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# Are CEOs paid too much? An NUS study offers insights that hopefully changes more than rules

Investors should look out for the shortcomings in remuneration practices highlighted by the study in the companies in which they own shares

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FOR many of our readers, the most interesting piece of information in a public-listed company's annual report is often its chief executive's total compensation for the year.

We know this to be true because of the strong traffic our online platform draws when we publish these numbers.

While this fascination may well be driven by base human instincts, disclosing how much CEOs are paid as well as the manner in which their performance is evaluated promotes transparency and accountability.

Information related to remuneration practices also puts shareholders in a stronger position to engage with companies, and exert their rights in a constructive manner.

The Singapore Exchange (SGX) made it compulsory for companies to disclose the exact remuneration of their CEOs and directors in their annual reports for financial years ending on and after Dec 31, 2024.

Yet, disclosures on remuneration policies remain generally poor, according to a recent study by the Centre for Investor Protection (CIP) at the National University of Singapore (NUS) Business School.

One key finding of the study – which covered 469 companies and 41 trusts that had published annual reports for financial years ending on or after Dec 31, 2024 by February 2026 – was that 284 companies disclosed no information about their performance measures for annual bonuses paid to executive directors (EDs).

Only 146 companies disclosed both financial and non-financial performance measures. A further 22 companies disclosed just financial measures, while another two disclosed the use of only non-financial measures.

"For most companies, a combination of financial and non-financial measures makes sense because an excessive reliance on financial measures may lead to a lack of attention on key non-financial value drivers that affect the long-term value of a company," according to the study by CIP.

The study also found that only 12 companies and eight companies, respectively, disclosed the peers to which they benchmarked their senior executive and non-executive director remuneration.

None of these companies actually named their peers. They merely described the peers in broad terms – such as "companies in the local index" and "local companies in the same industry".

The study also found that 88 companies that have key management personnel (KMP) did not disclose their aggregate remuneration, as recommended by the Singapore Code of Corporate Governance (CG Code).

Furthermore, 12 companies had an ED on their remuneration committee (RC), which is contrary to the recommendation of the CG Code.

## Big shareholders on boards

The CIP study also noted the prevalence of substantial shareholders and their family members holding board positions and key management roles.

For instance, about 70.8 per cent of companies have at least one ED who is a substantial shareholder, or who is related to a substantial shareholder. About 26.7 per cent of companies have at least one non-independent, non-executive director who is a substantial shareholder, or who is related to one.

About 21 per cent of companies also have one or more key management personnel who are substantial shareholders, or who are related to one.

This creates the risk of expropriation of minority shareholders through excessive remuneration, according to the CIP study. For instance, EDs who are substantial shareholders, or members of their family, would have influence over the setting of their own remuneration, through their power to appoint or remove independent directors who sit on the RCs.

The CIP study found that the average remuneration as a percentage of market capitalisation at companies with EDs who are substantial shareholders, or members of their family, was higher than at companies that did not have such EDs – 2.8 per cent versus 1.7 per cent.

Average revenue per dollar of remuneration was found to be much lower at companies with EDs who were substantial shareholders, or members of their family, versus those that did not have such EDs – S$244 versus S$781.

## More rules, regulatory guidance?

Based on the findings of its study, CIP came up with several recommendations.

Among them were that the total remuneration paid to employees who are substantial shareholders, or who are the immediate family of substantial shareholders, directors or the CEO, should be at least a recommended disclosure under the CG Code. The role of these employees in the company should also be disclosed.

The CG Code should also be enhanced to recommend that companies provide more information on how remuneration amounts are determined, and why they are justified given the performance of the company.

There should also be more guidance on the design and use of performance-based remuneration for management who are significant shareholders, to better align their interests with those of minority shareholders.

The CIP study also recommended that companies disclose more information about the peers that they use for benchmarking remuneration; and that the aggregate remuneration paid to key management personnel be made a mandatory disclosure under the listing rules.

## Promoting constructive engagement

Yet, it would be a pity if the CIP study only led to more rules. It would be of far greater benefit to the local market if the insights from the study formed the basis of deeper and more meaningful engagement between companies and their shareholders.

For starters, CEOs or EDs who are substantial shareholders, or their family members, should examine if their remuneration is indeed too high versus the market value and revenue of their companies – and whether this is justifiable in any way.

Have their companies delivered superior returns through economic cycles? Are their companies simply experiencing an unexpected downturn in business? Is there potential to unlock value at these companies and scale up their operations?

If their pay isn't justifiable, they should proactively adjust the remuneration practices of their companies. Given the mood in the market, aligning their interests with those minority investors may well drive a re-rating of the shares they own.

Meanwhile, investors should look out for the shortcomings in remuneration practices highlighted by the CIP study in the companies in which they own shares.

They should also carefully consider whether CEOs and EDs who are substantial shareholders are being incentivised to act in the interest of minority shareholders; or whether the minorities are just a means of subsidising their control.

If the CIP study helps investors ask the right questions about remuneration practices, and gain the confidence to vote against the re-election of directors on errant RCs, it would have made a significant contribution to the development of the Singapore market.