

## MEDIA RELEASE

### New manual from CFA Institute Centre sheds light on the global components, risks and rewards of executive compensation

- *Manual equips sophisticated investors and investment professionals with tools to better understand whether certain executive compensation practices are fair, transparent, and performance-based*

**New York, January 2, 2008** – The CFA Institute Centre for Financial Market Integrity has released its global manual, *The Compensation of Senior Executives at Listed Companies: A Manual for Investors*, which provides a comprehensive, in-depth examination of how executive compensation is determined, the elements of compensation, governance practices, and associated risks for investors.

The CFA Institute Centre is the arm of CFA Institute dedicated to promoting fair and open markets on behalf of its more than 92,000 members, investment professionals who practice in 135 countries. It acts as an advocate for investor protection and high professional standards.

"Executive compensation is an important component investors and investment professionals use to evaluate the governance and strategic direction of public companies," said James Allen, CFA, director of the Capital Markets Policy Group at the CFA Institute Centre. "It's crucial that investors, shareowners, and investment professionals have the information they need to determine whether the complex arrangements and strategies used to pay senior executives will provide long-term value to the companies they manage. For example, the Manual demonstrates the risks of limiting shareholder input to the selection and election of board members."

In related news, the CFA Institute Centre also released a letter to the U.S. Securities and Exchange Commission requesting improvements to its executive compensation and related-party disclosure rules. The letter recommends 10 changes to existing SEC rules, such as limiting companies' ability to use "competitive considerations" as a reason to avoid disclosure of compensation strategy and disclosing the role a company's CEO played in determining his/her own compensation. The letter states that the CFA Institute Centre, like many others, was "highly disappointed in the inconsistent and overly complex implementation of [existing SEC rules]. The CFA Institute recommendations cover a number of information needs that were omitted or unclear in the final rules, but primarily relate to the manner in which the rules were interpreted and applied by reporting companies."

The Manual is structured in two parts: the first outlines some common corporate governance structures instrumental in setting compensation and describes the purpose and implications of each; the second considers the principal elements of executive pay. The second section also describes the reasons each compensation element is offered, how it may influence the actions and decisions of company managers, and the factors investors and investment professionals should consider with regard to each.

The CFA Institute Centre will soon release a country-specific comparison of required disclosures, governance best practices, and information on advisory share votes. This appendix covers the practices in Australia, Brazil, Canada, France, Hong Kong, Germany, Italy, Japan, Malaysia, Mexico, Netherlands, Singapore, South Africa, United Kingdom, United States, and the European Union.

Also, the Manual complements the CFA Institute Centre's *The Governance of Listed Companies: A Manual for Investors*, which is part of the Level I CFA exam curriculum and has been translated into Japanese, Chinese and Thai and soon, Indonesian.

"While U.S. disclosure rules have improved in recent years and are considered robust when compared to other markets, there is still very little guidance to help investors understand certain executive compensation practices," said Kurt Schacht, CFA, managing director of the CFA Institute Centre. "The Manual should be a 'go-to' resource for investors and even analysts, investor relations professionals, corporate boards, and business media. We hope that with the Manual, investors will hold companies and boards more accountable for their compensation practices."

*The Compensation of Senior Executives at Listed Companies: A Manual for Investors* is available at <http://www.cfapubs.org/toc/ccb/2007/2007/8>.

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## CFA Institute Centre for Financial Market Integrity

The CFA Institute Centre develops timely, practical solutions to global capital market issues. Established in 2004, the CFA Institute Centre builds upon the CFA Institute mission to lead the investment profession globally by setting the highest standards of ethics, education and professional excellence. It carries forward the organization's 60-year history of standards and advocacy work, especially its Code of Ethics and Standards of Professional Conduct for the investment profession. More information may be found at <http://www.cfainstitute.org/centre/>.

## CFA Institute

CFA Institute is the global membership association that administers the Chartered Financial Analyst (CFA) and Certificate in Investment Performance Measurement (CIPM) curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 92,000 members, who include the world's 80,000 CFA charterholders, in 132 countries and territories, as well as 135 affiliated professional societies in 56 countries and territories. CFA Institute has offices in Charlottesville, Va., London, Hong Kong, and New York. More information may be found at [www.cfainstitute.org](http://www.cfainstitute.org). (Bloomberg users can find CFA Institute at 497458Z).