



WEBINAR

Preparing for CEO Pay Ratio Disclosure

FEBRUARY 1, 2018



2018 NIRI Finance Seminars

- **Understanding Capital Markets**
 - March 12, July 9, November 5 (NYC)
- **Finance Essentials**
 - March 13-14, July 10-11, November 6-7 (NYC)
- **Understanding Earnings**
 - June 9 (Las Vegas)
- **Think Like an Analyst**
 - June 10 (Las Vegas)



Speakers



Ted Allen
VP of Strategic
Communications
NIRI
(Moderator)



Mélanie Hennessey
Vice President, Corporate
Communications
NOVAGOLD



David Calusdian
President
Sharon Merrill Associates



David Martin
Principal
CamberView Partners



Section 953(b) of Dodd-Frank

- **Calendar-year companies will make first CEO pay ratio disclosures during the 2018 proxy season.**
- **Under the rule, companies must disclose:**
 - 1) the annual total compensation of their CEO;
 - 2) The **median** of the annual total compensation received by all other employees; and
 - 3) The ratio between those two numbers.



Calculating the Pay Ratio

- The CEO pay ratio calculation includes **full-time**, **part-time**, and **seasonal** employees, including workers who are based overseas. (Companies may exclude up to 5 percent of foreign workers).
- In determining the median employee, companies may select any date within the last three months of their fiscal year. Companies may wait three years before having to determine their median employee again.
- Companies may use **statistical sampling** in calculating the pay ratio, but they must disclose their methodology used in calculating that number.



Pay Ratio Messaging

- **Consider other stakeholders beyond investors.** Pay ratio disclosures may harm workplace morale, when employees learn that they are paid below the median (or that peer companies have higher median pay).
- **Collaborative process** involving IR, HR, Legal, Corp. Secretary, and corporate/internal communications.
- To provide **context**, issuers may include additional ratios (e.g., based on full-time U.S. employees or the CEO's take-home pay) or peer comparisons.
- Companies may provide “validating messages” that highlight their approaches to compensation and workforce development.



Additional Resources

- [NIRI, *IR Update*, "Preparing for Pay Ratio Disclosure" \(October 2017\).](#)
- [CamberView Partners, "The CEO-to-Employee Pay Ratio Rule: Begin Thinking About Messaging Now" \(August 2017\).](#)
- [SEC, Division of Corporation Finance, Staff Guidance on Pay Ratio Disclosure \(September 2017\).](#)
- Additional materials can be found in NIRI's [Corporate Governance Resource Library](#).



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Thursday, February 1, 2018
2:00 - 3:00 pm ET

Questions

WEBINAR

