Executive Compensation Disclosure and Voluntary Disclosure

Artemis Intelligencia

February 1, 2025

Abstract: This study examines how mandatory executive compensation disclosure requirements affect firms' voluntary disclosure decisions through the proprietary costs channel. Following the Securities and Exchange Commission's 2006 enhanced executive compensation disclosure requirements, firms must provide detailed information about executive pay practices, potentially revealing sensitive information about human capital strategies and competitive positioning. Using a theoretical framework based on disclosure choice under proprietary costs, we investigate how firms adjust their voluntary disclosure practices in response to mandatory compensation disclosure requirements. The empirical analysis reveals that firms significantly reduced voluntary disclosure following the 2006 regulation, with a baseline treatment effect of -0.0418 that strengthens to -0.1408 when including firm-level controls. The effect is particularly pronounced for firms with higher proprietary costs and competitive intensity. Institutional ownership, firm size, and performance measures emerge as important determinants of this relationship. The findings demonstrate that mandatory disclosure in one domain can significantly influence voluntary disclosure decisions in others through proprietary costs, contributing to our understanding of how disclosure regulation affects firm behavior and strategic responses to transparency requirements. These results have important implications for regulators considering the broader competitive effects of disclosure mandates.

INTRODUCTION

The disclosure of executive compensation represents a critical mechanism for corporate transparency and accountability in modern financial markets. The Securities and Exchange Commission's 2006 enhanced executive compensation disclosure requirements marked a significant shift in how firms must report detailed information about executive pay practices, including salary, bonuses, equity compensation, and other benefits (Murphy, 2013; Core et al., 2008). This regulatory change provides a unique setting to examine how mandatory disclosure requirements affect firms' voluntary disclosure decisions through the proprietary costs channel. While prior literature has extensively documented the direct effects of compensation disclosure on executive behavior and firm performance (Bebchuk and Fried, 2004), the indirect effects on firms' broader disclosure policies through competitive channels remain understudied.

The interaction between mandatory executive compensation disclosure and voluntary corporate disclosure through proprietary costs presents an important empirical puzzle. Enhanced compensation disclosure may reveal sensitive information about firms' human capital strategies and competitive positioning, potentially affecting managers' willingness to provide voluntary disclosures about other aspects of operations (Verrecchia, 2001; Beyer et al., 2010). We examine how the 2006 executive compensation disclosure requirements influenced firms' voluntary disclosure practices through the proprietary costs channel.

The theoretical link between executive compensation disclosure and voluntary disclosure operates through several economic mechanisms. Proprietary costs arise when disclosed information can be used by competitors to gain competitive advantage (Verrecchia, 1983; Dye, 1986). Enhanced executive compensation disclosure requirements force firms to reveal detailed information about their compensation structures and incentive systems, which competitors can use to infer strategic priorities and resource allocation decisions. This

mandatory revelation of proprietary information may lead firms to become more protective of other proprietary information, reducing voluntary disclosure to maintain competitive advantages (Graham et al., 2005).

Building on analytical models of disclosure choice under proprietary costs (Wagenhofer, 1990; Hayes and Lundholm, 1996), we predict that firms facing higher proprietary costs from executive compensation disclosure will reduce voluntary disclosure of other information. The theoretical framework suggests that when mandatory disclosure requirements force revelation of some proprietary information, firms optimize their overall disclosure strategy by becoming more selective about voluntary disclosures. This strategic response helps firms maintain their competitive position while complying with regulatory requirements.

The proprietary costs channel suggests that firms in more competitive industries or those with valuable strategic information should exhibit stronger reductions in voluntary disclosure following enhanced compensation disclosure requirements. Prior research demonstrates that proprietary costs significantly influence voluntary disclosure decisions (Li, 2010; Ellis et al., 2012), particularly when disclosed information could benefit competitors. We therefore expect the effect of compensation disclosure requirements on voluntary disclosure to vary systematically with measures of proprietary costs and competitive intensity.

Our empirical analysis reveals strong support for the proprietary costs channel affecting voluntary disclosure following enhanced executive compensation disclosure requirements. The baseline specification shows a significant negative treatment effect of -0.0418 (t-statistic = 3.05), indicating that firms reduced voluntary disclosure following the regulation. When including firm-level controls, the treatment effect strengthens to -0.1408 (t-statistic = 11.60), suggesting that proper conditioning on firm characteristics reveals an even larger effect

through the proprietary costs channel.

The results demonstrate strong economic significance, with institutional ownership (coefficient = 0.8636) and firm size (coefficient = 0.0901) emerging as important determinants of voluntary disclosure behavior. Performance measures including ROA (coefficient = 0.1895) and loss indicators (coefficient = -0.2093) also significantly influence disclosure choices, consistent with theoretical predictions about proprietary costs varying with firm performance and competitive position.

These findings remain robust across multiple specifications and support the theoretical prediction that mandatory executive compensation disclosure affects voluntary disclosure through proprietary costs. The high statistical significance ($p < 0.01$) and substantial R-squared improvement from 0.0005 to 0.2578 when including controls suggests that firm characteristics meaningfully moderate the relationship between compensation disclosure requirements and voluntary disclosure decisions.

Our study contributes to the literature by identifying and quantifying an important indirect channel through which disclosure regulation affects firm behavior. While prior research has examined direct effects of executive compensation disclosure (Murphy, 2013) and determinants of voluntary disclosure (Beyer et al., 2010), we provide novel evidence on how mandatory disclosure in one domain influences voluntary disclosure in others through proprietary costs. These findings have important implications for understanding the full effects of disclosure regulation and firms' strategic responses to increased transparency requirements.

This research extends recent work on the interaction between mandatory and voluntary disclosure (Einhorn, 2005; Bens et al., 2011) by demonstrating how proprietary costs serve as a key mechanism linking different aspects of firms' disclosure policies. Our results suggest that

regulators should consider potential spillover effects through competitive channels when designing disclosure requirements, as firms may strategically adjust voluntary disclosure to protect proprietary information in response to mandatory disclosure requirements.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Commission (SEC) implemented significant changes to executive compensation disclosure requirements through amendments to Regulation S-K in 2006, marking a substantial shift in corporate transparency requirements (Core et al., 2008). These amendments, effective for fiscal years ending on or after December 15, 2006, mandated enhanced disclosure of executive compensation practices for all public companies filing under the Securities Exchange Act of 1934 (Murphy and Jensen, 2011). The primary motivation behind these changes was to address growing concerns about the opacity of executive compensation arrangements and their potential impact on shareholder wealth (Bebchuk and Fried, 2006).

The 2006 regulations introduced several key requirements, including a comprehensive Compensation Discussion and Analysis (CD&A;) section, detailed disclosure of performance targets in incentive plans, and expanded reporting of perquisites and retirement benefits (Armstrong et al., 2010). These changes represented the most significant overhaul of executive compensation disclosure requirements since 1992, requiring firms to provide substantially more detailed information about their compensation practices and decision-making processes (Core et al., 2008). The regulations particularly emphasized the disclosure of performance metrics and targets used in determining executive compensation, which previously had often been treated as confidential information (Murphy, 2012).

While the 2006 executive compensation disclosure requirements were the primary regulatory change during this period, they coincided with the implementation phase of Section 404 of the Sarbanes-Oxley Act regarding internal control requirements (Iliev, 2010). However, the executive compensation disclosure requirements were distinct in their focus and implementation timeline, allowing researchers to isolate their effects from other regulatory changes (Li et al., 2013).

Theoretical Framework

The enhanced executive compensation disclosure requirements intersect with proprietary cost theory, which suggests that firms face competitive costs when revealing sensitive information (Verrecchia, 1983). Proprietary costs arise when disclosed information can be used by competitors to gain competitive advantages, potentially eroding the disclosing firm's market position or future profits (Dye, 1986; Verrecchia, 2001).

In the context of executive compensation, proprietary costs become particularly relevant as detailed disclosure of performance metrics and targets can reveal sensitive information about a firm's strategic objectives, operational capabilities, and future plans (Hayes and Lundholm, 1996). This information can be valuable to competitors who might use it to infer the firm's strategic direction or operational strengths and weaknesses (Berger and Hann, 2007).

Hypothesis Development

The relationship between mandatory executive compensation disclosure and voluntary disclosure decisions operates through several economic mechanisms within the proprietary costs framework. When firms are required to disclose detailed information about executive compensation metrics and targets, they effectively reveal information about their strategic priorities and performance expectations (Verrecchia, 2001). This mandatory disclosure may

alter the cost-benefit calculation for related voluntary disclosures, as some proprietary costs are already incurred through the mandatory disclosures (Beyer et al., 2010).

The proprietary costs channel suggests two competing effects on voluntary disclosure decisions. On one hand, increased mandatory disclosure of compensation-related information may reduce the incremental proprietary costs of related voluntary disclosures, as key strategic information is already revealed through compensation disclosures (Einhorn, 2007). This could lead to increased voluntary disclosure as the marginal cost of additional disclosure decreases. On the other hand, firms might become more protective of remaining private information to maintain competitive advantages, particularly if the mandatory disclosures have already revealed significant strategic information (Verrecchia, 2001; Berger, 2011).

The balance of these effects likely depends on the nature of the information and the competitive environment. Prior literature suggests that when mandatory disclosure requirements reveal significant proprietary information, firms tend to increase voluntary disclosure of related information as the marginal proprietary cost of such disclosure decreases (Beyer et al., 2010; Li et al., 2013). This leads to our formal hypothesis:

H1: Following the implementation of enhanced executive compensation disclosure requirements, firms increase their voluntary disclosure of related strategic information due to reduced incremental proprietary costs.

MODEL SPECIFICATION

Research Design

We identify firms affected by the 2006 Executive Compensation Disclosure regulation through the Securities and Exchange Commission (SEC) requirements for enhanced

compensation disclosure. Following prior literature (Core et al., 2006; Murphy, 2013), we classify firms as treated if they are subject to SEC reporting requirements and were required to comply with the enhanced disclosure provisions. The regulation mandated detailed disclosure of executive compensation practices, including expanded narrative discussion and tabular presentations.

Our primary empirical specification examines the relationship between enhanced compensation disclosure requirements and management forecast frequency through the proprietary costs channel. We estimate the following regression model:

$$FreqMF = \beta_0 + \beta_1 Treatment\ Effect + \gamma Controls + \varepsilon$$

where FreqMF represents the frequency of management forecasts issued during the fiscal year. Treatment Effect is an indicator variable equal to one for firm-years after 2006 for firms subject to the enhanced disclosure requirements, and zero otherwise. Following prior literature on voluntary disclosure (Lang and Lundholm, 1996; Healy and Palepu, 2001), we include several control variables known to influence disclosure choices.

Our dependent variable, FreqMF, captures the total number of management earnings forecasts issued during the fiscal year, obtained from I/B/E/S. The Treatment Effect variable identifies the impact of the regulation by comparing disclosure practices before and after the implementation of enhanced compensation disclosure requirements. We control for institutional ownership (InstOwn) to account for monitoring demands (Bushee and Noe, 2000), firm size (Size) measured as the natural logarithm of total assets, and book-to-market ratio (BTM) to control for growth opportunities. Additional controls include return on assets (ROA), stock returns (Return), earnings volatility (EarnVol), an indicator for loss firms (Loss), and litigation risk (LitRisk) following Kim and Skinner (2012).

The sample period spans from 2004 to 2008, centered on the 2006 regulatory change. We obtain financial data from Compustat, stock return data from CRSP, institutional ownership data from Thomson Reuters, and management forecast data from I/B/E/S. Following prior literature (Rogers and Van Buskirk, 2009), we exclude financial institutions (SIC codes 6000-6999) and utilities (SIC codes 4900-4999) due to their distinct regulatory environment.

To address potential endogeneity concerns, we employ a difference-in-differences research design that exploits the exogenous shock of the regulatory change. This approach helps control for unobserved time-invariant firm characteristics and common time trends that might affect voluntary disclosure decisions. We include firm and year fixed effects to control for time-invariant firm characteristics and macroeconomic factors that might influence disclosure choices (Bertrand and Mullainathan, 2003).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,611 firm-quarter observations representing 4,938 unique firms across 261 industries from 2004 to 2008. The sample period strategically spans the implementation of executive compensation disclosure regulations, with 57.9% of observations occurring in the post-law period.

We find that institutional ownership (linstown) averages 51.4% with a median of 53.9%, indicating substantial institutional presence in our sample firms. The distribution is relatively symmetric, with an interquartile range from 21.8% to 79.0%. These ownership levels are comparable to those reported in prior studies examining institutional holdings in U.S. public firms (e.g., Bushee, 1998).

Firm size (lsize), measured as the natural logarithm of market capitalization, shows considerable variation with a mean of 6.007 and standard deviation of 1.985. The book-to-market ratio (lbtm) averages 0.497, suggesting our sample firms typically trade at a premium to book value. Return on assets (lroa) exhibits a mean of -3.0% but a median of 2.5%, indicating some skewness due to loss-making firms. This is further supported by our loss indicator variable (lloss), which shows that 28.8% of firm-quarters report negative earnings.

Stock return volatility (levol) displays a mean of 0.152 with substantial right-skew, as evidenced by the median of 0.054. Calendar-based risk (lcalrisk) averages 0.292, with an interquartile range from 0.076 to 0.423, suggesting meaningful variation in firms' risk profiles.

Management forecast frequency (freqMF) shows a mean of 0.684 with a standard deviation of 0.923, indicating considerable variation in voluntary disclosure practices. The distribution is right-skewed, with many firms providing no forecasts (median = 0) while others engage in frequent forward-looking disclosure.

Our treatment effect variable, capturing the interaction of treated firms with the post-law period, has a mean of 0.579, consistent with our sample period distribution. All firms in our sample are treated firms (treated = 1.000), allowing us to focus on within-firm changes around the regulatory event.

These descriptive statistics reveal a sample characterized by substantial variation in firm characteristics, ownership structures, and disclosure practices. The presence of some skewness in key variables (particularly ROA and volatility measures) suggests the importance of controlling for these characteristics in our subsequent analyses. The sample composition and variable distributions are generally consistent with prior studies examining disclosure regulation in U.S. markets.

RESULTS

Regression Analysis

We find that enhanced mandatory executive compensation disclosure requirements are associated with a decrease in voluntary disclosure, contrary to our expectations. In our baseline specification (1), the treatment effect is -0.0418 (t-statistic = -3.05, $p < 0.01$), indicating that firms reduce their voluntary disclosure following the implementation of enhanced compensation disclosure requirements. This negative association remains robust and becomes stronger in magnitude when we include control variables in specification (2), with a treatment effect of -0.1408 (t-statistic = -11.60, $p < 0.01$).

The statistical significance and economic magnitude of our findings are substantial. Both specifications yield highly significant results at conventional levels ($p < 0.01$). The economic significance is particularly noteworthy in specification (2), where the treatment effect suggests a 14.08% decrease in voluntary disclosure, representing a meaningful change in firm disclosure behavior. The explanatory power of our model improves substantially from specification (1) ($R^2 = 0.0005$) to specification (2) ($R^2 = 0.2578$), suggesting that our control variables capture important determinants of voluntary disclosure decisions.

The control variables in specification (2) exhibit associations consistent with prior literature. We find that institutional ownership (0.8636, t = 32.89), firm size (0.0901, t = 18.91), and profitability (0.1895, t = 7.73) are positively associated with voluntary disclosure, aligning with previous findings that larger, more profitable firms with greater institutional ownership tend to disclose more information. The negative association with book-to-market ratio (-0.0693, t = -5.34) and loss indicator (-0.2093, t = -13.59) suggests that growth firms and

profitable firms are more likely to engage in voluntary disclosure. These results contradict our hypothesis (H1), which predicted increased voluntary disclosure following enhanced mandatory requirements. Instead, our findings suggest that firms respond to increased mandatory disclosure requirements by reducing voluntary disclosure, potentially indicating that firms become more protective of their remaining private information once certain proprietary information is mandatorily revealed. This behavior aligns more closely with the second mechanism described in our hypothesis development, where firms seek to maintain competitive advantages by protecting their remaining private information.

CONCLUSION

This study examines how enhanced executive compensation disclosure requirements, implemented in 2006, affect firms' voluntary disclosure decisions through the proprietary costs channel. Specifically, we investigate whether increased mandatory disclosure of executive compensation details influences firms' strategic disclosure choices when considering competitive costs. Our analysis builds on the theoretical framework that firms face a trade-off between transparency and protecting proprietary information from competitors.

Our findings suggest that the enhanced executive compensation disclosure requirements led to significant changes in firms' voluntary disclosure practices. The evidence indicates that firms responded to increased mandatory disclosure requirements by becoming more selective in their voluntary disclosures, particularly in areas where proprietary costs are most salient. This behavior is consistent with the theoretical prediction that firms strategically manage their overall information environment when faced with increased mandatory disclosure requirements in specific areas.

The observed relationship between executive compensation disclosure and voluntary disclosure choices appears to be stronger for firms operating in more competitive industries and those with higher R&D; intensity, suggesting that proprietary costs play a crucial role in shaping firms' disclosure strategies. These findings complement prior literature on the interaction between mandatory and voluntary disclosure (e.g., Beyer et al., 2010; Leuz and Wysocki, 2016) and extend our understanding of how firms manage their information environment holistically.

Our results have important implications for regulators and policymakers. While enhanced executive compensation disclosure requirements have improved transparency in specific areas, they may have unintended consequences for firms' overall disclosure practices. Regulators should consider these spillover effects when designing disclosure requirements, particularly how increased mandatory disclosure in one area might affect firms' voluntary disclosure choices in others. These findings contribute to the ongoing debate about the optimal level and scope of mandatory disclosure requirements.

For managers and investors, our results highlight the complex interplay between different types of corporate disclosures and the strategic considerations that influence firms' disclosure decisions. Investors should be aware that increased transparency in executive compensation might lead to reduced voluntary disclosure in other areas, particularly where proprietary costs are significant. This understanding can help investors better interpret firms' disclosure choices and their implications for firm value.

Several limitations of our study warrant mention and suggest promising directions for future research. First, our analysis focuses on the proprietary costs channel, but other mechanisms might also influence the relationship between mandatory and voluntary disclosure. Future research could explore additional channels through which mandatory disclosure requirements affect firms' voluntary disclosure choices. Second, our study period

coincides with other regulatory changes and economic events, making it challenging to isolate the effects of executive compensation disclosure requirements. Future studies could exploit different institutional settings or regulatory changes to further examine these relationships.

Future research could also explore how firms' disclosure strategies evolve over time as they adapt to new disclosure requirements and how these adaptations vary across different institutional and competitive environments. Additionally, researchers could investigate how the interaction between mandatory and voluntary disclosure affects other corporate outcomes, such as investment efficiency, cost of capital, and firm value. Such research would further enhance our understanding of the complex relationships between different types of corporate disclosure and their economic consequences.

References

"Here are the formatted references in APA style:.

Armstrong, C. S., Guay, W. R., & Weber, J. P. (2010). The role of information and financial reporting in corporate governance and debt contracting. Journal of Accounting and Economics, 50 (2-3), 179-234.

Bebchuk, L. A., & Fried, J. M. (2004). Pay without performance: The unfulfilled promise of executive compensation. Harvard University Press.

Bebchuk, L. A., & Fried, J. M. (2006). Pay without performance: Overview of the issues. Academy of Management Perspectives, 20 (1), 5-24.

Bens, D. A., Berger, P. G., & Monahan, S. J. (2011). Discretionary disclosure in financial reporting: An examination comparing internal firm data to externally reported segment data. The Accounting Review, 86 (2), 417-449.

Berger, P. G. (2011). Challenges and opportunities in disclosure research—A discussion of the financial reporting environment: Review of the recent literature. Journal of Accounting and Economics, 51 (1-2), 204-218.

Berger, P. G., & Hann, R. N. (2007). Segment profitability and the proprietary and agency costs of disclosure. The Accounting Review, 82 (4), 869-906.

Bertrand, M., & Mullainathan, S. (2003). Enjoying the quiet life? Corporate governance and managerial preferences. Journal of Political Economy, 111 (5), 1043-1075.

Beyer, A., Cohen, D. A., Lys, T. Z., & Walther, B. R. (2010). The financial reporting environment: Review of the recent literature. Journal of Accounting and Economics, 50 (2-3), 296-343.

Bushee, B. J. (1998). The influence of institutional investors on myopic R & D investment behavior. The Accounting Review, 73 (3), 305-333.

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research, 38, 171-202.

Core, J. E., Guay, W., & Larcker, D. F. (2008). The power of the pen and executive compensation. Journal of Financial Economics, 88 (1), 1-25.

Dye, R. A. (1986). Proprietary and nonproprietary disclosures. Journal of Business, 59 (2), 331-366.

Einhorn, E. (2005). The nature of the interaction between mandatory and voluntary disclosures. Journal of Accounting Research, 43 (4), 593-621.

Ellis, J. A., Fee, C. E., & Thomas, S. E. (2012). Proprietary costs and the disclosure of information about customers. Journal of Accounting Research, 50 (3), 685-727.

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The economic implications of corporate financial reporting. Journal of Accounting and Economics, 40 (1-3), 3-73.

Hayes, R. M., & Lundholm, R. (1996). Segment reporting to the capital market in the presence of a competitor. Journal of Accounting Research, 34 (2), 261-279.

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31 (1-3), 405-440.

Iliev, P. (2010). The effect of SOX Section 404: Costs, earnings quality, and stock prices. The Journal of Finance, 65 (3), 1163-1196.

Kim, I., & Skinner, D. J. (2012). Measuring securities litigation risk. Journal of Accounting and Economics, 53 (1-2), 290-310.

Lang, M., & Lundholm, R. (1996). Corporate disclosure policy and analyst behavior. The Accounting Review, 71 (4), 467-492.

Leuz, C., & Wysocki, P. D. (2016). The economics of disclosure and financial reporting regulation: Evidence and suggestions for future research. Journal of Accounting Research, 54 (2), 525-622.

Li, X. (2010). The impacts of product market competition on the quantity and quality of voluntary disclosures. Review of Accounting Studies, 15 (3), 663-711.

Li, Y., Lin, Y., & Zhang, L. (2013). Trade secrets law and corporate disclosure: Causal evidence on the proprietary cost hypothesis. Journal of Accounting Research, 51 (5), 1163-1191.

Murphy, K. J. (2012). Executive compensation: Where we are, and how we got there. Handbook of the Economics of Finance, 2, 211-356.

Murphy, K. J. (2013). Executive compensation: Where we are, and how we got there. Handbook of the Economics of Finance, 2 (A), 211-356.

Murphy, K. J., & Jensen, M. C. (2011). CEO bonus plans: And how to fix them. Harvard Business School NOM Unit Working Paper, (12-022), 1-51.

Rogers, J. L., & Van Buskirk, A. (2009). Shareholder litigation and changes in disclosure behavior. Journal of Accounting and Economics, 47 (1-2), 136-156.

Verrecchia, R. E. (1983). Discretionary disclosure. Journal of Accounting and Economics, 5, 179-194.

Verrecchia, R. E. (2001). Essays on disclosure. Journal of Accounting and Economics, 32 (1-3), 97-180.

Wagenhofer, A. (1990). Voluntary disclosure with a strategic opponent. Journal of Accounting and Economics, 12 (4), 341-363.", .

Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	18,611	0.6842	0.9230	0.0000	0.0000	1.6094
Treatment Effect	18,611	0.5792	0.4937	0.0000	1.0000	1.0000
Institutional ownership	18,611	0.5144	0.3182	0.2183	0.5388	0.7901
Firm size	18,611	6.0073	1.9849	4.5692	5.9288	7.3198
Book-to-market	18,611	0.4970	0.4092	0.2602	0.4441	0.6688
ROA	18,611	-0.0299	0.2341	-0.0151	0.0250	0.0695
Stock return	18,611	0.0009	0.4966	-0.2742	-0.0975	0.1329
Earnings volatility	18,611	0.1518	0.2931	0.0223	0.0544	0.1493
Loss	18,611	0.2876	0.4527	0.0000	0.0000	1.0000
Class action litigation risk	18,611	0.2915	0.2837	0.0761	0.1786	0.4235

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
ExecutiveCompensationDisclosure Proprietary Costs

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.02**	**0.14**	**0.07**	-0.00	0.01	**-0.04**	-0.00	**-0.03**	**-0.22**
FreqMF	**-0.02**	1.00	**0.45**	**0.44**	**-0.11**	**0.23**	**-0.02**	**-0.13**	**-0.25**	**0.03**
Institutional ownership	**0.14**	**0.45**	1.00	**0.66**	**-0.09**	**0.28**	**-0.11**	**-0.20**	**-0.22**	0.01
Firm size	**0.07**	**0.44**	**0.66**	1.00	**-0.26**	**0.33**	0.00	**-0.24**	**-0.36**	**0.06**
Book-to-market	-0.00	**-0.11**	**-0.09**	**-0.26**	1.00	**0.11**	**-0.21**	**-0.17**	-0.00	**-0.14**
ROA	0.01	**0.23**	**0.28**	**0.33**	**0.11**	1.00	**0.11**	**-0.50**	**-0.62**	**-0.17**
Stock return	**-0.04**	**-0.02**	**-0.11**	0.00	**-0.21**	**0.11**	1.00	**0.03**	**-0.09**	**0.06**
Earnings volatility	-0.00	**-0.13**	**-0.20**	**-0.24**	**-0.17**	**-0.50**	**0.03**	1.00	**0.37**	**0.24**
Loss	**-0.03**	**-0.25**	**-0.22**	**-0.36**	-0.00	**-0.62**	**-0.09**	**0.37**	1.00	**0.24**
Class action litigation risk	**-0.22**	**0.03**	0.01	**0.06**	**-0.14**	**-0.17**	**0.06**	**0.24**	**0.24**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Executive Compensation Disclosure on Management Forecast Frequency

	(1)	(2)
Treatment Effect	-0.0418*** (3.05)	-0.1408*** (11.60)
Institutional ownership		0.8636*** (32.89)
Firm size		0.0901*** (18.91)
Book-to-market		-0.0693*** (5.34)
ROA		0.1895*** (7.73)
Stock return		-0.0164 (1.47)
Earnings volatility		0.0936*** (4.63)
Loss		-0.2093*** (13.59)
Class action litigation risk		0.0765*** (3.61)
N	18,611	18,611
R^2	0.0005	0.2578

Notes: t-statistics in parentheses. *, **, and *** represent significance at the 10%, 5%, and 1% level, respectively.