SHAREHOLDER ACTIVISM, CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE

BY

Yi   Yang

RESEARCH SUPERVISORS

Dr Binh Bui and Dr Thu Phuong Truong

A thesis

submitted to the Victoria University of Wellington in fulfilment of the

requirements for the degree of

Doctor of Philosophy in Accounting

Victoria University of Wellington

2019

ACKNOWLEDGEMENT

Declaration

I make this declaration that all the work in this thesis is my own and original work that has been carried out through the School of Accounting and Commercial Law, Victoria University of Wellington, during my candidature as a PhD student. I confirm that the content of this thesis has not been submitted either in whole or in part for the award of any other degree or diploma at this or any other university. To the best of my knowledge, this thesis contains no materials previously published or written by others except where due reference and acknowledgement has been made in this thesis.

Signature:

Date:

LIST OF ABBREVIATIONS

S/N	ACRONYM	ACRONYM MEANING
1	AMF	French Financial Market Authority
2	BIR	Benzene Internalization Rate
3	CAR	Cumulative Abnormal Return
4	CEO	Chief Executive Officer
5	CFO	Chief Financial Officer
6	CG	Corporate Governance
7	CSP	Corporate Social Performance
8	CSR	Corporate Social Responsibility
9	DB	Deutsche Boerse
10	EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
11	ESG	Environmental, Social and Governance
12	FP	Financial Performance
13	HUKFF	Hermes UK Focus Fund
14	M&A	Merger and Acquisition
15	MSWG	Minority Shareholder Watchdog Group
16	NGO	Non-governmental Organisation
17	PSPD	People's Solidarity for Participatory Democracy
18	R&D	Research and Development
19	ROA	Return on Assets
20	ROE	Return on Equity
21	ROIC	Return on Invested Capital
22	S & P	Standard & Poor's Composite Index
23	SEC	Securities Exchange Commission
24	SIC	Standard Industrial Classification
25	SPJ	Steel Partners Japan
26	TFP	Total Factor Productivity

Abstract

The thesis examines the influence of shareholder activism on corporate social responsibility (CSR) disclosure of targeted firms and its spillover effects on CSR disclosure, corporate social performance (CSP) and financial performance (FP) respectively in peer firms. The research is motivated by filling the research gaps in prior literature and providing insights to shareholders, the management and regulatory bodies in practice. The thesis consists of three parts.

Firstly, this thesis reviews the literature surrounding shareholder activism by conducting narrative reviews of 92 working papers and publications and meta-analysis on 55 working papers and publications, published during 2000-2017 period. Theories from prior literature, namely agency theory, stakeholder theory and stakeholder salience theory are analysed through narrative review analysis at the beginning of the chapter. Then, the analysis of narrative review also documents mixed findings of the associations among shareholder activism and FP and CG and CSP, including spillover effects. That is, the associations could be positive, negative and not significant in prior literature. The results of meta-analysis indicate that shareholder activism improves FP and CSP respectively. In addition, the thesis also examines the major types of shareholder activists and main forms of shareholder activism. Overall, through the analysis, the thesis identifies the research gaps of prior literature, thereby pointing out future research directions.

Secondly, by employing shareholder proposals from Standard & Poor's 1,500 (S&P 1,500, hereafter) companies in the United States as a proxy of shareholder activism during 2006-2014 period with 13,572 separate observations, this thesis examines whether the whole sample of shareholder activism, institutional shareholder activism and coordinated shareholder activism could influence CSR disclosure level respectively. Simultaneously, this thesis also investigates whether shareholder activism affects CSR disclosure level given the other corporate governance mechanisms, namely board size, the presence of female directors, outside directors and CEO incentives. The results typically demonstrate that: (1) while shareholder activism negatively relates to CSR disclosure level, larger board size or the presence of female directors combined with shareholder activism directly relates to maintaining better CSR transparency; (2) coordinated shareholder activism could decrease social disclosure level. The findings also indicate that CSR disclosure provides an approach to strategically manage risks.

Thirdly, the thesis explores spillover effects from different types of shareholder activism on CSR disclosure level, CSP and financial performance by using data gathered from S&P 1,500 companies during 2007-2014 period. The findings show that shareholder activism increases social disclosure level and environmental disclosure level in peer firms. It also shows that there is a weak positive association between shareholder activism and CSP. It therefore demonstrates the weak influences of shareholder activism in changing firms' CSP. It also illustrates that institutional shareholder activism has an advantage over coordinated shareholder activism in terms of increasing corporate transparency. In this manner, it indicates that the collective action problem among coordinated shareholders could also attenuate the impact of shareholder activism in peer firms.

The thesis contributes to the literature on shareholder activism practically and theoretically. The findings provide useful insights to shareholders, management teams and regulatory bodies for their policy-making. Beyond the practical contribution, the thesis also provides empirical evidence to stakeholder salience theory and analyses the collective action problem.

Keywords: shareholder activism, financial performance, corporate governance, corporate social performance, corporate social responsibility, CSR disclosure

Table of Contents

Chapter 1: General Introduction

1.1 BACKGROUND

This thesis examines whether shareholder activism affects corporate social responsibility (CSR). It does so by firstly reviewing current literature to discern the key patterns and issues in shareholder activism and its impacts on firms. Secondly, through focusing on the United States' S&P 1,500 companies during the 2006-2014 period with 13,572 firm-years, the thesis examines the different types of shareholder activists and their impacts on CSR disclosure. Thirdly, using a sample of the United States' S&P 1,500 companies during the 2007-2014 period with 12,064 firm-years, this thesis explores whether shareholder activism affects CSR disclosure, corporate social performance (CSP) and financial performance (FP) in peer firms (spillover effects).

1.1.1 Background and definition of shareholder activism

Shareholder activism, as a typical governance mechanism which disciplines the management, has received tremendous attention from scholars. Starting in the early twentieth century in the United States, shareholder activism was frequently initiated and supported by financial institutions and insurance companies (Weiner & Weber, 2015). With these participants, shareholder activism in the early days was stigmatised as a tool to strip firms of corporate assets and values, and it was employed by 'corporate raiders' who purely focused on corporate governance issues (Weiner & Weber, 2015). In 1930, the economic recession triggered the implementation of a broad range of new laws such as the Securities Act of 1933 and the Securities and Exchange Act of 1934 which separated control from ownership in the firms, isolating shareholders from the daily running of the corporations (Eisenhofer & Barry, 2005).

In order to protect the financial interests of these shareholders, in 1942, the Security Exchange Commission (hereafter, SEC) began to empower shareholders to seek corporate policy changes by submitting shareholder proposals.

Since shareholder activists were initially regarded as 'corporate raiders', the shareholders' voice did not receive enough attention until the 1970s, after which shareholder activism started to incorporate a wider range of issues (Eisenhofer & Barry, 2005). Nowadays, shareholder activism has become an unavoidable force in propelling changes to corporate policies and strategies, with more powerful activists at work and serious issues concerned. Firstly, there are more assets managed by shareholder activists and more resources accessible to them than ever before, which enhances their ability to pressure the firms to change. From 2013 to 2015, the amount of assets managed by institutions has increased roughly from $93 billion to $220 billion (Weiner & Weber, 2015). Secondly, due to the non-binding nature, despite a low support rate, shareholder activism can still exert considerable influence to affect corporate policies and strategies adopted. For instance, during 1970s, in General Motors, one shareholder proposal (a form of shareholder activism) called for withdrawing a company in South Africa which was involved in discriminating against black workers and offering services to the apartheid army. While this proposal failed originally, it had caught the attention of one of the new directors on the board, who was also an African American Baptist minister. Instead of withdrawing the company in question from South Africa, this director committed to the apartheid reform in South Africa, thereby fundamentally resolving the issue (Seidman, 2007). Overall, it demonstrates that shareholder activism has evolved to exert its unfolding influences on the firms.

Shareholder activism has been given several different definitions within the current body of literature. Goranova and Ryan (2014) define shareholder activism as "actions taken by shareholders with the explicit intention of influencing corporations' policies and practices". Little research focuses explicitly on the definition of shareholder activism, yet a variety of papers offer concepts around shareholder activists. Gillan and Starks (1998) define a shareholder activist as "an investor who tries to change the status quo through 'voice', without a change in control of the firm". Recent research analyses the strategies of shareholder activists and classifies them into either offensive shareholder activists or defensive shareholder activists. Offensive shareholder activists target underperforming firms and take sizeable stakes to correct failures and make profit, whereas defensive shareholder activists aim at protecting their interests by using their current ownership within firms to influence corporate policymaking (Armour & Cheffins, 2011). These studies, by describing the differing behaviours of shareholder activists, explore what shareholder activism is and how it is used. In light of these definitions, in this thesis, shareholder activism is defined as "shareholders exerting their efforts to bring about desired changes in the firms by using equity stake".

1.1.2 Forms of shareholder activism

Shareholder activists can express their needs through diverse forms of shareholder activism, including dialogue or communication with the management through emails, letters or face-to-face meetings, shareholder campaigning and shareholder filings such as '13D filings' and the submission of shareholder proposals in the definitive proxy statement (Form DEF 14A). Communication allows shareholders to confront firms directly. Communication can also come before shareholder proposals are officially presented and voted upon in the shareholder meetings (a forum often used to settle any dispute between shareholders and the firm). If the requests of shareholders are met, shareholders will, traditionally, withdraw their proposals.

Therefore, shareholders regard the withdrawal of proposals as indicating the successful outcome of their dialogue.

Two typical shareholder filings relating to shareholder activism are Schedule 13D filings and Form DEF 14A. Based on the regulation of SEC, Schedule 13D filings should be filed by larger shareholders who have more than 5% ownership and would want to affect corporate policies and operation within 10 days (Clifford, 2008). Form DEF 14A includes shareholder proposals with specific requests from various types of shareholders, including both larger and individual shareholders (Greenwood & Schor, 2009).

If negotiation with management does not go smoothly, shareholders can resort to submitting shareholder proposals and present them in the shareholder meetings for vote. Shareholder proposals submitted through Form DEF14A usually focus on specific concerns of shareholders regarding corporate operations and policies. The submission of shareholder proposals, per the above explanations, are considered an indicator of failed shareholder dialogue. While concerns held by shareholders can be ignored during the shareholder dialogue stage, the publicly accessible shareholder proposals can give rise to public scrutiny and pressure. SEC has implemented Rule 14a-8 to prescribe the content included in shareholder proposals. Since shareholder proposals can be the last resort of shareholder activism, whether the firms actively change corporate policies according to the concerns held by shareholder activists will eventually determine the overall effectiveness of shareholder proposals. Therefore, this thesis will focus on shareholder proposals as the proxy of shareholder activism. The evolution of shareholder proposals will provide the first key focus of this thesis.

1.1.3 Evolution of shareholder proposals

As noted above, Rule 14a-8 in the Securities and Exchange Act of 1934 allows shareholders to include proposals through the Form DEF 14A for vote in shareholder meeting (Glac, 2014). Rule 14a-8 was designed to prevent management from having an arbitrary authority and to ensure the shareholders' voice was heard (Eisenhofer & Barry, 2005; Glac, 2014). Since shareholder proposals bring the shareholders' concerns directly to the management, they are lauded as a tool to uphold "corporate democracy" (Ryan, 1988).

Between 2006 and 2014, the number of shareholder proposals submitted each year has grown[1]. Specifically, the overall number of shareholder proposals increased from 385 to 589. The number of shareholder proposals concerning governance issues increased from 249 to 439. Interestingly, both the overall number of shareholder proposals and the number of shareholder proposals concerning governance issues surged between 2010 and 2011, whereas the figures drop slightly afterwards. Unlike the rising trends regarding the overall number of submissions and the number of governance-related proposals, the number of shareholder proposals on social and environmental issues almost plateaued, only marginally increasing from 136 to 150 submissions. Overall, the discrepancies in trends for proposals dependent on their topics indicate a higher level of awareness in shareholder proposals concerning governance issues whereas the focus on social and environmental issues remains low, yet steady. Figure 1.1 shows the trends of shareholder proposals.

---

[1] Source: Proxy monitor at http://www.proxymonitor.org

Figure 1.1 Trends of shareholder proposals[2]
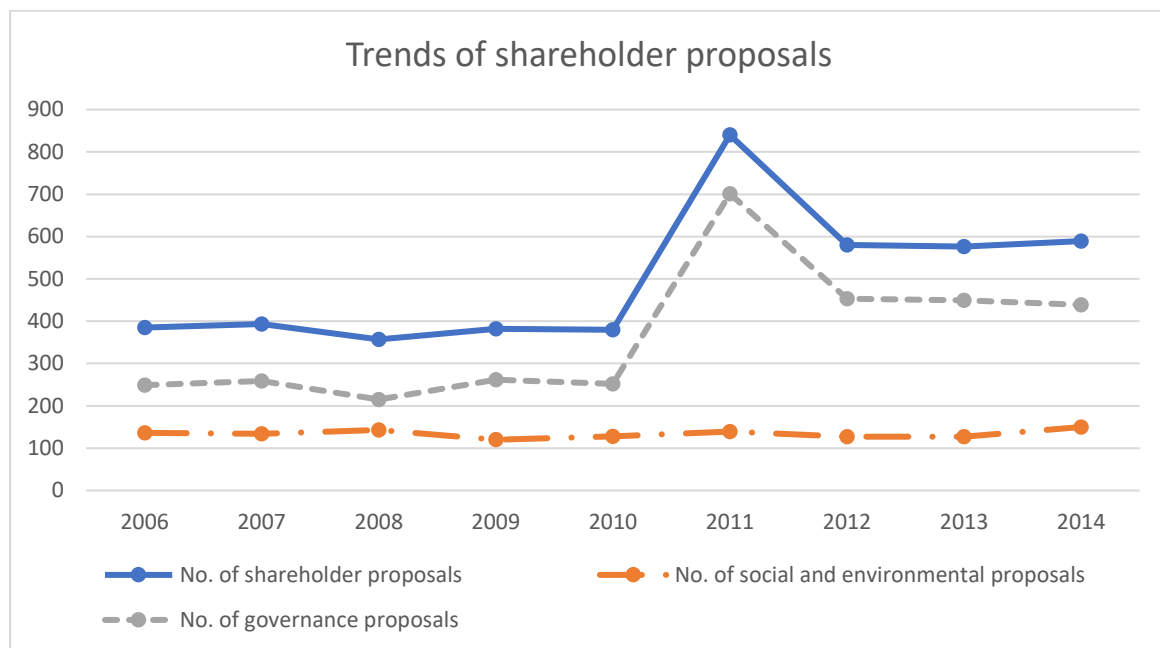
Despite the relatively smaller number of shareholder proposals in social and environmental aspects compared with in governance aspects, Copland (2014) highlights that there is a growing number of shareholder proposals relating to social and environmental issues, as these proposals have garnered significant financial support from active investors, namely social-investing funds which combines socials goals with investments (Statman, 2000). Specifically, new increased financial resources allow shareholder activism to persist even if it fails originally. For instance, shareholder activists may re-submit proposals in subsequent years after the rejection of initial proposals. Even if all their attempts at actions fail, shareholder proposals can still attract the media and public attention, subsequently exerting pressure on risk-averse management to undertake corporate change (Copland, 2014). A significant example of this process in action is the McDonald's paper cup. McDonald's introduced a paper cup in 2011 to avoid public scrutiny and manage the associated risks and pressure from peer firms,

---

[2] Based on the data provided by Proxymonitor; at http://www.proxymonitor.org.

notwithstanding the proposal requesting the use of paper cup had failed initially (McDonnell, King, & Soule, 2015).

As outlined above, the potent public influence of shareholder proposals indicates that this type of shareholder activism might facilitate corporate change (Copland, 2014). It is therefore argued that the impact of shareholder proposals deserves thorough investigation. Such research could aid the understanding of this corporate governance mechanism. Understanding the concept of the 'shareholder proposal' and how they work would provide meaningful insights for shareholders, management teams, regulatory bodies and scholars. The insights are also useful for shareholders who would like to employ the proposal process to seek corporate change. Increased knowledge would also benefit management in responding to shareholder proposals; being equipped with an improved understanding of shareholder proposals could provide informed preparation for the response. Meanwhile, the investigations into shareholder proposals could prove informative for law-makers and those enforcing new laws and regulations. For instance, Pound (1991) criticised the regulations restricting shareholder communications imposed between the year of 1935 and 1956, which eventually resulted in regulatory reform in 1957. In 1992, SEC loosened restriction on the communications between large shareholders (Sharara & Hoke-Witherspoon, 1993). This constructive development facilitates increased influence for institutional shareholders on corporate governance, thus facilitating positive corporate changes (Sharara & Hoke-Witherspoon, 1993). Overall, an improved understanding of shareholder proposals and their impacts would meaningfully inform the decision-making of various stakeholders such as shareholders, managers and regulators. This thesis therefore undertakes to carefully examine shareholder proposals as a proxy of shareholder activism.

1.1.4 Legal basis of shareholder proposals

While Rule 14a-8 provides shareholders with the legal opportunity to question the board regarding the implementation of policies, it also specifies the conditions under which shareholders might be excluded or not considered by management including i) procedural deficiency and ii) substantive bases. Procedural deficiency conditions restrict the length of proposals, the timeframe for submission and the procedure for companies to adhere to, to accept or exclude shareholder proposals. According to Rule 14a-8, one shareholder can only hand in one proposal in one meeting, with a 500-word count limit. In addition, the criterion to become a proponent of a proposal are that shareholders must own 1% of securities or they must own securities with the market value higher than 2,000 USD in companies. The Rule 14a-8 also requires shareholder activists to submit proposals at least 120 days before the date of the Form DEF 14A[3] for a meeting in the previous year. If company did not have an annual shareholder meeting in the previous year, or, if the date of the annual meeting changed more than a month compared to the date in the previous year, it must be "a reasonable time" before the company prepares and issues proxy statements to shareholders.

The conditions to exclude shareholder proposals from Form DEF 14A can be divided into ten categories: (1) the implementation of proposals violates laws or other SEC proxy rules; (2) the proposal does not significantly relate to the business of the firm; (3) the proposal relates to personal interests at the expense of other shareholders; (4) the proposal is beyond the power and authority of the firm to be implemented; (5) the proposal relates to the "ordinary business operation (i.e. day-to-day running)"; (6) the proposal is conflict with other company proposals handed in at the same meeting; (7) the proposal has already been implemented; (8) the proposal

---

[3] Form DEF 14A includes the agenda of shareholder meeting. Shareholder proposals are also included in it.

duplicates other proposals handed in previously; (9) the resubmitted proposal fails to pass the minimum threshold for support in previous shareholder meetings; and (10) the proposal relates to the amount of cash and dividends distributed.

Similar to other types of shareholder activism, at the very beginning, shareholder proposals focused on corporate governance issues due to a legal restriction implemented by SEC called "ordinary business exception" (Eisenhofer & Barry, 2005). Ordinary business exception allows the exclusion of proposals on public social and economic issues (Eisenhofer & Barry, 2005). However, the severe environmental change due to manufacturing napalm and social issues caused by violation of human rights in the 1970s forced SEC to amend this exception[4] and allow shareholders to include social and environmental claims in their proposals (Eisenhofer & Barry, 2005, p.3-9). In recent years, social and environmental shareholder proposals have increased in their publicity because of corporate scandals and exacerbated global environmental issues (Aguilera, 2005).

Figure 1.2 provides an overview of the process of submitting a shareholder proposal, as prescribed under the law[5].

---

[4] See the example on making napalm on p.3-9 and p.3-10 of Eisenhofer and Barry (2005) for further details.
[5] See http://blog.legalsolutions.thomsonreuters.com/wp-content/uploads/2014/03/Rule-14a-8-Shareholder-Proposal-Process-Flowchart.pdf

Figure 1.2 The process of submitting a shareholder proposal
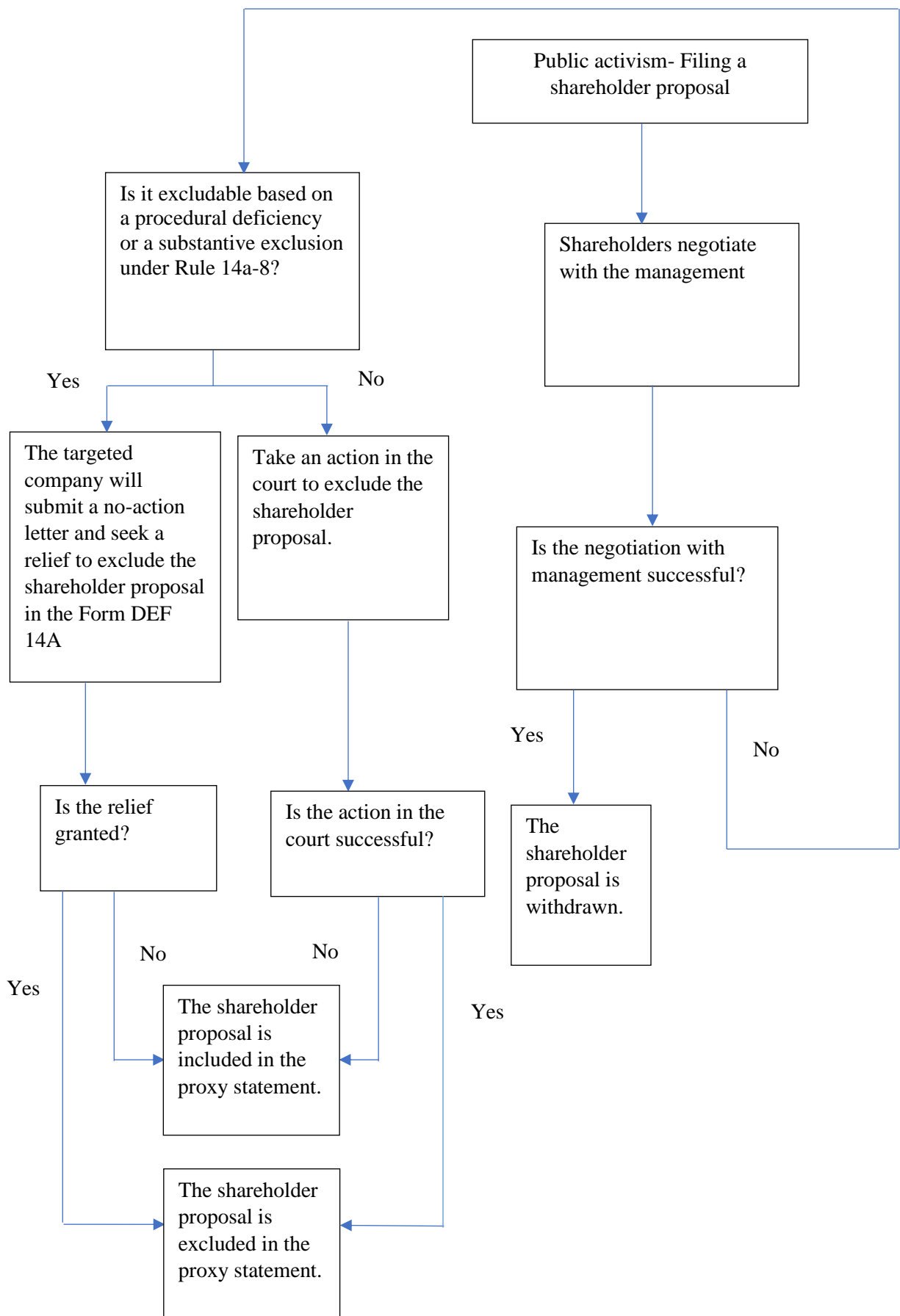
1.1.5 Prior literature on shareholder activism

Stimulated by the interesting background and history of shareholder activism, scholars have long attempted to explore and analyse the motivation of shareholder activists (Del Guercio & Hawkins, 1999;Lee & Lounsbury, 2011; Sjöström, 2008). Extant research has suggested that this motivation usually originates from differences between the various expectations of shareholders on CSR or financial value and the goals of firms (Sjöström, 2008). Some shareholders initiate activism for shareholder value protection and value maximisation (Del Guercio & Hawkins, 1999), whereas others are motivated by personal value and beliefs to foster better corporate social responsibility (Lee & Lounsbury, 2011). In the current global climate, social and environmental shareholder activists increasingly ensure that annual shareholder meetings are no longer just a symbolic event but a platform for actively altering corporate policies effecting either financial or sustainability issues (Kalt, Turki, Grant, Kendall, & Molin, 2018).

Other studies in this body of knowledge seek answers as to why shareholder activism can influence corporate policies. Shareholders provide the key financial resources that often determine long-term corporate success. Firms maintain access to these key financial resources if they cater to the needs of shareholders and therefore ensure their ongoing support. Accordingly, firms arguably have a clear motivation to consider shareholder activists' concerns regarding social, environmental and governance issues. Beyond financial reasons, reputation is another concern that drives corporate response to shareholder activism. CSR issues can pose a significant reputational risk to firms and therefore firms are often compelled to actively respond to shareholder requests on CSR in order to protect their reputation and legitimacy (Poter & Kramer, 2006). Through actively responding to shareholder concerns regarding CSR, firms can demonstrate that they "do the right thing" regarding their perceived personal, social

and environmental responsibilities. This in turn can affect their brand image and competitiveness. For example, Hartmann (2011) proposes that in the product-competitive market, products from firms perceived as "doing the right thing" can attract "ethical" customers, thereby directly increasing their profitability.

Prior literature has sought to empirically examine the association between shareholder activism and CSR; however, this literature has produced conflicting results. For instance, Neubaum and Zahra (2006) and David, Bloom, and Hillman (2007) document a positive relationship between salient shareholder activism and CSP, whereas Rojas, M'zali, Turcotte, and Merrigan (2009) report that the influence from shareholder activism on social policies is very limited. Hence, the literature presents contradictory evidence regarding the influences of shareholder activism on CSR issues. Therefore, an in-depth investigation into this correlation, or lack thereof, using the most up to date data is required.

Beyond the influences of shareholder activism on CSP, an in-depth investigation into the influences of shareholder activism or shareholder activists on information disclosure is also meaningful for firms to maintain key financial resources. Specifically, information disclosure affects the motivation of shareholders to invest and divest in firms thereby influencing corporate financial accessibility. Bushee and Noe (2000) illustrate that shareholders may trade aggressively on the new information and divest from the firms with decreased disclosure resulting in volatility of the stock price and instability of institutional ownership. Instability of ownership directly affects the financial accessibility of firms, impairing firm performance. To maintain shareholder ownership, stabilize the share price and ensure the availability of funds, firms have to release higher quality information with the implication of profit opportunities and

direct trading strategies of shareholders (Kim & Verrecchia, 1994). Understanding this association will raise the corporate awareness in keeping the important financial resources.

Furthermore, shareholder activism or activists not only associate with financial information disclosure but also non-financial information, namely CSR disclosure. While financial information directly reflects investment opportunities, non-financial information on environmental and social aspects that interact with financial performance is also important to shareholders' interests. The non-financial information on environmental and social aspects has increasingly attracted investors with ethical beliefs (Maretich, 2015). In the past four decades, pioneers like Hazel Henderson and Joan Bavaria of Trillium had led the movement for social responsibility investment as people have realised the negative influence on financial performance from climate change, human rights risks and scandals from financial crisis (Maretich, 2015). Hence, corporate social responsibility (CSR) disclosure has become an indispensable part in shareholders' decision-making and what shareholders seek from activism (Michelon, Rodrigue, & Trevisan, 2016). Therefore, understanding the association between shareholder activism and CSR disclosure has taken an important place in the research of shareholder activism.

1.2 MOTIVATIONS

The thesis is motivated by: (1) filling in research gaps of the literature and (2) practical motivations.

1.2.1 Motivations to fill in research gaps of the literature

The thesis is motivated by the potential to fill in gaps in current understanding and address the limitations from research methods in prior literature.

First and foremost, there are limitations in extant research methods which could result in biased and limited findings. Prior research generally employs the method of narrative literature review to analyse the literature on shareholder activism. Compared with studies based on only narrative literature review, meta-analysis helps identify significant nuances which might be ignored by narrative literature review (Spector, Thompson, & Health, 1991). Therefore, beyond narrative literature review, this thesis also employs meta-analysis and examines influences of shareholder activism rigorously. In doing so, it could identify associations among shareholder activism, FP, CG and CSR more clearly and directly based on prior literature.

Secondly, there are limitations due to dated data. In prior research, most of the examined data on shareholder activism are before 2011 which, however, might fail to demonstrate the latest trends and true influences of shareholder activism. Motivated to fill in this research gap and show patterns and influences, the thesis employs the latest data during the period 2006-2014.

Thirdly, the relationship between shareholder activism and corporate performance (e.g. financial performance and CSP) has been established by prior literature. However, the influences from shareholder activism on environmental, social and governance disclosure level remain unclear. Prior literature does not examine whether shareholder activism affects social, environmental and governance disclosure in detail despite the capacity of this information to demonstrate the effectiveness of shareholder activism as a corporate governance mechanism.

Specifically, CSR disclosure level can indicate corporate responses towards shareholder activism, and it is easier for firms to manipulate CSR disclosure than to improve CSP (where the improvement only becomes evident in the long-term). Prior studies have reported greenwashing behaviours after negative events (Clarkson, Overell, & Chapple, 2011) and window-dressing of CSR activities (Collier & Esteban, 2007) which implies that firms are motivated to manipulate CSR disclosure. These arguments indicate the potential link between shareholder activism and CSR disclosure and inconsistency between CSP and CSR disclosure level. The thesis is therefore motivated to examine whether shareholder activism influences CSR disclosure and CSP consistently or not.

Furthermore, prior literature has indicated that types of shareholder activists are associated with the outcomes of their activism. For example, Gillan and Starks (2000) find that institutional or coordinated shareholder activism could gain more support than other types of shareholder activism. Neubaum and Zahra (2006) find that coordinated and institutional shareholder activism could improve CSP. These studies highlight the importance to consider types of shareholder activists especially institutional or coordinated shareholder activists when examining the influences of shareholder activism on both financial performance and CSP. In this way, it could also provide empirical evidence to stakeholder salience theory. However, there is little empirical evidence on whether different types of shareholder activists influence CSR disclosure level or transparency of firms. In addition, there is no research exploring the effectiveness of coordination among shareholder activists and whether their collective actions solicit corporate responses in the form of changes in disclosure level. Therefore, the thesis is motivated to fill in the research gaps and examine whether different types of shareholder activists influence CSR disclosure level or not.

Additionally, very little research looks at the interactions between shareholder activism and other corporate governance mechanisms and links the interactions to CSR. Multiple external and internal governance mechanisms (among which activism is one type) may have varying impacts on corporate reactions, especially when such mechanisms interact (i.e. complementing or substituting each other). Further, it is necessary to understand the impact of corporate governance mechanisms as shareholder activism ultimately operates in corporate reality where corporate governance is always present (disregard of its effectiveness). While Cremers and Nair (2005) examine the interactions between shareholder activism and other governance mechanisms and link the interactions to the creation of abnormal return, no current research explores whether these interactions affect CSR. In addition, Giannarakis (2013) investigates the association between corporate governance mechanisms and CSR disclosure. It therefore indicates the need to consider corporate governance mechanisms when investigating associations between shareholder activism and CSP or CSR disclosure. Through this, the CSR impact of shareholder activism will be more clearly known.

Lastly, the thesis is motivated to examine spillover effects of shareholder activism. Firstly, as one type of shareholder activism, shareholder proposals in the United States are publicly accessible which could also cause changes of CSR policies and changes of CSP in peer firms (Cao, Liang & Zhan, 2019). However, it is unclear the influences of shareholder activism on CSR disclosure in peer firms which need to be investigated. Secondly, little research has examined whether different types of shareholder activists could enhance or weaken the influences of shareholder activism on peer firms. Nonetheless, it is crucial to understand whether the influences vary with different types of shareholder activists because this investigation could demonstrate whether stakeholder salience influences the level of spillover

effects. Motivated by aiding the understanding, the thesis will examine whether shareholder activism by different types of activists could result in different level of spillover effects.

1.2.2 Practical motivations

This thesis is also motivated by the need to more comprehensively understand the responses of targeted firms to shareholder activism in the form of CSR disclosure and CSP. Understanding the responses could help evaluate the effectiveness of shareholder activism, thereby providing insights to shareholders, other stakeholders such as suppliers and customers, regulatory bodies and the management. Firstly, shareholders could know how to initiate shareholder activism in an effective manner to monitor firms for their interests. For instance, they should consider the presence of other corporate governance mechanisms in the targeted firms and their strategies to coordinate with other shareholders. Secondly, the findings will provide insights to other stakeholders such as suppliers and customers. Both suppliers and customers could know whether companies will devote efforts to improve CSP after shareholder activism. They could make their decisions of trading based on the results. Thirdly, the insights gained by understanding this effectiveness will advise regulatory bodies such as SEC whether the regulation of shareholder activism could facilitate communication and coordination of shareholder activists and improve the effectiveness of shareholder activism. Also, if shareholder activism as a governance mechanism works effectively, regulatory bodies should encourage shareholder activism by developing regulations to minimize associated costs. For the management, the research could provide insights into implementing appropriate strategies and policies to rule out the negative influences from shareholder activism on the corporate performance and reputation. Motivated by providing insights to shareholders, regulatory bodies and the management, this thesis will examine whether shareholder activism influences CSR disclosure in targeted firms in Chapter 3.

In addition, the study of spillover effects could offer insights of the externality of shareholder activism. To shareholder activists, it is meaningful to understand this externality because they could manage their targeting strategies to generate positive outcomes. To the management, understanding the spillover effects could help them develop appropriate strategies to defend the firm against shareholder activism in the future. Motivated by aiding the understanding of shareholder activists and the management, the thesis will study whether shareholder activism influences CSR disclosure, CSP and FP in peer firms (spillover effects) in Chapter 4.

1.3 RESEARCH QUESTIONS

Overall, this thesis aims to examine the relationship between shareholder activism and CSR disclosure. Rather than corporate social performance (hereafter, CSP), this thesis focuses on influences of shareholder activism on CSR disclosure. While reform on CSP takes a considerable amount of time, CSR disclosure can quickly make shareholder activists understand corporate policies, thus appeasing them. Therefore, the impact of activism on disclosure is more directly observable. Based on this, this thesis asks three key research questions:

Research Question (1): Based on prior research, what influence does shareholder activism have on corporate performance and disclosure?
Research Question (2): Does shareholder salience[6] in shareholder activism affect firm's social, environmental and governance disclosure?
Research Question (3): Does shareholder activism affect social, environmental and governance performance and disclosure and financial performance in peer firms?

---

[6] See Mitchell, Agle and Wood (1997, p.854). Salience means "the degree to which managers give priority to competing claims."

The answer to the first research question provides an overview of shareholder activism and explain reasons behind the heterogeneity of prior findings. In other words, the answer allows us to gain a basic understanding of shareholder activism regarding rules, types, theories and arguments surrounding it. In doing so, the thesis aims at articulating what characteristics of shareholder activism are likely to induce corporate change. Additionally, the first research question allows us to identify the gaps in the current literature, thereby guiding future research opportunities. This first research question also lays the foundation for the second and third research questions by identifying how the implications and spillover effects of activism vary with different types of shareholder activists examined in prior research. Overall, the answer to research question one provides a foundation on which the following two research questions are based.

The review of prior literature to answer the second research question shows conflicting findings on whether different shareholder activists influence corporate activities and disclosure. These conflicting findings warranted more exploration into the differences caused by the variation in shareholder activist types. Based on stakeholder salience theory, this thesis will question whether shareholder salience affects the varying influences of shareholder activism. In doing so, it assesses different impacts caused by i) coordinated shareholder activism and ii) institutional shareholder activism. The answers to this question will reveal whether variations in shareholder types drive the different impacts of shareholder activism on firms.

Shareholder activism not only influences firms directly but also presents a risk to comparable firms in the same industry (peer firms) in terms of being subjected to similar activism from their own shareholders in the future. It can motivate peer firms to take actions and change their

operations and activities, even before the activism from their own shareholders occurs. Hence, the third research question analyses the impact of shareholder activism on peer firms.

This thesis employs shareholder proposals as a proxy of shareholder activism. With relatively low support from both the management and other shareholders (Thomas & Cotter, 2005), the overall number of shareholder proposals does not decrease dramatically[7]. Therefore, it can be conjectured that shareholder proposals are seen by shareholders as an effective mechanism to expose targeted firms to public scrutiny. This scrutiny, or 'spillover effects', can extend to peer firms of similar size and conditions. In this case, spillover effects occur as peer firms perceive the shareholder activism of targeted firms as a viable threat and act to avoid the same shareholder activism occurring among their shareholders. The examination of these spillover effects is paramount to establishing why shareholder activism prevails, and to what extent it spurs proactive corporate changes in peer firms.

1.4 OUTLINE OF THESIS

This thesis is comprised of five chapters. Chapter 1 has provided a general introduction of shareholder activism regarding its background, definition, forms, the evolution of shareholder proposals, legal bases of shareholder proposals, prior literature on shareholder activism and research motivations and research questions. Based on this, the motivation, overview and contribution of the thesis has been discussed. In general, Chapter 1 explains the reasons and motivations of undertaking this research.

---

[7] See Figure 1.1

Chapters 2-5 of this thesis answer the three research questions correspondingly. Chapter 2 adopts a survey and content-analysis approach to examine prior literature regarding the outcome of shareholder activism. Shareholder activism has evolved to be a major channel for shareholders to express their opinions. Therefore, it is critical to understand its effectiveness based on empirical evidence. This thesis found that the outcomes of shareholder activism vary dependent on their themes (i.e. corporate governance, CSR or financial performance impact), activists and form of activism. Chapter 2 evaluates the differing impacts according to the themes and types of activists and form of activism. To understand the implications of shareholder activism on peer firms, the survey of literature for this thesis also includes papers investigating spillover effects. The spillover effects of shareholder activism arguably demonstrate the extent of shareholder activism in creating public pressure. It is important to understand the significance of spillover effects, as it will allow a richer use of shareholder activism as a governance mechanism. Additionally, relevant theories in the body of literature will also discussed in Chapter 2. Specifically, agency theory, stakeholder theory and stakeholder salience theory will be discussed in the context of shareholder activism to explore the reasons why shareholder activism can have particular influences on firms. Gaps and areas for further research are then identified.

Chapter 3 employs regression models to compare whether diverse shareholder activists affect CSR disclosure differently with shareholder proposals lodged between 2006 and 2014 being used as a proxy. This chapter adopts stakeholder salience theory to assess impacts of different shareholders to assist testing the stakeholder salience theory. Goranova and Ryan (2014) propose that outcomes from different types of shareholder activism can offset each other, thereby hiding their true impact. Therefore, instead of covering all types of shareholder activism, the sample of Chapter 3 focuses on shareholder proposals as a form of shareholder

activism. Shareholder proposals provide an appropriate sample to choose because the names and types of shareholder activists are recorded. Further, due to the non-legal binding nature in the United States, shareholder proposals are not necessarily implemented by firms even if they win the support of the majority of shareholders. Influences of shareholder proposals on corporate policies, performance and disclosure are therefore uncertain and require in-depth exploration.

Accordingly, shareholder proposals are split into shareholder proposals submitted by co-filers[8] and shareholder proposals submitted by institutional filers[9]. This thesis expects to establish that institutional or coordinated shareholder activism leads to a stronger reaction from firms due to their salience. Chapter 3 examines how different shareholder activists interact with multiple corporate governance mechanisms by introducing interaction variables. Corporate governance mechanisms have strong associations with corporate disclosure (Giannarakis, 2014) and activities (Jo & Harjoto, 2012). Therefore, it is expected that when being used in combination with shareholder activism, they can either substitute or complement the effect in driving firm responses (Dalton, Daily, Certo, & Roengpitya, 2003; Rediker & Seth, 1995).

Chapter 4 investigates spillover effects or peer effects from shareholder activism by employing shareholder proposals as an example between 2007 and 2014. The aim of Chapter 4 is to test the effect of salient shareholders' activism (i.e. institutional shareholders or coordinated shareholders) among peer firms, using regression models. It is expected that peer firms will respond to the shareholder activism especially when sponsors of shareholder proposals are

---

[8] Co-filers refer to shareholders who submit shareholder proposals together.
[9] Institutional filers refer to shareholders who are institutional investors.

salient to firms. This chapter will offer insights into whether salient shareholder activism influences public opinions and the behaviour of peer firms.

Chapter 5 will conclude the research of this thesis. Chapter 5 summarises and compares findings and evidence, as well as presents the benefits of future research to shareholders, firms and regulatory bodies. In addition, Chapter 5 will also discuss the thesis's contributions and limitations. In general, the thesis is expected to make a contribution to current literature and provide practical insights into strategies adopted by firms in response to shareholder activism, the effects of and recommended changes to regulations regarding shareholder activism.

Chapter 2: Literature Review on Shareholder Activism

2.0 SYNOPSIS

This chapter reviews the body of literature on shareholder activism from 2000 to 2017. It employs narrative literature review and meta-analysis to examine papers on shareholder activism. In doing so, it identifies the impact and spillover effects of shareholder activism on firm performance in the areas of corporate governance (CG), corporate social responsibility (CSR) and financial performance (FP). In addition, it attempts to establish whether different types of shareholder activists or different types of shareholder activism influence the impact and spillover effects. The narrative literature review documents evidence of FP and CG implications from shareholder activism but there has been little research into CSR and its sub-fields. Meta-analysis demonstrates that shareholder activism positively affects FP and CSR but has little or no impact on CG. Meta-analysis also demonstrates that institutional shareholder activism and some other forms of activism (excluding shareholder proposals) positively affect FP. This chapter discusses the relevant theories involved in this meta-analysis, identifies gaps in research and outlines current research opportunities which would assist in filling those gaps.

2.1 INTRODUCTION

Shareholder activism has existed since early the twentieth century. This type of activism by shareholders arguably first rose to prominence in the 1930s when Lewis Gilbert and his fellow shareholders challenged the corporate management of the Consolidated Gas Cooperative (Gillan & Starks, 1998). However, it had been many decades before shareholder activism truly started to monitor corporate management. Shareholder activists were generally unable to actively influence any corporate policies until the 1970s (Eisenhofer & Barry, 2005).

Initially, shareholder activism was initiated by corporate raiders[10] who were profit-oriented and attempted to strip firms of their assets and value (Weiner & Weber, 2015). For instance, market collapses in the 1930s caused the first tide of shareholder activism through which shareholders pushed companies to fundamentally change their policies (Eisenhofer & Barry, 2005). Since the Security Act of 1933 and Security Exchange Act of 1934 were too new to initiate any fundamental reform on firm performance at that time, shareholders had to take actions to promote corporate performance and increase their returns (Eisenhofer & Barry, 2005). Nevertheless, their actions were rarely successful or supported by fellow shareholders. Shareholders could only sell shares to express their dissatisfaction with the management at that time (Eisenhofer & Barry, 2005).

In the late 1960s, the passage of the Civil Rights Act of 1964 and the Voting Rights Act of 1965 triggered social movements surrounding racism, poverty and militarism, creating a conducive environment for the growth of social and environmental shareholder activism (Hall, 2005). This was the real starting point of CSR activism, and shareholder activism has continually evolved to encompass a wide range of themes today. The primary themes of

---

[10] See Weiner and Weber (2015). Corporate radiers are investors aiming at stripping assets value of firms.

shareholder activism can be categorised into corporate governance (CG), financial performance (FP) and corporate social responsibility (CSR) (Goranova & Ryan, 2014).

Despite the evolution and increasing prevalence of shareholder activism, the correct response to activism regarding different issues continues to puzzle firms. Scholars explain this phenomenon by using either agency theory or stakeholder theory (Goranova & Ryan, 2014). Agency theory focuses on the primacy of shareholders' financial interests, whereas stakeholder theory emphasises the importance of benefiting other stakeholders, as their satisfaction is also associated with business reputation and success in the long-term (Goranova & Ryan, 2014). Based on the agency theory, Friedman (2007) alleges that firms should focus on increasing profit as their primary social responsibility rather than catering to the needs of multiple stakeholders. Contrarily, Neubaum and Zahra (2006) emphasise the importance of fostering good relationships with other stakeholders. Customers, as one example of key stakeholders, determine revenue, profitability and the long-term success of firms (Geha, 2015). A desirable relationship with customers, therefore, helps to ensure a firm's survival in the long-term. To settle the divide in the interests between shareholders and other stakeholders, some firms use 'window dressing' techniques, such as undertaking an incomplete reform on CSR issues while manipulating CSR disclosure (Goranova & Ryan, 2014). Nevertheless, this strategy, seldom fully satisfies the needs of stakeholders in the long term.

Among shareholders, conflicts due to the differing interests are inevitable. The divergent attitudes towards innovation strategies regarding pension funds and professional investment funds[11] are examples of this conflict (Hoskisson, Hitt, Johnson, & Grossman, 2002). Scholars apply collective action theory to explain the inefficiency of shareholders with divergent

---

[11] These represent two types of institutional shareholders.

interests when taking group actions, as the discrepancy among interests reduces shareholders' communication with and understanding of each other (Olson, 2009). This phenomenon could result in delaying corporate responses to the shareholders' demands due to the lack of a unified interest among them.

In the face of the aforementioned potential obstacles, shareholders must have strong bargaining power to enforce corporate change according to their specific demands. By accessing more economic and information-based resources, large shareholders such as institutional shareholders or coordinated shareholders possess the power to challenge firms, thus improving the successful impact rate of shareholder activism on CSR (Eisenhofer & Barry, 2005). These large shareholders are currently the groups at the forefront of prompting corporate change, however they did not possess much bargaining power until the 1980s. Between the 1980s and 1990s, institutional shareholders increased their ownership in the firms from 24.2% to around 50% (Sias & Starks, 1998). Driven by their increased stake in firms, institutional shareholders commenced active participation in corporate affairs in the hope for increasing returns on investment (Gillan & Starks, 2000). Furthermore, the size of the stake which institutional shareholders own in a firm usually relates directly to the size of their bargaining power, making it easier to negotiate or have dialogue with management as a larger shareholder.

The increased bargaining power of institutional shareholders is also derived from the recently relaxed regulations of the Securities Exchange Commission (SEC). Certain laws and regulations in the past were blamed for hindering communication among shareholders and deterring their coordination (Minow, 1991). The 1934 Securities Exchange Act, for example, aimed at fostering corporate democracy and making the voting process fair and honest, yet it mandated that investors who wanted to communicate with other investors about voting issues

must disclose their communication content to SEC (Minow, 1991). This Act, though helping to avoid fraudulent behaviour during the voting process by soliciting parties, also increased the costs of communication between shareholders, thereby defeating its original goal of realising corporate democracy (Sharara & Hoke-Witherspoon, 1993). After recognising the drawback of placing limits on the participation of large shareholders in activism, the SEC revised proxy rules in 1992 to allow most institutional investors to communicate with peers without filing extra disclosure materials (Sharara & Hoke-Witherspoon, 1993). This relaxation of regulation facilitated a movement toward coordination among institutional shareholders, hence enhancing the efficacy of their monitoring of corporate behaviour. In 2008, the SEC further revised the regulations, allowing electronic communication forums to be used for shareholder communication (Morris, 2008). This particular revision of the original Act has significantly reduced communication costs for shareholders and has fostered more seamless coordination. This revision also better protects the privacy of shareholders when they are in discussion with fellow shareholders (Morris, 2008).

With the increasing prevalence of shareholder activism in recent years, scholars are shifting their attention to studying the outcomes of shareholder activism and its effectiveness. Prior research in this area often produces conflicting results even within the same research theme, for example CG or CSR issues. Examining these divergent findings and establishing the underlying causal impacts of them is pivotal to understanding the effectiveness of shareholder activism as a corporate governance mechanism. This chapter aims to improve the overall understanding of shareholder activism and its impact through conducting a structured literature review of prior research, and through the comparison and contrast of results in three key areas: CG, CSR and FP. To achieve this aim, this chapter will address the key research question below:

> *Based on prior research, what influence does shareholder activism have on corporate performance and disclosure?*

To answer the above research question, this chapter provides insights into shareholder activism studies and examines the conflicting outcomes of those studies by applying relevant theories. Goranova and Ryan (2014) and Denes, Karpoff, and McWilliams (2017) synthesise and analyse studies on shareholder activism. Their research highlights the importance of further understanding the heterogeneity and contradictory results of shareholder activism studies. Succeeding Goranova and Ryan (2014) and Denes et al. (2017), this thesis focuses on the outcomes of shareholder activism in terms of CG, CSR and FP. While this chapter overlaps with these earlier studies by examining the different outcomes of shareholder activism, the emphasis is different from Denes et al. (2017), as it compares the influences of activism on CG, CSR and FP areas rather than focusing on their influence on firm valuation only. This enables a more comprehensive examination of a broader range of areas that are affected by shareholder activism. This also allows more informed and quantifiable analysis of the effectiveness of shareholder activism. Going beyond Goranova and Ryan (2014), this chapter illustrates the influence of different types of shareholder activists and activism. Furthermore, it adds value to the current body of literature by applying stakeholder salience theory to explain shareholder activism. The literature review conducted in this thesis contributes to the current body of literature by documenting prior research evidence to show whether shareholder empowerment, via shareholder activism, mitigates CG or CSR issues. This chapter also investigates which type of shareholder or activism better facilitates corporate management and internal decision-making. The insights provided are useful to investors, shareholders, corporate management and regulators. Shareholders can also benefit from these insights—to know how to better monitor the management and firm performance and thereby protect their interests and

increase their returns. Management can understand what aspects of firm activities and performance are most influenced by shareholder activism, and, hence, can formulate appropriate response strategies for future shareholder activism. For regulators, it sheds light on whether regulation can effectively protect interests of shareholders. In addition to providing the aforementioned insights, this chapter also identifies gaps in the prior research and potential future research directions.

The rest of this chapter is organised as follows. Section 2.2 discusses the methodology and general analysis of the literature review conducted for this thesis. Sections 2.3, 2.4 and 2.5 present the results of the review, specifically: i) implications of shareholder activism on CG and CSR fields; ii) different types of shareholder activists and their different implications; iii) spill-over effect and peer effects of shareholder activism; and iv) the main theories explaining impacts of shareholder activism. In Section 2.6, the gaps in extant research from the literature review are discussed. This chapter is then concluded with suggestions for future research, which are outlined in Section 2.7. Figure 2.1 shows the conceptual framework of this chapter.

Figure 2.1 Conceptual framework

Direct effects on
targeted firms

Types of shareholder activism and activists:

1. Shareholder
filings

13D/F Filings-signals of
campaign or events (institutional
& coordinated shareholders)

14DEF (Individuals,
coordinated& institutional
shareholders)

2. Other campaign (negotiation and communication
with the management)

Corporate governance

Financial performance

Corporate social responsibility

Corporate governance

Financial performance

Corporate social responsibility

Spillover effects
on peer firms

Moderating effect (corporate governance
mechanisms, namely board size, outside
directors and CEO option)

2.2 METHODOLOGY AND GENERAL ANALYSIS

To identify relevant literature, the keywords 'shareholder activism' were entered in Google Scholar to locate articles and working papers on topics of shareholder activism which were published between 2000 and 2017[12]. The review in this chapter focuses on the more recent studies from this period because analysis of more recent literature can direct future research more effectively through providing data reflecting the most updated trends. Google Scholar was utilised because it includes a wide variety of academic papers which other academic search engines such as Proquest, JSTOR and Science Direct would exclude[13]. If academic papers contain words or phrases like 'CSR', 'social' or 'environmental', they will be classified as papers which discuss implications on CSR. If studies examined the association between shareholder activism and FP, such as cumulative abnormal returns, ROA, ROE or Tobin's Q, this thesis classifies them as papers regarding influences on financial performance. This thesis also collected papers examining how shareholder activism affects CG mechanisms, such as the structure of the board of directors and their compensation schemes. These collected papers were grouped under the category of influences of shareholder activism on CG.

In total, this thesis analysed ninety-two papers examining the influences and outcomes of shareholder activism. A structured coding tree was developed to further classify these studies. Specifically, the identified ninety-two papers were classified according to i) the year of study; ii) journal; iii) type of shareholder; iv) types of activism undertaken; v) theory used; vi) topic studied (CSR, CG or FP); and v) the main findings. Additionally, the research conducted for this thesis analysed whether these studies discuss spillover effects on peer firms or corporate

---

[12] Following Post and Byron (2015), this thesis includes a working paper in meta-analysis. The reason for doing this is that the number of published articles on this exact topic is limited.

[13] It may also include working papers from engines such as SSRN.

disclosure issues. The classification system also noted the geographic location of the studied subject/data.

In addition to these reviewed papers, this thesis also used published empirical studies to conduct meta-analysis on the coefficients of correlation between shareholder activism and (i) FP; (ii) CSR; and (iii) CG, respectively. Following Wang and Shailer (2015) and Pletzer, Nikolova, Kedzior, and Voelpel (2015), the research methodology firstly utilised studies which provided coefficients of correlation and picked them as an effect size.[14] If the studies did not provide coefficients of correlation, it picked the *t*-value, *z*-statistics or *p*-value of coefficients or the difference of two-group mean. The meta-analysis also identified the number of observations from those studies and converted *t*-value and *z*-statistics into coefficients of correlation. When utilising studies that provided coefficients and standard error rather than *t*-value, the meta-analysis process divided the coefficient by standard error to reach a *t*-value. Wang and Shailer (2015) provide the formula utilised in this study to convert the statistics into a common effect size, which theoretically indicates the viability of conversion. The formula is provided in Appendix A. This thesis uses the meta-analysis effect size calculator system developed by Dr David B. Wilson[15] to translate *t*-value, *z*-statistics and *p*-value into the common effect size *r*. After conversion into the common effect size *r*, this thesis used the R statistical software to convert common effect size *r* into a Fisher *Z* score and its corresponding estimated sampling variance. The reason for doing this is that *r* may not be normally distributed, whereas meta-analysis can only be conducted if the normal distribution assumption is met. Following Wang and Shailer (2015) and Higgins, Thompson, Deeks, and Altman

---

[14] Following Wang and Shailer (2015), it selects coefficients of correlation and the number of observations from main model of studies. If studies do not mention which model is main or preferred by authors, it chooses the one with largest sample size. For studies with same sample size, it takes the average of the coefficients of correlation.

[15] See http://cebcp.org/practical-meta-analysis-effect-size-calculator/correlation-coefficient-r/t-test/.

(2003), this chapter then conducted meta-analysis and drew forest plots to see whether shareholder activism affects (i) FP; (ii) CSR; and (iii) CG, respectively.

2.3 RESULTS FROM THE NARRATIVE LITERATURE REVIEW

2.3.1 The implications of shareholder activism: analysis of time and location

This section will discuss the time and location used in each study. This is to establish how geographical location and timing factors can influence current research patterns. Seventy-two papers use the US as their investigation location, whereas another nineteen papers are from other areas in the world. Three of the surveyed papers are from the UK, and another three are from Japan. One paper uses Malaysian data, and another one uses German data, whereas another one uses global data. One paper discusses shareholder activism in Korea. Shareholder activism in Nigeria and China also received research attention, with one paper examining shareholder activism in each of the two countries. Most of these papers find positive associations between shareholder activism and: (1) FP; and (2) CG. Four studies examine how and why shareholder activism influences CSR, using case study. In European countries where shareholder democracy is upheld, shareholder activism can improve CSR, whereas in developing countries where shareholder rights are not well protected, their activism usually produces low effectiveness (Amao & Amaeshi, 2008; Sullivan & Mackenzie, 2008).

Regarding the time frame, the time period covered by the samples is before 2013. Most of them are even before 2011. This phenomenon is very common among studies using 13D filings or investigating the impact on FP, whereas for shareholder proposals, the latest study from Grewal et al. (2016) uses a dataset from 1999 to 2013 to look at the impact of shareholder activism on CSR. Studies published in 2017 often use samples from ten years ago. However, papers published before 2010 commonly use data from less than five years ago. Interestingly, when

compared with studies conducted between 2000 and 2003, studies conducted in 2016 and 2017 often identify a significantly positive influence from shareholder activism, whereas studies done in prior years before more often result in insignificant influences. Therefore, to see the patterns more clearly, it is important to include the most up-to-date data.

2.3.2 Theories on shareholder activism

This section reviews the main theories developed in prior studies to explain the prevalence of shareholder activism and its influences on firms and managerial decision-making. Three main theories are commonly used, namely stakeholder theory, agency theory and stakeholder salience theory. These theories are further explored in this thesis through analysing the themes of shareholder activism, types of shareholder activists and/or activism and spillover effects. Of the papers reviewed, only twenty-nine apply theories to interpret influences of shareholder activism. Of those twenty-nine papers, seventeen papers mention agency problems, twelve papers discuss stakeholder theory, and three papers are based on stakeholder salience theory. Some apply multiple theories. Brav et al. (2008) apply stakeholder theory and agency theory to explain shareholder activism regarding CG, FP and CSR issues. Perrault and Clark (2016) and Neubaum and Zahra (2006) use both stakeholder theory and stakeholder salience theory. The overall statistics show that papers investigating CSR prefer to utilise the stakeholder theory and/or stakeholder salience theory, whereas papers discussing the influence of shareholder activism on CG or FP tend not to refer directly to specific theories in their analysis.

Shareholders, although owners of firms, do not participate in the daily operation of firms (Jensen & Meckling, 1976). In this sense, managers usually work on behalf of shareholders as agents making decisions in terms of corporate daily operations (Jensen & Meckling, 1976). Through undertaking this role, the manager may have an informational advantage over

shareholders in terms of firm-specific strategic and operational issues. However, managers who have different interests and preferences regarding risks may abuse this information to pursue personal interests at the expense of shareholders. Their personal interests can drive decision-making processes within corporate operations and policies, resulting in conflicts of interest between shareholders and the manager. Agency theory argues that because of this potential conflicts of interest, shareholders may seek protection from governance mechanisms (Dalton et al., 2003; Jensen & Meckling, 1976).

Based on this theory, most of the papers reviewed utilise agency theory to explore the relationship between shareholder activism and FP or CG issues which directly relates to shareholders' financial interests. The majority of the aforementioned papers analyse the reduction of agency costs and the improved FP or CG gained through monitoring by shareholder activists. This is because shareholder activism reduces the information asymmetry between shareholders and managers, thereby increasing accountability to shareholders and decreasing agency costs (Rose & Sharfman, 2014). Many scholars in this field investigate institutional shareholder activism. Gillan & Starks (2000), for instance, argue that since institutional shareholders have a large proportion of ownership, they are highly motivated to monitor the manager, thereby protecting their interests. Brav et al. (2008) assert through their research that hedge fund activism caters to the needs of shareholders without harming the interest of creditors and other key stakeholders of the firm.

Admati and Pfleiderer (2009) and Marler and Faugère (2010) contend that shareholder activism might become an invalid monitoring tool. Free-rider issues might make the costs of monitoring management outweigh the benefits, which consequentially decreases the effectiveness of shareholder activism. Admati & Pfleiderer (2009) argue that shareholder activism can only

function well in mitigating agency problems when managers attempt to benefit themselves by investing in risky projects. Likewise, Marler and Faugère (2010), utilise contingency agency theory[16] to illustrate that the decision by shareholders to monitor the manager depends on the costs of that monitoring. While institutional activists can bear high monitoring costs, not all institutional shareholders have equal advantage in easing agency problems (Brav et al., 2008). Shareholders with relatively smaller stakes and good cooperation from management would arguably hold advantage over other shareholders (Brav et al., 2008). Further research into the influence of shareholder activism in aiding agency problems would contribute to further investigating the validity of agency theory.

Instead of advocating shareholder primacy, stakeholder theory prioritises the interests of other stakeholders. These stakeholders are defined as the individuals or groups who can interact with the 'achievement of the organisations' objectives (Freeman, 2010, p.46). Stakeholders in this theory are associated with long-term corporate risks and firm survival (Monks et al., 2004). For instance, typical stakeholders such as customers, suppliers and local community could influence and determine corporate profitability in the long-term. Among the papers reviewed, the motivation for stakeholder (social shareholder) activism comes from two areas: (1) the close link between CSR and financial interests (e.g. the business case for CSR); and (2) the stakeholders' own values, norms and beliefs. Monks et al. (2004) document how shareholder activists submitted proposals on social and environmental issues discussing their concern regarding a firms' pollution, and these proposals increased financial risk to shareholders. Since these CSR issues may harm corporate reputation, thus influencing its operation and profitability in the long-term, shareholder activists pressure firms to address these issues in order to maintain

---

[16] Contingency agency theory indicates that the monitoring of shareholders depends on cost effectiveness.

a good public image (Dhir, 2012). Sister Daly, a social shareholder and member of the Interfaith Centre on Corporate Responsibility, contends that shareholders should seek social and environmental benefits, rather than financial return, from their investments (Lee & Lounsbury, 2011). Driven by differing values, societal norms and beliefs, social shareholders could forgo some of their private interest for the benefit of the wider public, with regards to CSR issues (Lee & Lounsbury, 2011).

Some of the papers reviewed emphasise the importance of stakeholder identification in applying stakeholder salience theory. Vasi and King (2012) differentiate between corporate responses to primary and those to secondary stakeholders. They find that primary stakeholders such as shareholders, can negatively influence risk perception and FP through activism, and, hence, are more likely to drive changes in corporate social and environmental policies through their activism. In addition, some papers reviewed argue that specific stakeholder attributes such as power, legitimacy and urgency, relate directly to the influence of their activism. Power refers to the capacity to enforce changes in the policies and strategies. It usually associates with economic resources controlled by stakeholders or the ability to negatively influence the reputation of organisations or managers. Legitimacy refers to the reputation of stakeholders or the reasonability of their actions. Urgency refers to whether the claims of stakeholders are urgent enough to receive corporate responses. Stakeholder salience theory is applied to explain the success of institutional shareholder activism in driving CSR changes in Neubaum and Zahra's (2006) paper and the success of coordinated shareholder activism in Perrault and Clark's (2016) study. Contrastingly, David et al. (2007) argue that both coordinated shareholders and institutional shareholders possess advanced power and legitimacy (a position which can induce significant managerial response), but instead of achieving real CSP improvements, their activism can stimulate window dressing. The conflicting evidence

provided by these papers indicates the need for further research which analyses the implications of stakeholder salience theory for shareholder activism.

Overall, this section has presented and analysed the mixed results of current literature to explain relevant theories on shareholder activism. While agency theory suggests shareholder primacy, stakeholder theory prioritises the interests of other stakeholders or the non-financial interests of shareholders, which makes the influences of shareholder activism divergent. Stakeholder salience theory suggests that whether shareholders have a priority over other stakeholders depends on their salience of the firm, and, this in turn determines the firm's response to their activism.

2.3.3 The impacts of shareholder activism

2.3.3.1 Overview

This section provides an overview of the implications of shareholder activism for CG, CSR and FP based on the selected, analysed papers. Figure 2.2 shows the number of articles categorised by year. Fewer papers were published each year prior to 2009, whereas from 2009 to 2017 the number of papers published increased per year. This indicates an increasing interest in research into shareholder activism since 2009.

Table 2.1 presents the papers categorised by the topics studied, the theories used and their main findings. To categorise based on topic, this chapter will analyse the content and classify these papers into the following themes: general CSR,[17] social aspects, environmental aspects, CG and FP. Accordingly, most of the papers concentrate on CG (thirty-nine papers) or FP (fifty-

---

[17] If the article does not mention topics in regard to specific social and environmental areas, it is categorised into the general CSR theme; otherwise, the paper is categorised into each specific theme.

eight papers). Fifteen papers involve general CSR themes but do not deeply explore sub-themes such as social and environmental areas. Three papers discuss influences on environmental aspects only, whereas another one paper focuses on social issues, namely human rights.

This chapter further categorises the studies into 'positive impact', 'negative impact' and 'undetermined impact', according to their findings. Most of the studies conclude with a positive impact from shareholder activism on CSR (nine papers), CG (twenty-five papers) and FP (thirty-four papers). Regarding CSR, three papers report an undetermined impact from shareholder activism, while three others document a negative influence. Seven papers demonstrate negative influences on CG and sixteen papers demonstrate negative influences on FP. Another three papers find an undetermined association between shareholder activism and CG. One paper finds an increase in environmental risk that deteriorates FP of firms, whereas another paper relates shareholder activism to the advancement of human rights. The following sections will discuss the implications for each of these aspects separately, namely, CG, FP and CSR.

Figure 2.2 The number of papers

Number of papers
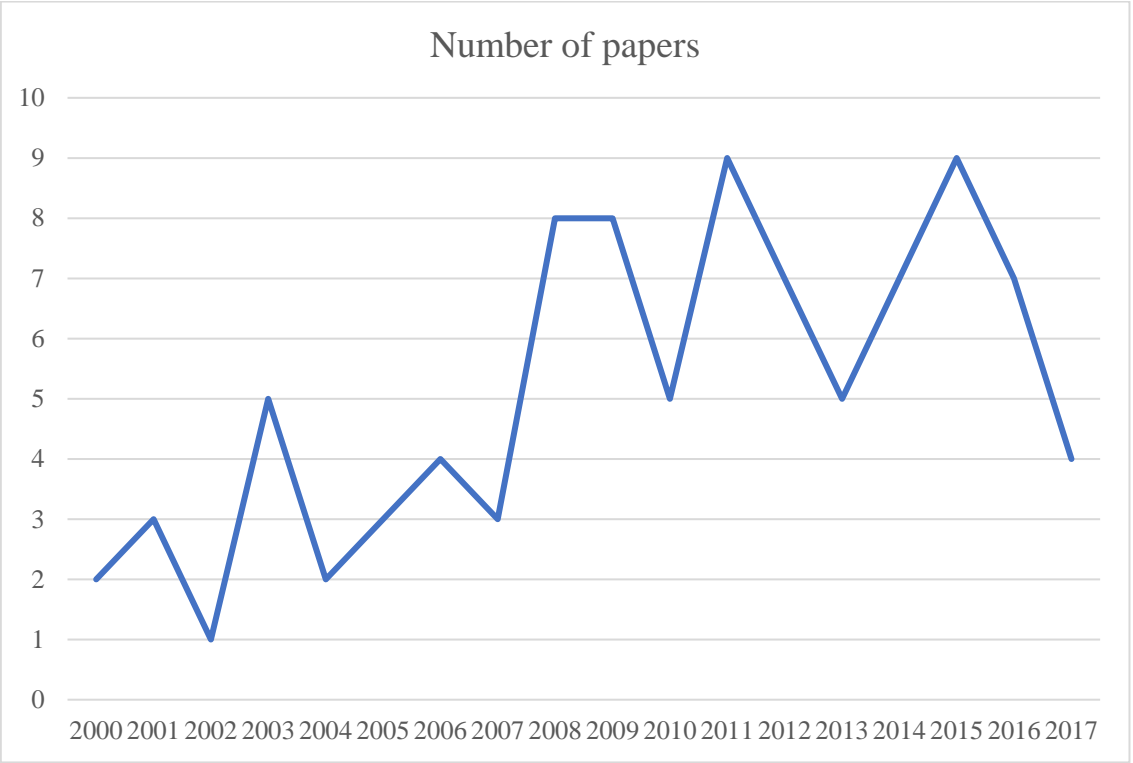
Table 2.1 Literature on shareholder activism

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Admati & Pfleiderer	2009	The Review of Financial Studies	Institutional	Exit	Agency Theory			Large shareholders' exit, as evidence of activism reduces agency costs aligning managerial interests and shareholders' interests	CG	US
Artiga & Calluzzo	2016		Institutional & Coordinated	Shareholder filings (13D)	Agency Theory			Coordinated shareholder activism generates higher profit than non-coordinated shareholder activism	FP	US
Aslan & Kumar	2016	Journal of Financial Economics	Institutional	Shareholder filings (13D)	Agency Theory	√		Hedge fund activism has significant spillover effects on peer firms. The spillover effects depend on financial conditions of peer firms and their industry environment.	FP	US
Bach & Metzger	2013		General	Shareholder filings (proposals)				The passing of anti-takeover related proposals increases CEO turnover, thereby decreasing firm value.	CG &FP	US

---

[18] "Reporting" refers to papers and articles about whether shareholder activism influences disclosure or reporting.

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Bauer et al.	2015	Corporate Governance: An international review	Institutional	Shareholder filings (proposals)				Institutional shareholders are more likely lead to the withdrawal of shareholder proposals than private shareholders. The withdrawal of shareholder proposals reduces the compensation level, whereas voted proposals increase the compensation level in later years (i.e. voted shareholder proposals are less powerful).	CG	US
Bourveau & Schoenfeld	2017	Review of Accounting Studies	General	Shareholder filings (13D)		√	√	Peer firms disclose more management guidance of earnings and sales forecasts after shareholder activism targeted other firms.	FP	US
Boyson & Mooradian	2011	Review of Derivatives Research	Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism leads to better share performance in the short run and better operating performance in the long run. Activism aiming at changing corporate governance causes significant long-lasting changes.	CG&FP	US
Brav et al.	2008	The Journal of Finance	Institutional	Shareholder filings (13D)	Agency Theory & Stakeholder Theory			Hedge fund activism generates abnormal return, increases payout and CEO turnover and improves operating performance.	CG&FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Brav et al.	2015		Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism improves the efficiency of corporate innovation.	CG	US
Caton et al.	2001	Financial Analysts Journal	Institutional	Shareholder activism events				Institutional activism will improve financial performance in underperforming firms if these firms can respond to the challenge.	FP	US
Cherkes et al.	2014	Journal of Financial and Quantitative Analysis	Institutional	Shareholder filings (13D)				The management responds to activists by lowering managerial claims on fund assets, thus increasing value to shareholders.	CG&FP	US
Cremers & Nair	2005	The Journal of Finance	Institutional	Shareholder filings (13F)				Shareholder activism relates to firm value in the long-term given the external control (takeover vulnerability).	FP	US
Cunat et al.	2012	The Journal of Finance	Institutional	Shareholder filings (proposals)	Agency Theory			Passing governance proposals create positive abnormal return. Institutional shareholders generate higher market reaction on the day of voting.	CG & FP	US
David et al.	2001	Academy of Management Journal	Institutional	Shareholder filings (proposals)				While ownership alone is not enough to affect R&D investments, institutional activism increases R&D investments, thereby improving long-term profitability.	FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
David et al.	2007	Strategic Management Journal	Institutional & Coordinated & General	Shareholder filings (proposals)	Stakeholder Salience Theory			Shareholder proposals negatively relate to CSP. Responsiveness is positively associated with salience of shareholders, but it is temporary.	CSP	US
Del Guercio et al.	2008	Journal of Financial Economics	Institutional	Shareholder filings (proposals)		√		"Just vote no" campaigns (pension fund) induce managerial concerns of shareholders' interests and improve operating performance. '"Just vote no" campaigns (pension fund) force CEO turnover. Peer firms proactively change governance structure to reduce the likelihood of being targeted.	CG & FP	US
Dhir	2012	Business Ethics Quarterly	General	Shareholder filings (proposals)	Stakeholder Theory			Shareholder activism improves the practices of international human rights enterprise.	CSP	US
English et al.	2004	Journal of Corporate Finance	Institutional	Shareholder filings (proposals)				Positive short-term return is associated with using equally-weighted and sized decile indices, but not for value-weighted index.	FP	US
Ertimur et al.	2010	Journal of Corporate Finance	General	Shareholder filings (proposals)	Agency Theory			Shareholder pressure pushes the management to implement shareholder proposals.	CG	US
Ertimur et al.	2011	The Review of Financial Studies	General	Shareholder filings (proposals)				Firms with a CEO pay rate which is considered too high decrease CEO pay after shareholder resolution.	CG	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Ferri & Sandino	2009	The Accounting Review	General	Shareholder filings (proposals)		√		Shareholder proposals facilitate the adaptation of the expensing employee stock options and reduction of CEO compensation in both targeted firms and peer firms.	CG	US
Gantchev et al.	2017		Institutional	Shareholder filings (13D)	Agency Theory	√		The threat of hedge fund shareholder activism increases the operating performance of peer firms with high awareness. Increased changes in book leverage, decreased changes in capital/assets and cash/assets are created in peer firms by shareholder activism.	CG & FP	US
Gillan & Starks	2000	Journal of Financial Economics	Institutional & Coordinated	Shareholder filings (proposals)	Agency Theory			Institutional or coordinated shareholder proposals receive more supports than individual shareholder proposals. While the former generates weaker market reaction than the latter, they together create positive abnormal return.	CG & FP	US
Greenwood & Schor	2009	Journal of Financial Economics	Institutional	Shareholder filings (13D)				When targeted firms are eventually acquired, hedge fund activism generates positive return in these targeted firms.	CG & FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Grewal et al.	2016		Institutional	Shareholder filings (proposals)	Agency Theory	√		Filing shareholder proposals leads to the improvement of social and environmental performance in firms. Proposals with material issues cause increased firm value.	CSP & FP	US
Hadani et al.	2011	Journal of Business Research	Institutional	Shareholder filings (proposals)				While shareholder proposals increase the level of earnings management, the presence of institutional shareholders reduces the level of earnings management.	CG & FP	US
Helwege et al.	2012	Journal of Corporate Finance	Institutional	Shareholder activism events				News of institutional activism leads to forced CEO turnover.	CG	US
Klein & Zur	2009	The Journal of Finance	Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism generates a higher positive market reaction in targeted firms.	FP	US
Lee & Lounsbury	2011	Business & Society	General	Shareholder filings (proposals)	Stakeholder Theory			Shareholder resolutions positively affect corporate environmental performance measured by benzene internalization rate (BIR).	CSP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Levit & Malenko	2011	The Journal of Finance	General	Shareholder filings (proposals)				Shareholders can make their requests concerned only if they have severe conflicts with the management. Large numbers of shareholders can reduce costs of activism, thereby improving information aggregation.	CG	US
Marler & Faugere	2010	Corporate Governance: An international review	Institutional	Shareholder filings (13F)	Agency Theory			Voice activists, such as pension fund, lead to higher compensation for entry and senior mid-level managers and more use of equity incentives compared with large shareholders as evidence of exit activists. The difference is due to the former's monitoring being costlier (i.e. heavy investments in observation of managerial performance) and, as such, they prefer the equity incentives to substitute their expensive monitoring.	CG	US
Michelon & Rodrigue	2015	Social and Environmental Accountability Journal	General	Shareholder filings (proposals)	Stakeholder Theory		√	Shareholder engagement improves corporate transparency and performance.	CG & CSP	US
Monks et al.	2004	Natural Resources Forum	General	Shareholder filings (proposals)	Stakeholder Theory			Institutional shareholders promote CSP by changing the managerial practice.	CG & CSP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Neubaum & Zahra	2006	Journal of Management	Institutional & Coordinated	Shareholder activism events	Stakeholder Theory & Stakeholder Salience Theory			Long-term institutional or long-term and coordinated ownership positively relates to CSP.	CSP	US
O'Rourke	2003	Business Strategy and the Environment	General	Shareholder activism events	Stakeholder Theory		√	Shareholder activism increases CSR accountability, but its influence in achieving firm changes is limited because of its costly nature.	CSP	US
Perrault & Clark	2016	Organisation & Environment	Institutional & Coordinated	Shareholder filings (proposals)	Stakeholder Theory & Stakeholder Salience Theory			Firms respond positively to shareholder activists' high status and the threat of an unfavourable reputation. Managers are most responsive to shareholder activists with high status.	CG & CSP	US
Prevost & Rao	2000	Journal of Business	Institutional & Coordinated	Shareholder filings (proposals)				Shareholder proposals on governance issue cause negative wealth effects.	CG & FP	US
Prevost et al.	2012	The Financial Review	Institutional	Shareholder filings (proposals)	Agency Theory			Union-sponsored proposals receiving major support positively relate to the number of outside directors as well as the overall return. Major-supported proposals positively relate to entrenchment index.	CG & FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Rojas et. al.	2009	Business and Society Review	Institutional	Shareholder filings (proposals)	Stakeholder Theory			The influence of social proposals in changing corporate social policy is more limited than before. Higher influences on changing corporate social policy come from pension funds and mutual funds.	CSP	US
Song & Szewczyk	2003	The Journal of Financial and Quantitative Analysis	Institutional & Coordinated	Shareholder activism events				The coordinated shareholder activism through the Focus List does not improve targeted firm value and does not make it easy to acquire or merge with Focus List firms.	CG & FP	US
Sun et al.	2013	Journal of International Financial Management & Accounting	Institutional	Shareholder filings (proposals)	Agency Theory		√	Firms targeted by shareholder proposals are more likely to use discretionary accruals to reach earnings benchmarks.	FP	US
Uysal & Tsetsura	2015	Journal of Public Affairs	General	Shareholder filings (proposals)	Stakeholder Theory			Social shareholder proposals improve a firms' participation in socially responsible activities. The reason that social shareholders receive responses from targeted organisations is that organisations offer a response to demonstrate their legitimacy.	CSP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Uysal	2014	International Journal of Strategic Communication	Institutional	Shareholder filings (proposals)	Stakeholder Theory			Pension fund shareholder activism results in proactive changes in terms of environmental policies.	CSP	US
Vasi & King	2012	American Sociological Review	General	Shareholder filings (proposals)	Stakeholder Theory			Shareholder proposals increase environmental risk (iRatings) and negatively influences financial performance (Tobin's Q).	CSP & FP	US
Anson et al.	2003	Journal of Applied Corporate Finance	Institutional	Shareholder activism events	Agency Theory			Cumulative abnormal return is 14.55% for companies with positive news (event window of [-90,-1]) and 19.2% for companies with negative news (event window of [+5,+94]).	FP	US
Sunder et al.	2014	The Review of Financial Studies	Institutional	Shareholder filings (13D)	Agency Theory			After hedge fund intervention, activism such as "Forcemerger" and "IncreasePayout" positively relate to interest spread, whereas "Blockmerger" and "ReplaceCEO" negatively relate to interest spread.	FP	US
Clifford	2008	Journal of Corporate Finance	Institutional	Shareholder filings (13D)	Agency Theory			Shareholder activism relates to changes in EBITDA & Assets. It positively relates to changes in dividend yield.	FP	US
Gow et al.	2014		General	Shareholder activism events				There is a positive relationship between activism and director departure two years after the event.	CG	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Krishnan et al.	2015		Institutional	Shareholder filings (13D)				Top investor hedge fund activism generates positive abnormal return.	FP	US
Coffee & Palia	2014		Institutional	Shareholder filings (13D)	Agency Theory			The literature overstates the improvements of operating performance after hedge fund activism.	FP	US
Klein & Zur	2009		Institutional	Shareholder filings (13D)	Agency Theory			Improvements of accounting measures are not significant after activism.	FP	US
Klein & Zur	2011	The Review of Financial Studies	Institutional	Shareholder filings (13D)				A significantly negative association between short-run abnormal bond return and short-run abnormal stock return is found. It suggests that shareholders expropriate wealth from the bondholder around the initial 13D filing date. Results also show a longer-run expropriation effect.	FP	US
Cheng et al.	2012	The Accounting Review	Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism increases tax avoidance level, improving tax efficiency.	FP	US
Brav et al.	2008	Financial Analysts Journal	Institutional	Shareholder filings (13D)	Agency Theory			The logarithm of the number of companies targeted by activism is positively associated with average announcement window abnormal returns.	FP	US
Woidtke	2002	Journal of Financial Economics	Institutional	Shareholder filings (13D)	Agency Theory			Activist public fund negatively relates to relative firm value (industry-adjusted Tobin's Q).	FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Ertimur et al.	2013	Journal of Accounting Research	General	Shareholder filings (proposals)				There is no significant association between adverse shareholder votes and abnormal return.	FP	US
Van Buren III	2007	Greener Management International	Institutional	Shareholder activism events	Stakeholder Theory			Religious organisations are important to environmental practices' improvements.	CSP	US
Ryan	2006		Institutional	Shareholder filings (13D)				Hedge fund activism creates positive abnormal return.	FP	US
Boyson et al.	2017	Journal of Financial Economics	Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund non-bidder activists lead to positive cumulative abnormal return. Hedge fund activist bidders lead to negative cumulative abnormal return.	FP	US
Xu & Li	2011		Institutional	Shareholder filings (13D)	Agency Theory			Targeted firms have a higher loan spread (higher credit risk).	FP	US
Cunat et al.	2016	Review of Finance	General	Shareholder filings (proposals)				An increase in ROA is found after say-on-pay proposals activism.	FP	US
Thomas & Cotter	2005	Vanderbilt Law and Economics Research	Institutional	Shareholder filings (proposals)				Union group activism and private institution activism negatively relate to abnormal return.	FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Guo et al.	2014		Institutional	Shareholder filings (13D)				Active investors negatively relate to the number of years until shareholders can vote for the entire board of directors in the same election. Any 13D filings negatively relate to the number of years until shareholders could vote for the entire board of directors in the same election. Shareholder proposals positively relate to the number of years until shareholders could vote for the entire board of directors in the same election.	CG	US
Becht et al.	2009	The Review of Financial Studies	Institutional	Shareholder activism events	Agency Theory			Activist fund called HUKFF generates large benefits on share price.	FP	UK
Amao & Amaeshi	2008	Journal of Business Ethics	General	Shareholder activism events	Stakeholder Theory			Shareholder activism is not powerful in influencing CSR.	CSP	Nigeria
Choi & Cho	2003	Pacific-Basin Finance Journal	General	Shareholder activism events				People's Solidarity for Participatory Democracy (PSPD)'s shareholder activism does not change targeted firm performance too much.	CG & FP	Korea
Crespi & Renneboog	2010	Corporate Governance: An International Review	Institutional	Exercising institutional shareholder ownership	Agency Theory			Larger shareholder voting power in insurers' managed funds positively relates to annual abnormal return.	FP	UK

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Sudarsanam & Broadhurst	2010	Journal of Management & Governance	General	Shareholder activism events	Stakeholder Theory			Shareholder activism forces Deutsche Boerse (DB) board to change towards shareholder-oriented Anglo-American style governance practices.	CG	Germany
Azizan & Ameer	2012	Managerial Auditing Journal	Institutional	Shareholder activism events	Agency Theory			Shareholder activism significantly creates abnormal return.	FP	Malaysia
Zeng et al.	2011	Asia-Pacific Journal of Financial Studies	Institutional	Shareholder filings	Agency Theory			Institutional activist shareholdings and the number of institutional activist shareholders negatively relates to compensation ratio.	CG	China
Spar & Mure	2003	California Management Review	Institutional	Shareholder activism events	Stakeholder Theory			Non-governmental organisation (NGO) activism increases responsiveness of firms but the increase in responsiveness is inconsistent across industries.	CSP	Global
Sullivan & Mackenzie	2008	The Journal of Corporate Citizenship	General	Shareholder activism events				European investor activists pursue the goal of CSR, which is aligned with investors' financial interests.	CSP & FP	Europe
Ameer et al.	2009	Asian Academy of Management Journal of Accounting and Finance	Institutional	Shareholder activism events	Agency Theory			Minority Shareholder Watchdog Group (MSWG) activism increases earnings before interest, tax, depreciation and amortisation (EBITDA) and chief financial officer (CFO) one year after activism.	FP	Malaysia

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Hilary & Oshika	2006	Japanese Journal of Management Accounting	General	Shareholder activism events				A 'spike' is an annual meeting that lasts 50% longer than the average time for a given firm. It is positively associated with change in ROA.	FP	Japan
Lynn & Mulgrew	2008	Corporate Ownership & Control	Institutional	Shareholder activism events				Irish pension fund activism shows low level of monitoring over investee companies.	CG	Ireland
Bebchuk et al.	2015		Institutional	Shareholder filings (13D)				Hedge fund activism positively relates ROA and Tobin's Q, three years after the activism.	FP	US
Uchida & Xu	2008		Institutional	Exercising institutional shareholder ownership	Stakeholder Theory			Firms targeted by an active investment fund called Steel Partners Japan (SPJ) create positive cumulative abnormal return with an event window [-2,+2].	FP	Japan
Bessie`re et al.	2011	Applied Financial Economics	Institutional	Shareholder activism events	Agency Theory			Positive market reactions are found to both AMF (French Financial Market Authority) and letters sent by the two funds to the directors of Atos.	FP	France
Ullah & Jamali	2010	International Review of Business Research Papers	Institutional	Exercising institutional shareholder ownership				Islamic financial institutions are important in shaping corporate, socially responsible behaviour.	CSP	UK

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Iliev et al.	2015	The Review of Financial Studies	Institutional	Shareholder voting reported on corporate ballots				The relationship between voting for directors and director turnover is negative. The greater merger and acquisition (M&A) dissent voting, the more withdrawal from M&A deals.	CG	US
Scatigna	2001		Institutional	Exercising institutional shareholder ownership				Public pension fund activism does not improve the performance of targeted firms. Institutions sell companies with poor performance before chief executive officer (CEO) turnover.	CG & FP	Global
Cohn et al.	2016	The Journal of Finance	Institutional	Shareholder filings (13D)				Hedge fund activism in small firms negatively relates to combined return. The activism pressures firms to implement labour-friendly policies which decreases shareholder value.	FP	US
Bessler et al.	2015	European Financial Management	Institutional	Shareholder activism events	Agency Theory			Hedge fund activism in Germany can generate positive cumulative abnormal return.	FP	Germany
Chowdhury & Wang	2009	Journal of Management	Institutional	Shareholder filings (proxy-based activism)	Agency Theory			Cumulative proxy-based activism (shareholder proposals) positively relates to the ratio of contingent pay to the total pay for the CEO.	CG	Canada
Baloria et al.	2017		General	Shareholder filings (shareholder proposals)	Agency Theory			Shareholder proposals with pension activists negatively relate to the cumulative abnormal return.	FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Brav et al.	2013		Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism improves standardised total factor productivity (TFP). In concentrated industries, hedge fund activism increases leverage and CEO turnover. Therefore, hedge fund corrects agency problem.	CG &FP	US
Almazan et al.	2005	Financial Management	Institutional	Shareholder filings (13F)	Agency Theory			Active institutional concentration reduces total direct compensation for all directors.	CG	US
Jacoby	2007	Corporate governance: an international review	General	Exercising institutional shareholder ownership	Stakeholder Theory			CalPERS functioned with Japanese local organisations to alter governance standards in line with what it had done in the US.	CG	Japan
McDonnell et al.	2015	American Sociological Review	General	Shareholder filings (proposals)	Stakeholder Theory			Total activist challenges positively relate to adopting CSR report and CSR committee. Total boycotts positively relate to adopting CSR committee. Proxy proposals positively relate to CSR report.	CSP & CG	US
Goodwin et al.	2014		Institutional	Shareholder filings (13D)	Agency Theory			Hedge fund activism reduces ROA, Return on Invested Capital (ROIC) and ROE in firms, but increases Tobin's Q, payout ratio, total debt/capital and capital expenditure/sales.	FP	US

Author(s)	Year	Journal	Shareholder Type(s)	Activism Type(s)	Theory	Spillover Effects	Reporting[18]	Main Findings	Performance	Location
Zhu	2013		Institutional	Shareholder filings (13D)	Agency Theory			Mutual fund fire sale, as one type of activism negatively relates to CEO pay, CEO turnover, cash holding, leverage, capital expenditure, research and development (R&D). It positively relates to payout ratio and ROA.	CG &FP	US
González & Calluzzo	2016		Coordinated & Institutional	Shareholder filings (13D)				Positive abnormal return after coordinated shareholder activism is found.	FP	US

2.3.3.2 Implications for corporate governance (CG) and financial performance (FP)

Among the body of literature examined for this thesis, there were more papers examining either CG or FP implications than CSR issues. Interestingly, among the papers that evaluate CG influences, only eighteen concentrated exclusively on CG issues. Among the remaining papers, seventeen examined how shareholder activism influences CG as well as FP, whereas another four papers also address CSR or environmental implications. Thirty-nine papers investigate the impacts on FP only. In general, this trend of research demonstrates a strong interest in investigating the influences of shareholder activism on multiple aspects of firms' performance and activities concurrently.

Impacts on CG

Admati and Pfleiderer (2009) and Levit and Malenko (2011) illustrate that large shareholder activism helps reduce agency costs and promotes CG by making information aggregation easier, as these investors, driven by their large shareholdings, are highly motivated in monitoring the firms. Nevertheless, Admati and Pfleiderer (2009) caution that gathering information in this way does not necessarily benefit shareholders. Large shareholders only become effective when the manager uses the firm's resources for private benefit, such as abusing free cash flow in value-reducing mergers (Admati & Pfleiderer, 2009). In contrast, large shareholder activism is ineffective when the manager enhances firm value by privatising costs (Admati & Pfleiderer, 2009). This argument suggests that the actual quantifiable effect of monitoring by large shareholder activists on managerial behaviour is as yet, undetermined.

The most recurrent issues regarding CG influence concern managers directly, relating to either their job security or their pay. Normally, when the proposals come from shareholders with large ownership or significant power, the management facilitates the implementation of those proposals (Ertimur, Ferri, & Stubben, 2010). Managers may lose their jobs if they fail to meet shareholders' requests (Ertimur et al., 2010). Supporting this argument, Helwege, Intintoli, and Zhang (2012) find that institutional shareholder activism, as one type of large shareholder activism, can actively increase the frequency of CEO turnover.

Differently, Ferri and Sandino (2009), Ertimur et al. (2010) and Marler and Faugère (2010) find that activism changes the accounting treatment of CEO compensation and decreases executive compensation level. Ferri and Sandino (2009) find a reduction of CEO compensation level in the firms targeted by the proposals and a reduction in an adoption of employee stock options in both targeted and peer firms. Ertimur et al. (2010) confirm Ferri and Sandino's (2009) findings by documenting a decrease in CEO pay among firms with excessive CEO pay after both shareholder resolution and vote-no campaigns.[19] Bauer, Moers, and Viehs (2015) note that only withdrawn shareholder proposals on executive compensation lead to a lower level of executive compensation, as withdrawals indicate a successful negotiation between shareholders and the firm. Voted shareholder proposals, if gaining little support, will instead raise the executive compensation level (Bauer et al., 2015). Because of high monitoring costs, pension fund activism tends to use equity incentives to motivate better management performance, causing an increase in the latter's compensation level (Marler & Faugère, 2010). Whilst prior research presents conflicting results, it implies that shareholder activism changes

---

[19] Vote-no campaigns are another form of activism in which shareholders are asked to oppose nominated director candidates. An example can be found at https://www.thestreet.com/story/13552534/1/gannett-eyes-quot-just-vote-no-quot-campaign-at-tribune-to-drive-hostile-815m-bid.html

either the compensation level or the compensation composition, thereby facilitating incentive alignment and protecting shareholders' interests.

Impacts on FP

While shareholder activism can focus on CG changes, it often has the overarching goal of improving the firm's FP. Indeed, a considerable amount of research focuses on value creation or FP. Studies examining the implications of shareholder activism on a firm's FP usually rely on markers such as accounting measures, abnormal returns and other measures of activities and performance.

Accounting measures

Table 2.2 compares the accounting measures of FP used in the papers reviewed for this thesis in terms of financial indicators. Twenty-six papers employ accounting measures for FP. Specifically, accounting measures are predominantly employed to identify the influences of shareholder activism on long-term operating performance. The most popular measurement utilised in the papers is ROA (twelve papers), followed by Tobin's Q (five papers). Nine papers using ROA find that shareholder activism increases firm value, whereas Bach and Metzger (2013) assert that shareholder activism actually increases CEO turnover, harming firm value. Aslan and Kumar (2016), Bebchuk, Brav, and Jiang (2015) and Goodwin, Singh, Slipetz, and Rao (2014) find that hedge fund activism and shareholder proposals reduce ROA. Five papers using Tobin's Q as the measurement of FP provide evidence of mixed impacts from shareholder activism. For instance, Vasi and King (2012) suggest that shareholder activism increases the organisation's environmental risk. They find that a positive improvement of

Tobin's Q comes from proposals concerning material issues,[20] while shareholder proposals on immaterial issues are negatively associated with Tobin's Q. Goodwin et al. (2014) find that hedge fund activism reduces Tobin's Q. Overall, results generally indicate that shareholder activism harms long-term firm value, due to increased management turnover or perceived risk.

Table 2.2 Use of accounting measures in the papers

Authors	Measures of performance	Types of shareholder activism
Aslan & Kumar (2016)	ROA, the sum of net income, depreciation scaled by total assets, capital expenditures over total assets and total factor productivity.	Shareholder filings (13D)
Bach & Metzger (2013)	ROA	Shareholder filings (proposals)
Bureau & Schoenfeld (2017)	Management guidance of EPS and sales.	Shareholder filings(13D)
Brav et al. (2008) [1]	Sales growth, ROA, cash flows.	Shareholder filings (13D)
Cherkes et al. (2014)	Return of capital.	Exercising institutional shareholder ownership
Cremers & Nair (2005)	Ratio of the market assets to the book value of asset.	Shareholder filings (13F)
David et al. (2001)	The number of products announced in one year.	Shareholder filings (proposals)
Gantchev et al. (2017)	Capex/Assets, ROA, Asset turnover, Return on Sales (operating performance).	Shareholder filings (13D)
Greenwood & Schor (2009)	Leverage, capital expenditures, dividends/earnings, change in assets, change in shares and ROA.	Shareholder filings (13D)
Grewal et al. (2016)	Industry-adjusted Tobin's Q	Shareholder filings (proposals)
Hadani et al. (2011)	The difference between the firm's actual and expected accruals. Accruals are measured as the difference between reported earnings and operating cash flows. Expected accruals were computed by regressing total accruals in the firm's two-digit SIC-code industry on total assets, revenues, property, plant, and equipment, and accounts receivable.	Shareholder filings (proposals)
Sun et al. (2013)	Adjusted abnormal accruals.	Shareholder filings (proposals)
Vasi & King (2012)	Tobin's Q	Shareholder filings (proposals)
Sunder et al. (2014)	The interest spread is measured as the natural logarithm of the spread in basis points on the bank loan.	Shareholder filings (13D)

---

[20] For instance, for industries involving non-renewable resources and transportation, material issues refer to environmental problems. Within health and service industries, social issues are the material issues.

Authors	Measures of performance	Types of shareholder activism
Clifford (2008)	ROA, EBITDA, assets, cash, leverage and dividend yield.	Shareholder filings (13D)
Klein & Zur (2006)	ROA, ROE, EPS, CFO/Assets & Z-Score (Altman model to measure bankruptcy).	Shareholder filings (13D)
Cheng et al. (2012)	Corporate tax avoidance: 1. current effective tax rate; 2. cash ETR; 3. book-tax difference; 4. residual book-tax difference.	Shareholder filings (13D)
Woidtke (2002)	Tobin's Q	Shareholder filings (13F)
Xu & Li (2011)	The natural logarithm of the loan spread and loan maturity	Shareholder filings (13D)
Cunat et al. (2016)	ROA and Cash flow/book value of assets	Shareholder filings (proposals)
Ameer et al. (2009)	Profitability (EBITDA) and Cash flow from operation (CFO)	Shareholder activism events
Hilary & Oshika (2006)	Profitability (change in ROA)	Shareholder activism events
Bebchuk et al. (2015)	Tobin's Q and ROA	Shareholder filings (13D)
Brav, Jiang, & Kim (2013)	Standardised total factor productivity (TFP)	Shareholder filings (13D)
Goodwin et al. (2014)	ROA, Tobin's Q, ROE, ROIC, Payout ratio, Total Debt/capital and Capital Expenditure/sales	Shareholder filings (13D)
Zhu (2013)	Cash holding, Leverage, R&D expense, TURN (CEO turnover), CEO pay, ROA, PAYOUT	Shareholder filings (13D)

Abnormal returns

In event studies, abnormal returns are calculated around the event date. This is a popular form of study in this field, with thirty-one of the papers assessed for this thesis examining this topic. This method of research establishes various window periods and events varying in length to study. The short-term event window is usually up to 90 days (Anson, White, & Ho, 2003), whereas the long-term event window can be up to two years (Boyson, Gantchev, & Shivdasani, 2017). Most papers chose 13D Filings as the 'events' to be studied. This chapter establishes that when examining short-term performance, the event study method is preferred over accounting measures. Interestingly, most of the papers reviewed for this thesis report significant positive abnormal returns. This chapter also identifies the five papers which used

event study to investigate long-term value creation. For instance, Song and Szewczyk (2003) document 8.9% and 18.4% abnormal holding period return one year and two years after coordinated shareholder activism through the Focus List [21] of poorly performed firms. Gantchev et al. (2017) employ the event study method to examine value creation both one and then two years after periods of hedge fund activism. They found 6.5% abnormal returns in non-targeted peer firms two years after shareholder activism happened in targeted firms. Klein and Zur (2009) employ both short-term and long-term windows and document positive abnormal returns from both. Hence, the literature review conducted for this thesis indicates that event study is widely used to examine both long-term and short-term value creation. Furthermore, the literature review also established that the papers using event study to examine long-term value creation mainly focus on institutional shareholder activism. For example, Boyson et al. (2017) find that hedge fund activism creates value by monitoring targeted firms during the merger process. This demonstrates that large shareholder activism is anticipated positively by the market. The event dates chosen, event windows, corresponding abnormal returns and types of activism are detailed in Table 2.3.

Table 2.3 Event study papers

Authors	Event Date	Event Window	Abnormal Return	Activism Type(s)
Artiga & Calluzzo (2016)	13D filing's date	[-10, 90]	4.26%-5% from sole activists 5.89%-9.45% from following activists.	Shareholder filings (13D)
Boyson & Mooradian (2011)	13D filing's date & the actual date that the filer crossed over the 5% ownership threshold	[-25, +25]	8.10% around the filing date 8.13% around the event date (the event date is the actual date that the filer crossed over the 5% ownership threshold).	Shareholder filings (13D)

---

[21] See Song and Szewczyk (2003). Focus List refers to a list with underperformed firms in terms of financial returns.

Authors	Event Date	Event Window	Abnormal Return	Activism Type(s)
Caton et al. (2001)	The date that the Focus List includes poorly performing companies	[-90, -3], [-2, +2], [+3, +90]	Overall sample: -12.3% abnormal return around [-90, -3], -0.91% around [-2, +2], -0.18% around [+3, +90] Subsample companies are not capable of improving: -10.67%, -1.08% and -0.63%, respectively, around three windows; Subsample companies are capable of improving: -13.40%, -0.54% and +7.01%, respectively, around three windows.	Shareholder activism events
Cunat et al. (2012)	The date of shareholder meeting	On the event day and [0, 7]	1.3% and 2.4%, respectively	Shareholder filings (proposals)
English et al. (2004)	The date CalPERS' annual target list appears in the Wall Street Journal from 1992 to 1997	[-1, 0], [-2, 0], [-1, 1], [0,1]	Equity Weighted Return: 0.36%, 0.47% and 0.95%, respectively. Value Weighted Return: 0, 0.18%, 0.31% and 0.5%, respectively.	Shareholder filings (proposals)
Gantchev et al. (2017)	13D filing's date	[t, t+2 years]	Positive and marginally statistically significant.	Shareholder filings (13D)
Gillan & Starks (2000)	The proxy mailing date	[-1, +7]	-0.4509% for institutional or coordinated proposals; 0.2561% for individual proposals.	Shareholder filings (shareholder proposals)
Greenwood & Schor (2009)	13D filing's date	[-10, +5]	Around 3.5%	Shareholder filings (13D) Institutional activism
Klein & Zur (2009)	13D filing's date	[-30, +30], [-30, +5], [0, 1year]	7.3% in [-30, +5], 10.2% in [-30, +30] and an additional 11.4% 1 year after hedge fund activism; 4.4% in [-30, +5], 5.1% in [-30, +30] and 17.8% 1 year after other activism.	Shareholder filings (13D) Institutional activism
Prevost & Rao (2000)	The proxy mailing date	[-20, +20]	First appearance observation: -0.039 target observation: -0.090.	Shareholder filings (shareholder proposals)
Prevost et al. (2012)	The proxy mailing date	[–1, +10]	Majority support (2.73%); Target is unionised and at least one majority support proposal (2.60%)	Shareholder filings (shareholder proposals)

Authors	Event Date	Event Window	Abnormal Return	Activism Type(s)
Song & Szewczyk (2003)	The announcement of the Focus List	[-5 years, 0], [-4 years, 0], [-3 years, 0], [-2 years, 0], [-1 year, 0], [0, 1year]	8.9% and 18.4% in [0, 1year] and [0, 2years], respectively.	Shareholder activism events
Anson et al. (2003)	The announcement of the Focus List	[-90, -1] and [+5, +94]	[-90, -1] 14.55% for companies with positive news. [+5, +94] 19.2% for companies with negative news.	Shareholder activism events
Clifford (2008)			Not significant	Shareholder filings (13D)
Krishnan et al. (2015)	13D filing's date	[-1, +1], [-3, +3] and [-10, +10]	4.38%, 5.99% and 8.21%, respectively.	Shareholder filings (13D)
Klein & Zur (2006)			Not significant	Shareholder filings (13D)
Klein & Zur (2011)	13D filing's date	Short-term window	-4.5%	Shareholder filings (13D)
Brav et al. (2008)[2]	13D filing's date	[-20, +20]	7%	Shareholder filings (13D)
Ertimur et al. (2013)			Not significant	Shareholder filings (shareholder proposals)
Ryan (2006)	Announcement of events	[-5, +5]	0.5%	Shareholder activism events
Boyson et al. (2017)	13D filing's date	[0, 24 months]	9.8%	Shareholder filings (13D)
Thomas & Cotter (2005)	Shareholder meeting	[-1, +1]	0.155%	Shareholder filings (shareholder proposals)
Becht et al. (2009)	Announcement of events	[-1, +1], [-2, +2], [-5, +5]	[-1, +1] 2.96%; [-2, +2] 3.91%; [-5, +5] 3.89%	Shareholder activism events
Crespi & Renneboog (2010)	Disclosure of voting power	[0, +1year]	0	Exercising institutional shareholder ownership
Azizan & Ameer (2012)	Announcement of events	[0, +1]	0.62%	Shareholder activism events
Uchida & Xu (2008)	Disclosure of Ownership	[-2, +2]	Positive	Exercising institutional shareholder ownership
Bessière et al. (2011)	AMF release and letter sent by activists	[-1, +1], [0, 2], [-1, +5]	(1) AMF release:7.72% [-1, +1], 9.15% [0, 2] and 13.38% [-1, 5];	Shareholder activism events

Authors	Event Date	Event Window	Abnormal Return	Activism Type(s)
			(2) Letters sent by the two funds to the directors: 7.07% [-1, 1].	
Bessler et al. (2015)		[-80, +80], [-45, +45], [-15, +15], [-5, +5], [-3, +3] & [-1, +1]	[-80, +80]: 11.79%; [−45, +45]: 9.38%; [-15, +15]: 4.43%; [-5, +5]: 2.72%; [-3, +3]: 1.79%; [-1, +1]: 1.03%.	Shareholder activism events
Baloria et al. (2017)	Announcement of implementing proposals	[-1, +1]	-0.49%	Shareholder filings (shareholder proposals)
González & Calluzzo (2016)	13D filing's date	[-10, 10] [-10, 30] [-10, 60] [-10, 90]	[-10, 10] 0.0426 [-10, 30] 0.05 [-10, 60] 0.0434 [-10, 90] 0.0474 for sole activist. [-10, 10] 0.0734 [-10, 30] 0.0945 [-10, 60] 0.0819 [-10, 90] 0.0589 for following activist.	Shareholder filings (13D)

Accounting treatments and other performance measures

Two papers reviewed as part of the literature for this thesis which investigated the relationship of shareholder activism to accounting treatment also indirectly prove its effect on FP. Specifically, Brav, Jiang, Ma, and Tian (2014) propose that hedge fund activism improves innovation efficiency and productivity, as it leads to the reallocation of resources and innovation investments by management. These investments in turn create long-term value. Hence, they indirectly demonstrate that activism forces management to exert efforts to attain financial targets and increase shareholders' value. Similarly, Sun, Wang, Wang, and Zhang (2013) report intensive use of accruals after shareholder activism in targeted firms to achieve the benchmarked performance. Their evidence shows that shareholder activism bolsters FP manipulation through financial statement disclosure.

Impact on both CG and FP

Other papers examine the influence of shareholder activism on both CG and FP. Most commonly, researchers document value reduction after shareholder activism, as activism usually reflects ineffective management in the targeted firms. For instance, Bach and Metzger (2013) found that anti-takeover shareholder proposals increase CEO turnover, and, as a result, reduce firm value. In addition, shareholder proposals from public pension funds, especially repeat proposals, deteriorate long-term value as they signal a failure of negotiation between shareholders and the management, thereby indicating bad news to the market (Prevost & Rao, 2000). In addition to wealth exploitation, shareholder activism may exacerbate earnings management, as firms generally wish to maintain a good reputation through accounting figures (Hadani, Goranova, & Khan, 2011). However, the presence of institutional shareholders can curb the earnings management level, as these shareholders are more informed than minor shareholders; hence, they can better monitor the earnings management behaviour (Hadani et al., 2011). Therefore, the negative effect from shareholder activism on CG and FP might be lessened dependent on the particular ownership structure of the targeted firm.

There is more substantial evidence identifying a positive association between shareholder activism and both CG and FP than evidence identifying a negative association. While exploring diverse types (or content) of shareholder activism, most of the studies show abnormal returns in the short run and improvements in operating performance and CG in the long term (Bach & Metzger, 2013; Boyson & Mooradian 2011; Brav, Jiang, Partnoy & Thomas ,2008; Del Guercio, Seery & Woidtke, 2008; Prevost, Rao & Williams, 2012). Prevost et al. (2012) identified an overall increase in the number of outside directors and abnormal returns from majority-supported shareholder proposals handed in by union shareholders. Indeed, Gillan and

Starks (2000) emphasise that winning a majority of support determines the value creation of shareholder proposals. However, majority support is not a necessity to implement shareholder proposals in the United States, and as such, many scholars focus on the implications caused by different content or types of shareholder activism rather than the support rate. One example is Brav et al. (2008), who document increases in both CEO turnover and operating performance after hedge fund activism. Their findings contrast those of Bach and Metzger (2013), who report worse FP after anti-takeover proposals. The difference in the findings is attributed to the content of the activism undertaken. Since proposals related to lifting anti-takeover provisions often lead to an undesired CEO transition, the market anticipates these types of proposal as bad news, causing decreasing shareholder returns (Brav et al., 2008). Furthermore, because these proposals may result in the turnover of managers, these managers often have to prioritise meeting shareholders' requests in order to secure their jobs. Cherkes, Sagi, and Wang (2014) confirm this point by arguing that the manager will lower claims on funds through a managed distribution policy to prioritise shareholder wealth. In summary, the aforementioned studies assert that different types of shareholder activism may influence FP and CG either negatively or positively. The negative or positive influences on FP and CG lie in content of shareholder activism. In addition, the influences of shareholder activism on CG could spill over to FP.

In conclusion, the results of the literature review conducted for this thesis indicate fruitful research on the association between shareholder activism and FP or CG issues, with most suggesting a positive relationship. In the following Section 2.3.3.3, the influence of shareholder activism on CSR issues are examined.

2.3.3.3 Influence of shareholder activism on CSR

Table 2.4 presents the papers investigating CSR impact included in the review. Shareholder activism can enhance CSR accountability and/or CSR performance. However, the evidence shows that this enhancement is not definite, as it can be affected by industry factors, budgeting procedures of targeted firms and 'window dressing' practices (Grewal, Serafeim, & Yoon, 2016; Michelon & Rodrigue, 2015). Michelon and Rodrigue (2015) find that the demand of shareholders for CSR enhancement varies between different industries. Grewal et al. (2016) argue that one CSR event may be material to some industries but not to others. Corporate responses to material events in CSR proposals increase firm value, whereas their responses to immaterial issues may reduce firm value. This is because benefits from investments in immaterial issues do not outweigh their costs. This means that budget availability and cost-benefit analysis may impede a firm's CSR efforts in response to shareholder activism. Firms may also adopt window dressing as a response to activism. Uysal and Tsetsura (2015) report that firms address some shareholder proposals by intensifying CSR activities because they intend to demonstrate their legitimacy to preserve value. Once there is no longer a threat to legitimacy, firms may stop CSR activities. These findings imply that, while shareholder activism can positively change CSP, its effectiveness is impeded by various industry and organisational factors.

Table 2.3 CSR papers

Authors	Year	Journal	Measures of performance	Performance	Quantitative or Qualitative	Publish	Location
David et al.	2007	Strategic Management Journal	KLD & Coded responsiveness	CSP	Quantitative	Yes	US
Dhir	2012	Business Ethics Quarterly		Social Performance	Qualitative	Yes	US
Grewal et al.	2016		KLD & Tobin's Q	CSP & FP	Quantitative	No	US
Lee & Lounsbury	2011	Business & Society	Benzene Internalisation Rate (BIR)	Environmental Performance	Quantitative	Yes	US
Michelon & Rodrigue	2015	Social and Environmental Accountability Journal		CG & CSP	Qualitative	Yes	US
Monks et al.	2004	Natural Resources Forum		CG & CSP	Qualitative	Yes	US
Neubaum & Zahra	2006	Journal of Management	KLD	CSP	Quantitative	Yes	US
O'Rourke	2003	Business Strategy and the Environment		CSP	Qualitative	Yes	US
Perrault & Clark	2016	Organisation & Environment	Coded responsiveness	Environmental Performance & CG	Quantitative	Yes	US
Rojas et. al.	2009	Business and Society Review		CSP	Qualitative	Yes	US
Uysal & Tsetsura	2015	Journal of Public Affairs		CSP	Qualitative	Yes	US
Uysal	2014	International Journal of Strategic Communication		CSP	Qualitative	Yes	US

Authors	Year	Journal	Measures of performance	Performance	Quantitative or Qualitative	Publish	Location
Vasi & King	2012	American Sociological Review	Environmental risk score developed by iRatings & Tobin's Q	Environmental Performance & FP	Quantitative	Yes	US
Van Buren III	2007	Greener Management International		CSP	Qualitative	Yes	US
Amao & Amaeshi	2008	Journal of Business Ethics		CSP	Qualitative	Yes	Nigeria
Spar & Mure	2003	California Management Review		CSP	Qualitative	Yes	Global
Sullivan & Mackenzie	2008	The Journal of Corporate Citizenship		CSP& FP	Qualitative	Yes	Europe
Van Buren III	2007			CSP	Qualitative	Yes	US
Ullah & Jamali	2010	International Review of Business Research Papers		CSP	Qualitative	Yes	UK
McDonnell et al.	2015	American Sociological Review	Dummy variables for adopting CSR report and CSR committee	CSP & CG	Quantitative	Yes	US

Beyond the operational environment and financial constraints of firms, the unfamiliarity of claims from shareholder activists may hinder the increase of CSR after shareholder activism. Rojas, M'zali, Turcotte, and Merrigan (2009) document a low level of change in social policies caused by shareholder activism. Compared with CG proposals, social policy proposals show less influence of shareholder activism and indicate the inefficacy of such pressure in altering corporate practice (Rojas et al., 2009). This limited influence is mainly attributed to the unfamiliarity of the advocated issues to other shareholders and, therefore, the low likelihood that such proposals can garner enough support to warrant management response (Rojas et al., 2009).

Because of the limitation on CSR proposals in changing corporate practice, shareholders might seek to change CSR practice by submitting CG proposals about changing the board of directors. Monks, Miller, and Cook (2004) argue that some shareholder proposals promote CSR practice indirectly via changing CG. These shareholder proposals are described as 'crossover proposals' (Monks et al., 2004). Specifically, irresponsible management may go against the will of shareholders when dealing with CSR issues (Monks et al., 2004). Therefore, to fundamentally change the undesired CSR practice, shareholder activists should instead seek to change CG through strategies such as altering the board structure and appointing their preferred candidates to the board who will advance their CSR interests. Monks et al. (2004) is the only study in the review that examines the influences of crossover proposals as a form of shareholder activism.

The literature review also identified a lack of studies into the subtopics of CSR, with only three papers examining environmental sub-themes and one on social subtopics. In one of the three aforementioned papers, Lee and Lounsbury (2011) find that environmental shareholder

proposals increase the internalisation rate of benzene[22] in the following year. By employing iRatings,[23] Vasi and King (2012) demonstrated a negative association between shareholder resolutions and environmental risk perception, indicating that shareholder activism can damage corporate reputation. Managers therefore want to address this threat to their reputation in order to ensure a firm's competitiveness and long-term survival. Consequently, shareholder activism on environmental issues may receive significant managerial attention and response, particularly when activists have high status and a good reputation (Perrault & Clark, 2016). While these papers indicate that shareholder activism also affects subtopics of CSR, the current depth and quantity of available analysis is limited.

Furthermore, contrary to the diverse measures used in studying CG and FP, most papers examining CSR impacts (three papers) employ KLD data. MSCI KLD 400 Social Index rates companies according to their performance score in social, environmental and governance sectors. Generally, the KLD score is calculated by formula $KLD_i = \Sigma \rho_j m_j (y_{ji} - x_{ij})$. x_{ji} and y_{ji} represent the number of strengths and concerns in a category j of CSP in the company i, whereas ρ_j represents the weight of a particular category. m_j represents the number of categories of CSP. The number of strengths and concerns in particular categories are scored by MSCI. Two papers use environmental rating scores (namely iRatings), or code managerial responsiveness, to measure environmental influences of shareholder activism (Lee & Lounsbury, 2011; Vasi & King, 2012). Therefore, the results indicate that CSR measures are rather consistent and mostly derive from KLD data.

---

[22] A ratio calculated as the amount of benzene internalised to the total waste generated.
[23] A measure of perceived environmental hazards that could potentially affect a firm's financial health.

The analysis also identified that many papers investigating impacts of shareholder activism on CSR use qualitative methods rather than quantitative methods. With their interpretive nature, these papers demonstrate why and how shareholder activism can affect CSR either negatively or positively. While most of the papers reviewed argue that shareholder activism improves CSR, the underdeveloped shareholder democracy in different countries and profit-seeking objective in local firms can limit such improvements. For instance, Amao and Amaeshi (2008) propose that in Nigeria, the restriction of shareholders' democracy due to dispersed ownership and the poor participation rate in shareholder meeting hinders the consideration of CSR-related shareholder requests by the management. Sullivan and Mackenzie (2008) allege that management will pursue CSR only if it is consistent with financial interests of shareholders. Similarly, Spar and La Mure (2003) assert that the different levels of responsiveness regarding CSR activism in different industries are due to the costs of undertaking CSR activities. Specifically, the heavy costs of switching to a clean method of production may deter companies in natural resource-related industries from meeting the shareholders' CSR demands (Spar & La Mure, 2003). In contrast, the switching costs for lighter industries such as footwear would not be as high, making it relatively easy to make production processes more environmental friendly. In summary, prior papers depend on more qualitative factors such as location and type of industry. That is, the effectiveness of activism is limited if the international environment is not conducive to shareholders or if it is too costly for firms to cater to the shareholders' needs.

2.3.3.4 Summary

In summary, the analysis of impacts on CG above shows that shareholder activism could discipline managerial behaviour by: (i) increasing the frequency of CEO turnover; and (ii) changing managerial compensation level. The analysis of impacts on FP above shows that shareholder activism could: (i) create positive abnormal returns in the short term; and (ii) harm

firm value in the long term. The analysis of impacts on CG and FP shows that while shareholder activism could lead to value reduction due to increased CEO turnover, institutional shareholder activism could mitigate the problem of earnings management. Therefore, these results generally indicate that shareholder activism could discipline managerial behaviour thus improving CG, and shareholder activism has undetermined impacts on FP.

In addition, regarding CSR, the analysis shows that shareholder activism has both positive and negative influences on CSR activities and practices and its subtopics. However, compared with the influence of shareholder activism on FP or CG issues, empirical evidence on CSR is relatively scarce.

2.3.4 Types of shareholder activists and forms of shareholder activism

2.3.4.1 Types of shareholder activists

This section investigates the different types of shareholder activists, their forms of activism and evaluates the varying degrees of their impact. Typically, current research finds that the major shareholder activists are institutional shareholders or 'blockholders', minority or small shareholders and coordinated shareholders. The predominant types of activism include shareholder filings and contest activities such as campaign and dialogue with managers.

Institutional shareholders

The different types of shareholder activists and activism influence the outcomes of shareholder activism because they add varying degrees of pressure to management in enforcing what they request (Ertimur et al., 2010). For instance, Ertimur et al. (2010) document that shareholder proposals from large shareholders such as institutional shareholders are more likely to be successful, as these proposals exert significant pressure on the manager. This is because firms

treat these shareholders as crucial sponsors and sources of capital resources, and are thus likely to seriously consider their requests.

Fifty-one of the papers analysed discuss the influences of institutional shareholder activism on FP or CG, whereas only three of the papers examine the relationship between institutional shareholder activism and CSR issues. The most typical institutional shareholder activists are hedge funds and pension funds. Most papers on hedge fund activism show a positive relationship between hedge fund activism and improvements in FP (Bessler, Drobetz, & Holler, 2015; Boyson & Mooradian, 2011) and CG (Brav et al., 2008; Greenwood & Schor, 2009), whereas another two papers show a negative association (Aslan & Kumar, 2016; Cohn, Gillan, & Hartzell, 2016). Specifically, most of the studies analysed as part of the literature review conducted for this thesis indicate positive market return in the short-term and significant long-term enhancement of CG or operating performance, confirming a strong disciplinary effect and the value creation ability of hedge funds. This is attributed to the less stringent regulations allowing hedge funds to hold a large stake in firms and incentivise fund managers by linking fund performance to managerial pay. Papers that examine how pension funds solicit corporate reaction also note mixed findings (Del Guercio et al., 2008; Marler & Faugère, 2010). Del Guercio et al. (2008) find positive influences from pension fund activism on operating performance. However, Marler and Faugère (2010) propose that pension funds are subject to heavier regulation, and therefore pension fund activism is more costly when compared to hedge fund activism. Due to this increased cost, pension fund activists are likely to implement incentive payments to replace or complement their expensive monitoring. Similar to hedge funds, though establishing performance-based compensation structures within firms, pension funds also promote CG and FP (Marler & Faugère, 2010).

Prior studies also report how specific institutional activists influence CSR practices. Monks et al. (2004) stress that the institutional shareholders can drive managerial practice towards more social and environmental directions. For instance, pension fund and mutual fund activism can influence social policies (Rojas et al., 2009; Uysal, 2014). However, hedge fund activism generally relates to short-term value creation only (Liang, 1999). Uysal (2014) identifies positive influences from pension fund activism on proactive environmental policies, hence indicating that pension fund activism could monitor CSR activities effectively. While Rojas et al. (2009) suggest there is limited influence from social proposals on firm performance, they identify the crucial role played by pension funds and mutual funds in facilitating positive social policy changes. Mutual funds and pension funds, though filing a very limited number of proposals, achieve a high success rate in enforcing new policies consistent with their claims (Rojas et al., 2009).

The papers reviewed generally assert that hedge fund activism targets firm value, whereas pension fund and mutual fund activism aim at effecting both CG and CSR issues. This phenomenon can be explained by the specific characteristics of different kinds of funds. Firstly, pension funds, as a source of providing retirement income, are primarily concerned with the long-term interests of investors (Amadeo, 2017), whereas hedge funds with relatively flexible investment strategies, focus on extracting excess return in the short-term (Liang, 1999). Secondly, compared with mutual funds and pension funds, hedge funds link managerial pay to performance, which motivates the manager to focus on creating short-term value (Liang, 1999). Despite the importance of CSR to long-term corporate value, it usually takes a considerable amount of time before improved corporate social performance (CSP) and attached value materialise, since implementing relevant policies is time-consuming. It is notable that pension funds, mutual funds and other institutions signed the United Nation Principles for Responsible

Investment in 2007, which both indicates and increases their awareness of CSR (Rojas et al., 2009). Given this increased awareness, it is deemed that these institutional activists would possess a strong interest in social and environmental resolutions to promote better CSP. These groups also monitor CG and facilitate CG reforms. For instance, they often introduce proposals which seek to replace CEOs with unsatisfactory performance and/or influence their pay. Improved CG structure and more responsible managers lead to improvements in CSP (Monks et al., 2004).

In addition to studying the specific types of institutional activists, researchers also study how overall institutional shareholder activism affects firm performance. Most studies demonstrate the success of institutional shareholder activism in driving improved CG (Bauer et al., 2015; Caton, Goh, & Donaldson, 2001; Cuñat, Gine, & Guadalupe, 2012). Gillan and Starks (2000) specifically compare the ability to gain support between institutional shareholders and individual shareholders. Their evidence indicates that institutional shareholder activism is more successful at obtaining support than individual shareholder activism. Similarly, by investigating improvements in CSP, Neubaum and Zahra (2006) conclude that there is more effective monitoring undertaken by institutional shareholder activists than by individual shareholder activists, as institutional shareholders (who generally have more accessible resources) are more successful at ensuring their proposals are considered by the management. Overall, the above findings imply a critical function of institutional shareholder activists (regardless of type) in promoting firm performance. While aggressive shareholder activism such as hedge fund activism is found to be effective in soliciting a response from management, institutional shareholder activism by pension funds and mutual funds can also offer value and advance corporate practices, particularly with regard to improving CSR practices and CSP.

Coordinated shareholders

Eight papers analyse the implications of coordinated shareholder activism relates to firm performance. Four of the eight papers specifically examine impacts of coordinated shareholder activism on FP or CG. Only two papers out of the eight papers investigate the relationship between coordinated shareholder activism and general CSR issues (David et al. 2007; Neubaum & Zahra, 2006). Most of the aforementioned papers relate to firm performance examine both coordinated shareholder activism and institutional activism, such as Gillan and Starks (2000), Neubaum and Zahra (2006) and Prevost and Rao (2000).

Although the number of papers on coordinated shareholder activism is limited, they do identify the different types of coordination and analyse why their influence varies according to type. Gillan and Starks (2000) and Prevost and Rao (2000) consider coordinated shareholder activism to be when shareholder groups unify their behaviour and target particular firms at the same time, yet González and Calluzzo (2016) define coordinated shareholder activism as when one shareholder group follows another shareholder group to target the same company in a subsequent period. In terms of value creation, Prevost and Rao (2000) find negative abnormal returns after activism by public funds coalitions. In general, the reviewed papers indicate that coordinated shareholder activism, if targeting firms simultaneously, is anticipated as bad news by the market due to the negative abnormal returns created, thus resulting in further scrutiny and increased public pressure on firms.

Research investigating the presence of either a positive or uncertain relationship between shareholder activism and CSR indicates that coordinated shareholder activism does increase shareholder salience with regard to CSR activities (David et al., 2007; Neubaum & Zahra,

2006; Perrault & Clark;2016). All the above articles address the important role played by salient shareholders in altering undesired CSP. Neubaum and Zahra (2006) demonstrate that institutional or coordinated long-term shareholders can improve CSP due to their salience. Perrault and Clark (2016) similarly conclude that shareholder groups affiliated with other institutions are more likely to receive managerial responses regarding environmental issues. The arguments are consistent with Neubaum and Zahra (2006), who assert that coordinated shareholders can access more financial resources which ease the financial burden of activism, therefore allowing them to repeatedly undertake forms of activism. Due to a fear of activism or repeated activism firms usually have to consider the claims of coordinated shareholders, thus ensuring a more likely implementation of their proposals. David et al. (2007) report that only when shareholders affiliate with groups that make them salient will they receive positive managerial responses regarding their CSR proposals, otherwise, their proposals would deteriorate CSP. Analogous to the papers on institutional activism that find a positive association, these papers also highlight that the enhanced salience due to the coordination of shareholders can force firms to consider their claims.

As noted above, all papers included in the analysis conducted for this chapter report a positive relationship between coordinated shareholder activism and CSR issues, whereas coordinated shareholder activism does not necessarily aid CG or FP. The different findings on CSR, CG and FP indicate the need to evaluate the social, environmental and governance areas affected by activism separately when examining the influence of shareholder activism.

2.3.4.2 Forms of shareholder activism

Twenty-four of the papers reviewed for this chapter use data based on shareholder proposals when investigating shareholder activism. Shareholder proposals are publicly accessible

documents in the DEF 14A Form in the United States. After annual general meetings, the DEF 14A Form is made available to the public. Investors can therefore read shareholder proposals and obtain the updated corporate policies before making decisions of investments. The other main forms of shareholder activism include filing a SEC Schedule 13D and/or 13F. These forms are popular among institutional shareholders such as hedge funds. The analysis demonstrates that papers studying influence on CSR usually use shareholder proposals (eight out of nineteen studies), whereas studies on FP or CG usually use Schedule 13D or 13F filings (thirty-two out of seventy-nine studies). Research which relies on analysis of shareholder proposals usually covers a variety of themes including CSR, CG and FP and includes various types of activist. In contrast, research which relies on analysis of Schedule 13D and 13F filings mainly focuses on how hedge fund and institutional shareholders affect FP but not CSR.

2.3.4.3 Summary

In summary, the papers and articles reviewed demonstrate a variety in the types of shareholder activists and the forms of activism. Different types of activists seem to have varying influences on CG, CSR and FP. There are also clear variations in the choice of preferred forms of activism used by shareholders depending on their profile. This variation indicates the need to address the types of activists and the forms of activism when evaluating their influences.

2.3.5 Spillover effects (peer effects) of shareholder activism

None of the papers reviewed provide a definition of 'spillover effects' of shareholder activism (also referred to as 'peer effects'), though this concept has been widely applied in social science research (Lazear, 2001; Lundborg, 2006). This lack of definition is likely because the concept of 'spillover effects' has been introduced into business research very recently, and it is typically

used in other research areas such as marketing (Roehm & Tybout, 2006), economics (Ahern, Duchin, & Shumway, 2013) and CSR policies (Lin & Chih, 2016; Liu & Wu, 2016; Seo, 2016). In Roehm and Tybout (2006), spillover effects refer to "negative information on one product influences sales of other products within the same brand family" (p. 366). The other papers indicate proactive policy changes in peer firms or market reaction after policy changes in peer firms (firms operating in the same sector or industry as the targeted firms by shareholder activism). Given the significant impact of shareholder activism on a firm's behaviour found in prior literature as reviewed, it is important to examine whether the presence of 'spillover effects'[24] actively make other firms change their behaviours—even when not directly targeted.

Despite the extensive examination of shareholder activism outlined in the previous sections, current research into the spillover effects of shareholder activism is relatively limited, with only six papers examining the topic from the selected sample. All the papers published or written between 2008 and 2017 reflect the presence of spillover effects (four published, two unpublished), thus suggesting this is an emerging research field. Most papers discuss spillover effects on CG or FP and only briefly mention the impact on CSR issues. Three papers reviewed focus on institutional activism, whereas none of them analyse spillover effects caused by coordinated shareholder activism. Two papers, by Bourveau and Schoenfeld (2017) and Ferri and Sandino (2009), evaluate the spillover effects caused by all types of shareholder activists. It is notable that most studies investigating spillover effects utilise shareholder filings for their sample, namely 13D filings and Rule 14a-8 shareholder proposals. Bourveau and Schoenfeld (2017), Gantchev et al. (2017) and Aslan and Kumar (2016) base their research on 13D filings. Bourveau and Schoenfeld (2017), Gantchev et al. (2017) focus on hedge fund activists and

---

[24] Based on these articles and papers above, spillover effects are defined as the impacts of shareholder activism on CSP, CSR disclosure and financial performance in peer firms.

Aslan and Kumar (2016) on all types of shareholder activists. Investors who obtain more than 5% voting shares in public companies could use 13D filings to express their intention to influence management and operations through their beneficial ownership (Gantchev et al., 2017). Bourveau and Schoenfeld (2017) expanded their study to include data from other sources, such as exempt solicitations, proxy fights, press releases and public disclosure. Only two of the papers reviewed examine spillover effects from shareholder proposals, which are another type of shareholder filing, based on Rule 14-8 from the Security Exchange Commission (Ferri & Sandino, 2009; Grewal, Serafeim, & Yoon, 2016). Del Guercio et al. (2008) examine 'just vote no' campaigns, collecting data based on the announcement of activism events in a variety of databases and reports. Overall, the papers reviewed suggest a concentration of research interest on institutional shareholder activism and activism events from 13D fillings (over alternative mechanisms such as Rule 14-8 shareholder proposals or database).

This chapter has identified a link between the themes and types of shareholder activism within the scope of spillover effects studies. Only one paper reviewed (Ferri & Sandino, 2009) investigates (Rule 14-8) shareholder proposals, and links them to the adaptation of employee stock options expensing (ESO), a CG issue. It is clear therefore, that prior research into the spillover effects of shareholder proposals in the area of CG is limited. In contrast, all the papers analysing activism events from 13D filings focus on spillover effects on FP. Specifically, Aslan and Kumar (2016) and Gantchev et al. (2017) investigate hedge fund activists' 13D filings and find that hedge fund activism relates to improved operating performance, productivity and positive abnormal returns, while Bourveau and Schoenfeld (2017), using both 13D filings and other sources, document an increase in the forecast of earnings and sales in peer firms. These three papers indicate the crucial role played by 13D fillings in advancing better FP and returns in peer firms.

The current body of literature in this area also identifies different types of spillover effects. The most popular is the 'threatening effect' (Bourveau & Schoenfeld, 2017; Del Guercio et al., 2008; Ferri & Sandino, 2009; Gantchev et al., 2017), which is followed by 'product competition effect' (Aslan & Kumar, 2016). The 'threatening effect' means that firms change policies or strategies proactively due to the pressure of being targeted by shareholder activism in the future. The 'threatening effect' focuses on the direct impact from shareholder activism on the overall policies, practices and performance of peer firms (Gantchev et al., 2017). The threatening effect is not induced by corporate characteristics such as firm value, firm size, leverage and profitability but caused purely by activism (Gantchev et al., 2017). Product competition effect means that firms change policies or strategies proactively so that they will not fall behind their peers. Product competition effect assesses the level of quantifiable spillover effects based on the characteristics of rival firms and their industries (Aslan & Kumar, 2016). Firms with financial constraints may not have sufficient funds to proactively respond to activism, thus making spillover effects less apparent (Aslan & Kumar, 2016). If firms can readily decrease their prices, cost mark-ups and market shares, the spillover effects are more obvious, as these firms are able to improve their productivity more significantly (Aslan & Kumar, 2016).

Based on the conclusions of the three aforementioned papers, it is argued that large shareholder activism can influence corporate changes more easily, compared with small shareholder activism. The limited evidence of spillover effects of shareholder activism suggests that shareholder activism has broad influences on firms, as it affects public opinions and the behaviour of non-targeted firms. There is also evidence indicating that there are different types of spillover effects, namely the "threatening effect" and the "product competition effect".

While no evidence suggests it directly, the evidence provided by prior literature implies that the types of activists may affect the level of spillover effects.

2.4 RESULTS FROM THE META-ANALYSIS OF LITERATURE AND THE DESCRIPTIVE STATISTICS OF DATA

In this section, the results of meta-analysis of the reviewed literature are presented. This Section 2.4 also provides the descriptive statistics of more recent data reflecting shareholder activism, collected by the author. This combination of analysis aims to provide an updated insight into the patterns and trends of shareholder activism, to compare with the trends documented in prior studies (which mostly use data dated before 2011).

The descriptive statistics enable us to identity potential gaps and future directions for research. Table 2.5 presents the papers included in the meta-analysis, including effect size and sampling variance[25].

---

[25] It converts effect size into Fisher's Z and Sampling Variance in R software.

Table 2.4 Meta-analysis literature

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
Ameer et al.	2009	Asian Academy of Management Journal of Accounting and Finance	Shareholder activism events	Profit-ability (EBITDA)	2.142			0.142	224	FP	Malaysia	0.143	0.0045
Aslan & Kumar	2016	Journal of Financial Economics	Shareholder filings (13D)	ROA	-2.060			-0.009	50,409	FP	US	-0.009	0.0000
Azizan & Ameer	2012	Managerial Auditing Journal	Shareholder activism events	CAR	2.356			0.184	160	FP	Malaysia	0.186	0.0064
Baloria et al.	2017	NA	Shareholder filings (shareholder proposals)	CAR	-2.450			-0.299	68	FP	US	-0.309	0.0154
Bebchuk et al.	2015	NA	Shareholder filings (13D)	Tobin's Q	-2.950			-0.008	129,902	FP	US	-0.008	0.0000
Becht et al.	2009	The Review of Financial Studies	Shareholder activism events	CAR	4.950			0.677	30	FP	UK	0.823	0.0370
Bessler et al.	2015	European Financial Management	Shareholder activism events	CAR	3.510			0.226	231	FP	Germany	0.230	0.0044
Boyson et al.	2017	Journal of Financial Economics	Shareholder filings (13D)	CAR	-3.450			-0.067	2,657	FP	US	-0.067	0.0004
Boyson & Mooradian	2011	Review of Derivatives Research	Shareholder filings (13D)	CAR	5.240			0.249	418	FP	US	0.254	0.0024

---

[26] Sampling variance

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
Brav et al.	2008	Financial Analysts Journal	Shareholder filings (13D)	CAR	2.030			0.207	103	FP	US	0.210	0.0100
Brav et al.	2008	The Journal of Finance	Shareholder filings (13D)	Profit-ability (EBITDA)	3.630			0.111	1,059	FP	US	0.112	0.0009
Caton et al.	2001	Financial Analysts Journal	Shareholder activism events	CAR			-2.890	-0.246	138	FP	US	-0.251	0.0074
Cherkes et al.	2014	Journal of Financial and Quantitative Analysis	Exercising institutional shareholder ownership	Return on capital	4.370			0.130	1,122	FP	US	0.131	0.0009
Cohn et al.	2016	The Journal of Finance	Shareholder activism events	CAR	-2.030			-0.083	612	FP	US	-0.083	0.0016
Crespi & Renneboog	2010	Corporate Governance: An International Review	Exercising institutional shareholder ownership	ROE	-2.650			-0.081	1,067	FP	UK	-0.082	0.0009
Cunat et al.	2012	The Journal of Finance	Shareholder filings (shareholder proposals)	CAR	2.800			0.026	11,884	FP	US	0.026	0.0001
Cunat et al.	2016	Review of Finance	Shareholder filings (shareholder proposals)	ROA			2.770	0.200	192	FP	US	0.203	0.0053
English et al.	2004	Journal of Corporate Finance	Shareholder filings (shareholder proposals)	CAR	2.670			0.321	63	FP	US	0.333	0.0167

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
Gillan & Starks	2000	Journal of Financial Economics	Shareholder filings (shareholder proposals)	CAR		0.029		-0.055	1,553	FP	US	-0.056	0.0006
Goodwin et al.	2014	NA	Shareholder filings (13D)	Return on capital	-2.570			-0.169	227	FP	US	-0.170	0.0045
Greenwood & Schor	2009	Journal of Financial Economics	Shareholder filings (13D)	CAR	6.200			0.194	980	FP	US	0.197	0.0010
Grewal et al.	2016	NA	Shareholder filings (shareholder proposals)	Tobin's Q	2.030			0.013	26,423	FP	US	0.013	0.0000
Hilary & Oshika	2006	Japanese Journal of Management Accounting	Shareholder activism events	ROA			3.340	0.034	9,420	FP	Japan	0.034	0.0001
Klein & Zur	2009	The Journal of Finance	Shareholder filings (13D)	CAR	1.970			0.169	134	FP	US	0.171	0.0076
Klein & Zur	2011	The Review of Financial Studies	Shareholder filings (13D)	CAR	-4.670			-0.320	193	FP	US	-0.332	0.0053
Krishnan et al.	2015	NA	Shareholder filings (13D)	CAR	3.050			0.386	54	FP	US	0.408	0.0196
Prevost et al.	2012	The Financial Review	Shareholder filings (shareholder proposals)	CAR			2.550	0.263	94	FP	US	0.269	0.0110
Ryan	2006	NA	Shareholder filings (13D)	CAR	7.550			0.681	75	FP	US	0.831	0.0139
Uchida & Xu	2008	NA	Exercising institutional	CAR	1.940			0.245	67	FP	Japan	0.250	0.0156

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
			shareholder ownership										
Vasi & King	2012	American Sociological Review	Shareholder filings (shareholder proposals)	Tobin's Q				-0.021	2442	FP	US	-0.021	0.0004
Woidtke	2002	Journal of Financial Economics	Shareholder filings (13F)	Tobin's Q	-2.400			-0.126	371	FP	US	-0.126	0.0027
Zhu	2013	NA	Shareholder filings (13D)	ROA	15.180			0.062	59,221	FP	US	0.062	0.0000
Grewal et al.	2016	NA	Shareholder proposals	KLD	3.470			0.021	26,423	CSR	US	0.021	0.0000
Lee & Lounsbury	2011	Business & Society	Shareholder proposals	Benzene Internalisa-tion Rate (BIR)				0.040	434	CSR	US	0.040	0.0023
Neubaum & Zahra	2006	Journal of Management	Shareholder activism events	KLD				0.160	357	CSR	US	0.161	0.0028
Vasi & King	2012	American Sociological Review	Shareholder proposals	Environmental risk score developed by iRatings (0-9.7)				0.081	2,483	CSR	US	0.081	0.0004
David et al.	2007	Strategic Management Journal	Shareholder proposals	Coded responsiveness (1-challenge; 2-oppose; 3-settle) and KLD combined				0.110	730	CSR	US	0.110	0.0014

91

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
Perrault & Clark	2016	Organisation & Environment	Shareholder proposals	Coded responsiveness ('withdrawals' represent high responsiveness, coded '2', 'votes' represent moderate responsiveness, coded '1', and 'omissions' represent low responsiveness, coded '0')	4.450			0.217	417	CSR	US	0.221	0.0024
McDonnell, King, & Soule	2015	American Sociological Review	Shareholder proposals	Dummy variables for adopting CSR report				0.100	4,730	CSR	US	0.100	0.0002
Brav et al.	2008	The Journal of Finance	Shareholder filings (13D)	Director Turnover	2.850			0.087	1,059	CG	US	0.088	0.0009
DelGuercio et al.	2008	Journal of Financial Economics	Shareholder filings (proposals)	Director Turnover		0.030		0.152	204	CG	US	0.153	0.0050
Ertimur et al.	2010	Journal of Corporate Finance	Shareholder filings (proposals)	Director Turnover	-2.590			-0.042	3,919	CG	US	-0.042	0.0003
Ertimur et al.	2011	The Review of Financial Studies	Shareholder filings (proposals)	Director Compensation	-2.240			-0.050	2,043	CG	US	-0.050	0.0005
Ferri & Sandino	2009	The Accounting Review	Shareholder filings (proposals)	Director Compensation		0.053		-0.095	414	CG	US	-0.096	0.0024
Marler & Faugere	2010	Corporate Governance: An	Shareholder filings (13F)	Director Compensation		0.010		0.142	327	CG	US	0.143	0.0031

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
		international review											
Prevost et al.	2012	The Financial Review	Shareholder filings (proposals)	The number of outside directors		0.010		0.097	710	CG	US	0.097	0.0014
Gow et al.	2014	NA	Shareholder filings (13D)	Director Turnover	16.310			0.036	20,7211	CG	US	0.036	0.0000
Guo et al.	2014	NA	Shareholder filings (proposals)	The number of years until share-holders have ability to vote for the entire board of directors in the same election	43.240			0.904	424	CG	US	1.495	0.0024
Zeng et al.	2011	Asia-Pacific Journal of Financial Studies	Shareholder filings*	Compensation level of institutional shareholders	-7.414			-0.253	811	CG	China	-0.258	0.0012
Iliev et al.	2015	The Review of Financial Studies	Shareholder voting reported on corporate ballots	Director Turnover		0.010		-0.020	15,880	CG	US	-0.020	0.0001
Chowdhury & Wang	2009	Journal of Management	Shareholder filings (proxy-based activism)	The ratio of contingent pay to the total pay for the CEO (contingent pay is designed for the long-term value appreciation of the company)				0.160	522	CG	Canada	0.161	0.0019

Authors	Year	Journal	Types of activism	Measures	t value	p value	z stat.	Effect Size	Obs.	Perfor-mance	Loca-tion	Fisher's Zscore	SV[26]
Brav et al.	2013	NA	Shareholder filings (13D)	Director Turnover	2.220			0.013	29,986	CG	US	0.013	0.0000
Almazan et al.	2005	Financial Management	Shareholder filings (13F)	Director Compensation	-3.370			-0.043	6,258	CG	US	-0.043	0.0002
Zhu	2013	NA	Shareholder filings (13D)	Director Turnover	-4.330			-0.032	18,596	CG	US	-0.032	0.0001
Bauer et al.	2015	Corporate Governance: An international review	Shareholder filings (proposals)	Director Compensation		0.039		0.135	234	CG	US	0.136	0.0043

Figure 2.3 presents the sample selection process utilised in the meta-analysis. The original sample included ninety-three papers which utilised both quantitative and qualitative methods. This thesis utilised only those papers with a quantitative methodology (seventy-seven papers) and those with a coefficients of correlation (r), t-value, p-value and z-statistics (fifty-five papers). Among the refined sample, only papers with commonly used measurements for (i) FP, namely ROA, cumulative abnormal returns (CAR), profitability (EBITDA), return on capital, ROE and Tobin's Q (thirty-two papers); (ii) CSR, namely KLD, environmental ratings or scores, and coded responsiveness from management (seven papers); and (iii) CG, namely compensation of directors and director turnover (sixteen papers) were selected.

Figure 2.3 Sample selection process

- N=92 papers from Google Scholar between 2000 and 2017
- N=77 papers using quantitative research method
- N=55 papers with significant coefficients of correlation, t-value, p-value, z-statistics or with coefficients and standard error
- N= 32, FP
- N=7, CSR
- N=16, CG
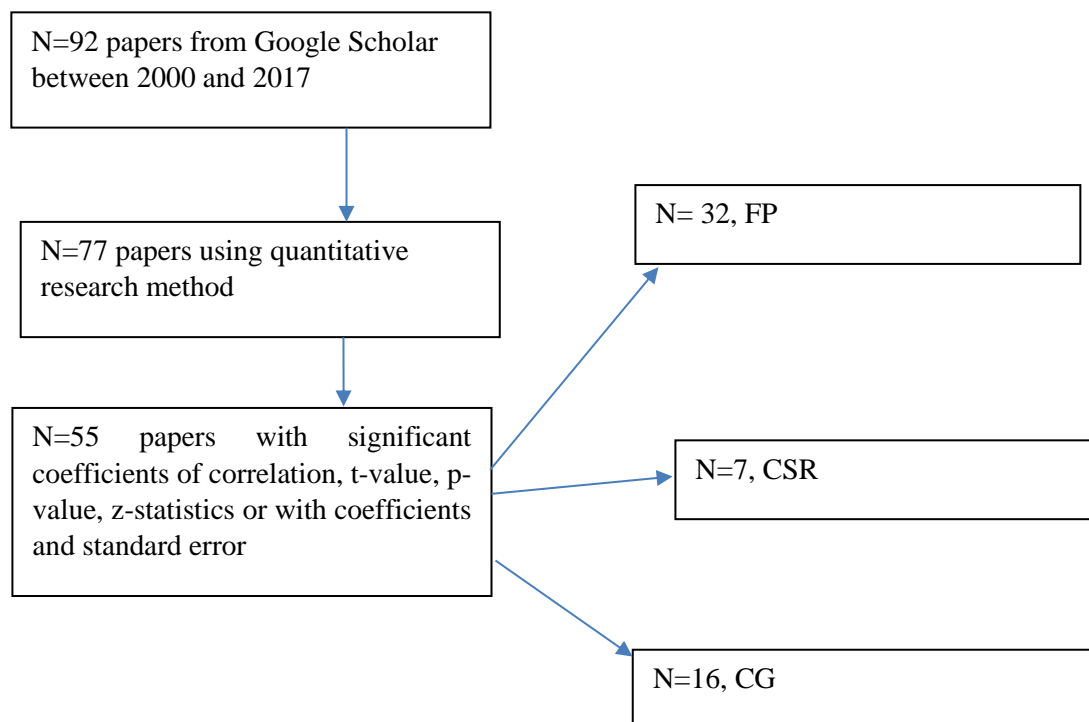
Figure 2.4 presents the forest plot demonstrating the relationship between shareholder activism and (1) FP;[27] (2) CSR;[28] and (3) CG.[29] If the diamond (the combined effect size) is on the right (left) of the vertical line, it indicates a significant positive (negative) relationship between shareholder activism and performance (i.e. all numbers in the confidence interval are larger (smaller) than zero). If it crosses the vertical line, it shows that the relationship is not significant (i.e. the confidence interval contains zero).

The diamond in Section A on the right of the vertical line indicating shareholder activism positively relates to FP and CSR. It is notable in Figure 2.4, that the diamond crosses the vertical line, which means that shareholder activism does not have significant influence on CG, namely director turnover and director compensation. These results support the theory that shareholder activism positively relates to both FP and CSR. The plot also presents the combined confidence interval and effect size at (0.09 [0.01,0.16] for FP at the bottom; 0.1 [0.05,0.14] for CSR; and 0.11 [-0.08,0.29] for CG).

---

[27] It includes mainstream measures of financial performance such as EBITDA, ROA, cumulative abnormal return (CAR), Tobin's Q, return on capital and ROE, because the number of papers using other measures is small, thus is not suitable for meta-analysis.

[28] It uses KLD, Benzene Internalisation Rate, Environmental risk score and coded responsiveness from the management as measures.

[29] It includes 'director turnover' and 'director compensation' as the two measures used by many papers, whereas other measures are rarely used.

Figure 2.4 Forest plot of meta-analysis

   A. FP

Correlation Coefficient

B. CSR

Study	Correlation Coefficient
Grewal et al.,2016	0.02 [0.01, 0.03]
Lee&Lounsbury,2011	0.04 [−0.05, 0.13]
Neubaum&Zahra,2006	0.16 [0.06, 0.26]
Vasi&King,2012	0.08 [0.04, 0.12]
David et al.,2007	0.11 [0.04, 0.18]
Perrault & Clark ,2016	0.22 [0.12, 0.31]
McDonnell,King&Soule,2015	0.10 [0.07, 0.13]
RE Model	0.10 [0.05, 0.14]

Correlation Coefficient

C. CG

Brav et al.,2008		0.09 [0.03, 0.15]
DelGuercio et al.,2008		0.15 [0.01, 0.28]
Ertimur et al.,2010		−0.04 [−0.07, −0.01]
Ertimur et al.,2011		−0.05 [−0.09, −0.01]
Ferri &Sandino,2009		−0.10 [−0.19, 0.00]
Marler&Faugere,2010		0.14 [0.03, 0.25]
Prevost et al.,2012		0.10 [0.02, 0.17]
Gow et al.,2014		0.04 [0.03, 0.04]
Guo et al.,2014		0.90 [0.89, 0.92]
Zeng et al.,2011		−0.25 [−0.32, −0.19]
Iliev et al.,2015		−0.02 [−0.04, −0.00]
Chowdhury&Wang,2009		0.16 [0.08, 0.24]
Brav et al.,2013		0.01 [0.00, 0.02]
Almazan et al.,2005		−0.04 [−0.07, −0.02]
Zhu,2013		−0.03 [−0.05, −0.02]
Bauer et al.,2015		0.13 [0.01, 0.26]
RE Model		0.11 [−0.08, 0.29]

Correlation Coefficient

Table 2.6 presents the results of meta-analysis, including the main effects in Panel A, meta-regression on locations (dummy variable Codedloc, '1' for the United States and '0' for other countries), types of activists (dummy variable Codedins, '1' for institutional shareholders and '0' for others) and forms of activism (dummy variables, '1' for shareholder proposals and '0' for other forms of shareholder activism such as 13D/13F filings and shareholder activism events) in Panel B and subgroup analysis in Panel C on FP and CG.[30]

The meta-analysis conducted for this thesis also includes a subgroup analysis, dividing studies according to types of shareholder activists (institutional or non-institutional), forms of shareholder activism (shareholder proposal or non-proposal activism) and locations (in the US or outside the US).

In this chapter's results, I^2 is used as an indicator for heterogeneity. While Q is also valid in testing heterogeneity, it gives a more accurate indicator when the number of studies included is larger than for this study. The current research available for this thesis includes only a small number of studies (fewer than 50 studies for each group), therefore this thesis utilises I^2 rather than Q to test for heterogeneity.

Subgroup analysis on CSR impact is not conducted, as there are few papers under this topic, thus it is hard to categorise these studies into subgroups.

Table 2.5 Results of meta-analysis

Panel A: Main Effect	FP	CSR	CG
Combined effect [Confidence interval]	0.09 [0.01,0.16]	0.09 [0.05,0.14]	0.11 [-0.08,0.20]
Q (Test for heterogeneity)	533.7604	52.7757	1187.1175
I^2 (total heterogeneity /total variability)	0.9969	0.8777	0.9992
Obs.	32	7	16
Panel B: Meta Regression			
Moderating Variable: Codedins			
Codedins	0.0466 (p-value =0.6527)		0.1386 (p-value=0.4921)
Obs.	32		16
Moderating Variable: Codedloc			
Codedloc	-0.1220 (p-value =0.2096)		
Obs.	32		
Moderating Variable: Codedtype			
Codedtype	-0.0462 (p-value = 0.6190)		
Obs.	32		
Panel C: Subgroup Analysis			
Types of shareholders			
Institutional			
Combined effect [Confidence interval]	0.1 [0.01, 0.19]		0.16 [−0.14, 0.46]
Q (Test for heterogeneity)	504.3691		1068.7585
I^2 (total heterogeneity /total variability)	99.71%		99.93%
Obs.	26		10
Non-institutional			
Combined effect [Confidence interval]	0.05 [−0.10, 0.20]		0.01 [−0.06, 0.09]
Q (Test for heterogeneity)	28.1053		50.8670
I^2 (total heterogeneity /total variability)	99.08%		94.87%
Obs.	6		6
Forms of shareholder activism			
Shareholder proposals			
Combined effect [Confidence interval]	0.05 [−0.06, 0.16]		0.23 [−0.13, 0.59]
Q (Test for heterogeneity)	37.6472		950.9347
I^2 (total heterogeneity /total variability)	98.59%		99.57%
Obs.	8		8
Non-proposal activism			
Combined effect [Confidence interval]	0.10 [0.0034, 0.20]		−0.01 [−0.09, 0.07]
Q (Test for heterogeneity)	495.9368		222.6545
I^2 (total heterogeneity /total variability)	99.75%		99.51%
Obs.	24		8
Location			
US			
Combined effect [Confidence interval]	0.06 [−0.03, 0.15]		0.13 [−0.08, 0.34]

Q (Test for heterogeneity)	478.3149		1112.7420	
I² (total heterogeneity /total variability)	99.75%		99.94%	
Obs.	25		14	
Other areas				
Combined effect [Confidence interval]	0.18 [0.02, 0.34]		−0.05 [−0.46, 0.36]	
Q (Test for heterogeneity)	49.0121		55.6115	
I² (total heterogeneity /total variability)	95.56%		98.20%	
Obs.	7		2	

The results in Panel A of Table 2.6 show a very high heterogeneity among studies and subgroup samples (I^2 is larger than 60%). The high heterogeneity indicates that studies on the outcome of shareholder activism are diverse. The meta-regression (Panel B) shows that neither forms of shareholder activism nor location moderate the relationship between shareholder activism and FP. It also shows that institutional shareholder activists could moderate the relationship between shareholder activism and FP. Further, institutional shareholders are not found to moderate the relationship between shareholder activism and CG.[31] However, the subgroup analysis (Panel C) indicates that studies using samples of institutional, non-proposal activism and location outside the US show a significant relationship between shareholder activism and FP.

2.5 DISCUSSION OF GAPS AND OPPORTUNITIES FOR FUTURE RESEARCH

Through the methods above, including (i) content analysis of reviewed papers and (ii) meta-analysis of quantitative studies, gaps in current research have become apparent and present clear opportunities for future research. The following discussion is based on five main areas: (i) time and locations of shareholder activism; (ii) theories applied; (iii) the impact from

---

[31] Meta regression on CSR cannot be conducted as the sample size is too small (n<10). For governance performance, it only tests the moderating effect from institutional shareholders, as only two papers describe countries outside the US and some types of shareholder activism are only discussed by one paper.

shareholder activism on FP, CG and CSR fields; (iv) types of shareholder activists or activism; and (v) spillover effects of shareholder activism.

Firstly, the analysis of locations suggests that the US is the most popular natural setting to be examined. It is probably because of the data availability. Shareholder proposals as one example of shareholder activism are publicly available from SEC website. In addition, database called Institutional Shareholder Services also provide data on shareholder proposals in the US from 1997 to 2014. However, there are few databases on shareholder activism in other countries which are widely known or used. Therefore, studying shareholder activism in the US shows advantages over other locations in terms of data availability. Regarding the time period, most of the studies do not analyse the most recent trend of shareholder activism because most of them using samples before 2011. Nevertheless, due to the changes of technology and regulations which facilitates communications of shareholders (Morris, 2008), it is more plausible to include the most recent data thereby understanding the true influences of shareholder activism on firm policies, strategies and performance. This point could be a research gap to fill in.

Secondly, theories applied in articles and research include agency theory, stakeholder theory, stakeholder salience theory focusing on the status of shareholders and stakeholders. These theories do not draw much attention on firm responses which, however, are what shareholder activists attempt to receive. In other word, firm responses are the core of shareholder activism, as it is the means through which shareholder activists could achieve their goals. To study the corporate responses, institutional theory focusing on how institutional environment drives individual actions thereby leading to different corporate responses (Dacin, Goodstein, & Scott, 2002) and resources dependency theory focusing on how external resources result in different

corporate reactions (Bevir, 2007) could be used to interpret the different corporate responses after shareholder activism.

Thirdly, it is clear that significant research attention has been given to FP and CG but not to CSR. The reviewed papers in these two fields were published after 2003, indicating they are emerging yet still under-developed topics of research. CSR-focused shareholder activism, however, has become an increasingly important issue and has garnered considerable movement among global shareholders (Thomas & Cotter, 2007). Further investigation into this phenomenon would contribute to the advancement of activism effectiveness and desirable CG. Statistically, the significant combined effect size on CSR from meta-analysis also indicates the need to examine the influence of shareholder activism on CSR. In addition, the research exploring the impact from shareholder activism on CSR rarely compares influences among subdimensions of CSR. The lack of studies on subdimensions of CSR prevents an understanding of the true impact of activism on CSR activities, and this gap needs to be filled in the future.

The results from the narrative review of literature and meta-analysis conducted clearly show the need to distinguish the different types of activism and activists when considering the influences and impacts of shareholder activism. Shareholder activism is diverse in its forms, activists and themes. The forms of shareholder activism can include shareholder letters, dialogue with the manager, questions raised in shareholder meetings, say-on-pay votes, 'vote no' campaigns, hedge fund activism and shareholder proposals (Cloyd, 2015; Sjostrom, 2008). The different forms of shareholder activism can directly affect the reactions from firms and shareholder activists. For instance, Cloyd (2015) argues that shareholder proposals and say-on-pay votes are less aggressive than other forms of activism, and, as such, their effectiveness in

altering corporate practice may be limited. If shareholders are not satisfied with changes in corporate practice, they will start a more aggressive form of activism (Cloyd, 2015). The more aggressive forms of shareholder activism increase the salience of shareholders' requests, hence forcing firms to cater to their needs (Goranova & Ryan, 2014). Examining the disciplinary effectiveness of mixed forms of shareholder activism on firm performance, however, might cause biased results, as influences of different shareholder activism forms can complement, conflict with or offset each other (Goranova & Ryan, 2014). A thorough examination of how each specific form of shareholder activism affects firm performance is more likely to produce nuanced and meaningful insights than one study combining different mechanisms.

While many papers reviewed explore FP and CG, and some papers explore CSP, very few discuss the implications for both financial disclosure and CSR disclosure. Only two papers reviewed specifically focused on how shareholder activism influences earnings' management, which is an indicator of financial disclosure quality (Sun et al.2013; Hadani et al., 2011). Michelon and Rodrigue (2015) and Dhir (2012) allude to the importance of shareholder proposals in CSR disclosure, but no empirical evidence is provided. Differentiating CSR disclosure from CSP and analysing the influence of shareholder activism on them separately is critical, as the level or quality of CSR disclosure might not be consistent with the level of CSP. Teoh and Shiu (1990) argue that changes in CSR disclosure occasionally reflect mere window dressing for reputation, rather than true improvements in CSR. Clarkson et al.(2008) and Clarkson et al. (2011) identify the inconsistency between CSP and CSR disclosure in their studies. Separating CSP and CSR disclosure would therefore help to diversify CSR measures in activism studies. Further, CSR measures often concentrate on KLD data, which can bias any understanding of impacts on CSR because there are areas which are not covered by KLD measures such as animal rights and rights of religious groups. A diversity of measures would

allow the interpretation and demonstration of the influence of shareholder activism in a much more comprehensive manner than what has hereto been undertaken.

Research into the relationship between shareholder activism and other CG mechanisms is also underdeveloped. Amid the papers reviewed, only Cremers and Nair (2005) analyse the interaction between market control (as an external CG mechanism) and shareholder activism (as an internal governance mechanism). They find this interaction affects abnormal returns and profitability in the long-term, thus indicating a complementary effect between external and internal mechanisms. While this study highlights the importance of assessing the relationship between internal and external governance mechanisms, no study among those reviewed explicitly investigates the relationship and its impacts on CSR. It is notable that firms' functions and managerial decisions in terms of CSR can hardly be independent from the interaction of multiple CG mechanisms. Prior research suggests the interaction between multiple CG mechanisms can produce complementary or substitution effects. Complementary effect means governance mechanisms can complement each other, and, as such, their interaction enhances monitoring of managerial behaviour and agency problems (Dalton et al., 2003). Agrawal and Knoeber (1996) find complementary effect among governance mechanisms and their advantage over single mechanism in aiding agency problems. Scholars also find substitution effects among governance mechanisms meaning that mechanisms can substitute each other (Dalton et al., 2003; John & Senbet, 1998; Rediker & Seth, 1995). Too many mechanisms reduce the effectiveness of managerial decision making (Dalton et al., 2003). The extant research by examining the relationship between shareholdings, board structures and firm performance find substitution effects among governance mechanisms (John & Senbet, 1998; Rediker & Seth, 1995). It is, however, unclear from the extant research about how these

complementary or substitution effects influence the impacts of shareholder activism on firms' operations.

Fourthly, another gap in research identified through the literature review conducted is the lack of insights into the specific impact of coordinated shareholder activism. It is due to too much focus on institutional shareholder activism based on stakeholder salience theory, whereas little focus on collective action theory which explains the effectiveness of coordinated shareholder activism. Only a limited number of studies relate coordinated shareholder activism to firm performance and thus the application of stakeholder salience theory is rare. Results of meta-analysis show that institutional shareholder activism significantly relates to FP, thus indicating a need to investigate large shareholder activists. Due to the small number of published studies available, it is not currently possible to test how coordinated shareholder activism affects firm performance. The narrative review of literature also shows that most of the studies are limited to investigating how coordinated shareholder activism affects FP. The only study exploring CSR influences from coordinated shareholder activism was published by Neubaum and Zahra (2006). By addressing the expectation of diverse stakeholders, CSR determines corporate long-term success (Neubaum & Zahra, 2006), whereas coordinated shareholder activism, supported by the majority of shareholders can foster CSR (Gillan & Starks, 2000). Currently, no study examines the differences between coordinated shareholders and institutional shareholders. Olson (2009) argues that conflicts of interest among coordinated shareholders hinder the effectiveness of their activism, especially when the coordination involves a significant number of shareholders. Analysing the influences of coordinated shareholder activism and institutional shareholder activism separately could shed light on whether the collective action problem exists among coordinated shareholders and whether this problem hinders salient shareholders such as institutional shareholders to receive firm responses.

Fifthly, the literature review conducted reveals that, while the literature on spillover effects is growing, no papers specifically examine spillover effects of coordinated or institutional shareholder activism. Such research could provide insights into externalities and large shareholder activism. Current research conjectures that the public exposure due to large shareholder activism may cause significant changes in peer firms because large shareholders can also use their large ownership to target these peer firms. Understanding the externalities caused by large shareholder activism offers insights into and potential guidance for shareholder behaviour and proactive strategies adopted by yet-to-be targeted firms. Theoretically, this research can also validate the externality of stakeholder salience.

Overall, the gaps in research discussed in this section offer fruitful opportunities for further research. Foremost, the US could still be the first choice regarding the location of research due to data availability. In addition, the latest data should be employed to examine the true influences of shareholder activism on firm performance, disclosure and policy adopted. Secondly, future research should also make use of theories more robustly and consistently when developing a hypothesis and offering interpretations. Adopting alternative or multiple theories such as institutional theory and resource dependency theory in explaining shareholder activism could provide more valuable insights than have previously gained under a single theoretical lens. Thirdly, further research should balance the current research undertaken in CG and CSR fields, with an examination of the wider impact of activism on their subtopics. In other words, the investigation of the relationship between shareholder activism and separate environmental, social and governance dimensions, on both performance/activities and disclosure aspects, should be encouraged. The research might introduce additional variables to evaluate the interaction between shareholder activism and other CG mechanisms and the

implications of such interaction for firms' response to activism. Fourthly, the type of shareholder activists should also be considered when assessing the outcomes of shareholder activism. For example, any prospective new research should thoroughly compare the impacts from institutional, coordinated and individual shareholder activism on environmental, social and governance aspects. Fifthly, spillover effects from different types of shareholder activists could also fill in the research gap.

2.6 CONCLUSION

Many scholars have attempted to demonstrate whether shareholder activism advances firm performance. However, so far, such studies have produced mixed results. The analysis undertaken for this chapter adds value to prior studies by undertaking a structured literature review into relevant published papers on shareholder activism to identify key themes, methods, theories and findings, and to discuss gaps and opportunities. This chapter selected published articles and working papers produced between 2000 and 2017, examined their similarities and disparities, and identified gaps for potential further research. It also evaluates the findings of previous studies and provides fruitful evidence of financial and CG implications from shareholder activism. However, it shows a lack of research into CSR and its subtopics, particularly information disclosure in these areas. Most prior studies investigate shareholder activism independently from its interaction with other CG mechanisms. Additionally, the research evidences the paucity of studies on types of shareholder activists and spillover effects. The narrative analysis has clearly identified further research directions to fill in the current gaps.

This chapter presented the results of meta-analysis of studies on shareholder activism. The meta-analysis method enables statistical examination of the significant identified impacts from

shareholder activism on FP and CSR. The results of this analysis did not indicate that the relationship between shareholder activism and (1) FP and (2) CG[32] depends on types of activists, forms of activism and locations. The results indicate that future research needs to classify types of activists besides institutional shareholders (i.e. also considering coordinated shareholders). After analysing the influence of shareholder activism on FP, CG and CSR, meta-regression did not indicate that shareholder activism in the US has more influential impact than in other places. Nonetheless, using the US as a preferred location for future study is still recommended, due to data availability.

This thesis contributes to the current body of literature by encouraging the investigation of multiple dimensions in shareholder activism research with various research methods and informing researchers of potential directions in the future. In addition, the examination would also assist shareholders to evaluate the effectiveness of their behaviour in terms of enforcing positive corporate changes and promoting proactive policies in peer firms. This research also highlighted the potential theoretical implications of current and further research by looking at their conjunctions and their application to shareholder activism.

The research is subject to some limitations. Firstly, the literature review could only include the limited number of available, eligible studies, which could lead to a biased analysis. Secondly, the classification and evaluation resulting from the literature review could be subjective, blurring the true association between shareholder activism and firm performance. These limitations highlight the need of further exploration and analysis in this field, using a larger and more comprehensive dataset.

---

[32] The chapter cannot run meta-regression on CSR, as the sample size is too small ($n<10$). For governance performance, it only tests moderating effect from institutional shareholders, as only two papers describe countries outside the US and some types of shareholder activism are only discussed by one paper.

Chapter 3: The Shareholder Salience Perspective[33]

3.0 SYNOPSIS

This chapter compares the salience of institutional shareholders with that of coordinated shareholders in investigating shareholder proposals as a proxy of shareholder activism. The results show that shareholder proposals are associated with decreases in the CSR disclosure level in targeted firms. Further, if filers of shareholder proposals include coordinated shareholders, proposals are associated with decreases of social disclosure in the targeted firms. Regarding the governance characteristics of targeted firms' boards, both large board size and female directors complement shareholder activism, enabling shareholder activism to be positively related to CSR disclosure level. In addition, the presence of outside directors and CEO options does not have such a complementary effect. This chapter contributes to prior research on stakeholder salience theory by considering the collective action problem. The findings also enrich empirical evidence regarding the research on interactions among corporate governance mechanisms.

---

[33] See Mitchell, Agle and Wood (1997, p.854). Salience means "the degree to which managers give priority to competing claims."

3.1 INTRODUCTION

Drawing on stakeholder salience theory, this chapter examines the association between shareholder activism and corporate social responsibility (CSR) and whether this is affected by the salience of shareholders. Stakeholder salience theory proposes that stakeholders possessing power, legitimacy and urgency are more likely to receive managerial responses than other stakeholders (Mainardes, Alves, & Raposo, 2011; Mitchell, Agle, & Wood, 1997). Driven by this theory and growing CSR demands and expectations, a significant number of studies focus on managerial reactions to different stakeholders' claims on CSR (Chung & Talaulicar, 2010; Dong, Burritt, & Qian, 2014; Prado‑Lorenzo, Gallego‑Alvarez, & Garcia‑Sanchez, 2009). Other studies such as Hu and Izumida (2008) and Lemmon and Lins (2003) highlight that by controlling a large stake (which enhances their power and legitimacy), salient shareholders can better monitor firm performance and protect shareholder interests. While these studies provide substantial evidence on the association between large shareholder activism and CSR issues, there is no consideration of how different types of shareholders affect CSR disclosure. As argued by Almazan, Hartzell, and Starks (2005), active shareholders play a vital role in monitoring corporate governance, and hence, it is crucial to evaluate variations in shareholder activists' power and the implications of these variations on managerial responses.

Institutional shareholders are becoming increasingly prominent, leading to increased concentration of large institutional ownership (Schleyer & Guynn, 2016). As such, institutional shareholders have increased power to challenge firm management and make their voices heard. The "voice" of many institutional shareholders is reflected in the form of proposals in the proxy statement. Between 2006 and 2014, 60% of proposals were submitted by institutional shareholders, and 27% of these proposals were social-oriented (Copland & O'Keefe, 2014).

By submitting proposals with urgent claims, institutional shareholders attempt to change corporate practices that they consider as undesirable practices.

Similar to institutional shareholders, coordinated shareholders (co-filers) may also be salient and crucial to firms, as they own a relatively substantial proportion of shares. Additionally, their large ownership level allows them to question firm management and seek organisational changes. These co-filers work together and prepare proposals presented in annual general meetings, during which they share ideas, information and costs to enhance their salience to firms. While shareholder proposals with coordinated filers only account for 15%-17% of total proposals, these coordinated filers include a wide range of socially-oriented groups such as labour-affiliated pension funds, social investment funds and religious pension funds (Copland & O'Keefe, 2014). These shareholders comprise well-known groups that can exert significant pressure on firms. Hence, studying the effectiveness of their coordination will provide evidence on whether this pressure can effectively change corporate practices.

CSR disclosure, as a facet of corporate social performance (CSP), is one of the key channels through which firms maintain or demonstrate their legitimacy to relevant stakeholders (Bachmann & Ingenhoff, 2016). Nevertheless, it also can be a tactic of impression management used by firms to relieve negative influences from shareholder activism, thereby protecting firm value (Costa & Menichini, 2013). Correcting CSR practices is time-consuming and may not facilitate mitigation of adverse impacts from shareholder activism in a timely manner. Therefore, rather than making corrections of the underlying CSR practices, firms may choose to manipulate CSR disclosure as a 'quick-fix' for their reputation, as documented in prior research (Clarkson et al., 2008). There is inconsistency between CSP and CSR disclosure in

the literature because firms manipulate CSR disclosure to alter public perception, and the intensity of this behaviour is a function of social pressure which firms are exposed to (Patten, 2002). As such, a large level of shareholder activism that creates significant social pressure may aggravate CSR disclosure manipulation. Because of this potential problem, understanding how large shareholders influence CSR disclosure is critically important for easing the manipulation of disclosure and improving the underlying CSR practice.

However, the majority of prior studies simply relate large shareholder activism to financial performance by looking at value creation (Gillan & Starks, 2000; Aslan & Kumar,2016). In doing so, they examine managerial responsiveness and shareholder power in terms of creating shareholder value. Other research investigates the relationship between coordinated or institutional shareholder activism and CSR practices (Neubaum & Zahra, 2006; David et al.,2007) but fails to examine whether coordinated or institutional shareholder activism affects CSR transparency. To fill in this research gap, this chapter investigates whether shareholder activism from coordinated shareholders or institutional shareholders influences CSR disclosure by answering the following research question:

> *Does shareholder salience in shareholder activism affect firm's social, environmental and governance disclosure?*

Using a sample of S&P 1,500 companies with 13,572 observations (firm-years) between 2006 and 2014, this chapter documents that shareholder activism negatively relates to CSR disclosure level. However, shareholder activism can increase CSR disclosure level given large board size and female directors. When separated into types of shareholders, institutional shareholder activism increases CSR disclosure given female directors or large board size while

coordinated shareholder activism does not relate to CSR disclosure. CEO options, as a form of performance-based compensation, have no clear impact on shareholder activism. This chapter also finds that in the presence of large board size and female directors, institutional shareholders are more salient than coordinated shareholders in terms of soliciting significant responses from firms to their shareholder proposals. Thus, this research provides empirical evidence to stakeholder salience theory and collective action theory by comparing the salience level of institutional shareholders and coordinated shareholders. In addition, by considering influences from other corporate governance mechanisms, namely outside directors, board size and CEO incentives, this research contributes to the understandings of interactions among diverse governance mechanisms. Importantly, this chapter illustrates the importance of regulation to resolve conflicts of interest among different shareholder groups, thereby improving their monitoring efficiency of firm management.

The remainder of the chapter is organised as follows. Relevant theories are discussed in Section 3.2. Prior literature on shareholder activism and CSR disclosure is reviewed and hypotheses developed in Section 3.3. Research methods including the measurement of variables and models are presented in Section 3.4. Results and analysis are explored in Section 3.5, and Section 3.6 concludes the chapter.

3.2 RELEVANT THEORIES TO SHAREHOLDER ACTIVISM AND CSR DISCLOSURE

3.2.1 Stakeholder salience theory

Stakeholder salience theory lays the theoretical foundation for this research. Freeman (2010) defines stakeholders as "individuals or groups who can affect or are affected by the achievement of the organisation's objectives". Other studies add value to stakeholder

identification by emphasising different attributes of stakeholders (Donaldson & Preston, 1995; Mitchell et al., 1997). Donaldson and Preston (1995) discuss the interactions between stakeholder attributes, namely, power and legitimacy. Only individuals or groups that possess both power and legitimacy (i.e. with "legitimate interests or stakes") in the organisation can be recognised as stakeholders and receive managerial responses (Donaldson & Preston, 1995). In addition, Mitchell et al. (1997) identify the third attribute – urgency - and extend stakeholder salience theory to include power, legitimacy and urgency. These three attributes distinguish influential groups from other stakeholders and hence determine to whom the firm is likely to respond.

The first attribute, power, is defined as a capability that stakeholders possess to enforce others to realise their own goals (Pfeffer & Salancik, 1974). Gifford (2010) and Mainardes et al. (2011) categorise power into three classes, namely coercive power, normative power and utilitarian power. Coercive power and normative power can be achieved by exercising shareholder governance power to affect corporate actions and practices (Gifford, 2010; Mainardes et al., 2011). Utilitarian power refers to material and financial resources applied by stakeholders to bring about changes (Mitchell et al., 1997). In addition to these three classes, Donaldson and Preston (1995) propose the concept of relative power, wherein stakeholders are only able to threaten the manager and expect significant managerial reactions towards their claims if they are perceived to be relatively more powerful than the manager (Donaldson & Preston, 1995). Institutional shareholders and coordinated shareholders dominate and drive corporate operations through their large holdings, which indicate their coercive, normative and utilitarian power. The manager is hence compelled to cater to these shareholders' requests to avoid their divestment.

The second attribute, legitimacy, is defined as "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, definitions" (Suchman, 1995). Stakeholders demonstrate their legitimacy by showing creditability, pragmatic actions and social acceptance of actions (Gifford, 2010; Mainardes et al., 2011). Philips (2003) classifies stakeholder legitimacy into derivative legitimacy and normative legitimacy. Normative stakeholders are stakeholders to whom the organisation owes a moral obligation and an obligation of stakeholder fairness (Philips, 2003). This moral obligation refers to compliance with laws and rules of ethics or moral criteria (Philips, 2003). On the other hand, derivative stakeholders are those to whom the manager must attend to because they may either positively or negatively affect the organisation and other stakeholders (Philips, 2003). For instance, media coverage may influence shareholders' welfare in the organisation. Although the manager has no obligation to advance the well-being of news media, they must consider the impacts of media on the interests of other normative stakeholders (such as shareholders) in their organisation and hence take action in order to receive favourable media coverage. Following the concepts for normative and derivative stakeholders stated above, Philips (2003) asserts that the manager is expected to protect the interests of normative stakeholders over derivative stakeholders because normative stakeholders are more legitimate. In this sense, Philips (2003) argues that legitimacy may be advantageous over power in determining the salience level of stakeholders.

Legitimacy can also be further classified into the legitimacy of stakeholders and the legitimacy of their requests (Eesley & Lenox, 2006). Request legitimacy refers to whether the request is appropriate or not. A legitimate claim should be consistent with moral legitimacy (i.e. obey laws, rules and ethics). For stakeholder claims, the legitimacy of claims can be established via a filtering process. For example, according to Proxy Rule 14-8A, the rule of omission of

undesirable shareholder proposals can filter improper shareholder requests, thereby ensuring the legitimacy of the requests being considered by management. As such, employing shareholder proposals to evaluate stakeholder salience level can avoid influences from illegitimate claims.

Urgency is defined as "the degree to which stakeholder claims call for immediate attention or pressing" (Mitchell et al., 1997). This attribute depends on both time-sensitivity and criticality. Time-sensitivity indicates deadlines and time pressure of the requests to the manager whereas criticality refers to the importance of stakeholders to the organisation (Gifford, 2010). Shareholder proposals with large shareholder sponsors can add urgency to their claims, as these large shareholders are crucial capital providers whom companies cannot afford to lose.

Taken together, stakeholder salience theory proposes the importance of institutional and coordinated shareholders in firms. As such, it is important to investigate monitoring effects from institutional and coordinated shareholder proposals.

3.2.2 Collective action theory

Collective action theory illustrates that groups face difficulty when providing public goods to further common interests (Olson, 2009). Since this theory derives from the concept of group theory and the concept of public goods, it is necessary to first define group theory and the concept of public goods. Group theory provides reasons for the existence of institutional or coordinated shareholders (Olson, 2009). These shareholders gather together, form groups, and attempt to further common group interests; namely, public goods (Olson, 2009). This theory, however, assumes that shareholders are altruistic, which is usually exceptional (Olson, 2009).

In practice, group members always have their own private interests, which can be different from each other and even different from group interests (Olson, 2009). These conflicts of interest cause some group members to shirk their responsibility, leading to free-rider problems (Olson, 2009). For example, when monitoring firm performance, monitoring costs are born by some shareholders whereas others invest nothing but still reap the benefits. Moreover, the larger the group, the more severe the collective action problem, particularly regarding divergence of interests and varying levels of individual effort (Olson, 2009).

Stern (2006) discusses an example of collective action problems in monitoring CSR issues regarding climate change. As solutions for climate change issues depend on international coordination, there is a significant collective action problem (Stern, 2006). Because policies, rules and level of development differ from one country to another, it may be costly for some countries with too many regulatory constraints to voluntarily enact laws and alter the undesirable status quo (Stern, 2006). Consequently, some countries may free ride on other countries by enjoying the benefits from the addressing of climate change issues by others whilst investing nothing. Similar to this international collective action problem, large shareholders are also confronted with the need to reach an agreement. However, for unorganised large shareholder groups, this may be difficult to achieve, as these groups include multiple institutions and individuals with different rules and goals. These differences make it hard for them to work together effectively. Coordinated shareholders, as one type of unorganised large shareholder group, can be subject to this problem, leading to a potentially weak monitoring effect on firms' CSR practices and disclosure.

Based on stakeholder salience theory and collective action theory, the next section will review the literature and develop relevant hypotheses.

3.3 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.3.1 Shareholder activism and CSR

Porter and Kramer (2006) propose four factors that affect CSR engagement: moral obligation, sustainability, permission to operate, and reputation. Moral obligation suggests that firms should "do the right thing" considering people, communities and other natural environments. Specifically, Hartmann (2011) proposes that in the competitive product market, firms "doing the right thing" can attract "ethical" customers, thereby increasing their profitability (Hartmann, 2011). Sustainability indicates that when seeking goals, firms should not sacrifice the capacity of future generations, otherwise they may lose customers in the long term (Porter & Kramer, 2006). Moreover, firms participating in CSR activities can gain legitimacy and support from other stakeholders such as governments and local communities, thereby having the permission to operate. Likewise, firms can enhance their reputation and add value to their brand by engaging in CSR activities.

Shareholder activism challenges the moral obligation of firms and threatens their reputation, thus forcing them to consider CSR. Shareholder activism originates from the differences between the expectations of some shareholders and goals of firms. Because of this discrepancy, shareholders use their ownership to actively affect changes in policies of firms to cater their needs (Sjostrom, 2008). On the one hand, firms have financial goals to make profits. However, this may come at the expense of shareholders who concern CSR issues. For instance, some firms outsource labour and manufacturing to developing countries and mistreat animals to

maximize profits (Donado, 2015). Firms might face the anti-sweatshop movement initiated by labour-shareholders[34] aims to improve workplace practices and the welfare of workers by publicising the names of firms that exploit labourers (O'Connor, 1997) or activism from People for the Ethical Treatment of Animals about medical testing on animals (Goodman, Louche, Van Cranenburgh, & Arenas, 2014). Activism could harm corporate reputation, disheartening other shareholders and employees and increasing the possibility of losing potential workers and shareholders. Therefore, firms have to invest adequately in CSR to maintain key financial resources and avoid human resources risk. (O'Connor, 1997).

Nowadays, forms of shareholder activism are more diverse than ever before. These include writing a letter, communicating with the management, asking questions during the shareholder meeting and filing formal shareholder proposals (Sjostrom, 2008). Compared with other forms, shareholder proposals are deemed an aggressive form of shareholder activism, as proposals are publicly available online. Shareholder proposals are publicly accessible documents in the proxy statement DEF 14A Form required by SEC in the United States. After annual general meetings, the DEF 14A Form is available to the public, and investors can read shareholder proposals before making decisions. Since they are publicly accessible, shareholder proposals add tremendous pressure on firms in terms of CSR engagement. If proposals reveal undesirable social and environmental practices currently employed by firms, investors with social responsibility or particular religious beliefs may divest from these firms. Therefore, facing proposals, firms may increase their participation in CSR to mitigate negative effects from shareholder proposals and preserve financial resources and their reputation. The case of McDonalds provides a typical example about how influential pressure from CSR shareholder

---

[34] Allies of labour unions and other shareholder groups.

proposals can be. In 2011, a proposal urging McDonalds to use eco-friendly beverage cups triggered the usage of paper cups in its U.S. shops, although the proposal did not win major shareholder support (McDonnell et al., 2015). Other forms of shareholder activism, such as shareholder campaigns, letter writing and communication with the management are usually completed within a short timeframe or in a private environment without attention from the public and media. These forms generally fail to arouse significant public attention or exert sufficient pressure on firms. Therefore, as an aggressive form of shareholder activism, examining shareholder proposals helps understand whether shareholder activism affects CSR engagement.

Prior research provides reasons for managerial reactions to CSR proposals by demonstrating how shareholder proposals force managers to act in the interests of shareholders (Brav, Jiang, Partnoy, & Thomas, 2008; Buchanan, Netter, & Yang, 2010; Perrault & Clark, 2016). Buchanan et al. (2010) allege that as shareholder proposals facilitate CEO turnover, CEOs must react to shareholder proposals in a timely manner. While in the United States shareholder proposals cannot remove the CEO directly from the board, proposals can change the board structure and corporate governance, thereby indirectly exerting pressure on the CEO. Similarly, Brav et al. (2008) show that hedge fund activists can increase CEO turnover. Brav et al. (2008) find that during the year of activism, average CEO pay decreases, which may prompt the CEO to leave. To secure their position, CEOs must maintain shareholder trust by properly implementing proposals. In Perrault and Clark (2016), environmental shareholder proposals from shareholders with favourable reputation could result in adequate firm responses which eventually leads to the withdrawal of shareholder proposals. This is because the dissatisfication of shareholders with favourable reputation could adversly influence the reputation of firms,

thereby threatening job security of managers (Perrault & Clark , 2016). Taken together, the managerial responses on shareholder proposals are due to their concerns on job security.

As shareholder proposals could threaten the job security of managers and corporate reputation, firms might employ CSR disclosure to mitigate negative influences, thereby helping overcome the crisis created by shareholder proposals. Patten (2002) and Clarkson et al. (2011) document a negative relationship between environmental performance and environmental disclosure because firms with inferior performance may use disclosure to reduce social and political exposure. Shareholder proposals, as publicly accessible documents, threaten the legitimacy of firms and push firms to employ CSR disclosure to evidence their achievements and regain support from stakeholders. Specifically, an increase in CSR disclosure increases understanding of stakeholders, assisting their decision-making and reducing their bias against the firm. This is especially true among investors with ethical beliefs and diverse demands who are more interested in social responsibility investments. Some social investors screen potential investments to pick those consistent with their personal values and also force firms that do not meet their criteria in CSR to change (Sauer, 1997). Otherwise, they may divest from firms. In addition, other investors concerned with the link between CSR and financial performance may also focus on CSR disclosure. The tide of social responsibility investments indicates that many investors have realised the negative impacts on financial performance caused by climate change, human rights risks and scandals from financial crises (Maretich, 2015). Prior research also shows that firms lacking social responsibility can be exposed to risks such as lawsuits and fines and subject to limited strategic options (McGuire, Sundgren, & Schneeweis, 1988). These lawsuits and fines can increase firms' future expected costs thereby impairing their financial performance (Ghoul, Guedhami, Kwok, & Mishra, 2011). Therefore, companies exposed to adverse CSR events such as CSR shareholder activism have a strong motivation to demonstrate

their efforts through increased CSR disclosure to mitigate negative effects on financial performance.

However, certain barriers interfere with firms' decisions to engage in CSR disclosure as a response to shareholder activism. Prior research proposes financial interests as a driver for implementation of CSR proposals (Friedman, 2007). The pure pecuniary view in economic theory suggests that the only social goal of business is to earn profits (Friedman, 2007). While the manager of the business organisation as an individual may prefer to behave in a socially responsible manner, they would not be deemed a qualified agent if they sacrificed financial interests of their principals (such as employees and shareholders) for CSR purposes (Friedman, 2007). In other words, even if companies would like to participate in CSR activities, they should not do so at the expense of shareholders' financial interests, or they should only implement CSR proposals that can generate profits.

Research evidence also supports the above explanation. For instance, retail firms prefer to communicate with stakeholders such as shareholder activists or investors on issues that affect the financial interests of firms rather than on social issues or information (Lee, Fairhurst, & Wesley, 2009). Lee et al. (2009) also find that CSR statements related to economic statements are more frequently mentioned in the webpages of companies than other sections. Freedman and Jaggi (1988) and Neu, Warsame, and Pedwell (1998) find that large companies with poor financial performance increase CSR disclosure in an attempt to hide their unprofitable performance by disclosing more of other types of information. Additionally, Warsame, Neu, and Simmons (2002) show that environmental disclosure provides organisations with methods of managing potentially discrediting events like environmental fines. Overall, for many

companies, the purpose of CSR activities or disclosure is to maintain financial performance. If increasing the extent of CSR disclosure or positive aspects of CSR disclosure helps financial performance, firms eagerly do so. However, once CSR disclosure reaches a level where it no longer improves financial performance, companies may be reluctant to disclose further.

Since financial interests both motivate and demotivate CSR engagement and disclosure, the relationship between shareholder activism and CSR disclosure is uncertain. Therefore, the above arguments lead to the hypothesis (in null form):

H1: There is no association between shareholder activism and CSR disclosure.

3.3.2 Coordinated shareholder activism and CSR

According to stakeholder salience theory, coordinated or institutional shareholders may receive salient responses from firms regarding their requests, due to the significant economic resources held by these shareholders and their high social profile (Perrault & Clark, 2016). Specifically, the threat of losing vital economic resources and exposure to public pressure forces managers to respond in order to avoid or mitigate potential negative impacts. By gathering assets and resources, coordinated shareholders can access financial and information resources easily and can use these resources to bargain with firm managers. If managers cannot satisfy these shareholders, they might suffer a decrease in personal income or even lose their jobs. In addition, coordinated shareholders typically include several influential institutions with a high social profile. Therefore, coordinated shareholders can attract public attention thereby inflicting heightened pressure on firm management. A failure of firms to manage the relationship with these groups would taint corporate reputation and deter other potential investors. Overall, proposals from coordinated shareholders who are salient to managers in

terms of financial resources or social profile are more likely to be implemented (Neubaum & Zahra, 2006).

Prior research has examined the relationship between large shareholder activism and voting results (Gillan & Starks, 2000) and how large shareholders influence CSP (Neubaum & Zahra, 2006). Gillan and Starks (2000) find that proposals submitted by large shareholders, namely institutional shareholders or coordinated shareholders receive more favourable votes than those with individuals or religious groups (Gillan & Starks, 2000). The strong motivation for large shareholders to monitor or control corporate activities comes from the significant economic benefits earned through these activities (Gillan & Starks, 2000). In addition, compared with profits to individual shareholders, financial returns to these large shareholders can cover their monitoring costs, making them more willing to undertake the monitoring role (Gillan & Starks, 2000). Analogous to Gillan and Starks (2000), other scholars find coordinated institutional activism significantly improves CSP, alleging that the success of activism depends on shareholder identity (Neubaum & Zahra, 2006). Shareholder coordination significantly improves firms' disclosure quality (namely the readability of 10-K forms) because the coordination reduces information sharing costs hence enhancing their monitoring effectiveness (Kim, Pantzalis, & Wang, 2015). Overall, salient shareholders such as coordinated shareholders have more bargaining power to change firms' behaviour and practices, hence ensuring the success of shareholder activism.

Nevertheless, as one type of large shareholder activism, coordinated shareholder activism may incur high monitoring costs due to the collective action problem. Coordinated shareholders usually involve several groups or individuals with different goals and interests. Hence, it is

harder for them to coordinate and act collectively. The collective action problem might limit the efficiency of their coordination, and as a result coordinated shareholder activism may not provide adequate monitoring of firm management.

Prior literature, however, provides conflicting findings regarding the above explanation. For instance, coordinated activism increases share price only if there is a third party monitoring this coordination (Opler & Sokobin, 1995). These third-party organisations provide platforms for communication and information sharing, which reduces costs of doing so by individual investors. Without this group, however, coordinated activism may still have high monitoring costs. In contrast, González and Calluzzo (2016) find that shareholder coordination can eliminate the free-rider problem by excluding frictions such as geographical differences. Similar to González and Calluzzo (2016), Huang (2013) and Kandel, Massa, and Simonov (2011) explore the association between coordinated shareholder activism and shareholder value. Huang (2013) finds that firm value is increased due to geographical proximity and correlation in portfolio allocation, while Kandel et al. (2011) find that firm value is increased as a result of similar behaviours or beliefs among shareholders. Specifically, these characteristics reduce communication obstacles and monitoring costs among diffused shareholders, thereby improving the effectiveness of governance (Huang, 2013; Kandel et al., 2011).

Furthermore, while there is plenty of research regarding issues on coordinated or institutional shareholders, most studies do not separate coordinated shareholders from institutional shareholders (Gillan & Starks, 2000; Neubaum & Zahra, 2006). It is important to evaluate coordinated shareholder activism separately from institutional shareholder activism for two reasons. First, coordinated shareholders have different interests and goals that may cause

frictions regarding communication and negotiation among the shareholders. Because of potential frictions, their monitoring activities may not be implemented as smoothly as independent shareholders. Therefore, separate investigation of proposals submitted by institutional filers and proposals submitted by coordinated filers allows the assessment of differences in shareholder power and facilitates better understanding of stakeholder salience theory. Second, different from institutional shareholders, some coordinated shareholders are individuals who own a very small proportion of shares. However, as a collective force they can still influence managerial decision-making. Kandel et al. (2011) find that small shareholder coordination regarding the sale of shares leads to share price change, thereby attracting the attention of firm management. Therefore, even small shareholders (who do not form formal institutions) when coordinated, can collectively cause a significant managerial reaction (Kandel et al., 2011).

The Enron and World.com scandals and failures of major banks during the global financial crisis have drawn significant attention on CSR issues (Forte, 2013). The dramatic growth of large shareholders' assets over the past 25 years in addition to changes in proxy rules enables coordinated shareholders to better influence corporate CSR policies (Eisenhofer & Barry, 2005). Nevertheless, little research examines the association between coordinated shareholder activism and CSR. Huang (2013) and Kandel et al. (2011) explore how shareholder coordination influences firm value but they do not consider how shareholder coordination disciplines CSR practices. Neubaum and Zahra (2006) document a positive association between long-term coordinated shareholder activism and CSP. In this manner, these coordinated shareholders can preserve the value of long-term investments, which closely relates to firms' CSP (Neubaum & Zahra, 2006). However, these studies fail to explore how coordinated shareholder activism affects CSR disclosure.

Essentially CSR disclosure and engagement in CSR activities is a decision made by corporate boards and the management (Haniffa & Cooke, 2005; McWilliams, Siegel, & Wright, 2006; Michelon & Parbonetti, 2012; Ntim & Soobaroyen, 2013). Prior research indicates that firms engage in CSR disclosure for several reasons, such as to demonstrate accountability to wider stakeholders to achieve legitimacy (Haniffa & Cooke, 2005), to engage with stakeholders to cater to their expectations, to signal good performance to achieve a competitive advantage, or to reduce informational asymmetry (Michelon & Parbonetti, 2012). Considering that large shareholders such as institutional shareholders and coordinated shareholders have significant salience through power, legitimacy and urgency attributes, firms have the motivation to adopt CSR disclosure as a means to respond to shareholder pressures manifested through shareholder proposals. In doing so, firms can maintain their legitimacy, or communicate and engage with these shareholders on CSR issues. Simultaneously, firms can manipulate CSR disclosure to address the impacts after adverse events of coordinated shareholder activism. However, due to the collective action problem, it is expected that coordinated shareholders will not be effective in disciplining firms in terms of CSR disclosure in order to achieve legitimacy with shareholders. Consequently, these arguments lead to the hypothesis (in null form):

H2: There is no association between coordinated shareholder activism and CSR disclosure.

3.3.3 Institutional shareholder activism and CSR

Institutional shareholders are salient shareholders in terms of power, legitimacy and urgency. Foremost, their power comes from accessibility to finance and information, as institutional shareholders pool money for their investment activities. In this way, institutional shareholders have advantages in obtaining information, as they can access sufficient funds and various channels for information (Hadani et al., 2011; Schnatterly, Shaw, & Jennings, 2008).

Additionally, institutional shareholders have to maintain their legitimacy by demonstrating the effectiveness of their monitoring via urgent claims to firm management (Dowling & Pfeffer, 1975). Theoretically, institutional shareholders are salient to the management and could influence corporate practices significantly.

Prior literature has investigated how institutional shareholders affect corporate financial performance (Chaganti & Damanpour, 1991), social responsiveness of firms (Coffey & Fryxell, 1991), social performance (Neubaum & Zahra, 2006) and information disclosure (Donnelly & Mulcahy, 2008). In general, these studies examine the monitoring role of institutional shareholders and produce conflicting findings. Chaganti and Damanpour (1991) and Rock (1990) argue that in the United States, institutional shareholders are motivated to monitor firm performance as they own a substantial proportion of shares. Brav et al. (2008) find that hedge fund activism improves operating performance of targeted firms as the manager is free from regulation and is highly incentivized. That is, institutional shareholders, if not restricted by heavy rules, lead to better firm performance. Cornett, Marcus, Saunders, and Tehranian (2007) document that if institutional shareholders do not have a business relationship with the firm, then they will they act responsibly in monitoring. Analogous to Cornett et al. (2007), Bhattacharya and Graham (2009) suggest that only if institutional shareholders have equally distributed voting power will they have a positive influence on firm performance. Taken together, the empirical evidence suggests that while institutional shareholders are strongly motivated to discipline firm performance, their monitoring is not definitely effective.

Prior literature documents conflicting findings regarding whether institutional shareholders improve CSR. Coffey and Fryxell (1991) find that institutional ownership leads to more female

directors on the board who are more responsive to social and environmental issues. This is because female directors are likely to demonstrate their presence on the board by participating in CSR activities (Williams, 2003). While this demonstrates an indirect relationship between institutional shareholders and CSP, it provides evidence that institutional ownership is crucial in facilitating better CSR practice. Neubaum and Zahra (2006) propose that long-term institutional ownership improves CSP significantly, as long-term institutional shareholders have established ties with the firm, making their CSR requests urgent to the management. The current study suggests that institutional shareholders are important in terms of promoting corporate performance, as institutional shareholders are salient to the firm in terms of power, legitimacy and urgency.

Prior literature also investigates the relationship between institutional ownership and corporate disclosure (Bushee & Noe, 2000; Donnelly & Mulcahy, 2008; Ghazali, 2007). Bushee and Noe (2000) find that institutional shareholders prefer better quality information disclosure and are motivated to discipline information disclosure. However, Donnelly and Mulcahy (2008) show that institutional ownership is not related to voluntary disclosure, as institutional shareholders currently do not depend solely on corporate information disclosure; they have other channels for information (Donnelly & Mulcahy, 2008). Outside information channels demotivate institutional shareholders from monitoring the firm through corporate disclosure. Furthermore, Ghazali (2007) illustrates that dispersed ownership increases CSR disclosure because wider public pressures may also necessitate a firm's participation in social and environmental activities, thereby increasing CSR disclosure. Hence, it is social pressures, rather than economic pressures, which increase CSR disclosure. While Ghazali (2007) documents that institutional shareholders may fail to promote CSR disclosure, the author proposes that shareholders who can create huge social pressures may facilitate increased CSR disclosure.

131

However, little research explores how institutional shareholder activism relates to CSR disclosure. As evidence of institutional shareholder activism, proposals submitted by institutional shareholders are publicly accessible, thus generating a high level of scrutiny from other stakeholders. This further increases the urgency of institutional shareholders' claims in their proposals, leading to higher possibility of managerial response. Therefore, it is expected that institutional shareholder activism increases CSR disclosure. As such, the following hypothesis is developed (in null form):

H3: There is no association between shareholder activism submitted by institutional filers and CSR disclosure.

3.3.4 Interaction effect by corporate governance mechanisms

The current study also seeks to examine interaction effects of shareholder activism with other mechanisms. This serves two purposes, namely to exclude endogeneity problems and to evaluate the efficiency of multiple governance mechanisms. These mechanisms need to be considered when examining the association between large shareholder activism and CSR disclosure in order to exclude endogenous problems. Apart from coordinated or institutional shareholder activism, other corporate governance mechanisms also influence CSR disclosure. Prior studies have investigated the impact on CSR practices by various corporate governance factors, such as board size (Jizi, Salama, Dixon, & Stratling, 2014; Siregar & Bachtiar, 2010), outside directors (Jizi et al., 2014), female directors (Coffey & Fryxell, 1991; Setó‐Pamies, 2015), and executive compensation (Mahoney & Thorne, 2005; McGuire, Dow, & Argheyd, 2003). Siregar and Bachtiar (2010) suggest that a larger board leads to increased CSR disclosure due to reduced information asymmetry. However, if the board size becomes too large, monitoring efficiency may be reduced due to negotiation and communication conflicts

(Jizi et al., 2014; Siregar & Bachtiar, 2010). Similarly, the literature proposes that outside directors monitor CSR practice efficiently. Because outside directors have very few financial interests affiliated with the firm, they are concerned with long-term performance such as CSP more than short-term financial returns. Consistent with this explanation, Jizi et al. (2014) find that outside directors promote CSR transparency, thereby protecting interests of both shareholders and other stakeholders.

Other scholars have identified links between executive compensation and CSR. Stock options contingent on future value of stock will maximize long-term profits of firms (Mahoney & Thorne, 2005). Since the firm's CSR practices relate to its long-term success and profits, stock options will motivate the CEO to enhance CSR practices (Mahoney & Thorne, 2005; McGuire et al., 2003).

Furthermore, the interaction between large shareholder ownership and other governance mechanisms is worthy of examination, as this facilitates assessment of whether multiple monitoring mechanisms improve corporate practices. Theoretically, this might be due to several reasons. First, the interaction between large shareholder activism and other corporate governance mechanisms may enhance the monitoring function. Specifically, large shareholders lead to a reasonable board structure which in turn improves CSR practices (Coffey & Fryxell, 1991). For instance, Coffey and Fryxell (1991) provide evidence linking the persistence of institutional shareholders and the number of female directors on the board. Other research proposes that female directors facilitate better CSR practice (Williams, 2003). These studies indicate that institutional ownership causes improved CSR practice because it facilitates a more desirable board structure. On the other hand, Ajinkya, Bhojraj, and Sengupta (2005) illustrate

133

that outside directors increase institutional ownership, thereby changing earnings forecasting behaviours. This evidence implies that board structure may also affect institutional ownership, thus resulting in corporate practice changes. Similarly, Hartzell and Starks (2003) find that institutional ownership, as one monitoring mechanism, is used in conjunction with performance-based compensation to ease agency problems. Almazan et al. (2005) point out that institutional shareholders influence performance-based compensation if they have low monitoring costs. Overall, the literature indicates that large shareholders influence performance-based compensation in monitoring firm performance.

In contrast, some studies suggest that corporate governance mechanisms can substitute each other. Specifically, stewardship theory proposes that management can do their jobs responsibly (Davis, Schoorman, & Donaldson, 1997). Too many governance mechanisms may constrain them from doing their jobs efficiently (Dalton et al., 2003). Therefore, research should account for the substitution effect when investigating the effectiveness of corporate governance mechanisms (Rediker & Seth, 1995).

Overall, considering interaction effects helps identify true associations between shareholder activism and CSR disclosure. This research selects board size, female directors and outside directors as representative of the basic board structure, and CEO option as representative of performance-based compensation. This study investigates their interaction with (i) overall activism; (ii) institutional; (iii) coordinated shareholder activism considered separately. This leads to the following hypotheses (in null form):

H4a: *Corporate governance mechanisms do not have any moderating impact on the association between shareholder activism and CSR or its disclosure.*

H4b: Corporate governance mechanisms do not have any moderating impact on the association between shareholder activism submitted by institutional filers and other corporate governance mechanisms affecting CSR disclosure.

H4c: Corporate governance mechanisms do not have any moderating impact on the association between shareholder activism submitted by coordinated filers and other corporate governance mechanisms affecting CSR disclosure.

3.4 RESEARCH DESIGN

3.4.1 Data collection

The analysis is based on a sample of US S&P 1,500 companies over the period 2006 - 2014. This study employs shareholder proposals as a proxy for shareholder activism. Shareholder proposals are manually collected from the Security Exchange Commission (SEC) website. This database is selected for two reasons. First, this database records all shareholder proposals handed in during annual general meetings for all S&P 1,500 constituents. Second, it provides information on proposal sponsors and the content of proposals so that the collaborating shareholders can be easily identified (see Appendix B for samples of shareholder proposals). Specific firm-level data including assets, liabilities, net income, book value per share and share price, board size, female directors, outside directors and CEO incentives are collected from CRSP/Computstat Merged. CSR data and its disclosure scores are obtained from MSCI (KLD) and the Bloomberg database, respectively.

3.4.2 Measurement of variables

Dependent variables

CSR disclosure

CSR disclosure is measured by ESG disclosure score. *ESG* denotes the ESG disclosure score, *E* denotes environmental disclosure score, *S* denotes social disclosure score and *G* denotes governance disclosure score. The ESG disclosure scores are downloaded from the Bloomberg database. The ESG disclosure score ranges from 0.1 to 100 based on GRI requirements including environmental, social and governance aspects of companies. This score facilitates an understanding of opportunities, risks and performance in firms in those fields (Giannarakis, 2014). *ESGDIS,* denoting changes in CSR disclosure level, is measured by the difference between ESG score one year after the shareholder activism (i.e. at t+1) and the ESG score when shareholder activism happens (i.e. at t). Meanwhile, the changes of sub-dimensions, namely changes in environmental disclosure score (*EDIS*), changes in social disclosure score (*SDIS*) and changes in governance disclosure score (*GDIS*) are also included as dependent variables.

Independent variables[35]

Institutional shareholder activism and coordinated shareholder activism

Dummy variables *DSP*, *DSPIN* and *DSPCF* are used in the regression models to represent shareholder activism, institutional shareholder activism and coordinated shareholder activism, respectively. Shareholder identity is disclosed in the DEF14A Form (proxy statement) for each firm-year, available from the SEC website. *DSPIN* measures shareholder activism with institutional shareholders in the main test. As stated above, this study employs shareholder

---

[35] The definitions of variables are presented in Table 3.1.

proposals as a measure of shareholder activism. This variable takes the value of 1 when at least one shareholder proposal is handed in by institutional shareholders, and 0 otherwise.

Coordinated shareholder activism is defined as shareholder proposals handed in by more than one shareholder (Neubaum & Zahra, 2006). The key word "co-filer" and names of shareholders is used to identify these shareholder proposals in the DEF14A Form (proxy statement) for each firm-year from the SEC website. In the main test, the dummy variable *DSPCF* measures shareholder activism with coordinated shareholders, taking the value of 1 when shareholder proposals are handed in by coordinated shareholders and 0 otherwise.

This study also splits the sample of shareholder proposals into social, environmental and governance proposals by searching for key words. Specifically, if a proposal contains key words such as "social", "political", "rights" and "welfare", it is denoted as a social proposal (*DSOCP*). If a proposal contains key words such as "environmental", "climate change", "pollution" and "contamination", it comprises an environmental proposal (*DENVP*). If it contains both social and environmental key words, it is counted in both the social and environmental proposal samples. The remainder of proposals with key words such as "corporate governance", "board of directors" and "executive" are counted as governance proposals (*DGOVP*). *DENVP*, *DSOCP* and *DGOVP* denote dummy variables of environmental shareholder activism, social shareholder activism and governance shareholder activism, respectively. *DENVPIN*, *DENVCF*, *DSOCPIN*, *DSOCPCF*, *DGOVPIN* and *DGOVPCF* denote dummy variables of environmental shareholder activism by institutional or coordinated shareholders, social shareholder activism by institutional or coordinated shareholders and governance shareholder activism by institutional or coordinated shareholders, respectively.

In the additional tests, the number of shareholder proposals (*SP*), the number of shareholder proposals with institutional filers (*SPIN*) and the number of shareholder proposals with coordinated shareholders (*SPCF*) in each firm-year measures the intensity of shareholder activism with all shareholders, institutional shareholders and coordinated shareholders, respectively. *SOCP*, *ENVP* and *GOVP* represent the number of social proposals, environmental proposals and governance proposals, respectively. *SOCPIN*, *SOCPCF*, *ENVPIN*, *ENVPCF*, *GOVPIN* and *GOVPCF* denote the number of social proposals submitted by institutional or coordinated shareholders, the number of environmental proposals submitted by institutional or coordinated shareholders and the number of governance proposals submitted by institutional or coordinated shareholders, respectively.

Corporate governance mechanisms

Board size (*BRDSIZE*), outside directors (*DO*), female directors (*DF*) and executive compensation (*CEOINCENT*) are used as proxies to measure corporate governance mechanisms. *BRDSIZE* is measured as the number of directors on the board, collected from CRSP/Computstat Merged. *DO* and *DF*, measured as the percentage of outside or independent directors and female directors on a firm's board, are also collected from CRSP/Computstat Merged. Executive compensation, measured as the value of CEO options awarded to total annual compensation, is collected from the ExecuComp database. The variable *CEOINCENT* is also used to measure the percentage of CEO options (both long-term and short-term) to the total annual compensation[36].

---

[36] We use Option Awards divided by total compensation. Total compensation includes Salary, Bonus, Other Annual, Restricted Stock Grants, Long-term incentive payouts, all other total annual compensation and Total Value of Stock Options Granted (using Black-Scholes).

Consistent with Artiach, Lee, Nelson, and Walker (2010) and Giannarakis (2014), this research includes firm size (*FIRMSIZE*), measured as the natural logarithm of total assets; leverage (*LEV*), measured as the sum of debt in current liabilities and long-term debts divided by total assets; financial performance (*ROA*), measured as return on assets; and price-to-book ratio (*PB*) as control variables. In the models, *CONV* is used to represent control variables.

3.4.3 Models and estimation[37]

In this section, all the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents firm i, and t represents the year when shareholder activism happens.

Models in main tests (Model 1-4)

The models examine the association between shareholder activism initiated by all types of shareholders, institutional or coordinated shareholders and CSR disclosure score and the associations among their sub dimensions. Meanwhile, they also investigate the interaction effect from outside directors, female directors, board size and CEO incentive on this relationship. These models are all lagged models.

Model 1 tests the association between shareholder activism and the level of CSR disclosure (also for its subdimensions).

---

[37] When conducting the additional tests, the dummy variables are replaced by variables representing the number of shareholder proposals as defined in the last section. In this section, environmental disclosure, social disclosure and governance disclosure are the subdimensions of CSR disclosure. Environmental performance, social performance and governance performance are the subdimensions of CSP.

$$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon........ Model\ 1$$

In Model 1, the independent variable is *DXP*. *DXP* denote dummy variables for shareholder activism (*DSP*), shareholder activism on environmental issues (*DENVP*), shareholder activism on social issues (*DSOCP*) and shareholder activism on governance issues (*DGOVP*) respectively.

Model 2 tests the association between institutional or coordinated shareholder activism and the level of CSR disclosure (also for its subdimensions). The independent variables are *DXIN* and *DXCF*. In Model 2, *DXIN* denotes dummy variables for institutional shareholder activism (*DSPIN*), institutional shareholder activism on environmental issues (*DENVPIN*), institutional shareholder activism on social issues (*DSOCPIN*) and institutional shareholder activism on governance issues (*DGOVPIN*) respectively. *DXCF* denotes dummy variables for coordinated shareholder activism (*DSPCF*), coordinated shareholder activism on environmental issues (*DENVPCF*), coordinated shareholder activism on social issues (*DSOCPCF*) and coordinated shareholder activism on governance issues (*DGOVPCF*) respectively.

$$Y = \beta_0 + \beta_1 DXIN_{i,t} + \beta_2 DXCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXIN_{i,t} + \beta_8 DO_{i,t} \times DXIN_{i,t} + \beta_9 DF_{i,t} \times DXIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXCF_{i,t} + \beta_{12} DO_{i,t} \times DXCF_{i,t} + \beta_{13} DF_{i,t} \times DXCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. ......Model\ 2$$

In Model 1 and Model 2, the level of CSR disclosure (*Y*) denote *ESG*, *E*, *S* and *G* respectively at t+1. The subdimensions include environmental disclosure level (*E*), social disclosure level (*S*) and governance disclosure level (*G*). Variables measuring corporate governance

mechanisms include *DO*, *BRDSIZE*, *CEOINCENT* and *DF*. *DO* denotes the percentage of outside directors; *BRDSIZE* denotes the board size; *CEOINCENT* denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; *CONV* represents control variables including *FIRMSIZE*, *ROA*, *LEV* and *PB*. *FIRMSIZE* denotes firm size; *ROA* denotes return on assets; *LEV* denotes leverage; and *PB* denotes P/B ratio. The results of Model 1 and Model 2 are presented in Table 3.6 and 3.7 respectively.

Model 3 tests the associations between shareholder activism and the change of CSR disclosure level (also for its subdimensions). The independent variables are same with Model 1.

$$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots\ldots Model \ 3$$

Model 4 tests the associations between institutional or coordinated shareholder activism and the change of CSR disclosure level (also for its subdimensions). The independent variables are same with Model 2.

$$Y = \beta_0 + \beta_1 DXIN_{i,t} + \beta_2 DXCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXIN_{i,t} + \beta_8 DO_{i,t} \times DXIN_{i,t} + \beta_9 DF_{i,t} \times DXIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXCF_{i,t} + \beta_{12} DO_{i,t} \times DXCF_{i,t} + \beta_{13} DF_{i,t} \times DXCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots\ldots Model \ 4$$

In these two models, the change of CSR disclosure level (*Y*) denote *ESGDIS*, *EDIS*, *SDIS* and *GDIS* respectively. Specifically, the change of CSR disclosure level are the difference between CSR disclosure score at t+1 and CSR disclosure score at t (*ESGDIS*), the difference between environmental disclosure score at t+1 and environmental disclosure score at t (*EDIS*), the

difference between social disclosure score at t+1 and social disclosure score at t (*SDIS*) and the difference between governance disclosure score at t+1 and governance disclosure score at t (*GDIS*). Control variables and variables measuring corporate governance mechanisms in Model 3 and Model 4 are same with Model 1. The results of Model 3 and Model 4 are presented in Table 3.8 and 3.9 respectively.

Models in additional tests (Model 5-10)

Model 5 tests the associations between shareholder activism requesting CSR disclosure and CSR disclosure level (also for its subdimensions). The dependent variables (Y) are same with Model 1.

$$Y = \beta_0 + \beta_1 DDX_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DDX_{i,t} + \beta_7 DO_{i,t} \times DDX_{i,t} + \beta_8 DF_{i,t} \times DDX_{i,t} + \beta_9 CEOINCENT_{i,t} \times DDX_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon \dots\dots Model\ 5 \text{ and } Model\ 6$$

Model 6 tests the associations between shareholder activism requesting CSR disclosure and the change of CSR disclosure level (also for its subdimensions). The dependent variables (Y) are same with Model 3.

In these two models, *DDX* denote *DD, DDENV, DDSOC* and *DDGOV* respectively. *DD* represents a dummy variable for shareholder activism requesting CSR disclosure or reporting. *DDENV* represents a dummy variable for shareholder activism requesting environmental disclosure or reporting. *DDSOC* represents a dummy variable for shareholder activism requesting social disclosure or reporting. *DDGOV* represents a dummy variable for shareholder activism requesting governance disclosure or reporting. Control variables and variables

measuring corporate governance mechanisms in Model 5 and Model 6 are same with Model 1.

The results of Model 5 and Model 6 are presented in Table 3.10 and 3.11 respectively.

Model 7 tests the associations between shareholder activism and CSP (also for its subdimensions). Independent variables in this model is same with Model 1.

$$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF_{i,t} \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots \ldots Model\ 7$$

Model 8 tests the associations between institutional or coordinated shareholder activism and CSP (also for its subdimensions). Independent variables in this model is same with Model 2.

$$Y = \beta_0 + \beta_1 DXPIN_{i,t} + \beta_2 DXPCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXPIN_{i,t} + \beta_8 DO_{i,t} \times DXPIN_{i,t} + \beta_9 DF_{i,t} \times DXPIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXPIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXPCF_{i,t} + \beta_{12} DO_{i,t} \times DXPCF_{i,t} + \beta_{13} DF_{i,t} \times DXPCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXPCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots \ldots Model\ 8$$

In these two models, CSP (*Y*) is measured by employing *KLDS, KLDC, ES, EC, SS, SC, GS* and *GC* respectively at t+1. *KLDS* represents KLD strength, the positive side of CSP. *KLDC* represents KLD concern, the negative side of CSP. *ES* represents environmental strength, the positive side of environmental performance. *EC* represents environmental concern, the negative side of environmental performance. *SS* represents social strength, the positive side of social performance. *SC* represents social concern, the negative side of social performance. *GS* represents governance strength, the positive side of governance performance. *GC* represents governance concern, the negative side of governance performance. Control variables and

variables measuring corporate governance mechanisms in Model 7 and Model 8 are same with

Model 1. The results of Model 7 and Model 8 are presented in Table 3.12 and 3.13 respectively.

Model 9 tests the association between the intensity of shareholder activism and the level of

CSR disclosure (also for its subdimensions). The independent variables (X) are the number of

shareholder activism on environmental issues ($ENVP$), the number of shareholder activism on

social issues ($SOCP$) and the number of shareholder activism on governance issues ($GOVP$).

$$Y = \beta_0 + \beta_1 X_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times X_{i,t} + \beta_7 DO_{i,t} \times X_{i,t} + \beta_8 DF_{i,t} \times X_{i,t} + \beta_9 CEOINCENT_{i,t} \times X_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon........ \text{ Model } 9$$

Model 10 tests the association between the intensity of institutional or coordinated shareholder

activism and the level of CSR disclosure (also for its subdimensions). The independent

variables (XIN) denote the number of institutional shareholder activism ($SPIN$), the number of

institutional shareholder activism on environmental issues ($ENVPIN$), the number of

institutional shareholder activism on social issues ($SOCPIN$) and the number of institutional

shareholder activism on governance issues ($GOVPIN$) respectively. The independent variables

(XCF) denote the number of coordinated shareholder activism ($SPCF$), the number of

coordinated shareholder activism on environmental issues ($ENVPCF$), the number of

coordinated shareholder activism on social issues ($SOCPCF$) and the number of coordinated

shareholder activism on governance issues ($GOVPCF$) respectively.

$$Y = \beta_0 + \beta_1 XIN_{i,t} + \beta_2 XCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times XIN_{i,t} + \beta_8 DO_{i,t} \times XIN_{i,t} + \beta_9 DF_{i,t} \times XIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times XIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times XCF_{i,t} + \beta_{12} DO_{i,t} \times XCF_{i,t} + \beta_{13} DF_{i,t} \times XCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times XCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \text{ ......Model } 10$$

The dependent variables, control variables and variables measuring corporate governance mechanisms of Model 9 and Model 10 are same with Model 1. The results of Model 9 and Model 10 are presented in Table 3.14 and 3.15 respectively.

3.5 RESULTS AND ANALYSIS

3.5.1 Descriptive statistics and univariate results

Table 3.1 presents the definitions of variables and Table 3.2 presents the descriptive statistics for shareholder activism by year and industry. Statistics from both Panels A and B in Table 3.2 show an increase in shareholder activism on social and environmental issues and a slight decrease in governance activism. Therefore, the results demonstrate increased concern regarding social and environmental issues and decreased concern for governance issues.

Table 3.1 Variable definitions

Variable	Definition
Panel A: ESG Performance	
ESG	Environmental, social and governance disclosure score (Bloomberg)
E	Environmental disclosure score (Bloomberg)
S	Social disclosure score (Bloomberg)
G	Governance disclosure score (Bloomberg)
ESGDIS	The difference between environmental, social and governance disclosure score at t+1 and environmental, social and governance disclosure score at t.
EDIS	The difference between environmental disclosure score at t+1 and environmental disclosure score at t.
SDIS	The difference between social disclosure score at t+1 and social disclosure score at t.
GDIS	The difference between governance disclosure score at t+1 and governance disclosure score at t.
Panel B: Shareholder Activism	
DXP	DSP, DENVP, DSOCP and DGOVP
DXIN	DSPIN, DENVPIN, DSOCPIN and DGOVPIN
DXCF	DSPCF, DENVPCF, DSOCPCF and DGOVPCF
X	SP, ENVP, SOCP and GOVP
XIN	SPIN, ENVPIN, SOCPIN and GOVPIN
XCF	SPCF, ENVPCF, SOCPCF and GOVPCF
DSP	A dichotomous variable taking the value of 1 if at least one shareholder proposal is submitted (SEC website).
DSPIN	A dichotomous variable taking the value of 1 if at least one shareholder proposal is submitted by institutional investors (SEC website).
DSPCF	A dichotomous variable taking the value of 1 if at least one shareholder proposal is submitted by co-ordinated investors (SEC website).
DENVP	A dichotomous variable taking the value of 1 if at least one shareholder proposal on environmental issues is submitted (SEC website).
DENVPIN	A dichotomous variable taking the value of 1 if at least one shareholder proposal on environmental issues is submitted by institutional investors (SEC website).
DENVPCF	A dichotomous variable taking the value of 1 if at least one shareholder proposal on environmental issues is submitted by co-ordinated investors (SEC website).
DSOCP	A dichotomous variable taking the value of 1 if at least one shareholder proposal on social issues is submitted (SEC website).
DSOCPIN	A dichotomous variable taking the value of 1 if at least one shareholder proposal on social issues is submitted by institutional investors (SEC website).
DSOCPCF	A dichotomous variable taking the value of 1 if at least one shareholder proposal on social issues is submitted by co-ordinated investors (SEC website).
DGOVP	A dichotomous variable taking the value of 1 if at least one shareholder proposal on governance issues is submitted (SEC website).
DGOVPIN	A dichotomous variable taking the value of 1 if at least one shareholder proposal on governance issues is submitted by institutional investors (SEC website).
DGOVPCF	A dichotomous variable taking the value of 1 if at least one shareholder proposal on governance issues is submitted by co-ordinated investors (SEC website).
DD	A dichotomous variable taking the value of 1 if at least one shareholder proposal requesting disclosure (SEC website).
DDENV	A dichotomous variable taking the value of 1 if at least one shareholder proposal requesting disclosure on environmental issues (SEC website).

Table 3.1 continued

DDGOV	A dichotomous variable taking the value of 1 if at least one shareholder proposal requesting disclosure on governance issues (SEC website).
DDX	DD, DDENV, DDSOC and DDGOV
SP	The number of shareholder proposals submitted (SEC website).
SPIN	The number of shareholder proposals submitted by institutional investors (SEC website).
SPCF	The number of shareholder proposals submitted by co-ordinated investors (SEC website).
ENVP	The number of shareholder proposals on environmental issues submitted (SEC website).
ENVPIN	The number of shareholder proposals on environmental issues submitted by institutional investors (SEC website).
ENVPCF	The number of shareholder proposals on environmental issues submitted by co-ordinated investors (SEC website).
SOCP	The number of shareholder proposals on social issues submitted (SEC website).
SOCPIN	The number of shareholder proposals on social issues submitted by institutional investors (SEC website).
SOCPCF	The number of shareholder proposals on social issues submitted by co-ordinated investors (SEC website).
GOVP	The number of shareholder proposals on governance issues submitted (SEC website).
GOVPIN	The number of shareholder proposals on governance issues submitted by institutional investors (SEC website).
DGOVPCF	The number of shareholder proposals on governance issues submitted by co-ordinated investors (SEC website).

Panel C: Firm Corporate Governance Characteristics

BRDSIZE	The total number of directors on board (MSCI GMI).
DO	The percentage of independent directors on board (MSCI GMI).
DF	The percentage of female directors on board (MSCI GMI).
CEOINCENT	The percentage of short-term and long-term incentives of CEO compensation (Compustat Execucomp).

Panel D: Firm Characteristics

FIRMSIZE	The natural logarithm of total assets (Compustat).
ROA	Return on assets as EBIT deflated by lagged total assets (Compustat).
LEV	Total of short-term and long-term interest-bearing liabilities deflated by total assets (Compustat).
PB	Market value of equity deflated by book value of equity (Compustat).

Table 3.1 Note:

This table summarises the data requirements for this study and sources used to facilitate the construction of datasets. Variables refer to the identity of the associated data requirement with definitions regarding the nature of the associated data requirement. The sources used to facilitate the construction of such datasets are provided in brackets.

Table 3.2 Descriptive statistics

Panel A: Shareholder Activism by Year

Year	SP	SPIN	SPCF	SOCP	SOCPIN	SOCPCF	ENVP	ENVPIN	ENVPCF	GOVP	GOVPIN	GOVPCF
2006	440	219	66	130	79	40	32	14	7	297	135	23
	(11.34%)	(11.03%)	(9.91%)	(11.22%)	(10.30%)	(10.10%)	(7.71%)	(5.62%)	(6.36%)	(11.86%)	(12.50%)	(10.70%)
2007	447	222	64	127	88	39	50	33	9	295	120	19
	(11.52%)	(11.18%)	(9.61%)	(10.96%)	(11.47%)	(9.85%)	(12.05%)	(13.25%)	(8.18%)	(11.78%)	(11.11%)	(8.84%)
2008	427	217	78	140	95	56	50	30	19	258	101	16
	(11.01%)	(10.93%)	(11.71%)	(12.08%)	(12.39%)	(14.14%)	(12.05%)	(12.05%)	(17.27%)	(10.30%)	(9.35%)	(7.44%)
2009	488	255	83	121	89	50	32	23	11	347	145	27
	(12.58%)	(12.85%)	(12.46%)	(10.44%)	(11.60%)	(12.63%)	(7.71%)	(9.24%)	(10.00%)	(13.86%)	(13.43%)	(12.56%)
2010	468	260	84	118	82	45	56	41	23	322	156	30
	(12.06%)	(13.10%)	(12.61%)	(10.18%)	(10.69%)	(11.36%)	(13.49%)	(16.47%)	(20.91%)	(12.86%)	(14.44%)	(13.95%)
2011	366	195	78	121	81	43	54	27	11	221	101	26
	(9.43%)	(9.82%)	(11.71%)	(10.44%)	(10.56%)	(10.86%)	(13.01%)	(10.84%)	(10.00%)	(8.83%)	(9.35%)	(12.09%)
2012	401	200	58	125	69	37	48	25	11	257	120	16
	(10.34%)	(10.08%)	(8.71%)	(10.79%)	(9.00%)	(9.34%)	(11.57%)	(10.04%)	(10.00%)	(10.26%)	(11.11%)	(7.44%)
2013	418	218	71	135	93	42	38	23	8	263	115	26
	(10.77%)	(10.98%)	(10.66%)	(11.65%)	(12.13%)	(10.61%)	(9.16%)	(9.24%)	(7.27%)	(10.50%)	(10.65%)	(12.09%)
2014	425	199	84	142	91	44	55	33	11	244	87	32
	(10.95%)	(10.03%)	(12.61%)	(12.25%)	(11.86%)	(11.11%)	(13.25%)	(13.25%)	(10.00%)	(9.74%)	(8.06%)	(14.88%)
Total	**3,880**	**1,985**	**666**	**1,159**	**767**	**396**	**415**	**249**	**110**	**2,504**	**1,080**	**215**

Panel B: Shareholder Activism by Industry

Industry	SP	SPIN	SPCF	SOCP	SOCPIN	SOCPCF	ENVP	ENVPIN	ENVPCF	GOVP	GOVPIN	GOVPCF
Agriculture, Forestry and Fishing	12	6	3	11	6	3	3	2	2	1	0	0
	(0.31%)	(0.30%)	(0.45%)	(0.95%)	(0.78%)	(0.76%)	(0.72%)	(0.80%)	(1.82%)	(0.04%)	(0.00%)	(0.00%)
Construction	79	71	13	11	9	3	12	11	4	61	53	3
	(2.04%)	(3.58%)	(1.95%)	(0.95%)	(1.17%)	(0.76%)	(2.89%)	(4.42%)	(3.64%)	(2.44%)	(4.91%)	(1.40%)
Finance, Insurance and Real Estate	660	375	107	156	122	58	21	19	6	489	240	46
	(17.01%)	(18.89%)	(16.07%)	(13.46%)	(15.91%)	(14.65%)	(5.06%)	(7.63%)	(5.45%)	(19.53%)	(22.22%)	(21.40%)
Manufacturing	1506	746	311	528	342	204	174	108	60	888	344	84
	(38.81%)	(37.58%)	(46.70%)	(45.56%)	(44.59%)	(51.52%)	(41.93%)	(43.37%)	(54.55%)	(35.46%)	(31.85%)	(39.07%)
Mining	185	135	43	64	49	25	45	34	12	96	71	11
	(4.77%)	(6.80%)	(6.46%)	(5.52%)	(6.39%)	(6.31%)	(10.84%)	(13.65%)	(10.91%)	(3.83%)	(6.57%)	(5.12%)

Panel B continued

Non-classifiable	110	23	3	24	6	1	14	8	0	77	11	2
	(2.84%)	(1.16%)	(0.45%)	(2.07%)	(0.78%)	(0.25%)	(3.37%)	(3.21%)	(0.00%)	(3.08%)	(1.02%)	(0.93%)
Retail Trade	421	219	57	155	94	35	44	22	8	246	116	18
	(10.85%)	(11.03%)	(8.56%)	(13.37%)	(12.26%)	(8.84%)	(10.60%)	(8.84%)	(7.27%)	(9.82%)	(10.74%)	(8.37%)
Services	235	127	46	65	46	26	9	7	4	170	81	20
	(6.06%)	(6.40%)	(6.91%)	(5.61%)	(6.00%)	(6.57%)	(2.17%)	(2.81%)	(3.64%)	(6.79%)	(7.50%)	(9.30%)
Transportation, Communications, Electric, Gas and Sanitary Service	621	248	78	135	84	40	93	38	14	437	138	27
	(16.01%)	(12.49%)	(11.71%)	(11.65%)	(10.95%)	(10.10%)	(22.41%)	(15.26%)	(12.73%)	(17.45%)	(12.78%)	(12.56%)
Wholesale Trade	51	35	5	10	9	1	0	0	0	39	26	4
	(1.31%)	(1.76%)	(0.75%)	(0.86%)	(1.17%)	(0.25%)	(0.00%)	(0.00%)	(0.00%)	(1.56%)	(2.41%)	(1.86%)
Total	**3,880**	**1,985**	**666**	**1,159**	**767**	**396**	**415**	**249**	**110**	**2,504**	**1,080**	**215**

Table 3.2 Note:

Panel A provides descriptive statistics for shareholder activism among the sample of U.S. S&P 1500 firms during the 2006-2014 period by year. Panel B provides descriptive statistics for shareholder activism among the sample of U.S. S&P 1500 firms during the 2006-2014 period by industry. SPIN indicates shareholder proposal submitted by institutional shareholders and SPCF indicates shareholder proposal submitted by co-ordinated shareholders. ENVP indicates shareholder proposal on environmental issues, ENVPIN indicates shareholder proposal on environmental issues submitted by institutional shareholders, and ENVPCF indicates shareholder proposal on environmental issues submitted by co-ordinated shareholders. SOCP indicates shareholder proposal on social issues. SOCPIN indicates shareholder proposal on social issues submitted by institutional shareholder and. SOCPCF indicates shareholder proposal on social issues submitted by co-ordinated shareholders. GOVP indicates shareholder proposal on governance issues. GOVPIN indicates shareholder proposal on governance issues submitted by institutional shareholders and GOVPCF indicates shareholder proposal on governance issues submitted by co-ordinated shareholders. D indicates shareholder proposal requesting disclosure. DENV indicates shareholder proposal requesting disclosure on environmental issues. DSOC indicates shareholder proposal requesting disclosure on social issues. DGOV indicates shareholder proposal requesting disclosure on governance issues.

Table 3.3 presents the descriptive statistics for main variables. *ESG* ranges from 0.877 to 76.033; *E* ranges from 0.775 to 82.171; *S* ranges from 3.125 to 79.688; and *G* ranges from 3.571 to 85.714. The statistics show a relatively higher standard deviation of governance performance. *BRDSIZE* ranges from 0 to 34, and *CEOINCENT* ranges from 0.004 to 0.994. *DO* has a higher average than *DF*, meaning that most of the observations have outside directors whereas fewer of them have female directors.

Table 3.3 Descriptive statistics-continuous variables

Variable	Mean	Std Dev.	Min	P25	P50	P75	Max
ESG	19.489	11.783	0.877	11.842	14.050	21.992	76.033
E	20.418	16.900	0.775	6.202	15.179	33.103	82.171
S	17.250	14.477	3.125	8.333	13.333	22.807	79.688
G	52.318	6.086	3.571	48.214	51.786	55.357	85.714
BRDSIZE	9.514	2.458	3	8	9	11	34
DO	0.726	0.154	0.222	0.625	0.750	0.857	0.923
DF	0.122	0.099	0	0	0.111	0.182	0.400
CEOINCENT	0.696	0.242	0.004	0.605	0.782	0.867	0.994
FIRMSIZE	7.958	1.739	4.315	6.683	7.859	9.085	12.547
ROA	0.107	0.090	-0.104	0.049	0.091	0.149	0.427
LEV	0.220	0.187	0	0.057	0.192	0.333	0.801
PB	2.916	3.381	-11.179	1.418	2.186	3.497	19.973

Table 3.3 Note:

This table provides descriptive statistics of the main continuous variables. ESG indicates ESG disclosure scores; E indicates environmental disclosure score; S indicates social disclosure score; and G indicates governance disclosure score. BRDSIZE indicates board size; DO indicates the percentage of outside directors on the board; DF indicates the percentage of female directors on the board; and CEOINCENT indicates the percentage of CEO options to the total compensation. FIRMSIZE, ROA, LEV and PB are control variables in the models.

Table 3.4 shows the correlation matrix. Panel A shows the Pearson correlation matrix whereas Panel B shows the Spearman correlation matrix. All the correlation coefficients are either not significant or less than 0.7. Therefore, there is no multicollinearity problem.

Table 3.4 Correlation matrix

Panel A: Pearson Correlation Matrix

	BRDSIZE	DO	DF	CEOINCENT	FIRMSIZE	ROA	LEV	PB
BRDSIZE	1							
DO	0.108***	1						
	0							
DF	0.276***	0.196***	1					
	0	0						
CEOINCENT	0.152***	0.193***	0.164***	1				
	0	0	0					
FIRMSIZE	0.593***	0.178***	0.320***	0.321***	1			
	0	0	0	0				
ROA	-0.095***	-0.029***	0.009	0.085***	-0.151***	1		
	0	0.005	0.393	0	0			
LEV	0.067***	0.002	0.069***	0.112***	0.200***	-0.113***	1	
	0	0.819	0	0	0	0		
PB	-0.040***	0.012	0.045***	0.083***	-0.083***	0.313***	-0.020**	1
	0.0001	0.255	0	0	0	0	0.040	

Panel B: Spearman Correlation Matrix

	BRDSIZE	DO	DF	CEOINCENT	FIRMSIZE	ROA	LEV	PB
BRDSIZE	1							
DO	0.176***	1						
	0							
DF	0.317***	0.234***	1					
	0	0						
CEOINCENT	0.235***	0.203***	0.190***	1				
	0	0	0					
FIRMSIZE	0.625***	0.225***	0.316***	0.439***	1			
	0	0	0	0				
ROA	-0.099***	-0.028***	0.010	0.147***	-0.146***	1		
	0	0.009	0.355	0	0			
LEV	0.225***	0.077***	0.137***	0.160***	0.369***	-0.130***	1	
	0	0	0	0	0	0		
PB	-0.043***	0.023**	0.080***	0.227***	-0.071***	0.542***	-0.035***	1
	0.0001	0.034	0	0	0	0	0.002	

Table 3.4 Note:

Panels A and B provide the Pearson correlation matrix and Spearman correlation matrix, respectively. ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).

153

3.5.2 Results and analysis[38]

Multivariate results from the models

Column 1 of Table 3.5 displays key results from the model relating the overall shareholder proposals (*DSP*) to CSR disclosure or its sub dimensions, considering corporate governance mechanisms. The results show that *DSP* negatively relates to *ESG* (β=-6.847, p-value<0.01), whereas *DSP*×*BRDSIZE* (β=0.648, p-value<0.001) and *DSP*×*DF* (β=11.597, p-value<0.001) positively relate to *ESG,* respectively.

The results confirm social-political theories of voluntary disclosure in terms of the observed decreases in the disclosure level (Clarkson et al., 2008; Clarkson et al., 2011; Patten, 2002). Social political theory suggests that the extent of CSR disclosure relates to social and political pressure (Gray, Kouhy, & Lavers, 1995; Patten, 2002). These pressures threaten the legitimacy of companies, forcing them to deflect attention from adverse events or change public opinion through disclosure (Patten, 2002). Shareholder proposals are publicly accessible and can add a huge pressure to firms. Therefore, reducing information disclosure becomes a means for firms to avoid public scrutiny and decrease the chances of being targeted again in the future.

The results also indicate that with large board size and sufficient female directors on the board, shareholder activism can improve the CSR disclosure score, even though shareholder activism will deteriorate CSR disclosure. The results are inconsistent with Jensen (1993) and Ahmed, Hossain, and Adams (2006) who argue that large board size reduces the effectiveness of communication, coordination and the decision-making process. These results are consistent

---

[38] The negative ROA and PB have been excluded when running regression models. All continuous variables are winsorized at the 1% level.

with Setó‑Pamies (2015) and Coffey and Fryxell (1991) in that female directors are associated with the advancement of CSP.

Columns 2-4 of Table 3.5 show the results of the associations between the presence of shareholder proposals on social (*DSOCP*), environmental (*DENVP*) and governance (*DGOVP*) issues and sub dimensions of CSR disclosure (*E*, *S* and *G*). *DSOVP* and *DENVP* do not significantly relate to *E* and *S,* respectively, whereas *DGOVP* negatively relates to *G* (β=-3.024, p-value<0.05). Regarding the interaction effect, only *DGOVP*×*BRDSIZE* (β=0.210, p-value<0.01) and *DGOVP*×*DF* (β=4.437, p-value<0.05) positively relate to *G;* no significant associations are found among other interactions. Therefore, the results demonstrate that the association between governance proposals and governance disclosure drives the association between *DSP* and *ESG* and the association between *DSP* × *BRDSIZE* and *ESG,* respectively. These results diverge from the findings of Gillan and Starks (2000) that governance proposals foster better governance performance. This study also finds that large board size and presence of female directors positively moderate the relationship between governance proposals and CSR disclosure, particularly regarding governance aspects.

Table 3.5 Results - shareholder activism and ESG disclosure

	(1) ESG	(2) E	(3) S	(4) G
DSP/ DENVP/ DSOCP/ DGOVP	-6.847	-2.099	-3.014	-3.024
	(-3.170)**	(-0.240)	(-0.630)	(-2.280)*
BRDSIZE	0.240	0.839	0.397	0.124
	(3.630)***	(5.020)***	(3.780)***	(3.680)***
DO	4.314	4.697	7.649	2.714
	(4.800)***	(2.020)*	(5.210)***	(5.880)***
DF	12.328	28.863	14.476	4.344
	(8.940)***	(8.500)***	(6.430)***	(6.140)***
CEOINCENT	1.602	4.349	3.085	1.163
	(2.620)**	(2.200)*	(2.800)**	(3.730)***
DSP/ DENVP/ DSOCP/ DGOVP ×BRDSIZE	0.648	0.484	0.424	0.210
	(4.700)***	(0.900)	(1.490)	(2.620)**
DSP/ DENVP/ DSOCP/ DGOVP ×DO	0.348	7.692	-0.566	0.784
	(0.180)	(1.060)	(-0.140)	(0.720)
DSP/ DENVP/ DSOCP/ DGOVP ×DF	11.597	-4.150	-9.726	4.437
	(3.370)***	(-0.310)	(-1.310)	(2.210)*
DSP/ DENVP/ DSOCP/ DGOVP ×CEOINCENT	1.211	-7.591	3.306	0.468
	(0.730)	(-1.290)	(0.960)	(0.460)
FIRMSIZE	4.245	5.420	3.989	1.918
	(39.130)***	(20.250)***	(22.750)***	(34.580)***
ROA	10.410	20.422	11.477	4.871
	(6.690)***	(4.270)***	(4.260)***	(6.000)***
LEV	-4.060	-4.356	-1.403	-1.984
	(-5.500)***	(-2.060)*	(-1.120)	(-5.170)***
PB	0.292	0.347	0.200	0.148
	(6.710)***	(3.320)***	(2.940)**	(6.540)***
Constant	-26.720	-64.440	-23.511	32.143
	(-9.170)***	(-10.880)***	(-5.660)***	(21.120)***
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	6,233	2,665	4,331	6,227
Adjusted R^2	0.511	0.324	0.353	0.425
F	233.170	46.580	85.220	165.220

Table 3.5 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific model:

$$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon \ldots\ldots. \text{Model 1}$$

Model 1 tests the association between shareholder activism and the level of CSR disclosure (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. The level of CSR disclosure (Y) denote ESG, E, S and G respectively at t+1. The subdimensions include environmental disclosure level(E), social disclosure level (S) and governance disclosure level (G). DXP denote dummy variables for shareholder proposals (DSP), shareholder proposals on environmental issues (DENVP), shareholder proposals on social issues (DSOCP) and shareholder proposals on governance issues (DGOVP) respectively. DSP denotes the dummy variable taking value "1" if there are shareholder proposals and "0" otherwise. DENVP, DSOCP and DGOVP are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues respectively and "0" otherwise. DO denotes the percentage of outside directors on board; BRDSIZE denotes the board size (the number of directors on board); CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; DO denotes the percentage of outside directors; DF denotes the percentage of female directors on board. CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents firm i, and t represents

the year when shareholder activism happens. t+1 represents one year after shareholder activism. The results are presented in Table 3.5.

The impact from different types of shareholder activism is also examined, namely *DSPIN* and *DSPCF* on CSR disclosure level and their sub dimensions. The results are shown in Table 3.6. While *DSPIN* and *DSPCF* do not relate to *ESG*, *DSPIN× BRDSIZE* positively relates to *ESG* (β=0.531, p-value<0.01), revealing that a large board size will complement institutional shareholder activism to increase CSR disclosure level. Similarly, *DSPIN×DF* positively relates to *ESG* (β=10.990, p-value<0.05), revealing that the existence of female directors will complement institutional shareholder activism to increase CSR disclosure level. Moreover, female directors show advantages over large board size in improving CSR transparency, which is illuminated by the higher coefficient (β=10.990) of the interaction term (*DSPIN×DF*). However, *DSPCF×BRDSIZE* is not significantly associated with CSR disclosure level, indicating that even if the board size is large enough, coordinated shareholder activism still cannot improve CSR disclosure level effectively. According to stakeholder salience, the findings suggest that activism initiated by institutional shareholders but not coordinated shareholders is perceived as salient by the firms. Hence, institutional shareholders are able to solicit responses from firms in terms of increased CSR disclosure. Further, it indicates that salience is not the only factor to warrant significant corporate responses to shareholder activism. The impacts from other corporate governance mechanisms should also be accounted for when examining the effect of shareholder activism. It is important to note that the results can also be explained by the collective action problem that may exist among coordinated shareholders. Due to their diverse interests, coordinated shareholders are likely to have different and diverging perceptions regarding the benefits of CSR disclosure, causing lack of responses from the firms regarding their activism.

In columns 2-4 of Table 3.6, proposals are split into sub samples, namely social proposals initiated by institutional shareholders (*DSOCPIN*), or coordinated shareholders (*DSOCPCF*),

environmental proposals initiated by institutional shareholders (*DEVPIN*), or coordinated shareholders (*DEVPCF*), governance proposals initiated by institutional shareholders (*DGOVPIN*) or coordinated shareholders (*DGOVPCF*). *DSOCPIN, DEVPIN, DEVPCF, DGOVPIN* and *DGOVPCF* do not relate to *E*, *S* and *G,* respectively. Social proposals (*DSOCPCF*) negatively relates to social disclosure (*S*) (β=-22.750, p-value<0.05), indicating the existence of the collective action problem among coordinated shareholders. The results document that *DENVPIN×BRDSIZE* (β=1.559, p-value<0.05) positively relates to *E*, meaning that a large board size facilitates transparency of environmental disclosure when firms face institutional shareholder activism on environmental issues. *DSOCPCF×CEOINCENT* strongly and positively relates to *S* (β=34.899, p-value<0.001), whereas other interaction terms do not significantly relate to their sub dimensions. The results, therefore, illustrate that CEO compensation linked to short and long-term performance can mitigate the deficiency of coordinated shareholder activism and address the collective action problem, thus leading to improved social disclosure. Moreover, social performance has a more intensive influence on stakeholders' perceptions (Hillman & Keim, 2001; Servaes & Tamayo, 2013) and hence can aid corporate reputation more significantly. Therefore, from a managerial perspective, it is beneficial to increase social disclosure to ease the negative effect from shareholder activism.

Table 3.6 Results - institutional and coordinated shareholder activism and CSR disclosure level

	(1) ESG	(2) E	(3) S	(4) G
DSPIN/ DENVPIN/ DSOCPIN/ DGOVPIN	-3.729 (-1.210)	-11.745 (-0.930)	6.507 (0.920)	-2.179 (-1.030)
DSPCF/DENVPCF/ DSOCPCF/ DGOVPCF	-3.245 (-0.640)	24.993 (1.140)	-22.750 (-2.170)*	0.170 (0.050)
BRDSIZE	0.291 (4.500)***	0.803 (4.850)***	0.422 (4.080)***	0.146 (4.440)***
DO	4.778 (5.430)***	5.211 (2.260)*	7.610 (5.250)***	2.859 (6.340)***
DF	12.890 (9.580)***	28.800 (8.550)***	13.987 (6.290)***	4.494 (6.540)***
CEOINCENT	1.524 (2.52)*	4.313 (2.230)*	2.954 (2.710)**	1.171 (3.800)***
DSPIN/ DENVPIN/ DSOCPIN/ DGOVPIN× BRDSIZE	0.531 (2.650)**	1.559 (2.030)*	0.429 (0.960)	0.111 (0.930)
DSPIN/ DENVPIN/ DSOCPIN/ DGOVPIN × DO	-2.055 (-0.780)	5.031 (0.450)	-2.935 (-0.480)	-1.128 (-0.740)
DSPIN/DENVPIN/ DSOCPIN/DGOVPIN × DF	10.990 (2.250)*	-0.253 (-0.010)	2.375 (0.220)	5.009 (1.690)
DSPIN/ DENVPIN/ DSOCPIN/DGOVPIN ×CEOINCENT	-0.125 (-0.050)	-10.226 (-1.150)	-8.676 (-1.790)	1.743 (1.010)
DSPCF/ DENVPCF/ DSOCPCF/ DGOVPCF× BRDSIZE	0.130 (0.400)	-0.130 (-0.090)	-0.223 (-0.350)	-0.026 (-0.090)
DSPCF/DENVPCF/ DSOCPCF/ DGOVPCF ×DO	-1.441 (-0.340)	-10.250 (-0.580)	1.060 (0.120)	4.318 (1.400)
DSPCF/ DENVPCF/ DSOCPCF/DGOVPCF×DF	-2.056 (-0.240)	-37.048 (-0.980)	-26.242 (-1.600)	0.853 (0.130)
DSPCF/ DENVPCF/ DSOCPCF × CEOINCENT	4.347 (1.140)	-11.864 (-0.800)	34.899 (4.710)***	-3.124 (-1.140)
FIRMSIZE	4.468 (42.000)***	5.478 (20.640)***	4.045 (23.490)***	1.975 (36.430)***
ROA	10.510 (6.710)***	19.707 (4.110)***	11.530 (4.280)***	4.891 (6.010)***
LEV	-4.196 (-5.660)***	-4.139 (-1.960)	-1.336 (-1.070)	-2.006 (-5.210)***
PB	0.302 (6.890)***	0.354 (3.380)***	0.192 (2.820)**	0.150 (6.580)***
Constant	-28.953 (-9.820)***	-67.597 (-10.950)***	-25.285 (-6.100)***	32.110 (20.990)***
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	6,233	2,665	4,331	6,227
Adjusted R^2	0.505	0.324	0.355	0.422
F	193.300	39.670	73.140	138.840

Table 3.6 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).
The estimated regressions are based on the below specific model:

$Y = \beta_0 + \beta_1 DXIN_{i,t} + \beta_2 DXCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXIN_{i,t} + \beta_8 DO_{i,t} \times DXIN_{i,t} + \beta_9 DF_{i,t} \times DXIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXCF_{i,t} + \beta_{12} DO_{i,t} \times DXCF_{i,t} + \beta_{13} DF_{i,t} \times DXCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ ......Model\ 2$

Model 2 tests the association between institutional or coordinated shareholder activism and the level of CSR disclosure (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals.

The level of CSR disclosure (Y) denote ESG, E, S and G respectively at t+1. The subdimensions include environmental disclosure level(E), social disclosure level(S) and governance disclosure level(G). DXIN denote dummy variables for shareholder proposals submitted by institutional shareholders (DSPIN), shareholder proposals on environmental issues submitted by institutional shareholders (DENVPIN), shareholder proposals on social issues submitted by institutional shareholders (DSOCPIN) and shareholder proposals on governance issues submitted by institutional shareholders (DGOVPIN) respectively. DXCF denote dummy variables for shareholder proposals submitted by coordinated shareholders (DSPCF), shareholder proposals on environmental issues submitted by coordinated shareholders (DENVPCF), shareholder proposals on social issues submitted by coordinated shareholders (DSOCPCF) and coordinated shareholder proposals on governance issues (DGOVPCF) respectively. DSPIN denotes the dummy variable taking value "1" if there are shareholder proposals submitted by institutional shareholders and "0" otherwise. DSPCF denotes the dummy variable taking value "1" if there are shareholder proposals submitted by coordinated shareholders and "0" otherwise. DENVPIN, DSOCPIN and DGOVPIN are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues submitted by institutional shareholders and "0" otherwise. DENVPCF, DSOCPCF and DGOVPCF are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues respectively submitted by coordinated shareholders and "0" otherwise. DO, BRDSZIE and CEOINCENT and DF represent the percentage of outside directors, the number of directors, the percentage of CEO short-term and long-term incentive to the total compensation and the percentage of female directors on board respectively. CONV denotes control variables, namely FIMRSIZE, LEV, PB and ROA. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). i represents the company. t represents the year when shareholder proposals handed in. All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents firm i, and t represents the year when shareholder activism happens. t+1 represents one year after shareholder activism. The results are presented in Table 3.6.

Table 3.7 presents results of the associations between shareholder activism and changes in CSR disclosure. The results show that *DSP* does not relate to *ESGDIS* significantly, meaning that shareholder activism does not relate to changes in CSR disclosure. The results suggest that the risk management behaviour conducted by firms is similar to earnings management or earnings smoothing. Khurana, Pereira, and Zhang (2018) argue that earnings smoothing helps to reduce volatility of earnings and the risk level perceived by investors. Analogous to this, maintaining a stable level of CSR disclosure could also reduce CSR risks perceived by shareholder activists, thereby increasing the confidence and trust of the public. However, *DSP×CEOINCENT* is negatively associated with *ESGDIS* (β=-1.807, p-value<0.01), indicating financial incentives reduce changes in CSR disclosure when confronted with shareholder activism. The results therefore show that CEO incentives render the disclosure level more stable over time. The results are contrary to Bergstresser and Philippon (2006), who find that CEO incentives increase earnings management behaviour, another type of risk management behaviour. The reason for this difference is that earnings are closely and directly related to CEO pay, thus incentivising tactical management behaviour. The stability of CSR disclosure level, however, directly influences the expectations and confidence of shareholders regarding corporate reputation, which in turn could affect both CEO job security and pay level.

Table 3.7 Results- shareholder activism and changes in CSR disclosure level

	(1) ESGDIS	(2) EDIS	(3) SDIS	(4) GDIS
DSP/ DENVP/ DSOCP/ DGOVP	0.630	0.294	0.577	-0.766
	(0.700)	(0.070)	(0.220)	(-0.790)
BRDSIZE	0.011	0.054	-0.051	0.043
	(0.390)	(0.660)	(-0.880)	(1.740)
DO	0.170	-0.428	0.502	0.518
	(0.450)	(-0.380)	(0.620)	(1.540)
DF	0.540	-1.588	-0.301	-0.082
	(0.940)	(-0.950)	(-0.240)	(-0.160)
CEOINCENT	0.658	0.274	1.057	-0.131
	(2.510)*	(0.280)	(1.700)	(-0.560)
DSP/DENVP/DSOCP/ DGOVP×BRDSIZE	0.104	0.155	0.201	0.002
	(1.830)	(0.590)	(1.320)	(0.030)
DSP/DENVP/DSOCP/DGOVP ×DO	0.315	4.650	-1.636	-0.200
	(0.400)	(1.320)	(-0.740)	(-0.250)
DSP/DENVP/DSOCP/DGOVP ×DF	-1.619	-8.020	-6.980	1.951
	(-1.150)	(-1.240)	(-1.760)	(1.360)
DSP/DENVP/DSOCP/DGOVP× CEOINCENT	-1.807	-4.590	-0.594	1.031
	(-2.600)**	(-1.660)	(-0.320)	(1.380)
FIRMSIZE	0.253	0.092	0.180	0.032
	(5.570)***	(0.700)	(1.860)	(0.800)
ROA	1.165	0.197	1.598	0.105
	(1.750)	(0.080)	(1.050)	(0.170)
LEV	-0.085	-0.270	0.748	-0.029
	(-0.280)	(-0.260)	(1.070)	(-0.100)
PB	0.026	0.082	0.017	-0.0002
	(1.450)	(1.580)	(0.450)	(-0.01)
Constant	-2.630	0.358	-0.469	-2.095
	(-2.240)*	(0.120)	(-0.210)	(-1.960)*
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	5,719	2,327	3,956	5,712
Adjusted R^2	0.033	0.011	0.001	0.011
F	7.936	1.944	1.139	3.198

Table 3.7 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models:

$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon$ .... *Model 3. Model 3 tests the associations between shareholder activism and the change of CSR disclosure level (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. Y, is measured by the difference between CSR disclosure score at t+1 and CSR disclosure score at t (ESGDIS). For subdimensions, Y is measured by the difference between environmental disclosure score at t+1 and environmental disclosure score at t (EDIS), the difference between social disclosure score at t+1 and social disclosure score at t (SDIS) and the difference between governance disclosure score at t+1 and governance disclosure score at t (GDIS). DXP denote dummy variables for shareholder proposals (DSP), shareholder proposals on environmental issues (DENVP), shareholder proposals on social issues (DSOCP) and shareholder proposals on governance issues (DGOVP) respectively. DSP denotes the dummy variable taking value "1" if there are shareholder proposals and "0" otherwise. DENVP, DSOCP and DGOVP are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues respectively and "0" otherwise. DO denotes the percentage of outside directors; BRDSIZE denotes the board size (the number of directors on board); CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; DF denotes the percentage of female directors on board. CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio*

(Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents firm i, and t represents the year when shareholder activism happens. t+1 represents one year after shareholder activism. The results are presented in Table 3.7.

Table 3.8 shows the associations between institutional or coordinated shareholder activism and changes in CSR disclosure level. It also presents the interacting effects from corporate governance mechanisms, namely, board size (*BRDSIZE*), the percentage of outside directors (*DO*), the percentage of CEO options to total compensation (*CEOINCENT*) and the percentage of female directors on the board (*DF*) on the associations. Both *DSPIN* and *DSPCF* are not significantly associated with *ESGDIS*. The results document that *DSPCF*×*DF* is negatively related to *ESGDIS* (β=-9.516, p-value<0.01). The results indicate that given a sufficient number of female directors on the board, institutional shareholder activism does not relate to changes of CSR disclosure level, whereas coordinated shareholder activism decreases changes of CSR disclosure. *DENVPIN*×*DO* positively relates to *EDIS* (β=12.290, p-value<0.05), indicating that institutional shareholder activism can increase the changes of environmental disclosure level given there are a large number of outside directors on the board.

The interaction between institutional shareholder activism and other corporate governance mechanisms and the interaction between coordinated shareholder activism and other corporate governance mechanisms are associated with different corporate responses. This is probably due to their salience and conflicts of interest among the group members. There are several possible explanations regarding the different corporate responses observed. First and foremost, with institutional shareholders having more power and hence better access to information, they are likely to have more in-depth knowledge of corporate operations, and hence it is relatively easy for firms to engage these shareholders through disclosure. On the contrary, due to diverse interests of coordinated shareholders, firms may find it hard to engage with them effectively to arrive at a CSR position that is beneficial for all of these shareholders. Secondly, institutional shareholders have more united interests and hence disclosure is likely to result in a consistent message to them, whereas disclosure received by coordinated shareholders is likely to be

interpreted in an ambiguous or unintended manner. These results provide evidence that CSR disclosure should be increased in response to institutional shareholders given a sufficiently large board size. The third perspective is informational asymmetry. Firms with desirable corporate governance mechanisms have the incentive to disclose more to signal good CSR to institutional shareholders to reduce informational asymmetry and ameliorate their reputation in response to shareholder activism. This is because institutional shareholder activism is likely to be driven by common concerns or interests (i.e. shareholder value), whereas coordinated shareholder activism can be driven by diverse issues and interests. CSR disclosure is unlikely to cater to all interests. Firms typically try to reduce the amount of disclosure in order to avoid confusing coordinated shareholders, making it hard for them to make an informed assessment of corporate activities, also making it difficult for them to divest from the firms due to the inherent uncertainty involved.

Overall, the results provide evidence that shareholder activism agitated by different shareholders leads to different levels of the overall CSR disclosure level and environmental disclosure level. The results are consistent with stakeholder salience theory. Additionally, there is evidence of the collective action problem, with coordinated shareholder activism involving a large number of members with different interests leading to less efficient monitoring activities. As a result, firms are able to exacerbate informational asymmetry through reduced disclosure level. In fact, it is the lack of collective interests from coordinated shareholder activists and the risk of diverging perceptions of them regarding corporate governance that causes firms to choose a conservation position and reduce changes of their disclosure.

The results depict that outside directors and board size do not moderate the association between *DSPIN* or *DSPCF* and *ESGDIS* respectively, implying that these mechanisms do not increase or decrease changes of CSR transparency. Consistent with Dalton et al. (2003), the results indicate that outside directors and board size can mitigate the effect of shareholder activism on CSR disclosure. The results confirm the findings of Giannarakis (2014) and Jizi et al. (2014) regarding the lack of effectiveness of outside directors in monitoring CSR issues, resulting in significant managerial reactions after both coordinated shareholder activism and institutional shareholder activism. These results also suggest that multiple mechanisms tend to stabilise the CSR disclosure level.

Interestingly, the existence of female directors on the board decreases changes in CSR disclosure to a greater extent in response to coordinated shareholder activism. This also means that female directors do not complement coordinated shareholder activism to increase CSR transparency. The results therefore are contrary to Fernandez-Feijoo, Romero, and Ruiz-Blanco (2014) . In addition to the diverse interests among coordinated shareholders, one possible explanation is that female directors are not interested in all aspects of CSR. Williams (2003) suggests that women are less interested in public policies and environmental issues and more interested in community issues. Shareholder activism with the form of proposals typically involves lobbying and environmental aspects, which are less likely to attract attention from female directors. Hence, female directors may lead to the stabilization of CSR disclosure level under coordinated shareholder activism.

These results are also contrary to the literature proposing that the coordination of shareholders leads to better monitoring activities (Huang, 2013; Neubaum & Zahra, 2006). The difference

between prior research and this chapter is that the former focuses on attributes of coordinated shareholders, namely power and legitimacy (Neubaum & Zahra, 2006), whereas this chapter explores a particular strategy adopted by coordinated shareholders - handing in shareholder proposals. From a managerial perspective, shareholder proposals may represent a negative event with inherent reputational risks. As a result, firms generally employ a conservative approach to address these proposals. Furthermore, shareholder activism through proposals may require costly negotiations and communications among shareholders, reducing monitoring efficiency.

Table 3.8 Results-institutional and coordinated shareholder activism and changes in CSR disclosure level

	(1) ESGDIS	(2) EDIS	(3) SDIS	(4) GDIS
DSPIN/DENVPIN/DOSCPIN/DGOVPIN	-0.380	-1.537	0.397	-0.908
	(-0.290)	(-0.25)	(0.100)	(-0.580)
DSPCF/DENVPCF/DOSCPCF/ DGOVPCF	0.980	4.675	-0.940	1.052
	(0.470)	(0.440)	(-0.170)	(0.400)
BRDSIZE	0.010	0.054	-0.053	0.045
	(0.380)	(0.670)	(-0.940)	(1.870)
DO	0.231	-0.341	0.541	0.474
	(0.640)	(-0.310)	(0.680)	(1.450)
DF	0.733	-1.486	-0.226	-0.024
	(1.310)	(-0.900)	(-0.180)	(-0.050)
CEOINCENT	0.507	0.209	0.810	-0.096
	(1.97)	(0.220)	(1.310)	(-0.420)
DSPIN/ DENVPIN/ DOSCPIN/ DGOVPIN×BRDSIZE	0.145	0.046	0.129	0.005
	(1.700)	(0.120)	(0.530)	(0.060)
DSPIN/ DENVPIN/DOSCPIN/DGOVPIN×DO	0.413	12.290	-1.664	-0.186
	(0.380)	(2.310)*	(-0.510)	(-0.170)
DSPIN/ DENVPIN/ DOSCPIN/DGOVPIN ×DF	-1.647	-16.580	-9.274	3.952
	(-0.820)	(-1.890)	(-1.600)	(1.860)
DSPIN/ DENVPIN/DOSCPIN/ DGOVPIN × CEOINCENT	-1.347	-5.710	1.130	0.966
	(-1.300)	(-1.400)	(0.430)	(0.760)
DSPCF/ DENVPCF/DOSCPCF/ DGOVPCF× BRDSIZE	0.046	0.460	0.187	-0.234
	(0.350)	(0.690)	(0.550)	(-1.220)
DSPCF/ DENVPCF/ DOSCPCF/ DGOVPCF × DO	-1.000	-15.750	-3.313	2.295
	(-0.580)	(-1.740)	(-0.680)	(1.060)
DSPCF/ DENVPCF/ DOSCPCF/ DGOVPCF × DF	-9.516	23.782	-4.009	-5.910
	(-2.770)**	(1.230)	(-0.460)	(-1.320)
DSPCF/DENVPCF / DOSCPCF/ DGOVPCF × CEOINCENT	1.278	-1.698	3.017	0.313
	(0.820)	(-0.240)	(0.760)	(0.16)
FIRMSIZE	0.270	0.089	0.182	0.044
	(6.080)***	(0.690)	(1.920)	(1.120)
ROA	1.097	-0.057	1.691	0.094
	(1.650)	(-0.020)	(1.110)	(0.150)
LEV	-0.057	-0.406	0.806	-0.043
	(-0.180)	(-0.380)	(1.160)	(-0.150)
PB	0.028	0.089	0.013	0.002
	(1.520)	(1.710)	(0.340)	(0.100)
Constant	-2.647	0.761	0.017	-2.351
	(-2.250)*	(0.250)	(0.010)	(-2.180)*
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	5,719	2,327	3,956	5,712
Adjusted R^2	0.034	0.013	0.001	0.011
F	7.040	1.919	1.165	2.880

Table 3.8 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific model:

$Y = \beta_0 + \beta_1 DXIN_{i,t} + \beta_2 DXCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXIN_{i,t} + \beta_8 DO_{i,t} \times DXIN_{i,t} + \beta_9 DF_{i,t} \times DXIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXCF_{i,t} + \beta_{12} DO_{i,t} \times DXCF_{i,t} + \beta_{13} DF_{i,t} \times DXCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots\ldots Model\ 4$

Model 4 tests the associations between institutional or coordinated shareholder activism and the change of CSR disclosure level (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. Y, is measured by the difference between CSR disclosure score at t+1 and CSR disclosure score at t (ESGDIS).For subdimensions, Y is measured by the difference between environmental disclosure score at t+1 and environmental disclosure score at t (EDIS), the difference between social disclosure score at t+1 and social disclosure score at t (SDIS) and the difference between governance disclosure score at t+1 and governance disclosure score at t (GDIS). DXIN denote dummy variables for shareholder proposals submitted by institutional shareholders (DSPIN), shareholder proposals on environmental issues submitted by institutional shareholders (DENVPIN), shareholder proposals on social issues submitted by institutional shareholders (DSOCPIN) and shareholder proposals on governance issues submitted by institutional shareholders (DGOVPIN) respectively. DXCF denote dummy variables for shareholder proposals submitted by coordinated shareholders (DSPCF), shareholder proposals submitted by coordinated shareholders on environmental issues (DENVPCF), shareholder proposals submitted by coordinated shareholders on social issues (DSOCPCF) and shareholder proposals submitted by coordinated shareholders on governance issues (DGOVPCF) respectively. DSPIN denotes the dummy variable taking value "1" if there are shareholder proposals submitted by institutional shareholders and "0" otherwise. DSPCF denotes the dummy variable taking value "1" if there are shareholder proposals submitted by coordinated shareholders and "0" otherwise. DENVPIN, DSOCPIN and DGOVPIN are dummy variables taking value "1" if there are shareholder proposals submitted by institutional shareholders on environmental, social and governance respectively and "0" otherwise. DENVPCF, DSOCPCF and DGOVPCF are dummy variables taking value "1" if there are shareholder proposals submitted by coordinated shareholders on environmental, social and governance issues respectively and "0" otherwise. DO denotes the percentage of outside directors; BRDSIZE denotes the board size (the number of directors on board); CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents firm i, and t represents the year when shareholder activism happens. t+1 represents one year after shareholder activism. The results are presented in Table 3.8.

Overall, Table 3.5 to Table 3.6 show that female directors and short-term and long-term CEO incentives are associated with higher CSR disclosure level (compared to industry peers). These results are consistent with Jizi (2017) who proposes that female directors can positively influence CSR disclosure in firms. The results are also consistent with McGuire et al. (2003) who find that long-term incentives favorably affect CSR engagements.

Table 3.7 shows that short-term and long-term CEO incentives tend to decrease changes in CSR disclosure level after shareholder activism. Table 3.8 shows that female directors decrease CSR disclosure level over time (1-year period) after coordinated shareholder activism.

Additional test with proposals requesting disclosure

Additional tests are conducted with the subsample of shareholder proposals that specifically request CSR disclosure or reporting, in order to assess whether these shareholder proposals (*DD*) affect CSR disclosure and the changes of CSR disclosure level. The reason to do so is to examine whether shareholder proposals requesting CSR disclosure or reporting drive the association between shareholder activism and CSR disclosure level. Table 3.9 presents whether these proposals influence the CSR disclosure level whereas Table 3.10 presents whether these proposals influence the changes in CSR disclosure level as a robustness test to the results presented in Table 3.9.

The new results show that proposals asking for higher level of CSR disclosure are not associated with a higher level of CSR disclosure. Similar results are also found with sub dimensions of CSR. Nevertheless, *DD×BRDSIZE* positively relates to *ESG* (β =0.512, p-value<0.05), meaning that large board size complements disclosure-focused shareholder

proposals in enhancing CSR disclosure. *DDENV×DO* positively relates to *E* (β =22.430, p-value<0.05), indicating that outside directors complement shareholder proposals focused on environmental disclosure and lead to an increase in environmental disclosure level. This is possibly because outside directors have a strong interest in environmental issues and create a complementary and reinforcing force to elicit corporate response in the form of increased environmental disclosure. However, the same cannot be said regarding social-focused shareholder proposals, as there is no association between *DDSOC×DF* and *S*. This is possibly caused by the combination of negative signals from proposals on social reporting and the presence of female directors on the board. Specifically, proposals requesting social disclosure are not supported by female directors who are not concerned with public policy issues such as lobbying activities.

Table 3.10 shows that *DD×CEOINCENT* negatively relates to *ESGDIS* (β =-2.682, p-value<0.05). This indicates that shareholder proposals requesting disclosure decrease the CSR disclosure level if CEO incentives are linked to corporate short-term and long-term performance. These results are consistent with Table 3.7. *DD ×CEOINCENT* negatively relates to *ESGDIS* with a higher absolute value of coefficient than *DSP×CEOINCENT* in Table 3.7. This therefore indicates that the relationship among shareholder activism, CEO incentives and CSR disclosure is driven primarily by proposals requesting disclosure. Additionally, *DDGOV×BRDSIZE* is negatively related to *GDIS* (β =-0.680, p-value<0.001), indicating that governance proposals are associated with reduced changes in governance disclosure level given a sufficiently large board size. This indicates that a large board size helps reduce changes of governance disclosure after shareholder activism requesting governance disclosure.

Taken together, results from Table 3.9 and Table 3.10 illustrate that shareholder proposals requesting CSR disclosure or reporting do not influence the level or change in disclosure. The results nonetheless suggest that board size (*BRDSIZE*, β=0.323, p-value<0.001), female directors (*DF*, β=13.770, p-value<0.001), outside directors (*DO*, β=4.218, p-value<0.001) and CEO incentives (*CEOINCENT*, β=1.941, p-value<0.01) are positively associated with disclosure level. Specifically, board size (*BRDSIZE*, β=0.427, p-value<0.001), outside directors (*DO*, β=7.107, p-value<0.001), female directors (*DF*, β=14.440, p-value<0.001) and CEO incentives (*CEOINCENT*, β=3.423, p-value<0.01) positively relate to social disclosure level (S). Board size (*BRDSIZE*, β=0.513, p-value<0.001), outside directors (*DO*, β=2.875, p-value<0.001), female directors (*DF*, β=4.669, p-value<0.001) and CEO incentives (*CEOINCENT*, β=1.155, p-value<0.001) positively relate to governance disclosure level (*G*). With the exception of outside directors, all these mechanisms, namely board size (*BRDSIZE*, β=0.886, p-value<0.001), female directors (*DF*, β=27.850, p-value<0.001) and CEO incentives (*CEOINCENT*, β=4.360, p-value<0.05) positively relate to environmental disclosure level (*E*). Therefore, these mechanisms have positive impacts in improving the transparency of disclosure. The results generally confirm the findings of Giannarakis (2014) on board size that there is a positive association between board size and CSR disclosure level. The association for female directors is consistent with Jizi (2017) in that female directors increase CSR disclosure level. While the results are roughly consistent with Cuadrado-Ballesteros, Rodríguez-Ariza, and García-Sánchez (2015) that outside directors positively influence CSR disclosure level, the current study does not find support for their finding that outside directors may not be effective in disciplining environmental disclosure level.

Table 3.9 Results-shareholder activism requesting CSR reporting and CSR disclosure level

	(1) ESG	(2) E	(3) S	(4) G
DD/ DDENV/ DDSOC/ DDGOV	-3.919	-6.047	-4.976	3.183
	(-1.050)	(-0.540)	(-0.790)	(0.640)
BRDSIZE	0.323	0.886	0.427	0.153
	$(5.100)^{***}$	$(5.380)^{***}$	$(4.150)^{***}$	$(4.750)^{***}$
DO	4.218	4.311	7.170	2.875
	$(4.93)^{***}$	(1.880)	$(4.970)^{***}$	$(6.550)^{***}$
DF	13.770	27.850	14.440	4.669
	$(10.490)^{***}$	$(8.290)^{***}$	$(6.510)^{***}$	$(6.960)^{***}$
CEOINCENT	1.941	4.360	3.423	1.155
	$(3.28)^{**}$	$(2.250)^{*}$	$(3.180)^{**}$	$(3.820)^{***}$
DD/DDENV/DDSOC/ DDGOV×BRDSIZE	0.512	-0.437	0.428	-0.426
	$(2.210)^{*}$	(-0.640)	(1.180)	(-1.600)
DD/DDENV/ DDSOC/ DDGOV×DO	4.934	22.430	6.429	1.886
	(1.420)	$(2.220)^{*}$	(1.160)	(0.450)
DD/DDENV/DDSOC/ DDGOV ×DF	7.773	16.490	-12.850	12.001
	(1.230)	(0.870)	(-1.340)	(1.680)
DD/DDENV/ DDSOC/ DDGOV ×CEOINCENT	-4.518	-9.600	-1.061	1.418
	(-1.670)	(-1.350)	(-0.240)	(0.460)
FIRMSIZE	4.446	5.482	4.048	1.981
	$(42.430)^{***}$	$(20.710)^{***}$	$(23.490)^{***}$	$(37.590)^{***}$
ROA	10.74	20.900	11.580	4.919
	$(6.870)^{***}$	$(4.380)^{***}$	$(4.300)^{***}$	$(6.050)^{***}$
LEV	-4.131	-4.396	-1.484	-1.999
	$(-5.580)^{***}$	$(-2.080)^{*}$	(-1.190)	$(-5.210)^{***}$
PB	0.301	0.345	0.206	0.151
	$(6.880)^{***}$	$(3.300)^{***}$	$(3.030)^{**}$	$(6.680)^{***}$
Constant	-28.780	-64.220	-24.140	32.010
	$(-9.880)^{***}$	$(-10.910)^{***}$	$(-5.830)^{***}$	$(21.330)^{***}$
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	6,233	2,665	4,331	6,227
Adjusted R^2	0.505	0.324	0.351	0.424
F	227.800	46.680	84.740	164.500

Table 3.9 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific model:

$$Y = \beta_0 + \beta_1 DDX_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DDX_{i,t} +$$
$$\beta_7 DO_{i,t} \times DDX_{i,t} + \beta_8 DF_{i,t} \times DDX_{i,t} + \beta_9 CEOINCENT_{i,t} \times DDX_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon.\ .... Model\ 5$$

Model 5 tests the associations between shareholder activism requesting CSR disclosure and CSR disclosure level (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. The subdimensions include environmental disclosure level (E), social disclosure level (S) and governance disclosure level (G). Y denote ESG, E, S and G respectively at t1. DDX are DD, DDENV, DDSOC and DDGOV respectively. DD represents shareholder proposals requesting CSR disclosure or reporting. DDENV represents shareholder proposals requesting environmental disclosure or reporting. DDSOC represents shareholder proposals requesting social disclosure or reporting. DDGOV represents shareholder proposals requesting governance disclosure or reporting. DD denotes the dummy variable taking value "1" if there are shareholder proposals requesting reporting or disclosure and "0" otherwise. DDENV, DDSOC and DDGOV are dummy variables taking value "1" if there are shareholder proposals requesting reporting or disclosure on environmental, social and governance respectively and "0" otherwise. All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. DO, BRDSZIE, CEOINCENT and DF represent the percentage of outside directors on board, the number of directors on board, the percentage of CEO long-term

174

incentive to the total compensation respectively and the percentage of female directors on board respectively. CONV denotes control variables, namely FIMRSIZE, LEV, PB and ROA. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). i represents the company i. t represents the year when shareholder proposals handed in. t+1 represents one year after shareholder activism. The results are presented in Table 3.9.

Table 3.10 Results- shareholder activism requesting CSR disclosure and changes in CSR disclosure level

	(1) ESGDIS	(2) EDIS	(3) SDIS	(4) GDIS
DD/ DDENV/ DDSOC/ DDGOV	1.137	2.407	3.585	6.995
	(0.720)	(0.450)	(1.050)	(1.790)
BRDSIZE	0.021	0.073	-0.038	0.047
	(0.810)	(0.910)	(-0.670)	(2.020)*
DO	0.230	-0.357	0.448	0.529
	(0.650)	(-0.320)	(0.570)	(1.660)
DF	0.520	-2.033	-0.642	0.155
	(0.950)	(-1.230)	(-0.530)	(0.320)
CEOINCENT	0.544	0.010	1.277	-0.104
	(2.170)*	(0.010)	(2.110)*	(-0.460)
DD/ DDENV/DDSOC/ DDGOV×BRDSIZE	0.143	-0.349	0.222	-0.680
	(1.510)	(-1.060)	(1.150)	(-3.310)***
DD/ DDENV/DDSOC/ DDGOV ×DO	0.350	5.150	-2.147	-4.520
	(0.250)	(1.080)	(-0.720)	(-1.480)
DD/ DDENV/DDSOC/ DDGOV ×DF	-4.712	-0.373	-4.234	-2.663
	(-1.830)	(-0.040)	(-0.830)	(-0.490)
DD/ DDENV / DDSOC/ DDGOV × CEOINCENT	-2.682	-2.280	-4.473	6.026
	(-2.350)*	(-0.690)	(-1.860)	(2.430)*
FIRMSIZE	0.287	0.112	0.160	0.057
	(6.580)***	(0.870)	(1.680)	(1.470)
ROA	1.169	0.478	1.571	0.124
	(1.760)	(0.200)	(1.040)	(0.200)
LEV	-0.106	-0.324	0.786	-0.059
	(-0.340)	(-0.310)	(1.130)	(-0.210)
PB	0.028	0.079	0.017	0.001
	(1.550)	(1.530)	(0.440)	(0.060)
Constant	-2.806	1.015	-0.790	-1.932
	(-2.410)*	(0.350)	(-0.360)	(-1.830)
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	5,719	2,327	3,956	5,712
Adjusted R²	0.032	0.010	0.001	0.013
F	7.799	1.845	1.172	3.742

Table 3.10 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific model:

$$Y = \beta_0 + \beta_1 DDX_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DDX_{i,t} + \beta_7 DO_{i,t} \times DDX_{i,t} + \beta_8 DF_{i,t} \times DDX_{i,t} + \beta_9 CEOINCENT_{i,t} \times DDX_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon \ldots\ldots Model\ 6$$

Model 6 tests the associations between shareholder activism requesting CSR disclosure and the change of CSR disclosure level (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. DDX are DD, DDENV, DDSOC and DDGOV respectively. DD represents shareholder proposals requesting CSR disclosure or reporting. DDENV represents shareholder proposals requesting environmental disclosure or reporting. DDSOC represents shareholder proposals requesting social disclosure or reporting. DDGOV represents shareholder proposals requesting governance disclosure or reporting. DD denotes the dummy variable taking value "1" if there are shareholder proposals requesting reporting or disclosure and "0" otherwise. DDENV, DDSOC and DDGOV are dummy variables taking value "1" if there are shareholder proposals requesting reporting or disclosure on environmental, social and governance respectively and "0" otherwise. DO, BRDSZIE, CEOINCENT and DF represent the percentage of outside directors on board, the number of directors on board, the percentage of CEO long-term incentive to the total compensation respectively, the percentage of female directors on board. CONV denotes control variables, namely FIMRSIZE, LEV, PB and ROA. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. Y, is measured by the difference between CSR disclosure score at t+1 and

CSR disclosure score at t (ESGDIS). For subdimensions, Y is measured by the difference between environmental disclosure score at t+1 and environmental disclosure score at t (EDIS), the difference between social disclosure score at t+1 and social disclosure score at t (SDIS) and the difference between governance disclosure score at t+1 and governance disclosure score at t (GDIS). i represents the company i. t represents the year when shareholder proposals submitted. The results are presented in Table 3.10.

Additional tests comparing the impact on CSR performance and CSR disclosure

An additional test to confirm whether shareholder activism affects CSR performance and CSR disclosure consistently or not is conducted. Table 3.11 and Table 3.12 present associations between shareholder activism and CSR performance. Poisson regression models are employed to examine these associations.

The data are collected from MSCI, measuring CSP when conducting additional tests. *KLDS*, *KLDC*, *SS*, *SC*, *ES*, *EC*, *GS* and *GC* represent strength of CSP, concern (weakness) of CSP, strength of social performance, concern (weakness) of social performance, strength of environmental performance, concern (weakness) of environmental performance, strength of governance performance and concern (weakness) of governance performance. All KLD concern and strength scores are collected at t+1. Table 3.1 presents the definitions of CSP. KLD strength is the sum of six categories and KLD concern is the sum of twelve categories. KLD strength scores show the major strength of firms, and KLD concern scores show the major weakness of firms. The regression analysis will be conducted with dependent variables, namely KLD strength scores and KLD concern scores. Rather than using the total KLD scores as a dependent variable, following McGuire et al. (2003), this chapter employs KLD strength scores and KLD concern scores separately. The strength scores can be calculated by adding up "Product - Number of Strengths", "Human Rights - Number of Strengths", "Environment - Number of Strengths", "Community - Number of Strengths", "Emp. Relations - Number of Strengths", "Diversity - Number of Strengths" and "Corp. Gov - Number of Strengths". KLD concern scores are calculated by adding up "Community - Number of Concerns", "Emp. Relations - Number of Concerns", "Diversity - Number of Concerns", "Environment - Number of Concerns", "Product - Number of Concerns", "Human Rights - Number of Concerns" and "Corp. Gov - Number of Concerns".

Combined with results in Table 3.5 that show a negative association between *DSP* and *ESG* (ESG disclosure), the positive relationship between *DSP* and *KLDS* (strength of CSP) indicates that shareholder activism improves the strength of CSP but reduces the extent of CSR disclosure. While the results also indicate that shareholder activism increases the concern of CSP, the magnitude of this increase is less than that of the strength of CSP. The results therefore are consistent with de Villiers and van Staden (2006) in that reduced disclosure might have a legitimacy effect. Due to the high (negative) publicity associated with shareholder proposals, management may choose to decrease disclosure to reduce the level of visibility and scrutiny into the firm's operations by shareholders. However, these proposals, especially when coming from institutional shareholders, do seem to lead to improvements in underlying CSP.

Table 3.11 Results- shareholder activism and CSP

	(1) KLDS	(2) KLDC	(3) ES	(4) EC	(5) SS	(6) SC	(7) GS	(8) GC
DSP/DENVP/ DSOCP/DGOVP	1.235	0.111	2.505	0.377	1.192	0.780	-0.683	-0.032
	(7.160)***	(0.670)	(4.040)***	(0.530)	(4.530)***	(3.090)**	(-0.970)	(-0.070)
BRDSIZE	0.061	-0.006	0.043	0.017	0.059	-0.001	0.029	-0.012
	(11.770)***	(-1.110)	(4.350)***	(1.250)	(10.340)***	(-0.110)	(1.400)	(-1.050)
DO	0.624	0.233	1.252	1.744	0.523	0.276	0.371	-0.134
	(6.130)***	(2.590)**	(6.800)***	(6.820)***	(4.940)***	(2.750)**	(1.010)	(-0.760)
DF	2.406	-2.140	1.249	-1.507	2.782	-2.314	1.871	-1.108
	(19.230)***	(-15.980)***	(5.420)***	(-4.410)***	(21.070)***	(-15.300)***	(4.000)***	(-4.340)***
CEOINCENT	0.662	-0.009	1.084	-0.032	0.606	-0.127	-1.217	0.328
	(9.210)***	(-0.160)	(7.540)***	(-0.200)	(7.870)***	(-2.120)*	(-6.890)***	(2.980)**
DSP/DENVP/ DSOCP/ DGOVP ×BRDSIZE	-0.034	0.048	-0.041	-0.003	-0.032	0.057	0.047	0.049
	(-4.150)***	(5.330)***	(-1.310)	(-0.090)	(-2.540)*	(4.080)***	(1.370)	(2.230)*
DSP/DENVP/ DSOCP/ DGOVP ×DO	0.051	-0.033	-0.790	0.308	0.042	-0.962	0.223	-0.028
	(0.300)	(-0.200)	(-1.220)	(0.430)	(0.160)	(-3.690)***	(0.330)	(-0.070)
DSP/DENVP/ DSOCP/ DGOVP ×DF	-0.560	1.051	-0.693	-0.381	-1.205	1.435	0.011	0.663
	(-2.570)*	(4.270)***	(-0.770)	(-0.400)	(-3.610)***	(3.590)***	(0.010)	(1.110)
DSP/DENVP/DSOCP/DGOVP ×CEOINCENT	-0.765	-0.338	-1.469	0.271	-0.715	-0.410	0.701	-0.444
	(-7.000)***	(-3.240)**	(-4.500)***	(0.680)	(-4.760)***	(-2.660)**	(1.730)	(-1.550)
FIRMSIZE	0.374	0.196	0.418	0.492	0.394	0.189	0.278	0.173
	(46.080)***	(24.000)***	(25.780)***	(22.140)***	(42.550)***	(19.210)***	(9.300)***	(10.160)***
ROA	2.811	0.868	2.511	2.766	2.953	0.612	2.904	0.844
	(21.080)***	(6.780)***	(8.800)***	(7.310)***	(18.620)***	(3.880)***	(5.860)***	(3.180)**
LEV	-0.175	0.184	0.30	1.463	-0.249	0.220	-0.593	-0.322
	(-2.680)**	(3.060)**	(2.240)*	(8.600)***	(-3.190)**	(2.980)**	(-2.300)*	(-2.480)*
PB	0.004	-0.013	0.0002	-0.050	0.006	-0.009	-0.008	-0.002
	(1.070)	(-3.490)***	(0.030)	(-5.140)***	(1.470)	(-1.880)	(-0.520)	(-0.280)
Constant	-4.903	-1.074	-7.273	-7.615	-5.314	-1.348	-4.740	-2.249
	(-49.230)***	(-12.340)***	(-38.350)***	(-29.790)***	(-49.990)***	(-13.920)***	(-14.060)***	(-13.250)***
Observations	6,118	6,118	6,118	6,118	6,118	6,118	6,118	6,118
Pseudo R^2	0.298	0.103	0.206	0.191	0.282	0.071	0.093	0.030
χ^2	10,083.950	2,665.870	2,458.300	1,559.010	7,384.230	1,391.440	438.500	302.080

Table 3.11 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).

The estimated regressions are based on the below specific models:

$Y = \beta_0 + \beta_1 DXP_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times DXP_{i,t} + \beta_7 DO_{i,t} \times DXP_{i,t} + \beta_8 DF_{i,t} \times DXP_{i,t} + \beta_9 CEOINCENT_{i,t} \times DXP_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon \ldots\ldots.. \text{ Model 7}$

Model 7 tests the associations between shareholder activism and CSP (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. CSP(Y) is measured by employing KLDS, KLDC, ES, EC, SS, SC, GS and GC respectively at t+1. KLDS represents KLD strength, the positive side of CSP. KLDC represents KLD concern, the negative side of CSP. ES represents environmental strength, the positive side of environmental performance. EC represents environmental concern, the negative side of environmental performance. SS represents social strength, the positive side of social performance. SC represents social concern, the negative side of social performance. GS represents governance strength, the positive side of governance performance. GC represents governance concern, the negative side of governance performance. DXP denote dummy variables for shareholder proposals (DSP), shareholder proposals on environmental issues (DENVP), shareholder proposals on social issues (DSOCP) and shareholder proposals on governance issues (DGOVP) respectively. DSP denotes the dummy variable taking value "1" if there are shareholder proposals and "0" otherwise. DENVP, DSOCP and DGOVP are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues and "0" otherwise; DO denotes the percentage of outside directors; BRDSIZE denotes the board size; CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; DF denotes the percentage of female directors on board; CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents company i, and t represents the year when shareholder activism happens. The results are presented in Table 3.11.

Table 3.12 Results-institutional or coordinated shareholder activism and CSP

	(1) KLDS	(2) KLDC	(3) ES	(4) EC	(5) SS	(6) SC	(7) GS	(8) GC
DSPIN/DENVPIN/ DSOCPIN/ DGOVPIN	1.268	0.726	0.293	-0.912	0.969	0.509	-0.996	0.487
	(5.440)***	(3.240)**	(0.250)	(-0.740)	(2.380)*	(1.290)	(-0.860)	(0.740)
DSPCF/DENVPCF/DSOCPCF/DGOVPCF	-0.027	-0.995	3.360	0.304	0.215	-0.173	2.122	-0.635
	(-0.080)	(-2.950)**	(1.980)*	(0.150)	(0.390)	(-0.310)	(1.270)	(-0.610)
BRDSIZE	0.059	0.008	0.040	0.0164	0.059	0.007	0.039	-0.004
	(12.100)***	(1.590)	(4.080)***	(1.220)	(10.480)***	(1.180)	(2.040)*	(-0.330)
DO	0.720	0.206	1.214	1.757	0.531	0.126	0.686	-0.124
	(7.720)***	(2.440)*	(6.720)***	(7.090)***	(5.230)***	(1.290)	(2.020)*	(-0.730)
DF	2.345	-1.950	1.261	-1.747	2.741	-2.175	1.793	-1.088
	(20.290)***	(-15.670)***	(5.580)***	(-5.270)***	(21.300)***	(-14.750)***	(4.170)***	(-4.450)***
CEOINCENT	0.518	0.003	0.989	-0.040	0.560	-0.128	-1.192	0.357
	(7.760)***	(0.050)	(7.120)***	(-0.260)	(7.520)***	(-2.170)*	(-7.140)***	(3.280)***
DSPIN/DENVPIN/DSOCPIN/DGOVPIN×BRDSIZE	-0.031	0.009	-0.015	-0.024	-0.023	0.057	0.062	0.036
	(-2.760)**	(0.740)	(-0.320)	(-0.480)	(-1.130)	(2.560)*	(1.280)	(1.180)
DSPIN/DENVPIN/DSOCPIN/DGOVPIN×DO	-0.427	-0.456	1.246	1.945	0.260	-0.564	-1.007	-0.460
	(-1.920)	(-2.030)*	(0.940)	(1.430)	(0.610)	(-1.260)	(-1.150)	(-0.880)
DSPIN/DENVPIN/DSOCPIN/DGOVPIN×DF	0.402	1.561	-0.893	0.358	-0.504	1.682	1.380	1.347
	(1.320)	(4.470)***	(-0.640)	(0.250)	(-0.960)	(2.660)**	(1.050)	(1.630)
DSPIN/DENVPIN/DSOCPIN/DGOVPIN× CEOINCENT	-0.734	-0.505	-1.500	-0.082	-1.144	-0.818	1.438	-0.532
	(-5.410)***	(-3.600)***	(-2.900)**	(-0.140)	(-5.990)***	(-3.890)***	(2.030)*	(-1.220)
DSPCF/DENVPCF/DSOCPCF/DGOVPCF×BRDSIZE	-0.031	0.021	-0.018	0.019	-0.059	-0.057	-0.068	0.022
	(-1.780)	(1.140)	(-0.210)	(0.230)	(-2.090)*	(-1.850)	(-0.630)	(0.340)
DSPCF/DENVPCF/DSOCPCF/DGOVPCF×DO	0.394	1.398	-3.243	-2.323	-0.243	0.753	-0.644	1.456
	(1.290)	(4.380)***	(-1.860)	(-1.280)	(-0.460)	(1.300)	(-0.440)	(1.520)
DSPCF/DENVPCF/DSOCPCF/DGOVPCF×DF	-1.964	-1.659	-1.601	2.219	-1.510	-1.500	-2.483	-1.106
	(-4.280)***	(-3.180)**	(-0.600)	(0.830)	(-2.050)*	(-1.730)	(-0.900)	(-0.660)
DSPCF/DENVPCF/DSOCPCF/DGOVPCF× CEOINCENT	0.695	0.234	0.010	1.843	1.360	0.930	-0.268	-0.397
	(3.490)***	(1.150)	(0.010)	(1.670)	(4.280)***	(2.800)**	(-0.270)	(-0.660)
FIRMSIZE	0.384	0.213	0.427	0.527	0.396	0.202	0.320	0.167
	(48.540)***	(26.830)***	(26.520)***	(24.050)***	(43.590)***	(20.940)***	(11.070)***	(9.990)***
ROA	2.856	0.857	2.541	2.983	2.999	0.678	2.963	0.794
	(21.340)***	(6.700)***	(8.880)***	(7.910)***	(18.890)***	(4.300)***	(6.000)***	(3.010)**
LEV	-0.137	0.223	0.304	1.425	-0.246	0.216	-0.539	-0.280
	(-2.100)*	(3.730)***	(2.270)*	(8.390)***	(-3.150)**	(2.920)**	(-2.110)*	(-2.150)*

Table 3.12 continued

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PB	0.003	-0.014	0.001	-0.053	0.004	-0.010	-0.004	-0.003
	(0.790)	(-3.770)***	(0.080)	(-5.390)***	(1.08)	(-2.150)*	(-0.300)	(-0.370)
Constant	-4.915	-1.319	-7.218	-7.869	-5.291	-1.419	-5.376	-2.303
	(-53.900)***	(-16.410)***	(-38.850)***	(-31.510)***	(-51.430)***	(-15.140)***	(-17.220)***	(-14.370)***
Observations	6,118	6,118	6,118	6,118	6,118	6,118	6,118	6,118
Pseudo R^2	0.297	0.101	0.206	0.186	0.283	0.067	0.088	0.032
χ^2	10,064.800	2,590.600	2,455.500	1,517.700	7,406.600	1,302.000	417.130	324.830

Table 3.12 Note:

*t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).*

The estimated regressions are based on the below specific model:

$$Y = \beta_0 + \beta_1 DXPIN_{i,t} + \beta_2 DXPCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times DXPIN_{i,t} + \beta_8 DO_{i,t} \times DXPIN_{i,t} + \beta_9 DF_{i,t} \times DXPIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times DXPIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times DXPCF_{i,t} + \beta_{12} DO_{i,t} \times DXPCF_{i,t} + \beta_{13} DF_{i,t} \times DXPCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times DXPCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \; …...Model\ 8$$

Model 8 tests the associations between institutional or coordinated shareholder activism and CSP (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. CSP(Y) is measured by employing KLDS, KLDC, ES, EC, SS, SC, GS and GC respectively at t+1. KLDS represents KLD strength, the positive side of CSP. KLDC represents KLD concern, the negative side of CSP. ES represents environmental strength, the positive side of environmental performance. EC represents environmental concern, the negative side of environmental performance. SS represents social strength, the positive side of social performance. SC represents social concern, the negative side of social performance. GS represents governance strength, the positive side of governance performance. GC represents governance concern, the negative side of governance performance. DXIN denote dummy variables for shareholder proposals submitted by institutional shareholders (DSPIN), shareholder proposals submitted by institutional shareholders on environmental issues (DENVPIN), shareholder proposals on social issues submitted by institutional shareholders (DSOCPIN) and shareholder proposals on governance issues submitted by institutional shareholders (DGOVPIN) respectively. DXCF denote dummy variables for shareholder proposals submitted by coordinated shareholders (DSPCF), shareholder proposals on environmental issues submitted by coordinated shareholders (DENVPCF), shareholder proposals on social issues submitted by coordinated shareholders (DSOCPCF) and shareholder proposals on governance issues submitted by coordinated shareholders (DGOVPCF) respectively. DSPIN denotes the dummy variable taking value "1" if there are shareholder proposals submitted by institutional shareholders and "0"otherwise. DSPCF denotes the dummy variable taking value "1" if there are shareholder proposals submitted by coordinated shareholders and "0" otherwise. DENVPIN, DSOCPIN and DGOVPIN are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues submitted by institutional shareholders and "0" otherwise. DENVPCF, DSOCPCF and DGOVPCF are dummy variables taking value "1" if there are shareholder proposals on environmental, social and governance issues submitted by coordinated shareholders and "0" otherwise. DO denotes the percentage of outside directors; BRDSIZE denotes the board size; CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; DF denotes the percentage of female directors on board; CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents company i, and t represents the year when shareholder activism happens. The results are presented in Table 3.12.

Tables 3.13 and Table 3.14 show the associations between the intensity of shareholder activism (the number of shareholder proposals) and CSR disclosure, respectively. Table 3.13 reveals that high intensity of shareholder activism does not improve the CSR transparency. Table 3.13 also shows that no corporate governance mechanisms complement shareholder activism in improving governance disclosure level. The results show that *SOCP×DF* negatively relates to social disclosure level (*S*) (β=-11.417, p-value<0.05), indicating that high intensity of shareholder activism on social issues decreases social disclosure level in the presence of female directors. Synthesizing with results in Table 3.5, the results demonstrate that the intensity of shareholder activism does not contribute to the overall CSR transparency. Table 3.14 presents whether the intensity of institutional and coordinated shareholder activism relates to CSR disclosure level or its subdimensions. Specifically, institutional shareholder activism does not relate to CSR disclosure level or its subdimensions, similar to results in Table 3.13. Coordinated shareholder activism negatively relates to social disclosure level (β=-20.934, p-value<0.05), providing evidence of the collective action problem among coordinated shareholders, which is consistent with results in Table 3.8. *SPIN×BRDSIZE* positively relates to *ESG* (β=0.279, p-value<0.05), which is consistent with results in Table 3.6. The results also illustrate that CEO incentives may complement the high intensity of coordinated shareholder activism in increasing CSR disclosure level. While it appears to be inconsistent with results in Table 3.8 with regards to CEO incentives, the results show the condition for coordinated shareholder activists to receive firm responses of increasing CSR disclosure level is restricted. That is, only if the number of coordinated shareholder activism is high enough given high CEO incentives, will companies react by increase CSR disclosure level. According to Table 3.2 and the practice, however, a large number of coordinated shareholder activism within a year only

happen occasionally[39]. Therefore, the results roughly confirm collective action problem among

coordinated shareholders.

[39] See Table 3.2, coordinated shareholder activism in each year is much lower than other types of activism.

Table 3.13 Results-intensity of shareholder activism and CSR disclosure

	(1) ESG	(2) E	(3) S	(4) G
SP/ ENVP/ SOCP/ GOVP	0.003	1.562	1.840	-0.314
	(0)	(0.280)	(0.610)	(-0.450)
BRDSIZE	0.342	0.864	0.448	0.147
	(5.300)***	(5.200)***	(4.310)***	(4.440)***
DO	4.182	4.839	7.530	2.668
	(4.770)***	(2.100)*	(5.190)***	(5.870)***
DF	13.480	28.830	15.066	4.514
	(10.000)***	(8.530)***	(6.750)***	(6.480)***
CEOINCENT	2.094	4.478	3.324	1.270
	(3.470)***	(2.280)*	(3.040)**	(4.110)***
SP/ENVP/ SOCP/ GOVP ×BRDSIZE	0.056	0.266	0.027	0.020
	(1.120)	(0.700)	(0.160)	(0.560)
SP/ENVP/ SOCP/ GOVP ×DO	0.811	3.005	-0.148	0.790
	(1.100)	(0.630)	(-0.060)	(1.460)
SP/ENVP/ SOCP/ GOVP ×DF	2.077	-1.745	-11.417	1.407
	(1.460)	(-0.180)	(-2.340)*	(1.380)
SP/ ENVP/SOCP/ GOVP × CEOINCENT	-0.879	-6.361	1.210	-0.496
	(-1.300)	(-1.390)	(0.580)	(-1.000)
FIRMSIZE	4.300	5.377	3.991	1.935
	(38.640)***	(20.000)***	(22.610)***	(34.580)***
ROA	10.783	20.880	11.578	4.970
	(6.900)***	(4.370)***	(4.290)***	(6.100)***
LEV	-3.947	-4.126	-1.391	-1.969
	(-5.320)***	(-1.950)	(-1.110)	(-5.120)***
PB	0.292	0.340	0.197	0.148
	(6.670)***	(3.250)**	(2.890)**	(6.520)***
Constant	-30.218	-63.570	-23.112	31.067
	(-9.810)***	(-10.830)***	(-5.620)***	(19.290)***
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	6,233	2,665	4,331	6,227
Adjusted R²	0.505	0.324	0.352	0.423
F	228.400	46.670	85.100	164.130

Table 3.13 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific model:

$Y = \beta_0 + \beta_1 X_{i,t} + \beta_2 BRDSIZE_{i,t} + \beta_3 DO_{i,t} + \beta_4 DF_{i,t} + \beta_5 CEOINCENT_{i,t} + \beta_6 BRDSIZE_{i,t} \times X_{i,t} + \beta_7 DO_{i,t} \times X_{i,t} + \beta_8 DF_{i,t} \times X_{i,t} + \beta_9 CEOINCENT_{i,t} \times X_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon$ *........ Model 9*

Model 9 tests the association between the intensity of shareholder activism and the level of CSR disclosure (also for its subdimensions). Shareholder activism is measured by employing shareholder proposals. The subdimensions include environmental disclosure level(E), social disclosure level(S) and governance disclosure level(G). The level of CSR disclosure (Y) denote ESG, E, S and G respectively at t+1. X denote the number of shareholder proposals (SP), the number of shareholder proposals on environmental issues (ENVP), the number of shareholder proposals on social issues (SOCP) and the number of shareholder proposals on governance issues (GOVP) respectively. XCF denote the number of shareholder proposals submitted by coordinated shareholders (SPCF), the number of shareholder proposals on environmental issues submitted by coordinated shareholders (ENVPCF), the number of shareholder proposals on social issues submitted by coordinated shareholders (SOCPCF) and the number of shareholder proposals on governance issues submitted by coordinated shareholders (GOVPCF) respectively. DO denotes the percentage of outside directors; BRDSIZE denotes the board size; CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; DF denotes the percentage of female directors on board. CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total

assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents company i, and t represents the year when shareholder activism happens. The results are presented in Table 3.13.

Table 3.14 Results-intensity of institutional or coordinated shareholder activism and CSR disclosure

	(1) ESG	(2) E	(3) S	(4) G
SPIN/ENVPIN/SOCPIN/GOVPIN	-0.175	-3.585	6.463	-0.978
	(-0.100)	(-0.390)	(1.190)	(-0.750)
SPCF/ENVPCF/SOCPCF/GOVPCF	-5.438	19.650	-20.934	0.178
	(-1.340)	(1.070)	(-2.240)*	(0.050)
BRDSIZE	0.309	0.830	0.430	0.147
	(4.830)***	(5.030)***	(4.180)***	(4.490)***
DO	4.627	5.223	7.659	2.773
	(5.330)***	(2.280)*	(5.300)***	(6.190)***
DF	13.500	28.700	14.343	4.584
	(10.170)***	(8.540)***	(6.480)***	(6.710)***
CEOINCENT	1.809	4.559	2.949	1.231
	(3.020)**	(2.360)*	(2.720)**	(4.010)***
SPIN/ENVPIN/SOCPIN/ GOVPIN ×BRDSIZE	0.279	0.947	0.335	0.087
	(2.530)*	(1.790)	(1.090)	(1.070)
SPIN/ ENVPIN/SOCPIN/ GOVPIN ×DO	-0.965	3.091	-5.262	0.043
	(-0.620)	(0.320)	(-1.120)	(0.040)
SPIN/ ENVPIN/SOCPIN/ GOVPIN ×DF	4.472	1.783	-3.876	2.502
	(1.540)	(0.120)	(-0.490)	(1.250)
SPIN/ ENVPIN / SOCPIN/ GOVPIN×CEOINCENT	-2.656	-10.980	-6.175	-0.130
	(-2.030)*	(-1.600)	(-1.490)	(-0.140)
SPCF/ ENVPCF/ SOCPCF/ GOVPCF ×BRDSIZE	0.165	0.045	-0.234	-0.096
	(0.620)	(0.040)	(-0.430)	(-0.400)
SPCF/ ENVPCF/ SOCPCF/ GOVPCF ×DO	-1.137	-11.826	4.798	3.758
	(-0.340)	(-0.860)	(0.710)	(1.320)
SPCF/ ENVPCF / SOCPCF/ GOVPCF ×DF	-4.344	-15.470	-15.028	-1.347
	(-0.630)	(-0.570)	(-1.120)	(-0.210)
SPCF/ ENVPCF / SOCPCF / GOVPCF ×CEOINCENT	7.592	-9.670	29.478	-1.534
	(2.470)*	(-0.710)	(4.220)***	(-0.580)
FIRMSIZE	4.454	5.431	4.053	1.971
	(41.620)***	(20.370)***	(23.430)***	(36.390)***
ROA	10.629	20.100	11.618	4.931
	(6.790)***	(4.190)***	(4.310)***	(6.060)***
LEV	-4.099	-4.083	-1.339	-1.999
	(-5.530)***	(-1.930)	(-1.070)	(-5.190)***
PB	0.295	0.350	0.183	0.150
	(6.750)***	(3.340)***	(2.680)**	(6.580)***
Constant	-30.361	-66.130	-24.610	31.812
	(-10.110)***	(-10.950)***	(-5.970)***	(20.850)***
IndustryDummy	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes
Observations	6,233	2,665	4,331	6,227
Adjusted R^2	0.505	0.324	0.354	0.422
F	193.250	39.710	72.940	138.860

Table 3.14 Note:

t statistics in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).
The estimated regressions are based on the below specific model:

$Y = \beta_0 + \beta_1 XIN_{i,t} + \beta_2 XCF_{i,t} + \beta_3 BRDSIZE_{i,t} + \beta_4 DO_{i,t} + \beta_5 DF_{i,t} + \beta_6 CEOINCENT_{i,t} + \beta_7 BRDSIZE_{i,t} \times XIN_{i,t} + \beta_8 DO_{i,t} \times XIN_{i,t} + \beta_9 DF_{i,t} \times XIN_{i,t} + \beta_{10} CEOINCENT_{i,t} \times XIN_{i,t} + \beta_{11} BRDSIZE_{i,t} \times XCF_{i,t} + \beta_{12} DO_{i,t} \times XCF_{i,t} + \beta_{13} DF_{i,t} \times XCF_{i,t} + \beta_{14} CEOINCENT_{i,t} \times XCF_{i,t} + \sum \beta_n CONV_{i,t} + \varepsilon. \ldots\ldots Model\ 10$

Model 10 tests the association between the intensity of institutional or coordinated shareholder activism and the level of CSR disclosure (also for its subdimensions). Y denote ESG, E, S and G respectively at t+1. X denote the number of shareholder activism (SP), the number of shareholder activism on environmental issues (ENVP), the number of shareholder activism on social issues (SOCP) and the number of shareholder activism on governance issues (GOVP). XIN denote the number of institutional shareholder activism (SPIN), the number of institutional shareholder activism on environmental issues (ENVPIN), the number of institutional shareholder activism on social issues (SOCPIN) and the number of institutional shareholder activism on governance issues (GOVPIN) respectively. XCF denote the number of coordinated shareholder activism (SPCF), the number of coordinated shareholder activism on environmental issues (ENVPCF), the number of coordinated shareholder activism on social issues (SOCPCF) and the number of coordinated shareholder activism on governance issues (GOVPCF). DO denotes the percentage of outside directors; BRDSIZE denotes the board size; CEOINCENT denotes the percentage of short-term and long-term incentives of CEO compensation to the total compensation; CONV represents control variables including FIRMSIZE, ROA, LEV and PB. FIRMSIZE denotes firm size (the natural logarithm of total assets); ROA denotes return on assets (return on assets as EBIT deflated by lagged total assets); LEV denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets); PB denotes P/B ratio (Market value of equity deflated by book value of equity). All the independent variables, variables measuring corporate governance mechanisms and control variables are collected at t. i represents company i, and t represents the year when shareholder activism happens. The results are presented in Table 3.14.

3.6 CONCLUSION

This chapter examines whether different types of shareholder activism affect CSR disclosure level, and whether other corporate governance mechanisms moderate these associations. The results document that given a sufficiently large board size and the presence of female directors on the board, the association between shareholder activism and CSR disclosure becomes positive, despite the fact that shareholder activism negatively relates to CSR disclosure. This reflects the weakness of shareholder activism on its own. However, in the presence of certain corporate governance mechanisms, firms may respond and increase CSR disclosure.

Anchored in stakeholder salience theory, prior literature proposes that large shareholder activism, namely coordinated shareholder activism and institutional shareholder activism, contribute to enhanced financial performance (Gillan & Starks, 2000) and corporate social performance (Neubaum & Zahra, 2006), as their power threatens managerial job security. However, there are differences between coordinated shareholders and institutional shareholders, as they are exposed to different levels of the collective action problem. Olson (2009) proposes that the larger the monitoring group, the more severe the collective action problem. In this sense, the collective action problem may keep salient shareholders from receiving significant managerial responsiveness. Given this theoretical background, the chapter has studied the relationship between institutional shareholder activism or coordinated shareholder activism and CSR disclosure. In doing so, CSR disclosure level is used as a signal of managerial responsiveness to shareholder activism.

The chapter seeks to extend Gillan and Starks (2000) by splitting large shareholder groups into institutional shareholders and coordinated shareholders. It examines how institutional

characteristics differ from coordinated characteristics in receiving managerial responses, namely CSR disclosure manipulation. While Gillan and Starks (2000) allege that institutional shareholders and coordinated shareholders behave similarly, this chapter notes different managerial reactions in terms of CSR disclosure level after institutional shareholder activism and coordinated shareholder activism. Specifically, given a sufficient number of directors on the board, institutional shareholders push firms to manipulate CSR disclosure level whereas coordinated shareholder activism does not change CSR transparency significantly. This evidence partially indicates that institutional shareholders demonstrate more salience than coordinated shareholders to the firm. These results are also contingent on other corporate governance mechanisms that can either complement or substitute shareholder activism to promote CSR transparency. Specifically, the results indicate that large board size or presence of female directors complements shareholder activism (also for shareholder activism requesting CSR disclosure) in monitoring CSR transparency, whereas the results of additional tests roughly reveal that these governance mechanisms do not drive the association between the intensity of shareholder activism and CSR disclosure. This means that shareholder activism and corporate governance mechanisms (namely, large board size and female directors) work together to inflict significant pressure on firms for CSR transparency; however, intensive shareholder activism may actually discourage firms from increasing CSR transparency. More precisely, the results suggest that the complementary effect among corporate governance mechanisms only exists when the level of shareholder activism is not high. In addition, the results reveal a weak complementary effect of outside directors and CEO incentives with shareholder activism. This therefore signals that large board size and female directors are detrimental mechanisms in enhancing CSR transparency, whereas the presence of outside directors and CEO long-term incentives are relatively less important.

Similar to the above findings on the complementary effect, the results also confirm that institutional or coordinated shareholder activism is not associated with CSR disclosure level, whereas large board size and the presence of female directors can complement institutional shareholder activism to increase CSR transparency. Nonetheless, these mechanisms do not significantly complement the impact of coordinated shareholder activism on CSR disclosure level. Taken together, these findings indicate that large board size and female directors are desirable governance mechanisms only if there are no collective action problems among shareholder activists.

The findings also show that shareholder activism negatively relates to changes of CSR disclosure level. Furthermore, firms do not respond to institutional shareholders by changing CSR disclosure level, potentially because there is no weighty expectation from institutional shareholders regarding CSR disclosure. Further, institutional shareholder activism on its own is not related to CSR or CSP, but in combination with large board size or female directors, can lead to increases in both CSR disclosure level and CSR performance given large board size and female directors on the board. These findings indicate that socio-political theory can provide an explanation regarding how overall shareholder activism affects CSR performance or disclosure level. That is, shareholder activism inflicts a heightened level of pressure and scrutiny on firms, thus demotivating firms from disclosing CSR information. Nevertheless, when facing institutional shareholder activism and strong corporate governance mechanisms, firms with superior performance tend to convey their positive actions through increased CSR disclosure level, in line with voluntary disclosure theory.

Lastly, additional results suggest that the intensity of shareholder activism on its own or combined with corporate governance mechanisms do not lead to change in CSR disclosure. This indicates that compared with an intensive level of shareholder activism, a moderate level of shareholder activism may increase CSR transparency more effectively.

Overall, the findings provide empirical evidence that salient shareholders with power, legitimacy and urgency receive more responsiveness from firms. Unlike scholars who direct their attention solely to CSR, this chapter explores how different salient shareholder groups affect CSR disclosure. This study finds that variations in shareholder salience lead to different corporate reactions. While prior research such as Neubaum and Zahra (2006) and Gillan and Starks (2000) examines the effectiveness of coordinated shareholder and institutional shareholder activism, they do not separate coordinated shareholder activism from institutional shareholder activism, thus failing to consider how the collective action problem restricts shareholder power. Coordinated shareholder groups are typically exposed to a high degree of the collective action problem compared with institutional shareholder groups that have fewer conflicts of interests given the existence of certain corporate governance mechanisms. The results also advocate that proxy rules should not restrict the communication of coordinated shareholders but assist them to resolve conflicts of interest, thereby creating an effective coalition for managerial monitoring. In addition, the results also illustrate that corporate reactions to shareholder activism rely upon other corporate governance mechanisms in particular board size and female directors that can complement or substitute shareholder activism.

By examining CSR disclosure, this chapter connects stakeholder salience theory to the disclosure behaviour of firms. It is paramount to examine the relationship between shareholder power and information disclosure, as it provides evidence about how firms manage relationships with their constituents. In addition, the results also suggest that relevant mechanisms and regulations should be introduced to mitigate collective action problem among coordinated shareholder groups.

Although this chapter has both theoretical and practical contributions, it also has some limitations. Firstly, it does not consider the interaction of salient shareholders and other stakeholders, although this interaction can influence their power and thereby alter CSR performance or CSR disclosure. Secondly, it does not investigate the quality of CSR disclosure but only the quantity or extent of disclosure. The quality of CSR disclosure after shareholder activism is also important in terms of evaluating information manipulation. These points can be addressed by future research.

Chapter 4: Spillover Effects of Shareholder Activism

4.0 SYNOPSIS

This chapter addresses the third research question of this thesis (see Chapter 1). Specifically, it examines whether the spillover effects (i.e. peer effects) of shareholder activism influence corporate social responsibility (CSR) disclosure, corporate social performance (CSP) and financial performance respectively. Based on the sample developed from analysis of shareholder proposals lodged during the period of 2007-2014, the chapter identifies a strong positive relationship between shareholder activism and social and environmental disclosure level in peer firms. The chapter has also identified a relatively weak positive relationship between shareholder activism and CSP. Furthermore, it finds a positive association between the spillover effects of shareholder activism and firm value. The results also show that institutional shareholder activism improves CSR transparency, CSP and financial performance whereas coordinated shareholder activism does not show any significant influence on CSR disclosure, CSP and financial performance among peer firms. The research of this thesis adds value to the current body of literature by examining the spillover effects of shareholder activism on CSR disclosure, financial performance and non-financial performance.

4.1 INTRODUCTION

Shareholder activism has proven itself to be a well-organised corporate governance force in modifying business strategies, policies and the performance of targeted firms. It is argued that increased accessibility to online archival material regarding proposals and other documents of shareholder activism has facilitated wider reading and dispersal of information about shareholder activism events. The dissemination of such information not only produces an increased expectation regarding the reform of corporate policies in targeted firms, but it can also result in the scrutiny of and pressure on peer firms, thereby influencing their corporate social performance, corporate governance, disclosure and financial performance. These consequences for peer firms are called "spillover effects".

Roehm and Tybout (2006) define spillover effects as when negative information on one product influences sales of other products within the same brand family. This chapter will extend this concept through examining the specific spillover effects of shareholder activism on corporate social responsibility (CSR) disclosure, corporate social performance (CSP) and financial performance (FP) and relate them to changes of performance in non-targeted firms after shareholder activism targeting peer firms. Research into spillover effects argues that they can originate from (1) information asymmetry (Lieberman & Asaba, 2006); (2) market competition (Gantchev et al., 2017). Lieberman & Asaba (2006) argue that the mimicking behaviour of non-targeted peer firms is due to their lack of information. This lack leads to a tendency to learn from well-informed others in order to easily design their own policies. Current literature points out two forms of spillover effects with regard to market competition, namely the threatening effect (Gantchev et al., 2017) and the competition effect (Aslan & Kumar, 2016). The threatening effect contends that non-targeted firms proactively adopt strategies in fear of being targeted in the future (Gantchev et al., 2017). This theory specifically implies that

shareholder activism deteriorates corporate reputation by signalling that firms have acted against the will of shareholders and demotivates investors from making investments, and as a result, it damages firms by reducing their financial resources. In the face of shareholder activism in targeted firms, non-targeted firms have to proactively adopt policies or strategies to protect themselves from reputational risks and financial disaster. Contrastingly, the product competition effect derives from the competitive pressure of peer firms (Aslan & Kumar, 2016). Shareholder activism consequentially could improve performance of targeted firms thus making them stand out from peer firms. In fear of falling behind, non-targeted firms have to proactively change their policies and strategies to maintain their status and performance even if they do not face the threats of shareholder activism. Overall, both forms of spillover effects cause the changing behaviours of peer firms, usually an improvement in performance.

Nowadays, shareholder activism not only disciplines firms regarding financial performance and policies, but to a greater extent it acts as a crucial monitoring mechanism of firm management in social, environmental and governance aspects. Specifically, shareholder proposals on contemporary issues such as environmental issues and social issues have received majority support in firms, indicating an increased public awareness surrounding CSR issues (Mueller & Ising, 2017). One example could be the shareholder proposal on Newmont's Community Policies and Practices in 2007[40] with 91.6% support from shareholders. The increased public awareness calls for more exploration of shareholder activism in relation to ESG issues. To study the spillover effects of shareholder activism among peer firms, the influences from shareholder activism on CSR practices among them should not be neglected. Further investigation could add value to this body of literature by providing insights into

---

[40] See https://www.sec.gov/Archives/edgar/data/1164727/000119312507046484/ddef14a.htm#toc54074_34a

whether shareholder activism is a successful and effective tool in changing behaviour within non-targeted firms.

The evolution of SEC regulations in 1992 (Sharara & Hoke-Witherspoon, 1993) and 2008[41] resulted in relaxed regulations on institutional shareholder communication by allowing non-disclosed communication and the exchanging of information in electronic forums. This evolution has increased the likelihood and effectiveness of shareholder coordination. As a consequence, shareholder proposals on CSR issues have become more important to firms and can lead to fundamental CSR reforms (Perrault & Clark, 2016). Proposals from institutional or coordinated shareholders could continue to compel peer firms to proactively change CSR policies, as they may exert strong bargaining power and target peer firms in the future. Specifically, companies may fear losing the ongoing support of institutional or coordinated shareholders who have traditionally controlled the vital economic resources of firms. In that case, activism from institutional or coordinated shareholders is likely to strongly influence the policies of peer firms. Therefore, examining whether institutional and coordinated shareholders causes change(s) to the CSR practices of non-targeted peer firms would allow us to better understand the implications of shareholder salience for peer firms' behaviour.

In light of the above discussion, this chapter will assess the spillover effects of shareholder activism by enquiring:

> *Does shareholder activism affect social, environmental and governance performance and disclosure and financial performance in peer firms?*

---

[41] See http://www.shareholderforum.com/Reference/20080118_SEC-rules.pdf

This chapter contributes to the large current body of literature examining whether shareholder activism affects performance, the adoption of policies and the implementation of strategies in peer firms, based on the S&P 1500 sample from between 2007 and 2014. It extends current literature by providing an understanding of the peer firms' proactive risk management (i.e. peer effects or spillover effects) through analysing changes to CSR disclosure, CSP and FP. Specifically, through analysis of ESG disclosure scores, this chapter provides evidence of how spillover effects of shareholder activism influence CSR disclosure. Spillover effects on CSP are shown via the implications of activism for KLD strength and KLD concern. The thesis chooses ESG disclosure score to measure CSR disclosure level and chooses KLD to measure CSP based on: (1) the availability of data; and (2) the measurements used in prior literature. For instance, Giannarakis (2014) uses ESG disclosure score to measure CSR disclosure level. KLD data are employed by Cao et al. (2019) to measure CSP. Spillover effects on FP is shown by examining the association between shareholder activism and indicators of FP, namely Tobin's Q, ROE, annual return and revenue growth. The reason to choose these indicators is because they are widely used in prior literature on examining financial performance or consequence. For example, Bharadwaj, Bharadwaj and Konsynski (1999) uses Tobin's Q as a measurement for FP. ROE and annual return are employed by Hong, Plowman and Hancock (2007) as a measurement for FP. Revenue growth which indicates business growth of the firm is employed by Chen, Cheng and Hwang (2005) as a measurement for FP.

Furthermore, the chapter contributes by comparing the influence of spillover effects on CSR disclosure, CSP and FP. Clarkson et al. (2011) and Clarkson et al.(2008) propose the inconsistency between the level of CSR disclosure and the level of CSP, which indicates a need to examine whether shareholder activism affects CSR disclosure and CSP in peer firms consistently or not. In addition, other studies also show disparity between CSP and FP (Lu, Ye,

Chau, & Flanagan, 2018). The inconsistency of the three indicators indicates the need to examine CSR disclosure, CSP and FP together to understand the influence of shareholder activism on firm performance comprehensively. Therefore, examining the disparity among CSR disclosure, CSP and FP in peer firms after shareholder activism will contribute to the research into the performance-disclosure gap.

This chapter also makes contributions by evaluating whether large shareholders, namely institutional shareholders and coordinated shareholders, cause an intensification of the spillover effects after regulatory reform. Accordingly, it examines whether the coordination between shareholders, or having an institutional shareholder initiating the activism, enhances stakeholder salience levels and therefore the overall effectiveness of shareholder activism. In doing so, the chapter verifies stakeholder salience theory and collective action theory, from the perspective of corporate reaction (i.e. whether changes in firm policies and performance result directly from peer firms' shareholder activism).

Beyond the contributions on the research and theories, the chapter also contributes to the regulation on shareholder activism. The sample employed in this chapter's analysis is between 2007 and 2014. This timeframe has been utilised because during this period, the regulation surrounding communication for large shareholders were less restricted. For instance, as of October 22, 1992, the Security Exchange Commission (SEC) no longer required large shareholders to report all their communication in the statements (Sharara & Hoke-Witherspoon, 1993) and encourages them to communicate through an electronic forum after January 18, 2008 (Morris, 2008). Specifically, the electronic forums offer a quicker and cheaper way to express ideas and facilitate easier cooperation, thus increasing their bargaining

power as stakeholders (Morris, 2008). It is argued that loosened regulations regarding communication and the increased use of electronic forums have allowed shareholders to become more salient, therefore increasing the likelihood of their proposals receiving more significant corporate responses than in previous periods. The evidence provided in this chapter will allow regulators to assess the impact of regulation on shareholder activism (e.g. whether the relaxation of communication rules in 2008 has indeed led to more responsive corporate changes to shareholder requests.). Additionally, the evidence of this chapter on spillover effects enables regulators to understand the externality of activism, thereby establishing appropriate regulations to generate the positive externality of shareholder activism.

The remainder of this Chapter Four is organised into five sections. In Section 4.1, the background of spillover effects was introduced. In Section 4.2, prior literature is reviewed, and hypotheses are developed. The method and models utilised in this thesis are evaluated in Section 4.3. Sections 4.4 and 4.5 present the results and the chapter's conclusion respectively.

4.2 LITERATURE REVIEW

4.2.1 Peer effects in the fields of sociology and education

The concepts of spillover effects or, more commonly, peer effects appear throughout early research in the fields of sociology and education. Studies in these areas have documented the reasons why these peer effects occur and formed the foundations of current research. Since the theories regarding peer effects in business are built upon those developed earlier in the areas of sociology, education and economics, this chapter will briefly review the body of literature investigating peer effects in those fields and analyse the relevant evidence and theories.

Peer effects are rooted in the comparison of behaviour. Festinger (1954) argues that people make comparisons to evaluate their own abilities and skills. For instance, people can establish whether they run fast enough through comparison to the running of others (Festinger, 1954). This reference process shapes people's opinions and drives them to learn from favoured peer groups. The first step in the reference process involves selecting specific peer groups for comparison. Normative or comparative reference theories and role theory explain how reference groups are chosen in the reference process (Hallinan & Williams, 1990). Normative reference theories propose that people refer to social values and norms to identify standards for behaviour, whereas comparative reference theories suggest the use of specific reference groups to identify standards for behaviour (Hallinan & Williams, 1990; Kemper, 1968). Role theory notes that people may mimic the behaviour of those they respect (Hallinan & Williams, 1990).

After identifying reference groups, the next step in reference process pertains to comparing activities. Relevant research has examined the outcome of comparing activities through studies into how young students improve their academic achievements. Lazear (2001) argues that eventually, comparing activities can lead to both positive and negative outcomes especially in classroom-based education. Winston and Zimmerman (2004) found that strongly performing students can positively improve the performance of poorly performing students, whereas the former's performance is not affected by that of the latter. Similarly, Zimmer and Toma (2000) argue that students who are less capable of studying are more likely to be impacted by peer effects than their counterparts with respect to academic achievement. Contrastingly, Lazear (2001) documents the negative outcomes of comparing activities. Specifically, if one child behaves undesirably, then others might imitate the behaviour of this child, thus spreading the same negative externality (Lazear, 2001). Overall, these studies conclude that comparing

activities may result in narrowing the gaps between poorly performing students and their strong peers.

The tendency to learn from well-performed peers not only affects the academic attainment, but it could also affect social behaviours. In a study combining education with sociology, Gaviria and Raphael (2001) extend the peer effects of school performance to social performance. They find that students are likely to be influenced by peers in terms of participating in social activities such as drinking alcohol and using drugs. They also document that this propensity is more conspicuous in students from a single-parent family. Analogous to their research, Lundborg (2006) focuses on the role of peer effects in these activities. Lundborg (2006) reports a stronger influence of peer effects regarding drinking alcohol, whilst identifying a weaker influence of peer effects regarding drug use. These studies indicate that people prefer to mimic social behaviour which benefits their social network. In the meantime, these studies also illustrate that the negative influences from this imitation could demotivate them from mimicking others.

Sociology, education and business research often overlap each other because they invariably consider the social connections of people and their interactions (Gaviria, Raphael, & Statistics, 2001; Lazear, 2001). Accordingly, the motivation to catch up with better performing peers, as demonstrated through the aforementioned studies, may also translate into similar competitive incentive between firms. This widespread phenomenon of spillover or peer effects motivates scholars in areas such as business and economics to utilise the concepts and definitions produced in the fields of sociology and education as a framework in their research.

4.2.2 Peer effects on business, corporate performance, governance and CSR issues

Analogous to the research into peer effects in sociological and educational fields, the research into the influence of peer effects in business indicates that firms tend to mimic better performing peer firms. Research in the field of business into peer effects can be classified into: (1) influences on individual behaviours; (2) influences on corporate performance or governance issues. Both individual learning and corporate learning behaviours are generated by a motivation to obtain both positive information and experience from peers.

Typically, research into the impact of peer effects on individual behaviour in the business field involves studies on labour economics (Cornelissen, Dustmann, & Schönberg, 2017; Falk & Ichino, 2006), investments (Kaustia & Knüpfer, 2012) and entrepreneurship (Nanda & Sørensen, 2008). These articles find improved productivity (Falk & Ichino, 2006), better financial return (Kaustia & Knüpfer, 2012) and positive influences on personal career are related to peer effects. Falk and Ichino (2006) find that peer effects from high-productivity workers stimulate the low-productivity workers to raise their productivity. Kaustia and Knüpfer (2012) report that positive share return to investors entices investors with the same zip code to enter the market. Falk & Ichino (2006) and Kaustia & Knüpfer (2012) extend peer effects research from sociology into to the fields of economics and business. They both confirm the key conclusion from sociological research into peer effects: that people are motivated to learn from good behaviour and avoid bad performance. Nanda and Sørensen (2008) argue that employees aspire to be entrepreneurs if their peers have achieved the same goal or have superior knowledge in an area due to previous employment. The peer effects occur due to the knowledge and information sharing among them.

The development of modern technology has facilitated increased information dissemination and market competition throughout the globe (Hauswald & Marquez, 2003). An increasingly fierce, accessible and competitive global environment drives peer effects among firms because they fear falling behind their peers. Bushman and Smith (2003) argue that peer effects are intensifying, as more peer firms are available to compare with. Chen and Ma (2017) argue that information gained from peer firms, in combination with the current fierce global competition intensify positive peer effects on financial performance, as the learning from peer's benefits investment decision-making. This benefit is particularly pivotal to new firms with financial constraints which have a strong desire for profit to fund their new projects and investments (Chen & Ma, 2017). DeFond and Park (1999) argue that the highly competitive global environment increases CEO turnover. Firms with below average performance are inclined to improve their performance so that managers in such companies can secure their jobs (Arora & Dharwadkar, 2011). If firms (or the managers) are unable to improve firm performance, shareholders may lose confidence in the firm, thus initiating shareholder activism (Arora & Dharwadkar, 2011). In summary, when peer firms have reformed their policies in the attempt to improve firm performance, their underperforming counterparties are often incentivized to undertake similar reforms, to pre-emptively defend themselves from being targeted.

Current literature widely documents peer effects between firms by primarily discussing their impact on firm performance (Gantchev et al., 2017) or corporate governance issues (Faulkender & Yang, 2010; Leary & Roberts, 2014; John & Kadyrzhanova, 2008; Chen & Ma, 2017; Ferri & Sandino, 2009). Similar to the peer effects identified between individuals, the peer effects between firms also originate from comparing activities. Gantchev et al. (2017) show that firms learn lessons from their peers after events of shareholder activism. This learning behaviour is reflected by the improved value of non-targeted peer firms (Gantchev et

al., 2017). In summary, based on observation of targeted firms, peer firms adopt proactive policies to prevent themselves from similar shareholder activism in the future (Gantchev et al., 2017).

Literature regarding the impact of peer effects on corporate governance typically includes analysis of corporate policies (Leary & Roberts, 2014; John & Kadyrzhanova, 2008; Chen & Ma, 2017) , directors (Levit & Malenko , 2016), board structure (Faulkender & Yang, 2010) and employee stock options (Ferri & Sandino, 2009). Most studies find that successful firms can strongly influence the financial policies and capital structure of unsuccessful peer firms. Analogous to the results of research in sociological and educational fields, Leary and Roberts (2014) identify learned good behaviour within firms and demonstrate its existence and influence in decision-making related to financial policies. Rather than focusing on analysis of the individual behaviour, Leary and Roberts (2014) focus on herd behaviour to explain the theoretical motivation behind the learning behaviours of firms. By copying policies and strategies from more successful firms, underperforming firms can free-ride their peers to develop more desirable policies. For managers, free riding on another firms' policies can mitigate the likelihood of threat to their job security from shareholder activism.

John and Kadyrzhanova (2008) examine the influence of peer effects in the adoption of corporate policies, namely anti-takeover provisions (ATP). For example, if targeted firms adopt ATP, non-targeted peer firms will feel pressured to adopt them as well, fearing potential future takeover bids. Consequently, both Leary and Roberts (2014) and John and Kadyrzhanova (2008) argue that peer effects advance corporate governance. Levit and Malenko (2016) find that desirable corporate governance of peer firms motivates directors in these firms to behave

friendly to shareholders. It illustrates the tendency to learn from desirable corporate governance, which also confirms Leary and Roberts (2014) and John and Kadyrzhanova (2008). Faulkender and Yang (2010) argue that firms with undesirable corporate governance namely, busy boards, chairman CEOs and CEOs with long tenure, set CEO compensation by comparing to highly paid executives in peer firms. The evidence presented by Faulkender and Yang (2010) indicates that peer effects are conditional on other corporate governance mechanisms. Similarly, Chen and Ma (2017) also suggest that peer effects are dependent upon various conditions and factors. Specifically, they show that if firms have high disclosure quality, their peer firms may adopt similar policies or make similar financial decisions.

Chen and Ma (2017) go one step further in their study by examining the financial performance of peer effects. Their research proposes strong associations among peer effects, corporate governance and financial performance. Chen and Ma (2017) argue that peer effects can improve corporate governance and eventually increase financial performance. Ferri and Sandino (2009) document that non-targeted firms are likely to expense employee stock options if their counterparts are targeted by shareholder proposals to expense employee stock options. This is also because peer firms prefer to voluntarily implement costless proactive strategies to improve corporate governance and protect the value of shareholders, while simultaneously preventing shareholder activism in the future (Ferri & Sandino, 2009). In summary, current literature asserts that peer effects can improve financial performance and/or corporate governance.

The adoption of CSR policies may also be influenced by peer firms; however, the level of this influence is as yet, undetermined. Lin and Chih (2016) propose that firms tend to shape CSR

policies according to those of peer firms. Vogel (2005), however, argues that companies may not alter their CSR policies due to peer effects, because CSR policies may not directly increase organisational profitability. It is therefore arguable that the influence of peer effects in adopting CSR policies is weak. Liu and Wu (2016) suggest that a close association between CSR policies and profitability would drive firms to implement desired CSR policies in line with their peer firms. Cao et al. (2019) find that the implementation of past CSR proposals (which represent the dissatisfaction of shareholders against firms) leads to the adoption of similar CSR policies in peer firms. Findings from Cao et al. (2019) indicate that negative events influencing CSR or introducing increased pressure to adopt CSR policies enhances peer effects.

In summary, this Section 4.3 has provided an overview of research examining spillover effects in different research fields from sociology to business. Despite an increase in scholarly interest regarding spillover effects within various research fields, the paucity of specific research into the relationship between the spillover effects of shareholder activism on CSR and its disclosure indicates a necessity for further research.

4.3. Development of hypotheses

4.3.1 Spillover effects of shareholder activism, firm value and CSR

Coleman (2004) argues that spillover effects derive from conformity of behaviour. Winston and Zimmerman (2004) investigate spillover effects in the field of education. However, their results can also be applied to the business arena where conformity is often synonymous with better corporate performance (Festinger, 1954; Suls & Wheeler, 2013). This conformity is explained by social comparison theory which explores how firms assess their achievement through comparison with peer firms' performance. In summary, comparison with their peers

allows firms to evaluate their own performance (Festinger, 1954; Suls & Wheeler, 2013). Through continuous comparison with their peer firms, companies learn from their better-performing competition and adopt their strategies and policies (Festinger, 1954; Suls & Wheeler, 2013). As peer firm comparison is a key driver of spillover effects, its impact is particularly obvious among group members with similar characteristics. For example, firms in the same industry (Roehm & Tybout, 2006) or with geographic proximity (Jiraporn, Jiraporn, Boeprasert, & Chang, 2014) can be strongly affected by spillover effects which are caused by continuous comparison. An explanation for this strong impact is that these firms are subject to similar standards, regulations and operating environment.

In the business area, profitability is often the main reason that firms attempt to conform to the policies and standards of better-performing peer firms. As the primary aim of companies is profitability, it is likely that the key concerns of major shareholders relate to financial issues. As detailed in Section 4.2, prior research has related spillover effects to financial performance (Gantchev et al., 2017). The assumption behind this is that firms with higher potential to generate value can attract more shareholders. Pressure in a competitive environment forces peer firms to adapt their policies in financial, CSR and corporate governance areas to match the better performing firms in the hope to improve financial performance and therefore retain their shareholders.

Due to an increase in shareholder/stakeholder activism related to social and environmental concerns (Weng, Chen & Chen, 2015), firms cannot afford to ignore CSR issues. Current literature has identified the close relationship between CSR and financial performance; indeed, CSR is often instrumental to a firm's profitability. This relationship is due to: (1) legal

constraints and (2) risk management regarding reputation. Irresponsible firms are exposed to risks such as lawsuits and fines and subject to limited strategic options (McGuire, Sundgren & Schneeweis, 1988). These lawsuits and fines increase an irresponsible firm's future expected costs (Ghoul et al., 2011), thus impairing financial performance. Spillover effects may also occur due to risk management on corporate reputation. To protect their legitimacy and reputation after negative events happened in firms, peer firms often adhere to social values and comply with stakeholder pressures via proactive adoption of CSR policies or implementation of particular defensive strategies. These proactive actions allow them to pursue better corporate governance (CG) and financial performance (FP), which mitigates potential negative public exposure in the future. Specifically, when non-targeted firms observe stakeholder pressure in targeted firms, CSR disclosure can be employed as a tool of reputational risk management as it can alter public perceptions of their firms' CSR without fundamentally changing the underlying CSP (Odriozola & Baraibar-Diez, 2017). In summary, since proactive change to corporate CSR policies could avoid legal costs, manage reputational risks and benefit the firms' FP, it is expected that spillover effects on the adoption of CSR policies could be significant.

Current literature also documents empirical evidence regarding peer effects on the adoption of CSR policies within firms. Liu and Wu (2015) suggest that CSR policies in non-targeted firms are affected positively by the level of CSR in targeted firms. Non-targeted firms respond to the improved performance of targeted firms after shareholder activism by changing their own policies. Kopel (2009) finds that firms which adopt CSR strategies earlier than their peers generate higher profits. Essentially, when induced by the prospect of increasing profits, peer firms will voluntarily act regarding CSR issues. Darnall, Henriques, and Sadorsky (2010) document the proactive implementation of environmental strategies when firms are confronted with stakeholder pressure, and therefore, demonstrate that the peer effects directly impacts CSR

risk management. Hence, it is expected that firms are strongly motivated to manage risks associated with the spillover effects of shareholder activism targeting other firms by adopting proactive CSR policies.

While CSR reporting is employed by companies to influence public perceptions, costs associated with it can be high, which often demotivates firms from advancing CSR practices (Unerman, 2008). For instance, firms must invest an enormous amount of money into building a CSR website (Chapple & Moon, 2005). Firms must balance the costs and benefits of taking CSR actions (Denes et al., 2017). Consequently, heavy CSR-related costs can weaken the spillover effects from targeted firms on their peers.

The above arguments note that whether shareholder activism improves CSR in peer firms is uncertain due to its associated costs. It therefore indicates the necessity of further research in this area. However, there is a lack of empirical evidence in this field according to the extant literature also confirms this necessity. Only Cao et al. (2019) provide detailed empirical evidence that shareholder activism could spill over to peer firms, altering their CSP. No research examines whether shareholder activism could spill over to peer firms in the form of influencing their CSR transparency. In addition, CSP may not consistent with or be reflected by CSR disclosure, as firms with undesirable CSP might employ extensive CSR disclosure to manage their risks (Clarkson et al., 2008). On the other hand, peer firms may also promote CSR disclosure to show their efforts in improving CSP according to voluntary disclosure theory (Clarkson et al., 2011). The association between CSR and FP mentioned above illustrates that further investigation in this field cannot exclude the financial consequences of spillover effects.

Whether shareholder activism influences CSR practices in peer firms and its impacts on CSP, CSR disclosure and FP should be investigated.

Based on the arguments above, the following hypotheses (in null form) are proposed:

H1a: There is no association between shareholder activism and CSR disclosure in peer firms.

H1b: There is no association between shareholder activism and CSP in peer firms.

H1c: There is no association between shareholder activism and financial performance in peer firms.

4.3.2 Stakeholder salience, collective action and spillover effects

According to stakeholder salience theory, by controlling critical financial resources, large shareholders are more powerful and legitimate, thus their proposals are more consequential to firms (Mitchell et al., 1997). For example, institutional investors such as funds and organisations possess extensive knowledge of investment and can easily access information regarding swaps and forward markets, which is usually not available to individual investors (InvestorGuide, 2018). Furthermore, many institutional investors have their own website[42] outlining goals, strategies and business which receive considerable attention from the public. Their actions and requests are therefore more visible to firms, when compared with those of individual shareholders.

---

[42] Active institutional filers of shareholder proposals such as AFL-CIO Reserve Fund, As You Sow and AFSCME Employees Pension Plan have their own website.

Stakeholder salience theory also emphasises the importance of stakeholder identification and classification of primary stakeholders and secondary stakeholders depending on how critical their requests are to companies (Mitchell et al., 1997). Usually, the former directly affects organisations in terms of policies and operation, whereas the latter only indirectly influences organisations through their interaction with primary stakeholders (Polonsky, 1995). Typically, the strategies adopted by secondary stakeholders (such as community activists and NGOs) involve protests and boycotts which stimulate emotional reactions from public and challenge corporate reputation (Vasi & King, 2012). Their tactics, however, do not directly increase firm's financial risk level which links to the undesirable corporate environmental performance (Vasi & King, 2012), and therefore cannot fundamentally promote environmental performance. In addition, Vasi and King (2012) argue that a firm will only cater to the secondary stakeholders' requests if exposed to a rapid deterioration of reputation. Since primary shareholders in targeted firms may not be primary shareholders in non-targeted peer firms who directly influence a firm's policies and operation, spillover effects may not create enough negative exposure to compel the adoption of proactive strategies in peer firms.

While secondary stakeholders are inferior to primary stakeholders regarding their direct impact on firms, their efficacy in stimulating proactive risk management cannot be discounted. For example, societal stakeholders such as environmental and non-governmental organisations (NGOs) have had increased influence on firm affairs in recent years (Doh & Guay, 2006; Thijssens, Bollen, & Hassink, 2015). Eesley and Lenox (2006) find that secondary stakeholders who are powerful and more legitimate can receive significant responses from companies. Additionally, the power, legitimacy and urgency of NGOs or institutional stakeholders may lead to increases in environmental disclosure levels, indicating a firm's willingness to cater to stakeholders who do not directly affect their policies and operation (Thijssens et al., 2015).

This empirical evidence implies corporate respect towards the requests of secondary stakeholders with salient attributes such as power and legitimacy. Shareholders from targeted firms, especially large shareholder groups possess these salient attributes and are able to instigate corporate reaction when needed.

While stakeholder salience theory suggests that institutional shareholders and coordinated shareholders are powerful in promoting firm performance, their peer effects must be different. Specifically, peer effects from coordinated shareholder activism is less effective due to the collective action problem (Olson, 2009). Coordinated shareholders are subject to serious conflicts of interest, thus hindering some firms from perceiving their true intention (Olson, 2009). In this case, the disciplinary effect from coordinated groups on a firm's behaviour can deteriorate. Therefore, coordinated shareholder activism does not create comparably as strong spillover effects as institutional shareholder activism.

Although the divergence of shareholder interests makes it difficult for targeted firms to respond to shareholders' requests, it is not conspicuous to peer firms because they have less in depth understanding of the conflicts and hence focus their attention only on ruling out the risk of large shareholder activism in the future. Therefore, the collective action problem among coordinated shareholders to peer firms may not be as serious as the problem to targeted firms. Furthermore, similar with other large shareholders, coordinated shareholders have enhanced coercive power derived from abundant economic and information resources. If the non-targeted firms refuse to change according to the requests of these coordinated shareholders, these coordinated shareholders may lose confidence in these firms and refrain from investing in the non-targeted firms in the future. In order to attract more investments, non-targeted firms might

proactively change their policies and strategies to enhance the confidence of the coordinated shareholders. It therefore indicates that coordinated shareholders are salient enough to solicit corporate responses to their claims. Taken together, as a secondary stakeholder to peer firms, the salience of shareholders may outweigh the collective action problem created by the coordination of shareholders. The empirical evidence from King (2008) also emphasises the effectiveness of collective action among secondary stakeholders and notes that acting together entitles shareholder groups to receive significant reactions from the firm. Collective action helps further common interests of shareholder groups, preceding their power over the companies and eliciting substantial organisational responses (King, 2008).

Based on the arguments above, the following hypotheses (in null form) are proposed:

H2a: There is no association between coordinated or institutional shareholder activism and CSR disclosure in peer firms.

H2b: There is no association between coordinated or institutional shareholder activism and CSP in peer firms.

H2c: There is no association between coordinated or institutional shareholder activism and financial performance in peer firms.

4.4 RESEARCH METHOD

4.4.1 Sample selection

In this thesis, shareholder proposals are employed as a proxy of shareholder activism. The main reason to utilise shareholder proposals is that a sample of shareholder proposals could be easily collected from the Security Exchange Commission (SEC) website. Shareholder proposals are

215

collected based on the disclosure in DEF 14A forms from Security Exchange Commission (SEC) website. The sample is dated between 2007 and 2014 and was obtained from S&P 1,500 companies. This period was chosen because it includes the most up to date data regarding shareholder activism. S&P 1,500 companies combine all the stocks from S&P 500, S&P 600 and S&P 400, which account for most market capitalisation. These companies are usually large enterprises and thus easily exposed to publicity and fierce competition. As such they are also more vulnerable to peer effects.

Shareholder proposals in S&P 1,500 companies were collected following the method of Ferri and Sandino (2009). Shareholder proposals were identified based on disclosure in DEF 14A forms from the Stock Exchange Commission (SEC) website. Each firm was then allocated a four-digit Standard Industrial Classification (SIC) code. Next, firm-years without any shareholder proposals are selected to be included in the sample. It is called non-targeted sample or the sample of peer firms. For the non-targeted sample, if in the last year, there are shareholder proposals within the same industry, they are the firms suffering spillover effects.

4.4.2 Measurement of variables

Independent variables

Spillover effects

The main independent variables are in Model 1, *SO* code "1", if there was at least one shareholder proposal handed within last year in the same four-digit SIC industry; otherwise, it is coded as "0".

The main independent variables in Model 2 are *SOIN* and *SOCF*. *SOIN* is coded to be "1", if at least one shareholder proposal was handed within the last year by an institutional shareholder within the same four-digit SIC industry; otherwise it is coded "0". Also, "1" is given to *SOCF*, if at least one shareholder proposal was submitted within the last year by co-filers within the same four-digit SIC industry and "0" otherwise.

The additional test in Section 4.6 still employs Model 1. Instead of using *SO*, this test employs *SOINO*, *SOINCF* and *SOCFO* respectively. *SOINO* denotes the shareholder activism undertaken by institutional shareholders only (excluding coordinated institutional shareholders). *SOINCF* denotes the shareholder activism undertaken by both institutional and coordinated shareholders. *SOCFO* denotes the shareholder activism undertaken by coordinated shareholders only (excluding coordinated institutional shareholders). The definitions of independent variables are presented in Table 4.1.

Dependent variables
Financial performance[43]

The research employs Tobin's Q (*TOBINSQt1* and *TOBINSQt2*) and annual return (*ANNRt1* and *ANNRt2*) to measure financial performance. Below are formulas to get Tobin's Q (*TOBINSQt1* and *TOBINSQt2*) and annual return (*ANNRt1*and *ANNRt2*).

$$TOBINSQt1 = \frac{\text{Book Value of Total Debt}_{t1} + \text{Market Value of Total Equity}_{t1}}{\text{Book value of Total Assets}_{t1}}$$

---

[43] All variables measuring financial performance are winsorized at 1% level.

$$TOBINSQt2 = \frac{\text{Book Value of Total Debt}_{t2} + \text{Market Value of Total Equity}_{t2}}{\text{Book value of Total Assets}_{t2}}$$

$$ANNRt1 = \ln \frac{P_{t1}}{P_t}$$

$$ANNRt2 = \ln \frac{P_{t2}}{P_{t1}}$$

ROE is measured as:

$$ROEt1 = \frac{\text{Net income}_{t1}}{\text{Book Value of Total Equity}_{t1}}$$

$$ROEt2 = \frac{\text{Net income}_{t2}}{\text{Book Value of Total Equity}_{t2}}$$

Where net income and book value of total equity are collected at the time when shareholder activism happens; t1 and t2 are one year and two years after shareholder activism.

Revenue growth is measured as:

$$REVTt1 = \frac{(REVt1 - REV)}{REV}$$

$$REVTt2 = \frac{(REVt2 - REV)}{REV}$$

Where *REVt1* is the amount of total revenue one year after shareholder activism; *REV* is the amount of total revenue at the time of shareholder activism; *REVt2* is the amount of total revenue two years after shareholder activism. All the definitions of financial performance measures are presented in Table 4.1.

CSP and CSR disclosure

ESG disclosure scores are collected from the Bloomberg database to measure transparency of CSR (i.e. level of CSR disclosure). ESG disclosure scores are collected at t1 and t2 from the Bloomberg database according to each of the firm-years in the sample. *ESGDt1* and *ESGDt2* are used to denote ESG disclosure scores at t1 and ESG disclosure score at t2 respectively. *St1* and *St2* denote to social disclosure scores at t1 and t2 respectively. *Et1* and *Et2* represent environmental disclosure scores at t1 and t2 respectively. *Gt1* and *Gt2* are used to represent governance disclosure scores at t1 and t2 respectively. The definitions of variables are shown in Table 4.1.

To measure CSP, KLD data are collected from MSCI ESG KLD database. KLD strengths and KLD concerns scores in six categories of strengths and twelve categories of concerns are summarised. KLD strengths scores and KLD concerns scores show the major strength and the major weakness of firms respectively. The reason to run regressions on the scores of KLD strengths and KLD concerns separately is to keep the dependent variables non-negative and avoid a weighting problem. KLD strengths scores are calculated by summing up "Environment - Number of Strengths", "Community - Number of Strengths", "Emp. Relations - Number of Strengths", "Diversity - Number of Strengths", "Product - Number of Strengths", "Human Rights - Number of Strengths" and "Corp. Gov - Number of Strengths". KLD concerns scores are calculated by summing up "Environment - Number of Concerns", "Community - Number of Concerns", "Emp. Relations - Number of Concerns", "Diversity - Number of Concerns", "Product - Number of Concerns", "Human Rights - Number of Concerns" and "Corp. Gov - Number of Concerns". *KLDSt1* and *KLDSt2* denote KLD strengths scores at t1 and t2. *KLDCt1*

and *KLDCt2* denote KLD concerns scores at t1 and t2. Poisson regression is employed to test spillover effects on CSP because KLD data are counted data (Coxe, West, & Aiken, 2009).

To measure sub-dimensions of CSP, KLD is categorised into social, environmental and governance dimensions. Similar to KLD strengths scores and KLD concerns scores, social strengths scores (*SSt1* and *SSt2*), social concerns scores (*SCt1* and *SCt2*), environmental strengths scores (*ESt1* and *ESt2*), environmental concerns scores (*ECt1* and *ECt2*), governance strengths scores (*GSt1* and *GSt2*) and governance concerns scores (*GCt1 and GCt2*) are calculated. Specifically, the chapter classifies and sums "Community - Number of Strengths", "Emp. Relations - Number of Strengths", "Diversity - Number of Strengths", "Product - Number of Strengths", "Human Rights - Number of Strengths" and these are summed to get social strength scores. It also classifies "Community - Number of Concerns", "Emp. Relations - Number of Concerns", "Diversity - Number of Concerns", "Product - Number of Concerns" and "Human Rights - Number of Concerns" as social concerns, summed up to get social concern scores. "Environment - Number of Strengths" represents environmental strength scores. "Environment - Number of Concerns" represents environmental concern scores. "Corp. Gov - Number of Strengths" represents governance strength scores. "Corp. Gov - Number of Concerns" represents governance concern scores. For KLD strengths and KLD concerns and their subdimensions, the definitions of variables are included in Table 4.1.

Consistent with Artiach et al. (2010) and Giannarakis (2014), firm size (*SIZE*)[44], leverage (*LEV*)[45], financial performance (*ROA*)[46] and price-to-book ratio (*PB*) are included as control variables in the models.

Additionally, *DSOCP, DENVP and DGOVP* are included as control variables to measure the shareholder proposals relating to social, environmental and governance aspects in the last firm-year for regressions. In doing so, the research controls the effects from corporate's own proposals in the last year and only examines peer effects.

4.4.3 The models

Model 1 measures spillover effects of shareholder activism:

$Y=\beta_0+ \beta_1X_i +\Sigma \beta_nCONV_{i,t1}+\varepsilon.$ *...Model 1*

Where X_i represent *SO, SOENVP, SOSOCP and SOGOVP* respectively. *SOENVP* denotes spillover effects of environmental proposals. *SOSOCP* denotes spillover effects of social proposals. *SOGOVP* denotes spillover effects of governance proposals. *Y* represents CSR disclosure score (*ESGDt1, ESGDt2, Et1, Et2, St1, St2, Gt1, Gt2*), CSP (*KLDSt1, KLDCt1, KLDSt2, KLDCt2, ECt1, ECt2, SSt1, SSt2, SCt1, SCt2, GSt1, GSt2, GCt1 and GCt2*), and FP (*TOBINSQt1, TOBINSQt2, ANNRt1, ANNRt2, ROEt1, ROEt2, REVTt1* and *REVTt2*).

---

[44] natural logarithm of total assets
[45] total debt divided by total assets
[46] return on assets, measured as earnings before interest and taxes (EBIT) deflated by lagged total assets) at t1

CONV$_{i,t1}$ represents control variables in firm *i* one year after shareholder activism, namely *ROAt1*, *LEVt1*,*PBt1*, *FIRMSIZEt1*, *DSOC*, *DENV* and *DGOV*. *i* represents the company i. *t* represents the time when shareholder activism happens. *t1* denotes one year after shareholder activism. *t2* denotes two years after shareholder activism.

Model 2 evaluates whether shareholder salience (type of shareholders) influences the spillover effects:

Y=γ$_0$+ γ $_1$XIN$_i$ + γ $_2$XCF$_i$ +Σγ$_n$CONV$_{i,t1}$ +ε. ...Model 2

Where *XIN$_i$* represents proposals from institutional shareholders (*SOIN*, *SOENVPIN*, *SOSOCPIN* and *SOGOVPIN*). *XCF$_i$* represents proposals from coordinated shareholders (*SOCF*, *SOENVPCF*, *SOSOCPCF* and *SOGOVPCF*). *Y* denotes CSR disclosure scores, CSP and FP which are similar to Model 1. *CONV$_{i,t1}$* representing control variables are similar to Model 1. *i* represents the company i. *t* represents the time when shareholder activism happens. *t1* denotes one year after shareholder activism. *t2* denotes two years after shareholder activism.

Table 4.1 The definition of variables

Dependent Variables	
CSR Disclosure	
ESGDt1	ESG disclosure score at t1
ESGDt2	ESG disclosure score at t2
Et1	Environmental disclosure score at t1
Et2	Environmental disclosure score at t2
St1	Social disclosure score at t1
St2	Social disclosure score at t2
Gt1	Governance disclosure score at t1
Gt2	Governance disclosure score at t2
CSP	
KLDSt1	KLD strength score at t1
KLDSt2	KLD strength score at t2
KLDCt1	KLD concern score at t1
KLDCt2	KLD concern score at t2
SSt1	Social strength score at t1
SSt2	Social strength score at t2
SCt1	Social concern score at t1
SCt2	Social concern score at t2
ESt1	Environmental strength score at t1
ESt2	Environmental strength score at t2
ECt1	Environmental concern score at t1
ECt2	Environmental concern score at t2
GSt1	Governance strength score at t1
GSt2	Governance strength score at t2
GCt1	Governance concern score at t1
GCt2	Governance concern score at t2
Financial Performance	
TOBINSQt1	TOBINS'Q at t1
TOBINSQt2	TOBINS'Q at t2
ANNRt1	Annual return at t1
ANNRt2	Annual return at t2
ROEt1	Return on equity at t1
ROEt2	Return on equity at t2
REVTt1	Revenue growth from t to t1
REVTt2	Revenue growth from t to t2
Independent and Control Variables	
X_i	SO, SOENVP, SOSOCP and SOGOVP in firm i
XIN_i	SOIN, SOENVPIN, SOSOCPIN and SOGOVPIN in firm i
XCF_i	SOCF, SOENVPCF, SOSOCPCF and SOGOVPCF in firm i
SO	Spillover effects of shareholder activism (The research uses shareholder proposals as a proxy). It is dummy variable taking value of "1" at t1; if at least one firm in the same industry (referring to 4 digits sic code) is targeted at t.
SOIN	Spillover effects of institutional shareholder activism (The research uses shareholder proposals from institutional shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism at t.
SOCF	Spillover effects of coordinated shareholder activism (The research uses shareholder proposals with co-filers as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism at t.
SOINO	Spillover effects of shareholder activism by institutional shareholders only (The research uses shareholder proposals from only institutional shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this activism at t.
SOINCF	Spillover effects of shareholder activism by institutional and coordinated shareholders (The research uses shareholder proposals from institutional and coordinated shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.

Table 4.1 continued

SOCFO	Spillover effects of shareholder activism by coordinated shareholders only (The research uses shareholder proposals from coordinated shareholders only as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOENVP	Spillover effects of shareholder activism on environmental issues (The research uses shareholder proposals on environmental issues as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOSOCP	Spillover effects of shareholder activism on social issues (The research uses shareholder proposals on social issues as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOGOVP	Spillover effects of shareholder activism on governance issues (The research uses shareholder proposals on governance issues as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOSOCPIN	Spillover effects of institutional shareholder activism on social issues (The research uses shareholder proposals on social issues submitted by institutional shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOENVPIN	Spillover effects of institutional shareholder activism on environmental issues (The research uses shareholder proposals on environmental issues submitted by institutional shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOGOVPIN	Spillover effects of institutional shareholder activism on governance issues (The research uses shareholder proposals on governance issues submitted by institutional shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOSOCPCF	Spillover effects of coordinated shareholder activism on social issues (The research uses shareholder proposals on social issues submitted by coordinated shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOENVPCF	Spillover effects of coordinated shareholder activism on environmental issues (The research uses shareholder proposals on environmental issues submitted by coordinated shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
SOGOVPCF	Spillover effects of coordinated shareholder activism on governance issues (The research uses shareholder proposals on governance issues submitted by coordinated shareholders as a proxy). It is dummy variable taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by this type of activism at t.
DSOCP	It is dummy variable taking value of "1" if there is shareholder activism on social issues one year before time t.
DENVP	It is dummy variable taking value of "1" if there is shareholder activism on environmental issues one year before time t.
DGOVP	It is dummy variable taking value of "1" if there is shareholder activism on governance issues one year before time t.
$CONV_{i,t1}$	Control variables at t1
ROAt1	Earnings before interest and taxes (EBIT) deflated by lagged total assets) at t1
LEVt1	Total debt divided by total assets at t1
PBt1	Price to book value at t1
FIRMSIZE t1	The natural logarithm of total assets at t1

4.5 RESULTS

Table 4.2 shows descriptive statistics for spillover effects by year between 2007 and 2014. *SO* shows a slight increase from 987 to 1,036. *SOIN* also shows a small increase from 682 to 810 whereas *SOCF* increases dramatically from 327 to 574. *SOINCF* increases from 321 to 519. *SOINO*, however, decreases from 361 to 291. *SOCFO* increases from 6 to 55 over the period. Others do not change significantly. *SOIN* is 6,392 whereas *SOCF* is only 3,870, roughly half of *SOIN*. The results indicate that the intensity of spillover effects (*SO*) increases slightly for the whole sample, the sample of institutional shareholder activism (*SOIN*), the sample of coordinated shareholder activism (*SOCF*) and spillover effects from coordinated shareholder activism only (*SOCFO*). However, the intensity of spillover effects from institutional shareholder activism only (*SOINO*) decreases over the period. The results of increased intensity of spillover effects from coordinated shareholder activism indicate that spillover effects are significant enough to concern. In addition, the decrease in *SOINO* indicates that spillover effects from activism initiated by institutional shareholders only are weaken over the time.

Regarding the total numbers of subdimensions, *SOGOVP* ranks the first with 6,925 which is followed by *SOSOCP*, 5,428. *SOENVP* has the lowest figure, 2,995. Overall, the results show that the intensity of shareholder activism on governance and social issues is higher than for environmental issues.

In total, 7,846 firm years operated in industries with targeted firms, of which 81.47% are associated by institutional shareholders (6,392), 49.32% by coordinated shareholders (3,870). There are overlapping between subsamples, hence 3,764 firm years are driven by both institutional and coordinated shareholders.

Table 4.2 Descriptive statistics- shareholder activism by year

Year	SO	SOINO	SOINCF	SOCFO	SOIN	SOCF	SOSOCP	SOSOCPIN
2007	987 (12.58%)	361 (13.74%)	321 (8.53%)	6 (5.66%)	682 (10.67%)	327 (8.45%)	655 (12.07%)	408 (9.37%)
2008	992 (12.64%)	378 (14.38%)	362 (9.62%)	6 (5.66%)	740 (11.58%)	368 (9.51%)	612 (11.27%)	414 (9.51%)
2009	980 (12.49%)	425 (16.17%)	440 (11.69%)	8 (7.55%)	865 (13.53%)	448 (11.58%)	726 (13.38%)	514 (11.81%)
2010	994 (12.67%)	358 (13.62%)	511 (13.58%)	7 (6.60%)	869 (13.60%)	518 (13.39%)	731 (13.47%)	683 (15.69%)
2011	925 (11.79%)	307 (11.68%)	512 (13.60%)	9 (8.49%)	819 (12.81%)	521 (13.46%)	703 (12.95%)	621 (14.26%)
2012	958 (12.21%)	251 (9.55%)	590 (15.67%)	8 (7.55%)	841 (13.16%)	598 (15.45%)	683 (12.58%)	554 (12.72%)
2013	974 (12.41%)	257 (9.78%)	509 (13.52%)	7 (6.60%)	766 (11.98%)	516 (13.33%)	631 (11.62%)	580 (13.32%)
2014	1,036 (13.20%)	291 (11.07%)	519 (13.79%)	55 (51.89%)	810 (12.67%)	574 (14.83%)	687 (12.66%)	580 (13.32%)
Total	7,846	2,628	3,764	106	6,392	3,870	5,428	4,354

Year	SOSOCPCF	SOENVP	SOENVPIN	SOENVPCF	SOGOVP	SOGOVPIN	SOGOVPCF
2007	253 (8.97%)	346 (11.55%)	57 (2.63%)	39 (3.70%)	747 (10.79%)	588 (11.97%)	192 (8.93%)
2008	204 (7.23%)	521 (17.40%)	310 (14.28%)	48 (4.55%)	734 (10.60%)	597 (12.15%)	218 (10.13%)
2009	292 (10.35%)	365 (12.19%)	317 (14.60%)	112 (10.62%)	882 (12.74%)	535 (10.89%)	179 (8.32%)
2010	389 (13.79%)	315 (10.52%)	309 (14.23%)	166 (15.73%)	917 (13.24%)	606 (12.34%)	274 (12.74%)
2011	356 (12.62%)	363 (12.12%)	320 (14.74%)	200 (18.96%)	870 (12.56%)	634 (12.91%)	308 (14.32%)
2012	425 (15.07%)	439 (14.66%)	303 (13.96%)	153 (14.50%)	901 (13.01%)	710 (14.45%)	398 (18.50%)
2013	431 (15.28%)	281 (9.38%)	252 (11.61%)	196 (18.58%)	907 (13.10%)	615 (12.52%)	230 (10.69%)
2014	471 (16.70%)	365 (12.19%)	303 (13.96%)	141 (13.36%)	967 (13.96%)	627 (12.76%)	352 (16.36%)
Total	2,821	2,995	2,171	1,055	6,925	4,912	2,151

Table 4.2 Note:

Table 4.2 provides descriptive statistics for spillover effects of shareholder activism among the sample of U.S. S&P 1,500 firms during the 2006-2014 period by Industry. SOIN denotes spillover effects of institutional shareholder activism. It is proxied by shareholder proposals submitted by institutional shareholders. SOINO denotes spillover effects of institutional shareholder activism only. It is proxied by shareholder proposals submitted by institutional shareholder only. SOINCF denotes spillover effects of institutional and coordinated shareholder activism. It is proxied by shareholder proposals submitted by both institutional and coordinated shareholders. SOCFO denotes spillover effects of shareholder activism from coordinated shareholder activism only. It is proxied by shareholder proposals submitted by coordinated shareholders only. SOCF denotes spillover effects of coordinated shareholder activism. It is proxied by shareholder proposals submitted by coordinated shareholders. SOENVP denotes spillover effects of environmental shareholder activism. It is proxied by shareholder proposals on environmental issues. SOENVPIN denotes spillover effects of environmental shareholder activism from institutional shareholders. It is proxied by shareholder proposals on environmental issues submitted by institutional shareholders. SOENVPCF denotes spillover effects of environmental shareholder activism from coordinated shareholders. It is proxied by shareholder proposals on environmental issues submitted by coordinated shareholders. SOSOCP denotes spillover effects of social shareholder activism. It is proxied by shareholder proposals on social issues. SOCPIN denotes spillover effects of social shareholder activism from institutional shareholders. It is proxied by shareholder proposals on social issues submitted by institutional shareholders. SOCPCF denotes spillover effects of social shareholder activism from coordinated shareholders. It is proxied by shareholder proposals on social issues submitted by coordinated shareholders. SOGOVP denotes spillover effects of governance shareholder activism. It is proxied by shareholder proposals on governance issues. SOGOVPIN denotes spillover effects of governance shareholder activism from institutional shareholders. It is proxied by shareholder proposals on governance issues submitted by institutional shareholders. SOGOVPCF denotes spillover effects of governance shareholder activism from coordinated shareholders. It is proxied by shareholder proposals on governance issues submitted by coordinated shareholders.

Table 4.3 presents descriptive statistics for spillover effects by industry. *SO*, *SOIN* and *SOCF* are dummy variables with the lower bound "0" and upper bound "1". Regarding *SO*, the industry of Manufacturing has the highest figure, 2,183. The industry of Finance, Insurance and Real Estate has the second highest figure, 1,904. The industry of Agriculture, Forestry and Fishing has the lowest number, only 9. Similar situations happen for *SOIN*, *SOCF* and *SOINCF* respectively. The industry of Manufacturing has the highest figure for *SOINO*, indicating that spillover effects of institutional shareholder activism only in this industry is intensive. *SOCFO* also concentrates in the industry of Manufacturing, the industry of Retail Trade and the industry of Transportation, Communications, Electric, Gas and Sanitary Service. Therefore, the results potentially indicate intensive spillover effects from institutional shareholder activism and spillover effects from coordinated shareholder activism in the industry of Finance, Insurance and Real Estate. It also shows that spillover effects of the overall sample and spillover effects of coordinated shareholder activism only (excluding institutional shareholder activism) in the industry of Manufacturing are intensive. However, in the industry of Agriculture, Forestry and Fishing, spillover effects for all types of shareholder activism are weak.

In addition, the results also show that in the industry of Finance, Insurance and Real Estate and the industry of Manufacturing, *SOENVP*, *SOSOCP* and *SOGOVP* are roughly higher than in other industries. It indicates that in this industry, spillover effects are more intensive in all the subdimensions. Interestingly, the industry of Agriculture, Forestry and Fishing has the lowest number with respect to *SOGOVP*, and *SOGOVPIN* and *SOGOVPCF* in this industry is 0 respectively. It therefore means that spillover effects in this industry are relatively weak.

Table 4.3 Descriptive statistics-shareholder activism by industry

Industry	SO	SOINO	SOINCF	SOCFO	SOIN	SOCF	SOSOCP	SOSOCPIN
Agriculture, Forestry and Fishing	9 (0.11%)	4 (0.15%)	3 (0.08%)	0 (0.00%)	7 (0.11%)	3 (0.08%)	9 (0.17%)	7 (0.16%)
Construction	117 (1.49%)	60 (2.28%)	57 (1.51%)	0 (0.00%)	117 (1.83%)	57 (1.47%)	69 (1.27%)	69 (1.58%)
Finance, Insurance and Real Estate	1,904 (24.27%)	460 (17.50%)	1,368 (36.34%)	0 (0.00%)	1,828 (28.60%)	1,368 (35.35%)	1,525 (28.10%)	1,505 (34.57%)
Manufacturing	2,183 (27.82%)	697 (26.52%)	967 (25.69%)	17 (16.04%)	1,664 (26.03%)	984 (25.43%)	1,307 (24.08%)	1,131 (25.98%)
Mining	316 (4.03%)	110 (4.19%)	196 (5.21%)	0 (0.00%)	306 (4.79%)	196 (5.06%)	217 (4.00%)	216 (4.96%)
Non-classifiable	1,017 (12.96%)	437 (16.63%)	92 (2.44%)	48 (45.28%)	529 (8.28%)	140 (3.62%)	942 (17.35%)	268 (6.16%)
Retail Trade	632 (8.06%)	241 (9.17%)	318 (8.45%)	0 (0.00%)	559 (8.75%)	318 (8.22%)	447 (8.24%)	376 (8.64%)
Services	754 (9.61%)	284 (10.81%)	388 (10.31%)	0 (0.00%)	672 (10.51%)	388 (10.03%)	435 (8.01%)	352 (8.08%)
Transportation, Communications, Electric, Gas and Sanitary Service	823 (10.49%)	276 (10.50%)	360 (9.56%)	41 (38.68%)	636 (9.95%)	401 (10.36%)	452 (8.33%)	405 (9.30%)
Wholesale Trade	91 (1.16%)	59 (2.25%)	15 (0.40%)	0 (0.00%)	74 (1.16%)	15 (0.39%)	25 (0.46%)	25 (0.57%)
Total	**7,846**	**2,628**	**3,764**	**106**	**6,392**	**3,870**	**5,428**	**4,354**

Industry	SOSOCPCF	SOENVP	SOENVPIN	SOENVPCF	SOGOVP	SOGOVPIN	SOGOVPCF
Agriculture, Forestry and Fishing	3 (0.11%)	2 (0.07%)	2 (0.09%)	2 (0.19%)	1 (0.01%)	0 (0.00%)	0 (0.00%)
Construction	12 (0.43%)	79 (2.64%)	79 (3.64%)	34 (3.22%)	105 (1.52%)	105 (2.14%)	11 (0.51%)
Finance, Insurance and Real Estate	1,128 (39.99%)	912 (30.45%)	881 (40.58%)	396 (37.54%)	1,883 (27.19%)	1,653 (33.65%)	929 (43.19%)
Manufacturing	793 (28.11%)	454 (15.16%)	366 (16.86%)	261 (24.74%)	1,887 (27.25%)	1,177 (23.96%)	497 (23.11%)
Mining	176 (6.24%)	215 (7.18%)	148 (6.82%)	106 (10.05%)	291 (4.20%)	273 (5.56%)	71 (3.30%)
Non-classifiable	48 (1.70%)	634 (21.17%)	169 (7.78%)	0 (0.00%)	647 (9.34%)	108 (2.20%)	92 (4.28%)
Retail Trade	221 (7.83%)	272 (9.08%)	168 (7.74%)	70 (6.64%)	602 (8.69%)	511 (10.40%)	122 (5.67%)
Services	184 (6.52%)	106 (3.54%)	106 (4.88%)	14 (1.33%)	672 (9.70%)	526 (10.71%)	268 (12.46%)
Transportation, Communications, Electric, Gas and Sanitary Service	255 (9.04%)	321 (10.72%)	252 (11.61%)	172 (16.30%)	756 (10.92%)	499 (10.16%)	147 (6.83%)
Wholesale Trade	1 (0.04%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	81 (1.17%)	60 (1.22%)	14 (0.65%)
Total	**2,821**	**2,995**	**2,171**	**1,055**	**6,925**	**4,912**	**2,151**

Table 4.4A shows descriptive statistics for continuous variables. *ESGDt1* ranges from 0.877 to 76.033 whereas *ESGDt2* ranges from 2.066 to 76.033. The subdimensions of ESG disclosure scores, namely *Et1, Et2, Gt1* and *Gt2* are roughly higher than *ESGDt1* and *ESGDt2*. In addition, *ESGDt1* is higher than *ESGDt2*. *Et2* is higher than *Et1*. *St2* is higher than *St1*. *Gt2* is higher than *Gt1*. It indicates an increased trend regarding the overall ESG disclosure score, environmental disclosure score, social disclosure score and governance disclosure score respectively. The standard deviation of *ROAt1* is the lowest, whereas the standard deviation of *REVTt1* and the standard deviation of *REVTt2* are the highest among the financial indicators.

Table 4.4B depicts descriptive statistics about CSP measurements which are counted variables, namely *KLDSt1*, *KLDSt2*, *KLDCt1* and *KLDCt2* and subdimensions (*ESt1*, *ESt2*, *ECt1*, *ECt2*, *SSt1*, *SSt2*, *SCt1*, *SCt2*, *GSt1*, *GSt2*, *GCt1* and *GCt2*). *KLDSt1* and *KLDSt2* range from 0 to 22. *KLDCt1* and *KLDCt2* range from 0 to 18. *GSt1* and *GSt2* range from 0 to 3 with the smallest range among all the subdimensions. *SSt1* and *SSt2* have a wider range than other subdimensions from 0 to 17. The frequency shows that most of CSP measurements cluster at lower figures (0 or 1).

Table 4.4A Descriptive statistics-continuous variables

Variable	Mean	Std. Dev.	Min	P25	P50	P75	Max
ESGDt1	19.398	11.767	0.877	11.842	14.050	21.531	76.033
ESGDt2	19.593	11.912	2.066	11.842	14.050	22.314	76.033
Et1	20.454	17.011	0.775	5.517	15.179	33.333	82.171
Et2	20.698	17.065	0.775	6.202	15.504	33.333	82.171
St1	17.217	14.436	3.125	8.333	12.917	22.807	79.688
St2	17.611	14.498	3.125	8.333	14.035	22.807	79.688
Gt1	52.274	6.065	3.571	48.214	51.786	55.357	85.714
Gt2	52.343	6.134	3.571	48.214	51.786	55.357	85.714
TOBINSQt1	1.320	1.278	0.002	0.528	0.962	1.666	15.307
TOBINSQt2	1.320	1.278	0.002	0.528	0.962	1.666	15.307
ANNRt1	0.041	0.437	-7.121	-0.142	0.079	0.267	3.502
ANNRt2	-0.020	0.660	-7.121	-0.254	0.067	0.298	8.597
ROEt1	0.105	1.766	-113.457	0.056	0.114	0.185	70.385
ROEt2	0.105	1.767	-113.457	0.056	0.114	0.185	70.385
REVTt1	8.970	63.609	-1.000	-0.734	-0.020	2.780	2451.524
REVTt2	12.184	154.539	-1.000	-0.735	-0.022	2.804	9925.811
ROAt1	0.107	0.090	-0.104	0.049	0.091	0.149	0.427
LEVt1	0.221	0.188	0.000	0.058	0.194	0.335	0.801
PBt1	2.873	3.395	-11.179	1.377	2.132	3.438	19.973
FIRMSIZEt1	7.986	1.733	4.315	6.709	7.892	9.102	12.547

Table 4.4B Descriptive statistics-CSP

Panel A: Total Scores for KLD Strengths and KLD Concerns															
KLDSt1	Freq.	%	Cum.	KLDSt2	Freq.	%	Cum.	KLDCt1	Freq.	%	Cum.	KLDCt2	Freq.	%	Cum.
0	4,528	50.62	50.62	0	4,533	51.04	51.04	0	2,771	30.98	30.98	0	2,761	31.09	31.09
1	1,602	17.91	68.53	1	1,580	17.79	68.82	1	1,917	21.43	52.41	1	1,896	21.35	52.43
2	784	8.76	77.29	2	770	8.67	77.49	2	1,751	19.58	71.98	2	1,764	19.86	72.29
3	484	5.41	82.71	3	469	5.28	82.77	3	1,142	12.77	84.75	3	1,123	12.64	84.94
4	355	3.97	86.67	4	352	3.96	86.74	4	517	5.78	90.53	4	517	5.82	90.76
5	247	2.76	89.44	5	238	2.68	89.42	5	267	2.98	93.52	5	255	2.87	93.63
6	205	2.29	91.73	6	209	2.35	91.77	6	180	2.01	95.53	6	172	1.94	95.56
7	145	1.62	93.35	7	146	1.64	93.41	7	127	1.42	96.95	7	136	1.53	97.1
8	124	1.39	94.73	8	119	1.34	94.75	8	91	1.02	97.97	8	88	0.99	98.09
9	122	1.36	96.1	9	119	1.34	96.09	9	66	0.74	98.7	9	63	0.71	98.8
10	86	0.96	97.06	10	91	1.02	97.12	10	41	0.46	99.16	10	36	0.41	99.2
11	60	0.67	97.73	11	54	0.61	97.73	11	35	0.39	99.55	11	34	0.38	99.58
12	51	0.57	98.3	12	54	0.61	98.33	12	13	0.15	99.7	12	10	0.11	99.7
13	47	0.53	98.83	13	47	0.53	98.86	13	10	0.11	99.81	13	8	0.09	99.79
14	27	0.3	99.13	14	25	0.28	99.14	14	6	0.07	99.88	14	7	0.08	99.86
15	30	0.34	99.46	15	31	0.35	99.49	15	3	0.03	99.91	15	4	0.05	99.91
16	15	0.17	99.63	16	15	0.17	99.66	16	5	0.06	99.97	16	5	0.06	99.97
17	9	0.1	99.73	17	8	0.09	99.75	17	1	0.01	99.98	17	1	0.01	99.98
18	6	0.07	99.8	18	5	0.06	99.81	18	2	0.02	100	18	2	0.02	100
19	11	0.12	99.92	19	10	0.11	99.92								
20	2	0.02	99.94	20	3	0.03	99.95								
22	5	0.06	100	22	4	0.05	100								
Total	**8,945**		**100**	**Total**	**8,882**		**100**	**Total**	**8,945**		**100**	**Total**	**8,882**		**100**

Panel B: Scores for Subdimensions of CSP															
SSt1	Freq.	%	Cum.	SSt2	Freq.	%	Cum.	SCt1	Freq.	%	Cum.	SCt2	Freq.	%	Cum.
0	5,082	56.81	56.81	0	5,098	57.40	57.40	0	3,452	38.59	38.59	0	3,452	38.87	38.87
1	1,499	16.76	73.57	1	1,462	16.46	73.86	1	2,440	27.28	65.87	1	2,423	27.28	66.15
2	749	8.37	81.95	2	720	8.11	81.96	2	1,831	20.47	86.34	2	1,818	20.47	86.61
3	434	4.85	86.80	3	435	4.9	86.86	3	617	6.90	93.24	3	603	6.79	93.40
4	358	4	90.80	4	344	3.87	90.73	4	265	2.96	96.20	4	262	2.95	96.35
5	212	2.37	93.17	5	216	2.43	93.17	5	157	1.76	97.95	5	154	1.73	98.09
6	183	2.05	95.22	6	183	2.06	95.23	7	56	0.63	99.70	7	54	0.61	99.68
7	144	1.61	96.83	7	144	1.62	96.85	8	12	0.13	99.83	8	13	0.15	99.83
8	104	1.16	97.99	8	102	1.15	98.00	9	6	0.07	99.90	9	6	0.07	99.90
9	65	0.73	98.71	9	66	0.74	98.74	10	3	0.03	99.93	10	3	0.03	99.93
10	51	0.57	99.28	10	48	0.54	99.28	11	4	0.04	99.98	11	4	0.05	99.98
11	21	0.23	99.52	11	23	0.26	99.54	12	2	0.02	100	12	2	0.02	100
12	18	0.2	99.72	12	18	0.2	99.74								
13	11	0.12	99.84	13	9	0.1	99.84								
14	3	0.03	99.88	14	2	0.02	99.86								
15	6	0.07	99.94	15	8	0.09	99.95								
17	5	0.06	100	17	4	0.05	100								
Total	**8,945**		**100**	**Total**	**8,882**		**100**	**Total**	**8,945**		**100**	**Total**	**8,882**		**100**
ESt1	Freq.	%	Cum.	ESt2	Freq.	%	Cum.	ECt1	Freq.	%	Cum.	ECt2	Freq.	%	Cum.
0	7147	79.9	79.9	0	7113	80.08	80.08	0	7,749	86.63	86.63	0	7,702	86.71	86.71
1	920	10.29	90.18	1	901	10.14	90.23	1	724	8.09	94.72	1	718	8.08	94.8
2	449	5.02	95.2	2	442	4.98	95.2	2	263	2.94	97.66	2	254	2.86	97.66
3	264	2.95	98.16	3	263	2.96	98.16	3	118	1.32	98.98	3	122	1.37	99.03
4	143	1.6	99.75	4	141	1.59	99.75	4	68	0.76	99.74	4	63	0.71	99.74
5	21	0.23	99.99	5	21	0.24	99.99	5	23	0.26	100	5	23	0.26	100
Total	**8,945**		**100**	**Total**	**8,882**		**100**	**Total**	**8,945**		**100**	**Total**	**8,882**		**100**

Table 4.4B Panel B continued

GSt1	Freq.	%	Cum.	GSt2	Freq.	%	Cum.	GCt1	Freq.	%	Cum.	GCt2	Freq.	%	Cum.
0	7,913	88.46	88.46	0	7,856	88.45	88.45	0	5,666	63.34	63.34	0	5,611	63.17	63.17
1	955	10.68	99.14	1	960	10.81	99.26	1	2,783	31.11	94.46	1	2,784	31.34	94.52
2	67	0.75	99.89	2	62	0.7	99.95	2	428	4.78	99.24	2	421	4.74	99.26
3	10	0.11	100	3	4	0.05	100	3	58	0.65	99.89	3	57	0.64	99.9
								4	10	0.11	100	4	9	0.1	100
Total	**8,945**		**100**	**Total**	**8,882**		**100**	**Total**	**8,945**		**100**	**Total**	**8,882**		**100**

Table 4.5 shows the correlation matrix of independent variables. The coefficients of correlation among variables are not higher than 0.7 (Reed, McGee, Yano, & Hankin, 1985). Therefore, the results do not show a serious multicollinearity problem.

Table 4.5 Correlation matrix

Panel A: Pairwise Correlation Matrix

Variables	(1) LEVt1	(2) PBt1	(3) FIRMSIZEt1	(4) ROAt1
(1) LEVt1	1			
(2) PBt1	-0.010	1		
	0.301			
(3) FIRMSIZEt1	0.199*	-0.074*	1	
	0	0		
(4) ROAt1	-0.113*	0.313*	-0.151*	1
	0	0	0	

Panel B: Spearman Correlation Matrix

Variables	(1) LEVt1	(2) PBt1	(3) FIRMSIZEt1	(4) ROAt1
(1) LEVt1	1			
(2) PBt1	-0.051*	1.000		
	0			
(3) FIRMSIZEt1	0.365*	-0.080*	1.000	
	0	0		
(4) ROAt1	-0.123*	0.529*	-0.131*	1.0000
	0	0	0	

***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).

Tables 4.6-Tables 4.11 show univariate analysis on spillover effects with the whole sample (*SO*), the sample of institutional shareholder activism (*SOIN*), the sample of coordinated shareholder activism (*SOCF*), the sample including institutional shareholder activism only (*SOINO*), the sample including both institutional and coordinated shareholder activism (*SOINCF*) and the sample including coordinated shareholder activism only (*SOCFO*). For each of the tables, Panels A and B show spillover effects on CSR disclosure and CSP respectively, whereas Panel C shows spillover effects on financial performance.

Regarding the distribution, the results show that peer firms in the industries targeted by shareholder activism have higher averages of *ESGDt1*, *ESGDt2*, *Et1*, *Et2*, *St1*, *St2*, *Gt1* and *Gt2* than firms which had not experienced spillover effects. The results of Panel B also reveal that spillover effects result in an improved CSP. However, firms affected by spillover effects are not necessarily experiencing better financial performance. Specifically, it shows that firms, which experienced spillover effects, have lower averages in *TOBINSQt1* and *TOBINSQt2* roughly. However, firms have higher averages in *REVTt1* and *REVTt2* respectively after experiencing spillover effects for the whole sample of shareholder activism and institutional shareholder activism.

Furthermore, peer firms in the same industries with those targeted firm by coordinated shareholder activism have the higher mean of CSR disclosure level than those targeted by institutional shareholder activism. This is very obvious with the sample of peer firms in the industries targeted by coordinated shareholder activism only (*SOCFO*=1). The mean of CSR disclosure scores is much higher than those of other samples. The whole sample (*SO*=1) which includes peer firms in the industries targeted by all shareholder activism and the sample of peer

firms in the industries targeted by both institutional and coordinated shareholder activism (*SOINCF*=1) has the lowest CSR disclosure score. Regarding the overall *KLDS* and *KLDC* measuring CSP, the sample of peer firms in the industries targeted by coordinated shareholder activism only (*SOCFO*=1) has the lowest figures, whereas the sample of peer firms in the industries targeted by both institutional and coordinated shareholder activism (*SOINCF*=1) has the highest figures. Regarding financial performance, the whole sample (*SO*=1) has the highest figures in terms of *ANNRt1*, *ANNRt2*, *ROEt1*, *ROEt2*, *REVt1* and *REVt2* respectively, whereas institutional shareholder activism only (*SOINO*=1) has the highest figures in terms of *TOBINSQt1* and *TOBINSQt2* respectively.

For subdimensions in CSR disclosure score, the sample of peer firms in the industries targeted by coordinated shareholder activism has higher figures of environmental, social and governance disclosure scores than by institutional shareholder activism. For subdimensions in KLD, the sample of peer firms in the industries targeted by coordinated shareholder activism only (*SOCFO*=1) has the lowest figures in environmental, social and governance strengths and concerns, whereas the sample of peer firms in the industries targeted by both institutional and coordinated shareholder activism (*SOINCF*=1) has the highest figures in all these subdimensions. Overall, the results indicate that coordinated shareholder activism shows an advantage in increasing CSR disclosure level and improving CSP. Nevertheless, this investigation does not control other variables. Therefore, multivariate tests are needed to verify the results.

Regarding institutional shareholder activism or coordinated shareholder activism, the results roughly indicate significant spillover effects on CSR disclosure and CSP. Notably, the results

are potentially driven by the sample of institutional and coordinated shareholder activism, as there are more significant t-stat values and z-stat values than the other samples. Regarding shareholder activism from institutional shareholders only or shareholder activism from coordinated shareholders only, spillover effects on CSR disclosure, CSP and financial performance are relatively weak. In particular, spillover effects of the activism initiated by coordinated shareholders only can hardly change levels of environmental disclosure, governance disclosure and/or corporate financial performance (i.e. many of the t stat values and z stat values for coordinated shareholder activism only are not significant).

Table 4.6 Univariate analysis on spillover effects- the whole sample (SO)

	Targeted industry sample (N=7,846)		Non-targeted industry sample (N=4,218)			t-test	Wilcoxon test
Panel A:CSR Disclosure	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
ESGDt1	20.725	14.912	17.084	13.636	-3.642	-15.225***	-15.183***
ESGDt2	20.884	14.912	17.441	13.636	-3.443	-13.725***	-13.829***
Et1	21.596	17.054	17.472	12.839	-4.124	-6.744***	-6.725***
Et2	21.758	17.054	18.129	13.542	-3.628	-5.839***	-5.851***
St1	18.167	14.035	15.302	8.772	-2.865	-7.772***	-4.359***
St2	18.528	14.035	15.866	8.772	-2.662	-6.970***	-4.058***
Gt1	52.855	51.786	51.264	51.786	-1.591	-12.540***	-13.009***
Gt2	52.924	51.786	51.376	51.786	-1.548	-11.739***	-12.220***
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	2.102	1	1.262	0	-0.841	-13.835***	-11.556***
KLDSt2	2.055	1	1.305	0	-0.751	-12.233***	-10.617***
KLDCt1	2.029	1	1.643	1	-0.386	-9.003***	-2.529*
KLDCt2	2.007	1	1.643	1	-0.365	-8.344***	-3.995***
ESt1	0.428	0	0.265	0	-0.164	-9.200***	-8.882***
ESt2	0.423	0	0.267	0	-0.156	-8.705***	-8.521***
ECt1	0.274	0	0.134	0	-0.140	-10.832***	-7.644***
ECt2	0.261	0	0.151	0	-0.110	-8.269***	-5.774***
SSt1	1.526	0	0.911	0	-0.615	-13.669***	-11.989***
SSt2	1.490	0	0.947	0	-0.543	-11.916***	-10.282***
SCt1	1.302	1	1.118	1	-0.184	-6.288***	-1.563
SCt2	1.288	1	1.106	1	-0.183	-6.182***	-2.709**
GSt1	0.148	0	0.086	0	-0.062	-8.341***	-7.664***
GSt2	0.143	0	0.090	0	-0.052	-7.119***	-6.702***
GCt1	0.453	0	0.392	0	-0.062	-4.729***	-2.303*
GCt2	0.458	0	0.386	0	-0.072	-5.456***	-4.037***
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3)-(1)**	**t stat.**	**z stat.**
TOBINSQt1	1.264	0.881	1.404	1.075	0.139	5.336***	11.294***
TOBINSQt2	1.260	0.897	1.412	1.053	0.152	5.732***	10.025***
ANNRt1	0.039	0.078	0.045	0.083	0.007	0.778	0.785
ANNRt2	-0.034	0.077	0.001	0.060	0.034	2.624**	2.304*
ROEt1	0.087	0.110	0.135	0.121	0.069	1.189	4.375***
ROEt2	0.086	0.109	0.136	0.121	0.050	1.251	5.185***
REVTt1	10.213	-0.085	6.955	0.052	-3.258	-2.689**	4.798***
REVTt2	15.026	-0.051	7.576	0.012	-18.619	-3.012***	3.488***

Table 4.7 Univariate analysis on spillover effects- institutional shareholder activism (SOIN)

	Targeted industry sample (N=6,392)		Non-targeted industry sample (N=5,672)			t-test	Wilcoxon test
Panel A:CSR Disclosure	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
ESGDt1	20.641	14.876	17.939	14.05	-2.702	-11.025***	-11.936***
ESGDt2	20.810	14.912	18.190	14.05	-2.620	-10.240***	-11.156***
Et1	21.550	17.054	18.765	13.667	-2.785	-4.824***	-4.954***
Et2	21.786	17.054	19.067	13.954	-2.719	-4.601***	-4.932***
St1	17.981	13.333	16.220	12.281	-1.761	-4.840***	-0.867
St2	18.323	14.035	16.705	14.035	-1.618	-4.279***	-1.235
Gt1	52.843	51.786	51.608	51.786	-1.235	-9.682***	-9.763***
Gt2	52.882	51.786	51.723	51.786	-1.158	-8.732***	-9.093***
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	2.115	1	1.416	0	-0.699	-11.092***	-10.296***
KLDSt2	2.072	1	1.444	0	-0.628	-9.924***	-8.824***
KLDCt1	2.082	1	1.659	1	-0.422	-9.473***	-4.121***
KLDCt2	2.042	1	1.680	1	-0.363	-8.097***	-4.242***
ESt1	0.419	0	0.308	0	-0.111	-6.104***	-6.437***
ESt2	0.416	0	0.308	0	-0.109	-5.971***	-6.499***
ECt1	0.280	0	0.155	0	-0.125	-9.041***	-6.392***
ECt2	0.269	0	0.165	0	-0.105	-7.551***	-5.150***
SSt1	1.548	0	1.010	0	-0.538	-11.572***	-11.062***
SSt2	1.513	0	1.034	0	-0.480	-10.254***	-9.070***
SCt1	1.332	1	1.119	1	-0.212	-7.118***	-3.053**
SCt2	1.307	1	1.123	1	-0.183	-6.126***	-3.125**
GSt1	0.148	0	0.098	0	-0.051	-6.718***	-6.026***
GSt2	0.142	0	0.102	0	-0.039	-5.305***	-4.821***
GCt1	0.470	0	0.385	0	-0.086	-6.556***	-4.123***
GCt2	0.466	0	0.392	0	-0.075	-5.688***	-4.171***
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
TOBINSQt1	1.260	0.870	1.381	1.050	0.122	4.734***	11.079***
TOBINSQt2	1.241	0.875	1.401	1.046	0.161	6.243***	10.821**
ANNRt1	0.034	0.074	0.049	0.087	0.014	1.698	2.174*
ANNRt2	-0.031	0.059	-0.008	0.074	0.023	1.799	1.845
ROEt1	0.084	0.109	0.129	0.120	0.091	1.275	4.840***
ROEt2	0.080	0.108	0.133	0.121	0.052	1.492	5.848***
REVTt1	10.686	-0.071	7.023	0.023	-3.663	-3.065**	3.415***
REVTt2	15.382	-0.045	8.562	0.002	-6.820	-2.425*	2.617**

Table 4.8 Univariate analysis on spillover effects-coordinated shareholder activism (SOCF)

	Targeted industry sample (N=3,870)		Non-targeted industry sample (N=8,194)			t-test	Wilcoxon test
Panel A: CSR Disclosure	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
ESGDt1	20.793	14.912	18.653	14.050	-2.140	-7.871***	-8.155***
ESGDt2	21.187	14.912	18.786	14.050	-2.400	-8.379***	-8.849***
Et1	21.930	17.830	19.495	13.954	-2.435	-4.111***	-3.806***
Et2	22.429	18.700	19.624	13.954	-2.806	-4.604***	-4.482***
St1	18.298	13.333	16.617	12.281	-1.681	-4.249***	-1.020
St2	18.968	14.035	16.900	13.333	-2.068	-5.010***	-2.565**
Gt1	52.908	51.786	51.936	51.786	-0.972	-7.107***	-6.021***
Gt2	53.076	51.786	51.973	51.786	-1.103	-7.721***	-6.934***
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	2.159	1	1.607	0	-0.552	-7.645***	-6.239***
KLDSt2	2.158	1	1.591	0	-0.568	-7.805***	-6.454***
KLDCt1	2.122	1	1.767	1	-0.355	-6.695***	-2.128*
KLDCt2	2.046	1	1.787	1	-0.259	-4.986***	-1.352
ESt1	0.431	0	0.336	0	-0.094	-4.683***	-4.675***
ESt2	0.423	0	0.337	0	-0.086	-4.245***	-3.901***
ECt1	0.306	0	0.180	0	-0.127	-7.509***	-6.145***
ECt2	0.295	0	0.184	0	-0.111	-6.637***	-5.784***
SSt1	1.577	0	1.159	0	-0.419	-7.871***	-7.375***
SSt2	1.588	0	1.142	0	-0.445	-8.287***	-7.461***
SCt1	1.345	1	1.177	1	-0.168	-4.901***	-1.688
SCt2	1.297	1	1.183	1	-0.113	-3.339***	-0.839
GSt1	0.151	0	0.112	0	-0.039	-4.658***	-4.826***
GSt2	0.148	0	0.111	0	-0.036	-4.359***	-4.461***
GCt1	0.151	0	0.112	0	-0.039	-4.658***	-2.546**
GCt2	0.455	0	0.420	0	-0.036	-2.451**	-1.321
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
TOBINSQt1	1.147	0.786	1.405	1.048	0.257	9.469*	16.230***
TOBINSQt2	1.166	0.801	1.394	1.037	0.228	8.370***	14.218***
ANNRt1	0.085	1.082	0.075	1.086	-0.019	-2.128*	-1.682
ANNRt2	-0.016	0.059	-0.022	0.072	-0.006	-0.452	0.580
ROEt1	0.084	0.101	0.116	0.121	0.032	1.095	7.795***
ROEt2	0.084	0.100	0.116	0.121	0.032	1.081	8.584***
REVTt1	11.726	-0.039	7.568	-0.009	-4.158	-3.039**	2.060*
REVTt2	13.783	-0.026	11.371	-0.022	-2.412	-0.897	1.638

Table 4.9 Univariate analysis on spillover effects-institutional shareholder activism Only (SOINO)

Panel A: CSR Disclosure	Targeted industry sample (N=2,628)		Non-targeted industry sample (N=9,436)			t-test	Wilcoxon test
	Mean (1)	Median (2)	Mean (3)	Median (4)	Diff. (3) - (1)	t stat.	z stat.
ESGDt1	20.495	14.876	19.126	14.050	-1.369	-4.257***	-5.927***
ESGDt2	20.275	14.833	19.418	14.050	-0.857	-2.623**	-3.915***
Et1	20.898	15.504	20.327	14.876	-0.571	-0.837	-1.448
Et2	20.641	15.504	20.714	15.504	0.074	0.106	-0.517
St1	17.648	14.035	17.097	12.500	-0.551	-1.206	-0.767
St2	17.440	13.333	17.660	14.035	0.220	0.476	0.883
Gt1	52.735	51.786	52.160	51.786	-0.575	-3.509***	-5.373***
Gt2	52.574	51.786	52.284	51.786	-0.289	-1.679	-3.454***
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	2.016	1	1.735	0	-0.281	-3.393***	-5.031***
KLDSt2	1.919	1	1.743	0	-0.176	-2.162***	-3.455***
KLDCt1	1.986	1	1.861	1	-0.124	-2.123*	-1.829
KLDCt2	2.027	2	1.833	1	-0.195	-3.344***	-3.698***
ESt1	0.399	0	0.360	0	-0.039	-1.674	-2.451*
ESt2	0.403	0	0.356	0	-0.048	-2.073*	-3.442***
ECt1	0.234	0	0.219	0	-0.015	-0.837	-0.704
ECt2	0.229	0	0.218	0	-0.011	-0.619	0.122
SSt1	1.477	0	1.254	0	-0.223	-3.618***	-4.701***
SSt2	1.384	0	1.265	0	-0.119	-1.946	-2.548**
SCt1	1.291	1	1.219	1	-0.071	-1.824	-1.066
SCt2	1.319	1	1.195	1	-0.124	-3.167***	-2.904***
GSt1	0.140	0	0.121	0	-0.019	-1.887	-1.405
GSt2	0.131	0	0.121	0	-0.010	-1.036	-0.722
GCt1	0.461	0	0.423	0	-0.038	-2.210***	-1.497
GCt2	0.480	0	0.419	0	-0.060	-3.525***	-3.332***
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
TOBINSQt1	1.457	1.023	1.288	0.947	-0.169	-4.819***	-5.092***
TOBINSQt2	1.365	0.975	1.309	0.960	-0.056	-1.765	-2.958**
ANNRt1	0.003	0.048	0.051	0.086	0.048	4.133***	4.569***
ANNRt2	-0.056	0.062	-0.011	0.068	0.045	2.551*	1.719
ROEt1	0.085	0.120	0.111	0.112	0.025	0.639	-2.594**
ROEt2	0.076	0.120	0.113	0.113	0.0365	0.932	-2.518*

Table 4.9 continued

REVTt1	8.742	0.064	9.027	0.060	0.284	0.182	1.905

Table 4.9 Note:

Table 4.9 presents univariate analysis on CSR disclosure, CSP and financial performance from institutional shareholder activism only between 2007 and 2014.The data is collected from Bloomberg database, MSCI ESG KLD database and Compustat database. Both the parametric t test and nonparametric Wilcoxon ranksum test are employed to show the difference in CSR disclosure, CSP and financial performance between firms suffering spillover effects and other firms. ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed).

Table 4.10 Univariate analysis on spillover effects-both institutional and coordinated shareholder activism (SOINCF)

	Targeted industry sample (N=3,764)		Non-targeted industry sample (N=8,300)			t-test	Wilcoxon test
Panel A: CSR Disclosure	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
ESGDt1	20.726	14.876	18.708	14.050	-2.018	-7.385***	-7.564***
ESGDt2	21.139	14.912	18.826	14.050	-2.314	-8.047***	-8.469***
Et1	21.929	17.830	19.536	13.954	-2.393	-4.016***	-3.738***
Et2	22.473	18.750	19.633	13.954	-2.840	-4.638***	-4.546***
St1	18.188	13.333	16.696	12.500	-1.492	-3.741***	-0.238
St2	18.901	14.035	16.951	13.333	-1.949	-4.694***	-2.069**
Gt1	52.905	51.786	51.947	51.786	-0.958	-6.965***	-5.746***
Gt2	53.071	51.786	51.983	51.786	-1.089	-7.593***	-6.678***
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	2.179	1	1.603	0	-0.575	-7.878***	-6.561***
KLDSt2	2.171	1	1.592	0	-0.579	-7.865***	-6.393***
KLDCt1	2.143	1	1.761	1	-0.382	-7.121***	-2.786***
KLDCt2	2.052	1	1.788	1	-0.264	-5.020***	-1.301
ESt1	0.432	0	0.337	0	-0.096	-4.718***	-4.702***
ESt2	0.425	0	0.337	0	-0.088	-4.282***	-3.929***
ECt1	0.309	0	0.18	0	-0.129	-7.5401***	-6.164***
ECt2	0.295	0	0.185	0	-0.110	-6.536***	-5.592***
SSt1	1.593	0	1.156	0	-0.437	-8.132***	-7.658***
SSt2	1.597	0	1.143	0	-0.454	-8.357***	-7.444***
SCt1	1.358	1	1.173	1	-0.185	-5.336***	-2.314*
SCt2	1.298	1	1.184	1	-0.114	-3.343***	-0.802
GSt1	0.154	0	0.111	0	-0.042	-4.961***	-5.171***
GSt2	0.148	0	0.111	0	-0.037	-4.417***	-4.507***
GCt1	0.476	0	0.408	0	-0.068	-4.580***	-3.075***
GCt2	0.458	0	0.419	0	-0.039	-2.690***	-1.544
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3)-(1)**	**t stat.**	**z stat.**
TOBINSQt1	1.145	0.783	1.402	1.045	0.258	9.433***	16.124***
TOBINSQt2	1.166	0.799	1.391	1.033	0.226	8.219***	14.128***
ANNRt1	0.053	0.084	0.035	0.076	-0.018	-2.081*	-1.574
ANNRt2	-0.016	0.059	-0.022	0.071	-0.006	-0.448	0.495
ROEt1	0.083	0.101	0.116	0.120	0.033	1.098	7.419***
ROEt2	0.083	0.100	0.116	0.121	0.033	1.107	8.430***
REVTt1	11.854	-0.040	7.537	-0.009	-4.317	-3.125***	2.002*
REVTt2	13.922	-0.031	11.320	-0.020	-2.602	-0.966	1.758

Table 4.11 Univariate analysis on spillover effects-coordinated shareholder activism only (SOCFO)

	Targeted industry sample (N=106)		Non-spillover effects (N=11,958)			t-test	Wilcoxon test
Panel A: CSR Disclosure	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
ESGDt1	24.336	20.248	19.366	14.050	-4.970	-2.809**	-3.735***
ESGDt2	24.751	21.074	19.570	14.050	-5.181	-2.310*	-2.913**
Et1	14.341	21.972	15.179	20.438	-1.534	-0.512	-0.418
Et2	20.380	13.954	20.700	15.504	0.321	0.092	0.248
St1	23.211	19.298	17.170	12.500	-6.041	-3.523***	-4.266***
St2	23.407	21.053	17.581	14.035	-5.826	-2.719**	-3.332***
Gt1	53.070	51.786	52.269	51.786	-0.801	-1.037	-1.795
Gt2	53.427	51.786	52.339	51.786	-1.088	-1.059	-1.991*
Panel B: CSP	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
KLDSt1	1.277	0	1.797	0	0.520	1.987	1.594
KLDSt2	1.662	1	1.781	0	0.119	0.446	-0.53
KLDCt1	1.200	0	1.892	1	0.692	2.928**	3.578***
KLDCt2	1.831	1	1.874	1	0.043	0.193	-0.311
ESt1	0.354	0	0.368	0	0.014	0.145	0.010
ESt2	0.352	0	0.366	0	0.014	0.146	0.018
ECt1	0.200	0	0.223	0	0.023	0.323	-0.076
ECt2	0.268	0	0.220	0	-0.047	-0.609	-1.195
SSt1	0.877	0	1.303	0	0.426	2.235*	1.348
SSt2	1.197	0	1.291	0	0.094	0.435	-0.331
SCt1	0.785	0	1.237	1	0.453	2.810**	3.417***
SCt2	1.225	1	1.221	1	-0.004	-0.026	-0.218
GSt1	0.046	0	0.126	0	0.080	3.000**	1.762
GSt2	0.113	0	0.123	0	0.011	0.285	0.097
GCt1	0.046	0	0.126	0	0.080	3.000**	2.852**
GCt2	0.338	0	0.432	0	0.094	1.482	1.129
Panel C: Financial Performance	**Mean (1)**	**Median (2)**	**Mean (3)**	**Median (4)**	**Diff. (3) - (1)**	**t stat.**	**z stat.**
TOBINSQt1	1.236	0.820	1.321	0.963	0.085	0.549	1.105
TOBINSQt2	1.181	0.963	1.321	0.893	0.140	1.089	0.962
ANNRt1	0.061	0.157	0.041	0.078	-0.020	-0.426	-0.750
ANNRt2	-0.017	0.041	-0.020	0.067	-0.003	-0.046	0.541
ROEt1	0.098	0.081	0.106	0.114	0.008	0.360	2.585**
ROEt2	0.126	0.086	0.105	0.114	-0.021	-0.851	1.211
REVTt1	3.415	-0.028	8.998	-0.020	5.584	3.462***	0.438
REVTt2	4.651	0.353	12.223	-0.025	7.572	3.433***	-0.756

Table 4.12 presents regression results with dependent variables of CSR disclosure level (*ESGDt1* and *ESGDt2*) and their subdimensions (*Et1*, *Et2*, *St1*, *St2*, *Gt1* and *Gt2*). Shareholder activism do not significantly relate to *ESGDt1* and *ESGDt2* in peer firms. However, *SOENVP* positively relate to *Et1* (β= 1.963, $p<0.01$) and *Et2* (β=2.009, $p<0.05$) respectively, and *SOSOCP* positively relates to *St1* (β=1.089, $p<0.01$) and *St2* (β=1.174, $p<0.01$) respectively. *SOGOVP* does not relate to *Gt1* and *Gt2* respectively. Thus, the results indicate that shareholder activism increases the level of social and environmental disclosure in peer firms. The insignificant coefficients on governance disclosure demonstrate that the lack of spillover effects on the overall CSR disclosure is driven by the effects on governance disclosure. The increase in coefficients for *Et1*, *Et2*, *St1* and *St2* indicate that spillover effects become stronger from t1 to t2 for social and environmental disclosure levels.

Table 4.13 presents regression results from institutional shareholder activism and coordinated shareholder activism on CSR disclosure level. The coefficient of institutional shareholder activism is significantly at t1(β=0.626, $p<0.05$) but not t2. Therefore, the results show evidence that institutional shareholder activism improves CSR transparency in peer firms. However, *SOENVPIN* positively relates to *Et1* (β=3.452, $p<0.001$) and *Et2* (β=3.235, $p<0.001$) respectively, meaning that institutional shareholder activism on environmental issues could increase environmental disclosure in peer firms. Similarly, *SOSOCPIN* positively relates to *St2* (β=1.177, $p<0.05$) which also indicates that institutional shareholder activism on social issues could increase social disclosure in peer firms. In addition, the coefficients of institutional shareholder activism on environmental issues are higher than the coefficient of institutional shareholder activism on social issues. It suggests that spillover effects of institutional shareholder activism on environmental issues is stronger than institutional shareholder activism on social issues. The results also show that the coefficients of coordinated shareholder activism

on *ESGDt1*, *ESGDt2*, *Et1*, *Et2*, *St1* and *St2* are not significant. The results show that coordinated shareholder activism negatively relates to *Gt1* (β= -0.394, $p<0.05$) and *Gt2* (β= -0.498, $p<0.05$). These results indicate that there might be collective action problems among coordinated shareholders, hindering the effectiveness of their effect on CSR transparency in peer firms. The negative coefficients on *Gt1* and *Gt2* suggest that the situation could be even worse in the governance subdimension. The results also indicate different strategies adopted by peer companies when encountering institutional or coordinated shareholder activism.

Table 4.12 Results- spillover effects on CSR disclosure

	(1) ESGt1	(2) ESGDt2	(3) Et1	(4) Et2	(5) St1	(6) St2	(7) Gt1	(8) Gt2
SO/SOENVP/SOSOCP/SOGOVP	0.439	0.450	1.963	2.009	1.089	1.174	0.040	0.138
	(1.830)	(1.790)	(2.620)**	(2.570)*	(2.630)**	(2.700)**	(0.310)	(1.030)
ROAt1	7.978	9.226	3.237	7.933	4.978	5.932	5.104	5.135
	(4.800)***	(5.340)***	(0.670)	(1.600)	(1.720)	(1.980)*	(5.780)***	(5.590)***
LEVt1	-4.490	-4.871	-7.984	-8.166	-2.342	-2.666	-1.849	-2.096
	(-6.480)***	(-6.610)***	(-3.800)***	(-3.790)***	(-1.920)	(-2.090)*	(-5.040)***	(-5.370)***
PBt1	0.371	0.381	0.654	0.604	0.305	0.310	0.166	0.175
	(8.640)***	(8.120)***	(6.100)***	(5.240)***	(4.390)***	(4.070)***	(7.290)***	(7.040)***
FIRMSIZEt1	4.722	4.821	6.336	6.363	4.694	4.684	2.210	2.241
	(57.900)***	(56.180)***	(29.910)***	(29.480)***	(35.230)***	(34.020)***	(53.080)***	(51.150)***
DSOCP	2.121	2.244			1.864	1.917		
	(4.590)***	(4.480)***			(2.840)**	(2.720)**		
DENVP	2.396	1.592	1.044	-0.041				
	(3.570)***	(2.240)*	(0.850)	(-0.030)				
DGOVP	2.268	2.253					0.945	0.814
	(6.320)***	(5.840)***					(4.950)***	(3.960)***
Constant	-27.510	-20.570	-55.290	-47.650	-23.510	-23.940	34.050	32.450
	(-11.760)***	(-7.650)***	(-11.760)***	(-9.090)***	(-7.080)***	(-6.580)***	(27.680)***	(23.760)***
INDUSTRYDUMMY	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YEARDUMMY	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,278	6,720	3,036	2,873	5,042	4,675	7,272	6,716
Adjusted R^2	0.476	0.476	0.282	0.277	0.322	0.315	0.389	0.389
F	276.000	255.600	55.110	50.990	109.800	98.800	211.400	195.500

Table 4.12 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 X_i +\Sigma \beta_n CONV_{i,t1} +\varepsilon$....Model 1. X_i represent SO, SOENVP, SOSOCP and SOGOVP respectively. SO denotes the spillover effects of shareholder activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by shareholder activism at t and "0" otherwise. SOENVP denotes the spillover effects of environmental activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by environmental shareholder activism at t and "0" otherwise. SOSOCP denotes the spillover effects of social activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by social shareholder activism at t and "0" otherwise. SOGOVP denotes the spillover effects of governance activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by governance shareholder activism at t and "0" otherwise. Y denotes ESGDt1, ESGDt2, Et1, Et2, St1, St2, Gt1 and Gt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1, LEVt1, PBt1, FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism; FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism

254

on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.) and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.13 Results-spillover effects from institutional or coordinated shareholder activism and CSR disclosure

	(1) ESGDt1	(2) ESGDt2	(3) Et1	(4) Et2	(5) St1	(6) St2	(7) Gt1	(8) Gt2
SOIN/SOENVPIN/ SOSOCPIN/SOGOVPIN	0.626	0.470	3.452	3.235	1.042	1.177	0.289	0.349
	$(2.150)^*$	(1.540)	$(3.220)^{**}$	$(2.820)^{**}$	(1.850)	$(2.000)^*$	$(2.010)^*$	$(2.310)^*$
SOCF/SOENVPCF/ SOSOCPCF/SOGOVPCF	-0.090	0.099	-2.394	-1.475	-0.163	-0.070	-0.394	-0.498
	(-0.290)	(0.300)	(-1.950)	(-1.130)	(-0.270)	(-0.110)	$(-2.160)^*$	$(-2.550)^*$
ROAt1	7.973	9.264	3.150	7.859	5.013	6.022	5.032	4.994
	$(4.790)^{***}$	$(5.360)^{***}$	(0.660)	(1.580)	(1.730)	$(2.010)^*$	$(5.700)^{***}$	$(5.440)^{***}$
LEVt1	-4.470	-4.836	-7.625	-7.972	-2.385	-2.708	-1.979	-2.267
	$(-6.440)^{***}$	$(-6.560)^{***}$	$(-3.620)^{***}$	$(-3.690)^{***}$	(-1.950)	$(-2.120)^*$	$(-5.320)^{***}$	$(-5.720)^{***}$
PBt1	0.369	0.379	0.646	0.601	0.305	0.309	0.168	0.178
	$(8.610)^{***}$	$(8.060)^{***}$	$(6.020)^{***}$	$(5.220)^{***}$	$(4.380)^{***}$	$(4.060)^{***}$	$(7.380)^{***}$	$(7.160)^{***}$
FIRMSIZEt1	4.720	4.817	6.329	6.362	4.705	4.691	2.217	2.253
	$(57.800)^{***}$	$(56.040)^{***}$	$(29.890)^{***}$	$(29.500)^{***}$	$(35.330)^{***}$	$(34.090)^{***}$	$(52.940)^{***}$	$(51.040)^{***}$
DSOCP	2.067	2.189			2.037	2.043		
	$(4.450)^{***}$	$(4.350)^{***}$			$(3.160)^{**}$	$(2.960)^{**}$		
DENVP	2.363	1.556	1.275	0.072				
	$(3.520)^{***}$	$(2.190)^*$	(1.070)	(0.060)				
DGOVP	2.287	2.294					0.909	0.817
	$(6.470)^{***}$	$(6.030)^{***}$					$(4.880)^{***}$	$(4.070)^{***}$
Constant	-27.460	-20.440	-55.650	-47.970	-23.240	-23.740	33.910	32.280
	$(-11.740)^{***}$	$(-7.600)^{***}$	$(-11.820)^{***}$	$(-9.130)^{***}$	$(-7.000)^{***}$	$(-6.510)^{***}$	$(27.570)^{***}$	$(23.650)^{***}$
INDUSTRYDUMMY	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YEARDUMMY	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,278	6,720	3,036	2,873	5,042	4,675	7,272	6,716
Adjusted R^2	0.476	0.476	0.282	0.277	0.322	0.315	0.389	0.390
F	265.100	245.500	52.920	48.930	104.900	94.450	202.600	187.500

Table 4.13 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\gamma_0+ \gamma_1 XIN_i + \gamma_2 XCF_i +\Sigma\gamma_n CONV_{i,t1} +\varepsilon$...Model 2. XIN_i represent SOIN, SOENVPIN, SOSOCPIN and SOGOVPIN respectively. SOIN is a dummy variable, taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism at t and "0" otherwise. SOENVPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on environmental issues at t and "0" otherwise. SOSOCPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on social issues at t and "0" otherwise. SOGOVPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on governance issues at t and "0" otherwise. XCF_i represents SOCF, SOENVPCF, SOSOCPCF and SOGOVPCF respectively. SOCF is a dummy variable, taking value of "1" at t1 if at least one firm in the same industry (referring to

4 digits sic code) is targeted by coordinated shareholder activism at t and "0" otherwise. SOENVPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on environmental issues at t and "0" otherwise. SOSOCPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on social issues at t and "0" otherwise. SOGOVPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on governance issues at t and "0" otherwise. Y denotes ESGDt1, ESGDt2, Et1, Et2, St1, St2, Gt1 and Gt2 respectively. CONV$_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.), DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.) and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.14A and 4.14B present results with dependent variables of CSP (*KLD* strength (*KLDSt1* and *KLDSt2*), *KLD* concern (*KLDCt1* and *KLDCt2*)) and their subdimensions (*ESt1*, ESt2, ECt1, *ECt2*, *SSt1*, *SSt2*, *GSt1* and *GSt2*). Regarding the models on *KLD* strength and *KLD* concern, the coefficient for *KLDSt1* is negatively significant (β= -0.071, p-value<0.01). The coefficients for *KLDCt1* and *KLDCt2* are -0.139 (p-value<0.001) and -0.084 (p-value<0.001) respectively. In addition, compared with *KLDSt1*, the higher coefficients for *KLDCt1* and *KLDCt2* indicate that shareholder activism reduces KLD concern more than KLD strength. In other words, shareholder activism generally improves CSP in peer firms. However, *SOENVP* negatively relates to *ESt1* (β= -0.336, p-value<0.001) and *ESt2* (β= -0.258, p-value<0.001) but positively relates to *ECt1* (β= 0.168, p-value<0.05) and *ECt2* (β= 0.228, p-value<0.01). In other words, spillover effects from environmental shareholder activism reduce the environmental strength but increase the environmental concern. The results therefore reveal that environmental activism deteriorate environmental performance in peer firms. *SOSOCP* positively relates to *SSt1* (β= -0.086, p-value<0.001) but not relates to *SSt2* significantly. *SOSOCP* negatively relates to *SCt1* (β= -0.108, p-value<0.001) and *SCt2* (β -0.096, p-value<0.001) respectively, meaning that social activism reduces the social concern in peer firms. Analogous to the results on *KLDSt1*, *KLDSt2*, *KLDCt1* and *KLDCt2*, social activism improves social performance of peer firms. The coefficient for *GCt1* (β= -0.197, p-value<0.001) is negative. Nonetheless, it is not significant on *GSt1*, *GSt2* and *GCt2*. The results indicate that shareholder activism on governance issues reduces the governance concern of peer firms, thereby improving their governance performance. Further, spillover effects have weakened in the subdimension of governance from t1 to t2. Taken together, the results also suggest spillover effects do not relate to CSR disclosure but do improve CSP. It also demonstrates the inconsistency of spillover effects on disclosure versus performance. Specifically, the level of environmental disclosure has increased though environmental performance has become worse

in peer firms after shareholder activism. The results confirm that environmental disclosure is employed as a risk management tactic to prevent firms from shareholder activism in the future. The consistency of social performance and social disclosure illustrates that firms tend to demonstrate their improved performance in social areas by increasing disclosure level. The results on governance disclosure and performance demonstrate that peer firms rarely employ governance disclosure to signal their better performance. It is probably due to the fact that governance disclosure, when compared with social and environmental disclosure, is less associated with reputational management activities.

Table 4.14A Results- spillover effects on CSP

	(1) KLDSt1	(2) KLDSt2	(3) KLDCt1	(4) KLDCt2	(5) ESt1	(6) ESt2	(7) ECt1	(8) ECt2
SO/SOENVP	-0.071	-0.035	-0.139	-0.084	-0.336	-0.258	0.168	0.228
	(-3.190)**	(-1.580)	(-6.840)***	(-4.140)***	(-6.300)***	(-4.770)***	(2.780)**	(3.720)***
ROAt1	2.996	2.773	1.302	1.180	3.424	3.335	3.583	3.355
	(23.830)***	(21.700)***	(10.020)***	(9.070)***	(12.390)***	(11.850)***	(9.160)***	(8.840)***
LEVt1	-0.297	-0.223	0.098	0.118	0.368	0.205	1.518	1.146
	(-4.890)***	(-3.690)***	(1.720)	(2.080)*	(2.840)**	(1.560)	(9.370)***	(7.080)***
PBt1	0.013	0.009	-0.033	-0.022	-0.004	-0.012	-0.113	-0.075
	(3.900)***	(2.760)**	(-8.480)***	(-5.880)***	(-0.560)	(-1.540)	(-8.160)***	(-6.180)***
FIRMSIZEt1	0.495	0.439	0.185	0.153	0.569	0.527	0.512	0.449
	(77.400)***	(68.480)***	(29.460)***	(24.080)***	(48.360)***	(44.410)***	(33.020)***	(29.080)***
DSOCP	0.024	0.046	0.398	0.377				
	(0.900)	(1.690)	(13.840)***	(12.650)***				
DENVP	-0.016	-0.057	0.197	0.134	0.314	0.268	0.723	0.618
	(-0.440)	(-1.500)	(5.270)***	(3.320)***	(3.870)***	(3.160)**	(8.930)***	(7.150)***
DGOVP	0.216	0.231	0.336	0.298				
	(9.400)***	(9.870)***	(13.510)***	(11.670)***				
Constant	-4.014	-3.496	-0.982	-0.760	-6.328	-5.875	-6.457	-5.836
	(-64.040)***	(-56.440)***	(-17.580)***	(-13.540)***	(-49.300)***	(-46.040)***	(-37.980)***	(-35.420)***
Observations	7,200	7,088	7,200	7,088	7,200	7,088	7,200	7,088
Pseudo R^2	0.268	0.219	0.105	0.075	0.197	0.167	0.189	0.145
χ^2	10,465.500	8,385.700	3,175.100	2,231.800	2,646.000	2,196.500	1,852.100	1,388.100

Table 4.14A Note:

*t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 X_i +\Sigma \beta_n CONV_{i,t1} +\varepsilon$...Model 1. X_i represent SO and SOENVP respectively. SO denotes spillover effects of shareholder activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by shareholder activism at t and "0" otherwise. SOENVP denotes spillover effects of environmental activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by environmental shareholder activism at t and "0" otherwise. Y represent KLDSt1, KLDSt2, KLDCt1, KLDCt2,ESt1, ESt2,ECt1 and ECt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism;DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.*

260

Table 4.14B Results- spillover effects on CSP

	(1) SSt1	(2) SSt2	(3) SCt1	(4) SCt2	(5) GSt1	(6) GSt2	(7) GCt1	(8) GCt2
SOSOCP/SOGOVP	-0.086	-0.019	-0.108	-0.096	0.064	0.073	-0.197	-0.078
	(-3.530)***	(-0.780)	(-4.320)***	(-3.790)***	(0.790)	(0.910)	(-4.710)***	(-1.880)
ROAt1	2.875	2.750	1.134	1.022	3.126	2.126	1.235	1.010
	(19.430)***	(18.420)***	(7.100)***	(6.350)***	(6.760)***	(4.470)***	(4.610)***	(3.800)***
LEVt1	-0.400	-0.277	0.020	0.065	-1.200	-0.740	-0.424	-0.312
	(-5.560)***	(-3.890)***	(0.290)	(0.920)	(-5.070)***	(-3.250)**	(-3.470)***	(-2.590)**
PBt1	0.020	0.015	-0.025	-0.018	-0.024	0.003	-0.015	0.006
	(5.280)***	(3.940)***	(-5.360)***	(-4.090)***	(-1.610)	(0.230)	(-1.860)	(0.080)
FIRMSIZEt1	0.523	0.462	0.175	0.148	0.298	0.282	0.194	0.145
	(75.680)***	(66.920)***	(24.600)***	(20.430)***	(13.250)***	(12.430)***	(15.370)***	(11.370)***
DSOCP	0.077	0.069	0.576	0.533				
	(2.470)*	(2.160)*	(16.190)***	(14.430)***				
DGOVP					0.580	0.412	0.329	0.244
					(6.450)***	(4.490)***	(5.990)***	(4.340)***
Constant	-4.554	-3.999	-1.299	-1.097	-4.777	-4.637	-2.407	-2.080
	(-64.620)***	(-57.760)***	(-20.080)***	(-16.790)***	(-22.800)***	(-22.000)***	(-21.460)***	(-18.600)***
Observations	7,200	7,088	7,200	7,088	7,200	7,088	7,200	7,088
Pseudo R^2	0.247	0.196	0.061	0.045	0.078	0.058	0.035	0.020
χ^2	7,512.800	5,894.900	1,415.900	1,021.200	456.800	333.600	421.900	239.800

Table 4.14B Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1X_i +\Sigma \beta_nCONV_{i,t1} +\varepsilon$....Model 1. X_i represent SOSOCP and SOGOVP respectively. SOSOCP denotes the spillover effects of social activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by social shareholder activism at t and "0" otherwise. SOGOVP denotes the spillover effects of governance activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by governance shareholder activism at t and "0" otherwise. Y represent SSt1, SSt2, SCt1, SCt2, GSt1, GSt2, GCt1 and GCt2 respectively; $CONV_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.15A shows the association between institutional or coordinated shareholder activism and CSP in peer firms. *SOIN* is not associated with *KLDSt1* and *KLDSt2* respectively. In addition, *SOIN* negatively relates to *KLDCt1* (β=-0.065, p-value<0.01), revealing that institutional shareholder activism (though it does not enhance the strength of CSP) reduces the weakness of CSP in peer firms. These results are roughly in line with Neubaum and Zahra (2006) but opposite to David et al. (2007). That is, shareholder activism, especially from institutional shareholders reduces the negative CSP and thus contributes to the enhancement of CSP in peer firms. *SOCF* are negatively related to *KLDSt1* (β= -0.101, p-value<0.001), *KLDSt2* (β= -0.096, p-value<0.001) and *KLDCt1* (β= -0.085, p-value<0.001) respectively. The results confirm the existence of a collective action problem. Specifically, the divergent goals and interests of coordinated shareholders prevent firms from investing in CSR or taking CSR activities further. Therefore, it can harm CSP in peer firms.

The last four columns in Table 4.15A and Table 4.15B depict regression results on subdimensions of CSP. *SOENVPIN* negatively relates to *ESt1* (β= -0.566, p-value<0.001), *ESt2* (β=-0.471, p-value<0.001), *ECt1* (β= -1.003, p-value<0.001) and *ECt2* (β= -0.921, p-value<0.001) respectively. The absolute value of *ECt1* is higher than the absolute value of *ESt1*. It means that institutional shareholder activism on environmental issues could reduce the concern of environmental performance more than the strength of environmental performance. Therefore, it indicates that institutional shareholder activism on environmental issues shows roughly positive influences on environmental performance of peer firms. *SOENVPCF* positively relates to *ESt1* (β=0.498, p-value<0.001), *ESt2* (β=0.242, p-value<0.01), *ECt1* (β=1.462, p-value<0.001) and *ECt2* (β=1.273, p-value<0.001) respectively. The results mean that environmental shareholder activism from coordinated shareholders positively relate to environmental strength and concern. *ECt1* is higher than *ESt1*, and *ECt2* is higher than *ESt2*.

It means that coordinated shareholder activism could increase the concern of environmental performance (measured by *ECt1* and *ECt2*) more than enhance the strength of environmental performance (measured by *ESt1* and *ESt2)*. The results reveal that coordinated shareholder activism negatively influences environmental performance in peer firms. *SOSOCPIN* negatively relates to *SCt1* (β= -0.132, p-value<0.001). *SOSOCPCF* negatively relates to *SSt1* (β=-0.125, p-value<0.001) and *SSt2* (β=-0.178, p-value<0.001) respectively. Taken together, it indicates that institutional shareholder activism could benefit social performance in peer firms, whereas the results on *SOSOCPCF* illustrate the collective action problem among coordinated shareholders, particularly regarding social issues. Additionally, the *SOGOVPIN* does not relate to *GSt1*, *GSt2*, *GCt1* and *GCt2* respectively, and *SOGOVPCF* does not relate to *GSt1*, *GSt2*, *GCt1* and *GCt2* respectively. It suggests that institutional shareholder activism on governance issues could not increase the governance disclosure in peer firms. These results also mean that coordinated shareholder activism does not influence governance performance in peer firms. The insignificant results therefore indicate that in the subdimension of governance, institutional shareholders are not salient enough to increase transparency, and the coordinated shareholders might suffer the collective action problem.

Overall, it appears that when confronting institutional shareholder activism, peer firms are incentivised to improve both CSR disclosure and CSP. Furthermore, the synthesised results of this research document stronger positive spillover effects from institutional shareholders on CSR disclosure whereas there are clear weaker positive spillover effects from institutional shareholder activism on CSP. It means that institutional shareholder activism has stronger influence in motivating firms to manage risks via CSR disclosure than it does on motivating the improvements in CSP. In addition, the results show that coordinated shareholder activism does not create significant peer pressure to change CSR disclosure but deteriorates CSP in peer

firms, meaning that the collective action problem could attenuate spillover effects on risk management through CSR disclosure among peer firms.

Table 4.15A Results- spillover effects from institutional or coordinated shareholder activism on CSP

	(1) KLDSt1	(2) KLDSt2	(3) KLDCt1	(4) KLDCt2	(5) ESt1	(6) ESt2	(7) ECt1	(8) ECt2
SOIN/SOENVPIN	-0.031	-0.010	-0.065	0.010	-0.566	-0.471	-1.003	-0.921
	(-1.310)	(-0.430)	(-2.760)**	(0.430)	(-7.670)***	(-5.990)***	(-9.020)***	(-7.510)***
SOCF/SOENVPCF	-0.101	-0.096	0.014	-0.085	0.498	0.242	1.462	1.273
	(-4.430)***	(-4.100)***	(0.590)	(-3.570)***	(5.620)***	(2.580)**	(12.630)***	(9.960)***
ROAt1	2.936	2.708	1.352	1.156	3.306	3.231	2.952	2.908
	(23.210)***	(21.030)***	(10.370)***	(8.830)***	(11.91)***	(11.42)***	(7.450)***	(7.570)***
LEVt1	-0.331	-0.251	0.091	0.101	0.257	0.158	1.238	0.961
	(-5.410)***	(-4.140)***	(1.590)	(1.770)	(1.96)*	(1.20)	(7.52)***	(5.84)***
PBt1	0.013	0.010	-0.033	-0.022	-0.002	-0.011	-0.108	-0.070
	(4.110)***	(2.950)**	(-8.590)***	(-5.850)***	(-0.230)	(-1.470)	(-7.790)***	(-5.790)***
FIRMSIZEt1	0.499	0.444	0.181	0.154	0.573	0.528	0.535	0.463
	(77.540)***	(68.650)***	(28.820)***	(24.040)***	(48.430)***	(44.470)***	(34.190)***	(29.870)***
DSOCP	0.041	0.062	0.387	0.378	0.168	0.242	0.730	0.710
	(1.540)	(2.240)*	(13.420)***	(12.660)***	(2.180)*	(3.000)**	(9.140)***	(8.270)***
DENVP	-0.010	-0.052	0.195	0.136				
	(-0.280)	(-1.370)	(5.200)***	(3.370)***				
DGOVP	0.205	0.227	0.307	0.275				
	(9.080)***	(9.880)***	(12.640)***	(10.990)***				
Constant	-4.033	-3.512	-1.006	-0.783	-6.344	-5.865	-6.480	-5.823
	(-64.340)***	(-56.690)***	(-18.050)***	(-13.990)***	(-49.210)***	(-45.890)***	(-37.710)***	(-35.080)***
Observations	7,200	7,088	7,200	7,088	7,200	7,088	7,200	7,088
Pseudo R^2	0.269	0.219	0.103	0.075	0.199	0.169	0.209	0.156
χ2	10,494.900	8,411.000	3,137.700	2,231.500	2,671.200	2,217.100	2,048.500	1,501.000

Table 4.15A Note:

*t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\gamma_0+ \gamma_1 XIN_i+ \gamma_2 XCF_i+\Sigma\gamma_n CONV_{i,t1} +\varepsilon$....Model 2. XIN_i represent SOIN and SOENVPIN respectively. SOIN is a dummy variable, taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism at t and "0" otherwise. SOENVPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on environmental issues at t and "0" otherwise. XCF_i represent SOCF and SOENVPCF respectively. SOCF is a dummy variable, taking value of "1" at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism at t and "0" otherwise. SOENVPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on environmental issues at t and "0" otherwise. Y denotes KLDSt1, KLDSt2, KLDCt1, KLDCt2, ESt1, ESt2, ECt1 and ECt2 respectively. $CONV_{i,t1}$ represents control variables, namely ROAt1, LEVt1, PBt1, FIRMSIZEt1, DSOCP, DENVP and DGOVP. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social*

issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.15B Results- spillover effects from institutional or coordinated shareholder activism on CSP

	(1) SSt1	(2) SSt2	(3) SCt1	(4) SCt2	(5) GSt1	(6) GSt2	(7) GCt1	(8) GCt2
SOSOCPIN/SOGOVPIN	-0.045	0.033	-0.132	-0.037	0.075	0.042	-0.020	-0.018
	(-1.470)	(1.100)	(-3.930)***	(-1.120)	(0.930)	(0.520)	(-0.460)	(-0.390)
SOSOCPCF/SOGOVPCF	-0.125	-0.178	0.007	-0.105	0.115	0.026	-0.071	-0.069
	(-4.010)***	(-5.720)***	(0.210)	(-3.010)**	(1.270)	(0.280)	(-1.280)	(-1.220)
ROAt1	2.809	2.662	1.107	0.986	3.215	2.124	1.296	0.998
	(18.880)***	(17.680)***	(6.910)***	(6.100)***	(6.930)***	(4.450)***	(4.820)***	(3.730)***
LEVt1	-0.418	-0.299	0.0168	0.0659	-1.115	-0.721	-0.454	-0.344
	(-5.80)***	(-4.19)***	(0.24)	(0.930)	(-4.630)***	(-3.100)**	(-3.650)***	(-2.790)**
PBt1	0.020	0.016	-0.025	-0.019	-0.024	0.003	-0.015	0.001
	(5.440)***	(4.110)***	(-5.350)***	(-4.130)***	(-1.640)	(0.240)	(-1.870)	(0.130)
FIRMSIZEt1	0.525	0.466	0.175	0.149	0.289	0.281	0.189	0.146
	(76.480)***	(67.740)***	(24.680)***	(20.600)***	(12.640)***	(12.230)***	(14.870)***	(11.320)***
DSOCP	0.085	0.089	0.575	0.526				
	(2.810)**	(2.840)**	(16.630)***	(14.600)***				
DGOVP					0.580	0.427	0.253	0.220
					(6.690)***	(4.800)***	(4.810)***	(4.040)***
Constant	-4.549	-4.002	-1.295	-1.101	-4.749	-4.622	-2.443	-2.100
	(-64.610)***	(-57.800)***	(-20.020)***	(-16.870)***	(-22.670)***	(-21.910)***	(-21.790)***	(-18.780)***
Observations	7,200	7,088	7,200	7,088	7,200	7,088	7,200	7,088
Pseudo R^2	0.248	0.197	0.062	0.046	0.079	0.058	0.033	0.020
χ^2	7,544.600	5,937.500	1,424.200	1,032.700	460.600	333.300	402.700	239.000

Table 4.15B Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\gamma_0+ \gamma_1 XIN_i+ \gamma_2 XCF_i +\Sigma\gamma_n CONV_{i,t1} +\varepsilon$....Model 2. XIN_i represent SOSOCPIN and SOGOVPIN respectively. SOSOCPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on social issues at t and "0" otherwise. SOGOVPIN is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism on governance issues at t and "0" otherwise. XCF_i represent SOSOCPCF and SOGOVPCF respectively. SOSOCPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on social issues at t and "0" otherwise. SOGOVPCF is a dummy variable, taking value of "1"at t1 if at least one firm in the same industry (referring to 4 digits sic code) is targeted by coordinated shareholder activism on governance issues at t and "0" otherwise. Y denotes, SSt1, SSt2, SCt1, SCt2, GSt1, GSt2, GCt1 and GCt2 respectively. $CONV_{i,t1}$ represents control variables, namely ROAt1, LEVt1, PBt1, FIRMSIZEt1, DSOCP and DGOVP. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism;DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder

activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.16 presents results on the associations between shareholder activism and indicators of financial performance in peer firms, namely *TOBINSQt1*, *TOBINSQt2*, *ANNRt1*, *ANNRt2*, *ROEt1*, *ROEt2*, *REVTt1* and *REVTt2*. The results indicate that shareholder activism positively relate to *TOBINSQt1* (β= 0.087, p-value<0.001) but not to *TOBINSQt2* in peer firms. Similar results are also found for the coefficients on *REVTt1* (β= 8.549, p-value<0.001) and *REVTt2* (β=11.370, p-value<0.001). Shareholder activism is also positively related to *ANNRt1*(β=0.015, p-value<0.05) However, for *ANNRt2*, *ROEt1* and *ROEt2*, the coefficients are not significant in peer firms. The results, therefore, generally suggest that shareholder activism could improve financial performance in peer firms. In particular, spillover effects highly relate to business growth and firm value whereas they are weakly related to the profitability of peer firms.

Table 4.17 presents the associations between institutional or coordinated shareholder activism and indicators of financial performance in peer firms, namely *TOBINSQt1*, *TOBINSQt2*, *ANNRt1*, *ANNRt2*, *ROEt1*, *ROEt2*, *REVTt1* and *REVTt2*. The results document that institutional shareholder activism (*SOIN*) positively relates to *TOBINSQt1* (β= 0.174, p<0.001) and *TOBINSQt2* (β= 0.088, p<0.05) in peer firms respectively. It does not relate to *ANNRt1*, *ANNRt2*, *ROEt1* and *ROEt2* respectively. It positively relates to *REVTt1* (β= 5.860, p<0.001) and *REVTt2* (β= 10.540, p<0.01). Coordinated shareholder activism does not relate to *TOBINSQt1* and *TOBINSQt2* in peer firms respectively. Analogous to the results on institutional shareholder activism, coordinated shareholder activism do not relate to *ANNRt1*, *ANNRt2*, *ROEt1* and *ROEt2* in peer firms. In addition, the results show that *SOCF* positively relates to *REVTt1* (β= 4.733, p<0.01).

Taken together, the tables show mixed results on whether shareholder activism influences financial performance in peer firms. Firstly, results note that although shareholder activism increases the peer firms' value (measured by *TOBINSQt1* and *TOBINSQt2*), it does not relate to the profitability of firms measured by the annual return or ROE. In addition, results demonstrate that shareholder activism positively relates to revenue growth (indicated by *REVTt1* and *REVTt2*) in peer firms. It therefore indicates that shareholder activism could increase business growth in peer firms. Secondly, institutional shareholder activism could increase firm value (indicated by *TOBINSQt1* and *TOBINSQt2*) in peer firms. The positive association between *SOCF* and *REVTt1* indicates that the collective action problem does not hinder the effectiveness of coordinated shareholder activism in increasing business growth in the short term in peer firms. Overall, the results extend the argument of Gillan and Starks (2000) by suggesting that institutional or coordinated shareholder activism could improve financial performance in peer firms. In addition, the results indicate that the collective action problem among coordinated shareholder activism aiming at increasing business growth is not as serious as among coordinate shareholder activism aiming at increasing CSR disclosure or CSP.

Table 4.16 Results- spillover effects on financial performance

	(1) TOBINSQt1	(2) TOBINSQt2	(3) ANNRt1	(4) ANNRt2	(5) ROEt1	(6) ROEt2	(7) REVTt1	(8) REVTt2
SO	0.087	0.039	0.015	0.001	0.015	0.017	8.549	11.370
	(4.220)***	(1.560)	(1.980)*	(0.040)	(0.560)	(0.560)	(7.730)***	(3.420)***
ROAt1	4.970	3.755	0.063	-0.747	1.152	0.119	-10.920	56.240
	(35.510)***	(22.330)***	(1.210)	(-8.660)***	(6.190)***	(0.580)	(-1.450)	(2.490)*
LEVt1	-1.773	-1.279	-0.101	0.124	-0.130	-0.161	-10.960	-5.518
	(-29.540)***	(-17.220)***	(-4.560)***	(3.350)***	(-1.640)	(-1.810)	(-3.400)***	(-0.570)
PBt1	0.183	0.128	0.020	-0.014	0.028	0.056	0.493	-0.222
	(48.460)***	(27.770)***	(14.180)***	(-6.030)***	(5.560)***	(10.150)***	(2.460)*	(-0.370)
FIRMSIZEt1	-0.112	-0.118	-0.005	-0.064	0.022	0.023	-5.932	0.573
	(-16.130)***	(-13.820)***	(-1.960)	(-14.890)***	(2.350)*	(2.260)*	(-15.890)***	(0.510)
DSOCP	0.003	0.072	-0.014	0.030	0.035	0.092	1.164	-5.212
	(0.080)	(1.410)	(-0.870)	(1.130)	(0.620)	(1.470)	(0.510)	(-0.760)
DENVP	0.086	0.055	0.018	0.001	-0.139	-0.152	0.961	-7.577
	(1.390)	(0.750)	(0.790)	(0.030)	(-1.700)	(-1.670)	(0.290)	(-0.760)
DGOVP	-0.001	0.027	-0.015	0.039	0.075	-0.097	1.016	-0.320
	(-0.020)	(0.680)	(-1.220)	(1.900)	(1.720)	(-1.990)*	(0.580)	(-0.060)
Constant	1.541	1.709	-0.145	0.541	-0.278	-0.223	72.980	-12.410
	(7.580)***	(6.940)***	(-1.940)	(4.530)***	(-1.050)	(-0.740)	(4.840)***	(-0.180)
IndustryDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,664	8,232	8,733	8,494	8,763	8,444	8,912	8,894
Adjusted R^2	0.556	0.351	0.313	0.228	0.017	0.018	0.042	0.001
F	453.900	186.400	166.400	105.600	7.330	7.286	17.140	1.275

Table 4.16 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: Y=β₀+ β₁Xᵢ +Σ βₙCONVᵢ,ₜ₁ +ε....Model 1. Xᵢ represent SO, SOENVP, SOSOCP and SOGOVP respectively. SOENVP denotes spillover effects of environmental proposals. SOSOCP denotes spillover effects of social proposals. SOGOVP denotes spillover effects of governance proposals. SO denotes spillover effects of shareholder activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by shareholder activism at t and "0" otherwise. SOENVP denotes spillover effects of environmental activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by environmental shareholder activism at t and "0" otherwise. SOSOCP denotes spillover effects of social activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by social shareholder activism at t and "0" otherwise. SOGOVP denotes spillover effects of governance activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by governance shareholder activism at t and "0" otherwise. Y represent TOBINSQt1, TOBINSQt2, ANNRt1, ANNRt2, ROEt1, ROEt2, REVTt1 and REVTt2 respectively. CONVᵢ,ₜ₁ represent control variables, including ROAt1, LEVt1, PBt1, FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after

271

shareholder activism; FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.17 Results-spillover effects from institutional or coordinated shareholder activism on financial performance

	(1) TOBINSQt1	(2) TOBINSQt2	(3) ANNRt1	(4) ANNRt2	(5) ROEt1	(6) ROEt2	(7) REVTt1	(8) REVTt2
SOIN	0.174	0.088	0.017	-0.015	-0.046	-0.038	5.860	10.540
	(6.140)***	(2.800)**	(1.860)	(-0.950)	(-1.290)	(-0.890)	(4.360)***	(2.600)**
SOCF	-0.057	-0.029	0.001	0.016	0.024	-0.015	4.733	-0.954
	(-1.870)	(-0.860)	(0.080)	(0.970)	(0.610)	(-0.330)	(3.280)**	(-0.220)
ROAt1	8.172	6.168	0.063	-0.744	0.030	0.160	-9.868	54.970
	(59.190)***	(40.600)***	(1.220)	(-8.620)***	(0.150)	(0.670)	(-1.310)	(2.430)*
LEVt1	-1.016	-0.659	-0.100	0.124	0.020	0.117	-10.240	-5.320
	(-15.640)***	(-9.330)***	(-4.510)***	(3.350)***	(0.230)	(1.120)	(-3.180)**	(-0.550)
FIRMSIZEt1	-0.122	-0.132	-0.005	-0.064	-0.016	0.008	-5.979	0.606
	(-15.610)***	(-15.400)***	(-1.980)*	(-14.890)***	(-1.540)	(0.660)	(-16.020)***	(0.540)
DSOCP	0.096	0.136	-0.015	0.030	0.037	0.079	0.186	-5.433
	(2.010)*	(2.550)*	(-0.980)	(1.130)	(0.590)	(1.080)	(0.080)	(-0.790)
DENVP	0.057	0.047	0.017	0.001	-0.003	-0.039	0.227	-7.783
	(0.820)	(0.600)	(0.750)	(0.020)	(-0.040)	(-0.370)	(0.070)	(-0.780)
DGOVP	0.033	0.059	-0.013	0.041	-0.009	-0.098	2.221	1.240
	(0.910)	(1.430)	(-1.130)	(2.040)*	(-0.200)	(-1.770)	(1.280)	(0.240)
PBt1			0.020	-0.014	0.014	0.003	0.467	-0.224
			(14.140)***	(-6.020)***	(2.650)**	(0.450)	(2.330)*	(-0.370)
Constant	1.348	1.924	-0.140	0.548	0.325	0.021	77.020	-9.825
	(5.890)***	(7.560)***	(-1.870)	(4.600)***	(0.680)	(0.020)	(5.110)***	(-0.140)
IndustryDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,752	8,677	8,733	8,494	8,714	8,708	8,912	8,894
Adjusted R^2	0.429	0.288	0.313	0.228	0.002	0.000	0.043	0.000
F	274.500	147.600	159.800	101.400	1.537	1.167	17.010	1.140

Table 4.17 Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1X_i +\Sigma \beta_nCONV_{i,t1} +\varepsilon$.....Model 1. X_i represent SO, SOENVP, SOSOCP and SOGOVP respectively. SO denotes the spillover effects of shareholder activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by shareholder activism at t and "0" otherwise. SOENVP denotes the spillover effects of environmental activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by environmental shareholder activism at t and "0" otherwise. SOSOCP denotes the spillover effects of social activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by social shareholder activism at t and "0" otherwise. SOGOVP denotes the spillover effects of governance activism. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by governance shareholder activism at t and "0" otherwise. Y represent TOBINSQt1, TOBINSQt2, ANNRt1, ANNRt2, ROEt1, ROEt2, REVTt1 and REVTt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing

liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

4.6 ADDITIONAL TEST

Spillover effects from large shareholder activism and individual shareholder activism

Tables 4.2 and 4.3 have shown that institutional shareholder activism accounts for a large proportion of shareholder activism which might drive the associations among shareholder activism and firm performance, CSP and CSR disclosure in peer firms. It therefore indicates the necessity to divide institutional shareholder activism further into subsamples, namely shareholder activism from institutional shareholders only (i.e. institutional shareholders who do not coordinate with each other) and shareholder activism from both institutional and coordinated shareholders. In addition, this section also analyses the impact of shareholder activism from coordinated shareholders only (i.e. coordinated shareholders but not coordinated institutional shareholders).

Table 4.18A and Table 4.18B present the associations among shareholder activism from institutional shareholders only, CSR disclosure level (*ESGDt1* and *ESGDt2*), CSP (*KLDSt1*, *KLDSt2*, *KLDCt1* and *KLDCt2*) and FP (*TOBINSQt1*, *TOBINSQt2, ANNRt1*, *ANNRt2*, *ROEt1*, *ROEt2*, *REVTt1* and *REVTt2*).

Firstly, the results show that *SOINO* does not relate to *ESGDt1* and *ESGDt2* respectively. The results suggest that institutional shareholder activism only can hardly change CSR disclosure level. The results suggest that results in Table 4.13 is not very robust. However, in Table 4.13, the positive association between institutional shareholder activism and CSR disclosure cannot last long, indicating relatively weak impacts from institutional shareholder activism on CSR disclosure in peer firms.

The results also suggest that *SOINO* positively relates to *KLDSt1* (β=0.045, p<0.05), *KLDSt2* (β=0.048, p<0.05), *KLDCt1* (β=-0.045, p<0.05), *KLDCt2* (β= 0.045, p<0.05) respectively. Taken together, the results indicate that while institutional shareholder activism might improve CSP at t1 and t2 in peer firms, spillover effects are weak. Thus, the results are consistent with Table 4.15A and Table 4.15B, indicating that institutional shareholder activism is not strongly associated with CSR disclosure and CSP in peer firms. Similar with Table 4.17, the results indicate a positive association between *SOINO* and *TOBINSQt1* (β= 0.131, p<0.001) and a positive association between *SOINO* and *TOBINSQt2* (β= 0.060, p<0.05). It therefore suggests that institutional shareholder activism even without coordinated shareholders can still increase the company value in peer firms.

Table 4.19A presents the associations among the sample of both institutional and coordinated shareholder activism, CSR disclosure and CSP. It shows that *SOINCF* does not significantly relate to *ESGDt1* and *ESGDt2* respectively. The association between *SOINCF* and *KLDSt1* is negative (β= -0.118, p<0.001), and the association between *SOINCF* and *KLDSt2* is negative (β= -0.101, p<0.001). Table 4.19B presents the association between the sample of both institutional and coordinated shareholder activism and financial performance. The results also report that *SOINCF* positively relates to *REVTt1* (β=8.696, p<0.001) respectively. *SOINCF* positively relates to *TOBINSQt1* (β= 0.058, p<0.05), and the coefficient is close to zero, meaning that the association is weak. Therefore, the results demonstrate that both institutional and coordinated shareholder activism may not increase CSR disclosure level and can harm CSP in peer firms. Nevertheless, it could increase firm value and business growth respectively. The findings are inconsistent with Table 4.15A, in that institutional shareholder activism improves CSP in peer firms. However, these results demonstrate the collective action problem among coordinated shareholders which could reduce the effectiveness of their monitoring on CSP. The

findings are consistent with Gillan and Starks (2000) that institutional or coordinated shareholder activism improves financial performance. In addition, the results extend their studies by showing the existence of spillover effects in peer firms.

Table 4.20A presents the associations among coordinated shareholder activism only, CSP and CSR disclosure. Table 4.20B presents the associations among coordinated shareholder activism only and indicators of financial performance. It indicates that *SOCFO* does not relate to any indicators significantly. The results are different from the significant associations between coordinated shareholder activism and the indicators of CSP presented in Table 4.15. This could be due to its small sample size. However, the results indicate that coordinated shareholder activism could not improve CSR disclosure level, CSP or financial performance.

Table 4.18A Results-spillover effects from institutional shareholder activism only on CSR disclosure Level or CSP

	(1) ESGDt1	(2) ESGDt2	(3) KLDSt1	(4) KLDSt2	(5) KLDCt1	(6) KLDCt2
SOINO	0.481	0.294	0.045	0.048	-0.045	0.045
	(1.750)	(1.010)	(2.170)*	(2.230)*	(-2.090)*	(2.090)*
ROAt1	7.766	9.033	3.003	2.763	1.390	1.208
	(4.680)***	(5.230)***	(23.920)***	(21.620)***	(10.750)***	(9.310)***
LEVt1	-4.535	-4.906	-0.300	-0.227	0.101	0.114
	(-6.540)***	(-6.660)***	(-4.940)***	(-3.770)***	(1.780)	(2.000)*
PBt1	0.375	0.384	0.013	0.009	-0.034	-0.022
	(8.760)***	(8.200)***	(3.950)***	(2.790)**	(-8.700)***	(-5.980)***
FIRMSIZEt1	4.733	4.831	0.491	0.437	0.179	0.150
	(58.140)***	(56.390)***	(78.260)***	(69.330)***	(28.880)***	(23.830)***
DSOCP	2.198	2.338	0.017	0.043	0.376	0.362
	(4.780)***	(4.700)***	(0.650)	(1.580)	(13.220)***	(12.300)***
DENVP	2.433	1.634	-0.019	-0.059	0.190	0.130
	(3.620)***	(2.300)*	(-0.520)	(-1.560)	(5.100)***	(3.220)**
DGOVP	2.348	2.367	0.192	0.216	0.303	0.267
	(6.680)***	(6.250)***	(8.570)***	(9.450)***	(12.530)***	(10.740)***
Constant	-27.570	-20.500	-4.031	-3.510	-1.008	-0.788
	(-11.780)***	(-7.620)***	(-64.400)***	(-56.730)***	(-18.110)***	(-14.080)***
Industry Dummy	Yes	Yes	No	No	No	No
Year Dummy	Yes	Yes	No	No	No	No
Observations	7,278	6,720	7,200	7,088	7,200	7,088
Adjusted/ Pseudo R^2	0.476	0.476	0.268	0.219	0.103	0.075
F	276.000	255.400				
χ^2			10,460.000	8,388.100	3,132.900	2,219.000

Table 4.18A Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 SOINO+\Sigma \beta_n CONV_{i,t1} +\varepsilon$. SOINO represents the spillover effects of shareholder activism from institutional shareholders only. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism only at t and "0" otherwise. Y represent ESGDt1, ESGDt2, KLDSt1 KLDSt2, KLDCt1 and KLDCt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.18B Results-spillover effects from institutional shareholder activism only on financial performance

	(1) TOBINSQt1	(2) TOBINSQt2	(3) ANNRt1	(4) ANNRt2	(5) ROEt1	(6) ROEt2	(7) REVTt1	(8) REVTt2
SOINO	0.131	0.060	0.011	-0.017	-0.061	-0.032	1.493	6.795
	(4.860)***	(2.030)*	(1.280)	(-1.170)	(-1.930)	(-0.920)	(1.160)	(1.760)
ROAt1	8.140	6.152	0.055	-0.744	1.155	0.117	-14.610	50.650
	(58.990)***	(40.560)***	(1.060)	(-8.640)***	(6.220)***	(0.570)	(-1.940)	(2.240)*
LEVt1	-1.026	-0.664	-0.103	0.124	-0.130	-0.162	-11.680	-6.631
	(-15.770)***	(-9.400)***	(-4.620)***	(3.360)***	(-1.630)	(-1.820)	(-3.620)***	(-0.680)
PBt1			0.020	-0.014	0.028	0.057	0.568	-0.131
			(14.270)***	(-6.030)***	(5.620)***	(10.190)***	(2.820)**	(-0.220)
FIRMSIZEt1	-0.120	-0.131	-0.005	-0.064	0.022	0.024	-5.762	0.805
	(-15.360)***	(-15.300)***	(-1.840)	(-14.920)***	(2.380)*	(2.290)*	(-15.410)***	(0.720)
DSOCP	0.129	0.153	-0.010	0.030	0.040	0.096	3.051	-2.866
	(2.720)**	(2.900)**	(-0.680)	(1.160)	(0.720)	(1.560)	(1.340)	(-0.420)
DENVP	0.074	0.055	0.019	0.001	-0.141	-0.152	1.587	-6.448
	(1.060)	(0.710)	(0.860)	(0.020)	(-1.720)	(-1.680)	(0.480)	(-0.650)
DGOVP	0.049	0.067	-0.011	0.041	0.089	-0.087	3.675	2.520
	(1.330)	(1.620)	(-0.950)	(2.070)*	(2.080)*	(-1.810)	(2.120)*	(0.480)
Constant	1.347	1.929	-0.142	0.550	-0.233	-0.193	76.570	-10.170
	(5.880)***	(7.570)***	(-1.900)	(4.610)***	(-0.880)	(-0.640)	(5.060)***	(-0.150)
IndustryDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,752	8,677	8,733	8,494	8,763	8,444	8,912	8,894
Adjusted R^2	0.427	0.288	0.312	0.228	0.017	0.018	0.035	0.000
F	285.000	153.700	166.300	105.600	7.475	7.309	14.610	0.917

Table 4.19A Spillover effects from both institutional and coordinated shareholder activism on CSR disclosure level or CSP

	(1) ESGDt1	(2) ESGDt2	(3) KLDSt1	(4) KLDSt2	(5) KLDCt1	(6) KLDCt2
SOINCF	0.260	0.369	-0.118	-0.101	-0.021	-0.077
	(1.050)	(1.390)	(-6.190)***	(-5.200)***	(-1.110)	(-3.930)***
ROAt1	7.950	9.252	2.935	2.709	1.356	1.159
	(4.780)***	(5.350)***	(23.210)***	(21.040)***	(10.410)***	(8.860)***
LEVt1	-4.486	-4.851	-0.331	-0.253	0.091	0.100
	(-6.460)***	(-6.580)***	(-5.420)***	(-4.160)***	(1.600)	(1.750)
PBt1	0.373	0.381	0.014	0.010	-0.033	-0.021
	(8.690)***	(8.120)***	(4.170)***	(2.980)**	(-8.570)***	(-5.820)***
FIRMSIZEt1	4.725	4.821	0.498	0.444	0.180	0.154
	(57.860)***	(56.110)***	(77.970)***	(68.890)***	(28.700)***	(24.080)***
DSOCP	2.154	2.252	0.040	0.061	0.380	0.379
	(4.650)***	(4.490)***	(1.490)	(2.220)*	(13.260)***	(12.710)***
DENVP	2.386	1.566	-0.011	-0.052	0.193	0.137
	(3.550)***	(2.200)*	(-0.300)	(-1.370)	(5.150)***	(3.390)***
DGOVP	2.397	2.376	0.200	0.226	0.297	0.276
	(6.850)***	(6.300)***	(8.990)***	(9.950)***	(12.390)***	(11.180)***
Constant	-27.160	-20.170	-4.036	-3.514	-1.014	-0.782
	(-11.620)***	(-7.520)***	(-64.410)***	(-56.740)***	(-18.220)***	(-13.990)***
IndustryDummy	Yes	Yes	No	No	No	No
YearDummy	Yes	Yes	No	No	No	No
Observations	7,278	6,720	7,200	7,088	7,200	7,088
Adjusted/Pseudo R^2	0.475	0.476	0.269	0.219	0.103	0.075
F	275.800	255.500				
χ^2			10,493.900	8,410.400	3,129.700	2,230.200

Table 4.19A Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 SOINCF +\Sigma \beta_n CONV_{i,t1}+\varepsilon$. SOINCF represents the spillover effects of shareholder activism from institutional and coordinated shareholders. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism only at t and "0" otherwise. Y represent ESGDt1, ESGDt2, KLDSt1 KLDSt2, KLDCt1 and KLDCt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1, LEVt1, PBt1, FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1"

is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.19B Spillover effects from both institutional and coordinated shareholder activism on financial performance

	(7) TOBINSQt1	(8) TOBINSQt2	(9) ANNRt1	(10) ANNRt2	(11) ROEt1	(12) ROEt2	(13) REVTt1	(14) REVTt2
SOINCF	0.058	0.033	0.011	0.008	0.029	0.049	8.696	6.071
	$(2.370)^*$	(1.210)	(1.410)	(0.560)	(1.000)	(1.510)	$(7.480)^{***}$	(1.740)
ROAt1	8.186	6.176	0.0623	-0.743	1.160	0.136	-10.000	54.720
	$(59.190)^{***}$	$(40.650)^{***}$	(1.200)	$(-8.610)^{***}$	$(6.230)^{***}$	(0.660)	(-1.330)	$(2.420)^*$
LEVt1	-1.018	-0.658	-0.101	0.125	-0.127	-0.156	-10.320	-5.471
	$(-15.630)^{***}$	$(-9.320)^{***}$	$(-4.530)^{***}$	$(3.370)^{***}$	(-1.600)	(-1.750)	$(-3.200)^{**}$	(-0.560)
PBt1			0.020	-0.014	0.028	0.056	0.492	-0.175
			$(14.200)^{***}$	$(-6.060)^{***}$	$(5.540)^{***}$	$(10.100)^{***}$	$(2.450)^*$	(-0.290)
FIRMSIZEt1	-0.121	-0.132	-0.005	-0.065	0.022	0.023	-5.949	0.666
	$(-15.460)^{***}$	$(-15.350)^{***}$	(-1.930)	$(-14.920)^{***}$	$(2.320)^*$	$(2.190)^*$	$(-15.920)^{***}$	(0.590)
DSOCP	0.117	0.146	-0.013	0.028	0.031	0.083	0.844	-4.214
	$(2.440)^*$	$(2.750)^{**}$	(-0.840)	(1.060)	(0.550)	(1.320)	(0.370)	(-0.610)
DENVP	0.060	0.047	0.017	0.0001	-0.143	-0.159	0.191	-7.729
	(0.850)	(0.600)	(0.760)	(0.000)	(-1.740)	(-1.740)	(0.060)	(-0.770)
DGOVP	0.064	0.074	-0.010	0.038	0.078	-0.095	3.243	3.054
	(1.760)	(1.810)	(-0.880)	(1.930)	(1.830)	$(-1.990)^*$	(1.890)	(0.590)
Constant	1.431	1.975	-0.132	0.543	-0.261	-0.200	80.500	-3.539
	$(6.250)^{***}$	$(7.770)^{***}$	(-1.770)	$(4.560)^{***}$	(-0.990)	(-0.660)	$(5.340)^{***}$	(-0.050)
IndustryDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,752	8,677	8,733	8,494	8,763	8,444	8,912	8,894
Adjusted R^2	0.426	0.288	0.312	0.228	0.017	0.018	0.041	-0.000
F	283.700	153.600	166.300	105.600	7.359	7.370	16.970	0.913

Table 4.19B Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 SOINCF +\Sigma \beta_n CONV_{i,t1}+\varepsilon$. SOINCF represents the spillover effects of shareholder activism from institutional and coordinated shareholders. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism only at t and "0" otherwise. Y represent TOBINSQt1, TOBINSQt2, ANNRt1, ANNRt2, ROEt1, ROEt2, REVTt1 and REVTt2 respectively. $CONV_{i,t1}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. ROAt1 denotes return on assets (return on assets (ROA) as earnings before interest and taxes (EBIT) deflated by lagged total assets) one year after shareholder activism; LEVt1 denotes leverage (total of short-term and long-term interest-bearing liabilities deflated by total assets) one year after shareholder activism; PBt1 denotes P/B ratio (Market value of equity deflated by book value of equity) one year after shareholder activism;FIRMSIZEt1 denotes firm size (the natural logarithm of total assets) one year after shareholder activism; DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the last firm-year with shareholder activism on social issues and "0"otherwise.); DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the last firm-year with shareholder activism on environmental issues and "0"otherwise.); and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the last firm-year with shareholder activism on governance issues and "0"otherwise.). i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism.

Table 4.20A Results-spillover effects from coordinated shareholder activism only and CSR disclosure level or CSP

	(1) ESGDt1	(2) ESGDt2	(3) KLDSt1	(4) KLDSt2	(5) KLDCt1	(6) KLDCt2
SOCFO	1.819	1.367	0.019	-0.040	-0.098	-0.010
	(1.230)	(0.850)	(0.170)	(-0.340)	(-0.860)	(-0.870)
ROAt1	7.823	9.072	3.021	2.785	1.373	1.224
	(4.710)***	(5.260)***	(24.110)***	(21.860)***	(10.640)***	(9.460)***
LEVt1	-4.523	-4.900	-0.296	-0.221	0.0979	0.121
	(-6.530)***	(-6.650)***	(-4.870)***	(-3.660)***	(1.720)	(2.120)*
PBt1	0.376	0.385	0.012	0.009	-0.034	-0.022
	(8.770)***	(8.220)***	(3.840)***	(2.700)**	(-8.650)***	(-6.030)***
FIRMSIZEt1	4.731	4.830	0.491	0.437	0.179	0.150
	(58.110)***	(56.380)***	(78.270)***	(69.300)***	(28.890)***	(23.800)***
DSOCP	2.215	2.350	0.0159	0.0421	0.375	0.362
	(4.820)***	(4.720)***	(0.600)	(1.550)	(13.220)***	(12.290)***
DENVP	2.445	1.635	-0.0183	-0.059	0.191	0.129
	(3.640)***	(2.300)*	(-0.510)	(-1.540)	(5.100)***	(3.200)**
DGOVP	2.413	2.398	0.198	0.222	0.297	0.273
	(6.910)***	(6.370)***	(8.920)***	(9.810)***	(12.380)***	(11.060)***
Constant	-27.460	-20.280	-4.025	-3.502	-1.014	-0.780
	(-11.730)***	(-7.560)***	(-64.370)***	(-56.680)***	(-18.230)***	(-13.980)***
IndustryDummy	Yes	Yes	No	No	No	No
YearDummy	Yes	Yes	No	No	No	No
Observations	7,278	6,720	7,200	7,088	7,200	7,088
Adjusted/Pseudo R^2	0.475	0.476	0.268	0.219	0.103	0.074
F	275.800	255.400				
χ^2			10,455.300	8,383.300	3,129.200	2,215.500

Table 4.20A Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 SOCFO_{i,t}+\Sigma \beta_n CONV_{i,t} +\varepsilon$.

SOCFOi,t represents the spillover effects of shareholder activism from coordinated shareholders only. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism only at t and "0" otherwise. Y represent ESGDt1, ESGDt2, KLDSt1 KLDSt2, KLDCt1 and KLDCt2 respectively. i represents the company i. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism. CONVi,t represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.), DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.) and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.).

Table 4.20B Results-spillover effects from coordinated shareholder activism only and on financial performance

	(7) TOBINSQt1	(8) TOBINSQt2	(9) ANNRt1	(10) ANNRt2	(11) ROEt1	(12) ROEt2	(13) REVTt1	(14) REVTt2
SOCFO	0.030	-0.112	0.021	-0.022	0.043	0.042	-1.961	-4.278
	(0.260)	(-0.820)	(0.480)	(-0.310)	(0.280)	(0.250)	(-0.310)	(-0.220)
ROAt1	4.936	3.739	0.057	-0.747	1.146	0.113	-14.400	51.630
	(35.290)***	(22.270)***	(1.090)	(-8.680)***	(6.170)***	(0.550)	(-1.910)	(2.290)*
LEVt1	-1.780	-1.283	-0.102	0.124	-0.132	-0.163	-11.620	-6.377
	(-29.630)***	(-17.280)***	(-4.610)***	(3.350)***	(-1.660)	(-1.830)	(-3.600)***	(-0.660)
PBt1	0.184	0.128	0.020	-0.014	0.028	0.056	0.570	-0.122
	(48.670)***	(27.860)***	(14.290)***	(-6.040)***	(5.600)***	(10.190)***	(2.830)**	(-0.200)
FIRMSIZEt1	-0.111	-0.117	-0.005	-0.064	0.022	0.024	-5.765	0.793
	(-15.900)***	(-13.760)***	(-1.850)	(-14.910)***	(2.390)*	(2.290)*	(-15.420)***	(0.710)
DSOCP	0.023	0.081	-0.010	0.030	0.039	0.095	3.093	-2.660
	(0.550)	(1.590)	(-0.660)	(1.140)	(0.690)	(1.540)	(1.360)	(-0.390)
DENVP	0.092	0.056	0.019	0.001	-0.138	-0.150	1.496	-6.826
	(1.490)	(0.760)	(0.850)	(0.030)	(-1.680)	(-1.660)	(0.450)	(-0.680)
DGOVP	0.029	0.040	-0.010	0.039	0.080	-0.092	3.901	3.527
	(0.890)	(1.040)	(-0.820)	(1.960)	(1.880)	(-1.920)	(2.260)*	(0.680)
Constant	1.598	1.735	-0.136	0.544	-0.270	-0.215	77.620	-5.406
	(7.870)***	(7.060)***	(-1.830)	(4.560)***	(-1.020)	(-0.710)	(5.140)***	(-0.080)
IndustryDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
YearDummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,664	8,232	8,733	8,494	8,763	8,444	8,912	8,894
Adjusted R^2	0.556	0.351	0.312	0.228	0.017	0.018	0.035	-0.001
F	452.200	186.300	166.200	105.600	7.320	7.276	14.550	0.789

Table 4.20B Note:

t statistics are in parentheses; ***, ** and * indicate significance at the 1, 5 and 10 percent levels (two-tailed). The estimated regressions are based on the below specific models: $Y=\beta_0+ \beta_1 SOCFO_{i,t}+\Sigma \beta_n CONV_{i,t} +\varepsilon$.

$SOCFO_{i,t}$ represents the spillover effects of shareholder activism by coordinated shareholders only. It is a dummy variable taking value of "1" if at least one firm in the same industry (referring to 4 digits sic code) is targeted by institutional shareholder activism only at t and "0" otherwise. Y represent TOBINSQt1, TOBINSQt2, ANNRt1, ANNRt2 and ROEt1, ROEt2, REVTt1 and REVTt2 respectively. i represents the company. t1 represents one year after shareholder activism (i.e. the time when spillover effects happen). t2 represents two years after shareholder activism. $CONV_{i,t}$ represent control variables, including ROAt1,LEVt1, PBt1,FIRMSIZEt1, DSOCP, DENVP and DGOVP respectively. DSOCP denotes the dummy variable of shareholder activism on social issues ("1" is given to the firm-year with shareholder activism on social issues and "0"otherwise.), DENVP denotes the dummy variable of shareholder activism on environmental issues ("1" is given to the firm-year with shareholder activism on environmental issues and "0"otherwise.) and DGOVP denotes the dummy variable of shareholder activism on governance issues ("1" is given to the firm-year with shareholder activism on governance issues and "0"otherwise.).

4.7 CONCLUSION

Spillover effects among peer groups are confounding and have been analysed in research across the fields of social science and business. Despite the increasing research into spillover effects in these fields, little is currently known about whether the effects of shareholder activism can spill over to peer firms thus influencing their performance, policies and strategies. This chapter fills this research gap by analysing the spillover effects of shareholder activism on corporate performance in peer firms, namely on CSR disclosure, CSP and financial performance. As a proxy of shareholder activism, shareholder proposals, a crucial governance mechanism, could improve CSP in peer firms. Further, it increases disclosure level in the subdimensions of CSR, namely social disclosure and environmental disclosure. This chapter has demonstrated that spillover effects have differing impacts between coordinated and institutional shareholder activism with roughly negative impacts from the former and positive spillover effects from the latter on CSR disclosure (or subdimensions) and CSP. Furthermore, the research shows mixed findings on whether spillover effects influence financial performance, which only partially confirms the research of Gillan and Starks (2000). In particular, institutional shareholder activism positively relates to firm value (measured by *TOBINSQt1* and *TOBINSQt2*) and business growth (measured by *ANNRt1* and *ANNRt2*) in peer firms but not to other indicators. It also demonstrates that collective action problem does not hinder the coordinated shareholder activism in increasing business growth in peer firms in the short term. The findings signal that peer firms are moderately motivated to implement proactive policies (e.g. increase environmental or social disclosure level) and improve firm performance so that they will not be targeted by shareholder activism in the future.

The research in this chapter makes both practical and theoretical contributions to the current body of literature in this field. First and foremost, it highlights the importance of shareholder

activism in maintaining CSR transparency and in changing CSP. In this manner, the research fleshes out empirical evidence from prior research on shareholder activism and CSR. For instance, rather than examining whether shareholder activism affects CSP in peer firms, the chapter extends Cao et al. (2019) by investigating its impacts on CSR transparency and financial performance. By comparing the impacts on CSR disclosure, CSP and financial performance, this chapter also notes that peer firms tend to employ CSR disclosure to manage risks rather than to fundamentally improve CSP. Secondly, the chapter adds value to stakeholder salience theory and collective action theory by testing spillover effects from institutional and coordinated shareholder activism separately. Specifically, the chapter demonstrates that institutional shareholder activism shows more effectiveness in increasing CSR transparency in peer firms compared with coordinated shareholder activism. The collective action problem among coordinated shareholders could reduce the urgency of requests from them. In addition to Neubaum and Zahra (2006), this chapter examines whether impacts of salient shareholders on CSR disclosure, CSP and financial performance could spill over to peer firms. Differing from Cao et al.(2019), the chapter investigates whether the different types of filers of shareholder proposals result in different levels of peer effects. Thirdly, the evidence gathered also suggests that regulatory bodies should be concerned with the effectiveness of large shareholder activism in disciplining firm performance. For instance, it shows the necessity to improve the effectiveness of communication and coordination among shareholders by adjusting relevant regulations.

While interesting, the research is limited by not considering the impact from other stakeholders or governance mechanisms on spillover effects. Therefore, studies in the future could explore how interactions among shareholders, other stakeholders and governance mechanisms affect spillover effects through both quantitative and qualitative research.

Chapter 5: Conclusion

5.1 INTRODUCTION

Increasing CSR shareholder activism has positioned CSR at the forefront of the corporate agenda, pressuring firms to make responses. Despite acknowledging their social responsibility, firms may not truly advance their social and environmental performance but instead respond to the requests of shareholders by manipulating CSR disclosure (Font, Walmsley, Cogotti, McCombes, & Häusler, 2012). Understanding corporate reactions to shareholder activism is meaningful for firms to implement appropriate policies and for shareholder activists to design targeting strategies. Motivated by the need to more comprehensively understand corporate responses to shareholder activism, this thesis has examined the theoretical foundations and empirical evidence regarding the impacts from shareholder activism on firms' CSR activities and disclosure. This chapter concludes the thesis and proceeds as follows. Section 5.2 summarises the research aims, questions and main findings of the thesis retrospectively. Section 5.3 discusses key contributions of this research. Finally, Section 5.4 summarises the limitations of this thesis and potential future research opportunities.

5.2 SUMMARY OF AIMS, RESEARCH QUESTIONS AND FINDINGS

The main aim of this thesis is to provide evidence of the influences of shareholder activism by different types of shareholder activists on firms' CSR and spillover effects of such activism on peer firms. To achieve this aim, several research questions are addressed in Chapters 2 – 4.

288

Research Question One (Chapter 2):

Based on prior research, what influence does shareholder activism have on corporate performance and disclosure?

Chapter 2 provided a literature review of 92 papers from 2000 to 2017, using both quantitative and qualitative research methods, on shareholder activism. This chapter identified the impacts and spillover effects of shareholder activism on firm performance in corporate governance (CG), corporate social responsibility (CSR) and financial performance (FP). The narrative literature review documents a roughly positive association between shareholder activism and FP or CG. However, the associations between shareholder activism and CSR can be either positive or negative.

Additionally, relevant theories such as agency theory, stakeholder theory and stakeholder salience theory were also discussed. Research gaps and directions were identified. Meta-analysis was conducted to review 55 empirical papers, including 32 papers on financial performance, 7 papers on CSR and 16 papers on governance performance. The analysis reveals the heterogeneity of outcomes regarding different themes and shareholder titles as well as significant impacts from shareholder activism on financial performance and CSR. Firstly, a significant positive association between shareholder activism and FP and a significant positive association between shareholder activism and CSR is found. Secondly, there is no significant association between shareholder activism and CG. In addition, the types of shareholder activists and types of activism moderate the impact of shareholder activism on FP, CSP and CG.

Chapter 2 provides answers to the research question one in five aspects. Firstly, the literature review indicates that shareholder activism has a significant impact on FP and CG. Secondly, the main types of shareholder activists include institutional shareholders, coordinated shareholders and minor or small shareholders. Shareholder filings (DEF14 FORM and 13D filings) and contest activities such as shareholder campaigns and dialogue with managers are the main types of shareholder activism. Thirdly, the research on spillover effects suggests broad impacts from shareholder activism on corporate performance. These impacts also vary with different types of shareholders. Fourthly, the main theories on shareholder activism discussed by prior literature include stakeholder theory, agency theory and stakeholder salience theory, which also underpin different corporate responses to shareholder activism. Specifically, agency theory prioritises shareholders' interests, while stakeholder theory indicates that firms should not ignore the interests of other stakeholders. The two theories provide theoretical foundations for the impact of shareholder activism on financial performance and CSR respectively. Stakeholder salience theory suggests that the responses of firms to shareholders' requests can vary according to the power, legitimacy and urgency of shareholders, demonstrating the need to examine different types of shareholders when studying shareholder activism. Finally, research gaps are identified, including: (1) the paucity of research regarding whether shareholder activism affects CSR (also its subdimensions) in peer firms; (2) the lack of research regarding whether institutional or coordinated shareholder activists instigate more fundamental changes in peer firms compared with other shareholder activists; and (3) the paucity of research on the interaction between shareholder activism and other corporate governance mechanisms. Taken together, the findings suggest the need to investigate influences of shareholder activism on CSR. Future research directions in the field of CSR include specific topics such as carbon emissions, climate change and human rights issues. In addition, the interactions between shareholder activism and other governance mechanisms warrant future exploration. Future

research may also refer to multiple theories to articulate influences of shareholder activism on corporate performance, policies and strategies.

Research Question Two (Chapter 3):
Does shareholder salience in shareholder activism affect firm's social, environmental and governance disclosure?

Chapter 3 aimed to understand the role played by shareholder salience in driving the impact of shareholder activism on CSR disclosure. To do so, it compared the salience of institutional shareholders and coordinated shareholders regarding the impact of shareholder proposals (as evidence of shareholder activism). A regression analysis is conducted on the association between shareholder proposals submitted by institutional, coordinated and other shareholders and social, environmental and governance disclosure based on US S&P 1,500 companies between 2006 and 2014 with 13,572 observations (firm-years). Several tests are undertaken. First, the research examined the association between the overall sample of shareholder activism and ESG disclosure level and its subdimensions. Next, this study divided the sample into shareholder proposals submitted by institutional shareholders (institutional shareholder activism) and coordinated shareholders (coordinated shareholder activism). Tests were then conducted on these sub-samples to ascertain the association between shareholder activists and their salience (institutional/coordinated shareholder activism) and ESG disclosure level and its subdimensions. Additional tests were also undertaken with alternative measures of CSR, including changes in ESG disclosure level (and its subdimensions) and CSP.

The results reveal that firms exposed to shareholder activism are likely to have lower CSR disclosure level than those without shareholder activism. However, this is not driven by shareholder salience as shareholder activism associated with institutional shareholders or coordinated shareholders are not associated with a firm's CSR disclosure level. Further, firms subject to overall shareholder activism and institutional shareholder activism have higher CSR disclosure level when there is a sufficiently large board size and female directors on the board. Therefore, in the presence of certain corporate governance mechanisms, institutional shareholder activism shows advantages over coordinated shareholder activism, leading to corporate response in the form of more transparent CSR disclosure. However, coordinated shareholder activism is not associated with higher level of CSR disclosure. In addition, coordinated shareholder activism on social issues can even reduce the level of CSR disclosure. Also, certain corporate governance mechanisms namely large board size, presence of outside directors and presence of female directors cannot moderate the association between coordinated shareholder activism (on all the issues or subdimensions) and CSR disclosure (or subdimensions). Only the interaction between CEO incentives and coordinated shareholder activism on social issues positively relates to social disclosure level. The results indicate potential collective action problem among coordinated shareholders, notwithstanding this problem might be mitigated by introducing CEO incentives.

Regarding changes of CSR disclosure level, firms are likely to reduce changes in CSR disclosure level after shareholder activism, given that the CEO incentives is linked to corporate long-term and short-term performance. In addition, firms reduce changes in CSR disclosure level after coordinated shareholder activism, given female directors on the board. These results also show that female directors and CEO incentives reduce the fluctuations of CSR disclosure level after shareholder activism. Furthermore, the additional results on CSP indicate that firms

292

improve corporate social performance (CSP) after shareholder activism, especially on environmental and social issues. Overall, the findings indicate that shareholder activism, regardless of shareholder salience, does not appear to drive CSR disclosure. However, when combined with certain corporate governance mechanisms, they lead to more extensive CSR disclosure. In addition, firms tend to stabilize disclosure level after shareholder activism to reduce shareholder and public scrutiny arising from more disclosure. This presents limited evidence to support socio-political theories that firms employ CSR disclosure as a tool to manage social and political pressure (Clarkson et al., 2008).

Research Question Three (Chapter 4): Does shareholder activism affect social, environmental and governance performance and disclosure and financial performance in peer firms?

Chapter 4 examined whether shareholder activism affects CSR disclosure, CSP and financial performance of peer firms. Based on shareholder proposals as an example of shareholder activism, a strong positive relationship is found between shareholder activism and social and environmental disclosure level in peer firms. Moreover, a weak positive relationship is found between shareholder activism and CSP (i.e. CSP concerns are mitigated to a greater extent than CSP strengths are reduced) in peer firms. Furthermore, there is a positive association between shareholder activism and firm value as measured by Tobin's Q in peer firms. When divided into institutional and coordinated shareholders, institutional shareholder activism appears to have more consistent and positive impacts on CSR disclosure level, CSP and financial performance (Tobin's Q) than coordinated shareholders. In contrast, coordinated shareholder activism is negatively associated with CSP in peer firms, and it is not significantly associated with CSR disclosure. Regarding financial performance, coordinated shareholder activism does

not relate to firm value and profitability. It is only positively associated with short-term business growth. Overall, the findings indicate spillover effects from shareholder activism, especially when driven by institutional filers, have a strong influence on peer firms to improve their CSR disclosure and financial performance. CSP is also changed as a result of such spillover effects, but the nature of the change varies according to specific performance dimensions (environmental, social, or governance-related).

5.3 SUMMARY OF CONTRIBUTIONS

5.3.1 Contributions to the literature

The thesis has made six contributions to the literature.

Firstly, via the narrative literature review and meta-analysis, the thesis contributes to research methods and research directions. Regarding research methods, the thesis utilises both narrative and meta-analysis methods, demonstrating a rigorous and comprehensive approach that can also be applied to future studies. Specifically, narrative analysis allows the understanding of different findings, whereas meta-analysis shows a significant association between shareholder activism and FP and a significant association between shareholder activism and CSR directly in prior literature. As the results of narrative literature review and meta-analysis have suggested mixed influences from shareholder activism on FP and CSR, the thesis contributes by indicating that further investigation on these influences is needed in the association between shareholder activism and FP and the association between shareholder activism and CSR.

Secondly, the thesis contributes to the literature by employing the data during the recent period. In this manner, the results demonstrate the most recent trends of shareholder activism. In

addition, the influences of shareholder activism on CSR disclosure level and its spillover effects on FP, CSR disclosure level and CSP are closer to the real situation and relevant to decision making.

The thesis also contributes by analysing the association between shareholder activism and CSR disclosure. It provides an empirical evidence to operational legitimacy theory that firms would do whatever they consider is essential to maintain their legitimacy and reputation (De Villiers & Van Staden, 2006). Specifically, both the reduced CSR disclosure and improvements of CSP aim at maintaining the corporate reputation and legitimacy. In this manner, the companies could also manage potential risks such as financial loss, fines or legal risks due to public scrutiny.

Furthermore, the thesis provides empirical evidence regarding the different influences of different types of shareholder activists, and tests the relevance of stakeholder salience theory and collective action theory. The investigation of institutional and coordinated shareholder activism provides strong empirical evidence for stakeholder salience theory, indicating that large shareholders with unified goals are more likely to increase CSR transparency. The examination on coordinated shareholder activism reveals the existence of collective action problems predicted by collective action theory; namely, that coordinated shareholder activism does not increase CSR transparency but may reduce social disclosure level.

Additionally, by examining whether shareholder activism influences CSR disclosure level given different types of corporate governance mechanisms, this thesis provides empirical evidence on the substitution theory and the complementary theory proposed by Dalton et al.

295

(2003). Specifically, the findings support a complementary theory whereby corporate governance mechanisms such as the large board size and the presence of female directors increase the positive influence of shareholder activism on CSR disclosure. On the other hand, substitution theory indicates that other corporate governance mechanisms might replace shareholder activism in disciplining CSR disclosure level, thereby mitigating the influence of shareholder activism on CSR disclosure level. The results, however, do not contribute empirical evidence to the substitution theory.

Lastly, these findings also contribute to the literature by highlighting the influences of shareholder activism across different dimensions of peer firms' behaviour, namely spillover effects. The findings firstly contribute by illustrating that the public accessibility of proposals could also influence the CSR disclosure. Secondly, the findings contribute to the literature by demonstrating that stakeholder salience and collective action problem could influence the spillover effects.

5.3.2 Practical contributions

Beyond contributions to the literature, the thesis has also made two practical contributions.

The first practical contribution is that the thesis provides insights of formulating strategies for shareholder activists to monitor the firms. Specifically, the thesis suggests potential corporate responses after shareholder activism such as decreases of CSR disclosure level. However, shareholder activism in combination with large board size and the presence of female directors could roughly increase the disclosure level. Understanding the corporate responses would allow shareholder activists to gain experience from the evidence and initiate effective activism.

296

For instance, if they target firms for more CSR transparency, it is suggested that shareholder activists should account for the board size and the existence of female directors. Furthermore, to other stakeholders such as suppliers and customers, if they prefer to trade social responsibly, they might choose companies with large board size or female directors because these mechanisms could help companies increase their CSR transparency. In addition, the less effectiveness of coordinated shareholder activism in increasing CSR disclosure level indicates that regulatory bodies should develop regulations to facilitate the communication among shareholders and their coordination. Specifically, regulations to simplify the communication of shareholders or allow private communication without disclosure in the formal document. In doing so, the effectiveness of coordinated shareholder activism could be improved. Furthermore, the findings also contribute by advising the management to manage risks through CSR reporting or CSR disclosure.

The second practical contribution is made by examining spillover effects from shareholder activism. The findings indicate that there are significant spillover effects from shareholder activism on peer firms. In particular, spillover effects drive them to improve social and environmental disclosure and financial performance. However, spillover effects on CSP are inconsistent across types and issues. The findings also confirm the relative effectiveness of institutional shareholders as filers of the proposals in driving positive changes. The examination of spillover effects allows shareholders to change their strategies of activism accordingly and understand in which areas they are most likely to receive responses from peer firms. For instance, since shareholder activism could also influence peer firms, shareholder activists should focus on targeting firms from which they might receive significant responses and generate significant spillover effects rather than targeting multiple firms. It will allow shareholder activists to initiate activism in an effective and costless manner. The findings also

advocate that the management should assess their strategies and make changes proactively referring to peer firms, even in the absence of exposure to shareholder activism. Specifically, the management could plan to increase CSR disclosure level or invest in CSR related projects thereby defending potential shareholder activism in the future.

5.4 SUMMARY OF LIMITATIONS AND RESEARCH OPPORTUNITIES

Inevitably, this thesis is subject to some limitations, noted in each chapter. Briefly, the research does not account for the interactions among shareholders and other stakeholder groups such as debtholders, customers and suppliers that can influence the impact of shareholder activism. Furthermore, this thesis does not examine whether shareholder activism affects the quality of CSR disclosure, which is another important measure of CSR. Finally, the data covers the period 2006 - 2014, which is unavoidably subject to selection bias. Future research can explore these areas in more detail.

References

Admati, A. R., & Pfleiderer, P. (2009). The "Wall Street Walk" and shareholder activism: Exit as a form of voice. *The Review of Financial Studies, 22*(7), 2645-2685.

Aguilera, R. V. (2005). Corporate governance and director accountability: An institutional comparative perspective. *British Journal of Management, 16*, S39-S53.

Ahern, K. R., Duchin, R., & Shumway, T. (2013). Peer effects in economic attitudes. Retrieved fromhttps://pdfs.semanticscholar.org/20f2/cca3e172cdb632aa162585cb07821e126b12 .pdf?_ga=2.170108323.2069310244.1559471774-710906792.1559471774.

Ahmed, K., Hossain, M., & Adams, M. B. (2006). The effects of board composition and board size on the informativeness of annual accounting earnings. *Corporate Governance: An International Review, 14*(5), 418-431.

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors and the properties of management earnings forecasts. *Journal of Accounting Research, 43*(3), 343-376.

Almazan, A., Hartzell, J. C., & Starks, L. T. (2005). Active institutional shareholders and costs of monitoring: Evidence from executive compensation. *Financial Management, 34*(4), 5-34.

Amadeo, K. (2017). Pension funds: Types, top 10, issues. Retrieved from https://www.thebalance.com/pension-funds-definition-list-and-issues-3305875

Amao, O., & Amaeshi, K. (2008). Galvanising shareholder activism: A prerequisite for effective corporate governance and accountability in Nigeria. *Journal of Business Ethics, 82*(1), 119-130.

Anson, M., White, T., & Ho, H. (2003). The shareholder wealth effects of CalPERS' focus list. *Journal of Applied Corporate Finance, 15*(3), 102-111.

Armour, J., & Cheffins, B. (2011). Offensive shareholder activism in US public companies, 1900-49. https://ssrn.com/abstract=1759983

Arora, P., & Dharwadkar, R. (2011). Corporate governance and corporate social responsibility (CSR): The moderating roles of attainment discrepancy and organization slack. *Corporate Governance: An International Review, 19*(2), 136-152.

Artiach, T., Lee, D., Nelson, D., & Walker, J. (2010). The determinants of corporate sustainability performance. *Accounting & Finance, 50*(1), 31-51.

Aslan, H., & Kumar, P. (2016). The product market effects of hedge fund activism. *Journal of Financial Economics, 119*(1), 226-248.

Bach, L., & Metzger, D. (2013). The dark side of shareholder activism: Evidence from CEO turnovers. *Stockholm School of Economics working paper*. Stockholm School of Economics

Bachmann, P., & Ingenhoff, D. (2016). Legitimacy through CSR disclosures? The advantage outweighs the disadvantages. *Public Relations Review, 42*(3), 386-394.

Bauer, R., Moers, F., & Viehs, M. (2015). Who withdraws shareholder proposals and does it matter? An analysis of sponsor identity and pay practices. *Corporate Governance: An International Review, 23*(6), 472-488.

Bebchuk, L. A., Brav, A., & Jiang, W. (2015). The long-term effects of hedge fund activism. Retrieved from https://www.nber.org/papers/w21227.pdf .

Bessler, W., Drobetz, W., & Holler, J. (2015). The returns to hedge fund activism in Germany. *European Financial Management, 21*(1), 106-147.

Bevir, M. (2007). Resource dependency theory. Retrieved from https://sk.sagepub.com/reference/governance/n469.xml

Bergstresser, D., & Philippon, T. (2006). CEO incentives and earnings management. *Journal of Financial Economics, 80*(3), 511-529.

Bharadwaj, A. S., Bharadwaj, S. G., & Konsynski, B. R. (1999). Information technology effects on firm performance as measured by Tobin's q. *Management science, 45*(7), 1008-1024.

Bhattacharya, P. S., & Graham, M. A. (2009). On institutional ownership and firm performance: A disaggregated view. *Journal of Multinational Financial Management, 19*(5), 370-394.

Bourveau, T., & Schoenfeld, J. (2017). Shareholder activism and voluntary disclosure. *Review of Accounting Studies, 22*(3), 1307-1339.

Boyson, N. M., Gantchev, N., & Shivdasani, A. (2017). Activism mergers. *Journal of Financial Economics, 126*(1), 54-73.

Boyson, N. M., & Mooradian, R. M. (2011). Corporate governance and hedge fund activism. *Review of Derivatives Research, 14*(2), 169-204.

Brav, A., Jiang, W., Ma, S., & Tian, X. (2014). Shareholder power and corporate innovation: Evidence from hedge fund activism. *SSRN Electronic Journal*. Retrieved from http://www.israeli-corporate-governance.org/files/Dec2015/Brav.pdf.

Brav, A., Jiang, W., Partnoy, F., & Thomas, R. (2008). Hedge fund activism, corporate governance, and firm performance. *The Journal of Finance, 63*(4), 1729-1775.

Buchanan, B., Netter, J. M., & Yang, T. (2010). Are shareholder proposals an important corporate governance device? Evidence from US and UK shareholder proposals.

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors and stock return volatility. *Journal of Accounting Research, 38*, 171-202.

Bushman, R. M., & Smith, A. J. (2003). Transparency, financial accounting information, and corporate governance. *Economic Policy Review, 9*(1), 65-87.

Cao, J., Liang, H., & Zhan, X. (2019). Peer effects of corporate social responsibility. *Management Science*, 1–17.

Caton, G. L., Goh, J., & Donaldson, J. (2001). The effectiveness of institutional activism. *Financial Analysts Journal, 57*(4), 21-26.

Chaganti, R., & Damanpour, F. (1991). Institutional ownership, capital structure, and firm performance. *Strategic Management Journal, 12*(7), 479–491.

Chapple, W., & Moon, J. (2005). Corporate social responsibility(CSR) in Asia A seven-country study of CSR web site reporting *Business & Society, 44*(4), 415-441.

Chen, M.-C., Cheng, S.-J., & Hwang, Y. (2005). An empirical investigation of the relationship between intellectual capital and firms' market value and financial performance. *Journal of Intellectual capital, 6*(2), 159-176.

Chen, S., & Ma, H. (2017). Peer effects in decision-making: Evidence from corporate investment. *China Journal of Accounting Research, 10*(2), 167-188.

Cherkes, M., Sagi, J. S., & Wang, Z. J. (2014). Managed distribution policies in closed-end funds and shareholder activism. *Journal of Financial and Quantitative Analysis, 49*(5-6), 1311-1337.

Chung, H., & Talaulicar, T. (2010). Forms and effects of shareholder activism. *Corporate Governance: An International Review, 18*(4), 253-257.

Clarkson, P., Li, Y., Richardson, G., & Vasvari, F. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. *Accounting, organizations and society, 33*(4/5), 303-327.

Clarkson, P. M., Overell, M. B., & Chapple, L. (2011). Environmental reporting and its relation to corporate environmental performance. *Abacus, 47*(1), 27-60.

Clifford, C. P. (2008). Value creation or destruction? Hedge funds as shareholder activists. *Journal of Corporate Finance, 14*(4), 323-336.

Cloyd, M. A. (2015). Shareholder acitivism: are you prepared to respond? Retrieved from https://corpgov.law.harvard.edu/2015/05/11/shareholder-activism-are-you-prepared-to-respond/

Coffey, B. S., & Fryxell, Gerald E. (1991). Institutional ownership of stock and dimensions of corporate social performance: An empirical examination. *Journal of Business Ethics, 10*(6), 437–444.

Cohn, J. B., Gillan, S. L., & Hartzell, J. C. (2016). On enhancing shareholder control: A (Dodd‐) Frank assessment of proxy access. *The Journal of Finance, 71*(4), 1623-1668.

Coleman, S. (2004). The effect of social conformity on collective voting behavior. *Political analysis, 12*(1), 76-96.

Collier, J., & Esteban, R. (2007). Corporate social responsibility and employee commitment. *Business ethics: A European review, 16*(1), 19-33.

Copland, J. R., & O'Keefe, M. M. (2014). *A Report on Corporate Governance and Shareholder Activism*. Retrieved from Proxy Monitor: http://proxymonitor.org/Forms/pmr_09.aspx

Cornelissen, T., Dustmann, C., & Schönberg, U. (2017). Peer effects in the workplace. *American Economic Review, 107*(2), 425-456.

Cornett, M. M., Marcus, A. J., Saunders, A., & Tehranian, H. (2007). The impact of institutional ownership on corporate operating performance. *Journal of Banking & Finance, 31*(6), 1771-1794.

Costa, R., & Menichini, T. (2013). A multidimensional approach for CSR assessment: The importance of the stakeholder perception. *Expert Systems with Applications, 40*(1), 150-161.

Coxe, S., West, S. G., & Aiken, L. S. (2009). The analysis of count data: A gentle introduction to Poisson regression and its alternatives. *Journal of personality assessment, 91*(2), 121-136.

Cremers, K. J. M., & Nair, V. B. (2005). Governance Mechanisms and Equity Prices. *The Journal of Finance, 60*(6), 2859-2894.

Cuñat, V., Gine, M., & Guadalupe, M. (2012). The vote is cast: The effect of corporate governance on shareholder value. *The Journal of Finance, 67*(5), 1943-1977.

Dalton, D. R., Daily, C. M., Certo, S. T., & Roengpitya, R. (2003). Meta-analyses of financial performance and equity: fusion or confusion? *The Academy of Management Journal, 46*(1), 13-26.

Darnall, N., Henriques, I., & Sadorsky, P. (2010). Adopting proactive environmental strategy: The influence of stakeholders and firm size. *Journal of management studies, 47*(6), 1072-1094.

David, P., Bloom, M., & Hillman, A. J. (2007). Investor activism, managerial responsiveness, and corporate social performance. *Strategic Management Journal, 28*(1), 91-100.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review, 22*(1), 20-47.

DeFond, M. L., & Park, C. W. (1999). The effect of competition on CEO turnover1. *Journal of Accounting and Economics, 27*(1), 35-56.

Del Guercio, D., & Hawkins, J. (1999). The motivation and impact of pension fund activism. *Journal of Financial Economics, 52*(3), 293-340.

Del Guercio, D., Seery, L., & Woidtke, T. (2008). Do boards pay attention when institutional investor activists "just vote no"? *Journal of Financial Economics, 90*(1), 84-103.

Denes, M. R., Karpoff, J. M., & McWilliams, V. B. (2017). Thirty years of shareholder activism: A survey of empirical research. *Journal of Corporate Finance, 44*, 405-424.

De Villiers, C., & Van Staden, C. J. (2006). Can less environmental disclosure have a legitimising effect? Evidence from Africa. Accounting, Organizations and Society, 31(8), 763-781.

Dhir, A. A. (2012). Shareholder engagement in the embedded business corporation: investment activism, human rights, and TWAIL disclosure. *Business Ethics Quarterly, 22*(1), 99–118.

Doh, J. P., & Guay, T. R. (2006). Corporate social responsibility, public policy, and NGO Activism in Europe and the United States: an institutional-stakeholder perspective. *Journal of Management Studies, 43*(1), 47-73.

Donado, A. (2015). *Why do they JUST DO IT? A theory of outsourcing and working conditions*. DepartmentofEconomics. University of Heidelberg. Retrieved from https://www.etsg.org/ETSG2015/Papers/237.pdf

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review, 20*(1), 65-91.

Dong, S., Burritt, R., & Qian, W. (2014). Salient stakeholders in corporate social responsibility reporting by Chinese mining and minerals companies. *Journal of Cleaner Production, 84*, 59-69.

Donnelly, R., & Mulcahy, M. (2008). Board Structure, ownership and voluntary disclosure in Ireland. *Corporate Governance: An International Review, 16*(5), 416–429.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific sociological review, 18*(1), 122-136.

Dyck, A., Lins, K. V., Roth, L., & Wagner, H. (2015). Do institutional investors drive corporate social responsibility. *International Evidence. Available online:* http://www-2. rotman. utoronto. ca/facbios/file/DyckLinsRothWagner-11-18-15Final. pdf *(accessed on 13 October 2016).*

Eesley, C., & Lenox, M. J. (2006). Firm responses to secondary stakeholder action. *Strategic Management Journal, 27*(8), 765-781.

Eisenhofer, J. W., & Barry, M. J. (2005). *Shareholder activism handbook.* The United States: Aspen Publishers.

Ertimur, Y., Ferri, F., & Stubben, S. R. (2010). Board of directors' responsiveness to shareholders: Evidence from shareholder proposals. *Journal of Corporate Finance, 16*(1), 53-72.

Falk, A., & Ichino, A. (2006). Clean evidence on peer effects. *Journal of labor economics, 24*(1), 39-57.

Faulkender, M., & Yang, J. (2010). Inside the black box: The role and composition of compensation peer groups. *Journal of Financial Economics, 96*(2), 257-270.

Fernandez‐Feijoo, B., Romero, S., & Ruiz‐Blanco, S. (2014). Women on boards: do they affect sustainability reporting? *Corporate Social Responsibility and Environmental Management, 21*(6), 351-364.

Ferri, F., & Sandino, T. (2009). The impact of shareholder activism on financial reporting and compensation: the case of employee stock options expensing. *The Accounting Review, 84*(2), 433-466.

Festinger, L. (1954). A theory of social comparison processes. *Human Relations, 7*(2), 117-140.

Font, X., Walmsley, A., Cogotti, S., McCombes, L., & Häusler, N. (2012). Corporate social responsibility: The disclosure–performance gap. *Tourism Management, 33*(6), 1544-1553.

Forte, A. (2013). Corporate social responsiblity in the United States and Europe: how important is it? The future of corporate social responsibility. *International Business & Economics Research Journal, 12*(7), 815-824.

Freedman, M., & Jaggi, B. (1988). An analysis of the association between pollution disclosure and economic performance. *Accounting, Auditing & Accountability, 1*(2), 43-58.

Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. The United Kingdom: Cambridge University Press.

Friedman, M. (2007). *The social responsibility of business is to increase its profits*. Corporate Ethics and Corporate Governance: Springer Berlin Heidelberg.

Gantchev, N., Gredil, O., & Jotikasthira, C. (2017). *Governance under the Gun:Spillover Effects of Hedge Fund Activism*. Retrieved from http://ssrn.com/abstract=2356544

Gaviria, A., & Raphael, S. (2001). School-based peer effects and juvenile behavior. *Review of Economics and Statistics, 83*(2), 257-268.

Geha, A. (2015). Who is the most important: Shareholders, customers or staff? Retrieved from http://www.eg.com.au/news/insights/who-is-the-most-important-shareholders-customer

Ghazali, N. A. M. (2007). Ownership structure and corporate social responsibility disclosure: some Malaysian evidence. *Corporate Governance: The international journal of business in society, 7*(3), 251-266.

Ghoul, S. E., Guedhami, O., Kwok, C. C. Y., & Mishra, D. R. (2011). Does corporate social responsibility affect the cost of capital? *Journal of Banking and Finance, 35*, 2388-2406.

Giannarakis, G. (2014). The determinants influencing the extent of CSR disclosure. *International Journal of Law Management, 56*(5), 393-416.

Gifford, E. J. M. (2010). Effective Shareholder Engagement: The Factors that Contribute to Shareholder Salience. *Journal of Business Ethics, 92*, 79-97.

Gillan, S., & Starks, L. (1998). A survey of shareholder activism: motivation and empirical evidence. Retrieved from SSRN website: https://ssrn.com/abstract=663523

Gillan, S. L., & Starks, L. T. (2000). Corporate governance proposals and shareholder activism: the role of institutional investors. *Journal of Financial Economics, 57*, 275-305.

Gillan, S., & Starks, L. (2007). The evolution of shareholder activism in the United States. *Journal of Applied Corporate Finance, 19*(1), 55-73.

Glac, K. (2014). The influence of shareholders on corporate social responsibility. *Economics, Management and Financial Markets, 9*(3), 34.

González, T. A., & Calluzzo, P. (2016). Clustered Shareholder Activism. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2356610.

Goodman, J., Louche, C., Van Cranenburgh, K. C., & Arenas, D. (2014). Social shareholder engagement: The dynamics of voice and exit. *Journal of Business Ethics, 125*(2), 193-210.

Goodwin, S., Singh, A., Slipetz, W., & Rao, R. P. (2014). *Myopic investor myth debunked: The long-term efficacy of shareholder advocacy in the boardroom.* Paper presented at the Fourth Annual International Conference on Engaged Management Scholarship, The United States.

Goranova, M., & Ryan, L. V. (2014). Shareholder activism: a multidisciplinary review. *Journal of Management, 40*(5), 1230–1268.

Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability, 8*(2), 47-77.

Greenwood, R., & Schor, M. (2009). Investor activism and takeovers. *Journal of Financial Economics, 92*, 362-375.

Grewal, J., Serafeim, G., & Yoon, A. (2016). Shareholder Activism on Sustainability Issues. Retrieved from http://nrs.harvard.edu/urn-3:HUL.InstRepos:27864360

Hadani, M., Goranova, M., & Khan, R. (2011). Institutional investors, shareholder activism, and earnings management. *Journal of Business Research, 64*(12), 1352–1360.

Hall, J. D. (2005). The long civil rights movement and the political uses of the past. *The Journal of American History, 91*(4), 1233-1263.

Hallinan, M. T., & Williams, R. A. (1990). Students' characteristics and the peer-influence process. *Sociology of education*, 122-132.

Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy, 24*(5), 391-430.

Hartmann, M. (2011). Corporate social responsibility in the food sector. *European Review of Agricultural Economics, 38*(3), 297-324.

Hartzell, J. C., & Starks, L. T. (2003). Institutional investors and executive compensation. *The Journal of Finance, 58*(6), 2351-2374.

Hauswald, R., & Marquez, R. (2003). Information technology and financial services competition. *The Review of Financial Studies, 16*(3), 921-948.

He, J, Huang, J., & Zhao, S. (2019). Internalizing governance externalities: The role of institutional cross-ownership. *Journal of Financial Economics*.

Helwege, J., Intintoli, V. J., & Zhang, A. (2012). Voting with their feet or activism? Institutional investors' impact on CEO turnover. *Journal of Corporate Finance, 18*(1), 22-37.

Higgins, J. P., Thompson, S. G., Deeks, J. J., & Altman, D. G. (2003). Measuring inconsistency in meta-analyses. *BMJ: British Medical Journal, 327*(7414), 557.

Hillman, A. J., & Keim, G. D. (2001). Shareholder value,stakeholder management, and social issues: what's the bottom line? *Strategic Management Journal, 22*, 125-139.

Hong, P. T., Plowman, D., & Hancock, P. (2007). Intellectual capital and financial returns of companies. *Journal of Intellectual capital, 8*(1), 76-95.

Hoskisson, R. E., Hitt, M. A., Johnson, R. A., & Grossman, W. (2002). Conflicting voices: The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies. *The Academy of Management Journal, 45*(4), 697-716.

Hu, Y., & Izumida, S. (2008). Ownership concentration and corporate performance: A causal analysis with Japanese panel data. *Corporate Governance: An International Review, 16*(4), 342-358.

Huang, J. (2013). Shareholder Coordination, Corporate Governance, and Firm Value. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2380284.

Hunt, C. B., & Auster, E. R. (1990). Proactive environmental management: avoiding the toxic trap. *Sloan Management Review, 31*(2), 7-18.

InvestorGuide. (2018). What is the difference between retial investors and institutional investors? Retrieved from http://www.investorguide.com/article/11202/what-is-the-difference-between-retail-investors-and-institutional-investors/

Jaffe, A. B. (1986). Technological opportunity and spillovers of R&D: evidence from firms' patents, profits and market value. In: National bureau of economic research Cambridge, Mass., USA.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour agency costs and ownership stucture. *Journal of Financial Economics, 3*(4), 305-360.

Jiraporn, P., Jiraporn, N., Boeprasert, A., & Chang, K. (2014). Does corporate social responsibility improve credit ratings? Evidence from geographic identification. *Financial Management, 43*(3), 505-531.

Jizi, M. (2017). The influence of board composition on sustainable development disclosure. *Business Strategy and the Environment, 26*(5), 640-655.

Jizi, M., Salama, A., Dixon, R., & Stratling, R. (2014). Corporate governance and corporate social responsibility disclosure: Evidence from the US banking sector. *Journal of Business Ethics, 125*(4), 601-615.

Jo, H., & Harjoto, M. A. (2012). The causal effect of corporate governance on corporate social responsibility. *Journal of Business Ethics, 106*(1), 53-72. doi:10.1007/s10551-011-1052-1

John, K., & Kadyrzhanova, D. (2008). Peer effects in corporate governance.

Kalt, J. P., Turki, L. A., Grant, K. W., Kendall, T. D., & Molin, D. (2018). *Political, social and environmental shareholder resolutions: do they create or destroy shareholder value?* Retrieved from https://mainstreetinvestors.org/wp-content/uploads/2018/06/ESG-Paper-FINAL.pdf

Kandel, E., Massa, M., & Simonov, A. (2011). Do small shareholders count? *Journal of Financial Economics, 101*(3), 641-665.

Kaustia, M., & Knüpfer, S. (2012). Peer performance and stock market entry. *Journal of Financial Economics, 104*(2), 321-338.

Kemper, T. D. (1968). Reference groups, socialization and achievement. *American Sociological Review*, 31-45.

Kim, I., Pantzalis, C., & Wang, B. (2015). Shareholder coordination and corporate governance. Retrieved 24/03/2017 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2660029

Kim, O., & Verrecchia, R. E. (1994). Market liquidity and volume around earnings announcements. *Journal of Accounting and Economics, 17*(1-2), 41-67.

King, B. (2008). A social movement perspective of stakeholder collective action and influence. *Business & Society, 47*(1), 21-49.

Klein, A., & Zur, E. (2009). Entrepreneurial shareholder activism: Hedge funds and other private investors. *Journal of Finance, 64*, 187-229.

Kochian, J., Werbitt, J., Wetmore, W., Hauer, A. G. S., & LLP, F. (2014). *Rule 14a-8 shareholder proposal process flowchart*. Retrieved from http://blog.legalsolutions.thomsonreuters.com/wp-content/uploads/2014/03/Rule-14a-8-Shareholder-Proposal-Process-Flowchart.pdf

Kopel, M. (2009). Strategic CSR, Spillover, and First-Mover Advantage. Retrieved 16/01/2016 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1408632

Lazear, E. P. (2001). Educational production. *The Quarterly Journal of Economics, 116*(3), 777-803.

Leary, M. T., & Roberts, M. R. (2014). Do peer firms affect corporate financial policy? *The Journal of Finance, 69*(1), 139-178.

Lee, M. D. (2008). A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International journal of management reviews, 10*(1), 53-73.

Lee, M.D., & Lounsbury, M. (2011). Domesticating radical rant and rage: An exploration of the consequences of environmental shareholder resolutions on corporate environmental performance. *Business & Society, 50*(1), 155–188.

Lee, M.Y., Fairhurst, A., & Wesley, S. (2009). Corporate social responsibility: a review of the top 100 US retailers. *Corporate Reputation Review, 12*, 140-158.

Lemmon, M. L., & Lins, K. V. (2003). Ownership structure, corporate governance, and firm value: Evidence from the East Asian financial crisis. *The Journal of Finance, 58*(4), 1445-1468.

Levit, D., & Malenko, N. (2011). Nonbinding voting for shareholder proposals. *The Journal of Finance, 66*(5), 1579-1614.

Levit, D., & Malenko, N. (2016). The labor market for directors and externalities in corporate governance. *71*(2), 775-808.

Liang, B. (1999). On the performance of hedge funds. *Financial Analysts Journal, 55*(4), 72-85.

Lieberman, M. B., & Asaba, S. (2006). Why Do Firms Imitate Each Other? *Academy of management review, 31*(2), 366-385.

Lin, M.C., & Chih, H.L. (2016). *Do peer firms affect corporate social responsibility policies?* Paper presented at the Management of Engineering and Technology (PICMET), 2016 Portland International Conference on.

Liu, S., & Wu, D. (2016). Competing by conducting good deeds: The peer effect of corporate social responsibility. *Finance Research Letters, 16*, 47-54.

Lu, W., Ye, M., Chau, K., & Flanagan, R. (2018). The paradoxical nexus between corporate social responsibility and sustainable financial performance: Evidence from the international construction business. *Corporate Social Responsibility and Environmental Management, 25*(5), 844-852.

Lundborg, P. (2006). Having the wrong friends? Peer effects in adolescent substance use. *Journal of health economics, 25*(2), 214-233.

Mahoney, L. S., & Thorne, L. (2005). Corporate social responsibility and long-term compensation: Evidence from Canada. *Journal of Business Ethics, 57*(3), 241-253.

Mainardes, W., Alves, H., & Raposo, M. (2011). Stakeholder theory: issues to resolve. *Management decision, 49*(2), 226-252.

Maretich, M. (2015). ESG disclosure: investors' new obsession. Retrieved from https://www.triplepundit.com/2015/04/esg-disclosure-new-obsession-investors-businesses/

Marler, J. H., & Faugère, C. (2010). Shareholder activism and middle management equity incentives. *Corporate Governance: An International Review, 18*(4), 313-328.

McDonnell, M. H., King, B. G., & Soule, S. A. (2015). A dynamic process model of private politics: Activist targeting and corporate receptivity to social challenges. *American Sociological Review, 80*(3), 654-678.

McGuire, J., Dow, S., & Argheyd, K. (2003). CEO incentives and corporate social performance. *Journal of Business Ethics, 45*(4), 341-359.

McGuire, J. B., Sundgren, A., & Schneeweis, T. (1988). Corporate Social Responsibility and Firm Financial Performance. *The Academy of Management Journal, 31*(4), 854-872.

McWilliams, A., Siegel, D., & Wright, P. (2006). Corporate Social Responsibility: Strategic Implications. *Journal of Management Studies, 43*(1), 1-18.

Michelon, G., & Parbonetti, A. (2012). The effect of corporate governance on sustainability disclosure. *Journal of Management & Governance, 16*(3), 477-509.

Michelon, G., & Rodrigue, M. (2015). Demand for CSR: insights from shareholder proposals. *Social and environmental accountability journal, 35*(3), 157–175.

Michelon, G., Rodrigue, M., & Trevisan, E. (2016). *No pressure, no diamonds: The role of shareholder activism on CSR transparency*. SSRN. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2817276

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. *The Academy of Management Review, 22*(4), 853-886.

Min, G., & You, H. Y. (2015). Political origins of shareholder activism: Corporate political spending and shareholder proposals.Retrieved from https://hyeyoungyou.files.wordpress.com/2015/08/cpa_shareholder-activism.pdf.

Minow, N. (1991). Proxy Reform: The case for increased shareholder communication. *The Journal of Corporation Law, 17*, 149-162.

Monks, R., Miller, A., & Cook, J. (2004). *Shareholder activism on environmental issues: A study of proposals at large US corporations (2000–2003).* Paper presented at the Natural Resources Forum, The United Kindom and The United States.

Morris, N. M. (2008). Electronic shareholder forums. Retrieved from http://www.shareholderforum.com/Reference/SEC-rules.htm

Mueller, R. O., & Ising, E. (2017). Shareholder proposal developments during the 2017 proxy season. Retrieved from https://corpgov.law.harvard.edu/

Nanda, R., & Sørensen, J. B. (2008). *Peer effects and entrepreneurship*: Harvard Business School.

Neu, D., Warsame, H., & Pedwell, K. (1998). Managing public impressions: Environmental disclosures in annual reportsa. *Accounting, Organizations and Society, 23*(3), 265-282.

Neubaum, D. O., & Zahra, S. A. (2006). Insitutional ownership and corporate social performance: the moderating effects of investment horizon, activism and coordination. *Journal of Management, 32*(1), 108-131.

Ntim, C. G., & Soobaroyen, T. (2013). Corporate Governance and Performance in Socially Responsible Corporations: New Empirical Insights from a Neo-Institutional Framework. *Corporate Governance: An International Review, 21*(5), 468-494. doi:10.1111/corg.12026

O'Connor, M. (1997). Organised labour as shareholder activist: building coalitions to promote worker capitalism. *University of Richmond Law Review, 31*(5), 1345-1398.

Odriozola, M. D., & Baraibar-Diez, E. (2017). Is corporate reputation associated with quality of CSR reporting? Evidence from Spain. *Corporate Social Responsibility and Environmental Management, 24*(2), 121–132.

Olson, M. (2009). *The Logic of Collective Action: Public Goods and the Theory of Groups, Second printing with new preface and appendix* (Vol. 124): Harvard University Press.

Opler, T. C., & Sokobin, J. S. (1995). Does coordinated institutional activism work? An analysis of the activities of the council of institutional investors.

Patten, D. M. (2002). The relation between environmental performance and environmental disclosure: a research note. *Accounting ,Organisations and Society, 27*, 763-773.

Perrault, E., & Clark, C. (2016). Environmental shareholder activism: Considering status and reputation in firm responsiveness. *Organization & Environment, 29*(2), 194-211.

Pfeffer, J., & Salancik, G. R. (1974). Organizational decision making as a political process: The case of a university budget. *Administrative Science Quarterly*, 135-151.

Philips, R. (2003). Stakeholder legitimacy. *Business Ehics Quarterly, 13*(1), 25-41.

Polonsky, M. J. (1995). A stakeholder theory approach to designing environmental marketing strategy. *Journal of Business & Industrial Marketing, 10*(3), 29-46.

Porter, M. E., & Kramer, M. R. (2006). The link between competitive advantage and corporate social responsibility. *Harvard business review, 84*(12), 78-92.

Post, C., & Byron, K. (2015). Women on boards and firm financial performance: A meta-analysis. *Academy of Management Journal, 58*(5), 1546-1571.

Pound, J. (1991). Proxy voting and the SEC: Investor protection versus market efficiency. *Journal of Financial Economics, 29*(2), 241-285.

Prado‑Lorenzo, J. M., Gallego‑Alvarez, I., & Garcia‑Sanchez, I. M. (2009). Stakeholder engagement and corporate social responsibility reporting: the ownership structure effect. *Corporate Social Responsibility and Environmental Management, 16*(2), 94-107.

Prado-Lorenzo, J. M., García-Sánchez, I. M., & Gallego-Álvarez, I. (2012). Effects of activist shareholding on corporate social responsibility reporting practices: an empirical study in Spain. *Journal of Economics, Finance and Administrative Science, 17*(32), 7-16.

Prevost, A. K., & Rao, R. P. (2000). Of what value are shareholder proposals sponsored by public pension funds? *The Journal of Business, 73*(2), 177-204.

Prevost, A. K., Rao, R. P., & Williams, M. A. (2012). Labor unions as shareholder activists: Champions or detractors? *Financial Review, 47*(2), 327-349.

Rampling, P. N. (2012). *Shareholder Influence on Board of Directors and CEO Remuneration: A Literature Review*. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2102136

Rediker, K. J., & Seth, A. (1995). Boards of directors and substitution effects of alternative governnace mechanisms. *Strategic Management Journal, 16*(2), 85-99.

Reed, D., McGee, D., Yano, K., & Hankin, J. (1985). Diet, blood pressure, and multicollinearity. *Hypertension, 7*(3), 405-410.

Rock, E. B. (1990). The logic and (uncertain) significance of institutional shareholder activism. *Georgetown Law Journal, 79*, 445.

Roehm, M. L., & Tybout, A. M. (2006). When will a brand scandal spill over, and how should competitors respond? *Journal of Marketing Research, 43*(3), 366-373.

Rojas, M., M'zali, B., Turcotte, M., & Merrigan, P. (2009). Bringing about changes to corporate social policy through shareholder activism: Filers, issues, targets, and success. *Business and Society Review, 114*(2), 217-252.

Rose, P., & Sharfman, B. S. (2014). Shareholder Activism as a Corrective Mechanism in Corporate Governance. *Brigham Young University Law Review*, 1015-1052.

Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of management Journal, 40*(3), 534-559.

Ryan, P. J. (1988). Rule 14a-8, institutional shareholder proposals, and corporate democracy. *Georgia Law Review, 23*, 97.

Sauer, D. A. (1997). The impact of social‐responsibility screens on investment performance: Evidence from the Domini 400 social index and Domini Equity Mutual Fund. *Review of Financial Economics, 6*(2), 137-149.

Schleyer, G. T., & Guynn, S. M. (2016). 2016 U.S. Shareholder Activism Review and Analysis. Retrieved from https://corpgov.law.harvard.edu/2016/12/13/2016-u-s-shareholder-activism-review-and-analysis/

Schnatterly, K., Shaw, K. W., & Jennings, W. W. (2008). Information advantages of large insitutional owners. *Strategic Management Journal, 29*, 219-227.

Seidman, G. W. (2007). *Beyond the boycott: Labor rights, human rights, and transnational activism*: Russell Sage Foundation.

Seo, H. (2016). Peer Effects in Corporate Disclosure Decisions. *Browser Download This Paper*.

Servaes, H., & Tamayo, A. (2013). The impact of corporate social responsibility on firm value: The role of customer awareness. *Management science, 59*(5), 1045-1061.

Setó‐Pamies, D. (2015). The relationship between women directors and corporate social responsibility. *Corporate Social Responsibility and Environmental Management, 22*(6), 334-345.

Sharara, N. M., & Hoke-Witherspoon, A. E. (1993). The evolution of the 1992 shareholder communication proxy rules and their impact on corporate governance. *Bus. Law., 49*, 327.

Sias, R., & Starks, L. (1998). Institutional investors in equity markets. Unpublished working paper, Washington State University. The United States.Sjostrom, E. (2008). Shareholder activism for corporate social responsibility: What do we know? *Sustainable Development, 16*(3), 141-154.

Singh, S. (2014). *Impact of corporate social responsibility disclosure on the financial performance of firms in UK.* (Business Administration MSc Master's thesis), University of Twente.

Siregar, S. V., & Bachtiar, Y. (2010). Corporate social reporting: empirical evidence from Indonesia stock exchange. *International Journal of Islamic and Middle Eastern Finance and Management, 3*(3), 241-252.

Sjöström, E. (2008). Shareholder activism for corporate social responsibility: what do we know? *Sustainable Development, 16*(3), 141-154.

Song, W.L., & Szewczyk, S. H. (2003). Does coordinated institutional investor activism reverse the fortunes of underperforming firms? *Journal of Financial and Quantitative Analysis, 38*(2), 317-336.

Spar, D. L., & La Mure, L. T. (2003). The power of activism: Assessing the impact of NGOs on global business. *California Management Review, 45*(3), 78-101.

Spector, T. D., Thompson, S. G., & Health, C. (1991). The potential and limitations of meta-analysis. *Journal of Epidemiology, 45*(2), 89.

Stern, N. (2006). What is the economics of climate change? *World Economics, 7*(2), 1-10.

Stigler, G. J. (1974). Free riders and collective action: An appendix to theories of economic regulation. *The Bell Journal of Economics and Management Science*, 359-365.

Suchman, M. C. (1995). Managing legitimacy: strategic and institutional approaches. *Academy of Management Review, 20*, 571-610.

Sullivan, R., & Mackenzie, C. (2008). Can investor activism play a meaningful role in addressing market failures? *The Journal of Corporate Citizenship, 31*, 77.

Suls, J., & Wheeler, L. (2013). *Handbook of social comparison: Theory and research*: Springer Science & Business Media.

Sun, Y., Wang, W., Wang, X. F., & Zhang, W. (2013). Shareholder activism and earnings management incentives: an empirical examination of shareholder proposals in the united states. *Journal of International Financial Management & Accounting, 24*(3), 234-260.

Teoh, H. Y., & Shiu, G. Y. (1990). Attitudes towards corporate social responsibility and perceived importance of social responsibility information characteristics in a decision context. *Journal of Business Ethics, 9*(1), 71-77.

Thijssens, T., Bollen, L., & Hassink, H. (2015). Secondary stakeholder influence on CSR disclosure: An application of stakeholder salience theory. *Journal of Business Ethics, 132*(4), 873-891.

Thomas, R. S., & Cotter, J. F. (2005). *Shareholder proposals post-Enron: What's changed, what's the same*. Researchgate. Retrieved from https://www.researchgate.net/profile/Randall_Thomas/publication/251745882_Shareholder_Proposals_Post-Enron_What's_Changed_What's_the_Same/links/551c09bc0cf2fe6cbf762792.pdf

Thomas, R. S., & Cotter, J. F. (2007). Shareholder proposals in the new millennium: Shareholder support, board response, and market reaction. *Journal of Corporate Finance, 13*(2), 368-391.

Tina Dacin, M., Goodstein, J., & Richard Scott, W. (2002). Institutional theory and institutional change: Introduction to the special research forum. *Academy of management journal, 45*(1), 45-56.

Unerman, J. (2008). Strategic reputation risk management and corporate social responsibility reporting. *Accounting, Auditing & Accountability Journal, 21*(3), 362-364.

Uysal, N. (2014). The expanded role of investor relations: Socially responsible investing, shareholder activism, and organizational legitimacy. *International Journal of Strategic Communication, 8*(3), 215-230.

Uysal, N., & Tsetsura, K. (2015). Corporate governance on stakeholder issues: Shareholder activism as a guiding force. *Journal of Public Affairs, 15*(2), 210-219.

Van Buren III, H. J. (2007). Care for People and Creation: The Role of US Christian Institutional Shareholder. *Greener Management International*(52).

Vasi, I. B., & King, B. G. (2012). Social movements, risk perceptions, and economic outcomes: The effect of primary and secondary stakeholder activism on firms' perceived environmental risk and financial performance. *American Sociological Review, 77*(4), 573-596.

Vogel, D. J. (2005). Is there a market for virtue?: The business case for corporate social responsibility. *California management review, 47*(4), 19-45.

Wang, K., & Shailer, G. (2015). Ownership concentration and firm performance in emerging markets: a meta-analysis. *Journal of Economic Surveys, 29*(2), 199–229.

Weng, H. H., Chen, J. S., & Chen, P. C. (2015). Effects of Green Innovation on Environmental and Corporate Performance: A Stakeholder Perspective. *Sustainability*, *7*(5), 4997–5026.

Walls, J. L., Berrone, P., & Phan, P. H. (2012). Corporate governance and environmental performance: Is there really a link? *Strategic Management Journal, 33*(8), 885-913.

Warsame, H., Neu, D., & Simmons, C. V. (2002). Responding to 'discrediting' events: Annual report disclosure responses to environmental fines. *Accounting and the Public Interest, 2*, 22-40.

Weiner, P. M., & Weber, R. D. (2015). Shareholder activism is good. Retrieved from https://www.financierworldwide.com/shareholder-activism-is-good/#.WQKXWTex9KI

Williams, R. J. (2003). Women on corporate boards of directors and their influence on corporate philanthropy. *Journal of Business Ethics, 42*(1), 1-10.

Winston, G., & Zimmerman, D. (2004). Peer effects in higher education. In *College choices: The economics of where to go, when to go, and how to pay for it* (pp. 395-424): University of Chicago Press.

Zimmer, R. W., & Toma, E. F. (2000). Peer effects in private and public schools across countries. *Journal of Policy Analysis and Management*, 75-92.

Appendix A

Formulas to calculate effect size (r)[47]

    Converting t-value to r

$$r = \sqrt{\frac{t^2}{t^2 + df}}$$

    Converting z-value to r

$$r = \sqrt{\frac{z^2}{N}}$$

Where N is the number of observations and t is the t-value; z is the z-statistics; df is the degrees of freedom. For the t-value of coefficients, the degree of freedom is N, which is the number of estimated parameters[48] in the regression models, whereas for the t-value of the difference in means from the two groups, the degree of freedom is $N_1 + N_2 - 2$. N_1 and N_2 are the number of observations in the two groups. For the t-test on the sample mean of one single group, the degree of freedom is N-1.

---

[47] The research does not have the formula to transfer p-values into r; therefore p-values are transferred using the online calculator from http://cebcp.org/practical-meta-analysis-effect-size-calculator/correlation-coefficient-r/t-test/.

[48] http://blog.minitab.com/blog/statistics-and-quality-data-analysis/what-are-degrees-of-freedom-in-statistics.

Appendix B

Samples of shareholder proposals with coding

1. Shareholder proposals classified based on sponsors (by institutional, coordinated or other shareholders[49])

Proposals by institutional shareholders only

-dummy variable DSPIN taking the value of 1

The full text of the resolution submitted by the Humane Society for consideration by the shareholders of the Company is as follows:

Resolution Proposed by The Humane Society of the United States

WHEREAS, Americans are increasingly concerned about how their food is produced, and studies show they and, by extension, Cal-Maine Foods, Inc. (the "Corporation") customers prefer products meeting higher animal welfare standards.

Battery cages prevent hens from spreading their wings, perching, and laying eggs in nests. Each hen has only 67 square inches of living space — approximately two-thirds of a letter-sized sheet of paper. The United Egg Producers (UEP) guidelines to which the Corporation claims adherence permit these dismal conditions. The Better Business Bureau ruled (upholding upon appeal) that the UEP engaged in misleading advertising on animal welfare. In late 2006, the UEP paid $100,000 to settle false advertising claims by 16 state attorney general offices and the Washington, D.C. attorney general.

More than three-quarters of the Corporation's customer base is retail customers, including supermarkets; the next largest segment is food service distributors. Supermarkets and food service providers are responding to this growing concern about animal welfare and diverting more of their business away from battery-egg producers. Compass Group, the world's largest food service company, stated: "Compass Group is committed to ending our use of eggs from caged hens. This is a huge undertaking for our company, but we're proud to be making such a significant contribution to the welfare of farm animals."

Safeway is more than doubling its offering of cage-free eggs within the next two years, and is establishing a purchasing preference for cage-free eggs, "intended to favor producers who are converting away from battery-cage confinement systems." Safeway adds, "We hope this new policy will encourage the egg industry to move away from confining laying hens in battery cages."

Harris Teeter gives purchasing preference to producers of cage-free eggs and will increase the amount of cage-free eggs it sells to 12 percent by 2010.

These policies represent a snowballing national trend that is gaining in relevance to competitive egg producers. Whole Foods Market sells only cage-free eggs, and Trader Joe's has converted its private-label eggs to cage-free. National chains, including Burger King, Carl's Jr., Hardee's, and Denny's have all begun to phase in cage-free eggs. Wolfgang Puck uses only cage-free eggs in his restaurants and packaged foods. Hundreds of U. S. universities serve cage-free eggs in their cafeterias.

The prestigious Pew Commission on Industrial Farm Animal Production — chaired by former Kansas Governor John Carlin and comprised of experts including former U. S. Secretary of Agriculture Dan Glickman — concludes: "The Commission recommends the phase-out, within ten years, of all intensive confinement systems that restrict natural movement and normal behaviors including...cages used to house multiple egg-laying chickens, commonly referred to as battery cages..."

Major players in the Corporation's top business categories recognize the need for change on this issue. The Corporation risks loss of business and reputation if it does not move steadily away from battery cage egg production systems.

RESOLVED THAT, SHAREHOLDERS ENCOURAGE THE Corporation to move away from egg production practices in which hens are confined in battery cages, a practice widely viewed as cruel and inhumane.

The Humane Society did not submit a separate statement in support of its proposed resolution.

16

https://www.sec.gov/Archives/edgar/data/16160/000095014408006780/g14779ddef14a.htm#110

Proposals by coordinated shareholders only

-dummy variable DSPCF taking the value of 1

---

[49] Including individual and anonymous shareholders

3. Shareholder Proposal on Advisory Vote on Named Executive Officer Compensation

James McRitchie and Myra K. Young, 9295 Yorkship Court, Elk Grove, CA 95758, owners of at least $2,000 in market value of shares of common stock, have advised the Company that they have designated John Chevedden as proxy and intend to present the following resolution at the Annual General Meeting of Stockholders. Approval of this proposal would require a vote in favor by a majority of the votes cast (excluding any abstentions) at the Annual General Meeting of Stockholders. Rule 14a-8(h)(1) of the Exchange Act requires that the shareholder proponent or his or her qualified representative attend the meeting to present the proposal. Failure to attend the meeting and present the proposal will result in the proposal not being called for a vote at the meeting.

Shareholder Resolution

Shareholder Say on Executive Pay

RESOLVED, that shareholders request our board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers set forth in the proxy statement's Summary Compensation Table and the accompanying narrative disclosure of material factors provided to understand the Summary Compensation Table (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any named executive officers.

Shareholder Statement Supporting Item 3

Investors are increasingly concerned about mushrooming executive pay especially when it is insufficiently linked to performance. In 2008, shareholders filed close to 100 "Say on Pay" resolutions. Votes on these resolutions averaged 43% in favor, with ten votes over 50%, demonstrating strong shareholder support.

To date eight companies have agreed to an Advisory Vote, including Verizon, MBIA, H&R Block, Blockbuster, and Tech Data. TIAA-CREF, the country's largest pension fund, has successfully utilized the Advisory Vote twice. On the other hand shareholders at Wachovia and Merrill Lynch did not support 2008 "Say on Pay" ballot proposals. Now these shareholders don't have much of a say on anything.

"There should be no doubt that executive compensation lies at the root of the current financial crisis," wrote Paul Hodgson, a senior research associate with The Corporate Library, an independent investment research firm. "There is a direct link between the behaviors that led to this financial collapse and the short-term compensation programs so common in financial services companies that rewarded short-term gains and short-term stock price increases with extremely generous pay levels."

Nell Minow said, "If the board can't get executive compensation right, it's been shown it won't get anything else right either."

39

https://www.sec.gov/Archives/edgar/data/87347/000119312509051874/ddef14a.htm

Proposals by institutional and coordinated shareholders

-dummy variable DSPIN taking the value of 1

-dummy variable DSPCF taking the value of 1

Shareowner Proposal (Proxy Item No. 3)

By: The School Sisters of Notre Dame of St. Louis, the General Board of Pension and Health Benefits of the United Methodist Church, the Marianists Province of the United States, the Sinsinawa Dominicans, Inc., the Sisters of the Blessed Sacrament, the Sisters of Charity of Nazareth, and the Sisters of St. Joseph of Carondelet

14

SEPARATE CEO & CHAIR
Monsanto

RESOLVED: The shareholders of Monsanto request that the Board of Directors establish a policy of, whenever possible, separating the roles of Chairperson and Chief Executive Officer so that an independent director who has not served as an executive officer of the Company serves as Chair of the Board of Directors.

This proposal shall not apply to the extent that complying would necessarily breach any contractual obligations in effect at the time of the 2007 shareholder meeting.

Supporting Statement

The principle of the separation of the roles of Chairperson and Chief Executive Officer is a basic element of sound corporate governance practice. The primary purpose of the Board of Directors is to protect shareholder's interests by providing independent oversight of management and the CEO. The Board gives strategic direction and guidance to our Company.

Given these different roles and responsibilities, we believe:

- an independent Board Chair - separated from the CEO - is the preferable form of corporate governance.
- it is the role of the Chief Executive Officer and management to run the business of the company.
- an independent Chair and vigorous Board will bring greater focus to ethical imperatives, and be better able to forge solutions for shareholders and consumers.
- separating the roles of Chair and CEO at Monsanto would result in greater independence and accountability which would allow the company to have greater focus and thereby better address issues of environmental and health impacts of the company's products

- an independent Chair and vigorous Board will bring greater focus to ethical imperatives, and be better able to forge solutions for shareholders and consumers.
- separating the roles of Chair and CEO at Monsanto would result in greater independence and accountability which would allow the company to have greater focus and thereby better address issues of environmental and health impacts of the company's products.

The Board will likely accomplish both roles more effectively by separating the roles of Chair and CEO. An independent Chair will enhance investor confidence in our Company and strengthen the integrity of the Board of Directors.

A number of respected institutions recommend such separation. CalPER's Corporate Core Principles and Guidelines state: "the independence of a majority of the Board is not enough" and that "the leadership of the board must embrace independence, and it must ultimately change the way in which directors interact with management."

An independent board structure will also help the board address policy issues and other complex issues facing our company, among them:

- reputational risk associated with Monsanto's products;
- the concern of the investment community with possible "off-balance sheet" liabilities, such as those associated with products that may be harmful to human health and the environment and which could impact long-term shareholder value;
- disputes, within the United States and internationally, regarding the company's patent rights claims and pricing mechanisms;
- elimination of rBGH from dairy products by some major distributors.

In order to ensure that our Board can provide the, proper strategic direction for our Company with independence and accountability, we urge a vote FOR this resolution.

15

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE FOREGOING
PROPOSAL FOR THE FOLLOWING REASONS:

The board believes that a flexible approach to governance of the board will best serve the interest of shareowners rather than mandating a particular leadership structure. It is the Board's opinion that it is important that it retain an appropriate degree of discretion to determine if and when the Company will be best served by a chairman who acts in a dual role as chief executive officer, and what other leadership arrangements on the Board will enhance its ability to perform. Our current chairman and chief executive officer, Hugh Grant, has served with distinction, as proven by the Company's performance under his leadership. In addition, our Presiding Director, Robert J. Stevens, performs a significant role in the governance of the Board, as outlined below. In those positions, they offer the members of the Board effective leadership which serves shareowners well.

Role of the Presiding Director. Mr. Stevens is an independent director who has been elected Presiding Director by the independent directors. In his role as Presiding Director, Mr. Stevens:

- Presides at all meetings of the board at which the chairman is not present;

- Presides at executive sessions of the independent directors;
- Has the authority to call meetings of the board or meetings of the independent directors;
- Approves information sent to the board, meeting agendas for the board and meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Serves as the liaison between the chairman and the independent directors;
- Is a member of the board's executive committee;
- May be contacted directly by shareowners as described on page 7 of the proxy statement;
- Is available to consult with the chairman and chief executive officer about the concerns of the board; and
- Is available to consult with any of the senior executives of the Company as to any concerns that executives might have.

Monsanto's board is structured to promote independence. The Company's board of directors is composed of 90% independent directors, which is substantially above the majority of independent directors mandated by the New York Stock Exchange. The Company's audit and finance committee, people and compensation committee and nominating and corporate governance committee are composed solely of independent directors. Committee chairs approve agendas and materials for their committee meetings. Non-management directors meet in executive sessions that are not attended by management in conjunction with each regular board meeting. Each director is an equal participant in decisions made by the full board, and the Presiding Director and the other independent directors communicate regularly with the chief executive officer regarding appropriate board agenda topics and other board-related matters.

Monsanto has established strong and effective corporate governance and board communication practices. The Company has established corporate governance guidelines that are posted on our corporate website at www. monsanto.com. These policies and procedures set out in detail the board's and its committees' practices so that shareowners have a transparent view as to how Monsanto's board works. As described on page 7, the Company has also established procedures that allow shareowners and third-parties to easily communicate directly with our directors by mail and e-mail.

Monsanto's board is focused on the Company's corporate governance practices and will continue to reevaluate its policies on an ongoing basis. As part of the board's ongoing evaluation of its corporate governance practices, the board addressed the role of the Presiding Director when it amended the Company's Bylaws and Board Charter in June 2006. The board will continue to reexamine its policies on an ongoing basis to ensure that its corporate governance sufficiently meets the Company's needs.

In view of the Company's highly independent board, our strong corporate governance practices and the role of our independent Presiding Director, Monsanto's board believes that the shareowner proposal is unnecessary and would not strengthen the board's independence or oversight functions. We believe shareowners interests are best served by maintaining the board's flexibility to decide the appropriate leadership of the board under the prevailing circumstances.

ACCORDINGLY, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"AGAINST" THIS PROPOSAL, AND YOUR PROXY WILL BE SO VOTED IF
THE PROPOSAL IS PRESENTED UNLESS YOU SPECIFY OTHERWISE.

16

https://www.sec.gov/Archives/edgar/data/1110783/000120677406002497/monsanto_nps1.htm

Proposals by individual shareholders or anonymous shareholders

- Individual shareholders

PROPOSAL NO. 4—STOCKHOLDER PROPOSAL REQUESTING THAT THE BOARD OF DIRECTORS TAKE THE STEPS NECESSARY TO ELIMINATE THE CLASSIFICATION OF TERMS OF THE BOARD OF DIRECTORS TO REQUIRE THAT ALL DIRECTORS STAND FOR ELECTION ANNUALLY

The following proposal was submitted for inclusion in this proxy statement by Mr. Gerald R. Armstrong, 820 Sixteenth Street, #705, Denver, Colorado 80202-3227, (303) 355-1199. Mr. Armstrong has advised us that he owns 100 shares of our common stock.

Stockholder Proposal. "Resolved: That the shareholders of BILL BARRETT CORPORATION request its Board of Directors to take those steps necessary to eliminate the classification of terms of its Board of Directors to require that all Directors stand for election annually. The Board declassification shall be completed in a manner that does not affect the unexpired terms of the previously-elected Directors."

Supporting Statement. "The proponent believes the election of directors is the strongest way that shareholders influence the directors of any corporation. Currently, the board of Bill Barrett Corporation is divided into three classes with each class serving three-year terms. Because of this structure, shareholders may only vote for one-third of the directors each year. This is not in the best interest of shareholders because it reduces accountability.

U. S. Bancorp, Associated Banc-Corp, Piper-Jaffray Companies, Fifth-Third Bancorp, Pan Pacific Retail Properties, Qwest Communications International, Excel Energy, Greater Bay Bancorp, North Valley Bancorp, Pacific Continental Corporation, Regions Financial Corporation, CoBiz Financial Inc., Marshall & Illsley Corporation, and Wintrust Financial, Inc. are among the corporations electing directors annually because of the efforts of the proponent.

The performance of management and Board of Directors is now being more strongly tested due to economic conditions and the accountability for performance must be given to the shareholders whose capital has been entrusted in the form of share investments.

A study by researchers at Harvard Business School and the University of Pennsylvania's Wharton School titled "Corporate Governance and Equity Prices" (Quarterly Journal of Economics, February, 2003), looked at the relationship between corporate governance practices (including classified boards) and firm performance. The study found a significant positive link between governance practices favoring shareholders (such as annual directors' election) and firm value.

While management may argue that directors need and deserve continuity, management should become aware that continuity and tenure may be best assured when their performance as directors is exemplary and is deemed beneficial to the best interests of the corporation and its shareholders.

The proponent regards as unfounded the concern expressed by some that annual election of all directors could leave companies without experienced directors in the event that all incumbents are voted out by shareholders. In the unlikely event that shareholders do vote to replace all directors, such a decision would express dissatisfaction with the incumbent directors and reflect a need for change.

If you agree that the shareholders may benefit from greater accountability afforded by annual election of all directors, please vote "FOR" this proposal."

43

Board of Directors Recommendation and Statement.

The Board of Directors unanimously recommends that stockholders vote AGAINST this proposal for the following reasons:

The Board believes that it is not in the best interests of our stockholders to declassify the Board of Directors and therefore recommends that the stockholders vote against this proposal.

Initially, the Nominating and Corporate Governance Committee of our Board of Directors reviewed the proposal to require the annual election of directors. The Nominating and Corporate Governance Committee consists solely of independent outside directors. After careful consideration, the Committee concluded that our classified board is in the best interests of our company and our stockholders. The Committee subsequently recommended to the full Board of Directors that it recommend stockholders vote against the proposal. The Board of Directors unanimously concurred with the Committee's recommendation.

Our Board of Directors is divided into three classes of directors, each of which serves for staggered three-year terms. These staggered terms are an effort to balance two important concerns: first, that stockholders are given the opportunity to express their opinions about the Board's performance each year, and second, that the directors focus on our long-term success.

The Board believes that our ability to succeed in producing long-term stockholder value requires long-term planning, capital commitments, and careful and consistent application of financial and other resources. The classified structure of our Board enables the Board to focus on long-term growth and success, as a majority of the directors at any given time will have greater experience in, and in-depth knowledge of, the business and operations of our company.

Election of directors by classes is a common practice that has been adopted by many companies. According to a 2006 study, a majority of the companies incorporated in Delaware, a majority of the companies listed on the New York Stock Exchange, and a majority of the companies comprising the Standard & Poor's 1500 Index had classified boards (See Katz and McIntosh, Corporate Governance Update: Institutional Investors Ready Proxy Season 'Wish Lists', Real Corporate Lawyer (Nov. 2006), at *www.realcorporatelawyer.com/pdfs/wlrk120106.pdf*).

In the opinion of our Board, a classified board of directors facilitates continuity and stability of leadership and policy by assuring that experienced individuals familiar with our company and its business will be on the Board of Directors at all times. A classified board of directors is also intended to prevent precipitous changes in a corporation's policies, business strategies and operations. A classified board protects stockholder interests from coercive attempts from outsiders to gain control. Board classification is intended to encourage any person seeking to acquire control of us to initiate such action through arm's-length negotiations with the Board so as to benefit our stockholders.

This proposal requests the Board to take those steps necessary to cause the annual election of all directors. One of those steps would be for the Board of Directors to submit a proposal to the stockholders to amend our Restated Certificate of Incorporation at a future stockholders meeting. The amendment or repeal of the provision of the Restated Certificate of Incorporation providing for a classified board must be made by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of our outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

A vote in favor of this proposal is an advisory recommendation to the Board of Directors.

Vote Required. Approval of this proposal will require the affirmative vote of a majority of votes cast on the proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "AGAINST" THIS PROPOSAL.

https://www.sec.gov/Archives/edgar/data/1172139/000119312508078583/ddef14a.htm

- Anonymous shareholders

SEPARATE CEO & CHAIR
Monsanto

RESOLVED: The shareholders of Monsanto request that the Board of Directors establish a policy of, whenever possible, separating the roles of Chairperson and Chief Executive Officer so that an independent director who has not served as an executive officer of the Company serves as Chair of the Board of Directors.

This proposal shall not apply to the extent that complying would necessarily breach any contractual obligations in effect at the time of the 2006 shareholder meeting.

15

Supporting Statement

The principle of the separation of the roles of Chairperson and Chief Executive Officer is a basic element of sound corporate governance practice. The primary purpose of the Board of Directors is to protect shareholder's interests by providing independent oversight of management and the CEO. The Board gives strategic direction and guidance to our Company.

Given these different roles and responsibilities, we believe:

- an independent Board Chair – separated from the CEO – is the preferable form of corporate governance.

- it is the role of the Chief Executive Officer and management to run the business of the company.

- an independent Chair and vigorous Board will bring greater focus to ethical imperatives, and be better able to forge solutions for shareholders and consumers.

- separating the roles of Chair and CEO at Monsanto would result in greater independence and accountability which would allow the company to have greater focus and thereby better address issues of environmental and health impacts of the company's products.

The Board will likely accomplish both roles more effectively by separating the roles of Chair and CEO. An independent Chair will enhance investor confidence in our Company and strengthen the integrity of the Board of Directors.

A number of respected institutions recommend such separation. CalPER's Corporate Core Principles and Guidelines state: "the independence of a majority of the Board is not enough" and that "the leadership of the board must embrace independence, and it must ultimately change the way in which directors interact with management."

An independent board structure will also help the board address policy issues and other complex issues facing our company, among them:

- reputational risk associated with Monsanto's products.

- the concern of the investment community with possible "off-balance sheet" liabilities, such as those associated with products that may be harmful to human health and the environment and which could impact long-term shareholder value.

- disputes, within the United States and internationally, regarding the company's patent rights claims.

- disputes, within the United States and internationally, regarding the company's patent rights claims.

In order to ensure that our Board can provide the proper strategic direction for our Company with independence and accountability, we urge a vote FOR this resolution.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE FOREGOING
PROPOSAL FOR THE FOLLOWING REASONS:

- The board believes strongly that it should have the discretion of deciding if and when the Company is best served by a chairman who acts in a dual role as chief executive officer. Our current chairman and chief executive officer, Hugh Grant, has served with distinction, as proven by the Company's performance under his leadership.

- Robert J. Stevens, chairman of the board's nominating and corporate governance committee, also serves as the board's Presiding Director. In that role, Mr. Stevens (1) consults regularly with our chief executive officer on matters related to the board of directors, including the board agendas, (2) is available to be consulted by any of Monsanto's senior executives as to any concerns they may have and (3) presides at executive sessions of the board and is the liaison for communications to Mr. Grant regarding such sessions.

- This is not an area where "one size fits all." According to a May 2005 report from Investor Responsibility Research Center, only 11% of S&P 1,500 companies have an independent chairman. The 2004 Blue Ribbon Commission of the National Association of Corporate Directors found that separation of the roles of chairman and chief executive officer was not necessary for effective board leadership, and that it is most important that an independent director serve as a focal point for the work of the independent directors. The Board believes that Mr. Stevens, in his role as Presiding Director, serves as such a focal point.

16

Monsanto's board is structured to promote independence.   The Company's board of directors is composed of more than a three-fourths majority of independent directors, which is well above the majority of independent directors mandated by the New York Stock Exchange. The Company's audit and finance committee, people and compensation committee and nominating and corporate governance committee are composed solely of independent directors. Committee chairs approve agendas and materials for their committee meetings. Non-management directors meet in executive sessions that are not attended by management in conjunction with each regular board meeting. Each director is an equal participant in decisions made by the full board, and the Presiding Director and the other independent directors communicate regularly with the chief executive officer regarding appropriate board agenda topics and other board related matters.

Monsanto has established strong and effective corporate governance and board communication practices.   The Company has established corporate governance guidelines that are posted on our corporate website at www.monsanto.com. These policies and procedures set out in detail the board's and its committees' practices so that shareowners have a transparent view as to how Monsanto's board works. As described on pages 6–7, the Company has also established procedures that allow shareowners and third-parties to easily communicate directly with our directors by mail and e-mail.

There is no benefit in limiting the board's authority to choose the person it believes would best serve as chairman of the board.   Monsanto's board already has the authority to appoint an independent director as chairman. The proposal would therefore eliminate the flexibility of the board to consider whether a member of management is best positioned to serve in that role at any given time. Rigid application of the proposal would deprive the board of the ability to evaluate the particular needs of the Company, the specific qualifications of the individual in question and the particular facts and circumstances of the Company, as it considers candidates for chairman. We believe that shareowners are best served by a board that can adapt its structure to the needs of the Company and the capabilities of its directors and senior executives. We also believe that the directors who serve on a board are best positioned to identify the director who has the skill and commitment to perform the chairman role effectively and who has the confidence and cooperation of the other directors.

Monsanto's board is focused on the Company's corporate governance practices and will continue to reevaluate its policies on an ongoing basis.   In view of the company's highly independent board, our strong corporate governance practices and the fact that we have a presiding director, Monsanto's board believes that the shareowner proposal is unnecessary and would not strengthen the board's independence or oversight functions. We believe it would be detrimental to shareowner interests to remove the board's business judgment to decide who is the best person to serve as chairman under particular circumstances that exist from time to time, whether such person is independent or a member of management. The board will continue to reexamine its policies on an ongoing basis to ensure that its corporate governance sufficiently address Monsanto's needs.

ACCORDINGLY, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE
"AGAINST" THIS PROPOSAL, AND YOUR PROXY WILL BE SO VOTED IF
THE PROPOSAL IS PRESENTED UNLESS YOU SPECIFY OTHERWISE.

17

https://www.sec.gov/Archives/edgar/data/1110783/000120677405002009/d18214_def14a.htm

2. Shareholder proposals classified based themes (social, environmental and governance issues or disclosure/reporting)

Proposals by only coordinated shareholders (whether it is an individual or institutional shareholder activism is unknown.) on social issues

-dummy variable DSP taking the value of 1

-dummy variable DSPCF taking the value of 1

For sub dimensions:

-dummy variable DSOCPCF taking the value of 1

-dummy variable DSOCP taking the value of 1

https://www.sec.gov/Archives/edgar/data/1275283/000119312512128648/d320533ddef14a.htm#tx301457_142

Shareholder Proposals

Certain of our shareholders have submitted the proposal described under Item 5. We will furnish the names, addresses and claimed share ownership positions of the proponents of this proposal promptly upon written or oral request directed to the Secretary of RAI. The following proposal has been carefully considered by the Board, which has concluded that its adoption would not be in the best interests of RAI or its shareholders. For the reasons stated after the proposal and its supporting statement, the Board recommends a vote AGAINST the proposal.

Proposals of shareholders intended to be included in RAI's 2013 annual meeting proxy statement and form of proxy must be received by the Secretary of RAI, in writing, no later than November 23, 2012, at our corporate offices: Reynolds American Inc., P.O. Box 2990, Winston-Salem, North Carolina 27102-2990. The rules of the SEC contain detailed requirements for submitting proposals for inclusion in our 2013 proxy statement and permit us to exclude proposals from our proxy statement in specified circumstances.

In accordance with RAI's Bylaws, shareholders who do not submit a proposal for inclusion in our 2013 annual meeting proxy statement, as described in the immediately preceding paragraph, but who intend to present a proposal, nomination for director or other business for consideration at our 2013 annual meeting, must notify the Secretary of RAI, in writing, that they intend to submit their proposal, nomination or other business at our 2013 annual meeting by no earlier than October 24, 2012, and no later than November 23, 2012. RAI's Bylaws contain detailed requirements that a shareholder's notice must satisfy. If a shareholder does not comply with the notice requirements, including the deadlines specified above, then the persons named as proxies in the form of proxy for the 2013 annual meeting will use their discretion in voting the proxies on any such matters raised at the 2013 annual meeting. Any shareholder notice should be in writing and addressed to the Office of the Secretary, Reynolds American Inc., P.O. Box 2990, Winston-Salem, North Carolina 27102-2990. RAI's Bylaws can be found in the "Governance" section of our web site at www.reynoldsamerican.com or may be obtained, free of charge, from the Office of the Secretary.

For a further discussion of the Board nomination process, see "The Board of Directors — Governance Agreement" and "The Board of Directors — Committees and Meetings of the Board of Directors — Corporate Governance and Nominating Committee" above.

Item 5: **Shareholder Proposal for the Creation of an Ethics Committee to Review Marketing Activities**

Six shareholders have submitted the following proposal, which will be voted upon at our annual meeting if presented by its proponents:

"WHEREAS, Reynolds American, Inc. acknowledges the use of our Company's tobacco products is potentially devastating. However, in the opinion of this shareholder's proponents, Reynolds has evidenced a pattern of challenging local, state and federal efforts aimed to reduce dependency and use of tobacco. This has been done primarily though efforts to impact legislation.

"Though RAI does not sell abroad, recent data compared the impact of the introduction of pictorial warnings in Australia in 2005 to that of the introduction of larger text-only warnings in the United Kingdom in 2003. Cognitive and behavioral indicators of label impact that are predictive of quit intentions and quit attempts (e.g. forgoing cigarettes because of the labels; thinking about the health risks of smoking) increased to a greater extent among smokers after the Australian pictorial warnings were introduced than they did in the United Kingdom after enhanced text-only warnings were introduced. Pictorial warnings are also cited by former smokers as an important factor in their attempt to quit and have been associated with increases in the use of effective cessation services, such as toll-free telephone 'helplines.' Although all warnings are subject to wear-out over time, pictorial warnings have also been shown to sustain their effects longer than text-only warning labels (see 'The Impact of Pictures on the Effectiveness of Tobacco Warnings,' *Bulletin of the World Health Organization* 2009; 87:640-43).

81

317

"Despite such data showing that graphic warnings contribute to less smoking and, therefore less disease and deaths, our Company joined others in successfully challenging a Food and Drug Administration requirement that tobacco companies place such pictorial evidence of the consequence of using our products on all cigarette packages by September, 2012. Consequently, in the name of pursing 'freedom of speech' more people will lose their freedom of choice by becoming addicted to our products.

"RAI also resisted the Framework Convention on Tobacco Control which was created to reduce dependence on cigarettes worldwide. It also vigorously fought against the Master Settlement Agreement which had companies compensate States for monies they had to expend for tobacco-related illnesses.

"Evidence from the North Carolina Department of Health, home to our Company, revealed that there was a 21 percent drop in emergency room admission for heart attacks during the first year of a smokefree law in that State, saving an estimated $3.4 to $4.3 million in health care costs (http://tobaccopreventionandcontrol.ncdhhs.gov/smokefreenc/docs/TPCB-2011SFNCReport-SHD.pdf).

"Resolved: That Reynolds American, Inc.'s Board of Directors create a special ethics committee to review any and all marketing efforts of our Company to ensure shareholders that its products and product promotions, as far as is possible, not undermine efforts of governments at any level to adopt laws and practices that will free Americans from the negative consequences of use of our tobacco products."

The proponents have submitted the following statement in support of this proposal:

"Despite the fact that tobacco companies have created departments of 'corporate responsibility' the practices noted above seem to continue unabated. Thus the need for such an effort to ensure our lethal product not to more damage than is already being done to unsuspecting people."

Your Board of Directors recommends a vote AGAINST this proposal.

RAI and its operating companies are committed to using only responsible, accurate advertisements, directed at tobacco consumers of legal age. RAI supports reasonable warnings on cigarette packs, including the current Surgeon General's warnings. RAI likewise supports the content of the new textual warnings required by the Family Smoking Prevention and Tobacco Control Act, which Congress enacted in 2009. RAI, however, believes that the pictorial warnings proposed by the U.S. Food and Drug Administration, referred to as the FDA — which must occupy the top half of both sides of cigarette packages, the top fifth of advertisements, and include gruesome images — impermissibly interfere with the ability of RAI's operating companies to communicate with fully informed adult tobacco consumers. As the U.S. Supreme Court has stated, because "the sale and use of tobacco is lawful for adults, the tobacco industry has a protected interest in communicating information about its products and adult customers have an interest in receiving that information." *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 571 (2001).

This proposal therefore should be rejected. First, the pictorial warnings on cigarette packaging cited in the proposal are neither effective nor are they a reasonable means of conveying to an informed public the dangers of smoking. Second, the proposal is unnecessary because the marketing of tobacco products is already heavily regulated. Third, the proposal is also unnecessary because RAI's operating companies have already taken proactive steps that exceed current legal requirements to prevent youth tobacco use and to direct its advertising only to customers of legal age.

In the first place, the public is already well aware of the risks of smoking. The proposed pictorial warnings therefore are neither an effective nor a reasonable means of conveying to the public a message regarding the dangers of smoking, since current public awareness of these dangers is extraordinarily high. Nor would they decrease smoking prevalence. In fact, according to the FDA's own cost-benefit analysis of the pictorial warnings, the benefits from the warnings in terms of reduced smoking rates are "in general not statistically distinguishable from zero." 76 Fed. Reg. at 36,776 (June 22, 2011). Instead, RAI believes that the primary effect of the pictorial

warnings would be to conscript cigarette packages as, in the words of the Secretary of Health and Human Services, a "mini-billboard" for the FDA's anti-smoking message. This in turn impermissibly interferes with RAI's operating companies' abilities to communicate with fully informed adult consumers and to compete with other manufacturers for market share.

RAI therefore believes that the pictorial warnings violate the First Amendment to the U.S. Constitution. Under the First Amendment, the U.S. Government is free to engage in anti-smoking policy advocacy. It is likewise free to require purely factual and uncontroversial warnings on lawful consumer products, like tobacco products, in order to prevent consumer deception. But the U.S. Government may not commandeer the most visible portions of RAI's operating companies' packages and advertisements as "mini-billboards" for anti-smoking advocacy. This, however, is exactly what the proposed pictorial warnings do, which is why a federal district court in Washington, D.C. recently entered a ruling preliminarily enjoining the FDA from requiring them. *See R.J. Reynolds Tobacco Company et al. v. U.S. Food & Drug Administration*, Civil Case No. 11-1482 (RJL) (Nov. 7, 2011). Asserting the companies' First Amendment rights in challenging the FDA's rule does not in any way undermine the government's legitimate interests.

Moreover, the proposal is unnecessary because the marketing of tobacco products is already heavily regulated. For example, longstanding federal law prohibits all cigarette advertising on radio or television. *See* 15 U.S.C. §1335. Likewise, RJR Tobacco is bound by the Master Settlement Agreement with numerous state attorneys general, which prohibits, among other things, advertisements targeted at youth, the use of cartoon images, the use of billboards, the use of tobacco brand-logoed merchandise, and payments for the use of tobacco products in movies and TV. Finally, the Family Smoking Prevention and Tobacco Control Act accords the FDA broad regulatory authority over the manufacture, marketing, and sale of tobacco products.

Finally, the proposal is also unnecessary because RAI and its operating companies have already taken proactive steps to combat youth tobacco use and to direct its advertising only to customers of legal age. In 1991, RJR Tobacco launched its Right Decisions Right Now: Be Tobacco Free program, to help reduce youth experimentation with all forms of tobacco. The program provides materials free of charge to roughly 22,500 U.S. middle schools, and smoking levels decreased significantly in test schools. In 2008, the program was validated by the federal Substance Abuse and Mental Health Services Administration as an evidence-based youth tobacco prevention program. Likewise, RJR Tobacco's direct marketing materials and access to its brand web sites are provided only to individuals who provide affirmative proof that they are 21 years old or older and attest that they are current tobacco users. These and other restrictions are described in detail on RJR Tobacco's web site at http://www.rjrt.com/resmkting.aspx.

As a result of the foregoing, communications by RAI's operating companies about their tobacco products are closely scrutinized, internally by multiple layers of accountability and externally by third parties. Indeed, it is difficult to conceive of a greater level of scrutiny by more diverse viewpoints and constituencies than that which exists at present. The proposal for a "special ethics committee to review any and all marketing efforts of our Company," therefore, is redundant and unnecessary. Instead, it would simply add a layer of corporate bureaucracy that would, in turn, undermine RAI's ability to work with other concerned stakeholders to frame reasonable, responsible tobacco policy going forward; hinder RAI's ability to work with regulators, legislators and the public; and weaken RAI's ability to compete and to offer its perspective to the public policy dialogue.

Therefore, your Board of Directors urges you to vote AGAINST this proposal.

83

Proposals by only institutional shareholders on social issues

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions:

-dummy variable DSOCPIN taking the value of 1

-dummy variable DSOCP taking the value of 1

318

Mr. Rankin, which for fiscal year 2010 was approximately $86,254. Accordingly, the total received by Mr. Rankin during 2010 pursuant to this agreement was $880,008 of which $779,999 was allocated to us.

J. Bennett Johnston and FM Services Company are parties to an agreement, renewable annually, under which Mr. Johnston renders consulting services to us relating to international relations and commercial matters. Under this agreement, Mr. Johnston receives an annual consulting fee of $300,000 and reimbursement of reasonable out-of-pocket expenses incurred in connection with rendering consulting services.

Gabrielle K. McDonald and FM Services Company are parties to an agreement, renewable annually, under which Ms. McDonald renders consulting services to us in connection with her role as Special Counsel on Human Rights to the company. Under this agreement, Ms. McDonald receives an annual fee of $300,000, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with rendering consulting services.

J. Stapleton Roy is Senior Advisor of Kissinger Associates, Inc. Kissinger Associates and FM Services Company are parties to agreements, renewable annually, under which Kissinger Associates provides to us advice and consultation on specified world political, economic, strategic and social developments affecting our affairs. Under these agreements, Kissinger Associates receives an annual fee of $200,000, additional consulting fees based on the services rendered, and reimbursement of reasonable out-of-pocket expenses incurred in connection with providing such services. In addition, Mr. Roy is Director of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars. In 2008, the company agreed to contribute $150,000 to the Institute to be paid in three equal installments in each of 2008, 2009 and 2010.

J. Taylor Wharton and FM Services Company are parties to an agreement, renewable annually, under which Dr. Wharton renders consulting services in connection with all medical and health affairs affecting our directors, officers and employees. Under this agreement, Dr. Wharton receives an annual fee of $400,000, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with rendering consulting services.

Proposal No. 5: Stockholder Proposal

We have received a stockholder proposal from the New York State Common Retirement Fund for presentation at our annual meeting of stockholders. Upon request, we will provide the addresses of the proponents and the number of shares of our common stock held by the proponent. Requests may be sent to the Corporate Secretary, Freeport-McMoRan Copper & Gold Inc., 333 North Central Avenue, Phoenix, Arizona 85004 or submitted by calling (602) 366-8100.

Approval of the proposal would require the affirmative vote of a majority of the shares of our common stock present in person or by proxy and entitled to vote thereon. *Our board opposes the Stockholder Proposal for the reasons stated following the proposal.*

RESOLVED, that the shareholders request that, as the terms in office of elected directors expire, at least one candidate shall be selected and recommended for election to the company's board who:

(i) has a high level of expertise and experience in environmental matters relevant to mining and is widely recognized in the business and environmental communities as an authority in such field, in each case as reasonably determined by the company's board, and

(ii) will qualify, subject to limited exceptions in extraordinary circumstances explicitly specified by the board, as an independent director under the standards applicable to the company as a New York Stock Exchange listed company, in order that the company's board includes at least one director satisfying the foregoing criteria, which director shall have designated responsibility on the board for environmental matters.

57

Supporting statement

Environmental expertise is critical to the success of mining companies in the twenty-first century because of the significant environmental impacts mining can have. Shareholders, lenders, host country governments and regulators, as well as affected communities, are focused on the environmental impact of mining operations. A company's inability to demonstrate that its environmental performance matches internationally accepted standards can lead to difficulties in accessing capital for new projects and obtaining the necessary regulatory licenses.

The company continues to receive sharp criticism regarding its environmental policies and practices, notably over the impact of riverine tailings disposal at its Grasberg operation (see e.g., *Norway Sells $853 Million Rio Stake on Ethics Grounds*, http://www.marketwatch.com/news/story/story.aspx?guid=%7bBDE96994-B8D8-4A33-8ECD-0789B0763BED%7d&siteid=rss).

We believe that this controversy damages shareholder value and that the company must respond to its environmental challenges in an effective, strategic and transparent manner in order to restore trust in the company and minimize the adverse environmental impact of its operations.

Freeport does not currently have an independent director with environmental expertise and designated responsibility for environmental matters — yet environmental management is critical to the company's future success. We believe it would benefit the company to address the environmental impact of its business at the most strategic level in a similar manner to the way it has addressed human rights — by appointing a specialist to the board. An authoritative figure with acknowledged environmental expertise and standing who is respected in the environmental community could perform a valuable and strategic role for the company. Such leadership would enable the company more effectively to address the environmental issues inherent in its business, including the environmental and health impacts of riverine tailings disposal and the feasibility of long-term rehabilitation of the tailings deposition area at Grasberg. It would also help ensure that the highest levels of attention are devoted to environmental standards at new developments. Such a board role would strengthen the company's ability to demonstrate the seriousness with which it is addressing environmental issues.

Board of Directors' Statement in Opposition to Stockholder Proposal

Our board of directors opposes the proposal because it believes the current process for the nomination, selection and election of directors is effective. As a corporate governance matter, our board does not believe that it is in our stockholders' best interests to require a particular type of specialist on our board. As provided in more detail under "Consideration of Director Nominees," our nominating and corporate governance committee considers a variety of factors in evaluating nominees for membership on the board. We believe that our board of directors represents a diverse group of individuals with broad experience. Our board of directors believes that the sole standard suggested by the proponents is too narrow and would limit the board's ability to identify and recruit the most qualified candidates to serve on the board.

Our existing commitment to environmental sustainability is evidenced by our established policies, practices and procedures. Our board of directors appreciates the importance of environmental sustainability and recognizes the company's responsibility to minimize the environmental impact of our operations. Relevant issues are reviewed and discussed at the highest levels of our organization. In 1995, our board of directors established a public policy committee, which oversees the company's environmental programs. Our board of directors, our public policy committee and our senior management routinely review the company's environmental policies and practices, including any potential impacts that the company's operations could have on the environment. In addition, our Chief Executive Officer currently serves as Chairman of the International Council of Mining and Metals, a CEO-led organization that represents many of the world's leading mining and metals

58

---

https://www.sec.gov/Archives/edgar/data/831259/000095012311041071/h79585def14a.htm

Proposals by only individual shareholders or anonymous shareholders on social issues
-dummy variable DSP taking the value of 1
For sub dimensions:

-dummy variable DSOCP taking the value of 1

Recommendation of the Board

The Board of Directors unanimously recommends a vote "AGAINST" this proposal for the reasons discussed above. Proxies solicited by the Board of Directors will be voted "AGAINST" this proposal unless a stockholder indicates otherwise in voting the proxy.

PROPOSAL NO. 5

**STOCKHOLDER PROPOSAL ON PROHIBITING POLITICAL SPENDING
FROM CORPORATE TREASURY FUNDS**

3M has received a stockholder proposal from Clean Yield Asset Management., 16 Meadow Brook Road, Norwich, VT 05055, on behalf of David Rodgers, owner of 1,500 shares of 3M common stock (the "Proponent"). The Proponent has requested that the Company include the following proposal and supporting statement (*in italics*) in its Proxy Statement for the Annual Meeting of Stockholders. The proposal may be voted on at the Annual Meeting only if properly presented by the Proponent or the Proponent's representative.

Stockholder Proposal:

WHEREAS:

Corporate political spending is a highly contentious issue, made more prominent in light of the 2010 Citizens United Supreme Court case that affirmed companies' rights to make unlimited political expenditures to independent groups.

Corporations contributed to the estimated $6 billion spent on the 2012 electoral cycle through direct contributions to candidates and parties, ballot referenda, 527 committees and super PACs, as well as indirectly through trade associations and 501(c)4s, which do not have to reveal their donors. For example, the US Chamber of Commerce pledged to spend $100 million during the 2012 election cycle to support candidates. According to Public Citizen, only 32% of groups broadcasting electioneering communications during the 2010 primaries revealed the donor identities in their Federal Election Commission filings.

In February 2010, an ABC News/Washington Post poll found that 80% opposed Citizens United across partisan lines. More recently, between 80-90% respondents in a Bannon Communications poll agreed, across party lines, with the following statements: there is "too much money in politics"; corporate

political spending "drowns out the voices of average Americans"; corporations and corporate CEOs have "too much political power and influence"; and corporate political spending has made federal and state politics more negative and corrupt.

Political spending can backfire on reputation and bottom line. In 2010, Target and Valero received unwanted attention, consumer boycotts, and protests for their support of controversial candidates and ballot measures. Seventy nine percent of those polled by Bannon said they would boycott a company to protest its political spending; 65% would sell stock in the company, and over half would ask their employer to remove it from their retirement account.

3M and its political action committee have spent over in $1.75 million in donations to federal PACs, parties, candidates and outside spending groups since 2002 (Center for Responsive Politics). At the state level, 3M, its PAC and employees together spent over $875,000 in state races since 2002 (Institute for Money in State Politics). 3M has not clarified how much of these funds originated from the corporate treasury.

A growing number of companies have discontinued political spending either directly or through third parties (Sustainable Endowments Institute).

RESOLVED:

The shareholders request that the board of directors study the feasibility of adopting a policy prohibiting the use of treasury funds for any direct or indirect political contributions intended to influence the outcome of an election or referendum, and report to shareholders on its findings by October 2013.

SUPPORTING STATEMENT:

Recent academic work has highlighted the risks of corporate political spending to the broader economy (Igan, et al, 2009), and some studies suggests it correlates negatively with shareholder value (Coates, 2012). Given the risks, potential negative impact, and questionable value of corporate political spending, we believe it would a prudent policy would include an end to direct political giving, and to end indirect giving by instructing trade associations and other nonprofits not to use 3M's contributions, dues or fees toward political ends.

Board's Statement Opposing the Proposal

After careful consideration, and for the following reasons, the Board believes that the proposal is not in the best interests of the Company or its stockholders, and the Board recommends voting "AGAINST" this proposal.

1. **The Board believes that it is in the best interests of the stockholders and the Company for the Company to effectively participate in the legislative and regulatory process.** Elected representatives at all levels of government make laws and regulations that can and do affect the Company's business. To effectively advocate the Company's and stockholders' interests, we believe we must actively participate in the political process, including by supporting candidates whose views are aligned with the Company's business interests.

   Our public policy priorities and our political contributions are focused on the business interests of our Company and stockholders. The Company seeks to support candidates, organizations, and legislation that will advance the Company's business interests. In some instances, we may support or oppose proposed regulation to avoid being put at a competitive disadvantage. We recognize that candidates who receive contributions from the Company or its employee-funded Political Action Committee will not necessarily agree with our positions on all issues. We support candidates who, on balance, support issues and positions that management determines are in the best interests of the Company, our stockholders, and our employees.

32

320

When making any decisions to support a candidate, organization, or issue, we take into account whether our support could have the unintended effect of damaging the Company's reputation.

The proposal also requests the Board to study the "feasibility of adopting a policy" prohibiting use of trade association dues for lobbying activities. The Company participates in a number of industry and trade associations. These associations offer the Company significant benefits by providing access to business, technical, and industry standard-setting expertise and by advancing the Company's commercial interests. Some of these associations may engage in lobbying. To increase transparency, we disclose on our Web site the trade associations we joined where $25,000 or more of our dues or payments are allocated for lobbying purposes by the trade association. We also post on our Web site the Company's positions on important public policy issues to ensure that stakeholders understand our positions. This information is available on our Web site at www.3M.com under Investor Relations — Corporate Governance — "Political Activities and Issue Advocacy."

We recognize that our position on public policy issues does not always perfectly align with those of the trade associations to which we belong; trade associations address a wide range of issues and their members have divergent views and interests. For these reasons, we periodically evaluate our memberships in trade associations to ensure that, on balance, they continue to serve the long-term interests of our Company and stockholders. To study these issues further will simply result in unnecessary costs with no offsetting benefits.

2. **The Company's political contributions strictly comply with the law and Company policy.** As we participate in the electoral process, the Company is committed to following all applicable laws and our own standards of uncompromising honesty and integrity. The Company has for many years maintained (and publishes on www.3M.com/businessconduct) a Business Conduct Policy on political activities guiding 3M employees and those acting on our behalf with regard to political activities. Consistent with federal law, the Company does not make contributions to candidates for federal office or to national political party committees. Some states and localities allow companies to make contributions, and in those states we may support particular candidates or issues if management determines doing so advances the Company's and stockholders' business interests. Since 2002, 3M has contributed less than $100,000 per year to state and local candidates and party committees.

    The Company's Political Action Committee (PAC) is a nonpartisan committee established by the Company in accordance with federal law. The PAC is governed by a committee comprised of Company employees and funded solely by the voluntary personal contributions of management and supervisory employees and stockholders. The PAC makes direct contributions to the campaigns of candidates seeking federal offices, as well as to selected state and local campaigns where such contributions are allowed. The PAC's activities are overseen by senior executives in compliance with applicable laws and regulations. PAC contributions are made on a nonpartisan basis to support candidates who support business issues important to the Company and its stockholders. In 2012, PAC contributions to candidate committees totaled approximately $210,000.

3. **The Company discloses on its Web site all contributions to state and local candidates and political parties, contributions made by our employee-funded PAC, and contributions to "527" political organizations.** The Company believes that transparency with respect to the consideration, processes, and oversight of our engagement with lawmakers is important to our stockholders, and continuously makes efforts to give our stockholders useful information about our political activities. Since 2007 (updated several times since then), the Company has voluntarily published a detailed explanation of the Company's political activities which is

33

available on our Web site at www.3M.com under Investor Relations — Corporate Governance — "Political Activities and Issue Advocacy." There, the Company sets out in detail its positions on important public policy issues, the factors we consider when making political contributions, and the processes we use for legal, financial, executive, and board oversight of our political activities and contributions. We also provide links to the reports the 3M PAC files monthly with the Federal Election Commission and the Company's quarterly Lobbying Disclosure reports, as well as a detailed list of our contributions to state candidates and political parties, and contributions to "527" political organizations. The Company believes that these disclosures on our Web site, which exceed the disclosures required by law, offer transparency respecting the Company's political activities.

Recommendation of the Board

The Board of Directors unanimously recommends a vote "AGAINST" this proposal for the reasons discussed above. Proxies solicited by the Board of Directors will be voted "AGAINST" this proposal unless a stockholder indicates otherwise in voting the proxy.

34

https://www.sec.gov/Archives/edgar/data/66740/000104746913003491/a2213428zdef14a.htm#Proposal_4

Proposals by institutional and coordinated shareholders on social issues
-dummy variable DSPIN taking the value of 1
-dummy variable DSPCF taking the value of 1
 For sub dimensions:

 -dummy variable DSOCP taking the value of 1
-dummy variable DSOCPIN taking the value of 1
-dummy variable DSOCPCF taking the value of 1

PROPOSAL 8: REPORT ON ASSESSMENT OF HOST COUNTRY LAWS

The Office of the Comptroller of the City of New York, 1 Centre Street, New York, New York 10007-2341 as the custodian and trustee for the New York City Employees' Retirement System, the New York City Fire Department Pension Fund, the New York City Police Pension Fund, and the New York City Board of Education Retirement System (the "Funds"), the owners of 960,139 shares, 159,636 shares, 428,365 shares and 47,731 shares, respectively, of common stock, has notified Occidental that it intends to present the following proposal at the 2010 Annual Meeting:

WHEREAS, between 1971 and 2000 Occidental Petroleum conducted oil exploration operations in the Corrientes River region of the Peruvian Amazon, and

WHEREAS, during those years, the company:
-   Dumped an estimated nine billion barrels of toxic wastewater in local rivers and streams (The Independent(UK), 5/4/07 "Oil Company Accused of Dumping Waste in Amazon")
-   Stored wastes in unlined earthen pits, and
    (Powers, Bill. *Occidental's Pollution Prevention Practices in Block 1AB Violated Industry Standards From Inception of Operations in 1975*. E-Tech International, 2006. p. 2)

WHEREAS, these toxic wastes contained heavy metals, including arsenic and lead, as well as petroleum hydrocarbons, which caused significant damage to the health of the indigenous Achuar people (Peruvian Ministry of Environmental Health study, *DIGESA Informe Nº 995-2006/DEPA-APRHI/DIGESA*, May 2006.)
-   Elevated lead levels have been found in nearly half of Achuar children tested.
    (*A Legacy of Harm*. April 2007.
    http://www.amazonwatch.org/amazon/PE/blocklab/a_legacy_of_harm.pdf, p.31)
-   Tests conducted by the Peruvian health ministry in 2005 found dangerous levels of cadmium in almost all indigenous people tested, and
(http://www.minsa.gob.pe/portalMinsa/destacados/archivos/242/RIO%20CORRIENTES.pdf)

WHEREAS, it has been reported that these toxic wastes have also seriously damaged the regions ecosystem, threatening the Achuar people whose livelihoods depend on hunting, fishing, and subsistence agriculture, and
(*Los Angeles Times* 3/29/08. "Oil and power in Latin America.")

WHEREAS, a 2009 study by U.S. consulting firm E-Tech International found ongoing soil contamination including metals and chloride at sites formerly operated by Occidental Petroleum, and
(E-Tech International, *Evaluation of the Success of Remediation Efforts at Petroleum-impacted Sites in the Corrientes Region of Northern Peru*, March 2009)

WHEREAS, in 1984, the Peruvian government classified the area in which Occidental Petroleum operated as "one of the critical environmental zones most damaged in the country," and
(ONERN: *Inventario y evaluación de recursos naturales de la microregión Pastaza-Tigre (departamento de Loreto*. Lima, 1984.)

WHEREAS, organizations representing the indigenous population of the Corrientes region have accused Occidental Petroleum of violations of the Peruvian General Health Law (Law 26842) and the Peruvian General Water Law (Decree 17752), which prohibit the dumping of waste that has the potential to contaminate water and/or endanger human health, and
(*A Legacy of Harm*.
http://www.amazonwatch.org/amazon/PE/blocklab/a_legacy_of_harm.pdf , p. 41)

WHEREAS, Occidental has been accused in a pending civil action brought by the Achuar plaintiffs in 2007 of causing harm to the Achuar people by its environmental practices in Peru, and
(Tomas Maynas Carijano et al v. Occidental Petroleum Corporation et al, California Central District Court)

THEREFORE, be it resolved that shareholders request the Board of Directors to conduct a review of the company's policies and procedures that guide Occidental's assessment of host country laws and regulations in the company's overseas operations, with respect to their adequacy to protect the environment and the health and human rights of indigenous populations. Furthermore, be it resolved that a report on the results of this review shall be made available to shareholders by November, 2010. This report is to be prepared at reasonable expense and contain no proprietary or confidential information.

321

https://www.sec.gov/Archives/edgar/data/797468/000079746810000026/def14a-2010.htm

Proposals by only institutional shareholders requesting social reporting/disclosure

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions:

- dummy variable DSOCP taking the value of 1

-dummy variable DSOCPIN taking the value of 1

-dummy variable DDSOC taking the value of 1

https://www.sec.gov/Archives/edgar/data/1042046/000095015206003116/l19591adef14a.htm#110

The Company's resources currently allocated to political activities are negligible in comparison to the scope and extent of the Company's business. Nevertheless, in the Board's view, implementation of this proposal would involve additional time and expense to the Company with little, if any, corresponding benefit for shareholders. Significant information about the political contributions by the Company is already publicly available as required by applicable state and federal laws. Accordingly, the Board believes there is no need for the Company to use its financial and other resources to provide duplicative and unnecessary information.

For the foregoing reasons, the Board of Directors believes that this proposal is unnecessary and the Board believes that the proposal is not in the best interests of the Company and its shareholders.

The Board of Directors recommends a vote AGAINST this proposal.

- 6 -

Proposals by only coordinated shareholders (whether it is an individual or institutional shareholder activism is unknown.) requesting social reporting/disclosure

-dummy variable DSP taking the value of 1

-dummy variable DSPCF taking the value of 1

For sub dimensions

- dummy variable DSOCP taking the value of 1

-dummy variable DSOCPCF taking the value of 1

-dummy variable DDSOC taking the value of 1

PROPOSAL 4
STOCKHOLDER PROPOSAL

Nine stockholders, who are the beneficial owners of a total of 1,190 shares of ATK common stock, have each submitted the following proposal as joint proponents for consideration by the stockholders at the Annual Meeting. The names and addresses of the proponents and the number of shares of common stock claimed to be owned by each of them are set forth in Appendix B to this proxy statement.

TEXT OF PROPOSAL
REPORT ON DEPLETED URANIUM WEAPONS AND COMPONENTS

Whereas:

· Depleted uranium (DU) is a waste product of the uranium enrichment process.

· The extreme density of DU munitions makes them particularly effective in penetrating tank armor or reinforced bunkers.

· Alliant Techsystems (ATK) manufactures DU munitions, notably 120 mm rounds for use against tanks and light armor vehicles (M829A3 and M829A1).

58

· The depleted uranium used in such weapons is pyrophoric, i.e., when a DU shell hits its target, it burns and loses a significant portion of its mass, dispersing a fine dust that can be carried long distances by winds or absorbed into the soil and groundwater.

· The production, transport and storage of DU and its applications in weapons manufacturing may have adverse affects on the health and safety of workers, community residents, and military personnel. It may also have similar impacts on civilian populations where such weapons have been used, e.g. Iraq.

· In its 2001 Base Closings Report, the Department of Defense conceded that DU weapons and components tested at military bases in 36 U.S. states had caused some contamination.

· There is growing concern about the DU-related health and safety hazards. A report of the International Atomic Energy Agency, for example, has noted that, "In sufficient amounts, if DU is ingested or inhaled it can be harmful because of its chemical toxicity. High concentration could cause kidney damage."

· The United Nations has adopted resolutions that have included DU weapons among "weapons of mass and indiscriminate destruction" that are "incompatible with international humanitarian or human rights law."

Resolved—The shareholders request that the Board of Directors make available to all shareholders within six months of the next Annual Meeting a written report on the involvement of Alliant Techsystems in the development and production of depleted uranium weapons, excluding confidential and proprietary information.

Statement of Support

We believe that corporations have a duty to minimize or eliminate operations that may adversely affect the environment or public health. We also believe that companies engaged in the development and production of depleted uranium weapons, components or associated delivery systems have an ethical responsibility to explain to shareholders and other stakeholders company policies and decision-making processes involved in that production, especially as other nations are replacing DU with tungsten or other comparably effective but less toxic materials.

We suggest the report be posted on our Company's website and that the report could include:

· A brief history of ATK's involvement in the production of DU weapons components.

· Human, workplace and environmental safety precautions, e.g. safeguards in place for transportation and storage of DU, its impact on land and water, waste disposal and monitoring, etc., and at domestic or international facilities involved in the production, storage or transport of DU weapons, components or waste products.

· Financial arrangements, e.g., agreements with state and local governments regarding storage.

· Policies and procedures for cooperating fully with persons, organizations and government agencies planning and carrying out health/safety assessment studies.

BOARD OF DIRECTORS STATEMENT
IN OPPOSITION TO THE STOCKHOLDER PROPOSAL

ATK's Annual Report on Form 10-K and its periodic Reports on Form 10-Q provide extensive information concerning ATK's military and defense-related products and services. ATK, in its national security support role for the U.S. Government, has a limited number of assembly, testing and servicing activities that include products containing components of depleted uranium.

59

ATK, in fulfilling its contracts with the U.S. Government, handles these materials in compliance with strict regulations, licenses, permits and safe work practices, with particular regard for worker exposure, environmental impact, security and transportation safety. ATK intends to continue to perform work in support of the national security interests of the United States while assuring that ATK follows appropriate measures to protect the environment and the safety of its workers and the communities in which it operates.

The Board of Directors does not believe that a special report to stockholders regarding ATK's involvement in the development and production of weapons containing depleted uranium would be beneficial.

Our Board of Directors recommends a vote AGAINST the above stockholder proposal.

Proposals by coordinated and institutional shareholders requesting social reporting/disclosure

-dummy variable DSP taking the value of 1

-dummy variable DSPCF taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions

- dummy variable DSOCP taking the value of 1

-dummy variable DSOCPIN taking the value of 1

-dummy variable DDSOC taking the value of 1

Shareholder Proposal on Lobbying Disclosure (Item 5 on Proxy Card)

The AFSCME Employees Pension Plan, 1625 L Street, NW, Washington, DC 20036, and two other proponents have informed Abbott that they intend to present the following proposal at the meeting. Abbott will provide the proponents' names and addresses to any shareholder who requests that information and, if provided by a proponent to Abbott, the number of Abbott common shares held by that proponent.

Whereas, corporate lobbying exposes our company to risks that could impact the company's stated goals objectives and ultimately shareholder value, and

Whereas, we rely on the information provided by our company to evaluate goals and objectives, and we, therefore, have a strong interest in full disclosure of our company's lobbying to assess whether our company's lobbying is consistent with its expressed goals and in the best interests of shareholders and long-term value.

Resolved, the shareholders of Abbott Laboratories ("Abbott") request the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing the lobbying of legislators and regulators, including that done on our company's behalf by trade associations. The disclosure should include both direct and indirect lobbying and grassroots lobbying communications.

2. A listing of payments (both direct and indirect, including payments to trade associations) used for direct lobbying as well as grassroots lobbying communications, including the amount of the payment and the recipient.

3. Membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4. Description of the decision making process and oversight by the management and Board for

4. Description of the decision making process and oversight by the management and Board for

    a. direct and indirect lobbying contribution or expenditure; and

    b. payment for grassroots lobbying expenditure.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation, (b) reflects a view on the legislation and (c) encourages the recipient of the communication to take action with respect to the legislation.

Both "direct and indirect lobbying" and "grassroots lobbying communication" include efforts at the local state and federal levels.

The report shall be presented to the Audit Committee of the Board or other relevant oversight committees of the Board and posted on the company's website.

Proponent's Statement in Support of Shareholder Proposal

As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We believe such disclosure is in shareholders' best interests. Absent a system of accountability, company assets could be used for policy objectives contrary to Abbott's long-term interests. For example, Abbott is a member of the US Chamber of Commerce, which has challenged measures to regulate climate change. However, Abbott considers limiting CO_2 emissions an important corporate goal (http://www.abbott.com/citizenship/key-metrics/environmental.htm). Contradictions like this pose reputational risks for the company.

Abbott spent approximately $9.55 million in 2009 and 2010 on direct federal lobbying activities, according to disclosure reports. (*U.S. Senate Office of Public Records*). In 2010, Abbott also spent at least $395,872 in nine states that require lobbying expenditure disclosure (according to state disclosure reports). These figures may not include grassroots lobbying to influence legislation by mobilizing public support or opposition. Also, not all states require disclosure of lobbying expenditures to influence legislation or regulation.

We encourage our Board to require comprehensive disclosure related to direct, indirect and grassroots lobbying.

Board of Directors' Statement in Opposition to the Shareholder Proposal on Lobbying Disclosure (Item 5 on Proxy Card)

https://www.sec.gov/Archives/edgar/data/1800/000104746912002768/a2207512zdef14a.htm

Proposals by individual shareholders on environmental issues

-dummy variable DSP taking the value of 1

For sub dimensions

-dummy variable DDENV taking the value of 1

PROPOSAL NO. 4
Shareholder Proposal to Amend Corporate Bylaws
Establishing a Board Committee on Sustainability

The Company has been advised that Mr. John C. Harrington, 1001 2 nd Street, Suite 325, Napa, California 94559, a beneficial owner of approximately 200 shares of the Company's common stock, intends to submit the following proposal at the Annual Meeting:

RESOLVED, Amend Article IV of the bylaws to add a new section as follows:

4.2 Board Committee on Sustainability:

A) There is established a Board Committee on Sustainability. The committee is authorized to address corporate policies, above and beyond matters of legal compliance, in order to ensure our corporation's sustained viability. The committee shall strive to enhance shareholder value by responding to changing conditions and knowledge of the natural environment, including but not limited to, natural resource limitations, energy use, waste disposal, and climate change.

B) The Board of Directors is authorized in its discretion, consistent with these Bylaws and applicable law to: (1) select the members of the Board Committee on Sustainability, (2) provide said committee with funds for operating expenses, (3) adopt regulations or guidelines to govern said Committee's operations, (4) empower said Committee to solicit public input and to issue periodic reports to shareholders and the public, at reasonable expense and excluding confidential information, on the Committee's activities, findings and recommendations, and (5) adopt any other measures within the Board's discretion consistent with these Bylaws and applicable law.

C) Nothing herein shall restrict the power of the Board of Directors to manage the business and affairs of the company. The Board Committee on Sustainability shall not incur any costs to the company except as authorized by the Board of Directors.

SUPPORTING STATEMENT

The committee would be authorized to initiate, review, and make policy recommendations regarding the company's preparation to adapt to changes in marketplace and environmental conditions that may affect the sustainability of our business. Issues related to sustainability might include, but are not limited to: global climate change, political instability, emerging concerns regarding toxicity of materials, resource shortages, and biodiversity loss.

Adoption of this resolution would help establish our company's position as an industry leader in this area of increasing concern to investors and policy makers.

The Company's Statement in Opposition to Proposal No. 4

The Board of Directors recommends a vote AGAINST Proposal No. 4.

The Board appreciates the importance of environmental sustainability and recognizes the Company's responsibility to minimize the environmental impact of the Company's operations and products. However, the Board does not believe a dedicated board committee is an effective way for the Company's practices and goals to continually evolve and improve in response to changing conditions. Instead, the establishment and operation of an additional and redundant committee would distract the Board from its other responsibilities to the Company and its shareholders while adding little value to the Company's existing commitment to environmental sustainability, as evidenced by the Company's established policies, practices and procedures described below.

The Board already authorizes and directs Company management to make environmental considerations an integral part of the Company's business practices. Four areas of particular attention are product and packaging design, responsible manufacturing, energy efficiency and recycling. The Company's commitment to protecting the environment, health and safety of the Company's employees, customers and the global communities where the Company operates is expressed not only in the Company's code of ethics (available at www.apple.com/investor) but also in the Company's Environmental Health and Safety Policy Statement and the Supplier Code of Conduct, both of which are available at the Company's environment website at www.apple.com/environment/.

Every year, the Company has set and met important goals to phase out environmentally relevant substances, create recycling programs worldwide and improve energy efficiency. The following examples represent some of the important milestones achieved by the Company in its quest for environmental responsibility:

- The Company's products are compliant with the European Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, also known as the RoHS directive. Examples of materials restricted by RoHS include lead, mercury, cadmium, hexavalent chromium, and PBB and PBDE flame retardants. As a result of the Company's proactive approach to hazardous substances, the Company met many of the RoHS restrictions long before the July 2006 deadline.

- In 2007, the Company's global electronic recycling weight increased 110% over the previous year, or the equivalent of 9.5%, by weight, of its sales made seven years ago. The Company has committed to a 10% annual growth rate for its worldwide recycling weight. At this growth rate, by 2010 the Company will be recycling over 30%, by weight, of sales made seven years prior. The Company carefully selects its recycling vendors worldwide and annually audits their environmental performance to ensure that they comply with all applicable laws. Additionally, the Company's directly contracted recyclers are required to identify all down-stream processes for commodities to help ensure that all recycling is done in a way that is protective of the environment.

- The Company was the first computer manufacturer to entirely replace CRT displays with LCDs. Since 2001, the Company's stand-alone displays have consisted only of material-efficient LCDs.

- Between the first generation and current generation of the iMac, sleep-mode energy usage has decreased 92% thanks to improvements in CPU power management and increased hardware efficiency.

- The Company's manufacturing site is certified to the ISO 14001 standard, which helps companies manage environmental impacts in an integrated, systematic way.

- The current generation iPod nano packaging is 36% lighter and uses 52% less volume than the first generation iPod nano.

Additional milestones demonstrating the Company's thirty-year track record of delivering environmental excellence at all phases of the product life cycle can be seen at http://www.apple.com/environment/.

In addition to the Company's Product Environmental Specifications and Materials Safety Data Sheets, which educate customers about specific environmental issues as they relate to the Company's products and provide important information about the substances contained in certain Company products, the Company has

---

enhanced the communication of its environmental measures to the Company's stakeholders. In a letter, entitled "A Greener Apple" (available at www.apple.com/hotnews/agreenerapple/), Steve Jobs describes an industry leading program for the removal of toxic chemicals from the Company's new products and the recycling of the Company's old products. For example, the Company plans to eliminate the use of polyvinyl chloride (PVC), brominated flame retardants (BFRs), and arsenic in the displays of its products by the end of 2008. The Company intends to provide such updates of the Company's efforts and accomplishments at least annually.

The existing governance framework has produced a strong commitment to environmental issues and progress that is evident in the Company's practices and policies. The Board believes that Company management continues to be in the best position to assess and evaluate the operation of the Company's businesses with respect to environmental sustainability issues. Management consults with the Board when necessary to keep the Board informed of environmental developments to enable the Board to exercise its oversight responsibilities and to receive direction. The Board does not believe a board committee on environmental sustainability is in the best interests of the Company's shareholders when a need for the additional time and expense required for the establishment and operation of such a board has not been demonstrated. Accordingly, the Board recommends a vote against the resolution.

Vote Required

The affirmative vote of (i) a majority of the voting power present or represented by proxy and voting at the Annual Meeting and (ii) a majority of the voting power required to constitute the quorum are required to approve this Proposal.

Recommendation of the Board of Directors

The Board recommends a vote AGAINST the Shareholder Proposal to Amend Corporate Bylaws Establishing a Board Committee on Sustainability.

https://www.sec.gov/Archives/edgar/data/320193/000119312508010038/ddef14a.htm

Proposals by anonymous shareholders (same coding with individual shareholders) on environmental issues

-dummy variable DSP taking the value of 1

For sub dimensions

-dummy variable DDENV taking the value of 1

Item (4): Shareholder Proposal Requesting an Evaluation of a 20-Year Extension of the Callaway Nuclear Plant Operating License

Proponents of the shareholder proposal described below notified the Company of their intention to attend the Annual Meeting to present the proposal for consideration and action. The names and addresses of the proponents and the number of shares they hold will be furnished by the Secretary of the Company upon receipt of any telephonic or written request for such information.

WHEREAS:

The Nuclear Regulatory Commission (NRC) issues 40-year operating licenses for commercial nuclear power plants, and allows these licenses to be renewed for an additional 20 years.

A nuclear power plant licensee seeking to renew its original license must submit an application to the NRC that:

- Identifies any reactor system, structure and component that could be affected by the adverse consequences of additional aging during the proposed 20-year extended period of operation;
- Analyzes the environmental, health and safety effects of extended reactor operation.

Some licensees have already received 20-year extensions of their original 40-year licenses. A licensee is allowed to apply to renew its license within the 20 years prior to the license expiration. Because Ameren's Callaway Plant in Missouri began operating in December 1984, its operating license is due to expire in 2024. Ameren is therefore allowed to apply to renew its license within the current twenty years.

RESOLVED:

Shareholders request that Ameren prepare a report, at reasonable cost, omitting confidential information, and available within six months of the 2006 annual meeting, that discloses the company's evaluation (pros and cons) of applying for a twenty-year extension of Callaway's current 40-year operating license.

Table of Contents

SUPPORTING STATEMENT

We believe there are concerns about extending the operating life of the Callaway nuclear power plant beyond the 40-year duration for which the plant was originally designed, including:

– A 2005 National Academy of Sciences report presents new information that even low doses of ionizing radiation may cause adverse genetic and other health effects. ("Health Risks from Exposure to Low Levels of Ionizing Radiation," BEIR VII – Phase 2);

– Due to the retirement of experienced employees and the industry-wide shortage of trained replacement employees, working conditions at nuclear power plants may become increasingly dangerous. Recruitment may continue to be difficult because of more widespread recognition of radiation hazards;

– Geologic, economic, transportation and security concerns about the proposed Yucca Mountain, Nevada, high-level radioactive waste disposal facility have made the ultimate disposal of Callaway's irradiated fuel rods uncertain. Political and capacity concerns at the Barnwell, South Carolina, low-level radioactive waste facility also make the disposition of Callaway's low-level waste uncertain;

– Planned and accidental releases of radioactive waste from Callaway to the Missouri River and the atmosphere during an additional 20 years may impact upon the health of downstream and downwind residents;

– In addition to the costs of operating and maintaining nuclear power plants, utilities are faced with the expense of replacing many components and retrofitting others as the plants age. For example, after only 20 years, Ameren had to replace massive, expensive steam generators that were supposed to have lasted for the plant's entire 40-year licensed operation. Such expenditures could add substantially to the cost of generating electricity.

Ameren remains morally responsible and financially liable for Callaway into the indefinite future. We believe this report is essential for Ameren's realistic and responsible, economic and ethical planning and for its accountability to its shareholders.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST ITEM (4).

The Board is of the opinion that the concerns about extending the operating license for the Callaway Plant are premature, unnecessary and would increase expenses without commensurate increase in relevant information.

- At this time, Ameren has not decided whether it will pursue renewal of the operating license for the Callaway Plant. The U.S. Nuclear Regulatory Commission ("NRC") rules consider a license renewal application to be timely if submitted five years before the expiration of the plant license. Because the operating license for the Callaway Plant does not expire until 2024, an application in 2019 would be considered timely. Therefore, any evaluation at this juncture would simply be premature. At this time, Ameren is monitoring the developments in the nuclear industry in license renewal and will benefit from the evaluations and assessments performed by other utilities and the NRC.
- The NRC has prepared a comprehensive Generic Environmental Impact Statement ("GEIS") evaluating the impact of environmental effects that would be associated with license renewal at any nuclear power plant site. The GEIS evaluates whether extended operation of a nuclear power plant would have any impact on human health, and bases this evaluation on a linear no-threshold model that assumes risk at any level of exposure to radiation, consistent with the

Table of Contents

recommendations of the 2005 National Academy of Sciences Report. The GEIS also evaluates the disposal of high and low level radioactive waste, the release of plant effluents, and accident risk. Consequently, a generic evaluation of the proponent's concerns already exists.

- Numerous older plants have already applied for license renewal. The operators of those plants have not identified the need for any major plant refurbishment. Rather, aging of important systems, structures and components is addressed by ongoing maintenance and surveillance programs, and routine replacements of certain components over the life of the plant.
- If Ameren were to apply for renewal of the operating license of the Callaway Plant, it would be required under the NRC's rules to prepare an Integrated Plant Assessment demonstrating that the effects of aging will be adequately managed. Ameren would also be required to prepare a site-specific supplement to the GEIS which would include an evaluation of the potential impact on the environment if the Callaway Plant operates for another 20 years. The NRC would provide public notice of the application and provide an opportunity for hearing upon the request of any person whose interest might be affected. Therefore, if Ameren were to decide to pursue renewal of the Callaway Plant operating license in the future, the appropriateness of a renewal would be addressed in full and open regulatory proceedings.

Ameren's Health and Safety Policy and Environmental Policy evidence the Company's commitment to protecting its employees, the public and the environment. Ameren fulfills its commitment to safety and environmental compliance by maintaining a corporate culture that recognizes safety and environmental compliance and stewardship as measurable goals. Operating the Callaway Plant in a safe and environmentally sound manner is an important part of these policies. The Board of Directors established the Nuclear Oversight Committee to assist the Board in providing oversight of the Callaway Plant's operations (including safety and environmental concerns) and advise the Board in developing and implementing long-term strategies and plans relating to the Callaway Plant. Ameren's Safety and Health Policy and Environmental Policy, together with Board oversight and regulation by the NRC, will appropriately and adequately address the potential issues raised by this proposal. Accordingly, the Board of Directors unanimously recommends voting AGAINST ITEM 4.

Passage of the proposal requires the affirmative vote of a majority of the shares entitled to vote on the proposal and represented in person or by proxy at the meeting at which a quorum is present.

https://www.sec.gov/Archives/edgar/data/1002910/000119312506054900/ddef14a.htm#tx34958_16

Proposals handed in by only institutional shareholders on environmental issues

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

The following shareholder proposal will be voted on at the 2011 Annual Meeting only if properly presented by or on behalf of the shareholder proponent. The shareholder proposal may contain assertions that we believe are or may be incorrect. We have not attempted to refute all of the inaccuracies. The CMS Board has recommended a vote against this proposal for the reasons set forth following the proposal. Share holdings of the shareholder proponent will be supplied upon oral or written request.

Shareholder Proposal — FINANCIAL RISKS OF RELIANCE ON COAL

As You Sow Foundation, 311 California Street, Suite 510, San Francisco, CA 94104, authorized by the L. Hamada and W. Hamada TTEE Williams M. Hamada Revocable Trust, has notified us that their representatives intend to present the following proposal at this year's annual meeting:

RESOLVED: Shareowners request that CMS's Board of Directors, at reasonable cost and omitting proprietary information, issue a report by November 2011 on the financial risks of continued reliance on coal contrasted with increased investments in efficiency and cleaner energy, including assessment of the cumulative costs of environmental compliance for coal plants compared to alternative generating sources.

Supporting Statement

Coal-dependent electric utilities face numerous challenges and uncertainty regarding environmental compliance costs, coal price-volatility, and the cost of carbon capture and storage for coal plants. This unprecedented combination of forces has led companies such as Progress, Duke and Excel to announce coal plant retirements.

In May 2010, CMS announced plans to halt building an 830 MW coal plant near Bay City, Michigan. However, CMS remains heavily dependent on coal: 96% of CMS's generated electricity is from coal.

41

Coal combustion for electricity is a major contributor to air pollution and 98% of CMS's SO_2, 95% of its NO_x, and 95% of its CO_2 emissions are from its coal-burning activities.

EPA is developing a regulatory program for CO_2 and other greenhouse gas emissions. However, the lack of national climate policy to reduce CO_2 emissions further adds to the uncertain economics for coal plants. Commercial deployment of carbon capture and storage technology is 10 to 15 years away and "would increase electricity costs by about 30 to 80 percent," the U.S. Government Accountability Office reports.

EPA is moving, in some cases pursuant to court order, to tighten regulation of the air, water, and waste impact of coal plants. EPA must issue new rules by 2014 governing wastewater from power plants, which are responsible for "a significant amount" of toxic pollutants such as mercury and arsenic discharged to surface waters. EPA's pending regulations on storage and disposal of coal combustion wastes will likely increase operating costs for coal plants.

Industry analysts (Bernstein Research, Jeffries & Company, Standard & Poor's, Wood Mackenzie) have concluded that the cost of additional environmental control equipment for NO_x, particulates, and mercury may make it uneconomic to retrofit some older coal plants.

Declining coal reserves in central Appalachia, unprecedented coal price increases and volatility, versus abundant supplies and record low prices for cleaner burning natural gas, and declining costs for wind and solar energy make continued reliance on coal increasingly problematic.

YOUR BOARD RECOMMENDS A VOTE AGAINST THE SHAREHOLDER PROPOSAL

Board of Directors Statement in Opposition to the Shareholder Proposal

The CMS Board believes that this proposal is not in the best interest of CMS or its shareholders and opposes it for the following reasons:

This proposal seeks a report on the financial risks of continued reliance on coal contrasted with increased investments in efficiency and cleaner energy, including assessment of the cumulative costs of environmental compliance for coal plants compared to alternative generating sources. A report on this topic is unnecessary as the information is already available on the CMS Corporate Social Responsibility website (www.consumersenergy.com/responsibility). The Corporate Social Responsibility website contains our Balanced Energy Initiative — Electric Generation Alternatives Analysis ("BEI") which was filed with the Michigan Department of Environmental Quality and the Michigan Public Service Commission along with other information relevant to this shareholder proposal.

The BEI is an assessment of future generation capacity needs and sources which takes into account the costs of current and future projected environmental policies and customer costs. We believe it is in our customer's and shareholder's best interests to provide electricity from a diverse portfolio of coal, natural gas, nuclear, hydro and renewable energy, as well as to reduce electric usage though energy efficiency and demand management programs.

As of today, about 5% of the power we supply to customers comes from Michigan-based renewable sources including hydro, wind, biomass, landfill gas and anaerobic digestion. By the end of 2012, about 8% of our power supply will come from such sources, growing to 10% in 2015. Most of this renewable investment is in wind power and over the next six years will represent a capital investment of more than $900 million in renewable energy growth.

The BEI takes into account alternative scenarios incorporating sensitivities around electric load fuel prices and carbon dioxide allowance price forecasts, power purchases from the market, as well as many other variables. These sensitivity analyses are based on detailed computer modeling techniques and risk analysis, and will ensure our future generation mix provides the lowest risk-adjusted cost portfolio for our customers, taking into account environmental considerations.

We have minimized the risks related to coal purchases by migrating to predominately low-sulfur Powder River Basin (Western) coal for approximately 85 percent of our total coal requirements. As illustrated in Figure #7 of the BEI, Western coal has the lowest price and least price volatility compared to natural gas and central Appalachian (Eastern) coal. Table #3 of the BEI illustrates the economic advantages of Western coal and the BEI also references the lower sulfur content of Western coal compared to Eastern coal. Therefore, the concerns raised by the Shareholder proponent as set forth in the proposal related to reliance on central Appalachian coal are not an issue for us.

Further evidence of Consumers Energy's balanced approach to generation capacity was set forth in the Form 10-K, filed with the Securities and Exchange Commission (SEC) in February 2011. The Form 10-K contained a chart illustrating that Consumers Energy's 2010 generation capacity of 8,601 megawatts (including capacity of 2,449

megawatts purchased under power purchase agreements) came from the following sources: coal 39%, gas 33%, pumped storage 10%, nuclear 8%, oil 7%, and renewable sources 3% (hydroelectric, landfill gas, biomass and wind).

The BEI also contains a 40-year cost summary of numerous lower-emitting technologies including coal, natural gas, wind, biomass, solar photovoltaic, nuclear and energy efficiency. That analysis demonstrates that coal is among the lowest 40-year cost technologies even with controls added for carbon dioxide emissions.

Our balanced approach, without a dominant reliance on any one capacity source, fuel or technological solution, represents an effective risk management strategy. It mitigates the significant uncertainties associated with future fuel prices, emission control regulations and costs, and the achievable levels of demand-side initiatives through prudent resource diversification.

Since the filing of the BEI in 2009, a decision was made to defer construction of the new clean coal plant. As the information contained on the Corporate Social Responsibility website demonstrates, even with the deferral of the plant, we continue to maintain a balanced and flexible approach to supply resources and the principles contained in the BEI.

The information already contained on the Corporate Social Responsibility website, including the BEI, as well as information contained in SEC filings reflects our view that a clean environment, sustainable energy policy and a solid economy are tightly linked, and that balancing these priorities is crucial. This strategy is designed to provide customers with reliable and competitively priced electricity in an environmentally responsible manner, while considering the risks from volatile fuel and energy market prices, future environmental regulations and technological developments. The BEI represents our comprehensive plan for meeting customer energy needs over the next two decades in a balanced way by taking advantage of a diversified resource portfolio approach.

For the aforementioned reasons, we oppose the proposal to produce a separate report on the financial risks of reliance on coal as being unnecessary.

Proposals by only coordinated shareholders (without knowing types of shareholders such as institutions and individuals) on environmental issues

-dummy variable DSP taking the value of 1

-dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPCF taking the value of 1

SHAREHOLDER PROPOSAL
(ITEM No. 6)

We have been notified by two shareholders, the name and shareholdings of which will be furnished promptly to any shareholder upon written or oral request to Kroger's Secretary at Kroger's executive offices, that it intends to propose the following resolution at the annual meeting:

"WHEREAS, post-consumer packaging and printed paper comprises nearly half of U.S. landfill waste and is a significant consumer of natural resources, energy and source of greenhouse gas emissions. Half of printed paper and packaging is landfilled or burned rather than recycled. Plastic packaging debris migrates to oceans where it damages fisheries, tourism and marine life. There is a growing link between ineffective waste management and plastic debris piling up in Earth's oceans and waterways, where it ·injures and kills marine animals, transports invasive species and poses a threat to human health. California spends nearly $500 million annually to prevent trash, much of it packaging, from polluting beaches, rivers and ocean frontage.

The estimated market value of wasted packaging that could be recycled is $11.4 billion. Increased recycling provides more efficient use of valuable resources. It generates less pollution, and requires less energy than using virgin raw materials. In the U.S., taxpayers pay to recycle packaging, but poor infrastructure and strapped municipal budgets have yielded lagging recycling rates: 38% for aluminum; 34% for glass, and only 12% for plastic. Further, Kroger's house brands, among other products, are recently *increasing* use of non-recyclable flexible plastic packaging, such as pouches.

More than 40 countries have shifted some or all costs of packaging recycling onto producers. U.S. producers of packaging-intensive brands can expect to be asked to take more responsibility for recycling of packaging in the future. We believe some measure of responsibility for packaging is a key component of a corporate environmental sustainability policy.

Extended Producer Responsibility (EPR), a corporate and public policy that shifts accountability for financing recycling of materials from taxpayers to producers, is a promising potential solution. Two major brands, Coca-Cola Co. and Nestle Waters NA, have called for producers to adopt EPR programs in the U.S. Legislation is pending in several states. Taking an active role in planning for mandated producer responsibility for packaging will reduce risk, ensure continued high quality packaging, reduce wasted resources, and increase program efficiencies. The company has not moved decisively to lead or participate in such an effort nor addressed its responsibility for post-consumer packaging for its brands.

BE IT RESOLVED THAT shareowners of Kroger request that the board of directors issue a report, at reasonable cost and omitting confidential information, developing a policy position on the company's responsibility for post-consumer product packaging recycling of its private label brands, and assessing whether alternative approaches could lead to substantially increased packaging recycling.

Supporting Statement: Options reviewed in the report should include analyses of company-based actions that will increase recyclability of packaging materials, and participation in policy and technical development of EPR or other producer responsibility strategies in collaboration with sector peers, policymakers and suppliers with a goal of greatly increased U.S. recycling rates and reduced energy use and pollution."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

Kroger shares the proponent's concerns regarding waste reduction and recognizes the important role it plays as a good steward of the environment. We have numerous sustainability initiatives in place to preserve our natural resources and to conserve energy. For instance, the company recycled more than 35 million pounds of plastic waste, from bags and plastic film, in 2013. The company also recycles more than a billion pounds of cardboard each year. Most importantly, we've pioneered the Perishable Donations Partnership, which enables the donation of more than 49 million pounds of safe, wholesome food to Feeding America food banks to fight hunger in local communities. That which cannot be donated is composted or converted to energy through an innovative waste to energy system. By scaling up these innovative solutions, Kroger is reducing the amount of waste being sent to landfills. Kroger also works to reduce waste in the first place by designing optimized packaging, and is participating in national efforts to expand and scale infrastructure. For each of the past several years we have published on-line *The Kroger Co. Public Responsibilities Report* and our annual *Sustainability Report* that highlight the company's sustainability initiatives and waste reduction efforts in greater detail.

This proposal requests that Kroger take additional steps to report on the feasibility of adopting a policy of "Extended Producer Responsibility," or EPR. The resolution provides no guidance regarding proponent's view of the requirements of a company-adopted EPR policy.

Kroger supports efforts to reduce waste in the supply chain, as described above and in our various sustainability reports. It would be inappropriate, however, to support a policy that is not clearly defined. We believe our support for waste reduction efforts in our supply chain are significant and meaningful.

Kroger is familiar with various EPR proposals in states and laws in other countries that require retailers and manufacturers to pay substantial taxes and fees related to waste disposal. The proposals vary in detail and implementation, and while we do assess new laws and regulations for their feasibility, cost and requirements, to do so for each individual EPR proposal at the federal, state, and international level would require significant resources that could be allocated more wisely in the best interests of shareholders.

Kroger often is asked to take a position on legislation or regulatory proposals. While occasionally we will communicate to federal, state and local officials our positions on specific policy issues, we believe it is premature to offer an official position statement on EPR legislative and regulatory proposals without first carefully examining the specifics of each individual law or regulation and how it would affect our customers and our business.

This proposal covers the same subject matter as one submitted to a vote at the last two years' annual meetings and was soundly defeated by shareholders.

Proposals by institutional and coordinated shareholders on environmental issues

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

- dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

-dummy variable DENVPCF taking the value of 1

PROPOSAL NO. 4 - SHAREHOLDER PROPOSAL REGARDING CLIMATE CHANGE

The Office of the Comptroller of New York City, 1 Centre Street, New York, New York 10007, has notified the Corporation that it intends to present the following resolution, reproduced verbatim, at the annual meeting, as custodian and trustee of the New York City Employees' Retirement System, beneficial owners of 96,747 shares of Common Stock of the Corporation, the New York City Teachers' Retirement System, beneficial owners of 78,256 shares of Common Stock of the Corporation, the New York City Police Pension Fund, beneficial owners of 33,800 shares of Common Stock of the Corporation, the New York City Fire Department Pension Fund beneficial owners of 9,600 shares of Common Stock of the Corporation, and as custodian and trustee of the New York City Board of Education Retirement System, beneficial owners of 3,700 shares of Common Stock of the Corporation. The Board and the Corporation accept no responsibility for the proposed resolution and supporting statement. As required by Securities and Exchange Commission rules, the resolution and supporting statement are printed below. A shareholder submitting a proposal must appear personally or by proxy at the meeting to move the proposal for consideration. Approval of the shareholder proposal requires the affirmative vote of a majority of the shares of CONSOL Energy common stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting.

WHEREAS:

In 2005, the scientific academies of 11 nations, including the U.S., stated that, "The scientific understanding of climate change is now sufficiently clear to justify nations taking prompt action. It is vital that all nations identify cost-effective steps that they can take now, to contribute to substantial and long-term reductions in net global greenhouse gas emissions."

A 2004 Conference Board report declared that, "scientific consensus that the climate is changing is growing steadily stronger over time; Corporate boards will be increasingly expected to evaluate potential risks associated with climate change; and, the global economy will become less carbon-intensive over time… The real questions are what the pace of the transition will be and who will be the winners and losers."

U.S. power plants are responsible for nearly 40 percent of the country's carbon dioxide emissions, and 10 percent of global carbon dioxide emissions.

In June 2005, a majority of U.S. Senators voted in favor of a resolution stating that, "…Congress should enact a comprehensive and effective national program of mandatory, market-based limits on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions…"

Over the past several years, AEP, Cinergy, DTE Energy, TXU, and Southern Company have issued comprehensive reports to shareholders about the implications of climate change for their businesses. AEP stated, "some initial mandatory reductions of greenhouse gas emissions are likely in the next decade…"

Nine northeastern states are developing the Regional Greenhouse Gas Initiative, which aims to significantly reduce emissions from electric power companies and develop a market to trade emissions allowances. California plans to reduce the state's emissions of greenhouse gases to 2000 levels by 2010, 1990 levels by 2020, and 80 percent below 1990 levels by 2050.

In February 2005, the Kyoto Protocol took effect, imposing mandatory greenhouse gas limits on the 148 participating nations. Companies with operations in those nations must reduce or offset some of their greenhouse gas emissions. For example, companies with operations in Europe can make reductions using the European emissions trading program, which CO_2 has regularly traded for more than $20 per ton.

The California Public Utilities Commission now expects all utilities to add a greenhouse gas cost of $8/ton of CO_2 in all long-term power contracts, and the Colorado Public Utilities Commission agreed that Xcel Energy should assume a $9 per ton cost for a new coal power plant.

85

RESOLVED: Shareholders request a report [reviewed by a board committee of independent directors] on how the company is responding to rising regulatory, competitive, public pressure to significantly reduce carbon dioxide and other emissions from the company's current and proposed power plant operations. The report should be provided by September 1, 2007 at a reasonable cost and omit proprietary information.

END OF STOCKHOLDER PROPOSAL

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "AGAINST" THIS PROPOSAL AND WILL SO VOTE PROXIES RECEIVED THAT DO NOT OTHERWISE SPECIFY.

CONSOL Energy and its wholly-owned subsidiaries do not operate any power plants nor have any power plant operations, so this proposal simply does not apply to CONSOL Energy and its wholly-owned subsidiaries. CONSOL Energy's only indirect interest in any power plant is through its ownership of approximately 81.5 percent of CNX Gas. CNX Gas in 2002 entered into a joint venture with a major eastern power utility, which joint venture owns an 88-megawatt, gas fired, electric generating facility in Virginia. This facility uses coalbed methane gas produced by CNX Gas. The facility operates on an as needed basis to meet peak load demands for electricity. The facility is operated by the joint venture partner and not by CNX Gas. CNX Gas' interest in the joint venture represents less than one percent (1.0%) of CNX Gas' revenues. We also announced that the joint venture was part of a long-term goal to add fuel-linked power generation to our portfolio of products. CONSOL Energy, of course, has an interest in promoting the environmentally sound and efficient use of coal, methane gas and alternative fuels and a goal of being a stakeholder in such projects. Toward that goal, CONSOL Energy announced in January 2007 two projects of its research and development group supported by grants from the Pennsylvania Department of Environmental Protection. The first project is a pilot scale test facility which utilizes another company's clean coal technology to generate electricity from waste coal while reducing sulfur dioxide, nitrogen oxides, carbon dioxide and carbon monoxide resulting from coal combustion. The second project is a test at one of our mines of a small, mobile micro-turbine generator built by another company to generate electricity by burning coalbed methane gas liberated during underground mining. This methane would otherwise be vented into the atmosphere. The micro-turbine was a test project to evaluate it effectiveness in curbing greenhouse gas and carbon emissions. In connection with these research and development projects, the Secretary of the Pennsylvania Department of Environmental Protection remarked "[c]ompanies like CONSOL Energy are leading the way toward Pennsylvania's energy future, and Governor Rendell and I salute them for their vision and leadership." The Board believes that it would be inappropriate to engage in the requested study at this time for a variety of reasons: (i) the requested study is misdirected since neither CONSOL Energy nor CNX Gas are the operators of any power plants; (ii) the revenues of the joint venture represent less than one percent of the revenues of CNX Gas as well as of CONSOL Energy; and (iii) in view of the research and development initiatives, we do not believe our resources are best spent preparing the requested report. Therefore, the Board recommends a vote against this proposal.

86

330

Proposals by individual shareholders or anonymous shareholders requesting environmental disclosure/reporting

-dummy variable DSP taking the value of 1

For sub dimensions

-dummy variable DDENV taking the value of 1

ITEM (3): SHAREHOLDER PROPOSAL RELATING TO REPORT ON CALLAWAY PLANT EXTENSION OF OPERATING LICENSE

Proponents of the shareholder proposal described below notified the Company of their intention to attend the Annual Meeting to present the proposal for consideration and action. The names and addresses of the proponents and the number of shares they hold will be furnished by the Secretary of the Company upon receipt of any telephonic or written request for such information.

WHEREAS: The Nuclear Regulatory Commission (NRC) issues 40-year licenses for commercial nuclear power plants, and allows these licenses to be renewed for an additional 20 years.

A nuclear power plant licensee seeking to renew its original license must submit an application to the NRC that:

- Identifies any reactor system, structure and component that could be affected by the adverse consequences of additional aging during the proposed 20-year extension;
- Analyses the environmental, health and safety effects of extended reactor operation.

AmerenUE has stated its intention to submit a license extension application with the NRC to extend its Callaway nuclear plant's operating license by 20 years so that the operating license will expire in 2044 and cannot predict whether or when the NRC will approve the license extension. (Annual Report, 2008)

RESOLVED: Shareholders request that Ameren prepare a report, at reasonable cost, omitting confidential information, and available within six months of the 2010 Annual Meeting, that discloses the company's evaluation (costs, risks, and benefits) of applying for a twenty-year extension of Callaway's current 40-year operating license as opposed to the costs, risks, and benefits of decommissioning in 2024.

32

SUPPORTING STATEMENT

We believe there are concerns about extending the operating life of the Callaway nuclear power plant beyond the 40-year duration for which the plant was originally designed, including:

- A 2005 National Academy of Sciences report presents new information that even low doses of ionizing radiation may cause adverse genetic and other health effects. ("Health Risks from Exposure to Low Levels of Ionizing Radiation," BEIR VII — Phase 2);
- Due to the industry-wide shortage of trained replacement employees, working conditions at nuclear power plants may become increasingly dangerous.
- The proposed Yucca Mountain waste disposal facility will probably never be licensed; the Barnwell, South Carolina facility for low-level waste is now closed; thus there is a lack of a permanent waste storage site.
- limited availability of fuel supply;
- costs of operating and maintaining nuclear power plants as they age;
- planned and accidental releases of radioactive waste from Callaway to the Missouri River and the atmosphere;
- potential harmful effects on the environment and human health;
- uncertainties with respect to the technological and financial aspects of decommissioning in 2024 as an alternative to re-licensing for 2044. (Annual Report, 2008)

Ameren remains morally responsible and financially liable for Callaway into the indefinite future. We believe this report is essential for AmerenUE's realistic and responsible, economic and ethical planning and for its accountability to its shareholders.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE AGAINST ITEM (3).

The Board is of the opinion that it is not necessary, prudent or cost-effective to prepare the report requested by the proposal, given the reviews undertaken by Ameren and the nuclear utility industry to date and the reviews and reports that will be undertaken and prepared by UE and the U.S. Nuclear Regulatory Commission ("NRC") in connection with UE's request for an extension of the operating license of the Callaway Plant, as described below.

- Consistent with Ameren's commitments to protecting the health and safety of the public and its employees, generating sufficient electricity to meet demand at the lowest cost, as well as protecting shareholders' investments in the Company, Ameren assesses, on an ongoing basis, a variety of options for all of its facilities, including the Callaway Plant.
- The NRC evaluated the impact of environmental effects that would be associated with license renewal at any nuclear power plant site in its Generic Environmental Impact Statement for License Renewal of Nuclear Plants ("GEIS"). As part of the evaluation, the GEIS assessed whether extended operation of a nuclear power plant would have any impact on human health, and based this evaluation on a linear no-threshold model that assumed risk at any level of exposure to radiation, consistent with the recommendations of the 2005 National Academy of Sciences Report. The GEIS also evaluated the disposal of

33

Proposals by only institutional shareholders requesting environmental disclosure/reporting

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

-dummy variable DDENV taking the value of 1

https://www.sec.gov/Archives/edgar/data/4281/000119312508058641/ddef14a.htm#tx22345_11

ITEM 3 – SHAREHOLDER PROPOSAL

The Free Enterprise Action Fund ("FEAOX"), beneficial owner of approximately 734 shares of common stock, has notified Alcoa that it intends to present the following proposal at the annual meeting through one or more representatives of its investment adviser, Action Fund Management, LLC, 12309 Briarbush Lane, Potomac, Maryland 20854. The proposal, as submitted, reads as follows:

Global Warming Report

Resolved: The shareholders request that the Board of Directors prepare by October 2008, at reasonable expense and omitting proprietary information, a Global Warming Report. The report may describe and discuss how action taken by Alcoa to reduce its impact on global climate change may:

1. Have affected global climate to date; and may

2. Affect global climate in the foreseeable future

The report may include discussions of Alcoa's impact on global climate in terms of any changes in mean global temperature and any undesirable climatic and weather-related events and disasters avoided.

Supporting Statement:
Alcoa says on its web site that it supports action on global warming. Alcoa is a member of the U.S. Climate Action Partnership (USCAP), a group that lobbies for global warming regulation.

But scientific data show that atmospheric levels of carbon dioxide, the greenhouse gas of primary concern in global warming, do not drive global temperature. *See e.g., http://youtube.com/watch?v=XDI2NVTYRXU .*

Even assuming for the sake of argument that atmospheric carbon dioxide levels affect global temperatures, the U.S. Environmental Protection Agency recently projected that worldwide regulation of manmade greenhouse gas emissions would have a trivial impact on atmospheric concentrations of carbon dioxide. *See http://www.epa.gov/climatechange/downloads/s1766analysispart1.pdf .*

So greenhouse gas regulation is not likely to discernibly affect global climate.

Global warming regulation is expected to harm the economy. The Congressional Budget Office, U.S. Department of Energy and prominent economists such as Alan Greenspan, Arthur Laffer and Greg Mankiw all say that the cap-and trade—a type of greenhouse gas regulation promoted by USCAP—would reduce economic growth. *See e.g., http://www.junkscience.com/failure_to_disclose.pdf .*

Shareholders want to know how Alcoa's actions relating to global warming may be affecting global climate.

21

Proposals by only coordinated shareholders (whether it is an individual or institutional shareholder activism is unknown.) requesting environmental disclosure/reporting

-dummy variable DSP taking the value of 1

- dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPCF taking the value of 1

-dummy variable DDENV taking the value of 1

There is no proposal requesting environmental disclosure/reporting handed in only by coordinated shareholders.

Proposals by institutional and coordinated shareholders requesting environmental disclosure/reporting

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

- dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

-dummy variable DENVPCF taking the value of 1

https://www.sec.gov/Archives/edgar/data/1070412/000119312507069648/ddef14a.htm#tx79401_48

PROPOSAL NO. 4 - SHAREHOLDER PROPOSAL REGARDING CLIMATE CHANGE

The Office of the Comptroller of New York City, 1 Centre Street, New York, New York 10007, has notified the Corporation that it intends to present the following resolution, reproduced verbatim, at the annual meeting, as custodian and trustee of the New York City Employees' Retirement System, beneficial owners of 96,747 shares of Common Stock of the Corporation, the New York City Teachers' Retirement System, beneficial owners of 78,256 shares of Common Stock of the Corporation, the New York City Police Pension Fund, beneficial owners of 33,800 shares of Common Stock of the Corporation, the New York City Fire Department Pension Fund beneficial owners of 9,600 shares of Common Stock of the Corporation, and as custodian and trustee of the New York City Board of Education Retirement System, beneficial owners of 3,700 shares of Common Stock of the Corporation. The Board and the Corporation accept no responsibility for the proposed resolution and supporting statement. As required by Securities and Exchange Commission rules, the resolution and supporting statement are printed below. A shareholder submitting a proposal must appear personally or by proxy at the meeting to move the proposal for consideration. Approval of the shareholder proposal requires the affirmative vote of a majority of the shares of CONSOL Energy common stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting.

WHEREAS:

In 2005, the scientific academies of 11 nations, including the U.S., stated that, "The scientific understanding of climate change is now sufficiently clear to justify nations taking prompt action. It is vital that all nations identify cost-effective steps that they can take now, to contribute to substantial and long-term reductions in net global greenhouse gas emissions."

A 2004 Conference Board report declared that, "scientific consensus that the climate is changing is growing steadily stronger over time; Corporate boards will be increasingly expected to evaluate potential risks associated with climate change; and, the global economy will become less carbon-intensive over time… The real questions are what the pace of the transition will be and who will be the winners and losers."

U.S. power plants are responsible for nearly 40 percent of the country's carbon dioxide emissions, and 10 percent of global carbon dioxide emissions.

In June 2005, a majority of U.S. Senators voted in favor of a resolution stating that, "…Congress should enact a comprehensive and effective national program of mandatory, market-based limits on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions…"

Over the past several years, AEP, Cinergy, DTE Energy, TXU, and Southern Company have issued comprehensive reports to shareholders about the implications of climate change for their businesses. AEP stated, "some initial mandatory reductions of greenhouse gas emissions are likely in the next decade…"

Nine northeastern states are developing the Regional Greenhouse Gas Initiative, which aims to significantly reduce emissions from electric power companies and develop a market to trade emissions allowances. California plans to reduce the state's emissions of greenhouse gases to 2000 levels by 2010, 1990 levels by 2020, and 80 percent below 1990 levels by 2050.

In February 2005, the Kyoto Protocol took effect, imposing mandatory greenhouse gas limits on the 148 participating nations. Companies with operations in those nations must reduce or offset some of their greenhouse gas emissions. For example, companies with operations in Europe can make reductions using the European emissions trading program, which CO_2 has regularly traded for more than $20 per ton.

The California Public Utilities Commission now expects all utilities to add a greenhouse gas cost of $8/ton of CO_2 in all long-term power contracts, and the Colorado Public Utilities Commission agreed that Xcel Energy should assume a $9 per ton cost for a new coal power plant.

RESOLVED: Shareholders request a report [reviewed by a board committee of independent directors] on how the company is responding to rising regulatory, competitive, public pressure to significantly reduce carbon dioxide and other emissions from the company's current and proposed power plant operations. The report should be provided by September 1, 2007 at a reasonable cost and omit proprietary information.

END OF STOCKHOLDER PROPOSAL

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "AGAINST" THIS PROPOSAL AND WILL SO VOTE PROXIES RECEIVED THAT DO NOT OTHERWISE SPECIFY.

CONSOL Energy and its wholly-owned subsidiaries do not operate any power plants nor have any power plant operations, so this proposal simply does not apply to CONSOL Energy and its wholly-owned subsidiaries. CONSOL Energy's only indirect interest in any power plant is through its ownership of approximately 81.5 percent of CNX Gas. CNX Gas in 2002 entered into a joint venture with a major eastern power utility, which joint venture owns an 88-megawatt, gas fired, electric generating facility in Virginia. This facility uses coalbed methane gas produced by CNX Gas. The facility operates on an as needed basis to meet peak load demands for electricity. The facility is operated by the joint venture partner and not by CNX Gas. CNX Gas' interest in the joint venture represents less than one percent (1.0%) of CNX Gas' revenues. We also announced that the joint venture was part of a long-term goal to add fuel-linked power generation to our portfolio of products. CONSOL Energy, of course, has an interest in promoting the environmentally sound and efficient use of coal, methane gas and alternative fuels and a goal of being a stakeholder in such projects. Toward that goal, CONSOL Energy announced in January 2007 two projects of its research and development group supported by grants from the Pennsylvania Department of Environmental Protection. The first project is a pilot scale test facility which utilizes another company's clean coal technology to generate electricity from waste coal while reducing sulfur dioxide, nitrogen oxides, carbon dioxide and carbon monoxide resulting from coal combustion. The second project is a test at one of our mines of a small, mobile micro-turbine generator built by another company to generate electricity by burning coalbed methane gas liberated during underground mining. This methane would otherwise be vented into the atmosphere. The micro-turbine was a test project to evaluate it effectiveness in curbing greenhouse gas and carbon emissions. In connection with these research and development projects, the Secretary of the Pennsylvania Department of Environmental Protection remarked "[c]ompanies like CONSOL Energy are leading the way toward Pennsylvania's energy future, and Governor Rendell and I salute them for their vision and leadership." The Board believes that it would be inappropriate to engage in the requested study at this time for a variety of reasons: (i) the requested study is misdirected since neither CONSOL Energy nor CNX Gas are the operators of any power plants; (ii) the revenues of the joint venture represent less than one percent of the revenues of CNX Gas as well as of CONSOL Energy; and (iii) in view of the research and development initiatives, we do not believe our resources are best spent preparing the requested report. Therefore, the Board recommends a vote against this proposal.

Proposals by individual shareholders on governance issues

- dummy variable DSP taking the value of 1

For sub dimensions

-dummy variable DGOVP taking the value of 1

https://www.sec.gov/Archives/edgar/data/1122304/000095012306003438/y18193dpdef14a.htm

IV. Shareholder Proposal to Implement Cumulative Voting in the Election of Directors

Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Ave. N.W., Suite 215, Washington, D.C. 20037 (owner of 800 shares of Common Stock), has advised Aetna that she plans to present the following proposal at the Annual Meeting. The proposal is included in this Proxy Statement pursuant to the rules of the SEC.

"RESOLVED: That the stockholders of Aetna, assembled in Annual Meeting in person and by proxy, hereby request the Board of Directors to take the necessary steps to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."

"REASONS: Many states have mandatory cumulative voting, so do National Banks."

"In addition, many corporations have adopted cumulative voting."

"Last year the owners of 59,318,870 shares, representing approximately 54.8% of shares voting, voted FOR this proposal."

"If you AGREE, please mark your proxy FOR this resolution."

The affirmative vote of a majority of the votes cast is required for approval of the foregoing proposal.

THE BOARD OF DIRECTORS WILL OPPOSE THIS PROPOSAL IF IT IS INTRODUCED AT THE 2006 ANNUAL MEETING AND RECOMMENDS A VOTE *AGAINST* **THIS PROPOSAL FOR THE FOLLOWING REASONS:**

The Board continues to believe that Aetna's present system of voting for Directors provides the best assurance that the decisions of the Directors will be in the interests of all shareholders.

Many shareholders in corporate America want more say when it comes to electing directors. Following the 2005 Annual Meeting, the Board studied various alternatives for accomplishing this objective, including cumulative voting. The Nominating Committee, which consists entirely of independent Directors, considered these matters at two separate meetings in 2005, and the full Board considered them at three separate meetings in 2005. As a result of this review, the Board implemented a majority vote standard for Director elections, implemented confidential voting in uncontested solicitations and amended Aetna's By-Laws to provide that the Board does not have the right to alter the size of the Board beyond a range established by Aetna's shareholders. The Board decided that these changes most effectively responded to shareholder needs and strengthened the Board's accountability to Aetna's shareholders.

In addition, cumulative voting is one of those issues that may favor special interest groups. Cumulative voting could make it possible for such a group to elect one or more Directors beholden to the group's narrow interests. This could increase the likelihood of factionalism and discord within the Board, which may undermine its ability to work effectively as a governing body on behalf of the common interests of all shareholders. The present system of voting utilized by Aetna and by most leading corporations prevents the "stacking" of votes behind potentially partisan Directors. The present system thus promotes the election of a more effective Board in which each Director represents the shareholders as a whole.

Finally, the Board alone would not be able to implement cumulative voting upon adoption of this proposal by the shareholders because cumulative voting is prohibited by Aetna's Articles of Incorporation. Under Pennsylvania law and Aetna's Articles of Incorporation, an amendment to Aetna's Articles of Incorporation to delete this provision would require shareholder approval at a subsequent shareholder meeting, following adoption of a resolution by the Board approving the proposed amendment.

For these reasons, while the Board carefully considered cumulative voting as a part of its 2005 review of governance issues, the Board continues to believe that this proposal is not in the best interests of Aetna or its shareholders.

If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted *AGAINST* **the foregoing proposal.**

Proposals by institutional shareholders on governance issues

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

Subdimension:

-dummy variable DGOVP taking the value of 1

-dummy variable DGOVPIN taking the value of 1

https://www.sec.gov/Archives/edgar/data/1090872/000120677413000480/agilent_def14a.htm

PROPOSAL 4 - STOCKHOLDER PROPOSAL REGARDING BOARD DECLASSIFICATION

Proposal 4 is a stockholder proposal submitted to the Company by the Illinois State Board of Investment. If the stockholder proponent, or representative who is qualified under state law, is present at the annual meeting and presents the proposal, then the proposal will be voted upon. The stockholder proposal and related supporting statement is included in this proxy statement as submitted by the proponent and we accept no responsibility for its contents. The Board's statement in opposition to the proposal is presented immediately following the proposal. The proponent's address is 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601. The proponent represented to us that it owns 110,806 shares of our common stock.

Proposal to Repeal Classified Board

RESOLVED, that shareholders of Agilent Technologies, Inc. urge the Board of Directors to take all necessary steps (other than any steps that must be taken by shareholders) to repeal the classification of the Board of Directors and to require that all directors elected at or after the annual meeting held in 2014 be elected on an annual basis. Implementation of this proposal should not prevent any director elected prior to the annual meeting held in 2014 from completing the term for which such director was elected.

Supporting Statement

The proponent of this resolution is the Illinois State Board of Investment. The Shareholder Rights Project submitted the resolution on behalf of the Illinois State Board of Investment.

The resolution urges the board of directors to facilitate a declassification of the board. Such a change would enable shareholders to register their views on the performance of all directors at each annual meeting. Having directors stand for elections annually makes directors more accountable to shareholders, and could thereby contribute to improving performance and increasing firm value.

According to data from FactSet Research Systems, the number of S&P 500 companies with classified boards declined by more than two-thirds from 2000 to 2012, and during the period January 1, 2011 to June 30, 2012:

- More than 50 S&P 500 companies brought management proposals to declassify their boards to a vote at annual meetings;

- More than 50 precatory declassification proposals passed at annual meetings of S&P 500 companies; and

- The average percentage of votes cast in favor of shareholder proposals to declassify the boards of S&P 500 companies exceeded 75%.

The significant shareholder support for declassification proposals is consistent with empirical studies reporting that:

- Classified boards are associated with lower firm valuation (Bebchuk and Cohen, 2005; confirmed by Faleye (2007) and Frakes (2007));

- Takeover targets with classified boards are associated with lower gains to shareholders (Bebchuk, Coates, and Subramanian, 2002);

- Firms with classified boards are more likely to be associated with value-decreasing acquisition decisions (Masulis, Wang, and Xie, 2007); and

- Classified boards are associated with lower sensitivity of compensation to performance and lower sensitivity of CEO turnover to firm performance (Faleye, 2007).

Although one study (Bates, Becher and Lemmon, 2008) reports that classified boards are associated with higher takeover premiums, this study also reports that classified boards are associated with a lower likelihood of an acquisition and that classified boards are associated with lower firm valuation.

Please vote for this proposal to make directors more accountable to shareholders.

57

Proposals by both institutional and coordinated shareholders on governance issues

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

-dummy variable DSPCF taking the value of 1

Subdimension:

-dummy variable DGOVP taking the value of 1

-dummy variable DGOVPIN taking the value of 1

-dummy variable DGOVPCF taking the value of 1

https://www.sec.gov/Archives/edgar/data/768835/000120677414001235/biglots_def14a.htm

336

We believe long-term shareholders should have a meaningful voice in electing directors. The case for Big Lots is compelling: the Board has repeatedly awarded excessive CEO compensation despite poor performance and been unresponsive to shareholder concerns. Among our specific concerns with the Board's independence, responsiveness and accountability:

- *Big Lots shareowners have cast 69% of their votes against management's say-on-pay (SOP) proposal in each of the last two years.*

- *In 2013, shareholders not only overwhelmingly rejected management's SOP proposal, but also withheld the majority of votes cast from director Russell Solt, chair of the compensation committee; the board subsequently rejected Mr. Holt's resignation.*

- *The average tenure of Big Lot's eight non-executive directors will reach 11 years in 2014.*

  We urge shareholders to vote FOR this proposal.

BOARD OF DIRECTORS' STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL

The Board recommends that shareholders vote AGAINST this "proxy access" proposal because it believes that (1) proxy access interferes with effective corporate governance and has adverse consequences, (2) our corporate governance structure and applicable laws already provide the means for significant shareholder input, (3) our implementation of numerous corporate governance and executive compensation measures demonstrates our responsiveness to shareholders and provides several mechanisms that protect shareholder rights and (4) we regularly engage in dialogue with our shareholders and are committed to ensuring their views are represented in the boardroom.

Proxy access is a flawed procedure designed to facilitate company-financed proxy contests in director elections, pitting the Board's nominees against one or more shareholder-nominated candidates who may represent narrowly-focused special interests rather than the interests of all of the company's shareholders. For the reasons set forth below, we believe proxy access is unnecessary, would adversely affect Big Lots and is not in the best interests of our shareholders.

Proxy Access Interferes with Effective Corporate Governance

The Board believes that proxy access interferes with effective corporate governance and has the following adverse consequences:

Promotes the Influence of Special Interests . The proponents desire to allow a shareholder (such as a labor union or public pension fund) with a narrowly-focused special interest to use the proxy process to promote a specific agenda rather than the interests of all shareholders and thereby create the very real risk of politicizing the Board election process at virtually no cost to the proponent. The nomination of a candidate through the proponent's proxy access proposal would convert each such Board election into a contested election in which the proposed director nominee would only need to win a plurality of votes to be elected. The nomination and election of a director who represents a shareholder focused on a narrow special interest risks disrupting the Board and favoring the short-term interests of a few rather than the long-term interests of all shareholders.

Bypasses and Undermines our Current Director Nominating Process . The proponents' proxy access proposal seeks to bypass and undermine the Board's current process for identifying, screening and selecting director nominees. An effective board is comprised of individuals with diverse and complementary skills, experiences and perspectives. Our independent Nominating / Corporate Governance Committee and our Board are best situated to assess the particular qualifications of potential director nominees and determine whether they will contribute to an effective and well-rounded Board that operates openly and collaboratively and represents the interests of all shareholders, not just those with special interests.

The Nominating / Corporate Governance Committee has developed criteria and a process for identifying and recommending director nominees for election by our shareholders (which are described above in the "Governance — Selection of Nominees by the Board" section of this Proxy Statement). This process is carefully designed to identify director nominees who possess a combination of skills, professional experiences and diversity of backgrounds necessary to oversee our business and who can contribute to the overall effectiveness of our Board. The Committee also carefully reviews and considers the independence of potential nominees. As part of this process, the Committee considers and evaluates potential nominees recommended by our shareholders using the same criteria as nominees recommended by a Board member, management, search firm or other source. As a result, shareholders already have a voice in this process and the ability to recommend prospective nominees for consideration by the Committee. Proxy access bypasses and undermines our current director nominating process by placing directly into nomination candidates who may fail to satisfy the independence or other qualifications established by the Nominating / Corporate Governance Committee and the Board or who may fail to contribute to the mix of needed experiences and perspectives.

Results in an Inexperienced, Fragmented and Unstable Board . Proxy access may lead to an inexperienced, fragmented and unstable Board that is less efficient and less focused on creating long-term value for our shareholders. With proxy access, contested director elections may become an annual event. The Board believes that the divisive proxy contests that may result from contested director elections (1) would distract the Board and management from their duties and responsibilities, (2) may encourage management to employ a more short-term focus and (3) would cause high annual turnover on the Board. High turnover on the Board could produce an inexperienced Board that lacks the sufficient knowledge and understanding of our current and past business necessary to provide meaningful and effective oversight of our operations and long-term strategies. Similarly, our management and directors would be required to divert their attention from managing and overseeing our business to focusing on proxy contests in the election of directors. Moreover, a director elected by one shareholder group in one year may face successful opposition from a director nominated by another shareholder group in a subsequent year, which would further destabilize the Board. Any disruption in the cohesiveness of the Board could result in additional director turnover and discourage highly qualified individuals from serving on the Board.

Increases and Inequitably Allocates Proxy Expenses . The proponents' proxy access proposal would create an uneven playing field by facilitating expensive and disruptive proxy contests in which we would bear substantial additional expense while shareholders would need to expend little resources to promote their nominee(s). Big Lots already bears the significant expense of filing and distributing its own proxy materials. Proxy access would require Big Lots to also include shareholder nominee(s) in its proxy materials. This requirement would enable shareholders to impose on Big Lots a substantial portion (if not all) of the expenses associated with soliciting proxies for their nominee(s). Additionally, in a proxy contest, the Board would likely undertake an additional and expensive campaign to support its nominees and inform shareholders why the shareholder nominee(s) should not be elected. The United States Court of Appeals for the District of Columbia invalidated the SEC's proxy access rule precisely because the Court determined that the SEC did not adequately assess the expenses and distractions resulting from proxy contests.

In the absence of proxy access, the playing field is level, as shareholders also need to undertake the expense of soliciting proxies for their nominee(s). The Board believes that the current SEC proxy rules more equitably allocate proxy solicitation expenses. Furthermore, the Board does not believe there is any legitimate reason why shareholders holding three percent (3%) of our outstanding Common Shares (which would constitute more than $66,067,089 in value as of the record date for the Annual Meeting) should not bear the expense of soliciting proxies for their nominee(s).

Our Corporate Governance Structure Provides a Means for Significant Shareholder Input

The Board believes that our existing corporate governance structure and applicable laws provide the means for significant shareholder input, and thus eliminate the need for the proponents' proxy access proposal. The various means by which shareholders may provide input include:

- the procedures that allow our shareholders to propose to our Nominating / Corporate Governance Committee nominees for election as directors (see the "Governance — Selection of Nominees by the Board" section of this Proxy Statement for a description of these procedures);

- a process that enables our shareholders to communicate directly with the Board and individual directors and requires the Board to review correspondence it receives from our shareholders (see the "Governance — Communications with the Board" section of this Proxy Statement for a description of this process);

- the SEC's proxy rules provide shareholders with the opportunity to solicit proxies for their own nominees for election as directors;

- the SEC's proxy rules provide shareholders with the ability to present proposals at our annual meeting of shareholders and include shareholder proposals in the proxy materials for our annual meeting of shareholders (see the "Shareholder Proposals" section of this Proxy Statement for a description of the requirements of these rules);

- the annual election of all of our directors; and

- an annual advisory vote on executive compensation, which provides our shareholders with the opportunity each year to express their views regarding our executive compensation program.

Proposals by individual shareholders requesting governance disclosure/reporting

-dummy variable DSP taking the value of 1

For sub dimensions

-dummy variable DGOVP taking the value of 1

https://www.sec.gov/Archives/edgar/data/14272/000119312508063492/ddef14a.htm#toc14622_40

Proposals by institutional shareholders requesting governance disclosure/reporting

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

For sub dimensions

-dummy variable DGOVP taking the value of 1

-dummy variable DGOVPIN taking the value of 1

https://www.sec.gov/Archives/edgar/data/11199/000110465907022034/a07-6113_1def14a.htm

---

STOCKHOLDER PROPOSAL ON COMPENSATION REPORT

The International Brotherhood of DuPont Workers, P.O. Box 10, Waynesboro, Virginia 22980, owner of 130 shares of our common stock, has given notice that it will introduce the following resolution and statement in support thereof:

Resolved: "That the stockholders of Bemis, Inc, assembled in annual meeting in person and by proxy, hereby request that the Board of Directors give consideration to preparing a report, to be made available to shareholders four months after the 2007 Annual meeting, that shall review the compensation packages provided to senior executives of the Company and address the following.

1. Comparison of compensation packages for senior executives with that provided to the lowest paid Company employees.
2. Whether there should be a ceiling on compensation provided to senior executives so as to prevent the possibility of excessive compensation.
3. Whether compensation of senior executives should be adjusted in the event of the layoff of a substantial number of employees."

Stockholder's Statement

A review of Bemis's 2006 proxy statement reveals that CEO Curler received total compensation in 2005, including wages and stock, of $7.43 million. This represented a 44% increase over his 2004 total compensation of $5.15 million. He also has stock options, presently unexercised, worth over $7 million and an estimated yearly pension of almost $600,000.

Contrast Mr. Curler's situation with that of the Bemis employees in the U.S. who actually produce the products that have made this Company so successful. Their yearly wage increase over the past two years has averaged about 3%. During this same time period, these employees have seen their health care costs skyrocket, eating up virtually all of their wage increase. The situation is even worse once they retire; Bemis provides no help of any kind with retiree health care costs. As for pensions, employees are no longer offered a pension—in place of a pension, employees are only provided with a token amount in their 401K.

If it is appropriate to provide such generous compensation to Mr. Curler, wouldn't it be appropriate to rethink the compensation provided to the employees who work in the Company's very own factories.

It is time to reevaluate the criteria used for compensating those who work for Bemis. This proposal will do just that and would be applauded by the employees of Bemis as well as the general public. This would serve Bemis well, given its global stature and its increasing prominence in the market place.

If you AGREE, please mark your proxy FOR this resolution.

Bemis' Statement in Opposition to Proposal

As described in more detail below, the Board of Directors believes that the stockholder proposal should be opposed for three basic reasons:

1. We have already explained our process for determining the compensation packages of our Executive Officers;
2. The Board and management will be distracted by activities that do not add value for the other stockholders; and
3. The costs of preparing the requested report will outweigh the benefits.

In addition, all employees make important contributions to our success. We are committed to paying our employees fairly in accordance with their job responsibilities, their performance in those jobs and their

33

---

ability to contribute to our overall success, taking into account competitive and market factors. Our executive compensation program is designed to compensate our Executive Officers fairly based on their performance and contribution to us, to provide incentives to attract and retain key executives, and to instill in them a long-term commitment to us and a sense of Company ownership, all consistent with stockholders' interests.

The Compensation Discussion and Analysis in this proxy statement provides a comprehensive review of our philosophy for compensating our Executive Officers, the components of the Executive Officer compensation program, and the method for determining and approving the compensation for Executive Officers. This proxy statement includes detailed information about the cash and equity compensation paid to the Named Executive Officers, as well as information about perquisites provided to them. As discussed in more detail in the Compensation Discussion and Analysis, the Compensation Committee endeavors to provide a compensation program (i) that is competitive with other companies that we compete with for executive talent; and (ii) adjusted for our performance. The Compensation Committee engages an outside consultant to provide the Compensation Committee with market data for peer companies.

We believe that our Compensation Committee and stockholders already have the information necessary to understand and assess the compensation packages provided to our Executive Officers. Our Compensation Committee believes that we must set the compensation of employees, including our Executive Officers, based on conditions and competitive factors in the market today in order to attract the kind of executive talent necessary to execute our business strategies. As a result, we do not believe that the information compiled by a report of the type requested by the stockholder proposal will result in any change to our practices. Therefore, we do not believe that the stockholders would benefit from the report.

The proxies will vote your proxy against the stockholder proposal on compensation report unless you specify otherwise in your proxy.

For the above reasons, the Board recommends that the stockholders vote AGAINST this proposal.

Proposals by coordinated shareholders requesting governance disclosure/reporting

-dummy variable DSP taking the value of 1

-dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DGOVP taking the value of 1

-dummy variable DGOVPCF taking the value of 1

PROPOSAL 22
SHAREHOLDER PROPOSAL

Robert L. Kurte, Harold Kurte and Sheila Kurte, 2701 Edgewater Court, Weston, Florida 33332-3403 have notified us that they intend to present a proposal at the annual shareholders meeting. The boards of directors recommend a vote **AGAINST** the shareholder proposal for the reasons outlined in our opposition statement below.

"**Resolved**, that the shareholders of Carnival Corporation & PLC hereby request that the company in compliance with applicable law take the steps necessary to adopt the following hold through retirement policy for equity awards.

1. That all named officers hold 75% of the net after-tax shares received from equity compensation programs until two years following the termination of their employment through retirement or otherwise.

---

2. That non-executive directors hold 25% of the net after-tax shares received from equity compensation programs until two years following the termination of their employment through retirement or otherwise."

Shareholder Supporting Statement

"Both the Business Roundtable and the Council of Institutional Investors have endorsed the Aspen Principles. The Principles 'requires that senior executives hold a significant portion of their equity-based compensation for a period beyond their tenure.'"

"A hold through retirement policy for equity awards is an important means of more closely aligning the interests of the named executive officers and non-executive directors with the interests of the company's shareholders. It will keep executives and directors focused on the Company's long term goals throughout their careers and remove the ability to cash out based on short term company profits that are not sustainable or from market swings."

"Adding a hold through retirement policy can send a reassuring message to shareholders and the markets that the named executive officers and non-executive directors have committed to keep skin in the game for the long term."

"Carnival Corporation & PLC at present does not have a stock ownership guideline for the named executive officers, but requires non-executive directors to own at least 5,000 shares of either Carnival Corporation stock or Carnival PLC ordinary shares. We view a hold through retirement requirement as superior to this type of guideline because a guideline loses effectiveness once it has been satisfied."

"In order to better align the interests of the named executive officers and non-executive directors with all shareholders of our company, we urge you to vote for our proposal."

Opposition Statement

The boards of directors believe that the shareholder proposal is not in the best interests of Carnival Corporation, Carnival plc and their shareholders and therefore unanimously recommend a vote **AGAINST** the proposal for the following reasons:

Philosophy. Our boards of directors and Compensation Committees believe it is important for directors and executive officers to build and maintain a long-term ownership position in Carnival Corporation and Carnival plc shares to align their financial interests with those of our shareholders and to encourage the creation of long-term value. This philosophy is already reflected in our compensation practices and policies. For the reasons set forth below, the shareholder proponent's proposal is not in the best interests of our shareholders.

We already emphasize, and have emphasized for many years, a compensation structure that provides for a significant percentage of compensation to be equity-based, which places a substantial portion of compensation at risk over a long-term period. This provides strong incentives for executive officers to improve our long-term performance and deliver value to our shareholders, and helps our Compensation Committees fulfill their goal of substantially linking executive compensation with corporate performance and shareholder value over the long-term. Indeed, an executive officer's existing stock ownership level is not a factor in equity-based award determinations, as we do not want to discourage executives from holding significant amounts of Carnival Corporation and Carnival plc shares.

Stock Ownership Policies. Our Compensation Committees have established a stock ownership policy for our senior executives who we designate as reporting officers under Section 16 of the Exchange Act ("Section 16 Officers"). The policy specifies target ownership levels of Carnival Corporation and Carnival plc shares for each

participant expressed in terms of the value of the equity holdings (inclusive of unvested restricted shares and RSUs) as a multiple of each Section 16 Officer's base salary as follows:

Officers	Ownership Target Multiple of Base Salary
Chairman and Chief Executive Officer	5X salary
Vice Chairman and Chief Operating Officer	4X salary
Other Section 16 Officers	3X salary

Current Section 16 Officers are expected to be in compliance with the stock ownership policy within five years of the date of the policy's adoption. Individuals who are newly designated as Section 16 Officers are expected to be in compliance with the stock ownership policy within five years of the date of becoming a Section 16 Officer. Our Section 16 Officers are restricted from trading call and put options and entering into any hedging transactions with respect to our shares. Carnival Corporation & plc does not make any commitment to any persons covered by the stock ownership policy that they will receive any particular level of equity-based awards.

Our boards of directors have also adopted a stock ownership policy for our non-executive directors, that requires each non-executive director to own at least 5,000 shares (inclusive of unvested restricted shares, RSUs and shares in a trust beneficially owned by the director) of Carnival Corporation common stock and Carnival plc ordinary shares. Each of our current non-executive directors already meets this requirement. New non-executive directors must comply with the ownership requirement no later than two years from the date of their initial election to the boards of directors by the shareholders.

Effect of Stock Ownership Policies and Compensation Philosophy . Unlike the shareholder proposal, which would set stock ownership requirements only through retention of shares acquired through our equity compensation plans (and therefore would provide no assurances regarding overall actual ownership), our stock ownership policies require a specific—and substantial—level of ownership of shares. We believe that our boards of directors are in the best position to tailor these policies and make judgments about the levels of stock ownership to include in such policies, and that the current levels appropriately balance the need to align the interests of our directors, executive officers and shareholders with the need of directors and executive officers to engage in legitimate and appropriate financial planning.

As much as the proponent's stock ownership policy could result in inappropriately low levels of share ownership, it could result in excessive levels of share ownership. To the extent that the proponent's 75% or 25% rules resulted in excessive stock ownership relative to the total wealth of a director or executive officer (a result that becomes more likely the greater the tenure and experience of the director or executive officer), the Compensation Committees could be unable to utilize the desired level of equity-based compensation (relative to cash compensation) without jeopardizing its ability to retain directors and executive officers. Moreover, we would be at a competitive disadvantage relative to our peers who would be able to better balance cash and equity-based compensation and retain the types of long-term, experienced directors and executive officers that our company needs in order to succeed in a highly challenging and competitive environment.

The shareholder proponent's supporting statement recognizes that we have in place our stock ownership policy for non-executive directors, but asserts that this policy loses effectiveness once it is satisfied. In this regard, we note that our annual equity awards to non-executive directors cliff vest on the third anniversary of the grant date, and, except in the case of death or disability, vesting is not accelerated upon a director's departure from the board.

In addition, equity awards made to retirement-eligible Section 16 Officers remain restricted until the third anniversary of the grant date, even if the executive retires before the restriction expires. This feature of our equity incentive plans is consistent with the perspective of the "hold through retirement" advocates.

33

Similarly, the aggregate dollar value of the mandatory holding requirement for our Section 16 Officers is a meaningful investment that continues for the duration of their employment, which for our Section 16 Officers has historically been a long period of time. As a result, our Section 16 Officers have little if any incentive to focus on short-term results to the detriment of the value of our shares, especially considering that their annual cash bonus opportunity generally represents a much smaller amount than the value of the shares they are required to hold.

A requirement that non-executive directors continue to hold 25% of all equity awards and that Section 16 Officers continue to hold 75% of all equity awards until two years following their termination of employment could strain our program and philosophy for paying cash compensation. To the extent our equity awards reflect earned compensation, they serve to reduce the amount of cash compensation we may otherwise have to pay to our non-executive directors and Section 16 Officers. If our Section 16 Officers are unable to sell some of their equity to pay for their personal expenses, we may have to increase cash compensation to the detriment of our "pay for performance" philosophy, increasing the cost of our compensation program. Finally, we see no benefit in restricting the access of our retired directors and executive officers to such a significant portion of their equity compensation earned over an entire career for a period of two years after retirement, when they no longer have the ability to influence the results, direction or operating strategy of Carnival Corporation & plc. Such a policy may also encourage the earlier retirement of our directors and executive officers, and thereby reduce our ability to retain talented and qualified directors and executive officers.

Our current compensation structure and stock ownership policies already achieve the fundamental objective of the shareholder proposal.

The boards of directors unanimously recommend a vote AGAINST the Carnival Corporation shareholder proposal.

Proposals by institutional and coordinated shareholders requesting governance disclosure/reporting

-dummy variable DSP taking the value of 1

-dummy variable DSPIN taking the value of 1

-dummy variable DSPCF taking the value of 1

For sub dimensions

-dummy variable DGOVP taking the value of 1

-dummy variable DGOVPIN taking the value of 1

-dummy variable DGOVPCF taking the value of 1

https://www.sec.gov/Archives/edgar/data/92230/000119312510050253/ddef14a.htm#index83143_19

341

PROPOSAL 6—SHAREHOLDER PROPOSAL REQUESTING A REPORT ON BB&T'S OVERDRAFT POLICIES AND PRACTICES

Calvert Asset Management Company, Inc., 4550 Montgomery Avenue, Bethesda, MD 20814, beneficial owner of at least $2,000 in market value of BB&T Common Stock, the Benedictine Sisters of St. Scholastica Monastery, 1301 South Albert Pike, Fort Smith, Arkansas, 72913-3489, beneficial owner of at least $2,000 in market value of BB&T Common Stock, the Benedictine Sisters of Mount St. Scholastica, 801 S. 8th Street, Atchison, KS 66002, beneficial owner of at least $2,000 in market value of BB&T Common Stock, and the Benedictine Sisters of Virginia, 9535 Linton Hall Road, Bristow, VA 20136-1217, beneficial owner of at least $2,000 in market value of BB&T Common Stock, have submitted the following proposal. The Board of Directors recommends a vote **"AGAINST"** this proposal.

WHEREAS:

Overdraft fees are often charged when banks choose to pay a customer's debit card, check, ATM or other electronic transaction, even though the customer's account lacks sufficient funds to cover the charges.

According to consumer protection organizations, financial institutions are engaged in abusive practices that maximize banking overdraft fee revenue, charging exorbitant fees that bear no relationship to the cost of covering an overdraft and they automatically enroll customers in the most expensive overdraft option available without their consent.

Overdraft fees are not generally included in discussions of predatory lending, but a new report by the Center for Responsible Lending (CRL), states that over 50 million Americans overdrew their checking account at least once over a 12-month period, with 27 million accountholders incurring five or more overdraft or non-sufficient funds (NSF) fees.

A new survey by the Consumer Federation of America (CFA), states the nation's largest banks have increased the fee per overdraft occurrence and are more frequently charging additional fees if a customer's account remains overdrawn for several days.

Overdraft fees are most typically triggered by debit card transactions and ATM withdrawals that could easily be denied for no fee. The FDIC found that nearly three-quarters of its banks' service charge income was the result of overdraft and NSF fees.

Abusive overdraft charges target vulnerable customers: low-income, single, non-white, and renters; who repeatedly overdraw their account.

CRL has also found that approximately 80 percent of consumers would rather have their debit card transaction denied than have it covered for a fee, whether the transaction is for $5 or $40.

Based on FDIC data, banks and credit unions collected nearly $24 billion in overdraft fees in 2008. Overdraft fee income for banks and credit unions rose 35 percent from 2006 to 2008.

In response to the harm to consumers caused by abusive overdraft programs, Senator Dodd and Congresswoman Maloney each have introduced legislation that would curb overdraft fees, signaling a growing discontent with the practice.

Resolved:

That the shareholders request the Board of Directors to complete a report to shareholders, prepared at reasonable cost and omitting proprietary information by November 2010, evaluating overdraft policies and practices and the impacts these practices have on borrowers.

Supporting Statement:

In 2009, regulators approved credit card reforms that will limit banks' ability to raise fees and interest rates and require greater disclosure about costs. Banks also will have to give customers the choice to opt into over-the-limit fees for credit cards. However, credit card laws do not address debit cards and other banking transactions. It is increasingly important that banks take proactive actions to address abusive overdraft charges that target vulnerable customers; especially in light of pending legislation.

Proposals on both environmental and social reporting/disclosure

- dummy variable DSP taking the value of 1

- dummy variable DSPIN taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

-dummy variable DSOCP taking the value of 1

-dummy variable DSOCPIN taking the value of 1

-dummy variable DDENVP taking the value of 1

-dummy variable DDSOCP taking the value of 1

https://www.sec.gov/Archives/edgar/data/320193/000110465907028382/a07-9991_1def14a.htm

Proposal on social, environmental and governance reporting

- dummy variable DSP taking the value of 1

- dummy variable DSPIN taking the value of 1

For sub dimensions

-dummy variable DENVP taking the value of 1

-dummy variable DENVPIN taking the value of 1

-dummy variable DSOCP taking the value of 1

-dummy variable DSOCPIN taking the value of 1

-dummy variable DDENVP taking the value of 1

-dummy variable DDSOCP taking the value of 1

https://www.sec.gov/Archives/edgar/data/884217/000104746913005807/a2214887zdef14a.htm#di49901_shareholder_proposal_regarding__sha03200

Corporations recognize the value of sustainability reporting. Evidence of this can be seen in the large increase in the number of reporters in recent years. According to the Governance & Accountability Institute, 19% of S&P 500 companies published at least one sustainability report during the reporting periods 2006 to 2010. Yet by May 2012, more than one-half, or 53% of S&P 500 companies had issued a sustainability report.

Our company is a leading merchandiser for the corporate and retail apparel markets, operating a central distribution center near the gulf coast, and more than 1000 stores in the U.S. and U.K each averaging 3,000 to 9,700 square feet. Absent disclosures regarding policies and practices aimed at addressing ESG impacts of its operations, investors are limited in their ability to understand related business risks and opportunities.

RESOLVED:

Shareholders request the Board of Directors issue an annual sustainability report describing The Men's Wearhouse's short-and long-term responses to ESG-related issues. The report should include, where feasible, objective statistical indicators and goals relating to each issue, be prepared at a reasonable cost, omit proprietary information, and be made available to shareholders by December 15, 2013.

Table of Contents

Proponent's Supporting Statement

The report should address relevant policies, metrics and goals on topics such as: greenhouse gas emissions, water and wastewater management, waste minimization, energy efficiency, vendor standards, and other relevant environmental and social impacts. We recommend the Company use the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. The GRI is an international organization developed with representatives from business, environmental, human rights and labor communities. The Guidelines provide a flexible reporting system that allows the omission of content irrelevant to company operations.

The Company's Statement in Opposition

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Company and those who work for it strive every day to provide world-class service to our customers and to each other. This vision of world-class service is the foundation of our business and has roots in the view of George Zimmer, as founder, that a great enterprise is good to all of its stakeholders – employees, customers, vendors, the communities we work in and our shareholders. Therefore, the Company has a long history of dedication to good corporate citizenship and social responsibility – environmental, social, charitable and otherwise. In addition, the Board recognizes the importance, as both an ethical and business responsibility, of addressing the environmental and social impact of the Company's business. The "Corporate Responsibility" section of our website at www.menswearhouse.com provides information about our ESG efforts, organized around the following subjects: Creating a Better Workplace, Building a Better Community and Working Toward a Better Environment. We invite you to visit our website to learn more about what the Company is doing to help sustain our workplace, our community and our environment.

While we recognize the importance of environmental, social and governance considerations, and while we strive to conduct our business in a socially responsible manner, we do not believe that preparing and maintaining a sustainability report as proposed would provide sufficiently meaningful benefit to management or provide sufficiently useful additional information to our shareholders and investors to justify its cost. The Company and our Board of Directors take the issues raised very seriously, but believe that conducting a special review of environmental, social and governance practices for the purpose of preparing an additional report to shareholders would not be a prudent use of our human and financial resources, nor are such expenditures in the best interest of our shareholders. The recommended Sustainability Reporting Guidelines published by the Global Reporting Initiative are complex and voluminous (over 45 pages in length, over 190 pages including appendices) and appear to be generally more appropriate for global companies with significant global environmental footprints; therefore, the Company does not see the benefit of relying on these guidelines given the nature of the Company's business. A report prepared in accordance with these guidelines would require detailed scientific and technical analyses and most likely require the employment of consultants with specialized expertise, diverting financial resources and personnel from the Company's business and operations without, in our opinion, providing any meaningful or demonstrable benefit to our stakeholders.

The Board believes that the Company's proxy statement, other public filings, news releases and our website already provide a comprehensive, wide-ranging and transparent report on our environmental, social and governance business practices. The requested report will provide no meaningful additional environmental, social or governance benefits beyond our current policies, practices and initiatives, and no meaningful additional benefit to our shareholders, employees or the communities in which we operate. We believe our time, efforts and finances would be better used in the continuation of our existing policies and initiatives.

FOR THESE REASONS, THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "AGAINST" APPROVAL OF THE PROPOSAL REGARDING ANNUAL SUSTAINABILITY REPORTING BY THE COMPANY.