

Say on corporate donations: Evidence from the UK

Abstract

This paper conducts a historical analysis of political and charitable donations made by publicly listed firms in the UK since 1967, and it explores the factors influencing shareholder votes on political contributions. Our findings indicate that regulatory measures have tightened for political donations while becoming more relaxed for charitable donations. Despite their low but increasing levels, political donations have shown a positive correlation with firm performance. We argue that the introduction of shareholder voting on political donations was unnecessary. This measure led to a significant reduction in political donations, which subsequently became negatively correlated with performance. It also imposed unnecessary costs and drove donations from public firms to individuals and private entities, thus decreasing transparency. Additionally, we find that shareholder voting is influenced not only by political but also by charitable donations. We propose reversing of the 2014 removal of the requirement for the disclosure of charitable donations and recommend implementing shareholder approval for such donations.

Keywords: corporate giving, political donations, charitable donations, shareholder voting, governance regulations

1. Introduction

Corporate funding of political parties has long been a contentious issue. Public distrust stems from the belief that corporations and the individuals behind them use company funds to influence political parties. This concern is shared by shareholders, as corporate funds used for political purposes may diverge from their own interests. For example, political contributions might reflect the personal political beliefs of managers rather than the objectives of the company, and shareholders may oppose the company's donations to specific political parties. Furthermore, managers might engage in political spending to further their own personal goals, such as enhancing their reputation or advancing their careers (Acker et al., 2018). To address such agency concerns, providing shareholders with information and a say in political spending decisions could be beneficial (Bebchuk and Jackson, 2013).

In this paper, we study donations made by publicly listed firms in the UK from 1967 to 2021. This investigation spans key regulatory milestones such as the mandatory disclosure requirement for political and charitable donations introduced in 1967 and the shareholder approval requirement for political donations and expenditures from 2001. Additionally, we discuss the implications of the 2014 removal of the mandatory disclosure requirement for charitable donations. We analyse how these regulatory changes in disclosure affected corporate giving. While these regulatory changes, coupled with advancements in internet accessibility, increased the availability of information on political spending, centralised data collection for pre-2000 period was lacking. To our knowledge, we are the first to manually compile this data from annual reports of FT30 firms from 1967 to 2005.

The UK context offers a unique setting as it is the only country except Ireland where shareholder voting on political donations is required by law (Browne, 2023). This means firms are required to put a resolution to shareholders' approval at the annual general meeting as a management-sponsored resolution. The 2010 US Supreme Court decision in *Citizens United*

vs Federal Election Commission, which upheld corporations' right to use corporate funds to support political candidates under the First Amendment, ignited a debate about the role of shareholders in such decisions. Currently, there is no clear mandate in the US for seeking shareholder approval. There are only activist shareholder-sponsored resolutions voted by company shareholders (Hoepner and Lin, 2022) but they are different from management-sponsored ones, especially in being precatory rather than binding (Kind and Poltera, 2017). There is some disclosure requirement in Japan (Misawa, 2008) and Australia (Tello et al., 2019), while political donations by corporations are banned altogether in Canada (Garnett et al., 2022) and Brazil (Aparicio, 2022), among others. Advocates for greater transparency and shareholder involvement point to the regulatory framework in the UK (Torres-Spelliscy and Fogel, 2011). However, the ongoing debate lacks empirical grounding (Bebchuk and Jackson, 2013). Our paper addresses this gap in the literature by providing comprehensive evidence on the impact of these disclosure and voting regulations.

Compared to voting on other corporate matters such as director pay (Conyon and Sadler, 2010) and elections (Ertimur et al., 2018), and M&As (Tokbolat, et al. 2019), voting on political donation is relatively less explored. While there is descriptive evidence on the amount of political donations and outcomes of shareholder votes based on the UK data from around the 2001 mandatory voting regulations (Torres-Spelliscy and Fogel, 2011), no study has systematically explored the relationship between the two. It is important to empirically investigate whether voting allows shareholders to independently oversee and approve political spending decisions, i.e. if it is informed and effective. We add to the limited findings in the US context (Hoepner and Lin, 2022).

Previous research has mainly focused on the determinants of corporate donations and their impact on firm performance. Studies have found a negative correlation between political spending and performance, indicating that such expenditures may align more with the

managers' interests than with those of the shareholders (Aggarwal et al., 2012; Liang and Renneboog, 2017). Such concerns may also exist regarding donations to charitable causes as evidenced by US based studies (Masulis and Reza, 2015). However, Liang and Renneboog (2017) find a positive impact of charitable donations on performance using a sample of firms from around the world. Our paper addresses these inconclusive findings using data over a significantly longer term than in previous studies.

We find that 1967 regulations increased transparency in both political and charitable donations. However, they have become more stringent for political donations while becoming more lenient for charitable contributions. Despite the low but increasing levels of political donations, they correlated with firm performance positively. Given such evidence, we argue that there was no need to introduce regulations in 2001 that required shareholder voting. Political donations significantly declined after this and became negatively correlated with performance. Although votes are found to be determined by political donations, the effectiveness of voting is questionable when donation levels are minimal and shareholder dissent is rare. Many firms reported ambiguity in the 2001 regulations regarding what constitutes a donation or expenditure, leading them to seek shareholder approval only as a precaution. We argue that these regulations failed to achieve their intended transparency, instead creating unnecessary costs and driving political donations to individuals and private entities, reducing transparency.

We also find a positive correlation between shareholder dissent on political donation resolutions and the level of charitable donations, despite charitable donations being positively linked to corporate performance. This relationship may indicate that shareholders use their votes on political donations to express their views on charitable donations. Unlike political donations, charitable donation levels have historically been high and remain so. However, changes to the original 1967 disclosure regulations were introduced only in 2014 where the requirement for mandatory disclosure of charitable donations was relaxed. It was observed that

firms disclosed less information on their charitable activities and experienced increased agency conflicts. However, firms with strong corporate governance mechanisms showed a less significant decline in disclosure (Cohen, 2018). Given these findings and the ones in our paper, we suggest that more disclosure and approval regulations should be considered for charitable donations.

2. Data and Findings

2.1. Institutional background and the case for more disclosure

Historically, there were significant concerns regarding the absence of regulation and transparency in corporate political donations (Fisher, 2000). The Companies Act of 1967 mandated disclosure of charitable donations and political expenditures exceeding £50 in annual reports. Subsequent revisions saw the disclosure threshold for political donations rise to £200 in 1980. By the year 2000, amendments to the Companies Act required detailed reporting of political expenditures exceeding £200 (raised to £2,000 in 2007) and mandated shareholder approval at annual general meetings for donations or expenditures exceeding £5,000. Additionally, political parties were obligated to disclose their donors' sources to the public through the Electoral Commission.

2.2. Political and charitable donations during 1967-2005

Our sample begins with companies that were founding members of the FT30 index as of 1st July 1935 and includes companies that joined the index before 2002. We maintain companies in our sample even if they subsequently leave the index, until they are acquired or cease to exist. The first recorded donations data appear in the annual report of Tate and Tyle Limited for the fiscal year ending on 30th September 1967, in accordance with mandatory disclosure regulations.

Table 1 illustrates the distribution of donations over time periods. There are 1,276 and 1,495 individual political and charitable donations made by 67 and 68 unique firms over the entire period, respectively. There is a substantial increase in donation levels between 1967 and 2000. However, following the implementation of shareholder approval for political donations in 2001, the average amount of political donations or expenditures decreases, while average charitable donations more than double. This trend may suggest that the heightened scrutiny resulting from shareholder approval significantly impacts political contributions, whereas charitable donations, which do not require such approval, continue to rise.

Table 1. Distribution of donations by FT30 firms in 1967-2005

Panel A. Political donations by periods						
<i>Periods</i>	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
1967-1969	25	54	5,188	2,128	38,433	280,169
1970-1979	50	315	7,169	2,500	62,000	2,258,374
1980-1989	53	373	17,282	0	386,000	6,446,365
1990-1999	43	359	11,840	0	115,000	4,250,454
2000-2005	36	175	9,434	0	500,000	1,650,959
Total	67	1,276	11,666	0	500,000	14,886,321
Panel B. Charitable donations by periods						
<i>Periods</i>	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
1967-1969	29	70	43,565	31,991	178,000	3,049,551
1970-1979	53	372	135,575	49,862	4,031,000	50,433,732
1980-1989	58	438	427,381	171,390	7,900,000	187,192,938
1990-1999	51	425	1,660,097	728,959	21,700,000	705,541,274
2000-2005	37	190	4,740,645	1,200,000	68,472,929	900,722,509
Total	68	1,495	1,235,411	199,000	68,472,929	1,846,940,004

Notes: This table provides descriptive statistics for the donations by FT30 firms between 1967 and 2005. Panel A focuses on political contributions, whereas Panel B details charitable donations. *Firms* denotes the number of unique companies making donations, with some companies donating to multiple recipients in the same year. *Donations* refers to the total number of individual donations made.

Table 2 provides data on political donations, categorised by their recipients and time periods. From 1967 to 1979, the majority of funds were directed to the British United Industrialists, followed by the Conservative Party, the Economic League, and Aims of Industry. According to Fisher (1994), British United Industrialists was established in 1960 as a private company to raise funds in support of free enterprise campaigns. In practice, however, about 80% of its income was channelled to the Conservative Party, acting as a discreet conduit for companies wishing to secretly donate to the party. Mustchin (2019) describes the Economic League and

Aims of Industry, which was known as Aims for Freedom and Enterprise between 1975 and 1978, as right-wing pressure groups closely associated with corporate interests and the Conservative Party, which portrayed trade unions as overly powerful and actively shaped anti-union policies and legislation.

Beginning in the 1980s, the majority of donations were directed straight to the Conservative Party. The Centre for Policy Studies, an independent think tank established by Keith Joseph and Margaret Thatcher to champion free-market economic policies grounded in conservative values, also became a major beneficiary of political contributions. In the 1990s, the Labour Party emerged as a major recipient of donations. However, from 2000 to 2005, there was a significant decline in the number of firms donating, with 36 firms reporting zero donations. Only a few firms continued to support the Labour and Conservative parties, U.S. political entities, and pro-European initiatives such as the European Movement and Britain in Europe.

Table 2. Political donation recipients from FT30 firms in 1967-2005

Panel A. Political donations by recipients for the full sample						
1967-2005	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
Conservative Party	38	278	30,559	25,000	110,000	8,495,436
British United Industrialists	14	154	12,218	7,500	70,000	1,881,600
Centre for Policy Studies	14	112	4,695	3,500	19,000	525,850
Economic League	23	172	2,328	1,588	7,600	400,370
US Donations	5	7	45,354	19,822	220,100	317,476
Pro-European Donations	8	13	23,577	25,000	50,000	306,500
Labour Party	8	15	11,549	9,956	24,500	173,234
Aims of Industry	15	59	1,720	1,000	12,500	101,506
Liberal Democratic Party	9	18	5,565	5,000	25,000	100,161
Aims for Freedom and Enterprise	7	26	1,814	1,000	12,500	47,166
Zero Donations	57	737	0	0	0	0
Total	68	1,745	8,531	500	500,000	14,886,321
Panel B. Political donations by recipients and periods						
1967-1969	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
British United Industrialists	11	24	6,635	5,500	15,000	159,250
Conservative Party	10	14	5,553	1,000	34,651	77,743
Economic League	13	25	782	750	1,975	19,555
Aims of Industry	9	14	647	253	2,500	9,056
Zero Donations	5	9	0	0	0	0
Total	25	114	2,458	686	34,651	280,169
1970-1979	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
British United Industrialists	14	88	10,217	7,500	50,000	899,100
Conservative Party	18	65	12,475	12,000	50,000	810,905
Economic League	19	96	1,942	1,500	7,400	186,401
Aims of Industry	9	25	1,718	500	12,500	42,950
Zero Donations	24	106	0	0	0	0
Total	50	509	4437	1000	61,000	2,258,374
1980-1989	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
Conservative Party	23	119	31,696	27,250	110,000	3,771,864
British United Industrialists	10	40	19,706	10,000	70,000	788,250
Centre for Policy Studies	8	52	4,637	4,000	15,000	241,100
Economic League	10	50	3,736	3,250	7,600	186,814
Zero Donations	35	196	0	0	0	0
Total	53	525	12,279	2,000	386,000	6,446,365
1990-1999	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
Conservative Party	18	71	53,234	50,000	110,000	3,779,605
Centre for Policy Studies	6	26	9,558	8,750	19,000	248,500
Labour Party	3	4	14,875	13,750	24,500	59,500
British United Industrialists	2	2	17,500	17,500	25,000	35,000
Zero Donations	42	275	0	0	0	0
Total	43	391	10,871	0	110,000	4,250,454
2000-2005	<i>Firms</i>	<i>Donations</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Total</i>
US Donations	4	5	58,445	22,000	220,100	292,227
Pro-European Donations	2	7	35,714	25,000	50,000	250,000
Labour Party	5	11	10,340	9,956	17,710	113,734
Conservative Party	4	9	6,147	5,502	10,867	55,319
Zero Donations	36	151	0	0	0	0
Total	36	206	8,014	0	500,000	1,650,959

Notes: This table presents data on political donations by FT30 firms, categorised by the recipients. Panel A includes the entire sample from 1967 to 2005, detailing donations made to the top ten recipients, as well as the number of zero donations and the total donations. Panel B breaks down the data into specific periods, highlighting the top four recipients, along with the number of zero and the total donations. *Firms* denotes the number of unique companies making donations, with some companies donating to multiple recipients in the same year. *Donations* refers to the total number of individual donations made.

2.3. Corporate donations and firm performance

Following previous studies, we use return on assets and Tobin's Q as measures firm performance (Liang and Renneboog, 2017). Table 3 presents regression findings that indicate a positive correlation between both *ROA* and *Tobin's Q* with political and charitable donations, suggesting these contributions could potentially improve performance. Given this positive association, transparency of donations data, and the relatively low levels of political donations, we argue that there was no necessity to introduce additional regulations requiring shareholder approval through voting. As observed in Tables 2 and 4, many public firms ceased making donations yet continue to seek shareholder votes on resolutions. Furthermore, political contributions have become less transparent, mainly originating from individuals and private firms.

Table 3. Firm performance and donations by FT30 firms in 1967-2005

	<i>ROA</i>			<i>Tobin's Q</i>		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Political</i>	0.528*			8.850***		
	(0.274)			(2.848)		
<i>Charitable</i>		0.023**			0.356**	
		(0.010)			(0.154)	
<i>Total_Donations</i>			0.023*			0.392**
			(0.012)			(0.187)
<i>Firm_Size</i>	-0.008	-0.001	-0.009	-0.118	-0.081	-0.130
	(0.012)	(0.010)	(0.013)	(0.221)	(0.172)	(0.228)
<i>Liquidity</i>	0.111***	0.074**	0.097**	1.027	0.747	0.853
	(0.039)	(0.037)	(0.040)	(0.647)	(0.616)	(0.668)
<i>Leverage</i>	-0.004	-0.012	-0.006	1.117*	0.927	1.121*
	(0.038)	(0.039)	(0.038)	(0.614)	(0.581)	(0.610)
<i>Observations</i>	663	775	657	663	775	657
<i>R squared</i>	0.147	0.096	0.145	0.192	0.174	0.191

Notes: The dependent variables in regressions 1-3 and 4-6 are *ROA* and *Tobin's Q*, respectively. Variable definitions are detailed in Appendix A. Year dummy variables are included in all models but are not reported. Marginal effects are reported. Standard errors, which are robust and clustered at the firm level, are shown in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

2.4. Shareholder voting and firm donations

Table 4 presents the annual distribution of donations data from FTSE350 firms between 2002 and 2021. Data on political and charitable donations were manually extracted from annual reports and cross-verified with Refinitiv. Voting results were gathered manually from the Regulatory News Service (RNS) and company websites. Voting outcomes before 1st October 2007, are available for most firms, while from that date onward, companies were mandated to publish voting outcomes on their websites, with more detailed disclosure requirements introduced on August 3, 2009 (refer to Section 341 of the Companies Act 2006). It is noteworthy that nearly all companies provide a comprehensive breakdown of their voting outcomes post-annual meetings.

Table 4. Annual distribution of donations by FTSE350 firms in 2002-2021

<i>Years</i>	<i>Political donations in £ (n=2,094)</i>		<i>Charitable donations in £(n=1,920)</i>	
	<i>Mean</i>	<i>Total</i>	<i>Median</i>	<i>Mean</i>
2002	6,860	391,043	470,000	6,923,058
2003	7,094	439,814	376,979	9,327,493
2004	16,602	1,112,313	346,212	3,059,206
2005	12,689	1,078,560	412,660	10,494,835
2006	11,783	1,025,155	266,433	8,417,503
2007	11,464	1,192,245	245,381	7,364,066
2008	16,657	1,066,044	469,000	5,255,277
2009	11,391	899,887	302,232	4,978,318
2010	13,357	1,148,669	354,491	3,792,056
2011	11,083	986,376	500,000	5,172,748
2012	13,606	1,333,362	329,500	6,139,222
2013	8,572	840,057	702,000	7,885,595
2014	8,795	993,824	582,012	6,906,288
2015	5,468	667,118	587,439	5,025,682
2016	5,802	771,702	562,125	7,035,362
2017	3,613	516,727	410,000	8,908,550
2018	5,618	808,959	520,000	8,995,703
2019	5,667	929,338	513,304	7,684,500
2020	4,128	631,620	760,000	10,614,321
2021	5,562	811,980	806,069	6,705,723
<i>Sample</i>	<i>8,426</i>	<i>17,644,793</i>	<i>482,437</i>	<i>7,177,447</i>

Notes: This table shows the annual distribution of data on political and charitable donations. It includes both the mean and total values for political donations, and the median and mean values for charitable donations.

Table 5 presents the results of univariate analysis. It shows significant differences in firm characteristics between firms that experience higher versus lower levels of dissent in voting. Firms that make political contributions tend to receive significantly higher average dissent votes. *Dissent_Vote* is measured as the ratio of votes cast against and total number of votes cast on a resolution. The average dissent level is 2.7%, and there were no resolutions rejected by shareholders. The highest dissent level for a resolution reached 49%, which falls short of the majority required (over 50%) to reject a resolution. However, there are instances where dissent levels reach 10%, 20%, and even 30%. Even dissent votes as low as 5% or 10% can signify a significant protest, particularly considering the expressive impact of voting on donations.

Table 5. Descriptive statistics

Panel A. Average values of variables by dissent level						
	<i>Sample</i>	<i>High_Dissent</i>	<i>Low_Dissent</i>	<i>Difference</i>		
<i>Dissent_Vote</i>	0.027	0.047	0.007	0.040***		
<i>Political (in £)</i>	8,514	13,834	3,289	10,545***		
<i>Charitable (in £000s)</i>	7,177	10,238	4,111	6,127***		
<i>Political_Dummy</i>	0.147	0.185	0.110	0.074***		
<i>Charitable_Dummy</i>	0.346	0.420	0.272	0.148***		
<i>ROA</i>	0.043	0.036	0.049	-0.013***		
<i>Tobin's q</i>	1.779	1.628	1.928	-0.300***		
<i>Firm_Size</i>	14.62	14.85	14.39	0.46***		
<i>Liquidity</i>	0.122	0.110	0.134	-0.024***		
<i>Leverage</i>	0.257	0.255	0.258	-0.003		
Panel B. Dissent vote by donations						
	<i>Political_Dummy</i>			<i>Charitable_Dummy</i>		
	<i>1</i>	<i>0</i>	<i>Difference</i>	<i>1</i>	<i>0</i>	<i>Difference</i>
<i>Dissent_Vote</i>	0.033	0.026	0.007***	0.030	0.025	0.005***

Notes: Panel A compares the means of variables for firms with high dissent (higher than median dissent) versus those with low dissent (lower than median dissent). Panel B examines the dissent votes of firms based on whether they make political donations or not, as well as those making charitable donations above or below the 75th percentile. Differences in means are tested using a two-tailed t-test. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

We use generalized linear probit model to explain *Dissent_Vote* due to the bounded nature of the variable (Papke and Wooldridge, 1996). The key independent variables of interest are the amounts of political and charitable donations. Table 6 presents the results of regressions with *Dissent_Vote* as the dependent variable and the ratio of donations measured as donations divided by total assets. We find that dissent is influenced by the level of political donations. Firms with higher political donations (*Political*), companies that make political contributions

compared to those that do not (*Political_Dummy*), and companies making charitable contributions above the 75th percentile (*Charitable_Dummy*) tend to receive higher levels of dissenting votes on resolutions related to political donations.

Table 6. Shareholder votes and corporate donations

	<i>Dissent_Vote</i>			<i>Dissent_Dummy</i>		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Political</i>	0.056*** (0.018)			2.910** (1.159)		
<i>Political_Dummy</i>		0.008* (0.004)			0.099** (0.039)	
<i>Charitable_Dummy</i>			0.004 (0.002)			0.062** (0.030)
<i>ROA</i>	-0.011 (0.015)	-0.011 (0.014)	-0.011 (0.014)	-0.129 (0.122)	-0.142 (0.117)	-0.145 (0.119)
<i>Tobin's Q</i>	-0.004** (0.002)	-0.005** (0.002)	-0.005*** (0.002)	-0.042*** (0.013)	-0.043*** (0.013)	-0.042*** (0.013)
<i>Firm_Size</i>	-0.006** (0.003)	-0.007*** (0.003)	-0.006** (0.003)	0.031** (0.013)	0.029** (0.013)	0.027** (0.013)
<i>Liquidity</i>	-0.018 (0.017)	-0.020 (0.016)	-0.021 (0.016)	-0.091 (0.120)	-0.045 (0.123)	-0.053 (0.123)
<i>Leverage</i>	-0.009 (0.017)	-0.007 (0.014)	-0.005 (0.015)	0.024 (0.081)	0.037 (0.077)	0.041 (0.077)
<i>Observations</i>	2,077	2,182	2,182	2,077	2,182	2,182

Notes: The dependent variables in regressions 1-3 and 4-6 are *Dissent_Vote* and *Dissent_Dummy*, respectively. The definitions of all variables are provided in Appendix A. Year dummies are included in all models but are not reported. Marginal effects are reported. Standard errors, which are robust and clustered at the firm level, are shown in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Interestingly, while the votes pertain to political donations, they are also influenced by charitable donations. Shareholder dissent increases with higher levels of charitable donations, despite these donations being linked to positive performance. This suggests that in the absence of oversight on charitable donations, shareholders may use their votes on political donations, viewing donations—whether political or charitable—as actions they could undertake themselves, rather than delegating to managers. Since both firm performance variables were influenced by donation variables and firm controls, we conducted a two-stage regression analysis. Initially, we regressed both *ROA* and *Tobin's Q* against all independent variables listed in Table 6, using the residuals from these regressions as independent variables in Table 7. The results remained consistent.

Table 7. Shareholder votes and corporate donations: two-stage regression

	<i>Dissent_Vote</i>			<i>Dissent_Dummy</i>		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Political</i>	0.178*** (0.031)			3.601 (2.227)		
<i>Political_Dummy</i>		0.012** (0.006)			0.102** (0.049)	
<i>Charitable_Dummy</i>			0.005* (0.003)			0.113*** (0.038)
<i>ROA_Residual</i>	-0.031 (0.099)	-0.014 (0.124)	-0.386*** (0.147)	-0.968 (1.247)	-1.085 (1.085)	-1.224 (1.617)
<i>Tobin's Q_Residual</i>	0.008 (0.011)	0.004 (0.012)	0.035** (0.014)	0.170 (0.144)	0.164 (0.131)	0.203 (0.178)
<i>Firm_Size</i>	-0.010*** (0.003)	-0.010*** (0.003)	-0.009*** (0.003)	0.013 (0.024)	0.014 (0.024)	0.002 (0.026)
<i>Liquidity</i>	-0.018 (0.019)	-0.021 (0.019)	-0.022 (0.019)	-0.209 (0.158)	-0.168 (0.158)	-0.035 (0.165)
<i>Leverage</i>	-0.006 (0.013)	-0.003 (0.013)	-0.030 (0.020)	-0.027 (0.129)	-0.006 (0.122)	-0.033 (0.152)
<i>Observations</i>	1,658	1,681	1,550	1,658	1,681	1,550

Notes: The dependent variables in regressions 1-3 and 4-6 are *Dissent_Vote* and *Dissent_Dummy*, respectively. Variable definitions are presented in Appendix A. Year dummies are included in all models but not reported. Marginal effects are reported. Standard errors, which are robust and clustered at firm level, are in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1%, respectively.

One would expect shareholders to voice their concerns especially if donations are detrimental to shareholder value. Results from Table 8, using the same regression models as Table 3 but focusing on FTSE350 firms over a period where voting is mandatory. Here, political donations show a significantly negative association with performance, with coefficients significant at the 1% level, while charitable donations exhibit significance at the 10% level, indicating positive returns on assets for charitable contributions but negative impacts from political contributions. The impact of political donations in this period is in contrast to the findings from 1967-2005. There are two important things to note. First, although these regressions are based on two different samples, political donations have a positive and negative impact for periods 1967-2005 and 2002-2021, respectively. This is potentially because firms are no longer able to use political donations for their performance enhancement due to the strict regulatory requirements. Hence, in the post-2001 period, those choosing to still donate and ask for shareholder voting approval experience worse return on assets the more they donate. Second, charitable donations

have been good for performance over the entire period and for both samples. This is consistent with value enhancement theory of corporate philanthropy. Despite this, assuming that voting on political donations is utilised as a way to express their opinion, shareholders dissent more the more donations given to charities.

Table 8. Firm performance and donations by FTSE350 firms in 2002-2021

	ROA			Tobin's Q		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Political</i>	-0.788*** (0.164)			-0.197 (2.217)		
<i>Charitable</i>		0.004* (0.002)			0.000 (0.016)	
<i>Total_Donations</i>			0.003* (0.002)			0.002 (0.016)
<i>Firm_Size</i>	0.030*** (0.007)	0.029*** (0.008)	0.030*** (0.008)	0.284*** (0.052)	0.280*** (0.056)	0.286*** (0.059)
<i>Liquidity</i>	0.068** (0.034)	0.065* (0.034)	0.070** (0.035)	1.006*** (0.387)	0.863** (0.412)	0.879** (0.420)
<i>Leverage</i>	-0.004 (0.038)	0.007 (0.043)	-0.011 (0.042)	0.759** (0.359)	0.855** (0.363)	0.830** (0.411)
<i>Observations</i>	1,681	1,550	1,470	1,681	1,550	1,470
<i>R squared</i>	0.100	0.086	0.090	0.146	0.142	0.141

Notes: The dependent variables in regressions 1-3 and 4-6 are ROA and Tobin's Q, respectively. Variable definitions are detailed in Appendix A. Year dummy variables are included in all models but are not reported. Marginal effects are reported. Standard errors, which are robust and clustered at the firm level, are shown in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

3. Conclusion

Overall, our findings indicate that disclosure requirement of donations have contributed to the transparency of donations and that both political and charitable donations were good for firm value. However, regulatory changes of 2001 mandating shareholder approval of political donations and of 2014 easing of disclosure of charitable donations raised some concerns with implications for shareholders, firms, charities, and policymakers. We suggest that voting on political donations requirement was excessive, potentially leading to more costs than benefits. Perhaps, regulations prohibiting political donations by companies could have been less costly and effective as it is done in other countries such as Brazil (Aparicio, 2022).

If shareholders indeed use voting on political donations as a way to express their opinion on charitable donations, as observed in our study, it would be interesting to see how shareholders would vote on charitable donations which have always been significantly larger and continued to increase. This is also motivated by the fact that firms no longer have to disclose charitable donations data on their annual reports from 2014. If this led to less information on charitable donations and increased agency conflicts, especially in firms with weak corporate governance (Cohen, 2018), one would argue that giving shareholders a say on charitable spending would be appropriate. These are interesting areas for future research.

Appendix A. Definition of variables

Variables	Definition
<i>Political</i>	Political donations divided by total assets.
<i>Charitable</i>	Charitable donations divided by total assets.
<i>Total_Donations</i>	Total political and charitable donations divided by total assets.
<i>Political_Dummy</i>	Dummy variable equal to 1 if a firm makes a political donation, and 0 if the firm makes no political donations.
<i>Charitable_Dummy</i>	Dummy variable equal to 1 if charitable donations are higher than the 75 th percentile of charitable donations in the sample, 0 otherwise.
<i>Dissent_Vote</i>	Number of votes cast against divided by the total votes cast.
<i>Dissent_Dummy</i>	Dummy variable equal to 1 if the <i>Dissent_Vote</i> is higher than the mean <i>Dissent_Vote</i> , 0 otherwise
<i>ROA</i>	Net income available to common shareholders divided by total assets.
<i>Tobin's q</i>	Market value of total assets divided by book value of total assets, where market value of total assets is book value of total assets minus book value of common equity plus market value of common equity.
<i>Firm_Size</i>	Natural logarithm of market capitalisation.
<i>Liquidity</i>	Cash and cash equivalents divided by totals assets.
<i>Leverage</i>	Total debt divided by total assets.

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