

Review

A Systematic Literature Review on Transparency in Executive Remuneration Disclosures and Their Determinants

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Abstract: There are ongoing debates globally regarding excessive executive compensation, the perceived weak link between pay and performance, and the widening inequality gap. The South African corporate governance code King IV's Principle 14 addresses the need for fair, responsible, and transparent remuneration. At the same time, the newly enacted Companies Amendment Act No. 16 of 2024 in South Africa emphasizes transparency in compensation, shareholder voting, and responding to shareholder feedback. This study conducts a systematic literature review of 30 articles on the transparency of executive remuneration disclosures and their determinants by analyzing Scopus-indexed articles published between 2010 and 2023, selected through specific keyword searches. The findings suggest an increasing focus on research regarding the disclosure of executive compensation, predominantly conducted in the Global North and primarily framed through agency theory. Studies exploring the factors influencing executive remuneration and the relationship between pay and performance are prevalent, with mixed results generally indicating a positive connection. Firm size emerges as a key factor in transparency, and many studies employ binary scoring to evaluate whether executive compensation disclosure is present. This paper provides valuable insights for investors, analysts, and policymakers and adds to the current understanding of executive remuneration transparency.

Keywords: determinants; disclosure; executive remuneration; systematic literature review; transparency



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1. Introduction

This paper explores the state of the literature on transparency in executive remuneration emanating from the heightened policy and scholarly debate on transparency in executive remuneration due to its vital role in corporate governance and firm performance. Growing public and shareholder scrutiny has pressured firms to disclose detailed information regarding the pay packages of their top executives. This increased demand for transparency stems from concerns over connecting executive compensation with firm performance and the broader interests of stakeholders (Rousseau et al. 2023; Cao et al. 2021; Conyon 2014; Edmans and Gabaix 2016). Transparency in executive pay is not just a matter of public interest but is also crucial for ensuring effective corporate governance. Executive pay consists of a fixed and a variable element. The variable element consists of a cash bonus and equity-based remuneration designed to alleviate the agency problem. The vesting period for equity-based remuneration is three to five years on average, while total CEO pay has a duration of around 1.44 years (Gopalan et al. 2014). Given evidence that the size of executive pay is positively linked to firm size, one of the quickest ways to increase firm size is to engage in mergers and acquisitions (M&A) (Lahlou and Navatte 2017). Acquirers with high equity-based compensation outperform those with low equity-based compensation (Lahlou and Navatte 2017). Board independence is extremely important in corporate governance. Independent directors help companies make better decisions, and in M&A

transactions, companies with more independent boards pursue value-adding acquisitions (Teti et al. 2017). In addition to observable firm and governance characteristics, there are unobservable management attributes that influence executive pay. Aggressive managers, measured by the aggressiveness of firms' investment and financing decisions, appear to be remunerated for the additional risk they take (Graham et al. 2012).

Transparent disclosure practices enable shareholders to assess whether executive pay is justified by performance, which is essential for mitigating agency problems that result from the separation of ownership and control in modern firms (Velte 2024; Luo 2022; Lozano-Reina and Sánchez-Marín 2020; Shay and White 2014; Jensen and Meckling 1976). Concerning the above, South Africa, like other countries, introduced a corporate governance code in 1994, which evolved into the current King IV code that became effective in April 2017. Corporate governance codes and legislation are control mechanisms intended to mitigate the agency problem. The King code of corporate governance is a principle-based governance code, with King IV adopting an apply-and-explain approach. King IV, through principle 14, places an emphasis on transparency in the remuneration policy. The remuneration policy must set out all the elements of the remuneration and remuneration mix including the base salary, variable remuneration, payments on termination of employment, sign-on, retention and restraint payments, malus and clawback provisions, commissions and allowances, and non-executive director fees. Principle 14 also introduces a requirement for the inclusion of a three-part remuneration report in integrated reports. The three parts that must be included are the background statement, an overview of the remuneration report, and the implementation report (Siwendu et al. 2024; IoDSA 2016; Mans-Kemp et al. 2016).

Furthermore, South Africa recently enhanced the provisions of executive remuneration disclosures through the Companies Amendment Act No. 16 of 2024, focused on transparency in compensation, shareholder voting, and response to shareholder feedback, which was signed into law by the president of the country in July 2024 but is yet to be gazetted (RSA 2024). Transparent disclosure practices enable shareholders and other stakeholders to assess the justification of executive remuneration and allow shareholders to vote on executive remuneration.

Systematic literature review (SLR) has emerged as a key research method in the study of executive compensation, providing a thorough, rigorous, and transparent means of synthesizing existing research, pinpointing gaps, and guiding evidence-based practices (Lozano-Reina and Sánchez-Marín 2020). Existing literature studies on executive compensation have primarily focused on the link between pay and performance (e.g., Rousseau et al. 2023; Cao et al. 2021), pay disparities (Matemane and Moloji 2024; Malan et al. 2023), shareholder influence on pay (Lozano-Reina and Sánchez-Marín 2020), determinants (Velte 2024; Dutra et al. 2024; Shay and White 2014; James 2014), incentive structures (Kreilkamp et al. 2023), compensation management systems (Luo 2022), and sustainability-linked pay (Mahran and Elamer 2024; Winschel and Stawinoga 2019). However, based on the authors' evaluation of database and library searches, none of these studies or others have specifically addressed a review of transparency in executive compensation, which is the focus of this paper, aiming to identify trends, gaps, determinants, theoretical frameworks, scoring and measurement, and inconsistencies in the literature to deliver an all-inclusive understanding of the existing knowledge on transparency in executive remuneration.

The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) was used to analyze 30 articles from the Scopus database for thirteen years (2010 to 2023), intended to capture recent developments in the corporate governance literature. The findings highlight an expanding research focus on executive compensation disclosure, predominantly situated in the Global North and often viewed through agency theory. Studies examining the factors influencing executive pay and its relationship with performance are widespread, with results that vary but tend to indicate a positive correlation. Firm size emerges as a key factor in determining transparency, and many studies employ binary scoring to measure the existence of executive compensation disclosure. This paper offers

valuable insights for investors, analysts, and policymakers, while also contributing to the frame of knowledge on transparency in executive remuneration. The next sections discuss the materials and methods, then the results and discussion, and finally a conclusion of this paper.

2. Materials and Methods

SLR was adopted to collect, analyze, and synthesize the data. An SLR employs a different methodology than a traditional literature review to locate research and select and evaluate contributions (Lozano-Reina and Sánchez-Marín 2020). Traditional literature reviews suffer from the limitation of not being scientifically rigorous (Pahlevan-Sharif et al. 2019). Therefore, conclusions reached based on a traditional literature review are subject to bias, inadvertently or not, as authors may select literature that supports their views (Grant and Booth 2009). Compared with a traditional literature review, an SLR is rigorous and thorough, and reviewers present their findings in an unbiased manner (Lozano-Reina and Sánchez-Marín 2020). An SLR is scientific and benefits from its ability to be replicable, explicit, comprehensive, and transparent. This has led to the growing use of SLR methods to perform a literature review.

Data Collection

During the planning phase, a review protocol that included keywords, inclusion criteria, and exclusion criteria was developed. Based on this protocol, this study collected Scopus-indexed journal articles found using the search of the following keywords: “transparency of executive remuneration disclosures” OR “transparency of corporate disclosures” OR “corporate transparency” OR “executive remuneration disclosures” OR “executive compensation disclosures” OR “transparency of executive compensation disclosures” OR “corporate governance disclosure quality” OR “quality of corporate governance disclosures”. The Scopus repository is the largest source of peer-reviewed literature spanning journal articles in various research fields and is the preferred choice of many institutions when purchasing databases (Malan et al. 2023). The search yielded 436 articles. Two articles were obtained elsewhere, resulting in 438 initial articles. The next step was to filter the search by the year range of 2010 to 2023, yielding 334 records. Limiting the areas to accounting, business, management, econometrics, economics, and finance disciplines resulted in 272 documents. Selecting only articles reduced the records to 246, and when English was selected, there were 242 articles. Following the export of the results to an MS Excel spreadsheet, two separate reviewers selected the articles for relevancy based on the title and abstract. This led to the identification of 46 articles. Thereafter, an eligibility assessment of the remaining articles was performed based on the review of the full text. After this rigorous screening exercise, 31 articles remained for inclusion in this study. Later, during the SL review, we determined that one of the 31 articles was the same article titled differently and published in two journals. After eliminating one of these studies, 30 articles remained for this SLR study. This selection process is depicted in Figure 1 below.

The number of reviewed articles underlines the limited research on the transparency in executive remuneration, although there are growing calls to determine executive remuneration and its composition.

The next section deals with the results of this SLR.

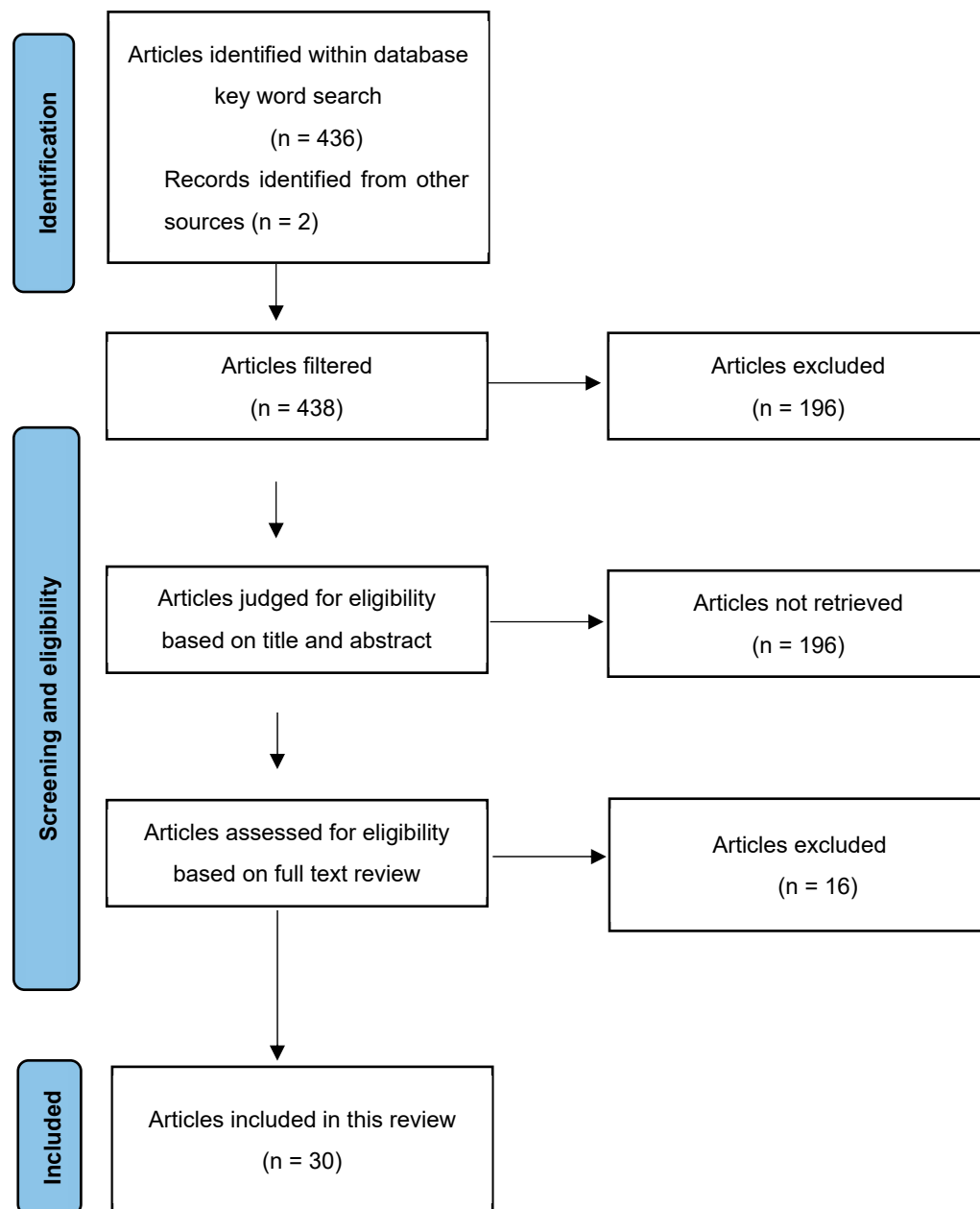


Figure 1. Identification of studies via databases. **Source:** Adapted from the PRISMA flow diagram.

3. Results

3.1. Descriptive Analysis and Literature Trends in the Existing Studies

An SLR for the transparency of executive remuneration and its determinants was carried out using 30 studies. Overall, 60% (n = 18) of the studies were longitudinal. There was also a high number of articles published in 2014, but the numbers subsided until 2019. From 2019 to 2022, a growing interest in issues related to transparency in executive remuneration is evidenced. This interest has, however, not been maintained, as evidenced by the unexpected drop in 2023 from four to two articles. Based on the number of published articles per annum, it appears that there is insufficient or inadequate attention in this research area. Figure 2 depicts the annual distribution of the sample over the 14 years, 2010–2023.

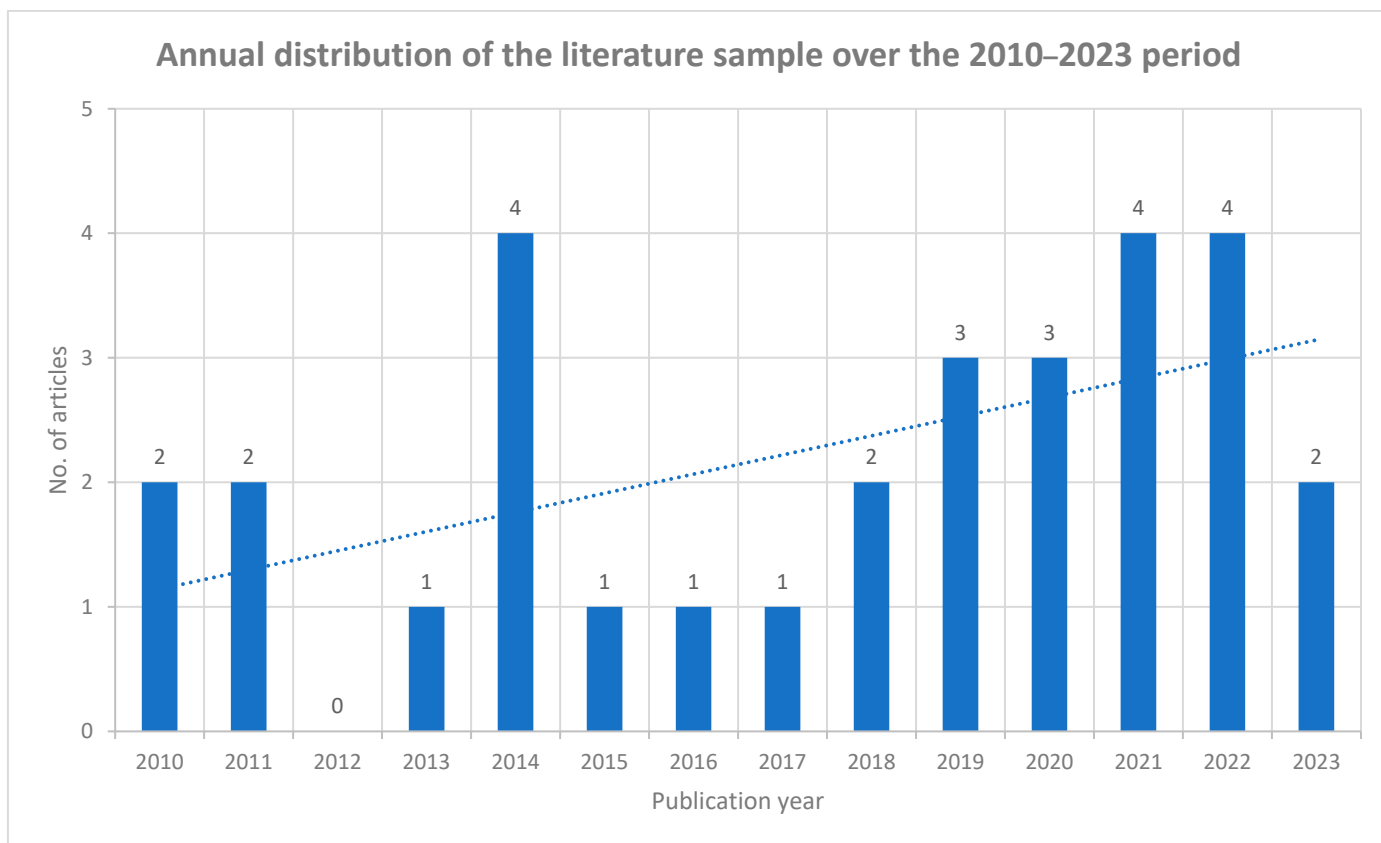


Figure 2. Distribution of the reviewed literature by years. **Source:** Authors’ compilation.

Most of the reviewed articles were from the USA (n = 8) followed by the U.K. Four articles were from the U.K., but this increases to six when considering other European studies that included the U.K. in their studies. For instance, Muslu’s (2010) study focused on large European companies. The European countries included in their study include the U.K., whereas Melis et al. (2015) performed a comparison of the levels of disclosure in directors’ remuneration between Italy and the U.K. Canada had three studies, while Brazil had two. Other European countries with one article each were Finland, Greece, and Russia. Asian countries were represented by Malaysia (n = 2), Taiwan (n = 1) India (n = 1), Nepal (n = 1), and one study by Khan et al. (2020) that compared differences in disclosure quality in four Asian countries. There was one study from South Africa. The remaining study considered several banks from the UniCredit Group that spanned 17 countries (Wieczorek 2022). Overall, North America had eleven articles followed by Europe with nine. The concentration of executive remuneration research in the global north is unsurprising as corporate governance reforms and legislation originated in America and Europe, with the rest of the world following and often modeling reforms against one of the two models, the American model or the U.K. model. Figure 3 summarizes the research distribution by country.

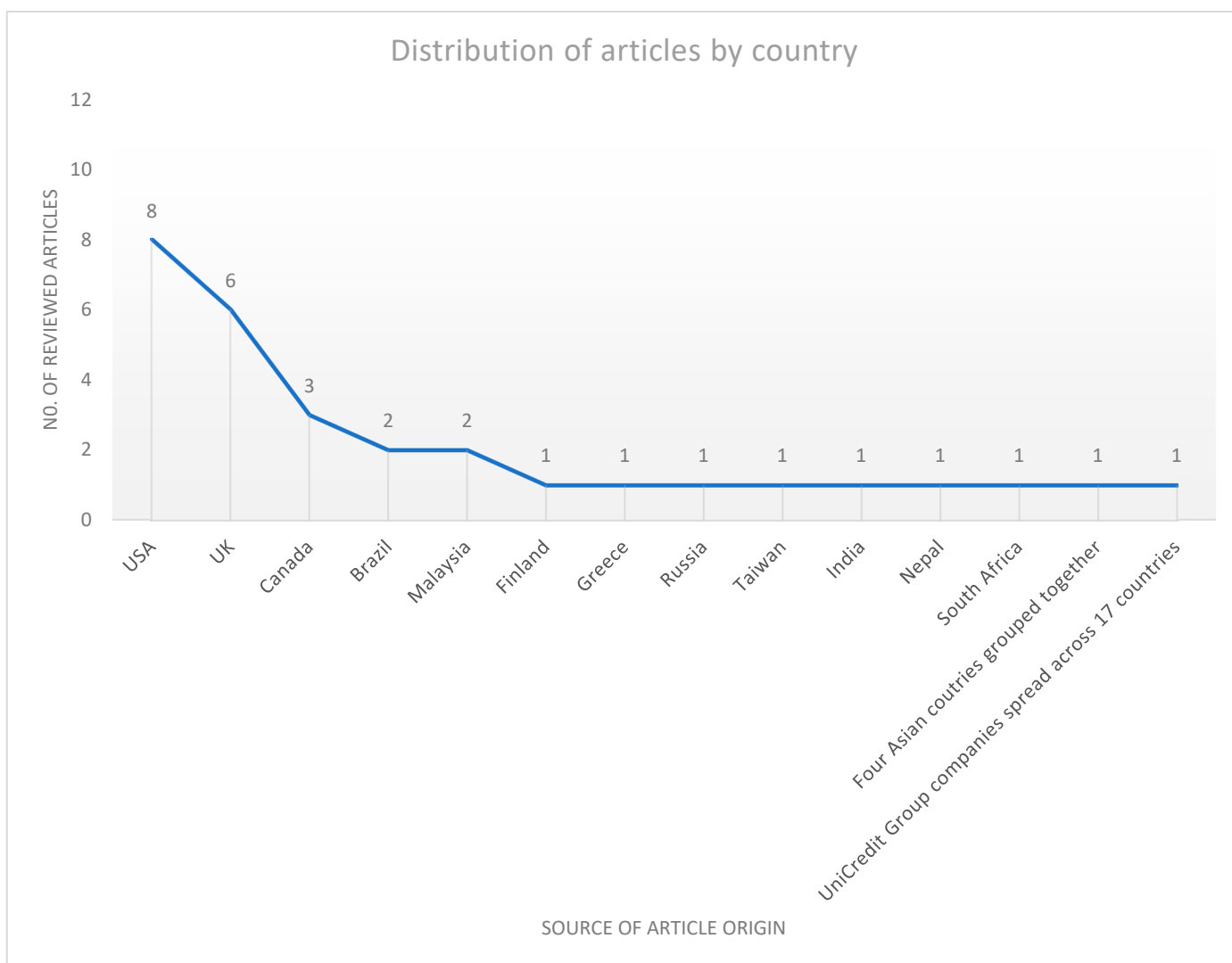


Figure 3. Distribution of the reviewed literature by country. **Source:** Author’s compilation.

3.2. Analysis of the Theoretical Frameworks Used by the Reviewed Literature

Twelve theories formed the basis of the theoretical underpinnings of the reviewed studies. Overall, 64% of the studies addressed the agency theory, making it the most prevalent theoretical framework. The agency theory notes a conflict of interest between managers and shareholders since managers try to maximize their own wealth at the expense of shareholder wealth (Jensen and Meckling 1976). Information asymmetry contributes to this conflict of interest as managers have more information about the firm than shareholders. This disempowers shareholders as they are unable to evaluate management decisions. Addressing this phenomenon leads to an incurral in agency costs. The principal incurs monitoring costs to limit the activities of the agent, while the agent incurs bonding costs to assure the principal (Sharma 2014). Disclosure of executive remuneration is a corporate governance and legislation instrument that can be used to reduce information asymmetry and agency costs (Nerantzidis and Tsamis 2017). Harvey et al. (2019) argued that executive remuneration disclosures are not effective corporate governance instruments as they drive up executive remuneration through benchmarking instead of moderating it, and the failure of shareholders to hold boards accountable.

The optimal contracting, managerial power, and signaling theories were the next most prominent theories mentioned by 14% of the articles. The optimal contracting theory attempts to align the interests of managers with shareholders and reduce agency costs

through a remuneration contract that links manager remuneration to firm performance. An optimal remuneration contract has a higher proportion of variable incentive remuneration. Under the optimal contracting approach, transparent executive remuneration disclosures seek to convince shareholders of the optimal design of executive remuneration contracts (Ben-Amar and Zeghal 2011).

The managerial power theory argues that executives exert power over their boards and consequently exercise power over their own remuneration (Siwendu et al. 2024; Bebchuck et al. 2002). Under this hypothesis, managers extract rent by limiting the incentive component in their remuneration package. However, Teti et al. (2017) showed that having a higher proportion of fixed remuneration in total remuneration can have positive results, and this differs from other studies that consider fixed remuneration as a negative corporate factor because of its weak correlation with firm performance. Managers adopt fewer disclosures to conceal their non-optimal remuneration packages (Ben-Amar and Zeghal 2011).

Some papers used the signaling theory approach from a voluntary or discretionary disclosure perspective, for example, Jafaar et al. (2014a); Chung et al. (2015); Nerantzidis and Tsamis (2017). Similar to the agency theory, the signaling theory attempts to overcome information asymmetry. Managers provide more information to send a signal to investors and the market that they are better than other companies as they compete for capital and that they have a better reputation (Nerantzidis and Tsamis 2017). The signaling theory is highly relevant when analyzing the determinants of transparency.

Other theories that underlie these studies were opportunism, stakeholder, legitimacy, entrenchment, stewardship, resource dependency, social comparison, tournament, and economic theories, but these theories were insignificant. A summary of the theoretical frameworks that underpin these articles is provided in Figure 4.

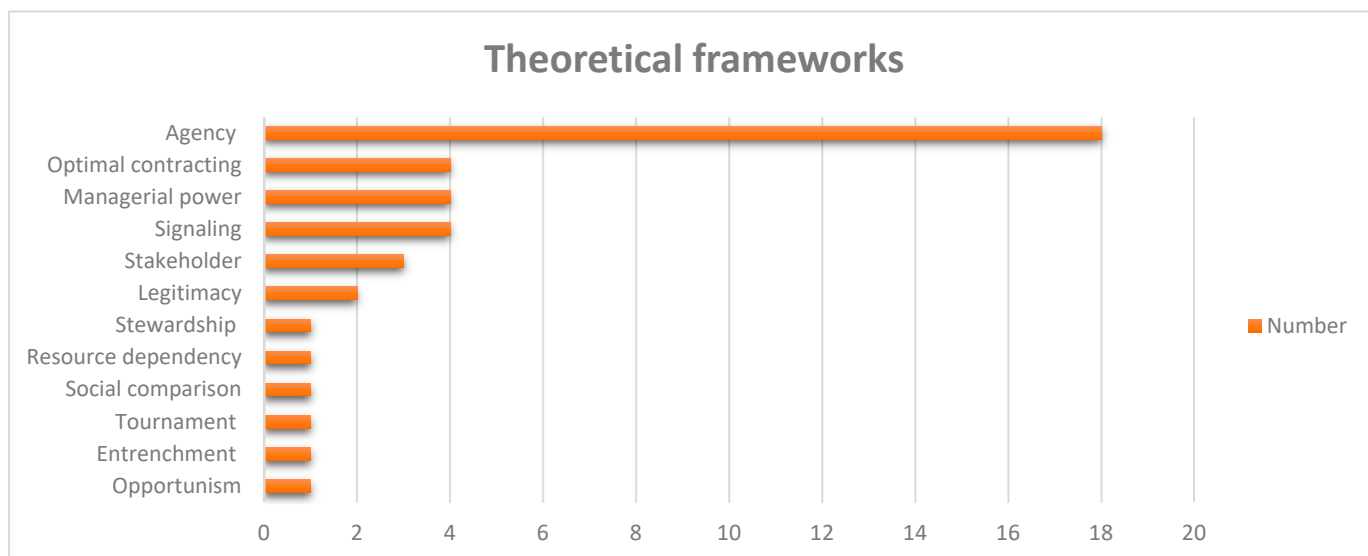


Figure 4. Theoretical frameworks underpinning the reviewed articles. **Source:** Authors’ compilation.

3.3. Identification of Themes and Abstracts and the Related Findings and Recommendations

The conducted SLR revealed broad but diverse research on the disclosure of executive remuneration. Four studies investigated the relationship between transparent disclosures and the pay–performance relationship. Twelve studies dealt with multiple issues and did not have a common theme. The remaining 12 studies addressed the determinants of transparent executive remuneration disclosures.

3.3.1. Impact of Disclosures on the Pay–Performance Relationship [Four Articles]

Muslu (2010) and Wang et al. (2020) asserted a positive relationship link between the levels of disclosures and the pay–performance relationship. The transparency in executive

remuneration disclosures increased pay–performance sensitivity. This finding supports the optimal contracting argument over the rent-seeking argument (Muslu 2010). In companies that acquire others, the connection between the CEO’s salary and poor firm performance is strengthened when there are transparent compensation disclosures (Wang et al. 2020). Chu et al. (2020) found little evidence that the 2013 reforms on binding SOP votes affected pay–performance sensitivity. Ibrahim et al. (2021) noted a greater than 50% decline in pay–performance sensitivity following the introduction of executive pay disclosure regulation in 2013, which required large and medium-sized companies to report CEO total compensation as a single figure. Based on the above analysis, the outcomes of the studies examining the elements of executive pay disclosure and its link with firm performance vary, but 50% of the studies indicated a positive correlation.

3.3.2. The Other Fourteen Studies

It was challenging to identify themes in the remaining 14 studies as they dealt with diverse themes such as compliance, comparisons of voluntary disclosures, the connection between transparency and variables such as employee wages, firm value and fixed investments, and sustainability executive remuneration disclosures. Each of these fourteen studies is briefly outlined below.

Faulkender et al. (2010) noted evidence of disclosure manipulation by executives who timed option and equity grants to be around the release of good news, leading to positive abnormal returns after option grants. This implied that executives effectively received options in the money, although the grants were nominally at the grant date. Companies also had a tendency to reprice their options around the release of good news. This practice and the resulting discount were attributable to poor corporate governance. To limit this manipulation, the authors supported improved disclosures that covered all the elements of executive compensation. Companies should provide both summary and comprehensive detailed disclosures.

Spraggon et al. (2013) investigated compliance with the 2007 amendments to the reporting legislation of Canada relating to executive pay and directors of the board following changes in the reporting formats of executive remuneration-based disclosures and the requirement for the remuneration of independent directors to be disclosed in a similar tabular format to that of the executive directors. The amount and type of reporting varied significantly amongst firms. Dissatisfied with the levels of compliance, the Canadian regulatory authorities developed fresh measures that would take effect in 2012 (Spraggon et al. 2013).

Melis et al. (2015) compared the levels of disclosure of directors’ remuneration between the U.K. and Italy. Their study found the levels of non-mandatory disclosure to be substantially greater in the U.K. than in Italy. There was a strong correlation between the high levels of voluntary disclosures and firm-specific incentives that included information demand from investors and the need for legitimacy.

According to Bai et al. (2022), companies that disclose less information paid a higher wage premium because a lack of transparency exposed employees to higher information and unemployment risk, which resulted in a compensating wage differential. This suggested that disclosure decisions may have unintended consequences for a significant number of stakeholders.

Based on voluntary disclosures, Chung et al. (2015) examined the impacts of high executive pay on firms with friendly boards¹ on firm value. The objective was to explore if broad non-mandatory disclosures can lessen agency problems involving executives and shareholders when there is a friendly board in place. Their study found that high executive remuneration was negatively related to the value of the firm. It also found that non-mandatory disclosure practices mitigated this connection. The findings showed that thorough non-mandatory disclosures mitigated the relationship between excess executive compensation and the value of the firm. Liu et al. (2023) found that strong transparency improved the value of a firm and found a significantly positive effect of market competition

on the link between corporate transparency and the value of the firm. Transparency, according to [Grosman \(2022\)](#), had a significant positive effect on fixed investments.

Another study based on voluntary disclosures was conducted by [Packard et al. \(2023\)](#). Voluntary disclosures were analyzed in light of shareholders' scrutiny of CEO remuneration agreements. Their study found that when the peer-benchmarked compensation was high compared with performance, firms willingly strengthened the disclosure of their performance within their Compensation Discussion and Analysis (CD&A) regime. It seemed that these disclosures were employed purposefully and successfully to counteract unfavorable compensation evaluations.

In their investigation into how mutual funds with sustainability objectives affect shareholders' voting motions regarding executive remuneration, [Dikolli et al. \(2023\)](#) discovered that ESG resources were 15% more probable than non-ESG resources in facilitating recommendations to increase executive compensation transparency. The findings supported the idea that ESG funds would gain more net advantages from endorsing shareholder compensation proposals, especially those that have to do with transparency and ES objectives.

For a firm to be sustainable, its targets must not only include financial targets but also environmental and social targets. [Hartikainen et al. \(2021\)](#) investigated executive remuneration disclosures to determine whether environmental and social targets were included in the targets of management. Just 16% of the companies in the study disclosed that they had social and environmental targets. Comprehensive sustainable executive remuneration therefore was still rare as most companies focused on long-term financial targets, ignoring social and environmental targets, which may hinder the development of genuine sustainability. Companies ignored the interests of other stakeholders as their executive remuneration policies were financial targets that aligned with the interests of shareholders and executives.

[Mans-Kemp and Viviers \(2018\)](#) investigated the extent and depth of the disclosures of executive performance evaluations and the existence of the disclosure of a pay–performance link. The authors observed a significant rise in companies revealing information on executive performance reviews. Their study did, however, note that the disclosure depth was shallow, which limited the ability of shareholders to hold compensation committees responsible. [Abdelfattah et al. \(2021\)](#) reviewed the effects of the revision of the U.K. Corporate Governance Code in 2018. They generally noted an improvement in the disclosure of remuneration policies, with companies disclosing more information on shareholder engagements and improving the linking of executive remuneration with long-term company performance. However, and perhaps worryingly, too many companies used boilerplate explanations. They also noted the use of non-financial key performance indicators by many companies in the remuneration formula, although information linking it to strategy was lacking. Where there was a significant number of votes against the remuneration policy, companies generally failed to provide reasons for voting against the remuneration policy and were mostly defensive. Where there were reported risks in relation to excessive remuneration, companies did not provide mitigating plans for those risks.

The study by [DeBoskey and Gillett \(2019\)](#) examined if firm transparency had a significant influence on explaining cross-sectional differences in liquidity and analyst forecast properties. The study found that corporate transparency significantly affected the dispersion of market depth and analyst forecast and, secondly, bid-ask spreads were meaningfully connected with earnings quality. Finally, [Harvey et al. \(2019\)](#) suggested that there was mounting evidence that executive pay disclosure as a firm governance control mechanism was a weak control instrument that helped escalate top executive remuneration instead of moderating it, as companies benchmarked their remuneration against publicly available remuneration disclosures.

3.4. Determinants of Transparent Disclosures or Quality Disclosures [12 Articles]

The determinants of transparent disclosures are divided into the following categories: firm and governance characteristics. Characteristics of the firm include firm size, cross-

listing, growth opportunities, leverage, ownership concentration, foreign ownership levels, listing age, profitability, liquidity, and Tobin's Q. Characteristics of governance consist of board size, board meetings, board independence, and diversity of the board.

3.4.1. Firm Characteristics

Positive determinants. It is noted that firm size is the overwhelming positive determinant of disclosure transparency in all but one study, that by Yassir Jafaar et al. (2014a). Proxies such as total sales, total assets, market capitalization, and number of employees are used for firm size (Nerantzidis and Tsamis 2017). The finding regarding firm size is corroborated with the prior literature and is not surprising as bigger firms have the financial muscle and human resources to ensure compliance (Ben-Amar and Zeghal 2011) and reveal more data to decrease the asymmetry in information resulting from the agency problem (Sharma 2014). Furthermore, there is a lot of focus and attention on bigger firms as some fund/asset managers only invest in companies with a big market capitalization that ensures high liquidity of shares.

Other determinants of transparency include Canadian companies cross-listed in the USA (Ben-Amar and Zeghal 2011), firms experiencing higher growth opportunities, which is assessed by using market-to-book ratios (Ben-Amar and Zeghal 2011), Brazilian companies with American Depository Receipts (Carvalho and Cochrane 2011), return on assets (Jafaar et al. 2014b), foreign ownership in Nepal Stock Exchange-listed bank and finance companies (Sharma 2014), Tobin's Q and liquidity, in particular, cash-rich companies driven by the need to inform different stakeholders of their strong liquidity position since firms with advanced corporate governance scores are compensated by the market with high market values (Nerantzidis and Tsamis 2017), and return on equity (Wieczorek 2022).

Negative determinants. The intensity of proprietorship by stockholders (implying, shareholders with a shareholding of 5% or more) and institutional investors has a negative association with executive remuneration disclosures (Ben-Amar et al. 2014). Yang (2021) found compensation disclosure to be negatively connected with stronger managerial power and higher ownership costs. Katarachia et al. (2018) found that using Tobin's Q as a proxy for firm value hurt disclosures. Costa et al. (2016) noted that a company's decision to disclose executive remuneration details fully or not was influenced by the level of crime in the state where the company is based.

Mixed determinants. The results on the impact of financial leverage are mixed. For instance, Sharma (2014) documented a favorable connection between leverage and disclosures, whereas Ben-Amar and Zeghal (2011) and Katarachia et al. (2018) reported an unfavorable link.

3.4.2. Governance Characteristics

The presence of independent directors is associated with transparent remuneration disclosures (Nerantzidis and Tsamis 2017; Wieczorek 2022), consistent with the agency philosophy hypothesizing that independent directors play a crucial role in ameliorating agency conflicts. Board diversity, as reflected by gender diversity (Nerantzidis and Tsamis 2017; Katarachia et al. 2018; Khan et al. 2020) and skills diversity (Khan et al. 2020), enhances or does not enhance disclosure quality. Gender diversity enhances the ethical, legitimate, and economic dimensions, and increased diversity could boost the board's legitimacy among influential stakeholders and enhance independence (Nerantzidis and Tsamis 2017). However, the presence of women on the board in India negatively affects disclosures (Katarachia et al. 2018). The presence of board members with different expertise increases disclosure quality (Khan et al. 2020).

The frequency of board meetings (Nerantzidis and Tsamis 2017; Khan et al. 2020) and the occurrence of the remuneration committee (Wieczorek 2022) improves corporate disclosures because boards that meet more frequently are more effective and improve corporate governance (Nerantzidis and Tsamis 2017). Frequent well-organized board meetings are a proxy for board effectiveness and lead to high disclosures (Khan et al. 2020).

The extent of openness in the policy on remuneration may vary depending on the size of the board. Entities with bigger boards are less transparent on remuneration policies because larger boards are linked with less efficient coordination and decision-making, resulting in less effective oversight, which negatively impacts their disclosures (Wieczorek 2022; Katarachia et al. 2018). In contrast, Khan et al. (2020) found that a bigger board size led to greater disclosure transparency. There is a significant positive link between the size of external auditors and the disclosure of executive pay because bigger audit firms were more expected to possess the skills necessary to guarantee statutory compliance, were independent, and wanted to uphold their high reputation (Jafaar et al. 2014a). Yang (2021) found that external monitoring by stakeholders, such as shareholders, auditors, and analysts, was positively associated with high disclosures.

3.5. Causes That Reduce Transparency in Executive Remuneration Disclosures

Consistent with the managerial power theory, when managers' contracts are not optimal, managers provide fewer disclosures to conceal their non-optimal remuneration packages (Ben-Amar and Zeghal 2011). This helps managers hide their rent extraction and reduce investor activism (Yang 2021).

Some managers are opposed to the disclosure of their salaries, citing invasion of privacy concerns (Carvalho and Cochrane 2011) and exposure to security risks such as kidnappings, especially relevant in countries with high crime rates (Carvalho and Cochrane 2011; Costa et al. 2016). This increases executives' personal security costs (Costa et al. 2016). Less transparency or poor disclosures could be an indication of poor corporate governance in the firm (Sharma 2014). Since transparency reflects socially responsible behavior, non-socially responsible firms disclose less information than their socially responsible counterparts (Ben-Amar et al. 2014). In some countries, the absence of established professional accounting and auditing bodies contributes to the lack of transparent disclosures (Katarachia et al. 2018).

3.6. Scoring and Measuring Transparency

There is a wide variety of methods used to score and measure transparency. Some studies develop their own transparency index (e.g., Melis et al. 2015; Yassir Jafaar et al. 2014b), while others use publicly available indices as a proxy for transparency (e.g., Ben-Amar et al. 2014; Katarachia et al. 2018). However, the most common scoring approach is the binary approach, where 1 is awarded for transparency and 0 otherwise (e.g., Nerantzidis and Tsamis 2017; Sharma 2014). Other studies recognize that partial disclosure occurs when entities provide incomplete disclosures, and those studies award a 0.5, for instance, Melis et al. (2015) and Yang (2021). The awarding of either 1 for full disclosure or 0 otherwise is the most popular scoring method at 39% (n = 11). Most of the allocated scores are unweighted, meaning all items are judged to have equal significance. This is selected to avoid subjectivity and bias in the weight allocation (Yassir Jafaar et al. 2014b). Some studies do not consider weightings because weighted and unweighted scores can give the same or similar results when the disclosure index contains a large number of items (Sharma 2014). Conversely, Nerantzidis and Tsamis (2017) conducted one of the few studies that used both the non-binary and binary index, arguing that some literature utilized a scoring approach without articulating their decisions or performing extra analysis to examine the robustness of the findings. The authors considered their findings valid only when the determinants were significant under both the weighted and unweighted methods.

4. Discussion

Descriptive analysis (years and countries): The results of this paper on the increasing trend in research regarding the disclosure of executive compensation predominantly conducted in the Global North is corroborated by extant literature studies on executive compensation such as those by Dutra et al. (2024); Mahran and Elamer (2024); Velte (2024); Malan et al. (2023); and Shay and White (2014). More specifically, Dutra et al. (2024)

analyzed 59 articles from 1960 to 2021. They evidenced that they were fundamentally produced in the United States, followed by the United Kingdom, Australia, and Canada, with an uneven but increasing trend in the publications in the Web of Science and Scopus databases. [Velte \(2024\)](#) analyzed 66 articles from the Web of Science and Scopus databases and evidenced an increased publication trend between 1997 and 2023, with the dominance of cross-country studies (29) and those conducted in the USA (17), the U.K. (7), other developed economies (12), and South Africa (1). On the other hand, [Malan et al. \(2023\)](#) identified an increasing but uneven trend in literature studies of 27 executive compensation gap articles drawn for the decade 2013 to 2022 from the Scopus database. Finally, [Mahran and Elamer \(2024\)](#) analyzed 139 articles from the Scopus and Web of Science databases on the CEO–environmental sustainability relationship and evidence an increase in research activity. Contrary to the dominance of research by the Global North, China accounted for 27% (37 out of 139 total) of the literature in a study by [Mahran and Elamer \(2024\)](#), the second score of 18% was the USA followed by 14% on global samples.

Theories used by prior studies: The findings of this study identified agency theory as the dominant theoretical lens. This finding is supported by the extant literature ([Velte 2024](#); [Luo 2022](#); [Lozano-Reina and Sánchez-Marín 2020](#); [Shay and White 2014](#)). [Velte \(2024\)](#), for example, confirmed the use of stakeholder agency theory in executive remuneration studies, while [Luo \(2022\)](#) asserted the use of incentives to alleviate the agency conflict and [Lozano-Reina and Sánchez-Marín \(2020\)](#) found that 62% (42 out of 68) articles used agency theory. Conversely, [Zhang and Gao \(2015\)](#) used the CEO power theory to evidence a contingent impact on pay–performance understanding.

Pay–performance: The results indicate that the pay and performance links were prevalent, with mixed results generally indicating a positive connection upheld by studies conducted by [Velte \(2024\)](#); [Malan et al. \(2023\)](#); [Rousseau et al. \(2023\)](#); [Luo \(2022\)](#); and [Shay and White \(2014\)](#). Specifically, [Rousseau et al. \(2023\)](#) identified that bonuses had a modest positive impact on accounting performance metrics, while [Velte \(2024\)](#) indicated that sustainability-related executive compensation (SREC) positively affected the sustainability performance of firms. [Luo \(2022\)](#) supported the pay–performance debate, [Shay and White \(2014\)](#) evidenced that financial performance influenced executive compensation, and [Rampling et al. \(2013\)](#) evidenced a significant pay–performance nexus for China’s listed firm’s top management.

Determinants of transparency in executive remuneration: The results identified the main determinants of transparency in executive remuneration as corporate governance and firm size, as corroborated by [Velte \(2024\)](#); [Cao et al. \(2021\)](#); and [James \(2014\)](#). [Velte \(2024\)](#) found that governance, financial performance, and sustainability were drivers of executive pay, whereas [Cao et al. \(2021\)](#), on the other hand, found that monitoring by the board of directors supported the pay–performance nexus. On his part, [James \(2014\)](#) confirmed firm size, performance, and corporate governance as drivers of executive remuneration, as well as agency problems, board structure, executive tenure and power, market factors, firm characteristics, and insider trading restrictions. Conversely, [Dutra et al. \(2024\)](#) asserted that corporate prestige was not considered in executive compensation studies, and [Cao et al. \(2021\)](#) evidenced that CEO tenure was favorably connected to a company’s financial performance for short-term versus long-term incentives. Even though there was only one study in the sample from South Africa, it is encouraging to note that corporate governance is one of the key determinants of transparency in executive remuneration, as King IV has positioned transparency as the focal point of executive remuneration disclosures.

Scoring and measuring transparency: This paper found that most studies employed unweighted scoring to evaluate the existence of executive compensation disclosure with no prior extant studies conducted on the subject.

5. Conclusions

Driven by heightened policy and academic debates on the subject, due to the significant importance of firm governance and firm performance, this paper reviews the current literature on transparency in executive remuneration disclosure and its determinants through the PRISMA approach. This review reveals that firstly, there is an uneven but increasing interest in this topic based on the published articles. Secondly, the extant literature on corporate governance disclosures and their determinants is predominantly conducted in the Global North, with other regions lagging behind. Thirdly, the agency theory emerges as the most dominant theoretical framework. Other important theoretical frameworks include the optimal contracting, managerial power, and signaling theories, tied at a distant second. Fourthly, the relationship between executive remuneration disclosures and the pay–performance link, although mixed, is mostly positive. Fifthly, the main determinants of transparency in executive remuneration are overwhelmingly firm size and some corporate governance characteristics such as the presence of independent directors, diversity in the skills of the board members, and the size of external auditors. Finally, most studies apply the binary unweighted scoring method to measure transparency.

This paper provides valuable insights for investors, analysts, and policymakers, while also enriching the existing body of knowledge on transparency in executive remuneration.

Although the Scopus database is recognized as the largest repository of peer-reviewed literature, relying solely on it may have led to the omission of some relevant articles not indexed there. Future studies could broaden the search to include additional databases. Furthermore, this study relied on peer-reviewed articles to the exclusion of other sources. Another study could include more sources. The relatively small number of reviewed articles might suggest either a limited amount of research in this area or that the SLR did not capture all relevant studies. To address this, other review methods, such as metadata analysis, could be utilized in future research. Additionally, most reviewed articles were from the Global North, emphasizing the necessity of more research in emerging countries, including South Africa. The key determinants of transparent disclosures based on corporate governance remain unclear, unlike those based on firm characteristics. More research, particularly focused on small- and medium-sized enterprises, is necessary since larger firms tend to be more transparent because of their size.

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Note

¹ Friendly boards refer to boards where directors enjoy friendly relationships with executives.

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