

Norwegian School of Economics and Business Administration

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FIN501-TOPICS IN CORPORATE FINANCE

2010

Two-Page Memo on Executive Compensation

Readings:

Chapter 17, Aggarwal, Rajesh, “Executive Compensation and Incentives”, in Eckbo, B. Espen (ed.), 2008, *Handbook of Corporate Finance: Empirical Corporate Finance*, Volume 2, (Elsevier/North-Holland)

Jensen, Michael C. and Kevin J. Murphy, 2004, “Remuneration: Where We’ve Been, How we Got to Here, What are the Problems, and How to Fix them”, Working paper, HBS and USC.

Questions:

- (1) Discuss pros and cons of stock option programs
- (2) How would you determine the total size of CEO compensation (sum of all pay components)?
- (3) Do you think investor “say on pay” is useful? Why or why not?