CONTACT:
Rountree Group
Don Rountree
770-645-4545
don@rountreegroup.com

FOR IMMEDIATE RELEASE

Pay Governance Research Finds Strong CEO Pay-For-Performance Alignment

NEW YORK (August 8, 2016) –Analysis from executive compensation consulting firm Pay Governance (www.PayGovernance.com) finds that compensation realizable by S&P 500 CEOs is aligned with company shareholder returns over the same time period. These findings directly rebut recent research featured in the July 25 *Wall Street Journal* article, "Best-Paid CEOs Run Some of Worst-Performing Companies."

Pay Governance conducted a detailed review of the study featured in the article and concluded that there is a better approach for testing the alignment of CEO pay and performance.

"The research featured in the *Wall Street Journal* article was based on the theoretical grant date *accounting* value of equity awards to CEOs and does not take into consideration the change in value of CEO equity awards after grant based on the *performance* of company stock," said Ira Kay, Managing Partner with Pay Governance.

The total CEO pay value, including the theoretical accounting value of equity awards, often called "pay opportunity," is required to be disclosed annually in a company's proxy statement. However, these grant values are generally not adjusted by the board based on recent company performance. Rather, pay opportunity is set based on market median data reflecting pay for CEOs of the company's peer group.

"We agree with the finding that CEO pay opportunity is not correlated with company shareholder returns, as this finding is consistent with our own research," said Pay Governance Managing Partner Lane Ringlee. "The pay opportunity values are set by company boards to provide CEO pay that is highly motivating and typically competitive with the median of the market."

Pay Governance's realizable pay methodology, in contrast to the pay opportunity approach to measuring CEO pay, tracks the value of CEO equity awards after grant to see how the value of the CEO's awards actually changed in comparison to changes in shareholder value (i.e., total shareholder returns). The consulting firm's latest study of realizable pay for the period 2012 through 2014 shows alignment between CEO pay and performance. Specifically, those companies with high company TSR had median three-year CEO realizable pay that was $21 million higher than those companies with lower TSR performance. Additionally, those companies with negative TSR had realizable pay that was 39 percent lower than their pay opportunity.

"These findings show that CEO pay is very sensitive to changes in shareholder returns when we measure CEO pay-for-performance properly using realizable pay. Realizable pay is much closer to the shareholders' experience, whereas pay opportunity is a purely theoretical value," said Ben Stradley, a Managing Partner with Pay Governance.

A. Sample*	B. # of Cos	C. Median Three-Year Realizable TDC	D. Median Three-year TDC Opportunity	E. Median Realizable as % of Opportunity
High Performers median TSR = 30%	165	$47.2M	$32.9M	143%
Low Performers median TSR = 16%	165	$26.2M	$28.0M	101%
Overall median TSR = 23%	330	$35.3M	$30.2M	121%
Companies with Negative TSR median TSR = -5%	16	$17.5M	$28.2M	61%

*Note: Findings based on pay and performance in fiscal years 2012-2014. Elements are independently arrayed.

Pay Governance's consulting practice advises public company compensation committees both on setting pay opportunity values based on competitive market data, as well as assessing after-the-fact pay-for-performance using realizable pay and other appropriate methodologies.

###

For more details on this Pay Governance study or to schedule an interview, please call Don Rountree at 770.645.4545.

Pay Governance LLC is an independent consulting firm focused on delivering advisory services to compensation committees. The consultancy also advises the management of companies in situations in which the firm does not serve as the independent committee advisor. Pay Governance has locations throughout the United States in New York, Boston, Detroit, Philadelphia, Pittsburgh, Chicago, St. Louis, Dallas, Cleveland, Charlotte, Atlanta, St. Petersburg, San Francisco and Los Angeles. The firm also has strategic affiliate relationships with Pay Governance Japan and Pay Governance Korea. For more information, visit www.paygovernance.com.