

The Role of The Media in Corporate Governance: Evidence From Shareholder Proposals

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Abstract

This paper examines the role played by the media in the shareholder proposal process. We find a positive relation between media coverage and the number of governance proposals. The effect is mostly concentrated in proposals submitted by non-institutional shareholders and driven by negative news. Negative media coverage is also associated with the success of proposals and changes in executive compensation and board turnover. Instrumental variable analysis suggests that the relationship between media coverage and shareholder proposals is causal. Our results shed light on a new channel through which the media can play a corporate governance role.

Keywords: Media Coverage; Corporate News; Shareholder Proposals; Corporate Governance

JEL classification: G14, G30, G32, G41

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Introduction

Research in corporate governance has outlined that the media are a powerful external governance mechanism that exerts influence and control over managers (Dyck and Zingales, 2002; Aguilera et al., 2015). The corporate governance role of the media stems from their ability to process and disseminate information about firms to a broad spectrum of individuals and stakeholders (Bushee, Core, Guay, Hamm, 2010; Dyck, Volchkova, and Zingales, 2008; Fang and Peress, 2009; Peress 2014). More precisely, the media can play a corporate governance role by shining a light onto management behavior (e.g., exposing firm or management wrongdoing) and by pushing firms to make substantial changes to correct deviant behavior.

Previous studies have provided empirical support for the media's governance role by showing that the media contribute to bringing corporate fraud to light (Miller, 2006; Dyck, Morse, and Zingales, 2010), to curbing excess CEO pay (Core, Guay, and Larcker, 2008), to deterring earnings management (Chen, Cheng, Li, and Zhao, 2018) and to improving capital allocation decisions by deterring value-destroying acquisitions (Liu and McConnell, 2013).¹ In sum, the media are able to monitor and influence the actions of managers by exposing them to the threat of reputational damage due to negative press coverage.

In this paper, we explore a different and, to date, unexplored channel through which the media can play a corporate governance role, namely the shareholder proposal process. Shareholder proposals are changes to company policies proposed and voted by shareholders and have become an increasingly important corporate governance tool. The last two decades have witnessed a dramatic surge in the number of proposals with more than 15,000 proposals at large U.S. corporations. Bebchuk (2005) argues that shareholder proposals are useful and relevant means of countering managerial agency problems. Empirical studies provide supporting evidence that firms

¹ Furthermore, in a recent study, Baloria and Heese (2018) provide evidence that managers anticipate slanted media coverage and alter their behavior *ex ante* to avoid negative coverage.

targeted by shareholder proposals are likely to change important aspects of their governance such as CEO compensation, CEO dismissal, and board independence (e.g., Buchanan et al., 2012; Prevost et al., 2012). Renneboog and Szilagyi (2011) highlight the role of shareholder proposals in corporate governance and indicate that they are a useful device of external control.

Shareholder proposals represent the least costly means of shareholder intervention, which implies that the pool of companies that can be targeted by proposals is much larger than for other forms of activism. The low cost of submitting proposals also allows unskilled and uninformed shareholders to be very active sponsors. Most shareholder proposals indeed originate from non-institutional shareholders such as individuals, unions, religious groups, or special-interest groups. These relatively unskilled and uninformed investors lack the ability to collect and analyze information on different companies. From this perspective, there are at least two (non-mutually exclusive) reasons why the media are likely to influence the shareholder proposals process. First, prior studies indicate that the media play a key role in the diffusion of information in financial markets and that they influence the trading activity of investors (Fang and Peress, 2009; Peress 2014). The information disseminated by the media is also relevant for investors when making the decision of choosing the companies they want to target. Second, even if the media do not carry new information, they may still influence the shareholder proposal process by making companies more salient and visible to investors. Investors may therefore be more likely to target proposals towards companies that are under the media spotlight. Consistent with this argument, previous studies show that individual investors usually buy companies that have recently caught their attention (e.g., Barber and Odean 2008; Liaukonyte and Žaldokas 2018). Overall, non-institutional shareholders, who are less sophisticated and less informed, are likely to be more dependent on and sensitive to the information disseminated by the media.² Furthermore, in light of previous

² Consistent with the idea that non-institutional investors rely more and are more sensitive to media news, Barber and Odean (2008) show that retail investors only buy stocks that have caught their attention via the news, while institutional investors are more sophisticated and on average better informed on firm value (Lin, Lee, and Liu, 2007). Fang and Peress (2009) show that stocks with no media coverage earn higher returns than stocks with high media coverage, suggesting that the breadth of information dissemination affects stock prices. Their results are more pronounced for

literature³, we conjecture that, on top of media coverage, the tone used by the media influences shareholder proposals. If media coverage and tone influence the decision of some shareholders to submit proposals, the result would have important implications for better understanding how the media play a corporate governance role.

In the empirical analysis, we start by exploring the relationship between media coverage and both the likelihood of receiving governance-related shareholder proposals and the number of governance-related shareholder proposals. We measure media coverage as the number of articles on the company (e.g., Bushman, Williams, and Wittenberg-Moerman, 2017). Following common practice in the literature, we limit media coverage to full-size articles, excluding firm-initiated press releases. We also exclude news related to corporate governance as a first step to mitigate endogeneity issues since bad governance might lead to both more shareholder proposals and more media coverage on governance. Data on media coverage and tone are obtained from the Ravenpack news dataset, which covers all news stories and press releases reported by the Dow Jones Newswires, regional editions of the Wall Street Journal, Barron's and MarketWatch for more than 40,000 companies around the world (e.g., Dang, Moshirian, and Zhang, 2015). Data on shareholder proposals are obtained from the Institutional Shareholders Services (ISS) Proposals database that provides the list of shareholder proposals received by companies in the S&P 1500 index.

We find a positive and significant association between media coverage and both the probability of being targeted by governance-related shareholder proposals and the number of governance-related shareholder proposals submitted. The economic effect is sizeable as a one standard-deviation increase in media coverage is associated with an increase of 0.13 in the number of governance proposals, which represents a 33.5% increase compared to the sample mean. Our

stocks with high individual ownership. Liaukonyte and Žaldokas (2018) show that TV advertising affects investor behavior. They find that TV ads lead to an increase in investor search for financial information, which in turn is linked to higher stock trading volume during the next day.

³ See Rozin and Royzman (2001) and Tetlock (2007) among others.

results are robust to a number of market, accounting, visibility, and governance controls as well as to year and firm fixed effects.

As a second step in our empirical analysis, we differentiate governance shareholder proposals according to their content. In line with existing literature (Matsusaka et al., 2018), we group the various governance proposals topics into four main categories using the issue code ISS assigns to each proposal: 1) Compensation of Directors and Executives, 2) Director Elections, 3) Board Organization and Meetings, and 4) Takeovers. We find that media coverage is positively related to the number of shareholder proposals for all four categories, although the economic effect is higher for compensation proposals, which impose the highest personal costs on managers and directors.

Third, we differentiate shareholder proposals according to the sponsor type to investigate which categories of shareholders are more influenced by the media. We find that media coverage is significantly and positively associated with the number of governance proposals sponsored by individuals, labor unions, religious and special interest groups. Instead, media coverage is weakly or not significantly associated with the number of governance proposals sponsored by pension funds or SRI funds. These results are broadly consistent with the idea that institutional investors rely less on and are less sensitive to media news, while the media affect the decisions of less sophisticated and informed shareholders.

Fourth, we explore whether on top of media coverage, the tone used by the media influences shareholder proposals. To explore this issue, following Dang, Moshirian, and Zhang (2015), we split the total number of news articles into positive, neutral, and negative news based on the Event Sentiment Score (ESS) provided by Ravenpack.⁴ We find that neutral and negative media coverage are strongly associated with the number of governance-related shareholder

⁴ The Event Sentiment Score (ESS) measures the sentiment direction of the underlying news story. ESS is a granular score ranging from 0 to 100, where 50 indicates neutral sentiment, values above 50 indicate positive sentiment and values below 50 indicate negative sentiment.

proposals. Instead, positive media coverage is not statistically associated with shareholder proposals. These results are consistent with previous studies finding that negative information has a stronger impact than positive information (e.g., Rozin and Royzman, 2001; Tetlock, 2007; Gurun and Butler, 2012; Xu, 2018). They also indicate that on top of sheer media coverage, media sentiment plays a role in shareholders' decision to submit governance proposals.

Endogeneity is an important consideration in our empirical analysis because media coverage is unlikely to occur randomly (Mullainathan and Shleifer, 2005). This raises the concern that the same unobservable factors that influence media coverage can also drive shareholder proposals. For example, firm visibility, poor performance, or poor governance may lead to both greater media coverage and more shareholder proposals.⁵ To mitigate endogeneity concerns, we conduct a two-stage instrumental variable analysis. Our instrumental variable is a measure of media attention constructed as the number of media firms in the same two-digit ZIP code as the firm's headquarter scaled by (one plus) the number of major terrorist attacks, major hurricanes, and presidential elections. The rationale for the instrument is as follows. On the one hand, proximity between a firm and news outlets increases the firm's media coverage (Gurun and Butler, 2012). Moreover, journalists incur lower costs when collecting and analyzing information on nearby firms. More generally, prior studies indicate that proximity generally eases monitoring and information acquisition (e.g., Chhaochharia et al., 2012; Giroud, 2013). The number of media firms in the same two-digit ZIP code may therefore be positively associated with media coverage. Importantly, there is no theoretical argument or empirical evidence that the number of media firms in the same two-digit ZIP code is directly linked to shareholder proposals. On the other hand, media firms are likely to be "distracted" by major events such as terrorist attacks, hurricanes, or presidential elections and to displace their attention away from firms. The number of media firms in the same two-digit ZIP code gives us a measure of possible media coverage for a firm, while terrorist attacks, hurricanes,

⁵ Although we control for a large number of variables capturing firm performance, visibility, and governance, it is difficult to rule out the possibility that we do not fully control for all the dimensions thereof.

and presidential elections allow our instrument to change over time at the firm level. The results confirm that the instrument is an important determinant of negative media coverage and show that the instrumented negative media coverage is positively associated with the number of governance-related shareholder proposals, supporting our baseline findings.⁶

Finally, we study the outcome of shareholder proposals. We find that conditional on receiving at least one shareholder proposal, negative media coverage is positively associated with the number of shareholder proposals that receive majority support. Given that proposals that win majority are likely to be implemented, these results confirm the relevance of the shareholder proposal process as a channel through which the media play a role in corporate governance. Importantly, the association between negative media coverage and the number of proposals that win majority is robust to the inclusion of ISS recommendations, on which many investors rely for their votes (Iliev and Lowry, 2015). We also explore whether conditional on being targeted by shareholder proposals, negative media coverage is associated with changes in some aspects of a firm's corporate governance. We find that negative media coverage is associated with a decrease in CEO compensation and an increase in board turnover. These results suggest that negative media coverage makes shareholder proposals more likely to be implemented.

Our paper contributes to the growing literature investigating the effects of the media on corporate policies and managerial actions. Chen, Cheng, Li, and Zhao (2018) find that media coverage is negatively associated with earnings management, suggesting that the media serves as an external monitor of firm financial reporting. Dai, Shen, and Zhang (2018) find a negative relation between media coverage and firm innovation. Extant research shows that the media can play a corporate governance role by exposing management misbehavior and pushing firms to take remedial actions (Dyck and Zingales, 2002; Miller, 2006; Joe, Louis, and Robinson, 2009; Dyck,

⁶ We also find that the instrumented negative plus neutral media coverage is positively associated with the number of governance-related shareholder proposals. We focus on negative and negative plus neutral media coverage as those are the type of news that affect shareholder proposals in our main analysis.

Morse, and Zingales, 2010; Liu and McConnell, 2013). Baloria and Heese (2018) show that media slant can influence firms and managers' actions. In these previous studies, the media play a corporate governance role because managers are sensitive to the way the media report on their actions and fear reputational damage due to negative press coverage.⁷ We contribute to this literature by showing that the media can also play a corporate governance role by influencing shareholder proposals, a form of shareholder activism. Shareholder proposals represent an important governance mechanism and are often implemented when they receive majority vote. Interestingly, media coverage influences shareholder proposals related to the compensation of directors and managers and those related to board elections.⁸ Our results suggest that, on top of reputational costs due to negative press coverage highlighted in extant research (e.g., Dyck and Zingales, 2002; Joe, Henock, and Robinson, 2009; Liu and McConnell, 2013), the media can expose managers to personal costs in the form of reduced compensation or higher job insecurity. We contribute to this literature by deepening the understanding of how the media can play a corporate governance role and by highlighting a new and, to date, unexplored channel through which the media can exert influence over firms and managers.

Our paper is related to the literature in finance, economics and political sciences on the media. Extant research finds that media slant influences actions of voters (DellaVigna and Kaplan, 2007; Gerber, Karlan, and Bergan, 2009; Hopkins and Ladd, 2013) and politicians (Clinton and Enamorado, 2014). Barber and Odean (2008) show that media coverage affects investment decisions of retail investors. Fang and Peress (2009) and Peress (2014) show that media coverage affects stock price formation, and Engelberg and Parsons (2011) find that media coverage affects investors' trading activity around earnings announcements. Finally, Aggarwal, Erel, and Starks (2015) find that public opinion on corporate governance has an impact on institutional investors'

⁷ Dyck and Zingales (2002) states that "media attention affects not only managers' and board members' reputations in the eyes of shareholders and future employers, but media attention affects their reputation in the eyes of society at large."

⁸ Those were the two categories with the highest economic effect.

voting behavior and proxy advisors' recommendations. We advance this research by showing that media coverage and tone can influence actions of shareholders related to governance and activism.

Finally, our paper also contributes to the growing literature on the determinants of shareholder proposals (see Denes, Karpoff, and McWilliams, [2017] and Gillan and Starks, [1998] for reviews). Previous empirical studies have found that firm size and performance are important characteristics of firms attracting shareholder proposals (Cai and Walking, 2011; Ertimur, Ferri, and Muslu, 2010; Ertimur, Ferri, and Stubben, 2010; Karpoff et al., 1996; Renneboog and Szilagyi, 2011; Strickland et al., 1996; Thomas and Cotter, 2007; and Wahal et al., 1995). Extant research has also shown that shareholder proposals are influenced by several other firm characteristics including the proportion of outside directors (Bizjak and Marquette, 1998; Ertimur, Ferri, and Muslu, 2010; Ertimur, Ferri, and Stubben, 2010) and takeover defenses (Ertimur, Ferri, and Stubben, 2010; Renneboog and Szilagyi, 2011). Our contribution to this literature is to demonstrate that media coverage is a new and important determinant of shareholder proposals.

The remainder of the paper is organized as follows. Section 2 describes the sample construction, presents the variables and discusses the methodology. Section 3 presents the results. We conclude in Section 4.

2. Data and Variables

2.1 Data sources and sample construction

We use a combination of several databases for our empirical analysis. Information on media coverage and media sentiment comes from RavenPack News Analytics. RavenPack covers and analyzes news articles from major sources such as the Dow Jones newswires, regional edition of the Wall Street Journal, and Barron's and MarketWatch. RavenPack employs a wide variety of advanced textual analysis techniques to create news sentiment scores for business news stories. Information on shareholder proposals comes from the Institutional Shareholder Services (ISS) Proposals database (formerly RiskMetrics). This database provides the list of shareholder proposals

received by companies in the S&P 1500 index. The ISS database reports, among other information, the general proposal type (i.e., governance or corporate social responsibility), the proposal sponsor type (e.g., individuals, religious and special interest groups, public pensions, unions), a description of the proposal, and the proposal's outcome.

Accounting data are from Compustat, data on analyst coverage and forecasts are from I/B/E/S, and institutional investor data are from Thomson Reuters 13F Filings. Data on board composition are from BoardEx, data on executive compensation are from Execucomp, and data on the delta and vega of executive compensation are from Lalitha Naveen's website. We exclude financial, real estate and utility firms. Our final sample consists of 15,505 firm-year observations from the S&P 1500 index during the 2001–2014 period.

2.2 Variables

Our main dependent variable is the number of governance-related shareholder proposals received by a given company in a given year. Alternatively, we also use an indicator variable equal to 1 if a firm receives at least one governance-related shareholder proposal during the year and 0 otherwise. The ISS database classifies shareholder proposals in two broad categories: governance proposals and SRI proposals. Governance proposals include topics such as executive compensation, board organization, or director elections, whereas SRI proposals include topics on a wide range of social issues, such as human rights, labor practices, environmental impact, and product safety. Our empirical analysis focuses on governance-related proposals because (1) they constitute the large majority of shareholder proposals and (2) the percentage of votes in favor is much higher for governance-related shareholder proposals compared to SRI proposals, which almost never pass.

Our main independent variable is media coverage measured using the number of news stories on a given company in a given year. Following Bushman et al. (2017) among others, we limit our measure of media coverage to full-size articles, excluding news flashes (news articles

composed of a headline and no body text), news articles composed of a headline and mostly tabular data, and firm-initiated press releases. For every news story that mentions a company, RavenPack assigns a relevance score between 0 (low relevance) and 100 (high relevance) to indicate how strongly the firm is related to the underlying news story. To ensure that the firm is predominant in the news story, we follow prior studies (Dai, Pawarda, and Zhang, 2015; Dang, Moshirian, and Zhang, 2015; Chen, Cheng, Li, and Zhao, 2018; Drake, Guest, and Twedt, 2014) and focus on news stories with relevance score of 100. We further exclude governance-related news as a first step to avoid endogeneity issues since bad governance might lead to both more shareholder proposals and more media coverage related to governance.⁹ Finally, in our empirical analysis, we use the natural logarithm of one plus the number of news as our main measure of media coverage.

We include several firm-level controls in all our tests: firm size, leverage, return on assets (ROA), cash, dividends, and market-to-book. Size is defined as the natural logarithm of total assets. Leverage is the ratio of total debt to total assets, ROA is computed as the ratio of income before extraordinary items to total assets. Cash is the ratio of cash balances to total assets. Market-to-book is the ratio of the market value of equity to the book value of equity. Previous research indicates that firms that are larger, are less profitable, and have lower market-to-book ratios tend to receive more shareholder proposals (see Denes et al. [2017] for a review of research on shareholder activism). We also control for institutional ownership. Institutional investors own the great majority of U.S. firms, and evidence suggests that they exert significant power over managers and influence firms' decisions (Froot et al., 1992; Graham et al., 2005; McCahery et al., 2016; Hartzell and Starks, 2003; Parrino et al., 2003). Existing evidence on the association between institutional ownership and shareholder proposals is rather mixed (e.g., Bizjak and Marquette, 1998; Ertimur et al., 2011; Karpoff et al., 1996; Renneboog and Szilagyi, 2011). We also control for analyst coverage,

⁹ Lagging variables would not help as shareholders might react slower than the media. Governance-related news articles include articles related to "board-meeting", "executive-scandal", "executive-appointment", "executive-compensation" and so on. In unreported tests, we find that our main results are unchanged if we do not exclude governance news.

computed as the logarithm of one plus the average of the twelve monthly numbers of earnings forecasts. Chen, Harford, and Lin (2015) provide evidence that financial analysts play an important governance role in scrutinizing management behavior. Financial analysts therefore increase the visibility of the company and disseminate information that could represent a substitute to the information disseminated by the media. Barko, Cremers, and Renneboog (2017) find that firms targeted by activism on Environmental, Social, and Governance (ESG) issues have greater analyst coverage. On top of analyst coverage, we further control for the standard deviation of analyst earnings forecasts as a proxy for information asymmetry (Thomas, 2002). Finally, we control for a dummy variable indicating whether the company has received SRI shareholder proposals during the year. This variable captures observable and unobservable characteristics that could drive shareholder proposals per se.

In some specifications, we further add several governance variables including board size, board independence, executive compensation, the delta and the vega of executive compensation. Executive compensation and board structure are crucial issues in corporate governance. A large number of governance shareholder proposals are incidentally related to the compensation of directors and managers as well as to board structure. Poor or suboptimal designs of executive compensation or board structure may trigger shareholder proposals in order to force companies to make substantial changes. All variable definitions are in Appendix A.

2.3 Empirical Methodology

The main objective of our empirical analysis is to investigate the influence of media coverage on shareholder proposals. In our baseline analysis, we use the following two specifications:

$$\text{Number of Governance Proposals}_{i,t} = \beta_0 + \beta_1 \text{Media coverage}_{i,t-1} + \beta' X_{i,t-1} + \gamma_i + \mu_t + \varepsilon_{i,t} \quad (1)$$

$$\text{Target_Governance}_{i,t} = \beta_0 + \beta_1 \text{Media coverage}_{i,t-1} + \beta' X_{i,t-1} + \gamma_i + \mu_t + \varepsilon_{i,t} \quad (2)$$

Where $Number\ of\ Governance\ Proposals_{i,t}$ is the number of governance-related shareholder proposals received by firm i in year t ; $Target_Governance_{i,t}$ is a dummy variable equal to 1 if firm i receives at least one governance-related shareholder proposal in year t and 0 otherwise; $Media\ coverage_{i,t-1}$ is the natural logarithm of one plus the number of news articles not related to governance covering firm i in year $t-1$. $X_{i,t-1}$ is a vector of the control variables discussed previously (i.e., size, leverage, profitability, cash, market-to-book, dividends, institutional ownership, and governance variables), and γ_i and μ_t are firm fixed effects and year fixed effects, respectively. Finally, in all regressions, we cluster standard errors at the firm level.

2.4 Descriptive statistics

Table 1 reports summary statistics on the main variables used throughout the paper. All continuous variables are winsorized at their 1st and 99th percentiles to reduce the influence of outliers. Table 1 shows that 19.4% of firm-year observations in our sample receive at least one governance-related shareholder proposal. The median firm receives 1.05 governance-related shareholder proposal per year. The median value for our media coverage measure is about 4.094 indicating the median firm is reported about 59 times per year. This number is relatively high compared to previous studies (e.g., Chen et al., 2018; Dai et al., 2018) and can be explained by the fact that because the ISS database only covers firms in the S&P 1500, our sample consists of relatively large firms. The median firm in our sample has total assets equal to \$1.76 billion, a leverage ratio of 20.3%, a return on assets of 5.1%, a market-to-book ratio of 2.25, a ratio of cash to total assets of 8.8%, and a ratio of dividends to total assets of 0.4%. The median institutional ownership in our sample is 73%, consistent with institutional investors representing the economically most important set of shareholders. Finally, the average firm is followed by approximately 10 analysts. Overall, we observe that the descriptive statistics in Table 1 are comparable to those reported in prior studies.

(Insert Table 1 about here)

3. Empirical results

3.1 Baseline findings

In this section, we examine the effect of media coverage on shareholder proposals by estimating Equations (1) and (2) using ordinary least squares (OLS). All independent variables are lagged by one year.¹⁰ We estimate Equation (2) with a linear probability model because it is easier to (i) implement fixed effects, (ii) interpret coefficients, and (iii) cluster the standard errors. When estimating the coefficient standard errors, we correct for heteroskedasticity and cluster observations at the firm level to control for serial dependence across years (Petersen 2009).

Table 2, Panel A presents the results where the dependent variable is *Number of Governance Proposals_{it}*. In Model 1, we include our main control variables as well as firm and year fixed effects. The coefficient on media coverage is positive and significant (0.138, t-stat=5.53), suggesting that media coverage leads shareholders to submit more of governance-related proposals. This result is consistent with the conjecture that media can play a governance role by fostering shareholder proposals.

In Model 2, we add institutional ownership, analyst coverage, and the standard deviation of analysts' forecasts as control variables. In Model 3, we augment our baseline specification by adding several governance variables (board size, board independence, CEO compensation, the delta and the vega of CEO compensation). Due to data availability, the number of observations shrinks when we add governance variables. The results show that the coefficient on media coverage remains significant and the magnitude of the coefficient is similar and even slightly higher than in the baseline specification. The effect is also economically significant. For example, according to Model 3, a one-standard deviation increase in media coverage is associated with a 0.134 (=0.160*0.836) increase in the number of governance-related shareholder proposals. Compared to a sample mean of 0.400, this represents a 33.5% increase. The results on control variables are in

¹⁰ The only exception is the dummy variable indicating whether a company receives SRI proposals in the same year. It captures potentially omitted variables that may drive shareholder proposals per se in a given year.

line with prior literature. Consistent with previous evidence that size and performance are important characteristics of firms attracting shareholder proposals (Cai and Walking, 2011; Ertimur, Ferri, and Muslu, 2010; Ertimur, Ferri, and Stubben, 2010; Karpoff et al., 1996; Renneboog and Szilagyi, 2011; Strickland et al., 1996; Thomas and Cotter, 2007; and Wahal et al., 1995), we find positive and significant coefficients on firm size and negative on ROA. Consistent with mixed evidence on the effect of institutional ownership (Denes et al., 2017), we find that institutional ownership is not statistically associated with the likelihood of receiving governance-related shareholder proposals. The results also show that firms receiving SRI-related proposals are more likely to receive governance-related proposals. Finally, we find a positive coefficient on the standard deviation of analyst earnings forecasts.

(Insert Table 2 about here)

In Table 2, Panel B, we use $Target_Governance_{i,t}$ (i.e., a dummy variable equal to 1 if firm i receives at least one governance-related shareholder proposal in year t and 0 otherwise) as the dependent variable and we reproduce the regressions of Panel A. In Model 1, the coefficient on media coverage is positive and significant (0.026, t -stat=2.74). This finding indicates that media coverage is positively associated with both the likelihood of receiving a governance proposal and the number of governance proposals. The effect of media coverage on the likelihood of receiving a governance proposal remains significant after we control for governance variables. Overall, the results from Table 2 indicate a positive association between media coverage and governance-related shareholder proposals, suggesting a new, and to date, unexplored channel through which the media can play a corporate governance role and exert influence over managers and firms.

3.2 Media coverage and the topic of shareholder proposals

In this section, we differentiate governance-related shareholder proposals according to the topic of the proposal and examine whether the results differ depending on the topic of the proposal. In line with existing literature (Matsusaka et al., 2018), we group the various governance proposals topics into four main categories using the issue codes that ISS assigns to each proposal: 1) Compensation of Directors and Executives, 2) Director Elections, 3) Board Organization and Meetings, and 4) Takeovers.¹¹ We then examine the effect of media coverage on the number of shareholder proposals related to each of these four categories.¹²

We present the results of this analysis in Table 3. The results indicate that the coefficient on media coverage is positive and significant for the four categories of governance-related shareholder proposals. The economic effect is relatively higher for compensation proposals and for board election proposals. These findings are consistent with existing literature reporting that public opinion and negative press coverage can influence board structure (Joe, Henock, and Robinson, 2009) and executive compensation (Kuhnen and Niessen, 2012; Johnson, Porter, and Schackell, 1997).

Importantly, as discussed by Matsusaka et al. (2018), shareholder proposals related to the compensation of managers and directors are the ones that potentially impose the highest personal costs on managers and directors. Indeed, compensation proposals aim to reduce executive compensation, make it more performance-sensitive, and give shareholders more power in compensation decisions. These types of proposals therefore potentially threaten directors and managers' pay.

¹¹ Some issue codes on miscellaneous proposals are ambiguous, which implies that some proposals may fall in different categories. The sum of the proposals related to the four categories is therefore greater than the number of governance proposals. In unreported robustness analysis, we rerun the regressions from Table 3 excluding these proposals and we find qualitatively similar results.

¹² In unreported tests, we create four dummy variables: *Target_Compensation* (equal to 1 if a firm received at least a shareholder proposal related to the compensation of directors and executives and 0 otherwise), *Target_Elections* (equal to 1 if a firm received at least a shareholder proposal related to the director elections and 0 otherwise), *Target_Board* (equal to 1 if a firm received at least a shareholder proposal related to board organization and meetings and 0 otherwise), and *Target_Takeover* (equal to 1 if a firm received at least a shareholder proposal related to takeovers and 0 otherwise). We find qualitatively similar results if we use these four dummies as dependent variables.

Our results suggest that, on top of reputational costs due to negative press coverage highlighted in extant research (e.g., Dyck and Zingales, 2002; Joe, Henock, and Robinson, 2009; Liu and McConnell, 2013), the media can expose managers to the threat of reduced compensation. Moreover, the results also provide further empirical support to the idea that the shareholder proposal process is an important channel through which the media play a role in corporate governance and exert influence over managers and firms.

(Insert Table 3 about here)

3.3 Media coverage and the sponsors of shareholder proposals

In this section, we differentiate shareholder proposals according to the sponsor type to investigate which types of shareholders are more influenced by the media. Based on the sponsor types assigned by ISS to each proposal, we split shareholder proposals based on the following sponsor types: individuals, religious and special interest groups, pension funds, unions, and SRI funds.¹³ We then examine the effect of media coverage on the number of shareholder proposals submitted by each of the different sponsors.¹⁴

We present the results of this analysis in Table 4. The results indicate that media coverage is positively associated with the number of governance-related proposals sponsored by individuals, unions, or religious and special interest groups. On the contrary, media coverage is weakly or not statistically associated with the number of governance-related proposals sponsored by public pension funds and SRI funds.¹⁵

¹³ Data on sponsors are available for 90% of governance proposals.

¹⁴ In unreported tests, we define a dummy `Target_Individuals` which is equal to 1 if a firm received at least a governance-related shareholder proposal sponsored by individuals and 0 otherwise. In the same way, we define similar dummy variables for each of the other sponsor types. We find similar results if we use these dummies as dependent variables instead of the number of proposals submitted by each sponsor type.

¹⁵ We do not include proposals from non-SRI funds as in our sample non-SRI funds target on average less than 0.7% of firm-year observations.

The weak or lack of association between media coverage and governance proposals sponsored by pension funds and SRI funds is consistent with the idea that institutional investors are more sophisticated and better informed than other shareholders and therefore rely less and are less sensitive to media news.¹⁶

On the contrary, the results provide empirical support to the hypothesis that the media affect the actions of less sophisticated and informed shareholders that are more dependent and sensitive to the information disseminated by the media. Our results are consistent with prior studies showing that media news have a stronger impact on less sophisticated investors (e.g., retail investors). Barber and Odean (2008) show that retail investors only buy stocks that have caught their attention via the news. Fang and Peress (2009) show that stocks with no media coverage earn higher returns than stocks with high media coverage, suggesting that the breadth of information dissemination affects stock returns. Their results are more pronounced for stocks with high individual ownership. Our results are related and complement these studies by showing that not only do media news affect the trading behavior of less sophisticated investors, but they also affect their actions and more precisely, their choice to become active shareholders by sponsoring shareholder proposals.

(Insert Table 4 about here)

3.4 Media Sentiment and shareholder proposals

On top of media coverage, the tone used by the media might influence the decision to submit shareholder proposals. If media tone influences the decision of some shareholders to submit proposals, the result would have important implications for better understanding how the media play a corporate governance role. In this section, we split the total number of news into positive news, neutral news, and negative news to explore the role of media sentiment in inducing shareholder proposals. RavenPack employs a wide variety of advanced textual analysis techniques

to create news sentiment scores for business news stories. In particular, RavenPack computes an Event Sentiment Score (ESS) measuring the sentiment direction of the underlying news story. ESS is a granular score ranging from 0 to 100, where 50 indicates neutral sentiment, values above 50 indicate positive sentiment and values below 50 indicate negative sentiment.¹⁷ We therefore split the total number of news into negative news (news stories with ESS below 50), neutral news (news stories with ESS equal to 50), and positive news (news stories with ESS above 50) and then examine how positive and negative media coverage influence shareholder proposals.¹⁸

We present the results of this analysis in Table 5. The results from Model 1 show that (strictly) negative media coverage is significantly associated with the number of governance-related shareholder proposals (0.059, t-stat=5.38). Results from Models 2 and 3 show that neutral media coverage and (strictly) positive media coverage are also positively associated with the number of governance-related shareholder proposals. The results from Model 4 indicate that when we include them all together, negative and neutral media coverage remain positively associated with the number of governance-related shareholder proposals while the coefficient on positive media coverage is no longer statistically significant. These findings suggest that on top of sheer media coverage, media sentiment plays a role in inducing shareholder proposals. Indeed, only the number of neutral and negative news seems to push shareholders to become active by sponsoring shareholder proposals. Consistent with previous studies finding that negative information has a stronger impact than positive information (e.g., Rozin and Royzman, 2001; Tetlock, 2007; Gurun and Butler, 2012; Xu, 2018), our results suggest that shareholders are more likely to engage in shareholder activism through the submission of proposals when the media sentiment about the

¹⁷ An alternative sentiment is the CSS (Composite Sentiment Score). We rely on ESS as our main measure of media sentiment because Ravenpack states that ESS offers additional guidance beyond CSS in classifying the sentiment direction of a news record (<https://www.ravenpack.com/research/composite-sentiment-score/>). Furthermore, Dang et al. (2015) underline that “the second type of sentiment score is the composite sentiment score (CSS), which indicates how the market responds to news articles. The CSS variable is estimated based on *stock price reactions*, which are empirically modeled using intraday data from a portfolio of approximately one hundred large-cap stocks” p. 86.

¹⁸ We continue to exclude governance-related news. We therefore compute the number of positive news unrelated to governance, the number of neutral news unrelated to governance, and the number of negative news unrelated to governance.

company is rather negative. Our findings complement and expand prior research on the effect of media tone on the actions of various agents (politicians, voters, managers, investors) by showing that media tone also influences the actions of shareholders related to governance and activism.¹⁹

(Insert Table 5 about here)

3.5 Media Coverage and shareholder proposals: information vs spotlight channels

We have conjectured that the media play a role in the shareholder proposal process because investors, in particular less sophisticated and informed investors, rely to a large extent on the information disseminated by the media and are influenced by the way the media report about companies. An alternative, though non-mutually exclusive, explanation is that shareholders may choose to target their proposals towards firms that are under the media spotlight to increase the visibility and reach of their proposals. From this perspective, shareholders are not necessarily sensitive to the information disseminated (and the tone of this information) by the media but take advantage from the fact that the media are reporting a lot on some companies to reduce the cost of advertising their actions towards companies.

In this section, we briefly discuss and assess the relevance of this alternative explanation. First, we would expect this second explanation to apply to more skilled/informed investors, while our results show that media coverage affects less uniformed investors' behavior (individuals, religious and special interest groups and unions).

To further assess the relevance of this explanation, we rerun our regression separately for two subsamples classified by the standard deviation of analyst forecasts, which is a proxy for information asymmetry. The results are reported in Table 6 and show that the association between

¹⁹ Previous studies examine the effect of media coverage and media sentiment on the actions of investors regarding their investment and trading decisions (e.g., Barber and Odean, 2008; Fang and Peress, 2009; Liaukonyte and Žaldokas, 2018). Our results differ and complement these studies by focusing on investors' decision to become active shareholders.

negative media coverage and governance shareholder proposals is positive and significant only for firms with high standard deviation of analyst forecasts (i.e., above the median), confirming that negative media coverage influences shareholder proposals mainly in opaque firms. Neutral media coverage has a similar effect in the two subsamples, although the coefficient is higher for firms with high information asymmetry. Finally, positive media coverage has no effect in the two subsamples. The results confirm that while neutral media coverage has a similar effect in both subsamples, the effect of negative media coverage is statistically significant only in firms where there is lower consensus about firm performance.

(Insert Table 6 about here)

3.6 Endogeneity

One potential concern of our baseline analysis is that media coverage is unlikely to occur randomly but is rather the product of profit maximization and other utility maximizing objectives (Mullainathan and Shleifer, 2005). Thus, the media may be likely to report more news on firms with certain characteristics, such as large firms with poor performance and governance. The same characteristics may lead shareholders to submit proposals in order to improve the company's governance and performance. This raises the concern that the same unobservable factors that influence media coverage can also influence shareholder proposals.

To address endogeneity concerns, we conduct a two-stage instrumental variable analysis. The first and second stage specifications are given by:

$$\text{Negative Media coverage}_{i,t} = \beta_0 + \beta_1 IV_{i,t} + \beta' X_{i,t} + \gamma_j + \mu_t + \varepsilon_{i,t}$$

and

$$\text{Governance Proposals}_{i,t} = \beta_0 + \beta_1 \text{Instrumented Negative Media coverage}_{i,t-1}$$

$$+\beta'X_{i,t-1} + \gamma_j + \mu_t + \varepsilon_{i,t}$$

Our instrument is measured as follows:

Media Attention

$$= \text{Number of media firms in 2zip} / (\text{Major terrorist attacks} + \text{Major Hurricanes} + \text{Presidential Elections} + 1)$$

Where *Number of media firms in 2zip* is the number of media firms located in the same two-digit ZIP code as the company analyzed; *Major terrorist attacks* is the number of terrorist attacks in a radius of 200 miles away from the headquarter of the firm analyzed; *Major Hurricanes* is the number of hurricanes reaching category 3 and higher in the same state as the company analyzed.²⁰ *Presidential Elections* is a dummy variable that is equal to one if there are presidential elections in a given year and zero otherwise. There are several reasons why the number of media firms in the same two-digit ZIP code is likely to have an impact on negative and neutral media coverage. First, Gurun and Butler (2012) show that the distance between a firm and news outlets influence the firm's media coverage. Journalists incur lower costs when collecting and analyzing information on nearby firms, the number of media firms in the same two-digit ZIP code is likely to increase the likelihood of a company being reported in the news. More generally, prior studies indicate that proximity generally eases monitoring and information acquisition (e.g., Chhaochharia et al., 2012; Giroud, 2013). More importantly, there is no theoretical argument or empirical evidence that the number of nearby media firms affects shareholder activism or the number of governance-related shareholder proposals. The number of media firms in the same two-digit ZIP code therefore meets both the relevance and exclusion conditions and can serve as a valid instrument for negative media coverage. We choose the zip codes as the areas analyzed because they are defined based on

²⁰ Hurricanes reaching category 3 or higher are considered major hurricanes because of their potential for significant loss of life and damage.

population density. Therefore, the areas considered might be of different surfaces but similar in terms of number of inhabitants. We scale the number of media firms by a number of (plausibly exogenous) events that are likely to attract media attention and displace it away from companies: major terrorist attacks, major hurricanes, and presidential elections. Indeed, major and notorious events such as terrorist attacks or hurricanes generally receive a lot of media coverage, which implies that media firms might be distracted by these events and hence report less on local companies and this measure would still be unrelated to the number of shareholder proposals submitted.

We follow Cuculiza et al. (2019) in the choice of major terrorist attacks and we restrict our analysis to attacks that happened between April and August, i.e., in the few months before the deadline for the submission of proposals (i.e., 120 days before the annual meeting).²¹ For each firm we only consider attacks that happen in radius of 200 miles. In the choice of this measure we do not have to follow any restriction in terms of population density but we care only about the fact that these attacks are close enough to attract national and local media attention. To give an idea 200 miles is approximately the distance between New York and Chicago.²²

In the choice of major hurricanes, we consider hurricanes reaching category 3 or higher that happened between May and September²³ in the same state as the firm analyzed.²⁴ The number of media firms gives us a measure of possible coverage of a firm, while the terrorist attacks, hurricanes, and presidential elections are events that are likely to displace media attention away from the companies and allow our instrument to change over time at the firm level.

²¹ Following Cuculiza et al. (2019), we consider the following terrorist attacks (between the months of April and August): LA International Airport, 04/07/2002, Los Angeles, CA; Seattle Jewish Federation, 28/07/2006, Seattle, WA; Little Rock, 01/06/2009, Little Rock, AR; Holocaust Museum, 10/06/2009, Washington, DC; Aurora, 20/07/2012, Aurora, CO; Sikh Temple, 05 Aug 2012, Oak Creek, WI; Boston Marathon Bombing, 15 Apr 2013, Boston, MA; MIT Shooting, 18 Apr 2013, Cambridge, MA.

²² Notice that results are similar if we consider attacks that happen in a radius of 100 miles.

²³ We consider the following hurricanes: Ivan 9/2004; Jeanne 9/2004; Dennis 7/2005; Katrina 8/2005; Rita 9/2005. We assume that for major hurricanes the press starts covering the hurricane at least a month before it happens.

²⁴ Hurricanes usually hit several states, but we only consider those states where the hurricane reached at least category 3.

In the first and second stages, we include the same set of control variables as in our baseline specification from Table 2 and we also add the natural logarithm of (one plus) the total number of bank branches and the ratio of number of takeovers completed by acquirers in the same 2-digit ZIP code as the company over the total number of firms in the same 2-digit ZIP code. Both variables are introduced to control for the financial development and economic environment of the area considered. We regress negative media coverage (i.e, the logarithm of the number of negative news) on our instrument variable in the first-stage regression and then we use the predicted value in the second-stage regression.

Table 7 reports the results of the two-stage instrumental variable analysis. The first-stage regression, reported in Column 1, shows that *Media Attention* is a strong determinant of negative media coverage. The coefficient on media attention is positive and significant. Results on control variables indicate that firms that are larger, less profitable, have more and dispersed analyst coverage receive more negative and neutral news.

In their survey of the weak instrument literature, Stock et al. (2002) develop benchmarks for the necessary magnitude of the F-statistic. Following their work, econometric techniques to detect and deal with weak instruments have been further developed. As recommended by Andrews and Stock (2018), we report the Montiel Olea and Pflueger (2013) effective first stage F statistic and compare to it to 10. The effective F statistic is slightly above 10 in our first stage regression (10.3), indicating that our measure of media attention is not a weak instrument for negative media coverage. Since the effective F statistic is above the threshold of 10, we can use the two-stage least square inference (Andrews and Stock, 2018). In the second stage analysis, reported in Column 2, we regress the number of governance-related shareholder proposals on the instrumented negative media coverage and control variables. The coefficient on instrumented negative media coverage is positive and significant. The results show that even after taking into account the endogeneity of negative media coverage, its positive association with the number of governance-related shareholder proposals remains strong. In Columns 3 and 4, we replicate the same analysis using

negative and neutral media coverage (i.e., the logarithm of the number of negative plus neutral news)²⁵. We do not consider the positive news as the results from Table 5 show that only negative and neutral news drive shareholder proposals.

(Insert Table 7 about here)

3.7 News Topics and shareholder proposals

In this section, we decompose negative media coverage into several subcomponents based on news categories to examine how the coverage of different news topics affects shareholder proposals. A unique feature of RavenPack database is that it classifies news stories into different news topics according to the news contents. We count the number of news articles within each topic and include the logarithm of one plus the number of news articles related to each topic in our baseline regression.

We report the results of this analysis in Table 8. In unreported results, we analyze the effect of news related to products, analysts' forecasts, equity issues, investments, earnings, revenues, stock performance, debt, and ratings on shareholder proposals. However, only news related to stock, debt, and ratings seem to affect shareholder proposals. These results can be explained by the fact that the coverage of firms' stock, debt, and ratings are usually more eye-catching than other news. Negative news on these topics may therefore attract more attention from (less sophisticated) shareholders pushing them to submit proposals.

(Insert Table 8 about here)

3.8 Media coverage and shareholder proposals' outcomes

²⁵ The ratio of media attention is still positively and significantly related to media coverage if we consider separately the neutral news and the instrumented neutral media coverage is positively and significantly associated with the number of shareholder proposals.

In this section, we explore whether media coverage affects shareholder proposals' outcomes. In Table 9, Panel A, we focus on the success of shareholder proposals. Conditional on receiving at least one proposal and no proposal being withdrawn,²⁶ we examine whether media coverage is associated with the number of proposals that pass (i.e., receive more than 50% support). We find that media coverage is positively associated with the number of shareholder proposals that pass. Given that proposals that win majority votes are generally implemented (Cuñat et al., 2012; Ertimur et al., 2010; Thomas and Cotter, 2007), the results further highlight that the shareholder proposal process is an important channel through which the media play a role in corporate governance. In Column 2, we reproduce the same regressions controlling for Institutional Shareholders Services (ISS) recommendations. Iliev and Lowry (2015) show that 25% of mutual funds rely almost entirely on ISS recommendations²⁷. Consistent with many investors relying on ISS recommendations, the results show that the coefficient of the ISS variable is positive and highly significant. Importantly, the coefficient on negative media coverage remains positive and significant, indicating that negative media coverage influences the voting behavior above and beyond the effect of ISS recommendations.

In Table 9, Panel B, we further examine whether conditional on being targeted by shareholder proposals, negative media coverage is associated with changes in some aspects of a firm's corporate governance. In Column 1, we focus on the change in CEO compensation and restrict the sample to firms that receive at least one compensation-related shareholder proposal. We measure the change in CEO compensation as the difference between the log of the t+1 CEO compensation minus the log of the t-1 CEO compensation. The results show that concurrent negative media coverage is negatively associated with the change in CEO compensation. In Column 2, we focus on board turnover ratio (i.e., the ratio of the number of departed board members to total board members) and we restrict the sample to firms that receive at least one

²⁶ A shareholder submitting a proposal has the possibility to subsequently withdraw the proposal. In this case, the proposal will not be voted during the annual meeting.

²⁷ The sample analyzed is reduced because ISS recommendations are available only starting from 2003.

shareholder proposal related to director elections and qualifications. Finally, in Column 3, we report the results of a probit model where the dependent variable is board turnover likelihood (i.e., a dummy variable equals to 1 if board turnover ratio is strictly positive and 0 otherwise). The results show that lagged negative media coverage is positively associated with both board turnover ratio and the board turnover likelihood. Overall, the findings from Table 9, Panel B show that conditional on being targeted by shareholder proposals, negative media coverage is associated with changes in important corporate governance aspects (i.e., executive compensation and board turnover). Our results indicate that negative media coverage makes shareholder proposals more likely to change corporate governance.

(Insert Table 9 about here)

3.9 Robustness tests: controlling for firm growth and stock performance

In this section, we briefly discuss additional tests that we have conducted to assess the robustness of our findings. More precisely, we extend the set of our control variables to ensure that the association between media coverage and leverage is not driven by the choice of control variables we have included so far. Table 10 presents the results of estimating our baseline regression with additional control variables. We further control for sales growth ($(\text{sales}_{(t)} - \text{sales}_{(t-1)}) / \text{sales}_{(t-1)}$), net income before extraordinary items growth ($(\text{ib}_{(t)} - \text{ib}_{(t-1)}) / \text{ib}_{(t-1)}$), asset growth ($(\text{asset}_{(t)} - \text{asset}_{(t-1)}) / \text{asset}_{(t-1)}$), and stock returns. Prior studies find that firms with strong growth are less likely to receive shareholder proposals (see Denes et al. [2017] for a review). Consistent with prior studies, we find that our different growth variables are negatively associated with the number of governance shareholder proposals. The results show that adding these additional firm-level control variables does not affect our main finding. The coefficient on media coverage is statistically significant at the 1% level in all columns.

(Insert Table 10 about here)

4. Conclusion

We find that the media influence the shareholder proposal process: media coverage influences both the probability of being targeted by governance-related shareholder proposals and the number of governance-related shareholder proposals. While previous studies emphasize the reputational costs to which the media expose managers, our paper sheds light on a new and to date unexplored channel through which the media play a corporate governance role.

Our results also provide evidence to suggest that media coverage and media sentiment influence the actions of shareholders and push them to become active by proposing corporate governance changes through the submission of proposals. Moreover, we find that negative media coverage also makes shareholder proposals more likely to change corporate governance. Our results complement previous studies in political sciences and economics showing that the media influence the actions of other economic agents (e.g., voters, politicians, and managers).

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Table 1. Descriptive Statistics

This table reports descriptive statistics for our sample firms. Target_Governance is a dummy variable that is equal to 1 if a firm receives at least one governance-related shareholder proposal during the year. Governance Proposals is the number of governance-related shareholder proposals that a firm receives in a given year. Log Total News is the natural logarithm of one plus the number of news articles for a firm-year. Variable definitions are in Appendix. All continuous variables are winsorized at the 1st and 99th percentiles.

	Mean	Median	SD	N
Target_Governance	0.194	0.000	0.395	15,505
Number of Governance Proposals	0.367	1.050	1.049	15,505
Number of Compensation Proposals	0.158	0.000	0.625	15,505
Number Election Proposals	0.133	0.000	0.485	15,505
Number Board Proposals	0.113	0.000	0.482	15,505
Number Takeover Proposals	0.050	0.000	0.246	15,505
Number of Governance Proposals Individuals	0.156	0.000	0.633	15,505
Number of Governance Proposals Special Interest and Religious Groups	0.011	0.000	0.112	15,505
Number of Governance Proposals Public Pension Funds	0.027	0.000	0.176	15,505
Number of Governance Proposals Unions	0.121	0.000	0.444	15,505
Number of Governance Proposals SRI funds	0.009	0.000	0.098	15,505
Number of Governance Proposals non-SRI funds	0.006	0.000	0.082	15,505
Media Coverage	4.160	4.094	0.865	15,505
Positive Media Coverage	3.457	3.433	0.885	15,505
Negative Media Coverage	2.580	2.565	1.109	15,505
Neutral Media Coverage	2.828	2.833	0.910	15,505
Assets	7.615	7.475	1.525	15,505
Debt	0.208	0.203	0.164	15,505
ROA	0.048	0.051	0.085	15,505
Cash	0.150	0.088	0.162	15,505
MTB	3.089	2.247	2.845	15,505
Dividends	0.012	0.004	0.019	15,505
Target_sri	0.127	0.000	0.333	15,505
Institutional Ownership	0.623	0.731	0.314	15,505
Analysts	2.303	2.226	0.706	15,505
Sd of analysts' forecasts	0.085	0.044	0.144	15,279
Ratio independent directors	0.762	0.800	0.138	13,570
Log total directors	2.314	2.306	0.225	13,599
Log total CEO/compensation	8.117	8.161	0.998	15,297
Delta CEO/compensation	0.241	0.063	0.730	14,485
Vega CEO/compensation	0.031	0.021	0.035	14,726
Media attention	0.948	0.000	2.072	15,374

Table 2, Panel A. Media Coverage and Number of Governance Proposals

This table reports the results from firm fixed effects regressions of Shareholder Proposals on Media coverage and control variables. The dependent variable is the number of governance-related proposals received by a firm during the year. The main independent variable is the natural logarithm of one plus the number of news stories for a firm-year. Variable definitions are in the Appendix. The t -statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)
	Number of Governance Proposals	Number of Governance Proposals	Number of Governance Proposals
Media Coverage _(t-1)	0.138*** (5.53)	0.136*** (5.37)	0.160*** (5.39)
Ratio independent directors _(t-1)			0.165 (1.56)
Log total directors _(t-1)			0.046 (0.47)
Log total CEO compensation _(t-1)			-0.015 (-0.78)
Delta CEO/compensation _(t-1)			-0.007 (-0.37)
Vega CEO/compensation _(t-1)			0.760* (1.73)
Assets _(t-1)	0.183*** (6.74)	0.182*** (6.10)	0.171*** (5.50)
Debt _(t-1)	0.010 (0.12)	0.024 (0.28)	-0.013 (-0.13)
ROA _(t-1)	-0.460*** (-4.86)	-0.357*** (-4.21)	-0.409*** (-4.00)
Cash _(t-1)	0.019 (0.25)	0.000 (0.00)	0.035 (0.39)
MTB _(t-1)	-0.013** (-2.39)	-0.014** (-2.53)	-0.012* (-1.83)
Dividends _(t-1)	0.539 (1.02)	0.589 (1.07)	1.056* (1.81)
Target_sri _(t)	0.170*** (4.46)	0.163*** (4.35)	0.167*** (4.44)
Institutional Ownership _(t-1)		0.036 (1.49)	0.043 (1.64)
Analysts _(t-1)		-0.044* (-1.96)	-0.035 (-1.37)
Sd of analysts' forecasts _(t-1)		0.454*** (3.43)	0.425*** (2.86)
Constant	-1.449*** (-6.99)	-1.384*** (-6.62)	-1.529*** (-4.29)
Firm FE	Y	Y	Y
Year FE	Y	Y	Y
Observations	15,505	15,279	12,651
R-squared	0.27	0.26	0.28

Table 2, Panel B. Media Coverage and Probability of Governance Proposal Submissions

This table reports the results from firm fixed effects regressions of Target_Governance on media coverage and control variables. The dependent variable is a dummy equal to 1 if the firm receives at least one governance-sponsored shareholder proposal. The main independent variable is the natural logarithm of one plus the number of news stories for a firm-year. Variable definitions are in the Appendix. The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1) Target Governance	(2) Target Governance	(3) Target Governance
Media Coverage _(t-1)	0.026*** (2.74)	0.023** (2.38)	0.029*** (2.61)
Ratio independent directors _(t-1)			-0.051 (-1.00)
Log total directors _(t-1)			0.013 (0.36)
Log total CEO compensation _(t-1)			-0.015* (-1.93)
Delta CEO/compensation _(t-1)			-0.008 (-1.15)
Vega CEO/compensation _(t-1)			0.195 (1.25)
Assets _(t-1)	0.096*** (7.96)	0.091*** (7.00)	0.099*** (6.71)
Debt _(t-1)	-0.048 (-1.26)	-0.039 (-1.01)	-0.079* (-1.75)
ROA _(t-1)	-0.225*** (-5.09)	-0.197*** (-4.55)	-0.207*** (-4.05)
Cash _(t-1)	0.022 (0.62)	0.018 (0.52)	0.013 (0.33)
MTB _(t-1)	-0.002 (-0.87)	-0.002 (-1.11)	0.001 (0.30)
Dividends _(t-1)	0.211 (0.82)	0.216 (0.81)	0.358 (1.23)
Target_sri _(t)	0.045*** (2.98)	0.043*** (2.84)	0.041** (2.58)
Institutional Ownership _(t-1)		0.016 (1.34)	0.022* (1.71)
Analysts _(t-1)		0.005 (0.48)	0.004 (0.27)
Sd of analysts' forecasts _(t-1)		0.131** (2.56)	0.132** (2.13)
Constant	-0.618*** (-6.92)	-0.601*** (-6.62)	-0.584*** (-4.05)
Firm FE	Y	Y	Y
Year FE	Y	Y	Y
Observations	15,505	15,279	12,651
R-squared	0.28	0.27	0.29

Table 3. Media Coverage and Number of Governance Proposals by Topics

This table reports the results from firm fixed effects regressions of the number of shareholder proposals by topics on media coverage and control variables. The dependent variables are the number of governance-related proposals on four main governance topics (compensation election, board organization, and takeover) received by a firm during the year. The main independent variable is the natural logarithm of one plus the number of news stories for a firm-year. Variable definitions are in the Appendix. The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
	Number of Compensation Proposals	Number of Election Proposals	Number of Board Proposals	Number of Takeover Proposals
Media Coverage _(t-1)	0.101*** (5.43)	0.053*** (3.27)	0.056*** (4.35)	0.019** (2.40)
Ratio independent directors _(t-1)	0.032 (0.49)	0.017 (0.28)	-0.042 (-0.86)	0.063* (1.68)
Log total directors _(t-1)	0.039 (0.68)	0.085 (1.58)	-0.068 (-1.53)	0.059* (1.69)
Log total CEO compensation _(t-1)	-0.001 (-0.10)	-0.006 (-0.58)	0.003 (0.37)	-0.002 (-0.43)
Delta CEO/compensation _(t-1)	0.001 (0.12)	-0.005 (-0.50)	0.010 (0.80)	-0.001 (-0.09)
Vega CEO/compensation _(t-1)	0.512* (1.75)	0.299 (1.34)	0.590*** (2.66)	0.026 (0.20)
Assets _(t-1)	0.049** (2.38)	0.064*** (4.08)	0.049*** (3.35)	0.022** (2.49)
Debt _(t-1)	0.008 (0.14)	-0.026 (-0.53)	0.025 (0.58)	0.052 (1.64)
ROA _(t-1)	-0.193*** (-2.94)	-0.221*** (-3.72)	-0.110** (-2.06)	0.007 (0.25)
Cash _(t-1)	0.035 (0.55)	-0.054 (-1.11)	0.075 (1.64)	-0.017 (-0.71)
MTB _(t-1)	-0.006 (-1.43)	-0.002 (-0.61)	-0.005* (-1.77)	-0.006** (-2.33)
Dividends _(t-1)	0.464 (1.10)	0.830** (2.53)	-0.098 (-0.43)	0.301 (1.41)
Target_sri _(t)	0.130*** (5.06)	0.073*** (3.82)	0.030 (1.54)	0.020 (1.64)
Institutional Ownership _(t-1)	0.013 (0.75)	0.029** (2.04)	0.005 (0.41)	-0.003 (-0.41)
Analysts _(t-1)	-0.024 (-1.43)	0.022 (1.55)	-0.018 (-1.53)	-0.005 (-0.55)
Sd of analysts' forecasts _(t-1)	0.343*** (2.99)	0.142** (2.20)	0.164** (2.32)	-0.012 (-0.44)
Constant	-0.652*** (-2.88)	-0.717*** (-3.96)	-0.286* (-1.89)	-0.305*** (-2.82)
Firm FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	15,505	15,279	12,651	15,505
R-squared	0.21	0.14	0.16	0.07

Table 4. Media Coverage and Number of Governance Proposals by Sponsor Types

This table reports the results from firm fixed effects regressions of the number of shareholder proposals by sponsor types on media coverage and control variables. The dependent variables are the number of governance-related proposals sponsored by different sponsors (individuals, special interest and religious groups, public pension funds, unions, and SRI funds) received by a firm during the year. The main independent variable is the natural logarithm of one plus the number of news stories for a firm-year. Variable definitions are in the Appendix. The t -statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
	Number of Governance Proposals Individuals	Number of Governance Proposals Religious and Special Interest Groups	Number of Governance Proposals Public Pension	Number of Governance Proposals Unions	Number of Governance Proposals SRI funds
Media Coverage _(t-1)	0.083*** (3.94)	0.014*** (4.38)	0.010* (1.82)	0.068*** (4.07)	0.001 (0.36)
Ratio independent dir _(t-1)	0.100 (1.34)	0.009 (0.63)	0.014 (0.56)	0.053 (0.94)	-0.006 (-0.55)
Log total directors _(t-1)	0.069 (1.06)	-0.011 (-0.74)	0.007 (0.37)	0.042 (0.86)	-0.009 (-0.77)
Log total CEO comp _(t-1)	-0.012 (-1.02)	0.005 (1.53)	-0.004 (-1.02)	-0.005 (-0.40)	0.001 (0.31)
Delta CEO/comp _(t-1)	-0.006 (-0.52)	0.004 (1.43)	-0.005 (-1.56)	-0.004 (-0.31)	-0.001 (-0.88)
Vega CEO/comp _(t-1)	-0.186 (-0.64)	0.117 (1.50)	0.074 (0.91)	0.449* (1.80)	-0.019 (-0.35)
Assets _(t-1)	0.060*** (3.20)	0.003 (0.75)	0.014** (2.11)	0.059*** (3.25)	0.004 (0.85)
Debt _(t-1)	0.162** (2.30)	0.005 (0.38)	0.017 (0.87)	-0.159*** (-3.00)	0.011 (1.03)
ROA _(t-1)	-0.002 (-0.03)	-0.022 (-1.44)	-0.055** (-2.07)	-0.255*** (-4.14)	0.009 (0.56)
Cash _(t-1)	0.029 (0.53)	-0.002 (-0.10)	-0.004 (-0.21)	-0.039 (-0.83)	0.008 (0.69)
MTB _(t-1)	-0.012** (-2.00)	-0.001 (-1.01)	-0.000 (-0.13)	0.003 (0.92)	-0.001 (-1.13)
Dividends _(t-1)	0.773** (2.17)	0.082 (0.95)	-0.018 (-0.12)	-0.041 (-0.14)	0.006 (0.06)
Target_sri _(t)	0.053** (2.22)	0.012** (2.12)	0.022*** (2.71)	0.072*** (3.78)	-0.001 (-0.21)
Institutional Ownership _(t-1)	0.015 (1.06)	0.002 (0.62)	-0.004 (-0.72)	0.035*** (2.64)	0.003 (1.16)
Analysts _(t-1)	-0.016 (-1.06)	-0.004 (-1.21)	0.007 (1.13)	-0.013 (-0.89)	-0.000 (-0.15)
Sd of analysts' forecasts _(t-1)	0.019 (0.35)	0.010 (0.40)	0.068* (1.80)	0.234** (2.37)	0.018 (1.14)
Constant	-0.592*** (-2.62)	-0.078 (-1.61)	-0.141** (-2.26)	-0.674*** (-3.74)	-0.015 (-0.39)
Firm FE	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y
Observations	12,651	12,651	12,651	12,651	12,651
R-squared	0.18	0.05	0.03	0.17	0.01

Table 5. Positive, Neutral, Negative Media Coverage and Number of Governance Proposals

This table reports the results from firm fixed effects regressions of Shareholder Proposals on negative, neutral, and positive media coverage and control variables. The dependent variable is the number of governance-related proposals received by a firm during the year. Variable definitions are in the Appendix. The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1) Number of Governance Proposals	(2) Number of Governance Proposals	(3) Number of Governance Proposals	(4) Number of Governance Proposals
Negative Media Coverage _(t-1)	0.059*** (5.38)			0.034*** (3.57)
Neutral Media Coverage _(t-1)		0.145*** (6.60)		0.139*** (6.31)
Positive Media Coverage _(t-1)			0.055*** (2.59)	-0.021 (-1.07)
Ratio independent directors _(t-1)	0.162 (1.53)	0.143 (1.37)	0.163 (1.55)	0.144 (1.37)
Log total directors _(t-1)	0.044 (0.46)	0.035 (0.36)	0.047 (0.49)	0.034 (0.35)
Log total CEO compensation _(t-1)	-0.009 (-0.47)	-0.019 (-0.95)	-0.015 (-0.76)	-0.015 (-0.79)
Delta CEO/compensation _(t-1)	-0.007 (-0.36)	-0.006 (-0.31)	-0.008 (-0.41)	-0.006 (-0.29)
Vega CEO/compensation _(t-1)	0.760* (1.72)	0.711 (1.63)	0.802* (1.81)	0.690 (1.58)
Assets _(t-1)	0.189*** (6.09)	0.176*** (5.72)	0.190*** (6.07)	0.174*** (5.64)
Debt _(t-1)	-0.039 (-0.41)	-0.002 (-0.02)	-0.016 (-0.16)	-0.014 (-0.15)
ROA _(t-1)	-0.306*** (-3.02)	-0.413*** (-4.03)	-0.474*** (-4.48)	-0.326*** (-3.22)
Cash _(t-1)	0.033 (0.37)	0.041 (0.45)	0.024 (0.26)	0.045 (0.50)
MTB _(t-1)	-0.011 (-1.64)	-0.012* (-1.82)	-0.013* (-1.83)	-0.012* (-1.70)
Dividends _(t-1)	0.938 (1.60)	0.999* (1.72)	1.140* (1.93)	0.895 (1.54)
Target_sri _(t)	0.172*** (4.53)	0.168*** (4.47)	0.172*** (4.51)	0.168*** (4.49)
Institutional Ownership _(t-1)	0.045* (1.70)	0.036 (1.38)	0.042 (1.59)	0.037 (1.45)
Analysts _(t-1)	-0.028 (-1.09)	-0.036 (-1.40)	-0.021 (-0.82)	-0.040 (-1.57)
Sd of analysts' forecasts _(t-1)	0.422*** (2.84)	0.435*** (2.97)	0.470*** (3.15)	0.408*** (2.78)
Constant	-1.292*** (-3.71)	-1.220*** (-3.55)	-1.326*** (-3.79)	-1.213*** (-3.53)
Firm FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	12,651	12,651	12,651	12,651
R-squared	0.27	0.28	0.27	0.28

Table 6. Media coverage: information vs spotlight

This table reports the results from firm fixed effects regressions of Shareholder Proposals on negative, neutral, and positive media coverage and control variables. The dependent variable is the number of governance-related proposals received by a firm during the year. In Column 1 (2), we consider only firms whose Sd of analysts' forecasts is below (above) the median. Variable definitions are in the Appendix. The t-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)
	Number of Governance Proposals	Number of Governance Proposals
	Low	High
	Sd of analysts' forecasts	Sd of analysts' forecasts
Negative Media Coverage _(t-1)	0.015 (1.29)	0.046*** (2.68)
Neutral Media Coverage _(t-1)	0.127*** (4.66)	0.154*** (4.35)
Positive Media Coverage _(t-1)	-0.042 (-1.62)	-0.000 (-0.01)
Ratio independent directors _(t-1)	0.136 (0.93)	0.152 (0.86)
Log total directors _(t-1)	-0.091 (-0.79)	0.140 (0.86)
Log total CEO compensation _(t-1)	0.014 (0.52)	-0.042 (-1.52)
Delta CEO/compensation _(t-1)	0.020 (0.70)	-0.023 (-0.89)
Vega CEO/compensation _(t-1)	0.411 (0.73)	0.934 (1.22)
Assets _(t-1)	0.136*** (3.16)	0.201*** (4.04)
Debt _(t-1)	0.088 (0.60)	-0.215 (-1.46)
ROA _(t-1)	-0.067 (-0.40)	-0.494*** (-3.32)
Cash _(t-1)	-0.143 (-1.35)	0.260 (1.54)
MTB _(t-1)	-0.018** (-1.96)	-0.009 (-0.82)
Dividends _(t-1)	0.946 (1.17)	-0.130 (-0.14)
Target_sri _(t)	0.124** (2.31)	0.186*** (3.58)
Institutional Ownership _(t-1)	0.057** (1.98)	0.046 (1.11)
Analysts _(t-1)	-0.073* (-1.94)	-0.030 (-0.72)
Sd of analysts' forecasts _(t-1)	3.417*** (3.25)	0.360** (2.41)
Constant	-0.787* (-1.76)	-1.500*** (-2.79)
Firm FE	Y	Y
Year FE	Y	Y
Observations	6,383	6,268
R-squared	0.26	0.28

Table 7. Negative Media Coverage and Governance Proposals: Instrumental Variable

This table reports the results from the two-stage instrumental variable regression of the number of governance-related on negative media coverage and control variables. In the second stage, negative media coverage is instrumented by the ratio of media firms in 2 zip codes over major exogenous events (terrorist attacks, hurricanes and presidential elections). Variable definitions are in the Appendix The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

VARIABLES	(1)	(2)	(3)	(4)
	Negative Media Coverage	Number of Governance Proposals	Negative & Neutral Media Coverage	Number of Governance Proposals
	First stage	Second stage	First stage	Second stage
Negative Media Coverage (instrumented) _(t-1)		1.105** (1.96)		
Negative & Neutral Media Coverage (instrumented) _(t-1)				1.400** (2.09)
Media attention _(t-1)	0.025*** (3.20)		0.020*** (3.02)	
Log of Total Bank Branches _(t-1)	-0.178* (-1.92)	0.211 (1.21)	-0.095 (-1.22)	0.141 (0.88)
Takeovers _(t-1)	-0.266* (-1.82)	0.336 (1.32)	-0.119 (-1.16)	0.206 (0.99)
Ratio independent directors _(t-1)	-0.595 (-0.58)	0.241 (1.53)	0.014 (0.17)	0.162 (1.04)
Log total directors _(t-1)	0.016 (0.20)	0.034 (0.26)	0.028 (0.51)	0.016 (0.13)
Log total CEO compensation _(t-1)	-0.059*** (-3.68)	0.052 (1.26)	-0.010 (-0.88)	0.001 (0.06)
Delta CEO/compensation _(t-1)	-0.016 (-0.97)	0.008 (0.28)	-0.016 (-1.21)	0.012 (0.42)
Vega CEO/compensation _(t-1)	0.689** (2.35)	0.052 (0.08)	0.628*** (2.68)	-0.070 (-0.11)
Assets _(t-1)	0.207*** (6.01)	-0.034 (-0.27)	0.201*** (7.21)	-0.083 (-0.58)
Debt _(t-1)	0.273*** (2.83)	-0.321 (-1.60)	0.028 (0.37)	-0.062 (-0.45)
ROA _(t-1)	-1.856*** (-17.31)	1.646 (1.54)	-0.956*** (-12.57)	0.931 (1.40)
Cash _(t-1)	-0.109 (-1.12)	0.152 (1.07)	-0.128* (-1.73)	0.208 (1.44)
MTB _(t-1)	-0.015*** (-3.98)	0.005 (0.45)	-0.006* (-1.71)	-0.005 (-0.59)
Dividends _(t-1)	2.461*** (4.13)	-1.561 (-1.01)	1.574*** (2.98)	-1.036 (-0.77)
Target_sri _(t)	0.035 (1.54)	0.138*** (2.94)	0.487*** (2.77)	0.109** (2.07)
Institutional Ownership _(t-1)	-0.038 (-1.13)	0.084* (1.74)	-0.011 (-0.47)	0.058 (1.47)
Analysts _(t-1)	0.189*** (6.17)	-0.227** (-2.03)	0.165*** (6.73)	-0.248** (-2.16)
Sd of analysts' forecasts _(t-1)	0.841*** (8.86)	-0.457 (-0.92)	0.491*** (6.45)	-0.215 (-0.58)
Firm FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	12,544	12,544	12,544	12,544

Table 8. Media Coverage by Topics and Governance Proposals

This table reports the results from firm fixed effects regressions of the number of governance proposals on negative media coverage by topics and control variables. The dependent variable is the number of governance-related proposals received by a firm during the year. The main independent variables are the natural logarithm of one plus the number of negative news stories in different topics (revenues, stock performance, debt financing, and ratings) for a firm-year. Variable definitions are in the Appendix. The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

VARIABLES	(1) Number of Governance Proposals	(2) Number of Governance Proposals	(3) Number of Governance Proposals	(4) Number of Governance Proposals	(5) Number of Governance Proposals
Log Neg News Revenues _(t-1)	0.022 (1.43)				0.016 (1.07)
Log Neg News Stock _(t-1)		0.029** (2.41)			0.024** (2.00)
Log Neg News Debt _(t-1)			0.079** (2.24)		0.071** (2.02)
Log Neg News Ratings _(t-1)				0.070*** (3.38)	0.061*** (2.96)
Log of all other Neg News _(t-1)					-0.006 (-0.51)
Log Neutral News _(t-1)	0.147*** (6.64)	0.144*** (6.60)	0.146*** (6.64)	0.150*** (6.77)	0.143*** (6.59)
Log Positive News _(t-1)	-0.012 (-0.56)	-0.022 (-1.07)	-0.016 (-0.76)	-0.020 (-1.00)	-0.025 (-1.21)
Ratio independent directors _(t-1)	0.141 (1.34)	0.144 (1.37)	0.141 (1.34)	0.137 (1.31)	0.137 (1.30)
Log total directors _(t-1)	0.034 (0.35)	0.033 (0.34)	0.034 (0.35)	0.043 (0.45)	0.041 (0.43)
Log total CEO compensation _(t-1)	-0.017 (-0.85)	-0.018 (-0.90)	-0.019 (-0.98)	-0.014 (-0.74)	-0.014 (-0.73)
Delta CEO/compensation _(t-1)	-0.006 (-0.27)	-0.006 (-0.30)	-0.007 (-0.34)	-0.006 (-0.31)	-0.006 (-0.31)
Vega CEO/compensation _(t-1)	0.691 (1.59)	0.703 (1.61)	0.702 (1.61)	0.737* (1.69)	0.709 (1.63)
Assets _(t-1)	0.177*** (5.73)	0.181*** (5.83)	0.175*** (5.71)	0.173*** (5.58)	0.175*** (5.56)
Debt _(t-1)	-0.010 (-0.10)	-0.007 (-0.07)	-0.021 (-0.22)	-0.067 (-0.71)	-0.085 (-0.90)
ROA _(t-1)	-0.379*** (-3.64)	-0.378*** (-3.66)	-0.398*** (-3.84)	-0.335*** (-3.19)	-0.316*** (-3.03)
Cash _(t-1)	0.040 (0.44)	0.047 (0.52)	0.039 (0.43)	0.039 (0.43)	0.039 (0.43)
MTB _(t-1)	-0.011* (-1.69)	-0.012* (-1.76)	-0.012* (-1.80)	-0.012* (-1.71)	-0.011 (-1.60)
Dividends _(t-1)	0.923 (1.57)	0.968* (1.65)	0.981* (1.68)	0.996* (1.71)	0.953 (1.63)
Target_sri _(t)	0.169*** (4.51)	0.168*** (4.48)	0.170*** (4.53)	0.169*** (4.53)	0.171*** (4.57)
Institutional Ownership _(t-1)	0.038 (1.46)	0.038 (1.46)	0.034 (1.32)	0.038 (1.47)	0.040 (1.53)
Analysts _(t-1)	-0.036 (-1.42)	-0.050* (-1.92)	-0.034 (-1.33)	-0.030 (-1.18)	-0.042 (-1.62)
Sd of analysts' forecasts _(t-1)	0.423*** (2.90)	0.422*** (2.90)	0.435*** (2.96)	0.404*** (2.75)	0.391*** (2.68)
Constant	-1.220*** (-3.54)	-1.189*** (-3.46)	-1.179*** (-3.45)	-1.208*** (-3.53)	-1.186*** (-3.46)

Firm FE	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y
Observations	12,651	12,651	12,651	12,651	12,651
R-squared	0.28	0.27	0.27	0.28	0.28

Table 9, Panel A. Negative Media Coverage and the Success of Governance Proposals

This table reports the results from regressions of the number of governance-related shareholder proposals that passed (receive support above the 50% threshold) on negative media coverage and control variables. The sample is restricted to firm-year observations with no withdrawn governance-related shareholder proposal. Variable definitions are in the Appendix. The *t*-statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1) Number of governance proposals with 50% support	(2) Number of governance proposals with 50% support
Negative Media Coverage _(t)	0.073** (2.24)	0.065** (1.96)
Neutral Media Coverage _(t)	0.036 (0.78)	0.042 (0.87)
Positive Media Coverage _(t)	0.042 (0.94)	0.014 (0.28)
Mean ISS recommendation _(t)		0.558*** (13.17)
Ratio independent directors _(t-1)	0.607*** (3.05)	0.552** (2.45)
Log total directors _(t-1)	0.009 (0.07)	0.015 (0.11)
Log total CEO compensation _(t-1)	-0.010 (-0.34)	-0.017 (-0.50)
Delta CEO/compensation _(t-1)	-0.048** (-2.33)	-0.070*** (-2.86)
Vega CEO/compensation _(t-1)	-0.947* (-1.86)	-0.623 (-1.17)
Assets _(t-1)	-0.124*** (-4.22)	-0.074** (-2.32)
Debt _(t-1)	-0.097 (-0.64)	-0.077 (-0.47)
ROA _(t-1)	0.462 (1.42)	0.465 (1.25)
Cash _(t-1)	-0.228 (-1.11)	0.138 (0.66)
MTB _(t-1)	-0.011* (-1.74)	-0.016** (-2.36)
Dividends _(t-1)	-2.057 (-1.60)	-1.194 (-0.82)
Target_sri _(t)	-0.012 (-0.27)	-0.039 (-0.84)
Institutional Ownership _(t-1)	0.083 (1.06)	0.034 (0.36)
Analysts _(t-1)	-0.004 (-0.08)	-0.022 (-0.40)
Sd of analysts' forecasts _(t-1)	0.041 (0.24)	0.145 (0.63)
Constant	0.447 (1.24)	0.318 (0.78)
Industry FE	Y	Y
Year FE	Y	Y
Observations	1,298	1,045
R-squared	0.14	0.21

Table 9, Panel B. Negative Media Coverage and Governance Outcomes

This table reports the results from changes in executive compensation and board turnover ratio on negative media coverage and control variables. In Column 1, the dependent variable is the change in total CEO compensation between $t-1$ and $t+1$. In Column 2, the dependent variable is board turnover ratio measured as the ratio of departed board members on total board members. In Column 3, the dependent variable is board turnover likelihood (i.e., a dummy variable equals to 1 if board turnover ratio is strictly positive and 0 otherwise). In these columns, we restrict to firms that receive at least one shareholder proposal related to executive compensation (Column 1) or to director elections and qualifications (Columns 2 and 3). Variable definitions are in the Appendix. The t -statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

VARIABLES	(1) Change in CEO compensation	(2) Board turnover ratio	(3) Board turnover dummy
Negative Media Coverage	-0.088** (-2.53)	0.016*** (3.35)	0.187*** (2.68)
Neutral Media Coverage	0.080* (1.72)	-0.005 (-0.65)	-0.075 (-0.80)
Positive Media Coverage	0.049 (0.90)	-0.011 (-1.46)	-0.092 (-0.91)
Ratio independent directors _(t-1)	0.394** (2.26)	-0.120*** (-4.42)	-1.937*** (-4.87)
Log total directors _(t-1)	0.074 (0.53)	-0.110*** (-5.79)	-0.648** (-2.54)
Log total CEO compensation _(t-1)	-0.658*** (-15.85)	0.007 (1.34)	0.125* (1.84)
Delta CEO/compensation _(t-1)	-0.060 (-1.26)	0.004 (0.58)	-0.010 (-0.12)
Vega CEO/compensation _(t-1)	2.570*** (5.19)	-0.078 (-0.85)	-1.133 (-0.96)
Assets _(t-1)	0.167*** (4.75)	0.008* (1.81)	0.174** (2.57)
Debt _(t-1)	-0.222 (-1.33)	-0.018 (-0.75)	-0.295 (-0.85)
ROA _(t-1)	-0.429 (-1.22)	-0.060 (-1.18)	-1.533** (-2.05)
Cash _(t-1)	-0.246 (-0.73)	-0.089*** (-2.78)	-0.835* (-1.92)
MTB _(t-1)	0.009 (1.36)	0.000 (0.27)	0.024 (1.18)
Dividends _(t-1)	1.833 (1.41)	-0.052 (-0.27)	1.867 (0.70)
Target_sri _(t)	-0.076* (-1.70)	0.001 (0.17)	-0.076 (-0.79)
Institutional Ownership _(t-1)	0.020 (0.29)	0.013 (1.06)	0.279* (1.75)
Analysts _(t-1)	0.176*** (2.74)	-0.008 (-0.91)	-0.164 (-1.43)
Sd of analysts' forecasts _(t-1)	-0.339* (-1.66)	0.015 (0.56)	-0.035 (-0.11)
Constant	3.041*** (7.12)	0.182*** (3.57)	1.205 (1.42)
Industry FE	Y	Y	Y
Year FE	Y	Y	Y
Observations	Y	Y	Y
R-squared	0.43	0.09	0.08

Table 10. Robustness tests: controlling for firm growth and stock returns

This table reports the results from firm fixed effects regressions of the number of shareholder proposals by topics on media coverage, our main control variables, and additional control variables capturing firm growth and stock performance. The dependent variables are the number of governance-related proposals on four main governance topics (election, compensation, board organization, and takeover) received by a firm during the year. The main independent variable is the natural logarithm of one plus the number of news stories for a firm-year. Variable definitions are in the Appendix. The t -statistics shown in parentheses are based on standard errors adjusted for heteroskedasticity and firm-level clustering. The symbols *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

VARIABLES	(1) Number of Governance Proposals	(2) Number of Governance Proposals	(3) Number of Governance Proposals	(4) Number of Governance Proposals
Media Coverage _(t-1)	0.166*** (5.33)	0.167*** (5.35)	0.167*** (5.35)	0.161*** (5.42)
Sales growth _(t-1)	-0.085*** (-2.59)			
Income growth _(t-1)		0.000 (0.70)		
Asset growth _(t-1)			-0.841*** (-3.72)	
Yearly returns _(t-1)				0.031** (2.21)
Ratio independent directors _(t-1)	0.177 (1.58)	0.176 (1.57)	0.180 (1.61)	0.166 (1.56)
Log total directors _(t-1)	0.040 (0.39)	0.039 (0.39)	0.035 (0.35)	0.045 (0.47)
Log total CEO compensation _(t-1)	-0.014 (-0.70)	-0.016 (-0.77)	-0.015 (-0.73)	-0.016 (-0.83)
Delta CEO/compensation _(t-1)	-0.005 (-0.23)	-0.006 (-0.28)	-0.004 (-0.20)	-0.008 (-0.38)
Vega CEO/compensation _(t-1)	0.783* (1.72)	0.800* (1.76)	0.770* (1.70)	0.761* (1.73)
Assets _(t-1)	0.186*** (5.66)	0.178*** (5.43)	0.195*** (5.77)	0.172*** (5.52)
Debt _(t-1)	-0.016 (-0.16)	-0.024 (-0.24)	0.006 (0.06)	-0.005 (-0.06)
ROA _(t-1)	-0.345*** (-3.12)	-0.419*** (-3.89)	-0.307*** (-2.83)	-0.427*** (-4.14)
Cash _(t-1)	0.032 (0.33)	0.056 (0.58)	0.067 (0.69)	0.025 (0.28)
MTB _(t-1)	-0.012* (-1.71)	-0.013* (-1.83)	-0.012* (-1.75)	-0.014** (-1.99)
Dividends _(t-1)	1.110* (1.81)	1.193* (1.94)	0.994 (1.62)	1.118* (1.90)
Target_sri _(t)	0.167*** (4.40)	0.167*** (4.40)	0.166*** (4.36)	0.168*** (4.46)
Institutional Ownership _(t-1)	0.045 (1.62)	0.045 (1.62)	0.044 (1.59)	0.042 (1.60)
Analysts _(t-1)	-0.042 (-1.55)	-0.039 (-1.45)	-0.048* (-1.76)	-0.027 (-1.06)
Sd of analysts' forecasts _(t-1)	0.433*** (2.81)	0.444*** (2.87)	0.425*** (2.74)	0.435*** (2.93)
Constant	-1.633*** (-4.33)	-1.589*** (-4.20)	-1.688*** (-4.39)	-1.548*** (-4.34)
Firm FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	12,180	12,180	12,180	12,651
R-squared	0.29	0.29	0.29	0.29

Appendix A: Variable Definitions

Dependent Variables: Shareholder Proposals	
Number of Governance Proposals	Number of shareholder proposals related to governance that a firm receives during the year.
Target_Governance	Dummy variable equal to 1 if a firm receives one or more shareholder proposals related to governance in a given year and 0 otherwise
Number of Board Proposals	Number of shareholder proposals related to board organization and meetings that a firm receives during the year.
Number of Compensation Proposals	Number of shareholder proposals related to the compensation of managers and directors that a firm receives during the year.
Number of Election Proposals	Number of shareholder proposals related to the election of board members that a firm receives during the year.
Number of Takeover Proposals	Number of shareholder proposals related to takeovers that a firm receives during the year.
Number of Governance Proposals Individuals	Number of shareholder proposals related to governance sponsored by individuals that a firm receives during the year.
Number of Governance Proposals non-SRI funds	Number of shareholder proposals related to governance sponsored by non-SRI funds that a firm receives during the year.
Number of Governance Proposals Public Pension	Number of shareholder proposals related to governance sponsored by public pension funds that a firm receives during the year.
Number of Governance Proposals Religious and Special Interest Groups	Number of shareholder proposals related to governance sponsored by religious or special interest groups that a firm receives during the year.
Number of Governance Proposals SRI funds	Number of shareholder proposals related to governance sponsored by SRI funds that a firm receives during the year.
Number of Governance Proposals Unions	Number of shareholder proposals related to governance sponsored by labor unions that a firm receives during the year.
Number of Governance Proposals with 50% support	Number of shareholder proposals related to governance receiving more than 50% support

Main Independent Variables: Media Coverage	
Media coverage	Natural logarithm of one plus the number of news stories excluding news stories related to corporate governance.
Negative media coverage	Natural logarithm of one plus the number of negative news stories excluding news stories related to corporate governance. Negative news stories are defined as news with a RavenPack's ESS score below 50.
Neutral media coverage	Natural logarithm of one plus the number of neutral news stories excluding news stories related to corporate governance. Neutral news stories are defined as news with a RavenPack's ESS score equal to 50.
Positive media coverage	Natural logarithm of one plus the number of positive news stories excluding news stories related to corporate governance. Positive news stories are defined as news with a RavenPack's ESS score above 50.

Control Variables	
Analysts	Number of sell-side analysts covering the firm.
Assets	Natural logarithm of firm's total assets (at).
Cash	Cash balances (che) scaled by firm's total assets.
Debt	The sum of long-term debt (dltt) and current liability (dlc) scaled by firm's total assets (at).
Delta CEO/compensation	Dollar change in the value of a CEO's stock and option portfolio associated with a 1% change in the firm's stock price scaled by total CEO compensation (tdc1).
Dividends	The ratio of cash dividends (dvc + dvp) to assets (at).
Institutional Ownership	Percentage of a firm's shares held by institutional investors.
MTB	The ratio of the market value of the equity measured as the closing price (prcc_f) times the number of shares outstanding (csho) divided by the book value of the equity (ceq).
Ratio independent directors	Number of independent board members divided by the total number of board members.
ROA	Income before extraordinary items (ib) scaled by firm's total assets (at).
Sd of analysts' forecasts	Standard deviation of analysts' earnings forecasts.
Target_SRI	Dummy variable equal to 1 if a firm receives one or more shareholder proposals related to SRI in a given year and 0 otherwise.
Vega CEO/Compensation	Dollar change in the value of a CEO's stock and option portfolio associated with a 1% change in the firm's stock volatility scaled by total CEO compensation (tdc1).
Instrument	
Media attention	Number of media firms located in the same 2-digit ZIP code as the headquarter of the company analyzed divided by (one plus) the number of major exogenous events (terrorist attacks, hurricanes and presidential elections)
Log of Total Bank Branches	Natural logarithm of (one plus) the number of bank branches in the same 2-digit ZIP code as the headquarter of the company analyzed.
Takeovers	The ratio of number of takeovers completed by acquirers in the same 2-digit ZIP code as the headquarter of the company analyzed over the total number of firms in the same 2-digit ZIP code.
Governance outcomes	
Board turnover dummy	Dummy variable equal to 1 if board turnover ratio is strictly positive, and 0 otherwise.
Board turnover ratio	The ratio of departed board members to total board members
Change CEO compensation	Change in total CEO compensation measured as the difference between the log of the t+1 CEO compensation minus the log of the t-1 CEO compensation.