# Do Co-opted boards affect the cost of equity capital?

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### Abstract

This paper contributes to the corporate governance and capital market literature by documenting the association between board co-option and the cost of equity capital. We argue that board co-option facilitates better CEO-director counselling and better coordination of the CEO-director relationship, which signals future earnings predictability and reduces information risk, resulting in a lower cost of equity capital. Using data from Australian listed companies from 2001 to 2015, our analyses reveal that board co-option is associated, significantly and negatively, with firms' cost of equity and, thus, supports the beneficial view of board co-option.

### keywords

Australia; Co-option; Cost of equity capital