DOES GOVERNANCE MECHANISM AFFECT THE DISCLOSURES OF TOP MANAGEMENT’S COMPENSATION?

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ABSTRACT

The paper examines the role of corporate governance in the disclosure of top management’s compensation. We find that companies with higher levels of top management shareholding provide greater transparency in their compensation disclosures. By contrast, firms with a higher proportion of executive directors, the greater divergence between the control and cash flow rights and CEO duality, will have a lower transparency of compensation disclosures. In summary, our findings suggest that firms with weaker governance mechanism have a greater agency problem and a lower transparency of top management’s compensation disclosures.

Keywords: corporate governance, disclosure, compensation, information transparency

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