

On the Road to Better Governance: Private Meetings and Mutual Fund Voting

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August 2022

Abstract

We study whether private interactions between firms and mutual funds during non-deal roadshows (NDRs) influence governance behavior. Funds headquartered in the city where the firm conducts an NDR are more likely to download proxy statements. They are also more likely to vote with management on contentious proposals, and their voting is perceived by the market as value increasing, particularly when ISS issues “one-size-fits-all” recommendations. Further, high aggregate NDR ownership is associated with a smaller proportion of contentious proposals where management issues value-destroying recommendations. Collectively, the evidence is consistent with “behind-the-scenes” engagement between firms and investors resulting in improved governance outcomes.

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1 Introduction

Anecdotal and survey evidence suggests that private interactions with management are an important governance tool used by institutional investors. For example, in their survey of institutional investors, McCahery, Sautner, and Starks (2016), find that “discussions with top management” is ranked as the number one shareholder engagement measure, significantly ahead of voting against management or exiting positions by selling shares. Although private communications between investors and firms are quite common, these interactions are typically unobservable. As a result, little systematic evidence exists on the impact of private meetings on corporate governance.

Proponents of private meetings argue that such meetings can improve governance by facilitating the flow of value-relevant information. For example, investors could use private engagements to express governance concerns and steer firms towards better governance practices. Similarly, discussions with management may make institutional investors less prone to blindly follow the recommendations of proxy advisor firms such as Institutional Shareholder Services (ISS), who may issue “one-size fits all” recommendations (Iliev and Lowry, 2015; Larcker, McCall, and Ormazabal, 2015). However, a more skeptical view is that private meetings result in conflicts of interest and quid-pro-quo arrangements. For example, there is some evidence that firms may provide greater management access to financial market participants that are more “friendly” towards management (Mayew, 2008). Thus, funds that wish to continue to have management access in the future may choose to support management even when such support does not maximize firm value.

In this paper, we offer a first look at the relationship between private meetings and mutual fund governance for a broad cross-section of firms and funds. To identify private meetings, we collect a sample of more than 40,000 non-deal roadshows (NDRs) over the 2013-2019 sample period from the TheFlyOnTheWall.com (FLY). NDRs involve one-on-

one meetings between corporate managers and institutional investors, held at the offices of the institutional investor. Existing survey and empirical evidence suggest that they are an important communication channel between firms and investors. For example, Brown, Call, Clement, and Sharp (2019) poll investor relations officers and find that NDRs rank as the 2nd most valuable form of investor outreach just behind earnings conference calls (and ahead of press releases, phone calls, sell-side analysts, 10-K/10-Q/8-K filings, on-site visits, media, management forecasts, and informal settings such as golf and social media). In addition, Bradley, Jame, and Williams (2022) show that institutional investors headquartered in the same location as the NDR trade the firm's stock heavily and profitably during the NDR quarter, consistent with NDRs facilitating information flow between managers and investors.

We first explore whether private meetings with management during NDRs are associated with increased attention to corporate governance. Following Iliev, Kalodimos, and Lowry (2021), we measure investors' attentiveness to governance based on their downloads of proxy filings in EDGAR. We find that mutual funds headquartered in the city where the firm conducts an NDR are significantly more likely to download the firm's proxy statements in the days surrounding the NDR. These results are robust to including a wide array of fixed effects including firm \times time, fund \times time, and firm \times fund fixed effects. The fraction of total EDGAR downloads that relate to governance issues (i.e., proxy downloads/total downloads) also increases around the NDR, and the effects are stronger among funds whose voting tends to be less correlated with ISS recommendations. This evidence is consistent with governance issues being an important topic of discussion during NDRs, particularly among actively voting funds.

We next turn to mutual fund voting behavior. Our sample includes more than 1 million fund votes on 3,609 contentious proposals. Our key variable of interest is *NDR*, which is an indicator equal to one if the fund is headquartered in a city where the firm conducted an NDR in the past year. The granular nature of both NDR activity and the voting data

enables us to include a rich set of fixed effects, such as proposal fixed effects and fund \times year fixed effects. Proposal fixed effects, which absorb firm \times time fixed effects, control for important firm and proposal attributes including the selection of which (and when) firms chose to host NDRs and the quality of the proposal, and fund \times time fixed effects control for important (time-varying) fund attributes such as a fund's friendliness towards management or the fund's attentiveness to corporate governance. Thus, we identify the impact of private meetings on voting by exploiting variation in *NDR* across funds for the same proposal, as well as variation in *NDR* across firms in a particular fund's portfolio during a given year.¹

We find that NDR funds are significantly more likely to vote with management (or equivalently to vote against ISS). The effect is significantly stronger among institutions that have a large ownership stake in the firm, both in absolute terms and relative to institutions headquartered in the same city, consistent with firms' tendency to visit their biggest owners in the city (Bradley, Jame, and Williams, 2022).

NDR funds tendency to vote against ISS is consistent with more active and informed voting (Iliev and Lowry, 2015). However, an alternative view is that NDR funds vote to curry favor with management for their own private benefits at the expense of shareholder value. To distinguish between these explanations, we examine whether NDR fund support for management is concentrated in management recommendations that are perceived by the market as either value enhancing (good management recommendations) or value destroying (bad management recommendations). Consistent with informed voting, we find that NDR fund support for management is concentrated in good management recommendations. In particular, the coefficient on *NDR* is 2.29% for all good management recommendations, which reflects a roughly 6% increase relative to the mean of 42% support for management. In contrast, the estimate for bad management recommendations is an insignificant 0.34%,

¹It is, of course, still possible that firms chose to visit funds based on other unobservable factors that may be correlated with a fund's voting behavior. We find little evidence that firms target funds that have been more supportive of either good or bad proposals in the past, which is inconsistent with this view.

and the difference between the two estimates (1.96%) is statistically significant. Further, this difference increases to 3.98% when we limit the sample to votes in the bottom and top 10% of abnormal returns, which suggests that the effects are particularly strong among proposals that have the largest value implications for the firm.

We also examine NDR fund voting in the years prior to and after the NDR. We find no evidence that NDR funds are more likely to support good management recommendations in the years prior to the NDR, which is inconsistent with firms simply being more likely to visit funds that tend to be more informed about the quality of their specific proposals. We also find that NDR funds' support for good management recommendations peaks in the year immediately following the NDR and steadily declines over longer horizons, which suggests that private meetings primarily convey information that is relevant for the upcoming shareholder meeting.

In the cross-section, we find the informativeness of NDR fund voting is concentrated in proposals where ISS tends to issue "one-size-fits-all" recommendations and in proposals initiated by management (rather than shareholders). These findings are consistent with NDRs having a more pronounced impact on voting when proxy advisor recommendations are less informative and when management is able to convey more information about proposal quality. The effects are also stronger among funds who are less reliant on proxy advisor recommendations, which suggests that NDRs have a larger impact when funds are more willing to conduct independent research about proposal quality. Moreover, the economic magnitudes are much larger among funds that have significant ownership stakes. For example, among funds with large ownership stakes voting on "one-size-fits-all" recommendations, the coefficient on *NDR* is 9.80% for good management recommendations, which reflects a roughly 23% increase in support for management.

In our final test, we examine the broader consequences of private meetings for the quality of management's recommendation in contentious proposals. Investors may use private

meetings to express governance concerns that steer firms towards offering fewer controversial proposals, particularly when such proposals are value destroying. Consistent with this view, we find that high aggregate NDR ownership is associated with a significant decline in contentious proposals where management’s recommendation is value destroying (i.e., *bad* contentious proposals). In contrast, we find a positive relationship between aggregate NDR ownership and the percentage of *good* contentious proposals.

Our findings contribute to a growing literature that examines how mutual funds influence corporate governance through their voting behavior. Prior work finds that voting decisions are impacted by business and social connections (Davis and Kim, 2007; Gurun and Butler, 2012; Cvijanović, Dasgupta, and Zachariadis, 2016; Calluzzo and Kedia, 2019), peer effects (Matvos and Ostrovsky, 2010), proxy-advisor recommendations (Iliev and Lowry, 2015), capital-gains lock-in (Dimmock, Gerken, Ivković, and Weisbenner, 2018), cross-ownership (Matvos and Ostrovsky, 2008; He, Huang, and Zhao, 2019), investor ideology (Bolton, Li, Ravina, and Rosenthal, 2020), and the funds’ focus on active versus passive investment strategies (Farizo, 2021; Heath, Macciocchi, Michaely, and Ringgenberg, 2022). We extend this literature by offering a first look at the impact of private meetings with management on fund voting.

More generally, our findings highlight the systematic and widespread importance of private meetings in influencing corporate governance. Our findings extend prior work that relies on surveys (McCahery, Sautner, and Starks, 2016) or single-fund case studies (Carleton, Nelson, and Weisbach, 1998; Becht, Franks, Mayer, and Rossi, 2010; Dimson, Karakas, and Li, 2015) and provide support for theoretical models that emphasize the value of private communications as a governance mechanism (Levit, 2019).

Lastly, our findings add to the literature that explores the broader consequences of private meetings for both financial intermediaries and firms. Much of the literature finds that private meetings convey informational advantages, as evidenced by sell-side analysts issuing

more informative research (Green, Jame, Markov, and Subasi, 2014a) or institutional investors engaging in more informed trading (Solomon and Soltes, 2015). While this literature suggests that private meetings facilitate the flow of value-relevant information, relatively little is known about what type of information is discussed during private meetings, and existing anecdotal evidence typically emphasizes that investors look for subtle clues (e.g. body language, tone, etc.) that help them forecast changes in business operations.² In contrast, our evidence suggests that private meetings also allow institutional investors and managers to become more informed about proposal quality. From the firm’s perspective, prior work suggests that private meetings can add value by improving liquidity or lowering the firm’s cost of capital (Green, Jame, Markov, and Subasi, 2014b). Our findings suggest that private meetings can also enhance firm value by increasing the likelihood that value-enhancing proposals pass and by steering management towards issuing higher-quality proposals.

2 Data and Descriptive Statistics

2.1 Non-Deal Roadshow Data

Following Bradley, Jame, and Williams (2022), we collect data on non-deal roadshows (NDRs) from TheFlyOnTheWall.com (FLY). Since firms are not required to disclose information on NDRs, FLY relies on a variety of non-public sources including connections with the brokerage firms that frequently organize the NDR, to obtain information on NDRs. Bradley, Jame, and Williams (2022) estimate that roughly one-third of all NDR activity is captured by FLY. They also find that the sample is generally representative of aggregate NDR activity with the exception that the sample tends to skew towards NDRs organized by certain brokerage firms (e.g., JP Morgan and Deutsche Bank).

²See, for example, <https://www.wsj.com/articles/how-some-investors-get-special-access-to-companies-1443407097>

We capture the firm, the date(s), and the location(s) for all NDRs on FLY from 2013, the first full year for which FLY reports NDR data, through 2019.³ We limit the sample to NDRs on common stocks (share codes 10 and 11), and we require that the NDR destination is a US city. Our final NDR sample includes 29,649 NDRs. The sample includes 3,437 firms across 44 cities. The five most common NDR destinations in the sample are: New York (27% of all NDRs), Boston (16%), San Francisco (9%), Chicago (8%), and Los Angeles (5%).

2.2 Mutual Fund Voting Data

We obtain mutual fund voting data from 2013 through 2019 from the Institutional Shareholder Services (ISS) Voting Analytics database. The unit of observation is the mutual fund vote on each proposed agenda item (hereafter: proposal \times mutual fund vote). For each observation, we observe how the fund voted, the issue voted upon (e.g., director election, a compensation-related proposal, etc.), the management recommendation, the ISS recommendation, the vote outcome, and the date of the vote. We merge the ISS voting data with the CRSP stock database by CUSIP and with the CRSP Mutual Fund database by fund and fund family name. We use the CRSP stock database to collect information on the firm's stock return and the CRSP Mutual Fund Database to collect the fund's headquarter location, the fund's holdings, and the fund family's holdings. We also merge the voting data with the NDR data by both firm and city location.

In many tests, we split the sample into proposals where management's recommended voting position is perceived by the market as value increasing (*Good Mgmt Rec*) or value destroying (*Bad Mgmt Rec*). Following Gao and Huang (2021), we measure the markets' perception of proposal quality using the market-adjusted abnormal return over a 12-day window around the vote (from day -1 to + 10, with day 0 being the date of the vote). We

³Appendix Table IA-1 provides a snapshot of the NDR data collected for one firm for the first and last year of the sample.

classify a *good* management recommendation as a recommendation in which management wins and the market reaction is positive, or management losses and the market reaction is negative. All other recommendations are considered *bad* recommendations. Since the market reaction is likely to be more accurate for proposals in which there is greater uncertainty regarding the vote outcome (Cunat, Gine, and Guadalupe, 2012), we limit the sample to contentious proposals, defined as proposals where ISS and management disagree, and the proposal passes or fails by a margin of 20% or less.

Appendix Table IA-2 provides a list of the 10 most common types of contentious proposals found in the sample. The most common management-sponsored proposals include ratifying executive compensation (21% of the sample), electing a director (10%), and approving an omnibus stock plan (4%). The most common shareholder-sponsored proposals include proposals to act by written consent (9%), proposals to call special meetings (8%), and proposals requiring an independent chairman (7%).

In the voting tests, the key dependent variables is *Vote with Mgmt*, an indicator equal to one if the fund voted with management (or equivalently against ISS) and zero otherwise. Our independent variable of interest is *NDR*, an indicator equal to one if the firm initiating the proposal visited the city where the fund is headquartered within the past year. Panel A of Table 1 provides summary statistics for the sample of contentious votes. The sample contains 1,141,041 proposal \times mutual fund vote observations. In 42.2% of all observations the fund votes with management, and in 9.8% of all observations the fund that is voting is headquartered in a city that was visited by the firm in the past year (i.e., $NDR = 1$). We also report summary statistics conditional on management issuing good versus bad recommendations. We find that the average fund is roughly equally likely to support good versus bad proposals (42.2% versus 42.3%). This finding is consistent with Gao and Huang (2021), who find that, on average, mutual funds are not skilled at discerning proposal quality.

Although our primary focus is on whether private meetings with management at NDRs

influence voting behavior (Section 4), in Section 5 we also consider whether aggregate NDR ownership influences the quantity of contentious proposals on the meeting agenda or the quality of the management’s recommendations on contentious proposals. *NDROwn* is defined as the percentage of shares outstanding held across all mutual funds for which *NDR* equals 1, and *% Contentious* is the percentage of items on the meeting agenda that are classified as contentious. We also partition *% Contentious* into contentious proposals where management’s recommendation is viewed as value enhancing ($\% \textit{Contentious} \times \textit{Good Mgmt Rec}$) or value destroying ($\% \textit{Contentious} \times \textit{Bad Mgmt Rec}$), respectively. The summary statistics, reported in Panel B of Table 1, indicate that at the average meeting, roughly 5.5% of a firm’s shares are held by NDR mutual funds, 3.6% of items on the agenda are contentious, and management’s recommendation are viewed as value enhancing for roughly 45% (1.6%/3.6%) of the contentious proposals.

2.3 EDGAR Data

We collect data on institutional investors’ downloads of SEC filings from EDGAR. When a company filing is requested on EDGAR, the server log files record information about the file requested (e.g., the 10Q of company ABC), the date of the request, and the first nine-digits of the IP address of the computer making the request.⁴ Our starting sample includes the 50 largest institutional investors with headquarters in one of the 44 cities in the NDR sample. We collect the IP address for each institutional investor from MaxMind, which provides historical mappings of organizations to IP ranges, and we assign a download to the institutional investor if the first 9-digits of the IP address in the EDGAR log files match the first 9-digits of any of the investor’s IP addresses as reported in MaxMind. We measure

⁴For example, the log files might report the IP address as “195.175.180.abc” where “abc” refers to a number between 0 and 255. The incomplete IP address is unlikely to be a major issue for two reasons. First, many large fund families register for the full block of possible IP addresses (i.e., 0 through 255). Second, even if the fund only registers for a portion of the 0 to 255 range, the other registered owners are typically not part of the financial industry and thus would have little reason to download SEC filings.

downloading activity at a daily frequency. We limit the sample to January 2013 (the starting date of the NDR data) through June of 2017 (the ending date of the EDGAR data). The cross-section of stocks includes 2,964 firms that conducted at least one NDR during the 2013-2017 sample period, and the cross-section of institutions includes 25 institutional investors that downloaded at least one governance form over the sample period. To make the sample size more manageable, we limit the sample to firm-days for which an NDR has occurred within the past 60 days or will occur within the next 60 days [i.e., -60, +60]. Our final sample includes 32,790,320 institution \times firm \times day observations.

We create two variables to measure an investor's attention to corporate governance. The first, *Governance Download*, is an indicator equal to one if the institutional investor downloaded at least one proxy statement (e.g., form DEF14A) for the firm during the day, and zero otherwise. The second, *Governance Ratio*, is the total number of proxy statements downloaded by an institutional investor for a firm-day, scaled by their total number of downloads for the firm-day across all EDGAR forms (e.g., 10-Qs, 10-Ks, etc.). If the investor had zero downloads for the firm-day, we set *Governance Ratio* equal to zero. Thus, *Governance Download* captures whether the fund is paying any attention to corporate governance, while *Governance Ratio* measures the fund's attention to corporate governance relative to its attention to other aspects of the firm, such as its recent financial performance. Finally, our independent variable of primary interest in this analysis, *NDRDay*, is an indicator equal to one if the firm visits the city in which the institution is headquartered on that day.

Panel C of Table 1 provides summary statistics for the EDGAR download sample. We find that the likelihood that an investor downloads a governance form for a given firm-day is 0.43%, and the mean of *Governance Ratio* for the full sample is 0.22%. However, if we condition on the firm downloading at least one EDGAR form of any type, the estimate increases to 10.18%. This suggests that a meaningful fraction of all EDGAR forms downloaded by institutional investors are related to corporate governance.

3 NDRs and Investor Attention to Governance

Anecdotal evidence suggests that firms view NDRs as a valuable way to communicate with institutional investors. For example, in a survey of investor relations officers (IROs) at 610 public companies, Brown, Call, Clement, and Sharp (2019) find that NDRs rank as the second most important disclosure channel for conveying the firm’s message to institutional investors (behind only earning conference calls). Similarly, the growing evidence that institutional trading is more informative after an investor meets with a firm during an NDR (Solomon and Soltes, 2015; Bushee, Gerakos, and Lee, 2018; Bradley, Jame, and Williams, 2022) suggests that NDRs facilitate the flow of value-relevant information from firm managers to employees at the fund. However, relatively little known is about what firms discuss and with whom they meet with during the NDR. If management uses NDRs to focus primarily on the firm’s business operations (e.g., discussions of recent earnings reports) and meet only with fund employees responsible for making trading decisions (e.g., analysts and fund managers), then there would be little reason to expect a systematic relation between NDR activity and governance. However, recent anecdotal evidence points to the possibility that NDRs often emphasize governance related issues. For example, Lex Suvanto, the managing director of financial communications at Edelman, writes,

“A growing trend in investor relations is the “governance roadshow”, in which companies engage directly with the governance experts within their institutional investors. The objective is to improve communication and mutual understanding around governance topics and increase the chances of a favorable vote if and when a contentious issue arises. Some companies are also stepping up these activities during and after a difficult governance issue, such as an unfavorable “Say-on-Pay” advisory vote, in order to bridge relationships and improve voting outcomes the

following year”.⁵

In this section, we examine the relation between NDRs and investor attention to corporate governance by investigating whether institutional investors headquartered in the same city where a firm conducts an NDR are more likely to pay attention to corporate governance, as measured by their downloads of proxy statements on EDGAR (Iliev, Kalodimos, and Lowry, 2021). Specifically, we estimate the following panel regression:

$$\begin{aligned} \text{Governance Download}_{f,i,t} = & \beta_1 \text{PreNDR}_{f,i,(t-5,t-1)} + \beta_2 \text{NDRDay}_{f,i,t} \\ & + \beta_3 \text{PostNDR}_{f,i,(t+5,t+1)} + FEs + \epsilon_{f,i,t} \end{aligned} \quad (1)$$

where *Governance Download* is an indicator variable that equals 1 if fund family *f* downloads at one least proxy statement for firm *i* on day *t*. The key variable of interest, *NDRDay*, equals 1 if firm *i* conducted an NDR in fund family *f*'s headquarter city on day *t*. Since we expect that funds may also increase their attention to corporate governance in preparation for the meeting and following the meeting, we also include indicators for the five trading days prior to the NDR (*PreNDR*) and the five trading days after the NDR (*PostNDR*). FEs denotes a rich set of fixed effects that we introduce across the models, including firm \times day, fund family \times day, and fund family \times firm \times month fixed effects. The unit of observation is a fund family-firm-trading day, and we cluster standard errors by firm.⁶

Panel A of Table 2 reports the results. In model 1, we report the estimates prior to including any fixed effects. In model 2, we add firm \times day fixed effects which controls for time-varying heterogeneity in downloads across firms (e.g., downloading activity tends to be greater for larger firms or right before a firm holds its shareholder meeting). Model 3 augments model 2 by including fund family \times day fixed effects which helps control for

⁵https://www.huffpost.com/entry/governance-roadshows-adde_b_6506478

⁶Alternative clustering approaches, including clustering by both firm and day or by both firm and fund family, lead to similar conclusions.

time-varying heterogeneity in downloading activity at the fund family level (e.g., larger fund families tend to pay more attention to corporate governance or a given fund family has increased its attention to corporate governance over time). Finally, in model 4, we add fund family \times month \times firm fixed effects which controls for time-varying fund family characteristics that vary across firms (e.g., fund families tend to pay more attention to their largest holdings which can vary over time). While the inclusion of fund family \times firm \times month fixed effects in model 4 is very helpful in controlling for unobserved heterogeneity, if NDR activity has a relatively long-lived impact on investors' attention to corporate governance, then the estimates from model 4 will likely understate the true effects of NDRs on investor download activity.

Across all four models, we find that the coefficient on *NDRDay* is positive and significant. For example, in model 4, the coefficient on *NDRDay* is 0.09%, indicating that fund families whose headquarter city was visited by the firm on that day are 20% more likely to download a proxy form (relative to the sample average of 0.43%). Also using EDGAR download data, Iliev, Kalodimos, and Lowry (2021) estimate that firms with a recent 13-D Filing, a merger filing, or a proxy contest filing experience an 8 to 17% increase in governance downloads, suggesting that NDRs induce at least as much attention to governance as other major governance-related events. We also find that the coefficient on *PreNDR* is significant across all four models, consistent with fund families increasing their attention to corporate governance in anticipation of the NDR. Finally, we find modest evidence of increased investor attention to governance in the week following the NDR. In particular, the coefficient on *PostNDR* is significant in models 1 - 3 but falls to zero in model 4.

One concern is that fund families mass download all EDGAR forms, including governance forms, around the meeting day, even if the fund family has no intention of discussing governance-related topics. To explore the importance of governance topics relative to other topics, in Panel B of Table 2, we replace *Governance Download* with *Governance Ratio*,

defined as the total number of proxy statements downloaded by an institutional investor for a firm-day, scaled by the total downloads across all EDGAR forms (e.g., 10-Qs, 10-Ks, etc.). Across all four models, we find that the coefficient on *NDRDay* (and *PreNDR*) is statistically significant. This finding is consistent with governance topics being a relatively important area of discussion during NDRs.

Iliev and Lowry (2015) find that over 25% of funds rely almost entirely on Institutional Shareholder Services (ISS) recommendations when making voting decisions (hereafter: inactive voters). We expect that governance-related discussions during private meetings are likely to be much less prevalent among inactive voters since they are unlikely to deviate from the ISS recommendation. To test this prediction, each year we rank fund families into quartiles based on the percentage of times the fund disagreed with ISS on a contentious item. We define a fund family as an *inactive voter* if it is in the bottom quartile of active voting in the prior calendar year, and all other fund families are classified as *active voters*. We find that inactive voters disagree with ISS in roughly 1% of contentious votes, while active voters disagree with ISS in roughly 45% of all contentious votes.

We next repeat the analysis in Table 2 after including *Active Voter* and interacting *Active Voter* with *PreNDR*, *NDRDay*, and *PostNDR*. The results are reported in Table 3. We find that *Active Voter* is highly significant, consistent with active voters engaging in more governance research. We also find that this effect is amplified around NDRs. For example, the coefficient $NDRDay \times Active\ Voter$ is statistically significant in all four models (in both Panels A and B). In contrast, the coefficient on *NDRDay* is generally statistically insignificant, indicating that NDRs are not associated with an increase in governance research for funds that rely heavily on ISS recommendations.

4 NDRs and Fund Voting

4.1 NDRs and Fund Voting - Baseline Results

In this section, we examine how private meetings with management during NDRs influence fund voting in shareholder meetings. Specifically, we estimate the following linear probability model:

$$Vote\ with\ Mgmt_{f,i,t,p} = \alpha + \beta_1 NDR_{f,i,t} + \gamma \mathbf{X}_{f,i,t} + FEs + \epsilon_{f,i,t,p} \quad (2)$$

where *Vote with Mgmt* is an indicator variable that equals 1 if fund f voted with firm i 's management on proposal p at the shareholder meeting in year t .⁷ The key variable of interest, *NDR*, equals 1 if firm i conducted an NDR in fund f 's headquarter city in the 365 days preceding the meeting day. The most important controls in the regression come from a series of fixed effects that we introduce across models in the table, including proposal, and fund \times year fixed effects.⁸ Finally, \mathbf{X} controls for the fund and fund family's ownership in the firm as of the quarter prior to the shareholder meeting. We convert fund ownership and family ownership to quartile rankings relative to all other funds voting at the firm's shareholder meeting, and we include separate indicators for each quartile. The unit of observation is a fund-firm-year-proposal, and we cluster standard errors at the shareholder meeting level. The results are similar if we cluster by both shareholder meeting and fund.

Table 4 reports the results. In model 1 we present univariate estimates. The coefficient on *NDR* is 2.53% (t-stat = 3.30), suggesting that funds whose headquarter city was visited

⁷Voting with management in these cases is often referred to as *active voting*, as management and ISS disagree on each proposal in the sample by construction.

⁸We chose not to include fund \times firm fixed effects in our main analysis for two reasons. First, the test eliminates all firms that issue a contentious proposal at only one meeting in the sample (43% of the firm in the sample). Second, if NDRs have an impact on how the fund views proposals over longer horizons (e.g., by increasing the fund's confidence in the CEO), then the inclusion of fund \times firm fixed effects will understate the true impact of NDRs on voting outcomes. In Table 7, we explore the impact of NDRs over various horizons, and we also report the results from specifications that include fund \times firm fixed effects.

by the firm in the year before the shareholder meeting are approximately 5% more likely to vote with management (relative to the baseline average of 42%). In model 2 we add proposal fixed effects, which effectively compares across funds voting on a specific agenda item for a specific firm, at a specific time. Thus, these fixed effects control for any omitted firm, time, and agenda item effects that could confound the analysis, such as factors affecting the firm’s choice to hold an NDR in the first place. Including proposal effects reduces the effect size somewhat, but the estimate remains statistically significant (t-stat = 3.77). In model 3 we add fund \times year fixed effects to control for all omitted factors at the fund level at any particular time (e.g., fund size, fund turnover, etc.) and we continue to find a positive and significant effect for NDRs. This means that across all of fund f ’s contentious proposal votes in year t , the fund is more likely to vote with management if management visited fund f ’s city that year compared to firms where management did not visit fund f ’s city. We additionally control for fund and family ownership stake in the firm in model 4. We find that the coefficients on the ownership rank variables are positive and significant (untabulated), however, their inclusion has no impact on the estimated effect of NDRs. Overall, the results are consistent with the notion that private meetings with management during NDRs help align funds’ and managements’ positions on contentious issues.

4.2 NDRs and Fund Voting - Large versus Small Owners

Firms are unlikely to meet with all institutions headquartered in the city during an NDR. In particular, the larger cities that are most heavily represented in our sample tend to be home to dozens of fund families. An NDR meeting with an investor typically lasts one hour (Park and Soltes, 2018), and in most cases a firm only spends one day (or even less) in a particular city. Existing work suggests that firms are more likely to privately meet with fund families who have a large ownership stake in the firm (Solomon and Soltes, 2015; Bradley, Jame, and Williams, 2022). Accordingly, we expect that the NDR variable is more likely to

truly capture a private meeting, and thus have a greater effect on voting outcomes, for funds belonging to families that have a large ownership stake in the firm.

We consider three measures of ownership size. The first measure, *Large Absolute Ownership*, is an indicator equal to one if the fund family's ownership stake in the firm is above the median relative to all funds voting at the shareholder meeting. The second measure, *Large Relative Ownership*, is an indicator equal to one if the fund family is one of the top three owners relative to all other funds headquartered in the same city. Finally, *Large Absolute and Relative Ownership* is an indicator equal to one if both *Large Absolute Ownership* and *Large Relative Ownership* are equal to one. We believe *Large Absolute and Relative Ownership* is likely to be most strongly related to NDR attendance since *Large Absolute Ownership* may not be a very strong predictor of NDR attendance in larger cities (e.g., New York) where there are many fund families vying to meet with the firm, and *Large Relative Ownership* may not be a very strong predictor of NDR attendance in smaller cities where all the fund families may have economically small ownership stakes. Among NDR funds, 64% are classified as *Large Absolute Owners*, 55% are classified as *Large Relative Owners* and 48% are classified as *Large Absolute and Relative Owners*.

We repeat model 4 of Table 4 after partitioning *NDR* into NDR funds with large and small ownership stakes, and we also include a control for the large ownership stake. Models 1, 2, and 3 of Table 5 report the results where the ownership measure is *Large Absolute Ownership*, *Large Relative Ownership*, and *Large Relative and Absolute Ownership*, respectively.⁹ In all three models, we find that *NDR* is highly significant for the funds classified as large owners, while *NDR* is insignificant for the funds classified as small owners. For example, in model 3 we find that the coefficient on $NDR \times \text{Large Relative and Absolute Ownership}$ is 2.38%, which reflects an 80% increase relative to the baseline estimate in model 4 of Table 5 of 1.31%. These findings are consistent with firms being more likely to meet privately with

⁹Note, *Large Absolute Ownership* is absorbed by the family ownership quartile rankings.

funds that have a larger ownership position.

4.3 Informed Voting or Conflicts of Interest?

NDR funds are more likely to vote with management and against ISS in contentious proposals. This pattern is consistent with private meetings conveying governance information to the fund, and the finding provides support for Iliev and Lowry (2015) and Malenko and Malenko (2019) who argue that funds should be more likely to vote actively when the fund is more informed.

However, an alternative view is that NDR funds vote with management not because they are more informed about the right governance decisions for shareholders, but rather because NDRs give funds some other benefit that makes them more willing to align themselves with management's voting interests. For example, since NDRs help funds make more profitable trading decisions, a fund may be willing to vote with management, even for low-quality proposals, in exchange for continued access to management.

To help disentangle these competing hypotheses, we repeat model 4 of Table 4 after splitting the sample into proposals where management's recommended voting position is perceived by the market as value increasing (*Good Mgmt Rec*) or value destroying (*Bad Mgmt Rec*).¹⁰ Models 1 and 2 of Table 6 report the results for good and bad management recommendations, respectively. We find NDR funds support for management is a highly significant 2.37% for good management recommendations, which reflects a roughly 6% increase relative to the sample mean of 42%. In contrast, the estimate for bad management recommendations is economically small (0.10%) and statistically insignificant.

As discussed in the previous section, we expect that the effects of NDRs should be larger

¹⁰In roughly 19% of the meetings in our sample (532 out of 2,822) there are multiple contentious proposals on the meeting agenda. In our main analyses, we retain the full sample of contentious proposals and assign the same market return to each proposal. In Table IA-5 of the Internet Appendix we confirm that the results are very similar if we either limit the sample to the most contentious proposal at each meeting (as measured by the absolute pass margin) or limit the sample to meetings with only one contentious proposal.

among firms that have greater ownership positions in the firm. Thus, we repeat models 1 and 2 again for the subset of funds with large ownership positions as measured by either *Large Absolute Ownership*, *Large Relative Ownership*, or *Large Absolute and Relative Ownership*. The estimated magnitudes are plotted in Figure 1 (with more detailed results reported in Table IA-4 of the Internet Appendix). The estimates from Figure 1 indicate that the coefficient on $NDR \times Good\ Mgmt\ Rec$ increases to a statistically and economically significant, 3.99% when we focus on NDR funds with both large absolute and relative ownership positions. In contrast, the estimates for $NDR \times Bad\ Mgmt\ Rec$ never exceeds 0.75% and are always statistically insignificant.

The large positive coefficient for proposals with good management recommendations is consistent with informed voting by NDR funds. However, a pure information story also predicts a significantly negative estimate on bad management recommendations, which we do not find. However, the asymmetric effect is unsurprising given management’s objectives. In particular, management has an incentive to convey significantly more information about proposal quality when they are able to make a more compelling argument, which would naturally lead to greater information flow for better management recommendations.

We also acknowledge that NDRs could result in some funds being more likely to vote for management for non-informational reasons, such as familiarity or conflicts of interest. Thus, we do not claim that NDR funds tendency to vote with management is being driven only for information reasons. Nevertheless, the fact that NDR funds exhibit greater support for good management recommendations relative to bad management recommendations suggests that information is one important contributing factor.

To more formally test whether NDR funds support for management is significantly greater for good versus bad management recommendations, in model 3 we include both good and bad management recommendations in one regression. We then partition NDR into $NDR \times Good\ Mgmt\ Rec$ and $NDR \times Bad\ Mgmt\ Rec$, and we test for whether the coefficient

estimates are significantly different from each other. We find that the estimate on $NDR \times Good\ Mgmt\ Rec$ is 2.29%, whereas the estimate on $NDR \times Bad\ Mgmt\ Rec$ is only 0.34%, and we confirm that the difference between the two estimates of 1.96% is significant.

One challenge in examining the market’s reaction to voting outcomes is that many voting results are already anticipated by the market or are likely to have relatively modest implications for firm value. To address this concern, we repeat the analysis on a subset of proposals that have the largest implications for firm value, defined as votes in the bottom and top 10% of returns. The results of this test, reported in model 4, yield qualitatively similar conclusions and larger point estimates. In particular, the estimate on $NDR \times Good\ Mgmt\ Rec$ increases from 2.29% in the baseline analysis to 5.09%, and the difference between the estimates for good and bad proposals increases from 1.96% to 3.98%.

A second challenge in interpreting the results is that price changes around voting may not be strongly correlated with broader notions of shareholder welfare. In particular, prices are heavily influenced by the trading decisions of the marginal investor (i.e., the investor who is just indifferent between buying and selling shares), whereas welfare is determined by the average shareholder. Building off this logic, Levit, Malenko, and Maug (2022) show that price reactions and shareholder welfare can move in opposite directions. They also note, however, that the divergence between share prices and welfare is less likely when the ownership base is more concentrated or when the stock is more liquid. Accordingly, in models 5 and 6, we repeat our analysis for the subset of stocks in the top quintile of the Herfindahl index of institutional holdings (a proxy for ownership concentration) or in the top quintile of share turnover in the prior year (a proxy for firm liquidity). In both models, the coefficient on $NDR \times Good\ Mgmt\ Rec$ and the difference between $NDR \times Good\ Mgmt\ Rec$ and $NDR \times Bad\ Mgmt\ Rec$ increases relative to the baseline estimates reported in model 3. While not definitive, these findings provide suggestive evidence that voting of NDR funds is not only more aligned with the views of the marginal investor in the firm, but also the views of the

average investor.

4.4 Voting Dynamics - pre and post NDR date

Although our baseline results include a rich set of fixed effects, it is still possible that NDRs capture omitted factors that also influence voting patterns. One particular concern is that firms are more likely to visit funds that generally tend to be informed about contentious proposals, in which case the positive relation between NDRs and fund voting for good management recommendations may not necessarily reflect the impact of private meetings with management.¹¹

We explore this concern in Table 7, where we examine the effects of the NDR in the periods prior to and following the NDR period. Model 1 contains proposal and fund \times year fixed effects as in previous analyses, and in model 2 we add fund \times firm fixed effects, which control for any confounding relationship specific factors that could be driving the relation between the firm's NDR visits and the fund's voting behavior. The latter model is effectively a difference in difference test where the relationship is the unit of observation, and the NDR is the treatment indicator. While the inclusion of fund \times firm fixed effects is helpful in eliminating alternative explanations, this test also suffers from relatively lower power since more than 40% of the firms in our sample have only one contentious proposal over the sample period.

In both models we include a series of NDR treatment indicators relative to the timing of the actual NDR, ranging from 2 years (and less) prior to the NDR to up to 3 years (and greater) following the NDR. $NDR(t)$ equals 1 when the observation is from the year of the

¹¹Even if firms do target more informed funds, this finding would still offer insight into the firm's motivation for conducting private meetings. In particular, targeting the most informed investors is consistent with firm's choosing to meet privately with funds that are the most likely to be persuaded by a genuinely good proposal. In contrast, if firms use private meetings to target funds that are the most willing to support lower-quality proposals, we may observe a correlation between private meetings and past support for value-destroying management recommendations.

NDR. $NDR(-k)$ equals 1 for observations in the k^{th} year preceding the NDR, and $NDR(k)$ equals 1 for observations in the k^{th} year following the NDR. This test is akin to testing for parallel trends between funds that get treated with an NDR and those that do not.¹²

Models 1 and 2 report the results for all proposals. The findings are qualitatively similar for both models. In particular, the coefficients measuring the effect of NDRs on voting prior to the actual NDR are close to zero and are statistically insignificant. This suggests the trends in voting with management are similar for both NDR and non-NDR funds leading up to the actual NDR, implying NDRs are not specifically targeted to funds that are more likely to vote with management. We also find the effect of the NDR on active voting is highest in the year of the NDR, although the estimate is not reliably different from zero for the model that includes fund \times firm fixed effects.

Models 3 and 4 present analogous results for the subset of good management recommendations. The patterns are similar except that the coefficients on $NDR(0)$ are amplified and the estimate is now reliably different from zero even after including fund \times firm fixed effects. In contrast, the estimates for proposals with bad management recommendations, reported in models 5 and 6, are never statistically significant.

Overall, the results from Table 7 are consistent with private meetings influencing voting behavior, yet only over a relatively narrow time window.¹³ These findings suggest that the information conveyed during NDRs is primarily relevant for the upcoming shareholder meeting. The results also help rule out the notion that the effect of NDRs on voting is being driven by omitted factors associated with the relationship between the fund and firm.

¹²Note that in model 2 the $NDR (<=-2)$ variable drops out of the regression due to the inclusion of fund \times firm fixed effects.

¹³We also examine the dynamics within the NDR year (see Appendix Table IA-3). We find modest evidence ($p < 0.10$) that the effects are stronger for NDRs that occur 0-6 months before the shareholder meeting relative to NDRs that occur 7-12 months before the meeting.

4.5 NDRs and Fund Voting - Heterogeneity in Information Flow

The majority of funds consider proxy advisor recommendations when making voting decisions (McCarehy, Sautner, and Starks, 2016). Accordingly, we expect that private meetings are likely to have a more pronounced impact on fund voting when management can offer information that is not reflected in the proxy-advisor’s recommendation. A common critique of proxy advisors is that their “one-size-fits-all” approach to governance often fails to take into account important differences across firms and frequently leads to sub-optimal recommendations (e.g. Coles, Daniel, and Naveen, 2008; Iliev and Lowry, 2015). Accordingly, we conjecture that private meetings might be particularly influential among proposals where proxy advisors tend to issue blanket recommendations. We also expect that private meetings will convey more information for management-sponsored proposals since managers are likely to be relatively more informed and in a better position to argue for their own proposals relative to shareholder-sponsored proposals.¹⁴

To test these predictions, we partition proposals into “one-size-fits-all” versus “other” and management-sponsored versus shareholder-sponsored. We classify a proposal type as receiving a “one-size-fits-all” recommendation if ISS almost always recommends voting for or voting against proposals of that type. Specifically, *One Size* is an indicator that equals one if the proposal up for vote belongs to a proposal type that was on the ballot of at least 50 companies during our sample period and ISS recommends voting for at least 95% of the time or recommends voting against as least 95% of the time. All other proposals are classified as *Other*. We find that 20% (80%) of the contentious proposals in our sample are classified as *One Size* (*Other*), and 43% (57%) of the proposals are *management-sponsored* (*shareholder-sponsored*).

To explore whether the impact of NDRs is more pronounced for “one-size” proposals,

¹⁴Managers can also modify their own proposals to better reflect the feedback that they receive during their meetings with investors, which could also result in greater support from NDR funds *ex-post*.

in Panel A of Table 8, we repeat model 4 of Table 4 after partitioning *NDR* into *NDR* \times *One Size* and *NDR* \times *Other*. Model 1 reports the results for the full sample of proposals. Consistent with our prediction, we find the impact of NDRs on fund voting is concentrated in one-size proposals. In particular, the coefficient *NDR* \times *One Size* is a statistically significant 3.17%, and the difference in the coefficient between *NDR* \times *One Size* and *NDR* \times *Other* is also economically large (2.23%) and marginally significant ($t = 1.82$). In models 2 and 3, we further split the sample into proposals with good versus bad management recommendations, and we find that the differences are concentrated in proposals where management makes a good recommendation.

Panel B of Table 8 reports analogous results after partitioning *NDR* into *NDR* \times *Management* and *NDR* \times *Shareholder*. We find the impact of NDRs on fund voting is concentrated in management-sponsored proposals (Model 1), and this relation is particularly strong for proposals where management makes a good recommendation (Model 2). The results from Panels A and B of Table 8 support the view that private meetings between firms and investors have a more pronounced impact on voting when management is more informed about proposal quality, and when proxy advisor recommendations are less likely to reflect management's information.

A related prediction is that NDRs will be more influential among funds who are more willing to listen to management's information, or equivalently among funds who are less reliant on ISS recommendations (i.e., active voters). As in Section 3, we rank funds into quartiles based on the percentage of times the fund disagreed with ISS on a contentious item in the prior year, and we define a fund as an inactive voter if it is in the bottom quartile, and all other funds are classified as active voters. We then repeat model 4 of Table 4 after splitting *NDR* into *NDR* \times *Inactive Voter* and *NDR* \times *Active Voter*. The results, reported in Panel C of Table 8, indicate that the impact of NDRs is concentrated among actively voting funds. For example, actively voting NDR funds are 2.85 percentage points more likely to

vote with management on good proposals while inactive voters are 0.64 percentage points less likely to do so, and the difference between the two estimates is highly significant.

We also repeat the tests in Table 8 for *Large Absolute and Relative Owners* (as defined in Table 5). The detailed results are reported in Table IA-6 of the Internet Appendix and a summary of the estimates are reported in Figure 2. We continue to find that the estimates are amplified for large owners who are presumably more likely to attend the NDR. For example, the coefficient on $NDR \times One\ Size$ for good management recommendations increases from 6.19% for all funds to 9.81% when we limit the sample to large owners. Collectively, the results from Table 8 suggest that private meetings are more influential when ISS recommendations are less informative, when management recommendations are more informative, and when funds are more willing to deviate from ISS recommendations.

5 NDRs and Contentious Proposals

The findings from the previous section suggest that private meetings allow institutional investors to become more informed about proposal quality. Communication between management and investors may also allow management to become more informed about how their proposals are likely to be perceived by shareholders. If management gets the sense that the proposal will not win, they can withdraw or alter the proposal. Similarly, investors may be able to convince management that certain governance concerns need to be addressed, in which case management may modify their governance practices before a shareholder proposal is ever initiated. Consistent with this view, Carleton, Nelson, and Weisbach (1998) find that TIAA-CREF is able to reach agreements with management following private negotiations more than 95% of the time, and in at least 70% of cases, agreement is reached without shareholders voting on the proposal.

The above arguments suggest that firms that meet with a larger percentage of their

ownership base may issue less controversial proposals (i.e., a lower quantity of contentious proposals) and their recommendations on contentious proposals may be more informative. We emphasize that the latter prediction is not that the average quality of contentious proposals increases, but rather that the average quality of management’s recommendation on contentious proposals increases. This implies that the average quality of management-sponsored proposals increases (because management withdraws or modifies bad proposals), while the average quality of shareholder-sponsored proposals decreases (because management addresses legitimate shareholder concerns, resulting in only lower-quality shareholder proposals remaining).

To these these predictions, we estimate the following regression:

$$Y_{i,t} = \alpha + \beta_1 NDROwn_{i,t} + \beta_2 OtherMFOwn_{i,t} + \gamma \mathbf{X}_{i,t} + FE_{i,t} + \epsilon_{i,t}. \quad (3)$$

Y is either the fraction of proposals on the meeting agenda that are contentious (*% Contentious*), the fraction of proposals on the meeting agenda that are contentious and management’s recommendation is value enhancing (*% Contentious × Good Mgmt Rec*), or the fraction of proposals on the meeting agenda that are contentious and management’s recommendation is value destroying (*% Contentious × Bad Mgmt Rec*). The independent variable of primary interest is *NDROwn*, defined as the percentage of the firm’s shares held across all NDR mutual funds (i.e., mutual funds located in a city where the firm conducted an NDR in the prior year). We also include *OtherMFOwn*, defined as the percentage of the firm’s shares owned by all non-NDR mutual funds. \mathbf{X} is a vector of controls taken from Table 2 of Bradley, Jame, and Williams (2022). In particular \mathbf{X} includes: recognized intangibles (*Intangibles*), R&D expenses ($(R\&D + ADV)/OE$), the market-to-book ratio (*MB*), an indicator for negative book values (*Negative Book*), idiosyncratic risk (*Idiosyncratic Risk*), the percentage of firm’s shares held by a 13F-filing institution at the end of the previous calen-

dar year (*Institutional Ownership*), the number of years since the firm’s IPO (*Firm Age*), net share issuance in the prior year (*Net Share*), the number of brokerage houses issuing earnings forecasts for the firm during the previous calendar year (*Coverage*), the number of institutions holding the firm (*# Institutions*), the market capitalization of the firm at the of the prior calendar year (*Firm Size*), the average daily turnover (i.e., share volume scaled by shares outstanding) over the prior calendar year (*Turnover*), the R-squared from a market-model regression (*R-squared*), the returns in the month prior to the shareholder meeting (*Momentum₁*) and the two to twelve months prior to the meeting (*Momentum_{2,12}*), and indicators equal to one if the firm will issue new shares in the next two years (*SEO*) or make an acquisition in the next years (*M&A Acquirer*). We also include the total number of items on the meeting agenda (*Total Items*), and indicators equal to one if the meeting is a special meeting (*Special Meeting*) or a proxy context (*Proxy Contest*), with the omitted group being the traditional annual meetings.¹⁵ Finally, *FE* denotes either industry \times calendar-year fixed effects or industry \times calendar-year and firm fixed effects. Standard errors are clustered by firm, and more detailed variables definitions are available in Table IA-8.

We note that since the unit of observation in these tests is at the firm-year level, we can no longer include the proposal-level fixed effects or the fund fixed effects that were key to our identification strategy in the previous section. Thus, we caution that these estimates may not have as clear a casual interpretation and instead should be interpreted as suggestive and consistent with the earlier results at a more aggregated level.

Models 1-3 of Table 9 report the estimates from specifications that include industry \times calendar-year fixed effects.¹⁶ Model 1 reports the results where the dependent variable is

¹⁵The fraction of contentious items on the meeting agenda is much greater at proxy contest meetings. If private meetings also reduce the percentage of proxy contest meetings, including *Proxy Contest* will attenuate the estimates. Consistent with this view, we find that omitting *Proxy Contest* as a control results in slightly larger estimates.

¹⁶For brevity, we report only the coefficients on *NDROwn* and *OtherMFOwn* here, estimates for all the control variables are reported in Table IA-7.

% Contentious. We find the estimate on *NDROwn*, while negative, is statistically insignificant. This finding is inconsistent with private meetings reducing the quantity of contentious proposals. In models 2 and 3, we report the results when the dependent variable is *% Contentious* \times *Good Mgmt* and *% Contentious* \times *Bad Mgmt Rec*, respectively. We find that aggregate NDR ownership is associated with a significant increase in contentious proposals with value-enhancing management recommendations, and a significant decline in contentious proposals with value-destroying management recommendations. In models 4 through 6, we confirm that the estimates on *NDROwn* are qualitatively similar after including firm fixed effects. We also note that the estimates on *OtherMFOwn* are always statistically insignificant, and the estimates on *NDROwn* and *OtherMFOwn* are typically significantly different from each other. Our findings are consistent with private interactions with mutual funds having an impact on governance that is distinct from aggregate mutual fund ownership.

6 Conclusion

We examine the impact of private meetings on mutual fund governance. We find that institutional investors headquartered in a city that a firm travels to during a non-deal roadshow (NDR funds) are significantly more likely to download proxy forms in the days surrounding the NDR. The fraction of total EDGAR downloads by NDR funds that focus on governance topics also spikes during NDRs, suggesting that governance-related issues are an important topic of conversation during private meetings.

Private meetings also influence mutual fund voting behavior. In particular, relative to other funds voting on the exact same issue at the same time, NDR funds are significantly more likely to vote with management (or equivalently against ISS) on contentious proposals. NDR funds' tendency to vote with management is concentrated in proposals where management's recommendation is perceived by the market as value increasing. Our findings

are significantly stronger for proposals where ISS recommendations are less informative and management recommendations are more informative, and among funds who are less reliant on ISS recommendations. Collectively, this evidence suggests that private meetings convey important governance-related information to funds, resulting in more active and informed voting.

Finally, we present suggestive evidence that aggregate NDR activity can influence the quality of management’s recommendations on contentious proposals. In particular, higher aggregate NDR ownership is associated with management issuing fewer value-destroying recommendations on contentious proposals. This finding is consistent with private interactions between investors and management steering firms toward better governance policies.

Overall, our evidence highlights the importance of private meetings in improving governance outcomes. Our findings corroborate recent survey evidence on the importance of “behind the scenes” engagement (McCahery, Sautner, and Starks, 2016) and document another important benefit of private meetings for firms. Our evidence also contributes to the regulatory debate over whether firms should be allowed to meet privately with institutional investors. Much of the existing literature has emphasized that private meetings can have adverse effects on financial markets, including placing less sophisticated investors at an informational disadvantage. Our findings highlight an important benefit of private meetings and suggest that the welfare implications of private meetings, even for less-sophisticated investors, are unclear.

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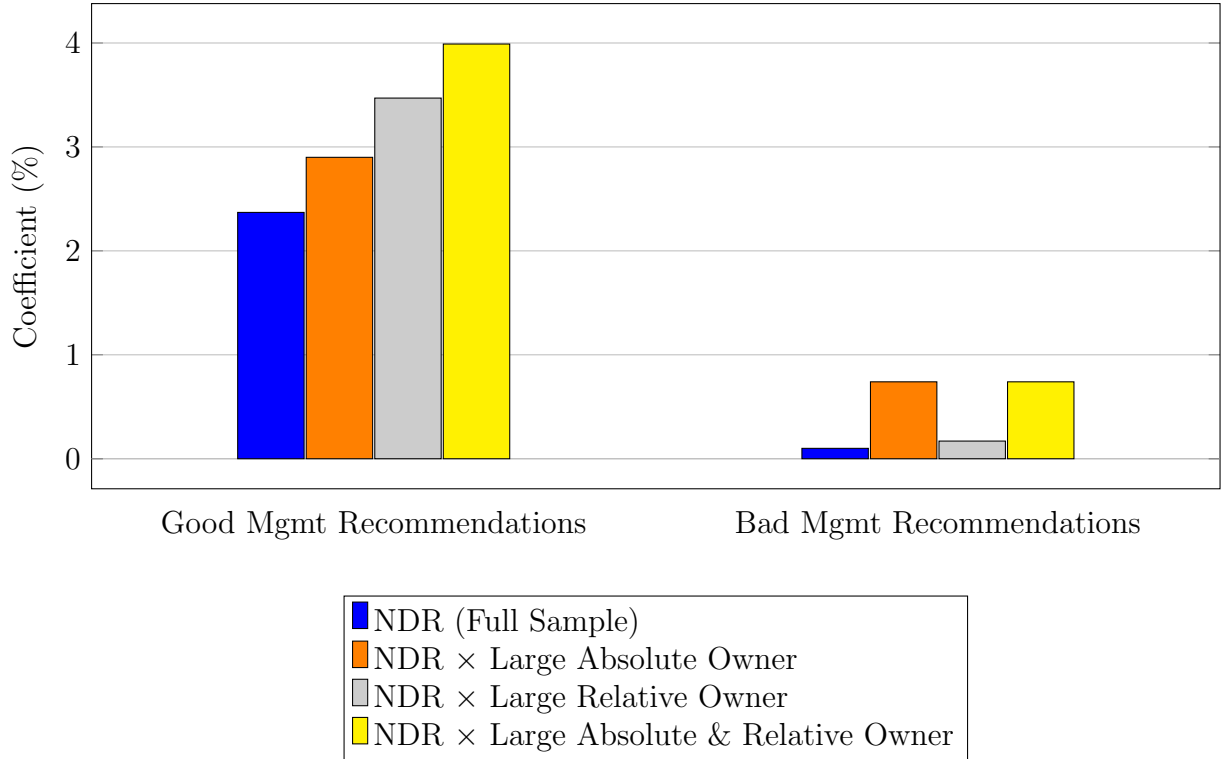


Figure 1: NDRs and Fund Voting by Ownership Rank and Proposal Quality
 This figure plots the estimates from a linear probability model of funds' propensity to vote with management on contentious proposals as a function of their NDR status, the quality of management's recommendations, and the fund's ownership size. We first partition the sample into good versus bad management recommendations (as defined in Table 6). For each group, we then report the estimate for all funds (Full Sample), or for funds classified as large ownership as measured by either *Large Absolute Ownership*, *Large Relative Ownership*, or *Large Absolute and Relative Ownership* (as defined in Table 5). Each model has the same controls and fixed effects as model 4 of Table 4.

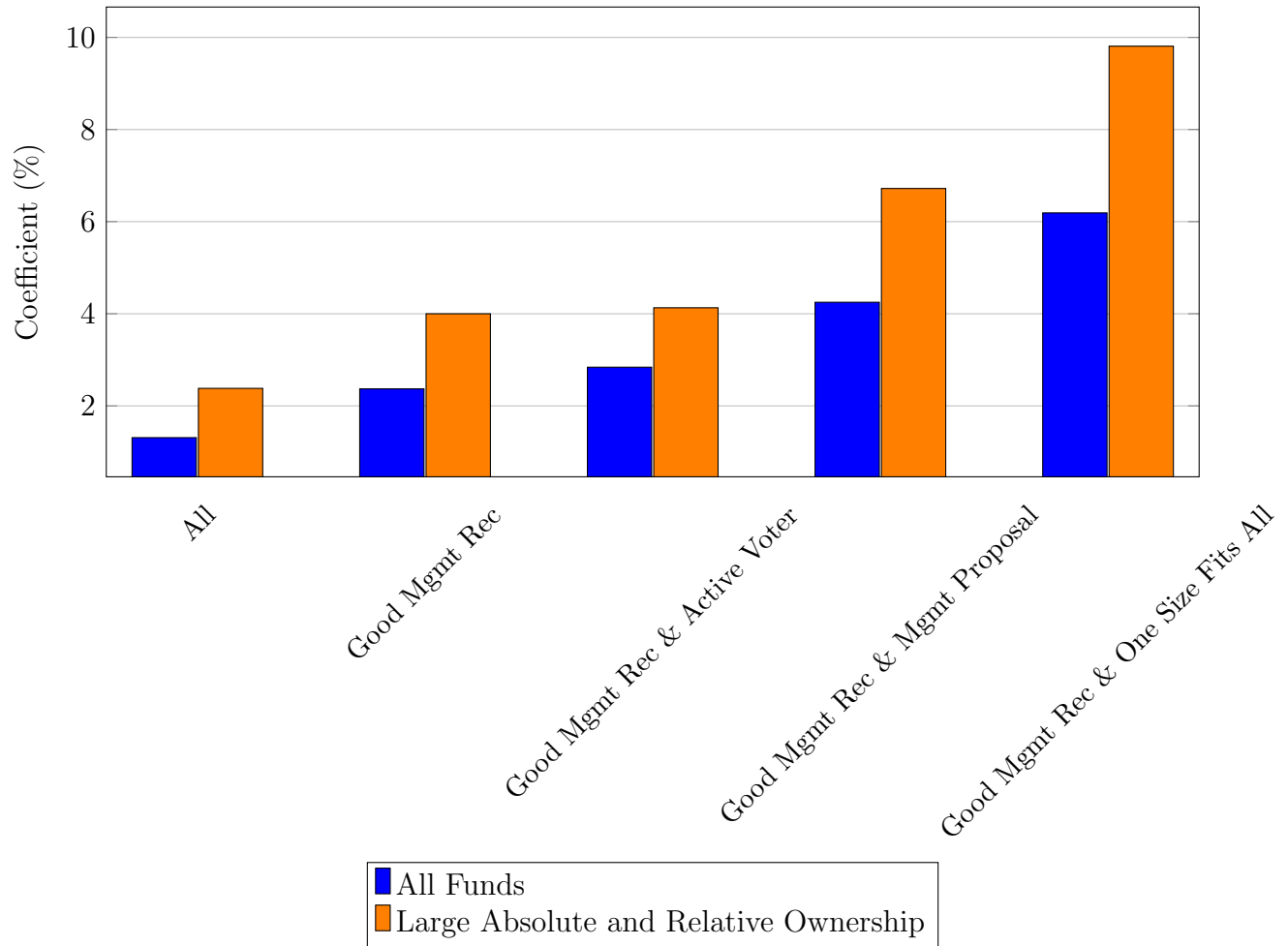


Figure 2: NDRs and Fund Voting by Ownership Rank, Proposal Quality, and Information Flow

This figure summarizes the estimates from a linear probability model of funds’ propensity to vote with management on contentious proposals as a function of their NDR status, the quality of management’s recommendations, information flow surrounding NDRs, and the fund ownership size. All includes all proposals and reports the baseline results (i.e. model 4 of Table 4). Good Mgmt Rec limits the sample to proposals with good management recommendations as defined in Table 6 (i.e. model 1 of Table 6). Good Mgmt Rec \times One Size reports the estimate of Good Mgmt Rec for the subset of one-size fits all proposals (i.e. model 2 of Table 8 – Panel A), and Good Mgmt Rec \times Mgmt Proposal and Good Mgmt Rec \times Active Voters report analogous results for the subset of proposals sponsored by management and the subset of funds that are classified as active voters, respectively. For each estimate, we report analogous results after limiting the sample to funds with a large ownership position, measured using *Large Absolute and Relative Ownership*, as defined in Table 5.

Table 1: **Summary Stats**

This table reports summary statistics for the main variables of interest. In Panel A the unit of observation is a fund-proposal pair. *Vote with Mgmt* equals one if the fund voted in the same direction as firm management on the proposal. *NDR* equals one if the firm conducted a non-deal roadshow (a type of private shareholder meeting) in the fund’s headquarter city in the 365 days preceding the meeting day. *Good Mgmt Rec* (*Bad Mgmt Rec*) is an indicator equal to one if management’s recommended voting position is perceived by the market as value enhancing (value destroying). Panel B describes meeting-level variables. *NDROwn* equals the percentage of a firm’s shares held by NDR mutual funds in the quarter prior to the shareholder meeting. *% Contentious* equals the fraction of proposals on the meeting agenda that are classified as contentious, defined as a proposal where ISS and management disagree and the pass margin is within plus or minus 20%. *% Contentious - Good* and *% Contentious - Bad* partition contentious proposals into those where management’s recommend voting position is viewed by market at value enhancing or value destroying, respectively. Panel C provides summary statistics from the EDGAR sample, where the unit of observation is an institution-firm-day. *Governance Download* is an indicator equal to one if the institutional investor downloaded at least one proxy statement (e.g., form DEF14A) for the firm during the day, and zero otherwise. *Governance Ratio* is the total number of proxy statements downloaded by an institutional investor for a firm-day, scaled by their total number of downloads for the firm-day across all EDGAR forms (e.g., 10-Qs, 10-Ks, etc.). *NDRDay* is an indicator equal to one if the firm visits the city in which the institution is headquartered on that day. More detailed variable definitions are available in Table IA-8.

<i>Panel A: Fund-Proposal Sample (Fund × Proposal)</i>			
	Obs	Mean	Std Dev
<i>Vote with Mgmt</i>	1,141,041	42.2%	49.4%
<i>NDR</i>	1,141,041	9.8%	29.7%
<i>Vote with Mgmt</i> <i>Good Mgmt Rec</i>	561,752	42.2%	49.4%
<i>Vote with Mgmt</i> <i>Bad Mgmt Rec</i>	579,289	42.3%	49.4%
<i>NDR</i> <i>Good Mgmt Rec</i>	561,752	10.0%	30.0%
<i>NDR</i> <i>Bad Mgmt Rec</i>	579,289	9.6%	29.4%

<i>Panel B: Meeting-Level Variables (Shareholder Meeting)</i>			
	Obs	Mean	Std Dev
<i>NDROwn</i>	20,828	5.5%	11.3%
<i>% Contentious</i>	20,828	3.6%	12.2%
<i>% Contentious - Good</i>	20,828	1.6%	8.2%
<i>% Contentious - Bad</i>	20,828	1.9%	8.9%

Panel C: EDGAR Downloads (Institution \times Firm \times Day)

	Obs	Mean	Std Dev
<i>Governance Download</i>	32,790,320	0.43%	6.53%
<i>Governance Ratio</i>	32,790,320	0.22%	3.90%
<i>Governance Ratio Gov Dummy =1</i>	140,213	51.66%	29.99%
<i>Governance Ratio Download Dummy =1</i>	711,351	10.18%	24.48%
<i>NDRDay</i>	32,790,320	0.23%	4.83%

Table 2: **NDRs and Governance Downloads**

This table presents regressions of governance form downloads as a function of private fund meetings with management. The sample consists of the institutional investors (i.e., fund families) in the EDGAR sample, and the unit of observation is a family-firm-day (f, i, t). In Panel A the dependent variable is *Governance Download* $_{f,i,t}$, which equals 1 if fund family f downloads at least one proxy statement (e.g., form DEF14A) of firm i during day t , and zero otherwise. In Panel B the dependent variable is *Governance Ratio* defined as the total number of proxy statements downloaded by an institutional investor for a firm-day, scaled by their total number downloads for the firm-day across all EDGAR forms (e.g., 10-Qs, 10-Ks, etc.). If the investor had zero downloads for the firm-day, we set *Governance Ratio* equal to zero. *NDRDay* equals 1 if firm i conducted an NDR in fund family f 's headquarter city on day t . *PreNDR* (*PostNDR*) equals 1 in the five trading days prior to (after) the NDR takes place. More detailed variable definitions are available in Table IA-8. Standard errors are clustered by firm, and t-statistics are reported in parentheses.

<i>Panel A: Governance Downloads</i>				
	[1]	[2]	[3]	[4]
<i>Intercept</i>	0.42% (29.48)			
<i>PreNDR</i>	0.31% (9.93)	0.37% (12.11)	0.09% (6.37)	0.05% (3.44)
<i>NDRDay</i>	0.36% (8.29)	0.42% (10.43)	0.13% (4.08)	0.09% (3.38)
<i>PostNDR</i>	0.22% (7.33)	0.31% (10.26)	0.03% (2.38)	-0.01% (-0.46)
Firm×Day FE		Yes	Yes	Yes
Fund×Day FE			Yes	Yes
Fund×Firm×Month FE				Yes
Observations	32,790,320	32,790,320	32,790,320	32,790,320

Panel B: Governance Ratio

	[1]	[2]	[3]	[4]
<i>Intercept</i>	0.22% (31.27)			
<i>PreNDR</i>	0.13% (8.82)	0.16% (9.63)	0.04% (2.74)	0.02% (3.28)
<i>NDRDay</i>	0.13% (7.21)	0.16% (8.58)	0.04% (2.36)	0.03% (2.19)
<i>PostNDR</i>	0.09% (6.47)	0.13% (8.32)	0.01% (0.85)	0.00% (-0.54)
Firm×Day FE		Yes	Yes	Yes
Fund×Day FE			Yes	Yes
Fund×Firm×Month FE				Yes
Observations	32,790,320	32,790,320	32,790,320	32,790,320

Table 3: NDRs and Governance Downloads - Active vs. Inactive Voters

This table repeats the analysis in Table 2 after adding *Active Voter* and interacting *Active Voter* with *PreNDR*, *NDRDay*, and *PostNDR*. *Active Voter* is an indicator equal to one if fund family f is not in the bottom quartile of active voting, where active voting is defined as the percentage of times the fund family disagreed with ISS on a contentious proposal in the prior year. Standard errors are clustered by firm, and t-statistics are reported in parentheses.

<i>Panel A: Governance Downloads</i>				
	[1]	[2]	[3]	[4]
<i>Intercept</i>	0.06% (21.66)			
<i>PreNDR</i>	0.07% (3.22)	0.16% (5.59)	0.04% (1.56)	0.04% (1.70)
<i>NDRDay</i>	0.02% (0.68)	0.09% (1.98)	-0.03% (-0.85)	-0.03% (-0.76)
<i>PostNDR</i>	0.03% (1.53)	0.11% (4.79)	-0.01% (-0.28)	0.00% (-0.08)
<i>PreNDR</i> × <i>Active Voter</i>	0.23% (6.29)	0.21% (5.72)	0.06% (1.80)	0.01% (0.23)
<i>NDRDay</i> × <i>Active Voter</i>	0.35% (6.45)	0.35% (6.24)	0.19% (3.58)	0.13% (2.73)
<i>PostNDR</i> × <i>Active Voter</i>	0.19% (5.19)	0.19% (5.20)	0.05% (1.42)	0.00% (-0.15)
<i>Active Voter</i>	0.43% (27.24)	0.40% (27.64)		
Firm×Day FE		Yes	Yes	Yes
Fund×Day FE			Yes	Yes
Fund×Firm×Month FE				Yes
Observations	32,790,320	32,790,320	32,790,320	32,790,320

Panel B: Governance Ratio

	[1]	[2]	[3]	[4]
<i>Intercept</i>	0.03% (23.30)			
<i>PreNDR</i>	0.03% (2.69)	0.05% (3.34)	0.02% (1.11)	0.01% (0.90)
<i>NDRDay</i>	0.00% (0.40)	0.02% (1.10)	-0.02% (-0.82)	-0.02% (-0.97)
<i>PostNDR</i>	0.01% (0.97)	0.03% (2.35)	0.00% (-0.27)	-0.01% (-0.52)
<i>PreNDR</i> × <i>Active Voter</i>	0.09% (4.93)	0.10% (5.07)	0.03% (1.59)	0.01% (0.81)
<i>NDRDay</i> × <i>Active Voter</i>	0.13% (5.81)	0.14% (6.08)	0.07% (2.94)	0.05% (2.35)
<i>PostNDR</i> × <i>Active Voter</i>	0.08% (4.43)	0.09% (4.93)	0.02% (1.13)	0.00% (0.19)
<i>Active Voter</i>	0.23% (28.84)	0.22% (29.00)		
Firm×Day FE		Yes	Yes	Yes
Fund×Day FE			Yes	Yes
Fund×Firm×Month FE				Yes
Observations	32,790,320	32,790,320	32,790,320	32,790,320

Table 4: **NDRs and Voting with Management**

This table presents the results of linear probability models of funds' propensity to vote with management on a proposal as a function of the NDR status. The sample includes all contentious votes, defined as votes where management and ISS disagree and the proposal passes or fails by a margin of 20% or less. The unit of observation is a fund-firm-proposal. The dependent variable equals 1 if the fund voted with the firm's management on the proposal, and zero otherwise. *NDR* equals 1 if the firm conducted an non-deal roadshow in the fund's headquarter city in the 365 days preceding the shareholder meeting day. Family Ownership Quartile fixed effects are four indicators which equal to 1 if fund family's f's ownership stake in firm i in the quarter prior to the shareholder meeting in year t is in the X^{th} quartile relative to all other funds voting at the firm's shareholder meeting. Fund Ownership Quartile FE are defined analogously. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	[1]	[2]	[3]	[4]
<i>NDR</i>	2.53%	2.10%	1.31%	1.31%
	(3.30)	(3.77)	(2.70)	(2.70)
Proposal FE		Yes	Yes	Yes
Fund \times Year FE			Yes	Yes
Family & Fund Ownership Quartile FE				Yes
Observations	1,141,041	1,141,041	1,141,041	1,141,041

Table 5: **NDRs and Voting: Large versus Small Owners**

This table presents the results of linear probability models of funds' propensity to vote with management on a contentious proposal as a function of their NDR status and their ownership position in the focal firm. We repeat model 4 of Table 4 after partitioning NDR funds into two groups based on different ownership measures. In model 1, the ownership measure is *Large Absolute Ownership*, defined as an indicator equal to one if the fund family's ownership stake in the firm is above the median relative to all funds voting at the shareholder meeting. In model 2, the ownership measure is *Large Relative Ownership*, defined as an indicator equal to one if the fund family is one of the top three owners relative to all other funds headquartered in the same city. In model 3 the ownership measure is *Large Absolute and Relative Ownership*, defined as an indicator equal to one if both *Large Absolute Ownership* and *Large Relative Ownership* are equal to one. *Large - Small* tests whether the coefficient on $NDR \times Large\ Owner$ is significantly different from the coefficient on $NDR \times Small\ Owner$. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	[1]	[2]	[3]
<i>NDR × Large Absolute Owner</i>	1.88% (3.01)		
<i>NDR × Small Absolute Owner</i>	0.33% (0.52)		
<i>NDR × Large Relative Owner</i>		1.83% (2.80)	
<i>NDR × Small Relative Owner</i>		0.60% (0.97)	
<i>NDR × Large Abs. & Relative Owner</i>			2.38% (3.32)
<i>NDR × Other</i>			0.26% (0.47)
<i>Large Relative Owner</i>		2.61% (5.90)	
<i>Large Absolute & Relative Owner</i>			1.15% (2.04)
<i>Large-Small</i>	1.55% (1.87)	1.23% (1.44)	2.12% (2.52)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Observations	1,141,041	1,141,041	1,141,041

Table 6: **NDRs and Fund Voting - Good versus Bad Management Recommendations**

This table presents the results of linear probability models of funds' propensity to vote with management on a contentious proposal conditional on the quality of management's recommendation. We classify a proposal as a *Good Mgmt Rec* if management's recommended voting position is perceived by the market as value increasing, as indicated by a positive market reaction if management wins the vote or a negative market reaction if management loses the vote, where the market reaction is measured using market-adjusted returns over the [-1, +10] window where day 0 is the day of the shareholder meeting. *Bad Mgmt Rec* is defined analogously. Model 1 (2) examines only *Good* (*Bad*) Management recommendations. Model 3 contains the full sample of contentious proposals (i.e., all recommendations). Model 4 is limited to proposals in the top and bottom 10% of event returns, model 5 limits the sample to firms in the top 20% of ownership concentration as measured by the Herfindahl index of institutional investor ownership, and model 6 limits the sample to firms in to the 20% of liquidity as measured by the average daily share turnover in the prior calendar year. Each model has the same controls and fixed effects as model 4 of Table 4. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	[1]	[2]	[3]	[4]	[5]	[6]
<i>NDR</i> × <i>Good Mgmt Rec</i>	2.37%		2.29%	5.09%	2.71%	3.03%
	(3.36)		(3.39)	(3.77)	(1.90)	(2.21)
<i>NDR</i> × <i>Bad Mgmt Rec</i>		0.10%	0.34%	1.11%	-0.28%	-1.51%
		(0.16)	(0.54)	(0.99)	(-0.20)	(-1.19)
<i>NDR</i> (<i>Good</i> - <i>Bad</i>)			1.96%	3.98%	2.99%	4.53%
			(2.26)	(2.36)	(1.54)	(2.65)
Proposal FE	Yes	Yes	Yes	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Family & Fund Quartile FE	Yes	Yes	Yes	Yes	Yes	Yes
Mgmt Rec Sample	Good	Bad	All	All	All	All
Firm Sample	All	All	All	Top/Bottom 10% of Returns	Top 20% of Inst. Conc.	Top 20% of Liquidity
Observations	561,752	579,289	1,141,041	239,409	223,528	218,390

Table 7: **The Dynamics of Voting around NDRs**

This table presents the results of linear probability models analyzing the dynamics of the effect of NDRs on funds' propensity to vote with management on a contentious proposal. Model 1 has the same sample and fixed effects as model 4 of Table 4. Model 2 is like Model 1, with the addition of fund \times firm fixed effects. $NDR(0)$ equals 1 when the observation is from the year of the NDR. $NDR(-k)$ equals 1 for observations in the k^{th} year preceding the NDR, and $NDR(k)$ equals 1 for observations in the k^{th} year following the NDR. Models 3-6 repeat models 1-2 for Good and Bad Mgmt recommendations (as defined in Table 6), respectively. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	[1]	[2]	[3]	[4]	[5]	[6]
<i>NDR</i> (≤ -2)	0.14% (0.25)		0.57% (0.78)		-0.33% (-0.43)	
<i>NDR</i> (-1)	-0.04% (-0.09)	-0.27% (-0.49)	-0.08% (-0.12)	0.94% (0.96)	-0.13% (-0.19)	-0.69% (-0.74)
<i>NDR</i> (0)	1.54% (2.99)	1.05% (1.39)	2.39% (3.20)	2.77% (2.27)	0.60% (0.86)	-0.15% (-0.12)
<i>NDR</i> (1)	1.12% (1.80)	0.40% (0.51)	1.05% (1.13)	0.86% (0.60)	1.17% (1.48)	0.00% (-0.00)
<i>NDR</i> (2)	0.04% (0.05)	-0.28% (-0.29)	-1.10% (-1.06)	-0.25% (-0.15)	0.93% (0.93)	-1.15% (-0.78)
<i>NDR</i> (≥ 3)	0.47% (0.57)	0.47% (0.42)	-0.13% (-0.12)	1.16% (0.50)	1.22% (1.11)	-1.98% (-1.15)
Proposal FE	Yes	Yes	Yes	Yes	Yes	Yes
Fund \times Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes	Yes	Yes	Yes
Fund \times Firm FE	No	Yes	No	Yes	No	Yes
Mgmt Rec Sample	All	All	Good	Good	Bad	Bad
Observations	1,141,041	1,141,041	561,752	561,752	579,289	579,289

Table 8: **NDRs and Voting with Management - Heterogeneity in Information Flow**

This table presents the results of linear probability models analyzing the impact of information flow surrounding NDRs on funds' propensity to vote with management on a contentious proposal. Each model has the same controls and fixed effects as model 4 of Table 4. Panels A and B partition proposals into "one-size-fits-all" versus "other" proposals and management vs. shareholder sponsored proposals, respectively, and Panel C partitions funds into active voters versus inactive voters. Detailed definitions for all the conditioning variable are available in Table IA-8. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

<i>Panel A: "One-Size Fits All" ISS Recommendations</i>			
	[1]	[2]	[3]
<i>NDR × One Size</i>	3.17%	6.19%	0.45%
	(2.69)	(3.82)	(0.29)
<i>NDR × Other</i>	0.94%	1.68%	0.03%
	(1.87)	(2.27)	(0.04)
<i>NDR (One Size - Other)</i>	2.23%	4.51%	0.43%
	(1.82)	(2.63)	(0.27)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Mgmt Rec Sample	All	Good	Bad
Observations	1,141,041	561,752	579,289

Panel B: Management vs Shareholder Proposals

	[1]	[2]	[3]
<i>NDR</i> × Management	2.63%	4.25%	0.82%
	(3.62)	(4.12)	(0.84)
<i>NDR</i> × Shareholder	0.44%	1.13%	-0.36%
	(0.78)	(1.39)	(-0.44)
<i>NDR (Management - Shareholder)</i>	2.19%	3.12%	1.17%
	(2.58)	(2.62)	(0.99)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Mgmt Rec Sample	All	Good	Bad
Observations	1,141,041	561,752	579,289

Panel C: Active vs. Inactive Voters

	[1]	[2]	[3]
<i>NDR</i> × Active Voter	1.61%	2.85%	0.29%
	(2.94)	(3.61)	(0.38)
<i>NDR</i> × Inactive Voter	-0.64%	-0.64%	-1.09%
	(-1.01)	(-0.71)	(-1.33)
<i>NDR (Active - Inactive)</i>	2.26%	3.49%	1.38%
	(2.72)	(3.09)	(1.24)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Mgmt Rec Sample	All	Good	Bad
Observations	1,141,041	561,752	579,289

Table 9: Aggregate NDR Ownership and Contentious Proposals

This table presents the results of regressions estimating the impact of aggregate NDR ownership on the likelihood a firm has a contentious proposal. The unit of observation is a firm-meeting. In model 1 the outcome variable is the fraction of proposals on the meeting agenda that are contentious (*Contentious*). Models 2 and 3 partition *Contentious* into contentious proposals where management’s recommendation is perceived as value enhancing (*Contentious* \times *Good Mgmt Rec*) and value destroying (*Contentious* \times *Bad Mgmt Rec*). Models 3 through 6 replicate models 1 through 3 adding firm fixed effects. *NDROwn* is defined as the percentage of the firm’s shares held across all NDR mutual funds. *NDROwn* is defined as the percentage of the firm’s shares held across all NDR mutual funds. *OtherMFOwn* is defined as the percentage of the firm’s shares held across all non-NDR mutual funds. The model also includes several additional controls. The full list of controls and their estimates are reported in Table IA-7. Detailed variable definitions are provided in Table IA-8. Standard errors are clustered by firm, and t-statistics are reported in parentheses.

	% Contentious - All [1]	% Contentious - Good [2]	% Contentious - Bad [3]	% Contentious - All [4]	% Contentious - Good [5]	% Contentious - Bad [6]
<i>NDROwn</i>	-0.33% (-0.37)	1.46% (2.44)	-1.73% (-2.78)	-0.45% (-0.45)	1.37% (1.99)	-1.76% (-2.34)
<i>OtherMFOwn</i>	0.16% (0.37)	0.24% (0.96)	-0.09% (-0.28)	-0.06% (-0.11)	0.29% (0.80)	-0.35% (-0.82)
<i>NDROwn - OtherMFOwn</i>	-0.49% (-0.56)	1.22% (2.05)	-1.64% (-2.87)	-0.39% (-0.44)	1.08% (1.67)	-1.40% (-2.17)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry \times Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects				Yes	Yes	Yes
Observations	20,828	20,828	20,828	20,828	20,828	20,828

Internet Appendix

Table IA-1: **MSFT Roadshows Excerpt**

This table provides an example of NDR data collected from TheFlyOnTheWall.Com (FLY). The snapshot includes all observations for MSFT with a valid city for the 2013 and 2019 calendar year.

City	Date
New York	3/19/2013
Trenton	3/20/2013
Philadelphia	3/20/2013
Cleveland	4/30/2013
Columbus	5/1/2013
Chicago	5/2/2013
Toronto	11/4/2013
Chicago	11/5/2013
Minneapolis	11/7/2013
	...
New York	3/6/2019
Copenhagen	5/16/2019
Stockholm	5/17/2019
Helsinki	5/17/2019
San Francisco	6/3/2019
New York	9/4/2019
Boston	11/6/2019

Table IA-2: **Vote Level Percentages for Contentious Sample**

This table lists the top 10 contentious proposal types ranked by the number of proposals in the sample. Type denotes whether the proposal was management-sponsored or shareholder-sponsored.

	Proposal Description	% of Sample	Type
1	Advisory Vote to Ratify Named Exec. Officers' Compensation	20.79%	Mgmt
2	Elect Director	10.47%	Mgmt
3	Provide Right to Act by Written Consent	8.65%	Share
4	Amend Articles/Bylaws/Charter – Call Special Meetings	7.48%	Share
5	Require Independent Board Chairman	7.37%	Share
6	Proxy Access	6.12%	Share
7	Political Contributions Disclosure	4.40%	Share
8	Amend Omnibus Stock Plan	3.63%	Mgmt
9	Political Lobbying Disclosure	3.54%	Share
10	Advisory Vote on Golden Parachutes	3.02%	Mgmt

Table IA-3: **The Dynamics of Voting Within NDR Year**

This table presents the results of linear probability models analyzing the intra-year dynamics of the effect of NDRs on a funds' propensity to vote with management on a contentious proposal within the NDR year. We partition *NDR* into *NDR* \times *Close Meeting* and *NDR* \times *Distant Meeting*, where *Close Meeting* is an indicator equal to one if an NDR took place within six months of the shareholder meeting and *Distant Meeting* is an indicator equal to one if an NDR took place within 12 months of the shareholder meeting, but did not take place within 6 months of the meeting. *NDR (Close - Distant)* tests whether the coefficients on *NDR* \times *Close Meeting* and *NDR* \times *Distant Meeting* are significantly different from each other. Models 1, 2, and 3 report the results for all management recommendations, good management recommendations, and bad management recommendations, respectively. Each model has the same controls and fixed effects as model 4 of Table 4. More detailed variable definitions are available in Table IA-8. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	All Mgmt Rec	Good Mgmt Rec	Bad Mgmt Rec
<i>NDR</i> \times <i>Close Meeting</i> [0-6 months]	1.89% (3.18)	3.11% (3.37)	0.69% (0.91)
<i>NDR</i> \times <i>Distant meeting</i> [7-12 months]	0.36% (0.53)	1.30% (1.54)	-0.95% (-0.96)
<i>NDR (Close - Distant)</i>	1.55% (1.88)	1.81% (1.63)	1.64% (1.47)
Proposal FE	Yes	Yes	Yes
Fund \times Year FEs	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Observations	1,141,041	561,752	579,289

Table IA-4: Ownership Ranks - Good versus Bad Management Recommendations

This table presents the regression estimates from models 1 and 2 of Table 6 after partitioning NDR funds into two groups based on different ownership measures. In models 1 and 4, the ownership measure is *Large Absolute Ownership*, defined as an indicator equal to one if the fund family's ownership stake in the firm is above the median relative to all funds voting at the shareholder meeting. In models 2 and 5, the ownership measure is *Large Relative Ownership*, defined as an indicator equal to one if the fund family is one of the top three owners relative to all other funds headquartered in the same city. In models 3 and 6 the ownership measure is *Large Absolute and Relative Ownership*, defined as an indicator equal to one if both *Large Absolute Ownership* and *Large Relative Ownership* are equal to one. *Large - Small* tests whether the coefficient on $NDR \times Large Owner$ is significantly different from the coefficient on $NDR \times Small Owner$. Standard errors are clustered at the shareholder meeting level, and t-statistics are reported in parentheses.

	Good Mgmt. Rec			Bad Mgmt Rec		
	[1]	[2]	[3]	[4]	[5]	[6]
<i>NDR × Large Absolute Owner</i>	2.90%			0.74%		
	(3.24)			(0.88)		
<i>NDR × Small Absolute Owners</i>	1.47%			-1.00%		
	(1.67)			(-1.18)		
<i>NDR × Large Relative Owner</i>		3.47%			0.17%	
		(3.76)			(0.19)	
<i>NDR × Small Relative Owner</i>		0.90%			0.03%	
		(0.99)			(0.03)	
<i>NDR × Large Abs. & Relative Owner</i>			3.99%			0.74%
			(3.93)			(0.77)
<i>NDR × Other</i>			0.82%			-0.53%
			(1.02)			(-0.68)
<i>Large Relative Owner</i>		2.42%			2.72%	
		(3.87)			(4.58)	
<i>Large Absolute & Relative Owner</i>			1.02%			1.26%
			(1.27)			(1.62)
<i>Large - Small</i>	1.43%	2.57%	3.17%	1.26%	0.15%	1.26%
	(1.28)	(2.19)	(2.74)	(1.29)	(0.12)	(1.09)
Proposal FE	Yes	Yes	Yes	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,141,041	1,141,041	1,141,041	1,141,041	1,141,041	1,141,041

Table IA-5: **NDRs and Fund Voting - Multiple Contentious Proposals per Meeting**

This table presents the regression estimates from model 3 of Table 6 using three different approaches for accounting for multiple contentious proposals at the same shareholder meeting. In model 1 we retain the full sample of contentious proposals and assign the same market return to each proposal. This is the approach used throughout the paper and thus reports estimates that are identical to model 3 of Table 6. In model 2, we limit the sample to the most contentious proposal on the meeting agenda (as measured by the absolute pass margin). In model 3, we exclude all meetings with multiple contentious proposals.

	[1]	[2]	[3]
<i>NDR</i> × <i>Good Mgmt Rec</i>	2.29%	2.32%	2.24%
	(3.39)	(3.31)	(2.73)
<i>NDR</i> × <i>Bad Mgmt Rec</i>	0.34%	0.11%	0.17%
	(0.54)	(0.17)	(0.22)
<i>NDR (Good - Bad)</i>	1.96%	2.20%	2.07%
	(2.26)	(2.39)	(1.93)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Proposal Sample	All	Most Contested	Single Contested
Proposals	3609	2822	2290
Meetings	2822	2822	2290
Observations	1,141,041	834,352	629,662

Table IA-6: **Heterogeneous - Good versus Bad Management Recommendations**

This table presents the regression estimates analogous to those in Table 8 on the sample of funds with a large ownership position measured as *Large Absolute & Relative Ownership* as defined in Table 5.

Panel A: "One-Size Fits All ISS Recommendations"

	All Mgmt Rec	Good Mgmt Rec	Bad Mgmt Rec
<i>NDR</i> × <i>One Size</i>	3.97%	9.80%	-0.46%
	(2.01)	(3.72)	(-0.18)
<i>NDR</i> × <i>Other</i>	1.73%	2.75%	0.63%
	(2.15)	(2.33)	(0.57)
<i>NDR (One Size - Other)</i>	2.25%	7.05%	-1.09%
	(1.09)	(2.48)	(-0.41)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Observations	492,507	242,553	249,954

Panel B: Management vs Shareholder Proposals

	All Mgmt Rec	Good Mgmt Rec	Bad Mgmt Rec
<i>NDR</i> × <i>Management</i>	3.95%	6.72%	1.22%
	(3.40)	(4.15)	(0.77)
<i>NDR</i> × <i>Shareholder</i>	0.79%	1.80%	-0.18%
	(0.84)	(1.36)	(-0.14)
<i>NDR (Management - Shareholder)</i>	3.16%	4.92%	1.40%
	(2.24)	(2.54)	(0.73)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Observations	492,507	242,553	249,954

Panel C: Active vs. Inactive Voters

	All Mgmt Rec	Good Mgmt Rec	Bad Mgmt Rec
<i>NDR</i> × Active Voter	2.32% (2.88)	4.13% (3.58)	0.57% (0.51)
<i>NDR</i> × Inactive Voter	-0.81% (-0.71)	-0.37% (-0.21)	-1.91% (-1.25)
<i>NDR</i> (Active - Inactive)	3.13% (2.56)	4.50% (2.52)	2.48% (1.49)
Proposal FE	Yes	Yes	Yes
Fund × Year FE	Yes	Yes	Yes
Family & Fund Ownership Quartile FE	Yes	Yes	Yes
Observations	492,507	242,553	249,954

Table IA-7: Aggregate NDR Ownership and Contentious Proposals

This table is identical to Table 9 in the text except that it also reports the estimates for the full set of control variables.

	% Contentious - All [1]	% Contentious - Good [2]	% Contentious - Bad [3]	% Contentious - All [4]	% Contentious - Good [5]	% Contentious - Bad [6]
<i>NDROwn</i>	-0.33% (-0.37)	1.46% (2.44)	-1.73% (-2.78)	-0.45% (-0.45)	1.37% (1.99)	-1.76% (-2.34)
<i>OtherMFOwn</i>	0.16% (0.37)	0.24% (0.96)	-0.09% (-0.28)	-0.06% (-0.11)	0.29% (0.80)	-0.35% (-0.82)
<i>Intangibles</i>	1.35% (1.57)	0.62% (1.17)	0.64% (1.18)	0.56% (0.36)	-0.03% (-0.03)	0.52% (0.47)
<i>(R&D+Adv)/OE</i>	1.39% (1.34)	0.77% (1.20)	0.78% (1.07)	-0.24% (-0.10)	0.31% (0.16)	-0.21% (-0.11)
<i>Log (MB)</i>	-0.22% (-1.61)	0.02% (0.21)	-0.22% (-2.65)	-0.46% (-2.36)	-0.15% (-0.96)	-0.26% (-1.95)
<i>Negative Book</i>	-2.45% (-2.01)	0.12% (0.15)	-2.43% (-3.26)	-4.35% (-2.42)	-1.25% (-0.90)	-2.71% (-2.24)
<i>Idiosyncratic Risk</i>	-6.14% (-1.66)	-4.96% (-2.01)	-1.56% (-0.60)	-4.40% (-0.95)	-3.52% (-1.06)	-1.29% (-0.38)
<i>Institutional Ownership</i>	0.13% (0.21)	-0.22% (-0.56)	0.27% (0.63)	-0.11% (-0.10)	-0.56% (-0.71)	0.40% (0.46)
<i>Log (Firm Age)</i>	0.43% (2.29)	0.18% (1.70)	0.26% (1.96)	1.25% (3.31)	0.37% (1.54)	0.89% (2.98)
<i>Net Shares</i>	0.19% (0.40)	0.27% (0.79)	-0.01% (-0.04)	0.58% (1.16)	0.44% (1.21)	0.11% (0.30)
<i>Log (Coverage)</i>	-0.24% (-1.00)	-0.10% (-0.67)	-0.13% (-0.80)	0.37% (1.16)	0.26% (1.27)	0.10% (0.40)
<i>Lot (# Institutions)</i>	0.20% (1.01)	0.16% (1.31)	0.04% (0.30)	0.23% (0.76)	-0.02% (-0.10)	0.27% (1.12)
<i>Log (Firm Size)</i>	0.05% (0.37)	-0.05% (-0.49)	0.08% (0.81)	-0.12% (-0.56)	-0.05% (-0.31)	-0.11% (-0.69)
<i>Log (Turnover)</i>	1.36% (7.62)	0.66% (6.00)	0.69% (5.41)	0.89% (3.70)	0.55% (3.43)	0.35% (1.95)
<i>R-Squared</i>	0.18% (0.11)	-1.12% (-1.14)	1.54% (1.20)	1.45% (0.74)	-1.15% (-0.83)	2.65% (1.72)
<i>Momentum₁</i>	-0.39% (-60.00%)	-0.06% (-12.60%)	-0.37% (-79.22%)	-0.40% (-58.32%)	-0.19% (-36.35%)	-0.28% (-55.93%)
<i>Momentum_{2,12}</i>	(0.00) 46.27%	(0.00) 119.37%	(-0.00) -56.55%	(0.00) 133.13%	(0.00) 83.10%	(0.00) 98.96%
<i>SEO</i>	0.06% (0.20)	-0.01% (-0.07)	0.09% (0.43)	-0.13% (-0.39)	-0.19% (-0.79)	0.06% (0.26)
<i>M&A Acquirer</i>	-0.23% (-0.88)	-0.02% (-0.12)	-0.17% (-0.87)	-0.13% (-0.41)	0.22% (1.03)	-0.23% (-1.00)
<i>Log (Total Items)</i>	-0.70% (-3.45)	-0.25% (-2.05)	-0.40% (-2.93)	-0.32% (-0.90)	0.01% (0.02)	-0.34% (-1.31)
<i>Special Meeting</i>	5.58% (7.94)	2.20% (4.76)	2.70% (5.22)	5.69% (7.95)	2.54% (5.10)	2.48% (4.76)
<i>Proxy Contest</i>	11.18% (5.18)	5.62% (3.60)	5.57% (3.39)	9.23% (3.86)	5.21% (3.12)	4.07% (2.24)
<i>NDROwn - OtherMFOwn</i>	-0.49% (-0.56)	1.22% (2.05)	-1.64% (-2.87)	-0.39% (-0.44)	1.08% (1.67)	-1.40% (-2.17)
Industry × Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	20,828	20,828	20,828	20,828	20,828	20,828

Table IA-8: Variable Definitions

Attention to Governance Variables (Tables 2 and 3)

- *Governance Download*: an indicator equal to one if the fund family f downloads at least one proxy statement (e.g., form DEF14A) for firm i from EDGAR during time t . (Source: EDGAR)
- *Governance Ratio*: the total number of proxy statements downloaded by fund family f for firm i on day t scaled by their total number of downloads for the same firm-day across all EDGAR forms. If the fund family has zero downloads for the firm day, we set Governance Ratio equal to zero. (Source: EDGAR)
- *NDRDay*: an indicator equal to one if firm i conducted an NDR in fund family f 's headquarter city on day t . (Sources: *FLY* and CRSP Mutual Fund Database)
- *PreNDR*: an indicator equal to one if firm i conducted an NDR in fund family f 's headquarter city on days $t-5$ through $t-1$.
- *PostNDR*: an indicator equal to one if firm i conducted an NDR in fund family f 's headquarter city on days $t+1$ through $t+5$.
- *Active Voter*: an indicator equal to one if fund family f is not in the bottom quartile of active voting in year t , where active voting is defined as the percentage of times the fund family disagreed with ISS on a contentious proposal in the prior year. (Source: ISS Voting Analytics)

Fund-Level Voting Variables (Tables 4-8)

- *Vote with Mgmt*: an indicator equal to one if the fund f voted with firm i 's management on contentious proposal p at the shareholder meeting in year t . (Source: ISS Voting Analytics)
- *NDR*: an indicator equal to one if the firm initiating the proposal visited the city where the fund is headquartered in the past year. (Source: FLY, ISS Voting Analytics, and CRSP Mutual Fund Database)
- *Fund Ownership Quartile Rank*: a fund f 's ownership stake in firm i in the quarter prior to the shareholder meeting in year t . We convert this to a quartile ranking relative to all other funds voting at the firm's shareholder meeting. (Source: CRSP Mutual Fund Database)
- *Family Ownership Quartile Rank*: fund family's f 's ownership stake in firm i in the quarter prior to the shareholder meeting in year t . We convert this to a quartile ranking relative to all other funds voting at the firm's shareholder meeting. (Source: CRSP Mutual Fund Database)
- *Large Relative Ownership*: An indicator equal to one if City Rank is less than or equal to 3, where city rank is fund family f 's ownership rank in firm i in quarter t relative to all other fund families headquartered in the same city. A rank of 1 corresponds to the largest ownership within the city. (Source: CRSP Mutual Fund Database)
- *Large Absolute Ownership*: an indicator equal to one if the Family Ownership Quartile Rank is in the third or fourth quartile.
- *Large Absolute & Relative Ownership*: an indicator equal to one if both Large Relative Ownership and Large Absolute Ownership equals one.
- *Good Mgmt Rec*: an indicator equal to one if management's recommended voting position is perceived by the market as value increasing, as indicated by a positive market

reaction if management wins the vote or a negative market reaction if management loses the vote. We measure the market reaction using the market-adjusted returns over a 12-day window around the vote, starting with the day prior to the vote (i.e., days -1 through +10). [Source: ISS Voting Analytics and CRSP Daily Stock Files]

- *Bad Mgmt Rec*: an indicator equal to one if management's recommended voting position is perceived by the market as value destroying, as indicated by a negative market reaction if management wins the vote or a positive market reaction if management loses the vote. We measure the market reaction using the market-adjusted returns over a 12-day window around the vote, starting with the day prior to the vote (i.e., days -1 through +10).
- *NDR(-k)*: an indicator equal to one in the k^{th} year preceding the NDR.
- *NDR(k)*: an indicator equal in the k^{th} year following the NDR.
- *Management*: an indicator equal to one if proposal up for vote was initiated by management and zero otherwise. (Source: ISS Voting Analytics)
- *Shareholder*: an indicator equal to one the proposal up for vote is not initiated by management.
- *One Size*: an indicator equal to one if the proposal up for vote belongs to a proposal type that was on the ballot of at least 50 companies during the sample period and ISS recommends voting for in at least 95% of cases or recommends voting against in at least 95% of all cases, and zero otherwise. (Source: ISS Voting Analytics)
- *Other Proposal*: an indicator equal to one the proposal up for vote is not classified as a *One-Size Proposal*.

- *Active Voter*: an indicator equal to one if fund f is not in the bottom quartile of active voting in year t , where active voting is defined as the percentage of times the fund disagreed with ISS on a contentious proposal in the prior year. (Source: ISS Voting Analytics).
- *Inactive Voter*: an indicator equal to one if fund f is not classified as an active voter.

Shareholder Meeting Variables (Table 9)

- *% Contentious*: the fraction of proposals on firm f 's meeting agenda in year t that are classified as contentious (defined as a proposal where ISS and management disagree, and the pass margin is within plus or minus 20%). (Source: ISS Voting Analytics)
- *% Contentious \times Good Mgmt Rec*: the fraction of proposals on firm f 's meeting agenda in year t that are classified as contentious, and management's recommended voting position is perceived by the market as value increasing. (Source: ISS Voting Analytics and CRSP Daily Stock File)
- *% Contentious \times Bad Mgmt Rec*: the fraction of proposals on firm f 's meeting agenda in year t that are classified as contentious, and management's recommended voting position is perceived by the market as value destroying.
- *% Contentious (Good – Bad)*: the difference between *% Contentious \times Good Mgmt Rec* and *% Contentious \times Bad Mgmt Rec*.
- *NDROwn*: the percentage of firm's shares held by NDR mutual funds in the quarter prior to the shareholder meeting, where NDR funds include all funds located in a city where firm I conducted an NDR in the prior year. We winsorize this value at the 1st and 99th percentile. (Source: FLY and CRSP Mutual Fund Database)

- *OtherMFOwn*: the percentage of firm's shares held by all mutual funds in the quarter prior to the shareholder meeting less *NDRown*. We winsorize this value at the 1st and 99th percentile. (Source: FLY and CRSP Mutual Fund Database)
- *Total Items*: the total number of proposals on firm *i*'s meeting agenda in year *t*. (Source: ISS Voting Analytics).
- *Special Meeting*: an indicator equal to one for all shareholder meetings outside of the usual annual shareholder meeting. (Source: ISS Voting Analytics)
- *Proxy Contest*: an indicator equal to one if the shareholder meeting includes a proxy fight. (Source: ISS Voting Analytics)
- *Intangibles*: recognized intangibles (33) divided by total assets (6) Winsorized at the 99th percentile. (Source: Compustat).
- $(R\&D + ADV)/OE$: R&D expense (46) plus advertising expense (45) divided by total operating expenses. Missing values of R&D and advertising are set equal to zero. Winsorized at the 99th percentile. (Source: Compustat).
- *Market-to-book (MB)*: the market-to-book ratio computed as the market capitalization at the end of the calendar year scaled by book value of equity during year t-1. Positive values are winsorized at the 99th percentile. Negative values are set equal to zero, and we include a corresponding negative book value indicator (*Negative Book*). (Source: CRSP/Compustat).
- *Idiosyncratic Risk*: the square root of the mean squared residual from an annual regression of a firm's daily returns on the market (value-weighted CRSP index) returns. (Source: CRSP).

- *Institutional Ownership*: the percentage of the firm's shares held by institutions at year end. Winsorized at 100%. (Source: Thomson Reuters S34).
- *Firm Age*: the number of years since the firm first appeared on CRSP. (Source: CRSP).
- *Net Shares*: the natural log of the ratio of the split-adjusted shares outstanding at the fiscal year end in t-1 divided by the split adjusted shares outstanding at the fiscal year end in t-2. (Source: Compustat).
- *Coverage*: the number of analysts issuing earnings forecasts for firm i during quarter t. (Source: I/B/E/S).
- *# Institutions*: the number of institutions holding firm shares at year end. (Source: Thomson Reuters S34).
- *Firm Size*: the market capitalization computed as share price times total shares outstanding at the end of June (Source: CRSP).
- *Turnover*: the average daily turnover (i.e., share volume scaled by shares outstanding) over all trading days in the year. Winsorized at 99th percentile. (Source: CRSP).
- *R-squared*: the r-squared from an annual regression of a firm's daily returns on the market (value-weighted CRSP index) returns. Winsorized at the 99th percentile. (Source: CRSP).
- *Momentum₁*: the return in the month prior to the shareholder meeting. (Source: CRSP).
- *Momentum_{2,12}*: the return in the two to twelve months prior to the shareholder meeting. (Source: CRSP).

- *SEO*: a dummy variable equal to one if a firm will issue a Seasoned Equity Offering in the next two years. (Source: SDC).
- *M&A Acquirer*: a dummy variable equal to one if a firm will announce the acquisition of another firm in the next two years. (Source: SDC).