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| RESEARCH ARTICLE

Exploring the Nexus between Executive Compensation and Disclosure Transparency: Evidence from Taiwan

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| ABSTRACT
This study investigates the relationship between executive compensation and compensation disclosure transparency in Taiwanese firms, particularly in light of recent regulatory changes that mandate increased transparency. Employing a two-stage least squares (2SLS) regression model, the analysis focuses on the impact of executive salary and bonuses on various measures of compensation disclosure. The findings reveal a significant negative relationship between predicted executive bonuses and the Compensation Committee Quality Score (CCQ), indicating that higher bonus levels are associated with lower transparency in compensation committee disclosures. Conversely, executive salaries do not show a significant impact on compensation disclosure measures, suggesting that salary levels may not be a primary determinant of disclosure transparency in the Taiwanese context. The study contributes to the understanding of the dynamics between executive remuneration and transparency in financial reporting, highlighting the importance of executive bonuses in shaping compensation disclosure practices in Taiwan. The results have implications for policymakers, corporate executives, and shareholders, emphasizing the need to consider the structure of executive compensation packages in promoting transparency and enhancing corporate governance standards.

| KEYWORDS

Compensation, information score, compensation committee, corporate governance.

| ARTICLE INFORMATION

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1. Introduction

In recent years, the topic of executive compensation has become a focal point of corporate governance discussions, particularly in the context of financial transparency and accountability. This research paper delves into the relationship between executive compensation and the degree of compensation disclosure in Taiwan, aiming to shed light on the dynamics between managerial remuneration and transparency in financial reporting.

The motivation behind this study stems from the increasing scrutiny of executive compensation practices, especially following the global financial crises and a series of corporate scandals. Compensation packages for executives are often viewed as tools to align the interests of managers with those of shareholders, with the ultimate goal of maximizing shareholder value (Fama, 1980). However, excessive compensation has raised concerns about its potential to undermine firm value and highlight agency problems within corporations (Core et al., 1999). As a result, there is a growing demand for greater transparency in the disclosure of executive compensation to ensure that remuneration practices are in line with the firm's performance and shareholder interests.

The research question this study aims to address is: How does the degree of compensation disclosure impact the level of executive compensation in Taiwan? This question is particularly relevant in light of recent regulatory changes in Taiwan that have mandated increased disclosure of compensation information. By examining this relationship, the study seeks to contribute to the understanding of how transparency in compensation disclosure influences executive remuneration practices.

The objectives of this research are twofold: first, to empirically investigate the relationship between the degree of compensation disclosure and the amount of executive salary and bonus in Taiwanese firms; and second, to assess the impact of different dimensions of compensation disclosure, as measured by the Compensation Discuss Score (CD), the Compensation Committee Quality Score (CCQ), and the Compensation Committee and Discuss Quality Score (CDQ), on executive compensation.

To achieve these objectives, the study employs a two-stage least squares (2SLS) regression model, where the first stage estimates the predicted values of salary and bonus, and the second stage examines the impact of these predicted compensation variables on the various measures of compensation disclosure. The analysis is based on data from Taiwanese firms during the period from 2017 to 2019, a timeframe chosen to capture the effects of regulatory changes that have enhanced the disclosure requirements for executive compensation.

This research also explores the role of corporate governance variables, such as CEO tenure, CEO duality, and the number of other boards the CEO serves on, in the relationship between compensation disclosure and executive compensation. These variables are included in the regression analysis to control for their potential impact on compensation practices and to provide a more comprehensive understanding of the factors influencing transparency in executive remuneration.

Our empirical findings suggest that the relationship between executive compensation and compensation disclosure is complex and nuanced. Specifically, we observed that executive bonuses have a more consistent and significant impact on compensation disclosure measures compared to executive salaries. In particular, the results indicate a significant negative relationship between predicted executive bonuses and the Compensation Committee Quality Score (CCQ), supporting the hypothesis in this study. This suggests that higher bonus levels are associated with lower quality of compensation committee disclosures, highlighting the potential influence of bonus incentives on transparency.

Conversely, the relationship between executive salaries and compensation disclosure measures, including the Compensation Discuss Score (CD) and the Compensation Committee and Discuss Quality Score (CDQ), did not exhibit significant negative associations. This indicates that salary levels may not be a primary determinant of compensation disclosure in the Taiwanese context, contrary to our hypothesis.

Our study highlights the importance of executive bonuses in shaping compensation disclosure practices in Taiwan. The findings suggest that while salary levels may not significantly impact transparency, bonus incentives play a crucial role in determining the quality of compensation disclosures. This has important implications for policymakers and corporate governance, emphasizing the need to consider the structure of executive compensation packages in promoting transparency and accountability in corporate disclosures.

The significance of this study lies not only in its contribution to the academic literature but also in its practical implications for policymakers, corporate executives, and shareholders. By examining the relationship between compensation disclosure and executive compensation in the specific context of Taiwan, the study offers insights that are relevant to the ongoing global discussions on corporate governance and transparency.

One of the key contributions of this research is its focus on the Taiwanese market, which provides a unique setting to explore the impact of regulatory changes on compensation practices. The detailed disclosure requirements in Taiwan, coupled with the availability of comprehensive data, allow for a nuanced analysis of how transparency influences executive pay. This focus on an Asian market adds diversity to the predominantly Western-centric literature on executive compensation and corporate governance.

The findings of this study are expected to have several implications. For policymakers, the results can inform the development of regulations and guidelines related to compensation disclosure and executive pay. Understanding the relationship between transparency and executive compensation can help in crafting policies that promote fair and equitable compensation practices, thereby enhancing corporate governance standards.

For shareholders and investors, the study offers insights into the role of compensation disclosure in assessing firm governance and executive performance. Greater transparency in executive pay can empower shareholders to make informed decisions and engage more effectively in corporate governance processes.

The remainder of this study is structured as follows: Section 2 provides a review of the literature on compensation, disclosure, regulatory reform, and the formulation of hypotheses. Section 3 describes the data and discusses the methodology employed in the analysis. Section 4 presents the empirical results and provides an analysis of the findings. Finally, Section 5 concludes the study and offers remarks on the implications of the research.

2. Literature Review and Hypotheses

2.1 Background

The backdrop of this study is set against the global concern over executive compensation and corporate governance, particularly in the aftermath of the financial crisis. Many companies experienced consecutive losses during this period, yet the compensation of their executives continued to rise, raising fears of shareholder interests being compromised and corporate governance being undermined. In response to these concerns, regulatory bodies, including the Financial Supervisory Commission (FSC) in Taiwan, have sought to improve compensation arrangements and strengthen corporate governance frameworks.

Taiwan stands out as one of the few jurisdictions that provide detailed data on top executive compensation, encompassing both cash payments and equity-based incentives such as restricted shares and options. This level of transparency was not always the norm in Taiwan; prior to the implementation of reforms targeting corporate governance practices, firms were not required to disclose detailed compensation information. However, the regulatory landscape has evolved significantly in recent years. With the amendment of Section 14-6 of the Securities Exchange Act on November 24, 2010, Taiwanese companies were mandated to establish compensation committees. Subsequently, the FSC announced measures on March 18, 2011, requiring companies to set up their compensation committees by September 30, 2011. By the end of 2011, firms were obligated to disclose comprehensive information on executive compensation and compensation committee activities in their annual reports.

These regulatory changes have provided a unique opportunity to study the relationship between executive compensation and the degree of information transparency. The detailed disclosure of compensation data enables a more nuanced analysis of how executive pay is structured and how it relates to corporate governance practices. This study aims to leverage the rich data available in the Taiwanese context to explore the implications of compensation disclosure for executive remuneration and, by extension, for corporate governance and shareholder value.

2.2 The Role of Compensation

The interplay between executive compensation and information transparency forms the crux of this study, specifically within the context of Taiwanese firms. Executive compensation has been a focal point of scholarly inquiry for decades, primarily due to its implications for agency theory. The alignment of executive wealth with firm performance through compensation policies is a widely advocated mechanism to mitigate agency conflicts (Jensen & Murphy, 1990). This alignment is predicated on the assumption that incentivizing executives through compensation will motivate them to act in the best interest of shareholders, thereby maximizing firm value.

Compensation serves as a tool to align the interests of managers with those of shareholders, incentivizing the former to undertake actions that enhance shareholder value. Fama (1980) posited that compensation mechanisms could motivate managers to increase firm value. However, the efficacy of compensation as a tool for corporate governance is subject to debate. While it is designed to mitigate agency problems, excessive compensation can paradoxically exacerbate these issues. High levels of compensation may signal self-serving behavior by executives, potentially eroding firm value (Bebchuk & Fried, 2003).

Empirical evidence suggests that the relationship between executive compensation and firm performance is complex. Core et al. (1999) found that CEOs tend to receive higher compensation in firms with more pronounced agency problems, and these firms often exhibit poorer performance. This finding underscores the potential for compensation to become a mechanism for executive rent extraction rather than a tool for aligning interests.

The debate extends to the role of compensation disclosure in mitigating agency problems. Greater transparency in compensation practices is argued to enhance accountability and oversight, potentially curbing excessive executive pay (Healy & Palepu, 2001). However, the effectiveness of disclosure as a governance mechanism is contingent upon the quality of the information provided and the extent to which it is utilized by stakeholders.

In summary, while compensation is a critical lever for aligning managerial incentives with shareholder interests, its effectiveness is influenced by the broader governance framework, including the degree of transparency in compensation disclosure. This study aims to shed light on this interplay within the Taiwanese corporate landscape, contributing to the ongoing discourse on executive compensation and corporate governance.

2.3 The Importance of Compensation Disclosure

The disclosure of executive compensation has garnered significant attention in the academic and regulatory spheres, primarily due to its implications for corporate governance and market efficiency. Almazan, De Motta, Titman, and Uysal (2008) highlight the existence of an information gap between investors and managers, suggesting that compensation disclosure can bridge this gap by making stock prices more informative. The rationale is that such disclosure attracts informed traders, thereby enhancing the informativeness of a firm's stock. This perspective underscores the role of compensation disclosure in mitigating information asymmetry between investors and managers, as well as in addressing concerns about inadequate compensation.

The public's demand for firms to disclose compensation information is driven by the need to assess the value of their investments in executive compensation. Investors seek to understand whether the compensation paid to executives is justified by their performance and contribution to firm value. Healy and Palepu (2001) review empirical evidence suggesting that investors perceive disclosed information as credible and that information asymmetry and agency problems increase the demand for financial reporting and disclosure.

In the United States, the Securities and Exchange Commission (SEC) has intensified its focus on compensation disclosure, issuing new rules to respond to public demand for greater transparency in executive compensation. These regulatory efforts reflect a broader trend towards enhancing corporate governance practices and ensuring that compensation arrangements align with shareholder interests.

Laksmana (2008) contributes to this area of research by constructing a score mechanism to evaluate the transparency of compensation information in the US. This scoring mechanism provides a quantitative measure of the extent to which firms disclose details about executive compensation, offering insights into the effectiveness of disclosure practices in reducing information asymmetry.

Overall, the importance of compensation disclosure lies in its ability to reduce the information gap between investors and managers, thereby fostering a more transparent and efficient market. By providing investors with detailed information about executive compensation, firms can enhance their corporate governance practices and align the interests of executives with those of shareholders.

2.4 Compensation Disclosure in Taiwan

The landscape of compensation disclosure in Asia, including Taiwan, has historically been less transparent compared to Western counterparts such as the United States and the United Kingdom. This lack of detailed disclosure has posed challenges for researchers aiming to investigate the relationship between CEO compensation and various corporate governance factors (Gomez-Mejia & Wiseman, 1997; Murphy, 1999; Core et al., 2003). In regions outside the American and British contexts, research on compensation has been somewhat limited, primarily due to data availability issues (Kato & Long, 2006). For instance, obtaining precise data on CEO compensation in Japan has been notably difficult (Kato & Kubo, 2006).

Given these constraints, many researchers have relied on data pertaining to the average compensation for CEOs, as seen in studies conducted in Taiwan by Chiang and Lin (2007), in Japan by Kaplan (1994), Kang & Shivdasani (1995), Ang & Constand (1997), and Kubo (2005), and in China by Kato & Long (2006). In this paper, we also utilize data on average CEO compensation facilitated by the availability of the Taiwan Economic Journal (TEJ) database.

Taiwan stands out as one of the few regions in Asia that discloses detailed data on top executive compensation, including cash amounts, restricted shares, and options. This level of transparency was not always the case; detailed compensation information was not disclosed prior to the implementation of corporate governance reforms. However, current regulations and laws in Taiwan now mandate greater disclosure of compensation information, enabling researchers to access precise data on the structure of CEO compensation packages.

The Financial Supervisory Commission (FSC) in Taiwan has also focused on this issue, particularly in the wake of the financial crisis. During this period, many companies experienced consecutive losses, yet executive compensation continued to rise, raising concerns about potential harm to shareholder interests and corporate governance. In response, the FSC aimed to improve compensation arrangements and strengthen corporate governance. This led to the amendment of Section 14-6 of the Securities Exchange Act on November 24, 2010, which required listed companies to establish compensation committees.

Following this regulatory change, detailed compensation information became available in annual reports, allowing researchers to calculate information scores and examine the relationship between information transparency and compensation variables in

Taiwan. Our study aims to explore this relationship further, hypothesizing that higher levels of information transparency are associated with more reasonable and justified executive compensation practices.

2.5 Hypotheses

In this research, we delve into the intricate dynamics between executive compensation and the degree of compensation disclosure in Taiwan. The study is grounded in Agency Theory, which posits a potential conflict of interest between managers and shareholders, with managers potentially prioritizing personal gains over the overall welfare of the company (Jensen & Meckling, 1976). This theoretical framework suggests that higher levels of executive compensation might lead to actions aimed at concealing or distorting information to safeguard personal interests, thereby reducing the extent of compensation disclosure.

Furthermore, Signaling Theory provides another lens through which to view this relationship. Companies use compensation disclosure as a means to signal good corporate governance to external parties (Spence, 1973). However, excessively high executive compensation might be perceived as a sign of poor governance, prompting firms to reduce the disclosure of compensation information to avoid negative external perceptions.

The Information Asymmetry Theory also plays a role in this context. It posits that managers have access to more internal information than external investors (Akerlof, 1970). When executive compensation is high, it might imply that managers possess information advantageous to themselves, leading them to conceal this information to protect their interests, resulting in lower levels of compensation disclosure.

Specific to the Taiwanese context, previous research has indicated a general issue of insufficient compensation disclosure among Taiwanese firms. Additionally, the prevalence of family-owned businesses in Taiwan might lead family members to control compensation disclosure to protect family interests. Hence, we hypothesize that in Taiwan, there might be a negative correlation between executive compensation and the degree of compensation disclosure.

Given these theoretical underpinnings and the unique business environment in Taiwan, we anticipate that as executive compensation increases, firms might reduce the disclosure of compensation information to protect the interests of managers and the company.

The hypotheses for this study are as follows:
H1: There is a negative relationship between executive salary and the information score.
H2: There is a negative relationship between executive bonus and the information score.

More specifically:
H1a: The amounts of executive salary have a negative relationship with the Compensation Discuss Score (CD).
H1b: The amounts of executive salary have a negative relationship with the Compensation Committee Quality Score (CCQ).
H1c: The amounts of executive salary have a negative relationship with the Compensation Committee and Discuss Quality Score (CDQ).

H2a: The amounts of executive bonus have a negative relationship with the Compensation Discuss Score (CD).
H2b: The amounts of executive bonus have a negative relationship with the Compensation Committee Quality Score (CCQ).
H2c: The amounts of executive bonus have a negative relationship with the Compensation Committee and Discuss Quality Score (CDQ).

These hypotheses aim to explore the nuanced interplay between executive compensation and transparency in financial reporting within the Taiwanese corporate landscape.

3. Methodology and Data

3.1 Data

In the realm of corporate governance and executive compensation, the landscape is continually evolving, necessitating a comprehensive analysis to understand the intricate dynamics at play. This study delves into the relationship between the extent of compensation disclosure and executive compensation in Taiwan, a market characterized by its unique regulatory and corporate structures. The investigation covers the period from 2017 to 2019, a critical timeframe that captures the aftermath of significant changes in Taiwanese regulations regarding compensation disclosure.

The primary data source for this exploration is the Taiwan Economic Journal (TEJ) database, renowned for its exhaustive financial and governance information on publicly listed companies in Taiwan. This study specifically focuses on firms listed on the Taiwan

50 and Taiwan 100 indices, which represent the crème de la crème of the Taiwanese market in terms of market capitalization. The choice of these indices ensures that the analysis is grounded in the performance and practices of leading companies, providing valuable insights into the broader trends in executive compensation and disclosure practices.

A pivotal aspect of this study is the examination of executive compensation variables, which are central to understanding the rewards and incentives at the top echelons of corporate hierarchies. Utilizing data from the TEJ database, the analysis centers on the average salaries and bonuses of top executives. These figures are not mere numbers but are indicative of the overall compensation package and the financial recognition of executive contributions. By focusing on average values, the study aims to transcend individual variations and capture overarching trends that are reflective of the market as a whole.

The intricacies of corporate governance play a significant role in shaping executive compensation and disclosure practices. To this end, the study incorporates a set of corporate governance variables that include the size of the board of directors, the composition of the compensation committee, the tenure of the CEO, and the CEO's ownership stake in the firm. Additional dimensions, such as the CEO's board memberships in other companies and whether the CEO also holds the position of chairman, are meticulously examined. These variables are sourced from the TEJ database and supplemented by manual collection from annual reports and the Market Observation Post System (M.O.P.S) database, ensuring a comprehensive understanding of the governance landscape.

Firm characteristics are another critical component of this analysis, as they provide the context within which executive compensation and disclosure practices are situated. The study controls for factors such as operating performance, investment opportunities, leverage, and firm age, with the size of the firm proxied by the logarithm of total assets. These variables, obtained from the TEJ database, are instrumental in isolating the effects of compensation disclosure on executive compensation from other confounding influences. The detailed definitions of each variable are listed in Table 1.

3.2 Information Score

In the context of this study, which examines the relationship between the degree of compensation disclosure and executive compensation in Taiwan, the construction of the information score is crucial. This score serves as a quantitative measure of the transparency and comprehensiveness of compensation information disclosed by companies. The data for this analysis is meticulously hand-collected from the annual reports of firms listed on the Taiwan 50 and Taiwan 100 indices, available through the Market Observation Post System (M.O.P.S) database.

Table 1. Variables Definition

Variable Name	Definition
SALARY	Total amount of average salary for each executive
BONUS	Total amount of average compensation for each executive
SIZE	Logarithm of total asset
ROA (Firm performance)	Return on total assets
LEVERAGE	Book value of long-term debt divided by sum of book value of long-term debt and market value of equity.
BOARD_SIZE	Number of the board members
COMP_SIZE	Number of compensation committee members
CEO_TENURE	How long CEO serves in this company
CEO_CHAIRMAN_D	Dummy variable is equal to one when the person is not only CEO but also chairman.
NUM_BOARDS_CEO_SERVES	Number of boards that CEO also serves for other companies
CEO_OWNERSHIP	The percentage of CEO’s stock ownership
MB (Market to Book Ratio)	Market to book ratio = Annual Closing Price × Common outstanding Shares / Total Common (Ordinary) Equity
FIRM_AGE	The number of years since the company was founded
CD (Compensation Discuss Score)	Sum of 4 items reported on annual reports
CCQ (Compensation Committee Quality Score)	Sum of 7 items reported on annual reports
CDQ (Compensation Committee and Discuss Quality Score)	Sum of 11 items reported on annual reports

The information score is structured around three primary categories, namely the Compensation Discuss Score (CD), the Compensation Committee Quality Score (CCQ), and the Compensation Committee and Discuss Quality Score (CDQ). These categories encompass a total of 11 distinct items, each reflecting a specific aspect of compensation disclosure. The scoring mechanism is designed to assess the presence or absence of each item in the annual reports, with a score of 1 assigned for each disclosed item and 0 for undisclosed items. The aggregate of these scores provides an overall measure of the information transparency for each company.

The Compensation Discuss Score (CD) focuses on the narrative and qualitative aspects of compensation disclosure, including the approval process by the board (Board Approval), the structure of the compensation package (Compensation Combination), the benchmarking of compensation against market standards (Type of Performance), and the detailed discussion of compensation calculations (Detail Discuss). These elements are critical for stakeholders to understand the rationale and fairness behind executive compensation.

The Compensation Committee Quality Score (CCQ) delves into the composition and functioning of the compensation committee, an essential body in determining executive compensation. This score evaluates the announcement of committee responsibilities (Responsibility Announce), the independence of committee members (Independent Directors and Independence), their professional qualifications (Professional A, Professional B, Professional C), and their engagement with other boards (Other board). The quality of the compensation committee is indicative of the governance standards and the robustness of the compensation-setting process.

Finally, the Compensation Committee and Discuss Quality Score (CDQ) represents a comprehensive score that combines the CD and CCQ scores. This total score encapsulates both the qualitative discussions around compensation and the governance quality of the compensation committee, offering a holistic view of compensation disclosure practices.

The scoring metrics are defined in detail as follows:

Compensation Discuss Score (CD):
This score aggregates four components from annual reports, following the framework established by Laksmana (2008). Each component is assigned an equal weight, with the CD score being the cumulative total. The components are:

(1) Board Approval: A score of 1 is allocated if the annual report confirms board approval for the compensation plan; otherwise, the score is 0.
(2) Compensation Combination: A score of 1 is granted if the annual report details the compensation structure; otherwise, the score is 0.
(3) Type of Performance: A score of 1 is awarded if the annual report indicates that compensation is benchmarked against market standards; otherwise, the score is 0.
(4) Detail Discuss: A score of 1 is given if the annual report provides a thorough discussion and calculation of compensation; otherwise, the score is 0.

Compensation Committee Quality Score (CCQ):
This score sums up seven elements from annual reports, as outlined by Sun and Cahan (2009). Each element is equally weighted, contributing to the overall CCQ score. The elements include:

(1) Responsibility Announce: A score of 1 is assigned if the annual report declares the responsibilities of the compensation committee; otherwise, the score is 0.
(2) Independent Directors: A score of 1 is given if all compensation committee members are independent directors; otherwise, the score is 0.
(3) Professional A: A score of 1 is awarded if at least 40% of the compensation committee members are lecturers or higher in relevant fields at accredited institutions; otherwise, the score is 0.
(4) Professional B: A score of 1 is granted if at least 20% of the compensation committee members have passed relevant qualification examinations and hold proper licensing; otherwise, the score is 0.
(5) Professional C: A score of 1 is allocated if at least 80% of the compensation committee members possess relevant work experience; otherwise, the score is 0.
(6) Independence: A score of 1 is given if all compensation committee members are denoted as independent; otherwise, the score is 0.
(7) Other board: A score of 1 is assigned if the aggregate number of other board memberships held by all compensation committee members exceeds the average; otherwise, the score is 0.

Compensation Committee and Discuss Quality Score (CDQ):
This total score is the sum of the CD and CCQ scores, providing a comprehensive measure of the quality of compensation disclosure and committee effectiveness.

By employing this detailed scoring mechanism, the study aims to quantitatively assess the level of compensation disclosure and its potential impact on executive compensation in Taiwanese firms. The information score not only facilitates a nuanced analysis of disclosure practices but also provides insights into the governance structures that underpin these practices.

Table 2 provides a detailed breakdown of the disclosure rates for 11 specific compensation information items over the years 2017 to 2019. The data is based on a sample of N=143 firms for the years 2017 and 2018 and N=144 for the year 2019. The table is divided into two main categories: Compensation Discuss (CD) and Compensation Committee Quality (CCQ).

In the Compensation Discuss (CD) category, four items are considered: Board Approval, Compensation Combination, Type of Performance Evaluation (relative or not), and Detail Discuss. The disclosure rates for Board Approval have shown a slight increase from 60% in 2017 to 65% in 2019. The Compensation Combination item has a disclosure rate of around 40%, with a slight increase observed in 2019. The Type of Performance Evaluation item shows a consistent increase in disclosure rates from 51% in 2017 to 59% in 2019. The Detail Discuss item remains relatively stable, with a disclosure rate of around 34%.

Table 2. Compensation Information Score

Year	2017 N=143	2018 N=143	2019 N=144
Compensation Discuss (CD)			
1. Board Approval	60%	59%	65%
2. Compensation Combination	40%	38%	45%
3. Type of Performance Evaluation: relative or not	51%	53%	59%
4. Detail Discuss	34%	33%	34%
Compensation Committee Quality (CCQ)			
5. Responsibility Announce	23%	23%	32%
6. Independent Directors	33%	35%	41%
7. Professional A	34%	32%	41%
8. Professional B	45%	47%	42%
9. Professional C	70%	61%	67%
10. Independence	61%	66%	76%
11. Other board	45%	50%	47%

Note: This table presents the 11 compensation disclosure items and the disclosure rate.

In the Compensation Committee Quality (CCQ) category, seven items are considered: Responsibility Announce, Independent Directors, Professional A, Professional B, Professional C, Independence, and Other board. The disclosure rates for Responsibility Announce have increased from 23% in 2017 to 32% in 2019. The Independent Directors item shows a gradual increase in disclosure rates from 33% in 2017 to 41% in 2019. The disclosure rates for Professional A and Professional B have fluctuated, with Professional A showing an increase in 2019 and Professional B showing a slight decrease. Professional C has a relatively high disclosure rate, with a slight decrease from 70% in 2017 to 67% in 2019. The Independence item shows a significant increase in disclosure rates from 61% in 2017 to 76% in 2019. The Other board item shows a slight increase in disclosure rates from 45% in 2017 to 47% in 2019.

Overall, the data presented in Table 2 indicates a general trend of increasing disclosure rates for compensation information items over the three-year period. This suggests that firms are becoming more transparent in their reporting of executive compensation, which could be a response to regulatory changes or increasing pressure from stakeholders for greater accountability and transparency in corporate governance practices.

3.3 Regression Model

In this research, we aim to explore the relationship between executive compensation and the degree of information transparency, specifically focusing on the context of Taiwan. To achieve this, we employ a two-stage least squares (2SLS) regression model, which allows us to address potential endogeneity issues and accurately assess the impact of transparency on compensation.

The First Stage:

In the initial stage of our regression model, we focus on the determinants of executive compensation. We regress the natural logarithm of compensation variables, namely salary and bonus, on a set of firm characteristics and governance variables. This stage is crucial for generating predicted values of compensation, which are then used in the second stage of our analysis. The regression equation for the first stage is as follows:

$$\boldsymbol{Log(Compensation\ Variables) = \gamma_0 + \gamma_1 Size + \gamma_2 ROA + \gamma_3 Leverage + \gamma_4 Governance\ Variables + \varepsilon} \quad \textbf{(1)}$$

Here, the compensation variables include the average salary (SALARY) and average bonus (BONUS) of executives. Firm characteristics comprise the size of the firm (Size), measured by the logarithm of total assets, return on assets (ROA) as a proxy for firm performance, and the leverage ratio (Leverage). Governance variables encompass the size of the board (BOARD_SIZE), the size of the compensation committee (COMP_SIZE), the tenure of the CEO (CEO_TENURE), a dummy variable indicating whether the CEO is also the chairman (CEO_CHAIRMAN_D), the number of boards the CEO serves on in other companies (NUM_BOARDS_CEO_SERVES), and the CEO's ownership stake in the firm (CEO_OWNERSHIP).

The Second Stage:

In the second stage, we investigate the relationship between the degree of information transparency and executive compensation, using the predicted values of compensation obtained from the first stage. The regression equation for the second stage is:

$$\boldsymbol{Information\ Score = \delta_0 + \delta_1 Log(\widehat{Compensation\ Variables}) + \delta_2\ CEO\ characteristic + \delta_3 Firm\ Characteristics + Year_{Dummy} + \varepsilon} \quad \textbf{(2)}$$

The Information Score is a composite measure comprising the Compensation Discuss Score (CD), the Compensation Committee Quality Score (CCQ), and the Compensation Committee and Discuss Quality Score (CDQ), as detailed in Section 3.2. The CEO characteristics included in this stage are CEO tenure (CEO_TENURE), the CEO-chairman duality (CEO_CHAIRMAN_D), and the number of other boards the CEO serves on (NUM_BOARDS_CEO_SERVES). Firm characteristics remain consistent with the first stage, and YearDummy variables are included to control for time-specific effects.

By employing this two-stage regression model, we aim to uncover the nuanced relationship between transparency in compensation disclosure and the level of executive compensation in Taiwanese firms. This approach allows us to control for potential endogeneity and provide robust insights into the impact of governance and transparency on executive pay.

The second stage of our regression model is particularly important as it sheds light on how the degree of information transparency, as captured by the Information Score, influences executive compensation. The Information Score is a comprehensive measure that encapsulates various aspects of transparency related to compensation discussions and the quality of the compensation committee. By incorporating this score into our regression analysis, we aim to understand whether higher transparency in compensation disclosure is associated with different levels of executive compensation.

In addition to the Information Score, we include CEO characteristics in the second stage to control for the potential influence of executive power on compensation. The tenure of the CEO, whether the CEO also serves as the chairman, and the number of other board positions held by the CEO are all factors that could impact compensation levels. By controlling for these variables, we aim to isolate the effect of information transparency on executive compensation.

Finally, firm characteristics such as size, performance, and leverage are included in both stages of the regression model to ensure that we account for other factors that might influence executive compensation. The inclusion of year dummy variables also allows us to control for any time-specific effects that could impact our results.

4. Empirical Result and Analysis

4.1 Descriptive Statistics

Table 3 in this study presents the descriptive statistics for various variables over the years 2017, 2018, and 2019. The variables include executive compensation measures, compensation quality scores, corporate governance variables, and firm characteristics. The average logarithmic salary (LOG SALARY) shows a slight increase from 6.64 in 2017 to 6.71 in 2019, indicating a modest growth in executive salaries over the period. The average logarithmic bonus (LOG BONUS) exhibits some fluctuations, with a noticeable decrease from 7.24 in 2017 to 6.33 in 2019, suggesting a reduction in bonus payments.

The compensation quality scores, which include the Compensation Discuss Score (CD), Compensation Committee Quality Score (CCQ), and Compensation Committee and Discuss Quality Score (CDQ), provide insights into the transparency and quality of compensation disclosure. The average CD score decreased from 2.02 in 2017 to 1.92 in 2019, indicating a slight decline in the discussion quality of compensation. The CCQ score shows some variation, with a slight decrease in the average score from 3.14 in 2017 to 3.05 in 2019. The CDQ score, which combines the aspects of both CD and CCQ, also decreased from 5.23 in 2017 to 4.87 in 2019, reflecting a reduction in the overall quality of compensation disclosure.

In terms of corporate governance variables, the average board size (BOARD SIZE) remained relatively stable, while the average compensation size (COMP SIZE) showed a slight increase. The average CEO tenure (CEO_TENURE) and the number of boards the CEO serves on (NUM_BOARDS_CEO_SERVES) exhibit some fluctuations over the years. CEO ownership (CEO OWNERSHIP) decreased from an average of 0.88% in 2017 to 0.55% in 2019, indicating a reduction in the ownership stake of CEOs in their companies.

The firm characteristics, including size (SIZE), return on assets (ROA), leverage (LEVERAGE), market-to-book ratio (MB), and firm age (FIRM AGE), provide additional context for understanding the compensation practices and financial performance of the firms in the sample. The average firm size and ROA remained relatively stable, while the leverage ratio showed a slight decrease. The MB ratio, which indicates the market valuation relative to the book value, decreased over the years, suggesting a reduction in market valuation. The average firm age indicates the maturity of the firms in the sample, with a slight increase from 27.89 years in 2017 to 30.49 years in 2019.

In this study, we delve into the relationship between executive compensation and the degree of compensation disclosure within Taiwanese firms. Table 4 presents the correlation coefficients among various variables, including executive salary, bonus, and different dimensions of compensation disclosure, as measured by the Compensation Discuss Score (CD), the Compensation Committee Quality Score (CCQ), and the Compensation Committee and Discuss Quality Score (CDQ).

One notable observation from Table 4 is the positive correlation between LOG SALARY and LOG BONUS (0.60), indicating that higher salaries are associated with higher bonuses for executives. This relationship is intuitive as both salary and bonus form integral parts of executive compensation.

When examining the relationship between executive compensation and disclosure scores, the correlations are relatively low. For instance, the correlation between LOG SALARY and CD is only 0.01, and between LOG SALARY and CCQ is 0.13, suggesting that the level of salary does not significantly influence the extent of compensation discussion or the quality of compensation committee disclosures. Similarly, the correlation between LOG BONUS and CD is also low at 0.01, indicating that bonus levels do not significantly impact the extent of compensation discussion.

A critical observation is the high correlation between CCQ and CDQ (0.87), which could raise concerns about multicollinearity. However, when excluding these highly correlated variables, the analysis indicates that multicollinearity is not a severe issue for the remaining variables. This is an important finding as it validates the reliability of the regression results in exploring the relationship between executive compensation and disclosure transparency.

The correlation matrix also includes corporate governance variables such as BOARD SIZE, CEO TENURE, and CEO CHAIRMAN D, among others. These variables show varying degrees of correlation with executive compensation and disclosure scores, highlighting the multifaceted nature of corporate governance and its impact on compensation practices.

In summary, the analysis of Table 4 provides valuable insights into the interrelationships between executive compensation, compensation disclosure, and corporate governance variables. It sets the stage for further regression analysis to explore the impact of these variables on disclosure transparency and executive remuneration practices in the context of Taiwanese firms.

Table 3. Descriptive Statistics

	2017 n=143					2018 n=143					2019 n=144				
Variables	*Mean*	*SD*	*Median*	*Min*	*Max*	*Mean*	*SD*	*Median*	*Min*	*Max*	*Mean*	*SD*	*Median*	*Min*	*Max*
LOG SALARY	6.64	0.20	6.67	5.41	6.89	6.05	0.21	6.18	5.10	7.73	6.71	0.22	6.59	5.61	7.55
LOG BONUS	7.24	0.32	7.07	5.06	7.52	7.27	0.39	6.42	5.17	7.00	6.33	0.34	6.56	6.20	6.97
Compensations Quality Score															
CD	2.02	1.12	2.00	0.00	4.00	1.74	1.10	2.00	0.00	4.00	1.92	1.11	3.00	0.00	4.00
CCQ	3.14	1.32	3.00	0.00	7.00	3.40	1.27	3.00	0.00	7.00	3.05	1.56	3.00	0.00	7.00
CDQ	5.23	1.72	5.00	0.00	10.00	5.22	1.67	5.00	1.08	9.00	4.87	1.80	6.00	0.90	10.00
Corporate Governance Variables															
BOARD SIZE	10.05	3.43	9.00	4.00	23.00	9.17	3.19	9.00	6.00	20.00	10.09	3.00	8.00	5.00	19.00
COMP SIZE	3.19	0.42	4.00	3.00	5.00	3.46	0.47	4.00	3.00	5.00	3.37	0.40	3.00	3.00	5.00
CEO_TENURE	15.92	10.28	11.97	0.08	53.12	16.43	8.32	13.47	0.00	50.30	14.13	9.91	14.29	0.07	47.31
NUM_BOARDS_CEO_SERVES	5.43	1.59	5.00	4.00	10.00	4.90	1.63	5.00	4.00	15.00	5.10	1.47	5.00	4.00	11.00
CEO OWNERSHIP	0.88	2.62	0.16	0.00	14.48	0.49	1.39	0.10	0.00	10.35	0.55	0.94	0.20	0.00	7.87
Firm Characteristics															
SIZE	8.70	0.76	8.26	5.80	10.22	8.48	0.70	7.91	6.77	9.10	8.61	0.66	8.20	6.09	8.78
ROA	0.06	0.07	0.05	-0.13	0.32	0.06	0.10	0.05	-0.14	0.87	0.06	0.10	0.05	-0.29	0.43
LEVERAGE	0.55	0.25	0.47	0.16	1.05	0.53	0.20	0.52	0.10	0.90	0.53	0.19	0.53	0.09	1.02
MB	0.81	0.54	0.76	0.07	3.82	0.78	0.40	0.69	0.13	3.17	0.75	0.46	0.67	0.04	2.14
FIRM AGE	27.89	16.57	25.00	3.00	62.00	33.20	15.61	26.00	4.00	63.00	30.49	17.87	27.00	2.00	75.00

Table 4. Correlation Coefficients

	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	LOG SALARY	1															
2	LOG BONUS	0.60	1														
3	CD	0.01	0.01	1													
4	CCQ	0.13	0.09	0.12	1												
5	CDQ	0.12	0.09	0.58	0.87	1											
6	BOARD SIZE	0.02	-0.03	0.00	0.08	0.07	1										
7	COMP SIZE	-0.02	0.00	-0.01	0.19	0.16	0.05	1									
8	CEO_TENURE	0.03	0.14	-0.15	-0.08	-0.13	-0.16	-0.03	1								
9	CEO CHAIRMAN D	0.02	0.08	-0.03	0.01	-0.01	-0.14	0.00	0.30	1							
10	NUM_BOARDS_CEO_SERVES	0.08	0.10	0.04	0.01	0.03	-0.08	-0.01	0.13	0.17	1						
11	CEO OWNERSHIP	-0.12	0.02	0.01	-0.03	-0.02	-0.19	-0.03	0.07	0.16	0.03	1					
12	Size	0.20	0.25	0.15	0.07	0.15	0.38	0.08	-0.17	-0.20	-0.09	-0.32	1				
13	ROA	-0.10	0.05	0.04	0.07	0.09	-0.16	0.06	0.10	0.10	0.06	0.13	-0.37	1			
14	Leverage	0.03	0.01	0.17	0.01	0.08	0.23	-0.01	-0.24	-0.18	-0.05	-0.13	0.73	-0.44	1		
15	MB	0.14	-0.05	-0.05	-0.15	-0.13	0.05	-0.05	-0.09	-0.03	-0.09	-0.10	0.30	-0.44	0.21	1	
16	FIRM AGE	-0.21	-0.17	-0.22	-0.07	-0.15	0.06	0.04	0.31	0.00	-0.10	-0.09	-0.10	-0.02	-0.09	0.00	1

4.2 Regression Results

In this study, we delve into the intricate relationship between executive compensation and the extent of compensation disclosure in Taiwanese firms, employing a two-stage least squares (2SLS) regression model. The first stage estimates the predicted values of salary (SALARY_PRED) and bonus (BONUS_PRED), which are then utilized in the second stage to examine their impact on various measures of compensation disclosure, as presented in Tables 5 through 7.

The regression results in Table 5 specifically focus on the impact of executive salary and bonus on the Compensation Discuss Score (CD). In Models 1 and 2, the coefficients for the predicted value of salary (SALARY_PRED) are negative, suggesting a potential inverse relationship between executive salary and compensation disclosure. However, these coefficients are not statistically significant, indicating that there is no strong evidence to support the hypothesis (H1a) that higher executive salaries are associated with lower levels of compensation disclosure.

Similarly, in Models 3 and 4, the coefficients for the predicted value of the bonus (BONUS_PRED) are also negative, hinting at a possible negative association between executive bonuses and compensation disclosure. However, like the salary variable, these coefficients are not statistically significant, suggesting that higher executive bonuses do not necessarily lead to a decrease in compensation disclosure (H2a).

The analysis also includes control variables related to corporate governance and firm characteristics, such as CEO tenure (CEO_TENURE) and the number of boards the CEO serves on (NUM_BOARDS_CEO_SERVES). These variables provide additional insights into the factors that may influence the level of compensation disclosure in Taiwanese firms.

Overall, the regression results from Table 5, within the context of the two-stage regression model, do not provide strong support for the hypothesis that higher executive salaries and bonuses are negatively associated with the level of compensation disclosure in Taiwanese firms. These findings contribute to the ongoing debate on the relationship between executive compensation and transparency, highlighting the complex nature of this relationship and the potential influence of various corporate governance factors.

The second stage of our two-stage least squares (2SLS) regression model, presented in Table 6, focuses on examining the impact of predicted values of executive salary (SALARY_PRED) and bonus (BONUS_PRED) on the Compensation Committee Quality (CCQ). This stage is pivotal in testing hypotheses H1b and H2b, which posit a negative relationship between executive compensation and the degree of compensation disclosure.

The regression results indicate that the predicted executive salary (SALARY_PRED) does not exhibit a statistically significant impact on the Compensation Committee Quality (CCQ), as evidenced in Models 1 and 2. This finding suggests that the level of executive salary may not be a crucial determinant of compensation disclosure quality in the Taiwanese context, which does not support our hypothesis H1b.

On the other hand, the predicted executive bonus (BONUS_PRED) shows a statistically significant negative relationship with CCQ in Models 3 and 4, with coefficients of -0.8097 and -0.7817, respectively. This result supports our hypothesis H2b, indicating that higher bonus levels are associated with lower quality of compensation committee disclosures. It highlights the potential influence of bonus incentives on transparency in compensation practices.

In summary, our empirical findings from Table 6 reveal that while executive salary does not significantly impact the quality of compensation committee disclosures, executive bonuses play a crucial role in shaping transparency in compensation practices in Taiwanese firms. This underscores the importance of considering the structure of executive compensation packages in promoting disclosure transparency and enhancing corporate governance.

Table 5. Regression Results of Compensation Discuss Score (CD)

Dependent Variable=CD	Model 1		Model 2		Model 3		Model 4	
Variables	Coeff.	Std.	Coeff.	Std.	Coeff.	Std.	Coeff.	Std.
INTERCEPT	9.7139 *	7.99	12.2271 *	7.06	2.1243	1.25	1.9924	1.51
SALARY_PRED	-1.2537	1.35	-1.9214	1.30				
BONUS_PRED					-0.3606	0.25	-0.3291	0.21
CEO_TENURE	-0.0120 **	0.01			-0.0089	0.01		
CEO_CHAIRMAN_D	-0.0818	0.15			-0.0021	0.16		
NUM_BOARDS_CEO_SERVES	0.0579 *	0.04	0.0581 *	0.03	0.0766 ***	0.04	0.0772 ***	0.04
SIZE	0.1426	0.10	0.1586	0.11	0.2555 ***	0.10	0.2737 ***	0.11
MB	-0.0104	0.03	-0.0159	0.03	-0.0021 *	0.03	-0.0053	0.03
Firm Age	-0.0053 *	0.00	-0.0082 ***	0.00	-0.0129 ***	0.00	-0.0139 ***	0.00
Year Effect	Yes		Yes		Yes		Yes	
N	430		430		430		430	

Note: This table presents the second-stage results of a two-stage least squares regression analysis. The dependent variable is the Compensation Discussion Score (CD). The independent variables include the predicted values of salary or bonus (obtained from the first-stage regression), CEO tenure, a dummy variable indicating whether the CEO also serves as the chairman, the number of boards on which the CEO serves, the natural logarithm of the firm's total assets, the market-to-book ratio, and the firm's age. The regression model also controls for year fixed effects. The numbers in the table represent the regression coefficients, with standard errors reported in parentheses. Statistical significance levels of 1%, 5%, and 10% are denoted by ***, **, and *, respectively.

Table 6 Regression Results of Compensation Committee Quality (CCQ)

Dependent Variable=CCQ	Model 1		Model 2		Model 3		Model 4	
Variables	Coeff.	Std.	Coeff.	Std.	Coeff.	Std.	Coeff.	Std.
INTERCEPT	5.7489	13.69	7.1302	12.77	4.6976 ***	2.08	4.4861 **	2.03
SALARY_PRED	-0.8845	1.93	-1.1900	1.94				
BONUS_PRED					-0.8097 **	0.32	-0.7817 **	0.33
CEO_TENURE	-0.0163 *	0.01			-0.0127	0.01		
CEO_CHAIRMAN_D			0.1143	0.23			0.2505	0.23
NUM_BOARDS_CEO_SERVES	0.1073 *	0.06	0.1055 *	0.06	0.1674 ***	0.05	0.1322 **	0.06
SIZE	0.2469 *	0.17	0.3239 **	0.17	0.3621 **	0.15	0.3950 ***	0.15
MB	0.0675 *	0.04	0.0615 *	0.04	0.0551	0.04	0.0568	0.04
Firm Age	-0.0076 *	0.01	-0.0123 **	0.01	-0.0072	0.01	-0.0119 **	0.00
Year Effect	Yes		Yes		Yes		Yes	
N	430		430		430		430	

Note: This table presents the second-stage results of a two-stage least squares regression analysis. The dependent variable is the Compensation Committee Quality (CCQ). The independent variables include the predicted values of salary or bonus (obtained from the first-stage regression), CEO tenure, a dummy variable indicating whether the CEO also serves as the chairman, the number of boards on which the CEO serves, the natural logarithm of the firm's total assets, the market-to-book ratio, and the firm's age. The regression model also controls for year fixed effects. The numbers in the table represent the regression coefficients, with standard errors reported in parentheses. Statistical significance levels of 1%, 5%, and 10% are denoted by ***, **, and *, respectively.

Table 7 Regression Results of Compensation Committee and Discuss Quality Score (CDQ)

Dependent Variable=CDQ	Model 1			Model 2			Model 3			Model 4		
Variables	Coeff.		Std.	Coeff.		Std.	Coeff.		Std.	Coeff.		Std.
INTERCEPT	20.3206		16.40	23.7597		16.06	6.7727	***	2.29	6.7066	**	2.26
SALARY_PRED	-3.1087		2.55	-3.7644		2.63						
BONUS_PRED							-1.1158	***	0.43	-1.0011	***	0.39
CEO_TENURE	-0.0263	**	0.01				-0.0241	*	0.01			
CEO_CHAIRMAN_D				0.0865		0.28				0.2390		0.30
NUM_BOARDS_CEO_SERVES	0.1917	***	0.07	0.1943	**	0.07	0.2210	***	0.08	0.1927	***	0.08
SIZE	0.6271	***	0.24	0.7075	***	0.24	0.6020	***	0.19	0.6595	***	0.20
MB	0.0571		0.05	0.0535		0.05	0.0614		0.05	0.0517		0.05
Firm Age	-0.0228	***	0.01	-0.0265	***	0.01	-0.0215	***	0.01	-0.0253	***	0.01
Year Effect	Yes			Yes			Yes			Yes		
N	430			430			430			430		

Note: This table presents the second-stage results of a two-stage least squares regression analysis. The dependent variable is the Compensation Committee and Discuss Quality Score (CDQ). The independent variables include the predicted values of salary or bonus (obtained from the first-stage regression), CEO tenure, a dummy variable indicating whether the CEO also serves as the chairman, the number of boards on which the CEO serves, the natural logarithm of the firm's total assets, the market-to-book ratio, and the firm's age. The regression model also controls for year fixed effects. The numbers in the table represent the regression coefficients, with standard errors reported in parentheses. Statistical significance levels of 1%, 5%, and 10% are denoted by ***, **, and *, respectively.

Table 7 showcases the regression results for the Compensation Committee and Discuss Quality Score (CDQ) as the dependent variable. The analysis in this table primarily addresses hypotheses H1c and H2c, which posit that higher levels of executive salary and bonus are associated with lower levels of compensation disclosure, respectively.

The regression coefficients in Model 1 and Model 2 indicate that the predicted values of executive salary (SALARY_PRED) have a negative impact on CDQ, although the results are not statistically significant. This suggests that contrary to H1c, the relationship between executive salary and the quality of compensation committee disclosures in Taiwanese firms is not as pronounced as hypothesized.

On the other hand, Models 3 and 4 focus on the impact of predicted executive bonus (BONUS_PRED) on CDQ. Here, the coefficients are negative and statistically significant at the 1% level, supporting hypothesis H2c. This finding implies that higher bonus levels are indeed associated with lower quality of compensation committee disclosures, highlighting the potential influence of bonus incentives on transparency.

Overall, the results from Table 7 provide evidence that executive bonuses, rather than salaries, have a more consistent and significant impact on the transparency of compensation disclosures in the Taiwanese context. This highlights the importance of considering the structure of executive compensation packages in promoting transparency and accountability in corporate disclosures.

In summary, the empirical results of this study indicate a significant negative relationship between executive bonuses and compensation disclosure levels, particularly in terms of the Compensation Committee Quality Score (CCQ) and the Compensation Committee and Discuss Quality Score (CDQ). This emphasizes the importance of bonuses as a factor influencing compensation disclosure levels. However, the relationship between executive salary and compensation disclosure levels is not significant, suggesting that salary levels may not be a primary factor affecting compensation disclosure in Taiwan.

5. Conclusion and Remark

This research paper delves into the intricate relationship between executive compensation and compensation disclosure within the unique context of Taiwan. By employing a two-stage least squares (2SLS) regression model, this study meticulously analyzes the impact of predicted executive salary and bonus values on various measures of compensation disclosure.

Our findings reveal a nuanced landscape. Notably, executive bonuses emerge as a significant determinant of compensation disclosure quality, particularly when examining the Compensation Committee Quality Score (CCQ). This suggests a pronounced negative relationship, indicating that higher bonus levels are associated with lower levels of transparency in compensation committee disclosures. This result underscores the critical role that bonus incentives play in shaping the transparency of compensation practices.

Contrastingly, the relationship between executive salaries and compensation disclosure measures does not exhibit the same level of significance. This observation suggests that salary levels may not be the primary driving force behind compensation disclosure practices in Taiwan. This distinction between the impact of salaries and bonuses on transparency is a pivotal aspect of our research findings.

The implications of these findings are manifold. They highlight the nuanced interplay between different components of executive compensation and transparency. Furthermore, they shed light on the potential influence of bonus incentives on corporate governance practices, particularly in the realm of compensation disclosure.

In terms of contributions, this study adds a valuable dimension to the existing body of literature on executive compensation and corporate governance. By focusing on the Taiwanese market, it provides insights into the impact of regulatory changes on compensation practices in an Asian context. This geographic specificity enriches the predominantly Western-centric discourse on executive compensation and transparency.

Moreover, the study's findings have practical implications for policymakers, corporate executives, and shareholders. They underscore the importance of considering the structure of executive compensation packages in promoting transparency and accountability. For policymakers, the results can inform the development of regulations and guidelines related to compensation disclosure and executive pay. For shareholders and investors, the insights into the role of compensation disclosure in assessing firm governance and executive performance can empower them to make more informed decisions and engage more effectively in corporate governance processes.

In conclusion, this research underscores the pivotal role of executive bonuses in determining the quality of compensation disclosures in Taiwan. While salary levels may not significantly impact transparency, the influence of bonus incentives on disclosure practices is profound. These findings not only contribute to the academic discourse on executive compensation but also offer practical insights for enhancing corporate governance standards through more transparent compensation practices.

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