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Ballot Order Effects in Independent Director Elections

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Using a sample of individual mutual voting records, we examine ballot order effects in independent director elections. Our results show that down-ballot directors receive considerably less opposition from shareholders. This result holds in a sample where directors are positioned alphabetically on the proxy ballot, and, thus unrelated to the directors' ability or position on the board. We find that the ballot order effect strengthens in settings where the ballot is more complex and shareholders are less attentive. These results suggest that investors, confronted with repeated decision making across multiple proxy votes, are subject to the choice fatigue bias that affects their voting patterns when electing directors. Furthermore, we find that the ballot order effect impacts director career concerns; although down-ballot directors are less likely to receive shareholder opposition, when they are opposed, they are more likely to leave the board. These findings, which document a systematic bias in the proxy voting process, are relevant to regulators and practitioners given the impact proxy voting has on firm governance.

Keywords: Ballot Order, Choice Fatigue, Decision Fatigue, Proxy Voting, ISS Recommendations

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1. Introduction

Voting is costly. It takes time and effort to both become informed about a vote and to physically cast the vote (Downs, 1957). This calculus is as true for shareholders of firms exercising their voice through the proxy voting process, as it is for the citizens of democracies electing their political representatives. Consider Exelon's 2016 proxy vote.¹ As shown in Figure 1, a shareholder of Exelon was expected to cast votes (for, against, or abstain) on 16 proposals. All of these proposals were sponsored by Exelon's management and pertained to director elections (13), auditor ratification (1), executive compensation (1), and proxy access (1). As required, Exelon's management provided information about the proposals to shareholders in a detailed (97 pages plus) proxy statement,² and also provided recommendations on how to vote for each proposal (as is typical, they recommended to vote for each of the management sponsored proposals).

The number of votes participants in political and corporate voting must cast may differ substantially. Specifically, most democratic participants are citizens of one nation, where they must cast votes at the municipal, state/provincial, and federal level. In contrast, investors are incentivized to hold diversified portfolios, which can result in needing to cast hundreds or thousands of votes in the scores of firms they hold. For example, in 2017 the average mutual fund in our sample held 154 firms (median 53) at the time of their proxy meeting and cast votes in 1,724 proposals (median 622). Given that the average proxy statement in our sample has 29,285 words, and that the average adult reads 238 words per minute (Brybaert, 2019), we can estimate that it would take approximately 313 hours to process proxy statement material to become informed about the proposals they were required to vote on.³

We examine the possibility that participants in the proxy voting process, confronted with repeated decision making on similar issues across so many proxy votes, are prone to "choice fatigue," also commonly referred to as "decision fatigue." This behavioral phenomenon can cause order effects in decision making as observed in economics, political science, or psychology (Augenblick and Nicholson, 2016; Danziger, Levav, and Avnaim-Pesso, 2011;

¹ The proxy voting card from Exelon was randomly chosen to provide an example of a proxy card.

² Available online at

<https://www.sec.gov/Archives/edgar/data/1109357/000119312516506294/d121171ddef14a.htm>

³ This estimate was calculated by first determining it would take on average 2.05 hours to read the average proxy statement (average number of words per proxy statement is 29,285, average adult reads 238 words per minute). We then multiplied the 2.05 hours by the average number of firms the funds in our sample held at the time of their meeting (153) to arrive at 313 hours. Assuming an 8 hour work day, a fund manager would need to dedicate 39.22 full days each year to reading the proxy statements.

Levav, Heitmann, Herrmann, and Iyengar, 2010; Muraven and Baumeister, 2000; Baumeister, Tice, and Vohs, 2018; de Haan and Linde, 2018). Choice fatigue refers to rushed or more heuristic-based decisions after a session of repeated decision making and can lead to a deterioration in the quality of decisions. For example, Danziger, Levav, and Avnaim-Pesso (2011) document that the percentage of favorable parole rulings by Israeli parole judges declines over the course of a decision-making session, in which cases appear before judges in quasi-random order. Choice fatigue has been found to be relevant in finance. Hirshleifer, Levi, Lourie, and Hong Teoh (2019) show that an analyst's forecast accuracy declines in the number of forecasts he or she has issued during a day, resorting to more heuristic-based decisions as the day passes on. Similarly, Baer and Schall (2021) observe that credit officers' approvals of credit loan applications are prone to choice fatigue effects. The authors furthermore estimate that choice fatigue had a substantial negative impact on the revenue of the bank of the officers. To the best of our knowledge, choice fatigue has not been documented in a corporate governance setting. Given the potential downsides of choice fatigue, this gap in the corporate governance literature necessitates further investigation.

In this paper, we study proxy voting and posit that as shareholders move sequentially down the proxy voting ballot, they will increasingly rely on simple decision strategies which can systematically impact the decisions they make. We focus our analysis on a subsample of alphabetically ordered independent director elections, which provides an ideal experimental setting in which to examine the ballot order effect. First, alphabetical orderings should not be related to director quality, and are resistant to manipulation by firm management. Examining ballot order effects in this setting, therefore, helps to alleviate endogeneity concerns and allows for a causal interpretation of our result. Second, independent director elections are repeated and standardized, which aids empirically in distinguishing a ballot order effect from other factors that may affect voting patterns. For example, in our main empirical regressions, the repeated nature of independent director elections allows us to use meeting-fixed effects in our regression models that control for time-varying firm-specific factors unrelated to the director's relative ballot order that may impact a fund's votes (e.g., board size, firm fundamentals etc.).

We exclude non-alphabetically ordered independent director elections, affiliated director elections, non-election related management proposals, and shareholder sponsored proposals from our sample. These proposal types are prone to endogeneity concerns that make distinguishing a ballot order effect from other factors difficult. For example, in non-alphabetically ordered ballots, firms may order directors on the ballot based on factors related

to their quality, such as by their tenure or status (e.g., committee membership, chairmanship), which in turn are related to the voting outcome. There are also other empirical issues that make identifying a ballot order effect in these proposals difficult. For example, affiliated directors are generally placed at the top of the ballot according to status. They also face more scrutiny and might be judged by a different set of criteria compared to independent directors. Other non-election related management proposals are placed after director elections, and shareholder sponsored proposals are placed at the end of the ballot. The more directors on the ballot, the further these non-election related proposals will be down the ballot. Therefore, the ballot order of these proposals is mechanically related to board size, which may be associated with voting outcomes (Augenblick and Nicholson, 2016). Furthermore, non-director election proposals are not repeated and not as standardized as director elections within a ballot, which makes it difficult to control for other factors that may affect the voting outcomes on these proposals.

We first consider the relationship between an independent director's place on the proxy ballot, and the aggregate level of support he or she receives from all shareholders, which includes retail shareholders and non-mutual fund institutions, in a univariate setting. Choice fatigue predicts that as shareholders work their way down the ballot list, they will rely more and more on simple, heuristic-based decision strategies. Directors that are further down the ballot should accordingly receive less scrutiny than directors who appear at the top of the ballot. Furthermore, most proxy ballots include a default choice to vote for and support a director, and the empirical norm is to support directors (the average aggregate opposition level in our sample is 3.94%). We, therefore, hypothesize that directors further down the ballot will receive higher support levels than directors who appear at the top of the ballot. Indeed, we find that the first independent director on the ballot receives 36% more shareholder opposition (4.50% vs. 3.32%, see Figure 3 for more detail) compared to a director who appears in the ninth (independent) ballot position. Aggarwal, Dahiya, and Prabhala (2019) document that oppositional votes in director elections have economically significant impacts on director turnover, committee assignments, and the external market for directors. Our results suggest that these director outcomes may be partially driven by systematic bias in proxy voting related to the director's position on the ballot. The impact of these votes can also spill over beyond the director. Cai, Garner, and Walking (2009) provide evidence of their impact on broader firm governance issues and managerial career concerns.

The univariate case above analyzes ballot order effects at the aggregate vote outcome level. This analysis may be confounded by the fact that aggregate vote outcomes represent a weighted

average of individual investor votes weighted by the voting rights held by the investor.⁴ To understand individual decision making, we focus our main empirical analysis on the proxy votes of mutual funds. Mutual funds are required to publicly disclose their votes and voting policy to ensure that their votes are in the best interests of their clients, which provides a rich dataset (over 32 million votes) of proxy votes at the individual fund level.⁵ Furthermore, these disclosure requirements, together with SEC regulation that requires them to hold diversified portfolios,⁶ make the proxy voting process especially costly for mutual funds. Mutual funds own approximately 30% of U.S. equities. Thus, observing a ballot order effect at these funds is of significance, but is also likely to be indicative of a wider effect among the 70% of shareholders (i.e., other institutional investors and retail investors) for whom we do not have rich voting data. Our main hypothesis predicts that as mutual funds move sequentially down the ballot, they will increasingly rely on simple decision strategies and are less likely to oppose directors. We use multivariate regression analysis that includes variables that control for director characteristics, as well as time-varying fund and firm factors using fixed effects, to test this hypothesis. Using granular fixed effects at the meeting level, that is a fixed effect for each set of directors on a ballot, allows us to control for firm specific factors such as board size, governance systems, and firm financial indicators, which could influence voting behavior. Our results provide evidence in support of a ballot order effect among mutual fund votes: As mutual funds move down the ballot, they are less likely to cast votes against the director.

The high-cost mutual funds face in the proxy voting process has led many mutual funds to, at least partially, outsource their proxy voting responsibilities to proxy advisors who offer voting recommendations. The proxy advisor, ISS, holds a dominate position in this market,⁷ and given its influence it is not clear how their recommendations influence the ballot order effect. To isolate the ballot order effect from the effect of ISS recommendations, we focus on the subset of elections in which ISS recommends to vote for the director. In these cases, firm management's recommendation, ISS's recommendation, and the default present on the ballot

⁴ Most firms follow one-share one-vote voting rules. In these firms, the voting rights of each investor is equivalent to the investor's equity stake in the firm (e.g., the proportion of all the shares in the firm they own).

⁵ See <https://www.sec.gov/rules/final/33-8188.htm>

⁶ The Investment Company Act of 1940 requires mutual funds to hold diversified portfolios: 1) a fund cannot hold more than 25% of its holdings in any one security; 2) the other 75% must be divided among at least 15 different securities so that none of them represent more than 5% of the total fund; and 3) none of these 15 securities can represent more than 10% of the stock of any company owned by the mutual fund. This diversification requirement, which is usually far surpassed by funds, further disincentivizes mutual funds from expanding resources on the proxy voting process.

⁷ Shu (2021) estimates that as of 2017, ISS controls 63% of the proxy service market for mutual funds.

prescribe the same voting behavior. We find that the ballot order effect persists in this setting, suggesting that it is independent of ISS recommendations.

We also consider potential heterogeneity in the direction of the ballot order effect at mutual funds. Choice fatigue predicts an increased reliance on simple decision-making strategies, but there is likely variation among mutual funds in what constitutes a simple strategy. For example, there are some funds that almost always follow the recommendation of management, other funds that almost always follow the recommendation of ISS, and still other funds that tend to vote more independently. To address this variation, we examine fund votes in the subset of ballots where the director receives a negative ISS recommendation. In these elections the signal that funds receive is ambiguous (negative recommendation from ISS, positive recommendation from firm management). We gauge heterogeneity in fund voting strategies using a variable that measures how often each fund votes with ISS (i.e., against management) in these conflicted proposals each year, and add the interaction of this variable with our ballot order measure to the model. We find evidence consistent with variation in each fund's simple decision strategy. Mutual funds that tend to follow ISS's (Management's) recommendations, are more likely to do so as they move down the ballot.

We furthermore use the mutual fund voting data to examine how factors related to the complexity of the ballot, voter busyness, and voter attention impact choice fatigue. We find evidence that the ballot order effect strengthens when the proxy statement accompanying the ballot is long, and likely more difficult for the voter to process. Similarly, we find that the ballot order effect is strongest when voters are busy: both during the proxy season when investors must cast a multitude of votes within a couple of weeks, and among busy mutual funds that cast an above median number of votes each year. We also examine settings that may mitigate choice fatigue. We consider investor attention using the internet visits to the meeting's accompanying proxy statement, and find the ballot order effect weakens when internet visits are high. We also identify funds that are members of one of the "Big 5" fund families (Vanguard, Fidelity, State Street, Blackrock and T. Rowe Price), and have the capacity to expend resources on the proxy voting process. We find that the ballot order effect is concentrated in funds that are not members of the well-resourced "Big 5" fund families.

Next, we consider how proxy advisor recommendations are affected by the ballot order. Proxy advisors are subject to the same deluge of proxy proposals as are diversified investors, except that in their case the problem is at the extreme: they must provide a recommendation for every proxy voting proposal of every firm held by at least one of their clients. In 2017,

Institutional Shareholder Services (ISS), the largest proxy advisor, provided recommendations on 49,694 proxy voting proposals. Proxy advisors rely on temporary workers and require employees to work long hours to navigate this deluge (Hayne and Vance, 2019). It is not clear whether a ballot order effect is present among proxy voting recommendations. On the one hand, ISS works with a catalogue/checklist to determine which director receives a negative recommendation. Working with a catalogue/checklist may limit the scope of the ballot order effect as there is less wiggle room present as to when to issue negative recommendations. On the other hand, the mechanical nature of this process may strengthen the ballot order effect as more fatigue implies less scrutiny and, therefore, a higher likelihood to miss out on indicators. Our results provide evidence consistent with a ballot order effect among proxy advisors. We find that as proxy advisors move down the ballot, they are less likely to give negative recommendations to directors. For example, directors at the top of the ballot are 2.59 times more likely to receive an ISS against recommendation compared to directors that appear in the ninth ballot position (see Figure 4 for more details).⁸

Directors receive overwhelming shareholder support in most elections, and it is not clear that the ballot order effect that we document leads to consequential real-world outcomes. To better gauge the economic significance of the cumulative impact of the ballot order effect that we observe at the fund and ISS level, we consider the likelihood that a director receives greater than 20% votes against in an election. Cai et al (2009) document that elections that exceed this 20% opposition threshold lead to significant changes in firm governance related to managerial compensation, career concerns, and entrenchment. Our results show that the ballot order significantly impacts the likelihood a director surpasses the 20% vote against threshold. We find that the first independent director on the ballot is approximately two times more likely to exceed this threshold compared to a director who appears in the ninth (independent) ballot position. To further understand the potential economic impact of the ballot order effect, we consider the relation between ballot order and director career concerns. We find evidence that suggests the firm, to some extent, understands the implications of the ballot order on director elections. Specifically, when down-ballot directors receive high shareholder opposition in an

⁸ The magnitudes of the univariate estimates for the ballot order effect between aggregate voting outcomes (Figure 3) and ISS recommendations (Figure 4) are not directly comparable. The aggregate voting outcome is based on the overall voting outcome from all shareholders, whereas ISS recommendations are binary. Figure 6, therefore, plots the percentage of mutual funds who vote against an independent director. Comparing Figure 4 and 6 shows that once we analyze the ballot order effect at the individual voting decision, the magnitude of the ballot order effect becomes more comparable between fund level votes and ISS recommendations. One caveat underlying Figure 6 is that, due to a lack of data availability, we cannot analyze the individual voting decisions of non-mutual fund shareholders.

election they are more likely to subsequently leave the board compared to up-ballot directors that receive high shareholder opposition.

Our results contribute to the literature on shareholder voice and its role in effective corporate governance (e.g., Shleifer and Vishny 1997). Effectively implementing this voice requires a shareholder base that is informed about corporate issues and that can express this voice, often through the proxy voting process. Yet, both of these tasks are costly, and our paper shows that investors' ability to cast an informed vote is negatively affected by choice fatigue. This result contributes to the recent literature that has shown that diversified investors are less willing or able to engage in corporate governance (e.g., Iliev and Lowry 2015). This issue is of concern to shareholders and regulators, as the downstream effect of disengagement is an exacerbated agency problem that reduces shareholder value, and stands in contrast to the modern finance orthodoxy preached by business school professors describing diversification as a free lunch.⁹ We also add to the literature on director elections (e.g., Cai et al, 2009; Fos et al, 2018), by showing that behavioral factors shape voting outcomes. Our paper also contributes to the existing literature in behavioral finance that studies biases in individual and institutional investor decision-making (Anderson et al, 2011; Chen et al, 2007; Freiburg and Grichnik, 2013; Gavriilidis et al., 2020; Wu, 2022). This stream of literature mainly focuses on biases in investment decisions, for example the disposition effect or the home-bias of institutional investors. We complement this literature by investigating how biases can shape the decision-making of institutional investors in a corporate governance setting. For example, Oyotode-Adebile et al. (2022) study how actual gender-board diversity and institutional investors' preference for gender-board diversity impact accruals management. Our results and those of Oyotode-Adebile et al. (2022) clearly highlight the need to advance the understanding of the factors that shape the non-investment related decision-making of (institutional) investors. Finally, we add to the finance literature on choice fatigue (Baer and Schall, 2021; Hirshleifer et al, 2019), demonstrating that choice fatigue is relevant in a corporate governance setting.

The remainder of the paper is organized as follows. Section 2 provides institutional details and describes our hypothesis on the ballot order effect in independent director elections. Section 3 gives an overview of the methodology and data, and provides summary statistics on

⁹ By examining shareholder voting and ISS recommendations through a behavioral lens, our paper also contributes to the literature that has identified biases in the decision making of professionals and experts. For example, Chen, Moskowitz, and Shue (2016) show that umpire pitch calls in baseball, U.S. asylum judges, and professional loan officers are all prone to the gamblers' fallacy. In a similar spirit, Linde and Vis (2017) find that politicians deviate from expected utility in the direction of prospect theory.

the sample. Section 4 presents univariate results at the vote level, and Section 5 presents results on mutual fund voting. Section 6 provides evidence on the ballot order effect in ISS recommendations. Section 7 provides evidence on low director support, Section 8 provides evidence on director career concerns, and Section 9 presents additional tests. Section 10 concludes.

2. Institutional Details and Hypothesis Development

Institutional Details

The existing literature provides evidence that asset managers have taken a variety of different approaches to fulfill the proxy voting process, which is a fiduciary duty for mutual funds. The literature has distinguished between informed and uninformed voters. Given the economic incentives involved with proxy voting (Iliev and Lowry, 2015), some investors choose not to become informed. For example, Hayne and Vance (2019) discuss that mutual funds were initially ill equipped to address regulations pertaining to their proxy votes, and thus initially relied heavily on proxy advisor recommendations when casting their votes. However, many funds no longer unilaterally vote in line with proxy advisors and instead read and evaluate the proxy statement themselves. They use proxy advisor research as a means of information aggregation and as a check and balance to complement their own analysis. Furthermore, many large institutional investors have developed their own governance teams. This finding is supported by the empirical evidence presented in Iliev and Lowry (2015) that finds investors with higher benefits (e.g., those holding large stakes in the firm) and lower costs of researching the items up for vote (e.g., those with greater economies of scale) are less likely to rely on ISS and more likely to vote in an informed manner. Some institutions have centralized proxy voting teams that cast votes for the whole fund family, whereas other institutions let individual fund manager cast the votes. Unless a fund decides to follow a naïve or mechanical voting strategy (e.g., always vote with management / always vote with ISS), becoming informed about director elections requires becoming familiarized with the material provided in the proxy statements. This material usually contains a one-paragraph biography of the director candidate, as well information about other director characteristics (skills, other board seats, committee functions, attendance).

Voting in director elections can therefore be characterized as a sequential decision-making task. For each candidate, shareholders are asked to vote for, withhold their vote from, or abstain

from voting for a candidate. In the following, we argue how an extraneous factor, the position of a candidate on the ballot, can sway shareholder votes.

Hypothesis Development

The extant literature on sequential decision making suggests that making repeated decisions influences subsequent decisions. This stream of literature conceptualizes cognitive capacities as a scarce and limited resource. The active use of our cognitive capacities depletes the energy sources that fuel them (Muraven and Baumeister, 2000; Ortoleva, 2013; Ozdenoren, Salant, and Silverman, 2012). This, in turn, can lead to an increase in intuitive judgment or heuristic-based decision making: a viable strategy to simplify the decision-making process. For instance, laboratory and field experiments have found that consumers are more likely to accept the default offered by a company later in a sequence of decisions (Levav, Heitmann, Herrmann, and Iyengar, 2010; de Haan and Linde, 2008). Most strikingly, sequential parole decisions made by experienced judges in Israel have been shown to follow similar patterns. Danziger, Levav, and Avnaim-Pesso (2011) document that the percentage of favorable parole rulings declined over the course of a decision-making session, in which cases appear before judges in quasi-random order. Or as argued by the authors, judges in later decisions become "...more likely to accept the default, status quo outcome: deny a prisoner's request" (Danziger, Levav, and Avnaim-Pesso; 2011). Similar effects have also been documented in the context of federal, state, and local elections in California (Augenblick and Nicholson 2016) as well as credit officers' approval decisions or analysts' forecasting announcements (Baer and Schall, 2021; Hirshleifer et al, 2019). We hypothesize that as shareholder voters advance through the sequence of director nominees, they will also be more likely to accept the status quo or default choice. We argue that the position on the proxy ballot is highly suggestive of how to work through the list of nominees. Almost all proxy ballots present director nominees as enumerated lists (see Section 3 for more details).

As explained at the beginning of this sub-section, to become informed about director elections, shareholders need to familiarize themselves with the material provided in the proxy statements. A shareholder unfamiliar with the directors would probably read the name, circle back to the biography, make a voting choice and then continue to the next name on the list. Sequential voting decisions would then be interrupted by information gathering and processing stages. Is choice fatigue then driven by the sequential decision making or is it partly due to

information gathering fatigue? The extant literature does not distinguish between these two cases. Some papers on choice fatigue, for example Danziger, Levav, and Avnaim-Pesso (2011) or Hirshleifer, Levi, Lourie, and Hong Teoh (2019) investigate settings in which the information gathering stage is treated as a vital part of the decision-making process. Other papers, for example Augenblick and Nicholson (2016) or de Haan and Linde (2018), zoom in on settings in which choice is based on information that the decision maker already possess. We can only speculate here due to a lack of data availability, but we believe it is plausible that the effect we are capturing is a mixture of both approaches to voting.

As a final remark we would like to note that choice fatigue contrasts with physical fatigue in one important way. Depleted cognitive capacities underlying choice fatigue are more easily restored, at least to some extent, than their physical counterparts. As reported in Danziger, Levav, and Avnaim-Pesso (2011), taking small breaks was enough to reset choice fatigue effects between sessions of decision making. Physical fatigue, however, can decrease the level of ability or willingness of shareholders to exert (mental) effort in the proxy vote process. The latter observations have important implications for our work. Mutual funds hold diversified portfolios and are expected to cast votes across many meetings. Moving from one company to another, we expect that the choice fatigue effect resets to some extent between ballots.¹⁰ At the same time, factors increasing physical fatigue are expected to increase the strength of choice fatigue effects.

Shareholder voting

We hypothesize that shareholders work their way through the list of candidates from top to bottom as they appear on the ballot. When working through the list, shareholders think less and less about each subsequent candidate, because they become increasingly fatigued and short-term memory becomes increasingly clogged with thoughts. Most proxy ballots (see below), implement as status quo / default choice to vote for a director. Therefore, mentally fatigued voters may be more likely to oppose directors listed at the top of the ballot and less likely to do so for those listed later on.

¹⁰ It is possible that the mental restoration between ballots is not complete, and choice fatigue spills over across ballots. Unfortunately, we do not observe the order in which voters complete ballots of different firms within a day, and therefore cannot observe the extent to which across-ballot choice fatigue may occur. However, for us to observe choice fatigue within ballots (the focus of this study), there need only be a partial reset of choice fatigue between ballots.

Hypothesis 1: Down-ballot candidates receive less shareholder opposition.

Shareholder voting, ISS recommendation, and default choice

Shareholders face two potentially competing sources for the status quo / default choice. First, most ballot structures implement a vote in support of a candidate (vote for) as the status quo. Second, many institutional shareholders receive recommendations from ISS on how to vote. If ballot status quo and the ISS recommendations are aligned, that is, both recommend to vote for the candidate, mentally fatigued shareholders may be more likely to oppose directors listed at the top of the ballot, and less likely to do so for directors listed later on. However, if ballot status quo and ISS recommendations are conflicting, two opposing forces are present. Iliev and Lowry (2015) and Calluzzo and Dudley (2019) provide evidence of heterogeneity among funds in their propensity to follow ISS recommendations when the recommendations of ISS and management conflict. We expect that ballot order fatigue will push funds towards their status quo, but that this status quo will vary by funds based on their prior tendency to follow ISS. This leads to two hypotheses:

Hypothesis 2A: If ISS and management recommendations align, that is, both recommend for the director, funds will show less opposition for down-ballot directors.

Hypothesis 2B: If ISS and management recommendations conflict, that is, ISS recommends a vote against the director and management recommends a vote for the director, then

- i) Funds with a history of following ISS's recommendation will show more opposition for down-ballot directors,*
- ii) Funds with a history of following management's recommendation will show less opposition for down-ballot directors.*

3. Methodology and Data

3.1 Methodology

To study the ballot order effect in independent director elections, we make use of archival data collected in the ISS Voting Analytics database. We employ two different samples in our analysis. The first sample is at the mutual fund vote level. It contains one

observation for each mutual fund-director-meeting pair, and indicates whether the mutual fund voted for or against a director within a firm that is up for election. The second sample is at the proposal level, and each proposal represents the election of one director at one firm. The dataset provides us with the aggregate votes received (e.g., for, against, withheld) by all shareholders, and the ISS recommendation for the proposal. Previous research suggests real world consequences when shareholder opposition in a director's election surpasses the 20% threshold (Cai et al, 2009). We, therefore, transform the aggregated voting data into a dummy variable indicating whether a director received more than 20% opposition. Our main analysis focuses on the mutual fund dataset as it allows us to study the individual shareholders, whereas the aggregated result weights the vote of each shareholder by the voting rights they hold.¹¹

To test our main hypothesis we estimate the following regression model on the fund-proposal level:

$$Mutual\ Fund\ Against_{p,i} = \alpha + \beta_1 \ln(Ballot\ Order_p) + Controls + FE$$

Where *Mutual Fund Against* indicates whether a mutual fund *i* voted against proposal *p*. We first run a logit regression followed by OLS specifications to determine the effect of the ballot order on mutual fund voting. Our setting allows us to include a variety of fixed-effects at the fund, firm, industry, and time level that control for observable and unobservable time invariant and time varying factors that may affect fund voting. Our control variables control for time varying director and firm characteristics. In the same spirit, we estimate our regressions at the proposal level. The dependent variable in this analysis is either an indicator whether the director received more than 20% of the opposition or an indicator for a negative ISS recommendation. The regression at the proposal level also includes fixed effects at the firm, industry, and time level to control for observable and unobservable time invariant and time varying factors that may affect fund voting.

3.2 Data collection

For our empirical analysis we draw on several databases. Information on the election of corporate directors is taken from the ISS Voting Analytics database and Director database (formerly RiskMetrics) and complemented with financial statement information from

¹¹ Examining the ballot order effect in the aggregate vote gives more weight to shareholders with larger stakes in the firm. As Iliev and Lowry (2015) show that stake size is associated with greater scrutiny in the proxy voting process, examining the ballot order effect in the aggregate setting may understate its effect on individual voters.

Compustat. The Voting Analytics data spans from 2003 to 2018, and includes variables that characterize each proxy voting proposal being voted on, including the ballot order of the proposal. The database also includes variables that identify the firm and meeting date that the proposal is voted on, a description of the proposal, ISS recommendation of how to vote on the proposal, votes in support or against the proposal, and the outcome (pass/fail) of the proposal. ISS also includes a variable ISSAGENDAITEMID, which provides an alphanumeric code categorizing the nature of the proposal. We use this variable to identify director election proposals and restrict our analysis to these proposals. We then use the item description to identify the name of the director who is being elected. We match the name of the director to the ISS (Risk Metrics) Director Database to identify characteristics of the director that may influence the level of the support they receive in the proxy voting process. These characteristics include the director's tenure, age, board attendance, firm ownership, busyness and if they are the chairman of the firm board. We also use this data to distinguish between affiliated and independent board members, and restrict our sample to independent board directors. We also obtain information on mutual fund voting data from the ISS Voting Analytics database. This data identifies the identity of the fund, the vote of the fund, and a proposal specific identifier that enables us to merge the data with our other voting datasets.

3.3 Sample

Our main sample, which focuses on ballots where directors are listed alphabetically, consists of 88,356 unique independent director elections. The sample encompasses 2,264 unique firms and 16,009 unique meetings. Table 1 presents summary statistics and definitions of our voting variables and director characteristics. The unit of observation is each independent director on the ballot. The average director in our sample appears in the 4.07 (median 3) ballot order position and receives 3.94% aggregate votes against (median 1.74%). 3.81% of directors receive less than 20% support and 4.29% of directors receive a negative recommendation from ISS. The right skew in aggregate vote against reflects the fact that most directors receive very high levels of support in the proxy voting process, but the few that do not, often face substantial opposition.

With respect to director characteristics, we find that 4.1% of directors in our sample are chairman, and that the average independent director has a tenure of 7.9 years (median 6) and is 62.89 years old (median 63). 0.6% of the sample directors attended less than 75% of the

meetings. This threshold usually triggers a negative ISS recommendation. Firm ownership measures the proportion of the firm's shares held by the director. The average level of director ownership in our sample is 0.094%. We also measure director busyness based on the number of other boards they sit on. We find that the average director sits on 0.95 other boards. We transform director age and busyness into dummy variables based on if the director is over 75 years old and if the director sits on two or more outside boards. We use these dummy variables, as well as the other variables presented in Table 1, as our set of control variables in the analysis presented hereafter.

3.4 Ballot structure

In our data, 87% of ballots list their independent directors alphabetically. During our sample period the fraction of alphabetically ordered ballots increased slightly from 84.6% in 2003 to 86.7% in 2018.¹² Overall, we observe 977 switches from non-alphabetical ordered ballots to alphabetical ordered ballots (this is 44.88% of the non-alphabetical sample) and 910 switches from alphabetical ordered to non-alphabetical ordered ballot (which is only 6.19% of the non-alphabetical sample). Taken together this provides evidence that alphabetical ordered ballots are becoming the default option.¹³ Among alphabetical ballots, the order on should hence be independent of the competence, skills, and valence of the directors. To further verify our hypothesis development, we randomly sampled 188 proxy statements from 94 companies from the time span covered in our data-set. For each company, we randomly sampled two statements between 2003 and 2016. A total of 183 proxy statements included the ballot for the board of director elections. Two important observations emerge that support our hypothesis development. First, 97% of ballots implement the status quo / default to vote for a director. That is, if shareholders do not set marks, their ballot is treated as a "vote for" the nominee. We are confident that most ballots in our sample universe adopt this common procedure which supports our conjecture that status quo / default effects should increase nominee support. Second, 96% of the randomly sampled ballots have a clear order of the directors, either enumerated (77%), left-to-right or top-to-bottom without enumeration (23%). The ballot

¹² Online Appendix Figure 1 shows the fraction of alphabetical ballots over time.

¹³ We also estimated a logistic model to better understand which firm characteristics (i.e., firm size, ROA, stock returns, market to book, and institutional ownership) are determinants of an alphabetical ballot order. Only firm size and institutional ownership display a positive and significant relationship with an alphabetical ballot order. The full table can be found in the online appendix (Online Appendix Table 1).

position is, hence, salient on the proxy card and highly suggestive of how to work through the list of nominees.¹⁴ For proxy cards with a clear order, there is a tendency in the ballot structure to align directors vertically (60%). The remaining ballots are aligned horizontally (40%). We made further interesting observations related to the ballot and vote structure. A majority of ballots (64%) adopted a “vote-for-all” voting structure in which shareholder could either “vote for all” nominees or had to mark exceptions if they wanted to vote against a nominee. Exceptions had to be marked by either writing down the names of the corresponding nominees, the nominees’ numbers on the ballot, or by striking their names through. This voting structure imposes an extra burden on the shareholder if they wish to vote against a nominee. Figure 2 below gives an example of such a ballot. The remaining 36% of ballots used a structure in which shareholders were asked to vote for or against nominees individually.

4. Univariate Aggregate Director Support

In this section, we consider how the ballot order affects the aggregate level of support independent directors receive in the proxy vote. Voting outcomes at the aggregate level take into account the votes of all shareholders by weighting each shareholder’s votes by their voting rights. We first examine the effect of the ballot order in a univariate setting. We exploit the fact that many ballots are ordered alphabetically, and that when this is the case, firms do not directly control the order in which the directors appear on the ballot. Figure 3 presents univariate results on the aggregate votes against an independent director nominee from all shareholders per ballot position. The left-hand side panel displays the average vote against directors by ballot position when we restrict our sample to ballots which are alphabetically ordered. The middle panel presents the results on the full sample, and the right-hand panel on the non-alphabetical sample. The results presented in the left panel of Figure 3 show that directors that appear at the top of the ballot receive more shareholder opposition than directors that appear at the bottom of the ballot. These results provide support for the choice fatigue hypothesis, that down-ballot directors receive less opposition than directors that appear at the top of the ballot. For example, moving from first to fifth (ninth) position on the ballot decreases opposition by 0.80 (1.18) percentage points, which is equivalent to a 17.8% (26.2%) reduction in the opposition rate. The figure also highlights potential non-linearity in the ballot order effect. There is a larger

¹⁴ The 4% of ballots that have no clear order usually have a block structure in which it is not clear for the voter to go left to right or top to bottom first. However, this ‘unclear’ ordering pertains to the proxy card only. In the proxy statement, nominees are presented from top to bottom, i.e., in an unambiguous order.

difference between ballot positions at the beginning of the ballot than at the end of the ballot. This result supports the existing literature which postulates that cognitive capacities are a finite, limited resource that can be depleted (Muraven and Baumeister, 2000; Ortoleva, 2013; Ozdenoren, Salant, and Silverman, 2012). There is, hence, a limit to how fatigued a voter can become, and our results suggest that the voters reach their limit before they get to the end of the ballot. We account for this non-linearity in our subsequent tests through the logarithmic transformation of the ballot order position.¹⁵ The univariate results of the full sample and the non-alphabetical sample show similar patterns as the figure on the alphabetically ordered sample.

5. Fund Level Support

We next consider the choice fatigue hypothesis among mutual fund proxy votes. Looking at fund specific voting instead of aggregate voting support provides us with the opportunity to control for fund (and therefore voter) specific characteristics. Furthermore, studying the individual voting decisions allows us to analyze biases in decision making at the source, the voter, in contrast to the aggregate result which weights the decision by the voting rights held of each shareholder at the firm. Since 2003, SEC regulation has required mutual funds to publicly disclose their proxy voting records, which makes examining their votes possible. The mutual fund proxy voting dataset records how every fund votes in every independent director election; it is thus much larger (over 32 million observations) than the dataset used to examine aggregate voting outcomes (over 101,000 observations). We use this dataset to estimate regressions that examine the extent to which the ballot order affects mutual fund votes against directors. The dependent variable in our analysis is a dummy variable that identifies if the mutual fund votes against the director. Our set of controls includes director-specific and firm-specific variables that the existing literature (e.g., Aggrawal, Dahiya, and Prabhala, 2019) has shown to affect voting outcomes. Specifically, we include director-specific variables that identify if the director is the board's chairman, the director's tenure, if they are more than 75 years old, if they have had low attendance at board meetings, their level of ownership in the firm, and if they are "busy" directors who serve on two or more outside corporate boards. We

¹⁵ For robustness, we have also run our main result regressions using the untransformed ballot order position, a quadratic transformation, and square root transformation. Our main results obtain independently of the chosen transformation and goodness of fit measures are highly comparable across different specifications. See Table 10 and online appendix Table 6 for more details.

also include variables that measure the firm's size (log assets), ROA, past stock returns, market to book ratio and intuitional ownership.

We first estimate a Logit model and these results are presented in the Column 1 of Table 2. The estimate suggests that mutual fund voters are less likely to oppose independent directors that appear down-ballot. An advantage of examining the votes of individual mutual funds is that we can control for voter specific factors. In Column 2, we estimate the results of a linear probability model that includes fund fixed effects that control for observable and unobservable time-invariant factors that influence fund voting, as well as year*industry and firm fixed effects that control for unobservable time varying factors related to the firm's industry, and time invariant factors related to the firm. The coefficient estimate on ballot order continues to be negative and statistically significant. In Column 3, we estimate a model that includes fund*year and meeting fixed effects. The fund*year fixed effects control for time-varying factors related to the fund. The meeting fixed effects, essentially a fixed effect for each set of director elections at each meeting, control for time-varying factors related to the firm such as board size, governance structures, and financial indicators. Going forward, these most restrictive fixed effects serve as our baseline model. The results show that that even after control for time-varying fund and firm specific factors, the votes cast by mutual funds are subject to choice fatigue. Down-ballot votes in independent director elections are less likely to be against the director compared to up-ballot votes.

We also find that the impact of the control variables on voting outcome is broadly in line with the existing literature (e.g. Cai et al, 2009). For example, as reported in Column 1 of Table 2,¹⁶ we find that our firm-level control variables which capture firm performance, growth opportunities, and extremal monitoring quality, are all negatively associated with the likelihood that a fund votes against a director. Our director-level control variables show that directors who are the board chairmen, have long tenures, are over 75 years old, have low attendance, have high firm ownership and are busy, are more likely to receive against votes from mutual funds.

5.1 ISS Recommendations and Fund Votes

Proxy advisors offer the benefits of specialization and economies of scales to the proxy voting process, and because so many institutional investors use them, have become kingmakers of corporate governance and shareholder voice (Ertimur, Ferri, and Oesch, 2013; Larcker,

¹⁶ We discuss the coefficient estimates for our logit specification (Column 1 of Table 2) as this specification includes no fixed effects, and it is therefore easier to interpret the coefficients of these estimates.

McCall, and Ormazabal, 2013; Malenko and Shen, 2016). In this section, we address the large influence proxy advisors exert on mutual fund voting decisions, and the potential for this influence to impact the observed ballot order effect. We conduct tests to isolate the ballot order effect from the effects of ISS recommendations. We first add a variable, ISS Against, which identifies if ISS gives a negative recommendation on the proposal, to the baseline model. The results of this specification are presented in Column 1 of Table 3. Consistent with the existing literature, the large and significant coefficient estimate on ISS against (43.30) suggests that ISS is extremely influential in how funds vote. While the magnitude of the coefficient estimates on ballot order decreases (-0.045 vs -0.142), it remains statistically significant, suggesting that the ballot order effect at mutual funds is not completely explained by ISS influence. In later tests (Table 6), we examine to what extent the ballot order effect may also be present in ISS recommendations.

We next focus on the subsets of elections in which ISS recommends to vote for the director. The uniformity in ISS's recommendations in this sample helps to further ensure that any variability in mutual fund voting patterns is driven by the ballot order, rather than ISS's recommendation. It also provides a test of Hypothesis 2A, which predicts that when ISS and managements recommendations align, funds will show less opposition for down-ballot directors. We re-estimate our regression model in this sample. The results of this analysis are presented in the second column of Table 3 and show that the ballot order effect persists in this setting. We further restrict the sample to ballots where ISS recommends votes for all the independent directors on the ballot (at a given meeting). This setting is advantageous as it allows us to focus on complete, rather than partial, ballots. It also addresses the concern that unobservable characteristics associated with a negative ISS recommendation in one director, may impact voting patterns on the other directors on the ballot that receive positive ISS recommendations. The third column of Table 3 presents the results in this subsample, and continues to show that down-ballot directors are less likely to receive against votes than up-ballot directors. Taken together these results show that the ballot order effect persists when there is no variability in ISS's recommendations. This result provides support for Hypothesis 2A, and suggests that the ballot order phenomenon is independent of ISS's recommendations.

We next conduct tests that examine if there is variation in the direction of the ballot order effect across funds, given observed heterogeneity in the extent that funds follow ISS recommendations (e.g., Iliev and Lowry, 2015). The choice fatigue hypothesis predicts that funds will increasingly rely on simple decision strategies as they move down the ballot. When

ISS recommends for the election of an independent director, the simple decision strategy is easy to discern, a vote for, as the signals the fund receives from ISS and firm management align. However, the case is more complicated when ISS recommends against the election of a director and the signals the fund receives from ISS and firm management do not align. A “simple decision strategy” for a fund may be to follow the recommendation of ISS and vote against the director, or to follow the recommendation of firm management and vote for the director. Hypothesis 2B predicts that in these situations the direction of the ballot order will vary based on the default voting preference of the voter.

To gauge the degree to which fund strategies may vary, we construct a variable, *Vote with ISS Tendency*, that measures how often funds follow ISS recommendations when they conflict with management. We then estimate the model in the subset of director election with a negative ISS recommendation, and including the interaction of *Vote with ISS Tendency* and *Ballot Order*. The estimate on *Vote with ISS Tendency* is subsumed by the fund*year fixed effect. The results are presented in the fourth column of Table 3, and, consistent with Hypothesis 2B provide evidence that the direction of the ballot order effect is heterogeneous. We find that the coefficient on *Ballot Order* is negative and significant for funds that tend to vote with management, but that the coefficient on *Ballot Order*Vote with ISS Tendency* is positive and significant. Combining the two estimates indicates that a fund that follows ISS’s recommendation 10% of the time would have a ballot order effect of -1.116, while a fund that follows ISS’s recommendation 90% of the time would have a ballot order effect of 0.552.¹⁷ We next restrict our sample to the homogenous setting where ISS recommends votes against all the independent directors on the ballot. Although against recommendations are relatively uncommon (~4.3% of the sample), there are situations where ISS deliberately recommends against all the directors on the ballot.¹⁸ Although this restriction reduces the sample from 700,044 to 228,282, which limits the power of our test, we continue to find a negative and significant coefficient estimate on ballot order, and a positive and significant coefficient estimate on the interactive term (Column 5). This result provides additional evidence in support of a heterogeneous ballot order effect in situations where the default voting strategy is ambiguous, as predicted by hypothesis 2B.

¹⁷ These numbers are computed as sum of the coefficient on *Ballot Order* (-1.32462) and the coefficient on the interactive term (0.02085) multiplied by 10 and 90, respectively.

¹⁸ As highlighted by Calluzzo and Dudley (2019), ISS guidelines state that they recommend against all directors up for election if the board lacks accountability and the firm has underperformed its peers.

5.2 Cross-sectional Patterns

So far, we have documented a strong effect of the ballot order on voting outcomes. However, the effect we find is the average effect in our sample. It is important to identify the factors that create a favorable environment for choice fatigue and the factors that mitigate it. In this section, we split the mutual fund voting sample along various dimensions to highlight the factors influencing the strength of the ballot order effect. As we elaborated on in our hypotheses section, factors that increase (decrease) the level of ability or willingness of shareholders to exert (mental) effort are expected to decrease (increase) the strength of choice fatigue effects.

We first consider factors related to busyness / exhaustion. The existing literature of choice fatigue documents strong effects in situations in which a specific task is repeated over and over again (Danziger et al, 2011; Levav et al, 2010; Selb, 2008). The busier or more exhausted a decision maker is, the stronger the expected fatigue effect. We, therefore, expected to see a stronger ballot order effect for firms which are held by investors who must cast votes on a large number of firms. We first measure investor busyness at the aggregate level by identifying votes that are made during the proxy season, which extends from the fourth week of April through the end of May. Calluzzo and Kedia (2021) document workload compression during this short period, during which time there are more than ten times as many proposals to be voted on each day (333 vs 27). Busyness has also been observed to affect audit quality (Lopez and Peters, 2012), and the frequency of SEC comment letters (Gunny and Hermis, 2020).

In Column 1 of Table 4, we present results that split the ballot order variable based on votes that take place inside and outside the proxy season.¹⁹ In this model, and hereafter in the models at the fund-level, we also include ISS Against as a control variable given its high level of influence documented in Table 3. Consistent with stronger ballot order effects among busy shareholders, we find that the coefficient on the ballot order effect is significant in the proxy season, but not outside it. Furthermore, the difference between the two coefficient estimates is statistically significant.

We next utilize the mutual fund voting level data to examine if ballot order effects are stronger among the busiest voters. We define busy voters as funds with an above median number of votes cast each year, and partition the ballot order variable based on the busyness of

¹⁹ Specifically, the ballot order variable is split by interacting it with two mutually exclusive dummy variables that identify if the proposal being voted on does or does not occur in the proxy season. We prefer this approach to a more traditional interactive variable approach as we are more interested in where the effect is concentrated rather than the difference in the effect between inside and outside the proxy season.

the fund voting on the specific proposal. The proposal-level variability in the Busy Fund variable allows us to estimate the model using a more granular proposal (rather than meeting) fixed effect which means a fixed effect for every director-meeting combination (e.g., Elect Director Mayo A. Shattuck III to Exelon's board in June 2016). The Busy Fund variable can therefore be interpreted as identifying how the ballot order effect in a specific proposal manifests in a fund that is busy compared to a fund that is not busy. These results are presented in Column 2 of Table 4. The results show that the ballot order effect is concentrated in busy funds.

Next, we consider ballot order complexity, which we proxy for by measuring the length of the proxy statement. We count the number of words on the proxy statement associated with each meeting, and distinguish between proxy statements with an above median (high) and below median (low) number of words. We posit that an investor will become more fatigued as they work through a high word count proxy statement with more information to process. The results of this analysis are presented in Column 3 of Table 4 and support this prediction. Specifically, the coefficient on the ballot order effect in high word count meetings is statistically significant and significantly larger than the coefficient on the ballot order effect in low word count meetings (which is statistically insignificant).

We next consider how scrutiny might influence the strength of the ballot order effect. Scrutiny, at the meeting level, is likely to mitigate information asymmetry and should reduce the effort needed to process the ballot, which in turn will reduce choice fatigue. Meeting-level scrutiny is also related to the average level of voter engagement. Voters who are more engaged with the firm (and the task at hand) will allocate more effort to the voting process and therefore are less likely to suffer from choice fatigue. To test if this is the case, we collect data that measures the number of IP searches to the proxy statements online filing to the SEC. We identify proxy statements with no IP searches, and among proxy statements with at least one IP search, we distinguish between those that have an above median (high) and below median (low) number of searches.²⁰ The findings are presented in the Column 1 of Table 5 and provide support for greater attention mitigating ballot order effects. We find that the ballot order effect is only present in the no IP and low IP Search groups, but not the high IP search group. We also examine the effect of voter scrutiny using the fund-level voting dataset. We follow Illiev,

²⁰ 38% of fund-votes in our sample occur at meetings with no IP search. Identifying these meetings, separate from meetings that have a low level of IP search allows us to more granularly estimate the impact of IP search on ballot order effect.

Kalomodis and Lowry (2019) who argue that the five largest fund families (Vanguard, Fidelity, State Street, Blackrock and T. Rowe Price) have the means and motivation to conduct independent research. Funds that are members of these fund families are likely to apply more scrutiny to each vote, and we posit that the ballot order effect will be mitigated among them, and concentrated among “Not Big Five” voters outside the “Big 5” fund families. We are again able to exploit the proposal-level variability of Not Big Five by estimating the specification with proposal fixed effects (which subsumes the Big Five ballot order estimate). The results reported in Column 2 of Table 5 show that the ballot order effect is concentrated in funds that are not among the Big 5.²¹

5.3 Alternative explanations of the ballot order effect

So far, our results provide consistent evidence in favor of a ballot order effect in proxy voting. Our choice fatigue hypothesis postulates that the ballot order effect is due to a deterioration in decision making quality as shareholders sequentially process director information in the order of listing on the proxy statement. As the order of information processing and voting is not directly observable to us, the question remains whether alternative explanation of information processing may generate the same type of ballot order effect we observe.

Shareholders could first vote on the directors for whom they already possess sufficient information on as voting for these directors is a relatively easy task for them (prominent directors, re-elected candidates, personal acquaintance, etc.). They could then move on to vote for directors for whom additional information needs to be gathered. We argue that any category-based explanation of information processing is compatible with our choice fatigue hypothesis as long as there is a residual category of directors left for whom additional information needs to be gathered, which is very likely to be done in order of their listing. It is plausible to assume that prior knowledge about directors is either highly idiosyncratic among shareholders (e.g., personal acquaintance) or common among all shareholders (e.g., prominent directors), so that non-ordered information processing and voting is randomly spread across alphabetically listed directors. In this sense, our ballot order effect would be driven by choice

²¹ In the online appendix (Online Appendix Table 3), we present the results of a model where we estimate the ballot order effect across fund families that manage 1-10 funds, 11-25 funds, and 26-50 funds. We find a non-linear relation between fund family size and the ballot order effect. Although the ballot order effect is significantly more pronounced among all three groups compared to the largest fund families (which is the omitted category), the ballot order effect is largest among fund families that oversee 11 to 25 funds.

fatigue that results from the more difficult to process votes, and our estimations provide a lower bound estimate on the actual effect size of choice fatigue on ballot order effects.

It is also conceivable that shareholders employ alternative voting strategies. For example, shareholders could have certain opposition targets in mind, and once their target is met start voting in alignment with management. This alternative explanation of voting decisions would generate the same kind of order effects as we observe without any choice fatigue involved. However, in the previous sub-section, we analyzed several factors that either create a favorable environment for choice fatigue to emerge or mitigate it. Our results indicate that the size of the ballot order effect varies in accordance with the choice fatigue hypothesis. We believe it is difficult to reconcile alternative explanations of voting behavior with these observations. We acknowledge that different psychological effects could contribute to the observed ballot order effect. Our results, however, suggests that a significant part of the ballot order effect seems to be driven by choice fatigue.

6. Proxy Advisor Support

Concerns have been raised about the economic incentives of proxy advisors. They have been accused of potential conflicts of interest and giving uninformed one-size-fits-all recommendations (Belinfanti, 2010). They don't have skin in the game, and the benefit of providing an informed recommendation to investors, who themselves often have minimal incentive to cast an informed vote, is unclear. Given these concerns, in this section, we consider if a ballot order effect is also present in the recommendations of ISS, the largest proxy advisor. ISS usually works with a check-list approach to decide on independent director recommendation, and it is not clear whether the ballot order effect is also present in their recommendations.²² To examine whether there is an advantage being on top of or down on the ballot, we first examine the recommendations in a univariate framework. Consistent with the choice fatigue hypothesis, the left panel of Figure 4 (alphabetical sample) provides evidence that down-ballot directors are less likely to receive negative recommendations from ISS than directors that appear towards the top of the ballot. Directors at the very top of the ballot receive negative recommendations at a rate of 5.8% whereas directors in the fifth (ninth) ballot position do so at a rate of 3.8% (2.2%), a relative reduction of 34.8% (61.3%).

²² For more information see the ISS Proxy Voting Guidelines available here <https://www.issgovernance.com/policy-gateway/voting-policies/>

We also examine the effect of ballot order on ISS recommendations in a multivariate setting. We use our set of firm-specific and director-specific variables to control for factors besides ballot order that may affect ISS's recommendation. Our dependent variable is *ISS Against*, a dummy variable that identifies if ISS issued a vote against recommendation for the independent director election. As the dependent variable is binary, we first estimate the model using a Logit regression, the results of which are presented in the first column of Table 6. The negative and significant coefficient estimate on ballot order provides evidence that down-ballot independent directors are less likely to receive ISS against recommendation compared to directors that appear towards the top of the ballot. We next estimate linear probability models using OLS regressions, to examine the relationship between ballot order and ISS against recommendations. The second column presents results of the linear probability model with the inclusion of firm and year*industry fixed effects, which allow us to include the firm level control variables. The third column presents results when meeting fixed effects are included in the estimation. Across both specifications the results continue to show that down-ballot independent directors receive significantly less support than up-ballot directors. The presence of a ballot order effect in ISS recommendations suggests that the ballot order effect observed in the aggregate vote results is driven jointly by effects at the proxy advisor and individual voter levels.

7. Low Director Support

Most directors up for election receive overwhelming shareholder support, and it is unclear what real-world relevance there is to a down-ballot director receiving, on average, less shareholder opposition and fewer negative ISS recommendations than up-ballot directors. Previous research suggests real world consequences when shareholder opposition to a director's election surpasses the 20% threshold (Cai et al, 2009), and in this section we examine if the ballot order affects the likelihood a director surpasses this threshold. We first use our univariate framework to address this question. Focusing on the aggregate level of support they receive from all shareholders, the results presented in Figure 5 suggest that the ballot order impacts the likelihood that directors receives opposition above the 20% threshold. In the alphabetical sample (Figure 5, left Panel), unconditionally, 5.1% of independent directors at the top of the ballot receive low support. This percentage decreases to 3.3% (2.5%) for directors in the fifth (ninth) ballot position.

We next use multivariate regression analysis to control for factors (other than ballot order) related to the director or the firm. We use the same firm-year level regression framework as with the ISS recommendation analysis (Table 6), except that the dependent variable is a dummy variable that indicates if the outcome of the director's election is greater than 20% of votes against. Given the binary nature of the dependent variable, we first estimate the effect of ballot order on a director receiving low support using a logit regression. The logit regression includes our set of control variables that measure firm-specific and director-specific factors. The results, presented in Column 1 of Table 7, of the regression suggest that down-ballot directors are significantly less likely to receive shareholder opposition above the 20% threshold. We next use OLS regressions, which take the form of a linear probability model, to examine the relationship between ballot order and strong shareholder opposition. Column 2 presents results that include year*industry and firm fixed effects and Column 3 presents estimation results that include meeting fixed effects. Both specifications continue to show that down-ballot director are significantly less likely to receive shareholder opposition above the 20% threshold than up-ballot directors. These results provide evidence that the ballot order effect that we observe at the fund- and ISS-level accumulates and results in down-ballot directors having a lower likelihood of exceeding the low-support threshold. This finding is especially relevant in light of literature that has documented the impact of low support on director career outcomes (Aggarwal, Dahiya, and Prabhala, 2019), as well as firm governance and managerial career concerns (Cai et al, 2009).

8. Director Career Concerns

In this section we examine a potential link between the ballot order effect and director career concerns. Given the documented impact that negative director elections can have on a director's career concerns (Aggarwal, Dahiya, and Prabhala, 2019), it is possible that the greater support down-ballot directors receive in elections helps to entrench them as directors. If this is the case then we expect to observe more positive career outcomes for down-ballot directors. Another possibility is that firms understand the implications of choice fatigue on director elections. This is, perhaps, not unlikely given the documented effects of choice fatigue in other settings, including among analyst forecasts (Hirshleifer et al, 2019). If this is the case, we would expect down-ballot directors who receive strong shareholder opposition (despite their ballot order position), to be more likely to experience harmful career outcomes as a result of the opposition.

To test these predictions, we create a new variable, Director Turnover. This variable is a dummy variable that measures if the director leaves the firm's board in the two years following the director election.²³ The first column of Table 8 presents an estimation of the baseline model where the dependent variable is Director Turnover. The results do not provide evidence that down-ballot directors are less likely to experience turnover compared to up-ballot directors, the coefficient on ballot order, although negative, is not significantly different from zero. In the second column of Table 8, we re-estimate the model with the inclusion of the >20% Against variable, to gauge high shareholder opposition, and its interaction with the ballot order variable.²⁴ We find the coefficient on the interaction to be positive and statistically significant, indicating that down-ballot directors who receive low support are more likely to experience director turnover. This finding is consistent with firms recognizing that down-ballot directors are less likely to face shareholder opposition in elections, and applying greater consequences in instances where the directors do receive high opposition.

9. Additional Tests

In this section, we present two tests to help us better understand our results and gauge their robustness. We first examine the ballot order effects in ballots that are not ordered alphabetically. We exclude these ballots from our main sample to allow for a cleaner interpretation of the results. However, the association between ballot order and vote outcomes among the non-alphabetically ordered sample, which comprises 2,613 ballots (13% of our total sample), is of interest. Non-alphabetical ordered ballots are sometimes ordered by board function (e.g., chairman first), tenure, age, or director class. It may also be the case that firms place directors on the ballot based on the level of support they expect the director to receive. For example, they could "hide" a low-quality director at the bottom of the ballot, with the hope that decision fatigued voters would view them more favorably. The right panels of Figures 3-5 present univariate results on the non-alphabetical ordered ballots, and provide evidence of a strong ballot order effect among non-alphabetically ordered ballots. For example, directors that appear at the top of the ballot in non-alphabetical ordered ballots have more oppositional votes

²³ As with our other dependent variables this measure is multiplied by 100 to make the interpretation of the coefficients more straightforward. Descriptive statistics for the variable are presented in Table 1.

²⁴ In an unreported result we also find that in a specification without the interaction of Ballot Order X >20% Against, the 20% Against is positively and significantly associated with Director Turnover. This result confirms the findings of Aggarwal, Dahiya, and Prabhala (2019), high levels of shareholder opposition negatively impact director career concerns.

(4.99% vs 4.50%) and low support (5.63% vs 5.09%) compared to directors at the top of alphabetically ordered ballots. Furthermore, directors that appear at the bottom of the ballot (the 10th ballot position or beyond) on non-alphabetically ordered ballots receive less opposition (2.94 vs 3.32%) and low support (0.34% vs 2.06%) than directors at the bottom of alphabetically ordered ballots.

We further examine the ballot order effect in non-alphabetically ordered ballots using our multivariate regression models. Specifically, we examine the sample that includes ballots that are ordered alphabetically and non-alphabetically, and estimate ballot order effects within each group. The results are presented in Table 9. We find limited evidence that the ballot order effect is stronger in the non-alphabetically ordered ballots. Across all three dependent variables (Fund Against, ISS Against, >20% Against), the magnitude of the ballot order effect is larger at non-alphabetically ordered ballots. However, the coefficient estimate on Ballot Order (Non-Alphabetical) is only statistically significant and significantly larger than the coefficient on Ballot Order (Alphabetical) in the fund-level specification (Column 1). The lack of statistical significance likely reflects a power issue, given the relative infrequency of non-alphabetically ordered ballots. These results validate our decision to focus our main analysis on alphabetically ordered ballots, as their inclusion could potentially bias our results upward. The strong ballot order effect observed in non-alphabetically ordered ballots is more consistent with firms with non-alphabetically ordered ballots placing their more prominent directors at the top of the ballot, and these prominent directors experience more scrutiny from investors and ISS. The result is inconsistent with firms manipulating their ballots to “hide” low quality directors. If this was the case, we should have observed a weaker ballot order effect in the non-alphabetically ordered ballots.

Next, we consider the robustness of our Ballot Order variable. Throughout our analysis we measure the independent director position on the ballot among the other independent directors up for election. However, in many elections there are also directors who are affiliated with the firms (e.g., a CEO-Chairman) that are up for election. To ensure that our measure of ballot order position is not biased from the exclusion of these affiliated directors in computing the measure, we compute an alternate version of the measure, Ballot Order Among All Directors. This measure is defined as the log of the director’s position on the ballot among all directors up for election (i.e., independent and affiliated directors). The results of this analysis are presented in Panel A of Table 10. The coefficient estimates for all three dependent variables (Fund Against, ISS Against, >20% Against) continue to be negative and statistically

significant. Next, we consider if our main result is robust to defining the ballot order measure without transforming (taking the natural logarithm) of the director's position.²⁵ The results of this analysis are presented in Panel B of Table 10. The coefficient estimates for all three dependent variables (Fund Against, ISS Against, >20% Against) continue to be negative and statistically significant. Taken together, the main results are robust to the definition of Ballot Order used in the paper.²⁶

10. Conclusion

Despite its cost, shareholder voice is a central pillar of effective corporate governance (Shleifer and Vishny 1997). Effectively implementing this voice requires a shareholder base that is informed about corporate issues and that can express this voice, often through the proxy voting process. Both of these tasks are costly, and for an increasing number of investors, the economics of exercising shareholder voice have become increasingly fruitless in today's financial markets that have given retail investors cheap and easy access to diversified portfolios.

In many ways these innovations can be marked as one of the great success stories of modern finance. As described by Modern Portfolio Theory (Markowitz, 1952), these diversified portfolios are optimal and help investors to balance the risk-returns tradeoff of their investments. It is with only a slight tinge of hyperbole that Harry Markowitz (and countless business school faculty thereafter) described diversification as the only free lunch. However, as investors hold an increasing number of stocks in their portfolio, the cost to becoming informed about every firm in their portfolio increases. The onerous nature of the proxy voting process, compounded by the fact that proxy meetings are concentrated in a five-week period each year, raises concerns that investors may cut corners or become fatigued as they cast ballots in these proposals, which can undermine their voice and corporate governance quality.

²⁵ In Online Appendix Table 6, we also provide results on a squared and a square-root transformation of the ballot order variable. Our results remain robust to these alternative transformations.

²⁶ The online appendix provides further robustness tests on the time trend of our findings (Online Appendix Table 4), and a specification in which we control for the ethnicity of the directors, which may be related to their position on the ballot (Online Appendix Table 5). We also examine the possibility that prior disagreements with management in director elections decrease the probability of an against vote for down-ballot directors. We construct a variable, Prior Against, which is the number of directors earlier on the ballot than the director being voted on that the fund voted against, and add this variable to our baseline regression. We find a positive relation between the Prior Against and the likelihood that a fund votes against a director. The corresponding results are shown in Online Appendix Table 2. Our findings go against the idea that after a certain number of against votes the funds become reluctant to continue to vote against directors.

In this paper we focus on the election of the independent directors of the board of directors. We document a strong ballot order effect: down-ballot directors receive less opposition than directors placed on top of ballots. Although several possible explanations exist for ballot order effects, our results suggest that investors and proxy advisors, confronted with repeated decision making across multiple proxy votes, are prone to choice fatigue that affects their voting patterns when electing corporate directors. Our findings are important to researchers in the field of proxy voting as they imply that when studying the outcomes of director elections, the position of the director on the ballot is an important explanatory variable and should therefore be controlled for.

The fact that choice fatigue influences voting patterns in proxy voting is also important for regulators and investors and adds to the public debate on the de-facto power of proxy advisors. It is not clear to what extent proxy voting participants are aware of the ballot order effect, and one contribution of this paper is to bring attention to and potentially remedy ballot order effects. For example, regulators could consider enacting policies that spread out the number of decisions taken in proxy voting over a longer period of time or that introduce a random order of nominees within a ballot. Similarly, to counteract the choice fatigue bias, proxy advisors and investors could be made aware of the bias, encouraging them to take frequent, smaller breaks in decision making sessions. There is also the possibility of future research on the ballot order effect as proxy voting continues to evolve. For example, more asset managers have established pass-through voting systems in which clients can voice their preferences or vote themselves in the proxy process. Also, recent advances in technology and automatization, such as developments in AI, could change the way voting takes place and, especially, the amount of human judgement involved in the process. It is unclear if these developments would increase or decrease the magnitude of the ballot order effect, and future research could analyze their effect on informed voting and on the ballot order effect.

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1: Proxy Card Exelon Corporation



THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

EXELON CORPORATION

The board of directors recommends voting FOR Proposals 1 through 4:

1. Election of Directors		For	Against	Abstain		For	Against	Abstain
Nominees:								
1a.	Anthony K. Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b.	Ann C. Berzin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1c.	Christopher M. Crane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1l. Mayo A. Shattuck III	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1d.	Yves C. de Balmann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1m. Stephen D. Steimour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1e.	Nicholas DeBenedictis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. The Ratification of PricewaterhouseCoopers LLP as Exelon's independent Auditor for 2016.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1f.	Nancy L. Gioia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. Approve the compensation of our named executive officers as disclosed in the proxy statement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1g.	Linda P. Jojo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. Approve the management proposal to amend Exelon's bylaws to provide proxy access.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1h.	Paul L. Joskow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
1i.	Robert J. Lavless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	NOTE: Authority is also given to vote on all other matters that may properly come before the meeting or any adjournment thereof.			
1j.	Richard W. Mies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
1k.	John W. Rogers, Jr.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Note: Exelon Corporation Proxy Card 2016²⁷

²⁷ <https://www.sec.gov/Archives/edgar/data/1109357/000119312516506294/d121171ddef14a.htm>

Figure 2: Proxy Card AFG

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

AMERICAN FINANCIAL GROUP, INC.

The Board of Directors recommends you vote FOR each of the following:

1. Election of Directors For All Withhold All For All Except

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

Nominees:

01) Carl H. Lindner III	07) Gregory G. Joseph
02) S. Craig Lindner	08) Mary Beth Martin
03) John B. Berding	09) Evans N. Nwankwo
04) Virginia "Gina" C. Drosos	10) William W. Verity
05) James E. Evans	11) John I. Von Lehman
06) Terry S. Jacobs	

The Board of Directors recommends you vote FOR proposals 2 and 3.

2. Proposal to ratify the Audit Committee's appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for 2021.	For <input type="checkbox"/> Against <input type="checkbox"/> Abstain <input type="checkbox"/>
3. Advisory vote on compensation of named executive officers.	For <input type="checkbox"/> Against <input type="checkbox"/> Abstain <input type="checkbox"/>

NOTE: Such other business as may properly come before the meeting or any postponement or adjournment thereof.

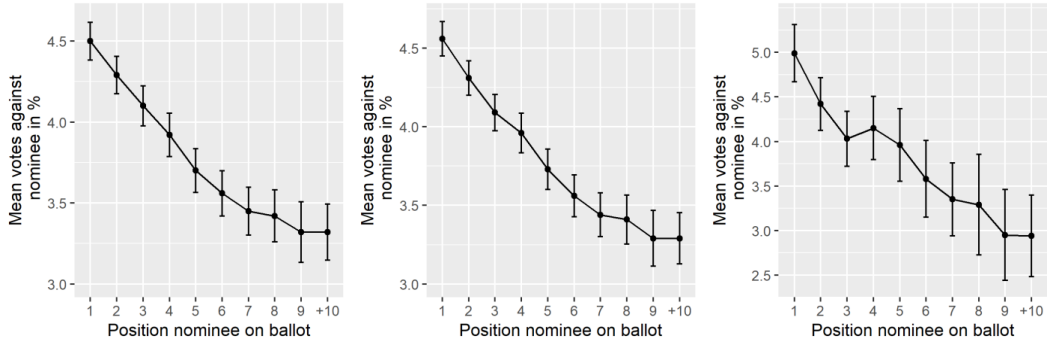
Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]					
	Date	Signature (Joint Owners)			
	Date		Date		

Note: Proxy Card American Financial Group 2021²⁸

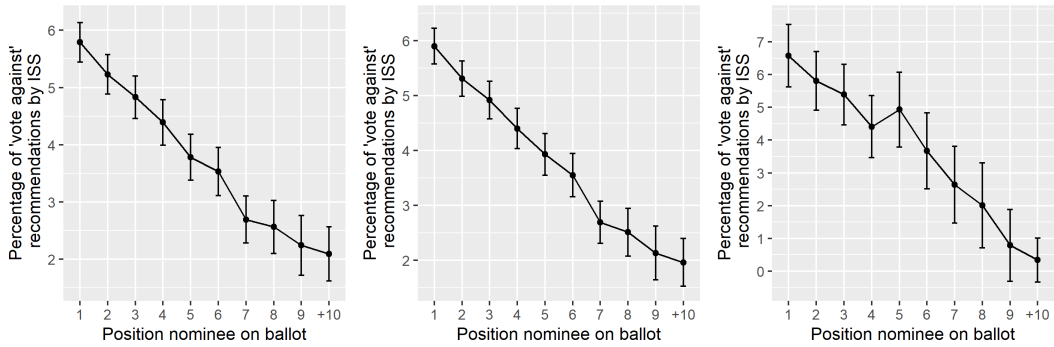
²⁸ https://www.sec.gov/Archives/edgar/data/1042046/000114036121011395/nc10021654x1_def14a.htm

Figure 3: Mean votes against independent directors per ballot position .



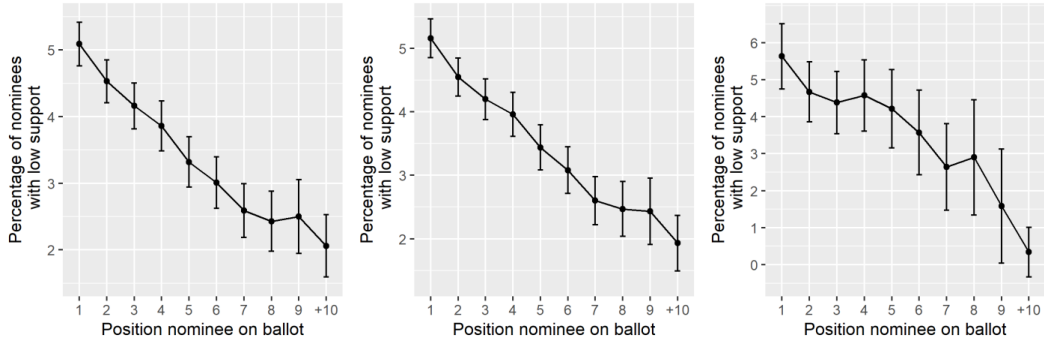
Note: The mean is taken with respect to the overall voting outcome from all shareholders. Error bars represent 95% confidence intervals – left panel: alphabetical sample; middle panel: full sample; right panel: non-alphabetical sample.

Figure 4: Percentage of negative ISS recommendations per ballot position.



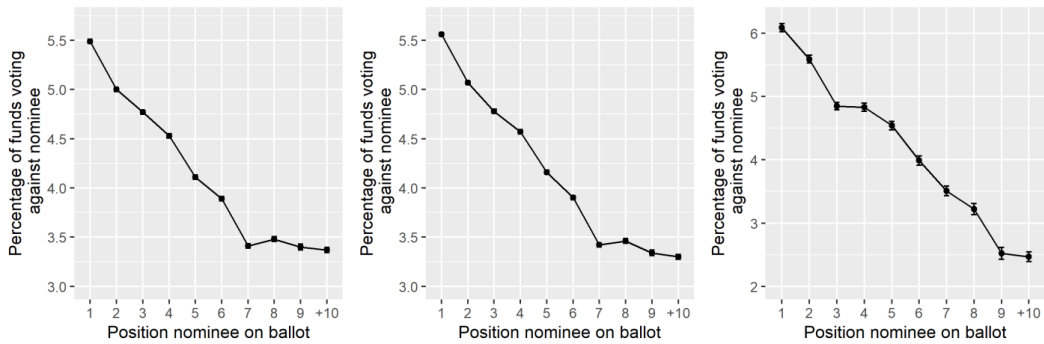
Note: Error bars represent 95% confidence intervals – left panel: alphabetical sample; middle panel: full sample; right panel: non-alphabetical sample.

Figure 5: Percentage of nominees receiving low support (>20% against) per ballot position.



Note: The low-support threshold is based on the overall voting outcome from all shareholders. Error bars represent 95% confidence intervals – left panel: alphabetical sample; middle panel: full sample; right panel: non-alphabetical sample.

Figure 6: Percentage of mutual funds voting against independent directors per ballot position.



Note: Error bars represent 95% confidence intervals – left panel: alphabetical sample; middle panel: full sample; right panel: non-alphabetical sample.

Table 1: Descriptive statistics of ballot, voting outcome and director characteristics

This table reports descriptive statistics on the main variables used in the study: ballot order, aggregate against, >20% against, ISS against. It also includes statistics on director characteristics which we use as control variables in many of our specifications and our career concern variable: chairman, tenure, age, attendance, firm ownership, other board memberships, and director turnover. The statistics below are at the proxy meeting level, so each observation indicates the statistics for the specified variable across the meetings in our sample. Except in special situations (such as the firm changing the date of their meeting), firms have one proxy meeting per year.

	Variable Definition	N	Mean	Median	25th Percentile	75th Percentile
Ballot Order	The director's position on the ballot among independent directors	88356	4.07	3.00	2.00	6.00
Aggregate Against	The percent of votes cast that are in oppositions of the proposal	88332	3.94	1.74	0.75	3.78
>20% Against	A dummy variable (x100) that indicates when Aggregate Against is great than 20%	88332	3.81	0.00	0.00	0.00
ISS Against	A dummy variable (x100) that identifies if ISS issued a vote against recommendation for the independent director election	88356	4.29	0.00	0.00	0.00
Chairman	A dummy variable indicating if the director is also a chairman of the board	88356	0.0411	0.00	0.00	0.00
Tenure	The number of years that the director has served on the board	88356	7.87	6	3	11
Age	The age of the director	88356	62.89	63	58	68
Low Attendance	A dummy variable indicating if the director attended less than 75% of the boards meetings	88356	0.0061	0.0000	0.0000	0.0000
Firm Ownership	The proportion of the firms shares owned by the director	88356	0.000942	0.000179	0.000038	0.000655
Other Board Memberships	The number of other company boards the director serves on	88356	0.95	1	0	2
Director Turnover	A dummy variable x 100 that indicates if the director left the firm in the subsequent two years	80711	13.69454	0	0	0

Table 2: Ballot Order and Mutual Fund Votes

This table reports regression estimates on a sample of independent director elections at the fund-proposal level, where each observation represents a fund's vote in a firm proxy proposal. The dependent variable in our analysis is a dummy variable that identifies if the mutual fund votes against the director. The independent variable of interest is Ballot Order which measures the log of the proposal's place on the proxy voting ballot among independent director elections. Our set of controls includes variables that measure characteristics of the director being elected and the firm. The regression method used to estimate the model and the fixed effects included are specified at the bottom of the table. Standard errors are clustered by fund and reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively.

	Mutual Fund Against		
	(1)	(2)	(3)
Ballot Order	-0.286*** (0.007)	-0.252*** (0.011)	-0.142*** (0.010)
Chairman	0.651*** (0.014)	2.727*** (0.073)	2.760*** (0.077)
Tenure	0.026*** (0.001)	0.128*** (0.003)	0.126*** (0.003)
Age > 75 years	0.383*** (0.010)	0.274*** (0.033)	0.166*** (0.027)
Low Attendance	2.298*** (0.025)	25.202*** (0.292)	25.609*** (0.305)
Firm Ownership	31.966*** (1.315)	105.562*** (4.249)	72.299*** (3.919)
Busy	0.269*** (0.009)	1.158*** (0.033)	1.206*** (0.033)
Firm Size	-0.074*** (0.011)	0.753*** (0.061)	
ROA	-0.509*** (0.078)	2.122*** (0.319)	
Stock Return	-0.242*** (0.021)	-0.351*** (0.050)	
Market to Book	-0.030*** (0.009)	-0.149*** (0.028)	
Institutional Ownership	-0.337*** (0.022)	-0.978*** (0.101)	
Constant	-1.985*** (0.130)		
N	22,774,848	22,774,808	29,158,507
R-squared	0.026	0.211	0.305
	Logit		OLS
Fixed Effects	None	Fund, Firm, Year*Industry	Fund*Year, Meeting

Table 3: Mutual Fund Voting Strategy and Ballot Order Effects

This table reports regression estimates on a sample of independent director elections at the fund-proposal level, where each observation represents a fund's vote in a firm proxy proposal. The dependent variable in our analysis is a dummy variable that identifies if the mutual fund votes against the director. The independent variable of interest is Ballot Order, and its interaction with Vote with ISS Tendency, which measures the percentage of the fund's votes in conflicted elections that follow ISS recommendations. Our set of controls includes variables that measure characteristics of the director being elected and are not reported for brevity. The first column includes our full sample with the inclusion of a variable, ISS Against, that controls for ISS's recommendation. The second column includes the sample of independent director elections with a positive ISS recommendation. The third column includes the sample of proposals in meetings where ISS provides a positive recommendation on all the independent director elections in the meeting. The fourth column includes the sample of independent director elections with a negative ISS recommendation. The fifth column includes the sample of independent director elections in meetings where ISS provides a negative recommendation on all the independent director elections in the meeting. The sample and fixed effects included are specified at the bottom of the table. Standard errors are clustered by fund and are reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively.

	Mutual Fund Against				
	(1)	(2)	(3)	(4)	(5)
Ballot Order	-0.046*** (0.009)	-0.033*** (0.009)	-0.019** (0.009)	-1.325*** (0.112)	-0.828*** (0.187)
Ballot Order*Vote with ISS Tendency				0.021*** (0.002)	0.027*** (0.003)
ISS Against	43.301*** (0.646)				
N	29,158,507	28,082,008	26,610,439	1,071,186	338,320
R-squared	0.360	0.263	0.268	0.634	0.705
Sample	Full	ISS For	ISS For All on Ballot	ISS Against	ISS Against All on Ballot
Controls			Yes		
Fixed Effects			Fund*Year, Meeting		

Table 4: Busyness, Complexity and the Ballot Order Effect

This table reports OLS regression estimates on a sample of independent director elections at the fund-proposal level, where each observation represents a fund's vote in a firm proxy proposal. It reports separate ballot order estimates based on three meeting-level characteristics: whether the meeting is in proxy season that spans from the fourth week of April through May (Column 1); the busyness of the fund (Column 2); and whether the meeting's corresponding proxy statement has a high word count (Column 3). Our set of controls includes variables that measure characteristics of the director being elected and are not reported for brevity. Columns 1 and 3 include Fund*Year and Meeting fixed effects, and Column 2 includes Fund*Year and Proposal fixed effects. Standard errors are clustered by fund and are reported below in parenthesis. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively. The p-value of a test of the difference between the high and low group in each regression is reported at the bottom of the table.

	(1)	Mutual Fund Against	
		(2)	(3)
Ballot Order*Proxy Season	-0.062*** (0.010)		
Ballot Order*Not Proxy Season	-0.009 (0.012)		
Ballot Order*Busy Fund		-0.086** (0.040)	
Ballot Order*High Word Count			-0.099*** (0.013)
Ballot Order*Low Word Count			0.016 (0.010)
N	29,158,507	29,203,056	26,417,675
R-sq	0.360	0.380	0.357
Controls	Yes	No	Yes
Fixed Effects	Year*Fund, Meeting	Year*Fund, Proposal	Year*Fund, Meeting
Test of Difference	0.000		0.000

Table 5: Scrutiny and the Ballot Order Effect

This table reports OLS regression estimates on a sample of independent director elections at the fund-proposal level, where each observation represents a fund's vote in a firm proxy proposal. It reports separate ballot order estimates based on two fund-level characteristics: whether the meeting's corresponding proxy statement receives high internet traffic (Column 1); and whether the fund is a member of a "Big 5" mutual fund family (Column 2). Our set of controls includes variables that measure characteristics of the director being elected and are not reported for brevity. Column 1 includes Fund*Year and Meeting fixed effects, and Column 2 includes Fund*Year and Proposal fixed effects. Standard errors are clustered by fund and are reported below in parenthesis. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively. The p-value of a test of the difference between the high and low group (Columns 1 and 2) is reported at the bottom of the table.

	Mutual Fund Against	
	(1)	(2)
Ballot Order*High IP Search	-0.026 (0.016)	
Ballot Order*Low IP Search	-0.040*** (0.012)	
Ballot Order*No IP Search	-0.143*** (0.018)	
Ballot Order*Not Big Five		-0.281*** (0.050)
N	20,826,656	29,203,056
R-sq	0.345	0.380
Controls	Yes	No
Fixed Effects	Year*Fund, Meeting	Year*Fund, Proposal
Test of Difference (high vs low)	0.000	

Table 6: Ballot Order and ISS Recommendations

This table reports regression estimates on a sample of independent director elections over the period 2003 to 2018, where each observation represents a specific independent director up for election. The dependent variable is ISS Against, a dummy that identifies if ISS issued a vote against recommendation for the independent director election. The independent variable of interest is Ballot Order which measures the log of the proposal's place on the proxy voting ballot among independent director elections. Our set of controls includes variables that measure characteristics of the director being elected and the firm. The regression method used to estimate the model and the fixed effects included are specified at the bottom of the table. Standard errors are clustered by meeting and reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively.

	ISS Against		
	(1)	(2)	(3)
Ballot Order	-0.420*** (0.043)	-0.465*** (0.124)	-0.199** (0.095)
Chairman	0.755*** (0.078)	3.541*** (0.474)	3.106*** (0.390)
Tenure	0.018*** (0.003)	0.125*** (0.011)	0.105*** (0.009)
Age > 75 years	0.316*** (0.095)	-0.327 (0.413)	-0.171 (0.313)
Low Attendance	3.129*** (0.116)	42.666*** (2.565)	44.000*** (2.285)
Firm Ownership	23.405*** (5.360)	59.348** (28.800)	53.448** (23.534)
Busy	0.179*** (0.044)	0.717*** (0.145)	0.832*** (0.115)
Firm Size	-0.107*** (0.024)	0.862 (0.605)	
ROA	-0.200 (0.580)	1.669 (3.761)	
Stock Return	-0.492*** (0.118)	-0.162 (0.603)	
Market to Book	-0.118*** (0.043)	-0.533 (0.360)	
Institutional Ownership	-0.194 (0.158)	-0.326 (1.099)	
Constant	-1.506*** (0.264)		
N	69,716	69,516	88,347
R-squared	0.052	0.417	0.684
Model	Logit	OLS	OLS
Fixed Effects	None	Firm, Year*Industry	Meeting

Table 7: Ballot Order and Voting Outcomes

This table reports regression estimates on a sample of independent director elections over the period 2003 to 2018, where each observation represents a specific independent director up for election. The dependent variable is >20% Against, which is a dummy variable that indicates when Aggregate Against is greater than 20%. The independent variable of interest is Ballot Order which measures the log of the proposal's place on the proxy voting ballot among independent director elections. Our set of controls includes variables that measure characteristics of the director being elected and the firm. The regression method used to estimate the model and the fixed effects included are specified at the bottom of the table. Standard errors are clustered by meeting and reported below in parentheses. ***, **, * refer to significance at 1%, 5%, and 10%, respectively.

	(1)	>20% Against (2)	(3)
Ballot Order	-0.336*** (0.046)	-0.484*** (0.122)	-0.248*** (0.095)
Chairman	0.482*** (0.092)	2.651*** (0.400)	2.313*** (0.332)
Tenure	0.030*** (0.003)	0.144*** (0.012)	0.122*** (0.009)
Age > 75 years	0.285*** (0.096)	-0.394 (0.433)	-0.017 (0.333)
Low Attendance	2.732*** (0.123)	31.273*** (2.386)	32.312*** (2.123)
Firm Ownership	18.772*** (5.832)	51.185* (26.143)	52.065** (22.100)
Busy	0.278*** (0.047)	0.867*** (0.144)	0.887*** (0.114)
Firm Size	-0.163*** (0.026)	0.895* (0.521)	
ROA	0.189 (0.666)	-1.772 (3.745)	
Stock Return	-0.410*** (0.117)	-0.940* (0.553)	
Market to Book	-0.247*** (0.049)	-0.089 (0.301)	
Institutional Ownership	0.310* (0.172)	(0.166) (1.011)	
Constant	-1.596*** (0.285)		
N	69,692	69,492	88,323
R-squared	0.049	0.378	0.645
Model	Logit		OLS
Fixed Effects	None	Year*Industry, Firm	Meeting

Table 8: Ballot Order and Director Turnover

This table reports regression estimates on a sample of independent director elections over the period 2003 to 2017, where each observation represents a specific independent director up for election. The dependent variable is Director Turnover ($t, t+2$), which is a dummy variable $\times 100$ that indicates if the director left the firm in the subsequent two years. The independent variables of interest are Ballot Order, which measures the log of the proposal's place on the proxy voting ballot among independent director elections, $>20\%$ Against, which is a dummy variable that indicates when Aggregate Against is greater than 20%, and their interaction. Our set of controls includes variables that measure characteristics of the director being elected and the firm. The regression method used to estimate the model and the fixed effects included are specified at the bottom of the table. Standard errors are clustered by meeting and reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively.

	Director Turnover	
	(1)	(2)
Ballot Order	-0.123 (0.266)	-0.209 (0.271)
$>20\%$ Against		-0.019 (0.022)
Ballot Order * $>20\%$ Against		0.029** (0.013)
Chairman	-2.165*** (0.648)	-2.223*** (0.648)
Tenure	0.758*** (0.026)	0.755*** (0.026)
Old	16.252*** (0.906)	16.246*** (0.907)
Low Attendance	10.883*** (1.916)	10.101*** (1.937)
Firm Ownership	24.043 (53.592)	22.705 (53.566)
Busy	-1.432*** (0.311)	-1.447*** (0.311)
N	80,711	80,697
R-squared	0.246	0.246
Model		OLS
Fixed Effects		Meeting

Table 9: Voting Outcomes in Non-Alphabetically Ordered Ballots

This table reports OLS regression estimates in an expanded sample that includes ballots whose independent directors are not listed in alphabetical order. Depending on the specification, each observation represents a fund's vote in a firm proxy proposal (column 1) or a specific independent director up for election (columns 2 and 3). The specification separately estimates ballot order effects for the alphabetically and non-alphabetically ordered ballots. The data is at the fund-proposal (Column 1) and proposal-level (Columns 2 and 3). The dependent variable is indicated at the top of each column. The independent variable of interest is Ballot Order (Alphabetical) and Ballot Order (Non-Alphabetical), which measures the log of the proposal's place on the proxy voting ballot for Alphabetically and Non-Alphabetically ordered ballots, respectively. Our set of controls includes variables that measure characteristics of the director being elected and are not reported for brevity. The fixed effects included are specified at the bottom of the table. Standard errors are clustered by fund (Columns 1) and meeting (Columns 2 and 3) and are reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively. The p-value of a test of the difference between Ballot Order (Alphabetical) and Ballot Order (Non-Alphabetical) for each regression is reported at the bottom of the table.

	Fund Against (1)	ISS Against (2)	>20% Against (3)
Ballot Order (Alphabetical)	-0.045*** (0.009)	-0.200** (0.095)	-0.248*** (0.095)
Ballot Order (Non-Alphabetical)	-0.137*** (0.020)	-0.459 (0.287)	-0.415 (0.301)
N	32,430,767	101,785	101,744
R-squared	0.360	0.684	0.642
Controls		Yes	
Fixed Effects	Fund*Year, Meeting	Meeting	Meeting
Test of Difference	0.000	0.3918	0.5959

Table 10: Additional Robustness Tests

This table reports OLS regression estimates on a sample of independent director elections at the fund-proposal (Column 1) where each observation represents a fund's vote in a firm proxy proposal, and proposal level (Columns 2 and 3), where each observation represents an independent director up for election. The dependent variable is indicated at the top of each column. In Panel A, the independent variable of interest is the log of the director's position on the ballot among all directors (independent and affiliated). In Panel B, the independent variable of interest is the director's position on the proxy voting ballot (without taking the log). Our set of controls includes variables that measure characteristics of the director being elected and are not reported for brevity. The fixed effects included are specified at the bottom of the table. Standard errors are clustered by fund (Column 1) and meeting (Columns 2 and 3) and are reported below in parentheses. ***, **, *, refer to significance at 1%, 5%, and 10%, respectively.

Panel A

	Fund Against (1)	ISS Against (2)	>20% Against (3)
Ballot Order Among All Directors	-0.030*** (0.009)	-0.171* (0.092)	-0.190** (0.091)
N	29,158,507	88,347	88,323
R-squared	0.360	0.684	0.645
Controls		Yes	
Fixed Effects	Fund*Year, Meeting	Meeting	Meeting

Panel B

	Fund Against (1)	ISS Against (2)	>20% Against (3)
Ballot Order (Non-Log)	-0.008*** (0.002)	-0.043** (0.019)	-0.048** (0.019)
N	29,158,507	88,347	88,323
R-squared	0.360	0.684	0.645
Controls		Yes	
Fixed Effects	Fund*Year, Meeting	Meeting	Meeting

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Dear Editors:

This statement is to clarify that the three authors on our paper contributed equally to all parts of the project. Furthermore, none of the authors have any conflict of interests. Please let me know if you have any other questions.

Sincerely,

A handwritten signature in black ink that reads "Paul Calluzzo". The signature is written in a cursive style.

Paul Calluzzo

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