



2021 **PROXY**
STATEMENT TRENDS
AND ANALYSIS

DECEMBER 2021

LABRADOR
MAVERICK

INTRODUCTION

In our 9th annual benchmark, we closely examine the content and design of proxy statements filed by companies in the S&P 250. Our goal is to offer an overview of the current disclosure landscape and to identify best practices. The results of our study provide insight into how public companies approach their proxy filings and how they can improve disclosure transparency.



2021 Discoveries

As in the past, this year's analysis uncovered some interesting new trends, found missed opportunities, and provided insight into what to expect in the coming years. Overall, we remain optimistic that companies are working to publish more transparent documents. We believe the best proxies emphasize a logical document structure, anticipate (and answer) questions, and feature jargon-free plain language and enhanced design features. There were several noteworthy examples of companies following these principles in 2021. We are particularly pleased that it has become a best practice to add easily understandable graphics and other visual elements to proxy statements. Simply put, well-designed graphics communicate more information more clearly, and help to draw readers' attention to main ideas. In addition, more companies are turning to summary overviews of the proxy's major sections to ensure that even readers who skim the document will absorb some information.

Proxy Summaries Remain a Priority

Proxy statements contain a wealth of decision-useful information, but some readers need a road map. That's where proxy summaries come in. We were happy that 75% of the 2021 proxy statements we reviewed contain a proxy summary.

Within those proxy summaries, certain useful features have become common. For example, 82% include a table summarizing the proposals and the board's recommendation for each one, 75% include governance highlights, and 79% include compensation highlights. This is a positive sign. We have also noticed a growing trend toward including a company overview or a discussion of company strategy. Of the proxy summaries we reviewed this year, 37% had that type of information--often featuring brand-reinforcing graphics.

Appropriate topics to touch on in a proxy summary include changes (to the pay program, management, the board, or governance practices), the company's response to an unfavorable say-on-pay vote or extraordinary situations like a global pandemic, and highlights of the Company's

Most public companies recognize the importance of the proxy statement as a means to communicate their unique story directly to shareholders. Not only do regulations now demand increased transparency, but investor activism is on the rise and proxy advisors are applying progressively stricter and more comprehensive standards. These trends have heightened scrutiny of proxy statements from ever larger audiences.

Since the proxy is one of the few communication vehicles that reaches all shareholders--large and small--companies need to cater to a diverse readership. At Labrador, we believe transparency is the best approach. Transparent disclosure benefits companies and their stakeholders in myriad ways. In our view, clear and transparent disclosure is key to establishing investor confidence in a company, its management, and the board.

performance, ESG initiatives, or shareholder engagement program.

One practice we want to discourage before it becomes more common is overloading the proxy summary. Three of the companies in the S&P 250 have proxy summaries that are 17 pages long. We believe this defeats the purpose of the summary: to flag key information in a comprehensive way and provide cross-references so readers can find the details. A proxy summary that devotes extensive space to content and graphics that are repeated verbatim later in the document does not accomplish that goal.

ESG is Here to Stay

With new leadership at the helm in 2021, some of the SEC's priorities shifted. This shift was perhaps most prominent in the area of ESG, as the SEC adopted an "all-agency" approach in response to investor demand for more and better information. Although there has not yet been a proposal for new prescriptive disclosure rules, the SEC has reminded public companies that existing rules require disclosure of information that is material to the business. It has become increasingly apparent that many issues that fall under the ESG heading could be deemed "material."

The proxy statement is not the right place for a full, detailed discussion of greenhouse gas emissions, pay equity, and philanthropic priorities. However, it is the right place for an overview of how the company is thinking about these issues and where various responsibilities lie. With that in mind, we were pleased to see that 86% of the S&P 250 proxies talk about ESG oversight, indicating whether it is the responsibility of management or the board (or a specific board committee). We also saw a marked jump in the percentage of S&P 250 proxies that discuss human capital management, from 52% in 2020 to 70% in 2021. Companies also took the opportunity to show that they approach ESG matters with some rigor; 47% note that they adhere to a recognized reporting framework.

Clarity Through Graphics

We have always believed that well-designed graphics—either in place of or in conjunction with text—can make complex ideas easier to understand. There are many places throughout the proxy statement where graphics can be useful, and S&P 250 companies are beginning to recognize those opportunities.

In 2021, 32% used graphics to highlight key ESG metrics, up from 25% in 2020. Similarly, 40% (compared to 31% in 2020) included a graphic to share details about their shareholder engagement efforts, such as who from the

company participated in the conversations and what topics were covered. Finally, the CD&A, with its often complex disclosure about program design, typically can benefit from some explanatory graphics. In 2021, 41% of the S&P 250 proxy statements included a graphic to show how incentive awards are calculated (up from 33% in 2020), and 44% included a table or graphic that summarizes the target and final long-term incentive payouts (up from 37% in 2020). All of these increases are a testament to the value of using graphics to convey important and complicated ideas.

METHODOLOGY

Looking at the Proxy Statement

We studied 250 proxy statements (in PDF and HTML format) published by companies in the S&P 250. The S&P 250 list was created on January 2, 2021, and the data was collected from proxies filed between August 16, 2020, and July 31, 2021. See Appendix A for a list of the 250 companies we used in this benchmark.

We conducted our analysis with the idea that transparent disclosure influences reader behaviors, engenders positive

feedback for management, and can affect investors' voting decisions. Proxy statements have evolved considerably since we began this study in 2011, and we have added (and removed) criteria over the years to reflect those changes. We now look at over 150 unique features, from details like the use of headers and footers, to the bigger picture, such as whether a company includes business performance graphics.

ANALYSIS

General Information

We define general information as the elements that fall outside the governance and compensation sections. This includes document attributes like page count, color, and formatting. These are subtle but important elements of transparency, and can help to ensure clear and accessible disclosure.

A proxy statement should be organized systematically, and constructed in a manner that flows logically and allows information to build sequentially. Grouping related information helps readers better understand the overall corporate story and reduces the need for repetition. Whenever possible, the reader should be able to understand a single idea without having to look in another section of the proxy statement for supporting information.

Document Structure

PAGINATION

The average length is **91 pages**, a 2-page increase from 2020

- Berkshire Hathaway continues to have the lowest page count for a proxy at **14 pages**
- Microchip Technology has the longest proxy at **162 pages**

We included Non-GAAP reconciliation within the page count, but excluded any additional annexes and appendices.

TABLE OF CONTENTS

- **99%** of companies include a table of contents

GENERAL INFORMATION ABOUT VOTING

- **69%** of companies have moved voting information and other administrative details to the back of the proxy, up from **67%** in 2020

These sections, often in the form of FAQs, typically contain information about voting, attending the Annual Meeting, and proxy delivery. In the past two years the “general information” section in most proxies has also included critical information about virtual meeting practices, such as how investors can submit questions or get technical support. Though important, we believe this section is best placed at the back of the document so the front of the proxy can be devoted to more substantive content and navigational tools.

Document Design

SECONDARY COLOR

- **89%** of companies use at least one color in their document

Color can serve several purposes: it makes a document more attractive, it can be used to emphasize key information, and it can reinforce a company's brand identity.

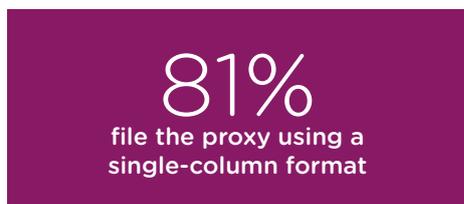
PAGE GUIDES

- **61%** (at least) use navigational page headers. (We could not get the exact figure because some companies only post the Edgar version of their document rather than a PDF that reflects the printed proxy.)
- **69%** include footers, including the company name, the year, and the document title

Headers and footers—that is, identifiers at the top or bottom of a page—are simple tools that show readers what they are reading and where they are in the document. Their impact can be significant. For example, an investor who is reviewing multiple proxies at a time can quickly identify whose documents they have open. Similarly, someone who has received isolated pages extracted from a proxy will know where they came from.

1 or 2 column

EDGAR FILING



PDF VERSION

- **23%** of companies format their paragraphs in two columns

While we see both one- and two-column documents for printed versions, we recommend single-column Edgar filings. Formatting documents in one column for Edgar eliminates uneven spacing and the drastically different views that can result from varying screen sizes or browser limitations. The readability improvements you get from printing a two-column document are lost on a screen.

Document Covers

FRONT COVER

- **74%** include a document cover
- **25%** of the companies that include a cover include the time, date, and place of the annual meeting.

Since the cover typically is the first page a reader will see, we believe it should reinforce the company brand—ideally

featuring the company logo and signature color(s). If you forgo a cover, we recommend starting your proxy with a substantive letter (from the Chair or Lead Director) rather than the Notice of Meeting to attract reader interest.

INSIDE FRONT COVER

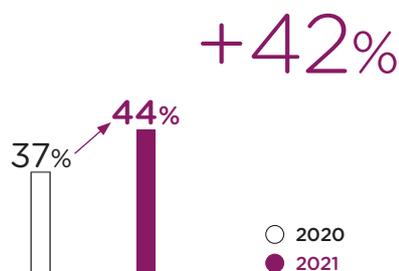
Contents of the inside front cover:

- **8%** include a table of contents, up from 9% in 2019
- **14%** present the company's mission or values
- **9%** present a company overview or key figures

We always recommend using this highly visible page for something practical. Often that is the table of contents to help readers get directly to the information that interests them most. Alternatively, many companies use this space to state their mission and vision, or to offer some “fast facts” or highlights about new products or awards.

Notice of Annual Meeting

Use Icons for Voting Methods



- **88%** held virtual Annual Meetings
- **10%** held in-person Annual Meetings
- **2%** held hybrid Annual Meetings (in person and online)

The types of meetings convened in 2021 obviously were dictated by the pandemic. We will watch with interest to see how these numbers change in the coming years.

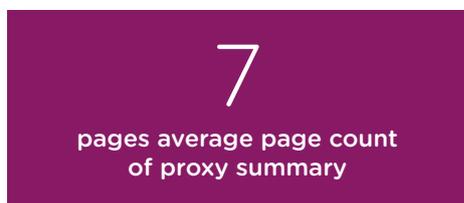
Letters or Messages

- **13 companies** include a letter from the full board
- **75%** of companies include a letter from the Chairman or CEO (or combined roles), but only **66%** include substantive information (such as governance or compensation highlights) in those letters
- **22%** include a letter from someone other than the Chairman or CEO, such as the Lead Independent Director

Including a well-written letter at the beginning of the proxy is an effective way to introduce the reported year, engage shareholders on specific topics, and set the tone. Unfortunately, many companies don't use the prestige of the Chairman or CEO to its full advantage. These letters should not reiterate the invitation to the meeting or recite administrative details more suited to the Notice or the FAQs. Instead, think about conveying high-level business highlights, governance decisions, and other company news.

Proxy Summary

- **75%** include a proxy summary
- Dow, First Republic Bank, and MetLife have the longest proxy summaries, at **17 pages**



CONTENTS OF THE PROXY SUMMARY

Of the 75% that include a proxy summary:

- **82%** of companies include a table summarizing the proposals and the board's recommendation for each one
- **75%** include governance highlights
- **79%** include compensation highlights



Governance

At the heart of a company's investment story is corporate governance—the framework of rules and practices the board establishes to ensure accountability and fairness in its relationship with stakeholders. Some readers just want a broad understanding of these rules and practices. Others are looking for more specific data—like why the board thinks its nominees are qualified to oversee management and long-term company strategy and how the board assesses its effectiveness.

Governance Policies

- **51%** include a summary of key governance practices and policies (generally in the form of a “what we do / don't do” table or a list)

Director Nominees

BOARD SIZE

- The average board size is **11.3 directors**
- Charles Schwab and CME Group have the largest boards with **17 directors**
- Freeport-McMoRan, Microchip Technology, and Micron Technology have the smallest boards with only **7 directors**

INCLUDE DIRECTOR PHOTOS

- **82%** include photos of the board members

Photos introduce a human element—literally putting a face to a name. They also make your document look more attractive,

We expect to see the use of proxy summaries continue to increase. As investors and the SEC continue to push for understandable and transparent proxy statements, companies can show they are listening by crafting easy-to-read proxy summaries.

Interactive Version

- **9%** have a true interactive proxy

An interactive proxy is a version that is web-based with interactive navigational features. Interactive proxies have several benefits: companies can track reader behavior, and readers get a convenient format for investment research. We should note here that the 9% number for interactive proxies seems low to us. It is possible that more companies offered them but took them down shortly after their Annual Meetings. (Alternatively, they were simply hard to find in an online search.) If you offer these documents, think about making sure they are accessible.

We also recommend creating dedicated Annual Meeting websites because they make it easy for stakeholders to find pertinent information and links to voting sites and other company materials (such as the Annual Report and CSR Report). These microsites can house the interactive proxy, host the webcast of the meeting, and later report the voting results, but they can also include extra features like director interviews. We expect annual meeting websites will increase in popularity in the coming years, especially if companies do not all revert to in-person meetings.

and can wordlessly highlight diversity. Moreover, the contrast of images with text draws in readers. This number jumped 14% in 2020, and only 1% in 2021. It's possible the increase was halted by the practical challenge of getting professional photographs taken during a pandemic. We expect the use of director headshots to be the norm in the next few years.

DIRECTOR BIOGRAPHIES

Within the director biographies, companies continue to make progress, making key information stand out by using subheaders or other design features.



- **87%** include age
- **88%** include “director since” information
- **42%** indicate whether individual directors are independent
- **73%** include committee memberships
- **59%** highlight other public directorships
- **5 companies** (American Electric Power, Cognizant Technology Solutions, Lyondellbasell, Microsoft, and Schlumberger) included nationality or birthplace

INDEPENDENCE

- **1.6** is the average number of non-independent directors on the board
- **68%** of companies have one non-independent director. In most cases, this is the CEO
- **50%** include a graphic depicting the number (or percentage) of independent directors on the board

Board Diversity

TENURE

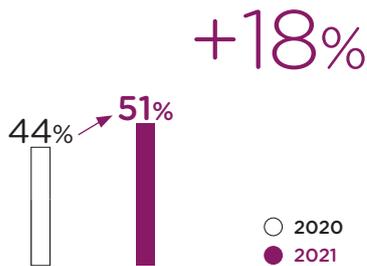
- **69%** include a graphic highlighting the board tenure breakdown
- **91%** have at least one director with tenure of 10 or more years
- The average number of directors on each board with tenure longer than 10 years is **3.1**

AGE

- **40%** include a graphic showing age distributions

GENDER

30% or More of the Board Are Women



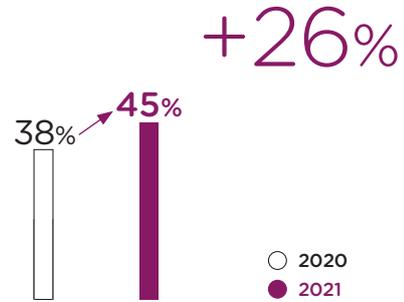
- The average number of women on each board is **3.4**
- **71%** include a graphic to highlight gender diversity
- All companies in the S&P 250 have at least **one woman** on their board

People have mixed views about the use of quotas to promote diversity on public company boards, but there is no escaping the fact that investors, regulators, lawmakers, stock exchanges, and proxy advisors are pushing for more female and minority representation. California and a handful of other states require either actual diversity or just disclosure about diversity. Similarly, by August 2022, companies listed on Nasdaq will be subject to new disclosure requirements, and both Glass Lewis and ISS have specific voting guidelines on the subject of diversity. Companies should use the best available techniques to highlight their current diversity profile and the efforts they are making (if any) to improve that profile.

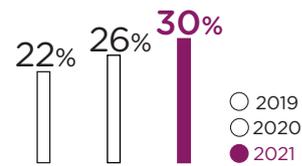
Skills and Qualifications

- **51%** include a row to highlight ethnicity and other diversity features within the skills matrix
- **38%** include an aggregated skills matrix
- **12%** explain why each particular skill is relevant to the company

Individualized Skills Matrix



Use Icons to Describe Skills and Qualifications



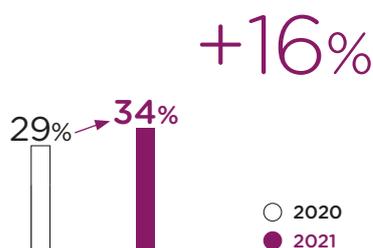
Although it may require some uncomfortable conversations in the boardroom, companies increasingly are recognizing that a person-by-person matrix is an efficient way to illustrate the range of directors' backgrounds, skills, and experience. We expect individualized skills disclosure to become more prevalent over the next few years, particularly among Nasdaq-listed companies that will need to disclose individualized "personal" diversity information anyway. By combining the required personal diversity content with skills and experience diversity content, a company can provide a comprehensive picture of its board.

This was the first year we looked at whether companies amplified the impact of their skills and experience disclosure by explaining why the selected skills are important. Some things are obvious (it's always a good idea to have a CPA on the audit committee), but other types of experience may not seem like a natural fit. Adding a sentence or two about each highlighted skill or experience can help readers understand how each director fits the company's strategic needs.

The small but growing use of icons to symbolize particular skills and qualifications is also worth noting. These icons can be repeated in other places (such as the committee membership chart and director biographies) for greater impact.

Board Evaluation and Refreshment

Evaluation Process Graphic



- **17%** use a graphic to illustrate the nomination process
- **56%** discuss their director onboarding and/or continuing education programs

Disclosure on matters like the director nomination and evaluation processes helps readers understand how the board ensures its continued effectiveness. Often these discussions can be synthesized into a useful infographic. For example, some companies use creative flow charts to explain the different steps, timing, and parties involved in the process of evaluating the current and future makeup of the board. This is an effective way to communicate the board's priorities for both its composition and its conduct.

Board Leadership Structure

- **16%** include a graphic or table to describe their current leadership structure
- **52%** have a split role between the Chairman and CEO

Investors want to understand how the board is governed—particularly if the CEO also serves as Chairman. At companies with a combined CEO/Chair role in particular, clearly listing the responsibilities assigned to the CEO/Chair and to the Lead Independent Director in an infographic can be more useful than providing the same information in paragraph form.

Board Responsibilities

MEETINGS AND ATTENDANCE

- The average number of times boards met during the year is **9.5 times**
- **40%** of companies include the exact percentage of board attendance (rather than the requisite “more/less than 75%”).

We suggest giving a precise meeting attendance figure to promote transparency, demonstrate accountability, and inspire investor trust. Now that boards have become adept at convening virtual meetings, investors will expect attendance to be consistently high.

COMMITTEES

- **29%** have 5 committees
- **36%** have 4 committees
- **24%** have 3 committees
- The maximum number of committees was **8** (at CME Group)
- **73%** include a matrix showing committee assignments per director, either within the Governance section or the proxy summary
- **33%** include a summary of the topics discussed during the year within each committee description

As with the skills and qualifications matrix, a table illustrating which directors serve on which committees is a useful, easily understood communication tool.

- **15 companies** include a personalized letter from compensation committee discussing highlights of (or recent changes to) the program

A few companies have added personalized committee disclosure, including a quote from the committee chair. This is an interesting detail, and we think an important one, because it is another way to draw the reader's attention and highlight what the board is thinking about.

AREAS OF FOCUS

- **35%** discuss key governance changes or areas of focus for the board during the year

Risk Oversight

- **35%** include a graphic to show to show how risk oversight responsibilities are allocated between management and the board, up from 26% in 2019
- **42%** mention COVID as a major risk overseen by the board

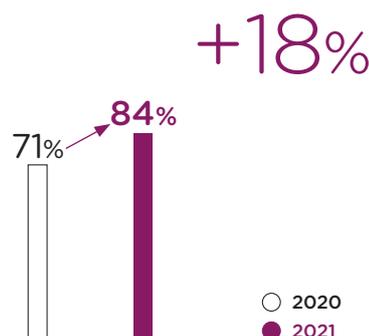
Given the high level of shareholder interest in risk oversight, and increasing concerns about the long-term effects of the pandemic in particular, we expect useful tools such as infographics to be employed at a higher rate in the future. In addition, we expect to see more specific information about the major business risks identified by management and how the company is responding to those risks.

SUCCESSION PLANNING

- **89%** discuss the implementation or monitoring of a succession plan

Shareholder Engagement

Shareholder Engagement Section



- **70%** of companies disclose the percentage of shareholders contacted
- **47%** included how they interacted with shareholders (individual meetings, roadshow, investor day)
- **84%** included the topics discussed with shareholders
- **40%** include a shareholder engagement graphic, up from 31% in 2020

Most companies understand how important it is to demonstrate their commitment to shareholder outreach. Including this information in the proxy emphasizes that a company is paying attention to investor perspectives and priorities. Well designed infographics can help draw attention to the details of a company's outreach efforts better than text-only descriptions. Graphics might lay out the timing for

engagement activities, introduce the company participants, trumpet the number of shareholders reached, and—perhaps most important—summarize the topics discussed and the company’s response. This is a good way to demonstrate that a company is receptive to shareholder views, and it’s useful for readers who aren’t involved in the meetings.

Information about shareholder engagement can be found throughout the proxy, and sometimes in more than one section. For example:

- **29%** include some of this information in the proxy summary
- **54%** include some of this information in the Governance section
- **41%** include some of this information in the CD&A

COVID-19 Disclosures

Approaching the end of its second year, the COVID-19 pandemic continues to affect businesses in all industries. Consumer habits and workforce priorities have changed, and supply chain issues have not abated. It was reasonable for companies to use their proxy statements to address some of the most pressing issues.

- **74%** mentioned COVID-19 as it relates to employees’ health and safety
- **15%** mentioned COVID-19 as it relates to furloughs, hiring, and layoffs

Due to business impact, many companies adjusted executive compensation because of COVID-19:

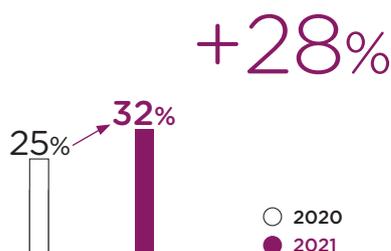
- **19%** adjusted base salaries
- **36%** adjusted the annual incentive program or individual awards

Environmental, Social and Governance Sections

The proxy is not the place for a full-blown detailed discussion of a company’s ESG metrics, goals, and activities. However, it is perfectly appropriate to offer some highlights in the proxy statement to draw attention to key information and encourage readers to access more specific information on the company’s website or in a standalone Sustainability Report. Graphics are excellent tools for making those highlights stand out.

- **86%** discuss at what level its ESG initiatives are overseen (management, board, specific board committee)
 - **18%** said management
 - **42%** said the whole board
 - **71%** said a specific committee

Use Graphics to Highlight ESG Metrics



SUSTAINABILITY

Within the ESG section, **47%** mention the following frameworks:

- **73%** mention Sustainability Accounting Standards Board (SASB)
- **65%** mention Task Force on Climate-related Financial Disclosures (TCFD)
- **39%** mention Global Reporting Initiative (GRI)
- **36%** mention UN Sustainable Development Goals
- **5%** mention World Economic Forum

HUMAN CAPITAL MANAGEMENT

Investor groups calling for information about human capital management have become even more emphatic over the past few years. Companies are expected to report on how they have been managing work flows and employee mental health and morale during the pandemic. Questions are being asked about hiring practices, safety, diversity & inclusion, training, pay equity, corporate culture, and the board’s role in overseeing those matters. Some of this information—to the extent material—is required in 10-K’s, but companies have also started to share HCM highlights in their proxy statements. Often HCM and other ESG information is merely summarized, with cross-references to more detailed sustainability or CSR reports, but a good summary can indicate that the company is aware of and working on the relevant issues.

- **70%** include HCM information within the proxy statement
- **51%** of companies include HCM within the ESG section of the proxy

Of those companies:

- **50%** include HCM as a board area of expertise
- **47%** discuss HCM with shareholders
- **87%** define HCM as a company risk or board responsibility
- **64%** include HCM within a CSR or ESG section

GENDER PAY EQUITY

Although HCM as a category received more coverage in 2021, one aspect of it—gender pay equity—got less attention. Although 63% of the S&P 250 mentioned gender pay equity in their 2020 proxies, that percentage fell to 30% in 2021.

Director Compensation

- Only **13%** of companies included a graphic to break down compensation in cash vs. stock

This is fairly typical disclosure in the area of executive compensation, but does not seem to be a big concern in relation to directors. On the other hand, we noticed that many companies include a table to disclose the various types of retainers paid to their directors (usually one amount for everyone and different amounts for the chairs and members of the board’s committees) rather than describing these amounts in a text-only paragraph.

Governance Practices

DIVERSITY POLICY

- **79%** discuss the company's position on diversity beyond the board level (recruiting employees)

RETIREMENT AGE

- **38%** of companies have a mandatory retirement age for directors
- **39%** of those companies have a retirement age of 72 and **51%** have a retirement age of 75

Compensation

The CD&A tells a company's compensation story, and typically is the most-read section of a proxy. Companies hoping to garner significant support in say-on-pay votes need to be both informative and accessible while respecting regulations that require extensive details. This is where color, graphics, and a clearly defined document hierarchy are particularly useful. You can use these tools to emphasize important information and make it easier for readers who prefer not to wade through dense narrative sections to see the big picture.

Executive Summary

Summaries are an important tool in proxy statements because they quickly engage readers who might otherwise turn to proxy advisor reports (or, let's be honest, toss the document in the recycling bin).

Letter from the Compensation Committee

6%
include a letter from the Compensation Committee or Committee Chair explaining compensation program highlights for the year

We hope more companies will consider using this personal form of communication, especially when they want to highlight changes made to their compensation programs in response to shareholder feedback.

SECONDARY TABLE OF CONTENTS

- **34%** include a table of contents just for the CD&A

Any complex section that is longer than 20 pages should have a table of contents.

PRESENTATION OF NEOS

- **65%** introduce the Named Executive Officers in table format
- **21%** include photos of the NEOs

CODE OF BUSINESS CONDUCT OR ETHICS

- **34%** include a link to the actual code

Most companies describe where to find the code via the investor relations site. Companies may consider providing a permanent link in online proxies for quicker accessibility, but need to be mindful of "incorporation by reference" concerns.

POLITICAL SPENDING

- **46%** mention political spending within the Governance section

PERFORMANCE HIGHLIGHTS

61%
incorporate at least two graphics on business performance in the CD&A or the proxy summary

- **56%** present a TSR graphic
- **50%** present a graphic showing revenue or sales
- **37%** present a graphic depicting stock price vs. S&P 500 stock price or their peer group stock price

Graphics showing performance highlights are much easier to digest than straight text, and can help investors quickly understand how the company is performing against targets that affect compensation. There are three things to keep in mind when you use these graphics. First, you should be reasonably consistent with the metrics you highlight from year to year, even if the numbers aren't always rosy. Second, if you are providing business highlights in the CD&A, be sure to explain how they affect specific components of the pay program. (If there isn't a direct link, maybe the highlights belong in the proxy summary.) Third, if your graphic incorporates non-GAAP figures, the corresponding GAAP numbers should also be in graphic form.

COMPENSATION PROGRAM OVERVIEW

- **81%** include a compensation-specific "what we do/don't do" table
- **6%** includes a graphic showing say on pay results over time

Elements of the compensation program can be complex and scattered throughout the CD&A. Readers will appreciate a table that consolidates all of the key information in one place.

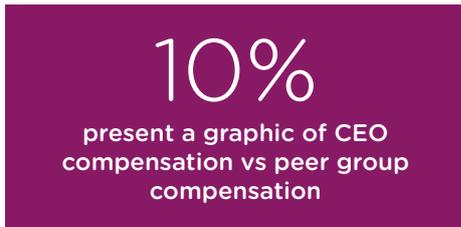
Compensation Decisions and Context

Graphics are a great way to emphasize compensation results. Below is a list of different types of graphics we believe all proxies could include, and the percentage of companies in our benchmark that already use them.

CEO/NEO PAY MIX GRAPHIC

- **82%** include CEO and NEO pay mix graphics

PAY VS PERFORMANCE



- **16%** include a graphic showing CEO pay vs TSR to emphasize pay for performance
- **7%** use graphics to highlight realized vs realizable pay

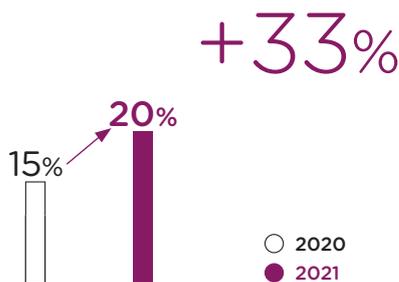
PEER GROUP DISCLOSURE

- **47%** disclose the criteria used to identify the companies in the peer group and explain how the company fits into the peer group with respect to those criteria

Readers (and proxy advisors) want to understand why a company selected a particular peer group. Offering specific details rather than just listing the members of the peer group will inspire confidence that the choice of peer companies was rational.

COMPENSATION OVERVIEW

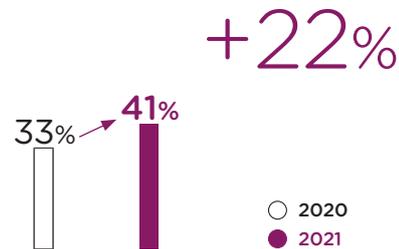
Individual Section for NEO Performance and Compensation Data



These focused sections (often called NEO “snapshots”) are helpful, particularly when the NEOs have individual or subjective performance goals for their incentive awards. They are also a good way to present all pay decisions for the individual NEOs in one place.

ANNUAL INCENTIVES

Graphic Showing How Awards are Calculated



- **30%** include a graphic highlighting the mix of annual incentive metrics, up from 20% two years ago
- **66%** include a table or graphic that summarizes the target and final payouts
- **40%** incorporate diversity or environmental performance metrics into the annual incentive program

LONG-TERM INCENTIVES

- **35%** include a graphic showing the types of long-term incentive awards
- **44%** include a table or graphic that summarizes the target and final payouts, up from 37% in 2020
- **25%** present outstanding equity awards and the payout percentages based on performance to date in a table or graphic

Long-term incentive awards can seem like a black box. Proxy statements explain the awards granted in the most recent year, but interested readers often need to flip to the summary compensation table to see how awards that theoretically just vested actually paid out. This was the first year we looked at whether companies discuss in-flight awards. We believe that providing this information in the CD&A not only improves transparency, but also can demonstrate how executive compensation changes along with changes in business performance and stock price.

ADDITIONAL CD&A INFORMATION

- **7%** include a graphic showing stock ownership by each Named Executive Officer compared to ownership guidelines, if any
- **90%** mention they have a clawback policy

LOOKING AHEAD

Transparency has many facets. As a threshold matter, companies must compile complete and accurate information that will respond to regulatory requirements and shareholder interests. Some companies (fortunately a shrinking number) view this as their primary responsibility, and do not devote much effort to thinking about how to best present that information. The result is likely to be a document that is legally compliant but actually fails to communicate anything useful to the market.

In contrast, many companies understand that transparency has (at least) two more elements: the information must be presented in a way that makes sense, and the document should look like the company wants people to read it. As applied to proxy statements, this means a document that:

- is drafted in plain language
- follows a logical order
- avoids repetition and legal or industry jargon
- incorporates navigational clues like an obvious header hierarchy
- offers plenty of white space and informative graphics.

Following these simple rules will signal to stakeholders that you want them to read and understand your document, and that alone will cultivate trust—especially if your bad news is presented with the same clarity as your good news. Following these rules also will set a baseline for the future, creating a solid starting point for ongoing updates and incremental improvements.

APPENDIX A

List of proxy statements analyzed

3M	COGNIZANT TECHNOLOGY SOLUTIONS	INTERCONTINENTAL EXCHANGE	RAYTHEON
ABBOTT LABORATORIES	COLGATE-PALMOLIVE	INTERNATIONAL FLAVORS & FRAGRANCES	REGENERON PHARMACEUTICALS
ABBVIE	COMCAST	INTUIT	RESMED
ACCENTURE	CONOCOPHILLIPS	INTUITIVE SURGICAL	ROCKWELL AUTOMATION
ACTIVISION BLIZZARD	CONSTELLATION BRANDS	IQVIA HOLDINGS	ROPER TECHNOLOGIES
ADOBE	CORNING	JOHNSON & JOHNSON	ROSS STORES
ADVANCED MICRO DEVICES	CORTEVA	JOHNSON CONTROLS	S&P GLOBAL
AFLAC	COSTCO WHOLESALE	JPMORGAN CHASE	SALESFORCE.COM
AGILENT TECHNOLOGIES	CROWN CASTLE	KIMBERLY-CLARK	SBA COMMUNICATIONS
AIR PRODUCTS AND CHEMICALS	CSX	KINDER MORGAN	SCHLUMBERGER
ALEXION PHARMACEUTICALS	CUMMINS	KLA	SEMPRA ENERGY
ALIGN TECHNOLOGY	CVS HEALTH	L3HARRIS	SERVICENOW
ALLSTATE	DANAHER	LAM RESEARCH	SHERWIN-WILLIAMS
ALPHABET	DEERE	LINDE PLC	SIMON PROPERTY
ALTRIA GROUP	DELTA AIR LINES	LOCKHEED MARTIN	SKYWORKS SOLUTIONS
AMAZON.COM	DEXCOM	LOWE'S	SOUTHERN COMPANY
AMERICAN ELECTRIC POWER	DIGITAL REALTY TRUST	LYONDELLBASELL	SOUTHWEST AIRLINES
AMERICAN EXPRESS	DISCOVER FINANCIAL	MARATHON PETROLEUM	STANLEY BLACK AND DECKER
AMERICAN INTERNATIONAL GROUP	DOLLAR GENERAL	MARRIOTT INTERNATIONAL	STARBUCKS
AMERICAN TOWER	DOMINION ENERGY	MARSH & MCLENNAN	STRYKER
AMETEK	DOW	MASTERCARD	SYNOPSIS
AMGEN	DUKE ENERGY	MCDONALD'S	SYSCO
AMPHENOL	DUPONT DE NEMOURS	MCKESSON	T-MOBILE
ANALOG DEVICES	EATON	MEDTRONIC	T. ROWE PRICE
ANSYS	EBAY	MERCK	TARGET
ANTHEM	ECOLAB	METLIFE	TE CONNECTIVITY
AON PLC	EDWARDS LIFESCIENCES	METTLER-TOLEDO INTERNATIONAL	TESLA
APPLE	ELECTRONIC ARTS	MICROCHIP TECHNOLOGY	TEXAS INSTRUMENTS
APPLIED MATERIALS	ELI LILLY	MICRON TECHNOLOGY	THERMO FISHER SCIENTIFIC
APTIV PLC	EMERSON ELECTRIC	MICROSOFT	TJX
ARCHER-DANIELS-MIDLAND	EOG RESOURCES	MONDELEZ	TRANE TECHNOLOGIES
AT&T	EQUINIX	MONSTER BEVERAGE	TRANSDIGM GROUP
AUTODESK	ESTEE LAUDER	MOODY'S	TRAVELERS COMPANIES
AUTOMATIC DATA PROCESSING	ETSY	MORGAN STANLEY	TRUIST FINANCIAL
AUTOZONE	EVERSOURCE ENERGY	MOTOROLA SOLUTIONS	TWITTER
BALL CORPORATION	EXELON	MSCI	U.S. BANCORP
BANK OF AMERICA	EXXON MOBIL	NETFLIX	UNION PACIFIC
BANK OF NEW YORK MELLON	FACEBOOK	NEWMONT GOLDCORP	UNITEDHEALTH GROUP
BAXTER INTERNATIONAL	FASTENAL	NEXTERA ENERGY	UNITED PARCEL SERVICE
BECTON DICKINSON	FEDEX	NIKE	VALERO ENERGY
BERKSHIRE HATHAWAY	FIDELITY NATIONAL	NORFOLK SOUTHERN	VERISK ANALYTICS
BIOGEN	FIRST REPUBLIC BANK	NORTHROP GRUMMAN	VERIZON
BLACKROCK	FISERV	NVIDIA	VERTEX PHARMACEUTICALS
BOEING	FORD MOTOR	O'REILLY AUTOMOTIVE	VIACOM CBS
BOOKING HOLDINGS	FREEPORT-MCMORAN	ORACLE	VISA
BOSTON SCIENTIFIC	GENERAL DYNAMICS	PACCAR	WALGREENS BOOTS ALLIANCE
BRISTOL-MYERS SQUIBB	GENERAL ELECTRIC	PARKER-HANNIFIN	WALMART
BROADCOM	GENERAL MILLS	PAYCHEX	WALT DISNEY
CADENCE DESIGN SYSTEMS	GENERAL MOTORS	PAYPAL	WASTE MANAGEMENT
CAPITAL ONE FINANCIAL	GILEAD SCIENCES	PEPSICO	WELLS FARGO
CARRIER GLOBAL	GLOBAL PAYMENTS	PFIZER	WELLTOWER
CATERPILLAR	GOLDMAN SACHS	PHILIP MORRIS	WILLIAMS COMPANIES
CENTENE	HCA HEALTHCARE	PHILLIPS 66	WILLIS TOWERS WATSON
CHARLES SCHWAB	HILTON WORLDWIDE	PIONEER NATURAL RESOURCES	XCEL ENERGY
CHARTER COMMUNICATIONS	HOME DEPOT	PNC FINANCIAL	XILINX
CHEVRON	HONEYWELL	PPG INDUSTRIES	YUM! BRANDS
CHIPOTLE MEXICAN GRILL	HP	PROCTER & GAMBLE	ZEBRA TECHNOLOGIES
CHUBB LIMITED	HUMANA	PROGRESSIVE	ZIMMER BIOMET
CIGNA	IBM	PROLOGIS	ZOETIS
CINTAS	IDEXX LABORATORIES	PRUDENTIAL FINANCIAL	
CISCO SYSTEMS	IHS MARKIT	PUBLIC SERVICE ENTERPRISE GROUP	
CITIGROUP	ILLINOIS TOOL WORKS	PUBLIC STORAGE	
CME GROUP	ILLUMINA	QUALCOMM	
THE COCA-COLA COMPANY	INTEL		



ABOUT LABRADOR

After ten years in the US and three decades in Europe, Labrador's mission remains the same: to design and publish reader-centric documents that generate trust with shareholders, reinforcing their investment decisions. Focusing exclusively on corporate disclosure documents, and with 300 clients worldwide, we have unique insight into industry trends and best practices. Labrador brings together more than 40 business experts, structured around a research laboratory and two agencies: **Labrador Information Design** (which concentrates on regulated communication and readability) and **Labrador Language Services** (which concentrates on plain language and translation). **Labrador Maverick**, our corporate information research laboratory, collects, tests, and shares the knowledge and innovations that create sustainable value for regulated and sensitive business information. Together, we spark award-winning innovation and initiatives.

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