Do institutional investors vote to curb climate change?

An empirical analysis of shareholder meetings

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Abstract:

This paper tests whether very diversified and patient institutional investors, also known as universal owners, vote in favor of shareholder resolutions instructing corporations to mitigate climate change externalities and other negative externalities they produce. Our sample includes 213 US fund families that voted on 13,108 different shareholder resolutions at 2,352 companies over the period from 2013 to 2016. We find that, contrary to the common ownership logic, universal owners' support for issues related to externalities such as climate change is lower than the one of otherwise similar fund families. Instead, in line with the delegated philanthropy logic, support of institutional investors is positively associated with the proportion of socially responsible investment funds in the family. We discuss various practical implications of our results.

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"Large institutional investors are, in effect, "Universal Owners", as they often have highly-diversified and long-term portfolios that are representative of global capital markets. Their portfolios are inevitably exposed to growing and widespread costs from environmental damage caused by companies… Institutional investors can, and should, act collectively to reduce financial risk from environmental impacts."

Mattison et al. (2011) in a Report by Trucost commissioned by UN-backed Principles for Responsible Investment (PRI) and UNEP Finance Initiative.

I. Introduction

Do well-diversified and long-term investors, also known as universal owners, engage corporations to curb climate change as well as other negative externalities? The growth of common ownership of corporations by universal owners has triggered an intense debate regarding their economic and social impact. Universal owners such as BlackRock and Vanguard have hundreds of billions of dollars of assets under management and hold several thousand stocks in their portfolios. They end up being a significant shareholder in most firms. Schmaltz (2018) indicates that, as of June 2017, BlackRock and Vanguard held 5.01% and 5.62% of Amazon, respectively, 5.84% and 6.13% of Delta Air Lines, and 6.71% and 6.65% of Bank of America, for example.

Universal owners may want a firm in their portfolio to internalize the financial spillovers they generate on other firms in their portfolio to maximize the total value of the portfolio, instead of the value of each firm independently (see, e.g., Hansen and Lott, 1996). Common ownership of firms by universal owners can have various detrimental economic effects.[1] But it can also have

[1] These effects may include excessive price markups (for empirical evidence, see Azar, Schmaltz and Tecu, 2018, for the airline industry, and Azar, Raina and Schmaltz, 2019, for the banking industry), distorted investment policy (see Gutiérrez and Philippon, 2018) and insufficient market entry (see Newham, Seldeslachts and Banal-Estañol, 2018, for evidence in the pharmaceutical industry). Kraus and Rubin (2010) and Anton, Ederer, Giné and Schmaltz (2018) offer empirical evidence suggesting that common ownership also has an impact on governance features related to executive compensation regarding the use of options and the pay-for-performance sensitivity, respectively. Theoretically, the analysis of Rotemberg (1984), generalized by Azar (2017), shows that common ownership may lead corporations to adopt cartel-like behavior.

a positive side[2]: universal owners may want induce firms they commonly hold to adopt more responsible behavior and mitigate negative corporate externalities.[3]

One of the most important negative externality produced by corporations is greenhouse gas emissions that constitute one of the main sources of global warming (IPCC, 2018): the cost of pollution of such emissions is not fully reflected into market prices and taxes and is thus borne in part by society at large. According to the report highlighted above by Trucost, a leading extra-financial analysis firm, environmental externalities alone represented, in 2008, 7% of revenues for the major 3,000 companies over the world (see Mattison, Trevitt and van Ast, 2011). According to the Stern (2006) review, climate change is expected to trigger a drop in global gross domestic product of around 5% per year, drop that could even be as large as 20% in some catastrophic scenarios. This may have a dramatic impact on firms' expected costs. It also indicates that climate change constitutes a systematic risk that, if material, could severely impair the value of portfolios of universal owners. Financial markets appear to already take some of these aspects into account. Ginglinger and Moreau (2019) show that firms more exposed to climate risk tend to reduce significantly their leverage due to larger expected distress costs. Ilhan, Sautner and Vilkov (2019) analyze option data and show that left-tail risk is larger for firms with larger carbon emissions.

Another corporate externality is related for example to employee training. Firms might be reluctant to properly train their employees because they fear that employees might leave and work for another firm. In this context, universal owners might be more willing to offer employee training "because they are able to appropriate from a more educated employee even if he moves to another firm, provided that they hold its shares" (Rubin, 2010).

These considerations raise the question of whether universal owners, in practice, engage corporations to mitigate climate change and other negative corporate externalities in a more pronounced manner than other institutional investors. We address this question by studying mutual fund votes at general assembly meetings on environmental and social (E&S) issues. He, Kahraman and Lowry (2018) report that, over the 2004-2016 period, there were more than 1,600 such shareholder proposals. They show that funds with more long-term horizons and less

[2] Beneficial economic effects of common ownership include overcoming contractual frictions (see Lindsey, 2008), better coordinating product market strategies (He and Huang, 2017) or improving governance (see Edmans, Levit and Reilly, 2018, and He, Huang, and Zhao, 2018, for theoretical and empirical analyses, respectively).

[3] The fact that universal owners may fight against negative externalities because of the common ownership of corporations is not a panacea. As indicated by Farell (1985), "there is no reason to expect ownership shares to be proportional to marginal rates of damage (or benefit) from the externality at the optimum."

pro-management attitudes oppose management more often on E&S issues. We complement their investigation by studying whether fund families' votes on E&S issues depend on whether these families are universal owners or not and by focusing on climate change among other corporate externalities. We study fund families' votes during the 2013-2016 period. Our main variable of interest is the frequency at which a fund family votes in favor of shareholder resolutions requesting to mitigate climate change and other negative externalities (or to produce more positive ones). In our baseline analysis, we define a fund family as a universal owner if it holds more than 2,000 different stocks in portfolio (approximately corresponding to the top decile) and a turnover lower than 35% over three years (a threshold used by Harford, Kecskés, and Mansi, 2018, to characterize long-term investors). We control for several variables that may affect a fund family's voting policy, including its age, size, type of investment management, proportion of equity funds and of retail funds.

We find that universal owners tend to support shareholder resolutions on climate change less often than other mutual fund families. This result holds when focusing on other topics, clearly related to externalities, such as human rights, discrimination issues and compensation restrictions. It also holds when focusing on more broadly defined environmental, social and executive compensation issues. Moreover, robustness tests show that our results are valid when we exclude a given universal owner, one after the other, and when we vary the thresholds we use to define a universal owner. Overall, it thus appears that universal owners are not particularly active in engaging firms to fight against climate change nor against other negative externalities. We thus complement the literature that studies mutual fund votes on shareholder resolutions at general assembly meetings, including Davis and Kim (2007), Matvos and Ostrovsky (2008), Morgan, Poulsen, Wolf, and Yang (2011), He, Kahraman and Lowry (2018), by focusing on universal owners and externality-related resolutions.

Other motivations could induce institutional investors to take externalities into account when voting at general assembly meetings. When shareholders are also citizens, consumers, workers, and tax-payers, absent perfectly competitive markets, they care about corporate policies' impact on their welfare, over and above the cash they receive from the firm (see Grossman and Stiglitz, 1977, Hart, 1979, Gordon, 2003, Morgan and Tumlinson, 2019). They may thus want firms to internalize externalities such as their impact on climate change. Benabou and Tirole (2010) refer to this view as delegated philanthropy: in this view, firms internalize externalities, even if this is not financially profitable, because this is globally best for their shareholders, given their preferences. To study this issue, we use the proportion of assets under management invested in

equity that are part of a Socially Responsible Investment (SRI) fund as a proxy for the preferences of institutional investors' clients towards mitigating negative externalities. We then test whether the proportion of assets under management in SRI is positively related to investors' propensity to vote in favor of negative externality mitigation at general assembly meetings.

A related but potentially distinct motivation for an investment company to vote to curb climate change and in favor of more responsibility could stem from the investment company managers' political inclinations. If investment companies' clients are not able to monitor well the way the company votes their shares at general assembly meetings, investment companies' executives could impose their own values or agenda when voting the shares. Hong and Kostovetsky (2012) show that mutual fund managers' political contributions are associated with their investment style: managers who donate more to Democrats invest less in less responsible companies; they are also more likely to manage SRI funds. Di Giuli and Kostovetsky (2014) further show that responsible firms are more likely to be managed by Democratic executives. These results may be related to the delegated philanthropy view discussed above. They may also reflect agency issues that could enable executives to affect the strategy of their fund and firm against the will of their clients and shareholders, respectively (Cespa and Cestone, 2007). To test whether the political inclination of a fund family's chief executive officer (CEO), towards Democrats or Republicans, influences the voting policy of his/her fund on E&S issues, we measure the amount of donation made on his/her personal account.

Our results suggest that the frequency of a fund family votes in favor of shareholder resolutions requesting firms to mitigate climate change increases with the proportion of SRI funds' assets under management within the family. This result is not present for shareholder resolutions on other governance and financial issues but it holds for other externalities related to human rights and discrimination issues. The frequency of voters in favor of externality resolutions does not increase with the political inclination of the family's CEO.

Our results have several practical implications. First, our findings might be useful for investors who would like to benchmark or evaluate their voting behavior on climate change and other ESG issues against the universe of mutual fund families. Second, our findings suggest that being a universal owner does not, per se, induces a fund family to instruct corporations to mitigate climate change and limit negative externalities. We find that it is in fact the contrary. Regulators should thus not expect that universal owners may decide by themselves to take climate change and externalities into account in their engagement policy, even if there are good theoretical

reasons for them to do so (see, e.g., Gordon, 2003). It might thus be necessary to extend the notion of fiduciary duty to include other aspects than the narrowly defined shareholder value. Third, another implication for regulators is that fund families should be incentivized to know the preferences of their clients regarding climate change and other corporate externalities and to refine their voting policy and make it more in line with these preferences. As indicated by Hart and Zingales (2017), shareholder votes are crucial in this respect and it might be beneficial for the common good that institutional investors pass-through voting rights to their clients.

II. Sample, data sources, variables and descriptive statistics

Our analysis is at the fund family level: each mutual fund in our sample is associated with a fund family based on information collected on internet and on Bloomberg. We merge data on mutual fund votes, characteristics and holdings with data on political contributions of fund families' CEOs, and we aggregate these data at the fund family level.

A. Mutual fund votes

We use the ISS database that provides the votes of US mutual funds at general assembly meetings as reported in the SEC N-PX filings. We focus on votes on shareholder resolutions. We aggregate these votes at the fund family level to reflect the fact that a lot of funds use a centralized voting policy, in particular among the largest ones (see Fichtner, Heemskerk, and Garcia-Bernardo, 2017). There are 328 fund families in our initial sample. After matching with the other databases discussed below, i.e., CRSP, Thomson Reuters and the Political Contributions database, we obtain a dataset including 213 fund families that voted on 13,108 different shareholder resolutions at 2,352 companies.

For each fund family and each calendar year in our sample, i.e., from 2013 to 2016, we compute the proportion of votes in favor of the proposal for different broad categories of shareholder resolutions: environmental and social resolutions, together and separately, and executive compensation resolutions. As a benchmark, we also measure the support for other governance and financial issues.

To have a sharper identification, we then compute fund families' support for specific topics clearly related to corporate externalities: climate change, human rights, and discrimination. We also include, as a specific topic, compensation restrictions linked to externalities that include

resolutions that call for limiting the compensation of executives or for linking this compensation to social targets. Indeed, as shown for example by Benabou and Tirole (2016), an excessive reliance on financial metrics to judge the performance of executives might lead to excessive bonuses and to some important aspects of corporate performance being overlooked.

Our sample includes 409 environmental resolutions, 465 social resolutions, 482 executive compensation resolutions and 11,685 other governance and financial resolutions. Regarding specific topics, we have the following number of different resolutions: 121 for climate change, 70 for human rights, 95 for discrimination, and 202 for compensation restrictions. Various fund families have voted these resolutions so that our data include a cross-section of voting behavior that provides us with more statistical power than this relatively low number of resolutions suggest.

Our analysis is based on the premise that environmental and social resolutions are bound to reduce negative corporate externalities and promote positive ones. Indeed, most of these resolutions either request corporations to provide information on these issues (improving corporate stakeholders' ability to exercise pressure on corporations on these issues) or request actions to be taken. For example, climate change resolutions include proposals on topics such as "Report on Climate Change", "GHG emissions", "Climate change action", or "Publish two-degree scenario analysis". Examples of proposals include "Report on Methane Emissions Management and Reduction Targets", "Approve Strategic Climate Change Resilience for 2035 and Beyond" and "Adopt Quantitative GHG Goals for Products and Operations".

Human rights resolutions include proposals on topics such as "MacBrides principles", "Human rights risk assessment", "Improve human rights standards or policies". Examples of specific proposals include "Participate in OECD Mediation for Human Rights Violations", "Institute Procedures to Prevent Investments in Companies that Contribute to Genocide or Crimes Against Humanity", and "Report on Human Rights Risk Assessment Process".

Discrimination resolutions include proposals on topics such as "Pay disparity", "Sexual orientation anti-bias policy" and "Equal employment opportunity". For example, specific proposals include "Amend EEO Policy to Prohibit Discrimination Based on Gender Identity and Expression", "Prepare Employment Diversity Report and Report on Diversity Policies" and "Report on Pay Disparity".

As already mentioned, some governance aspects such as executive compensation might be subject to pecuniary externalities that are detrimental for social welfare. Topics on executive compensation include, for example, "submit SERP to shareholder vote", "Clawback of incentive payments", "Limit executive compensation", and "Link executive compensation to social criteria". Examples of specific shareholder proposals are as follows: "Include Carbon Reduction as a Performance Measure for Senior Executive Compensation" or "Adopt a Senior Executive Compensation Policy Including the Use of a Pay Equity Ratio as an Annual Benchmark for Setting Compensation". Our classification of shareholder resolutions is displayed in the Appendix.

The universe of voted resolutions is different across the various fund families because they do not hold the same firms in portfolio. We are currently processing this data and will account for this aspect by controlling in our regression for the average ESG rating of the firms in portfolio.

B. Mutual fund characteristics

We use all the share classes of US mutual funds in the CRSP database to compute the following variables at the level of the fund family and at the end of each calendar year. The total net assets under management is the sum of total net assets of all funds in the family, in millions. The variable *Total assets (ln)* in the tables below represents the natural logarithm of the total net assets. The proportion of equity funds (a variable labelled *% equity funds* in the tables) is computed by dividing the net asset value of the equity funds by the total net asset value of the family.

The proportion of socially responsible investment (SRI) funds (*% SRI funds*) is computed across the family's equity funds. A fund is classified as an SRI fund is its name includes the following words or radicals: "SRI", "social", "ethic", "respons", "ESG", "sustain", "impact", "green", "environ". We will use this proportion as a proxy for the preference of a fund family's clients towards corporate social responsibility.

The proportions of retail and index funds (*% retail funds* and *% index funds*, respectively) are also computed across the family's equity funds. Index funds correspond to categories B, D and E in the CRSP database. The age of a fund family is the number of years since the first fund appearing in CRSP has been created. The average expenses ratio of a fund family is computed across funds weighted by their net asset value. The expense ratio of a fund is based on the total amount paid by its clients to cover the fund's operating expenses.

For a given year, the idiosyncratic risk of a fund family is measured as the annualized volatility of the residuals of a regression of the total daily returns of the fund family on the daily excess returns of the US market (all stocks listed on NYSE, Amex and Nasdaq) as offered by Kenneth French on his website (we request to have more than 50 observations for a given fund family; fund families with less than 50 daily returns for a given year are thus not part of our sample). The total daily return of the fund family is equal to the average daily return of the various funds within the family (for simplicity, we use simple averages but our results hold if we use weighted averages).

C. Mutual fund holdings

Mutual funds' quarterly holdings are obtained through Thomson Reuters database. This database provides security holding information for all registered mutual funds that report their holdings with the SEC, plus 3,000 global funds. We aggregate quarterly holdings at the level of the fund family by doing the sum of the holdings of all the funds belonging to this family.

For each family, as a measure of investment horizon, we compute the investor turnover of Derrien, Kecskés and Thesmar (2013). Investor turnover is computed as follows. For each fund family *j*, each quarter *t*, and each stock *i*, we compute the proportion of stock *i* held by fund family *j* at *t*-12 (i.e., three years before) and sold between *t*-12 and *t*. If the weight of a stock has increased over the three-year period, the turnover is set to zero for this stock. The turnover of the fund family at quarter *t* is computed as the sum of the turnover of the stocks held in portfolio, weighted by the proportion of stock *i* in fund family *j*'s portfolio at quarter *t*-12. A fund family's investor turnover for a given year is the average of its turnover at each quarter of the year. Investor turnover is between 0 and 100%. This measure has been used by Derrien et al. (2013) but also, for example, by Harford, Kecskés and Mansi (2018).

D. Political contributions

Data on individual contributions to political campaigns are available on the Federal Election Commission at https://www.fec.gov. All individual contributions above USD 2,500 must be reported. We collected individual contributions from 2013 to 2016. We selected individuals whose occupation is CEO. We then matched this database with the database on fund families based on the name of the employer of each individual CEO. This enables us to identify all the fund family CEOs who have donated to a political party during our period of interest. We create

a dummy variable that indicates whether the fund family's CEO has donated money to support a political campaign.

For these fund family's CEOs, we hand collected information on their donation that could be made in the form of i) Contributions to Super PACs, Hybrid PACs and Historical Soft Money Party Account, ii) Contributions to All Other Political Committees Except Joint Fundraising Committees, and iii) Joint Fundraising Contributions. We classified each receiving entity as leaning towards Democrats or Republicans. For the PACs without a clearly stated political orientation (for example, those of professional organizations such as the Investment Company Institute Political Action Committee, the Securities Industry and Financial Markets Association Politician Action Committee, and the National Association of Real Estate Investment Trusts Inc. PAC), we hand-collected information on the actual allocation of funds among the two parties by using data from the Center for Responsive Politics (https://www.opensecrets.org/). Among CEOs who made a political contribution, those who donated USD 2,000 more to the Democrats than to the Republicans are classified as leaning towards Democrats. We also define a variable, "Contributes to a political party", that indicates whether a CEO has made a political contribution.

E. Identification of universal owners

We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio (90^{th} percentile), and patient, displaying a turnover of less than 35% over three years (Harford, Kecskés, and Mansi, 2018, indicate that this threshold corresponds to the 75% percentile among US mutual funds). To be identified as a universal owner, a fund family must be classified as very diversified and patient over our entire sample period.

There are 6 fund families that are classified as universal owner in our sample: BlackRock, Charles Schwab, Dimensional Fund Advisors, State Street, Northern Trust, and Vanguard. These six fund families represent, in 2016, USD 5.75 trillion of assets under management, i.e., 43% of the total assets under management held by US fund families.

F. Descriptive statistics

Table 1 reports summary statistics for our sample that includes 213 fund families over four years, 2013-2016. We miss 146 fund family-year observations as far as fund family characteristics are concerned and a little more when voting data are also required.

Panel A of Table 1 shows that the average support for shareholder resolutions by fund families in our sample ranges from 30% to 42% depending on the type of resolutions, environmental, social, executive compensation and other governance and financial issues. Support for the specific topics is more dispersed, from 17% for discrimination to 42% for compensation restrictions.

Panel B of Table 1 describes the characteristics of fund families in our sample. Fund families who own more than 2,000 stocks represent 11% of the families in our sample and those who have a turnover lower than 35% represent 12%. The average number of stocks in portfolio and assets under management are 711 and USD 71.1 billion, respectively. In our regressions, we use the natural logarithm of these variables to mitigate heteroscedasticity issues. The turnover appears relatively high at 53%, on average.

The average fund family in our sample holds 1.15% of assets under management in socially responsible investment (SRI) funds, 80% in equity funds, 54% in retail funds, and 11% in index funds. The level of idiosyncratic risk is relatively low and equal to 4.19%.

Panel C of Table 1 shows that 18% of fund families' CEOs have made individual donations during political campaigns. Around 4% of the CEOs, i.e., 22% of those who made political contributions, have donated more to Democrats than to Republicans.

Table 2 offers summary statistics for the six universal owners in our sample. By construction, universal owners hold a large amount of stocks, 3,493, on average, and are very patient investors, with a turnover of 14%, on average. The assets under management of the average universal owner appear large, around USD 882 billion. This is not by construction and indicates that, probably due to transaction costs, large fund families can more easily afford to include more assets in their portfolios.

Universal owners hold much less proportion of their assets in SRI funds, equity, and retail funds but much more in index funds than the typical fund family in our sample. This last characteristic is in line with the rising importance of large index funds in today's capital markets (see, e.g., Appel, Gormley, and Keim, 2016). It is in line with the low turnover observed for universal owners. Universal owners' CEOs appear more politically active and lean more towards Democrats with respect to a typical fund family CEO: 67% of them have made political contributions, among which 25% donated more to Democrats. Finally, universal owners appear to favor shareholder resolutions less often than the typical fund family in our sample, 14% of

times compared to 30% for environmental and social resolutions, 24% compared to 38% for executive compensation resolutions. Figures 1 and 2 offer a graphical illustration of these summary statistics. They display the level of support to environmental and social resolutions as function of the number of stocks held by a fund family and as a function of turnover, respectively. Each point corresponds to a fund family-year observation. The points in red correspond to universal owners. Both figures suggest that universal owners favor environmental and social resolutions less often than fund families with similar number of stocks in portfolios and level of turnover. Next section analyzes this issue in more depth by controlling for a variety of fund characteristics.

III. Empirical analysis

Our empirical analysis is based on regressions of the proportion of fund family support for shareholder resolutions onto the type of fund family and onto fund family characteristics. Our focus is on universal owners' votes on environmental, social and executive compensation resolutions because we are interested in understanding whether they are particularly active in fighting against negative corporate externalities or in promoting positive ones due to the common ownership of a very large number of assets over a long time-horizon. We include in our regression year fixed effects and we report robust standard errors for our estimated coefficients.

A. Impact of universal ownership

Table 3 displays the results of our main regressions of support on shareholder resolutions onto various fund family variables. Table 3, Column (1) focuses on environmental and social resolutions, Column (2) on environmental, Column (3) on social and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Table 3, Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues.

Our main finding is that the dummy variable indicating that a fund family is a universal owner is significantly negative for all issues related to externalities. This result is unlikely to be explained by the fact that universal owners tend to follow more strongly the recommendations of shareholder services such as ISS. He, Kahraman and Lowry (2018) indeed show that ISS

tends to favor shareholder resolutions on environmental, social and governance issues more often than the average fund in their sample.

A test of difference in regression coefficients indicate that being a universal owner reduces the propensity to favor social proposals significantly more than it reduces the propensity to favor other governance and financial proposals (p-value=6.6%). The difference is not significant for the other type of externality resolutions but it becomes significant when we control for other important variables, as we will show below.

This finding stands in sharp contrast with the hypothesis according to which universal owners, because they are widely diversified and long-term investors, display a voting policy that reflects the internalization of externalities. For example, everything else equal, being a universal owner instead reduces by 18 percentage points the level of support for resolutions on environmental issues, by 33 percentage points for resolutions on social issues, and by 25 percentage points for resolutions on executive compensation. Being a universal owner also reduces by 21% the level of support for resolutions on other governance and financial issues.

To get further sense of the magnitude of the lower support that universal owners show for resolutions on externalities, we use the estimated regression coefficients and the average fund characteristics, as indicated in Tables 1 and 2, to compute the expected level of support of an average fund family and of an average universal owner.

Our regression results indicate that an average fund in our sample is expected to show a level of support of 31%, 33%, and 42% for resolutions on environmental, social and executive compensation resolutions, respectively. In contrast, an average universal owner is expected to show a level of support of only 13%, 0%, and 17% for the same three types of resolutions, respectively. The magnitude of the effect is even more pronounced if one considers that, given its fund characteristics, the average universal owner would be expected to show levels of support of 37% for environmental resolutions, 42% for social resolutions, and 47% for executive compensation resolutions. The common ownership hypothesis indicates that universal owners have an incentive to internalize part of the externalities because they are in part material for their overall portfolio financial performance. These counterfactual estimates clearly show that, in practice, it is not the case that universal owners favor shareholder resolutions on externality issues more strongly than what other investors do, controlling for numerous fund characteristics.

Table 3 shows that universal owners also tend to support less the resolutions on governance issues, other than executive compensation, and on financial issues. This result complements the findings of He, Huang, and Zhao (2018) that suggest that common ownership of corporations incentivizes institutional investors to oppose management on shareholder resolutions on governance issues. Our results suggest that the universal owners that are among the largest institutional investors appear not to have an incentive to favor governance and financial shareholder resolutions, or equivalently to oppose management whom, in most of the cases, are against shareholder resolutions.

The fact that universal owners oppose management less on shareholder resolutions, including those related to externalities, might be related to potential conflicts of interest with their clients as far as corporate governance is concerned, as argued for example by Bebchuk, Cohen and Hirst (2017).

Indeed, Davis and Kim (2007) indicate that large fund families tend to oppose management less often across their entire portfolio when they have more business ties with investee companies (e.g., managing their pension funds). These fund families adopt the same voting behavior for all companies, irrespective of whether they do business with a given company. Davis and Kim (2007) argue that this behavior enables to favor the management in place in their investee company but, at the same time, does not expose them to prosecution because they are implementing a uniform policy across client and non-client investee companies. Missing the increases in stock valuation that could have accrued from voting against management is not large enough to compensate the loss in business the fund might incur.

Bebchuk and Hirst (2019) further show that the three largest index fund families (Blackrock, State Street and Vanguard) display low levels of i) investment in stewardship, ii) private engagement, iii) opposition to managers on executive compensation and proxy fights, iv) director nominations, v) shareholder resolutions submission, and vi) involvement in corporate governance reforms. Finally, Brav, Jiang and Li (2019) find that passive funds are more friendly to corporate management than active funds, as indicated by the fact that they oppose more hedge fund dissidents during proxy fights. Our analyses suggest that index funds tend to favor more environmental and social proposals than otherwise similar funds. This suggests that Brav et al. (2019)'s results might be driven by the large index fund families that we characterize as universal owners.

B. Controlling for diversification and turnover

Table 4 shows that our main finding is not due to the separate effect of holding a very diversified portfolio or of being a patient investor. Indeed, Table 4 includes in the explanatory variables a dummy that indicates that a fund family is very diversified, holding more than 2,000 different stocks, and another dummy that indicates that a fund family is a patient investor, with a turnover that is less than 35%. For the resolutions related to environmental, social and executive compensation issues (in Columns (1) through (4)), the coefficient estimates and significances on the universal owner dummy are qualitatively similar to the ones displayed in Table 3.

On the contrary, for resolutions on other governance and financial issues, in Table 4, Column (5), the coefficient on the universal owner dummy is significantly smaller than in Table 3, Column (5).

Overall, these results suggest that universal owners tend to support less shareholder resolutions on externality issues than what otherwise identical fund families do. This phenomenon is not as strong for other governance and financial resolutions.

C. The role of preferences

To better understand what drives the support of fund families for resolutions related to externalities, we introduce in our regression two additional variables. The percentage of SRI funds within a family as a percentage of assets under management is used as a measure of the preferences of the fund family's clients towards corporate social responsibility. Following Benabou and Tirole (2010)'s delegated philanthropy logic, fund families should act in the best interest of their clients that might include the fact that they want to reduce corporation externalities. This has been formally stated for example by Morgan and Tumlinson (2019).

The political orientation of a fund family's CEO is also introduced in our regressions. In presence of agency conflicts between a fund family and its clients, the CEO of the fund family may prefer to follow his or her own preferences than the one of its clients. We proxy for the strength of CEOs inclination towards corporate social responsibility by using a dummy that indicates whether a CEO has given significantly more to Democrats than to Republicans (by more than USD 2,000). As shown by Hong and Kostovetsky (2012) and Di Giuli and Kostovetsky (2014), Democrat CEOs and fund managers are more likely to invest in corporate social responsibility and in socially responsible assets, respectively.

Table 5 confirms the results already highlighted in Tables 3 and 4: universal owners support less shareholder resolutions than otherwise identical fund families. This phenomenon is

significantly more pronounced for environmental, social and executive compensation resolutions. A test of difference in the coefficients of the universal owner dummy across the different types of resolutions further confirms that the estimates on environmental and social issues as well as on social issues alone are significantly more negative, at the 5% level, than the estimate on other governance and financial issues.

The main insight from Table 5 is that the percentage of SRI funds in the family predicts a larger support for the resolutions on externality issues, i.e., environmental, social and executive compensation. This is in line with the results of He, Kahraman and Lowry (2018) obtained at the fund level. We further complement their analysis by showing that the percentage of SRI funds is less strongly associated with higher support for the resolutions on other governance and financial issues. Finally, CEOs' political orientation seems not to affect the level of support of their fund families, indicating that potential agency conflicts as far as values are concerned do not interfere with the voting behavior of fund families. The variable indicating that a CEO has made a political donation, irrespective of the party, is positively associated with the propensity to favor environmental resolutions. This indicates that politically active CEOs have stronger environmental awareness than others.

D. Focusing on more clearly identified externalities

To sharpen our identification of the fact that a resolution is related to externalities, we focus on specific topics within the broad categories we already studied. For environmental issues, we concentrate on climate change resolutions. For social issues, we consider human rights and discrimination issues. Finally, for executive compensation issues, we focus on the resolutions that propose to restrict compensation either by limiting it or by tying it to environmental and social criteria.

Table 6 shows the results of the same regression as in Table 5 but for resolutions on specific topics that are even more clearly related to externalities. The coefficient of the universal owner dummy is significantly negative for resolutions on climate change (Column (1)), discrimination (Column (3)) and compensation restrictions (Column (4)). Universal owners are also less supportive of resolutions on human rights than otherwise similar fund families (Column (2)) but not significantly. Our main results also hold when considering the resolutions on all the specific externality topics (Column (5)). Comparing the coefficients of the universal owner dummy for specific externality resolutions to the one for other governance and financial resolutions reported in Table 5, Column (5), we find that the coefficients are more negative, at

10% and 14% levels, for climate change and compensation restrictions, respectively, and more significantly negative at the 10% level for all the specific externality topics taken together.

Table 6 confirms the results of Table 5 on politically active CEOs: these CEOs appear to support more strongly climate change resolutions than CEOs who never donated during our sample period.

To summarize, our main result that universal owners tend to support less environmental, social and executive compensation resolutions than otherwise identical fund families thus holds for several clearly identified externalities. We never find that universal owners favor more these externality-related resolutions.

E. Robustness

This subsection discusses the results of various robustness analyses. We first study whether results hold when we subtract from our data one of the institutional investors characterized as universal owners. We rerun our analyses by subtracting each of the six universal owners, one by one. As shown in Table 7, results appear very stable in all of the six robustness regressions.

We also check that our results hold with different definitions of universal ownership. In our baseline analysis, we define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35%. As a robustness, we study whether results hold when we set the number of stocks to 1,500 and to 3,000. We also, study whether results hold when we set the turnover to 30% and 25%. As shown in Table 8, our main results that universal owners support less environmental, social and executive compensation resolutions than otherwise identical funds is still valid.

IV. Conclusion

Corporations emit various types of externalities when they operate. Environmental externalities include greenhouse gas emissions that participate in climate change, social externalities include discriminative practices and breaches to human rights. Corporations' choice of governance may also impose negative externalities on other companies, for example, when setting high bonuses to attract and incentivize the most talented CEOs: Benabou and Tirole (2016) show that competition for talents may trigger a bonus culture and excessive pay that is detrimental to overall long-term productivity and welfare. These various types of externalities may become

material for the economy when they end up affecting overall growth (see, for example, the Stern report estimates of the impact of climate change on global GDP). In this context, fund families that hold many assets in their portfolio over long periods of time, also known as universal owners, might have an incentive to instruct corporations to limit their negative externalities and increase their positive ones (see, e.g., Gordon, 2003, for a theoretical analysis).

This paper tests whether universal owners favor shareholder resolutions instructing corporations to reduce or communicate on the negative externalities they produce. To do so, we use ISS data on voting behavior of fund managers, aggregated at the fund family level to reflect the fact that fund families often have a centralized voting policy. We distinguish between different types of resolutions related to externalities: environmental, social and executive compensation resolutions. We also use as a benchmark other governance and financial resolutions. To focus on even more clearly identified externalities, we also focus on resolutions on specific topics: climate change, human rights, discrimination and compensation restrictions through which shareholders request to limit executive compensation or to tie it to social criteria. We merge this data with CRSP data on fund families' characteristics, including the number of stocks held in portfolio, the turnover and the percentage of SRI funds, as well as with hand-collected data on the political preferences of fund families' CEOs. We classify a fund family as a universal owner if it is very diversified, holding more than 2,000 stocks in its portfolio, and if it is patient, displaying a turnover lower than 35% over a three-year rolling window. Our sample period ranges from 2013 to 2016 and includes 213 fund families that voted on 13,108 different shareholder resolutions at 2,352 companies.

Our analyses are based on regressions of the average level of support for a given year and a given fund family onto the fact that it is a universal owner and onto various other control variables. We find that universal owners favor less the resolutions related to the mitigation of climate change and other externalities than otherwise identical fund families. This result might be a reminiscence of conflicts of interests due to business ties with investee companies as documented by Davis and Kim (2007). Our results hold when we include in the regressions the fact that a fund family is very diversified and the fact that it is patient. This suggests that it is the interaction of these two variables that matters. We also find that universal owners tend to favor less the resolutions in the other governance and financial category but the impact is significantly weaker than for externality-related categories. Overall, these findings suggest that the common ownership of corporations does not induce universal owners to internalize externalities in their voting policy.

We also find that the percentage of SRI funds in the family is positively related with the support to resolutions on climate change and other externality issues. This finding is in line with the delegated philanthropy logic, highlighted by Benabou and Tirole (2010) and modelled for example by Morgan and Tumlinson (2019), per which institutional investors adopt the preferences of their clients when engaging corporations to affect their strategy. We do not find that the voting policy of a fund family is related to the political orientation of its CEO. This indicates that potential agency issues are not inducing fund families' CEOs to use their own instead of their clients' values when choosing their voting policy. Robustness tests further show that our results are valid when we exclude a given universal owner, one after the other, and when we vary the thresholds to be classified as a universal owner (the number of assets in portfolio and the turnover).

Our results have several practical implications. First, they provide guidance for institutional investors regarding the important ingredients that enter the determinants of voting policies of a wide variety of asset management companies. This might be useful for investors who would like to benchmark or evaluate their own voting behavior on ESG issues.

Second, our findings suggest that being a universal owner does not per se induces a fund family to instruct corporations to limit externalities, e.g., to mitigate climate change. We find that it is in fact the contrary. This is potentially important given that universal owners represent a large portion of the assets being managed by institutional investors. In our sample, the six universal owners we identify represent more than 40% of the assets under management held by all the fund families reporting to the SEC. This has implications for regulators who could be tempted to consider that the common ownership logic, often advocated by universal owners themselves, is sufficient to induce fund families to take externalities into account in their engagement policy. Our findings show that this is not the case. It might thus be necessary to extend the notion of fiduciary duty to include other aspects than the narrowly defined shareholder value, as implied for example by the analysis of Morgan and Tumlinson (2019).

Third, another implication for regulators is that fund families should be incentivized to know the preferences of their clients and to make their voting policy more in line with these preferences. As indicated by Hart and Zingales (2017), shareholder votes are crucial to communicate to management how to set up corporate strategy as far as the tradeoff between profits and the common good is concerned. The question of passing-through voting rights from institutional investors to their clients thus becomes crucial. This issue is left for future research.

V. Appendix: classification of shareholder resolutions

This table displays our classification of shareholder resolutions across different categories: environmental, social and executive compensation issues. All resolution topics not listed in this table are classified into the category 'Other Governance and Financial'.

Environmental	Social	Executive Compensation
Toxic Emissions	Board Diversity	Establish a Compensation Committee
Nuclear Power - Related	MacBride Principles	Establish Director Stock Ownership Requirement
Report on Environmental Policies	Human Rights Risk Assessment	Require Directors Fees to be Paid in Stock
Community -Environmental Impact	Improve Human Rights Standards or Policies	Amend Director/Officer Indemnification/Liability Provisions
Genetically Modified Organisms (GMO)	Plant Closures and Outsourcing	Eliminate or Restrict Severance Agreements (Change-in-Control)
Product Toxicity and Safety	Operations in High Risk Countries	Submit Severance Agreement (Change-in-Control) to Shareholder Vote
Environmental - Related (Japan)	Data Security, Privacy, and Internet Issues	Stock Retention/Holding Period
Operations in Protected Areas	Report on Pay Disparity	Limit/Prohibit Executive Stock-Based Awards
Report on Climate Change	Fair Lending	Death Benefits / Golden Coffins
GHG Emissions	End Production of Tobacco Products	Increase Disclosure of Executive Compensation
Hydraulic Fracturing	Prepare Tobacco-Related Report	Limit Executive Compensation
Climate Change Action	Facility Safety	Submit SERP to Shareholder Vote
Sustainability Activities and Action	Weapons - Related	Link Executive Pay to Social Criteria
Report on Sustainability	Review Foreign Military Sales	Company-Specific--Compensation-Related
Wood Procurement	Review Drug Pricing or Distribution	Performance-Based and/or Time-Based Equity Awards
Renewable Energy	Sever Links with Tobacco Industry	Put Repricing of Stock Options to Shareholder Vote
Energy Efficiency	Reduce Tobacco Harm to Health	Non-Employee Director Compensation
Recycling	Review Tobacco Marketing	Claw-back Compensation in Specified Circumstances
Publish Two Degree Scenario Analysis	Prepare Report on Health Care Reform	Advisory Vote to Ratify Named Executive Officers' Compensation
Animal Welfare	Charitable Contributions	Establish SERP Policy
Animal Testing	Political Contributions Disclosure	Pay for Superior Performance
Animal Slaughter Methods	Political Lobbying Disclosure	Adopt Policy on 10b5-1 Trading Plans
	Political Activities and Action	Adopt Anti Gross-up Policy
	Adopt Sexual Orientation Anti-Bias Policy	Employment Contract
	Report on EEO	Limit/Prohibit Accelerated Vesting of Awards
	Labor Issues – Discrimination and Miscellaneous	Adopt Policy on Bonus Banking
	Holy Land Principles	Adjust Executive Compensation Metrics for Share Buybacks
	Gender Pay Gap	Use GAAP for Executive Compensation Metrics
	Income Inequality	

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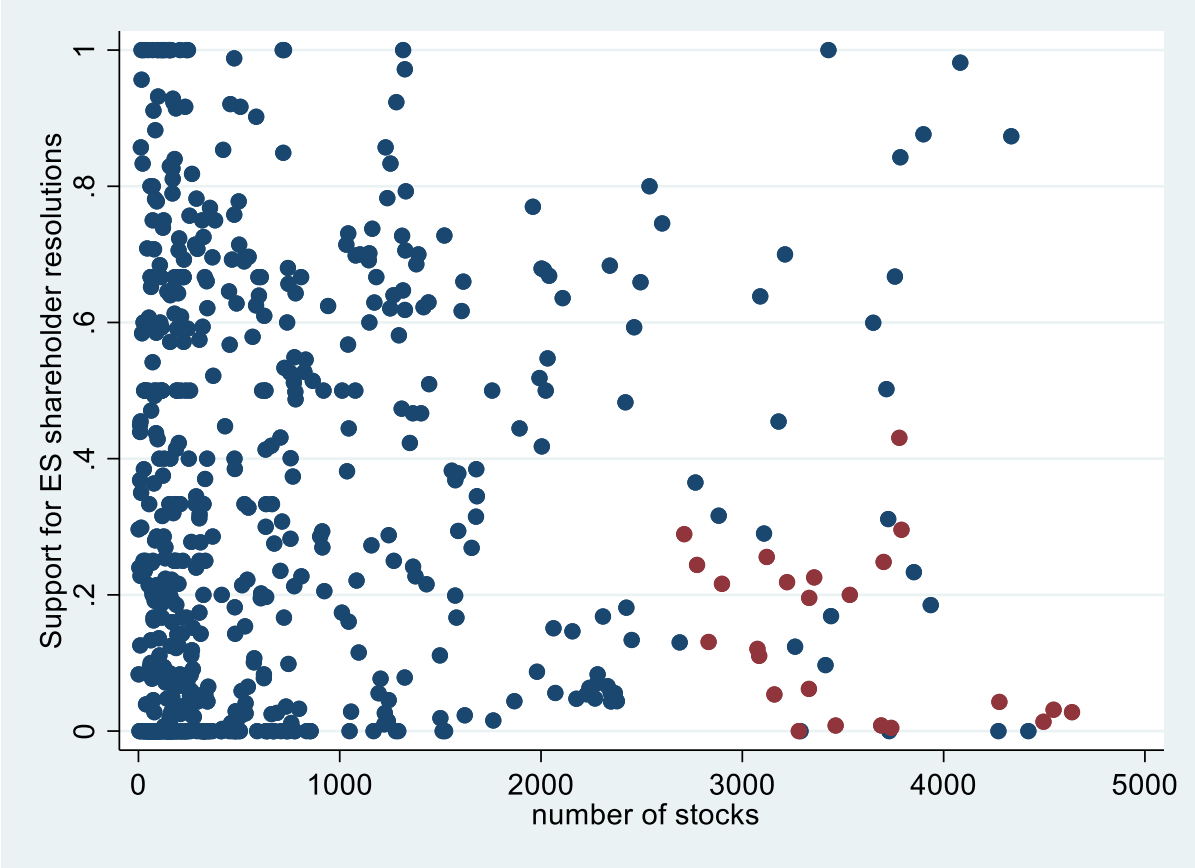

Figure 1: Fund families' support for environmental and social resolutions as a function of the number of stocks held in portfolio (each point corresponds to a fund family and a year). In red, we indicate universal owners. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

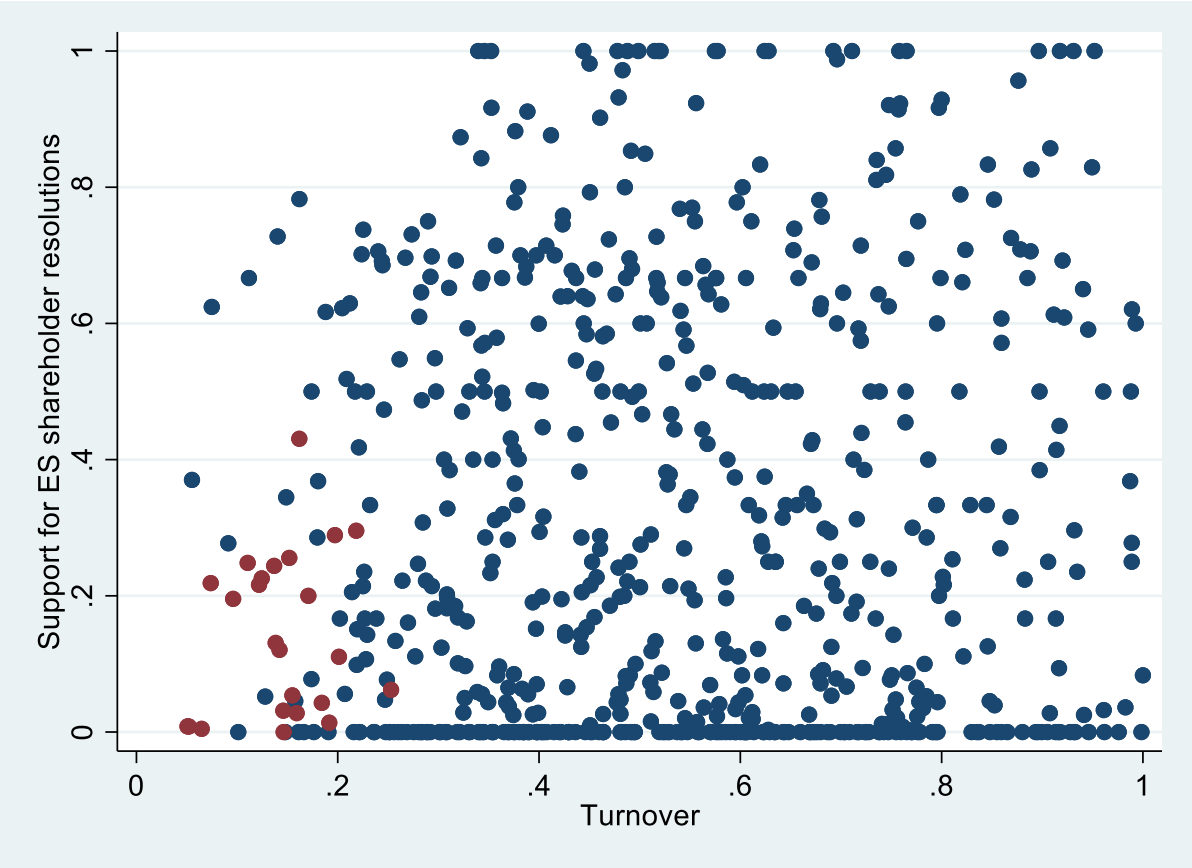

Figure 2: Fund families' support for environmental and social resolutions as a function of portfolio turnover (each point corresponds to a fund family and a year). In red, we indicate universal owners. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

Table 1: Summary statistics for all fund families

	Mean	Std. Dev.	Min	Max	Obs
Panel A: Support to shareholder resolutions					
Environmental and Social	**30%**	31%	0%	100%	665
Environmental	**30%**	34%	0%	100%	568
Social	**34%**	35%	0%	100%	638
Executive compensation	**38%**	36%	0%	100%	623
Other Governance and financial	**42%**	28%	0%	100%	692
Climate change	**38%**	40%	0%	100%	435
Human rights	**21%**	32%	0%	100%	346
Discrimination	**17%**	27%	0%	100%	491
Compensation restrictions	**42%**	38%	0%	100%	575
Panel B: Asset manager characteristics					
Universal owner (>2000 stocks and horizon<0.3	**3%**	18%	0%	100%	706
Diversified owner (>2000 stocks)	**11%**	32%	0%	100%	706
Patient owner (horizon<0.35)	**12%**	33%	0%	100%	706
% SRI funds	**1.15%**	8.94%	0%	100%	706
Turnover	**53%**	22%	5%	100%	706
Number of stocks	**711**	967	1	4,638	706
Total assets (in million USD)	**71,133**	303,762	3	3,949,193	706
% equity funds	**80%**	28%	1%	100%	706
% retail funds	**54%**	37%	0%	100%	706
% index funds	**11%**	27%	0%	100%	706
Age of asset manager	**29.9**	22.5	13.4	92.46	706
Average expense ratio	**1.05%**	0.45%	0.00%	3.91%	706
Idiosyncratic volatility	**4.19%**	2.79%	0.61%	30.63%	706
Panel C: Asset manager CEO political affiliation					
Contributes to political party	**18%**	39%	0%	100%	706
Democrat	**4%**	21%	0%	100%	706

Table 2: Summary statistics for universal owners

	Blackrock	Charles Schwab	Dimensional	Northern Trust	Statestreet	Vanguard	Universal owners
Panel A: Support to shareholder resolutions							
Environmental and Social	3%	22%	9%	29%	22%	1%	**14%**
Environmental	3%	13%	10%	51%	22%	1%	**17%**
Social	2%	28%	6%	15%	24%	0%	**12%**
Executive compensation	8%	19%	69%	21%	23%	4%	**24%**
Other Governance and financial	34%	29%	36%	36%	30%	23%	**32%**
Climate change	6%	13%	18%	57%	29%	2%	**21%**
Human rights	2%	4%	9%	45%	11%	0%	**12%**
Discrimination	2%	15%	5%	23%	5%	3%	**9%**
Compensation restrictions	8%	27%	78%	9%	20%	3%	**24%**
Panel B: Asset manager characteristics							
% SRI funds	0.13%	0.00%	1.26%	0.66%	0.00%	0.07%	**0.35%**
Turnover	17%	15%	19%	17%	11%	8%	**14%**
Number of stocks	4,489	2,804	3,162	3,702	3,258	3,544	**3,493**
Total assets	829,817	249,461	282,277	134,337	525,238	3,275,301	**882,738**
% equity funds	78%	30%	83%	25%	79%	73%	**61%**
% retail funds	1%	49%	0%	82%	1%	59%	**32%**
% index funds	99%	88%	35%	69%	99%	78%	**78%**
Age of asset manager	22	24	34	22	37	86	**38**
Average expense ratio	0.30%	0.20%	0.40%	0.52%	0.18%	0.12%	**0.29%**
Idiosyncratic volatility	4.44%	2.91%	4.04%	3.65%	3.94%	2.00%	**3.50%**
Panel C: Asset manager CEO political affiliation							
Contributes to political party	1	1	0	0	1	1	**67%**
Democrat	1	0	0	0	0	0	**17%**

Table 3: Impact of universal ownership

Table 3 displays the results of regressions of support on shareholder resolutions onto various fund family variables. Column (1) focuses on environmental and social resolutions (ES), Column (2) on environmental (E), Column (3) on social (S) and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1)	(2)	(3)	(4)	(5)
	Environmental and social	Environmental	Social	Executive compensation	Other gov and financial
Universal owner	-0.261***	-0.181***	-0.331***	-0.246***	-0.212***
Turnover	0.169***	0.199**	0.145**	0.0135	0.174***
Number of stocks (ln)	0.036***	0.034**	0.039***	0.022*	0.028***
Total assets (ln)	-0.015**	-0.007	-0.020**	0.003	-0.004
% equity funds	-0.060	-0.003	-0.081	-0.021	-0.069
% retail funds	-0.083**	-0.040	-0.125***	-0.073	-0.097***
% index funds	0.163***	0.122**	0.178***	0.085	0.127***
Age of asset manager	-0.0002	-0.0009	0.0000	-0.0013*	0.0001
Average expense ratio	-1.05	-2.58	1.86	6.63	-1.27
Idiosyncratic volatility	0.971*	0.613	0.908	0.620	0.531
Constant	0.194*	0.097	0.270**	0.224*	0.291***
Observations	665	568	638	623	692
R-squared	7.8%	6.9%	12.6%	8.7%	9.7%
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.

Table 4: Controlling for diversification and turnover

Table 4 displays the results of regressions of support on shareholder resolutions onto various fund family variables. Column (1) focuses on environmental and social resolutions (ES), Column (2) on environmental (E), Column (3) on social (S) and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1)	(2)	(3)	(4)	(5)
	Environmental and social	Environmental	Social	Executive compensation	Other gov and financial
Universal owner	-0.276***	-0.224***	-0.316***	-0.267***	-0.163***
Diversified owner	0.009	0.037	-0.039	0.103**	0.010
Patient owner	0.012	0.030	0.010	-0.052	-0.072*
Turnover	0.177**	0.219**	0.150*	-0.013	0.133**
Number of stocks (ln)	0.036***	0.031**	0.043***	0.011	0.026**
Total assets (ln)	-0.015**	-0.006	-0.019**	0.001	-0.007
% equity funds	-0.058	0.003	-0.080	-0.027	-0.079*
% retail funds	-0.084**	-0.042	-0.125***	-0.073	-0.094***
% index funds	0.163***	0.120**	0.179***	0.083	0.128***
Age of asset manager	-0.000	-0.001	0.000	-0.001*	0.000
Average expense ratio	-0.875	-2.036	1.775	6.549	-1.986
Idiosyncratic volatility	0.974*	0.606	0.926	0.548	0.474
Constant	0.185	0.083	0.243*	0.323**	0.366***
Observations	665	568	638	623	692
R-squared	8%	7%	13%	9%	10%
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.

Table 5: The role of preferences

Table 5 displays the results of regressions of support on shareholder resolutions onto various fund family variables. Column (1) focuses on environmental and social resolutions (ES), Column (2) on environmental (E), Column (3) on social (S) and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1)	(2)	(3)	(4)	(5)
	Environmental and social	Environmental	Social	Executive compensation	Other gov and financial
Universal owner	-0.295***	-0.245***	-0.332***	-0.270***	-0.179***
Diversified owner	0.012	0.041	-0.037	0.098**	0.013
Patient owner	0.015	0.035	0.011	-0.057	-0.070
% SRI funds	0.639***	0.629***	0.584***	0.483***	0.218***
Contributes to political party	0.062*	0.060	0.059	0.029	0.047*
Democrat	0.004	0.010	0.013	0.054	-0.017
Turnover	0.159**	0.200**	0.134*	-0.027	0.122*
Number of stocks (ln)	0.036***	0.032**	0.044***	0.012	0.026**
Total assets (ln)	-0.017**	-0.009	-0.022***	-0.001	-0.008
% equity funds	-0.053	0.008	-0.076	-0.033	-0.074*
% retail funds	-0.089**	-0.047	-0.130***	-0.077*	-0.095***
% index funds	0.157***	0.113**	0.174***	0.081	0.123***
Age of asset manager	-0.000	-0.001	-0.000	-0.001**	0.000
Average expense ratio	-0.548	-1.736	2.049	6.903	-1.974
Idiosyncratic volatility	1.049*	0.689	1.001*	0.600	0.512
Constant	0.189	0.090	0.249*	0.333**	0.373***
Observations	665	568	638	623	692
R-squared	12%	10%	16%	11%	11%
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.

Table 6: Focusing on more clearly identified externalities

Table 6 displays the results of regressions of support on shareholder resolutions onto various fund family variables. Column (1) focuses on climate change, Column (2) on human rights, Column (3) on discrimination and Column (4) on compensation restrictions. These four columns deal with issues that are more clearly related to externalities. Column (5) displays the results for all the specific topics. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1)	(2)	(3)	(4)	(5)
	Climate	Human rights	Discrimination	Compensation externalities	All special topics
Universal owner	-0.398***	-0.033	-0.214***	-0.316***	-0.315***
Diversified owner	0.083	-0.045	-0.013	0.121**	0.056
Patient owner	0.032	-0.063	0.001	-0.047	-0.011
% SRI funds	0.690***	0.463**	0.366***	0.499***	0.462***
Contributes to political party	0.110*	0.002	0.040	-0.002	0.018
Democrat	-0.017	0.021	0.008	0.087	0.079
Turnover	0.131	0.138	0.085	-0.043	0.019
Number of stocks (ln)	0.024	0.031	0.029***	0.003	0.022
Total assets (ln)	-0.004	-0.012	-0.018***	0.001	-0.008
% equity funds	0.007	-0.094	-0.012	-0.031	-0.051
% retail funds	-0.054	-0.009	-0.016	-0.089*	-0.065
% index funds	0.140*	0.117*	0.131***	0.105	0.110**
Age of asset manager	-0.002*	0.000	0.000	-0.001*	-0.001
Average expense ratio	0.620	2.637	-2.063	10.490**	3.004
Idiosyncratic volatility	0.943	-0.753	0.373	-0.033	0.882
Constant	0.184	0.124	0.108	0.405**	0.300**
Observations	435	346	491	575	611
R-squared	0,083	0,101	0,216	0,115	0,156
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.

Table 7: Robustness regressions without one of the universal owners

Table 7 displays the estimate and the significance of the dummy variable that indicates that an institutional investor is a universal owner in regressions like the ones displayed in Table 5. Column (1) focuses on environmental and social resolutions (ES), Column (2) on environmental (E), Column (3) on social (S) and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1) Environmental and social	(2) Environmental	(3) Social	(4) Executive compensation	(5) Other gov and financial
Universal owner (Baseline)	-0.295***	-0.245***	-0.332***	-0.270***	-0.179***
Universal owner (Without BlackRock)	-0.244***	-0.188**	-0.279***	-0.202**	-0.172***
Universal owner (Without Charles Schwab)	-0.303***	-0.231***	-0.355***	-0.258***	-0.169***
Universal owner (Without Dimensional)	-0.300***	-0.242***	-0.335***	-0.397***	-0.205***
Universal owner (Without Northern Trust)	-0.341***	-0.338***	-0.350***	-0.267***	-0.202***
Universal owner (Without State Street)	-0.298***	-0.246***	-0.340***	-0.263***	-0.166***
Universal owner (Without Vanguard)	-0.285***	-0.229***	-0.328***	-0.252**	-0.171***
Observations	665	568	638	623	692
All other control variables	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.

Table 8: Robustness regressions with different definitions of a universal owner

Table 8 displays the estimate and the significance of the dummy variable that indicates that an institutional investor is a universal owner in regressions like the ones displayed in Table 5. The definition of universal owner is varied. The first line corresponds to the baseline definition, with a number of assets larger than 2,000 and a turnover lower than 35%. The second line corresponds to a number of assets larger than 3,000 and a turnover lower than 35%, etc. Column (1) focuses on environmental and social resolutions (ES), Column (2) on environmental (E), Column (3) on social (S) and Column (4) on executive compensation resolutions. These four columns deal with issues that are related to externalities. Column (5) offers, as a benchmark, the support for shareholder resolutions on other governance and financial issues. We define a universal owner as a fund family that is very diversified, holding more than 2,000 different stocks in its portfolio, and patient, displaying a turnover of less than 35% over a three-year rolling window.

	Dependent variable: support for shareholder resolutions				
	(1) Environmental and social	(2) Environmental	(3) Social	(4) Executive compensation	(5) Other gov and financial
Universal owner (Baseline, nb assets>2000, turover<35%)	-0.295***	-0.245***	-0.332***	-0.270***	-0.179***
Universal owner (nb assets>3000, turover<35%)	-0.353***	-0.290***	-0.390***	-0.315***	-0.142**
Universal owner (nb assets>1500, turover<35%)	-0.179***	-0.159**	-0.180**	-0.099	-0.090
Universal owner (nb assets>2000, turover<30%)	-0.297***	-0.300***	-0.302***	-0.229**	-0.197***
Universal owner (nb assets>3000, turover<30%)	-0.342***	-0.320***	-0.355***	-0.269**	-0.150**
Universal owner (nb assets>1500, turover<30%)	-0.281***	-0.283***	-0.297***	-0.193*	-0.202***
Universal owner (nb assets>2000, turover<25%)	-0.239***	-0.317**	-0.233**	-0.311**	-0.241**
Universal owner (nb assets>3000, turover<25%)	-0.233**	-0.237*	-0.241**	-0.354***	-0.144*
Universal owner (nb assets>1500, turover<25%)	-0.229**	-0.307**	-0.232**	-0.273**	-0.251***
Observations	665	568	638	623	692
All other control variables	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes

Note: p-values computed with robust standard errors. *** p<0.01, ** p<0.05, * p<0.10.