

# MERIDIAN

COMPENSATION PARTNERS, LLC

2019 Corporate Governance & Incentive Design Survey • Fall 2019



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# Executive Summary

As companies review their executive compensation program designs and related corporate governance policies, current market practices and recent trends can provide competitive benchmarks that are helpful in understanding emerging standards, as well as facilitate productive boardroom discussions.

In order to inform these perspectives, Meridian's 2019 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 reflective of 200 large publicly traded companies across a variety of industries (the "Meridian 200") with median revenues and market capitalization of \$17.3B and \$26.2B, respectively.

All information was obtained from publicly disclosed documents. A similar analysis has been conducted annually since 2011, with minimal changes to the companies sampled (over 96% of companies used in 2019 were also surveyed in 2018). See Profile of Survey Companies for more information on the survey sample.

Highlights of Meridian's 2019 Corporate Governance & Incentive Design Survey include:

## Governance Practices

- *Declassified board.* 92% of Meridian 200 companies elect directors annually (i.e., declassified board).
- *Board diversity.* 87% of Meridian 200 companies directly address current board member diversity in their proxy filing, up from 79% in 2018, a trend we expect to continue.
- *Skill matrix.* 72% of the Meridian 200 companies include a skill matrix in their proxy statement detailing outside directors' key areas of expertise.
- *Mandatory retirement age.* Prevalence of mandatory retirement age of 72 has decreased to 49% in 2019 from 57% in 2016. In contrast, prevalence of mandatory retirement age of 75 has increased to 35% in 2019 from 24% in 2016.
- *Board composition.* 100% of Meridian 200 companies have at least one female board member; however, over one-half (58%) still continue to have a board makeup that is less than 30% female.
- *Independent Board Chair.* 71% of Meridian 200 companies that separate the Board Chair (CoB) and CEO, elect an independent director as CoB.

## Annual Incentive Plan Practices

- The most prevalent performance metrics continue to be Operating Income, Revenue, Cash Flow and Earnings per Share (EPS).
- Individual performance modifiers are used in 25% of Meridian 200 annual incentive plans, up slightly from 21% in 2018.

## Long-Term Incentive Plan Practices

- 98% of Meridian 200 companies grant performance-based vehicles as part of their long-term incentive plans (most often PSUs), with cumulative performance measurement (typically 3 years) continuing to be most prevalent (90%).
- The average mix of LTI awards for CEOs is comprised of 60% performance-based full value shares/units, 20% service-vesting full value shares and 20% stock options, which has remained unchanged from 2018. However, other NEOs' LTI mix changed slightly year over year with more emphasis on performance-based full value shares/units (59%) and service-vesting full value shares (23%) and less emphasis on stock options (18%).
- Relative Total Shareholder Return (rTSR) continues to be the most prevalent (67%) metric in performance-based LTI plans; however, its use as an individual weighted measure decreased to 75% in 2019 from 82% in 2018, while its use as a payout modifier increased to 26% in 2019 from 22% in 2018.

## Other Governance Topics

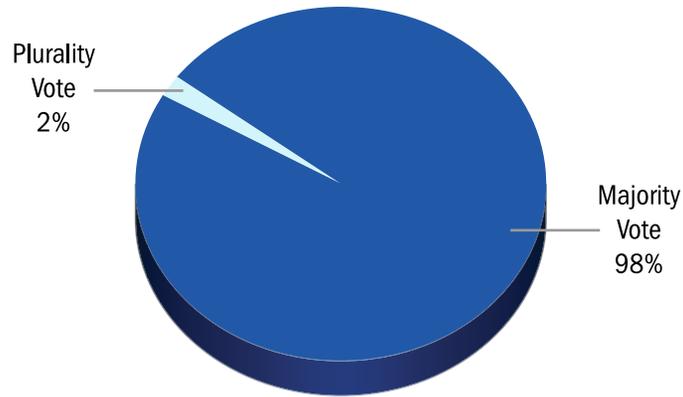
- *Clawback trigger.* Ethical misconduct leading to a restatement represents the most prevalent clawback trigger (63%). However, some companies have moved to implement broader clawback provisions.
- *Pay ratio.* Median CEO Pay Ratio among the Meridian 200 increased to 229:1 in 2019 from 208:1 in 2018.
- *Proxy summary.* 78% of Meridian 200 companies include a proxy summary, up from 70% in 2018.
- *Shareholder outreach.* 82% of Meridian 200 companies disclose shareholder outreach efforts, with nearly one-half (46%) providing specific detail on feedback received and/or actions taken.

# *Corporate Governance Practices*

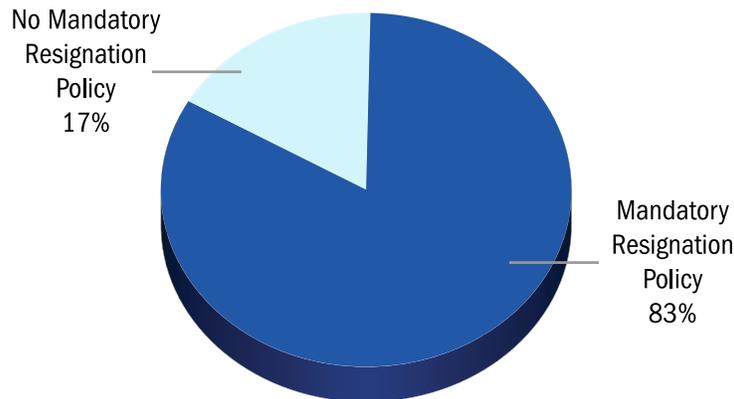


## Board Structure

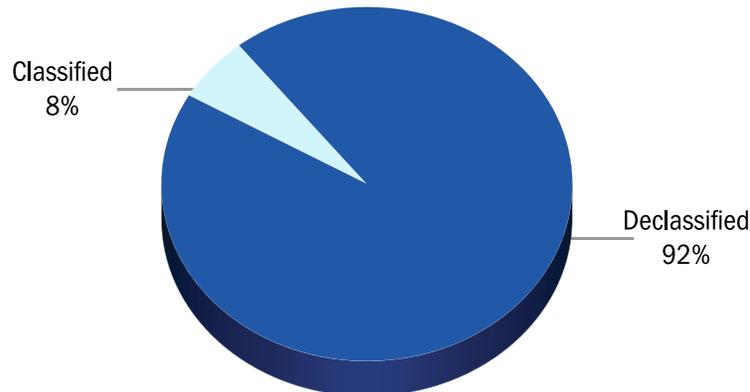
**What voting standard does the company employ for uncontested director elections?**



**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.)

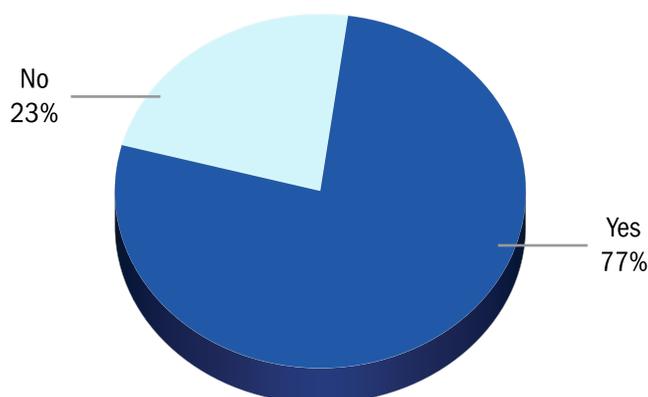


**Is the board's structure classified (i.e., director terms are staggered)?**



## Proxy Access

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



## Meridian Comment

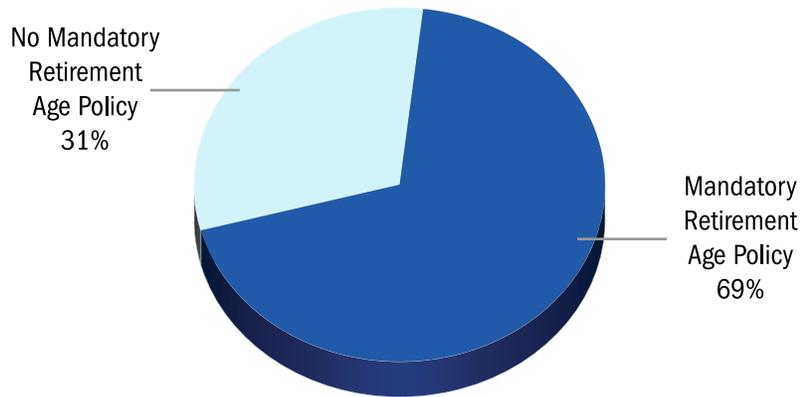
A strong majority of the Meridian 200 continue to employ what many observers consider shareholder-friendly practices. This includes a majority voting standard for director elections, a mandatory resignation policy if directors fail to receive majority support and a declassified board structure.

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 (98% prevalence). Over the same period, the percent of companies employing a declassified board structure has risen from 67% to 92%, largely driven by shareholder advocacy of annual director elections for purposes of accountability and responsiveness.

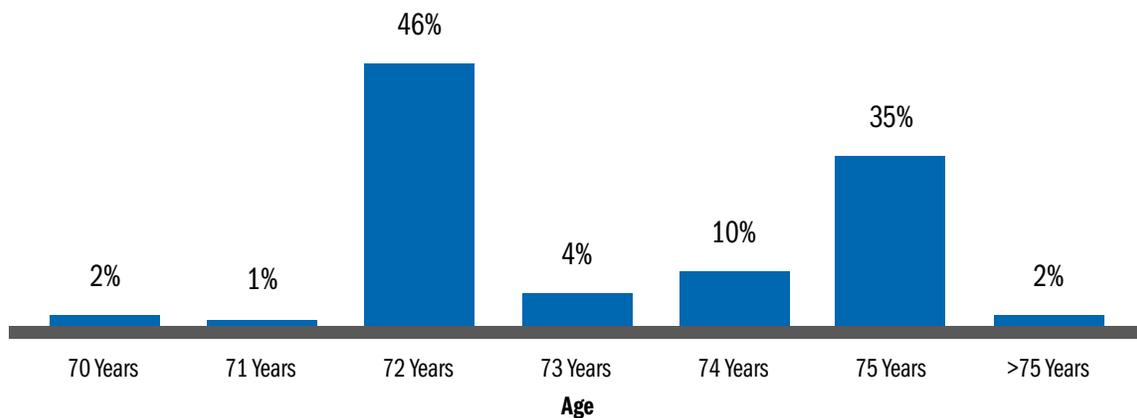
Proxy access is the latest corporate governance practice to gain traction among large cap companies, largely driven by shareholder-led initiatives. Proxy access allows shareholders to place alternative board candidates on management's ballot (rather than solicit proxies through a proxy contest, which can be expensive). Over three-quarters (77%) of Meridian 200 companies have adopted proxy access bylaws, which is up nearly 40 percentage points from 38% in 2016. Most of these adoptions require a shareholder to own more than 3% of a company's shares for at least 3 years to nominate directors. The New York City Pension Fund's 2014 "Boardroom Accountability Project" drove rapid adoption of proxy access bylaws. Prevalence continues to grow as a result of institutional shareholders universally supporting proxy access bylaws as well as certain bylaw parameters. Ultimately, institutional shareholders, including activists, view proxy access 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.)

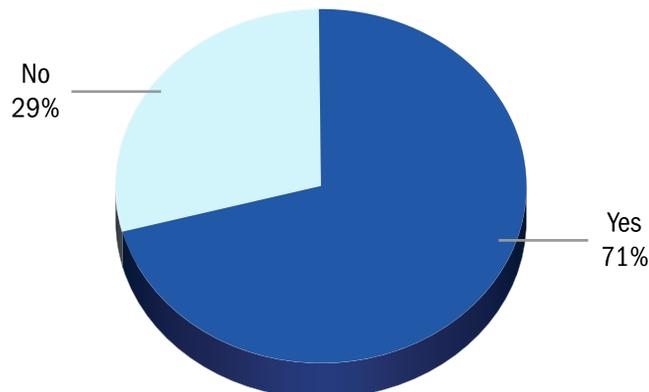


**At what age do companies prohibit a director from standing for re-election?**  
(Results only include companies with a mandatory retirement age policy.)



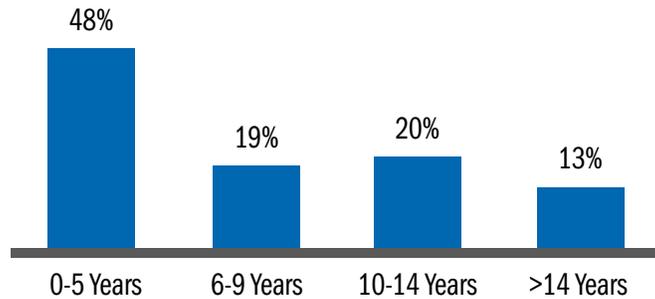
## Director Skill Matrix

**Does the company disclose a skill matrix for outside directors?**

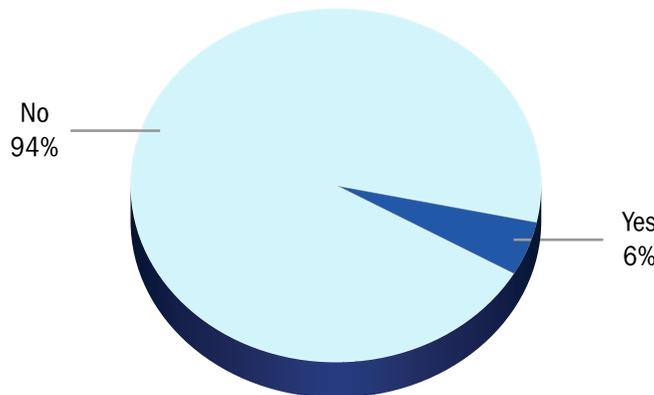


## Director Tenure

What is the tenure of Meridian 200 independent directors?



Does the company disclose mandatory term limits for directors?



## Meridian Comment

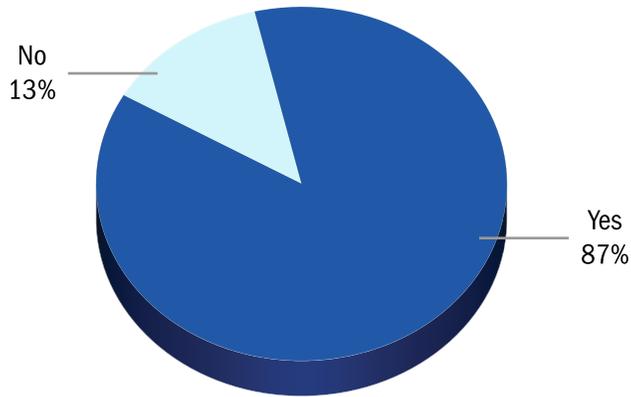
A majority (69%) of the Meridian 200 disclose a mandatory retirement age policy for board members, which continues to increase year over year (67% prevalence in 2018). Of the companies with mandatory retirement age policies, 95% have selected an age between 72 and 75, with more emphasis on the higher end of that range in recent years. Mandatory retirement age of 72 has dropped 11 percentage points in the last 3 years (57% in 2016), while retirement age of 75 has increased 11 percentage points in the same time frame (24% in 2016).

Board “refreshment” continues to be a high priority topic and nearly one-half (48%) of Meridian 200 directors have served on their respective boards for 5 years or less. 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.

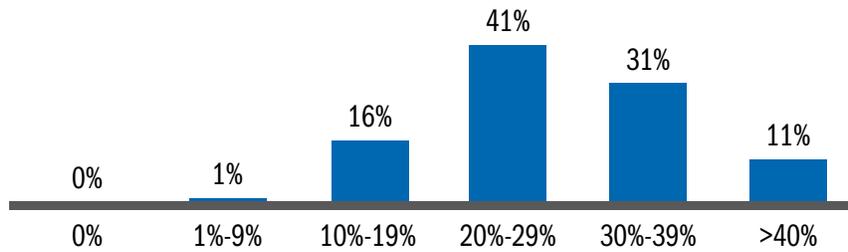
Approximately three-quarters (71%) of the Meridian 200 include a skill matrix in their proxy statement detailing outside directors’ key areas of expertise.

## Diversity

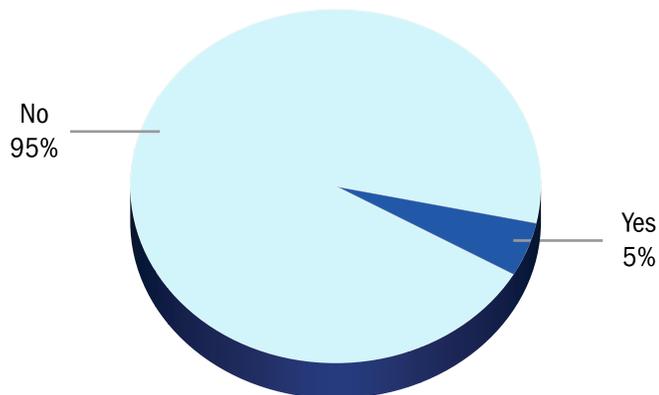
Does the company discuss current board member diversity (e.g., age, gender, ethnicity) in its proxy statement?



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

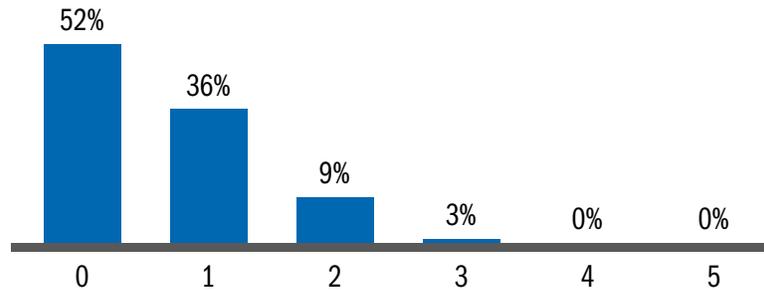


Is the CEO female at Meridian 200 companies?



## Diversity (cont.)

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



## Meridian Comment

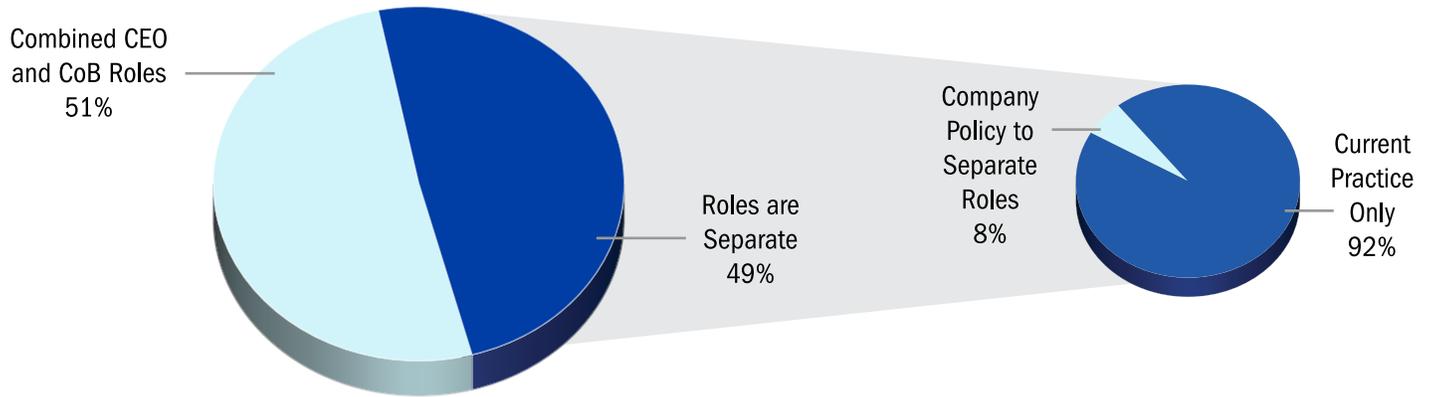
In 2017, The New York City Pension Fund launched phase two of its “Boardroom Accountability Project” to stress the importance of board member diversity. Phase one of the project led to significant adoption of proxy access bylaws, and we are already seeing a similar impact on the prevalence of board member diversity disclosures. Eighty-seven percent (87%) of Meridian 200 companies include proxy disclosures discussing current board member diversity including age, gender, ethnicity, etc. (an 8 percentage point increase from 79% prevalence in 2018).

Because of the strong focus on diversity, governance activists increasingly scrutinize companies with few or no female directors or executives. In 2019, all of the Meridian 200 (100%) have at least one female director. However, over one-half of their boards (58%) have less than 30% female representation. In 2020, ISS will recommend shareholders vote against the nominating chair and State Street will vote against **all members** of the nominating committee if a board does not include any women.

Female representation in top executive roles is limited at Meridian 200 companies, with over one-half (52%) not having a single female NEO. Of the 47% of Meridian 200 companies with at least one female NEO, only 3% have a majority female NEO team. A very small minority (5%) of the Meridian 200 have a female as their CEO. We expect gender diversity to continue to be a focal point for board members as well as many large institutional investors and proxy advisors. In 2018, California imposed a gender quota on companies headquartered in the state.

## 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?**



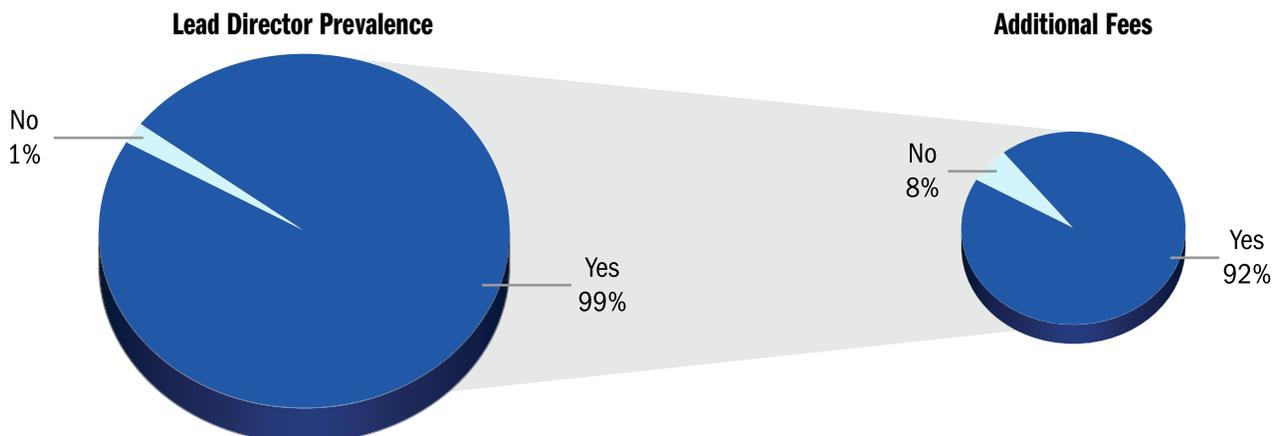
**If the CEO and CoB roles are separate, what is the CoB's relationship to the company?**

Non-CEO Board Chair <sup>1</sup>	Prevalence
Independent	71%
Prior CEO	25%
Current Employee (i.e., Executive Chair)	17%
Founder/Founding Family <sup>2</sup>	8%

<sup>1</sup> Incumbents may be included in multiple categories.

<sup>2</sup> Founding family includes 2<sup>nd</sup> or 3<sup>rd</sup> generation members of the original founder.

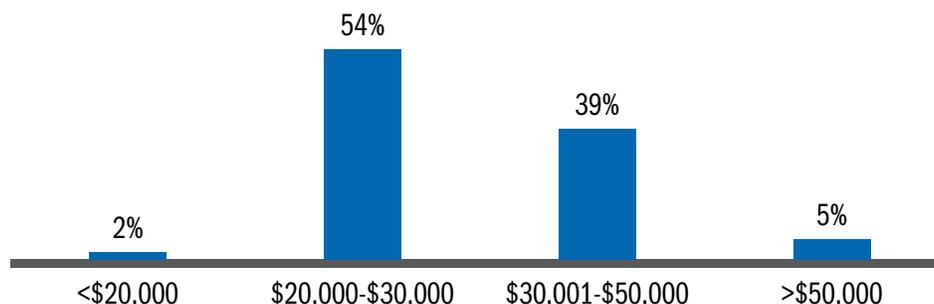
**Is a standing (i.e., non-rotating) Lead Director designated? If so, does the Lead Director receive additional fees? (Results exclude companies where the CoB and CEO roles are separated.)**



## Board Leadership (cont.)

### If paid, what are lead directors paid?

(Results only include companies that pay lead directors additional fees.)



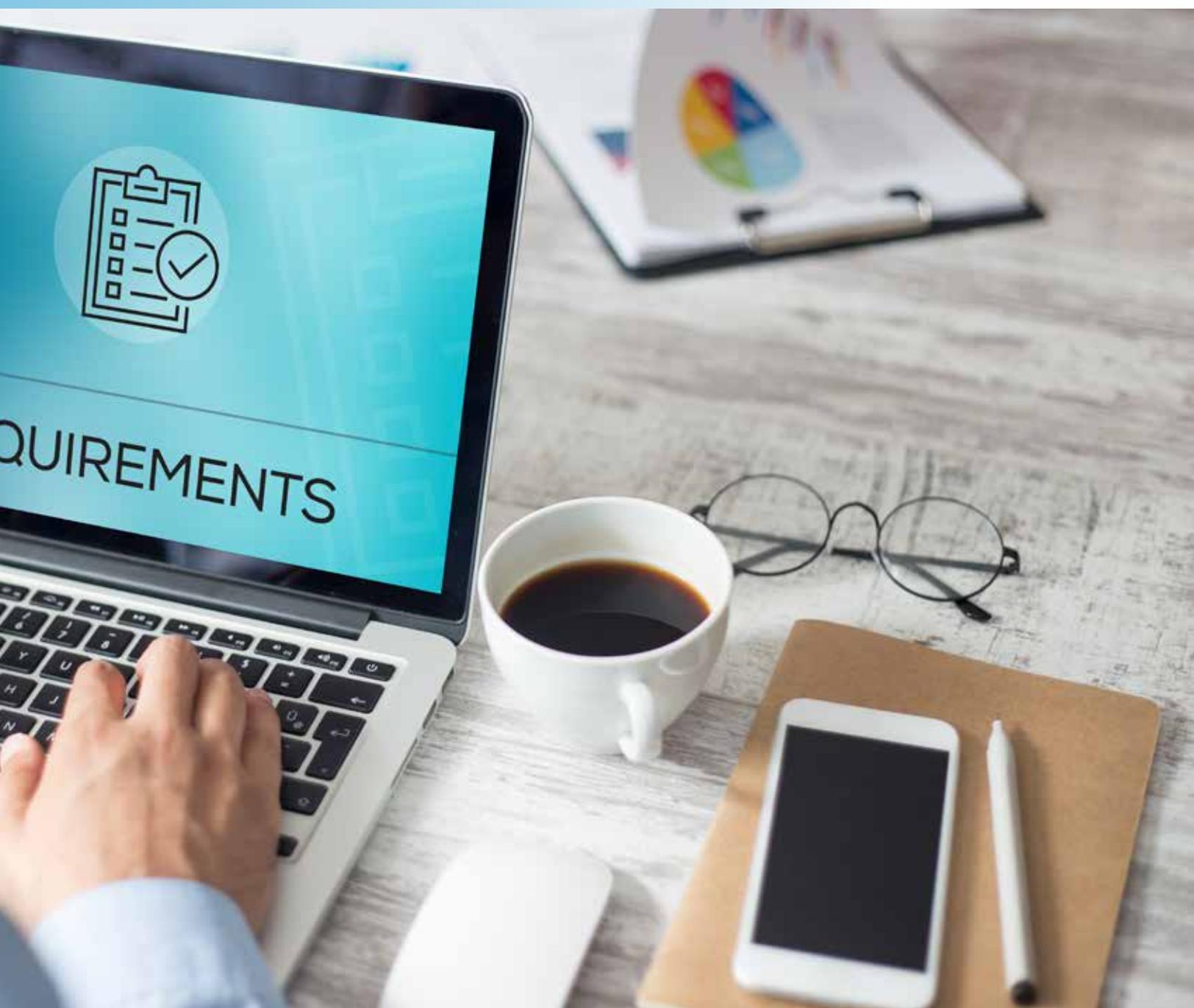
## Meridian Comment

Slightly over one-half of the Meridian 200 (51%) have a leadership structure where the CoB and CEO roles are combined, with one voice speaking for the company. However, separating these roles can be advantageous for companies going through a transition period or where a new CEO has little experience in the role and/or limited board experience. Additionally, companies separating these roles (49%) may elect an independent CoB (71% prevalence) in an effort to distribute authority and responsibilities between management and independent board members.

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

A significant majority of the Meridian 200 that designate a Lead Director (92%) provide additional fees. Lead Director fees vary based on actual responsibilities and time commitment. Over one-half (54%) of Meridian 200 companies pay Lead Director fees between \$20,000 and \$30,000.

# *Proxy Disclosure*



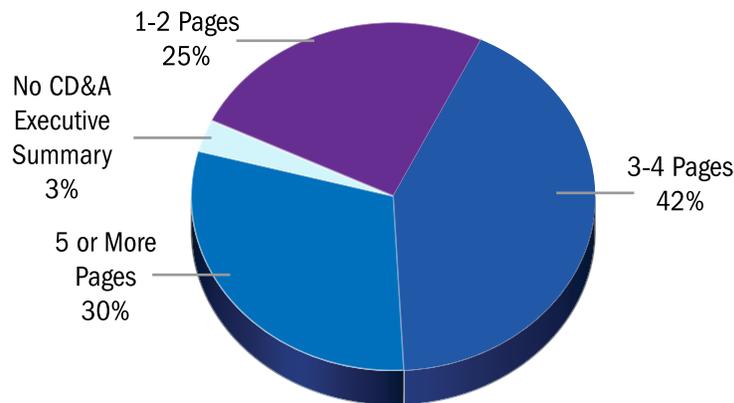
## Executive Summary Disclosures

**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”)?**



<sup>1</sup> 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 defend their executive compensation practices. This is often an effort to garner a high Say on Pay vote result. For reference, about 2% of the Meridian 200 failed their Say on Pay vote in 2019, with another 5% only receiving between 50%-70% shareholder support.

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

Over three-quarters of the Meridian 200 (78%) include a proxy summary, a substantial increase from 2013 (29%). 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, director skill matrices, important pay messages, data on financial performance and/or key vote information on management and shareholder proposals.

## 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	46%
Disclosed shareholder outreach, but did not expand on shareholder feedback or specific actions taken by the company as a result of feedback	36%
No specific reference to shareholder outreach in the proxy	18%

### Where in the proxy is shareholder outreach disclosed?

Proxy Location	Prevalence <sup>1</sup>
Corporate governance section	70%
CD&A	65%
Proxy summary	51%
Say on Pay Proposal	7%

<sup>1</sup> Sum of prevalence percentages exceeds 100% due to companies that disclose shareholder outreach in multiple locations throughout the proxy.

## Meridian Comment

Regular shareholder outreach has historically been a common practice, but public disclosure of such outreach efforts was less common. Meridian 200 companies are increasingly disclosing their shareholder engagement efforts in their proxy statements. These 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. Nearly one-half (47%) 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.

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 (70%) and/or CD&A (65%). Over one-half (65%) of companies disclosing shareholder outreach programs discuss their efforts in more than one location throughout the proxy (a 9 percentage point increase from 56% prevalence in 2018).

Disclosing the communication efforts with institutional investors demonstrates a company's responsiveness to shareholders and can provide a strong rationale for compensation program decisions. As such, we anticipate 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.

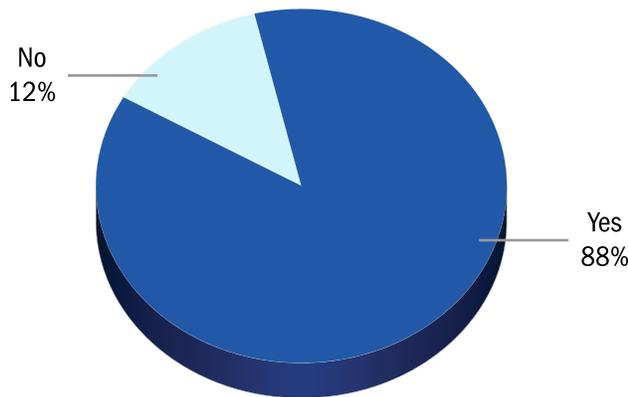
## Performance Disclosure

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).

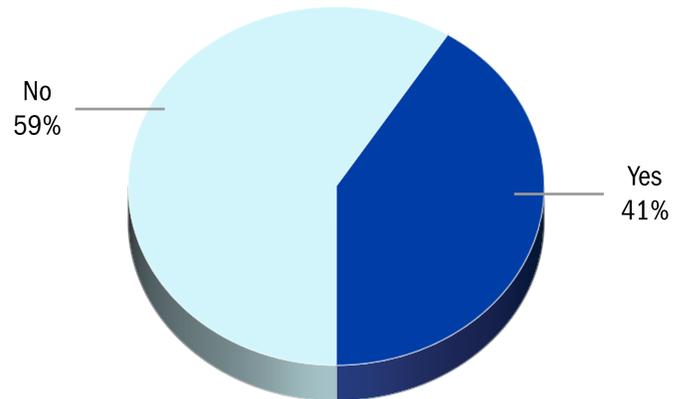
Does the company provide a disclosure regarding **absolute** company performance?



### 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 **relative** company performance?



## Meridian Comment

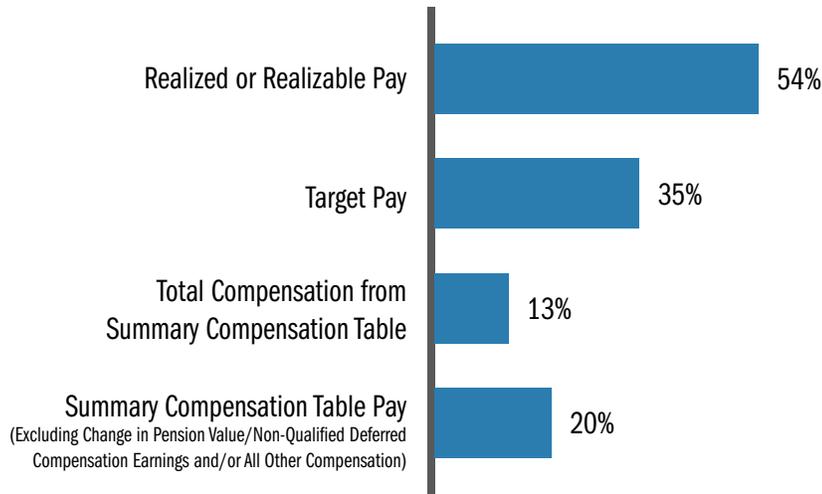
A strong majority of the Meridian 200 (88%) continue to provide absolute company performance disclosures highlighting recent financial results and business achievements. Absolute performance disclosures act as a way to directly connect a company's strategy and achievements with related compensation decisions.

Forty-one percent (41%) of Meridian 200 companies disclose company performance on a relative basis. Relative performance disclosures are most often compared to a broad industry index (71%) such as the S&P 500 and/or a company's compensation benchmarking peer group (48%).

## Pay and Performance Disclosure

Over one-quarter (27%) 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.

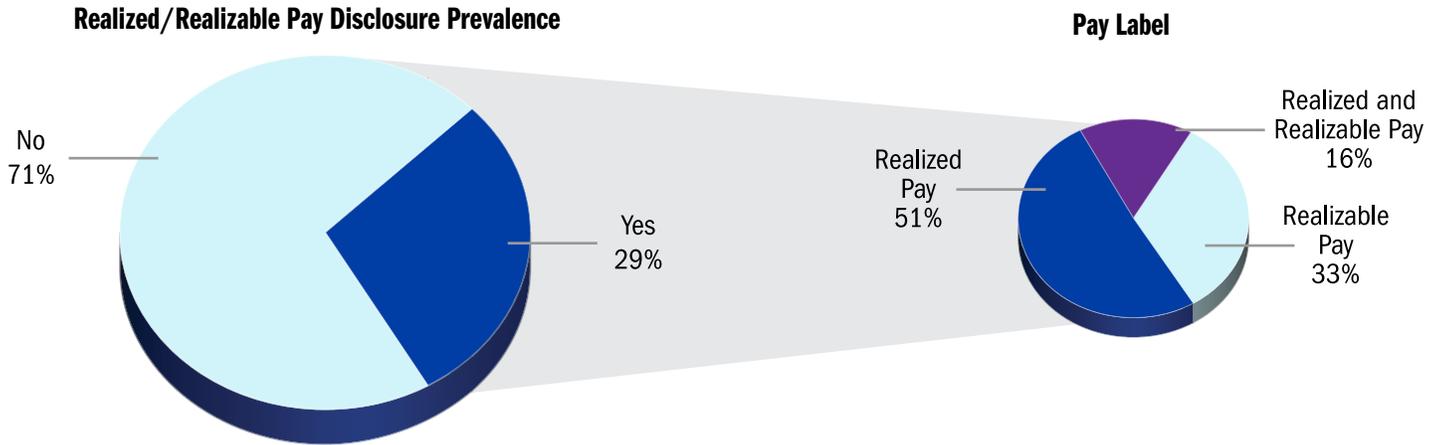
## Meridian Comment

In 2018, William Hinman, Director of the Division of Corporation Finance for the Securities and Exchange Commission (SEC), stated that outstanding Dodd-Frank rules related to executive compensation are “far from being completed,” including the requirement to disclose the relationship between executive pay and company performance. Despite the lack of SEC mandate on pay and performance relationship disclosure, over one-quarter (27%) of the Meridian 200 voluntarily provide a pay and performance disclosure. This is likely a response to pressures from institutional shareholders and their advisors, and the desire to positively influence Say on Pay vote outcomes. While disclosures vary widely, realized/realizable pay (described in the next section) continues to be the most prevalent (54%) pay definition used by the Meridian 200.

## Realized/Realizable Pay Disclosure

Nearly one-third (29%) 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	10%
CEO and Average of Other Named Executive Officers	2%
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 <sup>1</sup>
Target Pay	51%
Summary Compensation Table Pay	30%
Pay at Other Companies	25%

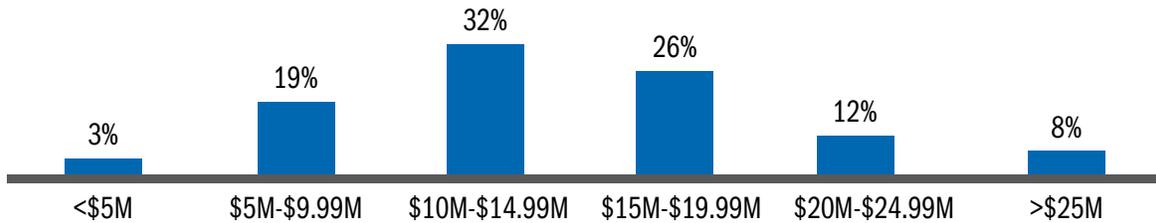
<sup>1</sup> Sum of prevalence percentages exceeds 100% due to companies that compare realized/realizable pay to multiple reference points.

## Meridian Comment

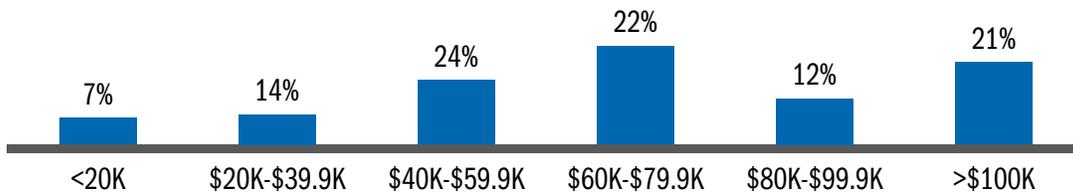
Prevalence of realized and realizable pay disclosures has plateaued recently. Once added to the proxy statement, shareholders may expect to see these disclosures each year moving forward, which is likely a deterrent to companies that may not always exhibit direct pay and performance alignment.

## CEO Pay Ratio

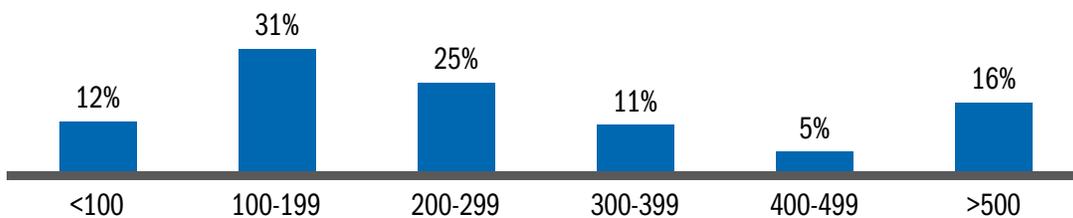
For purposes of the CEO pay ratio disclosure, what is the CEO's pay?



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 <sup>1</sup>	Median CEO Pay Ratio	Average CEO Pay Ratio
Consumer Discretionary	37	486	773
Telecommunication Services	4	N/A <sup>1</sup>	536
Consumer Staples	23	308	427
Materials	16	251	344
Information Technology	22	211	324
Healthcare	23	244	267
Industrials	38	188	207
Energy	18	101	125
Financials	9	N/A <sup>1</sup>	211
Utilities	10	102	98

<sup>1</sup> Median statistics are not presented for industries with less than 10 data points.

## Meridian Comment

With limited exceptions<sup>1</sup>, public companies are now required to disclose their CEO pay ratio. Over three-quarters (78%) of the Meridian 200 reported CEO pay of \$10 million or more, most often (58%) between \$10 million and \$20 million. Over three-quarters (79%) of the survey participants reported median employee pay of less than \$100,000. The median CEO pay ratio among Meridian 200 companies is 229:1, up from 208:1 in 2018. Numerous factors drove the increase in pay ratio (e.g., increased number of disclosures, one-time CEO equity awards).

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 (486:1), while Energy has the lowest median pay ratio (101:1).

<sup>1</sup> 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	93%
Number of Shares	4%
Combination of Multiple of Salary and Number of Shares <sup>1</sup>	2%
None Disclosed	1%

<sup>1</sup> 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	69%
Shares Held in Retirement/Savings Accounts	58%
Unvested Deferred Shares	47%
Vested Stock Options	11%
Unearned Performance Shares/Units	11%

**What is the timing requirement to meet ownership guidelines?**

Timing	Prevalence
5 Years	68%
1-4 Years	3%
Holding Requirement Only <sup>1</sup>	29%

<sup>1</sup> Holding requirement in lieu of specific timing requirement (see next page for further details).

## Executive Equity Holdings

### 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).

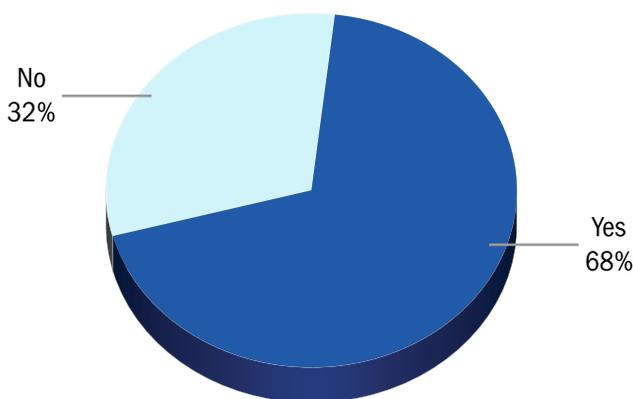
#### Hold Only if in Non-Compliance

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 <sup>1</sup>	Prevalence Among Companies with a Holding Requirement <sup>2</sup>
Hold Until Met	56%	83%
Holding Requirement Always in Place	4%	6%
Hold Only if in Non-Compliance	10%	15%
Hold Until Retirement	3%	4%

<sup>1</sup> Sum of prevalence percentages exceeds holding requirement prevalence (68%) since companies may have multiple holding requirements.

<sup>2</sup> 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	11%
50% of Net Shares	38%
Other	5%

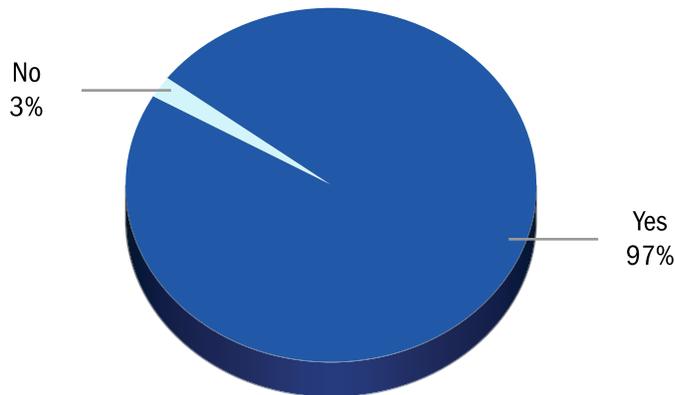
## Meridian Comment

The Multiple of Salary structure of executive stock ownership guidelines continues to be the predominant practice across the Meridian 200. The average multiple that is required to be held by the CEO has continued to modestly increase, from 5.4x in 2011 to 6.5x in 2019. The multiple that is required to be held for the Highest Paid NEO and the Lowest Paid NEO has remained relatively constant over the past 5 years (3.0x).

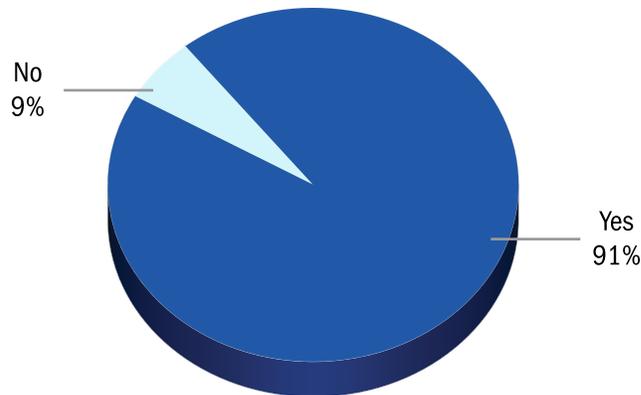
Over two-thirds (68%) of the Meridian 200 disclose the use of holding requirements for NEOs. Among companies disclosing a holding requirement, a “Hold Until Met” structure is most prevalent (83%). Over the past 4 years, prevalence of the Hold Until Met structure has continued to increase (from 69% in 2015). Of companies with a Hold Until Met structure, nearly one-half (46%) require 100% of net shares to be held. The recent increase in Hold Until Met structure corresponds with a decline in the prevalence of Hold Until Retirement structures, which have decreased in prevalence by 14 percentage points over the same time period (from 18% in 2015 to only 4% in 2019).

## 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 nearly universal among the Meridian 200 (97%) and has risen steadily from 57% prevalence in 2011. It is unclear whether the prevalence of these disclosures has risen due to companies updating their company policies to incorporate anti-hedging language or because companies are disclosing their previously implemented policies for the first time.

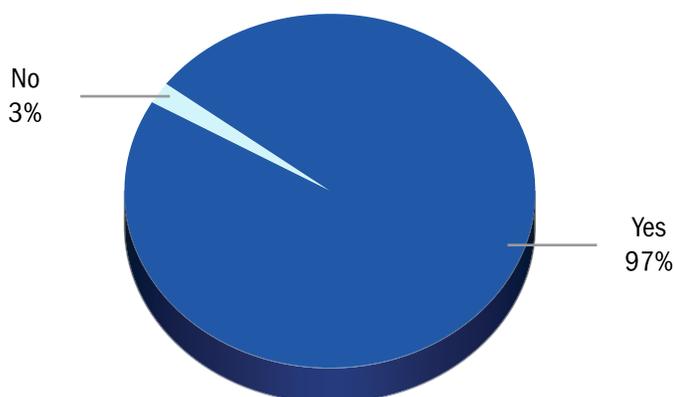
On December 18, 2018, the SEC adopted final rules that require companies to disclose in their proxy statements their policies on hedging employer securities (but do not mandate that companies adopt hedging policies). Companies are required to include the new disclosure in the corporate governance section of the proxy statement and will 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. Companies must comply with the new disclosure requirements for annual proxy statements filed for fiscal years beginning on or after July 1, 2019<sup>1</sup>.

A strong majority of the Meridian 200 (91%) also disclose the existence of an anti-pledging policy, up nearly 40 percentage points in the last 6 years (54% prevalence in 2013). Of these companies, 86% prohibit all pledging of shares, while the remaining 14% permit pledging of shares subject to certain restrictions (e.g., approval by the board).

<sup>1</sup>Excepting Emerging Growth Companies and Smaller Reporting Companies, who have an additional year until compliance is required.

## 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 <sup>1</sup>
Ethical Misconduct Leading to a Financial Restatement	63%
Financial Restatement (regardless of cause), Without Requirement of Ethical Misconduct	45%
Ethical Misconduct (includes criminal, fraudulent and/or illegal misconduct), Without Requirement of Financial Restatement	36%
Violation of Restrictive Covenant(s) (includes non-compete, non-solicitation, non-disclosure, non-disparagement, etc.)	20%
Reputational Risk	15%
Failure to Supervise	5%

<sup>1</sup> 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)	64%
All Incentive (annual and/or equity) Plan Participants	23%
Current and Former Key Executives (e.g., Section 16 officers)	10%
Current Named Executive Officers Only	3%

## 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 97% of the Meridian 200, a steady increase from 75% in 2011. In addition, disclosure of company clawback policies have 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.

Most Meridian 200 clawback disclosures (64%) only apply to current key executives. Policies covering all incentive plan participants (23%) and former executives (10%) are less commonly disclosed among Meridian 200 companies.

Until the SEC finalizes mandatory recoupment policy regulations, we continue to expect that discussions concerning discretionary clawback policies and the specific design elements of such policies will remain a priority in the boardroom. Recent high-profile media coverage of events that harmed company reputations, but did not lead to financial restatements, have led many companies to consider giving the board more leverage to recoup compensation. Also, companies are adding administrative provisions outlining the duties and powers of the Compensation Committee and/or board in overseeing the clawback policy. 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	85%
Two Custom Peer Groups	11%
Three Custom Peer Groups	1%

## Meridian Comment

Nearly all of the Meridian 200 (97%) 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. Three-quarters (75%) of the companies with at least one peer group have a custom benchmarking peer group comprised of between 14 and 24 companies, with the average peer group size being 18 companies.

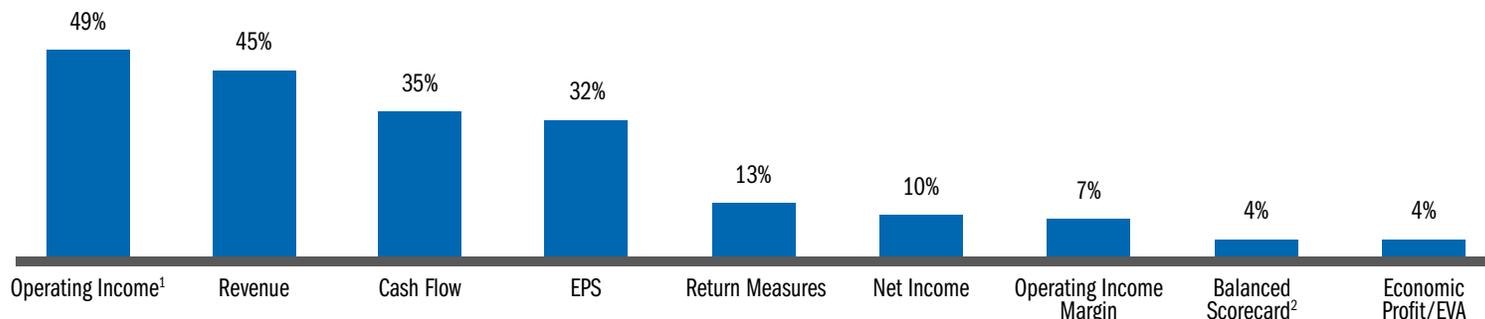
Peer groups are often used for benchmarking executive and director pay levels, incentive plan design practices, run rate and overhang. In addition, many companies use custom peer groups for relative performance comparisons, even if not formally part of incentive plan designs. In recent years, committees 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?



<sup>1</sup> Includes EBIT, EBITDA, Operating Income, Pre-Tax Income, etc.

<sup>2</sup> 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	46%
Individual Performance Goals <sup>1</sup>	20%
Individual Performance Modifiers <sup>1</sup>	25%

<sup>1</sup> 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 2018.

Overall, earnings-based measures (e.g., Operating Income, EPS or Net Income) are the most prevalent metrics used among the Meridian 200, with the majority of companies (84%) including at least one in their annual incentive plan. Additionally, individual performance modifiers are used in one-quarter (25%) of Meridian 200 annual incentive plans (up from 21% in 2018). Despite ISS incorporating EVA into its CEO pay-for-performance analysis, economic profit/EVA metrics are uncommon and only increased 1 percentage point in 2019 (3% in 2018).

## 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%	111%
Revenue	95%	104%
Return Measures	82%	114%
Cash Flow	83%	115%

## Meridian Comment

Threshold and maximum performance goals as a percentage of target remain relatively constant from 2018, with the exception of return measures, where the range is narrower in 2019 (82% at threshold, 114% at maximum) than 2018 (71% at threshold, 120% at maximum). In setting threshold and maximum performance goals, the Meridian 200 typically develop a tighter performance range for revenue goals than for other metrics. While market results are informative, the structure of a performance curve is often more strongly influenced by other perspectives such as performance expectations, industry trends and company-specific factors (e.g., capital structure, performance, volatility).

## 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	15%
200% of Target	72%
201%-299% of Target	9%
300%+ of Target	4%

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

Threshold Payout	Prevalence
0% of Target <sup>1</sup>	20%
1%-24% of Target	20%
25%-49% of Target	25%
50% of Target	31%
> 50% of Target	4%

<sup>1</sup> 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 (72%). 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%), 20% of the Meridian 200 discloses setting the annual incentive plan threshold payout at \$0. These plans 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	60%	59%
Service-Vesting Full-Value Shares/Units	20%	23%
Stock Options/SARs	20%	18%

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



## Meridian Comment

Consistent with the results in recent years, the prevalence of each LTI vehicle category indicates strong use of a “portfolio approach.” Only 9% of Meridian 200 companies use one LTI vehicle. A very slight majority (51%) of companies use two LTI vehicles while 40% use three or more LTI vehicles.

Nearly all companies (98%) grant performance-based full value shares/units, likely in support of a pay-for-performance approach to executive pay. While service-vesting full-value shares (i.e., restricted stock and restricted stock units) continue to be slightly more prevalent (68%) among the Meridian 200 than stock options/SARs (58%), the use of stock options is still a majority practice.

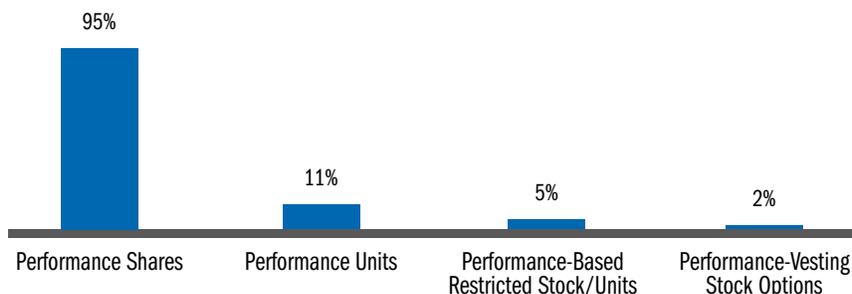
Since 2012, at least one-half of total LTI value has been granted through performance-based vehicles. The relative value granted through service-vesting full-value shares (23%) and stock options/SARs (18%) remained relatively constant over the same period.

## 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 (89%) denominate their performance-based vehicles in shares rather than dollars. Companies prefer the use of shares as a currency to cash for a number of reasons including shareholder alignment, additional leverage, compliance with ownership guidelines and non-cash expense.

# Long-Term Incentive Design Practices

## Goal Setting

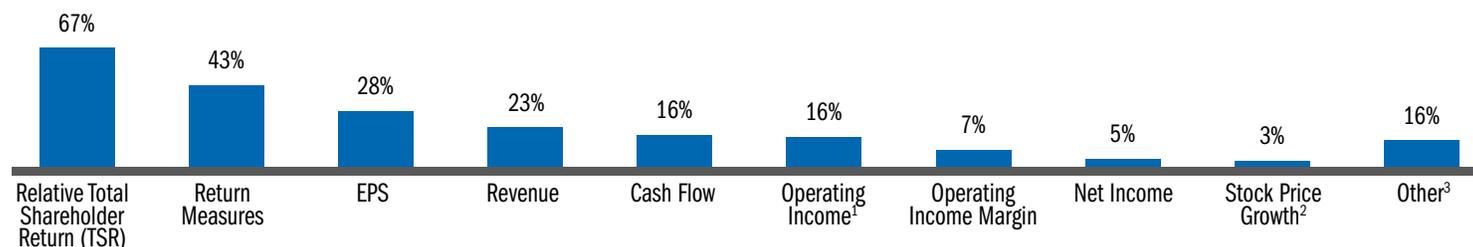
To determine performance-based award payouts, how does the company set its goals?

Goal Setting Process	Prevalence <sup>1</sup>
Multi-Year Goals (e.g., 3-Year Cumulative TSR or EPS)	90%
Multiple 1-Year Goals Over Performance Period with Goals Set at the Beginning of the Performance Period	7%
Multiple 1-Year Goals Over Performance Period with Goals Set Annually	4%
1-Year Goals With Additional Service Vesting	6%

<sup>1</sup> 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?



<sup>1</sup> Includes EBIT, EBITDA, Operating Income and Pre-Tax Income.

<sup>2</sup> Stock Price Growth includes absolute TSR performance metrics.

<sup>3</sup> "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 (67%) for determining long-term performance-based award payouts remains higher than the overall prevalence of companies (49%) using at least one earnings-based metric (e.g., EPS, Operating Income or Net Income). Continued use of relative TSR comes in two forms: some companies assign a specific weighting to relative TSR in the performance plan while others use relative TSR as a payout modifier as discussed in more detail on the following pages. Relative TSR prevalence is driven by a direct link to share price, with no need for financial forecasting and proxy advisors focusing on TSR for pay and performance testing among other factors. Use of EVA remains 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	92%	105%
Operating Income	95%	108%
Revenue	97%	102%
Return Measures	80%	115%
Cash Flow	75%	123%

## 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

In setting threshold and maximum goals as a percentage of target, Meridian 200 companies tend to develop a tighter performance range for revenue goals than for other metrics, with the likely reason being that revenue has less variability. While market results are informative, other perspectives, including performance expectations, industry and factors specific to the company, tend to have more influence on the structure of a performance curve.

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	5%
150% of Target	11%
151%-199% of Target	5%
200% of Target	72%
201%-299% of Target	5%
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 <sup>1</sup>	13%	N/A
1%-24% of Target	17%	19%
25% of Target	17%	20%
26%-49% of Target	16%	18%
50% of Target	34%	39%
> 50% of Target	3%	4%

<sup>1</sup> Payouts start at \$0 for threshold level performance.

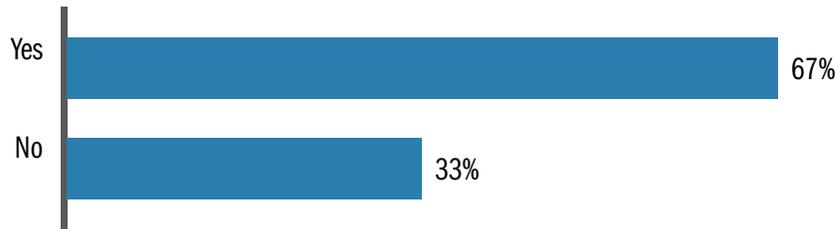
## Meridian Comment

Similar to annual incentive maximum payout opportunities, the most prevalent approach among the Meridian 200 is to set a maximum payout opportunity of 200% of target (72%). While the most common threshold payout opportunity remains 50% of target (34%), nearly two-thirds (63%) of Meridian 200 companies set threshold payout opportunity below 50% of target. Plans starting at 0% payout are less common (13%) among long-term performance plans than annual incentive plans.

The prevalence of companies setting threshold below 50% of target (63%) continues to increase year over year (61% in 2018). This increase is partially driven by companies disclosing lower entry points for threshold payouts for motivational purposes. In addition, the increase may be a sign of more sophisticated, multi-metric program designs allowing for weighted-average threshold payouts, even if one or more metrics miss threshold performance.

## 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	87%
Relative TSR is the Sole Performance Metric	13%

**If relative TSR is used, what is performance assessed against?**

Relative TSR Comparator Group	Prevalence <sup>1</sup>
Compensation Benchmarking Peer Group	32%
General Market Index	32%
Performance Peer Group <sup>2</sup>	29%
Industry Specific Index	27%

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

<sup>2</sup> 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 <sup>1</sup>
TSR is used as a weighted performance metric	75%
TSR is used as a modifier	26%

<sup>1</sup> 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 (67%) of the Meridian 200 use a relative TSR metric and, of those companies, over three-quarters (87%) pair it with at least one additional performance metric (up from 82% in 2018). The most prevalent practice is to assess company TSR results against the benchmarking peer group (32%) or a general market index (32%), although comparing TSR results to performance peer groups (29%) or industry-specific indices (20%) are also common market practices as well.

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. Approximately one-quarter (26%) of Meridian 200 companies use relative TSR as a modifier which increased by 4 percentage points from 2018 (22%), and we expect this trend to continue. 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
50 <sup>th</sup> Percentile	77%
51 <sup>st</sup> -60 <sup>th</sup> Percentile	21%
Above 60 <sup>th</sup> Percentile	2%

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

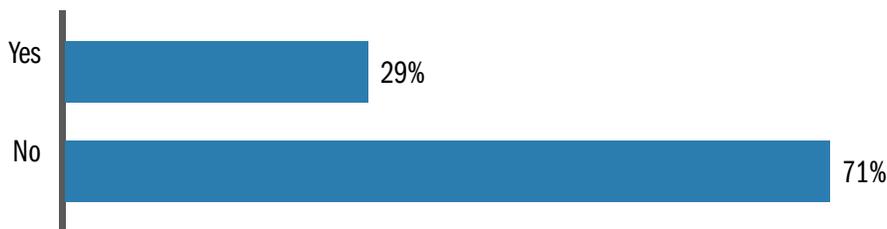
Maximum Performance Level	Prevalence
Below 75 <sup>th</sup> Percentile	1%
75 <sup>th</sup> Percentile	37%
76 <sup>th</sup> -89 <sup>th</sup> Percentile	22%
90 <sup>th</sup> Percentile	24%
Above 90 <sup>th</sup> Percentile	16%

## 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 25 <sup>th</sup> Percentile	14%
25 <sup>th</sup> Percentile	51%
26 <sup>th</sup> -30 <sup>th</sup> Percentile	25%
Above 30 <sup>th</sup> Percentile	10%

**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	94%
Capped below target	3%
Payouts reduced by set amount	3%

## Meridian Comment

For companies that use a relative TSR measure, over three-quarters (77%) set target performance at the 50<sup>th</sup> percentile of the comparator group. The most prevalent threshold and maximum performance levels are the 25<sup>th</sup> (51%) and 75<sup>th</sup> (37%) percentiles, respectively. However, 40% of the companies set a maximum performance goal at or above the 90<sup>th</sup> percentile, requiring superior performance relative to the comparator group to achieve the maximum level payout.

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. Over one-quarter of the Meridian 200 (29%) have a negative TSR cap in place (up from 23% in 2018). 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, some companies believe they 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 2018.

	Revenues (\$M)	Market Value (\$M)	Employees	ROIC (3-Year)	Annualized TSR (3-Year)
25 <sup>th</sup> Percentile	\$9,448	\$11,685	16,975	5.8%	-1.2%
Median	\$17,337	\$26,222	43,138	9.1%	8.2%
75 <sup>th</sup> Percentile	\$40,066	\$67,955	90,396	14.2%	17.8%

## Survey Companies (n = 200)

3M Company	Caterpillar Inc.	Entergy Corporation
Abbott Laboratories	CBS Corporation	EOG Resources, Inc.
Accenture plc	Centene Corporation	The Estée Lauder Companies Inc.
Adobe Systems Incorporated	CenturyLink, Inc.	Eversource Energy
The AES Corporation	Chevron Corporation	Exelon Corporation
Alaska Air Group, Inc.	Cigna Corporation	Exxon Mobil Corporation
Alcoa Corporation	Cintas Corporation	FedEx Corporation
Allegheny Technologies Incorporated	The Clorox Company	FirstEnergy Corp.
Alliance Data Systems Corporation	The Coca-Cola Company	Flowserve Corporation
The Allstate Corporation	Colgate-Palmolive Company	Fluor Corporation
Altria Group, Inc.	Comcast Corporation	FMC Corporation
American Electric Power Company, Inc.	ConAgra Brands, Inc.	Ford Motor Company
American Express Company	ConocoPhillips	The Gap, Inc.
AmerisourceBergen Corporation	Consolidated Edison, Inc.	General Dynamics Corporation
Anadarko Petroleum Corporation	Cooper Tire & Rubber Company	General Electric Company
Anthem, Inc.	Corning Incorporated	General Mills, Inc.
Apache Corporation	Costco Wholesale Corporation	The Goldman Sachs Group, Inc.
Applied Materials, Inc.	CSX Corporation	Halliburton Company
Archer-Daniels-Midland Company	Cummins Inc.	Hanesbrands Inc.
AT&T Inc.	CVS Health Corporation	Harley-Davidson, Inc.
Automatic Data Processing, Inc.	Danaher Corporation	The Hartford Financial Services Group, Inc.
Baker Hughes, a GE company	Deere & Company	Hasbro, Inc.
Ball Corporation	Delta Air Lines, Inc.	The Hershey Company
Baxter International Inc.	Devon Energy Corporation	Hess Corporation
Becton, Dickinson and Company	Discover Financial Services	Hewlett Packard Enterprises
Best Buy Co., Inc.	Dollar General Corporation	HollyFrontier Corporation
The Boeing Company	Domtar Corporation	The Home Depot, Inc.
BorgWarner Inc.	DowDuPont Inc.	Honeywell International Inc.
Boston Scientific Corporation	Eastman Chemical Company	HP Inc.
Briggs & Stratton Corporation	Eaton Corporation plc	Humana Inc.
Brown-Forman Corporation	eBay Inc.	Ingersoll-Rand Plc
Campbell Soup Company	Ecolab Inc.	Intel Corporation
Cardinal Health, Inc.	Eli Lilly and Company	The Interpublic Group of Companies, Inc.
Carnival Corporation	Emerson Electric Co.	International Business Machines Corp.

## Survey Companies (n = 200)

International Paper Company  
Johnson & Johnson  
Johnson Controls International plc  
Kellogg Company  
Kohl's Corporation  
The Kraft Heinz Company  
The Kroger Co.  
Laboratory Corp. of America Holdings  
Linde plc  
Lockheed Martin Corporation  
Lowe's Companies, Inc.  
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  
The Mosaic Company  
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  
Old Dominion Freight Line, Inc.  
Omnicom Group Inc.  
ONEOK, Inc.  
Oracle Corporation  
Owens Corning  
PepsiCo, Inc.  
Perrigo Company plc  
Pfizer Inc.  
PG&E Corporation  
Philip Morris International Inc.  
PPG Industries, Inc.  
The Procter & Gamble Company  
Prudential Financial, Inc.  
Public Service Enterprise Group Inc.  
QUALCOMM Incorporated  
Quanta Services, Inc.  
Quest Diagnostics Incorporated  
Raytheon Company  
Republic Services, Inc.  
Rockwell Automation Inc.  
Schlumberger Limited  
Seagate Technology plc  
Sealed Air Corporation  
The Sherwin-Williams Company  
Southwest Airlines Co.  
Stanley Black & Decker, Inc.  
Starbucks Corporation  
Steelcase Inc.  
Sysco Corporation  
T-Mobile US Inc.  
Target Corporation  
Tenneco Inc.  
Texas Instruments Incorporated  
Thor Industries, Inc.  
Time Warner Inc.  
The TJX Companies, Inc.  
Tower International, Inc.  
Tractor Supply Company  
Transocean Ltd.  
The Travelers Companies, Inc.  
Tyson Foods, Inc.  
Union Pacific Corporation  
United Continental Holdings, Inc.  
United Parcel Service, Inc.  
UnitedHealth Group Incorporated  
Valero Energy Corporation  
Verizon Communications Inc.  
V.F. Corporation  
Visa Inc.  
VMware, Inc.  
W.W. Grainger, Inc.  
Walgreens Boots Alliance, Inc.  
Walmart Inc.  
The Walt Disney Company  
Waste Management, Inc.  
WellCare Health Plans, Inc.  
WESCO International, Inc.  
The Western Union Company  
WestRock Company  
Whirlpool Corporation  
The Williams Companies, Inc.  
Xerox Corporation  
YUM! Brands, Inc.

# Meridian Compensation Partners Profile

**Meridian Compensation Partners, LLC** is the second largest independent executive compensation consulting firm 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 600 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:

- Informed business judgments on executive pay
- 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
- Compensation risk evaluation
- Pay-for-performance analyses
- Corporate governance best practices
- Institutional shareholder and ISS voting guidelines/issues
- Senior management and board evaluations
- Consulting on M&A plans
- 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

## With consultants in 10 cities, we are located to serve you.

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This survey was authored by Carrie Guenther and other consultants of Meridian Compensation Partners, LLC. Questions and comments should be directed to Ms. Guenther at [cguenther@meridiancp.com](mailto:cguenther@meridiancp.com) or (847) 235-3622.

