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## Shareholder Activism on Sustainability Issues

by Jody Grewal, [George Serafeim](#) and Aaron Yoon

## Abstract

Shareholder activism on sustainability issues has become increasingly prevalent over the years, with the number of proposals filed doubling from 1999 to 2013. We use recent innovations in accounting standard setting to classify 2,665 shareholder proposals that address environmental, social, and governance (ESG) issues as financially material or immaterial, and we analyze how proposals on material versus immaterial issues affect firms' subsequent ESG performance and market valuation. We find that 58% of the shareholder proposals in our sample are filed on immaterial issues. We document that filing shareholder proposals is effective at improving the performance of the company on the focal ESG issue, even though such proposals nearly never received majority support. Improvements occur across both material and immaterial issues. Proposals on immaterial issues are associated with subsequent declines in firm valuation while proposals on material issues are associated with subsequent increases in firm value. We show that companies increase performance on immaterial issues because of agency problems, low awareness of the materiality of ESG issues, and attempts to divert attention from poor performance on material issues.

**Keywords:** [sustainability](#); [activism](#); [Activist Investors](#); [Activist shareholder](#); [corporate social responsibility](#); [environment](#); [Corporate performance](#); [Corporate Accountability](#); [Corporate Social Responsibility and Impact](#); [Performance](#); [Environmental Sustainability](#); [Corporate Governance](#); [Business and Shareholder Relations](#); [Investment Activism](#)

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