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TIME TO PAY ATTENTION TO EXECUTIVE PAY IN ASIA, SAYS FINANCIAL ANALYSTS' INTEREST GROUP

*Asia's disclosure environment lags international best practice,
putting investors at risk.*

Hong Kong, 20 February 2008 – Developed Asian markets are lagging international best practice in executive-compensation disclosure, and this lack of transparency in how executives of listed companies in the region are remunerated is putting investors at risk, according to CFA Institute Centre for Financial Market Integrity, which advocates fair and efficient capital markets for investors globally.

In its study released today, **“It Pays to Disclose: Bridging the Information Gap in Executive Compensation Disclosures in Asia”**, CFA Institute Centre finds that while the likelihood of executive-compensation abuses in Asia reaching levels of excess seen in the United States or Europe is slim, prevailing disclosure regulations and practices in Hong Kong, Singapore and Japan leave room for questionable pay arrangements to continue or escalate in the future, and potentially harm corporate value and investor confidence.

The study finds five factors – lack of regulatory push, inadequate information in financial reports, little use of long-term incentive plans, poor board oversight, and lack of investor influence on companies' executive compensation – conspire to render Asian markets vulnerable to pay abuses. A combination of regulatory enhancements, voluntary disclosure among companies, and greater vigilance among investors will raise the level of executive compensation discipline in the region, the study concludes.

The study highlights the following recommendations to bridge the information gap in executive compensation disclosure in Asia.

Investor vigilance. Investors should exercise vigilance to ensure that management incentives are aligned with their long-term interests.

Investor say on pay. Investors should make their voices heard through proxy resolutions, voting and speaking out in annual meetings.

Voluntary corporate disclosure. Companies should endeavor to exceed minimum requirements on executive compensation disclosure, especially in terms of individual executives' remuneration, total compensation and breakdown of their components, the terms of share-based compensation, and discussion of remuneration policy.

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Remuneration committee independence. Corporate management especially in family-controlled companies should recognize the role of independent directors and the remuneration committee in shaping the company's remuneration policy.

Tighter disclosure requirements. Regulators, together with the investment community and company executives, should work together towards finding practical and realistic enhancements to the current disclosure requirements.

Details of these findings and recommendations are available from the full report or its summary presentation, both downloadable from CFA Institute Centre's website at <http://www.cfapubs.org/toc/ccb/2008/2008/1>.

"Understanding executive compensation structures is important because it gives investors an idea of the incentives that drive executives' behaviors and business decisions," says Lee Kha Loon, CFA, Head of Asia Pacific at CFA Institute Centre in Hong Kong. "Investors need to have the right information to analyze how companies' executive pay packages are aligned with their long-term interests. The existing disclosure environment in Asia could be enhanced to give investors a fuller picture of the pay-for-performance discipline of listed companies."

"In Asia, non-prescriptive disclosure requirements and investors' lack of initiative to demand information have given companies little incentive to provide meaningful information," adds Abe De Ramos, policy analyst at CFA Institute Centre. "As other global financial centers have tightened their discipline in terms of executive-pay disclosure regulation and practices, the time has come for Asia's developed markets to talk about the need for enhancements."

"It Pays to Disclose: Bridging the Information Gap in Executive Compensation Disclosures in Asia" complements the new manual published in January by CFA Institute. **"Executive Compensation: A Manual for Investors"** explains common reporting practices globally and helps investors analyze compensation reports. The manual supplements CFA Institute's **"Corporate Governance: A Manual for Investors"**, also available online.

CFA Institute Centre for Financial Market Integrity

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