



Corporate governance characteristics, shareholder dissent and agency cost of debt

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ABSTRACT

We examine how shareholder dissent both affects and is affected by agency cost of debt, using credit ratings as a proxy. Specifically, we explore (1) whether agency costs of debt trigger dissent differently across corporate governance regimes characterized by greater stakeholder collaboration versus those with stronger shareholder dominance, and (2) whether credit rating agencies' subsequent responses to dissent vary across these regimes. We find evidence that dissent is lower when ratings are higher, but there is limited evidence that shareholders in more collaborative regimes dissent more. Dissent tends to improve subsequent credit ratings when shareholders are highly dominant, but this effect diminishes in more coordinated governance systems. This evidence suggests that dissent shifts power toward shareholders, which is more costly to debtholders in governance systems that are based on collaboration among stakeholders.

1. Introduction

It is widely recognized that firms dependent on external borrowing experience agency costs of debt (Brockman & Unlu, 2009). On one hand, managerial rent extraction can harm debtholders alongside shareholders – consequently, shareholder activism which disciplines managers can reduce borrowing costs (Amiri-Moghadam et al., 2021). On the other hand, shareholders may exercise their voting rights to benefit themselves at the expense of debtholders, thus increasing costs of borrowing (DesJardine & Durand, 2020; Klein & Zur, 2011).¹ A related line of research proposes that dissent voting exerts pressure on boards to address shareholders' concerns even when it is non-binding (e.g., Ertimur et al., 2013). Yet, how dissent affects creditor rights may be dependent on the specific approach to corporate governance which varies across countries. Research on Varieties of Capitalism (VoC) suggests that corporate governance operates differently in liberal market economies (LMEs) than in coordinated market economies (CMEs) (Hall

& Gingerich, 2009; Hall & Soskice, 2001). This implies that differing sets of concerns are expressed through shareholder votes (Sauerwald et al., 2016). Blair and Stout (1999) conjecture that corporate decisions in coordinated corporate governance pay greater attention to creditors' interests than those in contract-based corporate governance (i.e., principal-agent form of governance). Notwithstanding these claims and arguments, to the best of our knowledge, there is little empirical evidence about their validity.

To shed light on these arguments, our research builds on the theoretical model of Aslan and Kumar (2012) who argue that when shareholders are more dominant, the cost of debt is higher. This is because dominant shareholders better coordinate opposition to creditor-benefiting actions (e.g., in liquidation). We argue that in LMEs, the relationships among various stakeholders are less cooperative, making shareholders the dominant stakeholder, which in turn heightens the agency cost of debt (Shleifer & Vishny, 1997). CMEs, in contrast, take a team perspective to corporate governance and conflict resolution to

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¹ One of the biggest three credit rating agencies Moody's (2007) provides guidance acknowledging potential adverse impact of activism on firms' creditors.

facilitate financing of investments (Kaufman & Englander, 2005; Sauerwald et al., 2016). Blair and Stout (1999) further state that, in CMEs, various stakeholders “agree to give up control rights over the output from the enterprise and over their firm-specific inputs” (pp. 277). If shareholders are less dominant in CMEs, then the Aslan and Kumar (2012) analysis suggests that the cost of debt capital should be lower in CMEs than LMEs. Even if this holds empirically, it remains unclear how dissent might influence the cost of debt. While dissent may strengthen corporate governance to the benefit of all stakeholders, it is arguably chiefly motivated by shareholders' self-interest across all governance systems (CME or LME). However, we argue that dissent is indicative of increasing shareholders' dominance, which in CMEs is expected to increase cost of debt capital to a larger extent than in LMEs, where shareholders are more dominant to begin with.

We examine debt ratings of 240 non-financial firms across the 15 Western European countries for which Sauerwald et al. (2016) report Coordination Index scores (hereafter *COORD*), over the period 1999 to 2020 and 31,547 firm-specific resolutions. We use debt ratings because it is a proxy for the quality of debtholders cash flow rights, and hence suited for assessing the ultimate effects of dissent on agency cost of debt. We first test if dissent systematically differs between LMEs and CMEs. It is unclear a-priori if any difference should exist. On the one hand, team relationships in CMEs likely reduce the need for dissent relative to LMEs. On the other hand, in CMEs where shareholders play a less dominant role, dissent may be an effective way for disgruntled shareholders to gain dominance when their view is not shared by other stakeholders. We find first, as would be expected, that dissent is higher when ratings are lower. However, we do not find that dissent varies with *COORD* levels once we control for several measures of financial stress. We therefore conclude that dissent in response to adverse credit conditions is equally likely in CMEs and LMEs suggesting shareholders self-interest plays an important role in dissent for both governance systems.

We next turn to assess if dissent positively affects subsequent changes in credit ratings (i.e., it works to lower cost of debt capital), as is expected if dissent aims to improve governance. Our main interest, though, is to test if this positive effect is lower when the coordination index (*COORD*) is higher. If dissent is also indicative of increasing shareholder dominance, and hence larger agency cost of debt (Aslan & Kumar, 2012), this is what we expect to find. Consistent with this, we report that higher combinations of *COORD* and dissent are related to more negative future credit rating changes. At the same time, dissent reduces cost of debt when shareholders are more dominant to begin with (i.e., when *COORD* is low). In such cases, their dissent is mostly likely a vehicle for positively influencing governance, which, perhaps as a by-product, also benefits creditors.

Taken together, the evidence suggests that the effect of shareholder dissent works in opposite ways depending on how dominant shareholders are in the first place. Although dissent is likely motivated by shareholders' self-interest across all types of corporate governance, our results suggest that dissent increases cost of debt in CMEs because it works to increase shareholder influence, and thereby shareholder-debtholder conflicts, which outweighs any potential benefits to debtholders from improved firm management.

Our study contributes to the understanding of how dissent affects agency costs of debt across governance systems that are characterized by varying degrees of shareholder dominance. While we are not the first to explore how shareholder voting affects debtholders' wealth, prior research on voting outcomes tends to be US-based (e.g., Amiri-Moghadam et al., 2021; Klein & Zur, 2011) and does not consider different approaches to corporate governance that may shape dissent and its consequences. In particular, prior research has not investigated differences in rating reactions to dissent voting between CMEs (low shareholder dominance) and LMEs (high shareholder dominance). There are several studies that use cross-country samples, which take advantage of variations in legal institutions (e.g., Cho et al., 2014; Iliiev et al., 2015), but they do not look at the effects of dissent on agency cost of debt and

how these effects vary with shareholder dominance. Previous studies also tend to focus on a specific type of shareholder voting, such as by hedge funds (Bessler & Vendrasco, 2022; Klein & Zur, 2011; Sunder et al., 2014), or mutual funds (Iliiev et al., 2015; Keswani et al., 2021), rather than overall dissent.²

The rest of the paper is organized as follows. Section 2 reviews the literature. Section 3 explains the empirical predictions. Section 4 discusses variables and the research design. Section 5 summarizes the data sample and discusses our empirical results. Finally, Section 6 concludes.

2. Prior literature

2.1. Varieties of capitalism and corporate governance

The form and functionality of corporate governance at the firm-level is shaped to a large extent by a country's economic and political institutions (Van Essen et al., 2013). Different approaches to resolving coordination problems have developed across national political economies (Hall & Gingerich, 2009; Hall & Soskice, 2001). In particular, there is a notable distinction between LMEs, such as the United Kingdom, where corporate governance addresses mainly the needs of shareholders, and CMEs, such as Germany, where firms depend more heavily on fostering policies that are accepted to key stakeholders, not just shareholders.

Characterized by liquid capital markets, the relationship between shareholders and debtholders in LMEs is constructed chiefly via a network of debt contracts that coordinates cash flow rights to shareholders and debtholders (Fama & Jensen, 1983; Jensen & Meckling, 1976). Conversely, CMEs are characterized by dense relational networks of investors, lenders, and employers' associations, on which firms may rely more heavily for support and funding than formal markets. Modes of resolving the coordination problem, therefore, are based on non-market strategic interactions, in a manner more akin to those studied in game theory (Hall & Gingerich, 2009). Firms' access to capital in CMEs is expected to be much more affected by network monitoring based on the exchange of private information and the formation of collaborative, rather than competitive, relationships (Blair & Stout, 1999). Since coordination in CMEs occurs through network-based collaborative relationships, corporate governance in CMEs tends to occur on more ‘team production’ terms (Kaufman & Englander, 2005). Moreover, in CMEs, such as Germany, banks commonly have representatives sitting on boards, hence, managers likely have greater sympathy to protecting the interests of debtholders. It follows that corporate governance in LMEs is dominated by shareholders to a greater extent than CMEs.

2.2. Dissent voting in AGMs

In addition to cash-flow rights, equity investors also, normally, have rights to vote on important matters during the annual general meeting (AGM), a powerful mechanism that shareholders can use to secure their interests in the firm (Easterbrook & Fischel, 1983).³ External monitoring by shareholders is necessary to resolve agency problems (Jensen & Meckling, 1976), with voting, in particular, enabling shareholders to express their view on the effectiveness of firm governance (Sauerwald

² Sunder et al. (2014) examine loan spreads, an alternative measure of debt riskiness to ratings. However, they use a US sample and so do not examine the effects of variations in shareholder dominance. Nevertheless, our conclusion is similar (albeit for different reasons): the effect of shareholder activism does not always translate to higher cost of debt capital.

³ Matters put to shareholder vote typically include routine proposals (such as director elections, appointment of auditors), governance proposals (prominently, the approval of executive or director compensation), and shareholder proposals (i.e., matters put forward by specific shareholders).

et al., 2016). Moreover, mandatory consent rights over substantial corporate decisions such as changes to the articles of incorporation and merger and acquisition, corporate diversification, and divestment activity (Tokbolat et al., 2021) allow shareholders to decide the “rules of the game” (Bebchuk, 2005). Even in cases where shareholder votes are non-binding (as in say-on-pay, for example), or where majority dissent thresholds are not met (Ertimur et al., 2013), significant opposition through voting sends a powerful signal to managers that shareholders demand change (Hillman et al., 2011).

Since there is generally little direct cost to shareholders casting a dissenting vote, voting against management is one of the most important (Yermack, 2010) and cost-effective (Black, 1998) actions that shareholder activists can take. Enacted alongside informal discussions with management, publicized letters, media campaigns and focus lists (Chowdhury & Wang, 2009; Song & Szewczyk, 2003; Ward et al., 2009), a significant dissenting vote can help to force implementation of these shareholders' demands by management (Ferri & Sandino, 2009; Thomas & Cotter, 2007). That is, dissent as a means of shareholder activism can lead to changes in leadership and governance (Cai et al., 2009; Fischer et al., 2009).⁴

Counter to the view that shareholder dissent can help to bring about substantive change, critics suggest it is a ‘paper tiger’ (Cai et al., 2013) having no real teeth. Even when shareholders can cast a mandatory vote, they do not seem to exercise it to discipline managers (Chu et al., 2021). This evidence is consistent with the notion of ‘shareholder apathy’ (Fairfax, 2019), whereby in most cases shareholders either do not vote or invariably vote in support of management. For instance, Iliev et al. (2015), examining a broad sample of votes on 5.2 million proposals across 43 countries, find that 90 % of votes are cast in favor of management.

Nevertheless, even moderate levels of dissent can exert pressure on boards to address shareholders' concerns (Ertimur et al., 2013) due to public shaming (Cai & Walkling, 2011). For example, in 2020 BlackRock voted its 5 % shareholding in Exxon Mobil against the re-election of its directors (Minerva Analytics, 2020), stating “when effective governance is lacking, we believe that voting against [management] is often the most impactful action a shareholder can take”. The action taken by BlackRock drew attention to their demands, putting pressure on Exxon Mobil, despite the company otherwise enjoying 93 % voting support.⁵ Consequently, prior studies label ‘high’ dissent thresholds as low as 30 % (Ertimur et al., 2013; Hemmings et al., 2020) or even 20 % (Correa & Le, 2016).

Voting rights therefore provide shareholders with a powerful voice (Hillman et al., 2011), which other stakeholders do not enjoy (Smith, 1997). However, dissent likely works in different ways when shareholders are less dominant, as in CMEs, than when shareholders are the dominant stakeholder, as is in LMEs. We discuss this next.

2.3. Shareholders voting effects on debtholders' wealth

When corporate actions following dissent voting lead to an increase in firm value, it is possible that both shareholders and debtholders

⁴ Prior research shows that shareholders' dissent exerts authority over the board, in a manner which improves the board's effectiveness in advocating shareholder interests. Andrei et al. (2023) argue that boards of directors interpret shareholder votes as a ‘vote of confidence in management’, so that boards are more likely to dismiss a CEO on receiving meaningful dissent. Similarly, Ke et al. (2024) report that dissent improves the board's effectiveness in advising and monitoring. As dissent rates are generally low (illustratively averaging 4.1 % in our sample), even modestly higher dissent can be notable and wield influence. Andrei et al. (2023) approximate that each additional 1 % of dissent associates with 3.5 % higher probability of CEO dismissal.

⁵ BlackRock separately stated their demands as including greater progress on sustainable reporting, a broader mix of skillsets among managers, and improved processes for managing business risks.

benefit. For example, when activism targets managerial entrenchment (e.g., empire building), all stakeholders benefit. However, an increase in shareholder value, without a corresponding increase in corporate value results in a transfer of wealth (expropriation) from debtholders to shareholders. Jensen and Smith (1985) identify three major sources of expropriation: an increase in dividend payment financed by either selling assets or issuing new debt; a decrease in debtholder wealth when that additional debt is of the same or higher priority; and asset substitution when investment in high-risk assets replaces investment in low-risk assets even if this entails negative present value. Cremers et al. (2007) find the extent of expropriation is mediated by the existence of bond covenants, which is also supported by Feng et al.'s (2021) findings that expropriation is greater when credit rights protection is weak.

Aslan and Kumar (2012) focus on post-default firm restructuring process, highlighting that shareholder dominance implies stronger bargaining position vis-à-vis creditors in the reorganization post-default. They attribute this to better coordination among dominant shareholders when negotiating in response to debtholders' demands. The implication is that, with more dominant shareholders, debtholders are less likely to recover their investment, thereby, increasing the cost of debt capital.

Common wisdom maintains that shareholders vote against management out of self-interest, for example to constrain managerial pay (Ertimur et al., 2011). However, as we point out above, it is not clear whether debtholders ultimately benefit from such votes (Amiri-Moghadam et al., 2021). Klein and Zur (2011) examine the effects of shareholder voting on debtholder wealth when hedge fund activism targets leveraged firms and report severe reductions in debtholders' wealth. Similar evidence is reported elsewhere. For example, Jia et al. (2025) investigate the Chinese context and report that dissent of minority shareholders increases the cost of debt financing. However, evidence to the contrary also exists (Klein & Zur, 2009).

2.4. International evidence on creditor protection and creditors' wealth

Only a few cross-country studies have examined variations in mechanisms that protect debtholders and how they affect corporate decisions, with potential implications for debtholders' wealth. Favara et al. (2017) find that investment by distressed firms is inversely related to the strength of debt enforcement rules. An implication of their study is that underinvestment by distressed firms owing to strong creditor protection can exacerbate the default risk, and hence the cost of debt. Acharya et al. (2011) provide evidence suggesting that strong creditor protection in bankruptcy is associated with value-reducing M&A activity. They conclude that, as a result, strong creditor rights can adversely affect creditors' wealth.

Reviewing this literature, we note that prior research has not investigated how broad shareholder dissent (rather than by a specific group of shareholders) may affect the agency problems between shareholders and debtholders. We attempt to fill this void. Moreover, we extend this line of research by examining how dissent affects ratings depending on the type of corporate capitalism practiced in the cross-section of countries. The aforementioned studies also did not examine whether low debt ratings are a determinant of dissent.

3. Hypotheses

Corporate governance is, in part, concerned with monitoring managers against self-serving actions. This can be achieved by aligning managerial incentives with shareholders' incentives. From the perspective of debtholders, sound monitoring ensures that managers take decisions that do not adversely affect the ability of the firm to repay its debt and related interest. However, shareholders may act to influence managers to make decisions that come at the expense of debtholders and to the benefit of shareholders. If shareholders mainly dissent to protect their own interest, we do not expect to detect any differences in voting patterns across different types of corporate governance. However, it may

be argued that in LMEs where shareholders are more influential in shaping corporate governance, there are fewer issues that would remain unresolved which will trigger dissent by shareholders. If this is true, we would expect *COORD* to be positively related with dissent. The ultimate relation is empirically unclear, and so we posit our first hypothesis on exploratory basis:

H1. Levels of shareholder dissent are similar between CMEs and LMEs.

Perhaps the sharpest contrast between LMEs and CMEs presents itself when the firm's financial position is under pressure. If shareholders in more cooperative style of corporate governance are relatively more aligned with debtholders' interests because doing so helps to maintain relational networks, we expect to find that worse financial conditions prompt higher *COORD* shareholders to dissent to a greater extent than low *COORD* shareholders. Yet, it is empirically not yet established that in high *COORD* countries shareholders are indeed more aligned with debtholders. Crucially, it is unclear whether shareholders dissent more when the financial position is poorer and the corporate governance system in place is more collaborative.

H1a. Poorer financial conditions trigger equal degree of dissent in CMEs and LMEs.

Although poor financial conditions may trigger dissent, once the votes are cast, debtholders and credit rating agencies are likely to assess the implications of the outcome. Specifically, credit rating agencies are likely to monitor voting results closely and reflect their judgement through bond ratings on whether any changes in a firm's corporate governance may affect debtholders' wealth (Standard and Poor's (S&P), 2021a).⁶

Shareholders' active exercise of their voting rights to voice dissent sends a powerful signal of discontent with the firm's leadership (Sauerwald et al., 2016). 'Expressive' voting dissent, in this way, conveys a message which transcends the formal matter put to vote, to "get directors to address specific problems" (Ertimur et al., 2018, p. 3400), in a manner akin to a vote of no-confidence (Cuñat et al., 2016). Thus, in both LMEs and CMEs dissent is likely to target managerial self-serving policies. In such cases, to the extent that dissent is successful in addressing managerial agency problems that are costly for shareholders and debtholders alike, some of the increase in firm value could flow to debtholders. Consequently, expressions of shareholder dissent could lead to higher debt ratings determined by credit rating agencies.

Rather than signaling managerial agency issues, dissent in CMEs might reveal a break-down in those wider stakeholder relationships, with adverse implications for debtholders. Moreover, in CMEs, corporate governance lends shareholders a weaker baseline dominance because of the adopted collaborative approach between shareholders and creditors. Crucially, shareholders' dissent in CMEs may serve to increase the power of shareholders in firm decision-making *at a point when their interests diverge from debtholders*. Any additional value resulting for shareholders may be gained at the expense of those other stakeholders. As CME debtholders rely on these collaborative relationships to reinforce their interests, a break-down in team production governance signals costly shareholder-debtholder conflicts, so that we expect credit rating agencies will respond to dissent more negatively in the CME context than in LMEs.

H2. Rating agencies respond to dissent by increasing (reducing) corporate ratings in higher *COORD* countries to a lesser (greater) extent than low *COORD* countries.

⁶ S&P in its methodology highlights that management and governance is "one of the most qualitative aspects of our rating methodology" (S&P, 2021b).

4. Variables and research design

4.1. Sample and data sources

We construct a longitudinal sample of shareholder votes held across the same 15 Western European countries for which we have *COORD* data (from Sauerwald et al., 2016) during the period 1999 to 2020, obtained from the Minerva Analytics Manifest database.⁷ Our sample includes all proposals put to a vote during shareholder meetings, including director elections, approval of remuneration, business combinations, auditor confirmation, and shareholder proposals. We supplement this with firm-level credit rating data from S&P Global, as well as financial and governance data from Compustat Global Vantage, along with country level variables, as described below. Our dataset therefore includes three levels of cross-sectional structure: (1) the 15 countries mentioned above; (2) multiple firms per country; and (3) multiple proposals per firm. Our analysis focuses on 31,547 proposals corresponding to 240 unique firms across these countries, where all necessary data are available. Below, and in Appendix A, we define the variables employed in our study. To test H1, H1a (H2) we use model 1 (2), as follows:

$$\text{Ln}(1 + \text{Dissent}) = \alpha_0 + \alpha_1 \text{COORD} + \alpha_2 \text{Rating level} + \beta \text{Controls} + \gamma \text{Interactions} + \sum \text{Ind} + \sum \text{Year} + \sum \text{Proposal} + \varepsilon \quad (1)$$

$$\Delta \text{Rating}_{t+12m} = \alpha_0 + \alpha_1 \text{Ln}(1 + \text{Dissent}) + \alpha_2 \text{COORD} + \alpha_3 \text{COORD} * \text{Ln}(1 + \text{Dissent}) + \alpha_4 \text{Rating level} + \beta \text{Controls} + \sum \text{Ind} + \sum \text{Year} + \sum \text{Proposal} + \varepsilon \quad (2)$$

Note that the dependent variable in model 2 is the change in ratings in the 12 months following the AGM. This formulation allows for a potentially long response period for rating agencies (Cheng and Neamtiu, 2009).

4.2. Dependent variables

Shareholder dissent ($\text{Ln}(1 + \text{Dissent})$). We use dissent voting as the dependent variable to assess whether voting patterns vary between CMEs and LMEs, and whether weaker financial conditions (including credit ratings) influence dissent differently across these governance systems. Since dissent is measured at the AGM date, all financial variables including ratings are already known to shareholders and hence not affected by the dissent itself. That is, reverse causality is unlikely to influence our findings. We calculate shareholder dissent as the natural logarithm of (1 plus) the proportion of votes cast against management's voting recommendations in relation to proposals put to vote at general meetings.⁸ Our sample contains board-sponsored proposals, which management typically recommends that shareholders vote 'for', and shareholder-sponsored proposals, which management typically recommends voting 'against' (Sauerwald et al., 2016). In either case, we consider dissent voting as the sum of 'against' and 'abstain' votes on proposals where management recommends voting 'for'; and the sum of 'for' and 'abstain' votes on proposals where management recommends voting 'against'. Since 'abstain' votes are widely interpreted as a sign of skepticism toward the board (Ertimur et al., 2013), we include them in our dissent calculation, consistent with prior studies.⁹ Dissent is

⁷ The countries are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

⁸ Using the proportion of dissent, as recommended by Cohn et al. (2022), does not affect the nature of our results.

⁹ We obtain consistent results when excluding 'abstain' votes from the calculation of dissent.

therefore calculated as the number of dissent votes divided by the total number of 'for', 'against', and 'abstain' votes cast on a given proposal.¹⁰ Note that dissent is also the main variable of interest in the regression of changes in credit ratings following the AGM.

Change in credit ratings ($\Delta Ratings_{t+12m}$). We employ credit ratings data to approximate the quality of debtholders' cash-flow rights in the firm. Credit rating increases (decreases) imply improved (deteriorated) creditworthiness or lower (higher) default risk, and therefore stronger (weaker) creditor cash-flow rights. Specifically, we employ ratings in the form of a 58-point comprehensive credit rating (CCR) scale (as in [Correa et al., 2014](#); [Sy, 2004](#)), which includes rating, watch and outlook signals issued by Standard and Poor's (S&P), as described in Appendix B. We explore the impact of dissent on debtholders by examining innovations in credit ratings over the twelve months following the shareholder vote at time t . Note that with this formulation the concern about endogeneity between dissent and ratings does not apply.

4.3. Main variables of interest

COORD (i.e., the degree of cooperation among stakeholders, from [Sauerwald et al., 2016](#)). We operationalize countries' approach to corporate governance using the 'coordination index' developed by [Sauerwald et al. \(2016\)](#). The index captures institutional variations across countries and is developed on a factor analysis of attributes that reflect differences in corporate governance and labor relations typical of LME and CME systems. Values of the coordination index range from 0 to 1, whereby values closer to '0' indicate that a country approximates an LME, while values closer to '1' indicate that a country approximates a CME. While the coordination index of [Hall and Gingerich \(2009\)](#) has previously been employed in the context of shareholder voting (e.g., [Sauerwald et al., 2016](#)), it has not yet been applied in the context of effects on debt ratings.

Finding that α_1 is not statistically significant in Eq. (1) is consistent with the idea that dissent patterns are similar in CMEs and LMEs (H1). As discussed below, the control variables include measures of financial position, such as leverage and credit ratings. We then interact *COORD* with these measures of financial position (represented in Eq. (1) as *Interactions*). Finding that the coefficient γ is not statistically significant in Eq. (1) is consistent with the idea that dissent patterns are similar in CMEs and LMEs in response to the firm's financial position (H1a).

Dissent by resolution type. Dissent is measured as explained above. However, when dissent is the main variable of interest, we assess it not only by pooling all resolution types together, but also by examining four resolution-specific subsamples. The first category includes resolutions categorized in the Minerva database as relating to the board of directors. This includes the election and discharge of directors, as well as proposals concerning board committees, board composition, election rules, and other board/director related proposals. The second category covers resolutions related to remuneration of officers, including those concerning pay policy, pay-outs, and the remuneration report. The third category consists of resolutions related to capital, including those on share issuance and buybacks, dividends, capital structure and debt capital. The fourth category encompasses resolutions related to shareholder rights, including those on general meeting procedures and formalities, anti-takeover provisions, and other articles of association. All other resolutions, which are not analyzed separately, but are included in the pooled sample, primarily concern votes to accept the annual report and accounts, as well as auditor ratification and remuneration.¹¹

Finding that α_1 is positive (negative) in Eq. (2) is consistent with the

¹⁰ In untabulated results, we obtain qualitatively consistent results when alternatively constructing *Dissent* as the untransformed percentage of votes dissenting against the management recommendation (p), or as the natural logarithm of $p/(1-p)$.

¹¹ See [Tables 8 and 9](#) for additional set of resolutions we analyze.

idea that dissent is associated with a lower (higher) probability of default following the vote. If the effect of dissent on ratings captured by α_1 is similar (opposite) in CMEs compared to LMEs, then α_3 in Eq. (2) is expected to have the same (opposite) sign as α_1 , consistent with hypothesis H2.

4.4. Additional country-level variables

[Iliev et al. \(2015\)](#) report international evidence indicating that voting patterns vary with certain country characteristics.¹² Since corporate governance systems often develop alongside specific legal institutions, we incorporate a broad set of country-level legal indicators in our analysis.

We include several indices that capture rules and laws to protect creditors, both by constraining managerial actions that could enrich themselves at the expense of other stakeholders, and by directly enhancing debtholders' rights. The first measure is the anti-self-dealing index (*ASDI*) developed by [Djankov, La Porta, et al. \(2008\)](#), which captures legal protections against tunnelling and related party transactions. The second is the anti-director rights index (*ADRI*) of [La Porta et al. \(1998\)](#), as revised in [Spamann \(2010\)](#). The third is a country-level measure of the strength of legal rights for creditors (*legalright*), obtained from the World Bank. The fourth is a measure of the efficiency of debt enforcement (*effic*), reported by [Djankov, Hart, et al. \(2008\)](#). Finally, we include index of debt enforcement in default (*debtentfor*), constructed by [Favara et al. \(2017\)](#) based on data from [Djankov, La Porta, et al. \(2008\)](#). It is important to note that the first two measures reflect general protections for all stakeholders against managerial self-interest, while the latter three more directly capture the legal powers available specifically to debtholders.

In addition to measures of debtholders' legal powers, we account for a country's legal origin, following the approach of [Djankov, Hart, et al. \(2008\)](#). Specifically, we identify whether a country's legal system originates from English common law, French civil law, German civil law, or Scandinavian law. We incorporate legal origin in two ways. First, we use a dummy variable (*Common*) that equals 1 if the country's legal origin is English common law, and 0 otherwise. Second, we employ *Legal Origin* as a categorical variable, treating English common law as the base case and adding fixed effects for each of the other legal origin categories.

4.5. Control variables

We follow the extant research on ratings (e.g., [Alp, 2013](#); [Baghai et al., 2014](#); [Borensztein et al., 2013](#)) and use a similar set of control variables across the various regression models, as detailed below.

Rating level. In Eqs. (1) and (2) we include current credit ratings. In Eq. (1), we do so to test the extent to which current ratings influence shareholder dissent. In Eq. (2), we include lagged ratings because ratings are known to be "sticky," and their inclusion captures the anchoring behavior of rating agencies ([Becker & Milbourn, 2011](#)). However, when testing H1a, we also replace ratings with alternative measures of financial position to examine the broader relationship between financial position and dissent. These alternative measures are described below.

Firm size. We control for firm size using the natural logarithm of total assets (*Size*). Larger firms tend to have lower probabilities of distress, and therefore higher credit ratings ([Kisgen, 2006](#)).

Book-to-market. The ratio of the book value of equity to the market value of equity (*Beme*).

Leverage. Higher debt levels are associated with increased financial distress risks, which implies lower credit ratings. We therefore include financial leverage, measured as the ratio of total debt to equity (*Leverage*), as a control variable. A higher leverage ratio implies a weaker financial position.

¹² [Iliev et al. \(2015\)](#) however do not examine how voting affects ratings.

Table 1
Descriptive statistics.

Variables	N	Mean	S.D.	Min	Median	Max
<i>Rating level</i>	31,547	35.793	7.601	6.000	37.000	58.000
$\Delta Rating_{t,+12m}$	31,547	-0.365	1.843	-9.000	0.000	4.000
$Ln(1 + Dissent)$	31,547	0.038	0.070	0.000	0.011	0.693
<i>Dissent</i>	31,547	0.041	0.082	0.000	0.011	1.000
<i>COORD</i>	31,547	0.404	0.358	0.000	0.600	1.000
<i>Size</i>	31,547	9.862	1.270	7.019	9.964	12.330
<i>Beme</i>	31,547	0.566	0.433	0.045	0.449	3.081
<i>Leverage</i>	31,547	0.299	0.135	0.014	0.284	0.737
<i>IntCov</i>	31,547	13.816	18.804	1.167	8.612	158.103
<i>ROA</i>	31,547	0.044	0.048	-0.115	0.041	0.235
<i>R&D</i>	31,547	0.013	0.025	0.000	0.001	0.147
<i>PPE</i>	31,547	0.580	0.399	0.000	0.554	1.995
<i>D/EBITDA</i>	31,547	2.857	1.895	0.004	2.492	10.807
<i>Loss</i>	31,547	0.004	0.065	0.000	0.000	1.000
<i>Z-score</i>	31,547	1.403	0.633	0.198	1.350	3.839
<i>BdSize</i>	31,547	2.525	0.350	1.386	2.485	3.497
<i>IndDir</i>	31,547	0.571	0.210	0.000	0.588	1.000
<i>Duality</i>	31,547	0.255	0.436	0.000	0.000	1.000
<i>EmployeeDir</i>	31,547	0.245	0.430	0.000	0.000	1.000
<i>SovRating</i>	31,547	54.631	5.952	24.000	58.000	58.000
<i>Num_resolution</i>	31,547	18.928	7.675	1.000	19.000	54.000
<i>Div to Sales</i>	22,779	0.051	0.044	0.000	0.037	0.359
<i>Cash flows</i>	31,522	0.097	0.052	-0.091	0.087	0.380
<i>CF_vol</i>	30,244	0.025	0.032	0.003	0.017	0.759
<i>Director</i>	31,547	0.407	0.491	0.000	0.000	1.000
<i>Compensation</i>	31,547	0.096	0.294	0.000	0.000	1.000
<i>Capitalization</i>	31,547	0.232	0.422	0.000	0.000	1.000
<i>Shareholder rights</i>	31,547	0.055	0.227	0.000	0.000	1.000
<i>Other resolutions</i>	31,547	0.210	0.407	0.000	0.000	1.000

Notes: This table presents summary statistics for the variables used in the multivariate analysis. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. The following countries are included: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom. All variables are defined in Appendix A.

Interest coverage. A firm's ability to meet ongoing interest payments is a key factor in determining credit ratings (Blume et al., 1998). We include the interest coverage ratio (*IntCov*), calculated as earnings before interest and tax divided by interest expense. A higher coverage ratio reflects a stronger financial position.

Profitability. We control for firm profitability using the return on assets ratio (*ROA*), consistent with prior corporate rating determinants literature (Borensztein et al., 2013).¹³ Including this measure helps account for the possibility that firm performance influences both dissent and ratings. This allows our model to isolate the incremental effect of dissent on ratings, beyond the direct effect of performance. More profitable firms are expected to have higher credit ratings due to their lower risk of financial distress.

Growth opportunities. Following Alp (2013), we control for growth opportunities through a measure of research and development expenses (*R&D*). Firms with greater investment in innovation are expected to have higher credit ratings, reflecting stronger long-term prospects.

PPE. Capital-intensive firms, which require high levels of investment in fixed assets, tend to operate with higher levels of operating leverage. This makes them more vulnerable to economic slowdowns, which may negatively affect credit ratings. We therefore include the ratio of property, plant and equipment relative to total assets (*PPE*) as a control variable.

Debt-to-EBITDA (*D/EBITDA*). A high ratio of total debt (including both short- and long-term) relative to profit before interest and tax, depreciation and amortization (*EBITDA*) indicates greater difficulty in meeting debt obligations and is associated with lower debt quality. When the denominator (*EBITDA*) is negative, we set this variable to zero. At the same time, we include a loss indicator (see below).

Loss indicator. A dummy variable equal to 1 if *EBITDA* < 0, and zero

otherwise. Raising debt is more difficult for loss-making firms, and such firms present a higher risk of default from debtholder's perspective.

Z-score. Altman's (1983) Z-score.¹⁴ A higher score implies a stronger financial position.

Board characteristics. Firms with stronger corporate governance tend to have higher credit ratings (Ashbaugh-Skaife et al., 2006). To control for governance quality, we included board size (*BdSize*) and the number of independent directors (*IndDir*), as board independence is associated with stronger governance (Petra, 2005). We also include an indicator for CEO-Chair duality (*Duality*), equal to 1 if the CEO also serves as board chair, and 0 otherwise. Finally, we include a dummy variable (*EmployeeDir*) equal to 1 if at least one board director is an 'employee representative', and 0 otherwise.

Sovereign credit rating. We control for the sovereign credit rating (*SovRating*) of the country in which the company is based, as corporate credit ratings are often affected by the sovereign's rating. Borensztein et al. (2013) refer to it as a 'ceiling effect.'

Number of resolutions. Since our unit of analysis is the proposal, not firm-year, we control for the total number of resolutions voted on at each AGM (*Num_resolutions*). This ensures that firms with more proposals in a given year are not overrepresented in the analysis.

In addition to the variables described above, some specifications include operating cash flows scaled by total assets, cash flow volatility, and cash dividends to sales as alternative measures of financial strength. Higher operating cash flows indicate stronger financial position, while higher cash flow volatility and dividends to sales imply a weaker one.

We follow prior literature on credit ratings that recommends the use of OLS with fixed effects to control for unobserved heterogeneity (Baghai et al., 2014; Baghai & Becker, 2018; Becker & Milbourn, 2011).

¹³ All financial variables are measured at the financial year-end prior to the vote.

¹⁴ Altman's revised z-score, calculated as $[0.717 * (\text{working capital} / \text{total assets}) + 0.847 * (\text{retained earnings} / \text{total assets}) + 3.107 * (\text{EBIT} / \text{total assets}) + 0.420 * (\text{book value of equity} / \text{book value of debt}) + 0.998 * (\text{sales} / \text{total assets})]$.

Table 2
Correlations.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
<i>COORD</i>	1.00																		
<i>Rating level</i>	0.19*	1.00																	
$\Delta Rating_{t,t+12m}$	0.07*	-0.05*	1.00																
$Ln(1 + Dissent)$	0.09*	-0.01	0.02*	1.00															
<i>Size</i>	0.40*	0.55*	0.05*	0.05*	1.00														
<i>Berne</i>	0.11*	-0.33*	-0.11*	0.05*	0.12*	1.00													
<i>Leverage</i>	-0.15*	-0.38*	0.00	-0.05*	-0.20*	0.00	1.00												
<i>IntCov</i>	0.06*	0.33*	0.02*	0.06*	0.07*	-0.12*	-0.38*	1.00											
<i>ROA</i>	-0.12*	0.27*	0.03*	-0.02*	-0.17*	-0.44*	-0.11*	0.35*	1.00										
<i>R&D</i>	0.12*	0.26*	-0.01	0.03*	0.09*	-0.10*	-0.32*	0.30*	0.14*	1.00									
<i>PPE</i>	0.05*	0.01	-0.05*	-0.04*	0.00	0.15*	0.16*	-0.07*	-0.07*	-0.12*	1.00								
<i>D/EBITDA</i>	0.05*	-0.32*	0.03*	0.02*	0.11*	0.30*	0.62*	-0.34*	-0.41*	-0.23*	-0.41*	1.00							
<i>Loss</i>	-0.03*	-0.13*	-0.04*	-0.01	-0.04*	0.11*	0.04*	-0.04*	-0.19*	0.04*	0.02*	-0.10*	1.00						
<i>Z-score</i>	-0.12*	0.17*	-0.01	0.00	-0.26*	-0.22*	-0.46*	0.38*	0.50*	0.17*	-0.02*	-0.54*	-0.10*	1.00					
<i>BdSize</i>	0.60*	0.32*	0.01	0.05*	0.58*	0.05*	-0.12*	0.03*	-0.12*	0.14*	-0.04*	0.09*	-0.01	-0.22*	1.00				
<i>IndDir</i>	-0.33*	0.02*	-0.01	0.00	-0.15*	-0.06*	-0.08*	0.04*	0.11*	0.03*	0.00	-0.14*	0.00	0.20*	-0.60*	1.00			
<i>Duality</i>	0.51*	0.08*	0.04*	0.11*	0.24*	0.07*	-0.12*	-0.02*	-0.08*	0.00	-0.04*	-0.01	-0.03*	-0.11*	0.37*	-0.20*	1.00		
<i>EmployeeDir</i>	0.60*	0.13*	0.06*	0.03*	0.32*	0.12*	-0.12*	0.06*	-0.14*	0.05*	0.07*	0.04*	-0.02*	-0.09*	0.54*	-0.40*	0.33*	1.00	
<i>GovRating</i>	-0.16*	0.15*	-0.02*	-0.07*	-0.06*	-0.11*	-0.19*	0.09*	0.12*	0.13*	-0.08*	-0.22*	0.01	0.21*	0.00	-0.01	-0.07*	0.14*	1.00
<i>Num_resolution</i>	0.06*	0.10*	0.02*	0.06*	0.22*	-0.02*	-0.13*	0.15*	-0.02*	0.07*	-0.12*	-0.03*	-0.02*	-0.01	0.23*	-0.09*	0.05*	0.21*	0.10*

Notes: The table presents Pearson correlation coefficients between each pair of variables in our sample. * indicates the correlation coefficient is significantly different from zero at the 10 % level or higher.

Specifically, we estimate OLS models with industry, year, and proposal fixed effects, and we cluster standard errors at the firm-proposal type level. All continuous variables are winsorized at the 1st and 99th percentiles to limit the influence of outliers.

5. Sample and findings

Table 1 reports the descriptive for our sample using firm level data.¹⁵ The mean (median) corporate credit rating stands at 35.8 (37), equivalent to a BBB rating, implying that the majority of firms in our sample are considered investment grade borrowers.¹⁶ The average change in ratings is one-third of a notch downward, but the range is wide, from downgrades of 9 notches to upgrades of 4 notches, cumulatively, over a 12-month period. The median change in rating is zero, suggesting that, unconditionally, upgrades are as likely as downgrades. Dissent is relatively low on average, with pre-transformation mean (median) at 4.1 % (1.1 %). The coordination score (*COORD*) ranges between 0 (United Kingdom) and 1 (Austria), with an average of 0.404. As shown in Appendix C, only the United Kingdom and Ireland feature a score below the mean, while Switzerland is just above the mean at 0.41. All other countries in the sample have substantially higher coordination scores.¹⁷

Table 2 reports pairwise correlations between the key variables. In general, the correlations are small to moderate in magnitude. The correlations between *COORD* and credit ratings, future changes in ratings, and dissent are positive but relatively weak. *COORD* is strongly positively correlated with board size, employee board membership, and CEO-chair duality, which is reflective of the different corporate governance regimes measured.

We begin the empirical analysis by examining several determinants of dissent voting, focusing in particular on variation in dissent across *COORD* scores. In Table 3, we report the results of OLS regressions where the dependent variable is *Dissent* (log transformed).

Column 1 shows the association between *COORD* and dissent using the baseline model specified in Eq. (1). The results indicate that *COORD* is positively related to dissent, suggesting that dissent tends to be higher in CMEs than in LMEs. In other words, the results contradict H1 and indicatively support the view that shareholders in CMEs, being less influential than those in LMEs, have more reason to express disagreement through dissent. Also from Column 1, we note that higher ratings are negatively related to dissent, as expected, albeit the significance level is marginal (just above 10 %). In Column 2, however, we see that the relation between current rating and dissent is significant at the 1 % level.

The remaining columns in Table 3 extend the baseline model by including the interactions between *COORD* and variables capturing the strength of the firm's financial position (see Eq. (1)). These include current rating level, the *Z*-score, leverage, dividends-to-sales, interest coverage, operating cash flows to total assets, and cash flow volatility, allowing us to test hypothesis H1a. Among these specifications, in Columns (3–8), the coefficient on *COORD* remains positive and is statistically significant in three of the six columns. In column 2 the coefficients on *Rating level* and the interaction *COORD*Rating level* have opposite signs but similar magnitudes. This indicates that in firms with high *COORD* values, the negative association between ratings and dissent is weaker compared to firms with low *COORD*. Specifically, the negative relationship between ratings and (subsequent) dissent is strongest in countries with low *COORD*, such as the United Kingdom. This is

¹⁵ Appendix C reports mean values for sample variables by country.

¹⁶ Corporate debt securities are considered investment grade if the credit rating is BBB- or higher.

¹⁷ It is also notable in Appendix C that observations relating to the United Kingdom, which has a *COORD* score of zero, dominate the sample. In untabulated results, we find employing a sample that excludes the United Kingdom yields qualitatively consistent inferences.

Table 3
Determinants of dissent.

Dependent Variable: $\ln(1 + \text{Dissent})$								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Moderator:	None	Rating level	Z-score	Leverage	Div to Sales	IntCov	Cash flows	CF_vol
<i>COORD</i>	0.011** (0.04)	-0.024 (0.22)	0.017** (0.05)	0.011 (0.18)	0.013 (0.13)	0.009 (0.24)	0.022** (0.01)	0.013* (0.06)
<i>Moderator</i>		-0.001*** (0.01)	0.003 (0.33)	-0.004 (0.81)	-0.009 (0.78)	0.000 (0.24)	0.027 (0.36)	0.011 (0.64)
<i>COORD*Moderator</i>		0.001** (0.04)	-0.005 (0.41)	0.000 (0.98)	-0.007 (0.91)	0.000 (0.47)	-0.110* (0.09)	-0.103 (0.49)
<i>Rating level</i>	-0.000 (0.10)		-0.000 (0.10)	-0.000 (0.10)	-0.000 (0.78)	-0.000 (0.10)	-0.000 (0.11)	-0.000* (0.10)
<i>Size</i>	0.001 (0.36)	0.002 (0.29)	-0.000 (0.83)	-0.000 (0.87)	0.002 (0.18)	-0.000 (0.83)	-0.000 (0.78)	-0.000 (0.85)
<i>Beme</i>	0.006* (0.08)	0.005 (0.15)	0.008** (0.01)	0.008** (0.02)	0.009** (0.02)	0.008** (0.01)	0.008** (0.01)	0.007** (0.02)
<i>Leverage</i>	-0.007 (0.61)	-0.012 (0.37)	-0.006 (0.69)		0.018 (0.12)	-0.008 (0.55)	-0.005 (0.74)	-0.003 (0.82)
<i>IntCov</i>	0.000* (0.10)	0.000* (0.10)	0.000 (0.14)	0.000 (0.14)	0.000** (0.03)		0.000 (0.13)	0.000 (0.17)
<i>ROA</i>	0.011 (0.66)	0.015 (0.56)	0.001 (0.96)	0.003 (0.92)	0.018 (0.40)	0.009 (0.69)	-0.002 (0.94)	0.001 (0.97)
<i>R&D</i>	0.066 (0.42)	0.071 (0.38)	0.056 (0.48)	0.051 (0.53)	0.107 (0.24)	0.061 (0.47)	0.056 (0.50)	0.057 (0.50)
<i>PPE</i>	-0.006 (0.26)	-0.006 (0.25)	-0.007 (0.20)	-0.008 (0.17)	-0.016*** (0.01)	-0.007 (0.18)	-0.007 (0.21)	-0.009 (0.16)
<i>D/EBITDA</i>	0.002* (0.10)	0.002** (0.05)	0.002* (0.08)	0.002* (0.08)	0.000 (0.62)	0.002* (0.06)	0.002* (0.10)	0.002* (0.08)
<i>Loss</i>	-0.002 (0.76)	-0.004 (0.64)	0.000 (0.98)	-0.000	-0.003 (1.00)	0.001 (0.66)	-0.003 (0.74)	-0.001 (0.95)
<i>Z-score</i>	0.002 (0.47)	0.003 (0.37)		0.002 (0.60)	0.008*** (0.01)	0.002 (0.56)	0.001 (0.69)	0.002 (0.56)
<i>BdSize</i>	0.007 (0.19)	0.008 (0.11)	0.006 (0.25)	0.006 (0.25)	0.005 (0.32)	0.006 (0.23)	0.005 (0.37)	0.004 (0.47)
<i>IndDir</i>	0.011 (0.17)	0.014* (0.09)	0.008 (0.28)	0.008 (0.30)	0.012 (0.10)	0.008 (0.29)	0.008 (0.29)	0.006 (0.46)
<i>Duality</i>	0.013*** (0.00)	0.013*** (0.00)	0.013*** (0.00)	0.013*** (0.00)	0.013*** (0.00)	0.014*** (0.00)	0.013*** (0.00)	0.013*** (0.00)
<i>EmployeeDir</i>	-0.008** (0.05)	-0.008** (0.04)	-0.008** (0.04)	-0.008** (0.04)	-0.008 (0.14)	-0.008** (0.04)	-0.008** (0.03)	-0.008* (0.05)
<i>SovRating</i>	-0.000 (0.12)	-0.000* (0.08)	-0.000 (0.12)	-0.000 (0.11)	-0.000 (0.42)	-0.000 (0.10)	-0.000 (0.13)	-0.000 (0.12)
<i>Num_resolution</i>	0.000 (0.11)	0.000 (0.11)	0.000 (0.11)	0.000 (0.11)	0.000 (0.66)	0.000 (0.12)	0.000 (0.10)	0.000* (0.10)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	31,547	31,547	31,547	31,547	22,779	31,547	31,522	30,244
Adjusted R ²	0.101	0.102	0.100	0.100	0.101	0.101	0.101	0.102

Notes: This table reports the estimated coefficients and p-values (in parentheses) from various OLS models predicting dissent given *COORD* by prevailing rating level, Z-score, leverage, proportion of dividends to sales, interest coverage, ratio of cash flows to total assets, and cash flow volatility. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. P-values are from two-tailed t-tests using standard errors that are clustered by firm-proposal type. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

inconsistent with the notion that shareholder and debtholder interests are more aligned in CMEs than in LMEs. When we substitute ratings with alternative measures of financial position (or debt riskiness) there is limited evidence that the type of financial condition significantly alters the positive relationship between *COORD* and dissent. In conclusion, the results in Table 3 offer initial support for the idea that shareholders dissent is more prevalent in CMEs. This is consistent with the interpretation that shareholders in more collaborative governance regimes seek to increase their influence. However, H1a is not rejected, as we find no strong evidence in Table 3 that financial conditions meaningfully moderate the relationship between *COORD* and dissent.

Table 4 also tests the relationship between *COORD* and dissent, but now it includes controls for a range of country-level institutions. We do this because national institutions shape the form of corporate governance adopted, and these institutional differences may be partially reflected in the *COORD* score. Column 1 replicates the specification in Column 1 of Table 3. To account for country-level institutions, we

sequentially add controls for the alternative legal institutions (Columns 2–6), and legal origin variables (Columns 7–8).¹⁸

¹⁸ The bottom row reports the pairwise correlations between *COORD* and the alternative country-level variables. The correlations in columns 2–6 are negative, broadly consistent with the idea that a more coordinated corporate governance system emerges when these institutions are weaker. Interestingly, the inputs Hall and Gingerich (2009) and Sauerwald et al. (2016) use in constructing the *COORD* score do not directly involve these indices. Hence these correlations are not mechanical in nature. The most negative correlations are obtained for *ASDI* and *ADRI* suggesting that coordinated governance systems are associated with weaker legal protections from manager expropriation. Two of the indices that pertain more directly to the protection of debtholders exhibit more modest negative correlations (*legalright* and *effic*) whereas for debt enforcement (*debtentor*) the correlation is very small. Overall, these correlations suggest that *COORD* and these five indices capture different features and aspects of corporate governance systems and protections available to debtholders.

Table 4
Determinants of dissent: the role of legal institutions.

Dependent Variable: $\ln(1 + Dissent)$								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Institution:	–	<i>ASDI</i>	<i>ADRI</i>	<i>legalright</i>	<i>effic</i>	<i>debtenfor</i>	<i>Common</i>	<i>Legal Origin</i>
<i>COORD</i>	0.011** (0.04)	0.000 (0.98)	–0.000 (0.95)	–0.001 (0.84)	–0.008 (0.13)	0.001 (0.87)	–0.023 (0.15)	0.011** (0.04)
<i>Institution</i>		–0.012 (0.46)	–0.004* (0.10)	–0.003*** (0.00)	–0.001*** (0.00)	–0.052*** (0.00)	–0.023* (0.05)	
<i>French</i>								0.026** (0.02)
<i>German</i>								0.013 (0.35)
<i>Scandinavian</i>								–0.021** (0.04)
<i>Rating level</i>	–0.000 (0.10)	–0.001* (0.07)	–0.001* (0.05)	–0.001** (0.05)	–0.000* (0.08)	–0.001** (0.04)	–0.001* (0.05)	–0.001** (0.05)
<i>Size</i>	0.001 (0.36)	0.001 (0.35)	0.002 (0.28)	0.001 (0.32)	0.000 (0.89)	0.001 (0.71)	0.002 (0.28)	0.001 (0.32)
<i>Beme</i>	0.006* (0.08)	0.006* (0.08)	0.005* (0.10)	0.005 (0.10)	0.006* (0.08)	0.005* (0.10)	0.005* (0.10)	0.005 (0.10)
<i>Leverage</i>	–0.007 (0.61)	–0.007 (0.63)	–0.005 (0.74)	–0.006 (0.66)	–0.006 (0.66)	–0.006 (0.65)	–0.005 (0.74)	–0.006 (0.66)
<i>IntCov</i>	0.000* (0.10)	0.000* (0.10)	0.000* (0.10)	0.000* (0.09)	0.000 (0.10)	0.000* (0.08)	0.000* (0.10)	0.000* (0.09)
<i>ROA</i>	0.011 (0.66)	0.011 (0.65)	0.012 (0.62)	0.010 (0.68)	0.014 (0.60)	0.011 (0.66)	0.012 (0.62)	0.010 (0.68)
<i>R&D</i>	0.066 (0.42)	0.059 (0.45)	0.054 (0.50)	0.056 (0.49)	0.102 (0.22)	0.081 (0.32)	0.054 (0.50)	0.056 (0.49)
<i>PPE</i>	–0.006 (0.26)	–0.006 (0.26)	–0.007 (0.25)	–0.006 (0.30)	–0.007 (0.20)	–0.005 (0.40)	–0.007 (0.25)	–0.006 (0.30)
<i>D/EBITDA</i>	0.002* (0.10)	0.002 (0.11)	0.002 (0.14)	0.002 (0.12)	0.002 (0.13)	0.002* (0.08)	0.002 (0.14)	0.002 (0.12)
<i>Loss</i>	–0.002 (0.76)	–0.003 (0.67)	–0.004 (0.59)	–0.003 (0.71)	–0.009 (0.28)	–0.003 (0.75)	–0.004 (0.59)	–0.003 (0.71)
<i>Z-score</i>	0.002 (0.47)	0.002 (0.52)	0.002 (0.48)	0.003 (0.29)	0.001 (0.78)	0.004 (0.22)	0.002 (0.48)	0.003 (0.29)
<i>BdSize</i>	0.007 (0.19)	0.008 (0.12)	0.010* (0.06)	0.011* (0.05)	0.006 (0.30)	0.015*** (0.01)	0.010* (0.06)	0.011* (0.05)
<i>IndDir</i>	0.011 (0.17)	0.010 (0.30)	0.009 (0.30)	0.009 (0.24)	0.004 (0.61)	0.005 (0.55)	0.009 (0.30)	0.009 (0.24)
<i>Duality</i>	0.013*** (0.00)	0.013*** (0.00)	0.013*** (0.00)	0.010*** (0.00)	0.012*** (0.00)	0.007** (0.01)	0.013*** (0.00)	0.010*** (0.00)
<i>EmployeeDir</i>	–0.008** (0.05)	–0.007** (0.05)	–0.007* (0.07)	–0.005 (0.22)	–0.011*** (0.01)	–0.008** (0.04)	–0.007* (0.07)	–0.005 (0.22)
<i>SovRating</i>	–0.000 (0.12)	–0.000* (0.06)	–0.000** (0.04)	–0.000 (0.29)	–0.000 (0.24)	–0.000 (0.17)	–0.000** (0.04)	–0.000 (0.29)
<i>Num_resolution</i>	0.000 (0.11)	0.000 (0.11)	0.000* (0.09)	0.000* (0.06)	0.000 (0.20)	0.000 (0.15)	0.000* (0.09)	0.000* (0.06)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	31,547	31,547	31,547	31,547	31,547	31,547	31,273	31,547
Adjusted R ²	0.101	0.101	0.102	0.103	0.110	0.106	0.106	0.112
Correlation with <i>COORD</i>		–0.78	–0.65	–0.47	–0.44	–0.09	–0.78	

Notes: This table reports the estimated coefficients and p-values (in parentheses) from various OLS models predicting dissent presented in model 1. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. P-values are from two-tailed t-tests using standard errors that are clustered by firm-proposal type. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

The coefficients on the individual legal institutions across Columns 2–6 are all negative and mostly statistically significant. Specifically, the negative coefficient on ADRI in Column 3 suggests that when laws more effectively restrict managerial self-enrichment, shareholders have less incentive to dissent. Columns 4–6 condition on institutions that protect debtholders. The negative and significant coefficient on *Institution* suggests that shareholder dissent is less likely when creditor protections are strong. A likely explanation is that such protections limit shareholders' ability to vote in self-interest (e.g., to expropriate creditors). Note that in Columns 2–6 the coefficient on *COORD* is insignificant, suggesting that after controlling for these legal institutions, the degree of collaboration between shareholders and debtholders is not a determinant of dissent.

Controlling for legal system (Columns 7–8) we find that *COORD* is positively related to future dissent after controlling for the origin of a

country's legal system similar to Column 1. However, when we condition on Common Law (*Common*), the coefficient on *COORD* is insignificant. The difference between these results can be attributed to the level of granularity, as the analysis based on legal origin offers a more nuanced distinction than the simple classification of common versus code law systems. Moreover, *Common* is highly and significantly correlated with *COORD*, aligning with the results in Columns 2–6. Notably, *Common* is negatively associated with dissent, consistent with the notion that shareholder dominance in corporate governance is more pronounced in Common Law countries compared to others.

An examination of the control variables reveals that $\ln(1 + Dissent)$ is negatively associated with credit ratings. Specifically, the coefficient on *Rating level* is negative and statistically significant across all specifications in Table 4. This finding is intuitive insofar as higher ratings

Table 5
Credit ratings and dissent across resolution categories.

Dependent Variable: $\Delta Rating_{i,t+12m}$					
Resolution category:	(1)	(2)	(3)	(4)	(5)
	Overall	Director	Compensation	Capitalization	Shareholder Rights
<i>Ln(1 + Dissent)</i>	1.424*** (0.01)	2.111** (0.04)	0.630 (0.32)	3.551*** (0.00)	1.926 (0.21)
<i>COORD</i>	0.437*** (0.00)	0.493** (0.04)	0.468* (0.09)	0.379* (0.10)	0.433 (0.24)
<i>COORD*Ln(1 + Dissent)</i>	-2.847*** (0.00)	-4.950*** (0.00)	-0.996 (0.19)	-5.033*** (0.00)	-2.427 (0.16)
<i>Rating level</i>	-0.079*** (0.00)	-0.066*** (0.00)	-0.088*** (0.00)	-0.082*** (0.00)	-0.073*** (0.00)
<i>Size</i>	0.365*** (0.00)	0.322*** (0.00)	0.321*** (0.00)	0.461*** (0.00)	0.286** (0.02)
<i>Beme</i>	-0.994*** (0.00)	-0.893*** (0.00)	-0.984*** (0.00)	-1.049*** (0.00)	-0.977*** (0.00)
<i>Leverage</i>	-1.029*** (0.01)	-0.468 (0.49)	-1.856*** (0.01)	-1.150* (0.10)	-0.867 (0.28)
<i>IntCov</i>	0.006*** (0.00)	0.006** (0.01)	0.005 (0.12)	0.002 (0.58)	0.010*** (0.01)
<i>ROA</i>	1.834** (0.04)	1.306 (0.41)	3.825* (0.05)	3.112 (0.12)	1.967 (0.38)
<i>R&D</i>	-5.251*** (0.00)	-4.700* (0.09)	-5.271 (0.12)	-3.107 (0.36)	-8.647** (0.04)
<i>PPE</i>	0.267*** (0.01)	0.239 (0.18)	0.570** (0.01)	0.138 (0.52)	0.363 (0.17)
<i>D/EBITDA</i>	0.071*** (0.01)	0.071 (0.12)	0.094** (0.04)	0.091* (0.06)	0.111* (0.07)
<i>Loss</i>	-0.236 (0.54)	-0.449 (0.49)	-0.017 (0.98)	0.705 (0.43)	-0.347 (0.69)
<i>Z-score</i>	0.159*** (0.01)	0.201* (0.07)	0.115 (0.34)	0.130 (0.31)	0.177 (0.29)
<i>BdSize</i>	-0.482*** (0.00)	-0.618** (0.04)	0.024 (0.93)	-0.568** (0.05)	-0.150 (0.72)
<i>IndDir</i>	0.128 (0.50)	0.217 (0.56)	-0.059 (0.86)	-0.156 (0.69)	0.262 (0.59)
<i>Duality</i>	-0.028 (0.67)	-0.006 (0.96)	-0.107 (0.44)	0.065 (0.63)	-0.163 (0.28)
<i>EmployeeDir</i>	0.290*** (0.00)	0.366** (0.02)	0.233 (0.21)	0.161 (0.42)	0.417** (0.02)
<i>SovRating</i>	-0.003 (0.65)	-0.004 (0.71)	-0.006 (0.59)	-0.003 (0.82)	-0.012 (0.34)
<i>Num_resolution</i>	0.000 (0.98)	0.001 (0.85)	0.010 (0.26)	-0.003 (0.67)	0.002 (0.85)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes
Observations	31,547	12,909	2998	7312	1726
Adjusted R ²	0.131	0.134	0.130	0.135	0.096
<i>Marginal effects of Ln(1 + Dissent) at representative values of COORD:</i>					
ME at COORD = 0.00	1.424*** (0.01)	2.111** (0.04)	0.630 (0.32)	3.551*** (0.00)	1.925 (0.21)
ME at COORD = 0.25	0.712** (0.04)	0.873 (0.23)	0.381 (0.38)	2.293*** (0.00)	1.320 (0.18)
ME at COORD = 0.50	-0.000 (1.00)	-0.364 (0.51)	0.132 (0.72)	1.035** (0.02)	0.712 (0.19)
ME at COORD = 0.75	-0.712** (0.03)	-1.601** (0.01)	-0.117 (0.81)	-0.223 (0.63)	0.106 (0.87)
ME at COORD = 1.00	-1.424*** (0.00)	-2.839*** (0.00)	-0.366 (0.61)	-1.482** (0.04)	-0.501 (0.66)

Notes: This table reports the estimated coefficients and p-values (in parentheses) from various OLS specifications of the fixed-effects linear model 2 testing the effect of dissent on credit ratings. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. We report *p*-values from one-tailed t-tests for the *COORD*Ln(1 + Dissent)* interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed t-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

typically reflect stronger corporate governance (Ashbaugh-Skaife et al., 2006). This, in turn, would be expected to reduce dissent in voting, regardless of the corporate governance model in place.

The results reported in Tables 3 and 4, taken together, provide limited evidence of significant variation in dissent across the range of *COORD*. In particular, we find little indication of such differences once variations in legal institutions are accounted for.

We now turn to testing H2. Table 5 reports results based on Eq. (2), which examines whether dissent is associated with subsequent changes in credit ratings within 12 months following the AGM, and whether this relationship is moderated by the coordination score, as predicted by our hypothesis. Dissent can have conflicting implications for debtholders: it may be detrimental if it reflects attempts to expropriate value from debtholders to shareholders, but beneficial if it aims to address poor

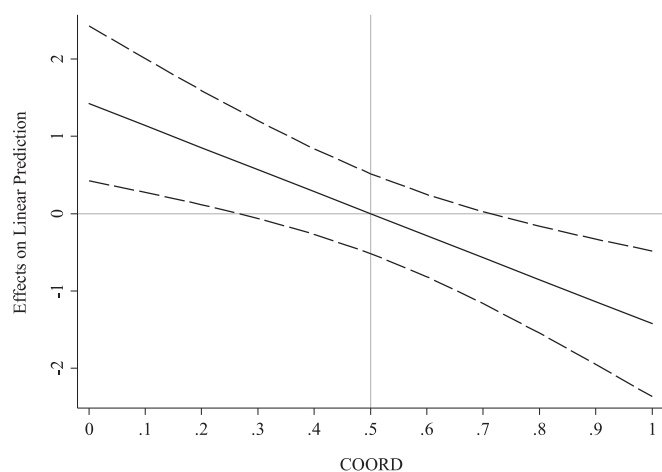


Fig. 1. Average marginal effects of dissent on credit ratings.

Notes: The figure presents average marginal effects of $\ln(1 + \text{Dissent})$ on $\Delta\text{Rating}_{t,+12m}$, along with 95 % confidence intervals, across the range of values of COORD. The marginal effects are based on the estimates from Column 1 of Table 5.

management or managerial entrenchment, thereby enhancing firm value. The net effect is ultimately an empirical question and may arise in both CMEs and LMEs. However, in more collaborative governance systems, dissent may signal a breakdown in coordination and a shift toward stronger shareholder influence. Consequently, if dissent has a positive effect on debtholders, H2 predicts that this effect will be attenuated in more collaborative systems.

Table 5 features results across five columns. Column 1 reports the findings for all resolution types combined, providing an overall view of the relationship between dissent and subsequent rating changes. Columns 2 through 5 break down the results by resolution type. Specifically, Column 2 focuses on resolutions related to directors and, by extension, the firm's corporate governance structure. Column 3 covers resolutions concerning executive compensation. Column 4 includes financial decisions such as share issuances, share buybacks, and actions involving new, or existing debt (Column 4).¹⁹ Finally, Column 5 addresses resolutions related to shareholder rights, including general meeting procedures and formalities.

The coefficient on $\ln(1 + \text{Dissent})$ captures its effect on subsequent rating changes in firms with low COORD scores; that is, in corporate governance systems where shareholder influence is strongest. In the pooled sample, as well as in the subsets involving director-related resolutions and those concerning capital structure, dissent is positively associated with future rating changes. These findings suggest that dissent in these contexts leads to improved ratings, and by implication, reduced default risk. This finding supports the view that in systems dominated by shareholder influence, dissent can serve as a mechanism to enhance corporate and capital management practices, thereby lowering the perceived risk to debtholders.

The coefficient on COORD captures how rating changes vary with shareholder dominance. Results in Columns 1–4 suggest that as shareholder dominance decreases (i.e., as COORD increases), rating agencies tend to respond more positively to AGM resolutions. This pattern is broadly consistent with the argument by Aslan and Kumar (2012), who highlight the adverse impact of strong shareholder dominance on the cost of debt. The lack of statistical significance for COORD in Column 5 is likely due to the procedural and formal nature of this particular resolution type, which may have limited relevance to credit risk assessments.

The interaction between COORD and $\ln(1 + \text{Dissent})$ captures the

incremental effect of reduced shareholder influence in corporate governance when combined with dissent. Notably, the coefficient on this interaction term is negative and statistically significant in the same columns where $\ln(1 + \text{Dissent})$ alone has a positive effect (Columns 1, 2 and 4). This suggests that when shareholders in more collaborative systems attempt to assert greater influence through dissent, rating agencies interpret this as a negative signal for credit risk. This is despite the fact that dissent, on its own, may be associated with improved credit outcomes, as shown by the positive and significant coefficient on $\ln(1 + \text{Dissent})$. In essence, dissent in high-COORD systems may reflect underlying tensions or breakdowns in collaborative governance structures, which could undermine the protections typically afforded to debtholders. This dynamic is further illustrated in Fig. 1, which plots the total effect of dissent (the y-axis) across COORD deciles (the x-axis). The regression line slopes downward from left to right and falls below zero for coordination scores above 0.50, indicating that beyond this threshold, dissent has a net negative effect on rating changes.

To facilitate economic interpretation, we also report at the bottom of Table 5 the marginal effects (ME) of $\ln(1 + \text{Dissent})$ at representative values of COORD (by quartile). With reference to Column 1, we estimate the effects of dissent on rating changes. They are strongly positive for LMEs at a COORD value of 0 (ME of 1.42, significant at the 1 % level), while being strongly negative for CMEs at a COORD value of 1, at equivalent magnitude (ME of -1.42) and statistical significance. In terms of economic magnitude, those effect sizes imply that each 1 % increase in dissent approximately associates with as much as a 1.4 % greater chance of credit rating upgrade (COORD = 0) or downgrade (COORD = 1). For a one standard deviation increase in dissent, the corresponding effects are an approx. 10 % greater chance of absolute rating change ($0.07 \times 1.424 = 0.10$).

Notably, these results are obtained after controlling for the firm's current rating. The negative coefficient on current ratings suggests that highly rated debt is more likely to experience downgrades than upgrades, likely due to a greater potential for decline than improvement. Additionally, we find that positive future rating changes are more likely in larger firms and less likely in firms with higher leverage, suggesting that firm size is associated with improved credit outlooks, while higher debt levels signal increased risk.

As the COORD index is highly correlated with country-level legal institutions, we extend our analysis of future rating changes by sequentially incorporating alternative country-level factors and their interaction with $\ln(1 + \text{Dissent})$. Similar to Table 5, Table 6 features $\ln(1 + \text{Dissent})$, COORD and the interaction term $\text{COORD} \times \ln(1 + \text{Dissent})$ as the core variables, while also adding each institutional factor and its interaction with $\ln(1 + \text{Dissent})$. For brevity, coefficients for the control variables are omitted. First, we observe that the coefficient on $\ln(1 + \text{Dissent})$ is positive and significant in five of the seven columns, reaffirming its beneficial role in some contexts. The interaction term $\text{COORD} \times \ln(1 + \text{Dissent})$ remains negative and significant across all columns, consistent with Table 5, and suggesting that the positive effect of dissent is diminished in more collaborative governance environments. The coefficient on COORD itself is positive and significant when we control for the efficiency of debt enforcement (Column 4) and the strength of debt enforcement (Column 5). These findings suggest that when debtholder protections are strong and shareholder dominance is limited, rating agencies view AGM resolutions more favorably—possibly because they are perceived as less likely to involve expropriation of debtholder value. In contrast, COORD is negatively related to future rating changes when institutions restrict managerial self-dealing (Columns 1 and 2), and when we control for legal origin (Columns 6 and 7). One possible interpretation is that in countries with strong shareholders influence, AGMs may focus on proposals that benefit shareholders at the expense of creditors, especially when institutional checks on directors are already in place. Indeed, stronger anti self-dealing institutions are generally associated with smaller credit changes, as is seen from the negative and significant coefficient on *Institution* in Columns 1–2 and

¹⁹ Table 9 provides a further analysis of this resolution type.

Table 6
Country-level legal institutions.

Dependent Variable: $\Delta Rating_{i,t+12m}$							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Institution:	<i>ASDI</i>	<i>ADRI</i>	<i>legalright</i>	<i>effic</i>	<i>debtentfor</i>	<i>Common</i>	<i>Legal Origin</i>
<i>Ln(1 + Dissent)</i>	3.400** (0.01)	2.819 (0.17)	2.024 (0.16)	5.971*** (0.00)	3.613*** (0.00)	3.606*** (0.00)	1.052** (0.05)
<i>COORD</i>	-0.811*** (0.00)	-0.359* (0.10)	0.087 (0.58)	0.659*** (0.00)	0.429*** (0.00)	-0.623** (0.04)	-0.707** (0.02)
<i>COORD*Ln(1 + Dissent)</i>	-4.431*** (0.00)	-3.546*** (0.00)	-3.260*** (0.00)	-4.732*** (0.00)	-3.916*** (0.00)	-5.912*** (0.00)	-5.706*** (0.00)
<i>Institution</i>	-1.366*** (0.00)	-0.293*** (0.00)	-0.092*** (0.00)	0.007*** (0.00)	-0.078 (0.75)	-0.702*** (0.00)	
<i>Institution*Ln(1 + Dissent)</i>	-2.479* (0.10)	-0.299 (0.48)	-0.090 (0.66)	-0.050*** (0.00)	-4.056** (0.01)	-2.587** (0.04)	
<i>French</i>							0.674*** (0.00)
<i>French*Ln(1 + Dissent)</i>							0.814*** (0.00)
<i>German</i>							0.933*** (0.00)
<i>German*Ln(1 + Dissent)</i>							2.457* (0.07)
<i>Scandinavian</i>							2.304* (0.05)
<i>Scandinavian*Ln(1 + Dissent)</i>							2.025 (0.26)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	31,547	31,547	31,547	31,547	31,547	31,273	31,547
Adjusted R ²	0.135	0.136	0.132	0.132	0.131	0.136	0.134

Notes: This table reports the estimated coefficients and p-values (in parentheses) from various OLS specifications of the fixed-effects linear model testing the effect of dissent on credit ratings. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. We report *p*-values from one-tailed *t*-tests for the *COORD*Ln(1 + Dissent)* interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed *t*-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. Control variables are included but not tabulated. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

Table 7
Credit ratings and dissent: Low vs. high shareholder-creditor conflicts.

Dependent Variable: $\Delta Rating_{i,t+12m}$												
Sort variable:	Rating level		Leverage		Div to Sales		IntCov		Cash flows		CF vol	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Variables	Invest. grade	Junk grade	Low (<Q1)	High (>Q4)	Low (<Q1)	High (>Q4)	Low (<Q1)	High (>Q4)	Low (<Q1)	High (>Q4)	Low (<Q1)	High (>Q4)
<i>Ln(1 + Dissent)</i>	0.917** (0.05)	2.035** (0.02)	0.834 (0.39)	1.537* (0.09)	-1.207 (0.35)	1.334* (0.07)	2.049** (0.01)	2.461*** (0.00)	1.720** (0.02)	1.449* (0.10)	0.202 (0.81)	1.605* (0.07)
<i>COORD</i>	0.715*** (0.00)	0.441 (0.28)	0.886*** (0.00)	0.856*** (0.00)	-1.230*** (0.00)	0.400 (0.15)	-0.144 (0.55)	1.215*** (0.00)	0.006 (0.98)	1.493*** (0.00)	0.238 (0.31)	-0.111 (0.71)
<i>COORD*Ln(1 + Dissent)</i>	-1.867** (0.01)	-3.489*** (0.01)	-0.291 (0.43)	-3.885** (0.01)	0.391 (0.41)	-3.966* (0.06)	-4.376*** (0.00)	-3.090*** (0.00)	-3.695*** (0.01)	-2.707** (0.05)	-0.620 (0.32)	-3.323** (0.02)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	26,180	5367	8042	7484	5712	5536	7531	7858	8322	6731	8203	6770
Adjusted R ²	0.123	0.291	0.221	0.238	0.316	0.235	0.230	0.269	0.225	0.223	0.297	0.201

Notes: This table reports estimated coefficients and p-values (in parentheses) from various OLS specifications of model 2, based on a fixed-effects linear model testing the effect of dissent on credit ratings, sorting on variables proxying strength of shareholder-creditor conflicts. Credit rating grade sorts are based on if the credit rating at the time of vote is BBB- or above (investment grade), or below BBB- (junk grade). Leverage, dividends, interest coverage, cash flows, and cash flow volatility sorts are based on if *Leverage*, *Dividends*, *IntCov*, *Cash flows*, or *Cash flow volatility* is in the lowest quartile (<Q1) or in the highest quartile (>Q4), respectively, where *Cash flows* is the ratio of operating cash flows net of cash flow from extraordinary items and discontinued operations to total assets, and *Cash flow volatility* is the standard deviation of *Cash flows* over the five fiscal years leading up to the vote. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. We report *p*-values from one-tailed *t*-tests for the *COORD*Ln(1 + Dissent)* interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed *t*-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

Table 8
Rating changes by proposal type.

Dependent Variable: $\Delta Rating_{i,t+12m}$				
Resolution cat.:	(1) Dividends and Share Repurchase	(2) Equity Issuance	(3) Executive Comp	(4) Bonds & Capital Structure
$Ln(1 + Dissent)$	2.704 (0.27)	3.738*** (0.01)	0.626 (0.33)	12.244 (0.32)
$COORD$	0.463** (0.05)	0.366 (0.20)	0.515* (0.06)	0.013 (0.99)
$COORD * Ln(1 + Dissent)$	-4.787* (0.07)	-4.863*** (0.01)	-0.549 (0.32)	-18.932 (0.13)
Rating level	-0.074*** (0.00)	-0.099*** (0.00)	-0.087*** (0.00)	-0.070 (0.13)
Size	0.339*** (0.00)	0.610*** (0.00)	0.323*** (0.00)	0.798*** (0.00)
Beme	-0.923*** (0.00)	-1.144*** (0.00)	-0.934*** (0.00)	-2.879*** (0.00)
Leverage	-1.075* (0.08)	-1.140 (0.20)	-1.921*** (0.01)	5.798* (0.08)
IntCov	0.003 (0.19)	-0.002 (0.65)	0.005 (0.18)	-0.017 (0.61)
ROA	2.354 (0.15)	3.708 (0.15)	3.470* (0.08)	7.558 (0.28)
R&D	-3.724 (0.23)	-1.782 (0.67)	-6.566* (0.07)	-10.066 (0.56)
PPE	0.146 (0.48)	0.062 (0.80)	0.601** (0.01)	-0.786 (0.50)
D/EBITDA	0.074 (0.11)	0.101* (0.08)	0.092** (0.05)	-0.335 (0.24)
Loss	0.399 (0.59)	0.587 (0.59)	-0.058 (0.94)	6.440** (0.03)
Z-score	0.111 (0.37)	0.164 (0.27)	0.169 (0.16)	-0.779 (0.26)
BdSize	-0.449* (0.06)	-0.565 (0.14)	0.016 (0.96)	-1.513** (0.03)
IndDir	0.127 (0.71)	-0.374 (0.48)	-0.071 (0.85)	-1.125 (0.19)
Duality	0.020 (0.86)	0.122 (0.47)	-0.117 (0.42)	0.235 (0.46)
EmployeeDir	0.185 (0.27)	0.050 (0.84)	0.194 (0.27)	0.488 (0.41)
SovRating	-0.002 (0.84)	-0.008 (0.64)	-0.007 (0.54)	-0.010 (0.84)
Num_resolution	0.001 (0.87)	-0.003 (0.76)	0.012 (0.17)	-0.096** (0.01)
Industry, year and proposal FE	Yes	Yes	Yes	Yes
Observations	3491	3617	2631	204
Adjusted R ²	0.102	0.164	0.133	0.340

Notes: This table reports the estimated coefficients and p-values (in parentheses) from various OLS specifications of fixed-effects model 2, which tests the effect of dissent on credit ratings. We report p-values from one-tailed t-tests for the $COORD * Ln(1 + Dissent)$ interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed t-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

when the legal system is based on common law (Column 6).²⁰

The interaction term $Institution * Ln(1 + Dissent)$ is negative and significant in Columns 1, 4, 5 and 6, implying that rating agencies interpret dissent as an attempt to erode institutional protections for debtholders. In Column 7, however, the interaction term is positive for the French and German law systems. Since Code law serves as a baseline, this suggests

²⁰ The results for strong institutions that protect debtholders are rather mixed. Specifically, while the coefficient on *Institution* is negative in Column 3, it is positive in Column 4 and insignificant in Column 5.

that in French and German systems, institutional protections maybe be more robust or less easily undermined by shareholder dissent, leading to smaller negative effect compared to other Code law jurisdictions.

Overall, Table 6 reinforces the findings in Table 5: Dissent in more collaborative governance systems is associated with smaller rating changes. This is consistent with the hypothesis that increased shareholder influence, facilitated through dissent, can be detrimental to debtholders in such contexts, echoing the concerns raised by Aslan and Kumar (2012).

5.1. Additional analyses

To deepen our understanding of the results, we conduct several additional analyses that examine whether the relationship between Dissent, *COORD*, and subsequent rating changes is influenced by the severity of shareholder–debtholder conflicts. Following prior literature, we identify conditions under which such conflicts are more likely to be pronounced and contrast them with contexts where these conflicts are less severe. If our main findings are indeed driven by shareholder efforts to gain influence at the expense of debtholders, we expect the interaction between *Dissent* and *COORD* to have a stronger effect in high-conflict settings. Building on and extending Amiri-Moghadam et al. (2021), we define high-conflict contexts as those characterized by non-investment grade (junk) credit ratings, high leverage, high dividend payout ratios, low interest coverage, low operating cash flows, and high cash flow volatility. Table 7 presents the results of these analyses. Consistent with our earlier findings, the coefficient on the interaction term $Ln(1 + Dissent) * COORD$ is generally negative and statistically significant in 9 of the 12 columns. Importantly, the effect is more pronounced in contexts where shareholder–debtholder conflicts are more severe. Specifically, stronger negative effects are observed in cases of junk-rated debt (Column 2), high leverage (Column 4), high dividend rates (6), low interest coverage (Column 7), low cash flow from operations (Column 9), and high cash flow volatility (Column 12). These findings provide further support for the view that in collaborative governance systems, dissent signals a shift in influence that is viewed unfavorably by credit rating agencies—particularly when debtholder protections are already under strain.

Second, Keswani et al. (2021) identify several specific proposals where shareholders and debtholders face heightened conflicts. Consistent with Keswani et al. (2021), we further focus on proposals classified as (1) dividends and share repurchase, (2) equity issuance, (3) executive compensation, (4) bonds and capital structure. We next therefore examine if dissent affects changes in ratings for the same four resolution types and report the results in Table 8. For proposals on equity issuance (Column 2) the coefficient on $Ln(1 + Dissent)$ is positive and significant. Note that raising equity capital should provide capital injection that should benefit debtholders. Dissenting such proposals therefore could work against debtholders. The positive coefficient on dissents suggests that, for low *COORD* scores (where shareholders collaborate less with debtholders), rating agencies regard dissent as beneficial to debtholders. This is surprising. However, the negative coefficient on $COORD * Ln(1 + Dissent)$ in this column suggests that rating agencies react progressively more negatively to dissent to raising equity capital in firms with more coordinated corporate governance style. Moreover, the coefficient on $COORD * Ln(1 + Dissent)$ is also significant in Column 1, in the context of proposals on shareholder redistributions. Together, this is consistent with dissent influencing a greater alignment with shareholders and thus weakening other stakeholders, such as debtholders. The coefficient on *COORD* is non-negative, and positive and significant in Columns 1 and 3. This is broadly consistent with results reported in Table 7. Overall, the results reveal importance nuance in the role of dissent in rating decisions across coordinated vs. uncoordinated governance regimes.

In further analyses, we examine whether dissent has longer-term effects on measures of credit risk. While previous sections focused on relatively short-term effects, it is plausible that dissent may also

Table 9
Heckman two-step procedure tests on credit ratings and dissent across resolution categories.

Dependent Variable: $\Delta Rating_{i,t+12m}$					
Resolution cat.:	(1) Overall	(2) Director	(3) Compensation	(4) Capitalization	(5) Shareholder Rights
$\ln(1 + Dissent)$	1.358** (0.02)	2.179* (0.07)	0.370 (0.55)	4.012*** (0.01)	1.398 (0.47)
COORD	0.327*** (0.01)	0.367 (0.11)	0.309 (0.29)	0.336 (0.17)	0.328 (0.42)
COORD* $\ln(1 + Dissent)$	-2.817*** (0.00)	-4.915*** (0.00)	-0.982 (0.20)	-5.384*** (0.00)	-1.826 (0.24)
IMR	-0.015 (0.59)	-0.044 (0.38)	0.018 (0.73)	-0.026 (0.69)	-0.012 (0.91)
Industry, year and proposal FE	Yes	Yes	Yes	Yes	Yes
Control Variables	Yes	Yes	Yes	Yes	Yes
Observations	29,060	12,017	2790	6652	1590
Adjusted R ²	0.134	0.142	0.139	0.140	0.099

Notes: This table reports the second step in the Heckman selection model. In the first step (untabulated) we regress a binary variable = 1 (0) if the dissent level is above (equal or below) the sample mean. The main explanatory variable in the first step is shareholder turnout at the AGM and all the same controls and fixed effects as the models in our main analyses. We then add the Inverse Mills Ratio (IMR) computed from the first step as an explanatory variable in the second step models, which are reported in the table, and which are otherwise of the form defined in Eq. (2). We report p-values from one-tailed t-tests for the $COORD * \ln(1 + Dissent)$ interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed t-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

influence debtholders outcomes over extended periods. To assess this, we examine four measures of changes in credit risk over five years: ratings, Z-score, leverage, and interest coverage. In untabulated results, we find that the coefficient on $COORD * \ln(1 + Dissent)$ is negative and significant for both ratings and interest coverage for one-and two-year ahead changes. Additionally, this effect holds for three-year changes in case of interest coverage. This suggests that dissent in high COORD firms is associated with worsening indicators of credit risk beyond one year. In further untabulated analyses, we examine changes in interest-to-debt, changes in profitability (ROA), changes in dividends and changes in cash-to-assets over similar time horizons. Across these measures, we generally find no evidence of improvement following dissent, in either CMEs or LMEs.

5.2. Endogeneity concerns

As firms experiencing severe shareholder dissent may be self-selected rather than randomly distributed, we conduct additional robustness tests to address the endogeneity concern. We first adopt the Heckman two-step procedure to address potential sample selection bias (Heckman, 1979). The first step involves estimating the structural difference between high- and low-dissent firms. The dependent variable in the first step is constructed by classifying our sample observations into high- and low-dissent groups using the average of shareholder dissent.²¹ Accordingly, the dependent variable in the first step is a binary variable set equal to 1 if dissent is above the average dissent rate, and zero otherwise. The explanatory variables are all the control variables and fixed effects employed in the main analyses, as well as the turnout ratio of shareholders, which serves as the exclusion restriction. We use the turnout ratio of shareholders in the first step because prior research argues that it explains dissent but is unlikely to be used by rating agencies. Specifically, Andrei et al. (2023) show that high shareholder turnout results in lower rates of dissent votes because turnout reflects mainly the participation of minority or retail investors who are generally less informed (than institutional investors) and tend to follow

²¹ For robustness, we apply an alternative definition of the dependent dummy variable in the first stage of the Heckman selection procedure. Specifically, the dependent variable is defined as 0 if the firm has no shareholder dissent in a given year and 1 otherwise. These results remain consistent and are available upon request.

Table 10
Instrumental variables.

Dependent Variable	(1) $\ln(1 + Dissent)$	(2) $\Delta Rating_{i,t+12m}$
Lagged $\ln(1 + Dissent)$	0.115*** (0.00)	
Industry Dissent	0.849*** (0.00)	
Predicted $\ln(1 + Dissent)$		3.350*** (0.00)
COORD		0.382*** (0.00)
COORD*Predicted $\ln(1 + Dissent)$		-6.236*** (0.00)
Industry, year and proposal FE	Yes	Yes
Control variables	Yes	Yes
Observations	31,262	31,262
R-squared	0.202	0.090

Notes: This table reports the estimated coefficients and p-values in parentheses from IV regressions using the two-stage least squares (2SLS) method. Column 1 reports the results of the first stage where the instruments are lagged dissent and industry dissent averages. The second-stage results are reported in Column 2, whereby $\ln(1 + Dissent)$ is substituted for its predicted value from the first stage, in a full sample regression of Eq. (2). We report p-values from one-tailed t-tests for the $COORD * \ln(1 + Dissent)$ interaction terms since these are used to test H2, which is directional. P-values for all other coefficients are from two-tailed t-tests, and we employ standard errors that are clustered by firm-proposal type in all cases. All variables are defined in Appendix A. *, **, and *** indicate the coefficient is significantly different from zero at the 10 %, 5 %, and 1 % level, respectively.

management voting recommendations. Consistent with that, we find that the coefficient on the turnout variable is -0.47 and highly significant (p -value < 0.01) in the first stage. Since we then use the actual dissent in the second step, this approach also satisfies the exclusion restriction required in this procedure. Based on the first stage regression results, we compute the Inverse Mills Ratio (IMR) and include it in our baseline regressions on credit ratings and dissent across resolution categories in the second step, to correct for the self-selection bias. Table 9 reports the results of the second stage.

Consistent with the results reported in Table 5, the $COORD * Ln(1 + Dissent)$ coefficients for the full sample, as well as for resolutions concerning director appointments, and capitalization issues, remain negative and statistically significant at the 1 % level. We find that the results are robust after controlling for the IMR estimated from the first stage of the Heckman procedure.

In addition, we also conduct instrumental variables (IV) regressions using the two-stage least squares (2SLS) method, employing two instrumental variables in the first stage to predict $Ln(1 + Dissent)$: lagged shareholder dissent and the average shareholder dissent within each industry in each country. Use of lagged explanatory variables as IVs is common in the literature and is applicable in our setting given dissent can exhibit persistence over successive periods, while lagged dissent alone should not provide a meaningful signal for credit rating agencies' contemporary revisions. Industry average of the main predictor is also in common use for IV, including (such as in our case) as an instrument for shareholder dissent (Andrei et al., 2023). That is because firms in the same industry have similar business and governance practices and overlapping investors, though industry-level dissent rates are unlikely to be endogenous to focal firm outcomes.²² The first stage of the 2SLS also includes the full suite of control variables and fixed effects as in our main tests. In the second stage, we then replicate Eq. (2) by substituting $Ln(1 + Dissent)$ for its predicted value that is computed from the first stage.

The results of the first- and second-stage 2SLS models are presented in Columns 1 and 2 of Table 10, respectively. From Column 1, we note that both instrumental variables are significantly and positively related to the shareholder dissent in the first stage. The Cragg-Donald Wald F statistic yields a value of 831.241 with a p-value of 0.000, which strongly rejects the null hypothesis that the instruments are weak (Cragg & Donald, 1993; Hausman et al., 2005). P-values for the Sargan and Basmann overidentification tests are both above 0.5, indicating that our instruments are valid and uncorrelated with the error term. In Column 2, we observe that results from the second stage are consistent with the full sample results given in Column 1 of Table 5, in that coefficients for the variables of interest are of equivalent direction and statistical significance. In respect to our tests of H2, we note the coefficient on the $COORD * Predicted_Ln(1 + Dissent)$ interaction remains negative and highly significant, strengthening the empirical support for our predictions. Taken together, the results in Tables 9 and 10 indicate that our findings are robust to the endogeneity concern.

6. Conclusion

We extend prior research on shareholder activism by examining how shareholder dissent influences credit ratings. Dissent could be indicative of agency problems, the solution to which may benefit both shareholders and debtholders. However, in governance systems that are stakeholder-oriented (i.e., more collaborative), dissent may reflect an attempt by shareholders to assert greater control. Aslan and Kumar (2012) argue that increased shareholder dominance can raise the cost of debt, as dominant shareholders are better positioned to prioritize their own interests over those of debtholders. To the extent that shareholder dissent

in more collaborative governance systems implies a shift toward greater shareholder dominance, our results align with Aslan and Kumar (2012) prediction. Analyzing a sample of over 31,000 resolutions across 15 countries, we find that the effect of dissent on subsequent ratings is weaker in more collaborative systems than in more shareholder-dominated ones. In systems where shareholders already have substantial influence, dissent is less likely to further increase their dominance and may therefore improve governance in ways that benefit debtholders, without the negative implications associated with rising shareholder power. This is particularly true in less collaborative systems, where shareholders are more dominant to begin with.

Interestingly, while the effects of dissent on credit ratings vary across governance systems, we do not find evidence that the drivers of dissent differ meaningfully across these systems. Specifically, although poor ratings are associated with higher levels of dissent, this relationship appears consistent regardless of governance structure. This is somewhat surprising considering prior research, such as Blair and Stout (1999), which suggests that shareholders in more collaborative systems are more closely aligned with debtholders.

Our research has implications for scholars of comparative corporate governance, as well as for policymakers operating in such coordinated market economies. In particular, our study highlights a case in which reliance on governance through informal relations may, perhaps paradoxically, exacerbate conflicts among stakeholders. Understanding nuances of the CME setting that differ from LMEs and the standard agency-theoretic model, should be useful for actors such as regulators, corporate boards, and information intermediaries when assessing and reacting to such conflicts. Among those nuances are the proper interpretation of dissent as a signal of governance breakdown between corporate insiders and outsiders on one hand (as typical in LME), vis-à-vis between equity and debt or other stakeholders on the other.

The findings also contribute to the broader understanding of the determinants of credit ratings in an international context, offering insights relevant to regulators, lenders, and investors. Furthermore, the findings may help inform boards about how rating agencies interpret shareholder dissent across different corporate governance regimes. Future research can extend our analysis by examining how markets respond to dissent across different levels of COORD, whether analysts revise their forecasts differently in response to dissent, how auditors may react to dissent under varying corporate governance regimes.

Declaration of competing interest

None.

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²² Inclusion of industry fixed effects in the first and second stage IV regressions serves to mitigate any remaining concerns that observed firm outcomes are driven by industry norms. In unreported tests, we also use shareholder turnout as an alternative IV and obtain consistent results, indicating that our findings are robust to this methodological choice.

Appendix A. Variable definitions

Variable	Definition
<i>Main variables of interest</i>	
<i>Rating level</i>	Corporate credit rating at the time of the AGM, expressed in 58-comprehensive credit rating scale (CCR), which accounts for rating actions, outlook and watch status as issued by Standard and Poor's (see Appendix B).
$\Delta Rating_{t+k}$	Change in corporate rating between the time of the AGM where the vote takes place (at t) and k months after the AGM ($t + k$ months).
$\ln(1 + Dissent)$	Natural logarithm of 1 plus the percentage of votes dissenting against management recommendation. Dissenting votes are defined as 'against' + 'abstain' votes when management recommend that shareholders vote 'for' the proposal; and 'for' + 'abstain' votes when management recommend that shareholders vote 'against'. <i>Dissent</i> is the number of dissent votes divided by the total number of 'for', 'against', and 'abstain' votes cast on the proposal.
<i>COORD</i>	Hall and Gingerich's (2009) co-ordination index, as reported in Sauerwald et al. (2016). Values closer to 1 indicate a country more closely approximates a coordinated market economy (CME), whereas values closer to 0 indicate a country more closely approximates a liberal market economy (LME).
<i>Firm-level variables</i>	
<i>BdSize</i>	Board size, measured as the total number of directors on the board.
<i>Beme</i>	The ratio of book value of equity to market value of equity
<i>D/EBITDA</i>	Total debt divided by earnings before interest, tax, depreciation and amortization. When the denominator is negative, we set this variable to zero. At the same time, we include a loss indicator (see <i>LOSS</i>).
<i>Duality</i>	CEO-Chair duality, calculated as an indicator variable which takes the value 1 if the CEO is also the chair of the board of directors, and 0 otherwise.
<i>EmployeeDir</i>	A dummy variable taking the value 1 if at least one board director is an 'employee representative', and 0 otherwise.
<i>IndDir</i>	The number of independent non-executive directors on the board divided by the total number of directors on the board.
<i>IntCov</i>	Interest coverage ratio, measured as earnings before interest and tax divided by interest expense.
<i>Leverage</i>	Financial leverage, calculated as the ratio of total debt to assets.
<i>LOSS</i>	A dummy variable set to 1 if <i>EBITDA</i> is negative (indicating a loss), and 0 otherwise.
<i>PPE</i>	The value of property, plant and equipment scaled by total assets.
<i>R&D</i>	Growth opportunities, proxied using research and development (R&D) expense divided by total assets.
<i>ROA</i>	Profitability, measured using the net profit divided by total assets (return on assets ratio).
<i>SIZE</i>	Firm size, measured as the natural logarithm of total assets.
<i>Z-score</i>	The revised Altman Z-score, calculated as $[0.717 * (\text{working capital} / \text{total assets}) + 0.847 * (\text{retained earnings} / \text{total assets}) + 3.107 * (\text{EBIT} / \text{total assets}) + 0.420 * (\text{book value of equity} / \text{book value of debt}) + 0.998 * (\text{sales} / \text{total assets})]$. Working capital = current assets – current liabilities.
<i>Num_resolutions</i>	The total number of resolutions put to vote at the AGM.
<i>Div to Sales</i>	Ratio of the total amount of dividends paid out to shareholders relative to total sales.
<i>Cash flows</i>	Net cash flow from operating activities less cash flow from extraordinary items and discontinued operations, scaled by total assets.
<i>CF_vol</i>	Cash flow volatility, calculated as the standard deviation of <i>Cash flows</i> over 5 years up to and including the fiscal year prior to the AGM.
<i>Country-level variables</i>	
<i>ASDI</i>	The Anti-Self-Dealing Index of Djankov, Hart, et al. (2008).
<i>ADRI</i>	The Anti-Directors Rights Index of La Porta et al. (1998), as revised in Spamann (2010).
<i>legalright</i>	A country-level measure of measure of the strength of creditors' legal rights, obtained from the World Bank.
<i>effc</i>	The efficiency of debt enforcement, as reported in Djankov, La Porta, et al. (2008).
<i>debtfor</i>	Index of debt enforcement in default, constructed by Favara et al. (2017) based on data from Djankov, La Porta, et al. (2008).
<i>Common</i>	Indicator variable equal to 1 if the legal origin of a country is English common law, and 0 otherwise, as in Djankov, Hart, et al. (2008).
<i>Legal Origin</i>	Categorical variable of a country's legal origin as either English common law, French civil law, German civil law, or Scandinavian law, as in Djankov, Hart, et al. (2008). Operationally, in models where <i>Legal Origin</i> is included, we treat English common law as the base case and add a fixed effect for each of the remaining categories (<i>French, German, Scandinavian</i>).
<i>SovRating</i>	Sovereign credit rating for the country in which the company is incorporated, expressed in terms of the 58 comprehensive credit rating scale (CCR), which accounts for rating actions, outlook and watch status (see Appendix B).
<i>Resolution type</i>	
<i>Director</i>	Resolutions categorized in the Minerva database as relating to the board of directors, including election and discharge of directors, and resolutions relating to board committees, board composition, election rules, and other board/director related proposals.
<i>Compensation</i>	Resolutions categorized in the Minerva database as relating to remuneration of officers, including resolutions relating to pay policy, pay-outs, and the remuneration report.
<i>Capitalization</i>	Resolutions categorized in the Minerva database as relating to capital, including resolutions on share issuance and buybacks, dividends, capital structure and debt capital.
<i>Shareholder rights</i>	Resolutions categorized in the Minerva database as relating to shareholder rights, including resolutions relating to general meeting procedures and formalities, anti-takeover provision, and other articles of association.
<i>Other</i>	Resolutions that are not categorized under one of the above headings in the Minerva database. Other resolutions mainly relate to votes to accept the annual report and accounts, and auditor ratification and remuneration.

Appendix B. 58-Point comprehensive credit rating (CCR) scale

<i>S&P rating symbols</i>	<i>Outlook/watch</i>	<i>58-point</i>	<i>Adjustments</i>	<i>58 pt. CCR scale</i>
AAA	stable watch/outlook	58	0	58
AAA	negative outlook		-1	57
AAA	negative watch		-2	56
AA+	positive watch		2	57
AA+	positive outlook		1	56
AA+	stable watch/outlook	55	0	55
AA+	negative outlook		-1	54
AA+	negative watch		-2	53
AA	positive watch		2	54
AA	positive outlook		1	53
AA	stable watch/outlook	52	0	52
AA	negative outlook		-1	51
AA	negative watch		-2	50
AA-	positive watch		2	51
AA-	positive outlook		1	50
AA-	stable watch/outlook	49	0	49
AA-	negative outlook		-1	48
AA-	negative watch		-2	47
B-	positive watch		2	15
B-	positive outlook		1	14
B-	stable watch/outlook	13	0	13
B-	negative outlook		-1	12
B-	negative watch		-2	11
CCC+	positive watch		2	12
CCC+	positive outlook		1	11
CCC+	stable watch/outlook	10	0	10
CCC+	negative outlook		-1	9
CCC+	negative watch		-2	8
CCC	positive watch		2	9
CCC	positive outlook		1	8
CCC	stable watch/outlook	7	0	7
CCC	negative outlook		-1	6
CCC	negative watch		-2	5
CCC-	positive watch		2	6
CCC-	positive outlook		1	5
CCC-	stable watch/outlook	4	0	4
CCC-	negative outlook		-1	3
CCC-	negative watch		-2	2
CC, SD, D		1		1

Notes: The table provides an illustration of the upper and lower sections of the 58-point comprehensive credit rating scale (CCR) that we employ. For brevity, we omit the middle sections of the scale. This scale includes rating, watch and outlook signals. Rating classes are given values from 1 to 58 such that: AAA = 58, AA+ = 55, ..., CCC- = 4, C/SD/CC/DD = 1. For positive (negative) watch we add (subtract) 2, whereas for positive (negative) outlook we add (subtract) 1.

Appendix C. Descriptives by sample country

	Austria	Belgium	Denmark	Finland	France	Germany	Ireland	Italy	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom
Panel A: Variable means by sample country															
Rating level	34.636	38.854	33.487	35.367	37.847	37.205	36.767	35.942	35.735	34.828	32.460	35.359	37.000	41.886	33.658
$\Delta Rating_{t,+12m}$	-0.093	-0.184	-0.200	-0.210	-0.246	-0.238	-0.005	-0.619	-0.003	-0.207	-0.624	-0.630	-0.189	0.018	-0.548
$Ln(1 + Dissent)$	0.021	0.040	0.013	0.022	0.060	0.033	0.023	0.054	0.042	0.011	0.037	0.041	0.007	0.044	0.030
Size	8.973	10.028	9.543	9.560	10.537	10.851	10.165	10.552	9.616	9.560	9.229	10.202	8.026	9.939	9.300
Beme	0.750	0.493	0.683	0.694	0.634	0.612	0.751	0.853	0.474	0.750	0.601	0.552	0.321	0.372	0.530
Leverage	0.343	0.318	0.353	0.254	0.254	0.262	0.257	0.383	0.262	0.237	0.467	0.403	0.156	0.224	0.327
IntCov	6.870	12.538	8.066	22.190	14.132	17.259	6.332	9.069	11.745	23.494	6.213	9.029	20.794	23.465	12.137
ROA	0.028	0.052	0.031	0.048	0.035	0.034	0.027	0.023	0.047	0.040	0.034	0.043	0.107	0.071	0.049
R&D	0.003	0.008	0.001	0.039	0.009	0.027	0.000	0.007	0.028	0.005	0.000	0.004	0.022	0.025	0.009
PPE	1.191	0.696	0.616	0.729	0.444	0.559	0.710	0.842	0.491	0.964	0.830	0.780	0.298	0.543	0.562
D/EBITDA	2.908	3.104	2.573	2.745	2.968	3.047	3.404	4.143	2.438	1.495	4.685	3.739	0.913	1.915	2.824
Loss	0.000	0.000	0.000	0.000	0.000	0.005	0.000	0.013	0.006	0.000	0.000	0.000	0.000	0.000	0.008
Z-score	1.139	1.202	1.205	1.724	1.236	1.352	1.643	0.930	1.544	1.707	0.756	1.080	2.072	1.989	1.446
BdSize	2.825	2.599	2.607	2.115	2.696	3.176	2.482	2.459	2.407	2.238	2.859	2.662	2.454	2.301	2.332
IndDir	0.500	0.474	0.399	0.870	0.547	0.213	0.745	0.608	0.656	0.733	0.314	0.502	0.450	0.871	0.606
Duality	0.583	0.000	0.000	0.000	0.771	0.443	0.000	0.119	0.634	0.000	0.635	0.406	0.000	0.062	0.009
EmployeeDir	1.000	0.000	0.750	0.210	0.555	0.962	0.000	0.000	0.000	0.800	0.000	0.000	1.000	0.102	0.014
SovRating	56.472	52.877	58.000	57.563	54.279	58.000	41.966	37.449	57.384	58.000	35.912	42.875	58.000	58.000	55.893
Observations	343	521	80	229	5989	3292	206	770	1996	1076	274	1789	37	2010	12,935
N firms	5	6	2	5	30	23	1	13	17	7	6	16	2	12	95
Panel B: Country-level characteristics															
COORD	1.000	0.600	0.580	0.650	0.680	0.930	0.250	0.870	0.600	0.650	0.660	0.620	0.620	0.410	0.000
ASDI	0.213	0.544	0.463	0.457	0.379	0.282	0.789	0.421	0.203	0.421	0.444	0.374	0.333	0.267	0.950
ADRI	2.50	3.00	4.00	3.50	3.50	3.50	5.00	2.00	2.50	3.50	2.50	5.00	3.50	3.00	5.00
legalright	4	4	8	6	4	6	7	2	2	5	2	5	7	6	7
effic	78.0	90.8	76.7	92.4	54.1	57.0	89.9	45.3	94.9	91.8	82.3	82.0	86.00	60.40	92.30
debtentor	0.714	0.571	0.500	0.714	0.214	0.571	0.643	0.286	0.286	0.357	0.571	0.500	0.643	0.500	0.563

Notes: This table presents (in Panel A) mean values of the variables used in the multivariate analysis, and (in Panel B) the country-level institutional variables, on a country-by-country basis. The full sample includes 31,547 observations (resolutions) corresponding to 240 unique firms from 15 European countries over the period 1999 to 2020. All variables are defined in Appendix A.

Data availability

The authors do not have permission to share data.

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