

Dissent in Australian Director Elections: Causes and Consequences

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under the supervision of Professor Martin Bugeja and Professor
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Certificate of Original Authorship

I, Jiaqi Wang, declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Accounting Discipline Group of the UTS Business School at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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List of Abbreviations

ACSI	Australian Council of Superannuation Investors
AGM	Annual general meetings
AICD	Australian Institute of Company Directors
ARC	Australian Research Council
ASX	Australian Securities Exchange
CAMAC	Australian government's Corporations and Markets Advisory Committee
CEO	Chief Executive Officer
CII	Council of Institutional Investors
CSR	Corporate social responsibility
FE	Fixed effects
GICS	Global Industry Classification Standard
ICI	Investment Company Institute
IFSA	Investment and Financial Services Association
MTB	Market to book
MVS	Majority voting system
NASDAQ	National Association of Securities Dealers Automated Quotations
NYSE	New York Stock Exchange
OLS	Ordinary least squares
PVS	Plurality voting system
ROA	Return on assets
S&P	Standard and Poor's
SEC	Securities and Exchange Commission

SIRCA	Securities Industry Research Centre of Asia-Pacific corporate governance database
2SLS	Two-Stage least squares
UK	United Kingdom
US	United States
VIF	Variance inflation factor

Abstract

This thesis investigates the determinants and consequences of shareholder dissent in director elections at annual general meetings. Using Australian voting information, this thesis provides evidence that shareholder dissent is significantly associated with firm performance, corporate governance structure, and director characteristics. Additional analysis reveals that while both vote against and vote abstain are options for shareholders to express their displeasure with boards, a greater number of factors are statistically significant when shareholders have the option to vote against. The consequence analysis shows that shareholder dissent, using against votes, is positively associated with an increased likelihood of director, board, and CEO turnover, and negatively associated with subsequent firm performance. However, the results using abstain votes are insignificant, suggesting that firms view the signal sent by abstain votes differently from that sent through against votes. This thesis contributes to concerns about Australian shareholder engagement at general meetings, and it provides insights into the global debate on election reforms from the plurality to majority voting system in other jurisdictions.

Keywords: Director election, shareholder votes, corporate governance, director turnover, firm performance, majority voting system

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Chapter 1: Introduction

1.1 Introduction

Annual general meetings (AGMs) are an important channel of communication between shareholders and companies. In particular, AGMs are crucial for obtaining shareholder approval for decisions that go beyond the authority of the board of directors, such as the election of directors, the approval of the remuneration report and financial statements, the appointment of auditors and amendments to the company's constitution (De Jong et al., 2006; Yermack, 2010). Among these various decisions, the election or re-election of directors is particularly important because it influences the composition of the board and ultimately shapes the strategic direction of the firm (Easterbrook & Fischel, 1991). According to Davis and Thompson (1994), one of the most important actions taken at AGMs is the vote on director nominees, a process that is closely related to the effectiveness of corporate management, governance and strategy (Stapledon et al., 2000).

In addition to their role in passing director election resolutions, shareholder votes also serve an important signalling function that reinforces board accountability. Directors are aware that their positions depend on shareholder approval, making these votes indicators of governance performance (Schaffer, 2002). Moreover, shareholders who are dissatisfied with the performance of the firm or its directors can express their concerns through the election process, underscoring the importance of their votes. Thus, increased shareholder dissent may prompt the board to take corrective action, such as replacing directors or the CEO, to maintain or restore its reputation. This dynamic highlights the essential role of shareholder votes not only in electing directors but also in promoting effective corporate governance as a whole.

Shareholders have been shown to exert a pivotal role in corporate governance (Aguilera & Crespi-Cladera, 2016). A substantial body of research has been dedicated to investigating the actions of shareholders who seek to exert influence over corporate decisions, the composition of company boards, the governance of corporations, and matters of environmental and social concern (Gillan & Stark, 2007; Goranova & Ryan, 2014). In addition, scholars have explored specific topics, including shareholder proposals (Ryan & Schneider, 2002), private negotiations (Denes, et al., 2017), activism related to executive compensation (Stathopoulos &

Voulgris, 2015) and corporate social responsibility (Sjöström, 2008). Nevertheless, a comprehensive investigation into shareholder voting at director elections at AGM in a majority voting system remains to be undertaken.

While there are several studies on director elections (e.g. Aggarwal et al., 2019; Cai et al., 2009; Fischer et al., 2009), much of the existing literature is based on observations from the US and presents mixed and inconclusive evidence.¹ This thesis aims to provide first-hand empirical evidence on the determinants and consequences of shareholder dissent in Australian director elections, and the motivation for the thesis is twofold. First, understanding the nature and consequences of shareholder dissent in Australian director elections is important because concerns have been raised by the Australian government and industry bodies about the low level of shareholder engagement by companies (AICD, 2017; CAMAC, 2012), including low shareholder turnout at AGMs. Moreover, the effective functioning of AGMs is of particular concern to the Australian government, as it is critical to protecting the interests of minority and small shareholders, who represent over 37% of Australian adults (6.9 million) who hold shares outside their superannuation funds (ASX, 2017).

Second, due to the use of plurality voting, prior evidence from the US provides an incomplete understanding of shareholder dissent in director elections since, under the plurality voting system, shareholders can only vote for or withhold their votes. Conversely, under the majority voting system used in Australia, shareholders can vote for or against a particular candidate in addition to abstaining. In addition, for a candidate to be elected to the board under the majority voting system, they need to receive more than 50% “for” votes. In other words, under the majority voting system, shareholders have a direct opportunity to remove directors with whom they are dissatisfied, and majority elections may exhibit significantly different voting patterns than plurality elections. In other words, the documented US findings may not be generalisable to countries that use the majority voting system.

Due to the use of plurality voting, a notable shortcoming of previous US research is that shareholder dissent cannot be measured directly due to the absence of data on “against” votes.

¹ For example, while Cai et al. (2009) report that director votes are not significantly associated with director turnover or director reputation, Aggarwal et al. (2019) present empirical evidence that suggests that higher shareholder dissent against directors is associated with higher rates of director turnover and reduced market opportunities for directors.

As a result, many US studies measure shareholder dissent using abstain votes. However, using abstentions is inappropriate because shareholders who abstain may have diverse and heterogeneous motives. In practice, abstentions in the US include (i) those shareholders who genuinely wish to withhold their votes and (ii) at least some shareholders who would prefer to vote against a director but are unable to do so under the plurality system. Importantly, some shareholders may choose not to vote at all if they cannot vote directly against a director candidate. In addition, the level of abstentions does not affect the outcome of the vote, meaning that the signal sent by high levels of abstention is likely to be muted compared to the signal sent by high levels of against votes. As this thesis uses Australian data, it can directly measure shareholder dissent in director elections by employing an unambiguous signal of shareholder dissatisfaction. Additionally, as all Australian firms use majority voting, this study does not need to consider issues associated with self-selection of the type of voting system (i.e. plurality vs. majority).²

Specifically, Chapter 2 examines the determinants of shareholder dissent in director elections at Australian AGMs. Using manually collected AGM voting data from all listed Australian companies from 2004 to 2021, Chapter 2 provides evidence that directors collectively receive an average of just under 3.9% of against votes. Consistent with US evidence, shareholder dissent is positively associated with poor stock market performance and weak corporate governance structures, such as high CEO pay, small board size, high board ownership and low proportions of independent or female directors. In addition, male nominees and perceived management-friendly directors – characterised by incumbency, long tenure, high share ownership and high compensation – are also associated with higher levels of shareholder dissent. Contrary to previous US evidence (Cai et al., 2009), this chapter also presents evidence to suggest that Australian shareholders value busy directors by casting more dissenting votes.

Chapter 2 also examines whether different measures of shareholder dissent affect the identified determinants and their significance, and this test helps provide indirect evidence as to whether the use of the majority voting system makes a difference. To be specific, this thesis introduces an alternative measure of shareholder dissatisfaction – abstentions – by using the

² US firms can choose to use either the plurality or majority voting systems, which raises the concern of self-selection.

percentage of abstain votes over total shareholder votes. The results indicate that company- and director-level factors are statistically associated with shareholder dissent, regardless of whether dissent is measured by votes against or votes abstain. This finding underscores the effectiveness of both voting mechanisms to serve as a means for shareholders to articulate their preferences. However, when shareholders are allowed to express their dissatisfaction directly through votes against, a greater number of factors show statistical significance. This suggests that against votes provide a more nuanced understanding of shareholder concerns and priorities.

Chapter 3 builds on Chapter 2 and examines the consequences of shareholder dissent at Australian AGMs using the same dataset. Chapter 3 examines the relationship between shareholder dissent in director elections and several key outcomes, including (i) director turnover, (ii) board turnover, (iii) the number of directorships held, (iv) CEO turnover and (v) firm performance. Chapter 3 also draws on agency theory, reputation theory and signalling theory to predict the direction of shareholder voice against individual directors and corporate governance changes. The results indicate that higher levels of shareholder dissent are positively associated with the likelihood of both director and board turnover, as well as an increased likelihood of CEO departure within one year of election. These results suggest that shareholder dissent can lead to significant governance changes within the firm, and present evidence to suggest that higher levels of shareholder dissent are correlated with lower subsequent operating and stock market performance.

Chapter 3 also examines whether the signal sent by abstentions is similar to that sent by votes against. The findings indicate that abstentions are not associated with the probability of director and board turnover and firm performance and are negatively associated with CEO turnover. In other words, the results also show that abstain votes do not have a significant effect on subsequent governance or performance, highlighting that abstain votes do not send the same signal as against votes. These findings are consistent with the majority voting system, and in particular the ability to vote directly against a director, making a difference in enhancing shareholder democracy. Consequently, firms and countries that currently use, or mandate, plurality voting may wish to consider a move to the majority voting system.

This thesis makes three contributions. First, it provides empirical evidence on the determinants and consequences of shareholder voting in the majority voting system, in which

shareholders have the right to vote directly against a resolution. In doing so, it enriches the existing literature, which focuses mainly on US companies using the plurality voting system (e.g. Cai et al., 2009; Choi et al., 2016; Fischer et al., 2009). Importantly, this thesis helps address the limitations of previous US-based findings, which may not be generalisable to other countries that use or are moving towards majority voting systems. This thesis also helps address a limitation by using a more precise measure of shareholder dissent.

Second, this thesis provides further insights to add to the director reputation literature.³ Cai et al. (2009) find no association between shareholder votes and director turnover, and they conjecture that the lack of a relationship is due to most directors being elected uncontested and receiving strikingly high shareholder support. Choi et al. (2016) also find that some directors remain on the board even after a majority of shareholders vote against them, which leads to the puzzle of the efficiency of voting systems and shareholder voting at AGMs. The results presented in this thesis suggest that directors' reputations are damaged by higher levels of shareholder dissent, regardless of the outcome of the vote, and, as a result, they are more likely to leave the board either through voluntary resignation or forced removal. In other words, this thesis presents evidence that greater dissent is associated with increased CEO and board turnover consistent with directors acting on the signal sent by shareholder dissatisfaction to protect or recover their reputations.

Finally, this thesis contributes practical implications for policymakers and industry stakeholders that may guide future reforms aimed at improving corporate governance and shareholder engagement both in Australia and globally. On the one hand, the evidence presented provides novel insights relevant to the Australian government's Corporations and Markets Advisory Committee's (CAMAC) 2012 *Review of the AGM and Shareholder Engagement* discussion paper. The results of this thesis show that, despite low shareholder participation, higher levels of dissenting votes at AGMs send a strong signal and lead to various consequences, including higher turnover of directors, boards and CEOs, and lower company performance. On the other hand, the results in this thesis are relevant to regulators and

³ For example, Andrei et al. (2022), Campbell et al. (2016), Graffin et al. (2013), Helwege et al. (2012), Parrino et al. (2003), Schaffer (2002) and Schepp (2003).

policymakers elsewhere who are considering methods to increase shareholder voting participation or debating the merits of moving away from plurality voting.

1.2 Thesis structure

The remainder of this thesis is structured as follows. Chapter 2 examines the determinants of shareholder dissent at Australian AGMs and whether different measures of dissent affect the identified determinants and their significance. Chapter 3 examines the consequences of shareholder dissent at Australian AGMs and assesses whether the signals sent by abstentions are similar to those sent by votes against. Finally, Chapter 4 presents the conclusions of the thesis, discusses its limitations and suggests future research directions.

Chapter 2: Determinants of shareholder dissent in Australian director elections

2.i Abstract

We use Australian voting totals to investigate the determinants of shareholder dissent in director elections. Specifically, this thesis examines (i) the determinants of shareholder votes on director election resolutions at the firm level, (ii) the determinants of shareholder votes on director election resolutions at the director level and (iii) whether different measures of shareholder dissent matter when linking the firm- or director-level determinants. The results show that high shareholder dissent is associated with perceived management-friendly director nominees from firms with poor stock market performance and/or poor corporate governance. We conduct additional tests and document that both vote against and vote abstain are options that shareholders use to express their displeasure with boards, but when shareholders are given with a better option – vote against – we find that more factors are statistically significant. This supports the argument that majority voting strengthens shareholder democracy by allowing shareholders to voice their displeasure.

2.1 Introduction

Shareholder voting at AGMs is the primary channel of communication between management and most shareholders. In particular, AGMs provide a platform for companies to obtain shareholder approval for decisions that are outside the board's authority (De Jong et al., 2006), such as the election of directors, approval of the remuneration report and financial statements, auditor appointment, and changes to the company's constitution (Yermack, 2010). Of these, director elections are critical (Davis & Thompson, 1994) because the voting outcome determines the shareholder representatives on the board who are presumed to act in the interests of shareholders and is related to the effectiveness of corporate management, governance and strategy (Stapledon et al., 2000). Prior literature from Australia and elsewhere documents that inappropriate board composition can lead to significant destruction of shareholder value (Graham et al., 2005; Jensen, 1986; Stapledon et al., 2000; Yermack, 2006).

Much of the existing research on director elections has been conducted in the US (Cai et al., 2009; Hillman et al., 2011), but little is known about the nature of Australian director elections. Prior US studies have documented that shareholder dissent in director elections is

low, with even poorly performing directors from underperforming companies or companies with lax corporate governance receiving more than 95% support votes. However, they also document that selected determinants explain a significant amount of the within-firm variation in voting, suggesting that shareholders vote according to the performance and corporate governance of both the firm and the individual director (Cai et al., 2009; Ertimur et al., 2015, 2018; Hillman et al., 2011; Mitra et al., 2021; Redor et al., 2020; Tanyi et al., 2021).⁴ In general, prior US findings support agency-theoretic relations between firm and director characteristics and shareholder opposition to directors seeking (re)election to the board.

The motivation for this chapter is threefold. First, the US results are potentially not generalisable to other countries, such as the UK and Australia, that use a majority voting system. Elections governed by majority voting can exhibit strikingly different voting patterns from elections governed by a plurality voting rule. During the sample period of most US director election studies (Cai et al., 2009; Hillman et al., 2011), most companies used a plurality voting system, which only allows shareholders to vote for or withhold their votes (i.e. vote abstain). Also, under the plurality voting system and in uncontested elections, disgruntled shareholders cannot unseat a director by voting against their election. In contrast, countries such as Australia use the majority voting system, which is considered to be a more stringent voting method (Ertimur et al., 2015). Under the majority voting system, shareholders can vote for or against, and a nominee is elected only if they receive a simple majority of the for votes (i.e. more than 50% vote for). Also, since 2005, US shareholder activists have been pushing for companies to adopt the majority voting method (Allen, 2007).

Second, the construction of shareholder dissent in previous US studies is potentially erroneous. As mentioned above, many US firms use the plurality voting rule – without against votes – relying on votes withheld to measure shareholder dissent. However, the assumption that a withheld vote is assumed to be equivalent to an against vote is potentially erroneous because shareholders may simply choose not to vote if they cannot vote against a director candidate.

⁴ For example, Cai et al. (2009) document that shareholder votes are significantly related to prior year accounting performance, and Mitra et al. (2021) provide evidence that female directors receive less shareholder dissent than male directors.

Third, understanding the determinants of shareholder voting in Australian director elections is important because concerns have been raised by the Australian government and industry bodies about the low level of shareholder engagement by companies (AICD, 2017; CAMAC, 2012), including low shareholder turnout at AGMs. Our sample provides evidence that the average level of voting at Australian AGMs is 46.70%, which is lower than that in the US (81.78%) (Hewitt, 2011). The issue of low AGM turnout is particularly noteworthy, as AGMs are the only platform for small and minority shareholders to express their views on corporate matters and influence the composition of the board. Moreover, the effective functioning of AGMs is of particular concern to the Australian government, as it is critical to protecting the interests of minority and small shareholders, who represent over 37% of Australian adults (6.9 million) who hold shares outside their superannuation funds (ASX, 2017).

In this chapter, we test the nature of shareholder voting in Australian director elections and examine whether different measures of shareholder dissent make a difference regarding the determinants and significance of the relations. Using manually collected AGM voting data for all Australian listed companies between 2004 and 2021, this study provides empirical evidence on (i) the determinants of shareholder votes on director election resolutions at the firm level, (ii) the determinants of shareholder votes on director election resolutions at the director level and (iii) whether different measures of shareholder dissent matter in their association to firm- or director-level determinants.

We document that shareholder dissent is positively related to poor stock market performance, weak corporate governance (i.e. high CEO pay, a small board, an entrenched board with high board ownership and a low proportion of independent or female directors), and perceived management-friendly directors (incumbent, long-tenured, male, high stock ownership, high pay and non-independent). Contrary to the evidence of previous US studies (Cai et al., 2009), our results document that Australian shareholders do not punish busy directors by casting more dissenting votes. In addition, inconsistent with US results (Alexander et al., 2010; Berthelot & Coulmont, 2020; Cai et al., 2009; Ertimur et al., 2010; Gal-Or et al., 2018), Australian shareholders view directors or boards with high levels of ownership as entrenched, such that director nominees with high levels of ownership or from boards with high levels of ownership are associated with high levels of shareholder dissent.

To gain further insight into the use of different measures of shareholder dissent, we conduct additional tests to understand whether our conclusions hold when using abstain votes as a measure of shareholder dissent. The additional results show that selected firm- or director-level determinants are statistically related to shareholder dissent, regardless of whether dissent is measured as votes against or abstain. This finding supports the idea that vote abstain and vote against are both effective tools shareholders use to voice their choices. Moreover, we also document that, when shareholders are able to express their dissatisfaction directly (i.e. by voting against), there are more factors that show statistical significance. This evidence contributes to a heated debate in the US and globally about whether firms should transition from the use of plurality to majority voting (Bebchuk, 2007). Although it is the norm that the approval rate of director election resolutions and vote support are high (Cai et al., 2013; Choi et al., 2016), our results suggest that votes against are associated with perceived management-friendly director nominees from firms with poor stock market performance and/or poor corporate governance.

This chapter makes several contributions. First, this study is among the first to provide empirical evidence on the determinants of shareholder voting in countries that uniformly use the majority voting system where shareholders have the right to vote directly against a resolution. In doing so, it adds to the existing literature on the determinants of director elections that predominantly examines US companies adopting the plurality voting system (Allen, 2007). The use of Australian voting data on director elections provides the opportunity to better understand the nature of shareholder voting on director elections. More importantly, this analysis overcomes the limitations of previous US results, which may not be generalisable to many countries around the world where the majority voting system is used or will be used widely in the near future.

Second, this study presents new evidence to compare the signalling effects of shareholder voting and shareholder engagement when shareholder voice is measured under either the plurality voting system (vote abstain) or the majority voting system (vote against). Such a comparison is not possible in most existing US studies due to the lack of vote against data from the plurality voting system among US companies (Cai et al., 2013; Choi et al., 2016). Our results suggest that, in the majority voting system, different factors are associated with against and abstain votes. However, the factors that are associated with the sum of against and abstain

votes are largely the same as the drivers of against votes. This suggests that whether the plurality or majority voting system makes a difference depends on whether shareholders in the plurality voting system who cannot vote against choose to cast an abstain vote. This evidence has important implications for the possible validity and generalisability of existing US evidence to other countries that, unlike the US, use the majority voting system.

Finally, the findings of this study provide important insights for regulators in Australia and around the world. In Australia, practitioners and regulators have expressed growing concerns about shareholder engagement and the functional effectiveness of AGMs (CAMAC, 2012). In addition, while most previous studies have extensively examined director elections in the US, no study has examined the nature of shareholder voting in Australian director elections. This study fills this void in the literature by providing the first evidence on shareholder voting in director elections in Australia. The results of this study suggest that Australian shareholders vote based on company performance, corporate governance, director performance and characteristics. These results provide global regulators with evidence on the determinants of shareholder votes in director elections and can be used to encourage additional shareholder participation in director elections.

The remainder of this chapter is structured as follows. Section 2 reviews the institutional background and summarises related literature. Section 3 formulates our research hypotheses. Section 4 describes the sample, the measurement of the variables and the summary statistics. Section 5 presents the main and additional results from empirical tests. Section 6 discusses the robustness analyses, and Section 7 concludes.

2.2 Institutional background, literature review and hypotheses development

2.2.1 Director elections regulation in Australia

Section 250N of the *Corporations Act* 2001 requires companies to hold an AGM at least once each calendar year and within five months of the end of the financial year. Institutional investors have urged Australian listed companies to disclose proxy voting statistics. For example, the IFSA Blue Book (1999, p. 9) makes the following recommendation: “In announcing to the ASX the decisions made by shareholders in general meeting, a listed company should report the aggregate proxy votes validly received for each item of business in

the notice of meeting.” In addition, the Australian Investment Managers’ Association and other investment community stakeholders lobbied for the introduction of a mandatory disclosure regime. This was done as one of the amendments to the *Corporations Act* introduced by the *Company Law Review Act 1998* (Cth). The regime is contained in section 251AA, which came into force on 1 July 1998.

Section 251AA requires an Australian listed company to provide the Australian Stock Exchange (ASX) with the following information after a general meeting:

“in respect of each resolution, in the notice of meeting, the total number of proxy votes exercisable by all proxies validly appointed and:

(a) If the resolution is decided by a *show of hands* – the total number of proxy votes in respect of which the appointments specified that:

- (i) The proxy is vote for the resolution, and
- (ii) The proxy is vote against the resolution, and
- (iii) The proxy is to abstain on the resolution, and
- (iv) The proxy may vote at the proxy’s discretion, and

(b) If the resolution is decided on a *poll* – the information specified in para (a) and the total number of votes cast on the poll:

- (i) In favour of the resolution, and
- (ii) Against the resolution, and
- (iii) Abstaining on the resolution.”

The report may also disclose, in the case of a resolution passed on a show of hands, the aggregate number of votes not exercised by shareholders who submitted proxies (“No Intention”).

2.2.2 Institutional differences between Australia and the US

This section compares the institutional differences between Australian director elections and those in the US, where most academic research on shareholder voting on director elections is conducted.

There are two voting systems for the election of directors, namely plurality voting and majority voting. As noted in the introduction to this thesis, Australia uses a majority voting system, while the US has traditionally used a plurality voting system to elect directors. Under the plurality voting system, shareholders can only vote for or withhold their votes for director elections. In extreme cases, this allows for directors to be elected after receiving a single for vote, irrespective of opposition, since votes not in favour are withheld and passing the resolution does not require a simple majority (50%). Most previous US studies (Cai et al., 2009; Fischer et al., 2009) of director elections measure the level of shareholder dissent using the percentage of votes withheld, but such a proxy is likely to overstate or misrepresent the level of dissent, thereby raising questions about the validity of the results. In other words, if shareholders cannot vote against to express their displeasure, authors cannot simply assume that withholding votes is a perfect alternative to voting against because shareholders may choose not to vote or to vote in favour.

There has been a tendency to move away from the use of the plurality voting system to the majority voting system. Since 2004, US shareholder activists, academics and regulators have advocated that companies adopt majority voting because it represents a better corporate practice. Specifically, proponents suggest that majority voting is more democratic than plurality voting, because majority voting provides shareholders with greater power to block the election of objectionable director nominees (Choi et al., 2016). Economists also estimate that a company's decision to adopt majority voting increases shareholder value by an average of 1.5% (Kerin, 2016). While this percentage may sound trivial, it translates into billions of dollars for large companies (Kerin, 2016).

Academics and regulators also point to the shortcomings of the plurality voting system. For example, Cai et al. (2009) argue that shareholder votes have little impact on director election decisions. One possible explanation for this finding is the use of the plurality voting system. As mentioned earlier, the problem with plurality voting is that, in uncontested elections

(i.e. where the number of nominees equals the number of board seats to be elected), directors can be elected with a single vote. In other words, these withheld votes are generally meaningless and almost all nominees are elected to the board. The Council of Institutional Investors therefore considers plurality, and in particular the worthlessness of withheld votes, to be “a fundamental flaw in the US corporate governance system” (Yermack, 2010).

As a result, many US companies have moved from plurality to majority voting over the past two decades. Allen (2007) provides evidence that the use of majority voting has increased since 2004, with approximately two-thirds of S&P 500 companies using some form of majority voting by 2007. A recent paper by Rock (2015) comments that the shift from plurality to majority voting has been one of the most successful governance reforms in the US and documents that the number of firms using some form of majority voting increased to almost 90% of S&P 500 firms by 2015. Among S&P 1500 companies, the percentage of companies using majority voting increased significantly from 7.5% in 2005 to 74.6% in 2015 (Chung & Lee, 2020). McGregor (2016) documents that, for firms in the broader Russell 3000 index, around half of firms have majority voting in their governing documents, either with or without the resignation policy.

There is empirical evidence to support the benefits of adopting a majority voting system. For example, Ertimur et al. (2015) present evidence that director elections are viewed by shareholders as a means to obtain certain governance changes, and the ability to obtain such changes is stronger under the majority voting standard. Chung and Lee (2020) also show that firms that adopt majority voting for director elections have higher institutional ownership than firms that adopt plurality voting, supporting the conjecture that institutional investors favour firms with majority voting because it reduces the cost of monitoring management by increasing the accountability of elected directors.

However, there is still some criticism of the efficiency of majority voting. Sjoström Jr and Kim (2007, p.486) comment that majority voting “is little more than smoke and mirrors”. They conducted an event study and found “no statistically significant market reaction to a company’s adoption of majority voting”. Choi et al. (2016) also document that US directors often do not leave the board, even if they fail to receive a majority. Empirically, Cai et al. (2013, p.3) comment on majority voting as a “paper tiger”, finding that the “adoption of majority

voting has little effect on director votes, director turnover, or improvements in firm performance”.

Considering both sides of the story, an understanding of Australian director elections, where majority voting systems are used consistently, should provide valuable insights for current US regulators and shareholders on whether a shift from plurality to majority voting is necessary.

2.2.3 Benefits and costs of shareholder engagement

The separation of ownership and control provides the basis for agency problems between shareholders, the board and the corporate management team. This also provides the basis for shareholder activism, which can be seen as representing a continuum of responses to corporate governance (Gillan & Starks, 1998). Since the mid-1980s, individual shareholders, religious groups and political groups have begun to use proposals to influence governance reforms (Gillan & Starks, 1998). For example, proxy contests are likely to be followed by managerial resignations and are often followed by the sale or liquidation of a company (DeAngelo & DeAngelo, 1989).

Some literature documents that there are positive effects associated with shareholder activism. For example, Strickland et al. (1996) find that the announcement of negotiated settlements is associated with a significant positive wealth effect. In addition, Bethel et al. (1998) provide evidence that when blockholders target poorly performing firms, the firms experience increased profitability and stock price appreciation.

However, some literature documents that shareholder activism may act as a deterrent to managerial efficiency. For example, Del Guercio and Hawkins (1999) find a negative abnormal return for board-related proposals. In addition, both Bainbridge (2005) and Pozen (2003) find that the benefits of shareholder activism are unlikely to outweigh the costs. Bainbridge (2005, p. 18) also notes that intense scrutiny can discourage management, stating that “the system of corporate governance is designed to function largely without shareholder input, and despite the bad press corporate capitalism has received in recent years, the system works reasonably well”. With a similar viewpoint, Camara (2004, p. 1490) mentions that shareholder voting is costly because of the “diseconomies of incorrect voting caused by inadequate incentives”. In other

words, additional management scrutiny by shareholders can be disruptive because shareholders are less informed (Yermack, 2010).

In the context of director elections, failed elections can have a negative impact on shareholder value. Gillan and Starks (2007) refer to such disruptions as the “Gadfly Hypothesis”, which argues that increased shareholder access leads to lower shareholder value. For example, the failed election of a nominated director may disrupt the teamwork that is essential for a board to be effective (Cai et al., 2013). They use the “Disruption Hypothesis” when assessing the efficiency of the majority voting system.

In summary, given that the value of shareholder engagement remains controversial, the issue has become an active research topic, with many studies attempting to assess whether stronger shareholder voting rights increase or decrease firm value (Scherrer & Fernandes, 2021).

2.2.4 Shareholder vote as voice

Shareholders can exert pressure on the company through shareholder voting, behind-the-scenes meetings, shareholder activism, including the potential threat of proxy contests, and exit/threat of exit. Among these, voting at AGMs is the least costly, and all shareholders have the right to attend the meeting and influence the company by voting according to the number of shares they own. Yermack (2010) argues that equity ownership represents a bundle of two rights, namely (i) the right to receive capital gains, dividends and other distributions from the firm, and (ii) the right to participate in corporate governance through shareholder voting. In simple terms, these two rights are referred to as cash flow rights and voting rights.

According to Hirschman (1970), shareholders have three options for expressing their dissatisfaction with management: *loyalty*, *voice* and *exit*. The loyalty and voice options involve attempts to exert influence through voting at the general meeting, coalitions with other shareholders and other methods of exerting influence (Hirschman, 1970). The exit option refers to shareholders selling shares (Hirschman, 1970), and Parrino et al. (2003) add that institutional investors follow the Wall Street Rule, whereby they vote in favour of proposals sponsored by management or vote against the board by selling shares, also known as “voting with feet”. However, Bebchuk (2007) argues that selling shares does not always help shareholders realise

the value of the shares because the corporate governance structures of the company are usually suboptimal at the time and the equity is undervalued. Thus, although shareholders have different ways of “communicating” with management, the most important method is voice (communication with management teams through voting or other forms of communication).

Different stock market sizes influence different levels of shareholder intervention. For example, Li et al. (2022) find that trading volume is high around shareholder meetings. Also, Fos and Holderness (2021) find that activist investors buy marginal votes. For example, the difference in stock market size between Australia and the US makes shareholders’ preferences for communication actions different. Lau et al. (2009) find that investors holding Australian shares tend to influence boards rather than sell shares due to a relatively small and less liquid market. In particular, finding substitute shares for the portfolio can be difficult and costly in the Australian share market. Therefore, while there are a variety of ways in which shareholders can communicate with management, it is expected that Australian investors are more likely to use their voice to improve corporate governance structures rather than sell shares when they disagree.

2.2.5 Voting in director elections

Although shareholder voting rights are potentially powerful, they are rarely used directly to remove directors. In the US, where the plurality voting rule is generally applied, there are few contested proxy contests in which rival candidates compete against each other. Instead, shareholder votes are used to indirectly signal displeasure with management. For example, fund managers consider shareholders to have “won” even if their votes achieve less than a simple majority (i.e. the percentage of for votes < 50%) (Deloitte Touche Tohmatsu, 2017). When investors are satisfied with the company’s characteristics, performance, board composition and director performance, shareholders may be reluctant to exercise their dissent vote, either voting against or abstaining their vote for a director. On the other hand, if investors are dissatisfied with certain characteristics of the company, the board or the directors, they may express their dissatisfaction by voting against all directors or individual directors.

Regulators argue that voting is an essential tool for bridging the gap between shareholders and management. In particular, the Securities and Exchange Commission (SEC) and other investor advocates have long argued that shareholder voting is an essential aspect of corporate

governance and serves the interests of investors by giving them a voice on important governance issues (Lee, 2015; Muth, 1987; SEC, 2018). In 2018, the SEC held a roundtable on the proxy process to solicit feedback from investors, issuers and other market participants on, among other things, how to increase shareholder participation in the proxy process (SEC, 2018). More recently, SEC Acting Chair Allison Herren Lee gave a speech at the 2021 ICI Mutual Funds and Investment Management Conference, stating that “conference participants should empower the retail investors ... so they can hold companies and their executives accountable for the decisions they make” (SEC, 2021a, 2021b).

However, some scholars question the effectiveness of shareholder votes on director elections at annual meetings. For example, Bebchuk (2003) and Kahan and Rock (2011) question the efficiency of the director election process. Specifically, Bebchuk (2003, p. 43) suggests that the power of shareholders to replace directors is “a myth” and notes that “incumbents do not currently face a meaningful risk of being replaced through the ballot box”. Cai et al. (2013) find that directors have a 90% chance of being elected. Even poorly performing individual directors in companies with poor performance and significantly weak corporate governance have a support rate of more than 90%. Choi et al. (2016) also question the efficiency of majority voting in terms of whether it helps to improve board accountability. Significantly, directors of companies with majority voting rarely fail to receive majority approval, and even more rarely than directors of companies with plurality voting. Choi et al. (2016) also note that in the US, even when directors fail to receive majority approval, those directors are unlikely to be forced to leave the board.

In response to the sceptical voices, regulators and some academics have argued that voting results for director elections can be meaningful and influential. For example, former SEC Commissioner Joseph Grundfest (1993b, 2003) notes that so-called “symbolic votes” can affect individual directors through negative publicity and embarrassment. White (2008) mentions that there is a growing wave of arguments that votes can send a message to the board and management teams about shareholder perceptions of the board and individual directors. Proxy advisor Glass Lewis and the Institutional Shareholder Service agree that withheld votes in uncontested elections are indeed meaningful and an effective means of shareholder discipline.

Some academic studies on the consequences⁵ of votes in director elections also support the idea that voting is meaningful (Cai et al., 2009; Ertimur et al., 2015; Gal-Or et al., 2018). In particular, director elections are important and have consequences for both directors' career development (Aggrawal et al., 2019), firm performance and mergers and acquisitions activity (Fischer et al., 2009; Gal-Or et al., 2016).

2.3 Theory development and hypotheses development

Previous research on director elections has used multilevel prospective research (Cai et al., 2009; Fischer et al., 2009; Hillman et al., 2011). Multilevel analysis is consistent with the ideas of Morgeson and Hofmann (1999)⁶ and Bebchuk (2007),⁷ which suggest that shareholder dissatisfaction does not occur in isolation, but in a context. This section discusses separately the company- and director-level factors that would influence shareholder voting preferences in director elections.

2.3.1 Firm-level performance

One factor that shareholders can observe and that is publicly available is the firm's operational and stock market performance. According to Simons (2000), the ultimate goal of a firm is to maximise the value of the resources it controls and achieve optimal firm performance. The fundamental aspect of agency theory is the concept that monitoring mechanisms are essential for mitigating the inherent conflict (Jensen & Meckling, 1976), and shareholder voting power has been designated to facilitate the alignment of management interests with those of shareholders (Fama & Jensen, 1983). Therefore, in theory, shareholders are inclined to vote against directors of firms that have underperformed in the previous financial year. In addition, Bebchuk (2007) and Farrell and Whidbee (2003) highlight that shareholders may hold management accountable for firm performance. Empirical evidence shows a negative relation between firm performance and shareholder dissent in director elections (Berthelot & Coulmont, 2020; Cai et al., 2009; Cullinan et al., 2017; Gal-Or et al., 2018; Hillman et al., 2011; Moskalev,

⁵ The consequence of shareholder votes on Australian director elections will be the subject of an in-depth discussion in the next chapter.

⁶ Morgeson and Hofmann (1999, p.249) conclude that directors are nested within boards and shareholders' dissatisfaction is a "collective construct".

⁷ Bebchuk (2007) mentions that shareholders' votes reflect two perspectives: 1) shareholders may withhold votes when they are disgruntled with the entire board and 2) shareholders may withhold votes when they are dissatisfied with a specific nominee.

2020; Tanyi et al., 2021). Studies also find consistent results to suggest that shareholder disapproval is negatively associated with stock price returns (Cai et al., 2009; Gal-Or et al., 2018).

The company's payout policy is also documented to be negatively associated with shareholder dissent in director elections. The firm's payout policy reflects the firm's confidence in future earnings (Easterbrook, 1984), and shareholders view it as an efficient way to prevent directors from overinvesting (Brown et al., 2011; Healy & Palepu, 1988; Kao & Wu, 1994). In other words, the firm's payout policy is positively related to shareholders' perceptions of a well-performing firm or a firm with good internal governance. Empirically, Tanyi et al. (2021) find that directors receive low levels of against or withheld votes when the firm pays dividends or repurchases their shares.

2.3.2 Firm-level and director-level corporate governance

As previously mentioned, shareholders can protect their interests by mitigating agency costs, and one visible and fundamental action is shareholder dissent via shareholder voting in the AGM (Goranova & Ryan, 2014; Yermak, 2010). Consequently, scholars have examined how shareholders exercise their voting rights and the factors influencing their decisions. Shareholder dissent can be influenced by various factors, including the characteristics of the board (Cai et al., 2009; Hillman et al., 2011), social pressures for corporate social responsibility (Mitra et al., 2021), the influence of institutional shareholders (Iliev et al., 2015; Sauerwald et al., 2016), and the characteristics of the director, such as gender and independence (Cai et al., 2009). This section provides detailed hypotheses relating the corporate governance measures and dissent votes at both the firm and the director level.

CEO pay

Total CEO pay is positively associated with shareholder dissent in director elections. Given the negative public attention in the US and around the world, shareholders may view abnormally high executive pay as signalling potential agency costs and ineffective monitoring. Researchers (Chen et al., 2019) have examined the connection between CEO compensation and the turnover of directors. Their findings indicate that CEO compensation exerts a negative influence on the probability of director turnover, thereby decreasing the sensitivity of director

turnover to unfavourable firm performance. As a result, a considerable amount of research on director elections includes CEO pay as a key determinant of shareholder votes. Specifically, Ashraf et al. (2020), Cai et al. (2009) and Ertimur et al. (2018) all document that high abnormal CEO pay leads to significantly lower for votes in director elections. Geiler et al. (2018) use a different method to measure abnormal CEO pay (subtracting CEO pay from the industry average) and also find that shareholders cast more dissenting votes when CEO pay is abnormally high.

Board size

Several studies show that board size is closely related to board effectiveness. The conventional view is that a smaller board leads to better internal monitoring. Jensen (1993) points out that smaller boards improve firm value by being more effective in disciplining and monitoring CEOs, and that oversized boards give CEOs too much control. Yermack (1996) adds that small boards help reduce communication and coordination problems. Dalton et al. (1999) also mention that small boards make it easier to make and implement decisions, especially when they require unanimity.

However, a recent study by Raheja (2005) provides a unique view that small boards are not necessarily beneficial. Larger boards may also provide better oversight of management through greater diversity of background, knowledge and experience. Boards need to be large enough to accommodate the necessary skills and competencies. In conclusion, the relations between board size and company performance remain unclear.

Consistent with the mixed results of the underlying theory, the empirical evidence on board size and shareholder votes on director elections is also mixed. On the one hand, some studies find that board size is positively associated with shareholder dissent in director elections (Hillman et al., 2011; Mitra et al., 2021). On the other hand, some studies find that large board size is associated with lower levels of dissent (e.g. Berthelot & Coulmont, 2020; Cai et al., 2009; Cullinan et al., 2017; Gal-Or et al., 2018; Tanyi et al., 2021).

Independence

Much of the corporate governance debate in the post-Enron era has focused on reinforcing the importance of director independence (Bebchuk, 2003; Kahan & Rock, 2011).

While boards have traditionally played an almost exclusively advisory role, today's boards have become active fiduciaries in exercising their oversight responsibilities. From this perspective, firms need some form of independent judgement and internal monitoring of directors. Especially after poor performance, companies tend to recruit more independent directors to their boards (Hermalin & Weisbach, 1998).

Governance failures such as Enron and WorldCom raise public awareness of corporate governance oversight and the importance of board independence (New York Stock Exchange (NYSE), 2003; *Sarbanes-Oxley Act* 2002). In response, regulators and companies have taken steps to maintain board independence. In the US, regulators require companies to have a majority of independent directors on the board in order to be listed on the NYSE and the NASDAQ. The ASX also recommends that a majority of the board should consist of independent directors (ASX Corporate Governance Council, 2013).

Empirical studies support the view that shareholders vote in favour of independent boards. Specifically, board independence is negatively associated with shareholder dissent in director elections (Berthelot & Coulmont, 2020; Cullinan et al., 2017; Hillman et al., 2011; Mitra et al., 2021).

Individual director characteristics may lead shareholders to view nominee directors as more friendly to management or more friendly to shareholders. Independent directors act as the agent of shareholders and enhance corporate credibility, assess board performance, advise on strategy and report unethical behaviour of management to protect the interests of shareholders (Bebchuk & Hamdani, 2017; Cotter et al., 1997). Indicators of director independence include whether the director is a new director, the director's tenure at the focal firm, whether the director is related to the firm's business, whether the director is an insider and whether the director is related to the existing board or hired by the CEO. Empirical evidence finds a negative and significant relation between independent directors and shareholder dissent (Berthelot & Coulmont, 2020; Cai et al., 2009; Redor, 2021). Using director connectedness as a proxy for director independence, Cunningham et al. (2021) find that nominees' connectedness to the existing board is negatively associated with shareholder support. Similarly, Hillman et al. (2011) find a positive and significant relation between affiliated directors and shareholder dissent.

Board ownership, institutional ownership and director stock ownership

Theoretical evidence on board ownership and internal monitoring is mixed. Increased board ownership can be either a signal of board entrenchment or a means of aligning the interests of management and shareholders. On the one hand, managers are more likely to be subject to external market discipline when board ownership is high (Denis et al., 1997). On the other hand, Bebchuk and Fried (2003) argue that the board tends to issue long-term stock and option incentives to directors or the CEO to align their interests with those of shareholders. A common mechanism used by firms to align the interests of management and shareholders is to provide directors with financial interests in the firm (Perry, 2000). Also, high board ownership can be beneficial for firm innovation (Bolton et al., 2022).

Institutional owners have been reluctant to engage in activism against companies. One argument for this reluctance is that, because of their business relationship with the company, institutional investors may be compelled to vote with management even when this is against their interests (Brickley et al., 1988; Pound, 1988). Another reason may be that large institutional shareholders can also communicate directly with the company and voting may be less important in terms of expressing their views. For example, Cai et al. (2009) find a positive and statistically significant relation between shareholder support and long-term institutions, and they argue that because long-term institutions cannot easily unwind positions, they are comparatively less willing to vote against managers.

The literature on director elections finds consistent evidence that high board ownership tends to be associated with low shareholder dissent (Alexander et al., 2010; Berthelot & Coulmont, 2020; Ertimur et al., 2010; Gal-Or et al., 2018). This can be supported by two plausible explanations. First, the average shareholdings of board members are marginal, such that a few directors control 5% or more of a firm's shares, implying that the risk of compromising independence due to high stakes in the firm is quite low (Hambrick & Jackson, 2000). Second, low dissent may be mechanical and driven by director ownership, as directors are likely to vote based on the shares they own themselves (Cai et al., 2009).

Empirical evidence on the percentage of shares owned by directors in general is consistent with board ownership, which indicates that directors with high share ownership are associated with low shareholder dissent (Alexander et al., 2010; Berthelot & Coulmont, 2020;

Ertimur et al., 2010; Gal-Or et al., 2018). For example, Gal-Or et al. (2018) find that blockholders (holding 5% or more of total assets) are negatively associated with shareholder dissent. Choi et al. (2009) also find a negative and significant relation between shareholder support and directors holding 20% or more of the outstanding shares of the company in question.

Board gender diversity and female directors

Previous studies indicate that board diversity brings benefits to the company. For example, it is argued that female directors provide greater diligence and monitoring (Adams & Ferreira, 2009). Gul et al. (2011) find that the stock prices of firms with gender-diverse boards reflect more firm-specific information. Liu et al. (2014) also report that board diversity can help reduce agency costs. In practice, regulators and proxy advisors value board diversity. For example, Green (2020) finds that investment banks currently encourage and require board diversity when firms intend to go public. Huber and Simpkins (2019) also add that there are requirements for board diversity from proxy advisors. Some firms may even consider themselves to be under threat of reduced corporate social responsibility (CSR) legitimacy if the proportion of women on the board is low (Ariely et al., 2009).

Consistent with the view that female directors bring benefits to firms, empirical evidence on director elections shows that board gender diversity is negatively associated with shareholder dissent (Cunningham et al., 2021; Gal-Or et al., 2018; Gertsberg et al., 2021; Gow et al., 2020; Mitra et al., 2021; Redor, 2021; Tanyi et al., 2021). Similarly, female nominees tend to receive higher shareholder support in director election resolutions (Aggarwal et al., 2019; Cunningham et al., 2021; Gal-Or et al., 2018; Gertsberg et al., 2021; Gow et al., 2020; Mitra et al., 2021; Redor, 2021; Tanyi et al., 2021).

Director tenure and new directors

Tenure limits and the age of directors are also observable information that shareholders have when evaluating director nominees. Shareholders may view long tenures negatively for two reasons. First, when directors serve on a board for several years, their independence is expected to be compromised. When directors have served on the board for a long time, they may become “stale in the saddle”, which may reduce their ability to provide effective oversight

(Bhagat & Black, 1999; Coles et al., 2014; Hermalin & Weisbach, 1998; Miller, 1991) and lead to the expropriation of the interests of shareholders (Reguera-Alvarado & Bravo, 2017). Hence, firms with long-serving independent directors signal poor governance (Vafeas, 2003).

Second, Hambrick and Jackson (2000) predict an inverted U-shaped relation between director tenure and firm value. Specifically, they argue that directors contribute positively to firm performance in the early years by embracing the role, increasing task knowledge and learning within the role and its environment. In later years of appointment, directors have more power, so they rely on fewer sources to gather information, become less willing to learn new things and are less engaged, leading to a decline in performance. Consequently, director turnover is most likely to occur in later years of appointment.

Empirical evidence on director elections shows that long tenure is positively associated with shareholder dissent (Ashraf et al., 2020; Cai et al., 2009; Chen & Guay, 2020; Choi et al., 2009; Cunningham et al., 2021; Gal-Or et al., 2018; Hillman et al., 2011). There is also evidence that shareholders typically view new and incumbent directors differently. According to Choi et al. (2009), Ertimur et al. (2018), Gal-Or et al. (2018) and Mitra et al. (2021), there is a high level of shareholder support for directors who are first-time nominees.

Director busyness

How shareholders view busy directors is inconclusive. The conventional view is that busy non-executive directors usually have too many commitments and do not have enough time to devote to their duties at the firm, which may prevent the firm from achieving optimal performance (Fich & Shivdasani, 2006). On the other hand, Field et al. (2013) argue that busy directors add value to firms by acting as better advisors, and busy directors who have gone through the listing process in previous firms are valuable for initial public offerings. They add that busy directors are in high demand in the labour market because they are well equipped and well connected to bring valuable insights to the board and the firm.

However, empirical evidence on director elections is consistent with the conventional view that busy directors are associated with higher dissent. Cai et al. (2009) and Chen and Guay (2020) measure busyness as a dummy variable equal to one if directors sit on three or more boards. They find a negative and significant relation between shareholder for votes and director

busyness. Ashraf et al. (2020), Cunningham et al. (2020), Hillman et al. (2011) and von Meyerinck et al. (2022) measure busyness as the number of seats a director holds, and they also find a negative and significant relation between shareholder support and director busyness.

Based on the above theoretical and empirical evidence, the following hypotheses are formed at the firm level:

Hypothesis 1a (**H1a**). *Firm performance, dividend payout, board independence, board ownership, institutional ownership and board gender diversity are negatively associated with shareholder dissent at director elections.*

Hypothesis 1b (**H1b**). *CEO pay is positively associated with shareholder dissent.*

Hypothesis 1c (**H1c**). *Board size is associated with shareholder dissent.*

At the director level, the prior discussion leads to the following predictions:

Hypothesis 2a (**H2a**). *Shareholder dissent on director elections is lower for independent boards, those with high shareholdings, gender diversity and new directors.*

Hypothesis 2b (**H2b**). *Shareholder dissent on director elections is greater for directors who are highly paid and long tenured.*

Hypothesis 2c (**H2c**). *Shareholder dissent on director elections is associated with director busyness.*

The implicit alternative to these hypotheses is the apathy hypothesis, which suggests that there are no relations between firm/corporate governance/director elements and voting because shareholders believe that voting is a futile activity (Black, 1990; Clark, 1986; Flocos, 1989). Rational apathy theory describes the behaviour of retail investors in modern public companies who, because they hold insignificant shares, believe that participation in corporate governance will make no difference. As a result, shareholders decide that there is no point in incurring the additional costs of attending and voting at corporate meetings or otherwise monitoring corporate management if they know that their vote will have no impact on corporate governance in the long run (Bolodeoku, 2006).

2.4 Sample and descriptive statistics

2.4.1 Sample and variables

We manually collected a comprehensive database relating to shareholder voting at AGMs to test the hypotheses. This information included details for all ASX companies⁸ from 2004 to 2021⁹ on voting procedures, methods of shareholder voting, AGM resolution outcomes, voter turnout and details of director election candidates. The information from the dataset we used for this study included the identity of the company, the AGM date and a description of the resolution (including the names of the nominated directors). Information also contained the number of votes cast, including *proxy* results For, Against, Abstain and Discretionary, *poll* results For, Against and Abstain, and *show of hands* results For and Against.

Shareholders may vote either by poll or show of hands. At the meeting, voting on each resolution is normally initiated by a show of hands (For and Against) of the members present at the meeting. The chairperson of the meeting must consider the proxies submitted when deciding whether to accept the result of the show of hands as the decision of the meeting. Our collected data indicated that it is relatively rare for a poll vote to be taken. Instead, we used the proxy votes For, Against, Abstain and Discretion to calculate our main dependent variable, which was shareholder dissent.

After retaining resolutions relating only to the director election¹⁰, the final dataset consisted of 60,729 director elections that took place at 30,377 shareholder meetings during the period 2004 to 2021. We tested our hypotheses using additional data from Thomson Reuters Australia's Connect 4 Boardroom (director-related information), the Securities Industry Research Centre of Asia-Pacific (SIRCA) corporate governance databases (director-related information) and the Morningstar Aspect FinAnalysis database (firm financial characteristics).

⁸ The preliminary analysis indicated that smaller firms arguably have weaker corporate governance structures and are more likely to engage in dubious AGM practices. Thus, our sample included all ASX-listed firms rather than restricting the analysis to the top 300 or 500 companies.

⁹ We tracked appointments over 18 years (2004–2021) because Australian companies have classified boards on which directors serve staggered three-year terms, and we wanted to ensure that, during our sample period, every board member's candidacy was reviewed at least once.

¹⁰ For this thesis on shareholder voting behaviour at AGMs, we have included all companies, including financial companies. In untabulated results the conclusions remain consistent with the main results when financial companies are excluded.

We matched firm financial characteristics using firm identifiers and director characteristics by director surnames. These procedures reduced our sample to 16,732 instances of director elections held at 11,136 shareholder meetings.

2.4.2 Measurement of shareholder dissent

We calculated the main dependent variable, shareholder dissent, as the ratio of proxy Against divided by the sum of proxies For, Against and Discretion¹¹. Non-voting measures of shareholder dissent or dissatisfaction are not considered in this thesis¹². We used proxy voting as the main dependent measure of shareholder dissent for two reasons. First, as revealed in Table 1, it was relatively rare for a poll to be conducted before 2018, although there were rare cases when the chair of the meeting demanded a poll. Statistically, in 2004, only 16 (16 out of 462, or 3.46%) of the sample companies had a poll for director election resolutions. Nearly all shareholders vote by proxy, submitting votes by mail or internet rather than attending meetings to vote in person (Yermack, 2010). We therefore used proxy votes to calculate shareholder dissent. Second, previous research on Australian director elections suggests that discretionary votes are usually cast (see Table 4, Stapledon et al., 2000). Therefore, we included discretionary votes in the denominator and excluded abstentions from the voting base.

Firm-level director dissent was measured as the average dissent of directors standing for election if the company had multiple director election resolutions at the same AGM. Given that some companies had only one or two director election resolutions and others had several, the company-by-company averaging exercise was necessary to obtain an accurate picture of the overall proxy voting position.

¹¹ Votes can be cast either for or against a resolution, but shareholders can also abstain. The proxy sheet statement contains a vote recommendation by management. In other words, if the proxy sheet is signed and returned blank, the votes will be cast in accordance with management's recommendation which is usually to vote for a resolution. It should be noted that the majority of management's recommendations are in favour of the election of a director sponsored by management. Thus, we use 'against' in the numerator and include the 'abstain' proportion in the denominator to ensure an appropriate measure for shareholder dissent.

In terms of strategic voting behaviours, the broker non-votes and phantom shares (such as mutual funds and hedge funds) have been found to be associated with a decrease in the number of proxy votes cast both for and against (Bebchuk et al., 2017) resolutions. In Australia it is not possible to obtain data on either broker non-votes and phantom shares.

¹² One limitation of the dissent measure used in this thesis, is that it fails to capture shareholder dissent in other forms, such as private negotiations between shareholders and companies, shareholder votes cast in the special general meetings and activist campaigns. We leave it to future research to analyse these alternative forms of dissent.

2.4.3 Measurement of determinants

Firm-level performance variables

We included three firm-level measures of performance in our analysis. Operating performance was measured using return on assets (*ROA*), which was net profit divided by total assets. We also included a stock market-based performance measure, *market return*, which was calculated as the natural logarithm of the share price at the end of the current year over the share price at the end of last year. We also included *dividend payout*, which was measured as dividends paid divided by total equity.

Firm-level corporate governance variables

CEO compensation was measured as the log of total CEO compensation and included both short-term (i.e. cash salary and bonus) and long-term (i.e. stock options) compensation. We measured *board size* as the total number of board members, *board independence* as the total number of independent directors divided by board size, and *female representation* on the board as the total number of female directors divided by board size. *Board ownership* was measured as the total number of shares owned by all directors divided by the total number of shares outstanding. *Institutional ownership* and *top 20 ownership* were measured as the ratio of the number of shares held by institutional investors and top 20 shareholders, respectively, to the total number of shares outstanding.

Both the firm-level performance measures and the firm-level corporate governance measures were determined for the previous financial year. For example, for voting results received on 30 October 2020, the firm-level performance and corporate governance indicators were for the financial year ending 30 June 2020.

Director-level corporate governance variables

We applied measures similar to those used by Cai et al. (2009) to test the director-level determinants to show whether individuals with certain characteristics are less likely than others to receive high shareholder support.

Director independence was a dummy variable that was equal to one if Connect 4 Boardroom categorised the director as independent. *Tenure* was calculated as the difference

between the year of the AGM and the year of appointment. If the tenure was zero, we categorised the director as new. *Age* was either provided by Connect 4 Boardroom or calculated as the difference between the year of the AGM and the director's birthyear. Each *director's shareholding* in the company was measured as the number of shares owned divided by the total number of shares outstanding for the company. Information on directors' shareholdings was obtained from the SIRCA corporate governance database.

Female director was a dummy variable equal to one if Connect 4 Boardroom categorised the director as female. To fill in missing values, we supplemented this variable and identified directors as female using the prefix information, for example, if the resolution contained information such as "Miss" or "Mrs"; we categorised directors as male if the resolution contained information such as "Mr" or "Mister". This additional step helped to fill in approximately 20% of the missing information. The *number of board seats* represented the number of board seats held by each director in public companies, including the focal company of the current election. This variable indicated the busyness of each director. The above corporate governance measures at the director level were determined for the previous financial year.

2.4.4 Summary statistics

Tables 2 and 3 show the summary statistics of the variables used in our analysis. Table 2 presents statistics on company performance and firm-level corporate governance characteristics. Table 3 presents director-level summary statistics on directors standing for election.

[Insert Table 2 about here]

The summary statistics for firm-level characteristics in Table 2 are based on 11,136 firm-year observations. On average, directors receive about 3.9% dissenting votes (*FirmDissent*). The main dependent variable *FirmDissent* was calculated as $\text{Proxyagainst} / (\text{Proxyfor} + \text{Proxyagainst} + \text{Proxydiscretion})$. The median vote against is lower than the mean vote against, but both values are quite low. This result is similar to that reported in US studies. For example, Cai et al. (2009) find that the mean percentage of votes for (firms) is around 93.93%, and Ertimur et al. (2018) find that the mean number of votes withheld is around 5.0%.

According to Cai et al. (2010), there are three possible interpretations for the low number of against votes. First, shareholders are generally satisfied with the performance of the vast majority of directors. Second, a large number of shareholders do not believe that their votes make a difference in director elections and therefore either do not vote or vote blindly with management. Third, certain shareholders (such as mutual funds and hedge funds) may strategically vote with management in order to gain or maintain access to the company's board (Cai et al., 2010).

Some voting rules and practices also appear to bias election outcomes in favour of management. Listokin (2008) examines the margins of approval for management-initiated resolutions and comments that it is likely to be influenced by management's ability to lobby shareholders to withdraw proposals when they observe incoming vote totals that appear to be heading for narrow defeats. Yermack (2010) also finds an overwhelming disparity between the frequency of proposals that narrowly pass and the frequency of proposals that narrowly fail.

To assess the impact of past company performance on shareholder votes on director elections, we used both operating and stock market performance measures. Both mean *ROA* and mean *Marketret* are negative, but both medians are positive. The average ROA result is similar to that in an Australian paper by Bugeja et al. (2023), averaging -0.188 . Their sample data covers all listed companies in Australia for the years 2006–2014. The mean and median dividend payout ratios are 3.40% and 0.00%, respectively. The *Dividend* ratio is comparable to a US study testing the relation between dividend payout and shareholder votes (Tanyi et al., 2020), where the mean and median dividend payout ratios are 4.14% and 1.73%, respectively.

We also collected data on several board-level governance measures, including board size (*BoardSize*), board independence (*BoardInd*), representation of female directors (*BoardFemale*), CEO compensation (*LogCEOpay*) and board share ownership (*BoardOwn*). The typical board has approximately five members, of which 52% are independent directors and 19% are female directors. The average CEO compensation is \$159,532 (in exponential form $e^{11.980}$), and boards hold approximately 2.8% of total shares. Compared with overseas studies, Australian CEOs are paid significantly less on average, but directors hold more shares than in the US. For example, Hillman et al. (2011) report statistics to show that the average

CEO pay is \$2,495,501, and boards hold 2% of total shares outstanding. In both Australia and the US, board ownership is quite low.

Table 2 also shows that institutional investors (*Institutional*) own about 10% of the shares, while the top 20 shareholders (*Top20*) together own about 64% of the total outstanding company shares. The institutional ownership statistics are similar to those in the US report by Hillman et al. (2011). The percentage of top 20 shareholders is similar to those reported by Bugeja et al. (2023), which is 65%.

Panel B in Table 2 shows the results of the yearly distribution of against votes, and the distribution shows that around 1% of the firm-year observations in our sample received more than 50% of the against votes, which is interesting because almost all of the director election resolutions in our sample were passed by a simple majority. Again, this result is comparable to the US, where Choi et al. (2016) find that, for S&P 1500 companies subject to a majority voting rule, less than 1% of their sample did not receive a majority of votes for.

Panel C shows the histogram of the votes against the distribution, and it can be seen that the votes are positively skewed. Panel D presents the correlation coefficients for the firm- and board-level variables included in the regression model of the determinants at the firm level. Specifically, the correlation between *firm dissent* and *stock return* is -0.055 , which is statistically significant at the 1% level, and the result is consistent with Mitra et al. (2021) and Hillman et al. (2011). Also, *Firm dissent* and board governance measures, such as *Institutional*, *Board size* and *CEO abnormal pay*, all have positive correlations, which is consistent with Hillman et al. (2011). These results provide initial evidence in support of several of the hypotheses.

[Insert Table 3 about here]

Summary statistics for the director-level determinants are presented in Table 3. On average, directors receive about 3.3% dissenting votes (*Dissent*). Approximately 55% of the directors are classified as independent (*Independence*), while approximately 37% are first-time nominees (*New*). The typical director in our sample is male (*Female*), has served two years on the board (*Tenure*), owns about 2% of the company's shares (*DirectorOwn*), receives director fees of about A\$46,166 ($e^{10.740}$) (*LogDirectorPay*) and sits on one external board (*NumBoardseats*). Compared to Cai et al. (2009), we observe that there is a higher number of

independent directors standing for election or re-election at AGMs in the US than in Australia. In Australia, more than one-third of candidates are first-time directors, compared with less than 10% in the US. The tenure of directors in Australia is also significantly lower than in the US. This is partly explained by the fact that directors in Australian public companies have staggered boards and are more likely to leave than in US public companies (Featherstone, 2010). The likelihood of female candidates, the age and the number of non-executive directors standing for (re)election are comparable in Australia and the US. However, Cai et al. (2009) provide statistics showing that directors in the US hold around 0.96% of total shares, which is around half of the percentage shown in Australian statistics on director shareholdings.

Panels B and C show the annual distribution of votes against (at the director level) and its histogram, which gives a similar picture to the firm-averaged distribution of votes against, as shown in Table 2 panels B and C. Panel D presents the correlation coefficients for the director-level variables included in the regression model analysing the determinants at the director level. The results show a negative correlation between *Dissent* and *Independence* and a positive correlation between *Dissent* and *Tenure*, which is consistent with the findings of Mitra et al. (2021) and Hillman et al. (2011). The results showing that *Dissent* is positively correlated with *New* and *Dissent* is negatively correlated with *Female* are also consistent with Mitra et al. (2021). Similar to Hillman et al. (2011), *Director own* is negatively correlated with *Dissent*. However, unlike Hillman et al. (2011), *Director busy* is negatively correlated with *Dissent*. Overall, the correlations provide support for the hypotheses.

2.5 Main results

2.5.1 Firm-level determinants

Following prior literature (Cai et al., 2009; Hillman et al., 2011), the firm-level model is estimated as follows:

$$\begin{aligned}
 FirmDissent_{j,t} = & \alpha + \beta_1 ROA_{j,t-1} + \beta_2 MarketRet_{j,t-1} + \beta_3 Dividend_{j,t-1} + \beta_4 LogCEOpay_{j,t-1} + \\
 & \beta_5 BoardSize_{j,t-1} + \beta_6 BoardInd_{j,t-1} + \beta_7 BoardOwn_{j,t-1} + \beta_8 Institutional_{j,t-1} + \beta_9 Top20_{j,t-1} + \\
 & \beta_{10} BoardFemale_{j,t-1} + \gamma X_{j,t-1} + Firm FE + Year FE + \varepsilon_{j,t-1}, \quad (1)
 \end{aligned}$$

where *FirmDissent* refers to average shareholder dissent, measured as the average of against votes divided by the sum of for, against and discretion votes. *ROA* refers to the company's operating performance in the previous year and *MarketRet* refers to the stock market return in the previous year, which is the natural logarithm of the share price at the end of the current year over the share price at the end of the last year. *Dividend* refers to the previous year's dividend payout ratio, measured as dividend paid divided by the company's total equity. *LogCEOpay* measures the size of the CEO compensation package, which includes both short-term (i.e. cash salary and bonus) and long-term (i.e. stock options) compensation. Following Hillman et al. (2011), and to reduce the skewness of total CEO pay, we used the log of total CEO compensation plus one. *BoardSize* refers to the number of directors on the board. *BoardInd* represents the percentage of independent directors on the board. *BoardOwn*, *Institutional* and *Top20* refer to the shares held by board members, institutional owners and top 20 investors, respectively. *BoardFemale* represents the percentage of female directors on the board. *X* represents the control variables identified in the previous literature relating to shareholder votes on director elections (Cai et al., 2009; Ertimur et al., 2018; Hillman et al., 2011; Mitra et al., 2021; Tanyi et al., 2021). The control variables include firm size (measured as the logarithm of total assets), financial leverage, firm age and the book-to-market ratio. Similar to Cai et al. (2009), we included firm (*Firm FE*) and year (*Year FE*) fixed effects in the regression. Including firm and year fixed effects is common to address endogeneity in previous governance research (Lennox et al., 2012) and can help control for omitted factors that are not considered. As the regression includes *firm FE*, the control variable *firm age* is calculated in logarithmic form to avoid the collinearity problem with *firm FE*. Standard errors $\varepsilon_{j,t-1}$ are clustered at the firm level. *j* indicates the company and *t* indicates the financial year.

[Insert Table 4 about here]

In Table 4, columns (1) to (10) show individual univariate estimates of equation (1). Columns (1), (2) and (3) are tests for Hypothesis 1, assessing whether prior firm performance is negatively related to shareholder dissent. The results reveal that only *MarketRet* is negatively and statistically significantly associated with shareholder against votes. The results suggest that directors from firms with poor stock market performance receive significantly more against votes. The average coefficients of *MarketRet* indicate that a one standard deviation decrease in stock market performance leads to a 0.286% ($-0.004 * 0.715$) increase in votes against

directors, which is not economically significant. *ROA* and *Dividend* are both found to be insignificant. This suggests that shareholder dissatisfaction with directors is not statistically associated with either the annual book value of operating performance or the dividend payout policy. The coefficient of *MarketRet* supports hypotheses **H1a** that poor stock market performance is associated with greater shareholder dissent in director elections. The results show that poor stock performance is linked to high levels of shareholder dissent in director elections. This supports the view of Gillan and Starks (2007) that shareholder activism is a spectrum of responses through which dissatisfied shareholders can address corporate governance issues and effect corporate change.

Shareholder votes are also related to board composition and board-level corporate governance indicators. The results from Table 4 indicate that boards with higher CEO pay (**H1b**), smaller boards (**H1c**), boards with fewer independent directors (**H1a**) and boards with fewer female directors (**H1a**) are significantly associated with greater dissent votes against directors. Also, Table 4 documents that top 20 investors are negatively associated with shareholder dissent (**H1a**). Specifically, *LogCEOPay* has a positive and statistically significant coefficient on shareholder dissent. This result indicates that high CEO pay is associated with significantly more dissenting votes. Also, CEO pay has a considerably higher magnitude of shareholder dissent level. Specifically, using the average coefficient, the result estimates that a one standard deviation increase in log CEO pay increases director dissent by 1.200%. This supports **H1b** that boards with higher CEO pay are associated with high shareholder dissent in director elections.

BoardSize has a negative and statistically significant coefficient. The result shows that large boards are associated with lower shareholder dissatisfaction with the election of directors. The result also indicates that a one standard deviation increase in *BoardSize* reduces shareholder dissent by 0.228%. The statistical significance of the coefficient on *BoardSize* supports **H1c** that board size is negatively associated with shareholder dissent and indicates that shareholders tend to view large boards as bringing benefits rather than detriments to the firm. *BoardInd* has a negative and statistically significant coefficient on shareholder dissent. The result indicates that higher board independence is associated with low shareholder dissent in director elections in column (11), controlling for other firm-level determinants, and the significance supports **H1a** that shareholders view boards with a high proportion of independent

directors positively and cast less shareholder dissent against those nominated directors. The coefficient shows that a one standard deviation of *BoardInd* reduces the number of dissenting votes by 0.284%.

We find that *BoardOwn*, *Institutional* and *Top20* all have negative coefficients, but the coefficients lack statistical significance. The negative and insignificant coefficient on *BoardOwn* may be due to the mechanical phenomenon that directors vote their own shares (Cai et al., 2009), which we measured in an additional test (see Section 5.3.3, Table 8). For univariate regression in column (9), our results also provide interesting evidence that *Top20* investors are negatively associated with dissenting votes, which supports **H1a**. The result can be interpreted as large investors, such as top 20 investors, who cannot easily unwind their positions and are therefore unwilling to vote against managers (Cai et al., 2009). The industry discussion paper (CAMAC, 2012) also reports that institutional investors regularly discuss issues with the management team prior to the AGM, and it is expected that these routine discussions help institutional investors to better understand managers' decisions and therefore tend to vote in favour of management rather than against.

BoardFemale has a negative and statistically significant coefficient with shareholder dissent, which supports **H1a**. The result indicates that the proportion of female board members is negatively associated with shareholder dissent in director elections. Specifically, a one standard deviation increase in the number of female directors (*BoardFemale*) reduces shareholder dissent by 0.447%.

Column (11) in Table 4 reports the multivariate ordinary least squares (OLS) estimates of equation (1). The coefficients, with the exception of *BoardInd* and *Top20*, remain consistent with the univariate estimates. Specifically, *BoardInd* is negatively and statistically significantly associated with shareholder dissent, and *Top20* becomes insignificant.

In summary, our results indicate that high shareholder dissent is associated with poor stock market performance and/or poorly perceived board corporate governance structures (such as abnormal CEO pay, low board diversity, low board independence and small board size).

2.5.2 Director-level determinants

Following prior literature (Cai et al., 2009; Hillman et al., 2011), the director-level model is structured as follows:

$$\begin{aligned} DirectorDissent_{i,j,t} = & \alpha + \beta_1 LogDirectorPay_{i,j,t-1} + \beta_2 Independence_{i,j,t-1} + \\ & \beta_3 DirectorOwn_{i,j,t-1} + \beta_4 Female_{i,j,t-1} + \beta_5 Tenure_{i,j,t-1} + \beta_6 New_{i,j,t-1} + \beta_7 NumBoardseats_{i,j,t-1} + \\ & \gamma_1 Age_{i,j,t-1} + \gamma_2 FirmSize_{j,t-1} + \gamma_3 ROA_{j,t-1} + Firm FE + Year FE + \varepsilon_{i,j,t-1}, \end{aligned} \quad (2)$$

where *DirectorDissent* refers to votes against calculated at the director level and measured as votes against divided by the sum of votes for, against and discretion. *LogDirectorPay* is the logarithm of one plus the director's total compensation package, which includes both short-term (i.e. cash salary and bonus) and long-term (i.e. stock options) compensation. *Independence* is a dummy variable that equals one if Connect 4 Boardroom categorises the director as independent. *DirectorOwn* is the director's shareholding divided by the total number of shares outstanding in the company. Information on directors' shareholdings was obtained from the SIRCA corporate governance database. *Female* is an indicator variable equal to one if the director is female. *Tenure* is the number of years a director has served on the board, which is calculated as the difference between the year of the AGM and the year of appointment. *New* is a dummy variable that equals one if the director is nominated for the first time. The variable *NumBoardseats* is a continuous variable equal to the number of public directorships held by the director, including the focal company of the current election. *Age*, *FirmSize* and *ROA* are control variables to account for any director-level or firm-level variation in shareholder dissent. Again, we included firm and year fixed effects in the regression. Standard errors $\varepsilon_{i,j,t-1}$ are clustered at the director level. *i* indicates the director, *j* indicates the company and *t* indicates the financial year.

Table 5 reports the univariate and multivariate estimates of equation (2). The univariate regression results are reported from column (1) to column (7).

[Insert Table 5 about here]

The results show that shareholders censure directors with high compensation (column (1)), with the coefficient of *LogDirectorPay* being positive and statistically significant. The results suggest that high CEO pay is associated with higher shareholder dissent in director

elections. Therefore, **H2b** is supported. *Independence* has a negative and statistically significant coefficient with shareholder dissent (column (2)). The result gives evidence that independent directors have significantly fewer against votes than their non-independent colleagues, supporting **H2a**.

The coefficient on *DirectorOwn* is positive but statistically insignificant (column (3)), which is contrary to the previous literature (Cai et al., 2009) (Table 4 columns (1)–(3)), and the result does not support **H2a** that shareholders are less likely to vote against directors with large shareholdings. However, it may be interesting to conduct a sensitivity test that excludes pre-committed shares because, presumably, directors tend to cast fewer against votes with the shares they own themselves. As expected, the coefficient of *Female* ($b = -0.012$) is negative and statistically significant at the 1% level (column (4)). The result indicates that female candidates receive fewer against votes than male candidates, which supports **H2a**.

Similar to director independence, shareholders reprimand directors with a long tenure by casting more against votes (column (5)). In particular, the coefficient on tenure is positive and statistically significant ($b = 0.001$; $p < 0.01$). In other words, shareholders are more likely to vote against incumbent directors who have been on the board for a longer period of time. The result supports **H2b**. This result is consistent with Aneiros (2023), which raises concerns regarding the prominence of some executive directors and the concentration of power and potential lack of accountability. Aneiros (2023) also calls for shareholders to restrict directors' power to safeguard corporate governance.

Consistent with the positive coefficient on *Tenure* and entrenchment concerns, *New* has a negative and statistically significant relation with shareholder dissent (column (6)). This result indicates that directors nominated for the first time receive significantly fewer dissenting votes, which is consistent with shareholders' perceptions that incumbent directors' independence is compromised by their time serving on the board. **H2a** is therefore supported.

Finally, directors with a greater number of outside directorships (*NumBoardseats*) are not associated with a high number of shareholder votes against (column (7)). The insignificance holds even when other determinants are added. This insignificant result can be interpreted as Australian shareholders viewing busy directors as value enhancing and not punishing busy directors more than other colleagues in the same firm. This is consistent with Field et al.'s

(2013) conclusion that busy directors bring benefits to the firm and shareholders value their presence on the board, and the result is consistent with the findings from Australian director dismissal literature (Lau et al., 2009) that Australian shareholders value busy directors. The insignificance of *NumBoardseats* does not support **H2c**.

Similar results are obtained for the multivariate OLS regression result shown in column (8). *Independence*, *Female* and *New* have negative and statistically significant coefficients with shareholder dissent. In other words, independent directors, female directors and new directors are statistically significantly associated with lower shareholder dissent. Inconsistent with the univariate results, the coefficients of *LogDirectorPay* and *Tenure* become insignificant in the multivariate results when including all the independent variables, and *DirectorOwn* becomes negative and statistically significant.

In summary, these results support director-level corporate governance determinants. Specifically, our results support the idea that “management-friendly” directors (such as incumbent, male and/or non-independent directors) are associated with higher shareholder dissent in Australian director elections. Combining the firm- and director-level results, our findings are consistent with those of Cai et al. (2009), who examine US firms and use abstain votes as a key measure. The results demonstrate that shareholder voting is an essential corporate governance mechanism due to its signalling effect. Shareholder votes have shown to be particularly useful in expressing shareholder evaluations of a firm's basic corporate governance decision (Mitra et al., 2021; Sauerwald et al., 2016), including the director elections.

2.5.3 Additional tests

2.5.3.1 Votes abstain as the main dependent variable

As introduced in section 2.2, under the plurality voting system, shareholders can only cast votes for and choose not to vote. As such, a withheld vote in the plurality system represents both shareholders choosing not to vote and those who would otherwise vote against the resolution. As an additional test, we examined the determinants of an abstain vote. Specifically, shareholder abstain was calculated as the ratio of abstain votes divided by the sum of for, against, discretionary and abstain votes.

[Insert Table 6 about here]

As shown in panel A, the mean level of abstain (0.015) votes is lower than the mean level of against (0.033) votes, which indicates that, on average, shareholders are more likely to vote against than to not vote (abstain). Panel B shows that, similar to the main result from Table 4, firm-level votes abstain is negatively associated with *MarketRet*, or market performance, suggesting that in firms with low prior market return shareholders are more likely to withhold their votes. Different from Table 4, the results from panel B reveal that firm-level abstention is positively associated with board ownership (*BoardOwn*), indicating that in firms with high board ownership shareholders are more likely to withhold their votes. This result is consistent with the idea that retail shareholders choose to withhold their votes if they believe they will not make a difference. Another explanation from this result may also suggest that board members abstain from voting on director (re-)election resolutions. For variables that are significant using votes against but become insignificant using votes abstain, such as *LogCEOPay*, *BoardSize*, *BoardInd*, *BoardFemale* and *Top20*, we argue that shareholders choose to vote against rather than to vote abstain to send a clear message to the company about their dissatisfaction.

In panel C, at the director level, abstention is statistically significant and positively associated with director shareholding (*DirectorOwn*), which means that a higher director shareholding is associated with a higher proportion of shareholders choosing to withhold their votes. Again, this result suggests that shareholders tend to withhold votes when the nominee holds a large number of shares as the shareholders feel their vote will make little difference. Similar to votes against in Table 5, votes abstain are associated with director nominees having high shareholding (*DirectorOwn*, positively and statistically significant), being *Female* (negatively and statistically significant) and long-tenured (*Tenure*, positively and statistically significant). Similarly, the insignificant coefficients of *LogDirectorPay*, *Independence* and *New* when using vote abstain may indicate that shareholders use vote against rather than vote abstain to inform the company of their disagreement with the company's performance or with the directors themselves.

In conclusion, both vote abstain and vote against are good signals of shareholder dissatisfaction, but when given the option to vote against, shareholders prefer to send a clear message to the board by voting against.

2.5.3.2 Votes against and abstain as the main dependent variable

In the next additional test, we used the sum of votes against and votes abstain in the numerator and the total number of votes cast, i.e. the sum of votes for, against, discretion and abstain, for the specific director election resolution in the denominator (*FirmDiscontent*). Arguably, this measure of dissent is more closely aligned with that used in much of the prior US research. The results of both firm-level and director-level determinants are given in Table 7.

[Insert Table 7 around here]

Panel A shows the descriptive statistics of *FirmDiscontent*. At the firm level, on average, firms receive about 5.4% of discontent votes, while at the director level, directors receive about 4.7% of discontent votes (*DirectorDiscontent*). These mean results are approximately the sum of the mean *Dissent* in Table 3 and the mean *Abstain* in Table 6 panel A.

The association between firm-level determinants and shareholder discontent is shown in Table 7 panel B. Supporting **H1a**, *ROA* and *MarketRet* are both found to be statistically and negatively associated with discontent. In other words, when companies experience unfavourable operating performance or market returns, shareholders are likely to express their dissatisfaction with poor performance in director election resolutions either in the form of votes against or abstentions. In addition, *LogCEOpay* is positively associated with the newly defined shareholder dissent ($b = 0.1, p < 0.05$), which supports **H1b** as a negative association between CEO pay and shareholder dissent.

Similar to the results in the main table, when the dependent variable is vote against, both *Boardsize* and *BoardInd* are found to be negatively associated with shareholder discontent levels, measured as the sum of votes against and votes abstain. Consistent with Cai et al. (2009), there is a significant negative association between *Top20* and shareholder discontent, which is due to blockholders being reluctant to vote against management or withhold their voting power because they hold a large number of shares in the focal firm. Finally, there is a statistically significant and negative association between *BoardFemale* and shareholder discontent. In other words, the null hypothesis of a positive association between female board representation and shareholder dissent can be rejected.

Table 7 panel C shows the association between director-level determinants and discontent, measured as the total dissatisfaction of shareholders who either vote against or vote abstain. The results are consistent with those in Table 5, and the adjusted R-squared in Table 7 is improved. Specifically, the results document that shareholder discontent is associated with the individual director candidate when they have high pay (*DirectorPay* has a positive coefficient), are classified as non-independent (*Ind* has a negative coefficient), have high ownership in the focal firm (*DirectorOwn* has a positive coefficient), have a long tenure (*Tenure* has a positive coefficient), and are classified as an incumbent director seeking re-election to the board (*New* has a negative coefficient). Our result also suggests that shareholders are more lenient towards female candidates, with *Female* having a negative and significant relation with shareholder discontent.

Given the similar results and conclusions from Tables 5 and 7, we find that the plurality and majority voting systems provide largely the same results on the determinants of director elections, assuming that shareholders cast their all their dissatisfied votes as abstain votes in the plurality voting system in the US election scheme. In other words, whether the voting system (plurality or majority) makes a difference depends on how shareholders view abstain votes in the plurality voting system.

2.5.3.3 *Eliminating the effects of nominated directors' self-shareholding*

As shown in Table 4, the relation between board ownership and the level of shareholder dissent is not statistically significant. As highlighted by Cai et al. (2009), one possible reason is due to nominated directors' self-voting. To measure this, an additional test was performed by eliminating nominee directors' own shareholdings. A re-run of the results of firm-level determinants with the elimination of self-shareholdings is presented in Table 8.

[Insert Table 8 around here]

Table 8 panel A shows the regression result of votes against and director shareholdings. After running this first-stage model by regressing shareholder dissent votes on nominated directors' shareholdings, we obtained the residual of votes against. From the descriptive statistics of votes against, we find that, after eliminating directors' own voting behaviour, the average of votes against is around 3.4%, which is lower than the original votes against of 3.9%, as shown in Table 2.

Panel B reports the association between firm-level determinants and the level of residual shareholder dissent, with the focus being the coefficient on *BoardOwn*. Consistent with prior theoretical explanations that shareholders perceive firms with high board ownership as entrenched and thus cast high dissenting votes, board ownership is positively associated with shareholder dissent levels when other firm-level determinants are not controlled (column (1)) or controlled (column (2)), and these results support **H1b**. In other words, shareholders have a negative view of high board ownership, which is a signal of board entrenchment.

2.5.3.4 Previous US results and applying the US measure of shareholder dissent to Australian data

As outlined above, many previous US studies (Cai et al., 2009; Chen & Guay, 2020; Cunningham et al., 2021; Gal-Or et al., 2018; Gertsberg et al., 2021; Hillman et al., 2011; Mitra et al., 2021; Redor, 2021; Tanyi et al., 2021) have employed different measures of shareholder dissent and research has been conducted using the plurality voting system. This section attempts to synthesise these findings and compare them to the results obtained using different measures with Australian data.

[Insert Table 9 around here]

Table 9 panel A shows the signs of the coefficients and their significance in previous US studies. Most of the results are summarised in the previous hypothesis development section.

For firm-level determinants, previous studies document that factors such as poor firm performance (Cai et al., 2009; Gal-Or et al., 2018; Tanyi et al., 2021), a low dividend payout (Tanyi et al., 2021), high CEO pay (Cai et al., 2009; Hillman et al., 2011), a low proportion of independent directors on the board (Cai et al., 2009; Mitra et al., 2021) and low institutional ownership (Cai et al., 2009; Gal-Or et al., 2018) are associated with high shareholder dissent. For director-level determinants, previous studies report that individual characteristics such as non-independent (Cai et al., 2009; Chen & Guay, 2020; Redor, 2021; Tanyi et al., 2021), incumbent (Cai et al., 2009; Gal-Or et al., 2018; Hillman et al., 2011; Mitra et al., 2021), high ownership (Cai et al., 2009; Hillman et al., 2011; Redor, 2021), long-tenured (Cai et al., 2009; Chen & Guay, 2020; Hillman et al., 2011; Mitra et al., 2021; Redor, 2021; Tanyi et al., 2021), male (Chen & Guay, 2020; Cunningham, 2021; Gal-Or et al., 2018; Gertsberg et al., 2021; Mitra et al., 2021; Redor, 2021; Tanyi et al., 2021), and busy directors (Chen & Guay, 2020;

Cunningham, 2021; Gal-Or et al., 2018; Hillman et al., 2011; Mitra et al., 2021; Redor, 2021) are associated with high shareholder dissent. Panel A also highlights the different measures used by earlier US studies to proxy for shareholder support or dissent for a director.

Panel B shows the summary statistics of Australian votes using these different measures. Summary statistics of the individual firm-level and director-level measures of shareholder views are presented in panel B. To make these different measures comparable, we take the 1 minus the support measures used by Cai et al. (2009), Gal-Or et al. (2018) and Hillman et al. (2011), which proxy for shareholder support, to obtain the shareholder dissatisfaction measures. For the previous US studies, we find that they do not include discretionary votes in their equation. In Australia, however, discretionary votes should be included when calculating the proportion of votes in favour and deciding whether the resolution is passed under the majority voting system (*Corporations Act 2001*, section 251AA). Similar to the Australian measures of shareholder dissent, we observe that SH1 with vote abstain as the nominator has a lower mean (0.019) than SH2 (0.042) or SH3 (0.057) when using vote against in the nominator to measure shareholder dissent. This supports the idea that shareholders are more likely to use a stronger option to express their dissatisfaction, i.e. vote against, if that option is available.

In panels C and D, we use the US measures on our Australian data and obtain regression results of the firm-level and director-level determinants. Panel D is a detailed version of panel C and provides data on both the sign of the coefficient and its statistical significance. From panel C, we see that the difference in the results obtained from different methods of measuring shareholder dissent is not noticeable. However, we find that some independent coefficients of the plurality voting measures (SH1 and Table 6) are not as significant as for the measures used in the majority voting system. Indicators that become insignificant from majority to plurality voting include *BoardSize*, *Boardfemale* and *Top20* in the firm-level determinants, and *Ind* and *New* in the director-level determinants. Other voting measures that have votes against in the nominator show statistically significant negative relations between shareholder dissatisfaction measures and directors from companies with a large board size, a high proportion of female directors on the board, the top 20 shareholders, or where the nominated directors are classified as independent or new to the election.

This finding supports our view that, in the majority voting system, the vote against option empowers shareholders and acts as a clear channel for the board of directors to hear the voices of shareholders. In other words, if they are given a better and stronger option to express their dissatisfaction, shareholders are more likely to vote against than do nothing or withhold votes.

In summary, the vote against is similarly susceptible to the determinants of shareholder dissatisfaction as reported in previous US studies. From this section, we conclude that both theoretical and empirical evidence show that the US and Australia are similar in that shareholders are more likely to vote against or withhold their votes if they are dissatisfied with either the firm's performance, board composition or individual corporate governance indicators, regardless of whether the firm uses majority voting or plurality voting. Both voting abstain in the plurality voting rule and voting against in the majority voting rule are ideal ways for shareholders to communicate their disagreement with management.

2.5.3.5 Shareholder participation on firm-level determinants

This section outlines the regression results of shareholder participation rate on firm-level determinants. Specifically, the turnout ratio is calculated as the sum of total proxy votes divided by the total shares outstanding. The descriptive statistics and regression result are presented in Table 10.

[Insert Table 10 around here]

Contrary to the perception that shareholders participate and vote more in AGMs and vote when the company performs poorly (Cuñat et al., 2012; Van der Elst, 2011), we document that shareholder participation is high when the firm performs well in the previous year. Our results also document that board size, board ownership and institutional ownership are positively associated with shareholder participation.

2.5.3.6 Director-level determinants – add director attendance

Information is the basis for independent directors to make correct decisions. Empirical evidence, such as that provided by Qin et al. (2023), finds that the participation of independent directors in director meetings helps them to obtain more information and make better decisions. They also conclude that directors who actively participate in board meetings are rewarded by

the labour market with more allowances and directorships in the future. Thus, we expect that directors with a high attendance rate are associated with lower shareholder dissent levels.

[Insert Table 11 around here]

We extracted the board meeting attendance rates of directors from SIRCA from 2004 to 2015, and we present descriptive statistics for all variables included in the regression in panel A. As Table 11 panel A shows, the sample size dropped dramatically to 7,098 after we added attendance as an additional determinant. The descriptive statistics are similar to our main tests. In particular, the mean vote against is only 3%. The sample distribution shows that the nominated directors are highly likely to be independent directors, more likely to be incumbent directors standing for re-election, hold about 1.3% of the company's outstanding shares, have an annual remuneration of about AUD\$39,143.90, are more likely to be male and hold more than two board seats, including the focal directorship. Attendance is also strikingly high (95.8%) for our sample, with almost all directors appearing to attend board or committee meetings.

We expected greater attendance to have a negative and statistically significant relation with shareholder dissent, as we expected shareholders to view directors with high attendance rates as diligent directors and to cast fewer dissenting votes. The results in panel B, however, do not provide evidence that attendance is associated with shareholder dissent. The findings on the other independent variables are largely consistent with those in Table 5, except director ownership is no longer significant.

2.5.3.7 Director-level determinants – add education/expertise/experience

According to human capital theory, resources such as people's education, skills, qualifications and experience are more beneficial to an organisation than material resources (Terjesen et al., 2009). Empirically, Huang et al. (2023) apply both the firm fixed effects and an instrumental variable approach and conclude that higher board diversity based on directors' industry-experience diversity is associated with a higher firm value. They further argue that a more diverse board brings more viewpoints, information, perspectives and knowledge to the firm, which enhances directors' functions of advising and creates higher firm value. From this perspective, we are also interested in the shareholders' viewpoints on director experience. We gathered information about directors' experience from SIRCA.

[Insert Table 12 around here]

Table 12 panel A shows the summary statistics of each variable that we included in the regression. Panel A shows that about 853 directors in our sample have financial expertise, 1,004 have financial experience, 1,523 have financial education, 653 have accounting expertise, 1,991 have accounting experience, 920 have accounting education, 351 have legal expertise, and 1,104 have legal experience. The available information is quite small compared to the total sample (16,732). Panel B shows the regression results, and we conclude that the significant associations between the director-level determinants and shareholder dissent shown in Table 5 hold regardless of whether education, experience or expertise information are included. Also, our test does not conclude any statistically significant relations between directors' backgrounds/education/experience and the level of shareholder dissent.

2.6 Robustness

2.6.1 Alternative proxy for CEO pay: abnormal CEO pay (Cai et al., 2009) (firm-level determinants)

Following Cai et al. (2009)¹³, we estimated abnormal CEO pay as the residual from a regression of total CEO compensation on log assets, the previous year's stock return and industry and year dummies as independent variables, which is shown in Table 13 panel A. Different from Cai et al. (2009) where CEO abnormal pay is negative in the US, our sample shows that the CEO abnormal pay is positive in Australia.

[Insert Table 13 around here]

Table 13 panel B shows consistent results with Cai et al. (2009) that shareholders cast more shareholder dissent towards firms with higher abnormal CEO pay.

2.6.2 Alternative proxy for shareholder dissent (Hillman et al., 2011) log dissent

As can be seen in Table 2 panel C's firm-level votes histogram and Table 3 panel C's director-level votes histogram, votes against are positively skewed. Hillman et al. (2011) log-transformed their dependent variable to approximate a normal distribution. Therefore, we also

¹³ Cai et al. (2009) employ a robust methodology to understand various factors that could influence shareholder voting behaviour in director elections. This approach is adopted in this thesis.

log-transformed our dependent variable from the main tests (Tables 4 and 5) and conducted a sensitivity test to test the robustness of the findings. Specifically, following Hillman et al. (2011), we ran regressions of firm-level determinants and director-level determinants on the logarithm of votes against, calculated as $\log[(\text{proxy against}) / (\text{proxy for} + \text{proxy against} + \text{proxy discretion})]$.

[Insert Table 14 here]

The results of the associations are presented in Table 14 panels A and B. The results support the robustness of the findings in the main test (Tables 4 and 5). Specifically, the tables provide evidence that market performance and operating performance are negatively associated with shareholder dissent, which supports **H1a**. Also, firms with a high CEO pay regime are associated with a high level of shareholder dissent, which supports **H1b**. The results also support **H1a** that institutional ownership (top 20 investors) is negatively associated with shareholder dissent in director elections, and board female representation is negatively associated with shareholder dissent.

In addition, director candidates who are categorised as management friendly, such as high pay, non-independent, male, long tenure and incumbent, are associated with high shareholder dissent. However, contrary to the main result, which is insignificant, there is a statistically significant positive relation between director busyness and the log form of shareholder dissent. This finding is consistent with earlier US research (Cai et al., 2009; Chen & Guay, 2020). We also report a positive relation between director shareholdings and the log form of shareholder dissent.

2.7 Conclusion

Voting at AGMs can be seen as one of the most important forms of communication between management and shareholders. An understanding of the implications of voting requirements and proactive engagement with companies is likely to help manage governance risks before it is too late or too difficult to do so. Understanding the determinants of shareholder preferences is very important, particularly when there is no prior literature on the determinants of director elections in Australia. A key difference from the US context is that Australian companies typically use a majority voting system, which allows shareholders to vote for,

against, discretionary and abstain. The uniqueness of this study is its ability to directly measure shareholder opposition to a director using the proportion of votes cast against.

Using a large sample of director elections from 2004 to 2021, we tested hypotheses relating firm- and director-level corporate governance structures to shareholder votes in director election resolutions. We document that, on average, directors receive a strikingly high number of support votes. Almost all nominees receive more than 50% (a simple majority) of votes in favour. Our results show a clear relation between shareholder dissent and several key determinants, including underperforming companies and weak governance practices. At the director level, our research shows that directors categorised as management friendly are more likely to face higher levels of shareholder dissent.

We performed additional tests and document that the plurality and majority voting systems produce broadly the same results on the determinants of director elections. In other words, whether the voting system (plurality or majority) makes a difference depends on how shareholders view abstain votes in the plurality voting system. In particular, abstention in the plurality voting system and voting against in the majority voting system are both ideal tools for shareholders to communicate their disagreement with management. We also find that the vote against option empowers shareholders and provides a clear channel for the board to hear their voices. Thus, if shareholders are given a better and stronger way to express their dissatisfaction, they are more likely to vote against than do nothing or withhold their votes.

This study makes two important contributions. First, it adds to the literature on director elections by providing the first empirical evidence in the context of Australian director elections. By examining the unique dynamics and factors at play in Australian director elections, this study fills a notable void in existing research and enhances our understanding of this critical aspect of corporate governance. The findings help to address some of the unresolved issues regarding the conduct of AGMs raised by Australian governance in the 2012 CAMAC report and by industry bodies. This research has the potential to make a significant contribution to Australia's economic well-being and improve shareholder access, fairness and outcomes, particularly for retail shareholders.

Second, our findings provide important evidence for one of the most significant corporate governance reforms in recent years. The Australian setting, where director elections are

conducted under a majority system, has important implications. By examining the Australian experience, this study provides interesting insights and perspectives that can inform regulators and governance commentators engaged in debates and discussions about initiatives such as majority voting.

However, it is also important to acknowledge one limitation: our research focuses on only one form of shareholder “voice” – voting – and does not consider other forms, such as shareholder proposals. It is possible that some of the predictors we examined may have an impact on other forms of voice, such as shareholder proposals, private negotiations with management and public advocacy campaigns. For example, large shareholders may also have the ability to engage in other forms of voice, such as direct phone calls to management when a firm experiences poor performance, which we cannot observe here. Also, we cannot address how voting behaviour might substitute for or complement other forms of shareholder voice. Understanding the interplay between different forms of shareholder voice and how they are influenced by different predictors is a promising avenue for future research.

2.8 Main tables

Table 1: Yearly distribution of proxy and poll votes

	Year 2004 - 2012								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Firm-level</i>									
Number of sample companies	462	497	481	542	615	590	594	571	586
Number of companies having at least one director-election resolution	462	497	481	542	615	590	594	571	586
Number of co's at which all director-election resol'ns decided on proxy votes	446	475	454	519	585	553	551	505	500
Number of co's at which all director-election resol'ns decided on poll votes	16	22	27	23	30	37	43	66	86
<i>Director-level</i>									
Number of director-election resolutions	896	917	948	1021	1128	1078	1093	1059	1092
Number of director-election resolutions decided on proxy votes	857	864	874	950	1047	993	987	916	898
Number of director-election resolutions decided on poll votes	39	53	74	71	81	85	106	143	194
Number of director-election resolutions passed	893	916	944	1012	1122	1074	1081	1053	1084
Number of director-election resolutions lost	2	1	3	8	3	3	5	6	7
Number of director-election resolutions withdrawn	1	0	1	0	3	1	1	0	1
<hr/>									
	Year 2013 - 2021								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Firm-level</i>									
Number of sample companies	548	506	524	418	468	493	435	522	374
Number of companies having at least one director-election resolution	548	506	524	418	468	493	435	522	374
Number of co's at which all director-election resol'ns decided on proxy votes	462	411	388	293	317	314	214	29	8
Number of co's at which all director-election resol'ns decided on poll votes	86	95	136	125	151	179	221	493	366
<i>Director-level</i>									
Number of director-election resolutions	993	963	982	639	791	788	697	913	672
Number of director-election resolutions decided on proxy votes	813	744	679	434	506	471	326	39	14
Number of director-election resolutions decided on poll votes	180	219	303	205	285	317	371	874	658
Number of director-election resolutions passed	956	956	976	637	789	772	686	900	664
Number of director-election resolutions lost	7	7	4	2	2	13	8	8	5
Number of director-election resolutions withdrawn	0	0	2	0	0	3	3	4	3



Table 2: Firm-level determinants summary statistics

Panel A: Descriptive statistics of firm-Level determinants

Panel A presents summary statistics of the firm-level determinants used in equation (1). The sample period is from 2004 to 2021. The number of observations is 11,136. All variables are defined in the appendix. All continuous variables, except those related to voting, are winsorised at the 1% level at both tails of their distributions.

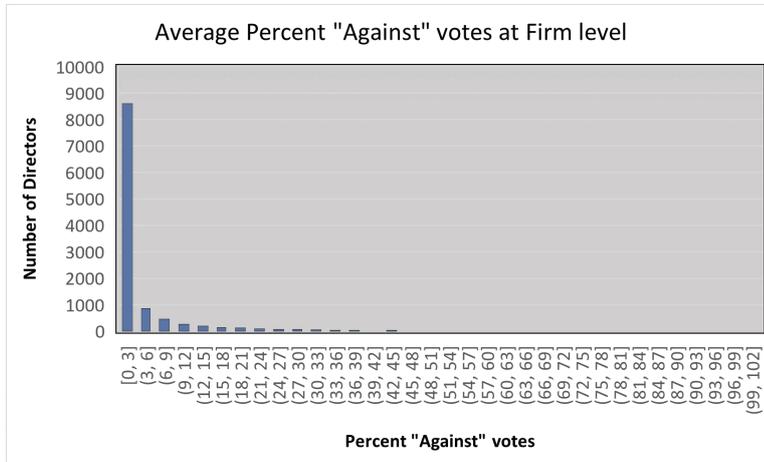
	Mean	P1	P10	P25	P50	P75	P90	P99	Range	SD
<i>FirmDissent</i>	0.039	0.000	0.000	0.001	0.005	0.025	0.104	0.555	0.996	0.105
<i>ROA</i>	-0.128	-2.183	-0.476	-0.141	0.010	0.070	0.125	0.327	0.357	0.498
<i>MarketRet</i>	-0.018	-1.946	-0.857	-0.382	0.000	0.302	0.734	2.351	2.351	0.715
<i>Dividend</i>	0.034	0.000	0.000	0.000	0.000	0.048	0.112	0.315	0.315	0.065
<i>Institutional</i>	0.098	0.000	0.001	0.008	0.049	0.149	0.259	0.639	0.639	0.126
<i>Top20</i>	0.638	0.000	0.356	0.510	0.670	0.802	0.892	0.975	0.975	0.216
<i>BoardSize</i>	5.201	1	3	4	5	6	8	12	12	2.280
<i>BoardOwn</i>	0.028	0.000	0.000	0.000	0.002	0.018	0.094	0.294	0.294	0.063
<i>BoardInd</i>	0.516	0.000	0.000	0.333	0.500	0.750	0.857	1.000	1.000	0.283
<i>BoardFemale</i>	0.193	0.000	0.000	0.000	0.143	0.333	0.500	1.000	1.000	0.235
<i>LogCEOpay</i>	11.980	8.753	10.463	11.055	11.896	12.899	13.610	15.338	15.338	1.333

Panel B: The distribution of the percentage of votes against the election of directors

<i>FirmDissent</i>	[0%,5%]	(5%,10%]	(10%,15%]	(15%,20%]	(20%,25%]	(25%,50%]	(50%,100%]	Total
2004	9 (90%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (10%)	0 (0%)	10 (0%)
2005	424 (92%)	12 (3%)	7 (2%)	3 (1%)	2 (0%)	3 (1%)	8 (2%)	459 (4%)
2006	366 (89%)	14 (3%)	10 (2%)	3 (1%)	4 (1%)	7 (2%)	5 (1%)	409 (4%)
2007	417 (84%)	38 (8%)	10 (2%)	12 (2%)	5 (1%)	9 (2%)	6 (1%)	497 (4%)
2008	543 (87%)	32 (5%)	10 (2%)	9 (1%)	6 (1%)	23 (4%)	4 (1%)	627 (6%)
2009	542 (85%)	43 (7%)	14 (2%)	12 (2%)	7 (1%)	9 (1%)	10 (2%)	637 (6%)
2010	559 (86%)	38 (6%)	16 (2%)	11 (2%)	7 (1%)	10 (2%)	8 (1%)	649 (6%)
2011	545 (84%)	42 (6%)	15 (2%)	18 (3%)	7 (1%)	19 (3%)	6 (1%)	652 (6%)
2012	539 (81%)	47 (7%)	22 (3%)	15 (2%)	9 (1%)	25 (4%)	5 (1%)	662 (6%)
2013	564 (82%)	41 (6%)	28 (4%)	13 (2%)	12 (2%)	19 (3%)	7 (1%)	684 (6%)
2014	515 (84%)	36 (6%)	21 (3%)	11 (2%)	3 (0%)	17 (3%)	11 (2%)	614 (6%)
2015	535 (83%)	50 (8%)	14 (2%)	13 (2%)	5 (1%)	16 (2%)	10 (2%)	643 (6%)
2016	557 (83%)	49 (7%)	29 (4%)	12 (2%)	7 (1%)	16 (2%)	1 (0%)	671 (6%)
2017	641 (82%)	55 (7%)	24 (3%)	19 (2%)	12 (2%)	20 (3%)	7 (1%)	778 (7%)
2018	661 (79%)	68 (8%)	43 (5%)	21 (3%)	12 (1%)	23 (3%)	6 (1%)	834 (7%)
2019	614 (79%)	73 (9%)	28 (4%)	16 (2%)	16 (2%)	24 (3%)	9 (1%)	780 (7%)
2020	674 (81%)	57 (7%)	27 (3%)	22 (3%)	16 (2%)	25 (3%)	16 (2%)	837 (8%)
2021	553 (80%)	49 (7%)	34 (5%)	14 (2%)	11 (2%)	23 (3%)	9 (1%)	693 (6%)
Total	9258 (83%)	744 (7%)	352 (3%)	224 (2%)	141 (1%)	289 (3%)	128 (1%)	11136 (100%)

Panel C: Distribution of dissent votes at firm level

The percentage of Against votes equals a director's Against votes divided by the sum of For, Against and Discretion votes.



Panel D: Correlation matrix of selected variables for firm-level determinants

	Firm dissent (1)	ROA (2)	Stock (3)	Dividend (4)	Institutional (5)	Top20 (6)	Board size (7)	Board own (8)	Board Ind (9)	Board female (10)	CEO abn. Pay (11)
(1)	1										
(2)	-0.004	1									
(3)	-0.055***	0.110***	1								
(4)	-0.013**	0.212***	0.063***	1							
(5)	0.023***	0.114***	0.048***	0.275***	1						
(6)	-0.024***	0.117***	0.029***	0.134***	0.261***	1					
(7)	0.028***	0.011*	0.031***	0.089***	0.095***	-0.016***	1				
(8)	-0.008	-0.023***	0.008	-0.041***	-0.036***	0.114***	0.086***	1			
(9)	0.004	0.107***	0.042***	0.202***	0.242***	0.265***	-0.029***	-0.105***	1		
(10)	0.002	0.075***	0.024***	0.158***	0.203***	0.129***	0.044***	-0.026***	0.188***	1	
(11)	0.055***	0.028***	0.005	0.224***	0.214***	0.046***	0.230***	-0.051***	0.102***	0.122***	1

Note: *** indicates statistical significance at $p < 0.01$, ** indicates statistical significance at $p < 0.05$, and * indicates statistical significance at $p < 0.1$.

Table 3: Director-level determinations summary statistics

Panel A: Descriptive statistics of director-level determinants

Panel A presents summary statistics of the director-level determinants used in equation 2. The sample period is from 2004 to 2021. The number of observations is 16,732. All variables are defined in the Appendix. All continuous variables are winsorised at the 1% level at both tails of their distributions, except those related to voting.

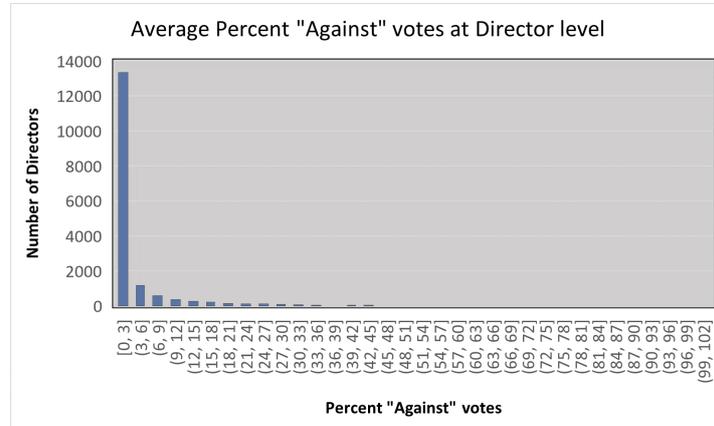
	Mean	P1	P10	P25	P50	P75	P90	P99	Range	SD
<i>DirectorDissent</i>	0.033	0.000	0.000	0.001	0.005	0.021	0.089	0.416	0.994	0.085
<i>Independence</i>	0.553	0	0	0	1	1	1	1	1	0.497
<i>New</i>	0.370	0	0	0	0	1	1	1	1	0.483
<i>DirectorOwn</i>	0.019	0.000	0.000	0.000	0.001	0.008	0.048	0.315	0.340	0.053
<i>LogDirectorPay</i>	10.740	0.000	9.288	10.532	11.290	12.014	12.715	14.274	14.355	2.772
<i>Tenure</i>	2.078	0	0	0	1	3	6	12	17	2.728
<i>Female</i>	0.107	0	0	0	0	0	1	1	1	0.309
<i>NumBoardseats</i>	2.093	1	1	1	2	3	4	8	8	1.499

Panel B: The distribution of the percentage of votes against the election of directors

<i>Dissent</i>	[0%,5%]	(5%,10%]	(10%,15%]	(15%,20%]	(20%,25%]	(25%,50%]	(50%,100%]	Total
<i>2004</i>	828 (92%)	25 (3%)	26 (3%)	8 (1%)	0 (0%)	7 (1%)	2 (0%)	896 (5%)
<i>2005</i>	821 (90%)	48 (5%)	19 (2%)	9 (1%)	7 (1%)	10 (1%)	3 (0%)	917 (6%)
<i>2006</i>	847 (89%)	33 (3%)	21 (2%)	16 (2%)	7 (1%)	16 (2%)	8 (1%)	948 (6%)
<i>2007</i>	875 (86%)	67 (7%)	23 (2%)	17 (2%)	12 (1%)	22 (2%)	5 (0%)	1021 (6%)
<i>2008</i>	964 (85%)	58 (5%)	32 (3%)	18 (2%)	19 (2%)	34 (3%)	3 (0%)	1128 (7%)
<i>2009</i>	922 (86%)	65 (6%)	29 (3%)	22 (2%)	15 (1%)	19 (2%)	6 (1%)	1078 (6%)
<i>2010</i>	934 (85%)	55 (5%)	34 (3%)	24 (2%)	8 (1%)	30 (3%)	8 (1%)	1093 (7%)
<i>2011</i>	870 (82%)	76 (7%)	29 (3%)	30 (3%)	12 (1%)	30 (3%)	12 (1%)	1059 (6%)
<i>2012</i>	906 (83%)	74 (7%)	38 (3%)	26 (2%)	13 (1%)	32 (3%)	3 (0%)	1092 (7%)
<i>2013</i>	799 (80%)	75 (8%)	38 (4%)	24 (2%)	24 (2%)	27 (3%)	6 (1%)	993 (6%)
<i>2014</i>	792 (82%)	62 (6%)	34 (4%)	16 (2%)	17 (2%)	35 (4%)	7 (1%)	963 (6%)
<i>2015</i>	835 (85%)	60 (6%)	31 (3%)	22 (2%)	10 (1%)	20 (2%)	4 (0%)	982 (6%)
<i>2016</i>	557 (87%)	30 (5%)	21 (3%)	8 (1%)	7 (1%)	14 (2%)	2 (0%)	639 (4%)
<i>2017</i>	670 (85%)	47 (6%)	20 (3%)	12 (2%)	10 (1%)	29 (4%)	3 (0%)	791 (5%)
<i>2018</i>	649 (82%)	51 (6%)	33 (4%)	18 (2%)	5 (1%)	28 (4%)	4 (1%)	788 (5%)
<i>2019</i>	573 (82%)	48 (7%)	21 (3%)	21 (3%)	6 (1%)	22 (3%)	6 (1%)	697 (4%)
<i>2020</i>	752 (82%)	67 (7%)	24 (3%)	20 (2%)	17 (2%)	20 (2%)	13 (1%)	913 (5%)
<i>2021</i>	574 (85%)	37 (6%)	23 (3%)	8 (1%)	7 (1%)	18 (3%)	5 (1%)	672 (4%)
<i>Total</i>	14168 (85%)	978 (6%)	496 (3%)	319 (2%)	196 (1%)	413 (2%)	100 (1%)	16670 (100%)

Panel C: Distribution of dissent votes at director level

The percent “Against” votes equals a director’s “Against” votes divided by the sum of “For”, “Against”, and “Discretion” votes.



Panel D: Correlation matrix of selected variables for director-level determinants

	Dissent (1)	Independence (2)	New (3)	Director Own (4)	Director Pay (5)	Tenure (6)	Female (7)	Busyness (8)
(1)	1							
(2)	-0.033***	1						
(3)	0.040***	-0.079***	1					
(4)	-0.014***	-0.119***	-0.021***	1				
(5)	0.065***	-0.205***	-0.040***	0.037***	1			
(6)	0.033***	0.038***	-0.244***	0.038***	0.118***	1		
(7)	-0.018***	0.172***	0.028***	-0.022***	-0.019***	-0.018***	1	
(8)	-0.009**	0.124***	-0.041***	0.028***	0.020***	0.056***	0.042***	1

Note: *** indicate statistical significance at $p < 0.01$, ** indicate statistical significance at $p < 0.05$, and * indicate statistical significance at $p < 0.1$.

Table 4: Shareholder dissent and firm-level determinants

This table reports the results of univariate and multivariate regressions between shareholder dissent, measured as proxy against / (proxy for + proxy against + proxy discretion), and firm-level determinants. The firm-level determinants consist of two parts: firm-level operational performance and board-level corporate governance indicators. *ROA*, *MarketRet* and *Dividend* are measures of firm operating performance, stock market return and dividend payout regime. Corporate governance measures include *LogCEOpay*, *BoardSize*, *BoardInd*, *BoardOwn*, *Institutional*, *Top20* and *BoardFemale*. These measures proxy for CEO compensation, board size, percentage of independent directors on the board, board ownership, institutional ownership, top 20 investor ownership and percentage of female directors on the board. All independent and control variables are defined in the appendix. Independent variables are measured at t-1. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. The regressions include firm and year fixed effects. Since the regressions include firm fixed effects, the control variable for firm age is included as its logarithm. Standard errors are clustered at the firm level and t-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

Hypothesis	Predicted	<i>FirmDissent</i>										
		(1) H1a	(2) H1a	(3) H1a	(4) H1b	(5) H1c	(6) H1a	(7) H1a	(8) H1a	(9) H1a	(10) H1a	(11) All
<i>ROA</i>	-	-0.004 (-1.51)										-0.003 (-1.18)
<i>MarketRet</i>	-		-0.004** (-2.34)									-0.004** (-2.15)
<i>Dividend</i>	-			-0.023 (-0.68)								-0.025 (-0.74)
<i>LogCEOpay</i>	+				0.009*** (4.63)							0.009*** (4.67)
<i>BoardSize</i>	+/-					-0.001* (-1.82)						-0.002** (-2.55)
<i>BoardInd</i>	-						-0.008 (-1.37)					-0.010* (-1.65)
<i>BoardOwn</i>	-							-0.007 (-0.42)				-0.010 (-0.60)
<i>Institutional</i>	-								-0.009 (-0.55)			-0.004 (-0.26)
<i>Top20</i>	-									-0.016* (-1.74)		-0.014 (-1.52)
<i>BoardFemale</i>	-										-0.019** (-2.46)	-0.023*** (-2.88)
<i>FirmSize C</i>		0.006*** (2.81)	0.005*** (2.60)	0.005*** (2.59)	0.004** (2.09)	0.006*** (2.81)	0.005*** (2.72)	0.005** (2.55)	0.005** (2.58)	0.005** (2.53)	0.005*** (2.72)	0.006*** (2.93)
<i>Ln(FirmAge) C</i>		-0.002 (-0.29)	-0.001 (-0.19)	-0.002 (-0.27)	-0.001 (-0.17)	-0.002 (-0.26)	-0.001 (-0.20)	-0.002 (-0.27)	-0.002 (-0.26)	-0.002 (-0.33)	-0.002 (-0.33)	-0.001 (-0.20)
<i>Book2Market C</i>		0.006** (2.36)	0.004 (1.38)	0.006** (2.24)	0.007*** (2.68)	0.006** (2.29)	0.006** (2.31)	0.006** (2.35)	0.006** (2.34)	0.006** (2.36)	0.006** (2.41)	0.004 (1.59)

<i>Leverage C</i>	0.009 (1.02)	0.009 (0.96)	0.011 (1.24)	0.011 (1.28)	0.011 (1.24)	0.011 (1.20)	0.011 (1.22)	0.011 (1.21)	0.011 (1.28)	0.011 (1.22)	0.009 (0.98)
Firm FE	YES										
Year FE	YES										
Observations	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854
Adjusted R ²	0.070	0.070	0.069	0.072	0.070	0.070	0.069	0.069	0.070	0.070	0.074

Table 5: Shareholder dissent and director-level determinants

This table shows the results of the OLS shareholder dissent and director-level determinants regressions. All variables are defined in the appendix. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the director level and *t*-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

Hypothesis	Predicted	<i>DirectorDissent</i>							
		(1) H2b	(2) H2a	(3) H2a	(4) H2a	(5) H2b	(6) H2a	(7) H2c	(8) All
<i>LogDirectorPay</i>	+	0.001*** (2.84)							0.000 (1.12)
<i>Independence</i>	-		-0.010*** (-7.13)						-0.012*** (-7.83)
<i>DirectorOwn</i>	-			0.010 (0.71)					-0.027* (-1.91)
<i>Female</i>	-				-0.012*** (-5.48)				-0.010*** (-4.43)
<i>Tenure</i>	+					0.001*** (3.40)			0.000 (0.26)
<i>New</i>	-						-0.010*** (-7.19)		-0.011*** (-7.14)
<i>NumBoardseats</i>	+/-							0.000 (0.01)	0.000 (0.48)
<i>Age C</i>		0.000* (1.74)	0.000*** (2.62)	0.000* (1.76)	0.000 (0.87)	0.000 (1.58)	0.000 (1.29)	0.000* (1.75)	0.000 (1.49)
<i>FirmSize C</i>		0.005*** (5.00)	0.006*** (5.39)	0.005*** (5.07)	0.005*** (5.23)	0.005*** (5.06)	0.005*** (5.08)	0.005*** (5.04)	0.006*** (5.50)
<i>ROA C</i>		-0.009*** (-5.69)	-0.009*** (-5.66)	-0.009*** (-5.68)	-0.009*** (-5.69)	-0.009*** (-5.68)	-0.009*** (-5.65)	-0.009*** (-5.66)	-0.009*** (-5.64)
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		16475	16475	16475	16475	16475	16475	16475	16475
Adjusted R ²		0.160	0.163	0.160	0.162	0.161	0.163	0.160	0.168

Table 6: Shareholder dissent measured as Abstain %

This table shows the summary statistics of shareholder abstain votes on both the firm-averaged and director-level (Panel A), and it also reports the results of the univariate and multivariate regressions between shareholder abstain and firm-level (Panel B) and director-level (Panel C) determinants. For understanding the firm-level determinants, the dependent variable *FirmAbstain* is calculated as the firm-level averaged (proxyabstain) / (proxyfor + proxyagainst + proxyabstain + proxydiscretion), and in the director-level regression, the dependent variable *Abstain* is calculated as (proxyabstain) / (proxyfor + proxyagainst + proxyabstain + proxydiscretion). All independent variables are measured at t-1. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the firm level when testing firm-level determinants and the standard errors are clustered at the director level when testing director-level determinants. The t-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively.

Panel A: Summary Statistics of Shareholder Abstain

	N	Mean	P1	P10	P25	P50	P75	P90	P99	Range	SD
<i>FirmAbstain</i>	11,136	0.016	0.000	0.000	0.000	0.001	0.005	0.026	0.310	0.310	0.059
<i>Abstain</i>	16,732	0.015	0.000	0.000	0.000	0.001	0.005	0.022	0.299	0.299	0.062

Panel B: Results of the univariate and multivariate regression between shareholder abstain and firm-level determinants

Hypothesis	Predicted	<i>FirmAbstain</i>										
		(1) H1a	(2) H1a	(3) H1a	(4) H1b	(5) H1c	(6) H1a	(7) H1a	(8) H1a	(9) H1a	(10) H1a	(11) All
<i>ROA</i>	-	-0.005 (-1.60)										-0.004 (-1.50)
<i>MarketRet</i>	-		-0.002** (-2.36)									-0.002** (-2.09)
<i>Dividend</i>	-			-0.002 (-0.17)								0.001 (0.10)
<i>LogCEOpay</i>	+				0.001 (1.18)							0.001 (0.94)
<i>BoardSize</i>	+/-					0.000 (0.68)						0.000 (0.47)
<i>BoardInd</i>	-						-0.003 (-1.07)					-0.003 (-0.99)
<i>BoardOwn</i>	-							0.042*** (2.94)				0.042*** (2.99)
<i>Institutional</i>	-								-0.006 (-1.11)			-0.006 (-0.97)
<i>Top20</i>	-									-0.007 (-1.56)		-0.006 (-1.46)
<i>BoardFemale</i>	-										0.000 (0.12)	0.001 (0.23)
<i>FirmSize C</i>		-0.000	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.000

	(-0.21)	(-1.10)	(-1.13)	(-1.20)	(-1.18)	(-1.03)	(-0.94)	(-1.07)	(-1.15)	(-1.13)	(-0.10)
<i>Ln(FirmAge) C</i>	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000	-0.000	-0.000	-0.000	0.000
	(-0.12)	(-0.00)	(-0.07)	(-0.05)	(-0.07)	(-0.02)	(0.01)	(-0.07)	(-0.11)	(-0.06)	(0.03)
<i>Book2Market C</i>	0.001	0.000	0.001	0.002	0.001	0.001	0.001	0.001	0.001	0.001	0.000
	(1.17)	(0.12)	(1.12)	(1.21)	(1.16)	(1.12)	(1.14)	(1.13)	(1.16)	(1.15)	(0.30)
<i>Leverage C</i>	0.002	0.003	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.001
	(0.41)	(0.53)	(0.76)	(0.77)	(0.76)	(0.75)	(0.73)	(0.75)	(0.80)	(0.76)	(0.21)
Firm FE	YES										
Year FE	YES										
Observations	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854
Adjusted R ²	0.045	0.045	0.044	0.045	0.044	0.045	0.046	0.045	0.045	0.044	0.047

Panel C: Results of the univariate and multivariate regression between shareholder abstain and director-level determinants

Hypothesis	Predicted	<i>DirectorAbstain</i>							
		(1) H2b	(2) H2a	(3) H2a	(4) H2a	(5) H2b	(6) H2a	(7) H2c	(8) All
<i>LogDirectorPay</i>	+	0.000* (1.65)							0.000 (1.07)
<i>Independence</i>	-		-0.004*** (-3.28)						-0.001 (-1.04)
<i>DirectorOwn</i>	-			0.106*** (5.32)					0.102*** (5.04)
<i>Female</i>	-				-0.004*** (-3.43)				-0.002** (-2.22)
<i>Tenure</i>	+					0.001** (2.29)			0.001* (1.89)
<i>New</i>	-						-0.000 (-0.34)		0.001 (1.06)
<i>NumBoardseats</i>	+/-							0.000 (1.03)	0.001 (1.55)
<i>Firm Size C</i>		0.000 (0.40)	0.000 (0.60)	0.001 (1.10)	0.000 (0.49)	0.000 (0.44)	0.000 (0.43)	0.000 (0.43)	0.001 (1.18)
<i>ROA C</i>		-0.001 (-0.58)	-0.001 (-0.56)	-0.001 (-0.78)	-0.001 (-0.57)	-0.001 (-0.57)	-0.001 (-0.56)	-0.001 (-0.55)	-0.001 (-0.78)
<i>Age C</i>		0.000 (0.38)	0.000 (0.82)	0.000 (0.51)	0.000 (0.04)	0.000 (0.25)	0.000 (0.36)	0.000 (0.38)	0.000 (0.36)
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		16,475	16,475	16,475	16,475	16,475	16,475	16,475	16,475
Adjusted R ²		0.117	0.118	0.124	0.118	0.118	0.117	0.117	0.124

Table 7: Shareholder dissent measured as (Against + Abstain) %

This table shows the summary statistics of shareholder dissent votes, measured as the sum of votes against and votes abstain, on both the firm-averaged and director-level (Panel A), and it also reports the results of the univariate and multivariate regressions between shareholder dissent and firm-level (Panel B) and director-level (Panel C) determinants. For understanding the firm-level determinants, the dependent variable *FirmDiscontent* is calculated as the firm-level averaged (proxyabstain + proxyagainst) / (proxyfor + proxyagainst + proxyabstain + proxydiscretion), and in the director-level regression, the dependent variable *DirectorDiscontent* is calculated as (proxyabstain + proxyagainst) / (proxyfor + proxyagainst + proxyabstain + proxydiscretion). All independent variables are measured at t-1. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the firm level when testing firm-level determinants and the standard errors are clustered at the director level when testing director-level determinants. The t-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively.

Panel A: Summary statistics of shareholder dissent measured as votes against and votes abstain

	N	Mean	P1	P10	P25	P50	P75	P90	P99	Range	SD
<i>FirmDiscontent</i>	11,136	0.054	0.000	0.000	0.002	0.010	0.045	0.152	0.655	0.655	0.119
<i>Discontent</i>	16,732	0.047	0.000	0.000	0.002	0.009	0.038	0.135	0.522	0.522	0.104

Panel B: Results of the univariate and multivariate regression between shareholder dissent, measured as votes against and votes abstain, and firm-level determinants

VARIABLES	Predicted	<i>FirmDiscontent</i>										
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Hypothesis		H1a	H1a	H1a	H1b	H1c	H1a	H1a	H1a	H1a	H1a	All
<i>ROA</i>	-	-0.008** (-1.98)										-0.006* (-1.65)
<i>MarketRet</i>	-		-0.007*** (-3.63)									-0.006*** (-3.32)
<i>Dividend</i>	-			-0.026 (-0.79)								-0.026 (-0.78)
<i>LogCEOpay</i>	+				0.009*** (4.60)							0.009*** (4.55)
<i>BoardSize</i>	+/-					-0.001 (-1.31)						-0.002** (-1.99)
<i>BoardInd</i>	-						-0.010 (-1.54)					-0.012* (-1.77)
<i>BoardOwn</i>	-							0.032 (1.63)				0.030 (1.50)
<i>Institutional</i>	-								-0.013 (-0.80)			-0.008 (-0.48)
<i>Top20</i>	-									-0.023** (-2.26)		-0.020** (-2.01)
<i>BoardFemale</i>	-										-0.016** (-2.08)	-0.020** (-2.47)

<i>FirmSize C</i>	0.005**	0.003	0.003	0.002	0.004*	0.004*	0.003	0.003	0.003	0.004*	0.005**
	(2.16)	(1.59)	(1.55)	(1.08)	(1.70)	(1.68)	(1.61)	(1.58)	(1.49)	(1.65)	(2.23)
<i>Ln(FirmAge) C</i>	-0.002	-0.000	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.002	-0.002	-0.000
	(-0.22)	(-0.07)	(-0.17)	(-0.09)	(-0.17)	(-0.10)	(-0.14)	(-0.17)	(-0.25)	(-0.22)	(-0.06)
<i>Book2Market C</i>	0.007**	0.003	0.006**	0.008***	0.007**	0.007**	0.007**	0.007**	0.007**	0.007**	0.004
	(2.44)	(1.05)	(2.31)	(2.74)	(2.38)	(2.38)	(2.42)	(2.41)	(2.44)	(2.47)	(1.29)
<i>Leverage C</i>	0.014	0.013	0.017*	0.017*	0.017*	0.017*	0.017*	0.017*	0.018*	0.017*	0.012
	(1.37)	(1.33)	(1.73)	(1.76)	(1.72)	(1.68)	(1.69)	(1.69)	(1.78)	(1.70)	(1.22)
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854
Adjusted R ²	0.064	0.065	0.064	0.066	0.064	0.064	0.064	0.064	0.064	0.064	0.069

Panel C: Results of the univariate and multivariate regression between shareholder dissent, measured as votes against and votes abstain, and director-level determinants

Hypothesis	Predicted	<i>DirectorDiscontent</i>							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		H2b	H2a	H2a	H2a	H2b	H2a	H2c	All
<i>LogDirectorPay</i>	+	0.001*** (3.13)							0.001 (1.45)
<i>Independence</i>	-		-0.014*** (-6.92)						-0.013*** (-6.11)
<i>DirectorOwn</i>	-			0.116*** (5.07)					0.077*** (3.27)
<i>Female</i>	-				-0.016*** (-7.21)				-0.012*** (-5.65)
<i>Tenure</i>	+					0.001*** (3.91)			0.001 (1.36)
<i>New</i>	-						-0.010*** (-6.15)		-0.010*** (-5.01)
<i>NumBoardseats</i>	+/-							0.000 (0.57)	0.001 (1.27)
<i>Age C</i>		0.000 (1.42)	0.000** (2.33)	0.000 (1.52)	0.000 (0.55)	0.000 (1.22)	0.000 (1.05)	0.000 (1.43)	0.000 (1.19)
<i>FirmSize C</i>		0.005*** (3.88)	0.006*** (4.27)	0.006*** (4.37)	0.005*** (4.09)	0.005*** (3.93)	0.005*** (3.93)	0.005*** (3.91)	0.006*** (4.74)
<i>ROA C</i>		-0.010*** (-3.29)	-0.009*** (-3.24)	-0.010*** (-3.39)	-0.010*** (-3.29)	-0.010*** (-3.29)	-0.009*** (-3.27)	-0.009*** (-3.26)	-0.010*** (-3.36)
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		16,475	16,475	16,475	16,475	16,475	16,475	16,475	16,475
Adjusted R^2		0.152	0.155	0.154	0.153	0.153	0.154	0.151	0.160

Table 8: Eliminating self-shareholding before running tests of firm-level determinants

This table shows the results of the univariate and multivariate shareholder dissent and firm-level determinants regressions after eliminating directors' holding shares. All variables are defined in the Appendix. The dependent variable *FirmDissent* is calculated as the firm-level averaged (proxyagainst) / (proxyfor + proxyagainst + proxydiscretion). All independent variables are measured at *t-1*. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the firm level and *t*-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively.

Panel A: Regress *FirmDissent* on Directors' shares and obtain the votes residuals as *FirmDissent hat*

	(1) <i>FirmDissent</i>
<i>Shareholding</i>	0.003*** (6.13)
<i>Constant</i>	-0.003 (-0.56)
Observations	8,402
Adjusted R-squared	0.004

The descriptive statistics for *FirmDissent hat* are presented as below:

	N	Mean	p1	p10	p25	p50	p75	p90	p99	Range	SD
<i>FirmDissent hat</i>	8,402	0.034	-0.003	0.030	0.032	0.034	0.036	0.039	0.043	0.043	0.005

Panel B: Regress *FirmDissent hat* on Firm-level determinants

VARIABLES	<i>FirmDissent hat</i>	
	(1)	(2)
Hypothesis	H1a	All
<i>ROA</i>	-	-0.000 (-0.62)
<i>MarketRet</i>	-	-0.000 (-0.30)
<i>Dividend</i>	-	0.001 (0.39)
<i>LogCEOpay</i>	+	-0.001 (-1.39)
<i>BoardSize</i>	+/-	-0.000 (-0.19)
<i>BoardInd</i>	-	0.000 (0.90)
<i>BoardOwn</i>	-	0.003** (2.37)
<i>Institutional</i>	-	-0.001*** (-2.93)
<i>Top20</i>	-	-0.000 (-1.11)
<i>BoardFemale</i>	-	0.003*** (36.05)
<i>FirmSize C</i>	0.001*** (6.54)	0.000*** (3.49)
<i>Ln(FirmAge) C</i>	-0.001** (-2.08)	-0.000 (-1.16)
<i>Book2Market C</i>	-0.000*** (-3.89)	-0.000* (-1.84)
<i>Leverage C</i>	-0.000 (-0.92)	-0.000 (-1.00)
Firm FE	YES	YES
Year FE	YES	YES
Observations	8,051	8,051
Adjusted R ²	0.205	0.337

Table 9: Previous US results and applying the US measure of shareholder dissent to Australian data

Panel A: Results highlighted from prior US director election studies
Shareholder view and firm-level determinants

	Cai et al. 2009	Hillman et al. 2011	Gal-Or et al. 2018	Mitra et al. 2021	Tanyi et al. 2021
Measurement	For/(For + Withheld)	Log[1+ (Against + Withheld + Abstain)/(For + Against + Withheld + Abstain)]	For/(For + Against)	Log[(Against + Abstain)/(For + Against + Abstain)]	(Abstain + Against + Withheld)/(For + Abstain + Against + Withheld)
<i>ROA</i>	+***	insig			insig
<i>MarketRet</i>	insig	insig	+***		_***
<i>Dividend</i>					_***
<i>CEOpay</i>	_***	+***			
<i>Boardsize</i>	+***	+***	insig	insig	
<i>BoardOwn</i>	+***				
<i>BoardInd</i>	+***			_***	
<i>InstitutionalOwn</i>	+***	insig	+***		

Shareholder view and director-level determinants

	Cai et al. 2009	Hillman et al. 2011	Gal-Or et al. 2018	Cunningham 2021	Mitra et al. 2021	Tanyi et al. 2021	Chen and Guay 2020	Redor 2021	Gertsberg et al. 2021
Measurement	For/(For + Withheld)	Log[1+ (Against + Withheld + Abstain)/(For + Against + Withheld + Abstain)]	For/(For + Against)	(Against + Abstain + Withheld)/(For + Against + Abstain + Withheld)	Log[(Against + Abstain)/(For + Against + Abstain)]	(Abstain + Against + Withheld)/(For + Abstain + Against + Withheld)	For/(For + Against + Abstain)	For/(For + Against + Abstain)	For/(For + Against + Abstain + Withheld)
<i>Independence</i>	+***	insig	insig		insig	_***	+***	+***	
<i>Incumbent</i>	_***	+***	_***		+***				
<i>DirectorOwn</i>	+***	_***						+***	
<i>Tenure</i>	_***	+***			+***	+***	_***	_***	
<i>Female</i>	insig	insig	+***	_***	_***	_***	+***	+***	+***
<i>Busyness</i>	_***	+***	_***	+***	+***	insig	_***	_***	

Panel B: Summary statistics of US applied shareholder view measurements using Australian data

Firm-level shareholder votes

	Measure	Cite	N	Mean	P1	P25	P50	P75	P99	Range	Sd
<i>SH1</i>	abstain/(for + abstain)	Cai et al., 2009; Fischer et al., 2009	11,136	0.019	0.000	0.000	0.001	0.006	0.350	0.350	0.068
<i>SH2</i>	against/(for + against)	Hillman et al., 2011	11,136	0.042	0.000	0.001	0.005	0.027	0.602	0.602	0.110
<i>SH3</i>	(against + abstain) / (for + against + abstain)	Aggarwal et al., 2019; Cunningham et al., 2021; Gal-Or et al., 2018; Tanyi et al., 2021; Meyerinck et al., 2021	11,136	0.057	0.000	0.002	0.011	0.048	0.712	0.712	0.125
<i>SH4</i>	log[(against + abstain) / (for + against + abstain)]	Mitra et al., 2021	11,045	-4.602	-10.348	-5.998	-4.478	-3.028	-0.331	-0.331	2.201
<i>SH5</i>	log[1 + (against + abstain) / (for + against + abstain)]	Chen and Guay, 2020; Redor, 2021; Gertsberg et al., 2021	11,136	0.050	0.000	0.002	0.011	0.047	0.538	0.538	0.098

Director-level shareholder votes

	N	Mean	P1	P25	P50	P75	P99	Range	Sd
<i>SH1</i>	16,732	0.017	0.000	0.000	0.001	0.005	0.336	0.336	0.068
<i>SH2</i>	16,732	0.035	0.000	0.001	0.005	0.023	0.439	0.439	0.090
<i>SH3</i>	16,732	0.050	0.000	0.002	0.010	0.041	0.565	0.565	0.109
<i>SH4</i>	16,482	-4.682	-10.733	-5.994	-4.566	-3.168	-0.561	-0.561	2.175
<i>SH5</i>	16,732	0.045	0.000	0.002	0.010	0.040	0.448	0.448	0.088

Panel C: Simplified version of regression results using US measures of the shareholder view applied to Australian data
Firm-level determinants on shareholder discontent

VARIABLES	Predicted	US choices multivariate results					AU choices multivariate results		
		SH1 abstain/(for + abstain)	SH2 against /(for + against)	SH3 (against + abstain)/(for + against + abstain)	SH4 log[(against + abstain) / (for + against + abstain)]	SH5 log[1 + (against + abstain) / (for + against + abstain)]	Table4 against/(for + against + discretion)	Table6 abstain/(for + against + discretion + abstain)	Table7 (against + abstain)/(for + against + discretion + abstain)
<i>ROA</i>	-	- *	insig	- *	- **	- *	insig	insig	- *
<i>MarketRet</i>	-	- *	- **	- ***	- ***	- ***	- **	- **	- ***
<i>Divpayout</i>	-	insig	insig	insig	insig	insig	insig	insig	insig
<i>LogCEOPay</i>	+	+	+ ***	+ ***	+ ***	+ ***	+ ***	insig	+ ***
<i>BoardSize</i>	+/-	insig	- **	- **	insig	- **	- **	insig	- **
<i>BoardInd</i>	-	insig	- *	- *	insig	- *	- *	insig	- *
<i>BoardOwn</i>	-	+ ***	insig	+	insig	+	insig	+ ***	insig
<i>Institutional</i>	-	insig	insig	insig	insig	insig	insig	insig	insig
<i>Top20</i>	-	insig	insig	- **	- ***	- ***	insig	insig	- **
<i>BoardFemale</i>	-	insig	- ***	- **	insig	- **	- ***	insig	- **

VARIABLES	Predicted	US choices multivariate results					AU choices multivariate results		
		SH1 abstain/(for + abstain)	SH2 against /(for + against)	SH3 (against + abstain)/(for + against + abstain)	SH4 log[(against + abstain) / (for + against + abstain)]	SH5 log[1 + (against + abstain) / (for + against + abstain)]	Table5 against/(for + against + discretion)	Table6 abstain/(for + against + discretion + abstain)	Table7 (against + abstain)/(for + against + discretion + abstain)
<i>LogDirectorPay</i>	+	insig	insig	insig	+	insig	insig	insig	insig
<i>Independence</i>	-	insig	- ***	- ***	- ***	- ***	- ***	insig	- ***
<i>DirectorOwn</i>	-	+ ***	insig	+ ***	+	+ ***	- *	+ ***	+ ***
<i>Female</i>	-	- ***	- ***	- ***	- ***	- ***	- ***	- **	- ***
<i>Tenure</i>	+	+ **	insig	insig	insig	insig	insig	+	insig
<i>New</i>	-	insig	- ***	- ***	- ***	- ***	- ***	insig	- ***
<i>NumBoardseats</i>	+/-	insig	insig	insig	+ ***	insig	insig	insig	insig

Panel D: Regression results using US measures of the shareholder view applied to Australian data

Firm-level determinants on shareholder votes

VARIABLES	Predicted	US prior studies' measure					Australian choices		
		SH1 abstain/(for + abstain)	SH2 against/(for + against)	SH3 (against + abstain) / (for + against + abstain)	SH4 log[(against + abstain) / (for + against + abstain)]	SH5 log[1 + (against + abstain) / (for + against + abstain)]	Table4 against/(for + against + discretion)	Table6 abstain/(for + against + discretion + abstain)	Table7 (against + abstain)/(for + against + discretion + abstain)
<i>ROA</i>	-	-0.006* (-1.72)	-0.003 (-1.18)	-0.007* (-1.68)	-0.157** (-2.09)	-0.005* (-1.66)	-0.003 (-1.18)	-0.004 (-1.50)	-0.006* (-1.65)
<i>MarketRet</i>	-	-0.002* (-1.93)	-0.004** (-2.15)	-0.006*** (-2.92)	-0.225*** (-6.39)	-0.005*** (-3.23)	-0.004** (-2.15)	-0.002** (-2.09)	-0.006*** (-3.32)
<i>Divpayout</i>	-	0.012 (0.81)	-0.025 (-0.74)	-0.026 (-0.75)	-0.470 (-0.90)	-0.019 (-0.75)	-0.025 (-0.74)	0.001 (0.10)	-0.026 (-0.78)
<i>LogCEOPay</i>	+	0.002* (1.74)	0.009*** (4.67)	0.010*** (4.54)	0.173*** (5.62)	0.008*** (4.88)	0.009*** (4.67)	0.001 (0.94)	0.009*** (4.55)
<i>BoardSize</i>	+/-	-0.000 (-0.41)	-0.002** (-2.55)	-0.002** (-2.04)	-0.020 (-1.27)	-0.001** (-1.98)	-0.002** (-2.55)	0.000 (0.47)	-0.002** (-1.99)
<i>BoardInd</i>	-	-0.005 (-1.39)	-0.010* (-1.65)	-0.012* (-1.70)	-0.053 (-0.48)	-0.009* (-1.75)	-0.010* (-1.65)	-0.003 (-0.99)	-0.012* (-1.77)
<i>BoardOwn</i>	-	0.042*** (2.77)	-0.010 (-0.60)	0.035* (1.66)	0.168 (0.42)	0.028* (1.72)	-0.010 (-0.60)	0.042*** (2.99)	0.030 (1.50)
<i>Institutional</i>	-	-0.009 (-1.42)	-0.004 (-0.26)	-0.010 (-0.60)	-0.199 (0.69)	-0.006 (-0.46)	-0.004 (-0.26)	-0.006 (-0.97)	-0.008 (-0.48)
<i>Top20</i>	-	-0.008 (-1.48)	-0.014 (-1.52)	-0.022** (-2.10)	-1.671*** (-8.48)	-0.022*** (-2.60)	-0.014 (-1.52)	-0.006 (-1.46)	-0.020** (-2.01)
<i>BoardFemale</i>	-	-0.002 (-0.48)	-0.023*** (-2.88)	-0.021** (-2.48)	-0.108 (-0.80)	-0.016** (-2.37)	-0.023*** (-2.88)	0.001 (0.23)	-0.020** (-2.47)
Controls		YES	YES	YES	YES	YES	YES	YES	YES
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		10,854	10,854	10,854	10,770	10,854	10,854	10,854	10,854
Adjusted R ²		0.036	0.074	0.066	0.232	0.081	0.074	0.047	0.069

Director-level determinants on shareholder votes

VARIABLES	Predicted	US prior studies' measure					Australian choices		
		SH1 abstain/(for + abstain)	SH2 against/(for + against)	SH3 (against + abstain) / (for + against + abstain)	SH4 log[(against + abstain) / (for + against + abstain)]	SH5 log[1 + (against + abstain) / (for + against + abstain)]	Table4 against/(for + against + discretion)	Table6 abstain/(for + against + discretion + abstain)	Table7 (against + abstain)/(for + against + discretion + abstain)
<i>LogDirectorPay</i>	+	0.000 (1.54)	0.000 (1.21)	0.001 (1.60)	0.015* (1.94)	0.001 (1.64)	0.000 (1.12)	0.000 (1.07)	0.001 (1.45)
<i>Independence</i>	-	-0.002 (-1.43)	-0.012*** (-6.69)	-0.013*** (-5.94)	-0.285*** (-7.33)	-0.011*** (-6.44)	-0.012*** (-7.83)	-0.001 (-1.04)	-0.013*** (-6.11)
<i>DirectorOwn</i>	-	0.104*** (4.98)	-0.025 (-1.57)	0.081*** (3.35)	0.654* (1.69)	0.063*** (3.39)	-0.027* (-1.91)	0.102*** (5.04)	0.077*** (3.27)
<i>Female</i>	-	-0.003*** (-2.72)	-0.010*** (-5.04)	-0.012*** (-5.56)	-0.256*** (-5.45)	-0.010*** (-5.58)	-0.010*** (-4.43)	-0.002** (-2.22)	-0.012*** (-5.65)
<i>Tenure</i>	+	0.001** (2.10)	0.000 (0.04)	0.000 (1.17)	0.009 (1.29)	0.000 (1.16)	0.000 (0.26)	0.001* (1.89)	0.001 (1.36)
<i>New</i>	-	0.002 (1.25)	-0.012*** (-7.18)	-0.010*** (-5.13)	-0.394*** (-10.35)	-0.010*** (-6.05)	-0.011*** (-7.14)	0.001 (1.06)	-0.010*** (-5.01)
<i>NumBoardseats</i>	+/-	0.001 (1.57)	0.000 (0.28)	0.001 (1.20)	0.030*** (3.31)	0.001 (1.41)	0.000 (0.48)	0.001 (1.55)	0.001 (1.27)
Controls		YES	YES	YES	YES	YES	YES	YES	YES
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		16,475	16,475	16,475	16,224	16,475	16,475	16,475	16,475
Adjusted R ²		0.120	0.165	0.160	0.310	0.169	0.168	0.124	0.160

Table 10: Shareholder participation on firm-level determinants

Panel A: Descriptive Statistics of shareholder participation

Panel A presents summary statistics of the shareholder participation rate (i.e., the turnout rate), which is calculated as the sum of total proxy votes divided by the total shares outstanding. The sample period is from 2004 to 2021. The number of observations is 11,136. The variables are winsorised at the 10% level at both tails of their distributions.

	Mean	P1	P10	P25	P50	P75	P90	P99	Range	SD
<i>Shareholder Turnout</i>	0.467	0.163	0.163	0.288	0.465	0.645	0.774	0.774	0.774	0.203

Panel B: Results of the univariate and multivariate regression between shareholder participation and firm-level determinants

	<i>Shareholder Turnout</i>										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<i>ROA</i>	-0.010*										-0.008
	(-1.93)										(-1.64)
<i>MarketRet</i>		0.008***									0.005**
		(3.67)									(2.31)
<i>Dividend</i>			-0.007								-0.006
			(-0.18)								(-0.16)
<i>LogCEOpay</i>				0.002							0.002
				(0.93)							(0.77)
<i>BoardSize</i>					0.003***						0.002*
					(2.94)						(1.95)
<i>BoardInd</i>						-0.015*					-0.008
						(-1.91)					(-1.02)
<i>BoardOwn</i>							0.067**				0.055*
							(2.36)				(1.96)
<i>Institutional</i>								0.157***			0.112***
								(6.95)			(5.51)
<i>Top20</i>									0.336***		0.327***
									(17.78)		(17.38)
<i>BoardFemale</i>										-0.000	-0.000
										(-0.05)	(-0.02)
<i>FirmSize C</i>	0.013***	0.011***	0.011***	0.011***	0.010***	0.011***	0.011***	0.009***	0.012***	0.011***	0.012***
	(3.49)	(3.25)	(3.12)	(3.06)	(2.79)	(3.24)	(3.22)	(2.70)	(4.11)	(3.13)	(3.73)
<i>Controls</i>	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854
Adjusted R ²	0.589	0.589	0.588	0.588	0.589	0.589	0.589	0.592	0.637	0.588	0.639

Table 11: Director-level determinants (adding director attendance)

This table shows the results of the OLS shareholder dissent and director-level determinants regressions. All variables are defined in the Appendix. Director attendance is defined as the ratio of meetings attended divided by the total meetings held during the year. The dependent variable *ProxyDissent* is calculated as $(\text{proxyagainst}) / (\text{proxyfor} + \text{proxyagainst} + \text{proxydiscretion})$. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the director level and *t*-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively. Sample size from 2004 to 2015.

Panel A: Descriptive statistics for votes against, attendance rate, and other director-level determinants

	N	Mean	p1	p10	p25	p50	p75	p90	p99	Range	SD
<i>DirectorDissent</i>	7,098	0.030	0.000	0.000	0.001	0.005	0.021	0.081	0.359	0.359	0.073
<i>Independence</i>	7,098	0.750	0	0	1	1	1	1	1	1	0.433
<i>New</i>	7,098	0.260	0	0	0	0	1	1	1	1	0.439
<i>DirectorOwn</i>	7,098	0.013	0.000	0.000	0.000	0.000	0.003	0.022	0.271	0.271	0.044
<i>LogDirectorPay</i>	7,098	10.575	0.000	9.343	10.683	11.290	11.918	12.510	14.008	14.008	3.065
<i>Tenure</i>	7,098	1.778	0	0	0	1	3	5	9	9	2.380
<i>Female</i>	7,098	0.097	0	0	0	0	0	0	1	1	0.297
<i>NumBoardseats</i>	7,098	2.160	1	1	1	2	3	4	7	7	1.466
<i>AttendanceRate</i>	7,098	0.958	0	1	1	1	1	1	1	1	0.151

Panel B: Results of the univariate and multivariate regression between shareholder abstain and director-level determinants (adding attendance).

Hypothesis	Pred.	<i>DirectorDissent</i>	
		(1) Attendance	(2) All
<i>LogDirectorPay</i>	+		0.000 (0.77)
<i>Independence</i>	-		-0.018*** (-7.55)
<i>DirectorOwn</i>	-		-0.028 (-1.26)
<i>Female</i>	-		-0.006* (-1.93)
<i>Tenure</i>	+		-0.001 (-1.32)
<i>New</i>	-		-0.006*** (-2.63)
<i>NumBoardseats</i>	+/-		0.000 (0.06)
<i>AttendanceRate</i>	-	-0.003 (-0.52)	-0.002 (-0.28)
<i>Age C</i>		0.000* (1.79)	0.000** (2.36)
<i>FirmSize C</i>		0.003** (2.17)	0.004** (2.30)
<i>ROA C</i>		-0.011*** (-2.83)	-0.010*** (-2.69)
Firm FE		YES	YES
Year FE		YES	YES
Observations		7,016	7,016
Adjusted R ²		0.138	0.147

Table 12: Director-level determinants (adding expertise /experience/education)

This table shows the results of the OLS shareholder dissent and director-level determinants regressions. All variables are defined in the Appendix. Expertise*, Experience*, and Education* determinants are determined in SIRCA and Morningstar Analytics. The dependent variable *DirectorDissent* is calculated as (proxyfor + proxyagainst + proxydiscretion). All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the director level and *t*-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively. The sample covers yearly information from 2004 to 2021.

Panel A: Descriptive statistics for expertise/experience/education

	N	Mean	p1	p10	p25	p50	p75	p90	p99	Range	SD
<i>Finance background</i>											
Expertise	16,732	0.051	0	0	0	0	0	0	1	1	0.220
Experience	16,732	0.060	0	0	0	0	0	0	1	1	0.237
Education	16,732	0.091	0	0	0	0	0	0	1	1	0.287
<i>Accounting background</i>											
Expertise	16,732	0.039	0	0	0	0	0	0	1	1	0.193
Experience	16,732	0.119	0	0	0	0	0	1	1	1	0.324
Education	16,732	0.055	0	0	0	0	0	0	1	1	0.228
<i>Legal background</i>											
Expertise	16,732	0.021	0	0	0	0	0	0	1	1	0.142
Experience	16,732	0.066	0	0	0	0	0	0	1	1	0.249

Panel B: Regression results for director-level determinants after adding expertise/experience/education

		<i>DirectorDissent</i>								
	Predicted									
<i>Independence</i>	-	-0.012***	-0.012***	-0.012***	-0.012***	-0.012***	-0.012***	-0.012***	-0.012***	-0.012***
		(-7.78)	(-7.79)	(-7.79)	(-7.79)	(-7.79)	(-7.80)	(-7.79)	(-7.80)	(-7.74)
<i>New</i>	-	-0.011***	-0.011***	-0.011***	-0.011***	-0.011***	-0.011***	-0.011***	-0.011***	-0.011***
		(-7.15)	(-7.15)	(-7.15)	(-7.15)	(-7.15)	(-7.16)	(-7.15)	(-7.15)	(-7.15)
<i>DirectorOwn</i>	-	-0.027*	-0.027*	-0.027*	-0.027*	-0.027*	-0.027*	-0.027*	-0.027*	-0.027*
		(-1.92)	(-1.91)	(-1.91)	(-1.91)	(-1.91)	(-1.91)	(-1.91)	(-1.91)	(-1.93)
<i>LogDirectorpay</i>	+	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		(1.13)	(1.14)	(1.13)	(1.13)	(1.13)	(1.15)	(1.13)	(1.11)	(1.11)
<i>Tenure</i>	+	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		(0.26)	(0.26)	(0.26)	(0.26)	(0.26)	(0.26)	(0.26)	(0.26)	(0.29)
<i>Female</i>	-	-0.010***	-0.010***	-0.010***	-0.010***	-0.010***	-0.010***	-0.010***	-0.010***	-0.010***
		(-4.42)	(-4.42)	(-4.42)	(-4.42)	(-4.42)	(-4.42)	(-4.43)	(-4.43)	(-4.44)
<i>NumBoardseats</i>	+/-	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

	(0.26)	(0.22)	(0.21)	(0.22)	(0.21)	(0.22)	(0.23)	(0.30)
<i>Background</i>								
<i>Has acct experience</i>	-0.001 (-0.27)							
<i>Has fin experience</i>		0.000 (0.08)						
<i>Has legal experience</i>			0.000 (0.13)					
<i>Has acct expertise</i>				0.000 (0.06)				
<i>Has fin expertise</i>					0.001 (0.36)			
<i>Has legal expertise</i>						0.000 (0.09)		
<i>Has acct education</i>							-0.001 (-0.38)	
<i>Has fin education</i>								-0.003 (-1.26)
<i>Age C</i>	0.000 (1.47)	0.000 (1.49)	0.000 (1.49)	0.000 (1.49)	0.000 (1.50)	0.000 (1.49)	0.000 (1.45)	0.000 (1.33)
<i>Firm Size C</i>	0.006*** (5.49)	0.006*** (5.49)	0.006*** (5.50)	0.006*** (5.49)	0.006*** (5.49)	0.006*** (5.50)	0.006*** (5.50)	0.006*** (5.49)
<i>ROA C</i>	-0.009*** (-5.64)	-0.009*** (-5.64)	-0.009*** (-5.64)	-0.009*** (-5.64)	-0.009*** (-5.64)	-0.009*** (-5.64)	-0.009*** (-5.65)	-0.009*** (-5.62)
Firm FE	YES							
Year FE	YES							
Observations	16,475	16,475	16,475	16,475	16,475	16,475	16,475	16,475
Adjusted R ²	0.168	0.168	0.168	0.168	0.168	0.168	0.168	0.168

Table 13: Alternative proxy for CEO Pay: Abnormal CEO pay (Cai et al., 2009) (firm-level determinants)

This table shows the results of the univariate and multivariate shareholder dissent and firm-level determinants regressions and we use abnormal CEO pay instead of total CEO compensation. The dependent variable *VotesDissent* is calculated as the firm-level averaged (proxyagainst) / (proxyfor + proxyagainst + proxydiscretion). All independent variables are measured at *t-1*. All continuous variables are winsorised at the 1% level at both tails of their distributions, except for the variable measuring shareholder votes. Regressions include firm and year fixed effects. Standard errors are clustered at the firm level and *t*-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels respectively.

Panel A: Regress *CEO pay* on log assets, prior-year stock return, industry and year FEs

	<i>CEO pay</i>
<i>Log assets</i>	117,468.919*** (27.66)
<i>Prior-year stock return</i>	28,070.571** (2.17)
Industry FE	YES
Year FE	YES
Observations	9,562
Adjusted R ²	0.077

The descriptive statistics for *Abnormal CEO* are presented as below:

	N	Mean	p1	p10	p25	p50	p75	p90	p99	Range	SD
<i>Abn. CEO pay</i>	9,562	443,734.877	-74,112.906	126,502.656	255,398.734	420,049.500	611,469.000	808,096.562	1109176.125	1109176.125	261,162.247

Panel B: Regress *FirmDissent* on *Abnormal CEO Pay* and Firm-level determinants

Hypothesis	Predicted	<i>FirmDissent</i>	
		(1) H1b	(2) All
<i>ROA</i>	-		-0.000** (-2.20)
<i>MarketRet</i>	-		-0.000* (-1.91)
<i>Dividend</i>	-		0.001 (0.65)
<i>AbnormalCEOpay</i>	+	0.000*** (6.17)	0.000*** (6.86)
<i>BoardSize</i>	+/-		0.000 (1.23)
<i>BoardInd</i>	-		-0.001*** (-3.23)
<i>BoardOwn</i>	-		0.002** (2.16)
<i>Institutional</i>	-		-0.001 (-0.83)
<i>Top20</i>	-		-0.000 (-0.43)
<i>BoardFemale</i>	-		-0.000 (-0.58)
<i>Ln(FirmAge) C</i>		-0.001** (-2.16)	-0.001** (-2.05)
<i>Book2Market C</i>		-0.000*** (-3.33)	-0.000*** (-3.56)
<i>Leverage C</i>		-0.000 (-0.75)	-0.001 (-1.31)
Firm FE		YES	YES
Year FE		YES	YES
Observations		8,051	8,051
Adjusted R ²		0.204	0.206

Table 14: Alternative proxy for shareholder dissent: log shareholder dissent (Hillman et al., 2011)

Panel A: Firm-level determinants results on firm-level averaged $\text{Log}[(\text{proxyagainst})/(\text{proxyfor} + \text{proxyagainst} + \text{proxydiscretion})]$

VARIABLES	Predicted	<i>LogFirmDissent</i>										
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Hypothesis		H1a	H1a	H1a	H1b	H1c	H1a	H1a	H1a	H1a	H1a	All
<i>ROA</i>	-	-0.214*** (-2.70)										-0.140* (-1.88)
<i>MarketRet</i>	-		-0.297*** (-7.98)									-0.263*** (-7.06)
<i>Dividend</i>	-			-0.441 (-0.72)								-0.443 (-0.75)
<i>LogCEOpay</i>	+				0.197*** (6.04)							0.196*** (5.99)
<i>BoardSize</i>	+/-					-0.018 (-1.09)						-0.025 (-1.42)
<i>BoardInd</i>	-						-0.036 (-0.31)					-0.110 (-0.95)
<i>BoardOwn</i>	-							-0.309 (-0.78)				-0.239 (-0.59)
<i>Institutional</i>	-								0.209 (0.65)			0.449 (1.40)
<i>Top20</i>	-									-1.700*** (-8.18)		-1.631*** (-7.89)
<i>BoardFemale</i>	-										-0.230 (-1.53)	-0.326** (-2.20)
<i>FirmSize C</i>		0.289*** (5.89)	0.247*** (5.53)	0.244*** (5.39)	0.223*** (4.92)	0.251*** (5.46)	0.245*** (5.37)	0.242*** (5.35)	0.241*** (5.32)	0.235*** (5.31)	0.247*** (5.46)	0.259*** (5.29)
<i>Ln(FirmAge) C</i>		0.080 (0.57)	0.120 (0.86)	0.087 (0.62)	0.099 (0.71)	0.088 (0.63)	0.089 (0.64)	0.085 (0.61)	0.087 (0.62)	0.048 (0.35)	0.082 (0.59)	0.082 (0.60)
<i>Book2Market C</i>		0.307*** (5.10)	0.146** (2.37)	0.300*** (4.97)	0.322*** (5.34)	0.303*** (5.05)	0.304*** (5.07)	0.305*** (5.08)	0.305*** (5.09)	0.306*** (5.16)	0.306*** (5.10)	0.180*** (2.90)
<i>Leverage C</i>		0.450** (2.00)	0.374* (1.67)	0.545** (2.42)	0.554** (2.47)	0.542** (2.41)	0.539** (2.39)	0.541** (2.40)	0.542** (2.40)	0.594*** (2.72)	0.540** (2.40)	0.411* (1.89)
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations		10,702	10,702	10,702	10,702	10,702	10,702	10,702	10,702	10,702	10,702	10,702
Adjusted R ²		0.242	0.247	0.241	0.244	0.241	0.241	0.241	0.241	0.250	0.241	0.258



Panel B: Director-level determinants results on $\text{Log}[(\text{proxyagainst})/(\text{proxyfor} + \text{proxyagainst} + \text{proxydiscretion})]$

VARIABLES	Predicted	<i>LogDirectorDissent</i>							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Hypothesis		H2b	H2a	H2a	H2a	H2b	H2a	H2c	All
<i>LogDirectorPay</i>	+	0.030*** (3.13)							0.003 (0.32)
<i>Independence</i>	-		- 0.298*** (-6.64)						- 0.359*** (-7.55)
<i>DirectorOwn</i>	-			1.576*** (3.79)					0.323 (0.74)
<i>Female</i>	-				- 0.366*** (-6.45)				- 0.271*** (-4.83)
<i>Tenure</i>	+					0.054*** (6.62)			0.020** (2.26)
<i>New</i>	-						- 0.455*** (-11.31)		- 0.443*** (-9.75)
<i>NumBoardseats</i>	+/-							0.031*** (2.72)	0.040*** (3.60)
<i>Age C</i>		0.003 (0.93)	0.005 (1.64)	0.003 (0.97)	0.000 (0.12)	0.002 (0.66)	0.001 (0.28)	0.003 (0.98)	0.001 (0.26)
<i>FirmSize C</i>		0.370*** (9.00)	0.382*** (9.28)	0.380*** (9.21)	0.377*** (9.14)	0.371*** (9.03)	0.377*** (9.15)	0.371*** (9.00)	0.397*** (9.62)
<i>ROA C</i>		0.221*** (-3.15)	0.214*** (-3.07)	0.226*** (-3.21)	0.221*** (-3.16)	0.219*** (-3.12)	0.225*** (-3.20)	0.215*** (-3.07)	0.219*** (-3.16)
Firm FE		YES	YES	YES	YES	YES	YES	YES	YES
Year FE		YES	YES	YES	YES	YES	YES	YES	YES
Observations		12,115	12,115	12,115	12,115	12,115	12,115	12,115	12,115
Adjusted R ²		0.314	0.316	0.314	0.315	0.316	0.321	0.313	0.328

2.9 Appendices

Appendix 1: Definition of variables

Variable (<i>Notation</i>)	Description [Source]
Dependent variables	
Firm dissent (<i>FirmDissent</i>)	The average dissent at firm level. [hand collected]
Director dissent (<i>DirectorDissent</i>)	The proxy against / (proxy for + proxy against + proxy discretion) for director election or re-election resolution. [hand collected]
Log firm dissent (<i>LogFirmDissent</i>)	Log of the average dissent at firm level. [hand collected]
Log director dissent (<i>LogDirectorDissent</i>)	Log of the proxy against / (proxy for + proxy against + proxy discretion) for director election or re-election resolution. [hand collected]
Firm abstain (<i>FirmAbstain</i>)	The average abstain at firm level. [hand collected]
Director abstain (<i>DirectorAbstain</i>)	The proxy abstain / (proxy for + proxy against + proxy discretion + proxy abstain) for director election or re-election resolution. [hand-collected]
Firm discontent (<i>FirmDiscontent</i>)	The average discontent at firm level. [hand collected]
Director discontent (<i>DirectorDiscontent</i>)	The (proxy against + proxy abstain) / (proxy for + proxy against + proxy discretion + proxy abstain) for director election or re-election resolution. [hand-collected]
Independent variables: Firm-level	
ROA (<i>ROA</i>)	The ratio of a fiscal year's earnings divided by its total assets given from the Aspect database. [Aspect]
Market return (<i>MarketRet</i>)	The annual stock returns. Calculated as $\ln[\text{sp}(n)/\text{sp}(n-1)]$. [Morningstar]
Dividend payout (<i>Dividend</i>)	The ratio of dividend paid divided by total equity. [Aspect]
CEO pay (<i>CEOpay</i>)	The reported remuneration for directors having position noted as CEO. [Connect 4]
Abnormal CEO pay (<i>AbnormalCEOpay</i>)	Residual from a compensation regression of all firms during our sample period. We include log assets, prior year stock return, industry and year dummies as the independent variables. [Aspect, Connect 4]
Board size (<i>BoardSize</i>)	The sum of directors on the board excluding directors leaving the board. [Connect 4, SIRCA]
Board independence (<i>BoardInd</i>)	The ratio of independent directors divided by board size. [Connect 4, SIRCA]
Board ownership (<i>BoardOwn</i>)	The ratio of the number of shares held by directors serving on the board divided by total shares outstanding. [SIRCA]
Institutional investors (<i>Institutional</i>)	The ratio of the number of shares held by institutional owners divided by total shares outstanding. [SIRCA]
Top 20 investors (<i>Top20</i>)	The ratio of the number of total shares held by top 20 shareholders divided by total shares outstanding. [SIRCA]
Board female representation (<i>BoardFemale</i>)	The ratio of female directors divided by board size. [Connect 4, SIRCA]
Independent variables: Director-level	
Director independence (<i>Independence</i>)	The indicator variable equal to 1 if the director is independent. [Connect 4]
New (<i>New</i>)	The indicator variable equal to 1 if the director is a first-time candidate. [hand collected]
Director ownership (<i>DirectorOwn</i>)	The ratio of number of shares a director holds divided by total shares outstanding. [SIRCA]
Director pay (<i>DirectorPay</i>)	The reported remuneration for directors having position noted as director. [Connect 4]
Director tenure (<i>Tenure</i>)	The number of years a director serves on the board. [Connect 4]
Female director (<i>Female</i>)	The indicator variable equal to 1 if the director is female. [Connect4]
Busyness (<i>NumBoardseats</i>)	The number of total directorships a director holds. [Connect 4]
Director age (<i>Age</i>)	The director's age. [Connect 4]
Attendance (<i>Attn</i>)	Number of board meetings attended over total board meetings held during the year. [SIRCA]

Control variables

Firm size (*FirmSize*)

Leverage (*Leverage*)

Book-to-market ratio (*Market2Book*)

Firm age (*FirmAge*)

Ln firm age (*LnFirmage*)

The natural logarithm of total assets. [Aspect]

The ratio of total liabilities to total assets. [Aspect]

The book value of total assets divided by the sum of the book value of total liabilities and market value of equity. [Aspect, Morningstar]

The number of years the firm is listed. [Aspect]

Natural logarithm of the number of years the firm is listed. [Aspect]

Appendix 2: Key terms used measuring shareholder votes

According to 250J Corporations Act (2001), A resolution put to the vote at a meeting of a company's members may be decided on a show of hands unless a poll is demanded. Several key terms used are listed as follows:

Show of hands

A show of hands is a vote in which people raise their hands to indicate their support for a resolution and is calculated based on the number of hands raised by shareholders physically present at the annual meetings.

Proxy

Shareholders usually vote by proxy, i.e., by sending their votes by post or via the internet, rather than attending meetings to vote in person. Companies send the notice of meetings and proxy forms to shareholders in advance of annual meetings.

Poll

A poll may be called by the chairman, by members and/or proxies representing at least 5% of the total voting capital, or by 5 or more individual members and/or proxies. Determining the “will of the meeting” on the business is the duty of the chairman. On a poll, the result is determined by the number of shares voted “for” and “against”, including the number of shares voted by proxy.

The form of proxy has given the person appointed as the shareholder’s proxy discretion as to how to vote; that person may decide to vote the relevant shares ‘for’ or ‘against’ the resolution, to withhold their vote or to ‘abstain’.

For

Shareholders use ‘for’ votes to indicate their support for a particular resolution.

Against

Shareholders use ‘against’ votes to indicate their opposition to a particular resolution.

Discretion

Traditionally, in a listed company, shareholders can appoint anyone to chair the meeting. However, in most listed companies it is reasonable to assume that a large proportion of the votes to be cast at the discretion of the proxy will be cast in favour of the chairman because the

chairman of the meeting is usually the chairman of the board, which has recommended the resolution for shareholder approval. For board-initiated resolutions, virtually no discretionary votes were cast 'Against'. But, for shareholder-initiated resolutions, almost all discretionary votes were cast 'Against'.

Abstain

Technically, an 'abstain' instruction is an instruction not to vote. However, the 'abstain' instruction is sometimes deliberately used by institutional shareholders to express a protest or warning vote short of an 'against' vote. Where a voting paper is marked 'abstain' or where an 'abstain' box has been ticked, the shares to which that voting paper relates will not be counted in determining whether or not the resolution has passed.

Appendix 3: AGM votes results example

**Absolute Equity Performance Fund Limited
Annual General Meeting
Friday, 29 January 2021
Results of Meeting**

The following information is provided in accordance with section 251AA(2) of the Corporations Act 2001 (Cth) and ASX Listing Rule 3.13.2.

Resolution details		Instructions given to validly appointed proxies (as at proxy close)				Number of votes cast on the poll (where applicable)			Resolution Result	If s250U applies
Resolution	Resolution Type	For	Against	Proxy's Discretion	Abstain	For	Against	Abstain*	Carried / Not Carried	
1. Adoption of Remuneration Report	Ordinary	14,864,906 46.55%	13,522,473 42.35%	3,543,731 11.10%	399,592	18,408,637 57.65%	13,522,473 42.35%	399,592	First Strike	Yes
2. Re-election of Mr Marc Fisher	Ordinary	13,850,907 42.24%	15,927,507 48.57%	3,013,460 9.19%	97,727	16,864,367 51.43%	15,927,507 48.57%	97,727	Carried	N/A
3. Re-election of My Raymond Da Silva Rosa	Ordinary	13,746,348 42.08%	15,920,298 48.73%	3,000,669 9.19%	222,286	16,747,017 51.27%	15,920,298 48.73%	222,286	Carried	N/A

* Votes cast by a person who abstains on an item are not counted in calculating the required majority on a poll.

Chapter 3: Consequences of shareholder dissent in Australian director elections

3.i Abstract

Using shareholder votes cast at the AGMs of Australian public companies, this study examines the consequences of shareholder votes in director elections. Since the majority voting system is the default in Australia, this study can directly measure shareholder dissent using against votes. This chapter examines the impact of shareholder against votes on (i) director turnover, (ii) board turnover, (iii) CEO turnover, (iv) number of directorships held by directors and (v) firm performance. The results show that shareholder dissent is associated with an increased likelihood of director, board and CEO turnover and is negatively associated with subsequent firm performance. These findings highlight the effectiveness of shareholder votes in bringing about changes in board composition within the focal firm, while cautioning both shareholders and management about the negative association between shareholder dissent and future firm performance. Importantly, the results using abstain votes are insignificant, suggesting that firms view the signal sent by abstain votes differently from those sent through against votes. This finding is significant for those jurisdictions that currently allow the use of the plurality voting regime, such as the US and Canada.

3.1 Introduction

There is a global movement among listed companies to empower shareholders to take a more active role and voice in the companies they own, especially when shareholders are disappointed with the firm's operating performance and the effectiveness of the board's oversight (Chapman et al., 2022; Chuah et al., 2024; Davis & Thompson, 1994; Denes et al., 2017; Goranova & Ryan, 2014). A key method of allowing shareholders to express their voice is shareholder voting at AGMs. Easterbrook and Fischel (1991) and Lu et al. (2023) highlight that shareholder voting at AGMs is potentially the most powerful control right that shareholders possess to secure their interests in the companies they own. Shareholder voting also serves to reduce agency costs that arise from the separation of ownership and control (Stapledon et al., 2000). Voting rights allow shareholders to make decisions that are beyond the board's authority, such as the election of directors (Cai et al., 2009), to veto corporate decisions that are potentially detrimental to shareholder interests (Kraakman et al., 2004) and to approve value-

enhancing corporate governance reforms (Bebchuck, 2005). Among the decisions taken at AGMs, the election of directors to the board is a crucial decision because, by electing or removing directors, shareholders have a direct mechanism to influence board composition.

Prior studies suggest that there are at least two reasons for the disciplinary role of shareholder voting (e.g. Andrei et al., 2022). First, shareholder dissent votes are easily interpretable informational signals that capture a wide range of information relevant to evaluating shareholder views on a director and firm performance (Campbell et al., 2016; Graffin et al., 2013; Schaffer, 2002). Directors and boards are likely to respond to higher shareholder dissent votes because the identity of the sender is the shareholder, the ultimate owner of the firm. Second, higher dissent votes as a publicly visible informational signal indicate that investors are losing confidence in the firm's leadership, leading to reputational damage for both directors subject to election and the board as a whole (Andrei et al., 2022). The board may act to maintain or restore their reputation following higher dissent by taking actions that improve corporate governance, such as replacing directors or the CEO.¹⁴

As highlighted in the previous chapter, most companies in the US elect directors by a plurality voting system. Under the plurality voting system, shareholders can only cast votes for or withhold their votes, and they do not have the ability to vote against a candidate. Critics argue that plurality voting renders director elections ineffective because in uncontested elections directors can be elected with only a single vote for. Moreover, withheld votes have less consequence because they do not affect the voting outcome (Bebchuk, 2003, 2007; Schwartz, 1983; Yerger et al., 2016).¹⁵

In contrast, under the majority voting system used in Australia, shareholders can vote for or against a candidate. Additionally, a director candidate is only elected if they receive more than 50% of the for votes cast. Unlike the plurality voting system, the majority voting system gives shareholders the direct ability to remove directors with whom they are dissatisfied. While

¹⁴ For example, in the financial year of 2023, Peter Hearl, chairman of Endeavour, noted that 12.7% of shareholders had voted against the re-election of Bruce Mathieson Jnr to the board (Yun, 2023), and Mathieson Jnr was then immediately excluded from Endeavour board meetings (LaFrenz & Evans, 2023; Muroi, 2024).

¹⁵ Morgenson (2006) and Monks and Minow (2004) also comment that director elections are meaningless charades of shareholder democracy, and the Council of Institutional Investors (Yerger et al., 2016, p. 2) considers plurality voting, and particularly the meaninglessness of withheld votes, to be "a fundamental flaw in the US corporate governance system".

many large US firms have now adopted majority voting, recent data shows that the plurality voting system remains prevalent among small companies in the Russell 3000 (Tonello, 2022).¹⁶ At the global level, majority voting is generally the default rule for director elections in Europe (Sauerwald et al., 2016), while plurality voting is used in Sweden and Canada.¹⁷

Due to the use of plurality voting, most prior US studies of shareholder voting in director elections have been unable to directly measure shareholder dissent and have proxied shareholder dissent using withheld votes (i.e. abstentions) (e.g. Cai et al., 2009; Fischer et al., 2009). Practically, withheld votes in the US include (i) those shareholders who genuinely wish to withhold their votes and (ii) at least some shareholders who would prefer to vote against a director's election but are unable to do so under the plurality system. Importantly, some shareholders may choose to not vote at all if they cannot vote directly against a director candidate. As such, in the plurality system, depending on how shareholders who would prefer to vote against actually cast (or do not cast) a vote, the level of withheld votes may either overstate or understate true dissent.¹⁸ In summary, withheld votes cannot be viewed as equivalent to against votes and the use of withheld votes as a measure of shareholder dissent in prior research is problematic, as the signal of shareholder dissatisfaction sent to firm management from high levels of withheld votes is muted compared to the signal sent by higher levels of against votes. In consequence, the inconclusive prior US evidence on the consequences of shareholder voting in director elections may at least be partially driven by the use of withheld votes as a measure of dissent.¹⁹ Moreover, the results from the US are potentially robust in countries that use majority voting.

¹⁶ By 2014, almost 90% of S&P 500 companies had adopted some form of majority voting (Choi et al., 2016).

¹⁷ Directors of Swedish limited liability companies must be elected by plurality voting (Eckbo et al., 2010), and Canadian corporate statutes currently provide for the election of directors by plurality voting (Securities Bulletin, 2012).

¹⁸ Suppose there are a Against votes, s For votes and d Discretion votes, where a , s and d are all equal to or greater than zero. Shareholder dissent is equal to $a / (a + s + d)$. However, because the true Against votes (A) are not directly observable due to the use of Withheld votes in the US, a can either over- or under-represent A . On the one hand, some shareholders (y votes, $y > 0$) may choose not to vote since they cannot vote against. Thus, A would be underestimated by y and should be $(a + y)$. Accordingly, true shareholder dissent should be $(a + y) / (a + s + d + y)$, which is higher than $a / (a + s + d)$. In other words, shareholder dissent has been underestimated. On the other hand, a includes Abstain votes in the US system, since Abstain is not an option. Thus, A would be overestimated by x and should be $(a - x)$. Accordingly, true shareholder dissent should be $(a - x) / (a + s + d - x)$, which is lower than $a / (a + s + d)$. In other words, shareholder dissent has been overestimated.

¹⁹ Prior US research is summarised in Sections 2 and 3.

Given that Australian companies uniformly use the majority voting system, this study is able to directly measure shareholder dissent in director elections and is thus able to employ an unambiguous signal of shareholder dissatisfaction when examining the impact of dissent on subsequent consequences. Additionally, as all Australian firms use majority voting, this study does not need to consider issues associated with self-selection of the type of voting system (i.e. plurality vs. majority).²⁰ Specifically, this chapter examines the association between shareholder dissent in director elections and several consequences, including (i) director turnover, (ii) board turnover, (iii) number of directorships held, (iv) CEO turnover and (v) firm performance.

Using manually collected shareholder voting data in Australia from 2004 to 2021, we find that higher shareholder dissent is positively associated with the probability of director and board turnover, and the likelihood of CEO departure at one-year post-election. These findings suggest that higher shareholder dissent has consequences in terms of leading to governance changes within the focal firm. This chapter also finds that, when shareholder dissent is higher, subsequent operating and stock market performance are lower.

Given the difference between plurality and majority voting, this chapter examines whether the signal sent by abstain votes is similar to that sent by votes against. The results are largely consistent with different signals being sent by against versus abstain votes. Higher abstain votes are not associated with the probability of director and board turnover and firm performance and are *negatively* associated with CEO turnover. Thus, the results indicate that, under the majority voting system, abstain and against votes send different signals to the focal firm and have different associations with post-election firm- and director-level outcomes. These findings are consistent with the majority voting system; in particular, the ability to vote directly against a director makes a difference in enhancing shareholder democracy.

This chapter discusses several additional tests to confirm the robustness of the results. For example, we repeated the tests of the outcomes using the natural logarithm of the votes to deal with vote skewness, and we used a longer horizon than one year to test the consequences of shareholder dissent votes and report consistent findings. To address endogeneity, we used

²⁰ US firms can choose to use either the plurality or majority voting systems, which raises the concern of self-selection.

the residual votes as in Cai et al. (2009) and the instrumental variable in Andrei et al. (2022) and find similar results. We also conducted the Oster (2019) test and find that our results are not subject to the omitted variable bias. Overall, our evidence suggests that, in Australia, higher shareholder dissent sends a powerful signal of shareholder dissatisfaction and leads to changes in firm governance.

This study makes several contributions. First, our study is among the first to provide evidence on the consequences of shareholder votes on director elections at Australian AGMs. To our knowledge, most studies on shareholder votes in director elections have been conducted in the US setting (e.g. Aggarwal et al., 2019; Cai et al., 2009; Fischer et al., 2009), and no study has examined the consequences of shareholder votes in Australian director elections. The evidence in this study provides novel evidence pertinent to the 2012 CAMAC *Review of the AGM and Shareholder Engagement*. The 2012 CAMAC review raised concerns around the effectiveness of shareholder engagement at Australian AGMs and whether low shareholder participation at the AGM limits the ability of the AGM to facilitate effective governance (CAMAC, 2012). The results in this chapter highlight that, despite low shareholder participation, higher shareholder dissent votes at the AGM send a powerful signal and lead to a variety of consequences, including increased director, board and CEO turnover, and lower firm performance. These results are relevant to regulators and policymakers both in Australia (CAMAC, 2012a) and elsewhere who are considering methods to increase shareholder voting participation or debating the merits of moving away from plurality voting.

Second, our study contributes to the existing literature on shareholder votes in director elections without the limitation of prior research in measuring shareholder dissent. Previous studies conducted in the US, such as Cai et al. (2009) and Fischer et al. (2009), have relied on abstain votes as a substitute for shareholder opposition to resolutions. However, as highlighted above, abstain votes do not fully capture the level of shareholder dissent. In contrast, our study uses votes against to measure shareholder dissent, which allows for a direct measurement of shareholder sentiment. Importantly, the results of this study indicate that abstain votes do not provide the same signal to market participants as against votes. This result is relevant for regulators and policymakers worldwide in countries that currently employ plurality voting.

Finally, this study provides further insights into the director reputation literature.²¹ Cai et al. (2009) find no association between shareholder votes and director turnover, and they conjecture that the lack of a relationship is due to most directors being elected uncontested and receiving more than 50% support. Choi et al. (2016) also find that some directors remain on the board even after receiving a majority of shareholder dissent. Our findings indicate that directors' reputations are damaged by higher shareholder dissent and, as a result, they are more likely to leave the board. Additionally, this chapter documents that greater dissent is associated with increased CEO and board turnover consistent with directors acting on the signal sent by shareholder dissatisfaction to protect or recover their reputations.

The remainder of this chapter is structured as follows. Section 2 describes the institutional setting, while Section 3 summarises relevant prior literature and formulates our research hypotheses. Section 4 describes the sample and the measurement of the variables and provides summary statistics of key measures. Section 5 presents the main results from the empirical tests. Section 6 presents additional analyses. Section 7 discusses robustness analyses and Section 8 concludes.

3.2 Institutional setting and shareholder activism

This section first briefly outlines the process of electing directors in Australia and then compares director elections in Australia with the US. This section concludes with a summary of prior literature examining shareholder activism.

3.2.1 Electing directors in Australia

Under the ASX listing rules, all listed firms must hold an election for directors annually, and no director can be appointed for a term of greater than three years. While directors can be appointed to fill a casual vacancy on the board, they must be confirmed at the next AGM under the *Corporations Act* (Section 201H). The *Corporations Act* also requires that a separate resolution be used at the AGM to elect separate candidates (Section 201H). All directors, both executive and non-executive, must stand for (re-)election at the AGM. The CEO, if not also the managing director, does not need to stand for election at the AGM. Australian elections are

²¹ For example, Andrei et al. (2022), Campbell et al. (2016), Graffin et al. (2013), Helwege et al. (2012), Parrino et al. (2003), Schaffer (2002) and Schepp (2003).

generally uncontested as most director candidates are nominated by the company. Very rarely, shareholders may sponsor a director candidate resolution at the AGM. However, these shareholder-sponsored candidates are very rarely elected to the board (Australian Council of Superannuation Investors, 2017).

3.2.2 Voting against directors in Australia versus the US

As highlighted earlier, there are two voting systems for the election of directors, namely plurality and majority voting. The main difference between the two systems is that, in the majority voting system used in Australia, shareholders are able to vote against a director candidate. Traditionally, directors in most US companies were elected by a plurality of the votes cast (Choi et al., 2016). One problem with the plurality standard is that it has little meaning in uncontested elections. In addition, disgruntled shareholders cannot remove a director by withholding votes for their election (Lublin, 2009).

Existing empirical research on shareholder voting in director elections is mainly US focused. Due to the use of the plurality voting system, many scholars have used withheld votes as a proxy for shareholder dissent (e.g. Cai et al., 2009, 2013; Ertimur et al., 2015, 2018; Fischer et al., 2009). As presented in Appendix D, almost all papers use votes abstain as a proxy for shareholder dissatisfaction (12 from 13), and only one study (Shu, 2020) does not explicitly use vote abstain as a measure for shareholder dissent. As highlighted in Section 3, the results from existing studies on the consequences of votes on director elections are mixed, which is potentially driven by the lack of a direct measure of shareholder dissent.

Beginning in 2005, shareholder activists began to push for changes in the voting standard in the US (Carpenters, 2016). Proponents suggest that majority voting is more democratic than plurality voting, which provides shareholders with greater power to block the election of objectionable director nominees (Choi et al., 2016). As of January 2014, approximately 90% of S&P 500 companies had adopted some form of majority voting (Gerber, 2014). However, the shift to majority voting among smaller US companies has been less significant. By 2012, 52% of mid-cap companies and 19% of small-cap companies had adopted majority voting (Ernst & Young, 2013). Recent data from the Conference Board and ESGAUGE's Corporate Board Practices Live Dashboard show that less than 10% of S&P 500 companies continue to

use a system of plurality voting in their director elections. In contrast, the plurality voting system is still prevalent among smaller organisations in the Russell 3000 (Tonello, 2022).

Theoretically, the majority voting system has some perceived benefits in terms of empowering shareholders to exert direct influence on the appointment of directors in director elections. However, the debate on the advantages and disadvantages of shareholders having more power under the majority voting system is not settled (Cai et al., 2013). For example, agency theorists who advocate for shareholder empowerment (e.g. Aggarwal et al., 2019; Bebchuk, 2007) support the implementation of the majority voting system, while legal scholars (e.g. Bainbridge et al., 2006; Kahan & Rock, 2011) argue that the costs of excessive shareholder oversight may outweigh the benefits.

The existing empirical evidence also documents inconsistent findings and conclusions regarding the effects of adopting the majority voting system. On the one hand, Cai et al. (2013) and Sjorstrom and Kim (2007) show that the adoption of majority voting is generally not associated with abnormal announcement stock returns. On the other hand, Ertimur et al. (2015) find positive abnormal returns after firms adopt majority voting, and Chung and Lee (2020) document stock price increases after firms adopt majority voting.

3.2.3 Shareholder activism and management actions in response to shareholder pressure

Shareholder activism is defined as the actions taken by shareholders to use their power for corporate change (Yermack, 2010), including casting votes at AGMs. Prior research provides indirect evidence that, when shareholder franchise is easily exercised, firm value is improved (Ertimur et al., 2018). Furthermore, Yermack (2010) highlights that lower communication costs in the internet age have enabled shareholders to organise more effectively and share information efficiently, and this increased connectivity helps shareholders to voice their opinions and increase their influence. However, it is less clear that shareholder activism leads to an improvement in the value of targeted companies (Yermack, 2010). For example, an environmentally conscious hedge fund could aggressively accumulate votes to remove a particular director from a highly polluting electricity company (Agrawal, 2008), which may lead to a loss of value for shareholders seeking to maximise the share price. Barros et al. (2023) suggest that shareholder activists' campaigns that primarily focus on demanding a change in strategic direction or gaining board control, including attempts by shareholders to gain more

influence or power over the board and control over key decisions, are likely to intensify a decline in profitability.

A particularly relevant development in terms of shareholder activism has been the use of shareholder voting to express shareholder disagreement with management in so-called “vote-no” campaigns (Del Guercio et al., 2008; Grundfest, 1993a). In vote-no campaigns, shareholders are encouraged to use their voting rights to symbolically express their disagreement with management, regardless of the formal content of the proposal being voted on. For example, Ertimur et al. (2018, p. 3400) find that shareholders vote against director candidates to “get directors to address specific problems, rather than to vote them onto or off of the board”. Prior research has conceptualised such voting as expressive dissent (Sauerwald et al., 2016), and Yermack (2010) finds that shareholders use voting as a channel of communication with boards and that voting can lead to significant changes in corporate governance and strategy. Del Guercio et al. (2008) also provide evidence that significant withheld votes motivate directors to take immediate action to avoid further embarrassment.

Although the literature has documented that expressive dissent can take on symbolic importance as a vote of confidence in management from the perspective of shareholders, it is not known whether management responds to expressive dissent. A central focus of studies in the management literature is the question of how the management team deals with external pressures to implement actual practices, such as board restructuring or strategic reassessment, in firms (Arthaud-Day et al., 2006). The willingness of managers to decouple formal adoption from actual implementation of firm practices has been widely documented. For example, Westphal and Zajac (1998, 2001) and Zajac and Westphal (2004) document that managers can effectively appease shareholders by merely announcing the adoption of long-term incentive plans or share buyback programs without implementing them.

However, with the increasing shareholder scrutiny (Goranova & Ryan, 2014), managers may be responding to external pressures from shareholder votes by changing governance practices, including changes to internal organisational structures (Brombley & Powell, 2012). Kahan and Rock (2008) also state that managers pay attention not only to the outcome of the vote but also to the number of votes on both sides. Moreover, by “voting with their feet”, institutional investors can challenge the board’s mandate by signalling that an informed class

of investors is losing confidence in the company's leadership, thereby prompting the board to remove the particular CEO or director in question (Helwege et al., 2012; Parrino et al., 2003).

From a director's perspective, their reputation is a valuable asset (Alchian & Demsetz, 1972). Prior research has identified four incentives that influence the decision to join or leave a board: reputation, compensation, risk and workload (Boivie et al., 2012; Ormazabal, 2018). According to Fama and Jensen (1983), a director's primary motivation is to maintain and enhance their reputation in the labour market. For example, Masulis and Mobbs (2014) find that a director's reputation has a significant impact on the likelihood of securing future directorships. Grundfest (1993a) suggests that withheld votes should be viewed as a measure of shareholder dissatisfaction, which may lead directors to resign in order to protect their reputations. For example, Gilpin (2004) reports that dissident shareholders of the Walt Disney Company sent a strong message to Michael D. Eisner, its chairman and CEO, by withholding support for 43% of the company's shares in a 2004 re-election vote. As a result, Eisner voluntarily resigned.

3.3 Prior literature and hypothesis development

This section outlines previous research findings, theoretical perspectives and empirical evidence on the consequences of shareholder dissent votes in director elections, namely director and board turnover, changes in directorships, CEO turnover and firm performance²².

3.3.1 Director turnover

According to agency theory, shareholders are the ultimate owners of the company. At the AGM, directors are appointed by shareholders to the board and are expected to act in shareholders' interests and monitor the performance of managers (Bebchuk, 2005; Jensen & Meckling, 1976). However, given the presence of information asymmetry and agency conflicts between managers and shareholders, shareholders retain the right to vote on the directors at the AGM. As such, voting at the AGM allows shareholders to express their views and concerns about the performance of management and the monitoring of executives by directors (Irvine,

²² Although factors such as board reputation and strategic decisions (Thomas & Cotter, 2007; Bebchuk, 2005), as well as changes such as environmental friendliness (Reid & Toffel, 2009), are influenced by shareholder votes, they may not be easy to measure or offer direct insight into the immediate effects of shareholder votes in director elections. We leave the examination of these areas to future research.

1988). Moreover, unlike analyst reports or news articles about a director, shareholder dissent against a director seeking election can send a signal to market participants about shareholders' concerns against either (or both) the company's performance or the quality and performance of a particular director (Grundfest, 1993a).²³ Thus, shareholder dissent provides a publicly available and easily interpretable informational signal (Campbell et al., 2016; Del Guercio et al., 2008) to managers and other stakeholders about shareholder dissatisfaction.

Prior literature, however, shows that the level of dissent against director candidates is typically low (Cai et al., 2009) and, as a result, the signal sent by shareholder dissent may be insufficient to lead to a response from the firm. Moreover, in a plurality voting system, as shareholders cannot vote directly against a candidate, the signal provided by withheld votes may lack sufficient clarity to lead firms to respond to a higher level of withheld votes. The muted signal sent from withheld votes may be a reason for the inconclusive findings in prior US literature examining director turnover. For example, Cai et al. (2009) and Ertimur et al. (2010, 2015) find no relationship between shareholder votes and director turnover and suggest that low support votes have little impact on director career development. Cai et al. (2009) suggest that the lack of an association between director turnover and shareholder support may be due to the fact that most director elections are uncontested. They also suggest that the use of the plurality voting system may explain the insignificant findings. Choi et al. (2016) also provide evidence that directors often remain on the board even if they fail to secure a majority of for votes. This outcome is possible as, in the US, there is nothing to prevent the board from appointing a candidate who does not receive a majority of votes to a vacant position.²⁴

Given that most director candidates receive majority shareholder support, whether firms respond to the signal sent by higher levels of dissent is likely to be driven by the reputational incentives of the candidates standing for election or re-election as well as existing board members. Higher levels of shareholder votes against a particular candidate are likely to tarnish the candidate's reputation and may lead to the candidate voluntarily resigning from the board.²⁵ Similarly, the negative publicity associated with higher dissent for a candidate may lead to

²³ It is acknowledged that shareholder dissent against a candidate may represent dissatisfaction with either the director and/or the firm, or both. However, it is not empirically possible to separate these two effects.

²⁴ Shareholder votes in director elections are advisory and non-binding in the US (Yermack, 2010).

²⁵ For example, Aggarwal et al. (2019) provide empirical evidence to suggest that directors facing greater shareholder dissent are more likely to be dismissed by the board in the following fiscal year.

pressure from other incumbent directors for the candidate to resign (Yermack, 2004) to protect the firm's and other directors' reputations (Grundfest, 1993a). Given that prior research indicates that a director's primary motivation is to maintain their reputation (Fama & Jensen, 1983) and that this influences their decision to accept or leave a directorship (Boivie et al., 2012; Ormazabal, 2018), combined with the clear signal sent by dissent in the majority voting system, we predict the following:

Hypothesis 1: Shareholder dissent is positively associated with subsequent director turnover.

3.3.2 Board turnover

A board typically consists of a small, close-knit group of directors who function as a cohesive unit.²⁶ Together with management, the board is jointly responsible for overseeing the strategic direction of the organisation (Grundfest, 1993a). This raises the question of whether the reputational shock of shareholder dissent against one or more directors affects the reputations of all board members. As a collective entity, the board bears responsibility for firm performance and should face the consequences of shareholder dissatisfaction (Easterbrook & Fischel, 1991). Accordingly, the signalling perspective suggests that shareholder dissent votes send a signal that shareholders are dissatisfied with the board as a collective rather than with individual directors who are being re-elected (Allen, 1992; Bebchuk & Cohen, 2005). As a result, higher levels of shareholder dissent may tarnish the reputations of all directors.

One response to the impact of higher dissent on directors' reputations is to replace one or more directors on the board. Consistent with this expectation, prior US research documents a negative relationship between shareholder support votes and subsequent board turnover. For example, Fischer et al. (2009) find a negative relationship between the number of for votes in director elections and subsequent board turnover. Similarly, Cai et al. (2009) show that a greater dispersion of shareholder votes – measured by a large range and standard deviation of for votes – is significantly positively associated with board turnover. As highlighted previously, the use

²⁶ Prior literature suggests that directors on the board select each other carefully (Cai et al., 2022) and that new directors conduct extensive due diligence before accepting board appointments and continually assess whether they should remain on the board (Beasley et al., 2009). Therefore, directors are likely to be perceived by others as a group of like-minded individuals.

of the plurality voting system in the US means that there is a notable absence of research exploring how higher numbers of against votes influence board turnover.

Analysing the impact of shareholder dissent on board turnover is important because it is possible that shareholder dissent for a particular director has spillover effects to other directors on the board, consistent with the reputation spillover perspective (e.g. Lee & Lo, 2016; Paruchuri et al., 2019). To restore the company's reputation, one action available to a board with high levels of dissent is to remove the director subject to election. However, the board may also decide to remove other directors not subject to election, especially if the targeted director is considered valuable or has strong ties to the firm (Cox & Munsinger, 1985; Drucker, 1973; Mace, 1986). Given the clearer signal sent by shareholder dissent in a majority voting system, we predict that higher dissent is associated with increased board turnover. We therefore propose the following hypothesis:²⁷

Hypothesis 2: Shareholder dissent is positively associated with subsequent board turnover.

3.3.3 Change in the number of directorships

Outside directorships serve as a key measure of directors' reputations and play a crucial role in aligning the incentives of shareholders and directors (Fama & Jensen, 1983). These outside director positions provide a way for directors to enhance their credibility and demonstrate their monitoring or governance skills. Aligning with the predictions of Fama and Jensen (1983), empirical research has documented labour market penalties when directors fail in their duties to shareholders. For example, prior studies have found a reduction in the number of outside directorships held following financial fraud (Fich & Shivdasani, 2007) and earnings restatements (Srinivasan, 2005). Similarly, Fos and Tsoutsoura (2014) find that directors who are targeted by shareholders in proxy contests suffer significant external labour market penalties.

Prior research also documents that there are positive labour market outcomes from serving on the boards of high-performing companies. For example, Yermack (2004) and Ferris et al. (2003) show that directors of successful companies are more likely to receive other future

²⁷ The difference between Hypothesis 1 and Hypothesis 2 is that Hypothesis 1 focuses on whether dissent for a particular candidate leads to his or her departure. In contrast, Hypothesis 2 focuses on whether dissent at the firm level averaged across all director elections has an impact on board turnover.

directorships. This suggests that being associated with well-performing firms enhances directors' reputations and makes them more attractive candidates for other boards.

In the context of shareholder votes on directors, shareholder support or dissent is a public signal that allows other firms to assess director performance (Grundfest, 1993a). High levels of shareholder dissent provide a strong indicator of the eroded confidence of shareholders in a director's advising and monitoring ability. The signal provided by higher dissent and the tarnishing of a director's reputation is likely to discourage other boards from offering directorships to directors who receive greater dissent. Prior US evidence, however, provides mixed results on the spillover effects of shareholder voting in director elections to other board positions. For example, while Cai et al. (2009) find that directors do not suffer reputational damage in terms of fewer board positions, Aggarwal et al. (2019) and Ertimur et al. (2018) report that low numbers of shareholder support votes are associated with a reduction in the number of future board positions held. The inconsistency of results in the US findings is possibly due to the inability to directly measure shareholder dissent due to the plurality voting system.

Based on the signalling and reputation theories discussed above and the clearer signal sent by dissent in the Australian majority voting system, we propose the following hypothesis:

Hypothesis 3: Shareholder dissent is negatively associated with future directorships held by nominee directors.

3.3.4 CEO turnover

Agency theory suggests that the main role of the board is to monitor managers to ensure that their interests do not diverge significantly from those of shareholders and to take actions that maximise shareholders' returns (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). The board of directors bears a fundamental responsibility: to hire, monitor and, if necessary, remove the CEO (Drucker, 1973). This responsibility is crucial because the CEO is a key driver of the strategic direction and overall performance of the firm. When clear indications of poor performance emerge, it is the duty of the board, serving as internal monitors, to respond promptly and effectively. Possible responses may include replacing the CEO or

modifying the strategic direction of the firm to enhance performance and shareholder value (Lorsch & MacIver, 1989).

Voting in director elections provides shareholders with the opportunity to signal their concerns about firm performance and the effectiveness of strategy implementation. As such, high levels of shareholder dissent provide a signal of shareholders' views on the CEO's competence (Grundfest, 1993a). The board is therefore likely to interpret high levels of shareholder dissent as a significant "vote of no confidence in management" (Andrei et al., 2002, p. 4), which directly undermines the CEO's legitimacy and authority as an effective leader (Helwege et al., 2012; Parrino et al., 2003). One response by the board to higher dissent, therefore, is to replace the CEO. Replacing the CEO also assists the directors in maintaining or re-establishing their reputations as effective monitors and signals that they are responsive to shareholder concerns.

Prior US studies reveal a positive relationship between shareholder withheld votes and subsequent CEO turnover (e.g. Cai et al., 2009; Ertimur et al., 2018; Fischer et al., 2009). However, as discussed previously, these studies have been unable to directly measure shareholder dissent against a director. Given the board's crucial role in monitoring CEO performance and the clarity with which against votes signal shareholder concerns of governance issues under a majority voting system, we propose the following hypothesis:

Hypothesis 4: Shareholder dissent is positively associated with subsequent CEO turnover.

3.3.5 Firm performance

In the context of operating performance, shareholder votes are a control mechanism to combat poor management performance by encouraging active shareholder monitoring (Dobrzynski, 1992). Shareholder dissent votes that signal shareholder dissatisfaction can induce internal reforms due to social pressure, leading boards to exercise more effective oversight. Boards of poorly performing companies have an incentive to make managerial and strategic changes, knowing that they may become the targets of future shareholder activism if they do not take appropriate actions (Guercio et al., 2008). High levels of shareholder dissent also create a scenario in which individual directors may feel compelled to either resign or cooperate more effectively to preserve their reputations. Thus, the signal sent by shareholder

dissent votes serves as an important tool for promoting board accountability, leading to actions such as the removal of underperforming directors, which can improve overall firm operating performance (Grundfest, 1993a).

However, the effectiveness of shareholder dissent as a signal is often undermined by the heterogeneous preferences of shareholders, making it difficult to reach consensus on the appropriate course of action (Hansmann, 1990). Additionally, shareholders typically lack the in-depth knowledge of the firm that full-time managers possess, raising concerns about shareholders' ability to accurately assess management performance (Lorsch & MacIver, 1989). As a result, higher shareholder dissent may distract managers from implementing a firm's strategy and lead to their implementation of operating decisions that result in a decline in future operating performance.

In the context of stock market performance, higher shareholder dissent in director election resolutions may be predictive of future stock price declines. For example, greater shareholder dissent may signal a lack of confidence in the board's ability and lead investors to reassess their investment strategies, resulting in future stock price declines (Grundfest, 1993a). In contrast, it is possible that the board and the firm will respond to shareholder dissent and take corrective actions that improve the firm's share performance.

Despite the theoretical framework suggesting an association between shareholder dissent votes in director elections and subsequent firm performance, previous US findings using both operating and stock market performance are insignificant (Cai et al., 2009; Ertimur et al., 2018). These insignificant results may be due to the US voting system, in which director elections take place using a plurality voting system and shareholder votes are strictly advisory and non-binding (Cai et al., 2013; Choi et al., 2016).

As the Australian majority voting system sends a clearer signal of shareholder dissent, we predict that higher dissent is more likely to be associated with changes in future performance. However, as the above theoretical framework does not provide a clear prediction of either an improvement or a decrease in performance, the hypothesis is stated without a direction. We predict that:

Hypothesis 5: Shareholder dissent is associated with subsequent firm performance.

3.4 Sample and descriptive statistics

3.4.1 Sample selection

As mentioned in the prior chapter, our primary data on Australian shareholder voting in director elections were obtained from company announcements in the Morningstar DatAnalysis database. We hand-collected voting information for all Australian publicly listed companies for a sample period of 18 years (from 2004 to 2021). Information collected included company name, ASX ticker, ASX date, AGM date, resolution descriptions, vote outcome (Pass, Fail or Withdrawn), vote totals (such as ProxyFor and ProxyAgainst) and Global Industry Classification Standard sector. We used voting data for only director election and director re-election resolutions. Most director election resolution descriptions provide the nominee's name, which enabled us to perform "fuzzy" matching with director-level characteristics from other data sources.

We tested our hypotheses using additional data obtained from Morningstar DatAnalysis, the SIRCA database and the Connect 4 Boardroom database. Specifically, time-series firm-level financial data, such as total assets and return on assets, were obtained from Morningstar DatAnalysis. Market returns were calculated using year-end share prices from Morningstar DatAnalysis, where market return was calculated as the natural logarithm of the change in share price over the year. We merged AGM votes with firm-level performance and other characteristics by firm ASX ticker and financial year. Information on shareholders' shareholdings, including directors', institutional investors' and top 20 investors' shareholdings, was obtained from the SIRCA database. We treated missing information on shareholdings as zero. The above variables of time-series firm-level financial data, stock return and shareholding were winsorised at the 1st and 99th percentiles to reduce the impact of outliers.

Director-specific data were obtained from the Connect 4 Boardroom database. This data included each director's date of appointment, independence status, age, gender, position, departure date and total remuneration. This director-level data enabled us to calculate several board-level characteristics. Taking female representation on the board as an example, we calculated board diversity as the number of female directors on the board divided by the board size. We also used "position" to identify a director's role. For example, position enabled us to

determine whether a director was either the CEO or other top management team member, or whether the CEO was the chairman of the focal firm. We merged the above director-level measures with AGM votes data by director name, company ticker and financial year.

These above merging procedures reduced our sample to 60,336 instances of director elections taking place at 30,377 shareholder meetings between 2004 and 2021.

3.4.2 Model specification

Our baseline regression models are estimated as follows:

$$\text{Consequence}_{i,j,t+1} = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t} \quad (1)$$

$$\text{Consequence}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t} \quad (2)$$

Model (1) is the baseline regression model for the director-level analyses used to test Hypothesis 1 and Hypothesis 3. The dependent variables of interest are *Director Turnover* and *Change in the Number of Directorships*. The main independent variable is director-level shareholder dissent, *Dissent*. *i* represents the specific director facing election, *j* denotes a certain firm and *t* indicates time. We included director-specific characteristics, board-level corporate governance measures and performance as controls. We also included firm and year fixed effects in all regressions. The standard errors were adjusted for heteroscedasticity and clustered at the director level.

Model (2) was employed for the firm-level analyses and to test Hypotheses 2, 4 and 5. The dependent variables of interest are *Board Turnover*, *CEO Turnover* and *Firm Performance* (*Industry-adjusted ROA* and *Market Return*). The main independent variable of interest is shareholder dissent votes averaged across director election resolutions, *FirmDissent*_{*j,t*}. *j* indicates a certain firm and *t* indicates time. We included firm-level characteristics and board-level corporate governance structures as controls. We also included firm and year fixed effects in all regressions (Choi et al., 2016; Fischer et al., 2009). Standard errors were adjusted for heteroscedasticity and clustered at the firm level.

3.4.3 Measurement of consequences

Following Aggarwal et al. (2019), Cai et al. (2009) and Fischer et al. (2009), we used the following measures of consequences alternatively as dependent variables.

3.4.3.1 Director-level consequence variables

For equation (1) director-level consequence analysis, we considered two director-level consequence variables. *Director Turnover* was measured as a dummy variable equal to 1 if specific directors up for (re)election were not on the board in the year following the shareholder vote at the AGM, and 0 otherwise. In Connect 4, we classified any director departures as director turnover.²⁸ The *Change in Number of Directorships* was measured as the change in the number of directorships held by an individual director. This analysis investigates whether dissenting votes have spillover effects due to a tarnished reputation on board seats held by the directors in other firms. Specifically, the change in the number of directorships is the sum of the total number of all directorships at the beginning of year t+1 minus the same sum at the beginning of year t.

The director-level consequences were measured for the *first* year after the AGM date. For example, if voting was conducted on 30 October 2020, the director-related consequence measures were for the period between 1 November 2020 and 1 November 2021.

3.4.3.2 Board-level consequence variables

We considered two board-level corporate governance variables in our firm-level analysis in Model (2). *Board Turnover* was defined as the number of board members that departed the board in the year after the AGM divided by board size. *CEO Turnover* was defined as a dummy variable equal to 1 if the firm's CEO resigned/depended in the year following an AGM, and otherwise 0.

²⁸ Given the difficulty in determining the reasons for director turnover, our measure includes both forced and voluntary departures, differing from previous literature (Aggarwal et al., 2019; Cai et al., 2009; Fischer et al., 2009; Ke et al., 2024), which only considers directors who leave the board involuntarily.

3.4.3.3 Firm-level performance variables

Operating performance – *Industry-adjusted ROA* – was measured using ROA, which is calculated as net income over total assets, with the information extracted from the Aspect database. We followed Ertimur et al. (2018) and used industry-adjusted operating performance measures. Specifically, *ROA* was industry-adjusted by first calculating annual mean industry firm performance (excluding the focal firm) for each industry (grouped by GICS code specification) and then subtracting this value from the performance of the focal firm (Wiersema & Zhang, 2011). We also employed a stock-market-based performance measure – *Market Return* – which was calculated as the natural logarithm of the share price at the end of the current year over the share price at the end of last year.

Following Aggarwal et al. (2019), Cai et al. (2009) and Fischer et al. (2009), we focused on consequences measured for the *first* financial year beginning after the AGM date, which we label $t+1$, because consequences such as director turnover and CEO remuneration changes in year t may not capture the board's response to shareholder votes in year t . For example, for voting results received on 30 October 2020, the performance and corporate governance consequence measures were calculated for the financial year ending 30 June 2021.

3.4.4 Measurement of shareholder dissent

Consistent with the measurement of shareholder dissent used in the previous chapter, we calculated the main independent variable, *Dissent*, as the ratio of proxies Against divided by the sum of proxies For, Against and Discretion. We measured shareholder dissent in this manner for two reasons. First, it was relatively rare for a vote to be held by poll before 2018, as can be seen from the table in Appendix B, showing the annual distribution of show of hands and poll votes. Statistically, only 6.24% (169 out of 2,710) of our sample companies had a poll for director election resolutions in 2004. We therefore used proxy votes rather than poll votes in order to maintain a higher sample size. Second, in Australia, abstain votes are not included in the total vote count (Stapledon et al., 2000) to determine resolution outcome, and discretionary votes can be viewed as equivalent to a vote in favour as they are usually cast for the resolution (Stapledon et al., 2000). Thus, we included discretionary votes in the denominator and excluded abstentions from the voting base. *Dissent* is the main independent variable in equation (1) to

test the impact of shareholder dissent votes on director-level outcomes, such as the *Director Turnover Dummy* and *Changes in directorships held*.

Firm-level shareholder dissent was calculated as the firm-year averaged shareholder dissent in director elections if there was more than one resolution held at the firm. We used firm-averaged shareholder dissent to test the impact of votes on firm-level and board-level outcomes in equation (2), such as the subsequent *Board Turnover*, *CEO Turnover*, *Industry-adjusted ROA* and *Stock Return*.

3.4.5 Control variables

We included the following control variables based on prior US literature of shareholder votes in director elections and consequences (e.g. Aggarwal et al., 2019; Cai et al., 2009; Ertimur et al., 2015, 2018; Fischer et al., 2009).

3.4.5.1 Director-level measures

We followed the existing literature and controlled for the following director-level governance measures. *Independence* was a dummy variable equal to 1 if the Connect 4 Boardroom database categorised the director as independent, and 0 otherwise; *Female* was measured as an indicator variable equal to 1 if the director was classified as female by the Connect 4 Boardroom database, and 0 otherwise. *Busyness* was measured as the total number of external directorships held by each director in public companies, excluding the focal company of the current election. *Age* was either provided by Connect 4 or calculated as the difference between the year of the AGM and the director's birthyear. *Tenure* was measured as the number of years since appointment on the board for the board members. If the *Tenure* was calculated as zero, we coded the director as *New*. Each *Director's Own* was measured as the number of shares owned by the director divided by total shares outstanding and *Director's pay* was the total remuneration (including both short- and long-term incentives), as documented by Boardroom.

Both the firm-level measures and the director-level measures were captured for the financial year-end immediately before the AGM. For example, for an AGM in November 2021, we used the financial year-end 30 June 2021.

3.4.5.2 Firm-level measures

We included several control variables in the firm-level and director-level consequence analyses. Operating performance was measured using ROA, which is net income divided by total assets. We also included a stock market performance measure – *Stock Return* – which was calculated as the natural logarithm of the share price at the end of the current year over the share price at the end of last year. We operationalised *Firm Size* as the book value of total assets of firms, log transformed. *Firm Age* was measured by the number of years since the firm went public. We also included *Dividend*, which was measured as dividend paid divided by the total equity of the firm. *B2M* is the book-to-market ratio, which was calculated using the book value of total assets divided by the sum of the book value of total liabilities and the market value of equity. Finally, *Leverage* is the ratio of total liabilities to total assets.

3.4.5.3 Board-level corporate governance measures

Board Size was measured as the total number of directors on the board. *Board Independence* was measured as the percentage of independent directors on the board and *Board Female* was measured as the percentage of female directors on the board. *Board Own* was measured as the total number of shares owned by all directors on the board divided by the total number of shares outstanding. *Institutional* and *Top 20* were measured as the ratio of the number of shares held by institutional investors and top 20 investors, respectively, to the total number of shares outstanding.

3.4.5.4 CEO-level measures

We also included CEO characteristics measures and a CEO departure dummy as controls when analysing the impact of dissent at both the director and firm levels. *CEO Turnover* was a dummy variable equal to 1 if the CEO had changed in the last twelve months, and 0 otherwise. *CEO Tenure* was the number of years since a CEO was appointed. *CEO Duality* was an indicator variable equal to 1 if the CEO was also the chairperson of the board, and 0 otherwise.

3.4.6 Summary statistics

Table 1 presents the summary statistics of all variables used in our analyses. The definition of all variables is summarised in Appendix A. We present descriptive statistics in two

panels, based on whether the variables are used in either the firm-level consequence analyses or the director-level consequence analyses.

[Insert Table 1 about here]

Table 1 panel A presents statistics of shareholder dissent average across director elections within firm, company performance and firm-level corporate governance characteristics measures. On average, the CEO turnover rate is approximately 10% each year, and the board turnover ratio is slightly higher at approximately 14.3% each year. The industry-adjusted ROA and stock return are -33.3% and -1.7% , respectively, which are similar to an Australian study by Bugeja et al. (2023). On average, directors receive about 3.5% dissenting votes (*FirmDissent*). The low shareholder dissent rate is consistent with the summary statistics reported in previous US studies by Cai et al. (2009) and Ertimur et al. (2018). Our mean firm dissent is higher than the European evidence reported in De Pril (2015).²⁹ Due to non-disclosure, it is not possible to separate voting intentions by shareholder type such as retail and institutional.

Panel B presents the summary statistics for the director-level consequence analyses. On average, directors facing elections have approximately a 13.5% possibility of departure within one year of the election (*Director turnover*). The average change in directorships held by a director over the sample period is positive, which is roughly 0.013 (*Change directorships*). On average, directors receive 3.5% dissenting votes (*Dissent*). The firm-level characteristics measures, firm performance and board-level corporate governance measures are similar to those reported in panel A. Approximately 28.7% of nominees are classified as first-time candidates facing (re-)election (*New*), 6.6% of the full sample directors are female nominees

²⁹ The mean total assets (*Firm Size*) is approximately \$36 million. The typical firm in our sample has been listed publicly for 12.8 years (*Firm age*) and pays a 1.5% dividend (*Dividend*). The mean book-to-market ratio (*B2M*) is 76.2% and the mean leverage is 79.6%. The average board in our sample has approximately five members (*Board size*), of which members hold approximately 2.2% shares (*Board own*). Female and independent directors comprise 7.1% (*Board female*) and 36.4% (*Board independence*) of the board, respectively. The female representation ratio is slightly lower than the female ratio reported by the Australian Institute of Company Directors (2022) for ASX 200 companies. Institutional investors and top 20 investors hold an average of 4.2% (*Institutional*) and 40.7% (*Top 20*) shares of total shares outstanding, respectively. Similar to prior CEO dismissal research (Hubbard et al., 2017; Wang et al., 2017; Wiersema & Zhang, 2011), our CEO turnover rate is 12.10% (*CEO turnover*), and the proportion of firms in our sample with CEO/chair duality is approximately 5.6% (*CEO duality*). The average age of CEO is 52 years (*CEO age*), and the CEO holds on average 1.5% shareholdings (*CEO own*). They typically serve on the board for four years (*CEO tenure*) and sit on roughly 1.169 boards (*CEO busyness*). The average CEO abnormal remuneration is 0.091 million Australian dollars (*CEO abnormal rem*). Almost 94.1% of CEOs in all Australian public firms have Australian nationalities (*CEO nation*).

(*Female*) and 31% of directors are categorised as independent directors (*Independence*). The typical director in the sample is 58 years old (*Age*) and has served on the board for two years since their appointment (*Tenure*). The mean number of directorships held is 1.796 (*Busyness*). Directors on average are paid 0.143 million Australian dollars (*Director pay*) and hold 1.2% of total shares outstanding (*Director own*).

Table 1 panel C shows the correlation coefficients for firm-level variables included in the regression models. The correlation between *Board turnover* and *Firm dissent* is 0.054, which is statistically significant. The correlation between *CEO turnover* and *Firm dissent* is 0.060, which is also statistically significant. Table 1 panel C further shows that there is a significant negative correlation between *Firm dissent* and the two measures of subsequent performance – *Stock return* and *Adj. ROA*. The dissenting vote – *Firm dissent* – has significant correlations with *Firm age*, *Firm size*, *Dividend*, *B2M*, *Leverage*, *Top 20*, *Institutional* and *Board size*. Thus, the table suggests the controls in the multivariate specification that we include in equation (1) are necessary.

Table 1 panel D shows the correlation coefficients for the variables included in the director-level model. The correlation between *Director turnover* and *Dissent* is 0.026 and is statistically significant. Meanwhile, panel D highlights that *Dissent* is significantly associated with all the director characteristics analysed, such as *New*, *Female*, *Independence*, *Age* and *Tenure*. The table therefore suggests the necessary controls in the multivariate model presented in equation (2).

3.5 Main results

3.5.1 Baseline results

3.5.1.1 Director turnover

The regression results estimating Model (1) to show the effect of dissent on director turnover are presented in Table 2. In column (1), we report the results of the base model, which includes only firm characteristics. We add board characteristics in column (2) and director characteristics in column (3). Column (4) includes a full set of controls.

[Insert Table 2 about here]

The coefficients for *Dissent* are positive and statistically significant in columns (1) to (4), implying that an increase in *Dissent* is associated with an increase in the likelihood of director departure. We document that, on average, a 10% increase in *Dissent* increases the odds of director turnover by approximately 11.23% (in exponential form $e^{(1.064*0.10)} - 100\%$). The results thus lend support to Hypothesis 1 that higher shareholder dissent is positively associated with subsequent director turnover. This finding is consistent with the board responding to the signal sent by higher shareholder dissent to remove directors with a tarnished reputation.³⁰

The coefficients on the control variables are generally consistent with prior literature (e.g. Aggarwal et al., 2019; Cai et al., 2009; Fischer et al., 2009). For example, poorly performing firms and firms with greater ownership of institutional investors tend to have a higher probability of director departure. Also, CEO turnover is significantly associated with director turnover, while female and new directors are linked to a lower likelihood of departure.

3.5.1.2 Board turnover

Table 3 shows the results of the OLS regression analysis for Hypothesis 2, which tests the impact of shareholder dissent on board turnover. The first column provides the result including only firm-level control variables such as firm performance and firm size. The second column includes board-level characteristics excluding CEO-related variables. The last column includes all control variables.

[Insert Table 3 about here]

Firm Dissent is found to be positively and significantly correlated with board turnover. The results thus lend support to Hypothesis 2 that shareholder dissent votes are positively associated with subsequent board turnover. The finding is consistent with the board responding to the reputational effect of higher dissent by removing directors. By removing directors, the board is signalling that it is responsive to shareholder concerns around firm and director

³⁰ As shown in Appendix B, a small proportion of director election resolutions are lost across the sample period. In Section 7.4, we consider whether these failed resolutions are driving the findings reported in Table 2.

performance. In terms of economic significance, a one standard deviation increase in *Firm Dissent* increases board turnover by about 1.66% ($0.182 * 0.091 = 1.66\%$).³¹

The coefficients on the control variables are generally consistent with prior literature (Cai et al., 2009; Campbell et al., 2016; Graffin et al., 2013; Schaffer, 2002). For instance, we report a positive and statistically significant relation between CEO and board turnover, which is consistent with the studies by Hermalin and Weisbach (1988) and Fischer et al. (2009). There is also a negative association between board turnover and firm performance.

3.5.1.3 Change in directorships held

Table 4 focuses on testing whether shareholder dissent impacts the number of directorships held by directors in the year subsequent to AGM elections.

[Insert Table 4 about here]

The results in Table 4 show that *Dissent* has an insignificant effect on the change in directorships held by a candidate. Thus, we do not have supporting evidence for Hypothesis 3. One interpretation of the insignificant association is that firms may not hold directors accountable for negative events that occur in other firms (Srinivasan, 2005). Alternatively, given that most directors hold few other directorships (see Table 1 panel B), it is possible that a spillover effect does not occur in the Australian director labour market.

Control variables show consistent coefficients with previous literature (such as Aggarwal et al., 2019). For example, we find that CEO turnover is positively related to directors' new appointments at other firms, which suggests that directors' affiliations with dismissed CEOs may help them gain new directorships. On the other hand, independent directors face a decrease in the number of directorships held in the subsequent year, while female and busy directors experience an increase in the number of board seats held.

3.5.1.4 CEO turnover

We examined Hypothesis 4 by testing the relation between shareholder dissent and CEO turnover, and we report the results in Table 5. *FirmDissent* is found to be positively and

³¹ The analysis presented in Table 3 measures board turnover using all directors, including those who stood for election in the prior year. Section 6.3 provides additional analysis that examines the turnover of directors who did not stand for election in the year prior.

significantly associated with *CEO turnover* ($b = 1.294$, $z = 5.62$), suggesting that an increase in shareholder dissent leads to a higher level of CEO turnover. Specifically, a 10% increase in *Firm Dissent* increases the odds of CEO departure by 13.81% (in an exponential form of $e^{(1.294 * 10\%)} - 100\%$), holding other variables constant. The results thus lend support to Hypothesis 4 and are consistent with directors attempting to improve their tarnished reputations arising from higher dissent by replacing the CEO³².

[Insert Table 5 about here]

The coefficients on the control variables are generally consistent with prior literature (Cai et al., 2009). CEOs who have also held the position of chairman are more likely to experience turnover. In addition, there is a positive relationship between CEO age and the likelihood of turnover.

3.5.1.5 Firm performance

Hypothesis 5 tests the effects of shareholder dissent on subsequent firm performance. Table 6 panel A reports the results using operating performance as the dependent variable, while Panel B reports the results of stock market firm performance. Both panels show a negative and significant association between *Firm performance* and *Shareholder Dissent*.

[Insert Table 6 about here]

The coefficient between *Firm Dissent* and *Industry-adjusted ROA* is -0.181 ($p < 0.10$), indicating that firm-level dissent is negatively associated with firm operating performance, and the coefficient between *Firm Dissent* and *Stock Return* is -0.357 ($p < 0.01$), indicating that firm-level dissent is negatively associated with a firm's stock market performance³³. The lower share returns following higher dissent may be due to shareholders selling their shares due to negative perceptions of future firm performance.

In terms of the negative relation between shareholder dissent and subsequent firm operating performance, the negative association may support shareholder disruption theory

³² This additional test corroborates the main finding that shareholder dissent negatively affects CEO retention. However, the results failed to show that the gender or ownership of the CEO had a significant impact on the likelihood of turnover following higher dissent. In other words, the CEO's shareholding or gender does not influence the board's decision to retain or dismiss them, given that they are the firm's most valuable human capital.

³³ The results for a two-year and three-year lag between voting outcomes and performance changes remain consistent.

(Bainbridge et al., 2006; Kahan & Rock, 2011; Saunders, 2006). Critics of shareholder empowerment suggest that less-informed shareholders may negatively influence management teams, leading to decisions that decrease firm value. This favours legal scholars who support the director supremacy viewpoint that the costs of shareholders over-monitoring management outweigh the benefits (Bainbridge et al., 2006; Kahan & Rock, 2011). Also, Saunders (2006) states that votes can have a disruptive effect on director management if the election of “good” directors fails. Australian evidence by Lau et al. (2009) documents that accounting performance is negatively related to the probability of CEO dismissal.

The coefficients on the control variables are generally consistent with prior literature (Parrino, 1997; Weisbach, 1988). For example, the negative relation between *CEO Turnover* and *Firm performance* suggests that CEO departure is associated with lower future performance.

3.5.2 The consequences of abstain votes

This section aims to provide insight into whether abstain votes in director elections send the same signal to firms as against votes. These findings can provide indirect evidence as to whether the use of a majority voting system makes a difference. Following the approach in the previous chapter (*Determinants of shareholder dissent in Australian director elections*), we introduced two alternative measures of shareholder dissatisfaction: *Vote Abstain* and *Vote Discontent*.

[Insert Table 7 about here]

Table 7 presents the regression results after replacing shareholder dissent votes in the main regressions with shareholder abstain votes. Table 7 panel A shows that the mean of abstain votes at the director and firm levels are 1.8% and 1.9%, respectively. Panel B onwards provides evidence that abstain votes have no relationship with the probability of director turnover, board turnover, changes in the number of directorships and firm performance. However, Table 7 panel E documents that CEO turnover and abstain votes are negatively associated ($b = -0.937$, $p < 0.05$). Overall, these findings indicate that abstain votes in director elections do not lead to the same firm responses as against votes and suggests that abstain votes do not send the same signal to management as that conveyed by dissent votes. These findings highlight that the use of the

plurality voting system potentially removes the ability of shareholders to signal their dissatisfaction with the firm or directors' performance.

[Insert Table 8 about here]

Table 8 presents the regression results using shareholder discontent votes as the main test variable, with shareholder discontent measured as the sum of against and abstain votes. Table 8 panel A shows that the mean of shareholder discontent votes at the director and firm levels are 4.7% and 4.4%, respectively. Panel B onwards shows similar results to our main findings when analysing the consequences of shareholder dissent votes. These results suggest that if, under a plurality voting system, shares that would otherwise be voted against are voted as abstain, similar outcomes to the majority voting system are likely to occur.

Overall, these results indicate that abstain and against votes have different consequences for firms and director-level outcomes.

3.5.3 Addressing endogeneity

3.5.3.1 Using residual dissent votes

As seen in Tables 2 to 6, we attempted to address endogeneity arising from unobservable firm characteristics by including firm fixed effects in the regression models. In this section, we further address potential concerns of endogeneity related to the interpretation of our main findings on the key dissent measure. First, we followed Cai et al. (2009) by applying a two-stage approach to test the hypotheses. Specifically, we first regressed dissent on industry-adjusted prior-year ROA – stock return – and included year and industry dummies. Summary statistics of shareholder residual dissent votes are presented in Table 9 panel A. Second, we used the residual votes from the first regression as the main independent variable to test the impact of dissent on *Director turnover*, *board turnover*, *director change of directorships held*, *CEO turnover* and *firm performance*.

[Insert Table 9 about here]

The results are presented in separate panels in Table 9 and are consistent with our main findings. In other words, Table 9 provides support that shareholder dissent votes are positively associated with the likelihood of director and board turnover. Table 9 also provides evidence

that shareholder dissent, using against vote percentage, is associated with worse company performance in the subsequent financial year.

3.5.3.2 *Instrumental variable test*

In this section, we conducted an additional robustness test to further address the concern that shareholder dissent votes are endogenous. In particular, we were cautious that our results were driven by a bidirectional or feedback effect (i.e. reverse causality), which made it difficult to extract a causal inference from an association between shareholder dissent and subsequent consequence measures. Taking firm performance and shareholder dissent as an example, the negative relationship documented in the previous sections may arise if past better firm performance led to low shareholder dissent. To address this concern, we used traditional instrumental variables and ran a two-stage least squares (2SLS) regression.

Instrumental variables must meet two conditions to be considered valid instruments (e.g. Larcker & Rusticus, 2010; Roberts & Whited, 2013). First, the relevance condition requires that the instrument is correlated with our measures of shareholder dissent after controlling for the set of control variables in our main model specification. Second, the exclusion condition requires that, conditional on the full set of control variables, the instrument is correlated with the outcome measures only through their correlations with measures of shareholder dissent and uncorrelated with the error terms. Consistent with similar approaches in Andrei et al. (2022) and Chen et al. (2013),³⁴ we used *Industry median dissent* as an instrumental variable. Specifically, for each year, we computed *Industry median dissent* as the median shareholder dissent across all firms in the same three-digit Standard Industrial Classification (SIC) industry. The instrumental variable is one year before the dependent variables. In addition to the firm and year fixed effects, we also included industry fixed effects.³⁵ We expected that the instrumented *Dissent* (instrumental variable is *Industry median dissent*) was theoretically unlikely to affect the consequence measures, which likely satisfies the exclusion restriction. *Industry median dissent* is also a good proxy for shareholder dissent because it is correlated

³⁴ Andrei et al. (2022) use the industry average shareholder dissent votes as an instrument of shareholder dissent to analyse shareholder votes and subsequent CEO removal, while Chen et al. (2013) use the industry median CEO pay slice to understand the relationship between executive pay disparity and cost of equity capital.

³⁵ Due to the long observation period, firms may change industry, so we do not have a collinearity problem when we include both firm fixed effects and industry fixed effects in our first and second stages of analysis.

with the focal firm, so it should also meet the relevance condition. Firms in the same industry have similar businesses, investors and governance practices, and the industry median without excluding the focal firm is not endogenous to the performance of the focal firm (Zorn et al., 2017).

Due to the additional data requirements, the sample size was reduced to 29,472 firm-year observations, and details of the industry and firm distributions are presented in Table 10 panel A. Panel A also presents the descriptive statistics of the *Industry median dissent*. The mean of *Industry median dissent* is 0.004 and 0.006, respectively, at the firm and director levels.

[Insert Table 10 about here]

Table 10 panel B presents the 2SLS results of *Dissent* (instrumented) and subsequent *Director turnover*. Panels C and D present *Firm dissent* (instrumented) and subsequent *Board turnover* and *CEO turnover*. Panel E presents *Firm dissent* (instrumented) and subsequent *Firm performance*. Model 1 in each panel presents the results of the first stage, and the results of the second stage are presented in column (2) alone or in columns (2) and (3). We also report the results of our empirical tests of the validity of the instrumental variable in each model. To evaluate the inclusion restriction (i.e. instrument strength), we refer to the *F*-statistics. In testing for exclusion restriction (i.e. instrument exogeneity), in addition to adding the industry fixed effects, we also provide empirical evidence, such as the Cragg-Donald Wald *F*-statistic (Semadeni et al., 2014), that our instruments are uncorrelated with the error term of our outcome measures.

In panel B column (1), *Industry median shareholder dissent* is positively related to *Dissent* at the 1% significance level ($b = 1.7030$, $t = 11.36$), confirming that shareholder dissent is higher when the industry median shareholder dissent is higher. The *F*-statistic of our instrumental variable is 32.90 ($p = 0.000$), which is much greater than 10 based on the rule of thumb suggested by Staiger and Stock (1997). The *F*-test confirms that the hypothesis stating that the instrumental variable can be excluded from the first-stage regressions is strongly rejected, suggesting that our instruments are not weak.

Column (2) presents the results of *Dissent* (instrumented) and subsequent *Director turnover*. The result indicates that *Dissent* (instrumented) is positively associated with subsequent *Director turnover* with a 10% significance level ($b = 0.1707$, $t = 1.67$). The Cragg-

Donald Wald F -statistic is 39.116, which is much larger than the 10% critical value (16.38) of the Stock-Yogo weak identification test. This result further proves that industry median shareholder dissent is not a weak instrumental variable.

We present the results respectively for each consequence test using 2SLS in panels C, D and E. Taken together, the statistics of the instrumental variable quality tests suggest that our instrument is relevant and exogenous. Moreover, the coefficients are consistent with our main results. Specifically, panel C presents the 2SLS results of *Firm dissent (instrumented)* and subsequent *Board turnover*, and the coefficient of *Firm dissent (instrumented)* and *Board turnover* is positive and statistically significant ($b = 0.3514$, $t = 2.44$), supporting our main finding that firm dissent is positively associated with subsequent board turnover.

Panel D presents the 2SLS results of *Firm dissent (instrumented)* and subsequent *CEO turnover*, and the positive coefficient of *Firm dissent (instrumented)* in column (2) ($b = 1.1470$, $t = 2.30$) suggests that there is a positive relationship between firm dissent and the probability of subsequent CEO turnover. Panel E presents the 2SLS results of *Firm dissent (instrumented)* and subsequent *Firm performance*. Column (2) of panel E presents the results of the *Firm dissent (instrumented)* and subsequent *Abnormal ROA* at the 1% significance level ($b = -4.5050$, $t = -2.94$). Column (3) of panel E shows the results of the *Firm dissent (instrumented)* and subsequent *Stock return*. The results show that *Firm dissent (instrumented)* is negatively related to subsequent *Stock return* at the 1% significance level ($b = -10.9500$, $t = -5.00$).

In summary, the coefficients on instrumented shareholder dissent are positive and significant for the subsequent ratio of director and board turnover and the subsequent probability of CEO turnover; the coefficient on instrumented shareholder dissent is negative and significant for subsequent firm performance. This section supports the robustness of our main findings.

3.5.3.3 Oster's (2019) test - assess the impact of omitted variable bias

Although the baseline models include a comprehensive set of independent variables based on previous US studies and firm and year fixed effects, they may still omit unobservable variables that are correlated with both shareholder dissent and subsequent consequence measures. To address this concern, we ran the Oster (2019) test. Specifically, the extent to

which omitted variable bias may affect a test can be tested using Oster's (2019) test. This test helps construct a set, denoted as $[\beta^*, \bar{\beta}]$, based on a group of assumptions. If the set includes zero, it indicates that an omitted variable is likely present, while the exclusion of zero in the set indicates that such bias is unlikely. Details of the results of Oster's test are reported in Table 11.

[Insert Table 11 about here]

For our first hypothesis on *Director turnover*, we ran the Oster (2019) test in which *Director turnover probability* is the dependent variable, and *Dissent* is the main variable of interest. The result we acquired from the test, i.e., the set $[\beta^*, \bar{\beta}]$, is equal to $[0.0778, 0.1297]$. Accordingly, the fact that the set does not include zero indicates that the positive association between shareholder dissent and director departure probability is unlikely to be driven by omitting important variables. Then, we conducted a similar test for our other consequence measures, including *Board turnover ratio*, *Changes in director's directorships held in the job market*, *CEO turnover probability* and *Firm performance*. The set $[\beta^*, \bar{\beta}]$ for the test of our measures also does not include zero, which provides further evidence that our baseline results do not suffer from omitted variable bias.

3.6 Additional analyses

3.6.1 Dissent votes aggressiveness and consequences

Following Andrei et al. (2022) and Choi et al. (2016), we expected that the signal expressed by votes against would be more salient as the level of votes against increased. In other words, the signal expressed by voting dissent is greater as the level of voting dissent becomes higher. In this section, we aim to understand whether the effect of dissenting votes on the various consequences takes place around various threshold points.

[Insert Table 12 about here]

As can be seen from the summary statistics in Table 1, the average level of shareholder dissent in our sample is approximately 3.5%. As shown in Table 12 panel A, the distribution of shareholder dissent shows that dissent of less than 5% represents about 80% of the sample. Interestingly, about 18% of the sample at the director level receives zero against votes. To examine whether different thresholds of dissent have varying impacts on the individual

consequences, we ran the regression models using thresholds of 1%, 5%, 10%, and 10% and above. The dummy variables include dissent above zero and below 1%, dissent above 1% and below 5%, dissent above 5% and below 10%, and dissent 10% and above. Zero dissent is included in the intercept. Table 12 panel B presents the summary statistics for our chosen thresholds.

The regression results are reported in Table 12 panels C to G and show that our main results are robust. Table 13 panel C presents the results of the logit regressions of different levels of shareholder dissent and director turnover. The results show that, when *Dissent* is higher than 1%, shareholder dissent is positively associated with director turnover. Also, as *Dissent* becomes greater, the coefficient on shareholder dissent and subsequent director turnover increases. For example, in column (3), the coefficient of *Dissent above 5% and less than or equal 10%* is about 1.5 times the coefficient of *Dissent above 1% and less than or equal 5%*. Moreover, the coefficient of *Dissent 10% and above* of 0.530 ($Z = 7.74$) indicates that, for directors who receive 10% shareholder dissent or more, an additional 10% increase in shareholder dissent is associated with a 5.44% (in exponential form $e^{(10\% * 0.530)} - 100\%$) increase in the probability of departure in the subsequent financial year, holding constant the effects of firm performance and other variables.

Table 13 panel D presents the results for different levels of shareholder dissent and board turnover. The results confirm that our main findings that shareholder dissent is positively associated with board turnover are robust. Specifically, the results suggest that shareholder dissent starts to be positively associated with subsequent board turnover when *Dissent* is higher than 5%. Similar to the analysis of director turnover, the panel D results show that, as shareholder dissent becomes higher, the coefficient becomes larger. Specifically, the coefficient of *Dissent 10% and above* is approximately 1.67 times the coefficient of *Dissent above 5% and less than or equal 10%*.

Table 13 panel E reports the results on the size of shareholder dissent and changes in the number of directorships held. The results indicate that *Dissent* either below 1% or above 10% has a negative but insignificant coefficient. This result is consistent with our main finding. An exception is that, for *Dissent above 1% and less than or equal 5%*, shareholder dissent is negatively associated with the change of directorships held by directors.

Panel F presents the logit regression results of different levels of shareholder dissent and CEO turnover. The results show that *Dissent 10% and above* is positively and significantly associated with subsequent CEO turnover, which is consistent with our main finding. In contrast to panel C, where directors face a high likelihood of turnover when shareholder dissent is above 1%, the coefficient between *Dissent* and CEO turnover starts to be significant only when shareholder dissent is above 10%. This difference suggests that boards are reluctant to dismiss CEOs until dissent reaches a higher level.

Panel G reports the OLS regression results of different levels of shareholder dissent and firm performance, in terms of both *Industry-adjusted ROA* (panel G1) and *Stock return* (panel G2). Panel G1 shows that *Dissent 10% and above* is associated with negative subsequent ROA, and Panel G2 shows that *Dissent 1% and above* is associated with negative subsequent stock return. These results are consistent with the main finding that shareholder dissent leads to subsequent poor firm performance.

In summary, this section presents results using separate indicator variables for different thresholds of dissent. The results of the turnover consequences indicate that director and board turnover increase at relatively low levels of dissent of 1% and 5%, respectively. In contrast, CEO turnover only occurs at higher levels of dissent above 10%. The results also suggest that decreases in share market performance occur at lower levels of dissent than decreases in accounting performance.

3.6.2 Add two-way interaction term between director characteristics and dissent

In Table 2, we find that higher levels of dissent are associated with higher levels of director turnover. This section examines whether the positive association between dissent and director departure is associated with director characteristics. The director characteristics we selected are *Female*, *Independence*, *Age*, *Tenure*, *Audit committee member*, *Audit committee chair*, *Remuneration committee member*, *Remuneration committee chair*, *Nomination committee member*, *Nomination committee chair*³⁶ and *New*. The definition of director

³⁶ Among the various committees in a board, the audit, compensation and nominating committees are key committees that every board must have (Field et al., 2020). This is why we include the member and chair for audit, remuneration and nomination committees.

characteristics variables is presented in Appendix A. We added to equation (1) an interaction term between *Dissent* and each of the *Director characteristics*.

[Insert Table 13 about here]

Table 13 presents the table of results of the logit regressions of shareholder dissent and director turnover, adding the interaction terms. The unit of analysis is the director who faces election. The coefficients on *Dissent* support our main findings that *Dissent* is positively related to director turnover, indicating that an increase in shareholder dissent is associated with a higher likelihood of director turnover. The coefficients on the interaction terms indicate that director characteristics such as gender (female), age, chair of the remuneration committee and chair of the nomination committee positively moderate the positive relationship between dissent and director turnover. In other words, when faced with shareholder dissent, female directors, older directors, the chair of the remuneration committee and the chair of the nomination committee are associated with a high probability of departure. Alternatively, long-tenured directors negatively moderate the positive relationship between dissent and director turnover, indicating that independent directors are less likely to leave the board following higher dissent.

3.6.3 Spillover affects the departure probabilities of directors who do not face election

While prior literature has examined spillovers that occur between firms that are linked by a common director (such as Hypothesis 3), spillovers between directors within the same firm have not been studied. The evidence for Hypothesis 2 shown in Table 3 indicates that firm-averaged shareholder dissent is positively associated with higher board turnover. In the next set of additional analyses, we consider whether dissent for one or more candidates leads to the turnover of other board members who were not up for election. For example, if a director is strategically important for a firm (e.g. an executive director) or has high ownership (e.g. an inside director), the firm may respond to higher dissent for that director by replacing other directors considered less important.

[Insert Table 14 about here]

Table 14 presents the results of a logit regression of director turnover and firm-averaged shareholder dissent. When conducting this analysis, we excluded directors who were subject to director election at the AGM in the prior year. We also included interactions between *Firm dissent* and several directors' characteristics, including gender, age, tenure, independence and

committee roles. These interaction variables provide evidence on whether certain characteristics positively or negatively affect a director's career when their colleagues face higher shareholder dissent.

First, the results show that directors who sit on the same board experience spillover due to dissent, as the coefficient on *Firm dissent* is positively associated with director turnover. The coefficients of the interaction terms show that, when *Firm dissent* is high, female directors are more likely to depart. Combined with the conclusion from the previous section, female directors are associated with a high probability of turnover both when they face shareholder dissent or when other colleagues face shareholder dissent. There are two potential reasons for boards to remove female directors in the face of shareholder dissent. One can be traced to the “think crisis–think female” stereotype (Ryan et al., 2011). This stereotype influences the way women's behaviour is scrutinised, reinforcing ingrained assumptions about their unsuitability for leadership roles (Hoobler et al., 2009) in times of poor firm performance. In addition, the stereotype that women prioritise family over work (Powell & Greenhaus, 2010) may lead boards to attribute concerns about high levels of shareholder dissent to women's perceived greater commitment to family responsibilities and lesser commitment to the board's oversight and advisory functions. As a result, boards may be more inclined to remove female directors than their male counterparts because they perceive these women to be less committed to the board's duties. This differential treatment highlights how gender bias can influence board decisions in response to shareholder dissatisfaction.

The results in Table 14 also indicate that independent directors are associated with a higher likelihood of departure in response to greater dissent from other directors. It is likely that inside directors, given their connections with the firm, are more likely to be retained on the board. Table 14 also shows that the chair of the nomination committee and the chair of the remuneration committee are associated with a high likelihood of turnover. Combined with the results from the previous section, we find that nomination and remuneration committee chairs are more likely to be replaced if they either face direct shareholder dissent or if their colleagues face shareholder dissent. Directors who are the chairs of key committees are board leaders who help shape how the board operates in the areas for which they are responsible (Aggarwal et al., 2019). These individuals are logical targets for a firm's response to appease disgruntled shareholders (Aggarwal et al., 2019). The notable exception among committee chairs is the

chair of the audit committee, as they are not associated with an increase in turnover following higher dissent. These directors are possibly more likely to be held accountable for financial irregularities and do not appear to be targeted for more normal performance-related concerns.

3.6.4 Shareholder dissent and CEO turnover – whether good CEOs get dismissed

The results from Table 5 on shareholder dissent and CEO turnover provide evidence that shareholder dissent is positively associated with subsequent CEO turnover but do not provide evidence on whether “good” or “bad” CEOs are dismissed when shareholder dissent is high. Good CEOs are referred to as those with a better track record of operational or stock market performance. For example, CEOs of better-performing firms are held accountable for good firm performance and are therefore less likely to be fired by the board even if they face high shareholder dissent.

[Insert Table 15 about here]

In Table 15, we examine shareholder dissent and CEO turnover in more detail, conditioned on firm performance. Panel A and panel B in Table 15 present the results of OLS regressions of shareholder dissent and CEO turnover, adding an interaction term between *Firm dissent* * *Firm Performance*, using alternately *Return on assets* or *Stock return*.

As shown in Table 15 panels A and B, we find that the coefficient on *Firm dissent* remains positive and significant at the 1% level in all, indicating that firms with high average firm-level shareholder dissent are more likely to experience CEO turnover. The interaction term, *Firm dissent* * *Firm performance*, is not statistically significant in any of the specifications. This insignificant result indicates that better (or worse) firm performance does not moderate the likelihood that a CEO is removed after high shareholder dissent. As such, it is possible that greater shareholder dissent leads to the dismissal of better-performing CEOs.

3.6.5 Shareholder dissent in director elections and subsequent CEO remuneration

CEO compensation is a central aspect of corporate governance because it directly influences the alignment of interests between managers and shareholders (Jensen & Meckling, 1976). An optimal compensation contract that effectively balances variable (performance-based) and fixed (salary) components is essential to motivate executives to pursue strategies that enhance shareholder value (Fama & Jensen, 1983; Jensen & Meckling, 1976). In recent

years, however, increased media scrutiny of excessive CEO pay has sparked a wider public debate about excessive CEO pay and corporate accountability. High-profile cases of disproportionate executive pay – where CEOs are paid significantly more than average employees – have sparked public outrage and raised concerns about the fairness of CEO pay structures (Fried et al., 2020). As a result, many countries have adopted shareholder voting or say-on-pay laws that allow shareholders to have a non-binding vote on executive pay. For example, since 2011, Australian firms have been required to conduct an annual vote on the remuneration report and firms receive a “strike” if there are greater than 25% against votes.

Consistent with signalling theory in our main analysis, high levels of shareholder dissent provide a signal that shareholders are questioning the effectiveness of the board’s monitoring ability. When shareholders vote against directors, it highlights their dissatisfaction with the firm’s and the CEO’s performance and the board’s governance practices (Antilla, 1992). Higher levels of shareholder dissent may also increase pressure on directors to review firms’ compensation systems, particularly when CEO pay is perceived as excessive or unjustified (Chhaochharia & Grinstein, 2009).

Empirical evidence in the US shows that CEO pay decreases after greater withheld votes in director elections (Cai et al., 2009; Fischer et al., 2009). However, there is no Australian evidence of the relationship between shareholder dissent in director elections and subsequent CEO pay. Prior Australian evidence, however, shows that Australian firms respond to a “strike” by cutting CEO abnormal pay (Bugeja et al., 2023). As an additional analysis, we examined whether greater shareholder dissent in director elections has a similar subsequent negative association with abnormal CEO pay.

[Insert Table 16 about here]

Table 16 reports the results between shareholder dissent and abnormal CEO remuneration. Following Core et al. (2008), *CEO Abnormal Pay* was measured as the residual from an OLS regression for all listed firms during our sample period. Specifically, we calculated *CEO Abnormal Pay* as the residual of a regression of total CEO pay on the logarithm of total assets, the previous year’s stock return and industry and year dummies. Results show that *Firm dissent* is insignificantly related to abnormal CEO pay.

Following previous literature (Cai et al., 2009; Ertimur et al., 2018), we also tested whether shareholder dissent is associated with the natural logarithm of subsequent CEO pay. The results presented in Table 17 show insignificant results between shareholder dissent votes in director elections and subsequent CEO pay. The insignificant results suggest that Australian boards react to shareholder dissent on the remuneration report rather than dissent on director elections when setting CEO remuneration.

[Insert Table 17 about here]

3.6.6 The moderating effects of corporate governance structures on shareholder dissent and its consequences.

This section examines if a firm's corporate governance structure, including institutional ownership and the representation of women on boards influences shareholder voting and its consequences. Institutional shareholders have a better understanding of their governance responsibilities and are increasingly engaging in activities related to shareholder votes to influence company decisions (McCahery et al., 2016). Empirical evidence suggests that institutional ownership is positively correlated with subsequent changes in governance structures (Aggarwal et al., 2011). For example, institutional ownership has been found to play a significant role in director turnover (Parrino et al., 2003; Helwege et al., 2012).

Moreover, gender diversity has emerged as a central issue, with regulators increasingly calling for gender quotas. This has prompted major fund managers to advocate for and commit to enhancing board diversity (Lublin & Krouse, 2017). In order to empirically examine these relationships, this section further examines how current Top 20 ownership or board gender diversity moderates the relationship between shareholder votes and consequences, such as subsequent director turnover and firm performance.

[Insert Table 18 about here.]

The positive and significant interaction between Dissent and Top 20 in Table 18 Panel A provides evidence that when a company has higher-than-average levels of institutional ownership, the likelihood of a director departing in the subsequent financial year increases with shareholder dissent. This finding is consistent with agency theory, which states that institutional shareholders act as monitors to discipline management through voting power and influence governance outcomes. However, current board female diversity, operationalised as

the proportion of female directors on the board, does not demonstrate a mediating effect on the relationship between shareholder votes and subsequent changes. The absence of a significant effect of board gender diversity may reflect the limited authority of diverse boards in influencing board decisions or the tokenism that gender diversity can sometimes represent (Kanter, 2008). These results contribute to the growing body of literature on the subject by highlighting the differential effects of ownership structure and board female diversity in mediating governance changes. The coefficients of Dissent are consistent with our main results, suggesting that shareholder dissent is positively associated with director, board, and CEO turnover, and negatively associated with subsequent firm performance.

3.7 Robustness tests

3.7.1 Change in the number of directorships over longer time horizons – 2 years and 3 years

As a robustness test for Hypothesis 4, we conducted two additional tests with longer observation horizons, and the results are presented in Table 19. Panel A presents the regression results of shareholder votes and the subsequent two-year change in directorships (following Bugeja et al., 2023), and panel B presents the regression results of shareholder votes and the subsequent three-year change in directorships (following Bates et al., 2018). Both panels A and B provide the same insignificant result as our main analysis.

[Insert Table 19 about here]

3.7.2 Alternative independent variable – In dissent votes

Appendix C presents histograms of the distribution of dissent votes at the firm and director levels, and the graphs clearly show that shareholder dissent votes are positively skewed. A potential concern is that the asymmetric distribution of shareholder dissent is somehow driving our results. To address this concern, we followed Ertimur et al. (2018) and Andrei et al. (2022) and applied a log (vote against + 1) transformation before conducting analyses of the consequences. The results are presented in Table 20 and are consistent with our main findings.

[Insert Table 20 about here]

3.7.3 Additional analysis of eliminating executive directors

The full sample in our main analyses includes both executive and non-executive directors.³⁷ In Australia, it is considered good governance practice for the majority of directors on the board of listed companies to be non-executive and independent (ASX, 2019; Australian Institute of Company Directors, 2024). This practice is driven by the belief that a board should be free of individuals with an identifiable conflict of interest. The reputational costs for non-executive directors (NEDs) may also differ in that NEDs and independent directors are punished more with fewer career opportunities due to inadequate monitoring after poor company performance (Jiang et al., 2016). As a result, the impact of the signal sent by higher dissent votes may differ for non-executive and executive directors. Also, as executive directors are involved in the day-to-day management of the firm, it is expected that they are less likely to be replaced after high dissent votes.

To examine the impact of shareholder dissent on NEDs on the various consequences, we repeated all the analyses after restricting the sample to only elections for NEDs.³⁸ The results are presented in the various panels of Table 21. The conclusions from the findings are consistent with the main results in Tables 2 to 6.

[Insert Table 21 about here]

In untabulated testing, the main analyses were also estimated for executive directors only and the conclusions from the results are unchanged.

3.7.4 Additional analysis of eliminating shareholder dissent exceeding 50%

Under Section 249N of the *Corporations Act* 2001, resolutions for the election of directors bind the company to appoint the director if the nominee receives the support of a majority. Australian courts³⁹ have also consistently taken the view that a resolution of a general meeting is a formal act of the company; that is, it is binding on the company. In other words, if

³⁷ Executive directors add value by having a deep understanding of the company's strategy and direction, and NEDs are those who are not involved in the day-to-day running of the business and add value by challenging, questioning and monitoring the CEO and senior management.

³⁸ Consistent with recent Australian literature (Bugeja et al., 2023; Ranasinghe et al., 2024), we do not further classify NEDs into grey directors.

³⁹ *National Roads & Motorists' Association v Parker* (1986) 6 NSWLR 517, 522; *Australasian Centre for Corporate Responsibility v Commonwealth Bank of Australia* (2016) 337 ALR 558.

the resolution to elect a director is put to the meeting but does not receive the support of a majority of shareholders, the result will be the resignation of those directors who are seeking re-election or the failure to appoint a director for those seeking election for the first time.

As an additional test in this section, we conducted our main analyses after excluding observations with dissent votes above 50%.⁴⁰ This additional test addresses the concern that our findings may be driven mechanically by directors, including managing directors, not being on the board after receiving more than 50% against votes.⁴¹ The results are presented in Table 22 and remain consistent with the findings in the main Tables 2 to 6.

[Insert Table 22 about here]

3.8 Conclusion

Shareholder voting at AGMs is an important part of corporate governance, as it allows shareholders to vote on important company matters and facilitates the reduction of agency costs. Among the various resolutions that shareholders vote on, the election of directors stands out as particularly important. The existing literature on shareholder voting in the election of directors is mostly US-based. However, a notable limitation of these studies is that, due to the use of plurality voting in which shareholders cannot vote against a director candidate, withheld votes have been used to measure shareholder dissent. Since withheld votes may over- or understate shareholder dissatisfaction, this measure is problematic, and as a result, the US findings may not be generalisable to countries such as Australia that use the majority voting system.

This chapter provides evidence on the impact of shareholder dissent in director elections on a variety of firm outcomes, including director, board and CEO turnover, the change in other directorships and firm performance. Importantly, this study uses Australian data from which shareholder dissent can be measured directly and thus provides a clear signal to firm management on shareholder dissatisfaction. The findings in this chapter indicate that higher shareholder dissent is positively associated with both director and board turnover and the likelihood of CEO departure. These results suggest that higher dissent causes reputational

⁴⁰ The number of observations that remained after the exclusion of directors who received more than 50% of votes against was 58,756.

⁴¹ Shareholder-sponsored candidates may also run for election as directors and are usually defeated. This additional test thus also largely excluded shareholder-sponsored director candidates.

damage to directors, and this leads to turnover of directors and CEOs. This chapter also shows that shareholder dissent votes are negatively associated with firm performance in terms of both operating and stock market performance. This result supports legal scholars' criticism that the costs of shareholder activism through votes may outweigh the benefits (Bainbridge, 2006; Kahan & Rock, 2011) and the concerns that board elections may remove "good" directors or CEOs (Saunders, 2006). While endogeneity associated with shareholder dissent is a concern with our findings, the additional analysis shows that the results are robust after attempting to address endogeneity using multiple methods.

This study also examines the association between abstain votes and the various governance and firm consequences. Although not identical to withheld votes in the plurality system, this analysis highlights whether the signal sent to the firm by abstain votes has the same impact as the clearer signal provided by against votes. Interestingly, the results show that abstain votes do not have a significant effect on subsequent governance or performance, highlighting that abstain votes do not send the same signal as against votes. The results in this thesis are consistent with majority voting protecting shareholders when it comes to effecting fundamental corporate governance changes (Rodrigues, 2024) and shifting from plurality to majority is a successful reform (Choi et al., 2016).

While nearly 90% of S&P 500 companies currently use the majority voting rule for director elections, only 29% of Russell 2000 companies use the majority voting rule (Papadopoulos, 2019). Considering the low use of majority voting amongst small US companies and that Australian companies and small US companies are comparable, this thesis provides evidence that majority voting empowers shareholder voice in corporate governance changes, and that small and medium-sized US companies continuing to use the plurality voting rule should consider shifting to the majority voting rule.

As is the case with any study, there are limitations in the chapter that should be acknowledged. Our paper focuses only on shareholder engagement in the form of votes at the AGM, but there are other forms of engagement such as direct phone calls and extraordinary general meetings (EGMs) that may influence subsequent board composition and future company performance. Analysing these other forms of engagement is beyond the scope of this study. Also, while this chapter has attempted to address endogeneity, it is not possible to rule

out the possibility that omitted correlated variables that drive dissent may explain our findings. It is also acknowledged that shareholder dissent reflects both dissatisfaction with the director and the firm but that it is empirically difficult to separate these two effects.

The results in this chapter highlight opportunities for future research. These include the analysis of share returns and volume around the AGM. Although the results indicate a positive correlation between dissent and director turnover, the effectiveness of dissent in promoting changes to the composition of boards remains unclear. Companies may engage in symbolic gestures and make superficial adjustments without addressing the underlying issues. We leave a detailed examination of the characteristics of incoming directors following higher dissent to subsequent research. Future research can also examine whether dissent on other resolutions, such as the approval of equity compensation or changes in the company's constitution, at the AGM has similar consequences for firm performance and governance. This chapter paves the way for exploring the impact of institutional shareholder advisers on voting outcomes. Future research could investigate the relationship between information asymmetry, as measured by the Amihud illiquidity ratio, and votes against or abstentions in Australia. Such research would emphasise the importance of transparency and informed shareholder decision-making in director election outcomes.

3.9 Main tables

Table 1: Descriptive statistics

This table presents the descriptive statistics of the variables used in the analysis in equations (1) and (2). All variables are defined in Appendix A. All continuous variables, except those related to voting, are winsorised at the 1% level at both tails of their distributions. We have presented our descriptive statistics results in two panels: panel A at the firm level and panel B at the director level. We have also presented the correlation matrix in panel C and panel D at the firm and director levels, respectively.

Panel A: Descriptive statistics of firm-level consequence analyses measures

Panel A presents the summary statistics of the variables presented in the firm-level consequences used in equation 1. The sample period is from 2004 to 2021. The number of observations is 30,377.

	N	Mean	p25	p50	p75	Range	SD
<u>Consequence measures t+1</u>							
<i>CEO turnover</i>	30,377	0.100	0	0	0	1	0.345
<i>Board turnover</i>	30,065	0.143	0.000	0.000	0.000	1.000	0.317
<i>Firm performance – Industry-adjusted ROA</i>	24,549	-0.333	-0.298	-0.055	0.053	0.349	1.002
<i>Firm performance – Stock return</i>	19,620	-0.017	-0.446	0.000	0.288	2.331	0.670
<u>Shareholder dissent measures t</u>							
<i>Firm dissent</i>	29,087	0.035	0.000	0.003	0.023	0.472	0.091
<u>Controls t</u>							
<i>Firm size (log transformed)</i>	29,011	17.412	15.739	17.075	18.868	23.983	2.435
<i>ROA</i>	29,053	-0.330	-0.292	-0.055	0.052	0.353	1.004
<i>Stock return</i>	23,653	-0.021	-0.470	0.000	0.288	2.398	0.680
<i>Firm age</i>	29,596	12.798	4.000	10.000	18.000	56.000	12.437
<i>Dividend</i>	28,994	0.015	0.000	0.000	0.000	0.090	0.030
<i>B2M</i>	28,568	0.762	0.387	0.716	1.074	1.501	0.425
<i>Leverage</i>	28,995	0.796	0.058	0.279	0.879	15.200	2.341
<i>Board size</i>	30,377	5.200	4	5	6	12	2.004
<i>Board own</i>	30,377	0.022	0.000	0.000	0.006	0.475	0.072
<i>Institutional</i>	30,377	0.042	0.000	0.000	0.026	0.505	0.104
<i>Top20 investors</i>	30,377	0.407	0.000	0.480	0.718	0.971	0.348
<i>Board female</i>	30,377	0.071	0.000	0.000	0.000	1.000	0.221
<i>Board independence</i>	30,377	0.364	0.000	0.000	1.000	1.000	0.449
<i>CEO duality</i>	30,377	0.056	0	0	0	1	0.229
<i>CEO turnover</i>	30,377	0.121	0	0	0	1	0.326
<i>CEO age</i>	15,542	52.217	46	52	58	73	8.932
<i>CEO shareholding</i>	30,377	0.015	0.000	0.000	0.000	0.383	0.061
<i>CEO tenure</i>	24,948	4.301	0	3	6	23	5.142
<i>CEO abnormal remuneration (in millions)</i>	24,105	0.091	-0.734	-0.463	0.153	7.735	2.262
<i>CEO nation (Australian)</i>	30,377	0.941	1	1	1	1	0.235
<i>CEO number of directorships held</i>	25,043	1.169	1	1	1	2	0.387

Panel B: Descriptive statistics of director-level consequence analyses measures

Panel B presents the summary statistics of the variables presented in the director-level consequences used in Model 2. The sample period is from 2004 to 2021. The number of observations is 60,336.

	N	mean	p25	p50	p75	Range	SD
<i>Consequence measures t+1</i>							
<i>Director turnover</i>	60,336	0.135	0	0	0	1	0.342
<i>Change of number of directorships held</i>	60,336	0.013	0	0	0	3	0.437
<i>Shareholder dissent measures t</i>							
<i>Dissent</i>	59,466	0.035	0.000	0.002	0.017	0.554	0.103
<i>Controls t</i>							
<i>Firm size (log transformed)</i>	57,537	17.823	15.939	17.438	19.471	25.288	2.649
<i>ROA</i>	57,714	-0.310	-0.261	-0.037	0.057	0.353	0.998
<i>Stock return</i>	46,965	-0.015	-0.468	0.000	0.288	2.526	0.687
<i>Firm age</i>	58,886	13.139	4.000	10.000	18.000	59.000	13.769
<i>Dividend</i>	57,499	0.017	0.000	0.000	0.018	0.090	0.032
<i>B2M</i>	56,761	0.761	0.399	0.721	1.055	1.501	0.417
<i>Leverage</i>	57,500	0.723	0.068	0.346	0.977	15.200	2.520
<i>Board size</i>	60,336	5.201	4	5	6	12	2.280
<i>Institutional</i>	60,336	0.050	0.000	0.000	0.042	0.568	0.112
<i>Top 20</i>	60,336	0.417	0.000	0.497	0.732	0.975	0.352
<i>CEO duality</i>	60,336	0.058	0	0	0	1	0.228
<i>CEO turnover</i>	60,336	0.142	0	0	0	1	0.349
<i>New</i>	60,336	0.287	0	0	1	1	0.452
<i>Female</i>	60,336	0.066	0	0	0	1	0.249
<i>Independence</i>	60,336	0.310	0	0	1	1	0.463
<i>Age</i>	23,461	57.840	52	59	64	77	9.320
<i>Tenure</i>	37,191	2.324	0	1	3	12	2.822
<i>Director pay (in millions)</i>	33,100	0.143	0.034	0.071	0.154	1.574	0.228
<i>Director own</i>	60,336	0.012	0.000	0.000	0.001	0.276	0.050
<i>Busyness</i>	60,336	1.796	1	1	2	10	1.727
<i>Remuneration committee member</i>	60,336	0.188	0	0	0	1	0.391
<i>Remuneration committee chair</i>	60,336	0.054	0	0	0	1	0.227
<i>Audit committee member</i>	60,336	0.236	0	0	0	1	0.424
<i>Audit committee chair</i>	60,336	0.072	0	0	0	1	0.259
<i>Nomination committee member</i>	60,336	0.148	0	0	0	1	0.355
<i>Nomination committee chair</i>	60,336	0.040	0	0	0	1	0.196

Panel C: Pairwise correlations – firm characteristics

Panel C presents the pairwise correlations of variables presented in the firm-level consequences used in Equation 1. The sample period is from 2004 to 2021. The number of observations is 30,377.

	Board turnover (1)	CEO turnover (2)	Abnormal ROA (3)	Stock return (4)	Firm dissent (5)	Firm age (6)	Firm size (7)	Dividend (8)	B2M (9)
(1)	1								
(2)	0.183***	1							
(3)	-0.070***	-0.024***	1						
(4)	-0.031***	-0.055***	0.102***	1					
(5)	0.054***	0.060***	-0.006*	-0.052***	1				
(6)	-0.028***	0.003	0.028***	0.037***	0.032***	1			
(7)	-0.053***	0.049***	0.302***	-0.046***	0.040***	0.219***	1		
(8)	-0.049***	0.013**	0.149***	-0.001	-0.013**	0.138***	0.516***	1	
(9)	0.000	0.009	0.108***	0.053***	0.065***	0.045***	0.241***	-0.043***	1
(10)	-0.009	0.023***	0.050***	0.012	0.025***	0.054***	0.292***	0.183***	0.050***
(11)	0.072***	0.019***	0.101***	0.000	-0.024***	0.088***	0.218***	0.134***	-0.013**
(12)	-0.002	0.034***	0.100***	-0.010	0.023***	0.117***	0.430***	0.275***	0.000
(13)	-0.014**	0.032***	0.020***	-0.009	0.028***	0.018***	0.202***	0.089***	-0.024***
(14)	-0.006	0.022***	0.065***	0.006	0.002	0.074***	0.253***	0.158***	-0.013**
(15)	0.053***	0.056***	0.097***	0.021***	0.004	0.137***	0.319***	0.202***	-0.015**
(16)	0.021***	0.003	-0.009	0.000	-0.008	-0.015***	-0.094***	-0.041***	-0.012**
(17)	0.002	0.022***	-0.009	0.003	-0.003	0.017***	-0.001	0.008	-0.006

	Leverage (10)	Top 20 (11)	Institutional (12)	Board size (13)	Female representat ion (14)	Independe nt board (15)	Board own (16)	CEO duality (17)
(10)	1							
(11)	0.034***	1						
(12)	0.092***	0.261***	1					
(13)	0.063***	-0.016***	0.095***	1				
(14)	0.075***	0.129***	0.203***	0.044***	1			
(15)	0.090***	0.265***	0.242***	-0.029***	0.188***	1		
(16)	-0.020***	0.114***	-0.036***	0.086***	-0.026***	-0.105***	1	
(17)	0.000	0.035***	-0.009	0.013**	-0.009	-0.031***	0.050***	1

Panel D: Pairwise correlations – director characteristics

Panel D presents the pairwise correlations of variables presented in the director-level consequences used in Equation 2. The sample period is from 2004 to 2021. The number of observations is 60,336.

	Director turnover (1)	Chg in directorships (2)	Dissent (3)	New (4)	Female (5)	Independence (6)	Director own (7)	Busyness (8)	Tenure (9)	Age (10)
(1)	1									
(2)	0.014***	1								
(3)	0.026***	-0.002	1							
(4)	-0.006	0.033***	0.040***	1						
(5)	-0.014***	0.014***	-0.018***	0.028***	1					
(6)	0.031***	-0.019***	-0.033***	-0.079***	0.172***	1				
(7)	0.015***	0.003	-0.014***	-0.021***	-0.022***	-0.119***	1			
(8)	0.040***	0.010**	-0.009**	-0.041***	0.042***	0.124***	0.028***	1		
(9)	-0.022***	-0.070***	0.033***	-0.244***	-0.018***	0.038***	0.038***	0.056***	1	
(10)	-0.036***	-0.041***	0.033***	-0.043***	-0.083***	0.209***	-0.008	0.042***	0.139***	1
(11)	0.004	0.003	0.065***	-0.040***	-0.019***	-0.205***	0.037***	0.020***	0.118***	-0.037***
(12)	0.028***	0.001	-0.017***	-0.101***	0.107***	0.477***	-0.024***	0.116***	0.088***	0.122***
(13)	0.009**	-0.008**	-0.010**	-0.066***	0.050***	0.300***	-0.036***	0.059***	0.064***	0.060***
(14)	0.028***	-0.001	-0.009**	-0.093***	0.099***	0.413***	-0.003	0.110***	0.075***	0.141***
(15)	0.011***	-0.009**	-0.007*	-0.060***	0.039***	0.257***	-0.022***	0.062***	0.054***	0.089***
(16)	0.015***	-0.003	-0.007*	-0.080***	0.120***	0.381***	-0.008**	0.085***	0.078***	0.143***
(17)	0.009**	-0.011***	-0.006*	-0.053***	0.027***	0.221***	-0.014***	0.051***	0.045***	0.093***
(18)	0.034***	0.050***	-0.012***	0.006	-0.017***	-0.124***	0.080***	0.031***	0.058***	-0.111***

	Director pay (11)	Audit comm. mem. (12)	Audit comm. chair (13)	Rem. comm. mem. (14)	Rem. comm. chair (15)	Nom. Comm. mem. (16)	Nom. Comm. chair (17)	CEO dummy (18)
(11)	1							
(12)	-0.112***	1						
(13)	-0.091***	0.502***	1					
(14)	-0.055***	0.561***	0.270***	1				
(15)	-0.047***	0.291***	0.125***	0.498***	1			
(16)	-0.006	0.461***	0.215***	0.700***	0.354***	1		
(17)	0.018***	0.234***	0.067***	0.370***	0.627***	0.491***	1	
(18)	0.273***	-0.040***	-0.044***	-0.023***	-0.037***	-0.027***	-0.028**	1

Table 2: Shareholder dissent and director turnover

This table presents the results of the logit regressions of shareholder dissent and director turnover.

Consequence =	Base	Excluding missing and CEO variables	Excluding missing variables	Including all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.756*** (5.69)	0.972*** (7.00)	1.064*** (7.63)	1.947*** (6.88)
<i>ROA</i>	-0.064*** (-3.19)	-0.054*** (-2.65)	-0.039* (-1.86)	0.002 (0.03)
<i>Stock return</i>	-0.065*** (-2.64)	-0.095*** (-3.82)	-0.118*** (-4.64)	-0.117** (-2.45)
<i>Firm size (log transformed)</i>	0.007 (0.36)	-0.034* (-1.68)	-0.046** (-2.18)	-0.049 (-1.17)
<i>Firm age</i>	-0.393*** (-4.56)	-0.320*** (-3.56)	-0.345*** (-3.76)	-0.198 (-1.11)
<i>Dividend</i>	0.377 (0.41)	-0.134 (-0.14)	-0.070 (-0.07)	0.866 (0.61)
<i>B2M</i>	0.077 (1.35)	0.120** (2.07)	0.126** (2.13)	0.144 (1.32)
<i>Leverage</i>	0.010 (1.29)	0.011 (1.30)	0.008 (0.95)	0.024 (1.53)
<i>Institutional</i>		1.381*** (6.54)	1.305*** (6.07)	0.256 (0.68)
<i>Top 20</i>		1.558*** (24.65)	1.595*** (24.68)	0.046 (0.31)
<i>Board size</i>		0.016 (1.03)	0.001 (0.07)	0.021 (0.72)
<i>CEO turnover</i>			2.743*** (25.98)	2.628*** (15.19)
<i>CEO duality</i>			-1.150*** (-5.52)	-1.272*** (-4.62)
<i>New</i>		-0.119*** (-3.17)	-0.107*** (-2.80)	0.056 (0.75)
<i>Female</i>		-0.161** (-2.54)	-0.134** (-2.09)	-0.053 (-0.51)
<i>Independence</i>		0.115*** (3.15)	0.175*** (4.71)	-0.047 (-0.70)
<i>Director own</i>		0.152 (0.57)	0.185 (0.67)	-1.215** (-2.09)
<i>Busyness</i>		0.025*** (3.12)	0.023*** (2.84)	-0.035** (-2.46)
<i>Tenure</i>				0.062*** (5.73)
<i>Age</i>				0.009** (2.52)
<i>Director pay (in millions)</i>				0.000*** (3.75)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.0059	0.0412	0.0712	0.0564

Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable *Director turnover*_{i,j,t+1} is a dummy variable, which takes a value of 1 if a director *i* at firm *j*

who faces an election at time t is no longer on the board for fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M* and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. **Z**-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the period 2004–2021.

Table 3: Shareholder dissent and board turnover

This table presents the results of the OLS regressions of shareholder dissent and board turnover.

Consequence = Board turnover $t + 1$	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Firm dissent</i>	0.198*** (6.34)	0.207*** (6.71)	0.182*** (5.84)
<i>Firm age</i>	-0.033** (-2.12)	-0.027* (-1.75)	-0.025* (-1.66)
<i>Firm size (log transformed)</i>	0.001 (0.23)	-0.000 (-0.09)	-0.002 (-0.69)
<i>ROA</i>	-0.008** (-2.16)	-0.008** (-2.22)	-0.007* (-1.95)
<i>Stock return</i>	-0.008** (-2.11)	-0.009** (-2.47)	-0.008** (-2.08)
<i>Dividend</i>	0.082 (0.63)	0.057 (0.44)	0.055 (0.43)
<i>B2M</i>	0.009 (0.99)	0.011 (1.23)	0.011 (1.32)
<i>Leverage</i>	0.001 (0.60)	0.001 (0.53)	0.000 (0.37)
<i>Top 20</i>		0.083*** (10.16)	0.085*** (10.52)
<i>Institutional</i>		0.011 (0.38)	0.012 (0.38)
<i>Board size</i>		-0.010*** (-3.87)	-0.011*** (-4.57)
<i>Board female</i>		-0.009 (-0.83)	-0.007 (-0.67)
<i>Board independence</i>		0.035*** (5.29)	0.034*** (5.12)
<i>Board own</i>		0.060* (1.88)	0.060* (1.90)
<i>CEO turnover</i>			0.159*** (17.94)
<i>CEO duality</i>			-0.011 (-0.40)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.054	0.063	0.088

Hypothesis 2: Shareholder dissent votes are positively associated with the subsequent board turnover ratio.

Model:

$$\text{Board turnover}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\text{Board turnover}_{j,t+1}$ is the board turnover at firm j for the period from the annual meeting at data t up to and including the next annual meeting date. $\text{Firm dissent}_{j,t}$ is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Table 4: Shareholder dissent and change in directorships held

This table presents the results of the OLS regressions of shareholder dissent and change in directorships held.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.004 (0.13)	0.010 (0.34)	0.012 (0.41)	0.021 (0.49)
<i>Firm age</i>	0.022 (1.38)	0.022 (1.36)	0.022 (1.37)	0.036 (1.52)
<i>Firm size (log transformed)</i>	-0.005 (-1.22)	-0.002 (-0.43)	-0.002 (-0.48)	-0.002 (-0.32)
<i>ROA</i>	0.004 (0.96)	0.003 (0.75)	0.003 (0.84)	0.002 (0.35)
<i>Stock return</i>	-0.007 (-1.51)	-0.007 (-1.42)	-0.007 (-1.47)	-0.006 (-0.96)
<i>Dividend</i>	-0.066 (-0.45)	-0.038 (-0.26)	-0.043 (-0.29)	0.027 (0.14)
<i>B2M</i>	0.000 (0.03)	-0.002 (-0.18)	-0.001 (-0.12)	-0.006 (-0.40)
<i>Leverage</i>	0.000 (0.23)	0.000 (0.26)	0.000 (0.20)	-0.001 (-0.51)
<i>Institutional</i>		-0.115*** (-2.80)	-0.117*** (-2.84)	-0.126** (-2.47)
<i>Top 20</i>		-0.025*** (-1.96)	-0.025** (-1.97)	-0.040* (-1.89)
<i>Board size</i>		0.001 (0.36)	0.001 (0.23)	0.002 (0.38)
<i>CEO turnover</i>			0.078*** (3.30)	0.060** (2.08)
<i>CEO duality</i>			0.039 (1.15)	0.061 (1.45)
<i>New</i>		0.047*** (7.12)	0.048*** (7.19)	0.066*** (6.06)
<i>Female</i>		0.040*** (4.32)	0.040*** (4.39)	0.049*** (4.13)
<i>Independence</i>		-0.028*** (-4.23)	-0.027*** (-4.01)	-0.028*** (-3.18)
<i>Director own</i>		-0.021 (-0.50)	-0.022 (-0.55)	-0.043 (-0.66)
<i>Busyness</i>		0.003*** (2.61)	0.003*** (2.58)	0.005*** (3.00)
<i>Age</i>				-0.009*** (-6.27)
<i>Tenure</i>				0.000 (0.07)
<i>Director pay (in millions)</i>				-0.000 (-0.99)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,949	37,949	37,949	25,669
Adjusted R ²	0.005	0.009	0.009	0.018

Hypothesis 3: Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.

Model:

$$\Delta Directorships\ held_{i,j,t+1} = \alpha + \beta Dissent_{i,j,t} + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference in the numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Table 5: Shareholder dissent and CEO turnover

This table presents the results of logit regressions of shareholder dissent and CEO turnover.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent</i>	1.287*** (5.63)	1.287*** (5.61)	1.294*** (5.62)	1.510*** (4.84)
<i>Firm age</i>	-0.139 (-0.97)	-0.125 (-0.88)	-0.096 (-0.67)	-0.454** (-2.19)
<i>Firm size (log transformed)</i>	0.144*** (4.57)	0.134*** (4.19)	0.131*** (4.08)	0.123*** (2.84)
<i>ROA</i>	-0.082** (-2.38)	-0.077** (-2.22)	-0.077** (-2.21)	-0.011 (-0.20)
<i>Stock return</i>	-0.102*** (-2.62)	-0.101*** (-2.59)	-0.101** (-2.57)	-0.144*** (-2.73)
<i>Dividend</i>	0.340 (0.27)	0.336 (0.26)	0.289 (0.23)	-0.327 (-0.21)
<i>B2M</i>	-0.067 (-0.78)	-0.056 (-0.65)	-0.046 (-0.53)	-0.060 (-0.52)
<i>Leverage</i>	0.015 (1.18)	0.015 (1.19)	0.017 (1.33)	0.004 (0.23)
<i>Institutional</i>		-0.022 (-0.07)	0.012 (0.04)	0.455 (1.22)
<i>Top 20</i>		-0.104 (-1.25)	-0.124 (-1.48)	-0.198* (-1.78)
<i>Board size</i>		0.091*** (3.34)	0.098*** (3.56)	0.120*** (3.37)
<i>Board female</i>		-0.112 (-1.07)	-0.113 (-1.08)	-0.088 (-0.66)
<i>Board independence</i>		0.088 (1.46)	0.096 (1.60)	0.023 (0.30)
<i>Board own</i>		-0.006 (-0.02)	0.028 (0.09)	0.261 (0.61)
<i>CEO duality</i>		0.789*** (3.12)	0.774*** (3.05)	0.588* (1.79)
<i>CEO shareholding</i>			-2.634* (-1.77)	-5.682*** (-2.99)
<i>CEO nation</i>			0.623*** (6.37)	0.660*** (4.83)
<i>CEO age</i>				0.036*** (4.36)
<i>CEO tenure</i>				0.091*** (8.13)
<i>CEO busyness</i>				-0.826*** (-7.69)
<i>Abnormal CEO Pay (in millions)</i>				0.014 (0.50)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0158	0.0183	0.0231	0.0528

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.

Model:

$$\text{Logit}(\text{CEO turnover}_{i,t+1}) = \alpha + \beta \text{Firm dissent}_{i,t} + \gamma \text{Firm level controls}_{i,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,t}$$

where the dependent variable $CEO\ turnover_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $Firm\ dissent_{j,t}$, which is estimated for the firm-level averaged shareholder dissent for all directors facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include ROA , $Stock\ Market$, $Firm\ Size$, $Firm\ Age$, $Dividend$, $B2M$, and $Leverage$ as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects. Z -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Table 6: Shareholder dissent and firm performance

This table presents the results of the OLS regressions of shareholder dissent and firm performance.

Panel A presents the results of shareholder dissent and firm industry adjusted ROA.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA t + 1	(1)	(2)	(3)
<i>Firm dissent</i>	-0.205** (-2.13)	-0.199*** (-2.83)	-0.181* (-1.88)
<i>Firm size (log transformed)</i>	0.138*** (10.34)	0.138*** (19.91)	0.139*** (10.34)
<i>Firm age</i>	-0.095* (-1.85)	-0.095** (-2.21)	-0.094* (-1.85)
<i>Dividend</i>	0.392*** (2.61)	0.400 (1.13)	0.403*** (2.69)
<i>B2M</i>	-0.096*** (-4.10)	-0.094*** (-4.78)	-0.094*** (-4.06)
<i>Leverage</i>	0.004 (0.84)	0.004 (1.15)	0.004 (0.86)
<i>Institutional</i>		-0.092 (-1.15)	-0.089 (-1.46)
<i>Top 20</i>		0.027 (1.26)	0.027 (1.07)
<i>Board size</i>		-0.009 (-1.30)	-0.009 (-1.08)
<i>Board female</i>		0.037 (1.20)	0.037** (2.15)
<i>Board independence</i>		0.003 (0.16)	0.002 (0.12)
<i>Board own</i>		0.191** (2.21)	0.195** (2.05)
<i>CEO turnover</i>			-0.092*** (-4.40)
<i>CEO duality</i>			-0.133 (-1.43)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.260	0.261

Hypothesis 5: Shareholder dissent votes are associated with subsequent firm performance.

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t+1*. ROA is return on assets. *Firm dissent_{j,t}* is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel B presents the results of shareholder dissent and firm stock return.

Consequence = Stock return t+1	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm dissent</i>	-0.375*** (-6.55)	-0.377*** (-6.51)	-0.357*** (-6.25)
<i>ROA</i>	0.042*** (4.14)	0.041*** (5.53)	0.040*** (4.00)
<i>Firm size</i>	-0.254*** (-28.40)	-0.252*** (-36.81)	-0.252*** (-27.90)
<i>Firm age</i>	-0.077** (-1.98)	-0.078** (-2.16)	-0.078** (-1.98)
<i>Dividend</i>	0.205 (0.83)	0.221 (0.78)	0.217 (0.87)
<i>B2M</i>	0.456*** (23.09)	0.455*** (27.02)	0.456*** (23.07)
<i>Leverage</i>	0.012*** (2.91)	0.012*** (3.86)	0.012*** (2.98)
<i>Institutional</i>		-0.227*** (-3.16)	-0.224*** (-3.58)
<i>Top 20</i>		-0.056*** (-3.06)	-0.058*** (-2.91)
<i>Board size</i>		-0.001 (-0.12)	0.000 (0.03)
<i>Board female</i>		-0.020 (-0.83)	-0.021 (-1.04)
<i>Board independence</i>		0.037*** (2.77)	0.039*** (2.89)
<i>Board own</i>		0.007 (0.10)	0.001 (0.01)
<i>CEO turnover</i>			-0.096*** (-5.98)
<i>CEO duality</i>			0.096 (1.52)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.165	0.167	0.169

Hypothesis 5: Shareholder dissent votes are associated with subsequent firm performance.

Model:

$$\text{Stock return}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\text{Stock return}_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $\text{Firm dissent}_{j,t}$ is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 7: Shareholder abstain and consequences

Panel A presents the summary statistics of shareholder abstain.

	N	Mean	p25	p50	p75	Range	SD
<i>Abstain</i>	59,466	0.018	0.000	0.001	0.004	0.380	0.073
<i>Firm abstain</i>	28,788	0.019	0.000	0.001	0.006	0.348	0.068

Panel B presents the results of the logit regressions of shareholder abstain and director turnover.

Consequence =	Base	Model excluding missing and CEO related variables	Model excluding any missing variables	Include all variables
Director turnover t + 1	(1)	(2)	(3)	(4)
<i>Abstain</i>	0.105 (0.51)	0.096 (0.46)	0.083 (0.39)	0.227 (0.55)
<i>ROA</i>	-0.065*** (-3.29)	-0.057*** (-2.78)	-0.042** (-2.01)	-0.005 (-0.11)
<i>Stock return</i>	-0.068*** (-2.79)	-0.099*** (-3.99)	-0.122*** (-4.79)	-0.131*** (-2.76)
<i>Firm size</i>	0.011 (0.54)	-0.030 (-1.47)	-0.041* (-1.95)	-0.045 (-1.06)
<i>Firm age</i>	-0.385*** (-4.47)	-0.308*** (-3.44)	-0.332*** (-3.63)	-0.157 (-0.89)
<i>Dividend</i>	0.264 (0.29)	-0.256 (-0.28)	-0.210 (-0.22)	0.679 (0.48)
<i>B2M</i>	0.086 (1.51)	0.131** (2.27)	0.138** (2.35)	0.158 (1.45)
<i>Leverage</i>	0.010 (1.28)	0.011 (1.30)	0.008 (0.96)	0.028* (1.77)
<i>Institutional</i>		1.386*** (6.56)	1.311*** (6.10)	0.300 (0.80)
<i>Top 20</i>		1.545*** (24.50)	1.581*** (24.52)	0.052 (0.35)
<i>Board size</i>		0.016 (1.01)	0.001 (0.06)	0.018 (0.60)
<i>CEO turnover</i>			2.724*** (25.84)	2.611*** (15.09)
<i>CEO duality</i>			-1.154*** (-5.55)	-1.309*** (-4.77)
<i>New</i>		-0.118*** (-3.15)	-0.107*** (-2.79)	0.045 (0.60)
<i>Female</i>		-0.173*** (-2.74)	-0.148** (-2.30)	-0.067 (-0.65)
<i>Independence</i>		0.106*** (2.90)	0.164*** (4.42)	-0.067 (-1.01)
<i>Director own</i>		0.153 (0.57)	0.190 (0.69)	-1.316** (-2.26)
<i>No. of directorships held</i>		0.025*** (3.14)	0.024*** (2.86)	-0.034** (-2.40)
<i>Tenure</i>				0.063*** (5.82)
<i>Age</i>				0.009*** (2.76)
<i>Director pay</i>				0.000*** (3.93)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.0048	0.0395	0.0692	0.0509

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Abstain}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of one if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and zero otherwise. The main independent variable of interest is *Abstain*_{*i,j,t*}, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, *Abstain* is calculated as the ratio of (Proxyabstain) over (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder abstain and board turnover.

Consequence =	Base	Model excluding CEO related	Include all variables
Board turnover t + 1	(1)	(2)	(3)
<i>Firm abstain</i>	0.043 (1.15)	0.047 (1.26)	0.059 (1.56)
<i>Firm age</i>	-0.032** (-2.04)	-0.026* (-1.68)	-0.024 (-1.60)
<i>Firm size</i>	0.002 (0.48)	0.001 (0.16)	-0.002 (-0.47)
<i>ROA</i>	-0.009** (-2.30)	-0.009** (-2.36)	-0.008** (-2.07)
<i>Stock return</i>	-0.009** (-2.36)	-0.010*** (-2.72)	-0.009** (-2.29)
<i>Dividend</i>	0.063 (0.49)	0.037 (0.29)	0.038 (0.30)
<i>B2M</i>	0.011 (1.21)	0.013 (1.46)	0.013 (1.53)
<i>Leverage</i>	0.001 (0.63)	0.001 (0.56)	0.001 (0.40)
<i>Top 20</i>		0.082*** (9.96)	0.084*** (10.36)
<i>Institutional</i>		0.013 (0.43)	0.013 (0.43)
<i>Board size</i>		-0.010*** (-3.73)	-0.011*** (-4.46)
<i>Board female</i>		-0.011 (-0.99)	-0.009 (-0.80)
<i>Board independence</i>		0.035*** (5.26)	0.034*** (5.10)
<i>Board own</i>		0.057* (1.78)	0.056* (1.79)
<i>CEO turnover</i>			0.161*** (18.20)
<i>CEO duality</i>			-0.014 (-0.51)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.052	0.060	0.086

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are positively associated with the subsequent board turnover ratio.*

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta Firm\ abstain_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where *Board turnover*_{*j,t+1*} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm abstain*_{*j,t*} is the firm averaged shareholder abstain to directors facing election at the focal firm *j* at time *t*. Shareholder abstain is calculated as (Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel D presents the results of the OLS regressions of shareholder abstain and change in directorships.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+1	(1)	(2)	(3)	(4)
<i>Abstain</i>	0.038 (1.18)	0.040 (1.24)	0.039 (1.22)	0.088* (1.76)
<i>Firm age</i>	0.023 (1.39)	0.022 (1.37)	0.022 (1.39)	0.036 (1.53)
<i>Firm size</i>	-0.004 (-1.21)	-0.002 (-0.41)	-0.002 (-0.46)	-0.002 (-0.31)
<i>ROA</i>	0.004 (0.96)	0.003 (0.74)	0.003 (0.84)	0.002 (0.37)
<i>Stock return</i>	-0.007 (-1.51)	-0.007 (-1.43)	-0.007 (-1.48)	-0.006 (-0.96)
<i>Dividend</i>	-0.067 (-0.45)	-0.039 (-0.26)	-0.044 (-0.30)	0.025 (0.13)
<i>B2M</i>	0.000 (0.02)	-0.002 (-0.18)	-0.001 (-0.12)	-0.006 (-0.40)
<i>Leverage</i>	0.000 (0.23)	0.000 (0.26)	0.000 (0.21)	-0.001 (-0.50)
<i>Institutional</i>		-0.115*** (-2.78)	-0.116*** (-2.83)	-0.125*** (-2.44)
<i>Top 20</i>		-0.025*** (-1.97)	-0.025*** (-1.97)	-0.040* (-1.89)
<i>Board size</i>		0.001 (0.35)	0.001 (0.22)	0.002 (0.37)
<i>CEO turnover</i>			0.078*** (3.29)	0.060*** (2.07)
<i>CEO duality</i>			0.038 (1.13)	0.060 (1.43)
<i>New</i>		0.047*** (7.15)	0.048*** (7.21)	0.066*** (6.08)
<i>Female</i>		0.040*** (4.33)	0.040*** (4.39)	0.049*** (4.13)
<i>Independence</i>		-0.028*** (-4.21)	-0.027*** (-3.99)	-0.027*** (-3.15)
<i>Director own</i>		-0.023 (-0.56)	-0.025 (-0.61)	-0.051 (-0.78)
<i>Busyness</i>		0.003*** (2.61)	0.003*** (2.59)	0.005*** (3.01)
<i>Age</i>				-0.009*** (-6.29)
<i>Tenure</i>				0.000 (0.09)
<i>Director pay</i>				-0.000 (-0.99)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,949	37,949	37,949	25,669
Adjusted R ²	0.005	0.009	0.009	0.018

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are negatively associated with the change of directorships held by nominee directors.*

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Abstain}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Abstain*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the logit regressions of shareholder abstain and CEO turnover.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t + 1	(1)	(2)	(3)	(4)
<i>Firm abstain</i>	-0.936** (-2.21)	-0.921** (-2.17)	-0.937** (-2.20)	-1.164* (-1.93)
<i>Firm age</i>	-0.118 (-0.82)	-0.105 (-0.74)	-0.077 (-0.54)	-0.430** (-2.07)
<i>Firm size</i>	0.148*** (4.71)	0.139*** (4.34)	0.136*** (4.24)	0.129*** (3.00)
<i>ROA</i>	-0.090*** (-2.63)	-0.085** (-2.46)	-0.085** (-2.45)	-0.015 (-0.27)
<i>Stock return</i>	-0.113*** (-2.90)	-0.112*** (-2.88)	-0.112*** (-2.86)	-0.160*** (-3.05)
<i>Dividend</i>	0.235 (0.18)	0.221 (0.17)	0.179 (0.14)	-0.553 (-0.35)
<i>B2M</i>	-0.050 (-0.58)	-0.039 (-0.45)	-0.030 (-0.34)	-0.049 (-0.42)
<i>Leverage</i>	0.015 (1.22)	0.015 (1.23)	0.017 (1.37)	0.003 (0.18)
<i>Institutional</i>		-0.008 (-0.02)	0.027 (0.08)	0.459 (1.22)
<i>Top 20</i>		-0.114 (-1.37)	-0.133 (-1.59)	-0.205* (-1.84)
<i>Board size</i>		0.090*** (3.32)	0.098*** (3.57)	0.121*** (3.39)
<i>Board female</i>		-0.133 (-1.27)	-0.133 (-1.27)	-0.108 (-0.81)
<i>Board independence</i>		0.084 (1.40)	0.092 (1.53)	0.021 (0.26)
<i>Board own</i>		0.009 (0.03)	0.041 (0.13)	0.271 (0.63)
<i>CEO duality</i>		0.765*** (3.03)	0.752*** (2.96)	0.545* (1.66)
<i>CEO shareholding</i>			-2.605* (-1.75)	-5.561*** (-2.93)
<i>CEO nation</i>			0.624*** (6.38)	0.673*** (4.93)
<i>CEO age</i>				0.037*** (4.43)
<i>CEO tenure</i>				0.090*** (8.08)
<i>CEO busyness</i>				-0.819*** (-7.63)
<i>Abnormal CEO pay</i>				0.011 (0.39)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0132	0.0156	0.0205	0.0497

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are positively associated with subsequent likelihood of CEO dismissal.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{Firm abstain}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $\text{Firm abstain}_{j,t}$ which is estimated for the firm-level averaged shareholder abstain for all shareholders facing

election or re-election at firm j at the fiscal year t . Shareholder abstain is calculated as (Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel F presents the results of the OLS regressions of shareholder abstain and firm performance.
Panel F1 presents the results of shareholder abstain and firm operating performance

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm abstain</i>	-0.109 (-0.77)	-0.121 (-0.85)	-0.123 (-0.87)
<i>Firm size</i>	0.137*** (10.31)	0.138*** (10.28)	0.138*** (10.32)
<i>Firm age</i>	-0.098* (-1.91)	-0.097* (-1.90)	-0.097* (-1.89)
<i>Dividend</i>	0.411*** (2.72)	0.419*** (2.78)	0.420*** (2.78)
<i>B2M</i>	-0.098*** (-4.18)	-0.096*** (-4.10)	-0.096*** (-4.13)
<i>Leverage</i>	0.004 (0.83)	0.004 (0.84)	0.004 (0.85)
<i>Institutional</i>		-0.096 (-1.59)	-0.093 (-1.52)
<i>Top 20</i>		0.029 (1.14)	0.028 (1.13)
<i>Board size</i>		-0.010 (-1.21)	-0.009 (-1.13)
<i>Board female</i>		0.038** (2.22)	0.037** (2.18)
<i>Board independence</i>		0.003 (0.16)	0.002 (0.11)
<i>Board own</i>		0.198** (2.07)	0.202** (2.10)
<i>CEO turnover</i>			-0.095*** (-4.56)
<i>CEO duality</i>			-0.130 (-1.40)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.260	0.261

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm abstain}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$
where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t + 1*. ROA is return on assets. *Firm abstain_{j,t}* is the firm averaged shareholder abstain to directors facing election at the focal firm *j* at time *t*. Shareholder abstain is calculated as (Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel F2 presents the results of shareholder abstain and firm stock market performance.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Stock return $t + 1$	(1)	(2)	(3)
<i>Firm abstain</i>	-0.091 (-1.21)	-0.087 (-1.16)	-0.097 (-1.28)
<i>ROA</i>	0.043*** (4.28)	0.043*** (4.22)	0.042*** (4.12)
<i>Firm size</i>	-0.256*** (-28.54)	-0.254*** (-28.14)	-0.253*** (-28.03)
<i>Firm age</i>	-0.080** (-2.05)	-0.081** (-2.05)	-0.080** (-2.05)
<i>Dividend</i>	0.242 (0.98)	0.259 (1.04)	0.252 (1.02)
<i>B2M</i>	0.451*** (22.77)	0.449*** (22.68)	0.451*** (22.78)
<i>Leverage</i>	0.011*** (2.87)	0.011*** (2.88)	0.012*** (2.95)
<i>Institutional</i>		-0.233*** (-3.75)	-0.230*** (-3.68)
<i>Top 20</i>		-0.052*** (-2.63)	-0.055*** (-2.75)
<i>Board size</i>		-0.001 (-0.21)	-0.000 (-0.06)
<i>Board female</i>		-0.017 (-0.83)	-0.019 (-0.91)
<i>Board independence</i>		0.038*** (2.86)	0.039*** (2.95)
<i>Board own</i>		0.014 (0.20)	0.008 (0.11)
<i>CEO turnover</i>			-0.102*** (-6.32)
<i>CEO duality</i>			0.101 (1.61)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.163	0.165	0.167

Additional analysis of majority voting system - abstain votes: *Shareholder abstain votes are associated with subsequent firm performance.*

Model:

$$Stock\ return_{j,t+1} = \alpha + \beta Firm\ abstain_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where *Stock return* _{$j,t+1$} is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. *Firm abstain* _{j,t} is the firm averaged shareholder abstain to directors facing election at the focal firm j at time t . Shareholder abstain is calculated as (Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 8: Shareholder discontent and consequences

Panel A presents the summary statistics of shareholder discontent votes.

	N	Mean	p25	p50	p75	Range	SD
<i>Discontent</i>	59,466	0.047	0.000	0.004	0.031	0.646	0.118
<i>Firm discontent</i>	28,788	0.044	0.000	0.006	0.037	0.489	0.099

Panel B presents the results of the logit regressions of shareholder discontent and director turnover.

Consequence =	Base	Model excluding missing and CEO related variables	Model excluding any missing variables	Include all variables
Director turnover t + 1	(1)	(2)	(3)	(4)
<i>Discontent</i>	0.466*** (3.80)	0.613*** (4.83)	0.666*** (5.19)	1.109*** (4.37)
<i>ROA</i>	-0.064*** (-3.23)	-0.055*** (-2.69)	-0.040* (-1.91)	-0.004 (-0.08)
<i>Stock return</i>	-0.066*** (-2.70)	-0.097*** (-3.89)	-0.120*** (-4.70)	-0.122** (-2.57)
<i>Firm size</i>	0.009 (0.43)	-0.033 (-1.62)	-0.044** (-2.11)	-0.048 (-1.14)
<i>Firm age</i>	-0.389*** (-4.51)	-0.313*** (-3.49)	-0.337*** (-3.68)	-0.174 (-0.98)
<i>Dividend</i>	0.308 (0.34)	-0.207 (-0.22)	-0.151 (-0.16)	0.780 (0.55)
<i>B2M</i>	0.081 (1.42)	0.125** (2.16)	0.132** (2.23)	0.153 (1.41)
<i>Leverage</i>	0.010 (1.29)	0.011 (1.31)	0.008 (0.96)	0.026* (1.65)
<i>Institutional</i>		1.387*** (6.56)	1.312*** (6.11)	0.276 (0.73)
<i>Top 20</i>		1.552*** (24.57)	1.588*** (24.60)	0.050 (0.34)
<i>Board size</i>		0.016 (1.01)	0.001 (0.05)	0.019 (0.65)
<i>CEO turnover</i>			2.732*** (25.89)	2.618*** (15.14)
<i>CEO duality</i>			-1.149*** (-5.52)	-1.290*** (-4.69)
<i>New</i>		-0.117*** (-3.11)	-0.105*** (-2.73)	0.051 (0.68)
<i>Female</i>		-0.166*** (-2.62)	-0.139** (-2.17)	-0.059 (-0.57)
<i>Independence</i>		0.113*** (3.11)	0.173*** (4.65)	-0.056 (-0.85)
<i>Director own</i>		0.135 (0.50)	0.168 (0.61)	-1.396** (-2.40)
<i>No. of directorships held</i>		0.025*** (3.13)	0.024*** (2.85)	-0.034** (-2.40)
<i>Tenure</i>				0.062*** (5.73)
<i>Age</i>				0.009*** (2.65)
<i>Director pay</i>				0.000*** (3.80)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.0053	0.0403	0.0701	0.0531

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Discontent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Discontent*_{*i,j,t*}, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, *Discontent* is calculated as the ratio of (Proxyagainst + Proxyabstain) over (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder discontent and board turnover.

Consequence =	Base	Model excluding CEO related	Include all variables
Board turnover t + 1	(1)	(2)	(3)
<i>Firm discontent</i>	0.123*** (4.57)	0.131*** (4.90)	0.122*** (4.59)
<i>Firm age</i>	-0.033** (-2.13)	-0.027* (-1.77)	-0.025* (-1.67)
<i>Firm size</i>	0.001 (0.33)	-0.000 (-0.01)	-0.002 (-0.63)
<i>ROA</i>	-0.008** (-2.21)	-0.009** (-2.26)	-0.007** (-1.99)
<i>Stock return</i>	-0.009** (-2.22)	-0.010** (-2.57)	-0.008** (-2.16)
<i>Dividend</i>	0.072 (0.56)	0.047 (0.36)	0.047 (0.37)
<i>B2M</i>	0.010 (1.14)	0.012 (1.39)	0.013 (1.46)
<i>Leverage</i>	0.001 (0.64)	0.001 (0.57)	0.001 (0.41)
<i>Top 20</i>		0.082*** (10.07)	0.084*** (10.46)
<i>Institutional</i>		0.012 (0.40)	0.012 (0.40)
<i>Board size</i>		-0.010*** (-3.74)	-0.011*** (-4.47)
<i>Board female</i>		-0.010 (-0.88)	-0.008 (-0.70)
<i>Board independence</i>		0.036*** (5.35)	0.034*** (5.17)
<i>Board own</i>		0.055* (1.69)	0.054* (1.73)
<i>CEO turnover</i>			0.160*** (18.10)
<i>CEO duality</i>			-0.014 (-0.52)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.053	0.062	0.087

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$\text{Board turnover}_{j,t+1} = \alpha + \beta \text{Firm discontent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Board turnover*_{j,t+1} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm discontent*_{j,t} is the firm averaged shareholder discontent to directors facing election at the focal firm *j* at time *t*. Shareholder discontent is calculated as (Proxyagainst + Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel D presents the results of the OLS regressions of shareholder discontent and change in directorships.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t + 1	(1)	(2)	(3)	(4)
<i>Discontent</i>	0.015 (0.62)	0.021 (0.86)	0.021 (0.90)	0.036 (1.06)
<i>Firm age</i>	0.022 (1.38)	0.022 (1.36)	0.022 (1.38)	0.036 (1.51)
<i>Firm size</i>	-0.005 (-1.23)	-0.002 (-0.44)	-0.002 (-0.49)	-0.002 (-0.34)
<i>ROA</i>	0.004 (0.97)	0.003 (0.75)	0.003 (0.85)	0.002 (0.37)
<i>Stock return</i>	-0.007 (-1.50)	-0.007 (-1.41)	-0.007 (-1.46)	-0.006 (-0.94)
<i>Dividend</i>	-0.066 (-0.45)	-0.037 (-0.25)	-0.042 (-0.29)	0.027 (0.14)
<i>B2M</i>	0.000 (0.02)	-0.002 (-0.18)	-0.001 (-0.13)	-0.007 (-0.40)
<i>Leverage</i>	0.000 (0.23)	0.000 (0.26)	0.000 (0.21)	-0.001 (-0.51)
<i>Institutional</i>		-0.115*** (-2.80)	-0.117*** (-2.84)	-0.126*** (-2.46)
<i>Top20</i>		-0.025*** (-1.96)	-0.025*** (-1.97)	-0.040* (-1.88)
<i>Board size</i>		0.001 (0.35)	0.001 (0.22)	0.002 (0.37)
<i>CEO turnover</i>			0.078*** (3.30)	0.060*** (2.08)
<i>CEO duality</i>			0.039 (1.14)	0.061 (1.45)
<i>New</i>		0.047*** (7.16)	0.048*** (7.22)	0.066*** (6.08)
<i>Female</i>		0.040*** (4.34)	0.041*** (4.40)	0.049*** (4.14)
<i>Independence</i>		-0.028*** (-4.21)	-0.026*** (-3.99)	-0.027*** (-3.15)
<i>Director own</i>		-0.022 (-0.53)	-0.024 (-0.58)	-0.046 (-0.70)
<i>Busyness</i>		0.003*** (2.61)	0.003*** (2.59)	0.005*** (3.01)
<i>Age</i>				-0.009*** (-6.29)
<i>Tenure</i>				0.000 (0.06)
<i>Director pay</i>				-0.000 (-0.99)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,949	37,949	37,949	25,669
Adjusted R ²	0.005	0.009	0.009	0.018

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are negatively associated with the change of directorships held by nominee directors.*

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Discontent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Discontent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst + Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the logit regressions of shareholder discontent and CEO turnover.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t + 1	(1)	(2)	(3)	(4)
<i>Firm discontent</i>	0.547** (2.37)	0.554** (2.40)	0.574** (2.47)	0.782** (2.55)
<i>Firm age</i>	-0.130 (-0.91)	-0.116 (-0.82)	-0.088 (-0.62)	-0.455** (-2.20)
<i>Firm size</i>	0.147*** (4.69)	0.137*** (4.30)	0.134*** (4.19)	0.128*** (2.95)
<i>ROA</i>	-0.087** (-2.55)	-0.082** (-2.38)	-0.082** (-2.37)	-0.017 (-0.31)
<i>Stock return</i>	-0.106*** (-2.73)	-0.105*** (-2.70)	-0.105*** (-2.68)	-0.148*** (-2.82)
<i>Dividend</i>	0.240 (0.19)	0.230 (0.18)	0.189 (0.15)	-0.461 (-0.30)
<i>B2M</i>	-0.052 (-0.61)	-0.041 (-0.48)	-0.031 (-0.36)	-0.047 (-0.41)
<i>Leverage</i>	0.015 (1.23)	0.015 (1.24)	0.017 (1.37)	0.004 (0.21)
<i>Institutional</i>		-0.019 (-0.06)	0.014 (0.04)	0.457 (1.22)
<i>Top 20</i>		-0.108 (-1.30)	-0.127 (-1.52)	-0.203* (-1.82)
<i>Board size</i>		0.092*** (3.37)	0.099*** (3.61)	0.122*** (3.41)
<i>Board female</i>		-0.124 (-1.19)	-0.124 (-1.19)	-0.095 (-0.71)
<i>Board independence</i>		0.090 (1.50)	0.099 (1.64)	0.028 (0.36)
<i>Board own</i>		-0.018 (-0.06)	0.014 (0.04)	0.247 (0.57)
<i>CEO duality</i>		0.775*** (3.07)	0.761*** (3.00)	0.565* (1.73)
<i>CEO shareholding</i>			-2.719* (-1.83)	-5.754*** (-3.05)
<i>CEO nation</i>			0.623*** (6.38)	0.671*** (4.91)
<i>CEO age</i>				0.037*** (4.41)
<i>CEO tenure</i>				0.090*** (8.10)
<i>CEO busyness</i>				-0.823*** (-7.66)
<i>Abnormal CEO pay</i>				0.015 (0.54)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0132	0.0157	0.0206	0.0501

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are positively associated with subsequent likelihood of CEO dismissal.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{Firm discontent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $\text{Firm discontent}_{i,b}$, which is estimated for the firm-level averaged shareholder discontent for all shareholders

facing election or re-election at firm j at the fiscal year t . Shareholder discontent is calculated as (Proxyagainst + Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. **Z**-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel F presents the results of the OLS regressions of shareholder discontent and firm performance.
Panel F1 presents the results of shareholder discontent and firm operating performance.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm discontent</i>	-0.174* (-1.91)	-0.176* (-1.92)	-0.166* (-1.81)
<i>Firm size</i>	0.138*** (10.34)	0.138*** (10.31)	0.139*** (10.35)
<i>Firm age</i>	-0.096* (-1.88)	-0.096* (-1.87)	-0.095* (-1.86)
<i>Dividend</i>	0.399*** (2.66)	0.407*** (2.71)	0.409*** (2.72)
<i>B2M</i>	-0.096*** (-4.12)	-0.095*** (-4.04)	-0.095*** (-4.07)
<i>Leverage</i>	0.004 (0.83)	0.004 (0.85)	0.004 (0.85)
<i>Institutional</i>		-0.095 (-1.56)	-0.091 (-1.49)
<i>Top 20</i>		0.028 (1.10)	0.028 (1.10)
<i>Board size</i>		-0.010 (-1.20)	-0.009 (-1.12)
<i>Board female</i>		0.037** (2.15)	0.036** (2.12)
<i>Board independence</i>		0.002 (0.13)	0.001 (0.09)
<i>Board own</i>		0.199** (2.10)	0.203** (2.12)
<i>CEO turnover</i>			-0.093*** (-4.47)
<i>CEO duality</i>			-0.130 (-1.41)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.260	0.261

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm discontent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$
where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t+1*. ROA is return on assets. *Firm discontent_{j,t}* is the firm averaged shareholder discontent to directors facing election at the focal firm *j* at time *t*. Shareholder discontent is calculated as (Proxyagainst + Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel F2 presents the results of shareholder discontent and firm stock market performance.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Stock return $t + 1$	(1)	(2)	(3)
<i>Firm discontent</i>	-0.256*** (-5.04)	-0.255*** (-5.02)	-0.249*** (-4.91)
<i>ROA</i>	0.042*** (4.20)	0.042*** (4.14)	0.041*** (4.05)
<i>Firm size</i>	-0.255*** (-28.46)	-0.253*** (-28.04)	-0.252*** (-27.93)
<i>Firm age</i>	-0.078** (-1.98)	-0.078** (-1.99)	-0.078** (-1.99)
<i>Dividend</i>	0.222 (0.90)	0.239 (0.96)	0.232 (0.94)
<i>B2M</i>	0.453*** (22.95)	0.452*** (22.86)	0.453*** (22.95)
<i>Leverage</i>	0.011*** (2.87)	0.011*** (2.87)	0.012*** (2.94)
<i>Institutional</i>		-0.231*** (-3.70)	-0.227*** (-3.63)
<i>Top 20</i>		-0.054*** (-2.71)	-0.056*** (-2.83)
<i>Board size</i>		-0.001 (-0.21)	-0.000 (-0.05)
<i>Board female</i>		-0.019 (-0.94)	-0.021 (-1.01)
<i>Board independence</i>		0.036*** (2.74)	0.038*** (2.84)
<i>Board own</i>		0.021 (0.28)	0.014 (0.19)
<i>CEO turnover</i>			-0.100*** (-6.20)
<i>CEO duality</i>			0.102 (1.62)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.165	0.166	0.168

Additional analysis of majority voting system - discontent votes: *Shareholder discontent votes are associated with subsequent firm performance.*

Model:

$$Stock\ return_{j,t+1} = \alpha + \beta Firm\ discontent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where *Stock return* _{$j,t+1$} is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. *Firm discontent* _{j,t} is the firm averaged shareholder abstain to directors facing election at the focal firm j at time t . Shareholder discontent is calculated as (Proxyagainst + Proxyabstain) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 9: Shareholder residual dissent and consequences

Panel A presents the summary statistics of shareholder residual dissent votes.

	N	Mean	p25	p50	p75	Range	SD
<i>Residual dissent</i>	46,939	0.000	-0.036	-0.031	-0.017	0.516	0.104
<i>Firm residual dissent</i>	23,118	-0.003	-0.036	-0.030	-0.014	0.397	0.083

Panel B presents the results of the logit regressions of shareholder residual dissent and director turnover.

Consequence =	Base	Model excluding missing and CEO related variables	Model excluding any missing variables	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Residual dissent</i>	0.733*** (5.15)	0.936*** (6.31)	1.030*** (6.90)	1.940*** (6.51)
<i>ROA</i>	-0.061*** (-2.92)	-0.049** (-2.27)	-0.036 (-1.63)	0.014 (0.27)
<i>Stock return</i>	-0.058** (-2.28)	-0.086*** (-3.36)	-0.107*** (-4.05)	-0.116** (-2.35)
<i>Firm size</i>	0.002 (0.10)	-0.043** (-1.97)	-0.054** (-2.46)	-0.059 (-1.34)
<i>Firm age</i>	-0.367*** (-4.11)	-0.288*** (-3.10)	-0.320*** (-3.37)	-0.218 (-1.16)
<i>Dividend</i>	0.238 (0.24)	-0.347 (-0.34)	-0.451 (-0.44)	-0.366 (-0.24)
<i>B2M</i>	0.072 (1.23)	0.113* (1.90)	0.131** (2.15)	0.157 (1.40)
<i>Leverage</i>	0.009 (1.02)	0.009 (1.02)	0.005 (0.59)	0.022 (1.36)
<i>Institutional</i>		1.308*** (5.80)	1.246*** (5.44)	0.244 (0.60)
<i>Top 20</i>		1.557*** (23.62)	1.582*** (23.48)	0.053 (0.34)
<i>Board size</i>		0.022 (1.33)	0.005 (0.28)	0.019 (0.62)
<i>CEO turnover</i>			2.740*** (25.08)	2.695*** (14.94)
<i>CEO duality</i>			-1.144*** (-5.37)	-1.273*** (-4.50)
<i>New</i>		-0.101** (-2.56)	-0.090** (-2.25)	0.071 (0.90)
<i>Female</i>		-0.131* (-1.94)	-0.107 (-1.57)	0.013 (0.12)
<i>Independence</i>		0.108*** (2.81)	0.170*** (4.36)	-0.020 (-0.28)
<i>Director own</i>		0.135 (0.48)	0.188 (0.65)	-1.257** (-2.08)
<i>Number of directorships held</i>		0.025*** (2.94)	0.024*** (2.72)	-0.037** (-2.50)
<i>Tenure</i>				0.056*** (4.88)
<i>Age</i>				0.009** (2.56)
<i>Pay</i>				0.000*** (3.93)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	35,416	35,416	35,416	10,729

Pseudo R ²	0.0058	0.0404	0.0713	0.0586
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Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Residual dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Residual dissent*_{*i,j,t*}, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. *Residual dissent* is calculated following Cai et al. (2009) to deal with the endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. *Dissent* is calculated as (proxy against) divided by the sum of (proxy for + proxy against + proxy discretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics measures. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder residual dissent and board turnover.

Consequence =	Base	Model excluding CEO related	Include all variables
Board turnover t+1	(1)	(2)	(3)
<i>Firm residual dissent</i>	0.194*** (5.34)	0.203*** (5.65)	0.174*** (4.84)
<i>Firm age</i>	-0.029* (-1.78)	-0.022 (-1.40)	-0.019 (-1.25)
<i>Firm size</i>	-0.001 (-0.15)	-0.002 (-0.49)	-0.004 (-1.06)
<i>ROA</i>	-0.007* (-1.89)	-0.007* (-1.94)	-0.006* (-1.69)
<i>Stock return</i>	-0.007* (-1.70)	-0.008** (-2.02)	-0.007* (-1.67)
<i>Dividend</i>	0.059 (0.40)	0.021 (0.14)	0.021 (0.15)
<i>B2M</i>	0.010 (1.12)	0.013 (1.38)	0.014 (1.51)
<i>Leverage</i>	0.000 (0.33)	0.000 (0.25)	0.000 (0.10)
<i>Top 20</i>		0.087*** (10.10)	0.089*** (10.47)
<i>Institutional</i>		0.020 (0.60)	0.021 (0.62)
<i>Board size</i>		-0.009*** (-3.47)	-0.011*** (-4.15)
<i>Board female</i>		-0.013 (-1.11)	-0.010 (-0.85)
<i>Board independence</i>		0.034*** (4.80)	0.033*** (4.59)
<i>Board own</i>		0.069** (2.00)	0.068** (2.02)
<i>CEO turnover</i>			0.159*** (17.20)
<i>CEO duality</i>			-0.008 (-0.29)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	19,664	19,664	19,664
Adjusted R ²	0.053	0.062	0.087

Hypothesis 2: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$Board\ turnover_{j,t+1} = \alpha + \beta Firm\ residual\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$
where $Board\ turnover_{j,t+1}$ is the board turnover at firm j for the period from the annual meeting at data t up to and including the next annual meeting date. $Firm\ residual\ dissent_{j,t}$ is the firm averaged residual shareholder dissent to directors facing election at the focal firm j at time t . $Residual\ dissent$ is calculated following Cai et al. (2009) to deal with the endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. $Dissent$ is calculated as (proxy against) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel D presents the results of the OLS regressions of shareholder residual dissent and change in directorships.

Consequence = Δ Directorships held t+1	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
	(1)	(2)	(3)	(4)
<i>Residual dissent</i>	0.013 (0.42)	0.020 (0.63)	0.022 (0.71)	0.022 (0.50)
<i>Firm age</i>	0.025 (1.44)	0.024 (1.39)	0.024 (1.40)	0.042* (1.65)
<i>Firm size</i>	-0.005 (-1.23)	-0.001 (-0.36)	-0.002 (-0.41)	-0.002 (-0.25)
<i>ROA</i>	0.004 (1.03)	0.003 (0.79)	0.003 (0.87)	0.002 (0.38)
<i>Stock return</i>	-0.006 (-1.22)	-0.006 (-1.14)	-0.006 (-1.18)	-0.005 (-0.66)
<i>Dividend</i>	-0.132 (-0.82)	-0.088 (-0.55)	-0.096 (-0.59)	-0.030 (-0.15)
<i>B2M</i>	-0.000 (-0.00)	-0.003 (-0.25)	-0.002 (-0.18)	-0.005 (-0.29)
<i>Leverage</i>	0.001 (0.57)	0.001 (0.61)	0.001 (0.55)	-0.000 (-0.14)
<i>Institutional</i>		-0.135*** (-2.91)	-0.137*** (-2.96)	-0.161*** (-2.74)
<i>Top 20</i>		-0.027** (-1.98)	-0.027** (-2.01)	-0.046** (-2.03)
<i>Board size</i>		0.002 (0.79)	0.002 (0.66)	0.004 (0.77)
<i>CEO turnover</i>			0.076*** (3.03)	0.053* (1.76)
<i>CEO duality</i>			0.038 (1.04)	0.065 (1.47)
<i>New</i>		0.047*** (6.68)	0.047*** (6.75)	0.064*** (5.49)
<i>Female</i>		0.048*** (4.68)	0.049*** (4.73)	0.061*** (4.72)
<i>Independence</i>		-0.032*** (-4.50)	-0.031*** (-4.28)	-0.030*** (-3.22)
<i>Director own</i>		-0.020 (-0.46)	-0.021 (-0.48)	-0.048 (-0.67)
<i>Busyness</i>		0.003*** (2.83)	0.003*** (2.80)	0.005*** (3.29)
<i>Age</i>				-0.009*** (-5.96)
<i>Tenure</i>				0.000 (0.45)
<i>Director pay</i>				-0.000 (-0.99)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	33,516	33,516	33,516	22,574
Adjusted R ²	0.006	0.009	0.010	0.019

Hypothesis 3. Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Residual dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta \text{Directorships held}_{i,j,t+1}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is

*Residual dissent*_{*i,j,t*} which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. *Residual dissent* is calculated following Cai et al. (2009) to deal with the endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. *Dissent* is calculated as (proxy against) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the logit regressions of shareholder residual dissent and CEO turnover.

Consequence = CEO turnover t + 1	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
	(1)	(2)	(3)	(4)
<i>Firm residual dissent</i>	1.395*** (5.34)	1.397*** (5.33)	1.416*** (5.37)	1.532*** (4.36)
<i>Firm age</i>	-0.189 (-1.25)	-0.171 (-1.14)	-0.139 (-0.92)	-0.373* (-1.72)
<i>Firm size</i>	0.143*** (4.36)	0.134*** (3.99)	0.130*** (3.86)	0.140*** (3.06)
<i>ROA</i>	-0.080** (-2.26)	-0.074** (-2.09)	-0.073** (-2.05)	-0.007 (-0.11)
<i>Stock return</i>	-0.093** (-2.33)	-0.093** (-2.31)	-0.094** (-2.32)	-0.139** (-2.56)
<i>Dividend</i>	0.334 (0.24)	0.314 (0.23)	0.346 (0.25)	-0.796 (-0.47)
<i>B2M</i>	-0.080 (-0.90)	-0.069 (-0.77)	-0.058 (-0.65)	-0.091 (-0.76)
<i>Leverage</i>	0.014 (1.04)	0.014 (1.05)	0.015 (1.15)	0.004 (0.22)
<i>Institutional</i>		-0.030 (-0.09)	-0.002 (-0.01)	0.493 (1.21)
<i>Top 20</i>		-0.107 (-1.22)	-0.127 (-1.44)	-0.217* (-1.84)
<i>Board size</i>		0.089*** (3.11)	0.096*** (3.32)	0.124*** (3.29)
<i>Board female</i>		-0.180 (-1.61)	-0.186* (-1.66)	-0.201 (-1.40)
<i>Board independence</i>		0.106* (1.70)	0.115* (1.85)	0.039 (0.48)
<i>Board own</i>		0.023 (0.07)	0.060 (0.18)	0.381 (0.86)
<i>CEO duality</i>		0.811*** (3.13)	0.802*** (3.07)	0.733** (2.20)
<i>CEO shareholding</i>			-3.127** (-2.05)	-6.604*** (-3.23)
<i>CEO nation</i>			0.679*** (6.55)	0.724*** (5.02)
<i>CEO age</i>				0.037*** (4.23)
<i>CEO tenure</i>				0.093*** (7.84)
<i>CEO busyness</i>				-0.820*** (-7.34)
<i>Abnormal CEO Pay</i>				0.015 (0.52)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	12,989	12,989	12,989	7,679
Pseudo R ²	0.0164	0.0192	0.0249	0.0557

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO dismissal.

Model:

$Logit(CEO\ turnover_{j,t+1}) = \alpha + \beta Firm\ residual\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$
where the dependent variable $CEO\ turnover_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $Firm\ residual\ dissent_{j,t}$. $Firm\ residual\ dissent$ is the firm averaged residual shareholder dissent to directors facing election at the focal firm j at time t . $Residual\ dissent$ is calculated following Cai et al. (2009) to deal with the

endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. *Dissent* is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel F presents the results of the OLS regressions of shareholder residual dissent and firm performance. Panel F1 presents the results of shareholder dissent and firm operating performance.

Consequence = Industry adjusted ROA $t + 1$	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm residual dissent</i>	-0.273** (-2.20)	-0.261** (-2.12)	-0.243* (-1.96)
<i>Firm size</i>	0.142*** (9.49)	0.143*** (9.46)	0.143*** (9.49)
<i>Firm age</i>	-0.079 (-1.43)	-0.080 (-1.44)	-0.080 (-1.45)
<i>Dividend</i>	0.470*** (2.58)	0.486*** (2.68)	0.494*** (2.72)
<i>B2M</i>	-0.110*** (-4.14)	-0.109*** (-4.14)	-0.110*** (-4.18)
<i>Leverage</i>	0.004 (0.76)	0.004 (0.78)	0.004 (0.78)
<i>Institutional</i>		-0.122 (-1.58)	-0.120 (-1.54)
<i>Top 20</i>		0.043 (1.44)	0.043 (1.47)
<i>Board size</i>		-0.019* (-1.83)	-0.018* (-1.76)
<i>Board female</i>		0.036* (1.83)	0.035* (1.77)
<i>Board independence</i>		0.004 (0.22)	0.003 (0.14)
<i>Board own</i>		0.178* (1.65)	0.183* (1.69)
<i>CEO turnover</i>			-0.085*** (-3.70)
<i>CEO duality</i>			-0.162 (-1.57)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,856	18,856	18,856
Adjusted R ²	0.269	0.269	0.270

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm residual dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at $t+1$ minus the industry averaged ROA within one year of election at $t+1$. ROA is return on assets. *Firm residual dissent_{j,t}* is the firm averaged residual shareholder dissent to directors facing election at the focal firm *j* at time *t*. *Residual dissent* is calculated following Cai et al. (2009) to deal with the endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. *Dissent* is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel F2 presents the results of shareholder dissent and firm stock market performance.

Consequence = Stock return $t + 1$	Base	Excluding CEO characteristics	Include all variables
	(1)	(2)	(3)
<i>Firm residual dissent</i>	-0.450*** (-6.88)	-0.451*** (-6.90)	-0.428*** (-6.53)
<i>ROA</i>	0.049*** (4.73)	0.048*** (4.67)	0.048*** (4.58)
<i>Firm size</i>	-0.263*** (-28.12)	-0.260*** (-27.62)	-0.260*** (-27.52)
<i>Firm age</i>	-0.051 (-1.27)	-0.052 (-1.28)	-0.052 (-1.28)
<i>Dividend</i>	0.302 (1.07)	0.312 (1.10)	0.306 (1.08)
<i>B2M</i>	0.461*** (22.42)	0.459*** (22.30)	0.460*** (22.37)
<i>Leverage</i>	0.009** (2.13)	0.009** (2.13)	0.009** (2.20)
<i>Institutional</i>		-0.205*** (-2.88)	-0.204*** (-2.86)
<i>Top 20</i>		-0.051** (-2.39)	-0.053** (-2.50)
<i>Board size</i>		-0.001 (-0.20)	-0.000 (-0.06)
<i>Board female</i>		-0.024 (-1.06)	-0.027 (-1.17)
<i>Board independence</i>		0.031** (2.15)	0.033** (2.28)
<i>Board own</i>		0.000 (0.00)	-0.006 (-0.08)
<i>CEO turnover</i>			-0.101*** (-5.99)
<i>CEO duality</i>			0.122* (1.78)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	16,336	16,336	16,336
Adjusted R ²	0.168	0.168	0.171

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$Stock\ return_{j,t+1} = \alpha + \beta Firm\ residual\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \epsilon_{j,t}$
where $Stock\ return_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $Firm\ residual\ dissent_{j,t}$ is the firm averaged residual shareholder dissent to directors facing election at the focal firm j at time t . $Residual\ dissent$ is calculated following Cai et al. (2009) to deal with the endogeneity issue. We first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return, and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as the main independent variable to test whether votes affect our hypothesized subsequent consequences, such as director turnover, director reputation, CEO turnover, board turnover, firm performance, and CEO remuneration. $Dissent$ is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include ROA , $Firm\ Size$, $Firm\ Age$, $Dividend$, $B2M$, and $Leverage$ as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Table 10: Traditional instrumental variable tests

Panel A presents the distribution of industry in the sample, and the descriptive statistics of instrumental variable.

Industry sector	Industry group	Frequency
10 Energy	101 Energy	2,865
15 Materials	151 Materials	10,505
	201 Capital Goods	1,438
20 Industrials	202 Commercial & Professional Services	899
	203 Transportation	341
	251 Automobiles & Components	158
	252 Consumer Durables & Apparel	364
25 Consumer Discretionary	253 Consumer Services	795
	254 Media	117
	255 Retailing	749
	301 Food & Staples Retailing	69
30 Consumer Staple	302 Food, Beverage & Tobacco	763
	303 Household & Personal Products	121
35 Health Care	351 Health Care Equipment & Services	1,204
	352 Pharmaceuticals, Biotechnology & Life Sciences	1,161
40 Financials	401 Banks	273
	402 Diversified Financials	2,452
	403 Insurance	175
45 Information Technology	451 Software & Services	1,881
	452 Technology Hardware & Equipment	515
	453 Semiconductors & Semiconductor Equipment	98
50 Communication Services	501 Telecommunication Services	1,070
55 Utilities	551 Utilities	440
60 Real Estate	601 Real Estate	1,019
<i>Total</i>		<i>29,472</i>

	N	Mean	P25	P50	P75	Range	SD
<u>Firm level</u>							
<i>Firm dissent</i>	29,087	0.035	0.000	0.003	0.023	0.470	0.090
<i>Industry median dissent</i>	29,472	0.004	0.002	0.004	0.005	0.017	0.004
<u>Director level</u>							
<i>Dissent</i>	59,466	0.035	0.000	0.002	0.017	0.554	0.103
<i>Industry median dissent</i>	58,599	0.006	0.002	0.004	0.007	0.025	0.006

Panel B presents the 2sls results of *Dissent* (instrumented) and subsequent director turnover.

	Dissent (1)	Director turnover t+1 (2)
<i>Industry median dissent (instrumental variable)</i>	1.7030*** (11.36)	
<i>Dissent (instrumented)</i>		0.1707* (1.67)
<i>Firm age</i>	0.0001*** (3.11)	-0.0364*** (-3.47)
<i>Firm size</i>	0.0020*** (6.43)	-0.0045 (-1.28)
<i>ROA</i>	-0.0021*** (-3.32)	-0.0054* (-1.70)
<i>Stock</i>	-0.0038*** (-4.95)	-0.0100*** (-2.61)
<i>Dividend</i>	-0.1040*** (-5.71)	0.0765 (0.69)
<i>B2M</i>	0.0091*** (6.68)	0.0156* (1.90)
<i>Leverage</i>	-0.0002 (-0.79)	0.0009 (0.91)
<i>Top 20</i>	-0.0110*** (-6.90)	0.1430*** (17.32)
<i>Institutional</i>	0.0175*** (3.30)	0.0610*** (2.61)
<i>Board size</i>	-0.0004 (-0.93)	-0.0006 (-0.32)
<i>CEO turnover</i>	-0.0045 (-1.08)	0.4600*** (28.12)
<i>CEO duality</i>	-0.0045 (-0.80)	-0.0894*** (-3.91)
<i>New</i>	0.0045*** (4.10)	-0.0111** (-2.55)
<i>Female</i>	-0.0095*** (-5.02)	-0.0176* (-1.80)
<i>Independence</i>	-0.0079*** (-7.05)	0.0174*** (2.64)
<i>Director own</i>	-0.0238** (-2.56)	0.0047 (0.14)
<i>Director busyness</i>	-0.0001 (-0.24)	0.0020** (2.03)
<i>Constant</i>	-0.0092* (-1.85)	
Firm FE	YES	YES
Year FE	YES	YES
Industry FE	YES	YES
Adjusted R ²	0.0138	
F-statistics	32.90	
(Prob > F)	(0.000)	
Centered R ²		0.0356
Anderson canon. Corr. LM statistic		41.876
(Chi-sq(2) P-val)		(0.000)
Cragg-Donald Wald F statistic		39.116
Sargan statistic		0.000
(Chi-sq(1) P-val)		(Equation exactly identified)

We run director turnover analyses using the linear probability models. The results of the linear probability models for the analysis of the turnover of directors are presented in the Appendix E.

Column (1) reports the first stage of 2SLS. Underidentification test (instrument relevance) Test joint significance the value of the *F-statistic* ($F= 32.90, p=0.000$). Weak identification test (weak instruments). Stock, Wright, and Yogo (2002) weak ID test critical values 10% maximal IV size 16.38. Rule of thumb: *F-statistic* > 10 => Instruments are not weak.

Column (2) presents the results of the second-stage analysis.

$$Director\ turnover_{i,j,t+1} = \alpha + \beta Dissent_{i,j,t} (instrumented) + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Industry\ FE + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. *Dissent*_{*i,j,t*} (*instrumented*) is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We selected one instrumental variables, which is the *Industry median dissent*. For each year, we compute the *Industry median dissent* as the median *Dissent* of all firms in the same 3-digic SIC industry. We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include industry, firm and year fixed effects.

t-values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel C presents the 2sls results of *Firm dissent (instrumented)* and subsequent board turnover ratio.

	Firm dissent t (1)	Board turnover t+1 (2)
<i>Industry median dissent (instrumental variable) t</i>	2.3670*** (5.50)	
<i>Firm dissent (instrumented) t</i>		0.3514** (2.44)
<i>Firm age</i>	0.0051 (1.34)	-0.0009 (-1.06)
<i>Firm size</i>	0.0037*** (4.44)	-0.0028 (-0.71)
<i>ROA</i>	-0.0027*** (-3.03)	-0.0073** (-1.97)
<i>Stock</i>	-0.0047*** (-4.03)	-0.0075* (-1.65)
<i>Dividend</i>	-0.0932*** (-2.62)	0.0951 (0.68)
<i>B2M</i>	0.0093*** (4.03)	0.0122 (1.28)
<i>Leverage</i>	0.0002 (0.53)	0.0005 (0.42)
<i>Top 20</i>	-0.0069*** (-3.06)	0.0858*** (9.53)
<i>Institutional</i>	0.0068 (0.78)	0.0116 (0.36)
<i>Board size</i>	0.0012 (1.52)	-0.0119*** (-4.15)
<i>Board female</i>	-0.0094*** (-3.20)	-0.0081 (-0.67)
<i>Board independence</i>	-0.0018 (-1.06)	0.0341*** (5.58)
<i>Board own</i>	-0.0036 (-0.41)	0.0692** (2.20)
<i>CEO turnover</i>	0.0115*** (6.04)	0.1580*** (16.27)
<i>CEO duality</i>	-0.0111 (-1.41)	-0.0096 (-0.33)
<i>Constant</i>	-0.1140** (-2.11)	
Firm FE	YES	YES
Year FE	YES	YES
Industry FE	YES	YES
Adjusted R ²	0.1169	
F-statistics	14.37	
(Prob > F)	(0.000)	
Centered R ²		0.0403
Anderson canon. Corr. LM statistic		41.891
(Chi-sq(2) P-val)		(0.000)
Cragg-Donald Wald F statistic		37.084
Sargan statistic		0.000
(Chi-sq(1) P-val)		(Equation exactly identified)
Observations	22,231	22,231

Column (1) reports the first stage of 2SLS. Underidentification test (instrument relevance) Test joint significance the value of the *F*-statistic ($F=14.37, p=0.000$). Weak identification test (weak instruments). Stock, Wright, and Yogo (2002) weak ID test critical values 10% maximal IV size 16.38, and 15% maximal IV size 8.96. Rule of thumb: *F*-statistic > 10 => Instruments are not weak.

Column (2) presents the results of the second-stage analysis.

$Board\ turnover_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} (instrumented) + \gamma Firm\ level\ controls_{j,t} + Industry\ FE + Firm\ FE + Year\ FE + \varepsilon_{j,t}$
where *Board turnover*_{*j,t+1*} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm dissent*_{*j,t*} (*instrumented*) is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We selected one instrumental variables, which is the *Industry median dissent*. For each year, we compute the *Industry median dissent* as the median *Firm dissent* of all firms in the same 3-digic SIC industry. We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include industry, firm and year fixed effects. *t*-values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel D presents the 2sls results of *Firm dissent (instrumented)* and subsequent CEO turnover.

	Firm dissent t (1)	CEO turnover t+1 (2)
<i>Industry median dissent (instrumental variable) t</i>	1.4430*** (10.50)	
<i>Firm dissent (instrumented) t</i>		1.1470** (2.30)
<i>Firm size</i>	0.0016*** (4.06)	0.0067* (1.70)
<i>Firm age</i>	0.0001* (1.85)	0.0027*** (3.31)
<i>ROA</i>	-0.0018** (-2.36)	-0.0043 (-1.13)
<i>Stock</i>	-0.0046*** (-4.84)	-0.0025 (-0.55)
<i>Dividend</i>	-0.1220*** (-5.22)	0.1340 (0.93)
<i>B2M</i>	0.0099*** (5.97)	-0.0077 (-0.80)
<i>Leverage</i>	0.0001 (0.28)	0.0012 (0.91)
<i>Institutional</i>	0.0188*** (2.64)	-0.0151 (-0.44)
<i>Top 20</i>	-0.0105*** (-5.45)	-0.0065 (-0.70)
<i>Board size</i>	0.0022*** (3.15)	0.0097*** (3.21)
<i>Board female</i>	-0.0044 (-1.63)	-0.0024 (-0.20)
<i>Board independence</i>	-0.0025* (-1.74)	0.0123* (1.88)
<i>Board own</i>	-0.0055 (-0.66)	0.0022 (0.06)
<i>CEO duality</i>	-0.0021 (-0.28)	0.1020*** (3.31)
<i>CEO own</i>	-0.0324*** (-3.50)	-0.4170* (-1.92)
<i>CEO nation</i>	-0.0023 (-0.90)	0.0908*** (7.75)
<i>Constant</i>	-0.0017 (-0.25)	
Firm FE	YES	YES
Year FE	YES	YES
Industry FE	YES	YES
Adjusted R ²	0.0161	
F-statistics	22.66	
(Prob > F)	(0.000)	
Centered R ²		-0.0589
Anderson canon. Corr. LM statistic		67.380
(Chi-sq(2) P-val)		(0.000)
Cragg-Donald Wald F statistic		59.714
Sargan statistic		0.000
(Chi-sq(1) P-val)		(Equation exactly identified)
Observations	22,445	22,231

We run CEO's turnover analyses using the linear probability models. The results of the linear probability models for the analysis of the turnover of CEOs are presented in the Appendix E.

Column (1) reports the first stage of 2SLS. Underidentification test (instrument relevance) Test joint significance the value of the *F*-statistic ($F= 22.66, p=0.000$). Weak identification test (weak instruments). Stock, Wright, and Yogo (2002) weak ID test critical values 10% maximal IV size: 16.38. Rule of thumb: *F*-statistic > 10 => Instruments are not weak.

Column (2) presents the results of the second-stage analysis.

$CEO\ turnover_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t}\ (instrumented) + \gamma Firm\ level\ controls_{j,t} + Industry\ FE + Firm\ FE + Year\ FE + \epsilon_{j,t}$
where *CEO turnover*_{*j,t+1*} is a continuous variable, which takes a value of 1 if CEO at firm *j* who faces an election at time *t* is no longer on the board for the fiscal year *t+1*, and 0 otherwise. *Firm dissent*_{*j,t*} (*instrumented*) is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We selected one instrumental variables, which is the *Industry median dissent*. For each year, we compute the *Industry median dissent* as the median *Firm dissent* of all firms in the same 3-digic SIC industry. We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include industry, firm and year fixed effects. *t*-values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E presents the 2sls results of *Firm dissent* (instrumented) and subsequent firm performance.

	Firm dissent t (1)	Abnormal ROA t+1 (2)	Stock return t+1 (3)
<i>Industry median dissent (instrumental variable) t</i>	1.4670*** (11.45)		
<i>Firm dissent (instrumented) t</i>		-4.5050*** (-2.94)	-10.9500*** (-5.00)
<i>Firm size</i>	0.0007** (2.09)	0.1490*** (18.19)	-0.2230*** (-17.69)
<i>Firm age</i>	0.0002*** (3.78)	-0.0083*** (-3.37)	0.0338*** (10.87)
<i>Dividend</i>	-0.1060*** (-1.90)	-0.3430 (-0.84)	-1.3790** (-2.50)
<i>B2M</i>	0.0111*** (8.13)	-0.0656** (-2.37)	0.6050*** (14.67)
<i>Leverage</i>	0.0004* (1.68)	0.0062 (1.61)	0.0172*** (3.22)
<i>Institutional</i>	0.0238*** (3.86)	0.0014 (0.02)	-0.0204 (-0.15)
<i>Top 20</i>	-0.0094*** (-5.50)	-0.0085 (-0.34)	-0.1680*** (-4.61)
<i>Board size</i>	0.0018*** (3.06)	0.0005 (0.06)	0.0188 (1.63)
<i>Board female</i>	-0.0024 (-0.92)	0.0151 (0.43)	-0.1010** (-2.17)
<i>Board independence</i>	-0.0015 (-1.14)	0.0018 (0.10)	0.0027 (0.11)
<i>Board own</i>	-0.0059 (-0.77)	0.1930** (2.05)	-0.0895 (-0.72)
<i>CEO duality</i>	-0.0020 (-0.29)	-0.1910** (-2.37)	-0.0325 (-0.30)
<i>CEO turnover</i>	0.0156*** (9.29)	-0.0320 (-1.02)	0.0409 (0.99)
<i>Constant</i>	0.0064 (1.28)		
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Industry FE	YES	YES	YES
Adjusted R ²	0.016		
F-statistics	30.43		
(Prob > F)	(0.000)		
Centered R ²		-0.1565	-1.5197
Anderson canon. Corr. LM statistic		57.193	40.647
(Chi-sq(2) P-val)		(0.000)	(0.000)
Cragg-Donald Wald F statistic		50.842	35.575
Sargan statistic		0.000	0.000
(Chi-sq(1) P-val)		(Equation exactly identified)	(Equation exactly identified)
Observations	27,044	22,751	18,485

Column (1) reports the first stage of 2SLS. Underidentification test (instrument relevance) Test joint significance the value of the *F-statistic* ($F= 30.43, p=0.000$). Weak identification test (weak instruments). Stock, Wright, and Yogo (2002) weak ID test critical values: 10% maximal IV size 16.38; Rule of thumb: *F-statistic* > 10 => Instruments are not weak.

Column (2) and (3) presents the results of the second-stage analysis.

$$Firm\ performance_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} (instrumented) + \gamma Firm\ level\ controls_{j,t} + Industry\ FE + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where $Firm\ performance_{j,t+1}$ is $Industry\ adjusted\ ROA_{j,t+1}$ and $Stock\ return_{j,t+1}$. $Industry\ adjusted\ ROA_{j,t+1}$ is a continuous variable, which is the ROA for firm j within one year of election at $t+1$ minus the industry averaged ROA within one year of election at $t+1$. ROA is return on assets. $Stock\ return_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $Firm\ dissent_{j,t} (instrumented)$ is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We selected one instrumental variables, which is the *Industry median dissent*. For each year, we compute the *Industry median dissent* as the median *Firm dissent* of all firms in the same 3-digit SIC industry. We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include industry, firm and year fixed effects. t -values are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 11: Oster's omitted variable bias test

Dependent variable	$\tilde{\beta}$	$\hat{\beta}$	\tilde{R}	\hat{R}	$[\beta^*, \tilde{\beta}]$
<i>Director turnover</i>	0.1297	0.0979	0.064	0.001	0.0778, 0.1297
<i>Board turnover</i>	0.1687	0.1950	0.054	0.003	0.1687, 0.2596
<i>ΔDirectorships held</i>	-0.0117	-0.0093	0.006	0.000	-0.0633, -0.0117
<i>CEO turnover</i>	0.2650	0.2877	0.018	0.005	0.2650, 0.4250
<i>Firm performance ROA</i>	-0.1470	-0.0676	0.134	0.000	-0.4286, -0.1470
<i>Firm performance stock</i>	-0.3399	-0.3940	0.116	0.003	-0.3399, -0.1761

This table presents Oster's omitted variable bias test results for our baseline models. We estimate director's, and CEO's turnover analyses using the linear probability models. The results of the linear probability models for the analysis of the turnover of directors and CEOs are presented in the Appendix E. δ (Delta), which is the variable size of the unobservables as compared to observables that are needed to drive away the results, is set to equal to 1. $\tilde{\beta}$ represents the coefficient of the main variable of interest, either shareholder dissent on a certain director or the firm-level shareholder dissent, in the model that includes all control variables. $\hat{\beta}$ is the coefficient of the main variable of interest, either shareholder dissent on a certain director or the firm-level shareholder dissent, in the model that does not include controls. \tilde{R} is the R-squared for the model that includes all control variables, and \hat{R} is the R-squared for the model that does not include controls. We employed a specification at which $R_{\max} = 1.3$ times \tilde{R} , as suggested by Oster (2019). We set the confidence level at 99.9%. We have firm and year fixed effects, and control variables are constant with our baseline models.

Note: $\beta^* \approx \tilde{\beta} - \delta [\hat{\beta} - \tilde{\beta}] \frac{R_{\max} - \tilde{R}}{\tilde{R} - \hat{R}}$

The severity of such omission can be formally tested using Oster's (2019) omitted variable bias test. Oster (2019) provides a neat method to estimate the likelihood of having an omitted variable bias in a test by constructing a set, denoted as $[\beta^*, \tilde{\beta}]$, based on a group of assumptions. If this set includes zero, it indicates that an omitted variable is likely, and vice versa.

Table 12: Size of shareholder dissent votes and consequences

Panel A presents the distribution of shareholder dissent levels.

	N	Percentage of sample
<i>Director level</i>		
Zero	59,466	0.180
Greater than 0 but less than 1%	59,466	0.505
Between 1% and 5%	59,466	0.180
Between 5% and 10%	59,466	0.053
Between 10% and 15%	59,466	0.027
Between 15 and 20%	59,466	0.017
Between 20 and 25%	59,466	0.011
Between 25 and 50%	59,466	0.025
50% and higher	59,466	0.012
<i>Firm level</i>		
Zero	28,788	0.197
Greater than 0 but less than 1%	28,788	0.449
Between 1% and 5%	28,788	0.168
Between 5% and 10%	28,788	0.065
Between 10% and 15%	28,788	0.030
Between 15 and 20%	28,788	0.018
Between 20 and 25%	28,788	0.012
Between 25 and 50%	28,788	0.028
50% and higher	28,788	0.007

Panel B presents the summary statistics of dummies including dissent above zero and below 1%, dissent above 1% and below 5%, dissent above 5% and below 10%, and dissent 10% and above.

	N	Mean	P25	P50	P75	SD
<i>Director level</i>						
Dissent zero	59,466	0.180	0	0	0	0.384
Dissent above zero and less than or equal 1%	59,466	0.505	0	1	1	0.500
Dissent above 1% and less than or equal 5%	59,466	0.171	0	0	0	0.376
Dissent above 5% and less than or equal 10%	59,466	0.053	0	0	0	0.224
Dissent above 10% and above	59,466	0.091	0	0	0	0.288
<i>Firm level</i>						
Dissent zero	28,788	0.197	0	0	0	0.398
Dissent above zero and less than or equal 1%	28,788	0.499	0	0	1	0.500
Dissent above 1% and less than or equal 5%	28,788	0.168	0	0	0	0.374
Dissent above 5% and less than or equal 10%	28,788	0.065	0	0	0	0.246
Dissent above 10% and above	28,788	0.095	0	0	0	0.293

Panel C presents the results of the logit regressions of different levels of shareholder dissent and director turnover.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent above zero and less than or equal 1%</i>	-0.102** (-1.99)	-0.098* (-1.86)	-0.084 (-1.56)	-0.025 (-0.24)
<i>Dissent above 1% and less than or equal 5%</i>	0.164*** (2.72)	0.184*** (3.00)	0.188*** (3.02)	0.273** (2.33)
<i>Dissent above 5% and less than or equal 10%</i>	0.293*** (3.80)	0.299*** (3.81)	0.312*** (3.91)	0.181 (1.25)
<i>Dissent 10% and above</i>	0.460*** (6.96)	0.495*** (7.33)	0.530*** (7.74)	0.659*** (5.12)
<i>ROA</i>	-0.058*** (-2.90)	-0.048** (-2.35)	-0.033 (-1.58)	0.009 (0.17)
<i>Stock return</i>	-0.053** (-2.17)	-0.084*** (-3.36)	-0.107*** (-4.19)	-0.113** (-2.36)
<i>Firm size</i>	-0.003 (-0.13)	-0.045** (-2.15)	-0.056*** (-2.66)	-0.062 (-1.47)
<i>Firm age</i>	-0.404*** (-4.67)	-0.327*** (-3.64)	-0.351*** (-3.82)	-0.188 (-1.06)
<i>Dividend</i>	0.518 (0.57)	0.004 (0.00)	0.067 (0.07)	0.982 (0.69)
<i>B2M</i>	0.070 (1.22)	0.114** (1.96)	0.121** (2.05)	0.138 (1.26)
<i>Leverage</i>	0.010 (1.28)	0.011 (1.29)	0.008 (0.96)	0.026 (1.64)
<i>Institutional</i>		1.318*** (6.22)	1.241*** (5.76)	0.202 (0.54)
<i>Top 20</i>		1.563*** (24.64)	1.598*** (24.64)	0.063 (0.43)
<i>Board size</i>		0.020 (1.24)	0.005 (0.29)	0.028 (0.97)
<i>CEO turnover</i>			2.738*** (25.89)	2.628*** (15.15)
<i>CEO duality</i>			-1.144*** (-5.45)	-1.269*** (-4.57)
<i>New</i>		-0.095** (-2.53)	-0.083** (-2.16)	0.067 (0.89)
<i>Female</i>		-0.152** (-2.39)	-0.126* (-1.95)	-0.053 (-0.52)
<i>Independence</i>		0.126*** (3.46)	0.186*** (5.00)	-0.032 (-0.48)
<i>Director own</i>		0.145 (0.54)	0.174 (0.63)	-1.297** (-2.23)
<i>No. of directorships held</i>		0.025*** (3.06)	0.023*** (2.78)	-0.036** (-2.54)
<i>Tenure</i>				0.062*** (5.69)
<i>Age</i>				0.009** (2.50)
<i>Director pay</i>				0.000*** (3.65)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.0102	0.0452	0.0750	0.0583

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta_1 \text{Dissent}(0\%, 1\%]_{i,j,t} + \beta_2 \text{Dissent}(1\%, 5\%]_{i,j,t} + \beta_3 \text{Dissent}(5\%, 10\%]_{i,j,t} + \beta_4 \text{Dissent}(10\%, 100\%]_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce four dummies *Dissent*(0%, 1%]_{*i,j,t*}, *Dissent*(1%, 5%]_{*i,j,t*}, *Dissent*(5%, 10%]_{*i,j,t*}, *Dissent*(10%, 100%]_{*i,j,t*} which measures dissent level above zero and less than or equal 1%, dissent level above 1% and less than or equal 5%, dissent level above 5% and less than or equal 10%, dissent level above 10%, respectively. We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel D presents the regression results of different levels of shareholder dissent and board turnover.

Consequence = Board turnover t + 1	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Dissent above zero and less than or equal 1%</i>	-0.009 (-1.42)	-0.010 (-1.50)	-0.009 (-1.36)
<i>Dissent above 1% and less than or equal 5%</i>	0.010 (1.22)	0.011 (1.34)	0.010 (1.25)
<i>Dissent above 5% and less than or equal 10%</i>	0.028*** (2.76)	0.029*** (2.94)	0.029*** (2.89)
<i>Dissent 10% and above</i>	0.055*** (5.69)	0.058*** (5.96)	0.050*** (5.21)
<i>Firm age</i>	-0.032** (-2.07)	-0.026* (-1.70)	-0.024 (-1.61)
<i>Firm size</i>	0.000 (0.06)	-0.001 (-0.26)	-0.003 (-0.88)
<i>ROA</i>	-0.008** (-2.05)	-0.008** (-2.12)	-0.007* (-1.84)
<i>Stock return</i>	-0.007* (-1.92)	-0.009** (-2.28)	-0.007* (-1.88)
<i>Dividend</i>	0.097 (0.75)	0.072 (0.55)	0.066 (0.52)
<i>B2M</i>	0.009 (1.04)	0.011 (1.29)	0.012 (1.37)
<i>Leverage</i>	0.001 (0.68)	0.001 (0.58)	0.001 (0.43)
<i>Top 20</i>		0.085*** (10.33)	0.087*** (10.66)
<i>Institutional</i>		0.007 (0.24)	0.009 (0.28)
<i>Board size</i>		-0.009*** (-3.65)	-0.011*** (-4.37)
<i>Board female</i>		-0.009 (-0.78)	-0.007 (-0.65)
<i>Board independence</i>		0.035*** (5.33)	0.034*** (5.17)
<i>Board own</i>		0.062* (1.93)	0.061* (1.95)
<i>CEO turnover</i>			0.158*** (17.78)
<i>CEO duality</i>			-0.010 (-0.37)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,087	22,087	22,087
Adjusted R ²	0.056	0.065	0.089

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta_1 Firm\ dissent(0\%, 1\%)_{j,t} + \beta_2 Firm\ dissent(1\%, 5\%)_{j,t} + \beta_3 Firm\ dissent(5\%, 10\%)_{j,t} + \beta_4 Firm\ dissent(10\%, 100\%)_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \epsilon_{j,t}$$

where *Board turnover*_{j,t+1} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm dissent* is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce *Firm dissent(0%, 1%)_{j,t}*, *Firm dissent(1%, 5%)_{j,t}*, *Firm dissent(5%, 10%)_{j,t}*, and *Firm dissent(10%, 100%)_{j,t}*, which represents firm average dissent above zero and less than or equal 1%, firm average dissent above 1% and less than or equal 5%, firm average dissent above 5% and less than or equal 10%, and firm average dissent above 10%, respectively. We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E presents the regression results of different levels of shareholder dissent and change in directorships held.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+1	(1)	(2)	(3)	(4)
<i>Dissent above zero and less than or equal 1%</i>	-0.014 (-1.40)	-0.014 (-1.49)	-0.014 (-1.47)	-0.007 (-0.47)
<i>Dissent above 1% and less than or equal 5%</i>	-0.034*** (-3.01)	-0.033*** (-2.87)	-0.033*** (-2.88)	-0.029* (-1.74)
<i>Dissent above 5% and less than or equal 10%</i>	-0.030** (-2.07)	-0.027* (-1.91)	-0.027* (-1.90)	-0.022 (-1.08)
<i>Dissent 10% and above</i>	-0.007 (-0.54)	-0.005 (-0.33)	-0.004 (-0.29)	0.004 (0.19)
<i>Firm age</i>	0.023 (1.41)	0.023 (1.39)	0.023 (1.41)	0.036 (1.52)
<i>Firm size</i>	-0.003 (-0.90)	-0.000 (-0.12)	-0.001 (-0.17)	-0.001 (-0.17)
<i>ROA</i>	0.003 (0.79)	0.002 (0.58)	0.002 (0.68)	0.001 (0.24)
<i>Stock return</i>	-0.008* (-1.66)	-0.007 (-1.55)	-0.007 (-1.60)	-0.007 (-1.05)
<i>Dividend</i>	-0.071 (-0.49)	-0.042 (-0.28)	-0.047 (-0.32)	0.022 (0.12)
<i>B2M</i>	0.001 (0.10)	-0.001 (-0.11)	-0.001 (-0.06)	-0.006 (-0.35)
<i>Leverage</i>	0.000 (0.24)	0.000 (0.26)	0.000 (0.21)	-0.001 (-0.48)
<i>Institutional</i>		-0.117*** (-2.83)	-0.118*** (-2.87)	-0.126*** (-2.45)
<i>Top 20</i>		-0.026** (-2.03)	-0.026** (-2.04)	-0.041* (-1.94)
<i>Board size</i>		0.001 (0.29)	0.000 (0.16)	0.001 (0.35)
<i>CEO turnover</i>			0.078*** (3.32)	0.060** (2.09)
<i>CEO duality</i>			0.039 (1.15)	0.061 (1.45)
<i>New</i>		0.047*** (7.03)	0.047*** (7.10)	0.065*** (6.00)
<i>Female</i>		0.039*** (4.28)	0.040*** (4.34)	0.048*** (4.09)
<i>Independence</i>		-0.028*** (-4.25)	-0.027*** (-4.03)	-0.028*** (-3.24)
<i>Director own</i>		-0.020 (-0.48)	-0.022 (-0.53)	-0.043 (-0.66)
<i>Busyness</i>		0.003*** (2.61)	0.003*** (2.58)	0.005*** (3.02)
<i>Age</i>				-0.009*** (-6.27)
<i>Tenure</i>				-0.009*** (-6.22)
<i>Director pay</i>				0.000 (0.08)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,949	37,949	37,949	25,669
Adjusted R ²	0.006	0.009	0.009	0.019

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.*

Model:

$$\Delta Directorships\ held_{i,j,t+1} = \alpha + \beta_1 Dissent(0\%,1\%)_{i,j,t} + \beta_2 Dissent(1\%,5\%)_{i,j,t} + \beta_3 Dissent(5\%,10\%)_{i,j,t} + \beta_4 Dissent(10\%,100\%)_{i,j,t} + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce four dummies $Dissent(0\%,1\%)_{i,j,t}$, $Dissent(1\%,5\%)_{i,j,t}$, $Dissent(5\%,10\%)_{i,j,t}$, $Dissent(10\%,100\%)_{i,j,t}$ which measures dissent level above zero and less than or equal 1%, dissent level above 1% and less than or equal 5%, dissent level above 5% and less than or equal 10%, dissent level above 10%, respectively. We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel F presents the logit regressions results of different levels of shareholder dissent and CEO turnover.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent above zero and less than or equal 1%</i>	-0.053 (-0.77)	-0.063 (-0.92)	-0.064 (-0.93)	-0.134 (-1.47)
<i>Dissent above 1% and less than or equal 5%</i>	0.057 (0.72)	0.051 (0.65)	0.059 (0.75)	0.030 (0.29)
<i>Dissent above 5% and less than or equal 10%</i>	0.071 (0.73)	0.067 (0.69)	0.069 (0.72)	-0.026 (-0.21)
<i>Dissent 10% and above</i>	0.443*** (5.14)	0.439*** (5.08)	0.442*** (5.11)	0.422*** (3.68)
<i>Firm age</i>	-0.126 (-0.87)	-0.113 (-0.78)	-0.080 (-0.55)	-0.469** (-2.21)
<i>Firm size</i>	0.148*** (4.65)	0.139*** (4.28)	0.136*** (4.18)	0.137*** (3.11)
<i>ROA</i>	-0.089** (-2.56)	-0.084** (-2.41)	-0.084** (-2.40)	-0.026 (-0.47)
<i>Stock return</i>	-0.107*** (-2.71)	-0.106*** (-2.68)	-0.105*** (-2.65)	-0.140*** (-2.64)
<i>Dividend</i>	0.487 (0.38)	0.503 (0.39)	0.469 (0.37)	-0.263 (-0.17)
<i>B2M</i>	-0.064 (-0.73)	-0.052 (-0.59)	-0.042 (-0.48)	-0.048 (-0.41)
<i>Leverage</i>	0.014 (1.09)	0.014 (1.11)	0.016 (1.25)	-0.000 (-0.02)
<i>Institutional</i>		-0.090 (-0.28)	-0.054 (-0.17)	0.362 (0.96)
<i>Top 20</i>		-0.090 (-1.07)	-0.109 (-1.29)	-0.178 (-1.58)
<i>Board size</i>		0.096*** (3.47)	0.104*** (3.74)	0.127*** (3.52)
<i>Board female</i>		-0.097 (-0.93)	-0.096 (-0.92)	-0.073 (-0.55)
<i>Board independence</i>		0.085 (1.40)	0.092 (1.51)	0.023 (0.30)
<i>Board own</i>		-0.012 (-0.04)	0.027 (0.09)	0.236 (0.54)
<i>CEO duality</i>		0.839*** (3.30)	0.833*** (3.25)	0.641* (1.94)
<i>CEO shareholding</i>			-2.042 (-1.26)	-5.036** (-2.46)
<i>CEO nation</i>			0.649*** (6.55)	0.681*** (4.93)
<i>CEO age</i>				0.037*** (4.38)
<i>CEO tenure</i>				0.093*** (8.25)
<i>CEO busyness</i>				-0.825*** (-7.63)
<i>Abnormal CEO pay</i>				0.013 (0.46)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,180	14,180	14,180	8,438
Pseudo R ²	0.0172	0.0198	0.0249	0.0542

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.*

Model:

$$\text{Logit}(CEO\text{ turnover}_{j,t+1}) = \alpha + \beta_1 \text{Firm dissent}(0\%, 1\%]_{j,t} + \beta_2 \text{Firm dissent}(1\%, 5\%]_{j,t} + \beta_3 \text{Firm dissent}(5\%, 10\%]_{j,t} + \beta_4 \text{Firm dissent}(10\%, 100\%]_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $CEO\text{ turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Firm dissent*, which is estimated for the firm-level averaged shareholder dissent for all shareholders facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce $\text{Firm dissent}(0\%, 1\%]_{j,t}$, $\text{Firm dissent}(1\%, 5\%]_{j,t}$, $\text{Firm dissent}(5\%, 10\%]_{j,t}$, and $\text{Firm dissent}(10\%, 100\%]_{j,t}$, which represents firm average dissent above zero and less than or equal 1%, firm average dissent above 1% and less than or equal 5%, firm average dissent above 5% and less than or equal 10%, and firm average dissent above 10%, respectively. We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel G presents the regression results of different levels of shareholder dissent and firm performance. Panel G1 presents the results of shareholder dissent and firm operating performance.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Dissent above zero and less than or equal 1%</i>	-0.001 (-0.05)	-0.002 (-0.10)	-0.002 (-0.11)
<i>Dissent above 1% and less than or equal 5%</i>	-0.013 (-0.61)	-0.014 (-0.64)	-0.013 (-0.58)
<i>Dissent above 5% and less than or equal 10%</i>	-0.015 (-0.62)	-0.015 (-0.62)	-0.014 (-0.59)
<i>Dissent 10% and above</i>	-0.063** (-2.32)	-0.062** (-2.29)	-0.057** (-2.08)
<i>Firm size</i>	0.138*** (10.32)	0.139*** (10.28)	0.140*** (10.32)
<i>Firm age</i>	-0.095* (-1.83)	-0.094* (-1.82)	-0.094* (-1.81)
<i>Dividend</i>	0.399*** (2.66)	0.406*** (2.72)	0.411*** (2.74)
<i>B2M</i>	-0.092*** (-3.94)	-0.090*** (-3.87)	-0.091*** (-3.90)
<i>Leverage</i>	0.003 (0.74)	0.004 (0.75)	0.004 (0.75)
<i>Institutional</i>		-0.094 (-1.54)	-0.091 (-1.49)
<i>Top 20</i>		0.026 (1.03)	0.026 (1.04)
<i>Board size</i>		-0.009 (-1.14)	-0.008 (-1.06)
<i>Board female</i>		0.036** (2.10)	0.035** (2.08)
<i>Board independence</i>		0.004 (0.24)	0.003 (0.19)
<i>Board own</i>		0.194** (2.06)	0.198** (2.09)
<i>CEO turnover</i>			-0.088*** (-4.26)
<i>CEO duality</i>			-0.137 (-1.47)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,597	22,597	22,597
Adjusted R ²	0.261	0.261	0.262

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta_1 \text{Firm dissent}(0\%, 1\%)_{j,t} + \beta_2 \text{Firm dissent}(1\%, 5\%)_{j,t} + \beta_3 \text{Firm dissent}(5\%, 10\%)_{j,t} + \beta_4 \text{Firm dissent}(10\%, 100\%)_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t+1*. ROA is return on assets. *Firm dissent* is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce *Firm dissent(0%, 1%)_{j,t}*, *Firm dissent(1%, 5%)_{j,t}*, *Firm dissent(5%, 10%)_{j,t}*, and *Firm dissent(10%, 100%)_{j,t}*, which represents firm average dissent above zero and less than or equal 1%, firm average dissent above 1% and less than or equal 5%, firm average dissent above 5% and less than or equal 10%, and firm average dissent above 10%, respectively. We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel G2 presents the results of shareholder dissent and firm stock market performance.

Consequence = Stock return t+1	Base	Excluding CEO characteristics (2)	Include all variables (3)
<i>Dissent above zero and less than or equal 1%</i>	-0.007 (-0.45)	-0.007 (-0.46)	-0.008 (-0.54)
<i>Dissent above 1% and less than or equal 5%</i>	-0.070*** (-4.05)	-0.072*** (-4.16)	-0.071*** (-4.13)
<i>Dissent above 5% and less than or equal 10%</i>	-0.065*** (-3.20)	-0.062*** (-3.09)	-0.062*** (-3.07)
<i>Dissent 10% and above</i>	-0.135*** (-6.66)	-0.135*** (-6.69)	-0.129*** (-6.38)
<i>ROA</i>	0.041*** (4.08)	0.041*** (4.01)	0.040*** (3.93)
<i>Firm size</i>	-0.252*** (-27.79)	-0.250*** (-27.38)	-0.249*** (-27.29)
<i>Firm age</i>	-0.087** (-2.21)	-0.088** (-2.22)	-0.087** (-2.21)
<i>Dividend</i>	0.201 (0.80)	0.216 (0.86)	0.214 (0.86)
<i>B2M</i>	0.461*** (23.09)	0.459*** (23.01)	0.460*** (23.07)
<i>Leverage</i>	0.013*** (3.10)	0.013*** (3.10)	0.013*** (3.16)
<i>Institutional</i>		-0.230*** (-3.65)	-0.228*** (-3.61)
<i>Top 20</i>		-0.053*** (-2.68)	-0.055*** (-2.77)
<i>Board size</i>		-0.001 (-0.14)	0.000 (0.01)
<i>Board female</i>		-0.022 (-1.06)	-0.023 (-1.12)
<i>Board independence</i>		0.037*** (2.75)	0.038*** (2.84)
<i>Board own</i>		0.013 (0.17)	0.007 (0.09)
<i>CEO turnover</i>			-0.094*** (-5.82)
<i>CEO duality</i>			0.090 (1.43)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,357	18,357	18,357
Adjusted R ²	0.166	0.167	0.169

Additional analysis of votes aggressiveness and strength of effects: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Stock return}_{j,t+1} = \alpha + \beta_1 \text{Firm dissent}(0\%, 1\%)_{j,t} + \beta_2 \text{Firm dissent}(1\%, 5\%)_{j,t} + \beta_3 \text{Firm dissent}(5\%, 10\%)_{j,t} + \beta_4 \text{Firm dissent}(10\%, 100\%)_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\text{Stock return}_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. *Firm dissent* is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Here we introduce *Firm dissent*(0%, 1%) _{j,t} , *Firm dissent*(1%, 5%) _{j,t} , *Firm dissent*(5%, 10%) _{j,t} , and *Firm dissent*(10%, 100%) _{j,t} , which represents firm average dissent above zero and less than or equal 1%, firm average dissent above 1% and less than or equal 5%, firm average dissent above 5% and less than or equal 10%, and firm average dissent above 10%, respectively. We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 13: Interaction term: addition of a two-way interaction term between director characteristics and dissent

This table presents the table of the results of the logit regressions of shareholder dissent and director turnover, adding interaction terms.

Consequence =	Base	Add <i>Female</i> *	Add <i>Ind.</i> *	Add <i>Age</i> *	Add <i>Tenure</i> *	Add <i>Auditcom</i>	Add <i>Auditchair</i>	Add <i>Remcom</i> *	Add <i>Remchair</i>	Add <i>Nomcom</i> *	Add <i>Nomchair</i>	Add <i>New</i>
Director turnover t + 1	(1)	<i>Dissent</i>	<i>Dissent</i>	<i>Dissent</i>	<i>Dissent</i>	<i>*Dissent</i>	<i>*Dissent</i>	<i>Dissent</i>	<i>*Dissent</i>	<i>Dissent</i>	<i>*Dissent</i>	<i>*Dissent</i>
<u>Interaction term</u>												
<i>Female * Dissent</i>		2.211*										
		(1.93)										
<i>Independence * Dissent</i>			-0.272									
			(-0.51)									
<i>Age * Dissent</i>				0.067***								
				(2.59)								
<i>Tenure * Dissent</i>					-0.238***							
					(-2.68)							
<i>Audit comm. member * Dissent</i>						0.741						
						(1.39)						
<i>Audit comm. chair * Dissent</i>							0.080					
							(0.11)					
<i>Rem. comm. member * Dissent</i>								0.508				
								(0.89)				
<i>Rem. comm. chair * Dissent</i>									2.283***			
									(2.78)			
<i>Nom. comm. member * Dissent</i>										-0.813		
										(-1.25)		
<i>Nom. comm. chair * Dissent</i>											1.808*	
											(1.78)	
<i>New * Dissent</i>												0.323
												(0.48)
<u>Main independent variable</u>												
<i>Dissent</i>	1.906***	1.794***	2.046***	2.068***	2.583***	1.580***	1.893***	1.749***	1.669***	2.083***	1.797***	1.842***
	(6.72)	(6.19)	(5.17)	(6.32)	(6.85)	(4.30)	(6.19)	(5.24)	(5.64)	(6.56)	(6.19)	(5.87)
<u>Director's characteristics</u>												
<i>Female</i>	-0.052	-0.131	-0.053	-0.057	-0.052	-0.053	-0.052	-0.051	-0.051	-0.053	-0.053	-0.052
	(-0.50)	(-1.16)	(-0.51)	(-0.55)	(-0.50)	(-0.51)	(-0.51)	(-0.49)	(-0.49)	(-0.51)	(-0.51)	(-0.50)
<i>Independence</i>	-0.058	-0.061	-0.047	-0.056	-0.053	-0.056	-0.058	-0.059	-0.055	-0.059	-0.055	-0.059
	(-0.84)	(-0.88)	(-0.64)	(-0.80)	(-0.76)	(-0.80)	(-0.84)	(-0.85)	(-0.80)	(-0.85)	(-0.80)	(-0.85)
<i>Age</i>	0.008**	0.008**	0.008**	0.005	0.008**	0.008**	0.008**	0.008**	0.008**	0.008**	0.008**	0.008**
	(2.30)	(2.27)	(2.30)	(1.34)	(2.31)	(2.29)	(2.30)	(2.28)	(2.23)	(2.32)	(2.30)	(2.30)
<i>Tenure</i>	0.067***	0.067***	0.067***	0.067***	0.079***	0.067***	0.067***	0.067***	0.068***	0.067***	0.068***	0.067***
	(6.12)	(6.11)	(6.13)	(6.08)	(6.70)	(6.08)	(6.11)	(6.12)	(6.18)	(6.13)	(6.14)	(6.11)
<i>New</i>	0.070	0.069	0.070	0.068	0.076	0.069	0.070	0.071	0.074	0.069	0.073	0.059
	(0.93)	(0.92)	(0.94)	(0.90)	(1.01)	(0.92)	(0.93)	(0.95)	(0.98)	(0.92)	(0.98)	(0.75)

<i>Audit committee member</i>	-0.094 (-1.36)	-0.095 (-1.39)	-0.094 (-1.37)	-0.094 (-1.37)	-0.093 (-1.36)	-0.125* (-1.73)	-0.094 (-1.36)	-0.094 (-1.37)	-0.102 (-1.48)	-0.093 (-1.35)	-0.096 (-1.39)	-0.093 (-1.35)
<i>Audit committee chair</i>	-0.047 (-0.57)	-0.049 (-0.58)	-0.048 (-0.57)	-0.051 (-0.61)	-0.041 (-0.49)	-0.047 (-0.56)	-0.051 (-0.57)	-0.047 (-0.57)	-0.045 (-0.55)	-0.047 (-0.56)	-0.048 (-0.58)	-0.048 (-0.57)
<i>Remuneration committee member</i>	-0.060 (-0.70)	-0.059 (-0.70)	-0.058 (-0.68)	-0.061 (-0.71)	-0.060 (-0.70)	-0.059 (-0.69)	-0.060 (-0.70)	-0.079 (-0.90)	-0.062 (-0.72)	-0.056 (-0.66)	-0.060 (-0.71)	-0.060 (-0.71)
<i>Remuneration committee chair</i>	-0.153 (-1.40)	-0.151 (-1.38)	-0.152 (-1.40)	-0.162 (-1.48)	-0.158 (-1.45)	-0.158 (-1.45)	-0.153 (-1.40)	-0.155 (-1.41)	-0.254** (-2.19)	-0.157 (-1.44)	-0.158 (-1.44)	-0.152 (-1.39)
<i>Nomination committee member</i>	0.103 (1.10)	0.105 (1.12)	0.102 (1.09)	0.102 (1.09)	0.105 (1.13)	0.101 (1.08)	0.103 (1.10)	0.100 (1.07)	0.108 (1.16)	0.134 (1.39)	0.105 (1.12)	0.103 (1.10)
<i>Nomination committee chair</i>	0.100 (0.82)	0.098 (0.80)	0.100 (0.81)	0.106 (0.87)	0.102 (0.83)	0.103 (0.84)	0.100 (0.82)	0.102 (0.83)	0.094 (0.77)	0.102 (0.83)	0.024 (0.18)	0.101 (0.82)
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	12,177	12,177	12,177	12,177	12,177	12,177	12,177	12,177	12,177	12,177	12,177	12,177
Pseudo R2	0.0606	0.0610	0.0606	0.0614	0.0615	0.0608	0.0606	0.0607	0.0615	0.0608	0.0610	0.0606

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta_1 (\text{Dissent}_{i,j,t} * \text{Director characteristics}_{i,j,t}) + \beta_2 \text{Dissent}_{i,j,t} + \beta_3 \text{Director characteristics}_{i,j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. *Dissent * Director characteristics* is an interaction term of interest, where *Dissent* is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). *Director characteristics* we select are *Female*, *Independence*, *Age*, *Tenure*, *Audit committee member*, *Audit committee chair*, *Remuneration committee member*, *Remuneration committee chair*, *Nomination committee member*, *Nomination committee chair*, and *New*. We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, *Leverage*, *Institutional*, *Top 20*, *Board size*, *CEO turnover*, *CEO duality*, *Director shareholding*, *Director busyness*, and *Director pay* as the control variables. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Table 14: Spillover effects – the departure probabilities of directors who do not face election within the firm

This table presents the results of the logit regression of director turnover and mean firm dissent for directors who are not up for election within the same company year, which we label as *Firm Dissent*.

Consequence =	Base	Add <i>Tenure * Firm Dissent</i>	Add <i>Age * Firm Dissent</i>	Add <i>Female * Firm Dissent</i>	Add <i>Independence * Firm Dissent</i>	Add <i>Nomcomm * Firm Dissent</i>	Add <i>Nomcomm chair * Firm Dissent</i>	Add <i>Remcomm * Firm Dissent</i>	Add <i>Remcomm chair * Firm Dissent</i>	Add <i>Auditcomm * Firm Dissent</i>	Add <i>Auditcomm chair * Firm Dissent</i>	Add <i>New * Firm Dissent</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>Tenure * Firm Dissent</i>		-0.004 (-0.10)										
<i>Age * Firm Dissent</i>			0.028 (1.34)									
<i>Female * Firm Dissent</i>				1.309** (2.02)								
<i>Independence * Firm Dissent</i>					0.947*** (2.66)							
<i>Nom. Comm. Member * Firm Dissent</i>						0.267 (0.57)						
<i>Nom. Comm. Chair * Firm Dissent</i>							2.104*** (2.75)					
<i>Rem. Comm. Member * Firm Dissent</i>								1.018 (1.58)				
<i>Rem. Comm. Chair * Firm Dissent</i>									0.857** (2.03)			
<i>Audit Comm. Member * Firm Dissent</i>										0.403 (0.98)		
<i>Audit Comm. Chair * Firm Dissent</i>											0.366 (0.69)	
<i>New * Firm Dissent</i>												0.352 (0.78)
<u>Shareholder dissent measure</u>												
<i>Firm Dissent</i>	0.802*** (3.80)	0.822*** (2.90)	0.836*** (6.07)	0.686*** (3.13)	0.302*** (3.07)	0.750*** (3.26)	0.669*** (3.09)	0.587** (2.48)	0.711*** (3.25)	0.692*** (2.90)	0.751*** (3.36)	0.730*** (3.17)
<u>Director's characteristics</u>												
Tenure	0.032*** (6.98)	0.032*** (6.57)	0.032*** (6.96)	0.032*** (6.98)	0.032*** (6.99)	0.032*** (6.97)	0.032*** (6.95)	0.032*** (6.97)	0.032*** (6.97)	0.032*** (6.98)	0.032*** (6.98)	0.032*** (6.98)
Age	-0.001 (-0.57)	-0.001 (-0.57)	-0.002 (-0.97)	-0.001 (-0.57)	-0.001 (-0.55)	-0.001 (-0.57)	-0.001 (-0.57)	-0.001 (-0.58)	-0.001 (-0.57)	-0.001 (-0.57)	-0.001 (-0.57)	-0.001 (-0.56)
Female	-0.024 (-0.43)	-0.024 (-0.43)	-0.024 (-0.44)	-0.074 (-1.22)	-0.025 (-0.44)	-0.024 (-0.43)	-0.023 (-0.42)	-0.025 (-0.45)	-0.023 (-0.42)	-0.024 (-0.43)	-0.025 (-0.44)	-0.023 (-0.41)

Independence	-0.121***	-0.121***	-0.121***	-0.121***	-0.157***	-0.121***	-0.119***	-0.122***	-0.120***	-0.121***	-0.121***	-0.121***
	(-2.91)	(-2.91)	(-2.91)	(-2.92)	(-3.60)	(-2.92)	(-2.87)	(-2.95)	(-2.90)	(-2.91)	(-2.91)	(-2.90)
Nom. Comm. Member	-0.190***	-0.190***	-0.189***	-0.189***	-0.190***	-0.200***	-0.190***	-0.193***	-0.189***	-0.190***	-0.190***	-0.190***
	(-3.41)	(-3.40)	(-3.39)	(-3.39)	(-3.41)	(-3.42)	(-3.41)	(-3.46)	(-3.39)	(-3.42)	(-3.41)	(-3.40)
Nom. Comm. Chair	-0.104	-0.104	-0.103	-0.104	-0.103	-0.105	-0.183**	-0.105	-0.106	-0.104	-0.105	-0.104
	(-1.33)	(-1.33)	(-1.32)	(-1.33)	(-1.31)	(-1.34)	(-2.19)	(-1.34)	(-1.35)	(-1.33)	(-1.34)	(-1.33)
Rem. Comm. Member	-0.004	-0.004	-0.005	-0.004	-0.006	-0.004	-0.004	-0.036	-0.004	-0.004	-0.004	-0.003
	(-0.07)	(-0.07)	(-0.10)	(-0.08)	(-0.12)	(-0.08)	(-0.09)	(-0.67)	(-0.08)	(-0.07)	(-0.08)	(-0.07)
Rem. Comm. Chair	-0.123*	-0.123*	-0.124*	-0.121*	-0.124*	-0.122*	-0.126*	-0.122*	-0.161**	-0.123*	-0.122*	-0.123*
	(-1.75)	(-1.75)	(-1.77)	(-1.73)	(-1.76)	(-1.74)	(-1.79)	(-1.74)	(-2.17)	(-1.75)	(-1.75)	(-1.75)
Audit Comm. Member	-0.141***	-0.141***	-0.142***	-0.142***	-0.141***	-0.141***	-0.142***	-0.140***	-0.142***	-0.156***	-0.141***	-0.142***
	(-3.46)	(-3.46)	(-3.46)	(-3.46)	(-3.45)	(-3.46)	(-3.48)	(-3.43)	(-3.48)	(-3.58)	(-3.46)	(-3.47)
Audit Comm. Chair	-0.221***	-0.221***	-0.222***	-0.222***	-0.222***	-0.221***	-0.224***	-0.221***	-0.222***	-0.221***	-0.235***	-0.222***
	(-4.06)	(-4.06)	(-4.07)	(-4.08)	(-4.07)	(-4.06)	(-4.10)	(-4.05)	(-4.08)	(-4.06)	(-4.04)	(-4.07)
New	-0.996***	-0.996***	-0.995***	-0.994***	-0.994***	-0.995***	-0.996***	-0.994***	-0.996***	-0.996***	-0.995***	-1.010***
	(-20.42)	(-20.42)	(-20.41)	(-20.38)	(-20.39)	(-20.41)	(-20.43)	(-20.39)	(-20.43)	(-20.42)	(-20.41)	(-19.30)
Controls	YES											
Firm FE	YES											
Year FE	YES											
Observations	22,264	22,264	22,264	22,264	22,264	22,264	22,264	22,264	22,264	22,264	22,264	22,264
Pseudo R ²	0.0804	0.0804	0.0805	0.0806	0.0807	0.0804	0.0808	0.0806	0.0805	0.0804	0.0804	0.0804

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta_1 (\text{Firm Dissent}_{j,t} * \text{Director characteristics}_{i,j,t}) + \beta_2 \text{Firm Dissent}_{j,t} + \beta_3 \text{Director characteristics}_{i,j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. *Firm Dissent * Director characteristics* is an interaction term of interest, where *Firm Dissent* is estimated for each firm *j* at financial year *t*. Specifically, it is calculated as the averaged (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion) for any directors who face election or re-election in the firm. The *Director characteristics* we select are *Female, Independence, Age, Tenure, Audit committee member, Audit committee chair, Remuneration committee member, Remuneration committee chair, Nomination committee member, Nomination committee chair* and *New*. We include *ROA, Stock Market, Firm Size, Firm Age, Dividend, B2M, Leverage, Institutional, Top 20, Board size, CEO turnover* and *CEO duality* as the control variables. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004–2021.

Table 15: Shareholder dissent and CEO turnover, with firm performance condition

Panel A presents the results of the logit regressions of shareholder dissent and CEO turnover, adding the interaction term *Firm dissent * ROA*.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent * ROA</i>	0.001 (0.02)	0.000 (0.01)	-0.001 (-0.04)	0.119 (1.49)
<i>Firm dissent</i>	0.164*** (4.86)	0.162*** (4.82)	0.162*** (4.80)	0.257*** (4.45)
<i>ROA</i>	-0.008** (-2.09)	-0.007* (-1.89)	-0.007* (-1.85)	-0.004 (-0.64)
<i>Stock return</i>	-0.010*** (-2.60)	-0.010*** (-2.58)	-0.010*** (-2.56)	-0.017*** (-2.68)
<i>Firm age</i>	-0.012 (-0.78)	-0.012 (-0.82)	-0.010 (-0.66)	-0.046* (-1.82)
<i>Firm size</i>	0.013*** (4.05)	0.013*** (3.72)	0.013*** (3.65)	0.012** (2.30)
<i>Dividend</i>	0.011 (0.08)	0.010 (0.07)	-0.000 (-0.00)	-0.039 (-0.18)
<i>B2M</i>	-0.004 (-0.45)	-0.003 (-0.31)	-0.002 (-0.23)	-0.004 (-0.25)
<i>Leverage</i>	0.001 (1.01)	0.001 (0.97)	0.001 (1.03)	0.000 (0.12)
<i>Institutional</i>		-0.001 (-0.03)	0.002 (0.05)	0.043 (0.84)
<i>Top 20</i>		-0.011 (-1.31)	-0.012 (-1.43)	-0.020 (-1.46)
<i>Board size</i>		0.010*** (3.30)	0.011*** (3.53)	0.016*** (3.31)
<i>Board female</i>		-0.012 (-1.04)	-0.012 (-1.05)	-0.014 (-0.93)
<i>Board independence</i>		0.009 (1.41)	0.010 (1.57)	0.005 (0.49)
<i>Board own</i>		0.003 (0.10)	0.004 (0.10)	0.034 (0.55)
<i>CEO duality</i>		0.095*** (2.81)	0.091*** (2.70)	0.085* (1.67)
<i>CEO shareholding</i>			-0.433 (-1.48)	-1.168*** (-3.15)
<i>CEO nation</i>			0.090*** (6.44)	0.093*** (4.57)
<i>CEO age</i>				0.004*** (3.66)
<i>CEO tenure</i>				0.010*** (6.22)
<i>CEO busyness</i>				-0.116*** (-7.11)
<i>Abnormal CEO pay</i>				0.001 (0.35)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	22,231	22,231	22,231	10,683
Pseudo R ²	0.075	0.076	0.079	0.071

Hypothesis 4: *Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta_1 \text{Interaction term}(\text{Firm dissent}_{j,t} * \text{ROA}_{j,t}) + \beta_2 \text{Firm dissent}_{j,t} + \beta_3 \text{ROA}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is Firm dissent , which is estimated for the firm-level averaged shareholder dissent for all shareholders facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). ROA is return on assets. We include *Stock return*, *Firm size*, *Firm age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel B presents the results of the logit regressions of shareholder dissent and CEO turnover, adding the interaction term *Firm dissent * Stock return*.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent * Stock return</i>	0.020 (0.49)	0.021 (0.51)	0.022 (0.54)	-0.052 (-0.82)
<i>Firm dissent</i>	0.166*** (5.35)	0.165*** (5.32)	0.165*** (5.32)	0.227*** (4.24)
<i>Stock return</i>	-0.011*** (-2.71)	-0.011*** (-2.69)	-0.011*** (-2.68)	-0.015** (-2.23)
<i>ROA</i>	-0.008** (-2.08)	-0.007* (-1.89)	-0.007* (-1.86)	-0.001 (-0.19)
<i>Firm age</i>	-0.012 (-0.78)	-0.012 (-0.82)	-0.010 (-0.67)	-0.045* (-1.80)
<i>Firm size</i>	0.014*** (4.06)	0.013*** (3.73)	0.013*** (3.66)	0.012** (2.31)
<i>Dividend</i>	0.010 (0.07)	0.009 (0.06)	-0.001 (-0.01)	-0.035 (-0.16)
<i>B2M</i>	-0.004 (-0.45)	-0.003 (-0.31)	-0.002 (-0.23)	-0.003 (-0.22)
<i>Leverage</i>	0.001 (1.01)	0.001 (0.97)	0.001 (1.03)	0.000 (0.13)
<i>Institutional</i>		-0.001 (-0.04)	0.002 (0.04)	0.044 (0.85)
<i>Top 20</i>		-0.011 (-1.31)	-0.012 (-1.42)	-0.020 (-1.48)
<i>Board size</i>		0.010*** (3.31)	0.011*** (3.53)	0.016*** (3.32)
<i>Board female</i>		-0.012 (-1.04)	-0.012 (-1.06)	-0.014 (-0.94)
<i>Board independence</i>		0.009 (1.41)	0.010 (1.57)	0.004 (0.47)
<i>Board own</i>		0.003 (0.10)	0.003 (0.10)	0.035 (0.57)
<i>CEO duality</i>		0.095*** (2.81)	0.091*** (2.70)	0.084* (1.66)
<i>CEO shareholding</i>			-0.433 (-1.48)	-1.165*** (-3.13)
<i>CEO nation</i>			0.090*** (6.44)	0.094*** (4.61)
<i>CEO age</i>				0.004*** (3.64)
<i>CEO tenure</i>				0.010*** (6.21)
<i>CEO busyness</i>				-0.116*** (-7.12)
<i>Abnormal CEO pay</i>				0.001 (0.35)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	22,231	22,231	22,231	10,683
Pseudo R ²	0.075	0.076	0.079	0.071

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta_1 \text{Interaction term}(\text{Firm dissent}_{j,t} * \text{Stock return}_{j,t}) + \beta_2 \text{Firm dissent}_{j,t} + \beta_3 \text{Stock return}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $CEO\ turnover_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Firm dissent*, which is estimated for the firm-level averaged shareholder dissent for all shareholders facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). Stock return is the annual stock returns. We include *ROA*, *Firm size*, *Firm age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Table 16: Shareholder dissent and abnormal CEO remuneration

This table presents the results of the OLS regressions of shareholder dissent and abnormal CEO remuneration.

Consequence = Abnormal CEO remuneration (in millions) t+1	Base (1)	Excluding CEO characteristics (2)	Excluding CEO age/tenure (3)	Include all variables (4)
<i>Firm dissent</i>	0.089 (0.42)	0.090 (0.42)	0.074 (0.45)	0.064 (0.23)
<i>ROA</i>	-0.121*** (-15.87)	-0.121*** (-15.93)	-0.073*** (-7.74)	-0.086*** (-6.13)
<i>Stock return</i>	-0.025** (-2.38)	-0.025** (-2.39)	-0.015* (-1.75)	-0.012 (-0.92)
<i>Firm size</i>	0.015* (1.78)	0.016* (1.88)	0.009 (1.37)	0.020** (2.09)
<i>Firm age</i>	-0.026 (-0.67)	-0.029 (-0.74)	-0.004 (-0.10)	0.015 (0.22)
<i>Dividend</i>	-0.693 (-1.20)	-0.675 (-1.19)	-0.883* (-1.87)	-0.438 (-0.68)
<i>B2M</i>	0.211*** (7.77)	0.206*** (7.59)	0.131*** (5.83)	0.120*** (3.66)
<i>Leverage</i>	0.002 (0.51)	0.002 (0.49)	0.006* (1.67)	0.010 (1.63)
<i>Institutional</i>		0.270** (2.23)	0.209** (2.08)	0.153 (1.15)
<i>Top 20</i>		-0.010 (-0.44)	0.011 (0.56)	0.022 (0.71)
<i>Board size</i>		-0.008 (-0.50)	-0.020 (-1.37)	-0.042* (-1.77)
<i>Board female</i>		0.079* (1.68)	0.069 (1.63)	0.037 (0.59)
<i>Board independence</i>		-0.096*** (-4.43)	-0.035* (-1.69)	-0.042 (-1.42)
<i>Board own</i>		0.115* (1.71)	0.175*** (2.92)	0.205** (2.37)
<i>CEO turnover</i>			-0.158*** (-3.29)	-0.170*** (-2.59)
<i>CEO age</i>				-0.009*** (-2.84)
<i>CEO tenure</i>				-0.017*** (-4.01)
<i>CEO busyness</i>			0.248*** (6.33)	0.281*** (5.21)
<i>CEO shareholding</i>			0.399 (0.62)	-0.452 (-1.40)
<i>CEO abnormal pay</i>			0.437*** (6.79)	0.433*** (5.76)
<i>CEO nation</i>			-0.037 (-0.67)	-0.042 (-0.52)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	22,457	22,457	22,457	13,423
Adjusted R ²	0.761	0.761	0.812	0.813

Shareholder dissent votes are negatively associated with subsequent CEO remuneration.

Model:

$$Abnormal\ CEO\ remuneration_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where *Abnormal CEO remuneration_{j,t+1}* is the CEO abnormal pay (in millions) is calculated as the residuals from estimating the regression model of CEO pay in Core et al. (2008). *Firm dissent_{j,t}* is the firm averaged shareholder dissent

to all directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 17: Shareholder dissent votes and ln CEO remuneration

Consequence =	Base	Excluding CEO characteristics	Excluding CEO age/tenure	Include all variables
Ln CEO remuneration t + 1	(1)	(2)	(3)	(4)
<i>Firm dissent</i>	-0.032 (-0.59)	-0.030 (-0.55)	-0.025 (-0.46)	-0.119 (-1.54)
<i>ROA</i>	-0.003 (-0.32)	-0.003 (-0.33)	0.001 (0.12)	-0.005 (-0.44)
<i>Stock return</i>	0.007 (0.92)	0.008 (0.95)	0.008 (0.97)	0.015 (1.35)
<i>Firm size</i>	0.053*** (6.15)	0.053*** (6.24)	0.058*** (6.79)	0.079*** (6.60)
<i>Firm age</i>	0.013 (0.41)	0.011 (0.36)	0.015 (0.53)	0.024 (0.56)
<i>Dividend</i>	-0.013 (-0.04)	-0.006 (-0.02)	-0.075 (-0.21)	-0.303 (-0.68)
<i>B2M</i>	-0.077*** (-3.60)	-0.080*** (-3.75)	-0.097*** (-4.61)	-0.101*** (-3.62)
<i>Leverage</i>	-0.008*** (-2.70)	-0.008*** (-2.69)	-0.007** (-2.31)	-0.007* (-1.69)
<i>Institutional</i>		0.187*** (3.07)	0.175*** (2.88)	0.099 (1.29)
<i>Top 20</i>		-0.002 (-0.12)	0.001 (0.05)	0.034 (1.33)
<i>Board size</i>		-0.008 (-1.33)	-0.011* (-1.83)	-0.019** (-2.37)
<i>Board female</i>		0.063*** (2.82)	0.060*** (2.72)	0.038 (1.30)
<i>Board independence</i>		-0.067*** (-5.18)	-0.050*** (-3.97)	-0.047*** (-2.79)
<i>Board own</i>		-0.058 (-0.87)	-0.027 (-0.40)	0.027 (0.31)
<i>CEO turnover</i>			-0.138*** (-6.95)	-0.139*** (-5.20)
<i>CEO age</i>				-0.013*** (-5.35)
<i>CEO tenure</i>				0.008*** (3.04)
<i>CEO busyness</i>			0.189*** (8.08)	0.204*** (7.52)
<i>CEO shareholding</i>			0.171 (0.32)	-0.218 (-0.70)
<i>CEO abnormal pay</i>			0.069*** (5.54)	0.061*** (4.81)
<i>CEO nation</i>			-0.068*** (-2.66)	-0.088*** (-2.67)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	22,891	22,891	22,457	13,423
Adjusted R ²	0.752	0.753	0.751	0.752

Robustness test – ln CEO remuneration: *Shareholder dissent votes are negatively associated with subsequent CEO remuneration.*

Model:

$$\ln \text{CEO remuneration}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\ln \text{CEO remuneration}_{j,t+1}$ is the natural log of CEO remuneration. *Firm dissent* is the firm averaged shareholder dissent to all directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst)

divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 18: The moderating effects of corporate governance structures on shareholder dissent and its consequences

Panel A.1 presents the results of the logit regressions of shareholder dissent and director turnover. The moderating effect is top 20 ownership.

Consequence =	Base	Excluding missing and CEO variables	Excluding missing variables	Including all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent * Top 20</i>	1.649*** (4.05)	1.606*** (3.91)	1.721*** (4.15)	1.639* (1.75)
<i>Dissent</i>	0.787*** (7.20)	0.721*** (8.67)	0.649*** (9.90)	2.336 *** (3.20)
<i>Top 20</i>	1.586*** (24.92)	1.535*** (23.62)	1.564*** (23.52)	0.067 (0.44)
<i>ROA</i>	-0.063*** (-3.10)	-0.061*** (-2.99)	-0.046** (-2.18)	-0.001 (-0.01)
<i>Stock return</i>	-0.091*** (-3.66)	-0.091*** (-3.66)	-0.114*** (-4.48)	-0.117** (-2.44)
<i>Firm size (log transformed)</i>	-0.010 (-0.48)	-0.014 (-0.71)	-0.026 (-1.27)	-0.043 (-1.05)
<i>Firm age</i>	-0.339*** (-3.78)	-0.328*** (-3.66)	-0.354*** (-3.86)	-0.200 (-1.12)
<i>Dividend</i>	0.241 (0.26)	0.208 (0.23)	0.248 (0.26)	0.932 (0.66)
<i>B2M</i>	0.106* (1.83)	0.110* (1.89)	0.117** (1.97)	0.141 (1.29)
<i>Leverage</i>	0.011 (1.27)	0.010 (1.21)	0.007 (0.86)	0.024 (1.51)
<i>Board size</i>		0.021 (1.30)	0.006 (0.35)	0.021 (0.72)
<i>CEO turnover</i>			2.756*** (26.12)	2.626*** (15.18)
<i>CEO duality</i>			-1.151*** (-5.52)	-1.272*** (-4.62)
<i>New</i>		-0.117*** (-3.12)	-0.105*** (-2.74)	0.056 (0.75)
<i>Female</i>		-0.138** (-2.19)	-0.112* (-1.76)	-0.053 (-0.51)
<i>Independence</i>		0.131*** (3.60)	0.191*** (5.14)	-0.046 (-0.70)
<i>Director own</i>		0.189 (0.70)	0.217 (0.78)	-1.198** (-2.07)
<i>Busyness</i>		0.026*** (3.20)	0.024*** (2.91)	-0.035** (-2.44)
<i>Tenure</i>				0.062*** (5.72)
<i>Age</i>				0.009** (2.51)
<i>Director pay (in millions)</i>				0.000*** (3.75)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.0386	0.0403	0.0706	0.0564

Hypothesis 1: Shareholder dissent votes are associated with subsequent director turnover.

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{ Interaction term} (\text{Dissent}_{i,j,t} * \text{Top 20 ownership}_{i,j,t}) + \gamma_1 \text{ Firm level controls}_{j,t} + \gamma_2 \text{ Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M* and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the period 2004–2021.

Panel A.2 presents presents the results of the logit regressions of shareholder dissent and director turnover. The moderating effect is board female ratio.

Consequence =	Base	Excluding missing and CEO variables	Excluding missing variables	Including all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent * Gender diversity</i>	0.545 (1.04)	0.632 (1.18)	0.883* (1.66)	1.721 (1.48)
<i>Dissent</i>	0.707*** (5.00)	0.783*** (5.49)	0.850*** (5.92)	1.808*** (6.04)
<i>Gender diversity</i>	-0.045 (-0.57)	-0.039 (-0.40)	-0.031 (-0.31)	0.058 (0.36)
<i>ROA</i>	-0.064*** (-3.20)	-0.061*** (-3.08)	-0.046** (-2.23)	-0.004 (-0.08)
<i>Stock return</i>	-0.065*** (-2.65)	-0.067*** (-2.71)	-0.089*** (-3.55)	-0.115** (-2.41)
<i>Firm size (log transformed)</i>	-0.080 (-0.40)	-0.001 (-0.07)	-0.014 (-0.71)	-0.043 (-1.04)
<i>Firm age</i>	-0.393*** (-4.55)	-0.370*** (-4.26)	-0.393*** (-4.44)	-0.197 (-1.11)
<i>Dividend</i>	0.375 (0.41)	0.258 (0.28)	0.277 (0.30)	1.010 (0.72)
<i>B2M</i>	0.077 (1.35)	0.089 (1.56)	0.097* (1.67)	0.142 (1.30)
<i>Leverage</i>	0.010 (1.28)	0.010 (1.20)	0.007 (0.86)	0.024 (1.49)
<i>Board size</i>		0.019 (1.24)	0.005 (0.28)	0.022 (0.74)
<i>CEO turnover</i>			2.712*** (26.19)	2.627*** (15.19)
<i>CEO duality</i>			-1.001*** (-4.77)	-1.265*** (-4.59)
<i>New</i>		-0.121*** (-3.26)	-0.111*** (-2.95)	0.057 (0.77)
<i>Female</i>		-0.039 (-0.47)	-0.017 (-0.22)	-0.110 (-0.86)
<i>Independence</i>		0.310*** (8.70)	0.373*** (10.27)	-0.047 (-0.71)
<i>Director own</i>		0.831*** (3.19)	0.868*** (3.23)	-1.240** (-2.14)
<i>Busyness</i>		0.050*** (6.24)	0.048*** (5.97)	-0.035** (-2.43)
<i>Tenure</i>				0.062*** (5.71)
<i>Age</i>				0.009** (2.52)
<i>Director pay (in millions)</i>				0.000*** (3.74)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.006	0.012	0.042	0.0567

Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Interaction term}(\text{Dissent}_{i,j,t} * \text{Gender diversity}_{i,j,t}) + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable *Director turnover*_{i,j,t+1} is a dummy variable, which takes a value of 1 if a director *i* at firm *j*

who faces an election at time t is no longer on the board for fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M* and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. **Z**-statistics are reported in parentheses. ***, ** and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the period 2004–2021.

Panel B.1 presents the results of the logit regressions of shareholder dissent and board turnover. The moderating effect is top 20 ownership.

Consequence = Board turnover t + 1	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Firm dissent * Top 20 ownership</i>	0.185*** (2.76)	0.189*** (2.81)	0.164** (2.47)
<i>Firm dissent</i>	0.088** (2.51)	0.087** (2.49)	0.076** (2.20)
<i>Top 20</i>	0.088*** (10.78)	0.081*** (9.73)	0.083*** (10.14)
<i>Firm age</i>	-0.028** (-2.03)	-0.027** (-1.93)	-0.025* (-1.81)
<i>Firm size (log transformed)</i>	0.000 (0.08)	-0.000 (-0.87)	-0.003 (-0.39)
<i>ROA</i>	-0.008** (-2.49)	-0.008** (-2.52)	-0.007** (-2.18)
<i>Stock return</i>	-0.009** (-2.52)	-0.009** (-2.51)	-0.008** (-2.08)
<i>Dividend</i>	0.075 (0.58)	0.061 (0.47)	0.058 (0.45)
<i>B2M</i>	0.011 (1.32)	0.012 (1.42)	0.012 (1.48)
<i>Leverage</i>	0.001 (0.57)	0.008 (0.58)	0.000 (0.43)
<i>Board size</i>		-0.009*** (-3.04)	-0.010*** (-3.69)
<i>Board female</i>		-0.009 (-0.81)	-0.007 (-0.68)
<i>Board independence</i>		0.034*** (5.57)	0.033*** (5.42)
<i>CEO turnover</i>			0.158*** (22.91)
<i>CEO duality</i>			-0.008 (-0.29)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.062	0.063	0.088

Hypothesis 2: Shareholder dissent votes are positively associated with the subsequent board turnover ratio.

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta Interaction\ term\ of\ (Firm\ dissent_{j,t} * Top\ 20\ ownership_{j,t}) + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \epsilon_{j,t}$$

where *Board turnover*_{*j,t+1*} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm dissent*_{*j,t*} is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel B.2 presents presents the results of the logit regressions of shareholder dissent and board turnover. The moderating effect is board female ratio.

Consequence = Board turnover $t + 1$	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Firm dissent * Board female</i>	0.002 (0.02)	0.013 (0.12)	0.010 (0.10)
<i>Firm dissent</i>	0.147*** (5.75)	0.156*** (6.14)	0.136*** (5.41)
<i>Board female</i>	0.001 (0.10)	-0.010 (-0.84)	-0.008 (-0.70)
<i>Firm age</i>	-0.032** (-2.30)	-0.026* (-1.90)	-0.025* (-1.78)
<i>Firm size (log transformed)</i>	0.001 (0.28)	-0.000 (-0.15)	-0.003 (-0.39)
<i>ROA</i>	-0.008** (-2.41)	-0.008** (-2.52)	-0.007** (-2.18)
<i>Stock return</i>	-0.008** (-2.23)	-0.009*** (-2.56)	-0.008** (-2.12)
<i>Dividend</i>	0.083 (0.64)	0.060 (0.46)	0.057 (0.44)
<i>B2M</i>	0.009 (1.10)	0.012 (1.39)	0.012 (1.45)
<i>Leverage</i>	0.001 (0.70)	0.007 (0.58)	0.001 (0.43)
<i>Board size</i>		-0.009*** (-3.08)	-0.010*** (-3.73)
<i>Top 20 ownership</i>		0.087*** (10.96)	0.089*** (11.30)
<i>Board independence</i>		0.034*** (5.51)	0.032*** (5.36)
<i>CEO turnover</i>			0.159*** (22.95)
<i>CEO duality</i>			-0.010 (-0.35)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.054	0.063	0.088

Hypothesis 2: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta \text{ Interaction term of } (Firm\ dissent_{j,t} * Board\ female_{j,t}) + \gamma \text{ Firm level controls}_{j,t} + Firm\ FE + Year\ FE + \epsilon_{j,t}$$

where *Board turnover*_{*j,t+1*} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm dissent*_{*j,t*} is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel C.1 presents the results of the logit regressions of shareholder dissent and CEO turnover. The moderating effect is top 20 ownership.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent * Top 20</i>	0.634 (1.02)	0.688 (1.10)	0.629 (1.00)	1.306 (1.43)
<i>Firm dissent</i>	1.004*** (2.80)	0.984*** (2.74)	1.017*** (2.80)	0.914* (1.74)
<i>Top 20</i>	-0.098 (-1.18)	-0.137 (-1.61)	-1.152* (-1.77)	-0.217* (-1.90)
<i>Firm age</i>	-0.145 (-1.01)	-0.126 (-0.89)	-0.097 (-0.68)	-0.457** (-2.21)
<i>Firm size (log transformed)</i>	0.144*** (4.59)	0.134*** (4.21)	0.131*** (4.12)	0.129*** (3.00)
<i>ROA</i>	-0.082** (-2.38)	-0.077** (-2.22)	-0.077** (-2.21)	-0.013 (-0.23)
<i>Stock return</i>	-0.100*** (-2.58)	-0.100*** (-2.57)	-0.100** (-2.55)	-0.143*** (-2.72)
<i>Dividend</i>	0.382 (0.30)	0.365 (0.29)	0.316 (0.25)	-0.203 (-0.13)
<i>B2M</i>	-0.069 (-0.78)	-0.054 (-0.62)	-0.045 (-0.51)	-0.060 (-0.51)
<i>Leverage</i>	0.015 (1.20)	0.015 (1.21)	0.017 (1.34)	0.004 (0.21)
<i>Board size</i>		0.091*** (3.35)	0.098*** (3.59)	0.123*** (3.47)
<i>Board female</i>		-0.112 (-1.07)	-0.113 (-1.07)	-0.080 (-0.60)
<i>Board independence</i>		0.089 (1.48)	0.096 (1.62)	0.030 (0.39)
<i>Board own</i>		-0.007 (-0.02)	0.028 (0.09)	0.274 (0.64)
<i>CEO duality</i>		0.792*** (3.14)	0.777*** (3.06)	0.592* (1.81)
<i>CEO shareholding</i>			-2.631* (-1.77)	-5.656*** (-2.98)
<i>CEO nation</i>			0.622*** (6.35)	0.655*** (4.80)
<i>CEO age</i>				0.037*** (4.39)
<i>CEO tenure</i>				0.090*** (8.07)
<i>CEO busyness</i>				-0.823*** (-7.66)
<i>Abnormal CEO Pay (in millions)</i>				0.014 (0.49)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0160	0.0184	0.0232	0.0529

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{ Interaction term } (\text{Firm dissent}_{j,t} * \text{Top 20 ownership}_{j,t}) + \gamma \text{ Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \epsilon_{j,t}$$

where the dependent variable $CEO\ turnover_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $Firm\ dissent_{j,t}$, which is estimated for the firm-level averaged shareholder dissent for all directors facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include ROA , $Stock\ Market$, $Firm\ Size$, $Firm\ Age$, $Dividend$, $B2M$, and $Leverage$ as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects. Z -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel C.2 presents the results of the logit regressions of shareholder dissent and CEO turnover. The moderating effect is female board ratio.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent * Female board</i>	0.688 (0.72)	0.683 (0.71)	0.653 (0.68)	1.207 (0.91)
<i>Firm dissent</i>	1.234*** (5.18)	1.242*** (5.21)	1.250*** (5.21)	1.425*** (4.36)
<i>Female board ratio</i>	-0.133 (-1.19)	-0.143 (-1.25)	-0.142 (-1.25)	-0.142 (-0.97)
<i>Firm age</i>	-0.139 (-0.97)	-0.126 (-0.88)	-0.096 (-0.67)	-0.453** (-2.19)
<i>Firm size (log transformed)</i>	0.145*** (4.61)	0.139*** (4.19)	0.131*** (4.08)	0.122*** (2.83)
<i>ROA</i>	-0.083** (-2.39)	-0.077** (-2.22)	-0.077** (-2.21)	-0.010 (-0.18)
<i>Stock return</i>	-0.103*** (-2.64)	-0.101*** (-2.60)	-0.101** (-2.58)	-0.144*** (-2.74)
<i>Dividend</i>	0.315 (0.25)	0.337 (0.26)	0.289 (0.23)	-0.313 (-0.20)
<i>B2M</i>	-0.068 (-0.78)	-0.056 (-0.64)	-0.046 (-0.53)	-0.060 (-0.52)
<i>Leverage</i>	0.015 (1.17)	0.015 (1.19)	0.017 (1.33)	0.004 (0.24)
<i>Institutional</i>		-0.017 (-0.05)	0.017 (0.05)	0.466 (1.25)
<i>Top 20</i>		-0.103 (-1.24)	-0.123 (-1.47)	-0.195* (-1.75)
<i>Board size</i>		0.091*** (3.35)	0.098*** (3.57)	0.121*** (3.38)
<i>Board independence</i>		0.087 (1.45)	0.095 (1.58)	0.022 (0.28)
<i>Board own</i>		-0.005 (-0.02)	0.029 (0.09)	0.256 (0.60)
<i>CEO duality</i>		0.787*** (3.12)	0.772*** (3.04)	0.583* (1.78)
<i>CEO shareholding</i>			-2.634* (-1.77)	-5.583* (-1.78)
<i>CEO nation</i>			0.623*** (6.37)	0.662*** (4.84)
<i>CEO age</i>				0.036*** (4.34)
<i>CEO tenure</i>				0.091*** (8.14)
<i>CEO busyness</i>				-0.827*** (-7.69)
<i>Abnormal CEO Pay (in millions)</i>				0.017 (0.53)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0160	0.0183	0.0183	0.0529

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \text{Interaction term} (\text{Firm dissent}_{j,t} * \text{Female board ratio}_{j,t}) + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is $\text{Firm dissent}_{j,t}$, which is estimated for the firm-level averaged shareholder dissent for all directors facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel D.1 presents the results of the logit regressions of shareholder dissent and firm performance ROA. The moderating effect is top 20 ownership.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm dissent * Top 20</i>	0.030 (0.16)	0.026 (0.13)	0.037 (0.19)
<i>Firm dissent</i>	-0.214** (-2.14)	-0.209** (-2.10)	-0.196** (-1.96)
<i>Top 20</i>	0.027 (1.25)	0.022 (1.00)	0.022 (0.99)
<i>Firm size (log transformed)</i>	0.137*** (19.87)	0.138*** (19.88)	0.138*** (19.95)
<i>Firm age</i>	-0.094* (-2.20)	-0.095** (-2.21)	-0.095* (-2.20)
<i>Dividend</i>	0.395 (1.12)	0.388 (1.10)	0.392 (1.11)
<i>B2M</i>	-0.094*** (-4.78)	-0.094*** (-4.79)	-0.094*** (-4.82)
<i>Leverage</i>	0.004 (1.13)	0.004 (1.14)	0.004 (1.14)
<i>Board size</i>		-0.010 (-1.35)	-0.009 (-1.26)
<i>Board female</i>		0.035 (1.14)	0.035 (1.13)
<i>Board independence</i>		0.002 (0.11)	0.001 (0.07)
<i>Board own</i>		0.192** (2.23)	0.196** (2.27)
<i>CEO turnover</i>			-0.092*** (-4.83)
<i>CEO duality</i>			-0.133* (-1.83)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.260	0.261

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{ Interaction term (Top 20 ownership}_{j,t} * \text{Firm dissent}_{j,t}) + \gamma \text{ Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \epsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t+1*. ROA is return on assets. *Firm dissent_{j,t}* is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel D.2 presents the results of the logit regressions of shareholder dissent and firm performance ROA. The moderating effect is board female ratio.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm dissent * Board female</i>	0.351 (1.11)	0.342 (1.08)	0.359 (1.13)
<i>Firm dissent</i>	-0.224*** (-3.09)	-0.218*** (-3.01)	-0.201*** (-2.77)
<i>Board female</i>	0.023 (0.71)	0.024 (0.73)	0.023 (0.70)
<i>Firm size (log transformed)</i>	0.137*** (19.95)	0.138*** (19.91)	0.139*** (19.98)
<i>Firm age</i>	-0.095** (-2.22)	-0.095** (-2.20)	-0.094** (-2.20)
<i>Dividend</i>	0.396 (1.12)	0.401 (1.13)	0.404 (1.14)
<i>B2M</i>	-0.095*** (-4.87)	-0.094*** (-4.78)	-0.094*** (-4.82)
<i>Leverage</i>	0.004 (1.14)	0.004 (1.14)	0.004 (1.14)
<i>Institutional</i>		-0.091 (-1.14)	-0.087 (-1.10)
<i>Top 20</i>		0.027 (1.26)	0.027 (1.26)
<i>Board size</i>		-0.010 (-1.28)	-0.009 (-1.19)
<i>Board independence</i>		0.002 (0.15)	0.002 (0.10)
<i>Board own</i>		0.191** (2.21)	0.195** (2.26)
<i>CEO turnover</i>			-0.092*** (-4.83)
<i>CEO duality</i>			-0.133* (-1.83)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.261	0.261

Hypothesis 5: Shareholder dissent votes are associated with subsequent firm performance.

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{ Interaction term (Board female}_{j,t} * \text{Firm dissent}_{j,t}) + \gamma \text{ Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t + 1*. ROA is return on assets. *Firm dissent_{j,t}* is the firm averaged shareholder dissent to directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E.1 presents the results of the logit regressions of shareholder dissent and firm performance stock return. The moderating effect is top 20 ownership.

Consequence = Stock return t+1	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm dissent * Top 20</i>	-0.206 (-1.30)	-0.201 (-1.27)	-0.182 (-1.15)
<i>Firm dissent</i>	-0.267*** (-3.41)	-0.297*** (-3.41)	-0.285*** (-3.27)
<i>Top 20</i>	-0.055*** (-3.01)	-0.062*** (-3.36)	-0.065*** (-3.51)
<i>ROA</i>	0.042*** (5.64)	0.042*** (5.67)	0.042*** (5.59)
<i>Firm size</i>	-0.254*** (-37.62)	-0.255*** (-37.51)	-0.254*** (-37.43)
<i>Firm age</i>	-0.079** (-2.19)	-0.078** (-2.15)	-0.078** (-2.15)
<i>Dividend</i>	0.203 (0.71)	0.191 (0.67)	0.188 (0.66)
<i>B2M</i>	0.455*** (27.03)	0.456*** (27.08)	0.457*** (27.17)
<i>Leverage</i>	0.012*** (10.40)	0.012*** (3.88)	0.012*** (3.96)
<i>Board size</i>		-0.002 (-0.29)	-0.001 (-0.14)
<i>Board female</i>		-0.024 (-0.99)	-0.025 (-1.04)
<i>Board independence</i>		0.035*** (2.61)	0.036*** (2.72)
<i>Board own</i>		0.009 (0.12)	0.003 (0.04)
<i>CEO turnover</i>			-0.096*** (-6.24)
<i>CEO duality</i>			0.096 (1.59)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.166	0.166	0.168

Hypothesis 5: Shareholder dissent votes are associated with subsequent firm performance.

Model:

$$Stock\ return_{j,t+1} = \alpha + \beta Interaction\ term\ (Top\ 20\ ownership_{j,t} * Firm\ dissent_{j,t}) + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where $Stock\ return_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $Firm\ dissent_{j,t}$ is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E.2 presents the results of the logit regressions of shareholder dissent and firm performance stock return. The moderating effect is board female ratio.

Consequence = Stock return t+1	Base	Excluding CEO characteristics	Include all variables
	(1)	(2)	(3)
<i>Firm dissent * Board female</i>	-0.119 (-0.45)	-0.143 (-0.54)	-0.189 (-0.77)
<i>Firm dissent</i>	-0.370*** (-6.18)	-0.369*** (-6.18)	-0.346*** (-5.83)
<i>Board female</i>	-0.020 (-0.78)	-0.015 (-0.57)	-0.020 (-0.58)
<i>ROA</i>	0.042*** (5.61)	0.041*** (5.53)	0.041*** (5.45)
<i>Firm size</i>	-0.254*** (-37.59)	-0.232*** (-36.81)	-0.252*** (-36.77)
<i>Firm age</i>	-0.077** (-2.14)	-0.078** (-2.16)	-0.078** (-2.16)
<i>Dividend</i>	0.200 (0.70)	0.221 (0.78)	0.220 (0.77)
<i>B2M</i>	0.456*** (27.13)	0.455*** (27.02)	0.456*** (27.11)
<i>Leverage</i>	0.011*** (3.83)	0.012*** (3.86)	0.012*** (3.94)
<i>Institutional</i>		-0.228*** (-3.17)	-0.227*** (-3.17)
<i>Top 20</i>		-0.056*** (-3.06)	-0.058*** (-3.20)
<i>Board size</i>		-0.001 (-0.13)	0.001 (0.02)
<i>Board independence</i>		0.037*** (2.78)	0.038*** (2.86)
<i>Board own</i>		0.009 (0.10)	0.001 (0.01)
<i>CEO turnover</i>			-0.096*** (-6.23)
<i>CEO duality</i>			0.096 (1.60)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.166	0.167	0.168

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Stock return}_{j,t+1} = \alpha + \beta \text{Interaction term (Board female ratio}_{j,t} * \text{Firm dissent}_{j,t}) + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\text{Stock return}_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $\text{Firm dissent}_{j,t}$ is the firm averaged shareholder dissent to directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 19: Shareholder dissent votes and change in directorships over longer horizons

Panel A presents the table of results of shareholder dissent votes and change in directorships over a two-year horizon.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+2	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.296 (1.48)	0.168 (1.26)	0.170 (1.27)	0.101 (0.54)
<i>Firm age</i>	-0.040 (-0.29)	-0.045 (-0.61)	-0.042 (-0.56)	-0.019 (-0.19)
<i>Firm size</i>	-0.018 (-0.74)	-0.003 (-0.16)	-0.002 (-0.14)	-0.003 (-0.12)
<i>ROA</i>	0.022 (0.87)	0.028* (1.66)	0.027 (1.62)	0.029 (1.01)
<i>Stock return</i>	-0.027 (-0.87)	-0.027 (-1.45)	-0.027 (-1.41)	-0.020 (-0.82)
<i>Dividend</i>	-0.619 (-0.65)	0.400 (0.62)	0.379 (0.58)	0.675 (0.91)
<i>B2M</i>	-0.051 (-0.76)	-0.049 (-1.15)	-0.047 (-1.11)	-0.071 (-1.21)
<i>Leverage</i>	-0.013 (-1.29)	-0.009 (-1.30)	-0.009 (-1.30)	-0.012 (-1.32)
<i>Institutional</i>		-0.060 (-0.34)	-0.057 (-0.33)	-0.039 (-0.16)
<i>Top 20</i>		-0.016 (-0.29)	-0.017 (-0.33)	-0.066 (-0.85)
<i>Board size</i>		-0.026** (-2.22)	-0.026** (-2.21)	-0.026 (-1.56)
<i>CEO turnover</i>			-0.049 (-0.57)	-0.067 (-0.61)
<i>CEO duality</i>			0.184 (1.19)	0.140 (0.73)
<i>New</i>		0.035 (1.23)	0.035 (1.24)	-0.001 (-0.04)
<i>Female</i>		0.011 (0.29)	0.010 (0.27)	0.016 (0.36)
<i>Independence</i>		-0.018 (-0.71)	-0.017 (-0.67)	-0.030 (-0.94)
<i>Director own</i>		0.117 (0.57)	0.107 (0.52)	0.016 (0.06)
<i>Busyness</i>		-1.099*** (-176.42)	-1.099*** (-176.30)	-1.120*** (-148.59)
<i>Age</i>				0.008 (1.21)
<i>Tenure</i>				0.000 (0.99)
<i>Director pay</i>				-0.000 (-0.99)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	32,322	32,322	32,322	21,759
Adjusted R ²	0.006	0.606	0.606	0.620

Robustness tests for Hypothesis 3 lagged right hand side variables by 2 years: *Shareholder dissent votes and change in directorships in two years horizon.*

Model:

$$\Delta Directorships\ held_{i,j,t+2} = \alpha + \beta Dissent_{i,j,t} + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+2}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within two years of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel B presents the table of results of shareholder dissent votes and change in directorships over a three-year horizon.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t + 3	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.352* (1.75)	0.222 (1.60)	0.225 (1.62)	0.125 (0.65)
<i>Firm age</i>	-0.007 (-0.05)	-0.014 (-0.17)	-0.010 (-0.13)	0.015 (0.15)
<i>Firm size</i>	-0.018 (-0.74)	0.000 (0.02)	0.000 (0.03)	0.012 (0.51)
<i>ROA</i>	0.016 (0.62)	0.021 (1.19)	0.020 (1.17)	0.011 (0.36)
<i>Stock return</i>	-0.027 (-0.86)	-0.027 (-1.37)	-0.026 (-1.34)	-0.026 (-0.99)
<i>Dividend</i>	-0.755 (-0.77)	0.279 (0.41)	0.255 (0.38)	0.383 (0.49)
<i>B2M</i>	-0.061 (-0.89)	-0.062 (-1.40)	-0.060 (-1.35)	-0.120* (-1.95)
<i>Leverage</i>	-0.013 (-1.29)	-0.009 (-1.29)	-0.009 (-1.30)	-0.015 (-1.58)
<i>Institutional</i>		-0.187 (-1.01)	-0.186 (-1.01)	-0.179 (-0.71)
<i>Top 20</i>		-0.024 (-0.42)	-0.025 (-0.45)	-0.067 (-0.82)
<i>Board size</i>		-0.030** (-2.48)	-0.030** (-2.49)	-0.032* (-1.89)
<i>CEO turnover</i>			-0.006 (-0.06)	-0.031 (-0.26)
<i>CEO duality</i>			0.196 (1.23)	0.188 (0.95)
<i>New</i>		0.026 (0.89)	0.027 (0.91)	-0.005 (-0.14)
<i>Female</i>		0.008 (0.20)	0.008 (0.19)	0.018 (0.37)
<i>Independence</i>		-0.036 (-1.36)	-0.034 (-1.29)	-0.037 (-1.13)
<i>Director own</i>		0.134 (0.65)	0.124 (0.60)	0.089 (0.29)
<i>Busyness</i>		-1.097*** (-164.80)	-1.097*** (-164.68)	-1.118*** (-141.01)
<i>Tenure</i>				0.010 (1.60)
<i>Director pay</i>				0.000 (0.65)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	32,322	32,322	32,322	21,759
Adjusted R ²	0.010	0.591	0.591	0.603

Robustness tests for Hypothesis 3 lagged right hand side variables by 3 years: *Shareholder dissent votes and change in directorships in three years horizon.*

Model:

$$\Delta Directorships\ held_{i,j,t+3} = \alpha + \beta Dissent_{i,j,t} + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+3}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within three years of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock*

Market, Firm Size, Firm Age, Dividend, B2M, and Leverage as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Table 20: Shareholder dissent (natural logarithm transformed) and consequences

Panel A presents the results of the logit regressions of shareholder dissent (ln transformed) and director turnover.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Ln Dissent</i>	1.128*** (6.66)	1.383*** (7.84)	1.504*** (8.47)	2.477*** (7.13)
<i>ROA</i>	-0.063*** (-3.16)	-0.054*** (-2.62)	-0.039* (-1.82)	0.003 (0.06)
<i>Stock return</i>	-0.063*** (-2.58)	-0.094*** (-3.76)	-0.117*** (-4.58)	-0.116** (-2.43)
<i>Firm size</i>	0.006 (0.30)	-0.036* (-1.74)	-0.047** (-2.24)	-0.051 (-1.21)
<i>Firm age</i>	-0.395*** (-4.58)	-0.322*** (-3.59)	-0.347*** (-3.78)	-0.198 (-1.12)
<i>Dividend</i>	0.399 (0.44)	-0.113 (-0.12)	-0.047 (-0.05)	0.877 (0.62)
<i>B2M</i>	0.076 (1.33)	0.119** (2.04)	0.124** (2.10)	0.142 (1.31)
<i>Leverage</i>	0.010 (1.28)	0.011 (1.30)	0.008 (0.95)	0.024 (1.54)
<i>Institutional</i>		1.376*** (6.51)	1.299*** (6.04)	0.248 (0.66)
<i>Top 20</i>		1.559*** (24.66)	1.596*** (24.68)	0.046 (0.31)
<i>Board size</i>		0.017 (1.04)	0.001 (0.08)	0.022 (0.76)
<i>CEO turnover</i>			2.746*** (26.00)	2.630*** (15.20)
<i>CEO duality</i>			-1.149*** (-5.51)	-1.269*** (-4.61)
<i>New</i>		-0.117*** (-3.12)	-0.105*** (-2.75)	0.058 (0.78)
<i>Female</i>		-0.159** (-2.51)	-0.132** (-2.06)	-0.053 (-0.51)
<i>Independence</i>		0.117*** (3.20)	0.177*** (4.77)	-0.044 (-0.66)
<i>Director own</i>		0.155 (0.58)	0.187 (0.68)	-1.214** (-2.09)
<i>Number of directorships held</i>		0.025*** (3.11)	0.023*** (2.84)	-0.035** (-2.47)
<i>Tenure</i>				0.062*** (5.73)
<i>Age</i>				0.009** (2.50)
<i>Pay</i>				0.000*** (3.72)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,804	39,804	39,804	12,177
Pseudo R ²	0.00638	0.0417	0.0717	0.0568

Robustness test using alternative shareholder dissent – ln dissent for Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Ln Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Ln Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. *Ln Dissent* is calculated as the natural log of *Dissent*. *Dissent* is calculated as (proxy against) divided by the sum of (proxy for + proxy against + proxy discretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics measures. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. **Z**-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel B presents the results of the OLS regressions of shareholder dissent (ln transformed) and board turnover.

Consequence =	Base	Model excluding CEO related	Include all variables
Board turnover t+1	(1)	(2)	(3)
<i>Firm Ln Dissent</i>	0.254*** (6.76)	0.266*** (7.16)	0.233*** (6.26)
<i>Firm age</i>	-0.033** (-2.12)	-0.027* (-1.75)	-0.025* (-1.65)
<i>Firm size</i>	0.001 (0.18)	-0.000 (-0.14)	-0.002 (-0.74)
<i>ROA</i>	-0.008** (-2.13)	-0.008** (-2.20)	-0.007* (-1.94)
<i>Stock return</i>	-0.008** (-2.06)	-0.009** (-2.41)	-0.008** (-2.03)
<i>Dividend</i>	0.084 (0.65)	0.059 (0.46)	0.057 (0.45)
<i>B2M</i>	0.009 (0.99)	0.011 (1.23)	0.011 (1.32)
<i>Leverage</i>	0.001 (0.60)	0.001 (0.53)	0.000 (0.37)
<i>Top 20</i>		0.083*** (10.17)	0.085*** (10.54)
<i>Institutional</i>		0.011 (0.37)	0.011 (0.38)
<i>Board size</i>		-0.010*** (-3.90)	-0.012*** (-4.59)
<i>Board female</i>		-0.009 (-0.82)	-0.007 (-0.65)
<i>Board independence</i>		0.035*** (5.30)	0.034*** (5.13)
<i>Board own</i>		0.060* (1.88)	0.060* (1.90)
<i>CEO turnover</i>			0.158*** (17.91)
<i>CEO duality</i>			-0.010 (-0.39)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,231	22,231	22,231
Adjusted R ²	0.055	0.064	0.088

Robustness test using alternative shareholder dissent – ln firm dissent for Hypothesis 2: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta Firm\ Ln\ Dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where *Board turnover_{j,t+1}* is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm Ln Dissent* is the firm averaged shareholder dissent (ln transformed) to directors facing election at the focal firm *j* at time *t*. *Ln Dissent* is calculated as the natural log of *Dissent*. *Dissent* is calculated as (proxy against) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder dissent (ln transformed) and change in directorships.

Consequence = Δ Directorships held t+1	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
	(1)	(2)	(3)	(4)
<i>Ln Dissent</i>	0.004 (0.10)	0.013 (0.34)	0.016 (0.42)	0.077 (0.98)
<i>Firm age</i>	0.023 (1.38)	0.022 (1.36)	0.022 (1.37)	0.044 (1.29)
<i>Firm size</i>	-0.005 (-1.22)	-0.002 (-0.43)	-0.002 (-0.48)	0.000 (0.00)
<i>ROA</i>	0.004 (0.96)	0.003 (0.75)	0.003 (0.85)	0.002 (0.16)
<i>Stock return</i>	-0.007 (-1.51)	-0.007 (-1.42)	-0.007 (-1.47)	-0.003 (-0.35)
<i>Dividend</i>	-0.066 (-0.45)	-0.038 (-0.26)	-0.043 (-0.29)	0.111 (0.46)
<i>B2M</i>	0.000 (0.03)	-0.002 (-0.18)	-0.001 (-0.12)	0.009 (0.40)
<i>Leverage</i>	0.000 (0.23)	0.000 (0.26)	0.000 (0.20)	-0.000 (-0.13)
<i>Institutional</i>		-0.115*** (-2.80)	-0.117*** (-2.84)	-0.103 (-1.61)
<i>Top 20</i>		-0.025* (-1.96)	-0.025** (-1.97)	-0.020 (-0.65)
<i>Board size</i>		0.001 (0.36)	0.001 (0.23)	0.008 (1.34)
<i>CEO turnover</i>			0.078*** (3.30)	0.027 (0.66)
<i>CEO duality</i>			0.039 (1.15)	0.081* (1.72)
<i>New</i>		0.047*** (7.12)	0.048*** (7.19)	0.087*** (5.79)
<i>Female</i>		0.040*** (4.33)	0.040*** (4.39)	0.054*** (3.43)
<i>Independence</i>		-0.028*** (-4.23)	-0.027*** (-4.01)	-0.029*** (-2.31)
<i>Director own</i>		-0.020 (-0.50)	-0.022 (-0.55)	-0.036 (-0.33)
<i>Busyness</i>		0.003*** (2.61)	0.003*** (2.58)	0.006*** (2.69)
<i>Age</i>				-0.001* (-1.94)
<i>Tenure</i>				-0.010*** (-5.50)
<i>Director pay</i>				-0.000 (-0.97)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,949	37,949	37,949	15,786
Adjusted R ²	0.005	0.009	0.009	0.036

Robustness test using alternative shareholder dissent – ln dissent for Hypothesis 3. *Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.*

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Ln Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta \text{Directorships held}_{i,j,t+1}$ is a continuous variable, which is the difference of numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is

Ln Dissent, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*, and *Ln Dissent* is calculated as the natural log of *Dissent*. *Dissent* is calculated as (proxy against) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel D presents the results of the logit regressions of shareholder dissent (ln transformed) and CEO turnover.

Consequence = CEO turnover t + 1	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
	(1)	(2)	(3)	(4)
<i>Firm Ln Dissent</i>	1.691*** (5.99)	1.690*** (5.97)	1.697*** (5.97)	1.941*** (5.07)
<i>Firm age</i>	-0.139 (-0.97)	-0.125 (-0.88)	-0.095 (-0.67)	-0.455** (-2.19)
<i>Firm size</i>	0.142*** (4.53)	0.133*** (4.15)	0.130*** (4.04)	0.121*** (2.80)
<i>ROA</i>	-0.082** (-2.36)	-0.076** (-2.20)	-0.076** (-2.19)	-0.010 (-0.18)
<i>Stock return</i>	-0.100** (-2.57)	-0.099** (-2.55)	-0.099** (-2.53)	-0.142*** (-2.70)
<i>Dividend</i>	0.356 (0.28)	0.351 (0.28)	0.304 (0.24)	-0.308 (-0.20)
<i>B2M</i>	-0.068 (-0.79)	-0.057 (-0.66)	-0.047 (-0.54)	-0.061 (-0.53)
<i>Leverage</i>	0.015 (1.18)	0.015 (1.19)	0.017 (1.33)	0.004 (0.22)
<i>Institutional</i>		-0.023 (-0.07)	0.011 (0.03)	0.458 (1.23)
<i>Top 20</i>		-0.103 (-1.23)	-0.123 (-1.46)	-0.197* (-1.76)
<i>Board size</i>		0.091*** (3.33)	0.097*** (3.55)	0.120*** (3.35)
<i>Board female</i>		-0.110 (-1.06)	-0.111 (-1.06)	-0.087 (-0.65)
<i>Board independence</i>		0.088 (1.47)	0.096 (1.60)	0.023 (0.29)
<i>Board own</i>		-0.008 (-0.03)	0.026 (0.08)	0.260 (0.60)
<i>CEO duality</i>		0.790*** (3.13)	0.775*** (3.05)	0.590* (1.80)
<i>CEO shareholding</i>			-2.627* (-1.77)	-5.679*** (-2.99)
<i>CEO nation</i>			0.623*** (6.37)	0.659*** (4.83)
<i>CEO age</i>				0.036*** (4.36)
<i>CEO tenure</i>				0.091*** (8.13)
<i>CEO busyness</i>				-0.826*** (-7.69)
<i>Abnormal CEO pay</i>				0.014 (0.50)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,326	14,326	14,326	8,528
Pseudo R ²	0.0162	0.0187	0.0235	0.0532

Robustness test using alternative shareholder dissent – ln firm dissent for Hypothesis 4: *Shareholder dissent votes are positively associated with subsequent likelihood of CEO dismissal.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{Firm Ln Dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Firm Ln Dissent*. *Firm Ln Dissent* is the firm averaged shareholder dissent (ln transformed) to directors facing

election at the focal firm j at time t . $\ln Dissent$ is calculated as the natural log of $Dissent$. $Dissent$ is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the OLS regressions of shareholder dissent and firm performance.
 Panel E1 presents the results of shareholder dissent (ln transformed) and firm operating performance.

Consequence = Industry adjusted ROA t + 1	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm Ln Dissent</i>	-0.263** (-2.29)	-0.256** (-2.23)	-0.233** (-2.02)
<i>Firm size</i>	0.138*** (10.35)	0.138*** (10.32)	0.139*** (10.35)
<i>Firm age</i>	-0.095* (-1.85)	-0.095* (-1.85)	-0.094* (-1.85)
<i>Dividend</i>	0.390*** (2.60)	0.398*** (2.66)	0.401*** (2.68)
<i>B2M</i>	-0.095*** (-4.09)	-0.093*** (-4.01)	-0.094*** (-4.05)
<i>Leverage</i>	0.004 (0.84)	0.004 (0.86)	0.004 (0.86)
<i>Institutional</i>		-0.092 (-1.52)	-0.089 (-1.45)
<i>Top 20</i>		0.027 (1.07)	0.027 (1.07)
<i>Board size</i>		-0.009 (-1.15)	-0.009 (-1.08)
<i>Board female</i>		0.037** (2.17)	0.036** (2.14)
<i>Board independence</i>		0.003 (0.17)	0.002 (0.12)
<i>Board own</i>		0.191** (2.02)	0.195** (2.05)
<i>CEO turnover</i>			-0.091*** (-4.38)
<i>CEO duality</i>			-0.133 (-1.44)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,751	22,751	22,751
Adjusted R ²	0.260	0.260	0.261

Robustness test using alternative shareholder dissent – ln firm dissent for Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$Industry\ adjusted\ ROA_{j,t+1} = \alpha + \beta Firm\ Ln\ Dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$
 where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t + 1*. ROA is return on assets. *Firm Ln Dissent* is the firm averaged shareholder dissent (ln transformed) to directors facing election at the focal firm *j* at time *t*. *Ln Dissent* is calculated as the natural log of *Dissent*. *Dissent* is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E2 presents the results of shareholder dissent (ln transformed) and firm stock market performance.

Consequence = Stock return $t + 1$	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm Ln Dissent</i>	-0.483*** (-6.91)	-0.486*** (-6.96)	-0.461*** (-6.59)
<i>ROA</i>	0.042*** (4.12)	0.041*** (4.06)	0.040*** (3.98)
<i>Firm size</i>	-0.254*** (-28.38)	-0.252*** (-27.97)	-0.251*** (-27.88)
<i>Firm age</i>	-0.077** (-1.98)	-0.078** (-1.99)	-0.078** (-1.99)
<i>Dividend</i>	0.201 (0.81)	0.217 (0.87)	0.213 (0.86)
<i>B2M</i>	0.457*** (23.12)	0.455*** (23.03)	0.456*** (23.10)
<i>Leverage</i>	0.012*** (2.91)	0.012*** (2.92)	0.012*** (2.98)
<i>Institutional</i>		-0.227*** (-3.63)	-0.224*** (-3.58)
<i>Top 20</i>		-0.056*** (-2.82)	-0.058*** (-2.92)
<i>Board size</i>		-0.001 (-0.09)	0.000 (0.05)
<i>Board female</i>		-0.020 (-0.99)	-0.021 (-1.05)
<i>Board independence</i>		0.037*** (2.78)	0.038*** (2.88)
<i>Board own</i>		0.007 (0.10)	0.001 (0.01)
<i>CEO turnover</i>			-0.096*** (-5.94)
<i>CEO duality</i>			0.095 (1.52)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,483	18,483	18,483
Adjusted R ²	0.166	0.167	0.169

Robustness test using alternative shareholder dissent – ln firm dissent for Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$Stock\ return_{j,t+1} = \alpha + \beta Firm\ Ln\ Dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where $Stock\ return_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $Firm\ Ln\ Dissent$ is the firm averaged shareholder dissent (ln transformed) to directors facing election at the focal firm j at time t . $Ln\ Dissent$ is calculated as the natural log of $Dissent$. $Dissent$ is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include ROA , $Firm\ Size$, $Firm\ Age$, $Dividend$, $B2M$, and $Leverage$ as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 21: Sub-sample analysis of non-executive directors

Panel A presents the results of the logit regressions of shareholder dissent and director turnover. The unit of analysis is non-executive directors who face election or re-election to the board.

Consequence =	Base	Excluding missing and CEO variables	Excluding missing variables	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.984*** (5.87)	0.952*** (5.65)	0.985*** (5.82)	1.790*** (5.54)
<i>ROA</i>	-0.073*** (-3.16)	-0.068*** (-2.93)	-0.057** (-2.41)	0.023 (0.39)
<i>Stock return</i>	-0.058** (-2.07)	-0.060** (-2.12)	-0.081*** (-2.82)	-0.073 (-1.38)
<i>Firm size (log transformed)</i>	0.000 (0.02)	-0.010 (-0.41)	-0.018 (-0.76)	-0.037 (-0.79)
<i>Firm age</i>	-0.216** (-2.07)	-0.206** (-1.97)	-0.230** (-2.17)	-0.307 (-1.56)
<i>Dividend</i>	0.204 (0.20)	0.090 (0.09)	0.325 (0.32)	1.171 (0.77)
<i>B2M</i>	0.183*** (2.77)	0.189*** (2.86)	0.185*** (2.77)	0.316*** (2.65)
<i>Leverage</i>	0.010 (1.06)	0.010 (1.04)	0.008 (0.82)	0.026 (1.56)
<i>Institutional</i>		0.507** (2.04)	0.415* (1.65)	0.117 (0.28)
<i>Top 20</i>		0.049 (0.60)	0.057 (0.69)	0.004 (0.03)
<i>Board size</i>		0.006 (0.34)	-0.008 (-0.43)	0.031 (0.96)
<i>CEO turnover</i>			2.335*** (18.15)	2.200*** (11.19)
<i>CEO duality</i>			-1.151*** (-4.53)	-1.205*** (-3.77)
<i>New</i>		-0.133*** (-3.13)	-0.127*** (-2.96)	0.009 (0.11)
<i>Female</i>		-0.251*** (-3.68)	-0.227*** (-3.30)	-0.101 (-0.93)
<i>Independence</i>		0.001 (0.04)	0.040 (0.97)	-0.029 (-0.40)
<i>Director own</i>		-0.498 (-1.61)	-0.514 (-1.62)	-1.172* (-1.74)
<i>Number of directorships held</i>		-0.013 (-1.44)	-0.011 (-1.25)	-0.034** (-2.19)
<i>Tenure</i>				0.069*** (5.78)
<i>Age</i>				0.008** (2.15)
<i>Director pay (in millions)</i>				0.000** (2.42)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	34,425	34,425	34,425	10,531
Pseudo R ²	0.0054	0.0072	0.0267	0.0431

Hypothesis 1: Shareholder dissent votes are associated with subsequent director turnover.

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. *Z*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

The unit of analysis is non-executive directors standing for election or re-election to the board. The mean dissent is 3.12%. The number of non-executive directors is 42,417, which represents approximately 67% of the total sample size as used in the main analysis from Table 2 to Table 7.

Panel B presents the results of the OLS regressions of shareholder dissent and board turnover. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for non-executive directors.

Consequence = Board turnover t + 1	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Firm dissent</i>	0.188*** (4.57)	0.188*** (4.59)	0.155*** (3.72)
<i>Firm age</i>	-0.029 (-1.45)	-0.028 (-1.41)	-0.028 (-1.43)
<i>Firm size (log transformed)</i>	-0.000 (-0.03)	-0.000 (-0.04)	-0.002 (-0.57)
<i>ROA</i>	-0.010** (-2.22)	-0.011** (-2.33)	-0.010** (-2.11)
<i>Stock return</i>	-0.011** (-2.37)	-0.011** (-2.38)	-0.009** (-2.00)
<i>Dividend</i>	0.096 (0.66)	0.072 (0.49)	0.068 (0.47)
<i>B2M</i>	0.025** (2.43)	0.025** (2.44)	0.025** (2.46)
<i>Leverage</i>	0.002 (0.95)	0.002 (0.98)	0.001 (0.87)
<i>Top 20</i>		0.007 (0.64)	0.009 (0.81)
<i>Institutional</i>		0.032 (0.93)	0.034 (0.98)
<i>Board size</i>		-0.013*** (-4.37)	-0.015*** (-4.97)
<i>Board female</i>		-0.016 (-1.28)	-0.014 (-1.14)
<i>Board independence</i>		0.017** (2.23)	0.015** (2.02)
<i>Board own</i>		0.006 (0.15)	0.007 (0.19)
<i>CEO turnover</i>			0.157*** (15.71)
<i>CEO duality</i>			-0.041 (-1.34)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	17,776	17,776	17,776
Adjusted R ²	0.066	0.068	0.091

Hypothesis 2: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$\text{Board turnover}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Board turnover*_{*j,t+1*} is the board turnover at firm *j* for the period from the annual meeting at data *t* up to and including the next annual meeting date. *Firm dissent*_{*j,t*} is the firm averaged shareholder dissent to non-executive directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively.

The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder dissent and change in directorships held. The unit of analysis is non-executive directors who face election or re-election to the board.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.036 (0.81)	0.041 (0.93)	0.044 (0.99)	0.049 (0.93)
<i>Firm age</i>	0.023 (0.96)	0.023 (0.97)	0.024 (1.01)	0.038 (1.14)
<i>Firm size (log transformed)</i>	-0.001 (-0.32)	0.002 (0.36)	0.002 (0.33)	-0.002 (-0.30)
<i>ROA</i>	0.007 (1.22)	0.006 (1.06)	0.006 (1.11)	0.002 (0.33)
<i>Stock return</i>	-0.001 (-0.18)	-0.000 (-0.06)	-0.001 (-0.10)	0.004 (0.48)
<i>Dividend</i>	-0.003 (-0.01)	0.031 (0.17)	0.015 (0.09)	0.147 (0.65)
<i>B2M</i>	-0.001 (-0.07)	-0.004 (-0.26)	-0.002 (-0.18)	-0.006 (-0.28)
<i>Leverage</i>	-0.000 (-0.05)	-0.000 (-0.05)	-0.000 (-0.12)	-0.002 (-0.87)
<i>Institutional</i>		-0.105** (-2.22)	-0.108** (-2.29)	-0.134** (-2.19)
<i>Top 20</i>		-0.026 (-1.46)	-0.028 (-1.56)	-0.067** (-2.16)
<i>Board size</i>		0.002 (0.59)	0.002 (0.42)	0.005 (0.88)
<i>CEO turnover</i>			0.109*** (2.88)	0.083* (1.81)
<i>CEO duality</i>			0.145*** (2.97)	0.196*** (3.14)
<i>New</i>		0.038*** (4.65)	0.039*** (4.70)	0.049*** (3.81)
<i>Female</i>		0.039*** (3.92)	0.040*** (3.99)	0.050*** (4.00)
<i>Independence</i>		-0.041*** (-4.86)	-0.039*** (-4.63)	-0.045*** (-4.13)
<i>Director own</i>		-0.059 (-1.05)	-0.069 (-1.22)	-0.137 (-1.55)
<i>Busyness</i>		0.004*** (2.59)	0.004*** (2.63)	0.005** (2.39)
<i>Age</i>				-0.007*** (-5.00)
<i>Tenure</i>				-0.010*** (-5.86)
<i>Director pay (in millions)</i>				0.000* (1.77)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	32,233	32,233	32,233	21,891
Adjusted R ²	0.043	0.046	0.047	0.064

Hypothesis 3: Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference in the numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

The unit of analysis is non-executive directors standing for election or re-election to the Board. The mean dissent is 3.12%. The number of non-executive directors is 42,417, which represents approximately 67% of the total sample size as used in the main analysis from Table 2 to Table 7.

Panel D presents the results of logit regressions of shareholder dissent and CEO turnover. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for non-executive directors.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent</i>	1.443*** (5.28)	1.447*** (5.28)	1.443*** (5.23)	1.229*** (3.25)
<i>Firm age</i>	-0.038 (-0.23)	-0.020 (-0.12)	0.006 (0.04)	-0.338 (-1.45)
<i>Firm size (log transformed)</i>	0.149*** (4.16)	0.140*** (3.84)	0.140*** (3.84)	0.147*** (3.00)
<i>ROA</i>	-0.080** (-2.09)	-0.074* (-1.94)	-0.079** (-2.06)	0.006 (0.10)
<i>Stock return</i>	-0.117*** (-2.68)	-0.117*** (-2.66)	-0.114*** (-2.59)	-0.138** (-2.36)
<i>Dividend</i>	0.605 (0.44)	0.647 (0.47)	0.547 (0.39)	-0.480 (-0.28)
<i>B2M</i>	-0.026 (-0.27)	-0.013 (-0.13)	-0.005 (-0.05)	0.014 (0.11)
<i>Leverage</i>	0.015 (1.08)	0.015 (1.08)	0.017 (1.18)	0.012 (0.62)
<i>Institutional</i>		-0.114 (-0.33)	-0.083 (-0.24)	0.452 (1.11)
<i>Top 20</i>		-0.108 (-1.07)	-0.126 (-1.25)	-0.280** (-2.13)
<i>Board size</i>		0.091*** (3.04)	0.097*** (3.23)	0.133*** (3.44)
<i>Board female</i>		-0.107 (-0.97)	-0.106 (-0.95)	-0.103 (-0.73)
<i>Board independence</i>		0.088 (1.29)	0.092 (1.35)	-0.024 (-0.27)
<i>Board own</i>		-0.056 (-0.16)	-0.014 (-0.04)	0.071 (0.15)
<i>CEO duality</i>		0.752*** (2.60)	0.738** (2.53)	0.640* (1.72)
<i>CEO shareholding</i>			-2.078 (-1.27)	-5.110** (-2.48)
<i>CEO nation</i>			0.655*** (5.97)	0.644*** (4.29)
<i>CEO age</i>				0.030*** (3.34)
<i>CEO tenure</i>				0.093*** (7.67)
<i>CEO busyness</i>				-0.844*** (-7.30)
<i>Abnormal CEO Pay (in millions)</i>				0.030 (1.03)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	10,989	10,989	10,989	6,788
Pseudo R ²	0.0164	0.0189	0.0242	0.0531

Hypothesis 4: *Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable $\text{CEO turnover}_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of interest is *Firm dissent* _{j,t} , which is estimated for the firm-level averaged shareholder dissent for non-executive directors facing election or

re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the OLS regressions of shareholder dissent and firm performance. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for non-executive directors.

Panel E1 presents the results of shareholder dissent and firm operating performance, industry adjusted ROA.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm dissent</i>	-0.269** (-2.18)	-0.261** (-2.12)	-0.244** (-1.98)
<i>Firm size (log transformed)</i>	0.132*** (9.20)	0.133*** (9.15)	0.133*** (9.18)
<i>Firm age</i>	-0.093* (-1.70)	-0.096* (-1.75)	-0.096* (-1.75)
<i>Dividend</i>	0.414** (2.50)	0.424*** (2.59)	0.427*** (2.60)
<i>B2M</i>	-0.106*** (-4.01)	-0.103*** (-3.89)	-0.103*** (-3.90)
<i>Leverage</i>	0.007 (1.22)	0.007 (1.22)	0.007 (1.24)
<i>Institutional</i>		-0.135** (-2.00)	-0.133* (-1.95)
<i>Top 20</i>		0.065** (2.17)	0.065** (2.18)
<i>Board size</i>		-0.018** (-2.01)	-0.017* (-1.95)
<i>Board female</i>		0.047*** (3.16)	0.046*** (3.13)
<i>Board independence</i>		0.002 (0.09)	0.001 (0.06)
<i>Board own</i>		0.219** (2.17)	0.223** (2.19)
<i>CEO turnover</i>			-0.071*** (-3.32)
<i>CEO duality</i>			-0.126 (-1.11)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	17,774	17,774	17,774
Adjusted R ²	0.279	0.280	0.280

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t+1*. ROA is return on assets. *Firm dissent_{j,t}* is the firm averaged shareholder dissent to non-executive directors facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E2 presents the results of shareholder dissent and firm stock market performance, stock return.

Consequence = Stock return t+1	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm dissent</i>	-0.447*** (-5.72)	-0.447*** (-5.71)	-0.424*** (-5.43)
<i>ROA</i>	0.047*** (4.13)	0.047*** (4.12)	0.046*** (4.03)
<i>Firm size</i>	-0.249*** (-24.06)	-0.246*** (-23.68)	-0.245*** (-23.61)
<i>Firm age</i>	-0.021 (-0.49)	-0.022 (-0.51)	-0.021 (-0.49)
<i>Dividend</i>	0.125 (0.46)	0.163 (0.60)	0.155 (0.58)
<i>B2M</i>	0.465*** (20.69)	0.463*** (20.64)	0.464*** (20.73)
<i>Leverage</i>	0.012*** (2.73)	0.012*** (2.77)	0.013*** (2.85)
<i>Institutional</i>		-0.265*** (-3.85)	-0.262*** (-3.80)
<i>Top 20</i>		-0.082*** (-3.35)	-0.083*** (-3.40)
<i>Board size</i>		0.003 (0.39)	0.003 (0.50)
<i>Board female</i>		-0.026 (-1.21)	-0.027 (-1.26)
<i>Board independence</i>		0.019 (1.27)	0.021 (1.37)
<i>Board own</i>		-0.090 (-1.18)	-0.097 (-1.27)
<i>CEO turnover</i>			-0.090*** (-4.95)
<i>CEO duality</i>			0.124 (1.64)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	14,776	14,776	14,776
Adjusted R ²	0.167	0.169	0.171

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$Stock\ return_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where $Stock\ return_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $Firm\ dissent_{j,t}$ is the firm averaged shareholder dissent to non-executive directors facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Table 22: Sub-sampling analysis of individual directors who receive less than or equal to 50% against votes

Panel A presents the results of the logit regressions of shareholder dissent and director turnover. The unit of analysis is individual director who receives less than or equal to 50% against vote when facing election or re-election to the board during the AGM.

Consequence =	Base	Excluding missing and CEO variables	Excluding missing variables	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	2.037*** (9.81)	2.074*** (9.77)	2.198*** (10.22)	2.444*** (6.61)
<i>ROA</i>	-0.064*** (-3.20)	-0.055*** (-2.69)	-0.041* (-1.93)	-0.000 (-0.00)
<i>Stock return</i>	-0.056** (-2.25)	-0.086*** (-3.44)	-0.108*** (-4.21)	-0.112** (-2.33)
<i>Firm size (log transformed)</i>	0.006 (0.32)	-0.035* (-1.70)	-0.046** (-2.17)	-0.054 (-1.27)
<i>Firm age</i>	-0.467*** (-5.28)	-0.393*** (-4.27)	-0.423*** (-4.50)	-0.245 (-1.36)
<i>Dividend</i>	0.484 (0.53)	-0.033 (-0.04)	0.053 (0.06)	0.687 (0.48)
<i>B2M</i>	0.083 (1.45)	0.129** (2.21)	0.136** (2.28)	0.149 (1.36)
<i>Leverage</i>	0.009 (1.16)	0.010 (1.22)	0.007 (0.85)	0.023 (1.47)
<i>Institutional</i>		1.329*** (6.19)	1.252*** (5.73)	0.317 (0.83)
<i>Top 20</i>		1.541*** (24.12)	1.575*** (24.10)	0.056 (0.37)
<i>Board size</i>		0.015 (0.92)	-0.000 (-0.01)	0.026 (0.87)
<i>CEO turnover</i>			2.763*** (25.94)	2.628*** (15.09)
<i>CEO duality</i>			-1.154*** (-5.49)	-1.283*** (-4.63)
<i>New</i>		-0.095** (-2.51)	-0.083** (-2.15)	0.055 (0.74)
<i>Female</i>		-0.159** (-2.49)	-0.131** (-2.03)	-0.067 (-0.65)
<i>Independence</i>		0.118*** (3.22)	0.180*** (4.79)	-0.046 (-0.68)
<i>Director own</i>		0.190 (0.70)	0.230 (0.82)	-1.192** (-2.05)
<i>Number of directorships held</i>		0.025*** (3.05)	0.023*** (2.77)	-0.033** (-2.33)
<i>Tenure</i>				0.063*** (5.77)
<i>Age</i>				0.008** (2.29)
<i>Director pay (in millions)</i>				0.000*** (3.53)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	39,187	39,187	39,187	12,068
Pseudo R ²	0.0085	0.0424	0.0729	0.0559

Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Model:

$$\text{Logit}(\text{Director turnover}_{i,j,t+1}) = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

The unit of analysis is individual director who receives less than or equal to 50% against votes when standing for election or re-election to the board during AGMs. The mean dissent is 2.6%. The number of non-executive directors is 58,756, which represents approximately 97% of the total sample size as used in the main analysis from Table 2 to Table 7.

Panel B presents the results of the OLS regressions of shareholder dissent and board turnover. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for individual directors who receive less than or equal to 50% against votes.

Consequence = Board turnover $t + 1$	Base (1)	Model excluding CEO related (2)	Include all variables (3)
<i>Firm dissent</i>	0.299*** (6.25)	0.311*** (6.55)	0.269*** (5.78)
<i>Firm age</i>	-0.035** (-2.30)	-0.029* (-1.93)	-0.027* (-1.82)
<i>Firm size (log transformed)</i>	0.000 (0.11)	-0.001 (-0.21)	-0.003 (-0.79)
<i>ROA</i>	-0.008** (-2.11)	-0.008** (-2.16)	-0.007* (-1.92)
<i>Stock return</i>	-0.008** (-2.02)	-0.009** (-2.38)	-0.008** (-1.98)
<i>Dividend</i>	0.060 (0.46)	0.035 (0.27)	0.029 (0.23)
<i>B2M</i>	0.009 (0.99)	0.011 (1.22)	0.011 (1.32)
<i>Leverage</i>	0.001 (0.53)	0.001 (0.44)	0.000 (0.31)
<i>Top 20</i>		0.083*** (10.08)	0.085*** (10.45)
<i>Institutional</i>		0.006 (0.18)	0.008 (0.27)
<i>Board size</i>		-0.009*** (-3.67)	-0.011*** (-4.40)
<i>Board female</i>		-0.010 (-0.91)	-0.008 (-0.76)
<i>Board independence</i>		0.036*** (5.35)	0.034*** (5.16)
<i>Board own</i>		0.058* (1.82)	0.058* (1.85)
<i>CEO turnover</i>			0.160*** (18.07)
<i>CEO duality</i>			-0.009 (-0.34)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,169	22,169	22,169
Adjusted R ²	0.055	0.064	0.089

Hypothesis 2: *Shareholder dissent votes are positively associated with the subsequent board turnover ratio.*

Model:

$$Board\ turnover_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \epsilon_{j,t}$$

where *Board turnover* _{$j,t+1$} is the board turnover at firm j for the period from the annual meeting at data t up to and including the next annual meeting date. *Firm dissent* _{j,t} is the firm averaged shareholder dissent to individual directors who receive less than or equal to 50% against votes facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel C presents the results of the OLS regressions of shareholder dissent and change in directorships held. The unit of analysis is individual director who receives less than or equal to 50% against votes when facing election or re-election to the board during the AGM.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Δ Directorships held t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	-0.026 (-0.58)	-0.010 (-0.23)	-0.008 (-0.18)	-0.048 (-0.76)
<i>Firm age</i>	0.022 (1.35)	0.022 (1.33)	0.022 (1.34)	0.035 (1.46)
<i>Firm size (log transformed)</i>	-0.004 (-1.19)	-0.001 (-0.40)	-0.002 (-0.44)	-0.002 (-0.28)
<i>ROA</i>	0.004 (1.02)	0.003 (0.82)	0.003 (0.92)	0.002 (0.42)
<i>Stock return</i>	-0.007 (-1.49)	-0.007 (-1.40)	-0.007 (-1.45)	-0.006 (-0.88)
<i>Dividend</i>	-0.059 (-0.41)	-0.030 (-0.20)	-0.035 (-0.24)	0.042 (0.22)
<i>B2M</i>	-0.001 (-0.06)	-0.003 (-0.26)	-0.002 (-0.21)	-0.006 (-0.36)
<i>Leverage</i>	0.001 (0.38)	0.001 (0.39)	0.001 (0.34)	-0.001 (-0.48)
<i>Institutional</i>		-0.117*** (-2.77)	-0.118*** (-2.81)	-0.124** (-2.37)
<i>Top 20</i>		-0.025* (-1.95)	-0.025** (-1.96)	-0.041* (-1.89)
<i>Board size</i>		0.001 (0.38)	0.001 (0.25)	0.001 (0.35)
<i>CEO turnover</i>			0.078*** (3.31)	0.060** (2.06)
<i>CEO duality</i>			0.038 (1.12)	0.059 (1.40)
<i>New</i>		0.047*** (7.03)	0.048*** (7.10)	0.065*** (5.95)
<i>Female</i>		0.041*** (4.37)	0.041*** (4.44)	0.050*** (4.19)
<i>Independence</i>		-0.028*** (-4.20)	-0.027*** (-3.98)	-0.028*** (-3.22)
<i>Director own</i>		-0.018 (-0.43)	-0.019 (-0.47)	-0.044 (-0.68)
<i>Busyness</i>		0.003** (2.46)	0.003** (2.43)	0.005*** (2.96)
<i>Age</i>				-0.000* (-1.67)
<i>Tenure</i>				-0.009*** (-6.27)
<i>Director pay (in millions)</i>				0.000 (0.14)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	37,656	37,656	37,656	25,502
Adjusted R ²	0.006	0.009	0.009	0.019

Hypothesis 3: Shareholder dissent votes are negatively associated with the change of directorships held by nominee directors.

Model:

$$\Delta \text{Directorships held}_{i,j,t+1} = \alpha + \beta \text{Dissent}_{i,j,t} + \gamma_1 \text{Firm level controls}_{j,t} + \gamma_2 \text{Director level controls}_{i,j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{i,j,t}$$

where the dependent variable $\Delta Directorships\ held_{i,j,t+1}$ is a continuous variable, which is the difference in the numbers of directorships a director i at firm j holds within one year of election at time t . The main independent variable of interest is *Dissent*, which is estimated for each director i facing election or re-election at firm j at financial year t . Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

The unit of analysis is individual director who receives less than or equal to 50% against votes when standing for election or re-election to the board during AGMs. The mean dissent is 2.6%. The number of non-executive directors is 58,756, which represents approximately 97% of the total sample size as used in the main analysis from Table 2 to Table 7.

Panel D presents the results of logit regressions of shareholder dissent and CEO turnover. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for individual directors who receive less than or equal to 50% against votes.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent</i>	2.104*** (5.96)	2.138*** (6.05)	2.146*** (6.04)	2.185*** (4.59)
<i>Firm age</i>	-0.147 (-1.02)	-0.135 (-0.94)	-0.108 (-0.75)	-0.452** (-2.18)
<i>Firm size (log transformed)</i>	0.137*** (4.35)	0.128*** (4.00)	0.125*** (3.91)	0.124*** (2.85)
<i>ROA</i>	-0.079** (-2.28)	-0.074** (-2.11)	-0.074** (-2.12)	-0.013 (-0.24)
<i>Stock return</i>	-0.103*** (-2.63)	-0.101*** (-2.59)	-0.101** (-2.57)	-0.146*** (-2.76)
<i>Dividend</i>	0.572 (0.45)	0.587 (0.46)	0.549 (0.43)	0.014 (0.01)
<i>B2M</i>	-0.070 (-0.81)	-0.060 (-0.68)	-0.048 (-0.55)	-0.070 (-0.60)
<i>Leverage</i>	0.013 (1.03)	0.013 (1.05)	0.015 (1.21)	0.002 (0.14)
<i>Institutional</i>		-0.167 (-0.52)	-0.131 (-0.41)	0.280 (0.73)
<i>Top 20</i>		-0.101 (-1.20)	-0.120 (-1.43)	-0.198* (-1.77)
<i>Board size</i>		0.096*** (3.52)	0.102*** (3.74)	0.124*** (3.46)
<i>Board female</i>		-0.104 (-0.99)	-0.103 (-0.99)	-0.079 (-0.59)
<i>Board independence</i>		0.093 (1.55)	0.101* (1.68)	0.028 (0.36)
<i>Board own</i>		-0.015 (-0.05)	0.018 (0.06)	0.274 (0.64)
<i>CEO duality</i>		0.783*** (3.10)	0.766*** (3.01)	0.569* (1.74)
<i>CEO shareholding</i>			-2.686* (-1.81)	-5.667*** (-2.99)
<i>CEO nation</i>			0.618*** (6.31)	0.655*** (4.80)
<i>CEO age</i>				0.036*** (4.26)
<i>CEO tenure</i>				0.090*** (8.06)
<i>CEO busyness</i>				-0.824*** (-7.64)
<i>Abnormal CEO Pay (in millions)</i>				0.013 (0.46)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	14,226	14,226	14,226	8,476
Pseudo R ²	0.0161	0.0187	0.0235	0.0521

Hypothesis 4: *Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.*

Model:

$$\text{Logit}(\text{CEO turnover}_{j,t+1}) = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where the dependent variable *CEO turnover*_{*j,t+1*} is a dummy variable, which takes a value of 1 if CEO at firm *j* at time *t* is no longer on the board for the fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Firm*

$dissent_{j,t}$, which is estimated for the firm-level averaged shareholder dissent for individual directors who receive less than or equal to 50% against votes facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects.

Z-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Panel E presents the results of the OLS regressions of shareholder dissent and firm performance. In this analysis, *Firm dissent* is calculated as the firm level averaged against percentage for individual directors who receive less than or equal to 50% against votes when facing election or re-election during AGMs.

Panel E1 presents the results of shareholder dissent and firm operating performance.

Consequence =	Base	Excluding CEO characteristics	Include all variables
Industry adjusted ROA $t + 1$	(1)	(2)	(3)
<i>Firm dissent</i>	-0.324*** (-3.00)	-0.315*** (-2.92)	-0.289*** (-2.67)
<i>Firm size (log transformed)</i>	0.138*** (19.95)	0.138*** (19.85)	0.139*** (19.92)
<i>Firm age</i>	-0.095** (-2.19)	-0.095** (-2.20)	-0.095** (-2.19)
<i>Dividend</i>	0.385 (1.08)	0.393 (1.11)	0.399 (1.12)
<i>B2M</i>	-0.097*** (-4.95)	-0.095*** (-4.85)	-0.096*** (-4.89)
<i>Leverage</i>	0.002 (0.68)	0.002 (0.70)	0.002 (0.70)
<i>Institutional</i>		-0.091 (-1.13)	-0.089 (-1.10)
<i>Top 20</i>		0.029 (1.33)	0.029 (1.33)
<i>Board size</i>		-0.011 (-1.54)	-0.011 (-1.45)
<i>Board female</i>		0.036 (1.18)	0.036 (1.16)
<i>Board independence</i>		-0.001 (-0.09)	-0.002 (-0.13)
<i>Board own</i>		0.190** (2.20)	0.195** (2.25)
<i>CEO turnover</i>			-0.090*** (-4.72)
<i>CEO duality</i>			-0.136* (-1.87)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	22,699	22,699	22,699
Adjusted R ²	0.261	0.261	0.262

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Industry adjusted } ROA_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where *Industry adjusted ROA_{j,t+1}* is a continuous variable, which is the ROA for firm *j* within one year of election at *t+1* minus the industry averaged ROA within one year of election at *t + 1*. ROA is return on assets. *Firm dissent_{j,t}* is the firm averaged shareholder dissent to individual directors who receive less than or equal to 50% against votes when facing election at the focal firm *j* at time *t*. Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel E2 presents the results of shareholder dissent and firm stock market performance.

Consequence = Stock return t+1	Base (1)	Excluding CEO characteristics (2)	Include all variables (3)
<i>Firm dissent</i>	-0.673*** (-7.76)	-0.675*** (-7.78)	-0.640*** (-7.37)
<i>ROA</i>	0.042*** (5.56)	0.041*** (5.46)	0.040*** (5.39)
<i>Firm size</i>	-0.254*** (-37.51)	-0.252*** (-36.64)	-0.251*** (-36.58)
<i>Firm age</i>	-0.074** (-2.05)	-0.075** (-2.06)	-0.075** (-2.07)
<i>Dividend</i>	0.186 (0.65)	0.201 (0.71)	0.200 (0.70)
<i>B2M</i>	0.459*** (27.23)	0.457*** (27.10)	0.458*** (27.18)
<i>Leverage</i>	0.011*** (3.68)	0.011*** (3.70)	0.011*** (3.77)
<i>Institutional</i>		-0.222*** (-3.08)	-0.220*** (-3.06)
<i>Top 20</i>		-0.054*** (-2.96)	-0.056*** (-3.08)
<i>Board size</i>		-0.002 (-0.28)	-0.001 (-0.12)
<i>Board female</i>		-0.023 (-0.94)	-0.024 (-0.98)
<i>Board independence</i>		0.035*** (2.62)	0.037*** (2.73)
<i>Board own</i>		0.004 (0.05)	-0.002 (-0.03)
<i>CEO turnover</i>			-0.094*** (-6.04)
<i>CEO duality</i>			0.091 (1.53)
Firm FE	YES	YES	YES
Year FE	YES	YES	YES
Observations	18,435	18,435	18,435
Adjusted R ²	0.166	0.168	0.169

Hypothesis 5: *Shareholder dissent votes are associated with subsequent firm performance.*

Model:

$$\text{Stock return}_{j,t+1} = \alpha + \beta \text{Firm dissent}_{j,t} + \gamma \text{Firm level controls}_{j,t} + \text{Firm FE} + \text{Year FE} + \varepsilon_{j,t}$$

where $\text{Stock return}_{j,t+1}$ is the stock return for firm j at the fiscal year $t+1$. Stock return is the annual stock returns. $\text{Firm dissent}_{j,t}$ is the firm averaged shareholder dissent to individual directors who receive less than or equal to 50% against votes when facing election at the focal firm j at time t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and year fixed effects.

t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

3.10 Appendices

Appendix 4: Definition of variables

Variable Name	Description [Source]
<i>Consequences t+1</i>	
<i>Director turnover</i>	An indicator variable equal to 1 if the director is no longer on the board within one year of election, and 0 otherwise. [Connect 4]
<i>CEO turnover</i>	An indicator variable equal to 1 if the CEO is replaced within one year of election, and 0 otherwise. [Connect 4]
<i>Board turnover</i>	A continuous variable equal to the number of directors who leave the board within one year of election divided by board size. [Connect 4]
<i>Change of directorships held</i>	Change in the number of directorships a specific director holds within one year of election. [Connect 4]
<i>Stock return</i>	Yearly return within one year of election, i.e. the natural logarithm of the ratio of the share price one year after election divided by the share price of the current year. [Morningstar]
<i>Industry adj. ROA</i>	Industry-adjusted ROA within one year of election.
<i>Abnormal CEO rem.</i>	Abnormal CEO remuneration within one year of election. Abnormal CEO pay (in millions) is calculated as the residuals from estimating the regression model of CEO pay in Core et al. (2008). Specifically, the CEO abnormal pay is measured as the residual from a simple OLS regression of total CEO pay on the logarithm of total assets, the previous year's stock return and industry and year dummies. [Connect 4]
<i>Shareholder dissent votes t</i>	
<i>Dissent</i>	(Proxyagainst) / (Proxyfor + Proxyagainst + Proxydiscretion) for director (re-)election at the director level. [Hand collected]
<i>Firm dissent</i>	Firm-averaged director dissent.
<i>Residual dissent</i>	Following Cai et al. (2009), to deal with the endogeneity issue, we first estimate a regression of director votes with industry-adjusted prior-year EBITDA, excess stock return and calendar year and industry dummies as independent variables, and then we use the unexplained votes from this regression as <i>Residual dissent</i> .
<i>Industry median dissent</i>	For each year, we compute the <i>Industry median dissent</i> as the median <i>Firm dissent</i> on all firms in the same three-digit SIC industry.
<i>Abstain</i>	(Proxyabstain) / (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain) for director (re-)election at the director level. [Hand collected]
<i>Discontent</i>	(Proxyabstain + Proxyagainst) / (Proxyfor + Proxyagainst + Proxydiscretion + Proxyabstain) for director (re-)election at the director level. [Hand collected]
<i>Controls t</i>	
<i>Firm</i>	
<i>Firm age</i>	Firm age, measured by the number of years since a firm goes public. [Connect 4]
<i>Firm size</i>	Firm size, the natural logarithm of total assets. [Aspect]
<i>ROA</i>	Return on assets, given. [Aspect]
<i>Stock return</i>	The annual stock returns. [Morningstar]
<i>Dividend</i>	The ratio of dividend paid divided by total equity. [Aspect]
<i>B2M</i>	The book-to-market ratio. The book value of total assets divided by the sum of the book value of total liabilities and the market value of equity. [Aspect, Morningstar]
<i>Leverage</i>	The ratio of total liabilities to total assets. [Aspect]
<i>Board</i>	
<i>Institutional</i>	Institutional investors. The ratio of the number of shares held by institutional owners divided by total shares outstanding. [SIRCA]
<i>Top 20</i>	Top 20 investors. The ratio of the number of total shares held by top 20 shareholders divided by total shares outstanding. [SIRCA]
<i>Board size</i>	Board size. The sum of directors on the board, excluding directors leaving the board. [Connect 4, SIRCA]
<i>Board female</i>	Board female representation. The ratio of female directors divided by board size. [Connect 4, SIRCA]

<i>Board independence</i>	Board independence. The ratio of independent directors divided by board size. [Connect 4, SIRCA]
<i>Board own</i>	Board ownership. The ratio of the number of shares held by directors serving on the board divided by total shares outstanding. [SIRCA]
<i>Director</i>	
<i>Age</i>	The director's age. [Connect 4]
<i>New</i>	The indicator variable equal to 1 if the director is a first-time candidate. [Connect 4, hand collected votes data]
<i>Female</i>	Female director. The indicator variable equal to 1 if the director is female. [Connect 4]
<i>Independence</i>	Independent director. The indicator variable equal to 1 if the director is independent. [Connect 4]
<i>Tenure</i>	The number of years a director serves on the board. [Connect 4]
<i>Pay</i>	Director pay. The reported remuneration for directors. [Connect 4]
<i>Own</i>	Director ownership. The ratio of the number of shares a director holds divided by total shares outstanding. [SIRCA]
<i>Director busyness</i>	Total number of directorships held / director busyness. The number of total directorships a director holds, including the focal firm. [Connect 4]
<i>Audit comm. member</i>	An indicator variable if the director serves as an audit committee member. [Connect 4]
<i>Audit comm. chair</i>	An indicator variable if the director serves as the audit committee chair. [Connect 4]
<i>Nom. comm. member</i>	An indicator variable if the director serves as a nomination committee member. [Connect 4]
<i>Nom. comm. chair</i>	An indicator variable if the director serves as the nomination committee chair. [Connect 4]
<i>Rem. comm. member</i>	An indicator variable if the director serves as a remuneration committee member. [Connect 4]
<i>Rem. comm. chair</i>	An indicator variable if the director serves as the remuneration committee chair. [Connect 4]
<i>CEO related</i>	
<i>CEO dummy</i>	An indicator variable if the director holds a position as CEO, and 0 otherwise. [Connect 4]
<i>CEO tenure</i>	The number of years the CEO serves on the board. [Connect 4]
<i>CEO pay</i>	CEO pay. The reported remuneration for the CEO. [Connect 4]
<i>CEO own</i>	CEO ownership. The ratio of the number of shares the CEO holds divided by total shares outstanding. [SIRCA]
<i>CEO duality</i>	An indicator variable equal to 1 if the CEO is also the chairman of the board, and 0 otherwise. [Connect 4]

Appendix 5: Yearly distribution of shareholder votes

	Year 2004 - 2012								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Firm-level</i>									
Number of sample companies	1295	1451	1520	1683	1752	1719	1767	1765	1739
Number of companies having at least one director-election resolution	1295	1451	1520	1683	1752	1719	1767	1765	1739
Number of co's at which all director-election resol'ns decided on proxy votes	1239	1379	1450	1606	1657	1623	1650	1615	1549
Number of co's at which all director-election resol'ns decided on poll votes	56	72	70	77	95	96	117	150	190
<i>Director-level</i>									
Number of director-election resolutions	2710	3021	3261	3616	3674	3472	3712	3755	3644
Number of director-election resolutions decided on show of hand votes	2541	2842	3051	3418	3450	3240	3437	3388	3165
Number of director-election resolutions decided on poll votes	169	179	210	198	224	232	275	367	479
Number of director-election resolutions passed	2641	2952	3186	3536	3569	3404	3598	3683	3546
Number of director-election resolutions lost	21	23	29	28	46	34	42	25	31
Number of director-election resolutions withdrawn	47	46	41	48	58	32	48	47	63
Year 2013 - 2021									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Firm-level</i>									
Number of sample companies	1789	1715	1778	1775	1922	1907	1582	1768	1316
Number of companies having at least one director-election resolution	1789	1715	1778	1775	1922	1907	1582	1768	1316
Number of co's at which all director-election resol'ns decided on proxy votes	1588	1483	1471	1405	1495	1375	900	166	62
Number of co's at which all director-election resol'ns decided on poll votes	201	232	307	370	427	532	682	1602	1254
<i>Director-level</i>									
Number of director-election resolutions	3798	3608	3616	3593	3984	3872	3220	3597	2559
Number of director-election resolutions decided on show of hands votes	3292	3020	2882	2764	2955	2655	1667	319	126
Number of director-election resolutions decided on poll votes	506	588	734	829	1029	1217	1553	3278	2433
Number of director-election resolutions passed	3590	3518	3547	3525	3867	3758	3115	3492	2501
Number of director-election resolutions lost	29	36	33	22	55	63	56	54	20
Number of director-election resolutions withdrawn	76	52	36	43	56	44	47	49	38

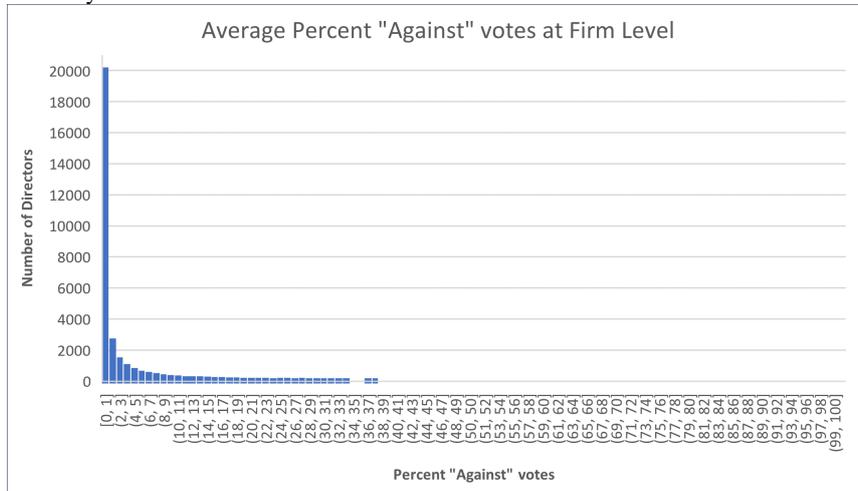
Appendix 6: Votes distribution of director election

Panel A: Table of the distribution of the percentage of votes against the election of directors

<i>FirmDissent</i>	[0%,5%]	(5%,10%]	(10%,15%]	(15%,20%]	(20%,25%]	(25%,50%]	(50%,100%]	Total
2004	1,021 (79%)	51 (4%)	21 (2%)	14 (1%)	7 (1%)	20 (2%)	161 (12%)	1,295 (4%)
2005	1,183 (82%)	62 (4%)	33 (2%)	11 (1%)	13 (1%)	16 (1%)	133 (9%)	1,451 (5%)
2006	1,262 (83%)	62 (4%)	26 (2%)	15 (1%)	14 (1%)	33 (2%)	108 (7%)	1,520 (5%)
2007	1,379 (82%)	99 (6%)	31 (2%)	24 (1%)	17 (1%)	45 (3%)	88 (5%)	1,683 (6%)
2008	1,418 (81%)	94 (5%)	43 (2%)	24 (1%)	14 (1%)	67 (4%)	92 (5%)	1,752 (6%)
2009	1,383 (80%)	111 (6%)	45 (3%)	27 (2%)	21 (1%)	39 (2%)	93 (5%)	1,719 (6%)
2010	1,448 (82%)	102 (6%)	38 (2%)	27 (2%)	22 (1%)	46 (3%)	84 (5%)	1,767 (6%)
2011	1,415 (80%)	112 (6%)	56 (3%)	32 (2%)	18 (1%)	54 (3%)	78 (4%)	1,765 (6%)
2012	1,372 (79%)	114 (7%)	65 (4%)	33 (2%)	19 (1%)	60 (3%)	76 (4%)	1,739 (6%)
2013	1,412 (79%)	125 (7%)	58 (3%)	40 (2%)	25 (1%)	45 (3%)	84 (5%)	1,789 (6%)
2014	1,374 (80%)	92 (5%)	50 (3%)	32 (2%)	20 (1%)	53 (3%)	94 (5%)	1,715 (6%)
2015	1,429 (80%)	127 (7%)	45 (3%)	28 (2%)	28 (2%)	38 (2%)	83 (5%)	1,778 (6%)
2016	1,410 (79%)	112 (6%)	61 (3%)	30 (2%)	16 (1%)	40 (2%)	106 (6%)	1,775 (6%)
2017	1,502 (78%)	136 (7%)	61 (3%)	33 (2%)	23 (1%)	56 (3%)	111 (6%)	1,922 (6%)
2018	1,465 (77%)	143 (7%)	69 (4%)	37 (2%)	20 (1%)	65 (3%)	108 (6%)	1,907 (6%)
2019	1,205 (76%)	131 (8%)	57 (4%)	34 (2%)	24 (2%)	43 (3%)	88 (6%)	1,582 (7%)
2020	1,392 (79%)	100 (6%)	52 (3%)	44 (2%)	19 (1%)	55 (3%)	106 (6%)	1,768 (8%)
2021	1,033 (78%)	90 (7%)	60 (5%)	21 (2%)	14 (1%)	38 (3%)	60 (5%)	1,316 (6%)
<i>Total</i>	24,191 (80%)	1,866 (6%)	872 (3%)	508 (2%)	334 (1%)	815 (3%)	1,791 (6%)	30,377 (100%)

Panel B: Histogram of votes distribution of director elections at the firm level

The percent "Against" votes equals a director's "Proxy Against" votes divided by the sum of "Proxy For" votes, "Proxy Against" votes, and "Proxy Discretion" votes.

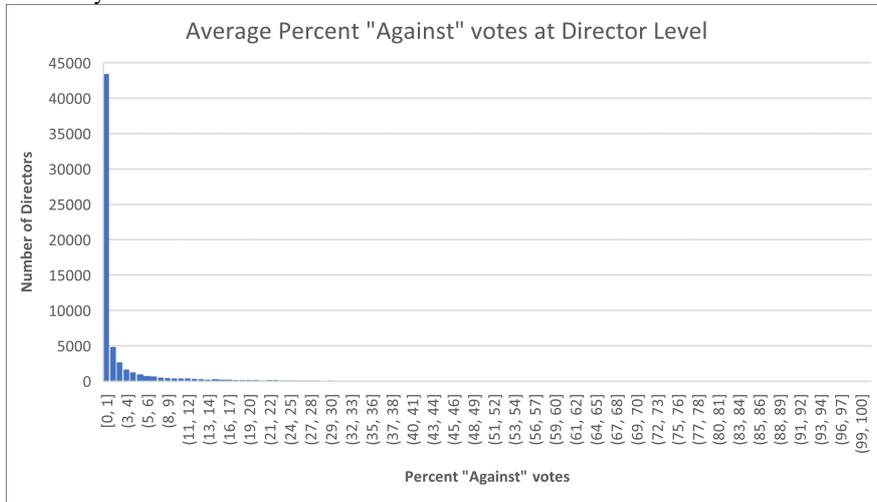


Panel C: Table of the distribution of the percentage of votes against the election of directors

<i>Dissent</i>	[0%,5%]	(5%,10%]	(10%,15%]	(15%,20%]	(20%,25 %]	(25%,50%]	(50%,100%]	Total
2004	2,098 (77%)	127 (5%)	44 (2%)	41 (2%)	15 (1%)	55 (2%)	330 (12%)	2,710 (4%)
2005	2,405 (80%)	151 (5%)	99 (3%)	28 (1%)	39 (1%)	39 (1%)	260 (9%)	3,021 (5%)
2006	2,640 (81%)	157 (5%)	64 (2%)	36 (1%)	50 (2%)	82 (3%)	232 (7%)	3,261 (5%)
2007	2,926 (81%)	247 (7%)	71 (2%)	66 (2%)	29 (1%)	120 (3%)	157 (4%)	3,616 (6%)
2008	2,916 (79%)	236 (6%)	115 (3%)	61 (2%)	35 (1%)	163 (4%)	148 (4%)	3,674 (6%)
2009	2,741 (79%)	233 (7%)	108 (3%)	68 (2%)	57 (2%)	101 (3%)	164 (5%)	3,472 (6%)
2010	3,011 (81%)	253 (7%)	90 (2%)	64 (2%)	54 (1%)	109 (3%)	131 (4%)	3,712 (6%)
2011	2,996 (80%)	247 (7%)	136 (4%)	81 (2%)	35 (1%)	137 (4%)	123 (3%)	3,755 (6%)
2012	2,883 (79%)	258 (7%)	132 (4%)	68 (2%)	51 (1%)	113 (3%)	139 (4%)	3,644 (6%)
2013	2,914 (77%)	347 (9%)	117 (3%)	102 (3%)	67 (2%)	113 (3%)	138 (4%)	3,798 (6%)
2014	2,865 (79%)	203 (6%)	127 (4%)	75 (2%)	57 (2%)	121 (3%)	160 (4%)	3,608 (6%)
2015	2,882 (80%)	280 (8%)	102 (3%)	58 (2%)	63 (2%)	88 (2%)	143 (4%)	3,616 (6%)
2016	2,833 (79%)	246 (7%)	132 (4%)	66 (2%)	32 (1%)	82 (2%)	202 (6%)	3,593 (6%)
2017	3,089 (78%)	305 (8%)	127 (3%)	70 (2%)	46 (1%)	138 (3%)	209 (5%)	3,984 (6%)
2018	2,918 (75%)	312 (8%)	155 (4%)	82 (2%)	38 (1%)	153 (4%)	214 (6%)	3,872 (6%)
2019	2,375 (74%)	265 (8%)	121 (4%)	77 (2%)	55 (2%)	114 (4%)	213 (7%)	3,220 (5%)
2020	2,766 (77%)	203 (6%)	127 (4%)	91 (3%)	34 (1%)	129 (4%)	247 (7%)	3,597 (6%)
2021	1,982 (77%)	197 (8%)	113 (4%)	55 (2%)	22 (1%)	80 (3%)	110 (4%)	2,559 (4%)
<i>Total</i>	49,414 (79%)	4,273 (7%)	1,982 (3%)	1,193 (2%)	779 (1%)	1,943 (3%)	3,394 (5%)	62,712 (100%)

Panel D: Histogram of votes distribution of director elections at the director level

The percent "Against" votes equals a director's "Proxy Against" votes divided by the sum of "Proxy For" votes, "Proxy Against" votes, and "Proxy Discretion" votes.



Appendix 7: Table for different measures of shareholder votes on director elections for the Consequences literature

Paper	Measure	Sample	Consequence measures	Findings
Del Guercio et al., 2008	Sum of vote withheld and abstain votes over the shares outstanding.	Sample spans from 1990 to 2003, U.S. firms.	CEO turnover	A substantial withheld vote motivates directors to take immediate action to avoid further embarrassment. They also find a variety of supportive evidence, including operating performance improvements and abnormal disciplinary chief executive officer.
Cai et al., 2009	The percent “For” votes equals a director’s “For” votes divided by the sum of “For” and “Withhold” votes. To deal with endogeneity (Consequence hypothesis), endogeneity. They first estimate a regression of director votes with industry-adjusted prior-year ROA, stock return, and calendar year and industry dummies as independent variables. Next, they use the residual votes from this regression as the main explanatory variable to test whether votes affect the changes of CEO compensation, CEO turnover, and corporate governance.	U.S. firms, the Russell 1000 companies and many Russell 2000 companies are included, identified 40,202 director elections at 7,605 shareholder meetings during 2003 to 2005.	- Abnormal CEO remuneration - CEO tenure - Probability of removing a poison pill - Probability of removing a classified board - Change in industry adjusted EBITDA to assets - Change in market adjusted excess return - Director turnover dummy - Change in outside board seats	Fewer shareholder support votes for directors lead to reduction in “abnormal” CEO compensation levels and higher probability of CEO turnover. They also report that director votes affect a firm’s likelihood of removing poison pills and classified boards. at the same time, director votes have little impact on the election outcome, firm performance, or director reputation.
Fisher et al., 2009	Votes for divided by the sum of votes for and votes withheld.	U.S. Standard & Poor’s 500 list at January 1, 2000, representing 2500 potential firm-year observations across the 5 years ending December 31, 2004.	- 5-day abnormal returns (-3, +1) on approval measures - CEO turnover - CEO turnover with outside replacement - Board turnover - CEO compensation - Acquisition - Divestitures	Higher (lower) vote approval is associated with lower (higher) stock price reactions to subsequent announcements of management turnovers. In addition, firms with low vote approval are more likely to experience CEO turnover, greater board turnover, lower CEO compensation, fewer and better-received acquisitions, and more and better-received divestitures in the future.

Cai et al., 2013	Percent “for” votes equal the number of “for” votes a director receives divided by the sum of “for” and “withheld” votes.	U.S. firms, 264 majority-voting proposals made by shareholders, 2005-2007.	- Votes cast (%) - Tobin’s Q - ROA - Excess stock returns	The adoption of majority voting has no effect on director votes, director turnover, or improvement of firm performance.
Ertimur et al., 2015	Following Cai et al. 2009, the percent “For” votes equals a director’s “For” votes divided by the sum of “For” and “Withhold” votes.	U.S., S&P 1500 firms over the 2005-2010 period, covering 278 shareholder proposals to adopt MV.	Director turnover	No relation between votes withheld and subsequent director turnover, regardless of the election standard.
Iliev et al., 2015	Following Cai 2009, Vote for (using (for) divided by (for + withhold)).	Spanning 2003-2009, 5.2 million distinct votes that are matched to 8,160 non-US firms. Firms from countries with less than ten firm-year observations are excluded.	Director turnover	Greater dissent voting is associated with higher director turnover and more M&A withdrawals.
Ertimur et al., 2018	Following Cai et al. 2009, the percent “For” votes equals a director’s “For” votes divided by the sum of “For” and “Withhold” votes.	U.S., S&P 500 firms covering from 2003 to 2010.	- Director turnover - Firms’ responsiveness - NC (CC, AC) turnover - Change in CEO % residual pay - Remove classified board - Change in industry adjusted ROA - Change in industry adjusted Tobin’s Q - Abnormal returns – post	High vote withheld rarely result in director turnover, director election votes lead directors to address specific problems, rather than to vote them onto or off of the board.
Aggarwal et al., 2019	% Withhold is measured as the sum of voted against and voted abstain divided by the sum of voted for, voted against, and voted abstain.	U.S. firms, the Russell 3000 Index all director election proposals from January 2003 to December 2014, excluding financials	-Director turnover - Change in outside directorships - Committee membership status (audit committee	Directors facing dissent are more likely to depart boards, especially if they are not lead directors or chairs of important committees. Directors facing dissent who do not leave are moved to less prominent positions on boards. Finally, they find evidence that directors facing dissent face reduced opportunities in the market for directors.

		and utilities, covering 83,496 director elections.	turnover; comp committee turnover; non comp committee turnover; nom committee turnover) - Turnover for directors in leadership position (board_chair; non board_chair etc.)	
Mitra et al., 2021	(Against + abstain) / (for + against + abstain).	U.S., Russell 3000 Stock Index from 2003 through 2015, a sample of 50,202 director elections at 1,104 firms.	Director turnover	Shareholder dissent increases the probability of director turnover.
Shu, 2020	For / (for + against + abstain + broker nonvote + withheld).	U.S., S&P 1500 index, spanning between 2006 and 2017.	- CEO's pay-performance sensitivity - Probability of removing poison pills	An increase in individual shareholder's voting power will worsen some measures of corporate governance (CEO's pay-performance sensitivity and probability of removing poison pills).
Cassell et al., 2022	Natural logarithm of (votes abstain/common shares outstanding as of the fiscal year-end when the vote occurs).	U.S. companies, fiscal years ending between June 2010 and May 2015 (i.e., Compustat fiscal year 2010 through 2014)	Auditor dismissals (forced departure)	The probability of auditor dismissal is increasing in the proportion of votes against auditor ratification, and that this relation does not vary significantly with the proportion of shares held by retail investors.
Khoo et al., 2022	Following Cai et al., 2009, Gal-Or et al., 2018, they define shareholder support for each director nominee as the number of "for" votes divided by the sum of "for" and withheld votes.	U.S. companies, 17,520 director-firm-year observations (2,225 firm-year observations) from 2002 to 2016.	- CSR committee member turnover - CSR performance - Change in CSR reporting	Through voting, shareholders can increase the efficacy of the CSR committee, leading to improvements in CSR committee structure and performance.
Gormley et al., 2023	Voting against is defined as voting against, abstain, or withhold.	U.S. publicly traded firms, spanning from 2013 to 2019.	Change in board seats held during 2016 and 2019	Less investor support having an adverse career impact, directors receiving negative Big Three votes exhibit a relative drop in board seats held from 2016 to 2019.

Appendix 8: Linear probability model for director and CEO turnover analyses

Panel A presents the results of the linear probability model regressions of shareholder dissent and director turnover.

Consequence =	Base	Model excluding missing variables and CEO related	Model excluding any variables that missing	Include all variables
Director turnover t+1	(1)	(2)	(3)	(4)
<i>Dissent</i>	0.094*** (5.77)	0.119*** (7.29)	0.126*** (7.86)	0.314*** (8.07)
<i>ROA</i>	-0.009*** (-3.60)	-0.009*** (-3.45)	-0.007*** (-2.65)	-0.002 (-0.31)
<i>Stock return</i>	-0.007*** (-2.61)	-0.009*** (-3.37)	-0.011*** (-4.21)	-0.014*** (-2.59)
<i>Firm size (log transformed)</i>	0.001 (0.52)	-0.002 (-0.81)	-0.003 (-1.31)	-0.005 (-1.03)
<i>Firm age</i>	-0.041*** (-4.48)	-0.032*** (-3.55)	-0.033*** (-3.71)	-0.024 (-1.20)
<i>Dividend</i>	0.031 (0.33)	0.009 (0.09)	0.015 (0.17)	0.159 (1.03)
<i>B2M</i>	0.009 (1.46)	0.013** (1.96)	0.013** (2.08)	0.019 (1.46)
<i>Leverage</i>	0.001 (1.30)	0.001 (1.12)	0.001 (0.89)	0.003 (1.46)
<i>Institutional</i>		0.082*** (3.74)	0.067*** (3.08)	0.011 (0.27)
<i>Top 20</i>		0.145*** (23.92)	0.143*** (23.96)	0.009 (0.51)
<i>Board size</i>		0.000 (0.14)	-0.002 (-0.96)	0.002 (0.60)
<i>CEO turnover</i>			0.514*** (37.70)	0.501*** (22.09)
<i>CEO duality</i>			-0.105*** (-5.60)	-0.121*** (-4.49)
<i>New</i>		-0.012*** (-3.08)	-0.011*** (-2.81)	0.009 (1.08)
<i>Female</i>		-0.022*** (-3.31)	-0.019*** (-2.89)	-0.003 (-0.26)
<i>Independence</i>		0.009** (2.13)	0.015*** (3.63)	-0.005 (-0.59)
<i>Director own</i>		0.010 (0.33)	0.016 (0.53)	-0.116* (-1.87)
<i>Number of directorships held</i>		0.003*** (2.84)	0.002*** (2.61)	-0.004** (-2.42)
<i>Tenure</i>				0.007*** (5.45)
<i>Age</i>				0.001*** (2.70)
<i>Director pay (in millions)</i>				0.000*** (3.64)
Constant	0.688*** (5.05)	0.537*** (3.97)	0.566*** (4.25)	0.534 (1.53)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	46,334	46,334	46,334	15,786
Adjusted R ²	0.074	0.091	0.119	0.140

Hypothesis 1: *Shareholder dissent votes are associated with subsequent director turnover.*

Linear probability model:

$Director\ turnover_{i,j,t+1} = \alpha + \beta Dissent_{i,j,t} + \gamma_1 Firm\ level\ controls_{j,t} + \gamma_2 Director\ level\ controls_{i,j,t} + Firm\ FE + Year\ FE + \varepsilon_{i,j,t}$
where the dependent variable, *Director turnover*_{*i,j,t+1*} is a dummy variable, which takes a value of 1 if a director *i* at firm *j* who faces an election at time *t* is no longer on the board for fiscal year *t+1*, and 0 otherwise. The main independent variable of interest is *Dissent*, which is estimated for each director *i* facing election or re-election at firm *j* at financial year *t*. Specifically, it is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include board-level and director-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the director level. We also include firm and year fixed effects. *t*-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004-2021.

Panel B presents the results of the linear probability model regressions of shareholder dissent and CEO turnover.

Consequence =	Base	Excluding CEO characteristics	Excluding missing variables	Include all variables
CEO turnover t+1	(1)	(2)	(3)	(4)
<i>Firm dissent</i>	0.163*** (6.14)	0.162*** (6.09)	0.162*** (6.10)	0.232*** (5.33)
<i>Firm age</i>	-0.012 (-0.83)	-0.012 (-0.87)	-0.010 (-0.71)	-0.045* (-1.86)
<i>Firm size (log transformed)</i>	0.013*** (4.41)	0.013*** (4.06)	0.013*** (4.05)	0.013*** (2.51)
<i>ROA</i>	-0.008** (-2.29)	-0.007** (-2.09)	-0.007** (-2.11)	-0.001 (-0.22)
<i>Stock return</i>	-0.010*** (-2.64)	-0.010*** (-2.62)	-0.010*** (-2.61)	-0.016*** (-2.62)
<i>Dividend</i>	0.011 (0.09)	0.010 (0.08)	-0.000 (-0.00)	-0.038 (-0.20)
<i>B2M</i>	-0.004 (-0.50)	-0.003 (-0.34)	-0.002 (-0.26)	-0.003 (-0.25)
<i>Leverage</i>	0.001 (1.08)	0.001 (1.04)	0.001 (1.11)	0.000 (0.14)
<i>Institutional</i>		-0.001 (-0.03)	0.002 (0.06)	0.043 (0.93)
<i>Top 20</i>		-0.011 (-1.31)	-0.012 (-1.42)	-0.020 (-1.47)
<i>Board size</i>		0.010*** (3.52)	0.011*** (3.78)	0.016*** (3.47)
<i>Board female</i>		-0.012 (-1.08)	-0.012 (-1.09)	-0.014 (-0.87)
<i>Board independence</i>		0.009 (1.50)	0.010* (1.68)	0.005 (0.47)
<i>Board own</i>		0.003 (0.11)	0.004 (0.11)	0.034 (0.62)
<i>CEO duality</i>		0.095*** (3.22)	0.091*** (3.09)	0.084* (1.88)
<i>CEO shareholding</i>			-0.433** (-2.06)	-1.165*** (-3.73)
<i>CEO nation</i>			0.090*** (7.94)	0.094*** (5.40)
<i>CEO age</i>				0.004*** (4.20)
<i>CEO tenure</i>				0.010*** (7.36)
<i>CEO busyness</i>				-0.115*** (-8.57)
<i>Abnormal CEO Pay (in millions)</i>				0.001 (0.39)
Constant	0.042 (0.21)	0.050 (0.25)	-0.060 (-0.29)	0.399 (1.01)
Firm FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Observations	22,231	22,231	22,231	10,683
Adjusted R ²	0.075	0.076	0.079	0.071

Hypothesis 4: Shareholder dissent votes are positively associated with subsequent likelihood of CEO turnover.

Linear probability model:

$$CEO\ turnover_{j,t+1} = \alpha + \beta Firm\ dissent_{j,t} + \gamma Firm\ level\ controls_{j,t} + Firm\ FE + Year\ FE + \varepsilon_{j,t}$$

where the dependent variable $CEO\ turnover_{j,t+1}$ is a dummy variable, which takes a value of 1 if CEO at firm j who faces an election at time t is no longer on the board for the fiscal year $t+1$, and 0 otherwise. The main independent variable of

interest is $Firm\ dissent_{j,t}$, which is estimated for the firm-level averaged shareholder dissent for all shareholders facing election or re-election at firm j at the fiscal year t . Shareholder dissent is calculated as (Proxyagainst) divided by the sum of (Proxyfor + Proxyagainst + Proxydiscretion). We include *ROA*, *Stock Market*, *Firm Size*, *Firm Age*, *Dividend*, *B2M*, and *Leverage* as the base model. Controls include firm-level characteristics. All variables are defined in Appendix A.

Standard errors are clustered at the firm level. We also include firm and fixed effects. t -statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5% and 10% levels, respectively. The sample covers the periods 2004 - 2021.

Chapter 4: Conclusions

This chapter summarises and discusses the findings of the thesis and suggests possible areas for future research.

4.1 Summary and implications of results

Voting at AGMs can be seen as one of the most important forms of communication between management and shareholders. Understanding the nature and consequences of shareholder dissent on director elections is very important, particularly when there is limited prior literature from countries that use exclusively majority voting. A key difference from the US context is that Australian companies typically use majority voting for director elections. As a result, this thesis was able to measure shareholder opposition to a director directly, using the proportion of votes cast against, and did not need to consider issues related to self-selection of the type of voting system. Specifically, this thesis examined the determinants (Chapter 2) and consequences (Chapter 3) of shareholder dissent in electing directors in Australian AGMs.

Chapter 2 explored (i) the determinants of shareholder dissent on director election resolutions at the firm level, (ii) the determinants of shareholder dissent on director election resolutions at the director level and (iii) whether different measures of shareholder dissent matter when linking the firm- or director-level determinants. Using manually collected AGM voting data for all Australian listed companies between 2004 and 2021, Chapter 2 provided the following empirical evidence. First, on average, directors receive about 3.9% dissenting votes, and shareholder dissent is positively skewed, which is similar to the results reported in US studies (Cai et al., 2009; Ertimur et al., 2018). Second, consistent with agency theory, the results suggested that high shareholder dissent is associated with perceived management-friendly director nominees from firms with poor stock market performance and/or poor corporate governance. To be specific, the firm-level analysis suggests that shareholder dissent is positively related to poor stock market performance and weak corporate governance (i.e. high CEO pay, a small board, an entrenched board with high board ownership and a low proportion of independent or female directors). Third, at the director level, consistent with entrenchment concerns, the results suggest that shareholders cast high dissenting votes against highly

compensated directors, incumbent directors and long-serving directors. The results also suggest that female candidates receive fewer dissenting votes than male candidates.

The results of additional tests to understand whether the conclusions hold when using abstention percentages suggested that, while both against and abstention are associated with selected determinants, when shareholders are allowed to directly vote against, there are more factors that show statistical significance than using abstention votes. This evidence contributes to the heated debate in the US and globally on whether companies should move from the use of plurality voting to majority voting (Bebchuk, 2007). Although it is the norm that the approval rate of director election resolutions is high and shareholder dissent is strikingly low (Cai et al., 2013; Choi et al., 2016), shareholders are willing to voice their dissent through against votes in order to inform or communicate with directors and management teams under the majority voting system.

Chapter 3 investigated the consequences of shareholder dissent on (i) director turnover, (ii) board turnover, (iii) CEO turnover, (iv) number of directorships held by directors and (v) firm performance. The results show that, consistent with the signalling perspective (Allen, 1992; Bebchuk & Cohen, 2005), shareholder dissent is associated with an increased likelihood of director, board and CEO turnover. Furthermore, high levels of shareholder dissent are negatively associated with subsequent firm performance, both in terms of industry-adjusted ROA and stock return. These findings highlight the effectiveness of shareholder votes in bringing about changes in board composition within the focal firm, while cautioning both shareholders and management about the negative association between shareholder dissent and future firm performance.

In addition, Chapter 3 also examined whether the signal sent by abstain votes is similar to that from votes against. In contrast to the main findings that dissenting votes are associated with subsequent board composition and firm performance, additional tests suggest that abstentions are not associated with the likelihood of director and board turnover and firm performance and are negatively associated with CEO turnover. Overall, these results indicate that, under the majority voting system, abstain and against votes send different signals to the focal firm and have different associations with post-election firm and director-level outcomes. These findings are consistent with the majority voting system, and in particular that the ability

to vote directly against a director makes a difference in enhancing shareholder democracy. In consequence, firms and countries that currently use, or mandate, plurality voting may wish to consider a move to the majority voting system.

This thesis makes four contributions. First, this study is among the first to provide empirical evidence on the determinants and consequences of shareholder voting in countries that uniformly use the majority voting system. The use of Australian voting data on director elections provides the opportunity to overcome the limitations of previous US results (Cai et al., 2009; Fischer et al., 2009), where (i) results may not be generalisable to those countries where the majority voting system is used or will be widely used in the near future and (ii) the construction of shareholder dissent is potentially inappropriate.

Second, this study presents new evidence to compare the signalling effects of shareholder voting and shareholder engagement when shareholder voice is measured under either the plurality voting system (vote abstain) or the majority voting system (vote against). Such a comparison is not possible in most existing US studies due to the lack of vote against data. Specifically, the results from Chapter 2 suggest that, in the majority voting system, different factors are associated with against and abstain votes and that there are more significant determinants when using against votes than abstentions. Chapter 3 highlighted that abstain and against votes send different signals to the focal firm and have different associations with post-election firm- and director-level outcomes. This evidence has important implications for the heated debate in the US and globally on whether companies should move from the use of plurality voting to majority voting (Bebchuk, 2007).

Third, the findings of this study provide important insights for regulators in Australia. In Australia, practitioners and regulators have expressed growing concerns about shareholder engagement and the functional effectiveness of AGMs (CAMAC, 2012). The results in this thesis highlight that, despite low shareholder participation, higher numbers of shareholder dissent votes at the AGM send a powerful signal and lead to a variety of consequences, including increased director, board and CEO turnover and lower firm performance. This research has the potential to make a significant contribution to Australia's economic well-being and improve shareholder access, fairness and outcomes, particularly for retail shareholders.

Fourth, this study provides further insights for the director reputation literature (Fama & Jensen, 1983; Grundfest, 1993a). Prior literature from the US provides inconclusive findings on the impact for firm governance of voting in director elections. This mixed evidence may be potentially driven by the muted signal sent from withheld votes. In contrast, our findings from the majority voting system indicate that directors' reputations are damaged by higher shareholder dissent and, as a result, lead to several governance changes such as increased CEO and director turnover.

4.2 Limitations and suggestions for future research

The findings of this thesis are subject to several limitations and provide avenues for future research. First, this thesis focuses on only one form of shareholder voice – shareholder votes – and does not consider other forms such as shareholder proposals, private negotiations with management or public advocacy campaigns. Apart from AGMs, shareholders can also vote at EGMs, which may influence subsequent board composition and future company performance. Analysing these other forms of engagement is beyond the scope of this study. Exploring the interplay between different forms of shareholder voice, how they are influenced by different predictors and how they collectively affect outcomes are promising avenues for future research.

Second, this thesis provides evidence that shareholder dissent is negatively associated with subsequent firm operating performance. In other words, high levels of shareholder dissent in director elections may be an indicator of negative company performance one year after the election. According to Hansmann (1990) and Lorsch and MacIver (1989), the effectiveness of shareholder dissent as a signal is often undermined by the heterogeneous preferences of shareholders, and shareholders typically lack the in-depth knowledge of the firm that full-time managers possess. In particular, higher levels of shareholder dissent may divert management's attention from effectively implementing the firm's strategy, leading to decisions such as the dismissal of capable CEOs or efforts to appease shareholders focused on environmental social governance issues (Saunders, 2006), potentially at the expense of shareholders prioritising value maximisation. Therefore, future research could explore the mediating effects of managerial actions between shareholder dissent and subsequent firm performance.

Third, this thesis provides evidence that female directors are associated with a high probability of turnover both when they face shareholder dissent or when other colleagues face

shareholder dissent. This differential treatment highlights how gender bias can influence board decisions in response to shareholder dissatisfaction. However, the sample period of our analysis spans from 2004 to 2021, which may capture a significant number of corporate governance changes, such as an increase in ESG concerns. In particular, from 1 January 2020, ASX Corporate Governance recommends that ASX 300 companies have at least 30% female directors on their boards. Given the increasing pressure from CSR to increase gender diversity on boards, future studies could further examine the periods before and after this change to assess whether shareholders value the increased female board representation required by the revised guidelines, how the gender of candidates influences shareholder voting patterns in Australia and whether the outcomes of shareholder dissent for director careers differ by gender.

Fourth, prior research suggests that options available to dissatisfied shareholders include exit (selling shares), loyalty (holding onto shares) and voice (communicating with management) (Hirschman, 1970). Bebchuk (2007) further emphasises the important distinction between exit and voice, noting that these two alternatives are not substitutes. For example, when a firm's share price is undervalued, selling equity does not allow shareholders to realise its concealed value. In such cases, shareholders are more likely to use their voice – through mechanisms such as shareholder activism – to influence corporate governance and improve firm performance. Therefore, future research could examine the relationship between stock price reaction and trading volume around the time of shareholder votes at AGMs, taking into account that shareholders have the option to sell their shares to indicate their dissatisfaction.

Contrary to the notion that shareholders participate and vote more at AGMs when the firm is performing poorly (Cuñat et al., 2012; Van der Elst, 2011), the results of this thesis highlight that shareholder participation is high when the firm has performed well in the previous year. Results also highlight that institutional ownership is positively associated with shareholder participation. Future research could investigate whether different types of shareholders (e.g. institutional and retail) have different effects on shareholder turnout ratios at AGMs and on shareholder dissent and abstention in director election resolutions.

Finally, future research could also examine whether dissent in other resolutions at the AGM, such as the appointment of an auditor, has similar consequences for firm performance and governance. For example, future studies could examine the ability of shareholders to signal

their dissatisfaction with audit quality through voting against the auditor's appointment and whether higher dissent affects the subsequent composition of the audit committee (Gal-Or et al., 2016; Kachelmeier et al., 2015).

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