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EQUILAR

CEO Pay Ratio Survey

How Companies Determine Their CEO Pay Ratio

Public companies will be required to disclose their CEO Pay Ratio beginning with 2018 proxy statements as a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act passed into law in 2010. The SEC finalized the rule in 2015 and issued interpretive guidance through September of 2017. Companies to which the rule applies are required to disclose the total compensation of their median employee, total compensation of their CEO and the ratio between the two values.

The graphic at right shows the steps companies must take to determine the CEO Pay Ratio. To begin the process, they must initially decide the means and methodology to identify the median employee. For example, companies with employees based outside of the U.S. may use the De Minimis exemption to exclude certain non-U.S. workers. Once the population of employees is finalized, or in tandem with that determination, a consistently applied compensation measure (CACM), such as base salary plus bonus, or W-2 reported income, is applied to identify the median employee. Once a median employee is established, the CEO Pay Ratio may be calculated using the total compensation of both CEO and median employee, inclusive of all pay components shown in the summary compensation table of the proxy statement. After the pay ratio is computed, both the total compensation of the median employee and the CEO Pay Ratio itself must be disclosed in the annual proxy statement. Beyond disclosure requirements, companies about to release these numbers for the first time must also decide if any proactive, but voluntary, action is warranted. These actions may include general communications with internal or external stakeholders as well as contingency planning for reactive communications should the need arise.

Pay Ratio Decision Chart

Equilar CEO Pay Ratio Survey: Methodology

Equilar conducted a survey of companies expecting to disclose the CEO Pay Ratio prior to those disclosures' appearance in 2018 proxy statements. In total, 356 companies responded to the survey. The purpose of the Equilar CEO Pay Ratio Survey is to provide benchmarks across a number of dimensions, including company revenues, industry sector and geographic location of corporate headquarters, for both the CEO Pay Ratio and median employee compensation. Additional questions were posed to gauge the employee exclusions and methodology decisions of survey respondents. Data from the most recently reported fiscal year was used to classify companies by revenue and employee population.

Equilar CEO Pay Ratio Survey Questions

1. Enter currently expected CEO Pay Ratio for 2018 disclosure
2. Enter currently expected Median Employee Compensation for 2018 disclosure
3. Did you exclude employees? Check all that apply:
    a. Non-U.S.
    b. Other
    c. No exclusions
4. Was statistical sampling used to identify the median employee (Yes or No)?
5. What consistently applied compensation measure (CACM) was used to identify the median?
    a. Cash component (e.g. base salary, bonus or combination)
    b. W-2 income
    c. Total rewards/compensation
    d. Other

More data and information from the Equilar CEO Pay Ratio Survey are available upon request.

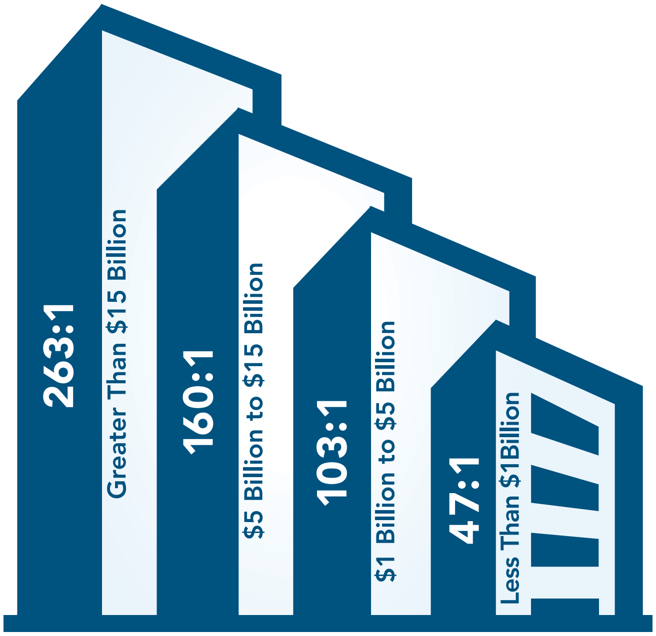
Please contact info@equilar.com or

visit www.equilar.com/benchmarking to learn more about Equilar data and research services.

Equilar CEO Pay Ratio Survey: Key Findings

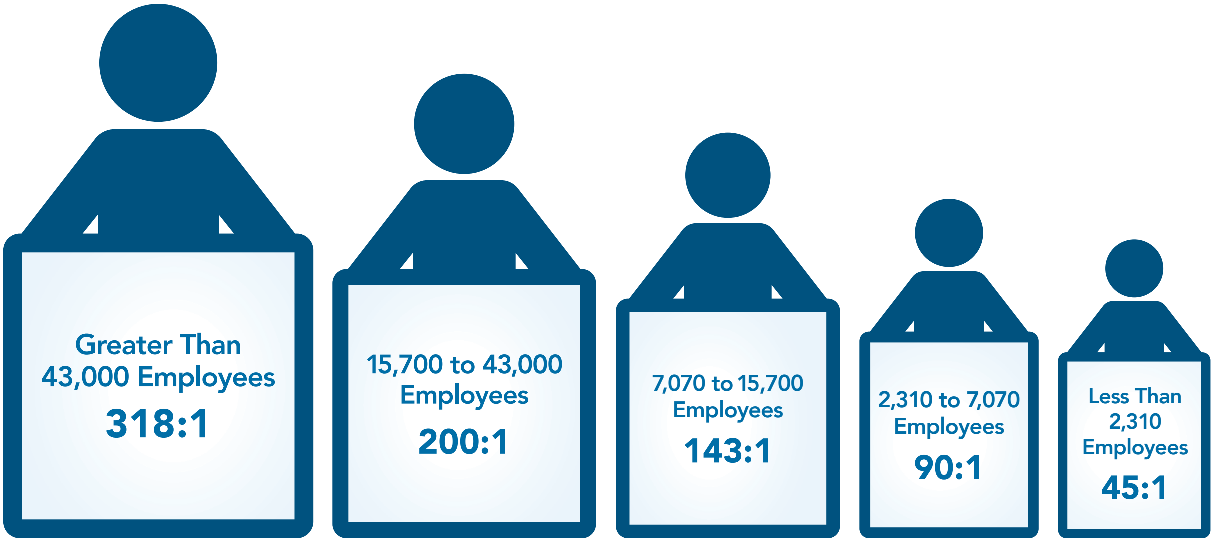
- Equilar surveyed 356 companies regarding the CEO Pay Ratio they plan to disclose in their 2018 proxy statements
- The median CEO pay ratio across all 356 submitting companies was 140:1
- At the 25th percentile, the ratio was 72:1, and was 246:1 at the 75th percentile, while the average was 241:1
- The median CEO Pay Ratio was positively correlated with company revenue, equaling 47:1 for companies below $1 billion in revenue and 263:1 for companies above $15 billion in revenue
- Similarly, companies with the greatest number of employees had the largest median ratio (318:1) and the smallest companies, with fewer than 2,310 employees, had the lowest ratio (45:1)
- "Consumer discretionary" companies, including retail and hospitality, had the highest median ratio with 350:1
- Energy companies had the lowest median ratio at 72:1
- Companies with headquarters locations in the Southeastern U.S. had the highest median ratio at 153:1, while the lowest ratio belonged to companies in the Pacific region at 113:1
- About half of companies (46.4%) used a component of employee cash compensation to determine the median employee, and about one in five used either W-2 income (21.4%) or total rewards, including total direct compensation, i.e. cash, stock and options awards (19.7%). One in eight companies that responded to the survey used "other" methodologies. Of the 356 companies that submitted, 168 provided optional commentary on methodological factors

Median Ratio by Company Revenue



Source: 2018 Equilar CEO Pay Ratio Survey – n = 356 companies

Median Ratio by Employee Population



Source: 2018 Equilar CEO Pay Ratio Survey – n = 356 companies

Median Ratio by Industry Sector

Consumer Discretionary
350:1

Consumer Staples
236:1

Healthcare
150:1

Financials
150:1

Materials
141:1

Industrials
140:1

Real Estate
115:1

Information Technology
110:1

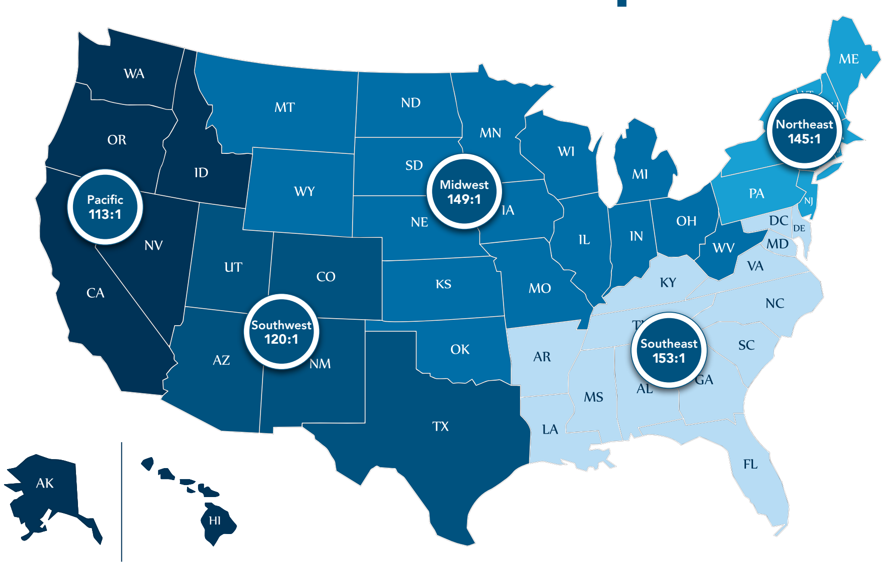
Telecommunication Services
92:1

Utilities
78:1

Energy
72:1

Source: 2018 Equilar CEO Pay Ratio Survey – n = 356 companies

Median Ratio by Geography of Headquarters



Non-U.S. Regions	
Europe	275:1
Caribbean	214:1
Canada	74:1

Source: 2018 Equilar CEO Pay Ratio Survey – n = 356 companies

Appendix: Sample Sizes for Each Breakdown

Revenue
Less Than $1B (n = 65)
Between $1B and $5B (n = 128)
Between $5B and $15B (n = 85)
Greater Than $15B (n = 79)

Number of Employees
Less Than 2,310 Employees (n = 71)
Between 2,310 and 7,070 Employees (n = 71)
Between 7,070 and 15,700 Employees (n = 71)
Between 15,700 and 43,000 Employees (n = 71)
Greater Than 43,000 Employees (n = 71)

Industry Sector
Industrials (n = 58)
Information Technology (n = 56)
Financials (n = 51)
Consumer Discretionary (n = 48)
Health Care (n = 39)
Energy (n = 30)
Consumer Staples (n = 24)
Materials (n = 18)
Utilities (n = 18)
Real Estate (n = 8)
Telecommunication Services (n = 5)

Geography by Headquarters Location	
Midwest (n = 92)	Southwest (n = 43)
Northeast (n = 82)	Europe (n = 12)
Pacific (n = 65)	Canada (n = 10)
Southeast (n = 51)	Caribbean (n = 5)

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