Online Appendix for

The Saliency of the CEO Pay Ratio

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This Internet Appendix provides supplemental information to, "*The Saliency of the CEO Pay Ratio*." Section 1 describes the validation of the spin dictionary using survey evidence. Section 2 provides full tabulation of control variable coefficients for the tests in the manuscript along with summary statistics. Section 3 reports tests not tabulated but referenced in the manuscript.

1. Validating the Spin Dictionary

Appendix B of the manuscript contains our dictionary of spin, explain, and tout words. Given that the pay ratio narrative dictionary includes many more spin words than explain or tout words, we conducted the following test as a validation exercise of spin language. We survey 102 U.S.-based adults using Mechanical Turk (MTurk). Prior work shows that MTurk respondents tend to be diverse, representative of the U.S. population, and perform well on surveys, including those related to finance (Berinsky et al., 2012; Chinco et al., 2020).

To ensure we attract high-quality respondents, we require MTurk workers to have the Mechanical Turk Masters Qualification, which indicates they score highly across key data points of past performance. We require a "Human Intelligence Task (HIT) Approval Rate" of at least 90% and the "Number of HITs Approved" greater than 50. We also require respondents to be US-based adults who speak English. The survey must be completed on a non-mobile device to reduce the likelihood of input error.

We design our survey in Qualtrics by randomly selecting 25 sentences that contain at least one spin word and 25 sentences that do not contain any spin words. Panel A of Table IA-1 displays the survey instructions. The survey begins by briefly describing the SEC's pay ratio rule and noting that companies can include additional information to provide disclosure context. We inform the respondents that we are researching language that managers use to describe the pay ratio. Some language is factual, while other language appears to describe the CEO or median employee in a positive manner. We define spin for the survey respondent as "sentences that appear to put a positive light on higher CEO pay, lower median worker pay, or aspects of employee relations." We then provide an example pay ratio narrative and note which elements we designate as spin and several sentences we do not.

Respondents are asked to briefly define corporate spin language in their own words. Participants whose responses indicate a lack of understanding are dropped from the sample. The participants are then presented with the 50 sentences from pay ratio disclosures. For each sentence,

respondents are asked to reply "Yes, it contains spin" or "No, it does not contain spin." Examples of questions for spin and non-spin sentences are provided in Panel B of Table IA-1.

We tabulate the results of the survey in Table IA-2. Panel A shows that 93.4% of the full sample correctly identify pay ratio sentences that do not contain spin and 90.5% correctly identify sentences that contain spin based on our dictionary. The median values are even higher at 100% for non-spin and 96% for spin. Panel B reports univariate *t*-tests showing these values are statistically different from random chance (50%) at the 1% level of significance.

Demographic information in Panel C shows the MTurk survey respondents are mostly white and non-retired. The average respondent is 43 years old with income of approximately $45,500. About 62% are employed full time, 43% are female, and 5% are retired. Respondents tend to have education at the bachelor's level and have limited investment experience. The latter result indicates that non-financially sophisticated individuals can identify spin, which implies that most firm employees could likely do the same.

2. Coefficients and Summary Statistics for Control Variables

For brevity, we omit tabulation of control variable coefficients in the manuscript. In Tables IA-3 to IA-7, we present all coefficients for the tests in Section 4 of the manuscript.

Additionally, we report sample firm summary statistics for control variables during reporting year one (RY1) in Table IA-8. The median firm has a market-to-book ratio of 1.3 and 82% institutional ownership. For performance, the median firm has a return on assets of 5.3% and total shareholder return (TSR) of 12.5% over the prior fiscal year. As a percentage of total assets, the average firm has 3.7% research and development (R&D) expenses, 15.6% cash, and 24.8% leverage. Approximately 38.1% of firms have at least some unionized employees.

3. Additional Tests or Statistics

3.1 Transition Matrix and Stickiness of Pay Ratios

In the manuscript, we posit that the reduction in employee reactions to pay ratios over time could be attributable to "sticky" pay ratios, which implies that the effect of the contrast weakens in subsequent reporting years. The findings in Table 2, specifically Columns 3 and 4, support this hypothesis as the changes in employee productivity are also linked to the contrast of the ratio as they were in RY1, but with smaller coefficient magnitudes.

To test for the stickiness in pay ratios, Table IA-9 presents a transition matrix indicating

the probability of a firm remaining in the same quintile as year t for their pay ratio in the subsequent reporting year (t+1). The lowest ratio quintile firms have a 78% probability of remaining in the same quintile, while firms in the highest quintile have an 81% probability of remaining in that quintile. However, firms in quintiles 2 to 4 show more variation year-over-year.

3.2. Supplemental Ratio Changes

Table IA-10 presents the average and median percentage change in the value of the reported pay ratio compared to the supplemental pay ratio across quintiles. In quintile 5, the mean (median) change from the reported pay ratio to the supplemental ratio is –45% (–58%). In quintile 1, the supplemental ratio tends to be larger than the mandatory ratio. In these instances, the supplemental value is approximately five times greater than the reported ratio, on average.

3.3. Comment Letters on Pay Ratio Rule

On September 18, 2013, the SEC introduced the Pay Ratio Disclosure rule, which was later finalized on August 5, 2015. Throughout the rulemaking process, the SEC received 308,561 comment letters and conducted 14 meetings with various stakeholders such as unions, academics, shareholder groups, advocacy groups, and other market participants. A summary of the comments can be found in Table IA-11.

We divide commenters into nine categories: private individuals, unions, lobbyists, investment professionals, compensation consultants, corporations, academics, politicians, and others. Panel A offers a breakdown of the number of letters from each group, as well as the percentage of comments that were in favor of, opposed to, or neutral about the proposed Pay Ratio Disclosure rule. Additionally, it outlines the number of meetings between these groups and SEC staff or commissioners, sorted by the SEC division or the political affiliation of the commissioner.

Panel B presents examples of common arguments found in comment letters, grouped by support or opposition to the proposed rule. It also highlights the subjects of comment discussions. Out of the 308,402 comment letters submitted by ‘private individuals’, 307,012 were one of 13 standard form types, possibly originating from website petitions. All these comments supported the Pay Ratio Disclosure rule. We traced the source of three form types to petitions by the Teamsters Union of Ohio (20 letters), the AFL-CIO (36,299 letters), and a progressive advocacy group, Credo Action (75,333 letters). Among the remaining 1,390 non-generic form comment letters, most expressed support for the proposed rule. Some individuals did not explicitly state their approval or disapproval of the rule but argued that it needed strengthening before enactment. While

these individuals demonstrated a preference for wage transparency, we have conservatively classified their comment letters as 'Neutral'.

3.4. Robustness of Quintile Approach to Contrast

In the manuscript, we employ a quintile approach to examine the contrast of the CEO pay ratio, because media scrutiny often falls on the extremities of this spectrum—values that are exceptionally high or low. By pushing quartiles 2 to 4 into the intercept, we ensure a more concentrated analysis of the high contrast ratios that likely attract greater public attention.

To validate this approach, table IA-12 presents the likelihood of media coverage based on the division of the pay ratio into deciles, quintiles, quartiles, and terciles. All measures show that firms are more likely to receive media coverage when they are in the highest pay ratio category. We also document the difference between the topmost category and the one immediately below it. The quintile method shows the most notable shift in media attention when descending from the highest extreme to the next category. Hence, we adopt the quintile approach as our principal metric for pay ratio contrast in the draft.

Nonetheless, it is noteworthy that the outcomes of our research are not significantly affected by the choice of stratification measure. In Table IA-13, we show that employee and disclosure results are similar when we substitute the quintile (Panel B) classification with a decile (Panel A), quartile (Panel C), tercile (Panel D), or a continuous measure (Panel E) of the pay ratio. These findings reinforce the robustness of our results and help validate the applicability of our approach across different methodological scenarios.

3.5. Yearly Figures

In the manuscript, Figure 1 illustrates the distribution of pay ratios in reporting years one (Panel A) and reporting years two through four (Panel B). Additional reporting year data on CEO pay ratios and changes in pay are presented in Figures IA-1 through IA-4. Figure IA-1 plots CEO pay ratios for all four reporting years, with ratios over 500-to-1 being winsorized. The yearly change in the CEO pay ratios is shown in Figure IA-2, with changes over 200% being capped. Figure IA-3 displays the yearly changes in CEO and median employee pay, with changes over 100% being winsorized. Finally, Figure IA-4 shows the change in CEO pay and median employee pay from reporting year one to the average of reporting years two through four, with changes over 100% being capped.

3.6. Extensive Margins of Disclosure

Our main disclosure tests use the count of *spin words*, *explanatory word*s, *tout words*, and *supplemental ratios*. These values measure the intensive margins of disclosure. In this subsection, and reported in Table IA-15, we repeat the disclosure tests using indicator variables to represent these disclosure properties by re-estimating Eq. (4). Panel A examines contrast using the pay ratio quintile approach, while Panel B examines the firm response when the ratio is more surprising.

Panel A shows that firms in the highest ratio quintile are more likely to use spin and explanatory words than those in the middle three quintiles in both RY1 and RY2-4. Those in the lowest ratio quintile are less likely to use explain words but, like the count measure, do not display a differential propensity to spin.

Columns 5 and 6 of Panel A indicate that firms in the highest quintile are 19.2 (RY1) and 17.5 (RY2-4) percentage points more likely to provide a supplementary ratio versus those firms with ratios in the middle group, while those in the lowest quintile are 8.3 (RY1) and 4.0 (RY2-4) percentage points less likely to provide an alternative ratio. These coefficients are significant at the 1% level and are of economic significance, as Table 1 shows that, on average, 8.3% of firms in the middle three quintiles provide a supplemental ratio. Columns 7 and 8 show that low ratio firms are more likely to tout the pay ratio in both RY1 and RY2-4. These results are economically large, as the 3 percentage points increase in tout words in RY1 is a 50% increase from the sample mean. These findings indicate that when a firm's pay ratio is relatively lower compared to other firms, managers are inclined to use more promotional language in the ratio narrative.

Panel B shows that when the expected or unexpected pay ratio is high, managers are more likely to use spin words and/or provide a supplemental ratio. However, only when the ratio is unexpectedly high are firms more likely to use explain words and less likely to use tout words. The patterns are similar in R1 and RY2-4. These results complement those using a count-based approach in the manuscript.

References Not in Manuscript

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Chinco, A., Hartzmark, S.H., and A.B. Sussman (2021). A new test of risk factor relevance. Working paper, University of Chicago-Booth. https://ssrn.com/abstract=3487624

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Table IA-1 Survey Design

Panel A: Survey instructions

Public companies in the U.S. must disclose the "CEO pay ratio," which is the ratio of the Chief Executive Officer's annual compensation to the pay of the median employee. Companies are required to provide factual information on CEO and median employee pay, how the company identified the median employee, and use of certain permissible exemptions. Companies are allowed to provide additional voluntary information to provide context of the disclosure.

We are researching the language that managers use to describe the pay ratio. Some companies are factual and concise in their pay ratio disclosure, while others provide additional information. Sometimes the additional information includes **spin language** to describe CEO or median employee pay in a positive manner.

We define **spin language** as "sentences that contain words that appear to put a positive light on higher CEO pay, lower median worker pay, or aspects of employee relations."

In the following disclosure, we identify a pay ratio passage that contains spin and several that do not:

Spin

We invest in our employees at all levels by rewarding performance that balances risk and reward, is consistent with our values and supports short and long term goals and, ultimately, value creation for our stockholders.

Factual (Not spin)

As required by the Dodd-Frank Act, we are disclosing the ratio of compensation of our Chief Executive Officer to that of the median employee.

We identified the median employee by ranking the total compensation based on W-2 information for all employees who were employed on December 31, 2017. The population of our approximately 238,000 employees includes many part-time, temporary and seasonal workers. Adjustments were made to annualize the compensation of employees who were not employed for the entire year. We did not apply any cost-of-living adjustments as part of the calculation. As permitted by the SEC, we excluded approximately 1,300 employees located in China, who represent less than 5% of our total employees.

Using this methodology, our median employee was determined to be a full-time, hourly employee. The annual compensation for our median employee was $38,372. For 2017, the annual compensation for the CEO was $12,266,076, resulting in a CEO pay ratio of 320-to-1.

In your own words, briefly define corporate spin language in the context of a pay ratio disclosure:

Table IA-1 (continued)

Panel B: Example of survey questions

Spin Question Example 1:

We are committed to providing a comprehensive total rewards program to attract, retain, and reward highly qualified, diverse, and productive employees.

- o Yes, it contains spin
- o No, it does not contain spin

Spin Question Example 2:

The Company strives to provide competitive base pay, market-leading benefits, and an exceptional work environment that collectively create a premium employee experience

- o Yes, it contains spin
- o No, it does not contain spin

Non-Spin Question Example 1:

We identified the median employee from a list of our employees and determined the annual total compensation of that employee from our payroll and other compensation records.

- o Yes, it contains spin
- o No, it does not contain spin

Non-Spin Question Example 2:

Of our population, 24% were part-time or temporary and 14% of our population are employed in India.

- o Yes, it contains spin
- o No, it does not contain spin

Table IA-2: Survey Results

This table summarizes the Mechanical Turk survey responses (N=102). Panel A presents summary statistics of the percent correct for 25 non-spin sentences, 25 spin sentences, and all 50 sentences. Panel B tests the difference in the mean and median correct percentage versus random change of 50% using a two-tailed *t*-test for the mean and Wilcoxon sign-ranked test for the median. We also report the corresponding t-statistic (mean) and z-statistic (median). ***, **, and * represent statistical significance at the 1%, 5%, and 10% level, respectively. Panel C presents demographic information for the survey respondents. *Education* takes the following values based on degree completion: 0=less than high school, 1=high school; 2=bachelor's degree; 3=master's degree; 4=doctorate. Annual income is based on the response to the question, "What is your annual income?" Respondents choose between the following levels: $15,000 or less; $15,001 to $25,000; $25,001-$35,000; $35,001-$50,000; $50,001-$75,000; $75,001-$100,000; $100,001-$150,000; more than $150,000. We convert each response to a numerical value based on the midpoint of each level. *Investment experience* is based on the question, "How much experience do you have investing in the stock market or stock mutual funds?" takes the following values: 1=none; 2=limited; 3=some; 4=a lot.

Panel A: Survey statistics

	Mean	Standard deviation	Bottom quartile	Median	Top quartile
Non-spin correct (%)	93.4	11.4	92.0	100.0	100.0
Spin correct (%)	90.5	15.1	88.0	96.0	100.0
All correct (%)	92.0	11.7	92.0	96.0	100.0

Panel B: Survey tests

	Correct	Random chance	Difference	*t*-stat or *z*-stat
Mean				
Non-Spin	93.4	50.0	43.4***	38.55***
Spin	90.5	50.0	40.5***	27.11***
All	92.0	50.0	42.0***	36.17***
Median				
Non-Spin	100.0	50.0	50.0***	8.99***
Spin	96.0	50.0	46.0***	8.73***
All	96.0	50.0	46.0***	8.79***

Panel C: Survey respondent demographics

	Mean	Standard deviation	Bottom quartile	Median	Top quartile
Female (%)	43.1	49.8	0.0	0.0	100.0
Age	43.4	11.4	34.0	41.0	53.0
Non-white (%)	10.8	31.2	0.0	0.0	0.0
Education	1.8	0.8	1.0	2.0	2.0
Retired (%)	4.9	21.7	0.0	0.0	0.0
Employed full-time (%)	61.8	48.9	0.0	100.0	100.0
Annual income ($000s)	45.5	37.8	20.0	30.0	67.5
Investment experience	2.1	0.9	1.0	2.0	3.0

Table IA-3: Employee Response to the Pay Ratio

This table presents a fully tabulated version of Table 2 in the manuscript. All variables are defined in Appendix A of the manuscript.

Panel A: Contrast of Pay Ratio Quintiles						
	ΔEmployee pay rating		ΔEmployee productivity		ΔCEO disapproval	
	(1)	(2)	(3)	(4)	(5)	(6)
Highest ratio quintile	-0.067*	-0.084***	-0.045**	-0.031**	0.019***	0.001
	(-1.88)	(-4.15)	(-2.27)	(-2.25)	(3.57)	(0.19)
Lowest ratio quintile	0.085**	0.043*	0.043**	0.012	-0.004	0.001
	(2.10)	(1.95)	(2.03)	(0.87)	(-0.59)	(0.17)
Y_{t-1}	-0.603***	-0.662***	-0.075***	-0.085***	-0.486***	-0.721***
	(-28.34)	(-54.49)	(-8.12)	(-13.52)	(-26.89)	(-70.27)
Size	0.061***	0.066***	0.018***	0.016***	-0.000	-0.004***
	(6.13)	(11.40)	(3.28)	(4.18)	(-0.18)	(-3.53)
Market-to-book	0.009	0.017***	-0.009**	0.021***	-0.001	-0.002**
	(0.87)	(3.54)	(-2.10)	(7.18)	(-0.76)	(-2.10)
Return-on-assets	0.072	0.129*	0.092	-0.662***	-0.023	-0.030**
	(0.53)	(1.67)	(1.49)	(-14.21)	(-1.14)	(-2.17)
Inst. ownership	0.089	0.036*	0.101***	0.010	-0.009	0.000
	(1.58)	(1.93)	(3.48)	(0.61)	(-1.08)	(0.11)
Cash to assets	0.156	0.114*	-0.189***	-0.003	0.012	-0.002
	(1.59)	(1.93)	(-3.70)	(-0.07)	(0.79)	(-0.19)
Leverage	-0.015	-0.048	0.024	0.056***	0.006	-0.002
	(-0.25)	(-1.55)	(0.79)	(2.85)	(0.71)	(-0.38)
Sales growth	0.044	0.109***	-0.066***	-0.133***	-0.006	-0.015***
	(0.99)	(3.93)	(-2.89)	(-7.80)	(-0.95)	(-2.93)
TSR	0.017	0.027**	0.072***	0.008	-0.001	-0.002
	(0.56)	(2.24)	(4.48)	(1.02)	(-0.31)	(-1.05)
Union indicator	-0.030	-0.009	-0.033**	-0.034***	0.004	0.008**
	(-0.97)	(-0.53)	(-1.97)	(-2.99)	(0.89)	(2.48)
R&D to assets	0.411	0.716***	0.218*	-0.661***	0.018	-0.015
	(1.54)	(4.73)	(1.66)	(-7.27)	(0.46)	(-0.57)
Net PP&E			0.051	-0.054*		
			(1.15)	(-1.76)		
Reporting years	1	2-4	1	2-4	1	2-4
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Adjusted R^2	0.290	0.365	0.058	0.150	0.269	0.499
Number of firm-years	1984	5471	2053	5527	2006	5536

Table IA-3 (Continued)

Panel B: Surprise Versus Pay Ratio Expectations						
	ΔEmployee pay rating		ΔEmployee productivity		ΔCEO disapproval	
	(1)	(2)	(3)	(4)	(5)	(6)
Ln(Unexpected ratio)	-0.059***	-0.039***	-0.021**	-0.013**	0.005**	0.000
	(-3.82)	(-4.30)	(-2.49)	(-2.18)	(2.18)	(0.25)
Ln(Expected ratio)	-0.011	-0.157***	-0.084**	-0.112***	0.016*	0.011*
	(-0.17)	(-4.57)	(-2.49)	(-4.91)	(1.77)	(1.82)
Y_{t-1}	-0.610***	-0.667***	-0.089***	-0.098***	-0.465***	-0.724***
	(-27.55)	(-53.32)	(-8.75)	(-14.20)	(-25.75)	(-68.24)
Size	0.050**	0.110***	0.045***	0.053***	-0.004	-0.008***
	(2.00)	(8.06)	(3.26)	(5.75)	(-1.19)	(-3.28)
Market-to-book	0.008	0.019***	-0.010**	0.021***	-0.001	-0.002**
	(0.79)	(3.93)	(-2.29)	(7.31)	(-0.97)	(-2.31)
Return-on-assets	0.125	0.157*	0.139**	-0.584***	-0.023	-0.031**
	(0.89)	(1.95)	(2.25)	(-11.97)	(-1.17)	(-2.17)
Institutional ownership	0.123**	0.042**	0.130***	0.012	-0.011	0.001
	(2.00)	(2.20)	(4.39)	(0.73)	(-1.32)	(0.43)
Cash to assets	0.160	0.076	-0.170***	-0.044	0.024	0.002
	(1.57)	(1.25)	(-3.32)	(-1.13)	(1.63)	(0.17)
Leverage	-0.024	-0.050	0.009	0.077***	0.007	-0.001
	(-0.40)	(-1.59)	(0.31)	(3.89)	(0.76)	(-0.26)
Sales growth	0.025	0.085***	-0.037	-0.140***	0.002	-0.015***
	(0.52)	(2.93)	(-1.59)	(-7.99)	(0.24)	(-2.85)
TSR	0.020	0.024**	0.071***	0.008	-0.002	-0.002
	(0.63)	(2.04)	(4.51)	(1.13)	(-0.35)	(-0.74)
Union indicator	-0.030	0.003	-0.031*	-0.029**	0.003	0.006*
	(-0.91)	(0.14)	(-1.83)	(-2.52)	(0.61)	(1.93)
R&D to assets	0.474*	0.731***	0.229*	-0.663***	-0.010	-0.016
	(1.72)	(4.62)	(1.79)	(-7.25)	(-0.25)	(-0.56)
Net PP&E			0.057	-0.073**		
			(1.28)	(-2.37)		
Reporting years	1	2-4	1	2-4	1	2-4
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Adjusted R^2	0.293	0.369	0.068	0.154	0.268	0.500
Number of firm-years	1850	5188	1921	5273	1870	5250

Table IA-4: Employee Response by Industry and Geography

This table presents a fully tabulated version of Table 3 in the manuscript. All variables are defined in Appendix A of the manuscript.

Panel A: Contrast of Industry Pay Ratio Quintiles						
	ΔEmployee pay rating		ΔEmployee productivity		ΔCEO disapproval	
	(1)	(2)	(3)	(4)	(5)	(6)
Highest ratio quintile	-0.082**	-0.096***	-0.037**	-0.036***	0.013***	0.003
	(-2.52)	(-5.13)	(-2.05)	(-2.85)	(2.69)	(1.02)
Lowest ratio quintile	0.072*	0.016	0.045**	0.008	-0.001	-0.003
	(1.92)	(0.79)	(2.35)	(0.59)	(-0.26)	(-0.84)
Y_{t-1}	-0.554***	-0.616***	-0.051***	-0.054***	-0.466***	-0.717***
	(-27.19)	(-52.12)	(-6.67)	(-10.48)	(-26.69)	(-71.30)
Size	0.058***	0.064***	0.019***	0.014***	-0.000	-0.005***
	(6.38)	(12.13)	(3.77)	(3.91)	(-0.16)	(-4.98)
Market-to-book	0.012	0.022***	-0.009**	0.020***	-0.000	-0.002***
	(1.23)	(4.82)	(-2.01)	(7.17)	(-0.09)	(-2.66)
Return-on-assets	0.002	0.048	-0.001	-0.732***	-0.022	-0.032**
	(0.02)	(0.66)	(-0.02)	(-16.54)	(-1.15)	(-2.50)
Inst. ownership	0.087	0.037*	0.086***	0.003	-0.007	0.001
	(1.57)	(1.93)	(3.04)	(0.22)	(-0.88)	(0.32)
Cash to assets	0.195**	0.076	-0.171***	0.033	0.012	0.001
	(2.05)	(1.36)	(-3.52)	(0.89)	(0.87)	(0.08)
Leverage	0.024	-0.094***	0.012	0.020	0.010	-0.001
	(0.45)	(-3.35)	(0.42)	(1.13)	(1.23)	(-0.23)
Sales growth	0.077*	0.087***	-0.036	-0.137***	-0.005	-0.013***
	(1.77)	(3.23)	(-1.59)	(-8.28)	(-0.78)	(-2.81)
TSR	0.010	0.019*	0.058***	0.003	-0.004	-0.002
	(0.32)	(1.66)	(3.67)	(0.40)	(-0.93)	(-1.03)
Union indicator	0.032	0.029**	-0.044***	-0.011	0.005	0.008***
	(1.21)	(1.98)	(-3.03)	(-1.07)	(1.25)	(2.97)
R&D to assets	0.465*	0.689***	0.255**	-0.566***	0.014	-0.015
	(1.92)	(5.11)	(2.15)	(-6.85)	(0.38)	(-0.63)
Net PP&E			0.096***	-0.034*		
			(3.29)	(-1.71)		
Reporting years	1	2-4	1	2-4	1	2-4
Fixed effects	None	Year	None	Year	None	Year
Adjusted R^2	0.272	0.342	0.044	0.109	0.266	0.497
Number of firm-years	1984	5472	2053	5527	2006	5537

Table IA-4 (Continued)

Panel B: Contrast of Geography Pay Ratio Quintiles						
	ΔEmployee pay rating		ΔEmployee productivity		ΔCEO disapproval	
	(1)	(2)	(3)	(4)	(5)	(6)
Highest ratio quintile	-0.117***	-0.119***	-0.045**	-0.014	0.016***	0.004
	(-3.65)	(-6.49)	(-2.49)	(-1.09)	(3.32)	(1.17)
Lowest ratio quintile	0.101***	0.015	0.011	-0.009	-0.007	0.001
	(2.76)	(0.71)	(0.60)	(-0.70)	(-1.35)	(0.38)
Y_{t-1}	-0.557***	-0.619***	-0.050***	-0.050***	-0.470***	-0.717***
	(-27.39)	(-52.34)	(-6.52)	(-9.79)	(-26.88)	(-71.27)
Size	0.059***	0.064***	0.016***	0.010***	-0.000	-0.004***
	(6.84)	(12.42)	(3.29)	(2.85)	(-0.30)	(-4.73)
Market-to-book	0.013	0.023***	-0.009**	0.020***	-0.000	-0.002***
	(1.40)	(5.03)	(-2.06)	(7.00)	(-0.23)	(-2.59)
Return-on-assets	0.058	0.071	-0.001	-0.743***	-0.028	-0.032**
	(0.45)	(0.97)	(-0.01)	(-16.73)	(-1.44)	(-2.47)
Inst. ownership	0.105*	0.040**	0.077***	-0.001	-0.010	0.001
	(1.88)	(2.12)	(2.69)	(-0.06)	(-1.20)	(0.42)
Cash to assets	0.196**	0.079	-0.167***	0.030	0.012	0.000
	(2.07)	(1.41)	(-3.43)	(0.82)	(0.87)	(0.04)
Leverage	0.031	-0.090***	0.013	0.020	0.009	-0.001
	(0.59)	(-3.20)	(0.44)	(1.10)	(1.11)	(-0.26)
Sales growth	0.073*	0.085***	-0.036	-0.136***	-0.005	-0.014***
	(1.68)	(3.15)	(-1.61)	(-8.19)	(-0.74)	(-2.85)
TSR	0.007	0.019	0.057***	0.003	-0.004	-0.002
	(0.21)	(1.59)	(3.61)	(0.40)	(-0.80)	(-1.03)
Union indicator	0.039	0.030**	-0.044***	-0.012	0.004	0.008***
	(1.51)	(2.04)	(-3.05)	(-1.25)	(1.07)	(3.07)
R&D to assets	0.476**	0.697***	0.248**	-0.573***	0.013	-0.015
	(1.97)	(5.17)	(2.10)	(-6.92)	(0.36)	(-0.61)
Net PP&E			0.096***	-0.039*		
			(3.26)	(-1.93)		
Reporting years	1	2-4	1	2-4	1	2-4
Fixed effects	None	Year	None	Year	None	Year
Adjusted R^2	0.276	0.344	0.042	0.108	0.269	0.497
Number of firm-years	1984	5472	2053	5527	2006	5537

Table IA-5: Firm Response to Pay Ratio

This table presents a fully tabulated version of Table 4 in the manuscript. All variables are defined in Appendix A of the manuscript.

Panel A. Contrast of Pay Ratio Quintiles and Narrative										
	Total Words		Spin Words		Explain Words		Supplemental Ratios		Tout Words	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Highest ratio quintile	0.116***	0.076***	0.288*	0.519***	0.147***	0.136***	0.787***	0.733***	-0.699**	-0.600***
	(4.61)	(5.09)	(1.87)	(4.98)	(2.98)	(4.24)	(11.09)	(13.07)	(-1.98)	(-2.96)
Lowest ratio quintile	-0.090***	-0.066***	-0.179	-0.063	-0.206***	-0.068*	0.984***	0.745***	0.437**	0.347**
	(-3.61)	(-4.54)	(-0.94)	(-0.51)	(-3.33)	(-1.93)	(3.84)	(3.80)	(2.17)	(2.55)
Size	0.013*	0.023***	0.134***	0.182***	0.004	0.023**	-0.265**	-0.162**	-0.093	-0.029
	(1.93)	(5.76)	(2.90)	(6.97)	(0.29)	(2.47)	(-2.53)	(-2.05)	(-1.46)	(-0.68)
Market-to-book	0.000	0.004	0.032	0.063***	0.005	0.018***	0.016	0.005	0.035	0.062*
	(0.08)	(1.41)	(1.05)	(3.58)	(0.57)	(2.58)	(0.41)	(0.16)	(0.97)	(1.96)
Return-on-assets	-0.147**	-0.112**	0.541	0.563*	-0.095	-0.196***	-0.515	0.739*	-0.010	-0.655***
	(-2.38)	(-2.11)	(1.33)	(1.80)	(-0.83)	(-2.61)	(-1.04)	(1.73)	(-0.02)	(-3.20)
Institutional ownership	0.070**	-0.012	0.148	0.036	0.096	-0.016	0.112	-0.241	-0.264	-0.664**
	(2.00)	(-0.75)	(0.56)	(0.77)	(1.21)	(-0.46)	(0.43)	(-1.29)	(-0.82)	(-2.35)
Cash to assets	0.099	0.043	0.815*	0.350	0.231*	0.138	0.952**	0.212	-0.800	-0.779*
	(1.64)	(1.09)	(1.87)	(1.11)	(1.84)	(1.51)	(2.27)	(0.61)	(-1.13)	(-1.77)
Leverage	-0.008	-0.012	-0.340	-0.411***	-0.020	-0.084*	-0.342	-0.271	-0.329	-0.490
	(-0.20)	(-0.57)	(-1.37)	(-3.02)	(-0.27)	(-1.76)	(-1.29)	(-1.49)	(-0.92)	(-1.63)
Sales growth	0.013	0.015	-0.080	-0.017	0.139**	0.104***	0.430*	-0.127	-0.239	0.103
	(0.50)	(0.93)	(-0.35)	(-0.12)	(2.53)	(2.91)	(1.75)	(-0.60)	(-0.79)	(0.65)
TSR	-0.027	-0.024***	0.228**	-0.023	-0.050	-0.040**	-0.439**	-0.233*	0.287*	-0.001
	(-1.37)	(-3.86)	(2.09)	(-0.72)	(-1.17)	(-2.50)	(-2.49)	(-1.84)	(1.88)	(-0.02)
Union indicator	-0.002	0.011	-0.025	-0.011	0.022	0.049*	-0.108	-0.002	-0.295	0.018
	(-0.11)	(0.86)	(-0.14)	(-0.11)	(0.48)	(1.77)	(-0.80)	(-0.02)	(-1.37)	(0.13)
R&D to assets	-0.133*	0.157	-0.008	1.075	0.105	0.370*	-3.070*	1.086	-0.247	-1.463
	(-1.95)	(1.48)	(-0.01)	(1.54)	(0.48)	(1.78)	(-1.91)	(1.33)	(-0.42)	(-1.31)
Reporting years	1	2-4	1	2-4	1	2-4	1	2-4	1	2-4
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Pseudo R^2	0.082	0.075	0.054	0.073	0.029	0.027	0.129	0.103	0.088	0.075
Number of firm-years	2401	6370	2382	6315	2401	6370	2138	5715	2209	5678

Table IA-5 (Continued)

Panel B: Surprise in Comparison to Pay Ratio Expectations										
	Total Words		Spin Words		Explain Words		Supplemental Ratios		Tout Words	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ln(Unexpected ratio)	0.061***	0.047***	0.182***	0.300***	0.122***	0.081***	1.273***	1.411***	-0.227**	-0.257***
	(5.28)	(6.78)	(3.14)	(6.15)	(5.31)	(5.47)	(8.94)	(13.46)	(-2.38)	(-4.40)
Ln(Expected ratio)	0.073**	0.056**	0.368	0.317*	0.013	-0.049	-1.343***	-0.660***	0.222	0.325
	(2.00)	(2.52)	(1.28)	(1.71)	(0.16)	(-0.96)	(-4.45)	(-3.79)	(0.58)	(1.34)
Size	0.007	0.018**	0.061	0.146**	0.033	0.062***	-0.124***	-0.116***	-0.207	-0.194*
	(0.48)	(2.01)	(0.55)	(2.16)	(0.98)	(3.02)	(-2.71)	(-3.74)	(-1.31)	(-1.93)
Market-to-book	-0.001	0.004	0.012	0.052***	0.001	0.017**	0.023	0.003	0.033	0.042
	(-0.16)	(1.15)	(0.30)	(2.79)	(0.14)	(2.32)	(0.62)	(0.12)	(0.74)	(1.04)
Return-on-assets	-0.183***	-0.105**	0.746	0.554	-0.039	-0.218**	-0.118	0.979***	0.145	-0.120
	(-2.64)	(-2.25)	(1.44)	(1.62)	(-0.32)	(-2.38)	(-0.26)	(2.68)	(0.30)	(-0.25)
Institutional ownership	0.078**	-0.013	0.244	0.020	0.086	-0.029	0.234	-0.134	-0.293	-0.563*
	(2.04)	(-0.79)	(0.83)	(0.38)	(1.02)	(-0.85)	(0.93)	(-1.03)	(-0.81)	(-1.84)
Cash to assets	0.113*	0.041	1.016**	0.650**	0.154	0.122	0.930**	0.287	-1.047	-0.791
	(1.71)	(0.98)	(2.28)	(2.05)	(1.14)	(1.27)	(2.47)	(0.87)	(-1.32)	(-1.64)
Leverage	-0.008	-0.012	-0.478*	-0.423***	-0.035	-0.076	-0.276	-0.272	-0.373	-0.603*
	(-0.20)	(-0.53)	(-1.78)	(-3.08)	(-0.44)	(-1.50)	(-1.19)	(-1.56)	(-0.96)	(-1.83)
Sales growth	0.009	0.016	-0.060	-0.015	0.093	0.085**	0.361	-0.168	-0.126	0.181
	(0.32)	(0.92)	(-0.23)	(-0.10)	(1.51)	(2.25)	(1.61)	(-0.86)	(-0.33)	(1.03)
TSR	-0.021	-0.026***	0.202*	0.001	-0.022	-0.039**	-0.410**	-0.201*	0.242	0.043
	(-1.04)	(-3.19)	(1.66)	(0.03)	(-0.51)	(-2.15)	(-2.44)	(-1.73)	(1.18)	(0.62)
Union indicator	-0.010	0.004	0.010	0.001	0.027	0.063**	-0.087	0.026	-0.281	-0.012
	(-0.44)	(0.32)	(0.06)	(0.01)	(0.57)	(2.19)	(-0.67)	(0.29)	(-1.22)	(-0.08)
R&D to assets	-0.120	0.261**	0.462	1.133	0.655**	0.498*	-3.197**	1.040	0.630	-0.433
	(-0.88)	(2.16)	(0.32)	(1.59)	(2.14)	(1.89)	(-1.99)	(1.27)	(0.48)	(-0.36)
Reporting years	1	2-4	1	2-4	1	2-4	1	2-4	1	2-4
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Pseudo R^2	0.085	0.077	0.064	0.083	0.033	0.030	0.112	0.102	0.077	0.069
Number of firm-years	2215	6002	2186	5922	2215	6002	2330	6132	2041	5296

Table IA-6: Employee-Based Determinants of Firm Response

This table presents a fully tabulated version of Table 5 in the manuscript. All variables are defined in Appendix A of the manuscript.

PR Disclosure:	Total Words	Spin Words	Explain Words	Supplemental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)
Highest ratio quintile	0.086***	0.420***	0.136***	1.373***	-0.633***
	(6.51)	(4.67)	(5.02)	(16.19)	(-3.44)
Lowest ratio quintile	-0.076***	-0.123	-0.111***	-0.846***	0.378***
	(-5.99)	(-1.18)	(-3.65)	(-5.63)	(3.33)
Union indicator	0.005	-0.019	0.042*	-0.009	-0.072
	(0.43)	(-0.22)	(1.76)	(-0.12)	(-0.62)
College graduates	0.004***	-0.017**	0.017***	0.028***	-0.042***
	(3.61)	(-2.14)	(6.83)	(3.52)	(-3.41)
Wage theft	0.054***	0.298***	0.161***	0.103	0.087
	(3.07)	(2.94)	(4.50)	(0.94)	(0.41)
TSR	-0.025***	-0.002	-0.043***	-0.280***	0.024
	(-4.04)	(-0.09)	(-2.70)	(-2.85)	(0.70)
Size	0.016***	0.160***	0.003	-0.131***	-0.040
	(4.66)	(6.38)	(0.43)	(-4.95)	(-1.06)
Market-to-book	0.002	0.055***	0.010*	0.001	0.060**
	(0.86)	(3.79)	(1.73)	(0.05)	(2.52)
Return-on-assets	-0.128***	0.506**	-0.175***	0.534*	-0.463*
	(-3.19)	(2.31)	(-2.64)	(1.77)	(-1.94)
Inst. ownership	-0.001	0.052	0.003	-0.023	-0.523**
	(-0.04)	(1.13)	(0.09)	(-0.40)	(-2.42)
Cash to assets	0.055*	0.613**	0.133*	0.408	-0.784**
	(1.65)	(2.40)	(1.79)	(1.59)	(-2.04)
Leverage	-0.007	-0.378***	-0.063	-0.256*	-0.457*
	(-0.39)	(-3.17)	(-1.55)	(-1.82)	(-1.86)
Sales growth	0.014	-0.019	0.115***	0.060	-0.024
	(1.01)	(-0.16)	(3.82)	(0.39)	(-0.17)
R&D to assets	0.014	0.503	0.197	-0.510	-0.690
	(0.18)	(1.44)	(1.22)	(-0.67)	(-1.00)
Reporting years	1-4	1-4	1-4	1-4	1-4
Fixed effects	Ind×Year	Ind×Year	Ind×Year	Ind×Year	Ind×Year
Pseudo R^2	0.079	0.070	0.030	0.104	0.078
Number of firm-years	8632	8560	8632	8326	7723

Table IA-7: Firm Response and Employee Outcomes

This table presents a fully tabulated version of Table 6 in the manuscript. All variables are defined in Appendix A of the manuscript.

Panel A: Change in Employee Pay Rating					
PR Disclosure:	ΔEmployee Pay Rating				
	Total Words	Spin Words	Explain Words	Supplemental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)
PR Disclosure	-0.001	0.005	0.010*	-0.007	0.006
	(-0.07)	(1.17)	(1.80)	(-0.33)	(0.36)
Highest ratio quintile	-0.079***	-0.081***	-0.081***	-0.078***	-0.079***
	(-4.50)	(-4.57)	(-4.61)	(-4.36)	(-4.50)
Lowest ratio quintile	0.052***	0.053***	0.053***	0.052***	0.052***
	(2.71)	(2.72)	(2.76)	(2.70)	(2.70)
Y_{t-1}	-0.647***	-0.647***	-0.647***	-0.647***	-0.647***
	(-61.30)	(-61.32)	(-61.31)	(-61.30)	(-61.30)
Size	0.065***	0.064***	0.064***	0.064***	0.065***
	(12.90)	(12.80)	(12.89)	(12.88)	(12.93)
Market-to-book	0.015***	0.014***	0.014***	0.015***	0.015***
	(3.43)	(3.40)	(3.38)	(3.43)	(3.42)
Return-on-assets	0.115*	0.113*	0.117*	0.115*	0.115*
	(1.72)	(1.69)	(1.75)	(1.73)	(1.72)
Inst. ownership	0.042**	0.042**	0.043**	0.042**	0.043**
	(2.35)	(2.35)	(2.38)	(2.35)	(2.36)
Cash to assets	0.123**	0.122**	0.121**	0.124**	0.124**
	(2.45)	(2.43)	(2.40)	(2.46)	(2.46)
Leverage	-0.039	-0.038	-0.038	-0.039	-0.038
	(-1.42)	(-1.39)	(-1.39)	(-1.42)	(-1.41)
Sales growth	0.089***	0.089***	0.088***	0.089***	0.089***
	(3.81)	(3.81)	(3.75)	(3.81)	(3.81)
TSR	0.027**	0.027**	0.027**	0.027**	0.027**
	(2.41)	(2.41)	(2.45)	(2.41)	(2.41)
Union indicator	-0.015	-0.015	-0.015	-0.015	-0.015
	(-0.97)	(-0.96)	(-1.00)	(-0.97)	(-0.96)
R&D to assets	0.639***	0.636***	0.628***	0.639***	0.639***
	(4.86)	(4.84)	(4.77)	(4.86)	(4.86)
Reporting years	1-4	1-4	1-4	1-4	1-4
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adjusted R^2	0.345	0.346	0.346	0.346	0.346
Number of firm-years	7455	7455	7455	7455	7455

Table IA-7 (Continued)

Panel B: Change in Employee Productivity					
PR Disclosure:	ΔEmployee Productivity				
	Total Words	Spin Words	Explain Words	Supplemental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)
PR Disclosure	-0.006	-0.001	0.000	0.008	0.009
	(-0.68)	(-0.31)	(0.03)	(0.63)	(0.79)
Highest ratio quintile	-0.037***	-0.037***	-0.037***	-0.038***	-0.037***
	(-3.21)	(-3.22)	(-3.24)	(-3.30)	(-3.22)
Lowest ratio quintile	0.018	0.018	0.018	0.018	0.018
	(1.52)	(1.55)	(1.55)	(1.58)	(1.53)
Y_{t-1}	-0.083***	-0.083***	-0.083***	-0.083***	-0.083***
	(-15.78)	(-15.77)	(-15.76)	(-15.74)	(-15.78)
Size	0.017***	0.017***	0.017***	0.017***	0.017***
	(5.41)	(5.38)	(5.37)	(5.40)	(5.39)
Market-to-book	0.012***	0.012***	0.012***	0.012***	0.012***
	(4.92)	(4.92)	(4.91)	(4.91)	(4.91)
Return-on-assets	-0.422***	-0.421***	-0.422***	-0.423***	-0.422***
	(-11.16)	(-11.14)	(-11.15)	(-11.17)	(-11.16)
Inst. ownership	0.031**	0.031**	0.031**	0.031**	0.031**
	(2.18)	(2.18)	(2.18)	(2.18)	(2.20)
Cash to assets	-0.048	-0.048	-0.048	-0.049	-0.048
	(-1.53)	(-1.54)	(-1.55)	(-1.56)	(-1.53)
Leverage	0.058***	0.057***	0.058***	0.058***	0.058***
	(3.44)	(3.44)	(3.45)	(3.45)	(3.47)
Sales growth	-0.112***	-0.112***	-0.112***	-0.112***	-0.112***
	(-8.01)	(-8.02)	(-8.01)	(-8.02)	(-8.02)
TSR	0.017**	0.017**	0.017**	0.017**	0.017**
	(2.51)	(2.53)	(2.53)	(2.55)	(2.52)
Union indicator	-0.034***	-0.034***	-0.034***	-0.034***	-0.034***
	(-3.53)	(-3.54)	(-3.53)	(-3.53)	(-3.53)
R&D to assets	-0.390***	-0.391***	-0.391***	-0.391***	-0.391***
	(-5.16)	(-5.16)	(-5.17)	(-5.17)	(-5.16)
Fixed to total assets	-0.020	-0.020	-0.020	-0.020	-0.020
	(-0.80)	(-0.78)	(-0.78)	(-0.77)	(-0.77)
Reporting years	1-4	1-4	1-4	1-4	1-4
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adjusted R^2	0.114	0.114	0.114	0.114	0.114
Number of firm-years	7580	7580	7580	7580	7580

Table IA-7 (Continued)

Panel C: Change in CEO Disapproval					
PR Disclosure:	ΔCEO Disapproval				
	Total Words	Spin Words	Explain Words	Supplemental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)
PR Disclosure	0.006**	-0.000	0.001	0.007**	-0.002
	(2.46)	(-0.05)	(1.06)	(2.17)	(-0.51)
Highest ratio quintile	0.006**	0.007**	0.006**	0.005*	0.007**
	(1.97)	(2.14)	(2.07)	(1.67)	(2.13)
Lowest ratio quintile	0.001	0.000	0.001	0.001	0.001
	(0.28)	(0.14)	(0.17)	(0.24)	(0.15)
Y_{t-1}	-0.670***	-0.669***	-0.669***	-0.669***	-0.669***
	(-74.98)	(-74.92)	(-74.94)	(-74.96)	(-74.93)
Size	-0.002**	-0.002**	-0.002**	-0.002**	-0.002**
	(-2.52)	(-2.36)	(-2.39)	(-2.24)	(-2.39)
Market-to-book	-0.002**	-0.002**	-0.002**	-0.002**	-0.002**
	(-2.14)	(-2.11)	(-2.14)	(-2.10)	(-2.10)
Return-on-assets	-0.023**	-0.024**	-0.024**	-0.024**	-0.024**
	(-2.01)	(-2.09)	(-2.07)	(-2.12)	(-2.09)
Inst. ownership	-0.000	-0.000	-0.000	-0.000	-0.000
	(-0.10)	(-0.14)	(-0.13)	(-0.12)	(-0.14)
Cash to assets	0.002	0.002	0.002	0.002	0.002
	(0.19)	(0.25)	(0.22)	(0.19)	(0.23)
Leverage	0.000	-0.000	0.000	0.000	-0.000
	(0.00)	(-0.01)	(0.01)	(0.02)	(-0.02)
Sales growth	-0.013***	-0.013***	-0.013***	-0.013***	-0.013***
	(-3.15)	(-3.12)	(-3.15)	(-3.12)	(-3.12)
TSR	-0.002	-0.002	-0.002	-0.002	-0.002
	(-0.98)	(-1.06)	(-1.04)	(-1.01)	(-1.06)
Union indicator	0.007**	0.007**	0.007**	0.007**	0.007**
	(2.54)	(2.56)	(2.54)	(2.56)	(2.56)
R&D to assets	-0.004	-0.002	-0.003	-0.002	-0.002
	(-0.18)	(-0.10)	(-0.15)	(-0.10)	(-0.11)
Reporting years	1-4	1-4	1-4	1-4	1-4
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adjusted R^2	0.453	0.452	0.452	0.453	0.452
Number of firm-years	7542	7542	7542	7542	7542

Table IA-8. Full Sample Summary Statistics

This table presents full sample summary statistics for control variables in reporting year one (RY1). We report the mean, standard deviation (SD), 25th (bottom quartile), 50th (median), and 75th (top quartile) percentile values for each variable, which are defined in Appendix A of the manuscript.

	Mean	Standard deviation	Bottom quartile	Median	Top quartile
Size	8.0	1.8	6.8	7.9	9.0
Union indicator (%)	38.1	48.6	0.0	0.0	100.0
Market-to-book	1.8	2.0	0.8	1.3	2.1
Return-on-assets (%)	4.5	15.7	2.0	5.3	10.2
Institutional ownership (%)	75.7	25.1	65.3	81.7	92.2
R&D to assets (%)	3.7	12.3	0.0	0.0	2.3
Cash to assets (%)	15.6	19.8	2.6	7.3	20.1
Leverage (%)	24.8	24.6	4.3	21.1	37.4
Sales growth (%)	13.2	31.2	1.8	7.7	16.9
TSR (%)	18.5	46.2	-5.0	12.5	33.7

Table IA-9. Transition Matrix for Pay Ratio Quintiles

This table examines the stickiness of pay ratios. We present a transition matrix indicating the probability (stated as percent) of a firm remaining in the same pay ratio (PR) quintile in year t for pay ratios in the following reporting year (t+1).

		Reporting Year $_{t+1}$				
	PR Quintile	1	2	3	4	5
Reporting Year $_t$	1	78.5	15.6	4.1	0.7	1.1
	2	14.7	61.3	19.1	3.5	1.5
	3	4.3	17.7	57.8	17.2	3.1
	4	1.6	3.7	16.6	64.2	13.9
	5	1.0	1.4	2.9	13.4	81.3

Table IA-10. Supplemental Ratio Change

This table shows the mean and median change in value of the pay ratio measure when a firm provides a *supplemental pay ratio* in its narrative.

	Mean	Median	N
	(1)	(2)	(3)
Quintile 5 (highest ratio)	-45.4%	-58.2%	411
Quintile 4	-18.2%	-35.7%	175
Quintile 3	-6.1%	-29.9%	128
Quintile 2	+6.4%	-16.7%	85
Quintile 1 (lowest ratio)	+531.0%	+64.3%	61

Table IA-11. Summary of Pay Ratio Comment Letters Submitted to the SEC

This table reports information on the comment letters received by the SEC regarding the pay ratio rule. In Panel A, we summarize the number of letters received from each group (defined above) and the percentage whose comments are for, against, or are neutral with respect to the proposed Pay Ratio Disclosure rule. We also summarize the number of meetings between members of these groups and SEC staff or commissioners, categorized by the SEC division or the political affiliation of the commissioner. In Panel B, we provide examples of common arguments in comment letters partitioned by their support or opposition to the proposed rule, as well as the topics of comment discussions.

Panel A: Summary of SEC comment letters and meetings regarding the Pay Ratio Disclosure rule

		Comment Letters					**Meetings**	
Commenter Type	*Description*	*N*	*For (%)*	*Neutral (%)*	*Against (%)*		*N*	*SEC Division or Commissioner*
1. Private individual	Private investors, workers, individual union members	308,402	308,348 (>99%)	30 (<1%)	23 (<1%)		0	
2. Union	Union organizations, trusts or pensions	12	12 (100%)	0 (0%)	0 (0%)		1	Division of Corporation Finance
3. Lobbyist	Trade organizations, advocacy groups	39	14 (36%)	5 (13%)	20 (51%)		10	Commissioners Dem. (8), Rep. (2)
4. Investment professional	Investment manager, advisor, or lobbyist	40	37 (93%)	3 (8%)	0 (0%)		0	
5. Compensation consultant	Compensation consultants and attorneys	13	1 (8%)	7 (54%)	5 (38%)		0	
6. Corporate	Corporations, consultants, law firms	33	4 (12%)	14 (42%)	15 (45%)		2	Commissioners Dem. (0), Rep. (2)
7. Academics	Business and law scholars	10	5 (50%)	2 (20%)	3 (30%)		1	Division of Economic and Risk Analysis
8. Politicians	Congress members, federal and state officials	7	6 (86%)	0 (0%)	1 (14%)		0	
9. Other	Not related to pay ratio rule	5	n/a	n/a	n/a		0	
TOTAL		308,561	308,427 (99.96%)	61 (0.02%)	67 (0.02%)		14	

Table IA-11 (Continued)

Panel B: Excerpts of comments supporting and opposing the Pay Ratio Disclosure Rule
Comment-letter arguments *for* the Pay Ratio Disclosure rule
• "…CEO-to-worker pay ratio disclosure is valuable information for the investing public." • "…large pay disparities contribute to an unethical culture within corporations." • "…companies integrating best environmental, social, and governance practices into their strategy and operations will build long-term sustainable value for all stakeholders and provide higher risk-adjusted returns to shareholders." • "The proposed rule will promote capital formation as investors can more clearly see details of asset being purchased…" • "High pay disparities inside a company can be detrimental to employee motivation and productivity, increase turnover and have a negative impact on a company's overall performance."
Comment-letter arguments *against* the Pay Ratio Disclosure rule
• "Our cost of compliance will be significant." • "…we do not believe that the proposed pay ratio rules will provide investors with useful or accurate information" • "The Pay Ratio provides a highly misleading and potentially harmful disclosure which contradicts the goals of the federal securities laws." • "The only argument I can foresee to disclose pay ratio is to provide some kind of public embarrassment to firms that have high ratios of CEO pay to median employee pay."
Common topics in comment letters on the Pay Ratio Disclosure rule
• Whether the pay ratio should be 'filed' or 'furnished'; furnished disclosures have lower levels of liability under the Securities Act • Whether certain employees, such as foreign, seasonal, part-time, should be included in the ratio • Whether firms should have discretion in choosing date to determine median employee • Whether to provide additional data: total enterprise pay, number of full- and part-time and foreign employees, pay ratio for subsidiaries • Whether statistical sampling should be permitted • Which firms should be required to provide the Pay Ratio (e.g., should smaller firms be exempt from the disclosure)

Table IA-12. Media Coverage Likelihood and Pay Ratio Distributions

This table displays the average percentage of firms that receive media coverage on the pay ratio, after segregating the sample into deciles, quintiles, quartiles, and terciles based on the pay ratio. Additionally, we compute the disparity between the topmost category and the one immediately below it.

	Likelihood of Media Coverage (percent)			
Category	Decile	Quintile	Quartile	Tercile
1	3.1	2.2	2.0	2.1
2	1.2	1.8	2.6	3.8
3	2.0	4.0	5.8	13.4
4	1.6	7.0	15.2	
5	3.7	17.2		
6	4.3			
7	5.8			
8	8.1			
9	12.3			
10	22.1			
Difference between highest two categories	9.8	10.2	9.4	9.7

Table IA-13. Robustness of Quintile Approach for Main Tests

This table reports tests of the main employee (*employee pay rating*, *employee productivity*, *CEO disapproval*) and firm response (*total words*, *spin words*, *explain words*, *supplemental ratios*, *tout words*) using alternative approaches to proxy for pay ratio contrast. In this table, we estimate regressions for all four reporting years (RY1-4) and partition firms based on their pay ratio into deciles (Panel A), quintiles (Panel B), quartiles (Panel C), and terciles (Panel D). For each of these partitions, we report the coefficient on the highest and lowest group (i.e., the ones with the greatest contrast). We also report results using the log transformed value of the CEO pay ratio as a continuous measure (Panel E). All regressions include industry times year (Ind×Yr) fixed effects.***, **, and * denote significance at the 1%, 5% and 10% level, respectively. We define variables in Appendix A of the manuscript.

Panel A. Decile Approach

	Δ Employee pay rating	Δ Employee productivity	Δ CEO disapproval	Total Words	Spin Words	Explain Words	Supple-Mental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Highest ratio decile	-0.082***	-0.045***	0.008**	0.103***	0.534***	0.191***	1.282***	-0.706***
	(-3.77)	(-3.20)	(2.10)	(6.29)	(6.26)	(6.07)	(15.21)	(-2.81)
Lowest ratio decile	0.064**	0.010	0.001	-0.082***	-0.193	-0.217***	-0.617***	0.301**
	(2.50)	(0.69)	(0.17)	(-5.14)	(-1.38)	(-5.61)	(-3.41)	(2.19)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adj. (Psuedo) R^2	0.343	0.106	0.452	0.075	0.066	0.028	0.085	0.074
N (firm-years)	7455	7580	7542	8771	8697	8771	8462	7887

Panel B. Quintile Approach

	Δ Employee pay rating	Δ Employee productivity	Δ CEO disapproval	Total Words	Spin Words	Explain Words	Supple-Mental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Highest ratio quintile	-0.081***	-0.036***	0.007**	0.086***	0.465***	0.134***	1.367***	-0.623***
	(-4.62)	(-3.16)	(2.24)	(6.66)	(5.34)	(4.98)	(16.16)	(-3.53)
Lowest ratio quintile	0.055***	0.016	-0.000	-0.074***	-0.100	-0.104***	-0.854***	0.371***
	(2.86)	(1.36)	(-0.02)	(-5.85)	(-0.97)	(-3.42)	(-5.67)	(3.31)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adj. (Psuedo) R^2	0.344	0.106	0.452	0.076	0.066	0.027	0.103	0.076
N (firm-years)	7455	7580	7542	8771	8697	8771	8462	7887

Table IA-13 (Continued)

Panel C. Quartile Approach

	Δ Employee pay rating	Δ Employee productivity	Δ CEO disapproval	Total Words	Spin Words	Explain Words	Supple-Mental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Highest ratio quartile	-0.072***	-0.038***	0.007**	0.075***	0.569***	0.102***	1.279***	-0.589***
	(-4.31)	(-3.44)	(2.36)	(6.08)	(6.40)	(3.92)	(15.14)	(-3.68)
Lowest ratio quartile	0.065***	0.016	-0.002	-0.061***	-0.042	-0.089***	-0.679***	0.231**
	(3.60)	(1.44)	(-0.51)	(-5.07)	(-0.43)	(-3.15)	(-5.12)	(2.14)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adj. (Psuedo) R^2	0.344	0.106	0.452	0.075	0.070	0.027	0.099	0.075
N (firm-years)	7455	7580	7542	8771	8697	8771	8462	7887

Panel D. Tercile Approach

	Δ Employee pay rating	Δ Employee productivity	Δ CEO disapproval	Total Words	Spin Words	Explain Words	Supple-Mental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Highest ratio quartile	-0.065***	-0.038***	0.004	0.063***	0.536***	0.040	1.143***	-0.215
	(-4.00)	(-3.55)	(1.58)	(5.33)	(5.79)	(1.58)	(12.71)	(-1.58)
Lowest ratio quartile	0.070***	0.010	-0.004	-0.052***	0.072	-0.076***	-0.627***	0.239**
	(4.11)	(0.93)	(-1.20)	(-4.36)	(0.76)	(-2.83)	(-4.98)	(2.16)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adj. (Psuedo) R^2	0.344	0.106	0.452	0.075	0.068	0.026	0.097	0.073
N (firm-years)	7455	7580	7542	8771	8697	8771	8462	7887

Table IA-13 (Continued)

Panel E. Continuous Approach								
	Δ Employee pay rating	Δ Employee productivity	Δ CEO disapproval	Total Words	Spin Words	Explain Words	Supple-Mental Ratios	Tout Words
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln(pay ratio)	-0.042***	-0.017***	0.002**	0.045***	0.250***	0.078***	0.701***	-0.145***
	(-6.39)	(-3.84)	(2.02)	(7.70)	(6.89)	(6.27)	(18.15)	(-4.67)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr	Ind×Yr
Adj. (Psuedo) R^2	0.346	0.107	0.452	0.078	0.070	0.028	0.109	0.074
N (firm-years)	7438	7560	7523	8742	8668	8742	8433	7858

Table IA-14: Firm Response to Pay Ratio Using Indicator Variables

This table presents analysis of firms' disclosure response to the CEO pay ratio, where the outcome variables are a *spin indicator*, *explain indicator, supplemental ratio indicator*, and *tout indicator*. The *spin indicator* equals 1 if the pay ratio disclosure contains at least one word from the spin dictionary, and otherwise 0. The *explain indicator* equals 1 if the pay ratio disclosure contains at least one word from the explain dictionary, and otherwise 0. *Supplemental ratio indicator* equals 1if the firm provides a supplemental pay ratio in the narrative and otherwise 0. The *tout indicator* equals 1 if the pay ratio disclosure contains at least one word from the tout dictionary, and otherwise 0. Panel A use quintiles to measure firm responses based on the contrast of the reported pay ratio. We estimate Eq. (4) using Ordinary Least Squares and report the coefficients on the *highest ratio quintile* (quintile 5) and *lowest ratio quintile* (quintile 1). We push quintiles 2, 3, and 4 into the intercept, thus the coefficients on the highest and lowest ratio quintiles are relative to those firms in the middle 60% of the ratio values each year. Panel B examines the firm response based on the surprise of the pay ratio disclosure by partitioning the reported value into the log transformed value of the unexpected and expected components of the ratio using Eqs. (1a) and (1b). In the odd columns, we examine reporting year one (RY1) of pay ratio disclosure with industry (Ind) fixed effects using the Fama-French 49 industries. In the even columns, we test reporting years two through four (RY2-4) with industry times year (Ind×Yr) fixed effects. All regressions include control variables specified in Eq. (4). *t*-statistics are reported in parentheses based on robust standard errors. ***, **, and * denote statistical significance at the 1%, 5% and 10% level, respectively. We define variables in Appendix A of the manuscript.

Panel A: Contrast of Pay Ratio Quintiles and Narrative

	Spin Indicator		Explain Indicator		Supplemental Ratio Indicator		Tout Indicator	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Highest ratio quintile	0.099***	0.109***	0.049*	0.070***	0.192***	0.175***	-0.017	-0.016*
	(3.96)	(7.19)	(1.73)	(4.01)	(10.17)	(16.51)	(-1.13)	(-1.77)
Lowest ratio quintile	0.009	0.003	-0.111***	-0.034**	-0.083***	-0.040***	0.030**	0.026***
	(0.37)	(0.23)	(-3.94)	(-2.01)	(-4.40)	(-3.81)	(2.02)	(2.99)
Reporting years	1	2-4	1	2-4	1	2-4	1	2-4
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Adjusted R^2	0.015	0.027	0.037	0.028	0.072	0.060	0.022	0.020
Number of firm-years	2401	6370	2401	6370	2401	6370	2401	6370

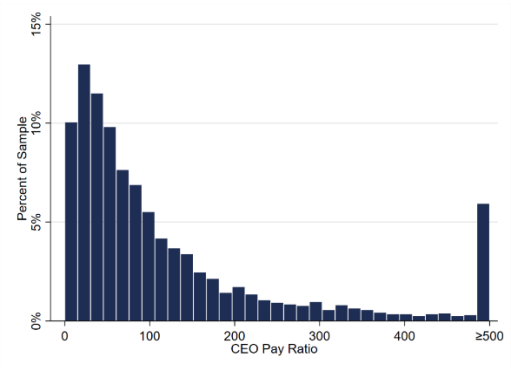
Table IA-14 (Continued)

Panel B: Surprise Versus Pay Ratio Expectations and Narrative								
	Spin Indicator		Explain Indicator		Supplemental Ratio Indicator		Tout Indicator	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln(Unexpected ratio)	0.038***	0.041***	0.045***	0.035***	0.090***	0.067***	-0.011*	-0.015***
	(3.67)	(6.24)	(3.85)	(4.65)	(11.67)	(14.69)	(-1.84)	(-3.91)
Ln(Expected ratio)	0.073**	0.076***	0.038	-0.008	0.083***	0.056***	0.007	0.017
	(2.09)	(3.43)	(0.95)	(-0.30)	(3.16)	(3.63)	(0.35)	(1.31)
Reporting years	1	2-4	1	2-4	1	2-4	1	2-4
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fixed effects	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr	Ind	Ind×Yr
Adjusted R^2	0.020	0.030	0.041	0.029	0.083	0.052	0.012	0.014
Number of firm-years	2215	6002	2215	6002	2215	6002	2215	6002

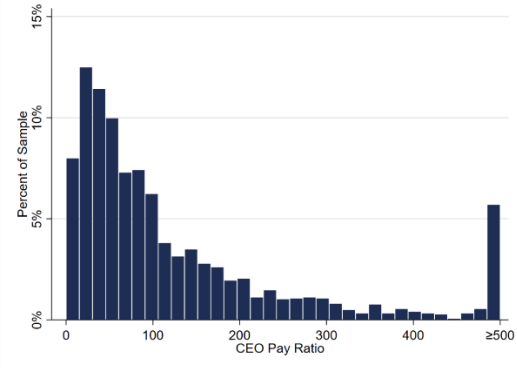
Figure IA-1. Pay Ratio Histograms by Reporting Year

This figure plots the distribution of CEO pay ratios for reporting year one (RY1) through reporting year four (RY4). Pay ratios greater than 500-to-1 are winsorized at this value in all panels.

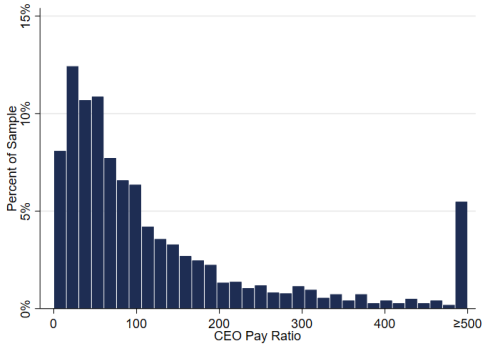
Panel A. Pay Ratio RY1



Panel B: Pay Ratio RY2



Panel C. Pay Ratio RY3



Panel D. Pay Ratio RY4

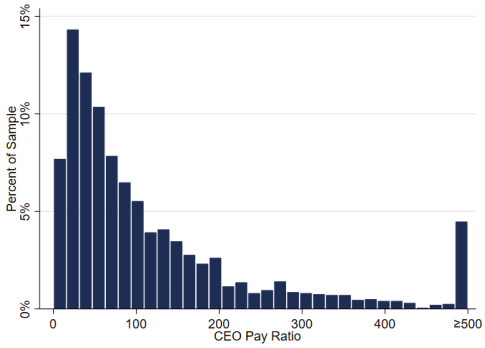
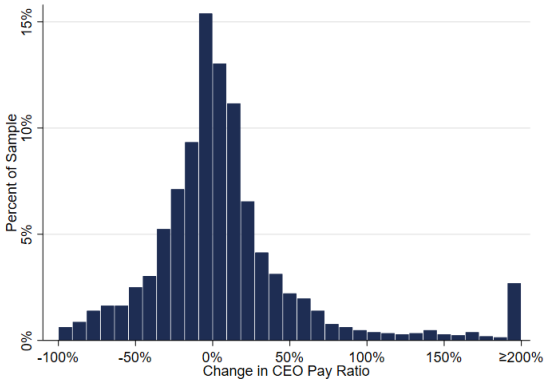


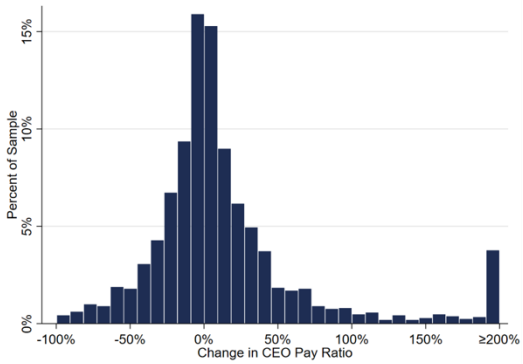
Figure IA-2. Yearly Changes in the CEO Pay Ratio

This figure displays the distribution of the yearly change in the CEO pay ratios in each reporting year (RY). Values that change more than 200% are winsorized at this value for the graph.

Panel A. Change from RY1 to RY2



Panel B. Change from RY2 to RY3



Panel C. Change from RY3 to RY4

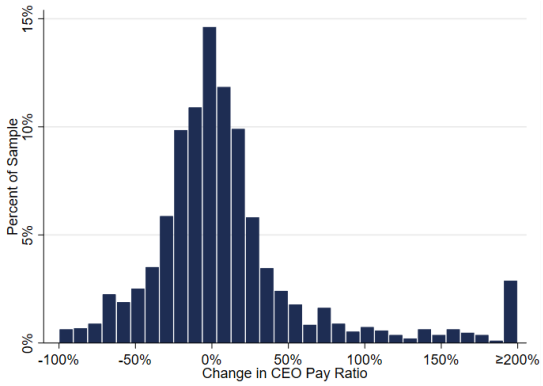
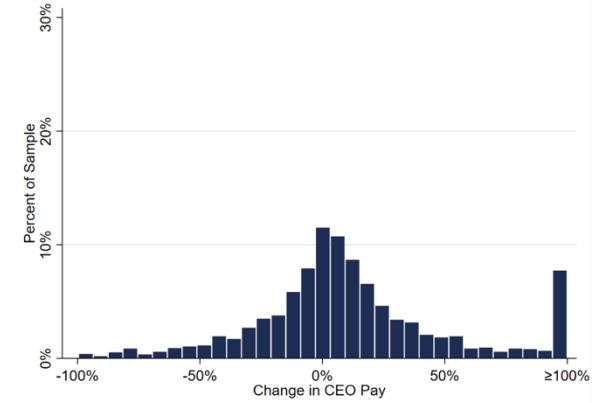


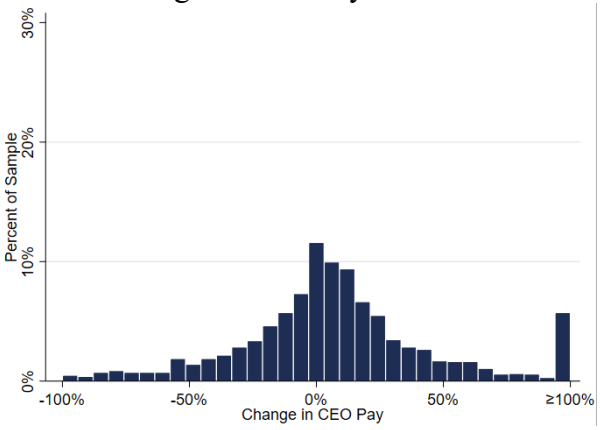
Figure IA-3. Yearly Changes in CEO and Median Employee Pay

This figure plots the yearly change in CEO pay (Panels A-C) and median employee pay (Panel D-F) in each reporting year (RY). Values that change more than 100% are winsorized at this value for these graphs.

Panel A. Change in CEO Pay from RY1 to RY2



Panel B. Change in CEO Pay from RY2 to RY3



Panel C. Change in CEO Pay from RY3 to RY4

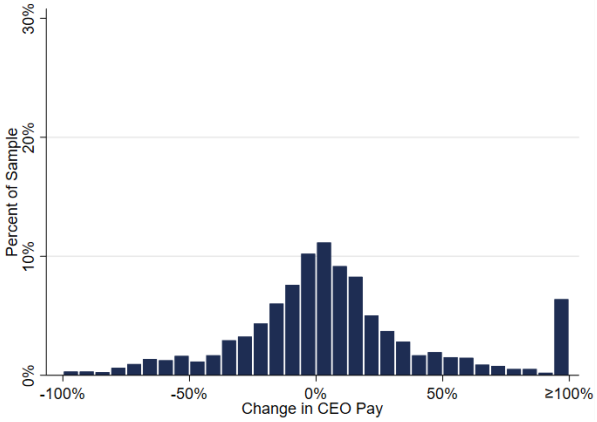
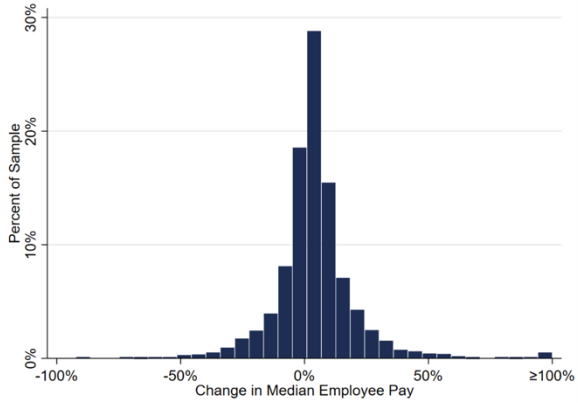
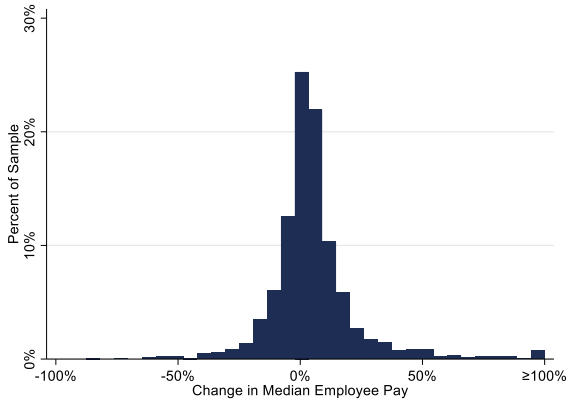


Figure IA-3 (Continued)

Panel D. Change in Median Employee Pay from RY1 to RY2



Panel E. Change in Median Employee Pay from RY2 to RY3



Panel F. Change in Median Employee Pay from RY3 to RY4

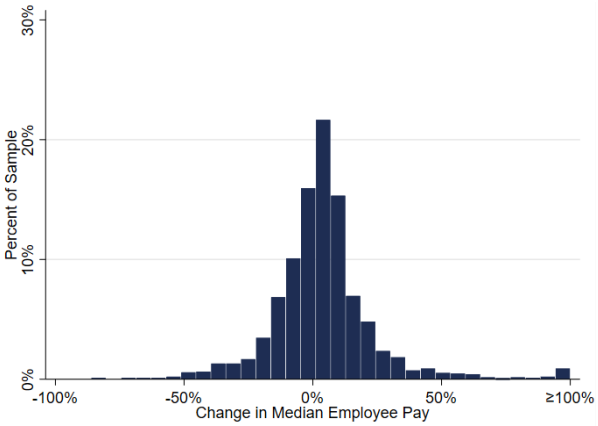
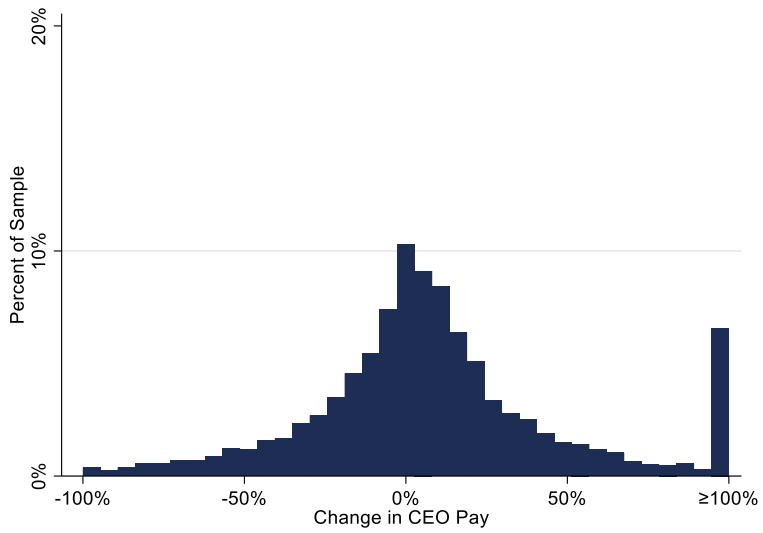
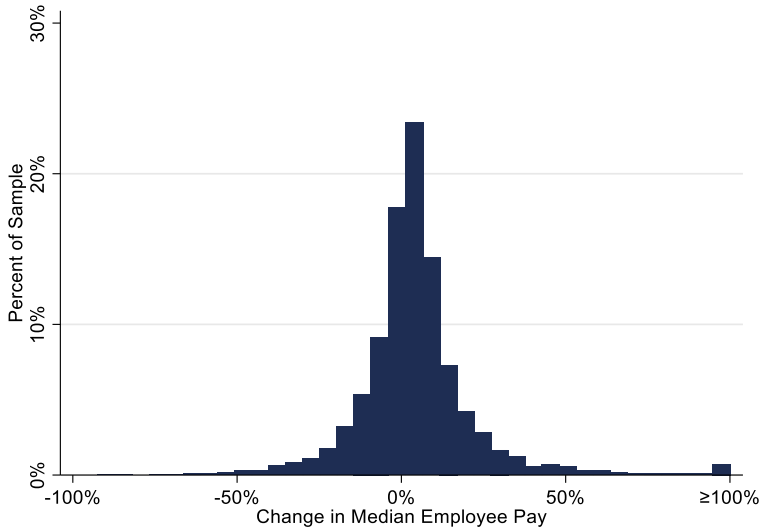


Figure IA-4. Change in CEO and Median Employee Pay

This figure plots the average year-over-year change in CEO pay (Panel A) and median employee pay (Panel B) throughout the entire sample of. Values that change more than 100% are winsorized at this value for these graphs.

Panel A. Average Annual Change in CEO Pay



Panel B. Average Annual Change in Median Employee Pay