

Progress Report

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My coauthors (Oğuzhan Karakaş and Scott Hirst) and I are working on updating the dataset for our proxy contest and voting premium project. The paper investigates how share price behaves around proxy contests for target firms and to which extent shareholder voting premium can explain the share price performance. We also test whether we could predict the outcome of a proxy contest and how successful the dissidents would win based on the behavior of the voting premium at the early stage of the proxy contest. Currently, we have found interesting results based on proxy contest and voting premium data and prepared a draft for this project. The data updating process is longer than we expected, and we will write progressively into a working paper once the data is ready.

Since April 2022, I am working on another project with my supervisor Oğuzhan Karakaş and an MPhil student Kun Qian recently. We aim to examine whether the value of shareholder voting rights (voting premium) can partly solve the idiosyncratic volatility puzzle. In this study, we examine two research questions. First, what is the relationship between idiosyncratic volatility and the voting premium of individual stocks? Second, whether and to which extent voting premium can account for the idiosyncratic volatility puzzle. However, the empirical results turned out to be statistically insignificant although the sign is correct.

I started working on an ESG survey paper with Professor Raghu Rau since June 2022, and the first draft will be ready by the end of October. The paper summarizes the literature on ESG and its impact on firm activities and firm performance. Our survey distinguishes itself from preceding research by addressing ESG from the firm perspective. Specifically, our paper discusses what is ESG and its relationship with CSR. We then shed light on why firms conduct ESG/CSR by focusing on country-level characteristics, within-country characteristics, and firm-level characteristics. We further review studies on the impact of ESG on firms' financing, disclosure and reporting activities, and firm performance.

Title: Proxy Contests and the Value of Voting Right (with Scott Hirst and Oğuzhan Karakaş)

Abstract: This paper examines proxy contests and the value of shareholder voting rights (i.e., voting premium) estimated using option prices. Our sample consists of 873 proxy contests for

board seats from 1994 to 2017 where targets are U.S. publicly listed firms. We find that voting premium can help predict the outcomes of the proxy contests. Specifically, increased voting premiums around contest announcements is associated with higher likelihood of the subsequently settled or voted contests, as opposed to withdrawn contests. Further, the success of the dissidents achieving board seats at the voted contests increases with the voting premium around the record dates.

Dissemination:

Oğuzhan Karakaş presented the first results of the project at the Corporate Finance Webinar on April 14th, 2021 (<https://sites.google.com/view/corporatefinancewebinar>). Oğuzhan Karakaş presented the first results of the project at the CERF Monday lunchtime talks on June 14th, 2021.

Ting Yu presented the first results of the project at the Winter Doctoral Conference 2021 held by Cambridge Judge Business School. The paper received the Best Quantitative Paper Award awarded by CJBS.

Our paper has been accepted for the Conference on Empirical Legal Studies. Scott Hist will present our paper at UVA from 4th to 5th November 2022.

Updates: My co-authors and I are working on updating datasets, further analyses and the first draft of the working paper.