THE IMPACT OF DIRECTORS' TENURE ON EXECUTIVE COMPENSATION AND CORPORATE FINANCIAL PERFORMANCE

Sylvie Berthelot*, Julien Bilodeau**, Katy Davignon***

Abstract

This research examines the impact of the tenure of independent directors on senior executives' compensation and corporate financial performance. We assume that as the term of tenure or seniority of directors usually defined as "independent" increases, their independence can become compromised because of the relationships they build with corporate executives. The results show that although the tenure of independent directors has a positive impact on senior executives' compensation, it has no significant impact on corporate financial performance. This result tends to support the contention that seniority should be taken into account in studies using director's independence as a variable.

Keywords: Director's Tenure/Seniority, Board of Directors, Corporate Governance, Executive Compensation, Financial Performance

** Faculté d'administration, Université de Sherbrooke, 2500, boul. Université, Sherbrooke, Qué. J1K 2R1, Canada*
Fax: (819) 821-7934;
Tel.: (819) 821-8000 ext. 62003;
E-Mail: sylvie.berthelot@usherbrooke.ca
*** Faculté d'administration, Université de Sherbrooke, 2500, boul. Université, Sherbrooke, Qué. J1K 2R1, Canada*
Fax: (819) 821-7934;
Tel.: (819) 821-8000 ext. 62355;
E-Mail: julien.bilodeau@usherbrooke.ca
**** Petrie Raymond, SENCRL, 255, boul Crémazie Est, bureau 1000, Montréal, Qué. H2M 1M2, Canada*
Tel. : (514) 342-4740
Fax. (514) 737-4049
E-mail: davignonk@petrieraymond.qc.ca

Introduction

In recent years, it has become increasingly important to protect the interests of minority shareholders given the numerous financial scandals that have erupted in virtually every developed economy. Van den Berghe & Baelden (2005) see the lack of control by disengaged independent directors as one of the major causes of these scandals. As a result, one of the main roles of Boards of Directors has now become to oversee corporate senior executives. With this in mind, and to address growing investor concerns, the Canadian Securities Administrators (CSA) established regulations to more effectively monitor governance practices. Multilateral Instrument 52-110, adopted by the Ontario Securities Commission (OSC), and counterparts in other Canadian provinces attempt to clarify the concept of independent directors by defining it according to certain criteria. However, this definition is somewhat limited, as certain circumstances not covered by the regulation could call into question a director's genuine independence. Directors' tenure is one example of such circumstances since directors and executives can forge close relationships over the years.

This study thus examines the impact that the length of tenure of independent directors who have been members of the same Board of Directors for many years has on corporate financial performance and CEO compensation. Do the close relationships established between executives and independent directors (as defined by regulation) throughout the years influence these directors' judgement and compromise their "true" independence? If so, these relationships could undermine the overall effectiveness of the Board of Directors. In an attempt to answer this question, a sample of 178 companies listed on the Toronto Stock Exchange for 2009 was selected to study the situation in a Canadian context. The effectiveness of the Board of Directors will be analyzed from the perspective of its impact on two areas where the Board can play a major role: i.e., corporate financial performance and senior executives' compensation.

If the study shows that as an independent director's term of tenure increases, this director's effectiveness at protecting shareholders' interests decreases, this result will suggest that changes and clarifications should be made to the criteria currently defining the concept of an independent director. The interests of minority shareholders will thus be better protected against Boards of Directors' decisions, which may sometimes favor a company's senior executives over these shareholders.

This paper first presents the theoretical framework and hypotheses, followed by the methodology describing the sample, the variables and their operationalization, the models used and so on. We will then move on to the results and end with the conclusion.

1. Background

Agency theory

The conflicting interests arising with the separation of ownership (the shareholder) and control (the executives) have raised certain challenges, commonly referred as agency problems. On the one hand, shareholders want to optimize the value of their investment, while on the other, executives may have enough leeway to maximize their personal benefits at the expense of the wealth of the shareholders (Watts & Zimmerman, 1986). Structures were thus developed to minimize such conflicts of interest. For example, senior executives' compensation often includes a portion of fixed salary and a portion based on the company's financial performance (shares, share options, performance-related bonuses). This mechanism allows for a certain alignment between shareholders' and executives' interests (Scott, 2011) and the reduction of "agency costs." Shareholders' overall objective remains to minimize "agency costs," including losses linked to the misalignment of executives' interests as well as the costs associated with monitoring these executives (Kim, Nofsinger & Mohr, 2010).

Information asymmetry problems are an underlying condition to agency conflicts (Jensen, 1986). While investors need information that can only be provided by executives, these executives will tend to provide censored information if it allows them to manipulate the company's value to their advantage. Boards of Directors play an important role in the exercise of effective governance because they serve as middlemen between both parties. From this perspective, an effective Board of Directors must first play an oversight role towards the company's senior executives to protect shareholders' interests (Hermalin and Weisbach, 1998). That said, to optimize the effectiveness of the Board of Directors, independent directors must realize that their role is both to monitor the conduct of senior executives and to support them when necessary. Exaggerating the oversight role undermines the collaborative relationship between the directors and senior management, and by extension, the company's performance and its ability to attain its objectives (Shen, 2005).

1.2 Independence of the Board of Directors

From the perspective of good governance practices, some claim that the independent directors help enhance the transparency of the information provided, which is essential to the effectiveness of financial markets (Patelli and Prencipe, 2007; Mallin and Ow-Yong, 2012). Furthermore, the capacity to control senior executives' actions increases with a director's independence (Hermalin and Weisbach, 1998). As past studies have found, a Board of Directors' effectiveness is thus often related to a majority of independent directors (Godard and Schatt, 2005; Dey, 2008; Baranchuk and Dybvig, 2008).

Numerous models have been put forward to increase the effectiveness of Boards of Directors. Langevoort (2001), for instance, proposes a tripartite Board structure, i.e., a Board composed of independent directors and executives, as well as "grey" mediators. These mediators would be directors possessing a certain level of management expertise, for example lawyers or bankers, and whose role would be to bridge the gap between the other two parties. According to Baranchuk and Dybvig (2009), a simple majority of independent directors (50% + 1) is insufficient to guarantee the effectiveness of the Board given the potential for collusion with executives. These executives usually share the same objectives and opinions, while the ideas of independent directors may be more dispersed (Baranchuk and Dybvig 2009). These authors are in favor of encouraging a qualified majority, e.g., a Board made up of two-thirds or three fifths of independent members. However, these models focused more on the Board's composition and structure than on the definition of independence itself. Some experts believe (e.g., Shen 2005) that a Board's effectiveness is more influenced by its dynamics than by its structure and composition.

Van den Berghe and Baelden (2005) also examined the concept of independence. Their analysis of the definition of the concept of independence in 40 corporate governance codes and recommendations in different countries revealed that: (1) these definitions mainly describe independence in negative ways by listing those elements that disqualify a director from being considered independent, and (2) almost all definitions view independence as equal to being in a position free of any possible conflicts of interest at all times (Van den Berghe & Baelden, 2005). In fact, all these definitions ignore the "soft" aspects of independence, such as independence of mind. However, independence of mind is hard to measure and can only be determined indirectly, through directors' tenure for example.

As yet, few studies have examined the number of years an independent director has been a member of the same Board as a measure of independence of mind. We believe that this is an important variable to take into account because independent directors (as defined by regulation) become familiar over time with the other directors, the company and its activities, which can in turn diminish their critical faculties (Van den Berghe & Baelden 2005). This "relaxation" could undermine the effectiveness of the Board.

1.3 Senior executives' compensation

The impact of an effective and independent Board of Directors on executives' compensation has been a somewhat ambiguous issue in prior studies (Conyon and Peck, 1998; St-Onge, Mahnan and Calloc'h, 2001; Cordeiro and Veliyat, 2003; Ozkan, 2007; Basu et al., 2007; Broye and Moulin, 2010). Some researchers found no impact (Conyon and Peck, 1998; Broye and Moulin, 2010), others noted a negative correlation (Basu et al., 2007), while others saw a positive one (Cordeiro and Veliyat, 2003; Ozkan, 2007). As Cordeiro and Veliyath (2003) indicated, one possible explanation of these results is that finer-grained measures of directors' relationships with top management may be required than the simple classification of directors as insiders or outsiders. From this perspective, Byrd, Cooperman and Wolfe (2010) studied how the tenure of an outside director can affect CEO compensation. Their results were significant when they examined a subsample of the firms where CEOs had been in place for six years or more. In this subsample, they observed a positive relationship between CEO pay and the median tenure of outside directors. Byrd, Cooperman and Wolfe (2010) explain this result by the CEO allegiance hypothesis, which suggests that having longer tenure and familiarity with the CEO, outside directors will favor the CEO rather than shareholder interests. In the same vein, we believe that independent directors' tenure, which can undermine their critical mindset, can allow senior executives to increase their hold on the Board and thus influence its decisions, particularly as concerns executives' compensation. This led to the formulation of the following hypothesis:

H_1: Independent directors' tenure is positively related to the CEO's total compensation.

1.4 Financial performance

Some studies demonstrate that Boards of Directors' level of independence had a positive impact on corporate financial performance (Baysinger and Butler 1985; Pearce and Zahra 1992), while others show more mitigated results. These studies did not detect any significant relationships between the proportion of independent directors and the performance measures of the companies examined (Klein, 1998; Bhagat and Black, 2001). Here also, these mixed results could be due to the simplicity of the classification of directors as insiders or outsiders. This operationalization does not take into account certain contextual factors such as directors' seniority, which may influence the results. As Vafeas pointed out (2003), long-term director engagement is associated with greater experience, commitment, and competence, because it provides a director with important knowledge about the firm and its business environment. Given the contradictory results in previous studies and the lack of earlier studies focusing on directors' tenure, our study will attempt to examine the relationship between financial performance and the Board of Directors' independence from a different angle. Accordingly, our research mainly emphasizes the testing of independent directors' tenure rather than the proportion of independent directors as defined by the company, which leads to the following hypothesis:

H_2: Independent directors' tenure is positively related to corporate financial performance.

2. Methodology

2.1 Sample and data collection

To test the hypotheses, a sample was drawn from Canadian companies listed on the Toronto Stock Exchange and forming the S&P/TSX composite for 2009. The initial sample was composed of 229 companies from which 42 trusts and income funds were eliminated, along with nine inactive companies (companies indicating zero sales). The final sample was comprised of 178 companies.

The financial data needed for the analysis was derived from the financial statements. Information on CEO compensation, the identity of the main shareholders, the composition of the Boards of Directors, the directors' independence and the criteria applied to define this concept of independence was provided by the management proxy circulars of each company.

2.2 Meaning of independence

In Canada, listed companies must comply with the *Securities Act*. Pursuant to the requirements of this Act, the National Instrument 58-101 – Disclosure of Corporate Governance Practices, of the Ontario Securities Commission and its equivalent in other provinces, a director is independent if he or she would be independent within the meaning of Sections 1.4 of the Multilateral instrument 52-110 regarding Audit Committees. Multilateral Instrument 52-110 defines independence as follows:

"… the member (administrator) has no direct or indirect material relationship with the issuer."

However, it is the Board of Directors itself that decides whether a relationship is "material" by answering the following question: "Can the relationship be reasonably expected to interfere with the exercise of a director's independence?" The Multilateral instrument 52-110 – Audit Committees also lists a series of situations where the directors are considered to have a material relationship with the issuer and affect their independence. Appendix A presents the definition of independence as defined by this regulation.

2.3 Variables measurement

Dependant variables

We suggest examining the relationship between the average tenure of independent directors and CEO compensation as proposed in Hypothesis 1. CEO compensation ($REMUN_i$) was measured using the total of each component of the compensation. More specifically, $REMUN_i$ is equal to the sum of the following elements: salary, stock and option-based awards, annual incentive plans other than stock-based plans, the annual value of the pension plan and any other compensation and benefits.

Moreover, Hypothesis 2 is intended to measure the impact of the level of tenure on corporate financial performance, through three distinct variables, i.e., the gross margin percentage ($GROSMAR_i$), the return on assets (ROA_i) and the return on equity (ROE_i).

Independent variables

The ratio of independent directors compared to the total number of members sitting on the Boards of Directors ($RATIND_i$) could have been used to assess the independence of the directors of each company Although this measure has often been used in previous studies, it does not take into account the independence of mind that directors can lose over the years because of the familiarity that develops among them, the company and its executives. For this reason, the concept of tenure will be measured according to the average years of seniority of independent directors ($AVESEN_i$).

$AVESEN_i$ is the variable that we are proposing to test to evaluate its impact on CEO compensation and corporate performance. However, previous studies have shown that other variables can impact the independent variables that we are planning to examine for the purposes of this study. Consequently, the variables most often used in models attempting to explain senior management compensation or corporate performance will be included in the models we will be testing.

The fact that an entity (physical person, company or institution) holds a large enough portion of a company to give this entity an incentive to invest the efforts needed to manage potential conflicts of interest between the shareholders and executives has often been put forward as a factor that could impact both the compensation of senior executives and the company's profitability. This is why our tests include the $PRINCHOL_i$ variable, which is a dichotomous variable indicating the presence of at least one entity controlling 10% or more of the voting shares (value of 1 if there is at least one such entity, 0 otherwise). Such a level is often used in studies and also allows for the assumption that the holder of such a voting block can exert some level of influence on company decisions.

Lastly, the models include a measure of company size. The results presented here are those using the $ASSETS_i$ variable, representing the company's total assets. The analyses were also realized using total sales as a measure of size. The results using this last variable are similar to those using the $ASSETS_i$ variable. Furthermore, the results of model 1 are presented with one single profitability measure ($GROSMAR_i$); however, tests were conducted using the ROA_i and ROE_i ratios as a profitability measure with results identical to those presented using the $GROSMAR_i$ variable.

2.4 Empirical models

To examine the relationships that may exist between the period of time an independent director has been a member of a Board of Directors and senior executives' compensation, the following regression model was used:

$$REMUN_i = \alpha_0 + \alpha_1 AVESEN_i + \alpha_2 RATIND_i + \alpha_3 GROSMAR_i + \alpha_4 PRINCHOL_i + \alpha_5 ASSETS_i + \varepsilon_i \quad (1)$$

Moreover, to analyze the relationship between an independent director's tenure and a company's financial performance, the following three distinct models will be considered:

$$GROSMAR_i = \alpha_0 + \alpha_1 AVESEN_i + \alpha_2 ASSETS_i + \alpha_3 PRINCHOL_i + \alpha_4 RATIND_i + \varepsilon_i \quad (2)$$

$$ROA_i = \alpha_0 + \alpha_1 AVESEN_i + \alpha_2 ASSETS_i + \alpha_3 PRINCHOL_i + \alpha_4 RATIND_i + \varepsilon_i \quad (3)$$

$$ROE_i = \alpha_0 + \alpha_1 AVESEN_i + \alpha_2 ASSETS_i + \alpha_3 PRINCHOL_i + \alpha_4 RATIND_i + \varepsilon_i \quad (4)$$

3. Results

3.1 Description of the sample

Table 1 presents descriptive statistics about the companies included in the sample. The average size is $27.2 billion when measured according to total assets, while total sales average is $5.2. Furthermore, the significant deviations between the minimums and maximums, both in terms of the total assets and the total sales, reflect the widespread diversity in the size of the companies selected. Finally, the profits column provides an overview of the financial performances, which range from a loss of $4.4 billion to a profit of $3.9 billion.

Table 1. Company Size (in thousands of $ CAN)

	Total Assets	Sales	Net Profit
Number of observations	178	178	178
Average	27,224,285	5,194,674	322,977
Median	3,031,948	1,407,770	101,942
Standard deviation	89,606,742	8,293,906	752,186
Minimum	135,504	1,195	-4,471,031
Maximum	654,989,000	39,160,000	3,858,000

Table 2 sets out the business sectors of the companies included in the sample. A large part of the sample (37.6%) is comprised of mining exploration companies. The second and third most important groups represent the finance, insurance and real estate sector (18.0%) and the manufacturing sector (15.7%). All other sectors are represented in a proportion of less than 15%.

Table 2. Business Sector

Sector	Number	Percentage
Mining Exploration	67	37.6
Construction	1	0.6
Manufacturing	28	15.7
Transportation, Communication, Electricity, Petroleum Services	23	12.9
Wholesaler	5	2.8
Retailing	13	7.3
Finance, Insurance and Real Estate	32	18.0
Services	9	5.1
Total	178	100.0

3.2 Descriptive statistics

Table 3 provides the descriptive statistics of the variables included in the analyses. The average percentage of members considered as independent on the Boards of Directors of the firms included in the sample is 75.4%, which represents a high percentage. That said, the minimum ratio in the sample is 37.5%. In other words, certain companies do not comply with Canadian Securities Administrators' recommendations that a Board of Directors should have a majority of independent members. In fact, a total of nine Boards do not have this majority. On the other hand, 79.8% of Boards have a qualified majority of independent members, or a proportion that is equal to or greater than two thirds of its members.

Table 3 also presents information on the tenure of independent Board members. Their average tenure of office varies from 0.0 to 17.8 years. The value of "0.0" means that all independent members were appointed in the current year. This interval indicates that most members on certain Boards have remained the same for many years. The highest minimum seniority among independent directors ($MINSEN_i$) is eight years, while the highest maximum seniority ($MAXSEN_i$) is 43 years. This data confirms that the independent directors of some Boards of Directors do in fact remain the same for many years. Even in these circumstances, a director who has been a member of the same Board for 43 years, which is a significant amount of time, is considered independent.

On the other hand, the total average compensation of the CEOs is $4.1 million. The highest compensation for 2009 was $24.2 million. The average gross profit margins were 38.4%, which indicates the average financial performance level of the companies included in this study.

Table 3. Descriptive statistics

	Minimum	Maximum	Average	St. Dev.
$AVESEN_i$	0.0	17.8	6.5	3.1
$MINSEN_i$	0.0	8	1.6	1.5
$MAXSEN_i$	0.0	43	14.0	8.2
$RATIND_i$	37.5%	93.8%	75.4%	13.0%
$GROSMAR_i$	1.6%	93.5%	38.4%	20.7%
$REMUN_i$ (in millions of $)	0,000	24,206	4,108	3,764

Moreover, Table 4 indicates that 42.7% of the companies are controlled by at least one major shareholder who directly or indirectly holds 10% or more of the voting shares. This is the case for 76 companies from the sample studied. In addition, for 17 of these firms (9.6%), at least one major shareholder sits on the Board of Directors. Some 95% of the firms included in the sample have a majority of independent directors, defined as more than 50% of all directors, while close to 80% have a qualified majority of independent directors, defined as more than 66% of all directors.

Finally, the last section of the Table 4 highlights the level of information contained in the circulars on the definition of independence used to catalogue each member of the Board of Directors. Some 1.7% of companies did not propose a definition for director independence. Although this percentage is very low, these companies display certain weaknesses in terms of the transparency of the information disclosed to minority shareholders. Furthermore, nearly 42.7% of the companies studied gave few details on the general definition of Multilateral Instrument 52-110, while 19.7% discussed the various criteria established by Article 1.4 of Multilateral Instrument 52-110 more explicitly. That said, it is interesting to note that the nine above-mentioned companies that have not attained a simple majority within their Board either mentioned the general definition of Multilateral Instrument 52-110 with few details, or discussed the various criteria established by Article 1.4 of Multilateral Instrument 52-110. In all, with the exception of one company, the others published at least a general definition of independence.

Table 4. Governance Variables

		Number	Percentage
Firms with at least one shareholder holding over 10% of voting shares		76	42.7
Firms with at least one shareholder holding over 10% of voting shares and at least one representative of this shareholder sitting on the Board of Directors		17	9.6
Firms with the majority of independent directors defined as more than 50% of all directors		169	94.9
Firms with the qualified majority of independent directors defined as more than 66% of all directors		142	79.8
Information disclosed regarding the notion of the director independence:			
	None	3	1.7
	Mention	64	36.0
	52-110 G	76	42.7
	Others	35	19.7

3.3 Results analysis

Table 5 presents the results of the regression of the first model, which explains 14% of the variance in CEO compensation. As expected, the coefficient of the size measured with the total assets ($ASSETS_i$) is significant. Also, the coefficient of seniority of independent directors ($AVESEN_i$) is positive and significant as predicted. Our results thus support Hypothesis H_1. The tenure of independent directors is positively and significantly related to total CEO compensation. These results also appear to show that the more senior the outside directors, the greater the chances that managers can negotiate better compensation. The other variables representing the percentage of independent directors ($RATIND_i$), the firm's profitability ($GROSMAR_i$) and the existence of at least one shareholder holding over 10% of voting shares ($PRINCHOL_i$) are not significant. Furthermore, we repeated the analyses using total sales instead of total assets as a measure of size, as well as the return on equity (ROE_i) and the return on assets (ROA_i) as measures of corporate profitability. The non-presented results are similar to those presented.

Table 5. Results of the CEO Compensation Model (model 1)

	Standardized Coefficients	T Value	Adjusted R²
Intercept		1.411	0.14
$AVESEN_i$	0.152**	2.101	
$RATIND_i$	0.014	0.194	
$GROSMAR_i$	-1.027	-0.387	
$PRINCHOL_i$	-0.064	-0.882	
$ASSETS_i$	0.323***	4.404	

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 6 illustrates the results obtained for models 2, 3 and 4 respectively regarding the impact of independent directors' tenure on corporate financial performance. First, it must be noted that all models presented have a fairly low adjusted R^2, i.e., 0.014 for model 2, 0.011 for model 3 and 0.003 for model 4. Of all the models presented, only model 3 presents a significant variable, that is the percentage of independent directors ($RATIND_i$). The coefficient of this variable is significant at a level of 0.05. This result is similar to the results of several other studies that showed a positive relationship between the ratio of independence of directors and the profitability of companies. The coefficients of the $AVESEN_i$ variables are not significant in any of the three models. Accordingly, directors' tenure does not appear to be related to corporate financial performance (H_2). The more extensive knowledge of the company and its business environment that develops over the years does not seem to be reflected in companies' financial performance.

Table 6. Results from the Financial Performance Models

	$GROSMAR_i$ (2)	ROA_i (3)	ROE_i (4)
$AVESEN_i$	-0.067	-0.066	-0.068
$PRINCHOL_i$	-0.042	0.114	0.068
$RATIND_i$	0.050	0.151 **	0.122
$ASSETS_i$	0.024	-0.014	0.066
Adjusted R²	0.014	0.011	-0.003

* significant at 10%; ** significant at 5%; *** significant at 1%

4. Conclusion

The Canadian Securities Administrator's governance requirements clearly reflect the concerns of investors regarding agency conflicts, especially given the numerous financial scandals that have come to light in the past decade. Many studies have examined the question of the independence of Board members and its impact on executive compensation and corporate financial performance. This study aimed to deal with the subject from a different angle, i.e., by examining the tenure of independent board and evaluating its impact on CEO compensation and corporate financial performance.

The results obtained support Hypothesis H_1 and reveal a positive relationship between the average tenure of an independent director and the total compensation of the firms' CEOs. These results support the idea that independent directors who have been members of the same Board of Directors for a long time may have less rigid attitudes in some areas, particularly as concerns executive compensation. As for financial performance, the analyses carried out based on the three models did not support the second hypothesis (H_2). Directors' tenure does not therefore seem to be related to corporate financial performance. Moreover, apart from one model (model 3 with ROA_i as a dependent variable), neither do our findings show that the percentage of independent directors or the presence of at least one shareholder holding over 10% of the voting shares has a significant impact on corporate performance. In model 3, the results indicate a positive and signification correlation between the percentage of independent directors and return on assets. Taken as a whole, the study results support the conclusion that a definitions of directors' independence should take into account the period of time these directors have sat on the same board. Since directors' tenure does not seem to be related to corporate performance, but is, however, related to CEO compensation, taking seniority into account in defining directors' independence could be advantageous to shareholders by helping reduce their agency costs.

This study has some limitations, including the fact that it examines only the governance practices of the most well-known companies. Other governance practices and/or characteristics and the more specific nature of companies, such as their industry sector for example, could have an impact on their financial performance and CEO compensation. The seniority and the personal characteristics of CEOs could also be interesting variables for future study.

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Appendix A:

Multilateral Instrument 52-110 – Audit Committees

"*1.4 Meaning of Independence* --

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been, an employee or executive officer of the issuer, unless the prescribed period has elapsed since the end of the service or employment;

(b) an individual whose immediate family member is, or has been, an executive officer of the issuer, unless the prescribed period has elapsed since the end of the service or employment;

(c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;

(d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;

(e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the issuer's current executive officers serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;

(f) an individual who

(i) has a relationship with the issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(ii) receives, or whose immediate family member receives, more than $75,000 per year in direct compensation from the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee, unless the prescribed period has elapsed since he or she ceased to receive more than $75,000 per year in such compensation.

(g) an individual who is an affiliated entity of the issuer or any of its subsidiary entities" (OSC, 2004 .