The world's largest scientific society is committed to providing its members and the general public with information about the compensation paid to its top employees.

ACS is a not-for-profit organization, and as such is required to file an informational return, called the "Form 990," with the Internal Revenue Service. Included on the Form 990 is compensation paid to "officers and key employees" of the Society as well as to the five-highest compensated employees other than officers and key employees. A public disclosure copy of the ACS 2012 Form 990 is available on the ACS public website, with compensation information included in Schedule J of the Form 990. The information below is provided as additional explanation regarding the compensation reported on Schedule J.

The information reported on Schedule J of the ACS 2012 Form 990, reflects the fact that ACS is a large and complex organization. The Society's total revenues in 2012 were $497.2 million. ACS has a membership of more than 163,000 chemists and chemical engineers, more than 2,000 employees, and assets of $1.2 billion. In addition to the Society's broad array of member programs, the ACS Publications Division and Chemical Abstracts Service are the leading providers of the highest quality chemical information to the worldwide scientific and engineering communities.

The ACS Board of Directors determines the salaries and performance compensation (incentive pay) of Society officers and reviews and approves recommendations from the Executive Director & CEO for salaries and performance compensation of other senior management employees. The Society's executive compensation programs are designed, administered, and monitored to:

- Ensure competitiveness, equity, and fairness.
- Attract and retain qualified staff.
- Support the continued success of ACS.

Total cash compensation for ACS's executive positions is benchmarked using published survey data against executive positions in comparable for-profit and not-for-profit organizations, including membership organizations. These positions have been benchmarked nine separate times, by independent compensation consulting firms (i.e., KPMG, Quatt Associates, Aon Consulting, William M. Mercer, Inc., and Towers Perrin), most recently in 2010. The Society's goal is to make sure it neither leads the market nor lags behind it; the benchmarking of ACS salaries using independent data ensures the Society is competitive in attracting and retaining outstanding executives. The data from the most recent executive compensation study continues to show that ACS executive compensation is at an appropriate, competitive level.

Consistent with the IRS instructions, the following explains the compensation information reported in various columns of Schedule J of the 2012 Form 990:

**Part I** asks general questions regarding compensation practices and the Society answered these questions according to its current practices in 2012. Required supplemental information related to tax indemnification and gross-up payments, health club reimbursements, social club dues, and a supplemental nonqualified retirement plan is disclosed in Part III of Schedule J.

**Part II** provides information for each of the ACS 2012 officers, key employees, and five highest compensated employees whose total annual compensation is greater than $150,000 and whose names are listed on Form 990, Part VII, Section A, line 1a.
Column A lists the names and titles of the persons who must be listed in Part II of Schedule J.

Column B includes the breakdown of reportable compensation as reported in Box 5 of the listed person’s IRS Form W-2 for 2012. Schedule J requires that total W-2 wages be broken out into its component parts. These include base compensation, bonus & incentive compensation, and other reportable compensation. Base compensation includes the base salary; fees paid for contractual services performed by an employee who retired during the year; and paid leave less pretax deductions such as employee contributions to flexible spending accounts, health insurance plan premiums, dental benefit plan premiums, vision benefit plan premiums, and employee parking. Bonus & incentive compensation includes bonuses and incentive compensation paid. Other reportable compensation includes health club dues reimbursements; tax indemnification and gross-up payments; life insurance premiums, which represents the imputed cost of coverage for life insurance provided by ACS in excess of $50,000; and amounts actually paid to the individual under the ACS Supplemental Executive Retirement Plan (SERP) in 2012. ACS set up a SERP to provide retirement benefits that are lost on the portion of the executive’s annual compensation that exceeds the dollar limits imposed by the Internal Revenue Service. Specifically, Internal Revenue Code (IRC) Section 401(a)(17) limits annual pensionable earnings to $250,000 for 2012. Thus, the SERP is designed to restore, over the participant’s career, the full accrued pension benefit that, without the IRS limits, would be payable from the pension plan. The amount actually paid to the individual under the SERP reflects the benefits that have previously accrued. If a participant voluntarily terminates employment prior to his or her first vesting date, the participant’s entire benefit under the SERP is forfeited. SERP interests are subject to the claims of bankruptcy creditors. ACS retains the right to amend or terminate the SERP at any time.

NOTE: The salary increases and incentive payments for the Executive Director & CEO, officers, top management officials, and key employees in 2012 were based on the 2011 performance year and were reviewed and approved by the Committee on Executive Compensation and the ACS Board of Directors. The Committee and Board voted on these increases and incentives which were documented in the minutes from the Committee and Board meetings. The salary increase and incentive payment for the Executive Director & CEO were also reviewed by the Executive Director’s Performance Planning, Evaluation, and Compensation Subcommittee. The written performance reviews and related documentation were provided to the Committee members and the ACS Board of Directors. Salary increases for 2012 for ACS executives were processed at the end of the first quarter 2013.

Column C includes amounts accrued to the individual under the ACS qualified defined contribution retirement plan; amounts accrued to the individual under the ACS Employee Savings Plan; and amounts actually accrued to the individual under the ACS Supplemental Executive Retirement Plan (SERP) in 2012.

Column D Nontaxable benefits includes ACS contributions for health, dental, vision, and life insurance premiums; disability insurance premiums; and postretirement health coverage.

As described above, “total compensation” is comprised of many categories, including such items as incentive pay, insurance benefits, and pension and retirement benefits. Thus, an executive’s total compensation is typically greater than his or her base salary, and the total varies from year to year.

We appreciate your interest in seeking accurate information on this important topic. Your questions or comments about this information can be directed to the ACS Executive Director & CEO or to the Chair, ACS Board of Directors.