

Australia's Say on Pay: The long-run Impact of the 'first-strike' on the Pay-Performance Relation

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Australia has introduced the 'two-strikes' rule in 2011 to improve accountability of CEO pay. This paper investigates the long-run impact of the incidence of receiving the 'first-strike' on the pay-performance link. Using sensitivity analysis, we find a significant negative relationship between changes in the CEO pay and changes in the shareholder wealth in the five-year period following the 'first-strike'. Our results suggest that the "two-strike" rule may have had the unintended consequence of decreasing the total of CEO compensation, rather than improving the pay-performance relation in the long run.

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