

Harvard Law School Forum on Corporate Governance

Proxies for Politics

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The shareholder proposal process is under renewed scrutiny. Critics argue that Rule 14a-8 has been captured by a small group of activist proponents pursuing agendas unrelated to shareholder value, while defenders characterize recent regulatory reforms as attacks on shareholder rights. Policymakers, meanwhile, are actively considering further changes. Yet much of this debate proceeds without a textured understanding of how the shareholder proposal process works in practice.

In *Proxies for Politics*, we seek to fill that gap by studying one of the most prominent—and puzzling—categories of shareholder proposals: proposals requesting corporations to disclose their political activity. Political disclosure proposals have been among the most frequently submitted shareholder proposals over the past decade and have received consistently substantial shareholder support. At the same time, they lack the obvious economic salience of merger votes and the headline-grabbing political resonance of climate or diversity proposals.

Our study combines empirical analysis with qualitative insights drawn from extensive conversations with participants across the proxy ecosystem. We analyze all political disclosure proposals submitted at S&P 500 companies over a nine-year period (2014–2023), including proposals that were voted on, withdrawn, or omitted. Our analysis explores the nature of the proponents, the role of governance entrepreneurs, the targeting of issuers and the consequences of the proposal process, including the substantial role of proposals that are settled and withdrawn.

Our data reveal that a diverse array of actors sponsors politics disclosure proposals, including ESG-focused asset managers, public pension funds, unions, faith-based investors, foundations, and retail proponents. Many proposals are co-sponsored, and

coordination among proponents is common. Our data thus counters one common narrative that portrays shareholder proposals as the work of atomistic “gadflies.” We also highlight the important role of governance intermediaries. These include the Center for Political Accountability (CPA), which has long worked with investors to promote political transparency, including by developing a model shareholder proposal and maintaining the CPA-Zicklin Index, a widely used measure of corporate political disclosure, as well as other organizations, such as the Interfaith Center on Corporate Responsibility and AFSCME, which play similar roles with respect to lobbying proposals. These networks facilitate information sharing, reduce the costs of participation, and help align investor efforts across multiple years.

A central question in current debates is whether proponents target issuers arbitrarily or strategically. Our analysis suggests that targeting is systematic—but varies meaningfully across proponents. Proposals associated with the CPA are strongly tied to disclosure quality. Companies with weaker political disclosure, as measured by lower CPA-Zicklin scores relative to industry peers, are substantially more likely to receive CPA-associated proposals. Financial performance, by contrast, does not meaningfully predict targeting. Nor does the level of corporate political spending itself as proxied by donations to 527 organizations. Non-CPA proposals follow a different pattern. These proposals are largely unrelated to existing disclosure quality but are strongly associated with higher levels of political giving

Our analysis of proposals and supporting statements also reveals that proponents’ rationales have evolved over time. Early proponents focused primarily on disclosure gaps or disclosure practices that were out of sync with an issuer’s peers, while more recent efforts emphasize the significance of political activity as an economic risk.

Political disclosure proposals receive relatively high levels of shareholder support compared to typical Rule 14a-8 proposals. Average support for voted proposals in our sample ranges from roughly 23% to 38% across years, with several proposals achieving majority support. Importantly, governance professionals have consistently emphasized that boards take levels of support in the 30–35% range seriously, even absent a majority vote.

Equally important—but often overlooked—are withdrawals. A substantial fraction of political disclosure proposals are withdrawn each year, frequently following negotiations between proponents and issuers. Because withdrawn proposals rarely appear in standard datasets, their prevalence has been underappreciated. Yet our evidence suggests that many withdrawals reflect at least partial settlements in which companies agree to enhance disclosure.

Outcomes also vary substantially by proponent. Some institutional investors, such as the New York State Common Retirement Fund, exhibit particularly high withdrawal rates, while individual retail proponents experience far fewer settlements. Conservative “anti-ESG” proposals, by contrast, are omitted at strikingly high rates.

A question of central importance for those who are considering revisions to the shareholder proposal process is the extent to which shareholder proposals matter. While our study does not establish causation, the correlations we observe are suggestive. Companies that receive CPA-associated political disclosure proposals—whether voted or withdrawn—tend to improve their political disclosure in subsequent years, as measured by increases in their CPA-Zicklin scores. The magnitude of these improvements is economically meaningful relative to baseline disclosure levels.

Similar though weaker patterns appear for non-CPA proposals that go to a vote. A snapshot of lobbying disclosures reinforces this picture. Companies that received lobbying proposals in the preceding two years are substantially more likely to provide meaningful lobbying disclosures than those that did not. These patterns are consistent with the view that shareholder proposals—embedded within a broader engagement ecosystem—can influence corporate behavior.

Our findings complicate simplistic accounts of the shareholder proposal process. Political disclosure proposals are neither the product of isolated actors nor obviously divorced from firm characteristics. They arise from coordinated, multi-year efforts by repeat players, are often resolved through private engagement, and appear to be associated with increased transparency.

At the same time, the normative implications are uncertain. Existing empirical research does not establish a clear relationship between political transparency and firm value. Issuers consistently argue that political engagement serves legitimate business objectives, and greater transparency may carry its own costs. The effectiveness of shareholder proposals may thus be a double-edged sword.

As regulators consider further reforms to Rule 14a-8, understanding how the proposal process functions in practice is essential. Political disclosure proposals illustrate both the capacity of shareholder engagement to shape corporate behavior and the tradeoffs inherent in using proposals as a governance tool. Whether one views that capacity as a feature or a bug depends on deeper views about shareholder empowerment—but the empirical landscape should cause both supporters and critics of the shareholder proposal rule to analyze it, and its potential elimination, more carefully.