

## Client Briefing

# CEO Pay Ratio: Ratios in Context

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## EXEQUITY

Independent Board and  
Management Advisors

As we are now at the very beginning of the 2018 proxy season and at least one large public company has already filed its proxy and disclosed its CEO Pay Ratio,<sup>1</sup> many companies are readying their proxy statements and have wondered where their CEO Pay Ratios place them regarding those of their peers and the broader market.

Equilar published the results of its CEO Pay Ratio Survey of 356 companies, which can provide some guidance.<sup>2</sup> For companies that wonder how things may look at a more granular level and in the context of several Standard & Poor's indices, this Client Briefing offers some additional data points for consideration.

Using Standard & Poor's Compustat database, Exequity pulled the total compensation for all CEOs for proxies filed during 2017. Exequity then calculated the medians for the S&P 500 Index, S&P MidCap 400 Index, and S&P 600 SmallCap Index.

Using the U.S. Department of Labor's Bureau of Labor Statistics (BLS) information on weekly earnings in the fourth quarter of 2016,<sup>3</sup> Exequity determined the median annual compensation for full-time wage and salary workers was **\$43,992 for 2016**.

Exequity then compared this amount to the CEO total compensation amounts to develop CEO Pay Ratios for 2016. Unlike other similar studies using the BLS figures, we are also disclosing the median CEO pay amounts by index and industry group. Doing so should enable companies that have an idea of what a median employee in their industry group earns to calculate an estimated CEO Pay Ratio by industry group and index as additional reference points when considering their proposed CEO Pay Ratio disclosure for their 2018 proxy statements.

**Exequity comment:** *The CEO Pay Ratios contained in this Client Briefing were calculated using the BLS median annual compensation for a U.S. worker of \$43,992 for 2016. As a result, the ratios may not reflect the ratios that will be disclosed in 2018 proxy statements for (1) companies with median employee annual total compensation significantly above or below the BLS amount, and (2) companies with a large global employee workforce such that their median employee is not based in the U.S.*

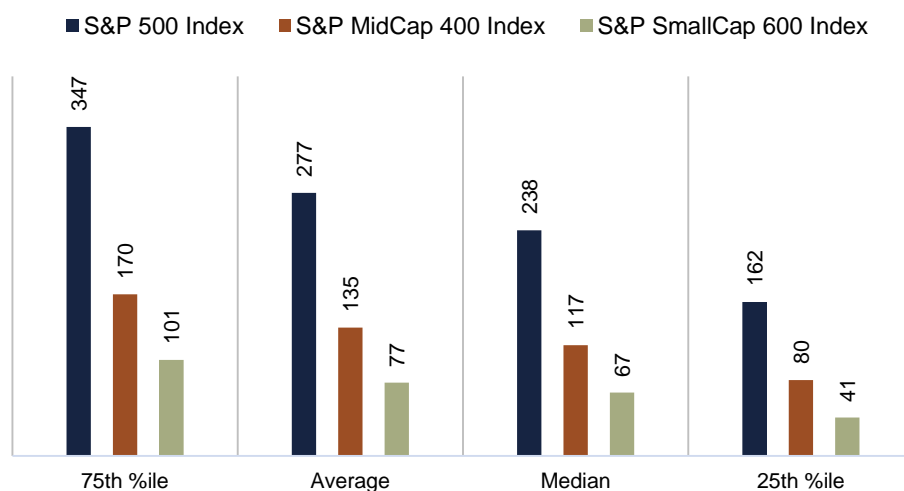
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<sup>1</sup> See [Honeywell International Inc.'s preliminary proxy statement filed February 16, 2018, which revealed a CEO Pay Ratio of 1:333.](#)

<sup>2</sup> *Equilar CEO Pay Ratio Survey*, February 2018.

<sup>3</sup> Usual Weekly Earnings of Wage and Salary Workers Fourth Quarter 2017, Table 1, 4<sup>th</sup> Quarter 2016, available at: <https://www.bls.gov/news.release/pdf/wkyeng.pdf>.

## CEO Pay Ratios (2016)



The above ratios use the median, average, 75<sup>th</sup> and 25<sup>th</sup> percentile CEO total compensation reported for the latest year in Summary Compensation Tables filed in 2017 proxy statements compared to a **median employee annual compensation of \$43,992**.

## S&amp;P 500 Index

S&P 500	CEO Total Compensation	Pay Multiple
75th Percentile	\$15,253,694	1:347
Average	\$12,195,802	1:277
<b>Median</b>	<b>\$10,470,231</b>	<b>1:238</b>
25th Percentile	\$7,139,758	1:162
Median by Industry		
Energy	\$11,061,037	1:251
Materials	\$10,963,345	1:249
Industrials	\$9,551,808	1:217
Consumer Discretionary	\$10,538,645	1:240
Consumer Staples	\$9,614,839	1:219
Healthcare	\$12,026,183	1:273
Financials	\$10,260,358	1:233
Information Technology	\$10,556,031	1:240
Telecommunication Services	\$17,674,579	1:402
Utilities	\$11,254,282	1:256
Real Estate	\$8,561,874	1:195

**S&P 400 MidCap 400 Index**

S&P 500	CEO Total Compensation	Pay Multiple
75th Percentile	\$7,489,497	1:170
Average	\$5,948,405	1:135
<b>Median</b>	<b>\$5,143,010</b>	<b>1:117</b>
25th Percentile	\$3,518,940	1:80
Median by Industry		
Energy	\$6,003,404	1:136
Materials	\$4,152,472	1:94
Industrials	\$5,824,096	1:132
Consumer Discretionary	\$5,992,978	1:136
Consumer Staples	\$4,555,298	1:104
Healthcare	\$7,299,204	1:166
Financials	\$3,917,631	1:89
Information Technology	\$5,588,560	1:127
Telecommunication Services	\$6,540,381	1:149
Utilities	\$4,253,976	1:97
Real Estate	\$4,402,684	1:100

**S&P 600 SmallCap 600 Index**

S&P 500	CEO Total Compensation	Pay Multiple
75th Percentile	\$4,453,777	1:101
Average	\$3,400,682	1:77
<b>Median</b>	<b>\$2,936,367</b>	<b>1:67</b>
25th Percentile	\$1,782,041	1:41
Median by Industry		
Energy	\$3,729,062	1:85
Materials	\$3,932,904	1:89
Industrials	\$3,113,357	1:71
Consumer Discretionary	\$2,953,258	1:67
Consumer Staples	\$2,851,035	1:65
Healthcare	\$3,056,006	1:69
Financials	\$2,409,630	1:55
Information Technology	\$2,888,800	1:66
Telecommunication Services	\$2,937,862	1:67
Utilities	\$3,099,482	1:70
Real Estate	\$2,921,583	1:66



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