

Operational Proximity and Cross-border Shareholder Monitoring

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Abstract

Using US mutual funds' international voting records, we investigate whether proximity to firm operations promotes active monitoring by foreign investors. To identify monitoring effects, we exploit variations in proximity arising from *existing* portfolio firms' actions. We find that *after* a non-US firm expands operations into the US, US funds cast more dissenting votes at the firm's shareholder meetings, especially in response to poor performance and close-call proposals. The increase in dissent voting is consistent with funds becoming more engaged shareholders as they gain better information. Our findings suggest that cross-border economic activities facilitate the global dissemination of best-practice shareholder activism.

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I. Introduction

The extraordinary rise in international portfolio investment stands as a hallmark of financial globalization. Data from the IMF's Coordinated Portfolio Investment Survey indicate that global equity holdings by foreign institutional investors (FIIs) have increased nine-fold to \$45 trillion over the past two decades, approaching 40% of global stock market capitalization. With FIIs now a dominant class of shareholders in many countries, the manner in which they exercise their voting rights has become a pressing issue for domestic corporate insiders, shareholders and policymakers.¹

Yet we know relatively little about how FIIs vote. Prior studies focus mainly on cross-country differences in laws and regulations that support shareholder monitoring ([Ferreira and Matos, 2008](#); [Aggarwal, Erel, Ferreira, and Matos, 2011](#); [Iliev, Lins, Miller, and Roth, 2015](#)). Less understood are the information-based barriers that FIIs face when voting. By their nature, FIIs are located far from their portfolio firms, restricting their ability to acquire information for effective monitoring. When institutional investors have limited capacity to invest in shareholder engagement, attention to governance issues of distant firms is likely to be a highly scarce resource.²

How does proximity – a well-established determinant of information flows – affect the allocation of monitoring effort across a large, globally diverse portfolio? Even though distance is a defining feature of cross-border investment, this question has not been subject to systematic investigation. We fill this gap by examining how proximity affects FII voting behavior.

Our main challenge is that proximity itself is an investment choice variable. It has been

¹For example, the need to engage FIIs was a major consideration in the development of voluntary stewardship codes to formalize institutional investors' shareholder engagement responsibilities ([OECD, 2023](#), p. 84).

²Even the Big-3 fund managers, BlackRock, Vanguard, and SSGA, each with over 10,000 portfolio companies, rely on relatively small stewardship teams of only 45, 21, and 12 members ([Bebchuk and Hirst, 2019](#)).

well established that foreign investors prefer investing in nearby countries ([Chan, Covrig, and Ng, 2005](#)). As such, any comparison of investor voting behavior *across* firms by their proximity is likely to be confounded by portfolio allocation decisions. To address this challenge, we examine variations in proximity *within* a firm-investor pair over time. Specifically, we analyze instances where an *existing* portfolio firm decides to expand into the home country of an FII, thereby bringing the firm's operations closer to the investor (*operational proximity*). This empirical approach allows us to bypass factors influencing the initial decision to select a firm into a portfolio and instead focus on whether an increase in operational proximity alters voting behavior.

The conceptual framework underpinning our study is the information-based theories of voting. Specifically, the model of “the swing voter’s curse” by [Feddersen and Pesendorfer \(1996\)](#) suggests that uninformed voters may not vote actively because of concerns about the potential negative consequences of their votes. [Persico \(2004\)](#) further show that uninformed voters may not choose to become informed, because collective action problems limit their incentives to acquire costly information. Proxy advisors cannot fully resolve these frictions: [Malenko and Malenko \(2019\)](#) show that their presence induces excessive conformity with recommendations and dampens incentives for independent research. Applied to our setting, these theories imply that, when FIIs are *ex ante* uninformed about firm-specific issues, they may refrain from active voting.

We argue that such information dynamics shift with operational proximity. When a firm establishes operations in a new country, foreign investors from that country gain an information advantage: they possess superior knowledge of their domestic economy, which has become important to the firm, and they can monitor the nearby operation more closely than investors based elsewhere. In the theoretical work of [Van Nieuwerburgh and Veldkamp \(2009\)](#), this initial advantage generates a specialization benefit, incentivizing the investor to keep learning more

about the firm rather than other firms in the portfolio.³ With better information, the investor is less reliant on others' monitoring and is more likely to strengthen their own engagement through active voting.

Testing our hypothesis requires detailed voting records of individual investors. To this end, we examine US mutual funds, which are required to vote and disclose their voting records on (US and non-US) portfolio firms. Following [Aggarwal, Erel, and Starks \(2014\)](#) and [Iliev et al. \(2015\)](#), who show that voting in support of management is the default “box-ticking” approach, we define active voting based on the tendency to cast *dissenting* votes; that is, any vote other than a “For” vote. To capture changes in operational proximity, we examine operational expansions of non-US firms into the US, using subsidiary establishment/acquisition data compiled by [Moshirian et al. \(2023\)](#). After merging these datasets, our analysis covers 16,360 non-US firms from 46 countries.

To illustrate the empirical design, consider a US mutual fund f currently investing in two non-US firms, i and i' . Firm i then decides to expand into the US while firm i' does not. The timing of the expansion is crucial to our analysis, allowing us to compare the *change* in fund f 's active voting stance towards firm i (from before to after the expansion) with the contemporaneous change in fund f 's voting towards firm i' . This setting mitigates portfolio selection factors that drive fund f to invest in firm i in the first place by considering only variations within a given fund-firm pair after the initial investment. The granular data also make it possible to incorporate fund-firm fixed effects to control for all time-invariant characteristics of a fund-firm pair that influence fund f to vote more or less actively in firm i than in firm i' (e.g., distance to firm headquarters, language/cultural barriers, and local voting and governance regulations), as well as

³Consistent with this line of arguments, [Bernile, Kumar, and Sulaeman \(2015\)](#) and [Moshirian, Pham, Tian, and Wu \(2023\)](#) show that location-based information advantages explain why investors tilt their portfolios towards firms with more proximate operation. Using SEC filings access activity as a measure of investment research, [Dyer \(2021\)](#) further show that investors more actively seek to acquire information for local firms than distant firms.

fund-year fixed effects that capture time-varying changes in a fund's overall voting practices.

Our analysis indicates that US mutual funds indeed vote more actively (by casting dissenting votes) after a foreign firm expands into the US. The effect is equivalent to about 8% of the unconditional probability of dissent voting. It remains robust after controlling for firm performance and corporate governance ratings, and is not sensitive to fund type or firm entry mode (acquisition or greenfield investment). Our analysis also explicitly controls for foreign firms' US listing status, suggesting that the effect of operational proximity is distinct from the "bonding effect" of cross-listing (Doidge, Karolyi, and Stulz, 2004).

Even though our analysis controls for fund-year and fund-firm fixed effects, the results may still be driven by unobservable factors that vary within a fund-firm pair. For example, pressure from a US fund may influence a firm's US expansion decision. To address this possibility, we rely on an identification strategy based on trade policy changes, similar to Lileeva and Trefler (2010) and Fresard (2010). We utilize variations in the import tariffs that the US imposes on a foreign firm's products to create an instrument for the *timing* of the firm's US expansion. Our rationale for the instrument is two-fold: (1) lower tariffs provide significant incentives for market entry, and (2) this correlation creates variations in operational proximity within a fund-firm pair that are unlikely to affect the voting behavior of *individual* funds. After implementing this strategy, we continue to find that US mutual funds increase their dissenting votes after a firm's US expansion.

It is also possible that an increase in dissenting votes simply reflects worsening firm performance following a US expansion. To disentangle active monitoring from this mechanical effect, we move beyond the *level* of dissent and examine the *sensitivity* of dissent to (poor) firm performance, following Cai, Garner, and Walkling (2009), Iliev and Lowry (2015) and Aggarwal, Dahiya, and Prabhala (2019). Our analysis indicates that such sensitivity indeed increases in the

post-expansion period. As another way to rule out contemporaneous firm conditions, we study close-call proposals, where aggregate support and opposition (among all shareholders) are nearly balanced. Within this subset of proposals, variations in individual votes are unlikely to be driven by firm performance (Brochet, Ferri, and Miller, 2021; He, Huang, and Zhao, 2019), yet we still find that US funds are more likely to vote in dissent in the post-expansion period.

To demonstrate the role of information acquisition as the channel through which operational proximity influences voting, we provide three pieces of evidence. First, after a firm expands into the US, US funds' votes deviate more from both ISS recommendations and the aggregate vote outcomes. Such low correlations are indicative of US funds conducting independent governance research (Iliev and Lowry, 2015; Iliev, Kalodimos, and Lowry, 2021). Second, the rise in dissent is concentrated in proposals that require specific assessments of operational matters, such as approving major investments, rather than in routine governance items, such as director re-elections and auditor appointments. Third, the exact locations and scale of operation of a foreign firm *within the US* also matter. The increase in dissent voting is more pronounced when the operation (1) is located close to the fund's US head office and (2) accounts for a relatively large share of the firm's revenue – precisely the settings where information is more accessible and more salient.

After establishing that operational proximity leads to more active voting by FIIs, we explore the implications of this relationship. In particular, it is important to understand whether such active voting delivers any meaningful long-term governance changes. To this end, we analyze whether a firm's future agenda-setting becomes more shareholder-centric. We find that a high level of dissenting votes is indeed associated with a disciplining effect, as it reduces the likelihood that firms subsequently bring forward proposals that face high shareholder opposition.

Importantly, this relationship becomes particularly more pronounced after a firm establishes operations in the US.

Another implication concerns the choice between “voice” and “exit”. As an alternative to ballot voting, FIIs can vote with their feet. We examine this trade-off by comparing instances in which US mutual funds *completely exit* from a portfolio firm with those in which funds stay and vote in dissent. Our analysis indicates that operational proximity influences the substitutability between these two actions, with the exit decision becoming relatively less sensitive to poor firm performance in the post-expansion period. This indicates that information advantages motivate a considerable portion of funds to stay and vote in dissent rather than voting with their feet.

Finally, we investigate where operational proximity matters most by exploring heterogeneity in the corporate governance environment surrounding a firm. According to [Iliev et al. \(2015\)](#), poor institutions exacerbate expropriation risk, incentivizing FIIs to vote more actively. Consistent with their study, we find that the post-expansion rise in active voting is mainly concentrated in countries with poor *legal* protection for minority shareholders. Similar cross-sectional differences are observed when we examine a broader set of external, disclosure-based governance mechanisms – media scrutiny, analyst coverage, and cross-listing reporting requirements – following [Dyck and Zingales \(2004\)](#), [Chen, Harford, and Lin \(2015\)](#), and [Dojode et al. \(2004\)](#). Taken together, the evidence points to a substitution effect: proximity-driven improvements in information flows are most consequential where governance institutions are weakest.

Our study makes three important contributions. First, we expand the body of evidence on the effect of proximity on investment monitoring. Prior studies have examined this relationship in other contexts, such as within-firm resource allocation ([Giroud, 2013](#)), bank lending ([Sufi, 2007](#);

Jang, 2017), and venture capital investments (Bernstein, Giroud, and Townsend, 2016). There is limited evidence on distance barriers in shareholder voting. Calluzzo and Kedia (2019) show that mutual funds' votes are more informed when they share directors with portfolio firms, especially when both operate in close proximity. Using a relatively short sample period (2003-2004), Das (2011) also finds that funds make informed voting decisions in local firms. These studies are confined to US domestic investment and focus on static variations in distance between headquarters. In contrast, our study examines international portfolio investment, where geographical constraints are much more binding. Instead of examining distances between headquarters, we exploit variations in proximity driven by the actions of existing portfolio firms. This unique approach allows us to better distinguish the effect of monitoring from that of investment selection.

Second, our study contributes to the growing literature on institutional investors' voting behavior, which has increasingly established the important role of information in voting decisions (e.g., Iliev and Lowry (2015), Iliev et al. (2021), Aggarwal et al. (2019), Calluzzo and Kedia (2019), Huang (2023), Becht, Franks, and Wagner (2025)). However, most past studies focus on the domestic investment context, and only Iliev et al. (2015) have explored corporate voting as a form of monitoring foreign portfolio firms. Their analysis focuses on how local governance environments affect cross-border voting. Complementing their findings, our study shows that firms' cross-border expansions act as catalysts for information acquisition, which further improves FII voting activity.

Most importantly, our study contributes to the current understanding of the causes and consequences of rising international portfolio investments. Previous studies (e.g., Chan et al. (2005), Ferreira and Matos (2008), Andrade and Chhaochharia (2010)) have identified various

geographical, cultural, and economic factors that impact the investment decisions of FIIs. In addition, [Moshirian et al. \(2023\)](#) highlights that FIIs' portfolio allocation decisions can be driven by firms' cross-border expansions. Building on these previous findings, we show that improved information flows not only facilitate more investment but also more active monitoring by FIIs. As rising international portfolio investment is critical to promoting good governance around the world ([Ferreira, Massa, and Matos, 2010](#); [Aggarwal et al., 2011](#); [Iliev et al., 2015](#); [Dyck, Lins, Roth, and Wagner, 2019](#)), our findings imply that actions and policies aimed at lowering information barriers can play a pivotal role in harnessing this important benefit.

II. Background: Information Acquisition in Corporate Voting

Over the past two decades, proxy voting for institutional investors has evolved from a box-ticking exercise into a more complex, engagement-driven process. Investors are now expected to act as “stewards” of corporate governance and to articulate this role through formal voting policies. Mandated by regulations (e.g., SEC Rule 206(4)-6 and the EU Shareholder Rights Directive II) or encouraged by “comply or explain” stewardship codes ([Fukami, Blume, and Magnusson, 2022](#)), these policies set out the principles and procedures for voting decisions, generally requiring investors to assess proposals in light of firm-specific circumstances rather than applying a one-size-fits-all approach. This makes information acquisition a central input into the voting process.⁴

A recent study by [Becht et al. \(2025\)](#) on the operations of a large UK fund manager highlights the extensive information required for its shareholder engagement (including voting) activities. This involves detailed research by the Governance and Stewardship team and additional

⁴For example, [BlackRock's \(2023\)](#) stewardship principles document states: “As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an *informed*, engaged shareholder on their behalf.” [emphasis added]

inputs from internal buy-side analysts. The two teams regularly interact with portfolio firms' management, and collaborate to review proxy materials and proxy advisor recommendations (e.g. ISS). Similar complexities can also be seen in BlackRock's stewardship disclosure, where voting information is actively sourced from company disclosures, third-party research, peer comparisons, and engagement with companies and fund managers (BlackRock, 2022, p. 49). These descriptions align with empirical evidence from Iliev et al. (2021), who document a surge in online views of SEC proxy-related filings by mutual funds during the proxy voting season.

With respect to *foreign* portfolio firms, information acquisition can be restricted by the sheer size of a global portfolio. Large institutions such as BlackRock, Vanguard and Norges Bank vote on hundreds of thousands of proposals in a given year (Norges Bank, 2020; BlackRock, 2022; Vanguard, 2022). Geographic and language barriers also make it more challenging to engage with distant portfolio companies, further restricting information flows. Consistent with these frictions, Vanguard's Investment Stewardship team reports that while 75% of assets under management in North America are associated with portfolio companies it actively engages with, this figure drops to 54% in Europe, 21% in Asia, and 7% in the Middle East/Africa (Vanguard, 2022).

Cross-border investment infrastructure adds another layer of friction. FIIs rely on global and local custodians for trading and settlement, so they often face information delays during proxy voting seasons as disclosure materials must travel through multiple intermediaries (Norges Bank, 2020).

Against this backdrop, limited stewardship resources further magnify the difficulty of obtaining relevant and timely information for cross-border voting. A *Financial Times* survey shows that, even after recent expansions, the world's 30 largest asset managers had on average only 21 staff dedicated to stewardship as of 2020 (Mooney, 2020). Consistent with this, survey evidence from McCahery, Sautner, and Starks (2016) identifies insufficient personnel as the main

impediment to engagement activities. [Bebchuk and Hirst \(2019\)](#) argue that such small teams relative to portfolio size reflect a persistent under-investment by institutional investors in shareholder engagement capacity. Taken together, these findings imply that many FIIs operate under tight resource constraints, making it particularly costly to acquire the firm-specific information required for active cross-border voting.

These institutional backgrounds support the rationale for our main hypothesis. We argue that because of costly information acquisition and resource constraints, FIIs ration their monitoring attention when managing large, globally diverse portfolios. Thus, active voting is likely to be concentrated among firms where FIIs *already* possess information advantages. Operational proximity helps investors build such advantages, ultimately influencing the way they vote.

III. Data and Variables

A. Mutual Fund Voting Data

Since 2003, US mutual funds, including ETFs, have been required by the SEC (under Rule 30b1–4) to disclose their votes on all proposals of portfolio firms through Form N-PX filings. Our study analyzes US funds’ votes on non-US portfolio firms, provided by ISS Voting Analytics. We only examine management proposals, given that shareholder-sponsored proposals only make up a negligible fraction of the data. ISS Voting Analytics provides two layers of data coverage for *non-US firms*. The first is fund-reported votes, available from 2003. The second is proposal-level attributes – including harmonized proposal identifiers, aggregate voting outcomes, and ISS recommendations – only becomes available from 2013. Accordingly, our analysis employs two samples: the baseline tests utilize the full sample beginning in 2003, and the proposal-level tests

examine the sub-sample beginning in 2013.

In addition to ISS Voting Analytics, we obtain fund location from original NPX filings in EDGAR, fund characteristics from *CRSP Mutual Funds*, and equity holdings from Factset Ownership. We match funds across the above datasets using a process similar to that outlined in [Fich and Xu \(2025\)](#), which relies on a combination of fund names, fund tickers, and NPX filing identifiers.

B. Cross-border Expansions

We link fund voting data to cross-border expansion data compiled by [Moshirian et al. \(2023\)](#) to examine changes in operational proximity between firms and their US investors. That dataset covers listed firms from 47 stock markets and is constructed using snapshots of firms' foreign subsidiaries obtained from the annual historical versions of Orbis and Osiris (provided by Moody's Bureau van Dijk), supplemented with M&A data from Refinitive SDC Platinum and additional hand-collected data. [Moshirian et al. \(2023\)](#) track individual subsidiaries to identify the timing of each cross-border expansion, defining it as the year in which a firm establishes or acquires the first subsidiary in a given country. We apply the same sample restrictions as [Moshirian et al. \(2023\)](#) (i.e., excluding listed investment funds and firms with market capitalization of less than US\$1 million) and extend the dataset to cover up to 2018. Our final sample thus consists of firms from 46 non-US countries and their voting outcomes from 2003 to 2018.

C. Measures of Active Voting

As a starting point, we capture a US fund's propensity for active voting by focusing on *dissenting* votes that do not support management proposals. Our approach is motivated by the fact that most corporate voting is routine and strongly pro-management (in our data, "For" votes

average 88% of votes cast). In such an environment, any increase in additional support is often uninformative about monitoring intensity and has limited scope to affect outcomes on an unconditional basis. By contrast, casting a non-For vote typically reflects a decision to deviate from the default option and is therefore more likely to be preceded by proposal-specific evaluation. Consistent with this idea, prior work shows that increases in dissent can have meaningful governance consequences (e.g., director turnover) even when proposals pass (Aggarwal et al., 2019).

Our approach is closely related to Iliev et al. (2015). They examine the tendency to cast “For” votes, whereas we construct our measure based on “non-For” votes (including “Against”, “Abstain”, “Withhold”, and “Do Not Vote” votes), purely for ease of exposition. In robustness tests, we also focus on just Against votes to capture a stronger form of dissent.

Even though we can observe detailed fund-level voting records, constructing measures of dissent at the fund-firm level is not straightforward. Each firm puts forward multiple proposals for voting in a given year, and a key issue that we need to address is the varying frequencies of such proposals. Some categories of proposals appear with high frequencies because they are routine in nature. Iliev et al. (2015) show that the most dominant category of proposals among non-US firms concerns director voting. Even within this category, there are significant variations in proposal frequencies. For example, in Greece, the norm is to vote on directors as a single slate (one proposal), whereas in most other countries, directors up for election are voted on individually. Such variations can create potential biases, as firms with very high numbers of director election proposals, where voting tends to be a box-ticking exercise, may appear to have relatively smaller fractions of dissenting votes.

To address this issue, we split up proposals into seven categories and assign them equal

weights, so that no single category in a given firm dominates the others when constructing our dissent voting measures at the fund-firm level. The seven proposal categories reflect the typical agendas that firms put forward in shareholder meetings, including matters related to (1) Capital, (2) Operations, (3) Disclosure, (4) Compensation, (5) Constitution, (6) Director/Auditor, and (7) Board structure. This classification is based on the general descriptions of proposals provided in the ISS Voting Analytics database. Panel A in Appendix Table A1 presents a breakdown of proposals by category, and Panel B provides examples for each category. Among the seven categories, there are substantial variations in proposal frequency, with director election proposals being the most popular category.

With these categories, we construct our main dependent variable as the simple average (across categories) propensity of fund f to cast a dissenting vote on firm i 's proposals in year t :

$$(1) \quad Dissent_{f,i,t} = \frac{1}{A_{i,t}} \sum_{a=1}^{A_{i,t}} \left(\frac{1}{|\mathcal{P}_{i,a,t}|} \sum_{p \in \mathcal{P}_{i,a,t}} Dissent_{f,i,t,p} \right),$$

where $Dissent_{f,i,t,p}$ equals one if fund f casts a non-For vote on proposal p of proposal set $\mathcal{P}_{i,a,t}$ (with a being the index for the seven categories), and $A_{i,t}$ denotes the number of proposal categories put forward for shareholder consideration in a given firm-year. For ease of exposition, we will simply interpret $Dissent_{f,i,t}$ as reflecting the probability of a fund casting dissenting votes on a firm's proposals in a given year.

It is important to note that our analysis focuses on funds' voting positions rather than voting turnout as a measure of active voting. The main reason is that US mutual funds have a fiduciary duty to vote on behalf of clients. SEC Rule 206(4)-6 (requiring funds to have formal

voting policies) and Rule 30b1–4 (requiring funds to disclose voting records) make it difficult for funds to shirk their voting responsibilities. Therefore, a common assumption in prior studies, such as Iliev et al. (2015) and Malenko and Malenko (2019), is that US mutual funds almost always turn out to vote.⁵

D. Summary Statistics

Table 1 provides the summary statistics. After matching with the US expansion data, our final sample comprises 16,360 unique firms, representing 70% of all non-US firms covered by ISS Voting Analytics. The reported statistics indicate that there has been a substantial expansion of US funds' global voting activity (see Columns 2 to 4), consistent with the growth of US portfolio investment abroad. Despite this expanding level of activity, we observe no clear trend in the average voting stance of US funds. Specifically, Column 5 reports the median of $Dissent_{i,t}$ – computed as the average of $Dissent_{f,i,t}$ across reporting funds in a given firm-year. This variable fluctuates over time, with the median rising up to about 10% in 2014 but declining thereafter.⁶

Table 1 also reports the proportion of dissenting votes cast by *all* shareholders. This is based on proposal-level data, where the coverage in ISS Voting Analytics only starts from 2013. Because aggregate vote results are drawn from sources other than fund reporting (e.g., company disclosures) and are constructed without weighting the proposal categories, this series is not directly comparable to the US mutual fund's dissent voting measure ($Dissent_{f,i,t}$). Nevertheless, the statistics in Column 6 indicate that aggregate dissent is generally low, with medians hovering around 1%, suggesting that the average shareholder votes less actively than a US mutual fund.

⁵To verify this assumption, we examine instances where funds report that they did not vote in portfolio firms' meetings, as required by SEC Rule 30b1–4. In our data, a fund fails to vote on a non-US firm in only 3% of the cases.

⁶In Appendix Table A2, we present additional, more granular statistics on dissent voting. At the individual proposal level, the probability of a fund casting a non-For vote is 12% (of which 8% are Against votes). After adjusting for different frequencies across proposal categories, the mean values of $Dissent_{f,i,t}$ measured at the fund-firm level (where we conduct most of our tests) are 11%.

The last two columns of Table 1 report US expansion statistics. In any given year, 2% to 5% of existing portfolio firms of US mutual funds establish US operations for the first time. Cumulatively, about 23% do so at some point during our sample period. These expansions generate substantial within-firm variation, which we exploit in our empirical tests.

— Table 1 about here —

IV. Effect of Operational Proximity on Dissent Voting

A. Empirical Specification

In the baseline analysis, we estimate the following fund-firm panel regression model:

$$(2) \quad Dissent_{f,i,t} = \alpha + \beta US_Expansion_{i,t} + \lambda X'_{i,t-1} + \gamma_{f,i} + \mu_{f,t} + \epsilon_{f,i,t},$$

where $Dissent_{f,i,t}$ is obtained from Equation 1. $US_Expansion_{i,t}$ takes the value of one if firm i has already expanded into the US by year t , and zero otherwise. $X'_{i,t-1}$ is the set of control variables, measured at one year lag, and $\gamma_{f,i}$ and $\mu_{f,t}$ are the fund-firm and fund-year fixed effects.

The fixed effects play critical roles in our model. The term $\gamma_{f,i}$ captures all time-invariant characteristics specific to a fund-firm pair, including factors that may influence fund f to vote more or less actively on firm i compared to another firm i' , such as cultural, governance, and language differences, as well as their country-level geographical distance. In other words, including $\gamma_{f,i}$ allows us to examine variations in proximity *within a fund-firm pair*, derived through the expansion of firm i 's operation into the US. The term $\mu_{f,t}$ enables our analysis to account for factors affecting a fund's voting practices over time, such as the development of internal voting (or shareholder engagement) policies and time-varying fund characteristics such as fund size.

Our standard control variables include a binary indicator for cross-listing (*ADR*),

profitability (*ROA*), the logarithm of total assets (*Size*), debt-to-asset ratio (*Leverage*), book-to-market ratio (*BTM*), following prior studies that have examined international fund ownership and voting (Iliev et al., 2015; Moshirian et al., 2023).⁷ It is important to control for profitability (*ROA*) as active voting can arise in response to a given level of poor performance (Cai et al., 2009; Iliev and Lowry, 2015; Aggarwal et al., 2019). Another important control is whether a firm has an active ADR program in a given year. Doidge et al. (2004) argue that ADR firms “bond” to stronger US governance and disclosure standards and may therefore be more transparent. Firms may also establish subsidiaries in countries where they are cross-listed (Sarkissian and Schill, 2016). Cross-listing can therefore confound the relation between our expansion measure and voting outcomes.

We also incorporate the aggregate percentage ownership of US institutional investors (*US Inst Holding*), obtained from Factset Ownership, to capture the general constraints and incentives associated with cross-border monitoring of US mutual funds. In our baseline model, we do not directly control for the holdings of individual US funds in a given firm. While this would be a more direct measure of voting incentive of the specific fund that votes, incorporating it would significantly reduce the sample size as it is difficult to match funds across ISS Voting Analytics and Factset. Instead, we will explore fund-specific ownership in a robustness check.

Finally, our analysis also controls for the strength of firm-level governance (*CG Score*), as measured by the corporate governance pillar score provided by LSEG/Refinitiv ASSET4. This score (scaled from 0 to 1) is the composite rating of five dimensions of a firm’s governance: board structure, compensation policies, board functions, shareholder rights, and vision and strategy. Because ASSET4 only covers a subset of international firms, controlling for *CG Score* reduces

⁷All continuous control variables in our study are winsorized at the 1% level.

our sample size by about 30%. We thus incorporate this variable in a separate specification.

B. *Baseline Results*

Table 2 reports the estimates from Equation 2. The first three columns show the specifications with different fixed effects, starting with fund, firm, and year fixed effects included as individual terms (Column 1), then fund-firm and year fixed effects (Column 2), and finally both fund-firm and fund-year fixed effects (Column 3). The results in all three columns point to a significant increase in active voting, as captured by the level of dissent, in the post-expansion period. Specifically, following the establishment of operations in the US by an *existing* foreign firm in a US fund’s portfolio, the probability of the fund casting a dissenting vote, on average, increases by up to 0.9 percentage points in comparison to other foreign portfolio firms that do not undergo an expansion during the same period. This difference represents an 8% increase in the unconditional probability of casting a dissenting vote. The relationship is unlikely to be simply driven by corporate governance, as it remains significant after including *CG Score* as an additional control (Column 4).⁸

— Table 2 about here —

Below we discuss a battery of robustness checks on the above baseline analysis. For the sake of brevity, these additional results are tabulated in the Appendix.

C. *Alternative Dissent Voting Constructions*

Our main measure, $Dissent_{f,i,t}$, assigns equal weights to the seven proposal categories discussed earlier. To ensure that our results are not driven by this empirical choice, we re-estimate Equation 2 using an alternative construction of $Dissent_{f,i,t}$, which pools all proposals without any

⁸We also include *CG Score* in other subsequent tests, presented in Appendix Table A8. Despite the sample reduction associated with this variable, our results are qualitatively unchanged.

weighting (see Column 1 of Appendix Table A3). We also construct $Dissent_{f,i,t}$ using only Against votes (see Column 2 of Appendix Table A3). Our baseline results are unchanged with these measures.

D. *Alternative Specifications*

As an alternative to Equation 2, we estimate the same regression by adding country-year fixed effects to control for local shocks that may correlate with both expansion and voting decisions. In another specification, we exclude fund-firm pairs that are already treated (the firm has already expanded into the US) before the start of our sample period. This mitigates the issue that already treated observations may serve as controls, potentially confounding the analysis. The results of these alternative specifications are reported in Columns 1 and 2 of Appendix Table A4, showing that the coefficient of *US Expansion* remains positive and statistically significant. Next, to ensure that our baseline results are not sensitive to a particular mode of firm entry into the US, we categorize US expansions into two types: based on the acquisition of an existing local firm (*US Expansion: M&A*) or the establishment of a new subsidiary (*US Expansion: Incorporation*). The results in Column 3 show that the post-expansion rise in dissenting votes is present in both types of expansion.

E. *Alternative Controls*

In our baseline model, *ROA* is used to proxy for firm performance, following Iliev et al. (2015). However, it is possible that investors place greater weight on market-based performance than on accounting profitability. In Appendix Table A5, we include excess stock returns either as an alternative proxy for firm performance to replace *ROA* (Column 1) or as an additional control variable alongside *ROA* (Column 2). Our main results remain unchanged.

We also consider ISS voting recommendations as another control. In later (proposal-level) tests, we directly control for proposal-level recommendations. For the current baseline analysis, we aggregate these recommendations to the firm level by computing the fraction of positive (For) recommendations issued by the ISS in a given firm-year (these data are available only from 2013 onward). Column 4 of Appendix Table [A5](#) reports the results, showing that incorporating ISS recommendations actually strengthens the coefficient on *US Expansion*.

F. Fund Types

To explore heterogeneity across fund types, we classify funds along three dimensions: (1) actively managed versus index funds, (2) ETFs versus traditional mutual funds, and (3) Big-3 (BlackRock, Vanguard, and SSGA) versus all other fund families. It is possible that index funds, ETFs, and Big-3 funds may possess weaker incentives or fewer resources for firm-specific monitoring and engagement due to their low-cost (low-attention) business models ([Edmans, Levit, and Reilly, 2019](#)). Appendix Table [A6](#) reports the results, showing that the coefficient on *US Expansion* remains positive, indicating that dissent voting increases following a firm's US expansion for each fund type considered. We then pool the data and examine the interaction between *US Expansion* and the indicator for the relevant fund-type category. We only observe a significant difference (at 10% level) between Big-3 and non-Big-3 funds. This difference is not robust when we use the dissent voting measure based on Against votes (not reported). We conclude that the operational proximity effect is broad-based and not driven by fund types.

G. Controlling for Fund Ownership

Our last robustness test examines fund-level ownership. As discussed, this exercise requires matching funds between ISS Voting Analytics and Factset Ownership, which tends to be

imprecise and reduces sample coverage by 62%. As a result, this robustness check trades off precision for richer controls. Within the matched subsample, we construct three alternative measures of the relative size of a fund’s position in a foreign portfolio firm: scaled by the fund’s portfolio value, the fund’s total net assets (TNA), and the firm’s market capitalization. Panel A of Appendix Table A7 shows that the estimated effect of *US Expansion* on dissent voting becomes weaker but remains statistically significant for two of the three measures.

There are two empirical challenges with the above analysis. First, the large loss in coverage and potential mismatches may substantially reduce statistical power and attenuate estimates. Second, fund ownership may itself adjust in response to voting behavior, increasing with a fund’s active voting stance to increase voting power or to internalize governance gains. To address these concerns, we exploit heterogeneity in *predetermined* ownership by focusing on a fund’s holdings *before* a firm’s US expansion. If operational proximity is still the relevant mechanism, the incremental effect of *US Expansion* should be stronger in scenarios with weak *ex ante* incentives. The analysis in Panel B of Appendix Table A7 supports this prediction. The increase in dissent voting following *US Expansion* is concentrated among fund–firm pairs with low pre-expansion ownership. This pattern alleviates the concern that our baseline results are solely driven by fund ownership incentives.

V. Identification Strategy: Changes in Tariffs

In our baseline model, we incorporate fund-firm and fund-year fixed effects to control for time-invariant relationships between funds and firms, and for time-varying characteristics of funds. However, this does not entirely rule out the possibility that both voting behavior and firm decisions may correlate with unobservable factors *within a fund-firm pair*. For example, US funds

might exert pressure on a firm to expand its operations into the US market. In addition, the occurrence of an international expansion may reveal underlying corporate governance issues (e.g., empire-building by CEOs), prompting existing FIIs to monitor more actively.

To address this concern, we adopt an identification strategy based on changes in trade policies, similar to [Lileeva and Trefler \(2010\)](#) and [Fresard \(2010\)](#). Specifically, we utilize variations in import tariffs imposed by the US on the products of a foreign firm to construct an instrument for the *timing* of the firm's expansion into the US.

This instrument likely meets the relevance condition because previous research has documented a high correlation between tariffs and the establishment of foreign subsidiaries ([Conconi, Sapir, and Zanardi, 2016](#)). When trade barriers imposed by a country are lowered, imported goods become more competitive, and foreign firms have incentives to set up local operations to support the on-shore assembly and distribution of their products. In our context, non-US firms that experience US tariff reductions are more likely to make a US expansion than those that do not.

Regarding the exclusion condition, we note that our IV regression specification continues to control for fund-firm and fund-year fixed effects. In this setup, the role of the instrument is to generate variations in operational proximity without directly inducing changes in voting behavior *within a fund-firm pair*. We argue that such direct effects are unlikely to materialize. Tariff changes are largely shaped by competitive and uncertain trade negotiations that reflect countries' relative trade positions across multiple industries, making it difficult for individual firms to influence tariff outcomes ([Fresard, 2010](#)). It is even less plausible that the mutual funds whose votes we study would have incentives or capacity to lobby for tariff changes on behalf of portfolio firms. Moreover, because the tariff changes are imposed by a foreign jurisdiction (the United

States), they lie outside the control of the affected non-US firms and cannot plausibly be offset through shareholder voting. Accordingly, aside from their role in shifting firms' incentives to establish US operations (our main channel), tariff changes should not directly influence mutual funds' voting stance.

To construct the instrument, we obtain the product segment data for each firm from Worldscope and industry-level tariff rates from the UNCTAD World Integrated Trade Solution platform. Using this information, we calculate the weighted average tariff rate that a foreign firm is likely to face in the US market, as follows:

$$(3) \quad \tau_{i,t} = \sum_{k \in K_{t-1}} W_{i,k,t-1} T_{H,k,t}$$

where k denotes one of the 4-digit SIC product segments of firm i in year $t - 1$, $W_{i,k,t-1}$ indicates the proportion of sales attributed to segment k out of the firm's total sales across all product segments. $T_{H,k,t}$ is the import tariff rate in year t imposed by the US on products within segment k originating from the country H where firm i is located. In cases where product segment data for a firm are missing, we use its primary SIC code. Following the approach of [Lileeva and Trefler \(2010\)](#), we create four non-overlapping indicator variables based on the quartiles of $\tau_{i,t}$ ($\tau_{i,t}^q$ with $q = 1, \dots, 4$). The first and second quartiles turn out to have zero tariff rates, so they both serve as the excluded categories in the analysis.

The results are reported in Table 3. The first-stage regression in Panel A confirms that the instrument meets the relevance condition: a reduction in the relevant US tariffs increases the likelihood of firms expanding into the US. In the second stage (see Panel B), the coefficient estimate for *US Expansion* remains positive and significant in 2 out of 3 specifications originally

tested in Table 2, including the main specification given by Equation 2 (Column 3).⁹ Our IV analysis thus suggests that US funds increase their dissenting votes in a foreign portfolio firm when the firm is induced to expand into the US by a tariff reduction. Nevertheless, as with most identification exercises, our IV analysis does not benefit from truly random variations. There are therefore possible alternative explanations for why fund voting behavior may change with firms' international trading conditions. In the sections below, we address these alternative explanations to further strengthen our causal interpretation.

— Table 3 about here —

VI. Do Increased Dissenting Votes Reflect Active Monitoring?

In this section, we address the possibility that the observed pattern of dissenting votes simply reflects underlying firm conditions. Specifically, if portfolio firms tend to experience deteriorating performance following each expansion, funds could mechanically cast more dissenting votes even if their incentives to acquire information and engage in active voting remain unchanged. Below we provide two complementary analyses that directly address this issue.

A. *Voting-Performance Sensitivity*

Instead of inferring active voting from variations in the *level* of dissent, we examine its *sensitivity* to poor performance, following past studies such as Cai et al. (2009), Iliev and Lowry (2015), and Aggarwal et al. (2019). We re-estimate Equation 2, adding the interaction term $US\ Expansion \times ROA$. Columns 1 to 3 of Table 4 report the results, showing that US mutual funds' dissenting votes on a portfolio firm indeed become more sensitive to poor performance after the

⁹Our tariff-based instrument has been employed in past studies, raising concerns about the multiple hypothesis testing problem highlighted in (Heath, Ringgenberg, Samadi, and Werner, 2023). However, we note that most of the reported t-statistics in this analysis exceed the value of three, which according to Heath et al. (2023), provides a strong heuristic for demonstrating robust inference when reusing an instrument across different empirical contexts.

firm expands into the US. When comparing the magnitudes of *ROA* with that of the interaction term, a US expansion more than doubles the effect of *ROA* on the tendency to cast dissenting votes.

In addition to using raw *ROA*, we adjust *ROA* by its median within the same country and industry in a given year to account for the possibility that shareholders evaluate firms against their industry peers within the same country. Columns 4 to 6 of Table 4 show that the results are similar when this relative performance is used. As an alternative to *ROA*, we also interact *US Expansion* with stock returns. This test is reported in Column 3 of Appendix Table A5, again showing that dissent voting becomes more sensitive to poor performance following US expansion. Overall, the voting-performance sensitivity results suggest that the observed increase in dissent cannot be simply attributed to a possible performance deterioration after a US expansion.

— Table 4 about here —

B. Closely Contested Proposals

Similar to prior studies such as [Ertimur, Ferri, and Oesch \(2015\)](#), [Brochet et al. \(2021\)](#) and [He et al. \(2019\)](#), we use close-call proposals – those that pass or fail by a small margin – to mitigate concerns that our results simply reflect variations in contemporaneous firm performance. The key idea is that, within this narrow margin band, proposals form a relatively homogeneous set of highly contested votes in which the voting environment already embeds shareholders’ overall assessment of the firm. Importantly, in this setting, the need for active voting is elevated because individual votes are more pivotal to the final outcome ([Persico, 2004](#)). Therefore, if a firm’s US expansion increases operational proximity and thereby facilitates active voting by US funds, the post-expansion increase in dissent should be especially pronounced for close-call proposals.

To operationalize the idea, we move to *individual proposal*-level analysis. As noted earlier, this involves a sample reduction as proposal-level data for non-US firms are only available in ISS Voting Analytics from 2013. We categorize close-call proposals as those that narrowly pass or fail by a margin of 5%, using the aggregate vote tally and the applicable passing threshold where such information is available.¹⁰ We estimate the following regression:

$$(4) \quad \begin{aligned} \text{Dissent}_{f,i,t,p} = & \alpha + \beta_1 \text{US Expansion}_{i,t} + \beta_2 \text{Close Proposal}_{i,t,p} + \\ & \beta_3 \text{US Expansion}_{i,t} \times \text{Close Proposal}_{i,t,p} + \lambda X'_{i,t-1} + \gamma_{f,i} + \mu_{f,t} + \epsilon_{f,i,t,p} \end{aligned}$$

where $\text{Close Proposal}_{i,t,p}$ equals one if proposal p (of firm i in year t) passes or fails by a margin of 5%, and zero otherwise. Consistent with all of the analyses up to this point, the above specification includes fund-firm and fund-year fixed effects ($\gamma_{f,i}$ and $\mu_{f,t}$). Our coefficient of interest is the interaction term, β_3 , which captures whether the post-expansion increase in dissent is disproportionately concentrated in close-call proposals. As reported in Column 1 of Table 5, the estimate of β_3 is indeed positive and statistically significant. Its magnitude implies that the effect of *US Expansion* is close to twice as large for close-call proposals as for other proposals.

Expanding our analysis to the fund-proposal level allows us to incorporate fund-firm-year fixed effects, which control for a fund's overall assessment of a firm's contemporaneous conditions. We can therefore disentangle whether a fund's dissenting votes in close-call proposals are driven by their increased attention to these contested proposals, rather than by less pressing issues. The estimates reported in Column 2 confirm that the coefficient on the interaction term is again positive and statistically significant. Thus, similar to the voting-performance sensitivity

¹⁰Aggregate vote results and applicable passing thresholds are only available for 75% and 73% of the observations, respectively, in ISS Voting Analytics' proposal-level data.

analysis above, our findings on close-call proposals indicate that firm conditions alone cannot explain the observed pattern of dissenting votes in the post-expansion period.

— Table 5 about here —

VII. The Role of Information Acquisition

Our next set of analyses evaluates whether information acquisition indeed serves as a key mechanism underpinning the relationship between operational proximity and active voting. For this purpose, an ideal experiment would require comprehensive and precise measures of the information acquired by foreign investors in their governance research. The closest proxy for such measures is considered in [Iliev et al. \(2021\)](#), who infer information acquisition from the way funds access proxy materials online through the SEC EDGAR system. However, such data are challenging to obtain in a cross-country context. As a result, we provide alternative evidence by examining the heterogeneity of our baseline results across settings where the importance of information is expected to vary.

A. *Proxy Advisory Recommendations*

First, we examine the extent to which US funds' votes at the proposal level are correlated with proxy advisor (ISS) recommendations. Prior studies ([Iliev and Lowry, 2015](#); [Iliev et al., 2021](#)) show that excessive reliance on ISS recommendations is common among funds that conduct limited independent research on portfolio firms' proposals. In this context, deviations from ISS recommendations can be interpreted as evidence of more intensive information acquisition, reflecting funds' own due diligence and independent assessment.

To analyze such deviations, we create a variable, *ISS For Recommendation* to indicate if ISS recommends voting "For" on a given proposal. Because recommendations are

proposal-specific, the analysis is conducted at the fund-proposal pair level. The results are presented in Table 5. The coefficient for *ISS For Recommendation* in Column 3 implies that, before a US expansion, the probability of a US fund casting a dissenting vote declines by 73% if ISS recommends voting For. This dependence is reduced after a US expansion. The positive coefficient on the interaction term (*US Expansion* \times *ISS For Recommendation*) indicates that when the ISS recommends voting For, funds exhibit a 6 percentage-point increase in the probability of casting dissenting votes in the post-expansion period. This represents an 8% reduction in funds' ISS recommendation dependency and a 50% increase in the unconditional probability of a fund casting a non-For vote.

The negative coefficient for *US Expansion* is also noteworthy. It indicates that, among proposals with unfavorable (non-For) ISS recommendations, a US expansion actually decreases the tendency of funds to dissent. This further reinforces the notion that, following a portfolio firm's US expansion, US funds engage more in their own research to make informed voting decisions independent of ISS recommendations. In Column 4, we report alternative specifications that incorporate fund-firm-year fixed effects. These fixed effects control for a firm's conditions in a given year as well as contemporaneous factors that drive the general tendency of ISS to make "For" recommendations on the firm's proposals. Even with such stringent fixed effects, we still find the same results.

B. Aggregate Voting Outcomes

Next, we investigate the extent to which US mutual funds vote in alignment with other shareholders. This helps us assess whether the observed increase in dissenting votes is driven by US expansions selectively improving information flows to only US funds. Similar to the rationale

behind our analysis of proxy advisory recommendations, a low correlation would suggest that US funds have a strong tendency to engage in independent governance research. To operationalize this analysis, we construct the variable *%Aggregate For Votes* as the proportion of For votes among all shareholder votes cast on a given proposal using aggregate vote outcomes data (available from 2013). While US funds are part of the aggregate, they only make up a small proportion on average. Other shareholders who are not “treated” by a US expansion include domestic institutions, foreign (including non-US) institutions, and other local investors.

The results are presented in Table 5 in Columns 5 and 6, which present different fixed effects specifications. The negative coefficients on *%Aggregate For Votes* indicate that, in general, US funds vote in alignment with other shareholders: an increase in the average proportion of “For” votes corresponds to a decrease in the tendency of a US fund to cast a dissenting vote. However, this correlation is moderated after the firm has expanded into the US, as indicated by the positive coefficient on the interaction term *US Expansion × %Aggregate For Votes*. In short, the results suggest that operational proximity facilitates US funds’ independent information acquisition and differentiates their voting stance from that of other shareholders.

C. Proposal Categories

If information acquisition is an important mechanism driving the relationship between operational proximity and active voting, this relationship should strengthen for proposals that are relatively more difficult to evaluate. We argue that votes on firms’ operational decisions fit this description. They tend to be less frequent and more specialized, thereby requiring shareholders to have a detailed understanding of the firm’s activities and strategic objectives to support the voting decision process. We therefore re-estimate Equation 2 separately for the proposal categories

discussed earlier (see Panel B of Appendix Table A1). Table 6 reports the results. The coefficients for *US Expansion* are positive and significant for operations, capital, and compensation-related proposals. Notably, operations-related proposals exhibit the highest economic significance, equivalent to a 23% increase in the dissenting voting tendency relative to the unconditional mean. We do not observe a post-expansion increase in dissent voting for proposals on disclosure, constitution and board structure. These types of proposals are arguably more routine and structured, so their merits can often be evaluated using established governance standards and fund voting policies, leaving less scope for information acquisition to affect voting.

For the directors and auditors category (the largest among the seven categories), we further distinguish between: (1) new director elections, (2) re-elections of existing directors, and (3) auditor appointments. We do so because these sub-categories are not equally information-intensive. Elections of new directors often reflect substantive governance choices and may coincide with board refreshment, control contests, and restructuring episodes. By contrast, re-elections and auditor appointments are often uncontested and closer to routine votes. Consistent with these rationales, our findings again indicate that dissenting votes on new director proposals increase after a firm expands into the US. In contrast, dissenting votes on re-elections of existing directors and auditor appointments decrease following an expansion, suggesting that better information makes US funds more likely to prefer the status quo. For example, re-elections of existing directors may simply reflect strong firm performance and satisfaction with the board.¹¹

— Table 6 about here —

¹¹Fos, Li, and Tsoutsoura (2018) find that directors facing re-election enhance firm performance due to heightened scrutiny and media coverage.

D. *Distance between Funds and Firms' US Locations*

If operational proximity matters because it improves information flows, then *where* a firm expands within the US should matter, not just *whether* it expands. Previous studies have consistently demonstrated a strong link between geographic proximity within the US and better access to information (Coval and Moskowitz, 2001; Malloy, 2005; Calluzzo and Kedia, 2019). In our setting, this implies that among firms in a given US fund's portfolio that establish US operations, those locating closer to the fund should confer a larger informational advantage. As a result, the fund should have stronger incentives to gather firm-specific information and, following the initial US expansion, be more likely to cast dissenting votes for these geographically closer expansions.

To measure proximity within the US, we calculate the average distance between a fund and a portfolio firm's US subsidiaries. Fund addresses are obtained from NPX filings, while the addresses of portfolio firms' US subsidiaries are obtained from the Orbis database.¹² We then apply the great circle distance formula to their ZIP codes to calculate the distance between a fund and a subsidiary, and take the average (across subsidiaries) for each fund-firm pair. Based on this average distance, we split *US Expansion* into two variables, *US Expansion: Short (Long)* *Within-US Distance*, which indicate the period after a firm has expanded into the US *and* whether the average distance between a US fund and the firm's US subsidiaries is below (above) the median.

The result in Column 1 of Table 7 confirms that the locations of subsidiaries within the US matter. Both of the above indicator variables are positive and significant, but the coefficient for the

¹²We use all US subsidiaries associated with a sample firm, excluding Delaware-incorporated subsidiaries, which may be set up for legal registration purposes and not necessarily reflect actual operation. In an untabulated test, we confirm that the inclusion of Delaware subsidiaries does not qualitatively alter our findings.

indicator of below-median-distance fund-firm pairs is larger, as confirmed by the Wald test. For this category, the post-expansion increase in dissenting votes is equivalent to 12% of the unconditional mean, or more than doubling the effect obtained from the baseline analysis. The results thus reaffirm the information-based explanation by showing that the intensity of the treatment (where exactly a firm sets up its US operations) matters.

— Table 7 about here —

E. Scale of US Operations

In addition to firm locations within the US, we analyze the intensity of treatment through the *scale* of their US operations. Under the information-based explanation, expansions that establish the US as a more economically salient geographic market for the firm should generate larger initial information advantages for US funds. To capture the scale of US operations, we use Factset Revere estimates of a firm’s US revenue share (US revenue divided by total revenue), often referred to as geographic exposure, during the window of up to 5 years after each expansion. US revenue is based either on actual figures disclosed by the firm or, when only North America revenue is reported, on FactSet Revere’s GDP-weighting adjustment to infer the US component. To alleviate disclosure biases within geographic segment data, we exclude firms that do not disclose foreign sales or those that only report revenue breakdowns at very broad “super-regional” levels (e.g., Asia or Europe).

Using the US geographic exposure estimates, we split *US Expansion* into two indicator variables. *US Expansion: Large (Small) US Operations* equals one if the firm has a US subsidiary in a given year and its average post-expansion US geographic exposure is above (below) the sample median, and zero otherwise. Re-estimating our baseline specification with these indicators

shows that the increase in dissent voting is concentrated among firms with *relatively larger* US operations, as shown in Column 2 of Table 7. Again, using the scale of operations to indicate treatment intensity, we obtain results consistent with the information-based explanation.

F. Persistence of Operational Proximity Effect

The information-based explanation also implies certain time dynamics in how funds' active voting stance should respond to greater operational proximity. In the [Van Nieuwerburgh and Veldkamp](#)'s framework, because of investor attention constraints, an initial information advantage generates a specialization benefit that makes the investor *keep learning more* about the same firm. This implies that any observed effect associated with operational proximity should be persistent. We divide the indicator variable for the post-expansion period (*US Expansion*) into five indicator variables: one for the year of the expansion, three for each of the following three years, and the last one for the fourth year and beyond. In Column 3 of Table 7, we show that the coefficients of these indicator variables are all positive and statistically significant, except for year two. The magnitude of the coefficient is largest for year four and beyond, suggesting that US funds indeed become increasingly active voters on portfolio firms that expand into the US.

G. Other Explanations

In addition to the above tests that highlight the importance of information acquisition, we explicitly evaluate other non-information based explanations for our results. For the sake of brevity, we discuss these tests briefly and report the results in the Appendix.

First, we consider whether the observed change in dissent voting is tied to certain *inherent firm characteristics*. Firms that are able to expand into the US may have governance or financial attributes that would shift dissent even in the absence of improved information flows to investors.

Although our baseline analysis includes several important controls, it does not reveal whether increases (or decreases) in dissent voting may be associated with particular firm types. Appendix Table A9 addresses this by splitting expanding firms according to whether dissent increases or decreases on average after each expansion. Panel A shows that most expanding firms experience an increase in dissent, yet observable characteristics are broadly similar across the two groups. To further mitigate potential confounding impact of pre-expansion firm conditions, we re-estimate Equation 2 after excluding up to three years before each expansion; Panel B shows the results are unchanged. We also check governance-related trends. Appendix Table A10 shows that governance ratings improve only after the expansion (not before), while ISS recommendations are relatively stable. Overall, these diagnostics do not support a firm-type explanation for our main results.

Second, we explore the possibility that a US expansion may lead to *increased organizational complexity*. US funds may monitor more aggressively due to concerns about inefficiencies of geographically diversified conglomerates (Shin and Stulz, 1998; Rajan, Servaes, and Zingales, 2000). If such concerns matter, then one would expect that US funds also vote more actively whenever their portfolio firms expand into any major economy. This is not what we observe in the data. In Appendix Table A11, we examine (as an additional control) the variable capturing cross-border expansions into one of the following markets: the UK, Europe, Japan, Mexico, or Canada. The results show that the positive effect of a US expansion remains significant. However, with the exception of Canada (which is a neighbor and shares strong language and cultural ties), no other non-US country generates a similar effect.

Third, we consider a possible *salience effect* in voting. Funds may devote less monitoring attention to relatively small portfolio firms, so a US expansion could mechanically lead to more active voting simply because it also expands the size of a previously small firm. To address this

possibility, we follow [Gilje, Gormley, and Levit \(2020\)](#) and rank firms according to their market capitalization weights in the fund’s portfolio. We split expanding firms into two groups based on whether their pre-expansion portfolio weights are above or below the median for a given fund-year. Column 1 of Appendix Table [A12](#) shows that the expansion effect is not primarily driven by the smaller-firm group. This casts doubt on the possibility that our baseline results are mostly driven by the aforementioned salience effect.

Fourth, we address potential concerns about *industry exposure*. It is conceivable that a fund’s votes reflect the broad interests of its fund family. A family with a high concentration of US portfolio investments (through other funds) in a particular industry may oppose aggressive US expansions by foreign portfolio firms in the same industry. Such actions may reduce diversification and/or put competition pressure on its domestic (US) portfolio firms. To address this possibility, we construct a measure of fund families’ US industry exposure. For each fund–firm–year combination, we compute the fund family’s share of holdings in US firms that operate in the same two-digit SIC industry as the focal (foreign) firm, adjusted by the industry’s share of total US market capitalization. We then split treated observations based on whether this exposure (measured pre-expansion) is above or below the within-fund median. Column 2 in Appendix Table [A12](#) shows that the expansion effect is driven primarily by low-exposure pairs, suggesting our results are unlikely to reflect funds’ concerns about excessive industry exposure.

Lastly, we consider whether our results may be driven by institutional *home bias* in voting. US funds may begin treating foreign firms that have US operations like other US firms, specifically by applying the same US-based voting policies and standards. Thus, an increase in dissent voting may be more consistent with institutional “home” practices rather than improved information flows. To address this concern, we compute for each fund family, the proportion of

dissenting votes cast on US portfolio firms' proposals in a given year, and re-estimate Equation 2 by adding the interaction between this measure and *US Expansion*. In Column 3 in Appendix Table A12, this interaction is insignificant, indicating that the positive effect of *US Expansion* is observed regardless of fund-family voting patterns in the US market. It is therefore unlikely that the observed increase in dissenting votes following a firm's US expansion is driven by US funds' domestic voting practices.

VIII. Implications of Proximity-induced Changes in Voting Behavior

A. *Quality of Future Proposals*

We now move from documenting voting responses to a change in operational proximity to evaluating their implications. Specifically, if improved information flows lead to more active voting, one should observe that such actions generate positive governance outcomes (Cai et al., 2009; Fischer, Gramlich, Miller, and White, 2009; Ertimur et al., 2015). In exploring this possibility, we are conscious of the challenges in quantifying the long-term effects of shareholder votes, as typical firm outcome variables (e.g., ROA, stock return, etc.) are noisy and influenced by many unobservable factors. Therefore, our empirical objective here is modest: we focus on changes in how firms manage the shareholder voting process. Specifically, we examine whether a higher level of dissenting votes today is associated with a reduced likelihood that management puts forward contentious proposals in the future. Because such proposals indicate management's willingness to tolerate shareholder pushback, a reduction in their frequency would suggest that dissenting voting disciplines firms' agenda-setting and shareholder engagement practices (Brochet et al., 2021).

To examine such outcomes, we construct the variable *Contentious* to indicate whether a

firm presents proposals that receive more than 25% dissenting votes at the *subsequent* shareholder meeting.¹³ This variable is regressed on *%Dissent: All Funds*, which represents the percentage of dissenting votes cast by all US funds in a given firm-year, and the interaction term between this variable and *US Expansion*. We note that this regression analysis is necessarily conducted at the firm-year level. The results are presented in Panel A of Table 8, showing dissenting votes cast by US funds are associated with a disciplining effect by limiting the frequency of future contentious proposals. Although we are unable to establish causality here, this result is consistent with the interpretation that active voting by US funds can bring about positive changes in governance and shareholder engagement. Importantly, the reduction in contentious proposals following US funds' dissenting votes becomes more pronounced after a firm expands into the US, suggesting that improved information flows make firms more responsive to monitoring by US funds.

— Table 8 about here —

B. Active Voting versus Taking the Wall Street Walk

Thus far, we have assumed that funds always hold shares in a given portfolio firm and are therefore required to vote (voice). However, at certain thresholds, funds may consider the option of voting with their feet (exit), i.e. taking “the Wall Street Walk” by disposing of all their shares. Existing theories suggest that the ability to exit may make active voting less dependent on access to information. Specifically, [Admati and Pfleiderer \(2009\)](#) and [Edmans \(2009\)](#) argue that shareholders with private information can effectively discipline management with the threat of exit, while [Kahn and Winton \(1998\)](#) show that access to information may generate a share trading advantage, reducing the incentive of shareholders to discipline management through voice.

¹³[Brochet et al. \(2021\)](#) define contentious proposals as those receiving more than 20% dissenting votes. We use a stricter threshold of 25% in an international context, given that the typical supermajority threshold is 75%.

To explore this trade-off, we adopt the approach used in [Duan and Jiao \(2016\)](#) and compare three alternative voting outcomes for a given fund, firm, and year combination, conditional on the fund holding shares in the firm in the previous year. The first scenario is labeled *Complete Exit*, and occurs when the fund does not vote in the focal firm in the current year, but continues to vote in other firms.¹⁴ The second scenario is labeled *Voting For*, corresponding to the fund voting “For” in all of the firm’s current proposals. The third scenario is labeled *Dissent Voting*, and corresponds to cases in which the fund casts at least one dissenting vote.

In Panel B of Table 8, we analyze variations in the frequency of *Complete Exit* relative to *Voting For* (Column 1) and to *Dissent Voting* (Column 2). Across both columns, the coefficient on *US Expansion* is significantly positive, indicating that operational proximity increases the frequency of funds completely liquidating their positions, relative to voting. This evidence is consistent with the [Kahn and Winton](#) model, pointing to a general preference among US funds to utilize improved information flows for active trading over active voting.

Next, we delve into conditions underpinning fund exits, for the reason that not all exits can be considered “voting with feet”. Some exits may occur because of funds’ liquidity requirements or responses to beliefs about over-valuation. By contrast, both voting with feet and dissent voting represent specific monitoring actions taken to address firm performance issues. To compare these alternatives, it is therefore important to condition the analysis on firm performance. In Column 3, we add to the model the interaction term between *US Expansion* and *ROA*. We find a negative main effect for *ROA*, suggesting that funds prefer exit over dissent voting in response to poor firm performance. However, the coefficient on the interaction is positive, indicating a shift in relative importance back toward voice when funds face poor firm performance following a US expansion.

¹⁴Given that SEC Rule 30b1-4 requires US mutual funds to report all of their voting actions, the absence of votes on a previously held portfolio firm indicates that the fund has exited the firm at the time of voting.

In other words, operational proximity actually reduces the extent of *performance-driven* exits. As poor performance situations that demand governance attention, information advantages raise the marginal benefits of ballot voting relative to vote with feet.

C. Interaction with Legal and Extra-legal Governance Environments

Finally, we explore heterogeneity in external governance environments. In another study of cross-border voting, [Iliev et al. \(2015\)](#) show that US funds are more likely to dissent in weak-governance countries as a way to protect against expropriation risk. Building on this insight, we investigate how proximity-induced information flows interact with other governance mechanisms.

One possibility is a *substitution* effect. This arises if strong governance facilitates more effective monitoring by *all* shareholders. Such improvements may actually reduce the marginal incentives of US funds to vote actively because they can rely on other well-informed voters. Strong governance may also promote value-enhancing managerial decisions, with better information flows translating into greater support for management. Both cases imply a weaker effect of operational proximity in strong governance environments.

The alternative is a *complementarity* effect. This arises if US funds can exploit better proximity-induced information advantages in a strong governance environment. Such a setting may allow them to leverage stronger shareholder rights and/or the ability to coordinate with other informed shareholders to achieve meaningful governance outcomes.

The prior literature views governance environments from different perspectives. While the classic work in law and finance (see [La Porta, Lopez-de Silanes, Shleifer, and Vishny \(2000\)](#) for a summary) emphasizes the need for strong legal frameworks, other studies point out that

extra-legal governance mechanisms also play important roles. For instance, [Dyck and Zingales \(2004\)](#) show that media scrutiny can generate reputation concerns that deter expropriation. [Chen et al. \(2015\)](#) show that financial analysts play an additional monitoring role through the production of information. In a cross-country setting, firms can also commit to lowering expropriation risk by “bonding” to the strict disclosure standards of another country through cross-listing ([Doidge, 2004](#)). Our study adopts elements of both of these perspectives.

We capture legal governance environments using the index of minority shareholder protection (*MSP Index*) constructed by [Guillén and Capron \(2016\)](#), which quantifies provisions that legal scholars view as central to supporting shareholder rights. It is also more up-to-date than early cross-country governance indicators, with coverage through 2011. As the index is for the most part static over our sample period, we use the average value of the index for each country. In Column 1 of Table 9, we re-estimate Equation 2 by adding the interaction between *US Expansion* and *MSP Index* (note that the main effect of *MSP Index* is subsumed by our model’s fixed effects). Consistent with [Iliev et al. \(2015\)](#), we find that the post-expansion rise in active voting is mainly concentrated in countries with low minority shareholder protection (the coefficient on the interaction term is negative and significant). This is also consistent with a substitution effect.

We then turn to extra-legal governance mechanisms. We proxy for media scrutiny using *Media Intensity*, defined as the number of news articles covering a firm in a given year (obtained from the RavenPack database) scaled by total assets. We capture the extent of analyst monitoring using *High Analyst*, an indicator equal to one if the number of analysts following the firm exceeds the median among firms headquartered in the same country. Cross-listing is captured by *ADR*, which is already defined. In Columns 2 to 4 of Table 9, we re-estimate Equation 2 and include interactions between *US Expansion* and the one-year lag of each of these variables.

Two patterns emerge from these tests. First, the coefficients on *Media Intensity*, *High Analyst*, and *ADR* are positive, although the estimate for *High Analyst* is not statistically significant. Interpreted as baseline effects (i.e., evaluated when *US Expansion*=0), the estimates suggest that the extra-legal governance mechanisms incentivize US funds to vote more actively in firms that have not established US operations. Similarly, in weak governance environments, a US expansion has a significant effect on active voting. Thus, any improvement in information flows, whether through governance or operational proximity, strengthens shareholder monitoring.

Second, the interaction terms between *US Expansion* and the extra-legal governance proxies are significantly negative, indicating that the post-expansion increase in dissent voting is attenuated when firms already face stronger media coverage, greater analyst following, and strong disclosure requirements associated with cross-listing. These patterns again point to a substitution effect. Operational proximity provides informational advantages specifically to US funds in the spirit of [Van Nieuwerburgh and Veldkamp \(2009\)](#), and encourages them – more than other investors – to concentrate their information acquisition effort on the firm and vote more actively. In contrast, stronger governance generates broad-based transparency, but this effect may weaken private information production.¹⁵ In the context of corporate voting, as *all shareholders* become more informed and are more willing to vote actively, the marginal impact of improved information flows for a single group of investors (US funds in our case) necessarily declines.

— Table 9 about here —

¹⁵The broad-based information production role of analyst coverage and cross-listing is well documented in international settings. For example, [Chan and Hameed \(2006\)](#) show that in emerging markets, analysts' research is tilted toward market- and industry-wide information rather than firm-specific information. [Fernandes and Ferreira \(2008\)](#) further show that the disclosure-enhancing (“bonding”) benefits of cross-listing for emerging market firms can be offset by weaker incentives for investors to acquire and impound private information into prices, reducing price informativeness.

IX. Conclusion

This paper demonstrates a significant governance benefit of cross-border economic activities – specifically, how bringing firm operations closer to international investors enhances their monitoring through “voice”. To disentangle monitoring actions from investment selection decisions, our analysis focuses on changes in operational proximity triggered by actions taken by existing portfolio firms. After a portfolio firm expands its operations into the US, US funds exhibit a greater tendency to cast dissenting votes on the firm’s proposals, especially in response to poor performance and highly contested issues. These patterns are consistent with improved information acquisition: US funds’ votes increasingly diverge from both proxy advisor recommendations and aggregate shareholder voting outcomes, and the effects are stronger when the expansion is more intensive in location and scale. Information advantages also appear to strengthen funds’ ability to influence future governance practices and reduce, in relative terms, the likelihood of funds voting with their feet in response to poor performance.

Our study contributes to a better understanding of the transformative impact of financial globalization. Despite the phenomenal growth of international portfolio investment in recent decades, geographic barriers between FIIs and their portfolio firms remain a significant concern. Our evidence demonstrates that operational proximity created by firms’ cross-border expansions can alleviate distance barriers and improve access to information, enabling investors to make more informed voting decisions. More broadly, our findings suggest that actions and policies aimed at improving information flows between firms and investors can redress weaknesses in local governance environments and facilitate the dissemination of best-practice shareholder activism around the world. Such dynamics are crucial in a landscape where the stewardship responsibilities

of institutional investors are increasingly being recognized and formalized.

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Table 1: Cross-border voting and US expansion statistics during sample period

This table reports statistics on non-US firms and US funds covered by our sample. *#firms in ISS data* denotes the number of non-US firms in a given year for which US funds' votes are recorded in the ISS Voting Analytics database. *#firms in the sample* indicates the number of firms in our final sample, for which information on voting, US expansions and control variables can be obtained. *#US funds in the sample* represents the number of US funds that report casting votes on sample firms' proposals. *#US funds voted/firm* indicates the number of US funds that cast votes in a given sample firm. $Dissent_{i,t}$ is the firm-level average of the main outcome variable $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *%Aggregate dissenting votes* is the proportion of non-For votes to total votes cast by all shareholders (averaged across all proposals of a firm in a given year), with data available in the ISS Voting Analytics database from 2013. *%firms with US operations* shows the proportion of firms in the sample that have a US operation in a given year. *%new US expansion* is the proportion of firms expanding their operation into the US for the first time in a given year. The columns indicated with 'median' in parentheses report the sample median (in a given year) of the relevant variables.

	#firms in ISS data (1)	#firms in the sample (2)	#US funds in the sample (3)	#US funds voted/firm (median) (4)	$Dissent_{i,t}$ (median) (5)	%Aggregate dissenting votes (median) (6)	%firms with US operations (7)	%new US expansion (8)
2003	326	173	219	2	0.00%		50.87%	4.71%
2004	2,482	1,513	593	3	9.80%		64.71%	3.18%
2005	3,498	2,166	1,252	3	10.00%		55.03%	2.77%
2006	5,047	3,777	2,208	4	8.97%		45.30%	2.57%
2007	6,518	4,186	2,187	4	7.78%		47.75%	5.26%
2008	7,052	4,920	2,726	4	8.33%		45.55%	3.02%
2009	9,444	6,540	3,175	5	8.33%		43.73%	2.91%
2010	9,744	6,935	2,888	5	6.67%		43.19%	2.69%
2011	10,922	7,990	3,450	6	7.35%		42.13%	1.88%
2012	10,923	7,984	3,594	7	8.65%		42.97%	2.66%
2013	11,419	8,318	3,676	8	10.00%	1.03%	43.16%	1.86%
2014	12,733	8,946	4,490	11	10.36%	1.17%	42.85%	3.25%
2015	13,899	9,199	5,284	12	9.25%	1.09%	43.99%	2.43%
2016	14,411	9,896	5,154	10.5	6.01%	1.13%	41.71%	2.03%
2017	15,110	10,223	4,849	11	6.35%	1.07%	41.12%	2.18%
2018	15,373	10,278	4,605	9	6.25%	1.17%	41.16%	1.84%

Table 2: Baseline analysis: Operational proximity and dissent voting

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. The following control variables are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. *CG Score* is the corporate governance score (rating) obtained from ASSET4. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Dep. Var. = Dissent				
US Expansion	0.006*** (5.64)	0.009*** (6.34)	0.006*** (4.12)	0.005*** (2.93)
ADR	-0.000 (-0.19)	-0.003** (-2.33)	-0.001 (-1.07)	-0.003** (-2.29)
Size	0.007*** (14.00)	0.002** (2.36)	-0.002** (-2.35)	-0.002** (-2.52)
Leverage	0.026*** (11.56)	0.036*** (12.52)	0.031*** (11.29)	0.030*** (8.73)
ROA	-0.034*** (-11.04)	-0.045*** (-12.73)	-0.036*** (-10.37)	-0.041*** (-9.92)
BTM	0.007*** (13.72)	0.007*** (11.05)	0.005*** (7.70)	0.003*** (3.52)
US Inst Holding	-0.069*** (-17.89)	-0.047*** (-9.68)	-0.034*** (-7.15)	-0.016*** (-2.95)
CG Score				-0.012*** (-8.51)
Fund FE	Y	N	N	N
Firm FE	Y	N	N	N
Year FE	Y	Y	N	N
Fund-Firm FE	N	Y	Y	Y
Fund-Year FE	N	N	Y	Y
Observations	2,521,837	1,878,808	1,868,749	1,376,603
Adjusted R ²	0.31	0.50	0.53	0.53

Table 3: IV regression using US import tariffs as the instrument

The unit of observation is a fund, firm, and year combination. The analysis is based on instrumental variable regressions conducted on the sub-sample of firms that are subject to tariffs. Panel A reports the estimates from the first-stage regressions where the dependent variable is *US Expansion*, which indicates whether a firm has established a US subsidiary in a given year. Panel B represents second-stage regressions where the dependent variable is *Dissent_{f,i,t}*, which captures the probability of fund *f* casting a non-For vote on a proposal of firm *i* in year *t*, assuming that different proposal categories have equal representations. The instrument for *US Expansion* is based on US tariffs, constructed as a set of indicator variables ($\tau_{i,t}^q$), each of which takes the value of one if the tariff rates imposed by the US on firm *i*'s product in year *t* is in the q^{th} quartile of its distribution and zero otherwise. The indicators for the first two quartiles are both in the excluded category because the tariff rates in these quartiles are all zeros. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated *t*-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. First-stage regressions			
Dep.Var. = US Expansion	(1)	(2)	(3)
$\tau_{i,t}^3$	-0.009*** (-14.39)	-0.006*** (-7.04)	-0.004*** (-4.90)
$\tau_{i,t}^4$	-0.006*** (-8.78)	-0.003*** (-3.70)	-0.000 (-0.06)
Firm-level control variables	Y	Y	Y
Fund FE	Y	N	N
Firm FE	Y	N	N
Year FE	Y	Y	N
Fund-Firm FE	N	Y	Y
Fund-Year FE	N	N	Y
Observations	1,000,397	726,854	716,855
F Statistic	220.23	61.62	27.88

Panel B. Second-stage regressions			
Dep.Var. = Dissent	(1)	(2)	(3)
US Expansion	0.123 (1.41)	0.796*** (3.95)	0.789*** (3.49)
Firm-level control variables	Y	Y	Y
Fund FE	Y	N	N
Firm FE	Y	N	N
Year FE	Y	Y	N
Fund-Firm FE	N	Y	Y
Fund-Year FE	N	N	Y
Observations	1,000,397	726,854	716,855

Table 4: Sensitivity of dissent voting to firm performance

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *Performance* is captured by either *ROA* (net income adding back interest expense scaled by total assets) in Columns 1 to 3, or by *Adjusted ROA* (the difference between a firm's ROA and the country–industry median ROA in a given year) in Columns 4 to 6. Only country–industry–year groups with at least 10 observations are included in this analysis. The following control variables are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund–firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep.Var = Dissent Performance =	(1)	(2) ROA	(3)	(4)	(5) Adjusted ROA	(6)
US Expansion	0.009*** (7.43)	0.011*** (7.14)	0.008*** (5.36)	0.006*** (5.94)	0.009*** (6.32)	0.006*** (3.96)
Performance	-0.016*** (-3.62)	-0.030*** (-5.63)	-0.017*** (-3.23)	-0.047*** (-10.40)	-0.032*** (-5.77)	-0.031*** (-5.60)
US Expansion × Performance	-0.027*** (-5.04)	-0.024*** (-3.80)	-0.031*** (-4.93)	-0.010* (-1.69)	-0.029*** (-4.20)	-0.031*** (-4.66)
Firm-level control variables	Y	Y	Y	Y	Y	Y
Fund FE	Y	N	N	Y	N	N
Firm FE	Y	N	N	Y	N	N
Year FE	Y	Y	N	Y	Y	N
Fund-Firm FE	N	Y	Y	N	Y	Y
Fund-Year FE	N	N	Y	N	N	Y
Observations	2,500,465	1,861,845	1,851,759	2,500,465	1,861,845	1,851,759
Adjusted R ²	0.31	0.50	0.53	0.31	0.50	0.53

Table 5: Sensitivity of funds' dissenting votes to close-call proposals, ISS recommendations and aggregate shareholder votes

The unit of observation is a fund and proposal combination. The dependent variable is $Dissent_{f,i,t,p}$, which indicates whether fund (f) casts a non-For vote on proposal p of firm i (voted on in year t). *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *Close Proposal* indicates a proposal that passes or fails by a margin of no more than 5% of the total number of votes. *ISS For Recommendation* indicates whether ISS recommends shareholders to vote For with regards to proposal p . *%Aggregate For Votes* is the proportion of For votes to total votes cast by all shareholders on proposal p , constructed using aggregate vote outcomes data. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for double clustering of observations at the fund-firm and fund-year levels, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. Var. = Dissent						
US Expansion	0.010*** (3.80)		-0.048*** (-10.40)		-0.130*** (-5.64)	
Close Proposal	0.458*** (54.49)	0.463*** (54.91)				
US Expansion × Close Proposal	0.083*** (10.58)	0.082*** (10.52)				
ISS For Recommendation			-0.726*** (-87.87)	-0.727*** (-88.84)		
US Expansion × ISS For Recommendation			0.058*** (12.31)	0.060*** (12.86)		
%Aggregate For Votes					-2.075*** (-68.62)	-2.199*** (-71.31)
US Expansion × %Aggregate For Votes					0.138*** (5.81)	0.201*** (8.30)
Firm-level control variables	Y	Y	Y	Y	Y	Y
Fund-firm FE	Y	N	Y	N	Y	Y
Fund-year FE	Y	N	Y	N	Y	Y
Fund-firm-year FE	N	Y	N	Y	N	N
Observations	17,572,692	17,546,664	22,121,246	22,097,500	18,315,135	18,293,367
Adjusted R ²	0.32	0.35	0.67	0.70	0.49	0.53

Table 6: Results split by proposal categories

The unit of observation is a fund, firm, and year combination. The analysis is conducted separately for one of seven proposal categories: capital, operations, disclosure, compensation, constitution, director/auditor and board structure. For each proposal category, the dependent variable is $Dissent_{f,i,t}$, which represents the probability of fund f casting a non-For vote on a proposal (in that category) of firm i in year t . *US Expansion* indicates whether a firm has established a US subsidiary in a given year. The following control variables are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. = Dissent Agenda Type =	(1) Capital	(2) Operations	(3) Disclosure	(4) Compen- sation	(5) Constitution	(6) New director election	(7) Director/Auditor		(8) Auditor ap- pointment	(9) Board structure
US Expansion	0.009*** (4.62)	0.025*** (4.90)	-0.001 (-0.62)	0.012*** (4.53)	0.006 (1.27)	0.006* (1.89)	-0.009*** (-2.93)	-0.014*** (-3.15)	-0.002 (-0.24)	
Firm-level control variables	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Fund-Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Fund-Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	
Observations	1,472,483	235,939	1,031,711	1,309,114	603,107	841,231	1,039,621	707,222	281,005	
Adjusted R ²	0.60	0.41	0.58	0.45	0.44	0.47	0.54	0.39	0.38	
Mean of dep. var.	0.10	0.11	0.06	0.12	0.14	0.08	0.10	0.12	0.14	

Table 7: Within-US distance, scale of US operations, and persistence of the effect

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which represents the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion: Short (Long) Within-US Distance* indicates whether a firm has a US subsidiary in a given year *and* the average distance between a fund and the firm's subsidiaries within the US is below (above) the median. *US Expansion: Large (Small) US Operations* indicates whether a firm has a US subsidiary in a given year and its average US revenue exposure (= US revenue / Total revenue) over the five-year window after the expansion is above (below) the median. *US Expansion : Year N* indicates N years relative to the expansion year (Year 0 = the expansion year). The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Dep. Var.= Dissent			
US Expansion: Short Within-US Distance	0.014*** (4.48)		
US Expansion: Long Within-US Distance	0.005* (1.87)		
US Expansion: Large US Operations		0.014*** (5.61)	
US Expansion: Small US Operations		-0.001 (-0.46)	
US Expansion: Year 0			0.006*** (3.67)
US Expansion: Year 1			0.008*** (4.80)
US Expansion: Year 2			0.000 (0.15)
US Expansion: Year 3			0.005*** (2.45)
US Expansion: Year 4+			0.012*** (6.09)
Wald test (p-value)	0.03	0.00	NA
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	1,054,633	777,677	1,868,749
Adjusted R ²	0.53	0.52	0.53

Table 8: Implications of proximity-induced dissent voting: Future proposals and voting with feet

Panel A examines the quality of future proposals. The unit of observation is a firm and year combination. The dependent variable, *Contentious Proposal*, is an indicator variable equal to one if a firm presents any management-sponsored proposals that receive more than 25% dissenting votes at subsequent shareholder meetings. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *%Dissent: All Funds* is the percentage of non-For votes cast by all US funds on all proposals in a given firm-year. The sub-samples used in Columns 1 and 2 consist of firm-year observations with and without a US expansion, whereas Column 3 is based on the full sample. Panel B examines a fund's exit decision as an alternative to voting. The dependent variable is *Complete Exit*, which indicates whether a fund exits from a given firm (defined as the case where the fund held shares in the firm in the previous year but does not vote in the firm in the current year, while still having a record of voting in other firms in the same year). The base group of this variable consists of fund-firm-years in which the fund only votes For on the firm's proposals (*Voting For*) in Column 1 and those in which the fund casts at least one non-For vote (*Dissent Voting*) in Columns 2 and 3. *ROA* is net income adding back interest expense scaled by total assets. In both Panels, the following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the firm level in Panel A and at the fund-firm level in Panel B, and the associated *t*-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Quality of future proposals			
Dep. Var. = Contentious Proposal	(1)	(2)	(3)
US Expansion=	Yes	No	All
%Dissent: All Funds	-0.120*** (-3.51)	-0.055** (-2.51)	-0.047** (-2.28)
US Expansion			0.009 (0.45)
US Expansion × %Dissent: All Funds			-0.063* (-1.76)
Firm-level control variables	Y	Y	Y
Firm FE	Y	Y	Y
Country-Industry-Year FE	Y	Y	Y
Observations	14,803	17,255	34,011
Adjusted R ²	0.25	0.28	0.28
Panel B. Fund exits			
Dep. Var. = Complete Exit	(1)	(2)	(3)
Base Group =	Voting For	Dissent Voting	
US Expansion	0.018*** (3.32)	0.020*** (3.73)	0.006 (0.98)
US Expansion × ROA			0.165*** (6.18)
ROA	-0.376*** (-24.14)	-0.306*** (-18.79)	-0.408*** (-17.82)
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	604,857	540,722	540,722
Adj. R-squared	0.52	0.51	0.51

Table 9: Effect of operational proximity in different governance environments

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *MSP Index* is a measure of minority shareholder protection in a given country. *Media Intensity* represents the number of media articles covering a firm scaled by its total assets in the previous year. *High Analyst* is an indicator variable equal to one if the number of analysts covering a firm in the previous year is above the median for all firms in the same country. *ADR* indicates whether a firm is cross-listed in the US in the previous year. The following control variables (not reported) are constructed for each firm at a one year lag. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. = Dissent	(1)	(2)	(3)	(4)
US Expansion	0.101*** (7.91)	0.005*** (3.56)	0.008*** (5.28)	0.008*** (5.79)
US Expansion \times MSP Index	-0.014*** (-7.48)			
Media Intensity		0.001*** (5.41)		
US Expansion \times Media Intensity		-0.002*** (-6.00)		
High Analyst			0.000 (0.36)	
US Expansion \times High Analyst			-0.003*** (-3.00)	
ADR				0.006*** (3.98)
US Expansion \times ADR				-0.010*** (-5.84)
Firm-level control variables	Y	Y	Y	Y
Fund-Firm FE	Y	Y	Y	Y
Fund-Year FE	Y	Y	Y	Y
Observations	1,764,612	1,780,841	1,861,246	1,868,749
Adjusted R ²	0.53	0.53	0.53	0.53

Internet Appendix

for “Operational Proximity and Cross-border Shareholder Monitoring”

This Internet Appendix provides supplementary results for the paper “Operational Proximity and Cross-border Shareholder Monitoring”, including additional descriptive statistics, expanded regression outputs, robustness checks, and heterogeneity analyses. To ensure comparability, the sample construction, control variables, and fixed-effects structure follow the baseline setup in the paper unless otherwise noted. Refer to the main paper for detailed variable definitions and data sources.

Table A1: Proposal categories: Frequencies and examples

This table provides summary on the categories of proposals recorded in ISS Voting Analytics. Panel A reports the average number of proposals voted on by US funds in a given non-US portfolio firm across seven different proposal categories during the firm's shareholder meetings from 2003 to 2018. The last column represents the average number of proposals across all categories in a given year. Panel B provides examples of the most frequently reported proposals within each category. The voting data are sourced from the ISS Voting Analytics database.

Panel A. Average number of proposals

Year	Capital	Operation	Disclosure	Compensation	Constitution	Director/Auditor	Board Structure	Overall
2003	2.3	1.7	1.2	1.8	1.1	3.5	1.3	8.6
2004	2.4	1.2	1.4	1.8	1.1	5.2	1.3	11.1
2005	2.2	1.3	1.4	1.8	1.0	5.3	1.2	10.6
2006	1.9	1.2	1.1	1.7	1.1	4.7	1.0	9.7
2007	2.2	1.3	1.2	1.8	1.3	5.3	1.2	10.6
2008	2.1	1.5	1.2	1.8	1.1	5.1	1.3	10.1
2009	2.3	1.7	1.3	1.7	1.3	4.7	1.2	10.5
2010	2.0	1.5	1.1	1.7	1.2	4.7	1.1	9.6
2011	2.1	1.8	1.3	1.7	1.4	5.1	1.2	10.9
2012	2.0	1.8	1.2	1.7	1.4	5.1	1.2	10.4
2013	2.1	2.2	1.3	1.7	1.3	5.1	1.5	10.9
2014	2.4	2.0	1.4	1.9	1.4	5.3	1.4	11.8
2015	3.0	2.6	1.5	1.9	1.4	5.2	1.4	12.9
2016	3.6	3.2	1.8	2.0	1.3	5.3	1.4	14.6
2017	3.3	3.1	1.9	2.0	1.4	5.1	1.4	14.2
2018	3.6	2.8	1.8	1.9	1.3	5.0	1.3	14.0
Average	2.6	2.3	1.5	1.8	1.3	5.1	1.3	12

Panel B. Examples of proposal descriptions

Capital:

Approve Allocation of Income and Dividend
Authorize Share Repurchase Program
Approve Issuance of Equity or Equity-Linked Securities
Approve Dividends
Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights
Approve Issuance of Shares for a Private Placement

Operation:

Approve Transaction with a Related Party
Approve/Amend Loan Guarantee to Subsidiaries
Company Specific Organization Related
Approve Merger Agreement
Approve Sale of Company Assets

Disclosure:

Receive Financial Statements and Statutory Reports
Approve Financial Statements, Allocation of Income, and Discharge Directors
Accept Consolidated Financial Statements and Statutory Reports
Receive/Approve Report/Announcement

Compensation:

Approve Remuneration of Executive Directors
Approve Remuneration Policy
Approve Restricted Stock Plan
Approve Qualified Employee Stock Purchase
Approve Stock Option Plan

Constitution:

Amend Articles/Bylaws/Charter-Non-Routine
Amend Articles
Adopt New Articles of Association/Chartered
Amend Articles/Bylaws/Charter-Routine

Director/Auditor:

Elect Director
Elect Director (Cumulative Voting or More Nominees Than Board Seats)
Elect Supervisory Board Member
Elect Members of Audit Committee
Elect Directors (Bundled)

Board Structure:

Authorize Board to Ratify and Execute Appointment
Amend Articles Board-Related
Fix Number of Directors
Company Specific-Board-Related
Approve Increase in Size of Board

Table A2: Summary statistics of main variables

Panel A reports the summary statistics for the key variables employed in the tests conducted at the fund-firm pair level. *Dissent (Non-For votes)* is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *Dissent (Against votes)* is constructed in the same way, but using only Against votes. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. *CG Score* is the corporate governance score (rating) obtained from ASSET4. *%ISS For Recommendation* is the proportion of a firm’s proposals that ISS recommends to vote “For”. Panel B reports the summary statistics for the key variables employed in the tests conducted at the fund-proposal pair level, using the sub-sample containing proposal-level data from ISS Voting Analytics starting in 2013. At this level of analysis, *Dissent (Non-For votes)* is $Dissent_{f,i,t,p}$, which is the indicator variable equal to one if fund f casts a non-For vote on proposal p of firm i (voted on in year t). *Dissent (Against votes)* is constructed in the same way, but using only Against votes. *Close Proposal* indicates a proposal that passes or fails by a margin of no more than 5% of the total number of votes. *ISS For Recommendation* indicates whether ISS recommends shareholders to vote “For” with regards to proposal p . *%Aggregate For Votes* is the proportion of For votes to total votes cast by all shareholders on proposal p , constructed using aggregate vote outcomes data.

Panel A. Fund-firm level

Variable	Obs	Mean	P25	Median	P75	Std Dev
Dissent (Non-For votes)	1,868,749	0.114	0.000	0.000	0.167	0.205
Dissent (Against votes)	1,868,749	0.077	0.000	0.000	0.125	0.130
US Expansion	1,868,749	0.685	0.000	1.000	1.000	0.465
ADR	1,868,749	0.459	0.000	0.000	1.000	0.498
Size	1,868,749	22.655	21.245	22.540	23.964	1.998
Leverage	1,868,749	0.224	0.083	0.207	0.331	0.168
ROA	1,868,749	0.079	0.032	0.067	0.112	0.078
BTM	1,868,749	0.728	0.339	0.600	0.962	0.536
US Inst Holding	1,868,749	0.090	0.039	0.074	0.124	0.069
CG Score	1,376,603	0.561	0.387	0.588	0.745	0.227
%ISS For Recommendation	1,287,724	0.888	0.818	0.947	1	0.151

Panel B. Fund-proposal level

Variable	Obs	Mean	P25	Median	P75	Std Dev
Dissent (Non-For votes)	22,121,246	0.120	0	0	0	0.325
Dissent (Against votes)	22,121,246	0.082	0	0	0	0.275
Close Proposal	17,572,692	0.003	0	0	0	0.053
ISS For Recommendation	22,121,246	0.908	1	1	1	0.289
%Aggregate For Votes	18,315,135	0.963	0.962	0.990	0.998	0.071

Table A3: Alternative dissent voting construction

The unit of observation is a fund, firm, and year combination. In Column 1, the dependent variable is an alternative construction of $Dissent_{f,i,t}$, which is now constructed as the proportion of all proposals of firm i receiving a non-For vote by fund f in year t ; that is, the measure assumes that all proposals (not proposal categories) are equally important. In Column 2, the dependent variable is another alternative construction of $Dissent_{f,i,t}$, based on only Against votes but still assuming that proposal categories have equal representations (as in the original definition). *US Expansion* indicates whether a firm has established a US subsidiary in a given year. The following control variables are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. *CG Score* is the corporate governance score (rating) obtained from ASSET4. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)
Dep. Var. = Dissent	Non-For votes, all proposals pooled	Against votes, averaged by categories
US Expansion	0.005*** (3.24)	0.005*** (4.90)
ADR	-0.002* (-1.73)	0.002** (2.29)
Size	-0.002** (-2.02)	0.003*** (6.34)
Leverage	0.031*** (10.33)	0.023*** (11.56)
ROA	-0.027*** (-7.11)	-0.039*** (-15.33)
Book-to-Market	0.006*** (10.00)	0.004*** (8.85)
US Inst Holding	-0.038*** (-7.38)	-0.037*** (-11.19)
Fund-Firm FE	Y	Y
Fund-Year FE	Y	Y
Observations	1,868,749	1,868,749
Adj R-squared	0.56	0.39

Table A4: Alternative model specifications

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. *US Expansion: M&A* indicates whether a US expansion is achieved through the acquisition of an existing firm/subsidiary. *US Expansion: Incorporation* indicates whether a US expansion is achieved through the incorporation of a new subsidiary. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. Column 1 presents the model adding country-year fixed effects. Column 2 presents the model estimated on the subsample that excludes firms already expanded into the US before the start of the sample period (2003). Column 3 presents the model estimated by splitting the mode of expansions into M&A and incorporation of an existing firm/subsidiary. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Dep. Var. = Dissent	Adding country-year FE	Excluding pre-2003 expansions	Split by modes of expansions
US Expansion	0.003** (2.00)	0.003** (2.16)	
US Expansion: M&A			0.012*** (3.76)
US Expansion: Incorporation			0.012*** (5.00)
Wald test (p-value)			0.999
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Country-Year FE	Y	N	Y
Observations	1,868,724	956,939	1,868,749
Adj R-squared	0.56	0.52	0.53

Table A5: Alternative control variables

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. The following control variables are constructed for each firm at a one year lag. *Stock Return* is calculated as a firm's stock return relative to the median stock return of firms in the same country and industry in a given year. Only country–industry–year groups with at least 10 observations are included. *ROA* is net income adding back interest expense scaled by total assets. *%ISS For Recommendation* is the proportion of a firm's proposals that ISS recommends shareholder to vote in favor (to vote For). The following control variables are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Dep. Var. = Dissent				
US Expansion	0.004** (2.54)	0.005*** (3.39)	0.007*** (4.74)	0.013*** (9.10)
Stock Return	-0.001 (-1.27)	-0.001 (-1.27)	0.001 (1.53)	
ROA		-0.036*** (-10.20)	-0.019*** (-3.60)	
US Expansion × Stock Return			-0.003*** (-3.34)	
US Expansion × ROA			-0.026*** (-4.12)	
%ISS For Recommendation				-0.477*** (-279.86)
Firm-level control variables	Y	Y	Y	Y
Fund-Firm FE	Y	Y	Y	Y
Fund-Year FE	Y	Y	Y	Y
Observations	1,866,246	1,829,225	1,829,225	1,287,724
Adj. R-squared	0.53	0.53	0.53	0.67

Table A6: Types of funds

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissemit_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. $US\ Expansion$ indicates whether a firm has established a US subsidiary in a given year. $Index$ is equal to one if a fund is classified as index, and zero otherwise. ETF is the indicator for exchange traded funds, identified by the acronym ETF in the name. $Big-3$ is the indicator for Big-3 funds (BlackRock, Vanguard and SSGA). The following control variables are constructed for each firm at a one year lag. ROA is net income adding back interest expense scaled by total assets. The following control variables (not reported) are constructed for each firm at a one year lag. ROA is net income adding back interest expense scaled by total assets. BTM is book value of equity divided by market capitalization. $US\ Inst\ Holding$ is the natural logarithm of total assets. $Leverage$ is total debt divided by total assets. Columns 1 and 2 split up the sample into index and active funds, and Column 3 includes both. Columns 4 and 5 split up the sample into traditional mutual funds and exchange traded funds, and Column 6 includes both. Columns 7 and 8 split up the sample into Big-3 vs other funds, and Column 9 includes both. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. = Dissent	(1) Index funds (A)	(2) Active funds (B)	(3) Both (A) and (B)	(4) Trad. mutual funds (C)	(5) Exch. traded funds (D)	(6) Both (C) and (D)	(7) Big-3 funds (E)	(8) Non Big-3 funds (F)	(9) Both (E) and (F)
US Expansion	0.004 (1.59)	0.005* (1.76)	0.005** (1.99)	0.005*** (3.32)	0.010*** (2.73)	0.005*** (3.55)	0.007*** (4.13)	0.003 (1.03)	0.007*** (4.27)
US Expansion × Index			-0.002 (-0.54)						
US Expansion × ETF						0.003 (0.69)			
US Expansion × Big Three									-0.005* (-1.76)
Firm-level control variables	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fund-Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fund-Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Observations	516,675	537,867	1,054,542	1,599,673	269,076	1,868,749	1,458,935	409,814	1,868,749
Adj. R-squared	0.48	0.5	0.49	0.53	0.52	0.53	0.54	0.48	0.53

Table A7: Controlling for ownership of the voting fund

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. In Panel A, fund ownership is defined using one of the following three variables. *Fund Holding (%portfolio)* represents the value of fund f 's holding in firm i in year $t - 1$, scaled by fund f 's portfolio value in year $t - 1$. *Fund Holding (%TNA)* and *Fund Holding (%mkt cap)* scale this holding by fund f 's total net asset (TNA) and by firm i market capitalization in year $t - 1$. In Panel B, the variable *US Expansion* is split into two indicator variables conditional on pre-expansion fund holding. *US Expansion: High (Low) Fund Holding* is the indicator variable for whether (1) a firm has a US subsidiary in a given year, and (2) the fund's holding in the firm (as captured by one of the three holding measures above) in the year immediately before the expansion event is above (below) the median for all firms in the fund's portfolio. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *ROA* is net income adding back interest expense scaled by total assets. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Controlling for fund holding

	(1)	(2)	(3)
Dep. Var. = Dissent			
US Expansion	0.003* (1.66)	0.004* (1.96)	0.003 (1.63)
Fund Holding (%portfolio)	-0.166 (-1.47)		
Fund Holding (%TNA)		-0.090 (-0.99)	
Fund Holding (%of mkt cap)			-0.769*** (-5.18)
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	759,675	749,266	759,675
Adj R-squared	0.52	0.52	0.52

Panel B. Effect of US expansion conditional on pre-expansion fund holding

	(1)	(2)	(3)
Dep. Var. = Dissent	(1)	(2)	(3)
Fund holding measured as:	%of portfolio	%of TNA	%of mkt cap
US Expansion: High Fund Holding	-0.004 (-1.60)	-0.004 (-1.40)	0.001 (0.67)
US Expansion: Low Fund Holding	0.008*** (2.87)	0.009*** (3.00)	0.004 (1.55)
Wald test (p-value)	0.0011	0.0013	0.3375
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	367,144	366,776	367,128
Adj. R-squared	0.47	0.47	0.47

Table A8: Controlling for corporate governance scores in additional firm-level tests

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. $US\ Expansion$ indicates whether a firm has established a US subsidiary in a given year. $CG\ Score$ is the corporate governance score (rating) obtained from ASSET4. Panel A estimates an instrumental variable regression, with Columns 1 and 2 providing the estimates for the first and second stage, respectively. The instrument is a set of indicator variables ($\tau_{i,t}^q$), each of which takes the value of one if the tariff rates imposed by the US on firm i 's product in year t is in the q^{th} quartile of its distribution and zero otherwise. Panel B re-estimates the baseline model adding the interaction between $US\ Expansion$ and firm performance. Panel C estimates the baseline model for individual proposal categories. The following control variables (not reported) are constructed for each firm at a one year lag. ADR indicates whether a firm is cross-listed in the US. ROA is net income adding back interest expense scaled by total assets. $Size$ is the natural logarithm of total assets. $Leverage$ is total debt divided by total assets. BTM is book value of equity divided by market capitalization. $US\ Inst\ Holding$ is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Instrument variable regression		
Dep. Var. =	(1) US Expansion	(2) Dissent
US Expansion		0.586*** (3.16)
$\tau_{i,t}^3$	-0.007*** (-8.41)	
$\tau_{i,t}^4$	-0.002*** (-2.99)	
CG Score	-0.001 (-0.65)	-0.025*** (-9.59)
Firm-level control variables	Y	Y
Fund-Firm FE	Y	Y
Fund-Year FE	Y	Y
Observations	512,036	512,036

Panel B. Interacting with firm performance		
Dep. Var. = Dissent	(1)	(2)
Performance =	ROA	Adjusted ROA
US Expansion	0.007*** (3.73)	0.005*** (2.83)
Performance	-0.023*** (-3.29)	-0.048*** (-6.10)
US Expansion \times Performance	-0.026*** (-3.29)	-0.019** (-2.12)
CG Score	-0.000*** (-8.50)	-0.000*** (-8.44)
Firm-level control variables	Y	Y
Fund-Firm FE	Y	Y
Fund-Year FE	Y	Y
Observations	1,374,085	1,374,085
Adj-R2	0.53	0.53

Panel C. Results split by proposal categories

Dep. Var. = Dissent Agenda Type =	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Capital	Operations	Disclosure	Compen- sation	Constitution	New director election	Director/Auditor re-election	Auditor ap- pointment	Board structure
US Expansion	0.013*** (5.57)	0.028*** (4.12)	-0.006** (-2.11)	0.018*** (5.75)	0.005 (0.88)	0.008** (2.06)	-0.012*** (-3.17)	-0.012** (-2.12)	-0.030*** (-3.61)
CG Score	-0.003* (-1.74)	-0.015** (-2.05)	-0.007*** (-3.44)	-0.028*** (-10.67)	-0.014*** (-3.31)	-0.013*** (-4.69)	-0.017*** (-7.23)	-0.012*** (-3.32)	0.006 (0.84)
Firm-level control variables	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fund-Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fund-Year FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Observations	1,097,479	171,005	767,615	1,010,202	459,732	649,987	805,516	567,397	212,225
Adj-R2	0.59	0.41	0.58	0.43	0.49	0.49	0.54	0.39	0.39
Mean of dep. var.	0.09	0.11	0.06	0.11	0.14	0.08	0.10	0.10	0.13

Table A9: Accounting for pre-expansion firm characteristics

Panel A reports summary statistics of firm characteristics measured immediately before an expansion event. The sample here consists of firms that expand into the US within the sample period and for which dissent voting can be measured both before and after the expansion event. $\Delta Dissent$ is the difference between the average of $Dissent_{i,t}$ over the period of (up to) three years after the firm's US expansion event and the average over (up to) three years before the expansion event. $Dissent_{i,t}$ is the firm-level average (across all funds) of the main outcome variable $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. The sample firms are partitioned according to whether $\Delta Dissent$ is positive or negative. Columns 1 and 3 report the means and medians of the firm-level characteristics described below, measured in the year before the expansion event, for firms with $\Delta Dissent \geq 0$. Columns 2 and 4 report the same statistics for firms with $\Delta Dissent < 0$. Column 5 reports the p-values obtained from comparing the means of the two groups using the two-sample t-test, and Column 6 reports the p-value obtained from comparing the medians using the Wilcoxon rank-sum test. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. *CG Score* is the corporate governance score (rating) obtained from ASSET4. In Panel B, the unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. In Panel A, Columns 1 to 3 exclude 1, 2, and 3 years prior to the expansion year, respectively. The standard errors are clustered at the fund-firm level, and the t -statistics are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

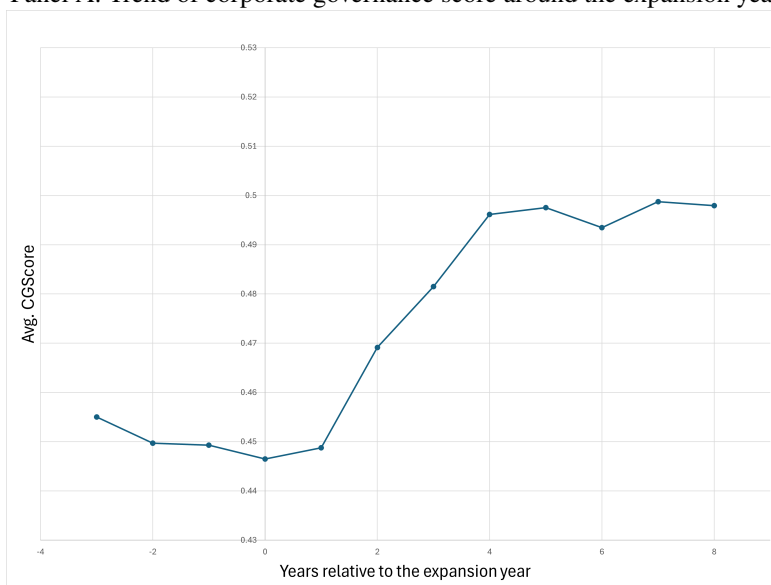
Panel A. Pre-expansion firm characteristics classified by change in dissent voting						
	(1)	(2)	(3)	(4)	(5)	(6)
	Mean		Median		p-value	
$\Delta Dissent =$	Positive	Negative	Positive	Negative	Mean	Median
No. of obs	582	479	582	479		
ADR	0.140	0.147	0.000	0.000	0.740	0.740
Size	20.841	20.895	20.643	20.636	0.635	0.856
Leverage	0.218	0.208	0.194	0.184	0.442	0.473
ROA	0.080	0.083	0.071	0.072	0.543	0.571
BTM	0.745	0.775	0.574	0.572	0.482	0.811
US Inst Holding	0.046	0.050	0.027	0.035	0.216	0.007
CG Score	0.453	0.473	0.448	0.474	0.403	0.397

Panel B. Regression analysis excluding years prior to the expansion year			
Dep. Var. = Dissent	(1)	(2)	(3)
Excluding n years prior to expansion year:	$n = 1$ year	$n = 2$ years	$n = 3$ years
US Expansion	0.004** (2.24)	0.007*** (2.74)	0.006* (1.84)
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	1,849,237	1,836,341	1,827,209
Adj-R2	0.53	0.53	0.53

Table A10: Changes in governance and ISS recommendations around US expansion

Panel A presents a graph showing the trend in firm-level corporate governance around a US expansion. The sample comprises firms that expand into the US during the sample period. The y-axis is the average of *CG Score* (the corporate governance score (rating) obtained from ASSET4) and the x-axis indicates years relative to the expansion year. Panel B presents a regression analysis on ISS recommendations. The unit of observation is a single proposal. The dependent variable is *ISS For Recommendation*, which equals one if ISS issues a For recommendation on the focal proposal, and zero otherwise. *US Expansion* is a dummy variable equal to one if a firm has a US subsidiary in a given year and zero otherwise. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the firm-year level, and the associated *t*-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Trend of corporate governance score around the expansion year



Panel B. Variations in ISS recommendations in response to a US expansion

	(1)	(2)	(3)	(4)
Dep. Var. = ISS For Recommendation				
US Expansion	-0.002 (-0.21)	-0.002 (-0.31)	0.002 (0.23)	-0.003 (-0.49)
Firm-level control variables	Y	Y	Y	Y
Firm FE	Y	Y	Y	N
Year FE	Y	Y	N	N
Proposal category FE	N	Y	N	N
Firm-proposal category FE	N	N	N	Y
Proposal category-year FE	N	N	Y	Y
Observations	1,002,177	1,002,177	1,002,177	994,367

Table A11: Expansions by portfolio firms into other (non-US) countries

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *ROA* is net income adding back interest expense scaled by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are clustered at the fund-firm level, and t -statistics are reported in parentheses. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)
Dep. Var. = Dissent					
US Expansion	0.006*** (4.05)	0.006*** (4.34)	0.005*** (3.44)	0.005*** (3.61)	0.006*** (4.06)
UK Expansion	0.000 (0.23)				
Europe Expansion		-0.002*** (-7.08)			
Japan Expansion			-0.003 (-1.64)		
Mexico Expansion				0.001 (0.85)	
Canada Expansion					0.012*** (8.50)
Firm-level control	Y	Y	Y	Y	Y
Fund-Firm FE	Y	Y	Y	Y	Y
Fund-Year FE	Y	Y	Y	Y	Y
Observations	1,661,131	1,334,198	1,375,247	1,857,457	1,781,020
Adj R-squared	0.53	0.48	0.54	0.53	0.53

Table A12: Alternative explanations: Saliency, industry exposure, and home bias

The unit of observation is a fund, firm, and year combination. The dependent variable is $Dissent_{f,i,t}$, which captures the probability of fund f casting a non-For vote on a proposal of firm i in year t , assuming that different proposal categories have equal representations. *US Expansion* indicates whether a firm has established a US subsidiary in a given year. In Column 1, *US Expansion: Large (Small) Market Cap* is equal to one if firm i has a US subsidiary in year t and its market capitalization in the pre-expansion year is greater (lower) than the median of all firms within the same fund portfolio in the same year. In Column 2, *US Expansion: High (Low) Same Industry Exposure* is equal to one if firm i has a US subsidiary in year t and belongs to an industry for which fund f holds relatively high (low) domestic exposure in the year before the firm's US expansion. For each fund f , the home-country industry exposure is constructed by computing the proportion of investments in US firms within the same 2-digit SIC industry as firm i , relative to the total investments in that industry by the fund's family, minus the proportion of the total market capitalization of US firms in that industry relative to the market capitalization of all US firms. By construction, firms that expanded into the US prior to the sample period are excluded in Columns 1 and 2. In Column 3, *Fund US non-For Votes %* is the proportion of non-For votes cast in US firms by the fund family of fund f in a given year. The following control variables (not reported) are constructed for each firm at a one year lag. *ADR* indicates whether a firm is cross-listed in the US. *ROA* is net income adding back interest expense scaled by total assets. *Size* is the natural logarithm of total assets. *Leverage* is total debt divided by total assets. *BTM* is book value of equity divided by market capitalization. *US Inst Holding* is the percentage equity ownership held by US institutional investors. The standard errors are corrected for clustering of observations at the fund-firm level, and the associated t -statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Dep. Var. = Dissent			
US Expansion: Large Market Cap	0.004** (2.18)		
US Expansion: Small Market Cap	0.004* (1.79)		
US Expansion: High Same Industry Exposure		0.004* (1.69)	
US Expansion: Low Same Industry Exposure		0.010*** (4.89)	
US Expansion			0.007*** (3.77)
US Expansion \times Fund US non-For Votes %			-0.012 (-1.05)
Wald test (p-value)	0.748	0.012	NA
Firm-level control variables	Y	Y	Y
Fund-Firm FE	Y	Y	Y
Fund-Year FE	Y	Y	Y
Observations	699,595	664,693	1,733,455
Adj R-squared	0.51	0.51	0.53