Investor Stewardship Codes and the Rise of Global Shareholder Activism

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Abstract

We find a rise in shareholder activism following the adoption of Investor Stewardship Codes (ISCs). Investigating staggered adoption across twelve countries, we show increased activism beginning at adoption and continuing over the subsequent three years. The effects are greater with investor led ISC's and in countries with weaker investor protection. Demands made by domestic, but not foreign, investors are more likely to be successful after ISC. Post-adoption vote participation increases as does support for shareholder proposals. Our findings suggest that ISC adoption reduces the free-rider problem of dispersed ownership and increases the probability of investors engaging in shareholder activism.

Keywords: Investor stewardship; Shareholder activism; Shareholder voting; International shareholder activism

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1. Introduction

The willingness of investors to engage in activism has increased rapidly in recent years. Recent evidence also suggests that the targets of activism are no longer just U.S. firms; investors are increasingly targeting global firms, including ones outside their own country (Becht et al. 2017). Despite the widespread prevalence of investor activism, concerns remain about whether investors undertake adequate monitoring of the firms in which they invest. Critics argue that the short investment horizon for institutional investors prevents them from meaningfully engaging with management (Levitt 2000). Another possible reason for a lack of engagement is that institutional investors face a classic free-rider problem: the activist investor bears the full cost of the engagement activity, while the benefits of that activity are shared across all investors (Bebchuk et al. 2017; Appel et al. 2019). Absent a mechanism to alleviate free-riding incentives, one would expect institutional investors to persistently underinvest in stewardship activities.

The adoption of investor stewardship codes (ISCs) is one regulatory response to this underinvestment problem. In this paper, we explore the staggered adoption of ISCs around the world and examine their effect on shareholder activism, namely on public demands and shareholder voting. In particular, we ask the following questions: (i) Do ISCs lead to increases in the number of demands that investors place on firms? (ii) Do investors become more successful in implementing their demands after ISC adoption? (iii) Following ISC adoption, does shareholder voting show patterns that indicate greater investor influence over firms? And (iv) what characteristics of ISCs have a greater impact on shareholder activism?

First introduced in the U.K., ISCs are codes of conduct that explicitly state investors' responsibilities as monitors of firm governance. While the details of ISCs vary across countries, most require investors to establish and disclose explicit policies on how they monitor companies

and to increase the quality of their stewardship activities.[1] By 2017, twelve countries had adopted an ISC in some form. These adoptions were sometimes led by the government (e.g., in Japan) and sometimes by industry activists (e.g., in Canada). Despite widespread adoption of ISCs, the views on their efficacy are mixed, mostly due to the "soft" nature of the codes. Adherence to the codes is largely voluntary, and even if an investor pledges to adopt an ISC, there is little cost to noncompliance (Hooghiemstra and van Ees 2011; Goto 2019). Further, while the territorial reach of each code, in theory, applies to all investors with equity holdings within the jurisdiction, enforcement challenges often arise for investors from areas outside the region (Hill 2018).

We test whether ISC adoption leads to increased frequency of shareholder activism. We define shareholder activism as the activities investors undertake to exert influence over firms, and examine two types of these activities. The first is the public demands that investors make. The number of public demands proxies for the investors' investment in activism, both in terms of resources spent and effort made.[2] The second is shareholder voting, another way that investors can influence managers (Easterbrook and Fischell 1983; Yermack 2010; Brochet et al. 2018).[3] We test whether ISC adoption leads to changes in shareholder voting patterns that give the investors greater influence over firms.

We expect that ISC adoption will lead investors to devote increased resources and attention to shareholder activism. First, investors may increase their investment in activism if they perceive that the return on stewardship activities has increased. After ISC adoption, activist funds may

[1] The U.K. standards set out general propositions that include (i) public disclosure of fund policies on how the investors monitor companies; (ii) establishing guidelines for when investors will actively intervene in the company to "protect and enhance" shareholder value; (iii) acting collectively with other investors where appropriate; and (iv) periodically reporting on their stewardship and voting activities.

[2] While ideally we would observe all activism activities, public demands are among the few activism activities that are observable to researchers.

[3] While shareholder voting is mandatory for most institutional investors in the U.S. (SEC Final Rule IA-2016), investors outside the U.S. have discretion over voting participation.

perceive that their demands are more likely to be heard, which would lead to a higher payoff for an activist campaign. Next, ISCs may reduce the coordination cost of activism by making it easier to gain support votes from other investors (Brav et al. 2019). ISC adoption may lead to increases in pro-activist investors that are likely to cast support votes for the dissident activist. Finally, ISC adoption may increase the cost of non-participation in stewardship activities, as increased awareness may make free-riding or exiting to avoid governance issues more costly post adoption. Overall, we expect ISC adoption to foster a warmer climate for activism by increasing the net benefits of activism engagement.

However, ISC adoption might not lead to more observable shareholder activism, for at least two reasons. Such codes' stated purpose is to "enhance the quality of the dialogue," but the dialogue can be enhanced through private discussions without triggering an increase in public actions (Becht et al. 2009; McCahery et al. 2016; Levit 2018). If private discussions are more successful following ISC adoption, one could even see fewer incidents of public actions. Also, the non-binding nature of the codes may render them insufficient to change the incentives of investment managers. Absent sufficient costs and penalties for non-compliance, the principles and guidelines set forth in ISCs may not give rise to an increase in activism.

We document a significant increase in the frequency of shareholder activism events following ISC adoption. Using the staggered adoption of ISCs in twelve countries, we find that the number of public demands made by institutional investors increases more than twofold after ISC adoption. We find interesting variations in the effects across different types of ISCs and over time. In the cross-section, we find that only stewardship codes that were initiated by investors lead to an increase in public demands; government-led initiatives do not have a significant effect. Also, firms in countries with weak investor protection are more likely to experience an increase in

activism activities, compared with firms in countries with strong investor protection. This suggests that ISCs are more effective in regions that lack alternative governance mechanisms (Lel and Miller 2014) where returns from activism may be the highest.

In the time series, we find that ISCs have increasing, persistent effects on activism in ISC-adopting countries, beginning in the year of adoption. In the years leading up to the adoption, we find no systematic difference in the rate of activism across adopting and non-adopting countries. We observe an immediate increase in the adoption year, with continued increases for three years post adoption. This finding suggests that investors become more active over time, perhaps because they learn how to engage with companies more effectively.

We examine the strength of stewardship activities by looking at demand outcomes. We find that demands made after ISC adoption are more likely to be successfully implemented, but only when domestic funds make them. Demands by domestic investors are 24.8% more likely to have a positive outcome following ISC adoption. For foreign investors, the success rates following ISC adoption are not significantly different from during the pre-adoption period, though the total number of demands increases. These findings suggest that, even after ISC adoption, foreign investors continue to face significant obstacles to successful activism. For these firms, one possible barrier could be the difficulty in coordinating and gaining support from other investors, which is essential to a successful activist campaign (Coffee and Palia 2016; Yu and Gray 2016; Bebchuk et al. 2019). In contrast, the probability of successful outcomes for domestic investors increases after ISC adoption, suggesting that ease of coordination with other domestic investors may be a mechanism through which favorable outcomes are more likely to be achieved.

We next examine shareholder-voting patterns. We start by considering participation in shareholder votes and find that participation is greater among both local and foreign investors

following ISC adoption.[4] Next, we examine the support votes to test whether coordination among investors increases following ISC adoption. To assess coordination costs, we focus on shareholder proposals.[5] We find that investors are more likely to support shareholder proposals following ISC adoption, and that the increase is greatest when the proposals are (i) supported by proxy advisors, (ii) made by dedicated activists (i.e., investors acting as proponents for multiple shareholder proposals), and (iii) sponsored by institutions (as opposed to individuals). In addition, we find that only stewardship codes that were initiated by investors lead to increased support; no increase is observed when the ISCs are government-led. Finally, we find that the increased support for shareholder proposals is observed only in countries with weak investor protection.[6]

Our findings contribute to the literature in several ways. To our knowledge, this is the first study to provide evidence on the effects of ISCs and shareholder engagement in a global context. Most studies on stewardship codes focus on a single country setting (Sergakis 2013; Tsukioka 2017) and examine the codes' effects on corporate-level outcomes, such as firm-level governance or performance (Lu et al. 2018). An important assumption underlying these studies is that ISCs have a meaningful effect on how investors engage with firms, which in turn leads to changes in corporate policies. We test this assumption and show that ISCs have indeed changed how investors engage with firms, particularly through shareholder activism. Our cross-country sample allows us

[4] In many of these countries, participation in shareholder voting is not mandated (see Iliev et al. 2015).

[5] For management proposals, coordination may manifest in the type of proposals that are put on the ballot. That is, better coordination among investors may affect the type of proposals on which management decides to vote. It is unclear that more investor coordination will always manifest in voting for (or against) management, as the nature of the management proposals may change in the wake of an ISC. We therefore make no predictions for management proposals and focus primarily on shareholder proposals.

[6] In additional tests, we examine management proposals and find no evidence that investors are more likely to vote against them following adoption.

to explore the different kinds of ISCs and to test which ISC characteristics (e.g., investor-sanctioned vs. government-sanctioned) have a greater impact on shareholder activism.[7]

Second, we contribute to the literature on shareholder activism. Despite the increasing frequency of activist investors targeting companies outside the U.S., most studies to date have focused on activism against U.S. targets (Brav et al. 2008; Klein and Zur 2008; Greenwood and Schor 2009; Gantchev 2013; Bebchuk et al. 2014).[8] We show that funds increasingly target firms outside the U.S. and that ISCs may be one factor behind this rise. We also find that after an ISC adoption, demands by domestic investors—but not foreign ones—are more likely to be heard by management. This suggests that, while ISCs may increase the net benefit of shareholder activism, shareholders continue to experience high barriers when targeting firms outside their home country.

Finally, we contribute to the literature on shareholder voting. Prior studies show that shareholder voting is an effective mechanism through which investors can engage with firms (Iliev et al. 2015; Brochet et al. 2018). We contribute to this literature by documenting that ISC adoption has led to more investor engagement through shareholder voting. In contrast to prior studies, which focus on dissent votes (i.e., investors voting against management (Iliev et al. 2015)), we show that investor engagement also occurs through support votes (i.e., investors voting for proposals of other dissident shareholders). These findings are consistent with the idea that support from a broad investor base is an important factor in a successful activist campaign (Brav et al. 2008; Aggarwal et al. 2019).

The rest of the paper proceeds as follows. Section 2 provides the institutional background on ISCs and reviews the literature. Section 3 describes the sample and data sources. Section 4

[7] We use the term "country" broadly. It can refer to either a sovereign state or a geographic region with distinct political geography.

[8] A recent exception is Becht et al. (2017), who study activism outside the U.S. Other studies examining a global sample focus on specific topics such as corporate sustainability campaigns (Dimson et al. 2015).

discusses the empirical tests for investor demands, and section 5 presents findings on shareholder voting. We offer conclusions in Section 6.

2. Institutional details and literature review on ISCs

Classic models in economics consider shareholders to be atomistic agents with no incentives to seek improvements in the firms they own (Grossman and Hart 1980; Shleifer and Vishny 1986). Due to the negligible share of ownership that a typical investor has in a given firm, investors have little incentive to invest in stewardship, as the high cost of such activity is disproportionate to its benefits, which are shared by all investors. While a well-meaning investor might sometimes invest significantly in stewardship decisions, this pattern may not be sustainable and may even conflict with the fiduciary duty that investment managers owe to their own beneficial investors (Bebchuk et al. 2017).

The recent rise in concentrated ownership among institutional investors has shifted the role of these investors in influencing firms. Today, large institutions often hold sizable positions in public corporations and can collectively affect firms' policies. In a concentrated ownership structure, it may no longer be rational for all shareholders to remain indifferent (Appel et al. 2019), especially if certain stewardship activities can significantly increase firm value at a negligible cost. However, the underinvestment problem could persist if block holder investors prefer to free-ride on others' efforts. [9]

ISC adoption around the globe is one approach to addressing underinvestment in shareholder engagement. In 2010, the U.K. became the first jurisdiction to introduce a stewardship code; the code was subsequently revised and then implemented in 2012. Since then, many

[9] Also, it is possible that block holder investors may prefer to monitor through other mechanisms such as threatening to "exist." The effectiveness of exit threats as a monitoring mechanism increases with greater liquidity (Edmans et al. 2011; Edmans 2014) yet decreases with private control benefits (Dou et al. 2018; Hope et al. 2017).

countries have introduced stewardship codes in some form, particularly in Europe and Asia starting with Japan in 2014.

While most codes have the common objective of improving the quality of engagement between investors and corporate managers, there is large variation in their focus across regions. Some codes, such as those in the U.K., call for active shareholder engagement, while others, such as those in Japan, encourage harmonious and less combative approaches to engagement. Also, the codes in different countries were sanctioned by different issuing bodies—sometimes by regulators, other times by industry participants or even the investors themselves. It is unclear how different issuing bodies affect the effectiveness of the code. One view is that the regulator-sanctioned codes elevate the status of ISCs because they have more clout than investor-sanctioned codes. This was the view taken in the Walker Review, which recommended that the U.K. Financial Reporting Council change to regulator-sanctioned ISCs. An alternative view, which led to the adoption of ISCs in the U.S. in 2017, is that a private initiative that is independent of any regulatory body is more likely to attract support from the investor community. In our empirical tests, we compare the effects of ISCs issued by regulators or quasi-regulators with the effects of ISCs led by investors or industry participants.

Despite the widespread adoption of ISCs at the country level, one limitation to them is that, for investors, the decision to adopt them is voluntary.[10] Nevertheless, ISCs have the backing of some of the world's largest asset managers, including BlackRock, State Street Global Advisors, and Vanguard. Thus, there is significant industry-level pressure to adopt the codes and become a signatory. By 2016 in the U.K., nearly 300 institutional investors—90 percent of the asset

[10] Even among investors that choose to adopt, enforcement operates based on a "comply or explain" approach, which requires mere explanation when not in compliance with the codes.

managers who are members of the Commonwealth's investment association—had signed up.[11] However, in other regions, such as Japan, ISCs have come under criticism for lacking support from key investors, such as the corporate pension funds that are the major decision makers in shareholder votes.[12] Japanese corporate pension funds have had little incentive to sign up, due to potential conflicts when the funds push for reforms in the companies in which they invest.[13]

Prior studies on ISCs document varying degrees of compliance. Arcot et al. (2009) study the "comply or explain" model adopted in the U.K. They find an increasing trend toward compliance with the code but note that many noncompliant investors, many of which do not disclose their reasons for noncompliance, remain.[14] Other studies argue that voluntary code adoption allows investors to take advantage of the ISCs' adaptive nature, enabling them to fine-tune their governance according to the fund's objectives (Luo and Salterio 2014). To the extent that voluntary adoption hinders the effectiveness of ISCs, we expect ISC adoption to have little effect on promoting shareholder engagement.

Several studies examine the consequences of ISC adoption. Lu et al. (2018) focus on the U.K. ISC and examine its effect on reporting quality. They fail to document a significant impact. Ertimur and Patrick (2019) show that the U.S. ISC is associated with higher valuations for firms adopting the governance standards, which aligns with the stated preference of investors. Both

[11] Signatories that are considered to be tier 1—investors classified as having the highest quality codes—increased from 40 to 120 over time. Source: https://www.frc.org.uk/news/november-2016/tiering-of-signatories-to-the-stewardship-code.

[12] The signatories, which numbered 191 in the initial year of adoption, were limited to financial institutions, including trust banks, investment managers, and insurance companies. Corporate pension funds, which are considered to be end asset owners, were not on the list—Secom was the only exception. Critics of ISCs argue that without the participation of corporate pension funds, which are the biggest customers of the asset managers, it would be difficult to expect any stewardship code to have a meaningful effect.
Source: https://www.ft.com/content/138e73b4-98d3-11e6-8f9b-70e3cabccfae.

[13] Corporate pension funds in Japan often have close relationships with their investees through the business dealings between their parent firms and the investees.

[14] The study finds that twenty percent of noncompliant institutional investors provide no explanation.

studies focus on the impact of ISCs on corporate policies. An important assumption underlying this research is that ISCs change the way investors monitor the firms in which they invest, which in turn leads to changes in the firms themselves. We contribute to this discussion by directly testing whether and how ISC adoption changes how investors engage with firms.[15]

3. Data

We combine three databases: ActivistInsight, Worldscope, and ProxyInsight. We use the ActivistInsight Online Database to collect data on investor demands. ActivistInsight is a U.K.-based firm that provides data on shareholder activism for firms around the world. Using information from public sources such as regulatory filings (e.g., Schedule 13D), corporate websites, and news articles, ActivistInsight generates a comprehensive dataset of investors' public demands. These demands range from public statements calling for resolutions to governance concerns to, in more extreme cases, announcements of proxy contests to change the board.[16]

We limit our sample to countries for which we have information from ActivistInsight, financial accounting information from Worldscope, and country-level attributes information. The country-level attributes information includes data on GDP, GDP growth, exports, and imports from the World Bank DataBank; market return data for the corresponding Global Datastream market index, the La Porta et al. (1998) rule of law index, and the Djankov et al. (2008) self-dealing index; and financial information on total assets, common equity, market value of equity, total debt,

[15] Tsukioka (2019), using ISC adoption in Japan, examines how adoption changes shareholder engagement. The study shows that after adoption, there was an increase in dissent votes for management proposals, but only among investors unconnected to the firms. The study uses only data from Japan and is limited to management proposals due to the limited number of shareholder proposals in that country.

[16] Prior U.S. studies construct their activism samples from mandatory regulatory filings (Brav et al. 2008; Brav et al. 2018). There is no standardized database for international activism, perhaps because not all countries have similar regulatory requirements as the U.S. Prior studies on international activism rely on commercial data providers. For example, Becht et al. (2017) examine international activism and use data, hand collected, from a commercial data provider. Their study limits the sample to hedge fund activism. In contrast, we include demands made by all investors.

operating income, and sales. There are 36 countries in our sample, 12 of which are considered ISC adopters during our sample period of 2004 to 2016.

Table 1 shows the list of countries that adopted ISCs by 2016 and the year of adoption. During our sample period from 2004 to 2016, twelve countries adopted an ISC in some form. Countries that adopt ISCs after our sample period (e.g., Australia in 2017) are considered non-adopting because we have insufficient time series to estimate the adoption effects.[17] Countries where ISCs were issued by regulators include Denmark, Hong Kong, Japan, and Malaysia. Those where the adoptions were industry- or investor-led include Brazil, Canada, Italy, the Netherlands, Singapore, South Africa, and Switzerland. We follow Lel and Miller (2015) and use the investor protection index from Djankov et al. (2008) in our country-level partitions. Investor protection is classified as strong or weak based on the country-level median value for our sample (=0.46). Based on this index, Canada, Denmark, Hong Kong, Japan, Malaysia, Singapore, South Africa, and United Kingdom are classified as countries with strong investor protection, while Brazil, Italy, the Netherlands, and Switzerland are classified as countries with weak investor protection.[18]

Table 2, Panel A shows the descriptive statistics for the demands. The total number of demands during our sample period is 1,709. More demands (=929) were made against firms in ISC-adopting countries than against firms in non-adopting countries (= 780). More than 60% (= 1,045/1,709) of the demands were made by domestic investors. Approximately one-third are reported as having a positive outcome, which means the firm agreed to them. In terms of the demand categories, more than half (=955/1709) of the demands relate to the board of directors.[19]

[17] While the U.S. adopted an ISC in 2017, we exclude it from the sample because the dominance of activism in the U.S. dictates variation in the non-U.S. sample.
[18] In Appendix A2 we provide a detailed list of the codes' names and sources.
[19] These demands include ones related to board independence, changes in board composition and representation, and removal of the CEO or another board member, among others.

The second-most frequently used demand category is M&As, followed by Balance Sheet Activism, which includes demands related to dividends, equity issuance, excess cash, share repurchase, and capital structure.

After collecting the demand data in each country, we match the demand sample with Worldscope firms to collect the universe of firms in our sample countries. We match based on ticker symbols or, when the ticker symbol is unavailable, ISINs. To be included in the sample, we require that firms have financial data available from Worldscope. This process yields a sample of 350,933 firm-years (39,312 firms). The number of firm-years in ISC-adopting and non-adopting countries is fairly balanced, at 177,111 and 173,822, respectively.

In Table 2, Panel B, we present descriptive statistics at the firm-year level. We use the number of demands to measure the shareholder activism a firm faces. The number of demands an average firm faces in a given year is very low: 0.005. The maximum number of demands received by a single firm in a given year is 15.[20] We also use an alternative measure, *Activism*, which is an indicator variable for the firm-years that receive demands. The mean value of *Activism* is 0.003, suggesting that only 0.3% of firm-years in our sample experience demands by investors. The low frequency is consistent with prior studies. For example, Becht et al. (2017, Table 2) show that only 0.32% (0.34%) of firms in Asia (Europe) experience activism by hedge funds.

Our shareholder voting data comes from ProxyInsight, a sister company of ActivistInsight. ProxyInsight provides comprehensive shareholder voting data, with global coverage of companies, from databases that include regulatory filings (e.g., N-PX filings) and voluntary disclosure of investors' voting records. We include all proposals that were initiated by management, as well as the investor-initiated proposals for which we have identification. This allows us to perform our

[20] This corresponds to the Chinese company Fuguinia Co. in 2016, after the company failed to provide an audited earnings report at the beginning of the year.

cross-sectional analyses. We include proposals from 2009 through 2016. Information about investors is available starting in 2010, and proxy advisor recommendations are available starting in 2011.

Table 2, Panel C presents descriptive statistics for the shareholder voting data. The majority of the proposals in our sample are initiated by the firm. On average, manager-initiated proposals receive a considerably higher percentage of "For" votes (80%) than investor-initiated proposals (22%). The percentage of "For" votes for investor-initiated proposals is higher for firms in ISC-adopting countries (28%) than for firms in non-adopting countries (14%).

The proposals that receive the greatest support from investors are related to the board of directors, remuneration, and governance (27%, 25%, and 25% "For" votes, respectively). There are sharp differences in the levels of support in ISC-adopting and non-adopting countries. For example, *General Governance* proposals receive high support in ISC-adopting countries (55%) but scant support in non-adopting countries (7%). The proposals that get the least support from voters fall under *Committees & Reporting* and *Environment & Social* (8% and 8% "For" votes, respectively). Support for these categories is low in both ISC-adopting and non-adopting countries, but is considerably lower in the non-adopting countries. In non-adopting countries, for example, *Committees & Reporting* proposals only receive 5% support, while *Environment & Social* proposals receive, on average, 2% support.

4. Empirical tests and results for shareholder demands

4.1 Public demands following ISC adoption

We next test whether ISC adoption increases the frequency of shareholder activism. We first focus on public demands made by investors and test how ISC adoption changed the demand

frequency and its outcomes. We predict that after ISC adoption, firms are more likely to receive a demand by investors. We also predict that the probability of investors' demands being heard increases post adoption. We estimate the following model to test whether there is an increase in the likelihood of investor demands in the wake of an ISC adoption:

$$Activism_{it} = \alpha_t + \alpha_j + \beta_1\, Post_{it} \times Stewardship_i + \beta_2 Stewardship_i + \sum \gamma_m Controls_{mit} + \varepsilon_{it}, \quad (1)$$

where $Activism_{it}$ is an indicator variable that equals one if firm i was targeted by an activist in year t and zero otherwise. $Stewardship_i$ is an indicator variable equal to one if the country of firm i adopted a stewardship code during our sample period and zero otherwise. $Post_{it}$ is an indicator variable for country years after the ISC adoption. The interaction term $Post_{it}$ x $Stewardship_i$ equals one if the country of firm i adopted a stewardship code in year t and zero otherwise. $Controls_{mit}$ is the set of country (m)- and firm (i)-level controls described below. α_t and α_j are year and industry fixed effects, respectively. The main effect for *Post* is subsumed by the inclusion of year fixed effects. We cluster standard errors at the firm and year levels.

We include a set of firm- and country-level controls that may affect a firm's likelihood of being targeted by investors. The controls are measured at the beginning of the year. At the firm level, *Size* is the log of total assets in thousands of US$. *Q* is the ratio of the market value of assets to total assets. The market value of assets is defined as the book value of total assets plus market value of equity minus common equity. *Leverage* is total debt over common equity. *Dividends* is cash dividends over total assets. To control for foreign operations, we include *% of Foreign Sales*, which is the ratio of foreign sales to total sales. To control for past profitability, we include *ROA*, which is operating income over total assets. We control for the ownership by large shareholders by including *% of Closely Held Shares*, which is defined as the percentage of the strategic number

of shares held by institutional investors or other institutions and not available to ordinary investors. We set *Dividends*, *% of Foreign Sale*s, and *% of Closely Held Shares* to zero if the value is missing.

At the country level, we include the La Porta et al. (1998) rule of law index to control for the quality of a country's institutions (*Rule of Law*).[21] We control for financial development, supply of capital, and market conditions by including *GDP*, *GDP Growth*, bilateral trade (*Import* and *Export*), and the annual changes in the market index (*Mkt Ret*). We include year and industry fixed effects to account for macroeconomic and industry-specific unobserved factors. Detailed definitions for each variable are provided in the appendix.

We estimate the model using two different samples. The first sample consists only of firms in adopting countries. The $Post_{it}$ x $Stewardship_i$ variable captures the effect of ISC adoption within adopting countries benchmarked against times when no ISC was in place. The second sample includes firms in both ISC-adopting and non-adopting countries. The $Stewardship_i$ indicator captures systematic differences in countries that choose to adopt an ISC. The $Post_{it}$ x $Stewardship_i$ variable captures the differential effect during periods of ISC adoption relative to countries that do not adopt an ISC. The design is akin to a difference-in-difference design using firms in non-adopting countries as the control group.

Table 3 presents the results for our main specification. Column (1) presents estimates from OLS regression using the within-adopting-country sample. The coefficient on *Post* x *Stewardship* equals 0.005 and is statically significant at the 1% level. The estimated coefficient suggests that after the adoption of an ISC, firms are 0.6% more likely to face public demands from an investor. Given that *Activism* is, on average, 0.2% in the pre-adoption period, this change represents a

[21] In additional analysis, we test whether the impact of ISC adoption varies by country level institution, specifically by level of investor protection in the country,

threefold relative increase in the likelihood of receiving a shareholder demand.[22] Column (2) presents estimates after including the non-adopting control group—firms in countries that had not adopted an ISC as of January 1, 2017. With this specification, we obtain similar results in terms of economic magnitude and statistical significance. The coefficient on *Post* x *Stewardship* is 0.003, which is significant at the 5% level.

In terms of control variables, we find that larger firms, firms with greater growth opportunities, and firms with more foreign activities are more likely to be targeted by activist investors. The coefficients on *Size*, *Q*, and *% of Foreign Sales* are positive and significant in all specifications. In contrast, firms that are have more leverage, pay more dividends, and have a greater proportion of closely held shares are less likely to be targeted. The coefficients on *Leverage*, *Dividends*, and *% Closely Held Shares* are negative and significant in most specifications. The coefficients on *Rule of Law* and *GDP Growth* are positive and significant, while the coefficients on *Mkt Ret* and *GDP* are negative and significant, in most specifications. Therefore, countries with stronger enforcement, lower GDP, greater GDP growth, and lower market returns have, on average, greater activism activity.

The last two columns of Table 3 present a similar specification but use the number of demands initiated by activist investors as the dependent variable instead of as an indicator variable. As with Panel A, the first model presents the results for the within-adopting-country sample. The coefficient on *Post* x *Stewardship* is positive and significant in column (3). The coefficient on *Post x Stewardship* of 0.007 (t-stats= 3.105) implies that the number of demands increased by 0.7% following the adoption of stewardship codes. Considering that the mean number of demands in the

[22] In additional analysis (untabulated), we estimate the impact using a probit model. The average marginal probability change induced by the adoption of ISCs relative to the sample average is estimated to be 0.004 for our treatment sample and 0.002 when we include the control sample. That is, adoption of ISC is associated with a 0.2-0.4 percent increase in the probability of being targeted, other things equal.

pre-adoption period is 0.3% (untabulated), the coefficient estimates represent a 2.3-fold (=0.7%/0.3%) increase in the likelihood of a firm receiving a demand. In column (4), we use the difference-in-difference design after including firms in non-adopting countries as a control group. We confirm an increase in the number of investor demands following ISC adoption. The estimated coefficient on *Post x Stewardship* is 0.004, which is statistically significant (t-stats =1.903). Overall, the findings suggest that after adoption of an ISC, firms face more frequent investor demands.

A potential concern is that ISCs—especially investor-initiated ones—have been enacted in response to greater activism activity, which would raise the possibility of reverse causality. This would be a problem for our difference-in-difference research design because the parallel trend assumption would be violated. To mitigate this concern about pre-treatment effects, we estimate the model after allowing the ISCs to have a yearly effect *before* the adoption. We include separate interaction variables for each year before the adoption of ISCs and then estimate the following model:

$$Activism_{it} = \alpha_t + \alpha_j + \beta_1\, T_{-3} \times Stewardship_i + \beta_2\, T_{-2} \times Stewardship_i + \beta_3\, T_{-1} \times Stewardship_i + \beta_4\, Post_{it} \times Stewardship_i + \beta_5 Stewardship_i + \sum \gamma_m Controls_{mit} + \varepsilon_{it} \quad . \tag{2}$$

T_{-K} denotes the K- years prior to the adoption of a ISC. For example, T_{-3} takes a value of one three years before the code adoption. T_{-3} x $Stewardship_i$ equals one if the country of firm i adopted a stewardship code three years prior to year t and zero otherwise. If there was a rise in investor demand in the adopting countries starting as early as three years before the code adoption, we would observe a significant and positive coefficient on the T_{-3} x $Stewardship_i$ interaction term (β_1).

In Table 4, Panel A, we present the coefficient estimates of equation (2). Column (1) shows only the treatment sample, and model (2) includes the control sample. The coefficients in T_{-1} and T_{-3} are in fact negative. For model (2), the coefficient on T_{-1} is statistically significant at the 10%

level. For both models, the coefficient on T_{-2} is marginally positive yet not significant. Overall, these trends mitigate concerns about a pre-treatment effect and the parallel trend assumption in our difference-in-difference specification not being met.

4.2. Time series and cross-sectional tests

4.2.1 Learning effects

We next investigate how activism activities evolve over time after a code is adopted. In particular, we test whether investors become more active as they learn how to engage with companies and receive more support from other investors. To test these learning effects, we estimate the following model:

$$Activism_{it} = \alpha_t + \alpha_j + \beta_1\, Post_{it} \times Stewardship_i \times\, Time_{it}\, + \beta_2\, Post_{it} \times Stewardship_i + \beta_3 Stewardship_i + \sum \gamma_m Controls_{mit} + \varepsilon_{it}, \quad (3)$$

where *Time* is equal to the number of years since ISC adoption.[23] The increase in the first adoption year is captured by *Post* x *Stewardship*. The coefficient of interest is *Post x Stewardship x Time*, which captures the incremental increase in shareholder demand for each year following adoption. If investors learn over time how to engage with firms, we would expect the coefficient to be positive and significant.

Table 4, Panel A, columns (3) and (4) present the results for estimating Equation (3). Consistent with our prediction, the coefficient on *Post* x *Stewardship* x *Time* is positive and significant in all our models. In column (3), using the within-country sample, we find that the coefficient on *Post* x *Stewardship* x *Time* is equal to 0.002, which is significant at the one percent level. The learning effect is meaningful when compared to the first-year effect, which is captured

[23] For example, *Time* is equal to zero in the year of adoption and to one in the first year following the adoption, and so on.

by *Post* x *Stewardship* (= 0.0031, t-stats= 1.8635). The gradual learning that occurs following the adoption leads to an annual increase that represents more than half (=65%) of the increase that occurs in the first adoption year.[24] These results show that investors become more active over time, suggesting that they learn how to engage with companies more effectively.

4.2.2 Cross-sectional tests

ISCs can be sanctioned by different issuing bodies: regulators and governments, investors, or industry participants. We investigate whether stewardship codes initiated by the government or by the private sector have differential effects on shareholder demands. Ex-ante, it is unclear whether codes initiated by the government have more or less influence than investor-initiated codes. Government-sanctioned codes could have greater power through public enforcement, yet initiatives by the private sector may be more likely to attract support from the investor community. It is an empirical question as to which type of codes induce a stronger effect on shareholder activism.

To test whether stewardship codes initiated by investors or the government affect activist demands differentially, we estimate equation (1) after partitioning the sample by government-led vs. investor-led adoptions. We follow Hill (2018) and classify ISCs into two types: (i) those issued by regulators or quasi-regulators (*Regulator*), and (ii) those led by investors or industry participants (*Investors*).

Table 4, Panel B presents the results for this model. For brevity, we present results using both the non-adopting and adopting-country samples. Results using only the adopting-country sample are similar, but with marginally greater statistical significance. In column (1), we present the estimates using only the investor-led adoption sample. In column (2), we repeat the estimation

[24] The 65% is obtained by dividing the estimated coefficient on *Post x Stewardship x Time* by the estimated coefficient on *Post x Stewardship* (=0.002/0.0031).

using only the government-led adoption sample. The control sample for models (1) and (2) includes firms from countries that did not adopt a stewardship code before 2017. The $Post_{it}$ x $Stewardship_i$ equals one if the country of firm *i* adopted a stewardship code in year *t* and zero otherwise. This is our main variable of interest and captures the changes in activism activities. We compare the effect of investor- and government-led ISCs by comparing the coefficients on the two interaction terms, *Post* x *Stewardship*, across the two samples. Assessments of significance across partitions are based on standard errors clustered at the firm level.

For our investor led adoption sample (column (1)), the coefficient on *Post* x *Stewardship* is positive (= 0.007) and statistically significant at the 1% level (t-stats= 5.532). Conversely, the coefficient on *Post* x *Stewardship* for our government led sample (column (2)) is positive (= 0.001) and insignificant (t-stats= 0.275). Further, the difference in coefficients between the two samples is statistically significant at the 1% level. Overall, the results in Table 4, Panel B suggest that the increase in public demand activities is driven by stewardship codes whose adoption was led by investors, while stewardship codes established by regulators do not seem to have a significant effect.

The last two columns of Table 4, Panel B separate investor demands based on whether the demand was initiated by local or foreign investors. Column (3) presents the local investor results. The coefficient on *Post* x *Stewardship* equals 0.002 and is significant. We obtain similar results in column (4), which includes only demands initiated by foreign investors. The coefficient on *Post* x *Stewardship* equals 0.001 and is significant at the 5% level. These results show that both foreign and local investors increase their activism activities after adoption of an ISC. The findings suggest that concerns about the limited territorial reach of ISCs for foreign investors are not confirmed by

our test of investor demands. Foreign investors' demands show an increase similar to that for domestic investors.

Overall, the results in Tables 4 suggest that public demand activities initiated by both local and foreign investors increases after adoption of a stewardship code. The results are driven by stewardship codes led by investors, while stewardship codes established by regulators do not seem to have a significant effect.

4.3 Activist demand outcomes

So far, our results suggest that investors are more likely to engage in activism activities following ISC adoption. We next turn our analysis to investor demand outcomes and investigate whether demands are more likely to yield a positive outcome after an ISC is adopted. Examining demand outcomes allows us to gauge the post-adoption quality and intensity of investor activism.

We repeat our analysis for the subsample of firms in which a demand is received from investors and an outcome to the demand is realized. We obtain outcome information from ActivistInsight, which collects outcomes at each demand level. Outcomes are reported by the investor who made the demand and are classified into five categories: successful, partially successful, compromise/settlement, withdrawn, or unsuccessful. We exclude demands that are still ongoing, that are reported as unresolved, or that are missing outcome information. We estimate the following model:

$$\begin{aligned} Positive\ Outcome_{it} &= \alpha_t + \alpha_j + \beta_1\ Post_{it} \times Stewardship_i + \beta_2 Stewardship_i \\ &+ \sum \gamma_m Controls_{mit} + \varepsilon_{it}. \end{aligned} \tag{4}$$

Positive Outcome is equal to one if the outcome is classified as "Successful," equal to 0.5 if the outcome is classified as "Partially Successful" or "Compromise / Settlement," and equal to zero if the outcome is classified as "Withdrawn" or "Unsuccessful." The coefficient of interest is *Post x*

Stewardship. If activist investors become more successful after ISC adoption, then the coefficient should be positive and significant.

Table 5 presents the results for this analysis. Column (1) shows results using only firms in adopting countries. Column (2) presents the results with the control sample (firms in non-adopting countries) included. Column (3) details the results for demands initiated by local investors, and column (4) provides the results for demands initiated by foreign investors.

We find that after ISC adoption, on average, there is no change in the likelihood of a positive outcome following a demand. The coefficient on *Post* x *Stewardship* is positive and insignificant in both column (1) and column (2). However, when we separately examine the demands initiated by local investors and the demands initiated by foreign investors, an interesting picture emerges. There is an increase in the likelihood that local investors receive a positive outcome. The coefficient on *Post* x *Stewardship* in column (3), which focuses on demands initiated by local investors, is positive and statistically significant at the 1% level. The estimated coefficient of 0.248 indicates that local investors are 24.8% more likely to have a positive outcome following the adoption of a stewardship code. In contrast, the coefficient on *Post* x *Stewardship* in column (4), which focuses on demands initiated by foreign investors, is marginally positive and insignificant. Overall, these results show that stewardship code adoption improves the chances of success for local investors, while frictions limit foreign investor success. It is possible that foreign investors have more difficulties in gaining local investor support, leading to less successful activist campaigns.

5. Empirical tests and results for shareholder voting

5.1 Voting participation

We next examine whether voting participation increases after the adoption of a stewardship code. If stewardship codes foster investors' engagement in corporate governance activities, then participation in all proposals should increase after such a code is adopted. We estimate the following model to test whether there is greater participation in shareholder voting following ISC adoption:

$$Participation_{ikt} = \alpha_t + \alpha_j + \beta_1\, Post_{it} \times Stewardship_i + \beta_2 Stewardship_i + \sum \gamma_m Controls_{mikt} + \varepsilon_{ikt}, \quad (5)$$

Participation is measured using the number of votes throughout the year. We include both management proposals and investor proposals in this analysis, because both are expected to experience an increase in engagement following code adoption.

Table 6 presents the results for this test. In column (1) we present the results including only adopting countries, and in column (2) we include all countries. The coefficient on *Post x Stewardship* is positive and insignificant for model (1) and positive and significant for model (2). Column (3) presents the results for participation by local investors. For model (3), the coefficient on *Post x Stewardship* is positive (=5.309) and significant (t-stat=3.225), providing evidence that participation by these investors increases post adoption. The coefficient on *Post x Stewardship* in column (4), which corresponds to foreign investors, is also positive and significant, and is of greater magnitude than the coefficient for local investors (=7.802). These results suggest that ISCs foster greater participation in voting both among local and foreign investors.

5.2 Shareholder voting following ISC adoption

We next examine patterns in the direction of shareholder votes to test for increased investor coordination following ISC adoption. In particular, we investigate how participation in corporate

voting changes after ISC adoption. We limit our sample to shareholder proposals, and predict an increase in support votes for these proposals following ISC adoption.[25]

We follow the same model as in Equation (5), but use the percentage of support votes as our dependent variable. *% For votes* is the number of "For" votes for proposal *k* of firm *i* in year *t* divided by the total number of votes. The test is performed at the proposal level. We include only proposals for which we can identify the sponsor. We define shareholder proposals as all proposals that are sponsored by institutional investors or by individuals who are not part of management.

We include a set of variables related to proxy advisor recommendations as additional controls. We control for whether proxy advisors make a recommendation and include *Proxy Advisor*, which equals one if ISS and/or Glass Lewis provide a voting recommendation and zero otherwise. To control for the actual recommendation, we include *For Guidance*, an indicator variable equal to one if ISS or Glass Lewis recommend voting "For" the demand. If there is disagreement between the two advisors, we set the variable to zero. Finally, to control for disagreement between the advisors, we include *Disagreement*, an indicator variable that is equal to one if ISS and Glass Lewis provide conflicting recommendations, and zero otherwise.

Table 7, Panel A presents the results for this test. We find that on average, proposals initiated by investors receive a higher percentage of "For" votes in the wake of stewardship code adoption. In column (1), we show the results using only firms in ISC-adopting countries. The coefficient on *Post* x *Stewardship* equals 0.087 and is statically significant at the 1% level. Therefore, in ISC-adopting countries, support for shareholder proposals increases by 8.7%

[25] For management proposals, however, it is difficult to predict ex-ante how voting patterns change after adoption. Increased activism could lead to more voting against management, but it could also change the nature of the management proposals such that they become more aligned with shareholders' interests. It is unclear that increased activism would manifest in more (or less) voting against management. Thus, we do not make a prediction for the voting outcome of management proposals. We instead focus our tests on proposals initiated by shareholders.

following an ISC adoption. The coefficient on *Post* x *Stewardship* is also positive and significant in column (2), which includes the control sample of firms in non-adopting countries. When we separate out the votes into those cast by local investors (column (3)) and those cast by foreign investors (column (4)), we find that the coefficient on *Post* x *Stewardship* is significant among local investors (= 0.250, t-stats= 5.248) and foreign investors (=0.07, t-stats=2.142). This result is consistent with investors' proposals receiving more "For" votes cast by both types of shareholders after the adoption of ISCs. The estimated coefficient suggests that, after ISC adoption, the percentage of "For" votes cast by local investors increased more (25%) than the percentage of "For" votes cast by foreign investors (7%). The difference in coefficients is statistically different (p-value=0.0209).

In terms of control variables, Table 7 shows that the percentage of "For" votes is higher when proxy advisors recommend voting for the proposal, as shown by the positive coefficient on *For Guidance*. The coefficient on *Disagreement* is also positive and significant. Therefore, if Glass Lewis and ISS disagree in their recommendation, shareholders are still more likely to cast a "For" vote. In addition, investors' proposals receive more support when the firm has been more profitable. The coefficient on *ROA* is positive and significant in all specifications. The size of the firm or its growth opportunities do not seem to be important in explaining the support received by investors' proposals. The coefficient on *Size* is insignificant in all specifications, and *Q* is insignificant in three out of four specifications.

As with our demand tests, we investigate whether stewardship codes led by regulators or investors influence voting patterns differentially. When focus on votes casted by local investors and estimate equation (5) after partitioning the sample by government-led vs. investor-led adoptions. Table 7, Panel B presents the results. In column (1), which includes only the investor-

led ISCs sample, the coefficient on *Post x Stewardship* is positive (= 0.260) and significant at the 1% level. In contrast, in column (2), which includes only the government-led ISCs sample, the coefficient on *Post x Stewardship* is negative and significant. Thus, in adopting countries, the percentage of "For" votes increases only for investor-led ISCs.

5.3 Types of shareholder proposals

We explore which type of proposals benefit the most from the adoption of an ISC. For this set of tests, we focus on votes made by local investors because we observed an increase in these votes after stewardship code adoption. First, we partition our proposal sample based on the experience level of the activist investor. We expect that investors with more experience in engaging with firms and other investors will benefit the most from a stewardship code. We define an experienced activist as one who actively engages in activism activities with more than one firm in a given year.[26]

Columns (1) and (2) of Table 8 present the results for this partition. Column (1) presents the results for proposals from experienced investors, and column (2) presents the results for proposals from non-experienced investors. In both cases, the coefficient on *Post x Stewardship* is positive and significant at the 1% level. However, the coefficient on *Post x Stewardship* is more than twice as large in column (1) (= 0.489, t-stats = 3.228) as in column (2) (= 0.229, t-stats = 3.069), a difference that is significant at the 10% level. This suggests that local investors' votes increase for both types of proposals after ISC adoption, but increase more for proposals from experienced investors.

[26] We find robust results based on alternative thresholds such as more than 5 or 10 engagements in a given year.

As a second partition, we focus on proposals that received a proxy advisor recommendation. We partition these proposals based on whether they receive "For" recommendations from both proxy advisors or receive at least one "Against" recommendation. If stewardship codes foster investor engagement and if proxy advisor recommendations correspond to the best course of action for the firm's corporate governance, then we would expect proposals to receive the most support following the adoption of stewardship codes. Because we only have six years of proxy advisor recommendation data, we cluster standard errors at the firm—not the year—level.

Columns (3) and (4) of Table 8 present the results for this partition. Column (3) includes proposals supported by proxy advisors, and column (4) includes proposals that were not supported by at least one proxy advisor. The coefficient on *Post x Stewardship* is positive and significant in column (3) and negative and insignificant in column (4). Further, the difference between the column (3) coefficient (0.565) and and the column (4) coefficient (0.035) is statistically significant at the 1% level. This suggests that local investors' votes in support of a shareholder proposal increase more for proposals that receive a "For" recommendation from proxy advisors.

Finally, we partition the proposals based on whether they were initiated by institutional or individual investors. Because institutional investors are more experienced (Gillan and Starks 2000), we expect their proposals to receive greater support from other investors after the adoption of an ISC. In contrast, individual investors may struggle to gain sufficient support for their proposals even after ISC adoption.

The last two columns of Table 8 present the results for this partition. Column (5) presents the results for proposals by institutional investors, and column (6) presents the results for proposals by individual investors. The coefficient on *Post x Stewardship* is only statistically significant in

column (5); in column (6), it is positive but not significant. The difference in the two *Post x Stewardship* coefficients is significant at the 1% level.

Overall, we find evidence that proposals made by more experienced investors, such as those actively engaging in activism activities as well as institutional investors, benefit the most in the wake of ISC adoption. Shareholder proposals that receive recommendations from proxy advisors also receive more support after the adoption of a stewardship code.

5.4 Additional tests

5.4.1 ISCs in weak vs. strong investor protection countries

Our global setting allows us to explore another interesting source of variation: the existing level of investor protection. Prior studies show that activism is more likely in countries with strong investor protection than in countries with weak investor protection, where governance is relatively poor (Becht et al. 2017). Such findings suggest that forces in weak investor protection countries hamper activism, even though activism in those nations could yield higher potential returns.

In additional tests, we examine whether ISCs have a differential effect on target firms in countries with strong investor protection vs. countries with weak investor protection. Following Lel and Miller (2014), we use the Djankov et al. (2008) self-dealing index to measure each country's level of investor protection. A country is defined as having strong investor protection if the self-dealing index is greater than or equal to the country-level median value for our sample (0.46), and is defined as having weak investor protection otherwise.

To test whether stewardship codes in weak and strong investor protection countries affect activist demands differentially, we estimate equation (1) after partitioning the sample by weak vs. strong investor protection. Table 9 Panel A, columns (1) and (2) present the results. In column (1), we present the estimates using the weak protection treatment sample. In column (2), we repeat the

estimation using the strong protection treatment sample. The control sample for both models includes firms from countries that did not adopt a stewardship code before 2017. We compare the effect on the different partitions by comparing the coefficients on the interaction terms, *Post* x *Stewardship*, across the two samples.

For our weak investor protection sample (column (1)), the coefficient on *Post* x *Stewardship* is positive (= 0.008) and statistically significant at the 1% level (t-stats= 3.639). We find weaker results for our strong investor protection sample: the coefficient on *Post* x *Stewardship* (column (4)) is positive (= 0.003) and significant at the 10% level (t-stats= 1.732). Further, the difference in coefficient is statistically significant, with a p-value of 0.0744. The results suggest that stewardship codes have an impact in both regimes, but have a stronger effect in weak investor protection countries, where alternative governance mechanisms are lacking (Lel and Miller 2014). We interpret the findings to mean that ISCs encourage activism in regions where the returns from activism may be highest.

We next focus on demand outcomes and investigate whether the likelihood of a positive outcome differs based on a country's level of investor protection. Column (3) presents the results for a treatment sample of firms in weak investor protection countries and our control sample of firms in non-adopting countries. Column (4) presents the results for a treatment sample of firms in strong investor protection countries and our control sample of firms in non-adopting countries. We find that in both samples, the coefficient on *Post x Stewardship* is positive and significant. The coefficients are not statistically different from each other, suggesting that, although countries with weak investor protection benefit the most from activism activities, they are no different from countries with strong investor protection in terms of positive outcomes.

We next test how ISCs changed voting patterns in countries with weak vs. strong investor protection. We first examine participation in voting. Column (1) includes a treatment sample of countries with weak investor protection and our control sample of non-adopting countries and column (2) includes a treatment sample of countries with weak investor protection and our control sample of non-adopting countries. We find that in both columns, the coefficient on *Post x Stewardship* is positive and significant. However, the coefficient for the weak investor protection partition, 6.711, is statistically greater than the coefficient of for the strong investor protection partition, 4.332. This suggests that stewardship codes foster greater participation by investors in countries with weak investor protection than strong investor protection countries.

Next, we investigate investor support votes during shareholder proposals. We include only local investor votes, and investigate whether a different pattern emerges based on a country's level of investor protection. We re-estimate our model limiting our treatment sample to weak investor protection countries (column (3)) and strong investor protection countries (column (4)). The control sample for both models is firms in non-adopting countries. For the weak investor protection sample (column (3)), the coefficient on *PostxStewarship* is positive and significant at the 1% level (=0.356 t-stats=4.152). In contrast, for the strong investor protection sample (column (4)), the coefficient on *Post x Stewardship* is negative and significant. Thus, the percentage of "For" votes increases only for firms in adopting countries that have weak investor protection. Overall, the findings suggest that ISCs have stronger effects of in weak investor protection countries perhaps by allowing easier coordination among investors.

5.4.2 Robustness tests

To address concerns that unobserved country-level attributes may be driving the results, we repeat our main analysis while including country fixed effects. Table 10, Panel A presents the

results for this test. Columns (1) and (2) present the results for the activism likelihood, and columns (3) and (4) present the results for the percentage of "For" votes for investor-initiated proposals. Overall, our results are robust to the inclusion of country fixed effects. The coefficient on *Post* x *Stewardship* is positive and significant at the 1% level in three out of four models, and is at the 10% level in column (2).

We also address concerns around ambiguous adoption dates. There are certain countries where codes were adopted but subsequently revised (see Appendix). For our main tests, we use the first adoption date. Here we repeat the main analyses using the final adoption dates. For example, the United Kingdom first adopted a set of stewardship codes in December 2010 (the date we use throughout our analyses), then revised the codes in 2012. The Netherlands issued the "Eumedion Best Practices for Engaged Share-Ownership" in year 2011, then adopted the "Dutch Stewardship code" in June 2018. In both cases, our main analyses use the first adoption date. Here, we assess the robustness of our results using the later adoption dates (2012 for the UK and 2018 for the Netherlands, which means the Netherlands is now classified as a non-adopter country). Table 10, Panel B presents the results for this test. Columns (1) and (2) show the results using *Activism* as our dependent variable. Columns (3) and (4) show the results using *% of For votes* as our dependent variable for investor-initiated proposals. We find that our results are mostly robust to the changes in adoption dates. However, we lose significance in column (3), which is consistent with the effect of the stewardship codes starting after the first implementations (2010 for the U.K. and 2011 for the Netherlands).

6. Conclusion

We show that shareholder activism increases following the adoption of investor stewardship codes. Using the staggered adoption of ISCs across twelve countries from 2010 through 2016, we find that the number of public demands made by investors increases twofold after adoption. We also find a learning effect. The increase in investors' demands begins in the year of the adoption and becomes stronger over the subsequent three years. In terms of outcomes, investor demands made after the adoption of stewardship codes are more likely to be successfully implemented, but only if the demands came from domestic investors. Foreign investors appear to encounter frictions that are not resolved after stewardship code adoption.

We then look at whether shareholder voting patterns changed after the code adoption. We find that investors are more likely to vote and support shareholder proposals following ISC adoption. However, we find no evidence that, post adoption, investors vote more against management proposals. The increase in support votes for shareholder proposals is more prominent when the proposals are (i) supported by proxy advisors, and (ii) made by more experienced proponents.

We contribute to the literature on shareholder activism and voting by providing cross-country evidence on the effects of ISCs around the world. Our findings suggest that the global adoption of ISCs alters the landscape of shareholder activism. We show that ISCs have changed how investors engage with firms, particularly through shareholder activism. Our cross-country sample allows us to explore the different kinds of ISCs, and to show that investor-initiated stewardship codes lead to greater changes than do regulator-initiated ones. We also show that the effect is stronger in countries with weaker investor protection, suggesting that ISCs are more effective in regions that lack alternative governance mechanisms.

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Appendix 1: Variable definitions

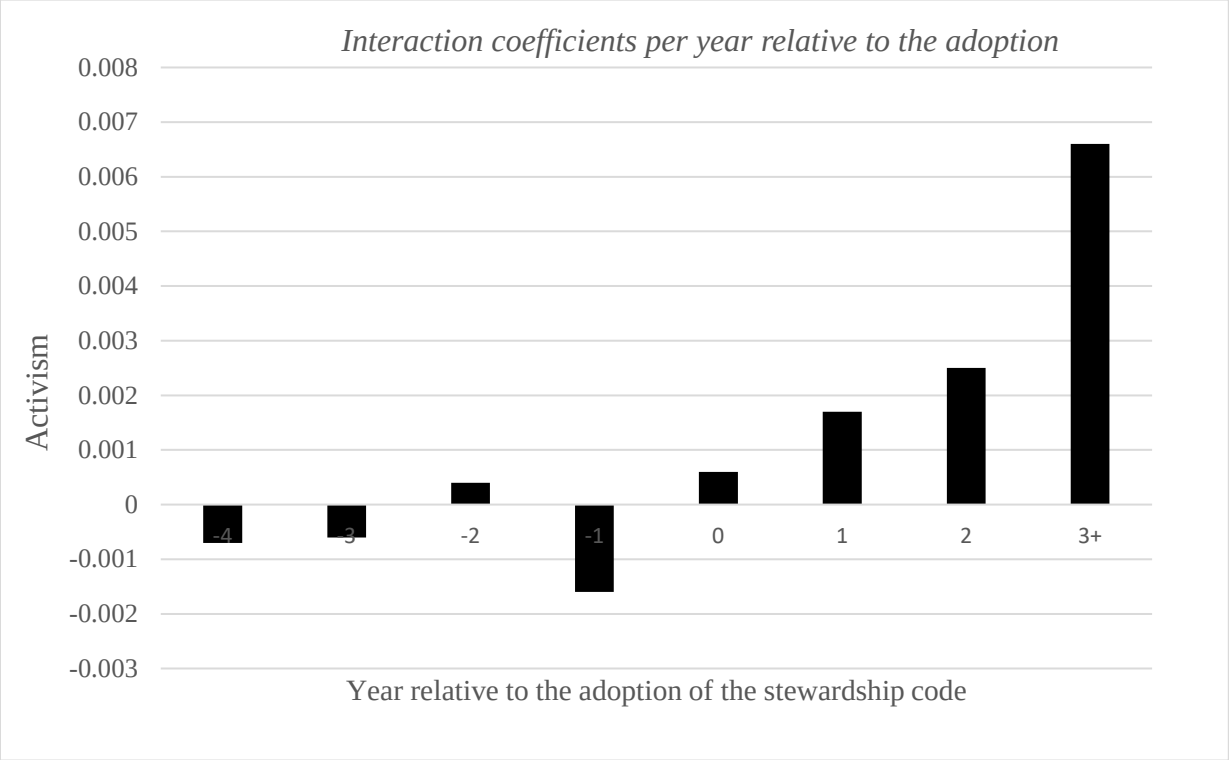
Activism	Indicator variable that equals one if the firm was targeted by an activist that year, zero otherwise.
# of Demands	Number of demands from activist investors received by the firm.
Positive Outcome	Equal to one if the outcome is classified as "Activist's Objectives Successful," equal to 0.5 if the outcome is classified as "Activist's Objectives Partially Successful" or "Compromise / Settlement," and equal to zero if the outcome is classified as "Activist Withdrew Demands" or "Activist's Objectives Unsuccessful."
Participation	# of votes throughout the year.
% of For Votes	Percentage of "for" votes.
Stewardship	Indicator variable equal to one if the firm's country adopted a stewardship code before 2017 and zero otherwise.
Post x *Stewardship*	Equals one if the firm's country adopted a stewardship code in that year or after, zero otherwise.
Investor	Indicator variable equal to one if the firm's country adopted an investor-led stewardship code before 2017, zero otherwise.
Strong/Weak IP	Countries classified as having strong or weak investor protection. The partition is based on the median value of the *Self-Dealing Index* (Djankov et al., 2008).
Government	Indicator variable equal to one if the firm's country adopted a government-led stewardship code before 2017, zero otherwise.
Time	Number of years since the adoption of the stewardship code.
Size	Log of total assets in US$.
Q	Market value of total assets to total assets, where market value of assets is defined as the book value of total assets plus market equity minus common equity.
Leverage	Total debt divided by the book value of total assets.
ROA	Operating income divided by total assets
Dividends	Cash dividends divided by total assets.
% of Closely Held Shares	Percentage of the strategic number of shares held by institutional investors *or* other institutions and not available to ordinary investors.
% of Foreign Sales	Ratio of foreign sales to total sales.
Rule of Law	Rule of law based on the La Porta et al. (1998) index of the firm's country.
Mkt Ret	Annual change in the DataStream index corresponding to the firm's country.
Gdp	Real gross domestic product (Constant 2010 US$).
Gdp Growth	Percentage change of real gross domestic product.
Exports	Exports to a country's GDP.

Imports	Imports to a country's GDP.
Proxy Advisor	Indicator variable that equals one if ISS and/or Glass Lewis provide a recommendation for the proposal and zero otherwise.
For Guidance	Indicator variable that equals one if ISS or Glass Lewis recommend voting "for" the demand. If there is disagreement between both advisors, we set the variable to zero.
Disagreement	Indicator variable that equals one if ISS and Glass Lewis provide conflicting guidance, zero otherwise.

Appendix 1: Stewardship codes

Countries	Adoption date	Name of the Code	Source
BRAZIL	16-Oct	The Association of capital Markets Investors (AMEC) Stewardship Code	https://en.amecbrasil.org.br/stewardship/amec-stewardship-code/
CANADA	10-Dec	Principles for Governance Monitoring, Voting and Shareholder Engagement	https://ecgi.global/code/principles-governance-monitoring-voting-and-shareholder-engagement-canadian-coalition-good
DENMARK	16-Oct	Stewardship Code	https://corporategovernance.dk/sites/default/files/erst_247_opsaetning_af_anbefalinger_for_aktivt_ejerskab_uk_2k8.pdf
HONG KONG	16-Mar	Principles of Responsible Ownership	https://www.sfc.hk/web/EN/rules-and-standards/principles-of-responsible-ownership.html
ITALY	16-Sep	Italian Stewardship Principles	https://ecgi.global/code/italian-stewardship-principles-2016
JAPAN	14-Feb	Principles of Responsible Institutional Investors	https://www.fsa.go.jp/en/refer/councils/stewardship/20170529/01.pdf
MALAYSIA	14-Jun	Malaysian Code for Institutional Investors	http://www.iicm.org.my/malaysian-code-for-institutional-investors/
NETHERLANDS	11-Jun	Best Practices for Engaged Share-Ownership, EUMEDION Corporate Governance Forum	https://www.icgn.org/sites/default/files/Netherlands_Code.pdf
SINGAPORE	16-Nov	Stewardship Principles for Responsible Investors, Stewardship Asia Centre	https://www.stewardshipasia.com.sg/
SWITZERLAND	13-Jan	Guidelines for Institutional Investors Governing the Exercising of Participation Rights in Public Limited Companies	https://www.icgn.org/sites/default/files/LD_130121_E.pdf
UNITED KINGDOM	10-Dec	The UK Stewardship Code	https://www.frc.org.uk

Figure 1: Shareholder activism before and after ISC adoption



Notes: The figure reports the yearly coefficients for a linear regression model of the likelihood of investors' demands made after ISC adoption. We include all controls that are used in Table 3.

Table 1: Adoption of stewardship codes around the world

Adopting countries							Non-adopting countries	
Countries	Adoption date	Code Type (G/I)	Investor Protection (W/S)	# of firm years	% of firms targeted (Pre)	% of firms targeted (Post)	Countries	# of firms years
BRAZIL	Oct-16	I	W	8,080	0.04%	0.00%	ARGENTINA	1,435
CANADA	Dec-10	I	S	36,224	0.05%	1.12%	AUSTRALIA	23,485
DENMARK	Oct-16	G	S	2,831	0.71%	0.61%	AUSTRIA	1,412
HONG KONG	Mar-16	G	S	18,404	0.12%	0.53%	BELGIUM	2,026
ITALY	Sep-16	I	W	4,632	0.42%	3.21%	CHILE	3,064
JAPAN	Feb-14	G	S	50,133	0.04%	0.49%	CHINA	27,934
MALAYSIA	Jun-14	G	S	12,202	0.01%	0.37%	FINLAND	1,972
NETHERLANDS	Jun-11	I	W	2,065	0.16%	1.35%	FRANCE	10,641
SINGAPORE	Nov-16	I	S	9,250	0.21%	1.39%	GERMANY	12,573
SOUTH AFRICA	Jul-11	I	S	4,810	0.00%	0.83%	GREECE	4,034
SWITZERLAND	Jan-13	I	W	4,183	0.10%	2.57%	INDIA	23,372
UNITED KINGDOM	Dec-10	G	S	24,297	0.01%	1.05%	INDONESIA	6,035
							IRELAND	855
							ISRAEL	5,216
							LUXEMBOURG	536
							MEXICO	2,542
							NEW ZEALAND	1,814
							NORWAY	2,999
							POLAND	4,495
							PORTUGAL	867
							SOUTH KOREA	20,293
							SPAIN	4,572
							SWEDEN	7,183
							TURKEY	4,467
Total				177,111				173,822

Notes: The table reports descriptive statistics for each adopting and non-adopting country in our sample. The sample consists of a set of 350,933 firm-year observations from 36 countries between 2007 and 2016. The treatment sample consist of 177,111 firm-year observations from 12 countries that adopted a stewardship code between 2010 and 2016. A country is included if it has ActivistInsight data and the necessary country-level attributes. Each firm is required to have market capitalization data from Datastream and the necessary industry codes from Worldscope.
*denotes countries that adopted a stewardship code in 2017.

Table 2: Descriptive statistics

Panel A: Activism demands

Variable	All Firm years	Firm years in non-adopting countries	Firm years in adopting
Total Number of Demands	1,709	780	929
Number of demands by domestic investors	1,045	467	578
Number of demands by foreign investors	664	313	351
Demands Categories			
Balance sheet activism	139	54	85
Board related activism	955	506	449
Business strategy	85	35	50
M&A activism	213	86	127
Remuneration	52	14	38
Other	265	85	180
Demand Outcomes			
Number of withdrawn demands / unsuccessful	897	388	509
Number of partially successful outcomes	158	72	86
Number of positive outcomes	590	287	303
Number of ongoing / unresolved demands	64	33	31

Panel B: Firm-year descriptive statistics

Variable	N	Mean	SD	Median	Min	Max
Activism	350,933	0.003	0.06	0.00	0.00	1.00
Number of Demands	350,933	0.005	0.11	0.00	0.00	15.00
Positive Outcome	1,044	0.41	0.47	0.00	0.00	1.00
% For Votes- Investor Initiated	1,067	0.22	0.33	0.04	0.00	1.33
Size	350,933	12.01	2.52	11.93	3.71	18.67
Q	350,933	2.05	4.73	1.15	0.28	107.66
Leverage	350,933	0.24	0.31	0.17	0.00	4.15
ROA	350,933	-0.05	0.53	0.03	-8.21	0.37
Dividends	350,933	0.01	0.03	0.001	0.00	0.20
% of Closely Held	350,933	0.31	0.30	0.27	0.00	0.97
% of Foreign Sales	350,933	15.39	29.05	0.00	0.00	100.00
Rule of Law	350,933	7.27	3.01	8.57	0.00	10.00

Mkt Ret	350,933	0.13	0.28	0.13	-0.63	1.50
Gdp	350,933	2.31	2.14	1.60	0.04	8.91
Gdp Growth	350,933	3.32	3.44	2.83	-9.13	25.56
Import	350,933	0.43	0.45	0.30	0.10	2.21
Export	350,933	0.45	0.49	0.28	0.11	2.31

Panel C: Shareholder Voting

		% For Votes		
Variable	# Proposals	All Firms	Firms in non-adopting countries	Firms in adopting countries
Proposals				
Initiated by management	606,151	0.80	0.78	0.82
Initiated by investors	1,067	0.22	0.14	0.28
Investor Initiated Proposals Type				
Board of Directors	493	0.27	0.22	0.30
Committees & Reporting	135	0.08	0.05	0.11
Corporate Structure	68	0.20	0.18	0.23
Environmental & Social	118	0.08	0.02	0.17
General Governance	57	0.25	0.07	0.55
Remuneration	179	0.25	0.11	0.27

Notes: This table reports descriptive statistics. Panel A provides a description of the number of demands initiated by activist investors by the investors' origin, the type of demand, and its outcome. Panel B provides descriptive statistics for the variables used in our regression analyses. Panel C presents average values of the % For Votes by sponsor and proposal type. See the appendix for detailed variable definitions.

Table 3: Shareholder activism following stewardship code adoption

VARIABLES	(1) Activism	(2) Activism	(3) # of Demands	(4) # of Demands
PostxStewardship	0.005***	0.003**	0.007***	0.004*
	(3.298)	(2.233)	(3.105)	(1.903)
Stewardship		-0.001		-0.002*
		(-1.418)		(-1.701)
Size	0.001***	0.001***	0.002***	0.001***
	(3.179)	(3.395)	(3.041)	(3.285)
Q	<0.001***	<0.001***	<0.001***	<0.001
	(3.265)	(2.782)	(3.154)	(0.967)
Leverage	<0.001	-0.001***	<-0.001	-0.001***
	(-0.935)	(-3.415)	(-0.259)	(-2.993)
ROA	<0.001	<0.001	<0.0001	-0.001
	(0.639)	(-1.407)	(1.183)	(-1.398)
Dividends	-0.023**	-0.015**	-0.047**	-0.029***
	(-2.474)	(-2.568)	(-2.395)	(-3.113)
% of Closely Held Shares	-0.004***	-0.004***	-0.006***	-0.006***
	(-3.443)	(-3.161)	(-3.242)	(-2.930)
% of Foreign Sales	0.003***	0.003***	0.004***	0.005***
	(3.126)	(3.731)	(3.357)	(2.831)
Rule of Law	0.002***	0.001***	0.002**	0.001***
	(2.581)	(3.277)	(2.471)	(3.046)
Mkt Ret	-0.003**	<0.001	-0.007**	-0.001
	(-2.224)	(-0.408)	(-2.479)	(-0.775)
Gdp	-0.002***	-0.001***	-0.002***	-0.001***
	(-2.698)	(-4.064)	(-2.828)	(-4.515)
Gdp Growth	0.028	0.044***	0.012	0.063**
	(1.230)	(2.622)	(0.561)	(2.512)
Import	-0.005	-0.009***	-0.010*	-0.016***
	(-1.202)	(-3.009)	(-1.772)	(-2.583)
Export	0.001	0.006**	0.006	0.012**
	(0.352)	(2.454)	(1.332)	(2.241)
Observations	177,111	350,933	177,111	350,933
R-squared	0.0119	0.0092	0.0075	0.0058
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	Only Adopting Countries	All Countries

Notes: The table reports the results for changes in shareholder activism following stewardship code adoption. Models (1) and (2) estimate the coefficients for a linear regression model when estimating the likelihood of investors' demands made post-ISC adoption. Models (3) and (4) estimate the coefficient for a linear regression model when estimating the number of demands made by activist investors. Models (1) and (3) include only the adopting countries. Models (2) and (4) include all countries. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 4: Time series and cross-sectional tests

Panel A: Shareholder activism and learning effects over time

VARIABLES	(1) Activism	(2) Activism	(3) Activism	(4) Activism
T_{-3} xStewardship	-0.0001	-0.0007		
	(-0.0652)	(-1.3278)		
T_{-2} xStewardship	0.0010	0.0004		
	(1.0537)	(0.3811)		
T_{-1} xStewardship	-0.0010	-0.0020*		
	(-0.9895)	(-1.7144)		
PostxStewardship	0.0054***	0.0030**	0.0031*	0.0009
	(2.5997)	(1.9807)	(1.8635)	(0.4547)
PostxStewardshipxTime			0.0020***	0.0014***
			(6.3063)	(4.7003)
Stewardship		-0.0005		-0.0012*
		(-1.1755)		(-1.8240)
Size	0.0015***	0.0011***	0.0015***	0.0011***
	(3.1945)	(3.3718)	(3.1387)	(3.3244)
Q	0.0001***	<0.0001***	0.0001***	0.0001***
	(3.2482)	(2.6949)	(3.1782)	(3.0066)
Leverage	-0.0003	-0.0011***	-0.0004	-0.0011***
	(-0.9491)	(-3.4518)	(-1.2159)	(-3.4231)
ROA	0.0001	-0.0004	0.0004*	-0.0002
	(0.6505)	(-1.4462)	(1.7293)	(-0.9448)
Dividends	-0.0235**	-0.0148**	-0.0253**	-0.0152***
	(-2.4783)	(-2.5323)	(-2.4730)	(-2.5989)
% of Closely Held Shares	-0.0040***	-0.0040***	-0.0039***	-0.0038***
	(-3.3734)	(-3.1488)	(-3.7693)	(-3.3107)
% of Foreign Sales	0.0026***	0.0029***	0.0023***	0.0028***
	(3.1430)	(3.7705)	(3.0540)	(3.9424)
Rule of Law	0.0016**	0.0008***	0.0012***	0.0008***
	(2.5507)	(3.2416)	(2.6002)	(3.1873)
Mkt Ret	-0.0029**	-0.0003	0.0002	0.0004
	(-2.2711)	(-0.2067)	(0.2505)	(0.3809)
Gdp	-0.0015***	-0.0008***	-0.0013***	-0.0007***
	(-2.6172)	(-4.1521)	(-2.8561)	(-4.5477)
Gdp Growth	0.0321	0.0447***	-0.0087	0.0358**
	(1.4698)	(2.6026)	(-0.5489)	(2.4851)
Import	-0.0043	-0.0088***	-0.0082	-0.0098***
	(-1.1137)	(-2.9487)	(-1.5819)	(-2.8305)
Export	0.0009	0.0055**	0.0062	0.0070**
	(0.2301)	(2.3223)	(1.3202)	(2.4188)
Observations	177,111	350,933	177,111	350,933
R-squared	0.0119	0.0092	0.0128	0.0095
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	Only Adopting Countries	All Countries

Panel B: Changes in activism likelihood cross-section

VARIABLES	(1) Investor Led Adoption	(2) Government Led Adoption	(3) Local Demand	(4) Foreign Demand
PostxStewardship	0.007***	0.001	0.002**	0.001**
	(5.532)	(0.275)	(2.109)	(2.396)
Difference in Coefficients		*<0.0001*		*[0.1627]*
Stewardship	-0.001**	<0.001	<0.001	<0.001*
	(-2.503)	(-0.571)	(-0.993)	(-1.804)
Size	0.001***	0.001***	0.001***	0.001***
	(3.512)	(3.236)	(3.157)	(3.404)
Q	<0.001**	<0.001	<0.001*	<0.001**
	(2.554)	(-0.027)	(1.823)	(2.502)
Leverage	-0.001***	-0.001***	-0.001***	<0.001*
	(-3.347)	(-2.732)	(-3.280)	(-1.910)
ROA	<0.001	-0.001***	<0.001	<0.001*
	(-0.416)	(-2.615)	(-0.857)	(-1.791)
Dividends	-0.016**	-0.008*	-0.005	-0.011**
	(-2.134)	(-1.849)	(-1.382)	(-2.278)
% of Closely Held Shares	-0.005***	-0.003***	-0.002***	-0.002***
	(-3.334)	(-3.065)	(-2.584)	(-3.455)
% of Foreign Sales	0.003***	0.002***	0.001**	0.002***
	(3.191)	(3.071)	(2.170)	(3.830)
Rule of Law	0.001***	0.001***	0.001***	0.000***
	(3.334)	(2.746)	(3.109)	(2.970)
Mkt Ret	0.002	<0.0001	-0.001	0.001
	(1.424)	(0.436)	(-1.205)	(1.003)
Gdp	-0.001***	-0.001***	-0.001***	-0.000***
	(-4.326)	(-4.934)	(-3.551)	(-3.449)
Gdp Growth	0.049***	0.030**	0.041***	0.002
	(2.761)	(2.028)	(2.840)	(0.366)
Import	-0.007	-0.009***	-0.005***	-0.005***
	(-1.161)	(-3.144)	(-2.636)	(-2.703)
Export	0.005	0.006**	0.002*	0.004**
	(0.839)	(2.376)	(1.684)	(2.414)
Observations	243,066	281,689	350,933	350,933
R-squared	0.0109	0.0073	0.0065	0.0038
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	All Countries	All Countries	All Countries	All Countries

Notes: The table reports coefficients for a linear regression model of the likelihood that investors will make demands after ISC adoption. Panel A provide estimates for pre-period patterns of changes in behavior and changes over time in the post-adoption period. Models (1) and (2) differentially estimate the effect by year in the pre-period. Models (3) and (4) estimate how post-ISC changes evolve over time. Models (1) and (3) include only the adopting countries. Models (2) and (4) include all countries. Panel B provides results for different partitions. Models (1) and (2) differentially estimate the effect of investor- and government-led stewardship codes. Model (3) includes demands initiated by local, while model (4) includes demands initiated by foreign investors. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. Assessments of significance across partitions are made based on standard errors clustered at the firm level. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 5: Investor demand outcomes

VARIABLES	(1) Outcome	(2) Outcome	(3) Outcome: Local Demand	(4) Outcome: Foreign Demand
PostxStewardship	0.086	0.082	0.248***	0.021
	(0.996)	(1.043)	(3.016)	(0.311)
Difference in Coefficients [P-value]			*[0.0411]*	
Stewardship		-0.076	-0.252***	0.016
		(-1.011)	(-3.401)	(0.274)
Size	-0.016	-0.019**	-0.038***	-0.004
	(-1.019)	(-2.160)	(-4.206)	(-0.268)
Q	-0.010	0.005	0.006	-0.013
	(-0.872)	(1.050)	(1.523)	(-0.517)
Leverage	-0.068	0.012	0.101	-0.102
	(-0.957)	(0.201)	(0.984)	(-1.160)
ROA	-0.108*	0.056	0.121***	-0.096
	(-1.792)	(1.372)	(4.728)	(-0.770)
Dividends	-0.883	-1.238**	-1.296**	-0.017
	(-0.768)	(-2.148)	(-2.457)	(-0.015)
% of Closely Held Shares	0.042	0.027	-0.060**	0.078
	(0.794)	(0.587)	(-2.391)	(0.901)
% of Foreign Sales	0.098	0.110	0.161**	0.032
	(1.599)	(1.569)	(2.025)	(0.353)
Rule of Law	-0.060***	-0.040***	-0.054***	-0.021***
	(-2.708)	(-7.177)	(-8.816)	(-2.859)
Mkt Ret	-0.401**	-0.170	-0.016	-0.244
	(-2.347)	(-0.976)	(-0.070)	(-0.959)
Gdp	-0.013	-0.009	-0.001	-0.028*
	(-0.939)	(-0.737)	(-0.103)	(-1.962)
Gdp Growth	1.195	-2.069	-0.199	-1.707
	(0.389)	(-1.082)	(-0.122)	(-0.842)
Import	-0.064	-0.406	0.220	-1.110*
	(-0.227)	(-1.217)	(0.544)	(-1.718)
Export	-0.028	0.370	-0.099	0.888
	(-0.102)	(1.110)	(-0.263)	(1.431)
Observations	579	1,044	683	398
R-squared	0.1645	0.1248	0.2135	0.0914
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	All Countries	All Countries

Notes: The table reports coefficients for a linear regression model for the outcome of investors' demands post ISC adoption. Model (1) includes only the adopting countries. Model (2) includes all countries. Model (3) only includes demands made by local investors, while Model (4) includes demands made by foreign investors. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. Assessments of significance across partitions are made based on standard errors clustered at the firm level. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 6: Investor voting participation following ISC adoption

VARIABLES	(1) Participation	(2) Participation	(3) Participation Local Investors	(4) Participation Foreign Investors
PostxStewardship	10.688	12.981**	5.309***	7.802*
	(1.291)	(2.428)	(3.225)	(1.812)
Difference in Coefficients [p-value]			*[0.1000]*	
Stewardship		0.396	1.856	-1.381
		(0.120)	(1.434)	(-0.451)
Disagreement	56.099***	62.039***	2.345***	59.508***
	(7.576)	(11.315)	(2.881)	(11.818)
For Guidance	27.936***	24.716***	3.609***	21.108***
	(5.521)	(7.183)	(6.296)	(7.047)
Proxy Advisor	25.856***	34.198***	0.084	34.030***
	(3.325)	(5.063)	(0.141)	(5.208)
Size	29.698***	25.518***	1.474***	24.187***
	(3.829)	(3.889)	(3.004)	(3.932)
Q	6.349***	5.462***	0.469***	5.004***
	(3.333)	(4.041)	(3.063)	(4.103)
Leverage	-38.830***	-36.680***	-0.856	-36.212***
	(-3.874)	(-3.804)	(-1.522)	(-3.786)
ROA	-0.250	-0.821	2.507***	-3.471
	(-0.045)	(-0.196)	(3.825)	(-0.810)
Dividends	268.323***	193.672***	17.996***	176.201***
	(3.569)	(3.675)	(3.165)	(3.674)
% of Closely Held Shares	-38.455***	-38.218***	-5.585***	-32.810***
	(-2.873)	(-3.044)	(-2.627)	(-3.105)
% of Foreign Sales	18.270***	12.341***	1.162***	11.096***
	(4.390)	(3.509)	(3.186)	(3.409)
Rule of Law	6.416***	5.226***	1.019***	4.210***
	(3.017)	(4.358)	(3.408)	(4.284)
Mkt Ret	-33.011*	-12.103	-16.879***	4.794
	(-1.754)	(-0.790)	(-3.277)	(0.394)
Gdp	-0.847	-1.840**	-1.204***	-0.672
	(-0.791)	(-2.444)	(-4.456)	(-1.008)
Gdp Growth	443.882***	253.979***	123.938***	129.961***
	(2.837)	(4.934)	(3.160)	(6.120)
Import	49.303	37.054*	25.447**	9.852
	(1.201)	(1.826)	(2.394)	(0.721)
Export	-57.113	-43.208**	-29.497**	-12.038
	(-1.304)	(-1.976)	(-2.565)	(-0.844)
Observations	362,785	607,218	607,218	607,218
R-squared	0.4930	0.4940	0.2098	0.3815
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	All Countries	All Countries

Notes: The table reports coefficients for a linear regression model for investors' voting participation post ISC adoption. Model (1) includes only the adopting countries. Model (2) includes all countries. Model (3) only includes participation by local investors, while model (4) includes participation by foreign investors. All variables are defined in the

appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. Assessments of significance across partitions are made based on standard errors clustered at the firm level. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively

Table 7: Investor voting on shareholder proposals following ISC adoption

Panel A: % of support votes

VARIABLES	(1) % For Votes	(2) % For Votes	(3) % For Votes: Local Investors	(4) % For Votes: Foreign Investors
PostxStewardship	0.087***	0.081***	0.250***	0.070**
	(3.507)	(3.874)	(5.248)	(2.142)
Difference in Coefficients			*0.0209*	
[P-value]				
Stewardship		0.026	-0.017	-0.014
		(1.032)	(-0.251)	(-0.541)
Disagreement	0.122*	0.183***	0.210**	0.188***
	(1.810)	(4.305)	(2.440)	(4.277)
For Guidance	0.694***	0.681***	0.335***	0.692***
	(20.411)	(28.611)	(5.660)	(23.090)
Proxy Advisor	-0.107***	-0.117***	-0.061	-0.112***
	(-4.322)	(-3.586)	(-1.501)	(-4.627)
Size	-0.020	0.004	0.009	0.009
	(-1.252)	(0.356)	(1.635)	(1.597)
Q	0.002	-0.007	-0.020	-0.015**
	(0.046)	(-0.450)	(-1.154)	(-2.565)
Leverage	-0.017	0.038	0.107	0.088**
	(-0.253)	(1.384)	(0.950)	(2.463)
ROA	0.508***	0.252***	0.407***	0.142***
	(9.188)	(4.064)	(7.615)	(4.668)
Dividends	-0.232	-0.145	-0.490	0.136
	(-0.636)	(-0.439)	(-1.563)	(0.799)
% of Closely Held Shares	0.001	0.033	0.081**	0.028
	(0.014)	(0.557)	(2.021)	(0.457)
% of Foreign Sales	0.010	-0.043**	0.014	-0.041**
	(0.359)	(-2.467)	(0.331)	(-2.446)
Rule of Law	-0.043**	-0.009***	0.013**	-0.010***
	(-1.987)	(-3.041)	(2.124)	(-2.764)
Mkt Ret	0.522***	-0.135***	-0.258*	-0.012
	(6.423)	(-4.342)	(-1.878)	(-0.167)
Gdp	0.022	0.001	-0.030**	0.007***
	(1.597)	(0.159)	(-2.589)	(3.408)
Gdp Growth	-4.175**	0.390	3.740***	-0.874
	(-2.508)	(0.554)	(2.949)	(-1.639)
Import	2.380***	-1.802***	-0.114	-1.251***
	(3.176)	(-7.319)	(-0.117)	(-3.207)
Export	-1.573**	1.378***	0.182	0.949**
	(-2.344)	(6.891)	(0.268)	(1.969)
Observations	639	1,067	1,067	1,067
R-squared	0.7105	0.7173	0.4100	0.7328
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	All Countries	All Countries

Panel B: % of support votes by local and foreign votes

VARIABLES	(1) Investor Led: % For Votes from Local Investors	(2) Government Led: % For Votes from Local Investors
PostxStewardship	0.260***	-0.291***
	(4.324)	(-7.700)
Difference in Coefficients [P-value]	*[0.0004]*	
PostxStewardshipxTime		
Stewardship	-0.029	0.171***
	(-0.326)	(5.178)
Disagreement	0.252**	0.147***
	(2.043)	(3.145)
For ISS	0.318***	0.188**
	(4.629)	(2.470)
ISS	-0.049	-0.029
	(-1.019)	(-1.511)
Size	0.003	0.017*
	(0.391)	(1.749)
Q	-0.021	-0.015
	(-1.129)	(-1.034)
Leverage	0.094	0.107
	(0.674)	(1.357)
ROA	0.420***	0.240
	(5.382)	(1.100)
Dividends	-0.518**	-0.364**
	(-2.462)	(-2.589)
% of Closely Held Shares	0.075***	-0.069***
	(6.054)	(-4.225)
% of Foreign Sales	0.023	0.057**
	(0.464)	(2.373)
Rule of Law	0.015***	0.035***
	(3.158)	(4.782)
Mkt Ret	-0.226	-0.780***
	(-1.460)	(-3.878)
Gdp	-0.023	0.025
	(-1.036)	(1.237)
Gdp Growth	3.575**	1.965***
	(2.316)	(3.145)
Import	-0.100	6.175***
	(-0.069)	(3.816)
Export	0.134	-5.245***
	(0.137)	(-3.942)
Observations	1,021	474
R-squared	0.4197	0.3527
Cluster	Firm-Year	Firm-Year
Year FE	Yes	Yes
Ind FE	Yes	Yes
Sample	All Countries	All Countries

Notes: The table reports coefficients for a linear regression model of the % of For Votes for investor-initiated proposals post ISC adoption. Panel A presents results for all countries. Model (1) includes only the adopting countries. Model (2) includes all countries. Model (3) only includes votes cast by local investors, while model (4) includes votes cast by foreign investors. Panel B provides results for different country partitions. Models (1) and (2) differentially estimate the effect of investor- and government-led stewardship codes. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. Assessments of significance across partitions are made based on standard errors clustered at the firm level.*, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 8: Cross-sectional test—Shareholder proposals by proposal characteristics

VARIABLES	(1) % For Votes from Local Investors	(2) % For Votes from Local Investors	(3) % For Votes from Local Investors	(4) % For Votes from Local Investors	(5) % For Votes from Local Investors	(6) % For Votes from Local Investors
Proposal characteristic:	*Experienced sponsor*	*Non-experienced sponsors*	*Proposals supported by proxy advisors*	*Proposals not supported by proxy advisors*	*Institutional sponsors*	*Individual sponsors*
PostxStewardship	0.489***	0.229***	0.565***	0.035	0.224***	-0.047
	(3.228)	(3.069)	(3.805)	(0.502)	(3.338)	(-0.775)
Difference in Coefficients [P-value]	*[0.0629]*		*[0.0004]*		*[0.0055]*	
Stewardship	-0.334*	-0.199***	-0.228	0.036	0.022	0.027
	(-1.717)	(-4.253)	(-1.506)	(0.523)	(0.254)	(0.832)
Disagreement	0.223**	0.183*		0.198**	0.205**	0.029***
	(2.017)	(1.769)		(2.505)	(2.109)	(37.098)
For Guidance	0.439***	0.256***			0.334***	0.388**
	(3.876)	(3.567)			(4.762)	(2.077)
Proxy Advisor	-0.076**	-0.020			-0.098*	-0.030*
	(-2.164)	(-0.420)			(-1.908)	(-1.830)
Size	-0.053***	0.031**	0.060**	0.000	0.013	-0.011***
	(-3.371)	(2.305)	(2.621)	(0.036)	(1.224)	(-3.745)
Q	0.066*	-0.029*	-0.065	-0.032	-0.013	0.040*
	(1.686)	(-1.942)	(-1.044)	(-1.445)	(-0.557)	(1.892)
Leverage	0.211	-0.015	-0.042	0.092	0.025	0.182***
	(1.648)	(-0.236)	(-0.234)	(1.112)	(0.229)	(3.049)
ROA	-0.781*	0.174	1.197***	0.314	0.568***	-0.072
	(-1.875)	(0.841)	(4.176)	(1.073)	(8.282)	(-0.521)
Dividends	-0.776	0.241	-2.480	0.067	-1.006	-0.172
	(-1.101)	(0.456)	(-1.501)	(0.257)	(-1.074)	(-1.490)
% of Closely Held Shares	0.057	-0.054	0.163	-0.062	0.126***	-0.088***
	(0.862)	(-0.800)	(0.826)	(-0.872)	(3.287)	(-5.113)
% of Foreign Sales	0.121***	0.101*	0.110	0.055	0.044	0.034***
	(8.450)	(1.892)	(0.891)	(1.090)	(0.569)	(6.235)
Rule of Law	-0.015	0.006	0.099***	0.017*	0.018**	0.004
	(-1.159)	(0.68)	(3.630)	(1.751)	(2.473)	(0.980)
Mkt Ret	0.123	0.273	-0.399	-1.197***	-0.128	0.429**
	(0.204)	(0.695)	(-0.551)	(-4.178)	(-1.372)	(2.159)

Gdp	0.015	0.001	0.052	-0.026	-0.028*	0.029***
	(0.803)	(0.093)	(1.121)	(-1.526)	(-1.711)	(3.314)
Gdp Growth	2.469	-1.989***	2.933	3.904***	4.999***	2.853***
	(1.412)	(-5.305)	(0.791)	(2.769)	(3.330)	(3.211)
Import	0.934	0.337	-2.051	-2.171	0.436	2.824*
	(0.322)	(0.309)	(-0.500)	(-1.618)	(0.390)	(1.955)
Export	-1.305	0.038	1.885	1.632*	-0.285	-2.704**
	(-0.566)	(0.046)	(0.636)	(1.737)	(-0.453)	(-2.141)
Observations	612	455	184	577	758	309
R-squared	0.6194	0.4796	0.7133	0.3496	0.4047	0.5420
Cluster	Firm	Firm	Firm	Firm	Firm	Firm
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Sample	All Countries	All Countries	All Countries	All Countries	All Countries	All Countries

Notes: The table reports coefficients for different partitions of a linear regression model of the % of For Votes from local investors for post-ISC-adoption investor-initiated proposals. Model (1) includes proposals made by experienced activist funds. Model (2) includes proposals from non-experienced activists. We defined activists that target more than one firm in a given year as experienced. Model (3) includes proposals supported by proxy advisors. Model (4) includes proposals not supported by at least one proxy advisor. Model (5) includes proposals made by institutional investors. Model (6) includes proposals made by individual investors. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels for models (1), (2), (5), and (6). For models (3) and (4) standard errors are clustered at the firm level due to the low number of years available for the subsample for which we have proxy advisor data. Assessments of significance across partitions are made based on standard errors clustered at the firm level. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 9 Investor protection and shareholder activism

Panel A: Investor protection and shareholder activism following ISC adoption

	Activism		Outcomes	
	(1)	(2)	(3)	(4)
VARIABLES	Weak investor protection	Strong investor protections	Weak investor protection	Strong investor protections
PostxStewardship	0.008***	0.003*	0.412*	0.245***
	(3.639)	(1.732)	(1.921)	(2.721)
Difference in Coefficients	*0.0744*		*[0.5227]*	
Stewardship	-0.002***	<0.001	-0.488***	-0.255***
	(-2.830)	(-0.510)	(-2.601)	(-3.313)
Size	0.001***	0.001***	-0.045***	-0.038***
	(3.276)	(3.527)	(-2.845)	(-3.834)
Q	<0.001	<0.001***	0.004**	0.007
	(-1.065)	(2.707)	(2.314)	(1.493)
Leverage	-0.002***	-0.001***	0.169	0.106
	(-2.692)	(-3.378)	(1.333)	(0.855)
ROA	-0.001**	<0.001	0.153***	0.127***
	(-2.447)	(-1.536)	(6.666)	(4.110)
Dividends	-0.012	-0.013**	-2.451***	-1.278**
	(-1.575)	(-2.484)	(-3.090)	(-2.313)
% of Closely Held Shares	-0.003***	-0.004***	-0.131**	-0.080***
	(-2.758)	(-3.334)	(-2.267)	(-3.117)
% of Foreign Sales	0.003**	0.003***	0.169**	0.172*
	(2.428)	(3.642)	(2.396)	(1.938)
Rule of Law	0.001***	0.001***	-0.037***	-0.055***
	(2.790)	(3.285)	(-3.627)	(-9.325)
Mkt Ret	0.003	-0.001	-0.047	-0.010
	(1.541)	(-0.805)	(-0.080)	(-0.046)
Gdp	-0.001***	-0.001***	0.047**	-0.001
	(-4.718)	(-4.457)	(2.036)	(-0.120)
Gdp Growth	0.034*	0.046***	-0.310	-0.222
	(1.918)	(2.744)	(-0.196)	(-0.134)
Import	-0.015*	-0.008***	3.377**	0.269
	(-1.907)	(-3.403)	(2.365)	(0.640)
Export	0.010*	0.005**	-2.076*	-0.145
	(1.827)	(2.440)	(-1.805)	(-0.358)
Observations	192,782	331,973	332	656
R-squared	0.0093	0.0089	0.2705	0.2208
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	All Countries	All Countries	All Countries	All Countries

Panel B: Investor protection shareholder voting following ISC adoption

	Voting participation		% For votes	
VARIABLES	(1) Weak IP Countries: Local Investors	(2) Strong IP Countries: Local Investors	(3) Weak IP: Local Investors	(4) Strong IP: Local Investors
PostxStewardship	6.711***	4.332**	0.356***	-0.201***
	(3.384)	(2.278)	(4.152)	(-2.688)
Difference in Coefficients [p-value]	*[<0.0001]*		*[0.0015]*	
Stewardship	-1.752**	3.470**	0.029	0.209***
	(-2.283)	(1.976)	(0.785)	(6.487)
Disagreement	2.240***	2.139**	0.251**	0.165***
	(4.101)	(2.346)	(2.000)	(4.401)
For Guidance	1.441***	3.567***	0.127***	0.434***
	(5.843)	(6.052)	(3.510)	(5.816)
Proxy Advisor	1.324***	-0.006	0.013	-0.068**
	(4.078)	(-0.009)	(0.236)	(-2.018)
Size	0.540***	1.570***	-0.003	0.010***
	(3.169)	(3.033)	(-0.269)	(2.778)
Q	0.312***	0.489***	-0.046*	-0.022
	(3.538)	(3.145)	(-1.905)	(-1.181)
Leverage	-2.000***	-0.653	0.274*	0.024
	(-3.006)	(-1.136)	(1.833)	(0.281)
ROA	1.728**	2.491***	0.399	0.423***
	(2.174)	(3.785)	(0.965)	(4.299)
Dividends	3.124	20.056***	-0.295	-0.254
	(1.168)	(3.269)	(-0.779)	(-0.939)
% of Closely Held Shares	-2.328***	-5.629***	0.032	0.053
	(-2.795)	(-2.581)	(0.492)	(1.492)
% of Foreign Sales	-0.755**	1.234***	0.139***	0.036*
	(-2.349)	(3.346)	(2.945)	(1.672)
Rule of Law	0.547***	0.947***	0.040***	0.034***
	(4.020)	(3.249)	(9.879)	(8.613)
Mkt Ret	-1.727**	-17.151***	-0.619***	-0.050
	(-2.406)	(-3.294)	(-3.735)	(-0.178)
Gdp	-0.335***	-1.405***	0.028***	0.007
	(-2.835)	(-4.936)	(2.941)	(1.024)
Gdp Growth	43.619***	122.105***	2.661***	5.724***
	(3.594)	(3.172)	(2.967)	(8.227)
Import	3.500	22.417**	5.260***	6.368**
	(0.784)	(2.222)	(3.604)	(2.569)
Export	-7.384**	-27.567**	-4.327***	-5.340***
	(-1.974)	(-2.474)	(-4.394)	(-2.778)
Observations	280,707	570,944	612	883
R-squared	0.1388	0.2203	0.3897	0.5206
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	All Countries	All Countries	All Countries	All Countries

Notes: The table reports the results for changes in shareholder activism following stewardship code adoption for country partitions based on investor protection. Panel A presents results for estimating changes in shareholder demands likelihood and outcomes post ISC adoption. Model (1) and (2) estimates the coefficients for a linear

regression model when estimating the likelihood of investors' demands made post-ISC adoption. Model (3) and (4) estimates the coefficient for a linear regression model when estimating demand outcome. Panel B presents the results for estimating changes in voting behavior post ISC adoption. Model (1) and (2) estimate voting participation. Model (3) and (4) estimate the percentage of "for" votes for investor initiated proposals. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. Assessments of significance across partitions are made based on standard errors clustered at the firm level. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 10 Robustness analyses

Panel A: Including country FE

VARIABLES	(1) Activism	(2) Activism	(3) % For Votes	(4) % For Votes
PostxStewardship	0.004***	0.002*	0.462***	0.131***
	(2.690)	(1.799)	(2.886)	(7.473)
Stewardship		-0.004		-0.477
		(-0.982)		(-1.581)
Disagreement			0.184**	0.202***
			(2.515)	(4.981)
For Guidance			0.691***	0.671***
			(19.555)	(37.648)
Proxy Advisor			-0.103***	-0.108***
			(-3.964)	(-3.489)
Size	0.002***	0.001***	-0.019	<0.001
	(3.252)	(3.395)	(-1.234)	(-0.032)
Q	<0.001***	<0.001***	0.034	-0.006
	(3.416)	(3.194)	(0.612)	(-0.354)
Leverage	-0.000	-0.001***	-0.034	-0.001
	(-0.763)	(-2.608)	(-0.549)	(-0.023)
ROA	<0.001	<0.001	0.491***	0.265***
	(0.914)	(-0.394)	(4.817)	(3.803)
Dividends	-0.027***	-0.016**	-0.248	-0.199
	(-2.708)	(-2.425)	(-0.562)	(-0.475)
% of Closely Held Shares	-0.003***	-0.003***	-0.031	0.046
	(-3.600)	(-3.624)	(-0.448)	(0.881)
% of Foreign Sales	0.002***	0.002***	0.008	-0.041***
	(3.174)	(3.430)	(0.285)	(-2.940)
Mkt Ret	-0.002	0.001	-1.251**	-0.179***
	(-1.150)	(0.539)	(-2.022)	(-2.926)
Gdp	-0.009***	-0.002***	3.455**	0.679***
	(-2.951)	(-7.999)	(2.022)	(4.342)
Gdp Growth	0.021	0.020	-4.775	0.573
	(0.949)	(1.361)	(-1.269)	(0.522)
Import	-0.064***	-0.040***	-8.872**	-0.537
	(-4.265)	(-4.758)	(-2.368)	(-0.232)
Export	0.062***	0.036***	14.017***	1.349
	(4.258)	(4.645)	(2.742)	(0.508)
Observations	177,111	350,933	639	1,067
R-squared	0.0128	0.0110	0.7205	0.7402
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	Only Adopting Countries	All Countries

Panel B: Alternative adoption dates

VARIABLES	(1) Activism	(2) Activism	(3) % For Votes	(4) % For Votes
PostxStewardship	0.005**	0.003*	0.036	0.070***
	(2.480)	(1.654)	(0.314)	(5.452)
Stewardship		-0.000		0.009
		(-0.752)		(0.338)
Disagreement			0.150**	0.181***
			(2.227)	(4.455)
For Guidance			0.691***	0.685***
			(20.777)	(25.995)
Proxy Advisor			-0.107***	-0.118***
			(-3.090)	(-3.543)
Size	0.001***	0.001***	-0.018	0.004
	(3.111)	(3.347)	(-1.102)	(0.386)
Q	<0.001***	<0.001***	-0.005	-0.007
	(3.236)	(2.719)	(-0.103)	(-0.456)
Leverage	<0.001	-0.001***	-0.044	0.032
	(-0.922)	(-3.496)	(-0.489)	(0.953)
ROA	<0.001	<0.001	0.553***	0.253***
	(0.738)	(-1.493)	(3.870)	(4.022)
Dividends	-0.022**	-0.015**	-0.021	-0.160
	(-2.463)	(-2.564)	(-0.024)	(-0.483)
% of Closely Held Shares	-0.004***	-0.004***	-0.024	0.030
	(-3.392)	(-3.153)	(-0.274)	(0.498)
% of Foreign Sales	0.003***	0.003***	-0.002	-0.046***
	(3.199)	(3.923)	(-0.037)	(-2.672)
Rule of Law	0.002***	0.001***	0.026	-0.009**
	(2.612)	(3.178)	(0.605)	(-2.402)
Mkt Ret	-0.003*	-0.000	0.385	-0.103***
	(-1.648)	(-0.148)	(1.349)	(-3.494)
Gdp	-0.002***	-0.001***	-0.016	0.005
	(-2.909)	(-4.318)	(-0.626)	(0.675)
Gdp Growth	0.013	0.043**	-1.781	-0.050
	(0.561)	(2.468)	(-0.534)	(-0.059)
Import	-0.005	-0.009***	-0.501	-1.448***
	(-1.386)	(-2.670)	(-0.327)	(-3.685)
Export	0.002	0.005**	-0.370	1.139***
	(0.483)	(2.015)	(-0.368)	(6.698)
Observations	175,046	350,933	635	1,067
R-squared	0.0118	0.0091	0.7140	0.7148
Cluster	Firm-Year	Firm-Year	Firm-Year	Firm-Year
Year FE	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes
Sample	Only Adopting Countries	All Countries	Only Adopting Countries	All Countries

Notes: The table presents results for changes in shareholder activism post ISC adoption. Panel A includes country fixed effects. Panel B uses alternative adoption dates for the UK and the Netherlands. Models (1) and (2) present results for a linear regression model when estimating the likelihood of investors' demands, while models (3) and (4) report results for a linear regression model of the % of For Votes for investor initiated proposals post ISC adoption. Models (1) and (3) include only the adopting countries. Models (2) and (4) include all countries. All variables are defined in the appendix. T-statistics are reported in parentheses below the regression coefficients. We cluster standard errors at the firm and year levels. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.