Giving and Receiving. The link between corporate giving and executive pay*

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Abstract

The paper examines political and charitable donations among FTSE350 companies over a period spanning 1996 through 2010. A wide range of measures is drawn on to explain the observed variation in behaviour. In addition to measures of company size, industry, FTSE sector and performance, detail of each company's governance and of the age and gender of the boardroom executives is included. The unique contribution of the paper is to make use of the observed level of executive remuneration. If this is taken as an indicator of managerial power, it is demonstrated that there is statistical support for the argument that political and charitable donations are utilised, to some extent, as camouflage for high executive pay. The results underline the importance of institutional considerations in the standard agency theory and managerial power perspectives, and point to a social theory of agency. The originality of the paper lies in bringing together the two literatures of corporate giving and executive pay to deliver an enhanced insight into the internal working of large, widely held corporations.

Key words: Corporate Social Responsibility; Executive Pay; Social Agency Theory.

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Introduction

Both corporate giving and corporate social responsibility (CSR) more generally have attracted a considerable amount of analysis over the past decade. Not only has the phenomenon grown in empirical significance but, from an academic perspective, the area has emerged as a useful prism through which researchers can attempt to gauge the inner workings of the large enterprise. In particular, it has offered a test bed on which rival management theories can be assessed.

The decision of how much resource to allocate to any one year's corporate social responsibility activity reveals the inner workings of decision making at the highest level of the company's management hierarchy. Whereas other allocative decisions may be shrouded in the cloak of commercial confidentiality and buried in the depths of consolidated company accounts, spending on CSR and particularly spending on charitable 'Giving' is observable to the outside spectator (Companies Act 1985, 2006) - indeed, is so constructed as to be perfectly visible to the outsider. As will be discussed in some detail below, it is also a decision that reveals much about the way in which companies operate. Under some theoretical concepts of the firm, such expenditures are impossible to justify and should not exist (Friedman, 1970). From other perspectives, they represent strategically vital spending (Dowling and Pfeffer, 1975). Exactly where the balance is struck on this spectrum can reveal much about the inner workings of company decision making.

For very much these same reasons, another quite distinct area of board room decision making has also attracted the attention of academics of late. This concerns the matter of executive pay. The decisions as to how much to reward the executive directors of the company have been brought into the spotlight of public scrutiny thanks to a remarkable increase in transparency that has occurred in most western economies over the past two decades. In the UK, this can be traced to a series of corporate governance initiatives (Cadbury, 1992; Greenbury, 1995; Hampel, 1998; Higgs, 2003; Walker, 2009) whose recommendations were codified in successive versions of the UK's Corporate Governance Code (FRC, 2010) and by the UK's financial regulatory authority (FSA, 2010). In the USA, the lead has been taken by the Securities and Exchange Commission (Securities and Commission, 1983, 1993, 2006). This too, therefore, provides an area of unusual transparency where theories of management control can be subjected to empirical testing. A substantial body of management theory predicts that at the top of large companies the linkage of pay to performance should emerge as an important tool of control over management behaviour (Conyon et al., 2011; Core and Larcker, 2002; Fama and Jensen, 1983; Gomez-Mejia et al., 2005; Stathopoulous et al., 2005). The widely observed disconnect between the two, not only offends public sensibilities (BIS, 2011; Core et al., 2003; High Pay Commission, 2011; Hutton, 2010) but opens the door for alternative theories of corporate control (Bebchuk et al., 2002). From this perspective, the presence of outside directors emerges as a key consideration in ensuring that shareholders get a reasonable deal.

This paper brings both of these areas together by using data on all companies in the FTSE350 between 1996 and 2010. The important contribution of the paper is that, by utilising measure of both company 'Giving' and executive pay, additional insights are offered to management behaviour in large publicly listed companies. We provide evidence to support the context-specific interpretation of social agency theory (Bruce et al., 2005; Gomez-Mejia et al., 2005; Wiseman et al., 2012).

Boardroom Decision Making

Theory

Both corporate giving and executive pay have received considerable attention from scholars of management theory .

As introduced above, there is a considerable debate as to the motivations of companies in engaging in corporate social responsibility activities. Institutional theory (DiMaggio and Powell, 1983) suggests that the board utilises such expenditures to provide legitimacy for its other decisions. In much the same, way resource dependency theory (Pfeffer and Salancik, 2003) portrays the strategic use of expenditures such as corporate social responsibility as a way of achieving a congruence between the company's stakeholders and the collective corporate purpose (Nadler and Tushman, 1990). Following this reasoning, several authors (Berrone and Gomez-Meja, 2009a,b) argue that in order to encourage conformance with social expectations in this area, so that the company benefits from an aura of legitimacy in its business dealings, then executives should be explicitly incentivised. These are incentives over an above those concerning shareholder value that are the traditional focus of discussion in this literature (Conyon et al., 2010; Core et al., 2003; Frydman and Jenter, 2010; Murphy, 1999).

The use of pay incentives for executives is generally driven by control problems arising out of the separation of ownership and control (Berle and Means, 1932; Jensen and Meckling, 1976). The idea is that pay mechanisms can substitute for direct supervision of the top management team (Murphy, 1999) - direct supervision that is impossible owing to the bounded rationality (Simon, 1947), asymmetric information (Akerlof, 1970) and information impactedness (Williamson et al., 1975) generally found at the top of large corporations. This principal-agent or agency perspective on the management of enterprises with dispersed ownership suggests (Berrone and Gomez-Meja, 2009b) that if expenditures on corporate social responsibility are in the company's interest then it may be necessary to use pay incentives to ensure they are delivered. This leads to hypothesis 1:

> 'Hypothesis 1
> Higher spending on corporate social responsibility will be rewarded by higher levels of executive pay'

Although the empirical testing of the linkage between directors' remuneration and their respective company's performance (Edmans and Gabaix, 2009; Gabaix and Landier, 2008; Hall and Liebman, 1998; Jensen and Murphy, 1990; Murphy, 2002) became more convincing over time, the results obtained were not sufficiently robust to be able to prevent the emergence of rival perspectives. In particular, Bebchuk et al. (2002); Bebchuk and Spamann (2010) highlighted the vulnerability of the process to abuses of managerial power. Un this perspective, the executive directors gain control over the board in order to extract generous levels of reward for themselves (Bebchuk and Fried, 2004). The non-executive directors find themselves undermined or captured by the incumbent management (Bebchuk et al., 2002; Main et al., 1995). Such restraints as remain, arise from a desire to stay 'under the radar' (Bebchuk et al., 2002, p.16), and a wish to avoid provoking 'outrage' (Bebchuk and Fried, 2004, p.64) among outside observers. This Bebchuk critique suggests that expenditures on corporate social responsibility may be used in order to deflect attention from, or camouflage, high levels of executive pay and, hence, to minimise outrage costs. This leads to our second hypothesis:

> 'Hypothesis 2
> Higher higher levels of executive pay will be accompanied by higher spending on corporate social responsibility.'

The next section introduces the data used to test the hypotheses introduced above.

Methods

Sample and data

The sample of companies utilised in this study comprise all companies that featured the UK FTSE350 index of top companies between the years 1996 and 2010. All data used are publicly disclosed in the companies' Annual Report and Accounts. The electronic downloading of this data is facilitated through the use of two commercial data sources. The first, Manifest Information Services Ltd, is a proxy voting service that provides annual data on all FTSE350 companies between 1996 and 2010. These data include detail the governance of each company (number of directors, their age, gender, length of service and executive/non-executive status), details of the remuneration awarded to each director (including both cash-based and equity-linked incentive awards), and the level of political and charitable donations in each year. Once a company enters the sample frame, Manifest continues to follow the company, even if it leaves the FTSE350. For financial performance, contemporary membership of the FSTE100 and the FTSE250 indices, and measures of the company's turnover, a second proprietary data source, DataStream, is utilised.

Measures

As discussed above, while corporate social responsibility activity is a much wider concept, the aspect focused on in this paper pertains to political and charitable contributions (PCDs) or corporate 'Giving'. First introduced as a reporting requirement in the Companies Act 1985, companies are required to report annually as part of the directors' report if the company or any of its subsidiaries have made any charitable or EU political-related donations or expenditures (BERR, 2008). This is an audited item and compliance is, thereby, ensured. Some 98.7% of the reported donations fall in the charitable bracket, with the remainder being of a political nature. Henceforth, therefore, these contributions will be collectively described under the title of 'Giving', and they may be understood to be almost entirely of a charitable nature. The measure of 'Giving' for each company in each year is expressed in £2010.

It should be emphasised that caution must be exercised before any results obtained with this this relatively narrow measure can be interpreted as reflecting spending on corporate social responsibility more generally. Such an interpretation will only be robust if the two measures are highly correlated, and no empirical evidence exists to guide us on this. But the measure does score highly in terms of "informativeness" (Holmstrom and Milgrom, 1991) regarding efforts on corporate social responsibility and, as an audited number, the data can be assumed to be reliably recorded.

Executive remuneration can be measured in a variety of ways. The narrowest measure is the base salary ('Salary') which comprises the guaranteed cash payment on an annual basis. An alternative measure adds to this to include the reward arising from short term incentives or annual bonus and is labeled here total current compensation ('TCC'). In widening the measure to include the effect of long term incentives, it is necessary to distinguish between awarded and realised remuneration. Total direct compensation realised ('TDC_rlzd') includes both cash payments in the form of salary and bonuses and also those gains realised in that particular year from the equity-linked long-term incentives, such as executive share options or performance share plans. Finally, it is possible to identify the impact of the long term incentives awarded by adding to the salary and bonus earned the estimated value of the awarded share options and performance share plans to produce total direct compensation awarded ('TDC_award'). The face value of share options and performance shares is discounted by a factor of 0.3 and 0.7 respectively to allow for the expected value being less than the face value, owing both to the random nature of share prices and to the performance hurdles that are uniformly imposed on such awards in the UK as a condition of vesting (Conyon and Murphy, 2000; Main, 2006). The only source of financial reward that is not captured in any one of these measures arises from pension benefits, which are too imperfectly measured over the period to permit their inclusion. All remuneration data are expressed in £2010 and are annualised if the executive serves less than a whole year. Those executives who, either at the beginning or the end of their term on the board, are observed for less than 30% in any year are dropped from the sample for that particular year.

From the information available in the Manifest data base, it is possible to compute the size of board ('bsize') as effective at the end of each financial year, and the percentage of these members who are non-executive ('p_neds'). For each executive the date of birth permits age in years ('age') to be computed. The start and end dates of boardroom service are also recorded by Manifest and this is used to compute each executive's length of service in years as of the end of each financial year or at their resignation form the board, if sooner ('tenure').

Additional company descriptive data are obtained from DataStream. As a control for company size, the logarithm of total company turnover or sales is used ('log_turnover'). Firm performance is primarily captured by total shareholder return over the period in question (this reflects the return to holding the share that arises both from dividend payments and changes in the price of the share). This is available through the 'RI' index available in DataStream, as captured by the change in the value of the index between the start and end of the relevant financial year. This is used to capture the log-return measure of total shareholder return ('tsr') - a performance measure that allows both for share price appreciation and for the dividend paid on the share. Two dummy variables are constructed, 'FSTE100' and 'FRSE250' to indicate in each year whether the company is a member of the FTS100 or FTSE250 index respectively. Although all companies are members of one of these indices (and hence of the FTSE350) at some time during the sample period, companies move in and out of the index (and hence public prominence) over the period. All financial data are expressed in £2010. Summary statistics are presented in Table I.

Insert Table I: Summary Statistics

Figure 1 presents the observed mean value (in £2010) of corporate donations ('Giving') over the period. These have risen markedly from an average of around £1m in the late 1990s to around £4m to £5m more recently. The level of executive remuneration also rose markedly over this period. This can be seen in Figure 2 which reports the average level of CEO reward in the FTSE350 as measure by the wider measure of pay, total direct compensation realised (‘TDC_rlzd’). In the Figure, this is seen to rise from just under £1m in the late 1990s to well over £2m in the later period. Limiting the sample to the CEOS in the FTSE100 would produce a more dramatic rise from just around £1.5m to around £4m.

Insert Figure 1: Level of Corporate Donations in FTSE350 1996 - 2010

Insert Figure 2: Level of CEO Remuneration realized in FTSE350 1996 - 2010

Estimation

Fixed effects regressions are used to estimate the connections between political and charitable donations (PCDs) or ‘Giving’ and executive pay. Year specific dummy variables are included to account for macroeconomic fluctuations and other environmental effects. Company specific fixed effects are utilised in order to address the issue of endogeneity brought about by unobserved heterogeneity (Halaby, 2004).

To study the influence of political and charitable contributions (PCDs) or ‘Giving’ on executive pay in the boardroom, the level of observed pay is regressed on the value of ‘Giving’ as observed in the prior year. As mentioned above, company fixed effects and year-specific dummy variables are used to control for unobserved heterogeneity. In addition, a wide range of control variables are also utilised to account for any variability in the pay determining process. To this end, personal characteristics of the executive (whether CEO or not, gender, tenure in the job, age and age-squared) are included as in a standard wage equation (Milgrom and Roberts, 1970). Size (log of turnover), performance (total shareholder return, both current and lagged) and status (current membership of FTSE100 or FTSE250 index) are also used as an indication of ability to pay (Jensen and Murphy, 1990). Finally measures of the corporate governance of the company are included in the form of the size of the board (number of directors) and the percentage of the board who are non-executives (Core et al., 1999). In this way, the connection between the executive pay received (in each of our four measures) can be seen as a function of the generosity of corporate 'Giving' in the previous period - controlling for other explanations of pay and the individual circumstances of the firm and the year.

In a similar way, it is possible to model the level of corporate 'Giving' as a function of the company's circumstances and the previous year's level of executive pay (again measured in each of four ways). Results obtained are discussed below.

Results

Pay and Corporate Giving

In terms of explaining the level of reward, Table II reports on regressions of the logarithm of realised reward of all executives on a set of company and person specific descriptors including, importantly, the logarithm of the lagged level of corporate 'Giving'. This is done for each of the four available measures of executive reward - from the narrowest measure, 'Salary', to the wider measures 'TDC_award' and 'TDC_rlzd' which include the effect of equity-based remuneration. The results confirm many of the earlier estimates of the executive pay literature (Bell and van Reenen, 2011; Conyon et al., 2011; Guest, 2010).

Insert Table II: Fixed Effects Regression of Executive Pay on Corporate Giving and other factors

Pay is performance related with the total shareholder return variable ('tsr') being both empirically and statistically significant in all versions of the equation. Being a CEO brings a substantial wage premium. Being female has a significantly negative effect on earnings. Longer service in post and greater age both enhance earning power. Large companies pay more. Pay is positively linked to performance (save for base salary, where there is no explicit performance related component). Current membership of one of the FTSE indices is, of itself, a powerful influence on earnings, and may point to the visibility of such companies and the extent of the isomorphism of practice or benchmarking that ratchets pay up (DiPrete and Eirich, 2010). The actual board size plays no significant role but the proportion of the board that is non-executive seems to significantly increase reward, possibly through a legitimacy effect, as outsiders feel more secure in making generous pay awards.

The focal relationship between the lag of corporate 'Giving' and executive pay is positive for all four measures of pay - from the narrowest base-pay measure through to the equity inclusive 'TCC_award' and 'TDC_rlzd'. The empirical magnitude is not great but the effects are statistically significant. We are, therefore, unable to reject Hypothesis 1.

Because the variables appear as logarithms the estimated coefficients can be interpreted as elasticities. So pay rises by between 0.5% and 0.8% every time corporate 'Giving' is doubled. These results differ from those of Combs and Gilley (2005); Stanwick and Stanwick (2001) who found a negative impact of non-core spending on executive pay. The result is more direct than that found by J. McGuire and Argheyd (2003) who found bonuses to be positively linked to weak social performance but not to stronger performance, and closer to Russo and Harrison (2005) who find a positive relationship between plant manager compensation and their direct measure of environmental performance in the electronics industry.

Corporate Giving and Pay

When the relationship between corporate giving and the previous period's observed level of executive pay is observed in Table III, the results are also instructive. Companies with more generously rewarded executives in one period (by any of the four measures of reward) are seen to have more generous corporate 'Giving' in the following period. The effect is empirically significant with a doubling in executive pay leading to a consequent 20% (or thereabouts) increase in 'Giving'. We are therefore unable to reject Hypothesis 2 that higher levels of executive pay are accompanied by higher levels of corporate giving. John R. Deckop and Gupta (2006); Mahoney and Thorne

(2005) find that corporate social responsibility is significantly linked to the long term component of executive pay, but there is no greater emphasis on the wider measure of pay observed in Table III, if anything the reverse. This suggests that as all components of pay (from the narrow measure of salary through the wider measures that embrace equity linked rewards) are significantly linked to corporate 'Giving' then what is being observed is more likely to be camouflage motivated rather than driven by incentives.

Insert Table III: Fixed Effects Regression of Corporate Giving on Executive Pay and other factors

The personal characteristics of the executive, such as being female or having served a long time in the post or being of greater age play no significant role. But there is an 0.9% elasticity between company size and corporate 'Giving', such that when corporate turnover doubles 'Giving' rises by 90%. There is also a significant lift brought about from the visibility of membership of the FTSE250 or, more marked, the FTSE100. Large boards and particularly ones with a high proportion of non-executives also display a proclivity to more generous 'Giving'. There is no significant link between company performance (tsr) and 'Giving'. The negative coefficient on the CEO status variable reflects the higher level of pay received by CEOs as compared to other executives. In terms of the key variable of interest in the regression, it is seen that the lagged value of executive pay is significantly related to the level of corporate giving. When executive pay doubles, 'Giving' rises by around 20%. Here,the relationship is a statistically and empirically significant effect.

DISCUSSION

Summary of Findings

Using the observed pay of executives serving on FTSE350 boards between 1996 and 2010, it has been shown that there is a significant relationship between the extent of corporate 'Giving' in one period and the level of executive pay in the next. A high level of 'Giving' in one period is followed in a statistically significant, if empirically modest, higher level of pay in the following period. It has also been shown that the level of executive pay in one period is significantly related to the level of corporate 'Giving' observed in the following period. On this occasion the relationship is both statistically and empirically significant.

Contribution of the Study

The contribution of the study is to offer a new insight into the connection between a company's spending on corporate social responsibility (corporate 'Giving' in particular) and the level and generosity of executive pay received by the executive directors of that company. The two way connection supports views of corporate social responsibility as a, mechanism through which executives attempt to distract or camouflage the generous levels of remuneration they receive.

Implications for Theory and Practice

Whereas much of the discussion of corporate social responsibility has focused around the question of whether such activities are good for the company or not, the results above highlight a more individual calculus that takes place in the boardroom. We have seen here that corporate 'Giving' may be being used as a smokescreen to distract attention from generous levels of executive pay. Equally, the level of corporate 'Giving' may be a indicator of corporate slack, with high levels preceding generous pay awards. This connection between pay and corporate social responsibility may be engineered as has been suggested by (Berrone and Gomez-Meja, 2009b) by the board in an effort to elicit the optimal balance between such activity and profit making.

Limitations and Areas for Further Research

One obvious limitation of the study is that the measure that was used to indicate corporate social responsibility activity, namely corporate 'Giving', only captures one aspect of that activity. While, as an audited figure, we can have some confidence that the measure is an accurate one, it is clear that a company's engagement in corporate social responsibility extends far wider than this particular measure. There must also be an important role to be played by qualitative work in this field, wherein boards could be interviewed as to their decision making processes and the connections (explicit or implicit) between executive reward and corporate social responsibility.

Summary

The results presented above open up the possibility that corporate responsibility expenditures may be deployed to camouflage otherwise high levels of executive pay and to mitigate the outrage costs that might otherwise ensue. Equally we have evidence that boards may be rewarding executives (Berrone and Gomez-Meja, 2009a) for undertaking certain levels of corporate social responsibility activities (at least as measured hereby corporate 'Giving').

Table I – Summary statistics for the variables deployed in this study

variable	mean	p1	p25	p50	p75	p99	sd	skewness
Salary (£000)	266.600	23.270	142.700	217.100	333.000	987.400	194.100	2.676
TCC (£000)	437.417	31.666	184.552	303.045	521.104	2339.376	543.462	28.320
TDC_award (£000)	597.800	31.090	190.400	325.300	612.000	4398.000	1312.000	26.340
TDC_rlzd (£000)	663.700	32.360	198.900	354.500	694.600	4619.000	2089.000	73.890
Giving (£000)	1228.000	0.000	0.000	15.880	111.000	30527.000	11870.000	36.860
turnover (£m)	2159.000	0.780	63.250	219.700	935.600	35213.000	9963.000	14.230
tsr	-0.006	-1.943	-0.216	0.077	0.300	1.241	0.562	-1.309
ceo (=1, yes)	0.235	0	0	0	0	1	0.424	1.253
female (=1, yes)	0.033	0	0	0	0	1	0.179	5.215
tenure (years)	5.9	0.2	1.8	4.0	7.9	30.1	6.2	2.4
age (years)	50.4	34.0	45.0	50.3	55.6	68.9	7.5	0.1
FTSE100 (=1, yes)	0.140	0	0	0	0	1	0.347	2.071
FTSE250 (=1, yes)	0.256	0	0	0	1	1	0.437	1.118
bsize	9.346	4	7	9	11	20	3.414	1.039
p_neds	0.4944	0.1667	0.400	0.500	0.600	0.8333	0.149	-0.004208

Table II – Fixed Effects Regression of Executive Pay on Corporate Giving and other factors

VARIABLES	(1) pan1 log_Salary	(2) pan2 log_TCC	(3) pan3 log_TDC_award	(4) pan4 log_TDC_rlzd
log_Giving_lag	0.0051***	0.0058***	0.0074***	0.0083***
	(6.55)	(6.38)	(7.42)	(7.84)
ceo	0.44***	0.46***	0.48***	0.46***
	(85.5)	(76.1)	(73.1)	(64.8)
female	-0.081***	-0.069***	-0.069***	-0.073***
	(-6.01)	(-4.36)	(-3.94)	(-3.89)
tenure	0.0054***	0.0062***	0.0064***	0.0091***
	(12.4)	(12.1)	(11.5)	(15.3)
age	0.055***	0.063***	0.072***	0.068***
	(17.8)	(17.3)	(17.8)	(15.9)
age_square	-0.00056***	-0.00065***	-0.00076***	-0.00069***
	(-18.6)	(-18.3)	(-19.4)	(-16.7)
log_turnover	0.14***	0.17***	0.19***	0.17***
	(39.6)	(40.5)	(43.5)	(37.2)
tsr	-0.012**	0.069***	0.081***	0.10***
	(-2.69)	(13.1)	(13.9)	(16.3)
tsr_lag	0.0061	0.039***	0.052***	0.10***
	(1.33)	(7.28)	(8.86)	(16.0)
ftse100	0.14***	0.23***	0.37***	0.49***
	(8.51)	(11.4)	(17.1)	(21.4)
ftse250	0.077***	0.094***	0.16***	0.21***
	(7.99)	(8.40)	(12.6)	(16.3)
bsize	-0.0021	0.0021	-0.0014	-0.00024
	(-1.51)	(1.35)	(-0.80)	(-0.13)
p_neds	0.40***	0.50***	0.63***	0.52***
	(15.8)	(16.8)	(19.4)	(15.0)
Observations	38,770	38,770	38,770	38,770
Number of companyid	1,890	1,890	1,890	1,890
df_m	26	26	26	26
N	38770	38770	38770	38770

t-statistics in parentheses
*** p<0.001, ** p<0.01, * p<0.05

1. log_Salary_lag is the logarithm of previous year's salary in 2010(£000); log_TCC_lag is the logarithm of previous year's total current compensation in 2010(£000); log_TDC_award_lag is the logarithm of previous year's total direct compensation as awarded in 2010(£000); log_TDC_rlzd_lag is the logarithm of previous year's total direct compensation as realised in 2010(£000); log_Giving_lag is the logarithm of total corporate donations in the previous year in 2010(£000); ceo is a dummy variable for boardroom position (=1 if is CEO); female is a dummy for gender (=1 if is a female); tenure is the years to date in current position; age is the age in years as of the financial year end; log_turnover is the logarithm of turnover or sales in 2008(£m); tsr is the logarithm of total shareholder return; tsr_lag is the previous year's tsr; ftse100 is a dummy variable for membership of the FTSE100 in that year (=1, yes); ftse250 is a dummy variable for membership of the FTSE250 in that year (=1, yes); bsize is the number of people on the board at financial year end; p_neds is the fraction of the board membership which is non-executive.
2. Fixed effect regressions with company as fixed effect and year -specific dummy variables estimated but not reported.

Table III – Fixed Effects Regression of Corporate Giving on Executive Pay and other factors

VARIABLES	(1) use_Sal_lag log_Giving	(2) use_TCC_lag log_Giving	(3) use_TDC_award_lag log_Giving	(4) use_TDC_rlzd_lag log_Giving
Pay_lag	0.21***	0.24***	0.22***	0.18***
	(6.42)	(8.63)	(9.08)	(7.55)
ceo	-0.14***	-0.16***	-0.15***	-0.13***
	(-4.34)	(-4.99)	(-4.88)	(-4.20)
female	0.053	0.055	0.052	0.051
	(0.70)	(0.72)	(0.68)	(0.67)
tenure	-0.0018	-0.0021	-0.0018	-0.0022
	(-0.74)	(-0.85)	(-0.73)	(-0.88)
age	0.021	0.020	0.020	0.023
	(1.21)	(1.16)	(1.15)	(1.30)
age_square	-0.00017	-0.00016	-0.00016	-0.00019
	(-1.02)	(-0.95)	(-0.92)	(-1.09)
log_turnover	0.91***	0.90***	0.90***	0.91***
	(39.1)	(38.5)	(38.3)	(39.0)
tsr	-0.032	-0.032	-0.029	-0.027
	(-1.25)	(-1.25)	(-1.15)	(-1.08)
tsr_lag	0.043	0.024	0.029	0.025
	(1.66)	(0.92)	(1.11)	(0.98)
ftse100	1.55***	1.53***	1.52***	1.51***
	(15.9)	(15.7)	(15.6)	(15.4)
ftse250	0.85***	0.84***	0.83***	0.83***
	(15.4)	(15.2)	(15.1)	(15.0)
bsize	0.073***	0.074***	0.074***	0.074***
	(9.43)	(9.51)	(9.52)	(9.52)
p_neds	1.23***	1.20***	1.17***	1.23***
	(8.51)	(8.31)	(8.11)	(8.55)
Observations	38,555	38,557	38,559	38,557
Number of companyid	1,856	1,857	1,857	1,857
df_m	26	26	26	26
N	38555	38557	38559	38557

t-statistics in parentheses
*** p<0.001, ** p<0.01, * p<0.05

1. log_Salary is the logarithm of that year's salary in 2010(£000); log_TCC is the logarithm of that year's total current compensation in 2010(£000); log_TDC_award is the logarithm of that year's total direct compensation as awarded in 2010(£000); log_TDC_rlzd is the logarithm of that year's total direct compensation as realised in 2010(£000); log_Giving is the logarithm of total corporate donations in 2010(£000); ceo is a dummy variable for boardroom position (=1 if is CEO); female is a dummy for gender (=1 if is a female); tenure is the years to date in current position; age is the age in years as of the financial year end; log_turnover is the logarithm of turnover or sales in 2008(£m); tsr is the logarithm of total shareholder return; tsr_lag is the previous year's tsr; ftse100 is a dummy variable for membership of the FTSE100 in that year (=1, yes); ftse250 is a dummy variable for membership of the FTSE250 in that year (=1, yes); bsize is the number of people on the board at financial year end; p_neds is the fraction of the board membership which is non-executive.
2. Fixed effect regressions with company as fixed effect and year -specific dummy variables estimated but not reported.

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