

VOTING DISSENT AND CORPORATE GOVERNANCE STRUCTURES: THE ROLE OF SAY ON PAY IN A COMPARATIVE ANALYSIS

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Abstract

Shareholder activism is a vibrant field. This paper explores which variables can influence the direction of the vote and if they change depending on country, rather than considering the say on pay activism as an instrumental term in which its effectiveness depends on the ability to change the executive compensation. We focus on a sample of 120 firms in three different contexts (Italy, Australia and USA) observed in a period of three years, between 2012 and 2014. We find that factors affecting dissent depend on the context of analysis. In the insider system context dissent is positively correlated to the concentration of ownership, and in an outsider system context, like the American one, the variable of remuneration is positively correlated to the dissent. Instead, we find that in the Australian context, any variable is significant: this singular result could depend on the presence of "two strikes rule" that inhibits the role of other variables.

Keywords: Say on Pay, Shareholder Dissent, Shareholder Voice, Executive Compensation

1. INTRODUCTION

In recent years, the corporate governance research field is developing significantly with reference to shareholder activism (Daily et al., 2003; Gillan, Starks, 2007), "a relatively young and vibrant field" (Goranova, Ryan 2014). The shareholder activism is "the use of ownership position to actively influence company policy and practice" (Sjöström, 2008). Although the shareholders do not directly drive the company, there are several ways to influence the Board of Directors: exit (selling shares), loyalty (holding onto shares), and voice (communicating with management) (Hirschman, 1970).

In this perspective, in an effort to improve corporate governance and to mitigate potential conflicts of interest between shareholders and administrators, legislators and regulators in several countries have adopted a wide range of regulatory activities, especially with regard to remuneration policies or directors of listed companies, for example Say on pay, Pay-Versus-Performance disclosure, Pay Ratio disclosure, and Clawbacks (Bank et al., 2015).

Here, we focus on shareholders' votes as a way to communicate their approval or disapproval for executive compensation. In this regard, we refer to shareholder voting in the form of say on pay voting. The introduction of say on pay should be considered as an additional channel for shareholders' voice and the expression of dissatisfaction because it is an explicit vote of confidence and it is the only mandatory mechanism that regularly allows all shareholders to directly and publicly express their opinions of executive compensation with the purpose to improve corporate governance efficiency (Conyon, Sadler, 2010).

However, to date, most of research so far focuses on consequences of say on pay (Stathopoulos, Voulgaris, 2015). On one side, the supporters of say on pay affirm that this tool will encourage more effective monitoring, and therefore promote corporate transparency; others emphasize that could lead to situations of complicity between shareholders and board, with not optimal wage agreements and an increase in agency costs. The whole would be to the detriment of corporate disclosure. So, the impact of say on pay on executive compensation is nevertheless ambiguous (Kronlund, Sandy, 2015) and most of literature addresses the question of how effective say on pay regulation alters the pay setting process in aligning executive and shareholder interests (e.g., Conyon, Sadler, 2010; Armstrong et al., 2013; Ferri, Maber, 2013). To reconcile our theoretical understanding of the corporate governance role of shareholder voting, this study develops an alternative understanding of the corporate governance role of shareholder voting. Rather than understanding shareholder voting (say on pay activism) in instrumental terms in which its effectiveness depends on the ability to change executive compensation, we explore which variables can influence the direction of the vote. We aim to answer the following research questions: "what are the firm-specific factors and corporate governance factors, at a national level, that facilitate the voting dissent (or say on pay activism) on remuneration policies?" and in particular: "can the ownership concentration, board structure and CEO Pay facilitate the voting dissent?"

As other authors have done (Thomas, Van der Elst, 2013), voting procedures are affected by ownership concentration, the degree of social tolerance toward income inequality, and certain

political influences in different countries.

We also support that the theory of path-dependence (Bebchuk, Roe, 1999; Esposito De Falco, 2014), may have effects in terms of variables that could influence the shareholder voting (say on pay activism).

First, this is confirmed by the evidence that corporate governance mechanisms are not equally effective. Second, different capitalist systems shape the relations between the firm and its stakeholders in distinct ways (Sauerwald et al., 2015).

Despite of an extensive theoretical interest in relationship between shareholder voting and corporate governance, little empirical work has been done to assess the determinant of voting dissent in a comparative study. Considering this evidence and according with Thomas and Van der Elst (2013), who argue that the justification leading to the adoption of these standards is due to "the prevailing share ownership structure of corporations in the country in question" and highlight differences for countries with dispersed or concentrated ownership structures, the aim of this paper is to identify the variables that determine the dissent in remuneration policies and to verify whether these variables differ according to the context. The empirical analysis is conducted on a sample of companies belonging to the Italian context, for insider system, and American and Australian, for outsider system, observed in a period between 2012 and 2014. This paper is related to other recent studies that seek to examine the relationship between executive compensation and shareholder activism. It also seeks to bridge the gap relating to determiners (and not the consequences) of the shareholder voting in the form of say on pay voting. In this way, it aims to contribute to the topic of shareholder activism, in particular, say on pay activism, where is not clear what are the drivers that encourage people to express dissent. Second, we contribute to the comparative corporate governance literature by investigating variables related to context of analysis and this would enhance both our understanding of corporate governance mechanisms and the role of regulation in enhancing their effectiveness. The remainder of this paper is organized as follows. Section 2 discusses literature review of the voting dissent and say on pay. Section 3 develops the hypotheses. Research design and sample and variables selection are discussed in Section 4. Section 5 discusses the empirical results. Section 6 presents the conclusions of the paper.

2. LITERATURE REVIEW

The topic of corporate activism has suffered a development related to the different perspectives from which to study the shareholder engagement. The academic literature surrounding this topic can be roughly divided into three strands: antecedents, processes, outcomes (Goranova, Ryan, 2014). This article is in the tradition of the first strand of research, more specifically determinants of the shareholder vote only on executive pay. At the heart of this dimension, we must necessarily identify the key actors, such as individual investors, public pension funds, religious groups, social activists, labor union funds, private pension funds, mutual funds, and hedge funds, which may raise both financial and social issues (O'Rourke, 2003).

Among the financial activities literature, it was mostly concentrated executive compensation (Cai, Walkling, 2011; Ertimur et al., 2011). Although researchers have long focused their attention to situations in which is possible to find a greater or lesser dissenting shareholders, no more has been said about what are the factors that could facilitate (driving) the say on pay activism (Edelman et al., 2014; Armstrong et al., 2013; Del Guercio et al., 2008).

In fact, many authors have analyzed the situations in which is possible to observe the shareholder activism, such as voice through shareholder votes. For example, some argue that companies with better operational performance tend to be less attractive to activists or activism is more likely to target firms whose stock market performance is suboptimal (Ertimur et al., 2011; Renneboog, Szilagyi, 2011).

Sauerwald et al., (2015) analyze the degree and nature of the dissent of shareholders, on a sample of 12,513 proposals voted in 717 companies listed on the main lists of 15 countries of Western Europe. The study relates the dissent of shareholders with a range of factors, including: i) the presence of blockholder inside shareholder, assuming a negative correlation with dissent; ii) the total number of directors within the board, assuming a positive correlation with dissent; iii) equity-based CEO pay, assuming a negative bond.

Hillman et al., (2011), adopting a multi-level approach, analyze dissent in cases of election or renewal of the role of director of 500 candidates of companies belonging to the Fortune 2000. This multilevel perspective is consistent with Bebchuk's (2007), for which shareholders may withholding votes for two reasons or because unhappy of the entire board or because they are not satisfied with the individual directors. In this perspective, the authors suggest that dissent (votes withheld) is related to firm and director level. At the firm level, they find that CEO compensation level and board size are positively related to the withholding of shareholder votes in director elections, an indicative behavior of shareholder discontent. At the director level, they find that affiliated director status, tenure, and number of outside directorships are positively related and director block ownership is negatively related to shareholder discontent.

Although Cziraki et al., (2010) pose greater attention to the role of the recommendations issued by proxy advisors, they show that dissent is related to the changes of the Board of Directors, the remuneration perceived by the executive directors and the firm capitalization.

In addition to these issues, even national context plays an important role (Aguilera, Jackson, 2003; Zattoni, Cuomo, 2008) and may influence shareholder activism. Judge et al., (2010) study three common law countries (USA, UK and Australia) and three civil law countries (Japan, Germany, and South Korea) during a period between 2003 and 2007. They show that the size of the business is not related to activism in financial key, but positively correlated to social activism; the concentration of ownership is negatively correlated both to financial and social activism; and profitability is negatively correlated to financial activism, but positively correlated to social activism. Furthermore, these

relations in case of financial activism are generally stronger in the legal systems of common law array, while the case of social activism is generally stronger in areas with a higher level of inequality of remuneration.

Melis et al., (2015) analyse the disclosure of directors' remuneration in Italian and UK listed firms. They consider as the dependent variable the VDI (Voluntary Disclosure Index) and find a positive correlation with the shareholders' dissent. Generally, they find that the level of voluntary disclosure is significantly associated with firm-specific incentives, such as the demand for information from investors and the need for legitimacy. This level of voluntary disclosure is significantly higher in the UK than in Italy.

As stated above, the empirical analysis on the say on pay activism is growing and few studies investigate the determinants of the shareholder vote on executive pay (Cotter et al., 2013; Conyon, Sadler 2010; Larcker et al., 2015). Foghani et al., (2015) point out, in the Australian context, the connection between dissent and variables concerning the nature of the remuneration, the composition of the board, the degree of independence, ownership concentration and performance values. They find that a change in CEO total remuneration is positively and significantly associated with a change in the shareholder dissent level in the year following the "first strike".

For the Italian context, we highlight the research done by Belcredi et al., (2014). This study is the first to investigate the role of the Say on pay in Italy⁶. They analyze how dissent is linked to multiple variables related to the ownership and control structure, the board composition, institutional investors activism, the level and the structure of remuneration and the level of remuneration policy disclosure. They find that dissent is higher in widely held firms and negatively correlated with the equity stake held by the largest shareholder. While dissent is positively correlated with CEO remuneration.

Gregory-Smith et al., (2014) find that executive remuneration and dissent on the remuneration committee report are positively correlated, using the population of non-investment trust companies in the FTSE 350 over the period 2003–12. Furthermore, they saw that: i) voting dissent is lower when shareholder returns in the previous financial year were high; ii) firm-specific governance factors (the percentage of directors, the number of executive and non-executive directors, the size of the firm as measured by sales) appear to have limited impact on dissent.

Conyon and Sadler (2010) find that dissent is higher in firms with high CEOs pay and as a result, they find little evidence that dissent alters the level and design of remuneration packages. Cotter et al., (2013) identify a positive relation between percentage vote on say on pay frequency and excessive pay practices, poor performance, and negative recommendations from proxy advisors.

Kimbro and Xu (2015) examine the results of

the shareholder vote on executive remuneration during 2011 and 2012 for listed companies included in the Russell 3000 index. They find that the percent of approval say on pay votes is associated with firms with lower market capitalization, lower leverage, lower return volatility, higher CEO ownership, lower institutional ownership, a for Institutional Shareholder Services vote recommendation, higher returns and higher ROA.

3. HYPOTHESIS DEVELOPMENT

On the basis of the literature reported and the research question, our further research hypothesis are developed on the basis that we can distinguish insider and outsider system. In fact, the corporate governance systems are the result of a complex process of interaction between business and the specific political and institutional context in which they do business, environment permeated by norms, customs, traditions, but also by cultural values, social, political, and demands that are affecting the development of enterprises. These differences were found on different aspects, such as ownership, CEO pay, shareholder value or generally capitalist system (Yoshikawa et al., 2014; Desender et al., 2013; van Essen et al., 2013; Edelman, 1992).

So, we argue that the voting dissent may depend on the particular capitalist system (and the related corporate governance system) in a country. Hence:

Ownership. Ownership structure is the most important factor of corporate governance (Kostyuk, 2011). The ownership structure is different across countries, with dispersed ownership prevailing in the Anglo-Saxon country, and a more prevalent concentrated ownership in Continental Europe (La Porta, et al, 1999;). According to the literature, higher dissent on the remuneration policy is expected where ownership is dispersed (Ertimur, et al., 2011; Ertimur et al., 2013). We therefore formulate our hypothesis as follows:

H1: Shareholder voting dissent is negatively correlated to the ownership concentration.

Remuneration Committee. Board of directors is a crucial part of the corporate structure (Kostyuk, 2003) and it is the heart of corporate governance (Rossi et al., 2015). In order that it can perform a proper monitoring role must have appropriate size and composition. Even with reference to shareholder activism, this topic has long been debated since these are deemed that a more independent board may constrain agency problems. Normally, it is taken into consideration the board size equals the number of directors serving on the board, but we believe that in the event of remuneration policies, assumes greater importance the remuneration committee (Conyon, 2014) not only for its specific tasks (Hermanson et al., 2012; Kaplan et al., 2015) but also for effectiveness on the voluntary disclosure of information relating to executive remuneration action (Kanapathipillai et al., 2015), thus becoming an important key corporate governance mechanism. We therefore formulate our hypothesis as follows:

H2: Shareholder voting dissent is positive correlated to the size of the remuneration committee.

6 Belcredi et al., (2015) remarking their attention on the Italian context, observe how in Italy dissent on say on pay attests at low levels (values still in line with other industrialized countries), and largely look like dissent by institutional investors is surprisingly high. At this level it is also confirmed the strong relationship between the behavior of shareholders, dates from proxy advisor recommendations, saying that they do not suffer the vote in a passive way.

CEO Remuneration. The level and structure of CEO pay compensation has received considerable attention from researchers in accounting, economics, finance, law, and management. Dissent may also be correlated to CEO remuneration structure (Sauerwald et al., 2015) and with reference to say on pay most of the literature found that companies with high executive pay were more likely to attract greater shareholder dissent (Conyon, Sadler, 2010; Ferri, Maber, 2013). We therefore formulate our hypothesis as follows:

H3a: Shareholder voting dissent is positive correlated to fixed remuneration CEO.

H3b: Shareholder voting dissent is positive correlated to variable remuneration CEO.

4. RESEARCH DESIGN AND METHODOLOGY

We conducted an empirical analysis of the influence of several important factors that could explain the differences in shareholder voting patterns across various countries. We focused on the relationship between voting dissent and ownership concentration, remuneration committee, CEO pay (fixed and variable) because they were identified as

important factors by literature and by the ISS in describing what seemed to influence shareholder say on pay voting.

To conduct our empirical study, we have collected a sample of 120 firms of three different contexts (Italy, Australia and USA) observed in a period of three years, between 2012 and 2014. In detail, the choice of these contexts is due to the fact that they are representative of different governance models, such as the Latin model and Anglo-Saxon model. Furthermore, all considered contexts apply non-mandatory Say on Pay. For this reason, as shown later, for the Italian context we have excluded financial companies which adopt a mandatory Say on Pay. About the methodology adopted, we used a panel cross-country analysis, focused on evolution of historical data across different countries. In this way we would like to observe how different effects on voting dissent could be highlighted by the observation of the phenomena.

4.1. Variables

All variables are as defined in Table 1, as follows.

Table 1. Description of variables

Variable Name	Label	Variable Definition
Dependent Variable		
<i>Percentage of Shareholder dissent</i>	<i>Voting_Dissent</i>	It concerns the percentage of dissent registered during the AGM for remuneration report vote. We measure it as the percentage of "NO" vote of the shareholder present during the vote.
Independent Variables		
<i>Logarithm of fixed remuneration of CEO</i>	<i>LN_FIX_REM</i>	It concerns the logarithm of the amount of fixed remuneration reported in Remuneration Report. We measure it as the total amount of fixed compensation of the CEO.
<i>Logarithm of variable remuneration of CEO</i>	<i>LN_VAR_REM</i>	It concerns the logarithm of the amount of total variable remuneration reported in Remuneration Report. We measure it as the total amount of variable components of compensation for the CEO (bonuses, stock option, benefits etc.)
<i>First Top 10 Shareholders</i>	<i>TOP_10_OWN</i>	It measures the percentage of the quote kept by the firsts ten shareholders. We concern it as the expression of the concentration of ownership.
<i>Number of the members inside the Remuneration Committee</i>	<i>SIZE_REM_COMMITTEE</i>	It measures the number of persons who has the role of member of Remuneration Committee. We concern it as a variable that expresses a kind of information about the composition of the board.
Control Variables		
<i>Quick ratio</i>	<i>QUICK_RATIO</i>	It measures a company's ability to meet its short-term obligations with its most liquid assets. The ratio excludes inventories from current assets, and is calculated as follows: $Quick\ ratio = (current\ assets - inventories) / current\ liabilities,$ or $= (cash\ and\ equivalents + marketable\ securities + accounts\ receivable) / current\ liabilities$
<i>Current ratio</i>	<i>CURRENT_RATIO</i>	It measures a company's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the total assets of a company (both liquid and illiquid) relative to that company's total liabilities. We calculate it as follows: $Current\ Ratio = Current\ Assets / Current\ Liabilities$

Dependent variables is voting dissent as the shareholder voting activism, defined as all shareholder votes cast against the recommendations of management at shareholder meetings. Independent variables are ownership concentration (Top_10_Own), size of remuneration committee (Size_rem_committee), fixed and variable remuneration CEO (Ln_fix_rem and Ln_var_rem). As control variables, we use liquidity ratios (Current ratio and Quick ratio) for two reasons. First, empirical evidence shows a relationship between stock liquidity and CEO pay and pay-for-performance sensitivity (Jayaraman, Milbourn, 2011). Secondly, the relation between corporate governance and liquidity is important because it could understand how corporate governance affects

shareholder wealth (Yun, 2009) and as a result we believe that can also influence voting of shareholders.

4.2. Data

Our sample is based on a database compiled by *Bloomberg Professional*, *Thomson Reuters Datastream Professional*, *Bankscope Bureau Van Djck*; with particular attention about to data relating to the remuneration and composition of corporate governance, if do not inferable from previous databases, they were extrapolated from *BoardEx Data e S&P Capital IQ ExecuComp (from Compustat) - McGraw Hill Financial*.

Table 2. Sample characteristics

Sector	Italy		United States		Australia		Total	
	Number	%	Number	%	Number	%	Number	%
Utilities	5	12,50%	0	0,00%	2	4,00%	7	5,80%
Industrials	4	10,00%	4	13,30%	5	10,00%	13	10,80%
Consumer Discretionary	10	25,00%	3	10,00%	1	2,00%	14	11,70%
Financials	13	32,50%	5	16,70%	21	42,00%	39	32,50%
Materials	2	5,00%	2	6,70%	8	16,00%	12	10,00%
Health Care	0	0,00%	4	13,30%	2	4,00%	6	5,00%
Consumer Staples	1	2,50%	3	10,00%	2	4,00%	6	5,00%
Energy	2	5,00%	2	6,70%	5	10,00%	9	7,50%
Communications	2	5,00%	3	10,00%	1	2,00%	6	5,00%
Technology	1	2,50%	4	13,30%	3	6,00%	8	6,70%
Total	40	100,00%	30	100,00%	50	100,00%	120	100,00%

The sample consists of 120 companies concerned the main stock market of Italy (FTSE Mib 40), USA (Dow Jones 30) and Australia (ASX 50). Table 2 shows us the composition of the industry.

Therefore, papers using panel data were chosen in this study to investigate the interrelations between the selected variables, as following⁷:

$$VotingDissent_{i,t} = \alpha + \beta_1 Top10_Own_{i,t} + \beta_2 Size_rem_commiteei_{i,t} + \beta_3 LN_fix_remi_{i,t} + \beta_4 LN_var_remi_{i,t} + \beta_5 Quick_ratioi_{i,t} + \beta_6 Current_ratioi_{i,t} + \epsilon_{i,t}$$

5. RESULTS AND DISCUSSION

Figure 1, 2 and 3 present descriptive statistics for each country.

The descriptive statistics show that the voting dissent appears, on average, higher in the Italian context. While the lowest value is registered in the Australian context. Figure 4, 5 and 6 provide the results of our analysis about the determinants of voting dissent.

As seen in figures reported above, the results

are different depending upon the context of analysis.

In Italian context (Figure 4) the results show evidence of a relation between voting dissent and ownership concentration and variable remuneration of CEO. In the Australian context, any variable is not significant, while in the American context only the variable remuneration is related to voting dissent.

In detail, in the Italian context a negative and significant coefficient on Top10_Own (= -0.58; p = 0.001) suggests that an increase of ownership concentration is associated with a decrease in shareholders' dissents. These results are consistent with H1. Also, the variable remuneration has a negative and significant coefficient (= -1,10; p= 0.03) and this result is not consistent with H3b. While hypothesis H2 and H3a cannot find a validation of the model. However, in the Australian context the insignificance of the considered variables may depend upon the existence of "two strikes rule". In fact in the Australian context, different from other contexts, this rule is adopted: if 25 percent or more of eligible votes are against the remuneration report, the firm receives a "strike" and if the firm receives a strike during two consecutive AGMs, the company proceeds with the vote for the reelection of the board. It seems that in Australia, the opportunity to

⁷ We use the random effect model because it passes two tests (Breush-Pagan LM, and Hausmann chi square). Statistical software adopted: Gretl v. 2016a

express dissent is an attempt made by shareholders in order to put in the hands of the current activist company that follows from it: this activism in fact takes into consideration, and observes carefully, more "what the company has done" than "how much the company is paying for management". In this way, the Say on pay becomes an explicit attempt to realign the interests of management with those of shareholders, who wants to be conscious of

management activity undertaken by the company in which they have invested their own money. Finally, in the American context, only the variable remuneration is positively correlated with voting dissent (= 5.13; p = 0.008). This result shows that increasing the variable remuneration increases also the dissent of shareholders. These results are consistent with H3b. While we cannot validate the other assumptions.

Figure 1. Descriptive statistics for Italy

<i>Variables</i>	<i>Mean</i>	<i>Median</i>	<i>Min</i>	<i>Max</i>	<i>Dev. Std.</i>
<i>Voting Dissent</i>	35,3378	32,5600	12,3100	66,8200	11,8958
<i>LN_FIX_REM</i>	13,7927	13,8734	10,3189	15,0344	0,922822
<i>LN_VAR_REM</i>	13,5607	13,9683	8,51719	17,0356	1,74249
<i>TOP_10_OWN</i>	48,1728	48,9550	10,8600	76,2100	19,0580
<i>SIZE_REM_COM MITTEE</i>	3,54701	3,00000	0,00000	6,00000	1,11026
<i>QUICK_RATIO</i>	1,01012				0,580636
<i>CURRENT_RATIO</i>	1,47108	1,30000	0,510000	5,54000	0,819265

Figure 2. Descriptive statistics for Australia

<i>Variables</i>	<i>Mean</i>	<i>Median</i>	<i>Min</i>	<i>Max</i>	<i>Dev. Std.</i>
<i>Voting Dissent</i>	5,64142	3,229	0,358001	44,87	6,55774
<i>LN_FIX_REM</i>	14,5031	14,529	13,2057	15,4078	0,356561
<i>LN_VAR_REM</i>	14,1959	14,2244	12,8954	15,7959	0,467498
<i>TOP_10_OWN</i>	34,684	31,08	14,84	77,62	15,8655
<i>SIZE_REM_COMMITTEE</i>	4	4	0	7	1,02762
<i>QUICK_RATIO</i>	0,758854	0,647307	0,152108	1,97168	0,419165
<i>CURRENT_RATIO</i>	1,50604	1,19342	0,364681	10,2888	1,38088

Figure 3. Descriptive statistics for USA

<i>Variables</i>	<i>Mean</i>	<i>Median</i>	<i>Min</i>	<i>Max</i>	<i>Dev. Std.</i>
<i>Voting Dissent</i>	11,0685	5,615	0,44	99,26	17,4631
<i>LN_FIX_REM</i>	14,1391	14,221	12,941	14,8688	0,384808
<i>LN_VAR_REM</i>	16,5121	16,5444	12,7814	17,5996	0,690169
<i>TOP_10_OWN</i>	31,8389	30,99	20,93	67,54	9,39035
<i>SIZE_REM_COMMITTEE</i>	4,4023	4	3	10	1,21483
<i>QUICK_RATIO</i>	1,19423	1,01	0,2	3,4	0,737533
<i>CURRENT_RATIO</i>	1,59821	1,415	0,66	3,49	0,70368

The descriptive statistics show that the voting dissent appears, on average, higher in the Italian context. While the lowest value is registered in the

Australian context. Figure 4, 5 and 6 provide the results of our analysis about the determinants of voting dissent.

Figure 4. Panel data regression results - Italian context

	<i>Coefficient</i>	<i>Standard error</i>	<i>t-ratio</i>	<i>p-value</i>	<i>Sign</i>
<i>const</i>	77,8141	26,5339	2,9326	0,0047	***
<i>LN_FIX_REM</i>	0,969039	1,79222	0,5407	0,5907	
<i>LN_VAR_REM</i>	-1,10737	0,498243	-2,2225	0,03	**
<i>TOP_10_OWN</i>	-0,585344	0,0771939	-7,5828	<0,0001	***
<i>SIZE_REM_COMMITTEE</i>	-2,32485	1,49911	-1,5508	0,1261	
<i>QUICK_RATIO</i>	6,84902	3,40216	2,0131	0,0485	**
<i>CURRENT_RATIO</i>	-6,86359	2,7271	-2,5168	0,0145	**

Figure 5. Panel data regression results - Australian context

	<i>Coefficient</i>	<i>Standard error</i>	<i>t-ratio</i>	<i>p-value</i>	<i>Sign</i>
<i>const</i>	6,01837	48,8782	0,1231	0,9024	
<i>LN_FIX_REM</i>	0,578564	3,29819	0,1754	0,8613	
<i>LN_VAR_REM</i>	-0,839829	1,89141	-0,444	0,6585	
<i>TOP_10_OWN</i>	0,0404821	0,0780747	0,5185	0,6059	
<i>SIZE_REM_COMMITTEE</i>	0,663745	0,899403	0,738	0,4632	
<i>QUICK_RATIO</i>	-0,851677	2,21294	-0,3849	0,7016	
<i>CURRENT_RATIO</i>	-0,220235	0,878123	-0,2508	0,8028	

Figure 6. Panel data regression results - American context

	<i>Coefficient</i>	<i>Standard error</i>	<i>t-ratio</i>	<i>p-value</i>	<i>Sign</i>
<i>const</i>	127,837	115,51	1,1067	0,2747	
<i>LN_FIX_REM</i>	-12,2982	9,00583	-1,3656	0,1793	
<i>LN_VAR_REM</i>	5,31819	1,9168	2,7745	0,0082	***
<i>TOP_10_OWN</i>	-0,273065	0,285706	-0,9558	0,3447	
<i>SIZE_REM_COMMITTEE</i>	-2,0087	1,55737	-1,2898	0,2042	
<i>QUICK_RATIO</i>	12,6447	6,34781	1,992	0,0529	*
<i>CURRENT_RATIO</i>	-17,9637	7,29138	-2,4637	0,0179	**

As seen in figures reported above, the results are different depending upon the context of analysis.

In Italian context (Figure 4) the results show evidence of a relation between voting dissent and ownership concentration and variable remuneration of CEO. In the Australian context, any variable is not significant, while in the American context only the variable remuneration is related to voting dissent.

In detail, in the Italian context a negative and

significant coefficient on Top10_Own (= -0.58; p = 0.001) suggests that an increase of ownership concentration is associated with a decrease in shareholders' dissents. These results are consistent with H1. Also, the variable remuneration has a negative and significant coefficient (= -1,10; p= 0.03) and this result is not consistent with H3b. While hypothesis H2 and H3a cannot find a validation of the model. However, in the Australian context the insignificance of the considered variables may

depend upon the existence of "two strikes rule". In fact in the Australian context, different from other contexts, this rule is adopted: if 25 percent or more of eligible votes are against the remuneration report, the firm receives a "strike" and if the firm receives a strike during two consecutive AGMs, the company proceeds with the vote for the reelection of the board. It seems that in Australia, the opportunity to express dissent is an attempt made by shareholders in order to put in the hands of the current activist company that follows from it: this activism in fact takes into consideration, and observes carefully, more "what the company has done" than "how much the company is paying for management". In this way, the Say on pay becomes an explicit attempt to realign the interests of management with those of shareholders, who wants to be conscious of management activity undertaken by the company in which they have invested their own money. Finally, in the American context, only the variable remuneration is positively correlated with voting dissent ($= 5.13$; $p = 0.008$). This result shows that increasing the variable remuneration increases also the dissent of shareholders. These results are consistent with H3b. While we can not validate the other assumptions.

In sum, H1 is supported for Italian context and not supported for the other contexts, H2 is not supported, while H3b is supported for American context.

The results confirm that the variables that might influence voting dissent vary depending upon the context and so this study contributes to the research that argues "how performance effects of corporate boards, ownership concentration, and executive incentives may differ according to the legal system and institutional characteristics in a specific country" (Filatotchev et al., 2013). This has important implications because governance reforms that work well in one context, might not be as effective in another context (Schiehll et al., 2014). We emphasize, in particular, as the dissent is extremely low in the Australian context, although the possibility for shareholders to deeply affect the board, with the rule of two-strike. In this way we contribute to corporate governance research by reporting evidence that suggests say on pay voting may be ineffective (Ferri, Maber, 2013) and even neutralizes the firm specific variables and governance. Such a result would strengthen the claims of Levit and Malenko (2011), which not only non-binding shareholder votes to generally fail to convey shareholder preferences, but the two strikes rule would nullify the effect of other variables.

In contexts where this rule is not in force and where there is a non-mandatory vote we can make the following considerations. First, it can be observed in relation to dissent a low importance of the remuneration committee. This variable that has an average value ranging from 3.4 in the Italian context, to 4.4 in an American context, is not significant in any context. This result deserves to be further developed not only with reference to the number but also in the specific activities carried out, in terms of disclosure. Secondly, the only variable that can affect the degree of dissent is the variable remuneration. Therefore, it would confirm the empirical evidence of a relationship between dissent and CEO pay. The positive coefficient found in the

American context is in line with previous literature (Carter, Zamora, 2009; Conyon, Sadler, 2010), which shows that shareholder dissent is associated with excess pay. The negative coefficient found in the Italian context, is not consistent with the results of Belcredi et al., (2014) where it is positive. However in the work of Belcredi et al., excess compensation is not relevant because it is not significant if firm size (control variable) is included in the analysis. Finally, the significance of the Top_10_Own variable is consistent with prior literature, especially for firms with high ownership concentration (Conyon and Sadler, 2010) and the Italian context is known for the high ownership concentration: also the average value of our results confirms it (48.17 for Italy vs 34.68 for Australia or 31.83 for USA).

CONCLUSION

In this paper, we wanted to contribute to literature on Say on Pay and in particular "say on pay activism". We look at the determinants of dissent by considering a wide range of possible regressors that allow us to evaluate how dissent is linked to multiple variables related to the ownership structure, the board composition, the level and the structure of remuneration in a different country. We analyzed a sample of 120 firms for a period 2012-2014 and we investigated which factors can influence the voting dissent on three different contexts, one insider system (Italy) and two systems outsider (Australia, USA). We investigated whether shareholders' dissent vote on the remuneration report may depend by firm factors and corporate governance factors in a specific country. Our findings shed light on the way some characteristics of corporate governance influence voting dissent. We have found that, depending upon the context, the dissent is related to different variables. Specifically, the ownership concentration is negatively correlated to dissent in an insider system context, like the Italian one. The variable remuneration is positively correlated in an outsider contest system, like the American one. We also found that any variables used in the Australian context are not significant: this singular result could depend upon the existence of two strikes rule that would neutralize the other variables. This last result is definitely an interesting one. First it reveals how Australia is an interesting country for the effects of reforms of corporate governance. Second, a principle that strengthens "say on pay" lends itself open to interpretations by the firms and outcomes can be extremely varied and problematic. The implications of these findings are that a legislature should focus its attention on measures likely to secure a greater voting dissent because "not always by the same recipe comes the same dish" as indicated by the findings of this study (i.e the emphasis on strong ownership concentration and structure of remuneration).

In conclusion, the results show the importance to understand what factors facilitate dissent in various institutional contexts, as suggested by Schiehll et al., (2014) for other corporate governance factors. In fact, corporate governance cannot be studied in isolation from legislation, culture and institutional contexts (Young, 2009). This paper illustrates this crucial perspective in say on pay activism. Our study contains a number of potential

limitations. First, it covers the period of analysis and sample. Future researches should expand the sample and see if in other contexts, both insider and outsider, the results are consistent. Second, our study has only begun the process of understanding which variables can influence voting dissent. Our attention has been paid only on some variables of interest related to ownership concentration, board composition and remuneration, but understanding each variable can have implications on Say on pay activism, it is a significant task for future research.

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