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THE POLITICIZATION OF SOCIAL RESPONSIBILITY

Todd A. Gormley
Manish Jha
Meng Wang

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ABSTRACT

Institutional investors are less likely to support shareholder proposals on environmental and social issues for firms headquartered in Republican-led states. The decline in support has become more pronounced in recent years, aligning with politicians emphasizing companies' social responsibility efforts, and among firms receiving state-level subsidies and tax breaks. Investor support also varies with shifts in state leadership, dropping by 12 percentage points in the same state when Republicans are in control instead of Democrats. The findings indicate that institutional investors prioritize maximizing shareholder value and that politicians can influence investor votes by altering the value implications of shareholder proposals.

Todd A. Gormley
Washington University in St. Louis
Olin Business School
and NBER
gormley@wustl.edu

Manish Jha
Georgia State University
mjha@gsu.edu

Meng Wang
University of South Florida
mwang11@usf.edu

"You don't feed a dog that bites your hand."

— David Ralston, 73rd Speaker of the Georgia House

1. Introduction

Through public statements, corporate policies, and portfolio choices, firms and their investors are increasingly entering arenas that elected officials have traditionally claimed as their own, including environmental and social policies. This entry coincides with rising political polarization in the United States, particularly around corporate responsibility, environmental, and social issues. Naturally, tensions occur when market actors implement policies that do not align with the desired policies of elected officials. Table 1 lists examples of US governors espousing competing views regarding the environmental and social activities of firms and investors. Fearing that markets are becoming a competing source of influence—one that can alter the direction of both corporate behavior and public life—politicians are increasingly seeking ways to shape corporate policies with potential societal implications (Gelles and Tabuchi, 2022).

In this paper, we examine one channel by which governments and politicians might influence corporate policies—institutional investors' votes. Institutional investors play a critical role in voting on shareholder proposals linked to corporate stances on environmental and social issues. Aware of this potential influence, Democratic leaders often advocate for investor engagement on issues such as equity, human rights, and environmental sustainability, while their Republican counterparts frequently resist such initiatives, criticizing them as actions that go beyond firms' business interests. However, it is unclear whether investors respond to the political environment and, if so, why. To shed light on these questions, this paper analyzes whether institutional investors' votes on environmental and social proposals differ by the political party currently controlling the government of the firm's headquarters state, and, if so, for which firms.

There are several reasons why institutions' votes might vary with a state's political leadership. State governments decide on policies, tax exemptions, and contracts that

affect the profitability of firms headquartered in those states, and politicians could retaliate against firms undertaking actions that contrast with their priorities.[1] Moreover, a firm's local sales or hiring might suffer if the priorities of a state's leaders mirror those of its populace and the firm takes stances viewed unfavorably by a majority of that state's populace. Aware of the potential harm to shareholder value, investors might be less inclined to support initiatives when they do not align with local political views. Institutions might also seek to avoid casting votes that could invite direct retaliation from local politicians, who can divest state-controlled assets from the institution or use their influence to draw unfavorable media attention to the institution's voting stance.[2]

On the other hand, there are also reasons why institutions' votes might be independent of state politics. Mutual fund families often have small governance teams that decide proxy voting choices across many companies, casting doubt on their ability to monitor the politics of each firm's home state. Moreover, voting differently on similar proposals across firms could lead to unwanted press and claims of inconsistency. Institutions might also not fear politicians' threat to divest state-controlled assets because such assets typically comprise a small fraction of institutions' operations.

To assess the potential impact of state-level politics on institutions' proxy voting, we analyze whether the political party of a state's governor correlates with an institution's level of support for socially responsible investing (SRI) proposals at firms headquartered

[1] For example, following Delta Airlines' opposition to Georgia's Election Integrity Act of 2021, the Georgia House of Representatives passed a retaliatory bill ending a tax break on jet fuel. House Speaker David Ralston remarked, "You don't feed a dog that bites your hand." A similar form of political retaliation occurred in 2018 when Delta Airlines ended a discount for National Rifle Association members following the deadly school shooting in Parkland, Florida.

[2] For example, in 2022, Florida pulled $2b from BlackRock, citing the institution's focus on ESG-related factors, and *The New York Times* reported that Republican lawmakers in 15 states were promoting similar legislation to divest from institutions that prioritize combating climate change (Gelles and Tabuchi, 2022; Kerber, 2022). Another example is when the Secretary of State of Mississippi issued an order against BlackRock on March 27, 2024, for alleged securities fraud tied to its environmental, social, and governance (ESG) investment strategy. The order accused the firm of using "fraudulent and deceptive means" to push a political agenda on Mississippi residents (Mississippi Secretary of State, 2024). And in 2021, Texas prohibited municipalities from hiring underwriters with certain ESG policies, resulting in higher borrowing costs for some municipal bond issuers (Garrett and Ivanov, 2024).

in that state. We focus on SRI-related proposals because polls consistently show that Democrats are more likely to prioritize issues promoted in such proposals during our sample (e.g., sustainability, human rights, equity, political contributions, etc.).[3] We focus on the governor's political party because governors are the state's top executive, with the power to affect local firms through state-level appointments (e.g., treasurer or comptroller), legislation vetoes, and proposed budgets. Governors are also able to use their positions to bring media attention to an institution's votes. Moreover, because state-level elections determine governors, their affiliations will reflect the political leanings of the state's workers and consumers, which could also factor into investors' voting choices.

We start by constructing a proposal-by-institution-level dataset of how institutions voted on every shareholder proposal from January 2006 to June 2021. We then pair this data with the political party of the residing governor in the firm's headquarters state and regress the institution's support for a proposal on an interaction between an indicator for SRI proposals and an indicator for whether the governor is a Republican. The interaction coefficient tests whether institutions' support for SRI differs for firms headquartered in Republican-led states. In robustness tests, we show that our findings hold when we instead focus on cases where one party controls both the governorship and the legislative bodies, or when we use a large language model (LLM) to measure a state's political landscape. Our findings are also robust to proxying firms' exposure to a state using their 10-K text (following Garcia and Norli, 2012) instead of their headquarters location.

To mitigate omitted-variable bias concerns, we include high-dimensional fixed effects to partial out many factors that might correlate with the political affiliation of a state's governor and drive differences in support. Specifically, we include meeting-level fixed effects to control for firm- and time-level characteristics that affect institutions' overall likelihood of voting in favor of a meeting's proposals. The meeting fixed effects

[3] E.g., see Dunlap (2008), McCarthy (2020), and Saad (2022).

allow us to isolate how votes within a meeting vary as a function of a proposal's SRI status. We also include institution-by-month-by-SRI fixed effects to control for each institution's monthly tendency to support SRI proposals. In other words, we only use within-institution variation in SRI votes each month. Lastly, we include industry-by-month-by-SRI fixed effects to control for differences in industry composition across states and variations in institutions' tendency to support SRI proposals across different industries.

To control for possible differences in the composition of SRI proposals across states and improve precision, we include proposal-level controls for the ISS and management vote recommendations. However, we find no evidence that vote recommendations differ systematically for SRI proposals in Republican-led states. Nor do we find evidence that firms in Republican-led states are less likely to face an SRI proposal or that the composition of SRI proposal types and the political tilt of SRI proposal text differ in Republican-led states. The absence of such differences mitigates concerns that sample selection might drive any observed differential voting patterns across states. Our baseline findings are also similar when we isolate variation within specific types of SRI proposals by allowing the institution-by-month and industry-by-month fixed effects to vary by SRI topic classification. Including proposal sponsor fixed effects also does not impact our main finding, further reducing sample selection concerns.

Using this within-meeting, within-institution-by-month-by-SRI, and within-industry-by-month-by-SRI variation in votes, we find a negative association between institutions' support for SRI proposals and Republican party rule in a firm's home state. Institutions' relative likelihood of supporting an SRI proposal is, on average, 3.2 percentage points lower for firms headquartered in Republican-led states. The decrease is economically significant, corresponding to a 10% decline relative to the sample average support level. Such a decline can be pivotal in vote outcomes; 10.2% of SRI proposals during 2019-2021 passed/failed within a five-percentage-point margin.

The observed association between governors' party affiliation and SRI votes began in recent years, coinciding with increased political polarization and state-level politicians' focus on socially responsible investing and corporate social responsibility (CSR) activities (e.g., see Table 1). The lower support for SRI proposals in Republican-led states is statistically significant at the 1% level during President Obama's second term (2013-2016), and the estimated magnitude increases by over 70% during President Trump's first term (2017-2020). Prior to 2013, we find little association between Republican governorships and institutions' support for SRI proposals.

The observed shift in investor support for SRI proposals also occurs within states following changes in political leadership. Our baseline finding continues to hold even after adding state-by-SRI fixed effects, which yields a staggered triple-difference estimation that uses within-state changes in leadership for identification. However, because a staggered estimation can violate the parallel trends assumption (e.g., see Baker et al., 2022), we also estimate a stacked triple-difference (Gormley and Matsa, 2011, 2016). We flag states that experience a political transition as treated and use never-treated states as controls. Even in this narrower, within-state specification, we find a decline in SRI support under Republican governors. Investor support for SRI proposals is 12.1 percentage points lower in the same state when it is led by a Republican (p-value < 0.01), a 37% reduction relative to the sample average. Moreover, the timing of this shift largely coincides with the change in leadership and shows no pre-existing differential trend.

SRI proposals are also less likely to pass in Republican-led states. Using the same stacked within-state estimation, we find that SRI proposals are 16.3 percentage points less likely to pass when a Republican is governor (p-value < 0.05). In our cross-sectional difference-in-differences specification, SRI proposals are 5.4 percentage points less likely to pass in Republican-led states (p-value = 0.175).

Shifts in states' business environments do not seem to explain the observed within-state shift in support. State-level political transitions do not coincide with changes in key

state-level, time-varying economic indicators, including GDP growth and employment. Our findings are also robust to controlling for these macroeconomic variables. The lack of pre-trends before changes in political leadership also speaks against the possibility that confounding changes in the economic or business environment might drive our findings.

There are several mechanisms by which politics might influence investor votes. One possibility is that investors tailor their SRI votes to avoid misalignment between the firm and the political views of the state's workers and consumers. Alternatively, investors might directly care about the political influence of the newly elected leaders. In support of the latter mechanism, we find that the observed within-state shift in investor support is similar in magnitude when the political transition coincides with a closer election or a smaller state-level shift in the popularity of the winning party.

We next explore why investors might respond to local politicians. One possibility is that elected officials can meaningfully shift firms' shareholder value-maximizing strategies through regulations, subsidies, or other means. If true, investors might align their voting behavior with the views of political leaders to maximize the value of the portfolio companies located in the state, consistent with investors' fiduciary duty. A second possibility is that investors adjust their votes for self-interest reasons. Elected officials might successfully put pressure on institutional investors directly by threatening regulation or withholding state business (e.g., through state pension funds). In this scenario, institutions might align their voting behavior with local political leaders when those votes are unlikely to be pivotal, or because it maximizes the value of the institution, not that of their portfolio company, in violation of their fiduciary duty.

We find evidence that fiduciary duty motives likely drive the observed differences. Consistent with institutions seeking to maximize portfolio companies' value and avoid cuts in state-level support for firms out of sync with local leaders, the relationship between voting and state-level politics is greater among firms that recently received state-level support via subsidies and tax breaks from their headquarters' state. The prior finding also

concentrates on more recent and larger subsidies, which are more likely to be relevant to a firm's current shareholder value if withdrawn by the state's leaders. Moreover, the observed difference in SRI votes is bigger in states that spend a greater proportion of their GDP on business subsidies. Our findings also concentrate on institutions where the stock represents a larger share of their assets under management (AUM), providing them greater motivation to maximize shareholder value.

We find little evidence that mutual fund companies are voting in ways that maximize the value of the institution, rather than their portfolio companies. The observed political alignment of votes is not greater in cases where the institution's vote is less likely to be pivotal (and hence, less likely to impact the portfolio company). Specifically, our findings are not weaker for closely contested proposals and for institutions with smaller ownership stakes. We also do not find evidence that foreign institutions, which might be less subject to direct pressures, are less likely to vote in politically aligned ways.

Overall, our findings contribute to recent work that explores the connections between political partisanship and economic choices.[4] Our findings provide evidence that external political factors matter for companies' shareholders, and that investors' support for certain corporate activities varies with changes in political leadership, particularly for firms that receive government subsidies or tax breaks. These recent shifts in investor support suggest an important mechanism through which increasing political partisanship is likely affecting companies. They also highlight a potential channel through which politicians can shape corporate policies—their ability to alter the value implications of shareholder proposals and shift shareholder-value-maximizing strategies.

These findings also expand our understanding of how and why politics affect institutional investors' engagement. Research indicates that institutional voting is

[4] For example, Fos et al. (2023) finds that US corporate executives are growing increasingly partisan, and recent evidence shows that individuals' political affiliation can affect their own economic choices (e.g., Engelberg et al., 2022; Meeuwis et al., 2022; Pan et al., 2023) and those of their firms (e.g., Hong and Kostovetsky, 2012; Duchin et al., 2019; Rice, 2023; Cassidy and Vorsatz, 2021; Kempf and Tsoutsoura, 2021; Dagostino et al., 2024; Fos et al., 2023; Li and Yermack, 2024).

strategic and influenced by external factors (Malenko and Shen, 2016; Matvos and Ostrovsky, 2010), and there are many proposed factors that might affect institutions' level of SRI engagement (e.g., Barzuza et al., 2020; Fisch, 2022; Kahan and Rock, 2020; Massa and Zhang 2024). However, empirical evidence on what factors matter is scarce. Our findings suggest that political considerations connected to fiduciary concerns are an important determinant of institutional investors' SRI choices. In this regard, our findings build upon prior work that focuses on how political appointments and pressure can influence public pension funds' holdings and votes (e.g., Romano, 1993; Hochberg and Rauh, 2013; Brown et al., 2015; Bradley et al., 2016; Andonov et al., 2018; Duan et al., 2021). Our findings provide evidence that local politicians' influence extends to private, out-of-state institutional investors via their fiduciary duties, and that local politicians have sufficient influence to shift the passage rate of SRI proposals.

Finally, our findings point to the potential for a state's political leanings to influence whether firms undertake SRI- and CSR-related activities. While prior work emphasizes the potential importance of stakeholders (Di Giuli and Kostovetsky, 2014), legal liabilities (Akey and Appel, 2021), and judges (Gormley et al., 2025) for companies' social and environmental actions, our evidence suggests an additional consideration firms face—a lack of support from value-maximizing investors when local politicians oppose and can change the value implication of such activities. The lower institutional support could also have important implications for CSR activities, as a push from institutional investors can be a crucial driver of firms undertaking such initiatives (e.g., Dyck et al., 2019; Chen et al., 2020; Yegen, 2020; Gormley et al., 2023).

We organize the paper as follows. Section 2 describes our data. Section 3 presents our empirical specification and main findings, including heterogeneity across time. Section 4 examines our baseline results in a staggered triple-differences setting; Section 5 analyzes potential political motivations using heterogeneity across firms and investors; Section 6 investigates robustness; and Section 7 concludes.

2. Data and summary statistics

2.1 Data sources and variable construction

2.1.1 Mutual fund voting records

Our institutional voting data comes from ISS Voting Analytics, which collects mutual fund voting records from the mandated N-PX forms that institutions file with the SEC annually.[5] The N-PX data contains fund-level vote decisions for all proposals. Following Iliev and Lowry (2015), Gilje et al. (2020), and Gormley and Jha (2023), we restrict our sample to shareholder proposals. Voting Analytics classifies most shareholder proposals into two categories: Socially Responsible Investing (SRI) and Governance (GOV). We use this classification to identify which proposals are SRI-related. Our sample starts in 2006, as there are few SRI proposals before that year, and ends in June 2021.

SRI proposals encompass many issues. Some proposals ask firms to disclose their political expenditures, while others ask them to disclose their sustainability plans, emission levels, or emission targets. Yet other proposals ask firms to disclose their gender- and race-based pay gaps or their supply chain due diligence efforts related to human rights. To illustrate this variety, Appendix Table A1 classifies SRI proposals into 10 distinct topics using SRI proposal titles and BERTopic (Devlin et al., 2018), a pre-trained natural language processing model. Appendix Table A2 provides a similar topic classification for governance proposals, which tend to focus on less politicized issues related to special meetings, director elections, voting, and executive pay.

To calculate an institution's overall level of support for a given proposal, we aggregate fund-level votes to the fund-family level, following the approach of Gilje et al. (2020) and Gormley and Jha (2023). Specifically, we construct our proposal-institution measure, *Likelihood of voting in support,* using the share of the institution's funds that cast votes in support of the proposal. For 87.8% of our proposal-by-institution

[5] The N-PX data does not include votes by state-level pension funds.

observations, *Likelihood of voting in support* equals either zero or one, as most funds within a fund family vote in the same direction on individual proposals.

2.1.2 Firms' headquarters state

We identify the state of a firm's headquarters using the business address provided in the header of the firm's 10-K/Q filings. We download the augmented 10-K/Q header data from The Notre Dame Software Repository for Accounting and Finance (SRAF). If a business address is missing from the firm's 10-K/Q filing header, we use the firm's headquarters state, as reported in the Compustat database.[6]

2.1.3 Gubernatorial election data

To determine the political party of a state's governor each year, we compile data on state gubernatorial election results from Ballotpedia and the Correlates of State Policy Project (CSPP) for the period spanning 2006 to 2021. Because gubernatorial elections typically take place in November, with governors' terms starting early in the next calendar year, we assign election results to the years following the election, up through the next election for that state. For instance, a Republican won the Georgia gubernatorial election held on November 4, 2014. Because the subsequent Georgia gubernatorial election occurred on November 6, 2018, we set the state-by-year-level indicator variable *Republican* to one for Georgia for the years 2015 to 2018. We also collect state senate and house election results from the same source. We define a state as having unified control by a political party if the governorship, state house, and state senate are all controlled by the same party (i.e., the governor's office and a majority of seats in both state-level legislative bodies are held by members of that party).

[6] The SRAF data is available at https://sraf.nd.edu/data/augmented-10-x-header-data/. The Compustat database only includes information on the current location of a firm's headquarters. In our sample, about 4% of location data are missing from the 10-K/Q header and thus filled in with Compustat records. Our subsequent findings are robust to excluding firms lacking 10-K/Q header data.

2.2 Summary statistics

The share of shareholder meetings with an SRI proposal is similar in both Democratic and Republican States and exhibits a slight downward trend during our sample period. Figure 1, which plots the likelihood of having an SRI proposal in shareholder meetings for firms in Democratic- versus Republican-led states from 2006 to June 2021, illustrates this finding. On average, approximately 40% of shareholder meetings included an SRI proposal in 2006 across both Republican- and Democrat-led states, and this share decreased to around 31% in 2021.

However, the frequency at which SRI proposals are closely contested or approved is increasing during our sample period. Table 2, which tabulates the number of SRI proposals and voting outcomes by year, shows this finding. We flag a proposal as "contested" if the support for the proposal was within five percentage points of the approval threshold. Doing so, we see that around 10% of SRI proposals were contested during 2019-2021, compared to an average of about 1% in years before 2012. The rising frequency of contested SRI proposals underscores the importance of understanding which factors might affect institutions' voting decisions, as even small shifts in support could shape the final outcomes of many SRI proposals. The share of "passed" SRI proposals (i.e., those receiving investor support exceeding the approval threshold) also increased beginning in 2018. Before 2018, around 1-2% of SRI proposals received such support, but in 2018 the share jumped to 8.28% and by 2021 to 22.31%.

Table 3 presents the summary statistics for the variables used in our proposal-by-institution-level analysis. Our final regression sample comprises 768,201 institutional investor votes, of which 248,950 (32.4%) are votes on SRI proposals. The sample is associated with 5,129 shareholder meetings, 10,787 shareholder proposals, 1,354 firms, and 2,610 SRI proposals. 43.8% of the votes for all shareholder proposals and 47.1% of the votes for SRI proposals are from firms headquartered in Republican states. On average, the likelihood of an institution voting in support of shareholder proposals is

44.4%, while the level of institutional support for SRI proposals is 31.5%. The likelihood of management recommending support is 6.3% for all shareholder proposals but only 0.4% for SRI proposals; the likelihood of ISS recommending support is 67.4% for shareholder proposals and 57.3% for SRI proposals.[7]

3. Empirical analysis of institutional votes and state-level politics

3.1 Specification

To examine whether the relative likelihood of an institution voting in favor of an SRI proposal varies with the governor's political affiliation in the firm's headquarters state, we employ a high-dimensional fixed-effects difference-in-differences specification. The specification compares differences in investor support for SRI vs. non-SRI proposals across Republican- vs. Democrat-led states. Specifically, we estimate:

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta Republican_{s,t} \times SRI_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t}, \quad (1)$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal j at shareholder meeting m in month t for a firm headquartered in state s. *Republican* is an indicator variable that equals one if the firm is headquartered in a state with a Republican governor. *SRI* is an indicator variable that equals one if the shareholder proposal is classified as SRI by ISS. We cluster standard errors at the state level to account for heteroskedasticity and possible state-level correlations among observations. In Section 6.4, we explore double clustering at the state and institution level, but that approach yields less conservative standard errors in subsequent estimations.

To mitigate potential omitted-variable bias, we include several fixed effects to partial out confounding factors that might correlate with a state's political affiliation and

[7] Appendix Table A3 reports summary statistics separately for Republican- and Democratic-led states and for states that do not experience a change in political leadership during our sample. However, one must be cautious in interpreting any potential differences in the averages for Republican- and Democrat-led states. Such differences might reflect things like the composition of industries across states or time trends in the underlying variable. Unlike our later estimations, these summary statistics do not control for such things.

drive differences in proposal support at the firm-, industry-, institution-, SRI-, or time-level. First, we include meeting-level fixed effects, θ_m. Their inclusion controls for any firm- or time-level characteristics (e.g., a firm's current profitability, the firm's recent stock returns, the day or month of the vote, etc.) that affect institutions' overall likelihood of voting in favor of the meeting's proposals. They also control for any possible direct effect of *Republican* on institutions' overall level of support for proposals at the meeting and allow us to isolate how votes within a meeting vary as a function of the proposal's SRI classification. Second, we use institution-by-month-by-SRI fixed effects, $\mu_{i,t,SRI}$, to control for each institution's monthly tendency to support SRI proposals. In other words, the estimation only uses within-month variation in how each individual institution votes across SRI proposals. Lastly, we include industry-by-month-by-SRI fixed effects, $\pi_{ind,t,SRI}$, to control for differences in industry concentrations across states and institutions' varying tendency to support SRI proposals across different industries. We set industries using firms' 2-digit Standard Industrial Classification (SIC) codes.

While these fixed effects help mitigate identification concerns, their inclusion does not guarantee that the remaining variation is exogenous. To further reduce omitted-variable concerns, we include proposal-level controls. *X* represents four proposal-level controls: an indicator variable for whether management recommends supporting the proposal (*Management recommends support*), an indicator variable for whether ISS recommends supporting the proposal (*ISS recommends support*), and their interactions with *SRI*. We include the first two controls because vote recommendations, especially those of ISS, can significantly influence institutions' voting decisions (e.g., Malenko and Shen, 2016). Their inclusion improves precision and controls for possible differences in proposal composition for Republican-led states, though later analysis finds no evidence of such differences. We include their *SRI* interactions to control for the differential impact of recommendations on support for SRI proposals, as evidenced in untabulated findings. In Section 6.4, we show robustness to excluding these proposal controls.

In our baseline specification, the coefficient of main interest is β. This coefficient captures the average difference in the relative likelihood of an institution voting in support of SRI proposals when the governor of the firm's home state is affiliated with the Republican party (as compared to Democratic party) after controlling for vote recommendations, SRI classification, and other firm-, industry-, institution-, and time-level factors that might affect institutional investors' votes. If state-level politics matters for an institution's proxy decisions on SRI proposals, β would be negative given the Republican party is more likely to oppose SRI-related initiatives during our sample period (e.g., see Table 1 and Appendix Figure A1). Because they are collinear with the fixed effects, we do not include the individual controls for *Republican* and *SRI*.

3.2 Baseline results and heterogeneity over time

We find that institutions are less likely to support SRI proposals overall, and especially so in states with a Republican governor. Estimates of eq. (1) are reported in Table 4. In Column 1, we start with a specification that only includes meeting and institution-by-month fixed effects. This specification allows us to observe whether institutions' support for SRI proposals varies overall relative to non-SRI proposals (coefficient on *SRI*), helping benchmark the economic magnitude of incremental support rates for SRI proposals in Republican-led states (coefficient on *Republican*×*SRI*). After conditioning on the controls, institutions are only 0.6 percentage points less likely to support SRI proposals than other shareholder proposals, and the difference is not statistically significant. However, in Republican-led states, an institution's support for SRI proposals is, on average, an additional 2.17 percentage points lower (p-value < 0.05). In Column 2, we add industry-by-month-by-SRI fixed effects to control for differences in industry composition across states and for institutions' varying tendencies to support SRI proposals across industries. Controlling for industry, the decline in SRI support in Republican-led states increases to 3.14 percentage points (p-value < 0.01).

We continue to find less SRI support when we replace the institution-by-month

fixed effects with institution-by-month-by-SRI fixed effects, as specified in eq. (1). Table 4, Column 3, reports these estimates. The switch from institution-by-month to institution-by-month-by-SRI fixed effects ensures that the estimation is identified using within-month variation in institutions' SRI votes across states. The switch has little impact on the estimates. Within a given month, institutions are 3.24 percentage points less likely to support SRI proposals in Republican-led states (p-value < 0.01).

The observed decline in support for SRI proposals is economically significant. The 3.24 percentage point decrease in Republican-led states corresponds to a 10% decline relative to the sample average level of support for SRI proposals, 31.5%.[8] The decline in support could also be pivotal in many vote outcomes, especially in recent years. 10.2% of SRI proposals during 2019-2021 passed/failed within a five-percentage-point margin.

If state-level politics influence institutional investors' votes, we might expect to observe heterogeneity in our baseline result over time. Views on SRI-related matters became particularly partisan in the latter years of our sample, when state-level politicians increasingly emphasized firms' and institutions' CSR- and SRI-related activities.[9] The increased partisanship around these issues might further heighten investors' concerns when voting on SRI proposals, especially as state-level politicians increasingly highlight investor SRI votes and company CSR policies they oppose (Table 1). If true, we might expect our findings to concentrate in more recent years.

To analyze whether institutions' support for SRI proposals in Republican-led states has varied over time, we estimate the same specification as in eq. (1) but segmented

[8] Both "against" votes and withheld votes (where the ISS records the vote as "abstain," "do not vote," or "withhold") drive the decline in support for SRI proposals. In untabulated estimates, we find that institutions are 0.2–0.9 percentage points more likely to withhold a vote on SRI proposals in Republican-led states, corresponding to a 3.0% to 13.4% increase relative to the sample average for SRI proposals (6.7%). Institutions are 0.9–3.2 percentage points more likely to vote against the SRI proposal in Republican-led states, corresponding to a 1.9% to 6.8% increase relative to the sample average (47.4%).

[9] For example, Pew Research survey data shows increasing partisanship around environmental issues since 2014. In general, Pew Research reports that both parties have moved further away from the ideological center since the early 1970s. Democrats on average have become somewhat more liberal, while Republicans on average have become much more conservative (DeSilver, 2022). Engelberg et al. (2023) show that partisanship among SEC Commissioners also recently reached an all-time high.

by presidential terms. Specifically, we separately estimate eq. (1) for each presidential term with at least one year of observations. Table 5 presents the results.

The lower support for SRI proposals in Republican-led states concentrates in the latter half of our sample. We begin to detect a statistically significant difference in SRI support in Republican-led states during President Obama's second term (2013-2016). On average, institutions are 3.9 percentage points less likely to support SRI proposals in Republican-led states during those years (Table 5, Column 3; p-value < 0.05). The observed difference in support increases to 6.7 percentage points during President Trump's first term from 2017-2020 (Column 4; p-value < 0.01). We find little evidence of a difference in investor support during the last years of the Bush presidency, 2006-2008, and during President Obama's first term, 2009-2012 (Columns 1-2). In Column 5, we repeat our estimates for the full sample and include an additional interaction with *Post2012*, an indicator variable equal to one for sample years after 2012. The statistically significant interaction term in Column 5 confirms that the observed difference in post-2012 years is significantly different from that in earlier years.

4. Stacked triple-difference estimation

To further mitigate identification concerns, we next conduct a stacked triple-difference estimation that uses within-state variation as an identification source. While the inclusion of several high-dimensional fixed effects in our baseline estimation narrows the potential for omitted-variable bias, a remaining concern is omitted variables at the state-by-SRI level. For example, suppose that states with Republican governors also tend to be states with firms where SRI proposals are less likely to enhance value. In that case, our estimates might reflect this possibility rather than institutions responding to state-level politics. While it is unclear what this potential state-by-SRI omitted variable might be, especially given that we already control for industry-by-month-by-SRI differences in investor support, we can directly address this concern by using within-state variation.

To isolate such within-state variation, we will need to focus on states that

experienced a change in the governor's political party during our sample period. By comparing changes in support before and after such leadership transitions with changes in support in states that did not experience a leadership transition at that time, we can control for state-by-SRI omitted variables. In total, there are 50 cases in the sample where the governor's party changes, of which 22 involve a change from a Republican to a Democratic governor. Figure 2, which depicts governors' political affiliations by year during our sample period, illustrates these changes. Thirty-four states experienced a change in political affiliation between 2006 and 2021, while 16 states did not.

4.1 Estimations using within-state changes in political affiliation

We begin our within-state analysis by adding a state-by-SRI fixed effect to our baseline specification. The inclusion of these fixed effects allows us to focus on within-state variation in the governor's political affiliation while controlling for potential state-level confounding factors. Table 6, Column 1 reports the results. Despite the additional fixed effects, the estimated coefficient of *Republican* × *SRI* remains significantly negative (p-value < 0.10), and the estimate is similar in magnitude to the baseline result (Table 4, Column 3). On average, institutional investor support for SRI proposals is 2.7 percentage points lower in a state when it has a Republican governor (Table 6, Column 1).

The addition of state-by-SRI fixed effects essentially converts our estimation into a staggered triple-difference estimation. Our point estimate is identified using three differences: (1) pre- versus post-election change in a state's political affiliation, (2) Republican versus Democrat governor, and (3) non-SRI proposal versus SRI proposal. However, unlike a standard triple difference, our estimation uses switches in a state's political affiliation that occur in both directions. Some states switch from Republican to Democrat; other states switch from Democrat to Republican.[10]

[10] Variation in the *Republican* variable can also occur if a firm moves its headquarters from a Democrat- to Republican-led state (or vice versa). In untabulated findings, we find that excluding firms that relocate state headquarters has little impact on our estimates.

One concern with the above within-state estimation is that the controls for states that experience a change in leadership are all other states that do not experience a change in leadership that same year. In other words, previously treated states can act as controls for later treated states. Such a comparison can be problematic if a dynamic treatment effect exists, whereby the treatment's magnitude varies over time since implementation (Baker et al., 2022). Such comparisons can introduce violations of the underlying parallel trends assumption (i.e., that, absent treatment, the outcome variable for treated and non-treated states would otherwise be trending the same at the time of treatment).

To avoid any potential "bad comparisons" problem, we next follow Gormley and Matsa (2011, 2016) and estimate a stacked triple-difference. Specifically, for each event year *e* in which a state experiences a change in the governor's political party, we define treatment states as those in which the governor's party changes. The control group observations for each treatment event are states that experience no change in the governor's political party during the sample period, 2006-2021. For each event year, we restrict the sample window to the three pre-election years, the year of election, and the four years post-election. We chose this window because gubernatorial elections typically occur every four years.[11] We then construct the stacked sample and estimate:

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = \beta_1 Republican_{e,s,t} \times SRI_{e,j} + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t}, \quad (2)$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at shareholder meeting *m* in month *t* for the firm headquartered in state *s*. The *e* subscript denotes to which event-year stack each observation belongs. To account for the stacked nature of the dataset, we modify the fixed effects to be meeting-by-event

[11] Note that since gubernatorial elections usually take place in November, the election year is considered as pre-election period in our analysis, which is consistent with the approach taken in prior tests.

fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects, and state-by-SRI-by-event fixed effects. We continue to include controls for ISS and management recommendations (X) and to cluster our standard errors at the state level. Table 6, Column 2 presents the results.[12]

The within-state shift in support for SRI proposals persists in the stacked triple-difference estimation. When a state has a Republican governor, institutional investors are 12.1 percentage points less likely to support SRI proposals than when that same state has a Democrat governor (Table 6, Column 2; p-value < 0.01). Compared to our baseline, cross-sectional results (Table 4, Column 3), the magnitude is more than three times as large when using within-state variation and never-treated states as controls. The estimate suggests about a 37% reduction in support relative to the sample average. The magnitude is also comparable to other potential drivers of investor votes. For example, Malenko and Shen (2016) find that ISS recommendations can shift votes by 25 percentage points.

4.2 Likelihood of SRI proposal passing

The observed within-state shift in investor support is economically large and likely to shift proposals' likelihood of passage. In our sample, 8% of SRI proposals are within 10 percentage points of passage (in the last three sample years, 19% are within 10 percentage points of passage), suggesting that the governor's political affiliation could be a key factor in determining whether SRI proposals pass. To assess whether the political affiliation of a state's governor predicts passage, we repeat our stacked triple difference at the proposal level and replace our dependent variable with an indicator for whether a proposal was passed. Table 7 reports the findings. When a state has a Republican governor, SRI proposals are 16.3 percentage points less likely to pass than when that same state has a Democrat governor (Table 7; p-value < 0.05).

[12] The number of observations increases in the stacked estimation because never-treated state observations are used as controls for each distinct event. This repeated use of some observations across events is why we cluster the standard errors at the state level instead of the state-event level.

The cross-sectional specification also suggests a decline in the likelihood of passage, but the point estimate is smaller and less statistically significant (see Appendix Table A4). In that specification, SRI proposals are 5.4 percentage points less likely to pass in Republican-led states (p-value = 0.175). The smaller shift is not surprising, given that the baseline shift in voting using a cross-sectional specification (Table 4) is smaller than the within-state shift in voting one detects using the stacked triple difference (Table 6).[13]

4.3 Estimation by direction of a state's political transition

We next use our stacked estimation to analyze whether the direction of the state's political transition matters. The specification in eq. (2) incorporates events associated with both types of governorship transitions: (1) states experiencing a change in the governor's political party from Democratic to Republican, and (2) states experiencing a change in the governor's political party from Republican to Democratic. If both events drive our findings in Table 6, we should observe opposing effects when restricting our treated sample to states transitioning from Democratic to Republican, versus when restricting it to states transitioning from Republican to Democratic.

To test whether the observed shift varies across these two types of transitions, we investigate them separately by estimating the following:

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = \beta_1 Treated_{e,s,i} \times Post_{e,t} \times SRI_j + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t}, \quad (3)$$

where $Treated$ is an indicator variable that equals one if the state's observation belongs

[13] In untabulated findings, we find no evidence that the likelihood of passage in Republican-led states varies with the total share of institutional ownership held by mutual fund companies. Two factors likely contribute to this non-result. First, in aggregate, mutual funds account for a similar share of institutional ownership for most companies, reducing the amount of meaningful heterogeneity. On average, they account for 45.1% of institutional ownership. The 10th percentile is 34.6%, while the 90th percentile is 56.4%. Second, other investors might also adjust their votes in response to the political environment. For example, if mutual funds are reducing their SRI support in Republican-led states to avoid pushing companies to take stances that might be politically value-destructive (see Section 5.1), that motive would also apply to other investors.

in the treatment group for event-year *e* [i.e., a state that experiences a political transition in year *e*] and equals zero otherwise [i.e., a never-treated state]. *Post* is an indicator variable that equals one for post-event periods and zero for pre-event periods. We use the same 8-year event window for each transition year and include the same set of fixed effects. The individual explanatory variables (*Treated*, *Post*, and *SRI*) and their other interactions (*Treated*×*Post*, *Treated*×*SRI*, and *Post*×*SRI*) are not included because each is collinear with the included fixed effects. We then estimate the eq. (3) separately for the two sets of transitions. Table 8 reports the results.

Both political transitions are associated with within-state shifts in investor support for SRI proposals. When we restrict the treated sample to the set of state events where there is a switch from a Democrat to a Republican governor, we observe a post-switch decrease in investors' support for SRI proposals that is 24.8 percentage points larger than the post-switch change in SRI support observed in states not experiencing a transition (Table 8, Column 1; *p*-value < 0.01). However, when we restrict the treated sample to states that switch from a Republican to a Democratic governor, we observe a post-switch *increase* in SRI support that is 7.4 percentage points larger than the change in SRI support observed in states without a transition (Column 2; *p*-value < 0.01).

Combined, these findings show that the direction of the within-state political transition is largely unimportant; in both cases, support for SRI proposals was lower in the state when a Republican held the governorship. While the point estimate for Democrat-to-Republican transitions is larger in magnitude, it should be interpreted with caution, given the relatively small number of events and the different timing of transitions, which could be important for the estimated magnitudes (e.g., see Table 5).

4.4 Timing of observed within-state changes

We next assess the timing of the observed within-state shifts for states undergoing a political transition by modifying the estimation in eq. (3) to estimate a treatment effect in each event year. We use the year before the newly elected governor takes office (i.e., the

election year) as the excluded baseline and estimate:

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = (\beta_1 Pre4 + \beta_2 Pre3 + \beta_3 Pre2 + \beta_4 Post1 + \beta_5 Post2 + \beta_6 Post3 + \beta_7 Post4) \times Treated_{e,s,i} \times SRI_j + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t}, \quad (4)$$

where *Pre4, Pre3,* and *Pre2* are indicator variables that equal one if the observation corresponds to 4, 3, or 2 years before the newly elected governor takes office, respectively. Likewise, *Post1, Post2, Post3,* and *Post4* are indicator variables that equal one if the observation corresponds to the first, second, third, and fourth years of the newly elected governor's term. All other controls remain the same, and, as in Table 8, we estimate eq. (4) separately for each direction of political transition. Figure 3 plots the resulting point estimates and 95% confidence intervals.

The findings support the parallel trends assumption of the triple-difference estimation. In Democrat-to-Republican transitions, the relative decrease in support for SRI proposals aligns with the transition. Figure 3, Panel A, illustrates this finding. In the years before the election, we see no pre-existing differential trend in SRI support for states that later switch from a Democrat to a Republican governor. Instead, the decline in support begins only in the year after the election and continues to grow during the elected Republican's first term. The timing of the relative increase in support for SRI proposals around Republican-to-Democrat transitions is similar (Figure 3, Panel B).[14]

4.5 Restricting to closer elections and smaller shifts in party popularity

There are several mechanisms by which a within-state political shift might influence institutional investor votes. One possibility is that the change in the political

[14] The observed timing and symmetry also mitigate concerns that time-varying factors driving within-state political transitions (e.g., unemployment rates and economic growth) might contribute to our findings. Such factors would likely create a pre-trend, and it is unclear why such time-varying, state-level factors would have a differential impact on support for SRI proposals that varies with the transition direction. Moreover, in subsequent robustness tests, we find no evidence that political transitions systematically correlate with changes in the state's business conditions, and including time-varying controls for macroeconomic factors does not meaningfully affect the point estimates.

party holding the governorship reflects a shift in the state's populace's view of SRI-related issues. If so, firms (and their investors) might change their support for SRI proposals not because of the new governor but rather because such a change might affect the firm's standing with the state's populace, which could then affect the firm's sales or the ability to hire workers in that state. If true, we might expect our within-state findings to be weaker in states where the winning party exhibits a smaller victory margin or experiences a smaller increase in their popularity, relative to the last election. Alternatively, firms (and their investors) might directly care about the political influence of the newly elected governor. If so, we would not necessarily expect our findings to differ in closer elections or in elections with a smaller shift in support for the winning party. We try to tease out these possible mechanisms by next analyzing how our findings vary with the victory margin and the shift in the winning party's popularity.

The observed within-state shift in investor support for SRI proposals is similar in states where the political transition coincides with a closer election or a smaller shift in the popularity of the winning party. Appendix Table A5, which repeats the stacked estimation after restricting the treated sample of events to those with a below-median victory margin (Panel A) or a below-median shift in the relative popularity of the winning political party (Panel B), reports these findings. The point estimates in these subsamples (Appendix Table A5) are similar in magnitude to those obtained from the full set of political transitions (Tables 6 & 8). The similarity in estimates suggests that the likely political mechanism underlying our finding is a state-level shift in political leadership rather than an underlying shift in the popularity of the winning political party.[15]

5. Possible mechanisms for why local political leaders might matter

We next explore why investors might be responsive to local governments. One possibility is that elected officials can meaningfully shift firms' shareholder value-

[15] Our baseline findings (Table 4, Column 3 and Table 6, Column 2) are also robust to controlling for the share of votes won by the Republican candidate in the most recent presidential election.

maximizing strategies through regulations, subsidies, or other means. If true, investors might align their voting behavior with the views of political leaders to maximize the value of the portfolio companies located in the state, consistent with institutional investors' fiduciary duty. Institutions might also manage state pension assets. If so, institutions' votes could partly reflect a state-level investor preference regarding the appropriate level of SRI-related activities for local firms. A second possibility is that investors adjust their votes for self-interest reasons. Elected officials might successfully put pressure on institutional investors directly by threatening regulation, unfavorable media coverage, or withholding state business (e.g., through state pension funds). In this scenario, institutions might align their voting behavior with local political leaders when such votes are unlikely to be pivotal or when doing so maximizes the value of the institution, not that of their portfolio company, in violation of investors' fiduciary duty.

Distinguishing between these motivations is challenging, and many of our baseline findings could be consistent with both possibilities. However, additional findings on how the observed differences in voting vary across firms and institutions suggest that fiduciary duty motives likely drive these differences. Similar heterogeneity tests yield little evidence of non-fiduciary motives. We now discuss these findings.

5.1 Shareholder value and institutional investors' fiduciary duty

To assess the potential importance of fiduciary duty motives, we first collect data on state-level subsidies and tax breaks for local businesses. If institutions worry that state-level politicians may withdraw support for firms that are not politically aligned, institutions' votes might be more sensitive to local politics for businesses that receive state-level subsidies and tax breaks. Cuts in such support might reduce the shareholder value of portfolio companies. For similar reasons, institutions might be more sensitive to local politics in states that provide higher aggregate support for businesses.

We measure firm-level exposure to state support, as well as each state's overall level of business support, using data from Subsidy Tracker. Subsidy Tracker is a national

database maintained by Good Jobs First, a nonprofit specializing in economic development, public subsidies, and corporate accountability. It aggregates information from federal, state, and local sources—such as program reports, agency disclosures, financial statements, and, when necessary, Freedom of Information Act requests. The database has been previously used in accounting, economics, and finance research, including Slattery and Zidar (2020), Huang (2022), Chava, Malakar, and Singh (2023), De Simone, Lester, and Raghunandan (2025), and Slattery (2025). For each identified subsidy, Subsidy Tracker reports the company name, the company's parent name, the subsidy source, the subsidy's value, and the award year. Slattery (2025) notes that the Subsidy Tracker data is not exhaustive for some states, but it consistently tracks the largest subsidy deals due to their publicity and media interest.

We download Subsidy Tracker data for each state, link each parent name to Compustat firm names using fuzzy matching, and construct measures of each firm's potential exposure to political support.[16] About 13 percent of the sample firms are matched to a subsidy from their headquarters state. To assess the possible importance of such exposure, we estimate a triple-differences specification:

$$\begin{aligned} Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = {} & \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times Subsidy \\ & + \beta_3 Republican_{s,t} \times Subsidy \\ & + \beta_4 Republican_{s,t} \times SRI_j \times Subsidy \\ & + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t}\ , \end{aligned} \tag{5}$$

where we add our independent variables of interest, *SRI, Republican*, *Republican* ×*SRI,* and their interaction with an indicator variable, *Subsidy,* which captures a company's potential exposure to state-level support. Table 9 displays the results.

Consistent with fiduciary motives, the observed differences in SRI support are

[16] The Subsidy Tracker data is available at https://subsidytracker.goodjobsfirst.org. We download all the CSV files for each state and extract the relevant data using the HTML parser from the Beautiful Soup Python library. To conduct the fuzzy matching of reported company parent names to our sample of Compustat-based names, we employ the Rapid Fuzz string matching library for Python.

greater in magnitude for companies that receive state-level subsidies or tax breaks from their headquarters state. In Table 9, Column 1, *Subsidy* equals one if the firm received any subsidy from its headquarters state in the past year. The estimate on the triple interaction term (*Republican* × *SRI* × *Subsidy*) is negative, suggesting that the relationship between mutual fund voting on SRI proposals and political climate is greater among firms that recently received state-level support. Institutional investor support for SRI proposals in Republican-led states is an additional 4.02 percentage points lower for firms receiving state-level subsidies or tax breaks (Table 9, Column 1; p-value < 0.05).

The previous finding also concentrates on more recent and larger subsidies, which are more likely to impact a firm's current shareholder value if withdrawn by the state. If we instead change the *Subsidy* indicator to flag whether a firm received a subsidy two, three, four, or five years ago, the observed point estimate decreases when using earlier years, and by years 4 and 5, it is no longer statistically significant (Appendix Table A6). Additionally, if we create separate indicators for subsidies above and below the median value when scaled by a firm's revenues, the findings concentrate on larger subsidies. Table 9, Column 2, shows these findings, and the difference in coefficients for large and small subsidies is statistically significant at the 10 percent level.

The decline in support for SRI proposals in Republican-led states is also greater in states with higher levels of relative support for local businesses. In Column 3, we redefine *Subsidy* to flag the top 10 states for state-level support. These rankings are determined by aggregating all subsidies by state-year, scaling them by state GDP, as reported by the Bureau of Economic Analysis, and then ranking states based on their average level of support during our sample. An advantage of this alternative *Subsidy* flag is that it does not rely on our ability to match individual firms to subsidies listed in the Subsidy Tracker data. Moreover, if implicit political threats to eliminate or withhold subsidies drive institutional votes because of the potential value implications for their portfolio firms, we should expect our findings to concentrate in states that provide a higher level of such support. Consistent with that possibility, institutional investor support for SRI proposals

is an additional 5.11 percentage points lower for firms in Republican-led states that are among the top 10 states for subsidies (Column 3; *p*-value < 0.01).

If institutions are motivated by a desire to preserve the shareholder value of companies in their portfolios, we might also expect our findings to concentrate in the votes where the stock represents a larger share of the institution's overall AUM. We find exactly that. Institutions' likelihood of voting against SRI proposals in Republican-led states is even lower when their relative financial exposure to the firm is among the largest for institutions and when the stock's share of their AUM is higher (Table 10).

To further examine whether mutual funds vote in a manner consistent with shareholder value maximization, we next investigate whether the market responds differently to the passage of SRI proposals in Republican-led states. As shown in Table 7, SRI proposals are 16.3 percentage points less likely to pass in Republican-led states. Because we find no evidence that SRI proposals are less common in Republican-led states (see Section 6.1), the combined findings suggest a decline in the number of SRI proposals passed in Republican-led states. If this shift in passage rates reflects a larger set of SRI proposals being value-destructive in Republican-led states (e.g., because adopting the proposal might put subsidies and tax breaks at risk) and investors appropriately voting them down, we might expect to observe little difference in the market reactions to passed SRI proposals in Republican- and Democrat-led states.

Consistent with a potential mechanism connected to fiduciary duties, we do not find any evidence that the political affiliation of a firm's home state correlates with the relationship between CARs and the narrow passage of SRI proposals. Focusing on contested SRI proposals, where market reactions are typically larger (Cunat, Gine, and Guadalupe, 2012), and using three different asset pricing models to calculate cumulative abnormal returns over different windows around the passage, we find little evidence that announcement returns differ in Republican-led states (Appendix Table A7).[17]

[17] This result should be interpreted with caution. Tests with known sample selection (as true here, due to the observed difference in passage rates) are challenging to interpret. Moreover, there could be other

5.2 Institutional investor self-interest and non-fiduciary motives

We find little evidence that institutional investors are voting to maximize the value of the institution rather than their portfolio company. If this mechanism were important, we would expect the observed political alignment to be weaker in cases where the mutual fund's vote is more likely to be pivotal (and hence more likely to affect the portfolio company). However, we find that institutional investors' votes tend to be more (not less) aligned when they are one of the firm's largest owners, and hence more likely to be pivotal (Appendix Table A8). Moreover, we find some evidence that the observed differences are greater in closely contested SRI proposals where individual votes are more likely to be pivotal (Appendix Table A9).[18] We also do not find evidence that foreign institutions, which might be less subject to political pressures from governors and other local politicians, are less likely to vote in politically aligned ways (Appendix Table A10).

These non-results suggest that state politicians might lack effective ways to pressure institutional investors directly through threats of regulation or the withholding of state business. For example, while Florida's 2022 decision to pull its $2 billion in state-managed funds from BlackRock received wide media coverage, it was only 0.025% of BlackRock's overall AUM, suggesting the economic impact on BlackRock was small. However, these non-findings do not exclude the possibility that some institutions are acting in their own self-interest (and in violation of their fiduciary duties). For example, the similar voting patterns of foreign and domestic institutions do not preclude the possibility that some domestic institutions are partly motivated by non-fiduciary reasons.

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reasons for the absence of a differential price reaction, including the possibility that some investors might not appreciate the value implications of SRI proposals or why they might differ in Republican-led states.

[18] These findings differ from Michaely, Ordonez-Calafi, and Rubio (2024), which shows that environmental and social (ES) funds in non-ES families are less likely to support ES proposals that are close to the majority threshold. They refer to this as a greenwashing strategy by ES funds in non-ES fund families. Our test is not focused on this subset of funds. Moreover, our test assesses whether there are differences in voting patterns in closely contested proposals across states, meaning it is testing a different type of strategic voting. The greater difference in voting for close contests across states suggests that institutional investors are not just pretending to listen to governors. Instead, it suggests the investors perceive there to be different value implications of SRI proposals across states, and they vote their shares accordingly.

6. Robustness tests and additional analysis

In this section, we conduct additional tests to examine the robustness of our findings and explore alternative mechanisms. We start by analyzing potential sample-selection concerns, which could affect the interpretation of our estimates if Republican leadership correlates with changes in the observed frequency or composition of SRI proposal types. We also analyze whether Republican leadership correlates with management's and ISS's vote recommendations. We then analyze the robustness of our baseline findings to the choice of controls, including time-varying macroeconomic conditions, which, if systematically correlated with the direction of political transitions, could provide an alternative explanation for within-state changes in voting patterns. We also test the robustness of our findings to changing how we define a state's political affiliation and to excluding the states of Florida and Texas. Finally, we analyze whether our findings differ based on media coverage and other forms of heterogeneity.

6.1 Sample selection and the composition of SRI proposals

We first conduct analyses to assess potential sample selection and its implications for interpreting our findings. Sample selection might occur if a state's political leadership affects the frequency and composition of observed SRI proposals. Such a shift in composition might occur if activists tailor their SRI proposals to the local political environment, or if managers' aggressiveness and success in excluding SRI proposals from proxy materials differ when Republicans control the state government.

If present, sample selection would likely lead to outcomes that are the opposite of what we find. Specifically, if state-level politics affect the composition and frequency of SRI proposals, the most likely impact would be a reduction in the frequency of especially liberal SRI proposals in Republican-led states, as proposal sponsors anticipate less investor support and managers work harder to exclude them from proxy materials. If true, this self-selection would increase the relative support for SRI proposals in Republican-led states, all else equal, because the shift in proposal composition makes it

easier for investors to support the proposals in those states. However, we observe the opposite, suggesting that sample selection is unlikely to explain our key finding.[19]

Moreover, inconsistent with sample selection, we find no evidence that firms are more or less likely to face SRI proposals in Republican-led states. Appendix Table A11 reports these findings using the same sample of 5,129 shareholder meetings and 10,787 proposals as our earlier analysis. The likelihood of a shareholder meeting having at least one SRI proposal is not statistically different in Republican-led states (Appendix Table A11, Columns 1-5), nor is the likelihood of a proposal being classified as SRI (Columns 6-10). These two non-findings hold when using various combinations of fixed effects, and the coefficients are particularly close to zero once industry fixed effects are included.[20]

We also find little evidence that the composition of SRI proposal types differs in Republican-led states. Appendix Table A12 reports these findings. Using the 10 SRI BERTopic classifications created using proposal names (see Appendix Table A1), we find that firms in Republican-led states experience a similar composition of SRI proposal types. We also find no difference in the likelihood of an unclassified SRI proposal (Column 11). Beyond being mostly statistically insignificant, the point estimates for each proposal type are economically small, each being less than one percentage point. The findings are similar when we instead use the 14 proposal type classifications provided by Voting Analytics for shareholder proposals it flags as SRI-related (Appendix Table A12, Panel B).

Nor do we find evidence that the political tilt of the proposal text itself varies for SRI proposals observed in Republican-led states. For each SRI proposal in our sample, we used ChatGPT to classify the text as either *far left, center left, center, center right, far*

[19] That said, it is possible for sample selection to work in the opposite direction. For example, if managers in Republican-led states happen to be more confident that SRI proposals will fail, they might also show less resistance to the inclusion of weaker SRI proposals in the proxy. If true, such a shift in the composition of proposals could lower the average observed support for SRI proposals in Republican-led states.

[20] The difference in average reported in Appendix Table A11, Column 6, and the one reported in Appendix Table A3 reflects a difference in weighting. Appendix Table A3 reports averages from a sample where the unit of observation is proposal-by-institution (instead of proposal), which results in a different weighting because the number of voting institutions varies by proposal.

right, or *not sure*.[21] As one might expect, most proposals are classified as left-leaning, with about 93% of proposals receiving a *center left* classification. Inconsistent with sample selection, the distribution of classifications is similar in Republican- and Democrat-led states (Appendix Table A13), and in a proposal-level regression, we find no evidence that a state's political leadership correlates with the likelihood of observing an SRI proposal in any of the political leaning categories (Appendix Table A14).[22]

The apparent absence of sample selection is consistent with earlier findings in the literature and sheds light on the decision-making process used by those submitting SRI proposals. The non-finding is consistent with evidence that activists often submit the same proposals across firms, regardless of the firm's location (Gantchev and Giannetti, 2021). Our findings bolster that evidence; the activists submitting SRI proposals do not appear to fine-tune their proposals to state-level politics. One possible explanation for this lack of fine-tuning is that the costs of adjusting proposals are too high or the perceived benefits are too low. The latter might be true if the average SRI proposal sponsor does not expect the proposal to be adopted, regardless of any fine-tuning, or has alternative motives for submitting the proposal, including symbolism and a desire to bring attention to certain social issues (e.g., Loss and Seligman, 2004; Flammer, 2015).

Our baseline finding is also robust to controlling for who sponsored the proposal, further mitigating concerns about sample selection. There are 733 sponsors in the sample, and the average number of proposals per sponsor is nine. However, a few individual sponsors are responsible for hundreds of proposals, including John Chevedden, who submitted the most proposals, 734. While the sample size decreases due to a lack of within variation for many sponsors, the baseline finding is robust to adding sponsor fixed effects

[21] We use the following prompt to assess the political tilt of each proposal: "Based solely on the content of the proposal—disregarding any responses or commentary from the board or management—assess the political tilt of the proposal and classify it into one of the following categories: *'Far Left', 'Center Left', 'Center', 'Center Right', 'Far Right' or 'Not Sure'*."

[22] Interestingly, GPT-5 does not classify any shareholder proposal as *Far Left*. In an earlier draft, we used GPT-4, which did classify about 4% of proposals as *Far Left*. The findings in Appendix Table A13 and Appendix Table A14 were similar when using the classifications from GPT-4.

(Appendix Table A15). The findings are also similar when we include sponsor-by-SRI fixed effects to isolate variation across SRI proposals from the same sponsor.

Finally, our findings are robust to controlling for SRI proposal type, providing further evidence that they do not reflect a shift in the composition of SRI proposals. Appendix Table A16 reports these findings. To show this robustness, we replace our institution-by-month-by-SRI, industry-by-month-by-SRI, and state-by-SRI fixed effects with institution-by-month, industry-by-month, and state fixed effects that instead vary with an SRI proposal's topic classification. These more granular fixed effects allow us to analyze how voting differs within each SRI topic. Using the 10 BERTopic classifications to create these fixed effects, we continue to find less support for SRI proposals in Republican-led states. Augmenting our baseline difference-in-differences specification (Table 4, Column 3), we find that institutions are 2.0 percentage points less likely to support an SRI proposal in Republican-led states after controlling for how votes vary by SRI proposal type (p-value < 0.10; Appendix Table A16, Column 1). Augmenting the stacked triple-difference specification that further isolates within-state variation (Table 6, Column 2), we find that support for SRI proposals is 2.8 percentage points lower in Republican-led states after controlling for how votes vary by SRI proposal type (p-value < 0.05; Column 2). The findings are similar if we instead construct the fixed effects using the 14 SRI proposal topic classifications provided by Voting Analytics (Columns 3-4).

6.2 Potential omitted variables connected to business conditions

Potential confounding changes in the business environment of states could pose another concern for interpreting our findings. Such changes could introduce an omitted variable bias in our within-state analysis if they both (1) correlate with the direction of the shift in political leadership and (2) affect the value implications of SRI proposals for firms in that state. For example, the interpretation of our findings would differ if Republican governors tend to lead during periods of strong state-level economic conditions, and if such conditions cause investors to view SRI proposals less favorably.

However, we find no evidence to support this alternative mechanism. First, we find no evidence that key state-level macroeconomic indicators (GDP growth, personal consumption expenditures, personal income, and employment) differ systematically across Republican-led states during our sample period (Appendix Table A17). This finding holds whether using macroeconomic indicators measured in levels (Appendix Table A17, Columns 1-4) or log-transformed values (Columns 5-8). Because these estimations include state-level fixed effects, they also show that within-state changes in economic conditions do not correlate with within-state changes in political affiliation. Second, our baseline estimates, including those from the within-state analysis, remain largely unchanged when state-level, time-varying macroeconomic variables are added as additional controls (Appendix Table A18). Finally, the absence of pre-trends (Figure 3) also mitigates concerns that time-varying business conditions might drive both changes in political leadership and the value implications of SRI proposals. If they contribute to leadership changes, such factors would likely create a pre-trend. Overall, these findings do not support an alternative explanation connected to business conditions.

6.3 Likelihood that management or ISS support the proposal

We next investigate whether the proposal-level control variables used in our study, *Management recommends support* and *ISS recommends support*, vary in Republican-led states. Differences in support might arise if state-level political considerations prompt managers or ISS to adjust their vote recommendations on SRI proposals.

We find no evidence that vote recommendations vary in Republican-led states. Appendix Table A19 reports these estimates. Using the same proposal-by-institution data structure as in our earlier analysis, we find no evidence that the average level of support from managers varies for SRI proposals in Republican-led states (Appendix Table A19, Column 1). This non-result is unsurprising as managers rarely support SRI proposals (see Table 3). There is also no evidence of a difference in ISS's recommendation (Column 3), suggesting that ISS does not factor political considerations into its recommendations.

Beyond lacking statistical significance, both point estimates are also economically small. We find similar non-results when we repeat the analysis at the proposal level, which is the unit of analysis for each outcome (Columns 2 and 4).[23]

6.4 Robustness to alternative controls, clustering, and sampling choices

These non-results also suggest that the inclusion of proposal-level controls in our baseline specification does not introduce a bias related to "bad controls" (e.g., see Angrist and Pischke, 2009). If the vote recommendations were problematic controls, we would observe a correlation between them and *Republican* × *SRI*, which we do not. Moreover, consistent with a lack of bias, our point estimates (Table 4, Column 3 and Table 6, Column 2) are nearly unchanged when we drop these controls. The main change is an increase in the estimated standard errors (see Appendix Table A20, Columns 1 & 4). The decreased precision reflects the fact that vote recommendations are key determinants of institutional votes, and controlling for them helps reduce estimation noise. A reduction in precision but similar point estimates is also seen when restricting our estimation to post-2012 years (Columns 2-3).

The findings are also robust to different choices regarding the controls and fixed effects. For example, not allowing the ISS and management vote recommendation controls to vary for SRI proposals has little impact on the estimates (see Appendix Table A21). Moreover, replacing our state-by-SRI-by-event fixed effects in the stacked specification with state-by-institution-by-SRI-by-event fixed effects also does not meaningfully affect the estimates (see Appendix Table A22). These latter estimates isolate variation in SRI votes by the same institution in the same state.

The findings are also robust to double clustering by institution. In fact, double clustering at the state and fund-family levels yields lower standard errors for our baseline findings in Tables 4 and 6 (Appendix Table A23). For that reason, we rely on the more

[23] We also find no evidence of a change in the likelihood that either ISS or management recommend investors "abstain," "withhold, or "do not vote" on SRI proposals. Such recommendations are uncommon, accounting for less than 4% of ISS recommendations and less than 1% of management recommendations.

conservative standard errors obtained when clustering only at the state level. The findings are also robust to dropping post-Covid or post-2020 observations.

6.5 Alternative measures of each state's political landscape

We next analyze whether our findings are robust to using a large language model (LLM) to measure a state's political landscape. Instead of using a governor's political affiliation to proxy for a state's political climate involving SRI-related policies, we use an LLM to classify each governor's SRI-related views. Specifically, we use OpenAI's GPT-5 to evaluate each governor's stance on the adoption of SRI-related policies by firms within their state.[24] Based on the responses, we classify each governor's SRI views as *strongly discourage*, *discourage*, *remain neutral*, *encourage*, *strongly encourage*, or *not sure*. Appendix Table A24 reports the frequency of each classification by political affiliation.

The LLM classifications support our use of political affiliations to proxy for governors' political views. The LLM classifies most Democratic governors as *encourage* or *strongly encourage*, while it classifies most Republican governors as *discourage* or *strongly discourage*. The LLM classifications also suggest that governors' SRI-related views became increasingly polarized beginning around 2011. Appendix Figure A1 illustrates this finding by plotting the time series of the average governor's ESG stance by party affiliation after assigning a value of 2 to *strongly discourage*, 1 to *discourage*, 0 to r*emain neutral* or *not sure*, –1 to *encourage*, and –2 to *strongly encourage*. The timing of this increased polarization is consistent with our finding that institutions only became less supportive of SRI proposals in Republican-led states after 2012 (see Table 5).

Our baseline findings are robust to using this alternative proxy for each governor's SRI-related views. To illustrate this robustness, we construct *NegESG*, a variable that

[24] Specifically, we ask, "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. Use the following format for your answers: 'choice - explanation.' If unsure, respond with 'not sure.'"

assigns values of 2 (*strongly discourage)*, 1 (*discourage)*, 0 (*not sure)*, -1 (*encourage)*, and -2 (*strongly encourage)*. We then repeat our baseline estimation from Table 4 using *NegESG* as our proxy for a governor's SRI-related political views. The findings using this alternative proxy are similar. Mutual funds are less likely to vote in support of SRI proposals when the firm is headquartered in a state where an LLM classifies the views of the current governor as more discouraging of SRI-related activities (Appendix Table A25, Column 1). The results are similar if we instead define *NegESG* using less granular categories, assigning 1 to both *strongly discourage* and *discourage*, 0 to *not sure*, and -1 to both *encourage* and *strongly encourage* (Column 2).

The similarity of the LLM-based results is not surprising, as the LLM-based measures are highly correlated with governors' political affiliations. In a regression that includes both proxies—a governor's political affiliation and the LLM-based measure—we find evidence that the political affiliation measure is more predictive of institutional investor votes, but the estimates are less precise due to multicollinearity (Columns 3-4).

The LLM-based findings are driven by cross-party rather than within-party variation. If we repeat the analysis in Appendix Table A25, Columns 1-2, for samples containing only one party, we find no evidence that *NegESG* predicts mutual fund votes. The non-finding could reflect a lack of meaningful within-party variation. For example, 97% of Democrat governors are classified as either *encourage* or *strongly encourage*, and only three Republicans are classified as *strongly discourage,* Abbott (TX), DeSantis (FL), and Noem (SD). It might also reflect challenges with using an LLM to create such classifications, especially for governors who rarely mention SRI-related activities.[25]

Our baseline finding is also robust to using a measure of each state's political

[25] For example, if one instead uses OpenAI's GPT-4 to construct *NegESG*, 45% of the governors would be classified as *neutral* or *not sure*, a nearly 40 percentage point increase compared to GPT-5. It is not clear whether the increased confidence of GPT-5 reflects an improvement. Another challenge with the LLM-based measure is that it may overlook the overall significance of political affiliation. Investors might infer a governor's views based on their political affiliation, even in the absence of direct commentary by that governor about SRI-related activities. The LLM-based measure point estimates are also more challenging to interpret, as they capture nebulous increments in governors' views.

landscape that accounts for a political party's extent of state-level control beyond the governorship. To illustrate this robustness, we re-estimate eq. (1) after replacing *Republican* with *Republican Control*, an indicator variable that equals one if the corresponding firm is in a state with unified Republican control (i.e., Republicans hold the governorship and seat majorities in both the state house and senate). Appendix Table A26, Column 1, displays the results of this estimation. Compared with the baseline result (Table 4, Column 3), the estimated coefficient is of similar magnitude and statistical significance. In states with unified Republican control, institutional investors are 2.6 percentage points less likely to support SRI proposals (p-value < 0.01).

There is little evidence that the observed decline in SRI support is larger in states with unified control. Appendix Table A26, Column 2, shows this finding.

6.6 Alternative measure of state-level exposure

Our baseline finding is also robust to replacing headquarters locations with an alternative proxy of each firm's state-level exposure. To illustrate this robustness, we follow Garcia and Norli (2012) and count the frequency at which each firm mentions every state in its annual 10-K filings (Items 1-2 and 6-7). We then identify the most frequently mentioned state for each firm-year and redefine *Republican* as an indicator variable equal to one if the most frequently mentioned state in the previous year is currently led by a Republican governor. We use counts from the previous 10-K filing to avoid potential reverse causality concerns. Appendix Table A27, Column 1, displays the results of this estimation. Compared with the baseline result (Table 4, Column 3), the estimated coefficient is of similar magnitude and statistical significance. The point estimate is similar, but not statistically significant at conventional levels, if we instead replace *Republican* with the proportion of last year's 10-K mentions that are for states currently led by a Republican governor (Appendix Table A27, Column 2, p-value = 0.138).

6.7 Florida and Texas

Our findings are similar when excluding Florida and Texas, two states where the

governors have been particularly vocal about institutions' SRI & CSR stances. These reflect two of the states that ChatGPT flags as having Republican governors who strongly discourage companies from adopting environmental and socially responsible policies (Appendix Table A24). Our baseline, cross-sectional point estimates (Table 4, Column 3) are robust to excluding either or both states, though we do lose statistical significance at conventional levels when excluding Texas (Appendix Table A28). Moreover, neither of these two states contributes to our within-state estimates (Tables 6 and 8) because they do not experience a change in political leadership during our sample period.

6.8 Heterogeneity by media coverage, institution, and SRI proposal type

Greater media coverage might increase the likelihood of politicians becoming aware of a firm's SRI-related activities. If true, firms and institutions more frequently covered by the media could be more sensitive to political considerations. Consistent with this possibility, we find suggestive evidence that the decline in SRI support also concentrates among firms and institutions with a greater past media coverage, as measured using the number of media articles in Factiva (Appendix Table A29).

We next analyze heterogeneity across institutions. We find no evidence that our findings vary depending on whether the institution is headquartered in a Republican-led state. The decline in support for SRI proposals in Republican-led states is similar for both institutions headquartered in Republican-led states and institutions headquartered in Democratic-led states. We also find little evidence that the political affiliation of an institution's headquarters state directly predicts its overall level of SRI support.

Finally, we investigate whether our baseline result is driven by a particular type of SRI proposal. To assess this possibility, we further classify each SRI proposal as either environmental- or social-related, following the guidance of the Sustainability Accounting Standards Board (SASB). Specifically, we manually align each of the 1,599 unique SRI resolutions in our sample with topics categorized under the SASB ESG framework, and

we use its framework to classify SRI proposals as either environmental (E) or social (S).[26] We then estimate:

$$\begin{aligned} Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = {} & \beta_1 SRI_{E_j} + \beta_2 SRI_{S_j} \\ & + \beta_3 Republican_{j,s,t} \times SRI\_E_j \\ & + \beta_4 Republican_{j,s,t} \times SRI_{S_j} + \gamma X_j \\ & + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,t}, \end{aligned} \quad (6)$$

where *SRI_E* is an indicator variable that equals one if the SRI proposal *j* is connected to environmental issues, and *SRI_S* is an indicator variable equal to one if the proposal is instead connected to social issues. The remaining variables are defined as before. The modified specification is consistent with the spirit of our baseline approach but allows us to examine each SRI proposal separately. Appendix Table A30 reports the results.

Both environmental and social SRI proposals drive the baseline result. We start by including the same set of fixed effects in the baseline specification. The estimated coefficients of *Republican* × *SRI_E* and *Republican* × *SRI_S* are -0.044 and -0.026, respectively, indicating that institutional investor support for environmental proposals is 4.4 percentage points lower in Republican-led states (Appendix Table A30, Column 1; *p*-value < 0.01) and 2.6 percentage points lower for social proposals (*p*-value < 0.05). Additionally, we cannot reject the null hypothesis that the two coefficients are the same (*p*-value = 0.12). Next, we further partial out concerns about potential confounding factors at the proposal-type level by replacing the institution-by-month-by-SRI fixed effects with institution-by-month-by-SRI_E and institution-by-month-by-SRI_S fixed effects. We make a similar adjustment to the industry-level fixed effects. While the coefficient for the *SRI_E* interaction is no longer statistically significant, its magnitude is

[26] The SASB Standards have been widely adopted by corporations, investors, and analysts to identify and classify ESG issues that could impact companies' financial performance and investor decision-making. Khan, Serafeim, and Yoon (2016) also use SASB metrics to identify material ESG issues.

similar to that of the *SRI_S* interaction, and we cannot reject the null hypothesis that the two coefficients are equal (Column 2; *p*-value of 0.71). Overall, these results suggest that our main findings are not driven solely by either environmental or social SRI proposals.

7. Conclusion

Institutional investors can be a key driver of firms undertaking activities related to environmental, social, and other CSR issues (e.g., Dyck et al., 2019; Chen et al., 2020; Yegen, 2020; Gormley et al., 2023). At the same time, politicians increasingly seek to shape corporate policies that touch upon environmental and social issues (Gelles and Tabuchi, 2022). For example, elected officials seek to alter firms' shareholder-value-maximizing strategies through regulations, subsidies, and other measures. If these tools are sufficiently powerful, institutional investors might also pressure firms to align their policies with the views of local political leaders, consistent with investors' fiduciary duty. Our study delves into the intricate interplay between the local political landscape and institutional investors' activities related to environmental and social issues.

Consistent with local politicians having an ability to shift firms' value-maximizing strategies, we find a negative association between institutional investors' support for environmental- and social-related proposals and Republican party rule in a firm's home state. The negative association holds even after we partial out confounding factors that might drive differences in support for proposals at the firm-, industry-, institution-, time-, or sponsor-level. The differences also hold when we use within-state changes in political leadership as an additional source of identification: support increases when a Democrat replaces a Republican governor and decreases when a Republican replaces a Democrat governor. The observed within-state shift also coincides with the election and corresponds to a lower likelihood that SRI proposals will pass in Republican-led states.

The evidence suggests that observed differences in investor support for SRI proposals are likely connected to political considerations and investors' fiduciary duties. The lower support for SRI-related issues in Republican-led states concentrates on (i)

more recent years, coinciding with the increase in political polarization and state-level politicians' focus on SRI and CSR activities, (ii) firms that recently received state-level tax breaks or subsidies, which likely increases the exposure of a company's stock value to political considerations, and (iii) institutions with a larger share of their AUM in that stock. The findings also hold in elections with a smaller victory margin or shift in the popularity of the winning party, suggesting that investors are responding to newly elected leaders rather than a shift in the underlying political tilt of the state's populace. We find little evidence that institutional investors are shifting their SRI-related votes to maximize the value of the institution rather than that of their portfolio companies.

Our findings expand our understanding of how the political polarization of SRI- and CSR-related activities might affect institutional investors' engagement. Institutions must balance several competing interests, and as a result, the drivers of institutional investors' varying degrees of engagement with SRI-related matters are not well understood. Our findings suggest that political considerations and shareholder value are likely determinants of institutional investors' SRI choices. Our findings also suggest an additional obstacle firms might face when pursuing SRI-related activities—a lack of investor support when local politicians oppose such activities.

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Figure 1
Likelihood of SRI proposals by year and type of governor.
This figure plots the likelihood of having an SRI proposal in shareholder meetings for firms in Democratic- versus Republican-led states from 2006 to June 2021.

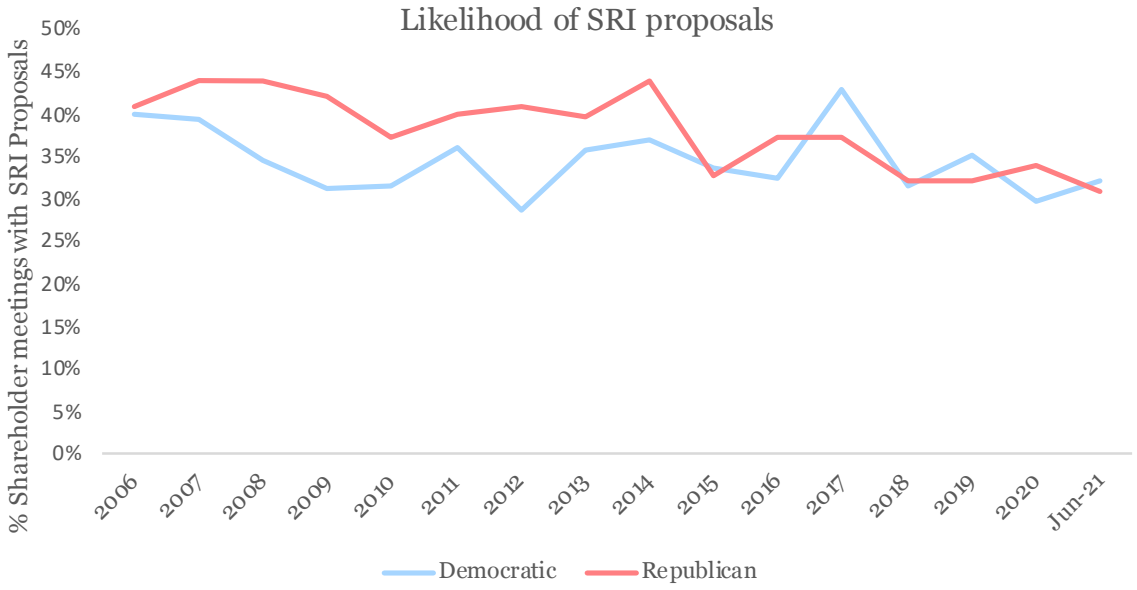

Figure 2
Political affliations of state governors by year.
This figure depicts the political affiliations of state governors by year, with blue indicating Democrats and red representing Republicans. As gubernatorial elections are commonly conducted in November, we attribute election outcomes to the years succeeding an election year, extending until the subsequent election year for that specific state.

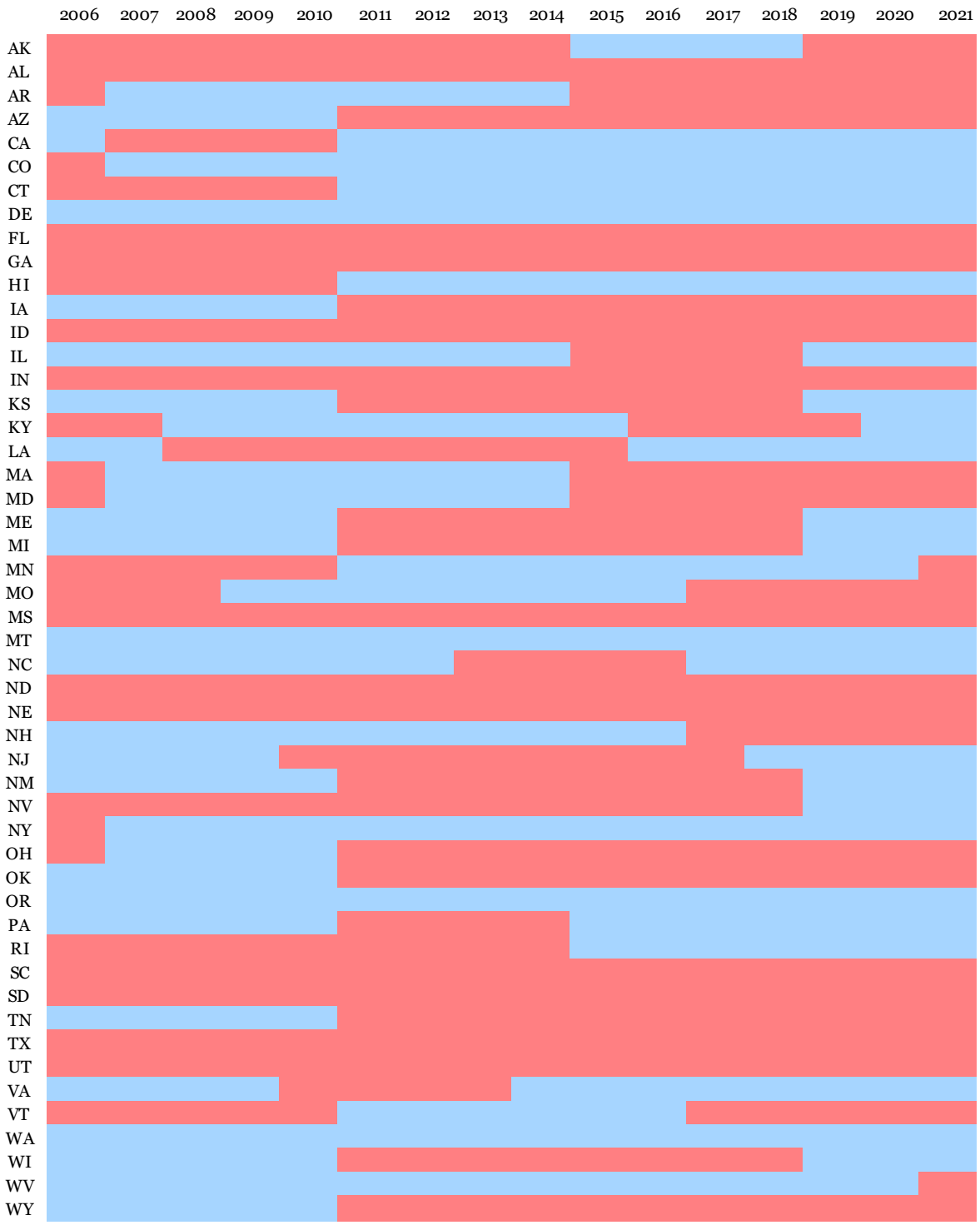

Figure 3
Timing of observed change in within-state SRI support.
This figure displays the 95% confidence interval of estimated $\hat{\beta}'s$ derived from the following regression,

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = (\beta_1 Pre4 + \beta_2 Pre3 + \beta_3 Pre2 + \beta_4 Post1 + \beta_5 Post2 + \beta_6 Post3 + \beta_7 Post4) * Treatedes * SRI_{e,j} + \gamma X_j + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for the set of observations pertaining to event year *e* and state *s*. For each event year *e* where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the to four years post-election. For each event, *Pre4, Pre3* and *Pre2* equals 1 if the sample corresponds to 4, 3, or 2 years before the election (note that the year of the election itself, is excluded from the sample to avoid collinearity); similarly, *Post1, Post2, Post3,* and *Post4* equals 1 if the sample corresponds to first, second, third, and fourth years of the newly elected governor's term. In Panel A, we restrict the set of events to states that switch from Democrat to Republican, and in Panel B, we restrict the set of events to states that switch from Republican to Democrat. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are adjusted for heteroskedasticity and clustered at the state level.

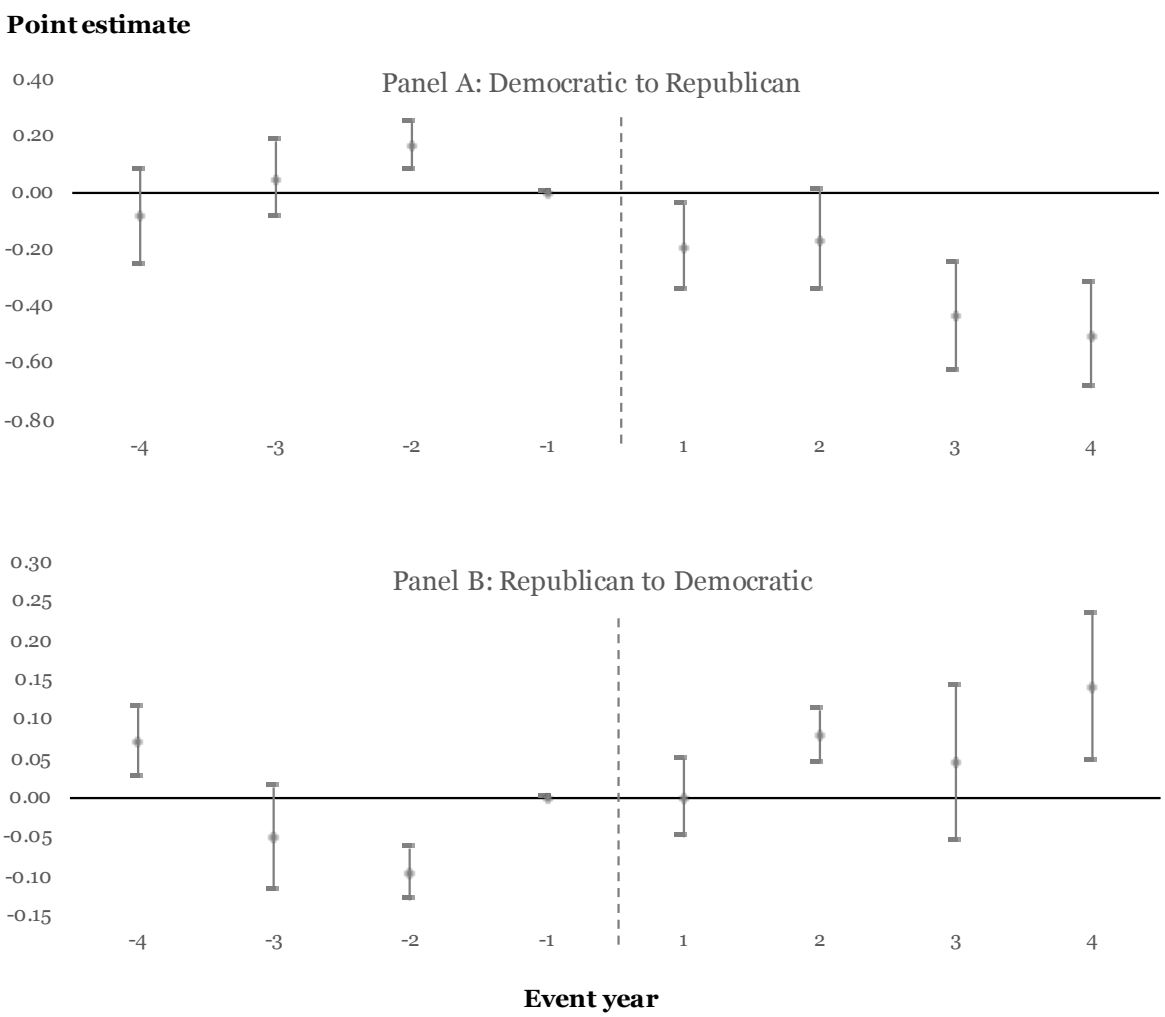

Table 1
Example political disputes between governors, firms, and institutions.
This table lists sample anecdotes related to political disputes involving state governors with firms (Panel A) and institutions (Panel B).

Year	Party	State	Governor	Firm/Institution	Issue
Panel A: Disputes with firms					
2011	Democrat	CA	Jerry Brown	Pacific Gas and Electric	Aggressive renewables portfolio standard
2014	Republican	WI	Scott Walker	Trek Bicycle	Outsourcing American jobs
2016	Republican	IN	Mike Pence	Salesforce	LGBTQ rights
2018	Republican	GA	Casey Cagle	Delta	Discount program for NRA members
2019	Republican	FL	Ron DeSantis	Airbnb	Discrimination against Israel
2019	Republican	TX	Greg Abbott	Apple, Amazon, Dell, Facebook	Anti-LGBTQ House bill
2019	Democrat	WI	Tony Evers	Foxxconn	Environmental concerns
2020	Democrat	MI	Gretchen Whitmer	Enbridge	Environmental risks to Great Lakes
2021	Republican	TX	Greg Abbott	Facebook	Censorship of conservative voices
2021	Republican	GA	Brian Kemp	Coca-Cola, Delta	Voting law tightening voter ID requirements and limiting ballot access
Panel B: Disputes with institutions					
2016	Democrat	NY	Andrew Cuomo	All Institutions	Banning investment in institutions/ companies that boycott Israel
2018	Democrat	NY	Andrew Cuomo	All Institutions	Discourage ties to the NRA
2019	Democrat	WA	Jay Inslee	BlackRock, JP Morgan	Reduce investments in fossil fuels
2021	Republican	TX	Greg Abbott	BlackRock	ESG policies against oil and gas sector
2021	Republican	IA	Kim Reynolds	BlackRock, Vanguard	Legislation restricting investment in firms that prioritize ESG factors
2022	Republican	FL	Ron DeSantis	BlackRock	House bill restricting the use of ESG factors in investment decisions

Table 2
Number of SRI proposals and vote outcomes by year.
This table presents the number of SRI proposals, percentage of SRI proposals that crossed approval threshhold, and percentage of SRI proposals where the support for the proposal was within five percentage points of the approval threshold from 2006 to June 2021 in our sample.

Year	# SRI Proposals	% passed	% contested
2006	163	1.23%	0.61%
2007	180	0.56%	0.56%
2008	190	1.05%	1.58%
2009	157	0.64%	1.27%
2010	134	0.75%	0.75%
2011	127	0.79%	1.57%
2012	144	0.00%	1.39%
2013	158	3.16%	1.90%
2014	196	1.02%	1.02%
2015	195	0.00%	0.00%
2016	196	2.04%	2.55%
2017	199	2.01%	3.02%
2018	145	8.28%	7.59%
2019	142	3.52%	8.45%
2020	154	11.69%	12.99%
2021	130	22.31%	9.23%
Total	2,610	3.69%	3.40%

Table 3
Summary statistics.
This table describes the summary statistics of variables used in our proposal-by-institution-level analysis. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. *Likelihood of voting in support* is measured at the institution (i.e., fund family) level using the share of the institution's funds that cast votes in support of the proposal. *Republican* is an indicator variable that equals 1 if the focal firm is located in a state where the Republican party holds the office of governor at the time the proposal is voted on. *SRI* is an indicator variable that equals 1 if the proposal is related to socially responsible issues. *Management recommends support* and *ISS recommends support* are indicator variables set to 1 if management or ISS recommend supporting for the focal proposal. The number of observations (Obs.), mean, and standard deviation (SD) are reported both for the full sample (Panel A) and for the subsample of SRI proposals (Panel B).

	Obs.	Mean	SD
Panel A: Full sample of shareholder proposals			
Likelihood of voting in support	768,201	44.4%	47.5%
SRI	768,201	32.4%	46.8%
Republican	768,201	43.8%	49.6%
Management recommends support	768,201	6.3%	24.3%
ISS recommends support	768,201	67.4%	46.9%
Panel B: SRI proposals only			
Likelihood of voting in support	248,950	31.5%	44.1%
Republican	248,950	47.1%	49.9%
Management recommends support	248,950	0.4%	6.0%
ISS recommends support	248,950	57.3%	49.5%

Table 4

Institutions' support for SRI proposals in Republican-led states.

This table displays coefficients from a proposal-by-institution-level regression that examines the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor in the firm's headquarters state. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 SRI_j + \beta_2 Republican_{s,t} \times SRI_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*		
	(1)	(2)	(3)
SRI	-0.0060		
	(-1.07)		
Republican × SRI	-0.0217**	-0.0314***	-0.0324***
	(-2.40)	(-2.80)	(-2.98)
Controls	Y	Y	Y
Meeting fixed effects	Y	Y	Y
Institution-by-month fixed effects	Y	Y	
Institution-by-month-by-SRI fixed effects			Y
Industry-by-month-by-SRI fixed effects		Y	Y
N	768,201	768,201	761,302
R-squared	0.542	0.547	0.584

Table 5
Institutions' support for SRI proposals in Republican-led states over time.
This table examines the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state, segmented by presidential election term. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*, and their interactions with *SRI*. We include meeting fixed effect, institution-by-month-by-SRI fixed effect, and industry-by-month-by-SRI fixed effect throughout, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Columns 1-4 report estimates using the subsample observations that occur during each presidential term with at least one year of coverage: 2006-2008, 2009-2012, 2013-2016, 2017-2020. In Column 5, we report our estimates for the full sample but include an additional interatction with *Post2012*, which is a dummy that equals 1 if the sample is after year 2012. Standard errors are clustered at the state level. *t* statistics are in parentheses. ** indicates significance at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*				
	(1)	(2)	(3)	(4)	(5)
Republican × SRI	0.003	-0.008	-0.039**	-0.067***	-0.001
	(0.21)	(-0.46)	(-2.54)	(-4.50)	(-0.07)
Republican × SRI × Post2012					-0.059***
					(-4.16)
Sample	2006-2008	2009-2012	2013-2016	2017-2020	All years
Controls	Y	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y	Y
N	131,452	186,219	213,646	193,792	761,302
R-squared	0.599	0.587	0.574	0.583	0.584

Table 6

Estimations using within-state changes in the governor's political affiliation.

This table reports within-state panel estimations that analyze the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state. Column 1 shows our baseline regression (Table 4, Column 3) after adding state-by-SRI fixed effects. For Column 2, we estimate a stacked difference-in-differences estimation that utilizes within-state variation in governors' political affiliations. Specifically, for each event year e where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the four years post-election. We then estimate

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = \beta_1 Republican_{e,j,t} \times SRI_{e,j} + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution i's funds voting in support for proposal j at meeting m in month t for the set of observations pertaining to event year e and state s. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. X represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Republican × SRI	-0.027*	-0.121***
	(-1.82)	(-5.69)
Controls	Y	Y
Meeting fixed effects	Y	
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
State-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
N	749,470	4,725,037
R-squared	0.585	0.619

Table 7
Likelihood of SRI proposal passing.
This table examines the likelihood of an SRI proposal passing based on the political affiliation of the governor of the firm's headquarters state. We estimate a stacked difference-in-differences regression at the proposal-level. For each event year e where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the four years post-election. Specifically, we estimate

$$Likelihood\ of\ Pass_{e,j,m,s,t} = \beta_1 Republican_{e,s,t} \times SRI_{e,j} + \gamma X_{e,j} + \theta_{e,m} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,j,m,s,t},$$

where the dependent variable is an indicator that equals 1 if the proposal j was passed at meeting m in month t for the set of observations pertaining to event year e and state s. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. X represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. ** indicates significance at the 5% level.

	Dep. variable = *Likelihood of Pass* (1)
Republican × *SRI*	-0.163**
	(-2.15)
Controls	Y
Meeting-by-event fixed effects	Y
Industry-by-month-by-SRI-by-event fixed effects	Y
State-by-SRI-by-event fixed effects	Y
N	42,844
R-squared	0.669

Table 8

Stacked difference-in-difference estimates by direction of a state's political transition.

This table presents the results from a stacked difference-in-differences regression that analyzes the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state, segmented by states switching from Republican to Democratic governor and vice versa. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{e,i,j,m,s,t} = \beta_1 Treated_{esi} \times Postet \times SRI_{e,j} + \gamma X_j + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for the set of observations pertaining to event year *e* and state *s*. For each event year *e* where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. Column 1 restricts the set of events to states that switch from Democrat to Republican, and Column 2 restricts the set of events to states that switch from Republican to Democrat. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and to the four years post-election. *Treated* equals 1 if the sample belongs to treatment groups and 0 if control group. *Post* is set to 1 for post-event periods and 0 for pre-event periods. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. *** indicates significance at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Treated × *Post* × *SRI*	-0.248***	0.074***
	(-4.87)	(5.23)
Treatment Group	Dem to Rep	Rep to Dem
Controls	Y	Y
Meeting-by-event fixed effects	Y	Y
State-by-SRI-by-event fixed effects	Y	Y
Institution-by-month-by-SRI-by-event fixed effects	Y	Y
Industry-by-month-by-SRI-by-event fixed effects	Y	Y
N	2,199,024	1,944,301
R-squared	0.623	0.617

Table 9
Heterogeneity in support based on state-level business subsidies and tax breaks.
This table explores whether the association between institutions' SRI voting and the political climate in the firm's home state varies based on state-level business subsidies and tax breaks of that same state. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times Subsidy + \beta_3 Republican_{s,t} \times SRI_j \times Subsidy + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. In Columns 1 and 2, we use firm-level subsidy measures, where *Subsidy* is defined as equal to one if the firm received subsidies from its headquarters state in the past year. In Column 2, we include interactions for whether that subsidy's value (from Subsidy Tracker) as a share of the firm's revenues (from Compustat) was below or above median for subsidies received from a firm's headquarter state that year (*Small* and *Large*). In Column 3, we use a state-level subsidy measure, where *Subsidy* equals 1 if the corresponding firm is located in a state *s* that ranks within the top 10 (Column 3) states by total subsidy. The state rankings are based on aggregate subsidy value (from SubsidyTracker) divided by state GDP (from Bureau of Economic Analysis) averaged over the 2006-2021 period. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*		
	(1)	(2)	(3)
Republican × SRI	-0.0248**	-0.0249**	-0.0239*
	(-2.05)	(-2.20)	(-1.89)
SRI × Subsidy	0.0153		0.0131
	(1.07)		(0.88)
Republican × SRI × Subsidy	-0.0402**		-0.0511***
	(-2.28)		(-3.22)
SRI × Subsidy × Small		0.0246	
		(1.18)	
SRI × Subsidy × Large		0.0067	
		(0.38)	
Republican × SRI × Subsidy × Small		-0.0221	
		(-1.08)	
Republican × SRI × Subsidy × Large		-0.0745***	
		(-2.84)	
Subsidy definition	Firm received support from its headquarters state in the past year	Firm received support from its headquarters state in the past year; *Small* and *Large* indicate whether that subsidy was above or below median in size	Firm is HQ'd in a state that ranks in the Top 10 for subsidies
Controls	Y	Y	Y
Meeting fixed effects	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y
N	761,302	761,302	761,302
R-squared	0.584	0.584	0.584

Table 10

Heterogeneity in support based on an institution's portfolio exposure.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the relative size of an institution's portfolio exposure to the firm. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times TopExposure + \beta_3 Republican_{s,t} \times TopExposure + \beta_4 Republican_{s,t} \times SRI_j \times TopExposure + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with SRI. In Columns 1 and 2, *TopExposure* equals 1 if the institution's ownership stake in the firm as a share of its AUM in year *t*-1 is in the top quintile or decile for institutions; in Columns 3 and 4, *TopExposure* equals 1 the institution's holding in that firm exceeds 0.10% or 0.50% of its AUM. We calculate institution-level onwership stake using Thomson-Reuters 13F data. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
TopExposure	-0.0248***	-0.0277***	-0.0248***	-0.0312***
	(-8.54)	(-5.55)	(-9.31)	(-4.55)
Republican × SRI	-0.0282**	-0.0300***	-0.0283**	-0.0306***
	(-2.54)	(-2.76)	(-2.55)	(-2.81)
SRI × TopExposure	0.0155**	0.0185**	0.0160**	0.0201**
	(2.50)	(2.23)	(2.67)	(2.42)
Republican × TopOwner	0.0083	0.0116	0.0084	0.0109
	(1.30)	(1.30)	(1.33)	(1.14)
Republican × SRI × TopExposure	-0.0273**	-0.0359**	-0.0278**	-0.0348**
	(-2.09)	(-2.54)	(-2.17)	(-2.29)
TopExposure Definition	Top quintile among institutions	Top decile among institutions	Holding exceeds 0.10% of AUM	Holding exceeds 0.50% of AUM
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,300	761,300	761,300	761,300
R-squared	0.585	0.585	0.585	0.585

Internet Appendix

Figure A1
Average governor opposition to SRI-related issues over years.
This figure plots governors' average stance on SRI-related issues over the years, as calculated by ChatGPT-5. The Y-axis plots *NegESG*, a measure of each governors' views on SRI-related issues. This variable equals 2 for *strongly discourage*, 1 for *discourage*, 0 for *not sure* or *neutral*, –1 for *encourage*, and –2 for *strongly encourage*, based on responses generated by ChatGPT-5 to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure?"

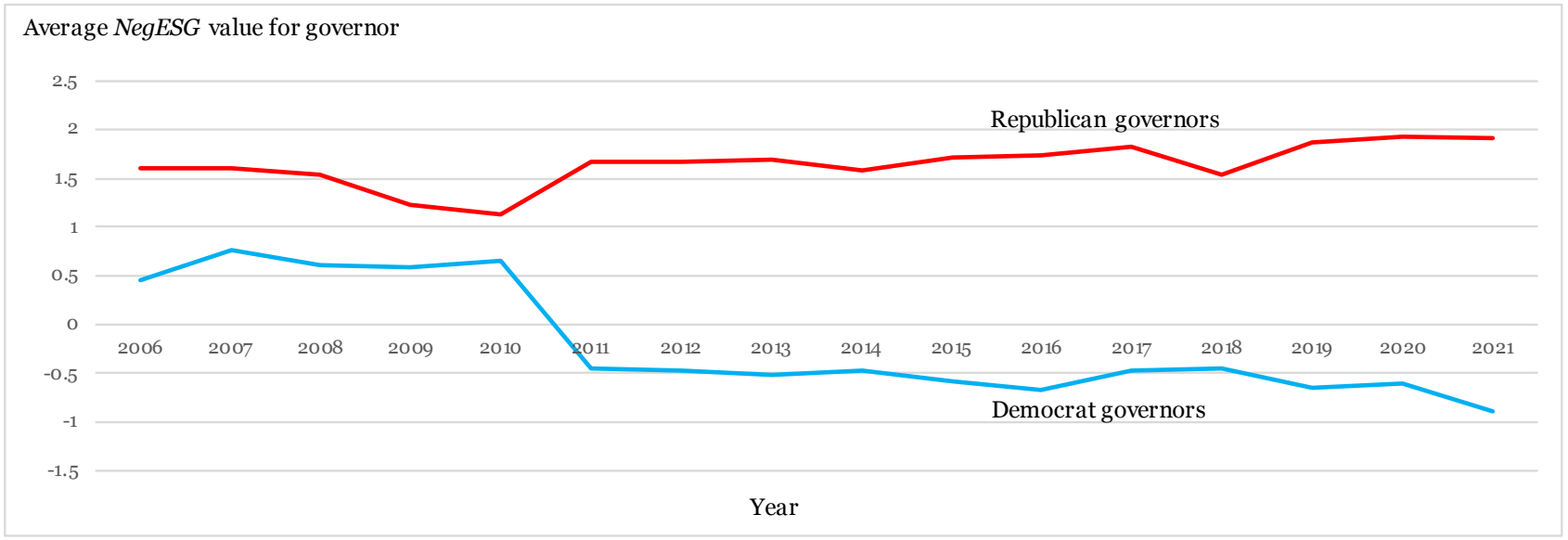

Table A1
SRI proposal topics and frequency.
This table lists the proposal topics identified by BERTopic, a pre-trained natural language processing model, when asked to use SRI proposal titles from our sample to construct 10 topics. The second column denotes the count of SRI proposals categorized by BERTopic within each topic. The third column highlights the prevalent keywords associated with each topic, while the last column presents a sample proposal title from that respective topic. Additionally, the final row denotes the number of proposals that could not be assigned a topic.

Topic #	Count	Topic Words	Representative Proposal
1	944	adopt, human, rights, report, gender, sexual	Amend EEO Policy to Prohibit Discrimination Based on Sexual Orientation and Gender Identity
2	790	political, contributions, lobbying, payments, policy, expenditure	Report on Lobbying and Political Contributions
3	399	emissions, environmental, report, energy, reduction, impact, methane	Report on Methane Emissions Management and Reduction Targets
4	120	tobacco, genetically, health, products, marketing, label	Report on the Health Impacts and Risks of Sugar in the Company's Products
5	117	sustainability, prepare, report, issue paper, goal	Prepare a Sustainability Report
6	42	charitable, contributions, disclose, report, taxexempt, organizations	Report on Charitable Contributions
7	26	land, holy, principles, adopt	Adopt Holy Land Principles
8	15	disclosure, political, contributions, report	Report on Political Contributions Disclosure
9	11	eggs, cagefree, phase, cage, chicken, hens, slaughter	Phase in cage-free eggs to 5%
10	11	macbride, implement, principles	Implement MacBride Principles
-	193	supply, chain, violations, human, risks	Report on Risks Associated with Use of Gestation Crates in Supply Chain

Table A2
Governance proposal topics and frequency.
This table lists the proposal topics identified by BERTopic, a pre-trained natural language processing model, when asked to use GOV proposal titles from our sample to construct 10 topics. The second column denotes the count of GOV proposals categorized by BERTopic within each topic. The third column highlights the prevalent keywords associated with each topic, while the last column presents a sample proposal title from the respective topic. Additionally, the final row denotes the number of proposals that could not be assigned a topic.

Topic #	Count	Topic Words	Representative Proposal
1	1,205	board, chairman, independent, declassify, require, directors, positions	Require Independent Board Chairman
2	904	special, call, by, consent, written, act, provide, right, meetings	Provide Right to Act by Written Consent
3	836	executive, compensation, advisory, named, ratify, officers, awards, equity, vesting, pay	Advisory Vote to Ratify Named Executive Officers' Compensation
4	797	majority, election, vote, for, directors, require, cumulative, voting	Require a Majority Vote for the Election of Directors
5	352	access, proxy, right, adopt, amend, amendments, reform, competition, electing, authority	Adopt Proxy Access Right
6	289	shareholder, plan, submit, recapitalization, onevote, approve, share	Approve Recapitalization Plan for all Stock to Have One-vote per Share
7	174	period, retentionholding, stock, retention, share, policy, executives, adopt, dividends, senior	Stock Retention
8	113	clawback, payments, under, restatements, policy, incentive, lending, report	Clawback of Incentive Payments
9	48	director, nominee, environmental, qualifications, experience, open, seats, nominations, require	Require Director Nominee with Environmental Experience
10	27	reincorporate, dakota, north, delaware, another, state, ohio	Reincorporate to North Dakota
-	139	policy, adopt, director, existing, terms, bonus	Adopt Policy for Engagement With Proponents of Shareholder Proposals Supported by a Majority Vote

Table A3
Summary statistics by subsample.
This table repeats the summary statistics of Table 3 for different subsamples. Panel A restricts the sample to Republican-led states; Panel B restricts the sample to Democrat-led states; and Panel C reports summary statistics for our stacked sample observations for states with no change in political affiliation.

Panel A: Summary statistics for observations in Republican-led states

	Obs.	Mean	SD
Subpanel A1: Full sample of shareholder proposals			
Likelihood of voting in support	336,513	44.8%	47.6%
SRI	336,513	34.8%	47.6%
Management recommends support	336,513	7.6%	26.4%
ISS recommends support	336,513	68.3%	46.5%
Subpanel A2: SRI proposals only			
Likelihood of voting in support	117,225	32.8%	44.6%
Management recommends support	117,225	0.5%	7.4%
ISS recommends support	117,225	60.5%	48.9%

Panel B: Summary statistics for observations in Demorcrat-led states

	Obs.	Mean	SD
Panel A: Full sample of shareholder proposals			
Likelihood of voting in support	431,688	44.1%	47.4%
SRI	431,688	30.5%	46.0%
Management recommends support	431,688	5.4%	22.5%
ISS recommends support	431,688	66.7%	47.1%
Panel B: SRI proposals only			
Likelihood of voting in support	131,725	30.4%	43.6%
Management recommends support	131,725	0.2%	4.5%
ISS recommends support	131,725	54.5%	49.8%

Panel C: Summary statistics for stacked triple-difference control state observations

	Obs.	Mean	SD
Panel A: Full sample of shareholder proposals			
Likelihood of voting in support	4,725,037	45.6%	47.5%
SRI	4,725,037	38.1%	48.6%
Management recommends support	4,725,037	5.5%	22.9%
ISS recommends support	4,725,037	71.9%	44.9%
Panel B: SRI proposals only			
Likelihood of voting in support	1,801,030	34.6%	45.0%
Management recommends support	1,801,030	0.1%	3.4%
ISS recommends support	1,801,030	66.8%	47.1%

Table A4
Likelihood of SRI proposal passing using cross-sectional specification
This table examines whether the likelihood of SRI proposals passing varies based on the political affiliation of the governor of the firm's headquarters state. The test is conducted at proposal-level. The dependent variable *Likelihood of Proposal Passing* equals 1 if the corresponding proposal passes. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and state-by-SRI fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = Likelihood of Proposal Passing (1)
Republican × *SRI*	-0.0542
	(-1.38)
Controls	Y
Meeting fixed effects	Y
Institution-by-month-by-SRI fixed effects	Y
State-by-SRI fixed effects	Y
N	7,021
R-squared	0.634

Table A5

Robustness to transitions with narrower victory margins and smaller popularity shifts.

This table presents the results from estimating the stacked difference-in-differences regressions of Table 6, Column 2 and Table 8, after restricting the sample of treated states to those with closer elections or smaller shifts in the underlying popularity of the two parties. Specifically, Panel A restricts the treated sample to events with a below-median difference in the vote share of the Democrat and Republican gubertorial candidates. Panel B restricts the treated sample to events with a below-median shift in the vote share of the two political parties, relative to the past election. For example, a state that shifts from where the Democrat loses by two percentage points in the last election to winning by three percentage points in the current election would have a shift in vote share of five percentage points. For the set of treated events, Column 1 uses all elections where there is a switch in the winning party. Column 2 restricts the set of treated events to states that switch from Democrat to Republican, and Column 3 restricts the set of treated events to states that switch from Republican to Democrat. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and to the four years post-election. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*		
	(1)	(2)	(3)
<u>Panel A: Treated sample restricted to elections with a below-median victory margin</u>			
Republican × *SRI*	-0.148***		
	(-2.90)		
Treated × *Post* × *SRI*		-0.200***	0.105*
		(-2.99)	(1.85)
N	2,081,588	1,251,920	829,668
R-squared	0.613	0.614	0.612
<u>Panel B: Treated sample restricted to elections with a below-median shift in the party vote shares</u>			
Republican × *SRI*	-0.130***		
	(-5.21)		
Treated × *Post* × *SRI*		-0.155***	0.109***
		(-3.41)	(3.05)
N	2,089,995	1,155,177	934,818
R-squared	0.614	0.615	0.611
Treatment Sample	All	Dem to Rep	Rep to Dem
Controls	Y	Y	Y
Meeting-by-event fixed effects	Y	Y	Y
State-by-SRI-by-event fixed effects	Y	Y	Y
Institution-by-month-by-SRI-by-event fixed effects	Y	Y	Y
Industry-by-month-by-SRI-by-event fixed effects	Y	Y	Y

Table A6

Heterogeneity in support based on the timing of state-level business subsidies and tax breaks.

This table explores whether the association between institutions' SRI voting and the political climate in the firm's home state varies based on state-level business subsidies and tax breaks of that same state for subsidies received in different years. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times Subsidy + \beta_3 Republican_{s,t} \times SRI_j \times Subsidy + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Subsidy* is defined as equal to one if the firm received subsidies from its headquarters state two years ago (Column 1), three years ago (Column 2), four years ago (Column 3), and five years ago (Column 4). *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × *SRI*	-0.0234*	-0.0246**	-0.0316**	-0.0330***
	(-1.97)	(-2.05)	(-2.66)	(-2.82)
SRI × *Subsidy*	0.0149	0.0167	0.0111	0.00840
	(0.93)	(1.01)	(0.57)	(0.41)
Republican × *SRI* × *Subsidy*	-0.0499***	-0.0443**	-0.00324	0.00422
	(-2.89)	(-2.64)	(-0.14)	(0.16)
Subsidy definition	Firm received support from its headquarters state in year t-2	Firm received support from its headquarters state in year t-3	Firm received support from its headquarters state in year t-4	Firm received support from its headquarters state in year t-5
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,302	761,302	761,302	761,302
R-squared	0.584	0.584	0.584	0.584

Table A7
Cumulative abnormal returns
This table examines whether the association between cumulative abnormal returns to the passage of contested SRI proposals differs with the political affiliation of the governor in the state where the firm is headquartered. We use three different asset pricing models (CAPM, FF3, and FF5) to calculate alphas and cumulative abnormal returns (as reported in Panel A, B, and C respectively). For each model, we examine whether CARs over various windows CAR (-2,2), CAR(-1,1), and CAR(0,0) differ around the passage of contested SRI proposals in Republican-led states. CAR(0,0) reflects the announcement return on the day of the vote. The regression is conducted at shareholder-meeting level, where we restrict the sample to meetings with closely contested SRI proposals and no non-SRI closely contested proposals. *Pass* equals 1 if the contested proposal passes. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor. We include year fixed effects. The sample period spans from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable =		
	CAR(-2,2)	CAR(-1,1)	CAR(0,0)
	(1)	(2)	(3)
Panel A: CAPM			
Pass	0.0269***	0.00971	0.00178
	(3.91)	(1.03)	(0.28)
Republican	0.0164*	0.00686	-0.00142
	(1.78)	(1.14)	(-0.68)
Republican × *Pass*	-0.00856	0.00913	0.00867
	(-0.48)	(0.72)	(0.84)
Year FE	Y	Y	Y
N	137	137	137
R-sq	0.222	0.217	0.158
Panel B: FF3			
Pass	0.00463	-0.00116	-0.00257
	(0.38)	(-0.14)	(-0.47)
Republican	0.0211***	0.00997*	-0.000524
	(2.78)	(1.75)	(-0.24)
Republican × *Pass*	0.00515	0.0147	0.00769
	(0.32)	(1.39)	(0.76)
Year FE	Y	Y	Y
N	137	137	137
R-sq	0.198	0.176	0.095
Panel C: FF5			
Pass	0.00820	-0.00351	0.0191**
	(0.71)	(-0.32)	(2.12)
Republican	0.0221***	0.0123*	0.00492
	(2.76)	(1.99)	(0.69)
Republican × *Pass*	-0.00780	0.00888	-0.0213
	(-0.44)	(0.65)	(-1.65)
Year FE	Y	Y	Y
N	137	137	137
R-sq	0.217	0.197	0.132

Table A8

Heterogeneity in support based on an institution's ownership stake.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the relative size of an institutional investor's ownership stake of the firm. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times TopOwner + \beta_3 Republican_{s,t} \times TopOwner + \beta_4 Republican_{s,t} \times SRI_j \times TopOwner + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. In Columns 1 and 2, *TopOwner* equals 1 if the institution's ownership stake in the firm in year *t*-1 is in the top quintile or decile for that firm; in Columns 3 and 4, *TopOwner* equals 1 if the institution is among the top 5 or top 10 largest shareholders of the firm. We calculate institution-level onwership stake using Thomson-Reuters 13F data. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
TopOwner	-0.0377***	-0.0544***	-0.0356***	-0.0245***
	(-10.21)	(-9.08)	(-8.66)	(-6.32)
Republican × *SRI*	-0.0279**	-0.0295**	-0.0310***	-0.0296**
	(-2.28)	(-2.48)	(-2.79)	(-2.64)
SRI × *TopOwner*	0.0323***	0.0531***	0.0247**	0.0176*
	(3.61)	(4.32)	(2.24)	(1.82)
Republican × *TopOwner*	-0.0005	-0.0052	0.0101	0.0109
	(-0.09)	(-0.70)	(1.12)	(1.52)
Republican × *SRI* × *TopOwner*	-0.0181	-0.0190	-0.0260*	-0.0269**
	(-1.33)	(-1.06)	(-1.88)	(-2.12)
TopOwner Definition	Top quintile	Top decile	Top 5 owner	Top 10 owner
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,300	761,300	761,300	761,300
R-squared	0.585	0.585	0.585	0.585

Table A9

Heterogeneity in support based on voting margin.

This table explores whether the association between institutions' voting on SRI proposals and the political climate in the firm's home state varies when the vote margin is close. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times Contested_j + \beta_3 Republican_{s,t} \times Contested_j + \beta_4 Republican_{s,t} \times SRI_j \times Contested_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Contested* equals 1 if the vote margin for proposal *j* is within certain vote margin, which varies from less than 5, 10, 15, and 20 percentage points in Columns 1-4. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Contested	0.0721***	0.0731***	0.0678***	0.0691***
	(5.40)	(5.92)	(10.12)	(9.04)
Republican × SRI	-0.0311***	-0.0263***	-0.0208**	-0.0222*
	(-3.54)	(-3.11)	(-2.24)	(-1.95)
SRI × Contested	0.0567**	0.0560**	0.0530***	-0.000539
	(2.02)	(2.36)	(3.12)	(-0.05)
Republican × Contested	-0.00287	-0.00204	0.0219*	0.00772
	(-0.14)	(-0.12)	(1.72)	(0.64)
Republican × SRI × Contested	-0.0231	-0.0537*	-0.0428*	-0.00425
	(-0.39)	(-1.84)	(-1.82)	(-0.22)
Vote margin to define *Contested*	<5%	<10%	<15%	<20%
Percentage of contested proposals	7.82%	15.83%	27.00%	37.36%
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,302	761,302	761,302	761,302
R-squared	0.585	0.586	0.586	0.585

Table A10

Heterogeneity across institutions based on whether they are foreign versus domestic.

This table examines whether the association between an institution's SRI support and the political climate of the firm's home state varies based on whether the institution is foreign-based. Specifically, the dependent variable *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *Foreign* equals 1 only if the institution's headquarter is outside the United States. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support* (1)
Republican × *SRI*	-0.0341***
	(-3.23)
Republican × *Foreign*	-0.00769
	(-1.61)
Republican × *SRI* × *Foreign*	-0.00225
	(-0.28)
Controls	Y
Meeting fixed effects	Y
Institution-by-month-by-SRI fixed effects	Y
Industry-by-month-by-SRI fixed effects	Y
N	761,280
R-squared	0.584

Table A11
Likelihood of observing SRI proposals.
This table explores whether the likelihood of having a shareholder meeting with at least one SRI proposal or the likelihood of a proposal being classified as SRI varies based on based on the political affiliation of the governor of the firm's headquarters state. The dependent variables are likelihood of having a shareholder meeting with at least one SRI proposal (Columns 1-5) and the likelihood of a proposal being classified as SRI (Columns 6-10). *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. The test in Columns 1-5 are conducted at the meeting level, while the test in Columns 6-10 are conducted at the proposal level. The sample of meetings and shareholder proposals is the same as in Table 4. Columns 1 and 6 include no fixed effects; Columns 2 and 7 include month fixed effects; Columns 3 and 8 include month and industry fixed effects; Columns 4 and 9 include industry-by-month fixed effects; Columns 5 and 10 include firm and month fixed effects.. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable =									
	Likelihood that a meeting has at least one SRI proposal					*Likelihood that a proposal is classified as SRI*				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Republican	0.039	0.030	0.006	0.012	0.016	0.041*	0.035	0.004	0.013	0.015
	(1.66)	(1.24)	(0.38)	(0.65)	(0.67)	(1.68)	(1.42)	(0.30)	(0.98)	(0.78)
Month fixed effects		Y	Y		Y		Y	Y		Y
Industry fixed effects			Y					Y		
Industry-by-month fixed effects				Y					Y	
Firm fixed effects					Y					Y
N	5,129	5,124	5,123	4,556	4,546	10,787	10,784	10,783	9,996	10,375
R-squared	0.002	0.048	0.139	0.511	0.535	0.002	0.056	0.126	0.304	0.358

Table A12
Likelihood of SRI proposal.
This table examines whether the likelihood of having specific type of SRI proposals varies in Republican-led states versus Democratic-led states using a proposal-level regression. In Panel A, the dependent variable is an indicator that equals 1 if the proposal belongs to certain topics classified by BERTopic, where keywords and examples of the resulting classifications are listed in Appendix Table A1; in Panel B, we replace topics with the 14 SRI topic classifications provided by Voting Analytics. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor when the proposal is filled. We include industry-by-month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level.

	Dep. variable = Likelihood of specific type of SRI proposal													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Panel A: BERTopic classifications														
Republican	0.0071*	0.0081	0.0034	-0.0071	0.0005	0.0024	-0.0028	-0.0014	0.0004	0.0011	0.0000			
	(1.91)	(1.11)	(0.35)	(-1.16)	(0.15)	(1.28)	(-1.27)	(-1.33)	(0.43)	(1.06)	(0.03)			
Industry-by-month FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			
Proposal Topic No.	1	2	3	4	5	6	7	8	9	10	-			
N	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996			
R-sq	0.213	0.204	0.182	0.215	0.282	0.207	0.122	0.259	0.102	0.211	0.198			
Panel B: VA topic classifications														
Republican	0.0046	0.0003	0.0009	-0.0005	0.0022	-0.0034	0.0003	0.0020	-0.0014	0.0006	0.0032	0.008***	-0.0044	0.0013
	(1.34)	(0.11)	(0.48)	(-1.03)	(1.17)	(-0.79)	(0.06)	(0.37)	(-0.72)	(0.06)	(0.61)	(2.74)	(-1.44)	(0.38)
Industry-by-month FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Proposal Topic No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
N	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996	9,996
R-sq	0.225	0.132	0.229	0.253	0.188	0.217	0.235	0.189	0.236	0.181	0.178	0.279	0.152	0.253

Table A13
Political tilt of SRI proposal text.
This table displays the political tilt of SRI proposal texts in Democratic-led states vs. Republican-led states. We use GPT-5 to classify the text of every SRI proposal. Specifically, we use the following prompt to assess the political tilt of each proposal: "Based solely on the content of the proposal—disregarding any responses or commentary from the board or management—assess the political tilt of the proposal and classify it into one of the following categories: *'Far Left', 'Center Left', 'Center', 'Center Right', 'Far Right' or 'Not Sure'.* "

	Freq.	Percent
Panel A: SRI Proposals in Democratic-led States		
Far Left	0	0.00%
Center Left	1,146	91.24%
Center	58	4.62%
Center Right	37	2.95%
Far Right	15	1.19%
Total	1,256	100%
Panel B: SRI Proposals in Republican-led States		
Far Left	0	0.00%
Center Left	1,128	95.84%
Center	23	1.95%
Center Right	21	1.78%
Far Right	5	0.42%
Total	1,177	100%

Table A14
Likelihood of having SRI proposals with different political tilt.
This table examines whether the likelihood of SRI proposals with different political tilt varies based on the political affiliation of the governor of the firm's headquarters state. Specifically, the test is conducted at proposal-level. The dependent variable is an indicator for whether an SRI proposal is classified into a specific political tilt category by GPT-5, where *FL* denotes *Far Left*, *CL* denotes *Center Left*, *C* denotes *Center*, C*R* denotes *Center Right*, and *FR* denotes *Far Right*. There is no point estimate reported in Column (1) because no proposal is classified as *Far Left* by ChatGPT-5. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. We include firm fixed effects and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable = *Likelihood of a SRI proposal being classified into a specific political tilt category*				
Republican	0	-0.0074	-0.0120	0.0028	-0.0169
	(.)	(-0.24)	(-1.54)	(0.42)	(-1.39)
Industry-by-month FE	Y	Y	Y	Y	Y
Political Tilt Category	*FL*	*CL*	*C*	*CR*	*FR*
N	2,130	2,130	2,130	2,130	2,130
R-sq	.	0.296	0.305	0.310	0.210

Table A15
Robustness to controlling for proposal sponsor.
This table reports the results of robustness tests for our baseline regression and the stacked difference-in-differences specification, controlling for sponsor. To control for sponsor, we add sponsor fixed effects in the baseline regression (Table 4, Column 3), and we add sponsor-by-event fixed effects in stacked difference-in-differences specification (Table 6, Column 2). Columns (1) and (3) report these estimates, respectively. Columns (2) and (4) instead include sponsor-by-SRI and sponsor-by-SRI-by-event fixed effects, respectively. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × SRI	-0.020*	-0.014	-0.089***	-0.092***
	(-1.70)	(-1.32)	(-3.18)	(-3.60)
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y		
Institution-by-month-by-SRI fixed effects	Y	Y		
Industry-by-month-by-SRI fixed effects	Y	Y		
Sponsor fixed effects	Y			
Sponsor-by-SRI fixed effects		Y		
Meeting-by-event fixed effects			Y	Y
Institution-by-month-by-SRI-by-event fixed effects			Y	Y
Industry-by-month-by-SRI-by-event fixed effects			Y	Y
State-by-SRI-by-event fixed effects			Y	Y
Sponsor-by-event fixed effects			Y	
Sponsor-by-SRI-by-event fixed effects				Y
N	579,574	579,574	3,686,430	3,686,430
R-squared	0.599	0.600	0.631	0.632

Table A16

Robustness to using SRI proposal type fixed effects.

This table presents the results from a robustness test of our baseline regression and stacked difference-in-differences regression controlling for SRI proposal types. In Columns 1-2, SRI proposal types are classified by BERTopic; in Columns 3-4, SRI proposal types are from Voting Analytics. To control for the impact of SRI proposal types, we replace the fixed effects in the baseline regression (Table 4, Column 3) with institution-by-month-by-SRI-type, industry-by-month-by-SRI-type, and state-by-SRI-type fixed effects, and we replace the fixed effects in stacked difference-in-differences specification with institution-by-month-by-SRI-type-by-event, industry-by-month-by-SRI-type-by-event, and state-by-SRI-type-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × SRI	-0.0198*	-0.0276**	-0.0332*	-0.119***
	(-1.68)	(-2.04)	(-1.97)	(-3.87)
Proposal Type Classificaiton	BERT 10 Topics	BERT 10 Topics	VA 14 Topics	VA 14 Topics
Controls	Y	Y	Y	Y
Meeting fixed effects	Y		Y	
Institution-by-month-by-SRI-type fixed effects	Y		Y	
Industry-by-month-by-SRI-type fixed effects	Y		Y	
Meeting-by-event fixed effects		Y		Y
Institution-by-month-by-SRI-type-by-event fixed effects		Y		Y
Industry-by-month-by-SRI-type-by-event fixed effects		Y		Y
State-by-SRI-type-by-event fixed effects		Y		Y
N	735,937	4,298,561	728,064	4,207,843
R-squared	0.604	0.641	0.609	0.647

Table A17

Macroeconomic indicators in Republican-led states.

This table examines whether key macroeconomic indicators differ based on the political affiliation of a state's governor. We obtain macroecnomic variables data from U.S. Bureau of Economic Analysis (BEA). *GDP growth* is defined as the yearly difference in state-level GDP. *PCE* denotes Personal Consumption Expenditure. *PI* stands fro Personal Income. *EMP* denotes employment. The dependent variables in Columns 1 to 4 are in levels, while those in Columns 5 to 8 are in log-transformed values. *Republican* is a dummy that equals 1 if the governor of a state is affiliated with Republican party. We include state fixed effects and year fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable =							
	GDP Growth	*PCE*	*PI*	*EMP*	*log(GDP Growth)*	*log(PCE)*	*log(PI)*	*log(EMP)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Republican	-2359.3	-8927.9	-14699.0	-59770.3	0.0771	0.0005	0.0018	0.0012
	(-1.07)	(-1.42)	(-1.54)	(-1.39)	(1.26)	(0.15)	(0.42)	(0.37)
State fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
N	613	613	613	613	613	613	613	613
R-squared	0.627	0.968	0.957	0.993	0.834	0.999	0.998	0.999

Table A18

Robusness to controlling for macroeconomic variables.

This table re-estimates the baseline specifications and stacked within-state specification (i.e., Table 4, Column 3 and Table 6, Column 2) when including state-level macroeconomic variables as additional controls. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. In Columns 1 to 3, we inlcude state-year level controls *GDP Growth*, *PCE*, *PI*, and *EMP*, and their interactions with SRI; in Columns 4 to 6, we instead control for the log-values of these macroeconomic variables, and their interactions with SRI. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are are in parentheses. *** indicates significance at the 1% level.

	Dep. variable = *Likelihood of voting in support*					
	(1)	(2)	(3)	(4)	(5)	(6)
Republican × *SRI*	-0.0321**	-0.0276	-0.147***	-0.0317***	-0.0261**	-0.176***
	(-2.37)	(-1.55)	(-4.89)	(-2.82)	(-2.23)	(-5.61)
Controls	Y	Y	Y	Y	Y	Y
Meeting fixed effects	Y	Y		Y	Y	
Institution-by-month-by-SRI fixed effects	Y	Y		Y	Y	
Industry-by-month-by-SRI fixed effects	Y	Y		Y	Y	
State-by-SRI fixed effects		Y			Y	
Meeting-by-event fixed effects			Y			Y
Institution-by-month-by-SRI-by-event fixed effects			Y			Y
Industry-by-month-by-SRI-by-event fixed effects			Y			Y
State-by-SRI-by-event fixed effects			Y			Y
N	761,302	749,470	4,725,037	761,302	749,470	4,725,037
R-squared	0.584	0.585	0.619	0.584	0.585	0.619

Table A19

Likelihood that management or ISS recommend supporting a SRI proposal.

This table examines the likelihood of management and ISS indicating support for SRI proposals based on the political affiliation of the governor of the firm's home state. Specifically, we estimate

$$Y_{j,m,s,t} = \beta_1 Republican_{s,t} + \beta_2 SRI_j + \beta_3 Republican_{s,t} \times SRI_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where Y represents two proposal-level outcomes for whether management and ISS recommend supporting proposal j, *Management recommends support* and *ISS recommends support*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. Columns 1 and 3 estimate the coefficient using the same data structure as our baseline specification (proposal-institution-level), while Columns 2 and 4 use a proposal-level estimation. In columns 1 and 3, we include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. In columns 2 and 4, we include firm and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dependent variable =			
	Management recommends support		*ISS recommends support*	
	(1)	(2)	(3)	(4)
Republican		0.00254		0.000549
		(0.24)		(0.02)
SRI		-0.0221***		-0.159***
		(-4.62)		(-5.22)
Republican × SRI	-0.0085	-0.008	0.0248	0.0285
	(-0.65)	(-0.76)	(0.51)	(0.47)
Meeting fixed effects	Y		Y	
Institution-by-month-by-SRI fixed effects	Y		Y	
Industry-by-month-by-SRI fixed effects	Y		Y	
Firm FE		Y		Y
Month FE		Y		Y
N	761,302	10,375	761,302	10,375
R-squared	0.871	0.750	0.646	0.358

Table A20

Robustness to excluding proposal-level controls and analyzing post-2012 observations.
This table re-estimates the baseline specifications in Table 4, Column 3 and Table 6, Column 2 after excluding the proposal level controls. Column 1 presents the findings of the Table 4, Column 3 estimation after dropping proposal-level controls, while Column 4 presents the findings of the Table 6, Column 2 estimation after dropping proposal-level controls. Columns 2 and 3 show how the baseline difference-in-differences findings differ in the post-2012 period with and without proposal-level controls. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × SRI	-0.0317	-0.0549***	-0.0483*	-0.128
	(-1.15)	(-4.22)	(-1.82)	(-1.41)
Sample	All years	Post 2012	Post 2012	All years
Controls		Y		
Meeting fixed effects	Y	Y	Y	
Institution-by-month-by-SRI fixed effects	Y	Y	Y	
Industry-by-month-by-SRI fixed effects	Y	Y	Y	
Meeting-by-event fixed effects				Y
Institution-by-month-by-SRI-by-event fixed effects				Y
Industry-by-month-by-SRI-by-event fixed effects				Y
State-by-SRI-by-event fixed effects				Y
N	761,302	488,374	488,374	4,725,037
R-squared	0.502	0.577	0.500	0.544

Table A21

Robustness to dropping SRI interactions with each proposal-level control variable. This table re-estimates the baseline specifications in Table 4, Column 1 and Table 6, Column 2 after dropping SRI interaction with each proposal-level control. Specifically, we still include controls for *MGMT Support* and *ISS Support* but drop the controls for *MGMT Support*×*SRI* and *ISS Support*×*SRI*. We The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Republican × *SRI*	-0.041***	-0.131***
	(-4.15)	(-4.55)
Control	Y	Y
Meeting fixed effects	Y	
Institution-by-month fixed effects		
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
N	761,302	4,725,037
R-squared	0.583	0.617

Table A22
Robustness to including state-by-institution-by-SRI-by-event fixed effects.
This table re-estimates the stacked difference-in-differences specification in Table 6, Column 2 after replacing the state-by-SRI-by-event fixed effects with state-by-institution-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. *** indicates significance at the 1% level.

	Dep. variable = *Likelihood of voting in support*
	(1)
Republican × SRI	-0.0988***
	(-3.84)
Control	Y
Meeting-by-event fixed effects	Y
Institution-by-month-by-SRI-by-event fixed effects	Y
Industry-by-month-by-SRI-by-event fixed effects	Y
State-by-institution-by-SRI-by-event fixed effects	Y
N	4,522,190
R-squared	0.647

Table A23
Robustness to double-clustered standard errors.
This table re-estimates the baseline specifications in Table 4, Column 3 and Table 6, Column 2, using standard errors that are double clustered at the state and institution levels. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are are in parentheses. *** indicates significance at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Republican × *SRI*	-0.032***	-0.121***
	(-3.08)	(-6.07)
Controls	Y	
Meeting fixed effects	Y	
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
N	761,302	4,725,037
R-squared	0.584	0.619

Table A24
Summary statistics of governor's view on SRI-related issues.
This table summarizes each governor's stance on SRI-related issues, based on responses generated by GPT-5 to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. Use the following format for your answers: 'choice - explanation.' If unsure, respond with 'not sure.'" Panel A presents statistics by governor, while Panel B presents statistics by governor's political affiliation.

Panel A: Governor views (# of governors)	Freq.	Percent
Strongly discourage	3	2.22
Discourage	37	27.41
Remain neutral/ Not sure	8	5.93
Encourage	58	43.7
Strongly encourage	28	20.74
Total	134	100

Panel B: Governor view by party (# of governors)	Democrat	Republican
Strongly discourage	0	3
Discourage	2	35
Remain neutral/ Not sure	0	8
Encourage	34	24
Strongly encourage	27	1
Total	63	71

Table A25

Robustness to using a Large Language Model to measure governor's views on SRI.

This table examines whether the likelihood of an institution voting in favor of a SRI proposal varies based the governors' view of SRI-related issues in the firm's headquarters state. The dependent variable *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We classify each governor's stance on SRI-related issues, based on responses generated by GPT-5 to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. We use the responses to construct *NegESG*. In Columns 1 and 3, *NegESG* equals 2 for *strongly discourage*, 1 for *discourage*, 0 for *not sure* or *neutral*, –1 for *encourage*, and –2 for *strongly encourage*. In Columns 2 and 4, *NegESG* equals 1 for *strongly discourage* or *discourage*, 0 for *not sure* or *neutral*, and –1 for *encourage* or *strongly encourage*. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × *SRI*			-0.024	-0.030*
			(-1.32)	(-1.81)
NegESG × *SRI*	-0.011***	-0.013***	-0.005	-0.002
	(-4.28)	(-2.70)	(-0.94)	(-0.24)
NegESG definition	-2 to 2	-1 to 1	-2 to 2	-1 to 1
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,302	761,302	761,302	761,302
R-squared	0.584	0.584	0.584	0.584

Table A26

Estimates when differentiating by the extent of state-level political control.

This table tests the importance of how we define a state's political status and whether one party controls both the governorship and legislative body in that state. Column 1 re-estimates the baseline specification in Table 4, Column 3 but replaces *Republican* with the indicator *Republican Control*, which equals 1 if the corresponding firm is located in a state where the Republican party holds the office of governor and majorities in both the house and senate in month *t* when proposal *j* is being voted on. In Column 2, we add interactions for *Republican Governor Only*, which flags states where Republicans hold the governor office but do not control both the house and senate, and *Democrat Governor Only*, which flags states where Democrats hold the governor office but do not control both the house and senate. The excluded category is states where the Democrat party holds both the governorship and majorities in the house and senate. The dependent variable, *Likelihood of voting in support*, continues to be the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t,* and all other controls and included fixed effects remain the same as before. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Republican Control × *SRI*	-0.0263**	-0.0295**
	(-2.21)	(-2.02)
Republican Governor Only × *SRI*		-0.0270**
		(-2.03)
Democrat Governor Only × *SRI*		0.0155
		(0.88)
p-value for *Republican Control* × *SRI* - *Republican Governor Only* × *SRI* =		0.855
p-value for *Republican Governor Only* × *SRI* - *Democrat Governor Only* × *SRI* =		0.023
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
N	761,302	761,302
R-squared	0.584	0.584

Table A27
Estimates when proxying state-level exposure using 10-K text.
This table re-estimates the baseline specification in Table 4, Column 3 using alternative proxies of each firm's state-level exposure. We follow Garcia and Norli (2012) and count the frequency at which each firm mentions every state in its annual 10-K filing (Items 1-2 and 6-7). In Column 1, *Republican* equals 1 if the most frequently mentioned state in the firm's 10-K last year is currently led by a Republican governor; in Column 2, *Republican* is the proportion of last year's 10-K mentions that are for states currently led by a Republican governor. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
Republican × *SRI*	-0.0251***	-0.0338
	(-3.00)	(-1.51)
State used to construct *Republican*	Most frequently mentioned state in last year's 10-K	Each state's share of mentions in last year's 10-K
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
N	713,203	713,203
R-squared	0.587	0.587

Table A28

Robustness to excluding Texas and Florida.

This table re-examines the baseline specification of Table 4 after excluding firms headquartered in Florida or Texas. Panel A excludes firms headquartered in Florida; Panel B excludes those in Texas; and Panel C excludes those in either state. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*		
	(1)	(2)	(3)
Panel A: Excluding Florida			
SRI	-0.00759		
	(-1.36)		
Republican × *SRI*	-0.0195**	-0.0313***	-0.0320***
	(-2.25)	(-2.84)	(-3.00)
N	751,431	751,431	744,452
R-squared	0.542	0.547	0.584
Panel B: Excluding Texas			
SRI	-0.00884		
	(-1.56)		
Republican × *SRI*	-0.0279***	-0.0203	-0.0217
	(-2.76)	(-1.45)	(-1.61)
N	688,402	688,402	681,479
R-squared	0.546	0.551	0.588
Panel C: Excluding Florida and Texas			
SRI	-0.0106*		
	(-1.89)		
Republican × *SRI*	-0.0248**	-0.0200	-0.0211
	(-2.47)	(-1.44)	(-1.57)
N	671,584	671,584	664,607
R-squared	0.546	0.551	0.588
Controls	Y	Y	Y
Meeting fixed effects	Y	Y	Y
Institution-by-month fixed effects	Y	Y	
Institution-by-month-by-SRI fixed effects			Y
Industry-by-month-by-SRI fixed effects		Y	Y

Table A29

Heterogeneity in support based on media coverage.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the level of past media coverage for the firm or institution. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 Republican_{s,t} \times SRI_j + \beta_2 SRI_j \times HighMedia + \beta_3 Republican_{s,t} \times HighMedia + \beta_4 Republican_{s,t} \times SRI_j \times HighMedia + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *m* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. In Columns 1 and 2, *HighMedia* equals 1 if the number of year t-1 media articles including the firm's name is in the top quintile or decile; in Columns 3 and 4, *HighMedia* equals 1 if the number of year t-1 media articles including the institution's name is in the top quintile or decile. We tabulate the number of media articles each year using Factiva. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*			
	(1)	(2)	(3)	(4)
Republican × *SRI*	-0.0302**	-0.0305***	-0.0297**	-0.0314***
	(-2.35)	(-2.72)	(-2.61)	(-2.81)
SRI × *HighMedia*	-0.0137	0.00318		
	(-1.18)	(0.20)		
Republican × *HighMedia*			0.0217***	0.0206***
			(3.76)	(3.61)
Republican × *SRI* × *HighMedia*	-0.0134	-0.0842***	-0.0163**	-0.0120
	(-0.65)	(-3.39)	(-2.54)	(-1.40)
Definition for *HighMedia* (by year)	Firm coverage in top quintile	Firm coverage in top decile	Institution coverage in top quintile	Institution coverage in top decile
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
N	761,302	761,302	761,302	761,302
R-squared	0.584	0.584	0.585	0.585

Table A30

Environmental- vs. social-issue SRI proposals.

This table investigates whether the relationship between institutions' voting on SRI proposals and the political climate in the firm's home state varies across SRI proposal types. Specifically, we estimate

$$Likelihood\ of\ voting\ in\ support_{i,j,m,s,t} = \beta_1 SRI\_E_j + \beta_2 SRI\_S_j + \beta_3 Republican_{s,t} \times SRI\_E_j + \beta_4 Republican_{s,t} \times SRI\_S_j + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. We classify SRI proposals into "E" or "S" based on the resolution information from Voting Analytics. *SRI_E* equals 1 if proposal *j* is related to environmental issues; *SRI_S* equals 1 if proposal *j* is related to social issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support,* and their interactions with *SRI*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. ** indicates significance at the 5% level; and ***, at the 1% level.

	Dep. variable = *Likelihood of voting in support*	
	(1)	(2)
SRI_E	-0.0214	
	(-1.47)	
SRI_S	-0.0270**	
	(-2.05)	
Republican × *SRI_E*	-0.0443***	-0.0287
	(-3.46)	(-1.61)
Republican × *SRI_S*	-0.0263**	-0.0222*
	(-2.50)	(-1.96)
p-value of difference in interaction coefficients	0.119	0.716
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Institution-by-month-by-SRI_E fixed effects		Y
Industry-by-month-by-SRI_E fixed effects		Y
Institution-by-month-by-SRI_S fixed effects		Y
Industry-by-month-by-SRI_S fixed effects		Y
N	761,302	755,001
R-squared	0.585	0.590