



## **Trends in Investor Communications**

# 2020 Proxy Statement Hot Topics

# In This Thought Piece

At Argyle, we benchmark evolutions in corporate communications, and by listening to investors and their expectations, we seek to transform our knowledge into opportunities for our clients.

In this Thought Piece, our Lead Advisors provide commentary around what we anticipate being some of the key disclosure trends for 2020 proxy season, with practical examples from 2019 disclosures.

## Contents

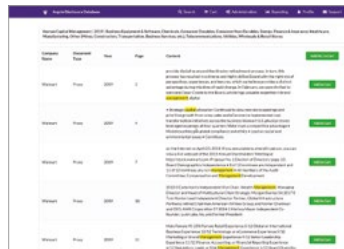
<b>Iain Poole</b> Corporate Purpose and Extra-financial Returns	4
<b>Jennifer Cooney</b> Corporate Culture	11
<b>Nancy Montesana</b> ESG as an Area of Committee Oversight	21
<b>Jennifer Cooney</b> Board Effectiveness	30
<b>Christopher Dee</b> Cybersecurity	36
<b>Judy Mayo</b> Human Capital Management	40
<b>Iain Poole</b> Aligning Compensation with Strategy	46
<b>Meredith Shaughnessy</b> Comprehensive Compensation Snapshots	54

## Benchmark for Hot Topics with the Argyle Disclosure Database

Dive deeper into hot topics and run benchmarks with the Argyle Disclosure Database. Search text and parse graphics by theme within the industry's only user-accessible graphic disclosure database.


Review online or compile and download your selected disclosures as a PDF report.

### Human Capital Management



Company	Report Type	Year	Page	Content
Microsoft	Proxy	2020	1	Microsoft is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.
Amazon	Proxy	2020	1	Amazon is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.
Google	Proxy	2020	1	Google is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.


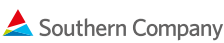
### Risk Oversight



Company	Report Type	Year	Page	Content
ACCOM	Proxy	2020	1	ACCOM is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.
Case Gals	Proxy	2020	1	Case Gals is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.
Alkermes	Proxy	2020	1	Alkermes is committed to creating a diverse and inclusive workplace. We are proud to be an Equal Opportunity Employer and to have a long history of promoting diversity and inclusion. We are committed to creating a workplace where all employees can thrive and contribute to our success.

Learn more and sign up at [add.argyleteam.com](https://add.argyleteam.com)

# Companies Featured in this Thought Piece

 Page 12	 Pages 5, 31, 41	 Page 55	 Page 37	 Pages 13, 56
 Pages 22-23	 Page 24	 Pages 14, 37, 57	 Page 42	 Pages 15, 43
 Pages 47-48	 Page 38	 Page 49	 Page 39	 Page 50
 Pages 32, 44, 58	 Page 59	 Page 33	 Page 16	 Page 45
 Page 28	 Pages 25-26, 34	 Page 17	 Page 51	 Page 27
 Page 18	 Pages 52-53	 Page 7	 Page 35	
 Page 8	 Pages 9-10, 29	 Page 19	 Page 60	 Page 20



# Iain Poole

## Corporate Purpose and Extra-financial Returns

**What do you enjoy the most about the job that you do?** There is a lot that I appreciate about Argyle... I am grateful for the team that I work with and for the clients that choose us, and I take a special interest in preparing ideas that help our clients communicate performance for investors, and also the broader value that they create for other stakeholders.

In 2001, when I started working in corporate communications, I brought to work my personal conviction that with great leadership, companies have the capacity to make the world a better place by doing more than generating profit. I believe that purpose-driven companies with a strategy to deliver something meaningful to individuals, society or the planet are positioned to make a positive impact on the world and succeed over a long-term horizon.

Larry Fink's 2018 BlackRock Letter to CEOs presented corporate purpose as a central theme and made clear investor appetite to evaluate how companies intend to create value for a broad range of stakeholders and deliver long-term returns. In terms of disclosure, the BlackRock Letter accelerated a trend towards "performance highlights" that include not only operational and financial achievements but also broader extra-financial outcomes.

The recent Business Roundtable Statement on the Purpose of a Corporation provides further impetus for companies to use annual reports, proxy statements and other investor communications to present their returns to investors, *and* a broader commitment to stakeholders and society. To this end, as we prepare for the 2020 proxy season, my Argyle colleagues and I are presenting ideas to our clients to help them communicate the broader value that they create. What follows are some of my personal favorite examples of companies in the USA and abroad that are already doing a good job in this regard.



## Allstate 2018 Prosperity Report

Allstate's Prosperity Report is a great read. It offers insights into the insurance company's purpose, strategy, approach to "build a better future" and evidence of progress for investors, customers, employees, and the community.

OUR SHARED PURPOSE (IFC)

ALLSTATE IS BUILDING A BETTER FUTURE (PAGE 1)





## Intel 2019 Proxy Statement

The six “[Integrated Reporting](#)” capitals are financial, manufactured, intellectual, human, social and relationship, and natural. A number of European companies take these into account when reporting on performance to present a fuller picture of the value they create for all stakeholders. Intel is an early U.S. adopter of this disclosure practice.

OUR CAPITAL (PAGE 13)



## Pernod Ricard 2018 Integrated Annual Report

“Value Creation” spreads like this are a common feature in European reports, and we are already working on similar content for some of our clients here in the USA. Pernod Ricard’s Integrated Report is terrific, with rich content brought to life by terrific design, and many of the photos are company employees. Check it out!

CREATING SHARED VALUE (PAGES 36-37)





## Rosneft 2018 Annual Report

There is a lot that I like about Rosneft's reporting, particularly this spread that brings together information that some U.S. reporters publish in sustainability reports to highlight broad value creation.

MISSION AND VALUES (PAGES 9-10)



## Southern Company 2019 Proxy Statement

Southern Company's award-winning 2019 Proxy Statement begins with corporate strategy and performance for investors, and highlights the company's commitment to core values, with evidence of progress and achievement.

SOUTHERN COMPANY AT A GLANCE (IFC)

LETTER TO STOCKHOLDERS (PAGE 3)





OUR VALUES (PAGES 5-6)

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# Jennifer Cooney

## Corporate Culture

Recent focus on corporate culture, as both an organizational risk and a strategic opportunity, has led to increased Board level attention. Accordingly, we have seen a growth in disclosures elaborating on the Board's oversight role. Given culture is unique to each organization and is commonly tied to a company's articulated core values, it is no surprise that disclosures vary – some companies discuss culture in terms of compliance and promoting ethical behavior and/or inclusive work environments, while other companies may focus on cultural attributes that support achievement of specific strategic goals.

While the desired culture may be articulated differently depending on the organization, effective proxy disclosures provide assurances that the Board is taking the following actions:

- Monitoring corporate culture.
- Considering the impact of culture from a risk management perspective.
- Creating the appropriate “tone at the top” by modeling boardroom dynamics that reflect core values.
- Engaging directly with employees at various levels of the workforce.
- Prioritizing culture initiatives, such as diversity and inclusion.
- Holding management accountable, including by linking cultural goals to compensation.

The following examples effectively highlight Board commitment and appreciation for culture as a critical component for sustainable performance.



## Air Products 2019 Proxy Statement

In his message to shareholders, Air Products' Chairman, President and CEO discusses the company's strategic "Five Point Plan" that includes building an inclusive and collaborative culture.

MESSAGE TO OUR SHAREHOLDERS (PAGE i)

## BlackRock 2019 Proxy Statement

BlackRock dedicates significant proxy real estate to explaining the “vital” importance of culture to strategic plans and long-term growth, as well as disclosure around the Board’s engagement and efforts outside of the boardroom to understand the company’s culture.

OUR CORPORATE GOVERNANCE FRAMEWORK – BLACKROCK’S CULTURE IS VITAL TO OUR SUCCESS,  
OUR BOARD IS DEEPLY ENGAGED IN UNDERSTANDING THE CULTURE AT BLACKROCK AND BEYOND THE BOARDROOM (PAGES 23-24)



## The Coca-Cola Company 2019 Proxy Statement

In its message, Coca-Cola's Compensation Committee discusses the alignment of the compensation program with its strategic priorities, including the focus on creating a growth-oriented culture. The CEO's performance scorecard highlights his influence on the company's culture shift toward "empowerment, curiosity, inclusivity and test and learn approach."

MESSAGE FROM THE COMPENSATION COMMITTEE (PAGE 47)

2018 COMPENSATION DECISIONS FOR NAMED EXECUTIVE OFFICERS (PAGE 62)



## ConocoPhillips 2019 Proxy Statement

The opening letter of ConocoPhillips' proxy directly ties culture and the company's SPIRIT values to its commitment to performance. The letter also states that the Board provides valuable oversight of corporate culture.

A MESSAGE FROM OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND INCOMING LEAD DIRECTOR (PAGES 2-3)





## Hologic 2019 Proxy Statement

As part of shareholder engagement, Hologic engaged in dialogue with its shareholders about culture at both the Board level and throughout the organization. As a result of these inquiries, Hologic enhanced its disclosures and provided examples of how the Board is exposed to corporate culture.

ANNUAL OUTREACH FEEDBACK – CORPORATE PURPOSE, CULTURE AND PROXY ACCESS (PAGE 17)

## Mastercard 2019 Proxy Statement

Mastercard dedicates a section of its proxy to Culture and Sustainability, stating that it is building a world-class culture that prioritizes decency, respect and inclusion, and also creates “opportunities for purpose-driven work that impacts customers, communities and co-workers on a global scale.”

CULTURE AND SUSTAINABILITY – CULTURE OF DECENCY (PAGE 52)



## PepsiCo 2019 Proxy Statement

PepsiCo states its belief that strong corporate governance and an ethical culture are the foundation for success. The Board sets the tone from the top by “advancing openness, honesty, fairness and integrity” and ensures corporate culture is on the Board agenda.

CORPORATE GOVERNANCE AT PEPSICO (PAGE 23)

## Splunk 2019 Proxy Statement

As part of its enhanced risk oversight section, Splunk discloses that the full Board is responsible for overseeing major risks, including culture. It is noted that the Board is responsible for setting the right tone at the top in cultivating and assuring an appropriate culture of risk management.

RISK OVERSIGHT (PAGES 20-21)



## Visa 2019 Proxy Statement

Through its annual evaluation process, Visa's Board identified corporate culture as an area of continued focus.

BOARD OF DIRECTORS AND COMMITTEE EVALUATIONS (PAGE 10)

# Nancy Montesana

## ESG as an Area of Board Oversight

At Argyle, we have been fortunate to serve as an active participant in the changing landscape of investor communications. We have a passion for effective communication and how to tell a company's story in the best possible way.

Now that environmental, social and governance (ESG) topics have become front-of-mind for many institutional investors, we are pleased to see Board level participation and oversight of this critical, decision-impacting topic. For some, aligning ESG priorities with corporate strategy is an opportunity. For others, it is an enterprise risk that rises to the importance of Board level oversight. Considering the endless variables – industry, market cap, consumer base, employee demographic, geographic location – the focal points of ESG-related topics can range from climate change to employee wellness.

Regardless of the priority issues, effective disclosures around the Board's involvement in ESG are critical for both the sustainability or corporate responsibility report and the proxy statement. Areas of oversight for a Board committee may include:

- Climate change
- Environmental impact
- Social impact
- Community impact
- Global
- Purpose
- Human rights
- Ethics
- Diversity and inclusion
- Equal opportunity
- Pay equity
- Shareholder engagement

The following examples effectively highlight Board level oversight of ESG as a strategic priority and pillar to a purpose-led organization.



## Cisco 2019 Proxy Statement and Annual Report

Cisco is often revered as one of the most responsible American companies. ESG oversight is the responsibility of the Nomination and Governance Committee, as outlined in both their Proxy Statement and Annual Report. Their disclosure goes into great detail on the topics evaluated by the committee and the interactions with management.

CSR GOVERNANCE AND MANAGEMENT (AR, PAGE 15)





## Citigroup 2019 Proxy Statement

Citigroup takes a collective, multi-committee approach to Board oversight of citizenship and sustainability. Working closely with senior leadership, the focal points for these committees include climate change, human rights, culture of ethics, and reputational, environmental and social risk.

CITIZENSHIP AND SUSTAINABILITY GOVERNANCE AT CITI (PAGE 13)

## Lockheed Martin 2019 Proxy Statement

Lockheed Martin gives substantial real estate to Enterprise Risk and Sustainability in their 2019 Proxy Statement. In particular, they go into depth describing their “integrated approach” and overall governance structure around sustainability from the Board through to the employee working groups. In general, they bucket the topics covered into following priorities: product impact, employee well-being, resource efficiency, information security, and business integrity.

ENTERPRISE RISK AND SUSTAINABILITY (PAGES 27–29 )



## McDonald's 2019 Proxy Statement

The Sustainability and Corporate Responsibility Committee is tasked with the oversight of McDonald's Scale for Good "which establishes our commitment to global priorities that are aligned with our strategic objectives and designed to drive meaningful change in partnership with our franchisees and suppliers." This is an example of an organization understanding and embracing their influence on a global scale.

Their proxy disclosure gives readers greater insight to the committee activities throughout the year, as well as specific areas of focus. McDonald's is also one of the few organizations that identifies Sustainability and Corporate Responsibility as an identifiable director skill.

BOARD COMMITTEES – SUSTAINABILITY & CORPORATE  
RESPONSIBILITY COMMITTEE (PAGE 30)

RESPONSIBLE LEADERSHIP (PAGE 34)



## Nike 2019 Proxy Statement

Nike was one of the first companies to elevate corporate responsibility and sustainability to a Board level committee. They continue to lead the way with their ESG reporting and strong sustainability governance practices.

BOARD COMMITTEES – CORPORATE RESPONSIBILITY, SUSTAINABILITY & GOVERNANCE COMMITTEE (PAGE 23)

## Southern Company 2019 Proxy Statement

Southern Company has integrated corporate responsibility and sustainability in all they do. From the Board committee to the recent highlights, it is clear that they prioritized ESG before it was a “hot topic”. Building on this foundation, they have kept the momentum with the skills of particular director nominees, reporting initiatives and robust stockholder engagement.

COMMITTEES OF THE BOARD – NOMINATING, GOVERNANCE AND CORPORATE  
RESPONSIBILITY COMMITTEE (PAGE 26)

BOARD RISK OVERSIGHT – NOMINATING,  
GOVERNANCE AND CORPORATE  
RESPONSIBILITY COMMITTEE (PAGE 33)

RECENT GOVERNANCE AND DISCLOSURE HIGHLIGHTS (PAGE 23)



# Jennifer Cooney

## Board Effectiveness

If there are two words to consider for this proxy season, they are: **Board Effectiveness**.

While governance disclosures have expanded beyond those required by SEC rules in the past 5-10 years, disclosure topics have for the most part remained relatively siloed under single subject-line headers. More recently, we have started to see companies take a step back and begin to present related topics and interconnected elements in a way that more closely aligns with how policies and practices are considered internally.

The phrase “board effectiveness” previously was found in proxy statements only in the context of board evaluations, noting that the assessment process is used to evaluate effectiveness of the board, usually in terms of board composition and operations. As these evaluation disclosures have become more robust, it has become clear that board refreshment, adoption of governance best practices, engagement, boardroom culture, etc. – disclosures emphasized in various sections of most proxies – all relate to the board’s ultimate goal: to *effectively* oversee strategic performance and deliver value to shareholders.

The following are a couple of examples of disclosures around companies’ efforts to achieve and enhance board effectiveness.



## Allstate 2019 Proxy Statement

In the opening letter of the proxy, the independent directors of Allstate discuss recent enhancements to board processes to maximize effectiveness.

LETTER FROM INDEPENDENT DIRECTORS TO STOCKHOLDERS (PAGES 2-3)





## General Electric Company 2019 Proxy Statement

The graphic used in GE's proxy as an overview of its board governance practices highlights the many elements brought together to support effective Board operations and a dynamic boardroom culture.

BOARD GOVERNANCE PRACTICES (PAGE 22)

## Goldman Sachs 2019 Proxy Statement

Goldman Sachs brings together practices around working dynamics, board composition, board structure and governance practices as components of board effectiveness. It is also noted that board effectiveness is a key pillar of the lead independent director role.

FOUNDATION IN SOUND GOVERNANCE PRACTICES AND ENGAGEMENT (PAGE 11)

EMPOWERED LEAD DIRECTOR WITH EXPANSIVE LIST OF ENUMERATED DUTIES (PAGE 24)



## Lockheed Martin 2019 Proxy Statement

In the proxy summary, Lockheed Martin explains that board effectiveness requires a multi-faceted approach and visually brings together the interconnected elements, with further detail of each element provided with the governance disclosures.

PROXY SUMMARY – BOARD COMPOSITION, SKILLS AND QUALIFICATIONS (10 DIRECTOR-NOMINEES) AND BOARD EFFECTIVENESS (PAGE 4)



## Prudential 2019 Proxy Statement

In the message to shareholders from the Lead Independent Director, Prudential states that the board's goal is to operate in the most effective manner possible. The board's rigorous annual evaluation process, involving a third-party consultant, supports this goal.

COMPREHENSIVE STEPS TO ACHIEVE  
BOARD EFFECTIVENESS (PAGE 19)

LETTER FROM THE LEAD INDEPENDENT DIRECTOR (PAGE 22)





# Christopher Dee

## Cybersecurity

In Argyle's "2019 Proxy Season Hot Topics" Thought Piece, we highlighted the SEC's February 2018 "[Statement and Guidance on Public Company Cybersecurity Disclosures](#)", which remains the Commission's most thorough and direct statement of a public company's obligations when it comes to cybersecurity.

Since then, the Commission has only become more focused on this issue: the mandate to make full disclosure applies not only to breaches in cybersecurity which have actually happened but also to how the board oversees management's efforts to prevent breaches in the future.

For example, a recent SEC comment letter directed a company to disclose in its registration statement "[the nature of the board's role in overseeing your cybersecurity risk management, the manner in which the board administers this oversight function and any effect this has on the board's leadership structure](#)". When Lyft filed a draft registration statement in anticipation of its March 2019 IPO, the Commission's comments included a specific request for Lyft to clarify its board's "[structure with regard to risk oversight and cybersecurity](#)".

In the proxy statement, where each year companies are required to "disclose the extent of the board's role in the risk oversight of the registrant, such as how the board administers its oversight function, and the effect that this has on the board's leadership structure", there is now an expectation that companies will address cybersecurity risk in particular, in terms which are specific to each company's own lines of business.

Frequently, this responsibility is delegated to the Audit Committee, which may establish a subcommittee like the "[Cybersecurity Advisory Subcommittee](#)" of Arconic's Audit Committee. Many other companies have established a separate committee of the board, like General Motors, whose board has a [Cybersecurity Committee](#); FedEx, which has an [Information Technology Oversight Committee](#); or Raytheon, which has a [Special Activities Committee](#) that "oversees cybersecurity risks and risks related to our classified business."

We are also seeing more frequent specific disclosures about the lines of communication between management and the board on cybersecurity topics, such as The [Coca-Cola Company's](#) practice of having the chief information officer or chief information security officer meet with the board in executive session.

In the required disclosure of the skills and expertise of directors and nominees, we see expertise in cybersecurity being mentioned more often, as in these examples from [Goldman Sachs](#) and [Boeing](#).

Legislation which was introduced on a bipartisan basis in both the House and Senate in February 2019 would codify this focus on director skills and expertise in information security matters. The [Cybersecurity Disclosure Act of 2019](#), if enacted, would require the SEC to make rules mandating that companies disclose whether any member of the board "has expertise or experience in cybersecurity," and, if not, what "other aspects of the reporting company's cybersecurity were taken into account" by the nominating committee (or whoever is responsible for nominating prospective members of the board).

### *Takeaways for Proxy Statement Disclosure*

- Specify how the board monitors cybersecurity risk and how that responsibility fits into the committee structure of the board.
- Consider including cybersecurity in the disclosure of skills and experience of directors and nominees.
- Consider disclosing which members of management (such as the CIO) are on the front lines of cybersecurity and whether there is a direct line of communication between that person and the board or the responsible committee.

### *Further Reading*

- E&Y's white paper "[What companies are sharing about cybersecurity risk and oversight](#)"

## Bank of America 2019 Proxy Statement

Bank of America groups “Cybersecurity, Technology, and Information Security” as director attributes necessary “for oversight of management’s efforts to maintain our customers’ trust and protect the security of their information.”

OUR DIRECTOR NOMINEES (PAGE 5)

## The Coca-Cola Company 2019 Proxy Statement

Coca-Cola highlights the practice of having the chief information officer or chief information security officer meet with the board in executive session.

CYBERSECURITY OVERSIGHT (PAGE 27)



## Duke Energy 2019 Proxy Statement

Duke Energy's Proxy Statement includes a Skills Matrix that lists "Cybersecurity/Technology" as a key competency for the company's board.

SKILLS MATRIX (PAGE 5)



## FedEx 2019 Proxy Statement

FedEx's board includes an Information Technology Oversight Committee that assists the Board of Directors in oversight of cybersecurity risks.

BOARD COMMITTEES (PAGE 28)





# Judy Mayo

## Human Capital Management

I view shareholder reports as much more than regulatory requirements. Proxy statements, annual reports, 10-Ks and other shareholder communications are great forums for telling a company's story in a way that reflects the company's values and its impacts beyond the bottom line. I enjoy helping companies communicate their messages – and required disclosures – in a way that's clear, meets the evolving expectations of shareholders and other stakeholders, and is enjoyable to read. **That's right – I am a firm believer that all public-facing regulatory documents can and should be a pleasure to read.**

Human capital management, or HCM, has been a topic of developing investor focus. When advising on proxy statements, I often am asked whether, and how, to talk about HCM. It's important for every company to understand this topic, but whether and how it's addressed depends entirely on how issues within this broad topic are handled within the company.

Broadly, HCM encompasses all matters relating to how a company manages and supports the value of its people assets. For some stakeholders, HCM is based on employees (and contractors) being investments and thus focuses on efforts to maximize the value of the investment and use it as a competitive advantage. For others, HCM is not just a value-maximizing tool but a way to promote social good and be a responsible corporate citizen.

40

There is no defined set of data that falls into HCM, and its components are largely company- and industry-specific. HCM broadly encompasses:

- compensation (such as pay equity)
- talent recruitment and retention
- diversity and inclusion initiatives
- practices related to reporting and managing workplace misconduct claims
- training (skills, safety and conduct)
- health and safety
- labor relations
- employee engagement
- human rights, including in the supply chain
- how HCM is linked to executive compensation

While many of these matters are more appropriately discussed in depth in sustainability/corporate responsibility reports, investors are interested in knowing how the company's strategy aligns with success in these areas, how they are integrated into risk management, and how the Board oversees these matters. Investors are interested not just in policies but how the policies are being carried out.

For proxy statements, how HCM is disclosed depends on the focus placed on HCM by the company and how HCM relates to voting matters. How does the Board oversee HCM – has it been explicitly allocated to a specific committee? Has there been a significant HCM issue that warrants mention to assure investors that the Board has been actively involved? Is HCM expertise one of the key skills that the company seeks to have represented on its Board? How does HCM factor into executive compensation – are there specific metrics based on HCM? Does the company simply want to showcase its HCM efforts?



*Below are few examples of how HCM has been discussed in 2019 proxy statements.*

## **Allstate 2019 Proxy Statement**

Allstate's independent directors highlight their oversight of HCM in their letter to shareholders.

INDEPENDENT DIRECTORS' LETTER TO SHAREHOLDERS (PAGE 3)





## Cognizant 2019 Proxy Statement

Cognizant devotes an entire subsection to Human Capital Management to show how the Board and management focus on talent development.

CORPORATE GOVERNANCE – HUMAN CAPITAL MANAGEMENT AND TALENT DEVELOPMENT (PAGE 22)



## ConocoPhillips 2019 Proxy Statement

ConocoPhillips also devotes a subsection of its Corporate Governance disclosure to Human Capital Management, highlighting recognition for company efforts.

CORPORATE GOVERNANCE – HUMAN CAPITAL MANAGEMENT (PAGE 24)





## General Electric Company 2019 Proxy Statement

GE discusses Human Capital Management as a specific area of Board oversight.

GOVERNANCE – KEY BOARD RESPONSIBILITIES (PAGE 23)



## Home Depot 2019 Proxy Statement

Home Depot includes Human Capital Management as a specific key criteria for Board membership.

ITEM 1 – ELECTION OF DIRECTORS – 2019 DIRECTOR NOMINEES (PAGE 14)





# Iain Poole

## Aligning Compensation with Strategy

We hear consistently that linking strategy and executive compensation is a key concern for investors, and it stands to reason that metrics which are closely aligned with a well-designed corporate strategy drive actions and results.

In practice, communicating the close correlation sought by investors can be challenging. It begins with proxy disclosures that present the company's strategy and performance against it. With regard to compensation, it is valuable to provide a clear presentation of the objectives that are in place to drive strategic achievement. Objectives should be linked to metrics that demonstrate how the company measures success, with goals explained in appropriate detail. Overall, the CD&A should be easy to understand and navigate, with a discussion of short and long-term performance measures that are closely aligned with strategy.

The following are examples of disclosures that effectively explain corporate strategy and a clear alignment with executive compensation.



## CVS Health 2019 Proxy Statement

In a co-signed letter, the company's Chairman and CEO discuss industry changes, CVS's role in transforming healthcare in America, and 2018 performance. Strategy is also presented as a key director qualification and area of board oversight. In the CD&A, a chart outlines the elements of the company's executive compensation program and how each supports long-term strategy and growth.

MESSAGE FROM OUR CHAIR AND OUR CHIEF EXECUTIVE OFFICER (PAGE 1)

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47

DIRECTOR SKILLS AND EXPERIENCE (PAGE 6)

2020 Proxy Statement Hot Topics





THE BOARD'S ROLE IN STRATEGY AND SUCCESSION PLANNING (PAGE 20)

2018 COMPENSATION  
PROGRAM (PAGE 45)

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48

2020 Proxy Statement Hot Topics

## Exelon 2019 Proxy Statement

Exelon's Proxy Statement stands out with a clear line of sight between corporate strategy, metrics and compensation. The Proxy Summary provides a rich overview of strategy and performance, while the CD&A begins with a "Business and Strategy Overview, Value Proposition and Performance Highlights" that makes explicit the linkage with executive compensation. In addition, Exelon's strategy is underpinned by the company's purpose to "power a cleaner and brighter future for our customers and communities".

PROXY STATEMENT SUMMARY (PAGES 2-3)

BUSINESS AND STRATEGY  
OVERVIEW, VALUE PROPOSITION  
AND PERFORMANCE  
HIGHLIGHTS (PAGE 31)



## Foot Locker 2019 Proxy Statement

Foot Locker's bright and welcoming Proxy Statement begins with a letter from the Chairman, President and Chief Executive Officer that presents the company's strategy, with additional detail about long-term objectives. The CD&A explains how the Compensation Committee aligns the compensation program with strategy by applying "customer connected" metrics to the annual plan.

LETTER FROM THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

COMPENSATION PROGRAM  
DESIGN AND STRUCTURE –  
ANNUAL BONUS PLAN (PAGE 39)

IMPACT OF COMPANY  
PERFORMANCE ON ANNUAL  
AND LONG-TERM INCENTIVE  
PAY – ANNUAL BONUS PLAN  
FOR CORPORATE EXECUTIVES  
(PAGE 35)

## Mattel 2019 Proxy Statement

Mattel's strategy is presented in a clear graphic that is followed by disclosure about four annual company objectives designed to drive execution. These objectives "provided the framework for the Strategic Goals that measured individual performance under our annual cash incentive plan thereby aligning pay delivery with our transformation strategy".

TRANSFORMING MATTEL INTO AN IP-DRIVEN, HIGH-PERFORMING TOY COMPANY (PAGES 45-46)



## Occidental Petroleum 2019 Proxy Statement

“Strategy” is an anchor point for Oxy’s Proxy Statement, which is discussed in a letter co-signed by the President and CEO and the Chairman, as a key director core competency and in the context of shareholder engagement. In the CD&A, a chart presents alignment between compensation elements and the company’s strategy.

LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND THE CHAIRMAN OF THE BOARD (IFC)

SUMMARY OF DIRECTOR NOMINEE  
CORE COMPETENCIES AND  
COMPOSITION HIGHLIGHTS (PAGE 17)



EXECUTIVE COMPENSATION PROGRAM CONSIDERATIONS (PAGE 27)

2018 DIRECT COMPENSATION  
SUMMARY (PAGE 28)

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# Meredith Shaughnessy

## Comprehensive Compensation Snapshots

**What are these executives being paid and why?** Proxy statements dedicate upwards of 30 pages to this topic. Yet, the traditional approach of a mostly narrative Compensation Discussion & Analysis (perhaps interspersed with a few tables here and there) followed by dense compensation tables can leave investors feeling like they need to do the work to have a holistic understanding of each named executive officer's total compensation package. And more importantly, why is he or she deserving of such a generous compensation package?

No doubt it is a demanding job to be a public company CEO, CFO or other C-level executive, requiring personal sacrifice, the need to appease multiple stakeholders, and the responsibility for executing a business strategy across a large-scale organization in an increasingly complex world. Oftentimes, though, the CD&A discussion of compensation payouts focuses almost exclusively on the end results triggering those payouts: our revenue grew by 4.8%...we generated earnings of \$5.6 billion...our return on invested capital increased from 25.2% to 32.9%....

Impressive results, but often there is scant discussion of what it took along the way. Companies are better served when they can articulate concrete actions taken by their NEOs, who are charged with leading, aligning and motivating the company's human capital to grow sales, cut expenses and deliver value to shareholders.

Several companies have developed a clear and relatively simple disclosure practice to (i) show, in one snapshot, the total compensation package for each NEO and (ii) animate the business "blood, sweat and tears" expended by that NEO during the year. In effect, it's as though shareholders are being invited into a Compensation Committee meeting and sitting in on the NEO's annual performance review. As a further best practice, many of these performance highlights extend beyond financial metrics and touch on environmental, social and governance (ESG) achievements.

The following are some recent examples of these helpful NEO compensation snapshots.

## AT&T Inc. 2019 Proxy Statement

For 2018, several of AT&T's named executive officers received "Merger Completion Bonuses" in connection with the company's acquisition of Time Warner. For AT&T's General Counsel, the bonus represented over 50% of his total realized compensation. The explanation for this substantial figure does an excellent job describing the length and complexity of the antitrust process helmed by Mr. McAtee.

NAMED EXECUTIVE OFFICER COMPENSATION (PAGE 54)



## BlackRock 2019 Proxy Statement

BlackRock's compensation snapshot truly reads like a performance review with its "meets/exceeds" construct. In fact, both BlackRock's Chairman & CEO, Laurence Fink, and President, Robert Kapito, received "partially meets" in several performance categories, resulting in a year-over-year decrease of 14% in total compensation.

2018 NEO COMPENSATION AND PERFORMANCE SUMMARIES (PAGE 71)

## The Coca-Cola Company 2019 Proxy Statement

Coca-Cola begins its section on NEO compensation with “Compensation Committee Insights,” underscoring the notion that the following pages provide shareholders with a peek into the Committee’s thinking. Each NEO scorecard also contains a dedicated section on People and Culture, reflecting a strong link between ESG matters and executive compensation. I also enjoy Coca-Cola weaving its strong branding into the Operational section of the scorecard.

2018 COMPENSATION DECISIONS FOR NAMED EXECUTIVE OFFICERS (PAGE 62)



## General Electric Company 2019 Proxy Statement

These two compensation snapshots from General Electric highlight the use of Compensation Committee discretion during periods of executive transition and financial turmoil. Although GE did not meet the financial goals for its annual bonus plan, the Committee decided to award partial bonus payments to certain NEOs, including its CFO, who worked under challenging conditions and had other elements of their compensation cancelled.

[COMPENSATION FOR OUR OTHER NAMED EXECUTIVES \(PAGE 36\)](#)



## General Motors Company 2019 Proxy Statement

General Motors conveys a ton of information in its CEO compensation snapshot, including detailed performance on core vs. transformation initiatives during the year and a three-year trend on Ms. Barra's total compensation. The company also highlights its environmental initiatives in a subtle, yet impactful, manner through the use of the green leaves.

PERFORMANCE RESULTS AND COMPENSATION DECISIONS (PAGE 49)





## United Technologies Corporation 2019 Proxy Statement

In this snapshot, United Technologies focuses on the importance of structuring compensation to not only drive financial performance but also to protect the business. In this instance, the NEO had been the CEO of an acquired company, and he forfeited a change-in-control walk right for a nearly \$10 million UTC equity award and agreed to a post-termination non-compete and other restrictive covenants. The disclosure makes clear that this substantial award is in UTC's best interests as it aligns Mr. Ortberg's interests with UTC shareholders, retains him at the helm of this important business, and protects UTC in the long-term.

[PAY DECISIONS FOR THE OTHER NEOs \(PAGE 51\)](#)

# About Argyle

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