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1. Introduction

In response to popular criticism over excessive Chief Executive Officer (CEO) remuneration, many countries have introduced mandatory shareholder ‘say on pay’ resolutions at annual general meetings (AGM). Say on pay provides an opportunity for principals (shareholders) to voice their opinion over how the delegated principals (the board of directors) have been remunerating agents (senior executives and management). Concerns have been raised that say on pay may be an ineffective governance mechanism as shareholders may lack remuneration expertise, and resolutions are non-binding (Kaplan, 2007). We examine both of these concerns by investigating the determinants of shareholder say on pay voting results, and its effect on future CEO remuneration and remuneration disclosure.

Prior literature has studied the link between shareholder say on pay and the pay-for-performance link in Australia (Clarkson *et al.*, 2011; Monem and Ng, 2013). We extend the Australian say on pay literature by investigating both the level of CEO remuneration and excess remuneration, and changes in CEO pay and remuneration disclosure. The Australian setting is unique, as it has attempted to empower minority shareholders by only requiring a 25% vote against the remuneration report to trigger a ‘strike’ against the firm, preventing directors or managers from voting on say on pay resolutions, and forcing the directors to face re-election if the firm obtains two initial ‘strikes’ and a third ‘spill vote’ strike. Australia’s two-strikes rule appears targeted at the possibility of ‘board capture,’ whereby boards are incapable of effectively monitoring the executives (Hermalin and Weisbach, 1998; Core *et al.*, 1999).

This paper examines 274 Australian Stock Exchange (ASX) firms that receive strikes in 2011 or 2012 relative to non-strike size-and-industry-matched firms. We find that no measure of reported or excess (residual) CEO pay is associated with receiving a strike or higher dissent against the remuneration resolution. Instead, we find that the book-to-market

(BTM) and leverage ratios are associated with whether a firm receives a strike. This may suggest that the remuneration vote is used against boards with a lower firm valuation. However, strike firms have a 57.1% larger decrease in the CEO's bonus than non-strike firms, suggesting that a strike can rein in pay. Receiving a strike and higher dissent against the remuneration resolution is also associated with an increase in length of the remuneration report by an average of 10.95%, or 0.77 pages in the following year. Thus, we contribute to corporate governance research by reporting evidence that suggests say on pay voting may be ineffective, as shareholder dissent is not associated with excess remuneration.

The paper is structured as follows. Section 2 describes the regulatory background and develops the hypotheses. Section 3 outlines the research method and Section 4 discusses the results. Last, conclusions are presented in Section 5.

2. Background and hypothesis development

2.1. Regulation around executive remuneration in Australia

Since 2005, Australian firms' remuneration reports contain salary components for the board of directors and key management personnel (KMP). For each individual, the following components of remuneration are typically reported; base salary, cash bonus (short term incentives), non-monetary benefits, superannuation benefits, termination benefits, equity-based payments, and total remuneration. Shareholders can vote on the overall remuneration report through mandatory, non-binding, AGM say on pay resolutions that were first introduced in the *Corporations Act* of Australia in 2004. After concerns were raised that firms were ignoring the shareholders' votes (Clarkson *et al.*, 2006), the two-strikes rule was passed as an amendment, taking effect on 1 July 2011. The main change was if 25% or more of eligible votes are against the remuneration report a firm receives a 'strike'. If the firm receives a strike at two consecutive AGMs, there must be a majority-based vote on whether

the whole board should be put up for re-election within 90 days of the AGM (a 'spill vote'). If a majority of eligible voters support director re-election (the 'third strike'), that re-election (at a 'spill meeting') will occur under normal voting circumstances, that is a majority vote by all voting shareholders.

Both Australasian finance (Benson *et al.*, 2014) and accounting (Benson *et al.*, 2015) literature has previously considered corporate governance and CEO remuneration issues, and made notable contributions to the academic literature. We note a few innovations in the two-strikes rule in Australia. First, although the resolution is non-binding in regards to remuneration contracts, it has a direct consequence on directors, with two strikes leading to a board of directors spill vote. Consistent with excessive CEO power as a key motivation for say on pay initiatives (Mangen and Magnan, 2012), the spill vote targets non-executive directors who may not be effectively monitoring remuneration, or representing shareholder interests. Second, prior literature has found a low dissenting vote for remuneration resolutions, especially for firms with high ownership concentration (Conyon and Sadler, 2010). Thus the low cut-off of 25% for a strike would likely result in more strikes than in settings requiring a majority vote. This low cut-off is targeted at assisting minority shareholders who could not form a majority voting bloc and makes a strike an easier way to express shareholder dissent than electing an independent director on a related platform. Third, the legislation also excludes parties included in the remuneration report from voting on the remuneration report (or controlling proxy votes).¹ Although prior literature has found a negative association between insider ownership and shareholder dissent (Conyon and Sadler, 2010; Ertimur *et al.*, 2011), this rule has the effect of removing a deflating effect on the percentage of shareholder dissent, equal to the proportion of shares eligible to vote over total shares, and making it easier for insider dominated boards to receive a strike.

¹ Directors can still vote in board elections if a board spill occurs.

2.2. Hypothesis development

Cai and Walkling (2011) outline three possible outcomes for shareholders from say on pay initiatives: positive (the ‘alignment’ hypothesis), negative (the ‘interference’ hypothesis), or insignificant (the ‘neutral’ hypothesis). However, there is mixed evidence on shareholder motivations for targeting firms with dissenting votes on remuneration resolutions. If dissenting votes are cast to communicate dissatisfaction with remuneration, firms with higher remuneration packages should have greater dissent in remuneration resolutions. However, in the context of criticising remuneration, Ertimur *et al.* (2011) stress the distinction between high total pay and high excess pay.² Differences in normal pay reflect rational remuneration in exchange for differences in the demands on CEOs for managing certain firm types. On the other hand, situations of ‘board capture’, where board oversight of CEO remuneration is significantly influenced by the CEO, are associated with excess pay beyond that which would be normal for the firms characteristics (Hermalin and Weisbach, 1998; Core *et al.*, 1999).

One of the criticisms raised against say on pay voting is the possibility that shareholders may not have the expertise or sophistication necessary to identify excess pay (Deane, 2007). If shareholders cannot isolate excess pay, they may unwittingly target firm types with high normal pay for protest. However, Carter and Zamora (2009) and Conyon and Sadler (2010) both report UK evidence of shareholder dissent being associated with excess pay. In the USA, Ertimur *et al.* (2011) find that while activist groups target firms with high total pay for sponsored remuneration resolutions, there is greater overall dissent for firms with high excess pay. Thus there is some evidence suggesting that shareholders can effectively identify excessive remuneration.

Deane (2007) raises the concern that some shareholders may consider measures of management performance other than stock returns when analysing pay-for-performance.

² Where ‘excess’ pay = total pay – ‘normal’ pay, and ‘normal’ pay is predicted relative to the CEO pay of comparable firms.

Ertimur *et al.* (2011) find that while activist shareholders consider social performance when targeting firms for voluntary remuneration resolutions, the voting behaviour of most shareholders suggests they are only concerned with stock performance. Poor performing firms have been found to be more likely to be subject to a vote-no campaign (Gillan and Starks, 2000; Del Guercio *et al.*, 2008), suggesting that factors indirectly associated with remuneration may be associated with shareholder dissent.

As the Australian two-strikes rule makes it easier to register dissent, through excluding the board and management from voting and having a low threshold of 25% for a strike, excess pay is more likely to be related to shareholder dissent. Alternatively, these innovations may make it easier for a small, vocal group of minority shareholders to ‘hijack’ the remuneration resolution to express discontent on other, non-pay, factors. We test if shareholders identify overpaid firms and target dissent towards these firms with the following hypotheses:

H_{1a}: There is a positive association between receiving a strike and reported pay

H_{1b}: There is a positive association between receiving a strike and excess pay

If shareholder dissent expressed in management remuneration resolutions is determined by unsatisfactory remuneration practice, then significant shareholder dissent could affect future remuneration (Carter and Zamora, 2009; Conyon and Sadler, 2010; Ferri and Maber, 2013). In the USA, a reduction in total pay and a change in compensation structure follow high levels of shareholder and proxy advisor dissent (Ertimur *et al.*, 2011; Ertimur *et al.*, 2013). Ferri and Maber (2013) find that 23 of 75 UK firms they categorise as having received high dissent have changes in their remuneration structure in the following year, but found no change in total CEO pay. Carter and Zamora (2009) report a decrease in excess remuneration following dissent, but Conyon and Sadler (2010) document no significant changes to excess remuneration or remuneration structure. In Australia, Clarkson

et al. (2011) report an increase in the pay-for-performance link following the introduction of the original say on pay scheme, although there was also a positive trend in pay-for-performance prior to the introduction of that scheme. Monem and Ng (2013) find no pay-for-performance link for strike and matched firms in 2011, but do in 2012.

One possible explanation for not expecting a change in management remuneration in the year immediately following shareholder dissent, is that remuneration may be contracted across multiple years (Brown *et al.*, 2011). However, as some contracts will expire in any given year, there is some opportunity for a change of remuneration in response to shareholder dissent on average. Therefore, we empirically test the effectiveness of the ‘strikes’ regulation, by investigating whether shareholder dissent can pressure the board of directors to realign the remuneration of management with the interests of shareholders. We state our second hypothesis as:

H₂: There is a negative association between the change in reported pay and receiving a strike

Firms may disclose more information about the remuneration package in the hope of changing the opinion of shareholders. Deane (2007) discusses the lack of remuneration disclosure as a motivation for shareholder dissent, while Mangan and Mangan (2012) argue that lack of remuneration disclosure was a motivation for introducing say on pay initiatives. Conyon and Sadler (2010) emphasise that firms incurring high shareholder dissent are encouraged to explain their remuneration practice in subsequent disclosure. Clarkson *et al.* (2011) find an increase in remuneration disclosure following the introduction of the original say on pay scheme. Therefore, we expect firms to respond to a strike by increasing the level of disclosure contained within their remuneration report in the following year, stated as:

H₃: There is a positive association between the change in remuneration disclosure and receiving a strike

3. Research method

3.1. Sample

We collect all 248 instances of a company listed on the ASX receiving a ‘strike’ in 2011 or 2012 based on the Remuneration Report Database provided by Fairfax Business Research. Observations are removed from the sample if they do not have an available annual report, leaving 237 ‘strike’ firm-years. We then create a control sample of firms matched on industry and size. Within the strike firm’s 4 digit GICS industry, the firm with the smallest absolute difference in market capitalisation as at the annual report balance date of the strike firm is selected as the matched firm. Each matched firm is unique, i.e. a matched firm cannot be matched against two ‘strike’ firms. Matched firms are also replaced if they do not have an available annual report or are not domiciled in Australia.³ Our matching approach is consistent with other say on pay studies (e.g. Ertimur *et al.*, 2011). One advantage of our approach is that it reduces the bias created by estimating a pay model from a sample that is fundamentally different to the sub-sample which that model will be applied to. The corresponding disadvantage is that the pay model estimated from a matched sample may be fundamentally different to the pay models estimated in prior literature from the broader market sample.

Remuneration and governance data are hand collected from annual reports and voting results from notices of AGM results. Other firm data is collected from SIRCA, Aspect Huntley and Datastream. Thus a full sample of 474 firm-year observations is available for the two years.

3.2. Determinants of strikes research models

We use the following logit regression to test H_1 :

³ Foreign firms listed on the ASX may not produce a remuneration report and vote on it as domestic regulatory bodies rather than the ASX enforce the *Corporations Act*.

$$\begin{aligned}
Strike_{i,t} = & \alpha_1 CEO Pay_{i,t} + \alpha_2 IndepDir_{i,t} + \alpha_3 CEOChair_{i,t} + \alpha_4 NewCEO_{i,t} + \\
& \alpha_5 BoardShares\%_{i,t} + \alpha_6 CEOShares\%_{i,t} + \alpha_7 Top20\%_{i,t} + \alpha_8 Loss_{i,t} + \\
& \alpha_9 MarketRet_{i,t} + \alpha_{10} Leverage_{i,t} + \alpha_{11} BTM_{i,t} + \alpha_{12} RR\%_{i,t} + \varepsilon_{i,t}
\end{aligned} \tag{1}$$

All variables are as defined in Table 1. Variables are measured in year t , the year of the strike, and are collected from the annual report the shareholders are voting on. All market variables are measured as per the annual report balance date in the year of the strike. We also remodel equation (1) as an ordinary least squares (OLS) and replace $Strike_{i,t}$ with $Dissent_{i,t}$ as the dependent variable.⁴

INSERT TABLE 1 HERE

We examine the level of CEO salary, bonuses, equity grants and total remuneration.⁵ Although examining the pay-for-performance link provides useful insights, a CEO can also be overpaid or underpaid relative to other CEOs depending on their realised total pay, thus we focus on pay levels.

First, we control for corporate governance factors. Larger boards are argued to be less effective monitors (Yermack, 1996). Independent directors and remuneration committees may monitor remuneration (Fama and Jensen, 1983) or be ‘captured’ and become ineffective monitors (Hermalin and Weisbach, 1998; Core *et al.*, 1999).

Second, we control for CEO characteristics which may affect remuneration (Bebchuck and Fried, 2003). The first year of the CEO’s tenure may be atypical due to incentives only being realised after performance. We also control for the amount of shares owned by the CEO and board as these are mentioned in the say on pay regulation. In addition, blockholders could also provide external monitoring of remuneration (Hartzell and Starks, 2003). Craighead *et al.* (2004) find that firms with widely held share ownership tend

⁴ Equations 3-5 are all re-run replacing $Strike_{i,t}$ with $Dissent_{i,t}$.

⁵ Total pay also includes other components not separately examined in this study.

to have weaker pay-for-performance. Thus ownership structure may proxy for the demand by uninformed shareholders for remuneration disclosure to properly assess management remuneration.

Third, we control for the economic characteristics of the firm. Larger, more complex firms with greater investment opportunities and risk are likely to pay more, with firm size and complexity measured through sales, book-to-market ratio or the debt-to-equity ratio (Murphy, 1985; Core *et al.*, 1999). We also control for both market and accounting measures of firm performance that particularly relate to the bonus component of remuneration (Murphy, 1985; Core *et al.*, 1999; Matolscy and Wright, 2011). Gillan and Starks (2000) and Del Guercio *et al.* (2008) report a negative association between performance and shareholder dissent, interpreting this as a reflection of shareholders' economic interest.

Shareholders may also be reacting to excess rather than absolute pay (H_{1b}). To test this possibility, we follow Core *et al.* (1999) and test whether residual and predicted values of $CEOTotal_{i,t}$ are associated with shareholder dissent, where these variables are specified as $CEOResidual_{i,t}$ and $CEOPredicted_{i,t}$. First, we estimate the determinants of CEO pay using the below regression and calculate $CEOPredicted_{i,t}$. $CEOResidual_{i,t}$ is then calculated as the difference between the reported and predicted CEO pay. We then test whether $CEOPredicted_{i,t}$ or $CEOResidual_{i,t}$ are associated with receiving a strike. This 2SLS regression approach may also alleviate concerns around endogeneity, as CEO compensation and receiving a strike may be jointly determined by unknown, omitted factors.

For the instrumental variable we use the number of key management personnel. The definition of KMP is subjectively interpreted and applied by companies when identifying their KMP and disclosing their remuneration.⁶ The number of KMP will be affected by

⁶ According to the *Corporations Act 2001* (Cth) KMP “for an entity has the same meaning as in the accounting standards.” According to AASB 124 ‘Related Party Disclosures’ 2009, KMP “are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.”

company characteristics; including size, diversification and overall complexity – factors that are also associated with executive pay. As the number of KMP disclosed could suggest management bloat or be an indication of commitment to remuneration transparency, KMP is not likely to be correlated with receiving a strike. Reflecting this, we find KMP is correlated with all measures of CEO pay ($p < 0.001$), but not with receiving dissent (Pearson and Spearman correlation are $p = 0.626$ and $p = 0.241$, respectively) or a strike ($p = 0.083$ and $p = 0.144$). Our regression on the determinants of CEO pay is specified as:

$$\begin{aligned}
 CEOPay_{i,t} = & \beta_1 IndepDir_{i,t} + \beta_2 CEOChair_{i,t} + \beta_3 NewCEO_{i,t} + \beta_4 BoardShares\%_{i,t} + \\
 & \beta_5 CEOShares\%_{i,t} + \beta_6 Top20\%_{i,t} + \beta_7 Loss_{i,t} + \beta_8 MarketRet_{i,t} + \beta_9 Leverage_{i,t} + \\
 & \beta_{10} BTM_{i,t} + \beta_{11} LnMCap_{i,t} + \beta_{12} KMP_{i,t} + Ind_FixedEffects + Year_FixedEffect + \varepsilon_{i,t}
 \end{aligned}
 \tag{2}$$

We then rerun the main regression as a reduced model, specified as (variables defined above):

$$\begin{aligned}
 Strike_{i,t} = & \gamma_1 CEOPredicted_{i,t} + \gamma_2 CEOResidual_{i,t} + \gamma_3 IndepDir_{i,t} + \gamma_4 CEOChair_{i,t} + \\
 & \gamma_5 NewCEO_{i,t} + \gamma_6 BoardShares\%_{i,t} + \gamma_7 CEOShares\%_{i,t} + \gamma_8 Top20\%_{i,t} + \gamma_9 Loss_{i,t} + \\
 & \gamma_{10} MarketRet_{i,t} + \gamma_{11} Leverage_{i,t} + \gamma_{12} BTM_{i,t} + \gamma_{13} RR\%_{i,t} + \varepsilon_{i,t}
 \end{aligned}
 \tag{3}$$

$LnMCap_{i,t}$ is omitted from equations (1) and (3) as the strike and non-strike subsamples have been matched on this variable.

3.3. Consequences-of-strikes empirical models

Next, we examine whether strike firms have a significant change in their remuneration in the following year. We test H_2 through the following model:

$$\begin{aligned} \Delta CEO Pay_{i,t} = & \mu_1 Strike_{i,t} + \mu_2 \Delta IndepDir_{i,t} + \mu_3 CEOChair_{i,t+1} + \mu_4 NewCEO_{i,t+1} + \\ & \mu_5 \Delta BoardShares\%_{i,t} + \mu_6 \Delta CEOShares\%_{i,t} + \mu_7 \Delta Top20\%_{i,t} + \mu_8 Loss_{i,t+1} + \\ & \mu_9 \Delta MarketRet_{i,t} + \mu_{10} \Delta Leverage_{i,t} + \mu_{11} \Delta BTM_{i,t} + \mu_{12} \Delta LnMCap_{i,t} + \mu_{13} \Delta KMP_{i,t} + \\ & Ind_Fixed_Effects + \varepsilon_{i,t} \end{aligned} \quad (4)$$

Where Δ represents the one year change between variables as reported in the annual reports at time period t and $t+1$. An alternative board response to receiving a strike is to reduce information asymmetry by increasing the quantity or quality of remuneration disclosure. Consistent with prior literature (Leuz and Schrand, 2009), we consider both the total and relative space dedicated to remuneration policies in the annual report; however we also note that disclosure quantity does not necessarily translate to informative disclosure. We test H_3 through the following OLS model:

$$\begin{aligned} \Delta RR\%_{i,t} \text{ or } \Delta RRLength_{i,t} = & \rho_1 Strike_{i,t} + \rho_2 \Delta IndepDir_{i,t} + \rho_3 CEOChair_{i,t+1} + \\ & \rho_4 NewCEO_{i,t+1} + \rho_5 \Delta BoardShares\%_{i,t} + \rho_6 \Delta CEOShares\%_{i,t} + \rho_7 \Delta Top20\%_{i,t} + \\ & \rho_8 Loss_{i,t+1} + \rho_9 \Delta MarketRet_{i,t} + \rho_{10} \Delta Leverage_{i,t} + \rho_{11} \Delta BTM_{i,t} + \rho_{12} \Delta LnMCap_{i,t} + \\ & \rho_{13} \Delta KMP_{i,t} + \varepsilon_{i,t} \end{aligned} \quad (5)$$

4. Results

4.1. Descriptive statistics

Table 2 Panel A presents descriptive statistics for firms that received a strike. The mean cash salary for CEOs is \$433,401 (median = \$335,000), with a range from \$0 to \$2,984,801. This range reflects the diversity in the size of firms that received a strike, with market

capitalization of less than \$1m to \$6,772.5m. The dissenting votes that led to receiving a strike range from 25.0% to 99.9%. Subsequent to the strike, most mean and median CEO pay categories decreased. The descriptive statistics also show that some strike firms are very tightly controlled. As strike firms can be very small and are often loss making (69.6%, Panel B) potentially leading to negative equity, the market return, leverage and BTM measures can be distorted. Thus, the top and bottom 2.5% of these variables are winsorised.

Panel C reports the results of univariate tests on the statistical differences between strike and matched firm characteristics. The mean pay for firms that received a strike does not appear to be statistically higher than matched firms in any of the reported pay categories. Using non-parametric tests, CEO cash salary and total pay are significantly higher for strike firms. We also find some evidence suggesting that strike firms had a smaller change in CEO pay than non-strike firms, in terms of cash salary and bonus components.

The length of the annual report dedicated to the remuneration report (*RRLength*) is also larger for strike firms than non-strike firms in parametric tests, but not in non-parametric tests. Neither test reported a significant difference in the proportion of the annual report dedicated to the remuneration report (*RR%*) between strike and non-strike firms. Panel A shows that strike firms devote on average 7.059 pages to the remuneration report in the year of a strike, and increase disclosure to 8.023 pages in the year following a strike, which represents 8.1% and 9.0% of the total length of the annual reports respectively. Non-parametric tests find that both the length (*ARRLength*) of the remuneration report, and the proportion of the annual report dedicated to the remuneration report (*ARR%*) increase more for strike firms than non-strike firms in the year following a strike.

The only control variable with a significant coefficient consistent across parametric and non-parametric tests is market return, in that strike firms have a lower market return. This

suggests that shareholders may use the remuneration resolution to express disapproval at poor firm performance.

INSERT TABLE 2 AND 3 ABOUT HERE

4.2. CEO pay and receiving a strike

Table 3 shows that no specification of CEO pay (salary, bonus, equity or total) is significantly associated with receiving a strike (Panel A) or with a higher dissent vote (Panel B). We find that firms with more independent directors, higher leverage and a higher BTM ratio are more likely to receive a strike. This association is reinforced by a significant positive coefficient for *Leverage* and *BTM* with *Dissent* in Panel B, however the coefficient for the proportion of independent directors is not significant. As there is a consistent significant association with the BTM ratio, but not the market return over the past year (*MarketRet*) or whether the firm made a loss in the current year (*Loss*),⁷ we interpret this result as suggesting shareholders could be punishing several years' of poor performance rather than just bad performance in the current year. In addition to several years of poor performance, a combination of high leverage and a high BTM may also indicate a firm in financial distress, with shareholders punishing boards who have led the firm into a poor financial state. However, the BTM ratio is a noisy valuation multiple, and we cannot distinguish between the interpretation that the BTM ratio causes dissent, or that BTM and dissent are jointly (and possibly independently) caused by other factors. Furthermore, other proxies for market performance, accounting performance, ownership structure and corporate governance are all insignificant.⁸ A valuation or risk rationale is also consistent with the positive coefficient on *Leverage*, as higher leverage could reflect several recent years of losses eroding net assets. Both board and CEO shareholding are not associated with receiving a strike, consistent with

⁷ Unreported tests with other specifications for market and accounting performance (levered, unlevered, contemporary, lagged, levels, changes) are similarly insignificant.

⁸ In untabulated tests, when BTM is excluded from the regression, the coefficient on the market return is significantly negative.

the exclusion of directors and management from voting on their remuneration. In addition, remuneration report disclosure (*RR%*) is not significantly associated with receiving a strike, suggesting that firms that have similar remuneration, but spend more time explaining the basis of remuneration are not spared from a strike. Overall, our results support prior literature that finds worse performing firms are more likely to be the subject of a vote-no campaign (Gillan and Starks, 2000; Del Guercio *et al.*, 2008).

INSERT TABLE 3 ABOUT HERE

Next, we regress CEO pay on firm characteristics, and use this to calculate predicted and residual (excess) CEO pay (Table 4). Table 5 then examines whether excess pay is associated with receiving a strike. Again we find that no measure of CEO pay (both predicted and residual salary, bonus, equity and total pay) is significantly associated with receiving a strike or the vote against the remuneration resolution (*Dissent*). The BTM ratio is consistently significantly associated with receiving a strike and dissent. As the association between the BTM ratio and *Strike/Dissent* is still present after we include CEO residual pay, the evidence suggests that shareholders are more concerned about sustained poor performance than excess pay. We also find some evidence that *Leverage* effects shareholder dissent. The positive relationship between independent directors and receiving a strike could suggest that shareholders are further using the strike mechanism to voice discontent with broader management practices including the potential capture of independent directors.

In conclusion, we find no consistent evidence in support of H_1 . There is no evidence of shareholders voting in response to total pay or voting in response to excess pay. The two-strikes legislation does not appear to be utilised for targeting excessive management remuneration, but rather as a response to general shareholder dissatisfaction.

INSERT TABLE 4 & 5 ABOUT HERE

4.3. Changes in CEO pay and receiving a strike

Table 6 examines whether there is an association between changes in CEO pay measures and receiving a strike (Panel A) or dissenting votes (Panel B). To calculate changes in CEO pay, we require sample firms to have compensation data for the year following the strike (e.g. data in 2012 [2013] for 2011 [2012] strike firms). Therefore, our change regressions are run on a sample of 445 firm-year observations. The reduction in sample size is due to 29 sample firms not releasing an annual report in the year following a strike (reasons for not releasing an annual report include delisting from the ASX, and mergers and acquisitions). We find evidence that receiving a strike is associated with a larger decrease in CEO bonus than otherwise, and that a greater vote against the remuneration resolution is not associated with changes in CEO pay. Thus, Australian boards who receive a strike seem to respond to shareholder concerns by decreasing the discretionary part of CEO pay by a larger amount than matched firms. Our regression results suggest that strike firms decrease their bonus 57.1% more than the non-strike matched firms after controlling for firm characteristics.

Our results suggest that the legislation has an effect consistent with its aim; reducing CEO pay that is considered by shareholders to be ‘too high,’ supporting H_2 . However, we did not find that strike firms receive higher excess pay. Thus if CEO pay was at the optimal level prior to the strike, then receiving a strike may have caused some firms to underpay CEOs relative to the optimum. Therefore, the legislation may have had the unintended consequence of reducing CEO pay, rather than specifically targeting excess pay.

INSERT TABLE 6 ABOUT HERE

4.4. Changes in remuneration disclosure and receiving a strike

Table 7 shows the consequences of receiving a strike on changes in the remuneration report. We find that receiving a strike (*Strike*) and increased shareholder dissent (*Dissent*) are associated with a greater increase in the size of the remuneration report, both in terms of

absolute length and the percentage of the annual report devoted to the remuneration report. On average, firms that receive a strike increase the size of their audited remuneration report by 0.77 pages in length. This represents a 10.95% increase in the size of a strike firm's audited remuneration report, relative to the year of the strike. Thus we find support for H_3 , that firms increase disclosure in response to shareholder discontent. Out of our control variables, we only find evidence that *Loss* and *CEOChair* are associated with a smaller change in remuneration disclosure. We conclude that receiving a strike is the main driver of firms increasing their remuneration disclosure. However, Tables 3 and 5 show that remuneration disclosure is not associated with receiving a strike. Thus, increasing disclosure may be an ineffective response to shareholder discontent.

INSERT TABLE 7 HERE

4.5. Additional tests

In unreported tests, we rerun Equation 1 on a sample of firms from 2009 and 2010 who received more than 25% of shareholder dissent against the remuneration resolution, which we categorise as pseudo-strike firms, relative to matched non-pseudo-strike firms. In these tests we find that CEO pay is associated with both a 'pseudo-strike' (CEO salary and total pay) and dissent (CEO salary, bonus and total pay). When we calculate measures of predicted and residual pay (Equation 3), we find consistent results for the residual pay measures. We infer that the two-strike regulation change in 2011, and the low threshold (25% and restricted voting) may make the two-strikes rule an attractive mechanism for non-remuneration related shareholder activism.

We also investigate the frequency of subsequent strikes following an initial strike. A total of 248 strikes were received in 2011-12 by 223 firms. In 2011, 118 first strikes were recorded, of which only 25 firms, or 21%, received a second strike in the following year. In 2012, 130 strikes were recorded, of which 19 (18%) received a second strike in the following

year (of 2013 outside of our sample period). Of those 44 second strikes across two years, only eight went on to receive a third strike at the subsequent spill vote (forcing the re-election of directors). In total, only three boards (1.35%) were replaced by new directors following an initial strike. When we control for whether the firm has received a previous strike, the results of our tests are unchanged.

We produce similar results when we rerun tests on a sub-sample of matched pairs with continual data across 2011 and 2012. When we run tests winsorising the top and bottom 5% of all variables, results are similar. Our results on the determinants of receiving a strike are unchanged when we use *RRLength* instead of *RR%*. Our general findings are also similar when we replace CEO pay with KMP remuneration scaled by the number of KMP.

5. Conclusions

This paper examines the Australian ‘two-strikes’ say on pay regulation. In contrast to other say on pay laws, the board cannot vote, and a 25% vote against is enough for a ‘strike’ with two strikes in a row leading to an automatic board spill and a vote on a new board (strike three). We find that no measure of CEO pay (salary, bonus, equity, total or ‘excess’) is associated with receiving a strike. Instead shareholder dissent against the remuneration resolution is associated with higher BTM and leverage ratios. Thus, shareholders seem to use the vote on remuneration reports to punish sustained bad performance.

We also find that receiving a strike is associated with consequences for CEO pay after controlling for firm characteristics. Firms that receive a strike are likely to have on average a 57.1% larger decrease in the CEO’s bonus, which is typically the more easily changed component of remuneration. This may suggest that receiving a strike is an effective governance mechanism for monitoring, and reining in excessive discretionary CEO pay. However, if the CEO pay of strike firms was not excessive, reducing future pay may be an

inappropriate response to shareholder concerns and thus result in a sub-optimal remuneration situation. Next, we find consistent evidence that firms receiving a strike increase their remuneration disclosure by 0.77 pages in length. This represents a 10.95% increase in the size of a strike firm's audited remuneration report, relative to the year of the strike. Thus firms appear more likely to try and explain remuneration than change contracted pay post-strike. The effectiveness of a disclosure-based strategy is questionable considering remuneration disclosure was not associated with receiving a strike.

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Table 1: Variable definitions

<i>Dependent Variables</i>	
<i>Strike_{i,t}</i>	a binary variable equal to one if firm <i>i</i> received a strike in year <i>t</i>
<i>Dissent_{i,t}</i>	the percentage of votes against the remuneration resolution of firm <i>i</i> in year <i>t</i>
<i>CEOPay Variables</i>	
<i>LnCEOSalary_{i,t}</i>	natural logarithm of the reported base CEO/MD cash salary of firm <i>i</i> in year <i>t</i>
<i>LnCEOBonus_{i,t}</i>	natural logarithm of the reported cash bonus for the CEO/MD of firm <i>i</i> in year <i>t</i>
<i>LnCEOEquity_{i,t}</i>	natural logarithm of the reported value of equity and options for the CEO/MD of firm <i>i</i> in year <i>t</i>
<i>LnCEOTotal_{i,t}</i>	natural logarithm of the total remuneration reported for the CEO/MD of firm <i>i</i> in year <i>t</i>
<i>Control Variables</i>	
<i>IndepDir_{i,t}</i>	the proportion of independent directors for firm <i>i</i> in year <i>t</i>
<i>CEOChair_{i,t}</i>	a binary variable equal to one if the CEO of firm <i>i</i> is also the chairman in year <i>t</i>
<i>NewCEO_{i,t}</i>	a binary variable equal to one if the CEO of firm <i>i</i> was in their first year in year <i>t</i>
<i>BoardShares%_{i,t}</i>	the percentage of shares owned by the board of firm <i>i</i> in year <i>t</i>
<i>CEOShares%_{i,t}</i>	the percentage of shares owned by the CEO of firm <i>i</i> in year <i>t</i>
<i>Top20%_{i,t}</i>	the percentage of shares owned by the largest 20 shareholders of firm <i>i</i> in year <i>t</i>
<i>Loss_{i,t}</i>	a binary variable equal to one if net profit after tax is negative for firm <i>i</i> in year <i>t</i>
<i>MarketRet_{i,t}</i>	the 1 year log buy and hold return for firm <i>i</i> less the 1 year log buy and hold return for the ASX All-Ordinaries index from the annual report balance date in year <i>t</i>
<i>Leverage_{i,t}</i>	total liabilities divided by total equity of firm <i>i</i> in year <i>t</i>
<i>BTM_{i,t}</i>	the book value of equity divided by market capitalization of firm <i>i</i> as at the annual report balance date in year <i>t</i>
<i>RR%_{i,t}</i>	the page length of the remuneration report in the annual report divided by the page length of the annual report of firm <i>i</i> , in year <i>t</i>
<i>Additional Variables (for equations 2, 4 or 5)</i>	
<i>RRLength_{i,t}</i>	the page length of the remuneration report in the annual report of firm <i>i</i> in year <i>t</i>
<i>LnMCap_{i,t}</i>	the market capitalization as at the annual report balance date of firm <i>i</i> in year <i>t</i>
<i>KMP_{i,t}</i>	the number of individuals specified in the remuneration report of firm <i>i</i> in year <i>t</i>

Table 2: Descriptive statistics

Panel A: Strike firm continuous variable descriptive

Variables	Mean	Median	Std. Dev.	Min	Max
<i>CEOSalary_t</i>	433,401	335,000	394,819	0	2,984,801
<i>CEOBonus_t</i>	94,503	0	278,913	0	2,400,000
<i>CEOEquity_t</i>	173,229	0	534,324	-207,653	4,110,275
<i>CEOTotal_t</i>	779,934	474,306	1,045,328	0	7,710,275
<i>Dissent_t</i>	0.461	0.41	0.179	0.25	0.999
<i>KMP_t</i>	8.249	8	3.272	3	19
<i>IndepDir_t</i>	0.567	0.6	0.249	0	1
<i>BoardShares%_t</i>	0.1	0.029	0.149	0	0.736
<i>CEOShares%_t</i>	0.056	0.007	0.114	0	0.797
<i>Top20%_t</i>	62.7	63.6	18.1	10	95
<i>MarketRet_t</i>	-0.259	-0.26	0.546	-1	1
<i>Leverage_t</i>	0.304	0.249	0.254	0.015	0.931
<i>BTM_t</i>	1.237	0.923	0.992	0.075	3.754
<i>MCap_t (\$m)</i>	221	21.5	675.8	0.7	6,772.50
<i>LnMCap_t</i>	17.303	16.881	1.929	13.525	22.636
<i>ARLength_t</i>	84.165	79	31.549	27	334
<i>RRLength_t</i>	7.059	6	4.675	1	33
<i>RR%_t</i>	0.081	0.073	0.034	0.011	0.223
<i>CEOSalary_{t+1}</i>	442,484	333,945	407,681	0	2,984,225
<i>CEOBonus_{t+1}</i>	92,729	0	252,943	0	1,806,000
<i>CEOEquity_{t+1}</i>	156,145	2,351	448,652	-53,692	3,075,000
<i>CEOTotal_{t+1}</i>	722,791	425,441	1,005,070	0	7,891,719
<i>ARLength_{t+1}</i>	85.923	79	35.324	10	409
<i>RRLength_{t+1}</i>	8.023	6	5.277	1	34
<i>RR%_{t+1}</i>	0.090	0.083	0.037	0.020	0.276

Panel B: Binary variables

Variables	Strike				Matched			
	Yes	Percent	No	Percent	Yes	Percent	No	Percent
<i>CEOChair</i>	40	16.88%	197	83.12%	37	15.61%	200	84.39%
<i>NewCEO</i>	44	18.57%	193	81.43%	32	13.50%	205	86.50%
<i>Loss</i>	165	69.62%	72	30.38%	153	64.56%	84	35.44%

Panel C: Univariate differences (strike – matched)

Variables	Mean diff.	t-stat	z-score	
<i>LnCEOSalary</i>	0.191	1.007	3.293	***
<i>LnCEOBonus</i>	0.274	0.544	0.540	
<i>LnCEOEquity</i>	0.175	0.045	0.172	
<i>LnCEOTotal</i>	0.197	1.203	2.389	*
<i>Dissent</i>	0.417	34.164	18.684	***
<i>KMP</i>	0.502	1.735	1.460	
<i>IndepDir</i>	0.042	1.846	2.121	*
<i>BoardShares%</i>	-0.002	-0.135	0.151	
<i>CEOShares%</i>	-0.015	-1.233	1.160	
<i>Top20%</i>	-1.936	-1.178	1.046	
<i>MarketRet</i>	-0.101	-2.011	2.382	*
<i>Leverage</i>	0.037	1.666	1.334	
<i>BTM</i>	0.176	2.046	1.941	*
<i>LnMCap</i>	0.013	0.076	0.059	
<i>RRLength</i>	0.846	2.174	1.645	*
<i>RR%</i>	0.004	1.415	0.871	
Change Variables				
Δ <i>LnCEOSalary</i>	-0.249	-0.877	2.488	*
Δ <i>LnCEOBonus</i>	-1.093	-2.338	1.822	*
Δ <i>LnCEOEquity</i>	0.128	0.242	0.093	
Δ <i>LnCEOTotal</i>	-0.378	-1.322	1.722	
Δ <i>RRLength</i>	0.403	1.310	1.959	*
Δ <i>RR%</i>	0.003	1.126	2.261	*

Table 2 Panel A presents descriptive statistics for strike firms. Panel B presents the count and percentage for binary variables for both strike and non-strike firms. Panel C reports univariate tests using the student *t*-test and the Mann-Whitney-*U* test. Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.

Table 3: Determinants of receiving a strike

Panel A: Strike								
Variables	coeff.	p-value	coeff.	p-value	coeff.	p-value	coeff.	p-value
<i>LnCEOSalary</i>	0.047	0.347						
<i>LnCEOBonus</i>			0.018	0.381				
<i>LnCEOEquity</i>					-0.007	0.703		
<i>LnCEOTotal</i>							0.071	0.236
<i>IndepDir</i>	0.959	0.019 *	0.905	0.026 *	0.937	0.021 *	0.950	0.020 *
<i>CEOChair</i>	0.302	0.277	0.307	0.272	0.272	0.326	0.294	0.289
<i>NewCEO</i>	0.318	0.235	0.365	0.181	0.324	0.226	0.321	0.230
<i>BoardShares%</i>	0.329	0.631	0.317	0.642	0.253	0.711	0.333	0.626
<i>CEOShares%</i>	-0.376	0.640	-0.438	0.581	-0.595	0.455	-0.339	0.673
<i>Top20%</i>	-0.010	0.115	-0.010	0.118	-0.009	0.133	-0.010	0.100
<i>Loss</i>	0.289	0.216	0.310	0.195	0.249	0.279	0.297	0.203
<i>MarketRet</i>	-0.165	0.395	-0.166	0.392	-0.145	0.458	-0.167	0.389
<i>Leverage</i>	0.937	0.029 *	0.933	0.030 *	0.960	0.025 *	0.951	0.027 *
<i>BTM</i>	0.256	0.022 *	0.269	0.016 *	0.260	0.020 *	0.260	0.020 *
<i>RR%</i>	4.309	0.184	4.064	0.219	5.063	0.133	3.910	0.234
<i>Constant</i>	-1.713	0.037 *	-1.191	0.035 *	-1.138	0.044 *	-2.002	0.029 *
<i>Chi-square</i>	26.481	0.009 **	26.344	0.01 **	25.72	0.012 *	27.058	0.008 **
<i>Nagelkerke R²</i>		7.20%		7.20%		7.00%		7.60%
<i>Classification %</i>		60.80%		59.30%		59.70%		59.90%
<i>N</i>		474		474		474		474

<i>Variables</i>	Panel B: Dissent								
	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat	
<i>LnCEOSalary</i>	0.009	1.480							
<i>LnCEOBonus</i>			0.003	1.371					
<i>LnCEOEquity</i>					-0.001	-0.635			
<i>LnCEOTotal</i>							0.011	1.565	
<i>IndepDir</i>	0.087	1.834	0.077	1.622	0.083	1.760	0.084	1.784	
<i>CEOChair</i>	0.026	0.815	0.027	0.840	0.021	0.653	0.024	0.755	
<i>NewCEO</i>	0.002	0.072	0.011	0.343	0.004	0.115	0.003	0.090	
<i>BoardShares%</i>	0.100	1.250	0.098	1.224	0.086	1.070	0.099	1.247	
<i>CEOShares%</i>	0.053	0.570	0.042	0.459	0.013	0.135	0.053	0.572	
<i>Top20%</i>	-0.001	-1.823	-0.001	-1.794	-0.001	-1.700	-0.001	-1.893	
<i>Loss</i>	0.052	1.904	0.056	2.002	0.045	1.662	0.052	1.908	
<i>MarketRet</i>	-0.022	-0.956	-0.022	-0.949	-0.018	-0.779	-0.022	-0.954	
<i>Leverage</i>	0.135	2.726	**	0.135	2.709	**	0.140	2.819	**
<i>BTM</i>	0.052	4.070	***	0.054	4.272	***	0.053	4.134	***
<i>RR%</i>	0.034	0.091		-0.009	-0.023		0.178	0.458	
<i>Constant</i>	0.025	0.262		0.120	1.829		0.130	1.979	*
<i>F-stat</i>		3.218	***		3.19	***		3.057	***
<i>Adjusted R²</i>		5.30%			5.30%			5.00%	
<i>N</i>		474			474			474	

Table 3 presents logit regressions on receiving a strike (Panel A) and OLS regressions on dissent (Panel B) and CEO pay. Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.

Table 4: Determinants of CEO pay

<i>Variables</i>	LnCEOSalary		LnCEOBonus		LnCEOEquity		LnCEOTotal					
	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat				
<i>IndepDir</i>	-0.500	-1.332	1.608	1.779	0.607	0.585	-0.151	-0.485				
<i>CEOChair</i>	-0.234	-0.903	-1.092	-1.752	0.039	0.054	0.088	0.413				
<i>NewCEO</i>	-0.195	-0.779	-2.854	-4.724	***	0.053	0.076	-0.263	-1.268			
<i>BoardShares%</i>	-0.253	-0.394	-0.954	-0.617		-3.271	-1.843	0.032	0.061			
<i>CEOShares%</i>	-2.993	-4.089	***	-4.403	-2.499	*	-7.552	-3.732	***	-2.270	-3.747	***
<i>Top20%</i>	0.005	0.822	0.006	0.426		-0.008	-0.496	0.007	1.538			
<i>Loss</i>	-0.430	-1.835	-1.970	-3.495	***	0.421	0.651	-0.217	-1.118			
<i>MarketRet</i>	0.144	0.779	0.235	0.525		1.150	2.242	*	0.069	0.452		
<i>Leverage</i>	0.405	0.951	1.650	1.610		-0.547	-0.464	0.150	0.426			
<i>BTM</i>	0.213	2.023	-0.088	-0.347		-0.225	-0.771	0.152	1.750			
<i>LnMCap</i>	0.195	2.954	**	0.840	5.296	***	0.530	2.910	**	0.287	5.257	***
<i>KMP</i>	0.122	3.439	**	0.153	1.798		0.442	4.520	***	0.108	3.684	***
<i>Constant</i>	8.187	6.283	***	-11.014	-3.510	**	-7.399	-2.053	*	6.740	6.249	***
<i>Industry Fixed Effects</i>		Yes		Yes		Yes		Yes				
<i>Year Fixed Effects</i>		Yes		Yes		Yes		Yes				
<i>F-stat</i>		5.897	***	11.529	***	7.061	***	7.992	***			
<i>Adjusted R²</i>		17.86%		31.85%		21.20%		23.70%				
<i>N</i>		474		474		474		474				

Table 4 presents OLS regressions on CEO pay. Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.

Table 5: Receiving a strike and excess CEO pay

Variables	Panel A: Strike								
	coeff.	p-value		coeff.	p-value		coeff.	p-value	
<i>LnCEOSalaryPredicted</i>	0.207	0.215							
<i>LnCEOSalaryResidual</i>	0.030	0.567							
<i>LnCEOBonusPredicted</i>			0.070	0.255					
<i>LnCEOBonusResidual</i>			0.011	0.626					
<i>LnCEOEquityPredicted</i>					0.051	0.317			
<i>LnCEOEquityResidual</i>					-0.016	0.412			
<i>LnCEOTotalPredicted</i>							0.182	0.217	
<i>LnCEOTotalResidual</i>							0.046	0.462	
<i>IndepDir</i>	1.041	0.012	**	0.814	0.050	*	0.891	0.029	*
<i>CEOChair</i>	0.410	0.162		0.422	0.160		0.355	0.209	
<i>NewCEO</i>	0.314	0.241		0.498	0.110		0.273	0.316	
<i>BoardShares%</i>	0.573	0.421		0.528	0.455		0.619	0.399	
<i>CEOShares%</i>	0.210	0.833		-0.098	0.911		-0.087	0.923	
<i>Top20%</i>	-0.012	0.072		-0.011	0.084		-0.010	0.109	
<i>Loss</i>	0.421	0.113		0.491	0.112		0.304	0.193	
<i>MarketRet</i>	-0.198	0.317		-0.190	0.336		-0.210	0.304	
<i>Leverage</i>	0.837	0.057		0.829	0.061		0.946	0.028	*
<i>BTM</i>	0.239	0.035	*	0.300	0.009	**	0.294	0.010	**
<i>RR%</i>	4.546	0.160		4.438	0.177		5.126	0.126	
<i>Constant</i>	-3.759	0.077		-1.490	0.016	*	-1.521	0.014	*
<i>Chi-square</i>	30.086	0.005	**	30.237	0.004	**	30.512	0.004	**
<i>Nagelkerke R²</i>		7.76%			7.67%			7.74%	
<i>Classification %</i>		59.50%			59.30%			59.70%	
<i>N</i>		474			474			474	

Variables	Panel B: Dissent											
	coeff.	t-stat		coeff.	t-stat		coeff.	t-stat				
<i>LnCEOSalaryPredicted</i>	0.019	0.977										
<i>LnCEOSalaryResidual</i>	0.007	1.235										
<i>LnCEOBonusPredicted</i>			0.001	0.149								
<i>LnCEOBonusResidual</i>			0.003	1.365								
<i>LnCEOEquityPredicted</i>					0.003	0.571						
<i>LnCEOEquityResidual</i>					-0.002	-0.915						
<i>LnCEOTotalPredicted</i>							0.016	0.964				
<i>LnCEOTotalResidual</i>							0.009	1.275				
<i>IndepDir</i>	0.091	1.899	0.081	1.643	0.079	1.653	0.085	1.789				
<i>CEOChair</i>	0.033	0.969	0.024	0.685	0.027	0.831	0.027	0.823				
<i>NewCEO</i>	0.002	0.067	0.005	0.141	-0.001	-0.023	0.003	0.097				
<i>BoardShares%</i>	0.115	1.385	0.094	1.134	0.115	1.337	0.108	1.327				
<i>CEOShares%</i>	0.093	0.804	0.029	0.284	0.056	0.529	0.073	0.695				
<i>Top20%</i>	-0.001	-1.916	-0.001	-1.697	-0.001	-1.765	-0.001	-1.928	*			
<i>Loss</i>	0.060	1.960	*	0.049	1.361	0.049	1.796	0.056	1.932	*		
<i>MarketRet</i>	-0.024	-1.037		-0.020	-0.872	-0.023	-0.975	-0.023	-0.985			
<i>Leverage</i>	0.128	2.524	*	0.138	2.693	*	0.138	2.787	*	0.136	2.736	*
<i>BTM</i>	0.051	3.887	***	0.054	4.081	***	0.055	4.241	***	0.053	4.143	***
<i>RR%</i>	0.049	0.131		0.077	0.205		0.167	0.432		0.020	0.054	
<i>Constant</i>	-0.108	-0.437		0.124	1.743		0.100	1.412		-0.076	-0.546	
<i>F-stat</i>		2.995	***		2.948	***		2.895	***		2.999	***
<i>Adjusted R²</i>		5.2%			5.1%			5.0%			5.2%	
<i>N</i>		474			474			474			474	

Table 5 presents logit regressions on receiving a strike (Panel A) and OLS regressions on dissent (Panel B) and predicted and residual CEO pay (from Table 5). Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.

Table 6: Strikes and changes in CEO pay

<i>Variables</i>	Panel A							
	$\Delta \ln \text{CEOSalary}$		$\Delta \ln \text{CEOBonus}$		$\Delta \ln \text{CEOShare}$		$\Delta \ln \text{CEOTotal}$	
	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat	coeff.	t-stat
<i>Strike</i>	0.116	1.125	-1.054	-2.198 *	0.340	0.628	-0.044	-0.817
$\Delta \text{IndepDir}$	-0.180	-0.791	0.856	0.811	0.044	0.037	0.013	0.110
<i>CEOChair</i>	0.056	0.377	0.397	0.578	-0.521	-0.672	-0.140	-1.828
<i>NewCEO</i>	-0.282	-2.229 *	-0.124	-0.211	-0.202	-0.305	-0.230	-3.512 ***
$\Delta \text{BoardShares}\%$	-2.313	-4.765 ***	-0.527	-0.234	0.736	0.289	0.171	0.681
$\Delta \text{CEOShares}\%$	-1.300	-1.585	6.627	1.741	-1.809	-0.421	0.162	0.380
ΔTop20	-0.004	-0.585	-0.003	-0.094	-0.035	-1.040	0.003	0.750
<i>Loss</i>	-0.112	-0.859	0.241	0.399	-1.181	-1.729	-0.065	-0.966
$\Delta \text{MarketRet}$	0.031	0.329	0.504	1.146	0.847	1.707	-0.031	-0.625
$\Delta \text{Leverage}$	0.128	0.352	-0.307	-0.182	-2.934	-1.539	0.147	0.776
ΔBTM	0.018	0.627	0.024	0.179	-0.217	-1.406	0.006	0.369
$\Delta \ln \text{MCap}$	0.013	0.171	0.722	1.993 *	0.501	1.227	0.111	2.747 **
ΔKMP	0.011	0.440	-0.072	-0.599	-0.026	-0.194	0.008	0.607
<i>Constant</i>	-0.131	-0.350	0.842	0.485	-0.153	-0.078	-0.045	-0.231
<i>Industry Fixed Effects</i>	Yes		Yes		Yes		Yes	
<i>F-stat</i>	2.147 **		1.217		1.710 *		1.974 **	
<i>Adjusted R²</i>	5.1%		1.0%		3.2%		4.4%	
<i>N</i>	445		445		445		445	

<i>Variables</i>	Panel B										
	$\Delta \ln \text{CEOSalary}$		$\Delta \ln \text{CEOBonus}$		$\Delta \ln \text{CEOShare}$		$\Delta \ln \text{CEOTotal}$				
	coeff.	<i>t</i> -stat	coeff.	<i>t</i> -stat	coeff.	<i>t</i> -stat	coeff.	<i>t</i> -stat			
<i>Dissent</i>	0.004	1.787	-0.017	-1.522	0.011	0.844	0.000	-0.085			
$\Delta \text{IndepDir}$	-0.186	-0.818	0.851	0.803	0.032	0.027	0.011	0.094			
<i>CEOChair</i>	0.048	0.326	0.441	0.640	-0.541	-0.698	-0.139	-1.811			
<i>NewCEO</i>	-0.256	-2.025	*	-0.263	-0.446	-0.135	-0.204	-0.234	-3.550	***	
$\Delta \text{BoardShares}\%$	-2.333	-4.823	***	-0.313	-0.139	0.674	0.266	0.181	0.720		
$\Delta \text{CEOShares}\%$	-1.243	-1.519		6.217	1.629	-1.652	-0.385	0.148	0.347		
ΔTop20	-0.004	-0.625		-0.004	-0.145	-0.036	-1.053	0.002	0.700		
<i>Loss</i>	-0.111	-0.854		0.262	0.431	-1.181	-1.729	-0.064	-0.941		
$\Delta \text{MarketRet}$	0.028	0.297		0.483	1.097	0.842	1.698	-0.033	-0.669		
$\Delta \text{Leverage}$	0.127	0.349		-0.326	-0.193	-2.935	-1.540	0.145	0.767		
ΔBTM	0.020	0.676		0.035	0.256	-0.215	-1.395	0.007	0.440		
$\Delta \ln \text{MCap}$	0.018	0.231		0.760	2.094	*	0.508	1.245	0.115	2.842	**
ΔKMP	0.012	0.447		-0.073	-0.604	-0.026	-0.192	0.008	0.605		
<i>Constant</i>	-0.181	-0.483		0.758	0.434	-0.252	-0.128	-0.063	-0.324		
<i>Industry Fixed Effects</i>	Yes		Yes		Yes		Yes				
<i>F-stat</i>	2.248		1.092		1.727		1.94		**		
<i>Adjusted R²</i>	5.6%		0.4%		3.3%		4.2%				
<i>N</i>	445		445		445		445				

Table 6 presents OLS regressions on receiving a strike and changes in CEO pay. Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.

Table 7: Strikes and changes in remuneration disclosure

<i>Variables</i>	Δ RRLength			Δ RRLength			Δ RR%			Δ RR%		
	coeff.	<i>t</i> -stat		coeff.	<i>t</i> -stat		coeff.	<i>t</i> -stat		coeff.	<i>t</i> -stat	
<i>Strike</i>	0.773	3.539	***				0.007	2.932	**			
<i>Dissent</i>				1.034	2.252	*				0.010	2.029	*
Δ <i>IndepDir</i>	-0.526	-1.092		-0.492	-1.013		-0.008	-1.618		-0.008	-1.551	
<i>CEOChair</i>	-0.744	-2.382	*	-0.782	-2.484	*	-0.005	-1.598		-0.005	-1.696	
<i>NewCEO</i>	0.293	1.095		0.329	1.219		0.002	0.748		0.002	0.852	
Δ <i>BoardShares%</i>	-0.314	-0.305		-0.363	-0.349		-0.002	-0.216		-0.003	-0.246	
Δ <i>CEOShares%</i>	0.127	0.073		0.217	0.123		-0.002	-0.092		-0.001	-0.053	
Δ <i>Top20%</i>	-0.006	-0.400		-0.005	-0.331		0.000	-0.502		0.000	-0.454	
<i>Loss</i>	-0.726	-2.858	**	-0.744	-2.907	**	-0.005	-1.790		-0.005	-1.838	
Δ <i>MarketRet</i>	-0.084	-0.420		-0.080	-0.399		0.001	0.672		0.001	0.670	
Δ <i>Leverage</i>	0.450	0.587		0.449	0.581		-0.003	-0.343		-0.003	-0.345	
Δ <i>BTM</i>	0.045	0.727		0.037	0.595		0.000	-0.315		0.000	-0.407	
Δ <i>LnMCap</i>	0.290	1.748		0.267	1.592		0.000	-0.100		0.000	-0.200	
Δ <i>KMP</i>	0.020	0.354		0.016	0.292		0.000	0.196		0.000	0.141	
<i>Constant</i>	0.820	3.539	***	0.954	4.081	***	0.006	2.497	*	0.007	2.898	**
<i>F-stat</i>		2.765	**		2.182	**		1.628			1.273	
<i>Adjusted R²</i>		4.90%			3.30%			1.80%			0.01%	
<i>N</i>		445			445			445			445	

Table 7 presents OLS regressions on receiving a strike and changes in remuneration. Two-tailed test of significance: *** < 0.001, ** < 0.01, and * < 0.05.