October 2020

2020 Top 250 Report

FW COOK

2020 TOP 250 REPORT

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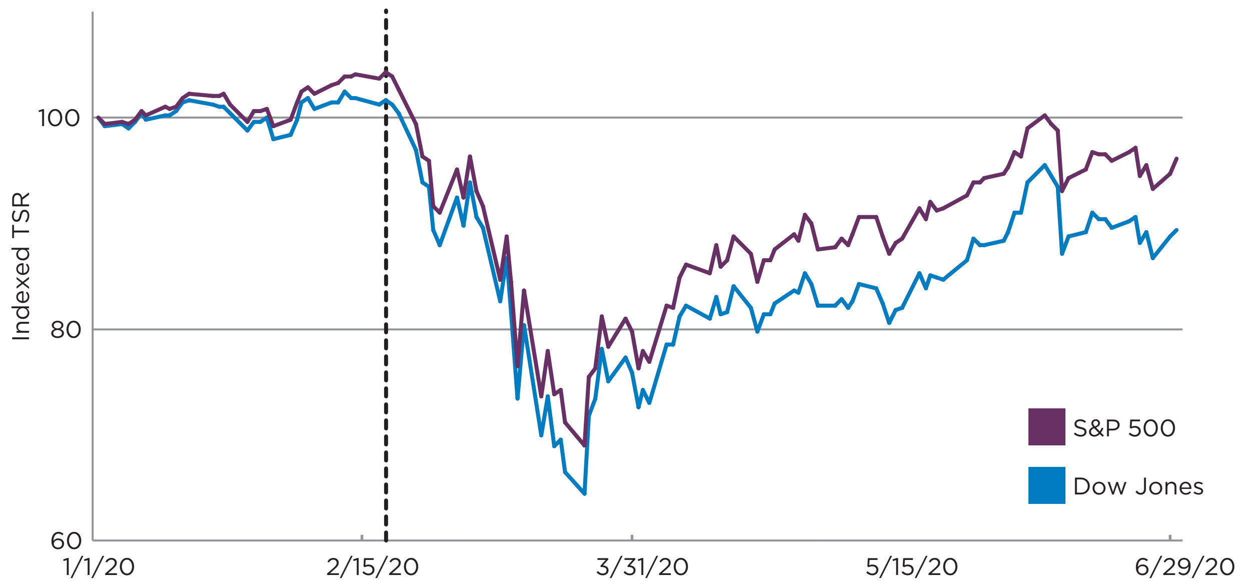
EXECUTIVE SUMMARY

The COVID-19 pandemic has created a business environment of unprecedented volatility and uncertainty. While U.S. financial markets have largely rebounded to pre-pandemic levels as of the writing of this report, the broader U.S. economy remains in the midst of a deep economic downturn.

Indexed TSR (6/30/19 - 6/30/20)



- As of August, the U.S. unemployment rate[1] is 8.4%, with roughly 13.6 million people out of work
- 2nd Quarter Real GDP[2] decreased at an annual rate of 31.7%
- 3rd Quarter Real GDP[3] is expected to increase at an annual rate of 14.8%

  For context, U.S. GDP growth ranged between 1.5%-to-3.0% over the last ten years[4]

Current economic conditions are challenging business leaders' ability to establish short and long-term forecasts for their businesses and forcing boards of directors and compensation professionals to re-assess incentive programs. In light of the current market environment, this year's Top 250 Report focuses on the following areas:

1. **Long-Term Incentive Design Evolution:** We seek to understand how long-term incentive (LTI) programs are currently designed and how they have evolved since 2015.

2. **Lessons from the Top 250:** We examine LTI plan design features that companies could employ to help address and mitigate difficulty with goal-setting and administering long-term incentives in a volatile market environment.

3. **Stock Ownership Guidelines:** We explore how companies in the Top 250 are employing stock ownership guidelines and identify potential approaches companies could leverage to address compliance issues created by a decline in equity values or volatility in stock prices.

Note that additional prevalence statistics are captured within the Appendix of this report.

(1) Bureau of Labor Statistics, as of August 7, 2020: https://www.bls.gov/
(2) Bureau of Economic Analysis, an agency of the Department of Commerce as of August 27, 2020: https://www.bea.gov/
(3) Federal Reserve Bank of New York, New York Fed Staff Nowcast estimate as of August 12, 2020: https://www.newyorkfed.org/
(4) World Bank National Accounts Data and OECD National Accounts Data: https://www.worldbank.org/

INTRODUCTION

Overview and Background

Since 1973, FW Cook has published annual reports on long-term incentive grant practices for executives. This report, our 48th edition, presents information on long-term incentives granted to executives at the 250 largest U.S. companies in the S&P 500 Index. It is intended to inform boards of directors and compensation professionals in designing and implementing effective long-term incentive programs that promote long-term success for their companies in supporting strategic objectives and aligning pay delivery with performance.

Survey Scope

The report covers the following topics:

- Executive long-term incentive grant types, usage by industry, and number of grant types employed.
- Grant type design features such as vesting schedules.
- Key performance plan characteristics, including performance periods, payout maximums, performance metrics, and measurement approaches.
- CEO long-term incentive grant value mix.
- Performance/funding slope leverage.
- Stock ownership guidelines.

Source of Data

All information was obtained from public documents filed with the Securities and Exchange Commission (SEC), including proxy statements, 10-K and 8-K filings.

Definition of Usage

This report presents the most recently disclosed long-term incentive grant types in use at the Top 250 companies as of mid-2020. A grant type is considered used at a company if grants were made in the current or prior year and there is no evidence the grant practice has been discontinued, or if the company indicates the grant type will be awarded in the future.

INTRODUCTION

Top 250 Selection

The Top 250 companies, limited to those granting long-term incentives, are selected annually based on market capitalization (share price multiplied by total common shares outstanding). Due to extraordinary COVID-19-related market volatility in 2020, the sample was determined based on market capitalizations as of December 31, 2019 (as reported by S&P's Capital IQ) for the companies that constituted the S&P 500 Index on March 31, 2020. See "Companies Studied" on page 22.

Volatility in the equity markets, corporate transactions, and the ebb and flow of corporate fortunes result in changes in market capitalization and, therefore, turnover in the survey sample. Of the Top 250 companies in 2020, 18 companies **(7%)** are new to this year's report. As such, year-over-year changes in prevalence data are influenced by both changes in the survey sample as well as actual changes in grant practices.

The following table profiles the industry sectors represented in the Top 250 for 2020, defined by S&P Dow Jones and Morgan Stanley Capital International (MSCI)'s Global Industrial Classification System (GICS).

In addition to 1-year and 5-year annualized TSRs, each sector's year-to-date TSR through June 30, 2020 is shown to emphasize the sectors whose share prices were hardest-hit by the COVID-19 induced market crash in early 2020.

Industry Sector		**Median Market Data**						
	Percent	**($Bil)**		**(6/30/20)**	**Beta[1]**	**TSR[2]**		
(# of companies)	**of 2020 Top 250**	**Net Sales**	**Net Income**	**Market Cap.**	**5-Year Average**	**Year-to-Date**	**1-Year**	**5-Year CAGR[3]**
Information Technology (38)	15%	$11.34	$2.02	$64.67	1.11	2%	22%	13%
Industrials (33)	13%	$21.71	$2.26	$37.06	1.16	-10%	12%	-3%
Health Care (37)	15%	$17.91	$2.71	$66.30	0.85	0%	13%	14%
Financials (32)	13%	$19.10	$3.86	$45.76	1.21	-25%	4%	-15%
Consumer Discretionary (25)	10%	$20.83	$1.79	$31.30	1.07	-13%	10%	-11%
Consumer Staples (24)	10%	$22.83	$1.90	$37.28	0.59	-4%	9%	4%
Utilities (17)	7%	$12.35	$1.37	$28.52	0.43	-15%	8%	-6%
Energy (12)	5%	$33.13	$2.53	$24.91	1.90	-34%	-6%	-33%
Real Estate (13)	5%	$3.53	$0.86	$33.26	0.58	-8%	11%	-10%
Communication Services (12)	5%	$45.38	$3.39	$161.49	0.96	-7%	8%	-2%
Materials (7)	3%	$15.15	$1.54	$47.74	1.11	0%	15%	2%
Total Top 250 - Median	**—**	**$16.61**	**$2.13**	**$44.22**	**0.96**	**-8%**	**11%**	**-1%**

Source: S&P Capital IQ (net sales and net income represent 10-K results; all other data measured as of June 30, 2020)

[1] Beta is a measure of the volatility of a security in comparison to the market as a whole; a higher beta means more volatility

[2] TSR = Total Shareholder Return, a measure of stock price and dividend performance; calculated up through June 30, 2020

[3] CAGR = Compounded Annual Growth Rate

INTRODUCTION

Definition of Long-Term Incentive

To be considered a long-term incentive for purposes of this report, a grant must reward performance and/or continued service for a period of one year or more and cannot be limited by both scope and frequency:

- A grant with *limited scope* is awarded to only one executive or a very small or select group of executives.
- A grant with *limited frequency* is an award that is not part of a company's regular grant practice. For example, a grant made as a hiring incentive, replacement of compensation forfeited from prior employer or promotional award is not considered a long-term incentive for this report.
- A grant with *limited scope but without limited frequency* (annual grants of performance shares made only to the CEO) may be considered a long-term incentive, and vice versa (one-time grants made to all executives).

Additional References

References to shareholder views were developed from a review of proxy-voting guidelines published by large institutional investors.

References to proxy advisor views were developed from company-specific Say-On-Pay voting recommendations during the 2020 proxy season, direct conversations with Institutional Shareholder Services (ISS) and Glass Lewis, or a review of their proxy-voting guidelines.

Definitions:

Award Vehicles

Stock Options/Stock Appreciation Rights (SARs) are derivative securities, where stock price must appreciate for them to deliver value. Stock options are rights to purchase company stock at a specified exercise price over a stated term; SARs are rights to receive the increase between the grant price and the market price of a share of stock at exercise.

Restricted Stock includes actual shares or share units that are earned for continued employment, often referred to as time-based awards.

Performance Awards consist of stock-denominated shares or share units (performance shares) and grants of cash or dollar-denominated units (performance units) earned based on performance against predetermined objectives over a defined period of more than one year, including long-term incentives with one-year performance periods and additional time-vesting requirements.

Types of Metrics

Performance Metric Categories are defined as including the following (lists not exhaustive)

Total Shareholder Return: Stock Price Appreciation Plus Dividends

Profit: EPS, Net Income, EBIT, EBITDA, Operating/Pretax Profit

Capital Efficiency: Return on Equity, Return on Assets, Return on Capital

Revenue: Revenue, Organic Revenue, Sales

Cash Flow: Cash Flow, Operating Cash Flow, Free Cash Flow

Other: Safety, Quality Assurance, New Business, Individual Performance

How Has Program Design Changed?

Within this section, we seek to understand how long-term incentive programs have evolved over the last five years.

2015→2020

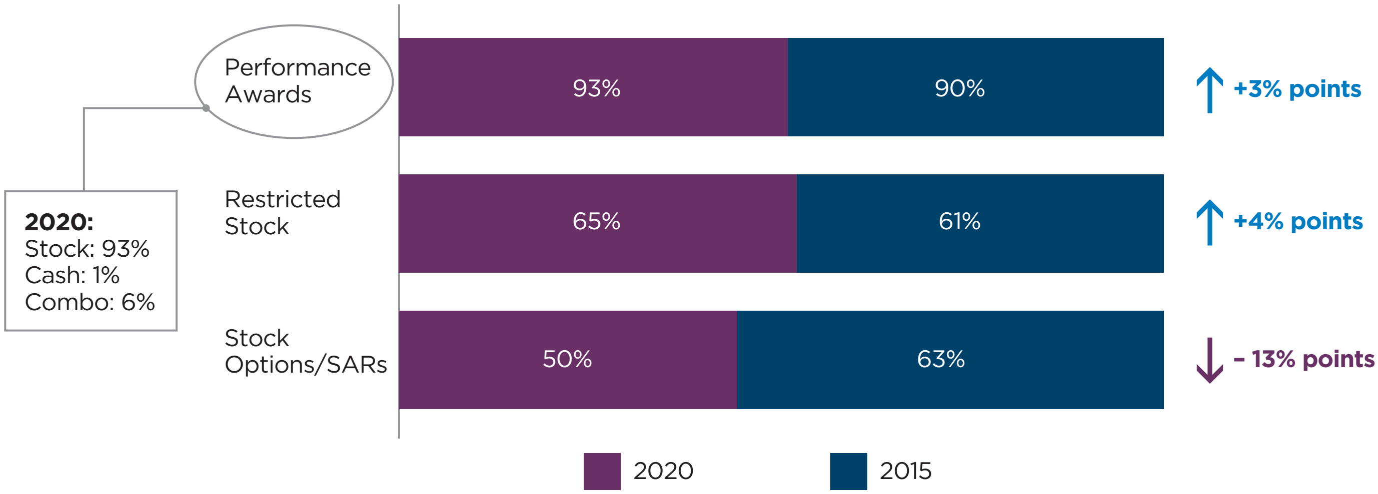
HOW PROGRAM DESIGNS HAVE CHANGED

Which Long-Term Incentive Vehicles Remain in Favor?

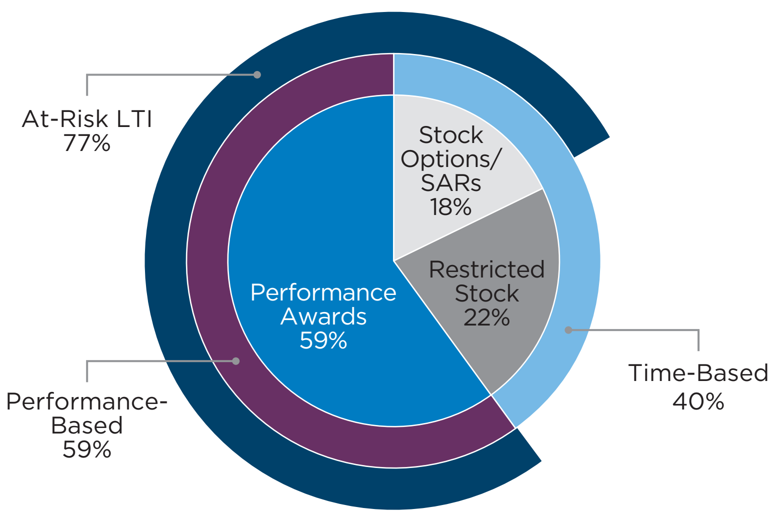
Market practices have largely converged to reflect a balanced portfolio approach of multiple LTI vehicles, with a continued emphasis on performance-based equity…

Over the last five years, there has been little change in the prevalence of performance-based and time-vested full-value awards, while stock option/SAR usage has declined:

- Performance awards continue to be used almost universally (**93%** in 2020, up 3% pts. since 2015)
- Restricted stock awards continue to be used by roughly two-thirds of participants (up 4% pts. since 2015)
- Stock option/SAR usage has declined by 13% pts. since 2015



Average Top 250 CEO (2020)



The continued focus of investors and proxy advisory firms on pay-for-performance has resulted in a further shift away from time-based awards in favor of performance-based LTI. Performance-based LTI now comprises **59%** of the average CEO's LTI mix (up from 52% in 2015). The shift towards performance-based LTI generally comes at the expense of stock options/ SARs, which have declined from 27% of the mix in 2015 to **18%** of the mix in 2020.

- The decline in prevalence and weighting of stock options/SARs is due in part to proxy advisory firm policies that view stock options as time-based awards rather than performance-based awards, and various other considerations including but not limited to: LTI objectives, business outlook, fair value trade-off, and dilution.

Stock option/SAR usage has declined 13% pts. since 2015

HOW PROGRAM DESIGNS HAVE CHANGED

What are the Predominate Performance-Based LTI Metrics?

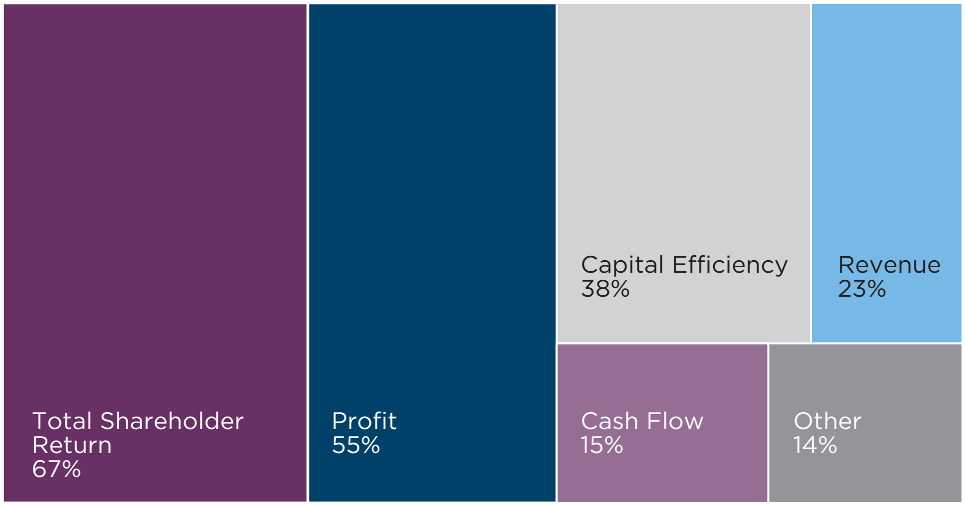
Performance-based LTI design remains relatively stable with most companies:

- Using one or two performance-metrics,
- Measuring performance over a three-year performance period, and
- Providing for a maximum payout opportunity of 200% of target.

Over the last five years, the prevalence of financial metrics has remained relatively flat while the use of Total Shareholder Return (TSR) has increased meaningfully. TSR is the most prevalent performance award metric, used by **67%** of companies granting performance awards (up 13% pts. since 2015). Profit measures remain the second most common at **55%**, followed by Capital Efficiency measures at **38%** (e.g., Return on Equity, Return on Invested Capital, etc.).

For companies that employ multiple metrics, we found that **72%** pair at least one absolute financial or strategic metric with relative TSR. TSR's prevalence is of little surprise given its simplicity, explicit shareholder value alignment, and general acceptance by proxy advisors and investors. However, there exists some disagreement over TSR's effectiveness in driving and incentivizing performance (its Achilles' Heel being line-of-sight, and opposition to the idea that executives can control for it). Perhaps in light of this criticism, of the programs employing relative TSR, **28% use it as a modifier** instead of directly carving out room within performance award metric portfolios. Nevertheless, TSR's credibility as a performance metric is further substantiated by the fact that major proxy advisors currently use it as a basis for measuring corporate performance (though this basis continues to evolve).

Performance Metrics in 2020



28% of relative TSR programs are modifiers

HOW PROGRAM DESIGNS HAVE CHANGED

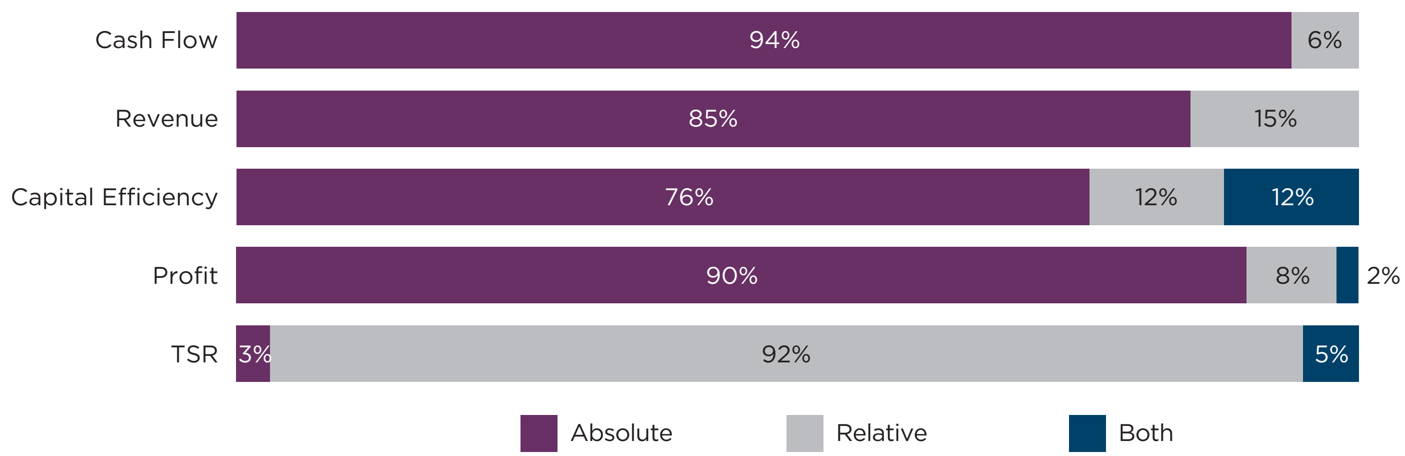
How Is Performance Measured?

Most TSR-based performance awards are measured on a relative basis, with financial metrics most often measured on an absolute basis…

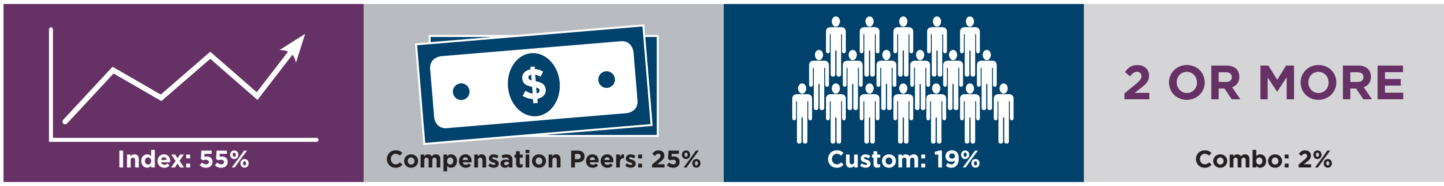
The differential is largely attributable to ease of access – market-based metrics, such as TSR, rely on readily available price information. Financial and operational measures, on the other hand, present a variety of challenges for relative measurement, as company disclosure surrounding non-GAAP definitions vary.

92% of performance plans leveraging TSR are measured on a relative basis (up from 87% in 2015), while other non-TSR based metrics are measured on a relative basis **5%-15%** of the time (generally flat since 2015).

Measurement Approach in 2020



For companies maintaining relative performance programs, the performance comparator group and level of performance rigor are just as important as the type of metric employed. Most companies **(55%)** using relative TSR measure their performance against an index (e.g., broad indices like the S&P 500 or industry focused indices such as the Philadelphia Semiconductor Index), with the second largest portion **(25%)** using their executive compensation benchmarking peers.



Some key considerations for determining an appropriate comparator group are:

- Small peer groups can lead to large swings in relative performance and earnout due to factors outside of executive control (e.g. peer M&A activity).
- Too large or broad of an index may dampen the perceived value of an award if the holder does not feel adequately in control of the results. An industry-centric comparator group provides arguably better participant-optics, as the competition is limited to more direct company competitors.
- Though proxy advisors and investors are generally agnostic on performance peer group development, companies should be wary of potential criticism for "cherry-picking" peers that potentially lead to inflated earnouts - especially when there is little overlap with the company's compensation peers.

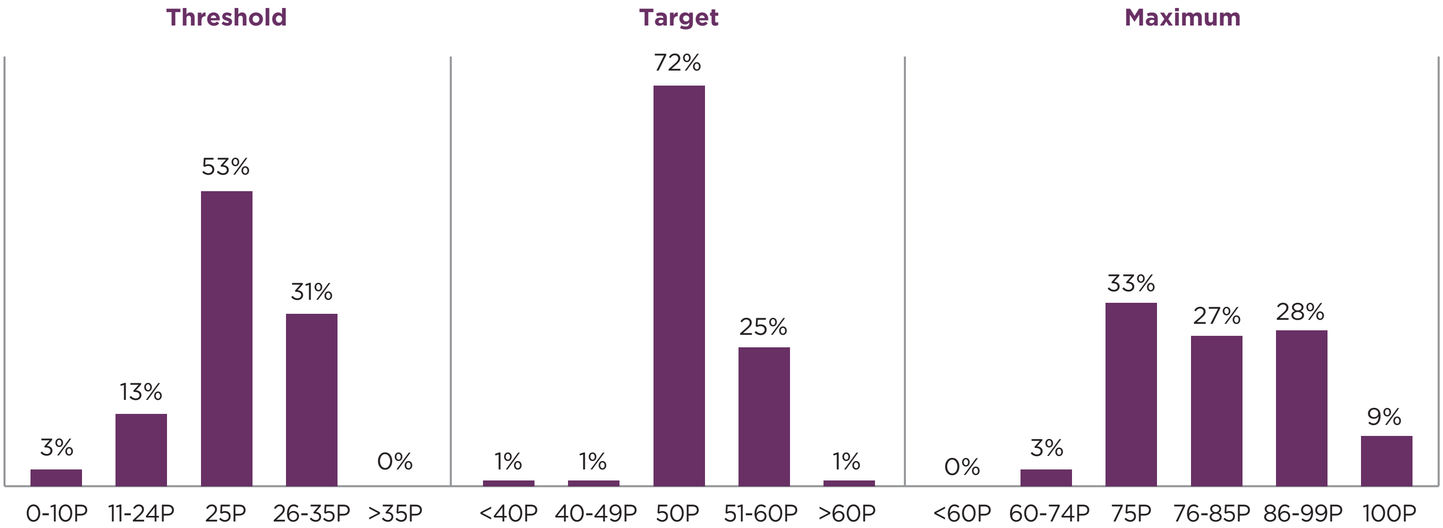
55% of companies using relative TSR measure performance against an index

HOW PROGRAM DESIGNS HAVE CHANGED

For companies measuring relative TSR performance, the most prevalent performance level combination continues to be:

- **Threshold:** 25th Percentile,
- **Target:** 50th Percentile, and
- **Maximum:** 75th Percentile.

However, we see the performance requirements under these programs slowly tick-up. More companies are requiring higher levels of performance to receive a threshold payout and the majority of companies require relative performance above the 75th percentile to receive a maximum payout. A quarter of companies also require relative performance to be **above the median of the peer group to receive a target payout**. The increase in rigor under these programs is being driven by a desire to decrease the Monte Carlo Value / accounting expense of the award and increase the perceived shareholder friendliness of the plan.



There is an upward trend in setting target performance above the 50th percentile

What Lessons Can We Learn from the Top 250?

Within this section, we seek to better understand strategies companies may undertake to address existing (and potentially prolonged) market volatility and pandemic-induced uncertainty.

LESSONS LEARNED FROM THE TOP 250

Long-Term Incentive Vehicles

COVID-19 has left many businesses unable to realistically set financial/operational goals; board compensation committees will have decisions to make in the near-term when assessing performance and funding for in-flight awards paying out in 2020, as well as for 2021 awards…

In this section, we highlight areas of long-term incentive plan design that companies could consider changing in order to address the market volatility and uncertainty caused by COVID-19, including:

- Long-Term Incentive Vehicles
- Types of Metrics
- Performance Periods
- Goal Width

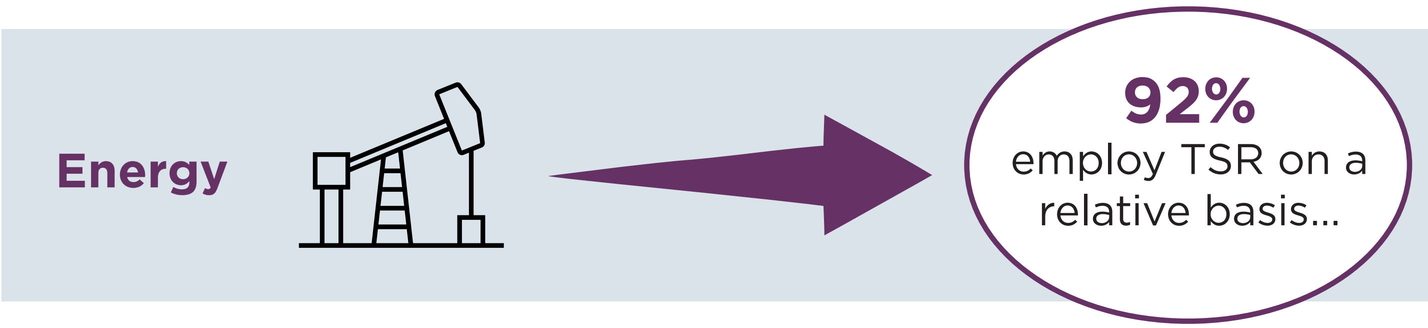
Vehicle	Potential Changes for 2021
Performance-Based Awards	• Slight decline in prevalence and weighting in particularly hard-hit industries; however, performance awards will likely retain their preeminence for executives in support of pay-for-performance alignment and consistency with proxy advisor and investor expectations. • Below the executive level, companies may look to reduce the weighting of (or potentially eliminate) performance-based LTI. • Companies experiencing depressed stock prices may consider issuing more cash-denominated performance stock units (currently, relatively uncommon and only making up **6%** of the Top 250's performance-based equity) to help manage equity burn rates and extend the life of their long-term incentive pool.
Restricted Stock/Units	• Increase in prevalence and weighting as companies look to enhance the retentive value of their long-term incentive program and/or reduce share usage requirements. ◦ While proxy advisors and investors are generally agnostic about the overall LTI mix when at least 50% is performance-based, they will be critical of any reduction to the performance-based weighting.
Stock Options	• Decline in prevalence and weighting as companies shift to more retentive vehicles (i.e., restricted stock/units); decline potentially more pronounced in industries with depressed stock prices as this award type has high share usage requirements and the greatest potential dilution. ◦ Though they may present attractive upside leverage for restoring realizable pay ahead of a turnaround in hard hit industries, companies should be wary of poor optics, as such a move would likely be deemed opportunistic by investors.

Types of Metrics

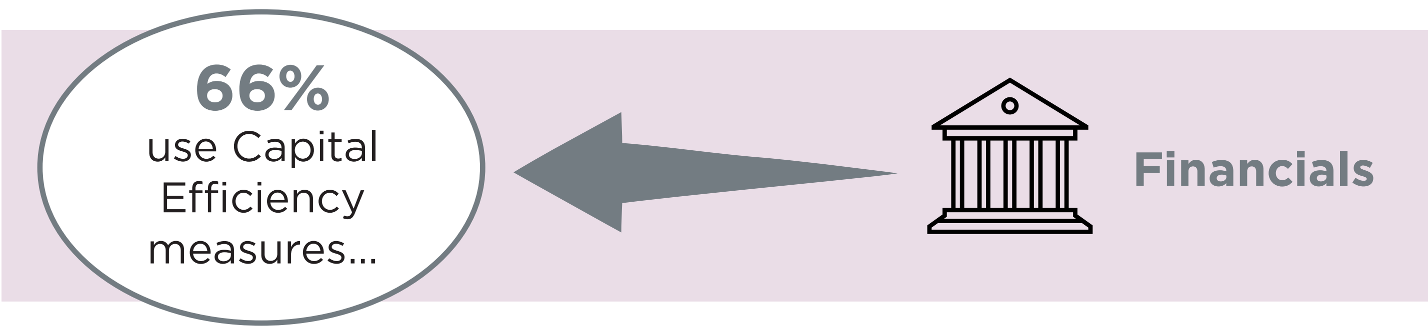
For 2021, we expect the prevalence of relative performance metrics to increase (both relative TSR and relative financial performance) in order to address the difficulty of goal-setting in a volatile market.

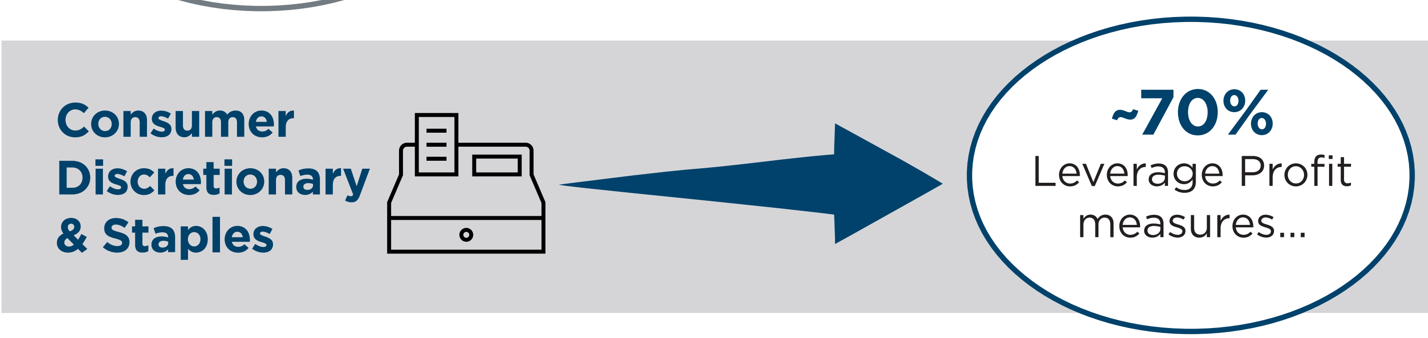
Relative measures have historically played an important role in the performance-based LTI programs of cyclical and otherwise weathered industries, as they allow comparison against similarly situated companies and facilitate actionable means for assessing and determining performance.

Consider use within the Energy sector, which has suffered from high-levels of volatility and share price declines even before the recent COVID-19 shock - as evidenced by a 1.90 5-year average beta and a -33% 5-year share price CAGR, respectively. As a result of this challenging business environment, it's little surprise that **92%** of the Top 250's Energy companies rely on relative TSR and essentially avoid profit measures altogether. This fact pattern of volatility and share price pain is easily translatable into today's COVID-19 environment.



However, one size still does not fit all, as companies within the Financial sector are notably relative TSR-lite (used by **34%** of companies) and rely more heavily on Capital Efficiency measures **(66%)**. On the other hand, **roughly 70%** of both the Consumer Discretionary and Consumer Staples sectors emphasize Profit measures within their performance-based LTI programs. Companies in these industries may look to measure financial performance on a relative basis or add relative TSR as a metric to address the difficulty in goal-setting during volatile and uncertain periods.





See "Performance Metric Prevalence By Industry" within the Appendix for additional detail on metric usage by industry.

Annual Measurement Against Long-Term Goals

Another way to address uncertainty in multi-year goal setting is illustrated by 3M and includes the following, as described in their disclosure:

- Setting goals up-front for three-year to support "strategic" plan and differentiate from annual incentive goals
- Measure annually against the three-year goals and "bank" the results
- Sum the three years of annual results so one high year does not carry other low years or vice versa, and pay at the end

Case Study: 3M's Performance Share Award Program

Funding of 3M's three-year performance shares is determined based on achievement against four distinct metrics as shown below, measured over three discrete, one-year periods against three-year goals set at the start of the performance period:

Metric	Weighting	Threshold Goal (20% Funding)	Target Goal (100% Funding)	Maximum Goal (200% Funding)
EPS Growth	20%	4.0%	8.0%	12.0%
Relative Organic Volume Growth	40%	-1.0%	0.5%	2.0%
ROIC	20%	20.0%	22.0%	25.0%
Free Cash Flow Conversion	20%	95.0%	100.0%	105.0%

The years have declining weightings to reflect lower predictive-value of goals with time, and recognizing that performance periods overlap with annual grants:

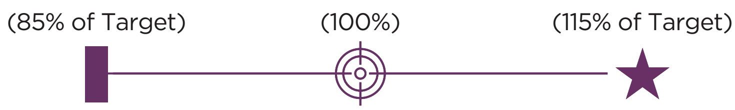
Grant Year	2017	2018	2019	2020	2021
2017	Year 1 (50%)	Year 2 (30%)	Year 3 (20%)		
2018		Year 1 (50%)	Year 2 (30%)	Year 3 (20%)	
2019			Year 1 (50%)	Year 2 (30%)	Year 3 (20%)

Goal Width

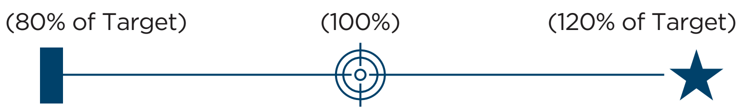
The width of performance ranges are informed by the rigor of goal-setting, which can be challenging even during normal course of business. The absence of rigor within performance goals can be perceived as an “entitlement” to executives, which proxy advisors and investors are both likely to take issue with.

For companies experiencing increased difficulty setting financial goals (as a result of COVID-19 or otherwise), one strategy would be to set wider performance ranges, and another would be to establish a target range (instead of a singular goal). The former allows for greater variability in outcome that still leads to a payout, while a target range provides a modest downside and upside buffer, such that any outcome within the range is deemed at-target achievement. It is important that the ranges in both cases are set symmetrically, such that threshold performance levels become easier while maximum performance levels become proportionally more difficult.

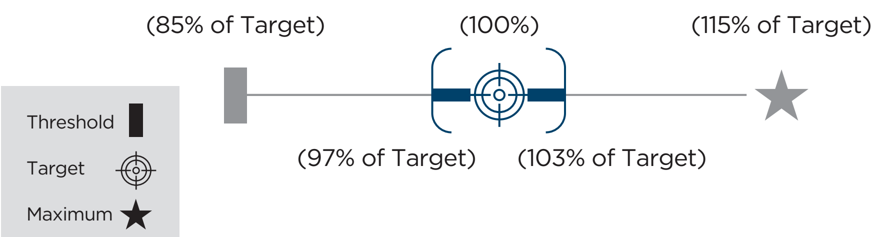
Hypothetical Program



Solution 1:
Widen Ranges



Solution 2:
Add Target Ranges



Though proxy advisors and investors generally would prefer to see more narrow target ranges, investor outreach and sufficient proxy narrative disclosure providing a clear rationale for the wide goal posts could alleviate the risks of scrutiny and a negative result for Say-On-Pay.

The following table summarizes the median goal width (i.e., threshold performance to maximum performance) for various top-line and bottom-line metrics, measured on absolute and relative bases.

The performance range of absolute measures is determined by calculating the threshold and maximum performance levels as percentages of target – i.e., the further the spread around target, the wider the range. Similarly, the performance range of relative measures is determined by calculating the threshold and maximum *ranking* as a percentage of the target *rank*.

	Median Goal Width					
	Top-Line (n = 32)			Bottom-Line (n = 75)		
Metrics*	**Threshold**	**Target**	**Maximum**	**Threshold**	**Target**	**Maximum**
Absolute (n = 92)	93%	100%	108%	89%	100%	112%
Relative (n = 15)	63%	100%	150%	50%	100%	150%

**On a relative and absolute basis, we analyzed top-line measures (e.g., revenues, total sales, etc) and bottom-line profit measures (e.g., EPS, EBITDA, operating/net income, etc). Note that margin, return (i.e. capital efficiency), TSR, and cash flow related goals were excluded from the analysis. Any metric that did not clearly fit within one of the above buckets was excluded from the study.*

We see that goal width is often narrower for top-line measures, given that companies generally have better line of sight into expected revenues/sales (for example), and wider bottom-line goal-posts when measured on an absolute basis.

When measured on a relative basis, all goal posts are wider as there is greater variability in outcome (or relative performance) than there is on an absolute basis.

Ownership Guidelines in a Down Market

Stock Ownership Guidelines (SOGs), which help to ensure alignment of executive interests with those of shareholders, have long been commonplace at the Top 250, with **98%** employing some form of ownership policy at the CEO and other named executive officer (NEO) level. Though policies vary, they can be grouped into "traditional" approaches and "retention" approaches (often used in combination with one another).

- Traditional approaches are based on multiples of salary, fixed shares, or fixed value guidelines.
- Retention approaches are either ratio-based (i.e., must hold X% of after-tax shares) or holding periods (i.e., must hold after-tax shares for X years).

Stock Ownership Guidelines: Feature Prevalence	
Timeline Requirement	76%
Retention Requirement	57%
Timeline and Retention Requirements	36%
Neither	3%

Of the Top 250 companies employing SOGs, **93%** require ownership as a multiple of salary, often in combination with timeline and/or retention features. As seen to the left, **76%** of company's SOGs require compliance within a given timeframe while **57%** require executives to hold a ratio of after-tax shares until compliance is achieved. The below summarizes the Top 250's CEO and NEO stock ownership guidelines.

	25th Percentile		Median		75th Percentile	
	CEO	NEO	CEO	NEO	CEO	NEO
Multiple of Salary:	6x	2x-3x	6x	3x	6x	3x-4x
Timeline:	5 Years		5 Years		5 Years	
Retention Ratio:	50%		75%		100%	

Timeline requirements have become problematic in certain cases, where depressed share prices are lengthening the time horizon it takes to achieve previously established ownership requirements.

Below are two potential strategies for non-compliance prevention as a result of depressed share prices:

1) Remove the timeline requirement altogether and retain (or add) a retention requirement.
   a. For example: require executives to retain 50% of their net-after-tax shares until compliance is achieved. Compliance becomes a moving target, whereby one does not "run out of time".
      i. Companies should consider the impact that a high retention ratio has on executive liquidity.
2) Adopt a "once-met-always-met" provision.
   a. Once an executive achieves compliance, the minimum number of shares that must be held to retain compliance becomes set (i.e., changes in share value are inconsequential, so long as the executive does not liquidate more shares than their required minimum).

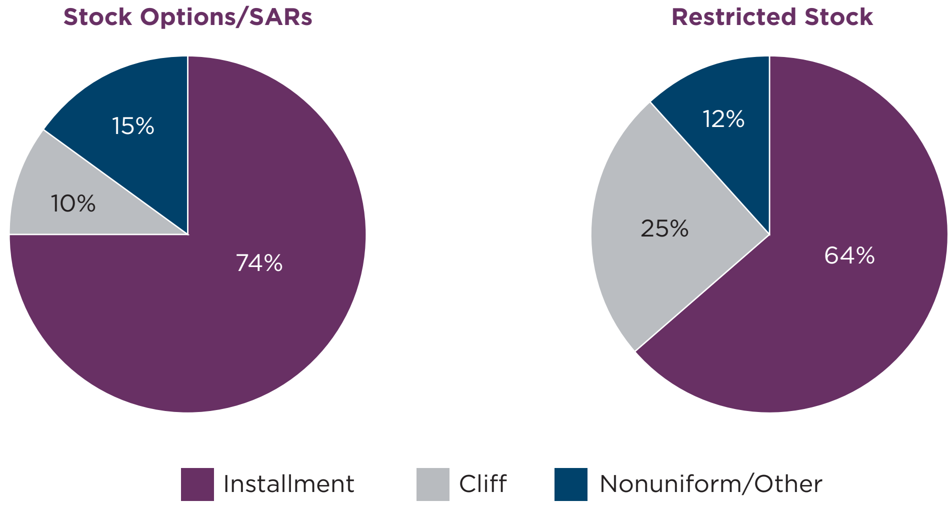
Once-Met-Always-Met Example: Danaher Corporation

Danaher's 2020 Proxy states that *"Once an executive officer has acquired a number of Company shares that satisfies the ownership multiple then applicable to him or her, such number of shares becomes his or her minimum ownership requirement (even if the officer's salary increases or the fair market value of such shares subsequently changes) until he or she is promoted to a higher level."* p.38

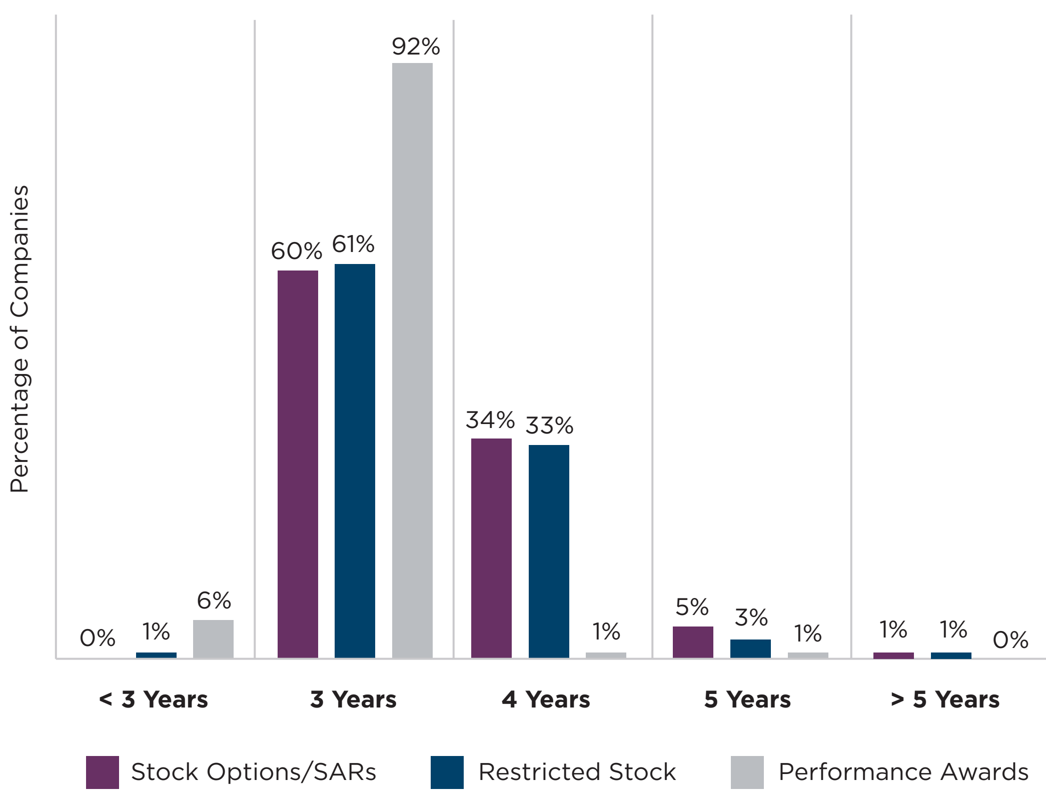
Appendix

SUPPLEMENTAL DETAIL (2020)

Vesting Schedules:

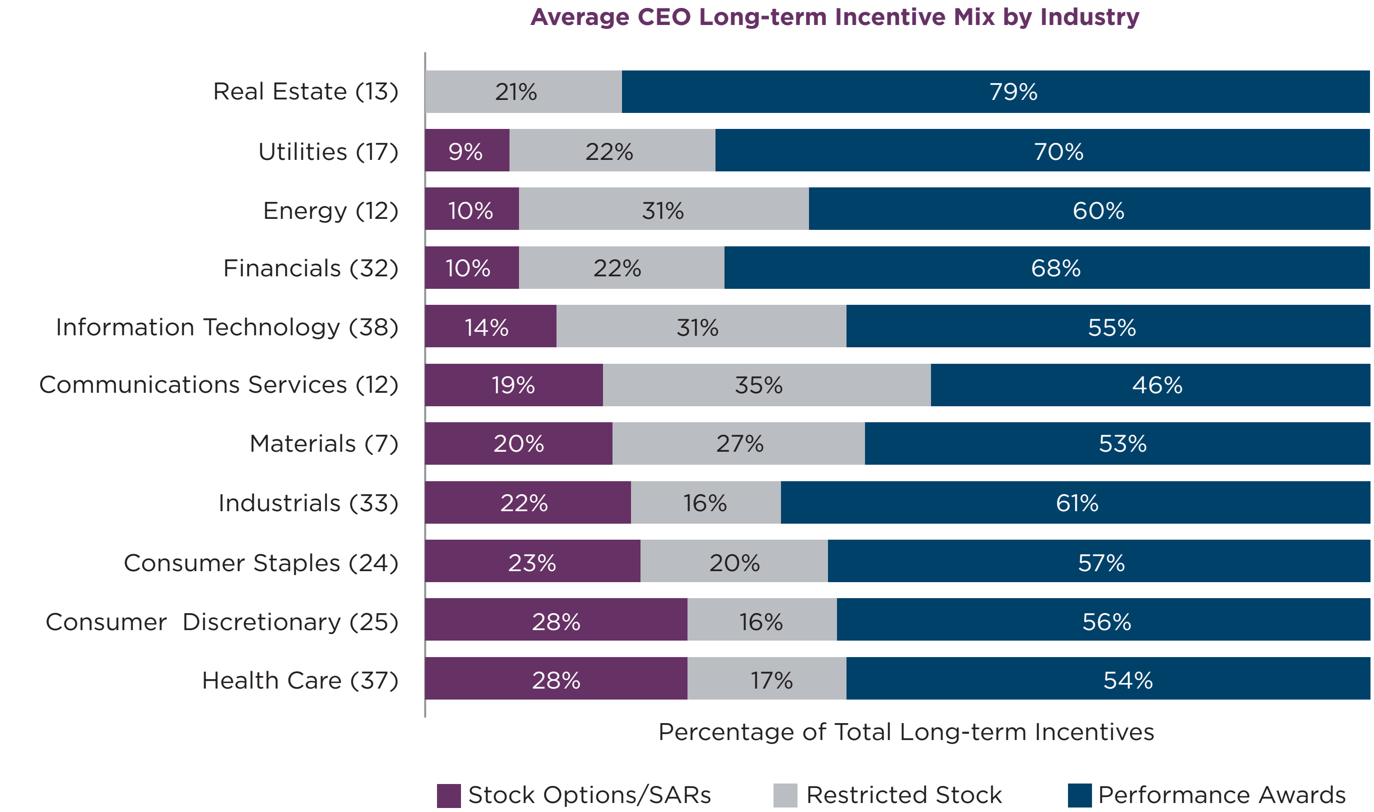


Vesting Period of Award Types:



SUPPLEMENTAL DETAIL (2020)

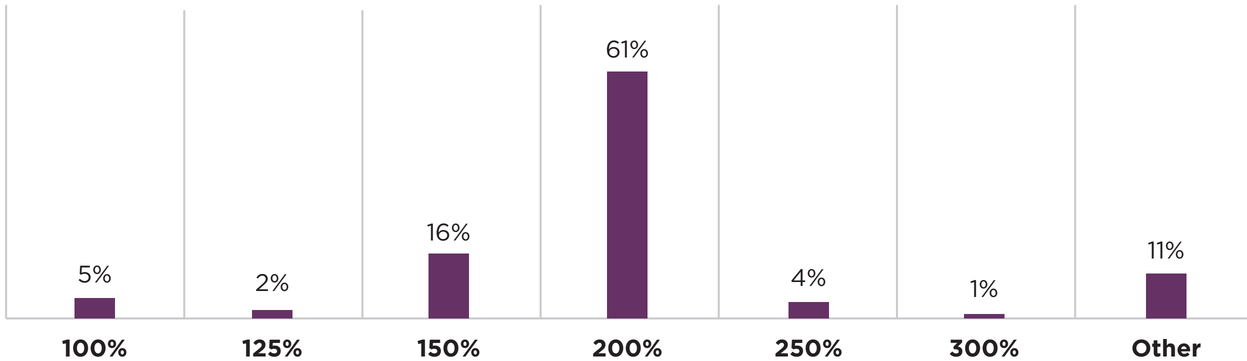
Grant Types by Sector:



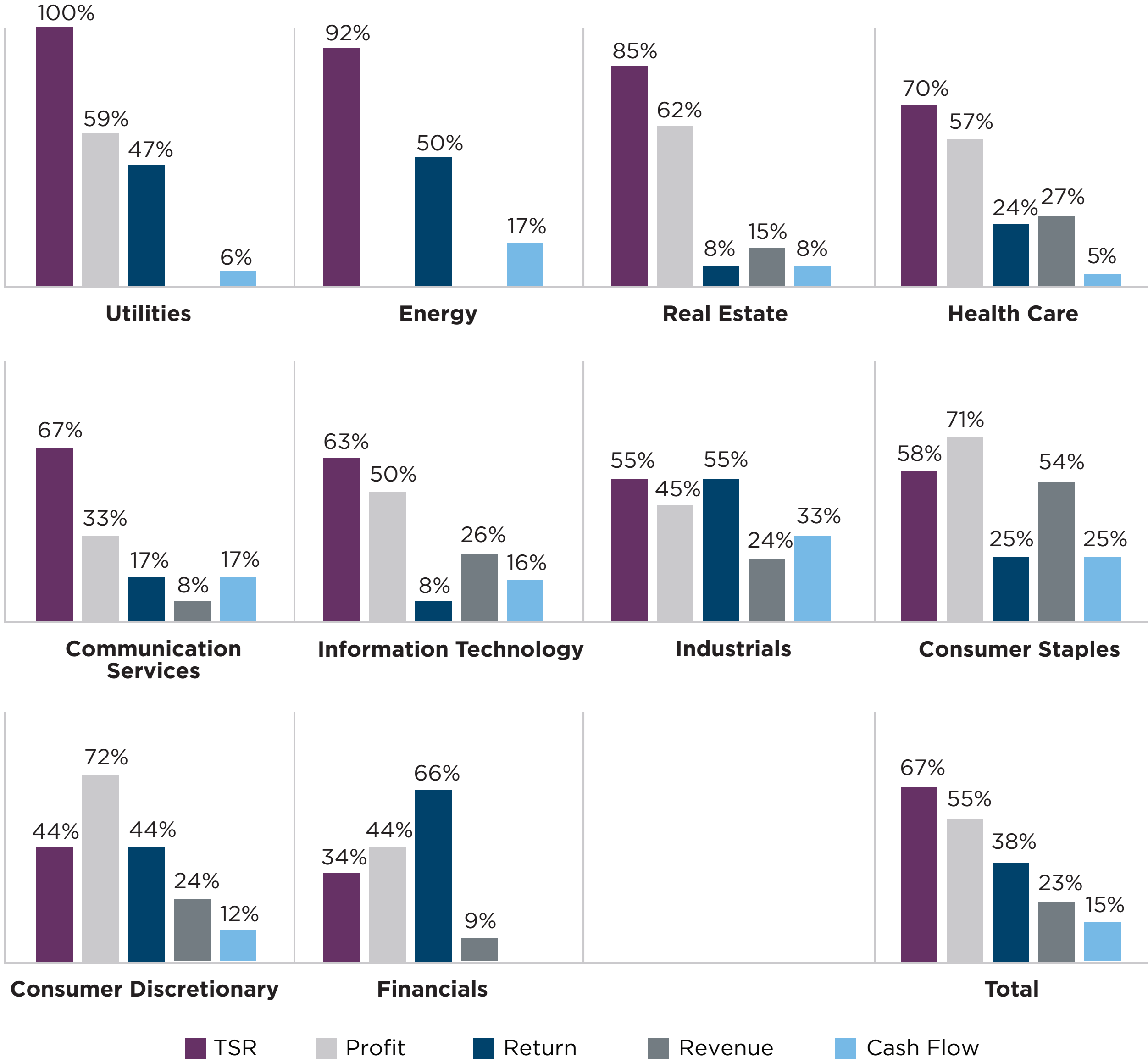
Industry Sector (# of companies)	Grant Types by Sector **1 Type**	**2 Types**	**3 Types**	**4 Types**
Information Technology (38)	18%	55%	26%	0%
Industrials (33)	15%	42%	39%	3%
Health Care (37)	11%	54%	35%	0%
Financials (32)	19%	66%	16%	0%
Consumer Discretionary (25)	24%	48%	28%	0%
Consumer Staples (24)	4%	50%	46%	0%
Utilities (17)	12%	71%	18%	0%
Energy (12)	25%	33%	42%	0%
Real Estate (13)	23%	77%	0%	0%
Communication Services (12)	25%	58%	17%	0%
Materials (7)	14%	71%	14%	0%

SUPPLEMENTAL DETAIL (2020)

Performance Award Maximum:



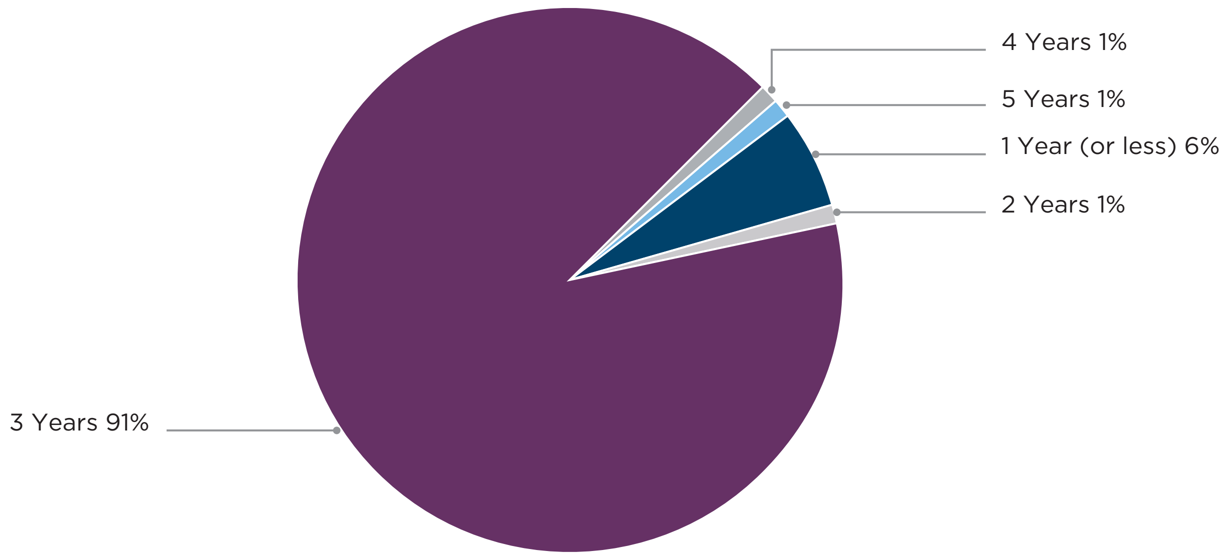
Performance Metric Prevalence by Industry:



Note: Excludes detail from the Materials sector (sample is fewer than 10 companies)

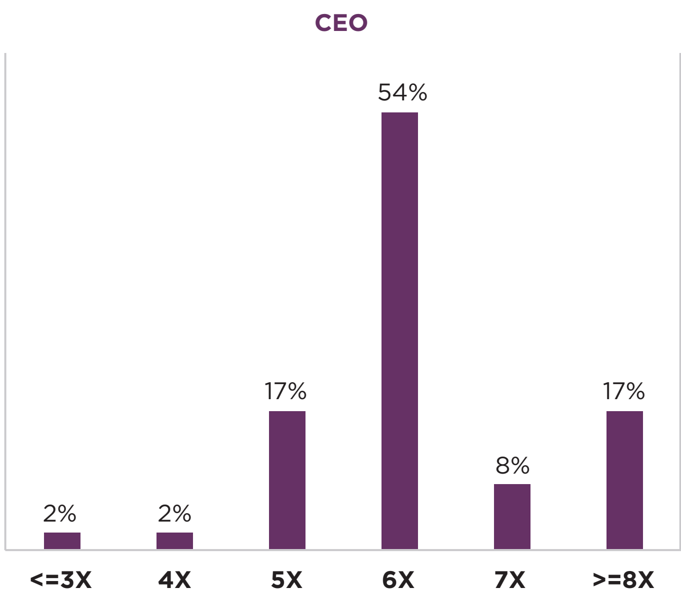
SUPPLEMENTAL DETAIL (2020)

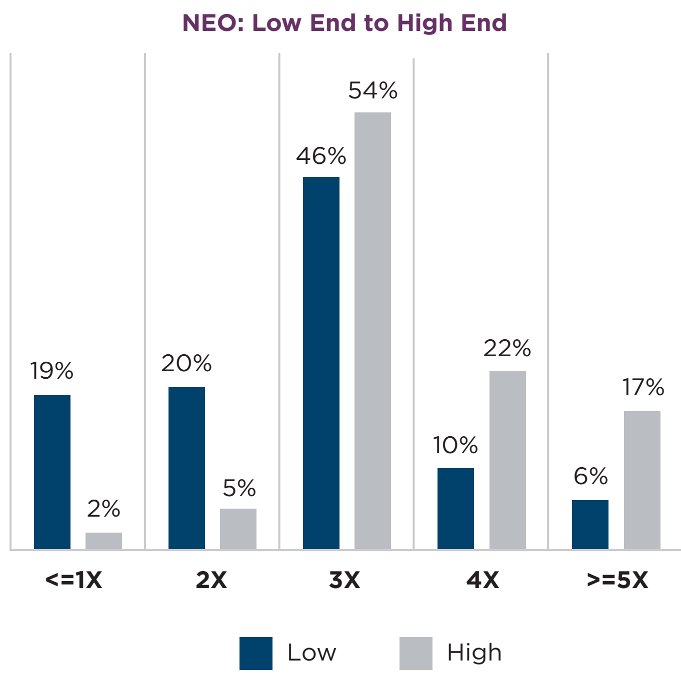
Performance Period Length:



Stock Ownership Guidelines:

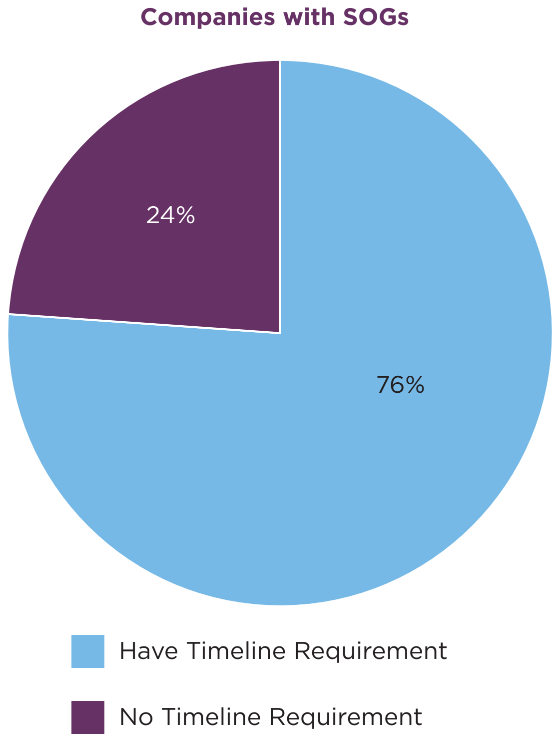
Ownership Multiples:

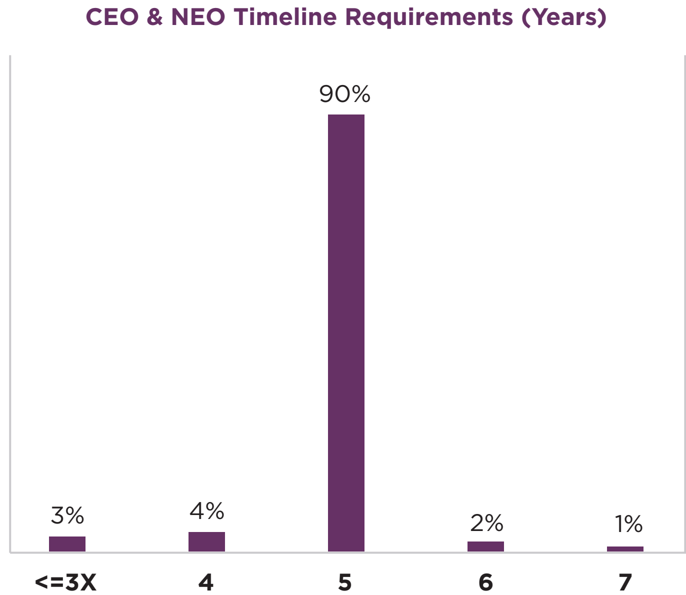




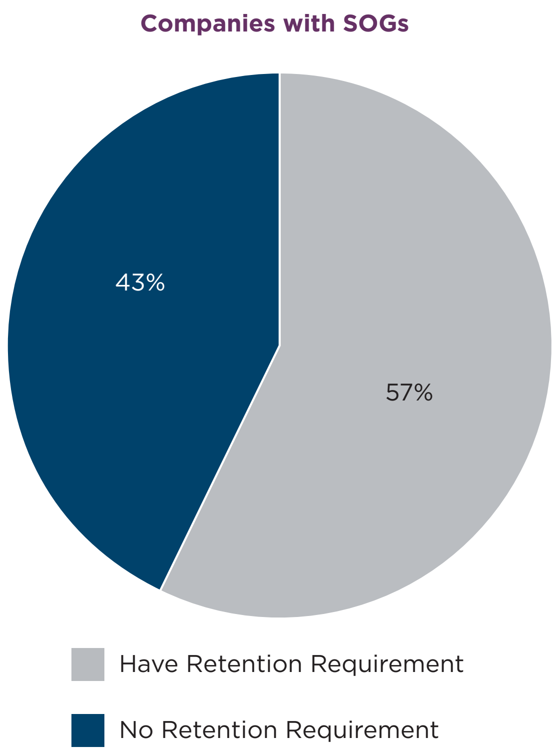
Stock Ownership Guidelines (cont'd.)

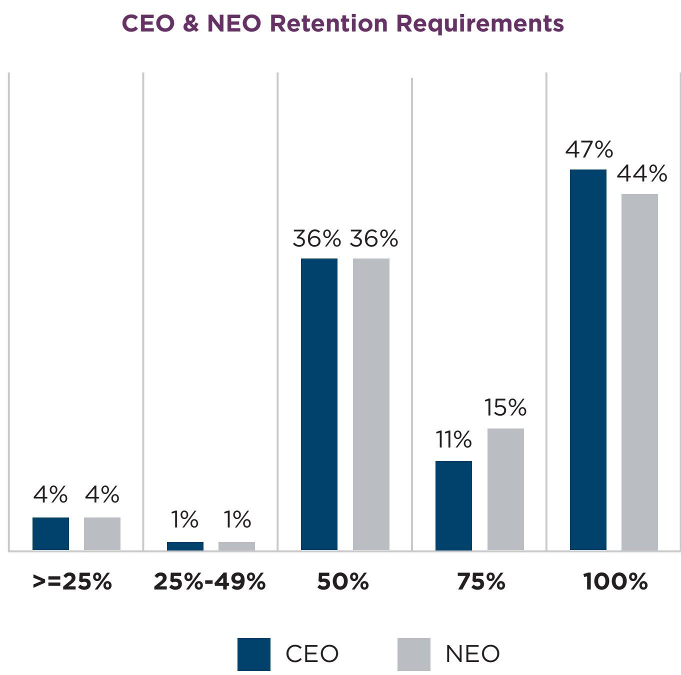
Timeline Requirements:





Retention Requirements:





COMPANIES STUDIED

Communication Services (12 Companies)

AT&T Inc.
Charter Communications, Inc.
Comcast Corporation
Electronic Arts Inc.
Facebook, Inc.
Fox Corporation
Netflix, Inc.
The Walt Disney Company
T-Mobile US, Inc. (*)
Twitter, Inc.
Verizon Communications Inc.
ViacomCBS Inc. (*)

Consumer Discretionary (25 companies)

AutoZone, Inc.
Best Buy Co., Inc.
Booking Holdings Inc.
Carnival Corporation & Plc
Chipotle Mexican Grill, Inc.
Dollar General Corporation
Dollar Tree, Inc.
eBay Inc.
Ford Motor Company
General Motors Company
Hilton Worldwide Holdings Inc.
Las Vegas Sands Corp. (*)
Lowe's Companies, Inc.
Marriott International, Inc.
McDonald's Corporation
NIKE, Inc.
O'Reilly Automotive, Inc.
Ross Stores, Inc.
Royal Caribbean Cruises Ltd.
Starbucks Corporation
Target Corporation
The Home Depot, Inc.
The TJX Companies, Inc.
V.F. Corporation
Yum! Brands, Inc. (*)

Consumer Staples (24 Companies)

Altria Group, Inc.
Archer-Daniels-Midland Company
Brown-Forman Corporation
Colgate-Palmolive Company
Constellation Brands, Inc.
Costco Wholesale Corporation
General Mills, Inc.
Hormel Foods Corporation
Kellogg Company
Kimberly-Clark Corporation
McCormick & Company, Incorporated (*)
Mondelez International, Inc.
Monster Beverage Corporation
PepsiCo, Inc.
Philip Morris International Inc.
Sysco Corporation
The Coca-Cola Company
The Estée Lauder Companies Inc.
The Hershey Company
The Kroger Co.
The Procter & Gamble Company
Tyson Foods, Inc.
Walgreens Boots Alliance, Inc.
Walmart Inc.

Energy (12 Companies)

Chevron Corporation
ConocoPhillips
EOG Resources, Inc.
Exxon Mobil Corporation
Marathon Petroleum Corporation
Occidental Petroleum Corporation
ONEOK, Inc.
Phillips 66
Pioneer Natural Resources Company
Schlumberger Limited
The Williams Companies, Inc.
Valero Energy Corporation

**Denotes new company in 2020 Top 250*

COMPANIES STUDIED

Financials (32 Companies)

Aflac Incorporated
American Express Company
American International Group, Inc.
Bank of America Corporation
BlackRock, Inc.
Capital One Financial Corporation
Citigroup Inc.
CME Group Inc.
Discover Financial Services
Intercontinental Exchange, Inc.
JPMorgan Chase & Co.
M&T Bank Corporation
Marsh & McLennan Companies, Inc.
MetLife, Inc.
Moody's Corporation
Morgan Stanley
Northern Trust Corporation
Prudential Financial, Inc.
S&P Global Inc.
State Street Corporation
Synchrony Financial
T. Rowe Price Group, Inc.
The Allstate Corporation
The Bank of New York Mellon Corporation
The Charles Schwab Corporation
The Goldman Sachs Group, Inc.
The PNC Financial Services Group, Inc.
The Progressive Corporation
The Travelers Companies, Inc.
Truist Financial Corporation
U.S. Bancorp
Wells Fargo & Company (*)

Health Care (37 Companies)

Abbott Laboratories
AbbVie Inc.
Agilent Technologies, Inc.
Alexion Pharmaceuticals, Inc.
Align Technology, Inc.
Amgen Inc.
Anthem, Inc.
Baxter International Inc.
Becton, Dickinson and Company
Biogen Inc.
Boston Scientific Corporation
Bristol-Myers Squibb Company
Centene Corporation
Cerner Corporation (*)
Cigna Corporation
CVS Health Corporation
Danaher Corporation
Edwards Lifesciences Corporation
Eli Lilly and Company
Gilead Sciences, Inc.
HCA Healthcare, Inc.
Humana Inc.
IDEXX Laboratories, Inc. (*)
Illumina, Inc.
Intuitive Surgical, Inc.
IQVIA Holdings Inc.
Johnson & Johnson
McKesson Corporation
Merck & Co., Inc.
Pfizer Inc.
Regeneron Pharmaceuticals, Inc.
Stryker Corporation
Thermo Fisher Scientific Inc.
UnitedHealth Group Incorporated
Vertex Pharmaceuticals Incorporated
Zimmer Biomet Holdings, Inc. (*)
Zoetis Inc. (*)

Industrials (33 Companies)

3M Company
AMETEK, Inc.
Caterpillar Inc.
Cintas Corporation
CSX Corporation
Cummins Inc.
Deere & Company
Delta Air Lines, Inc.
Emerson Electric Co.
FedEx Corporation
Fortive Corporation
General Dynamics Corporation
General Electric Company
Honeywell International Inc.
Illinois Tool Works Inc.
L3Harris Technologies, Inc.
Lockheed Martin Corporation
Norfolk Southern Corporation
Northrop Grumman Corporation
PACCAR Inc
Parker-Hannifin Corporation
Republic Services, Inc.
Rockwell Automation, Inc.
Roper Technologies, Inc.
Southwest Airlines Co.
Stanley Black & Decker, Inc.
The Boeing Company
TransDigm Group Incorporated
Union Pacific Corporation
United Airlines Holdings, Inc.
United Parcel Service, Inc.
Verisk Analytics, Inc.
Waste Management, Inc.

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COMPANIES STUDIED

Information Technology (38 Companies)

Adobe Inc.
Advanced Micro Devices, Inc.
Amphenol Corporation
Analog Devices, Inc.
Apple Inc.
Applied Materials, Inc.
Autodesk, Inc.
Automatic Data Processing, Inc.
Broadcom Inc.
Cisco Systems, Inc.
Cognizant Technology Solutions Corporation
Corning Incorporated
Fidelity National Information Services, Inc.
Fiserv, Inc.
FLEETCOR Technologies, Inc.
Global Payments Inc.
HP Inc.
Intel Corporation
International Business Machines Corporation
Intuit Inc.
KLA Corporation (*)
Lam Research Corporation
Mastercard Incorporated
Microchip Technology Incorporated
Micron Technology, Inc.
Microsoft Corporation
Motorola Solutions, Inc.
NVIDIA Corporation
Oracle Corporation
Paychex, Inc.
PayPal Holdings, Inc.
QUALCOMM Incorporated
salesforce.com, inc.
ServiceNow, Inc. (*)
Texas Instruments Incorporated
VeriSign, Inc.
Visa Inc.
Xilinx, Inc. (*)

Materials (7 Companies)

Air Products and Chemicals, Inc.
Dow Inc. (*)
DuPont de Nemours, Inc.
Ecolab Inc.
Newmont Corporation
PPG Industries, Inc.
The Sherwin-Williams Company

Real Estate (13 Companies)

American Tower Corporation (REIT)
AvalonBay Communities, Inc.
Crown Castle International Corp. (REIT)
Digital Realty Trust, Inc.
Equinix, Inc. (REIT)
Equity Residential
Prologis, Inc.
Public Storage
Realty Income Corporation
SBA Communications Corporation (REIT)
Simon Property Group, Inc.
Welltower Inc. (*)
Weyerhaeuser Company (*)

Utilities (17 Companies)

American Electric Power Company, Inc.
Consolidated Edison, Inc.
Dominion Energy, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation (*)
Eversource Energy
Exelon Corporation
FirstEnergy Corp.
NextEra Energy, Inc.
PPL Corporation
Public Service Enterprise Group Incorporated
Sempra Energy
The Southern Company
WEC Energy Group, Inc.
Xcel Energy Inc. (*)

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