models 2, I use only the advisory vote type variable because half of the proposals are about this issue. I find that the proportion of votes is negatively related with insider ownership. The other variables related to valuation, profitability, growth, firm size and leverage fail to enter significantly in the regression.

#### ***4.2. Analysis of abnormal returns***

The stock market reaction is evaluated by the cumulative abnormal returns for the event window [-1, 1] around the proxy and the meeting dates. Surrounding the two events the models try to explain the influence of several variables and type of proposals in the market reaction.

The abnormal returns analysis uses the following model specification:

CARs around proxy and meeting dates = f(valuation, profitability, growth, stock price returns, firm size, leverage and ownership structure, type of proposal and majority vote)

Variables for valuation, profitability, growth, firm size, leverage and ownership structure are defined as above. Dummy variables for all type of proposals and majority vote are also included in the regression.<sup>9</sup>

Table 11 and Table 12 exhibit the results of the regressions for market reactions, around the dates of proxy and meeting, respectively. In model 1 for both dependent variables, I look for the influence of the types of proposals also considering the variables for valuation, profitability, growth, firm size, leverage, ownership structure and majority vote. I find strictly differences between the effects of the issues addressed in the abnormal return around the two dates. Around proxy date, only proposals related to cumulative voting influence, negatively, the market reaction. Also proposals about credit card practices have evidence to significantly change the abnormal returns, negatively and equity compensation retention, positively.

The proportion of institutional ownership influences negatively the abnormal return around both dates. Although this result is different from other studies, like Karpoff et al. (1996), where greater institutional ownership tends to increase the CARs around proxy date, the difference can be explained by the particular sponsor that I am considering, nonprofit entities. Institutional shareholders pressure firms to make organizational changes, but these issues are not the most representative type of the proposals submitted by nonprofit institutions. Besides affecting the voting outcome, the Insider ownership proportion also influences negatively the market reaction surrounding the meeting date, for the same reason.

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<sup>9</sup> Majority vote' dummy variable take two values: one if the proposals get more than fifty percent of the votes for and zero otherwise

Greater profitability, measured through operating return on sales and leverage, decrease the CARs around meeting and proxy dates. I conclude that market reaction to proposals in poor performance companies tends to be higher. Ertimur et al. (2010) consider that poorly performance are more likely to undergo significant governance changes. Also Gillian and Starks (2000) find that CARs are higher in poorly performing target companies with higher institutional ownership. As predicted, the majority vote influences the cumulative abnormal return specially around meeting date.

In models 2, when I only include the dummy variables for types of proposals, I find evidence for proposals related to food insecurity in the regression of CARs around proxy date. This type of proposal tends to induce a lower market reaction around the date of announcement.

## **5. CONCLUSIONS**

This paper highlights the significant number of non-for-profit institutions as active shareholders in the largest U.S. companies. It provides important information on the type of proposal, support and the entities involved.

I have examined the voting outcome, the market reaction and all the indicators that influence them. I have shown some financial characteristics in the companies that receive proposals sponsored by these particular institutions and the others, discovering some differences, particularly in firms' valuation and profitability. Insider ownership influences voting outcome significantly. The type of proposals also changes the likely of the proposals to be approved. I also find evidence for the impact of operating return on sales, leverage, valuation, majority vote and type of proposals in the cumulative abnormal returns.

My analysis and these empirical results have contributed to the previous studies about the discussing on shareholder activism, detailing the proposals submitted by non-profit companies.

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## TABLES

**Table 1 – Type of Proposals**

Proposals	# proposals	# NPIs	A		NA	
Advisory vote on executive compensation	17	24	4	4	14	21
Cumulative voting	1	1			1	1
Death benefits	1	1			1	1
Director expertise	1	1			1	1
Equity compensation retention	1	1			1	1
Executive stock retention	1	1			1	1
Food insecurity	1	2			1	2
Genetically engineered products	1	1			1	1
Greenhouse gas reduction	2	2			2	2
Health care principles	5	7			5	7
Human rights policy	2	2			2	2
Independent board chair	2	2			2	2
Low carbon energy report	1	1			1	1
Military sales to foreign governments	2	5			1	4
Non addictive brands	1	3			1	3
Political contributions and expenditures	4	4			4	4
Predatory credit card lending practices	1	1			1	1
Weapons in space	3	19			3	19
<b>Total</b>	<b>47</b>	<b>78</b>	<b>4</b>	<b>4</b>	<b>43</b>	<b>74</b>

Note: A= Approved, NA= Not approved

**Table 2 – List of Non-for-profit Institutions**

Non-for-profit Institutions	# proposals	A	NA
Catholic Health East	2		2
Christian Brothers Investment Services	1	1	0
Congregation of the Sisters of Charity of Incarnate Word	6		6
Congregation of Sisters of St. Agnes	5		5
General Board of Pension and Health Benefits of the United Methodist Church (Glenmary) Home Missioners of America	1	1	0
International Brotherhood of Teamsters General Fund	7		7
Mercy Investment Program	5	1	4
Missionary Oblates of Mary Immaculate	2		2
Nathan Cummings Foundation	7		7
Province of St. Joseph of the Capuchin Order	2		2
School Sisters of Notre Dame Cooperative Investment Fund	2		2
Sisters of Charity of Saint Elizabeth	3		3
Sisters of Mercy of the Americas	2		2
Sisters of St. Francis of Philadelphia	4		4
St. Scholastica Monastery	2		2
Unitarian Universalist Association of Congregations	4	1	3
<b>Total</b>	<b>57</b>	<b>4</b>	<b>53</b>

Note: A= Approved, NA= Not approved

**Table 3 – Percentage of votes for the proposal**

Proposals/ companies	AAPL	ALL	BAC	BMY	CCE	CL	CSCO	EMC	FCX	HON	KO	MCD	MCK	RTN	TWX	UNH	VLO	VZ	YUM	Mean
Advisory vote	48	46		47	38	45	51	49		51	36	44		48	40	39	57		51	46
Cumulative voting																		39		39
Death benefits													49.97							50
Director expertise									32											32
Executive stock retention													30							30
Independent board chair											29									29
Political contributions	16																39			28
Predatory credit card practices			33																	33
Total	32	46	33	47	38	45	51	49	32	51	33	44	40	48	40	39	48	39	51	33

**Table 4 – Cumulative abnormal returns – descriptive statistics**

Variable	N	Minimum	Maximum	Mean	Median	St. Deviation
Panel A: Around proxy date						
CAR window [-1,0]	35	-0.061	0.136	0.009	0.004	0.040
CAR window [-1,1]	35	-0.048	0.295	0.013	0.002	0.058
CAR window [0,1]	35	-0.050	0.275	0.012	0.003	0.053
Panel B: Around meeting date						
CAR window [-1,0]	35	-0.084	0.055	-0.003	-0.002	0.030
CAR window [-1,1]	35	-0.098	0.133	-0.005	-0.002	0.036
CAR window [0,1]	35	-0.051	0.102	-0.001	-0.001	0.026

**Table 5 – CARs mean by type of proposal**

Type of proposal	Proxy date	Meeting date
Advisory vote	0.003	-0.009
Cumulative voting	-0.015	-0.051
Death benefits	0.002	-0.006
Director expertise	-0.048	-0.015
Equity compensation retention	-0.005	-0.008
Executive stock retention	0.002	-0.006
Food insecurity	-0.017	-0.032
Genetically Products	0.018	0.010
Greenhouse gas emissions	-0.029	-0.023
Health care principles	0.065	0.013
Human rights	0.006	-0.021
Independent board chairman	0.013	-0.031
Low carbon energy report	0.03	-0.010
Military sales to foreign governments	-0.004	0.011
Non addictive brands	-0.017	-0.032
Political contributions and expenditures	-0.003	-0.006
Predatory credit card lending practices	0.054	-0.031
Weapons in space	0.037	0.007

**Table 6 – CARs by proposal outcome – descriptive statistics**

Variable	Proposal won the majority									
	Yes					No				
	N	Min	Max	Mean	St. Dev	N	Min	Max	Mean	St. Dev
Panel A: Around proxy date										
CAR window [-1,0]	4	-0.035	0.030	0.006	0.030	31	-0.061	0.136	0.009	0.042
CAR window [-1,1]	4	-0.030	0.010	-0.008	0.017	31	-0.048	0.295	0.016	0.061
CAR window [0,1]	4	-0.050	0.005	-0.023*	0.025	31	-0.033	0.275	0.017*	0.055
Panel B: Around meeting date										
CAR window [-1,0]	4	-0.084	-0.005	-0.045	0.039	31	-0.062	0.055	0.002	0.024
CAR window [-1,1]	4	-0.098	0.000	-0.038	0.047	31	-0.051	0.133	-0.001	0.034
CAR window [0,1]	4	-0.051	0.011	-0.011	0.028	31	-0.042	0.102	0.000	0.026

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.

**Table 7 – CARs around proxy date by proposal outcome – statistic tests**

Variable	t	p-value	z	p-value	F	p-value	U	p-value
Panel A: Around proxy date								
[-1,0]	-0.129	0.898	-0.168	0.867	0.512	0.646	68	0.776
[-1,1]	-0.763	0.451	-1.720*	0.085	0.075*	0.054	45	0.392
[0,1]	-1.406	0.169	-2.496**	0.013	0.203	0.214	23**	0.046
Panel B: Around meeting date								
[-1,0]	-3.428***	0.002	-2.386**	0.017	2.525	0.153	15**	0.016
[-1,1]	-1.998*	0.054	-1.529	0.126	1.967	0.28	37	0.204
[0,1]	-1.406	0.169	-0.748	0.455	1.134	0.702	56	0.776

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.

**Table 8 – Descriptive statistics of financial characteristics**

	N	Minimum	Maximum	Mean	St. Deviation
Panel A: Target firms					
Assets	35	7148	2223299	119282.961	370743.542
Sales/Turnover (Net)	35	10868	275564	50726.326	54392.943
Debt-to-Equity ratio	35	-30.908	26.889	2.524	7.862
Market value of equity	35	9097.446	322334.13	57817.859	62268.703
Book-to-market ratio	35	-5.170	17.669	3.993	4.459
Operating return on Sales	35	0.003	0.438	0.157	0.107
Return on assets	35	-0.056	0.341	0.076	0.072
EPS growth rate	35	-1.852	0.575	-0.16	0.515
Market Capitalization	35	3.959	5.508	4.582	0.391
Leverage	35	0.000	32.729	6.953	6.094
Institutional ownership	35	48.47%	94.8%	72.915%	11.027%
5%/Insider Ownership	35	0%	24.88%	2.579%	4.957%
Panel B: Non-target firms					
Assets	105	4428.614	2031989	108894.306	267219.708
Sales/Turnover (Net)	105	7011.383	406103	36065.603	47648.662
Debt-to-Equity ratio	105	-18.301	17.664	2.796	3.848
Market value of equity	105	1772.054	211743.16	41726.979	50958.041
Book-to-market ratio	105	-6.180	14.799	2.502	2.364
Operating return on Sales	105	-1.149	0.512	0.118	0.183
Return on assets	105	-0.219	0.272	0.040	0.068
EPS growth rate	105	-2.924	0.370	-0.395	0.743
Market Capitalization	105	3.248	5.326	4.367	0.471
Leverage	105	0	6008.974	65.463	585.793

**Table 9 – Statistics tests for type of entity**

Panel A: Parametric tests	t	p-value (bil)	z	p-value (bil)	F	p-value (bil)
Assets	0.153	0.879	0.153	0.878	1.925**	0.012
Sales/Turnover (Net)	1.521	0.131	1.423	0.155	1.303	0.312
Debt-to-Equity ratio	-0.197	0.845	-0.197	0.844	4.175***	<0.0001
Market value of equity	1.528	0.129	1.382	0.167	1.493	0.128
Book-to-market ratio	1.892*	0.066	1.892*	0.059	3.559***	<0.0001
Operating return on Sales	1.541	0.126	1.541	0.123	0.345***	0.001
Return on assets	2.742***	0.007	2.657***	0.008	1.132	0.621
EPS growth rate	1.718*	0.088	1.988**	0.047	0.553*	0.051
Market Capitalization	2.440**	0.016	2.678***	0.007	0.689	0.216
Leverage	-1,023	0.309	-1.023	0.306	0.000	< 0.0001
Panel B: Non-Parametric test	U	p-value (bil)				
Assets	2127	0.164				
Sales/Turnover (Net)	2312**	0.023				
Debt-to-Equity ratio	1722	0.580				
Market value of equity	2344	0.015				
Book-to-market ratio	2234*	0.057				
Operating return on Sales	2123	0.170				
Return on assets	2351**	0.014				
EPS growth rate	2294**	0.028				
Market Capitalization	2344**	0.015				
Leverage	1855	0.821				

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.

**Table 10 – Models explaining the percentage of votes in favor**

	Exp sign	Model 1		Model 2	
		Coefficient	t-statistic	Coefficient	t-statistic
Intercept		0.706**	2.231	0.234	0.491
Advisory Vote	+	0.135***	5.161	0.239***	6.048
Energy Report	-	-0.179**	-2.755		
Genetically Products	-	-0.219***	-3.375		
Health Care	-	-0.232***	-6.491		
Military Sales	-	-0.262***	-4.663		
Weapons in Space	-	-0.247***	-5.224		
Book-to-market	-	0.001	0.260	-0.007	-1.519
Operating return on Sales	-	-0.050	-0.383	0.143	0.609
EPS growth rate	-	0.006	0.265	-0.045	-1.161
Market Capitalization	-	-0.057	-1.213	0.003	0.044
Leverage	-	0.001	0.256	0.004	1.193
Institutional ownership	+	-0.172	-0.972	-0.122	-0.480
5%/Insider Ownership	-	-0.618***	-2.899	-0.728*	-1.833
Number of observations		35		35	
R <sup>2</sup>		0.919		0.645	

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.

**Table 11 – Models explaining abnormal returns around the proxy date**

	Exp sign	Model 1		Model 2	
		Coefficient	t-statistic	Coefficient	t-statistic
Intercept		0.661*	2.185	0.064**	1.465
Book-to-market	-	-0.004	-1.632		
Operating return on sales	-	-0.449*	-2.179		
EPS growth rate	-	0.040	1.535		
Market Capitalization	-	-0.034	-0.698		
Leverage	-	-0.006**	-2.292		
Institutional ownership	-	-0.447**	-2.667		
5%/Insider Ownership	-	-0.239	-0.688		
Majority Vote	-	-0.050	-1.499		
Advisory Vote		-0.010	-0.228	-0.064	-1.578
Credit Card Practices		-0.002	-0.028	-0.010	-0.134
Cumulative Voting		-0.175**	-2.466	-0.080	-1.068
Death Benefits		-0.056	-0.857	-0.062	-0.835
Director Expertise		0.013	0.146	-0.112	-1.502
Energy Report		-0.026	-0.395	-0.034	-0.460
Equity Compensation Retention		0.047	0.464	-0.005	-0.077
Food Insecurity		-0.042	-0.548	-0.135*	-1.909
Genetically Products		-0.044	-0.654	-0.047	-0.627
Greenhouse Emissions		-0.051	-0.726	-0.086	-1.479
Health Care		0.003	0.081	0.053	1.319
Independent Board Chairman		-0.011	-0.239	-0.019	-0.387
Military Sales		-0.078	-1.287	-0.068	-1.110
Political Contributions		-0.062	-1.526	-0.014	-0.373
Weapons in Space		0.022	0.429	-0.028	-0.493
Number of observations		35		35	
R <sup>2</sup>		0.780		0.396	

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.

**Table 12 – Models explaining abnormal returns around the meeting date**

	Exp sign	Model 1		Model 2	
		Coefficient	t-statistic	Coefficient	t-statistic
Intercept		0.338 <sup>*</sup>	2.026	0.024	0.782
Book-to-market	-	0.000	0.195		
Operating return on sales	-	-0.300 <sup>**</sup>	-2.636		
EPS growth rate	-	0.009	0.594		
Market Capitalization	-	-0.006	-0.239		
Leverage	-	-0.004 <sup>***</sup>	-3.256		
Institutional ownership	-	-0.258 <sup>**</sup>	-2.791		
5%/Insider Ownership	-	-0.539 <sup>**</sup>	-2.812		
Majority Vote	-	-0.054 <sup>**</sup>	-2.897		
Advisory Vote		-0.021	-0.892	-0.032	-1.122
Credit Card Practices		-0.090 <sup>*</sup>	-2.077	-0.054	-1.053
Cumulative Voting		-0.148 <sup>***</sup>	-3.779	-0.075	-1.453
Death Benefits		-0.041	-1.148	-0.029	-0.569
Director Expertise		0.017	0.358	-0.039	-0.756
Energy Report		-0.049	-1.371	-0.034	-0.649
Equity Compensation Retention		0.129 <sup>**</sup>	2.313	0.000	-0.004
Food Insecurity		-0.056	-1.343	-0.072	-1.473
Genetically Products		-0.044	-1.172	-0.014	-0.268
Greenhouse Emissions		-0.008	-0.214	-0.023	-0.571
Health Care		-0.006	-0.292	0.017	0.593
Independent Board Chairman		-0.026	-1.074	-0.039	-1.128
Military Sales		-0.060	-1.777	-0.013	-0.306
Political Contributions		-0.034	-1.543	-0.008	-0.317
Weapons in Space		0.000	-0.002	-0.016	-0.421
Number of observations		35		35	
R <sup>2</sup>		0.830		0.265	

Note: \*, \*\* and \*\*\* denote significance at 10, 5 and 1% level, respectively.