

Performance not a factor in Hong Kong CEO pay scale, study finds

The finance sector pays the most, utilities the least; but the dearth of women chief executives is common across all industries, study finds

PUBLISHED : Friday, 24 January, 2014

Benjamin Robertson

benjamin.robertson@scmp.com



Performance not a factor in Hong Kong CEO pay scale, study finds

The pay of chief executives and the performance of the companies they run have little in common suggests a report on Hong Kong listed firms that also revealed the paucity of women in the boardroom.

"Changes in total CEO remuneration value is not always obviously linked to performance. Results are mixed when we examine the relationship between company profit increases and CEO total remuneration increases," said Thomas Higgins, general manager of Hay Group Hong Kong, publisher of the report.

In a study of annual reports from 233 listed companies, Hay Group found only 15 per cent of firms used long-term incentive schemes such as stock options to reward CEOs last year. Higgins said this was linked to the high percentage of family controlled firms and the reluctance of owners to share equity with outsiders.

"Since the global financial crisis, shareholders and regulators want to see clear links between organisation performance and executive reward," he said.



Publication: South China Morning Post

Date: 24 January 2014

Headline: Performance not a factor in Hong Kong CEO pay scale, study finds

Some 48 per cent of firms covered were identified as having significant family ownership. "Most family controlled businesses are not keen to give up equity and yet in recent years, they are able to attract great outside talent," said Annie Koh, a professor at Singapore Management University and specialist in family run businesses.

She said family run businesses often find other ways to support outside senior managers, such as co-investing in new projects that do not show up in listed company accounts or dilute shareholdings.

As European Parliament mulls boardroom gender quotas to force companies to diversify, only eight chief executives, or 3.4 per cent of the Hong Kong firms profiled, were women. Globally, the estimated percentage of companies with a female chief executive is 9 per cent. In the Asean region the figure is 15 per cent while in Europe it is 13 per cent.

However, research by shareholder activist David Webb that matched the number of women on a board with share performance concluded there was very little correlation between the two. Out of the 1,502 Hong Kong firms Webb studied, more than 600 had no female presence in the boardroom in 2013. He expects to see more women on boards given improved female educational and employment opportunities in recent decades.

With a median total CEO remuneration of HK\$16.78 million, the finance sector still pays CEOs the highest, said the report. The worst paid sector was utilities, where CEOs earn a median of HK\$5.08 million per year.

South China Morning Post Publishers Limited