Compensation Committee Leadership Network

July 2018

CCLN

VIEWPOINTS

Long-term decision making

Institutional investors have become increasingly prominent in capital markets over the last few decades, and they have used their power to put pressure on boards to ensure companies are focused on creating long-term shareholder value. They have also sought more information about boards' oversight processes. For their part, boards want to better understand investors' priorities. With that knowledge, boards are better able to ensure that management is on the right strategic path, and compensation committees can create compensation plans that motivate executives to make the right choices.

On June 6–7, members of the Compensation Committee Leadership Network (CCLN) met in New York to discuss these issues. They were joined in separate sessions by Glenn Booraem, principal and investment stewardship officer at Vanguard, and Michelle Edkins, global head of the investment stewardship team at BlackRock. This *ViewPoints* synthesizes those conversations, which focused on understanding the institutional-investor landscape and creating and incentivizing long-term value.[1]

Understanding the institutional-investor landscape

Institutional investors are organizations that pool assets and oversee the investment of those assets. They include mutual funds, asset managers, pension funds, insurance companies, and others. There are many institutional investors—for example, there were 9,356 mutual funds alone in the United States in 2017[2]—but even the smallest of institutional investors has greater assets than all but the wealthiest individuals.[3]

In 1950, institutional investors held 7%–8% of all US equities.[4] As of last year, institutions held 78% of the market value of Russell 3000 companies.[5] Many of these institutions have become more active, engaging directly with their portfolio companies. Additionally, in the United States, institutions are three times more likely to vote their shares than are individual investors.[6] Some institutional investors have taken a more active role in proxy voting decisions; others effectively rely upon proxy advisory firms to help them determine how to vote on proxy matters or to help identify problematic areas.

Asset managers have different strategies, objectives, and structures. Moreover, different leaders within firms make decisions about and seek influence over portfolio companies. At some firms, the portfolio managers who decide which shares to buy and sell also play an active role in proxy voting matters. Other firms delegate responsibility for these voting decisions to corporate governance professionals.

Passive investors—funds that track an index or follow a prescribed formula rather than making active investment decisions—reflect a significant and growing portion of US stock ownership.[7] Making up about 30% of the mutual and exchange-traded fund market, their market share is eight times what it was two decades ago.[8] Because passive investors cannot sell a company's stock if they are unhappy with the company's performance, they have become increasingly interested in the governance practices of their portfolio companies.

BlackRock and Vanguard take stewardship seriously

BlackRock and Vanguard are the two largest asset managers in the world,[9] with roughly $6.3 and $5.1 trillion in assets under management, respectively.[10] Vanguard launched the first index mutual fund for retail investors in 1976 and has been called a "pioneer of passively managed, lower-cost products."[11] BlackRock was established more recently by Larry Fink (its current CEO) and seven partners in 1988.[12]

Members were interested in understanding why and how Blackrock and Vanguard have invested so heavily in stewardship.

Stewardship is how passive investors generate economic value for their clients

Active portfolio managers can sell an underperforming company for any reason, but the leaders of funds pegged to an index cannot. Stewardship is the means by which passive investors seek to generate financial returns for their clients. *"We cannot get rid of bad-performing companies and chase good ones,"* Mr. Booraem said. *"Some may misinterpret our activity as political in nature, but it is all motivated by long-term economics."*

Ms. Edkins's explanation was similar: *"Our index holdings alone generally make us a top-three or -five shareholder of every public company. That puts responsibility on us to serve as the eyes and ears of our clients, the underlying shareholders. We encourage companies to adopt business practices that have been shown to be consistent with generating higher returns over time."*

Some stewardship efforts—sometimes called beta engagement—are designed to improve the overall quality of the capital markets. Mr. Booraem explained, *"Because our funds hold all companies in the indexes, our goal is to be the rising tide that lifts all boats. We know there will be a bell curve, but we seek to move the curve to the right and create higher returns across the board."* Other efforts—alpha engagement—are focused on improving the outcomes at a specific company, with a goal of creating economic value for the funds that hold that company in their portfolios.

Massive scale creates challenges for effective oversight

Both BlackRock and Vanguard employ significant teams to oversee their stewardship efforts—35people at BlackRock and nearly 30 at Vanguard—which include voting on more than 100,000 proxy proposals across more than 14,000 shareholder meetings globally each year. Both stewardship teams are growing: BlackRock is aiming for 75 governance professionals by the end of 2020 while Vanguard will continue to evaluate growth to support its funds' global holdings.

Despite BlackRock's and Vanguard's investment in their stewardship teams, members were skeptical about the ability of these teams to give companies individualized attention. One said, *"We are all aware of how frequently the proxy advisers are criticized for one-size-fits-all approaches to governance—approaches that are necessary given the number of companies they cover and their small teams. Is it really any different for either of you, since your firms also own most of the public market?"*

Acknowledging the challenge, both guests outlined how they seek to bring a thoughtful perspective to the thousands of companies in their portfolios. Ms. Edkins said BlackRock triages its stewardship efforts: *"We spend more time in places where our votes count than places where they don't. In the US, where our votes do matter, we invest. We use reports from Institutional Shareholder Services [ISS] to aggregate the data because while all proxies are different, ISS reports are uniform. This helps us find the data we need quickly and further triage in a consistent way. Then our professionals, who tend to oversee companies in the same sector, will go into the proxy statement and look at other sources to inform our perspective."* Mr. Booraem said that the process was very similar at Vanguard.

Members then asked how exactly the two firms use the services of proxy advisers. Both reiterated the value of data aggregation services and the value of proxy advisers' platforms, which help with vote execution. Both strongly distinguished those services from using proxy advisers' voting recommendations. Mr. Booraem said, *"Their analysis and recommendations are but one of the many inputs into our decision making process. There are plenty of situations where we scratch our heads at their recommendations, but that's why we have our own guidelines and teams making our own decisions."* Sometimes, Mr. Booraem acknowledged, Vanguard votes the same way that ISS recommends, but he urged directors not to read correlation as causation. *"When we get to a vote, you're down to two options: for and against. It's a 50-50 shot that we'll be in the same place as ISS. We might get to the same place for different reasons. And if we get to the same place for the same reasons, our vote isn't because of ISS; it's because of our independent judgment."*

For her part, Ms. Edkins said, *"I think a lot of the folks that are upset with proxy advisers are barking up the wrong tree. While we and some other firms invest in professionals who exercise independent judgment, there are some asset managers who rely heavily on proxy advisers. I think corporates should demand more of their owners who effectively outsource their voting."*

Some investors are increasingly interested in engaging with directors

Meeting participants noted that it has become more common for independent board members to participate in meetings with investors—particularly passive investors like BlackRock and Vanguard. *"There has been a substantial uptick of engagements with director participation.*

Fifteen years ago, directors almost never participated, except in a proxy fight when their jobs were literally on the line. Today, about 40% of our engagements with companies include independent members of the board," Mr. Booraem said.

Many engagements begin as an attempt to avert a vote against management's recommendation at the annual meeting. The engagements can be successful. Mr. Booraem shared, *"We don't expect companies to simply do something in our direction, but we want them to take our perspective into account. If [our perspective] is persuasive, [companies] can make a commitment to change. They are then accountable to follow through. In just about every case where we've gotten this kind of commitment, boards have followed through. We are not inclined to vote against board members or management recommendations just to make a point."*

Perhaps more importantly, the engagement itself is more valuable than the vote to some asset managers. *"Our stewardship team focuses on events where we educate others about our perspective, engagements where we discuss issues one-on-one in a deeper way. By the time a matter ends up on the ballot, it's a binary – for or against – choice for us. Engagement on issues that often go beyond the ballot gives us the opportunity to cover shades of gray in a way that's aligned with long-term value as opposed to simply checking a box on the proxy,"* Mr. Booraem said.

Ms. Edkins noted that engagements with directors can be very valuable but are not always necessary: *"We seek director participation if we are investigating a governance issue or a major event that implicates board oversight. But if you reach out to us to speak and we decline, do not see that as a rejection. We recognize that you are busy; we are, too. If we say no thanks, we are comfortable with your approach. It should be seen as positive feedback."*

BlackRock and Vanguard create governance policies designed to improve long-term performance

BlackRock and Vanguard each have created custom governance guidelines and proxy voting policies designed to support good practice at portfolio companies and to guide the firms' proxy voting decisions. Mr. Booraem noted that all of Vanguard's policies are fundamentally about *"creating a foundation of oversight at the company that aligns with long-term value."* Ms. Edkins answered a question about how BlackRock's policies are created: *"These policies are created from a range of sources, including academic research, and from experience engaging with portfolio companies. The policies are created on a region-by-region basis to reflect the different governance norms in each key market."*

Members discussed several particular policy issues with both guests:

- **Executive compensation.** Both guests said that their firms seek to align pay with long-term performance. Mr. Booraem added, *"The way you have structured and aligned pay for senior executives with relative performance results in them getting paid well when our investors* *get paid well. We are not seeking to be as directive as an activist who has a preferred compensation strategy."* Ms. Edkins said, *"What we want to see is a clear link between the pay program and the company's stated strategic direction. We take a case-by-case approach and identify the relevant factors in our published guidelines."*

Both guests felt there was room for improvement in companies' explanations of how their pay programs are linked to long-term success. *"We don't see the linkage back to performance in every Compensation Discussion and Analysis (CD&A),"* Mr. Booraem said.

- **CEO pay ratio.** Mr. Booraem said, *"In our view, this does more to inflame than inform. The pay ratio itself has no direct bearing on how we think about the company."* Ms. Edkins was pleased that *"this year at least, the pay ratio didn't become the distraction many of us feared … Hopefully that remains true."*

- **Board composition.** Mr. Booraem reported, *"Composition is a focus for us. The board's diversity on multiple dimensions—age, gender, background, and industry experience - is part of our analysis of composition."* He added that an explanation for the level of industry experience on the board is particularly important: *"There are different philosophies on how much industry experience you seek on the board. Tell us your approach."*

  Members were especially interested in when and why asset managers support adding activist investors' nominees to boards. Ms. Edkins offered an explanation: *"We sometimes back activists, but we often don't. When we do back them, we seldom support their entire slate for a board, but will support adding one or two of their nominees. We generally do not support election of partners of activist firms to boards. We prefer to see industry and sector specialists, those with relevant business experience."* She added that it is important to understand why a company thinks an activist's nominee lacks the appropriate experience to serve as a director: *"It helps to have a well-defined specification for your next director. Your best defense is a well-disclosed, robust, clear process for adding board members."*

- **"Social purpose."** The most recent annual letter from BlackRock's CEO stated, "Society is demanding that companies, both public and private, serve a social purpose."[13] Some have suggested that this signals a shift on BlackRock's part from voting for economic reasons to voting for political ones. Before the meeting, one member commented, *"The passives are moving beyond total shareholder return and into governance and societal issues. They clearly have different thoughts about how companies can make money."* Ms. Edkins pushed back against this characterization of the letter: *"In the context of the letter, we are saying if companies cannot articulate their long-term relevance to those on whom they depend to generate value—shareholders, creditors, employees, customers, the communities in which they operate, and so on—they risk losing support and undermining their profitability and financial sustainability. It was not intended to be political or controversial, but the phrase was interpreted differently by different constituencies."*

Creating and incentivizing long-term value

Institutional investors are just one of many stakeholders calling on boards to spend more time and effort overseeing long-term value creation and preservation.[14] Their requests have led many boards to play a more active role in setting corporate strategy. Boards are also creating compensation plans that reward management for executing those strategies effectively.

The board plays a critical role in corporate strategy

Overseeing long-term strategy is especially important in the current era, in which companies are confronting new technologies and dealing with the transformation of whole industries. One member said, *"Management knows more about the company and should know more about the future. [The board] can bring perspective on trends more globally, especially if we come in at an inflection point—not too early in the process and not too late."* Another said that directors can give management the courage to pursue a new strategy faster, even if it hurts the company's short-term performance: *"If the board is willing to take the hits, management will be able to make important bets."*

CCLN members discussed how their boards ensure that directors' voices are heard at the right point in the process. An initial, essential element for most boards is pressure testing management's long-term strategic plans at every board meeting. In many cases, strategic discussions are interwoven with conversations about other issues. One member explained, *"We use a strategic context to determine where capital is allocated, where we will spend resources, and how we invest in technology. It is very much an ongoing process at every meeting, and every member of the board is involved."*

While strategic planning is no longer solely an annual board event, a number of members said it is important to set aside a substantial block of time for the board to perform a more thorough analysis of the landscape. One member said, *"Our industry is moving so fast that we have to do some level-setting to help educate the board. Every summer we have an extensive board meeting where we do a deep dive and have the time to ask more detailed questions about our strategy. That sets our foundation. We know what we are moving toward."* Another member described a board that takes an even more in-depth approach: *"We do two off-sites each year with the full board, where we are joined by junior- and middle-management to talk about a 10-year time horizon. It is a lot of work, but it allows the board to be more strategic."*

It can also be useful to discuss strategy in a venue that encourages the board to think differently. One member explained, *"This PowerPoint culture of board meetings is not an inspiring way to think about strategy. I always hope that the annual meeting breaks you out of that mold. The fundamental question is, What business are we in? Boards have to step out of sitting around a table listening to presentations that don't lend themselves to thinking big about strategy."*

Members said that ideally, strategy sessions result in a plan that is easy for both the board and management to articulate. This is especially critical for companies whose plans include substantial investments that may not pay off for many years. One member said, *"You need a clear articulation of your advantage versus competitors'. If you can't articulate it, you won't get credit for it. Investors will focus on short-term operations unless you explain the long-term strategy in a way they can understand."*

Annual incentive plans can encourage strategic goals

Members said it is important to be able to track management's progress in implementing the strategy. One said, *"It's not just about picking the right strategy, it's also about executing … We can't be left to wonder whether the long-term strategy is paying off."* Another said, *"It is hard to know if the strategy is right and whether it is achievable, especially when you set it over a long period of time. It needs to be more detailed than hopes and dreams."* To deal with this problem, some members favor incorporating strategic goals in their annual incentive plans. This is useful if the board seeks to track and compensate management based on operational metrics that, while long-term in nature, are best assessed in shorter increments.

While the goals themselves vary by company, members discussed the benefits of setting aside 10%–30% of the annual plan for non-financial performance objectives. One said, *"I think the annual plan can drive short termism because executives are focused on what their bonus will be and are working towards that. A discretionary component can mitigate some of that short-term thinking."* Another member described how discretionary measures can be helpful in the context of a major corporate transformation: *"Following a major acquisition, where there are two distinct businesses running, it might be useful to tie some portion of compensation to collaboration. You can look to see how the integration is happening across the discrete businesses, since it is so important for them to function smoothly together."*

Non-financial metrics need not always be discretionary. One member said, *"There are customer service metrics like net promoter score that can be tracked and measured year-over-year. Just because it isn't financial doesn't mean it requires board discretion."*

Committees have a number of ways to link strategy and long-term pay

CCLN members said that their committees also strive to design long-term incentive plans (LTIPs) that are aligned with the company's designated strategy. Meridian Compensation Partners' Marc Ullman said that LTIPs seek to achieve a wide range of goals: *"It used to be just about creating a plan to encourage executive retention, alignment with shareholders, and sustained operating performance. Now, in addition to all of those factors, you have to look at the proxies of your peers and see what they are doing and explain in your CD&A why you look different. Externalities have become an increasingly important factor in the era of say on pay."*

Members discussed some of the trade-offs that they consider when designing and evaluating their LTIPs:

- **A mix of performance metrics helps balance priorities.** Long-term success can be measured in many ways. CCLN members noted that the metrics a company chooses if it is focused on growth may be very different from the ones it will choose if it is focused on returns. In some cases, members said, it is important to include competing incentives. One said, *"Having multiple metrics is important. They may be offsetting, but it demonstrates that we expect management to focus on the long-term without losing sight of the need to demonstrate returns along the way."* Some members said that there are benefits to aligning the LTIP to market performance, although many expressed concerns about LTIPs that rely too heavily on metrics that management cannot control, such as relative total shareholder return (rTSR). One noted, *"We want pay to be somewhat sensitive to what shareholders are getting. I like rTSR as a modifier as opposed to a metric. I'm concerned about making a big payout if the stock doesn't perform."*

  For further information about the metrics used in the LTIPs at CCLN members' companies, see Meridian Compensation Partners' analysis in the Appendix B.

- **Not all managers value equity payments equally.** Most LTIPs, especially for the most senior members of management, are paid using some form of equity. Members discussed the merits of different equity options, including stock options, performance shares, and other forms of restricted shares or share units. Some members said they prefer plans that provide a mix of different vehicles to provide management with both certainty and substantial upside. In some cases, however, members questioned whether they should be using so much equity, particularly below the very top level of management. One member said, *"If you have a class of people who exercise and sell their options as soon as they are in the money, then you clearly are not getting value."* One member shared, *"This can be real, tangible lost value. For example, one investor questioned our practice because we had a policy of repurchasing shares to offset dilution. We were paying full price for a share that some managers discounted heavily."*

  For further information about the vehicles used in the LTIPs at CCLN members' companies, see Meridian Compensation Partners' analysis in the Appendix B.

- **Equity holding requirements help align management with shareholders.** While members said that their companies often set strategy five or more years into the future, their LTIPs typically cover a three-year performance period. One member said, *"Maybe long-term incentives need to be much longer, focused on how the company is doing down the road."* One way that boards try to align managers with long-term shareholders is to require managers to hold a certain amount of the company's equity for a set period. Members discussed whether extended holding periods, perhaps even stretching beyond retirement, might create a true long-term incentive. One member said, *"A predecessor compensation* *chair once championed a much longer holding period for all the named executive officers and those a level down. It sounded great in theory, but we had a revolution on our hands. It didn't fly. People want access to their earnings."*

Conclusion

Directors and institutional investors share the goal of seeing companies achieve long-term success. The path to sustainable performance may not always be clear, but results rarely happen by accident. CCLN members agreed that taking advantage of the tools at their disposal—including having more open conversations with institutional investors, playing a greater role in strategy development, and creating incentives that are tied to strategic initiatives—will help them steer their companies in the right direction.

About this document

The Compensation Committee Leadership Network (CCLN) brings together compensation committee leaders from North America's most prominent companies for private discussions about improving the performance of their corporations and earning the trust of their shareholders. *ViewPoints* is produced by Tapestry Networks to stimulate timely, substantive board discussions.

Endnotes

[1] *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals, corporations, or institutions. Network participants' comments appear in italics.

[2] "Number of Mutual Funds in the United States from 1997 to 2017," Statista, accessed July 2, 2018.

[3] Richard Fields and Anthony Goodman, "Board-Shareholder Engagement," in *The Handbook of Board Governance*, ed. Richard Leblanc (Hoboken, NJ: John Wiley and Sons, 2016), 406.

[4] Luis A. Aguilar, "Institutional Investors: Power and Responsibility" (speech, Georgia State University, Atlanta, GA, April 19, 2013).

[5] Charles McGrath, "80% of Equity Market Cap Held by Institutions," *Pensions & Investments*, April 25, 2017.

[6] Ben W. Heineman Jr. and Stephen Davis, *Are Institutional Investors Part of the Problem or Part of the Solution?* (Washington, DC, and New Haven, CT: Committee for Economic Development and the Millstein Center for Corporate Governance and Performance, 2011), 8.

[7] Ian Appel, Todd Gormley, and Donald Keim, "Passive Investors, Not Passive Owners," *Harvard Law School Forum on Corporate Governance and Financial Regulation* (blog), January 21, 2015.

[8] Spencer Jakab, "Are Fund Managers Doomed? Making the Case for Passive Investing's Triumph," *Wall Street Journal*, October 18, 2016.

[9] Willis Towers Watson, *The World's 500 Largest Asset Managers* (London: Willis Towers Watson, 2017), 4.

[10] "About BlackRock," BlackRock, accessed May 29, 2018; "Fast Facts About Vanguard," Vanguard, accessed May 29, 2018.

[11] Sarah Krouse, "Investors Poured Record $236 Billion into Vanguard Last Year," *Wall Street Journal,* January 5, 2016.

[12] "BlackRock Responsibility: Our Philosophy," BlackRock, accessed May 29, 2018.

[13] Larry Fink, "A Sense of Purpose," letter to CEOs, accessed July 3, 2018

[14] See Tim J. Leech, "Board Oversight of Long-Term Value Creation and Preservation," *Harvard Law School Forum on Corporate Governance and Financial Regulation* (blog), August 24, 2017.

Appendix A: Participants

The following CCLN members participated in the meeting:

- Erroll Davis, Union Pacific
- Linda Fayne Levinson, Alumna
- Marianne Harris, Sun Life Financial
- Kathy Hill, Moody's
- Bill Kerr, IPG
- Mel Lagomasino, The Coca-Cola Company
- Joyce Roché, AT&T
- Laurie Siegel, CenturyLink
- Samme Thompson, American Tower
- Marc Ullman, Meridian
- John Wulff, Almunus

The following members took part in pre- or post-meeting discussions:

- Beth Cobert, CBRE
- Jim Kennedy, United Continental
- Karen Maidment, TD Bank Group
- Virginia Ruesterholz, The Hartford and Frontier

Appendix B

Meridian Compensation Partners’ analysis

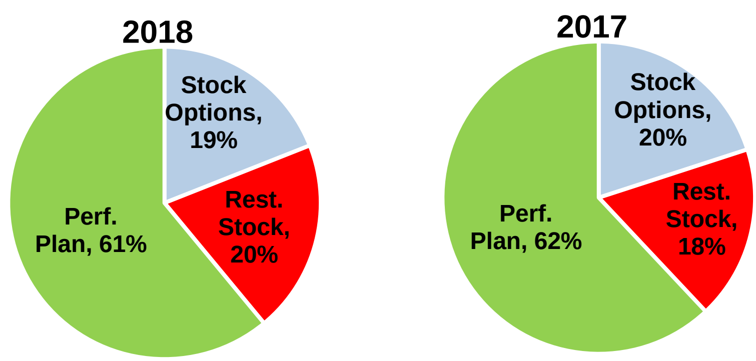
CCLN Viewpoints ■ May 2018

Overview of Long-Term Incentive Mix

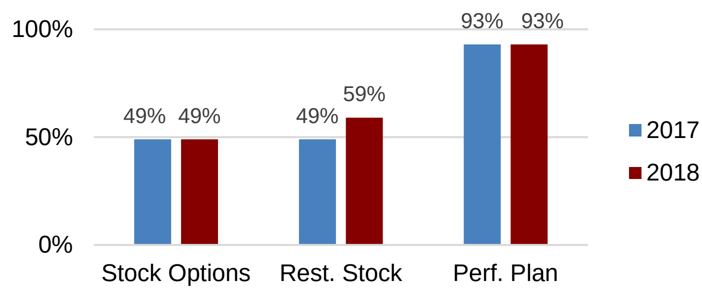
Compensation Leadership Network
Long-Term Incentive Mix at CCLN Companies

Mix of LTI

Average proxy disclosed LTI Mix – Chief Executive Officer

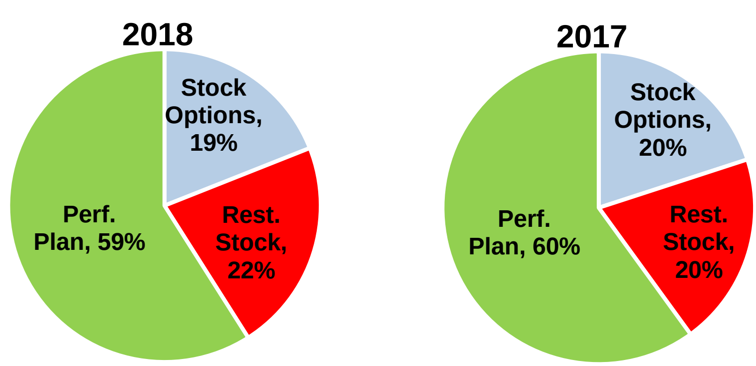


LTI Vehicle Prevalence – Chief Executive Officer

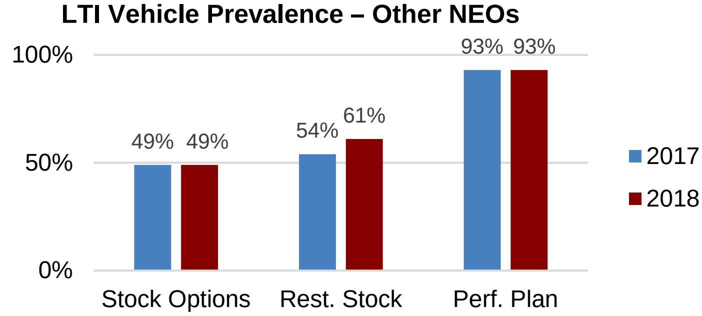


Mix of LTI

Average proxy disclosed LTI Mix – Other NEOs



LTI Vehicle Prevalence – Other NEOs



**Only annual grants of Long Term Incentives represented*

2018 Long-Term Incentive Mix

Company Name (n=41)	2018 Disclosed LTI Mix - CEO Stock Options	2018 Disclosed LTI Mix - CEO Time-Based Rest. Stock[1]	2018 Disclosed LTI Mix - CEO Performance Plans[2]	2018 Disclosed LTI Mix - Other NEOs Stock Options	2018 Disclosed LTI Mix - Other NEOs Time-Based Rest. Stock[1]	2018 Disclosed LTI Mix - Other NEOs Performance Plans[2]
Aflac Incorporated	0%	0%	100%	0%	0%	100%
Ameren Corporation	0%	0%	100%	0%	0%	100%
American International Group, Inc.	0%	30%	70%	0%	30%	70%
American Tower Corporation (REIT)	0%	40%	60%	0%	40%	60%
AT&T Inc.	0%	25%	75%	0%	25%	75%
Bed Bath & Beyond Inc.*	19%	0%	81%	28%	0%	72%
Celanese Corporation	0%	0%	100%	0%	0%	100%
CenturyLink, Inc.	0%	40%	60%	0%	40%	60%
Edgewell Personal Care Company	33%	33%	33%	33%	33%	33%
Energizer Holdings, Inc.	0%	30%	70%	0%	30%	70%
Exxon Mobil Corporation	0%	100%	0%	0%	100%	0%
FactSet Research Systems Inc.	100%	0%	0%	100%	0%	0%
Frontier Communications Corporation	0%	60%	40%	0%	60%	40%
Hydro One Limited	0%	40%	60%	0%	40%	60%
IQVIA Holdings Inc.	50%	0%	50%	50%	0%	50%
Loblaw Companies Limited	33%	33%	33%	33%	33%	33%
Macy's, Inc.	40%	0%	60%	40%	0%	60%
Marriott International, Inc.	25%	25%	50%	30%	30%	40%
Moody's Corporation	20%	20%	60%	20%	20%	60%
Nasdaq, Inc.	0%	0%	100%	0%	0%	100%
NetApp, Inc.	0%	25%	75%	0%	40%	60%
Regions Financial Corporation	0%	33%	67%	0%	33%	67%
Spok Holdings, Inc.	0%	50%	50%	0%	50%	50%
Sun Life Financial Inc.	25%	0%	75%	25%	0%	75%
TD Ameritrade Holding Corporation	0%	0%	100%	0%	0%	100%
Tenet Healthcare Corporation	33%	33%	33%	33%	33%	33%
The Bank of New York Mellon Corporation	0%	33%	67%	0%	33%	67%
The Coca-Cola Company	33%	0%	67%	33%	0%	67%
The Hartford Financial Services Group, Inc.	50%	0%	50%	50%	0%	50%
The Interpublic Group of Companies, Inc.	0%	25%	75%	0%	25%	75%
The Toronto-Dominion Bank*	33%	0%	67%	30%	0%	70%
The Walt Disney Company	50%	0%	50%	40%	30%	30%
Total System Services, Inc.	40%	0%	60%	40%	0%	60%
Tupperware Brands Corporation	45%	0%	55%	45%	0%	55%
Union Pacific Corporation	40%	10%	50%	40%	10%	50%
United Continental Holdings, Inc.	0%	50%	50%	0%	50%	50%
Volt Information Sciences, Inc.	67%	33%	0%	67%	33%	0%
Vulcan Materials Company	27%	0%	73%	27%	0%	73%
Walmart Inc.	0%	23%	77%	0%	23%	77%
Xcel Energy Inc.	0%	20%	80%	0%	20%	80%
XL Group Ltd	20%	20%	60%	20%	20%	60%
LTI Vehicle Prevalence (n=41)	*49%*	*59%*	*93%*	*49%*	*61%*	*93%*
Average Weighting (n=41)	*19%*	*20%*	*61%*	*19%*	*22%*	*59%*

Number of LTI Vehicles in Use (n=41)	CEO	Other NEOs
1 Vehicle	*17%*	*17%*
2 Vehicles	*66%*	*63%*
3 Vehicles	*17%*	*20%*

*Mix not disclosed (calculated as an estimated average mix off the Grants of Plan Based Awards Table)

[1]Full value share that vest based on service requirements

[2]Full value share that vest based on performance requirements (includes performance-based cash)

2017 Long-Term Incentive Mix

Company Name (n=41)	2018 Disclosed LTI Mix - CEO Stock Options	Time-Based Rest. Stock[1]	Performance Plans[2]	2018 Disclosed LTI Mix - Other NEOs Stock Options	Time-Based Rest. Stock[1]	Performance Plans[2]
Aflac Incorporated	0%	0%	100%	0%	0%	100%
Ameren Corporation	0%	0%	100%	0%	0%	100%
American International Group, Inc.	0%	30%	70%	0%	30%	70%
American Tower Corporation (REIT)	0%	40%	60%	0%	40%	60%
AT&T Inc.	0%	25%	75%	0%	25%	75%
Bed Bath & Beyond Inc.*	19%	0%	81%	28%	0%	72%
Celanese Corporation	0%	0%	100%	0%	0%	100%
CenturyLink, Inc.	0%	40%	60%	0%	40%	60%
Edgewell Personal Care Company	33%	33%	33%	33%	33%	33%
Energizer Holdings, Inc.	0%	30%	70%	0%	30%	70%
Exxon Mobil Corporation	0%	100%	0%	0%	100%	0%
FactSet Research Systems Inc.	100%	0%	0%	100%	0%	0%
Frontier Communications Corporation	0%	60%	40%	0%	60%	40%
Hydro One Limited	0%	40%	60%	0%	40%	60%
IQVIA Holdings Inc.	50%	0%	50%	50%	0%	50%
Loblaw Companies Limited	33%	33%	33%	33%	33%	33%
Macy's, Inc.	40%	0%	60%	40%	0%	60%
Marriott International, Inc.	25%	25%	50%	30%	30%	40%
Moody's Corporation	20%	20%	60%	20%	20%	60%
Nasdaq, Inc.	0%	0%	100%	0%	0%	100%
NetApp, Inc.	0%	25%	75%	0%	40%	60%
Regions Financial Corporation	0%	33%	67%	0%	33%	67%
Spok Holdings, Inc.	0%	50%	50%	0%	50%	50%
Sun Life Financial Inc.	25%	0%	75%	25%	0%	75%
TD Ameritrade Holding Corporation	0%	0%	100%	0%	0%	100%
Tenet Healthcare Corporation	33%	33%	33%	33%	33%	33%
The Bank of New York Mellon Corporation	0%	33%	67%	0%	33%	67%
The Coca-Cola Company	33%	0%	67%	33%	0%	67%
The Hartford Financial Services Group, Inc.	50%	0%	50%	50%	0%	50%
The Interpublic Group of Companies, Inc.	0%	25%	75%	0%	25%	75%
The Toronto-Dominion Bank*	33%	0%	67%	30%	0%	70%
The Walt Disney Company	50%	0%	50%	40%	30%	30%
Total System Services, Inc.	40%	0%	60%	40%	0%	60%
Tupperware Brands Corporation	45%	0%	55%	45%	0%	55%
Union Pacific Corporation	40%	10%	50%	40%	10%	50%
United Continental Holdings, Inc.	0%	50%	50%	0%	50%	50%
Volt Information Sciences, Inc.	67%	33%	0%	67%	33%	0%
Vulcan Materials Company	27%	0%	73%	27%	0%	73%
Walmart Inc.	0%	23%	77%	0%	23%	77%
Xcel Energy Inc.	0%	20%	80%	0%	20%	80%
XL Group Ltd	20%	20%	60%	20%	20%	60%
LTI Vehicle Prevalence (n=41)	*49%*	*59%*	*93%*	*49%*	*61%*	*93%*
Average Weighting (n=41)	*19%*	*20%*	*61%*	*19%*	*22%*	*59%*

Number of LTI Vehicles in Use (n=41)	CEO	**Number of LTI Vehicles in Use (n=41)**	Other NEOs
1 Vehicle	*17%*	*1 Vehicle*	*17%*
2 Vehicles	*66%*	*2 Vehicles*	*63%*
3 Vehicles	*17%*	*3 Vehicles*	*20%*

*Mix not disclosed (calculated as an estimated average mix off the Grants of Plan Based Awards Table)

[1]Full value share that vest based on service requirements

[2]Full value share that vest based on performance requirements (includes performance-based cash)

Long-Term Incentive Metrics

Total Shareholder Return (TSR) is the most commonly used performance measure among CCLN and Meridian survey participants

- More than half (55%) of CCLN participants use TSR, while the metric is used by 53% of the Meridian survey companies
- Other common metrics include earnings, return on capital and sales