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A Deep Dive into the Second Year of CEO Pay Ratio Disclosures

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An early look at the second year of CEO pay ratio disclosures shows that the ratios held steady for the overall sample, while on a company-by-company basis the ratio was quite volatile.

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The 2019 Proxy Season has begun, and Compensation Advisory Partners (CAP) has done a comprehensive analysis of the second year of CEO pay ratio disclosures to identify what has changed and what trends are emerging. At a high level, CAP has found the following:

1. **CEO Pay Ratio:** While CEO pay ratio summary statistics (e.g., 25th percentile, median, and 75th percentile) were flat across the sample, two-thirds of the sample companies had pay ratios that fluctuated up or down by more than 10 percent. The significant volatility in individual company pay ratios is masked in the overall sample, so proxy readers should not be surprised if a company's pay ratio moved year-over-year.
2. **CEO Pay:** CEO compensation increased 7 percent at median with two-thirds of CEO pay fluctuating by more than 10 percent. This may be driven by incentive compensation changing year to year, by CEO transitions and by changes in pension value calculations where applicable.
3. **Median Employee:** Only 36 percent of companies used the same median employee year-over-year. For the companies that use the same median employee, the pay of that employee went up 7 percent at median. Where companies selected a new median employee, the year-over-year change in pay was 4 percent at median. This indicates that companies that want to maintain a lower CEO pay ratio may be better off keeping the same median employee from year to year if possible.
4. **Additional Disclosures:** Despite interest expressed by some institutional shareholders in greater disclosure about the workforce, only 16 percent of companies disclosed additional information about the median employee (e.g., geographic location, role with the company, full-time vs. part-time, etc.). This is up from 12 percent of companies providing additional disclosures last year.

Methodology

CAP analyzed 201 of the first proxies filed in 2019 in order to study developing trends and examine differences from prior-year disclosures. The median company revenue of this sample is \$2.1 billion. Detailed exhibits of findings are shown in appendix below this report.

Pay Ratio

CEO pay ratio at median, 25th and 75th percentiles are stable for this sample of companies when compared to the prior year.

Summary Statistics	2017	2018	% Change
75 th Percentile	165x	165x	0%
Median	79x	78x	-1%
25 th Percentile	40x	40x	+1%

When looking at this sample on a company-matched basis, the percentage change of pay ratio was flat at median (-1%), 25th percentile (+1%) and 75th percentile (0%). Despite the flat year-over-year summary statistics, significant volatility in the pay ratio occurs at the individual company level, driven by both changes in pay levels for the CEO and in pay levels for the median employee. On a company-matched basis, about half of the sample had increases in the pay ratio, and half had decreases. When looking at the percentage change in the pay ratio, CAP found that two-thirds of companies had year-over-year changes in the pay ratio of more than +/-10 percent. This shows that while the total sample may seem unchanged year-over-year, individual companies have a good amount of variability that ends up being masked when the pay ratio data are viewed in aggregate. This individual company variation will likely be evident in coming years as well, as CEO and median employee

pay can fluctuate significantly year to year. These factors coupled with the variety of methodologies that can be used continue to make drawing meaningful comparisons across companies difficult.

CEO and Median Employee Pay

CEO pay increased 7 percent at median, while the pay of the median employee increased 5 percent at median. While the increases in pay were similar at median, there was much greater volatility in CEO pay year-over-year with two-thirds of CEO pay fluctuating by more than 10 percent compared to one-third of median employees' pay. This can be most easily explained by CEO's having a much larger percentage of incentive compensation, generally, which may vary in magnitude year to year. Another source of fluctuation could be at companies where the CEO and/or the median employee participate in a pension plan, as increases to the discount rate used to value pension benefits can drive down Summary Compensation Table (SCT) pay. CEO and median employee pay moved in the same direction in 60 percent of companies, which shows at least some correlation between CEO pay and that of the typical employee. A correlation is more likely when the median employee is bonus and/or equity eligible, as more of his or her compensation is linked with the company and, therefore, the CEO's.

Approximately 35 percent of companies used the same median employee for computing the CEO pay ratio as in the prior year. When a company used the same median employee as last year, the pay for that median employee increased between 7 percent and 8 percent at the median, 25th and 75th percentiles. This represents larger increases than when a company selected a new median employee, with median employee pay remaining relatively flat (0 to 4%). This indicates that re-selecting the median employee will more likely result in decreased or flat pay for the median employee, as salary typically increases over tenure, and incentive compensation tends to be modest for employees at this level. A decrease in median employee pay by more than 3 percent is twice as prevalent (27% versus 13%) at companies re-selecting their median employee. When a company selects a new median employee, they have the option of selecting a substantially similar employee from the previous year, seen approximately 20% of the time, or re-running the selection analysis in the current year, seen approximately 80% of the time.

Median Employee Pay						
Summary Statistics	Same Median Employee			Chose New Median Employee		
	2017	2018	% Change	2017	2018	% Change
75 th Percentile	\$80,354	\$86,352	+7%	\$84,883	\$86,046	+1%
Median	\$59,248	\$63,665	+7%	\$58,658	\$60,726	+4%
25 th Percentile	\$46,163	\$49,976	+8%	\$44,980	\$44,974	-0%

Disclosure Features

Much of the structure of pay ratio disclosure remained parallel with last year. Approximately 60 percent of companies made reference to the prior-year disclosure in some way. However, only about 15 percent of these companies cited last year's pay ratio, CEO pay or median employee pay. The location of the pay-ratio disclosure within the proxy statement was nearly identical, with more than 90 percent of the disclosures being within or after the compensation tables. The inclusion of non-discriminatory benefits (i.e., benefits such as health insurance that are provided to all employees and are not included in CEO pay in the SCT) in the CEO and median employee pay calculation remained steady, with an estimated 14 percent of companies including non-discriminatory benefits in the calculation this year, compared with approximately 13 percent of the S&P 500 last year. Including these non-discriminatory benefits in both pay calculations deflates CEO pay ratio as the proportion of pay this makes up is systematically larger for the median employee than for the CEO. The measurement date used, adjustments to employee compensation (cost of living, annualizing compensation),

use of a comparability disclaimer and statistical sampling were all very stable as well, with only a handful of companies adopting or removing these features. The use of supplemental ratios, descriptors of the median employee, and exemptions from the employee population had more varied disclosures when compared to prior year.

Supplemental ratios

Supplemental ratios were disclosed at roughly the same rate year-over-year, with approximately 10 percent of companies providing a supplemental ratio. One supplemental ratio is by far the most prevalent practice. Using an alternate CEO compensation calculation continued to be the most prevalent (63%) driver of disclosing a supplemental ratio. Where this feature differed was in the consistency of individual companies between last year and this year. If the supplemental ratio was disclosed in order to explain a one-time event (e.g. special equity award, CEO transition) then that company would likely not have a supplemental ratio for this year. If the company used a supplemental ratio to show an alternate CEO compensation amount (e.g. exclude pension value) or an alternate employee demographic (e.g. exclude non-U.S. employees), then the supplemental ratio was almost always disclosed again.

Description of Median Employee

This year's sample of early filers saw a slight uptick in the percentage of companies (16%) that provided any description of their median employee compared to last year's early-filer sample (12%) and the S&P 500 (14%). These descriptions vary in detail but often provide insights into who the median employee is. Geographic location of employment (76%) and the role within the company (48%) are the two most common descriptors, but these are often paired and/or supplemented with detail around employment type (full-time versus part-time) and pay type (salaried versus hourly).

Exemptions from Employee Population

Similar to the use of supplemental ratios, the use of exemptions from the employee population when determining the median employee remained consistent (~37%) between last year and this year. Applying multiple exemptions is not uncommon (~20%), and the De Minimis exemption, whereby a company may exclude up to 5 percent of its non-U.S. employee workforce, continues to be the most commonly (64%) used case. Other exclusions included not considering employees gained from mergers and acquisitions (M&A) activity (33%), contractors (19%) and employees on a leave of absence (5%). When companies did not make the same exemptions again this year, either the company's non-U.S. portion of its employee population is now over 5 percent, or an M&A event did not occur.

Looking Forward

Overall, the CEO pay ratio did not change materially at median. However, a closer look at the company-matched data shows that significant volatility in the CEO pay ratio occurred at individual companies. While there has not yet been a significant increase in supplemental disclosures outside of the proxy statement or additional disclosures about the median employee, such information may be disclosed more frequently in the future as pressure mounts from shareholders and institutional investors. Looking beyond the CEO pay ratio disclosure itself, shareholders and institutional investors definitely want more disclosure about companies' human capital. Whether this information is provided through the CEO pay ratio disclosure or elsewhere remains to be seen.

Appendix

Year 2 vs Year 1 – Same Company Data

Overview – Total Sample

<i>CEO Pay Ratio</i>			
<i>Summary Statistics (n=201)</i>	2017	2018	% Change
Maximum	2483x	2508x	+1%
90th Percentile	341x	301x	-12%
75th Percentile	165x	165x	0%
Median	79x	78x	-1%
25th Percentile	40x	40x	+1%
10th Percentile	18x	20x	+13%
Minimum	2x	3x	+47%

<i>CEO Pay</i>			
<i>Summary Statistics (n=201)</i>	2017	2018	% Change
Maximum	\$42,247,984	\$129,499,005	+207%
90th Percentile	\$15,845,991	\$15,695,189	-1%
75th Percentile	\$10,253,787	\$9,989,992	-3%
Median	\$5,060,220	\$5,422,777	+7%
25th Percentile	\$2,347,314	\$2,726,774	+16%
10th Percentile	\$1,072,999	\$1,333,951	+24%
Minimum	\$339,165	\$306,000	-10%

<i>Median Employee Pay</i>			
<i>Summary Statistics (n=201)</i>	2017	2018	% Change
Maximum	\$964,005	\$256,300	-73%
90th Percentile	\$123,347	\$118,209	-4%
75th Percentile	\$83,153	\$86,046	+3%
Median	\$59,092	\$61,782	+5%
25th Percentile	\$45,409	\$47,252	+4%
10th Percentile	\$34,967	\$35,724	+2%
Minimum	\$4,828	\$4,563	-5%

Overview – Disclosure Features

<i>Makes Any Reference to Year 1 Disclosure</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Yes	117	58%
No	84	42%
<i>Mentions Year 1 Pay Ratio, CEO Pay, or Median EE Comp</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Yes	31	15%
No	170	85%
<i>Uses Same Median Employee as Year 1</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Yes	73	36%
No - Reran Analysis	105	52%
No - Used Similar Employee as Year 1	23	11%
<i>Discloses Change(s) in Methodology from Year 1</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Yes	3	1%
No	198	99%
<i>CEO Pay & Median Employee Pay Movement from Year 1</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Both Increase	91	45%
CEO Pay Increased & Median Employee Pay Decreased	29	14%
CEO Pay Decreased & Median Employee Pay Increased	52	26%
Both Decrease	29	14%

Overview – Companies Choosing To Use The Same Median Employee

<i>CEO Pay Ratio</i>			
<i>Summary Statistics (n=73)</i>	2017	2018	% Change
Maximum	1830x	1511x	-17%
75th Percentile	157x	147x	-6%
Median	90x	84x	-7%
25th Percentile	45x	44x	-3%
Minimum	10x	7x	-30%
<i>CEO Pay</i>			
<i>Summary Statistics (n=73)</i>	2017	2018	% Change
Maximum	\$42,247,984	\$129,499,005	+207%
75th Percentile	\$10,845,759	\$9,793,261	-10%
Median	\$5,060,220	\$5,658,238	+12%
25th Percentile	\$2,926,176	\$2,828,289	-3%
Minimum	\$545,525	\$607,332	+11%
<i>Median Employee Pay</i>			
<i>Summary Statistics (n=73)</i>	2017	2018	% Change
Maximum	\$186,172	\$191,473	+3%
75th Percentile	\$80,186	\$85,704	+7%
Median	\$59,092	\$62,150	+5%
25th Percentile	\$46,370	\$50,226	+8%
Minimum	\$5,237	\$6,348	+21%

Overview – Companies Selecting a New Median Employee

<i>CEO Pay Ratio</i>			
<i>Summary Statistics (n=128)</i>	2017	2018	% Change
Maximum	2483x	2508x	+1%
75th Percentile	172x	186x	+8%
Median	76x	73x	-4%
25th Percentile	33x	36x	+10%
Minimum	2x	3x	+47%

<i>CEO Pay</i>			
<i>Summary Statistics (n=128)</i>	2017	2018	% Change
Maximum	\$31,082,648	\$29,118,118	-6%
75th Percentile	\$10,030,633	\$10,168,771	+1%
Median	\$4,933,902	\$5,172,842	+5%
25th Percentile	\$2,175,523	\$2,662,381	+22%
Minimum	\$339,165	\$306,000	-10%

<i>Median Employee Pay</i>			
<i>Summary Statistics (n=128)</i>	2017	2018	% Change
Maximum	\$964,005	\$256,300	-73%
75th Percentile	\$84,883	\$86,046	+1%
Median	\$58,659	\$60,726	+4%
25th Percentile	\$44,980	\$44,974	-0%
Minimum	\$4,828	\$4,563	-5%

How Pay and Pay Ratio Changed – Total Sample

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased	100	50%
Decreased	96	48%
Remained the Same	5	2%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased	119	59%
Decreased	81	40%
Remained the Same	1	0%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased	143	71%
Decreased	58	29%
Remained the Same	0	0%

How Pay and Pay Ratio Changed – Total Sample

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased by 25% or more	39	19%
Increased by 10% to 25%	30	15%
Increased by 3% to 10%	22	11%
Changed between -3% to 3%	24	12%
Decreased by 3% to 10%	19	9%
Decreased by 10% to 25%	43	21%
Decreased by 25% or more	24	12%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased by 25% or more	42	21%
Increased by 10% to 25%	39	19%
Increased by 3% to 10%	28	14%
Changed between -3% to 3%	24	12%
Decreased by 3% to 10%	17	8%
Decreased by 10% to 25%	28	14%
Decreased by 25% or more	23	11%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Increased by 25% or more	11	5%
Increased by 10% to 25%	34	17%
Increased by 3% to 10%	66	33%
Changed between -3% to 3%	46	23%
Decreased by 3% to 10%	23	11%
Decreased by 10% to 25%	12	6%
Decreased by 25% or more	9	4%

How Pay and Pay Ratio Changed – Companies Choosing To Use The Same Median Employee

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased	27	37%
Decreased	43	59%
Remained the Same	3	4%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased	42	58%
Decreased	31	42%
Remained the Same	0	0%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased	61	84%
Decreased	12	16%
Remained the Same	0	0%

How Pay and Pay Ratio Changed – Companies Choosing To Use The Same Median Employee

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased by 25% or more	11	15%
Increased by 10% to 25%	5	7%
Increased by 3% to 10%	7	10%
Changed between -3% to 3%	10	14%
Decreased by 3% to 10%	8	11%
Decreased by 10% to 25%	18	25%
Decreased by 25% or more	14	19%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased by 25% or more	13	18%
Increased by 10% to 25%	11	15%
Increased by 3% to 10%	11	15%
Changed between -3% to 3%	10	14%
Decreased by 3% to 10%	8	11%
Decreased by 10% to 25%	9	12%
Decreased by 25% or more	11	15%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=73)</i>	Prevalence	Percentage
Increased by 25% or more	6	8%
Increased by 10% to 25%	13	18%
Increased by 3% to 10%	33	45%
Changed between -3% to 3%	12	16%
Decreased by 3% to 10%	4	5%
Decreased by 10% to 25%	5	7%
Decreased by 25% or more	0	0%

How Pay and Pay Ratio Changed – Companies Selecting a New Median Employee

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased	73	57%
Decreased	53	41%
Remained the Same	2	2%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased	77	60%
Decreased	50	39%
Remained the Same	1	1%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased	82	64%
Decreased	46	36%
Remained the Same	0	0%

How Pay and Pay Ratio Changed – Companies Selecting a New Median Employee

<i>How Did Pay Ratio Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased by 25% or more	28	22%
Increased by 10% to 25%	25	19%
Increased by 3% to 10%	15	12%
Changed between -3% to 3%	14	11%
Decreased by 3% to 10%	11	9%
Decreased by 10% to 25%	25	19%
Decreased by 25% or more	10	8%

<i>How Did CEO Pay Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased by 25% or more	29	23%
Increased by 10% to 25%	28	22%
Increased by 3% to 10%	17	13%
Changed between -3% to 3%	14	11%
Decreased by 3% to 10%	9	7%
Decreased by 10% to 25%	19	15%
Decreased by 25% or more	12	9%

<i>How Did Median Employee Pay Change?</i>		
<i>Summary Statistics (n=128)</i>	Prevalence	Percentage
Increased by 25% or more	5	4%
Increased by 10% to 25%	21	16%
Increased by 3% to 10%	33	26%
Changed between -3% to 3%	34	27%
Decreased by 3% to 10%	19	15%
Decreased by 10% to 25%	7	5%
Decreased by 25% or more	9	7%

Early Disclosures Year 2 vs Year 1

Overview – Total Sample

<i>CEO Pay Ratio</i>	Revenue (\$mm)	CEO Pay	Median Employee Pay	Pay Ratio	Number of Employees
<i>Summary Statistics (n=201)</i>					
Maximum	\$170,756	\$129,499,005	\$256,300	2508x	350,600
90th Percentile	\$19,167	\$15,695,189	\$118,209	301x	52,131
75th Percentile	\$6,946	\$9,989,992	\$86,046	165x	17,521
Median	\$2,138	\$5,422,777	\$61,782	78x	5,148
25th Percentile	\$587	\$2,726,774	\$47,252	40x	1,382
10th Percentile	\$152	\$1,333,951	\$35,724	20x	511
Minimum	\$24	\$306,000	\$4,563	3x	19

Year 1 Early Disclosures:

<i>CEO Pay Ratio</i>	Revenue (\$mm)	CEO Pay	Median Employee Pay	Pay Ratio	Number of Employees
<i>Summary Statistics (n=300)</i>					
Maximum	\$213,395	\$113,572,988	\$580,335	5463x	364,575
90th Percentile	\$22,014	\$16,179,146	\$144,886	325x	51,370
75th Percentile	\$7,033	\$10,608,763	\$95,149	171x	16,960
Median	\$1,879	\$5,302,622	\$60,823	80x	3,964
25th Percentile	\$409	\$2,465,703	\$45,349	32x	937
10th Percentile	\$127	\$969,417	\$34,082	15x	271
Minimum	\$0	\$0	\$2,526	1x	13

Location in Proxy Statement

<i>Placement In Proxy</i>	Prevalence	Percentage
<i>Summary Statistics (n=201)</i>		
Before CD&A	1	0%
Within CD&A	10	5%
Directly Before Compensation Tables	7	3%
Within Compensation Tables	43	21%
After Compensation Tables	140	70%

Year 1 Early Disclosures:

<i>Placement In Proxy</i>	Prevalence	Percentage
<i>Summary Statistics (n=300)</i>		
Before CD&A	1	0%
Within CD&A	14	5%
Just Prior To or Within Compensation Tables	71	24%
Following "Potential Payments Upon Termination" Section	214	71%

Supplemental Ratios

<i>Supplemental Ratios</i>	Prevalence	Percentage
<i>Summary Statistics (n=201)</i>		
Companies Disclosing a Supplemental Ratio	19	9%
Companies Not Disclosing a Supplemental Ratio	182	91%

<i>Supplemental Ratios - How Many</i>	Prevalence	Percentage
<i>Summary Statistics (n=19)</i>		
Companies Disclosing One Supplemental Ratio	18	95%
Companies Disclosing More Than One Supplemental Ratio	1	5%

Year 1 Early Disclosures:

<i>Supplemental Ratios</i>	Prevalence	Percentage
<i>Summary Statistics (n=300)</i>		
Companies Disclosing a Supplemental Ratio	32	11%
Companies Not Disclosing a Supplemental Ratio	268	89%

<i>Supplemental Ratios</i>	Prevalence	Percentage
<i>Summary Statistics (n=32)</i>		
Companies Disclosing One Supplemental Ratio	27	84%
Companies Disclosing More Than One Supplemental Ratio	5	16%

<i>Supplemental Ratios - Rationale</i>	Prevalence	Percentage
<i>Summary Statistics (n=19)</i>		
Alternate CEO Compensation Calculation	12	63%
Alternate Employee Compensation Calculation	2	11%
Alternate CEO and Employee Compensation Calculation	1	5%
Alternate Employee Demographic	2	11%
Both Change Compensation Calculation and Employee Demographic	0	0%
Multiple Reasons	2	11%

<i>Supplemental Ratios - Rationale</i>	Prevalence
<i>Summary Statistics</i>	
Alternate CEO Compensation Calculation	13
Alternate Employee Compensation Calculation	4
Alternate CEO and Employee Compensation Calculation	2
Alternate Employee Demographic	3
Both Change Compensation Calculation and Employee Demographic	0

Year 1 Early Disclosures:

<i>Supplemental Ratios - Rationale</i>	Prevalence	Percentage
<i>Summary Statistics (n=32)</i>		
Alternate CEO Compensation Calculation	17	53%
Alternate Employee Compensation Calculation	1	3%
Alternate CEO and Employee Compensation Calculation	6	19%
Alternate Employee Demographic	4	13%
Both Change Compensation Calculation and Employee Demographic	4	13%

Measurement Date / Month

<i>Measurement Date</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Last Day of Q4	103	51%
First Day of Q4	30	15%
Other	61	30%
Not Disclosed	7	3%

<i>Measurement Month</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
First Month of Quarter	54	27%
Second Month of Quarter	17	8%
Last Month of Quarter	123	61%
Not Disclosed	7	3%

Year 1 Early Disclosures:

<i>Measurement Date</i>			<i>Measurement Month</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage	<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Last Day of Q4	141	47%	First Month of Q4	86	29%
First Day of Q4	50	17%	Second Month of Q4	23	8%
Other	94	31%	Last Month of Q4	176	59%
Not Disclosed	15	5%	Not Disclosed	15	5%

Exemptions From Employee Population

<i>Exemptions From Employee Population</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Disclosed Utilizing Exemptions	75	37%
No Disclosure About Utilizing Exemptions	126	63%

Year 1 Early Disclosures:

<i>Exemptions From Employee Population</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Disclosed Utilizing Exemptions	106	35%
No Disclosure About Utilizing Exemptions	194	65%

<i>Exemptions From Employee Population - Rationale</i>		
<i>Summary Statistics (n=75)</i>	Prevalence	Percentage
Geographic (De Minimis)	36	48%
Do Not Set Group of Employees Pay	8	11%
Merger / Acquisition(s)	13	17%
Employees on Leave of Absence	3	4%
Multiple Reasons	15	20%

<i>Exemptions From Employee Population - Rationale</i>		
<i>Summary Statistics (n=75)</i>	Prevalence	Percentage
Geographic (De Minimis)	48	64%
Do Not Set Group of Employees Pay	14	19%
Merger / Acquisition(s)	25	33%
Employees on Leave of Absence	4	5%

Year 1 Early Disclosures:

<i>Exemptions From Employee Population - Rationale</i>		
<i>Summary Statistics (n=106)</i>	Prevalence	Percentage
Geographic (De Minimis)	56	53%
Do Not Set Group of Employees Pay	9	8%
Merger / Acquisition(s)	11	10%
Multiple Reasons	21	20%
Other	9	8%

Description of Median Employee

<i>Description of Median Employee</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Disclosure Includes A Description of Median Employee	33	16%
Disclosure Does Not Include A Description of Median Employee	168	84%

<i>Type of Description</i>		
<i>Summary Statistics (n=33)</i>	Prevalence	Percentage
Geographic Location of Employment Only	7	21%
Employment Type (Full-time, part-time, etc.) Only	0	0%
Pay Type (Salary, hourly, etc.) Only	0	0%
Role Only	4	12%
Compensation Detail Only	2	6%
Multiple Descriptors	20	61%

<i>Type of Description</i>		
<i>Summary Statistics (n=33)</i>	Prevalence	Percentage
Geographic Location of Employment	25	76%
Employment Type (Full-time, part-time, etc.)	13	39%
Pay Type (Salary, hourly, etc.)	10	30%
Role	16	48%
Compensation Detail	8	24%

Year 1 Early Disclosures:

<i>Describes Median Employee</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Disclosure Includes A Description of Median Employee	35	12%
Disclosure Does Not Include A Description of Median Employee	265	88%

Adjustments to Employee Compensation

<i>Cost of Living Adjustments</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Utilized COLA For Median Employee Pay	1	0%
Did Not Utilize COLA For Median Employee Pay	52	26%
Silent	148	74%

<i>Annualized Employee Compensation</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Annualized Employee Compensation per CACM	84	42%
Did Not Annualize Employee Compensation per CACM	30	15%
Silent	87	43%

Year 1 Early Disclosures:

<i>Cost of Living Adjustments</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Utilized COLA For Median Employee Pay	3	1%
Did Not Utilize COLA For Median Employee Pay	95	32%
Silent	202	67%

<i>Annualized Employee Compensation</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Annualized Employee Compensation per CACM	132	44%
Did Not Annualize Employee Compensation per CACM	40	13%
Silent	128	43%

Comparability Disclaimer

<i>Comparability Disclaimer</i>		
<i>Summary Statistics (n=201)</i>	Prevalence	Percentage
Disclosure Includes Disclaimer	56	28%
Disclosure Does Not Include Disclaimer	145	72%

Year 1 Early Disclosures:

<i>Comparability Disclaimer</i>		
<i>Summary Statistics (n=300)</i>	Prevalence	Percentage
Disclosure Includes Disclaimer	80	27%
Disclosure Does Not Include Disclaimer	220	73%

CEO & Median Employee Compensation Includes Non-Discriminatory Benefits

<i>Compensation Includes Non-Discriminatory Benefits?</i>		
<i>Summary Statistics (n=176)</i>	Prevalence	Percentage
Yes	25	14%
No	151	86%

Year 1 Subset of S&P 500:

<i>Compensation Includes Non-Discriminatory Benefits?</i>		
<i>Summary Statistics (n=353)</i>	Prevalence	Percentage
Yes	45	13%
No	308	87%



Compensation Advisory Partners

Please contact us at (212) 921-9350 if you have any questions about the issues discussed above or would like to discuss your own executive compensation issues. You can access our website at www.cpartners.com for more information on executive compensation.