Track: Finance, accounting and corporate governance

An empirical investigation of disclosure practices of foreign multinational corporations in Australia

Abstract

Firms face disadvantages when they operate in foreign markets. Multinational corporations (MNCs) address disadvantages of foreignness by imitating local firms. This research examines whether MNC-subsidiaries are embedded into the local institutional context and the extent to which these subsidiaries respond to local laws and standards of disclosure of director and executive remuneration in host country. The empirical analysis examined the hypothesis that globalized firms are less likely to respond to increased disclosure requirements needed to address a higher level of information asymmetry. The analysis of disclosure level of MNC-subsidiaries vis-à-vis domestic firms suggests that, other things being equal, MNCs are less responsive to increased disclosure requirements than their local counterparts in Australia unless they have substantial interactions with domestic product-markets. These results demonstrate that MNCs are willing to incur the marginal cost of increasing disclosure if the benefits of increasing disclosure level justify it: that is, a clear presence of demand for information from product-markets. Another interesting finding relates to the negative association between legal system type (common law) of MNC's parent country and disclosure level of director and executive remuneration.

Keywords: globalization; regulatory distance; disclosure level of director and executive remuneration; product-market interaction; and Australia.

Introduction

In a rapidly globalizing world economy, multinational corporations (MNCs) operate across a variety of institutional contexts involving different approaches to corporate governance and transparency (Bushman et al., 2004, Bushman & Smith, 2001, Hope, 2003b, Hope, 2003a, Kostova & Dacin, 2008, Salomon & Wu, 2012). International standards for governance and reporting are not well established and enforcement occurs largely by stock exchanges and/or national jurisdictions. While the MNC-parent entity is subject to its home country's corporate governance laws and codes, each affiliate of the MNC is typically a legal entity in its host country (Windsor, 2009). MNCs' governance structures and practices may therefore vary greatly across country subsidiaries due to different institutional environments. Also, MNCs have complex internal environments due to dualities in reporting structures and spatial complexities leading towards heightened agency problems (Windsor, 2009, Zaheer, 1995). Agency costs increase as task programmability and behaviour verifiability become more difficult (Eisenhardt, 1989). All of this further complicates the foreign operations of an MNC.

The purpose of this paper is to examine whether MNC-subsidiaries are embedded into the local institutional context and the extent to which these subsidiaries respond to local laws and standards of disclosure of director and executive remuneration in host country. Corporate disclosure is an important monitoring mechanism that allows investors to monitor firm performance (Bushman & Smith, 2001). A set of hypotheses on how the factors of multi-nationality, globalization and regulatory (institutional) distance affect disclosure levels are derived by drawing on a theoretical discussion, and thereafter tested in an empirical framework. The results show that multi-nationality status is negatively associated with disclosure level of director and executive remuneration. Interestingly however, MNCs with greater resource dependence particularly regarding product markets of the host environment are associated with higher level of disclosure. Furthermore, the MNC-subsidiaries from distant regulatory system are more responsive to local regulatory and governance requirements.

This study advances recent theoretical debate in empirical context regarding neo-institutionalism, corporate governance and international business (Khanna et al., 2004, Kostova, 1999, Kostova & Dacin, 2008, Kostova & Zaheer, 1999, Zaheer, 1995). This study articulates the notion that foreign MNC-subsidiaries face conflicting institutional demands due to home and host operating environments as compared to domestic firms. These spatial complexities can hinder their efforts to embed and respond to local institutional requirements and standards as is evident from the empirical analyses of this study. Foreign MNC-subsidiaries can be more responsive if these entities have greater liability of foreignness due to higher regulatory distance and higher resource dependency on the host country.

Research Background

Some developed economies in the OECD – homes to the major global corporations are facing serious challenges in their existing corporate governance systems, which allegedly contributed to the corporate collapses and global financial crisis. The magnitude of this crisis can be seen in the context of unemployment statistics in the world's largest economy, the United States of America (USA). Even in the aftermath of this crisis, tax payers' moneys (the so-called bail-out packages) were allegedly being utilised to pay performance-based cash bonuses to corporate and Wall Street executives (Donmoyer & Litvan, 2009).

The OECD states in its report that the global financial crisis indicates corporate governance failures at the level of individual firms; however it also notes that there exists major differences at the national level among the OECD member countries (OECD, 2009). Australia's experience of the global financial crisis is vastly different from other member countries: despite some dramatic local impacts, Australia found itself uniquely positioned to recover rapidly within a short period of time. There is a view that Australia's strong and robust corporate governance system was a rallying force in weathering the storm and a source of leadership in the OECD (OECD, 2009, Bell, 2009).

Australia's national system of corporate governance underwent epochal reforms at the turn of the 20th century in the wake of a series of corporate collapses (Bell, 2009). Increased disclosure requirements were initiated through a mixed regulatory framework that comprised of Corporate Law Economic Reform Program (CLERP) Act 2004 or commonly known as CLERP 9 and Principles of Good Corporate Governance Practice and Best Practice Recommendations issued by the Corporate Governance Council of Australian Securities Exchange (ASX) in 2002. Beyond Australia, governments worldwide have intervened to ensure greater accountability and transparency relating to executive remuneration governance (Sheehan, 2009). However, it is by no means clear whether higher standards of disclosure in Australia have been effective in bringing about better disclosure in MNCs vis-à-vis domestic firms.

Theory and Hypotheses

Agency theory asserts that managers as agents may pursue their own interests at the expense of shareholders or principals (Jensen & Meckling, 1976: 308). Agency conflict arises when an agent engages in a self-serving behaviour or shirks responsibilities by exploiting firm resources including time for personal use. Lack of perfect contracting and observation of each and every action of agent by principal permit agents to engage in a bait-and-switch ploy, regulatory non-compliance, or shirking responsibility – scenarios of a moral hazard problem (Eisenhardt, 1989: 59-60, Husted, 2007: 181). In the presence of incomplete information, the agent is aware of his behaviour but principal is not (Eisenhardt, 1989, Gomez-Mejia & Balkin, 1992: 923). Inherent information-asymmetries between the principal and agent regarding remuneration subvert the concept of interest alignment and functioning of the market for corporate control. Information asymmetries, eventually, give rise to a situation of moral hazard.

For multinational firms, the monitoring of agent performance and activities become more difficult not only due to the failure of interest alignment efforts but because of spatial complexities (Windsor, 2009, Zaheer, 1995). Increased reliance on foreign customers and factors of production boosts the specialised knowledge of subsidiary managers by strengthening their insider advantage over principals. For multinational operations, the information asymmetry problems can further escalate due to agency relationships between executives of the subsidiary and parent firm (Luo, 2005). Due to these distinctive and dual agency conflicts, greater levels of globalization tend to be associated with higher levels of information asymmetry problems.

Corporate disclosure is an important monitoring mechanism that allows parent firms or investors to monitor firm performance and contractual commitments (Bushman & Smith, 2001). With respect to director and executive remuneration, it is argued that a complete and detailed disclosure should at least equip the principal or parent firm to monitor the pay-setting process and verify whether agent compensation is effectively aligned with the interest of principal or not (Thévenoz & Bahar, 2007: 19). Especially, *ex-post* disclosure of performance based remuneration would empower the principal to decide about the continuation of business with a controversial fiduciary in future. In other words, disclosure of remuneration information would reduce the problem of information asymmetry.

Disclosure Level of Director and Executive Remuneration of Foreign MNC-subsidiaries vis-à-vis Domestic Firms

A multinational enterprise can be viewed as a single organization that operates in a global environment, with a need to coordinate its far-flung operations. It can also be viewed as a set of organizations of affiliates that operate in distinct national environments

(Rosenzweig & SinghSource, 1991). Ghoshal and Bartlett (1990) defined MNCs as entities with an array of geographically dispersed subunits, often with incongruent goals. Subsidiaries can be viewed as inter-organisational networks, which interact with networks of regulators, customers, suppliers and partners both at national and international levels. The subsidiary manager has to confront two conflicting pressures – local responsiveness and global integration (Alpay et al., 2005: 71, Ghoshal & Bartlett, 1990). On the one hand, subsidiaries have to adhere to laws, values and norms and tailor a locally responsive system of corporate governance in the host country (Kim et al., 2005). On the other, subsidiaries of foreign MNCs have to maintain internal consistency by establishing similar governance structures and mechanisms as a subpart of the larger organisation, the parent MNC. In other words, if subsidiaries of MNCs face pressures to adapt to the institutional demands of host countries, they also face pressures for consistency with other subunits of the MNC (Rosenzweig & SinghSource, 1991).

The abovementioned pressures are due to two types of institutional environments that are faced by MNC-subsidiaries (Kostova & Zaheer, 1999: 68). First, is the host country institutional environment that compels for local responsiveness (Ghoshal & Bartlett, 1990, Kostova & Zaheer, 1999). MNC-subsidiaries can establish locally responsive governance arrangements to gain external legitimacy. However, the efforts aimed for gaining external legitimacy can be in conflict with the pressures for internal legitimacy. The internal legitimacy requires MNCs to conform to the governance requirements of the parent company and other peer entities due to its strategic interdependency. These conflicting demands due to diverse, non-monolithic and fragmented institutional contexts can undermine the efforts of MNC-subsidiaries for external legitimacy (Kostova & Dacin, 2008, Kostova & Zaheer, 1999).

The conflicting institutional pressures can make governance of MNCs more complicated. For instance, MNC-subsidiaries have a high degree of resource dependence on the MNC-parent, this interdependence increases the requirement for disclosure information to be tailored for the board of the MNC-parent, who can then monitor and control their subsidiary executives based on its own metrics of evaluation (Luo, 2005, Tushman & Nadler, 1978). On the other hand, dependence in the host country also increases the requirement for the board of the MNC-subsidiary to respond to host country pressures. Plausible contradictions between home and host country standards of corporate governance require MNC-subsidiaries to design information systems that fulfil the increased requirement of monitoring to address dualistic agency problems (Alpay et al., 2005, Luo, 2005). Given these conflicting pressures, it is likely that MNC-subsidiaries vis-à-vis domestic firms would be in difficult situation to craft better information systems which can assist them to address the unique information asymmetries due to the tension between external and internal legitimacy requirements (Riahi-Belkaoui, 2001, Cahan et al., 2005, Khanna et al., 2004, Luo, 2005, Meek et al., 1995). Thus we propose a negative relationship between multi-nationality status of the firm (the foreign MNC subsidiary) and disclosure level of director and executive remuneration.

H_1: Disclosure level of director and executive remuneration is negatively related with multi-nationality status of the firm.

Geographical Diversification and Disclosure Level of Director and Executive Remuneration

The extent of globalization as characterized by geographical diversification can be an important determinant of corporate governance in MNCs. For MNC-subsidiaries, the globalization experience can be an independent influence by itself on disclosure of information (Cahan et al., 2005, Luo, 2005: 37). As such, MNCs are complex to govern in comparison to domestic firms, and this complexity increases with the increase of their geographical diversification (Windsor, 2009). Geographical spread and diversity pose serious issues around variance in legal, normative, economic, non-market systems and institutions across different countries. This dispersion along with the insider advantage of agents makes monitoring and information processing more difficult and costly for company boards of foreign MNCs. The governance of foreign MNCs need superior mechanisms which not only address managerial and governance issues, but also manage agency problems linked with geographic dispersion of sales, assets and human resources caused due to spatial complexities (Sanders & Carpenter, 1998: 162). It would appear therefore that MNC subsidiaries would need to install suitable governance mechanisms that fulfils the increased requirement of monitoring and alleviate problems of information asymmetries (Alpay et al., 2005, Luo, 2005).

Bushman and Smith (2001: 240) argue that the examination of information disclosure of firms with multinational operations can indicate how these firms address information asymmetry problems while operating across the range of diverse and complex institutional environments of different host countries. The extent of geographical diversification is usually concerned with the number of countries in which subsidiaries operate. Geographical diversification can positively impact firm value by reducing risk, raising operational flexibility and in certain cases reducing taxes (Cahan et al., 2005: 75, Caves, 1971, Hines & Rice, 1994, Kogut, 1983, Rugman, 1986). The argument for diversification is similar to the idea presented by Markowitz (1959) who argues that if individuals desire to reduce the risk of their portfolios at the given level of risk then they should invest in those assets that have uncorrelated returns (Hennart, 2005: 78). Likewise, firms invest in such revenue-yielding assets (countries) which have uncorrelated returns. In this situation, the firm that generates profits in a greater number of countries may have more stable returns than a firm which yields its profits in a single country or a lesser number of countries. Geographical diversification can mitigate supply and demand constraints of one national market by balancing the peaks and troughs of a firm's revenue trends thereby resulting in higher firm value. In case of increased firm value and geographic diversification, there will be a rise in the demand for information to address the needs of different institutional environments (Hennart, 2005, Meek et al., 1995, Emmanuel & Gray, 1977).

On the other hand, geographical diversification can decrease firm value due to misalignment of interest between principals and agents (Cahan et al., 2005, Denis et al., 2002). As observed earlier, geographically diverse firms are more complex than their domestic counterparts and face additional agency conflicts. This complexity can make the monitoring of agent activities and performance relatively more difficult and costly, thereby resulting in higher agency costs (Denis et al., 2002). Furthermore, information asymmetry problems can mount because of the specialised knowledge the managers have about the subsidiaries' operations in comparison to MNC-parent executives. Thomas (2000) argues that investors generally underrate the foreign earnings due to lack of the understanding of firms' foreign operations and this underestimation is partially caused due to poor disclosure by geographically diverse firms. Geographically diverse firms also face intense tension between internal and external legitimacy requirements. Hope (2003a) finds that accuracy of analysts' forecasts were better for those firms who have disclosed more information. Better monitoring mechanisms developed through breadth of experience can facilitate the parent company board and top management to ensure better control on the activities of the CEOs of the subsidiaries who have an insider advantage due to their specialised knowledge of the host country operations. From the above discussion, it can be inferred that information asymmetries along with legitimacy tensions rise due to geographical diversification of operations. These agency pressures can increase the difficulties of MNC-subsidiaries regarding disclosing better level of information. In the context of disclosure level of director and executive remuneration, this study proposes a negative association between disclosure level and geographical diversification of operations.

H_2: Greater geographical diversification will be negatively associated with higher disclosure level of director and executive remuneration.

Regulatory Distance and Disclosure Level of Director and Executive Remuneration

In the international business literature, there is a consensus that MNC-subsidiaries face additional costs of doing business than their domestic counterparts due to institutional differences between host and home countries (Zaheer, 1995, Xu & Shenkar, 2002). These costs are prevalent due to institutional differences resulting in liability of foreignness (Zaheer, 1995, Eden & Miller, 2004). In the social context, Kostova (1999: 312) and Kostova and Zaheer (1999: 68) conceptualised these differences as *institutional distance*. The distance in institutional context can be further classified as regulative, normative and cultural-cognitive distances (Kostova, 1999, Salomon & Wu, 2012, Xu & Shenkar, 2002).

The liability of foreignness will surge due to the increase on any of the dimensions of institutional distance for a MNC-subsidiary. Higher institutional distance can impede the understanding of a foreign MNC-subsidiary making it difficult to interact with the actors of the local market (Salomon & Wu, 2012: 346). Likewise, domestic firms face difficulty in dealing with institutionally distant MNC-subsidiaries. Therefore, firms with higher institutional distance face pressures for gaining external legitimacy (Kostova & Zaheer, 1999, Salomon & Wu, 2012). MNC-subsidiaries with similar institutional context or less institutional distance are relatively better positioned due to lower liability of foreignness and have the capability to avert the pressures for external legitimacy (Salomon & Wu, 2012, Perkins, 2008). However, MNC-subsidiaries with greater institutional distance will engage in activities that increase their external legitimacy and reduce the liability of foreignness.

Relatively few studies in international business literature have explored the role of regulatory distance (Salomon & Wu, 2012), particularly in respect to disclosure levels of remuneration. Regulation as one of the institutional pillars represents the formal institutions of a country that govern the behaviour of firms (Scott, 2008). Regarding disclosure level of director and executive remuneration, it is relevant to determine the extent to which the respective legal system of parent country can impact the information disclosure behaviour of the MNC-subsidiary in the host country. This study determines the level of institutional distance of MNC-subsidiaries with respect to regulatory distance. A comparison between regulatory origin of the parent county and host country (Australia) is made by adopting the legal origin designation of the study by Judge et al (2008). Australia has the common legal system which is different from civil legal system. Foreign MNC-subsidiaries originated from the countries of common legal system will have lower regulatory distance than those firms whose parent countries follow civil legal system. Firms with lower regulatory distance will not make extra efforts to attain external legitimacy due to lower liability of foreignness. Henceforth, the MNC-subsidiaries with lower regulatory distance will disclose poor information about director and executive remuneration than those firms who follow a dissimilar legal system and experience higher liability of foreignness. With respect to disclosure level of director and executive remuneration, this research proposes a negative relationship between legal system type (common law) of MNC's parent country and disclosure level of director and executive remuneration.

H_3: Lower regulatory distance will be negatively associated with higher disclosure level of director and executive remuneration.

Domicile Status

While globalization can result in a convergence of governance systems across countries, by contrast, path dependent economic systems lead different economies and firms to very different corporate governance systems (Bebchuk & Roe, 1999). When national systems of governance diverge significantly across countries, information asymmetry problems can exacerbate contradictory agency relationships (Luo, 2005). This contradiction throws up interesting questions as to how the MNC is going to respond to this challenge. MNC-subsidiaries which are foreign registered do not come under the jurisdiction of national corporate laws. These subsidiaries comply with the laws of the countries in which these are registered. In Australia, these MNCs are only subject to the self-regulatory mechanisms of the ASX Corporate Governance Council as per the listing rules of the ASX. Therefore, it will be interesting to examine the disclosure level of these foreign registered entities. By including this factor, the relevance of the institutional context in which these firms operate can be discerned. It is expected that such firms will be negatively associated with disclosure level of director and executive remuneration. We therefore propose a negative relationship between the foreign registered entity status and disclosure level of director and executive remuneration in the following hypothesis.

H_4: Disclosure level of director and executive remuneration will be negatively related with foreign registered entity status.

Product-Market Interaction

While MNCs' responsiveness in national institutional context can be studied generically, it is also useful to examine to what extent their interactions in product or factor markets in the host country can affect their level of disclosure (Khanna et al., 2004). Foreign subsidiaries are often reliant on income from sales in local markets and have a relatively greater need to gain external legitimacy (Rosenzweig & SinghSource, 1991). As a result of this resource dependency associated with long-term survival, local subsidiaries of MNCs may come to reflect the 'locally accepted practices' of the societies in which they operate (Westney, 1989, Kostova & Zaheer, 1999). This dependency can induce them to make efforts for gaining external legitimacy and be responsive to local corporate governance requirements. Companies that wish to integrate themselves into the host country institutional environment may find that the costs of doing business are greater if their disclosures do not conform to host country regulations. Customers may need higher level of financial information to assess the long-term viability of foreign firms which come from different legal jurisdictions (Khanna et al., 2004). Greater demand for information processing arises from a multitude of pressures emanating from customers, regulators, partners and suppliers. MNC managers may also voluntarily increase disclosure to attract investors from countries with better disclosure and governance standards (Khanna et al., 2004). Therefore, MNCs that have a higher product-market interaction in the host country would be likely to disclose more information, in order to reduce the transaction costs of its customers.

H_5: Disclosure level of director and executive remuneration will be positively related with the extent of product-market interaction of MNCs.

Research Design

Sample Selection

The sampling was performed in two different stages for analysing the level of disclosure practices of foreign MNCs and domestic firms. The sampling frame for the subsidiaries of the foreign MNCs consisted of 2178 listed entities of the ASX. In the first stage, 48 listed foreign MNC-subsidiaries were shortlisted from the ASX listed firms or sampling frame of this study as illustrated in Table 1. Among these firms, 29 firms met the sampling criteria of this study. The sampling criteria of this study take into consideration the following aspects: first, the firms which are listed during or after 2002 are not included;

second, the listed trusts, mutual and superannuation fund management entities are excluded because these firms do not have an executive style of management and have different reporting requirements; and finally, the firms which experience any abnormal activity that can affect their disclosure practices are excluded from the selection of the final sample of this research.

Please insert Table 1 about here

The second stage of the sampling process included the selection of domestic firms. The inclusion of domestic firms in the sample for the multivariate analysis enabled testing of the unique impact of multi-nationality on disclosure level of director and executive remuneration (dependent variable) vis-à-vis domestic firms. Domestic firms are those firms which did not have any operational subsidiary in an international market before 30th June 2010. The sampling frame for domestic firms consisted of the top 300 firms – Standard and Poor's or S&P/ASX 300 index firms - which were drawn from the target population of 2178 listed entities of the ASX. (S&P, 2010: 5). Table 2 gives the information of domestic firms from the 294 firms the S&P/ASX 300 index as per the sample criteria discussed earlier.

Please insert Table 2 about here

Disclosure Index – Dependent Variable

For this study, the *relative disclosure index* is the dependent variable that measures disclosure levels of director and executive remuneration. Disclosure indices have been widely used by researchers to determine the level of company disclosure practices (Ahmed & Courtis, 1999, Beattie et al., 2004, Donnelly & Mulcahy, 2008, Guthrie et al., 2004, Owusu-Anash & Yeoh, 2005). The level of disclosure practices of each company was determined through a scoring template that was used to derive a disclosure index. The formulation of the disclosure index was based on general principles of content analysis of company annual reports containing relevant remuneration information (Beattie et al., 2004: 214, Guthrie et al.,

2004) and a category system. To ascertain the level of remuneration disclosure, the category system draws on three aspects of executive remuneration: 1) general disclosure of director and executive remuneration pertaining to the requirements of section 300 (A) and the Australian Accounting Standards Board; 2) disclosure of the company's pay-for-performance model related to section 300 (A); and 3) the engagement and participation of shareholders in deciding executive remuneration during the annual general meetings as per sections 250 (S) and 250 (SA). The identification of these three categories for analysing the disclosure level of director and executive remuneration allows the construction of this research instrument.

The disclosure index comprises thirteen disclosure index items representing the aforementioned three main facets of remuneration disclosure. The level of general disclosure of director and executive remuneration is ascertained by considering the Section 300 (A) (1) (c) and the AASB 1046 and AASB 124. Section 296 (1) makes it compulsory for companies to prepare their financial reports and accounts as per the accounting standards of Australia. The first five disclosure items measure the disclosure level of general remuneration information by considering the following aspects: i) primary benefits; ii) post-employment benefits; iii) equity remuneration; iv) stock options for directors and executives along with their valuation details; and v) any other benefits offered to directors and executives. The details about these items and the disclosure level ranking criteria for each item are presented in Appendix-A.

The second category of the disclosure index measures the disclosure level of the pay-for-performance model with the help of seven disclosure items. These items include: i) remuneration policy of the company and key factors influencing this policy; ii) company performance discussion including the total shareholder return in the current and previous four years; iii) a detailed summary regarding performance conditions upon which any short and/or long term element of remuneration is dependent; iv) justification about the selection of performance conditions on which any remuneration element is dependent; v) summary of methods used to assess the satisfaction of performance conditions and an explanation why such methods were selected; vi) if the performance condition involves comparison with external factors then these factors such as other companies or indices should be disclosed; and vii) if any securities element of remuneration is not dependent on any performance condition, then an explanation should be provided in this regard. The details about the relevant sections of the aforementioned disclosure index items with relevant disclosure level ranking criteria are provided in Appendix-A.

The third disclosure index category examines the level of the 'say on pay' phenomenon introduced in Australia through the CLERP Act 2004. The level of this aspect is assessed through the extent of discussion about director and executive remuneration during annual general meetings as provided in meeting minutes. The details about the criteria of disclosure level rankings and legal sections representing these disclosure index items of the 'say on pay' phenomenon are given in Appendix-A.

The disclosure index comprising of 13 index items was developed as per Sections 300 A and 250 of CLERP Act 2004 as shown in Appendix-A. These thirteen disclosure index items were validated using the work of accounting and law scholars. The validated disclosure index was thereafter applied to company annual reports containing information about director and executive remuneration and minutes of the annual general meetings to measure the level of remuneration disclosure. The index and scoring scheme quantified the disclosure level of director and executive remuneration. The maximum score for the level of these disclosure categories is 36 – depending upon nature and different types of remuneration elements paid to company directors and executives. To ascertain the internal reliability of the disclosure index for two years – 2002 and 2006 – an analysis of reliability was performed based upon Cronbach's alpha.

The validated disclosure index computed the actual scores of remuneration disclosure in before (2002) and after (2006) periods of mixed regulation in Australia. Thereafter, a *relative index* of disclosure was calculated for each company for the years, 2002 and 2006 following the methodology used by Owusu-Ansah and Yeoh (2005: 97) as shown in equation 1:

$$D_{ijt} = \sum_{i=1}^{mjt} dijt \Big/ \sum_{i=1}^{njt} dijt \qquad (1)$$

where D_{ijt} is the disclosure value for a disclosure index item i related to company j in year t (where year t can be 2002 and 2006) and coded as per the ranking score, 1 if the item was disclosed or 0 if it was not disclosed by the company (see Appendix-A for disclosure level ranking scores); m_{jt} is the number of disclosure items which are relevant to company j and were actually disclosed in its annual report for year t; and n_{jt} is the maximum number of disclosure items that can be disclosed by company j in its annual report in year t. All data for dependent, independent and control variables were obtained from the publicly available information sources including company annual and financial reports and annual general meeting minutes.

Independent and Control Variables

Clearly specifying the independent variables is important in the context of study, particularly how the multi-nationality status, geographic diversification, domicile status, regulatory distance and product market interaction were measured here. Furthermore, to test the unique impact of above mentioned independent variables on disclosure level of director and executive remuneration (dependent variable) it is important to include ‘control’ variables which influence the dependent variable. The definitions of independent and control variables are presented in Table 3.

Please insert Table 3 about here

By having control variables, the net effect of the independent (explanatory) variables can be uniquely determined when other variables are also known to have an effect. Having controls also tests for spurious relationships between the dependent and independent variables and for confounding effects (Lewis-Beck et al., 2004: 195).

It is imperative to mention that both state regulatory mechanisms, such as change in law, as well as self-regulatory mechanisms such as norms and values of professional bodies to which firms are socialised (Fiss, 2008, Hill, 2005), can influence disclosure levels. Hence control variables included regulatory aspects and these were defined in Table 3. As discussed earlier, key initiatives were taken by the Australian institutions regarding director and executive remuneration. These programs did not only aim to ensure better disclosure director and executive remuneration through state regulation (CLERP Act 2004) but they also endorsed necessary governance mechanisms through self-regulation (ASX principles of good corporate governance and best practice recommendations 2003). Our study controls for both (state and self) regulatory dimensions.

The Empirical Model

In our study, the relationship between the dependent variable and the independent and control variables in each year of interest, i.e. 2002 and 2006, is presented in two separate models to enable a simultaneous comparison between two periods, which differ in the system of regulation for corporate governance. In 2002 state regulation (Company Law Review Act 1998) alone was in force, whilst in 2006 a combination of state regulation (CLERP Act 2004) and self-regulation (ASX principles of good corporate governance and best practice recommendations 2003) was in effect. The equation 2 was derived from the hypothesized relations among the constructs of this research.

$$D_{ijt} = \beta_0 + \beta_1 \mathit{MeetingNumbers}_{jt} + \beta_2\, \mathit{FemalesonRemCommtt}_{jt}$$

$$+ \beta_3 \mathit{CEOonRemCommmtt}_{jt} + \beta_4 \mathit{SeparateCEO}_{jt} + \beta_5 \mathit{BigFour}_{jt}$$

$$+\beta_6 ForeignMNCs_{jt}+\beta_7 NumberofCountries_{jt}+\beta_8 RegDistance_{jt}$$

$$+\beta_9 ForeignRegistered_{jt}+\beta_{10} MNCsRevenue_{jt}+e_o \quad (2)$$

where D_{ijt} is the disclosure value for a disclosure index item i related to company j in year t ($t=2002$ *and* 2006) and e_o is the stochastic disturbance or error term and assumed to be independent and normally distributed with the same variance.

A set of equations that share a common error structure with non-zero covariance can be contemporaneously correlated. In this case, the assumption of independence can be violated by deploying ordinary least squares (OLS) and single-equation approach will be inefficient (Judge et al., 1988). Zellner (1962) devised seemingly unrelated regression (SUR) technique to control for contemporaneous correlations. This method estimates the parameters of all equations simultaneously, allowing for the parameters of each single equation to account for the information provided by the other equations and leads to greater efficiency of the parameter estimates (Wooldridge, 2002). The SUR approach examines correlations between error terms in the two regressions where disclosure indices for year 2002 and 2006 are the dependent variables. The estimation of the regression as a system makes a comparison between corporate governance factors before (2002) and after (2006) the enactment of a combined regulatory mechanism in Australia. Inferences derived from the estimation of set of two separate equations as a system are econometrically more appropriate than the inferences drawn from the estimation of two separate equations through OLS (Jiambalvo et al., 2002). This is because SUR technique can address the cross-correlation and serial correlation innate in panel or cross-sectional or time series data types (Wooldridge, 2002). In this study, we deployed STATA version 11 for performing the SUR technique.

Results and Findings

Descriptive Statistics

Table 4 illustrates that 48 percent of the total sample size represent MNCs for both years (2002 and 2006). The sample also included 3 percent foreign registered entities that did not come under the jurisdiction of the Australian corporate laws.

Please insert Table 4 about here

The mean and standard deviation values for number of countries of operations of the sample firms for both years – 2002 and 2006 are (8.25) and (14.21). For product-market interaction, the mean values for years 2002 and 2006 are (2.55) and (2.66). The standard deviation values for years 2002 and 2006 are (2.83) and (2.96). There are 21 multinational subsidiaries those have common law system in their respective parent countries.

Please insert Table 5 about here

Multivariate Analyses

Tables 6 and 7 present the pair-wise Pearson product-moment correlation coefficients of the variables with four levels of significance as $p <= .001$; $p <= .01$; $p <= .05$ and $p <= .10$. Gujarati (1995) and Tabachnick and Fidell (2001) recommends that statistical problems which are created by collinearity and singularity can take place at a higher bivariate correlation of .90 and above. The correlation coefficients values show that there is no serious problem of multicollinearity because all the values of r^2 between two variables are less than .90 except for the moderated variable i.e. product-market interaction. Variance inflation factors (VIFs) and tolerance values for each variable are computed and shown in Tables 6 and 7. The VIFs and tolerance values also did not indicate any problems of multicollinearity as the values of tolerance were greater than .10 and tolerance values were less than 10 except for the product-market interaction variable (Pallant, 2005: 150). Similar problems surrounding interaction variables have been reported by Blanchard (1987: 449). Shieh (2010) argues that multicollinearity is not detrimental in the detection of moderating effects.

Please insert Tables 6 and 7 about here

Table 8 presents the results of SUR analysis by controlling for factors of state regulation and self-regulation in a before and after research design. The results show that on the one hand disclosure level is significantly but negatively associated with multi-nationality particularly in mixed regulatory regime; one the other, disclosure level is significantly and positively associated with product-market interaction of MNCs in Australia. Another interesting finding is the negative relationship between lower regulatory distance and disclosure level of director and executive remuneration. Before the mixed regulatory regime (2002), the following control variable namely auditor type was positively related with disclosure level of director and executive remuneration. After the enactment of mixed regulation (2006), number of female directors on remuneration committee; and auditor type are significantly associated with the disclosure of information. The results vis-à-vis the proposed hypotheses are discussed in turn.

A negative association between foreign multi-nationality status and disclosure level of director and executive remuneration was hypothesised in H_1. According to this prediction, the results show that foreign MNCs have a negative and significant relationship (Foreign Multinational Subsidiary: $p < .01$, with $z = -2.54$ for year 2006) with disclosure level of director and executive remuneration. Hence this finding runs in accordance to our hypothesis that foreign MNC-subsidiaries encounter conflicting institutional demands due to diverse, non-monolithic and fragmented contexts that can undermine their efforts for gaining external legitimacy. Also, this inhibited them to develop more robust system of corporate governance that responds to increased disclosure requirements in Australia especially after the mixed regulatory regime. From the results it appears that in comparison to local entities, other things being equal, MNC managers do not positively respond to the elevated standards of corporate governance through the introduction of mixed regulation in Australia. It is plausible that the MNC-subsidiary's information disclosure is geared more towards the parent country for gaining internal legitimacy rather than to attain external legitimacy in its host country – Australia. Tailoring information disclosure country by country would perhaps go against principles of integrity within the MNC and hence not be attempted by subsidiary executives. The findings with respect to multi-nationality factors were opposite to the propositions of the following studies of (Riahi-Belkaoui, 2001, Cahan et al., 2005, Khanna et al., 2004, Meek et al., 1995) who found a positive relationship between globalization factors and level of corporate disclosure.

Also, this study accounts for those foreign MNC-subsidiaries who have similar regulatory context. Earlier, it had been argued that foreign MNC-subsidiaries who had less regulatory distance had lower liability of foreignness. Such entities will have the capacity to avert the pressures for external legitimacy. Conversely, foreign MNC-subsidiaries with relatively distant regulatory context will be under pressure to engage in such activities which can reduce their liability of foreignness. We have hypothesised in H_3 that foreign MNC-subsidiaries with lower regulatory distance will disclose less level of information about director and executive remuneration. As per this assertion, we found that foreign MNC-subsidiaries with lower regulatory distance are negatively related (Regulatory Distance: $p < .10$, with $z = -1.63$ for year 2006) with disclosure level of director and executive remuneration. This finding implies that foreign MNC-subsidiaries with distant regulatory context disclose superior level of information because they have to strive for attaining external legitimacy. This result is consistent with Salomon & Wu (2012) who have found that firms with higher regulatory distance engage in local isomorphism to gain external legitimacy.

Another interesting result of this study is the positive association between MNC product-market interaction and disclosure level of director and executive remuneration as hypothesised in H_5. Confirming this prediction, the product-market interaction variable (Foreign Multinational Subsidiary X Revenue) has a significant and positive coefficient (Product-market interaction: $p < .010$, with $z = 1.84$ for year 2002) and this coefficient has even increased for year 2006 i.e. mixed regulatory era (Product-market interaction: $p < .01$, with $z = 2.94$). This finding signifies that increase in product interaction in the host country environment will be associated with a similar magnitude of increase in disclosure level, as illustrated in Table 8.

Based on these results, the research question whether MNC-subsidiaries are embedded into the local institutional context and the extent to which these subsidiaries respond to local laws and standards of disclosure of director and executive remuneration in host country needs to be answered with some caution. It appears that MNC-subsidiaries do not make an extra effort to produce better disclosure of director and executive remuneration when they do not have a large presence in the host country. In other words, an MNC would invest in installing mechanisms to conform to the increased requirements of disclosure in the host country when its product-market interaction reaches a certain critical level. Hence a MNC that wishes to signal its increased commitment to the host country is the one which is likely to have better disclosure to attract customers and investors. Likewise, the foreign MNC-subsidiaries who have higher regulatory distance will produce better level of disclosure information to gain external legitimacy for reducing their liability of foreignness.

Larger geographic spread was not associated with superior arrangements of remuneration governance to address distinctive moral hazard agency conflicts in MNCs (Alpay et al., 2005, Luo, 2005). We also did not find any evidence regarding foreign registered entities and disclosure level of director and executive remuneration. With respect to domestic firms, it has been argued that domestic firms have higher total and systemic risks than MNCs (Michel & Shaked, 1986). This increased risk exposure can compel domestic firms to produce better disclosure than multinational firms, to subside higher risks. In sum, governance arrangements of foreign MNC-subsidiaries can complicate agency problems due to conflicting institutional contexts as evident from the analysis of disclosure practices.

Please insert Table 8 about here

Implications and Conclusions

Agency theory argues that multinational firms face increased level of information asymmetries due to spatial complexities (Windsor, 2009, Zaheer, 1995). These complexities are also due to conflicting institutional demands faced by foreign MNC-subsidiaries while operating across host country and parent country institutional environments. The empirical analysis presented here examined the hypothesis if MNCs are responsive to the increased disclosure requirements brought about by state and self-regulatory reforms in Australia. The analysis of disclosure level of foreign MNC-subsidiaries suggests that, other things being equal, MNCs are less responsive to increased disclosure requirements than their local counterparts in Australia, unless they have substantial interactions with Australian product-markets.

The introduction of an improved regime in Australia, while effective for Australian enterprises, does not appear to be effective in coercing MNC-subsidiaries to respond to higher disclosure requirements. Notwithstanding this negative association, it is perhaps unwise to unequivocally draw the conclusion that MNCs are generically unresponsive to local standards of governance. What these results do demonstrate is that MNCs are willing to incur the marginal cost of increasing disclosure, if the benefits of increasing disclosure level justify it: that is, there must be a certain degree of demand for information from customers in product-markets that will justify the extra effort. This aspect is also evident from the fact that foreign MNC-subsidiaries with higher regulatory distance will make extra efforts to subside their increased liability of foreignness than those firms who have lower regulatory distance.

There are several potential limitations of the study that warrant caution in interpreting the results. First, being only a single host-country study, the results cannot be generalised and a larger random sample of countries needs to be tested before the external validity of the hypotheses can be confirmed. Second, the dataset contains only two years of data and hence the hypotheses need to be tested across a greater number of years. A third limitation is that the sample of 60 firms, after satisfying the criteria of foreign MNC status from the all of the listed entities of the ASX, is not a large sample.

This paper focused on level of disclosure of director and executive remuneration of MNCs following the increased disclosure requirements of mixed regulation consisting both state regulation and self-regulation. In order to have greater relevance and generalizability, further work remains to be done to confirm the hypotheses contained in this research. Globalized firms experience distinctive moral hazard agency conflicts along with conflicting institutional demands which can result in remuneration governance which may be out of line with local country norms, as evidenced in this research. It would of course be interesting to study how MNCs would respond if globalization resulted in complete convergence of governance systems throughout the world, that is; if other regimes also demanded similar disclosure requirements. For now, these results imply that when MNCs are faced with a different national corporate governance system such as the one in Australia, they may be less responsive to improved disclosure requirements than local firms.

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Tables

Table 1: Sampling process of foreign multinational firms

Total listed entities	2178
Total listed foreign multinational subsidiaries	48
Less firms listed during or after 2002	17
Less listed fund management entities	02
Final sample of foreign multinational subsidiaries	29

Table 2: Sampling process of domestic firms

Total listed entities of S&P/ASX 300 index	294
Less total listed Australian multinational firms	153
Less total listed foreign multinational firms	13
Less firms listed during or after 2002	87
Less listed fund management entities	09
Less firm with missing report	01
Final sample of domestic firms	31
Grand total of research sample	**(29+31) = 60**

Table 3 Definition of dependent, independent and control variables

Variable name	Label	Variable definition
Relative disclosure index	Disclosure index	A measure of disclosure level of director and executive remuneration both in pre and post eras of Corporate Law Economic Reform Program 9 (CLERP 9). It is a ratio between the actual disclosure of each company in its annual report and the maximum level of disclosure it can exhibit.
Number of meetings of remuneration committee	Meeting Numbers	This variable records the number of meetings of remuneration committee held during a financial year.
Number of female directors on remuneration committee	Femaleson RemCommtt	This variable represents the level of gender diversity in the remuneration committee structure of sample firms. This aspect is measured by recording the total number of female directors present on the remuneration committee of the firm.
Presence of CEO on the remuneration committee	CEOonRem Commtt	This variable records the presence of chief executive officer (CEO) on the remuneration committee of the firms and coded as: 0 = not present and 1 = present.
Separate role of CEO and chairperson	SeparateCEO	Indicator variable to record the role separation between the company chairperson and CEO and coded as: 0 = no and 1 = yes.
Auditor type	BigFour	Indicator variable for the type of external audit firm; 1, if auditor is affiliated with a Big-4 international audit firm, 0 if otherwise.
Foreign multinational subsidiary	Foreign MNCs	Indicator variable for the type of firm; 1, if a firm is a foreign multinational subsidiary and 0, if otherwise.
Number of countries of operations	Number of Countries	This variable represents the level of geographical diversification of a firm. This aspect is ascertained by recording the total number of country(ies) in which a firm operate.
Regulatory distance	Regdistance	Indicator variable for the type of legal system in the parent country; 1, if there is common legal system in the parent country of MNC-subsidiary and 0, if otherwise.
Foreign registered entity status	ForeignRegiste red	This variable records the registration status of a firm in Australia and coded as: 0 = registered and 1 = not-registered.
Product-market interaction	MNCsRevenue	This interaction variable is a product of foreign multinational subsidiary and the log value of firm revenue in the host country – Australia.

Table 4 Descriptive statistics of dichotomous variables (N = 60)

	Frequency		Percentage	
Variable	**2002**	**2006**	**2002**	**2006**
Presence of CEO on the remuneration committee	8	9	13%	15%
Separate role of CEO and chairperson	54	55	90%	92%
Auditor type	46	47	76.67	78.33
Foreign multinational subsidiary	29	29	45%	45%
Regulatory distance	21	21	35%	35%
Foreign registered entity status	02	02	03%	03%

Table 5 Descriptive statistics of non-dichotomous variables (N= 60)

Variable	**2002**	**2006**
Number of meetings of remuneration committee	1.50 (2.05)	2.83 (3.01)
Number of female directors on remuneration committee	.15 (.36)	.27 (.52)
Number of countries of operations	8.25 (14.21)	8.25 (14.21)
Product-market interaction	2.55 (2.83)	2.66 (2.96)

Table 6 Pearson correlation coefficients and collinearity statistics for year 2002 (N = 60)

	Variables	1	2	3	4	5	6	7	8	9	10	11	**Tolerance**	**Variance inflation factor**
1	Relative disclosure index	1												
2	Number of meetings of remuneration committee	.18†	1										.69	1.45
3	Number of female directors on remuneration committee	.16	.26*	1									.69	1.44
4	Presence of CEO on the remuneration committee	.08	.14	.11	1								.91	1.09
5	Separate role of CEO and chairperson	-.02	.16	.14	.13	1							.70	1.43
6	Auditor type	.35**	.23*	.23*	.10	.08	1						.81	1.24
7	Foreign multinational subsidiary	.06	.25*	.34**	.11	-.12	.38**	1					.04	23.19
8	Number of countries of operations	.05	.22*	.07	.09	-.01	.27*	.53***	1				.43	2.33
9	Regulatory distance	-.07	.16	.28*	.12	-.10	.24*	.76***	.35**	1			.40	2.48
10	Foreign registered entity status	.17†	.09	.18†	-.07	-.25*	.10	.19†	-.04	.25*	1		.68	1.47
11	Product-market interaction	.13	.38**	.42***	.16	-.01	.40***	.96***	.62***	.73***	.24*	1	.03	30.63

***significant at p<=.001; **significant at p<=.01; *significant at p<=.05; and †significant at p<=.10

Table 7 Pearson correlation coefficients and collinearity statistics for year 2006 (N = 60)

	Variables	1	2	3	4	5	6	7	8	9	10	11	**Tolerance**	**Variance inflation factor**
1	Relative disclosure index	1												
2	Number of meetings of remuneration committee	.33**	1										.44	2.26
3	Number of female directors on remuneration committee	.32**	.15	1									.72	1.39
4	Presence of CEO on the remuneration committee	.06	.44***	.05	1								.73	1.37
5	Separate role of CEO and chairperson	.23*	-.08	.16	-.04	1							.39	2.58
6	Auditor type	.45***	.17†	.19†	-.12	.13	1						.77	1.30
7	Foreign multinational subsidiary	.17†	.04	.41***	-.13	-.07	.35**	1					.02	63.09
8	Number of countries of operations	.32**	.09	.21*	-.10	.11	.26*	.53***	1				.38	2.61
9	Regulatory distance	.00	.01	.37**	-.12	-.16	.22*	.76***	.35**	1			.39	2.54
10	Foreign registered entity status	.06	.13	.08	-.08	-.28*	.10	.19†	-.04	.25*	1		.54	1.84
11	Product-market interaction	.34**	.15	.46***	-.10	.05	.37**	.97***	.61***	.73***	.23*	1	.01	76.09

***significant at p<=.001; **significant at p<=.01; *significant at p<=.05; and †significant at p<=.10

Table 8 Results of Seemingly Unrelated Regression Analysis for 2002 and 2006 **(N=60)**

Variables	Model 1 (2002)		Model 2 (2006)	
Number of meetings of remuneration committee	.17	(.00)	.24	(.01)
Number of female directors on remuneration committee	-.00	(.02)	1.82†	(.03)
Presence of CEO on the remuneration committee	.56	(.02)	.33	(.05)
Separate role of CEO and chairperson	-.26	(.03)	-.73	(.07)
Auditor type	2.14*	(.02)	3.44***	(.04)
Foreign multinational subsidiary	-1.54	(.06)	-2.54**	(.17)
Number of countries of operations	-.88	(.00)	.70	(.00)
Regulatory distance	-1.62	(.02)	-1.63†	(.05)
Foreign registered entity status	.90	(.04)	-.46	(.10)
Product-market interaction	1.84†	(.01)	2.94**	(.03)
R^2	**.26**		**.52**	
X^2	**20.44***		**60.37*****	

***significant at p<=.001; **significant at p<=.01; *significant at p<=.05; and †significant at p<=.10

Table 9: Correlation Matrix of Residuals and Breusch-Pagan Test of Independence

	1	2
1. Relative Disclosure Index 2002	1	
2. Relative Disclosure Index 2006	.15	1
Breusch-Pagan Test of Independence		
X^2	**1.37**	

***significant at p<.001; **significant at p<.01; *significant at p<.05; and †significant at p<.10

Appendix A Disclosure index

Disclosure index category	Disclosure index item description	Disclosure level ranking details	Legal section(s)
General disclosure of director and executive remuneration	1. Total amount of salary, fees and commissions; cash-profit sharing and bonuses; and non-monetary benefits of executive and non-executive directors. (Primary benefits)	0 = No details 1 = Aggregated 2= Disaggregated	S 300 (A) (1) (c) including AASB 1046 and AASB 124.
	2. Total amount of any remuneration for pension and superannuation; prescribed benefits; and other termination benefits of executive and non-executive directors. (Post-employment benefits)	0 = No details 1 = Aggregated 2 = Disaggregated 3 = Disaggregated and details regarding retirement plans and/or allowances including actual conditions or obligations	
	3. Long term incentive schemes with total value of shares and units; value of options and rights; and value of other equity remuneration of executive and non-executive directors. (Equity remuneration)	0 = No details 1 = Aggregated 2 = Disaggregated 3 = Detailed discussion about each scheme and performance conditions attached to it	
	4. Details of options for executive and non-executive directors with respect to the number of options and rights granted and vested; and particular terms and conditions of each share options including value, exercise price, amount paid/payable by recipient, expiry date and the date from which the option may be exercised; and summary of service and performance criteria upon which the award or exercise is conditional. (Options valuation details)	0 = No details 1 = General discussion about option grants. 2 = Valuation method and option value disclosed 3 = Valuation method and option value disclosed along with valuation model input (exercise price, expiry date, exercise date, volatility)	
	5. All other benefits of executive and non-executive directors including prescribed and other benefits. (Other remuneration benefits)	0 = No details 1 = Aggregated 2 = Disaggregated 3 = Disaggregated with detailed discussion	
Pay-for-performance	6. Remuneration policy for the following financial year and subsequent financial years highlighting the following factors:	0 = No explanation 1 = Broad summary including one or two	S 300 (A) (1) (a) (i) & (ii)

model disclosure	i) Key factors influencing remuneration policy. ii) Labour market conditions. iii) Benchmarking of remuneration package against other companies and details of those companies. iv) Explanation of salary increases. v) Wider context of all employee reward. vi) Explanation of any proposed changes in the remuneration plan and policy in the following financial year.	factors only 2 = Some details which include three or four factors 3 = Greater or good level of detail including all six factors	
	7. Performance discussion should justify company performance by illustrating the total shareholder return in the current financial year and previous four financial years. The TSR can be used as a measure that illustrate the dividend paid and the changes in share prices for each five financial years. (performance graph)	0 = No explanation 1 = Broad summary only 2 = Some details by comparing company TSR to TSR of other indices 3 = Greater or good level by providing justification for the selection of comparative indices.	S 300 (A) (1AA) and S 300 (A) (1AB) (a) (b)
	8. A detailed summary of any performance conditions upon which any remuneration element (short term and long term) is dependent.	0 = No explanation 1 = Broad statement only 2 = Some details highlighting short and long term incentives 3 = Greater or good level of detail highlighting plan differences applicable to individual directors with respect to both short and long term	S 300 (A) (1) (ba) (i)
	9. An explanation as to why any such performance conditions were selected for any remuneration element (short term and long term).	0 = No explanation 1 = Broad statement which highlights TSR details only 2 = Greater or good level of detail that explains rationale by comparing more than one performance conditions for both short and long term incentives and goes beyond the description of TSR	S 300 (A) (1) (ba) (ii)

	10. A summary of the methods used in assessing whether the performance condition is satisfied and an explanation why those methods were selected.	0 = No explanation 1 = Broad summary of methods 2 = Some details highlighting the TSR or EPS calculations. 3 = Good level of detail highlighting the TSR or EPS calculations and justifying the choice of selected methods	S 300 (A) (1) (ba) (iii)
	11. If the performance condition involves a comparison with external factors then these factors should be mentioned. If these factors are related to another company(ies) or an index, in which the securities of the company or companies are included, then the identity of the company(ies) or index should also be disclosed.	0 = No explanation 1 = Broad statement only including detail of historical and present awards. 2 = Some details highlighting past, present and future awards 3 = Greater or good level of detail not only including past, present and future awards but discussing any change for previous rewards or expected change for future awards	S 300 (A) (1) (ba) (iv)
	12. If there is securities element of the remuneration of a director which is not dependent on a performance condition then the explanation should be provided for this element.	0 = No explanation 1 = Broad statement only 2 = Some details 3 = Greater or good level of detail	S 300 (A) (1) (d)
Disclosure about shareholder participation	13. Discussion about voting details of the director and executive remuneration report during the annual general meeting in meeting minutes.	0 = No discussion 1 = Broad voting details 2 = Detailed discussion about the shareholders' voting	S 250 (S) and S 250 (SA)