Why Do Managers Fight Shareholder Proposals? Evidence from No-Action Letter Decisions*

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Corporate managers are highly skeptical of shareholder proposals, and often seek to prevent them from coming to a vote. Managers argue that proposals are uninformed or opportunistic, and will destroy firm value. In contrast, governance reformers argue that shareholder proposals are needed to counteract managerial agency problems, and can be used to increase firm value. This study estimates the value consequences of shareholder proposals challenged by managers, using announcement returns from SEC no-action letter decisions. Previous studies have not found a significant market reaction to shareholder proposals, but those studies have been limited by an inability to identify the date at which investors become aware of a proposal. Our new approach is to study a well-defined event date at which the SEC makes an exogenous and arguably unpredictable decision to block or allow a proposal to go forward, allowing estimates that can be interpreted as causal. We find that over the period 2007-2016, the value consequences of shareholder proposals – implied from abnormal returns around SEC no-action letter decision dates – are negative on average, suggesting that investors agree with managers that these proposals are value-destroying. The market's assessment varies across most proposal topics, and investors appear to dislike proposals that would increase the E-Index. Investors are not particularly skeptical of proposals by unions and public pensions, but appear to view proposals by individual "gadfly" shareholders as value-destroying.

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1. Introduction

Shareholder proposals are an increasingly important weapon in the arsenal of corporate governance reformers, who believe that the proposal process is important for controlling managerial agency problems. More than 16,000 proposals have been submitted to corporations in the S&P 1500 since 1997, and new Securities and Exchange Commission (SEC) rules and court rulings have made it easier for shareholders to access the proxy statement.[1] At the same time, managers continue to fiercely resist expanded use of shareholder proposals, both through organizations that seek to influence regulations, such as the Business Roundtable, and by seeking to exclude individual proposals from appearing in their firms' proxy statement through the SEC's no-action letter process. There are two conflicting views for why managers oppose shareholder proposals: the "responsible manager" view asserts that shareholder proposals are value-destroying – either misguided or intended to benefit the narrow interests of proponents – and managers are helping shareholders at large by resisting proposals. The "self-interested manager" view is that shareholder proposals increase firm value and managers oppose them in order to preserve corporate practices that provide them with private benefits.[2]

This paper seeks to shed light on the motives of managers by estimating the value consequence of proposals that managers try to exclude from the proxy statement. SEC rules allow companies to exclude a proposal from the proxy statement under certain conditions, such as if the proponent fails to demonstrate minimum stock ownership, the proposal

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[1] For example, following Dodd-Frank, the SEC modified rule 14a-8(i)(8) to allow proxy access proposals. Another example is the Delaware Supreme Court's *CA, Inc. v. AFSCME Employees Pension Plan* decision in 2008 that allowed shareholder proposals to alter a company's bylaws concerning decision making processes and procedures.

[2] Many references could be cited: Bainbridge (2012) is representative of the responsible manager view and Bebchuk (2005) is representative of the self-interested manager view.

relates to redress of a personal grievance, or the proposal deals with ordinary business operations. If a company wishes to omit a proposal, it submits a letter to the SEC asking the staff to confirm that the agency will not take action against the company if the proposal is omitted, called a "no-action letter." Companies seek to exclude about 31 percent of proposals that they receive, and the SEC decides to grant a no-action letter permitting omission about 67 percent of the time. Our research strategy is to estimate the stock price reaction in the days surrounding the SEC's decision. If managers are resisting proposals for responsible (value-maximizing) reasons, then we should observe a positive market reaction when the SEC allows a proposal to be omitted; if managers are resisting proposals for self-interested (value-destroying) reasons, then we should observe a negative market reaction when the SEC allows a proposal to be omitted.

Both views enjoy some support in the theoretical literature. The view that managers are susceptible to agency problems that might lead them to take actions that compromise shareholder value features prominently in any number of classic books and articles going back to Berle and Means (1932) if not earlier. The root problem is dispersed ownership that leads to free-rider problems in monitoring and disciplining managers. From this perspective, one can see immediately how giving shareholders the right to influence corporate decisions can push a company toward value maximization. The other view, that managers seek to maximize firm value, has a long tradition in the law, and is the basis for the business judgment rule that creates a presumption that directors and managers are acting in the corporation's best interest. This view maintains that shareholders lack the knowledge and expertise to make corporate decisions, so their role should be circumscribed to the selection of directors. Seen from this perspective, shareholder proposals are at best a distraction to managers, and at worst harmful: proxy advisory firms may be so ill-informed that they advise shareholders to support proposals that are not in their interest (Larcker and Tayan, 2011; Larcker et al., 2015); and certain shareholders might use proposals as bargaining chips to induce managers to allocate corporate resources for the benefit of the proponent at a cost to shareholders at large (Matsusaka et al., 2016).[3]

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[3] Matsusaka and Ozbas (2016) develop a formal model that incorporates all of these issues.

The legal environment has been moving steadily in the direction of expanded shareholder rights, giving the impression of a consensus that enhanced rights are beneficial, yet the scholarly evidence is surprisingly inconclusive. At a general level, several studies that estimate the market reaction to expansion in shareholder rights fail to produce compelling evidence that investors value having more rights.[4] More specific to our inquiry, research on the impact of individual shareholder proposals, going back to the initial study by Karpoff et al. (1996), almost uniformly fails to uncover evidence of positive value effects (Denes et al., 2015).[5] There is some reason to wonder, however, if existing research designs have enough power to detect valuation effects. The studies employ event return methods, which have a good track record in finance research, but the actual date at which a proposal becomes known to the market is difficult to determine because there is seldom a formal announcement or media coverage. In lieu of knowledge about the date that the market learns about a proposal, most studies use either the date that the proxy statement is mailed to shareholders or the date of the annual meeting (Table 1 summarizes the existing literature). However, in order to make a proposal, a shareholder must send a notice to the company at least 120 days before the proxy statement is mailed. Moreover, companies must file their proxies with the SEC 10 days before mailing them, and SEC rule 14a-6(e)(1) requires that the preliminary statement be made immediately available for public inspection. So there is ample reason to expect the information to reach the market before the proxy is mailed or the annual meeting is held.

Our research addresses this issue by employing a new research strategy that focuses on SEC decision dates. We argue that the existence of a proposal is likely to be known by the time of the SEC decision (by then it has been reviewed and discussed by the proponents, the company, the law firms representing both parties, and SEC attorneys), but the outcome of the decision – which determines whether the proposal will go to a vote or be shut down – is news to investors because it is not fully predictable. The abnormal return

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[4] Negative evidence is in Akyol et al. (2012); Larcker et al. (2011); Stratmann and Verret (2012). Positive evidence is in Cohn et al. (2016) and Becker et al. (2013). The findings are often conditional on certain subsamples and event dates.

[5] A notable exception, discussed below, is Cuñat et al. (2012) that uses different research methods.

in the days surrounding the SEC decision then provides an estimate of the proposal's value consequence: if the SEC grants a no-action letter (shuts down the proposal) then the return is (minus) the probability-weighted value consequence of the proposal; while if the SEC declines to grant a no-action letters (allows the proposal to go to a vote), the return is the probability-weighted value consequence of the proposal. If managers are challenging good proposals, the firm's price should fall if the SEC grants a no-action letter, and conversely.

We study hand-collected data on all proposals for which a no-action letter was requested from October 2007 through August 2016. Our main finding is that the market responded positively to the granting of a no-action letter. The cumulative abnormal returns range from 0.23 percent to 0.89 percent depending on the event window and method of adjusting for expected returns. The abnormal returns are distinguishable from zero statistically. These returns reflect a reversal of the possibility that the SEC might deny the no-action letter request in which case the proposal goes to a vote. If we assume that the probability of being denied a no-action letter is 42 percent as it is in our sample, then the implied expected value of the proposal going to a vote ranges from -0.55 to -2.12 percent. If we further assume that the probability of a proposal being approved, conditional on going to a vote, is 27 percent, as suggested by Cuñat et al. (2012), then the implied value of a successful proposal ranges from -2.04 to -7.85 percent. These numbers appear to be material. In terms of the question that motivates the paper, we find no evidence that investors consider these proposals to be value-enhancing on average, and thus no basis for concluding that managers fight these proposals for self-interested reasons. To the contrary, our evidence is consistent with the view that managers fight these proposals because they are in fact harmful to the firm.

We use the abnormal returns for granted and denied no-action letters, together with the sample probabilities of each type of decision, to calculate the market's implied value of having a proposal go to a vote. For the full sample, the implied value ranges from -0.31 percent to -1.10 percent, depending on specification. After establishing the initial result, we explore the factors that determine the market's reaction to a no-action letter decision. First, we examine to what extent the market favors certain types of proposals and disfavors other types of proposals. The most common types of proposals we observe concern majority voting, allowing shareholders to call special meetings, and environmental issues.

We are unable to find consistent differences in the implied value of specific types of proposals. If proposals are grouped into general topics, we find a significant negative implied value associated with corporate governance proposals ranging from -0.52 percent to -1.69 percent, depending on the specification. We do not find significantly nonzero implied values for proposals related to compensation as a group, or social issues as a group. We do find significantly negative market assessment of proposals that would increase the G-Index and E-Index ranging from -0.67 percent to -3.81 percent, depending on the specification.

Second, we examine how the market reacts to proposals from different types of shareholders. Recent court rulings and some scholarly evidence suggest that certain types of shareholders are more likely to bring proposals that advance their narrow interests rather than overall firm value. Labor unions and public pensions have been particularly suspect (Matsusaka et al., 2016). We find that proposals from individual investors – so-called "gadflies" – are viewed negatively by the market, but we are unable to find consistent differences in the market reaction to other types of proponents.

Third, we examine to what extent the market's reaction depends on firm profitability and size. Low performing firms are the most natural candidates for shareholder intervention, and some evidence suggests that they are more common targets for proposals (Denes et al, 2015). We find some evidence that the market is more positive about proposals targeted at low-performing firms, but the significance levels are sensitive to model specification. Agency problems arising from free-riding should be more severe at large than small firms. We also find some evidence that proposals targeted at large firms are more likely to increase value, although again the significance is somewhat sensitive to model specification.

The primary purpose of our paper is to shed light on the motives for managerial resistance to enhanced shareholder rights. The evidence is most compatible with the view that managerial resistance is based on a genuine concern that shareholder proposals harm firm value, and is not merely a convenient rationalization in order to preserve managerial private benefits. Our paper is also intended as a contribution to the large literature that seeks to estimate the value consequences of shareholder proposals. While most of the literature fails to find measurable market reactions, this may be because the event date

used in previous research is well past the date at which market participants learn about the proposal. Our contribution is to offer a new approach to measuring the market's reaction to shareholder proposals by exploiting the fact that SEC decision dates are precisely known, the outcomes are uncertain ex ante, and therefore the decision conveys concrete information to the market about whether a proposal will go to a vote or not. The obvious limitation is that we only study the 31 percent of proposals that are challenged by managers, and the value consequences of the proposals not challenged might be different.

2. No-Action Letters and the Proposal Process

Shareholder voting rights are rooted in state corporation law and corporate charter documents, but the proposal process itself is governed by SEC Rule 14a-8. The SEC began regulating the process in 1935 based on Section 14 of the Securities Exchange Act of 1934 that charged the agency to develop proxy regulations "in the public interest and for the protection of investors." Over time, the SEC gradually developed a body of regulations that came to be collected in Rule 14a-8.[6] This rule has been amended many times over the years, most recently in 2011.[7] Under state law, shareholders have a right to make proposals in person at a company's annual meetings. Because most shareholders do not attend the annual meeting, they cast their votes by proxy. The company is required to distribute a proxy statement prior to the annual meeting to all shareholders that in effect allows them to vote in absentia. The federal proxy access rules govern the conditions under which shareholders can require their proposals to be listed in the company's proxy statement.

The proposal process begins with a shareholder "proponent" drafting a proposal and sending it to the company. The proposal offers a resolution to be voted on, as well as an argument in its favor. The resolution can take the form of a specific change in the company's bylaws or it can be a request for the company to consider taking some action. The proposal must arrive at the company no later than 120 days before the proxy

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[6] For histories of the development of the shareholder proposal rules, see Liebeler (1984) and Fisch (1993). For developments over the last two decades, see Bainbridge (2012).

[7] In September 2011, 14a-8(i) was amended so that a company could no longer exclude proposals that would facilitate director nominations by shareholders (proxy access).

statement is to be mailed. The company then has the option to include the proposal in the proxy statement or the company can attempt to omit the proposal from the proxy statement by appealing to the SEC. If the company wishes to omit the proposal, it must submit a letter to the SEC no later than 80 days before the proxy statement is mailed; the letter notes that the company intends to omit the proposal and indicates the grounds for doing so. Typically, the company's letter also requests that the SEC respond by stating that the staff will not recommend the Commission take an enforcement action against the company if it omits the proposal, called an SEC "no-action letter." If the company requests a no-action letter, the proponent is given an opportunity to respond, which may be followed by a series of responses from both parties. In almost all cases, if a no-action letter is issued, then the proposal is omitted from the proxy, while if the SEC declines to issue a no-action letter, the proposal appears on the proxy. Occasionally, the SEC grants a no-action letter but indicates a specific problem that the proponent may rectify in order to make the proposal acceptable. Both the company and the proponent have the option of taking their case to a federal court if they disagree with the SEC's decision, which happens on occasion. Sometimes the proponent agrees to withdraw the proposal before or after an SEC decision, based on negotiations with the company. The proxy statement containing the proposal (if included) must be mailed to shareholders within a window before the annual meeting that is stipulated by state law (e.g. not more than 60 or fewer than 10 days in California and Delaware).

There are many possible grounds for excluding a proposal under Rule 14a-8. Table 2 provides a summary of the procedural requirements for submitting a proposal (14a-8(b) to 14a-8(e) and 14a-8(h)) and substantive bases for exclusion (14a-8(i)). Procedural requirements include that a proponent must own stock worth at least $2,000 or 1 percent of firm value for at least one year before the meeting; may submit no more than one proposal per meeting; and the proposal and supporting statement may not exceed 500 words. The substantive bases for inclusion are wide ranging. At the most basic level, the proposal must be a proper subject for action under state law. A proposal can be excluded, among other things, if it would cause the company to violate a law, is false and misleading, relates to redress of a personal grievance, deals with ordinary business operations,

conflicts with a management proposal, duplicates another proposal in the proxy statement, or relates to a specific amount of dividends.

Table 2 reports the number of times that a given reason was the basis for a no-action letter in our sample.[8] The most common reasons for granting a no-action letter are, in order, that the proposal deals with ordinary business operations, the proponent failed to demonstrate minimum ownership, and the company has already substantially implemented the proposal. Other common grounds for exclusion are that the proposal contains language that is false or misleading, the proposal conflicts with a management proposal offered at the same meeting, and the proposal was not submitted more than 120 days before the proxy statement is to be mailed.

The ability to exclude proposals that are improper under state law is particularly important. Most state laws give the board the authority to run the company, so a proposal that mandates a particular action is often improper under state law (notable exceptions are bylaw amendments concerning decision and governance procedures). Therefore, most proposals are advisory or "precatory" in nature; they "request" or "urge" (or similar phrasing) the company to take an action. In our sample, only 3 percent of proposals are binding, meaning that proposals are overwhelmingly precatory in nature.

3. Research Strategy

The essence of our research strategy is to estimate the stock price reaction in the days surrounding the issuance of an SEC no-action letter decision. To put our strategy in perspective, it is useful to review previous work estimating the return associated with shareholder proposals. Table 1, drawn from Denes et al. (2015), lists previous studies. One approach, employed by three studies, is to estimate the abnormal return associated with publication of a media story on a proposal. Its primary limitation is lack of media coverage, leading to small sample sizes: Karpoff et al. (1996) capture 27 events; Smith (1996) finds

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[8] Companies often claim several grounds for exclusion in their letter to the SEC. If the SEC finds one reason to allow exclusion, it does not offer an opinion on the validity of the other grounds. So this count does not include all grounds for exclusion but rather those grounds that were flagged by the SEC staff.

39 events sponsored by CalPERS; and Del Guercio and Hawkins (1999) study 102 announcements by public pension funds.

The most popular approach, employed by 10 studies, is to estimate the abnormal return on the date that the company mails the proxy statement. A question with this approach is whether new information about proposals is actually revealed to the market on the proxy mailing date. Market participants might already be informed because proposals are submitted to the company at least 120 days before the proxy statement is mailed, allowing ample time for information to reach the market. Also, companies are required by SEC Rule 14a-6 to file their proxy statements with the SEC 10 days before mailing, and the rule states that the filed statements "shall be deemed immediately available for public inspection" (14a-6(e)(1)), meaning that proxy statements are publicly available 10 days before they are mailed. The usual finding of a small and statistically insignificant abnormal return on the proxy mailing date may be explained by the information having already reached the market prior to the proxy mailing date, rather than a proposal having no effect on firm value.[9]

A third approach, employed by three studies, is to estimate the abnormal return on the date of the annual meeting. Because the existence of a proposal is certainly not news at the time of the annual meeting, unconditional mean returns on the meeting date are negligible (Karpoff et al., 1996; Thomas and Cotter, 2007). Conditioning on the voting outcome, Karpoff et al. (1996) find a positive mean return for proposals that receive a majority of votes in favor, although the return is not estimated with precision. Cuñat et al. (2012) build on this idea by using regression discontinuity methods to distinguish proposals that narrowly "pass" from those that narrowly "fail"; their conservative estimate is that a successful proposal produces an abnormal return of 1.3 percent on average on the

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[9] Another limitation of using the proxy mailing date is that companies often have multiple proposals on the same ballot. With multiple proposals on one event date, it is not possible to isolate effects for individual proposals, and interpretation of the net effect is cloudy: if there are 4 proposals and an abnormal return of zero percent, it could mean that none of the proposals affects value, that half of them increase and half of them decrease value, and so on. Another concern is that proxy statements deliver a variety of information in addition to shareholder proposals.

meeting date.[10] The Cuñat et al. (2012) study offers the most convincing causal estimates to date, but like all studies, has some limitations. Estimates based on election outcomes cannot capture the indirect effect that proposals have through negotiations. Theoretically, proposals can be used as bargaining chips – they can be withdrawn before a vote in response to management concessions (Matsusaka and Ozbas, 2016). This happens quite often: roughly 40 percent of all proposals are withdrawn by the proponent after negotiations, and there is extensive anecdotal evidence of managers offering concessions to proposal sponsors. In addition, the study only examines governance-related proposals, therefore offering no evidence on the effects of quantitatively important "social" proposals such as clean energy and political proposals such as limitations on corporate campaign contributions.

Our approach avoids some of the limitations from previous studies, although of course, it comes with its own limitations. Here we state precisely our strategy, and then we outline advantages and limitations. Formally, suppose the probability that the SEC declines to issue a no-action letter (i.e., the proposal goes to a vote) is p, and the expected change in firm value associated with the proposal going to a vote is z. The pre-decision expected value of the firm is then pz (plus the value of the firm independent of the proposal, which we ignore). If a no-action letter is granted then firm value is zero and the return is $R_{no-action} = -pz$; while if a no-action letter is not granted then firm value is z and the return is $R_{declined} = (1-p)z$. We estimate the values of $R_{no-action}$ and $R_{declined}$ as cumulative abnormal returns within an event window.

We also combine the two returns to back out an estimate of z. Note that $z_{no-action} = -\frac{R_{no-action}}{p}$ and $z_{declined} = \frac{R_{declined}}{1-p}$. According to SEC rules, the staff does not judge the merits of a proposal when deciding whether to grant a no-action letter,[11] so in expectation $z_{no-action} = z_{declined} = z$ on average. Then for any given proposal

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[10] Because most proposals are precatory, the vote functions more as advice to managers than an approval mechanism that triggers at 50 percent.

[11] See Division of Corporation Finance, Securities and Exchange Commission, Staff Legal Bulletin No. 14 (CF), dated July 13, 2001. Question 7: "Do we [SEC] judge the merits of proposals? No. We have no interest in the

$$(1) \qquad z = I_{declined} \cdot \left(\frac{R_{declined}}{1-p}\right) - I_{no-action} \cdot \left(\frac{R_{no-action}}{p}\right),$$

where I is an indicator variable for whether a proposal was or was not granted a no-action letter. We estimate the mean value of z over various subsamples using the sample-average value of p.

In order for our estimates to reveal the expected value of proposals, two conditions must hold: first, market participants must be aware of the existence of a proposal before the SEC makes its decision; and second, the decision must be uncertain from the perspective of investors. The first condition is plausible because prior to the decision the proposal has been seen by various officers in the target company, by the sponsors, and by multiple attorneys in the SEC, in many cases by an outside law firm employed by the company, and sometimes legal counsel for the proponents. Prima facie evidence for the second condition – unpredictability of the decision – is the fact that the SEC grants a no-action letter in only two-thirds of its decisions. An examination of the decision criteria (Table 2) also suggests the difficulty in predicting the SEC's decision. While some criteria seem black and white, such as the proposal not exceeding 500 words, whether a proposal violates most other restrictions will not be obvious to an outsider.[12] An outsider will not know if the proponent can or cannot demonstrate minimum ownership of the stock, and the most common substantive problems – the proposal deals with "ordinary business operations" or has been "substantially implemented" or is "vague and indefinite" – are inherently subjective. While a body of precedential decisions exists to help interpret these phrases, there are still significant gray areas. In any event, if either of these two conditions does not hold, the estimated event return will be zero, which essentially biases against finding a meaningful effect.

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merits of a particular proposal. Our concern is that shareholders receive full and accurate information about all proposals that are, or should be, submitted to them under rule 14a-8."

[12] Even a request to omit a proposal because it exceeds 500 words may not be as obvious as it seems. One decision in our sample concerning the 500-word limit hinged on whether "CEO" was one or three words.

An important merit of our approach is that we can identify the precise date at which new information about whether a proposal will go to a vote (i.e., the SEC decision) arrives. The SEC decision is communicated to the proponent and company on the decision date, and posted on the SEC web site on the day of the decision or within a few working days. Because the SEC decision is new information, the stock price reaction around the decision date offers a good opportunity to identify the market's assessment of the value consequences of shareholder proposals.

A limitation of our approach is that it only encompasses proposals that management attempted to omit from the proxy statement. This is not a problem from the perspective of testing managerial motives for resisting proposals, but it means that our estimates of the value consequences of proposals may not generalize to all proposals. The value consequences of proposals opposed by managers might be different than for proposals that managers accept.

Another potential limitation of our approach is that it produces estimates of the expected value of a proposal going to a vote, not the expected value of a proposal being implemented. Formally, the expected value z can be decomposed into $z = qx$, where q is the probability that the proposal will be implemented, and x is the value consequence of implementing the proposal. The probability q incorporates the chance of implementation through various channels: management may choose to implement after seeing the vote; management may choose to implement before the vote, after negotiation with the proponent; or in the case of a binding proposal, 51 percent of shareholders might vote in favor. Because $q < 1$, our estimates of z can be seen as lower bounds for the value consequence of actually implementing a proposal.

4. Data

The empirical analysis is based on three data sources. The primary data are hand-collected from no-action letter files compiled by the SEC. Since mid-2007, the files are published on the SEC's web site in PDF format (the information is also available in LexisNexis). Each file contains a cover letter from the SEC that identifies the company, proponent(s), and decision date; a decision letter that explains the reason for the decision; and various letters from the company and its legal representatives and from the proponent

and its legal representatives including the proposal itself. Using these files, we hand-collected the decision and decision date for each case, as well as the company, proponents, and content of the proposal. Proposals were grouped into topics as discussed below, and proponents were grouped into types. By reading the text of each proposal, we were also able to determine if it was precatory or a binding vote on the bylaws. Our data run from mid-2007 through August 2016. Details of the data collection are reported in the appendix.

We linked these data to the *Institutional Shareholder Services (ISS) Proposals* database (formerly RiskMetrics). This database lists shareholder proposals received by companies in the S&P 1500 index. These data are intended to include all proposals received by companies, not only those for which a no-action letter is requested. The ISS Proposals database assigns a type to each proponent and a subject to each proposal, but we construct our own classifications directly from the SEC documents. Classifications in the ISS Proposals database are sometimes inconsistent within the database, sometimes ambiguous, sometimes incorrect, and often missing.

Table 3 reports the number of proposals received by companies and the number that companies attempted to omit from October 2007 to August 2016. For the years in which the proposals and SEC data fully overlap (2008-2014), 31 percent of proposals are sent to the SEC with a request for a no-action letter. Of the proposals that reach the SEC during the entire period, 57 percent are granted no-action letters and permitted to be omitted from the ballot; 28 percent are not granted no-action letters; and 15 percent are withdrawn or not decided. Of the proposals for which the SEC issues a decision, 67 percent are granted no-action letters.

We use CRSP data to calculate event returns. We calculate the daily abnormal returns using the market-adjusted model and the Fama-French four-factor model of Carhart (1997). The length of the estimation period is 200 trading days, and we require at least 150 days with returns. The estimation period starts 10 days prior to the event date. Daily abnormal returns are winsorized at 1 percent in each tail. We use multiple event windows; all of our event windows start one trading day before the no-action letter decision date and end on dates ranging from one to 10 trading days after the no-action letter decision date. Longer event windows allow for the possibility of some SEC decisions being posted with a delay of a few days. We drop an event for a firm if the event window

contains another event date (i.e., no-action letter decision date) for the same firm in order to avoid the contamination of abnormal returns with the impact of different decisions. This process leads to a 20 percent decline in sample size because there are many cases in which the SEC makes multiple decisions for a given firm within a short window. Note that there is seasonality in the no-action letter process; 82 percent of no-action letter decision dates are in January, February, or March. Finally, we use Compustat to obtain firm financial information.

5. Findings

A. Basic Patterns

Table 4 reports basic information on event returns for the full sample. We begin with simple descriptive information. Column (1) reports the mean cumulative abnormal return for decisions that granted a no-action letter, effectively killing the proposal; and column (2) reports the mean return for decisions that did not grant a no-action letter, allowing the proposal to go to a vote. In panel A, abnormal returns are calculated by adjusting for market movements. In panel B, abnormal returns are calculated using the Fama-French four-factor model. Returns are reported for various windows beginning one day before the decision and extending to 10 days afterwards. Glancing down column (1), the mean cumulative abnormal return ranges from 0.23 to 0.89 percent, and is always statistically different from zero at the 1 percent level. It appears that investors are pleased when the SEC grants a no-action letter, consistent with the idea that managers are acting in shareholder interests when they fight these proposals. The finding that returns tend to grow as the window becomes longer suggests that some information may diffuse across the market over a week or two after the decision date.

Looking at column (2) of Table 4, the mean return ranges from 0.05 to 0.63 percent, but is usually not statistically different from zero. The sample sizes are smaller in column (2) than column (1) so this could be a power issue or it could mean the absence of a meaningful market reaction to declined no-action letter requests. The absence of a clear finding here is somewhat puzzling: given the positive reaction to a decision that grants a no-action letter, we would expect a negative reaction to a decision that does not grant a no-action letter. In any case, not much can be said about this given the statistical insignificance.
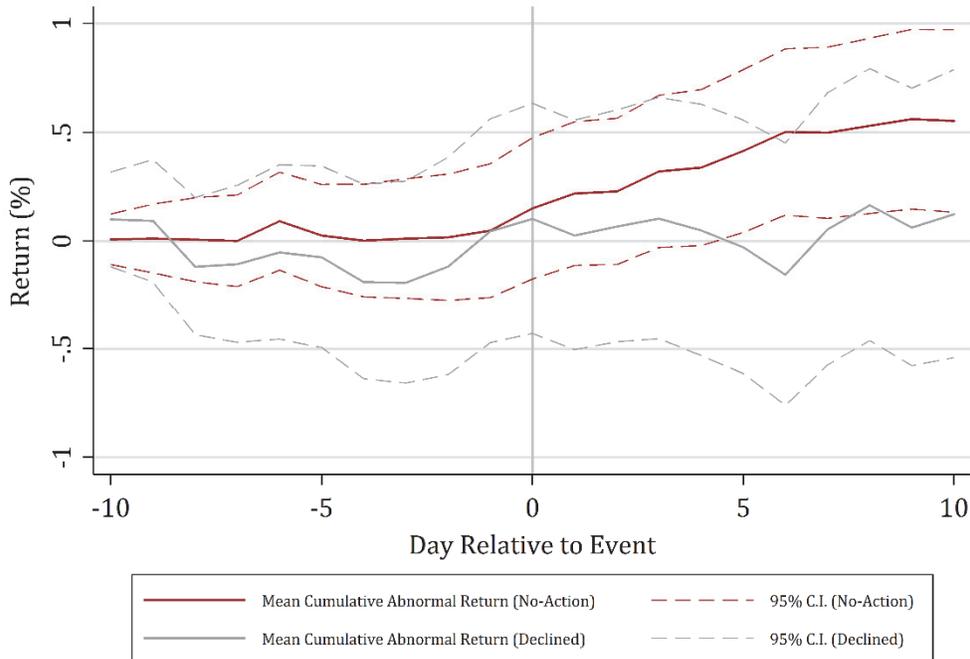
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Figure 1. Cumulative Abnormal Return

Figure 1 presents more-or-less the same evidence graphically. The figure plots the cumulative abnormal return using the Fama-French four-factor model from 10 days before to 10 days after the decision date. The red curve shows a gradual increase in the cumulative abnormal return for decisions granting a no-action letter. The gray curve shows the relatively flat return for decisions that decline to grant a no-action letter; the large confidence interval around the estimate stands out.

Column (3) of Table 4 reports the mean value of z, as defined in (1), which represents the implied expected value of a shareholder proposal going to a vote. We assume that $p = 0.42$, the full sample probability that the SEC declines to grant a no-action letter, allowing the proposal to go to a vote (the probability of a no-action letter is 0.58). The average z in column (3) ranges from -0.31 to -1.10 percent, and is always statistically different from zero. The largest value, for the [-1,10] window in Panel A, implies that proposals on average are associated with a 1.10 percent loss in firm value. This evidence further supports the conclusion that investors view the proposals that managers fight as value destroying.

B. By Topic of Proposal

The subject matter of proposals varies widely, ranging from corporate governance issues to executive compensation to social issues. One might suspect different types of proposals to have different effects on firm value. To get a sense of how investors perceive different types of proposals, this section reports the mean implied value consequence associated with different proposal topics. Panel A of Table 5 breaks out the implied value separately for the seven most common specific proposal topics in our sample. Panel B breaks out the implied value for the most common broad proposal topics. Implied values are measured by z as defined in (1). We focus on the seven most common types of proposals in our dataset so that the sample sizes do not become too small. We report returns for the market adjusted and Fama-French four-factor models, and for three event windows. Data mining is a risk in this sort of exercise since some means are likely to pass critical values for statistical significance simply by chance.

The most common type of proposal concerns the right of shareholders who meet certain minimum ownership conditions to call a special meeting of shareholders. These proposals involve creation of the right, or lowering of the ownership threshold. The implied value of such proposals, reported in the first row of panel B of Table 5, is negative, but usually not different from zero at conventional levels of statistical significance. The second most common type of proposal requires majority vote for corporate elections. Some call for a majority vote in director elections, others seek to remove supermajority provisions on proposals. The move from plurality to majority voting for corporate directors has been one of the most successful planks in the reform platform over the last decade (Choi et al., 2016). The second row of Panel B reports a negative implied value associated with such proposals, although not generally statistically significant. The next most popular type of proposal concerns enhanced proxy access, typically to nominate directors. The implied value associated with such proposals is also negative, and statistically different from zero in some cases. There is no evidence that investors welcome increased proxy access; rather it seems they dislike it. This comports with evidence based on legislative histories finding negative or zero market reactions to enhanced proxy access (Akyol et al., 2012; Larcker et al. 2011; Stratmann and Verret, 2012). The implied value associated with proposals to

prohibit the same person from serving as CEO and chair of the board is small, with inconsistent sign, and never statistically significant. The implied value associated with proposals to increase disclosure of political expenditures and contributions is generally negative, but usually statistically insignificant. Of the seven issues examined in Panel A of Table 5, the largest magnitude implied value is for proposals to declassify the board, with the means ranging from -1.78 to -8.56 percent, and sometimes significantly different from zero. The movement to eliminate staggered board terms has been a notable success of the governance reform movement in the last few years, despite resistance from managers. Our estimates suggest that managers might have been defending shareholder value by resisting such proposals. Finally, the implied value associated with proposals allowing shareholders to act by written consent is negative but never statistically different from zero. Taken as a whole, we do not find robust evidence that the investors favor or disfavor any of these seven reforms.

Panel B of Table 5 groups issues into three broad aggregates: compensation, corporate governance, and social issues. The implied value associated with compensation issues is small and never statistically different from zero. The implied value associated with social issues is usually positive, but never statistically significant. Interestingly, the implied value associated with corporate governance proposals is negative, and in five of six windows, can be distinguished from zero statistically. The values range from -0.52 to -1.69 percent. On average, investors appear to dislike corporate governance proposals.

The bottom two rows of Panel B of Table 5 shows the implied value of proposals that increase the G-index and E-index, respectively (Bebchuk et al., 2009). The G-index has 24 elements. The E-index has six elements, of which five appear in proposals in our sample: board declassification, majority voting for mergers, majority voting for bylaw amendments, limits on golden parachutes, and removal of poison pills (not in our sample: limits on bylaw amendments). Both indexes enjoy some popularity among reformers as a summary measure of the quality of a company's governance. Somewhat surprisingly, we find a negative implied value associated with increases in both indexes. The implied value of a one-unit increase in the G-index ranges from -0.67 to -1.63 percent. The implied value of a one-unit increase in the E-index ranges from -1.05 to -3.81 percent. The implied value estimates are usually statistically different from zero. Taken at face value, the estimate

imply that investors believe that increases in the G-index and E-index reduce shareholder value.

C. By Type of Proponent

Just as investors may view some proposal topics more favorably than others, their assessments may also be colored by the identity of the proponent. Because the proponent might be asymmetrically informed about the consequences of a proposal, theory suggests that investors will base their beliefs about its value consequences in part on who is the sponsor. Here we examine the implied value of proposals by type of proponent.[13]

It is not obvious ex ante which proponents are suspect and which are not, so our estimates should be seen as exploratory. Labor unions and public pensions have been singled out by researchers and in court decisions for potentially using the proposal process to advance private goals that do not maximize value, such as benefits for union workers, which might make investors skeptical about their proposals. On the other hand, unions may have a lot of information about a company's operations, putting them in a good position to recognize value-enhancing opportunities. Another group that has been the subject of much discussion is hedge funds. Hedge funds have been lauded for their focus on shareholder value, and substantial evidence exists that activist campaigns increase value (Brav et al., 2015). Others have expressed concern that hedge funds might be short-term oriented, pressing the firm to generate short-term cash distributions at the expense of long-run value (Anabtawi, 2006).

Table 6 reports the number of proposals that the SEC decided by type of proponent for our sample (proposals that were withdrawn are excluded). Individuals make by far more proposals than any other sponsor category, with 1,023 in our sample. This is not simply because proposals from individuals are more likely to be challenged: for the entire ISS Proposals database over 1997-2013, 38 percent of proposals are sponsored by individuals. Some of these proposals originate with persons who make a one-time proposal

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[13] Another (indirect) way to assess how other shareholders view a proposal is through their votes: the evidence connecting votes to the identity of the sponsor is mixed and inconclusive (Gordon and Pound, 1994; Thomas and Martin, 1998).

on a specific issue, but most come from a small number of corporate "gadflies" who make dozens of proposals every year. The most active gadflies are Gerald R. Armstrong, John Chevedden, James McRitchie (along with wife, Myra Young), and William Steiner (along with son, Kenneth). Also mirroring the pattern from full samples, we find very few proposals (a total of 31) from hedge funds (included under "Fund (general)"). This indicates that hedge fund activism, which is common, should not be linked to shareholder proposals; hedge funds seem more focused on other forms of engagement, especially including seeking board seats. The most common type of organization to sponsor proposals is labor unions, followed by SRI funds, and then public pensions.

Table 6 reports the mean implied value of proposals (z as defined in (1)) for the different proponent types. As before, we report the estimates based on returns over several windows and adjusting for expected returns in two different ways. The first row shows expected returns associated with hedge funds. The means are negative more often than not, and statistically negative in two of six cases. But the sample sizes are small, and one cannot embrace the conclusion that hedge fund proposals destroy value with much confidence.

Although traditional hedge funds are a side show when it comes to proposals, SRI funds are important players. They supply 142 proposals in Table 6. The most active SRI funds in our sample are Qube Investment Management, Harrington Investments, and Northstar Asset Management. SRI fund proposals often involve social issues such as global warming and clean energy. The means indicate that investors view their proposals as value destroying on average, but some of the means are small in magnitude, and only two of six can be distinguished from zero. Again, it seems we should be hesitant about drawing strong conclusions.

The third row of Table 6 shows the mean implied value of proposals sponsored by individual shareholders. The implied value is consistently negative, and all of the means are statistically different from zero at the 5 percent level or better. The magnitudes range from -0.41 to -1.32 percent. The clearest message from Table 6 is that investors consider proposals from individual shareholders to be value-destroying on average.

The fourth row of Table 6 reports the mean implied value of proposals sponsored by labor unions. As discussed in Matsusaka et al. (2016), these proposals are usually

sponsored by union-controlled reserve funds and not by union pension funds, which are often jointly managed with management. The most prolific union proposers in our sample are the AFL-CIO Reserve Fund, International Brotherhood of Teamsters General Fund, and United Brotherhood of Carpenters Pension Fund. The market's assessment of the value consequences of proposals sponsored by labor unions is usually small, the sign is sometimes positive and sometimes negative, and the means are never statistically distinguishable from zero. Contrary to arguments that unions are prone to abuse the proposal process, we do not find evidence that investors view their proposals as value-destroying on average.

The bottom row of Table 6 reports the mean implied value of proposals sponsored by public pension funds, another group that has come under suspicion. The most common public pension funds in our sample are CalPERS, the New York City funds, and the New York State Common Retirement Fund. The means are sometimes positive and sometimes negative, and never statistically distinguishable from zero. We find no convincing evidence that investors dislike proposals from public pensions.

D. Regressions

The evidence indicates that investors consider shareholder proposals to be value decreasing on average, but their distaste does not seem to be associated with any particular type of proposal or proponent (with the exception of individuals). In order to gain more clarity on the factors that determine the market's response, we next present a series of regressions in which the dependent variable is the implied value (z) of a proposal. The explanatory variables include dummies for broad proposal topics and years. We also include the company's profit rate as an explanatory variable, defined as EBITDA/Sales, winsorized at 1 percent tails. There is some evidence that unprofitable or poorly performing companies are more likely to receive proposals (Denes et al., 2015) and intuition suggests that the scope for value-increasing proposals is greater at underperforming companies. If so, the value of proposals would be higher for low profit firms. In contrast, if proposals are disruptive to a company, then proposals might be particularly damaging at underperforming companies by distracting managers from righting the ship. We also include firm size, measured as the natural logarithm of market

value, as a control variable. One might expect lower-magnitude abnormal returns for large firms for mechanical reasons, because it is more difficult to have an impact on a large than a small enterprise. Conversely, agency problems associated with the separation of ownership and control are likely to be more severe at large firms, creating a higher marginal value for value-increasing proposals.

Table 7 reports the results. Each column is a regression. The dependent variable is the implied value (z) for the window indicated at the heading of each column, using the market adjustment indicated at the top of each column. All regressions include year dummies whose coefficients are not reported. The table reports two F-statistics, one for the hypothesis that the coefficients on the topic dummies are equal to each other, and another for the hypothesis that the year dummies are identical to each other.

The first thing to note is that the implied value does not appear to depend reliably on the proposal topic. The coefficients individually are not statistically different from zero, except in a few isolated cases, and their signs and magnitudes tend to vary by equation. For no equation can the hypothesis that they are equal be rejected. The finding on the year dummies is similar: we cannot reject the hypothesis that they are equal to each other in any equation.

The coefficient on firm profit is consistently negative, although it can be distinguished from zero statistically only for one specification. The interpretation of the negative coefficient is that proposals received by low profit firms are more likely to be associated with value increases. Thus, the point estimates suggest that shareholder proposals are most beneficial at underperforming firms, although the estimates are not reliably different from zero.

The coefficient on firm size is reliably positive, and statistically different from zero for most specifications. The positive coefficient implies that proposals are more likely to be beneficial when received by large firms. This would be consistent with the hypothesis that agency problems are more severe at large firms than they are at small firms.

6. Submission of No-Action Letter Requests

Our results suggest that investors view the average shareholder proposal challenged by management as value-destroying. If this is correct, we would expect a

positive price reaction when investors learn that a company has submitted a no-action letter request to the SEC. Assessing this empirically is a bit tricky. The date that the company sent its initial letter to the SEC can be determined from the file posted by the SEC once a decision has been reached. However, the SEC does not post or otherwise make public company requests for no-action letters; it only posts the decision letters. So it is not clear that investors would be aware of a company's request for a no-action letter on the submission date. However, the request for a no-action letter is known by the company, the proponent, and the SEC, and is not confidential, so it is possible that the market learns of the request sometime close to the submission date.

Keeping the limitations in mind, it still seems useful to investigate the return associated with the submission date. To do this, we collected the date that each company submitted its request for a no-action letter to the SEC, and calculated the abnormal return around that date for several event windows. Table 8 presents the estimates. For windows up to 10 days after the submission, the mean returns are quantitatively small and not statistically different from zero. One interpretation of this evidence is that information of submissions of no-action letters does not reach investors except with some delay, and perhaps only for a subsample of firms. However, these findings in the end do not lend themselves to strong conclusions.

7. Conclusions

We estimate the value consequences of shareholder proposals that are challenged by managers through the SEC's no-action letter process. Using a hand-collected dataset on SEC no-action letter decisions over the period 2007-2016, our empirical approach is to study abnormal returns around SEC no-action letter decision dates, assuming that the decisions are uncertain from the perspective of investors until they are made.

Our findings support the view that managers use the no-action letter process to prevent value-destroying shareholder proposals. Our estimates of the value consequences of shareholder proposals are material, ranging from -2.04 to -7.85 percent of firm value depending on specific assumptions made and methods used.

Prior research has used event dates such as proxy statement mailing dates that seem well past the point at which investors become informed about shareholder proposals.

It is perhaps unsurprising that the measured effects have been economically small and statistically insignificant. Our paper improves upon previous studies by identifying a clean event date at which investors learn whether a shareholder proposal will go to a vote or not.

Our work has implications for the ongoing debate on expanded shareholder rights, and in particular, bylaw amendments to give shareholders greater access to the proxy statement to enable them to nominate directors at lower cost. Among the different types of shareholders whose proposals are challenged by managers, we find that proposals from individual shareholders are the most value-destroying. With tiny ownership stakes in the firms that they engage, individual shareholders may be uninformed, or worse yet, motivated by narrow private interests. Thus, our evidence supports bylaw amendments that feature minimum ownership requirements for proxy access.

Appendix. Data

The no-action letter files pertaining to shareholder proposals are posted on the SEC's web site: https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. The decision date was the date on the cover letter from the SEC to the company. If the decision was appealed, we did not consider the second decision. Issues were classified based on a reading of the text of the proposal. Sponsors were identified by consulting the SEC cover letter and the proponent submission. If the proponent was an individual usually associated with an organization, such as John Harrington, the president of Harrington Investments, we classified the sponsor as the organization. If a proposal was jointly sponsored by an organization and an individual, we designated the organization as the sponsor.

Decisions were taken from the SEC decision letter. In some cases, the SEC agreed that the proposal in its current form could be omitted – usually because it was not formulated as a precatory proposal – but gave the proponent the option to change it in a specific way that would make it allowable. We classified these cases as the SEC having declined to issue a no-action letter since sponsors typically avail themselves of the opportunity to make the change.

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Table 1. Summary of Literature Measuring Returns to Shareholder Proposals

			Event		
Study	Period	Sample	Newspaper story	Proxy mailing	Annual meeting
Karpoff et al. (1996)	1986-1990	All proposals	X	X	X
Smith (1996)	1987-1993	Proposals by CalPERS	X		
Strickland et al. (1996)	1990-1993	Governance proposals by United Shareholders Association		X	
Wahal (1996)	1987-1993	Proposals by public pensions + CREF		X	
Del Guercio and Hawkins (1999)	1987-1993	Proposals by public pensions + CREF	X	X	
Gillan and Starks (2000)	1987-1994	All proposals		X	
Prevost and Rao (2000)	1988-1994	Proposals by public pensions		X	
Thomas and Cotter (2007)	2002-2004	All proposals		X	X
Cai and Walkling (2011)	2006-2008	Compensation proposals		X	
Renneborg and Szilagyi (2011)	1996-2005	All proposals		X	
Prevost et al. (2012)	1988-2002	Proposals by labor unions		X	
Cuñat et al. (2012)	1997-2007	All proposals			X

Notes. This list is drawn from Denes et al. (2015).

Table 2. Rule 14a-8 Grounds for Exclusion of Shareholder Proposals

Rule number	Procedural requirements	# in sample
14a-8(b)	Proponent must have held stock worth $2,000 or 1% of firm value continuously for at least one year before submitting proposal and must continue to hold them through meeting date	224
14a-8(c)	Proponent may only submit one proposal per meeting	17
14a-8(d)	Proposal and supporting statement may not exceed 500 words	5
14a-8(e)	Proposal must be submitted no less than 120 days before proxy statement is mailed	116
14a-8(h)	Proponent or representative must be present at meeting	20
	Substantive bases for exclusion	
14a-8(i)(1)	Improper subject for action under state law	11
14a-8(i)(2)	Will cause the company to violate state, federal, or foreign law to which it is subject	72
14a-8(i)(3)	Proposal and supporting statement are materially false or misleading	118
14a-8(i)(4)	Relates to redress of a personal claim or grievance, or be designed to provide a benefit to proponent that is not shared by the other shareholders at large	7
14a-8(i)(5)	Relates to operations that account for less than 5 percent of company assets or sales	0
14a-8(i)(6)	Company lacks the power to implement	37
14a-8(i)(7)	Deals with ordinary business operations	413
14a-8(i)(8)	Would disqualify a director candidate, remove a director from office, question competence of director or nominee, seek to include specific nominee, or otherwise affect the outcome of director election	27
14a-8(i)(9)	Conflicts with company's own proposal	118
14a-8(i)(10)	Company has already substantially implemented proposal	215
14a-8(i)(11)	Substantially duplicates another proposal	84
14a-8(i)(12)	Deals with substantially the same subject as another proposal from previous years that received (specified) low support from shareholders	39
14a-8(i)(13)	Relates to specific amounts of dividends	14

Note. This table reports the grounds for excluding a proposal under SEC Rule 14a-8. The last column reports the number of times that a given reason was the basis for a no-action letter in our sample. If a no-action letter was granted for multiple reasons, each reason is counted separately. If the SEC allowed a proponent to modify the proposal to avoid a no-action letter, we count it as a no-action letter not having been granted.

Table 3. Shareholder Proposals and No-Action Letter Decisions, 2007-2016

			Outcome					
			No-Action Letter Granted		No-Action Letter Declined		Withdrawn or Not Decided	
Year	# Received	# Sent to SEC	#	%	#	%	#	
2007 (Oct. to Dec.)	1,160	48	39	81	5	10	4	
2008	1,147	409	267	65	88	22	54	
2009	1,117	408	190	47	156	38	62	
2010	1,010	348	228	66	76	22	44	
2011	755	305	181	59	79	26	45	
2012	715	228	144	63	49	21	35	
2013	782	177	90	51	48	27	39	
2014	591	323	183	57	80	25	60	
2015		296	116	39	124	42	56	
2016 (Jan. to Aug.)		232	138	59	70	30	24	
TOTAL	7,277	2,774	1,576	57	775	28	420	

Notes. # Received is for the entire year for 2007, and through 2014. #Received are classified by date of the annual meeting; SEC numbers are classified by year of the SEC decision. # Received is from the ISS Proposals database. SEC numbers were collected from no-action letter files.

Table 4. Cumulative Abnormal Returns Associated with No-Action Letter Decisions

	No-action letter granted (proposal omitted) (1)	No-action letter declined (proposal permitted) (2)	$\bar{z}$ (3)
Panel A. Market Adjusted Model			
[-1,1]	0.26*** (0.10) [1,221]	0.20 (0.15) [547]	-0.31* (0.17)
[-1,3]	0.37*** (0.12) [1,167]	0.41** (0.20) [511]	-0.37* (0.22)
[-1,5]	0.48*** (0.15) [1,127]	0.22 (0.24) [495]	-0.66** (0.28)
[-1,10]	0.89*** (0.22) [1,020]	0.63* (0.33) [452]	-1.10*** (0.40)
Panel B. Fama-French Four Factor Model			
[-1,1]	0.23*** (0.09) [1,221]	0.05 (0.13) [547]	-0.33** (0.16)
[-1,3]	0.35*** (0.11) [1,167]	0.19 (0.18) [511]	-0.46** (0.21)
[-1,5]	0.45*** (0.14) [1,127]	0.12 (0.20) [495]	-0.66*** (0.25)
[-1,10]	0.70*** (0.21) [1,020]	0.09 (0.31) [452]	-1.08*** (0.38)

Note. The main entry is cumulative abnormal returns, expressed as a percentage. Standard errors are in round parentheses and the number of observations is in square brackets. Returns are winsorized at the 1 percent level in each tail. Observations are deleted if there is another decision within the event window. The variable $\bar{z}$ is the mean of $\frac{CAR(declined)}{.58} - \frac{CAR(no\ action)}{.42}$ over all decisions. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 5. Mean Implied Value of Shareholder Proposals (*z*) by Proposal Topic

Subject	N	Market adjusted [-1,1]	[-1,5]	[-1,10]	Fama-French 4 Factor [-1,1]	[-1,5]	[-1,10]
Panel A. Specific Issues							
Special meetings	160	-1.02*	-0.62	0.24	-0.79	-0.79	-0.17
		(0.54)	(0.94)	(1.09)	(0.51)	(0.80)	(1.07)
Majority vote	135	-1.23**	-1.60*	-1.89	-0.74	-0.90	-1.25
		(0.57)	(0.91)	(1.34)	(0.55)	(0.81)	(1.24)
Proxy access	97	0.55	-0.55	-1.85	-0.94	-2.20**	-3.56**
		(0.75)	(0.99)	(1.63)	(0.62)	(0.88)	(1.57)
Independent chair	96	0.24	0.29	-0.62	0.63	0.04	-1.43
		(0.57)	(1.10)	(1.48)	(0.59)	(1.06)	(1.51)
Political disclosure	82	0.21	-0.12	-1.68	-0.28	-0.89	-2.99*
		(0.55)	(0.85)	(1.36)	(0.56)	(1.00)	(1.60)
Written consent	58	-0.92	-0.14	-0.88	-0.81	-0.01	-1.15
		(0.49)	(0.88)	(1.07)	(0.49)	(0.80)	(1.06)
Declassify board	48	-2.77	-6.89**	-8.56**	-1.78	-3.17	-3.38
		(1.74)	(2.62)	(3.31)	(1.34)	(2.15)	(3.01)
Panel B. Issue Groups							
All compensation	270	0.24	-0.55	0.03	-0.06	-0.97	-0.76
		(0.50)	(0.81)	(1.19)	(0.42)	(0.70)	(1.06)
All corporate governance	737	-0.61**	-0.74*	-1.69***	-0.52**	-0.58	-1.41**
		(0.27)	(0.43)	(0.59)	(0.24)	(0.38)	(0.56)
All social issues	246	0.11	0.68	0.72	0.04	0.38	-0.31
		(0.42)	(0.66)	(0.90)	(0.38)	(0.64)	(0.91)
G-Index components	471	-1.05***	-1.34**	-1.63**	-0.72**	-0.67	-0.81
		(0.34)	(0.56)	(0.73)	(0.30)	(0.48)	(0.69)
E-Index components	197	-1.72***	-3.06***	-3.81***	-1.05**	-1.46*	-1.88
		(0.59)	(0.92)	(1.29)	(0.52)	(0.78)	(1.16)

Note. The variable $\bar{z}$ is the mean of $\frac{CAR(declined)}{.58} - \frac{CAR(no\ action)}{.42}$ over all decisions. N is the number of observations for the [-1,1] window. Returns are winsorized at the 1 percent level in both tails. The E-index components are: declassify board, majority voting for mergers, majority voting for bylaw amendments, golden parachutes, and poison pill. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 6. Mean Implied Value (*z*) of Shareholder Proposals by Type of Proponent

Subject	N	Market adjusted			Fama-French 4 Factor		
		[-1,1]	[-1,5]	[-1,10]	[-1,1]	[-1,5]	[-1,10]
Fund (general)	31	-0.06	-3.70**	-6.45**	0.59	-2.30	-4.50
		(1.02)	(1.77)	(2.82)	(1.03)	(1.61)	(2.93)
Fund (SRI)	142	-0.96**	-0.06	-1.12	-0.86**	-0.11	-1.00
		(0.47)	(0.59)	(1.10)	(0.43)	(0.68)	(1.21)
Individual	1,023	-0.58**	-0.98***	-1.32**	-0.41**	-0.90***	-1.09**
		(0.23)	(0.37)	(0.52)	(0.21)	(0.34)	(0.49)
Labor union	211	0.62	0.07	-0.34	0.09	-0.48	-1.05
		(0.56)	(0.89)	(1.35)	(0.46)	(0.73)	(1.16)
Public pension	118	0.10	-0.44	0.14	-0.73	-0.67	-0.85
		(0.46)	(1.32)	(1.91)	(0.68)	(1.10)	(1.73)

Note. The main entries are the mean of $z = \frac{CAR(declined)}{.58} - \frac{CAR(no\ action)}{.42}$ over all decisions. Standard errors are in parentheses. N is the number of observations for the [-1,1] window. Returns are winsorized at the 1 percent level in both tails. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 7. Regressions of Implied Value (*z*) of Shareholder Proposals

	Market adjusted			Fama-French Four Factor		
	[-1,1]	[-1,5]	[-1,10]	[-1,1]	[-1,5]	[-1,10]
	(1)	(2)	(3)	(4)	(5)	(6)
Profit (EBITDA/sales)	-1.59	-2.57	-5.16*	-0.43	-1.08	-2.67
	(1.17)	(1.95)	(2.66)	(1.06)	(1.78)	(2.56)
Log(market value)	0.13	0.44***	0.65***	0.15	0.42***	0.57**
	(0.10)	(0.17)	(0.24)	(0.09)	(0.16)	(0.23)
Dummy = 1 if compensation related	1.12**	0.79	2.42*	0.38	-0.27	0.68
	(0.57)	(0.94)	(1.33)	(0.52)	(0.86)	(1.28)
Dummy = 1 if corporate governance	-0.06	1.20	1.28	-0.06	1.04	0.73
	(0.45)	(0.73)	(1.02)	(0.40)	(0.67)	(0.98)
Dummy = 1 if social issue	0.26	2.37**	3.54***	0.05	1.13	0.70
	(0.60)	(0.99)	(1.37)	(0.54)	(0..91)	(1.32)
F-statistic: all topic dummies equal	2.36*	1.10	1.61	0.43	1.44	0.00
F-statistic: all year dummies equal	0.59	0.61	1.11	0.73	0.95	0.71
R^2	.009	.013	.020	.006	.013	.010
N	1,497	1,369	1,239	1,497	1,369	1,239

Notes. Each column reports estimates from a regression in which the dependent variable is the estimated value effect (*z*), expressed as a percentage. Standard errors are in parentheses beneath coefficient estimates. All regressions include year dummies. Cumulative abnormal returns are winsorized at the 1 percent level in each tail. Observations are dropped if the company had another decision in the window. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 8. Cumulative Abnormal Returns Associated with Submission of No-Action Letter Request to SEC

	Market Adjusted	Fama-French Four Factor	N
[-1,1]	-0.05	-0.06	1,359
	(0.08)	(0.08)	
[-1,3]	0.08	0.08	1,312
	(0.11)	(0.11)	
[-1,5]	0.08	-0.02	1,287
	(0.13)	(0.13)	
[-1,10]	0.26	0.11	1,233
	(0.18)	(0.18)	

Note. The main entries are cumulative abnormal returns over the indicated windows. Standard errors are in parentheses. Returns are winsorized at the 1 percent level in each tail. Observations for which the company made another submission in the same window are deleted. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.