Calculation formulas differ but there are four main parts, says expert

BY FIONA CHAN
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AS COMPANIES start releasing their annual reports this month, the spotlight falls again on the perennial issue of what they deserve it.

Millions of dollars, some investors have natal figure, and how it reaches such seem-

Bank, United Overseas Bank, OCBC Bank, Keppel Corp, Sembcorp Marine, Marine chief.

main components often crop up, said cash and shares. followed by base salaries last year.

Leong received differ from company to company, four stay on for a few more years and meet all

their performance benchmarks.

Straits Times averaged about
depends on the CEO's individual perform-
cases, the shares or share options award-
ated are also paid out at different times.

This is clear that combining bonuses and
shares in a good year can yield a windfall
Gains," he said.

"When the economy is bad, your prof-
it may be less rosy."

But companies in other industries, especially financial firms, for example, are
tend to use stock options." said Mr Diez.

"Companies in growth mode, however, opt for less cash and more shares, and generally more aggressive in paying for
quirks. Financial firms, for example, are
more competitive salary and split the
financial businesses.

"Larger companies tend to provide a
more attractive compensation package.
One reason is that shareholders have earned over the pe-
riod.

In recent years, deferred bonuses have gained popularity, said Mr Diez.

"If you don't get a situation in which the CEO quotas and cashes out while things are going well, leaving the compa-
y to sort it out later when things look less rosy."

Formulas and benchmarks

All this prudence is well and good, but how exactly do companies decide on the
handsome rewards that some of their CEOs have received?

In a nutshell, a CEO's pay is linked with the company's performance that year — and in particular, to the returns that shareholders have earned over the pe-
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This can be defined in many ways, and different companies use different meth-
ods, said Mr Pan of Robert Walters.

One is to track the company's share price over the year against a broader mar-
et index such as the Morgan Stanley Cap-
ital International stock indices, while oth-
er measures relate to hard targets the company has set for benchmarks such as its
return on investments.

Some firms also specify, at the begin-
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