The Role of Proxy Advisors and Large Passive Funds in Shareholder Voting: Lions or Lambs?*

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Abstract

Large passive mutual funds and proxy advisory firms have faced criticism both for being too powerful and not exercising diligence in proxy voting. We document that the "Big 3" passive fund families, Blackrock, State Street, and Vanguard, are increasingly likely to vote with management, and their support is paramount in approving controversial proposals. Meanwhile, mutual funds overall are less likely to vote according to ISS recommendations, and ISS recommendations are not predictive of controversial votes passing, especially post-financial-crisis. Our findings suggest that the Big 3 actively vote their proxies, and that ISS appears less influential over time.

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1 Introduction

Shareholder voting is a key mechanism for investors to provide oversight of managerial behavior and express their views on how companies should be governed. Yet, there is considerable debate over the efficacy of shareholder voting and, in particular, the role of institutional investors in the proxy process. With a fiduciary obligation to vote, and increased ownership over the last two decades, mutual funds are increasingly influential in voting outcomes. There are, however, concerns about whether or not such investors are sufficiently informed about the proposals on which they vote. In particular, there are worries about the degree to which funds rely on the voting recommendations of proxy advisory firms (PAFs) which, until recently, has been a basis for funds meeting their fiduciary duty with regard to proxy voting. Thus, these funds, while often having influential voting stakes, might not make the effort to become individually informed on key proposals.

Along these lines, a number of studies suggest that funds consider a variety of trade-offs when determining how much effort to allocate toward becoming independently informed about voting issues (e.g. Davis and Kim, 2007; Matvos and Ostrovsky, 2010; Morgan et al., 2011; Choi et al., 2013; Iliev and Lowry, 2015; Li, 2016). This body of work provides important cross-sectional evidence on the determinants of mutual fund voting. These studies do not, however, provide evidence on how mutual fund voting practices have evolved over time, an especially salient issue in light of recent regulatory changes, calls for further reform of the voting process, and the dynamic nature of the mutual fund industry.[1]

Two particular issues are attracting increased attention from regulators and market participants. First, since the financial crisis, there has been a substantial shift in assets under management from active to passive funds, and a concurrent concentration of assets in

[1]Focusing on pension funds, Duan et al. (2018) contrast how they vote relative to mutual funds in the aggregate, but their analysis is also in a cross-sectional setting.

the hands of Blackrock, State Street, and Vanguard (the "Big 3"). For example, assets under management at these three fund families have grown from 10% to nearly 40% of total mutual fund holdings in the last 15 years (see Figure 1). This growth has led critics to contend that these funds wield an immense amount of influence over companies' corporate governance practices.[2] Others suggest that, with their largely passive investment approach, index funds are not diligent enough in pressuring firms to make value-added changes to their governance and policies.[3] Indeed, it has also been suggested that many mutual funds indiscriminately vote in line with management or simply defer to the recommendations of PAFs without making sufficient effort to become independently informed on the individual proposals.[4] The Big 3 dispute such arguments by noting that they all have active "stewardship" programs where they reach out to portfolio firms around the globe on environmental, social, and governance issues. For example, in 2018, Blackrock, State Street, and Vanguard report engaging with 1,452, 686, and 721 firms, respectively.

Second, PAFs themselves have received increased scrutiny from regulators. Concerns have been raised that PAFs face potential conflicts of interest, have insufficient resources to conduct thorough analyses of the growing number of proposals on which they provide recommendations, and largely adopt "one-size-fits-all" voting policies (e.g. Sharfman, 2019; Larcker et al., 2015). Such issues likely contributed to the decision by the U.S. Securities and Exchange Commission (SEC) to withdraw guidance suggesting that registered investment advisers can rely on proxy advisor recommendations as a basis for fulfilling their fiduciary duty to vote.[5] Lawmakers have also introduced legislation proposing regulation of proxy advisors, including the Corporate Governance Reform and Transparency Act H.R. 4015 in 2017 and the Corporate Governance Fairness Act, S.3614 in November 2018. More recently,

[2]Fichtner et al. (2017), Bebchuk et al. (2017), Bebchuk and Hirst (2019b), Bebchuk and Hirst (2019a), Fisch et al. (2019).

[3]See, for example, Larcker et al. (2015), Malenko and Shen (2016), Choi et al. (2009), Heath et al. (2018), and https://www.wsj.com/articles/vanguard-is-handing-over-some-of-its-voting-power-11556190120.

[4]https://www.ft.com/content/51dcc3fd-9579-3fc7-833e-b0314b033258

[5]See, for example, https://www.sullcrom.com/files/upload/SC-Publication-SEC-Withdraws-Proxy-Advisory-Guidance-Ahead-of-Fall-Roundtable-on-Proxy-Process.pdf

on August 21, 2019, the SEC Commissioners approved updated guidance for both mutual-fund managers and proxy advisory firms as to their respective roles in the voting process.[6]

We explore these issues by examining the dynamic and time-varying nature of mutual fund voting on compensation and governance proposals. In doing so, we emphasize voting decisions by the Big 3 and voting recommendations of a leading PAF, Institutional Shareholder Services (ISS).[7] By focusing on the time-series, our approach contrasts with much of the prior literature on mutual fund voting that is exclusively cross-sectional in nature. The time-series perspective enables us to provide new evidence on how voting practices have evolved, particularly since the financial crisis. We also contrast the voting behavior of the progressively important Big 3 passive families with voting by a set of six large, predominantly active fund families that we refer to as the Active 6 (Fidelity, Dimensional Fund Advisors, T. Rowe Price, J.P. Morgan Chase, Franklin Templeton, and the American Funds).[8] This reference group helps control for family size effects when we examine how frequently the Big 3 vote with ISS and management. We also compare the relative influence of the Big 3, Active 6, and ISS recommendations in affecting voting outcomes.

Our first major finding is that in the post-financial crisis period, all fund types are significantly less likely to consistently vote in accordance with ISS recommendations. Pre-crisis 17% of funds almost always (at least 99% of the time) voted the same way as the ISS recommendation, while post-crisis only 13% of funds vote as such. The decline in the number of funds that vote with ISS over 90% or 95% of the time pre- versus post-crises are of a similar magnitude.

[6]See https://www.sec.gov/rules/interp/2019/ia-5325.pdf and https://www.sec.gov/rules/interp/2019/34-86721.pdf

[7]See http://today.law.harvard.edu/bebchuk-unblocking-corporate-governance-reform/

[8]As noted by Brav et al. (2018), these six funds often support dissident slates of directors in contested elections, and thus represent a set of active monitors.

More important is our analysis on how funds vote on relatively contentious proposals. Our first measure of contentious proposals captures when management and ISS issue differing recommendations on how to vote on a given proposal. In these instances, we find that the Big 3 are significantly more likely to vote with management (approximately 69% of the time) across both time periods. In contrast, the Active 6 only support management 36.6% in the pre-crisis period, but this increases to 43.2% in the post-crisis period. The votes of other funds appear similar to those of the Active 6, as opposed to the Big 3, in these situations. When management and ISS provide the same recommendation, however, we find that there is a greater consensus by all funds in the post-crisis period (93.3% to 97.8%). These results suggest that the Big 3 support management more often than other funds, and that funds in aggregate are voting less in line with ISS recommendations over time.

As a second measure of potentially even more contentious proposals, we focus on proposals where the shareholder voting outcome was close to the pass/fail threshold.[9] We find that Big 3 support is more important than either ISS recommendations or Active 6 support in determining whether close proposals pass. These results are particularly striking in the post-crisis period where only Big 3 support is statistically significant in predicting passage fo the proposal, and with an economic effect twice that of the pre-crisis level. While ISS support is positively related to management-sponsored proposals passing in the pre-crisis period (and not the post-crisis period), their support is not statistically significant after controlling for Big 3 and Active 6 voting. Taken together, our results suggest that the Big 3 have become more influential in voting outcomes, and ISS less so, in the post-crisis period.

Our final analysis examines the extent to which the Big 3 vote jointly the same way on a given proposal. Unconditionally, the Big 3 all cast the same vote in 81% of all compensation and governance proposals. For the set of close-vote contentious proposals, the Big 3 vote

[9]We define proposals as close if they receive 40-60% support ex-post.

together 50% of the time, and they are 9.9% more likely to vote together on contentious proposals in the post-crisis period.

Collectively, our paper illustrates that the Big 3 are influential in voting outcomes, particularly for more contentious agenda items. Moreover, the influence of the Big 3 appears to be larger than that of ISS. While our analysis does not investigate how informed PAFs are on individual items, based on our analysis of instances where management and ISS issue differing recommendations, we find that their influence on voting outcomes has declined over our sample period. Associated with these findings, the Big 3 are less inclined to vote in line with ISS recommendations, and more often with management, which comports with findings by Cai et al. (2009) who just look at director elections and find that indexing institutions support management more than more active investors. There is, however, disparity in the way each of the Big 3 vote on various issues, suggesting that they do not unilaterally comprise a voting block.

Our results also have implications for the literature examining shareholder activism where activist success, in part, relies on convincing institutional investors to support their proposals (e.g. Brav et al., 2018; Kedia et al., 2018). Our evidence suggests that as the Big 3 funds, in particular, grow larger and thus more influential, they have increased potential to be pivotal in the ability of activists to garner sufficient support to pass their proposals. Such sway in voting outcomes on contentious proposals can influence both the propensity for activists to target certain firms and the likelihood that they are successful (Appel et al., 2018).

2 Institutional Details

2.1 Voting Regulations for Institutional Investors

Two main regulatory policies define the responsibilities of institutional investors when voting on behalf of their clients. First, the Department of Labor requires that certain pension funds vote proxies in a manner that is consistent with maximizing the economic interest of the plans' beneficiaries. Second, the SEC mandates that registered investment advisors adopt policies and procedures to ensure they vote in the best interests of their clients. While the specifics of such voting procedures are not rigidly specified by these agencies, these guidelines effectively suggest that institutions with voting authority over proxies have a fiduciary duty to be informed about the voting decisions they make.

Moreover, as of 2003, registered investment companies (including mutual funds) are required to file form N-PX with the SEC each year disclosing how they voted on each agenda item at each portfolio firm. Prior to this rule, many commentators argued that disclosing such votes (i.e. not being able to vote confidentially) would engender a number of negative consequences for mutual funds and their clients. For example, funds might be subject to elevated pressure to vote in line with management recommendations for fear that a vote against the firm would result in restricted access to senior management. In contrast, others argued that increased transparency would allow monitoring of funds' governance activities at their portfolio firms, potentially enhancing shareholder value. Despite this regulatory framework and its increased transparency, funds have continued to face criticism for consistently voting with management or allegedly indiscriminately following PAF recommendations, potentially indicating that they are not actively engaged in voting decisions.

Prior work has examined mutual fund voting and suggests that there is heterogeneity in the extent to which mutual funds appear to rely on PAFs. Iliev and Lowry (2015) find

that funds with greater benefits and lower costs of doing their own research are less likely to vote in a manner consistent with PAF recommendations. Specifically, those characteristics include funds that are larger, are associated with bigger fund families, have lower asset turnover, and located in larger cities. However, index funds are noticeably absent from their analysis. Moreover, the incentives of large passive fund families, such as the Big 3, to participate in corporate governance via proxy voting are unclear, yet is increasingly important to understand.

On one hand, the Big 3's large ownership stakes and inability to take the "Wall Street Walk" due to their indexing strategies could encourage the these families to exert influence on firm proposals and ISS policy recommendations. On the other hand, the low fees generally charged by index funds run by these funds, combined with holding a large diversified portfolio, imposes substantial costs to becoming informed on each agenda item at every portfolio firm. These costs could result in the the Big 3 fund families casting blanket votes, or outsourcing their voting decisions to proxy advisors. Indeed, the fund industry's proxy voting has been criticized, with some observers suggesting fund managers are not voting in a manner consistent with the preferences of their investors.[10] We use six large active fund families (Fidelity, Dimensional Fund Advisors, T. Rowe Price, J.P. Morgan Chase, Franklin Templeton, and the American Funds) as a benchmark for evaluating the Big 3's voting practices, this highlights the difference in passivity while helping control for any potential family size effects.

2.2 Proxy Advisors

Proxy advisors provide a range of services to institutional clients, including governance analyses, voting recommendations for each proposal at shareholder meetings, and platforms

[10]https://www.nytimes.com/2017/10/06/business/small-investors.html

to both cast and record fund votes. ISS has been the dominant company in the proxy advisory space with Glass, Lewis & Co. becoming only the second firm to acquire a market share over 40% in 2011 (Li, 2016). PAFs can help abate the overall costs of voting for institutional investors by providing centralized research services. Theoretical work by Malenko and Malenko (2018) suggests this benefit arises when shareholders would glean the same set of information from their own private research, resulting in duplicative efforts. Otherwise, PAFs can lead to inefficient private information production because it is individually optimal for investors to simply rely on PAF guidance rather than to seek out new information to inform their voting decision.

Interestingly, PAFs, such as ISS, conduct annual surveys of institutional investors to ascertain their views on particular types of proposals. ISS has claimed that, depending on the feedback, they might adjust their their voting policy on these items.[11] Consistent with this notion, Choi et al. (2009) note that, though ISS can appear to shift investor votes, it is also possible that ISS policies could just be aligned with shareholder (fund) voting preferences. Indeed, Aggarwal et al. (2014) find evidence that proxy advisors suggesting that PAFs pay attention to the preferences of the public when determining their recommendations.

PAFs have faced criticism in recent years on a few fronts. First, there are concerns that they employ a "one-size-fits-all" model of corporate governance, leading them to produce blanket voting recommendations without regard to firm-specific circumstances. Along these lines, in 2010 the SEC issued a concept release noting that PAFs do not face significant accountability for their voting standards and decisions.[12]

Second, some PAFs provide consulting services to firms, arguably creating a potential conflict of interest in their recommendations. ISS, for example, disputes such claims and highlight that they have created a firewall between these businesses to allay such concerns.

[11] https://www.issgovernance.com/iss-announces-results-of-governance-principles-survey/
[12] Concept Release on the U.S. Proxy System, July 22, 2010

Third, PAFs cover thousands of companies around the globe, and therefore, might have fewer resources to expend on voting analysis and advisory services at each individual firm. For example, a 2014 United States Chamber of Commerce report questioned the ability of ISS to adequately analyze all proxy proposals, estimating that 250 ISS employees would each cover, on average, about 1000 ballot items during the proxy season (see Sharfman (2019)). More recently, ISS reports that they provide coverage of approximately 40,000 meetings in more than 115 global capital markets with a research team of some 270 research analysts and 190 data analysts. The sheer volume of proposals voted upon each year, the complexity involved in analyzing those proposals, and regulatory uncertainty as to the ability of investment advisors to rely on PAF recommendations to fulfill their fiduciary duties on voting have led to a changing voting environment and questions as to the role of proxy advisors and mutual funds in firm governance.

3 Data

3.1 Data Sources and Matching

We obtain voting data on agenda items from the ISS Voting Analytics database. This data contains the institution (i.e. the fund family) and fund identifying information, company name, agenda item description, and ISS and management recommendations, as well as the actual vote of the mutual fund (For, Against, Withhold, or Abstain). In addition to vote-level data, we use a separate ISS database on voting outcomes. The data contains firm identifying information, agenda item descriptions, sponsor identity, ISS recommendations (For, Against, or Withhold), the amount of shareholder support received, and the outcome of the vote (pass or fail).

While ISS data begins in 2003, we conduct our analyses starting from 2006.[13] Our decision is motivated by the fact that ISS initially gathered voting data for only a small subset of mutual funds, and then expanded their coverage in 2006. Specifically, smaller fund families are more likely to be omitted in 2003 and 2004, and including these years in the analysis might introduce measurement error in the time series analyses. Based on these issues, our final sample period is from July 1, 2005 through June 30, 2018. We drop any duplicate observations (where there is the same voting outcome for the fund/agenda item/vote) and we eliminate all observations where there is more than one voting outcome listed for the same fund/agenda item/year as we cannot definitively ascertain how the fund voted.

We use fund- and institution-level information for U.S. equity funds from the Center for Research in Securities Prices (CRSP) Mutual Fund database.[14] Matching the CRSP data with ISS voting information is challenging because ISS only provides an internal fund identifier. We, therefore, use a fuzzy matching technique based on fund family and fund name to obtain an initial match between ISS identifiers and the CRSP MFLinks database. This process yields a mediocre match because of the large number of funds within the same fund family that have overlapping names (e.g. Balanced, S&P 500, sector funds, etc). To improve accuracy, we manually examine potential matches and spot-check the MFLinks universe for

[13]The proxy season runs from July 1st until June 30th. We leave the data in this form and when we say 2006, we are referring to July 1, 2005 until June 30, 2006 because the majority of annual meetings and proxy votes occur in the spring.

[14]To ensure we have U.S. equity funds we drop funds that contain the terms "Global", "International", "Europe", or "Emerging" in their name. We further require funds have at least 50% of their assets invested in common stocks, CRSP Mutual Fund data classifies their lipper_asset_cd as equity, and a number of other filters based on lipper_class.

additional matches that have multiple names (e.g. Blackrock with iShares) and for funds with unexpected missing proxy seasons.[15]

3.2 Sample Characteristics

Over time, there has been a substantial increase in capital flows to large mutual fund families and index funds. According to the Wall Street Journal, in 2006 Vanguard only owned five or more percent of three S&P 500 companies, whereas more recently they owned at least five percent of 468 firms, representing 94% of the S&P 500 index.[16] Figure 1 plots the percent of CRSP mutual fund assets held by passively managed funds, Big 3 families and Active 6 families from 2003-2018. Assets under passive management and those of the Big 3 have grown from 9% to 38% of total CRSP mutual fund database assets over the last 15 years. During the same time period, Active 6 assets exhibit a slight decline from 33% to 31% of total CRSP mutual fund database assets.

We focus our analysis on management- and shareholder-sponsored proposals related to governance management compensation issues for firms in the Russell 3000. We exclude say-on-pay and say-on-pay-frequency proposals, as these items only occurred during the latter part of our sample period.[17] Removing these items helps ensure our sample contains consistent types of proposals over time, and that our tests are not affected by structural

[15]This process reveals several noteworthy points about the data. First, ISS lacks a consistent internal identifier from year to year for some funds. For example, the same fund might have one identifier in 2007, 2008, and 2010 with a second identifier for 2006 and 2009. Such inconsistencies can be problematic because empirical tests relying on balanced panels or fund fixed effects require a consistent identifier across years. Second, certain funds appear under multiple identifiers in the same year, especially if they are acquired during the year (e.g. Barclays being acquired by Blackrock). In this situation, we retain the identifier with the most proxy votes cast that year. Finally, we observe that some large fund families have zero observations for certain years (especially 2011). After multiple discussions with representatives at ISS, they re-parsed their data and expanded the sample. This update was completed in March 2016, and consequently, empirical work that relied on data before this time could have missing observations for several large fund families.

[16] "Meet the New Corporate Power Brokers: Passive Investors" by Krouse, Benoit and McGinty 10/24/16

[17]Malenko and Shen (2016) focus on the role of PAFs in the context of say-on-pay, and more recently Schwartz-Ziv and Wermers (2017) conduct a comprehensive study of mutual fund and fund family voting on say-on-pay issues.

changes in the underlying characteristics of the items being voted upon by shareholders. We further require that funds vote at least five times on these proposals each year.

It is worth noting that ascribing causality is difficult in our setting as we cannot observe whether funds actually rely on proxy advisor or management recommendations. Thus, the observed correlations between recommendations and fund voting could be due to similar processes for analyzing agenda items, funds simply following PAF or management recommendations, or ISS surveying institutions each year and incorporating investor preferences into its voting policies. Nonetheless, systematic analyses of voting behavior yields important insights into the voting environment, and has the potential to inform the debate over the roles of both institutional investors and PAFs in the voting process.

4 Empirical Results

Our initial tests contrast voting behavior for subsamples before and after the financial crisis. Specifically, we pool votes made at shareholder meetings from July 2005 through June 2010 (i.e. 2006-2010) and refer to this as the pre-crisis period. We then pool votes at shareholder meetings between July 2010 and June 2018 (i.e. 2011-2018) and label this the post-crisis period.[18] The second set of tests are vote-level regressions where our dependent variables are indicators capturing the extent to which certain types of funds vote in accordance with management or ISS recommendations. In the final set of analyses, we focus on whether certain types of fund families or ISS recommendations are instrumental in potentially controversial proposals surpassing specified voting thresholds.

[18] All results are similar if we omit 2009 and 2010 or shift these subsamples by one year in either direction.

4.1 Univariate - Histograms

Figure 2 presents a fund-level histogram that plots the frequency of funds voting in line with management recommendations for compensation and governance proposals (excluding say-on-pay proposals) both pre- and post-financial crisis. For each fund, we calculate the percent of times the fund votes with management's recommendation during each period. Funds are placed into percentiles based on this frequency. We note a distinct shift towards greater consensus with management, both in an absolute sense and for the entire distribution. Pre-crisis only 2% of funds voted with management 99% of the time or more, but post-crisis this rate is over 3%. Perhaps more striking, the entire distribution moves significantly to the right. For example, the median fund voted with management 73.8% of the time in the pre-crisis period, but 80.9% of the time in the post-crisis period. Similarly, the 90th percentile fund voted with management 90.0% of the time pre-crisis and 93.3% of the time post-crisis.

There are non-mutually exclusive reasons that could explain the trend towards funds voting in line with management recommendations. One possibility is that funds might be using simple heuristics, such as casting votes as management recommends. Other possibilities include the notion that management might adjust proposals to conform with fund preferences, avoid submitting proposals that are unlikely to garner support, selectively withdraw proposals (Babenko et al., 2019), campaign to boost votes for their favored outcome (Metzger and Bach, 2018), or make recommendations on proposals that are broadly consistent with shareholder preferences.

Figure 3 repeats the prior analysis, but explores the frequency with which funds vote in accordance with ISS recommendations. The proportion of funds that vote in a manner that is consistent with the ISS recommendation over 99% of the time drops from 17.1% pre-crisis to 13.4% post-crisis. There is also a decline in the proportion of funds that vote with ISS 90% or more of the time pre-crisis to between 60-80% post-crisis, while the lower part of the

distribution remains unchanged. We observe a similar trend across all fund subgroups that we examine, suggesting that ISS influence has declined over time.

Figure 4 provides additional histograms where we plot the frequency with which funds vote with management, conditional upon ISS and management issuing opposite recommendations (i.e., cases where management and ISS disagree). These proposals are potentially more informative for disentangling the influence of funds in voting outcomes at firms as voting decisions must be made in light of conflicting recommendations for arguably more controversial proposals. Consistent with Figures 2 and 3, the distribution shifts to the right, showing that funds are increasingly voting with management and less with ISS over time on these proposals. This result holds for both the distribution as a whole, and for the frequency with which funds support management over 99% of the time. Specifically, we find the median fund voted with management 81.1% of the time pre-crisis and 84.8% of the time post-crisis. Similarly, the 90th percentile fund voted with management 92.9% of the time pre-crisis and 95% post-crisis.

Unreported histograms show that 1) the increased tendency to side with management holds across fund type (e.g. passive versus active and small versus large) and 2) the patterns are similar for management recommendations on director candidates in uncontested elections. Overall, we see that funds are less likely to vote with ISS recommendations and more likely to vote with management recommendations both unconditionally and conditional on differing recommendations. Further, these trends do not seem to be driven by certain types of funds. Rather funds, in general, are exhibiting these trends. Moreover, given that the trends are the same for relatively "homogeneous" management-sponsored director proposals it suggest that we are capturing changes in voting behavior and not differences in the characteristics of the proposals that are being voted upon.

4.2 Mutual Fund Vote-level Tests

Table 1 contains summary statistics regarding the voting recommendations of both management and ISS, the frequency that their recommendations concur with each other (i.e. they issue the same recommendation), the percentage of shareholder sponsored proposals, and the percentage of times funds vote consistent with an ISS or management recommendation at the proposal level. The Appendix contains our variable definitions. Columns 1 and 2 contain shareholder-sponsored governance proposals, columns 3 and 4 examine management sponsored governance proposals, while columns 5 and 6 contain management-sponsored compensation proposals. The odd numbered columns comprise proposals in the pre-crisis period, while the even columns contain post-crisis proposals. Stars denote 1%, 5%, and 10% statistically significant differences pre- and post-crisis based on a two sample t-test.

We observe increased consensus between management and shareholders along several dimensions in the post-crisis period. First, funds voted 2.3% more often with management on shareholder proposals. This finding contrasts with funds being less likely to vote as ISS recommends on both shareholder proposals and management governance proposals (5% and 1.9%, respectively). On compensation proposals, even though ISS agreed slightly less often with management (0.8%), and funds agreed more with ISS (4.2%), in aggregate funds voted in line with the management recommendation more often post-crisis (6.1%). Management also recommended in favor of 6.9% of shareholder proposals post- versus only 3.0% pre-crisis. At a broad level, the univariate evidence is consistent with the histograms, indicating increased voting consensus between funds and management, but less agreement on voting between mutual funds and ISS.

Next, we focus on the propensity of funds to vote the same as ISS recommendations in a multivariate framework. Tables 2 and 3 report the results of linear probability model specifications where the dependent variable *VoteISS* is equal to one if the fund votes consistent

with the ISS recommendation, and zero otherwise.[19] We cluster standard errors at the fund level.

Table 2 focuses on proposals where ISS and management provide conflicting recommendations a subsample that, by construction, contains more contentious votes. Meanwhile, Table 3 focuses on proposals where ISS and management supply the same recommendation. The first two columns of both tables focus on shareholder-sponsored proposals. The remaining columns are management sponsored: governance proposals in columns 3 and 4 and compensation proposals in columns 5 and 6. The odd numbered columns include year fixed effects, making them cross-sectional tests (see Equation 1).

$$VoteISS_{i,t} = \alpha + \beta_1 Big3_i + \beta_1 Active6_i + \beta_3 X_{i,t} + \gamma_t + \epsilon_{i,t} \tag{1}$$

To examine differences in voting behavior of the Big 3 and Active 6 across time, the even numbered columns include indicator variables that capture the interaction of pre- and post-crisis with the vote being cast by funds in the Big 3 and Active 6 (see Equation 2).

$$VoteISS_{i,t} = \alpha + \beta_1 FundType_i + \beta_2 PostCrisis_t + + \beta_3 FundType_i x PostCrisis_t + \beta_4 X_{i,t} + \epsilon_{i,t} \tag{2}$$

We report the coefficient on β_1 as the pre-crisis effect and the sum of β_1 and β_3 as the post-crisis effect because we are interested in the overall effect of the Big 3 and Active 6 in each sub-period. To establish a baseline for how funds vote and to understand the economic magnitudes, we note that the smaller funds (i.e. those other than the Big 3 or Active 6) exhibit the following voting behaviors. When management and ISS issue the same recommendation on a proposal, they support management 92.1% (94.1%) of the time pre-

[19] Results are similar if we use a logit or probit model. Given the interaction terms, for ease of interpretation we use linear probability models.

(post-)crisis. When management and ISS have differing recommendations, they support management 35.5% (38.6%) of the time pre-(post-) crisis.

As previously discussed, in Table 2 the base case comprises funds other than those in the Big 3 or Active 6 that, by construction, tend to belong to smaller mutual fund families. Thus, the uniformly negative and statistically significant coefficients on the Big 3 imply that, when the ISS and management recommendations differ, the Big 3 are less likely than other types of fund families to vote in line with the ISS recommendation, and consequently, are more likely to vote with management. This finding is true both pre- and post-crisis (with the exception of pre-crisis voting on management governance issues where the coefficient is not significant). In contrast, other than for shareholder proposals, where the coefficient is insignificant, the Active 6 are more likely to vote in accordance with the ISS recommendation. The coefficients on the Big 3 and Active 6 are statistically different from each other at the 1% level. The negative post-crisis coefficients suggest the baseline smaller funds are less likely to vote as ISS recommends on management-sponsored proposals for the more recent post-crisis period.

To illustrate the economic magnitudes, we use management-sponsored compensation proposals in 2 column 6 as an example. The coefficient on Big 3 pre-crisis suggests that the Big 3 are 10.6% less likely than other funds to vote with ISS pre-crisis, and 9.6% less likely to do so in the post-crisis period. On the other hand, the Active 6 are more likely than other funds to vote with ISS on contentious issues (29.9% pre- and 35.5% post-crisis). As evidenced by the negative post crisis coefficient, the smaller funds (the baseline group) are 6.4% less likely to vote in accordance with the ISS recommendation in the post-crisis period. Again, this result is driven by management-sponsored, rather than shareholder-sponsored, proposals. These results indicate that, over time, funds are less likely to vote in accordance with ISS recommendations. Thus, there is little support for the contention that ISS recommendations are a dominant feature of the voting environment.

The negative coefficient on the % Stake variable suggests that funds are less likely to vote with ISS, and more likely to vote with management, as their holdings increase. Collectively, these findings indicate that there is substantial voting disparity across large fund families on more controversial issues. Specifically, the Big 3 are more likely to vote with management, while the Active 6 are more likely to vote in line with ISS recommendations. Consistent with Iliev and Lowry (2015), the negative coefficients on Log(Fund Size) and Log(Family Size) are suggestive of smaller funds being more reliant on ISS recommendations after controlling for inclusion in the Big 3 and Active 6. Finally, funds are more likely to vote with ISS recommendations for firms that have fewer assets, more debt, and worse performance. One interpretation is that funds are less supportive of management in smaller, risky and worse-performing firms.

In Table 3 we examine proposals where ISS and management furnish the same recommendation and test the extent to which funds concur with this consensus. Focusing on the coefficients for the different fund classifications, we find that Big 3 voting is positively associated with the ISS/management consensus recommendation across all proposal types, particularly post-crisis. The Big 3 are 1.1% more likely than the baseline smaller fund group to support management governance proposals, and approximately 9% more likely to support both shareholder proposals and management compensation proposals. After the crisis, the Big 3 are more likely than other funds to concur with the ISS/management consensus: 10.7% for shareholder, 1.5% for management governance, and 8.8% for management compensation, respectively.

The Active 6 also tend to support the ISS/management consensus view on shareholder proposals and compensation issues, especially post-crisis. However, the other coefficients for the Active 6 are either insignificant or, in the case of pre-crisis compensation proposals, slightly negative. Post-crisis, the baseline smaller funds are more supportive of shareholder proposals when ISS recommends against these proposals and more supportive of

management-sponsored proposals when ISS also recommends funds vote for them as evidenced by the significant coefficients on the post crisis indicator. As before, the coefficients on the Big 3 and Active 6 are statistically different at the 1% level. Overall, these findings suggest that all fund families, ISS, and management are more likely to agree with each another post crisis.

4.3 Proposal-level Contentious Regressions

Table 4 focuses on a set of potentially more controversial proposals and examines the extent to which recommendations by ISS and management, along with fund family voting decisions, is associated with these proposals meeting the required voting thresholds. Given that management proposals rarely fail, and many shareholder proposals receive less than majority support, we focus our analyses on proposals near the 50 percent threshold needed for passage. Specifically, if compensation or governance proposals have ex-post support in the 40-60% range, we consider them as controversial.

This analysis is motivated by the fact that such proposals can potentially be swung across the pass/fail threshold by a small number of large investors.[20] For example, Advanced Micro Devices had a vote in 2016 to amend their omnibus stock plan (such plans typically seek an increase in the number of shares available for equity-based compensation). Though this proposal passed, all else equal, it would have failed to achieve sufficient support if any of the Big 3 had voted against the proposal. The most common types of proposals in this sample are: Amend Omnibus Stock Plan, Require Majority Elections, Call Special Meeting, Approve Omnibus Stock Plan, Provide Right to Act by Written Consent, and Require an Independent Board Chairman.

[20] https://www.reuters.com/article/us-companies-shareholders-idUSBRE87F00S20120816

We acknowledge that this analysis is "forward looking." Nonetheless, it serves to illustrate the extent to which voting by different funds has the potential to affect voting outcomes. We report results of linear probability regressions examining whether these controversial proposals receive sufficient votes to pass the 50% threshold. Panel A reports our baseline specification where we focus on the influence of ISS. The odd numbered columns are cross-sectional regressions with year fixed effects. Similar to the previous analysis, the even-numbered columns include an interaction of ISS support with a post-crisis indicator. We report the sum of the interaction and the baseline ISS support as the post-crisis impact ISS has on these controversial votes passing.

While management supports shareholder-sponsored proposals only 3% of the time, their support is associated with a 59-62% higher likelihood that a controversial shareholder proposal passes the threshold. The results in columns 3 and 4 for management-sponsored proposals indicate that ISS support is associated with a 9.7% higher likelihood of a proposal passing the 50% threshold. Of note, consistent with the previous tables, the ISS recommendation is significant only pre-crisis where a positive recommendation is associated with a 14.7% higher likelihood of the passing the threshold.

In Panel B, we repeat the analysis with additional variables that measure the percentage of Big 3 and Active 6 (e.g. X/3 and Y/6) that vote in favor of the proposals, as well as interactions of these variables with the post-crisis indicator. This analysis provides a natural basis for benchmarking the relative importance of ISS, the Big 3, and the Active 6 with regard to controversial proposals passing the 50% threshold. Following the prior literature for such analyses, we take the majority voting position by family because on most proposals funds within a family submit the same vote. For example, within the Big 3, there are only 340 out of 23,189 proposals where there was any disagreement within the family, and in most of those there was only one fund voting differently.

In contrast to the results in Panel A, we find no evidence that ISS support is associated with these proposals receiving 50% of shareholder votes. We find, however, that Big 3 voting support is associated with a 28.1% increase in the likelihood that a controversial shareholder proposal achieves the specified threshold and a 13.0% increase for controversial management proposals. For the Active 6, there is an increase of 17.1% for shareholder proposals, while the coefficient for management proposals lacks significance. The link between Big 3 support and voting thresholds is larger post-crisis: 39.8% versus 14.2% pre-crisis for shareholder proposals, and 16.1% versus 12.0% for management proposals. In contrast, for the Active 6, the pre-crisis values are 44.6% for shareholder proposals and 14.9% for management proposals, but the coefficients are insignificant post-crisis. Taken together, this table suggests that for the full sample period, the ISS recommendation is associated with proposals passing the 50% threshold once we account for Big 3 or Active 6 voting. Perhaps more importantly, the Big 3 appears to be the most influential in votes passing the threshold, especially post-crisis.

4.4 Big 3 Consensus

Given their significant ownership stakes, and propensity to vote, if the Big 3 have consensus among themselves on a given issue, then they have substantial potential to influence voting outcomes. Thus, in Table 5 we explore the extent to which all three families vote in the same direction on a given proposal (i.e. all three families for "For" or all three families vote "Against" a given proposal). Specifically, we focus on all contentious proposals in columns 1 and 2 (where we add the post-crisis indicator in column 2). In columns 3 and 4, we examine non-contentious proposals, while in columns 5 and 6 we analyze the full sample and include a contentious vote indicator. We use the shareholder proposals as the base case (and note that there is a lack of significance for these proposals) and cluster standard errors by year.

For the contentious proposals in columns 1 and 2, there is no evidence that proposal type, management support, or ISS support predict proposals where the Big 3 vote the same direction. However, the significant coefficient on the post-crisis period indicator suggests that the Big 3 are 9.9% more likely to vote in concert with each other on contentious issues post-crisis, relative to the pre-crisis period. In columns 3 and 4 the Big 3 are 14-18% more likely to vote with one another on non-contentious management, governance, and compensation proposals, relative to shareholder proposals. Further, within non-contentious proposals the Big 3 are 10% more likely to vote with each other when ISS supports the proposal. Finally, in columns 5 and 6 we pool all observations and include a contentious proposal indicator that is negative and statistically significant, implying that the Big 3 are 26% less likely to vote the same way within the group of contentious proposals. Similar to Columns 3 and 4, the Big 3 are more likely to vote with each other on management-sponsored proposals, and if ISS supports the proposal.

5 Conclusion

We examine how mutual fund voting has evolved over a recent 13 year time-span. In doing so, we emphasize the roles of two groups that have faced scrutiny for their role in corporate governance; the Big 3 fund families (Blackrock, State Street, and Vanguard) and proxy advisory firms (specifically Institutional Shareholder Services). The Big 3 have grown substantially over the past decade, and critics have expressed concern as to their participation in corporate governance oversight. Such low-cost institutional investors, it is argued, are limited in their ability to become informed on voting issues due to large number of issues they must vote on, and the lack of choice in the securities that they hold due to their indexing strategies. We find that the Big 3 are more likely to side with management

and in controversial proposals their support is more impactful on proposals passing than a benchmark of large active fund families or ISS support.

ISS faces similar criticisms due to sheer volume of voting issues they must process and a suggested out-sized influence on voting outcomes without significant oversight. Our results suggest that the concerns about ISS influence are not well-founded. In particular, we find that ISS has become less influential as funds are less likely to vote in line with ISS recommendations and ISS support is not needed for more controversial proposals to pass.

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Table A1: Description of Variables

Variable	Definition
ISS Support	An indicator equal to one if ISS recommended that investors vote for the proposal. (Source: ISS Voting Analytics).
Management Support	An indicator equal to one if management recommended that investor vote for the proposal. (Source: ISS Voting Analytics).
Compensation	An indicator equal to one if the proposal relates to compensation. A detailed list of all proposals that fit in this category can be found in the online Appendix. (Source: ISS Voting Analytics).
Governance	An indicator equal to one if the proposal relates to governance. A detailed list of all proposals that fit in this category can be found in the online Appendix. (Source: ISS Voting Analytics).
Log(Fund Size)	The natural logarithm of total net assets of the fund value weighted across the various share classes in billions. (Source: CRSP Mutual Fund).
Log(Family Size)	The natural logarithm of the sum of total net assets of all funds within a family in billions. (Source: CRSP Mutual Fund).
% Stake	Percent of the firm the mutual fund owns (Source: Thompson Reuters S12).
Post Crisis	An indicator equal to one if the vote occurs after June 30th, 2010 and zero otherwise. (Source: CRSP Mutual Fund).
Active 6	An indicator equal to one if the fund is part of Fidelity, Dimensional Fund Advisors, T. Rowe Price, J.P. Morgan Chase, Franklin Templeton or American Funds, and zero otherwise. (Source: CRSP Mutual Fund).
Big 3	An indicator equal to one if the fund is part of State Street, Blackrock or Vanguard, and zero otherwise. (Source: CRSP Mutual Fund).
Contentious Vote	An indicator equal to one if the proposal either receives between 40 and 60 percent for a compensation or governance proposal or receives less than 90 percent support for a management-sponsored director. (Source: ISS).
% Vote ISS	The percent of time the fund votes in line with ISS recommendations within the year. (Source: ISS Voting Analytics).
% Vote Management	The percent of time the fund voted with Management within that year (Source: ISS Voting Analytics).
Debt	The sum of the target firm's long-term debt and debt in current liabilities divided by total assets (Source: Compustat).
Market-to-Book Equity	The ratio of the target's market value to book value of equity (Source: Compustat).
ROA	The target firm's net income divided by total assets, return-on-assets (Source: Compustat).
Log(Assets)	Log of total assets (Source: Compustat).

Figure 1: Mutual Fund Traits Over Time

This figure plots the annual percent of U.S. equity assets that are held by the Big 3 (Vanguard, Blackrock, and State Street), the Active 6 (Fidelity, Dimensional Fund Advisors,T. Rowe Price, J.P. Morgan Chase, Franklin Templeton, and the American Funds), and held by passive funds based on the CRSP mutual fund database from 2003-2018.

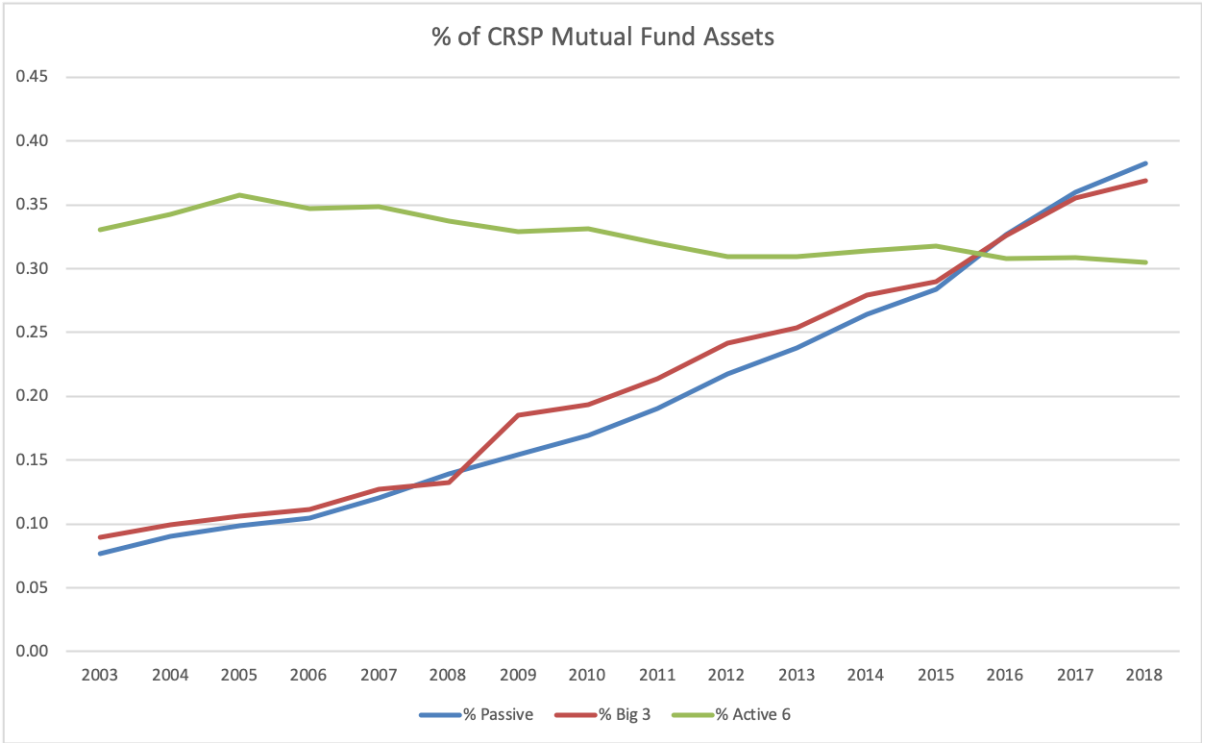

Figure 2: Management Over Time

These plots are histograms at the mutual fund level demonstrating the frequency funds vote for compensation (excluding "Say on Pay") and governance proposals in line with management recommendations during proxy seasons 2006-2010 (first panel) and 2011-2018 (second panel). For each fund, we calculate the percent of votes consistent with the recommendation of management. Funds are placed into percentiles as shown on the horizontal axis. The percent of funds that fall within each percentile is plotted on the vertical axis.

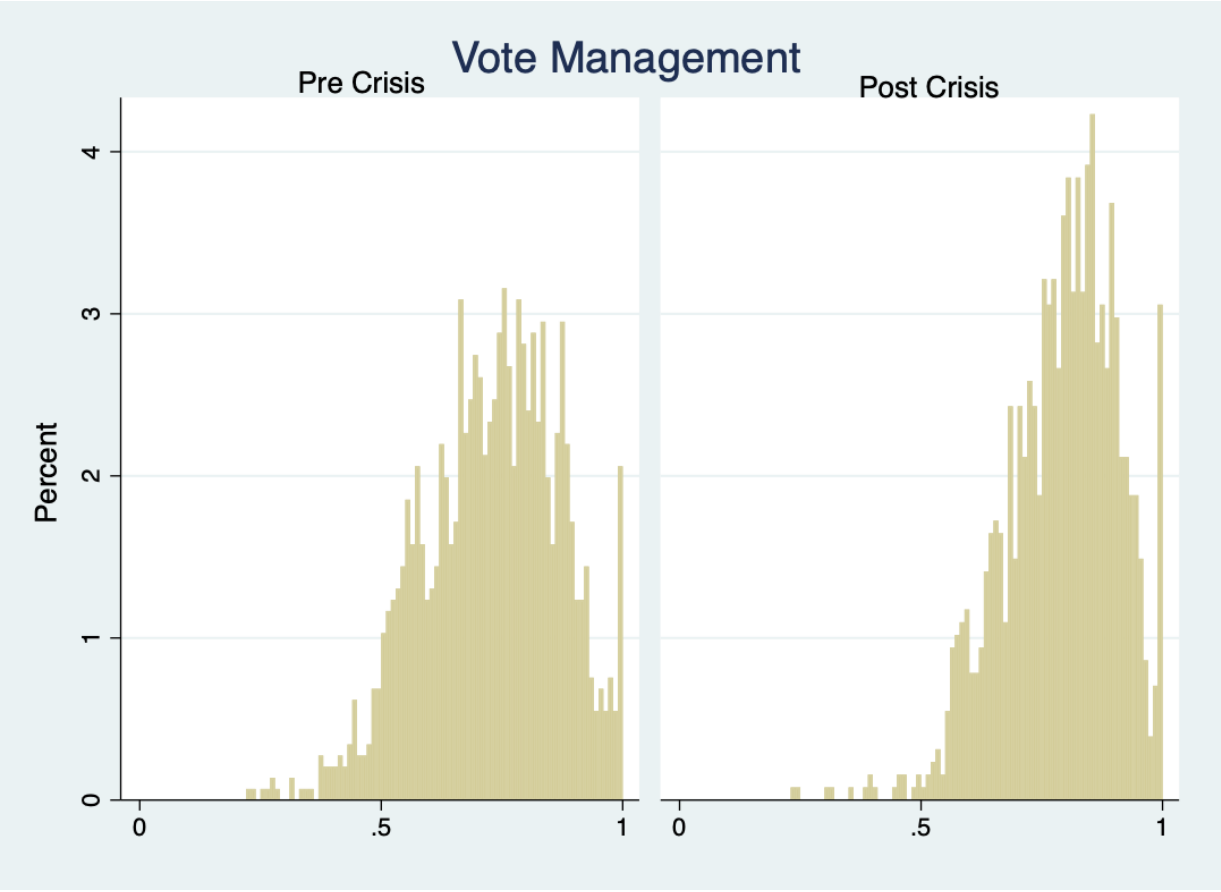

Figure 3: ISS Over Time

These histograms plot the frequency funds vote the same as an ISS recommendation for compensation (excluding "Say on Pay") and governance proposals during proxy seasons 2006-2010 (first panel) and 2011-2018 (second panel). For each fund, we calculate the percent of votes consistent with the recommendation of ISS. Funds are placed into percentiles as shown on the horizontal axis. The percent of funds that fall within each percentile is plotted on the vertical axis.

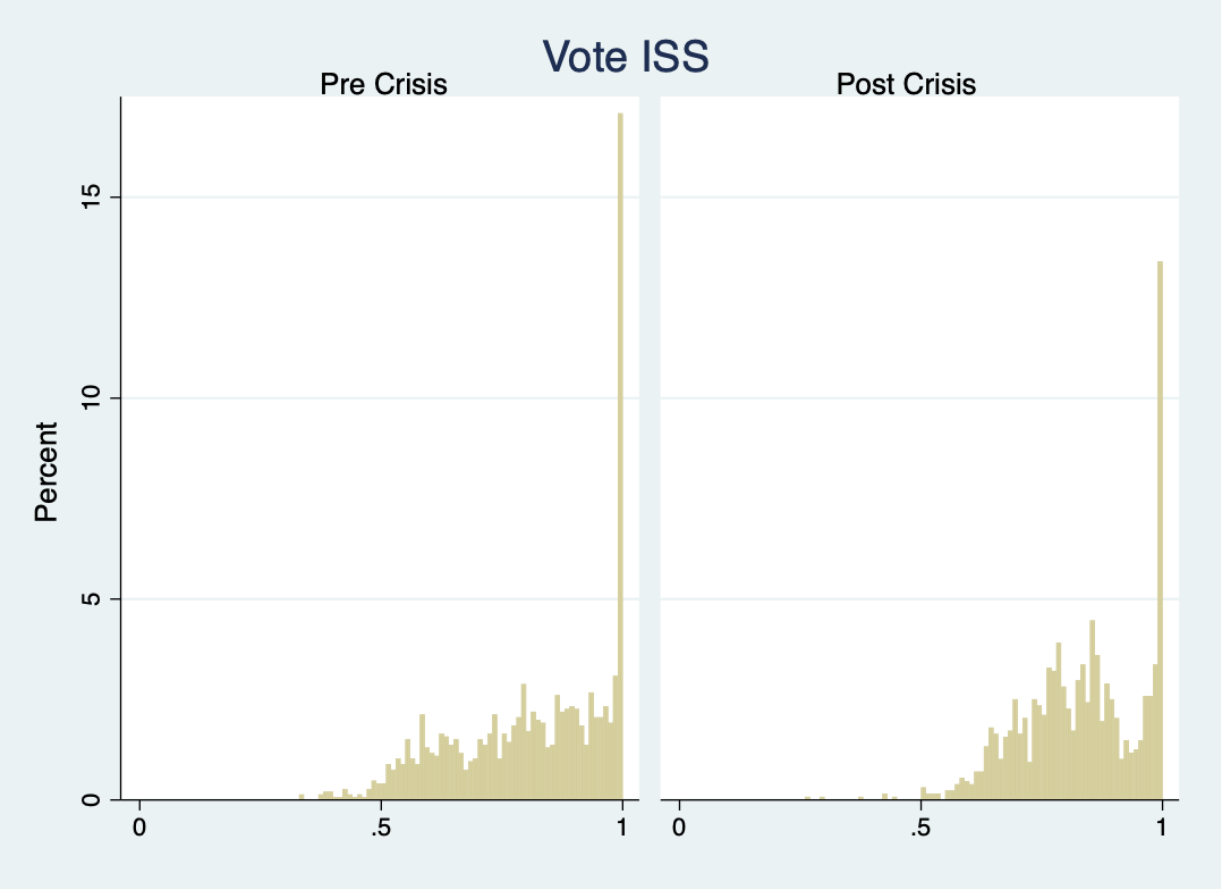

Figure 4: Controversial Management Over Time

These histograms plot the frequency funds vote the same as the management recommendation for compensation (excluding "Say on Pay") and governance proposals, conditional on ISS and management issuing different recommendations for a given agenda item during proxy seasons 2006-2010 (first panel) and 2011-2018 (second panel). For each fund, we calculate the percent of votes consistent with the recommendation of management. Funds are placed into percentiles as shown on the horizontal axis. The percent of funds that fall within each percentile is plotted on the vertical axis.

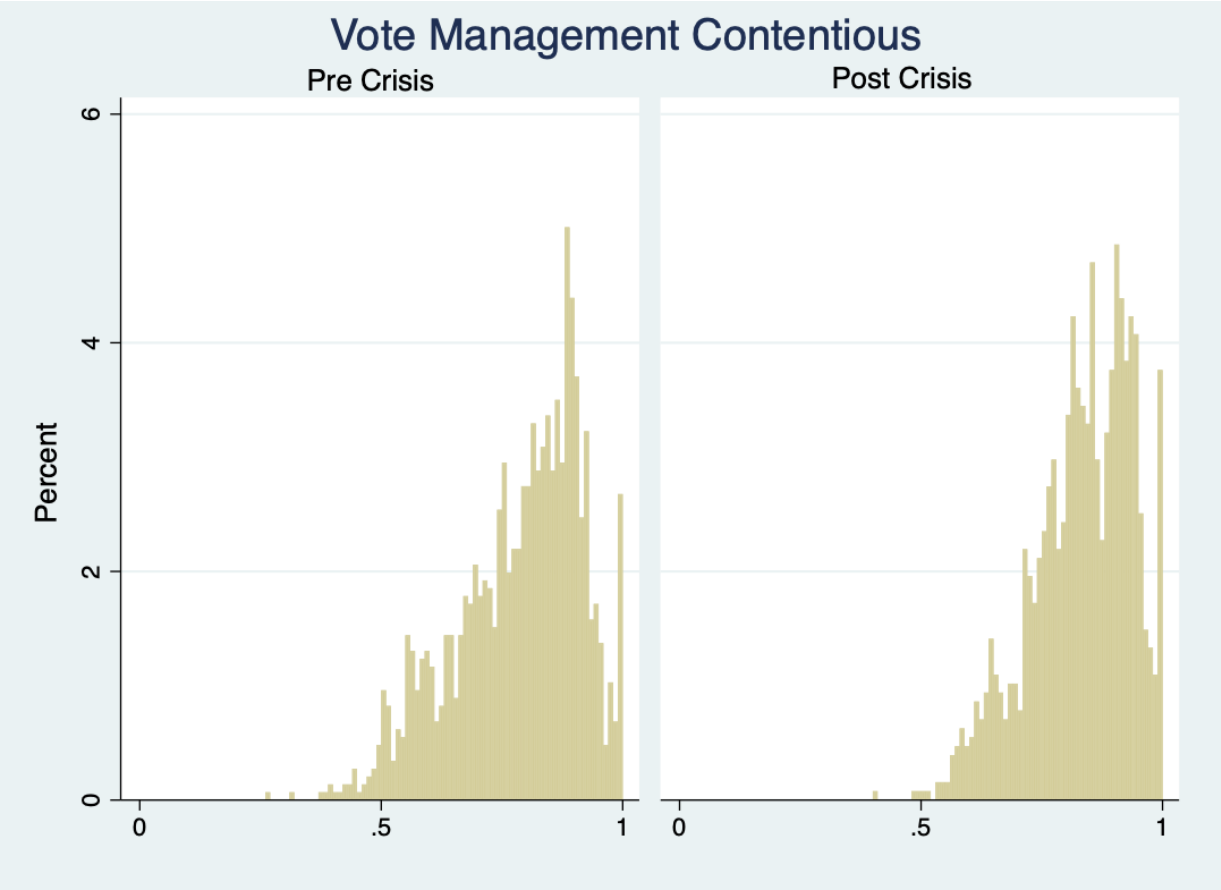

Table 1: Vote Summary Statistics

This table presents management recommendations, ISS recommendations, and whether funds vote in favor of governance and compensation proposals. Columns 1 and 2 focus on shareholder sponsored proposals, Columns 3 and 4 focus on management sponsored governance proposals, and Columns 5 and 6 focus on management sponsored compensation proposals. The odd columns are pre-crisis and the even columns are post crisis. Stars denote 1%, 5%, and 10% statistical significance from a two sample t-test.

	(1) Shareholder Pre	(2) Shareholder Post	(3) Mgmt Governance Pre	(4) Mgmt Governance Post	(5) Mgmt Compensation Pre	(6) Mgmt Compensation Post
Iss = Mgmt	29.1%	22.4%***	86.6%	88.7%	81.8%	81.0%***
Big 3 = Mgmt	77.8%	76.5%***	92.6%	95.3%***	89.1%	93.6%***
Big 3 = ISS	41.9%	43.5%***	94.7%	92.7%***	84.9%	88.8%***
Active 6 = Mgmt	54.3%	62.9%***	91.7%	90.9%***	71.5%	82.3%***
Active 6 = ISS	64.3%	57%***	96.8%	93.2%***	80.0%	90.1%***
Other Funds = Mgmt	48.4%	48.2%	92.9%	92.7%	83.6%	87.9%***
Other Funds = ISS	70.5%	68.7%***	95.7%	94.9%***	87.3%	89.2%***
Mgmt For	3.0%	6.9%***	n.a.	n.a.	n.a.	n.a.
N	2,881	2,669	1,839	4,910	10,326	10,987

Table 2: Fund Voting on Contentious Issues: When ISS and Management Disagree

This table contains the results from a linear probability model where the dependent variable is equal to one if the fund's vote is the same as ISS, conditional on ISS and management giving differing recommendations. Columns 1 and 2 examine shareholder sponsored proposals, columns 3 and 4 focus on management governance proposals, columns 5 and 6 focus on management compensation proposals. A detailed description of how proposals are categorized can be found in the online appendix and all variable definitions are located in the appendix. The odd numbered columns include year fixed effects and the even columns include an indicator equal to one if the proposal occurs after June 30, 2010 along with a number of interactions of this indicator with fund voting behavior. The baseline group comprises funds other than the Big 3 and Active 6.

	(1) Shareholder Vote ISS	(2) Shareholder Vote ISS	(3) Governance Vote ISS	(4) Governance Vote ISS	(5) Compensation Vote ISS	(6) Compensation Vote ISS
Big 3	-0.200***		-0.139***		-0.089**	
	(-7.02)		(-3.56)		(-2.38)	
Active 6	0.009		0.104***		0.342***	
	(0.28)		(2.94)		(8.63)	
Big 3 Pre Crisis		-0.226***		0.043		-0.106***
		(-7.98)		(0.94)		(-2.82)
Big 3 Post Crisis		‘-0.201***		-0.176***		-0.096**
		(-6.78)		(-4.46)		(-2.40)
Active 6 Pre Crisis		0.067*		0.228***		0.299***
		(1.82)		(6.14)		(8.49)
Active 6 Post Crisis		-0.028		0.073*		0.355***
		(-0.77)		(1.94)		(7.82)
Post crisis		0.007		-0.053**		-0.064**
		(0.40)		(-2.18)		(-2.32)
% Stake	-2.248**	-2.388**	-5.140***	-4.688***	-5.206***	-5.141***
	(-1.98)	(-2.09)	(-4.20)	(-3.84)	(-6.10)	(-5.93)
Log(Fund Size)	-0.015**	-0.014**	-0.006	-0.010	-0.007	-0.008
	(-2.50)	(-2.34)	(-0.83)	(-1.48)	(-0.98)	(-1.00)
Log(Family Size)	-0.034***	-0.033***	-0.023**	-0.025***	-0.035***	-0.032***
	(-4.68)	(-4.57)	(-2.43)	(-2.67)	(-3.19)	(-3.04)
Log(Assets)	-0.049***	-0.049***	-0.033***	-0.033***	-0.017***	-0.017***
	(-21.03)	(-20.75)	(-6.42)	(-6.33)	(-5.02)	(-5.01)
Debt	0.019**	0.023***	0.040**	0.023	-0.037***	-0.042***
	(2.27)	(2.73)	(1.98)	(1.16)	(-5.07)	(-5.47)
ROA	-0.146***	-0.142***	-0.113***	-0.101***	-0.050***	-0.048***
	(-7.23)	(-7.10)	(-4.15)	(-3.64)	(-2.85)	(-2.60)
Market-to-Book	0.001***	0.001***	0.002***	0.002***	-0.002***	-0.002***
	(3.30)	(3.84)	(3.34)	(2.89)	(-5.01)	(-3.89)
Observations	238,981	238,981	13,116	13,116	73,495	73,495
R-squared	0.119	0.119	0.116	0.112	0.145	0.141
Year Fixed Effects	Yes	No	Yes	No	Yes	No

t-stats in parentheses
** p<0.01, ** p<0.05, * p<0.1

Table 3: Fund Voting on Consensus Issues: When ISS and Management Agree

This table contains the results from a linear probability model where the dependent variable is equal to one if the fund's vote is the same as the ISS and management recommendations for that agenda item (i.e. ISS and Management issue the same recommendation). Columns 1 and 2 examine shareholder sponsored proposals, columns 3 and 4 focus on management governance proposals, 5 and 6 focus on management compensation proposals. A detailed description of how proposals are categorized can be found in the online appendix and all variable definitions are located in the appendix. The odd numbered columns include year fixed effects and the even columns include an indicator equal to one if the proposal occurs after June 30, 2010 along with a number of interactions of this indicator with fund voting behavior. The baseline group comprises funds other than the Big 3 and Active 6.

	(1) Shareholder Vote ISS	(2) Shareholder Vote ISS	(3) Governance Vote ISS	(4) Governance Vote ISS	(5) Compensation Vote ISS	(6) Compensation Vote ISS
Big 3	0.088***		0.011***		0.091***	
	(7.06)		(3.76)		(7.51)	
Active 6	0.048***		-0.000		0.013	
	(3.87)		(-0.20)		(0.72)	
Big 3 Pre Crisis		0.064***		0.005		0.066***
		(6.14)		(1.57)		(4.11)
Big 3 Post Crisis		0.107***		0.012***		0.099***
		(7.30)		(3.53)		(8.28)
Active 6 Pre Crisis		0.022**		0.008**		-0.051*
		(1.97)		(2.09)		(-1.69)
Active 6 Post Crisis		0.070***		‘-0.004		0.039***
		(4.40)		(-1.38)		(2.62)
Post crisis		-0.035***		0.010***		0.022***
		(-4.17)		(4.76)		(3.13)
% Stake	-2.222**	-2.296**	-0.019	-0.044	-0.066	-0.021
	(-2.23)	(-2.33)	(-0.17)	(-0.40)	(-0.13)	(-0.04)
Log(Fund Size)	0.001	0.001	0.000	0.000	0.005	0.006
	(0.47)	(0.56)	(0.43)	(0.71)	(1.35)	(1.63)
Log(Family Size)	-0.002	-0.003	-0.001*	-0.001*	-0.018***	-0.017***
	(-0.57)	(-0.98)	(-1.85)	(-1.75)	(-5.63)	(-5.33)
Log(Assets)	0.012***	0.011***	0.002***	0.002***	0.006***	0.007***
	(10.69)	(10.04)	(3.69)	(3.88)	(3.15)	(3.48)
Debt	-0.023***	-0.020***	-0.013***	-0.012***	0.020***	0.029***
	(-3.10)	(-2.68)	(-4.99)	(-4.75)	(6.18)	(7.84)
ROA	0.032**	0.044***	0.082***	0.080***	0.065***	0.055***
	(2.19)	(3.05)	(11.77)	(11.32)	(7.03)	(6.15)
Market-to-Book	-0.001***	-0.001***	0.000***	0.000***	-0.000***	-0.000
	(-3.02)	(-2.87)	(3.01)	(3.26)	(-3.29)	(-0.98)
Observations	65,942	65,942	148,204	148,204	573,474	573,474
R-squared	0.023	0.020	0.006	0.005	0.036	0.032
Year Fixed Effects	Yes	No	Yes	No	Yes	No
t-stats in parentheses						
** p<0.01, ** p<0.05, * p<0.1						

Table 4: Vote Thresholds and Controversial Proposals

This table tests what factors are important in determining if controversial proposals pass. Controversial proposals are defined as compensation/governance proposals that received between 40% and 60% support. A proposal passes if it receives 50+% of the vote. Columns 1 and 2 are shareholder sponsored proposals and columns 3 and 4 focus management sponsored proposals. Panel A focuses on the importance of ISS support for contentious proposals to pass, while Panel B also includes Big 3 and Active 6 support. The odd columns include year fixed effects and the even columns include an indicator equal to one if the proposal occurs after June 30, 2010 (Post Crisis) along with a number of interactions of this indicator with fund voting behavior. All variable definitions can be found in the Appendix.

Panel A	(1) Shareholder Vote Pass	(2) Shareholder Vote Pass	(3) Management Vote Pass	(4) Management Vote Pass
ISS For	0.054		0.097***	
	(0.50)		(2.90)	
ISS For - Pre		(0.084)		0.147***
		(0.29)		(4.63)
ISS For - Post		0.056		-0.012
		(0.50)		(-0.25)
Management Support	0.593***	0.619**		
	(4.93)	(2.14)		
Post Crisis		-0.018		-0.068*
		(-0.06)		(-1.78)
Observations	990	990	619	619
R-squared	0.034	0.026	0.077	0.037
Year Fixed Effect	Yes	No	Yes	No
Firm Controls	Yes	Yes	Yes	Yes
Panel B	(1)	(2)	(3)	(4)
ISS For	-0.091		0.022	
	(-0.82)		(0.53)	
ISS For - Pre		-0.207		0.047
		(-0.84)		(1.12)
ISS For - Post		-0.051		-0.034
		(-0.44)		(-0.48)
% Big 3 For	0.281***		0.130***	
	(5.30)		(2.93)	
% Big 3 For - Pre		0.142**		0.120**
		(2.01)		(2.20)
% Big 3 For - Post		0.398***		0.161**
		(5.66)		(2.08)
% Active 6 For	0.171**		0.076	
	(2.26)		(1.25)	
% Active 6 For - Pre		0.446***		0.149**
		(4.32)		(2.31)
% Active 6 For - Post		-0.0121		-0.040
		(-0.14)		(-0.38)
Management Support	0.781***	0.782***		
	(6.40)	(3.26)		
Post Crisis		0.065		-0.071
		(0.25)		(-1.10)
Observations	990	990	619	619
R-squared	0.083	0.087	0.093	0.055
Year Fixed Effect	Yes	No	Yes	No
Firm Controls	Yes	Yes	Yes	Yes

Table 5: Big 3 Consensus

This table tests what factors are important in determining if the Big 3 all vote in the same direction (i.e. all vote For or all vote Against a given proposal). The dependent variable is equal to one if all of the Big 3 vote the same way on the agenda item. The first two columns involve proposals that are marginal in terms of passing (see controversial votes). Columns 3 and 4 focus on non-controversial votes. Columns 5 and 6 pool both proposals. The remaining variable definitions can be found in the Appendix.

	(1) Contentious Consensus	(2) Contentious Consensus	(3) Not Contentious Consensus	(4) Not Contentious Consensus	(5) Full Consensus	(6) Full Consensus
Comp - Management	0.142	0.211	0.149***	0.145***	0.156***	0.155***
	(0.48)	(0.71)	(3.66)	(3.42)	(3.69)	(3.55)
Govern - Management	0.104	0.149	0.179***	0.172***	0.186***	0.182***
	(0.33)	(0.46)	(4.05)	(3.75)	(4.02)	(3.81)
ISS Support	-0.001	0.061	0.099***	0.099***	0.091***	0.091***
	(-0.01)	(0.86)	(5.35)	(5.41)	(4.19)	(4.23)
Management Support	-0.155	-0.125	0.015	0.018	0.010	0.011
	(-0.53)	(-0.42)	(0.38)	(0.44)	(0.20)	(0.23)
Market-to-Book	0.005**	0.008**	0.000	0.000	0.001	0.001
	(2.62)	(2.83)	(0.03)	(0.15)	(0.79)	(0.98)
Debt	0.077	0.117*	0.040***	0.037**	0.044***	0.045***
	(1.21)	(1.96)	(3.13)	(2.96)	(3.12)	(3.24)
ROA	-0.196*	-0.173	0.031	0.036	0.026	0.027
	(-1.80)	(-1.70)	(1.10)	(1.21)	(0.79)	(0.84)
Log(Assets)	-0.034**	-0.024	0.016***	0.017***	0.013***	0.013***
	(-2.33)	(-1.53)	(4.73)	(4.85)	(3.19)	(3.28)
Post Crisis		0.099*		0.014		0.021
		(1.87)		(0.93)		(1.40)
Contentious Vote					-0.263***	-0.262***
					(-9.70)	(-9.55)
Observations	1,609	1,609	18,642	18,642	20,251	20,251
R-squared	0.092	0.045	0.047	0.041	0.095	0.091
Year Fixed Effect	Yes	No	Yes	No	Yes	No
Cluster	Year	Year	Year	Year	Year	Year
t-stats in parentheses						
** p<0.01, ** p<0.05, * p<0.1						