

# 2019 Annual Incentive Plan Report

# 2019 ANNUAL INCENTIVE PLAN REPORT

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# EXECUTIVE SUMMARY

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FW Cook's 2019 Annual Incentive Plan Report focuses on annual incentive plan design practices among the largest 250 companies in the S&P 500 by market capitalization.

Annual incentive plans play a key role in motivating and focusing employees on a company's short-term goals. Key considerations for designing an annual incentive plan are selecting the appropriate performance measures and deciding how they should be weighted. Effective annual incentive measures provide a clear line-of-sight to the overall strategy of the company and/or a participant's impact on performance. While annual incentive plan designs vary between companies and industries, some common themes in annual incentive design among the Top 250 companies are observed:

- The majority of companies (83%) disclose use of a formulaic annual incentive plan design with pre-defined metrics and metric weightings. The remaining 17% disclose non-formulaic plans, which for purposes of this report include any plans without pre-defined metrics and metric weightings (e.g., completely discretionary bonus determinations, scorecards without assigned metric weightings or a determinative payout formula disclosed, or other plans with limited disclosure surrounding plan mechanics).
- Companies with a formulaic annual incentive plan design typically use multiple financial performance measures, with 76% of companies using at least two financial measures.
- Profitability and revenue measures are the most commonly used financial measures among the Top 250 companies (91% and 49% prevalence, respectively), and are also the most heavily weighted financial measures when used (56% and 34% average weightings, respectively).
- Non-financial measures (i.e., strategic and individual performance measures) are used as discrete metrics and/or modifiers by 70% of companies with formulaic plans, but are not as heavily weighted as financial performance measures when used (31% and 26% average weighting, respectively, when used as discrete metrics).
- Forty-two percent of companies use strategic measures applicable to most or all named executive officers in their annual incentive plans (34% as a stand-alone metric, 6% as a modifier, and 2% as both), while 48% of companies include individual performance measures with goals or objectives defined for each individual participant in their annual incentive plans (23% as a stand-alone metric and 25% as a performance modifier).
- Sixty-two percent of companies using a strategic performance measure, or 26% of all companies with formulaic plans, disclose using at least one Environmental, Social, or Governance ("ESG") goal as part of their strategic performance measures, either as a pre-defined objective or as a consideration in arriving at the strategic performance score (excludes companies that use ESG goals as an individual performance consideration).
- Among companies with heads of business units reported in their proxy statements, the dominant practice is to emphasize corporate over business unit results for these officers.

# EXECUTIVE SUMMARY

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In addition to metric selection and weighting, the rigor of goal-setting is an increasing area of focus among companies, driven by heightened scrutiny from proxy advisory firms and informed investors. In light of executive pay levels that are continuing to rise and above-target annual incentive payouts, there is pressure for companies to set more challenging performance goals to strongly emphasize the alignment between pay and performance. Notable findings related to goal-setting among Top 250 companies using profitability or revenue goals in formulaic annual incentive programs are as follows:

- At the median, companies using profitability goals set the threshold performance goal equal to prior year actual performance, with the target performance goal set 7% above prior year actual performance and the maximum performance goal set 17% above prior year actual performance.
- For companies using revenue goals, the median threshold, target, and maximum performance goals are 2%, 6%, and 12% above prior year actual performance, respectively.
- Only 14% of companies using profitability measures and 8% of companies using revenue measures disclosed setting their target goals below prior year actual performance. These companies risk criticism from proxy advisory firms and institutional investors, particularly when above-target bonuses are earned for performance that has declined year-over-year, presenting challenges for companies in cyclical industries and companies in turnaround situations.
- Companies using profit metrics utilize a wider performance range than companies using revenue metrics because revenue is typically less challenging to forecast than profitability, and therefore the range of likely outcomes is narrower. At the median, the threshold to maximum performance range is 8% below target to 9% above target for profit metrics and 5% below target to 4% above target for revenue metrics.

Operationally, 2018 was a strong year for Top 250 companies. At the median, among companies using profit or revenue measures in annual incentive plans, actual profit performance exceeded target by 2.4%, and actual revenue performance exceeded target by 1.1%. As a result of these and other company- and individual-specific factors, the median CEO annual incentive payout among Top 250 companies was 128% of target. Only 5% of companies paid out CEO bonuses at the maximum opportunity (commonly 200% of target), while just 1% of companies did not pay any bonus to the CEO (excludes companies where the CEO does not participate in the annual incentive program).

# INTRODUCTION

## Overview and Methodology

This report presents information on annual incentive plan practices in place for executives at the 250 largest U.S. companies in the Standard & Poor's 500 Index. The Top 250 companies, limited to those granting annual incentives, are selected based on market capitalization, i.e., share price multiplied by total common shares outstanding as of March 31, 2019, as reported by Standard & Poor's Capital IQ (see Appendix for the complete list of companies). The table below profiles the industry sectors represented in the Top 250 in 2019, as defined by Global Industry Classification Standard, with all data sourced from Capital IQ.

Industry Sector (# of companies) sorted by prevalence	Percent of Companies	Annual Sales (\$B)	Market Cap. (\$B)	1-Year TSR	3-Year TSR
Information Technology (38)	15%	\$12.50	\$40.22	22%	26%
Health Care (37)	15%	\$19.89	\$61.12	19%	20%
Financials (34)	14%	\$16.56	\$41.43	-5%	15%
Industrials (33)	13%	\$23.50	\$45.76	5%	16%
Consumer Staples (25)	10%	\$19.63	\$34.28	12%	7%
Consumer Discretionary (24)	10%	\$16.93	\$34.76	20%	13%
Utilities (16)	6%	\$12.50	\$29.45	22%	10%
Real Estate (15)	6%	\$3.10	\$27.86	21%	9%
Energy (15)	6%	\$24.00	\$40.26	-5%	6%
Materials (7)	3%	\$14.67	\$39.71	11%	16%
Communication Services (6)	2%	\$76.97	\$214.03	12%	10%
<b>Top 250 - Median</b>		<b>\$15.41</b>	<b>\$42.01</b>	<b>13%</b>	<b>14%</b>

*Sales reflects the fiscal year covered in the study and market capitalization and TSR are as of March 31, 2019 (3-year TSR is shown on a compound annual growth rate basis)*

# INTRODUCTION

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## Survey Scope

This report covers the following topics:

- Annual incentive measure features, including the number of measures, types of measures, weighting of measures, and use of performance modifiers;
- Annual incentive goal-setting, including setting threshold, target, and maximum performance levels relative to prior year actual performance, and the range from threshold to target and target to maximum performance goals; and
- Maximum payout opportunities and actual CEO annual incentive payouts for the latest fiscal year.

## Source of Data

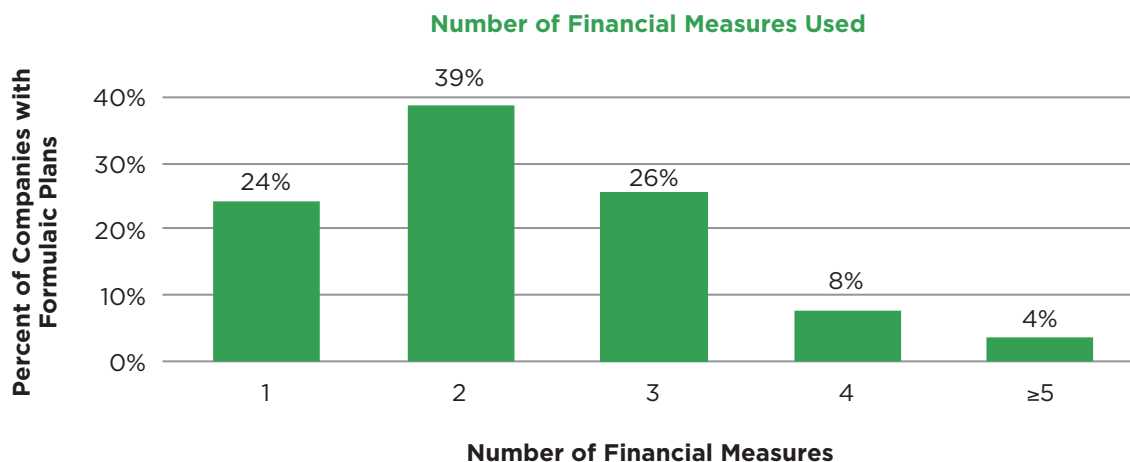
All information was obtained from public documents filed with the Securities and Exchange Commission, including proxy statements and 8-K filings and reflects programs in place during the fiscal year analyzed (i.e., prospective program design changes are not captured). For companies with annual incentive plan designs that vary by participant, the design in place for the CEO is used, or, if the CEO does not participate in the annual incentive program, the design in place for the CFO is used.

# FORMULAIC ANNUAL INCENTIVE PLANS

## Financial Measures

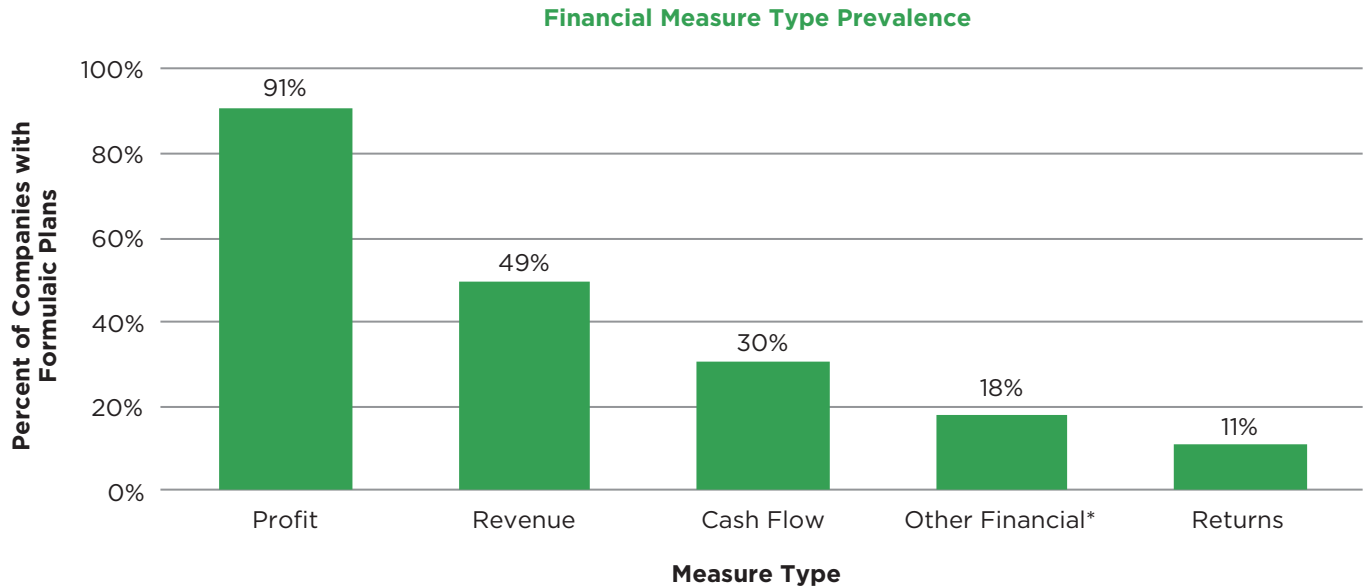
Eighty-three percent of the Top 250 companies have formulaic annual incentive plans with pre-defined metrics and metric weightings, all of which use one or more financial measures in their determination of payouts. The number and types of financial measures used in an annual incentive plan communicate a company's priorities, both internally and externally. Companies look to balance measures that provide line of sight to participants and will motivate and positively influence their behavior with those that external stakeholders find appropriate and will deliver on commitments made.

Top 250 companies with formulaic plans typically use a portfolio of measures (76% of companies utilize two or more measures). A portfolio approach allows companies to address the concerns of multiple interested parties (e.g., participants, shareholders, proxy advisors, etc.) simultaneously and to emphasize or balance certain aspects of the company's strategy.



# FORMULAIC ANNUAL INCENTIVE PLANS

Profitability measures (e.g., EPS, net income, EBIT, EBITDA, pre-tax profit, profit margin) are the most prevalent within annual incentive plans and are used by 91% of companies with formulaic plans, followed next by revenue, which is used by 49% of companies, and cash flow, which is used by 30% of companies. Return measures (e.g., return on equity, return on assets, return on capital), are sometimes used in annual incentive plans (11% prevalence), but are more commonly found in long-term performance plans.



\* Examples of "Other Financial" measures include cost/expense management, total shareholder return, and inventory turnover

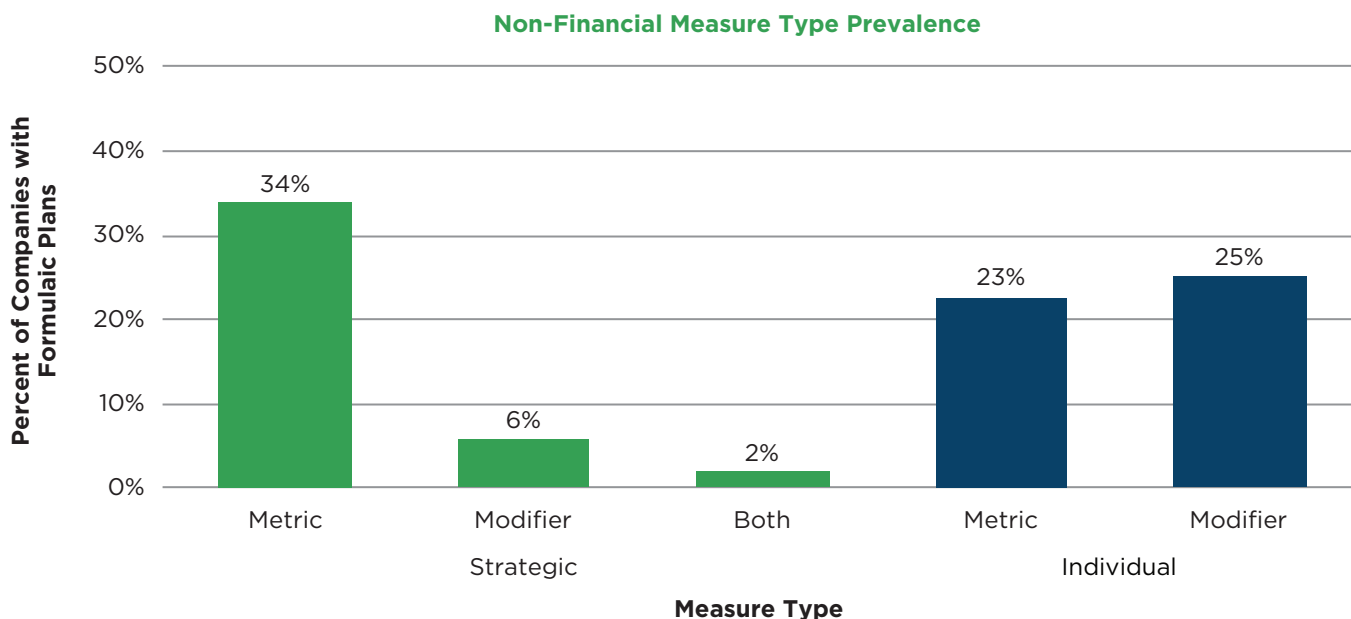


# FORMULAIC ANNUAL INCENTIVE PLANS

## Non-Financial Measures

70% of companies with formulaic annual incentive plans use one or more non-financial measures (i.e., strategic and/or individual performance measures), either as stand-alone metrics or as performance modifiers. Companies more commonly use non-financial measures as stand-alone metrics (53% prevalence) compared to modifiers (29% prevalence); note that 12% of companies use non-financial measures as both metrics and modifiers. Non-financial measures complement a company's financial objectives by providing the ability to emphasize one or more strategic factors that can affect company performance and in some cases by allowing for use of discretion to recognize/reward factors that may not immediately contribute to financial performance (e.g., strong leadership, executing mergers or acquisitions, relative outperformance during a market downturn, increasing diversity, etc.). Individual (but not strategic) performance measures also provide the ability to differentiate among participants when determining payouts.

- Forty-two percent of companies use strategic measures applicable to most or all named executive officers in their annual incentive plans (34% as a stand-alone metric, 6% as a modifier, and 2% as both). Strategic measures may be based on pre-determined quantifiable objectives or determined qualitatively at the end the year based on a subjective evaluation, with the latter design alternative providing the committee with maximum flexibility to exercise discretion. Examples of strategic measures include safety, customer service, employee engagement, market share growth, obtaining regulatory approval, and achieving development milestones.
  - Strategic measures are most prevalent in the Utilities and Energy sectors, as 94% and 77% of companies in these sectors, respectively, use strategic measures to assess annual performance.
- Forty-eight percent of companies include individual performance measures in their annual incentive plans, either as a stand-alone metric (23% of companies) or as a performance modifier (25% of companies), with goals or objectives defined for each individual participant.
  - Individual performance measures are most prevalent in the Real Estate and Energy industries (73% and 62% prevalence, respectively).



# FORMULAIC ANNUAL INCENTIVE PLANS

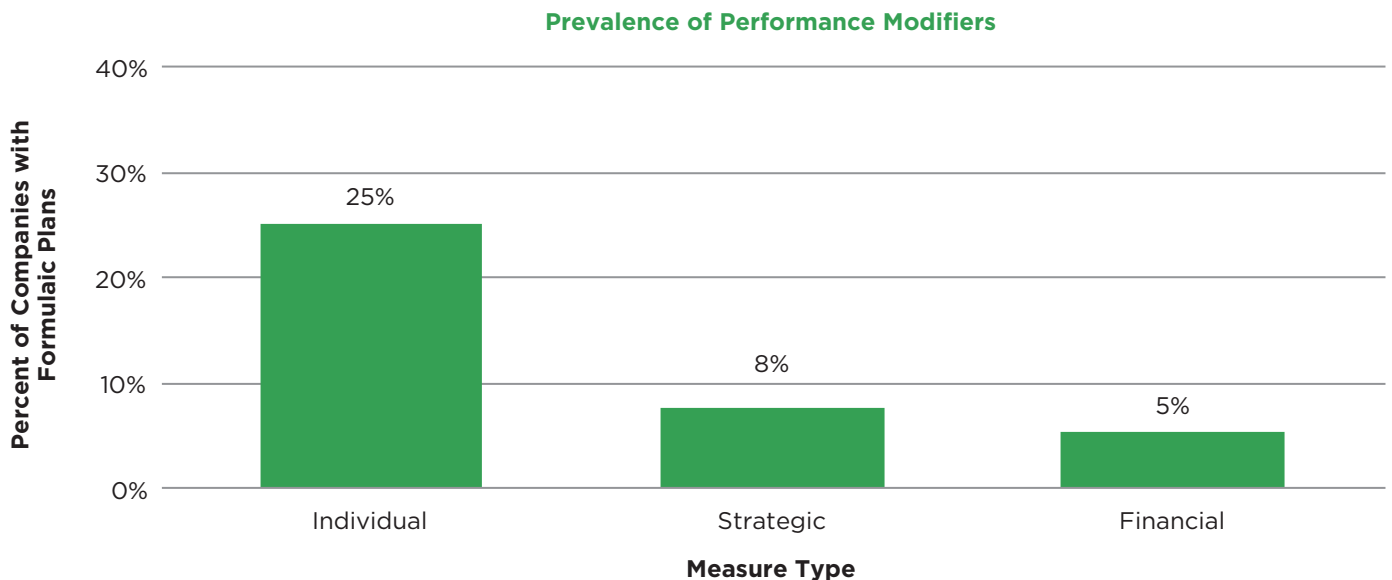
## Environmental, Social, and Governance (“ESG”) Measures

There is a growing emphasis among institutional investors that their portfolio companies demonstrate a commitment to responsible ESG behaviors, and as a result a number of companies are incorporating ESG measures into annual incentive plans. Notable findings among Top 250 companies with formulaic annual incentive plans are as follows:

- Sixty-two percent of companies using a strategic performance measure (or 26% of all companies with formulaic annual incentive plans) disclose using at least one ESG goal as part of their strategic performance measure, either as a pre-defined objective or as a consideration in arriving at the strategic performance score (excludes companies that use ESG measures as an individual performance consideration).
- Of the Top 250 companies using ESG measures, 43% use human capital goals (e.g., diversity, employee engagement, company culture, customer satisfaction, etc.), 25% use health, safety, or environmental sustainability goals, and 32% use both types of ESG goals.
- Companies in the Utilities and Energy sectors have the highest prevalence of ESG goals within their strategic performance measures (81% and 77%, respectively).

## Performance Modifiers

Thirty-three percent of companies with formulaic annual incentive plans use some type of performance modifier, and 4% of companies use more than one measure to modify payouts. Modifiers may adjust payouts up or down and serve as a means to provide a check on the primary metric(s) in the annual incentive plan. Some modifiers only have limited ability to influence final payouts (e.g., can increase or decrease payouts by up to 10%), while others may have the ability to reduce payouts all the way down to zero or increase payouts to the maximum opportunity. As indicated below, annual incentive modifiers are most commonly based on non-financial measures, and in particular on individual performance. The median individual performance modifier range can adjust payouts down to 0% or up to 150% of the preliminary calculated payout percentage.

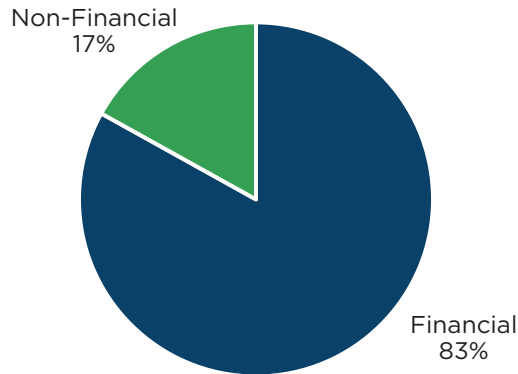


# FORMULAIC ANNUAL INCENTIVE PLANS

## Weighting of Metrics

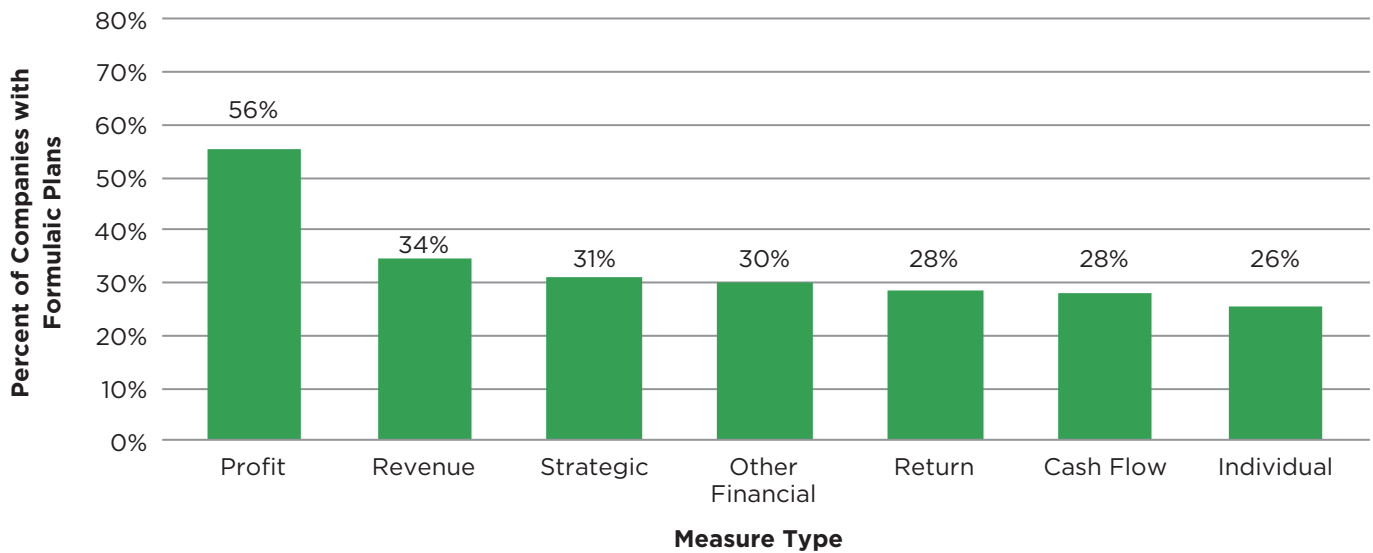
On average, companies with formulaic plans allocate 83% of the annual incentive plan performance weighting to financial metrics and 17% to non-financial metrics. These weightings reflect discrete metrics only, and do not account for the impact of performance modifiers, which as previously noted are more commonly based on non-financial measures.

**Average Weighting: Financial vs Non-Financial**



Profitability is typically the predominant focus in annual incentive plans, as profit measures are not only the most prevalent annual incentive measures, but also are assigned the most significant weighting on average. Fifty-six percent of annual incentive plan performance measurement is based on profit metrics on average among companies using such measures. Other metrics (both financial and non-financial) are assigned weightings of between approximately 25% and 35% on average, as indicated below.

**Average Weighting of Metrics**  
(Among Companies Using Each Metric)



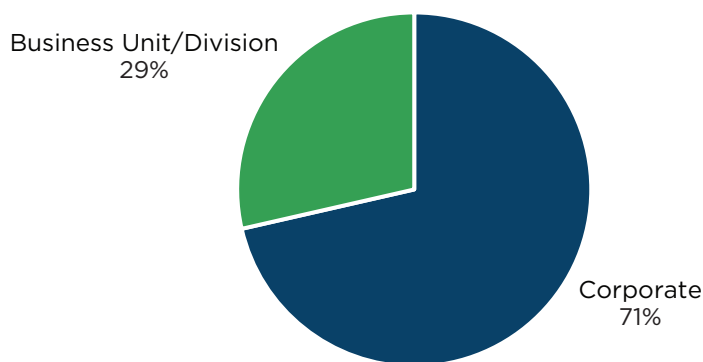
# FORMULAIC ANNUAL INCENTIVE PLANS

## Evaluating Business Unit Officer Performance

Companies must decide whether senior executives who lead a division or segment should be primarily rewarded for the performance of their business unit or as a team together with their corporate colleagues. For companies that disclose business unit officers (“BUOs”) in their proxy statements (60% of companies with formulaic plans), the average weighting within annual incentive plans for BUOs is 71% on corporate goals and 29% on business unit/division goals. This reflects a more dominant philosophy of holding senior-most executives accountable for company-wide results to a greater degree than their business unit alone (although the emphasis on business unit/division goals has increased since 2016, when this report found that the average weighting was 21% on such goals). Other observations regarding the weighting within annual incentive plans for proxy-disclosed BUOs include:

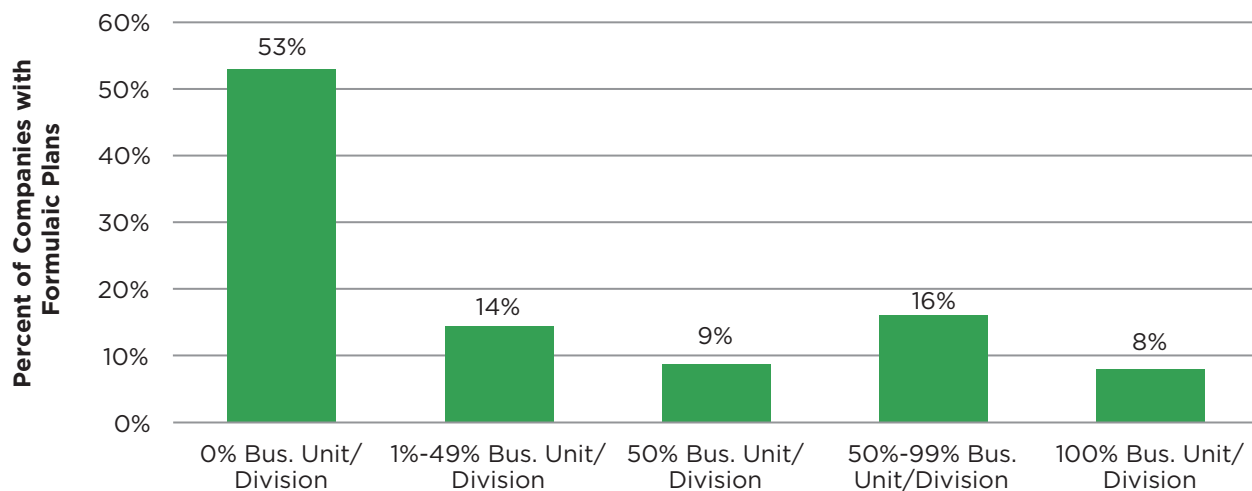
- Fifty-three percent of companies with BUOs base annual incentive payouts entirely on corporate performance, while only 8% of companies base BUO payouts entirely on business unit/division performance.
- Of the remaining 39% of companies utilizing a mix of corporate and business unit/division performance, corporate and business unit/division performance are approximately equally weighted, as the average mix is 48% corporate goals and 52% business unit/division goals.
- Companies may also use the individual performance component of the annual incentive plan to address business unit/division performance for BUOs rather than assigning a weighting to specific business unit/division goals.

**Average BUO Weighting**



**BUO Goal Weighting Prevalence**

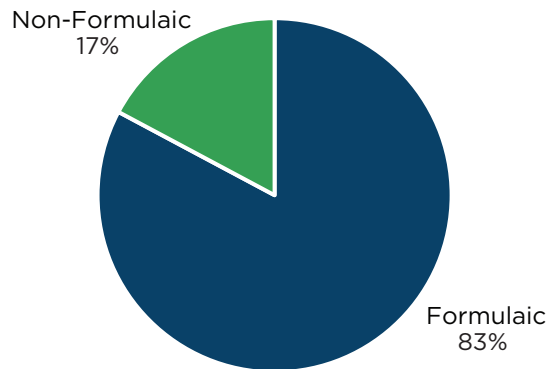
(Among Companies with a Proxy-Disclosed BUO)



# NON-FORMULAIC ANNUAL INCENTIVE PLANS

The majority of companies (83%) disclose use of a formulaic annual incentive plan design with pre-defined metrics and metric weightings. The remaining 17% disclose non-formulaic plans, which for purposes of this report include any plans without pre-defined metrics and metric weightings (e.g., completely discretionary bonus determinations, scorecards without assigned metric weightings or a determinative payout formula disclosed, or other plans with limited disclosure surrounding plan mechanics). Although payouts are not calculated formulaically and instead are determined by the Committee's evaluation of performance, many of these plans consider company financial performance as the main factor when determining payouts so as to avoid disconnects between pay and performance that could draw outside criticism from proxy advisory firms, shareholders, and others. Discretionary annual incentive plans are most prevalent in the Financials sector (53% prevalence), followed next by the Real Estate Sector (27% prevalence); non-formulaic annual incentive plans are uncommon in other sectors (i.e., below 20% prevalence).

**Prevalence of Formulaic vs. Non-Formulaic Plans**

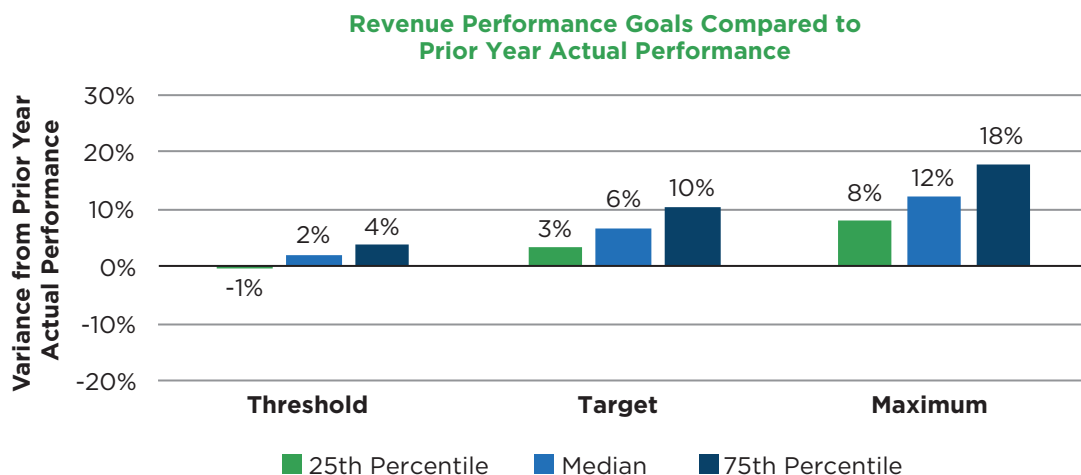
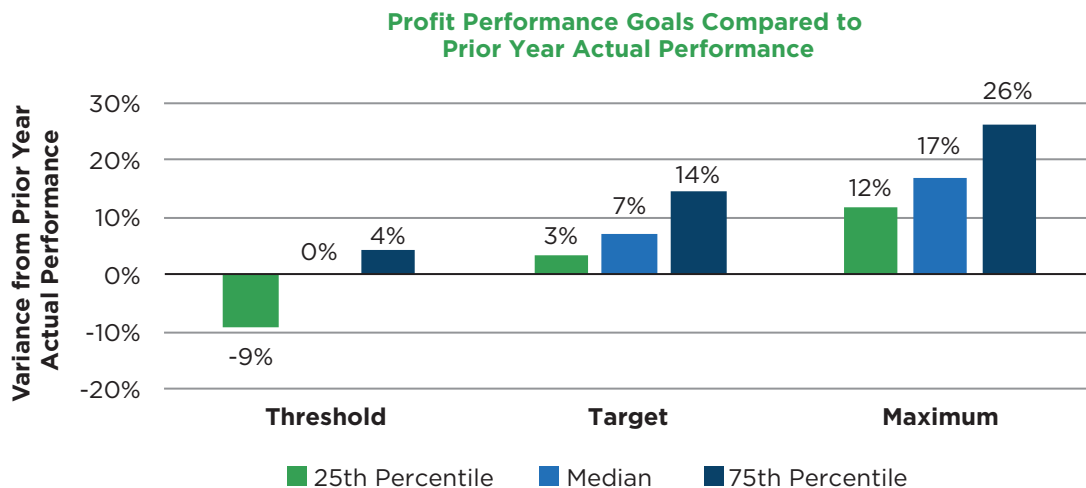


# ANNUAL INCENTIVE PLAN GOAL-SETTING

## Goal-Setting Relative to Prior Year Performance

The rigor of goal-setting is an increasing area of focus among companies, driven by heightened scrutiny from proxy advisory firms and informed investors. In light of executive pay levels that are continuing to rise and above-target annual incentive payouts, there is pressure for companies to set more challenging performance goals to strongly emphasize the alignment between pay and performance. This report covers annual incentive plan goal-setting for profit and revenue metrics as these are the most commonly used financial measures among the Top 250 companies. Notable findings related to goal-setting among Top 250 companies using profitability or revenue goals in formulaic annual incentive programs are as follows:

- At the median, companies using profitability goals set the threshold performance goal equal to prior year actual performance, with the target performance goal set 7% above prior year actual performance and the maximum performance goal set 17% above prior year actual performance.
- For companies using revenue goals, the median threshold, target, and maximum performance goals are 2%, 6%, and 12% above prior year actual performance, respectively.



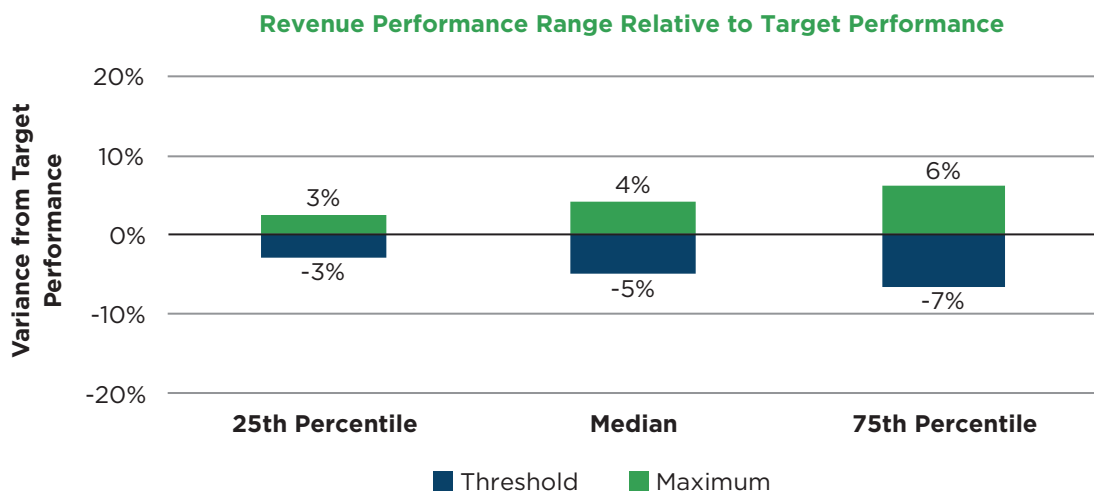
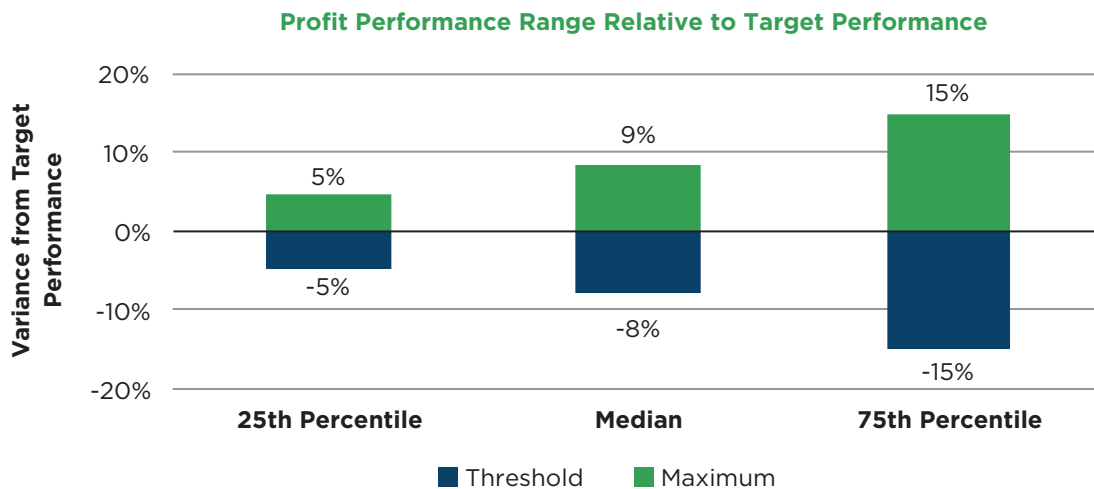
- Only 14% of companies using profitability measures and 8% of companies using revenue measures disclosed setting their target goals below prior year actual performance. These companies risk criticism from proxy advisory firms and institutional investors, particularly when above-target bonuses are earned for performance that has declined year-over-year, presenting challenges for companies in cyclical industries or in turnaround situations.

# ANNUAL INCENTIVE PLAN GOAL-SETTING

## Performance Ranges

Another goal-setting consideration is the width of the performance range, which represents the threshold level of performance at which some portion of bonus is paid and the maximum level of performance at which the maximum possible bonus is paid. Performance ranges are generally tied to the confidence a company has in its ability to achieve its forecasted results (i.e., the less certainty a company has about the accuracy of its forecast, the wider its performance range should be, and vice-versa). Observations on performance ranges among the Top 250 companies are as follows:

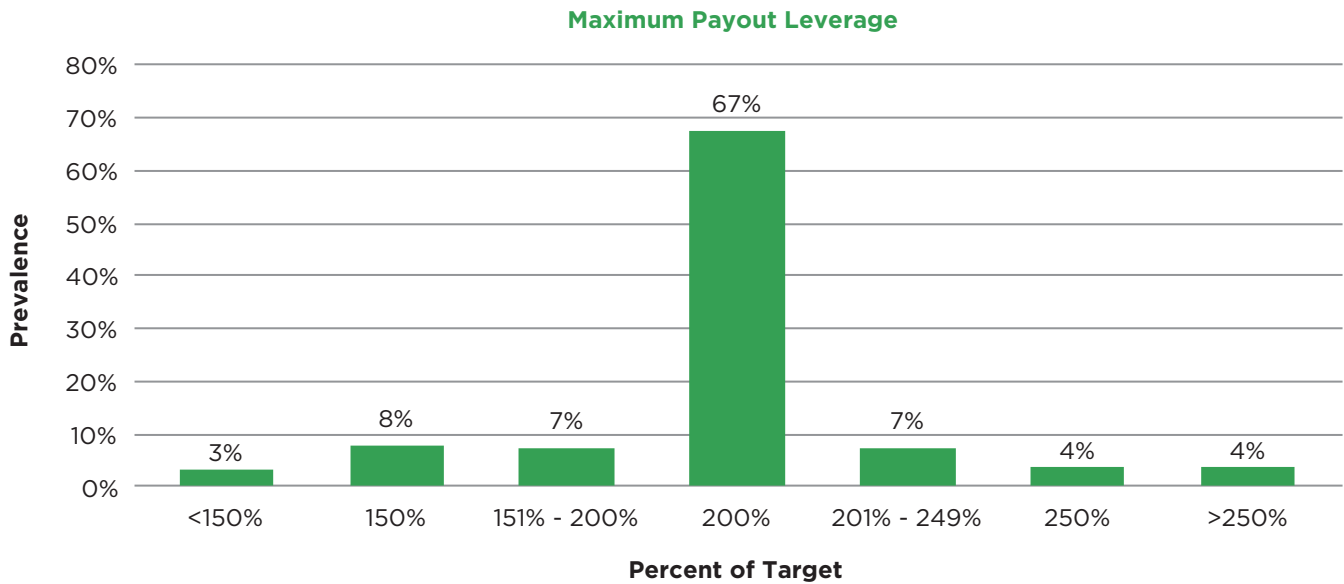
- Companies using profit measures utilize a wider performance range than companies using revenue measures because revenue is typically less challenging to forecast than profitability, and therefore the range of likely outcomes is narrower.
- At the median, the threshold to maximum performance range is 8% below target to 9% above target for profit measures and 5% below target to 4% above target for revenue.



# ANNUAL INCENTIVE PLAN PAYOUTS

## Annual Incentive Payout Leverage (Maximum Payout Opportunity)

The most prevalent maximum payout opportunity is 200% of target (found at 67% of companies that disclose a maximum payout). It is slightly more common to have a maximum payout of less than 200% of target (18% prevalence) compared to greater than 200% of target (15% prevalence). Similar to long-term incentive maximums, annual incentive maximums have converged around 200%, which allows for a reasonable balance between providing sufficient upside leverage for participants without being viewed as encouraging excessive risk-taking and also reflects the level at which companies are generally insulated from criticism by proxy advisors and institutional investors.





# ANNUAL INCENTIVE PLAN PAYOUTS

## Actual 2018 Annual Incentive Payouts

Operationally, 2018 was a strong year for Top 250 companies. At the median, among companies using profit or revenue measures in annual incentive plans, actual profit performance exceeded target by 2.4%, and actual revenue performance exceeded target by 1.1%. As a result of these and other company- and individual-specific factors, the median CEO annual incentive payout among Top 250 companies was 128% of target. Additional observations on annual incentive payouts to Top 250 CEOs in the latest reported year (generally 2018) are as follows:

- Annual incentive payouts are up slightly from the last time this report was conducted in 2016 (generally for 2015 performance), when CEO annual incentive payouts were 120% of target at the median, with 25th and 75th percentile payouts of 95% and 154% of target, respectively.
- The sectors with the highest median CEO annual incentive payouts in 2018 were Energy (156% of target) and Health Care (145% of target). The only sector with a median CEO payout below target was Consumer Staples (92% of target).
- Only 5% of companies paid out CEO bonuses at the maximum opportunity (commonly 200% of target), while just 1% of companies did not pay any bonus to the CEO (excludes companies where the CEO does not participate in the annual incentive program).

Summary Statistics	CEO Actual Bonus as a Percent of Target Bonus
75th Percentile	160%
Median	128%
25th Percentile	100%

- Companies using individual performance as a discrete metric in the annual incentive plan commonly paid out the individual performance portion for the CEO at a higher percentage than the overall bonus payout (i.e., individual performance served as an uplift to payouts based on financial and/or strategic metrics). The individual performance portion of the annual incentive is generally the area where committees have the greatest ability to exercise discretion to recognize factors that may not immediately contribute to financial performance. Proxy advisory firms and many institutional investors prefer that committees use limited discretion in annual incentive plans and instead hold executives accountable for performance against pre-determined, measurable goals.

Summary Statistics	CEO Individual Metric Payout Relative to Overall Payout
75th Percentile	26% above overall payout
Median	6% above overall payout
25th Percentile	10% below overall payout

- Among companies with non-formulaic plans that disclose a CEO target bonus percentage, there was no material difference between CEO actual bonus payouts as a percent of target compared to companies with formulaic plans.

# APPENDIX – COMPANIES INCLUDED IN THE 2019 ANNUAL INCENTIVE PLAN REPORT

## Communication Services

(6 Companies)

AT&T Inc.  
Charter Communications, Inc.  
Comcast Corporation  
Facebook, Inc.  
The Walt Disney Company  
Verizon Communications Inc.

## Consumer Discretionary

(24 Companies)

AutoZone, Inc.  
Booking Holdings Inc.  
Carnival Corporation  
Chipotle Mexican Grill, Inc.  
Dollar General Corporation  
Dollar Tree, Inc.  
eBay Inc.  
Ford Motor Company  
General Motors Company  
Hilton Worldwide Holdings Inc.  
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.  
Ulta Beauty, Inc.  
V.F. Corporation  
YUM! Brands, Inc.

## Consumer Staples

(25 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 Clorox Company  
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

(15 Companies)

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

## Financials

(34 Companies)

Aflac Incorporated  
American Express Company  
American International Group, Inc.  
Bank of America Corporation  
BB&T Corporation  
BlackRock, Inc.  
Capital One Financial Corporation  
Citigroup Inc.  
CME Group Inc.  
Discover Financial Services  
Fifth Third Bancorp  
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  
SunTrust Banks, Inc.  
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.  
U.S. Bancorp  
Wells Fargo & Company

# APPENDIX – COMPANIES INCLUDED IN THE 2019 ANNUAL INCENTIVE PLAN REPORT

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## 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  
Celgene Corporation  
Centene 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  
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.  
Lockheed Martin Corporation  
Norfolk Southern Corporation  
Northrop Grumman Corporation  
PACCAR Inc  
Parker-Hannifin Corporation  
Raytheon Company  
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 Airline Holdings, Inc.  
United Parcel Service, Inc.  
United Technologies Corporation  
Verisk Analytics, Inc.  
Waste Management, Inc.

## Information Technology

(38 Companies)

Adobe Inc.  
Advanced Micro Devices, Inc.  
Amphenol Corporation  
Analog Devices, Inc.  
Apple Inc.  
Applied Materials, Inc.  
Arista Networks, 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.  
Hewlett Packard Enterprise Company  
HP Inc.  
Intel Corporation  
International Business Machines Corporation  
Intuit Inc.  
Lam Research Corporation  
Mastercard Incorporated  
Micron Technology, Inc.  
Microsoft Corporation  
Motorola Solutions, Inc.  
NVIDIA Corporation  
Oracle Corporation  
Paychex, Inc.  
PayPal Holdings, Inc.  
QUALCOMM Incorporated  
Red Hat, Inc.  
salesforce.com, inc.  
Texas Instruments Incorporated  
VeriSign, Inc.  
Visa Inc.  
Xilinx, Inc.

# APPENDIX – COMPANIES INCLUDED IN THE 2019 ANNUAL INCENTIVE PLAN REPORT

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## Materials

*(7 Companies)*

Air Products and Chemicals, Inc.  
Ball Corporation  
DowDuPont Inc.  
Ecolab Inc.  
Newmont Mining Corporation  
PPG Industries, Inc.  
The Sherwin-Williams Company.

## Real Estate

*(15 Companies)*

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

## Utilities

*(16 Companies)*

American Electric Power  
Company, Inc.  
Consolidated Edison, Inc.  
Dominion Energy, Inc.  
DTE Energy Company  
Duke Energy Corporation  
Edison International  
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.

# COMPANY PROFILE

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**FW Cook** is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, our firm has served more than 3,000 companies of divergent size and business focus from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston and Boston. We currently serve as the independent advisor to the compensation committees at a substantial number of the most prominent companies in the U.S.

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