

2025 Corporate Governance & Incentive Design Survey

Fall 2025



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Executive Summary

In reviewing executive compensation program designs and related corporate governance policies, companies should consider current market practices and recent trends to inform boardroom discussions.

Meridian's 2025 Corporate Governance & Incentive Design Survey provides key insights into executive compensation and corporate governance.

The Survey summarizes market practices at 200 large publicly traded companies across all industries (referred to herein as the "Meridian 200"). These companies have median revenues and market capitalizations of \$25.4B and \$46.5B, respectively, making them a representative sample of the S&P 500.

All information was gathered from annual proxy statements. Meridian has conducted a similar analysis annually since 2011, with minimal changes to the list of reviewed companies (97% of the 2025 Meridian 200 constituents were reviewed in 2024). This year-over-year consistency allows for the identification of emerging trends. For more details, please refer to the Profile of Survey Companies section.

Highlights of Meridian's 2025 Corporate Governance & Incentive Design Survey

Governance Practices and Company Policies



Prevalence of Board Diversity Disclosures Decreases: 74% of companies disclose ethnic diversity statistics for current board membership, down significantly from 97% in 2024. This trend appears to coincide with changes in federal policy under the Trump administration as well as updated guidance from some institutional investors and proxy advisory firms regarding DEI-related expectations.

Mandatory Retirement Age Policies Remain Common: Similar to last year, 79% of Meridian 200 companies disclosed a mandatory retirement age policy for board members. Most of these companies set the retirement age between 72 and 75, with a recent trend towards the older end of this range continuing.

Independent Board Chair Used by Half of all Companies: 53% of Meridian 200 companies maintain a separation between the Board Chair and CEO roles. Among the companies that separate the roles, the majority (74%) appoint an independent director as Board Chair.



Companies Cap Outside Board Seats: 92% of companies disclose director overboarding policies. These policies limit the number of public company board seats an incumbent director may hold.



Most Companies Maintain Clawback Provisions Beyond the Dodd-Frank Requirements: In late 2023, NYSE- and Nasdaq-listed companies were required to adopt and implement a Dodd-Frank compliant mandatory clawback policy. 83% of companies choose to maintain policies or provisions that exceed the requirements of the mandatory policy. Companies' expanded policies feature additional triggers (i.e., beyond financial restatement), cover a broader employee group and/or apply to more elements of compensation.

Proxy Disclosures

Compensation-Related Shareholder Proposals Decline; Support Remains Low: In 2025, 14% of companies received at least one compensation-related shareholder proposal. Most compensation-related shareholder proposals continue to receive limited shareholder support.

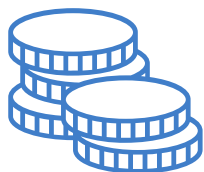


Nearly All Companies Engage in Shareholder Outreach: 96% of the Meridian 200 disclose shareholder outreach efforts. 50% of the Meridian 200 provide specific details on feedback received and/or actions taken as a result of the feedback.

SEC “Pay Versus Performance” Disclosures Remain Consistent: Consistent with last year, most companies (80%) choose to compare TSR against an industry specific index and a strong majority of companies (92%) use graphical disclosure to depict the relationship between “compensation actually paid” and performance.



Annual Incentive Plan Design Practices



Earnings Metrics Drive Annual Incentives: 88% of companies include an earnings metric in the annual incentive plan. On average, earnings metrics account for 50% of the overall plan weighting.

Financial Metric Prevalence Remains Consistent: Consistent with previous years, the most prevalent financial performance metrics are operating income, revenue, cash flow and earnings per share (EPS).

Non-Financial Measures Are Also Common; Types of Measures Vary Widely: Most companies (80%) also include non-financial measures in the annual incentive plan. 57% of companies include corporate operational/strategic goals, while 43% of companies measure individual performance, either as a weighted metric (21% prevalence) or as a modifier (22% prevalence).

Long-Term Incentive Plan Design Practices



Performance Awards Are the Primary LTI Vehicle: Performance-based awards continue to be used by nearly all Meridian 200 companies (99%) in the long-term incentive plan. On average, performance awards represent 62% of CEOs’ annual target LTI value.

Standard Performance Period – 3 Years: It is most common (96%) for Meridian 200 companies to assess performance over a three-year measurement period. Typically, goals are set over the three-year cumulative period, rather than set as individual annual goals.

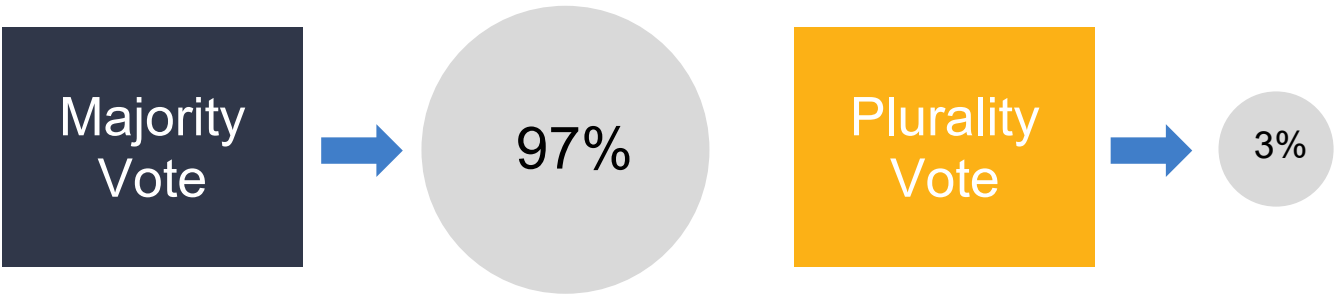


Relative TSR Remains the Predominant Metric: 80% of companies include a relative TSR measure in performance awards. On average, relative TSR accounts for 54% of the overall plan weighting and most companies (92%) pair TSR with at least one other performance measure. It is more common for companies to incorporate relative TSR as a weighted metric (60% prevalence), rather than a modifier.

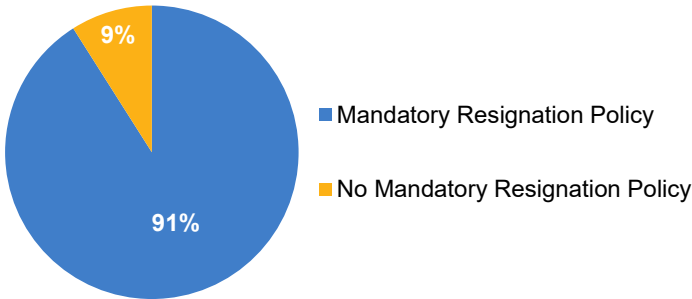
Corporate Governance Practices

Board Structure

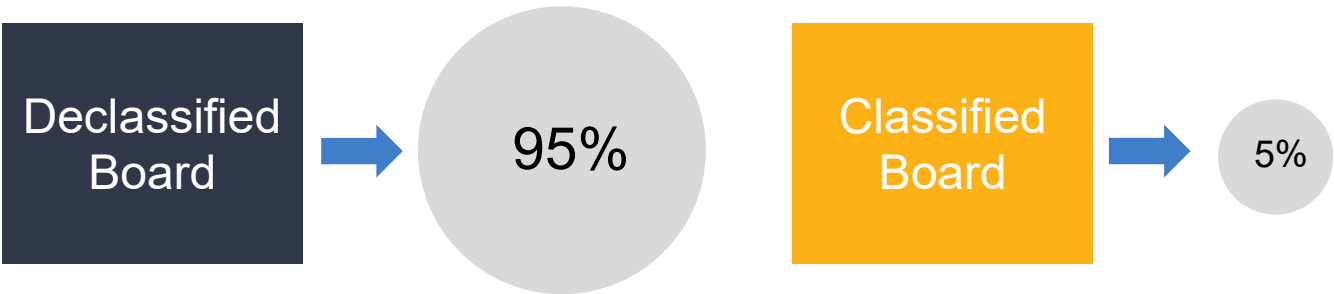
Maintaining a majority vote standard in uncontested elections continues to be a near universal practice (97% prevalence).



Among companies with a majority vote standard, 91% have a mandatory resignation policy for directors who do not receive majority shareholder support.

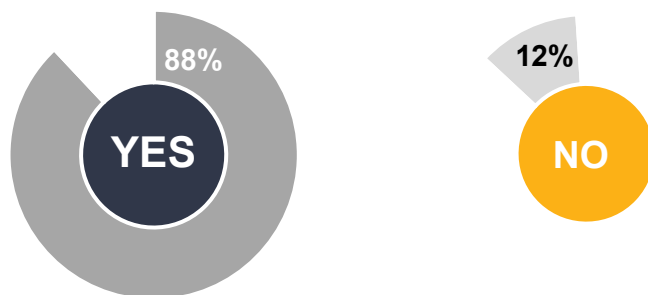


95% of Meridian 200 companies maintain a declassified board structure. Declassified boards have become more common in recent years, driven partly by shareholder demands for annual elections which promote accountability and responsiveness.



Proxy Access

Most Meridian 200 companies (88%) disclose that they have adopted proxy access bylaws. Proxy access prevalence has gradually increased in the last several years (+7 percentage points since 2020).



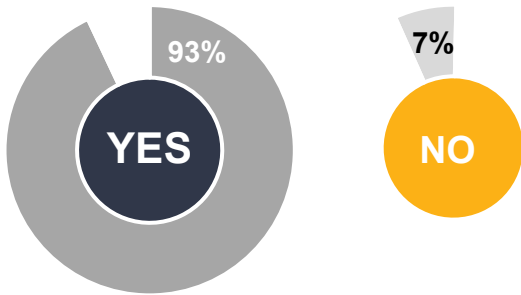
Meridian Comment

Meridian 200 companies typically maintain “shareholder-friendly” governance practices. Consistent with prior surveys, most companies have adopted (i) a majority voting standard for director elections, (ii) a mandatory resignation policy for directors who fail to receive majority support, (iii) a declassified board structure and (iv) proxy access bylaws.

Since we began our survey in 2011, majority voting standard prevalence has increased 18 percentage points and the prevalence of boards with a declassified structure has increased by 28 percentage points.

Director Skills Matrix

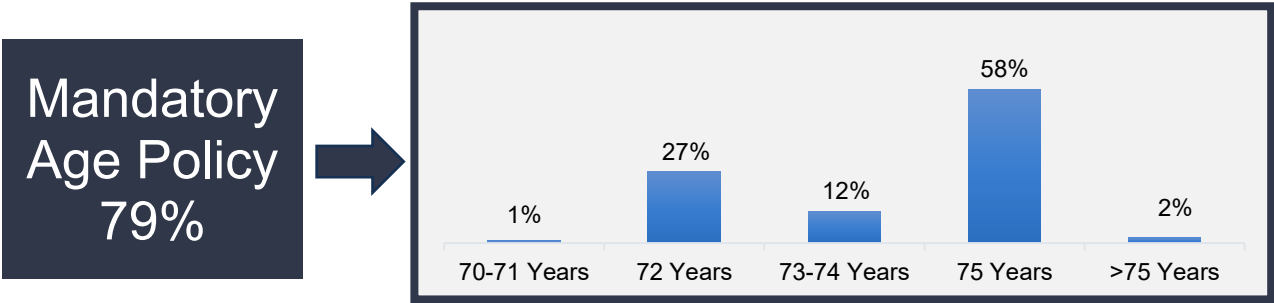
The majority of Meridian 200 companies (93%) include a skills matrix in the proxy statement detailing outside directors’ key areas of expertise.



Meridian Comment
The prevalence of director skill matrix disclosures has increased from 70% to 93% over the last five years.

Mandatory Retirement Age

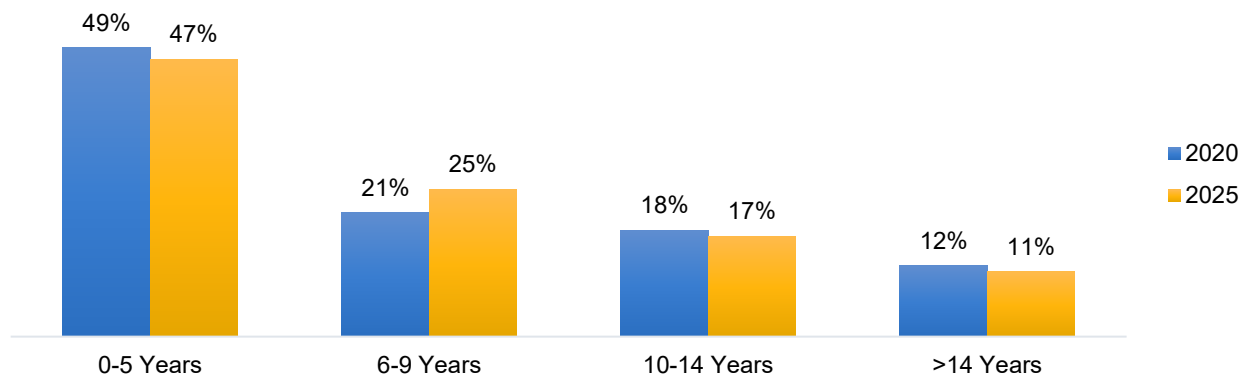
Over three-quarters of the Meridian 200 (79%) disclose a mandatory retirement age policy for board members.



Meridian Comment
Companies allow experienced directors to remain on the board by moving to a retirement age of 75.
Nearly 60% of the companies with mandatory retirement age policies have adopted a retirement age of 75 (up from 38% in 2020).

Director Tenure

Over the last five years, the prevalence of directors with 10 or more years of service has decreased slightly from 30% to 28%.



Most companies **do not** disclose mandatory term limits for directors.

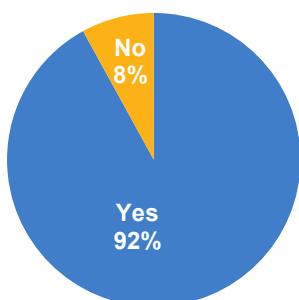


Meridian Comment

While board refreshment has emerged as a key theme in corporate governance, only 12% of Meridian 200 companies have gone as far as disclosing mandatory term limits for directors.

Despite this, nearly one-half of directors have served on their respective Board for five or fewer years.

Director Overboarding Policies



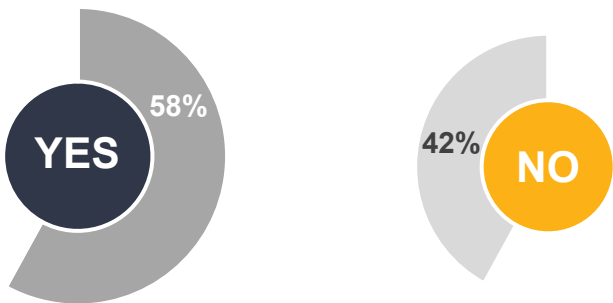
Meridian Comment

Director overboarding policies continue to increase as guidelines from proxy advisory firms and major institutional investors encourage enhanced transparency of board members' time commitments.

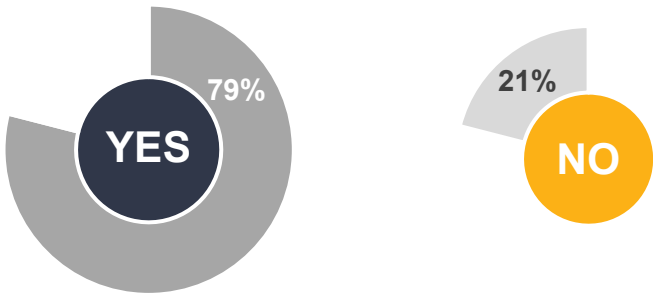
Nearly all Meridian 200 companies have adopted a policy which limits the number of public company board seats an incumbent may hold at one time.

Corporate Responsibility

58% of the Meridian 200 currently disclose internal tracking of long-term sustainability or climate change goals within the proxy statement.



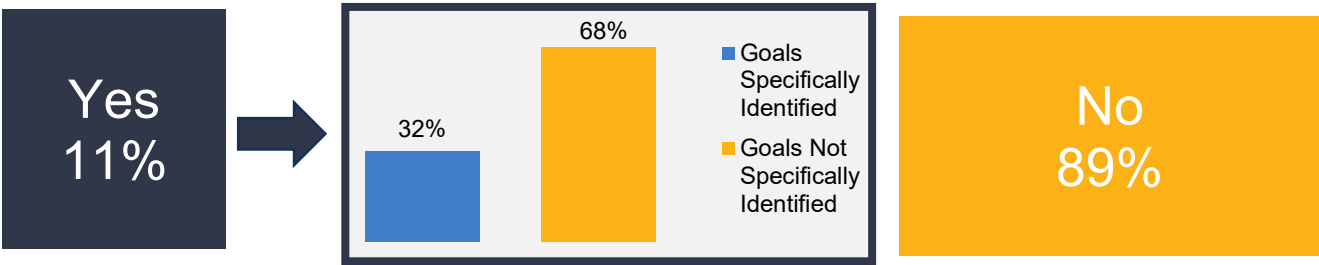
Nearly 80% of Meridian 200 companies referenced their annual Corporate Responsibility Report in their proxy statements.



Meridian Comment

Corporate Responsibility Reports typically address environmental achievements and future goals toward the achievement of long-term sustainability initiatives, as well as actions the company is taking to address diversity and build an inclusive culture.

Furthermore, around one tenth of the Meridian 200 (11%) disclose alignment with the United Nations (“U.N.”) Sustainable Development goals.



Meridian Comment

The number of companies disclosing alignment with the U.N. sustainability goals was one half of what it was in the 2024 survey.

The U.N. Sustainable Development Goals were adopted in 2015 as part of the “2030 Agenda for Sustainable Development.”

Diversity

Meridian Comment

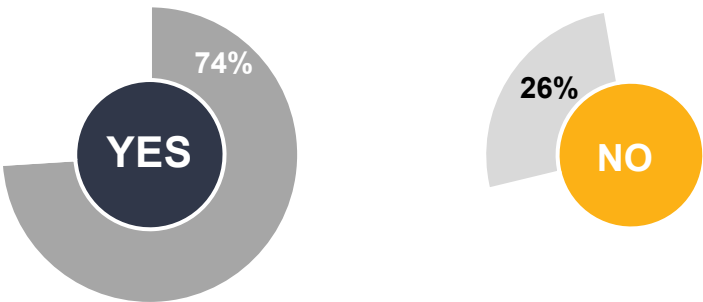
To improve performance and effectiveness, many boards consider multiple facets of diversity, including race, ethnicity, gender, skills and experiences when recruiting new directors.

In the last year, Institutional investors like BlackRock and Vanguard changed their policies on board diversity in response to DEI-related actions by the Trump administration. BlackRock no longer expects boards to meet specific diversity thresholds while Vanguard removed requirements for boards to include gender, racial and ethnic diversity.

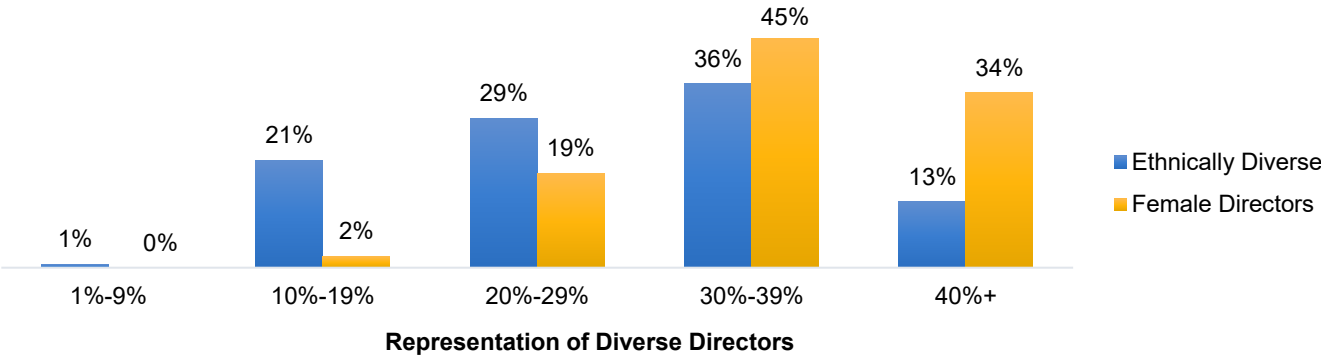
Additionally, Institutional Shareholder Services (ISS) no longer considers board diversity when issuing vote recommendations on directors.

Board Level

74% of the Meridian 200 disclose ethnic diversity statistics for current board membership, down significantly from 97% in 2024.



49% of Meridian 200 companies report at least 30% ethnically diverse directors, while 79% disclose at least 30% female director representation.

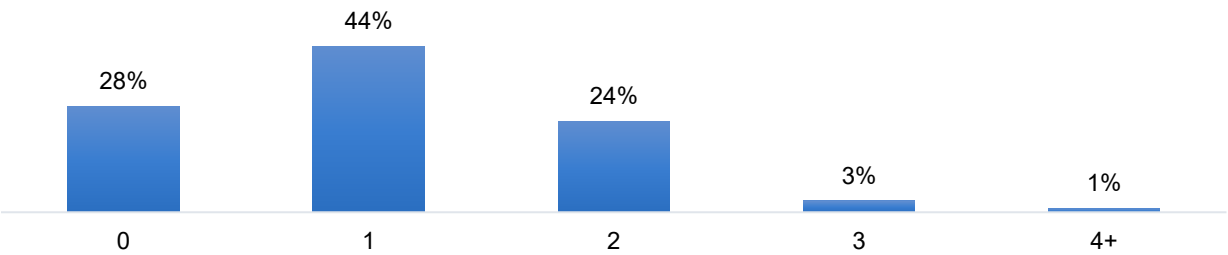


Meridian Comment

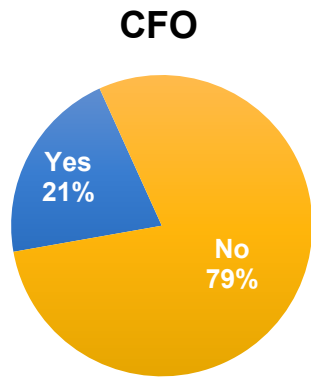
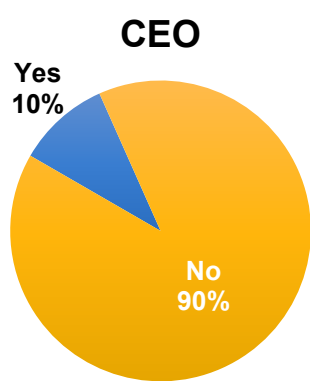
Rather than waiting for existing members to retire or choose not to stand for re-election, many companies have improved ethnic and gender diversity on their boards by actively adding new members.

Management Level

4% of Meridian 200 companies disclose that a majority of NEOs are female, while 28% disclose none are female.

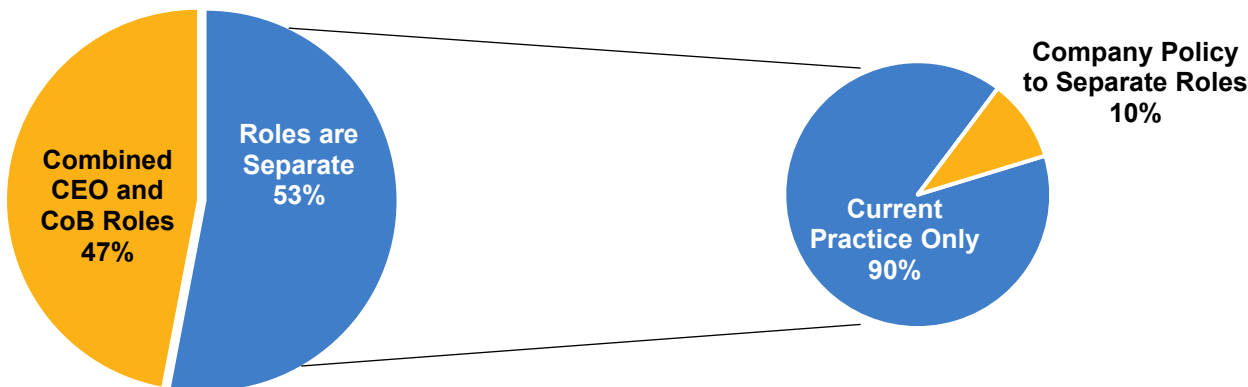


A small minority of the Meridian 200 have a female CEO (10%) or CFO (21%). Five years ago, 6% of the Meridian 200 had a female CEO.



Board Leadership

A majority of the Meridian 200 (53%) have a leadership structure in which the roles of the Chairperson of the Board (CoB) and CEO are separate.

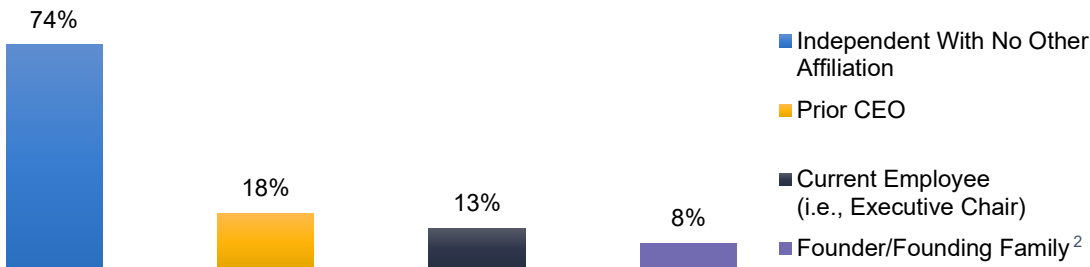


Meridian Comment

In recent years, the rate at which companies have separated the roles of CEO and CoB has slowed.

A company’s decision to combine the roles of CEO and CoB may be attributable to (a) an approach to succession planning where the board first allows a new CEO to gain experience before later giving them the role of Chair, or (b) a strategic shift in corporate direction.

Non-CEO Board Chair Relationship to the Company¹

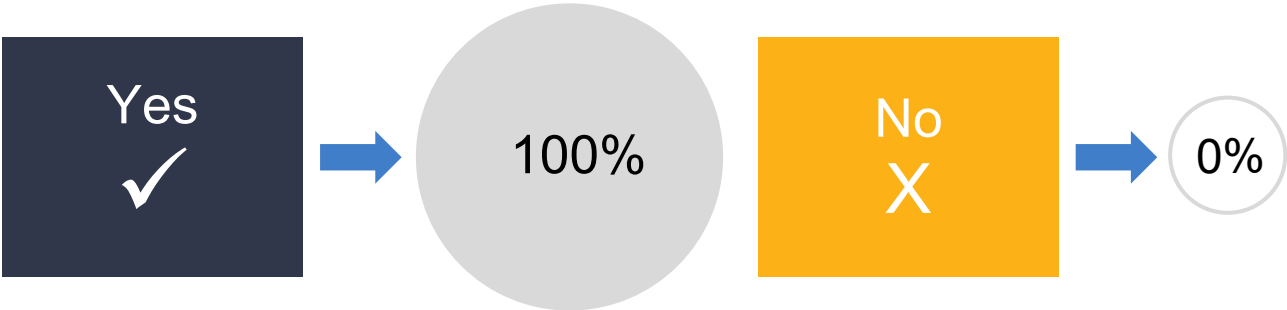


¹ Sum of prevalence percentages exceeds 100% as incumbents may be included in multiple categories.

² Founding family includes 2nd or 3rd generation members of the original founder.

Lead Director Prevalence

All Meridian 200 companies maintain a Lead Director position when the CoB and CEO roles are combined.
(Statistics below exclude companies where the CoB and CEO roles are separated.)

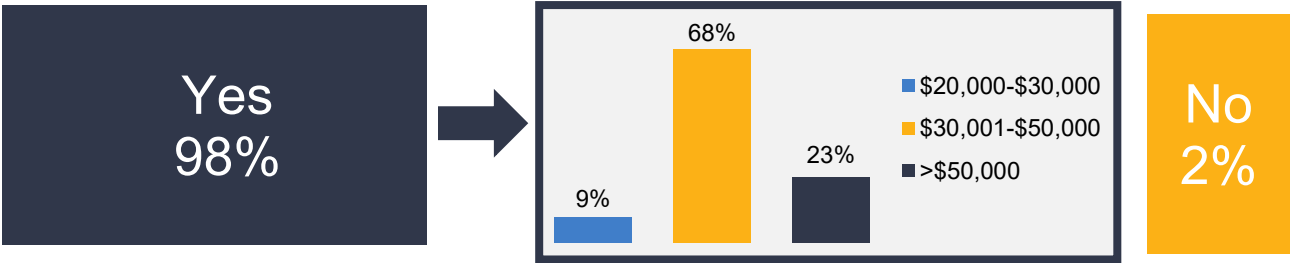


Meridian Comment

Absent a Non-Executive Chair, Lead Directors preside over meetings of the independent directors.

Lead Director Fees

A majority of Meridian 200 companies (98%) provide additional fees to designated Lead Directors. Additional annual fees are generally between \$30,001-\$50,000 (68%).



Meridian Comment

From 2020 to 2025, the percentage of companies offering retainers above \$30,000 increased from 56% to 91%, while those above \$50,000 rose from 9% to 23%.

The rise in Lead Director premiums reflects increased responsibilities and time demands largely due to expanded governance responsibilities and increased oversight in emerging areas (e.g., ESG strategy and disclosures, cybersecurity and AI).

Company Policies

Executive Equity Holdings

Stock Ownership Guidelines

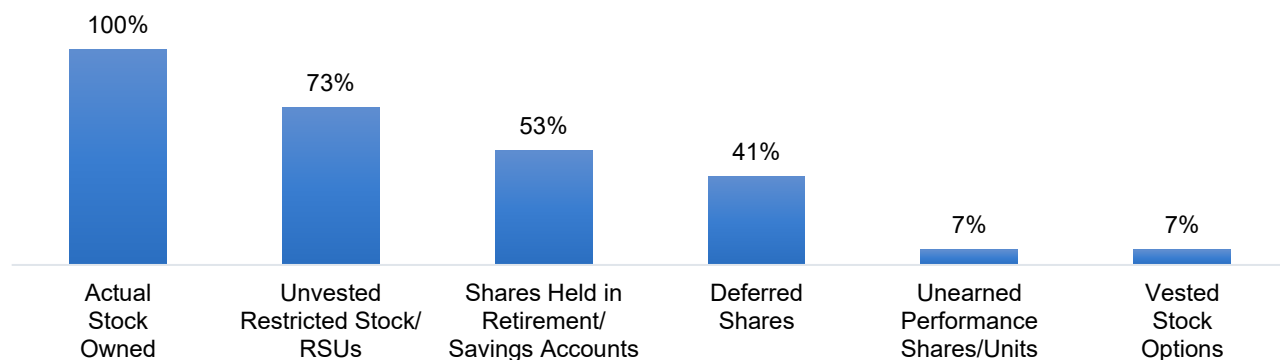
Almost all Meridian 200 companies (99%) have stock ownership guidelines for NEOs, with the “multiple of salary” structure remaining the most common approach.

Stock Ownership Guidelines Structure	Prevalence
Multiple of Salary	98%
Number of Shares	1%
None Disclosed	1%

The average CEO multiple is 6.8x base salary, while the most prevalent multiple is 6.0x base salary. The most prevalent multiple for other NEOs continues to remain at 3.0x base salary. The table below discloses the average and most prevalent multiple of salary among the Meridian 200.

Multiple of Salary Level	CEO	Highest NEO Multiple	Lowest NEO Multiple
Average	6.8x	3.7x	3.2x
Most Prevalent	6.0x	3.0x	3.0x

The following are defined as “stock” for purposes of achieving stock ownership guideline requirements. (Prevalence only includes companies that disclose a definition of “stock.”)



Meridian Comment

Few companies count unearned performance shares/units or vested stock options toward achievement of the ownership guideline requirements (each 7%).

Under current ISS policy, companies do not receive credit for executive stock ownership guidelines if they permit the inclusion of unearned performance awards or unexercised options (or any portion of their value, such as the current “in-the-money” amount) in satisfying these requirements.

Three quarters of Meridian 200 companies with stock ownership guidelines also maintain a timing requirement in which executives must become compliant (five years being the most prevalent). Meanwhile, 25% have a holding requirement in place in lieu of any specific timing requirements (see *additional details below*).

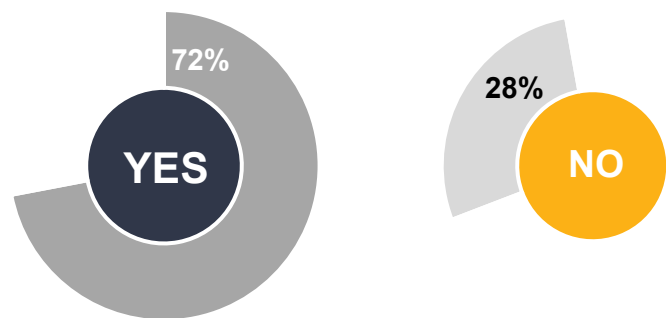


Holding Requirements

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 Non-Compliant:** 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 timeframe 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.

72% of Meridian 200 companies disclose using a stock holding requirement either in addition to or instead of a required stock ownership level.



When a company discloses a holding requirement, it is most commonly a “Hold Until Met” requirement.

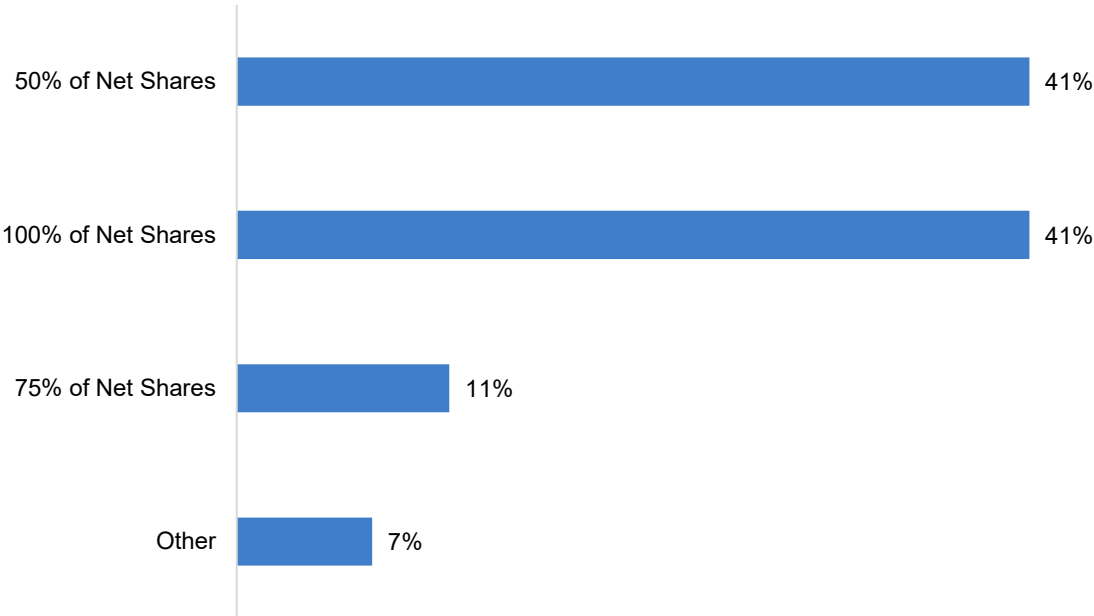
Holding Requirement Structure	Prevalence Among the Meridian 200 ¹	Prevalence Among Companies with a Holding Requirement ²
Hold Until Met	58%	82%
Hold Only if Non-Compliant	13%	18%
Holding Requirement Always in Place	7%	10%
Hold Until Retirement	2%	3%

¹ Sum of prevalence percentages exceeds holding requirement prevalence (72%) 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 chart below illustrates the percentage of “net of tax” shares that must be held by an executive at companies with a Hold Until Met requirement.



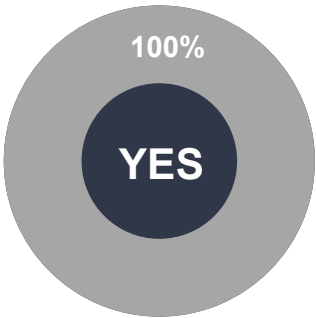
Meridian Comment

The prevalence of holding requirements has remained relatively steady in recent years with only a 3-percentage point increase observed between 2020 and 2025.

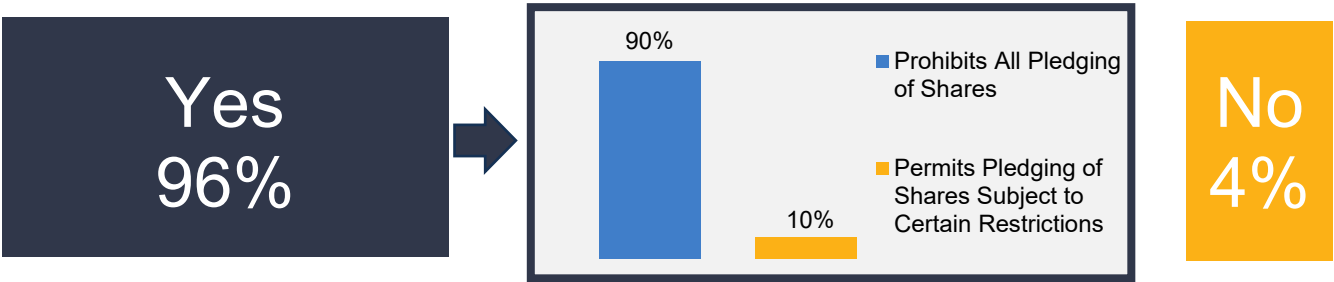
A significant majority of companies with “Hold Until Met” policies mandate that either 100% or 50% of net shares be held (each 41% prevalence). Few Meridian 200 companies have adopted a holding policy requiring participants to hold shares after the ownership guidelines are met (e.g., “hold until retirement” or “holding requirement always in place”).

Anti-Hedging and Anti-Pledging Policies

All Meridian 200 companies disclose the existence of an anti-hedging policy.



A significant majority of Meridian 200 companies disclose the existence of an anti-pledging policy.



Meridian Comment

Consistent with 2024, all Meridian 200 companies disclose an anti-hedging policy and the vast majority disclose an anti-pledging policy.

Recoupment (Clawback) Policies

Meridian Comment

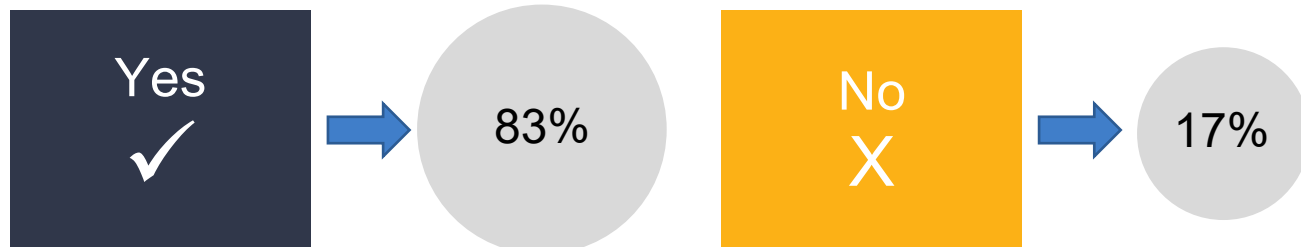
In October 2022, the SEC finalized clawback regulations as mandated by the Dodd-Frank Act. These rules required NYSE – and Nasdaq-listed companies to implement a mandatory clawback policy to recoup excess incentive compensation from both current and former executive officers in the event of a financial restatement.

The SEC-approved listing standards were effective October 2, 2023, and NYSE- and Nasdaq-listed companies were required to adopt and implement a Dodd-Frank compliant mandatory clawback policy by December 1, 2023. These policies apply to incentive-based compensation received by executive officers on, or after, October 2, 2023.

All Meridian 200 companies maintain a clawback policy that aligns with the standards outlined by the Dodd-Frank Act. Over three-quarters (83%) of companies also maintain **additional clawback policies or provisions** that exceed the requirements mandated by Dodd-Frank. Some companies implemented these policies while waiting for the Dodd-Frank mandatory clawback rules to go into effect, while others approved new, additional requirements at the same time as adopting the mandatory Dodd-Frank clawback policy.

All the clawback-related descriptions below focus on policies and provisions **beyond** the Dodd-Frank requirements.

A strong majority of Meridian 200 companies maintain clawback policies or provisions that exceed the requirements mandated by Dodd-Frank.



Meridian Comment

Companies expand upon the mandatory Dodd-Frank provisions by including: (a) additional triggers (i.e., beyond financial restatement), (b) a broader group of covered employees, or (c) additional elements of compensation (e.g., time-based equity awards).

For companies with expanded policies, the board (or compensation committee) typically has discretionary authority to recoup pay (the mandatory Dodd-Frank policy requires recoupment).

Additional Clawback Triggers

Additional Clawback Triggers	Prevalence Among the Meridian 200 ¹	Prevalence Among Companies with Clawback Provisions Beyond the Dodd-Frank Mandatory Policy ²
Ethical Misconduct	60%	71%
Reputational Risk	34%	40%
Violation of Restrictive Covenants	29%	34%
Failure to Supervise	13%	16%
Other	7%	8%

¹ Sum of prevalence percentages exceeds additional clawback provision prevalence (83%) since companies may have multiple additional triggers.

² Sum of prevalence percentages exceeds 100% since companies may have multiple additional triggers.

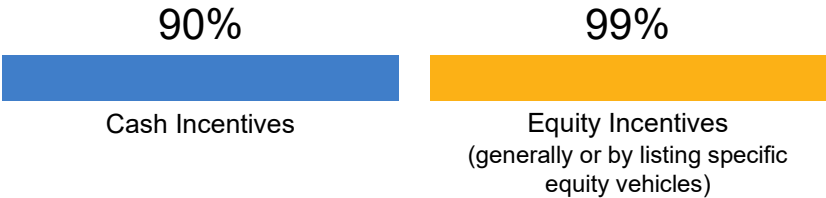
Note: Financial restatement clawback trigger not presented above as this trigger is mandated by the Dodd-Frank policy.

Additional clawback policies often apply to current and former key executives or all incentive plan participants.¹

Roles	Prevalence
Current and Former Key Executives (e.g., Section 16 Officers)	42%
All Incentive (Annual and/or Equity) Plan Participants	30%
Current Key Executives (e.g., Section 16 Officers)	27%
Current Named Executive Officers Only	1%

¹ The primary source of this data is proxy statements, which often focus on key executive populations, so broader coverage is likely in actual practice.

While the Dodd-Frank mandatory policy only covers “incentive-based” compensation, over 90% of companies have opted to broaden policies to include a wider range of compensation elements. Strong majority practice is to include both cash and equity incentives under a company’s clawback policy.



Meridian Comment

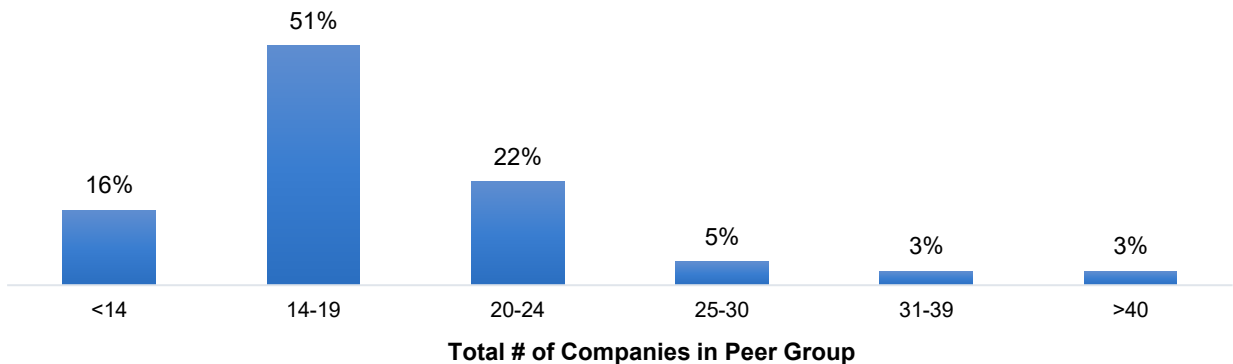
This year’s survey observed a slight increase (5 percentage points) in the number of companies maintaining clawback policies that extended beyond the requirements of Dodd-Frank.

Peer Groups

Nearly all (97%) of the Meridian 200 disclose the use of at least one custom benchmarking peer group.

Number of Peer Groups	Prevalence
One Custom Peer Group	90%
Two Custom Peer Groups	7%
N/A: Company Does Not Disclose Any Benchmarking Peer Groups	3%

It is considered good governance for companies to have a robust peer group, generally comprised of 15-25 companies. The graph below displays the *total* number of companies 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

73% of companies include between 14 and 24 companies in their peer group while the average peer group includes 18 companies.

Companies typically select peer groups based on a range of criteria, including size (e.g., revenue, assets, market capitalization), industry segment, complexity, geographic reach, performance and competition for talent and investors.

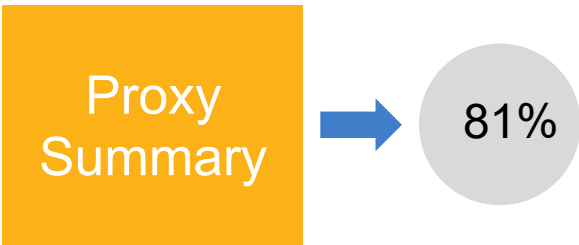
Peer groups are frequently employed to benchmark executive and director compensation, incentive plan design and share utilization. Additionally, many companies use custom peer groups for relative performance comparisons, even if these comparisons are not part of formal incentive plans.

We advise companies to review peer groups annually to ensure continued appropriateness: (1) companies' business models, financial results and strategic priorities can shift, causing variations in how well the peer group represents the company; and (2) compensation committees and external observers closely scrutinize peer groups due to their significant impact on a company's pay practices and compensation levels. Nevertheless, it is not best practice to drastically change the peer group each year unless it is justified by other reasons.

Proxy Disclosure Practices

Executive Summary Disclosures

A majority of Meridian 200 companies include a proxy summary at the beginning of the proxy statement.



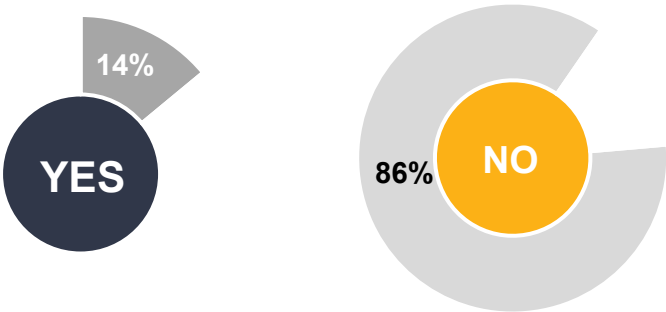
Meridian Comment

These summaries often highlight the company’s business strategy, feature letters from the CEO, Chair of the Board, or Committee Chairs, and provide information on board member diversity, ESG initiatives, significant pay messages, financial performance, and key voting details on management and shareholder proposals.

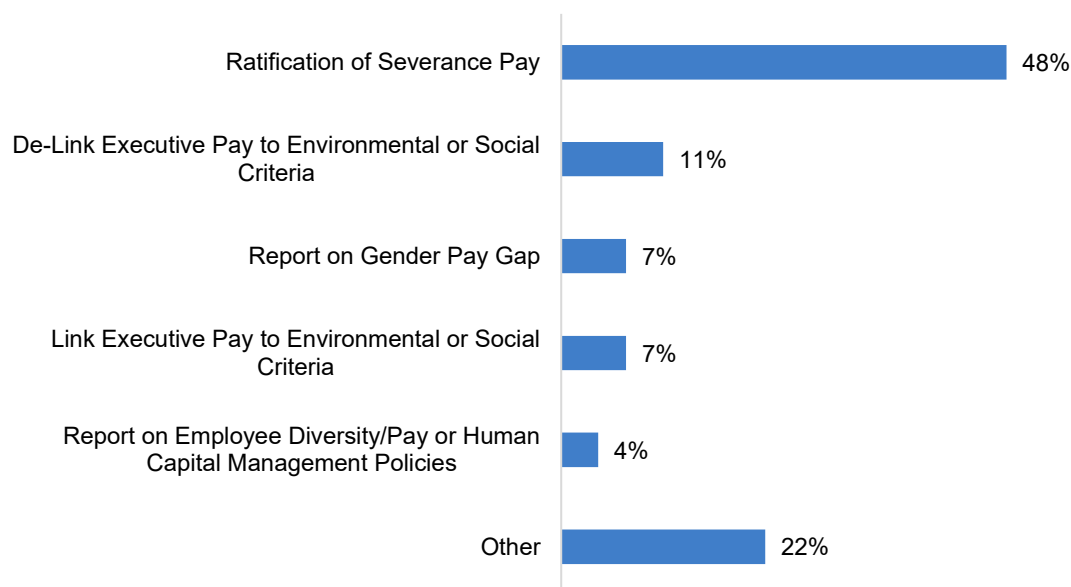
Proxy summaries not only build credibility and drive support by helping investors, regulators and proxy advisory firms quickly grasp the essentials, but also demonstrate a commitment to clear communication and good governance.

Shareholder Proposals

A minority of Meridian 200 companies received compensation-related shareholder proposals in 2025.



For those companies with a compensation-related shareholder proposal, the proposal addressed one or more of the following topics:



“Other” proposals include considering enhanced stock retention requirements for executives and additional compensation recoupment (“clawback”) policies.

Meridian Comment

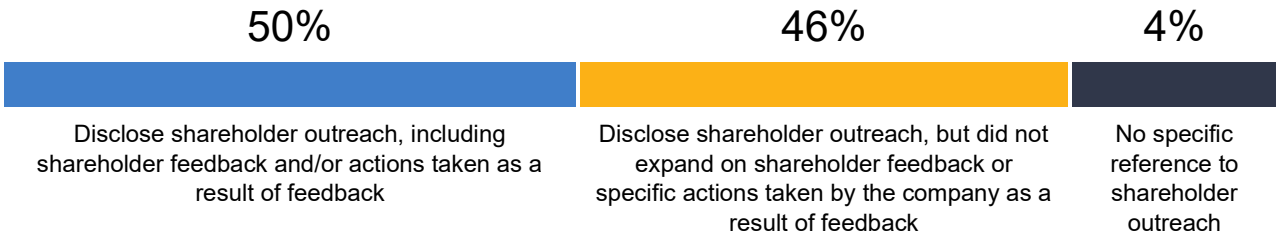
Compensation-related proposals remain rare and continue to receive limited shareholder support.

Most compensation-related shareholder proposals occur at large U.S. corporations.

In 2025, three companies received proposals looking to *de-link* executive pay to environmental or social criteria.

Shareholder Outreach Disclosures

Although shareholder outreach has long been standard practice, the public reporting of these efforts has risen sharply in recent years. Currently, 96% of Meridian 200 companies include details about shareholder engagement in their proxy statements, an 11-percentage point increase vs. 2020.



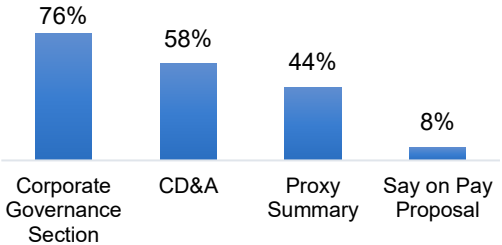
Meridian Comment

From Meridian's perspective, disclosing comprehensive outreach efforts not only showcases a company's responsiveness, but also strengthens the justification for its compensation decisions.

These engagement disclosures typically highlight direct communications with major institutional investors on a range of issues, including company performance, business strategy, executive compensation, business risks or human capital management.

Institutional investors and proxy advisors encourage transparency into the shareholder engagement process, particularly when the previous year's Say on Pay vote received low shareholder support.

Shareholder outreach efforts are commonly disclosed in the corporate governance section (76%) or CD&A (58%).

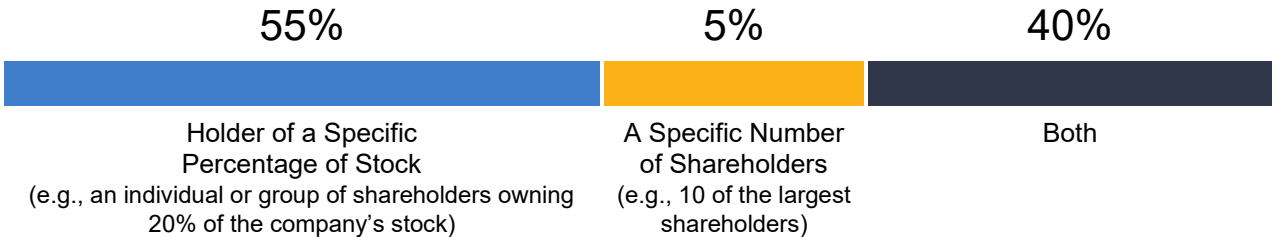


Meridian Comment

61% of companies disclosing shareholder outreach programs discuss their efforts in more than one location within the proxy.

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

Roughly 80% of companies that disclose shareholder outreach reported details about the shareholders they engaged. Most Meridian 200 companies (55%) disclose that they conducted outreach with "holders of a specific percentage of stock" (e.g., an individual or group of shareholders owning 20% of the company's stock).

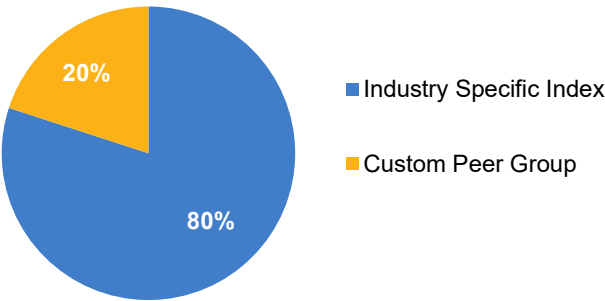


Mandatory Pay Versus Performance (PVP) Disclosures

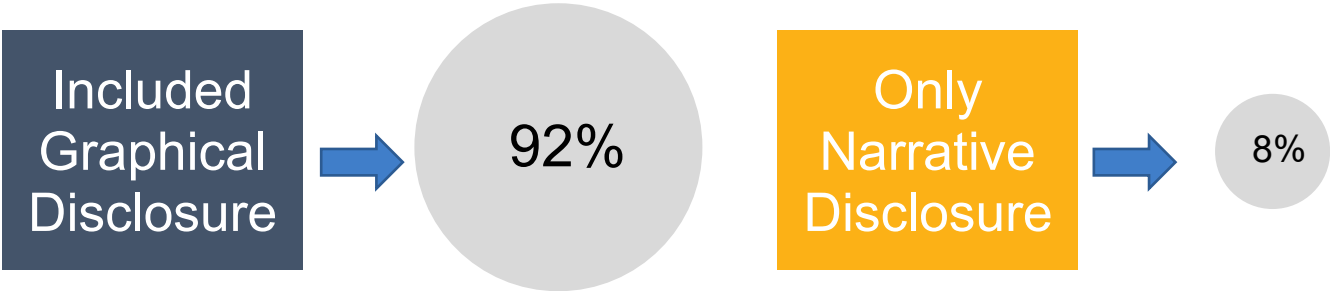
For most companies in the Meridian 200, the 2025 proxy marked the third year of complying with the mandatory “Pay Versus Performance” disclosure. The rule requires companies to include a table comparing “Compensation Actually Paid” (a new pay definition created by the SEC), compensation as reported in the Summary Compensation Table, TSR (both for the company and a peer group), net income and performance for a “company selected measure.”

Overall, for Meridian 200 companies, 2025 PVP disclosure practices were similar to 2024 practices. Despite companies having an opportunity to update disclosure choices in 2025, most companies opted to keep the disclosures consistent with the prior year.

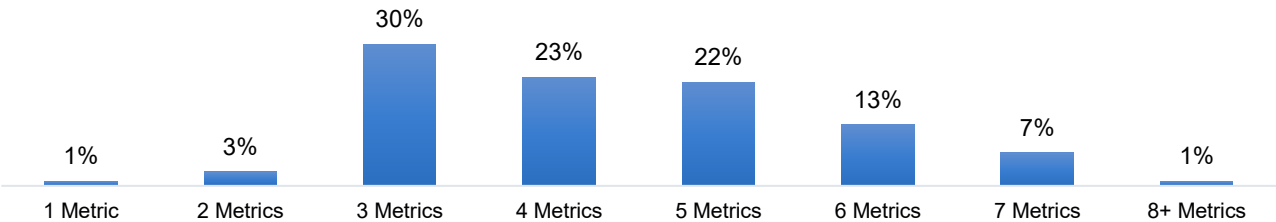
One decision for companies is the peer group against which TSR performance is compared. Companies may select from an executive compensation peer group (benchmarking or performance comparison), or the peer group/industry-specific index disclosed in its Form 10-K performance graph. Consistent with prior year results, most companies elected to compare TSR against an industry-specific index (80%) as opposed to a custom peer group (20%).



Companies also must describe the relationship between Compensation Actually Paid and company performance. Although companies may present these disclosures in either graphical or narrative form, the vast majority of companies favor graphics and supplement them with brief narrative explanations.



In addition to the tabular disclosure and description of relationship between Compensation Actually Paid and company performance, companies are required to list the three to seven “most important” measures used to link Compensation Actually Paid in 2024 to company performance. Companies typically include three to five other “most important” measures.



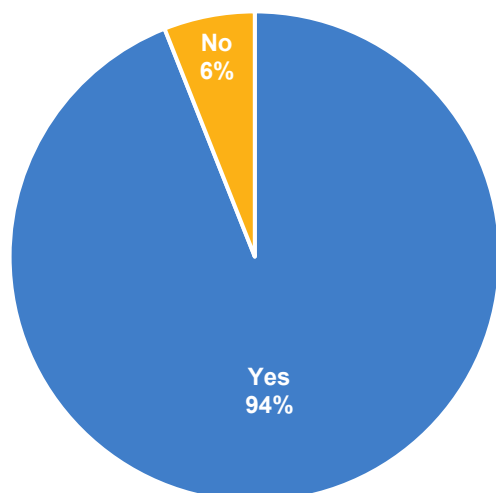
Performance Disclosure

Most Meridian 200 companies include disclosure summarizing company performance results. Note that this is different from a comparison of pay and performance, for which prevalence data is provided on the following pages. Performance disclosures generally fall into two categories:

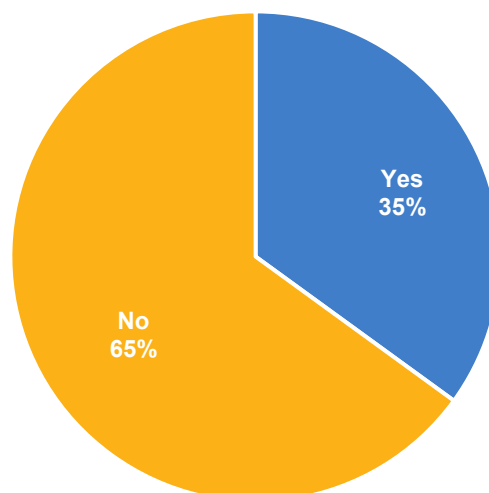
Absolute Performance: A disclosure solely depicting the company's financial or stock price/TSR performance (i.e., no relative comparison).

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

Absolute Performance



Relative Performance



Meridian Comment

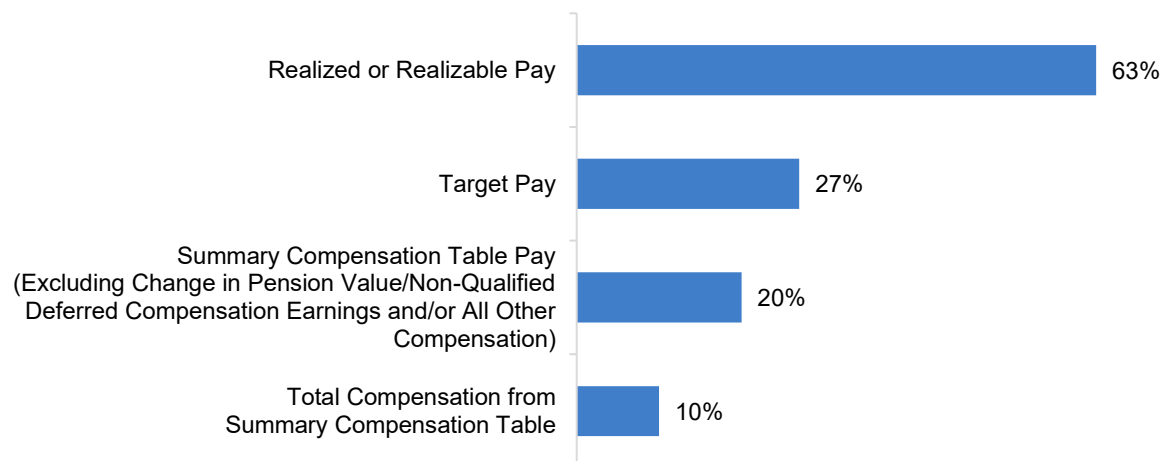
By disclosing absolute and relative performance outcomes, companies aim to build a compelling narrative that supports subsequently disclosed pay decisions.

Of the disclosures related to relative performance, 60% compare performance to a broad index, such as the S&P 500, and 39% compare performance against an industry-specific index.

Volitional Pay and Performance Disclosures

15% of the Meridian 200 provide volitional disclosure (separate from the SEC required disclosure) comparing NEO pay to company performance.

Companies that include a volitional pay and performance disclosure define pay as the following:



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

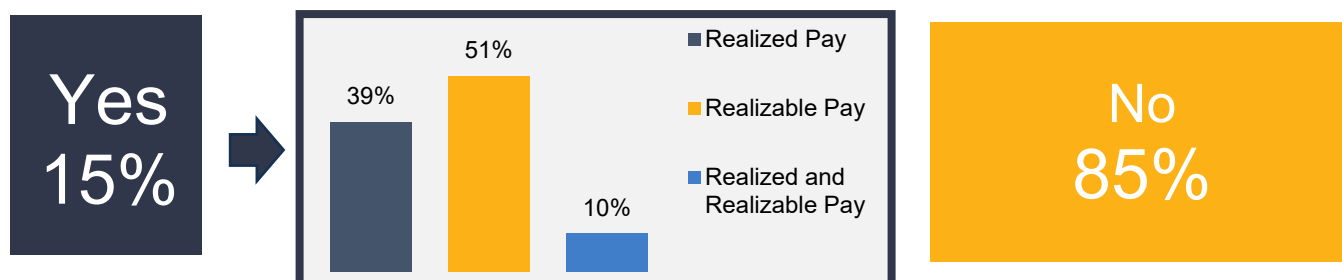
Meridian Comment

While there is continued attention on the link between pay and performance, the prevalence of volitional pay and performance disclosures remains consistent with prior years' results.

Despite the flexibility afforded with volitional disclosures (e.g., companies can select the definitions of pay and performance), companies may find it unnecessary, burdensome and/or redundant to include two separate pay and performance disclosures within the proxy statement.

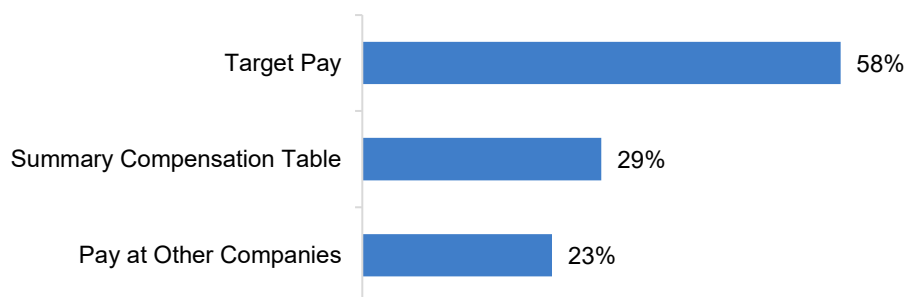
Realized/Realizable Pay Disclosure

15% 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.



NEO Pay Included in Disclosure	Prevalence
CEO Only	71%
All Named Executive Officers Depicted Separately	16%
CEO and Average of Other Named Executive Officers	13%

When presented relative to other compensation figures, realized or realizable pay is typically compared to target pay, Summary Compensation Table pay or pay at other companies.



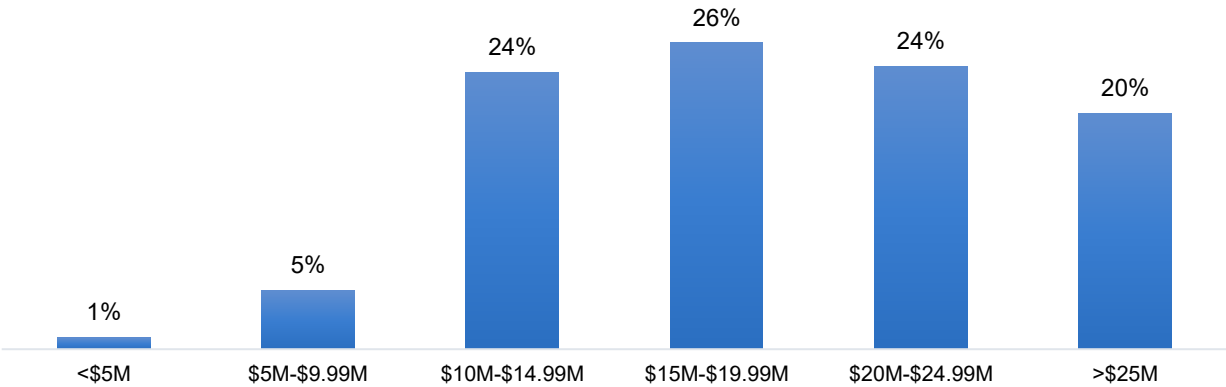
Note: Sum of prevalence percentages exceeds 100% due to companies that compare realized/realizable pay to multiple reference points.

Meridian Comment

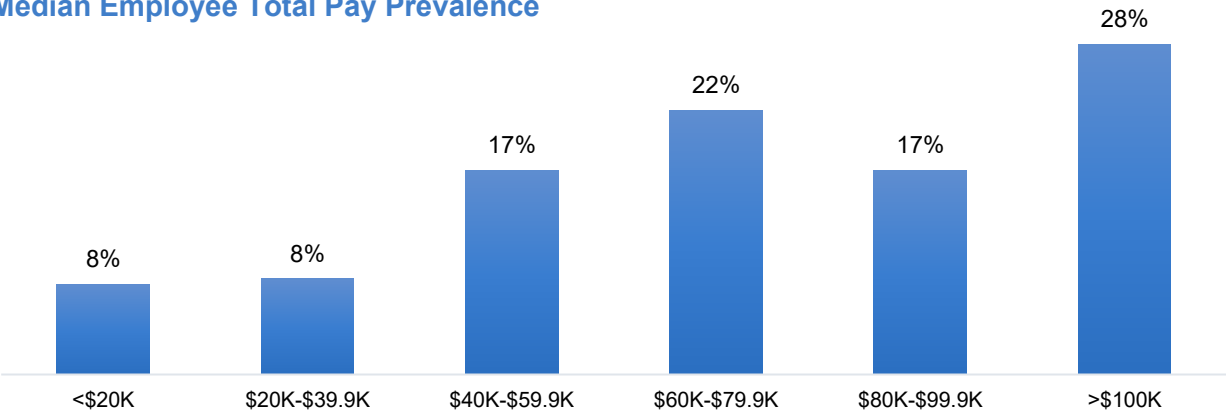
Including disclosures of realized or realizable pay continues to be a minority practice.

While not always disclosed, many compensation committees annually review realized and/or realizable pay to monitor compensation actually delivered to key executives.

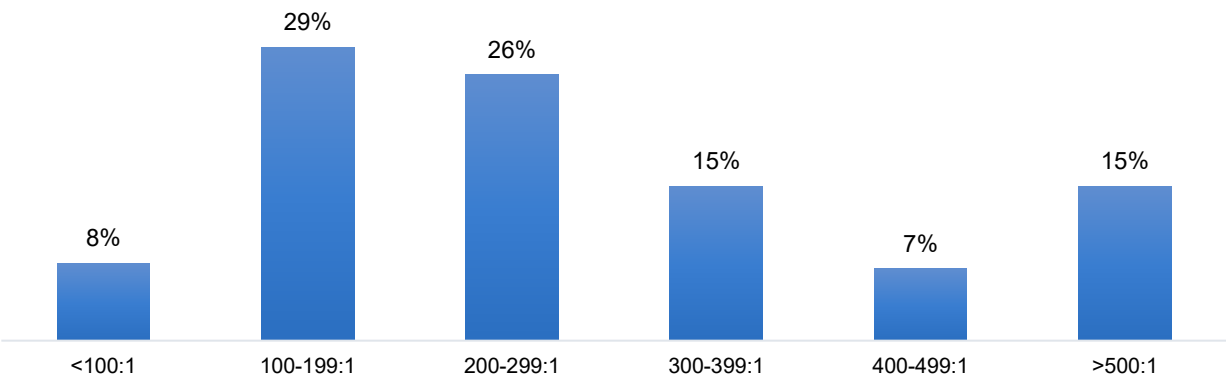
CEO Pay Ratio
CEO Total Pay Prevalence



Median Employee Total Pay Prevalence



CEO Pay Ratio Prevalence



Median and Average CEO Pay Ratio by Industry

Industry	Number of Companies	Median CEO Pay Ratio	Average CEO Pay Ratio ▼
Consumer Discretionary	29	518:1	1089:1
Consumer Staples	25	304:1	423:1
Information Technology	19	308:1	348:1
Communication Services	11	267:1	321:1
Health Care	22	286:1	280:1
Industrials	38	205:1	257:1
Financials	12	219:1	253:1
Materials	16	229:1	248:1
Energy	18	117:1	138:1
Utilities	10	100:1	99:1
All Meridian 200 Companies	200	246:1	394:1

Meridian Comment

Among Meridian 200 companies, Utilities have the lowest median CEO pay ratio (100:1) while the Consumer Discretionary industry sector continues to have the highest median CEO pay ratio (518:1).

While company size (e.g., revenue, market cap, number of employees) is directionally aligned with CEO pay ratios, the highest ratios are observed within industry sectors influenced largely by economic circumstances, global workforces and industries with an employee mix that is largely seasonal or minimum wage.

The median CEO pay ratio among Meridian 200 companies is 246:1, nearly identical to 2024, and in-line with historical norms (usually between 200:1 and 250:1).

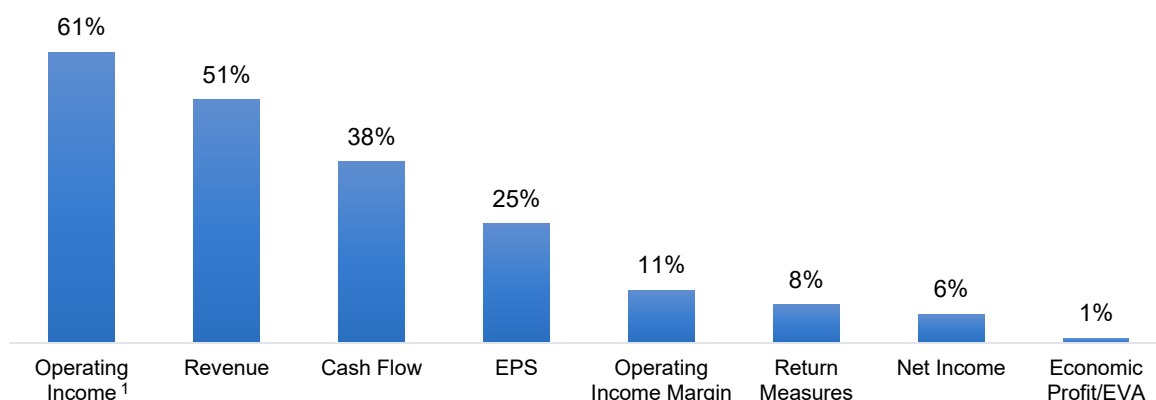
Looking Ahead

In June 2025, the SEC hosted a roundtable on executive compensation disclosures with company representatives, investors and experts. While the discussion may ultimately lead to meaningful reforms – and the SEC has since added “rationalization of disclosure practices” to its regulatory agenda – it is increasingly unlikely that any changes will take effect in time for the 2026 proxy season.

Annual Incentive Plan Design Practices

Annual Incentive Plan Metrics

Prevalence of Financial Metrics Used to Determine Annual Incentive Plan Payouts



¹ Includes EBIT, EBITDA, Operating Income, Pre-Tax Income, etc.

Metric	Median Weighting	Average Weighting
All Earnings Metrics (Combined)	50%	50%
Operating Income	50%	51%
Net Income	41%	46%
EPS	40%	43%
Revenue	33%	33%
Return Measures	30%	37%
Operating Margin	25%	26%
Cash Flow	25%	27%

Note: Weighting statistics only consider companies that use the metric in the annual incentive plan and define a weighting (i.e., excludes instances of 0% weighting and modifiers).

Meridian Comment

The prevalence of various annual incentive metrics remains consistent with prior year results.

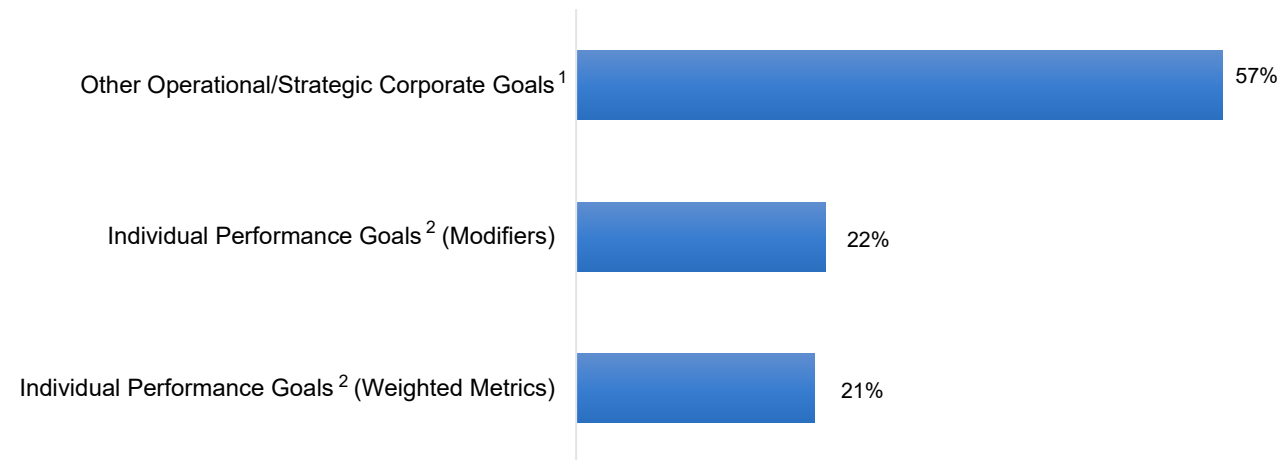
Earnings-based measures (e.g., operating income, EPS or net income) continue to be the predominant metric in annual incentive plans, with a large majority of companies (88%) including at least one earnings measure in their plan. Revenue is used by roughly one half of companies, while cash flow metrics remain a strong minority practice.

On average, across annual incentive plans, earnings metrics account for 50% of the overall plan weighting while revenue metrics account for 33%.

Typically, companies include two financial metrics in the annual incentive plan.

Non-Financial Metrics

Most companies (80%) also incorporate operational goals, strategic goals and/or individual performance objectives within annual incentive plans, typically as supplements to the financial metrics.



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

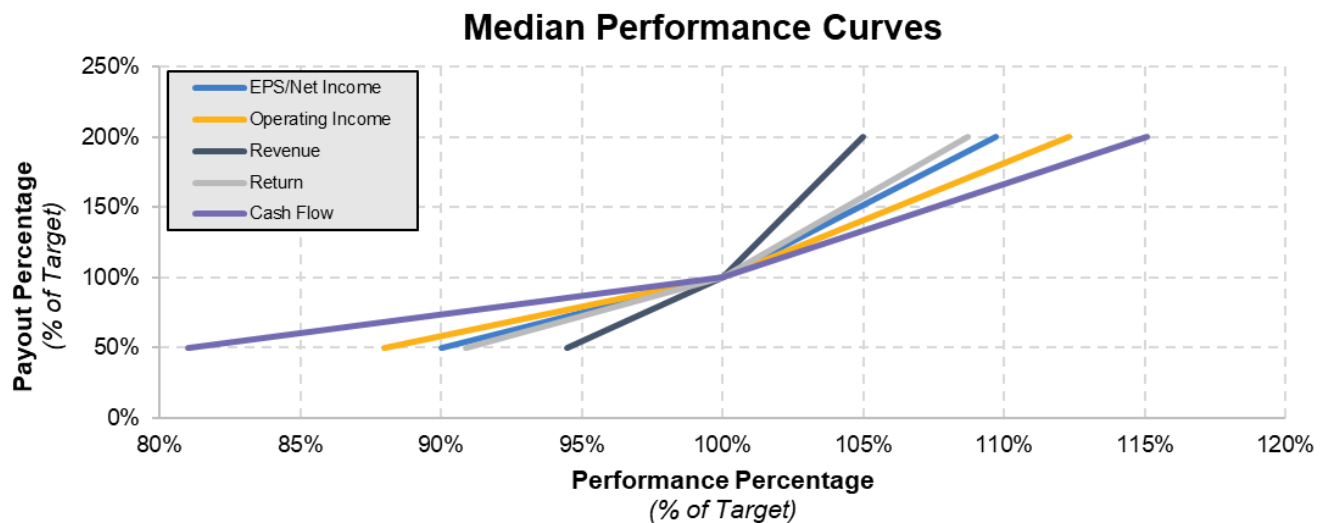


Annual Incentive Performance Curves

The median threshold and maximum performance requirements (as a percentage of the target goal) for companies using five common financial metrics are provided below.

Financial Metrics	Median <u>Threshold</u> Performance Goal as a Percent of Target	Median <u>Maximum</u> Performance Goal as a Percent of Target
EPS/Net Income	90%	110%
Operating Income	88%	112%
Revenue	95%	105%
Return Measures	91%	109%
Cash Flow	81%	115%

Typical performance curves are depicted graphically below. Most often, companies set the threshold *payout* opportunity at 50% of target and the maximum *payout* opportunity at 200% of target.



Meridian Comment

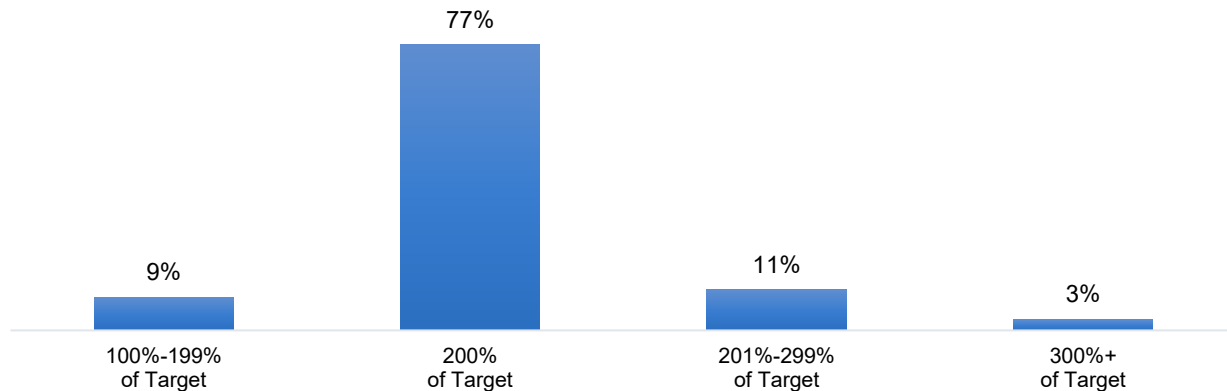
Median threshold and maximum performance goals (as a percentage of target) remain largely consistent with the 2024 survey.

Meridian 200 companies often set narrower performance ranges for revenue goals, reflecting management's clearer line of sight for metrics higher up the income statement.

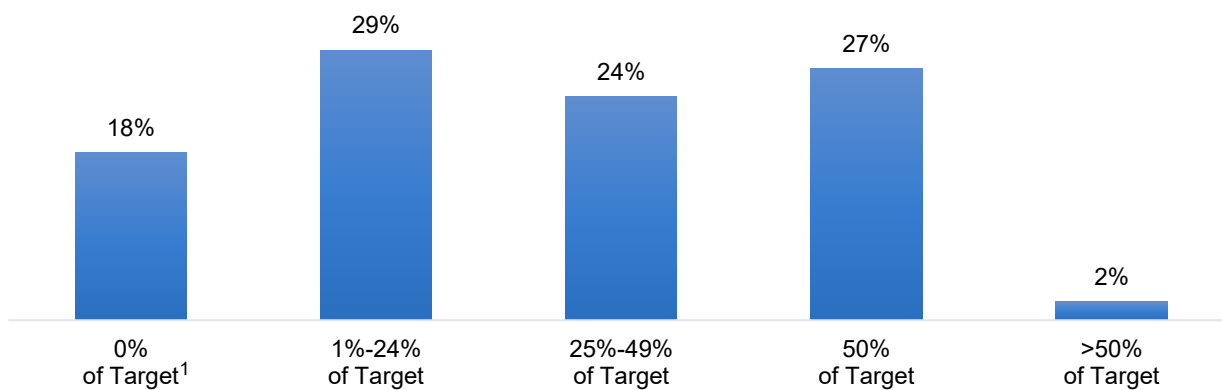
While the median performance curves shown above are largely symmetrical – meaning maximum and threshold goals are set the same distance from target – this is by no means a requirement. Performance curves should ideally reflect factors such as the likelihood of significant over or under performance, as well as the company's broader pay philosophy.

Payout Curves (Leverage)

Maximum Potential Payout (as a Percent of Target)



Threshold Payout (as a Percent of Target)



¹ Payouts start at \$0 for threshold level performance.

Meridian Comment

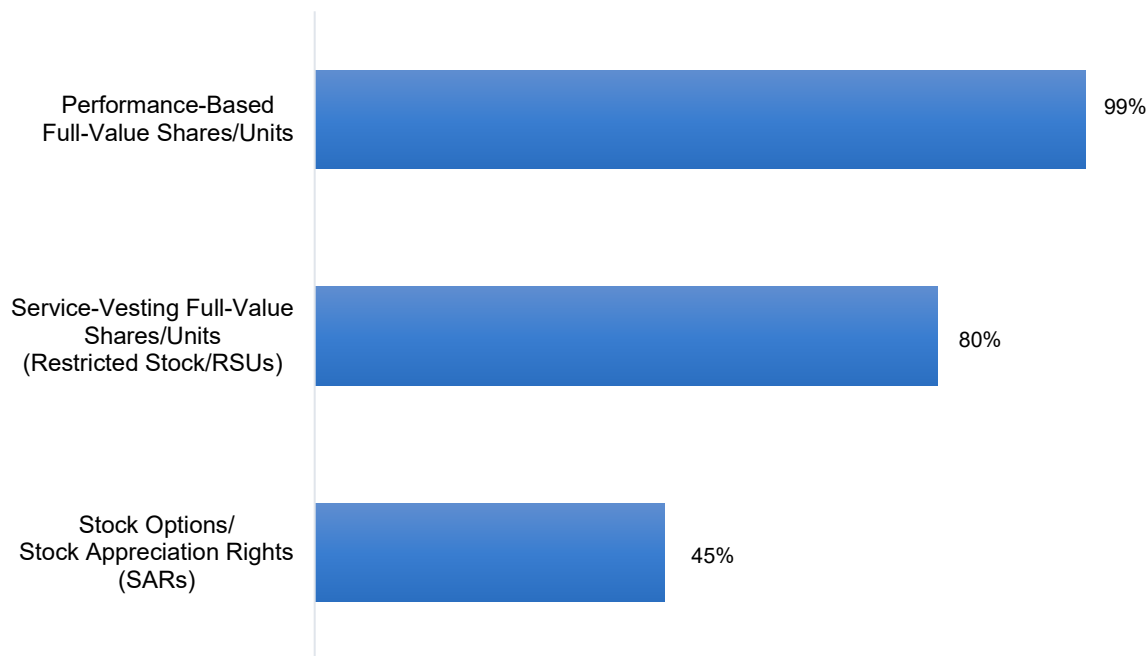
The most prevalent maximum payout opportunity within annual incentive plans among the Meridian 200 continues to be 200% of target (77%). Nearly all Meridian 200 companies (98%) set threshold payout opportunity at or below 50% of target.

Numerous companies (18%) interpolate payouts all the way down to 0% (i.e., performance just above threshold earns a \$1 payout). However, most companies set the overall plan threshold payout above 0% of target.

Long-Term Incentive Plan Design Practices

Vehicle Use and Mix

Prevalence of LTI Vehicles at the NEO Level



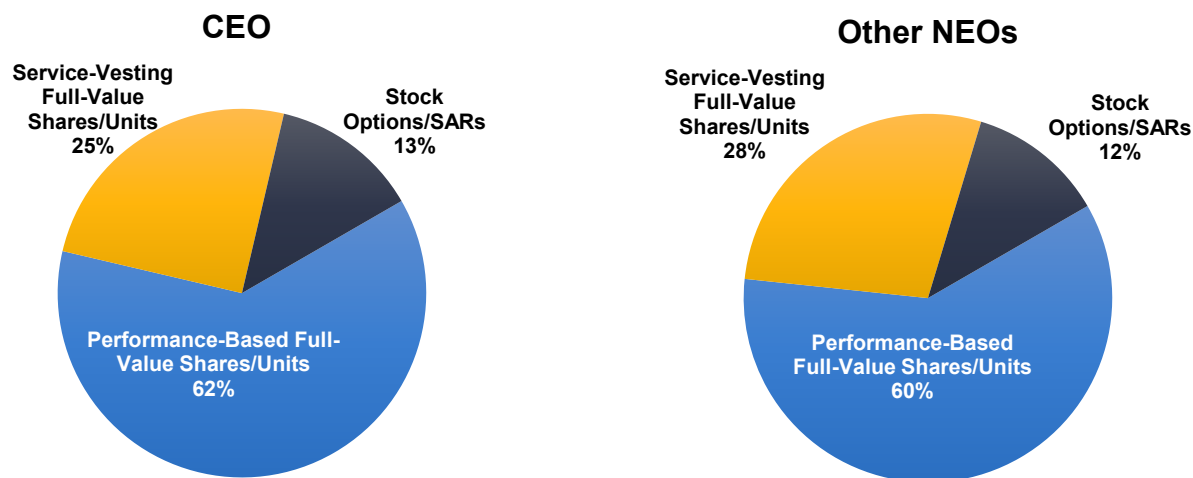
Meridian Comment

Nearly all Meridian 200 companies (99%) grant performance-based full value shares/units, underscoring commitment to a Pay-for-Performance approach to executive pay.

Service-vesting full-value shares (i.e., restricted stock and/or restricted stock units) are also common (80%) while the use of stock options or SARs continues to slowly decline (down to 45% from 55% in 2020).

58% of companies grant two LTI vehicles annually, 36% grant three or more, and 6% grant one.

Stated LTI Mix (Based on Value)



Meridian Comment

For most companies (81%), the disclosed LTI mix is consistent between the CEO and other NEOs.

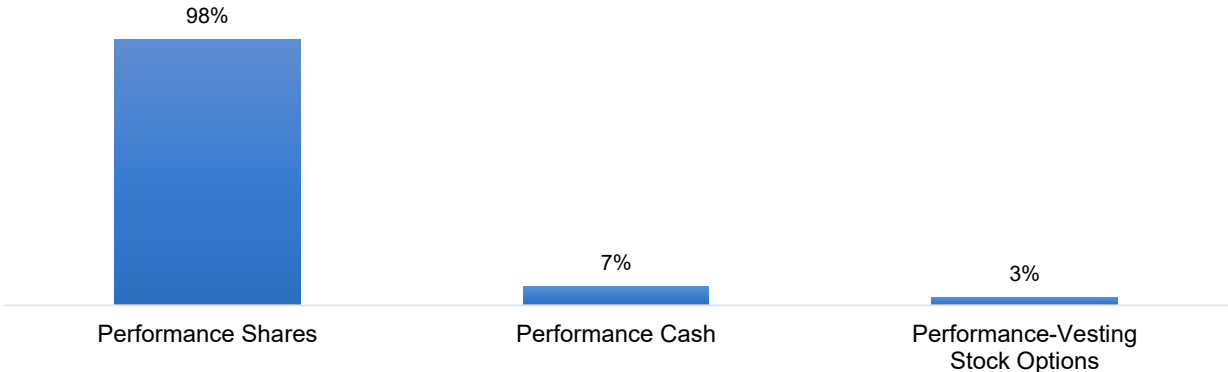
When equity mixes are differentiated, CEOs typically receive a higher portion of their equity in performance-based awards when compared to the company's other NEOs.

Performance-Based Long-Term Incentives

Performance-Based Vehicle Use

Though full-value performance shares are most prevalent, some Meridian 200 companies also incorporate performance cash or performance vesting stock options into their long-term incentive plan.

- **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 Cash:** A cash award that can be earned at a variety of payout levels based on performance criteria.
- **Performance-Vesting Stock Options:** A stock option award that vests contingent on performance and may offer a range of potential payouts depending on achievement against goals.



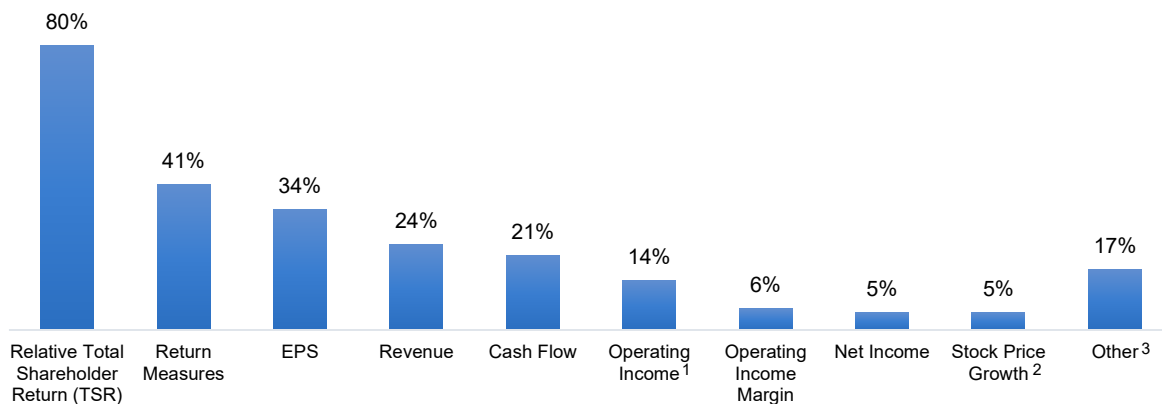
Note: Total exceeds 100% as some companies grant more than one type of performance award.

Meridian Comment

Meridian 200 companies strongly favor performance shares to other performance-based vehicles.

Companies generally prefer the use of shares over cash within long-term incentive plans for several reasons, including: shareholder alignment, additional leverage from stock price growth, compliance with ownership guidelines, conservation of cash and favorable accounting treatment.

Financial Metrics Used to Determine Performance-Based Award Payouts



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

² Stock Price Growth includes absolute TSR (stock price appreciation + dividends) performance metrics.

³ "Other" includes metrics such as: Economic Value Added (EVA), Economic Profit and operational goals.

Metric	Median Weighting	Average Weighting
All Earnings Metrics (Combined)	50%	54%
Operating Income	50%	56%
Net Income	34%	51%
EPS	50%	52%
Relative TSR	50%	54%
Return Measures	50%	52%
Operating Margin	40%	39%
Cash Flow	40%	41%
Revenue	35%	39%

Note: Weighting statistics only consider companies that use the metric in the long-term plan and define a weighting (i.e., excludes instances of 0% weighting and modifiers).

Meridian Comment

Relative TSR remains the most prevalent long-term incentive metric (80%) and is the only metric used by a majority of Meridian 200 companies.

Prevalence of long-term incentive metrics generally remained consistent year-over-year.

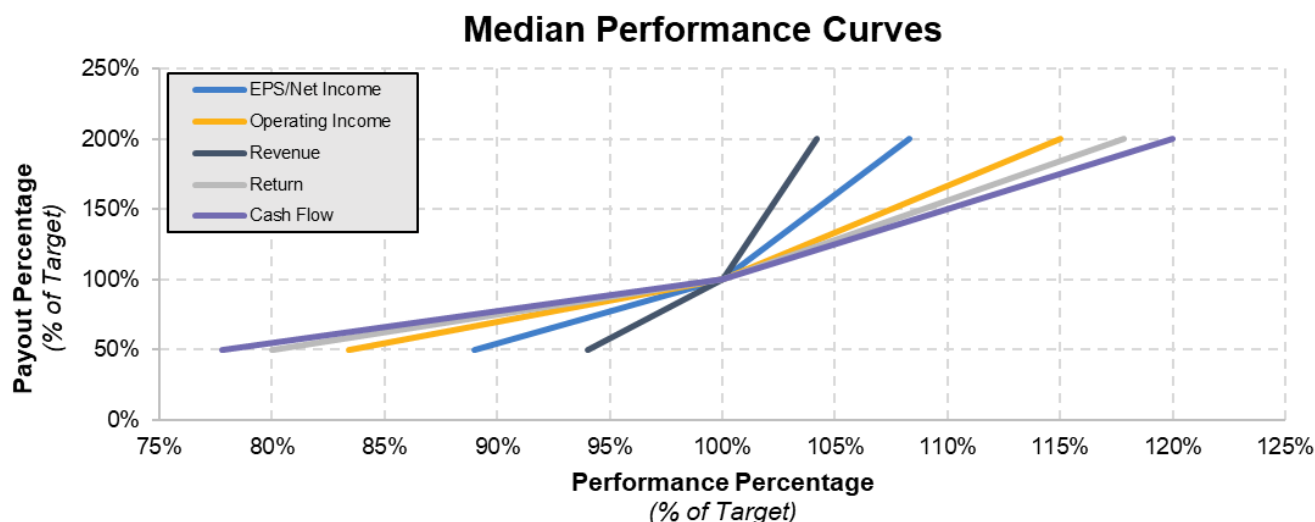
Unlike annual incentive plans, which often feature several metrics with relatively low weightings, each long-term incentive metric typically carries a much larger share of the overall plan, with average weightings near or above 40%.

Long-Term Incentive Performance Curves

The median threshold and maximum performance requirements (as a percentage of the target goal) for companies using five common financial metrics are provided below.

Financial Metrics	Median <u>Threshold</u> Performance Goal as a Percent of Target	Median <u>Maximum</u> Performance Goal as a Percent of Target
EPS/Net Income	89%	108%
Operating Income	83%	115%
Revenue	94%	104%
Return Measures	80%	118%
Cash Flow	78%	120%

Typical performance curves are depicted graphically below. Most often, companies set the threshold *payout* opportunity at 50% of target and the maximum *payout* opportunity at 200% of target.



Goal Setting

Most companies set multi-year goals to determine performance-based award payouts.

Goal Setting Approach	Prevalence ¹
Multi-Year Goals (e.g., 3-year cumulative TSR or EPS)	91%
Multiple 1-Year Goals over Performance Period with Goals set Annually	8%
Multiple 1-Year Goals over Performance Period with Goals set at the Beginning of the Performance Period	8%
1-Year Goals with Additional Service Vesting	2%

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

Meridian Comment

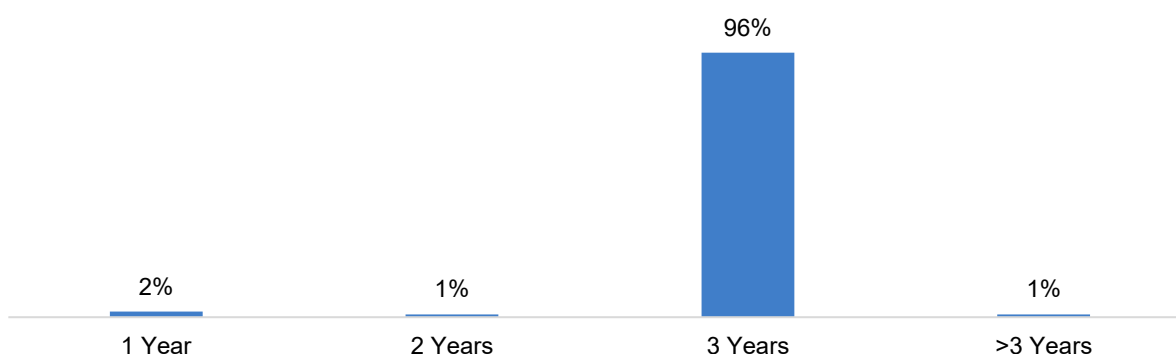
For most metrics, median threshold and maximum goals as a percent of target remain similar to last year's survey, though performance curves have generally "widened" compared to data from 2020.

Revenue goals have the narrowest performance range from threshold to maximum, while cash flow has the widest range. Like the annual goal setting process, market reference points are not the sole factor considered when setting long-term performance goals.

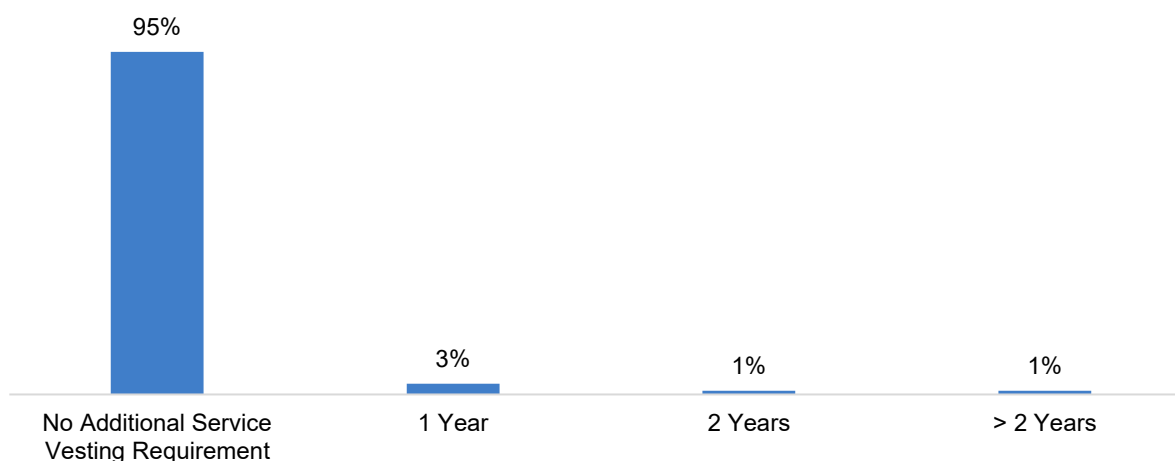
While setting a three-year cumulative goal remains the most prevalent approach, using multiple one-year goals may ease challenges associated with multi-year goal setting during particularly volatile periods.

Performance Periods

The overwhelming majority of companies use a three-year performance period.



A small minority of companies require additional service vesting after the performance period has been completed.



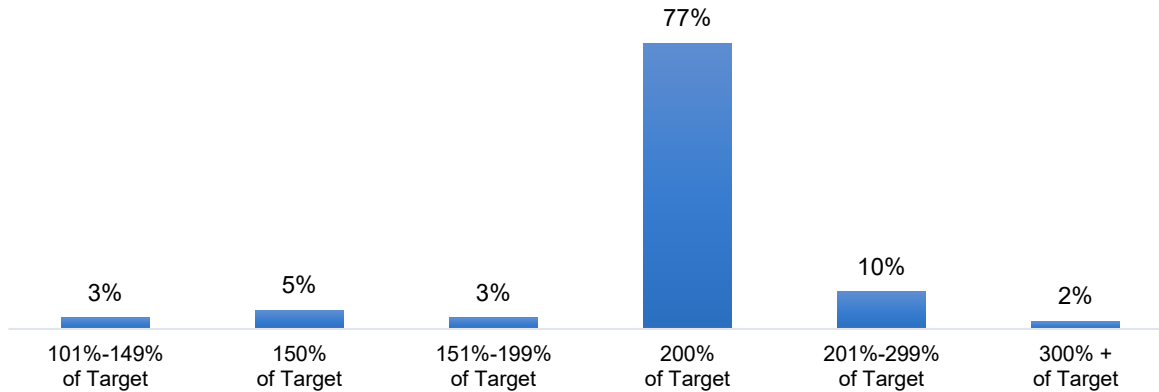
Meridian Comment

Among Meridian 200 companies, the standard performance period is three years with no additional vesting requirement.

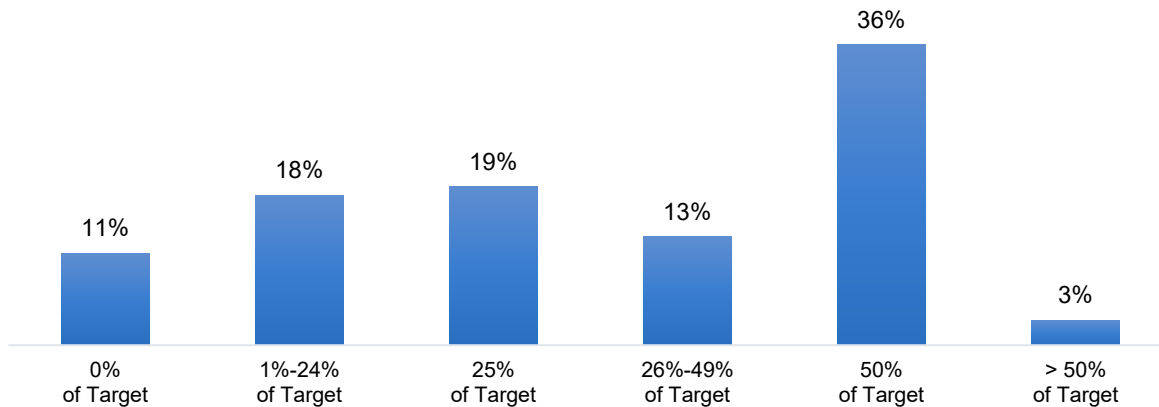
5% of companies mandate additional service vesting after the performance period. These awards are generally structured as one- or two-year performance periods with an additional one to three years of required service.

Payout Curves (Leverage)

Maximum Payout Opportunity



Threshold Payout Opportunity

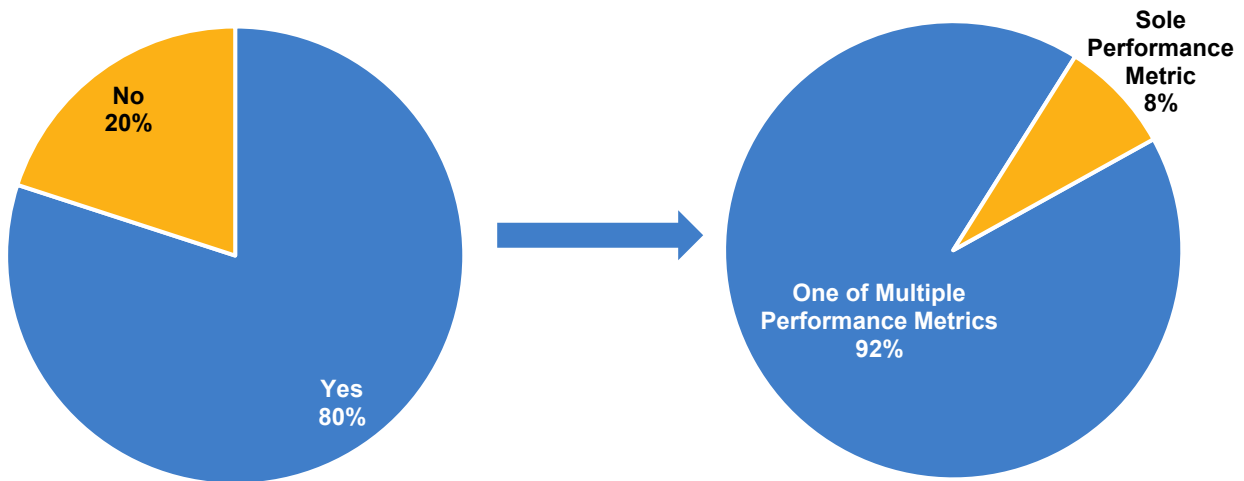


Meridian Comment

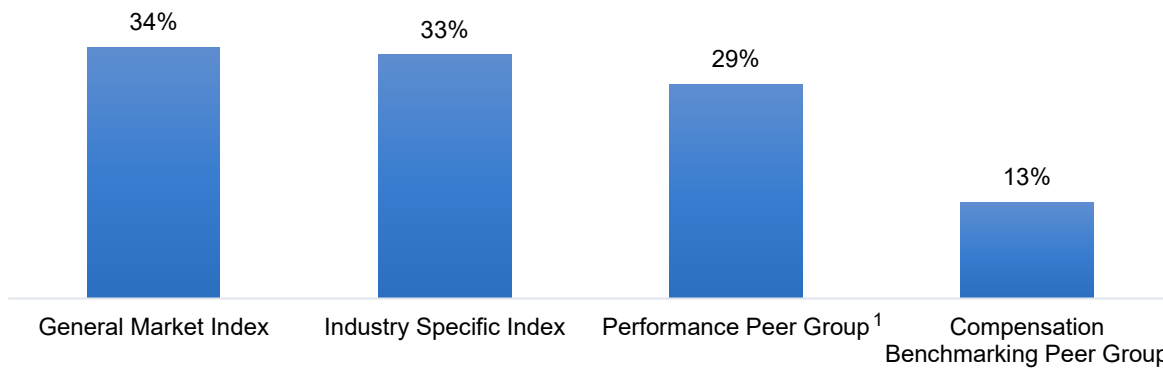
Consistent with annual incentive plans, the most common threshold and maximum payout opportunities for long-term incentive plans are 50% and 200% of target, respectively.

Relative TSR Performance Metrics

More than three-quarters of the Meridian 200 (80%) include a relative TSR metric in the long-term performance plan. However, it is a minority practice (8%) to use relative TSR as the sole performance metric.



Relative TSR is typically assessed against one of the following groups:



¹ 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 15-30 companies.

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

Meridian Comment

Most companies choose to measure TSR vs. an industry-focused group (i.e., an industry specific index or a performance or compensation peer group) as opposed to a broad market reference group.

Using an industry-focused comparator group helps minimize the impact of external influences on outcomes, ensuring payouts reflect company performance rather than macroeconomic events.

40% of Meridian 200 companies use relative TSR as a modifier, consistent with 2024 results.



Meridian Comment

Incorporating relative TSR as a modifier can help ensure that there is some link between payout and relative market performance while leaving the majority of the payout opportunity subject to underlying financial (or non-financial) performance.

Some relative TSR modifiers are structured such that only top or bottom quartile performance impacts the overall plan payout (e.g., top quartile relative TSR results increases payouts by up to 20%-25% of target, while bottom quartile relative TSR results decreases payouts by up to 20%-25% of target). Other modifiers are structured such that any performance level other than target can modify the final payout, with performance closer to target having less impact.

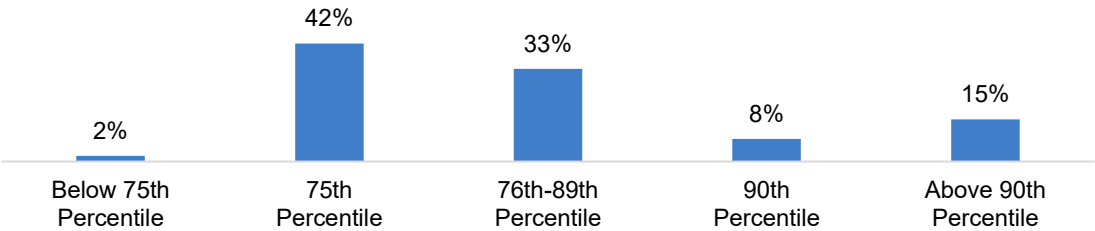
Relative TSR Performance Goals

Percentile Rank Relative to the Comparator Group

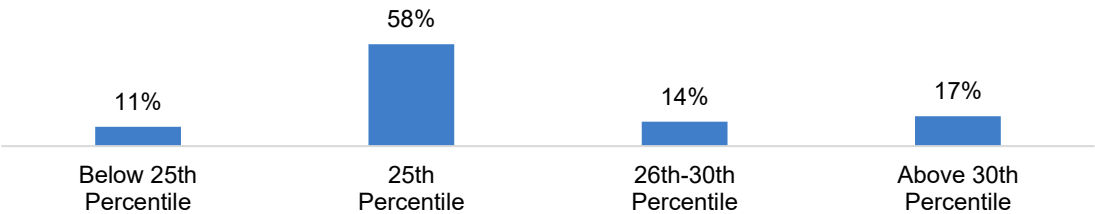
When relative TSR is used, many companies set *target* performance level at the 50th percentile (excludes relative TSR modifiers).



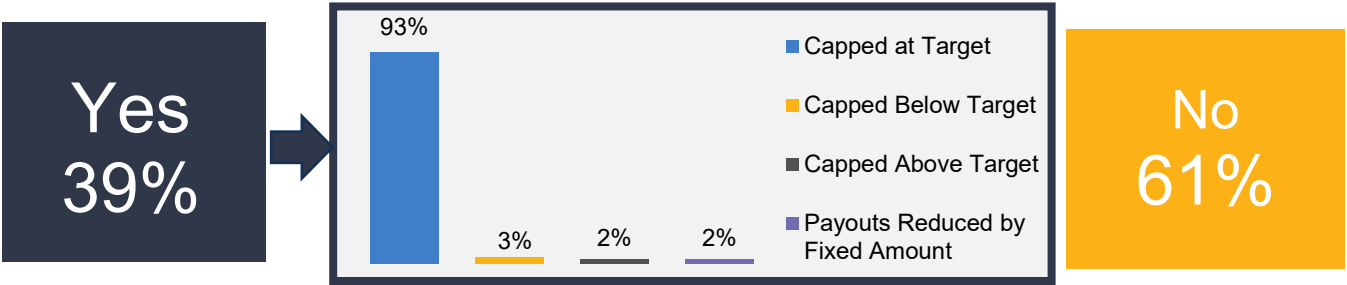
When setting relative TSR *maximum* performance level, companies set it at one of the following percentiles (excludes relative TSR modifiers).



A slight majority of companies set *threshold* performance level for relative TSR at the 25th percentile (excludes relative TSR modifiers).



Negative TSR caps limit payouts in cycles with negative **absolute** TSR, regardless of relative performance. 39% of Meridian 200 companies disclose maintaining a negative TSR cap, while 61% do not. Of those companies that disclose a cap, 93% cap the payout at target.



Meridian Comment

When setting performance ranges and negative TSR caps for relative TSR metrics or modifiers, market data prevalence is just one factor to consider.

The appropriate performance range can vary based on the performance period, the maximum payout multiplier and the size of the comparator group, among other factors. Additionally, accounting expense considerations can influence the performance curve. For market-based awards (e.g., a relative TSR plan), the width of the performance range can significantly affect the grant date fair value and the associated accounting expense, which impacts the compensation value reported in the proxy.

Currently, 39% of companies with long-term relative TSR plans have a negative TSR cap in place, an increase of 9 percentage points since 2020. For these companies, payouts are typically capped at the target level. While proxy advisors and some institutional investors argue negative TSR caps protect shareholder interests during downturns, other stakeholders believe these caps may undermine the incentive to outperform peers during challenging macroeconomic conditions.

Profile of Survey Companies

Methodology

Meridian reviewed the corporate governance and incentive design practices of the Meridian 200 (i.e., 200 large publicly traded companies) through the most recently available 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 each company's fiscal year.

	Revenues (\$M)	Market Cap (\$M)	Employees	Annualized TSR (3-Year)
75 th Percentile	\$62,972	\$125,961	94,253	15%
Median	\$25,434	\$46,508	45,950	5%
25 th Percentile	\$13,083	\$20,823	21,974	-6%

Survey Companies (n = 200)

3M Company	Chevron Corporation	Exxon Mobil Corporation
Abbott Laboratories	Cintas Corporation	FedEx Corporation
Accenture plc	Colgate-Palmolive Company	FirstEnergy Corp.
Adobe Inc.	Comcast Corporation	Fluor Corporation
Alaska Air Group, Inc.	Conagra Brands, Inc.	FMC Corporation
Alcoa Corporation	ConocoPhillips	Ford Motor Company
Altria Group, Inc.	Consolidated Edison, Inc.	Fox Corporation
American Electric Power Company, Inc.	Corning Incorporated	General Dynamics Corporation
American Express Company	Corteva, Inc.	General Electric Company
APA Corporation	Costco Wholesale Corporation	General Mills, Inc.
Apple Inc.	CSX Corporation	General Motors Company
Applied Materials, Inc.	Cummins Inc.	Global Payments Inc.
Aptiv PLC	CVS Health Corporation	Halliburton Company
Archer-Daniels-Midland Company	Danaher Corporation	Hanesbrands Inc.
AT&T Inc.	Deere & Company	Harley-Davidson, Inc.
Automatic Data Processing, Inc.	Dell Technologies Inc.	Hasbro, Inc.
Avery Dennison Corporation	Delta Air Lines, Inc.	HCA Healthcare, Inc.
Baker Hughes Company	Devon Energy Corporation	Hess Corporation
Ball Corporation	Diamondback Energy, Inc.	Hewlett Packard Enterprise Company
Baxter International Inc.	Dollar General Corporation	HF Sinclair Corporation
Becton, Dickinson and Company	Dow Inc.	Honeywell International Inc.
Best Buy Co., Inc.	Eastman Chemical Company	HP Inc.
BorgWarner Inc.	Eaton Corporation plc	Humana Inc.
Boston Scientific Corporation	eBay Inc.	IDEX Corporation
Bristol-Myers Squibb Company	Ecolab Inc.	Ingersoll Rand Inc.
Brown-Forman Corporation	Edison International	Intel Corporation
Bunge Global SA	Elevance Health, Inc.	International Business Machines Corporation
Cardinal Health, Inc.	Eli Lilly and Company	International Paper Company
Carnival Corporation & plc	Emerson Electric Co.	Johnson & Johnson
Caterpillar Inc.	Entergy Corporation	Johnson Controls International plc
Cencora, Inc.	EOG Resources, Inc.	Kohl's Corporation
Centene Corporation	Eversource Energy	Labcorp Holdings Inc.
Charter Communications, Inc.	Exelon Corporation	Linde plc

Lockheed Martin Corporation
 Lowe's Companies, Inc.
 lululemon athletica inc.
 Lumen Technologies, Inc.
 Macy's, Inc.
 Marathon Petroleum Corporation
 Marriott International, Inc.
 Masco Corporation
 Mastercard Incorporated
 Mattel, Inc.
 McDonald's Corporation
 McKesson Corporation
 Merck & Co., Inc.
 MetLife, Inc.
 Microsoft Corporation
 Mondelez International, Inc.
 Morgan Stanley
 Motorola Solutions, Inc.
 Newell Brands Inc.
 News Corporation
 NIKE, Inc.
 NiSource Inc.
 Northrop Grumman Corporation
 NOV Inc.
 Nucor Corporation
 NVIDIA Corporation
 Occidental Petroleum Corporation
 Old Dominion Freight Line, Inc.
 Omnicom Group Inc.
 ONEOK, Inc.
 Oracle Corporation
 Owens Corning
 PayPal Holdings, Inc.
 PepsiCo, Inc.

Pfizer Inc.
 Philip Morris International Inc.
 Phillips 66
 PPG Industries, Inc.
 Prudential Financial, Inc.
 Public Service Enterprise Group
 Incorporated
 QUALCOMM Incorporated
 Quanta Services, Inc.
 Quest Diagnostics Incorporated
 Republic Services, Inc.
 Rockwell Automation, Inc.
 RTX Corporation
 Salesforce, Inc.
 Seagate Technology Holdings plc
 Sealed Air Corporation
 SLB N.V.
 Smurfit Westrock Plc
 Southwest Airlines Co.
 Stanley Black & Decker, Inc.
 Starbucks Corporation
 Sysco Corporation
 Target Corporation
 Texas Instruments Incorporated
 The AES Corporation
 The Allstate Corporation
 The Boeing Company
 The Campbell's Company
 The Cigna Group
 The Clorox Company
 The Coca-Cola Company
 The Estée Lauder Companies Inc.
 The Gap, Inc.
 The Goldman Sachs Group, Inc.

The Hartford Insurance Group, Inc.
 The Hershey Company
 The Home Depot, 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 Williams Companies, Inc.
 THOR Industries, Inc.
 T-Mobile US, Inc.
 Tractor Supply Company
 Tyson Foods, Inc.
 Ulta Beauty, Inc.
 Union Pacific Corporation
 United Airlines Holdings, Inc.
 United Parcel Service, Inc.
 UnitedHealth Group Incorporated
 V.F. Corporation
 Valero Energy Corporation
 Verizon Communications Inc.
 Visa Inc.
 W.W. Grainger, Inc.
 Walgreens Boots Alliance, Inc.
 Walmart Inc.
 Warner Bros. Discovery, Inc.
 Waste Management, Inc.
 WESCO International, Inc.
 Whirlpool Corporation
 Xerox Holdings Corporation
 Yum! Brands, Inc.

Meridian Compensation Partners Profile

Meridian Compensation Partners, LLC is one of the largest independent executive compensation consulting firms 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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This Survey was authored by Tyler Papineau and other consultants of Meridian Compensation Partners, LLC. Questions and comments should be directed to Mr. Papineau at tpapineau@meridiancp.com or (224) 453-2608.