

Internet Appendix for:

Can Strong Corporate Governance Selectively Mitigate the Negative Influence of “Special Interest” Shareholder Activists? Evidence from the Labor Market for Directors

We perform several additional tests to examine the robustness of our main results. In Table A1, we present the univariate analysis of the net change in external directorships (CHANGE_DIR) corresponding to Table 3 Panel A, also including outside directors with no additional external directorships. The full sample size increases from 3,710 to 5,556 observations. With the inclusion of directors with zero external seats, the average number of external directorships (NUMBER_DIR) held at year 0 by directors in the full sample decreases from 2.25 to 1.50, and the three-year net loss shrinks from -0.58 to -0.30. However, we continue to find significant abnormal losses for directors at firms complying with conflicted LUPF sponsor requests (CONFLICTED_LUPF ALL (COMPLY)), relative to directors at firms ignoring conflicted LUPF sponsor requests (CONFLICTED_LUPF ALL (IGNORE)), and significant abnormal losses for directors at firms ignoring non-conflicted sponsor requests (NON_CONFLICTED ALL (IGNORE)), relative to directors at firms complying with non-conflicted sponsor requests (NON_CONFLICTED ALL (COMPLY)). Moreover, the magnitudes of the abnormal losses are similar to those in Table 3 Panel A. In unreported tests, we also verify that the main results of the multivariate analysis in Table 4 hold when directors with no additional external directorships are included.

In Table A2, we conduct our multivariate analysis on three samples, each constructed to mitigate specific concerns. The header of Table A2 contains a detailed description of the three samples we analyze for robustness. The first sample includes only first-time majority approved proposals. In this case, the omitted category in the regressions is the same as in Table 4 in the

paper, directors at firms that withstand pressure and ignore conflicted LUPF requests. This sample addresses the possibility that the labor market for directors views monitoring differently at firms facing first time majority approved proposals than at firms facing repeat majority approved proposals, or that a firm's response the first time a proposal crosses the 50% threshold reveals new information about director monitoring. We find 415 proposals (68% of the majority approved sample) that receive majority vote support for only one year.

Even though we control for firm characteristics in the multivariate analysis, we also analyze two additional samples in a multivariate setting to further mitigate concerns that the ex post settling up costs we find for directors after firms comply with conflicted LUPFs are driven by characteristics specific to our sample firms. The second sample includes control directors at non-targeted firms matched to target firms on the basis of both firm-size (SALES) and recent market-adjusted stock performance ($\text{MARKET_ADJUSTED_RETURN}_{\text{YEAR}_{-1} \text{ TO } 0}$). Thus, instead of only comparing directors who sit on boards at targeted firms by firm response and sponsor type, we now compare them to directors at non-targeted firms matched on size and performance. The methodology is described in the header of Table A2. In this case, the omitted category in the regressions are directors at non-targeted control firms.

The third sample is the Close Call sample of directors at firms with proposals sponsored by LUPFs and vote outcomes (VOTE_FOR) between 45% and 55%. In Table A3, we report the results of tests comparing mean and median firm and director characteristics across proposal firms targeted by LUPFs above (Barely Pass) and below (Barely Fail) the pass threshold in this narrow vote range. For completeness, we also report analogous tests for the subsample of conflicted LUPF targets. In both cases, we find only two variables to be significantly different: average independent director age (DIRECTOR_AGE) and percentage institutional ownership (INSTITUTION_OWN%). Specifically, we find that the Barely Pass sample has significantly younger directors and higher institutional ownership relative to the Barely Fail sample. Thus,

even though the market for directorships literature does not typically control for institutional ownership, we include this variable in all of our tests. We note that because `CHANGE_DIR` is negatively related to `DIRECTOR_AGE` in both our sample and in the literature, younger directors on average in the Barely Pass sample should bias against finding greater net directorship losses, relative to the Barely Fail sample. In the Close Call specifications reported in Table A2, the omitted category is directors at firms with proposals that receive between 45% and 50% and do not pass, as well as directors at non-unionized firms with proposals sponsored by LUPFs. Due to missing information on director committee assignments for a significant proportion of the sample of proposals with votes below 50%, we drop these control variables in the Close Call specifications. For brevity, Table A2 reports results only for the main horizon of interest, the three-year change in directorships, and only one measure of conflicted LUPFs. In unreported tests, we repeat our analysis for subsample measures when conflicted LUPFs have greater leverage over management (e.g., compensation topics) and find similar results.

In Table A4, we extend the analysis in Table 4 by including other measures of external pressure to mitigate concerns that our results are being driven by other events associated with lax monitoring. To the extent firms are more likely to cede to pressure from conflicted LUPFs when they are facing other external pressure, our results may proxy for director punishment associated with other events. We therefore include proxies for financial fraud (Fich and Shivdasani (2007), Fich, Gordon, and Yore (2018)), earnings restatements (Srinivasan (2005)), “Vote No” campaigns (Del Guercio et al. (2008), and Ertimur et al. (2011)) and withdrawn proposals (Matsusaka et al. (2018)), all during the same proxy season.¹ The results for `CHANGE_DIR` are presented in Table A4 Panel A, and the results for probability of a net loss (`DIRECTOR_LOSS`)

¹ We thank Fich et al. for generously sharing their measure of shareholder litigation for financial fraud. We thank Justin Short for his able assistance in obtaining earnings restatements (net income decreases) from Audit Analytics. Audit Analytics begins coverage in 2003, so we are only able to define earnings restatements = 1 after 2002. We extend the 1996-2003 Vote No campaigns in Del Guercio et al. by manually collecting 2004 public “Vote No” campaigns.

or net gain (DIRECTOR_GAIN) in external directorships are presented in Panel B. We find evidence of ex post punishment following the revelation of financial fraud and being targeted by a Vote No campaign. We also find some evidence of ex post rewards following a withdrawn proposal. Importantly, our main results continue to hold with these additional controls.

Finally, we note that the well-known effects of ISS recommendations and withheld votes for directors work against us finding director punishment for complying with conflicted LUPFs. Choi, Fisch, and Kahan (2009) and Ertimur, Ferri, and Oesch (2018) document that a firm's failure to implement a proposal with majority vote support is a common reason for ISS to recommend that shareholders withhold votes for directors at the next annual meeting. Thus, we would expect directors at firms that comply with a majority approved proposal to be more likely to receive a *favorable* ISS recommendation and *fewer* withhold votes, which should not lead to a loss in directorships. Nonetheless, we analyze ISS recommendations for directors and withheld votes for the sample of elections where the board complied with conflicted LUPFs whose proposal garnered majority vote support in the previous year versus where the board ignored conflicted LUPF-sponsored majority approved proposals in 2003 and 2004 (the only years in our sample with data in Voting Analytics). Consistent with the literature, we find in unreported tests that the average percentage of ISS recommendations against the director and percentage votes withheld is significantly higher when the board ignored the majority vote. Thus, the effects of ISS and withheld votes are unlikely to explain our results. In sum, we find that our main results are robust to using other measures of conflicted LUPFs, specifications, sub-samples, and methods of analysis (e.g., matched control sample).

Although it is beyond the scope of this paper, why some firms cede pre-emptively and privately to conflicted LUPF compensation pressure and others wait until after a majority vote support outcome before ceding to conflicted LUPF pressure is a natural question. We present firm descriptive statistics across these two settings in Table A5. Of particular note, conflicted

LUPF compensation withdrawn proposal firms are significantly larger (greater than 3 times) with significantly larger boards relative to firms complying with a conflicted LUPF compensation after a majority vote. To the extent that large firms with large boards have much larger executive compensation packages and are most likely to come under fire for compensation levels and CEO-to-worker pay ratios, they may have greater disutility in discussing compensation publicly, and thus, would be more likely to accommodate conflicted LUPF requests privately.

References

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TABLE A1
Univariate Analysis of the Net Change in Directorships including Outside Directors with No
Additional External Directorships

Table A1 corresponds with Table 3 Panel A in the paper, and reports two-sided t-test results for differences in the mean level (NUMBER_DIR) or net change in external directorships (CHANGE_DIR) between COMPLY and IGNORE responses to majority approved proposals for each subgroup (e.g., CONFLICTED_LUPF (COMPLY) versus CONFLICTED_LUPF (IGNORE)). Variable definitions are in the paper Appendix. ***, **, * indicate the difference is significant at the 1%, 5%, and 10% levels. CONFLICTED_LUPF Barely Pass (COMPLY) means are compared to means for CONFLICTED_LUPF Barely Pass (IGNORE) and, separately, to means for CONFLICTED_LUPF Barely Fail. The magnitude of the difference across these two paired comparisons is similar, and the statistical significance is the same regardless of the comparison group. Barely Pass indicates greater than 50% to 55% votes in favor, while Barely Fail indicates 45% to 50% votes in favor. The number of observations is reported in parentheses. Directors of target firms that are acquired or bankrupt are included. Directors who die before the next annual meeting are set to missing. The sample includes all outside directors, including those with zero external directorships.

	NUMBER_DIR	CHANGE_DIR		
	Year 0	Year (0 to 1)	Year (0 to 2)	Year (0 to 3)
PROPOSAL:	1.50 (5566)	-0.098 (5549)	-0.211 (5540)	-0.302 (5523)
<i>CONFLICTED_LUPF ALL (COMPLY):</i>	1.53 (320)	-0.157 (319)	-0.336** (318)	-0.503*** (216)
<i>CONFLICTED_LUPF ALL (IGNORE):</i>	1.48 (806)	-0.092 (804)	-0.194 (804)	-0.229 (527)
CONFLICTED_COMPENSATION (COMPLY):	1.78** (195)	-0.191 (194)	-0.456* (193)	-0.689*** (193)
CONFLICTED_COMPENSATION (IGNORE):	1.44 (249)	-0.174 (247)	-0.291 (247)	-0.227 (247)
EXACT_UNION (COMPLY):	1.71*** (147)	-0.164* (146)	-0.493*** (146)	-0.719*** (146)
EXACT_UNION (IGNORE):	1.30 (257)	-0.043 (256)	-0.223 (256)	-0.270 (256)
CONFLICTED_LUPF Barely Pass (COMPLY):	1.32 (60)	-0.100 (60)	-0.233 (60)	-0.517* (60)
CONFLICTED_LUPF Barely Pass (IGNORE):	1.47 (180)	-0.061 (179)	-0.156 (179)	-0.235 (179)
CONFLICTED_LUPF Barely Fail:	1.51 (225)	-0.087 (206)	-0.097 (196)	-0.223 (179)
<i>NON_CONFLICTED ALL (COMPLY):</i>	1.41 (652)	-0.068 (649)	-0.104*** (647)	-0.138*** (647)
<i>NON_CONFLICTED ALL (IGNORE):</i>	1.52 (3761)	-0.101 (3750)	-0.224 (3744)	-0.330 (3728)
NON_CONFLICTED_LUPF (COMPLY):	1.39 (66)	-0.227** (66)	-0.138 (65)	-0.092 (65)
NON_CONFLICTED_LUPF (IGNORE):	1.47 (560)	-0.063 (556)	-0.153 (554)	-0.235 (550)
NON_CONFLICTED_PPF (COMPLY):	1.60 (88)	0.138*** (87)	0.034** (87)	-0.218 (87)
NON_CONFLICTED_PPF (IGNORE):	1.56 (257)	-0.133 (256)	-0.220 (255)	-0.424 (255)

TABLE A2

Analysis of Net Change in Directorships, and Lost or Gained Directorships Following a Majority Approved Proposal for First Time Majority Approved Proposals, Targets Relative to a Size- and Performance-matched Control Sample, and for the Close Call vote proposals

Table A2 repeats the analysis of Table 4 Panels A and B in the paper for three different samples. Variable definitions are in the paper Appendix. The First Time sample includes only proposals from the full sample the first time the proposal receives majority vote support (i.e., proposals that did not receive majority vote support the previous year). Here, the omitted category is the same as in Table 4, directors at firms that ignore requests from Conflicted LUPF sponsors (CONFLICTED_LUPF x IGNORE). For the second sample, we identify a size- and performance-matched control firm sample that were not targeted by a shareholder proposal and include outside directors from these control firms (vs. Controls) in the tests. Specifically, for each firm with a majority approved proposal, we identify a sample of firms with no majority approved proposals or vote no campaigns during the same year and with sales in the previous fiscal year within 25% of a target firm's. We then retain the control firm with the smallest deviation score from the targeted firm in terms of size and prior stock return performance. In the event of duplicate controls, we retain the matched pair with the smallest deviation score. We then find an alternative control with the next smallest deviation score for the unmatched targeted firm. We compute the deviation score as $DEVIATION = [(SALES_T - SALES_C)/(SALES_T + SALES_C)]^2 + [(ASSETS_T - ASSETS_C)/(ASSETS_T + ASSETS_C)]^2 + [(MARKET_ADJUSTED_RETURN_T - MARKET_ADJUSTED_RETURN_C)/(MARKET_ADJUSTED_RETURN_T + MARKET_ADJUSTED_RETURN_C)]^2$, where subscripts T and C represent targeted and potential control firms and $MARKET_ADJUSTED_RETURN$ is the firm's one-year buy and hold return ending in December prior to the annual meeting minus the CRSP value-weighted market return over the same period. We calculated the deviation score using different measures of size, and the inclusion of both SALES and ASSETS yielded the closest set of control firms. Other papers that calculate deviation score in a similar manner include Ertimur, Ferri, and Muslu (2011), Butler and Wan (2010), and Huang and Stoll (1996). The omitted category for the second sample is directors from the control firms. Finally, the third sample, the Close Call LUPF sample) includes directors from firms targeted by LUPF sponsors with VOTE_FOR between 45% and 55%. Proposals with VOTE_FOR between 50% and 55% that did not pass are excluded. The omitted category here is directors from firms with proposals with vote outcome from 45% to 50% (Barely Fail) and directors from firms targeted by Non-conflicted LUPF sponsors with vote outcomes from 45% to 55%. P-values, reflecting robust standard errors corrected for firm-level clustering, are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels.

	CHANGE_DIR (0 to 3)			DIRECTOR_LOSS (0 to 3)			DIRECTOR_GAIN (0 to 3)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	First Time	Vs. Controls	LUPF Close Call	First Time	Vs. Controls	LUPF Close Call	First Time	Vs. Controls	LUPF Close Call
CONFLICTED_LUPF x COMPLY	-0.36** (0.014)	-0.25** (0.035)	-0.54** (0.045)	0.34** (0.027)	0.28** (0.023)	0.51** (0.016)	-0.44** (0.023)	-0.32** (0.041)	-0.47 (0.239)
CONFLICTED_LUPF x IGNORE		0.07	-0.12		0.02	0.25		0.04	-0.08

		(0.284)	(0.406)		(0.799)	(0.172)		(0.649)	(0.667)
NON_CONFLICTED_LUPF x COMPLY	-0.05 (0.725)	0.09 (0.406)		0.04 (0.815)	-0.06 (0.630)		0.05 (0.770)	0.13 (0.356)	
NON_CONFLICTED_PPF x COMPLY	0.07 (0.713)	0.08 (0.600)		0.06 (0.796)	0.14 (0.535)		0.19 (0.132)	0.23*** (0.008)	
NON_CONFLICTED_OTHER x COMPLY	0.04 (0.695)	0.15** (0.031)		0.00 (0.975)	-0.08 (0.387)		0.09 (0.587)	0.18* (0.082)	
NON_CONFLICTED_LUPF x IGNORE	-0.07 (0.519)	0.02 (0.826)		0.16 (0.193)	0.12 (0.119)		0.10 (0.446)	0.14 (0.114)	
NON_CONFLICTED_PPF x IGNORE	-0.28** (0.036)	-0.21 (0.129)		0.31* (0.062)	0.28* (0.054)		-0.18 (0.369)	-0.14 (0.389)	
NON_CONFLICTED_OTHER x IGNORE	-0.15 (0.101)	-0.05 (0.285)		0.11 (0.325)	0.04 (0.462)		-0.10 (0.372)	-0.05 (0.373)	
DIRECTOR_AGE_65_TO_69	-0.48*** (0.000)	-0.51*** (0.000)		0.41*** (0.000)	0.48*** (0.000)		-0.48*** (0.000)	-0.39*** (0.000)	
DIRECTOR_AGE_GT_69	-0.86*** (0.000)	-0.74*** (0.000)		0.81*** (0.000)	0.70*** (0.000)		-0.99*** (0.000)	-0.65*** (0.000)	
DIRECTOR_AGE_GT_65			-0.39*** (0.002)			0.34** (0.029)			-0.36* (0.056)
DIRECTOR_TENURE	-0.01 (0.330)	-0.00 (0.459)	-0.00 (0.672)	0.00 (0.861)	0.00 (0.758)	0.00 (0.763)	-0.02** (0.048)	-0.01* (0.084)	-0.01 (0.373)
NUMBER_DIR	-0.36*** (0.000)	-0.36*** (0.000)	-0.30*** (0.000)	0.29*** (0.000)	0.29*** (0.000)	0.25*** (0.000)	-0.13*** (0.000)	-0.14*** (0.000)	-0.10 (0.221)
DIRECTOR_GRAY	-0.15* (0.078)	-0.09* (0.083)	0.04 (0.819)	0.12 (0.206)	0.10* (0.091)	-0.06 (0.768)	-0.19 (0.144)	-0.16** (0.045)	-0.12 (0.591)
DIRECTOR_FEMALE	-0.07 (0.275)	-0.01 (0.862)		-0.07 (0.441)	-0.05 (0.403)		-0.16 (0.153)	-0.08 (0.239)	
DIRECTOR_ON_COMPENSATION _COMMITTEE	0.05 (0.299)	0.04 (0.248)		-0.05 (0.406)	-0.06 (0.174)		0.03 (0.738)	0.05 (0.324)	
DIRECTOR_ON_AUDIT _COMMITTEE	0.10* (0.094)	0.12*** (0.001)		-0.04 (0.563)	-0.10** (0.028)		-0.01 (0.946)	0.05 (0.306)	
DIRECTOR_ON_NOMINATING _COMMITTEE	0.08 (0.185)	0.02 (0.570)		-0.14** (0.041)	-0.09* (0.052)		0.12 (0.166)	0.04 (0.366)	

DIRECTOR_COMMITTEE_CHAIR	-0.08 (0.274)	-0.04 (0.326)		0.03 (0.656)	0.05 (0.319)		-0.08 (0.397)	-0.03 (0.642)	
MARKET_CAPITALIZATION ₋₁	-0.01 (0.856)	-0.01 (0.668)	-0.02 (0.671)	-0.01 (0.828)	0.01 (0.579)	0.01 (0.880)	-0.03 (0.246)	-0.03 (0.147)	-0.08 (0.244)
LEVERAGE ₋₁	-0.22 (0.346)	-0.15 (0.294)	-0.28 (0.573)	0.13 (0.602)	0.11 (0.516)	-0.30 (0.565)	-0.21 (0.461)	-0.28 (0.156)	-1.00** (0.048)
INSTITUTION_OWN%	-0.64*** (0.007)	-0.26** (0.043)	-0.36 (0.590)	0.87*** (0.002)	0.48*** (0.002)	0.15 (0.815)	-0.63** (0.035)	-0.27 (0.130)	0.00 (0.996)
MARKET_ADJUSTED_RETURN YEAR -1 TO 0	0.12 (0.244)	0.02 (0.684)	-0.16 (0.408)	-0.20** (0.043)	-0.11* (0.067)	-0.16 (0.429)	-0.01 (0.922)	0.01 (0.914)	-0.37 (0.100)
MARKET_ADJUSTED_RETURN YEAR 0 TO +3	-0.02 (0.660)	-0.01 (0.764)	0.12 (0.339)	-0.04 (0.255)	-0.02 (0.379)	-0.10 (0.324)	-0.03 (0.458)	0.01 (0.722)	0.14 (0.232)
CONSTANT	0.99*** (0.007)	0.61*** (0.002)	0.91 (0.265)	-1.30*** (0.001)	-1.14*** (0.000)	-0.95 (0.178)	0.27 (0.532)	-0.19 (0.421)	0.39 (0.690)
OBSERVATIONS	2319	6939	497	2319	6939	497	2319	6939	497
PSEUDO R^2				0.102	0.100	0.069	0.072	0.049	0.058
ADJUSTED R^2	0.23	0.24	0.15						

TABLE A3
Summary Statistics for the Close Call Sample in the Year before the Annual Meeting

Table A3 reports summary statistics for the LUPF Close Call sample. Variable definitions are in the paper Appendix. Additional firm characteristics include the number of directors on a firm's board (BOARD_SIZE), sales (SALES), total assets (ASSETS), operating income over total assets (ROA) less the median ROA for firms in the same two-digit SIC code (INDUSTRY_ADJUSTED_ROA), the number of antitakeover provisions a firm has in place (G_INDEX), and indicator variables if a firm has staggered director elections (CLASSIFIED_BOARD) or a poison pill in place (POISON_PILL). The LUPF Close Call sample includes proposals sponsored by LUPFs, and the CONFLICTED_LUPF Close Call sample includes proposals sponsored at unionized firms by LUPFs with VOTE_FOR between 45% and 55%. The Barely Pass sample includes proposals with VOTE_FOR greater than 50% to 55% that pass. The Barely Fail sample includes proposals with VOTE_FOR from 45% to 50%. ***, **, and * (a, b and c) represent differences between mean (median) values in the respective column and mean (median) values in the Barely Pass sample at the 1%, 5% and 10% significance level in a two-tailed t-test (Wilcoxon z-test).

	LUPF ALL Close Call		CONFLICTED_LUPF Close Call	
	Barely Pass	Barely Fail	Barely Pass	Barely Fail
Firm Characteristics:	Mean [N=45]	Mean [N=41]	Mean [N=27]	Mean [N=23]
UNIONIZED%	60.00	56.10	100.00	100.00
UNION_RELATIONS	-0.08	-0.10	-0.08	-0.10
UNION_RELATIONS < 1 (%)	6.67	4.88	11.11	8.70
BOARD_SIZE	10.96	11.44	10.56	11.52
DIRECTOR_INDEPENDENT%	70.46	66.95	70.28	67.02
DIRECTOR_GRAY%	12.67	14.77	13.24	17.24
Mean DIRECTOR_AGE	59.14	60.48 ^b	59.61	61.37 ^{*,b}
INSTITUTIONAL_OWN%	67.07	58.07 ^{***,a}	68.01	56.40 ^{***,a}
Poison Pill Proposal Topic (%)	17.78	17.07	18.52	21.74
Staggered Board Proposal Topic (%)	24.44	29.27	25.93	26.09
Compensation Proposal Topic (%)	53.33	36.59	48.15	34.78
Other Proposal Topic (%)	4.44	17.07 ^{*,c}	7.41	17.39
MARKET_CAPITALIZATION ₋₁	20,490.47	33,623.84	13,514.25	21,149.45
SALES ₋₁	14,310.12	17,964.60	12,085.44	14,980.53
ASSETS ₋₁	35,131.87	55,233.58	13,881.07	39,297.71
LEVERAGE ₋₁	24.94	24.41	29.17	28.70
MARKET_ADJUSTED_RETURN _{YEAR -1 TO 0}	1.48	-3.36	2.03	-0.56
INDUSTRY_ADJUSTED_ROA _{YEAR -1 to 0}	5.37	4.82	4.12	4.29
G_INDEX	10.07	10.17	10.58	10.48
CLASSIFIED_BOARD%	70.45	70.73	69.23	78.26
POISON_PILL%	61.36	63.41	69.23	73.91

TABLE A4
**Analysis of Net Change in Directorships, and Lost or Gained Directorships Following a Majority Approved Proposal,
Controlling for Additional Events**

Table A4 corresponds with Table 4 in the paper, controlling for additional events. Panel A of Table A4 contains estimates from an OLS regression of CHANGE_DIR from year 0 to year +2 or year 0 to year +3 for a sample of outside directors of target firms with a majority approved proposal. Panel B of Table 4 contains probit regression estimates of the probability that an outside director experiences a net loss (DIR_LOSS) or net gain (DIR_GAIN) in external directorships within three years of the annual meeting of the majority approved proposal. Variable definitions are in the Appendix. The omitted category is Conflicted LUPF target firm directors where the firm ignored the activist request. In addition to the control variables included in Table 4, four additional control variables are included to mitigate concerns that firm compliance with conflicted LUPFs is not a proxy for other events related to director reputation. VOTE_NO is from Del Guercio, Seery, and Woidtke (2008) and is equal to 1 when a firm's directors are publicly targeted with a "Vote No" campaign during the same proxy season and is equal to 0, otherwise. WITHDRAWN is equal to 1 if a firm has a shareholder proposal that is withdrawn before going to a vote. RESTATEMENT is from Audit Analytics and is equal to 1 when a firm has an income decreasing restatement and is equal to 0, otherwise. Audit Analytics data begin in 2003, so this variable only takes on values of 1 after 2002. FRAUD is from Fich, Gordon and Yore (2018) and is equal to 1 when a firm faces a shareholder class action lawsuit for financial fraud and is equal to 0, otherwise. P-values, reflecting robust standard errors corrected for firm-level clustering, are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels.

Panel A. Regression Analysis of the Net Change In Directorships for Directors Following a Majority Approved Proposal

	CHANGE_DIR		CHANGE_DIR		CHANGE_DIR	
	(0 to 2)	(0 to 3)	(0 to 2)	(0 to 3)	(0 to 2)	(0 to 3)
	(1)	(2)	(3)	(4)	(5)	(6)
CONFLICTED_LUPF x COMPLY	-0.13 (0.197)	-0.34** (0.012)				
CONFLICTED_COMPENSATION x COMPLY			-0.14 (0.262)	-0.43** (0.011)		
CONFLICTED_NON_COMPENSATION x COMPLY			-0.11 (0.343)	-0.17 (0.266)		
EXACT_UNION x COMPLY					-0.26** (0.040)	-0.52*** (0.005)
NON-EXACT_UNION x COMPLY					0.01 (0.954)	-0.16 (0.238)
NON_CONFLICTED_LUPF x COMPLY	-0.02 (0.855)	-0.01 (0.954)	-0.02 (0.856)	-0.01 (0.961)	-0.02 (0.868)	-0.00 (0.972)
NON_CONFLICTED_PPF x COMPLY	0.35** (0.021)	0.02 (0.921)	0.35** (0.021)	0.02 (0.914)	0.35** (0.020)	0.02 (0.903)

NON_CONFLICTED_OTHER x COMPLY	0.10 (0.239)	0.06 (0.498)	0.10 (0.239)	0.06 (0.498)	0.11 (0.228)	0.07 (0.474)
NON_CONFLICTED_LUPF x IGNORE	0.04 (0.679)	-0.09 (0.363)	0.04 (0.679)	-0.09 (0.366)	0.04 (0.658)	-0.09 (0.376)
NON_CONFLICTED_PPF x IGNORE	-0.08 (0.520)	-0.33** (0.039)	-0.08 (0.520)	-0.33** (0.039)	-0.08 (0.525)	-0.33** (0.040)
NON_CONFLICTED_OTHER x IGNORE	-0.04 (0.554)	-0.14* (0.068)	-0.04 (0.554)	-0.14* (0.069)	-0.04 (0.559)	-0.14* (0.070)
DIRECTOR_AGE_65_TO_69	-0.29*** (0.000)	-0.52*** (0.000)	-0.29*** (0.000)	-0.52*** (0.000)	-0.29*** (0.000)	-0.51*** (0.000)
DIRECTOR_AGE_GT_69	-0.68*** (0.000)	-0.76*** (0.000)	-0.67*** (0.000)	-0.76*** (0.000)	-0.67*** (0.000)	-0.76*** (0.000)
DIRECTOR_TENURE	-0.01 (0.228)	-0.00 (0.672)	-0.01 (0.227)	-0.00 (0.665)	-0.01 (0.218)	-0.00 (0.657)
NUMBER_DIR	-0.24*** (0.000)	-0.36*** (0.000)	-0.24*** (0.000)	-0.36*** (0.000)	-0.24*** (0.000)	-0.36*** (0.000)
DIRECTOR_GRAY	-0.04 (0.622)	-0.15* (0.086)	-0.04 (0.623)	-0.14* (0.088)	-0.04 (0.585)	-0.15* (0.075)
DIRECTOR_FEMALE	0.07 (0.206)	0.01 (0.913)	0.07 (0.206)	0.01 (0.905)	0.07 (0.209)	0.01 (0.920)
DIRECTOR_ON_COMPENSATION_COMMITTEE	0.06 (0.147)	0.04 (0.356)	0.06 (0.148)	0.04 (0.362)	0.06 (0.156)	0.04 (0.374)
DIRECTOR_ON_AUDIT_COMMITTEE	0.06 (0.201)	0.12** (0.030)	0.06 (0.201)	0.12** (0.029)	0.06 (0.197)	0.12** (0.029)
DIRECTOR_ON_NOMINATING_COMMITTEE	0.04 (0.382)	0.05 (0.303)	0.04 (0.381)	0.05 (0.292)	0.04 (0.385)	0.05 (0.309)
DIRECTOR_COMMITTEE_CHAIR	-0.07 (0.161)	-0.08 (0.236)	-0.07 (0.162)	-0.08 (0.246)	-0.07 (0.165)	-0.08 (0.242)
VOTE_NO	-0.15* (0.095)	-0.05 (0.582)	-0.15* (0.094)	-0.06 (0.540)	-0.15* (0.078)	-0.06 (0.501)
WITHDRAWN	-0.02 (0.823)	0.16* (0.061)	-0.01 (0.834)	0.17* (0.051)	-0.01 (0.861)	0.16* (0.055)
RESTATEMENT	-0.12 (0.243)	-0.11 (0.358)	-0.12 (0.246)	-0.10 (0.377)	-0.12 (0.236)	-0.11 (0.350)
FRAUD	-0.19* (0.060)	-0.27** (0.025)	-0.19* (0.059)	-0.27** (0.022)	-0.20* (0.051)	-0.27** (0.020)
MARKET_CAPITALIZATION ₁	-0.02 (0.448)	-0.01 (0.667)	-0.02 (0.452)	-0.01 (0.688)	-0.02 (0.486)	-0.01 (0.721)
LEVERAGE ₁	-0.15 (0.318)	-0.25 (0.228)	-0.15 (0.323)	-0.24 (0.244)	-0.14 (0.364)	-0.23 (0.260)

INSTITUTION_OWN%	-0.43*** (0.009)	-0.59*** (0.007)	-0.44*** (0.009)	-0.60*** (0.007)	-0.43** (0.010)	-0.58*** (0.008)
MARKET_ADJUSTED_RETURN _{YEAR -1 TO 0}	0.02 (0.738)	0.10 (0.207)	0.02 (0.737)	0.10 (0.208)	0.01 (0.830)	0.09 -0.03
MARKET_ADJUSTED_RETURN _{YEAR_0 TO +2} (or MARKET_ADJUSTED_RETURN _{YEAR 0 TO +3} for (0 to 3))	-0.03 (0.509)	-0.03 (0.442)	-0.03 (0.512)	-0.03 (0.437)	-0.03 (0.431)	(0.382)
CONSTANT	0.72*** (0.008)	0.99*** (0.004)	0.72*** (0.008)	0.99*** (0.004)	0.70*** (0.009)	0.97*** (0.005)
OBSERVATIONS	3498	3487	3498	3487	3498	3487
ADJUSTED R^2	0.17	0.24	0.17	0.24	0.17	0.24

TABLE A4 (Continued)
**Analysis of Net Change in Directorships, and Lost or Gained Directorships Following a Majority Approved Proposal,
Controlling for Additional Events**

Panel B. Probit Analysis of the Directorship Loss and Directorship Gain Following a Majority Approved Proposal

	DIRECTOR_LOSS			DIRECTOR_GAIN		
	(0 to 3)	(0 to 3)	(0 to 3)	(0 to 3)	(0 to 3)	(0 to 3)
	(1)	(2)	(3)	(4)	(5)	(6)
CONFLICTED_LUPF x COMPLY	0.26*			-0.38**		
	(0.092)			(0.020)		
CONFLICTED_COMPENSATION x COMPLY		0.25			-0.46**	
		(0.145)			(0.037)	
CONFLICTED_NON_COMPENSATION x COMPLY		0.27			-0.26	
		(0.193)			(0.231)	
EXACT_UNION x COMPLY			0.45**			-0.53***
			(0.026)			(0.010)
NON-EXACT_UNION x COMPLY			0.07			-0.26
			(0.678)			(0.251)
NON_CONFLICTED_LUPF x COMPLY	-0.06	-0.06	-0.06	0.08	0.08	0.08
	(0.695)	(0.695)	(0.682)	(0.576)	(0.576)	(0.566)
NON_CONFLICTED_PPF x COMPLY	0.11	0.11	0.11	0.18	0.18	0.18
	(0.638)	(0.637)	(0.649)	(0.112)	(0.109)	(0.109)
NON_CONFLICTED_OTHER x COMPLY	-0.09	-0.09	-0.09	0.16	0.16	0.16
	(0.455)	(0.455)	(0.439)	(0.239)	(0.240)	(0.234)
NON_CONFLICTED_LUPF x IGNORE	0.14	0.14	0.14	0.09	0.09	0.09
	(0.203)	(0.203)	(0.209)	(0.473)	(0.471)	(0.464)
NON_CONFLICTED_PPF x IGNORE	0.27	0.27	0.27	-0.26	-0.26	-0.25
	(0.116)	(0.116)	(0.119)	(0.174)	(0.175)	(0.177)
NON_CONFLICTED_OTHER x IGNORE	0.03	0.03	0.03	-0.11	-0.11	-0.11
	(0.718)	(0.718)	(0.722)	(0.255)	(0.256)	(0.258)
DIRECTOR_AGE_65_TO_69	0.43***	0.43***	0.42***	-0.46***	-0.46***	-0.46***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
DIRECTOR_AGE_GT_69	0.75***	0.75***	0.75***	-0.81***	-0.81***	-0.80***
	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
DIRECTOR_TENURE	-0.00	-0.00	-0.00	-0.02*	-0.02*	-0.02*
	(0.914)	(0.914)	(0.942)	(0.059)	(0.059)	(0.059)

NUMBER_DIR	0.31*** (0.000)	0.31*** (0.000)	0.31*** (0.000)	-0.14*** (0.000)	-0.14*** (0.000)	-0.14*** (0.000)
DIRECTOR_GRAY	0.19** (0.035)	0.19** (0.036)	0.19** (0.030)	-0.17 (0.186)	-0.16 (0.192)	-0.17 (0.177)
DIRECTOR_FEMALE	-0.16* (0.071)	-0.16* (0.071)	-0.16* (0.072)	-0.06 (0.523)	-0.06 (0.525)	-0.06 (0.521)
DIRECTOR_ON_COMPENSATION_COMMITTEE	-0.05 (0.320)	-0.05 (0.319)	-0.05 (0.336)	0.05 (0.489)	0.05 (0.490)	0.05 (0.497)
DIRECTOR_ON_AUDIT_COMMITTEE	-0.06 (0.413)	-0.06 (0.413)	-0.06 (0.403)	0.06 (0.423)	0.06 (0.414)	0.06 (0.414)
DIRECTOR_ON_NOMINATING_COMMITTEE	-0.11* (0.068)	-0.11* (0.068)	-0.11* (0.070)	0.13* (0.052)	0.13* (0.051)	0.13* (0.052)
DIRECTOR_COMMITTEE_CHAIR	0.07 (0.278)	0.07 (0.278)	0.07 (0.296)	-0.08 (0.371)	-0.08 (0.379)	-0.08 (0.375)
VOTE_NO	0.01 (0.919)	0.01 (0.921)	0.02 (0.836)	-0.08 (0.452)	-0.08 (0.437)	-0.08 (0.422)
WITHDRAWN	-0.09 (0.228)	-0.09 (0.231)	-0.10 (0.205)	0.03 (0.791)	0.03 (0.738)	0.03 (0.776)
RESTATEMENT	0.16 (0.293)	0.16 (0.292)	0.16 (0.292)	-0.08 (0.740)	-0.08 (0.745)	-0.08 (0.739)
FRAUD	0.22 (0.132)	0.22 (0.133)	0.23 (0.118)	-0.36** (0.016)	-0.36** (0.015)	-0.36** (0.015)
MARKET_CAPITALIZATION ₋₁	0.00 (0.912)	0.00 (0.911)	0.00 (0.973)	-0.04 (0.129)	-0.04 (0.135)	-0.04 (0.139)
LEVERAGE ₋₁	0.16 (0.465)	0.16 (0.462)	0.15 (0.508)	-0.31 (0.276)	-0.30 (0.289)	-0.30 (0.289)
INSTITUTION_OWN%	0.82*** (0.004)	0.82*** (0.004)	0.82*** (0.004)	-0.55* (0.051)	-0.55** (0.048)	-0.54* (0.052)
MARKET_ADJUSTED_RETURN _{YEAR -1 TO 0}	-0.16* (0.066)	-0.16* (0.066)	-0.14* (0.086)	0.03 (0.708)	0.04 (0.694)	0.03 (0.762)
MARKET_ADJUSTED_RETURN _{YEAR 0 TO +2} (or MARKET_ADJUSTED_RETURN _{YEAR 0 TO +3} for (0 to 3))	-0.03 (0.448)	-0.03 (0.449)	-0.02 (0.489)	-0.04 (0.415)	-0.04 (0.416)	-0.04 (0.397)
CONSTANT	-1.34*** (0.001)	-1.34*** (0.001)	-1.32*** (0.001)	0.26 (0.500)	0.26 (0.509)	0.25 (0.523)
OBSERVATIONS	3487	3487	3487	3487	3487	3487
PSEUDO R ²	0.109	0.109	0.110	0.070	0.070	0.071

TABLE A5

Comparison of Firms Targeted by Conflicted LUPFs with a Compensation Proposal According to Whether Concessions are Made Before and After Shareholder Vote

Table A5 reports summary statistics separately for firms that implement a majority approved (PROPOSAL) conflicted LUPF-sponsored proposal (CONFLICTED_LUPF) and firms that make concessions to conflicted LUPF sponsors resulting in a withdrawn proposal (WITHDRAWN_PROPL). Variable definitions are in the paper Appendix. ***, **, * indicate the results of a two-sided t-test for differences in means of targets in a particular PROPOSAL CONFLICTED_LUPF sponsor column to that of targets in the WITHDRAWN_PROPL CONFLICTED_LUPF ALL sponsor column and means of targets in a particular WITHDRAWN_PROPL CONFLICTED_LUPF sponsor column to that of targets in the PROPOSAL CONFLICTED_LUPF ALL sponsor column. The number of observations are under each column header.

	Compliance AFTER PROPOSAL		Concessions BEFORE WITHDRAWN_PROPL			
	CONFLICTED_COMPENSATION		CONFLICTED_COMPENSATION			
	ALL [22]	EXACT_UNION [13]	ALL [65]	VOTED_PROPOSAL [31]	FULL_COMPLY [17]	EXACT_UNION [26]
MARKET_CAPITALIZATION ₋₁	15,451 [*]	20,726	54,051 [*]	67,085 ^{**}	60,245 ^{**}	74,509 ^{**}
MARKET_ADJUSTED_RETURN YEAR -1 TO 0	6.59	-8.49	4.05	4.13	11.60	3.52
INSTITUTION_OWN%	67.21 ^{**}	65.87	61.16 ^{**}	62.40	59.27 ^{**}	60.82 ^{**}
INSIDER_OWN%	0.56	0.38	3.85	1.32	0.75	1.52
BOARD_SIZE	10.27 ^{***}	10.77 [*]	12.18 ^{***}	12.23 ^{***}	13.17 ^{***}	12.92 ^{***}
CLASSIFIED_BOARD%	57.14	50.00	49.21	46.67	35.29	50.00
G_INDEX	10.48	10.33	9.44	9.13 [*]	9.82	9.31
UNION_RELATIONS ₋₁	-0.19	-0.15	-0.10	-0.10	-0.11	-0.12
EXACT_UNION%	59.09	100.00	39.39	41.94	50.00	100.00
Mean DIRECTOR_AGE	62.66	62.09	61.54	61.38	61.74	61.05 [*]
Mean NUMBER_DIR	1.82	1.96	1.90	1.91	1.90	1.86