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Executive remuneration in Singapore: Paying for what, exactly?

By Alvin Chiang

IN A review of remuneration practices across listed companies on the Singapore Exchange (SGX), the Centre for Investor Protection at the National University of Singapore Business School in March 2026 found that more than half, or 55.7 per cent of issuers, failed to disclose the performance metrics used to determine bonuses for executive directors.

SGX's recent public consultation on its proposal to enhance remuneration disclosures is therefore welcome.

This comes on the back of the SGX ruling that made it mandatory for listed companies to disclose the exact director and CEO pay from their financial years ended Dec 31, 2024.

Remuneration disclosures help investors assess whether the directors and CEO are appropriately incentivised.

From disclosure to explanation

Information currently required to be disclosed includes base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives. Both the UK and US have gone a step further to require disclosure on how executive pay compares with the broader workforce, through disclosure of the CEO-to-median-employee pay ratio.

In the UK, the *Directors' Remuneration Report* is a statutory requirement and must set out the performance measures used, their relative weightings as well as the rationale for selecting them.

Where performance conditions are changed part-way through a cycle, companies must explain and justify the change publicly.

Australia's Corporations Act adopts a similar approach, requiring remuneration reports to show the link between performance conditions and company outcomes, with any changes to performance hurdles disclosed and justified.

The US Securities and Exchange Commission goes further, requiring companies to explain the relationship between performance outcomes and pay decisions.

Enough with the boilerplates

SGX's public consultation on enhanced disclosures takes a page from the same playbook, turning its attention to the rationale behind key performance indicators (KPIs) rather than the amount of pay itself.

Among its proposals is a requirement for issuers to explain which KPIs determine the pay of executive directors and key executives, and how those KPIs connect to long-term value creation.

However, mandatory disclosures risk creating compliance without substance.

Japan's experience with cost-of-capital disclosures is a case in point.

From March 2023, the Tokyo Stock Exchange requested that all Prime and Standard Market companies disclose actions taken to improve capital efficiency and share price.

By the end of that year, only about half of Prime Market companies had responded, and much of what was submitted was inconsistent in quality and often perfunctory. The exchange eventually supplemented its monitoring with examples of good and poor disclosure.

A requirement to justify the choice of a particular set of KPIs can be satisfied with a sentence that says almost nothing.

Whether this proposal achieves its intent will depend on the standard of disclosure shareholders and the regulator are ultimately willing to accept and hold issuers to.

The proposed requirement extends to material changes in these KPIs from one year to the next, which issuers would also need to disclose and explain.

The sudden elimination of a KPI from a remuneration report may indicate several possibilities, including a strategic pivot or a target the company can no longer hit. At its most egregious, it could be because executives were being rewarded for the wrong thing all along.

From a practical perspective, issuers will require clarity as to what qualifies as "material", as that will set the bar for disclosure, given that the consultation paper is silent on this.

Spot the difference

Take, for example, two companies that both discontinue "return on equity" as a remuneration KPI.

One explains that it has shifted towards a multi-year capital allocation programme and replaced it with "return on investment" with a measure tied to that programme's milestones, naming the milestones and the timeframe.

The other states only that the KPI was "reviewed and updated to better reflect the company's evolving business priorities", or that it was changed "in line with prevailing market practice".

Both technically provide a rationale, but the former makes a more meaningful statement which, hopefully, can be tracked against what the company actually does next.

The latter is a boilerplate which any other company could use. Indeed, a board that is confident in its reasoning should have no difficulty being specific.

Objectively, none of what was discussed necessitates new accounting, new metrics or new systems.

It simply asks boards and remuneration committees to explain – on an annual basis – why their chosen KPIs are, or continue to be, the right ones for that year, as well as highlight when they are no longer fit for purpose.

Boards that can already justify their remuneration choices, knowing those choices will be scrutinised, would already have done most of this work.

Those that have yet to do so should consider working through this exercise pre-emptively, rather than waiting it out.

Regardless of the final form and landing the SGX arrives at, there is benefit in developing that clarity and being able to succinctly explain why pay is tied to performance the way it is.

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