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Keywords: executive remuneration, say-on-pay, disclosure regulation, shareholder voting

JEL Classifications: G34, G38, K22

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1. Introduction

In spite of numerous policy initiatives to reform executive remuneration (e.g., Kay 2012; Walker 2009), the compensation packages received by directors of listed companies continue to attract attention and controversy in the UK and abroad. Recent reform proposals have sought to link variable components of remuneration to the long-term performance of the company by extending vesting periods or suggesting that performance shares should be held for the full duration of the executive's tenure and an additional waiting period of several years (Bhagat and Romano 2010). Others have proposed to avoid reward for failure by providing for more stringent malus and clawback provisions (European Commission 2009) and to give shareholders a wider say on executive pay (Thomas and Van der Elst 2015).

Especially the latter regulatory strategy has remained highly controversial. While some studies have found evidence that a shareholder vote on executive pay reduces pay levels or CEO pay growth rates (for example, Balsam et al. 2016; Correa and Lel 2016), others are more cautious and highlight possible value-reducing consequences of empowering shareholders (Cai and Walkling 2011). Nevertheless, policy-makers have moved decisively in this direction in recent years. In the United States, the Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank") introduced the requirement to give shareholders of large public companies an advisory vote on executive remuneration at least once every three years. In the United Kingdom, an advisory vote has existed since 2002.[1] In 2013, the UK rules were amended and now distinguish between two parts of the directors' remuneration report, the "annual report on remuneration", which sets out the payments and benefits received by the directors in the relevant financial year, and the "directors' remuneration policy", which describes the operation

[1] Companies Act 2006, s. 439(5).

of the individual components of the directors' remuneration package for future years. The advisory vote has been retained for the annual report on remuneration and supplemented by a binding vote on the forward-looking remuneration policy every three years.[2] In a number of other countries, we find legal requirements similar to those of the US and UK, for example Australia and Sweden, and in many countries corporate governance codes require an advisory shareholder vote on a comply-or-explain basis. An overview of the different regulatory requirements in a cross-section of jurisdictions is given by Thomas and Van der Elst (2015).

This article exploits the fact that the UK regime requires issuers to divide the annual pay disclosures into two parts and grants shareholders separate votes on the two parts. The two parts of the remuneration report have to contain distinct sets of information regarding actual pay for the past financial year (contained in the annual report on remuneration) and a description of the structure of future pay awards (remuneration policy). The detailed information that must be disclosed is laid down in a statutory instrument.[3] Some of it has to be provided as numerical information, such as information on past executive pay, and some in the form of a narrative, such as information on pay structure and policy. By providing for two votes, the policy maker sought to enable shareholders to discriminate between the two sets of disclosures and penalize excessively high remuneration packages with the first (advisory) vote, and badly structured compensation packages – for example because they do not rein in reward for failure – with the second (binding) vote.

We are interested in understanding whether this policy goal has been achieved, and more specifically, which items of disclosure guide shareholder voting. We hypothesize that the approval rate in a vote on the annual report on remuneration is correlated with variables

[2] Companies Act 2006, s. 439A.
[3] The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Statutory Instrument 2008 No. 410, Schedule 8, as amended by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations, Statutory Instrument 2013 No. 1981.

capturing information contained in that part of the remuneration report, in particular the amount of remuneration received by executives in the past financial year, and the approval rate in a vote on the remuneration policy with variables capturing the structure of future pay. In line with Chhaochharia and Grinstein (2007), Durnev and Kim (2005), Klapper and Love (2004), who argue that the market assesses and reacts to changes in governance arrangements, we further hypothesize that shareholders are able to incorporate both numerical salary information and information provided in a narrative form requiring interpretive assessment, similar to the general evaluation of governance rules. Voting outcomes, therefore, should be correlated with variables capturing the content of the remuneration report irrespective of the type of information disclosed.

Our findings indicate, however, that this is not the case in the context of say on pay. Both the vote on the annual report on remuneration and the vote on the directors' remuneration policy seem to be driven by two factors: on the one hand, the amount of remuneration that the CEO received in the last financial year and the remuneration opportunity that the CEO has in future years, respectively, and on the other hand the assessment of a company's pay policy by proxy firms. The backward-looking remuneration figure can be ascertained easily by consulting the so-called "single total figure table" contained in the annual report on remuneration, which is required by regulation and must set out, in a prescribed format, the total amount of salary and fees received by the CEO, taxable benefits, bonus, long-term incentives, and pension entitlements. Likewise, the remuneration opportunity of the CEO in future years is depicted graphically in bar charts indicating the level of remuneration that would be received by the CEO under the remuneration policy described in the annual report if the relevant performance targets were met or exceeded. Again, the regulations prescribe in detail both the type of information to be disclosed and the format in which it has to be presented. In particular, the regulations provide that the bar charts must contain three separate parts representing salary,

fees, benefits, and pension entitlements, short-term performance-based remuneration and payments under long-term incentive plans. Each bar must show the percentage of the total comprised by each of the parts and the total value of remuneration expected. Thus, both the amount of backward-looking and forward-looking remuneration is represented by a single figure in the annual report.

The single total figure table and the scenario bar charts are embedded in a raft of additional information, which are mostly in a narrative form in the case of the policy report. We code several important structural features described in the remuneration policy report concerning the operation of long-term incentive plans (vesting period and the percentage of the total award that vests at the minimum vesting period, the length of any additional retention period and the percentage of the award subject to the additional holding period), reward for failure (circumstances in which the remuneration committee intends to reduce unpaid or unvested components of remuneration and claw back paid or vested components), and payments for loss of office. As opposed to the single total figures, we find only limited evidence that the structural features have a significant impact on the voting decisions of shareholders, which may indicate that shareholders are less concerned about the operation of the compensation package than the top-line amount received or receivable by the CEO. Alternatively, the findings may imply that the form in which information is presented to investors – as easily accessible information, such as top line figures contained in prominent tables or represented graphically, compared with technical information in the form of a dense narrative – is a relevant factor in shareholder decision-making.

The literature on executive pay is extensive; a good overview is given by Obermann and Velte (2018). This article is most closely related to a strand of the literature investigating the determinants of a shareholder vote on executive pay. Not surprisingly, studies find a negative correlation between firm performance and shareholder dissent in the general meeting that votes

on the remuneration package (Cotter, Palmiter and Thomas 2013), and a positive correlation between the amount of CEO pay and shareholder dissent (Conyon and Sadler 2010; Morgan, Poulsen and Wolf 2006). It has also been shown that the recommendations of proxy advisory firms have a significant impact on voting outcomes, and features of executive compensation identified as good governance by proxy advisors are accordingly taken into account when boards design compensation programs (Ertimur, Ferri and Oesch 2013; Larcker, McCall and Ormazabal 2015; Malenko and Shen 2016). Our contribution to this strand of research is twofold. First, we make use of the two shareholder votes that exist under UK law to explore whether shareholder voting on related, but (from a policy perspective) distinct items on the agenda of the annual general meeting is responsive to differences in the content and policy goals of the corresponding disclosure obligations. Second, we focus not only on financial data that captures firm characteristics or top-line salary figures, but also analyze and quantify the wealth of detailed information about the structure and operation of executive remuneration that listed UK companies had to disclose for the first time for financial years ending on or after 30 September 2013.

The remainder of the article is organized as follows. Section 2 gives a more detailed overview of the regulatory regime governing executive remuneration in listed companies in the UK. Section 3 presents our data and describes how we utilize the extensive disclosures required under the new regulations to assess differences in compensation practices. Section 4 contains the econometric specification, section 5 discusses our findings, and section 6 concludes.

2. UK Regime for Quoted Companies

In the UK, the first steps towards a comprehensive regulation of executive remuneration were taken with the Directors' Remuneration Report Regulations 2002.[4] The Regulations introduced the requirement that directors of a quoted company prepare a directors' remuneration report for each financial year and lay the report before the general meeting for shareholder approval.[5] The shareholder vote was designed as an advisory vote, and pay awards were not conditional on the resolution being passed.[6] These cautious innovations were aimed at improving shareholder engagement. They produced several high-profile shareholder revolts,[7] and data indicate that shareholder votes on the remuneration report regularly attract more dissent than other resolutions. However, the effectiveness of the advisory vote is controversial, given that the proportion of votes rejecting a report is generally not high in absolute terms and outright rejections are rare.[8] Conyon and Sadler (2010) argue that the advisory vote has led to more shareholder involvement in the run-up to a vote, which may explain the low level of dissent in the general meeting. Ferri and Maber (2013) show that the introduction of the advisory say on pay increased the sensitivity of CEO pay to poor performance, but did not change the growth rate of CEO pay. In addition, the government pointed out that management failed to respond to substantial shareholder opposition in a constructive way in a significant number of cases (Department for Business, Innovation & Skills 2012).

In response to the perceived failure of the advisory vote to produce a tangible impact on the level of executive remuneration, the legislator amended the relevant provisions of the Companies Act 2006 again in 2013. The Act now provides for both an advisory vote on the

[4] Statutory Instrument 2002 No. 1986.
[5] The obligations are now contained in ss. 420-422 and s. 439 Companies Act 2006.
[6] Companies Act 2006, s. 439(5).
[7] The first instance in which shareholders rejected the board's remuneration was GlaxoSmithKline in 2003.
[8] Conyon and Sadler (2010) find that average dissent, defined as abstention or a vote against the remuneration report resolution, was only 7-10 percent over the sample period.

annual remuneration report and a binding vote on the directors' remuneration *policy*.[9] The remuneration policy, defined as "the policy of a quoted company with respect to the making of remuneration payments and payments for loss of office",[10] must be contained in a separate part of the directors' remuneration report, which is now divided into a part setting out the company's remuneration policy in relatively general terms and a part describing the implementation of the policy in the current and past years. The content of the remuneration policy is laid down in considerable detail in a statutory instrument of 2013,[11] which requires that the remuneration report contain a description in tabular form of the components of the executive and non-executive directors' remuneration package, including the maximum that may be paid in respect of each component, the framework used to assess performance, and arrangements for the reduction or recovery of payments, a description of the principles applicable to the recruitment of directors and the termination of the directors' employment, illustrations of the application of the remuneration policy in the form of a bar chart indicating the level of remuneration received under different performance scenarios, and a statement explaining how pay and employment conditions of other employees were taken into consideration when determining executive pay. These rules on the content of the remuneration policy are enforced by the requirement that payments actually made to directors must be either consistent with the remuneration policy or approved separately by a resolution of the shareholders.[12]

Some uncertainty exists regarding the interpretation of the new rules. In particular, there is concern about the precision with which the company's remuneration policy must be described in the annual report. The statutory instrument requires that the report "must clearly set out the extent of [the directors'] discretion" in implementing the remuneration policy. However,

[9] Companies Act 2006, s. 439A, inserted by the Enterprise and Regulatory Reform Act, 2013 c. 24, s. 79. For a discussion of the reforms see Farmer et al. (2013) and Gerner-Beuerle (2015).
[10] Companies Act 2006, s. 226A(1).
[11] The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations, Statutory Instrument 2013 No. 1981, Part 4.
[12] Companies Act 2006, s. 226B.

companies sometimes simply note that the remuneration committee will exercise judgment if necessary to achieve a stated objective, without specifying *how* discretion will be exercised or indicating triggering events that will lead to a particular decision.[13] In spite of these uncertainties, the regulations are useful in producing a high level of comparability of disclosures, which we utilize to develop a metric that assesses the approach companies take to structuring executive compensation.

3. Data

Our database consists of CEO's yearly remuneration data and voting results on remuneration matters for FTSE350 companies and financial years ending between January 2013 and October 2017. The remuneration and voting data are from Manifest's executive pay database. We match this to S&P Capital IQ firm-level financial and ownership data and to hand-collected information from the remuneration policy reports. A complete description of the variables is available in Table 1 below.

< Table 1 about here >

We are interested in understanding the determinants of the shareholder vote on the remuneration policy report and the annual report on remuneration, our two dependent variables. The shareholder vote on the remuneration policy report – labelled Votes (Policy) – sets out the

[13] See, for example, the provision on malus and clawback in Vodafone's remuneration policy, Annual Report 2014, p. 71: "[T]he Remuneration Committee … has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee may use discretion to clawback any unvested share award (or vested but unexercised options) as it sees appropriate, in which case the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed."

remuneration strategy for the firm going forward, while the annual report on remuneration – Votes (Report) – asks shareholders to vote on the remuneration of the executive directors for the past financial year. The former vote is held at least every three years, the latter annually. The variables derived from the annual report on remuneration – "Current remuneration variables" – are contemporaneous, while the variables coding the information contained in the policy report – "Remuneration policy variables" – are forward-looking. We include a vector of firm level characteristics as control variables including firm size, firm performance, volatility of the firms' share price, and concentration of ownership. We also account for yearly firm-level events, such as whether the company was on the FTSE100 index or if it experienced a change in CEO during the financial year. In a case where there was a change in CEO in a given year, our dataset includes information on the CEO in office at the end of the financial year, not the outgoing CEO, since this is the executive to whom the future remuneration policy will apply.

In order to account for the potential influence of proxy advisors on the shareholder vote, we include the rating of a company's executive remuneration by Manifest, a leading independent advisor on pay structure and corporate governance, whose services are used widely by institutional investors in the UK. We intended to supplement the Manifest say on pay data with the voting recommendations of ISS and/or Glass Lewis in our regressions. However, the two firms declined to share data with us for research purposes.

Manifest provides a rating of a company's remuneration decisions along four dimensions: alignment of the interests of shareholders and executive officers (alignment); amount paid to officers relative to peer companies (quantum); provisions in executive employment contracts for termination and change of control (contracts); and dilution and other costs incurred by the company in maintaining the remuneration system (dilution). Along each of these four dimensions, analysts grade a company's remuneration policy on a numerical scale of different

range depending on the dimension in question (see Table 1). The scores are devised as "penalty points", and a low score accordingly denotes that a policy is fully in line with best practice standards and, in the view of the analyst, responsive to the interests of shareholders. The scores are translated into an overall grade ranging from A-F. We use the numerical equivalent ("numeric REM grade"), with 6 being equal to A, and hence a higher score representing a remuneration policy that is, in the opinion of Manifest, well-aligned with shareholder expectations. Our baseline regressions include the overall Manifest grade as a proxy for the attitude of shareholder advisory firms more generally towards a company's remuneration decisions, and we also run robustness tests using the individual alignment, quantum, contracts, and dilution scores.

The hand-collected data from a company's remuneration policy follows the structure of the statutory instrument setting out the applicable disclosure obligations. Some of this information is disclosed in an easily quantifiable form. Remuneration policies must contain a "future policy table", which describes the operation of the different components of a director's remuneration package, distinguishing between base salary, pension, benefits, annual, and long-term incentive plans. As part of the description of the operation of the components, companies are required to determine a maximum that may be paid in respect of each component, which, for performance-based elements, is typically expressed as a multiple of base pay, disclose vesting and retention periods, and describe performance measures. With the exception of performance measures, which vary greatly across companies and are not always fully disclosed for reasons of confidentiality, we make use of this information to quantify the policy report.

Similarly, a company's remuneration policy must illustrate the application of the policy in the form of bar charts representing the level of executive remuneration that would be received under different performance scenarios: where none of the performance targets are met (that is, the director receives only base salary, fees, benefits and pension), where performance is in line

with the company's expectations (on-target remuneration), and where all performance targets are met or exceeded (maximum remuneration). The resulting figure, which is typically expressed in money terms, gives an indication of the value of remuneration packages that can be awarded within the framework of a remuneration policy put to the vote at a general meeting. We use the total remuneration opportunity of the CEO according to the bar chart, composed of the fixed components of remuneration and the bonus and LTIP opportunities under maximum performance scenarios, as an explanatory variable. Most companies compute target remuneration as a linear function of maximum opportunity (often simply by assuming that 50% of the maximum bonus and LTIP opportunity vests), and hence we do not include this information.

Other information is more difficult to quantify. In particular, companies must describe arrangements "for the recovery of sums paid or the withholding of the payment of any sum" (so-called clawback and malus provisions) and the company's policy on payment for loss of office (termination pay) (paragraphs 26 and 37 of the 2013 statutory instrument). These elements of executive remuneration have received considerable attention from policy makers and commentators. However, because of the wide discretion that the remuneration committee retains in these matters and the lack of widely accepted quantitative benchmarks, disclosures are in the form of a narrative that is often formulated in an open-ended and flexible way. Furthermore, the use of terminology is not consistent. For example, some companies refer to any reduction or recovery of sums due to directors as "malus", others as "clawback", and yet others use the term "malus" for the partial or complete withholding of sums that have not yet been paid, or incentive awards that have not yet been made, and "clawback" for the recovery of sums paid or awards made.[14] Nevertheless, certain general patterns can be identified that

[14] We use malus and clawback in the latter sense and code a company's disclosures accordingly, even if the company understands the terms differently. For an example, see SEE Annual Report 2014, p. 80. SEE's remuneration policy uses the term "clawback" to describe the power of the remuneration committee to reduce

make it possible to code these sections of the remuneration policy. Many companies seek to satisfy the requirement to "clearly set out the extent of [the remuneration committee's] discretion in respect of any … variation, change or amendment" of the policy (paragraph 24 of the 2013 statutory instrument) by describing the circumstances in which the remuneration committee will typically withhold sums receivable by directors or recover sums paid. In some cases, the remuneration policy only mentions one or two examples of such malus/clawback events, usually a material misstatement of financial results or misconduct by the executive in question.[15] In other cases, the list of relevant circumstances is long and detailed, including, for example, "material misstatement of results; a material failure of risk management; serious reputational damage; serious individual wrongdoing such as non-compliance with the Company's Code of Conduct; or gross misconduct."[16] Yet other companies define malus and/or clawback even more stringently and adopt a definition of the triggering event that includes, in addition to circumstances related to illegal or (grossly) negligent conduct by the director, other detrimental developments, such as negative financial performance of the company. For regulatory reasons, such a broad definition is employed mainly by credit institutions,[17] but it can also be found in the remuneration policies of nonfinancial corporations.[18]

unvested awards or deem them to have lapsed in reaction to an event between granting and vesting and does not provide for any explicit power of the committee to reclaim vested awards. We qualify such a provision as a malus provision and conclude that no clawback arrangements are in place.

[15] Rightmove Annual Report 2013, p. 41.

[16] Rolls-Royce Annual Report 2013, p. 57.

[17] In the EU, the Capital Requirements Directive (CRD IV), Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms [2013] OJ L176/338, provides that "the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the institution occurs, taking into account both current remuneration and reductions in pay-outs of amounts previously earned, including through malus or clawback arrangements. Up to 100% of the total variable remuneration shall be subject to malus or clawback arrangements. Institutions shall set specific criteria for the application of malus and clawback. Such criteria shall in particular cover situations where the staff member: (i) participated in or was responsible for conduct which resulted in significant losses to the institution; (ii) failed to meet appropriate standards of fitness and propriety", Art. 94(1)(n). These legal requirements have been implemented by credit institutions by formulating, for example, that "past performance being materially worse than originally understood" should qualify as a possible malus event (HSBC Annual Report 2013, p. 388).

[18] An example is Rio Tinto's malus provision, which applies, in addition to instances of misconduct, to "exceptional events that have a materially detrimental impact on the value of any Group company" (Rio Tinto Annual Report 2013, p. 71).

We make use of these differences in formulation by assuming that shareholders prefer a remuneration policy that makes provision for broad, rather than narrow, malus and clawback *and* gives clear guidance to the remuneration committee when to invoke malus and/or clawback, thus leaving little scope for lenient treatment in individual cases. We use text analysis to create two indices for malus and clawback that assess whether the remuneration policy describes precise instances when malus/clawback is expected to be applied and count the types of instances that the policy covers.[19]

Another area where the remuneration committee retains wide discretion is the determination of payments in case of termination of a director's service contract. As required by the statutory instrument, remuneration policies describe how the different components of a director's pay package operate when a director's employment ends. Typically, the director's entitlements depend on the reasons that led to the loss of office. In exercising its discretion and determining, for example, whether deferred bonus payments or conditional share awards are retained or lapse, the remuneration committee will consider the circumstances under which the director left the company, the director's performance during the performance cycle of the respective award, and the proximity of the award to its maturity date.[20] Again, remuneration policies vary in how detailed the consequences of terminating a director's employment, and the cases when the remuneration committee will exercise its discretion to adjust awards, are set out in the policy.[21] Following the method used for the malus and clawback indices, we construct a

[19] The malus index is calculated according to the following rules. One point each if: clause has more than 100 words; clause contains the stem "misstat" or "misrepresent" or "error" or "mistak" or "mislead" or "restat" or "miscalcul"; clause contains the word/stem "misconduct" or "fraud" or "wrongdo" or "misbehaviour" or "regulatory breach" or "regulatory investigation"; clause contains the word/stem "risk manag" or "reput" or "disreput"; clause contains the word/stem "health" or "safety" or "environ" or "code of conduct" or "value" or "propriety" or "fitness"; clause contains the stem "neglig"; clause contains the word/stem "loss" or "downturn" or "deterior" or "under-perform" or "business perform". The clawback index is calculated according to the same rules and the following additional rule: clause contains the word "years". Each rule has a weight of 0.875 so that the malus and clawback indices have the same range.

[20] See, e.g., BP Annual Report 2013, pp. 105-106.

[21] Compare, for example, GKN Annual Report 2016, pp. 90-91, which describes the company's policy on payment for loss of office in detail over two pages, using the concept of good leaver, with Royal Dutch Shell Annual Report 2013, p. 84, which does not distinguishes between grounds for loss of office and simply states that "REMCO may

termination pay index that exploits differences in the level of detail of a company's policy on payments for loss of office and distinguishes between cases where the default rule is that incentive awards do not lapse, unless termination is 'for cause' (defined, for example, as gross misconduct or disciplinary action), and cases where the default rule is that incentive awards lapse unless a limited number of 'good leaver' reasons apply (typically death, illness, injury, disability, redundancy, and retirement with the consent of the company).[22]

< Figures 1, 2, 3 about here >

< Table 2 about here >

Figures 1-3 depict the distribution of the indices for malus, clawback and termination pay for FTSE 350 companies. Summary statistics are shown in Table 2. The hand-collected data allow us to assess whether companies have changed their approach to describing and constraining the discretion of the remuneration committee since the introduction of the new regulations. Figure 4 shows that this is indeed the case. The three indices capturing the policies that a company adopts to avoid "reward for failure" – malus, clawback and payments on loss of office – have all increased over the period 2013-2017, which reflects the emphasis of policy makers

adjust the termination payment for any situation where a full payment is inappropriate, taking into consideration applicable law, corporate governance provisions and the best interests of the Company and shareholders as a whole. … Dependant on the timing of the departure, REMCO may in determining the final bonus payment consider the latest business scorecard position or defer payment until the full-year scorecard result is known. Outstanding long-term incentive awards will generally survive the end of employment and will remain subject to the same vesting performance conditions, and malus and clawback provisions, as if the director had remained in employment."

[22] The termination pay index is calculated according to the following rules. One point each if: clause has more words than the lowest quartile in terms of numbers of words; clause has more words than the median number of words; clause contains the word/stem "bad leaver" or "good leaver" or "injur" or "ill health" or "disabl" or "death" or "redund" or "retir" or "gross misconduct" or "summary dismiss" or "summarily dismiss" or "for caus" or "disciplinary"; clause contains the word/stem "misconduct" or "neglig" or "normally laps" but NOT the word "gross"; clause contains the word "clawback".

on the need to limit payments to directors in the event of poor performance.[23] The influence of increasingly demanding best practice standards can also be seen in changes to attitudes towards holding or retention periods over these years. In 2013, only 20% of companies required directors to hold shares for a further period after vesting or the exercise of stock options. By 2017, this figure had risen to close to 70%.[24] On the other hand, companies have remained remarkably reluctant to go beyond minimum best practice standards where these standards do not change, even if policy makers state that it may be appropriate to impose more stringent requirements. A striking example are minimum vesting periods, which are expected to be three years according to the UK Corporate Governance Code.[25] Over the whole sample period, companies have adhered to this standard closely. In 2013, the period until vesting of the full award (i.e. until vesting of the last tranche if vesting is staggered) was 3.35 years. In 2017, this was only marginally longer at 3.36 years.

In Figure 5, we plot the evolution of average total executive pay over the sample period against a CEO's average maximum opportunity as set out in the company's remuneration policy and approved by the shareholders. Average pay has risen modestly (with a drop in 2017, which may however be due to data limitations, since pay awards for 2017 were only available for a subsample of companies at the time of writing). It remains well below the maximum that a company would be entitled to award under the remuneration policy, as we would expect if performance conditions are sufficiently stretching.

< Figures 4 and 5 about here >

[23] See, e.g., the UK Corporate Governance Code, D.1.4, requiring remuneration committees to consider carefully "what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance."

[24] Again, the importance of holding or retention periods is emphasised by the UK Corporate Governance Code, Schedule A.

[25] UK Corporate Governance Code, Schedule A, which also provides that "[l]onger periods may be appropriate."

4. Econometric Specification

In order to examine the determinants of voting behavior, we distinguish between two voting outcomes, the approval of the remuneration policy and the annual remuneration report. We first regress in the cross-section the voting outcome with regard to the policy report (Votes (Policy)) on the log of the maximum future CEO remuneration, based on the assumption that all performance targets are met. We include financial and ownership firm-level controls to account for firm size and performance in a given year. We also account for companies that were part of the FTSE100 index and include a dummy to control for years in which a company was transitioning to a new CEO during the financial year. In these cases, total remuneration of the (new) CEO will generally be relatively low, since deferred elements of remuneration do not yet count towards the single total figure. We control for shareholder turnout and include information from the policy report on the long-term incentive plan (LTIP) and the malus, clawback and termination pay indices as controls. We further control for the assessment of the remuneration policy by proxy firms (REM grade). The regression takes the following form:

$$Votes\ (policy) = \beta_0 + \beta_1\, log(Max\ Total\ Opportunity)_i + \beta_2 \boldsymbol{P_i} + \beta_3 \boldsymbol{X_i} + \delta_c + \delta_j + \delta_t + \varepsilon$$

with $\boldsymbol{P_i}$ denoting a vector of firm specific remuneration policy variables, and $\boldsymbol{X_i}$ other firm specific controls. The regressions include country (δ_c), industry (δ_j), and time (δ_t) fixed effects to control for unobservable time invariant country and industry characteristics and contemporaneous events affecting all the observations in the same year. We cluster standard errors on firm level. The results are depicted in Table 3.

The robustness tests in Table 4 differ from our baseline regression in that we add the fraction of Votes Report, lagged by one year, and the individual components of REM grades. We do the former to control for otherwise unobserved shareholder characteristics and other idiosyncratic factors that may affect voting behavior over a number of years, for example a political climate hostile to remuneration practices in some companies or sectors, and the latter to see if shareholders focus on particular REM grade components (alignment, quantum, contracts or dilution). Further, we add current remuneration figures in equations (4)-(6) and the remuneration actually received by the CEO in the *following* financial year, when the remuneration policy that shareholders vote on enters into force, in equations (7)-(9). These equations explore whether shareholders use their vote on the policy to penalize the management (also) for current remuneration packages that are perceived as excessively high and whether being responsive to any element of a company's remuneration policy can be explained by the association of that element with future actual remuneration.

Tables 5 and 6 are conceptually symmetric in specification to Tables 3 and 4, but we use the shareholder vote on the annual report on remuneration (Votes (Report)) as dependent variable and elements from the annual remuneration report instead of the policy report, as well as variables capturing how remuneration has changed from the previous financial year, as our main explanatory variables. More formally:

$$Votes\ (report) = \beta_0 + \beta_1\, log(Total\ remuneration)_i + \beta_2 \boldsymbol{R_i} + \beta_3 \boldsymbol{X_i} + \delta_c + \delta_j + \delta_t + \varepsilon$$

with $\boldsymbol{R_i}$ denoting a vector of firm specific current remuneration variables, and $\boldsymbol{X_i}$other firm specific controls. The regressions include again country (δ_c), industry (δ_j), and time (δ_t) fixed effects, and standard errors are clustered on firm level.

Similarly, in the robustness tests reported in Table 6, we expand our baseline regression and include elements from the remuneration policy report. We also include a dummy variable that denotes the years in which shareholders have both a policy and a report vote. This is in order to account for the possibility that having two votes could alter shareholder voting behavior. In addition, we include a variable that measures the ratio of total remuneration in the current financial year and the maximum remuneration opportunity according to the remuneration policy in force at the time when the vote on the annual remuneration report takes place (i.e. the latest policy in-sample preceding the year of the report vote), because shareholders may view a remuneration package more critically if the remuneration committee exhausts the scope under the policy or the actual payout exceeds the policy limits.

In Table 7, we are interested in exploiting the specific feature of the British institutional arrangements giving shareholders one backward looking and, at least every three years, one forward looking vote. We examine the determinants of the vote on the annual remuneration report being substantially higher than the contemporaneous policy vote or, if there is no contemporaneous policy vote, the last available vote on the policy report. We estimate a probit model with the dependent variable being equal to one if the difference between the two votes is in the top decile of of higher report votes. In terms of structure, the table combines the models from Tables 3 and 5 and includes explanatory variables that represent key features of both the annual remuneration report and the policy report. We estimate the following model:

$$Prob(Y_i = 1|x_i) = \Phi(\boldsymbol{x}_i'\beta)$$

where Y_i is a dichotomous indicator variable, $\boldsymbol{x}_i$ is a vector of remuneration and firm characteristics as discussed above, β is a vector of parameters to be estimated, and Φ is the standardized normal cumulative distribution function (i.e. a Probit model).

5. Analysis

Table 3 depicts the core results of the determinants of the shareholder vote on the remuneration policy report – "Votes (Policy)". The key finding is that shareholders focus on a few (arguably noisy) proxies for the overall quality of a company's remuneration policy. In contrast, we find only very limited evidence that they take the wealth of information describing the detailed structural features of an executive's pay package provided to them under the newly adopted say-on-pay regulations into account. Specifically, we find that the total remuneration opportunity of the CEO under maximum performance level assumptions is negatively correlated with a higher vote on the remuneration policy report in the annual general meeting. The correlation is highly significant, economically strong, and robust to different model specifications. We obtain this result in spite of the fact that the bar charts depicting the CEO's remuneration opportunity have limited informational value. The informational value is limited because the regulations grant companies discretion in how to calculate the remuneration opportunity, provided the basis of the calculation and the assumptions are disclosed (see our discussion in section 2 above), and the adequacy of the compensation package can only be assessed properly if the amount of remuneration is seen in relation to the performance targets used by the company and the likelihood that these targets will be achieved. The overall remuneration opportunity as such, therefore, is only an imprecise indicator of the remuneration the CEO is likely to receive once the policy is in operation.

Two further variables relating not to individual structural aspects of the remuneration policy, but to the policy as a whole, are statistically significantly associated with voting behavior. First,

the length of the policy report is negatively associated with approval rates. The reason may be that shareholders regard the length of the report as a proxy for the complexity of the remuneration policy and reward simplicity in how remuneration is structured or, alternatively, how the information is presented. In any case, this result is in contradiction with the spirit of the much expanded disclosure requirements. Second, a high numeric REM grade as a proxy for the positive assessment of a company's remuneration policy by external advisors predicts a higher approval rate, which confirms the findings of prior studies (Ertimur, Ferri and Oesch 2013; Larcker, McCall and Ormazabal 2015; Malenko and Shen 2016).

With one exception, the remaining variables capturing the structure of the remuneration policy are insignificant. The exception is the clawback index (the significance of the coefficient on LTIP total vesting period can be disregarded as it is driven by one observation). A higher index, indicating a greater willingness of the remuneration committee to claw back executive pay, for example, in the event of misconduct on the part of a director, is associated with a higher approval rate of the policy. Finally, we also find some evidence that investors look at share price volatility and punish the CEO by withholding their vote on the policy report if volatility is high. This is surprising, as higher volatility would be expected to be incorporated into the share price, and so should be insignificant in this regression.

< Table 3 about here >

Table 4 takes the analysis further and introduces the lagged value of votes report (equations (2)-(3)), current remuneration variables (equations (4)-((6)), future remuneration (equations (7)-(9)) and individual elements of the remuneration grade (equations (1)-(9)) as additional controls. We find that our main results are robust to the introduction of additional control

variables. In particular, maximum opportunity continues to be a key explanatory variables, with a magnitude and significance comparable to those in Table 3.

Introducing the lag of votes report allows us to account for trends in the shareholder level of dissent within a company. The findings show that current shareholder voting behavior is highly correlated with past behavior, implying a certain idiosyncratic firm/owner-specific voting pattern. The added controls concerning current remuneration are not significant, suggesting that shareholders correctly focus on forward looking elements of the disclosures (i.e. the policy) and not current elements when voting on a company's remuneration policy.

In order to understand whether maximum opportunity is regarded by shareholders as a predictor of the amount of future remuneration, we include the total remuneration actually received by the CEO in the financial year following the vote on the policy in equations (7)-(9). Actual future remuneration is positively correlated with maximum opportunity, with a correlation coefficient of 0.64, indicating that maximum opportunity can be seen as a proxy for future pay (albeit a noisy one, as mentioned above). As opposed to current remuneration, the coefficient on future remuneration is negative. This can be explained with the different role the two variables play in the regressions. High current remuneration is penalized by the vote on the annual remuneration report (Table 5 below), but not the vote on the policy report. Future remuneration, on the other hand, should not influence the vote on the annual report, but via maximum opportunity as a proxy, the vote on the policy. If future remuneration is included in the regression, the effect of maximum opportunity should accordingly become less pronounced, which is what we observe.

We also find that Manifest's assessment of remuneration becomes insignificant if we split REM grade into its individual components. In particular, when we include the full set of controls, the coefficient on "alignment", which refers to the appropriateness of the chosen performance targets (for example, whether performance targets are stretching and the peer group used as

TSR comparator is appropriate), turns insignificant. This suggests that our structural measures of a company's remuneration policy capture what proxy firms regard as important.

< Table 4 about here >

Table 5 aims to understand the determinants of the shareholder vote on the annual remuneration report – Votes (Report) – that is voted on yearly and covers the past financial year. It includes the same firm-level controls as Table 3 to account for firm size and performance, and in addition turnout in the vote on the remuneration report and information from the annual remuneration report. We observe that, similar to the information portrayed in Table 3, the key variable shareholders pay attention to is the total amount of remuneration received by the CEO (base salary, pension entitlements, benefits, and vested performance-based components). Total remuneration is significantly and negatively associated with the level of shareholder approval of the annual report on remuneration. However, the economic magnitude of the coefficient on total remuneration is much smaller than the coefficient on maximum remuneration opportunity under the policy vote. In fact, in this non-binding vote, the main explanatory variable appears to be proxy advisors' assessment of remuneration (numeric REM grade). In addition, we note that deferred remuneration (awards of restricted stocks and stock options as well as deferred elements of the annual bonus) are insignificant, even though they will often be comparable to the vested components in value. An explanation may be that the total amount of remuneration must be displayed prominently in the remuneration report in the so-called single total figure table (see our discussion in section 2 above), whereas awards of deferred elements are typically contained in a separate table that values scheme interests based on different assumptions and

must be read in conjunction with a variety of additional information explaining the assumptions used by the company and the operation of the performance-based awards.

No other feature of the remuneration report appears to have a significant influence on voting outcomes. The absence of a significant association holds for the "Above Index" dummy, which refers to a graph contained in the annual report on remuneration that depicts information on past firm performance, as well as different measures of the change in executive pay compared with the last financial year.[26] Unsurprisingly, higher concentration of ownership is positively correlated with a higher share of positive votes, as it is likely that disagreements might have been aired (and resolved) in private prior to the shareholder vote. Again, higher volatility leads to significantly more dissent.

< Table 5 about here >

The additional robustness checks in Table 6 show that the current remuneration coefficient becomes insignificant and shareholder voting is mainly explained by the remuneration grade once we account for past voting behavior and add policy report variables. Looking at the remuneration grade breakdown, we observe that the variation in votes appears to be best explained by "alignment" and "quantum", the amount of base salary and performance pay received by a CEO. In regressions (3)-(4) and (5)-(8), we include a CEO's maximum remuneration opportunity from a contemporaneous policy report (where shareholders vote on both the annual report and the policy in a given year) and the most recent policy report previously approved by shareholders, respectively. We find that maximum remuneration

[26] Further unreported measures of change in remuneration, for example a dummy that equals one if remuneration is more than 100% higher year-on-year, are all insignificant.

opportunity again has a negative and significance coefficient, implying that shareholders may punish compensation packages that are perceived as potentially excessive not only in the year in which the policy report is approved, but also in subsequent years. On the other hand, shareholders do not seem to set the maximum opportunity in relation to the remuneration actually received by a CEO, since the coefficient on the ratio of total remuneration and maximum opportunity is not significant.[27] Likewise, structural elements of a compensation package are again insignificant.

< Table 6 about here >

In Table 7, we focus on the difference in voting behavior in relation to the annual remuneration report and the remuneration policy. The dummy "difference top decile" takes a value of one if the vote on the annual remuneration report is higher than the vote on the policy report, which is the case in 61% of observations where we have a vote on the annual report and the policy in the same year, and the difference between the two votes is in the top decile (defining the dependent variable analogously, but with respect to higher votes on the policy report does not change the main results presented in Table 7). We regress the dichotomous indicator on a CEO's actual remuneration, the maximum remuneration opportunity as set out in the remuneration policy, and further elements from both the policy and annual remuneration reports.

The Probit regressions show that the only elements that retain significant explanatory power are the deferred elements of a CEO's current remuneration package and the maximum

[27] This result is robust to different specifications, for example a dummy equal to one if actual remuneration exceeds the limit allowed under the policy.

remuneration opportunity. The sign of the coefficients are as expected: higher deferred remuneration decreases the likelihood that the vote on the annual remuneration report is high, compared with the vote on the policy report, and a higher maximum opportunity increases the likelihood. The results, therefore, confirm our previous findings that shareholders tend to focus on headline remuneration figures.

< Table 7 about here >

Finally, we are interested in understanding – at least tentatively – whether the rule change had the desired political effect in limiting executive numeration levels. For this we collect a sample of CEO remuneration data and financial data for S&P1500 companies between 2010 and 2016 as a control group and FTSE 350 companies as a treatment group, giving us a total sample of 1,778 firms and 12,619 firm-year observations. We regress the log of total CEO compensation on firm fixed effects, a vector of firm level financial indicators by country, and two macroeconomic variables (GDP/Capita and Total Market Capitalisation/GDP). We plot the residuals (which are essentially equal to year fixed effects) for the UK and the US and depict the results in Figure 6 below. In both countries, levels of executive remuneration first fall in the wake of the financial crisis and then start to rise again. However, in the UK, the increase is halted in 2013, when the new executive pay regulations entered into force. Insofar as the S&P 1500 are an adequate control group, the residual plots can therefore be interpreted as tentative evidence that the regulations had the desired political effect of limiting further increases in executive remuneration.

< Figure 6 about here >

6. Conclusion

In this paper, we are interested in understanding whether shareholders make adequate use of the dual voting rights and the additional information provided to them under the enhanced executive remuneration rules that came into force in the United Kingdom in 2013. Our main findings are twofold. First, shareholders do differentiate in their voting behavior according to the purpose of the two votes they have under the new regulations, one backward-looking on the annual remuneration report and one forward-looking on the remuneration policy that sets out the framework for future pay awards. The vote on the annual remuneration report is used to penalize perceived deficiencies in the current remuneration package of a CEO, whereas the vote on the policy report is used to express concerns that shareholders have with regard to future remuneration (Tables 4 and 7). Furthermore, we find some – tentative – evidence that the introduction of a binding vote on executive pay has resulted in lower levels of executive remuneration.

However, our findings also show that lower approval rates are largely driven by headline remuneration figures and easily understandable proxies for pay quality. In the case of the annual remuneration report, these are the total remuneration received by a CEO and the assessment of a company's executive remuneration by proxy advisors (Table 5). In the case of the policy report, the most important explanatory factor is the maximum remuneration opportunity of a CEO under the proposed remuneration policy (Table 3). This is a surprising result, given that the maximum opportunity is not a good indicator of a well-designed remuneration policy that aligns the interests of shareholders and managers effectively (although it is a reasonably good predictor of the amount of pay that a CEO can be expected to receive in the future). We would expect structural features such as long vesting periods, a stringent approach to payments for loss of office or other mechanisms that avoid reward for failure, to be of primary concern to shareholders, but we find no evidence that this is the case. A reason

may be that the maximum remuneration opportunity is presented graphically in the form of a bar chart. Hence, the information is easily accessible and can be processed quickly, whereas other information, for example the description of a company's policy on termination payments, requires higher processing costs and, to a certain degree, interpretation. We also note that other significant predictors of voting outcomes, notably the length of the policy report and the numerical or letter grade by Manifest, are readily available proxies that do not create material processing costs on the part of shareholders.

We are mindful of the limitations of this study. In many cases, management engages with institutional investors in informal discussions about the design of executive pay packages. The absence of a significant association between most of the structural features of executive pay and voting outcomes may be a function of shareholder concerns being addressed before a vote takes place. Likewise, some of the information disclosed pursuant to the UK regulations is conveyed to shareholders in the condensed form of a proxy advisor's assessment and is thus absorbed by the market. However, in the former case extensive disclosures would not be necessary, and in the latter case it remains doubtful whether all of the information that has to be disclosed pursuant to the new regulations, which were drafted with a view to empowering institutional and retail investors, is relevant for proxy firms, whether it is transmitted to shareholders without loss of information, and shareholders make use of the proxy firms' signal effectively. Further research is required to investigate these questions. In any case, focusing on shareholder voting behavior, our findings call into question whether the extended disclosure requirements introduced by the 2013 UK pay reforms achieve the regulatory goals they pursue and do not impose inefficiently high reporting costs on companies.

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Figure 1 – Malus index

Higher values denote a more detailed malus clause. Companies with no malus clause are omitted in the graph and classified as 0 in our dataset.

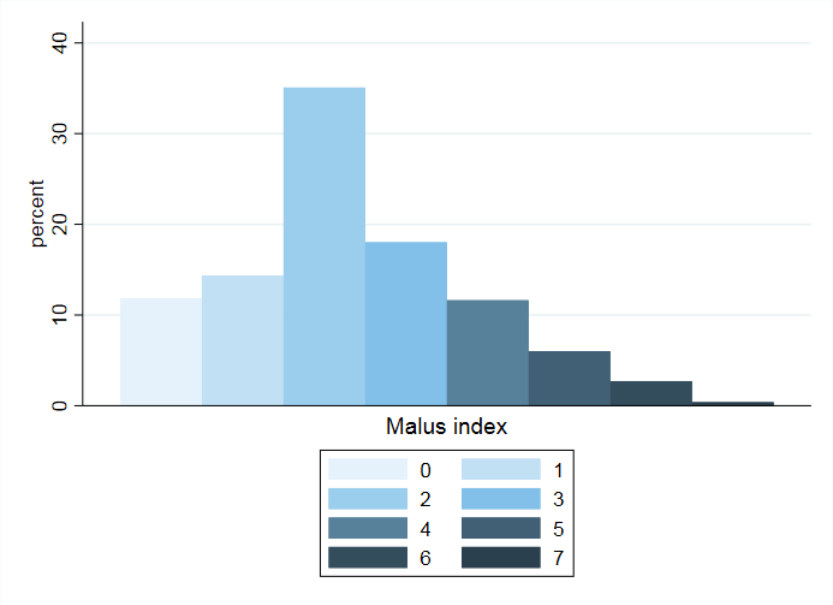

Figure 2 – Clawback index

Higher values denote a more detailed clawback clause. Companies with no clawback clause are omitted in the graph and classified as 0 in our dataset.

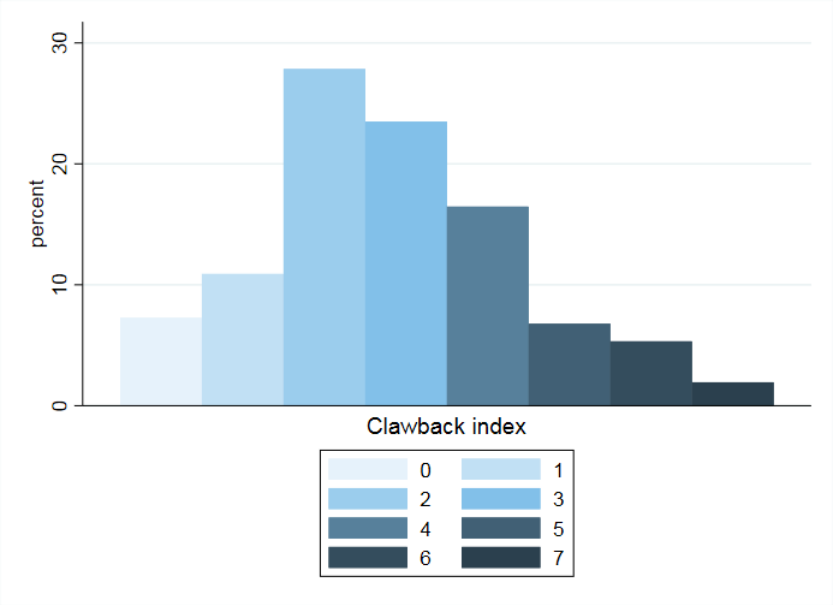

Figure 3 – Termination pay index

Higher values denote a more detailed termination pay clause. Companies with no termination pay clause are omitted in the graph and classified as 0 in our dataset.

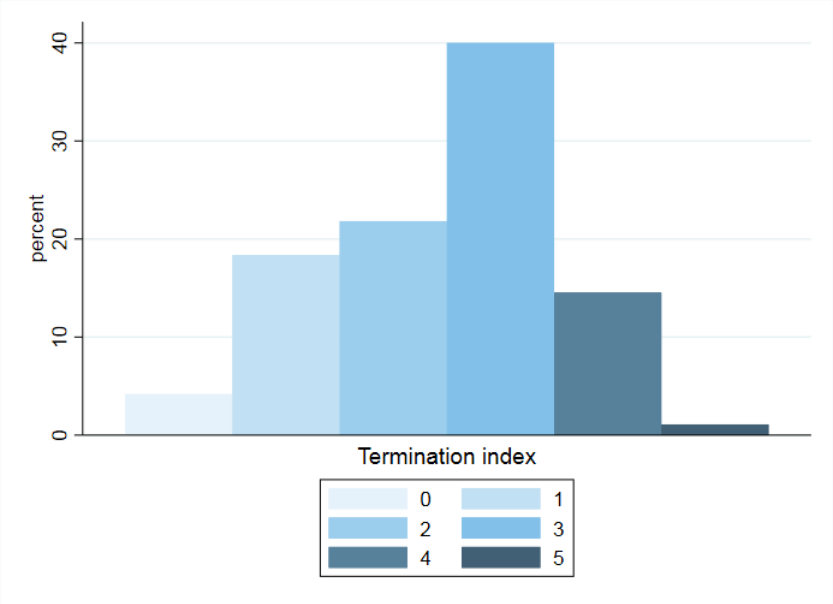

Figure 4 – Development of Malus, Clawback and Termination indices over time

The graph depicts average scores of the malus, clawback and termination indices, based on all policies in force in the relevant year.

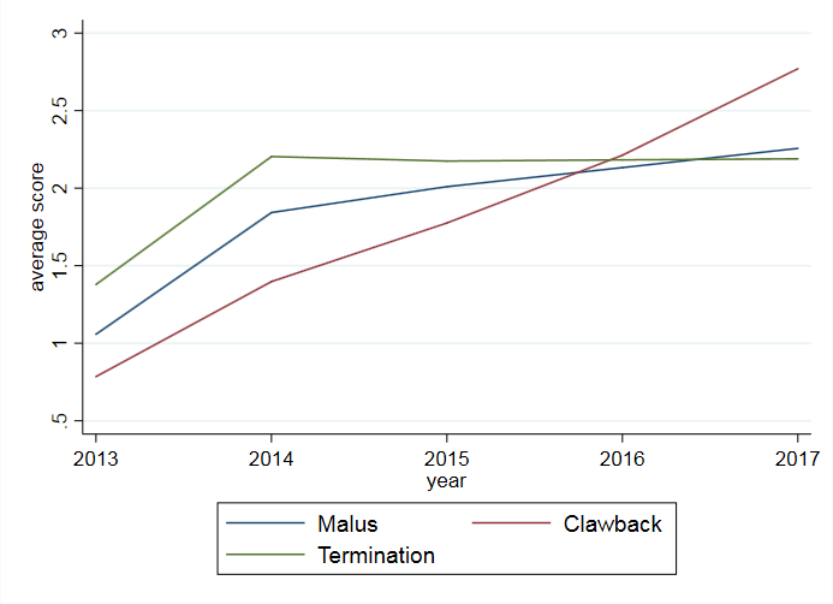

Figure 5 – Actual remuneration vs. remuneration opportunity

The graph plots the actual remuneration received by CEOs in a given year (base salary, pension entitlements, benefits, cash bonus, and deferred components that vest during the year) against the maximum remuneration opportunity according to the company's remuneration policy in force at the time (i.e. the most recent remuneration policy approved by shareholders predating the financial year in question).

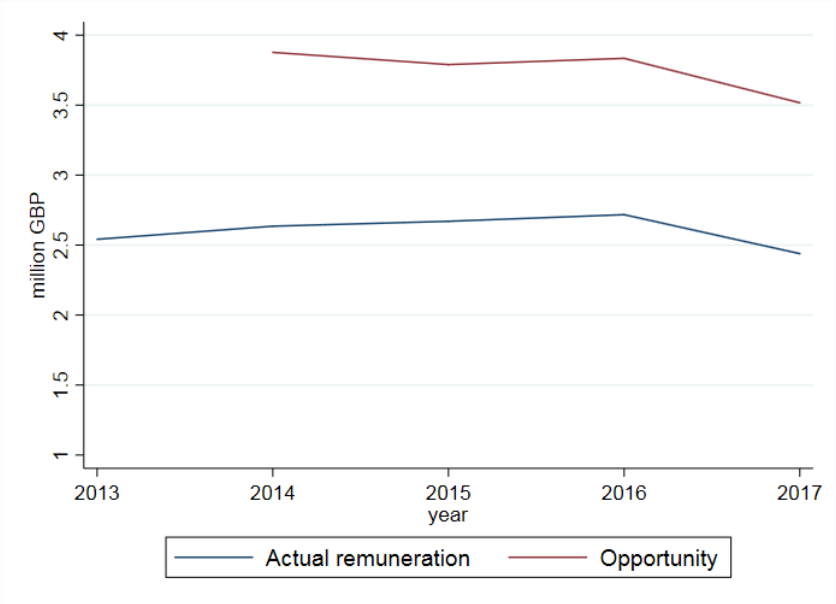

Figure 6 – Residual plots US and UK

The graph depicts temporal CEO compensation residuals (i.e. comparable to year fixed effects) for the US and the UK. For this, the log of total CEO compensation is regressed on firm fixed effects, a vector of firm level financial indicators by country, and two macroeconomic variables (GDP/Capita and Total Market Capitalisation/GDP).

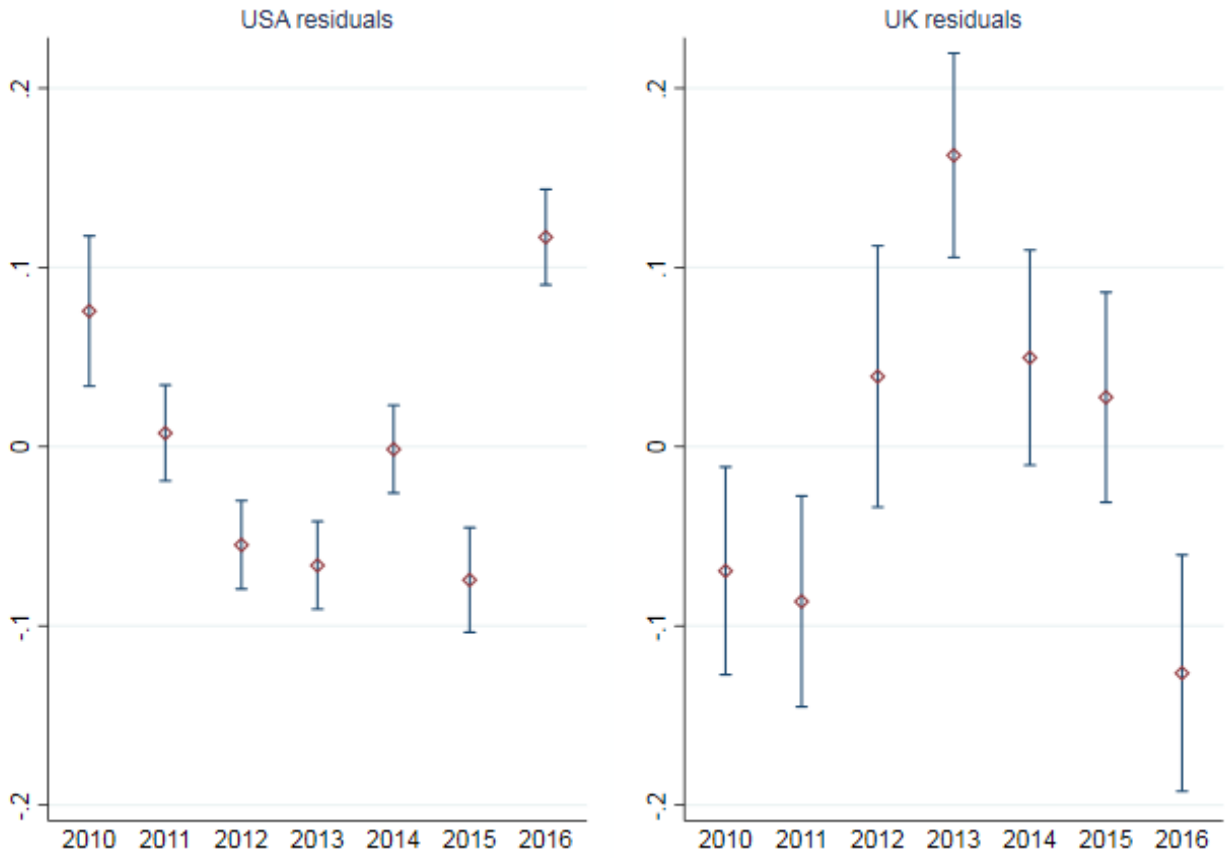

Table 1 – Variable Definitions

	Description
Voting results	
Votes Policy	Shareholder vote for the remuneration policy report (%)
Votes Report	Shareholder vote for the annual report on remuneration (%)
Difference top decile	Dummy equal to one if the difference in voting outcomes, with the vote on the remuneration report being higher, is in the top decile of highest differences between the two votes
Turnout percentage, policy vote	Turnout for the remuneration policy report (%)
Turnout percentage, report vote	Turnout for the annual report on remuneration (%)
Remuneration policy variables	
Max. total opportunity	Total remuneration opportunity of the CEO in million pounds sterling under maximum performance level assumptions, source: scenario bar charts
LTIP Vesting Period	LTIP vesting period in years until vesting of first tranche, source: future policy table
LTIP Total Vesting Period	LTIP total vesting period in years (initial period until vesting of first tranche plus further vesting period if the total award does not vest at minimum period), source: future policy table
LTIP Vesting Percent	LTIP award that vests at minimum period (provided performance measures are met) (%), source: future policy table
LTIP Retention Period	LTIP further holding period for shares after vesting in years (we assume the directors' shareholding requirements have been satisfied and record only general retention periods for all LTI awards); variable = 10 if the shares must be retained for the duration of the participant's employment; source: future policy table
LTIP Retention Percent	Total LTIP award to which the retention period applies (%), source: future policy table
Length of policy report	Number of pages in the remuneration policy report
Malus index	Index between 0 and 7 assessing the level of detail with which the malus clause is defined; a higher score represents a more detailed definition; source: part of the policy report describing arrangements for the recovery of sums paid or the withholding of the payment of any sum
Clawback index	Index between 0 and 7 assessing the level of detail with which the clawback clause is defined; a higher score represents a more detailed definition; source: part of the policy report describing arrangements for the recovery of sums paid or the withholding of the payment of any sum
Termination index	Index between 0 and 5 assessing the level of detail with which a termination clause is defined; a higher score represents a more detailed definition; source: part of the policy report describing the policy on payment for loss of office
Annual remuneration variables	
Total remuneration	Total remuneration of the CEO (base salary, pension entitlements, benefits, cash bonus, notional gain of options, shares, and deferred bonus payments vesting during the year) in million GBP, source: Manifest and single total figure table
Deferred remuneration	Deferred CEO remuneration components awarded during the financial year (deferred bonus, share grants, option grants, cash grants), face value in million GBP
Mandatorily deferred bonus	Mandatorily deferred bonus as a percentage of total bonus
Future remuneration	Total remuneration as defined above in the financial year following the year of the policy vote
Dummy above index	Dummy equal to one if the growth in the value of a hypothetical £1

	of the company's equity over a five-year period would have outperformed the comparator TSR index; equal to 0 if performance is equal to or below comparator index performance. If the company uses both an industry-specific and a general index (e.g. FTSE 100), coding is based on performance against the industry-specific index.
Increase in total remuneration	Dummy equal to one if total remuneration as defined above has increased in the current financial year, compared with the previous year
Increase in remuneration by more than 10%	Dummy equal to one if total remuneration as defined above has increased by more than 10% in the current financial year
Increase in remuneration by more than 50%	Dummy equal to one if total remuneration as defined above has increased by more than 50% in the current financial year
Ratio total remuneration/max opportunity	Ratio of total remuneration in the current financial year over max. total opportunity according to the remuneration policy in force at the time when the vote on the annual remuneration report takes place (i.e. according to the most recent remuneration policy approved by shareholders in a previous financial year)
Other firm variables	
Dummy change in CEO	Dummy equal to one if there was a change in CEO during the financial year
Policy vote dummy	Dummy equal to one if the company had a remuneration policy vote in a given year
FTSE 100	Dummy equal to one if the company is part of the FTSE 100 index in a given year
Numeric REM grade	Manifest REM grade, 1-6
REM grade: Alignment	Alignment component of REM grade, 0-100
REM grade: Quantum	Quantum component of REM grade, 0-120
REM grade: Contracts	Contracts component of REM grade, 0-20
REM grade: Dilution	Dilution component of REM grade, 0-10
Financial and ownership data	
Sum of top 3 largest stakes	Shares owned by the top three largest stakes over all shares outstanding (%)
Total Assets	Total assets in million GBP
Net income	Total net income in million GBP
TobinQ	Market capitalisation plus the difference between total assets and total equity over total assets
Annual price volatility	Annual price volatility of the underlying security calculated by Capital IQ

Table 2 – Summary Statistics

	Mean	St. Deviation	Min	Max	Count
Voting results					
Votes Policy	92.52	9.01	26.5	100	600
Votes Report	91.62	10.78	32.1	100	1,270
Dummy report vote higher	0.61	0.49	0	1	600
Turnout percentage, policy vote	74.26	10.52	0	100	598
Turnout percentage, report vote	74.54	10.16	0	100	1,268
Remuneration policy variables					
Max. total opportunity	3.79	2.75	0.4	20	558
LTIP Vesting Period	3.06	0.50	0	6	553
LTIP Total Vesting Period	3.37	0.97	2.0	10	554
LTIP Vesting Percent	91.52	21.65	10	100	555
LTIP Retention Period	0.76	1.02	0	10	553
LTIP Retention Percent	37.41	46.86	0	100	553
Length of policy report	8.13	2.5	3	20	553
Malus index	0.97	1.49	0	7	1,270
Clawback index	0.93	1.61	0	7	1,270
Termination index	1.06	1.42	0	5	1,270
Annual remuneration variables					
Total remuneration	2.63	2.60	0	29	1,270
Deferred remuneration	1.92	2.88	0	41.06	1,270
Mandatorily deferred bonus (%)	0.23	0.25	0	1	1,270
Dummy above index	0.67	0.47	0	1	1,249
Increase in total remuneration	0.39	0.49	0	1	1,270
Increase in remuneration by more than 10%	0.32	0.47	0	1	1,270
Increase in remuneration by more than 50%	0.17	0.38	0	1	1,270
Ratio total remuneration/max opportunity	0.76	0.54	0	5.43	760
Other variables					
Dummy change in CEO	0.10	0.31	0	1	1,270
Policy vote dummy	0.47	0.50	0	1	1,270
Largest stakes (top 3) (%)	23.04	17.44	0	100	1,270
Numeric REM grade	4.95	1.09	1	7	1,270
REM grade: Alignment	31.96	14.85	0	84	1,252
REM grade: Quantum	28.80	15.46	0	87	1,252
REM grade: Contracts	1.75	2.12	0	20	1,252
REM grade: Dilution	0.75	1.60	0	10	1,252
Total Assets	30,446.28	147,484.58	38.5	1,923,549	1,262
Net income	8,899.12	1,097.02	0	18,479	1,263
TobinQ	2.17	3.87	0.6	79	1,244
Annual price volatility	26.19	11.83	0	90	1,263

Note: Legal variables are hand collected from annual accounts. Financials and ownership data are from Capital IQ. Remuneration policy variables and current remuneration variables are in million GBP unless otherwise indicated. Variables are described in detail in Table 1 above.

Table 3 – Baseline Policy regression

This table shows the results of pooled cross-sectional ordinary least squares regressions of policy report votes on different variables from the policy report and firm characteristics for FTSE350 companies. All regressions include year, country and sector fixed effects. Standard errors are clustered on company level. Asterisks indicate significance at 0.01 (***), 0.05 (**), and 0.10 (*) levels.

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Votes Policy				
Max. total opportunity (log)	-3.590***	-2.494***	-2.411**	-2.430**	-2.376***	-2.388***	-2.360***	-2.454***	-2.450***
	[-3.93]	[-2.68]	[-2.57]	[-2.51]	[-2.62]	[-2.67]	[-2.68]	[-2.79]	[-2.81]
Numeric REM grade		1.543***	1.610***	1.471***	1.345**	1.334**	1.296**	1.310**	1.258**
		[2.99]	[3.02]	[2.78]	[2.47]	[2.45]	[2.39]	[2.43]	[2.34]
Sum of top 3 largest stakes (log)			0.162	0.074	0.144	0.136	0.191	0.203	0.231
			[0.40]	[0.20]	[0.38]	[0.35]	[0.50]	[0.52]	[0.59]
Length of policy report				-0.342**	-0.327**	-0.319**	-0.354**	-0.389**	-0.436***
				[-2.15]	[-2.12]	[-2.06]	[-2.31]	[-2.56]	[-2.74]
LTIP Vesting Period					0.080	0.223	0.339	0.512	0.420
					[0.06]	[0.16]	[0.25]	[0.40]	[0.33]
LTIP Total Vesting Period					-2.021*	-2.112**	-2.257**	-2.379**	-2.374**
					[-1.81]	[-1.97]	[-2.18]	[-2.37]	[-2.37]
LTIP Vesting Percent					-0.040	-0.041	-0.046	-0.051	-0.052
					[-1.10]	[-1.13]	[-1.29]	[-1.49]	[-1.49]
LTIP Retention Period						-1.155	-1.158	-1.041	-1.083
						[-1.33]	[-1.36]	[-1.27]	[-1.36]
LTIP Retention Percent						0.026	0.027	0.023	0.024
						[1.18]	[1.25]	[1.12]	[1.15]
Malus index							0.429	0.028	-0.035
							[1.27]	[0.09]	[-0.11]
Clawback index								0.642**	0.644**
								[2.31]	[2.32]
Termination index									0.470
									[1.04]
FTSE 100	0.440	0.454	0.504	0.316	0.251	0.188	0.112	0.109	0.153
	[0.31]	[0.31]	[0.35]	[0.22]	[0.17]	[0.13]	[0.08]	[0.08]	[0.11]
Total Assets (log)	0.555	0.357	0.350	0.517	0.636	0.640	0.588	0.621	0.595
	[1.17]	[0.77]	[0.75]	[1.10]	[1.36]	[1.39]	[1.24]	[1.33]	[1.26]
Net income (log)	-0.355*	-0.312*	-0.303	-0.236	-0.243	-0.107	-0.165	-0.169	-0.086
	[-1.94]	[-1.78]	[-1.64]	[-1.26]	[-1.18]	[-0.40]	[-0.57]	[-0.60]	[-0.34]
TobinQ (log)	0.117	-0.138	-0.118	0.082	0.184	0.179	0.116	0.194	0.226
	[0.14]	[-0.18]	[-0.15]	[0.10]	[0.23]	[0.22]	[0.14]	[0.24]	[0.28]
Annual price volatility	-0.072**	-0.077**	-0.077**	-0.076**	-0.064*	-0.066*	-0.068*	-0.064*	-0.067*
	[-2.03]	[-2.21]	[-2.08]	[-2.07]	[-1.82]	[-1.86]	[-1.95]	[-1.80]	[-1.88]

Turnout percentage, policy vote	-1.558 [-0.47]	-1.524 [-0.47]	-1.882 [-0.58]	-0.989 [-0.30]	-2.015 [-0.64]	-2.308 [-0.73]	-2.171 [-0.69]	-2.296 [-0.72]	-2.158 [-0.69]
Dummy change in CEO	0.025 [0.02]	0.312 [0.23]	0.267 [0.19]	0.193 [0.14]	0.557 [0.40]	0.475 [0.34]	0.305 [0.21]	0.289 [0.20]	0.356 [0.26]
Sector FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	536	536	530	527	526	526	526	526	526
Adj. R-sq	0.0744	0.0942	0.0902	0.0949	0.110	0.111	0.114	0.121	0.121

Robust t-statistics in brackets

Table 4 – Robustness Policy regression

This table shows the results of pooled cross-sectional ordinary least squares regressions of policy report votes on different variables from the policy report, lagged values of votes report, additional control variables from the remuneration report, different measures of REM grades and firm characteristics for FTSE350 companies. All regressions include year, country and sector fixed effects as well as the controls included in Table 3. Standard errors are clustered on company level. Asterisks indicate significance at 0.01 (***), 0.05 (**), and 0.10 (*) levels.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES					Votes Policy				
Max. total opportunity (log)	-2.614**	-2.301**	-2.391**	-3.676***	-3.147***	-2.890***	-3.146**	-2.933**	-2.082
	[-2.52]	[-2.33]	[-2.53]	[-3.24]	[-2.78]	[-2.70]	[-2.38]	[-2.09]	[-1.57]
Sum of top 3 largest stakes		-0.234	-0.119		-0.180	-0.127		-0.292	-0.121
(log)		[-0.65]	[-0.31]		[-0.49]	[-0.34]		[-0.72]	[-0.29]
Votes Report (lag 1)		14.571***	14.012***		14.477***	14.039***		20.406***	20.107***
		[3.25]	[3.19]		[3.21]	[3.15]		[3.35]	[3.32]
Length of policy report			-0.370**			-0.377**			-0.367
			[-2.17]			[-2.18]			[-1.55]
LTIP Vesting Period			0.097			0.228			-0.477
			[0.07]			[0.17]			[-0.29]
LTIP Total Vesting Period			-2.330**			-2.410**			-1.890
			[-2.28]			[-2.38]			[-1.55]
LTIP Vesting Percent			-0.055			-0.057*			-0.016
			[-1.60]			[-1.72]			[-0.38]
LTIP Retention Period			-0.981			-0.980			-0.528
			[-1.30]			[-1.31]			[-0.61]
LTIP Retention Percent			0.026			0.026			0.014
			[1.33]			[1.36]			[0.63]
Malus index			0.032			0.012			-0.027
			[0.11]			[0.04]			[-0.08]
Clawback index			0.722***			0.738***			0.629**
			[2.80]			[2.79]			[1.98]
Termination index			0.671			0.674			0.851*
			[1.62]			[1.61]			[1.77]
REM grade: Alignment	-0.079**	-0.068*	-0.059	-0.073**	-0.064*	-0.053	-0.011	-0.004	0.014
	[-2.12]	[-1.77]	[-1.47]	[-2.02]	[-1.68]	[-1.32]	[-0.25]	[-0.08]	[0.28]
REM grade: Quantum	-0.054	-0.019	-0.009	-0.050	-0.014	-0.010	-0.110***	-0.053	-0.053
	[-1.51]	[-0.50]	[-0.25]	[-1.43]	[-0.37]	[-0.26]	[-2.72]	[-1.17]	[-1.11]
REM grade: Dilution	0.283	0.231	0.317	0.315	0.254	0.326	0.023	-0.230	-0.013
	[1.25]	[0.91]	[1.29]	[1.47]	[1.05]	[1.34]	[0.06]	[-0.52]	[-0.03]
REM grade: Contracts	-0.276	-0.281	-0.138	-0.250	-0.270	-0.129	-0.088	-0.121	0.064
	[-1.48]	[-1.49]	[-0.71]	[-1.37]	[-1.41]	[-0.67]	[-0.36]	[-0.51]	[0.25]
Total remuneration (log)				0.504	0.357	0.675	0.438	0.584	1.036

				[0.87]	[0.50]	[1.06]	[0.78]	[0.71]	[1.51]
Deferred remuneration (log)				0.137*	0.112	0.007	0.171*	0.115	-0.004
				[1.87]	[1.32]	[0.10]	[1.91]	[1.06]	[-0.05]
Future remuneration (log)							0.033	-0.011	-0.311
							[0.05]	[-0.02]	[-0.60]
Baseline controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	522	532	526	522	368	362	368	316	312
Adj. R-sq	0.119	0.100	0.0966	0.122	0.0963	0.0913	0.106	0.144	0.183

Robust t-statistics in brackets

Table 5 – Baseline Report regression

This table shows the results of pooled cross-sectional ordinary least squares regressions of remuneration report votes on different variables from the remuneration report and firm characteristics for FTSE350 companies. All regressions include year, country and sector fixed effects. Standard errors are clustered on company level. Asterisks indicate significance at 0.01 (***), 0.05 (**), and 0.10 (*) levels.

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					Votes Report				
Total remuneration (log)	-0.898***	-0.755***	-0.689***	-0.752***	-0.730***	-0.746***	-0.762***	-0.779***	-0.744***
	[-2.83]	[-3.00]	[-2.82]	[-2.85]	[-2.73]	[-2.78]	[-2.77]	[-2.91]	[-2.78]
Numeric REM grade		2.734***	2.791***	2.792***	2.801***	2.793***	2.797***	2.791***	2.793***
		[7.13]	[7.37]	[7.33]	[7.33]	[7.26]	[7.27]	[7.24]	[7.26]
Sum of top 3 largest stakes (log)			0.999***	1.027***	1.021***	0.996***	0.995***	0.996***	0.996***
			[2.72]	[2.75]	[2.71]	[2.62]	[2.62]	[2.62]	[2.62]
Deferred remuneration (log)				0.046	0.052	0.052	0.054	0.053	0.052
				[0.77]	[0.89]	[0.88]	[0.93]	[0.90]	[0.88]
Mandatorily deferred bonus (%)					-1.050	-1.104	-1.075	-1.147	-1.100
					[-0.70]	[-0.73]	[-0.72]	[-0.76]	[-0.73]
Dummy above index						0.344	0.891	0.333	0.345
						[0.49]	[1.11]	[0.47]	[0.49]
Increase in total remuneration							-0.238		
							[-0.28]		
Below index # increase in remuneration							1.468		
							[1.04]		
Increase in remuneration by more than 10%								0.427	
								[0.59]	
Increase in remuneration by more than 50%									-0.031
									[-0.04]
Policy vote dummy	0.563	-0.169	-0.115	-0.093	-0.108	-0.176	-0.191	-0.156	-0.177
	[0.93]	[-0.27]	[-0.19]	[-0.15]	[-0.18]	[-0.28]	[-0.30]	[-0.25]	[-0.28]
FTSE 100	-0.984	-0.633	-0.588	-0.601	-0.569	-0.578	-0.538	-0.546	-0.579
	[-0.78]	[-0.52]	[-0.48]	[-0.49]	[-0.46]	[-0.46]	[-0.42]	[-0.43]	[-0.46]
Total Assets (log)	0.137	0.222	0.315	0.313	0.325	0.348	0.344	0.345	0.348
	[0.32]	[0.55]	[0.79]	[0.78]	[0.81]	[0.85]	[0.84]	[0.84]	[0.85]
Net income (log)	-0.510*	-0.283	-0.156	-0.140	-0.106	-0.124	-0.131	-0.116	-0.125
	[-1.75]	[-0.94]	[-0.51]	[-0.46]	[-0.34]	[-0.41]	[-0.42]	[-0.38]	[-0.41]
TobinQ (log)	0.865	0.905	1.046	1.082	1.074	1.061	1.074	1.056	1.060
	[0.89]	[1.01]	[1.18]	[1.22]	[1.21]	[1.19]	[1.21]	[1.19]	[1.19]
Annual price volatility	-0.079**	-0.077**	-0.079**	-0.077**	-0.078**	-0.074**	-0.076**	-0.075**	-0.074**
	[-2.51]	[-2.46]	[-2.52]	[-2.49]	[-2.52]	[-2.36]	[-2.38]	[-2.37]	[-2.35]
Turnout percentage, report vote	2.306	2.541	0.136	0.204	-0.077	-0.210	-0.197	-0.223	-0.206
	[0.70]	[0.74]	[0.04]	[0.06]	[-0.02]	[-0.06]	[-0.06]	[-0.07]	[-0.06]

Dummy change in CEO	-1.423	-0.745	-0.609	-0.561	-0.531	-0.535	-0.420	-0.494	-0.536
	[-1.29]	[-0.68]	[-0.55]	[-0.52]	[-0.49]	[-0.49]	[-0.37]	[-0.45]	[-0.49]
Sector FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,239	1,239	1,228	1,228	1,228	1,213	1,213	1,213	1,213
Adj. R-sq	0.0264	0.0819	0.0881	0.0880	0.0877	0.0871	0.0867	0.0866	0.0864

Robust t-statistics in brackets

Table 6 – Robustness Report regression

This table shows the results of pooled cross-sectional ordinary least squares regressions of report votes on different variables from the remuneration report, lagged values of votes report, additional control variables from the policy and remuneration reports, different measures of REM grades and firm characteristics for FTSE350 companies. The variables from the remuneration policy report that are marked with an asterisk correspond to the latest available policy approved, that is, in a year where we do not have a vote on the policy report, we include data from the last policy report that was approved by the shareholders. Max total opportunity without an asterisk refers to contemporaneous values only, i.e. the sample is reduced to years where a vote on both the policy report and the remuneration report took place. All regressions include year, country and sector fixed effects as well as the controls included in Table 3. Standard errors are clustered on company level. Asterisks indicate significance at 0.01 (***), 0.05 (**), and 0.10 (*) levels.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES				Votes Report				
Total remuneration (log)	-0.643*	-0.457	-0.861	-0.299	-0.238	-0.191	-0.269	-0.215
	[-1.86]	[-1.45]	[-1.14]	[-0.30]	[-0.82]	[-0.70]	[-0.80]	[-0.70]
Deferred remuneration (log)	0.050	0.066	0.101	0.074	0.082	0.094	0.027	0.035
	[0.83]	[1.06]	[1.27]	[0.85]	[0.83]	[1.08]	[0.33]	[0.47]
Sum of top 3 largest stakes		0.587		-0.005		1.330*		1.451**
(log)		[1.57]		[-0.01]		[1.96]		[2.20]
Votes Report (lag 1)		14.589***		15.549***		9.528*		8.499*
		[3.58]		[3.00]		[1.89]		[1.66]
Mandatorily deferred bonus (%)		-0.381		-0.862		-1.183		-1.308
		[-0.27]		[-0.35]		[-0.65]		[-0.73]
Dummy above index		1.010		1.154		1.081		0.834
		[1.23]		[0.84]		[0.86]		[0.66]
Increase in total remuneration		-0.742		-2.601*		-0.560		-0.647
		[-0.83]		[-1.85]		[-0.53]		[-0.61]
Below index # increase in		1.966		3.295		1.784		1.708
remuneration		[1.36]		[1.32]		[0.99]		[0.94]
REM grade: Alignment	-0.113***	-0.106***	-0.163***	-0.163***	-0.127***	-0.129***	-0.136***	-0.138***
	[-3.96]	[-3.63]	[-3.47]	[-3.03]	[-3.28]	[-3.34]	[-3.50]	[-3.54]
REM grade: Quantum	-0.145***	-0.107***	-0.020	0.037	-0.074**	-0.061*	-0.057*	-0.048
	[-5.75]	[-4.29]	[-0.45]	[0.78]	[-2.13]	[-1.82]	[-1.68]	[-1.40]
REM grade: Dilution	-0.259	-0.133	-0.929**	-0.886*	-0.308	-0.253	-0.321	-0.257
	[-1.44]	[-0.74]	[-2.20]	[-1.95]	[-1.35]	[-1.12]	[-1.40]	[-1.11]
REM grade: Contracts	-0.031	0.039	-0.037	0.034	0.004	-0.045	0.042	-0.017
	[-0.18]	[0.21]	[-0.18]	[0.14]	[0.02]	[-0.18]	[0.17]	[-0.06]
Max. total opportunity (log)			-4.637***	-5.156***				
			[-2.81]	[-2.98]				
Max. total opportunity (log)*					-3.224***	-2.854***	-3.155***	-2.757***
					[-3.00]	[-2.75]	[-3.07]	[-2.70]
Ratio total remuneration/max					0.400	0.538	0.584	0.731
opportunity					[0.55]	[0.68]	[0.75]	[0.89]
Length of policy report*							-0.171	-0.133

							[-1.08]	[-0.81]
LTIP Vesting Period *							1.237	0.990
							[0.75]	[0.65]
LTIP Total Vesting Period *							-2.153**	-2.008*
							[-2.16]	[-1.97]
LTIP Vesting Percent *							-0.038	-0.036
							[-0.83]	[-0.84]
LTIP Retention Period *							-1.820*	-1.748*
							[-1.89]	[-1.77]
LTIP Retention Percent *							0.039*	0.039*
							[1.75]	[1.77]
Malus index *							0.029	0.096
							[0.09]	[0.31]
Clawback index *							0.263	0.240
							[0.99]	[0.91]
Termination index *							0.201	0.230
							[0.48]	[0.54]
Baseline controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,228	1,102	544	480	739	721	737	719
Adj. R-sq	0.0890	0.0812	0.0877	0.0771	0.0736	0.0845	0.0809	0.0899

Robust t-statistics in brackets

Table 7 – Differentiating Voting Behavior

This table shows the results of a probit regression of a dummy indicating whether the difference in voting outcomes, with the vote on the remuneration report being higher, is in the top decile of highest differences between the two votes. The regressors are the policy and remuneration report variables from Tables 3 and 5. Baseline controls include the firm characteristics for FTSE350 companies from Table 3, as well as a variable measuring the distance in years to the last policy vote and the turnout percentage for both the policy and remuneration vote. The variables from the remuneration policy report that are marked with an asterisk correspond to the latest available policy approved, that is, in a year where we do not have a vote on the policy report, we include data from the last policy report that was approved by the shareholders. Standard errors are clustered on firm level. Asterisks indicate significance at 0.01 (***), 0.05 (**), and 0.10 (*) levels.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Difference top decile (high report vote)								
Total remuneration (log)	-0.069	-0.069	-0.064	-0.072	-0.072	-0.065	-0.065	-0.064	-0.059
	[-1.08]	[-1.09]	[-1.01]	[-1.25]	[-1.25]	[-1.13]	[-1.13]	[-1.12]	[-1.03]
Deferred remuneration (log)	-0.025**	-0.025**	-0.026***	-0.019**	-0.019**	-0.021**	-0.016*	-0.016*	-0.018**
	[-2.55]	[-2.48]	[-2.63]	[-2.26]	[-2.21]	[-2.46]	[-1.85]	[-1.83]	[-2.07]
Max. total opportunity (log)*	0.513***	0.506***	0.544***	0.451***	0.453***	0.496***	0.435***	0.446**	0.489***
	[3.54]	[3.02]	[3.30]	[2.97]	[2.58]	[2.85]	[2.90]	[2.57]	[2.83]
Numeric REM grade		-0.009	-0.002		0.002	0.006		0.014	0.017
		[-0.12]	[-0.02]		[0.03]	[0.07]		[0.18]	[0.22]
Sum of top 3 largest stakes (log)			0.076			0.076			0.071
			[1.00]			[0.95]			[0.91]
Mandatorily deferred bonus (%)	-0.184	-0.179	-0.176				-0.190	-0.197	-0.199
	[-0.60]	[-0.61]	[-0.59]				[-0.62]	[-0.66]	[-0.66]
Dummy above index	0.071	0.072	0.068				0.068	0.068	0.059
	[0.37]	[0.37]	[0.35]				[0.35]	[0.35]	[0.30]
Increase in total remuneration	-0.172	-0.172	-0.149				-0.154	-0.155	-0.127
	[-1.26]	[-1.26]	[-1.09]				[-1.13]	[-1.14]	[-0.93]
Below index # increase in remuneration	0.234	0.234	0.207				0.219	0.220	0.186
	[1.03]	[1.03]	[0.91]				[0.98]	[0.98]	[0.82]
Length of policy report*				0.041*	0.041*	0.042*	0.043*	0.044*	0.045*
				[1.68]	[1.68]	[1.69]	[1.80]	[1.81]	[1.82]
LTIP Vesting Period *				0.193	0.193	0.188	0.184	0.183	0.183
				[1.26]	[1.26]	[1.21]	[1.20]	[1.19]	[1.17]
LTIP Total Vesting Period *				0.016	0.016	0.013	0.023	0.024	0.019
				[0.14]	[0.15]	[0.12]	[0.21]	[0.21]	[0.17]
LTIP Vesting Percent *				-0.006	-0.006	-0.006	-0.005	-0.005	-0.005
				[-1.04]	[-1.04]	[-1.06]	[-0.97]	[-0.97]	[-1.00]
LTIP Retention Period *				0.109	0.109	0.105	0.095	0.097	0.093
				[0.91]	[0.91]	[0.88]	[0.78]	[0.79]	[0.76]

LTIP Retention Percent *				-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
				[-0.47]	[-0.47]	[-0.37]	[-0.46]	[-0.48]	[-0.38]
Malus index *				-0.003	-0.003	0.004	0.001	0.001	0.009
				[-0.05]	[-0.05]	[0.07]	[0.03]	[0.02]	[0.15]
Clawback index *				-0.059	-0.059	-0.064	-0.062	-0.062	-0.067
				[-1.21]	[-1.21]	[-1.31]	[-1.31]	[-1.31]	[-1.41]
Termination index *				0.000	-0.000	0.013	-0.003	-0.005	0.009
				[0.00]	[-0.00]	[0.19]	[-0.05]	[-0.07]	[0.13]
Baseline controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations									

Robust z-statistics in brackets

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