

2014 Peer Group Webinar

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Frederic W.
Cook and Co.



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the Resource List.

Agenda

Peer Group Construction

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graph TD; A[Peer Group Construction] --> B[Peer Group Usage]; B --> C[Question & Answer];
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Peer Group Usage

Question & Answer





Peer Group Construction

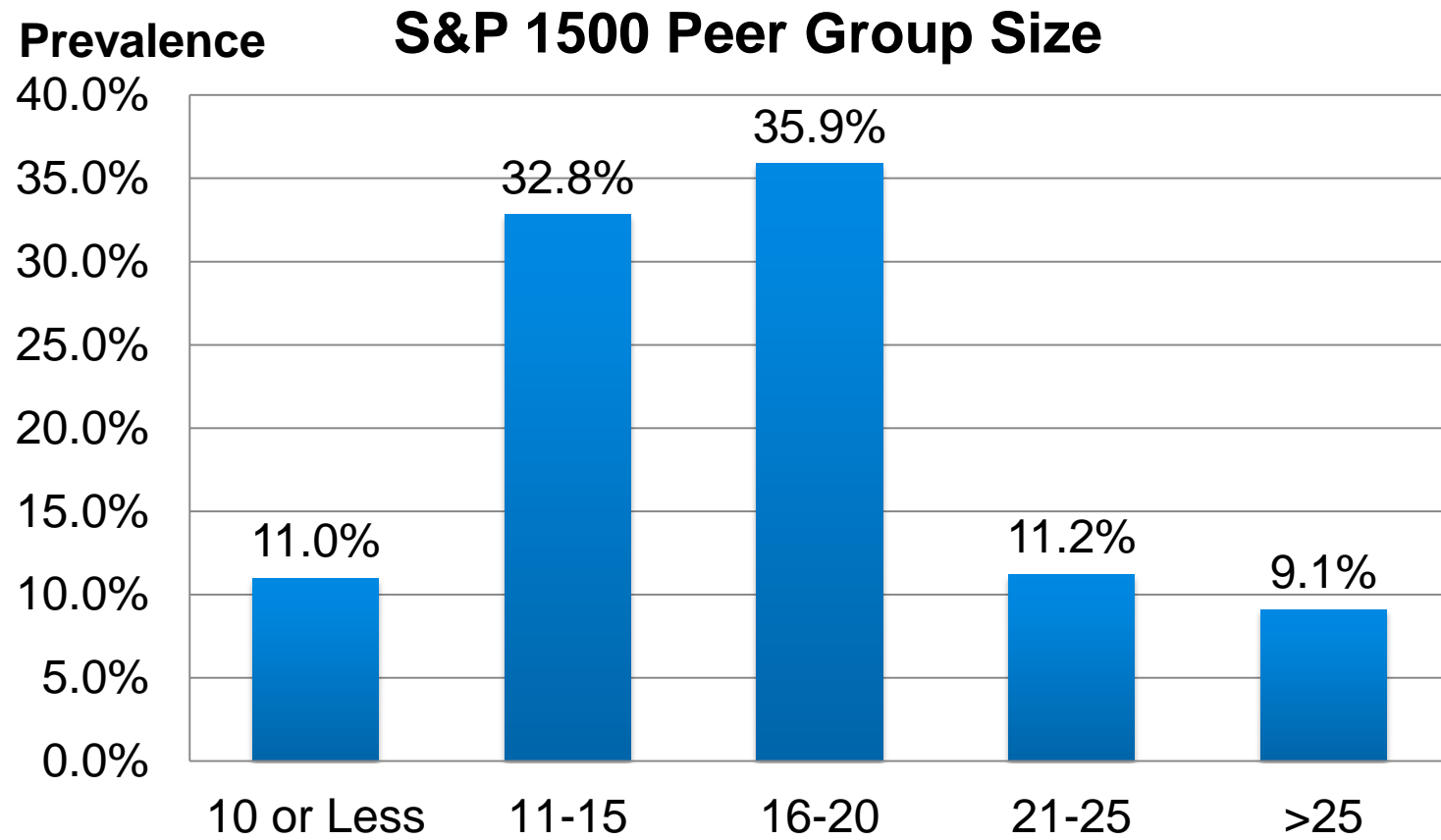
What Is a Peer Group?

A group of companies who share similar characteristics and are typically used for comparing the pay of executives to competitors in benchmarking pay.

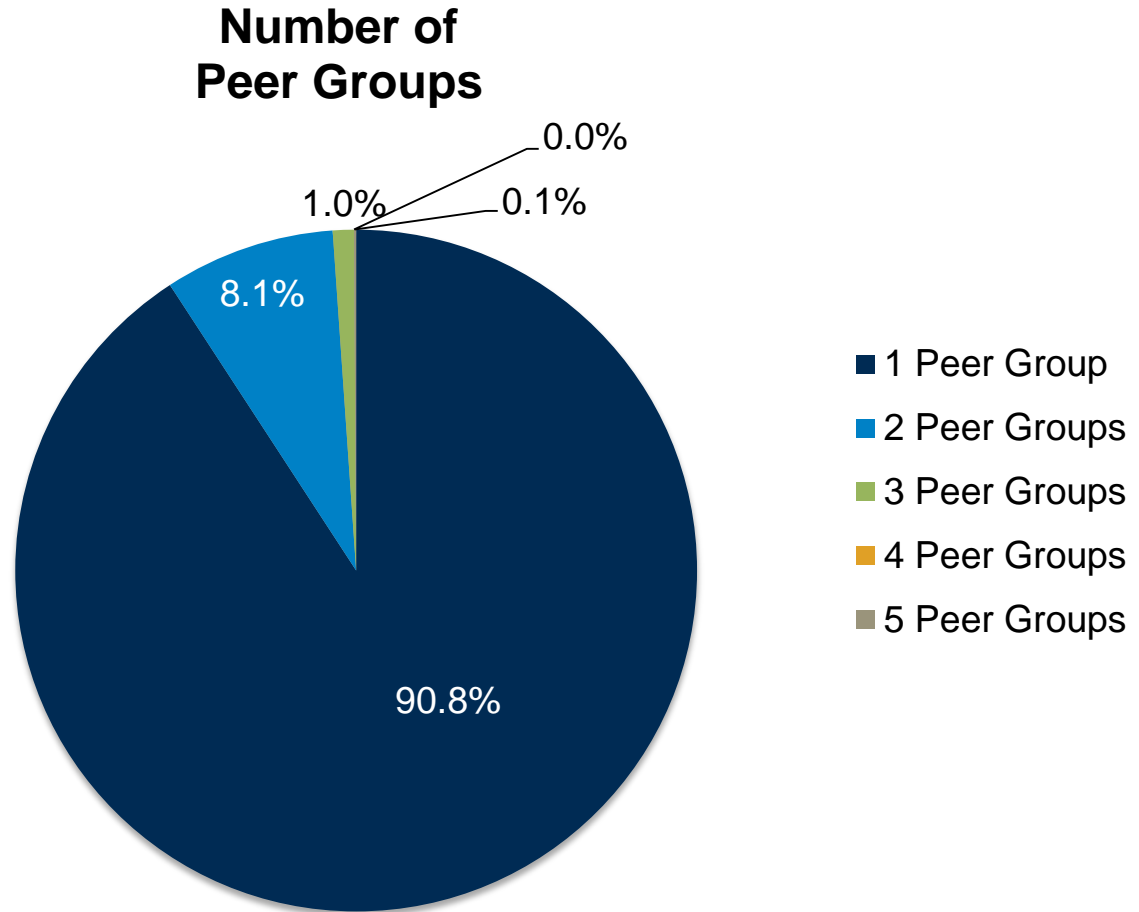
Source: Investopedia



What Does a Typical Peer Group Look Like?



Few Companies Create Multiple Peer Groups



Industry Tops Selection Criteria

S&P 1500	
Criterion	Number of Companies
Industry	1,202
Revenue	920
Market Capitalization	693
Competition for Talent	582
Business Model	431
Direct Competitor	286
Geographic Location	249
Assets	223
Number of Employees	157
Profitability	121



3M Most Referenced Peer

S&P 1500	
Company Name	Number of References
3M	62
Johnson & Johnson	57
Eaton Corp	53
PepsiCo	50
Honeywell International	50
Procter & Gamble	46
General Mills	45
Emerson Electric	44
United Technologies	44
Colgate Palmolive	43
Illinois Tool Works	43



Proxy Advisor Peer Group Methodology



Selection process starts with 8-digit GICS code and prioritize peers that keep subject near the group median

The logo for Glass Lewis & Co. consists of a solid light blue square on the left. To the right of the square, the words 'GLASS LEWIS & Co.' are written in a dark blue, sans-serif font, with 'GLASS' and 'LEWIS' stacked vertically and '& Co.' on the same line as 'LEWIS'.

GLASS
LEWIS & Co.

Uses Equilar Market Peers, which assemble relational peer groups of 15 based on networks of connections between peers



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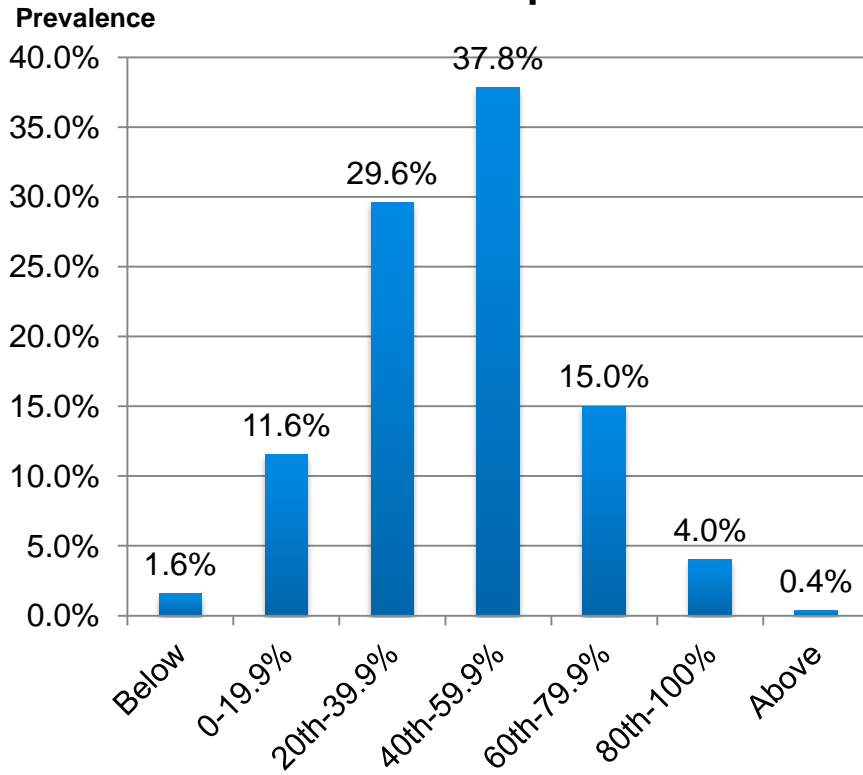
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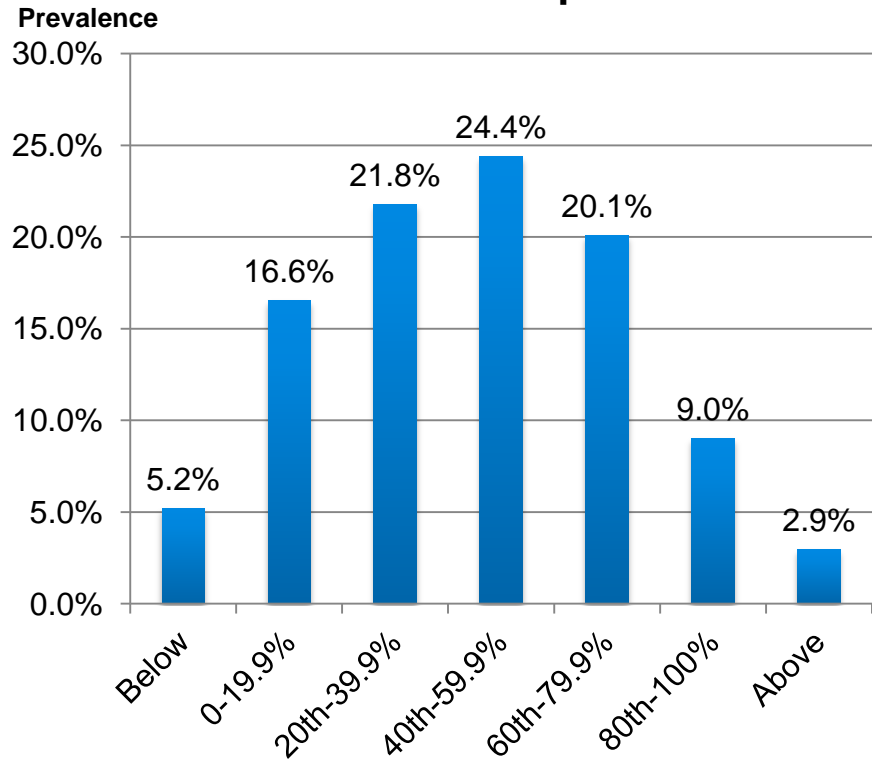
Peer Group Usage

Benchmarking, Measuring Pay against Performance

S&P 1500 Revenue Percentile vs. Peer Group



S&P 1500 TDC Percentile vs. Peer Group



Comparing Equilar Peers to Company Peers

Percent of Equilar Market Peers Overlap

	S&P 500	S&P MidCap 400	S&P SmallCap 600	S&P 1500
Average	71.5%	68.5%	64.5%	68.0%
Median	73.3%	73.3%	66.7%	73.3%



Institutional Investor Perspective

CALSTRS

“CalSTRS understands the challenges companies face when selecting a peer group and that peer groups are entwined with performance measurement and compensation. The lack of a widely accepted standard to establish peer groups makes this doubly complicated as shareholders naturally prefer an established benchmark that is not susceptible to potential biased-selection by management.”

Excerpted from CalSTRS' white paper - "Lessons Learned: The Inaugural Year of Say-on-Pay"



Communicating through Disclosure

- **EMC (EMC)**

DEF 14A filed March 21, 2013

Step	Screen	Rationale
1	U.S.-based publicly traded and industry-related companies, including companies in the following industries: <ul style="list-style-type: none"> • Computer Hardware, Services, Software & Storage • Office Supplies & Equipment • Computer Communications • Semiconductors 	<ul style="list-style-type: none"> • Privately held or recently acquired companies are eliminated • Companies headquartered outside the U.S. are eliminated due to potential differences in executive pay structure and levels
2	Company size <ul style="list-style-type: none"> • .25X to 4X that of EMC's market capitalization 	<ul style="list-style-type: none"> • Companies not comparable in size to EMC are eliminated due to differences in pay levels
3	Business match, degree of talent overlap and financial performance <ul style="list-style-type: none"> • Companies from which EMC recruits and to which it loses talent • Total shareholder return • .25X to 4X that of EMC's revenue 	<ul style="list-style-type: none"> • Companies with a low degree of business overlap are eliminated • Top sources for recruiting talent without regard to any other screening criteria • Focus on comparators with strong financial performance



Q&A

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Request Copy
2014 Peer Group Report

EQUILAR®

Resource List



S&P 1500 Peer Group Report



Thank You

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