

---

## ***The Wall Street Journal* / Hay Group 2008 CEO Compensation Study**

---

### **Survey Methodology**

For the second year *The Wall Street Journal* has partnered with Hay Group, a global management consulting firm, on its annual survey of CEO Compensation. This year's study includes U. S. companies with greater than \$5 billion in annual revenue for fiscal year (FY) 2008 that file their proxy statements between Oct 1, 2008, and Sept 30, 2009. Study results are available through the newspaper's online database and will be updated throughout the year. Data from the first 200 of these companies was made available as of April 3, 2009, when a summary of this population was published in the newspaper.

As in previous reports, this study provides readers with a snapshot of total compensation as disclosed in each company's proxy statements. This includes each CEO's Total Direct Compensation (TDC), which consists of Salary, Bonus or other Annual Incentives paid, and any Long-Term Incentive Awards (Long-Term Stock or Cash) granted. In addition, due to revised SEC disclosure rules adopted in 2006, the study also provides information about each CEO's Pension Value Change and Above Market Nonqualified Deferred Compensation Earnings. A separate category, All Other Compensation, includes information on such items as perquisites, tax gross-ups, and company payments to a defined-contribution plan. Taken together, these elements provide a picture of each CEO's total pay for 2008.

Our approach to summarizing total compensation, and more specifically long-term incentive compensation, differs from the approach taken in the Summary Compensation Table of the proxy itself, which reflects the FAS 123(R) compensation cost of all unvested equity awards in 2008. This study focuses only on what was granted in 2008, rather than reflecting the accounting costs of long-term incentive grants made in previous years.

Please note that this year's population of 200 companies is slightly different than last year's population. As a result, some of the summary statistics for 2007 provided in the April 3 print edition may differ slightly from what was reported last year.

For companies that did not disclose the value of individual equity grants for either FY 2007 or 2008, and in cases of uncertainty where the disclosures were unclear, the equity values were determined by Hay Group.

All company performance data (Net Income, Total Return) is provided by Standard & Poor's Compustat.

## Definitions

**Company** is the commonly used name for the company.

**Executive** is the CEO's name as listed in the company's proxy statement.

**2008 Salary** is the base pay earned in FY 2008, regardless of the form or timing of delivery.

**2008 Annual Incentives** is any payment of annual bonus or incentives earned in FY 2008, regardless of the form or timing of delivery. This number includes both payments classified as a bonus, which is typically considered discretionary, and those classified as annual performance-based incentive pay, which typically results from achievement of annual performance goals.

**Percent Change from 2007: Salary plus Annual Incentives** is the year-over-year change in Salary plus Annual Incentives from FY 2007 to FY 2008. This information is calculated only for those CEOs for which there is valid data in both 2007 and 2008, and excludes new CEOs.

**Long-Term Incentives: Stock Option Grants** is the company-disclosed value of stock option and stock appreciation right (SAR) grants made during FY 2008. Any options that were repriced or granted as reload options are excluded entirely. Performance-contingent awards that have no upside or downside leverage are treated with an additional 20% discount.

**Long-Term Incentives: Restricted Stock Grants** is the value of time-vested restricted stock and/or restricted stock unit grants on the grant date made during FY 2008. Any grants where the timing of vesting can be accelerated based on performance are included here. Any stock granted as a match or a premium on other compensation is also included here. This column does not include any restricted stock that is granted in lieu of salary or annual incentives/bonus; these values are included under the original form of compensation.

**Long-Term Incentives: Performance-Based Grants—Equity** is the value of stock-based long-term performance-based incentive compensation granted in FY 2008. Grants are valued based on their disclosed target value on the date of grant. Performance-contingent awards that have no upside or downside leverage are treated with an additional 20% discount.

**Long-Term Incentives: Performance-Based Grants—Cash** is the value of cash-based long-term performance-based incentive compensation granted in FY 2008. Grants are valued based on their disclosed target value denominated either in cash or cash-based performance units on the date of grant. Performance-contingent awards that have no upside or downside leverage are treated with an additional 20% discount.

**Total Direct Compensation** is the sum of Salary, Annual Incentives, and Long-Term Incentives. Long-Term Incentives include the addition of five vehicles: Stock Option Grants, Restricted Stock Grants, Performance-Based Grants—Equity, Performance-Based Grants—Cash, and Restricted Cash Grants (which are not disclosed elsewhere).

**Percent Change from 2007: TDC** is the year-over-year change in Total Direct Compensation from FY 2007 to FY 2008. This information is calculated only for those CEOs for which there is valid data in both 2007 and 2008, and excludes new CEOs.

**Change in NQ Deferred Comp + Pension Value** (Change in Nonqualified Deferred Compensation Earnings Plus Change in Pension Value) is the aggregate change in the present value of accumulated defined-benefit and actuarial pension plans plus the above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified.

**All Other Compensation** is the value of other compensation for FY 2008 that was not reported in any of the other columns of the Summary Compensation Table. Compensation in this column could include the value of: perquisites and personal benefits; tax gross-ups; discount stock purchases; company contributions to a defined-contribution plan; or company payment of insurance premiums.

**Total Compensation** is the sum of Total Direct Compensation, Change in Nonqualified Deferred Compensation Earnings Plus Change in Pension Value, and All Other Compensation.

**Total Realized LTI** is the sum of Stock Option Gains, Restricted Stock Value at vesting, and Long-Term Incentive Payouts in FY 2008. This represents value realized from awards that have been granted over time.

**Percent Change from 2007: Company Net Income** is the year-over-year change in the company's net income from FY 2007 to FY 2008.

**2008 Company TSR** is a one-year total return for the company's stock during FY 2008, including stock-price appreciation plus reinvestment of any dividends declared in FY 2008.

**2006-2008 Company TSR** is a three-year total return for the company's stock during FY 2006 – 2008, including stock-price appreciation plus reinvestment of any dividends declared from FY 2006 to FY 2008.

## Notes

Any compensation for CEOs with less than a full year of service is calculated based on the values disclosed. Signing, special-recognition and retention awards are included for each company that offered them. Percent changes of 1,000% or greater, and percent changes for CEOs who are new in either FY 2007 or FY 2008, are not meaningful and are designated as N.M. Industry medians exclude new CEOs for 2008.

Please direct any questions or comments about the survey methodology to Steve Sabow, Hay Group's director of executive compensation research, at +1.201.557.8409 or [Steve.Sabow@haygroup.com](mailto:Steve.Sabow@haygroup.com), or visit [www.haygroup.com/wsj](http://www.haygroup.com/wsj).