The Value of Corporate Ballot Access*

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Abstract

We causally estimate the value of corporate ballot access using SEC Rule 14a-8 that bounds investors' right to put shareholder proposals on the ballot. We exploit the rotational assignment of SEC officials with different leniencies for instrumentation. Proposals at the margin of being allowed on the ballot reduce equity value by 1.19% at the SEC decision announcement. Losses concentrate in environmental and social proposals at 2.56%, while governance proposals show no statistically detectable effect. Expanding ballot access can impose financial costs, consistent with shareholders using their control rights to express social preferences.

Keywords: Shareholder proposals, corporate governance, leniency design

JEL codes: G34, G38, K22, M14, Q56

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1 Introduction

Securities law grants investors the right to file shareholder proposals. Shareholder proposals ask management to change their firm's operations or governance provisions and are placed on corporate ballots where fellow investors exercise their control rights to vote (Shleifer and Vishny, 1997; La Porta et al., 1998). Shareholder proposals are a central mechanism of investor voice, as investors file 12,354 proposals at US firms from 2007 to 2024 and stock prices respond when proposals pass (Levit and Malenko, 2011; Cuñat et al., 2012; Flammer, 2015). However, investors are limited in what a proposal may request, and managers may contest the proposal's legality under Rule 14a-8 at the SEC. Managers contest 33.4% of shareholder proposals and 63.1% of contested proposals never reach the ballot. This paper studies the value of corporate ballot access: the financial implications of shareholder proposals at the margin of legality under Rule 14a-8.

Whether ballot access raises or reduces firm value is theoretically ambiguous. Allowing shareholder proposals on the ballot may raise firm value by curbing agency costs or directing value-adding operational changes (Jensen and Meckling, 1976; Levit and Malenko, 2011; Iliev et al., 2021). Conversely, ballot access may also reduce firm value when investors file proposals misaligned with the firm's idiosyncrasies (Gantchev and Giannetti, 2021) or when pursuing motives beyond firm performance (Matsusaka et al., 2019; Broccardo et al., 2022). Management, in turn, may contest ballot access to protect firm value because it understands the workings of its firm better than investors (Harris and Raviv, 2010), or to protect its private benefits of control (Shleifer and Vishny, 1989).

Existing evidence cannot sign the value of corporate ballot access. Most empirical work examines announcements of corporate ballots or voting outcomes that occur after corporate ballot access is determined (Gillan and Starks, 2000; Cuñat et al., 2012; Flammer, 2015). Moreover, directly studying the SEC's decisions to place proposals on the ballot will not reveal the value of ballot access. Matsusaka et al. (2021) and Couvert (2025) show that SEC decisions correlate with proposals' financial consequences, and not all proposals management contests are at the margin of Rule 14a-8. The financial implications of corporate ballot access thus remain an open question.

We assess the financial implications of corporate ballot access using a leniency design. SEC officials of the Division of Corporation Finance judge management's requests to remove shareholder proposals from the corporate ballot. We hand-collect the population of 3,672 omission No-Action requests at US-listed firms filed from 2007 through 2024. From these legal filings, we retrieve the names of assigned officials and measure each official's track record of siding with proponents, their leniency. Because officials differ in leniency and are assigned to proposals through a rotational system, the leniency design shifts ballot access exogenously to the selection of SEC officials on the legal accuracy of proposals under Rule 14a-8, which Matsusaka et al. (2021) and Couvert (2025) show correlates with financial performance. A

leniency design operates at the margin where discretion in SEC officials' assessments of the legal accuracy of shareholder proposals under Rule 14a-8 shifts ballot access.

Our leniency design meets the identifying assumptions stipulated in Chyn et al. (2025) and Goldsmith-Pinkham et al. (2026). First, SEC officials are assigned to proposals through a rotational system, making leniency orthogonal to proposal characteristics (joint F-statistic $=$ 0.82) that predict whether the proposal reaches the ballot ($F = 36.75$). Second, the instrument is strong: a one-standard-deviation more lenient official raises the likelihood that a contested proposal reaches the ballot by 7.3 percentage points, or 19.6 percent of the mean ($t = 13.1$), controlling for proposal characteristics. Third, the Frandsen et al. (2023) test cannot reject that officials monotonically differ in the threshold of legal accuracy they apply, nor that leniency moves firm value only through ballot access. Last, leniency does not drift with an official's experience, so past decisions are a good predictor of future behavior.

We find that corporate ballot access reduces firm value at the margin of Rule 14a-8. Firms experience cumulative abnormal returns of -1.19%, based on the Fama and French (2015) five factors plus Carhart (1997) momentum, on the day of and after the SEC publishes a No-Action letter siding with proponents. These announcement returns capture the full financial consequence of the proposal, as the SEC's omission decision denotes the market's first notice of the proposal. A negative return therefore implies that the market expects some proposals to be adopted at a financial cost, a finding subsequent voting records confirm. Conversely, a naive OLS estimate that ignores SEC officials' selection finds no effect of ballot access on firm value, and a Durbin–Wu–Hausman test rejects equality between the two estimates, making instrumentation essential to assess the value of ballot access. Ballot access thus carries a financial cost at the margin.

The negative returns of ballot access survive a series of robustness checks. They are unchanged when excluding the observations signed collectively by the Rule 14a-8 Review Team rather than an individual SEC official, when dropping proposals with earnings, M&A, or analyst-forecast news around the No-Action decision, and when adding year fixed effects to absorb potential co-movement of official leniency and proposal composition. The returns also persist when the event window is confined to the announcement day and show no reversal over windows up to ten days.

We perform a mechanism test separating the agency channel, in which investors file proposals to curb private benefits of control, from the non-pecuniary channel, in which investors pursue objectives beyond firm value, using proposal content to proxy investors' objectives. We expect the value of ballot access to depend on the objective investors pursue, with a full sample pooling proposals with different objectives. Governance proposals address the balance of power between investors and management, and conflict of interest. They are the proposals through which investors can more readily curb private benefits of control. Environmental and social proposals instead address the firm's operations or ask firms to internalize externalities. They are the proposals through which investors can more readily address objectives beyond

financial value. We therefore expect the financial implications of ballot access for governance proposals to be more positive than ballot access of environmental and social proposals. We validate the identifying assumptions for both subsamples.

Ballot access for governance proposals neither raises nor reduces firm value. We do not find a significant coefficient. The absence of positive returns is inconsistent with investors addressing agency costs at the margin of ballot access, as curbing private benefits of control would raise firm value. Yet, the lack of significant returns also indicates that governance proposals at the margin are not costly.

Ballot access for environmental and social proposals carries the entire cost. They earn an abnormal return of -2.56% when they reach the ballot. Ballot access is thus costly at the margin precisely where investors might not have the sole intent to pursue financial concerns and ask firms to internalize externalities. Moreover, negative returns indicate that the market expects shareholders, on average, to support some of these resolutions, since cumulative abnormal returns reflect proposals reaching the ballot and managerial adoption requires investor support.

Several channels can explain why ballot access of environmental and social proposals reduces firm value. First, contesting shareholder proposals might be costly by distracting management and incurring legal costs. Second, shareholder proposals might publicly question management's ability and impose reputational harm that reduces firm value. While both explanations are plausible, such costs should extend to governance proposals where we do not observe negative returns.

A third explanation is that investors act on social preferences and support proposals at the ballot for reasons beyond financial gain. In our sample, 22.9% of contested environmental and social proposals succeed after surviving SEC review. This occurs either by passing the vote (14.0%) or because proponents negotiate with management to adopt proposals without a vote after the SEC decision (8.9%). Although we cannot identify voting behavior, investors appear to vote for some environmental and social resolutions at the margin of ballot access despite their costs.

Our primary contribution is to the corporate governance literature on the allocation of control between management and investors (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983). Contracts cannot specify every contingency in advance, so investors hold residual control rights over the firm (Grossman and Hart, 1986; Shleifer and Vishny, 1997). Residual control rights stipulated in bylaws and charter provisions define how investors can interact with managers and are known to affect financial performance (Gompers et al., 2003; Bebchuk et al., 2009). Moreover, investors exercising control by voting during annual elections similarly shift market prices (Cuñat et al., 2012; Flammer, 2015; Cuñat et al., 2020). Where the literature prices the allocation or exercise of control rights in firms, we study the link in the middle. We show that giving investors access to their control rights through ballot access is costly to firm value on average. As such, management contests shareholder resolutions in investors' financial interest rather than to protect its private benefits of control.

Our second contribution is to the law and finance literature on investor protection. This literature measures how protection varies across countries by statute and legal origin (La Porta et al., 1998; La Porta et al., 2000; Djankov et al., 2008) and across time with disclosure reforms (Greenstone et al., 2006), and shows that written law protects investors where regulators enforce it (Jackson and Roe, 2009). We measure investor protection through ballot access at the level of the SEC official who signs the ruling. We show that rulings vary by the assigned official. Officials at the 10th percentile of leniency allow fewer than one in four contested proposals onto the ballot, and officials at the 90th allow more than four in five. Investors' control right over the corporate ballot thus depends on the law, its enforcement, and the official assigned. As a former SEC Chief Counsel notes, "when the Staff is writing a No-Action letter, except for the most unusual circumstances, it is not running it by the Commissioners" (Corporate Counsel, 2012). We thus contribute to the law and finance literature by showing that investor protection differs by the assigned officials within statutes and enforcement regimes (Jackson and Roe, 2009; Matsusaka et al., 2021; Couvert, 2025).

Our third contribution is to the literature on investors' social preferences. Theory predicts that investors with social preferences accept lower returns to improve firms' environmental and social performance (Pástor et al., 2021; Broccardo et al., 2022; Oehmke and Opp, 2025). Most empirical evidence is concentrated in portfolio decisions: investors hold socially responsible funds (Riedl and Smeets, 2017), direct flows to funds rated sustainable (Hartzmark and Sussman, 2019), and commit to impact funds at lower expected returns (Barber et al., 2021). Much less is known about whether social preferences carry into investor voice at a cost to firm value. Investor voice tends to yield positive returns in private engagement Dimson et al. (2015) and when studying narrowly passed environmental and social proposals Flammer (2015), with neither sample needing investors to sacrifice returns to reduce externalities.[1] We instead assess the financial implications of environmental and social proposals at the margin of ballot access, where management's contest removes the presumption that proposals raise firm value. If investors voted on firm value alone, a costly proposal would gather no support and likely leave firm value unchanged upon reaching the ballot, as contested governance proposals do. Instead, we find that 22.9% of contested environmental and social proposals are successful, an explanation consistent with investor voice under social preferences.

Our estimates offer policy recommendations for the SEC's proposal to rescind Rule 14a-8. Moving ballot-access rights from the federal to the state level would affect proposals at the margin of ballot access. Specifically, if state legislation is less lenient to proponents and constrains the set of demands investors can ask of management, firms are spared the financial costs incurred by ballot access. However, we find that losses only occur for environmental and social proposals, not governance ones. Moreover, investors themselves are responsible for filing and sometimes supporting costly environmental and social proposals. The loss thus

[1] Particularly, management is more likely to accept engagements that raise firm value, and investors bring only the most profitable proposals to a close call (He et al., 2023; Gao and Huang, 2025).

appears to be a price investors are willing to pay to express their social preferences rather than a cost imposed on them. The rescission would remove that cost, and with it investors' choice to internalize externalities. In addition, governance shareholder proposals at the margin of ballot access are not costly and may deter managerial agency costs.

2 Institutional Setting

This section provides an overview of ballot access, the control rights of investors over corporate ballots, managers' role in omission procedures, and internal operations of the SEC in making decisions on the control rights of investors under Rule 14a-8.

2.1 Investor Control Rights over Corporate Ballots

A shareholder proposal is a resolution that requests a change to a firm's operations or governance. Unless otherwise specified, all statistics in this section are hand-collected from the population of No-Action requests from 2007 to 2024; see Table 1 for summary statistics. Since 1942, under an amendment to Rule X-14A-7 of the 1934 Securities Exchange Act, the SEC permits investors to submit resolutions to a firm's proxy statement, where fellow investors vote on it at the annual general meeting. Such proposals must be no more than 500 words, including a supporting statement that conveys its rationale to fellow investors. Resolutions can address any governance topic beyond the firm's ordinary business operations and, since 1972, also environmental and social matters. Resolutions are binding when they affect the bylaws of the firm, and advisory otherwise. Since 1983, investors may only file a single proposal per firm per year. Virtually every investor can file a proposal because the ownership threshold is as low as $2,000. Accordingly, proponents extend beyond institutional investors and also include individual investors, religious organizations, NGOs, and labor unions. Ballot access is identical for every US-listed firm and cannot be altered through corporate charters or bylaws.

The shareholder proposal process occurs in six stages as depicted in Figure 1. In the first stage, an investor in the firm, or a coalition of investors, the proponent(s), files a proposal at least 120 days before the prior year's definitive proxy statement filing date. In the second stage, upon receiving notice of the proposal, managers can respond in one of three ways: settlement, place on the ballot, or contest. First, managers can acquiesce to the demands stated in shareholders' proposals, reach a settlement, and jointly file a *No-Action withdrawal request* with the SEC before any vote takes place. Between January 2007 and December 2024, we observe 1,316 No-Action withdrawal requests from firms.

Second, managers can remain passive and place shareholder proposals on the corporate ballot, where shareholders vote on them at the annual general meeting. This response is the most common. According to ISS, shareholders voted on 8,678 proposals between 2007 and 2024, a count that includes contested proposals the SEC declined to omit. The ballot is the

middle ground between settling and contesting.

Last, managers can contest shareholders' proposals by filing a *No-Action omission request*. The SEC designed the omission procedure to shield managers and fellow shareholders from abuse, as proponents could otherwise flood corporate ballots with trivial, repetitive, or already resolved proposals. These requests need to be filed no later than 80 days before filing the firm's definitive proxy statement, following Rule 14a-8(j)(1), 17 CFR 240.14a-8(j)(1), and ask the SEC to take no enforcement action if the firm omits the proposal from the ballot without implementing it (stage 3). Proponents are also informed of management's intent to omit. We hand-collected the universe of 3,672 omission requests between 2007 and 2024. When the SEC grants omission, the proposal is neither voted on nor implemented. 36.9% of contested proposals ultimately reach the ballot, so managers prevail in roughly two of every three omission requests they file.

2.2 Management's Choice to Contest Ballot Access

The SEC only assesses whether shareholder proposals fall within the rights of ballot access when management challenges them. The choice to challenge is not random. Managers challenge proposals that may fall outside investors' ballot-access rights and reduce their private utility. Managerial utility rises with cash flows through incentive-based pay (Jensen and Murphy, 1990) and with private benefits of control such as perks and protection of future employment (Grossman and Hart, 1988; Harris and Raviv, 1988; Shleifer and Wolfenzon, 2002). Proposals that lower cash flows and curb private benefits of control therefore reduce managerial utility, and management will benefit by requesting their omission. Conversely, management has no incentive to file for omission when proposals improve financial performance and do not affect or even increase private benefits of control. The more managers value private benefits of control, the more readily they will contest profitable shareholder proposals. Accordingly, the sign of announcement returns to contested proposals is therefore indicative of whose interests managers defend in omission requests.

Alongside the proposal's benefits, omission decisions are constrained by investor repercussions. Levit and Malenko (2011) argue that managers who ignore shareholder proposal voting outcomes can lose their jobs or face reputational harm, hurting their future careers. Such a narrative can extend to managers blocking proposals that the average investor in the market appreciates. The proponent need not represent the investors whose support disciplines managers. Gantchev and Giannetti (2021) documents that proponents differ from the average institutional investor, and Levit et al. (2024) distinguishes the investors who decide the vote from the marginal investor who sets the price. Repercussions can occur when omitting the proposal reduces firms' financial performance or worsens firms' externalities when investors have social preferences (Riedl and Smeets, 2017). Managerial entrenchment moderates this channel, with the more entrenched manager acting more in their private interests (Bebchuk et al., 2009).

Given the above, the financial implications of contested proposals should differ by proposal type. Governance proposals can curb private benefits of control, so management has reason to contest them even when they raise cash flows, and the sign of their announcement return reveals which motive dominates. Environmental and social proposals affect private benefits of control less, so management gains little from contesting profitable ones and invites repercussions from investors with social preferences by doing so. We therefore expect contested environmental and social proposals to be primarily costly. These predictions are more formally derived in Appendix A.

2.3 The SEC No-Action Decision Procedure

Once managers file an omission request, the SEC starts its No-Action decision procedure and determines whether proposals fall within the ballot access rights of investors under Rule 14a-8 (stage 4). SEC officials in the Division of Corporation Finance decide omission requests. For most of the year, these SEC officials perform the Division's core regulatory work. They review IPO filings, M&A transactions, and proxy solicitations, provide legal guidance, issue opinions, help draft reporting rules, and periodically fact-check firm disclosures.

In late fall, the Chief Counsel of the Division creates a Shareholder Proposal Taskforce that handles all omission requests (Corporate Counsel, 2025). The Taskforce draws specialized legal staff from across the Division (hereafter SEC officials), and placement depends largely on the availability and workload of the SEC officials' home departments. The SEC officials who decide omission requests are, in effect, seasonal workers who rule on shareholder proposals for about four months of the year and return to their regular duties thereafter. Decisions concentrate accordingly. January (21%), February (29%), and March (28%) account for over three-quarters of rulings.

Within the Taskforce, requests are assigned to SEC officials through a rotational system on a proposal-by-proposal basis designed to balance workload. A small number of SEC officials serve on the Taskforce. In the average year, the SEC assigns 11.1 SEC officials to rule on omission requests, ranging from 6 at the 25th percentile to 16 at the 75th. During the busiest three months, each SEC official judges an average of 6.6 proposals per month. Proposals differ substantially in the time they require to judge. Some requests span 60 pages while others exceed 350; some proposals invoke one legal ground for omission under Rule 14a-8 and some up to seven; and some proposals involve a request for reconsideration given additional evidence initiated by either proponent or management. Because judging time varies, the Taskforce assigns each incoming request to the next available SEC official. This workload-based rotation introduces quasi-random variation, and assignment occurs only after managers file, so managers cannot anticipate, much less choose, the SEC official who decides their case.

SEC officials decide whether the omission arguments fall within investors' ballot access rights under Rule 14a-8. Once an omission request reaches the SEC official's desk, the SEC

official reads the shareholder proposal and management's omission arguments. On average, management proposes 1.69 omission arguments, up to a maximum of 7. SEC officials are only allowed to judge whether proposals fall within Rule 14a-8 under the omission arguments presented by management. Management's omission arguments under Rule 14a-8 include both procedural and content-related grounds. Regarding procedural arguments, management can contest proposals that are filed within 160 days of the annual general meeting, filed by proponents who do not own shares, filed by proponents who filed other proposals at the same firm in the same year, or proposals filed by proponents who were not present at a prior meeting when submitting a proposal. Regarding content-related grounds, investors' control rights prohibit (i)(1) improper under state law; (i)(2) violation of law; (i)(3) misleading; (i)(4) personal grievance; (i)(5) economic relevance; (i)(6) absence of power to implement; (i)(7) ordinary business operations; (i)(8) director elections; (i)(9) direct conflict with a company proposal; (i)(10) substantially implemented; (i)(11) duplication of another proposal; (i)(12) resubmission of similar proposal without sufficient prior support; and (i)(13) specific dividends. The most common omission arguments are exclusion under ordinary business (40%), misleading statements (29%), procedural mistakes (20%), and proposals already being substantially implemented (17%). SEC officials communicate their reasons for a possible omission, which carry delegated authority and are effectively final (Corporate Counsel, 2012).

Once SEC officials decide, the SEC publishes the No-Action decision letter the same day on its online registry, from which we collect the omission requests studied in this paper. The letter granting or denying a request is the first moment the market learns that managers contested a proposal and whether the contest succeeded.[2] Investors actively trace No-Action decisions, and they are reported immediately through information intermediaries such as LexisNexis. These letters arrive in isolation, unbundled from the proxy statement (stage 5), voting results on annual general meetings (stage 6), or any other ballot item. Abnormal returns on announcement days therefore isolate the financial implications of shareholder proposals.

3 Data

We estimate the financial consequences of shareholder proposals at the margin of ballot access using a dataset hand-collected from original SEC filings. We hand-collect this dataset because commercial datasets (i.e., ISS Voting Analytics) do not provide adequate information on the No-Action process to implement our analysis. The dataset covers the population of 3,728 No-Action omission requests from 789 unique US-listed firms from January 2007 to December 2024. Our sample spans this period as the SEC started reporting No-Action materials in 2007 and stopped responding to all but legality-oriented omission requests in 2025, and to all omis-

[2]From the 2019 to 2024 proxy seasons, the SEC has maintained a public page of pending Rule 14a-8 No-Action requests indicating which firm initiated a No-Action request. This page reveals only the targeted firm, not the proposal, and with the content unknown, a priori pricing is limited.

sion requests in 2026.

No-Action request filings lack standardization, often include scanned material, and sometimes contain long legal text exceeding 350 pages per request. We hand-collect and standardize the data, then manually match CIK codes and firm names to gvkeys, permnos, and CUSIPs to link the data to Compustat and CRSP and retrieve financial information. After removing observations without outcomes and those not linkable to external datasets due to mergers and bankruptcies, we retain 3,672 No-Action requests, a 98.5 percent merge rate.[3] The dataset captures every proposal management attempted to exclude, including those investors never voted on, in the stage of shareholder proposals before the formation of corporate ballots.

3.1 Data Collection Procedure

No-Action omission request announcements include four main sections: the SEC response letter, the firm's omission arguments, the shareholder proposal and supporting statement, and correspondence between the firm and the proponents. SEC response letters include the SEC official's full name, the verdict, the firm's name, select proponents' names and roles, the date, and, if applicable, the omission arguments the SEC accepted for omission. From the firm's omission arguments, we collect every Rule 14a-8 violation proposed by management, a one-sentence summary of why the proposal exceeds investors' rights to ballot access, and the law firms representing the firm and the proponents. From shareholder proposal documents, we extract shareholder proposal texts and supporting statement texts verbatim, and record the number of external sources, hyperlinks, and charts or figures, together with any co-filing proponents not listed in the initial SEC letter. From correspondence sections, we retrieve the number of non-procedural emails exchanged between the firm and the proponent, and whether either party asked the SEC to reconsider its decision.

We record these data points in a standardized workbook per filing year, one row per No-Action request. The workbook predefines the coding of every field. We standardized all firm, proponent, and law firm names and manually classified more than 3,000 unique proponents into 17 groups, expanding on the classification of Gantchev and Giannetti (2021); see Table 1. 60% of firms and 12% of proponents take on external legal help. The most common proponents are individual investors, religious organizations, pension funds, NGOs, and socially responsible mutual funds, occurring 0.81, 0.24, 0.19, 0.15, and 0.09 times per proposal, respectively.

3.2 Observing SEC officials

A distinguishing feature of our dataset is that we observe who decides. Each SEC response letter is signed by the SEC official of the Shareholder Proposal Taskforce handling the request.

[3]Highly infrequently, the firm directly sues proponents over their ballot access and approaches the court alongside the SEC. We have found only 3 instances of this in which the SEC deferred its decision to await the trial outcome. We have excluded these observations from our sample.

From 2007 to 2020, the SEC employs 60 distinct SEC officials to handle No-Action requests. The median SEC official handles 30 omission requests, and the most active handles 306.

For each request, we observe the SEC official's assessment of whether the shareholder proposal falls within the ballot access rights of investors. The SEC grants 63 percent of omission requests. Grant rates vary with the legal basis of the request. Requests citing procedural violations in timing or resubmission succeed in 86 percent of cases, and requests citing other procedural violations under Rule 14a-8(b) succeed in 79 percent. Requests citing misleading statements succeed in 51 percent, and requests citing substantial implementation succeed in 37 percent. Mechanical grounds thus succeed more often than grounds that require the official's judgment, and Appendix C describes the implications of this variation for our instrument.

Proponents and management have the right to appeal a decision, which occurs in 7% of proposals. Most of these appeals are procedural, as the SEC grants proponents 14 days to respond to procedural defects such as not showing ownership of shares. The SEC assigns a new official to non-procedural appeal decisions and publishes them alongside the original filing. Appealed decisions have differed from original outcomes only 12 times since the start of our sample. Where appeals are filed, we record the final SEC ruling for the final official.

Two irregularities arise in assigning SEC official names. First, in some years the Chief Counsel of the Division of Corporation Finance co-signs every response letter alongside the handling SEC official. Where two SEC officials are listed, we remove the chief counsel and assign the request to the handling SEC official. Second, the SEC redacts personally identifiable information from the published materials pursuant to the Federal Information Security Management Act and OMB Memorandum M-07-16. Starting in 2021, the SEC stopped publishing SEC official names, replacing individual signatures with a collective "Rule 14a-8 Review Team". We assess all "Rule 14a-8 Review Team" signed proposals as judged by a single official with a single leniency in 23% of the observations in our sample. Effectively, we pool the SEC officials behind the collective signature into one SEC official, similar to pooling judges with fewer decisions (see Chyn et al., 2025). The financial implications of shareholder proposals at the margin of ballot access remain robust to removing this group; see Appendix I.

3.3 Classifying Proposal Content

Our sample of shareholder proposal and supporting statement text covers 1.3 million words, with proposals averaging 100 words and supporting statements averaging 254 words. We classify proposal content by topic, demand, specificity, and direction with Gemini 2.0 Flash. We primarily rely on the shareholder proposal text as it states the proponent's resolution. Appendix B discloses every prompt, and Table 1 reports summary statistics.

We classify the topics of shareholder proposals using a 44-category taxonomy based on the content of sustainability reports of firms and canonical corporate governance provisions (Gompers et al., 2003; Bebchuk et al., 2009). We group the categories into environmental, social,

and governance themes. Governance themes appear in 73 percent of contested proposals and environmental & social themes in 40 percent. Some proposals cover two topics; for example, a proposal can tie CEO compensation to the firm's CO_2 emissions.

Alongside topics, the proposal text lets us classify the extent of shareholder proposal demands. Specifically, we code proposals as a request for a report, a policy, a target, or an immediate performance change. Most contested proposals request policies (74%) and/or reports (39%), while immediate performance demands (19%) and explicit targets (3%) are rarer. Proposals are often phrased as policies because investors' ballot access does not allow them to intervene in management's ordinary business operations.

We proxy the effort proponents placed in crafting their proposals in three ways. First, we compute a measure of specificity to detect boilerplate language. We ask Gemini to reduce the proposal's word count without losing content and compute the share of remaining words. The average proposal retains 57 percent of its words. Second, proponents' diligence in crafting the proposal also shows in the number of external sources used. Proposals cite one external source on average, up to a maximum of 22. Third, we detect proposals without explicit demands. Proposals sometimes contain a complaint about the behavior of the firm without stating an explicit resolution. These occurrences occur less than 1% of the time and are predominantly filed by labor unions, who state the ratio of CEO to median worker pay as leverage in negotiation without stating an explicit demand (Iliev et al., 2021).

We specify proposals' direction. Not all proposals try to introduce governance provisions that strengthen investor control rights or increase environmental and social provisions. Instead, some proposals seek to give management more power over how to run the firm or take away environmental and social provisions. Examples include proposals that allow for poison pill introductions, or request that firms drop net-zero targets. Our sample contains 3% of such proposals.

3.4 Voting Outcomes

We compile whether shareholder proposals pass or fail at the ballot. We first hand-match our No-Action dataset to ISS voting records by firm, proxy season, proposal topic, and proponent type, using two independently working research assistants. This match succeeds for 2,457 of the 3,672 proposals. For the remaining proposals that reach the ballot, we hand-collect voting outcomes from proxy statements and from Item 5.07 of firms' 8-K filings in EDGAR. We record votes for, against, abstaining, and broker non-votes, and the vote-counting basis stated in the proxy, because firms differ on whether abstentions or broker non-votes count toward the denominator that determines passage.

3.5 Comparison to existing datasets

Our dataset extends existing records of contested shareholder proposals, such as ISS Voting Analytics, in scope and depth. ISS documents the shareholder proposals of S&P 1500 firms and captures the first page of No-Action letters, recording the lead proponent, a short resolution title, the outcome, and, for omitted proposals, the single ground the SEC accepted. In scope, we record 3,672 omission requests against 2,337 omitted proposals in ISS. We extend the universe because we capture all US firms; ISS does not cover all requests within the S&P 1500; and we record all omission requests, whereas ISS reports only omitted proposals. In depth, we process the entire No-Action letter rather than its first page, which yields the deciding SEC officials, the filed omission grounds and their arguments, the proposal texts, and the proponents and law firms on both sides, and corrects proponents and omission arguments that the first page misstates or omits. We provide further information on the topic, demand, and specificity of proposals by classifying the content of the proposal text.

4 Method

This section sets out the empirical strategy for estimating the financial implications of shareholder proposals at the margin of ballot access. The first subsection identifies two concerns with a direct estimate from SEC No-Action decisions. SEC officials select which proposals reach the ballot, and not every contested proposal lies at the margin of ballot access. The second subsection introduces the unbiased jackknife instrumental variable estimator (UJIVE) that instruments ballot access with the leniency of the randomly assigned SEC official to address both concerns. The remaining subsections validate random assignment, monotonicity, the exclusion restriction, and instrument strength, show that leniency is stable over SEC official experience, and characterize the proposals at the margin of ballot access that identify the estimates.

4.1 Identification Challenges

SEC No-Action decision letters are the first public notice of a contested proposal. The SEC publishes the letter before the firm announces its ballot, so the letter provides the event for the announcement-return regression in Equation 1. R_i denotes the cumulative abnormal return of firm i on the day of and the day after the letter, estimated with the five-factor model augmented with momentum (Fama and French, 2015; Carhart, 1997). We trim cumulative abnormal returns at the 1% and 99% level to remove outliers. PTB_i equals one when the SEC official places the "Proposal To Ballot" following the No-Action procedure and zero when the official permits the firm to omit it. β captures the financial implications of placing a contested proposal on the ballot relative to omitting it. ε_i denotes the error term.

$$R_i = \alpha + \beta PTB_i + \varepsilon_i \tag{1}$$

Two identification challenges arise when interpreting β as the financial implications of shareholder proposals at the margin of ballot access. First, SEC officials do not decide on proposals at random. They send the proposals that fall more clearly within investors' Rule 14a-8 ballot access rights, and this selection correlates with financial performance (Matsusaka et al., 2021; Couvert, 2025). A direct estimate of β therefore combines the financial implications of the proposal itself with the financial implications of the SEC official's selection.

Second, not every contested proposal lies at the margin of ballot access. SEC officials rule on whether a proposal falls within Rule 14a-8. Management can contest proposals that lie clearly outside the rule as well as proposals that lie clearly within it. Our paper aims to determine the financial implications of proposals at the margin of ballot access, i.e., those whose ballot access is uncertain under Rule 14a-8. A direct estimate of β therefore conflates the financial implications of proposals at the margin with those of proposals clearly inside or outside investor ballot access.

4.2 Empirical Strategy: Leniency Design

We address these identification concerns with a leniency design. Leniency designs are instrumental variable designs that exploit the random assignment of cases to decision-makers who apply the same rule with different thresholds (Chyn et al., 2025; Goldsmith-Pinkham et al., 2026). Under random assignment, a decision-maker's leniency, the share of past passed decisions, shifts the decision without changing the case's characteristics when used as an instrument. The instrumented estimate is a local average treatment effect for the cases at the margin, whose decision depends on the decision-maker they draw.

We graphically illustrate the design in Figure 2. Management supports each omission request with arguments that the proposal falls outside investors' Rule 14a-8 ballot access rights, and these arguments vary in legal accuracy. SEC officials hold broad discretion over omission requests (Corporate Counsel, 2012). Each official grants omission when the legal accuracy of the request exceeds a personal threshold. An official strict toward proponents applies a low threshold and accepts management's arguments at lower accuracy. An official lenient toward proponents applies a high threshold and accepts management's arguments only at higher accuracy. Requests below the strict official's threshold reach the ballot under either official, and requests above the lenient official's threshold are omitted under either official. Requests in the shaded area between the two thresholds are at the margin of ballot access. The strict official omits them, and the lenient official places them on the ballot.

The design removes both identification concerns. Random assignment of omission requests to SEC officials makes the assigned official's threshold unrelated to the proposal, so the threshold shifts ballot access independently of the proposal's financial implications. Further, the instrument uses only variation in ballot access on which officials disagree, so the estimate assesses the financial implications of shareholder proposals at the margin of ballot access and

excludes proposals that lie clearly inside or outside these rights.

We construct the leniency of SEC officials in Equations 2 and 3 and explain them in reverse order.

$$PTB_i = \gamma_{j(i)} + P_i\psi + u_i \tag{2}$$

$$\rho_{j(i)} = \frac{1}{n_{j(i)} - 1} \sum_{k=1}^{n_{j(i)}-1} (PTB_k - P_k\hat{\psi}) \tag{3}$$

Equation 3 defines the leniency of SEC official j toward proposal i, $\rho_{j(i)}$, as the official's track record of siding with proponents. Ignoring the adjustment term $P_k\hat{\psi}$, $\rho_{j(i)}$ is the share of the $n_{j(i)} - 1$ proposals that official j decided to place on the ballot, PTB, before the current proposal i. Restricting the mean to past decisions removes any mechanical correlation between the instrument and the official's current decision. To limit outliers, we replace each official's first ten proposals with the value computed at the official's eleventh decision, excluding the proposal at hand to prevent own-observation leakage (following Dobbie et al., 2018).

The adjustment term $P_k\hat{\psi}$ corrects for procedural omission arguments and is an indicator equal to one when management invokes omission for filing proposals too late, failing to document ownership of the minimum number of shares, duplicating a proposal filed at the same firm in the same proxy season, and failing to attend the previous year's meeting after filing a proposal at the same firm. Leniency designs require that officials exercise discretion, and SEC officials have limited discretion when management claims omission on procedural grounds, as such claims are often objectively true or false. Proposals that draw procedural claims may also be crafted less carefully and carry different financial performance implications. We therefore adjust each official's decisions for whether the official was assigned procedural omission requests (following Kolesar, 2013).

Equation 2 estimates this adjustment by regressing ballot access PTB_i on indicators for procedural omission arguments X_i and SEC official fixed effects $\gamma_{j(i)}$, with u_i the error term. The official fixed effects absorb differences in leniency across officials, so $\hat{\psi}$ captures how procedural grounds lower ballot access within an official's caseload. Equation 3 then subtracts $X_k'\hat{\psi}$ from each past decision to mechanically rule out the role of procedural omission requests. Appendix C provides further details on this correction.

In our sample, SEC officials' leniency varies widely. The 10th percentile of SEC officials most strict to proponents allow only 23.6% of proposals to reach the ballot, while the 90th percentile SEC official allows 83.8% of proposals to reach the ballot (see Figure 3). This variation demonstrates that SEC officials have ample discretion in decision-making, and that their leniency plays a meaningful role in the omission process.

After constructing the instrument, we implement a two-stage least squares unbiased jackknife instrumental variable estimator, or UJIVE approach, presented below (Kolesar, 2013). Equation 4 reports the first stage, in which we fit the likelihood that a proposal goes to the ballot, using SEC official leniency as an instrument. Equation 5 presents the second stage,

in which we regress firms' financial performance on the instrumented likelihood that a shareholder proposal goes to the ballot, R_i. As mentioned earlier, β captures the expected financial consequences of shareholder proposals that managers contest. We use robust standard errors because proposals are assigned to SEC officials individually rather than in batches, following Chyn et al. (2025). Both regressions correct for procedural omission requests P_i.

$$PTB_i = \omega + \upsilon\rho_{j(i)} + \lambda P_i + \tilde{\varepsilon}_i \tag{4}$$

$$R_i = \alpha + \beta\widehat{PTB}_i + \delta P_i + \varepsilon_i \tag{5}$$

Leniency designs provide unbiased estimates only under 1) random assignment that ensures proposals are not assigned to officials based on proposal characteristics (the exclusion restriction), 2) monotonicity among SEC officials ensuring that proposals allowed onto the ballot by stricter officials would also have been allowed by more lenient officials, 3) a sufficiently strong instrument so that the past track record of SEC officials predicts their subsequent decision, 4) intertemporal stability in decision-making leniency. Appendix J shows these identification tests for sub-samples of governance and environmental & social shareholder proposals.

4.2.1 Random Assignment

Leniency designs address the exclusion restriction through random assignment. The institutional setting section preluded the quasi-random assignment of SEC officials to omission requests. The Taskforce assigns each incoming request to the next available official through a rotational system to balance workloads. As a consequence, the characteristics of the proposal should be unrelated to the leniency of the official.

We test whether proposal characteristics predict SEC official leniency in Table 2, aggregating the 91 controls of Table 1 into 23 dimensions for readability. The test first shows that proposal characteristics explain SEC officials' decisions and then shows that the same characteristics do not explain the leniency of the assigned official (following Collinson et al., 2024). Both columns include year fixed effects because officials rotate through incoming requests and the composition of requests varies across years. Proposal characteristics predict the SEC's decision in Column (1), where the joint F-statistic equals 36.75 and requests invoking procedural grounds are 17.9 percentage points less likely to reach the ballot. Conversely, we find no evidence that the proposal's characteristics explain official leniency in Column (2), where the joint F-statistic equals 0.82 with a p-value of 0.699. Moreover, none of the 23 coefficients is significant at the 5% level. Proposal characteristics that explain how the SEC decides do not relate to SEC officials' leniency, a finding consistent with the rotational assignment mechanism.

4.2.2 Monotonicity

Leniency designs require monotonicity, the assumption that officials rank cases in the same order and differ only in the threshold they apply (Frandsen et al., 2023). In our setting, the monotonicity assumption would require SEC officials to differ only in how stringently they interpret Rule 14a-8 when assessing No-Action requests and not in their stance on proposal characteristics. In other words, every proposal that a strict official places on the ballot, a lenient official should place on the ballot as well.

While monotonicity is an identifying assumption and cannot be tested directly, we perform a test introduced in Frandsen et al. (2023). This test evaluates whether the conditional financial consequence of a proposal given an official's leniency is a continuous function with a bounded slope. Failure to reject this test jointly provides comfort in inferring the absence of a monotonicity failure and the absence of a failure of the exclusion restriction with reasonable certainty.[4]

We find that the Frandsen et al. (2023) test does not reject monotonicity or the exclusion restriction in our instrument. It yields a p-value of 0.856. A violation would occur when there are large spikes in the relationship between the financial consequences of shareholder proposals and SEC official leniency. Figure 4 instead shows a relatively flat pattern. Further, the horizontal slope of the curve indicates that the average financial implications of proposals judged by SEC officials with different leniencies are comparable. Overall, the test provides no evidence of a violation of the monotonicity and exclusion restriction assumptions underlying our leniency design.

4.2.3 Instrument Strength and the First Stage

SEC official leniency has sufficient strength for inference. In Table 3, we estimate ten first-stage specifications with increasingly rich controls. In Column (1), the instrument yields an F-statistic of 160.1 without controls. In Columns (2) through (10), the F-statistic remains greater than 150 when controlling for the legal representation of companies and proponents, the number and type of omission arguments, the proposal demand and topic, the direction of the request, textual complexity and external references, detailed categories of proponent type and collaboration, communication intensity between proponents and firms, and whether either side contests SEC official decisions to omit or withdraw a proposal.

The instrument is also economically meaningful. A one standard deviation increase in SEC official leniency raises the probability that a proposal goes to the ballot in the most stringent

[4]The test is specifically built for our binary treatment setting, and does not extend to designs where decision-makers can choose between multiple non-ordinal choices (as in Humphries et al., 2025). Our treatment is binary: SEC officials can either omit a proposal or place it on the ballot.

specification by 7.3 percentage points, or a 19.6% increase relative to the mean.[5] Another way to express this effect is that a proposal handled by an official who previously allowed all proposals to the ballot is 49.97 percentage points more likely to make it there compared to when it was being handled by an official who omitted all prior proposals. One implication of the predictive power of SEC official leniency is that ballot access in the US differs sharply under the same legal rules, at least in part depending on the individuals who decide it.

4.2.4 SEC Official Experience

The last assumption of the leniency design is stability in leniency over time. Equation 3 builds SEC official leniency from the official's earlier decisions, so the instrument predicts the current decision best when leniency is constant. Leniency can change over time when skill grows with experience (Chan et al., 2022). In our setting, omission requests could depend on precedent in prior No-Action letters, and an official who has handled many requests could read that precedent more precisely than the same official early in their tenure. The marginal proposal of an experienced official might then differ in legal standing from the marginal proposal of an inexperienced official, and the UJIVE estimate would average financial consequences across different margins of ballot access rights. Our estimate could thus be biased if official experience shifts their threshold for the legal accuracy of the omission request in a way that correlates with the proposal's financial implications. Constant leniency within officials over their cases judged rules out this concern.

We find that SEC official leniency is stable over time. Table 4 regresses official leniency on linear and quadratic trends in the number of proposals an official has previously handled, on indicators for the official's first 10, 25, and 50 decisions, and indicators for officials in the bottom/middle/top tercile of the number of proposals handled. We find no statistical significance, suggesting that SEC official experience does not affect leniency.

4.2.5 Shareholder Proposals at the Margin of Ballot Access

The second identification concern in using No-Action announcement returns is that the 2SLS estimates apply to proposals at the margin of ballot access, the contested proposals that a lenient SEC official places on the ballot and a strict SEC official omits. We describe how these proposals differ on average from the population of contested proposals. For each characteristic of the proposal and the omission process, we estimate a 2SLS regression of the characteristic interacted with PTB on PTB, instrumented with SEC official leniency (Abadie, 2003; Chyn et al., 2025). A more lenient SEC official places additional proposals on the ballot; these pro-

[5]Multiply the coefficient of 49.97% by the standard deviation of the UJIVE instrument of 14.51% and divide by the mean probability of a proposal being voted on of 36.93%. Results remain similarly significant when we use a logit regression. We observe an F-stat of 172.8 for the most stringent specification. SEC official leniency also significantly explains the likelihood of proposals reaching the ballot for governance and environmental & social shareholder proposal subsamples with F-stats over 20; see Appendix J.

posals are at the margin, so the PTB coefficient estimates their average characteristic. Table 5 reports these estimates and how they differ from the full-sample means.

Proposals at the margin of ballot access differ from the average contested proposal in how management contests them, not in their demands or the course of the omission process. Management raises 0.69 more omission arguments against proposals at the margin, and these proposals are 34.9 and 14.3 percentage points more likely to face legality and relevance grounds, respectively. Their proponents are 16.6 percentage points more likely to obtain legal representation. They do not differ in topics (governance or environmental & social), demand (reporting, policy, target, performance), direction, specificity, number of sources, number of communications between proponent and management, or reconsiderations. The value of ballot access we estimate therefore applies to proposals that management more frequently contests on their lawfulness, accuracy, and relevance to the firm.

5 Results

5.1 The Financial Implications of Shareholder Proposals at the Margin of Ballot Access

Table 6 displays the financial consequences of shareholder proposals at the margin of ballot access. It displays the cumulative abnormal returns of firms on the day of and the day after the No-Action decision letter published by the SEC. Panel A captures a judge-leniency UJIVE 2SLS design, and Panel B estimates OLS. Columns (1) through (5) respectively take CAPM, Fama and French (1993) 3-Factor, 3-Factor + Carhart (1997) momentum, Fama and French (2015) 5-Factor, and 5-Factor plus momentum as market models to compute abnormal returns. We take the most conservative specification of 5-Factor plus momentum cumulative abnormal returns as the baseline for this paper and compute joint tests across models to validate the estimates. We retain 3,456 observations due to 1% and 99% trims on cumulative abnormal returns and missing CRSP return data in the estimation window.

We find that shareholder proposals at the margin of ballot access reduce firm value. Table 6 Panel A Column (5) shows that shareholder proposals reduce firm value by 1.191% when a proposal at the margin of ballot access is placed on the ballot. Accordingly, investor intervention at the margin of corporate ballot access is costly.

The negative cumulative abnormal returns are stable across factor models. We find that estimates range between -0.82% using the 5-Factor model and -1.50% using the 3-Factor plus momentum model. The most conservative 5-Factor plus momentum model sits squarely at the midpoint of this range. We more formally test that these negative cumulative abnormal returns are stable across factor models by stacking the five cumulative abnormal return analyses of Table 6 into one panel of five observations per proposal and estimating a single proposal-to-ballot coefficient with a separate intercept for each factor model, clustering standard errors at

the proposal level. The stacked judge leniency estimate equals -1.162% with a standard error of 0.450 ($p = 0.010$), indistinguishable from the five-factor plus momentum estimate of -1.191% in Column (5). The choice of factor model therefore does not alter the financial loss a marginal proposal imposes.

OLS estimates yield a different interpretation of the financial implications of shareholder proposals at the margin of ballot access. In Panel B, we do not observe significant cumulative abnormal returns for any of the five model specifications. Estimates are economically small, ranging between 0.078% and 0.133%. A stacked five-model OLS specification per proposal does similarly not yield significant returns at 0.10%. We more formally reject exogeneity using a Durbin–Wu–Hausman test and confirm that the judge-leniency estimate differs statistically from its OLS counterpart, with a p-value of $p = 0.005$ in the most conservative specification (Hausman, 1978). Taking these OLS estimates at face value would suggest that shareholder proposals at the margin of ballot access do not reduce value.

5.2 Mechanism Test: Agency Costs vs. Non-financial Considerations

Investors can have different objectives for filing shareholder proposals. On the one hand, investors may curb agency costs or direct value-adding operational changes (Jensen and Meckling, 1976; Iliev et al., 2021). On the other hand, investors might have motives beyond firm performance when filing proposals (Matsusaka et al., 2019; Bolton et al., 2020; Bubb and Catan, 2022). We operationalize this mechanism test by separately analyzing the returns to governance and environmental & social proposals. Although observing the intent of investors in filing a proposal is not possible, the content of the proposal might offer plausible heterogeneity in the extent to which proposals prioritize curbing agency costs or pursue non-pecuniary resolutions.

Governance-related proposals in our sample target, among others, executive compensation, shareholder voting rights, board independence, executive termination payments, and executive expenses (see Table 1). These topics affect management's private benefits of control directly through pay and perks or indirectly by strengthening shareholder rights. In contrast, environmental and social proposals ask firms to reduce their emissions, pollutants, climate change exposure, or improve labor practices, community relations, and supply chain human rights. These resolutions target operational changes or non-pecuniary considerations.

We do not observe significant financial performance implications for governance proposals at the margin of ballot access. Table 7 performs an analysis identical to Table 6 for the subset of governance proposals. In Panel A, we do not observe any significant cumulative abnormal returns across the factor models, with estimates ranging from -0.694% to 0.025%. OLS estimates are similarly insignificant and yield Durbin–Wu–Hausman p-values of at least 0.172. Given the above, we find no evidence that governance proposals at the margin of ballot access affect firm value.

The lack of significant financial returns is consistent with well-functioning investor control

rights on governance resolutions. If returns were positive, ballot access would be too limiting for investors, and extending their legal rights would add value to firms. Conversely, if returns were negative, ballot access is too prescriptive, and reducing investor ballot access would improve valuations. When returns are insignificant, instead, ballot access appears tailored to optimizing firm value.

Environmental and social shareholder proposals at the margin of ballot access are costly. Table 8 performs an analysis identical to Table 6 for the subsets of environmental and social proposals. In Panel A Column (5), we observe negative and significant returns of -2.56% for environmental and social shareholder proposals at the margin of ballot access. The negative returns are stable across factor models, with estimates ranging from -2.32% to -2.93%. Further, stacking the five cumulative abnormal return models and estimating one proposal-to-ballot coefficient across them yields -2.58% ($p = 0.003$).

Taken together, the losses that shareholder proposals impose at the margin of ballot access are confined to environmental and social proposals. Thus, the losses arise where investors pursue non-pecuniary objectives. This heterogeneity supports an interpretation in which shareholder proposals, at the margin, reduce firm value not because investors are too constrictive toward management, but because they pursue non-pecuniary objectives.

The negative returns to environmental and social proposals carry an implication for expected investor voting. The announcement return prices ballot access rather than adoption. Management will adopt a proposal it contests only if it expects sufficient investor support, so ballot access moves the price if the market expects sufficiently high support. A negative return is therefore consistent with the market expecting investors to have social preferences and vote for environmental or social proposals despite their financial costs. An alternative explanation is that ballot access could impose costs that bypass the vote, such as reputational harm or management distraction. However, costs common to all proposals cannot produce the losses, as they would apply equally to governance proposals, whose returns are indistinguishable from zero. We therefore interpret the negative returns to environmental and social proposals as indicative of social preferences.

5.3 Robustness

5.3.1 Confounding Firm-Specific News

The negative returns initiated by shareholder proposals at the margin of ballot access are not driven by firm-specific quarterly earnings announcements, M&A announcements, or analyst forecast revisions released around the No-Action decision. Appendix D excludes such proposals with news on the day before, the day of, or the day after the decision. Estimates remain between -0.92% and -1.35% for all proposals and between -2.28% and -3.60% for environmental and social proposals. Governance proposals remain insignificant.

5.3.2 Subtract & Reconsiderations

Our estimates remain stable after removing 71 proposals that ask for reconsideration and 87 proposals that directly contradict one another; see Appendix E. In 2% of proposals, either management or the proponent petitions the SEC to reconsider its decision, involving a second No-Action letter, so the market may price the proposal at either date. Second, 3% of proposals are subtractive: these proposals ask the firm to weaken its governance provisions or to reduce its environmental or social efforts. Our interpretation of the environmental and social estimates rests on proposals that demand costlier practices, so a loss driven by proposals that ask the firm to do less would require a different reading.

5.3.3 No-Action Decision Announcement Date

The negative returns initiated by shareholder proposals at the margin of ballot access are robust to an event window only capturing the day of the No-Action decision announcement date. Appendix F shows that effect sizes are somewhat smaller in absolute terms, in line with some No-Action decisions occurring after market hours.

5.3.4 Short-term Reversal

The negative returns initiated by shareholder proposals at the margin of ballot access appear stable over longer event-window panels. Short-term cumulative abnormal returns are subject to reversal several days after the event if the market over-reacted. We find no evidence of this. Appendix F shows coefficient estimates remain stable for up to 10 days after the No-Action decision announcement day. We also find no statistically significant differences in (0,3), (0,5), and (0,10) day windows compared to the (0,1) day window in the main analysis. However, this test is somewhat underpowered, as extending event windows with observations without events introduces noise and later estimates have higher standard errors.

5.3.5 Long-term Reversal

Alongside short-term reversal, we show no long-term reversal in abnormal returns up to 12 months after the decision. Appendix G shows that cumulative abnormal returns in the month after the No-Action decision up to 12 months after the decision are similarly insignificant, providing no evidence of reversal in stock prices. A similar power caveat on interpreting longer time-series of returns applies to this analysis.

5.3.6 Negative selection

The negative returns initiated by shareholder proposals at the margin of ballot access do not predate poor or superior past performance. Appendix G shows no significant cumulative ab-

normal returns in the 12 months before a proposal reached the ballot for the full sample and for governance and environmental & social proposals alike.

5.3.7 Year Fixed Effects

The financial implications of shareholder proposals at the margin of ballot access do not depend on applying year fixed effects. Both Cuñat et al. (2012) and Flammer (2015) adopt year fixed effects in their specification. They do so as each year draws different types of proposals to corporate ballots. Moreover, the average leniency of SEC officials may differ over the years, as the composition of SEC officials partially changes by proxy season. We rule out that our findings are driven by joint co-movement of SEC official leniency and proposal types by showing that our estimates remain unchanged when applying year fixed effects to the first and second stage; see Appendix H.

5.3.8 Excluding the Rule 14a-8 Review Team

The financial implications of shareholder proposals at the margin of ballot access do not depend on pooling the Rule 14a-8 Review Team. Starting in 2021, the SEC replaced individual signatures on No-Action letters with a collective signature, and the main analysis treats this Review Team as a single official in 23% of the sample. Appendix I shows financial implications equal to -0.976%, -0.200%, and -2.725% for all, governance, and environmental and social proposals when dropping all observations signed by the Review Team. These estimates are statistically indistinguishable from the main sample analyses at the 5% level. We also validate the random assignment balancing, instrument strength, stability over official experience, and Frandsen et al. (2023) tests without Review Team observations.

6 After the SEC Decision: Negotiation and Voting outcomes

Several channels can explain the negative announcement returns of environmental and social shareholder proposals at the margin of ballot access. First, opposing a proposal on the ballot can distract management and generate legal costs. Second, a proposal on the ballot can publicly question management's ability and impose reputational harm that reduces firm value. Both channels are plausible but can extend to governance proposals, for which we find no negative returns. Third, investors can act on social preferences and support environmental and social proposals at the ballot for reasons beyond financial gain.

While these channels cannot be instrumented, we describe what happens to proposals after the SEC decides against omission. Specifically, we analyze the voting support at the ballot and withdrawals between proponents and firms where management pre-emptively adopts the request. We do so by manually mapping our No-Action dataset with the ISS Voting Analytics

dataset. We hand-match the ISS records to our omission requests by firm, proxy season, proposal topic, and proponent type. We find 7,948 proposals that never go through a No-Action procedure in the ISS Voting Analytics dataset. For those proposals that are present in our dataset but not in ISS, we hand-collect voting outcomes and withdrawal information by collecting data on proposals from the firm's DEF 14A proxy statement and tallies from 8-K Item 5.07 filings.[6]

Table 9 Panel A follows the 3,672 omission requests from the SEC decision to the vote. SEC officials omit 2,316 proposals (63.1%) and decide with proponents on 1,356 of them (36.9%). Of those proposals, most proceed to the ballot (85.0%). Moreover, a small share of proposals is never voted on for technical reasons, such as the proponent not attending the meeting to present the proposal or a merger, acquisition, or default canceling the meeting. This concerns 28 proposals (2.1%).

176 proposals (13.0%) are successful after an omission request and are outright accepted by management before the vote. Investors sometimes withdraw their requests after negotiations with management. When management anticipates the proposal to pass with a high likelihood, they settle before a vote takes place and incorporate investors' demands in full or in part. Withdrawals occur for 14.0% of the environmental & social proposals and 13.0% of governance proposals. These proposals are a successful outcome from the perspective of investors.

Panels B to D analyze the voting outcomes of proposals that the SEC does not omit. Column (1) reports the proposals placed on the ballot. Column (2) recovers the outcomes of the proposals at the margin of ballot access by dividing the judge-leniency estimate of each outcome by the complier share that reaches a vote. Column (3) reports the never contested set of proposals in ISS that do not undergo a No-Action request.

Proposals that survive the No-Action procedure receive less support than average. Panel A shows that the never-contested set of proposals passes with a likelihood of 15.0%. The share is 12.2% for the average proposal having survived a No-Action request and 11.2% for those at the margin of ballot access. Voting support is also lower, at 27.1% and 26.1%, compared with 30.8% for the never-contested sample.

Estimates differ strongly for governance (Panel C) and environmental and social proposals (Panel D). Governance proposals at the margin of ballot access pass only 14.2% of the time, lower than the 22.7% of proposals never contested. In contrast, environmental and social proposals pass 8.9% of the time, more than twice the 3.6% of never-contested proposals. Support is highest in the later years (see Figure 5), explaining the higher support at the ballot compared to older samples known in the literature (Cuñat et al., 2012; Flammer, 2015; Cuñat et al., 2020).

Given the above, we find that 22.9% of environmental and social proposals at the margin of ballot access are successful. Support by investors is thus non-trivial, and as the costs of proposals become known before withdrawals occur or investors vote, investors appear willing to support these costly interventions.

[6]ISS does not capture all shareholder proposals and only considers the subset of S&P 1500 firms. We capture the universe from SEC filings.

7 Conclusion

Investors' ballot access is bounded by Rule 14a-8, and management contests one in three shareholder proposals as falling outside those bounds. This paper assesses the financial implications of proposals at the margin of ballot access. Exploiting the rotational assignment of SEC officials of varying leniency across the population of 3,672 omission No-Action requests filed from 2007 through 2024, we estimate that proposals reaching the ballot after a No-Action procedure reduce firm value by 1.19%, whereas an OLS estimate that ignores the SEC's selection would suggest these proposals are costless. The cost falls entirely on environmental and social proposals, which earn abnormal returns of -2.56% when they reach the ballot. Governance proposals, through which investors would curb private benefits of control, show no positive returns. Finally, that margin is not fixed in law alone: officials at the 10th percentile of leniency allow fewer than one in four contested proposals onto the ballot, while officials at the 90th allow more than four in five, so the protection securities law affords investors varies with the official assigned to enforce it.

Our paper has two policy implications. As of September 16, 2026, in Release No. 34-106383, the SEC started a formal procedure to potentially rescind the No-Action omission request procedure and leave the decision to state law (SEC, 2026). First, the No-Action procedure works as a disciplining device for agency issues. We find little indication that management contests proposals that improve firm value but curb private benefits of control under the current interpretation of Rule 14a-8 by SEC officials. When state courts are more stringent on investors' rights to ballot access, or proponents lack the resources to secure proper legal support to engage in court proceedings, management might try to remove a different set of proposals from their ballots. Reducing ballot access might thus have general equilibrium effects on the proposals that management contests and the agency costs they impose on firms more broadly without the disciplining role of shareholder proposals. Second, the negative returns of environmental and social proposals at the margin of ballot access imply that the considered rescission would improve firms' financial performance. However, investors propose and support these proposals voluntarily, with 22.9% succeeding, signaling investor support despite the cost. Removing ballot access might thus limit investors' ability to internalize externalities under social preferences. In short, our study only analyzes the shareholder value debate, while investors might want to optimize shareholder welfare (Hart and Zingales, 2017; Bolton et al., 2020). This is especially true when they carry social preferences (Riedl and Smeets, 2017; Bauer et al., 2021; Heeb et al., 2023).

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8 Tables & Figures

Table 1: Summary statistics: The Anatomy of Contested Shareholder Proposals

Table 1 provides summary statistics on proposal representation, omission details, demands, specificity, topics, and proponents. Legal representation, omission statuses, and proponents are hand-collected from No-Action request filings of the SEC Division of Corporation Finance. Based on hand-collected shareholder proposals and supporting statements, proposal demands, accuracy, and topics are determined using Gemini 2.0 Flash (see Appendix B). Columns (2) to (7), respectively, contain the number of observations, mean, median, standard deviation, minimum, and maximum for all variables.

Variable name	N	mean	median	sd	min	max
Instrument						
SEC official leniency	3,672	42.33%	43.37%	14.51%	0.00%	94.58%
Representation details						
Company law firm	3,672	0.60	1.00	0.49	0.00	1.00
Proponent law firm	3,672	0.12	0.00	0.33	0.00	1.00
Omission Arguments						
Number of omission arguments	3,672	1.69	1.00	1.00	1.00	7.00
Procedural						
Mistake in procedure	3,672	0.20	0.00	0.40	0.00	1.00
Multiple proposals	3,672	0.04	0.00	0.20	0.00	1.00
Mistaken timing	3,672	0.07	0.00	0.25	0.00	1.00
No presence past meetings	3,672	0.01	0.00	0.11	0.00	1.00
Content						
Improper under state law	3,672	0.05	0.00	0.21	0.00	1.00
Violation of law (state, federal, foreign)	3,672	0.08	0.00	0.27	0.00	1.00
Misleading	3,672	0.29	0.00	0.45	0.00	1.00
Personal grievance	3,672	0.03	0.00	0.18	0.00	1.00
Relevance	3,672	0.02	0.00	0.15	0.00	1.00
Absence of power	3,672	0.08	0.00	0.28	0.00	1.00
Ordinary business	3,672	0.40	0.00	0.49	0.00	1.00
Director elections	3,672	0.03	0.00	0.16	0.00	1.00
Conflicts company's proposal	3,672	0.06	0.00	0.24	0.00	1.00
Substantially implemented	3,672	0.17	0.00	0.37	0.00	1.00
Duplication by topic	3,672	0.06	0.00	0.23	0.00	1.00
Resubmissions threshold	3,672	0.03	0.00	0.16	0.00	1.00
Specifies dividend	3,672	0.01	0.00	0.11	0.00	1.00
Proposal demands						
Reporting	3,672	0.39	0.00	0.49	0.00	1.00
Policy	3,672	0.74	1.00	0.44	0.00	1.00
Target	3,672	0.03	0.00	0.18	0.00	1.00
Performance	3,672	0.19	0.00	0.39	0.00	1.00
Proposal topics						
Total Governance	3,672	0.73	1.00	0.44	0.00	1.00
Total Environmental & Social	3,672	0.40	0.00	0.49	0.00	1.00
Proposal topics: Governance						
Executive Compensation	3,672	0.15	0.00	0.35	0.00	1.00
Shareholder Proposal Voting Rights	3,672	0.12	0.00	0.33	0.00	1.00
Lobbying/Public Policy	3,672	0.10	0.00	0.30	0.00	1.00
Board Independence	3,672	0.08	0.00	0.28	0.00	1.00
Special shareholder meeting	3,672	0.08	0.00	0.27	0.00	1.00
Shareholder Approval Bylaws Amendments	3,672	0.07	0.00	0.26	0.00	1.00
Board Nomination/Proxy Access	3,672	0.06	0.00	0.24	0.00	1.00
Board Voting	3,672	0.06	0.00	0.23	0.00	1.00
Accounting Practices	3,672	0.04	0.00	0.20	0.00	1.00
Dividends/Buybacks	3,672	0.03	0.00	0.16	0.00	1.00
Executive Termination Payments	3,672	0.03	0.00	0.16	0.00	1.00
Charitable Donations	3,672	0.02	0.00	0.14	0.00	1.00
Liquidation/Divestitures/Spin-offs	3,672	0.02	0.00	0.13	0.00	1.00
Board Compensation	3,672	0.01	0.00	0.10	0.00	1.00
Mergers & Acquisitions	3,672	0.01	0.00	0.09	0.00	1.00
Executive Expenses	3,672	0.00	0.00	0.06	0.00	1.00
Poison Pill	3,672	0.00	0.00	0.05	0.00	1.00
Miscellaneous Governance	3,672	0.05	0.00	0.22	0.00	1.00

Continued

Table 1 – Continued

Variable name	N	mean	median	sd	min	max
Proposal topics: Environmental & Social						
Community Relations	3,672	0.06	0.00	0.24	0.00	1.00
GHG Emissions and Policy	3,672	0.06	0.00	0.23	0.00	1.00
Employee Engagement and DEI	3,672	0.05	0.00	0.22	0.00	1.00
Human Rights	3,672	0.05	0.00	0.22	0.00	1.00
Climate Risk Management	3,672	0.04	0.00	0.20	0.00	1.00
Labor Practices, Living Wage, & Retirement	3,672	0.04	0.00	0.20	0.00	1.00
Access to Healthcare	3,672	0.03	0.00	0.18	0.00	1.00
Product Quality and Safety	3,672	0.03	0.00	0.17	0.00	1.00
Supply Chain Management	3,672	0.03	0.00	0.17	0.00	1.00
Animal Welfare	3,672	0.02	0.00	0.14	0.00	1.00
Customer Relationship	3,672	0.02	0.00	0.14	0.00	1.00
Pollution	3,672	0.02	0.00	0.13	0.00	1.00
Responsible Marketing	3,672	0.02	0.00	0.14	0.00	1.00
Customer Privacy	3,672	0.01	0.00	0.09	0.00	1.00
Energy Management	3,672	0.01	0.00	0.11	0.00	1.00
Hazardous Waste, Waste Management, & Recycling	3,672	0.01	0.00	0.07	0.00	1.00
Human Capital	3,672	0.01	0.00	0.08	0.00	1.00
Occupational Safety	3,672	0.01	0.00	0.10	0.00	1.00
Product Life-cycle Management	3,672	0.01	0.00	0.08	0.00	1.00
Raw Material Sourcing	3,672	0.01	0.00	0.07	0.00	1.00
Water and Wastewater Management	3,672	0.01	0.00	0.09	0.00	1.00
Biodiversity	3,672	0.00	0.00	0.05	0.00	1.00
Green Buildings	3,672	0.00	0.00	0.02	0.00	1.00
Worker Representation Board	3,672	0.00	0.00	0.05	0.00	1.00
Miscellaneous Environmental & Social	3,672	0.03	0.00	0.17	0.00	1.00
Proposal directionality						
Subtract	3,672	0.03	0.00	0.16	0.00	1.00
Proposal Specificity						
Number of Sources	3,672	0.99	0.00	2.61	0.00	22.00
Specificity %	3,672	0.57	0.58	0.13	0.00	0.84
Proponent types						
Individual	3,672	0.81	1.00	0.95	0.00	20.00
Religious	3,672	0.24	0.00	1.30	0.00	28.00
Pension fund	3,672	0.19	0.00	1.00	0.00	45.00
NGO	3,672	0.15	0.00	0.42	0.00	6.00
Other Company	3,672	0.07	0.00	0.32	0.00	7.00
SRI mutual fund	3,672	0.07	0.00	0.35	0.00	14.00
Labor union	3,672	0.05	0.00	0.23	0.00	2.00
Mutual fund	3,672	0.04	0.00	0.29	0.00	13.00
Activist investor	3,672	0.02	0.00	0.15	0.00	2.00
SRI mutual fund active	3,672	0.02	0.00	0.15	0.00	2.00
Bank	3,672	0.01	0.00	0.09	0.00	1.00
Hedge fund	3,672	0.01	0.00	0.11	0.00	2.00
Insurance corporation	3,672	0.01	0.00	0.12	0.00	6.00
Mutual fund active	3,672	0.01	0.00	0.12	0.00	4.00
Mutual fund passive	3,672	0.01	0.00	0.09	0.00	2.00
SRI mutual fund passive	3,672	0.00	0.00	0.05	0.00	1.00
Other	3,672	0.01	0.00	0.11	0.00	2.00
Proponent Company Communication						
Number of written communications	3,672	1.63	1.00	2.56	0.00	23.00

Table 2: Instrument Validity: Random Assignment of Omission Requests to SEC officials

Table 2 provides a balancing test in support of the random assignment assumption of omission requests to SEC officials. Column (1) regresses an indicator for the proposal reaching the ballot, multiplied by 100, on proposal characteristics. Column (2) regresses SEC official leniency, multiplied by 100, on the same characteristics. We aggregate proposal characteristics into dimensions listed below to allow analytical traceability and to reduce the impact of multiple hypothesis testing. Legality grounds cover Rule 14a-8(i)(1) to (i)(3). Relevance grounds cover Rule 14a-8(i)(4) to (i)(6). Management-function grounds cover Rule 14a-8(i)(7) and (i)(8). Redundancy grounds cover Rule 14a-8(i)(9) to (i)(13). Institutional investors comprise banks, insurance corporations, pension funds, hedge funds, and conventional mutual funds. SRI funds comprise active and passive SRI mutual funds. Both regressions include year fixed effects, as the composition of proposals being omitted can differ across year. The joint F-statistic tests the null hypothesis that the coefficients on all listed characteristics equal zero. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

	(1)	(2)
Variables	Proposal to Ballot (PTB)	SEC official leniency
Total Environmental & Social	-1.278	-0.393
	(2.903)	(0.911)
Total Governance	-5.018**	-0.385
	(2.280)	(0.910)
Reporting	1.963	0.327
	(2.497)	(0.718)
Policy	1.952	0.021
	(2.511)	(0.562)
Target	-7.659	-1.018
	(4.859)	(1.462)
Performance	-10.666***	0.388
	(2.294)	(0.734)
Subtract	-6.883*	0.180
	(3.901)	(1.201)
Procedural grounds (b), (c), (e), (h)(3)	-17.915***	-1.311
	(3.090)	(0.807)
Legality grounds (i)(1) to (i)(3)	17.224***	0.976
	(2.995)	(0.879)
Relevance grounds (i)(4) to (i)(6)	1.045	0.806
	(3.786)	(1.015)
Management-function grounds (i)(7) and (i)(8)	-15.120***	-0.338
	(2.596)	(0.771)
Redundancy grounds (i)(9) to (i)(13)	2.758	-0.705
	(3.191)	(0.791)
Number of omission arguments	-2.919*	0.291
	(1.711)	(0.558)
Company law firm	1.470	0.288
	(1.568)	(0.518)
Proponent law firm	6.380**	1.647*
	(2.635)	(0.873)
Institutional investor	1.333	-0.164
	(2.421)	(0.795)
SRI fund	11.409***	-0.942
	(4.215)	(1.118)
Union, religious, NGO, activist	8.143***	0.176
	(2.866)	(0.641)
Individual	0.467	0.252
	(1.187)	(0.273)
Number of sources	1.166**	0.037
	(0.518)	(0.075)
Specificity	9.165*	-0.775
	(5.364)	(1.622)
Number of written communications	0.489	-0.124
	(0.360)	(0.099)
Reconsideration	27.641***	-0.169
	(6.619)	(2.234)
Constant	35.953***	42.280***
	(5.383)	(1.839)
Joint F-statistic	36.75	0.82
Joint p-value	0.000	0.699
Observations	3,672	3,672

Table 3: Instrument Validity: Instrument Strength in the First Stage

Table 3 analyzes the first-stage instrument strength of SEC official leniency in affecting whether proposals are placed on the ballot. We regress the SEC officials' decision to put a proposal on the ballot on their past propensity to judge in favor of a proponent in an omission request. To demonstrate the instrument's strength, we introduce an increasingly rigorous set of shareholder proposal characteristics. Legal Representation includes two indicator variables for whether the company and the proponent employ a law firm to assist them in the No-Action process. Omission Arguments capture 17 indicator variables for the omission arguments companies provide, as well as the number of omission arguments. Proposal Demands introduces four indicator variables on whether proponents demand a report, a policy, a target, or performance improvements. Proposal Topics includes 18 governance, 15 social, and 11 environmental indicator variables, each equal to 1 when a proposal concerns the corresponding topic. Proposal Direction introduces an indicator variable equal to 1 when a shareholder proposal seeks to weaken corporate governance provisions or reduce firms' efforts in environmental and social dimensions. Proposal Specificity controls for the number of external sources used in the shareholder proposal, as well as the share of relevant text. Proponent Type introduces 17 indicator variables equal to one when a shareholder proposal has proponent(s) of the corresponding type. Communication reflects the number of content-related emails sent between the company and the proponent in a shareholder proposal. Repeated introduces an indicator variable whether either the proponent or the company asks for a reconsideration of the SEC official judgment. Robust standard errors in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: Proposal to Ballot (PTB, in percent)									
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
SEC Official Leniency	65.39***	63.76***	53.50***	52.28***	52.20***	52.25***	50.10***	49.23***	49.86***	49.97***
	(5.17)	(5.04)	(4.21)	(4.05)	(3.66)	(3.68)	(3.85)	(3.79)	(3.91)	(3.80)
F-statistic	160.1	159.9	161.7	166.3	203.4	201.7	169.3	168.7	162.7	172.8
Observations	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672	3,672
Adjusted R-squared	0.04	0.04	0.20	0.21	0.25	0.25	0.25	0.26	0.26	0.27
Legal Representation	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Omission Arguments	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Demands	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Topics	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Direction	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Proposal Specificity	No	No	No	No	No	No	Yes	Yes	Yes	Yes
Proponent Type	No	No	No	No	No	No	No	Yes	Yes	Yes
Communication	No	No	No	No	No	No	No	No	Yes	Yes
Repeated	No	No	No	No	No	No	No	No	No	Yes
SEC Official Leniency s.d.	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%	14.51%
Mean PTB	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%	36.93%

Table 4: Instrument Validity: SEC Official Experience

Table 4 analyzes whether SEC official experience is associated with their leniency. Chan et al. (2022) show that experience can affect leniency instruments as more skilled officials tend to be less conservative in cases where skill in judgment is required. We capture official experience using the number of proposals and proposals squared in Column (1), indicator variables equal to one for the first 10, 25, and 50 proposals in Columns (2) to (4), and indicator variables equal to one for officials in the bottom, middle, and top tercile of the number of proposals handled in Columns (5) to (7). Columns (3) and (5) are identical because the bottom tercile falls at the 25-proposal threshold. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of proposals	-0.001						
	(0.024)						
Number of proposals squared	0.000						
	(0.000)						
Proposals<10		-1.778					
		(2.773)					
Proposals<25			-0.619				
			(3.109)				
Proposals<50				-0.852			
				(3.694)			
Bottom tercile					-0.619		
					(3.109)		
Middle tercile						-2.025	
						(2.519)	
Top tercile							2.640
							(3.721)
Observations	3,672	3,672	3,672	3,672	3,672	3,672	3,672
Adjusted R-squared	0.043	0.002	0.000	0.001	0.000	0.004	0.007

Table 5: Shareholder Proposals at the margin of ballot access

Table 5 compares all contested proposals with the proposals at the margin of ballot access, the compliers whose ballot access depends on the leniency of the randomly assigned SEC official (Abadie, 2003; Chyn et al., 2025). Column (1) reports the full-sample mean. Column (2) reports the complier mean, estimated as the coefficient on PTB in a 2SLS regression of the characteristic interacted with PTB on PTB, instrumented with SEC official leniency. Column (3) reports the difference between the two means, estimated from the same regression with the characteristic demeaned by its full-sample mean. The full-sample mean is treated as fixed, so the standard errors in Columns (2) and (3) are identical. PTB equals one when the SEC official places the proposal on the ballot and zero when the official permits the firm to omit it. Both stages control for year fixed effects and an indicator for procedural omission arguments. Legality, relevance, management-function, and redundancy grounds cover Rule 14a-8(i)(1) to (i)(3), (i)(4) to (i)(6), (i)(7) and (i)(8), and (i)(9) to (i)(13), respectively. Institutional investors comprise banks, insurance corporations, pension funds, hedge funds, and conventional mutual funds. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Full sample	Compliers	Compliers − Full sample
Variables	(1)	(2)	(3)
Topics			
Environmental & Social %	40.39	37.91	-2.48
		(7.82)	(7.82)
Governance %	73.09	75.82	2.73
		(6.87)	(6.87)
Demand			
Reporting %	39.19	37.91	-1.28
		(7.99)	(7.99)
Policy %	74.46	68.52	-5.93
		(7.16)	(7.16)
Target %	3.32	3.23	-0.09
		(2.32)	(2.32)
Performance %	18.93	20.09	1.16
		(5.11)	(5.11)
Subtract %	2.61	2.10	-0.51
		(2.41)	(2.41)
Omission Arguments			
Legality grounds (i)(1) to (i)(3) %	34.31	69.16	34.85***
		(8.68)	(8.68)
Relevance grounds (i)(4) to (i)(6) %	13.64	27.89	14.25**
		(6.41)	(6.41)
Management-function grounds (i)(7) and (i)(8) %	42.59	41.95	-0.64
		(8.06)	(8.06)
Redundancy grounds (i)(9) to (i)(13) %	30.80	28.52	-2.28
		(7.67)	(7.67)
Number of omission arguments	1.688	2.384	0.686***
		(0.181)	(0.181)
Legal representation			
Company law firm %	59.50	61.32	1.82
		(8.11)	(8.11)
Proponent law firm %	12.39	28.99	16.60**
		(6.60)	(6.60)
Proponent			
Institutional investor	0.156	0.141	-0.014
		(0.063)	(0.063)
SRI fund	0.067	0.021	-0.046
		(0.042)	(0.042)
Union, religious, NGO, activist	0.213	0.253	0.039
		(0.074)	(0.074)
Individual proponents (number)	0.812	1.104	0.292
		(0.229)	(0.229)
Specificity			
Number of sources	0.989	0.552	-0.437*
		(0.255)	(0.255)
Specificity %	57.48	56.95	-0.54
		(2.07)	(2.07)
Process			
Number of written communications	1.629	1.437	-0.191
		(0.388)	(0.388)
Reconsideration %	2.07	6.51	4.44
		(3.50)	(3.50)
Observations	3,672	3,672	3,672

Table 6: The Financial Consequences of Shareholder Proposals at the margin of ballot access

Table 6 analyzes the financial consequences of shareholder proposals at the margin of ballot access. Panel A reports 2SLS estimates using the SEC official leniency design. It also provides the *p*-value of a robust Durbin–Wu–Hausman test of whether instrumentation is necessary compared to OLS estimates presented in Panel B. The dependent variable is the cumulative abnormal return on the day of and the day after the No-Action decision. Abnormal returns are computed using the CAPM in Column (1), the Fama and French (1993) 3-Factor model in Column (2), the 3-Factor model with a Carhart (1997) momentum factor in Column (3), the Fama and French (2015) 5-Factor model in Column (4), and the most conservative 5-Factor model with a momentum factor in Column (5). PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage of the 2SLS estimations. The R-squared is not reported in Panel A because we use a 2SLS estimator. The first-stage F-statistics of 126.0 to 127.9 are lower than those in Table 3, as we estimate the 2SLS analysis only where market data are available and include this control. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Leniency Design

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-1.176**	-1.120**	-1.501***	-0.824*	-1.191**
	(0.471)	(0.472)	(0.484)	(0.461)	(0.471)
Constant	0.539**	0.515**	0.680***	0.396*	0.538**
	(0.213)	(0.213)	(0.219)	(0.209)	(0.213)
First-stage F-statistic	127.7	126.7	126.0	127.9	126.9
Observations	3,456	3,456	3,456	3,456	3,456
Durbin–Wu–Hausman (*p*-value)	0.004	0.007	0.001	0.032	0.005

Panel B: OLS

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.099	0.099	0.078	0.133*	0.080
	(0.080)	(0.076)	(0.076)	(0.075)	(0.075)
Constant	-0.019	-0.019	-0.011	-0.024	-0.019
	(0.058)	(0.055)	(0.055)	(0.054)	(0.054)
Observations	3,456	3,456	3,456	3,456	3,456
R-squared	0.001	0.001	0.000	0.001	0.000

Table 7: The Financial Consequences of Governance Shareholder Proposals at the margin of ballot access

Table 7 replicates the analysis of Table 6 for the sub-sample of governance-related shareholder proposals. As in the main model, Panel A reports the 2SLS leniency design estimates and Panel B presents OLS. The dependent variable reflects cumulative abnormal return on the day of and the day after the No-Action decision using different factor models, and PTB indicates whether the No-Action decision places the proposal to the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage of the 2SLS estimations. Cumulative abnormal returns are trimmed at the 1% and 99% level for the full sample, shifting the number of observations and F-statistics across specifications. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Leniency Design – Governance proposals					
Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-0.377	-0.386	-0.694	0.025	-0.429
	(0.561)	(0.571)	(0.573)	(0.571)	(0.572)
Constant	0.168	0.164	0.289	0.001	0.155
	(0.257)	(0.261)	(0.262)	(0.262)	(0.262)
First-stage F-statistic	91.0	85.8	85.6	87.7	86.1
Observations	2,038	2,033	2,032	2,031	2,033
Durbin–Wu–Hausman (p-value)	0.441	0.379	0.172	0.855	0.388
Panel B: OLS – Governance proposals					
Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.045	0.106	0.069	0.127	0.054
	(0.109)	(0.101)	(0.101)	(0.100)	(0.100)
Constant	-0.019	-0.053	-0.047	-0.044	-0.058
	(0.079)	(0.075)	(0.074)	(0.074)	(0.073)
Observations	2,038	2,033	2,032	2,031	2,033
R-squared	0.001	0.001	0.000	0.001	0.000

Table 8: The Financial Consequences of Environmental and Social Shareholder Proposals at the Margin of Ballot Access

Table 8 replicates the analysis of Table 6 for the sub-samples of environmental and social shareholder proposals. Panel A reports 2SLS estimates and Panel B OLS. The dependent variable reflects cumulative abnormal return on the day of and the day after the No-Action decision using different factor models, and PTB indicates whether the No-Action decision places the proposal to the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage of the 2SLS estimations. Cumulative abnormal returns are trimmed at the 1% and 99% level for the full sample, shifting the number of observations and F-statistics across specifications. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Leniency Design – Environmental and social proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-2.666***	-2.408***	-2.929***	-2.320***	-2.561***
	(0.910)	(0.872)	(0.931)	(0.843)	(0.876)
Constant	1.202***	1.107***	1.343***	1.068***	1.191***
	(0.402)	(0.390)	(0.415)	(0.375)	(0.391)
First-stage F-statistic	39.1	42.1	41.6	41.7	42.0
Observations	1,413	1,418	1,419	1,420	1,418
Durbin–Wu–Hausman (p-value)	0.000	0.001	0.000	0.001	0.000

Panel B: OLS – Environmental and social proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.185	0.097	0.101	0.151	0.126
	(0.116)	(0.114)	(0.115)	(0.113)	(0.113)
Constant	-0.028	0.018	0.026	-0.006	0.022
	(0.084)	(0.080)	(0.081)	(0.080)	(0.080)
Observations	1,413	1,418	1,419	1,420	1,418
R-squared	0.002	0.001	0.001	0.001	0.001

Table 9: Votes after the SEC Decision

Table 9 follows shareholder proposals from the omission No-Action request to the vote. Panel A shows the share of proposals allowed onto the ballot by the SEC, the share voted on, the share that gets withdrawn, and the share with other outcomes, such as a canceled or postponed meeting or shareholders not being present to defend their proposals, for all, governance, and environmental & social proposals. Percentages for withdrawn, other, and voted on are shares of PTB proposals. Panel B, C, and D capture summary statistics on the share of proposal that pass the election and their share of support for all, governance, and environmental & social proposals, respectively. Column (1) reports the share of proposals challenged at the SEC that made it to the ballot. Column (2) reports proposals at the margin of being allowed on the ballot, estimated as the coefficient on PTB in a 2SLS regression of the outcome on PTB, instrumented with SEC official leniency, divided by the complier share voted on (similar to Table 5). Column (3) reports means among proposals voted on in ISS Voting Analytics that management never contested at the SEC. Column (4) reports the difference between the No-action and the never contested samples and Column (5) the difference between proposals at the margin of ballot access and the never contested sample. Columns (4) and (5) report robust standard errors in parentheses next to the estimate. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: From omission request to vote

	All		Governance		Environmental & social	
	N	%	N	%	N	%
Omission No-Action requests decided by the SEC	3,672		2,184		1,483	
Omitted	2,316		1,384		927	
Placed on the ballot (PTB)	1,356		800		556	
Withdrawn after the SEC decision	176	13.0	98	12.3	78	14.0
Other	28	2.1	19	2.4	9	1.6
Voted on	1,152	85.0	683	85.4	469	84.4

	On ballot (1)	Compliers (2)	Never contested (3)	(1) − (3)	(2) − (3)
Panel B: Proposals voted on, all proposals					
Passed (%)	12.2	11.2	15.0	-2.8*** (1.0)	-3.8 (3.9)
Support, mean (%)	27.1	26.1	30.8	-3.8*** (0.7)	-4.7* (2.7)
Support $\geq$ 10% (%)	70.4	73.4	78.4	-8.0*** (1.4)	-5.0 (6.0)
Support $\geq$ 25% (%)	50.5	44.7	58.7	-8.2*** (1.6)	-14.0** (6.0)
Proposals voted on	1,152		7,948		
First-stage F-statistic		164.0			
Panel C: Proposals voted on, governance proposals					
Passed (%)	16.7	14.2	22.7	-6.0*** (1.5)	-8.5 (5.6)
Support, mean (%)	32.2	32.0	37.5	-5.3*** (0.8)	-5.5 (3.6)
Support $\geq$ 10% (%)	78.8	81.1	86.9	-8.1*** (1.6)	-5.8 (7.1)
Support $\geq$ 25% (%)	62.3	60.5	71.9	-9.6*** (1.9)	-11.4 (7.7)
Proposals voted on	732		4,752		
First-stage F-statistic		110.1			
Panel D: Proposals voted on, environmental and social proposals					
Passed (%)	3.8	8.9	3.6	0.2 (0.9)	5.4 (4.2)
Support, mean (%)	18.0	19.8	20.9	-2.9*** (0.7)	-1.1 (3.1)
Support $\geq$ 10% (%)	56.1	66.3	65.5	-9.4*** (2.3)	0.7 (10.1)
Support $\geq$ 25% (%)	30.0	26.2	39.1	-9.1*** (2.2)	-12.9 (8.0)
Proposals voted on	533		3,175		
First-stage F-statistic		54.5			

Figure 1: Timeline of the Shareholder Proposal Process

Figure 1 illustrates the sequence of events in the shareholder proposal process and identifies which steps are observed by financial markets. In Stage (1), a proponent submits a proposal to the firm no later than 120 calendar days before the anniversary of the release date of the prior year's proxy statement (Rule 14a-8(e)(2)), which in practice is roughly 165 days before the annual general meeting (AGM). In Stage (2), management decides whether to place the proposal on the ballot, negotiate a withdrawal, or seek to omit it; this step has no fixed deadline. If management pursues omission, in Stage (3) it submits a No-Action request to the SEC no later than 80 calendar days before it files its definitive proxy statement (Rule 14a-8(j)), roughly 125 days before the AGM, with a copy sent to the proponent. In Stage (4), the SEC announces its No-Action decision, typically between January and March before the first public release of information on the proposal. In Stage (5), the firm publishes its proxy statement (DEF 14A) roughly 45 days before the AGM; Rule 14a-16 requires notice of the proxy materials at least 40 calendar days before the meeting. In Stage (6), the AGM takes place, and voting results are disclosed within four business days on Form 8-K (Item 5.07), typically between April and June. Stages (4) through (6) are observable by financial markets. SEC decisions almost always precede ballot announcements: an earlier AGM implies an earlier proxy filing, which moves the 80-day No-Action deadline, and hence the SEC's decision date, earlier as well.

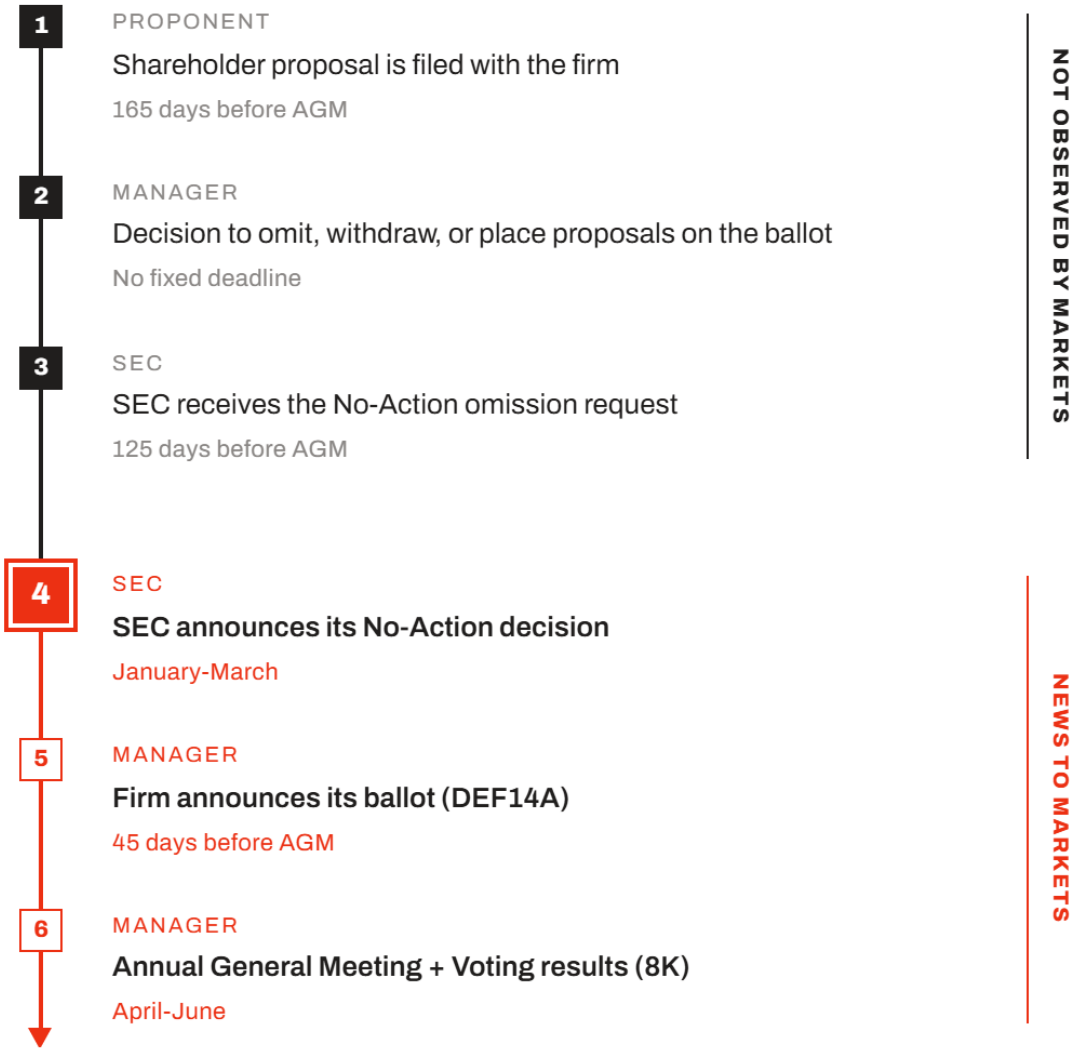


Figure 2: Illustration of SEC Official Leniency Design

Figure 2 illustrates the leniency design applied to SEC officials. Both panels plot the distribution of omission requests over the legal accuracy of the request, that is, the strength of the Rule 14a-8 grounds on which management asks the SEC to exclude a proposal. Each official grants requests whose legal accuracy exceeds the official's own threshold, in which case the proposal is omitted, and denies requests below it, in which case the proposal goes to the ballot. Officials differ in where this threshold lies. The strict official (top panel) applies a low threshold and omits every request above it; the lenient official (bottom panel) applies a high threshold and omits only requests above it. The two thresholds divide requests into three regions. Requests below the strict official's threshold go to the ballot under either official, and requests above the lenient official's threshold are omitted under either official; these requests provide no identifying variation. Requests between the two thresholds (shaded) are at the margin of ballot access. The strict official omits them, and the lenient official sends them to the ballot. Because the SEC randomly assigns omission requests to officials, the identity of the assigned official generates quasi-random variation in whether a marginal proposal reaches the ballot.

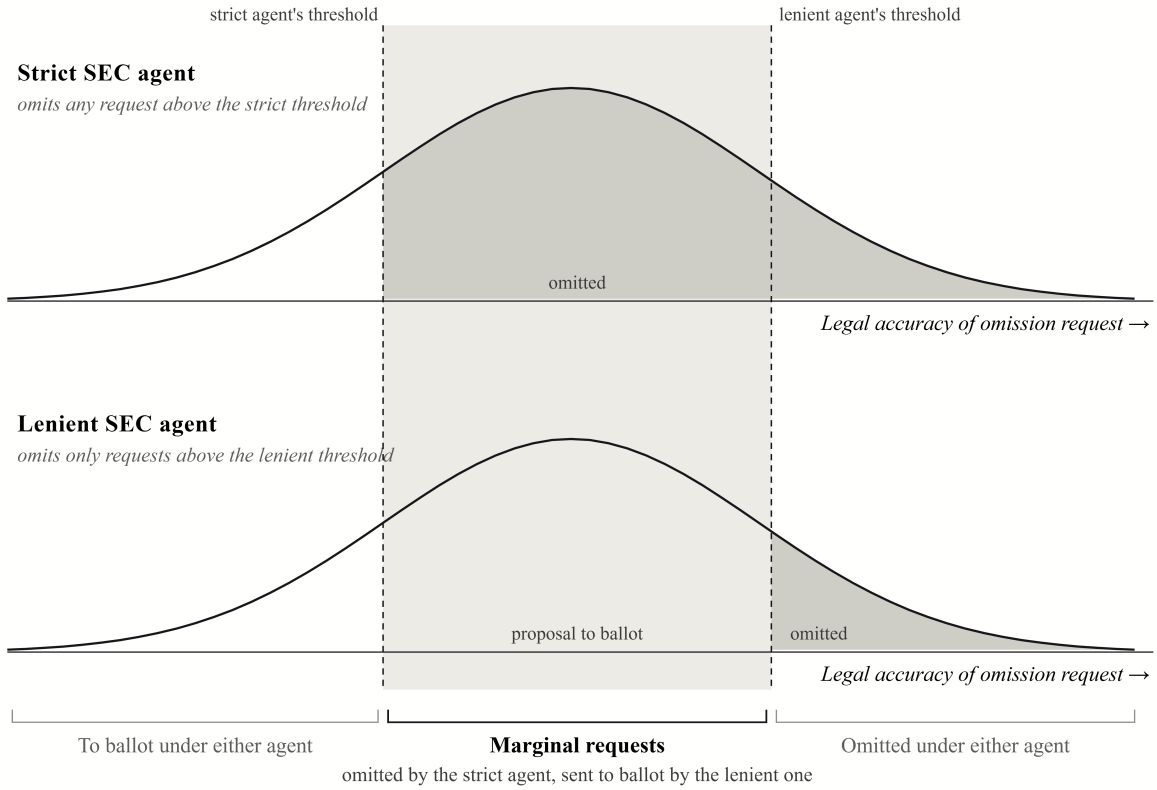


Figure 3: Propensity of SEC officials to Put Proposals to Ballot

Figure 3 plots the distribution of SEC official leniency across the 3,672 omission requests in our sample. Leniency is the leave-one-out mean of an official's prior decisions to place contested proposals on the ballot, residualized for procedural omission arguments and expressed in percent (Equations 2 and 3). Bars show the fraction of requests in each bin, and the solid line shows the kernel density. The distribution is wide. Officials at the 10th percentile place 23.6% of contested proposals on the ballot, and officials at the 90th percentile place 83.8%. This dispersion is the identifying variation of the design: because the SEC assigns requests to officials through a workload-based rotation, two identical requests face different probabilities of reaching the ballot depending only on which official decides them.

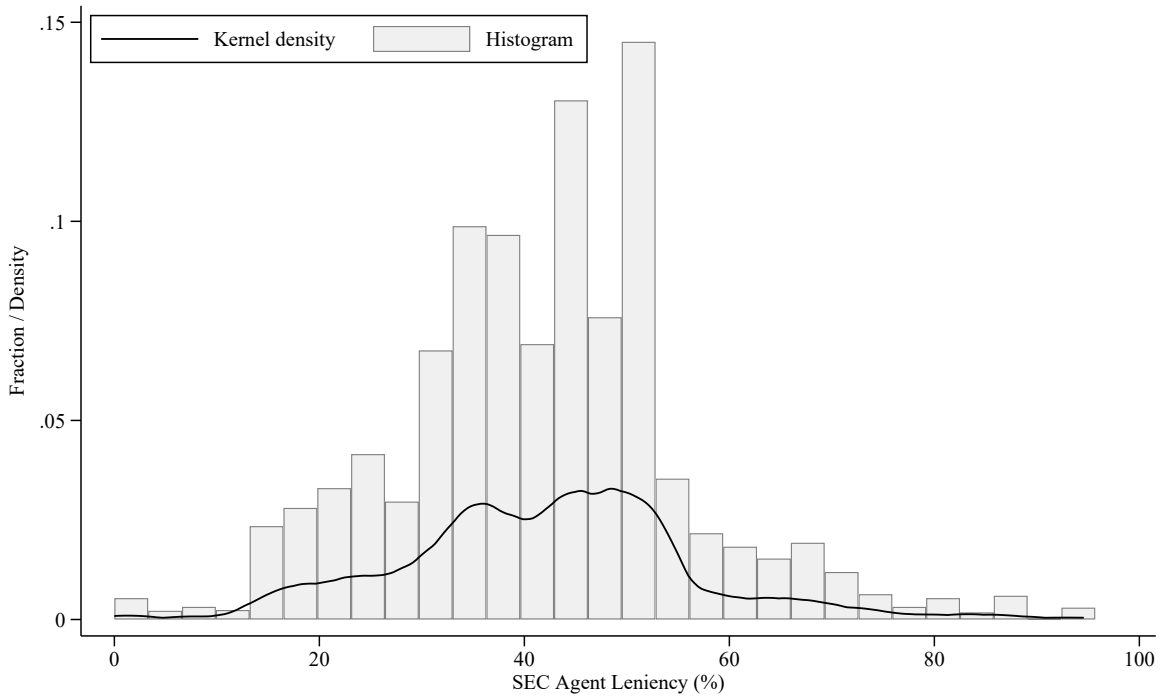


Figure 4: Instrument Validity: SEC Official Monotonicity

Figure 4 displays the Frandsen et al. (2023) monotonicity and exclusion restriction test. We fail to reject the test given the curve's smoothness, suggesting no violation of the exclusion and/or monotonicity assumptions underlying the leniency design. The flatness of the curve suggests no relationship between the financial performance implications of an official's average shareholder proposal and their likelihood to let the proposal go to a vote. We perform the test using the statistical package provided by Frandsen et al. (2023).

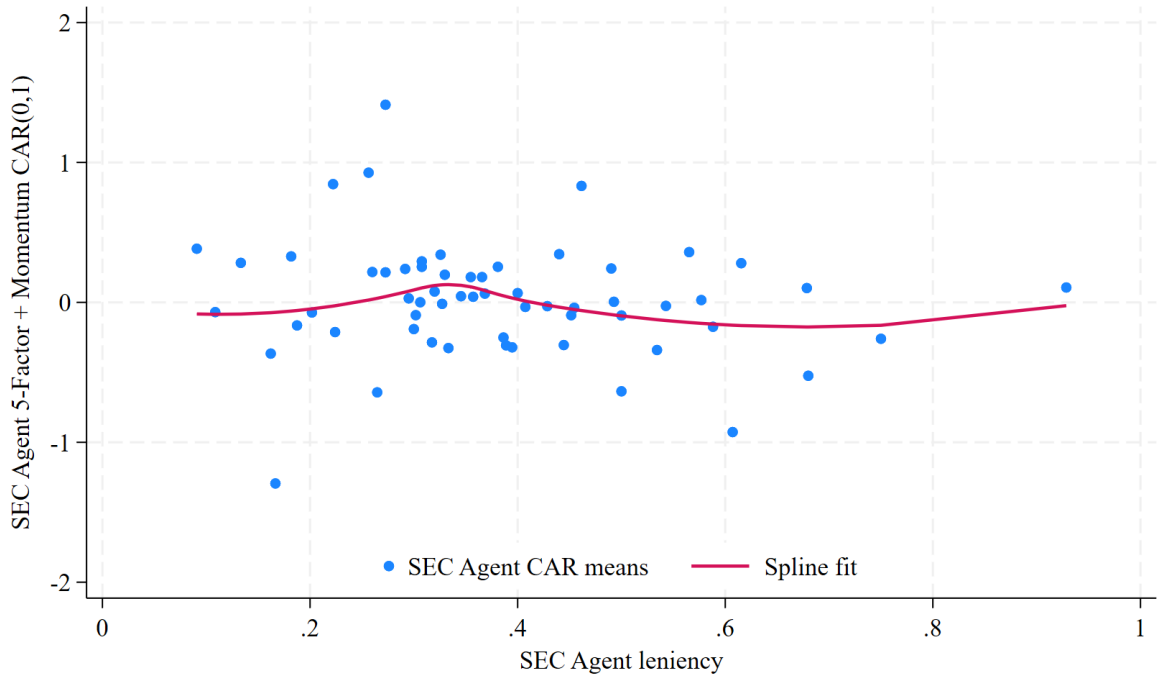
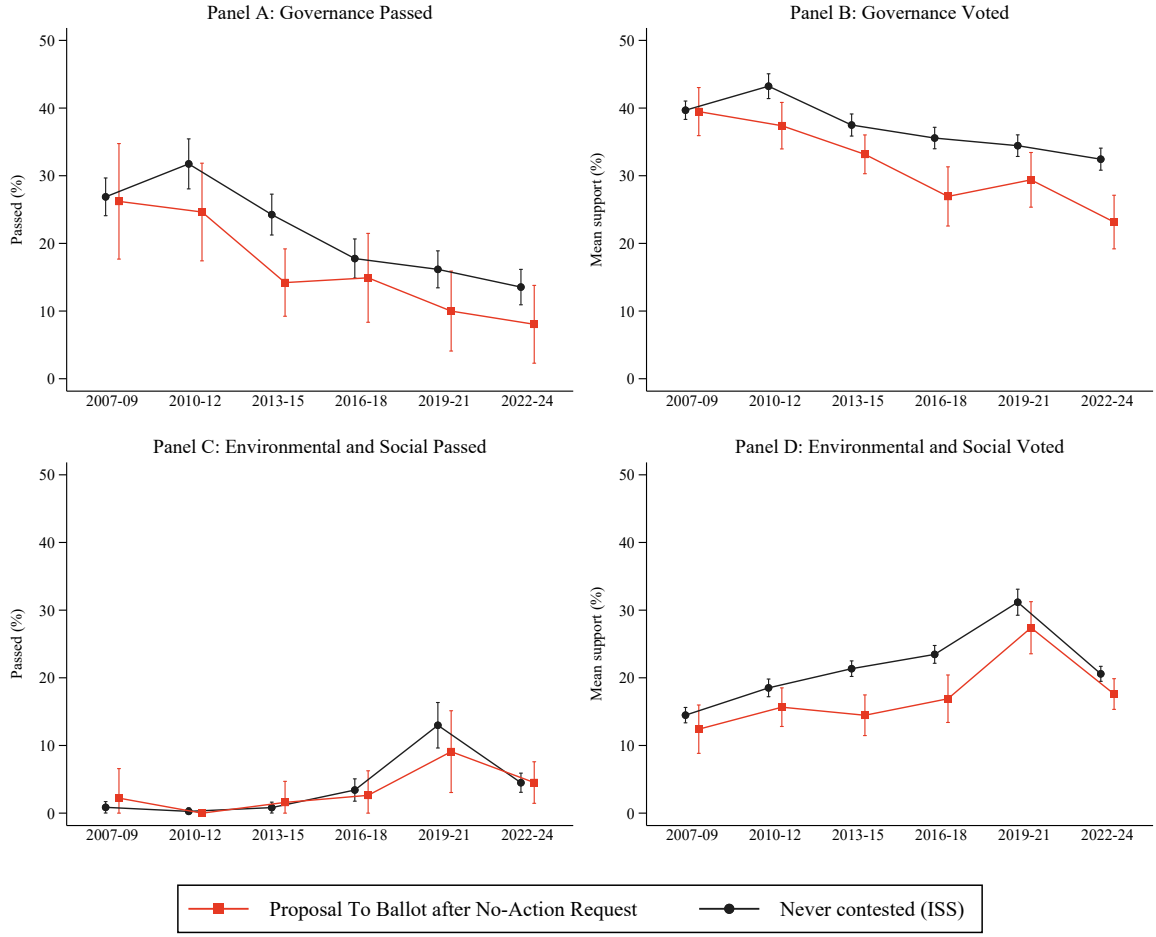


Figure 5: Ballot Support of Contested and Never-Contested Proposals over Time

Figure 5 displays the share of shareholder proposals that pass (Panels A and C) and their mean voting support (Panels B and D) in three-year periods from 2007 to 2024. Panels A and B report governance proposals, and Panels C and D report environmental and social proposals. The series labeled Proposal To Ballot after No-Action Request reports contested proposals that SEC officials place on the ballot after an omission No-Action request, from our hand-collected data. The series labeled Never contested reports proposals voted on in ISS Voting Analytics that management never contested at the SEC. The spikes report 95% confidence intervals.



Internet Appendix

Appendix A Theoretical Framework

A.1 Shareholder proposal implications on the firm

We formalize management's decision to contest investor intervention in light of termination risk, incentive pay, and private benefits of control. We study a representative firm with baseline cash flows CF_0, private benefits of control to managers A_0, and environmental and social externalities X_0. Firms' baseline private benefits of control A_0 involve manager perks and excess protection of future employment through entrenchment. Building on Grossman and Hart (1988) and Harris and Raviv (1988), we define the value of the firm as $F_0 \equiv CF_0 - A_0$, since A_0 extracts company resources.

The manager receives two choices when faced with a shareholder proposal. First, the manager can choose to remain passive and let the proposal be voted on at the ballot. This results in an exogenously given shock to firms' cash flows $\Delta CF \equiv CF_1 - CF_0$, private benefits of control $\Delta A \equiv A_1 - A_0$, and/or environmental and social externalities $\Delta X \equiv X_1 - X_0$.[7] It moves the firm outcomes from CF_0, A_0, and X_0 to CF_1, A_1, and X_1. Second, the manager can choose to contest the shareholder proposal and file for omission with the SEC. When successful, the firm remains in status quo (CF_0, A_0, and X_0).

A.2 Managerial Pay

Managers receive a wage that directly depends on firms' cash flows, private benefits of control, and externalities. The wage of management when the proposal is omitted (W_{omit}) or goes to the ballot (W_{ballot}) is depicted below in Equation 6. Pay has three constant manager-specific state variables: $\alpha, \beta,$ and γ. $\alpha \in (0,1)$ reflects managers' pay performance sensitivity: pay increases with improvements in the firm's cash flows (following Jensen and Murphy, 1990). $\beta \in (0,1)$ describes the efficiency with which management internalizes private benefits of control (following Shleifer and Wolfenzon, 2002). $\gamma \in [0,1)$ reflects the extent, if any, to which managers value the firm's externalities (following Bénabou and Tirole, 2010).[8]

$$W_{\text{omit}} \equiv \alpha \cdot CF_0 + \beta \cdot A_0 + \gamma \cdot X_0; \qquad W_{\text{ballot}} \equiv \alpha \cdot CF_1 + \beta \cdot A_1 + \gamma \cdot X_1 \tag{6}$$

[7] One implication of this setting is that proposals do not always destroy firm value when management takes more resources for private agency use; they do so only when the change in cash flows is smaller than the private benefits of control.

[8] As Bénabou and Tirole (2010), we remain agnostic on why managers value environmental and social externalities. They might have non-pecuniary preferences or benefit in pecuniary terms by meeting KPIs in bonus structures or amassing reputational capital or status.

A.3 Termination Risk and Shareholder Preferences

Shareholders may discipline management for contesting proposals that increase their utility. We define the expected change in shareholder utility when a proposal goes to the ballot in Equation 7 below. We assume there are two types of investors: conventional and socially responsible ones. Conventional investors value only the financial performance implications of the shareholder proposal (ΔF), whereas socially responsible investors ($\zeta \in [0,1]$) also value its externalities. For simplicity, we normalize the relative weight the fraction of socially responsible investors place on externalities to a linear function to express expected changes in shareholder utility.

$$\Delta U \equiv \Delta F + \zeta \Delta X = \Delta CF - \Delta A + \zeta \Delta X \tag{7}$$

Shareholders can initiate campaigns to fire management when the manager tries to omit a proposal that would improve investors' utility, in the spirit of Levit and Malenko (2011). In our setting, campaigns occur when $\Delta U > 0$. We define the likelihood of investors firing management ($Pr(Fired)$) in Equation 8 below. For simplicity, we assume that shareholders have a certain level of assertiveness to fire management that is constant and given by $\tau > 0$.[9] Managers are also exogenously entrenched in their positions and can be (partially) immune from the risk of being fired, given by $\theta \in [0,1)$ in the spirit of Stulz (1988).

$$Pr(Fired) \equiv \max\{0, \tau(1-\theta)(\Delta F + \zeta \Delta X)\} \tag{8}$$

The purpose of our study is to analyze management's decisions to contest shareholder proposals. We solely focus on shareholder proposals in which investors gain utility when the proposal goes to a vote, and seek to fire management when they file for omission. We narrow our model to this subset of proposals because the marginal proposal management seeks to contest is not among those for which contesting benefits investors.[10] In the presence of termination risk, we simplify the probability that management gets fired as:

$$Pr(Fired) = \tau(1-\theta)(\Delta F + \zeta \Delta X) \tag{9}$$

A.4 When Management Contests Shareholder Proposals

The manager faces two choices in handling a shareholder proposal: either remain passive and let it go to a vote, or contest it and file for omission with the SEC. When the manager puts the proposal to a vote, they receive the ballot wage W_{ballot}. When management chooses to file a No-Action omission request at the SEC, the SEC decides to grant omission with probability $\rho \in (0,1]$ or send the proposal to the ballot with probability $(1-\rho)$.

When the manager contests a proposal, they risk dismissal. This occurs regardless of

[9] Any monotonously increasing function would work, but be more analytically complex.

[10] We implicitly assume that managers face no discipline for failing to omit proposals that harm investor utility.

whether the SEC grants the omission request because they oppose a proposal that would increase investor utility. In equilibrium, management will contest a proposal when the private benefits of omitting it exceed the financial consequences associated with the risk of being fired. More formally, the manager decides to contest shareholder proposals when:

$$(1 - Pr(Fired)) * (\rho W_{\text{omit}} + (1-\rho) W_{\text{ballot}}) \geq W_{\text{ballot}} \tag{10}$$

Which rearranges to:

$$\frac{\rho(W_{omit} - W_{ballot})}{\rho(W_{omit} - W_{ballot}) + W_{ballot}} \geq Pr(fired) \tag{11}$$

Accordingly, the manager is indifferent between contesting the shareholder proposal and acquiescing to investor demands when:

$$\frac{\rho(W_{\text{omit}} - W_{\text{ballot}})}{W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})} = \tau(1-\theta)(\Delta CF - \Delta A + \zeta \Delta X) \tag{12}$$

A.5 Comparative statics

The upcoming subsections explain how the manager's marginal decision to contest a shareholder proposal varies with its financial performance implications, given the proposal's private benefits of control and externalities. We also address the moderating role of managerial entrenchment.

A.5.1 Private Benefits of Control

The manager requires more positive financial performance implications to contest a proposal that would reduce its private benefits of control. Equation 13 captures the first-order derivative of firm value with respect to private benefits of control. We arrive at this by applying Proof A1 to Equation 12. The agency benefit derivative is negative when management attains a higher wage when contesting as compared to when not contesting ($W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})$), management gets paid more when the firm increases in value ($\alpha > 0$), baseline compensation is positive (W_{omit}), and the executive is not 100% entrenched ($\theta < 1$). In other words, shareholder proposals that take away private benefits of control need to be more profitable for management to file for omission, all else equal. Without attaining a higher wage through pay performance sensitivity, the costs of control outweigh the private benefits, making it too high for the manager not to file for omission.

$$\frac{d\Delta F}{d\Delta A} = -\frac{\frac{\rho(\alpha+\beta)W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} < 0 \tag{13}$$

This comparative static yields plausible properties. First, it implies that managers with higher pay-performance sensitivities ($\uparrow \alpha$) contest shareholder proposals that reduce private

benefits of control with less positive firm value implications. Second, the larger the manager's status quo wage ($\uparrow W_{\text{omit}}$), the larger the financial performance effect must be for management to contest proposals that reduce private benefits of control, because the expected cost of being fired is higher. Third, the more effectively managers can benefit from using company resources ($\uparrow \beta$), the larger the financial performance effect must be for management to refrain from contesting proposals that reduce private benefits of control. Fourth, the more assertive shareholders are ($\uparrow \tau$), the larger the financial performance effect must be for management to contest proposals that reduce private benefits of control.

The above equation leads us to expect that the financial consequences of the marginal governance-related shareholder proposals will be positive. Governance shareholder proposals primarily focus on constraining private benefits of control, reducing ΔA. When proposals are relatively more costly for management, they require a substantially larger cash-flow effect to compensate for not omitting them. For this reason, we expect that the marginal governance proposal that management tries to omit is value-adding. This channel should be absent in environmental and social proposals, as we have no reason to assume it increases private benefits of control ($\Delta A \approx 0$).

A.5.2 Environmental and Social Externalities

Next, we study the trade-offs management faces regarding the firm-value implications of shareholder proposals and externalities. We rearrange Equation 12 using Proof A2 to get Equation 14. We find that the elasticity between the financial and externality consequences of shareholder proposals is negative when shareholders ($\zeta > 0$) or managers ($\gamma > 0$) value externalities, provided that managers are not fully entrenched ($\theta < 1$). In other words, management would contest shareholder proposals with positive externalities only when their financial implications are sufficiently negative.

$$\frac{d\Delta F}{d\Delta X} = -\frac{\zeta\tau(1-\theta) + \frac{\rho\gamma W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}} < 0 \tag{14}$$

This comparative static yields plausible properties. First, it implies that the higher the share of socially responsible investors ($\uparrow \zeta$), the more negative the financial performance should be for management to contest proposals with positive externalities. Second, the more the manager cares about externalities ($\uparrow \gamma$), the more negative the financial performance should be for management to contest proposals with positive externalities. Third, the more the manager cares about the firm's cash flows ($\uparrow \alpha$), the less negative the financial performance should be for management to contest proposals with positive externalities.

We expect the marginal environmental and social shareholder proposal to have negative financial implications. These proposals likely improve firms' externalities (e.g., by reducing pollution or treating workers better). Consequently, managers will only contest them when the

financial consequences are sufficiently negative that the cost of paying through performance sensitivity outweighs the increased likelihood of being fired imposed by socially responsible investors. We expect this channel to be absent for the marginal governance proposals whose main purpose is to reduce the private benefits of control.

A.5.3 Managerial Entrenchment

Next, we turn to the moderating role of managerial entrenchment in management's decision to contest shareholder proposals. Entrenchment mechanisms are a central part of modern corporate governance and enable management to protect their jobs. The extent to which management is subject to shareholder scrutiny plays an important role in their willingness to contest shareholder activism. Generally, managerial entrenchment is seen as a management protection device that is destructive to firm value (Gompers et al., 2003; Bebchuk et al., 2009). In our model, however, entrenchment has two sides.

On the one hand, managerial entrenchment exacerbates the relationship between private benefits of control and financial performance in shaping management's decisions to contest shareholder proposals. Equation 15 displays the partial derivative of Equation 13 with respect to the entrenchment parameter θ using the Proof A3. This partial derivative is negative, indicating that entrenched managers require even higher financial performance consequences to not contest proposals that reduce their private benefits of control.[11] In other words, by being protected, they act more in their own interests and promote private benefits of control over firm value. Accordingly, we expect the financial consequences of the marginal contested governance proposal by entrenched managers to be more positive than those of the proposal contested by less entrenched managers.

$$\frac{\partial}{\partial \theta}\left(\frac{d\Delta F}{d\Delta A}\right) = -\frac{\tau \frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}(\alpha+\beta)}{\left[\tau(1-\theta)+\alpha\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}\right]^2} < 0 \tag{15}$$

On the other hand, managerial entrenchment softens the relationship between externalities and financial performance in shaping management's decisions to contest shareholder proposals. Unlike for private benefits of control, managers refrain from contesting firm-value-destroying shareholder proposals that improve externalities under fear of being fired by socially responsible investors. When managers are more entrenched, they are less likely to be fired and are already more likely to push back on externality-improving proposals when the financial consequences are less negative. We highlight the mechanism behind this more formally in Equation 16, where we take the partial derivative of Equation 14 with respect to θ using Proof A4. The

[11] The negative sign naturally follows from the equation because we assume that there is positive investor assertiveness $\tau > 0$, a non-zero likelihood that the SEC grants the omission request $\rho > 0$, a positive omission wage $W_{\text{omit}} > 0$, and there are positive wage consequences for managers when the value of the firm or private benefits of control increase $\alpha + \beta > 0$.

partial derivative is positive when the pay-performance sensitivity of management multiplied by the share of socially responsible investors exceeds the wage increase associated with externalities.[12] With the original derivative being negative, the positive sign of the partial derivative relative to entrenchment moderates the financial implications of the marginal proposal.

$$\frac{\partial}{\partial\theta}\left(\frac{d\Delta F}{d\Delta X}\right)=\frac{\tau\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}(\alpha\zeta-\gamma)}{\left[\tau(1-\theta)+\alpha\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}\right]^2}>0 \tag{16}$$

A.6 Proof 1: Agency Benefits VS Financial Performance

We start at the indifference point where management is equally willing to contest a shareholder proposal as not to contest it, or:

$$\frac{\rho(W_{\text{omit}}-W_{\text{ballot}})}{W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})}=\tau(1-\theta)(\Delta CF-\Delta A+\zeta\Delta X) \tag{17}$$

For ease of comparison, let us define:

$$LHS\equiv\frac{\rho(W_{\text{omit}}-W_{\text{ballot}})}{W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})};\quad RHS\equiv\tau(1-\theta)(\Delta CF-\Delta A+\zeta\Delta X) \tag{18}$$

One can write the management wage when a proposal goes to a vote as the omission wage plus changes in cash flows, private benefits of control, and externalities, given the predefined sensitivities.

$$W_{\text{ballot}}=W_{\text{omit}}+\alpha\Delta CF+\beta\Delta A+\gamma\Delta X \tag{19}$$

This yields the following partial derivatives:

$$\frac{\partial W_{\text{ballot}}}{\partial\Delta CF}=\alpha;\quad \frac{\partial W_{\text{ballot}}}{\partial\Delta A}=\beta;\quad \frac{\partial(W_{\text{omit}}-W_{\text{ballot}})}{\partial\Delta CF}=-\alpha;\qquad \frac{\partial(W_{\text{omit}}-W_{\text{ballot}})}{\partial\Delta A}=-\beta \tag{20}$$

Differentiating the left-hand side with respect to ΔCF gives

$$\frac{\partial LHS}{\partial\Delta CF}=-\frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2} \tag{21}$$

[12] There is a corner solution where entrenchment amplifies the relationship between financial performance and externalities in management's choice to contest shareholder proposals. Such a scenario can occur when managerial compensation is more strongly linked to externalities than to firm value, or when the share of socially responsible investors is very small and managers exhibit non-pecuniary preferences. Mathematically, $\frac{\partial}{\partial\theta}\left(\frac{d\Delta F}{d\Delta X}\right)<0 \quad \text{if} \quad \alpha\zeta<\gamma$.

Similarly, differentiating the left-hand side with respect to ΔA gives

$$\frac{\partial LHS}{\partial \Delta A} = -\frac{\rho\beta W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2} \tag{22}$$

The corresponding derivatives of the right-hand side are

$$\frac{\partial RHS}{\partial \Delta CF} = \tau(1-\theta); \quad \frac{\partial RHS}{\partial \Delta A} = -\tau(1-\theta) \tag{23}$$

When LHS = RHS, you get the following derivative:

$$\frac{d\Delta CF}{d\Delta A} = \frac{\frac{\partial RHS}{\partial \Delta A} - \frac{\partial LHS}{\partial \Delta A}}{\frac{\partial LHS}{\partial \Delta CF} - \frac{\partial RHS}{\partial \Delta CF}} = \frac{-\tau(1-\theta) + \frac{\rho\beta W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{-\frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2} - \tau(1-\theta)} \tag{24}$$

Equivalently,

$$\frac{d\Delta CF}{d\Delta A} = \frac{\tau(1-\theta) - \frac{\rho\beta W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} \tag{25}$$

Since

$$\frac{d\Delta F}{d\Delta A} = \frac{d\Delta CF}{d\Delta A} - 1 \tag{26}$$

it follows that

$$\frac{d\Delta F}{d\Delta A} = \frac{\tau(1-\theta) - \frac{\rho\beta W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} - 1 = -\frac{\frac{\rho(\alpha+\beta) W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho\alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} \tag{27}$$

A.7 Proof 2: Externalities VS Financial Performance

We start the proof on externalities by noting that: $\Delta CF = \Delta F + \Delta A$. Accordingly, we can write the ballot wage as:

$$W_{\text{ballot}} = W_{\text{omit}} + \alpha(\Delta F + \Delta A) + \beta\Delta A + \gamma\Delta X = W_{\text{omit}} + \alpha\Delta F + (\alpha+\beta)\Delta A + \gamma\Delta X \tag{28}$$

Using the above, you get the following partial derivatives:

$$\frac{\partial W_{\text{ballot}}}{\partial \Delta F} = \alpha; \quad \frac{\partial W_{\text{ballot}}}{\partial \Delta X} = \gamma; \quad \frac{\partial (W_{\text{omit}} - W_{\text{ballot}})}{\partial \Delta F} = -\alpha; \quad \frac{\partial (W_{\text{omit}} - W_{\text{ballot}})}{\partial \Delta X} = -\gamma \tag{29}$$

As with the change in private benefits of control, we again define the left-hand side and

right-hand side of Equation 12 as:

$$LHS \equiv \frac{\rho(W_{\text{omit}} - W_{\text{ballot}})}{W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})}; \quad RHS \equiv \tau(1-\theta)(\Delta F + \zeta \Delta X) \tag{30}$$

Differentiating the left-hand side with respect to ΔF gives

$$\frac{\partial LHS}{\partial \Delta F} = -\frac{\rho \alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2} \tag{31}$$

Similarly, differentiating the left-hand side with respect to ΔX gives

$$\frac{\partial LHS}{\partial \Delta X} = -\frac{\rho \gamma W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2} \tag{32}$$

The corresponding derivatives of the right-hand side are

$$\frac{\partial RHS}{\partial \Delta F} = \tau(1-\theta); \quad \frac{\partial RHS}{\partial \Delta X} = \zeta \tau(1-\theta) \tag{33}$$

When managers are indifferent, the left-hand side is equal to the right-hand side, yielding the following derivative:

$$\frac{\partial \Delta F}{\partial \Delta X} = \frac{\frac{\partial LHS}{\partial \Delta X} - \frac{\partial RHS}{\partial \Delta X}}{\frac{\partial RHS}{\partial \Delta F} - \frac{\partial LHS}{\partial \Delta F}} = -\frac{\zeta \tau(1-\theta) + \frac{\rho \gamma W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho \alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} \tag{34}$$

A.8 Proof 3: Agency Benefits and Entrenchment

We start the proof by reiterating the first-order derivative of firm value relative to the private benefits of control.

$$\frac{d\Delta F}{d\Delta A} = -\frac{\frac{\rho(\alpha+\beta) W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}}{\tau(1-\theta) + \frac{\rho \alpha W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}} < 0 \tag{35}$$

For mathematical tractability, let us define K, simplifying the derivative.

$$K \equiv \frac{\rho W_{\text{omit}}}{[W_{\text{ballot}} + \rho(W_{\text{omit}} - W_{\text{ballot}})]^2}; \quad \frac{d\Delta F}{d\Delta A} = -\frac{(\alpha+\beta)K}{\tau(1-\theta) + \alpha K} \tag{36}$$

We then take the partial derivative relative to managerial entrenchment and apply the quotient rule.

$$\frac{\partial}{\partial \theta}\left(\frac{d\Delta F}{d\Delta A}\right) = \frac{\partial}{\partial \theta}\left[-\frac{(\alpha+\beta)K}{\tau(1-\theta) + \alpha K}\right] = -\frac{[0]\,[\tau(1-\theta) + \alpha K] - [(\alpha+\beta)K]\,[-\tau]}{[\tau(1-\theta) + \alpha K]^2} \tag{37}$$

$$= -\frac{\tau(\alpha+\beta)K}{[\tau(1-\theta) + \alpha K]^2} = -\frac{\tau K(\alpha+\beta)}{[\tau(1-\theta) + \alpha K]^2} \tag{38}$$

Substituting back for K, we obtain:

$$\frac{\partial}{\partial\theta}\left(\frac{d\Delta F}{d\Delta A}\right) = -\frac{\tau\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}(\alpha+\beta)}{\left[\tau(1-\theta)+\alpha\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}\right]^2} \tag{39}$$

A.9 Proof 4: Externalities and Managerial Entrenchment

We start the proof by reiterating the first-order derivative of firm value relative to externalities.

$$\frac{\partial}{\partial\theta}\left(\frac{d\Delta F}{d\Delta X}\right) = \frac{\tau\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}(\alpha\zeta-\gamma)}{\left[\tau(1-\theta)+\alpha\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}\right]^2} > 0 \tag{40}$$

For mathematical tractability, let us again define K and simplify the derivative.

$$K \equiv \frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}; \quad \frac{d\Delta F}{d\Delta X} = -\frac{\zeta\tau(1-\theta)+\gamma K}{\tau(1-\theta)+\alpha K} \tag{41}$$

We then take the partial derivative relative to managerial entrenchment and again apply the quotient rule and simplify.

$$\frac{\partial}{\partial\theta}\left(\frac{d\Delta F}{d\Delta X}\right) = \frac{\partial}{\partial\theta}\left[-\frac{\zeta\tau(1-\theta)+\gamma K}{\tau(1-\theta)+\alpha K}\right] \tag{42}$$

$$= -\frac{[-\zeta\tau][\tau(1-\theta)+\alpha K]-[\zeta\tau(1-\theta)+\gamma K][-\tau]}{[\tau(1-\theta)+\alpha K]^2} \tag{43}$$

$$= -\frac{-\zeta\tau[\tau(1-\theta)+\alpha K]+\tau[\zeta\tau(1-\theta)+\gamma K]}{[\tau(1-\theta)+\alpha K]^2} \tag{44}$$

$$= -\frac{-\zeta\tau^2(1-\theta)-\alpha\zeta\tau K+\zeta\tau^2(1-\theta)+\gamma\tau K}{[\tau(1-\theta)+\alpha K]^2} \tag{45}$$

$$= -\frac{-\alpha\zeta\tau K+\gamma\tau K}{[\tau(1-\theta)+\alpha K]^2} \tag{46}$$

$$= \frac{\alpha\zeta\tau K-\gamma\tau K}{[\tau(1-\theta)+\alpha K]^2} \tag{47}$$

$$= \frac{\tau K(\alpha\zeta-\gamma)}{[\tau(1-\theta)+\alpha K]^2} \tag{48}$$

Substituting back for K, we obtain:

$$\frac{\partial}{\partial \theta}\left(\frac{d\Delta F}{d\Delta X}\right) = \frac{\tau \frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}(\alpha\zeta-\gamma)}{\left[\tau(1-\theta)+\alpha\frac{\rho W_{\text{omit}}}{[W_{\text{ballot}}+\rho(W_{\text{omit}}-W_{\text{ballot}})]^2}\right]^2} \tag{49}$$

Appendix B Gemini Prompts for Classification

In this Appendix, we disclose all Gemini prompts used in the paper. We use Gemini to classify shareholder proposals.

Unlike ISS, we have collected and will publicly provide, upon publication of this study, the shareholder proposal and supporting statement text. We classify these proposals in several dimensions before analyzing them in this study. We classify each shareholder proposal using Gemini 2.0 Flash, Google CoLabs, and a Python async multiprocessing program.

B.1 Proposal Topic

First, we collect the topic of the shareholder proposal. For this classification, we use only the shareholder proposal, not the supporting statement, because the shareholder proposal component will be voted on by investors and potentially adopted by firms, whereas the supporting statement provides information to investors and is sometimes not directly related to the proposal itself. We ask Gemini the following **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. Here is the proposal of a shareholder proposal: *ShareholderProposalText*. Please classify the shareholder proposal with topics from this list: *TopicList*. Provide a secondary topic if there is absolutely no way the proposal content can be explained by one topic. Never report more than two topics. Never report two topics from the same category. These categories are indicated with their first letter E, S, and G. Report only the topic code(s), separated by commas in the exceptional case where there is more than one topic. Report nothing else."

We feed in this *TopicList*: E1: Climate Risk Management, E2: GHG Emissions and Policy, E3: Biodiversity, E4: Energy Management, E5: Pollution, E6: Product Lifecycle Management, E7: Raw Material Sourcing, E8: Water and Wastewater Management, E9: Hazardous Waste and Waste Management and Recycling, E10: Green Buildings, S11: Community Relations, S12: Labor Practices and Living Wage and retirement, S13: Employee Engagement and Diversity and Inclusion, S14: Occupational Safety, S15: Access to Healthcare, S16: Responsible Marketing, S17: Supply Chain Management, S18: Customer Privacy, S19: Human Rights (non-weapon related), S20: Human Capital Development, S21: Product Quality and Safety, S22: Customer Relationship Management, S23: Animal Welfare, S44: Worker Representation on Board, G24: board compensation, G25: managerial compensation (executive non-termination), G26: board nomination and proxy access (can be combined with S13 if related to woman on board), G27: board voting, G28: special shareholder meeting, G29: board independence, G30: lobbying and public policy, G31: dividends and buybacks, G32: managerial termination payments (golden parachutes), G33: shareholder proposal voting rights, G34: charitable donations, G35: managerial and executive expenses, G36: company liquidation and divestures and spin-offs and liquidation of operations, G37: Acquire or merge with another company (M&A), G38: shareholder approval bylaws amendments, G39: poison pill, G40: ac-

counting practices, E43: miscellaneous environmental, S42: miscellaneous social, G41: miscellaneous governance

B.2 Proposal demand

Second, we classify proposals by the investor demand. We adopt 4 types of demands: reporting, policies, targets, and performance. We perform prompts for each demand type separately to improve accuracy. To prevent overfitting, we explicitly told Gemini that there is only one demand. Oftentimes, shareholders mask targets or performance as reporting or policies to not be omitted from the ballot under the ordinary business clause. We wrote the prompt so it could capture these instances.

Prompt Report: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify whether the firm is requested to report on something. Reporting means that the firm is asked to provide information to its shareholders on a certain topic. For instance, reporting on employee living wages, reporting on carbon emissions, or reporting on board compensation. Reporting does not mean to impose a policy. Reporting does not mean setting a target. Reporting does not require direct performance improvements. Reporting does not require changes in firm behavior. Only answer yes if you are certain the following shareholder proposal asks the firm to report on something. Answer only yes or no without further explanation."

Prompt Policy: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify this proposal as policy when it requests a new policy or policy change. A policy can be a set of guidelines. A policy could be setting guidelines for paying workers a living wage, adopting a policy on renewable energy use, or curbing excess board compensation, for instance. Policies do not require reporting. Policies do not set a target. A policy does not require direct performance improvements or immediate changes in firm actions. Only answer yes if you are certain the following shareholder proposal contains a policy. Answer only yes or no without further explanation."

Prompt target: "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify whether the demand is a target. A target means the firm is asked to set explicit goals or targets on a specific topic within a given timeline. For instance, pay 50% of workers a living wage in 2030, attain net zero carbon emissions by 2050, or have CEO remuneration less than 50 times the median worker by 2030. A target always has a target date by which the firm should achieve the goal or target. Only answer yes if you are certain the following shareholder proposal contains a target. Answer only yes or no without further explanation."

Prompt Performance: "Do not impute data. Do not hallucinate. Do not create informa-

tion. The following text is a shareholder proposal: *ProposalText*. The proposal contains one main demand. Classify whether it asks for immediate improvements in a certain outcome or performance. Performance means the firm is supposed to immediately change an outcome on a certain topic. For instance, increase worker pay by 20%, stop using a polluting chemical, or reduce CEO remuneration. Since these are immediate performance changes, there should not be a target date. Answer 'yes' if the following shareholder proposal contains a performance demand for a specific outcome. Answer only yes or no without further explanation."

B.3 Proposal specificity

Third, we collected proposal specificity. We operationalized this as the extent of information provided in the proposal. Specifically, we asked Gemini to minimize the text while preserving as much information as possible. We then compute the share of the remaining words over the original words. The higher the share, the more information the shareholder provides and the less fluffy the text. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ShareholderProposal*. Remove all redundant text from this proposal. Do not alter the proposal's content. Retain as much factual information as you can from the original proposal. Do not insert markers. Report everything as one paragraph of text under any condition. Do not use bullet points. Do not explain or justify what you did. The output should be the shareholder proposal without redundant text and nothing else."

B.4 No Demands

In rare cases, some proposals lack a clear demand to be voted on by investors. For instance, labor unions often argue that workers earn a low wage, without specifying whether they want the CEO to take a pay cut or workers to receive higher pay. We detect such instances using the following prompt. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. The following text is a shareholder proposal: *ShareholderProposal*. Shareholder proposals usually contain a request, a demand, or a suggested action. In rare cases, proponents of the shareholder proposal just make statements that do not contain any request, demand, or suggested action. If there is only a statement but no request, demand or suggest action, the output should be a no. If it contains a request, demand, or suggest action, the output should be yes. Answer yes or no only."

B.5 Subtractions

Last, we consider the proposal direction. Not all proposals on a given topic requesting a given demand want to add it. In recent years, there has been a pushback on certain environmental and social issues. For example, some activist groups, such as the National Center for Public

Policy Research, seek to remove carbon-reduction or DEI initiatives. We separately assess the direction of environmental, social, and governance proposals. For environmental proposals, we ask whether the firm wants to aid (subtract=0) or harm (subtract =1) the environment, using the following prompt. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might harm or improve the environment. If it harms the environmental issues, write subtract. Else, write add. Examples of proposals that harm the environment are: 1) remove emissions targets, 2) request to emit more, 3) request to use oil and gas, and 4) stop climate change activities. Do not provide an explanation. Only answer add or subtract."

For social issues, we use a similar prompt, assigning 0 if it aids the social dimension and 1 if it harms it. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might harm or improve social issues. If it harms social issues, write subtract. Else, write add. Examples of harmful proposals are: 1) ignore diversity, equity, and inclusion, 2) stop reporting on human rights, 3) reduce wages for non-executive workers, and 4) stop community programs. Do not provide an explanation. Only answer add or subtract."

For corporate governance, we classify subtracting proposals as those that reduce corporate governance stringency and increase managerial freedom. We cannot simply check whether a corporate governance provision is removed or added. To illustrate, removing a golden parachute reduces managerial freedom, whereas removing investor voting power relaxes it. We provide some examples in the prompt to ensure the algorithm accurately captures them. **Prompt:** "Do not impute data. Do not hallucinate. Do not create information. This is a shareholder proposal: *ShareholderProposal*. It might add or subtract shareholder rights. If it harms shareholder rights, write subtract. Else, write add. Proposals are adopted if they support/increase shareholder rights. For instance, removing supermajority voting thresholds or reducing executive compensation would be adopted rather than subtracted. preventing CEOs from working for other companies is added. Preventing the private membership costs of board members or executives is added. Demands to reduce executive or board compensation count as an add. Demands to incorporate simple majority votes that were previously supermajority votes count as additional. Preventing named executive officers or board members from serving on other boards or having additional jobs counts as an addition. Do not provide an explanation. Only answer add or subtract."

Appendix C Construction and Validation of the UJIVE Instrument

In the paper, we adopt UJIVE rather than JIVE and correct official leniency for procedural omission requests. SEC officials retain broad discretion over omission requests in nearly all settings (Corporate Counsel, 2012). Procedural omission requests are the exception. When management shows that the proponent filed too late, failed to prove ownership, filed multiple proposals, or missed a prior annual meeting, officials must side with the firm. Procedural mistakes may also reflect the care with which proponents prepare proposals, and this care may relate to the proposals' financial implications. Uncorrected leniency would then load on variation that lies outside official discretion and correlates with financial outcomes. We detail the correction below and show that it removes this loading.

We restate the construction of the instrument. Equation 50 residualizes the probability that proposal i goes to the ballot, PTB_i, with respect to procedural omission requests P_i and SEC official fixed effects $\gamma_{j(i)}$. The indicator variable P_i contains indicators for the four procedural grounds under Rule 14a-8. The four grounds cover insufficient evidence of share ownership under Rule 14a-8(b), multiple proposals by the same proponent in the same proxy season under Rule 14a-8(c), late filing under Rule 14a-8(e), and absence at the prior annual meeting under Rule 14a-8(h)(3). Equation 51 constructs SEC official leniency $\rho_{j(i)}$ as the leave-one-out mean of the official's adjusted prior decisions, where $n_{j(i)}$ denotes the number of proposals the official has handled up to proposal i and k indexes those proposals.

$$PTB_i = \gamma_{j(i)} + P_i\psi + u_i \tag{50}$$

$$\rho_{j(i)} = \frac{1}{n_{j(i)} - 1} \sum_{k=1}^{n_{j(i)}-1} (PTB_k - P_k\hat{\psi}) \tag{51}$$

Table C1 quantifies the mechanical relationship between official leniency and procedural omission requests. We regress an indicator equal to one when the omission request invokes at least one of the four procedural grounds on SEC official leniency. Column (1) uses the unadjusted JIVE leniency measure. Column (2) uses the UJIVE measure from Equation 51. The coefficient shrinks from -0.022 to -0.012. The correction targets only the mechanical variation, so the UJIVE coefficient need not equal zero.

Table C2 shows what the correction changes. The table repeats the balance test of Table 2 with the two leniency measures as dependent variables. Column (1) regresses JIVE leniency on the 23 proposal characteristics, and Column (2) regresses UJIVE leniency on the same characteristics. Both regressions include year fixed effects. The joint tests reject neither measure, with F-statistics of 1.00 and 0.82. The procedural grounds are the exception. Requests invoking procedural grounds carry 2.46 percentage points lower JIVE leniency, significant at the 1% level. The correction reduces the coefficient to 1.3 percentage points, insignificant even at the 10%

level, and moves the remaining coefficients by less than one percentage point. Procedural requests are the one channel through which proposal characteristics load on official leniency. The correction removes the mechanical part of this loading. We therefore adopt a UJIVE approach throughout the paper.

We replicate the main financial performance finding using the unadjusted JIVE instrument. Table C3 reports the results. The average financial implications of shareholder proposals at the margin of ballot access are -1.016%, -0.348%, and -2.195% for the full sample, governance proposals, and environmental & social proposals, respectively. The estimates are less negative than the baseline estimates but remain of similar magnitude and are equally statistically significant in the 5-Factor plus momentum model. In short, while the bias from not correcting for procedural omission requests is not large enough to sway our findings, we remove it in every specification regardless for empirical correctness.

Table C1: Procedural Proposals and UJIVE

Table C1 provides evidence that the UJIVE procedure removes the mechanical relationship between the JIVE estimate and proposals that are procedurally wrong. Coefficients need not be zero in the UJIVE regression, as only the *mechanical* variation is removed, not all variation. This mechanical variation could have induced a positive selection bias and has now been removed. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

	(1)	(2)
Variables	JIVE SEC Official Leniency	UJIVE SEC Official Leniency
Omission Attempt Procedural	-0.022***	-0.012***
	(0.005)	(0.005)
Observations	3,672	3,672
Adjusted R-squared	0.004	0.001

Table C2: Proposal Characteristics and JIVE versus UJIVE Leniency

Table C2 repeats the balance test of Table 2 with the two leniency measures as dependent variables, both multiplied by 100. Column (1) uses the unadjusted JIVE leniency measure. Column (2) uses the UJIVE measure from Equation 51. The 23 characteristics aggregate the 91 controls of Table 1 as in Table 2. Both regressions include year fixed effects. The joint F-statistic tests the null hypothesis that the coefficients on all listed characteristics equal zero. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively

	(1)	(2)
Variables	JIVE SEC official leniency	UJIVE SEC official leniency
Total Environmental & Social	-0.212	-0.393
	(0.987)	(0.911)
Total Governance	-0.402	-0.385
	(1.002)	(0.910)
Reporting	0.472	0.327
	(0.760)	(0.718)
Policy	-0.067	0.021
	(0.592)	(0.562)
Target	-1.589	-1.018
	(1.568)	(1.462)
Performance	0.283	0.388
	(0.803)	(0.734)
Subtract	0.126	0.180
	(1.234)	(1.201)
Procedural grounds (b), (c), (e), (h)(3)	**-2.456*** **	**-1.311**
	(0.902)	(0.807)
Legality grounds (i)(1) to (i)(3)	1.356	0.976
	(0.951)	(0.879)
Relevance grounds (i)(4) to (i)(6)	1.147	0.806
	(1.118)	(1.015)
Management-function grounds (i)(7) and (i)(8)	-0.196	-0.338
	(0.864)	(0.771)
Redundancy grounds (i)(9) to (i)(13)	-0.469	-0.705
	(0.834)	(0.791)
Number of omission arguments	0.241	0.291
	(0.614)	(0.558)
Company law firm	0.211	0.288
	(0.552)	(0.518)
Proponent law firm	1.760*	1.647*
	(0.933)	(0.873)
Institutional investor	-0.410	-0.164
	(0.837)	(0.795)
SRI fund	-1.009	-0.942
	(1.103)	(1.118)
Union, religious, NGO, activist	0.339	0.176
	(0.680)	(0.641)
Individual	0.233	0.252
	(0.294)	(0.273)
Number of sources	0.010	0.037
	(0.078)	(0.075)
Specificity %	-1.071	-0.775
	(1.721)	(1.622)
Number of written communications	-0.143	-0.124
	(0.112)	(0.099)
Reconsideration	0.707	-0.169
	(2.270)	(2.234)
Constant	36.202***	42.280***
	(1.973)	(1.839)
Joint F-statistic	1.00	0.82
Joint p-value	0.462	0.699
Observations	3,672	3,672

Table C3: Financial Consequences of Contesting Shareholder Proposals using JIVE

Table C3 replicates the 2SLS analysis of Tables 6 to 8 using the unadjusted JIVE instrument instead of the UJIVE instrument. Panel A reports all proposals, Panel B governance proposals, and Panel C environmental and social proposals. The dependent variable is the cumulative abnormal return on the day of and the day after the No-Action decision. Abnormal returns are computed using the CAPM in Column (1), the Fama and French (1993) 3-Factor model in Column (2), the 3-Factor model with a Carhart (1997) momentum factor in Column (3), the Fama and French (2015) 5-Factor model in Column (4), and the 5-Factor model with a momentum factor in Column (5). PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)) in both the first and the second stage. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
Panel A: JIVE – All proposals					
PTB	-1.039**	-0.916**	-1.293***	-0.639	-1.016**
	(0.440)	(0.438)	(0.448)	(0.431)	(0.438)
Constant	0.479**	0.425**	0.589***	0.314	0.461**
	(0.200)	(0.199)	(0.204)	(0.196)	(0.199)
Observations	3,456	3,456	3,456	3,456	3,456
Panel B: JIVE – Governance proposals					
PTB	-0.402	-0.291	-0.605	0.112	-0.348
	(0.539)	(0.541)	(0.543)	(0.543)	(0.542)
Constant	0.179	0.122	0.250	-0.037	0.120
	(0.248)	(0.248)	(0.249)	(0.250)	(0.249)
Observations	2,038	2,033	2,032	2,031	2,033
Panel C: JIVE – Environmental and social proposals					
PTB	-2.197***	-1.992**	-2.486***	-1.932**	-2.195***
	(0.794)	(0.775)	(0.825)	(0.754)	(0.784)
Constant	0.999***	0.926***	1.151***	0.900***	1.032***
	(0.353)	(0.348)	(0.370)	(0.337)	(0.352)
Observations	1,413	1,418	1,419	1,420	1,418

Appendix D Robustness: Confounding Firm-Specific News

Firms may release earnings, M&A, or analyst news on the day of or the day after the No-Action decision. Such news adds noise to the announcement return and biases the leniency estimate only when its timing relates to the assigned SEC official, for instance when management times disclosures to the decision. Table D1 shows that the financial implications of shareholder proposals at the margin of ballot access persist when we exclude proposals with news in the event window.

We flag quarterly earnings announcements from Compustat, M&A announcements from SDC, and analyst EPS forecast revisions from I/B/E/S that fall between the close of trading day -2 and the close of trading day $+1$ around the decision (the -1,1 window). We match news to the CRSP firm of the abnormal return through the CRSP–Compustat link valid on the decision date, and all 3,456 proposals of Table 6 match. Of these proposals, 3.6% coincide with an earnings announcement, 7.8% with an M&A announcement, 28.7% with an analyst forecast revision, and 36.0% with at least one of the three. Column (1) repeats the main specification, Columns (2) to (4) drop proposals with each news type, and Column (5) drops proposals with any of the three. Every proposal in Columns (2) to (5) also appears in Column (1), so the estimates are positively correlated. We therefore test equality across columns in one stacked 2SLS regression, fully interacted by column and clustered by proposal, and report a common coefficient on ballot access across Columns (2) to (5) from a second stacked regression with column-specific intercepts and first stages.

All contested proposals that reach the ballot earn -1.191% in the main specification and -1.143%, -1.351%, -0.917%, and -1.234% after excluding proposals with earnings, M&A, analyst revision, and any of the three types of news. Columns (2), (3), and (5) are significant at the 5% level. Column (4) is not significant, with a standard error of 0.554, after removing the 29% of proposals with an analyst revision. No column differs from Column (1), with p-values between 0.23 and 0.90, and the joint test yields $p = 0.31$. The common estimate across Columns (2) to (5) equals -1.165% (0.504), significant at the 5% level.

Governance proposals yield insignificant estimates between -0.545% and 0.053% in every column and a common estimate of -0.314% (0.572). Environmental and social proposals earn -2.561% in the main specification and -2.281%, -2.900%, -3.453%, and -3.595% after the exclusions, each significant at the 5% level, and a common estimate of -2.888% (1.078). The first-stage F-statistic falls to 18.2 and 16.0 in Columns (4) and (5), and the standard errors of 1.501 and 1.622 are 1.7 to 1.9 times those of Column (1). No column differs from Column (1) in either subsample. OLS estimates, not reported, are insignificant in every column and panel. The negative returns to all and to environmental and social proposals are therefore not driven by earnings, M&A, or analyst news released around the No-Action decision, and governance proposals remain insignificant under every exclusion.

Table D1: Financial Consequences of Contested Shareholder Proposals Excluding Confounding Firm-Specific News

Table D1 re-estimates the leniency design of Table 6 Panel A after excluding proposals whose firm released other news around the No-Action decision. The dependent variable is the cumulative abnormal return of the firm on the day of and the day after the publication of the No-Action decision, estimated with the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor. PTB equals one when the SEC official places the contested proposal on the ballot and zero when the official permits the firm to omit it, and is instrumented with SEC official leniency. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)) in both the first and the second stage. Column (1) reports the main specification. Columns (2) to (4) drop proposals whose firm released a quarterly earnings announcement from Compustat, an M&A announcement from SDC as target, acquirer, or parent of either, or an analyst EPS forecast revision from I/B/E/S between the close of trading day -2 and the close of trading day $+1$ around the decision. A revision is a new fiscal-year-one estimate by the same analyst for the same fiscal period at a different value than that analyst's previous estimate. Column (5) drops proposals with any of the three. News is matched to the CRSP firm of the abnormal return through the CRSP–Compustat link valid on the decision date. Panel A reports all proposals, Panel B governance proposals without environmental or social content, and Panel C proposals with environmental or social content. Coefficients and robust standard errors in parentheses come from separate regressions. Every proposal in Columns (2) to (5) also appears in Column (1), so the estimates are correlated. The Wald and joint tests therefore come from one stacked 2SLS regression of Columns (1) to (5), fully interacted by column and clustered by proposal, whose coefficients equal the separate estimates. The pooled PTB row reports one common PTB coefficient across Columns (2) to (5) from a stacked 2SLS regression with column-specific intercepts, procedural-grounds coefficients, and first stages, clustered by proposal. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Excluded news	None	Earnings	M&A	Analyst revisions	Any
Variables	(1)	(2)	(3)	(4)	(5)
Panel A: All proposals					
PTB	-1.191**	-1.143**	-1.351***	-0.917*	-1.234**
	(0.471)	(0.471)	(0.510)	(0.554)	(0.601)
Wald test: equal to Column (1), *p*-value		0.688	0.234	0.289	0.898
Joint test: Columns (2) to (5) equal to Column (1), *p*-value				0.305	
Pooled PTB, Columns (2) to (5)				-1.165** (0.504)	
Observations	3,456	3,330	3,187	2,463	2,211
First-stage F-statistic	126.9	123.2	110.4	95.8	82.7
Panel B: Governance proposals					
PTB	-0.429	-0.545	-0.467	0.053	-0.297
	(0.572)	(0.566)	(0.613)	(0.594)	(0.636)
Wald test: equal to Column (1), *p*-value		0.424	0.819	0.097	0.717
Joint test: Columns (2) to (5) equal to Column (1), *p*-value				0.152	
Pooled PTB, Columns (2) to (5)				-0.314 (0.572)	
Observations	2,033	1,949	1,873	1,482	1,327
First-stage F-statistic	86.1	86.9	75.2	86.2	73.6
Panel C: Environmental and social proposals					
PTB	-2.561***	-2.281**	-2.900***	-3.453**	-3.595**
	(0.876)	(0.887)	(0.971)	(1.501)	(1.622)
Wald test: equal to Column (1), *p*-value		0.153	0.185	0.282	0.301
Joint test: Columns (2) to (5) equal to Column (1), *p*-value				0.327	
Pooled PTB, Columns (2) to (5)				-2.888*** (1.078)	
Observations	1,418	1,376	1,309	977	880
First-stage F-statistic	42.0	38.0	36.4	18.2	16.0

Appendix E Requests for Reconsideration and Subtractive Proposals

Two groups of proposals could distort our estimates for reasons unrelated to the SEC official's leniency. First, in 2% of requests, either management or the proponent petitions the SEC to reconsider its decision. A petition produces a second No-Action letter and a second publication date, so the market may price the proposal at either date, and the petition itself is a post-decision choice by the parties. Second, 3% of proposals are subtractive: these proposals ask the firm to weaken its governance provisions or to reduce its environmental or social efforts. Our interpretation of the environmental and social estimates rests on proposals that demand costlier practices, so a loss driven by proposals that ask the firm to do less would require a different reading.

Table E1 re-estimates the 5-Factor + M specification of Column (5) in Tables 6, 7, and 8 after excluding each group. Excluding the 71 proposals requesting reconsideration leaves the estimates unchanged. A marginal proposal reaching the ballot reduces firm value by 1.13% for all proposals (Column (1)), by 2.59% for environmental and social proposals (Column (3)), and governance proposals remain priced at zero (Column (2)). Excluding the 87 subtractive proposals yields the same pattern, with estimates of -1.13% for all proposals (Column (4)) and -2.46% for environmental and social proposals (Column (6)), and no significant governance estimate (Column (5)). None of the six estimates differs significantly from its main-table counterpart. First-stage F-statistics exceed 40 in every column, and the Durbin–Wu–Hausman test continues to reject the exogeneity of Proposal To Ballot for all proposals and for environmental and social proposals, but not for governance proposals. The environmental and social loss thus stems from proposals that expand the firm's environmental and social commitments, and neither result depends on the proposals whose decision the parties contested a second time.

Table E1: The Financial Consequences of Shareholder Proposals Excluding Requests for Reconsideration and Subtractive Proposals

Table E1 re-estimates the 2SLS estimates of Column (5) in Tables 6, 7, and 8 on two restricted samples. Columns (1) to (3) exclude all proposals for which either party petitioned the SEC to reconsider its No-Action decision. Columns (4) to (6) exclude all subtractive proposals, i.e., proposals that ask the firm to weaken its governance provisions or to reduce its environmental or social efforts. Within each restriction, the columns report estimates for all proposals, for governance proposals without environmental or social content, and for proposals with environmental or social content. All estimates use the SEC official leniency design. The dependent variable is the cumulative abnormal return on the day of and the day after the No-Action decision, computed using the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor. PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. Removed proposals reports the number of proposals each restriction drops relative to the corresponding main-table sample. Each column reports the first-stage F-statistic, the *p*-value of a robust Durbin–Wu–Hausman test of whether instrumentation is necessary compared to OLS, and the *p*-value of a Wald test of equality between the restricted-sample estimate and the corresponding main-table estimate. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage. Abnormal returns are trimmed at the 1% and 99% level for the full sample. The R-squared is not reported because we use a 2SLS estimator. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Sample restriction	Excl. requests for reconsideration			Excl. subtractive proposals		
Proposal type	All	Governance	Env. & Social	All	Governance	Env. & Social
Variables	(1)	(2)	(3)	(4)	(5)	(6)
PTB	-1.132**	-0.306	-2.594***	-1.129**	-0.407	-2.461***
	(0.480)	(0.587)	(0.896)	(0.465)	(0.566)	(0.867)
Constant	0.509**	0.102	1.203***	0.514**	0.139	1.177***
	(0.215)	(0.263)	(0.398)	(0.213)	(0.260)	(0.395)
First-stage F-statistic	123.1	83.1	40.7	130.7	89.3	42.3
Observations	3,385	1,980	1,400	3,369	2,012	1,352
Removed proposals	71	53	18	87	21	66
Durbin–Wu–Hausman (*p*-value)	0.008	0.529	0.000	0.006	0.396	0.001

Appendix F Robustness: Alternative Event Windows

This appendix tests whether the financial consequences of shareholder proposals at the margin of ballot access depend on the event window over which we cumulate abnormal returns. The main text cumulates abnormal returns over the announcement day and the following trading day, the (0,1) window, because the Division of Corporation Finance publishes No-Action decisions throughout the day and potentially after trading hours. We start the window on the announcement day because the No-Action letter is the first notice of the SEC's decision, making pre-adoption infeasible.

This appendix provides robustness in two dimensions. First, we analyze announcement returns solely on the day of the No-Action letter, the (0,0) window. Although this estimate may not capture the full effect, it reduces noise by using a smaller window. Second, we check for reversal in stock prices after the announcement effect by adopting (0,3), (0,5), and (0,10) windows. These models will have higher variance and might lose significance as windows get larger because more days that do not contain announcement returns are included, increasing noise in the estimate. We focus on whether the treatment effects converge back to zero.

Our findings persist in the (0,0) window. Table F1 replicates the 2SLS analysis of Tables 6 to 8 using the (0,0) event window. In the 5-Factor + Momentum model, we observe negative and significant abnormal returns of -0.81% for shareholder proposals at the margin of ballot access. The estimates range between -0.58% and -0.82% across models. As in the main sample, governance proposals do not display significant returns, and environmental and social proposals at the margin of ballot access do, at -1.83%. Across the market models, their estimates range from -1.46% to -1.83% and are significant at the 5% level in every model. Our findings are thus robust to adopting a shorter event window.

The negative returns associated with shareholder proposals at the margin of ballot access do not reverse over time. Figure F1 Panel A displays the cumulative abnormal return path up to 10 days after the No-Action letter announcement. As noted above, standard errors more than double over this period as we add more noise by including days without events. For all proposals, governance proposals, and environmental & social proposals, we find persistent coefficient estimates. These plots provide a first indication of stability of the estimates.

A Wald test using a pooled estimation in Table F3 Panel A similarly does not indicate differences in the coefficient estimates. Consistent with the factor-model stacked analysis in the main paper, we now run a stacked analysis over the event windows (0,0), (0,1), (0,3), (0,5), and (0,10). No window's coefficient differs significantly from the (0,1) coefficient, and we cannot reject that the coefficients are equal across all windows. While this formal test does not indicate reversal, interpret it with caution, as the standard errors are sizeable for larger windows, weakening the test's power.

As in the main manuscript, OLS estimates do not yield significant effects. Table F2 shows no significant financial returns to shareholder proposals at the (0,0) window. Figure F1 Panel

B shows no significant time variation for all models up to 10 days after the No-Action decision announcement. Table F3 Panel B similarly shows no significance across any estimation.

Table F1: The Financial Implications of Shareholder Proposals using a (0,0) Event Window

Table F1 replicates the 2SLS analysis of Tables 6 to 8 using the (0,0) event window. All estimates use the SEC official leniency design. Panel A reports estimates for the full sample of shareholder proposals. Panels B and C report estimates for the sub-samples of governance-related and environmental and social shareholder proposals, respectively. The dependent variable is the abnormal return of the firm receiving the shareholder proposal on the No-Action decision announcement day. Abnormal returns are computed using the CAPM in column (1), the Fama and French (1993) 3-Factor model in column (2), the Fama and French (1993) 3-Factor model with a Carhart (1997) momentum factor in column (3), the Fama and French (2015) 5-Factor model in column (4), and the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor in column (5). PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)) in both the first and the second stage. The R-squared is not reported because we use a 2SLS estimator. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: Leniency Design – All proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-0.584*	-0.711**	-0.818**	-0.733**	-0.806**
	(0.340)	(0.328)	(0.324)	(0.324)	(0.330)
Constant	0.285*	0.304**	0.351**	0.325**	0.349**
	(0.152)	(0.147)	(0.145)	(0.146)	(0.148)
Observations	3,479	3,476	3,474	3,472	3,472

Panel B: Leniency Design – Governance proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.083	-0.276	-0.327	-0.206	-0.234
	(0.417)	(0.409)	(0.401)	(0.404)	(0.414)
Constant	-0.000	0.093	0.113	0.074	0.070
	(0.186)	(0.183)	(0.180)	(0.180)	(0.187)
Observations	2,057	2,053	2,051	2,049	2,049

Panel C: Leniency Design – Environmental and social proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-1.732***	-1.464**	-1.686***	-1.646***	-1.828***
	(0.648)	(0.580)	(0.591)	(0.588)	(0.600)
Constant	0.769***	0.654**	0.754***	0.743***	0.827***
	(0.289)	(0.260)	(0.264)	(0.264)	(0.268)
Observations	1,417	1,418	1,418	1,418	1,418

Table F2: The Financial Implications of Shareholder Proposals using OLS and a (0,0) Event Window

Table F2 replicates the OLS analysis of Tables 6 to 8 using the (0,0) event window. Panel A reports estimates for the full sample of shareholder proposals. Panels B and C report estimates for the sub-samples of governance-related and environmental and social shareholder proposals, respectively. The dependent variable is the abnormal return of the firm receiving the shareholder proposal on the No-Action decision announcement day. Abnormal returns are computed using the CAPM in column (1), the Fama and French (1993) 3-Factor model in column (2), the Fama and French (1993) 3-Factor model with a Carhart (1997) momentum factor in column (3), the Fama and French (2015) 5-Factor model in column (4), and the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor in column (5). PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)). Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: OLS – All proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.013	0.034	0.018	0.044	0.023
	(0.058)	(0.054)	(0.054)	(0.053)	(0.053)
Constant	0.024	-0.023	-0.015	-0.015	-0.014
	(0.040)	(0.038)	(0.037)	(0.038)	(0.037)
Observations	3,479	3,476	3,474	3,472	3,472
R-squared	0.000	0.000	0.000	0.000	0.000

Panel B: OLS – Governance proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	-0.009	0.036	-0.003	0.065	0.015
	(0.078)	(0.073)	(0.073)	(0.071)	(0.072)
Constant	0.040	-0.045	-0.030	-0.045	-0.039
	(0.054)	(0.051)	(0.051)	(0.051)	(0.051)
Observations	2,057	2,053	2,051	2,049	2,049
R-squared	0.000	0.000	0.000	0.001	0.000

Panel C: OLS – Environmental and social proposals

Model	CAPM	3-Factor	3-Factor + M	5-Factor	5-Factor + M
Variables	(1)	(2)	(3)	(4)	(5)
PTB	0.050	0.038	0.056	0.018	0.040
	(0.087)	(0.081)	(0.079)	(0.080)	(0.078)
Constant	-0.003	-0.001	-0.006	0.019	0.012
	(0.061)	(0.055)	(0.054)	(0.056)	(0.055)
Observations	1,417	1,418	1,418	1,418	1,418
R-squared	0.000	0.000	0.001	0.000	0.000

Figure F1: No Reversal in the Financial Consequences of Shareholder Proposals

Figure F1 displays the estimate of the PTB coefficient on the cumulative abnormal return over the (0,*k*) event window for each trading day *k* from 0 to 10, where day 0 is the No-Action decision announcement day. Panel A reports 2SLS estimates using the SEC official leniency design. Panel B reports OLS estimates. Abnormal returns are computed using the Fama and French (2015) 5-Factor model with a Carhart (1997) momentum factor. We estimate the eleven coefficients in each sub-panel jointly in one stacked regression with window-specific PTB coefficients, intercepts, and coefficients on an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)). The control enters both the first and the second stage of the 2SLS estimations. Shaded areas are 95% confidence intervals based on standard errors clustered by proposal. Within each panel, the three sub-panels report, from left to right, the full sample of shareholder proposals and the sub-samples of governance-related and environmental and social shareholder proposals. PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot.

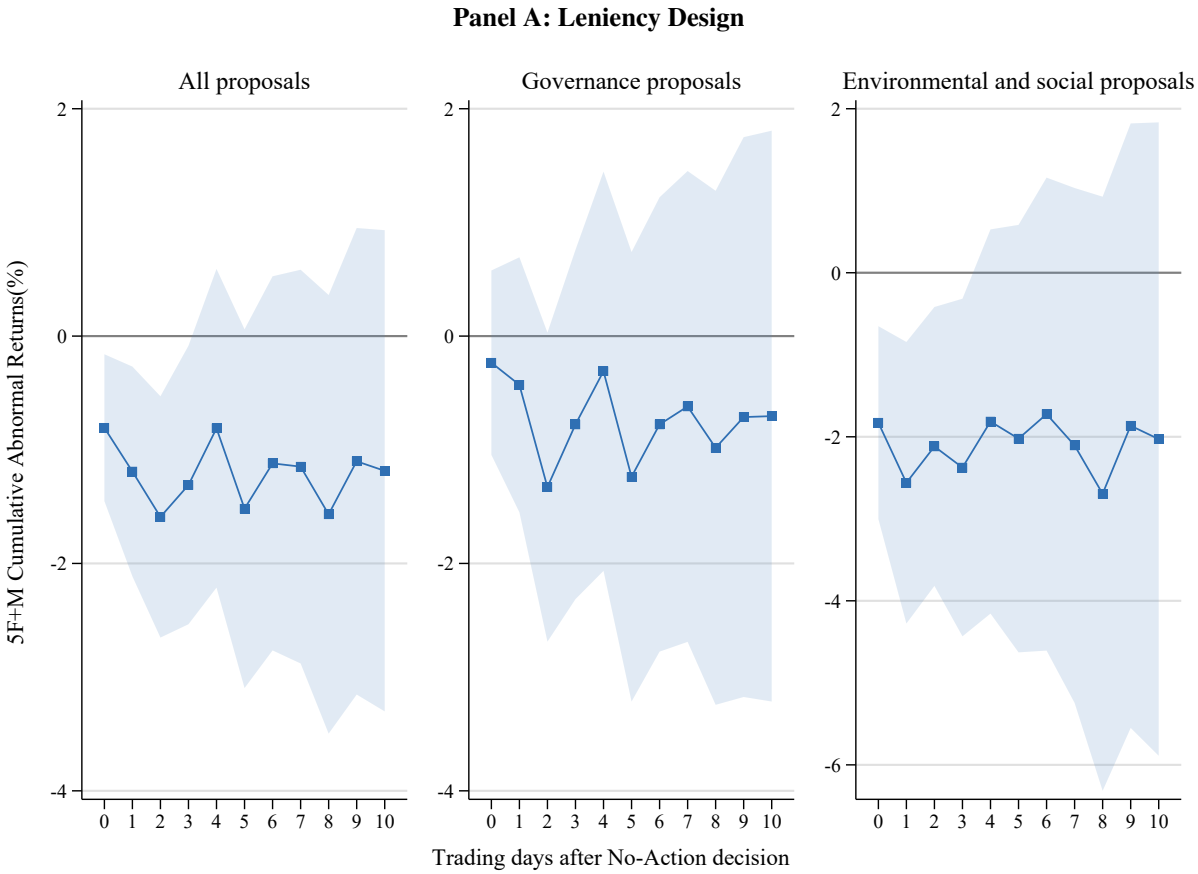


Figure F1: No Reversal in the Financial Consequences of Shareholder Proposals (continued)

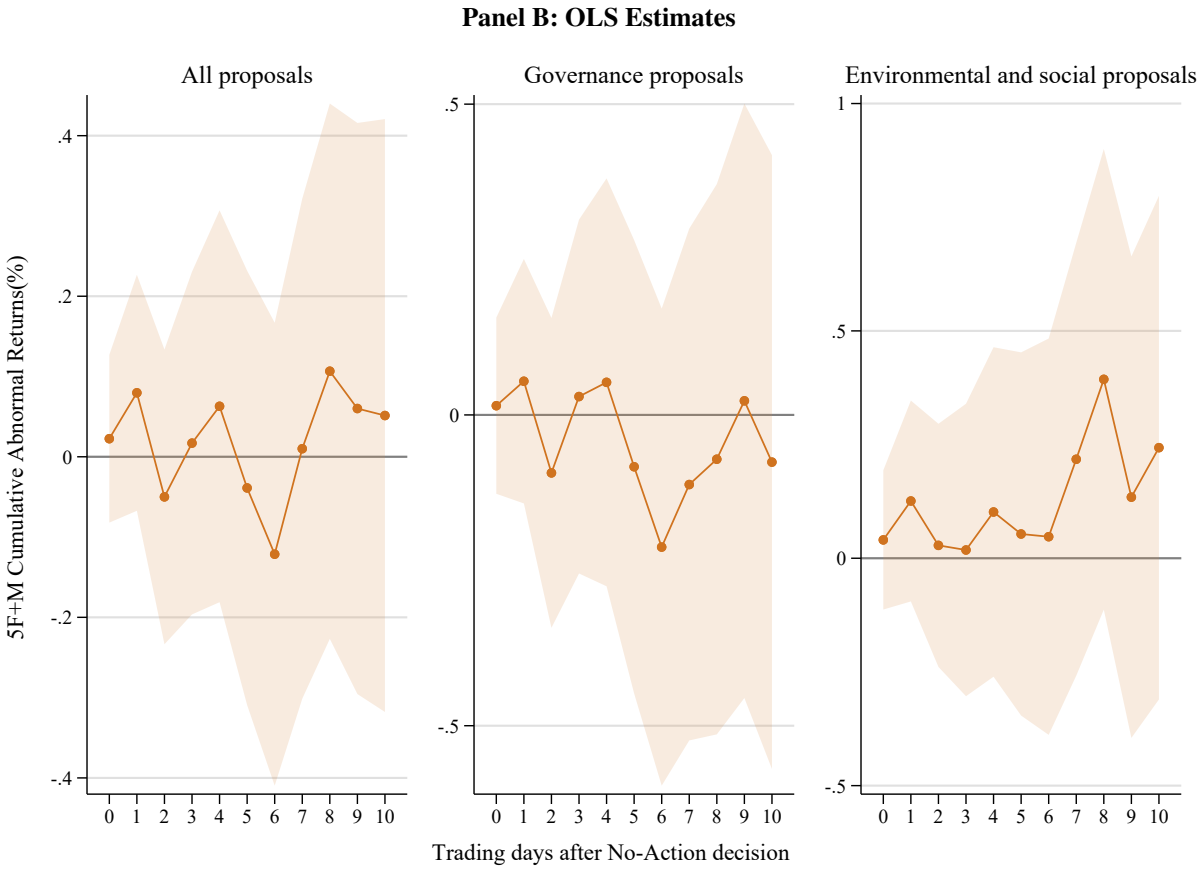


Table F3: The Financial Consequences of Shareholder Proposals Pooled across Factor Models

Table F3 reports the PTB coefficient of a stacked estimation that pools the five factor models of Tables 6 to 8 and imposes a common PTB coefficient across the five models within each event window, with window- and model-specific intercepts and window- and model-specific coefficients on the control for procedural omission arguments. Panel A reports 2SLS estimates using the SEC official leniency design. Panel B reports OLS estimates. The dependent variable is the cumulative abnormal return of the firm receiving the shareholder proposal over the (0,0), (0,1), (0,3), (0,5), and (0,10) event windows, where day 0 is the No-Action decision announcement day. Each panel reports the *p*-values of Wald tests of the null hypotheses that the PTB coefficient at the (0,0), (0,3), (0,5), and (0,10) windows equals the PTB coefficient at the (0,1) window, and that the PTB coefficient is equal across all five windows. Column (1) reports the full sample of shareholder proposals. Columns (2) and (3) report the sub-samples of governance and environmental and social shareholder proposals, respectively. PTB indicates whether a proposal that goes through an omission No-Action request ends up on the ballot. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage of the 2SLS estimations. Each proposal enters the stacked estimation once per window and factor model. Proposals is the number of proposals with a non-missing cumulative abnormal return in at least one window and factor model. Standard errors clustered by proposal are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Panel A: 2SLS – SEC Official Leniency Design

	All proposals	Governance proposals	Environmental and social proposals
Variables	(1)	(2)	(3)
PTB, (0,0) window	-0.730**	-0.192	-1.671***
	(0.315)	(0.390)	(0.579)
PTB, (0,1) window	-1.162***	-0.371	-2.576***
	(0.450)	(0.537)	(0.862)
PTB, (0,3) window	-1.286**	-0.797	-2.241**
	(0.607)	(0.749)	(1.042)
PTB, (0,5) window	-1.572**	-1.306	-2.072
	(0.780)	(0.965)	(1.317)
PTB, (0,10) window	-1.426	-0.941	-2.269
	(1.045)	(1.229)	(1.922)
Wald: (0,0) = (0,1)	0.179	0.663	0.079
Wald: (0,3) = (0,1)	0.787	0.466	0.653
Wald: (0,5) = (0,1)	0.536	0.260	0.649
Wald: (0,10) = (0,1)	0.787	0.627	0.860
Wald: all windows equal	0.692	0.826	0.528
Proposals	3,539	2,092	1,442

Panel B: OLS

	All proposals	Governance proposals	Environmental and social proposals
Variables	(1)	(2)	(3)
PTB, (0,0) window	0.026	0.021	0.040
	(0.052)	(0.070)	(0.077)
PTB, (0,1) window	0.098	0.080	0.132
	(0.073)	(0.098)	(0.109)
PTB, (0,3) window	0.011	-0.000	0.043
	(0.105)	(0.140)	(0.158)
PTB, (0,5) window	-0.044	-0.107	0.063
	(0.133)	(0.178)	(0.201)
PTB, (0,10) window	0.013	-0.106	0.196
	(0.182)	(0.241)	(0.276)
Proposals	3,539	2,092	1,442

Appendix G Robustness: Long-Run Returns to Proposals at the margin of ballot access

This appendix examines two properties of the announcement returns in Table 6. First, we test whether firms whose proposals reach the ballot perform differently from firms whose proposals are omitted before the SEC decides. Second, we test whether the financial implications of proposals at the margin of ballot access persist after the decision.

We estimate both tests with monthly abnormal returns. For every firm, we compute monthly Fama and French (2015) five-factor plus Carhart (1997) momentum alphas, with betas estimated from forty-eight to thirteen months before the SEC official publishes the decision. We cumulate the alphas from twelve months before to twenty-four months after the decision, set the cumulative abnormal return to zero in month $t-1$, and exclude the decision month $t=0$ that contains the announcement returns. Figure G1 plots the difference in cumulative abnormal returns between firms whose proposals reach the ballot and firms whose proposals are omitted. Panel A reports all contested proposals, and Panels B and C report the governance and the environmental and social subsamples.

We estimate the differences by OLS rather than with the leniency design. The instrument is fixed for each proposal and the estimation sample is the same at every horizon, so the first stage is the same at every horizon. The instrumented difference at any horizon therefore equals the reduced-form difference, the cumulative abnormal return regressed on SEC official leniency, divided by the same first-stage coefficient, and its standard error scales by approximately the same factor of 2. The instrumented t-statistic thus approximately equals the reduced-form t-statistic, and a reduced-form difference indistinguishable from zero at a given horizon implies an instrumented difference indistinguishable from zero at that horizon.

The pre-decision period tests for selection on past performance. SEC officials rule on the legal accuracy of management's arguments under Rule 14a-8, and Matsusaka et al. (2021) and Couvert (2025) show that the rulings correlate with the proposals' financial implications, so proposals with more positive announcement returns reach the ballot. This selection materializes at the announcement and is the bias the leniency design removes from Table 6. The uninstrumented differences in this appendix could additionally reflect the firm's past performance. Karpoff et al. (1996) show that proponents target firms with poor past performance, and Gillan and Starks (2000) show that past performance shapes voting support, so the same record could shape the grounds management invokes and the accuracy of its arguments. If SEC officials omitted proposals at different rates for firms on different performance paths, the ballot and omitted groups would diverge before the decision.

Instead, we find that the differences are statistically indistinguishable from zero at every pre-decision horizon, for all contested proposals and for the governance and the environmental and social subsamples. The uninstrumented comparison is the relevant test here, because randomly assigned leniency is uncorrelated with past performance by construction and an instrumented pre-

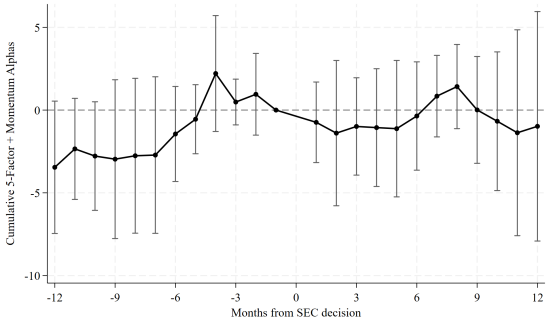
decision difference is zero whether or not the two groups diverge.

The post-decision period tests persistence. Investors could overreact to the announcement of a proposal that reaches the ballot, or returns around the annual meeting could offset the announcement losses when the proposal fails the vote or management dilutes its demands. SEC decisions cluster between January and March and annual meetings follow several months after, so the post-decision window contains the vote. The differences remain statistically indistinguishable from zero at every post-decision horizon in all panels. For all contested proposals, the difference is -0.60 percent (standard error 2.03) at six months, 0.27 percent (2.40) at twelve months, and -5.00 percent (5.23) at twenty-four months. Governance proposals show no announcement effect and no post-decision drift. Environmental and social proposals show no recovery of their announcement losses over the following year. The financial implications of proposals at the margin of ballot access thus materialize when the SEC publishes its decision, and we find no evidence that they reverse after the vote.

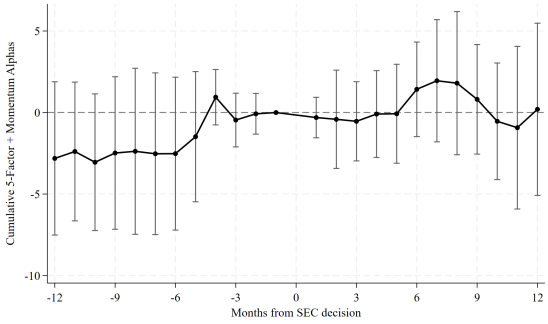
Figure G1: Long-Run Abnormal Returns of Shareholder Proposals at the margin of ballot access

Figure G1 displays the difference in cumulative abnormal returns between firms whose proposals are placed on the ballot and firms whose proposals are omitted, accumulated between month $t-1$ and the month shown. Abnormal returns are monthly 5-factor plus momentum alphas, using betas estimated over the period forty-eight to thirteen months before the SEC official publishes the decision. The series is set to zero in $t-1$, and the decision month ($t=0$) is removed. The change in the line between adjacent months equals the difference in abnormal returns the two groups earn in that month. Panel A reports all proposals. Panels B and C report governance proposals and environmental and social proposals. Capped spikes represent 95% confidence intervals.

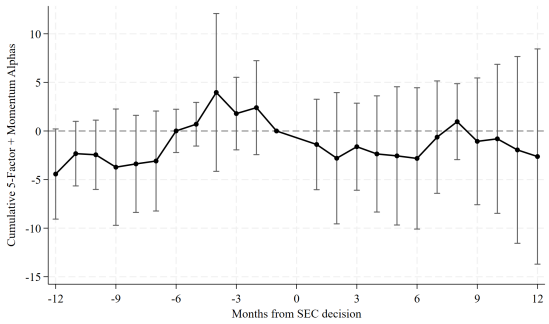
Panel A: All Proposals



Panel B: Governance Proposals



Panel C: Environmental and Social Proposals



Appendix H Robustness: Year Fixed Effects

Results are robust when applying year fixed effects. Cuñat et al. (2012) and Flammer (2015) adopt year fixed effects in their specification, as each year draws different types of proposals to corporate ballots. Further, leniency might differ across years, since not all SEC officials serve on the Taskforce every year. We therefore test for robustness.

In Table H1 Panel A, we find that the shareholder proposals at the margin of ballot access reduce firm value by -1.06% to -1.96%, with -1.62% significant at the 5% level in the 5-Factor plus momentum model. This estimate is comparable to the main specification. In Panel B covering sub-samples of governance proposals, we do not observe statistically significant effects. In Panel C, we find negative cumulative abnormal returns for environmental and social proposals of between -1.97% to -2.72%, with -2.38% significant at the 5% level using the 5-Factor plus momentum model. These results confirm that our findings are robust to year fixed effects.

Table H1: Financial consequences of shareholder proposals with year fixed effects

Table H1 repeats the estimates of Table 6 with year fixed effects in the first and second stages. The specifications vary the factor model used to compute cumulative abnormal returns. Column (5) reports the most conservative specification. Panel A reports all contested proposals. Panel B reports governance proposals without social or environmental components. Panel C reports contested proposals with a social or an environmental component. The constant is estimated but not displayed as it captures the fixed effect for the reference category year. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)) in both the first and the second stage. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

Model	**CAPM**	**3-Factor**	**3-Factor + M**	**5-Factor**	**5-Factor + M**
Variables	(1)	(2)	(3)	(4)	(5)
Panel A: All proposals					
PTB	-1.753**	-1.579**	-1.963***	-1.064	-1.618**
	(0.715)	(0.709)	(0.728)	(0.681)	(0.704)
Observations	3,456	3,456	3,456	3,456	3,456
Panel B: Governance proposals					
PTB	-0.972	-1.021	-1.230	-0.385	-0.944
	(0.904)	(0.921)	(0.917)	(0.906)	(0.904)
Observations	2,038	2,033	2,032	2,031	2,033
Panel C: Environmental and social proposals					
PTB	-2.697**	-2.175*	-2.718**	-1.970*	-2.380**
	(1.249)	(1.153)	(1.225)	(1.104)	(1.163)
Observations	1,413	1,418	1,419	1,420	1,418

Appendix I Robustness: Excluding Rule 14a-8 Review Team

Starting in 2021, the SEC stopped publishing the names of the SEC officials who sign No-Action letters and replaced individual signatures with a collective "Rule 14a-8 Review Team". The main analysis pools the requests carrying this signature into a single SEC Official with a single leniency. This approach approximates the pooling of judges with few decisions in Chyn et al. (2025). The pooled official handles 853 of the 3,672 omission requests, or 23% of the sample. This appendix ensures that our findings are not driven by this assumption by re-estimating every component of the leniency design on the 2007 to 2020 requests signed by individually identified SEC officials.

I.1 Instrument construction

We re-estimate the leniency instrument on the requests signed by individually identified SEC officials, applying the procedural adjustment of Equation 50 and the leave-one-out leniency of Equation 51. The resulting sample contains 2,819 decided omission requests, of which 35.2% reach the ballot, against 36.9% in the full sample.

I.2 Random assignment

Table I1 repeats the balance test of Table 2. Proposal characteristics predict the SEC's decision in Column (1), where the joint F-statistic equals 24.43. The same characteristics do not explain the leniency of the assigned official in Column (2), where the joint F-statistic equals 0.92 with a p-value of 0.576. None of the 23 coefficients is significant at the 5% level.

I.3 Instrument strength

Table I2 repeats the first-stage specifications of Table 3. The F-statistic on SEC official leniency ranges from 122.7 to 148.2 across the ten specifications, the maximum in the most stringent specification. A one standard deviation increase in SEC official leniency raises the probability that a proposal reaches the ballot by 8.2 percentage points, or 23.4% relative to the mean of 35.2%.

I.4 SEC official experience

Table I3 repeats the experience test of Table 4. No coefficient is significant at the 5% level. Leniency is thus stable over experience in this sample.

I.5 Monotonicity and exclusion

Figure I1 reports the joint test of the exclusion restriction and average monotonicity of Frandsen et al. (2023) for the combined sample and for governance and environmental & social proposals. As in the main analysis, the test does not reject in any sample. The combined p-values equal 0.813 for the pooled sample, 0.946 for governance proposals, and 0.255 for environmental and social proposals. The spline fits show no spikes in official-level mean returns across the leniency distribution.

I.6 Financial implications of shareholder proposals at the margin of ballot access

Table I4 repeats the 5-Factor plus momentum estimates of Table 6. Panel A shows that instrumenting the SEC's decision with the leniency of the individually identified officials reproduces the main results. The abnormal return of contested proposals that reach the ballot equals -0.976% and is significant at the 5% level, compared with -1.191% in the full sample. Contested governance proposals show an insignificant -0.200%. Contested environmental and social proposals earn -2.725%, significant at the 5% level, compared with -2.561% in the full sample. The first-stage F-statistic exceeds 27 in every column. Panel B shows that OLS remains insignificant for the full sample and for the governance and environmental and social sub-samples.

Panel C tests more formally whether the no-review-team estimates differ from their full-sample counterparts. The two samples are nested, as every proposal in the sample excluding the Review Team also appears in the full sample of Table 6, so the estimates are positively correlated, and treating them as independent overstates the variance of their difference. We therefore stack the two samples and estimate a single 2SLS regression in which the intercept, the coefficient on ballot access, the coefficient on the procedural-grounds control, and the instrument each vary with an indicator for the sample excluding the Review Team. The coefficient on ballot access in the full sample and the coefficient on its interaction with the sample indicator then reproduce the full-sample estimate and the difference between the two samples, and a Wald test on the interaction tests equality. Standard errors are clustered by proposal, so that the 2,664 proposals that appear in both samples enter as one cluster and the covariance between the two estimates is accounted for. The test also absorbs the re-estimation of the instrument, as the full sample uses the instrument of the main analysis and the sample excluding the Review Team uses the instrument re-estimated in this appendix.

The estimates are not statistically different. The differences equal 0.215 percentage points for all proposals, 0.229 for governance proposals, and -0.164 for environmental and social proposals. The Wald test does not reject equality in any case, with p-values of 0.143, 0.189, and 0.660. The environmental and social estimate moves away from zero rather than toward it.

Table I1: Excluding the Rule 14a-8 Review Team: Balancing Test of Omission Requests to SEC officials

Table I1 repeats the random assignment balancing test of Table 2 on the 2007 to 2020 omission requests signed by individually identified SEC officials, excluding all requests signed by the Rule 14a-8 Review Team. Column (1) regresses an indicator for the proposal reaching the ballot, multiplied by 100, on the same proposal characteristics as in Table 2. Column (2) takes SEC official leniency as the dependent variable instead. The joint F-statistic tests the null hypothesis that the coefficients on all listed characteristics equal zero. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	(1)	(2)
Variables	Proposal to Ballot (PTB)	SEC official leniency
Total Environmental & Social	-1.472	-0.217
	(3.502)	(1.265)
Total Governance	-3.976	-0.285
	(2.822)	(1.310)
Reporting	5.626**	0.351
	(2.629)	(0.939)
Policy	-0.145	-0.462
	(2.851)	(0.840)
Target	-4.689	-0.825
	(4.937)	(1.949)
Performance	-10.515***	0.297
	(2.735)	(0.896)
Subtract	-7.598	0.095
	(5.769)	(1.799)
Procedural grounds (b, c, e, h3)	-17.536***	-1.735*
	(3.270)	(1.019)
Legality grounds (i1–i3)	17.698***	1.420
	(3.117)	(1.104)
Relevance grounds (i4–i6)	1.712	0.941
	(3.434)	(1.249)
Management-function grounds (i7–i8)	-17.478***	-0.762
	(2.762)	(0.999)
Redundancy grounds (i9–i13)	-1.675	-0.751
	(3.404)	(1.012)
Number of omission arguments	-2.602	0.284
	(1.697)	(0.683)
Company law firm	0.856	0.233
	(1.745)	(0.643)
Proponent law firm	6.867**	2.146*
	(3.148)	(1.115)
Institutional investor	1.549	0.005
	(2.615)	(0.999)
SRI fund	5.680	-1.599
	(5.363)	(1.611)
Union, religious, NGO, activist	7.258**	0.427
	(2.812)	(0.883)
Individual	0.945	0.464
	(1.145)	(0.399)
Number of sources	0.180	0.049
	(0.808)	(0.250)
Specificity (%)	8.821	-1.473
	(6.235)	(2.152)
Number of written communications	0.816**	-0.170
	(0.400)	(0.129)
Reconsideration	27.435***	-0.666
	(7.220)	(2.480)
Constant	38.669***	40.322***
	(5.422)	(2.496)
Joint F-statistic	24.43	0.92
Joint p-value	0.000	0.576
Observations	2,819	2,819

Table I2: Excluding the Rule 14a-8 Review Team: Instrument Strength in the First Stage

Table I2 repeats the first-stage specifications of Table 3 on the 2007 to 2020 omission requests signed by individually identified SEC officials, excluding all requests signed by the Rule 14a-8 Review Team. We regress the SEC official's decision to put a proposal to the ballot, multiplied by 100, on SEC official leniency and an increasingly rigorous set of shareholder proposal characteristics. The control sets follow Table 3. Legal Representation includes two indicator variables for whether the company and the proponent employ a law firm. Omission Arguments capture 17 indicator variables for the omission arguments companies provide and the number of omission arguments. Proposal Demands introduces four indicator variables for whether proponents demand a report, a policy, a target, or performance improvements. Proposal Topics includes 18 governance, 15 social, and 11 environmental indicator variables. Proposal Direction introduces an indicator variable equal to 1 when a proposal seeks to weaken governance provisions or reduce environmental and social efforts. Proposal Specificity controls for the number of external sources and the share of relevant text. Proponent Type introduces 17 indicator variables for proponent types. Communication reflects the number of content-related emails between the company and the proponent. Repeated introduces an indicator variable for whether either party asks for a reconsideration of the SEC official's judgment. The F-statistic reports the test that the coefficient on SEC official leniency equals zero. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: Proposal to Ballot (PTB, in percent)									
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
SEC Official Leniency	64.06***	62.95***	52.56***	52.14***	51.16***	51.14***	51.08***	50.10***	51.15***	51.12***
	(5.42)	(5.39)	(4.75)	(4.56)	(4.21)	(4.22)	(4.21)	(4.19)	(4.31)	(4.20)
F-statistic	139.5	136.4	122.7	130.6	147.6	147.1	146.9	143.0	140.5	148.2
Observations	2,819	2,819	2,819	2,819	2,819	2,819	2,819	2,819	2,819	2,819
Adjusted R-squared	0.05	0.05	0.20	0.21	0.24	0.24	0.24	0.26	0.26	0.27
Legal Representation	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Omission Arguments	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Demands	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Topics	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Direction	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Proposal Specificity	No	No	No	No	No	No	Yes	Yes	Yes	Yes
Proponent Type	No	No	No	No	No	No	No	Yes	Yes	Yes
Communication	No	No	No	No	No	No	No	No	Yes	Yes
Repeated	No	No	No	No	No	No	No	No	No	Yes
SEC Official Leniency s.d.	16.12%	16.12%	16.12%	16.12%	16.12%	16.12%	16.12%	16.12%	16.12%	16.12%
Mean PTB	35.23%	35.23%	35.23%	35.23%	35.23%	35.23%	35.23%	35.23%	35.23%	35.23%

Table I3: Excluding the Rule 14a-8 Review Team: SEC Official Experience

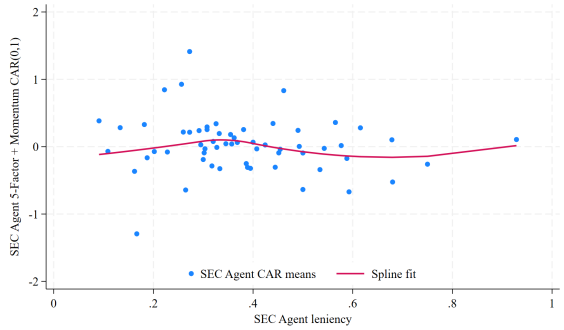
Table I3 repeats the experience test of Table 4 on the 2007 to 2020 omission requests signed by individually identified SEC officials, excluding all requests signed by the Rule 14a-8 Review Team. Chan et al. (2022) show that experience can affect leniency instruments when skill in judgment grows with tenure. The dependent variable is SEC official leniency, multiplied by 100. We capture official experience using the number of proposals previously handled and its square in Column (1), indicator variables equal to one for the official's first 10, 25, and 50 decisions in Columns (2) to (4), and indicator variables equal to one for decisions in the bottom, middle, and top tercile of the official's caseload in Columns (5) to (7). Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: SEC official leniency, in percent						
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of proposals	-0.066						
	(0.057)						
Number of proposals squared	0.000						
	(0.000)						
First 10 decisions		0.354					
		(2.305)					
First 25 decisions			2.647				
			(2.423)				
First 50 decisions				4.602*			
				(2.482)			
Bottom tercile					1.814		
					(2.509)		
Middle tercile						2.816	
						(1.925)	
Top tercile							-4.681*
							(2.478)
Constant	42.176***	39.500***	38.396***	36.500***	38.949***	38.635***	41.102***
	(2.865)	(2.108)	(2.149)	(2.079)	(2.141)	(2.015)	(2.361)
Observations	2,819	2,819	2,819	2,819	2,819	2,819	2,819
Adjusted R-squared	0.019	-0.000	0.006	0.018	0.002	0.006	0.018

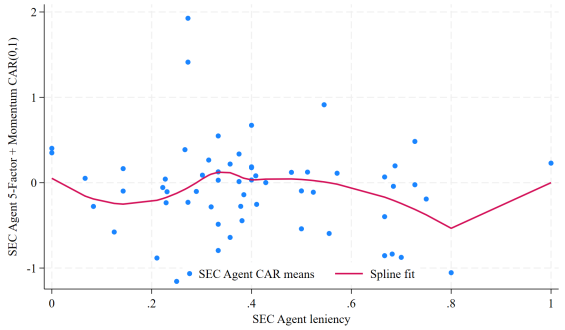
Figure I1: Excluding the Rule 14a-8 Review Team: Joint Tests of the Exclusion Restriction and Average Monotonicity

The figure reports the joint test of the exclusion restriction and average monotonicity developed by Frandsen et al. (2023) on the 2007 to 2020 omission requests signed by individually identified SEC officials, excluding all requests signed by the Rule 14a-8 Review Team. Panel A uses all shareholder proposals. Panels B and C repeat the test for governance and environmental & social proposals. The governance subsample contains proposals classified exclusively as governance. The environmental and social subsample contains all proposals classified as environmental or social. Each dot marks the mean Fama and French (2015) five-factor plus Carhart (1997) momentum CAR(0,1) around the publication of the No-Action decision among the proposals handled by one SEC official, plotted against the official's leniency. The line is the spline fit with three knots underlying the test. The fit component tests whether official-level mean returns are a continuous function of leniency, and the slope component tests whether the slopes of this function stay within the bounds implied by average monotonicity. The p-values are equal to 0.813 (Panel A), 0.946 (Panel B), and 0.255 (Panel C).

Panel A: All proposals



Panel B: Governance proposals



Panel C: Environmental and social proposals

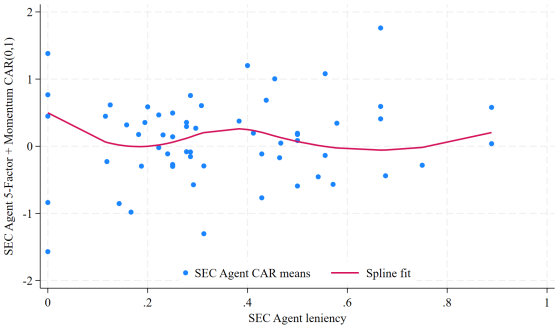


Table I4: Excluding the Rule 14a-8 Review Team: The Financial Consequences of Shareholder Proposals

Table I4 repeats the analysis of Table 6 on the 2007 to 2020 omission requests signed by individually identified SEC officials, excluding all requests signed by the Rule 14a-8 Review Team. The instrument is re-estimated on this sample. Panel A reports 2SLS estimates that instrument ballot access with the leniency of the randomly assigned SEC official, the first-stage F-statistic, and the p-value of a robust Durbin–Wu–Hausman test of whether instrumentation is necessary compared to the OLS estimates in Panel B. Panel B reports OLS estimates. The dependent variable is the cumulative abnormal return of the firm on the day of and the day after the publication of the No-Action decision, estimated with the Fama and French (2015) five-factor model augmented with Carhart (1997) momentum. Proposal to Ballot (PTB) equals one when the SEC official places the contested proposal on the ballot and zero when the official permits the firm to omit it. All estimations control for an indicator of procedural omission arguments (Rule 14a-8(b), (c), (e), and (h)(3)), in both the first and the second stage of the 2SLS estimations. Column (1) includes all proposals, Column (2) governance proposals without environmental or social content, and Column (3) proposals with environmental or social content. Panel C tests whether the Panel A estimates differ from their main manuscript counterparts. Because every proposal in the sample excluding the Review Team also appears in the full sample, the two estimates are correlated. We therefore stack the two samples and estimate one 2SLS regression in which the intercept, the coefficient on PTB, the coefficient on the procedural-grounds control, and the instrument each vary with an indicator for the sample excluding the Review Team. The full sample uses the instrument of the main analysis and the sample excluding the Review Team uses the instrument re-estimated in this appendix. The coefficient on the interaction of PTB with the sample indicator equals the difference between the two estimates and is reported with its standard error in parentheses. The Wald statistic and p-value test whether this difference equals zero. Standard errors in Panel C are clustered by proposal, so that a proposal appearing in both samples forms one cluster. Stacked observations count each proposal once per sample in which it appears. Robust standard errors are given in parentheses in Panels A and B. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	All proposals	Governance proposals	Environmental and social proposals
Variables	(1)	(2)	(3)
Panel A: Leniency Design			
PTB	-0.976**	-0.200	-2.725**
	(0.475)	(0.535)	(1.079)
Constant	0.429**	0.060	1.159***
	(0.206)	(0.244)	(0.433)
Observations	2,664	1,666	997
First-stage F-statistic	116.5	93.1	27.3
Durbin–Wu–Hausman (p-value)	0.029	0.665	0.002
Panel B: OLS			
PTB	0.019	0.025	0.038
	(0.085)	(0.108)	(0.136)
Constant	0.016	-0.037	0.081
	(0.060)	(0.078)	(0.093)
Observations	2,664	1,666	997
R-squared	0.000	0.000	0.000
Panel C: Equality with the Full-Sample Estimates			
Difference	0.215	0.229	-0.164
	(0.147)	(0.174)	(0.374)
Wald $\chi^2(1)$	2.14	1.73	0.19
p-value	0.143	0.189	0.660
Stacked observations	6,120	3,699	2,415

Appendix J Robustness: Identification by Proposal Topic

The main manuscript analyses the financial performance implications of governance proposals and of environmental and social proposals at the margin of ballot access separately as a mechanism test. The main text establishes the identification assumptions of the leniency design on the full sample of omission requests. This appendix repeats the four tests within the two subsamples. The tests cover the random assignment of omission requests to SEC officials, the strength of the first stage, the stability of SEC official leniency over experience, and the joint test of the exclusion restriction and average monotonicity (Frandsen et al., 2023).

The governance subsample contains the 2,184 decided omission requests whose proposal is classified exclusively as governance. The environmental and social subsample contains the 1,483 decided requests whose proposal is classified as environmental or social. In the two subsamples, 36.6% and 37.5% of contested proposals reach the ballot, and SEC official leniency has a standard deviation of 14.8 and 14.0 percentage points. All tests use the leniency measure of Equation 51 constructed on the full sample, as SEC officials rotate through incoming requests irrespective of topic. Within both subsamples, the instrument is balanced, stable over experience, and passes the joint test of the exclusion restriction and average monotonicity. The first-stage F-statistic in the most stringent specification equals 77.1 and 21.2.

J.1 Random Assignment

Table J1 repeats the balance test of Table 2 within each sub-sample. Columns (1) and (3) regress an indicator for the proposal reaching the ballot on the same 23 aggregated proposal characteristics as in the main manuscript, excluding the topic indicators that are constant within the subsample. Columns (2) and (4) perform an identical test, taking SEC official leniency as the dependent variable.

Proposal characteristics predict the SEC's decision in both subsamples. The joint F-statistics in Columns (1) and (3) equal 16.39 and 30.44 for governance proposals and for environmental and social proposals. The same characteristics do not predict the leniency of the assigned SEC official. The joint F-statistics in Columns (2) and (4) equal 0.85 and 1.14 with p-values of 0.652 and 0.308.[13] In other words, proposal characteristics do not jointly predict leniency but do explain proposal making it to the ballot. This evidence is consistent with random assignment of SEC officials to shareholder proposals.

[13]Despite joint insignificance, procedural grounds carry 3.8 percentage points lower leniency among environmental and social proposals, against a leniency standard deviation of 14.0 percentage points. Procedural grounds are also the one characteristic for which Appendix C documents a mechanical relation with leniency on the pooled sample, and the UJIVE correction of Equation 50 removes the mechanical part of that relation. Further, two of the 21 coefficients among environmental and social proposals are significant at the 5% level, against 1.05 expected by chance, and the probability of observing two or more under the null equals 0.28. No coefficient is significant at the 5% level among governance proposals.

J.2 Instrument Strength

Table J2 repeats the first-stage specifications of Table 3 within each topic. Each panel reports the coefficient on SEC official leniency in a regression of the SEC official's decision to put the proposal to the ballot, multiplied by 100, on leniency and an increasingly rigorous set of proposal characteristics. We omit the detailed proposal-topic indicators in Table 3 because they are highly collinear with the subsample definitions.

The coefficient on SEC official leniency ranges from 52.1 to 67.2 across the nine governance specifications and from 39.4 to 62.5 across the nine environmental and social specifications. Every coefficient is significant at the 1% level. The first-stage F-statistic ranges from 72.6 to 110.1 for governance proposals and from 20.8 to 54.5 for environmental and social proposals, and equals 77.1 and 21.2 in the most stringent specification in Column (9). A one-standard-deviation more lenient SEC official raises the probability that a contested governance proposal reaches the ballot by 7.9 percentage points, or 21.5% of the mean, and the probability that a contested environmental or social proposal reaches the ballot by 5.6 percentage points, or 14.8% of the mean.

J.3 SEC Official Experience

Table J3 repeats the experience test of Table 4 within each sub-sample. The dependent variable is SEC official leniency. Column (1) uses the number of decisions the SEC official previously handled in the full sample and its square. Columns (2) to (4) use indicators for the SEC official's first 10, 25, and 50 decisions. Columns (5) to (7) use indicators for the bottom, middle, and top tercile of the SEC official's caseload within the subsample. No coefficient is significant in either subsample. SEC official leniency is thus stable over experience within both subsamples, and experience does not threaten identification.

J.4 Monotonicity and Exclusion Restriction

Figure J1 repeats the Frandsen et al. (2023) joint test of the exclusion restriction and average monotonicity of Figure 4 within each subsample. Each panel plots the mean Fama and French (2015) five-factor plus Carhart (1997) momentum CAR(0,1) around the publication of the No-Action decision among the proposals assigned to one SEC official against that SEC official's leniency. The line shows the cubic spline fit with three knots underlying the test. The test rejects neither the exclusion restriction nor average monotonicity in any subsample. The combined p-values equal 0.971 for governance proposals and 0.272 for environmental and social proposals. The spline fits show no spikes in SEC official-level mean returns across the leniency distribution. SEC official leniency therefore moves firm value only through ballot access within each subsample, and SEC officials can be ordered by the threshold of legal accuracy they apply.

These combined tests validate that we can use a leniency design for the governance and the environmental and social subsamples of shareholder proposals.

Table J1: Instrument Validity by Proposal Topic: Random Assignment of Omission Requests to SEC officials

Table J1 repeats the random assignment test of Table 2 separately for governance proposals and for environmental and social proposals. Columns (1) and (3) (PTB) regress an indicator for the proposal reaching the ballot, multiplied by 100, on proposal characteristics. Columns (2) and (4) (Leniency) regress SEC official leniency, multiplied by 100, on the same characteristics. The joint F-statistic tests the null hypothesis that the coefficients on all listed characteristics equal zero. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Governance		Environmental and social	
	(1)	(2)	(3)	(4)
Variables	PTB	Leniency	PTB	Leniency
Reporting	2.027	0.464	3.667	0.194
	(3.031)	(1.059)	(3.790)	(1.070)
Policy	2.248	0.134	2.883	-0.297
	(3.228)	(1.044)	(3.141)	(0.665)
Target	-13.596*	-1.951	-6.516	-0.407
	(7.112)	(2.076)	(5.763)	(1.680)
Performance	-6.400**	-0.355	-13.516***	1.332
	(2.999)	(0.913)	(4.405)	(1.119)
Subtract	-9.340	0.922	-4.537	-0.333
	(9.218)	(4.146)	(3.866)	(1.098)
Procedural grounds (b), (c), (e), (h)(3)	-14.667***	0.069	-24.986***	-3.805**
	(3.568)	(0.956)	(5.461)	(1.554)
Legality grounds (i)(1) to (i)(3)	20.085***	2.243*	11.287**	-1.034
	(3.652)	(1.301)	(4.874)	(1.184)
Relevance grounds (i)(4) to (i)(6)	5.335	0.883	-5.300	0.419
	(5.034)	(1.307)	(5.277)	(1.402)
Management-function grounds (i)(7) and (i)(8)	-14.378***	-0.087	-15.884***	-0.985
	(3.467)	(1.081)	(4.439)	(1.043)
Redundancy grounds (i)(9) to (i)(13)	-0.128	-0.022	7.159*	-1.349
	(4.054)	(0.994)	(4.195)	(1.164)
Number of omission arguments	-4.956**	0.182	0.680	0.582
	(2.150)	(0.649)	(3.598)	(0.748)
Company law firm	1.645	-0.316	1.594	1.521**
	(1.989)	(0.667)	(2.290)	(0.683)
Proponent law firm	9.765**	2.126	2.745	0.910
	(4.469)	(1.549)	(2.996)	(0.856)
Institutional investor	-0.907	0.252	5.512	-0.323
	(3.666)	(1.120)	(4.543)	(0.886)
SRI fund	26.325***	0.066	7.405*	-1.499
	(8.153)	(1.528)	(4.329)	(1.327)
Union, religious, NGO, activist	6.256*	2.060	8.526**	-1.011
	(3.545)	(1.317)	(3.845)	(0.788)
Individual	1.474	0.493	-0.076	0.176
	(2.118)	(0.451)	(1.525)	(0.336)
Number of sources	1.779	0.250	0.713	-0.046
	(1.110)	(0.210)	(0.524)	(0.066)
Specificity %	-1.603	-3.024	24.202***	1.118
	(7.883)	(2.271)	(8.388)	(2.013)
Number of written communications	0.683	-0.171	0.239	-0.013
	(0.462)	(0.118)	(0.568)	(0.159)
Reconsideration	28.977***	-0.120	12.580	-0.944
	(7.783)	(2.524)	(14.072)	(3.053)
Constant	37.659***	41.601***	21.751**	42.551***
	(6.223)	(1.960)	(8.534)	(2.374)
Joint F-statistic	16.39	0.85	30.44	1.14
Joint p-value	0.000	0.652	0.000	0.308
Observations	2,184	2,184	1,483	1,483

Table J2: Instrument Validity by Proposal Topic: Instrument Strength in the First Stage

Table J2 repeats the first-stage specifications of Table 3 separately for governance (Panel A) and environmental and social (Panel B) proposals. Each panel reports the coefficient on SEC official leniency from a regression of the SEC official's decision to put a proposal to the ballot, multiplied by 100, on SEC official leniency and an increasingly rigorous set of shareholder proposal characteristics. The F-statistic is the first-stage F-statistic on SEC official leniency. Table 3 defines the control sets. We omit the detailed proposal-topic indicators of Table 3, as they are nearly collinear with the subsample definitions. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: Proposal to Ballot (PTB, in percent)								
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Governance proposals									
SEC Official Leniency	67.23***	66.80***	56.53***	56.19***	56.25***	54.22***	52.05***	52.93***	53.03***
	(6.41)	(6.43)	(6.13)	(6.14)	(6.16)	(6.20)	(6.11)	(6.10)	(6.04)
F-statistic	110.1	108.1	84.9	83.6	83.3	76.6	72.6	75.2	77.1
Observations	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184
SEC Official Leniency s.d.	14.83%	14.83%	14.83%	14.83%	14.83%	14.83%	14.83%	14.83%	14.83%
Mean PTB	36.63%	36.63%	36.63%	36.63%	36.63%	36.63%	36.63%	36.63%	36.63%
Panel B: Environmental and social proposals									
SEC Official Leniency	62.52***	58.29***	44.88***	44.02***	44.15***	39.83***	39.37***	39.59***	39.69***
	(8.47)	(8.60)	(8.47)	(8.37)	(8.37)	(8.43)	(8.63)	(8.64)	(8.63)
F-statistic	54.5	46.0	28.1	27.6	27.8	22.3	20.8	21.0	21.2
Observations	1,483	1,483	1,483	1,483	1,483	1,483	1,483	1,483	1,483
SEC Official Leniency s.d.	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%	14.02%
Mean PTB	37.49%	37.49%	37.49%	37.49%	37.49%	37.49%	37.49%	37.49%	37.49%
Legal Representation	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Omission Arguments	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Demands	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Proposal Direction	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Proposal Specificity	No	No	No	No	No	Yes	Yes	Yes	Yes
Proponent Type	No	No	No	No	No	No	Yes	Yes	Yes
Communication	No	No	No	No	No	No	No	Yes	Yes
Repeated	No	No	No	No	No	No	No	No	Yes

Table J3: Instrument Validity by Proposal Topic: SEC Official Experience

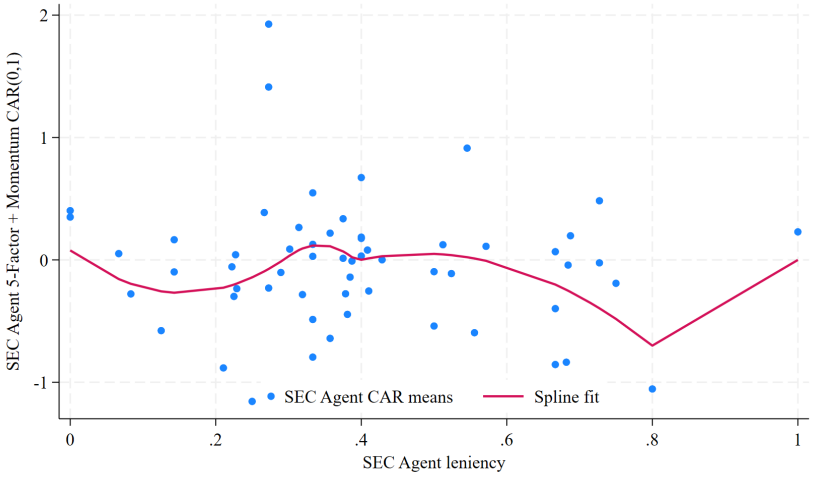
Table J3 repeats the experience test of Table 4 separately for governance (Panel A) and environmental and social (Panel B) proposals. Experience can affect leniency instruments when skill in judgment grows with tenure (Chan et al., 2022). The dependent variable is SEC official leniency, multiplied by 100. Column (1) uses the number of proposals the SEC official previously handled in the full sample and its square. Columns (2) to (4) use indicator variables equal to one for the SEC official's first 10, 25, and 50 decisions. Columns (5) to (7) use indicator variables equal to one for decisions in the bottom, middle, and top tercile of the SEC official's caseload within the subsample. Robust standard errors are given in parentheses. *, ** and *** denote significance at the 10%, 5% and 1% level, respectively.

	Dependent variable: SEC official leniency, in percent						
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Governance proposals							
Number of proposals	-0.009						
	(0.026)						
Number of proposals squared	0.000						
	(0.000)						
First 10 decisions		-0.602					
		(2.949)					
First 25 decisions			0.676				
			(3.006)				
First 50 decisions				0.593			
				(3.623)			
Bottom tercile					0.762		
					(3.019)		
Middle tercile						-1.388	
						(2.643)	
Top tercile							0.612
							(3.979)
Observations	2,184	2,184	2,184	2,184	2,184	2,184	2,184
Adjusted R-squared	0.033	-0.000	0.000	-0.000	0.000	0.001	-0.000
Panel B: Environmental and social proposals							
Number of proposals	0.007						
	(0.022)						
Number of proposals squared	0.000						
	(0.000)						
First 10 decisions		-3.536					
		(3.209)					
First 25 decisions			-2.498				
			(3.450)				
First 50 decisions				-2.798			
				(3.725)			
Bottom tercile					-2.297		
					(3.472)		
Middle tercile						-2.560	
						(2.417)	
Top tercile							4.881
							(2.977)
Observations	1,483	1,483	1,483	1,483	1,483	1,483	1,483
Adjusted R-squared	0.058	0.007	0.006	0.009	0.005	0.007	0.026

Figure J1: Instrument Validity by Proposal Topic: Monotonicity and Exclusion Restriction

Figure J1 repeats the joint test of the exclusion restriction and average monotonicity of Figure 4 separately for governance (Panel A) and environmental and social (Panel B) proposals (Frandsen et al., 2023). Each dot marks the mean 5-factor plus momentum CAR(0,1) around the publication of the No-Action decision among the proposals assigned to one SEC official, plotted against the leniency of that SEC official. The line shows the cubic spline fit with three knots underlying the test. The fit component of the test measures whether the SEC official-level means deviate from the spline by more than sampling variation permits, which the exclusion restriction rules out. The combined p-values equal 0.971 for governance proposals and 0.272 for environmental and social proposals. The panels contain the 2,033 and 1,418 proposals with returns.

Panel A: Governance Proposals



Panel B: Environmental and Social Proposals

