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The two strikes rule

Fifteen years of shaping board accountability

November 2026

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material sustainability and corporate governance risks and opportunities. Our members include Australian and international asset owners and institutional investors with more than $2.2 trillion in funds under management.

Through our company engagement, policy advocacy, research and education, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage.

ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the environmental, social and governance practices of the companies in which they invest.

Research

Evidence-based research provides insights into investment issues, market practices, and listed companies. It informs our engagement, advocacy and voting advice.

Engage

We engage with listed companies to positively influence the way they manage sustainability and governance risks and, ultimately, deliver value to superannuation beneficiaries.

Influence

We speak with government, regulators and policymakers to promote regulatory and financial systems that are equitable, sustainable and effective for long-term investors.

Acknowledgement of Country

We acknowledge and respect the traditional lands and cultures of First Nations people in Australia and globally. We pay our respects to Elders past and present and recognise First Nations peoples' longstanding and ongoing spiritual connections to land, sea, community and Country. Appreciation and respect for the rights and cultural heritage of First Nations peoples is essential to the advancement of our societies and our common humanity.

Foreword

Good governance supports long-term value creation, market confidence and economic resilience. In Australia, the Two Strikes Rule (the Rule) has become a foundation of the approach to good governance, creating a clear mechanism through which investors can raise concerns about executive remuneration. After 15 years, it is timely to review corporate and investor practice and the effectiveness of the Rule.

The Rule has acted as a moderating force. Australia has not experienced the significant increases in remuneration packages seen in some other markets. It has proven to be an effective form of market discipline, with strikes a powerful signal and accountability mechanism. The Rule's strengths include encouraging boards to respond to investor concerns, improving disclosure and supporting boards to consider whether remuneration structures are aligned with long-term company performance The Rule has not eliminated excessive pay or poor remuneration design, but it has proved to be a highly useful mechanism for increasing accountability on remuneration.

Our members invest in companies due to the investment case. Where they see misaligned incentives which may affect longer-term investment outcomes, the Rule provides an opportunity for ongoing engagement to address these concerns. This engagement has enabled boards to implement accountability and remuneration approaches that are relevant to their business, market and strategy, without requiring a one-size-fits-all approach. It remains true, however, that it is possible for corporates and investors to see the same facts and disagree, for example on the true achievement of performance aims or the correct level of accountability for management failings. The Rule provides a sound basis for engagement on these issues.

Over the past 15 years, the Australian governance landscape has changed significantly. Regulatory settings have evolved, investor stewardship practices matured, and expectations of accountability increased. The Rule is an important part of this broader picture and investors view a vote on remuneration implementation as a foundational right and responsibility. By strengthening the link between executive pay and long-term performance, the Rule has supported better governance outcomes and delivered benefits for Australian superannuation fund members.



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Chief Executive Office

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Background

For many years, listed companies have been required to prepare an audited remuneration report as part of their annual directors' report.[1] Requirements include disclosure of the board's executive remuneration policy, the design of variable remuneration structures, and the realised pay of key management personnel.

Between 2005 and 2010, those remuneration reports were required to be presented to shareholders for a non-binding advisory vote at annual general meetings (AGM).

In 2009, the Productivity Commission launched an inquiry into executive remuneration in Australia, triggered, as its final report said, by "concern that executive pay had got out of hand. This perception was fuelled by practices in financial institutions abroad that were seen as a key contributor to the global financial crisis."

In 2011, following the Productivity Commission's inquiry and recommendations, legislation creating a new regime – the Two Strikes Rule – came into force. Under the Rule, a remuneration report with an 'against' vote of 25% or higher receives a 'strike'. If, at the following year's AGM, the remuneration report receives another against vote of 25% or greater, the company faces a motion to spill the board, passed on a simple majority. If this resolution is passed, directors are required to stand for re-election at a separate meeting within 90 days.

While the most prominent legislative changes related to the Rule, the 2011 legislation also increased wider accountability. For example, it introduced requirements that:

- companies disclose the use of remuneration consultants
- remuneration consultants be engaged by non-executive directors and not the Chief Executives on whose pay they were opining
- key management personnel be prohibited from participating in the vote on remuneration, and
- proxy holders be required to cast all directed proxies on a resolution, rather than cherry-picking which to cast.

Together, these elements strengthened Australia's corporate governance framework and further promoted accountability, transparency and market confidence.

> **Sound oversight of management and the corporate governance framework that facilitates the relationship between boards and shareholders are central to achieving alignment in a systematic way. Ideally, boards act in the best interests of the company (as representatives of shareholders) and diligently and effectively monitor the actions of executives (as well as enacting mechanisms that achieve this objective).**
>
> - Productivity Commission Inquiry Report, Executive Remuneration in Australia

[1] See section 300A of the *Corporations Act 2001* and section 2M.3.03 of the *Corporations Regulations 2001*.

Why remuneration matters to long-term investors

> How to design executive pay is a first-order decision for every firm. Pay is critical for attracting, retaining, and motivating a CEO, and affects the wider company beyond the CEO – high pay may demotivate employees or damage a company's customer reputation. Even more broadly, CEO pay across the economy influences the public's perception of capitalism. As a consequence, CEO pay receives more attention than nearly every other routine corporate decision.
>
> - CEO compensation: evidence from the field, 2023

Australia's capital markets are strengthened by governance settings that support investor confidence, market integrity and long-term value creation.

For long-term institutional investors acting on behalf of millions of Australians saving for retirement, these settings are not incidental. They are foundational to positive investment outcomes, supporting efficient capital allocation, helping to manage financial risks and opportunities, and reinforcing trust between companies and their long-term owners.

Executive remuneration is of interest to shareholders because incentives can shape behaviour. Well-structured remuneration can support the long-term success of a company, however, in contrast, when excessive pay, performance-related remuneration that is not genuinely at risk, persistently high bonuses and overemphasis on short-term incentives erode shareholder value, shareholders and their beneficiaries bear the cost.

In larger Australian companies, executive remuneration typically includes a portion of fixed pay for service, with short-term incentives (STIs) and long-term incentives (LTIs) linked to specific performance metrics. Both the STI and LTI portions may involve a period of deferment before the award vests.

The board is responsible for setting an appropriate remuneration structure for key management personnel. Discussions and engagement with investors can support boards by driving alignment and a coordinated view on the company's aims and strategy. Executive remuneration reveals to investors insights into the relationship between the board and executives, the quality of the board's oversight, company culture and strategy. Through remuneration disclosures, shareholders can develop an informed view on the performance and behaviour a company is incentivising.

> This reform strengthens the non-binding vote and maintains the fundamental principle underlying Australia's corporate governance framework that directors are responsible for, and accountable to, shareholders on all aspects of the management of the company, including the amount and composition of executive remuneration.
>
> Explanatory Memorandum to the Executive Remuneration Legislation

ACSI's *Governance Guidelines* (the Guidelines) outline ACSI's expectations on corporate governance issues. They articulate the issues that ACSI focuses on in engagements and the factors it considers when determining voting recommendations.

The Guidelines reinforce that remuneration is key to aligning management with company strategy and performance, stating it is critical for boards to "manage the selection, appointment, remuneration and performance management of the Chief Executive Officer ('CEO') and other senior executives. This includes giving sufficient weight to the CEO's capacity to execute an effective strategy".

Remuneration is not the only form of incentive. According to a UK academic survey of directors and investors, reputation is a key motivator for executives, with pay a relevant but secondary consideration. However, in support of the Rule as a market discipline, this survey found that votes on performance pay had a significant reputational impact, as the remuneration awards provided "Greater ex-post recognition, because they require a discretionary decision by the board and are voted on by shareholders. They are also publicly disclosed, boosting the CEO's reputation. Thus, they may be important even if the CEO holds significant equity."

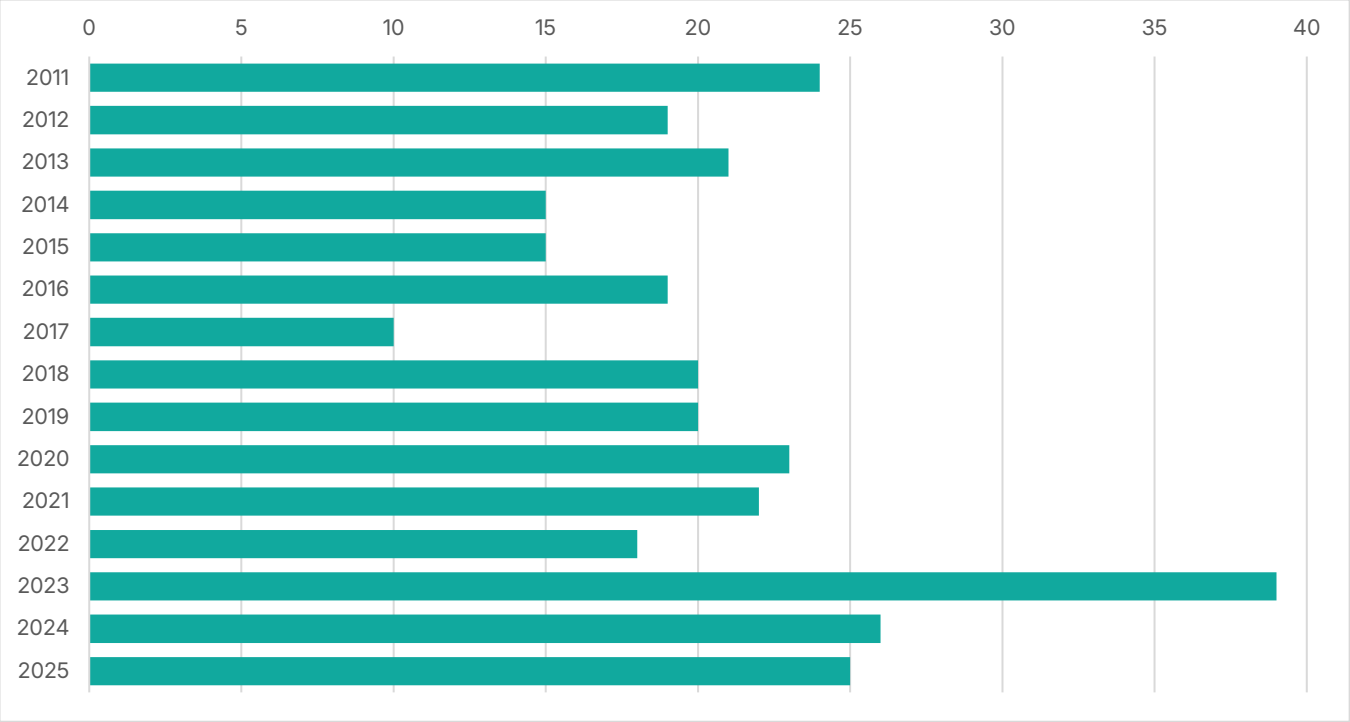
Executive remuneration statistics

The large majority of remuneration resolutions are supported by investors. Each year since the introduction of the Rule, an average of 24 ASX300 companies has received a remuneration strike (first or second)[2].The companies receiving strikes have generally varied, although some have received several consecutive strikes, as detailed in the 'Consecutive strikes' section. Our observation is that voting on remuneration resolutions is carefully considered, supported by engagement between companies and investors where appropriate, and that votes against reflect significant concerns.

First strikes

An average of 21 companies have received first strikes every year since 2011. As shown in Figure 1, the highest number of first strikes have come in the most recent three years: 2023, 2024 and 2025. Investors support most ASX300 companies' remuneration practices, and our analysis is that strikes reflect significant shareholder concerns. These include the payment of bonuses that are misaligned to the shareholder experience and bonus outcomes that do not reflect accountability for serious management failings. The years since 2020 have also been marked by post-COVID remuneration outcomes in LTIs, and turbulent periods for companies and the market, which may have resulted in votes against remuneration outcomes.

Figure 1: First strikes in the ASX300, 2011-2025



Source: ACSI data.

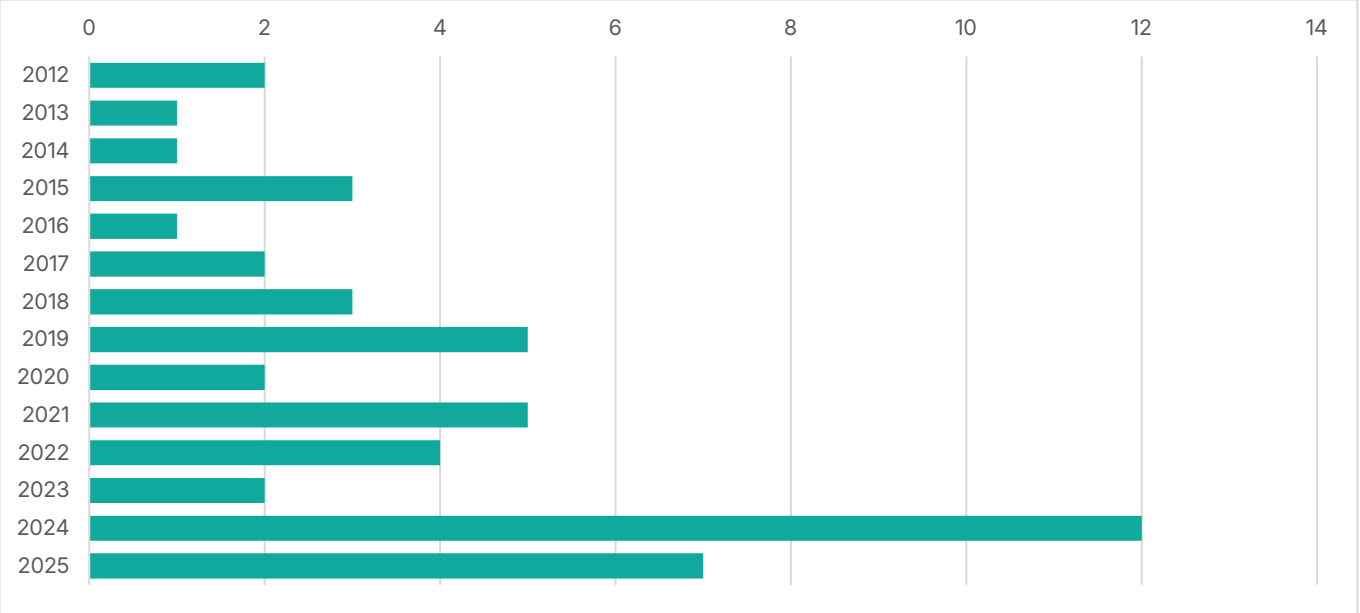
2 ACSI's statistics predominantly refer to the ASX300 and are correct as at the end of 2025. Over the 15 years of the Rule, the composition of this index has changed, with companies listing and delisting, and being promoted or relegated. As such, the universe is larger than 300 companies.

Second strikes

A second strike occurs when a company receives 25% against its remuneration report in a second consecutive year. Second strikes could only be registered from 2012 and have increased since then. In the first seven years of the regime (2013-2018), an average of 1.8 second strikes were recorded at ASX300 companies. From 2019-2026, this increased to an average of 5.3 second strikes per year. Second strikes are often indicative of ongoing issues or shareholder dissatisfaction with the company response to issues raised by investors. As outlined in the sections below, academic evidence has found weaker performance-based links in companies that experienced a second strike than those that experienced a first strike.

As Figure 2 shows, second strikes increased in 2024 and 2025, though they still remain relatively low, at 12 and seven respectively across the ASX300. As noted above, these increases followed years of more significant first strikes in 2023, 2024 and 2025 (39, 26 and 25 respectively). These higher-than-average first strike results flowed through to greater numbers of second strikes in subsequent years.

Figure 2: Number of second strikes in the ASX300, 2012-2025



Source: ACSI data.

Consecutive strikes

Under the Rule, if a company receives a second strike but the board spill resolution is rejected, the strike count is reset. If the company receives a subsequent strike against its remuneration report, due to the reset, this is considered a first strike. Because the count resets, ACSI maintains a record of consecutive strikes, without reference to which level of strike they are.

Despite the multitude of companies subject to the Rule over 15 years, only 17 companies have received consecutive strikes. These 17 companies, noted in Figure 3, are responsible for 64 of the ASX300 strikes against remuneration reports. This is consistent with the observation above that most companies receive strong investor support for their remuneration practices, and suggests that the accountability associated with the Rule promotes discipline and alignment.

Investor scrutiny is concentrated on the relatively small proportion of companies that continue to exhibit poorly structured or misaligned pay outcomes. The lack of company response to, or engagement with, investor concerns often contributes to these consecutive strikes.

Figure 3: ASX300 companies receiving more than two strikes consecutively

Company	Number of consecutive strikes
NRW Holdings Limited	8
Lovisa Holdings	5
Dicker Data	5
Cabcharge Australia Limited	4
Mortgage Choice	4
Liquefied Natural Gas Ltd	4
Jupiter Mines Limited	4
Linc Energy Limited	3
Cash Converters International Limited	3
Reckon Ltd	3
UGL Limited	3
Mineral Resources	3
Karoon Energy Limited	3
Link Administration	3
Clinuvel Pharmaceuticals	3
Brainchip Holdings Ltd	3
Champion Iron	3
Total	**64**

Source: ACSI data. Not all companies remain listed in the ASX300.

Consequences for directors

> **Notably, none of the board spill proposals put to a vote in 2025 received more than 15% support, indicating that the risk of a board spill arising from remuneration concerns remains low.**
>
> *Looking at Shareholder Opposition to Executive Pay on Australia's S&P/ASX 300, Glass Lewis*

Despite the number of second and consecutive strikes, just one board spill resolution has been supported in 15 years.

Jupiter Mines received 93.41% and 95.55% of votes against the remuneration report in 2020 and 2021 respectively. The company had lost over 44% of its value since listing and was experiencing strained relationships with shareholders. Because the second consecutive vote against was the second strike, a conditional resolution for a board spill was triggered at that meeting. Shareholders strongly supported the spill, with the resolution receiving 86.69% support.

In 2021, directors stood for re-election at the company's spill meeting. A shareholder proposal to remove Mr Priyank Thapliyal as Managing Director of Jupiter Mines received 73.63% support, and Mr Brian Robertson received 78.01% against his re-election. Both directors were removed from office.

At other companies that have experiences consecutive strikes but little support for the spill resolutions, this does not mean that investors do not hold directors responsible for the ongoing issues. For example, at Lovisa Holdings, when the company received its third consecutive vote against the remuneration report, the Chair of the Remuneration Committee received a 22.6% vote against. In 2025, when Dicker Data received its fifth consecutive strike against the remuneration report, the Chair of the Remuneration Committee received a 34.47% vote against. It is rare, but not unheard of, for directors not to receive support for their re-election, with the NRW example below perhaps the most stark.

Analysis

Investor support and opposition

In 2025, ACSI analysed members' proxy voting instructions for 1883 resolutions in the ASX300[3]. This analysis highlighted the number of 'contentious' resolutions across the market, defining 'contentious' as a resolution in which any of the company board, ACSI's proxy voting advice, or a member fund took differing positions (excluding abstentions). The analysis considered all resolutions (not just remuneration-based resolutions).

In most instances, the votes were consistent and followed the board's recommendations. ACSI recommendations supported the board's 'for' recommendation 89% of the time. On all occasions where the board was 'against', ACSI also recommended a vote 'against'. Sixty-four percent of resolutions were not contentious, meaning that the board, ACSI and the assessed member funds all agreed on the resolution.

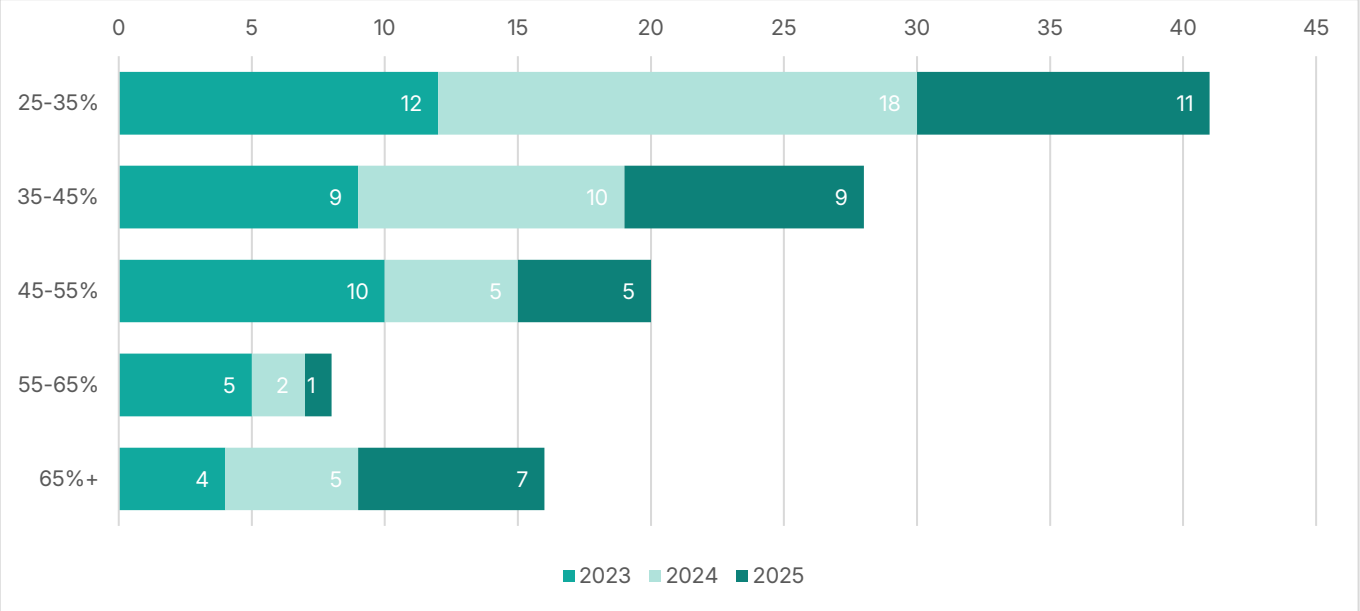
While some remuneration resolutions will necessarily be defined as a 'contentious' resolution, these statistics reinforce that the majority of all resolutions, including those on remuneration, are well supported by investors. Where companies and investors do not agree on a remuneration outcome or structure, the Rule encourages engagement to understand and resolve differing views, and potentially avoid a strike.

[3] A subset of member data was assessed. The organisations included in this assessment controlled over 75% of ACSI's members' assets under management of more than $2 trillion.

In 2025, although there were fewer strikes than the preceding two years, a CGI Glass Lewis analysis found that "opposition became more concentrated and severe, with the average level of voting opposition for strikes rising to 47%", increasing from 42% in 2024 and 46% in 2023.

In 2025, eight strikes attracted more than 65% votes against, compared with four and five such high votes against in the preceding two years (Figure 4).

Figure 4: Number of ASX300 strikes by level of Against vote percentage, 2023-2025



Source: Utilises CGI Glass Lewis research data.

Reasons for votes against

Investors vote against remuneration resolutions for many reasons. Consistent issues include:

- Misalignment between pay and the shareholder experience, for example a $1.5 million cash bonus at Reece, despite a share price decline of 60%.
- Poorly structured one-off awards or substantial increases in pay with no rationale or tie to performance, for example a $3.4 million one-off 'special' award incentivising minimum performance at Qube.
- Ongoing poor outcomes on material issues such as safety or climate, for example safety issues at Perenti, including eight worker fatalities across five consecutive years, with remuneration awards that did not appear to reflect accountability for those deaths.

Opponents of the Rule contend that the vote can be used to signal broader dissatisfaction, acting as a protest vote. A range of complex factors inform voting decisions, however, the escalation of focus to the Chair of the Remuneration Committee in the first instance and the rejections of spill resolutions would appear to bear out that votes against reflect dissatisfaction on remuneration and not a wider concern.

The policy introducing the Rule reinforces this focus by separating the spill resolution and the subsequent spill meeting. This was intended to "ensure that shareholders are not discouraged from voting against the remuneration report, because they fear removal of certain board members… [it] ensures shareholders are free to express their concerns on the remuneration report, and is intended to provide a clearer signal of shareholders' views on the remuneration report".

Academic evidence has found that votes against are largely due to remuneration, rather than poor performance, as "the likelihood of a minority strike [a strike between 25% and 50%] is not associated with a firm's financial or market performance… Overall, the results indicate that the occurrence of a minority strike reflects shareholder concerns regarding excess compensation rather than general shareholder dissatisfaction".

However, the legislation makes clear that boards are responsible for appropriately incentivising their executives, and the consequence of investor concern about the approach should fall on directors. The Rule gives investors and boards the opportunity to exchange views, provide feedback, and drive accountability.

Notable remuneration votes

This section's case studies show the Rule in action and illustrate the principles investors consider in remuneration analysis.

01
Qantas

Qantas is a concrete example of the public, regulatory and governance pressures that can align to drive investors' dissent on remuneration outcomes.

As a result of actions it took throughout the COVID years, Qantas faced a range of challenges. These included continuing poor performance and service, legal proceedings from the competition regulator for selling seats on already-cancelled flights, the High Court's ruling that Qantas had illegally sacked baggage handling staff and the airline's role in persuading the government to refuse to increase landing slots for competitor Qatar Airways. The board initially decreased the FY23 annual incentive awards by 20% and awarded the CEO a cash bonus of $1.45 million.

Investors considered this decrease insufficient and expressed concern about the board's oversight of executive pay and the lack of executive accountability. At the 2023 AGM, Qantas received a significant 82.9% vote against its remuneration report. This constituted a first strike.

In August 2024, the board revealed that it had responded to investor feedback and cancelled former CEO Alan Joyce's FY21 LTI award, valued at $8.36 million, after an external governance review. The CEO and other senior executives also had their deferred FY23 STI payments further reduced (to a 33% reduction in total). These actions saved investors and their beneficiaries a significant amount of money and importantly, drove meaningful executive accountability.

Since then, Qantas' remuneration report has been more strongly supported, receiving 85.91% support in 2024 and 91.98% support in 2025.

02
Woolworths

In FY23, there were two workplace deaths at Woolworths. Despite imposing a 10% reduction in short-term incentive outcomes, the board still paid part of the CEO performance bonus linked to safety. Some investors deemed the reduction insufficient accountability for the fatalities. The company's remuneration report received a 28% vote against, constituting a first strike.

The following year, Woolworths introduced changes to reflect stakeholder discussions. These included a new fatality gateway with a zero-tolerance threshold, as well as embedding safety measures such as severity rates and learning events into the scorecard. On completion of the investigation into the fatalities, and consistent with the commitments made by the board in 2023, deferred incentives for executives considered to have responsibility for the safety outcomes were also reduced.

In 2024, Woolworths' remuneration report received 96.51% support.

03
Rio Tinto

In 2020, Rio Tinto destroyed the Juukan Gorge rock caves on Puutu Kunti Kurrama and Pinikura land in the Pilbara. In 2021, the company received a first strike after executives who departed because of that demolition were assessed as 'good leavers' for remuneration purposes.

The destruction at Juukan Gorge highlighted serious shortcomings in Rio Tinto's cultural heritage risk management and relationships with First Nations peoples. Rio Tinto's remuneration committee considered these issues when judging eligibility for awards and cancelled some STI outcomes. Despite this, the 'good leaver' treatment meant that the CEO, for example, was still eligible to potentially be awarded shares that were worth £26.56 million at the time.

After this, Rio Tinto amended future executive contracts to allow for consideration of the maintenance of a company's values and social licence to operate. At the 2022 AGM, Rio Tinto received 96.04% support for its remuneration report.

04
Downer

Despite a drop in net profits in 2022, the board at Downer exercised discretion to award executive bonuses at 65% of maximum, overriding a bonus gateway that was not achieved. This did not reflect the shareholder experience, either in the short or long term (the LTI had not vested for three years after poor financial outcomes). That year, the company received a strike of 55.8% against its remuneration report.

The following year, Downer enhanced disclosure of the STI scorecard and incentive structures. The board also clawed back some deferred bonuses for the former CEO in light of ongoing issues with the accounting recognition of revenue and related earning restatements.

In 2023, 91.56% of votes cast were in support of the Downer remuneration report, with that support increasing in subsequent years. The remuneration report received 97.48% support in 2024 and 98.60% support in 2025.

05
National Australia Bank

Among the significant issues facing NAB in 2018 was the ongoing reputational damage caused by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and it was in this environment the bank chose to make changes to its incentive structure.

These included a move to a 'combined incentive plan' where incentive awards are determined by only a one-year performance period, with 40% awarded in cash and 60% as deferred shares for four years. Despite the reputational damage banks had sustained, every NAB executive received a bonus, and all senior executives bar two received awards greater than 50% of target. While the new structure removed the potential for large LTI awards, executives were eligible for much larger annual incentives and an increase in their maximum cash bonus.

NAB received the highest recorded vote against an ASX300 remuneration report that year, with dissent of 88.4%.

After this, the board adopted a new incentive structure, removing the 'combined incentive plan' and assessing outcomes against listed peers. It also forfeited the deferred variable reward previously awarded between 2016 and 2018 for the majority of the 2018 Executive team. In 2019, NAB's remuneration report received 97.02% support at its AGM.

06
NRW

Mining and infrastructure contractor NRW has received eight consecutive strikes – an ASX300 record. While the company has made improvements to its remuneration practices over the years, concerns have persisted. These include the board's use of discretion to allow full vesting despite missing performance hurdles, the level of CEO pay, and whether remuneration outcomes appropriately reflect the stakeholder experience.

In 2025, the remuneration report received a 73.16% vote against, while the grant of long-term equity incentives to the CEO received a vote of 73% against, indicating remuneration concerns were not purely backwards looking.

There were also significant votes against the re-election of two long-standing board members, chair Michael Arnett and director Jeff Dowling, who received 49% and 42% against respectively. Average support for ASX300 director election or re-election is between 90-95%.

These votes continue the pattern at NRW, where investor dissatisfaction with the lack of action on remuneration has factored into director re-election decisions. Boards are responsible for setting appropriate remuneration structures and have discretion to do this in a way they consider incentivises the appropriate outcomes and behaviours. However, this means long-standing issues will be seen to be the responsibility of directors, particularly those involved in the remuneration committee making these decisions in the first instance.

Figure 5 illustrates the decrease in votes supporting the re-election of NRW directors that have served as a member or chair of NRW's remuneration committee over time. For simplicity we have not added columns for NEDs John Cooper and Dr Ian Burston who were re-elected by a show of hands at the 2014 and 2015 AGMs, respectively, and also served as members of the Nomination & Remuneration Committee but did not face re-election after those occasions.

Figure 5: NRW – Votes 'For' those directors who faced more than one election or re-election, 2014-2025

Year	**Michael Arnett** (Independent Chairperson, appointed July 2007 (appointed Chairperson March 2016), Member of the Nomination and Remuneration Committee)	**Peter Johnston** (Independent Non-Executive Director, appointed July 2016. Chair of the Nomination and Remuneration Committee)	**Jeff Dowling** (Independent Non-Executive Director, appointed August 2013, member of the Nomination and Remuneration Committee)	**Fiona Murdoch** (Independent Non-Executive Director, appointed February 2020, Chair of the Nomination and Remuneration Committee)
2014[4]	Passed on a show of hands.			
2015[5]				
2016		Passed on a show of hands (election).	Passed on a show of hands.	
2017	Passed on a show of hands.			
2018			89.83%	
2019		Passed on a show of hands.		
2020	70.98%			99.53% (election)
2021		80.57%	93.28%	
2022	93.54%			94.59%
2023		Peter Johnston resigned a day before the AGM, so the resolution was withdrawn. Early proxy votes showed only 45.63% support.		
2024				75.43%
2025	51.4%		58.39%	

The grant of performance rights to the NRW CEO was rejected at the company's 2025 AGM. In April 2026, NRW held a special general meeting solely to approve the grant, which incorporated changes including enhancements to the peer group for shareholder return assessment, amended weightings and gateways, and an uplift to the vesting ranges for earnings hurdles. The revised LTI proposal received 80% shareholder support, marking a significant turnaround from the 73% opposition recorded in 2025.

[4] Mr John Cooper was also re-elected at this meeting on a show of hands.
[5] Dr Ian Burston was re-elected at this meeting on a show of hands.

07

ANZ

In July 2024, ANZ Group faced questions on risk and conduct issues, including a series of allegations of poor conduct and an ongoing investigation into potential manipulation of a government bond issuance. APRA increased the bank's capital overlay requirements – the only Big 4 bank not to see their overlay requirements decrease over time – and its broader non-financial risk framework raised accountability issues.

Investors were concerned that remuneration was not being sufficiently adjusted to signal the importance of the issues, and meaningful consequences for executives over failures in risk management and compliance while APRA's additional $250 million capital overlay and external reviews were ongoing. The three executives most closely tied to the regulatory failings received at least 50% of their bonus for FY24.

At its 2024 AGM, ANZ recorded a first strike, with 61.72% against.

In 2025, the new CEO, Nuno Matos, proposed to forgo his short-term bonus, while the board applied malus and clawback measures to accountable former and current executives. However, that year ANZ received a second strike, with a 67.64% vote against the remuneration report, partly driven by views on the board strategy and the finalisation of the four ASIC investigations and a record $240m in penalties. The board spill resolution did not pass.

Assessing the effectiveness of the Rule

Encourages more meaningful engagement

Throughout its 15 years of operation, the Rule has reinforced the impact of engagement and voting. These contribute to an environment in which, on the whole, investors and companies engage to discuss and resolve disagreements. As outlined in the case studies above, many companies resolved issues that drove a first strike before a second strike against remuneration became necessary.

The Rule has also encouraged a more focused engagement between shareholders and directors on the behaviours and performance being incentivised through remuneration. After receiving a first strike, companies often address investor concerns through active engagement, leading to improvements to structure and transparency for the year ahead and removing the imperative for a second strike.

> **The current rule allows investors to express their displeasure. The board can take that into consideration going forward, amending the remuneration arrangements if they think it appropriate or leaving them as they are if they believe that is in the interests of the company.**
>
> - Wesfarmers chair Michael Chaney, Australian Financial Review

Strengthens alignment between pay and performance

Evidence suggests that shareholder engagement, and the Rule itself, have strengthened the link between executive pay and long-term performance.

> **We find a significant improvement in accounting profitability for firms receiving a minority strike, suggesting that firms respond to shareholder dissent by improving financial performance.**
>
> - Life after a Shareholder Pay 'Strike'

An Australian study found "the likelihood of a minority strike is positively associated with CEO abnormal pay, suggesting that shareholders can distinguish between "justifiable" and "unjustifiable" components of CEO pay". The study also found "firms respond to a "strike" by curbing excessive CEO pay, enhancing the pay–performance link and replacing CEOs". A 2015 study found that "... unlike the control firms, 'first-strike' firms that avoided a 'second strike' increase the proportion of CEO performance-based pay in the year following the 'first strike'". It also found these changes had a significant impact on dissent levels on future resolutions, reinforcing that the Rule has resulted in a more significant linkage of performance and remuneration.

Academic evidence has also noted that "shareholders are more supportive of a remuneration package evidencing a strong pay-performance link than a weak link". One study from 2013 looked at first and second strikes in the first two years of the Rule. It found the introduction of the Rule lead to greater links between pay and performance at both the companies that received a strike and those that did not. It also found *"The pay-performance link for the 'first-strike' firms of 2011 has been increasing in 2012... Furthermore, the firms that received the 'second strike' in 2012 had a weaker pay-performance link compared with that of the firms that received the 'first strike' in 2012."*

There is also evidence the Rule and shareholder engagement may have influenced a greater connection to the longer term. A study examining shareholder proposals to better connect executive remuneration with longer-term outcomes assessed resolutions that just failed and those that just passed (a 'close call' proposal). It found that adopting the 'close call' proposal "leads to (1) an increase in firm value and operating performance—suggesting that a long-term orientation is beneficial to companies—and (2) an increase in firms' investments in long-term strategies such as innovation and stakeholder relationships".

The last 15 years of the Rule has seen a movement towards a more significant role for 'at risk' remuneration. A better long-term connection is not the perfect solution to executive remuneration issues, but it does allow for a greater link between performance and outcomes.

In 2008-09, the proportion of ASX300 CEO pay attributable to base salary was 50%, with STI and LTI each forming 25% of the payment (see Figure 6, below). A Deloitte study covering 2015-2021 assessed just the ASX100, however, as seen in Figure 7, it showed an ongoing trend for LTI to cover a more significant proportion of executive remuneration packages. LTI as a proportion of total pay reached 37% in 2021.

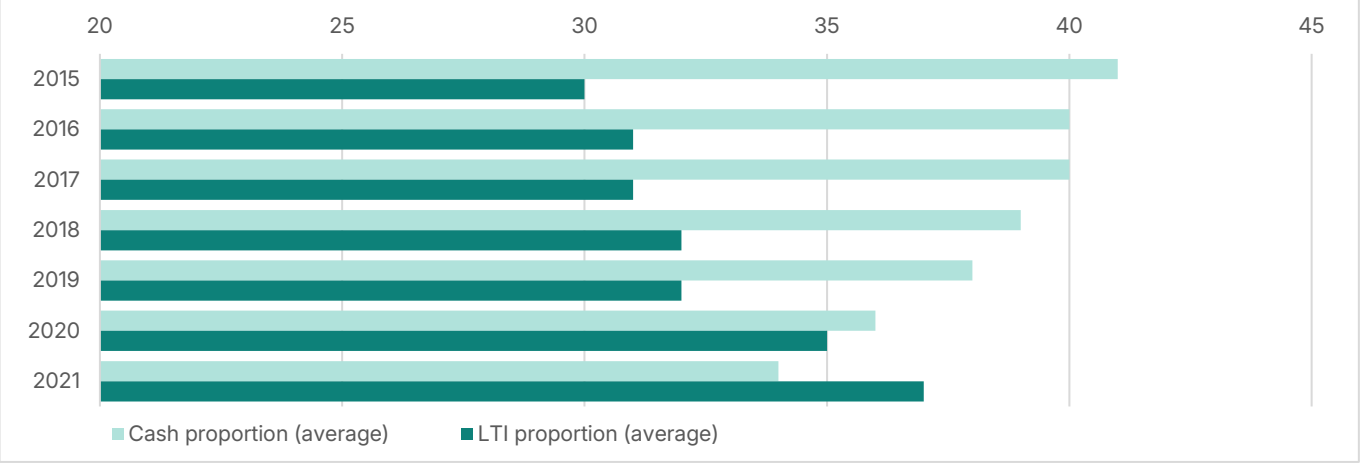
Figure 6: Proportion of incentive pay as total pay, 2003-2009

Table 1 **The increasing share of incentive pay in total pay (%)**

	CEOs			*Non-CEO executives*		
ASX300	*Base*	*STI*	*LTI*	*Base*	*STI*	*LTI*
2003-04	59	30	11	67	23	10
2006-07	40	34	26	45	32	23
2007-08	43	29	28	45	29	27
2008-09	50	25	25	57	21	22

Source: Executive Remuneration in Australia Productivity Commission Inquiry Report, No. 49, 19 December 2009.

Figure 7: Averaged cash proportion vs LTI proportions of executive remuneration packages for ASX100 companies, 2015-2021



Source: Utilises data from Deloitte: Analysis on Australian Executive Remuneration Trends in Australian Company Long Term Incentives, January 2022.

Debates remain about the appropriateness of different remuneration structures, and there may always be an ongoing tension between director and investor views on performance outcomes. For example, a UK academic survey of company directors and investors found "78% of investors believe the CEO would make better decisions if incentives were more long-term. Fewer than 6% [of investors] agree with each of three potential concerns – that LTIs are less effective motivators, would jeopardise CEO retention or recruitment, or would require a costly adjustment in pay level. In contrast, directors view incentives as already sufficiently long-term, and only 21% believe that further lengthening would improve decisions". However, in the Australian market, the move to appropriately structured LTIs is generally well supported.

Moderates unjustified outcomes

> **77% [of directors] report that... [shareholder guidelines] have forced them to offer a lower level of pay.**
>
> - Edmans, Gosling and Jenner: CEO compensation: Evidence from the field, 2023

The evidence suggests the Rule has contributed to more justifiable remuneration outcomes. Despite the relatively small number of strikes overall, the discipline of putting forward a remuneration report for shareholder vote has influenced board decisions about executive remuneration.

> **Investors' view that CEO pay is often unjustified was also reflected in their responses to 'Do you believe the overall level of CEO pay is too low, too high, or about right?'... 77% of investors view pay as too high. We asked these 77% why it is too high, and 86% agreed that 'boards are ineffective at lowering it even though they should.' Thus, many investors view CEO pay as excessive, and they blame boards for it.**
>
> - Ibid

The positive trend for remuneration to be increasingly linked to long-term performance better reflects the outcomes experienced by long-term investors and better justifies remuneration awards. The Australian experience also compares to a pay 'break out' over this period in markets such as the US.

> **Evidence shows "a significant decrease in CEO abnormal pay for firms receiving a minority strike after the adoption of the two-strikes rule; whilst there is no significant decline in CEO abnormal pay for strike firms before 2011.**
>
> - Bugeja, da Silva Rosa and Shan, Life after a Shareholder pay 'Strike', 2016

CGI Glass Lewis analysis of companies which received strikes in 2025 found that companies "delivering bottom-quartile total shareholder return… were far more likely to attract a strike, suggesting that, when returns are weak, investor tolerance for aggressive pay decisions or weakly aligned incentive outcomes falls sharply". For example, 18 of the 33 companies that received a strike in 2025 had achieved bottom quartile 1-year TSR results. In addition, 15 of the 33 strikes had achieved bottom quartile 1-year TSR returns. This reinforces that remuneration structures, incentives and the votes on their outcomes happen within the broader company and market context.

Another study, by the University of Queensland, found an additional linkage of performance measures and remuneration after the introduction of the Rule. This study found that "In the past there have been cases where cash bonuses have been at the discretion of the board, but on closer inspection are being paid every year, regardless of performance. Bonuses are now being tied more closely to specific performance measures, which may include details of what the executive has to do to achieve that part of the pay package."

ACSI research shows that over the last decade the fixed and realised pay of ASX100 CEOs has been relatively flat and termination payments have dropped significantly. 'Golden parachutes', as termination payments are often called, were previously a major issue in the Australian market – in 2008 and 2009 alone, termination payments to executives cost shareholders over $117 million.

The greater scrutiny introduced by the Rule has likely been a key driver in the reduction to overall remuneration outcomes, alongside the greater linkages to performance and associated justification.

Improves remuneration disclosure

Transparency and alignment are key factors for an investor considering executive remuneration. The Rule has reinforced the need for companies to justify the remuneration approach being taken. Overall, it has contributed to greater transparency in the market, which can only drive more informed discussions.

Better practice disclosure includes:

- clearly outlining the fixed, short-term and long-term elements of remuneration
- splitting CEO and other executive outcomes where relevant
- metrics tied to strategy, showing an appropriate mix of incentives and set at appropriately stretching levels
- threshold, target and maximum outcomes, the relevant weights of the metrics and why they were chosen, and
- what was achieved in the year, the effect on remuneration outcomes and where board discretion or consideration was exercised.

There is some way to go before these better practice elements are widely adopted, but there are ongoing improvements in the transparency of listed companies' remuneration approach. In the best case, this reduces information asymmetry and enhances strategic alignment.

Strengthens accountability without widespread instability

> **Under the two-strikes regime, independent directors are held more accountable for poor oversight and experience significant reputational penalties in terms of turnover and the loss of outside directorships upon receiving a strike.**
>
> - Bugeja, da Silva Rosa and Shan, Life after a Shareholder pay 'Strike', 2016

As outlined above, when companies have recorded consecutive strikes there has, over time, been moves to more directly hold Chairs of the Remuneration Committee or the board to account. However, this has not translated into support for spill resolutions over time.

When the Rule was implemented, companies were concerned about potential impacts on stability. Voting against specific directors where longstanding remuneration concerns exist is a form of escalation, but there is no evidence the Rule has led to widespread dysfunction or instability. The lack of support for board spill resolutions suggests investors use the Rule primarily as an accountability and engagement tool, rather than as a tool for board transformation.

Conclusion

The Rule was introduced to address concerns about rampant executive remuneration, and it has had a range of positive effects on the Australian market. As this report outlines, the Rule encourages more meaningful engagement, strengthens alignment between pay and performance, moderates unjustified outcomes, improves remuneration disclosures and strengthens accountability without widespread instability.

Fifteen years on, the evidence suggests the Rule remains an effective and increasingly foundational feature of Australia's corporate governance framework. The evidence does not support the argument that Rule is misused, or spill mechanisms cause board instability. In contrast, there appears to be a commitment to engagement between investors and companies to resolve problems, so a second strike is less likely.

ACSI supports company and investor engagement, and will continue to play an ongoing role in the discussions that lead to better outcomes for Australian superannuation fund members.

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