About Equilar

Founded in 2000, Equilar provides unbiased research services and exclusive shareholder engagement and governance solutions. Our award-winning products—Insight, BoardEdge, Engage, and Atlas—translate complex, unstructured data sets into valuable information to help executives, board members, and investors make the best decisions possible. Using unrivaled data systems and a cloud-based platform, we deliver the highest-quality services and information with accuracy and integrity.

Equilar's client base of more than 1,000 companies—which includes 70% of the Fortune 500, public and private companies, compensation consultants, investors, attorneys, and major proxy advisory firms—relies on our unparalleled access to the boardroom and wider corporate ecosystem. All of our business services empower, engage and enable executives throughout the world.

Our flagship product, Equilar Insight, has been the gold standard for accurate and trusted benchmarking data on executive pay and pay for performance alignment. Featuring Equilar TrueView (ETV), Insight is the only platform that seamlessly integrates both public (proxy) and private data (sourced from Equilar’s proprietary Top 25 Executive Compensation Survey) to provide more complete benchmarking for executive positions beyond the CEO and CFO. Equilar Insight’s best-in-class shareholder engagement and governance solutions also provide a comprehensive set of tools including the Institutional Shareholder Services (ISS) Simulator, the proprietary Glass Lewis P4P Modeler & Proxy Papers, Equilar Market Peers and Equilar Pay for Performance Profile.

Over the years, Equilar has built on our core strengths and added to our product portfolio. Our newest offering, BoardEdge, provides directors, executives, investors, and governance professionals the ability to objectively evaluate and compare the composition of a board along multiple dimensions, such as diversity, board tenure and industry experience. Each of our solutions leverages the power of network connections and commonalities among board members and executives at the world’s most influential companies.

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Executive Summary

The 2014 fiscal year showed marginal changes in terms of peer group methodology. Peer groups consisting of 16 to 20 companies remain the most popular, and 37.6% of S&P 1500 companies had peer groups in this range, with peer group sizes of 11 to 15 the next-largest contingency at 35.3%.

Companies in the same industry tend to have very similar challenges for their executives, and as such, industry remains the most popular benchmark companies use to choose their peers. Similar company size is also often considered, thus revenue and market capitalization are the second- and third-most referenced criteria, respectively.

The company's relative place in its peer group is a highly important factor when looking at its benchmarking policies. For example the median S&P 1500 company was in the 46.2nd percentile in terms of Chief Executive Officer Total Direct Compensation (TDC). In terms of company size, the median S&P 1500 company's revenue percentile ranking in relation to its peers was at the 44.3rd percentile.

This report also includes an analysis comparing company-disclosed peer groups to Equilar Market Peers. Starting with disclosed peer groups and based on Equilar's proprietary algorithm, an Equilar Market Peer group represents the 15 most strongly linked companies within a company's larger peer network. The average overlap of Equilar Market Peers and peers disclosed by the S&P 1500 is 73.7%. Of the companies analyzed, 53.3% had revenues that fell below the 50th percentile of their Equilar Market Peers, and the median ranking of a company's revenue versus its Equilar Market Peers was at the 46.2nd percentile.
Introduction

With increased scrutiny surrounding pay for performance, companies have become increasingly transparent about their compensation policies. Shareholders are interested not only in how much executives are being paid, but also the foundation on which those company leaders are paid. Consequently, peer group creation and comparison have come into the spotlight and have played a large role in setting compensation at nearly every company in the S&P 1500.

Methodology

This report analyzes and illustrates trends on how companies choose their peers and where they stack up in comparison. This analysis included S&P 1500 companies that filed a proxy statement for fiscal year 2014 (n=1,461). To analyze trends of peer group creation accurately, the revenues and market capitalizations were taken at the end of the 2013 fiscal year, as companies will have used those values when determining their 2014 peer groups. In this report, total direct compensation is defined as total disclosed compensation during the 2014 fiscal year, excluding pension and deferred compensation. The “above” and “below” classifications in certain charts indicate companies that had metrics outside of the respective peer group metric range. The final section of this report includes examples from proxy statements with respect to peer group disclosures.

KEY HIGHLIGHTS

1. Among S&P 1500 companies that disclosed peer groups, 37.6% included 16 to 20 companies as peers, and 72.9% of companies had between 11 and 20 companies in their peer groups.

2. Industry is far and away the most common criterion that companies use when selecting peer groups, with 78.0% of companies in the S&P 1500 benchmarking based on their business sector. Revenue and market capitalization followed at 65.2% and 46.0%, respectively.

3. The median ranking for S&P 1500 companies’ revenue relative to their disclosed peers was at the 44.3rd percentile.

4. The median ranking for total direct compensation of Chief Executive Officers relative to disclosed peers was at the 46.2nd percentile.

5. Compared using Equilar Market Peers, the median company in the S&P 1500 ranked at the 46.2nd percentile for revenue and at the 47th percentile for CEO total direct compensation.
Peer Group Creation and Selection
Peer Group Creation and Selection

Disclosure Prevalence

Peer groups continue to offer an important basis of comparison for companies benchmarking their executive compensation levels and structures. Indeed, 89.8% of companies in the S&P 1500 disclosed a peer group in their most recent proxy statements, illustrating the overwhelming acceptance of the practice when setting compensation levels. This trend derives from its conceptual simplicity and availability of clear disclosure, which allows shareholders to see the foundation for a company’s executive pay.

Peer group disclosure continues to be on the rise as each sub-index in the S&P 1500 saw a small increase in prevalence of peer group disclosure in 2014. The S&P 500, above 90% since 2010, still saw a 0.4 percentage point increase in the most recent fiscal year to reach 95.8% prevalence. Meanwhile, 88.0% of companies in the S&P 400 MidCap disclosed their peer group in proxy filings, up from 87.7% in 2013. The S&P 600 SmallCap made the largest jump in the past year and over the entire study period, increasing 8.2 percentage points, from 77.7% in 2010 to 85.9% in 2014. (Fig. 1)

Pay Governance Commentary

For investors, compensation decision-making is a portal into the effectiveness of board governance. As one of the most transparent aspects of corporate governance, any concerns raised over compensation decisions can spill over into a general concern over board and management effectiveness. Setting pay levels and influencing program design using a peer group skewed to companies that are not viewed by investors as relevant peers may raise concerns about the alignment of the company’s compensation strategy with its business strategy. This perception is amplified if companies that investors view as relevant are excluded from the peer group.

Learn More

Equilar’s Peer Group Center provides users with three options of their choosing to create a peer group: an ISS peer simulator, through Equilar’s algorithmically calculated market peers, and a custom peer group builder, which can be filtered based on the user’s desired criteria, such as industry size and market cap. The Peer Group Center is by far the most advanced and accurate peer group builder on the market.

Check it out: insight.equilar.com/app/login/login.jsp
Peer Group Size

Size is an important factor in peer group creation, and companies must ensure they select companies that are truly comparable while still having enough companies to provide significant insight. In the 2014 fiscal year, S&P 1500 companies selected a median 16 peers. The total range fell between two and 137 companies.

Breaking the S&P 1500 down by index, it is evident that larger companies tend to disclose more peers. In 2014, the median number of peers for the S&P 500 was 17 compared to a median of 16 for the S&P 400 and 15 for the S&P 600.

**DATA POINTS**

- 37.6% of S&P 1500 companies disclosed peer groups that consisted of 16 to 20 companies, closely followed by 11 to 15 at 35.3% (Fig. 2)
- 7.6% of companies had large peer groups consisting of more than 25 companies (Fig. 2)
- 11.4% of companies in the S&P 500 had peer groups of larger than 25 companies, a significantly higher percentage than the S&P 400 (8.6%) and S&P 600 (2.8%) (Fig. 3)
- The S&P 600 had the lowest variance of peer group size, with 77.8% of companies having peer groups consisting of 11 to 20 companies. (Fig. 3)
Multiple Peer Groups

Some companies create multiple peer groups in order to provide better benchmarks related to company performance and executive pay. One of the most common reasons cited is that the company belongs to a smaller, niche industry, and its first peer group may contain a small number of companies within the same industry, while a second peer group may be composed of companies within a broader industry index or within a certain revenue range. Other companies may choose to establish separate peer groups to benchmark different executives’ pay or to include different regions.

Still, the number of companies that ultimately choose to disclose multiple peer groups is low, and most companies benchmark to one group of companies. Indeed, 91.7% of the S&P 1500 disclosed only one peer group in the Compensation Discussion & Analysis (CD&A) section of their 2015 proxy statements. Another 7.4% of companies included two peer groups, with the remaining 0.9% (12 companies) disclosing three or more groups. There were no companies that had five peer groups, though one company benchmarked to six distinct peer groups. (Fig. 4)

<table>
<thead>
<tr>
<th>Number of Peer Groups Disclosed by S&amp;P 1500 Companies</th>
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<tbody>
<tr>
<td>1 Peer Group</td>
</tr>
<tr>
<td>2 Peer Groups</td>
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<tr>
<td>3-6 Peer Groups</td>
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</tbody>
</table>

Pay Governance Commentary

Use of multiple peer groups can raise concerns if the approach for how each group is used is not adequately explained. Are all of them used to set pay levels or are some used only to track pay practices? How are the various pay group data incorporated into the decision process? Our experience is that most companies that maintain a second peer group use it to track pay practices such as incentive design, best practices, etc. among industry peers and not as input on pay levels.
Industry Considerations

Companies justify to shareholders why they have included certain companies through explicit disclosure of the criteria they use to select their peer groups. The median number of selection criteria used by S&P 1500 companies was four, while the maximum number of criteria was nine. Of the top ten criteria cited by companies in the S&P 1500, industry tops the list by a substantial margin, with 1,140 naming their business sector as a benchmarking criterion. (Fig. 5)

Industry is a very common criterion when considering peer group composition because companies in the same industry likely face similar challenges. Since more than 1,100 companies in the S&P 1500 reference industry when setting executive compensation, it is not surprising that there would be a large amount of companies in most peer groups that are in the same industry. On average, 75.1% of peer companies are in the same industry as those that benchmark to them. The median is even higher, with 88.2% of companies belonging to the same industry as companies that also include them as peers. In nearly 60% of S&P 1500 peer groups, 80% to 100% of companies are categorized within the same industry, illustrating the emphasis on industry comparison. Meanwhile, 7.1% of peer groups have less than 20% of industry overlap. (Fig. 6)
As peer group disclosure becomes the prevalent market practice, certain companies receive notably frequent citation as peers. Twelve companies were listed as peers to more than 42 other companies, likely due to breadth of operations or easily comparable company size. 3M was the most benchmarked company in the S&P 1500 in 2014, with 60 references. In addition, Honeywell International, Eaton Corp. and Johnson & Johnson each were referenced more than 50 times as peers to S&P 1500 companies. (Fig. 7)

Pay Governance Commentary

Selecting peers can be difficult for companies with few industry competitors or competitors that are too large or too small for use in a peer group. Typically companies with similar senior executive skill requirements are added from adjacent industries or in industries that share technology, customer base (consumer, wholesale, etc.), geographic scope (global, international, domestic), stage of company development (growth, mature, etc.), or level of regulation. In some cases, natural peers that are much larger or smaller are included in the peer group with their pay scaled to be comparable at the size of the company.

Finding the right balance of peers can also be difficult for companies with multiple lines of business. Should the peer group reflect the company’s revenue split or emphasize the dominant/traditional industry? Companies in transition (e.g., from services to solutions, from components to systems, into new markets from acquisitions, etc.) present challenges in defining the right balance of peers to appropriately reflect the business that the company is transitioning to as well as the legacy business.

Where few direct business competitors of similar size exist, peer group companies may have different performance and share valuation cycles. Given the emphasis on pay for performance, this can result in peer group performance cycles that are not in synch with the company and can create an unfair pay for performance comparison.
Inclusion of Foreign Peers

While most peer groups for U.S.-based companies consist of only other U.S.-based companies, 27.1% of S&P 1500 companies disclosed one or more foreign peers. The larger a company, the more likely it is to include a foreign company as part of its peer group, likely a result of global operations. Indeed, 43.0% of companies in the S&P 500 have at least one peer with headquarters outside the U.S., compared to 28.3% of companies in the S&P 400 and 13.5% of companies in the S&P 600. (Fig. 8)

Meanwhile, more than one-quarter of companies in the S&P 500 had peer groups comprised of more than 10% foreign companies, significantly higher than the S&P 400 and S&P 600. (Fig. 9)

Among foreign peers disclosed by S&P 1500 companies, some countries are more popular than others. This could be due to similar regulatory standards or a few often-referenced companies. Outside the U.S., the three most common countries named were Ireland (238 references), Canada (192), and UK (144). (Fig. 10)
Among the S&P 1500, revenue is the second most frequently used criteria for determining peer groups. A percentile ranking to identify the position of a company’s revenue relative to its peers provides an example of the weight companies place on revenue for benchmarking purposes.

Within the S&P 1500, most companies had lower revenues in comparison to their peers, and 62.2% ranked at or below the 50th percentile in terms of revenue in relation to their disclosed peer groups. The average company ranked at the 43.7th percentile relative to their peer group, and the median was at the 44.3rd percentile. Nearly two-thirds of named peers to S&P 1500 companies fell within a range of 0.5 to two times their revenue.

A similar trend was apparent among the S&P 500, where companies tended to have lower revenues than their peers. However, large cap companies were closer to the middle, with the average ranking at the 49.9th percentile and the median ranking at the 49.1st percentile.

**DATA POINTS**

- 39.1% of companies in the S&P 1500 fell within the 40th to 60th percentile relative to their peers’ revenue (Fig. 11)
- Only 1.6% of S&P 1500 companies fell below their peer group revenue range and 0.6% were above their peer group revenue range (Fig. 11)
- The 40th to 60th percentile was the most common range for S&P 500 companies with 42.6% of companies falling within that range (Fig. 12)
- None of the S&P 500 companies fell below any of their peer group company revenues and 1.6% were above their peer revenue range (Fig. 12)

**Pay Governance Commentary**

Investors are wary of peer groups that include companies with much greater revenue or scope of operations, especially if the median size of the peer group significantly exceeds that of the company. Given the general correlation between revenues and pay levels, this raises concerns that compensation may be set above appropriate competitive standards. However, depending on the distribution of revenues among peer group companies, the actual revenue differential between median and, for example, 40th percentile may not be very large.
When comparing revenue for companies that disclosed revenue as a peer criterion against companies that did not, the results were quite different. Even though the 40th to 60th percentile range was the most prevalent among companies that disclosed revenue and companies that did not disclose revenue as a peer criterion, those figures were quite disparate, with 41.2% and 33.7% falling within that range, respectively.

The trends show revenue percentile rankings were more spread out among companies that did not disclose revenue as a peer criterion, with more companies in the higher and lower percentiles of revenue compared to their peers. For companies that stated revenue as a benchmarking criterion, the average revenue ranking relative to their peers was the 44.0th percentile and the median ranking was 44.6th. Companies that did not state revenue to be a criterion had an average revenue ranking of 43.0th and a median ranking of 44.3rd.

In addition, a greater number of companies that did not state revenue as criterion fell outside their peer group revenue range compared to companies that did. Among companies that did not disclose revenue as criterion, 2.7% fell below and 1.2% fell above their peer revenue range. On the other hand, for companies that disclosed revenue as criterion, only 1.2% fell below and 0.3% lay above their peer revenue range. (Fig. 13)
CEO Total Direct Compensation Percentile Rankings vs. Disclosed Peer Groups

When comparing CEO TDC for S&P 1500 companies, a majority paid their CEOs less compared to their peers. Indeed, S&P 1500 companies had an average ranking at the 46.9th percentile and a median ranking at the 46.2nd percentile in terms of CEO TDC relative to their peers.

In the S&P 500, on the other hand, companies compensated their CEOs slightly higher than their peers. The average large cap company ranked at the 51.2nd percentile, and the median ranked at the 51.6th percentile.

DATA POINTS

- 25.3% of S&P 1500 companies fell within the 40th to 60th percentile in comparison to their peer group (Fig. 14)
- In the S&P 1500, 4.4% of companies fell below their peer group CEO TDC range, compared to 2.6% that came in above their peer range (Fig. 14)
- In comparison to S&P 1500 companies, a greater percentage of S&P 500 companies (3.5%) were above their peer group TDC range in terms of CEO TDC (Fig. 15)

Pay Governance Commentary

Use of peer groups in setting pay is generally-accepted practice because peer group comparisons provide data that are transparent and credible to investors, board members and management to guide pay and pay program design decisions. This reduces potential pay concerns that can be an irritant in overall board/investor/management relationships. A robust peer group also provides the ability to compare pay opportunity and realizable pay versus performance for investors over time.

Use of peer group pay comparisons has a downside as well. In general, the visibility of competitive pay standards makes it difficult set pay below peer median for long even if there are valid reasons for doing so. CEO pay below peer group median often tends to create pressure for a pay increase just to keep up with the market, even where company performance may not otherwise warrant it. This pressure can also create a tension on pay where company performance is competitive but the board has issues with other aspects of CEO performance.
Equilar Market Peers Comparisons
Equilar Market Peers Comparisons

Equilar Market Peers is a peer group algorithm that compiles the 15 companies with the strongest connections to each target company, considering direct peers, second degree peers, incoming peers and peers of incoming peers. Equilar Market Peers provides an objective evaluation of a company against a peer group that best represents complex relationships in the marketplace.

An analysis of S&P 1500 companies’ Equilar Market Peers vs. disclosed peers provides insight into these complex relationships and how companies use peer groups to benchmark. Changes in the corporate governance landscape have yielded more shareholder engagement, and as a result, companies must be clearer and more transparent when it comes to setting their revenue goals and compensation benchmarks.

The average overlap of Equilar Market Peers and peers disclosed by the S&P 1500 is 73.7%, while the median overlap of peers is 73.3%. Meanwhile, the S&P 400 had the highest average and median amount of overlap at 80.0% and 75.6% respectively. (Fig. 16)

**DATA POINTS**

- In each S&P 1500 sub-index, at least four in five companies had 60% or more overlap between Equilar Market Peers and their disclosed peers (Fig. 17)
- 49.5% of companies in the S&P 500 had at least 80% overlap (Fig. 17)
- Every company in the S&P 400 had at least some overlap (Fig. 17)

**Learn More**

Equilar Market Peers’ proprietary algorithm provides a powerful approach to creating the most logical peer groups. The solution takes SEC-disclosed proxy data and establishes a network of “who you know” and “who knows you”, while listing those companies with the strongest connections. This methodology solves the one-size-fits-all dilemma, while adequately providing users with the most accurate possible peer group to benchmark to.

Check it out: equilar.com/peer-group-validation

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**Percent of Market Peers Overlap**

<table>
<thead>
<tr>
<th>S&amp;P 500</th>
<th>S&amp;P SmallCap 600</th>
<th>S&amp;P MidCap 400</th>
<th>S&amp;P 1500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>75.0%</td>
<td>71.3%</td>
<td>75.6%</td>
</tr>
<tr>
<td>Median</td>
<td>73.3%</td>
<td>73.3%</td>
<td>80.0%</td>
</tr>
</tbody>
</table>

**Overlap between Equilar Market Peers and Disclosed Peers**

![Graph showing overlap between Equilar Market Peers and Disclosed Peers](image-url)
Equilar Market Peers Comparisons (continued)

Revenue Percentile Ranking

In addition to analyzing revenue and compensation data for each S&P 1500 company’s disclosed peer group, Equilar also analyzed the same metrics using Equilar Market Peers. The percentile rank in the charts on this page represents the relative position of the company within its peer group. Similar to disclosed peer groups, 67.0% of Market Peers for S&P 1500 companies fell within the revenue range of 0.5 to 2 times the company's revenue. Of the companies analyzed, 53.3% had revenues that fell below the 50th percentile of their Equilar Market Peers, compared to 62.2% for disclosed peer groups. The median and average ranking of a company’s revenue versus its Equilar Market Peers were at the 46.2nd and 46.7th percentiles, respectively, compared to a median 44.3rd percentile relative and average 43.7th percentile for disclosed peers.

DATA POINTS

- 29.9% of companies fell between the 40th to 60th percentiles in terms of revenue in comparison to their Equilar Market Peers, compared to 39.1% in relation to their proxy disclosed peers (Fig. 18)
- 1.1% of S&P 1500 companies were above their Equilar Market Peers revenue range, compared to 0.6% in relation to their disclosed peer range (Fig. 18)
Equilar Market Peers Comparisons (continued)

CEO TDC Percentile Ranking

Equilar also analyzed how companies in the S&P 1500 pay their CEOs in comparison to their Market Peers. Over half, or 53.6%, of companies fell below the 50th percentile, indicating that a majority of S&P 1500 companies had smaller pay packages than their Equilar Market Peers. The median and average CEO TDC ranks were both at the 47th percentile for Equilar Market Peers, coming in very closely to a median ranking at the 46.2nd percentile and average ranking at the 46.9th percentile for disclosed peers. Overall, 125 companies had pay packages that fell either above or below the range of their Market Peers.

DATA POINTS

- 22.0% of companies fell between the 40th to 60th percentiles in terms of revenue in comparison to their Equilar Market Peers, compared to 25.3% in relation to their proxy disclosed peers (Fig. 19)

- 9.2% of S&P 1500 companies fell either above or below their Equilar Market Peers range, compared to 7.0% for disclosed peers (Fig. 19)

Pay Governance Commentary

CEO pay can trend below the median of peers because companies often exclude or amortize large one-time equity awards to derive competitive annual total direct compensation. To the extent that one-time new-hire awards are present or irregular periodic awards were made by peer companies, this can reduce the current year pay benchmarks used to set CEO pay and result in market pay estimates that are less than unadjusted peer pay levels in Equilar’s analysis.

In addition, boards are increasingly aware of potential future pay for performance comparisons if company share price stumbles. This tends to add a degree of pay conservatism in boards that see significant risk in near-term performance or have below average risk tolerance.

When making pay decisions, boards are also aware of the amount of pay actually earned or realizable versus the opportunity inherent in incentive awards. In Pay Governance research at Fortune 500 companies over a period of 10 years, CEOs in companies with high total shareholder return earned more than twice the realizable pay as CEOs in low-performing companies. Given the heavy emphasis on incentive compensation in CEO pay packages, compensation committees understand the significant pay upside from good performance, which relieves some of the pressure to precisely match median peer compensation.

Learn More

Equilar’s benchmarking tools set the standard in the industry. Not only does Equilar provide Top 5 SEC-disclosed proxy data, but also the most comprehensive Top 25 survey on the market, for a larger sample size outside of the Top 5. Additionally, Equilar’s TrueView offering is an exclusive service that blends proxy data with our Top 25 Survey data of over 1,400 companies for a complete pay picture, allowing users to accurately benchmark their executives.

Check it out: equilar.com/benchmarking#trueview
Disclosure Examples
Disclosure Examples

Changes in Peer Group Construction

Perrigo Co plc (PRGO), DEF 14A filed October 1, 2014

Over time, the Comparison Group selected by the Committee (following consultation with Meridian and management) has focused on comparably sized pharmaceutical peer group companies. The pharmaceutical industry has been steadily moving toward consolidation to remain competitive. As a result of market consolidation and Perrigo’s growth, the existing Comparison Group dwindled to less than eight companies as of the end of fiscal 2014. For fiscal 2015, the Committee undertook a detailed review of the existing Comparison Group and, with the assistance of Meridian and management, analyzed potential peer company additions and deletions, resulting in the approval of a new peer group in April 2014 applicable for fiscal 2015 pay decisions. This new peer group, consisting of the 17 companies listed below, has median revenues and market capitalization of $4.6 billion and $18.9 billion, respectively.

Bed, Bath & Beyond Inc, DEF 14A filed May 29, 2015

The size of the peer group was reduced from the 23 companies used in fiscal 2013. Six companies were dropped from the peer group on the recommendation of Gallagher for either one of two reasons: negative net income and severe financial stress or revenue that was less than half of the Company’s revenue. These companies were Barnes & Noble, Inc., J.C. Penney Company, Inc., DSW Inc., Pier 1 Imports, Inc., Saks Incorporated, and Williams-Sonoma, Inc. Positive net income and comparable annual revenue are two important factors in determining the Company’s peer group. Two companies were added – Dollar General Corporation and Staples, Inc. – as their financial and business characteristics were compatible with the peer group design.

Selection of Peer Criteria

Whitewave Foods Co, DEF 14A filed April 1, 2015

In 2014, in consultation with its new independent compensation consultant, Meridian Compensation Partners, LLC (“Meridian”), the Compensation Committee re-evaluated the criteria used to determine the Benchmark Peer Group, in light of WhiteWave’s current growth and development stage. As a result of this re-evaluation, the Compensation Committee refined the criteria used to select peer companies to ensure that the peer group is relevant, fairly represents WhiteWave’s business complexities and, we believe, is appropriate for executive pay comparisons. In developing the Benchmark Peer Group for 2015, the Compensation Committee considered companies that:

- Are dynamic, high-growth branded companies, particularly in the consumable food segment, that are innovative and acquisitive;
- Have annual revenues generally between $1.0 billion to $10.0 billion;
- Have a market capitalization generally between one-third to three times WhiteWave’s market capitalization;
- Generate sales outside the U.S. and have a complexity and scale of operations that is comparable to WhiteWave; and
- Appear in the respective peer groups of WhiteWave’s existing Benchmark Peer Group multiple times.

Universal Technical Institute Inc (UTI), DEF 14A filed January 5, 2015

In the summer of 2014, we conducted an extensive review of our then-current compensation peer group with the assistance of Compensia and made some significant revisions. The criteria developed to refresh our peer group selection included the following factors: headquartered in the U.S. and traded on a major U.S. stock exchange; revenues of between $150 million and $950 million; market capitalization between $55 million and $1.4 billion; headcount from 430 to 10,750; and a focus on the education services industry.
Use of Multiple Peer Groups

Omnicare Inc (OCR), DEF 14A filed April 17, 2015

In addition to our Compensation Peer Group, the Committee may consider McKesson Corporation, Cardinal Health, Inc., Express Scripts, Inc., PharMerica Corporation and CVS Caremark Corporation when analyzing competitor compensation practices, such as incentive compensation design and stock ownership guidelines, or when considering the adoption of new pay practices or the modification of existing pay practices. Although the companies in this pay practices reference group are not part of our Compensation Peer Group, given their similar business operations, the Committee believes that their practices are a relevant consideration to our maintaining a competitive compensation program.

St. Jude Medical, Inc (STJ), DEF 14A filed March 25, 2015

We evaluate the compensation paid to the Named Executive Officers in relation to the programs offered by a primary peer group of other medical product and healthcare companies. If the data sample is not large enough, data from an expanded peer group and/or other data sources may be used. Companies are selected based on similarities of business characteristics and overall company size. Organizational size is measured using revenue and market capitalization, and the primary peer group is developed so that the median annual revenue and market capitalization of the companies within the primary peer group approximates the annual revenue and market capitalization of the Company. The primary and expanded peer groups are reviewed by the Committee each year. If necessary, changes may be made to the peer group in order to achieve the objectives stated above or as a result of merger and acquisition activity that may have impacted peer companies.
Pay Governance contributed commentary for this report. Pay Governance LLC is a nationally-recognized independent firm that serves as a trusted advisor on executive compensation to companies in all major industries, including a large portion of the Fortune 500. Our work helps to ensure that our client’s executive compensation programs are strongly aligned with performance and supportive of good corporate governance practices. Visit www.paygovernance.com to learn more about Pay Governance services and to access our latest research.

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