

REPORT
ON
DIRECTORS' REMUNERATION
IN
PUBLIC-LISTED COMPANIES

By

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1.0 Introduction

The objective of the study was to analyse how SGX-listed companies paid their executive and non-executive directors in the light of the new Code of Corporate Governance.

Statistics on executive directors' remuneration and non-executive directors' fees obtained from 2004 annual reports of 575 SGX-listed companies were compared with those in 2003 and 2002.

As most remuneration data were available only in an aggregate form and in bands of \$250,000, the study focused on group and aggregate analyses.

2.0 Highlights

The range of executive directors' remuneration and director fees paid by the various companies varied substantially but the amounts were generally dependent on company size.

The average remuneration paid to executive directors as a group in 2004 varied from an average of \$522,298 for small companies (those with shareholders' funds of less than \$20 million) to \$6,485,481 for large companies (those with shareholders funds of over \$3 billion).

For non-executive director fees, they averaged in 2004 from \$86,916 for small companies to \$693,382 for large companies.

An increasing proportion of executive directors' remuneration was linked to performance and the variable component accounted for an average of 20.3% of the remuneration packages in 2004 compared to 18.1% in 2003.

With increased profits, executive directors' remuneration was more affordable than in previous years as it accounted for a decreasing proportion of profit. As a proportion of profit before tax, it took up an average of 23.5% in 2004 down from 30.4% in 2003 and 31.1% in 2002.

Most companies increased the remuneration to their executive directors in line with their increased profits. Executive directors' remuneration increased by an average of 21.7% in 2004 and 12.2% in 2003. Substantial as this increase was, it was however, significantly lower than that in non-executive directors' fees. Non-executive directors' fees increased by 35.6% and 26.9% in 2004 and 2003 respectively. The higher increase in non-executive directors' fees was probably due to higher basic and higher additional fees for enhanced corporate governance duties.

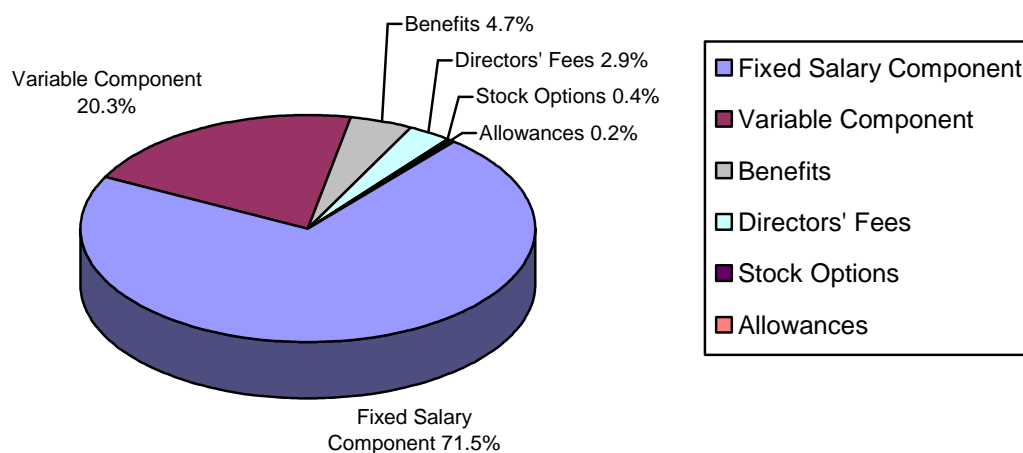
3.0 Summary of Findings

3.1 Remuneration Package of Executive Directors

Most listed companies, almost irrespective of size, had between two to three executive directors (EDs) each. The typical ED's remuneration package was made up of fixed salary, a variable bonus component, a fixed benefits package (including a fixed cash allowance in some cases) and a longer term incentive component such as stock options or performance shares. Some EDs also received directors' fees on top of their remuneration (mostly for functioning as non-executive directors on their Companies' subsidiary Boards).

In 2004, the fixed salary and variable bonus component took up an average of 91.8% of EDs' remuneration. The remaining portion was taken up by benefits (4.7%), fees (2.9%), allowance (0.2%) and stock options (0.4%).

Figure 1: EDs' Remuneration Package (2004)



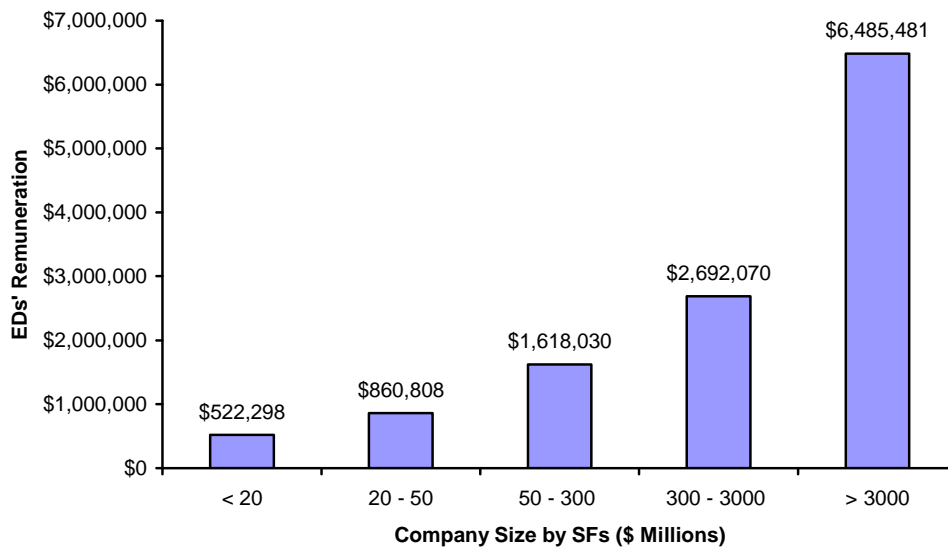
3.2 Company Size

Generally, companies paid their EDs according to job scope and responsibility. As job scope and responsibility was generally a function of company size, the bigger the company the bigger was the size of its total EDs' remuneration.

In 2004, EDs' remuneration averaged from \$522,298 for small companies (in terms of size of shareholders' funds* of less than \$20 million) to \$6,485,481 for large companies (those above \$3 billion in SFs).

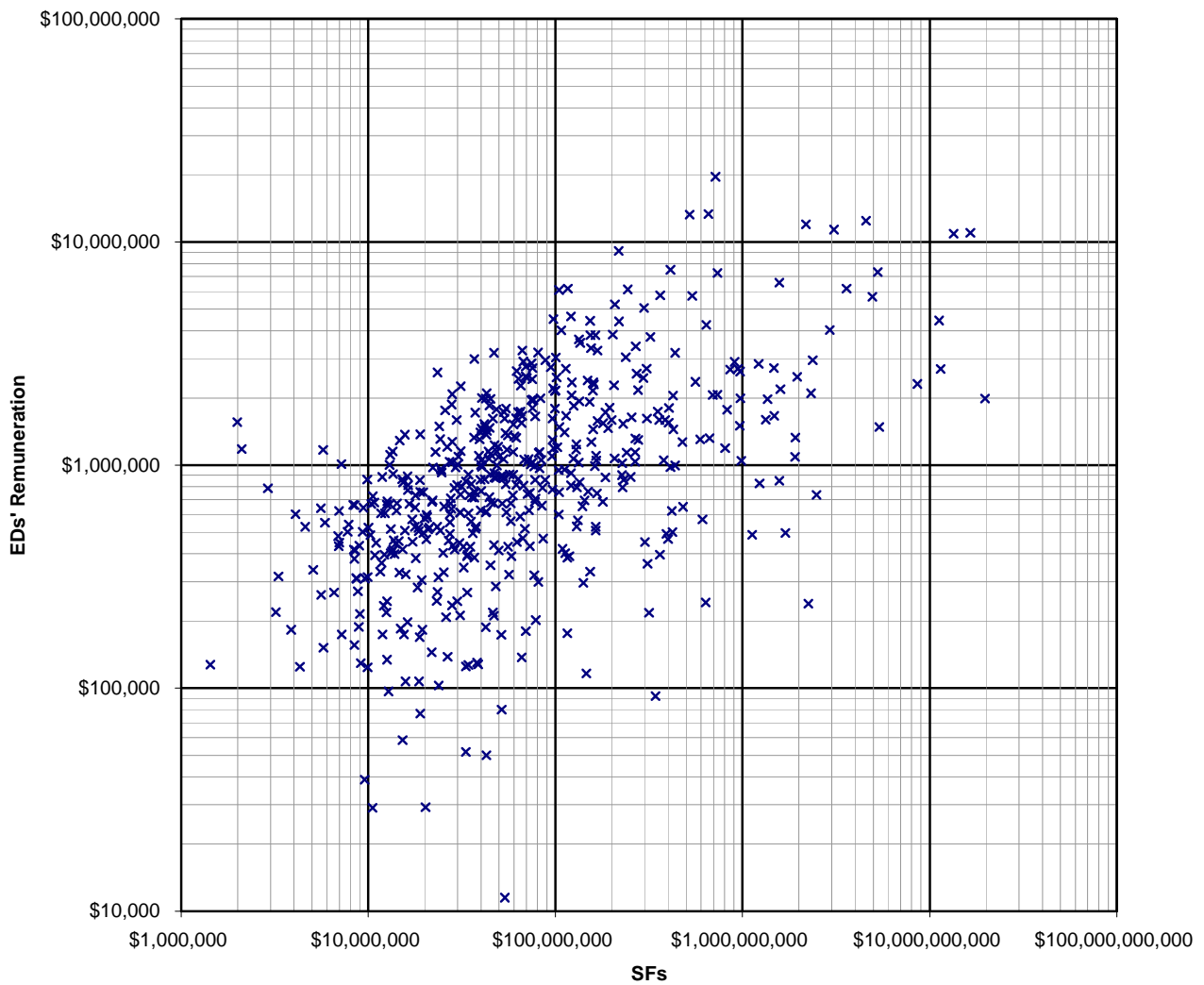
* - Shareholders funds (SFs) was used for categorizing company size and is preferred over other measures like market capitalisation because it is an audited accounting statistic and is not subject to market fluctuation.

Figure 2: EDs' Remuneration vs Company Size (2004)



The distribution of EDs' remuneration against company size is depicted in the log-log graph below.

Figure 3: EDs' Remuneration vs SFs (All Companies 2004)

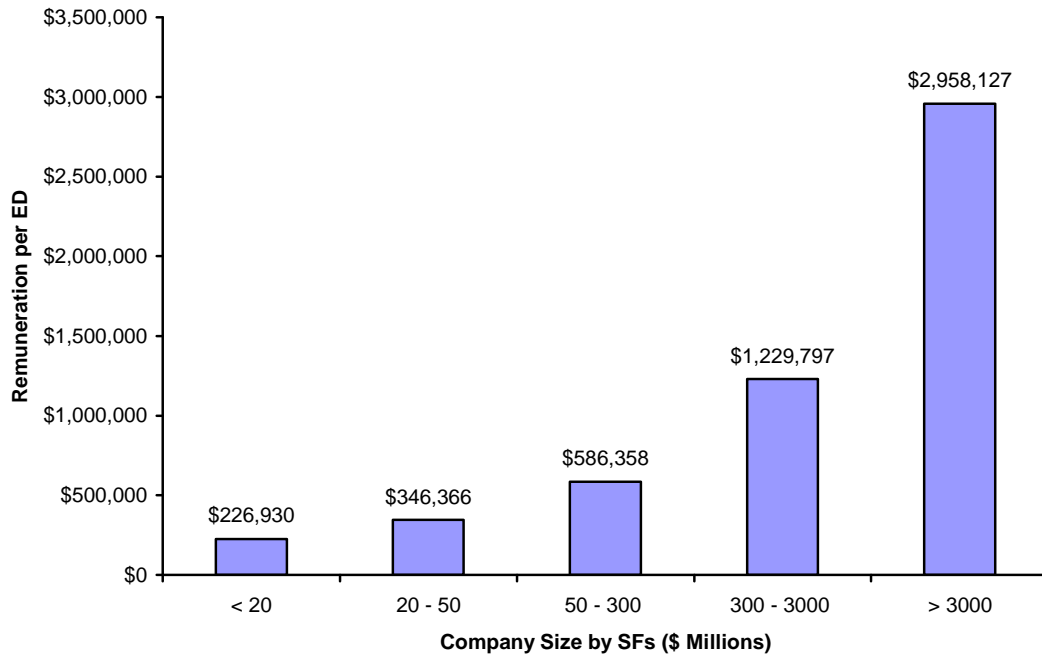


SFs (\$ Million)	Range	< 20	20 - 50	50 - 300	300 - 3000	> 3000
EDs' Remuneration	Average	\$522,298	\$860,808	\$1,618,030	\$2,692,070	\$6,485,481
	P25	\$256,444	\$437,043	\$779,988	\$851,674	\$2,602,500
	P50	\$448,880	\$725,296	\$1,172,000	\$1,618,000	\$5,934,400
	P75	\$668,562	\$1,146,500	\$2,152,735	\$2,707,000	\$10,931,750

3.3 Remuneration Per ED

In terms of remuneration per ED in 2004, it averaged \$226,930 for small companies to \$2,958,127 for large companies.

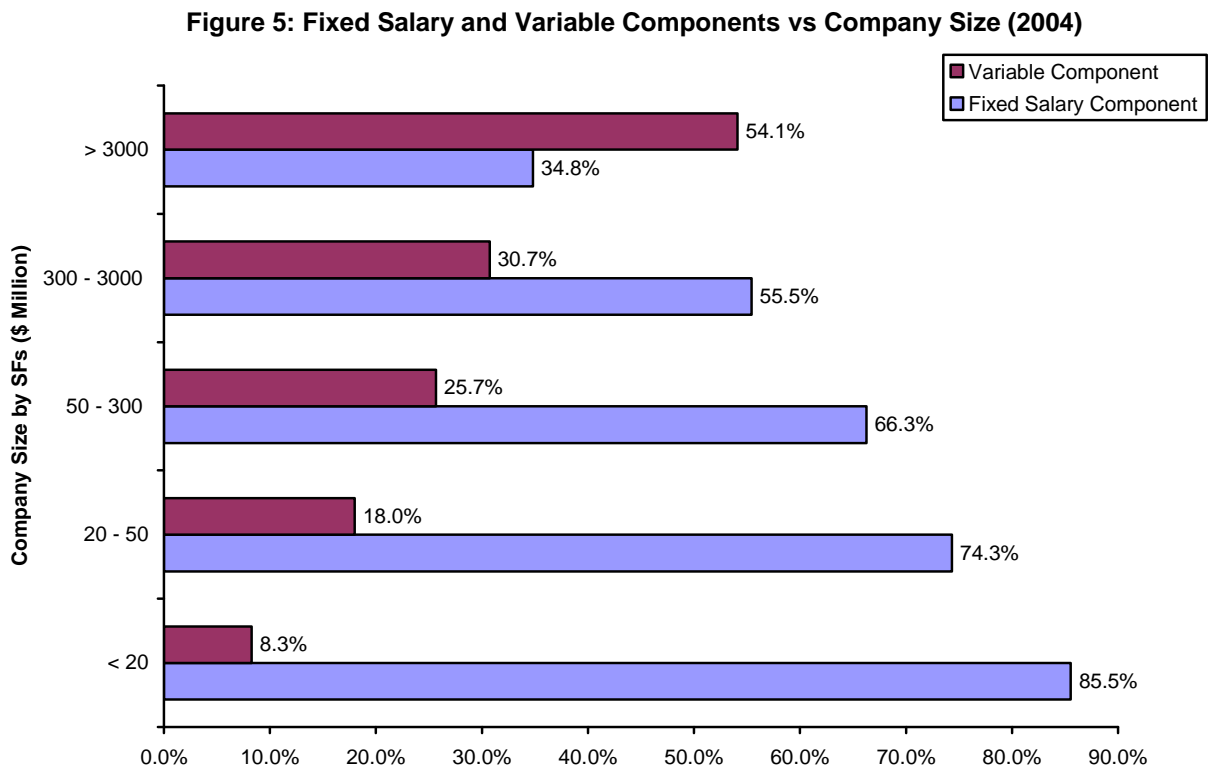
Figure 4: Remuneration per ED vs Company Size (2004)



3.4 Variable Component

In 2004 the variable component accounted for an average of 20.3% of the EDs' remuneration. It ranged from 8.3% for small companies to 54.1% for large companies. Owing to reduced profitability in smaller companies, the variable component was markedly lower. Also, a bigger proportion among the smaller ones was making losses (see Tables V, VI and VII in Appendix A).

The proportions of the variable component in 2004 of 575 companies are shown below.

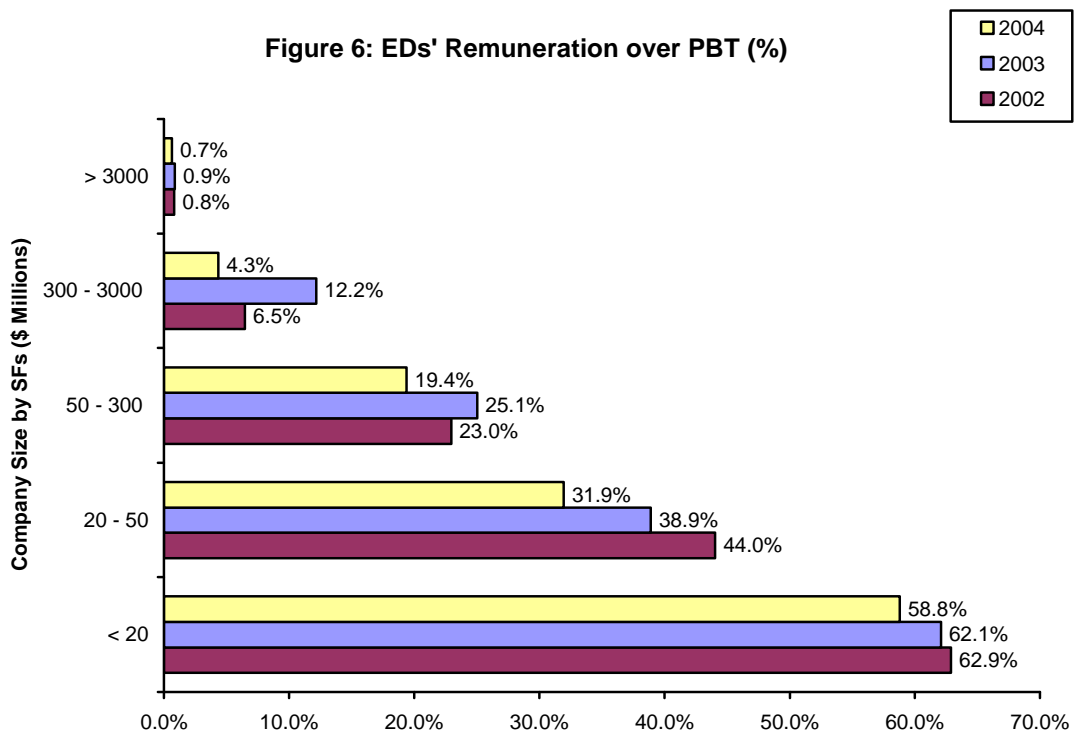


In 2003, the variable component was lower at an average of 18.1%. It ranged from 7.9% for small companies to 44.0% for large companies.

3.5 Proportion of Profits

With increased profits, the EDs' remuneration were more affordable than in previous years. As a proportion of profit before tax (PBT), the EDs' remuneration in 2004 averaged 23.5% of PBT down from 30.4% in 2003 and 31.1% in 2002.

In 2004, it ranged from 58.8% for small companies to 0.7% for large companies.



3.6 Non-Executive Directors (NEDs)

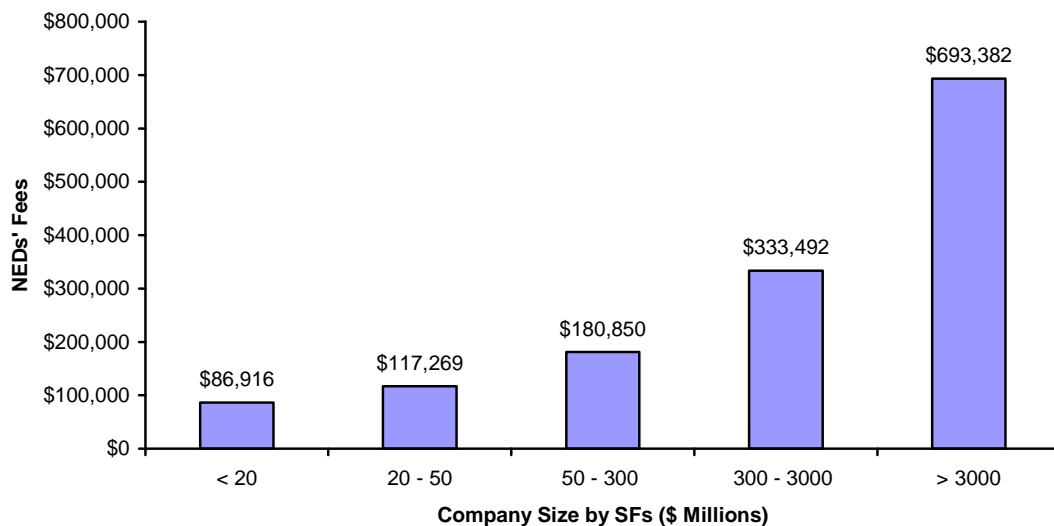
Most companies had between three to ten NEDs each. Unlike EDs, the number of NEDs increased with company size. Small companies, typically, had an average of 4 NEDs while the large companies had an average of 9 NEDs.

NEDs were, typically, paid a basic fee plus additional fees if they held membership or chairmanship roles in their Board's audit or other committees.

3.7 NEDs' Fees and Company Size

Like EDs' remuneration, NEDs' fees also increased with company size in terms of SFs. In 2004, NEDs' fees varied from \$86,916 for small companies to \$693,382 for the larger ones as follows:

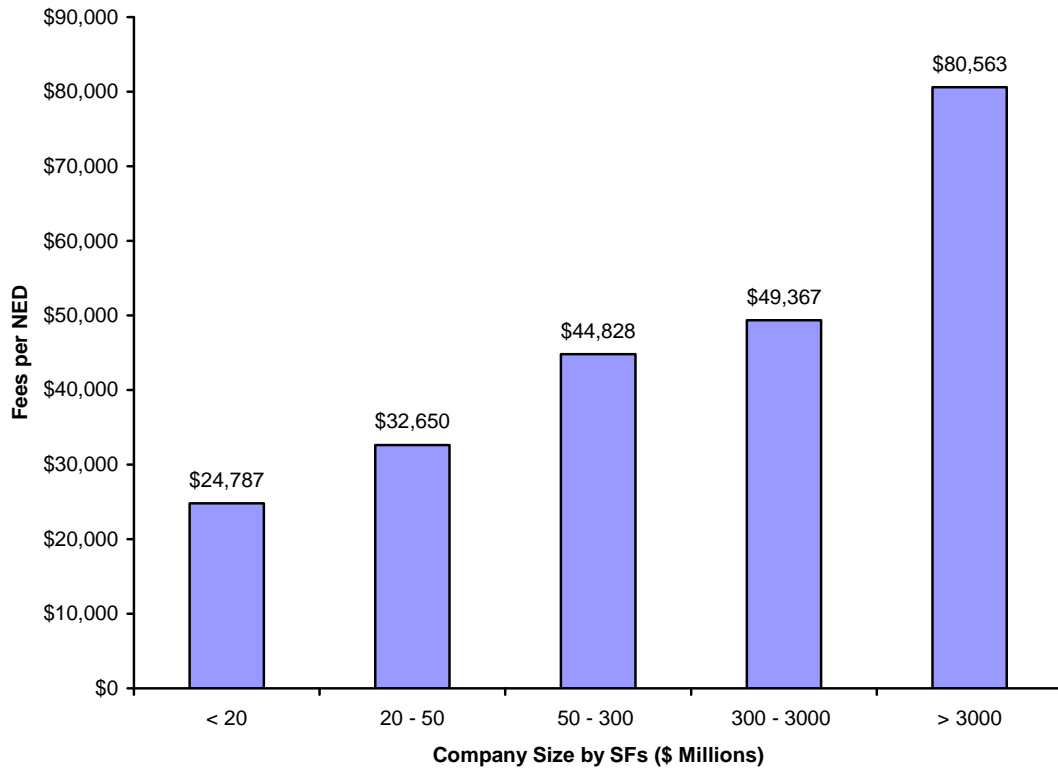
Figure 7: NEDs' Fees vs Company Size (2004)



3.8 Fees Per NED

In terms of fees per NED in 2004, it averaged \$24,787 for small companies to \$80,563 for large ones.

Figure 8: Fees per NED vs Company Size (2004)



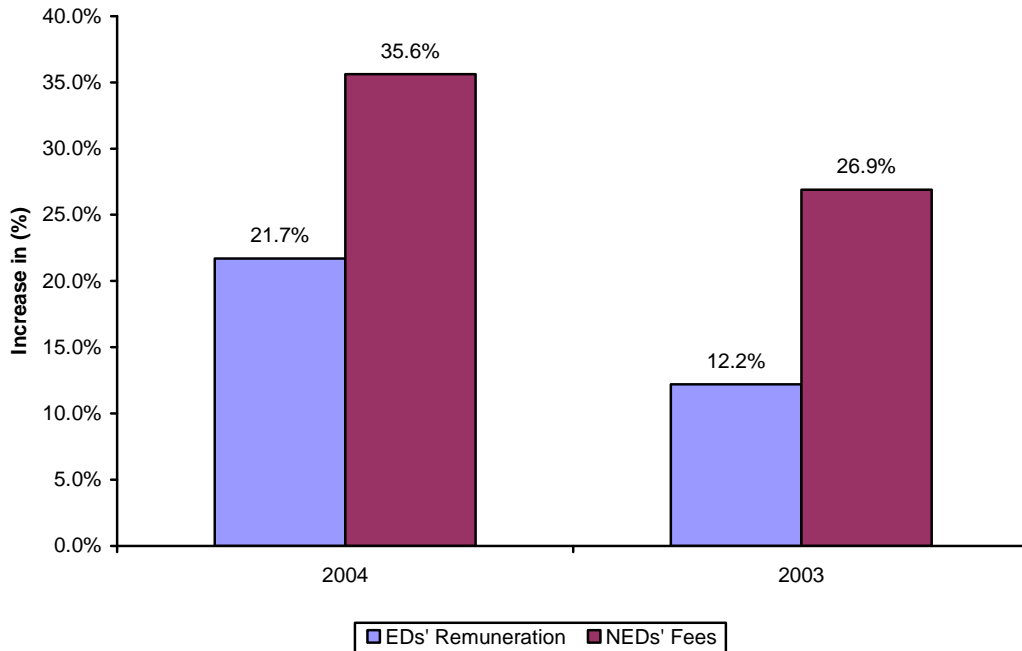
3.9 Annual Increases

The remuneration paid to EDs as a group increased by an average of 21.7% in 2004 and 12.2% in 2003. These increases were very substantial as they were more than six times higher than the 3.6% and 1.5% total wage increases in 2004 and 2003 respectively for all employees in the private sector*. However, they were still significantly lower than the corresponding increases in NEDs' fees.

* - Report On Wages in Singapore, 2004

The increase in NEDs' fees averaged 35.6% and 26.9% in 2004 and 2003 respectively. These higher increases were probably given as higher basic fees as well as increased additional fees for membership and chairmanship roles in their Boards' audit and other committees.

Figure 9: Increase in EDs' Remuneration & NEDs' Fees

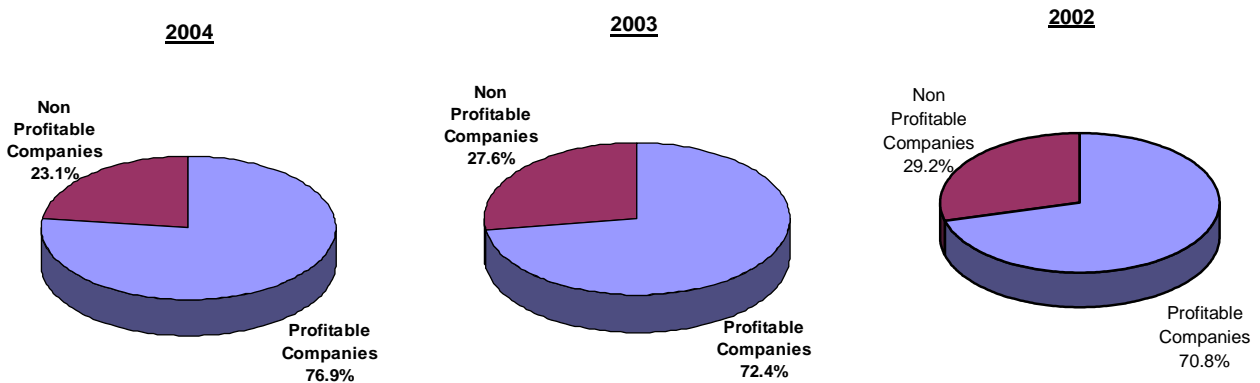


3.10 Increases in 2004 over 2002

In order to assess the impact of the new Code of Governance reporting requirements implemented on 1 January 2003, the increases over the period from 2002 to 2004 were analysed.

More listed companies were profitable in 2004, 76.9% compared to 72.4% in 2003 and 70.8% in 2002

Figure 10: Profitability of Companies from 2002 to 2004



From 2002 to 2004, companies generally adjusted their EDs' remuneration and NEDs' fees in accordance with their performance. Those that performed well rewarded their EDs and NEDs with hefty increases. Those that did not perform quite as well moderated their pay increases while others that continued to suffer losses cut their EDs' remuneration.

During this two-year period, 44.6% of the companies more than tripled their profits and these companies increased their remuneration for EDs by an average of 54.4% and the fees to their NEDs by 52.9%.

18.6% of companies saw profits reduced by more than a third and these companies increased their remuneration to their EDs by only 6.1% but increased the fees to their NEDs by 30.4%. 14.3% of companies, on the other hand, managed to regain profitability in 2004 after experiencing losses in 2002 and these companies increased their EDs' remuneration by 28.0% and their NEDs' fees by 18.1%.

A total of 22.5% of companies were not profitable in 2004 and these companies generally decreased their EDs' remuneration but increased their fees to NEDs.

About a third of these companies (7.4%) were profitable in 2002 but sustained losses in 2004 and these companies cut their EDs' remuneration by 17.8% but increased their NED fees by 65.7%.

The remaining 15.1% of companies that continued to be mired in losses in 2004 cut their EDs' remuneration by 2.5% but increased their NEDs' fees by 15.6%.

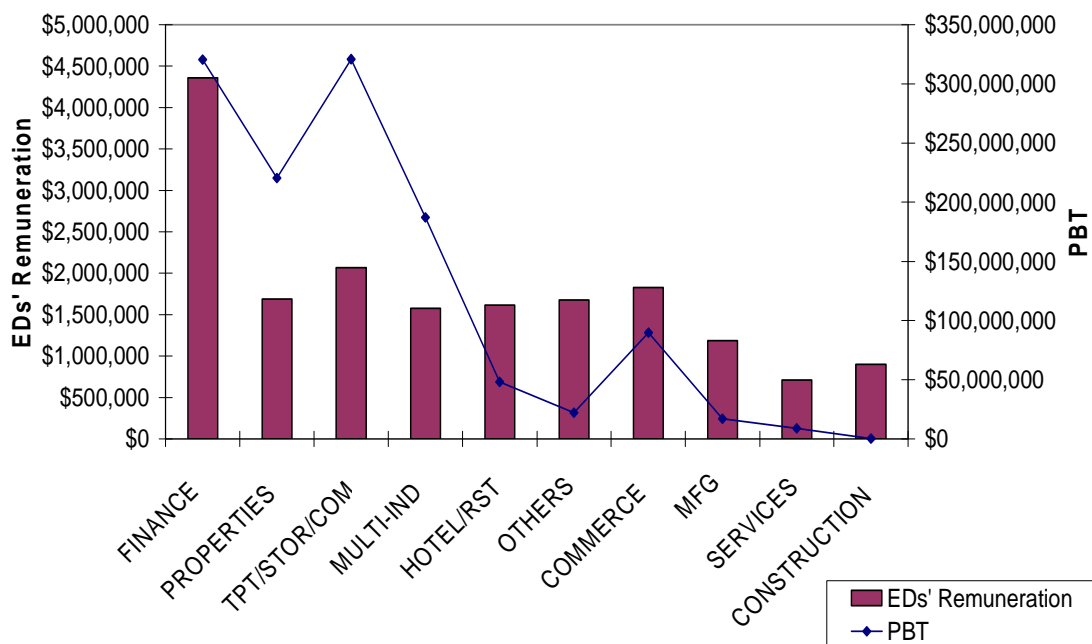
Figure 11: Increases in 2004 over 2002 and Profit Status

% of Companies	Profit Status	Increase in EDs' Remuneration	Increase in NEDs' Fees
44.6	Company was more profitable in 2004 than 2002	54.40%	52.90%
18.6	Company was less profitable in 2004 than 2002	6.10%	30.40%
14.3	Company was profitable in 2004 but made a loss in 2002	28.00%	18.10%
7.4	Company made a loss in 2004 but was profitable in 2002	-17.80%	65.70%
15.1	Company continued to be mired in losses from 2002 to 2004	-2.50%	15.60%

3.11 By Industry Sector

Although most companies paid according to job scope and responsibility as well as market practice, it was company size that was the single most important factor affecting the amount of EDs' remuneration or NEDs' fees. The financial sector which averaged the highest SFs also paid the highest remuneration and fees. It paid an average remuneration of \$4,357,710 in 2004 which accounted for 7.3% of their PBT.

Figure 12: EDs' Remuneration and PBT vs Industry Sectors (2004)



In terms of proportion of PBT, it was the multi-industry sector that paid the lowest EDs' remuneration (5.4%).

Figure 13: EDs' Remuneration & NEDs' Fees by Industry Sector (2004)

Industry Sector	No. of Companies	2004				
		SFs	EDs' Remuneration	NEDs' Fees	PBT	Rem/PBT
		(\$)	(\$)	(\$)	(\$)	(%)
FINANCE	23	2,118,944,396	4,357,710	355,433	320,529,202	7.3
PROPERTIES	25	1,348,710,400	1,688,602	257,500	220,511,855	10.6
TPT/STOR/COM	33	1,301,978,384	2,067,709	253,979	320,999,005	13.8
MULTI-IND	15	1,093,842,875	1,576,982	363,221	187,244,874	5.4
HOTEL/RST	14	599,806,221	1,614,937	216,212	48,133,142	17.4
OTHERS	18	302,850,765	1,676,007	130,120	22,083,350	13.8
COMMERCE	83	264,636,542	1,614,937	157,540	89,753,800	28.6
MFG	231	146,701,024	1,186,067	150,777	17,000,290	18.6
SERVICES	92	74,369,281	710,844	130,197	8,916,547	22.2
CONSTRUCTION	41	62,573,102	897,551	138,584	253,742	42.8
Overall	575	384,235,222	1,571,591	172,960	68,809,271	20.3

4.0 Concluding Remarks

In complying with the reporting requirements set out in the new Code of Corporate Governance most companies also increased their EDs' remuneration and NEDs' fees to ensure that they were appropriate to attract, retain and motivate the directors needed for effective performance.

Even those that were not doing well had to pay sufficiently competitive packages in order to do so.

Job scope and responsibility was obviously a determining factor for pay. This being a function of company size, it was not surprising that the latter (company size) was the single most important factor affecting the size of EDs' remuneration and NEDs' fees.

The increasing emphasis on performance also saw a greater use of the variable component in incentivising directors and to keep fixed costs down. This trend is likely to prevail even more in future.

Benefits-in-kind and allowances did not feature very significantly and as they were not performance-enhancing, they are not likely to increase significantly in the near future.

The use of long-term incentives was not very widespread and its use, so far, was confined to the larger companies. This probably reflected the nature of prevailing business challenges facing small companies which were then more concerned with relatively shorter term survival and profitability.

As for stock options, the companies certainly did not go overboard unlike their US counterparts. Fewer companies continued to grant them now that they have to be expense-accounted for. Performance shares and restricted stock, on the other hand, may see an upsurge as more companies start to use them to replace stock options.