MERIDIAN

COMPENSATION PARTNERS, LLC

2020 Corporate Governance & Incentive Design Survey • Fall 2020

Contents

Executive Summary

As companies assess their executive compensation program designs and related corporate governance policies, a review of current market practices and recent trends will aid in understanding emerging standards and facilitating productive boardroom discussions.

The impact of COVID-19 on executive compensation programs is just starting to take shape, with critical public disclosures of most Compensation Committee decisions not likely to occur until proxies are filed in early 2021.

Meridian's 2020 Corporate Governance & Incentive Design Survey presents our findings on a variety of executive compensation and corporate governance topics of interest to companies today. Results are specific to 200 large publicly traded companies across a variety of industries (the "Meridian 200") with median revenues and market capitalization of $17.9B and $30.9B, respectively. This group provides a representative sample of the S&P 500.

All information was obtained from the most recent publicly disclosed documents. We have conducted a similar analysis annually since 2011, with minimal changes to the companies sampled (over 96% of companies used in 2020 were also surveyed in 2019). See Profile of Survey Companies for more information.

Highlights of Meridian's 2020 Corporate Governance & Incentive Design Survey include:

Governance Practices

- *Corporate Responsibility.* 64% of the Meridian 200 disclose internal tracking of long-term sustainability or climate change goals. Additionally, 76% of the Meridian 200 reference a Corporate Responsibility Report in their most recent proxy.

- *Board Diversity.* Fully 94% of Meridian 200 companies directly address current board member diversity (i.e., ethnicity or gender) in their proxy filing, up from 87% in 2019. All Meridian 200 companies have at least one female board member, with just over one-half (51%) disclosing more than 30% female board members representation. Details on ethnicity and other diversity representation on boards are just starting to appear in some public filings.

- *Skill Matrix.* 70% of the Meridian 200 companies include a skill matrix in their proxy statement detailing outside directors' key areas of expertise.

- *Mandatory Retirement Age.* 70% of the Meridian 200 companies disclose a mandatory age policy for board members. Since 2015, the mandatory retirement age of 75 has increased in prevalence from 25% to 38%, while the mandatory retirement age of 72 has decreased in prevalence from 57% to 45%.

- *Independent Board Chair.* 53% of the Meridian 200 companies separate the Board Chair (CoB) and CEO role. Of those companies that separate the roles, a strong majority (73%) elect an independent director as CoB, but a recent trend toward Executive Chairs has also emerged.

Proxy Disclosures

- *COVID-19 Disclosure.* While the majority of Meridian 200 companies filed their proxies prior to or during the early stages of the COVID-19 outbreak and therefore did not disclose any significant compensation actions taken in response to the pandemic. However, 14% of companies (primarily late filers) discussed COVID-19 in the context of executive and/or director compensation. The most prevalent disclosed action taken was to reduce base salary of one or more NEOs (41%).

- *Compensation-Related Shareholder Proposals.* Only 9% of Meridian 200 companies' 2020 proxies included one or more compensation-related shareholder proposals. Of these proposals, the most prevalent related to gender pay gap (22%) and employee diversity/pay or human capital policies (22%).

- *Shareholder Outreach.* 85% of Meridian 200 companies disclosed shareholder outreach efforts, with almost one-half (42%) providing specific detail on feedback received, number of major institutional investors that were contacted and/or actions taken.

Continued Highlights of Meridian's 2020 Corporate Governance & Incentive Design Survey include:

Annual Incentive Design Practices

- The most prevalent performance metrics continue to be Operating Income, Revenue, Cash Flow and Earnings per Share (EPS).
- Use of EVA continues to be a small minority practice (2%).
  - In 2020, ISS replaced GAAP financial metrics with EVA to determine the quantitative test "modifier" (i.e., Financial Performance Assessment). Meridian has not observed an increase in the use of EVA in executive incentive plans because of the ISS change.
- 17% of the Meridian 200 include ESG metrics as a weighted corporate performance metric in their annual incentive plans, and we expect that number to grow.
  - For purposes of this survey, ESG includes safety, environmental and diversity & inclusion metrics but does not include operational metrics such as customer satisfaction.
- As economic uncertainty continues, we are likely to see some companies consider changes to 2021 annual incentives, including the addition of non-financial measures and incorporating the use of informed discretion.

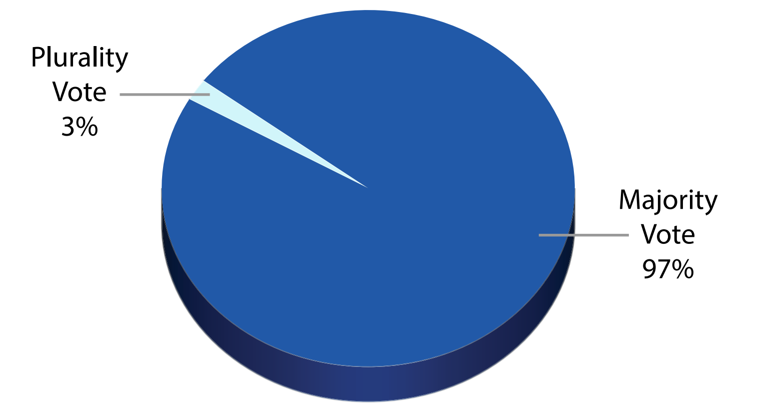
Long-Term Incentive Plan Design and Vehicle Mix Practices

- 97% of Meridian 200 companies grant performance-based vehicles as part of their long-term incentive plans (most often Performance Share Units or PSUs), with cumulative performance measurement (typically 3 years) continuing to be most prevalent (88%).
- The 2020 average mix of LTI awards for CEOs changed little from 2019, with the majority of LTI mix comprised of performance-based full value shares/units (61%) and the remainder of the LTI mix comprised of service-vesting full value shares (21%) and stock options (18%).
- Relative Total Shareholder Return (rTSR) continues to be the most prevalent (70%) metric in performance-based LTI plans with a trend toward increased use as a payout modifier (27% prevalence) vs. a weighted component (75% prevalence).
  - In light of ongoing economic uncertainty caused by COVID-19, rTSR (and other relative metrics) may have a more prominent role in 2021 PSU designs as companies become frustrated with the effectiveness of multi-year financial goals. We may also see temporary shifts in equity award mix (with decreasing emphasis on performance-based awards) as well as alternative structures with shorter performance periods as companies face heightened goal setting challenges.

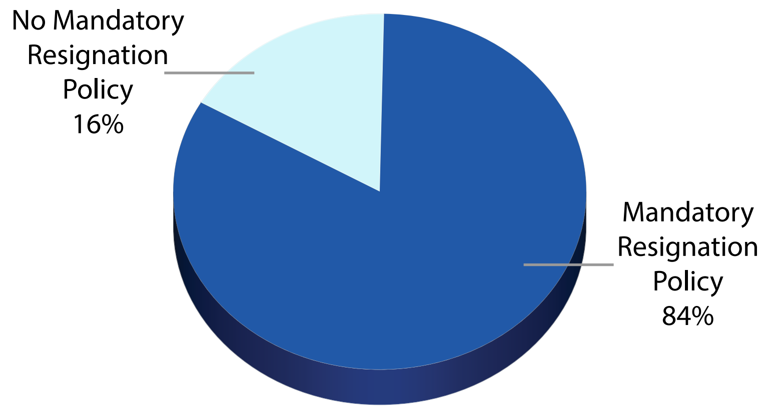
Corporate Governance Practices

Board Structure

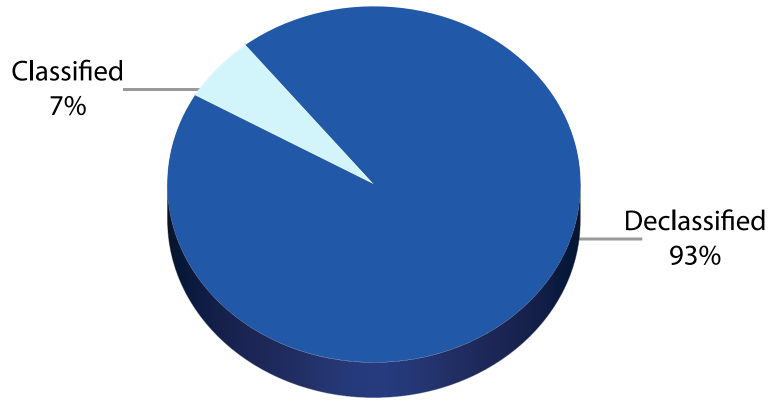
What voting standard does the company employ for uncontested director elections?



Is there a mandatory resignation policy in place if a director fails to receive majority shareholder support?
(Results exclude companies that employ a plurality voting standard.)

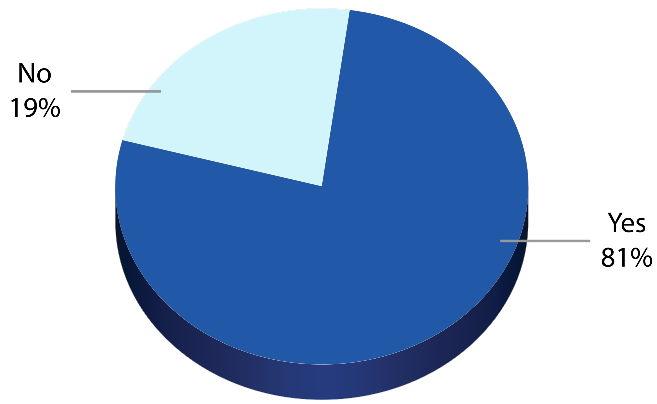


Is the board's structure classified (i.e., director terms are staggered)?



Proxy Access

Does the company disclose the adoption of a proxy access bylaw?



Meridian Comment

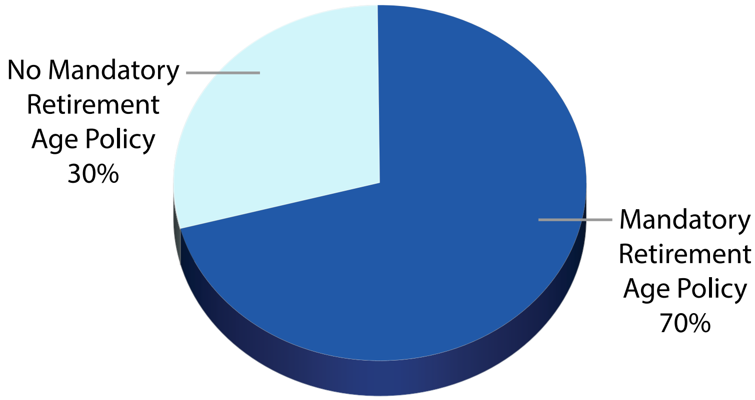
Among the Meridian 200, we observe a continuing trend toward corporate governance practices favored by shareholders. Most companies in the Meridian 200 include a majority voting standard for director elections, a mandatory resignation policy if directors fail to receive majority support, a declassified board structure and proxy access bylaws.

Since we began conducting the survey in 2011, employing a majority voting standard has increased approximately 20 percentage points to become an almost universal practice (97% prevalence). Over the same period, the percent of companies employing a declassified board structure has risen over 25 percentage points (93% prevalence), largely driven by shareholder advocacy of annual director elections for purposes of accountability and responsiveness.

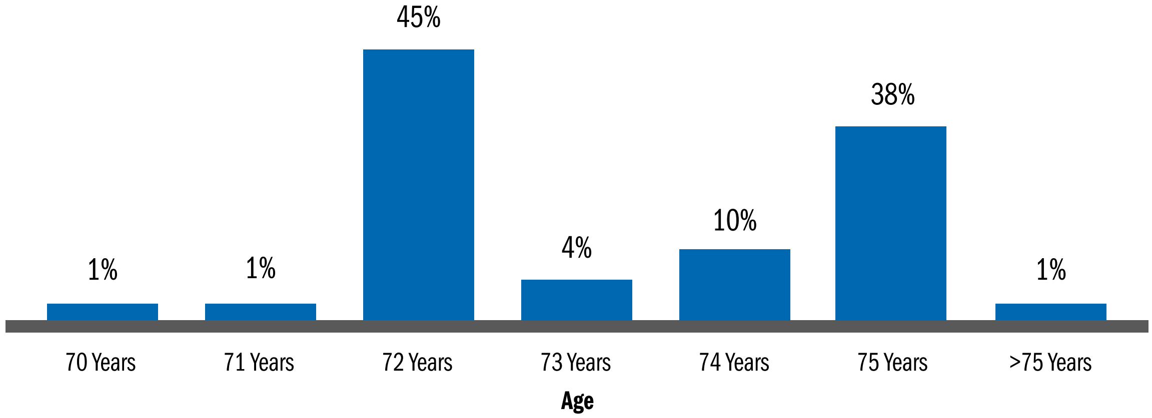
Proxy access has gained traction among large cap companies since 2015, largely driven by shareholder-led initiatives like phase one of The New York City Pension Fund's "Boardroom Accountability Project". Proxy access allows shareholders to place alternative board candidates on management's ballot (rather than solicit proxies through a proxy contest, which can be expensive). The majority (81%) of Meridian 200 companies have adopted proxy access bylaws and this number continues to increase year-over-year (77% in 2019). Most bylaws require a shareholder to own more than 3% of a company's shares for at least three years to nominate directors. Institutional shareholders, including activists, strongly support proxy access bylaws, since proxy access is viewed as another tool to influence board decisions.

Mandatory Retirement Age Policies for Board Members

Does the company disclose a mandatory retirement age policy for directors?
(I.e., an age at which directors cannot stand for re-election at the next annual meeting.)

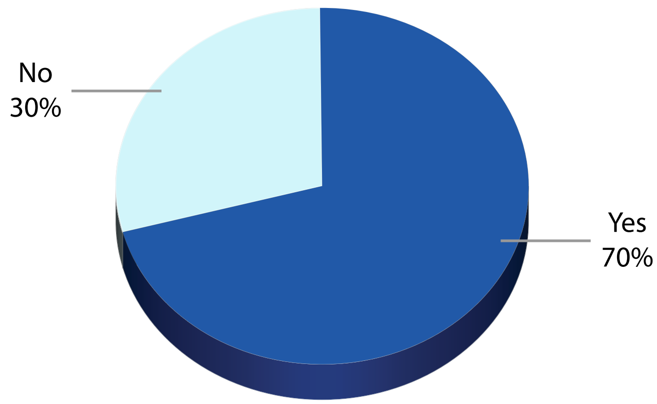


At what age do companies prohibit a director from standing for re-election?
(Results only include companies with a mandatory retirement age policy.)



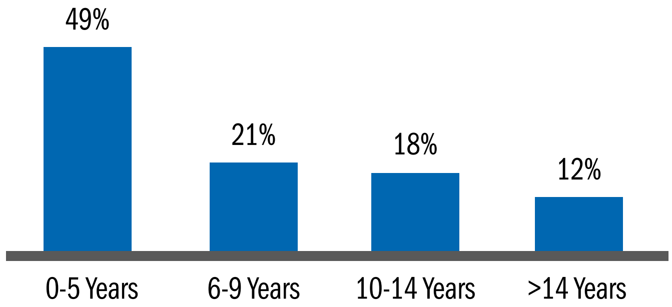
Director Skill Matrix

Does the company disclose a skill matrix for outside directors?

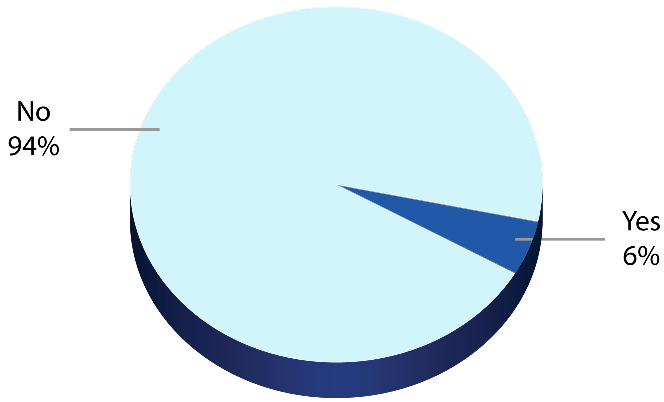


Director Tenure

What is the tenure of Meridian 200 independent directors?



Does the company disclose mandatory term limits for directors?



Meridian Comment

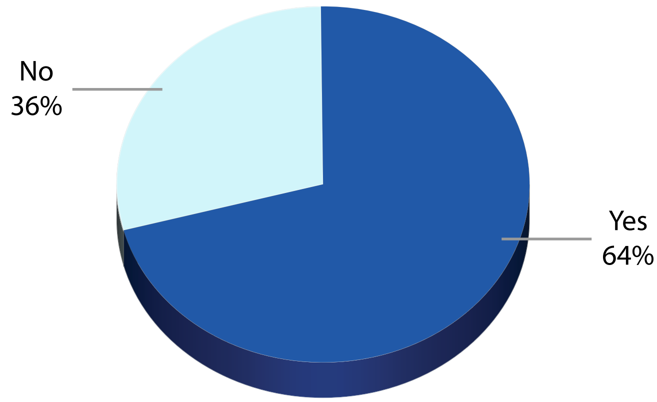
A majority (70%) of the Meridian 200 disclose a mandatory retirement age policy for board members, and the disclosure of a formal policy continues to increase in prevalence. Of the companies with mandatory retirement age policies, nearly all define the retirement age between 72 and 75, and we have observed a gradual shift to the higher end of this age range in recent years. Policies defining the retirement age at 72 continue to decrease in prevalence (down 7 percentage points over the past 3 years), while policies defining the retirement age at 75 continue to increase in prevalence (up 9 percentage points over the past 3 years).

Even as retirement ages creep up, board "refreshment," including related diversity objectives, continues to be a very high priority topic and nearly one-half (49%) of Meridian 200 directors have served on their respective boards for five years or less. In addition, less than one-third (30%) of Meridian 200 directors have served on the board for 10 or more years, down 6 percentage points in the past three years. However, only a small minority of Meridian 200 companies (6%) have gone as far as to implement mandatory term limits for directors as a way to facilitate board refreshment.

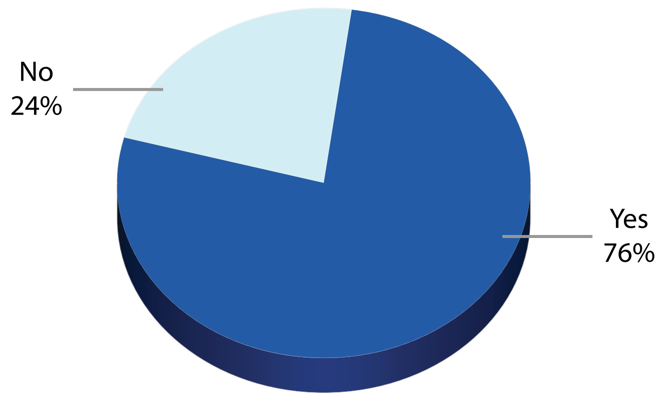
A strong majority (70%) of the Meridian 200 include a skill matrix in their proxy statement detailing outside directors' key areas of expertise. The prevalence of director skill matrix disclosures is unchanged from 2019.

Corporate Responsibility

Does the Company provide disclosure on its progress or internal tracking of sustainability and/or climate change goals in the governance section of the proxy (outside of the CD&A)?



Does the Company publish a Corporate Social Responsibility (CSR) Report and reference the report in the proxy statement?



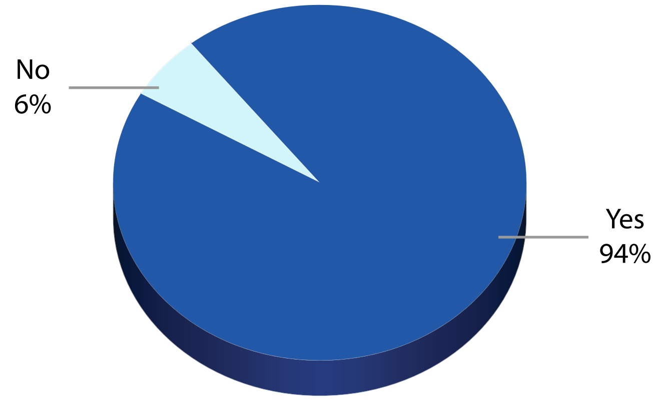
Meridian Comment

Corporate Responsibility and how companies manage environmental and sustainability risks has become an area of increased focus for shareholders and proxy advisory firms. While internal attention to these matters is not new, companies have ramped up disclosure in recent years. Approximately two-thirds (64%) of the Meridian 200 currently disclose internal tracking of long-term sustainability or climate change goals. While this is the first year Meridian is reporting these goals, we anticipate the prevalence of this disclosure to increase dramatically in future years, due to institutional shareholder and societal pressures.

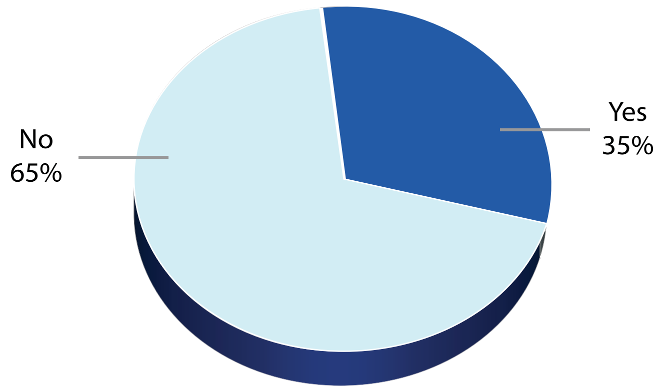
In addition, over three-fourths (76%) of the Meridian 200 reference a separate annual Corporate Responsibility Report in the proxy statement. These reports generally address previous achievements and future milestone goals towards long-term sustainability, environmental and climate change initiatives, as well as company actions to address diversity and an inclusive culture.

Diversity

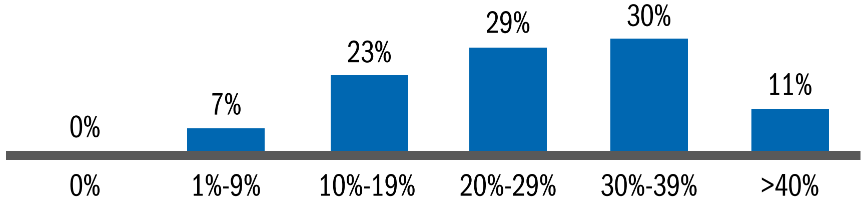
Does the company discuss current board member diversity (e.g., age, gender, ethnicity) in its proxy statement?



Does the company directly disclose board member ethnic diversity in the proxy statement?

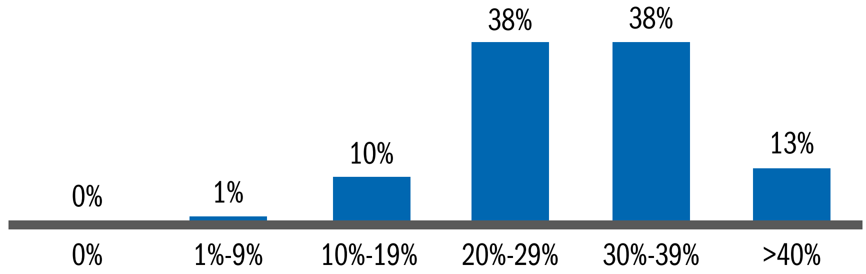


Of the companies that discuss ethnic diversity, what percent of board members at Meridian 200 companies are ethnically diverse?

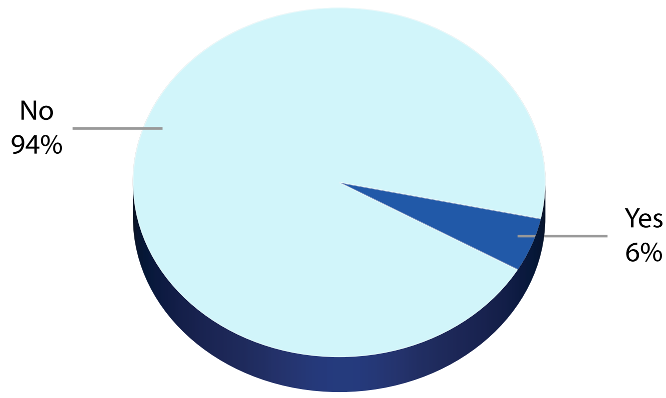


Diversity (cont.)

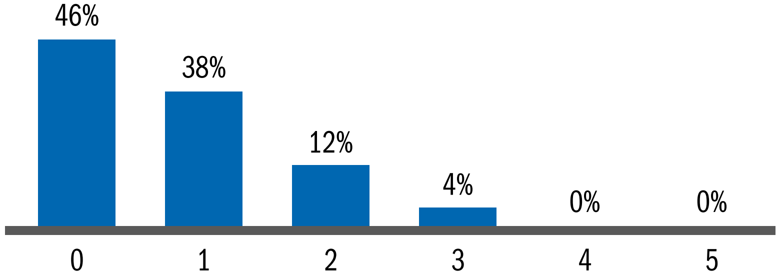
What percent of board members at Meridian 200 companies are female?



Is the CEO female at Meridian 200 companies?



How many Named Executive Officers (NEOs) (including CEO) are female?



Meridian Comment

In 2017, The New York City Pension Fund launched phase two of its "Boardroom Accountability Project" to stress the importance of board member diversity. In 2019, Comptroller Stringer initiated phase three of the "Boardroom Accountability Project" with an initiative for public companies to adopt a policy requiring consideration of both women and people of color for every open board seat and for CEO appointments (a variation on the NFL's "Rooney Rule"). The New York City Pension Fund listed four of the Meridian 200 as already having a "Rooney Rule" in place. Phase two has already materially impacted the prevalence of board member diversity disclosures and we expect to see a similar impact from phase three. Additionally, the California Assembly approved legislation on August 30, 2020 that would require public companies, whose principal executive offices are located in California, to include a minimum number of individuals from underrepresented communities on their Board of Directors (Diversity Bill). If signed into law, the Diversity Bill will expand on California's current legal mandate on board gender diversity that was enacted two years ago.

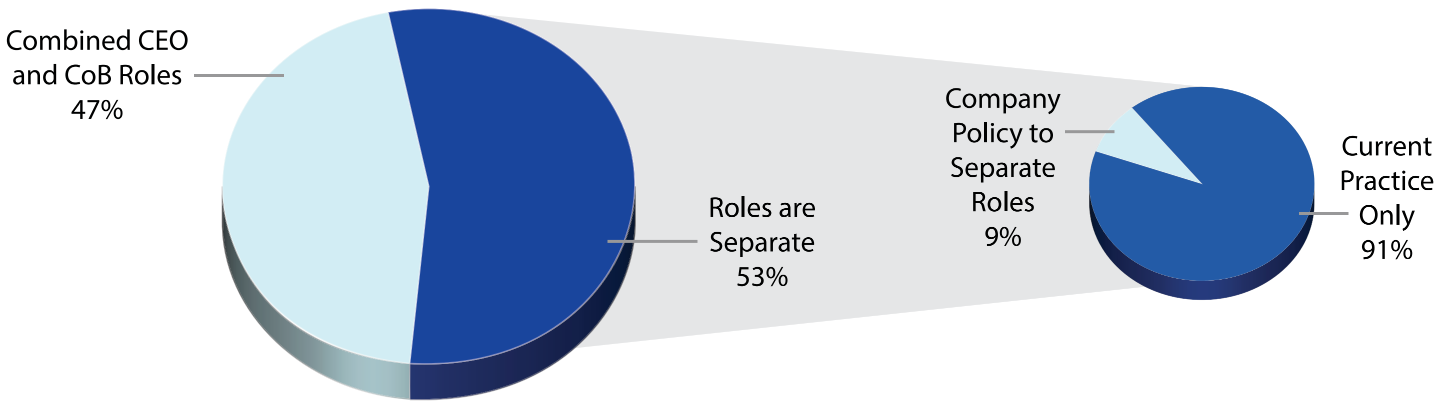
Ninety-four percent (94%) of Meridian 200 companies include proxy disclosures addressing current board member diversity including age, gender, and/or ethnicity (a 7 percentage point increase from 2019). Over one-third (35%) of the Meridian 200 directly disclosed ethnic diversity statistics for their current board members. Of the companies disclosing ethnic diversity statistics, a majority (59%) have less than 30% representation of ethnically diverse directors.

Governance activists continue to scrutinize companies with few or no female directors or executives. Partially as a result of this continued focus on gender diversity, over one-half (51%) of the Meridian 200 have female directors representing 30% or more of the total board, which is a 25 percentage point increase from 2017 (26%).

Female representation in top executive roles is still limited among the Meridian 200, with slightly less than one-half (46%) of the companies not disclosing a female NEO. Of the 54% of Meridian 200 companies with at least one female NEO, only 4% have a majority female NEO team. Similarly, a very small minority (6%) of the Meridian 200 have a female as their CEO. We expect gender and ethnic diversity to continue to be a focal point for board members, many large institutional investors, proxy advisors and broader employee populations.

Board Leadership

Does the CEO also serve as Board Chair (CoB)? If not, is it the company's policy to *mandate* the separation of the CEO and CoB role?

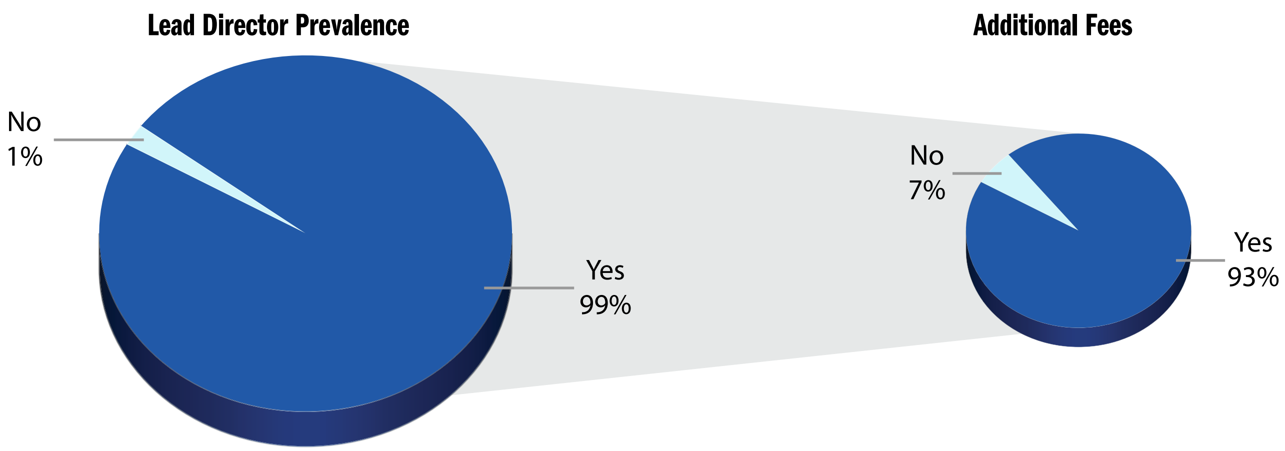


If the CEO and CoB roles are separate, what is the CoB's relationship to the company?

Non-CEO Board Chair[1]	Prevalence
Independent	73%
Prior CEO	23%
Current Employee (i.e., Executive Chair)	12%
Founder/Founding Family[2]	6%

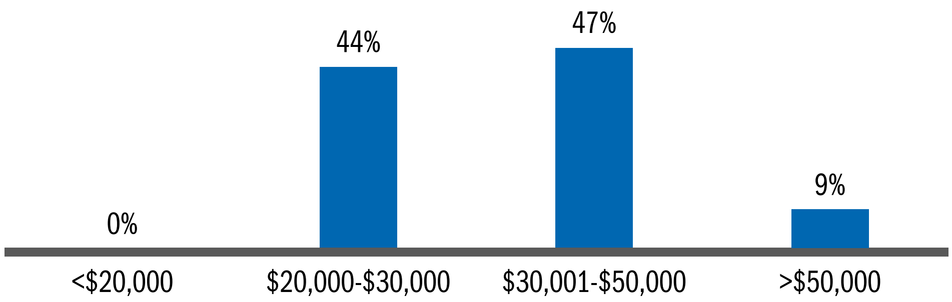
[1] Incumbents may be included in multiple categories.
[2] Founding family includes 2nd or 3rd generation members of the original founder.

Is a standing (i.e., non-rotating) Lead Director designated? If so, does the Lead Director receive additional fees?
(Results exclude companies where the CoB and CEO roles are separated.)



Board Leadership (cont.)

If paid, what are Lead Directors paid?
(Results only include companies that pay Lead Directors additional fees.)



Meridian Comment

Slightly over one-half (53%) of the Meridian 200 have a leadership structure where the roles of the CoB and CEO are separated (up from 46% in 2019). Of those companies that choose to separate the roles, most companies elected an independent CoB (73%) in an effort to distribute authority and responsibilities between management and independent board members. The prevalence of electing an independent CoB has increased 13 percentage points since 2017 (60%). Slightly less than one-half (47%) of the Meridian 200 have a leadership structure where the CoB and CEO roles are combined, with one voice speaking for the company (down from 54% in 2019). Since we began conducting the survey in 2011, this is the first year where combining the CoB and CEO role is the minority practice.

It is a near universal practice (99%) to designate a Lead Director if the roles of CoB and CEO are combined. A Lead Director role can provide considerable board leadership in the absence of a separate non-CEO CoB. The prevalence of a Lead Director for companies with a combined CEO/CoB has steadily increased from 88% in 2011, indicating that the establishment of a formal, independent board leadership role has become a market standard.

Nearly all of the Meridian 200 companies that designate a Lead Director (93%) provide additional fees for the role. Of the Meridian 200 companies that pay lead directors, premium amounts are almost evenly split between $20,000-$30,000 (44%) and $30,001-$50,000 (47%), which is an increase from 2019 where a majority (54%) paid between $20,000 and $30,000. Lead Director fees generally vary based on actual responsibilities and time commitment; the year-over-year trend in fee ranges implies an increasing level of responsibility.

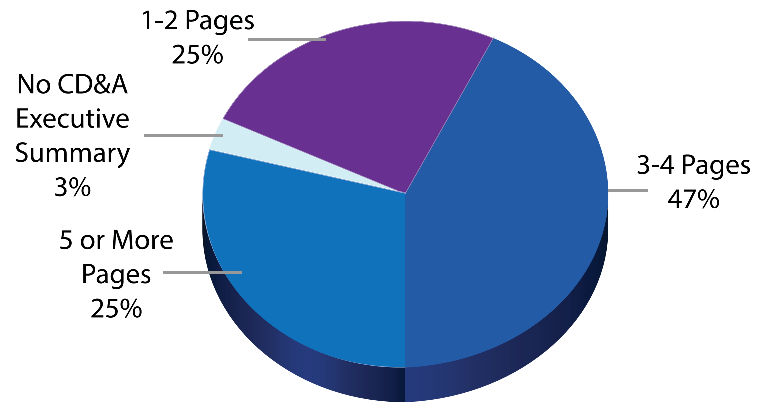
Proxy Disclosure

Executive Summary Disclosures

Is an executive summary included at the front of the CD&A (i.e., "Executive Summary of the CD&A") and/or at the beginning of the full proxy statement (i.e., "Proxy Summary[1]")?

[1] Refers to a summary at the beginning of the proxy statement highlighting the key information throughout the disclosure, including all management and shareholder proposals.

What is the length of the executive summary at the beginning of the CD&A?



Meridian Comment

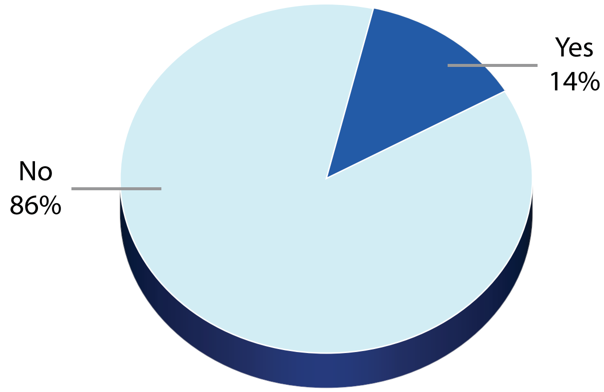
Nearly all of the Meridian 200 provide voluntary disclosures in their proxy statement to describe and provide context on their executive compensation practices, often in an effort to garner a high Say on Pay vote result. For reference, only 2% of the Meridian 200 failed their Say on Pay vote in 2020, with another 2% receiving between 50%-70% shareholder support.

The most prevalent voluntary disclosure is an executive summary to the CD&A (97%), which has emerged as a standard practice designed to succinctly articulate the key details of compensation programs. Executive summaries typically include an overview of a company's executive compensation program design, pay and performance comparisons, recent changes to corporate governance or executive pay practices, and supplemental graphs or charts highlighting NEO pay levels and/or company performance.

Consistent with 2019, over three-fourths (78%) of the Meridian 200 include a proxy summary. Proxy summaries may include a glimpse of the company's business strategy, letters from the CEO, CoB or Committee Chairs, disclosure on board member diversity, ESG initiatives, important pay messages, data on financial performance, and/or key vote information on management and shareholder proposals.

COVID-19 Disclosure

Does the company mention COVID-19 in the context of executive and/or director compensation?



If the company mentioned COVID-19 in the context of executive and/or director compensation, what changes were made?

COVID-19 Disclosure	Prevalence[1]
Discussed COVID-19 generally in the context of compensation, but did not make changes	45%
Reduced/deferred base salary of at least one NEO	41%
Modified NEO annual or long-term incentive plan e.g., deferred payout, modified 2020 performance goals, eliminated 2020 AIP, etc.)	24%
Board of Directors reduced their cash compensation	21%
Other	7%

[1] Sum of prevalence percentage exceeds 100% due to companies making multiple changes due to the outbreak.

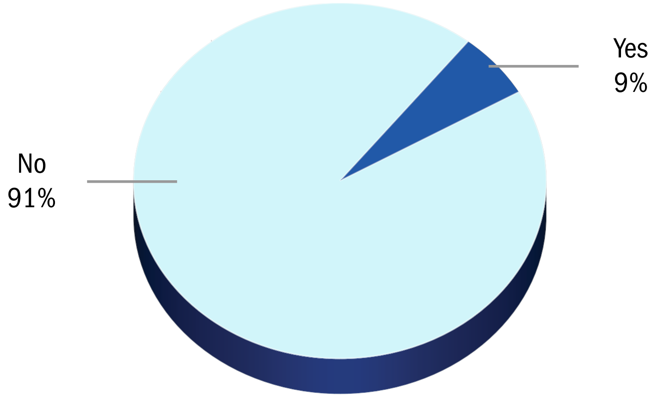
Meridian Comment

The COVID-19 outbreak has had a profound impact on business financial realities and economies worldwide. However, the majority of Meridian 200 companies filed proxy statements prior to or in the early stages of the outbreak, which helps explain why only 14% of companies specifically discussed COVID-19 in the context of executive and/or director compensation. Of companies discussing COVID-19, nearly one-half (45%) included a general discussion of its impact on executive pay but did not disclose program changes, while 41% reported reduced/deferred base salary for at least one NEO.

Another key reason for limited disclosure of COVID-19 impacts in 2020 proxies is that the pay data disclosed typically reflect decisions and actions from the **prior** year. We expect substantially more discussion of executive and director pay changes related to COVID-19 in 2021 proxy statements. Additional market insights of COVID-19's impact on 2020 and 2021 executive compensation programs is available at the following link: https://www.meridiancp.com/insights/covid-19-insights/

Shareholder Proposals

Did the company have a compensation-related shareholder proposal?



If the company had a compensation-related shareholder proposal, what was the proposal regarding?

Shareholder Proposal	Prevalence[1]
Report on gender pay gap	22%
Report on employee diversity/pay or human capital management policies	22%
Report on pay disparity between executives and other employees	17%
Adopt or amend clawback policy	6%
Other[2]	44%

[1] Sum of prevalence percentage exceeds 100% due to companies having multiple compensation-related shareholder proposals.
[2] Other proposals include bonus banking, reducing CEO pay ratio as a guiding principle of executive compensation, report on feasibility of incorporating public concern over high drug prices in executive compensation arrangements, adoption of share retention policy, use of GAAP measures and severance agreements.

Meridian Comment

Only 9% of the Meridian 200 had a compensation-related shareholder proposal. Of those that included a shareholder proposal, the most common proposals reflected shareholder concerns specific to disparity in pay between discrete populations.

Shareholder Outreach Disclosures

Did the company provide information on shareholder engagement in the proxy statement?

Shareholder Outreach Disclosures	Prevalence
Disclosed shareholder outreach, including shareholder feedback and/or actions taken as a result of feedback	42%
Disclosed shareholder outreach, but did not expand on shareholder feedback or specific actions taken by the company as a result of feedback	43%
No specific reference to shareholder outreach in the proxy	15%

Where in the proxy is shareholder outreach disclosed?

Proxy Location	Prevalence[1]
Corporate governance section	69%
CD&A	59%
Proxy summary	38%
Say on Pay proposal	9%

[1] Sum of prevalence percentages exceeds 100% due to companies that disclose shareholder outreach in multiple locations throughout the proxy.

Meridian Comment

The great majority (85%) of the Meridian 200 now disclose shareholder outreach efforts, up 10 percentage points over the last three years. Regular shareholder outreach has long been a common practice, but engagement on compensation issues and public disclosure of such outreach efforts have been less common until recently.

Engagement disclosures typically highlight efforts to communicate directly with large institutional investors about company performance, business strategy, executive compensation, business risks (e.g., cyber security), human capital management, environmental and social issues, and other corporate governance topics. Less than one-half (42%) of the Meridian 200 provide details on the feedback received by shareholders and/or the specific actions the company has taken to address shareholder concerns. However, this level of detail is encouraged by institutional investors and proxy advisors, especially if the company received low shareholder support on the prior year Say on Pay vote.

Disclosures vary considerably in terms of detail, content and location in the proxy. Meridian 200 companies most commonly disclose shareholder outreach efforts in the corporate governance section (69%) and/or CD&A (59%). Over one-half (59%) of companies disclosing shareholder outreach programs discuss their efforts in more than one location throughout the proxy.

Disclosing details of outreach efforts can help demonstrate a company's responsiveness to shareholders and can provide a strong rationale for compensation program decisions. We anticipate significantly more companies will discuss their approach to shareholder engagement in future proxy statements, including details on how shareholder feedback (including Say on Pay vote outcomes) influenced compensation and corporate governance decisions.

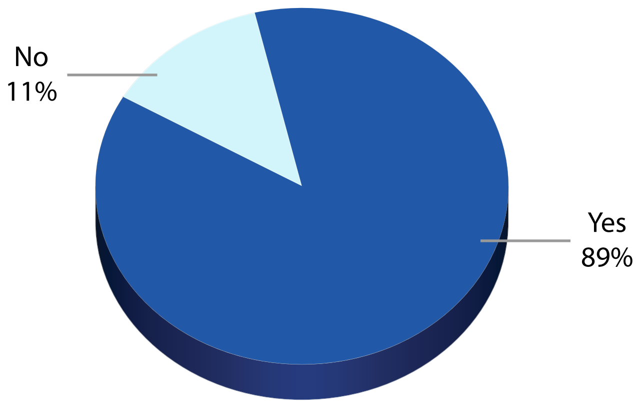
Performance Disclosure

A common practice of the Meridian 200 is to disclose results on company performance. This is distinguished from a comparison of pay and performance, for which prevalence data is provided on the following page. Performance disclosures fall into two categories:

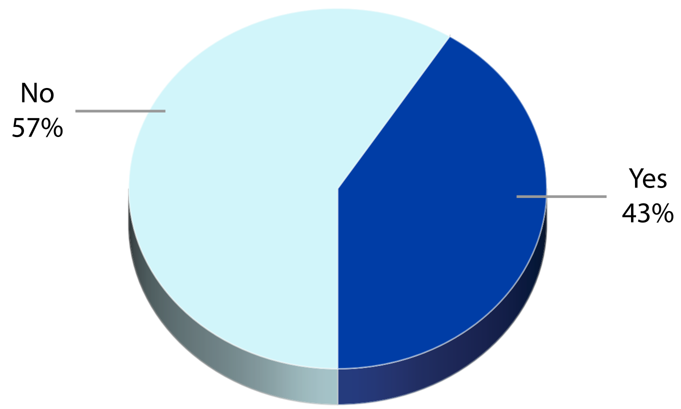
Absolute Performance
A disclosure solely depicting the company's financial or stock price/TSR performance (i.e., no relative comparison).

Relative Performance
A disclosure comparing the company's financial performance or stock price/TSR to the performance of other companies/index.

Does the company provide a disclosure regarding **absolute** company performance?



Does the company provide a disclosure regarding **relative** company performance?



Meridian Comment

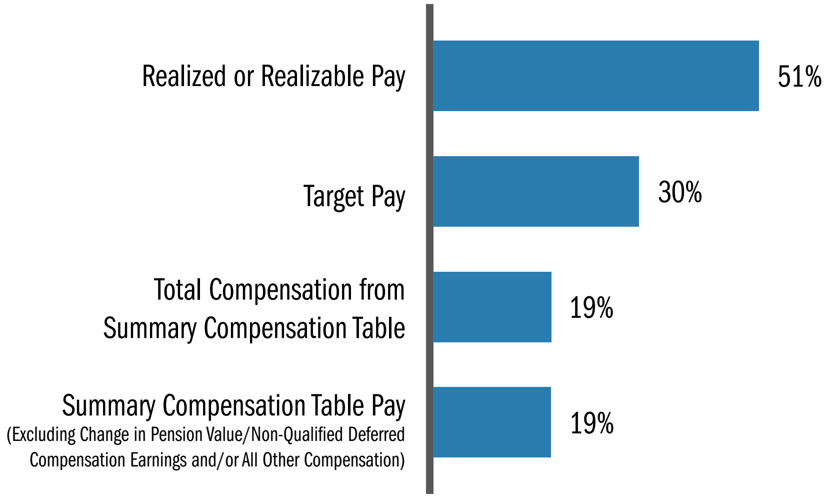
A strong majority (89%) of the Meridian 200 continue to provide absolute company performance disclosures highlighting recent financial results and business achievements. Absolute performance disclosures can help demonstrate the alignment of performance outcomes and related compensation decisions.

Less than one-half (43%) of Meridian 200 companies disclose company performance on a relative basis. Relative performance disclosures most often incorporate a broad industry index (60%) such as the S&P 500 and/or a company's compensation benchmarking peer group (50%).

Pay and Performance Disclosure

About one-quarter (24%) of the Meridian 200 provide additional disclosures comparing NEO pay to company performance in an effort to show alignment.

Does the company compare performance to one of the following forms of pay?
(Results only include companies providing disclosures comparing NEO pay to company performance.)



Note: Sum of prevalence percentages exceeds 100% due to companies that show multiple forms of pay in their pay and performance disclosures.

Meridian Comment

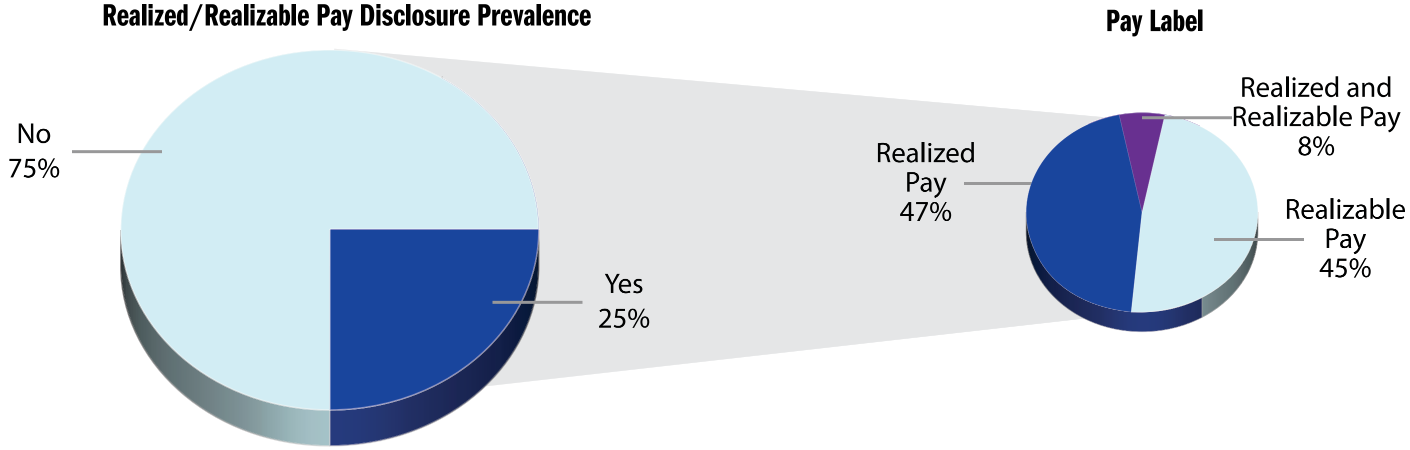
In July 2020, the SEC released the Regulatory Flexibility Agenda, which identifies the SEC's rule-making initiatives and whether the items are expected to be addressed in the near term or over a longer time horizon. The proposed Dodd-Frank pay and performance rule, which requires disclosure of the relationship between executive pay and company performance, was included on the list of initiatives the SEC views as longer-term actions. Therefore, we anticipate the SEC will not issue final or revised rules for at least another year and likely will allow an additional year or two before requiring proxy disclosure.

Despite the lack of SEC mandate on pay and performance relationship disclosure, nearly one-quarter (24%) of the Meridian 200 voluntarily provide a pay and performance disclosure already. Prevalence of these voluntary disclosures is likely a response to pressure from institutional shareholders and their advisors, and the desire improve Say on Pay vote outcomes. While pay-for-performance disclosures vary widely, realized/realizable pay (described in the next section) continues to be the most prevalent (51%) pay definition used by the Meridian 200.

Realized/Realizable Pay Disclosure

One-quarter (25%) of the Meridian 200 provide voluntary disclosures with alternative measurements of pay based on earned (realized) or projected (realizable) compensation. Note that in addition to pay and performance disclosures detailed on the prior page, the data below also includes pay disclosures not presented in relation to performance.

Does the company provide a realized or realizable pay disclosure? If so, how is pay labeled?



Whose pay is included in the realized or realizable pay disclosure?

NEO Pay Included in Disclosure	Prevalence
CEO only	86%
All Named Executive Officers depicted separately	6%
CEO and average of Other Named Executive Officers	6%
Average of All Named Executive Officers	2%

Is realized or realizable pay compared to target pay, Summary Compensation Table pay and/or pay at other companies?

Pay Definition	Prevalence[1]
Target pay	49%
Summary compensation table pay	41%
Pay at other companies	26%

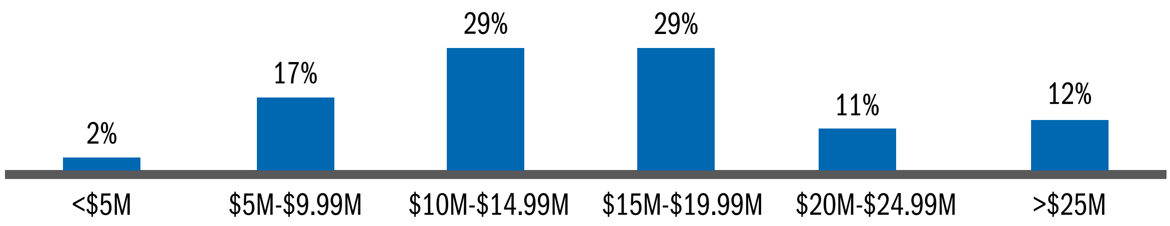
[1] Sum of prevalence percentages exceeds 100% due to companies that compare realized/realizable pay to multiple reference points.

Meridian Comment

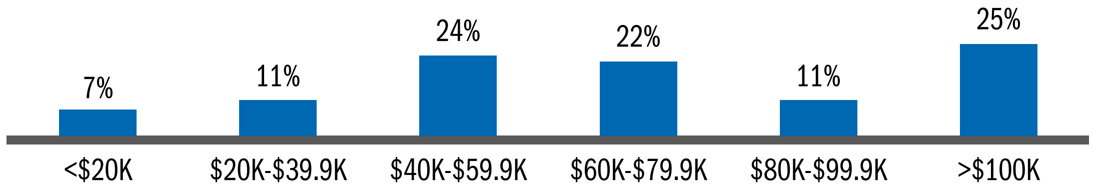
Prevalence of realized and realizable pay disclosures has remained relatively unchanged year over year. Once added to the proxy statement, realizable pay disclosure may become an expectation from shareholders, which is likely a deterrent to companies that may not consistently exhibit direct pay and performance alignment for discrete time periods using a consistent definition of realizable compensation.

CEO Pay Ratio

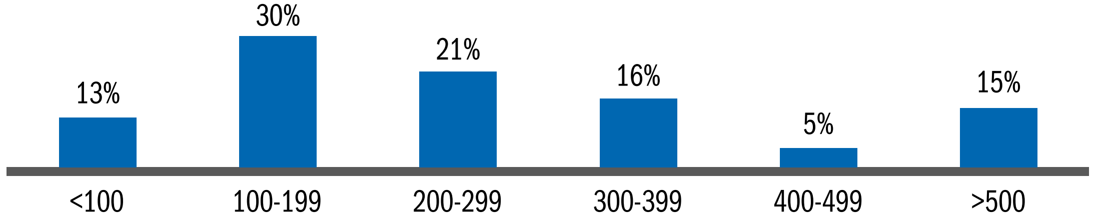
For purposes of the CEO pay ratio disclosure, what is the CEO's pay?



For purposes of the CEO pay ratio disclosure, what is the median employee's pay?



What is the company's CEO pay ratio?



CEO Pay Ratio (cont.)

What is the median and average CEO pay ratio by industry?

Industry Sector	Number of Companies[1]	Median CEO Pay Ratio	Average CEO Pay Ratio
Consumer Discretionary	38	471:1	750:1
Telecommunication Services	4	N/A[1]	280:1
Consumer Staples	23	309:1	451:1
Materials	15	179:1	223:1
Information Technology	23	256:1	293:1
Healthcare	21	289:1	302:1
Industrials	38	180:1	214:1
Energy	19	97:1	126:1
Financials	9	N/A[1]	215:1
Utilities	10	104:1	105:1

[1] Median statistics are not presented for industries with less than 10 data points.

Meridian Comment

With limited exception[1], public companies have now disclosed their CEO pay ratio for three consecutive years. The median CEO pay ratio among Meridian 200 companies is 236:1, up from 229:1 in 2019. The year-over-year change can be attributable to multiple factors, including sample size changes. Roughly 81% of the Meridian 200 reported CEO pay of $10 million or more, while three-fourths (75%) of the survey participants reported median employee pay of less than $100,000.

While company size (e.g., revenue, market cap, number of employees) is directionally aligned with CEO pay ratios, the largest variances are observed across industry sectors influenced largely by economic circumstances and global workforces. Among Meridian 200 companies, the Consumer Discretionary industry sector has the highest median CEO pay ratio (471:1), while Energy has the lowest median pay ratio (97:1).

[1] Emerging Growth Companies, Smaller Reporting Companies and private issuers filing on Form 20-F.

Company Policies

Executive Equity Holdings

Stock Ownership Guidelines

Nearly all of the Meridian 200 (99%) impose stock ownership guidelines on their NEOs. The tables below detail the different executive stock ownership guideline design components.

Stock Ownership Guidelines Structure	Prevalence
Multiple of Salary	95%
Number of Shares	2%
Combination of Multiple of Salary and Number of Shares[1]	2%
None Disclosed	1%

[1] Guidelines that are expressed both as a multiple of salary and a number of shares most often require executives to achieve the lesser of a multiple of salary or a specific number of shares.

For companies using a Multiple of Salary structure, what is the average and the most prevalent multiple of salary among the Meridian 200?

Multiple of Salary Level	CEO	Highest NEO Multiple	Lowest NEO Multiple
Average Multiple of Salary	6.5×	3.7×	3.1×
Most Prevalent Multiple of Salary	6.0×	3.0×	3.0×

Which of the following are defined as "stock" for purposes of achieving stock ownership guideline requirements?
(Prevalence only includes companies that disclose a definition of "stock.")

Vehicle	Prevalence
Actual Stock Owned	100%
Unvested Restricted Stock/RSUs	70%
Shares Held in Retirement/Savings Accounts	57%
Unvested Deferred Shares	41%
Vested Stock Options	12%
Unearned Performance Shares/Units	11%

What is the timing requirement to meet ownership guidelines?

Timing	Prevalence
5 Years	71%
1-4 Years	3%
Holding Requirement Only[1]	26%

[1] Holding requirement in lieu of specific timing requirement (see next page for further details).

Executive Equity Holdings (cont.)

Holding Requirements

The holding requirement structures are defined as:

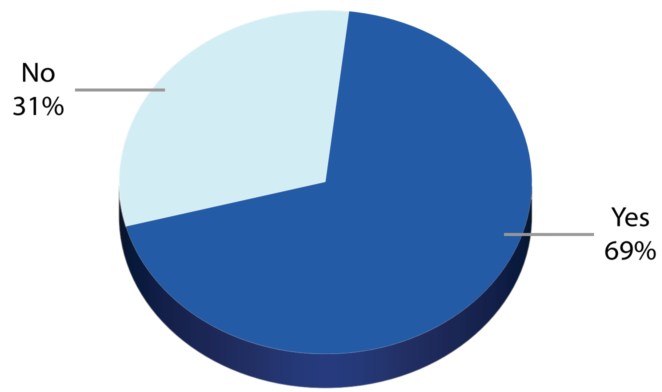
Hold Until Met
Requires an executive to retain a specified percentage of shares received from vested/earned share-based awards or exercised options, until ownership guidelines are fully achieved.

Holding Requirement Always in Place
Requires an executive to retain a specified percentage of shares received from vested/earned share-based awards or exercised options for a specific period of time regardless of whether ownership guidelines are achieved (e.g., hold for one year post-vesting).

Hold Only if in Non-Compliance
Requires an executive to retain a specified percentage of shares received from vested/earned share-based awards or exercised options if the ownership guidelines are not met within the allotted time period or if an executive falls out of compliance.

Hold Until Retirement
Requires an executive to retain a specified percentage of shares received from vested/earned share-based awards or exercised options until employment ends.

Does the company disclose the use of a stock holding requirement in addition to or in lieu of a required stock ownership level?



If yes, how is the stock holding requirement structured?

Holding Requirement Structure	Prevalence Among the Meridian 200[1]	Prevalence Among Companies with a Holding Requirement[2]
Hold Until Met	56%	82%
Holding Requirement Always in Place	4%	5%
Hold Only if in Non-Compliance	12%	17%
Hold Until Retirement	2%	3%

[1] Sum of prevalence percentages exceeds holding requirement prevalence (69%) since companies may have multiple holding requirements.
[2] Sum of prevalence percentages exceeds 100% since companies may have multiple holding requirements.

Hold Until Met Requirement

The most common stock holding requirement structure is Hold Until Met. The table below illustrates the percentages of "net of tax" shares that must be held by an executive with a Hold Until Met requirement.

Percent Required to be Held	Prevalence
100% of Net Shares	46%
75% of Net Shares	10%
50% of Net Shares	40%
Other	4%

Meridian Comment

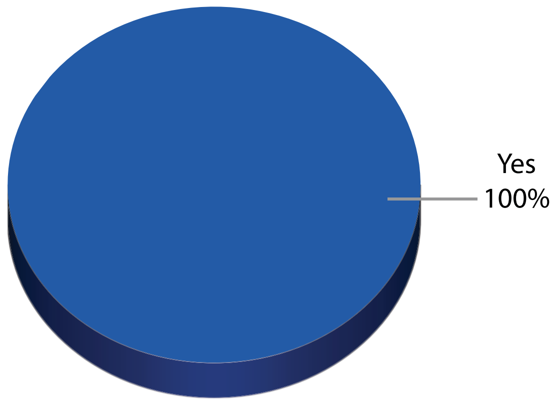
The Multiple of Salary structure of executive stock ownership guidelines continues to be the predominant practice across the Meridian 200. The average CEO multiple continued a multi-year trend of modest increases, from 5.4× in 2011 to 6.5× in 2020. The multiple for the Highest Paid and Lowest Paid non-CEO NEO has remained relatively constant since 2014 (3.0×).

Over two-thirds (69%) of the Meridian 200 disclose the use of holding requirements for NEOs. Among companies disclosing a holding requirement, a Hold Until Met structure is most prevalent (82%). Practically speaking, without holding a meaningful portion of granted shares, many NEOs would not hit their required level of ownership in the allotted time. Blackouts and shareholder sentiment further restrict executives' ability to sell shares. Consequently, for many companies a Hold Until Met requirement may be seen as a straightforward way to promote ownership compliance without placing additional burdens on executives.

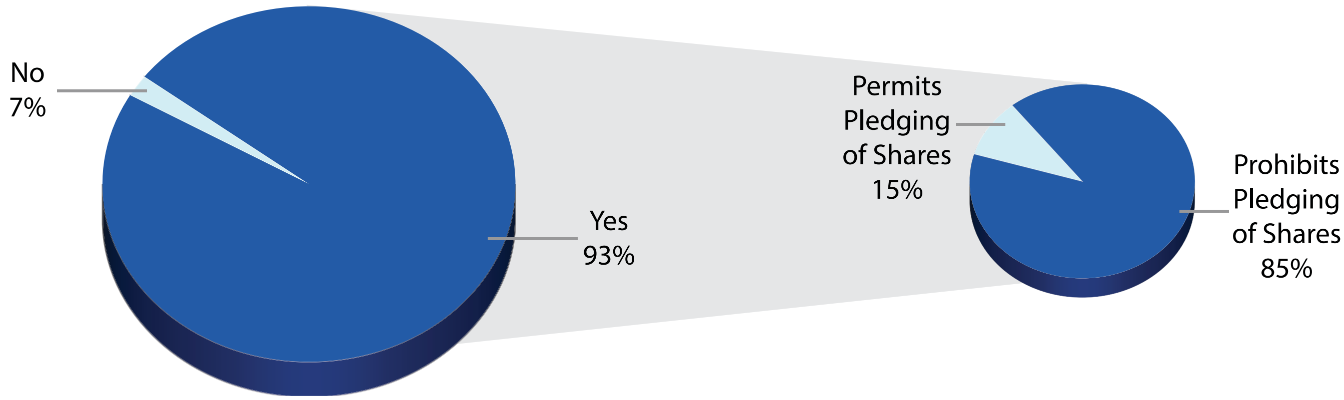
Since 2015, the prevalence of a Hold Until Met requirement has increased 13 percentage points. Of companies with a Hold Until Met structure, nearly one-half (46%) require 100% of net shares to be held. The continued increase in Hold Until Met structures corresponds with a substantial decline in the prevalence of Hold Until Retirement structures, which has decreased in prevalence by 15 percentage points (18% in 2015 to only 3% in 2020).

Anti-Hedging and Anti-Pledging Policies

Does the company disclose the existence of an anti-hedging policy?



Does the company disclose the existence of an anti-pledging policy?



Meridian Comment

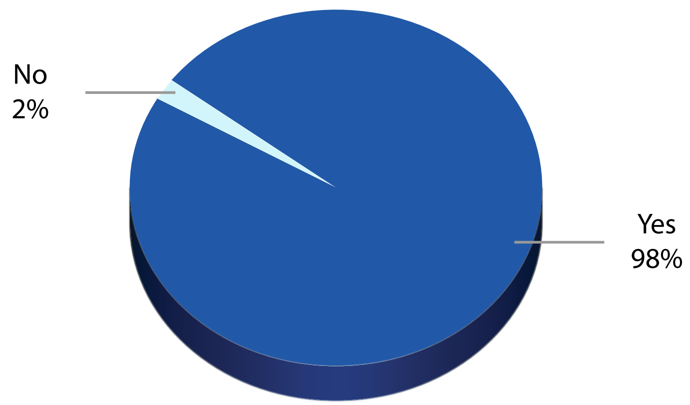
The disclosure of an anti-hedging policy is universal among the Meridian 200 (100%) and has risen steadily from 57% prevalence in 2011. It is unclear whether the prevalence of these disclosures increased drastically as a result of companies updating their company policies to incorporate anti-hedging language or because companies began disclosing their previously implemented policies for the first time. Regardless, all Meridian 200 companies have now implemented an anti-hedging policy for executives, which was likely influenced, in part, by the new SEC disclosure rules.

On December 18, 2018, the SEC adopted final rules that require companies to **disclose** their policies on hedging employer securities in the proxy statement. These rules do **not** mandate that companies adopt hedging policies. Companies are required to include the new disclosure in the corporate governance section of the proxy statement and remain obligated to disclose hedging policies covering NEOs in the CD&A. However, the disclosure in the governance section may be used to satisfy the foregoing CD&A disclosure requirement.

A strong majority (93%) of the Meridian 200 also disclose the existence of an anti-pledging policy, up nearly 40 percentage points in the last six years (54% prevalence in 2013). Of these companies, 85% prohibit all pledging of shares, while the remaining 15% permit pledging of shares subject to certain restrictions (e.g., approval by the board).

Recoupment (Clawback) Policies

Does the company disclose the existence of a recoupment/clawback policy (excluding Sarbanes-Oxley requirement)?



Which of the following trigger clawbacks?

Triggering Events	Prevalence[1]
Ethical Misconduct Leading to a Financial Restatement	67%
Financial Restatement (regardless of cause), Without Requirement of Ethical Misconduct	49%
Ethical Misconduct (includes criminal, fraudulent and/or illegal misconduct), Without Requirement of Financial Restatement	38%
Violation of Restrictive Covenant(s) (includes non-compete, non-solicitation, non-disclosure, non-disparagement, etc.)	21%
Reputational Risk	19%
Failure to Supervise	7%

[1] Sum of prevalence exceeds 100% since a company's clawback may be triggered by more than one event.

Who is covered under the company's clawback policy?

Roles	Prevalence
Current Key Executives (e.g., Section 16 officers)	63%
All Incentive (annual and/or equity) Plan Participants	22%
Current and Former Key Executives (e.g., Section 16 officers)	11%
Current Named Executive Officers Only	4%

Recoupment (Clawback) Policies (cont.)

Which of the following elements of compensation are covered under the company's clawback policy?

Compensation Element	Prevalence
Cash Incentives	98%
Equity Incentives (generally or by listing specific equity vehicles)	98%

Meridian Comment

Clawback policies are disclosed by 98% of the Meridian 200, a steady increase from 75% in 2011. In addition, disclosure of company clawback policies has become more robust, with companies providing detailed information on clawback triggers, covered employees and applicable compensation elements. In addition to more robust disclosure, clawback policy designs have become more stringent as well.

The Regulatory Flexibility Agenda included revised ***proposed*** rules on mandatory recoupment (or "clawback") requirements and related disclosures, and listed this topic as one of the items the SEC anticipates addressing in the short term. These proposed rules would require companies to recoup "excessive incentive compensation" paid to Section 16 officers due to a financial restatement whether it was due to misconduct or not. Until the SEC finalizes mandatory recoupment policy regulations, we expect that discussions concerning voluntarily adopted clawback policies and their design elements will remain a priority in the boardroom.

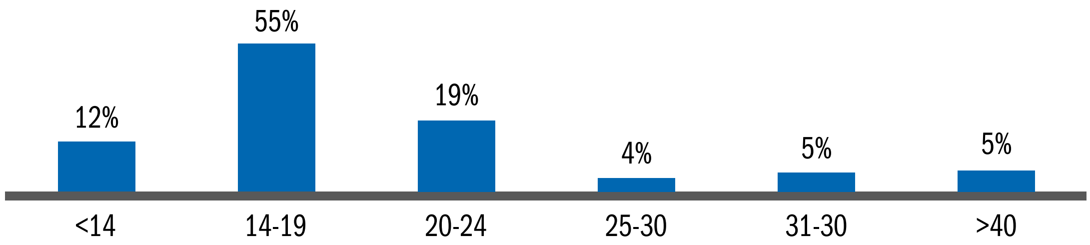
High-profile media coverage of events that have harmed company reputations and shareholder value without a financial restatement have contributed to the trend toward more robust disclosure and more stringent policies. As a result, triggering events such as "reputational risk" and "failure to supervise" are increasing in prevalence, though still remain a minority practice. Additionally, encouraged by investors and proxy advisors, companies have given boards increased leverage to recoup compensation. Companies are also adding administrative provisions outlining the duties and powers of the compensation committee and/or board in overseeing the clawback policy. While discussing clawback policy guidelines, companies should also consider whether forfeiture of existing compensation opportunities (e.g., unvested RSUs, unexercised options and unearned PSUs) should be covered by the clawback policy as well.

Peer Groups

How many custom "benchmarking" peer groups does the company use for the NEO population?

Number of Peer Groups	Prevalence
N/A – Company Does Not Disclose Any Benchmarking Peer Groups	3%
One Custom Peer Group	86%
Two Custom Peer Groups	10%
Three Custom Peer Groups	1%

How many *total* companies are used in custom compensation benchmarking peer group(s)?
Note, the total is based on all companies used in the custom benchmarking peer group(s) that are disclosed.



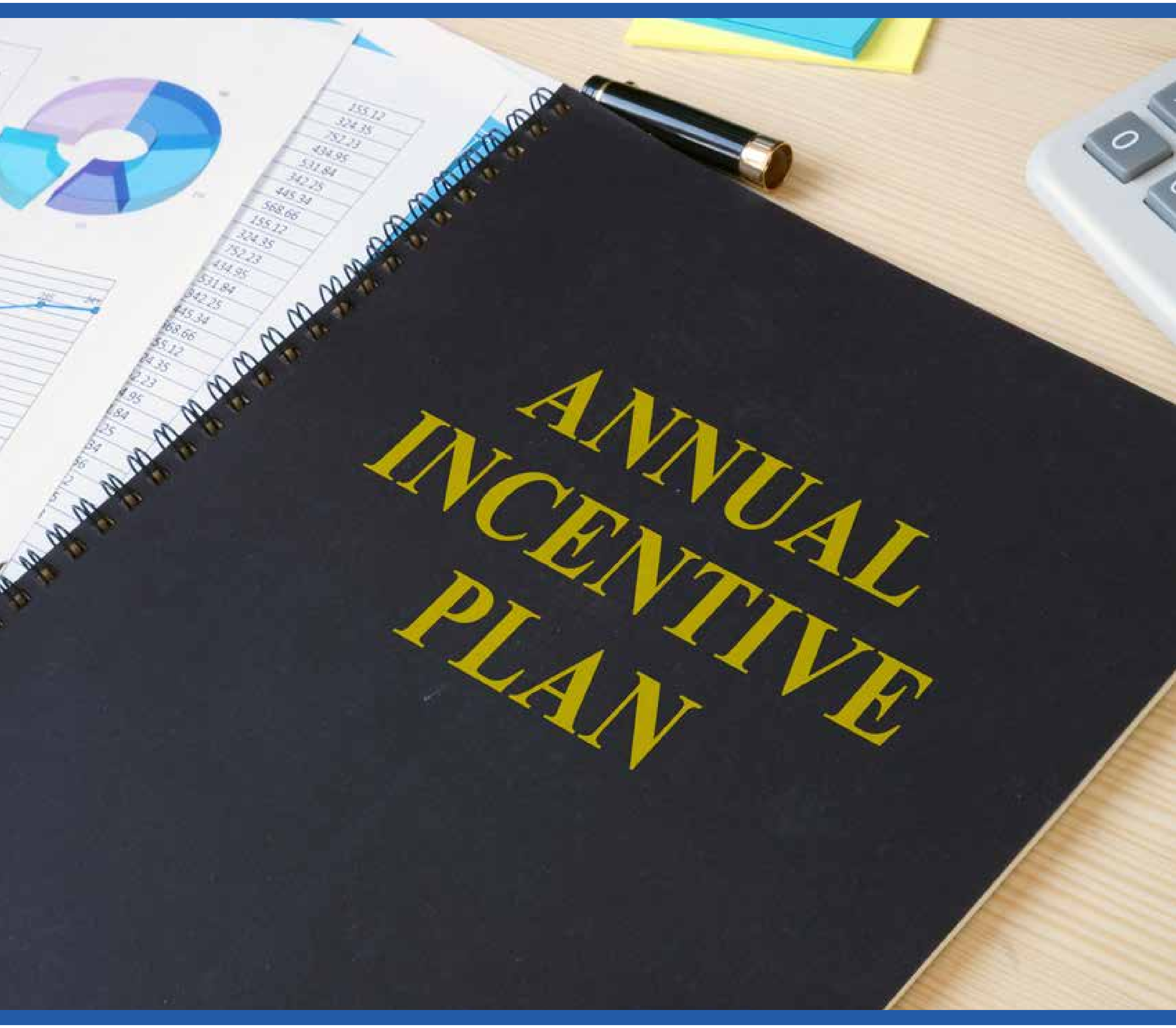
Meridian Comment

Nearly all (97%) of the Meridian 200 disclose the use of at least one custom benchmarking peer group. Companies generally select peer groups based on multiple criteria including revenues, assets, market capitalization, industry segment, complexity, geographic reach, performance, competitors for talent and competitors for investors.

Over three-fourths (77%) of the companies have at least ***one*** custom benchmarking peer group, comprised of between 14 and 24 companies, with the average peer group size being 19 companies.

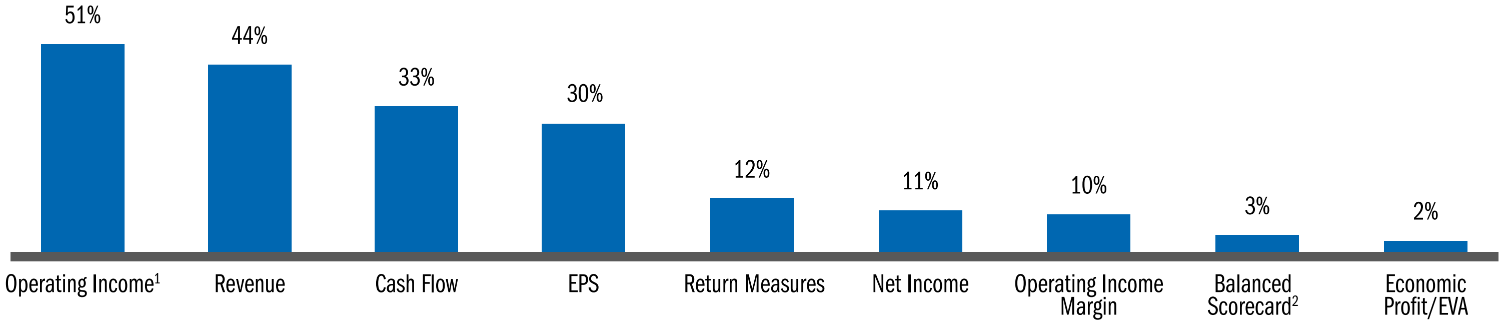
Peer groups are often used for benchmarking executive and director pay levels, incentive plan design practices and share utilization. In addition, many companies use custom peer groups for relative performance comparisons, even if not formally part of incentive plan designs. In recent years, committees and outside observers have increased their focus on peer groups due to the influence benchmarking studies may have on a company's pay practices and compensation levels. We recommend that companies annually evaluate their peer group(s) for continued appropriateness and be aware of the policies and perspectives of shareholder advisory groups such as ISS and Glass Lewis.

Annual Incentive Plan Design Practices



Financial Metrics

What corporate financial metrics are used for determining annual incentive plan payouts?



[1] Includes EBIT, EBITDA, Operating Income, Pre-Tax Income, etc.
[2] Represents the prevalence of companies with five or more financial metrics in their annual incentive plan.

Operational and Individual Metrics

A substantial number of companies also incorporate operational/strategic goals and individual performance objectives in their annual incentive plans, typically as supplements to the financial metrics.

Are non-financial metrics used to determine annual incentive plan payouts?

Non-Financial Metrics	Prevalence
Operational/Strategic Corporate Goals[1]	46%
Individual Performance Goals (Weighted Metrics)[2]	18%
Individual Performance Goals (Modifiers)[2]	25%

[1] Includes goals related to ESG metrics.
[2] Performance goals that are established separately for each executive.

Meridian Comment

The most prevalent annual incentive plan metrics used by the Meridian 200 continue to be Operating Income, Revenue, Cash Flow and EPS, although metric prevalence varies by industry. The percentage of companies using each financial measure remains relatively constant from 2019.

Earnings-based measures (e.g., Operating Income, EPS or Net Income) continue to be the most prevalent metrics, with the majority of companies (85%) including at least one earnings measure in their annual incentive plan. Despite ISS using Economic Value Added (EVA) as the financial metric for the Financial Performance Analysis test in the CEO's pay-for-performance assessment, economic profit/EVA metrics remain uncommon among the Meridian 200.

While the use of operational/strategic corporate goals (e.g., ESG metrics) (46%) and individual performance goal modifiers (25%) in annual incentive plan remained consistent year over year, the use of weighted individual performance goals (18%) slightly decreased from 2019 (20%).

Performance Curves

If the company uses any of the following metrics, what are the threshold and maximum performance goals (as a percentage of target)?

Financial Metrics	Threshold Performance Goal as a % of Target (Median Values)	Maximum Performance Goal as a % of Target (Median Values)
EPS/Net Income	90%	109%
Operating Income	89%	110%
Revenue	96%	103%
Return Measures	75%	115%
Cash Flow	80%	115%

Meridian Comment

The median threshold and maximum performance goals as a percentage of target remain relatively constant from 2019. In setting threshold and maximum performance goals, the Meridian 200 typically develop a tighter performance range for revenue goals than for other metrics, reflecting in large part the better line of sight for management to achieving performance goals that are further up the income statement. However, while market results are informative, the structure of a performance curve is typically influenced more by other factors: internal budget/performance expectations, investor expectations and company-specific factors (e.g., pay philosophy, capital structure, performance, volatility). We are expecting wider performance ranges to be set for 2021 goals, due to the lack of visibility during the COVID-19 crisis.

Payout Curves (Leverage)

What is the maximum potential payout (as a percent of target) in the annual incentive plan?

Maximum Payout Opportunity	Prevalence
100%-199% of Target	13%
200% of Target	77%
201%-299% of Target	7%
300%+ of Target	3%

What is the threshold payout (as a percent of target) in the annual incentive plan?

Threshold Payout	Prevalence
0% of Target[1]	23%
1%-24% of Target	18%
25%-49% of Target	24%
50% of Target	31%
> 50% of Target	4%

[1] Payouts start at $0 for threshold level performance.

Meridian Comment

The most prevalent maximum annual incentive payout opportunity among the Meridian 200 continues to be 200% of target (77%), up 5 percentage points from 2019. Nearly all Meridian 200 companies (96%) set threshold payout opportunity at or below 50% of target. While 50% of target remains the most prevalent threshold payout opportunity (31%), 23% of the Meridian 200 start threshold payout at $0. These plans often interpolate payouts on a straight-line basis starting at $1 for performance that exceeds threshold.

Long-Term Incentive Design Practices

Vehicle Use and Mix

What LTI vehicles do the Meridian 200 use in their LTI mix?

What is the stated LTI mix for the NEOs (based on value)?

LTI Vehicle	Average LTI Mix	
	CEO	Other NEOs
Performance-Based Full-Value Shares/Units	61%	59%
Service-Vesting Full-Value Shares/Units	21%	23%
Stock Options/SARs	18%	18%

Does the stated LTI mix significantly differ between the CEO and other NEOs?

Meridian Comment

Consistent with the results in recent years, a "portfolio approach" to long-term incentives remains by far the most common approach. Only 9% of Meridian 200 companies use one vehicle to grant LTI awards. A majority (61%) of companies use two LTI vehicles, while 30% use three or more LTI vehicles.

Nearly all companies (97%) grant performance-based full value shares/units, likely in support of a pay-for-performance approach to executive pay. Service-vesting full-value shares (i.e., restricted stock and restricted stock units) are also very common (70%). Even stock options, the least prevalent award type at 55%, are used by a majority of companies.

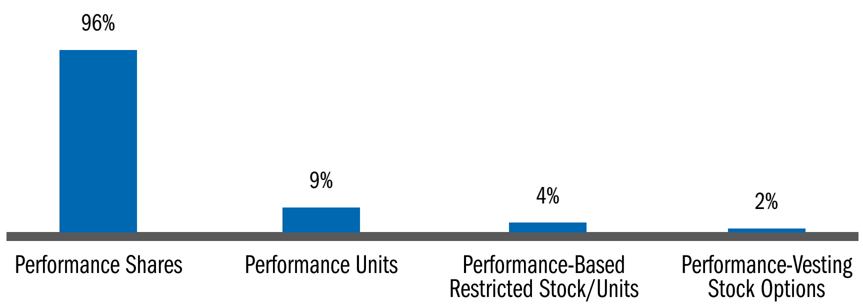
Since 2012, performance-based vehicles have comprised at least 50% of total LTI value. The relative value granted through service-vesting full-value shares (23%) and stock options/SARs (18%) remained relatively constant over the same period for other NEOs.

Performance-Based Long-Term Incentives

Performance-Based Vehicle Use

What performance vehicles do the Meridian 200 use in their LTI mix?

(Total exceeds 100% since some companies use more than one type of performance award.)



The performance-based vehicles are defined as:

Performance Shares
A performance-based award with the same value as a share of company stock that provides a range of potential payouts depending on achievement against goals.

Performance Units
A performance-based award that assigns a notional value (e.g., $1) to each unit that is not related to the value of a share of company common stock, provides for a range of potential payouts depending on the achievement against goals and is typically paid out in cash.

Performance-Based Restricted Stock/Units
A performance-contingent equity award with no upside payout opportunity (i.e., maximum payout that can be earned is 100% of target).

Performance-Vesting Stock Options
A performance-based stock option award that vests contingent on performance and may offer a range of potential payouts depending on achievement against goals.

Note: *The remainder of this section refers solely to performance-based full-value share/unit awards (i.e., not performance-vesting stock options).*

Meridian Comment

A substantial majority of the Meridian 200 (91%) denominate their performance-based vehicles in shares rather than dollars. Companies prefer the use of shares to cash as a currency for long-term incentives for a number of reasons including: shareholder alignment, additional leverage, compliance with ownership guidelines, conservation of cash and fixed accounting treatment.

Goal Setting

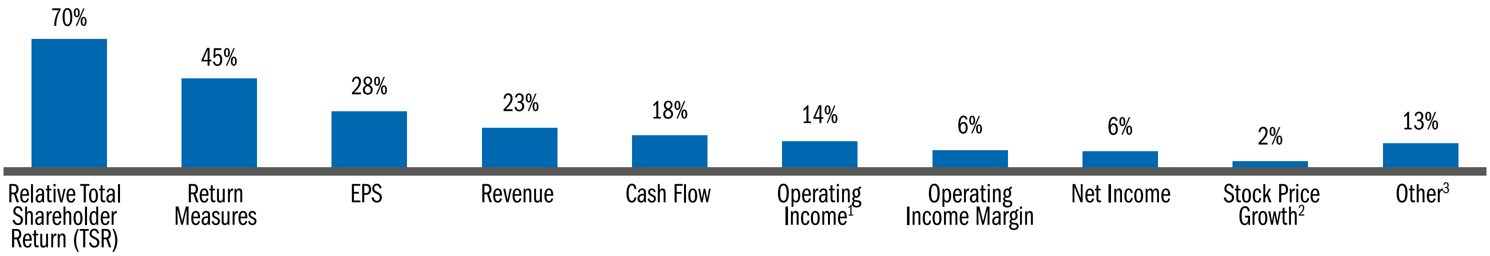
To determine performance-based award payouts, how does the company set its goals?

Goal Setting Process	Prevalence[1]
Multi-Year Goals (e.g., 3-Year Cumulative TSR or EPS)	88%
Multiple 1-Year Goals Over Performance Period with Goals Set at the Beginning of the Performance Period	6%
Multiple 1-Year Goals Over Performance Period with Goals Set Annually	7%
1-Year Goals With Additional Service Vesting	7%

[1] Sum of prevalence exceeds 100% as companies may set goals differently for different performance metrics.

Metrics

What types of corporate financial metrics are used for determining performance-based award payouts?



[1] Includes EBIT, EBITDA, Operating Income and Pre-Tax Income.

[2] Stock Price Growth includes absolute TSR performance metrics.

[3] "Other" includes metrics such as Economic Value Added (EVA), Economic Profit and Operational Goals.

Meridian Comment

Consistent with prior years, the prevalence of companies using Relative TSR as a metric (70%) remains higher than the use of any financial metric, including the combined prevalence (46%) of earnings-based metrics (e.g., EPS, Operating Income or Net Income). Continued use of Relative TSR comes in two forms: a separately weighted metric or a payout modifier, as discussed in more detail on the following pages. Among other factors, Relative TSR remains popular because it provides a clear direct link to share price performance without requiring multi-year financial forecasting. It is also a primary driver of pay and performance testing models for the leading proxy advisory firms. Use of EVA continues to remain a small minority practice despite increased use by ISS.

Performance Curves

If the company uses any of the following metrics, what are the threshold and maximum performance goals (as a percentage of target)?

Financial Metrics	Threshold Performance Goal as a % of Target (Median Values)	Maximum Performance Goal as a % of Target (Median Values)
EPS/Net Income	94%	105%
Operating Income	90%	111%
Revenue	96%	103%
Return Measures	82%	114%
Cash Flow	82%	117%

Performance Periods

How long is the performance period?

Performance Period	Prevalence
1 Year	5%
2 Years	3%
3 Years	91%
>3 Years	1%

If there is an additional service vesting requirement after the performance period, how long is it?

Additional Service Vesting	Prevalence
No Additional Service Vesting Requirement	88%
1 Year	5%
2 Years	4%
>2 Years	3%

Meridian Comment

Similar to what we found with annual incentive plan design, revenue goals tend to have a tighter performance range from threshold to maximum. Like annual incentive plans, however, market prevalence is only one input to setting the performance range.

We are expecting more use of less than three-year goal-setting in 2021 PSU program designs, as a result of COVID-19.

Only 12% of the Meridian 200 require additional service vesting after the performance period. These companies typically have a performance period of one or two years and often stipulate an additional service requirement of one to three years.

Payout Curves (Leverage)

What is the maximum payout opportunity for leveraged performance-based awards?

Maximum Payout Opportunity	Prevalence
101%-149% of Target	4%
150% of Target	11%
151%-199% of Target	6%
200% of Target	71%
201%-299% of Target	6%
300%+ of Target	2%

What is the threshold payout for leveraged performance-based awards?

Threshold Payout Opportunity	Threshold Prevalence	Non-Zero Threshold Prevalence
0% of Target[1]	12%	N/A
1%-24% of Target	18%	20%
25% of Target	18%	21%
26%-49% of Target	15%	17%
50% of Target	34%	38%
> 50% of Target	3%	4%

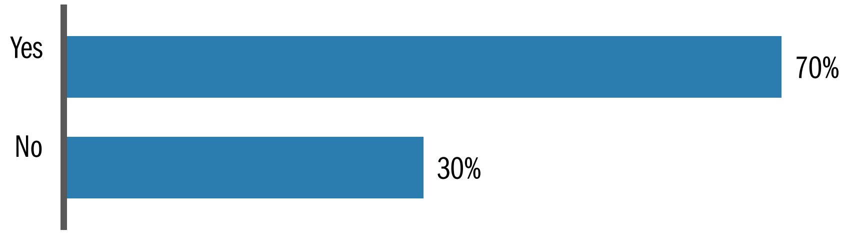
[1] Payouts start at $0 for threshold level performance.

Meridian Comment

Similar to annual incentive plans in our study, the most prevalent approach among the Meridian 200 is to set a maximum LTI payout opportunity of 200% of target (71%). Unlike annual incentive plan design, a majority of companies (63%) set threshold payout in the long-term plan at a level below 50% of target, although a plurality of companies (34%) set threshold at 50%. Plans starting at 0% payout are less common (12%) among long-term performance plans than annual incentive plans.

Relative TSR Performance Metrics

Does the company use Relative TSR as a metric for determining performance-based award payouts?
(Results exclude the use of absolute TSR metrics.)



If Relative TSR is used, are additional metrics used for determining long-term performance award payouts?

Long-Term Performance Metrics	Prevalence
Relative TSR is One of Multiple Performance Metrics	88%
Relative TSR is the Sole Performance Metric	12%

If Relative TSR is used, what is performance assessed against?

Relative TSR Comparator Group	Prevalence[1]
General Market Index	31%
Performance Peer Group[2]	27%
Industry Specific Index	26%
Compensation Benchmarking Peer Group	25%

[1] Sum of prevalence percentages exceeds 100% due to companies that assess performance against more than one peer group/index.

[2] Represents peer groups that include at least some variation in companies from the compensation benchmarking peer group (i.e., not simply a subset of the compensation benchmarking peer group), most often 15 to 30 companies.

If Relative TSR is used, is it used as a weighted performance metric or a performance modifier?

Relative TSR Measure Design	Prevalence[1]
TSR is used as a weighted performance metric	75%
TSR is used as a performance modifier	27%

[1] Sum of prevalence exceeds 100% as some companies use Relative TSR as both a weighted performance metric and a modifier.

Relative TSR Performance Metrics (cont.)

Meridian Comment

Over two-thirds (70%) of the Meridian 200 use a Relative TSR metric in long-term performance awards, and among those companies, the predominant practice (88%) is to pair it with at least one additional performance metric. Practice is mixed on the type of comparator group used to assess Relative TSR performance. The most prevalent approach is to assess company TSR results against a general market index (31%); however, the use of an industry-specific index (26%), a performance peer group (27%) or the compensation benchmarking peer group (25%) are also common market practices.

Over one-quarter (27%) of Meridian 200 companies use Relative TSR as a modifier, which increased 5 percentage points from 2017 (22%). We anticipate the prevalence of TSR modifiers to continue to trend upward. Typically, Relative TSR modifiers are designed to ensure long-term performance plan payouts align with value delivered to shareholders. For example, regardless of internal company performance, top quartile Relative TSR results may increase payouts by up to 20%-25% of target, while bottom quartile Relative TSR results may decrease payouts by up to 20%-25% of target.

Relative TSR Performance Goals

If Relative TSR is used, what is the target performance level as a percentile rank relative to the comparator group?
(Excludes Relative TSR modifiers.)

Target Performance Level	Prevalence
50th Percentile	79%
51st-60th Percentile	21%

If Relative TSR is used, what is the maximum performance level as a percentile rank relative to the comparator group?
(Excludes Relative TSR modifiers.)

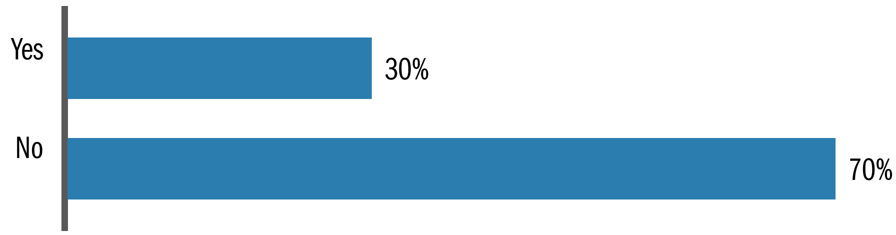
Maximum Performance Level	Prevalence
Below 75th Percentile	1%
75th Percentile	37%
76th-89th Percentile	25%
90th Percentile	23%
Above 90th Percentile	14%

Relative TSR Performance Goals (cont.)

If Relative TSR is used, what is the threshold performance level as a percentile rank relative to the comparator group?
(Excludes Relative TSR modifiers.)

Threshold Performance Level	Prevalence
Below 25th Percentile	12%
25th Percentile	52%
26th-30th Percentile	22%
Above 30th Percentile	14%

If Relative TSR is used, is there a negative TSR cap in place?
(I.e., limits payouts in years with negative absolute TSR regardless of relative performance.)



If there is a negative TSR cap in place, how does it limit payouts in years with negative absolute TSR?

Payout Limit	Prevalence
Capped at target	93%
Capped below target	5%
Payouts reduced by set amount	2%

Meridian Comment

For companies that use a Relative TSR measure, a strong majority (79%) set target performance at the 50th percentile of the comparator group. The most common threshold and maximum performance levels are the 25th (52%) and 75th (37%) percentiles, respectively. However, a majority of the companies (62%) set the maximum performance goal above the 75th percentile, and often at or above the 90th percentile, which requires companies to achieve superior performance relative to the comparator group to earn the maximum level payout.

As with performance ranges for financial targets, market prevalence data is only one input to determining the right performance range for Relative TSR. The width of the range may vary depending upon the form of award (equity vs. cash), the maximum payout multiplier, the size of the peer group, etc. Accounting expense may also play a role; when calculating the Monte Carlo value of a market-based award like a Relative TSR plan, the width of the performance range can have a significant impact on the expense that must be recognized (and the compensation value that must be reported in the proxy).

In recent years, the concept of a negative TSR cap has received increased attention. These caps limit upside payouts of Relative TSR-based plans for periods when shareholders experience negative absolute returns. Nearly one-third of the Meridian 200 (30%) have a negative TSR cap in place (up from 23% in 2017). For those companies with a cap in place, payouts are typically capped at target level. While proxy advisors and some institutional investors favor such negative TSR payout caps, the alternative view is that negative TSR caps negate the incentive of out-performing peers when experiencing challenging macro-economic conditions.

Profile of Survey Companies

Profile of Survey Companies

Methodology

Meridian reviewed the corporate governance and incentive design practices of 200 large publicly traded companies (the "Meridian 200") through the most recently available publicly filed documents (typically proxy statements). Financial highlights of the companies are provided below, followed by a full listing of the companies used in the survey. **All figures shown are as of the end of fiscal year 2019.**

	Revenues ($M)	Market Value ($M)	Employees	ROIC (3-Year)	Annualized TSR (3-Year)
25th Percentile	$9,472	$13,828	16,375	5.7%	0.3%
Median	$17,906	$30,889	41,988	8.9%	10.4%
75th Percentile	$42,897	$76,932	91,638	14.0%	19.3%

Survey Companies (n = 200)

3M Company
Abbott Laboratories
Accenture plc
Adobe Inc.
Alaska Air Group, Inc.
Alcoa Corporation
Allegheny Technologies Incorporated
Alliance Data Systems Corporation
Altria Group, Inc.
American Electric Power Company, Inc.
American Express Company
AmerisourceBergen Corporation
Anthem, Inc.
Apache Corporation
Applied Materials, Inc.
Aptiv PLC
Archer-Daniels-Midland Company
AT&T Inc.
Automatic Data Processing, Inc.
Baker Hughes Company
Ball Corporation
Baxter International Inc.
Becton, Dickinson and Company
Best Buy Co., Inc.
BorgWarner Inc.
Boston Scientific Corporation
Briggs & Stratton Corporation
Brown-Forman Corporation
Campbell Soup Company
Cardinal Health, Inc.
Carnival Corporation & Plc
Caterpillar Inc.
Centene Corporation
CenturyLink, Inc.
Chevron Corporation
Cigna Corporation
Cintas Corporation
Colgate-Palmolive Company
Comcast Corporation
ConAgra Brands, Inc.
ConocoPhillips
Consolidated Edison, Inc.
Cooper Tire & Rubber Company
Corning Incorporated
Costco Wholesale Corporation
CSX Corporation
Cummins Inc.
CVS Health Corporation
Danaher Corporation
Deere & Company
Delta Air Lines, Inc.
Devon Energy Corporation
Discover Financial Services
Discovery, Inc.
Dollar General Corporation
Domtar Corporation
Dow Inc.
Eastman Chemical Company
Eaton Corporation plc
eBay Inc.
Ecolab Inc.
Edison International
Eli Lilly and Company
Emerson Electric Co.
Entergy Corporation
EOG Resources, Inc.
Eversource Energy
Exelon Corporation
Exxon Mobil Corporation
FedEx Corporation
FirstEnergy Corp.
Flowserve Corporation
FMC Corporation
Ford Motor Company
General Dynamics Corporation
General Electric Company
General Mills, Inc.
Global Payments Inc.
Halliburton Company
Hanesbrands Inc.
Harley-Davidson, Inc.
Hasbro, Inc.
Hess Corporation
Hewlett Packard Enterprise Company
HollyFrontier Corporation
Honeywell International Inc.
HP Inc.
Humana Inc.
Ingersoll-Rand Inc.
Intel Corporation
The Interpublic Group of Companies, Inc.
International Business Machines Corp.
International Paper Company
Jacobs Engineering Group Inc.
Johnson & Johnson
Johnson Controls International plc
Kellogg Company
Kohl's Corporation
Laboratory Corp. of America Holdings
Linde plc
Lockheed Martin Corporation
Lowe's Companies, Inc.

Survey Companies (n = 200)

Macy's, Inc.
Marathon Oil Corporation
Marriott International, Inc.
Masco Corporation
Mastercard Incorporated
Mattel, Inc.
McDonald's Corporation
McKesson Corporation
Merck & Co., Inc.
MetLife, Inc.
Microsoft Corporation
Mondelēz International, Inc.
Morgan Stanley
Motorola Solutions, Inc.
Murphy Oil Corporation
National Oilwell Varco, Inc.
NCR Corporation
Newell Brands Inc.
News Corporation
NIKE, Inc.
NiSource Inc.
Nordstrom, Inc.
Northrop Grumman Corporation
Occidental Petroleum Corporation
Old Dominion Freight Line, Inc.
Omnicom Group Inc.
ONEOK, Inc.
Oracle Corporation
Owens Corning
PepsiCo, Inc.
Perrigo Company plc
Pfizer Inc.
Philip Morris International Inc.
PPG Industries, Inc.
Prudential Financial, Inc.
Public Service Enterprise Group Inc.
QUALCOMM Incorporated
Quanta Services, Inc.
Quest Diagnostics Incorporated
Raytheon Technologies Corporation
Republic Services, Inc.
Rockwell Automation Inc.
Schlumberger Limited
Seagate Technology plc
Sealed Air Corporation
Southwest Airlines Co.
Stanley Black & Decker, Inc.
Starbucks Corporation
Steelcase Inc.
Sysco Corporation
Target Corporation
Tenneco Inc.
Texas Instruments Incorporated
The AES Corporation
The Allstate Corporation
The Boeing Company
The Clorox Company
The Coca-Cola Company
The Estee Lauder Companies Inc.
The Gap, Inc.
The Goldman Sachs Group, Inc.
The Hartford Financial Services Group, Inc.
The Hershey Company
The Home Depot, Inc.
The Interpublic Group of Companies, Inc.
The Kraft Heinz Company
The Kroger Co.
The Mosaic Company
The Procter & Gamble Company
The Sherwin-Williams Company
The TJX Companies, Inc.
The Travelers Companies, Inc.
The Walt Disney Company
The Western Union Company
The Williams Companies, Inc.
Thor Industries, Inc.
T-Mobile US, Inc.
Tractor Supply Company
Transocean Ltd.
Tyson Foods, Inc.
Union Pacific Corporation
United Airlines Holdings, Inc.
United Parcel Service, Inc.
UnitedHealth Group Incorporated
VF Corporation
Valero Energy Corporation
Verizon Communications Inc.
ViaCommCBS, Inc.
Visa Inc.
VMware, Inc.
W.W. Grainger, Inc.
Walgreens Boots Alliance, Inc.
Walmart Inc.
Waste Management, Inc.
WESCO International, Inc.
WestRock Company
Whirlpool Corporation
Xerox Corporation
YUM! Brands, Inc.

Meridian Compensation Partners Profile

Meridian Compensation Partners, LLC is the second largest independent executive compensation consulting firm in North America, providing trusted counsel to Boards and Management at hundreds of large and mid-sized companies. We consult on executive and board compensation and their design, amounts and corporate governance. Our many consultants throughout the U.S. and in Canada have decades of experience in pay solutions that are responsive to shareholders, reflect good corporate governance principles and align pay with performance. Our partners average 25 years of executive compensation experience and collectively serve well over 700 clients. Well over 90% of our engagements are at the Board level. As a result, our depth of resources, content expertise and Boardroom experience are unparalleled.

Our breadth of services includes:

- Pay philosophy and business strategy alignment
- Total compensation program evaluation and benchmarking
- Short-term incentive plan design
- Long-term incentive plan design
- Performance measure selection and stress testing
- Employment contracts
- Retirement and deferred compensation
- Risk evaluation
- Informed business judgments on executive pay
- Pay-for-performance analyses
- Corporate governance best practices
- Institutional shareholder and ISS voting guidelines/issues
- Senior management and board evaluations
- Change-in-control and/or severance protections
- Committee charter reviews
- Peer group development
- Peer company performance and design comparisons
- Benefits and perquisites design and prevalence
- Annual meeting preparation
- Senior executive hiring
- Succession planning
- Outside director pay comparisons
- Clawback and anti-hedging design
- Retention programs and strategies
- Tally sheets

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