

The Impact of Equity-based Remuneration on Corporate Risk Strategy in the Australian Mining Sector

PhD Thesis

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October 6, 2015

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Will Charles Mackay

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Acknowledgements

I would like to thank the numerous people that have helped and assisted me during the years of research, study and writing my thesis and turning it into a reality. First, I wish to express my deepest gratitude and thanks to my principal supervisor, Dr George Shan, for accepting me as his student and taking over supervision of my thesis. I could not have completed this thesis without his professional supervision, invaluable guidance, timely and intellectual feedback, and ongoing positive encouragement. I have also greatly appreciated the great support and assistance of my co-supervisor, Associate Professor Bryan Howieson, who, by his effective guidance and broad research knowledge, has helped me overcome many hurdles in the completion and presentation of the final thesis.

I would like to express thanks to the staff at the Business School who provided helpful administrative support, and to my fellow PhD students for their discussions and contributions.

I wish to thank the University of Adelaide for providing me with ongoing financial support and encouragement throughout my candidature. In addition I would like to make special mention of the study leave granted by the Faculty of Professions which provided me with the valuable time and freedom to make crucial progress towards completing the thesis, thank you.

Finally, I would like to express my gratitude to my wife Sonia and two wonderful daughters, Victoria and Catherine. Without their encouragement and love, I could not imagine completing such a long journey. I owe you too much.

Abstract

This study empirically examines whether CEO and director equity-based compensation influenced the risk strategy of listed Australian mining sector companies during 2004 to 2013, and whether risk strategy influenced shareholder value creation. The study had three broad objectives. The first was to identify the changes in remuneration structure for the CEO and directors that caused the increase in total compensation throughout this period. Following from the observed growth in equity-based compensation from part one, the second objective was to develop hypotheses to test the relationship between various forms of equity-based compensation and corporate risk strategy, and factors identified from agency and behavioural agency theories that influence firm risk taking and risk management decisions. The third objective was concerned with developing testing hypotheses to examine whether risk taking and risk management is connected to shareholder value creation.

The contribution of the study include integrating theories concerned with management equity compensation, firm risk strategy and shareholder value, and to provide insights to enable enhanced understanding of current equity-based compensation practice and corporate risk strategy within the Australian mining sector.

The study uses a pooled data set covering the ten year period 2004 to 2013. This comprises mining sector companies listed on the Australian Stock Exchange.

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List of Acronyms

AASB	Australian Accounting Standards Board
AMEX	American Stock Exchange
AMS	Australian Mining Sector
APC	Australian Productivity Commission
ASIC	Australian Securities And Investment Commission
ASX	Australian Stock Exchange
BAT	Behavioural Agency Theory
CalPERS	California Public Employees' Retirement System
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
CG	Corporate Governance
CGPR	Corporate Governance Principles And Recommendations
CLERP 9	Corporate Law Economic Reform Program
COSO	Committee Of Sponsoring Organisations Of The Treadway Commission
Cth	Commonwealth Of Australia
EBC	Equity-Based Compensation
EDR	Executive And Director Remuneration
EU	European Union
FASB	Us Financial Accounting Standards Board
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GIC	General Industry Classification
JORC	Joint Ore Reserves Committee
KMP	Key Management Personnel
LTI	Long-Term Incentive
NED	Non-Executive Directors
NYSE	New York Stock Exchange
OLS	Ordinary Least Squares
R&D	Research And Development
RMRM	Risk Management Relevance Model
SARs	Stock Appreciation Rights
SEC	Securities And Exchange Commission
SFAF	Statements Of Financial Accounting Standards
SOX	Sarbanes Oxley Act Of 2002
SPE-PRMS	Society Of Petroleum Engineers Petroleum Reporting Management System
STI	Short-Term Incentive
UK	United Kingdom
US	United States Of America