

## GS SUSTAIN ESG Series

## What are your CEOs solving for? 2019 S&amp;P 500 Management Incentives Guide

**A desktop guide to incentive pay drivers**

As a resource for investors, we present the key performance indicators (KPIs) driving incentive compensation — now the bulk of CEO pay (56%) — across the S&P 500. We highlight notable year-over-year changes as potential indications of shifting management focus.

**Is the pursuit of growth via incentives cause for concern?**

In the wake of strong growth factor performance in recent years, we observe an increase in growth-oriented incentives (e.g., FL, K, M, ZBH). Each situation is unique, but our study suggests that top-line-oriented incentives have commonly been linked with future earnings and stock underperformance.

**ESG incentives continue to rise**

We continue to see growing ESG inclusion in incentive plans, including 38% of short-term incentive plans (STIPs), up 2pp from last year, and 12 companies including ESG in long-term incentive plans (LTIPs), up from 9 last year. Notable additions came from RCL and OXY in STIPs and AMG, SIVB and SO in LTIPs.

**Is it better to break the mold? The answers are mixed**

In our view, the rise of performance-linked pay plans in the US since the GFC has been accompanied by a rise in herd behavior: LTIPs make up the largest single component of CEO pay and growing (now 35%); LTIP KPIs look increasingly similar (64% include TSR) and tend to conform in performance horizon (71% based on 3-year periods); and annual variance in total target pay is on the decline.

**4 mold-breaking behaviors we assess in this report:**

- 1. Companies without LTIPs** have not kept pace with peers since 2012 if we exclude the standout historical performance of FANGs from the cohort.
- 2. Options** use is declining, but has been linked with stronger stock performance than equity grants and cash since 2010 (e.g., CMG, FDX, REGN, TDG, UAA).
- 3. Non-overlapping LTIP performance periods** are rare and harder to test, with mixed results from less frequent, lumpier grants (e.g., CHTR, KMI, ORCL).
- 4. Long performance periods** are similarly uncommon, also with mixed returns (e.g., LB, MSFT, NKTR).

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## GS SUSTAIN Management Incentives Bookshelf

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[Euro STOXX 600 Management Incentives Guide](#) (September 12, 2019)

[Japan Governance Radar: Improving performance through effective compensation](#) (June 6, 2019)

[What are your CEOs solving for? 2018-19 mid-year update](#) (January 16, 2019)

[ESG in the Compensation Conversation](#) (October 21, 2018)

[Australian remuneration practices and our governance framework](#) (July 9, 2018)

[What are your CEOs solving for? 2018 S&P 500 Management Incentives Guide](#) (July 1, 2018)

[E&P Rx update: Favorable incentives for shale discipline emerge](#) (May 16, 2018)

[Management Incentives: TSR on trial and the power of focus](#) (October 12, 2017)

[E&P Rx 2017: What's needed to attract and retain through-the-cycle investors](#) (October 2, 2017)

[What are your CEOs solving for? 2017 S&P 500 Management Incentives Guide](#) (September 19, 2017)

[Do ESG incentives deliver the green?](#) (January 17, 2017)

[Management Incentives: 3 questions worth answering](#) (November 15, 2016)

[What are your CEOs solving for? 2016 S&P 500 Management Incentives Guide](#) (July 11, 2016)

[ANZ management incentives: It's not quite as simple as TSR versus profitability](#) (May 17, 2016)

[Resources remuneration – aligning incentives for full-cycle value creation](#) (September 10, 2015)

*The authors would like to thank Brendan Corbett for his contribution to this report.*

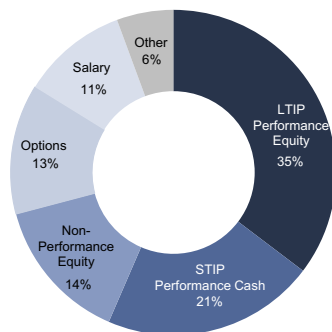
# Who's breaking the mold?

**In this year's edition, we attempt to take a step back from the individual trees of incentive KPIs to think bigger picture about the forest — are today's metric-driven compensation plans the best way to motivate managers and optimize performance?**

The combination of long-term and short-term incentive plans based on pre-specified performance conditions now makes up 56% of S&P 500 CEO pay, up from 54% last year. Prior editions of this report have focused primarily on the KPIs embedded in the performance-based payouts that are increasingly dominant in US executive compensation — in recent years our analysis has included back-testing historically 'best' metrics, considering whether it's more effective to incentivize stock performance or operational targets, and analyzing nuances of KPI selection, such as whether metrics are employed as 'modifiers'.

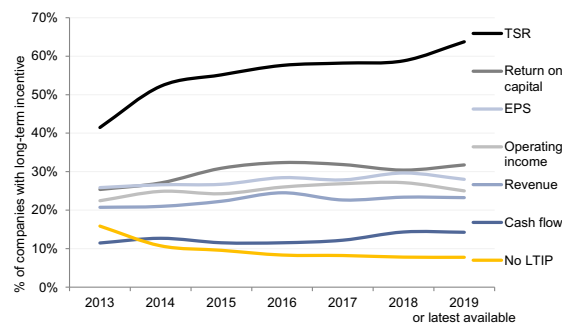
In this report we show some ways in which executive comp in the US is becoming increasingly similar, and we attempt to assess the recent efficacy of a handful of compensation practices that stand out from the pack.

**Exhibit 1: Performance-linked pay represents 56% of CEO compensation**  
Average composition of CEO pay, S&P 500, 2018



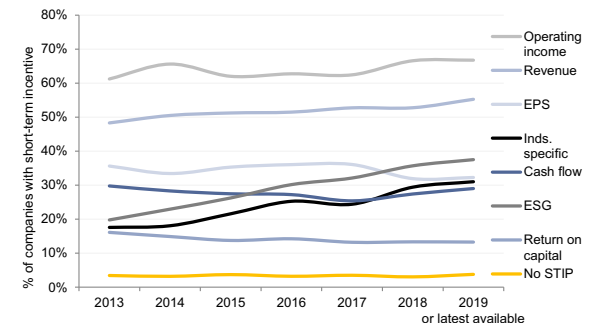
Source: Company data, Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 2: 2019 saw continued growth in TSR inclusion**  
Utilization of common LTIP metrics in S&P 500 ex-Financials and Real Estate by year of proxy publication



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 3: ESG continues to rise among S&P 500 STIPs**  
Utilization of common STIP metrics in S&P 500 ex-Financials and Real Estate by year of proxy publication



Source: Company data, Goldman Sachs Global Investment Research

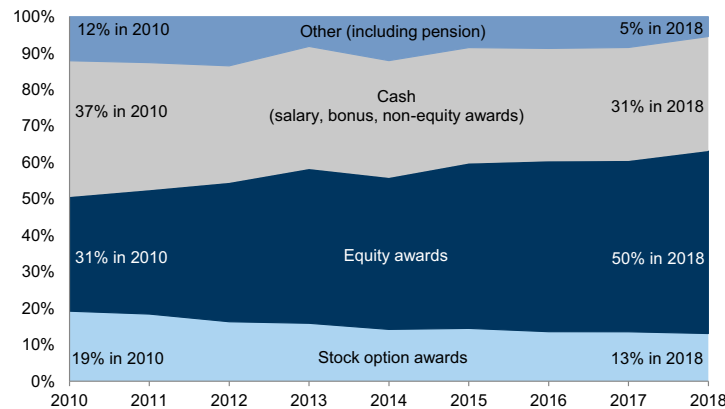
### The composition of pay in the US: Significant shifts under the surface

Executive pay tends to be a mix of elements, including various forms of equity, salary, bonuses and other benefits. The typical makeup of compensation can vary significantly by sector. For example, in Real Estate, target LTIPs average 45% of total CEO pay, more than twice the 21% of Communication Services. Options use by Real Estate companies is among the lowest among GICS-1 sectors, averaging just 3.5%. S&P 500 Healthcare companies issue options equal to a quarter of total comp on average, the highest among GICS-1 sectors, while Utilities offers the greatest mix of other benefits at nearly 11% of total pay (Exhibits 68-69).

A look back at shifts in pay composition shows a couple of clear trends. Longer-vesting (typically 3-years or more) equity awards have ramped dramatically as a proportion of overall CEO pay mix from 31% in 2010 to 50% in 2018 for the average S&P 500 company, in sync with the pay-for-performance push post-financial crisis. This has come at the expense of all other major pay components, including salary, short-term (1-year) performance awards, other perks & benefits, and stock options.

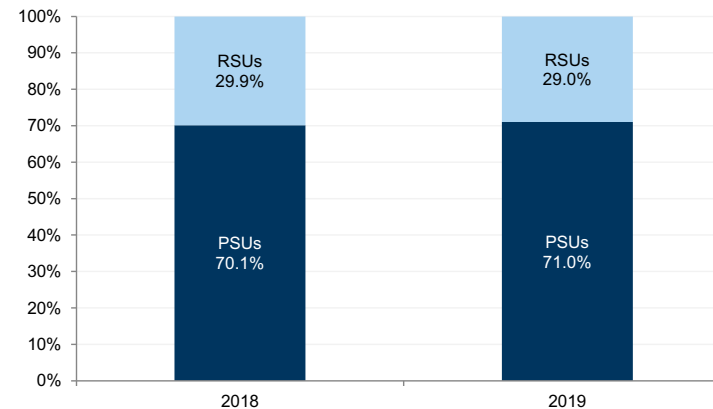
Within the growing equity awards layer, the shift has been definitively toward performance-linked equity (performance share units or PSU/RSUs) and away from time-based stock grants without an articulated performance link (restricted stock unit or RSUs). While historic data on this mix is harder to get, our study finds that companies disclosing their PSU/RSU mix averaged 71%/29% in 2019 compared with 70%/30% in 2018.

**Exhibit 4: Long-term equity awards have ramped in place of other forms compensation**  
Average mix of total CEO compensation by fiscal years, S&P 500



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 5: Performance-based stock units dominate long-term equity grants in the US**  
Average PSU/RSU equity mix, S&P 500



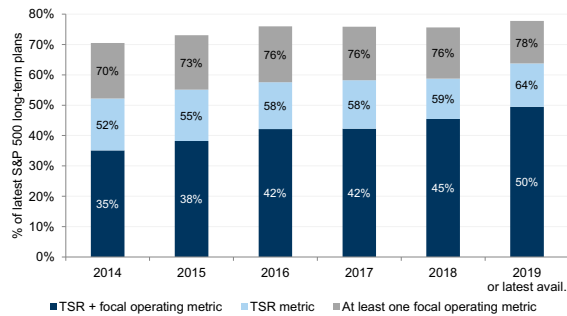
Source: Company data, Goldman Sachs Global Investment Research

### Herd behavior?

In the US, the increasingly dominant performance-linked portion of most compensation programs today look broadly similar:

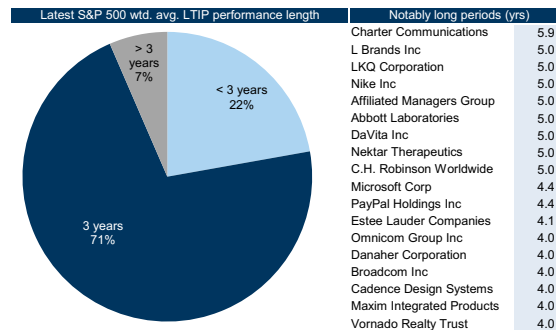
- 92% of the S&P 500 have performance-based LTIPs driven by specific KPIs, which make up the largest single component of CEO pay on average (Exhibit 2).
- 64% of S&P 500 LTIPs include TSR and 78% include at least one focal operating metric.
- 71% of PRSU performance periods are 3-years in length, almost always overlapping such that a new 'long-term' performance period is kicked off each year (Exhibit 7).
- Perhaps as a result, the volatility of target pay (the expected value of total pay if baseline targets are met) has been falling. The median S&P 500 company changed target CEO pay by 17% in 2018, down from 23% in 2014 (Exhibit 8).

**Exhibit 6: Most LTIPs feature some combination of TSR and operating metrics...**  
LTIP KPI structure, S&P 500 ex. Financials and Real Estate



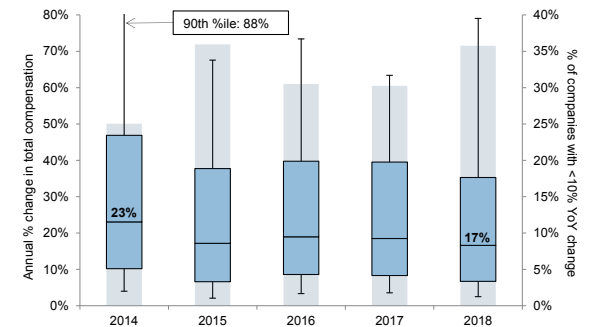
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 7: ...and have performance periods 3 years in length**  
Weighted average LTIP performance periods (including RSUs), S&P 500



Source: Bloomberg

**Exhibit 8: CEO compensation is showing less variance**  
Annual ch, total target CEO comp, S&P 500 (markers for 90/75/50/25, and 10th %iles - LHS); % with <10% YoY ch (RHS)



Source: Bloomberg, Goldman Sachs Global Investment Research

### Does it pay to stick with the herd in compensation?

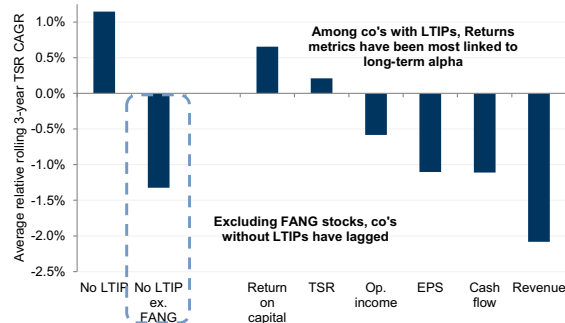
Performance-linked pay has been endorsed by proxy advisors and governance advocates as a way to increase shareholder alignment and accountability vs. stock that vests solely with the passage of time. Meanwhile, options have fallen out of favor in many instances due to a perception that they can potentially distort incentives. Are these moves in the best interests of shareholders? We address a handful of mold-breaking approaches in turn, starting with companies that do not employ performance-linked LTIPs at all.

Just under 10% of S&P 500 companies do not include LTIPs (defined as long-term stock grants tied to specific performance factors) in their compensation plans. If we treat “no LTIP” as a KPI in our back-testing work, it has outperformed every other commonly used LTIP metric on average since 2012 (Exhibit 9). However, this cohort includes four ‘FANG’ stocks (Facebook, Amazon, Netflix, Google); excluding these high-growth and generally founder-led champions with uniquely large equity stakes, the no-LTIP group has lagged over the same period.

In last year’s edition of [this report](#), we profiled Amazon, which argued against incentives tied to a limited set of discrete financial or operational performance measures amidst fast changing market opportunities. That said, S&P 500 companies with no-LTIPs are not all high-growth or tech-oriented. Examples include Autozone, Church & Dwight, Fastenal, Kraft Heinz, Helmerich & Payne and Nordstrom (see Exhibit 70 in Appendix 1 for a complete list). The mix of long-term compensation for these companies averages about 60% options / 40% RSUs.

#### Exhibit 9: Excluding FANG stocks, companies without LTIPs underperformed over our period of study

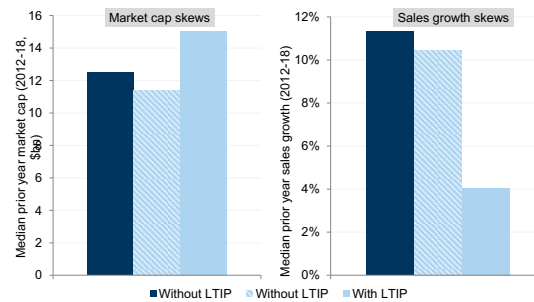
GICS 2 sector-relative TSR CAGR of companies with vs. without each metric, rolling 3-yr periods (2012-18), S&P 500 ex. Financials and Real Estate



Source: Company data, FactSet, Goldman Sachs Global Investment Research

#### Exhibit 10: Companies without LTIPs have been faster growing than peers...

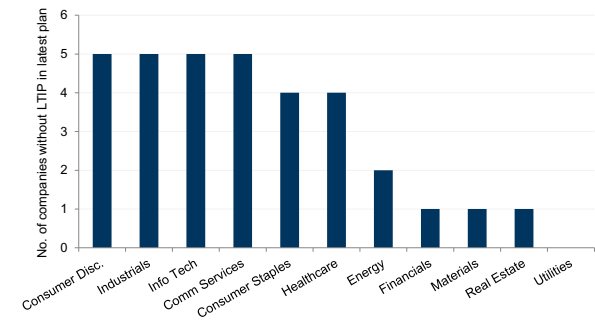
Median prior year market cap and absolute sales growth (2012-18), ex. Financials and Real Estate



Source: FactSet, Goldman Sachs Global Investment Research

#### Exhibit 11: ...though they are not all founder-led tech co's

Number of companies without LTIPs by GICS-1 sector, S&P 500



Source: Company data, Goldman Sachs Global Investment Research

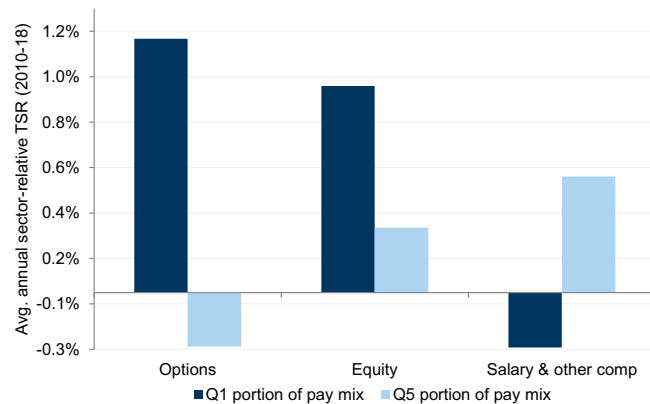
### Stock vs. options vs. cash

In Exhibit 12, we test the historical stock performance related to different *elements* of pay — including equity grants, options and cash — focusing on the post-GFC period in which performance-linked pay plans have broadly advanced. We include benefits and perks as aggregate cash compensation, and we exclude short-term (1-year) performance-linked pay as robust STIP payouts are generally tied to strong years of performance, which would skew the results.

Companies with a higher mix of equity-based compensation in each year have outperformed since 2010. This relationship has been more pronounced for stock options, comparing companies with high vs. low options use at the CEO level. Conversely, companies with the highest proportion of cash pay (including perks & benefits) have tended to underperform. While high-options companies do tend to be growthier, the difference between cohorts is not dramatic. Companies with higher mixes of cash pay have been slower growing, but not necessarily larger (Exhibit 13). See Exhibit 71 in Appendix 1 for a list of top options payers.

#### Exhibit 12: Options have shown a stronger alpha link than equity grants and cash

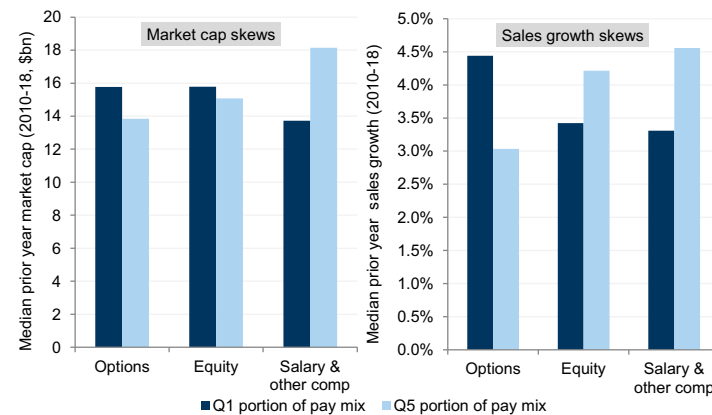
Average annual GICS 2-relative TSR of S&P 500 companies based on pay mix in sector, excl. non-equity incentives and bonuses, 2010-18



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

#### Exhibit 13: High options payers have been faster growers, but not dramatically

Median prior year market cap and absolute sales growth for rolling cohort constituents (2010-18)



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research



### Is there a case for non-overlapping performance periods?

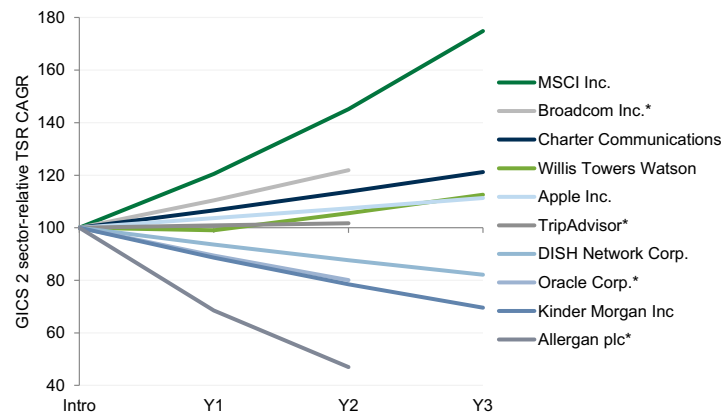
The overwhelming majority of S&P 500 companies construct long-term incentive plans that are “rolling,” meaning that each year a new 3-year performance period begins. Thus, at any given time there are three unique plans in effect, typically based on the same metrics, perhaps raising a question as to how long-term in nature they truly are.

Using a simple screen looking for large single-year grants followed by little or no stock comp in subsequent years, we identified only 12 companies in the S&P 500 that currently appear to be employing non-overlapping performance periods. Though we believe that non-overlapping periods have the potential to create stronger shareholder alignment, our historical analysis found mixed stock performance among our sample group (Exhibit 14).

### How about longer performance periods?

Companies with LTIP performance periods longer than three years are also rare — only 7% of the S&P 500 (Exhibit 7). Of this group, only 12 companies have weighted average performance periods greater than four years, unchanged from last year. While one could argue that longer incentive periods signal a focus on longer-term value creation, here again our data showing a stock performance link is probably too limited to be conclusive (Exhibit 15).

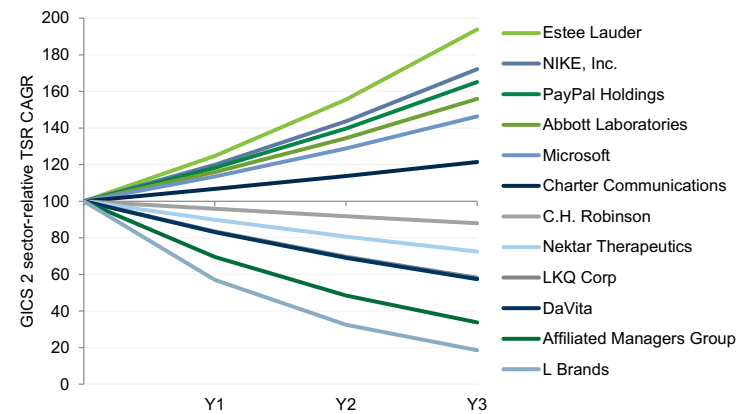
**Exhibit 14: Returns have varied for companies that introduced non-rolling incentive plans**  
 GICS 2 sector-relative TSR CAGR for three calendar years following the introduction of non-rolling LTIPs (2010-18), current S&P 500 constituents (\*plan introduced within most recent three-year period)



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

**Exhibit 15: Sector-relative performance has also varied for companies with long performance periods**

Current S&P 500 constituents with performance periods longer than four years; trailing 3-year GICS 2 relative TSR CAGR



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

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# Do you get what you pay for? Surveying latest KPI changes

## What changes did we see in 2019?

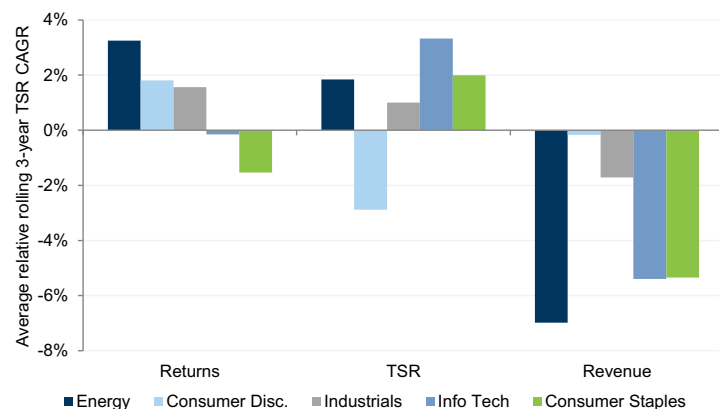
The standout changes we observed across 2019 compensation disclosures in the US were the following:

- Further shift toward long-term equity and performance shares (Exhibit 4)
- Continued rise of TSR in LTIPs (including modifiers) to 64% up from 59% in 2018 (Exhibit 2)
- Continued rise of ESG in STIPs to 38% from 36%, and 12 companies with ESG in LTIPs, up from 9 in 2018 (Exhibit 3)
- More common articulation of rationale for selected incentive KPIs

As we highlight in Exhibit 9, our work favors returns on capital, followed by TSR, in terms of KPIs best linked to stock performance. Revenue-based metrics remain the standout laggard — particularly remarkable given the strong performance of the growth factor in the US in recent years. In 2019 proxies we saw several sectors — including Consumer Discretionary, Staples and Healthcare — increase top-line focus through LTIP and/or STIP changes. This is cause for further inquiry, in our view, given that companies with revenue-based LTIPs have tended to lag peers on subsequent earnings growth and stock performance in our backtesting work (see Exhibit 72 in Appendix 1).

**Exhibit 16: Those with returns-links generally outperform, while revenue metrics are tied to underperformance**

GICS 2 sector-relative TSR backtest for select sectors and metrics



Source: Company data, FactSet, Goldman Sachs Global Investment Research

**Exhibit 17: Companies that added Revenue KPIs in latest incentive plans**

New revenue metric detail, S&P 500

LTIP Revenue additions	STIP Revenue additions
Foot Locker (FL)	TripAdvisor (TRIP)
Macy's (M)	HOG (HOG)
Kellogg Co. (K)	Macy's (M)
Teleflex Inc. (TFX)	Newell Brands (NWL)
Zimmer Biomet (ZBH)	Mondelez (MDLZ)
	Schlumberger (SLB)
	Brighthouse (BHF)
	ABIOMED (ABMD)
	Anthem (ANTM)
	Cerner (CERN)
	Danaher (DHR)
	Caterpillar (CAT)
	Pentair (PNR)

Source: Company data

### How to use this guide: Insights on management focus & alignment

In Appendix 2, we lay out the KPIs driving LTIPs and STIPs for each member of the S&P 500 organized by industry, as disclosed in the latest proxy filings. In our “Sector Summary” section, we highlight notable changes in incentive plan metrics company by company and across the group as possible indications of shifting management focus and strategy. In Exhibit 19, we present a summary of the latest long-term incentive plan changes.

### A word on data & analysis

We used June 30 as our proxy collection cut-off for purposes of the analysis in this report, and the incentive data herein generally pertains to company CEOs only. We make best efforts to capture KPI data where it is disclosed and metrics are easily identifiable, but recognize that additional sources and detail may exist.

For purposes of our analysis, we group similar metrics together, as set forth below. While we have found notable correlations between certain LTIP drivers and company/stock performance, we recognize that a myriad of factors influence stock performance, and our backtest periods are relatively short (6-8 years). We therefore test across a broad range of outcomes, including operating and capital allocation, which we would expect to correlate with stock performance over longer time horizons. Our backtesting is relative to GICS-2 sector peers, using sector averages for TSR tests and medians for operating and capital allocation backtests to protect against significant outliers skewing the data. See Exhibit 72 in Appendix 1 for our puzzle chart, which summarizes our backtesting work for the S&P 500.

**Exhibit 18: Metric categorizations used in summary exhibits**

Return on capital	TSR	EPS	Revenue	Operating income	Cash flow	Industry specific	ESG
ROC; ROA; RONA; ROACE; ROIC; ROE; ROCE; ROACE growth; Clean ROACE; Economic value added; Cash value added; Economic profit; ROTCE; CROIC	Total shareholder return; Relative TSR; TSR modifier; Stock performance	EPS; Adjusted EPS; EPS growth, OI per share, Funds from operations (FFO)	Revenue; Sales; Product sales; Segment sales; Net product sales; Revenue generation; Revenue growth; Sales growth; Return to growth; Bookings; Production; Reserves; Production volume; Market share	OI; NI; EBIT; EBITDA; EBITA; EBT; Earnings; OI after tax; OI margin growth; Earnings comparable; Underlying profit; Operating EBITDA; Profit; Core earnings; Trading profit; Corporate net result; OIBDA	FCF; OCF; CF per share; Adjusted FCF; Net CF; FOCF; Cash conversion	Customer satisfaction; Customer loyalty; Customer reviews; Product objectives; Product quality; Product development pipeline; New product spend; Product R&D; Development objectives; Product launches	Safety; Environmental performance; Social performance; Diversity; Employee engagement; Workforce diversity; Regulatory compliance; Sustainability initiatives

Source: Goldman Sachs Global Investment Research

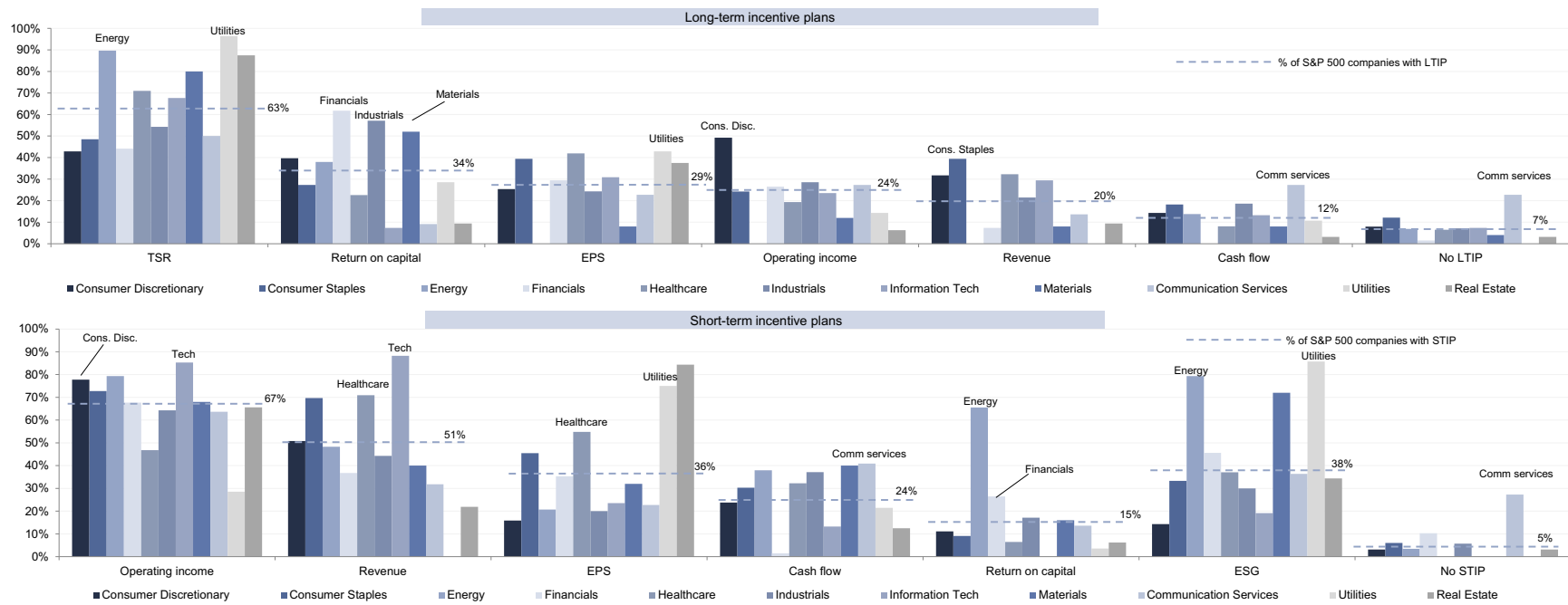
**Exhibit 19: Summary of notable 2019 LTIP changes by sector, both additions and removals**

Additions		Return on Capital	Operating Income	TSR	EPS	Revenue	Cash flow	ESG	New LTIP Plans in 2019
ADDED LTIP METRICS	Communication Services		Century Link Inc	TripAdvisor*	Viacom Inc				TripAdvisor
	Consumer Discretionary	Ford Motor Company	Harley-Davidson Inc Foot Locker Inc Marriott International Inc	Starbucks Corporation		Foot Locker Inc Macy's Inc	Newell Brands Inc		
	Consumer Staples				Mondelez International Inc	Kellogg Company			
	Energy	Apache Corporation		Schlumberger NV					
	Financials	American International Group Huntington Bancshares	State Street Corporation	American Express Company Invesco Ltd Synchrony Financial Wells Fargo & Company Willis Towers Watson	American International Group Cboe Global Markets Inc Capital One Financial Zions Bancorporation			Affiliated Managers Group SVB Financial Group	
	Health Care	Danaher Corporation	Cerner Corporation*	Teleflex Incorporated*	Biogen Inc Cigna Corporation Teleflex Incorporated*	Teleflex Incorporated* Zimmer Biomet Holdings Inc	Mylan N.V		Cerner Corporation Teleflex Incorporated
	Industrials	AMETEK Inc* Fortive Corp	Cummins Inc	AMETEK Inc* General Dynamics Corp Robert Half International Inc	Fortive Corp Nielsen Holdings Plc		CSX Corporation Fortive Corp		AMETEK, Inc
	Information Technology		Skyworks Solutions Inc	Applied Materials Inc Global Payments Inc PayPal Holdings Inc	Advanced Micro Devices Inc Juniper Networks Inc				
	Materials			Packaging Corp of America			FMC Corporation		
	Real Estate								
Utilities								Southern Company	
Removals		Return on Capital	Operating Income	TSR	EPS	Revenue	Cash flow	ESG	
REMOVED LTIP METRICS	Communication Services		Activision Blizzard Inc.	CenturyLink Inc		CenturyLink Inc			
	Consumer Discretionary	Starbucks Corporation	Macy's Inc	V.F. Corporation		Ford Motor Company Under Armour Inc	Ford Motor Company V.F. Corporation		
	Consumer Staples	Mondelez International Inc	Kellogg Company						
	Energy						Apache Corporation	ConocoPhillips	
	Financials	Jefferies Financial Group SVB Financial Group	CME Group Inc SVB Financial Group Zions Bancorporation	American International Group Huntington Bancshares Inc	American Express Company	American Express Company			Nasdaq, Inc.
	Health Care		Cigna Corporation					McKesson Corporation	
	Industrials	CSX Corporation	Fortive Corp		Robert Half International Inc	W.W. Grainger Inc	Nielsen Holdings Plc		
	Information Technology		Juniper Networks Inc				Skyworks Solutions Inc		
	Materials	Int'l Flavors & Fragrances							
	Utilities				Ameren Corporation Southern Company				
Real Estate						Public Storage		Welltower, Inc.	

\*Denotes company initiated new LTIP in 2019

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 20: Frequency of select incentive plan KPIs by GICS-1 industry, S&P 500



Source: Company data, Goldman Sachs Global Investment Research

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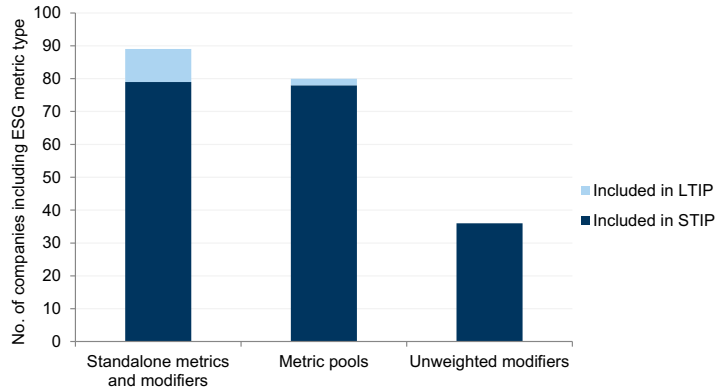
## ESG continues to enter the compensation conversation

S&P 500 boards continue to sharpen their focus on ESG issues, with 38% of companies now including ESG considerations in CEO pay plans, up from 36% last year. Numerous companies made noteworthy standalone metric additions to short-term plans, which we find hold management most accountable by identifying a clear link to compensation. Royal Caribbean added an employee engagement metric to its short-term plan to complement existing ESG metrics, while Occidental Petroleum added a sustainability metric to complement its existing safety and environmental metrics.

This year also included a number of companies adding standalone ESG metrics to long-term plans. While ESG is still predominantly found in short-term plans, the LTIP additions offer a strong signal of materiality, in our view. Affiliated Managers added ESG initiatives to the strategic activities portion of its LTIP, in addition to adding a formal weighting to ESG activities in its short-term plan. Silicon Valley Bank added employee enablement at a 12.5% weight, while Southern Company added both a quantitative GHG emissions reduction goal and a qualitative emissions reduction modifier.

**Exhibit 21: Standalone ESG metrics remain most common among S&P 500 companies**

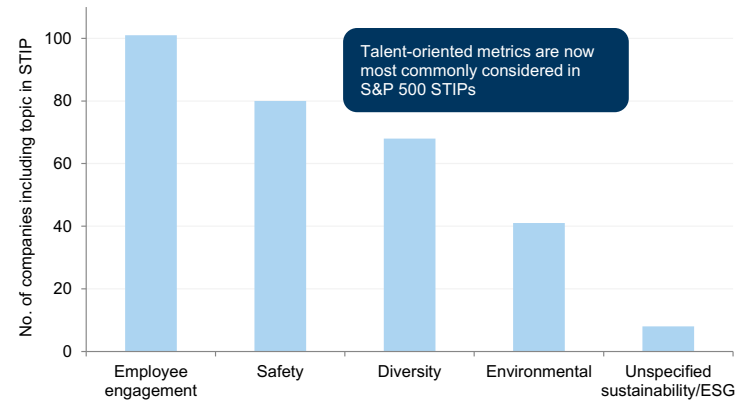
No. of companies including different metric types in latest incentive plans



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 22: Talent-oriented topics are most common ESG factors considered in S&P 500 short-term plans**

Number of S&P 500 companies considering ESG topic in latest short-term incentive plan



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 23: ESG incentives changes in latest proxies**

Sorted by GICS 1 industry; see sector sections for full company metric-by-metric change detail.

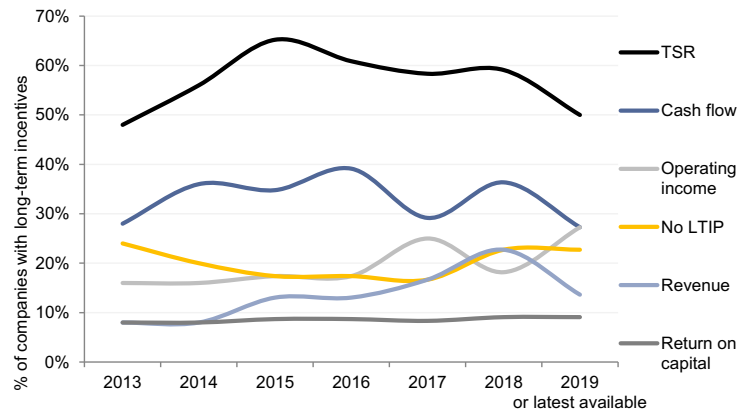
Comm Services	<b>Viacom Inc. Class B, VIAB, \$26.54 (Drew Borst, Not Rated)</b>	Financials (cont.)	<b>Zions Bancorporation, N.A., ZION, \$43.66 (Ryan M. Nash, CFA, Neutral)</b>
	STIP Added Diversity & Inclusion to performance objectives.		STIP Established formal incentive award targets, which include Talent Management among numerous other metrics.
Consumer Disc.	<b>Royal Caribbean Cruises Ltd., RCL, \$113.75 (Stephen Grambling, CFA, Neutral)</b>	Healthcare	<b>Abbott Laboratories, ABT, \$83.21</b>
	STIP Added employee engagement to KPI portion of STIP at 20% weight (6% of total).		STIP Removed Leadership metric.
Energy	<b>Apache Corporation, APA, \$23.70 (Brian Singer, CFA, Neutral)</b>	Healthcare	<b>Bristol-Myers Squibb Company, BMY, \$48.56 (Terence Flynn, Ph.D., Buy)</b>
	STIP For FY19 added strategic goal related to Diversity and Inclusion.		STIP Related to Celgene acquisition, for FY19 added Human Capital Management among other metrics
	<b>ConocoPhillips, COP, \$56.32 (Neil Mehta, Buy)</b>		<b>Centene Corporation, CNC, \$47.31 (Stephen Tanal, CFA, Not Rated)</b>
	LTIP For FY19 removed Strategic Objectives, which included improving HSE performance among other factors.		STIP Began breaking out components of individual performance metric pool, including People and Talent and Compliance, among other metrics.
Energy	<b>Occidental Petroleum Corporation, OXY, \$46.43 (Brian Singer, CFA, Neutral)</b>	Healthcare	<b>Laboratory Corporation of America Holdings, LH, \$174.12</b>
	STIP For FY19 made Sustainability a standalone metric and increased its weight to 10% of company portion from 3%		STIP Replaced Board Succession and Support Innovation with Executive Succession (15%) and another metric.
Financials	<b>Affiliated Managers Group, Inc., AMG, \$86.38 (Alexander Blostein, CFA, Neutral)</b>	Industrials	<b>Regeneron Pharmaceuticals, Inc., REGN, \$283.72 (Terence Flynn, Ph.D., Buy*)</b>
	LTIP Added standalone ESG initiatives metric.		STIP Added Human Capital Management to comp factors considered.
	STIP Added ESG factors to business portion and individually weighted sub-categories.		<b>Arconic, Inc., ARNC, \$26.71 (Matthew Korn, CFA, Buy)</b>
	<b>BB&amp;T Corporation, BBT, \$51.24 (Ryan M. Nash, CFA, Not Rated)</b>		STIP Removed standalone ESG metrics (safety and diversity).
Financials	STIP Added a qualitative performance metric (20%), which includes cybersecurity, risk and compliance, and diversity, among other metrics.	Materials	<b>Fiserv, Inc., FISV, \$103.69 (James Schneider, Ph.D., Buy)</b>
	<b>Moody's Corporation, MCO, \$211.46 (George K. Tong, CFA, Neutral)</b>		STIP Added Strategic Initiatives as an STIP metric (includes employee engagement and client initiatives).
Financials	STIP Added a Strategic & Operational metric (25%) driven by numerous factors including People and Culture.	Real Estate	<b>Macerich Company, MAC, \$33.66 (Caitlin Burrows, Neutral)</b>
	<b>Nasdaq, Inc., NDAQ, \$98.15 (Alexander Blostein, CFA, Neutral)</b>		STIP Removed Succession Planning.
Financials	STIP Removed Employee Engagement standalone metric.	Real Estate	<b>Welltower, Inc., WELL, \$87.88</b>
	<b>SVB Financial Group, SIVB, \$218.13</b>		LTIP Removed Effectiveness of Mgmt.
Financials	LTIP Replaced Selected Fee Income with Strategic Business Objectives, including employee enablement (12.5%) among other metrics.	Utilities	<b>Southern Company, SO, \$59.19 (Michael Lapidés, Sell)</b>
	<b>Wells Fargo &amp; Company, WFC, \$48.31 (Richard Ramsden, Neutral)</b>		LTIP Added new GHG emissions reduction metric with a 10% weight; removed cumulative EPS (retained TSR ROE and CFO).
	STIP CEO received STIP for first time since 2015, based on numerous factors including Company Performance, Effective Management and Business Performance, Risk Management, Risk Accountability and Leadership.		

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

## Sector Summary: Communication Services

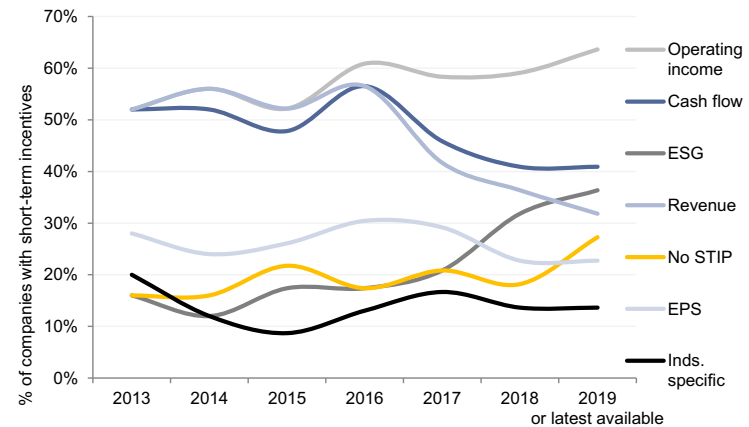
Most significant changes in metric usage were due to changes in sector constituents, including the drop in TSR among LTIPs. However, CenturyLink’s removal of TSR and Revenues from its LTIPs contributed to the moves, as did Viacom’s addition of an ESG metric (Diversity & Inclusion) to its STIP.

**Exhibit 24: Utilization of most common LTIP metrics among S&P 500 Communication Services companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 25: Utilization of most common STIP metrics among S&P 500 Communication Services companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research



**Exhibit 26: Notable changes to 2019 incentive drivers in Communication Services**

Recent changes to plan	
Communication Services	
<b>Activision Blizzard, Inc., ATVI, \$56.03 (Michael Ng, CFA, Buy*)</b>	
LTIP	Removed adjusted operating income (retained relative TSR and adjusted EPS).
<b>AT&amp;T Inc., T, \$37.58 (Brett Feldman, Neutral)</b>	
STIP	Added Net Debt-to-adjusted EBITDA to STIP with a 20% weight for FY19.
<b>CBS Corporation Class B, CBS, \$44.46 (Drew Borst, Not Rated)</b>	
LTIP	Eliminated options (previously 40% wt) as part of l-t incentive compensation; moved to 50% PRSU/50% RSU.
STIP	Initiated STIP - includes Operating Income (60%), Free Cash Flow (20%) and qualitative factors (20%).
<b>CenturyLink, Inc., CTL, \$12.60 (Brett Feldman, Neutral)</b>	
LTIP	Replaced TSR & Revenue with adjusted EBITDA (2-year).
STIP	Replaced Revenue and Operating Cash Flow with adjusted EBITDA (65%) and Free Cash Flow (25%).
<b>TripAdvisor, Inc., TRIP, \$40.94 (Heath P. Terry, CFA, Sell)</b>	
LTIP	Instituted PSUs making up 20% of total long-term equity compensation based on TSR vs. Nasdaq 100 (previously RSU and options only)
STIP	Instituted STIP based on Revenue and adjusted EBITDA (50% of annual bonus)
<b>Viacom Inc. Class B, VIAB, \$26.54 (Drew Borst, Not Rated)</b>	
LTIP	Added EPS at 75% weight (previously 100% TSR); eliminated RSUs (previously 35% wt) -- moved to options and PRSUs only.
STIP	Added Diversity & Inclusion to performance objectives.

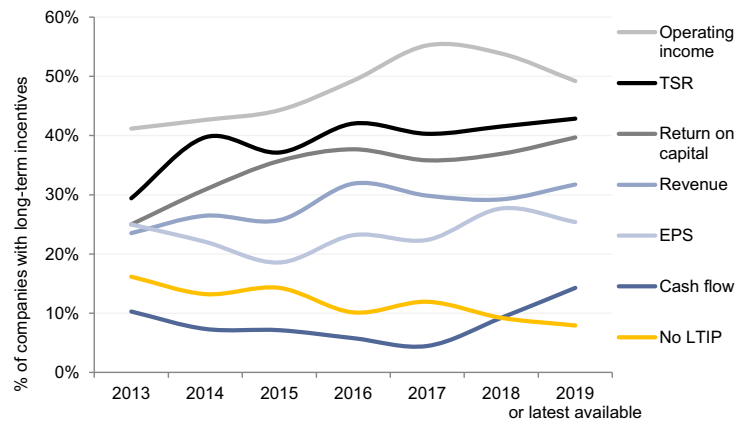
\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

## Sector Summary: Consumer Discretionary

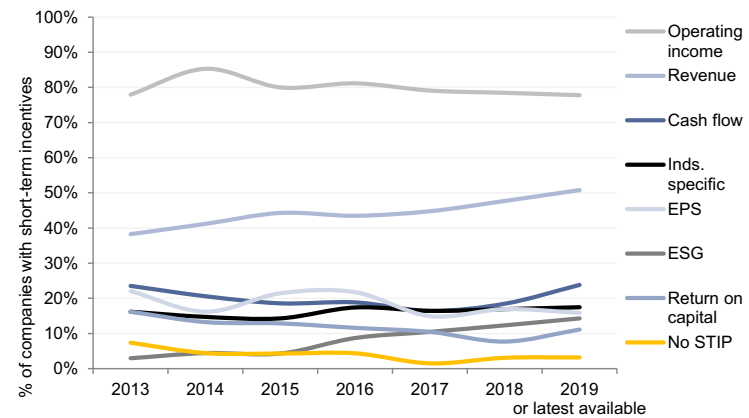
In Consumer Discretionary, we observed several re-assessments of incentives related to growth. Foot Locker and Macy's each boosted growth-based incentives in LTIPs, while McDonald's and Newell Brands expressed growth initiatives through their annual STIPs. Conversely, Ford, Marriott and Under Armour dialed back the emphasis on top-line growth in their respective LTIPs. Chipotle's one-time performance-based digital transformation equity awards was unique in the group.

**Exhibit 27: Utilization of most common LTIP metrics among S&P 500 Consumer Discretionary companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 28: Utilization of most common STIP metrics among S&P 500 Consumer Discretionary companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 29: Notable changes to 2019 incentive drives in Consumer Discretionary**

Recent changes to plan	
<b>Consumer Discretionary</b>	
<b>Capri Holdings Limited, CPRI, \$31.40 (Alexandra Walvis, CFA, Neutral)</b>	
LTIP	Replaced Net Income with adjusted Operating Margin and Cash Flow from Operations; eliminated options in equity mix (previously 20%), moving to PRSUs and RSUs only
STIP	Replaced Operating Income with adjusted EPS and FCF (each 50% weight).
<b>Chipotle Mexican Grill, Inc., CMG, \$787.98 (Katherine Fogertey, Buy*)</b>	
LTIP	Added a one-time performance-based Digital Transformation equity award to executive officers.
<b>Foot Locker, Inc., FL, \$42.23</b>	
LTIP	Added an additional long-term incentive award ("AGF") focused on EBIT Margin, Revenue Growth, and Direct-to-Consumer Revenue Growth.
<b>Ford Motor Company, F, \$9.42</b>	
LTIP	Removed Revenue, Operating Cash Flow, and Ford credit before tax; added 3-year avg ROIC (retained adjusted EBIT margin and TSR at 25%).
<b>Harley-Davidson, Inc., HOG, \$35.39</b>	
LTIP	Introduced a strategic milestones measure tied to successful new Product Launches; adopted a cumulative Net Income performance hurdle requirement on the strategic measures.
STIP	Introduced a new Retail Sales Volume Growth measure for FY19.
<b>LKQ Corporation, LKQ, \$28.66</b>	
LTIP	Replaced ROE with ROIC (retained adjusted EPS and revenue).
STIP	Replaced adjusted EPS with EBITDA dollars, EBITDA margin and free cash flow for 2019 STIP.
<b>Macy's Inc, M, \$17.10 (Alexandra Walvis, CFA, Neutral)</b>	
LTIP	Replaced adj EBITDA margin with Comparable Sales Growth (37.5%) for FY19 (retained ROIC and TSR).
STIP	For FY19 increased the weight of Sales from 25% to 40% and reduced EBIT from 40% to 35%; Eliminated Cash Flow.

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 30: Notable changes to 2019 incentive drives in Consumer Discretionary (cont.)**

Recent changes to plan	
Consumer Discretionary	
<b>Marriott International, Inc. Class A, MAR, \$131.69 (Stephen Grambling, CFA, Buy*)</b>	
LTIP	Starting FY19, replaced RevPAR index and Net Administrative Expense growth with Active Marriott Bonvoy Loyalty Member Growth and adjusted Operating Income growth (retained Gross Room Openings).
<b>McDonald's Corporation, MCD, \$209.68 (Katherine Fogertey, Buy)</b>	
STIP	For FY19, upgraded Comparable Guest Count growth to a 25% weight metric (previously a modifier) (retained operating income emphasis 75% weight).
<b>Newell Brands Inc, NWL, \$18.32</b>	
LTIP	For FY19, added cumulative Free Cash Flow (50% weight) (retained relative TSR).
STIP	For FY19, added Sales Growth (25% weight) (retained EPS and operating cash flow).
<b>Royal Caribbean Cruises Ltd., RCL, \$113.75 (Stephen Grambling, CFA, Neutral)</b>	
STIP	Added employee engagement to KPI portion of STIP at 20% weight (6% of total).
<b>Starbucks Corporation, SBUX, \$90.35 (Katherine Fogertey, Buy)</b>	
LTIP	Replaced ROIC-based downward modifier with relative TSR modifier (vs. S&P 500); retained EPS.
<b>Under Armour, Inc. Class A, UAA, \$20.75 (Alexandra Walvis, CFA, Buy*)</b>	
LTIP	Removed Revenue, leaving only adjusted Operating Income.
STIP	Removed Revenue, leaving only adjusted Operating Income.
<b>V.F. Corporation, VFC, \$89.82 (Alexandra Walvis, CFA, Buy)</b>	
LTIP	Removed relative TSR and Cash Flow (retained EPS, Gross Margin and Sales Growth).
STIP	Replaced EPS with Net Income, removed Gross Margin and TSR (retained Sales and Cash Flow).

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Commentary from our analysts on select incentive changes**

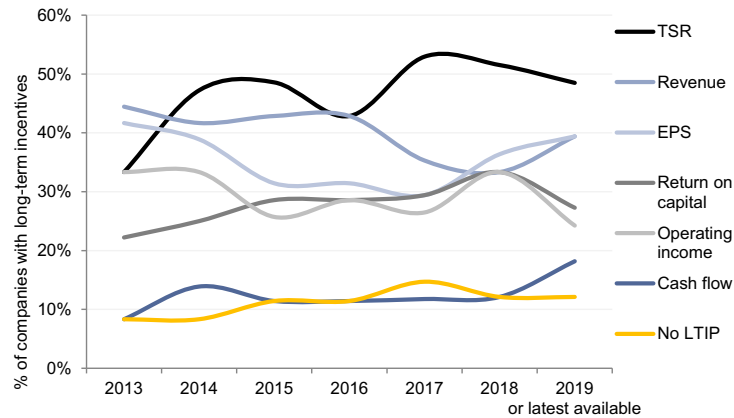
**Macy's** (Alexandra Walvis, CFA) - Macy's has implemented a number of strategic initiatives to improve the health of its business amidst a challenging environment for traditional department store retailers. While the shift in LTIP/STIP to focus on comparable sales growth will likely provide scope for the company to invest in select transformational long-term initiatives that may be dilutive to EBITDA margins in the near-term, this shift could incentivize sales growth at the expense of other metrics important to investors (particularly gross margins and free cash flow). Given already-thin margins and several years of profitability declines, a measure of profitability may be better received by investors for long-term incentive plans.

**Under Armour** (Alexandra Walvis, CFA) - An emphasis on operating income above sales growth aligns with investor focus on driving a return to sustainable and healthy growth following the company's multiyear turnaround. UAA has been increasingly focused on operating income in recent years, and indeed the company has already seen an upward inflection in profitability. We believe this adjusted compensation structure will likely allow management to right-size costs and operational excellence, while also focusing on growing revenue strategically with a brand-right message.

# Sector Summary: Consumer Staples

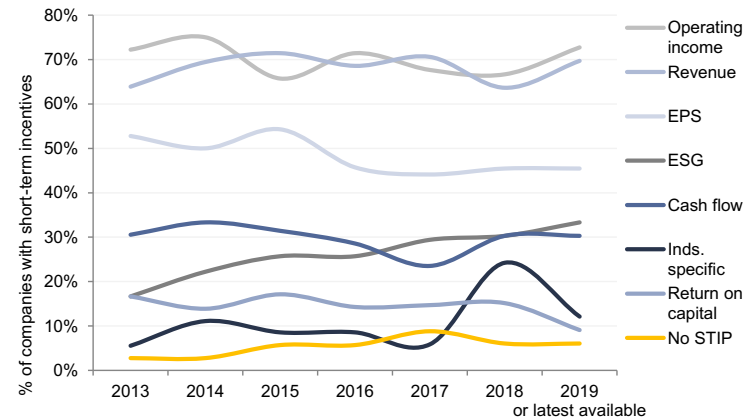
We saw an increased focus on top-line growth in latest collections, including an LTIP revenue addition by Kellogg and an STIP revenue addition by Mondelez.

**Exhibit 31: Utilization of most common LTIP metrics among S&P 500 Consumer Staples companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 32: Utilization of most common STIP metrics among S&P 500 Consumer Staples companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 33: Notable changes to 2019 incentive drivers in Consumer Staples**

Recent changes to plan

**Consumer Staples****Kellogg Company, K, \$62.93 (Jason English, Buy)**

LTIP Replaced Operating Margin with Sales (retained TSR).

**Mondelez International, Inc. Class A, MDLZ, \$54.33 (Jason English, Buy\*)**

LTIP Replaced Adjusted Return on Invested Capital ("ROIC") increase with Adjusted EPS growth.

STIP Added Volume Growth; Replaced Gross Margin with Gross Profit Dollars; added Market Share overlay.

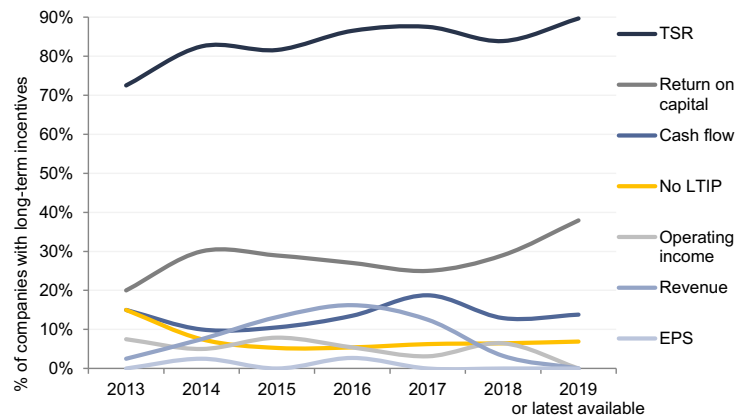
\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

## Sector Summary: Energy

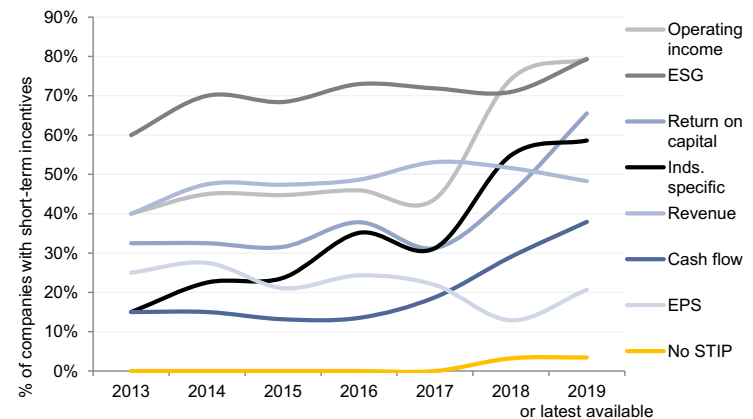
In 2019 the Energy sector continued to increase its focus on returns and capital discipline (see 2018 [E&P Rx update](#)), with numerous companies adding cash returns and capital efficiency KPIs to incentive plans (Apache, Noble and Occidental). Also of note was the uptick in TSR usage after a slight decline last year, driven in part by the addition of negative TSR modifiers by Apache and Schlumberger. On the ESG front, Apache added a diversity and inclusion strategic goal to its STIP for FY19, while Occidental made Sustainability a standalone STIP KPI and increased its plan weighting.

**Exhibit 34: Utilization of most common LTIP metrics among S&P 500 Energy companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 35: Utilization of most common STIP metrics among S&P 500 Energy companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research



**Exhibit 36: Notable changes to 2019 incentive drivers in Energy**

Recent changes to plan	
Energy	
<b>Anadarko Petroleum Corporation, APC, \$72.77</b>	
STIP	For FY19 replaced Reserve additions growth metric with a Free Cash Flow yield metric with 20% weight (retained Sales-volume growth, CFROIC, Costs and Safety metrics).
<b>Apache Corporation, APA, \$23.70 (Brian Singer, CFA, Neutral)</b>	
LTIP	For FY19 replaced Cash Flow from Operations and Reserve adds per debt-adjusted share with CROIC at a 50% weight; Added a negative absolute TSR modifier (retained Relative TSR).
STIP	For FY19 added strategic goal related to Diversity and Inclusion to complement existing Financial and Production metrics.
<b>Baker Hughes, a GE Company Class A, BHGE, \$24.11 (Angie Sedita, Buy*)</b>	
STIP	Removed Synergies metric (retained adjusted Revenue, EBITDA, FCF and strategic objectives).
<b>Chevron Corporation, CVX, \$121.85 (Neil Mehta, Buy*)</b>	
STIP	Removed Divestiture proceeds (retained Financials, Capital Management, Operating Performance and Health, Safety and Environmental).
<b>ConocoPhillips, COP, \$56.32 (Neil Mehta, Buy)</b>	
LTIP	For FY19 removed Strategic Objectives, which included financial strength, \$1bn in cost reductions, improving HSE performance, and others.
<b>Hess Corporation, HES, \$63.21 (Brian Singer, CFA, Neutral)</b>	
STIP	Added EBITDAX metric (retained Production, ESG, Costs, Exploration and Returns metrics).
<b>Marathon Oil Corporation, MRO, \$12.83 (Brian Singer, CFA, Neutral)</b>	
STIP	For FY19 added Total Cash Return to Stockholders (retained Production, Costs, EBITDAX, Safety and Strategic metrics).

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 37: Notable changes to 2019 incentive drivers in Energy (cont.)**

Recent changes to plan	
Energy	
<b>Marathon Petroleum Corporation, MPC, \$54.48 (Neil Mehta, Buy*)</b>	
STIP	Removed Asset Dropdown Readiness and Execution.
<b>Noble Energy, Inc., NBL, \$24.21 (Brian Singer, CFA, Buy)</b>	
STIP	For FY19 replaced U.S. onshore drill & complete Rate of Return with quantitative Capital Efficiency metric; Added a qualitative metric to assess relative performance in each operating area.
<b>Occidental Petroleum Corporation, OXY, \$46.43 (Brian Singer, CFA, Neutral)</b>	
STIP	For FY19 made Sustainability a standalone metric and increased its weight to 10% of company portion from 3%; Replaced RONIC with CROCE and removed Development spend per BOE.
<b>Schlumberger NV, SLB, \$37.46 (Angie Sedita, Buy)</b>	
LTIP	For FY19 added Relative TSR -25% modifier (retained ROCE relative to peers and absolute FCF as percentage of Net Income).
STIP	Added Revenue and Pre-tax Operating Income with 10% weight each (retained adjusted EPS and Strategic Objectives).
<b>TechnipFMC Plc, FTI, \$25.71 (Angie Sedita, Buy)</b>	
STIP	Replaced Synergies with EBITDA % of revenue with 25% weight (retained Working Capital Days, EBITDA and Performance Incentive).
<b>Williams Companies, Inc., WMB, \$24.85 (Michael Lapidès, Neutral)</b>	
STIP	Removed fee-based revenues (retained WPZ Distributable Cash Flow, Controllable Costs and Safety).

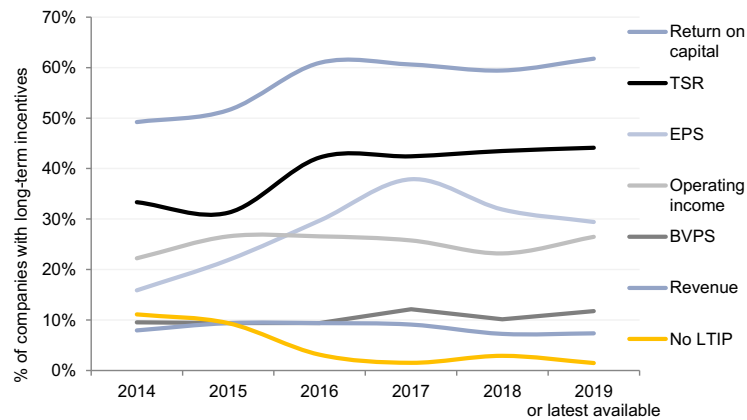
\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

## Sector Summary: Financials

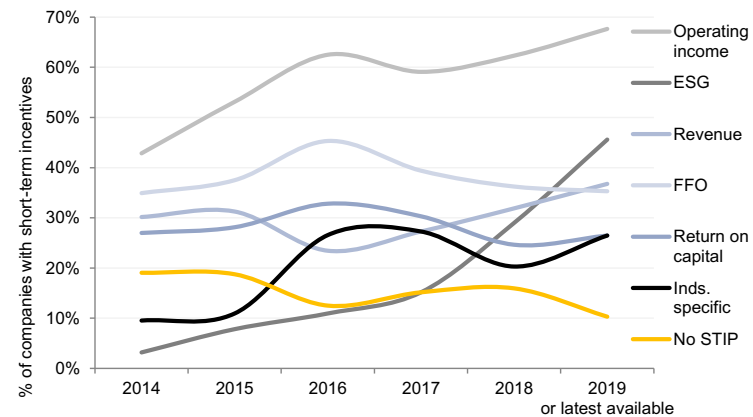
This year we observed a significant increase in ESG KPIs among Financials companies, with talent-oriented metrics the primary focus of 2019 additions (e.g., AMG, BBT, SIVB, WFC and ZION). Also of note was an increase in operating income KPIs within STIPs and fewer companies lacking formal short-term plans (Wells Fargo and Zions Bancorp initiated STIPs in 2019). LTIP metrics have been fairly stable in the sector.

**Exhibit 38: Utilization of most common LTIP metrics among S&P 500 Financials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 39: Utilization of most common STIP metrics among S&P 500 Financials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

### Commentary from our analysts on select incentive changes

**Moody's Corporation** (*George K. Tong*) - We believe Moody's decision to include non-financial business objectives in its STIP structure should help better capture the performance of more qualitative objectives of the company, including staff retention and culture. The new Strategic & Operational metric comprises 25% of the overall STIP. While qualitative metrics provide more room for interpretation in management's pay, MCO's discipline and strong track record of execution should provide investors with some clarity that these measures should improve the short- and longer-term performance of the company.

**Exhibit 40: Notable changes to 2019 incentive drivers in Financials**

Recent changes to plan	
Financials	
<b>Affiliated Managers Group, Inc., AMG, \$86.38 (Alexander Blostein, CFA, Neutral)</b>	
LTIP	Added standalone ESG initiatives metric.
STIP	Removed Supplemental performance metrics from financial portion (NI, EPS, EBITDA). Added ESG factors to business portion and individually weighted sub-categories.
<b>Allstate Corporation, ALL, \$105.68 (Yaron Kinar, Buy)</b>	
STIP	Removed Total Return metric (retained Performance Net Income, Total Premiums and Net Investment Income).
<b>American Express Company, AXP, \$117.31 (Ryan M. Nash, CFA, Neutral)</b>	
LTIP	For FY19 added Relative TSR modifier; Removed portfolio grant (long-term RSU) program, which included EPS, Revenue and Strategic Milestones (retained relative ROE).
<b>American International Group, Inc., AIG, \$55.50 (Yaron Kinar, Buy)</b>	
LTIP	Replaced Relative TSR with three equally-weighted metrics: Accident year combined ratio, as adj., inc. avg. annual losses; Core Normalized Book Value per share, and Core Normalized Return on Attributed Equity; Introduced stock options at a 25% weight (retained PSUs at 50% weight and RSUs at 25% weight).
STIP	Added a Quantitative performance metric, as well as adj. Operating Expenses and Organizational Redesign. Removed Core Normalized ROE, Normalized Production risk-adj. Profitability, and Normalized Volume of New Business.
<b>Assurant, Inc., AIZ, \$123.75</b>	
LTIP	Replaced NOI EPS with Realization of Net pre-tax synergies subject to NOI EPS threshold for 2018 only.
<b>BB&amp;T Corporation, BBT, \$51.24 (Ryan M. Nash, CFA, Not Rated)</b>	
STIP	Added a qualitative performance metric (20%), which includes cybersecurity, risk and compliance, and diversity, among other metrics (retained EPS and ROA).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 41: Notable changes to 2019 incentive drivers in Financials (cont.)**

Recent changes to plan	
Financials	
<b>Brighthouse Financial, Inc., BHF, \$39.10 (Alex Scott, CFA, Sell)</b>	
LTIP	For FY19 replaced Expense Reduction with Statutory Expense Ratio (retained Capital Return); Removed Options and increased weight of PSUs to 70% from 33% (retained RSUs at 30%).
STIP	For FY19 replaced TSA Exits with Corporate Expense Management and added a SmartCare sales modifier (retained Annuity Sales and Statutory Earnings).
<b>Capital One Financial Corporation, COF, \$91.83 (Ryan M. Nash, CFA, Buy*)</b>	
LTIP	Replaced Adjusted ROA with Adjusted ROTCE and Dividends + Growth of Tangible Book Value per share ("D+TBV").
<b>Cboe Global Markets Inc, CBOE, \$115.23 (Alexander Blostein, CFA, Buy*)</b>	
LTIP	Added EPS (retained Relative TSR vs. S&P 500).
STIP	Added adjusted EBITDA with 50% weight (retained Synergies, Revenue and Individual Performance).
<b>CME Group Inc. Class A, CME, \$205.43 (Alexander Blostein, CFA, Neutral)</b>	
LTIP	For FY19 removed Relative Net Income Margin Growth (retained Relative TSR vs. S&P 500).
<b>Huntington Bancshares Incorporated, HBAN, \$14.37 (Ryan M. Nash, CFA, Neutral)</b>	
LTIP	Replaced Relative TSR with Relative ROTCE.
STIP	Replaced ROTCE with Pre-tax pre-provision Earnings growth.
<b>Invesco Ltd., IVZ, \$17.04 (Alexander Blostein, CFA, Neutral)</b>	
LTIP	Added Relative TSR vs. S&P 500 Asset Management Index (retained adjusted Operating Margin).
STIP	Created new scorecard that includes Financial performance (50%), Delivering to clients (30%) and organizational strength (20%).
<b>Jefferies Financial Group Inc., JEF, \$19.79</b>	
LTIP	Removed ROTDE cash award and made TSR metric relative vs. company peer group.
STIP	Initiated STIP based on ROTDE.

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 42: Notable changes to 2019 incentive drivers in Financials (cont.)**

Recent changes to plan	
Financials	
<b>KeyCorp, KEY, \$18.12 (Ryan M. Nash, CFA, Buy)</b>	
STIP	Replaced Pre-provision Net Revenue and Value Attainment with ROTCE and Operational Excellence each with 20% weight (retained Cash Efficiency, EPS and performance relative to peers).
<b>Moody's Corporation, MCO, \$211.46 (George K. Tong, CFA, Neutral)</b>	
STIP	Added a Strategic & Operational metric (25%) driven by numerous factors including People and Culture (retained EPS, Operating Income and Investor Satisfaction modifier).
<b>MSCI Inc. Class A, MSCI, \$228.43</b>	
LTIP	Made TSR absolute only, removed relative element.
<b>Nasdaq, Inc., NDAQ, \$98.15 (Alexander Blostein, CFA, Neutral)</b>	
STIP	Removed Employee Engagement standalone metric (retained Operating Income, Net Revenue and Strategic Objectives).
<b>State Street Corporation, STT, \$58.84 (Alexander Blostein, CFA, Neutral)</b>	
LTIP	Added Pre-tax Margin with 50% weight (retained ROE).
<b>SVB Financial Group, SIVB, \$218.13</b>	
LTIP	Replaced Selected Fee Income with Strategic Business Objectives, including scalable growth (25%), client experience (12.5%) and employee enablement (12.5%) and removed ROE funding threshold (retained Relative TSR vs. peers).
<b>Synchrony Financial, SYF, \$33.80 (Ryan M. Nash, CFA, Buy)</b>	
LTIP	For FY19 added Relative TSR modifier (retained Cumulative EPS and ROA) and removed Options.

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 43: Notable changes to 2019 incentive drivers in Financials (cont.)**

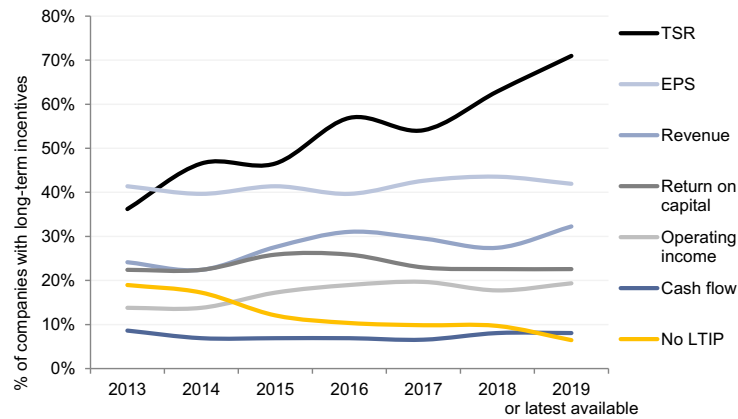
Recent changes to plan	
Financials	
<b>Wells Fargo &amp; Company, WFC, \$48.31 (Richard Ramsden, Neutral)</b>	
LTIP	Added Regulatory Performance condition and relative TSR modifier (retained Net Operating Loss modifier and Absolute and Relative RORCE vs. financial peers).
STIP	CEO received STIP for first time since 2015, which was based on numerous factors including Company Performance, Effective Management and Business Performance, Risk Management, Risk Accountability and Leadership.
<b>Willis Towers Watson Public Limited Company, WLTW, \$189.69 (Yaron Kinar, Buy)</b>	
LTIP	Front-loaded plan expired at end of 2018, and CEO will be granted a new two-year plan for FY19 based on Relative TSR vs. S&P 500 to coincide with established succession plan.
<b>Zions Bancorporation, N.A., ZION, \$43.66 (Ryan M. Nash, CFA, Neutral)</b>	
LTIP	Replaced Pretax, Pre-provision Earnings, Customer-related Fee Income, Net Charge-offs, Direct "Efficiency Ratio" Expense, Relative ROA and Risk-adjusted Net Interest Margin with Relative ROTA (20%), EPS growth (20%), Adj. Pre-tax Pre-provision Net Revenue (40%) and Comp Committee discretion (20%).
STIP	Established formal incentive award targets, which include Operating Earnings, Expense Management, Noninterest Income Generation, Risk Management, Talent Management and Other Priorities and Needs.

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

## Sector Summary: Healthcare

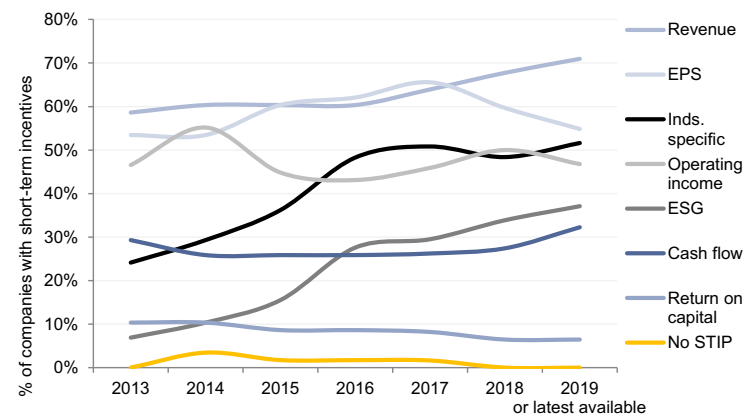
In 2019, we saw a number of companies adding top-line metrics to short-term plans, including Anthem, Cerner and Danaher. ESG is also on the rise, with talent-oriented metrics added by Bristol-Myers Squibb, Centene, LabCorp and Regeneron. TSR continues to be a staple among S&P 500 Healthcare companies, with 71% of constituents including the metric in latest LTIPs.

**Exhibit 44: Utilization of most common LTIP metrics among S&P 500 Healthcare companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 45: Utilization of most common STIP metrics among S&P 500 Healthcare companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research



**Exhibit 46: Notable changes to 2019 incentive drivers in Healthcare**

Recent changes to plan	
Healthcare	
<b>Abbott Laboratories, ABT, \$83.21</b>	
STIP	Removed Net Income and Leadership metrics (retained EPS, Relative Sales Growth, Financial Return and Strategic Initiatives).
<b>ABIOMED, Inc., ABMD, \$191.82</b>	
STIP	Initiated STIP for CEO that includes Corporate (inc. revenue) (70%) and Individual performance (30%).
<b>AmerisourceBergen Corporation, ABC, \$85.88 (Robert P. Jones, Buy)</b>	
STIP	For FY19 removed adj. Operating Margin (retained EPS, FCF and Operating Income).
<b>Alexion Pharmaceuticals, Inc., ALXN, \$109.60 (Salveen Richter, CFA, Neutral)</b>	
LTIP	Changed Relative TSR to a +- 20% modifier (retained Revenue, Operating Margin and R&D Milestone).
STIP	Added Management Cash Flow (13%).
<b>Align Technology, Inc., ALGN, \$177.80 (Robert P. Jones, Buy)</b>	
LTIP	CEO was granted a special one-time award in June 2018 that vests (if at all) based on market cap increase (retained Relative TSR vs. NASDAQ composite).
<b>Anthem, Inc., ANTM, \$252.59 (Stephen Tanal, CFA, Neutral)</b>	
STIP	For FY19 added Relative Revenue and Operating Gain growth +-20% modifier (retained EPS, Service Excellence, Provider Collaboration and Quality of Care).
<b>Biogen Inc., BIIB, \$233.00 (Terence Flynn, Ph.D., Neutral)</b>	
LTIP	Added Adjusted EPS (30%) and Pipeline Milestone performance (30%), increasing equity weight of LTIP (retained Revenue and adjusted FCF).
STIP	Removed 'Establish Three Outcome-based Innovative Contracts' metric (retained EPS, Revenue, Market performance, Pipeline development and Strategic alliances).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 47: Notable changes to 2019 incentive drivers in Healthcare (cont.)**

Recent changes to plan	
Healthcare	
<b>Bristol-Myers Squibb Company, BMY, \$48.56 (Terence Flynn, Ph.D., Buy)</b>	
LTIP	Related to Celgene acquisition, for FY19 added Key integration execution, Combined co. Revenue goals and Relative TSR (retained Operating Margin, Total Revenue and Relative TSR vs. peers).
STIP	Related to Celgene acquisition, for FY19 added Near-term Pipeline delivery, Human Capital Management and Synergy savings (retained EPS, Revenue, Pipeline and long-term growth).
<b>Cardinal Health, Inc., CAH, \$47.95 (Robert P. Jones, Neutral)</b>	
LTIP	Removed Options for FY19 LTIP (retained PSUs at 60% weight and RSUs at 40% weight).
<b>Centene Corporation, CNC, \$47.31 (Stephen Tanal, CFA, Not Rated)</b>	
STIP	Began breaking out components of individual performance metric pool, including Compliance, Quality, People and Talent, Enterprise Transformation and Operational Goals (retained diluted EPS).
<b>Cerner Corporation, CERN, \$67.35 (Robert P. Jones, Neutral)</b>	
LTIP	Introduced LTIP based on adjusted Operating Margin.
STIP	Added Free Cash Flow and Revenue (retained adj. EPS).
<b>Cigna Corporation, CI, \$164.99 (Stephen Tanal, CFA, Buy)</b>	
LTIP	For FY19 replaced adjusted Income with adjusted EPS (retained Relative TSR); Introduced RSUs at 25% weight and reduced Options weight to 25% from 50% (retained PSUs at 50% weight).
STIP	For FY19 removed Operating Expense ratio improvement and adjusted focus of strategic priorities metric (retained adjusted Income from Operations and Revenue).
<b>Danaher Corporation, DHR, \$136.59</b>	
LTIP	For FY19 added ROIC +/-10% modifier (retained Relative TSR).
STIP	For FY19 replaced ROIC with Core Revenue growth with 6% weight (retained adj. EPS, FCF to adjusted net income and personal performance).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 48: Notable changes to 2019 incentive drivers in Healthcare (cont.)**

Recent changes to plan	
Healthcare	
<b>DaVita Inc., DVA, \$61.66 (Stephen Tanal, CFA, Neutral)</b>	
STIP	Replaced International Operating Income and Kidney Care Catheter Rate with Frequent Excessive Interdialytic Weight Gain and Strategic Objectives each with 15% (retained adj. Operating Income).
<b>Humana Inc., HUM, \$276.85 (Stephen Tanal, CFA, Buy)</b>	
STIP	Replaced Consumer Health metrics with Net Promoter Score (20%) and Strategic Measures with 20% weight (retained adj. EPS).
<b>Laboratory Corporation of America Holdings, LH, \$174.12</b>	
STIP	Replaced Board Succession and Support Innovation with Executive Succession and Value Creation from Covance-LabCorp combination (15% each).
<b>McKesson Corporation, MCK, \$142.84 (Robert P. Jones, Neutral)</b>	
LTIP	For FY20 removed Cash LTIP and Options and removed adjusted OCF metric (retained Relative TSR vs. comp group, avg. ROIC and cumulative EPS).
STIP	For FY20 added adjusted Operating Profit (25%) and replaced Adjusted OCF with FCF (retained adjusted EPS).
<b>Mylan N.V., MYL, \$21.88</b>	
LTIP	Added Adjusted FCF / Credit Agreement Debt (50%) and made Relative TSR a modifier (+-20%).
STIP	Removed Revenue (retained Adjusted EPS, Regulatory Submissions, and Adjusted FCF)
<b>Regeneron Pharmaceuticals, Inc., REGN, \$283.72 (Terence Flynn, Ph.D., Buy*)</b>	
STIP	Added Human Capital Management to comp factors considered.

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 49: Notable changes to 2019 incentive drivers in Healthcare (cont.)**

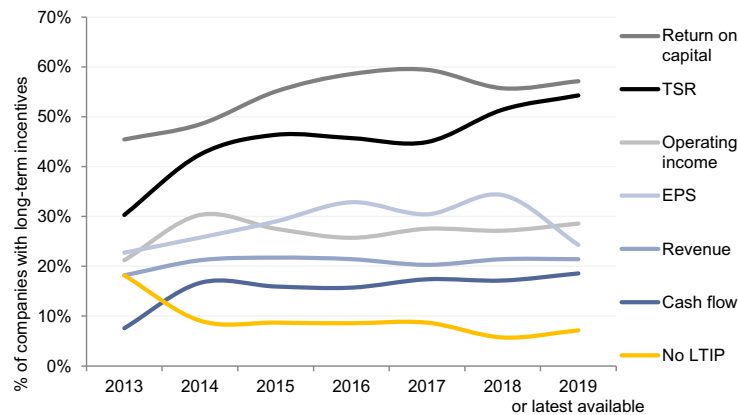
Recent changes to plan	
Healthcare	
<b>Stryker Corporation, SYK, \$213.69</b>	
STIP	Added Adjusted Operating Income Margin with 20% weight (retained adj. Operating Income, Sales and qualitative functional goals).
<b>Teleflex Incorporated, TFX, \$338.88</b>	
LTIP	Initiated LTIP - Added Constant Currency Revenue growth (60%), Adjusted EPS growth (40%) and Relative TSR modifier.
<b>Thermo Fisher Scientific Inc., TMO, \$289.50</b>	
STIP	Replaced Adjusted EPS with Adjusted Net Income (15%).
<b>Zimmer Biomet Holdings, Inc., ZBH, \$138.52</b>	
LTIP	Replaced Internal TSR (iTSR) with C.C. Revenue Growth (50%) and Relative TSR (50%) and removed Relative TSR modifier.

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Sector Summary: Industrials

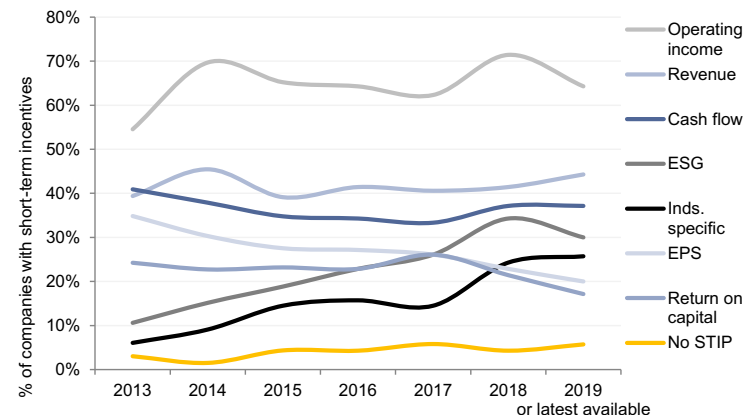
LTIPs in the Industrials space were mostly stable year on year, except for a dip in EPS. Among STIPs, the sector has seen a steady rise in ESG metrics, while earnings and returns-focused KPIs continue to ebb.

**Exhibit 50: Utilization of most common LTIP metrics among S&P 500 Industrials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 51: Utilization of most common STIP metrics among S&P 500 Industrials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

## Commentary from our analysts on select incentive changes

**Nielsen Holdings** (George K. Tong) - We believe Nielsen’s decision to add FCF as a performance metric to its STIP offers greater transparency than other metrics and captures progress in turning around cash flows from accounts receivables. We believe FCF also better assesses evolving capital efficiency at the company, while preserving the ability to capture revenue growth and margin performance. Having TSR as a modifier for Nielsen’s LTIP also provides good alignment with delivering on investor returns over the long-run.

**Robert Half International** (George K. Tong) - We believe ROIC is an efficient means to evaluate operating and capital structure performance, and replacing EPS growth with ROIC should better capture the strength of overall execution. The 3-year timeframe for ROIC as well as the 3-year TSR modifier for LTIP also has a sufficiently long time horizon to measure long-term performance. Replacing EPS with 3-year ROIC also will likely insulate LTIP from near-term weakness in RHI’s temp staffing end-markets.

**Exhibit 52: Notable changes to 2019 incentive drivers in Industrials**

Recent changes to plan	
Industrials	
<b>AMETEK, Inc., AME, \$88.40</b>	
LTIP	Initiated LTIP based on ROTC (50%) and Relative TSR vs. S&P 500 Industrials index (50%).
<b>Arconic, Inc., ARNC, \$26.71 (Matthew Korn, CFA, Buy)</b>	
STIP	Removed standalone ESG metrics (safety and diversity) (retained EBIT and FCF).
<b>Caterpillar Inc., CAT, \$130.29 (Jerry Revich, CFA, Neutral)</b>	
STIP	Replaced All Product PINS, Parts Sales and FPD ROE with Enterprise Operating Profit after Capital Charge (40%) and Enterprise Service Revenues (20%) (retained enterprise Operating Profit).
<b>Celanese Corporation, CE, \$123.32 (Robert Koort, CFA, Buy*)</b>	
LTIP	Changed CEO plan to time-based RSUs from PSUs due to his eligibility for retirement.
<b>CSX Corporation, CSX, \$70.69 (Jordan Alliger, Neutral)</b>	
LTIP	Replaced Return on Assets with Free Cash Flow (50%) and added Relative TSR +-25% modifier (previously only had downward discretion with TSR modifier) (retained Operating ratio).
<b>Cummins Inc., CMI, \$163.99 (Jerry Revich, CFA, Neutral)</b>	
LTIP	Replaced ROE with ROIC (80%) and EBITDA (20%).
<b>Dover Corporation, DOV, \$97.05 (Joe Ritchie, Neutral)</b>	
STIP	Added EBIT Margin (retained Revenue, Income and individual objectives).
<b>Fortive Corp., FTV, \$68.61 (Joe Ritchie, Not Rated)</b>	
LTIP	Replaced positive Net Income RSU threshold w/ company performance factor (CPF) threshold for additional RSUs. CPF based on EPS, FCF & ROIC (retained Relative TSR vs. S&P 500).

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 53: Notable changes to 2019 incentive drivers in Industrials (cont.)**

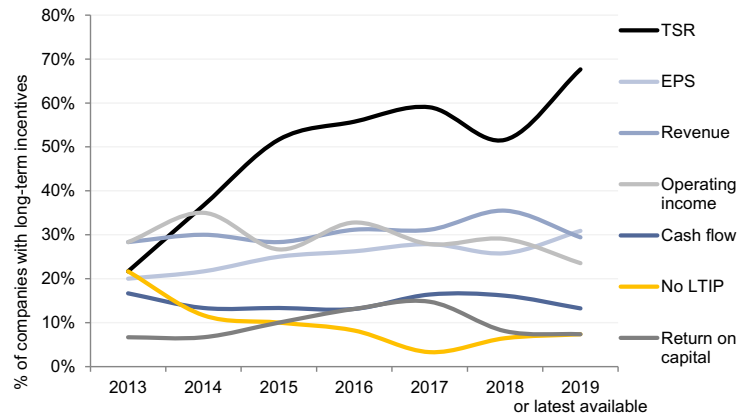
Recent changes to plan	
Industrials	
<b>General Dynamics Corporation, GD, \$187.87 (Noah Poponak, CFA, Buy)</b>	
LTIP	Added a Relative TSR modifier vs. S&P 500 (retained ROIC threshold).
<b>Huntington Ingalls Industries, Inc., HII, \$217.88 (Noah Poponak, CFA, Sell)</b>	
LTIP	Added Relative EBITDAP growth with 40% weight (retained ROIC and Relative EBITDAP growth vs. Aerospace & Defense index).
STIP	Replaced Free Cash Flow with Operating Cash Flow with 40% weight (retained Operating Margin and Technical Solutions division Revenue).
<b>Johnson Controls International plc, JCI, \$42.97 (Joe Ritchie, Not Rated)</b>	
LTIP	For FY19 shifted Relative TSR modifier to a 33% weighted metric (retained pre-tax earnings growth and pre-tax ROIC).
<b>Nielsen Holdings Plc, NLSN, \$22.39 (George K. Tong, CFA, Neutral)</b>	
LTIP	For FY19 replaced FCF with Adjusted EPS metric (50% weighting), and made Relative TSR metric a modifier (retained revenue).
STIP	For FY19 added FCF performance as a metric (30% weight) (retained adjusted EBITDA and revenue growth).
<b>Pentair plc, PNR, \$37.95 (Brian Lee, CFA, Neutral)</b>	
STIP	Replaced 'Income from Growth' with Revenue (30% weight) (retained FCF and EBITA).
<b>Robert Half International Inc., RHI, \$56.02 (George K. Tong, CFA, Sell)</b>	
LTIP	For FY19 replaced EPS with 3 year relative ROIC as primary performance metric (100%) and replaced 3 year ROIC modifier with 3 year relative TSR modifier.
<b>United Parcel Service, Inc. Class B, UPS, \$122.40 (Jordan Alliger, Buy)</b>	
STIP	Removed adjusted Net Income-pool size as an STIP metric (retained consolidated revenue growth, EPS growth, package volume growth, and individual performance).
<b>W.W. Grainger, Inc., GWW, \$290.73</b>	
LTIP	Removed Sales Growth (retained ROIC).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Sector Summary: Information Technology

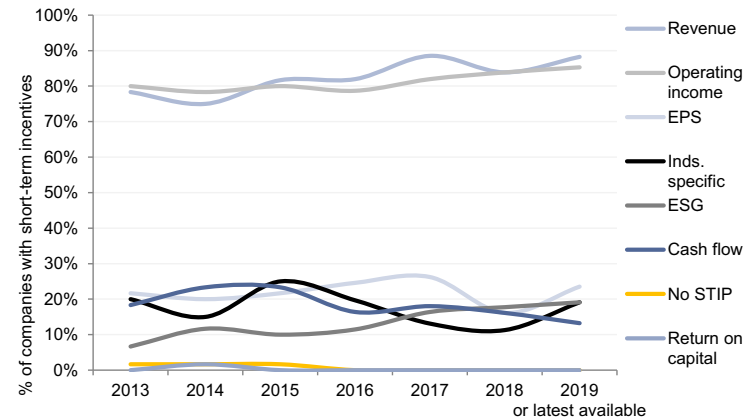
The Tech sector saw incremental adoption of TSR as the prominent metric for LTIPs, including Applied Materials and Global Payments. STIPs were generally stable, with revenues and operating income metrics remaining the standouts in the space.

**Exhibit 54: Utilization of most common LTIP metrics among S&P 500 Information Technology companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 55: Utilization of most common STIP metrics among S&P 500 Information Technology companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research



**Exhibit 56: Notable changes to 2019 incentive drivers in Information Technology**

Recent changes to plan	
Information Technology	
<b>Advanced Micro Devices, Inc., AMD, \$30.23 (Toshiya Hari, Neutral)</b>	
LTIP	Replaced TSR metric index (vs. Philadelphia Semiconductor Sector Index) with new index (vs. S&P 500); added EPS & TSR LTIP multipliers
<b>Applied Materials, Inc., AMAT, \$50.19 (Toshiya Hari, Buy*)</b>	
LTIP	For FY19 replaced WFE Market Share metric with relative TSR (retained adj. operating margin).
<b>Autodesk, Inc., ADSK, \$148.05 (Heather Bellini, CFA, Buy)</b>	
STIP	For FY19 removed net total Subscription Additions, total non-GAAP spend, and Subscription Renewal Rate as metrics (retained total ARR and operating income).
<b>Citrix Systems, Inc., CTXS, \$95.76 (Heather Bellini, CFA, Buy*)</b>	
STIP	For FY19 removed Revenue as a performance metric (retained product and subscription bookings and corporate operating margin).
<b>Fiserv, Inc., FISV, \$103.69 (James Schneider, Ph.D., Buy)</b>	
STIP	Added Strategic Initiatives as an STIP metric (includes employee engagement and client initiatives) (retained internal revenue growth and adjusted EPS).
<b>FLIR Systems, Inc., FLIR, \$51.92 (Noah Poponak, CFA, Buy)</b>	
LTIP	Replaced Operating Income and Revenue with Adjusted EBITDA CAGR and Organic Revenue CAGR; Eliminated Options, which had 25% weight (retained PSUs and RSUs at 50% each).
STIP	Replaced Adjusted EPS, Revenue and Operating Cash Flow with Organic Revenue, Adjusted Operating Margin, and Working Capital Turnover metrics.
<b>Global Payments Inc., GPN, \$165.26 (James Schneider, Ph.D., Not Rated)</b>	
LTIP	Added a Relative TSR multiplier (retained adjusted EPS).

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 57: Notable changes to 2019 incentive drivers in Information Technology (cont.)**

Recent changes to plan	
Information Technology	
<b>Hewlett Packard Enterprise Co., HPE, \$15.09 (Rod Hall, CFA, Neutral)</b>	
LTIP	Reintroduced PSUs at 50% of executive's annual grant.
STIP	Replaced Net Income with Operating Profit and removed Free Cash Flow (retained net revenue and individual goal modifiers).
<b>Juniper Networks, Inc., JNPR, \$24.51 (Rod Hall, CFA, Sell)</b>	
LTIP	Replaced Non-GAAP Operating Income and Operating margin with Non-GAAP EPS (retained revenue and relative TSR).
STIP	Replaced Non-GAAP Operating Income and Operating margin with Non-GAAP EPS (retained revenue and strategic goals).
<b>PayPal Holdings Inc, PYPL, \$103.05 (Heath P. Terry, CFA, Buy*)</b>	
LTIP	Granted new PSUs to CEO with extended 5-year performance period, paying out according to the achievement of two separate 90-day trading avgs (50% each) (retained revenue CAGR and FCF CAGR).
<b>Skyworks Solutions, Inc., SWKS, \$80.30 (Toshiya Hari, Buy)</b>	
LTIP	Changed non-GAAP FCF metric to non-GAAP EBITDA (retained relative TSR).
<b>Xerox Holdings Corporation, XRX, \$31.30</b>	
LTIP	For FY19, replaced relative TSR with absolute TSR (retained FCF and Adjusted Operating Margin); Removed Options, which had a 25% weight (retained PSUs at 60% weight and RSUs at 40% weight).
STIP	For FY19, replaced Adjusted Pretax Income metric with Adjusted Operating Margin, and an individual performance metric (retained revenue and FCF).
<b>Xilinx, Inc., XLNX, \$106.72 (Toshiya Hari, Neutral)</b>	
LTIP	Replaced quality leadership metric with Xilinx Board Business & DataCenter strategy metric (retained revenue and product leadership).

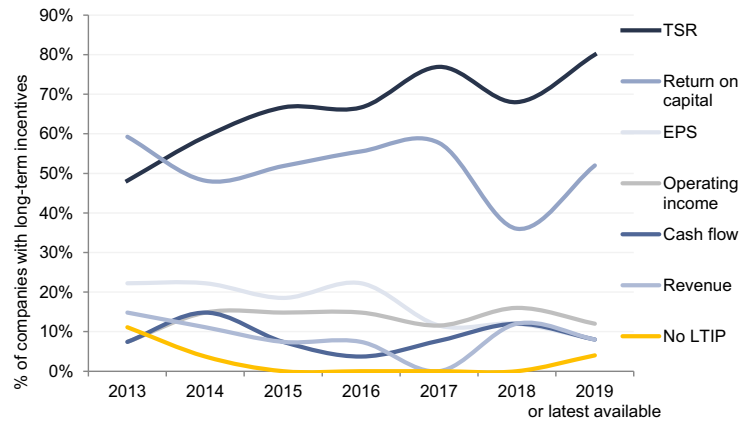
\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Sector Summary: Materials

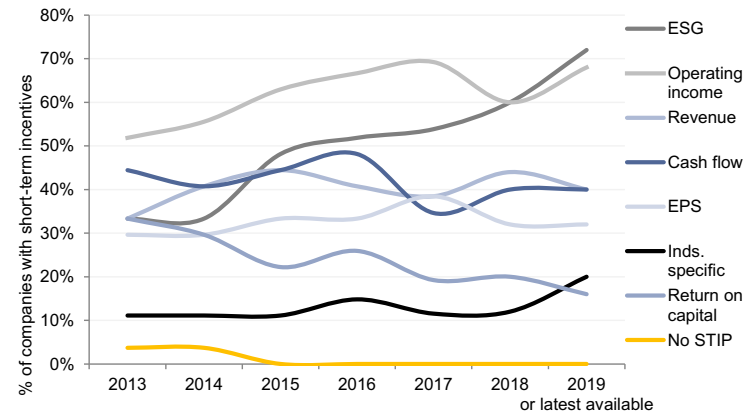
TSR resumed its rise as the most employed LTIP metric amongst Materials companies, including an addition by Packaging Corp of America. Meanwhile, ESG and operating income remain the two most common STIP KPIs in the sector.

**Exhibit 58: Utilization of most common LTIP metrics among S&P 500 Materials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 59: Utilization of most common STIP metrics among S&P 500 Materials companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

## Commentary from our analysts on select incentive changes

**FMC Corporation** (*Adam Samuelson*) - We find it notable for FMC to include operating cash flow in its plans, where cash conversion has long been well below peers through a combination of working capital inefficiencies (notably Brazilian ag receivables/inventory) and legacy environmental / remediation costs. Following the acquisition of the DuPont Crop Protection assets and spin of its Lithium business, heightened focus on cash generation will better align financial performance with already attractive sales/EBITDA growth profiles.

**Exhibit 60: Notable changes to 2019 incentive drivers in Materials**

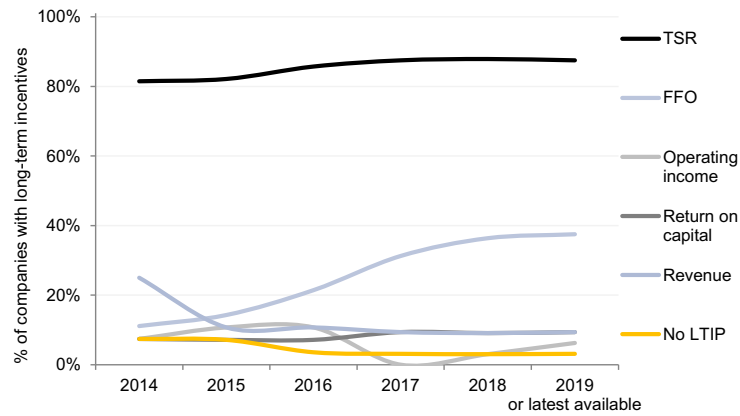
Recent changes to plan
Materials
<b>CF Industries Holdings, Inc., CF, \$50.78 (Adam Samuelson, Buy)</b>
LTIP    Removed Options, which had a 60% weight (retained PSUs at 60% weight and RSUs at 40% weight).
<b>FMC Corporation, FMC, \$86.60 (Adam Samuelson, Buy)</b>
LTIP    Added a 3yr cumulative OCF performance metric (30% weighting) (retained relative TSR).
<b>Freeport-McMoRan, Inc., FCX, \$10.12 (Matthew Korn, CFA, Buy)</b>
LTIP    For FY19 added RSUs at 25% weight (retained PSUs at 50% weight and Options at 25% weight).
STIP    For FY19 replaced net debt reduction with operating cash flow.
<b>International Flavors &amp; Fragrances Inc., IFF, \$123.86 (Adam Samuelson, Buy)</b>
LTIP    For FY19, replaced Economic Profit metric with 3Yr. Net debt / EBITDA performance (retained relative TSR).
<b>Packaging Corporation of America, PKG, \$104.20 (Brian Maguire, CFA, Neutral)</b>
LTIP    Added a relative TSR (vs peer group) equity award (retained relative ROIC).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Sector Summary: Real Estate

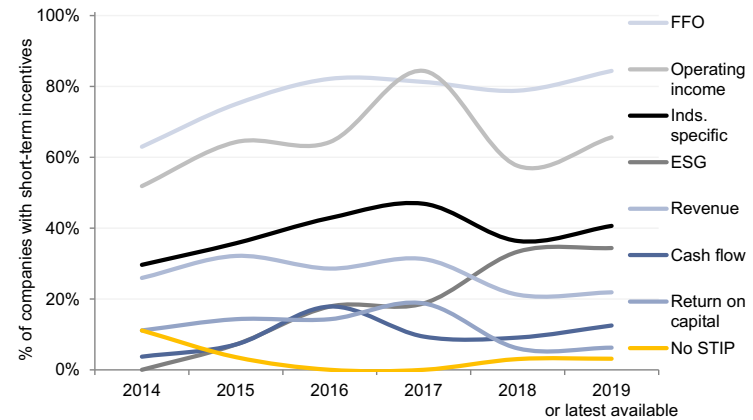
Real Estate LTIPs remain TSR-centric, consistent with high-dividend yielding sectors. The multi-year ramp in adoption of FFO as an LTIP FFO appeared to level off at about the 40% level this year. STIP metrics have been broadly stable, with more ESG metrics appearing over time.

**Exhibit 61: Utilization of most common LTIP metrics among S&P 500 Real Estate companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 62: Utilization of most common STIP metrics among S&P 500 Real Estate companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 63: Notable changes to 2019 incentive drivers in Real Estate**

Recent changes to plan	
Real Estate	
<b>Boston Properties, Inc., BXP, \$130.91</b>	
LTIP	For FY19 removed C&S Realty Index from TSR mix (retained relative TSR to NAREIT Index).
<b>Crown Castle International Corp, CCI, \$139.32 (Brett Feldman, Neutral)</b>	
LTIP	Added Absolute TSR metric to complement Relative TSR metric, each at 50% weighting.
<b>HCP, Inc., HCP, \$34.69</b>	
STIP	For FY19 removed Same Store Cash NOI growth by segment (retained FFO per share, net debt to EBITDA, and individual performance).
<b>Host Hotels &amp; Resorts, Inc., HST, \$17.43 (Stephen Grambling, CFA, Sell)</b>	
LTIP	For FY19 added Organizational, and Value Enhancement & Redevelopment metrics, 10% weighting each.
<b>Macerich Company, MAC, \$33.66 (Caitlin Burrows, Neutral)</b>	
STIP	Removed Replacing Lost Rents and Succession Planning (retained same center NOI growth, FFO/share, re-leasing spreads, and individual performance).
<b>Prologis, Inc., PLD, \$83.27 (Caitlin Burrows, Buy*)</b>	
STIP	Removed Back Office Organization metric (retained portfolio ops, deployment, land bank and dispositions, strategic capital, and competitive advantage drivers).
<b>Public Storage, PSA, \$250.00</b>	
LTIP	Removed core FFO per share metric (retained same store revenues).
STIP	Removed Same Store Sales and FCF per share (retained Core FFO per share).

\*On the regional Conviction List

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 64: Notable changes to 2019 incentive drivers in Real Estate (cont.)**

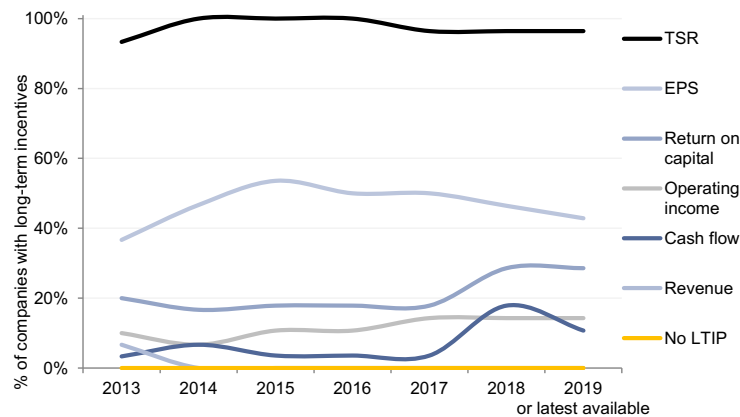
Recent changes to plan	
Real Estate	
<b>SL Green Realty Corp., SLG, \$82.50</b>	
LTIP	For FY19 extended all LTIP TSR metrics from one to three-year performance.
STIP	For FY19 replaced TSR with G&A expense metrics (retained dividend growth, FFO/share and same-store cash NOI growth).
<b>UDR, Inc., UDR, \$47.84</b>	
LTIP	For FY19 replaced Absolute TSR with relative TSR (vs. apartment peers) (retained FFO/share and relative cumulative FFO).
STIP	For FY19 replaced Net Financial Funding Capacity, Development FFO and Same Store Revenues with 3-year Liquidity, Controllable Operating NOI and Transaction Volumes.
<b>Welltower, Inc., WELL, \$87.88</b>	
LTIP	Removed Establishment of Academic Medical Center and Super-Regional Relationships, Effectiveness of Mgmt and Progression on Initiatives metrics (retained relative TSR and debt / EBITDA).
STIP	Removed Adjusted Fixed Charge Coverage and Cash NOI of 2016 Operating Acquisitions (retained FFO/share, same store NOI growth, G&A expense control and individual performance).

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Sector Summary: Utilities

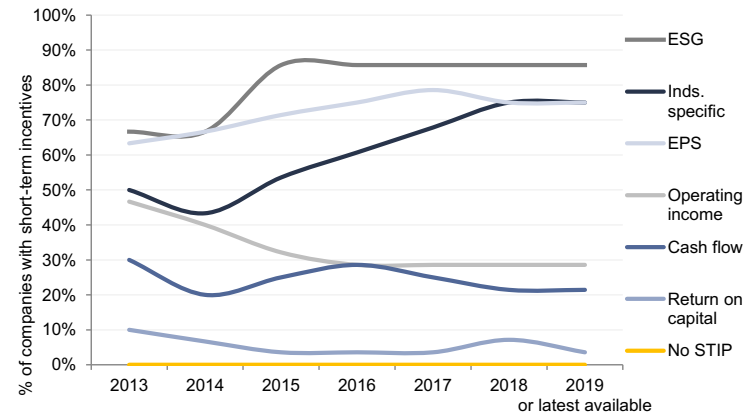
In the Utilities sector we see continued use of TSR as the preeminent LTIP KPI. Among STIPs, ESG related metrics maintain high adoption rates.

**Exhibit 65: Utilization of most common LTIP metrics among S&P 500 Utilities companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 66: Utilization of most common STIP metrics among S&P 500 Utilities companies, by year of proxy publication**



Source: Company data, Goldman Sachs Global Investment Research

## Commentary from our analysts on select incentive changes

**Eversource Energy (Insoo Kim)** - We are not surprised by the removal of credit ratings as part of the incentive metric, given the company's foray into the offshore wind business deemed higher risk by the ratings agencies (as evidenced by S&P's recent ratings downgrade of ES). However, we believe it is still important for the company to maintain healthy credit ratings to allow for favorable financing costs for both regulated investments and for offshore wind.



**Exhibit 67: Notable changes to 2019 incentive drivers in Utilities**

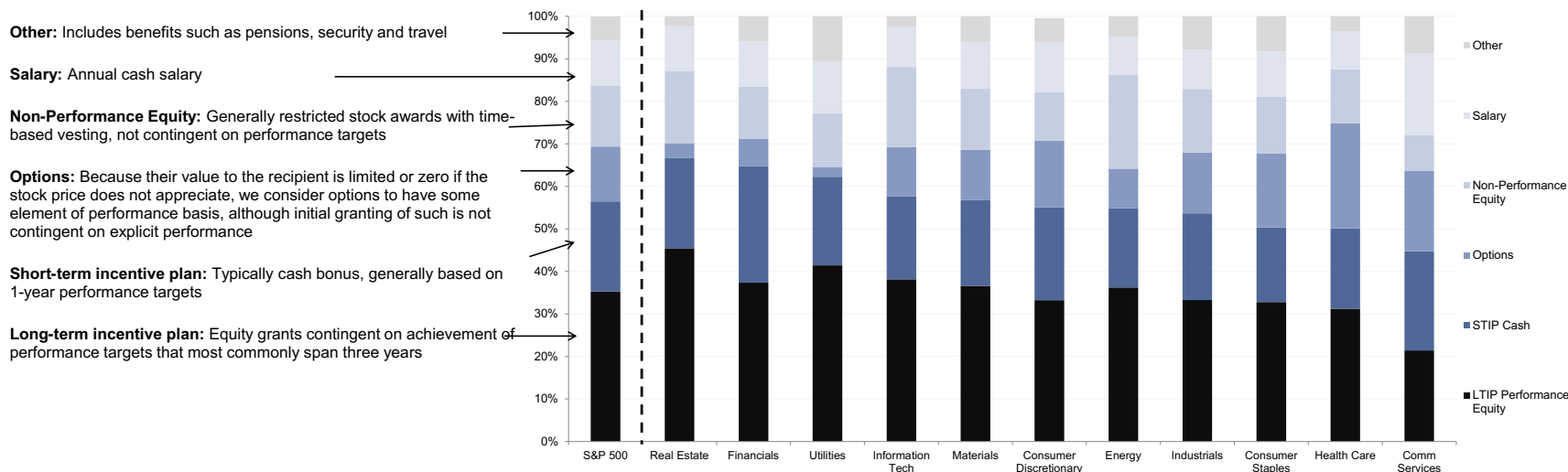
Recent changes to plan	
Utilities	
<b>AES Corporation, AES, \$15.18</b>	
STIP	Removed AES Energy Star Project (retained safety, adjusted EPS, FCF, KPIs and growth projects).
<b>Alliant Energy Corp, LNT, \$50.96</b>	
STIP	Removed Reliability (retained EPS, customer satisfaction, environmental, and diversity goals).
<b>Ameren Corporation, AEE, \$74.21 (Insoo Kim, CFA, Neutral)</b>	
LTIP	Removed EPS threshold (retained relative TSR); for FY19 added RSUs at a 30% weight (retained PSUs at 70% weight).
<b>Eversource Energy, ES, \$81.87 (Insoo Kim, CFA, Buy)</b>	
STIP	Removed Credit Rating (retained earnings per share, dividend, strategic growth, safety rating/service/diversity and reliability/restoration).
<b>NiSource Inc, NI, \$28.97 (Insoo Kim, CFA, Buy)</b>	
LTIP	Changed Relative TSR metric from 50% weighting to a modifier, increased weight of the NOEPS target and added a customer value framework target with a NOEPS vesting trigger and customer value framework hurdle; added RSUs at 20% weight (retained PSUs).
<b>Sempra Energy, SRE, \$141.77 (Michael Lapedes, Buy*)</b>	
LTIP	Added RSUs at 30% weight (retained PSUs at 70% weight).
<b>Southern Company, SO, \$59.19 (Michael Lapedes, Sell)</b>	
LTIP	Added new GHG emissions reduction metric with a 10% weight; removed cumulative EPS (retained TSR ROE and CFO).

\*On the regional Conviction list

Source: Company data, FactSet, Data compiled by Goldman Sachs Global Investment Research

# Appendix 1 — Supplemental exhibits

**Exhibit 68: Mix of CEO compensation by value, S&P 500 companies (sectors ordered by combined LTIP & STIP mix)**



Source: Company data, Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 69: S&P 500 pay mix by sector**

Sectors ranked highest to lowest for each component of pay, based on constituent average

LTIP		STIP		Non-Performance Equity		Options		Salary		Other	
<b>S&amp;P 500</b>	<b>35.3%</b>	<b>S&amp;P 500</b>	<b>21.2%</b>	<b>S&amp;P 500</b>	<b>14.4%</b>	<b>S&amp;P 500</b>	<b>12.9%</b>	<b>S&amp;P 500</b>	<b>10.6%</b>	<b>S&amp;P 500</b>	<b>5.6%</b>
Real Estate	45.4%	Financials	27.5%	Energy	22.1%	Health Care	24.7%	Comm Services	19.2%	Utilities	10.7%
Utilities	41.4%	Comm Services	23.4%	Information Tech	18.8%	Comm Services	18.8%	Utilities	12.1%	Comm Services	8.7%
Information Tech	38.2%	Consumer Discretionary	21.9%	Real Estate	17.0%	Consumer Staples	17.4%	Consumer Discretionary	11.7%	Consumer Staples	8.3%
Financials	37.3%	Real Estate	21.2%	Industrials	14.9%	Consumer Discretionary	15.7%	Materials	10.9%	Industrials	7.8%
Materials	36.6%	Utilities	20.8%	Materials	14.4%	Industrials	14.3%	Financials	10.7%	Materials	6.0%
Energy	36.2%	Industrials	20.4%	Consumer Staples	13.5%	Materials	11.9%	Consumer Staples	10.6%	Financials	5.9%
Industrials	33.3%	Materials	20.2%	Health Care	12.7%	Information Tech	11.5%	Real Estate	10.5%	Consumer Discretionary	5.7%
Consumer Discretionary	33.2%	Information Tech	19.6%	Utilities	12.6%	Energy	9.3%	Information Tech	9.5%	Energy	4.8%
Consumer Staples	32.8%	Health Care	19.0%	Financials	12.2%	Financials	6.4%	Industrials	9.3%	Health Care	3.5%
Health Care	31.2%	Energy	18.7%	Consumer Discretionary	11.3%	Real Estate	3.5%	Health Care	9.0%	Information Tech	2.4%
Comm Services	21.4%	Consumer Staples	17.5%	Comm Services	8.5%	Utilities	2.3%	Energy	9.0%	Real Estate	2.3%

Source: Company data, Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 70: Companies without LTIPs in the S&P 500**

Incentive plans for 2019 or latest available

Ticker	Company	GICS 1 sector	Market cap (\$bn)	Ticker	Company	GICS 1 sector	Market cap (\$bn)
CHTR	Charter Communications, Inc.	Communication Services	93.3	IDXX	IDEXX Laboratories, Inc.	Health Care	23.0
FB	Facebook, Inc.	Communication Services	531.1	ISRG	Intuitive Surgical, Inc.	Health Care	57.9
GOOGL	Alphabet Inc.	Communication Services	779.9	REGN	Regeneron Pharmaceuticals, Inc.	Health Care	31.2
NFLX	Netflix, Inc.	Communication Services	126.1	UHS	Universal Health Services, Inc.	Health Care	13.7
TWTR	Twitter, Inc.	Communication Services	33.4	CPRT	Copart, Inc.	Industrials	18.5
AMZN	Amazon.com, Inc.	Consumer Discretionary	900.5	FAST	Fastenal Company	Industrials	18.8
AZO	AutoZone, Inc.	Consumer Discretionary	28.3	FDX	FedEx Corp.	Industrials	44.9
EXPE	Expedia Group, Inc.	Consumer Discretionary	18.5	JBHT	J.B. Hunt Transport Services, Inc.	Industrials	12.4
JWN	Nordstrom, Inc.	Consumer Discretionary	5.3	ROL	Rollins, Inc.	Industrials	11.3
ORLY	O'Reilly Automotive, Inc.	Consumer Discretionary	31.2	ANET	Arista Networks, Inc.	Information Technology	18.2
CHD	Church & Dwight Co., Inc.	Consumer Staples	17.7	APH	Amphenol Corp.	Information Technology	26.7
COTY	Coty Inc. Class A	Consumer Staples	8.0	FTNT	Fortinet, Inc.	Information Technology	13.5
KHC	Kraft Heinz Company	Consumer Staples	35.3	IPGP	IPG Photonics Corp.	Information Technology	7.6
MNST	Monster Beverage Corp.	Consumer Staples	31.5	TXN	Texas Instruments	Information Technology	118.6
HP	Helmerich & Payne, Inc.	Energy	4.6	CE	Celanese Corp.	Materials	15.3
KMI	Kinder Morgan Inc.	Energy	45.8	SBAC	SBA Communications Corp.	Real Estate	27.3
BRK.b	Berkshire Hathaway Inc.	Financials	510.6				

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 71: Highest options and salary & other comp payers within GICS 2 sectors**

Comp breakdown for FY2018, ex. cash STIPs and bonuses

Ticker	Company	GICS 1 sector	Market cap (\$bn)	Options as % of non-STIP comp	Ticker	Company	GICS 1 sector	Market cap (\$bn)	Salary & other as % of non-STIP comp
Top FY2018 Options payers within each GICS 2 sector					Top FY2018 Salary & other comp payers within each GICS 2 sector*				
NFLX	Netflix, Inc.	Communication Services	126.1	98.1%	T	AT&T Inc.	Communication Services	274.6	28.7%
CMG	Chipotle Mexican Grill, Inc.	Consumer Discretionary	21.8	57.8%	CMCSA	Comcast Corporation	Communication Services	211.1	56.0%
EXPE	Expedia Group, Inc.	Consumer Discretionary	18.5	90.0%	GRMN	Garmin Ltd.	Consumer Discretionary	16.0	39.7%
GM	General Motors Co.	Consumer Discretionary	56.5	19.7%	HOG	Harley-Davidson, Inc.	Consumer Discretionary	5.5	26.6%
UAA	Under Armour, Inc.	Consumer Discretionary	9.4	99.1%	GPC	Genuine Parts Company	Consumer Discretionary	14.2	52.5%
CHD	Church & Dwight Co., Inc.	Consumer Staples	17.7	77.2%	MGM	MGM Resorts International	Consumer Discretionary	15.2	27.8%
HRL	Hormel Foods Corp.	Consumer Staples	23.3	69.9%	CL	Colgate-Palmolive Company	Consumer Staples	61.9	33.1%
WBA	Walgreens Boots Alliance Inc	Consumer Staples	51.4	53.2%	HSY	Hershey Company	Consumer Staples	31.1	44.5%
HP	Helmerich & Payne, Inc.	Energy	4.6	40.8%	KR	Kroger Co.	Consumer Staples	20.6	29.6%
SCHW	Charles Schwab Corp.	Financials	54.8	43.7%	COP	ConocoPhillips	Energy	62.5	40.6%
HIG	Hartford Financial Services Group	Financials	21.4	44.0%	CBOE	Cboe Global Markets Inc	Financials	12.9	38.2%
HBAN	Huntington Bancshares Inc.	Financials	14.9	19.1%	L	Loews Corporation	Financials	15.1	52.0%
IDXX	IDEXX Laboratories, Inc.	Health Care	23.0	85.3%	ZION	Zions Bancorporation, N.A.	Financials	7.7	44.6%
REGN	Regeneron Pharmaceuticals, Inc.	Health Care	31.2	90.6%	PDCO	Patterson Companies, Inc.	Health Care	1.7	37.8%
FDX	FedEx Corp.	Industrials	44.9	79.2%	PRGO	Perrigo Co. Plc	Health Care	7.2	47.5%
SRCL	Stericycle, Inc.	Industrials	4.4	33.3%	FAST	Fastenal Company	Industrials	18.8	59.2%
TDG	TransDigm Group Inc.	Industrials	27.0	90.2%	NSC	Norfolk Southern Corporation	Industrials	47.0	36.6%
APH	Amphenol Corp.	Information Technology	26.7	83.1%	SRCL	Stericycle, Inc.	Industrials	4.4	25.8%
ORCL	Oracle Corp.	Information Technology	185.0	99.1%	GLW	Corning Inc	Information Technology	22.8	38.8%
TXN	Texas Instruments Inc.	Information Technology	118.6	45.3%	IBM	International Business Machines	Information Technology	128.5	20.0%
DD	DuPont de Nemours, Inc.	Materials	53.2	82.6%	KLAC	KLA Corporation	Information Technology	23.7	27.2%
SBAC	SBA Communications Corp.	Real Estate	27.3	58.6%	IP	International Paper Company	Materials	16.2	47.0%
EIX	Edison International	Utilities	26.1	31.3%	KIM	Kimco Realty Corporation	Real Estate	8.5	28.7%
					ES	Eversource Energy	Utilities	26.5	54.9%

\*Excludes companies with no equity or options comp in FY2018 or lumpy stock comp plans

Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 72: Summary of LTIP backtest results for the S&P 500 (ex. Financials and Real Estate)**

Average annualized difference in operating, capital allocation, and stock performance metrics for companies with each LTIP metric vs. those without that metric in rolling 3-yr periods (2012-18); shading shows at least 20 bps of superior peer-relative performance

		Outcomes									
		Operating				Capital allocation					
		Revenue growth	EPS growth	Op. margin expan.	CROCI improvement	Buybacks (% of mkt cap)	Sharecount growth (less)	Dividend growth	Acq'ns (less) (% of mkt cap)	R&D Spend	Capital expenditures
Long-term incentive drivers	TSR	-132 bps	-147 bps	-183 bps	-54 bps	-12 bps	+7 bps	-201 bps	+30 bps	-53 bps	-91 bps
	Return on capital	-81 bps	+36 bps	+66 bps	+236 bps	+50 bps	-81 bps	+191 bps	-52 bps	+43 bps	-75 bps
	Operating income	+132 bps	+43 bps	+6 bps	+13 bps	+27 bps	+68 bps	-106 bps	+17 bps	-43 bps	+25 bps
	EPS	-110 bps	-193 bps	-288 bps	-107 bps	+19 bps	-88 bps	+95 bps	-74 bps	-136 bps	-157 bps
	Revenue	+12 bps	-517 bps	-10 bps	-9 bps	-8 bps	-15 bps	-259 bps	-41 bps	-14 bps	-111 bps
	Cash flow	-126 bps	-338 bps	-224 bps	-110 bps	-10 bps	-26 bps	-149 bps	+45 bps	-31 bps	-277 bps

'Returns' LTIPs correlate with the best combination of corporate performance

As the only commonly used per-share metric, 'EPS' is linked with buybacks

LTIPs based on Revenue correlate with weak EPS growth

'TSR' and 'EPS' LTIPs linked with weak future investment

Source: Company data, FactSet, Goldman Sachs Global Investment Research

**Exhibit 73: Keeping their eyes on financial returns: Buy-rated companies (ex-Financials) with a return-on-capital focus on LTIPs**

Ticker	Company	Rating	Price (as of 9/10/2019)	Primary Analyst	Ticker	Company	Rating	Price (as of 9/10/2019)	Primary Analyst
<b>Consumer Discretionary</b>					<b>Industrials</b>				
CCL	Carnival Corp.	Buy	\$49.66	Stephen Grambling, CFA	ALK	Alaska Air Group Inc.	Buy*	\$64.99	Catherine O'Brien
DG	Dollar General Corp.	Buy	\$157.09	Christopher Prykull, CFA	ARNC	Arconic Inc.	Buy	\$26.71	Matthew Korn, CFA
HAS	Hasbro Inc.	Buy	\$116.55	Michael Ng, CFA	GD	General Dynamics Corp.	Buy	\$187.87	Noah Poponak, CFA
HD	Home Depot Inc.	Buy	\$233.00	Kate McShane, CFA	HON	Honeywell International Inc.	Buy	\$169.61	Joe Ritchie
LOW	Lowe's Cos.	Buy	\$115.28	Kate McShane, CFA	JEC	Jacobs Engineering Group	Buy	\$89.97	Jerry Revich, CFA
MCD	McDonald's Corp.	Buy	\$209.68	Katherine Fogertey	LMT	Lockheed Martin Corp.	Buy*	\$381.32	Noah Poponak, CFA
TGT	Target Corp.	Buy*	\$108.83	Kate McShane, CFA	NSC	Norfolk Southern Corp.	Buy*	\$178.58	Jordan Alliger
TJX	TJX Cos.	Buy	\$56.92	Alexandra Walvis, CFA	UNP	Union Pacific Corp.	Buy	\$167.57	Jordan Alliger
<b>Consumer Staples</b>					<b>Information Technology</b>				
ADM	Archer-Daniels-Midland	Buy	\$40.29	Adam Samuelson	UPS	United Parcel Service Inc.	Buy	\$122.40	Jordan Alliger
WMT	Walmart Inc.	Buy	\$116.05	Kate McShane, CFA	WAB	Wabtec Corp.	Buy	\$72.25	Jerry Revich, CFA
<b>Energy</b>					<b>Materials</b>				
BHGE	Baker Hughes, A GE Co.	Buy*	\$24.11	Angie Sedita	MU	Micron Technology Inc.	Buy	\$49.39	Mark Delaney, CFA
COP	ConocoPhillips	Buy	\$56.32	Neil Mehta	CF	CF Industries Holdings	Buy	\$50.78	Adam Samuelson
FTI	TechnipFMC Plc	Buy	\$25.71	Angie Sedita	EMN	Eastman Chemical Co.	Buy	\$74.33	Robert Koort, CFA
HAL	Halliburton Co.	Buy	\$20.03	Angie Sedita	FCX	Freeport-McMoRan Inc.	Buy	\$10.12	Matthew Korn, CFA
PSX	Phillips 66	Buy	\$102.96	Neil Mehta	IFF	Intl Flavors & Fragrances Inc.	Buy	\$123.86	Adam Samuelson
SLB	Schlumberger Ltd.	Buy	\$37.46	Angie Sedita	NUE	Nucor Corp.	Buy	\$52.63	Matthew Korn, CFA
<b>Health Care</b>					<b>Real Estate</b>				
ABC	AmerisourceBergen Corp.	Buy	\$85.88	Robert P. Jones	PPG	PPG Industries Inc.	Buy*	\$117.27	Robert Koort, CFA
AMGN	Amgen Inc.	Buy	\$196.87	Terence Flynn, Ph.D.	SHW	Sherwin-Williams Co.	Buy*	\$521.73	Robert Koort, CFA
HUM	Humana Inc.	Buy	\$276.85	Stephen Tanal, CFA	<b>Utilities</b>				
UNH	UnitedHealth Group	Buy	\$232.46	Stephen Tanal, CFA	IRM	Iron Mountain Inc.	Buy	\$33.53	George K. Tong, CFA
					EXC	Exelon Corp.	Buy	\$48.35	Michael Lapidès
					FE	FirstEnergy Corp.	Buy	\$46.74	Michael Lapidès
					NEE	NextEra Energy Inc.	Buy	\$218.12	Michael Lapidès

\* on the regional Conviction List

Source: Company data, FactSet, Goldman Sachs Global Investment Research

**Exhibit 74: Chasing growth in mature or challenging markets? Companies with revenue-focused long-term incentives and below average sales growth**

Neutral- and Sell-rated companies with FY1-3E expected sales growth CAGR that is both below GS-covered peer median and &lt;5% absolute

Ticker	Company	Rating	Price (as of 9/10/2019)	Primary Analyst	Sales CAGR FY1-3E	GICS 2 Peer Median	Relative Sales CAGR	Ticker	Company	Rating	Price (as of 9/10/2019)	Primary Analyst	Sales CAGR FY1-3E	GICS 2 Peer Median	Relative Sales CAGR
<b>Communication Services</b>								<b>Health Care</b>							
IPG	Interpublic Group of Co.	Neutral	\$21.63	Drew Borst	2.8%	5.9%	-3.1%	BLIB	Biogen Inc.	Neutral	\$233.00	Terence Flynn, Ph.D.	-6.1%	9.4%	-15.5%
<b>Consumer Discretionary</b>								<b>Industrials</b>							
AAP	Advance Auto Parts Inc.	Sell	\$154.70	Kate McShane, CFA	3.4%	6.2%	-2.8%	GILD	Gilead Sciences Inc.	Sell	\$67.08	Terence Flynn, Ph.D.	-4.6%	9.4%	-14.0%
BBY	Best Buy Co.	Neutral	\$69.02	Kate McShane, CFA	1.9%	6.2%	-4.3%	DAL	Delta Air Lines Inc.	Neutral	\$58.64	Catherine O'Brien	3.8%	5.8%	-2.0%
M	Macy's Inc.	Neutral	\$17.10	Alexandra Walvis, CFA	0.2%	6.2%	-6.0%	MMM	3M Co.	Neutral	\$168.86	Joe Ritchie	2.9%	3.9%	-1.0%
<b>Consumer Staples</b>								<b>Information Technology</b>							
GIS	General Mills Inc.	Sell	\$54.53	Jason English	-0.3%	5.0%	-5.3%	NLSN	Nielsen Holdings	Neutral	\$22.39	George K. Tong, CFA	2.5%	5.2%	-2.7%
HSY	Hershey Co.	Neutral	\$152.54	Jason English	1.7%	5.0%	-3.3%	PH	Parker Hannifin Corp.	Sell	\$181.29	Joe Ritchie	2.8%	3.9%	-1.1%
KMB	Kimberly-Clark Corp.	Neutral	\$131.15	Jason English	0.5%	4.2%	-3.7%	URI	United Rentals Inc.	Neutral	\$124.05	Jerry Revich, CFA	1.5%	3.9%	-2.4%
KO	Coca-Cola Co.	Neutral	\$54.40	Judy E. Hong	4.8%	5.0%	-0.2%	<b>Information Technology</b>							
MKC	McCormick & Company Inc.	Neutral	\$156.00	Adam Samuelson	3.9%	5.0%	-1.1%	FFIV	F5 Networks Inc.	Sell	\$140.88	Rod Hall, CFA	1.0%	7.0%	-6.0%
<b>Financials</b>								<b>Information Technology</b>							
AMG	Affiliated Managers Group	Neutral	\$86.38	Alexander Blostein, CFA	-4.0%	5.1%	-9.1%	JNPR	Juniper Networks Inc.	Sell	\$24.51	Rod Hall, CFA	2.8%	7.0%	-4.2%
BK	Bank of New York Mellon Corp.	Neutral	\$45.78	Alexander Blostein, CFA	-0.2%	5.1%	-5.3%	WU	Western Union Co.	Sell	\$23.22	James Schneider, Ph.D.	0.6%	11.6%	-11.0%
MCO	Moody's Corp.	Neutral	\$211.46	George K. Tong, CFA	4.6%	5.1%	-0.5%								

Source: Company data, FactSet, Goldman Sachs Global Investment Research

# Appendix 2 — S&P 500 Incentive KPIs by company

**Exhibit 75: Management incentive drivers for S&P 500 Communication Services companies**

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Activision Blizzard Inc	FY18	Relative TSR vs. S&P 500	Adjusted EPS				Adjusted operating income (30%)	Adjusted EPS (15%)	Adjusted FCF (15%)	Non-subjective individual strategic objectives (40%)		
CBS Corp	FY18	Operating income (75%)	FCF (25%)				Operating income (75% of financial wt)	Free cash flow (25% of financial wt)	Qualitative (20% of total STIP) - incl financials, diversity, talent, growth			
Charter Communications Inc	FY18	Vesting of all awards contingent on stock price hurdles (30%-155%)					Revenue (40%)	Adjusted EBITDA (50%)	Capital management (10%)			
Comcast Corp	FY18	Adjusted EBITDA					Adjusted EBITDA (25%)	Free cash flow (20%)	Revenue (10%)	Customer experience	Product churn	Qualitative - includes culture & diversity
CenturyLink Inc	FY18	Adjusted EBITDA growth run rate target (2-year)					Adjusted EBITDA (65%)	Free cash flow (25%)	Customer experience (10%)	Individual performance modifier		
Walt Disney Co	FY18	Relative TSR vs. S&P 500 (50%)	EPS growth relative to S&P 500 (50%)				Adjusted segment operating income (25.0%)	Adjusted EPS (28.6%)	Adjusted after-tax FCF (21.4%)	Adjusted ROIC (25.0%)	Individual performance assessment	
Discovery Inc	FY18	Revenue (20%)	Adjusted OIBDA (40%)	Adjusted FCF(40%)			Revenue (33%)	Adjusted OIBDA (33%)	Adjusted FCF (33%)	Qualitative goals (50% of total STIP); includes acqn integration, content investment, affiliate sales, digital growth, succession, talent retention & diversity		
DISH Network Corp	FY18	Cumulative free cash flow	Wireless buildout and revenue	Pay-TV subscriber growth	Top-line revenue growth	Customer service/satisfaction awards; Annual employee survey	No STIP					
Electronic Arts Inc	FY19 (Mar)	Relative TSR modifier (vs. NASDAQ-100)					No STIP (no explicit financial target metrics)					
Facebook Inc	FY18	CEO does not participate in incentive compensation programs	Long-term compensation for other NEOs is time-based only				CEO does not participate in incentive compensation programs	Determination and payouts at discretion of comp committee				
Twenty-First Century Fox Inc	FY18	Adjusted EPS (40%)	Cumulative annual adjusted FCF (40%)	TSR vs S&P 500 (20%)			OIBDA	Qualitative				
Alphabet Inc	FY18	NEOs receive biennial grants of restricted stock					No STIP					
Interpublic Group of Companies Inc	FY18	Cumulative organic revenue gr (30%)	Operating income before incentives (OIBI) margin (70%)				Organic revenue growth (20%)	Operating income before incentives margin (60%)	High priority objectives - including talent mgmt and diversity (20%)			
Netflix Inc	FY18	No LTIP					No STIP					
News Corp	FY18	Adjusted EPS (40%)	Cumulative annual adjusted FCF (40%)	TSR vs S&P 500 (20%)			Adjusted total segment EBITDA (67%)	Individual objectives - inc. ethics and compliance (33%)				
Omnicom Group Inc	FY18	Relative avg. ROE vs. peer group					Diluted EPS (16.7%)	EBITDA margin (16.7%)	Organic growth (16.7%)	Relative ROE (20%)	Relative organic growth + profit margin (30%)	Qualitative - personnel, client, and services development
AT&T Inc	FY18	3-year average ROIC (100%)	TSR performance modifier (+/- 10% to final payout)				EPS (60%)	Free cash flow (30%)	Collaboration across operating entities (10%)	Added net debt-to-adjusted EBITDA at 20% weight starting 2019		
TripAdvisor Inc	FY18	TSR vs. Nasdaq Composite					Revenue	Adjusted EBITDA				
Take-Two Interactive Software Inc	FY18	Relative TSR (75%)	New interactive entertainment product performance (12.5%)	Recurrent consumer spending performance (12.5%)			Adjusted EBITDA					
Twitter	FY18	No LTIP for CEO	TSR vs. Nasdaq Internet (40% for NEOs other than CEO)	GAAP revenue (30% for other NEOs)	GAAP operating inc (30% for other NEOs)		No STIP for CEO					
Viacom Inc	FY18	EPS (75%)	TSR vs. S&P 500 (25%)				Operating income (50%)	FCF (20%)	Qualitative objectives - restructuring, strategic plan, diversity (30%)			
Verizon Communications Inc	FY18	Relative TSR (67%)	Cumulative free cash flow (33%)				Adjusted EPS (45%)	Free cash flow (25%)	Total revenue (25%)	Diversity and sustainability (5%)	8% ROE threshold for any payout	

Source: Company data



Exhibit 76: Management incentive drivers for S&P 500 Consumer Discretionary companies

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers								
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6			
Consumer Discretionary	Advance Auto Parts Inc	FY18	Avg comparable store sales growth (33%)	ROIC (34%)	Relative TSR (33%)			Enterprise comparable store sales (33%)	Enterprise adj operating income (33%)	FCF (33%)						
	Amazon.com Inc	FY18	NEOs receive periodic grants of restricted stock that generally vest over 5 or 6 years					No STIP								
	Apiv PLC	FY18	Avg RONA (50%)	Cumulative net income (25%)	Relative TSR vs. Russell 3000 Auto Parts Index (25%)			Net income (50%)	Cash flow before financing and Simplified op cash flow (40%)	New business bookings (10%)	Strategic results modifier (+/-10%) (talent & culture, competitive cost structure)					
	Autozone Inc	FY19	No LTIP					EBIT	ROIC							
	Best Buy Co Inc	FY19 (Jan)	TSR (50%)	Revenue growth (50%)	Adj. net earnings threshold (performance-conditioned time-based RSU)			Enterprise operating income threshold (40%)	Comprable sales growth (30%)	U.S. cost reduction (7.5%)	U.S. online revenue growth (7.5%)	U.S. net promoter score (7.5%)	U.S. services productive revenue (7.5%)			
	Booking Holdings Inc	FY18	Adjusted EBITDA					Adjusted EBITDA								
	BorgWarner Inc	FY18	Relative TSR vs peer group (50%)	Relative revenue growth (50%)				Economic value added								
	Carnival Corp	FY18	Adjusted operating income (60%)	ROIC (40%)	Peer-relative TSR (SEA grants)			Operating income (50%)	Brand operating income (50%)	HESS performance modifier						
	Chipotle Mexican Grill Inc	FY19	3-year comparable restaurant sales gr (must exceed 3.5%)	2-year avg restaurant CF margin (must exceed 19% starting FY19)	One-time digital transformation equity award			Comparable restaurant sales	Restaurant cash flow margin	Food safety modifier (FY19)	Individual performance modifier (FY19)					
	Capri Holdings	FY19 (Mar)	Cumulative average adjusted operating margin (50%)	Cumulative adjusted cash flow from operations (50%)				Adjusted EPS (50%)	Adjusted FCF (50%)							
	Dollar General Corp	FY18	Adjusted EBITDA (50%)	ROIC (50%)				Adjusted EBIT								
	D.R. Horton Inc	FY18	Relative TSR (25%)	Relative ROI (25%)	Relative SG&A (25%)	Relative gross profit (25%)		Pre-tax income								
	Dollar Tree Inc	FY19	Adjusted EBITDA					Operating income								
	Darden Restaurants Inc	FY18	Relative TSR (vs. restaurant peer group) (50%)	ROIC (50%)				Adjusted EPS (70%)	Same-restaurant sales (30%)							
	eBay Inc	FY18	2-yr FX-neutral revenue (50%)	2-yr non-GAAP operating margin dollars (50%)	ROIC modifier	Payments modifier		FX-neutral revenue	Non-GAAP net income	Individual performance						
	Expedia Group Inc	FY17	No LTIP					Worldwide hotel room night bookings	Stock price							
	Ford Motor Co	FY18	Adjusted EBIT margin (37.5%)	Annual ROIC (3-yr avg) (37.5%)	Relative TSR vs. peer group (25%)			Automotive segment revenue (20%)	Company adjusted EBIT margin (30%)	Company operating cash flow (30%)	Quality (TGW, warranty spend, cust sat) (20%)					
	Foot Locker Inc	FY18	Annual adjusted net income	2-yr average ROIC	EBIT margin	Total revenue growth	Direct-to-consumer revenue	Adj. pre-tax income (80%)	Customer connected scorecard (20%)							
	General Motors Co	FY18	Relative ROIC (67%)	Relative TSR vs OEM peer group (33%)				Adjusted EBIT (50%)	Adjusted AFCF (25%)	Individual performance (25%)						
	Genuine Parts Co	FY18	Pre-tax profit					Pre-tax profit (80%)	Working capital improvement (20%)							
	Gap Inc	FY18	Avg. annual earnings goals (EBIT)	Cumulative earnings				EBIT (37.5%)	Net sales (12.5%)	Operational model transformation (50%)	Individual performance adjustment					
	Garmin Ltd	FY18	Revenue (40%)	Operating income (30%)	Operating margin (30%)			No STIP								
	Hasbro Inc	FY18	Cumulative diluted EPS (34%)	ROIC (33%)	Cumulative net revenues (33%)			Total net revenues (40%)	Operating margins (40%)	Free cash flow (20%)	Individual performance adjustment					
	HanesBrands Inc	FY19	Net sales (10%)	Organic sales (10%)	Diluted EPS from continuing ops, excluding actions (40%)	Cash flow from operations (40%)		Net sales (10%)	Organic sales (10%)	Diluted EPS from continuing ops, excluding actions (40%)	Cash flow from operations (40%)					
	Home Depot Inc	FY18	3-yr avg ROIC target 2018-20: 45.7% (50%)	3-yr avg operating profit target 2018-20: \$16.60 (50%)	Operating profit threshold for vesting (90% of target)			Sales (40%)	Operating profit (40%)	Inventory turn (20%)						
	Hilton Worldwide Holdings Inc	FY18	3-yr FCF per share CAGR (50%)	3-yr EBITDA CAGR (50%)				Adj. EBITDA	Leadership and talent mgmt based on empl. survey, incl diversity and succession planning							
	Harley-Davidson Inc	FY19	Cumulative net income (50%)	HDMC average ROIC (50%)				Consolidated net income (55%)	HDMC asset productivity (15%)	HDFS return on assets (15%)	U.S. new rider growth (15%)	New retail sales volume growth measure for FY19				
	H & R Block Inc	FY18	EBITDA	TSR modifier +25%				Revenue (40%)	Pre-tax earnings (40%)	Market share (20%)						
Nordstrom Inc	FY18	No LTIP					ROIC threshold	EBIT (100%)	Strategic bonus modifier - 1) market share, 2) customer count, 3) customer engagement +25%							
Carmax Inc	FY18 (refer to their FY19 ending Jan)	TSR					Adj. pre-tax income									
Kohls Corp	FY18	Cumulative 3-year sales goal (50%)	Cumulative 3-year net income goal (50%)	TSR modifier (+/- 25%)			Net income (40%)	Total sales (40%)	Managerial criteria - incl. diversity and social responsibility (20%)							
L Brands Inc	FY18	Cumulative adjusted operating margin vs. S&P Retailing Index					Brand operating income (80%)	Corproate operating income (20%)								
Leggett & Platt Inc	FY18	TSR (50%)	EBIT CAGR (50%)				Return on capital employed (ROCE) (60%)	Cash flow (20%)	Individual performance (20%)	Adjustment for safety, audit and environmental standards						

Source: Company data

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Exhibit 77: Management incentive drivers for S&P 500 Consumer Discretionary companies (cont.)

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers							
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6		
	Lennar Corp	FY18	Relative gross profit percentage vs. peers	Relative return on tangible capital vs. peers	Debt/EBITDA multiple			Pre-tax income less capital charge on tangible equity							
	LKQ Corp	FY19	Adjusted EPS (42.5%)	Revenue (42.5%)	Return on invested capital (15%)	Target thresholds given in proxy for period ending 2020		EBITDA	EBITDA margin	Free cash flow					
	Lowe's Companies Inc	FY19	Return on non-cash average assets (RONCAA)	Relative TSR modifier vs. S&P 500				Operating income (80%)	Sales (25%)	(15%) Leadership effectiveness, incl. empl. motivation, engagement, etc.					
	Macy's Inc	FY19	Comparable sales growth (37.5%)	Avg ROIC (33%)	Relative TSR vs. peer group (25%)			Sales (40%)	Adjusted EBIT (35%)	Strategic initiatives (loyalty, openings, fulfillment) (25%)					
	Marriott International Inc	FY19	Gross room openings (33%)	Active Marriott Bonvoy loyalty member growth (33%)	Adj operating income growth (33%)			Adj EPS (60%)	Room growth (10%)	RevPAR index (10%)	Associate engagement (5%)	Individual achievement (5%)	Guest Satisfaction (10%)		
	Mattel Inc	FY19	3-year cumulative free cash flow	TSR multiplier (vs. S&P 500)				Adj. EBITDA (50%)	Adj. net sales (20%)	Adj. gross margin (15%)	Inventory and accounts receivable (15%)				
	McDonald's Corp	FY19	Compound annual EPS growth	3-year ROIC	TSR modifier (vs. S&P 500)			Operating income growth (75%)	Comparable guest count (25%)	Delivery Sales Initiative modifier (+12.5%)	Digital Adoption modifier (up to +12.5%)				
	MGM Resorts International	FY18	Relative TSR vs. S&P 500	Absolute TSR	Minimum EBITDA threshold for RSU vesting			Adjusted EBITDA							
	Mohawk Industries Inc	FY18	Positive adjusted operating income - threshold	Relative TSR (vs. S&P 500)	Business unit performance - EPS			Positive adjusted operating income threshold	Adjusted EPS						
	Norwegian Cruise Line Holdings Ltd	FY18	Adjusted ROIC (50%)	Adjusted EPS (50%)				Adjusted EPS							
	Nike Inc	FY18	EPS (50%)	Revenue (50%)				Adjusted income before income taxes							
	Newell Brands Inc	FY19	Relative TSR (50%)	Cumulative free cash flow (50%)				Normalized diluted EPS (50%)	Adjusted operating cash flow (25%)	Sales growth (25%)					
	O'Reilly Automotive Inc	FY18	No LTIP					Comparable store sales (30%)	Adjusted operating income (30%)	ROIC (20%)	Free cash flow (20%)				
	PulteGroup Inc	FY18	Relative TSR vs. peer group (33%)	ROIC (33%)	Adj operating margin (33%)			Pre-tax income (50%)	Adjusted operating margin (50%)						
	PVH Corp	FY18	Absolute stock price (50%)	Relative TSR (50%)				EPS	Individual performance +25%						
	Royal Caribbean Cruises Ltd	FY18	Adjusted EPS (50%)	ROIC (50%)				Adjusted EPS (70%)	Net revenue yield (6%)	Net cruise costs excluding fuel (6%)	Guest satisfaction (6%)	Employee engagement (6%)	Safety, security, health and environmental stewardship (6%)		
	Ralph Lauren Corp	FY19 (Mar)	Relative TSR	3-year cumulative ROIC				Net income before taxes (60%)	Revenue (20%)	SG&A expenses (20%)	Strategic goal modifier - digital commerce revenue +10%				
	Ross Stores Inc	FY18	Adj. pre-tax operating income					Pre-tax operating income							
	Starbucks Corp	FY19	EPS	Relative TSR modifier (vs. S&P 500)				Adjusted net revenue (50% of full performance)	Adjusted operating income (50% of full performance)	Individual performance (30% of total)					
	Target Corp	FY18	Adjusted sales growth	Peer-relative EPS growth	ROIC vs. peer group	Relative TSR vs. peer group (performance-based RSUs)		Incentive operating income (50%)	Sales (50%)						
	Tiffany & Co	FY19 (Jan)	3-year cumulative EPS (80%)	3-yr cumulative operating cash flow (20%)				Operating earnings (60%)	Constant currency sales growth (20%)	Individual performance (20%)					
	TJX Companies Inc	FY19 (Jan)	3-year EPS CAGR	ROIC downward modifier	Pre-tax income for long-term cash incentive program			Pre-tax income (80%)	Sales (20%)						
	Tapestry Inc	FY18	Cumulative net income (75%)	RONA (return on net assets) (20%)	Free cash flow - performance stock options			Operating income (50%)	EPS (25%)	Net sales (25%)					
	Tractor Supply Co	FY18	Net sales (50%)	EPS (50%)				Net income							
	Under Armour Inc	FY18	1-year adjusted operating income (4-yr vest)					Adjusted operating income							
	Ulta Beauty Inc	FY18	Earnings before income taxes - EBT (67%)	Revenue (33%)				Earnings before income taxes (EBT)							
	VF Corp	FY19 (Mar)	EPS (50%)	Revenue growth (30%)	Gross margin growth (20%)	Relative TSR modifier vs. S&P 500 consumer disc. Companies		Net income (50%)	Cash flow (20%)	Net revenues (30%)	10% modifier based on revenues of acquired businesses				
	Whirlpool Corp	FY18	Cumulative EPS (50%)	ROIC (50%)				EBIT (50%)	FCF (50%)	Individual performance factor +25%					
	Wynn Resorts Ltd	FY18	Revenue per room vs. peers (Las Vegas)	EBITDA per room vs. peers (LV)	Gaming share vs. peers (Macau)	EBITDA share vs. peers (Macau)		Adjusted property EBITDA (40%)	Maintain Forbes Five Star (20%)	Key strategic initiatives (40%)	Initiatives: Settlement of long-standing litigation, key cultural & compliance initiatives, neg risk related to former CEO, placement of former CEO's holdings				
	Yum! Brands Inc	FY18	EPS (50%)	Relative TSR (50%)				Adj operating profit growth (50%)	System same-store sales growth (25%)	System net new units (25%)					

Source: Company data

Exhibit 78: Management incentive drivers for S&P 500 Consumer Staples companies

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Consumer Staples	Archer Daniels Midland Co	FY18	TSR relative to S&P 100 Industrials (25%)	Adj ROIC goals (25%)	Adj EBITDA goals (50%)			Adj. EBITDA	ROIC	Individual performance (25% of total)			
	Brown-Forman Corp	FY18	Relative TSR for PSUs, others are long-term cash	Absolute operating income (30%)	Strategic goals (40%)	Relative operating income (30%)		Peer-relative operating income growth (80%)	Individual performance (20%)				
	Conagra Brands Inc	FY18	Overarching goal: EPS, LTI only payable after reaching EPS goal	Adjusted EPS and EPS CAGR				Overarching goal: EPS Threshold	Primary metrics: EBIT	Net sales growth modifier			
	Church & Dwight Co Inc	FY18	No LTIP					Net sales (25%)	Gross margin (25%)	Diluted EPS (25%)	Cash from operations (25%)		
	Colgate-Palmolive Co	FY18	Currency neutral EPS growth	Organic sales growth	Relative TSR multiplier			Base business EPS	FCF productivity	Organic sales growth			
	Clorox Co	FY18	Economic profit growth rate					Net sales (50%)	Net earnings (30%)	Gross margin (20%)	Individual Performance multiplier	Strategic: employee engagement, Diversity targets, Consumer product preference, Dollar share, Future sales growth projections, Innovation and strategic product pipeline	
	Costco Wholesale Corp	FY18	Total sales	Pre tax income				Pre tax income					
	Coty Inc	FY17	No LTIP					Adjusted operating income	Net revenues	Net working capital			
	Campbell Soup Co	FY17	TSR (67%)	EPS (33%)				Net sales	Adjusted EBIT & EPS	Operational objectives: innovation, customer relationships, cost management and working capital, product quality and food safety, corporate responsibility, product distribution		Strategic objectives: purpose and transparency, expanding in faster-growing categories and geographies, cost savings initiatives	
	Estee Lauder Companies Inc	FY18	Net sales (33%)	Diluted EPS (33%)	ROIC (33%)			Diluted EPS (25%)	OI margin (25%)	Net sales (25%)	ROIC (25%)		
	General Mills Inc	FY18	Average organic net sales growth (50%)	Cumulative free cash flow (50%)				Organic net sales growth (27%)	Total segment operating profit growth (27%)	Adjusted diluted earnings per share growth (27%)	Individual performance (20%) - inc. talent mgmt & diversity and inclusion	Corporate performance modifier +/-20%	
	Hormel Foods Corp	FY18	Relative TSR vs. peer group					EBIT					
	Hershey Co	FY18	Relative TSR (34%)	Net sales CAGR (33%)	Adjusted EPS CAGR (33%)			Net sales (45%)	Adjusted EPS - diluted (40%)	Operating cash flow (15%)	Individual performance (35% total weight)		
	Kellogg Co	FY18	Net sales growth	Relative TSR				Operating profit (50%)	Net sales (50%)	People safety, food safety & quality, diversity and inclusion (10%)			
	Kraft Heinz Co	FY17	No LTIP					Organic Change in Adj. EBITDA	Individual ratings - service level and product quality, increase market share and R&D pipeline, deliver new products, talent retention				
	Kimberly-Clark Corp	FY18	Net sales growth (50%)	Adjusted ROIC (50%)				Net sales	Adjusted EPS	Adjusted OPROS (operating profit return on sales) - multiplier	Quality of earnings	Brand equity, market performance	Innovation, diversity and inclusion
	Coca-Cola Co	FY18	Net operating revenue (33%)	EPS (33%)	Free cash flow (33%)	Relative TSR modifier		Net operating revenue (50%)	Operating income (50%)	Individual performance (max 30% of total)			
	Kroger Co	FY18	Cash flow	Savings in Net Operating Profit Growth	ROIC modifier			ID Sales	EPS	Strategic Business Goals to support Restock Kroger initiative - Cost savings			
	Lamb Weston Holdings, Inc.	FY18	Adjusted EBITDA (50%)	Cash flow from operating activities (25%)	Net sales (25%)			Adjusted EBITDA (50%)	Cash flow from operating activities (25%)	Net sales (25%)			
	Mondelez International Inc	FY18	Organic net revenue growth (25%)	Adjusted EPS growth (25%)	Relative TSR (50%)			Organic revenue (25%); organic volume (15%)	Adjusted gross profit dollars (20%)	EPS (20%)	Free cash flow (20%)	Market share overlay	Individual performance - key strategic initiatives, including talent mgmt (20% of total)
	McCormick & Company Inc	FY18	Cumulative sales growth	Relative TSR vs. peer group				Adj. EPS growth (70%)	Global McCormick Profit - op profit adjusted for working capital (24%)	Global RB Foods net sales (6%)			
	Monster Beverage Corp	FY18	No LTIP					No STIP					
	Altria Group Inc	FY18	Relative TSR (50%)	Adj EPS (50%)				Adj diluted EPS growth (75%)	Adj discretionary cash flow (25%)	Strategic initiatives: Brand, regulatory, innovation, harm reduction, talent, diversity & inclusion			
	PepsiCo Inc	FY18	Core constant currency EPS (33%)	Core net ROIC (33%)	Cash award - TSR relative to peer group (34%)			Organic revenue	Core constant currency EPS	FCF excluding certain items	Core net ROIC improvement	Everyday nutrition revenue - modifier up to 15%	Individual performance (30% total wt)
Procter & Gamble Co	FY18	Organic sales growth (30%)	Core before-tax operating profit growth (20%)	Core EPS (30%)	Adjusted free cash flow productivity (20%)		Organic sales growth	Core EPS growth					
Philip Morris International Inc	FY18	Relative TSR vs. peer group (50%)	Adj. currency neutral operating income growth (30%)	Reduced risk product (RRP) unit volume (20%)			Market share (Top 30 OCI Markets) (15%)	Net revenues (15%)	Adjusted OCI (15%)	Adjusted diluted EPS (20%)	Operating cash flow (20%)	Strategic initiatives (15%) - including sustainability and talent mgmt	
J.M. Smucker Co	FY19 (Apr)	Adjusted EPS (75%)	FCF (25%)				Adjusted operating income						
Constellation Brands Inc	FY19 (Feb)	Relative TSR vs. S&P 500					Comparable EBIT (40%)	Net sales (40%)	FCF (20%)				
Sysco Corp	FY18	EPS CAGR (67%)	ROIC (33%)				Adjusted operating income (50%)	Adjusted gross profit dollar / NABL total case growth (25%)	Individual performance (25%)				
Molson Coors Brewing Co	FY18	Operating profit minus capital charge	Relative TSR modifier vs. S&P 500				Pre-tax income (25%)	Net sales over volume (25%)	Volume (25%)	FCF (25%)			
Tyson Foods Inc	FY18	EBIT	Relative TSR				EBIT						
Walgreens Boots Alliance Inc	FY18	EPS					No STIP (most of the CEO's compensation was in stock awards to better align interests)						
Walmart Inc	FY19 (Jan)	ROI (50%)	Sales (50%)				Operating income (75%)	Sales (25%)	Ethics and compliance goals	Culture, diversity & inclusion			

Source: Company data

Exhibit 79: Management incentive drivers for S&P 500 Energy companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Apache Corp	FY19	Relative TSR (50%) - peer group relative	CROCI (50%) - measured vs. target set at beginning of three year period	Negative absolute TSR modifier			CROIC (FY19) (25%)	Production and Finding & Development cost/BOE	Cashflow per barrel sold through cost management	Pre-tax Rate of Return of 15% on Drilling Program	Production of 391 thand BOE, HSE & Environmental	Strategic Goals - ROCE of double digit (FY18); diversity and inclusion
Anadarko Petroleum Corp	FY 19	Relative TSR - industry peer group					Free cash flow yield (20%)	Sales-Volume Growth per DAS (20%)	Cash Flow Return on Invested Capital (20%)	Controllable Cash Costs (20%)	Total Recordable Incident Rate (10%)	Level 3 Incidents (10%)
Baker Hughes A GE Co	FY17	Relative TSR (50%) - company peer group	ROIC (50%) - company peer group				Adj. revenue	Adj. EBITDA	Adj. FCF	Strategic objective innovations - safety & compliance, execution, tech , leadership		
Cabot Oil & Gas Corp	FY18	Relative TSR (60%) - company peer group	Operating Cash Flow above \$100mm (40%)				Reserve Growth Per Debt-Adjusted Share (20%)	Finding Costs (15%)	Production growth per Debt-Adj. share (20%)	Unit Costs (15%)	Return on Capital Employed (ROCE) (10%)	Strategic (20%) - Including environmental, safety, & organizational
ConocoPhillips	FY19	Relative TSR (60%) - company peer group	Relative/absolute ROCE and CROCE (40%)				Health, safety and environmental ("HSE") (20%)	Operational - production, operating & overhead, capital, operational milestones (20%)	Relative/absolute ROCE and CROCE (20%)	Milestones (20%) optimize portfolio, maintain a strong balance sheet and reduce debt, shareholder distributions		Relative TSR (20%)
Chevron Corp	FY18	Relative TSR - large-cap energy peers and S&P 500					Financials (40%), EPS, net cash flow, divestiture proceeds	Capital management (30%); ROCE, capital and exploratory expenditures, major milestones		Operating performance (15%); net production, operating expenses and SG&A, refining utilization		HSE (15%) - personal & process safety and environmental
Concho Resources Inc	FY18	Relative TSR - company peer group					Absolute production and production growth per debt-adj. share(7.5% and 12.5%)	Ratio of capex, ex. acc. and midstream system expansion costs, to after-tax CF (10%)	Direct lease operating expense per BOE (10%)	Cash general and administrative expense per BOE (10%)	Absolute stock performance (10%)	Discretionary (40%) - inc. health and safety
Devon Energy Corp	FY18	Relative TSR - company peer group					CROCE and All-in Rate of Return (15% each)	Expenditures (15%) and relative TSR vs. peer group (10%)	Oil and gas production (15%)	Improve Overall Value of Risked Resource Portfolio (10%)	Stakeholder Alignment and learning & people (5% each)	Env., Health and Safety (10%)
EOG Resources Inc	FY18	Relative TSR - company peer group					10% ROCE and 45% all-in after-tax rate of return on CapEx (15% and 20%)	Production and unit cost targets (10%)	TSR and forward-year cash flow multiple relative to peer group (5%)	Balance disc. CF to capex plus div. and reduce net debt-to-total cap. below 28% (10%)	Strategic (40%); positive ROCE based on non-GAAP earnings, increase "premium" drilling inventory by 30%, reduce finding costs, prove one "premium" exploration play	
Diamondback Energy	FY19	Relative TSR - company peer group					Well cost per lateral foot in the Midland and Delaware Basins (25%)	Total P&D costs (20%)	Lease operating expense (15%)	G&A cost (15%)	ROCE (25%)	
TechnipFMC PLC	FY18	Relative TSR (50%) - company peer group	ROIC (50%)				Working capital days (25%)	EBITDA (25%)	EBITDA % of revenue (25%)	Annual performance incentive (25%) - inc. organizational culture		
Halliburton Co	FY18	ROCE relative to peer group					Cash value add (NOPAT - capital charge)	Discretionary factors modifier- include health, safety, and environmental				
Hess Corp	FY18	Relative TSR					Production (20%)	Environment, health and safety (EHS) (20%)	Capital and exploratory spend (15%)	Controllable operated cash costs (15%)	CROCE and EBITDAX (15%)	Exploration resource additions (15%)
HollyFrontier Corp	FY18	Relative TSR (50%) - company peer group	Relative ROCE (50%) - company peer group				Refinery reliability (20%)	Equipment utilization (20%)	Operating expense (20%)	Relative ROCE (20%)	Personal and process safety (13.33%)	Environmental events (6.67%)
Halmerich and Payne Inc	FY18	No LTIP					EPS (35%)	ROIC (35%)	EBITDA (30%)			
Kinder Morgan Inc	FY18	No LTIP (CEO refused)					No STIP (CEO refused)					
Marathon Petroleum Corp	FY18	Relative TSR	MPLX Units - DCF-per-MPLX-common-unit metric				Operating income per barrel (15%)	EBITDA (5%) and SG&A costs (10%)	Mechanical availability (10%)	Cash flow attributable to MPLX (10%)	Responsible care (safety performance, environmental incidents, quality incidents) (20%)	
Marathon Oil Corp	FY18	Relative TSR - company peer group					Safety - TRIR (7%)	Production (17.5%) and F&D (10.5%)	Unit Cash Costs (17.5)	Unit EBITDAX (17.5%)	Strategic Objectives - CROIC, Cash-flow per DAS, and Total cash return to stockholders	
Noble Energy Inc	FY19	Relative TSR					Free cash flow (15%)	ROACE, CROCI, cash flow per debt adj. share	Sales volume (production) (10%)	Cash costs per BOE (10%)	Relative cash costs/revenue (10%), Capital efficiency (15%)	Strategic Initiatives - EH&S, TSR, program rate of return, Reserve additions (40%)
National Oilwell Varco Inc	FY18	Relative TSR - OSX index					Adjusted EBITDA (75%)	Value Added (25%) (EBITDA minus taxes and required return on assets)	Working Capital modifier			
ONEOK Inc	FY18	Relative TSR - company peer group					Distributable cash flow per share (40%)	ROIC (40%)	Total recordable incident rate (10%)	Agency reportable environmental event rate (10%)		
Occidental Petroleum Corp	FY18	Relative TSR (65%) - company peer group	CROCE (35%)				Strategic (30%); develop. & execution, financial discipline, balance sheet, CF-neutrality	Operational - Production, Oil and Gas OpEx per BOE (25%)	Financial - CROCE, Core EPS (30%)	Safety/ Environmental - TIR, DART, Oil Spills, Risk level (15%)	Ind. (20%); succession planning, effective leadership, health, env. and safety	Sustainability
Phillips 66	FY17	Absolute ROCE (25%)	Relative ROCE (25%)	Relative TSR (50%)			Adjusted EBITDA (40%)	Operating goals (35%); combined TRR and LWCR (safety), process safety rate, environmental events, asset availability	Adjusted controllable costs (15%)			Individual modifier +50%
Pioneer Natural Resources Co	FY18	Relative TSR - company peer group					ROCE (15%)	Permian basin proved reserves per share growth (10%)	Ratio of net debt to EBITDAX (15%)	Base lease operating, G&A costs per BOE (15%)	Health, safety and environment (10%)	Certain strategic goals (20%)
Schlumberger NV	FY19	ROCE relative to peer group	Absolute FCF as a percentage of net income	Relative TSR modifier (-25%)			Adj. EPS (50%)	Strategic objectives (30%) - streamline structure and reduce costs, safety programs, employee engagement.		Revenue (10%)	Pre-tax operating income (10%)	
Valero Energy Corp	FY18	Relative TSR - eight-company peer group					EPS (40%)	Health, safety and environmental (13.33%)	Mechanical availability (13.33%)	Cost management and expense control (13.34%)	Company goals and objectives (20%)	
Williams Companies Inc	FY19	Relative TSR - company peer group	ROCE				WPZ Distributable cash flow (50%)	Controllable costs (40%)	Safety (10%) - near miss to incident ratio			
Cimarex Energy Co	FY19	Relative TSR - company peer group					ROIC	Manage the balance sheet - increase debt adjusted production per share, increase debt adjusted reserves per share, manage cash flow		Production DAS	Health safety and environment metrics	Automation
Exxon Mobil Corp	FY18	Safety and operations integrity	ROCE	TSR	Cash flow from ops and asset sales	Strategic business result and project execution	EPS					

Source: Company data

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Exhibit 80: Management incentive drivers for S&P 500 Financials companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Aflac Inc	FY18	Operating return on equity (70%)	Risk-based capital (15%)	Solvency margin ratio (15%)	Relative TSR modifier - company peer group		EPS (45%)	US segment - new annualized premiums, direct premiums (18%)	Japan segment - new annualized premiums, direct premiums (28%)	Net investment income (9%)		
American International Group Inc	FY18	Accident year combined ratio, as adjusted, inc. avg. annual losses (33%)	Core normalized book value per share (33%)	Core normalized return on attributed equity (33%)			Quant. perf., including profitability & growth, and strategic & org. obj. (80%)	Headquarters adjusted general operating expenses (10%)	Organizational redesign (10%) - inc. talent mgmt			
Assurant Inc	FY19	Relative TSR (80%)	Net pre-tax synergies subject to NOI EPS threshold (40%)	Absolute NOI EPS (50%) (returning back to this in 2019)			Revenue (40%)	NOI ex reportable catastrophe losses (60%)				
Arthur J Gallagher & Co	FY18	Growth in adj EBITDAC per share					Adj. EBITDAC growth	Revenue				
Allstate Corp	FY18	Average adjusted operating income ROE (70%)	Earned book value (30%)				Performance net income (43%)	Total premiums (43%)	Net investment income (14%)			
Affiliated Managers Group Inc	FY18	Return on equity threshold	Financial and operating metrics (33.3%) - relative / absolute growth rates (50% each) - AUM, fees, net income, EPS, EBITDA		SVC (33.3%) - TSR vs. peer group and S&P 500 and absolute (50% each)	Strategic (33.3%) - invest. (30%), strategic (30%), capital mgmt (30%), ESG (10%)	Economic EPS and EBITDA margin (25% each)	Individual objectives and contributions (10%)	Operational performance (10%)	Strategic initiatives (10%)	Capital management (10%)	Risk management & ESG factors (10%)
Ameriprise Financial Inc	FY18	Avg ROE (50%)	EPS CAGR (50%)	TSR modifier (+25%)			Net revenues (15%)	Earnings and EPS (25% and 20%)	ROE ex AOCI (20%)	Balance sheet quality (20%)	Strategic (30%) - Profitable growth of Advice & wealth mgmt, grow AUM, employee engagement & retention (7.5%)	
Aon PLC	FY18	Cumulative EPS					Operating income growth					
American Express Co	FY18	Relative ROE - company peer group	Relative TSR - company peer group				EPS, revenue growth, ROE (55%)	Net promoter score (15%)	Diversity and inclusion (15%)	Strategic imperatives - premium consumer space, commercial payments, etc. (15%)	Individual performance - multiplier	
Bank of America Corp	FY18	ROA (50%)	Adjusted TBV growth (50%)				No STIP					
BB&T Corp	FY18	Relative ROCE	TSR modifier +20%				EPS (48%)	ROA (32%)	Qualitative (20%) - inc. cybersecurity and diversity & inclusion			
Franklin Resources Inc	FY18	Investment Performance (AUM) (50%)	TSR (50%) - company peer group				Investment Performance (50%)	Financial Results (30%) (operating margin, new flows, gross sales, AUM)	Strategic Initiatives (20%) - inc. ESG and risk management			
Brighthouse Financial Inc	FY19	Statutory expense ratio (60%)	Capital Return (40%)				Corporate expense target (33%)	Annuity Sales (33%)	Adj. Statutory Earnings (34%)	Individual performance - inc. talent management	SmartCare sales modifier	
Bank of New York Mellon Corp	FY18	Revenue Growth	Operating Margin				OEPS	Individual modifier - inc. diversity and culture				
BlackRock Inc	FY18	Organic revenue	Operating margin				Financial performance: fee growth, OI, OM, EPS (50%)	Business strength (30%): client experience, organizational discipline, lead in a changing world	Organization strength (20%): drive high performance, diverse and inclusive culture, develop great managers and leaders			
Berkshire Hathaway Inc	FY18	No LTIP					No STIP					
Citigroup Inc	FY18	ROTCE (50%)	EPS CAGR (50%)	TSR modifier			EBIT	Efficiency ratio	Return on tangible equity	ROA	Risk appetite ratio & surplus	Strategic direction, risk & controls mgmt, personnel mgmt, stakeholder relations
Chubb Ltd	FY18	Book value per share growth & tangible book value per share growth	P&C combined ratio	TSR modifier			Book value per share growth & tangible book value per share growth	Operating return on equity and operating income	P&C combined ratio	Strategic goals: acquisitions and integration, enterprise risk management, data analytics and predictive capability development, talent retention and development	TSR modifier	
Cboe Global Markets Inc	FY18	Relative TSR (50%) - S&P 500	Cumulative EPS (50%)				Synergies (15%)	Revenue (10%)	Adjusted EBITDA (50%)	Individual performance (25%)		
Citizens Financial Group Inc	FY18	Diluted EPS (50%)	ROTCE (50%)				Pre-tax operating income	Individual performance - inc. diversity, talent mgmt and cybersecurity				
Cincinnati Financial Corp	FY18	Relative TSR - company peer group					One-year relative value creation ratio - BVPS growth & dividends declared per BVPS - vs. company peer group	Premium growth	Combined ratio - underwriting profitability			
Comerica Inc	FY18	Adjusted ROCE	TSR - Negative Modifier				Adjusted EPS (75%)	Adjusted ROA (25%)				
CME Group Inc	FY19	Relative TSR - S&P 500					Cash earnings					
Capital One Financial Corp	FY18	Adjusted ROTCE	Dividends + growth of tangible book value per share				No STIP					
Discover Financial Services	FY18	EPS					Profit before taxes and reserves					
E*TRADE Financial Corp	FY18	EPS (50%)	ROE (50%)				Pre-tax income (70%)	Net new brokerage accounts, net new assets, margin contribution, daily revenues trades (30%)				
Fifth Third Bancorp	FY18	ROACE	Efficiency ratio - threshold	ROTCE - threshold			Adj. EPS (50%)	Adj. ROA (25%)	Adj. efficiency ratio (25%)	Funding modifiers - non-performing assets, liquidity coverage ratio, customer experience	Individual performance - inc. diversity and risk mgmt	
First Republic Bank	FY18	ROATCE					Nonperforming assets to total assets (30%)	Regulatory criteria (30%)	ROTA (20%)	ROTCE (20%)	-10% NPS modifier	-20% efficiency ratio modifier
Goldman Sachs Group Inc	FY18	Absolute and relative ROE vs company peer group					No STIP					

Source: Company data

Exhibit 81: Management incentive drivers for S&P 500 Financials companies (cont.)

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers						
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6	
Financials	Huntington Bancshares Inc	FY18	ROTCE (100%)					EPS (33.3%)	Pre-tax pre-provision earnings growth (33.3%)	Operating Leverage (33.3%)		Individual performance - inc. diversity		
	Hartford Financial Services Group Inc	FY18	ROE (50%)	Relative TSR (50%) vs. company peer group				Core earnings	Individual performance: e.g., diversity, employee engagement, risk management and compliance					
	Intercontinental Exchange Inc	FY18	EBITDA (63%)	Relative TSR (37%) - S&P 500				Revenue (30%)	Net income (60%)	Individual Performance (10%) - inc. human capital				
	Invesco Ltd	FY18	Adjusted operating margin	Relative TSR vs. S&P 500 asset management index				Financial performance (50%) - inc. EPS, OI, credit rating, etc.	Delivering to clients (30%) - inc. sustainable responsible investment and stewardship commitment (PRI rating), etc.			Organizational strength (20%) - inc. talent mgmt, diversity, employee turnover, cyber-risk, etc.		
	Jefferies Financial Group	FY18	Relative TSR vs. company peer group (64%)					Return on tangible deployable equity						
	JPMorgan Chase & Co	FY18	Absolute & relative ROTCE vs. company peer group	Risk-based capital negative modifier				No STIP						
	KeyCorp	FY18	Relative TSR vs. company peers (25%)	ROTCE vs. company peers (25%)	Cumulative EPS (50%)			ROTCE (20%)	Cash efficiency ratio (20%)	EPS (20%)	Peer relative - rev growth, PPNR growth, net charge-offs ratio (20%)	Enterprise initiatives (20%) - inc. client and employee experience		
	Loews Corp	FY18	Performance-based income per share					Adj. net income						
	Lincoln National Corp	FY18	ROE (50%)	Relative TSR vs. company peer group (50%)				EPS	Business unit sales	Controllable costs				
	Moody's Corp	FY18	MCO EBITDA (60%)	Ratings accuracy (20%)	Cumulative sales (20%)			EPS (37.5%)	Operating income (37.5%)	Strategic & operational - new growth, quality assurance, operating effectiveness, people and culture, risk mgmt and enabling tech (25%)			Fixed income institutional investor satisfaction survey - modifier +10%	Individual performance
	MetLife Inc	FY18	ROE (50%)	Relative TSR vs. company peers (50%)				Adjusted earnings - funding level	Established and new factors (no weighting) - financial and operating metrics, corporate responsibility including sustainability and diversity					
	Marsh & McLennan Companies Inc	FY19	Adjusted EPS growth					GAAP net operating income (80%)	Strategic objectives - includes human capital (20%)			EPS multiplier		
	Morgan Stanley	FY18	ROE (50%)	Relative TSR (50%) - S&P 500 Financials Index				No STIP						
	MSCI Inc	FY18	Absolute TSR - 3-yr and 5-yr					Adj. EPS by product level (28%)	Revenue (17.5%)	Total Net New Sales (17.5%)	FCF (7%)	KPIs (30%) - inc. ESG issues		
	M&T Bank Corp	FY18	ROTCE - absolute and peer group relative					NOI - funding level	EPS	ROTCE	TSR			
	Nasdaq Inc	FY18	Relative TSR vs. company peer group and S&P 500					Operating income (60%)	Net revenue (20%)	Strategic objectives (20%)				
	Northern Trust Corp	FY18	ROE					Pre-tax income - funding level						
	People's United Financial Inc	FY18	Net income growth (33%)	ROATCE (33%)	Relative TSR (33%) vs. company peer group			EPS	Individual performance					
	Principal Financial Group Inc	FY18	Pre-tax return on net revenue (50%)	ROE modified by BVPS threshold (50%)				EPS	Sufficient capital and liquidity requirements	Investments - invest in optimal assets on a risk-adjusted basis	Credit losses	Total company operating revenue / net revenue	Risk management	
	Progressive Corp	FY18	Private passenger auto insurance growth (market share)	Commercial auto insurance growth	Homeowners growth compared to market			Agency auto CR	Direct auto CR	Special lines CR	Commercial lines CR	Property business CR		
PNC Financial Services Group Inc	FY18	ROE	EPS growth vs. peer group	Tier 1 capital ratio - negative modifier			No STIP							
Prudential Financial Inc	FY18	Absolute & Relative ROE (37.5% each) vs. NA life insurance peer group	BVPS (25%)	Diversity & inclusion modifier +- 10%			EPS Target (33%)	EPS Growth (33%)	Relative ROE (33%) vs. company peer group					
Everest Re Group Ltd	FY18	Operating ROE (50%)	Relative BVPS (50%) vs. company peer group				ROE (70%)	Individual performance (30%)						
Regions Financial Corp	FY18	EPS growth (50%) - absolute and relative vs. banking peers	ROTCE (50%) - absolute and relative vs. banking peers				Profitability - ROTCE (8.75%), net income (8.75%), efficiency ratio (17.5%)	Credit mgmt - criticized loans (8.75%), NPAs / Loans + OREO (8.75%)	Customer services (17.5%)	Individual performance (30%): strengthen financial performance, enhance risk management, focus on customer, build the best team				
Raymond James Financial Inc	FY18	After tax ROE					Pretax income (pool size)	Financial results and strategic objectives - inc. diversity & inclusion						
Charles Schwab Corp	FY18	ROCE over cost of equity					EPS							
SVB Financial Group	FY18	Relative TSR vs. company peer group(50%)	Strategic business objectives - scalable growth (25%), client experience (12.5%), employee enablement (12.5%)				Absolute ROE (67%)	ROE vs. peer group (33%)	Individual performance - inc. employee engagement and diversity & inclusion					
S&P Global Inc	FY19	Adjusted EPS					Revenue growth (42.5%)	EBITA margin (42.5%)	Key performance indicators - customer, operations, and people, inc. culture and diversity (5% each)					
SunTrust Banks Inc	FY18	Absolute and relative ROTCE vs. company peer group	Relative TSR vs. peer group modifier +20%	EPS hurdle			Net income (50%)	Tangible efficiency ratio (25%)	Net revenue (25%)	Individual performance				

Source: Company data

**Exhibit 82: Management incentive drivers of S&P 500 Financials companies (cont.)**

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers						
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6	
Financials	State Street Corp	FY18	ROE (50%)	Pre-tax margin (50%)				Revenue growth	EPS growth	ROE	TSR	Strategic objectives: strengthen our foundation, deliver highly valued services and solutions to our clients, engage our people, drive our strategy and risk excellence		
	Synchrony Financial	FY19	Cumulative EPS (50%)	ROA (50%)	Relative TSR vs. peers modifier			Net earnings (45%)	Receivables growth (30%)	Efficiency ratio (25%)				
	Torchmark Corp	FY18	EPS growth (40%)	Underwriting income growth (30%)	ROE (30%)			EPS growth (40%)	Underwriting income growth (30%)	NOI ROE (30%)				
	T. Rowe Price Group Inc	FY19	Relative operating margin vs. company peer group					Adjusted income						
	Travelers Companies Inc	FY18	ROE					ROE - primary metric	Operating income	Operating income per diluted share				
	Unum Group	FY18	Operating ROE (50%)	EPS (50%)	Relative TSR vs. peer group modifier +20%			After-tax operating income (35%); Operating expense ratio (10%)	ROE (15%)	Customer experience (10%)	Earned premium (15%)	Sales (15%)	Individual performance (unweighted) - includes talent mgmt	
	U.S. Bancorp	FY18	ROE - absolute and relative vs. financial peers					EPS (35%)	Pretax income (65%)	Individual performance - inc. employee engagement and talent mgmt				
	Wells Fargo & Co	FY19	Absolute and relative RORCE vs. financial peers	Net operating loss modifier	TSR modifier - reduces max payout if TSR not in top quartile of Fin. peers	Regulatory performance condition - gives HRC discretion to forfeit award based on role in progress toward outstanding regulatory matters		Company performance	What - Effective mgmt and business performance, risk mgmt	How - leadership and risk accountability				
	Wills Towers Watson PLC	FY19	Relative TSR vs. S&P 500					Adjusted net income (67%)	Adjusted revenues (33%)	Individual performance (20% of total)				
	Zions Bancorp	FY18	Adjusted pre-tax pre-provision net revenue (40%)	Relative return on tangible assets vs. peer group (20%)	EPS growth (20%)	Compensation committee discretion (20%)		Operating earnings	Expense management	Noninterest income generation	Risk management	Talent management & succession planning	Other priorities and needs	

Source: Company data

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Exhibit 83: Management incentive drivers for S&P 500 Healthcare companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Agilent Technologies Inc	FY18	Relative TSR (50%)	EPS (50%)				Operating margin	Revenue				
AbbVie Inc	FY18	Adj. EPS (50%)	Relative TSR modifier vs. S&P pharma index / NYSE pharma index	Relative ROE - vesting shares (50%)			Income before taxes (20%)	Net revenues, operating margins, HUMIRA sales, and ROA (60%)	R&D/Biosimilars (20%)			
AmerisourceBergen Corp	FY19	Adj. EPS (75%)	Adj. ROIC (25%)				Adj. EPS	Adj. Operating Income	Adj. FCF			
ABIOMED	FY19	Revenue					Corporate 70% - includes revenue, patient outcomes, operational processes, production and organizational capacity	Individual (30%) - leadership, work ethic, compliance, etc.				
Abbott Laboratories	FY18	Relative TSR vs. company peer group	Sales and market growth	Margin contribution	Strategic milestones	Adjusted ROE (for vesting)	EPS - funding level	Relative sales growth (25%)	Financial return - EPS, ROA, FCF (40%)	Strategic initiatives - Alinity C/I instrument placements, diabetes care sales growth, nutrition sales growth (10% each)		
Allergan plc	FY18	R&D milestones (50%)	Relative TSR vs. NYSE Arca Pharma index (50%)				Non-GAAP performance net income per share (50%)	Non-GAAP net revenue (50%)	Strategic goals - revenue & EPS growth, pipeline, operating margins, capital allocation, organizational goals, talent management (multiplier)			
Align Technology Inc	FY18	Relative TSR vs. NASDAQ composite	Special one-time grant to CEO in 2018 based on market cap				Revenue (60%)	Operating income (40%)	Individual factor (Multiplier)			
Alexion Pharmaceuticals Inc	FY18	Revenue (40%)	Non-GAAP Operating Margin (60%)	Relative TSR modifier vs. company peer group +20%	R&D Milestone		Net Product Revenue (26%)	Non-GAAP EPS (13%)	Management cash flow (13%)	Operating margin (13%)	Strategic Objectives - launch of gMG, approval of utomris, rebuild clinical pipeline, build culture (8.75% each)	
Amgen Inc	FY18	Adj. EPS (50%)	Adj. ROIC (50%)	Relative TSR vs. S&P 500 Multiplier			Revenue (30%)	Non-GAAP Net Income (30%)	Key Clinical Studies and Regulatory Filings (20%)	Advance Early Pipeline (5%)	Critical Launches and Long-Term Commercial Objectives (10%)	Functional Transformation Objectives (5%)
Anthem Inc	FY19	Adj. cumulative net income (75%)	Adj. cumulative operating revenue (25%)				Adj. EPS (80%)	Service excellence (5%)	Provider collaboration (5%)	Quality of care (10%)	Relative revenue and operating gain growth vs. direct peers modifier +20%	
Baxter International Inc	FY18	Adjusted operating margin (50%)	GSV - TSR vs. indexed industry benchmark (50%)				Adjusted EPS (50%)	Adjusted net sales (30%)	Free Cash Flow (20%)			
Becton Dickinson and Co	FY18	Average ROIC (50%)	Relative TSR (50%)				Adjusted EPS (40%)	Revenue (40%)	FCF as a percentage of sales (20%)			
Biogen Inc	FY18	Adjusted EPS (30%) - stock settled	Pipeline milestone performance (30%) - stock settled	Revenue (28%) - cash settled	Adjusted FCF (12%) - cash settled	Stock price (MSUs)	Adjusted EPS (20%)	Revenue (20%)	Market performance - global MS market share, leader in customer trust, establish three innovative contract, achieve U.S. market share and E.U. approvals (35% total)	Pipeline development - total pipeline and Aducanumab phase 3 enrollment (15%)	Acquisition integration - near-term pipeline delivery, human capital, synergies	Improve key strategic alliances (10%)
Bristol-Myers Squibb Co	FY18	Operating margins (33%)	Total revenues (33%)	Relative TSR vs. peer group (34%)	Acquisition integration - multi-year progress against key integration execution metrics, combined company revenue goals, relative TSR		EPS (50%)	Revenues (25%)	Pipeline - near-term value (12.5%), long-term growth (12.5%), qualitative overlay	Individual performance factor - includes talent management	Acquisition integration - near-term pipeline delivery, human capital, synergies	
Boston Scientific Corp	FY18	Relative TSR (50%)	Adjusted FCF (50%)				Adjusted EPS (50%) - funding level	Adjusted net sales (50%) - funding level	Individual performance - includes talent mgmt			
Cardinal Health Inc	FY18	Adjusted EPS CAGR	TSR modifier				Adjusted operating earnings	Tangible capital (modifier)				
Celgene Corp	FY18	Total revenue (37.5%)	Adjusted EPS (37.5%)	Relative TSR vs. biotech and pharma index (25%)			Total revenue (28%)	Adjusted EPS (28%)	Strategic corporate objectives - pipeline and clinical advancement, among others (44%)			
Carmer Corp	FY19	Adjusted operating margin					Adjusted EPS	Revenue	Free cash flow			
Cigna Corp	FY19	Relative TSR (50%)	Adjusted EPS (50%)				Adjusted income from operations (50%)	Revenue (20%)	Strategic priorities - merger integration, employee engagement, consumer experience, affordability (30%)			
Centene Corp	FY18	Pre-tax margin (60%)	Revenue CAGR (40%)	Relative TSR vs. HCI peer group (for long-term cash incentive)			Diluted EPS (70%)	Individual performance - compliance, quality, people and talent, enterprise transformation and operational goals (30%)				
Cooper Companies Inc	FY18	EPS growth					Revenue (25%)	Cash flow (25%)	Non-GAAP EPS (25%)	Discretionary (25%)		
CVS Health Corp	FY18	Aetna transaction-related synergies	EBITDA	Relative TSR modifier vs. healthcare and staples index +-25%			Adjusted Operating Profit (80%)	Retail Customer Services/PBM client satisfaction (20%)				
Quest Diagnostics Inc	FY18	Revenue CAGR (50%)	Average ROIC (50%)				Adjusted diluted EPS (20%)	Revenue: existing portfolio (20%)	Revenue: acquired portfolio (20%)	Adjusted net income (20%)	Medical quality and customer experience (10%)	Employee engagement and voluntary turnover (5% and 5%)
Danaher Corp	FY19	Relative TSR	ROIC modifier +-10%				Adjusted EPS (42%)	FCF-to-adjusted net income (12%)	Core revenue growth (6%)	Personal performance (40%) - includes employee engagement		
DaVita Inc	FY18	Adjusted EPS (75%)	Relative TSR vs. S&P 500 (25%)				Enterprise adjusted operating income (70%)	Clinical: interdialytic weight gain (15%)	Strategic objectives (15%)			
Edwards Lifesciences Corp	FY18	Relative TSR vs. subset of S&P Healthcare sub-index (50%)	Absolute revenue (50%)				Revenue growth (50%)	Net income (30%)	Free Cash Flow (20%)	Key operating drivers (multiplier) - adoption of transcatheter therapy for aortic valve patients, structural heart therapies, heart valve and critical care patients, business excellence	Individual Performance - inc. ethical culture, talent mgmt, social responsibility, etc.	
Gilead Sciences Inc	FY18	Relative TSR vs. S&P Healthcare sub-index (50%)	Absolute revenue (50%)				Product pipeline development (40%)	Launch and support products (20%)	Financial results - expenses, revenue (30%)	Organizational achievements (10%) - employee engagement and development		Unplanned activities +-10%
HCA Healthcare Inc	FY18	Cumulative EPS					EBITDA (80%)	Quality measures - hospital acquired infections (7%), core measures (4%), and patient experience (9%) (20%, each ind. weighted)				
Hologic Inc	FY18	ROIC threshold (50%)	Relative TSR vs. company peer group (50%)				Adjusted revenue (48%)	Adjusted EPS (32%)	Individual performance - product pipeline, product launches, global growth, succession planning and talent development (20%)			
Henry Schein Inc	FY18	EPS					Financial/EPS (75%)	Average performance of other executive officers with respect to their business unit financial goals (12.5%)	Average performance of other executive officers with respect to their individual performance goals (12.5%)			
Humana Inc	FY18	Adjusted ROIC	Relative TSR modifier vs. peer group				Adjusted EPS (60%)	Net promoter score (20%)	Strategic measures (20%)			
IDEXX Laboratories Inc	FY18	No LTIP					Organic revenue growth (20%)	Operating profit (10%)	Earnings per share (10%)	ROIC (10%)	Non-financial performance - Commercial strategy implementation, R&D, infrastructure, hiring and development of diverse talent (50%)	
Illumina Inc	FY18	EPS					Revenue (50%)	Operating income (50%)	Individual performance			

Source: Company data

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Exhibit 84: Management incentive drivers for S&P 500 Healthcare companies (cont.)

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Incyte Corp	FY19	Revenue					Drug discovery (20%)	Drug development - ECHO-301 and other (50%)	Commercial (30%)			
IQVIA Holdings Inc	FY18	Adjusted diluted EPS growth (7%)	Relative TSR vs. S&P 500 (20%)				Revenue (30%)	Adjusted EBITDA (70%)	Individual performance - inc. talent development			
Intuitive Surgical Inc	FY18	No LTIP					Adjusted operating income	Company performance goals - business metrics, regional strategic goals, strategic operations/quality goals, corporate strategy				
Johnson & Johnson	FY18	Relative TSR vs. company peer group (33.3%)	EPS (33.3%)	Sales (33.3%)			Operational sales growth	Adjusted operational EPS growth	Free cash flow			
Laboratory Corp. of America	FY18	EPS growth (70%)	Revenue (30%)	Relative TSR vs. peer group modifier + 25%			Consolidated net revenues (35%)	Consolidated adjusted operating income (35%)	Succession plan for three top roles (15%)	Value creation from Covance-LabCorp combination (15%)		
Eli Lilly and Co	FY18	Relative EPS growth vs. company peer group + 20%	Relative TSR modifier vs. company peer group + 20%				Revenue (25%)	EPS (50%)	Pipeline progress (25%)			
McKesson Corp	FY20	Relative TSR (50%) vs. comparator group	Average ROIC (25%)	Cumulative EPS (25%)			Adjusted EPS (50%)	Free cash flow (25%)	Adjusted operating profit (25%)			
Medtronic PLC	FY19	Revenue growth multiplier (33.3%)	ROIC multiplier (33.3%)	Relative TSR multiplier (33.3%)	Diluted EPS - vesting		Revenue growth multiplier (33.3%)	Non-GAAP diluted EPS multiplier (33.3%)	Free cash flow indicator multiplier (33.3%)	Quality compliance modifier		
Merck & Co Inc	FY18	Operating cash flow (25%)	Relative TSR vs. pharma peer group (50%)	EPS (25%)			Revenue (40%)	Pre-tax income (40%)	Pipeline (20%) - approval, filing, and global development milestones, discovery and early development (5% each)		scorecard is evaluated within the context of compliance, health, and safety outcomes	
Mettler-Toledo International Inc	FY18	Relative TSR vs. S&P 500 Healthcare and Industrials indexes	Diluted EPS - vesting				Adjusted non-GAAP EPS	Net cash flow	Group sales	Individual performance		
Mylan NV	FY 18	ROIC (50%)	Adjusted FCF / Credit agreement debt (50%)	Relative TSR vs. company peer group modifier +20%			Adjusted EPS (33%)	Global Regulatory submissions (33%)	Adjusted FCF (33%)			
Nektar Therapeutics	FY18	Regulatory approval of drug - vesting					Research & development objectives (55%)	Manufacturing objectives (20%)	General corporate objectives (20%)	Financial objective (5%)		
Pfizer Inc	FY18	Absolute TSR (50%)	Net income and relative TSR modifier vs. NYSE Arca Pharma index (50% combined)				Cash flow from operations (20%)	Revenue (40%)	Adjusted diluted EPS (40%)			
PerkinElmer Inc	FY18	Adjusted revenue growth (60%)	Adjusted gross margin expansion (40%)	Relative TSR vs. peer group modifier +20%			Organic revenue growth (60%)	Adjusted EPS (40%)	Individual performance			
Perrigo Company PLC	FY18	Return on tangible capital (71%)	Relative TSR vs. peers (29%)				Operating income (80%)	Days working capital (20%)				
Regeneron Pharmaceuticals Inc	FY18	No LTIP					Regulatory approvals for new products: late-stage clinical programs	Support of further commercialization of marketed products	Human capital management	Earlier-stage clinical programs and advancement of new product candidates	Growth and delivery of Company's industrial ops and product supply	Financial performance - revenue, NI, EPS
Resmed Inc	FY18	Absolute TSR					Adjusted net sales	Adjusted net profit as a % of revenue				
Stryker Corp	FY18	Adjusted diluted net earnings per share growth (50%)	Relative sales growth vs. comparison group (50%)				Adjusted operating income (20%)	Constant currency sales (40%)	Adjusted operating income margin (20%)	Functional goal - qualitative (20%)	Overachievement bonus potential: adj. operating income, C.C. sales, and adjusted net EPS	
Taleflex Inc	FY18	Constant currency revenue growth (60%)	Adjusted EPS growth (40%)	Relative TSR modifier vs. peer group			Revenue (40%)	Adjusted EPS (35%)	Adjusted CF (15%)	Individual performance - gross margin, corporate compliance, quality initiatives, business integrations (10%)		
Thermo Fisher Scientific Inc	FY19	Organic revenue growth (50%)	Adjusted EPS growth (50%)	Special Award -Relative TSR vs. peer group (performance-based options)			Organic revenue growth (35%)	Adjusted operating income as a percentage of revenue (15%)	Adjusted net income (15%)	FCF (5%)	Non-financial measures - customer allegiance, revenue growth, margin expansion, employer of choice/diversity, capital deployment (30%)	
Universal Health Services Inc	FY18	No LTIP					Adjusted net income per diluted share	Return on capital				
UnitedHealth Group Inc	FY18	Cumulative EPS (50%)	ROE (50%)				Revenue (33%)	Operating income and cash flows from operations (33%)	Stewardship - net promoter score, employee engagement, employee teamwork (33%)			
Varian Medical Systems Inc	FY18	Relative TSR modifier vs. business model peers in healthcare + 25%	Revenue growth	EBIT margin			Individual goals - growth and strategic alignment, grow software & services, innovate, commercialize protons, employee engagement (20%)	Economic profit (80%)				
Vertex Pharmaceuticals Inc	FY18	1-year CF net product revenues (50%)	Clinical research milestones (50%)				Marketed and approval-stage products	Pipeline growth	Organizational development and capability - includes employee engagement		Financial strength	Individual performance
Waters Corp	FY18	Relative TSR vs. company peer group					Non-GAAP operating income - threshold	Non-GAAP EPS (75%)	Constant currency revenue (25%)			
WellCare Health Plans	FY18	Relative TSR vs. S&P Health Care Services select industry index(33%)	Adjusted net income margin (33%)	Medicaid/medicare quality (33%)			Adjusted EPS (49%)	Operating and health care - inc. provider, medicare, medicaid, and associate satisfaction (21%)	Personal goals - inc. talent management (30%)			
Dentsply Sirona Inc	FY18	Relative TSR vs. S&P 500 (20%)	Non-GAAP EPS growth (80%)				Internal sales growth (40%)	Non-GAAP net income (40%)	Strategic objectives (20%)			
Zimmer Biomet Holdings Inc	FY18	Relative TSR vs. S&P 500 Health Care index (50%)	Constant currency revenue growth (50%)				Constant currency revenue (35%)	Adjusted operating profit (35%)	FCF (10%)	Adjusted EPS (20%)		
Zoetis Inc	FY18	Relative TSR vs. S&P 500					Revenue (40%)	Adjusted diluted EPS (40%)	FCF (20%)	Individual performance - inc. employee engagement		

Source: Company data

Exhibit 85: Management incentive drivers for S&P 500 Industrials companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers							
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6		
American Airlines Group Inc	FY18	Relative pretax margin vs. pre-defined airline group	Relative TSR modifier vs. airline group +25%				No STIP							
Alaska Air Group Inc	FY18	Relative TSR vs. airline industry peer group (25%)	Relative TSR vs. S&P 500 (25%)	ROIC (50%)			Safety (10%)	Guest satisfaction (10%)	Cost per available seat mile (10%)	Loyalty - mileage plan growth (10%)	Loyalty - credit card growth (10%)	Adjusted pretax profit (50%)		
Allegron PLC	FY18	Absolute EPS growth	Relative TSR vs. S&P 400 Capital goods index				Revenue (25%)	EBITDA (50%)	Available cash flow (25%)	Individual - organic and electronics growth, safety and loss control, transparency and engagement with shareholders, customers, and employees				
Ametek Inc	FY18	ROTC (50%)	Relative TSR vs. S&P 500 Industrials (50%)				Diluted EPS *65%	Organic revenue growth (15%)	Discretionary (20%)					
A. O. Smith Corp	FY18	Return on equity - RSU threshold	ROIC as % of cost of capital				Return on equity							
Arconic Inc	FY18	Revenue (25%)	EBITDA margin (25%)	Return on net assets (50%)	TSR multiplier +-10%		EBIT (50%)	FCF (50%)						
Boeing Co	FY18	Relative TSR vs. peer group (33%)	Free cash flow (33%)	Revenue (16.7%)	Core EPS (16.7%)		Free cash flow (50%)	Core EPS (25%)	Revenue (25%)	Individual performance				
Caterpillar Inc	FY18	ROE hurdle of 18%					Enterprise operating profit (40%)	Enterprise operating profit after capital charge (40%)	Enterprise services revenues (20%)					
C.H. Robinson Worldwide Inc	FY18	Diluted net income per share					Enterprise adjusted pretax income							
Cummins Inc	FY18	ROIC (80%)	EBITDA (20%)				Return on average net assets using EBIT							
Copart, Inc.	FY19	No LTIP					No STIP							
CSX Corp	FY18	Operating ratio (50%)	Free Cash Flow (50%)	Relative TSR modifier vs. transportation-related peers +25%			Operating income (50%)	Operating ratio (50%)	Individual performance					
Cintas Corp	FY18	EPS	Sales growth	Individual performance			EPS	Sales growth	Individual performance - safety, employee diversity, software implementation, and growth					
Delta Air Lines Inc	FY18	Total revenue per available seat mile (25%)	Customer service performance (net promoter score) (25%)	Return on invested capital (25%)	Relative TSR vs. S&P 500 (25%)		Pre-tax income (50%)	Operational measures - shared rewards program's monthly goals met (18.75%), monthly goals met by delta connection carriers (6.25%)		Relative pre-tax income margin vs. industry group (25%)				
Deere & Co	FY18	Shareholder value added	Revenue growth	TSR Modifier vs. subset of S&P 500 Industrials			Operating return on operating assets (60%)	Return on equity (7%)	Net sales and revenue (33%)					
Dover Corp	FY18	iTSR - EBITDA growth and cash flow generation					Revenue	Income	EBIT margin	Individual objectives				
Equifax Inc	FY19	Relative TSR (100%) vs. S&P 500					Corporate operating revenue (15%)	Corporate adjusted EPS (65%)	Individual goals - inc. cyber and data security, risk mgmt, recruiting, etc. (20%)		Cybersecurity performance downward modifier			
Emerson Electric Co	FY18	EPS (60%)	Free cash flow (40%)				No STIP							
Eaton Corporation PLC	FY18	Relative TSR vs. peer group					Adjusted EPS (50%)	Cash flow return on gross capital (50%)	individual performance factor - operations, safety and emissions reduction, quality, supply chain					
Expeditors Int' of Washington	FY18	Net revenue	EPS				Operating income							
Fastenal Co	FY19	No LTIP					Pre-tax earnings growth							
Fortune Brands Home & Security	FY18	EBITDA (75%)	Return on net tangible assets (25%)				EPS (60%)	ROIC (20%)	Working capital efficiency (20%)					
FedEx Corp	FY19	CEO refused LTIP - Aggregate EPS for others					Adjusted consolidated operating income	Discretionary						
Floor Corp	FY18	New awards gross margin percentage (40%)	New awards gross margin dollars (30%)	Return on operating assets employed (30%)	Relative TSR modifier vs. engineering & construction peers +-25%		Net earnings (50%)	Cash flow from operations (15%)	Safety (10%)	Strategic goals (25%)				
Flowserve Corp	FY19	Absolute ROIC growth (50%)	Relative TSR vs. performance peer group (50%)				Operating income (50%)	Primary working capital as % of sales (20%)	Revenue (15%)	Customer on-time delivery (15%)				
Fortive Corp	FY18	Relative TSR vs. S&P 500	Company performance factor threshold for RSUs - EPS growth, FCF, and ROIC				Adjusted EPS growth (42%)	FCF (12%)	ROIC (6%)	Personal goals - talent development, employee engagement, capital deployment, innovation, financial metrics (40%)				
General Dynamics Corp	FY19	ROIC threshold	Relative TSR modifier vs. S&P 500				Earnings from continuing operations (50%)	Free cash flow from operations (50%)	Individual performance					
General Electric Co	FY18	Relative TSR vs. S&P 500					EPS (50%)	FCF (50%)						
W W Grainger Inc	FY18	ROIC					Sales growth		ROIC					

Source: Company data

Exhibit 86: Management incentive drivers for S&P 500 Industrials companies (cont.)

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Huntington Ingalls Industries Inc	FY19	ROIC (40%)	EBITDAP (40%)	Relative EBITDAP growth vs. Aerospace & Defense select index (20%)			Operating margin (40%)	Operating cash flow (40%)	Technical Solutions division revenue (20%)	Individual - ESG, financial, non-financial, strategic leadership, program execution, customer relationships, employee engagement		
Honeywell International Inc	FY18	3-year cumulative revenue (25%)	3-year average segment margin (25%)	3-year average ROI (25%)	Relative TSR vs. company peer group (25%)		EPS (40%)	Free cash flow growth (40%)	Qualitative (20%)			
Harris Corp	FY18	3-year EPS CAGR (50%)	Average ROIC (50%)	Relative TSR modifier +33%		Consolidated operating income (40%)	Free cash flow (30%)	Revenue (30%)				
IHS Markit Ltd	FY19	Adjusted EBITDA (50%)	Adjusted EPS (50%)	TSR Modifier (relative to S&P 500)		Revenue (40%)	Adjusted EBITDA (60%)					
Ingersoll-Rand PLC	FY18	CROIC	Relative TSR (to S&P 500)			Annual revenue (33%)	Operating income (33%)	Cash flow (33%)	Operating income margin multiplier	Individual performance - growth initiatives, sustainability, acquisitions, IT, improvements in employee engagement, talent development, retention, and diversity		
Illinois Tool Works Inc	FY18	Operating margin (33%)	ROIC (33%)	EPS (33%)		Operating income growth (60%)	Organic revenue growth (40%)					
J B Hunt Transport Services Inc	FY19	No LTIP				Revenue	Operating income	EBT				
Johnson Controls Intl PLC	FY19	Cumulative pre-tax earnings growth (33%)	Cumulative pre-tax ROIC (33%)	Relative TSR Modifier (vs. S&P 500 Industrials) (33%)		EBIT growth (33%)	Adjusted free cash flow conversion (33%)	Revenue growth (33%)	Strategic Modifier (+/- 25%) value capture and cost synergy targets, organic EBIT margin improvement, secured orders improvement in buildings			
Jacobs Engineering Group Inc	FY18	EPS growth (50%)	ROIC (50%)			Consolidated operating profit (70%)	Consolidated DSO (15%)	Consolidated GM in backlog (15%)				
Kansas City Southern	FY18	ROIC (75%)	Operating ratio (25%)	Relative revenue growth multiplier (vs. NA Class 1 railroads)		Consolidated operating ratio (50%)	Operating cash flow (50%)					
L3 Technologies Inc	FY17	Cumulative EPS (50%)	Relative TSR (50%)	EPS - Performance vesting	FCF - Performance vesting	Consolidated EPS (64%)	Consolidated FCF (16%)	Individual performance (20%)				
Lockheed Martin Corp	FY18	Relative TSR (50%) (vs. S&P Aerospace)	ROIC (25%)	Performance cash (25%)		Sales (14%)	Segment operating profit (28%)	Cash from operations (28%)	Strategic and operational - focus problems, mission success, program performance, portfolio shaping initiatives, innovation, talent management (30%)			
Southwest Airlines Co	FY18	ROIC				Operating profit (75%)	Working capital as a percent of sales (25%)	Profitability - RASM, CASM, ROIC (40%)	Ontime performance - (6.65%)	Net promoter score (6.65%)	Voluntary turnover (6.65%)	Discretionary (20%)
Masco Corp	FY18	ROIC				Local currency sales (50%)	Economic profit (20%)	Economic profit growth (30%)				
3M Co	FY18	EPS growth (20%)	Relative organic volume growth (40%) (vs. worldwide industrial production index)	ROIC (20%)	FCF conversion (20%)	Adjusted EBITDA (35%)	Revenue growth (35%)	Free cash flow (30%)				
Nielsen Holdings PLC	FY19	Adjusted EPS (50%)	Revenue (3yr CAGR) (50%)	Relative TSR modifier (vs. peer group)		Pension-adjusted operating margin rate (33%)	Cash flow from operations (pension-adjusted) (33%)	Pension-adjusted net income growth (33%)				
Northrop Grumman Corp	FY18	Relative TSR (50%) (vs. target peer industry group)	Cumulative FCF (50%)			Operating income (50%)	Operating ratio (35%)	Composite service measure - adherence to operating plan (30%), connection performance (30%), train performance (40%) (15% overall)				
Norfolk Southern Corp	FY18	ROAIC (100%)	Relative TSR (vs NA Class 1 railroads)- negative modifier up to 25%			Net income (75%)	Business leadership (25%)					
Paccar Inc	FY18	Net income yly (25%)	Return on sales (25%)	Return on capital (25%)	Business leadership (25%)	Free cash flow margin	Return on net assets	Revenue growth multiplier				
Parker-Hannifin Corp	FY17	Revenue growth (20%)	Diluted EPS growth (40%)	Average ROIC (40%)		Segment income - EBITA (50%)	Free cash flow (20%)	Revenue (30%)				
Pentair PLC	FY18	Adjusted EPS (75%)	Return on equity (25%)			AIP Adj EBITDA (60%)	Adj EBITDA margin (20%)	Safety (20%)				
Quanta Services Inc	FY18	ROIC improvement (66%)	Capital efficiency (34%)	Relative TSR modifier (vs. peer group)		Net income (80%)	Revenue (20%)					
Robert Half International Inc	FY19	3 year relative ROIC (vs. industry peer group)	TSR modifier (3 year) (+/- 25%)			Sales	Adjusted EPS	ROIC	Free cash flow			
Rockwell Automation Inc	FY18	Relative TSR (vs. S&P 500)				Revenue growth (40%)	Pre-tax profit growth (60%)					
Rollins, Inc.	FY18	No LTIP				No STIP						
Roper Technologies Inc	FY18	Adjusted EBITDA	Relative operating cash flow (vs. external benchmark)	Earnings (long-term cash incentive)		EPS (50%)	FCF (50%)					
Republic Services Inc	FY18	ROIC (40%)	Cash flow value creation (40%)	Relative TSR (20%) (vs. S&P 500)		Bookings (20%)	Net sales (30%)	FCF (20%)				
Raytheon Co	FY19	Average ROIC (50%)	Cumulative FCF (25%)	TSR (25%)		Operating income (25%)	Return on net assets employed before interest and taxes (25%)	Strengthen mgmt team (10%); Execute strategic roadmap for growth (20%)	Profit & performance targets, strategic funding & IR strategies (10%)	Individual - among other factors, includes corporate governance and responsibility, diversity and inclusion, health and safety, and sustainability.		
Snap-On Inc	FY18	Sales	Return on net assets employed before interest and taxes	Operating income		Engage on safety, quality, customer connection, innovation, and RCI (10%)	WACC (no payout if not reached)					

Source: Company data

Exhibit 87: Management incentive drivers for S&P 500 Industrials companies (cont.)

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Industrials	Stanley Black & Decker Inc	FY18	Cash flow return on investment (40%)	EPS growth (35%)	Relative TSR (25%) (vs curated LTP peer group)			Diluted EPS (50%)	Cash flow multiple (25%)	Organic sales growth (25%)			
	TransDigm Group Inc	FY18	Annual operating performance ( growth in EBITDA, cap structure, cash generation, acquisition performance, option dilution impact)		AOP growth threshold - 10% for options			Annual operating performance ( growth in EBITDA, cap structure, cash generation, acquisition performance, option dilution impact)(50%)		EBITDA (50%)	Individual performance modifier +-20% (job difficulty, effectiveness of Co's price, productivity and new business drivers, board & investor communication, succession planning, long-term value strategy)		
	Textron Inc	FY18	Enterprise NOP (60%)	Manufacturing cash flow (40%)	TSR modifier +-40%			Enterprise NOP (60%)	Manufacturing cash flow (35%)	Improvement in workforce diversity (5%)			
	United Continental Holdings Inc	FY18	relative pre-tax margin performance improvement (vs. industry peers) over a three year period					Pre-tax income (60%)	Operational performance - unit-level departures, flight completion factor, mishandled baggage (15%)	(CSAT) Customer satisfaction survey results (15%)	Strategic initiatives - customer service, employee engagement, employee safety, IT, global footprint (10%)		Individual performance modifier
	Union Pacific Corp	FY18	3 yr Average ROIC	Relative operating income growth modifier +-25% (vs. S&P Industrials Index)				Operating income (40%)	Operating ratio (40%)	Non-formulaic - Safety, customer experience, innovation, resource productivity, engaged team (20%)			
	United Parcel Service Inc	FY18	Adjusted consolidated revenue growth (33%)	Operating return on invested capital (33%)	Relative TSR (company peer set) (33%)			Consolidated revenue growth	Adjusted consolidated EPS growth	Average daily package volume growth	Individual performance (leadership, strategic planning, managing for financial results, diverse top management, equal opportunity employment, community wellbeing, compliance & ethical behavior, board relations)		
	United Rentals Inc	FY19	Total revenue (50%)	ROIC (50%)				Adjusted EBITDA (50%)	Economic profit improvement goals (50%)	Individual performance modifier -(branch productivity, safety, diversity, customer service, and digital strategy)			
	United Technologies Corp	FY18	Adjusted EPS growth (35%)	ROIC (35%)	Relative TSR (30%) (vs S&P 500)			Net income (60%)	Free cash flow to net income ratio (40%)	Individual performance			
	Verisk Analytics Inc	FY18	Relative TSR Rank (vs S&P 500) (3 yr period)					Adjusted organic revenue growth (50%)	Adjusted organic EBITDA growth (50%)				
	WABTEC	FY18	Economic profit					EPS (40%)	Working Capital/Cash Flow (10%)	Personal performance factor (50%)			
	Waste Management Inc	FY18	Relative TSR (50%) (vs. S&P 500)	Cash Flow Generation (50%)				Income from operations, excluding D&A (50%)	Income from operations margin (25%)	Cost measure (25%)	Individual performance modifier +-25%		
	Xylem Inc	FY18	ROIC (50%)	Relative TSR (50%) (vs. S&P 500 excluding financial services)				Revenue (25%)	Operating income (25%)	Working capital as a percentage of revenue (25%)	Individual - leadership, growth, IT, cultivate leadership and talent development, culture of safety, health, and compliance (25%)		

Source: Company data

Exhibit 88: Management incentive drivers for S&P 500 Information Technology companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Apple Inc	FY18	TSR relative to S&P 500					Net sales (50%)	Operating income (50%)				
Accenture PLC	FY18	Operating income (75%)	TSR (25%)				Revenue growth	Operating margin	EPS	New bookings	Free cash flow	non-financial - numerous, includes talent mgmt, diversity and inclusion
Adobe Systems Inc	FY18	Relative TSR (vs. Nasdaq 100)					Digital media ARR growth	Digital Experience subscription bookings growth	Strategic Performance modifier (+/- 25%)	Individual performance (implement new revenue recognition and leasing standards; develop long-term tax strategy; position finance organization for success and scale.)		
Analog Devices Inc	FY18	TSR relative to peer group median					Op profit before tax (OPBT) margin (50%)	Revenue growth (50%)				
Automatic Data Processing Inc	FY18	Net income growth	EPS growth				Revenue growth (20%)	New business bookings growth (20%)	Adjusted EBIT growth (20%)	Strategic objectives including employee engagement and diversity (40%); technically standalone ESG; average of payout on 9 targets determines comp		
Alliance Data Systems Corp	FY19	TSR (50%) (vs. S&P 500)	EBT (50%)				EBT (67%)	Revenue (33%)				
Autodesk Inc	FY19	ARR (70%)	Free cash flow per share (30%)	Relative TSR modifier (vs. S&P Computer Software Select Index)			Total ARR (70%)	Non-GAAP operating income (30%)				
Akamai Technologies Inc	FY18	Relative TSR (33%) (vs. S&P IT Index)	Revenue (33%)	Non-GAAP EPS (33%)			Revenue (50%)	Non-GAAP operating income (50%)	Strategic/ind. performance modifier; inc. employee engagement & development (10%), operational quality & safety (10%), growing wafer fab market share, gross margin, operating margin, TSR relative to semiconductor equip. peer group, pipeline dev., service revenue per target, improved product success rate, growth of efficiency metrics at key accounts)			
Applied Materials Inc	FY19	Non-GAAP adj operating margin	Relative TSR (3 yr. avg) (vs. S&P 500)				Non-GAAP adjusted EPS					
Advanced Micro Devices Inc	FY18	Relative TSR vs. S&P 500	EPS growth multiplier (+25-50%)	Absolute TSR multiplier (-50%)			Adjusted net income (50%)	Revenue (25%)	Adjusted FCF (25%)			
Arista Networks	FY18	No LTIP					Revenue	Gross margin	Operating margin	Customer quality	Support and product innovation	Individual performance
ANSYS Inc	FY18	TSR relative to Nasdaq Composite (3 yr cumulative performance) (20%)	Revenue (40%)	Operating margin(40%)			Annual Contract Value(42.5%)	Operating income (42.5%)	Individual results (15%)			
Amphenol Corp	FY19	No LTIP					Revenue growth (of at least 7%)	Adjusted diluted EPS growth (of at least 11%)				
Broadcom Inc	FY18	4-Yr TSR relative to S&P 500	4-Yr Absolute TSR (multiplier)				Revenue (50%)	Operating Margin (50%)	Individual multiplier (+50-150%) (function performance against budget, achieve divisional or functional goals, new product intros and corporate strategy implementation)			
Broadridge Financial Solutions	FY18	Adjusted EPS					Adjusted EBT (35%)	Closed sales (20%)	Fee-based revenue (15%)	Client satisfaction (5%)	Strategic and leadership - inc. talent and diversity (25%)	
Cadence Design Systems Inc	FY19	TSR target thresholds					Revenue multiplier (22.5%)	Non-GAAP operating margin multiplier (27.5%)	Individual performance multiplier (quality (12.5%)+ executive leadership( 37.5%))			
Salesforce.com Inc	FY18	TSR relative to NASDAQ 100					Revenue	Operating cash flow	Non-GAAP income from operations			
Cisco Systems Inc	FY17	Relative TSR (50%)	Operating cash flow (33% of other 50%)	EPS (67% of other 50%)			Revenue (20%)	Operating Income (80%)	Individual performance			
Cognizant Technology Solutions	FY18	2-yr revenue (50%)	2-yr non-GAAP EPS (50%)				Revenue (50%)	Non-GAAP income from operations (40%)	Days sales outstanding (DSO) (10%)			
Citrix Systems Inc	FY19	Subscription bookings as a % of total product and sub bookings					Product and subscription bookings (70%)	Non-GAAP corporate operating margin (30%)				
DXC Technology Co	FY18	EPS (75%)	FCF (25%)				Revenue (20%)	Operating Income (60%)	Net Promoter Score (20%)	Adjusted EBIT hurdle	Strategic performance modifier	
F5 Networks Inc	FY19	Annualized total revenue (50%)	Growth in software revenues (25%)	Relative TSR vs. S&P 500 (25%)			Revenue (70%)	EBITDA (30%)				
Fidelity National Information Services	FY18	TSR vs. S&P 500					Adjusted revenue	Adjusted EBITDA	Adjusted EPS			
Fiserv Inc	FY18	Internal revenue growth (60%)	Relative TSR (40%) (vs. S&P 500)				Adjusted EPS (40%)	Internal revenue growth (40%)	Strategic (20%) (includes employee engagement and client initiatives)			
FLIR Systems Inc	FY18	Adjusted EBITDA CAGR (50%)	Organic Revenue CAGR (50%)				Adjusted operating margin (30%)	Organic revenue growth (50%)	Working capital turnover (30%)			
FleetCor Technologies	FY18	Adjusted EPS					Adjusted EPS (50%)	Growth through acquisitions (25%)	Positioning (close one or more small acquisitions, sign new private outsourcing contract, successfully launch one major new growth initiative; grow 2018 y/y sales, higher new key executive, add one new director to board) (25%)			
Fortinet	FY18	No LTIP					Revenue (60%)	Operating income (40%)				
Corning Inc	FY18	Adjusted operating cash flow less capex (70%)	Core net sales (30%)	ROIC modifier (+/- 10%)			Core EPS (75%)	Core net sales (25%)				
Global Payments Inc	FY18	Adjusted EPS	Relative TSR modifier (vs. S&P 500)				Adjusted EPS (33%)	Adjusted net revenue (plus network fees)(33%)	Adjusted operating margin (33%)			

Source: Company data

Exhibit 89: Management incentive drivers for S&P 500 Information Technology companies (cont.)

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Hewlett Packard Enterprise Co	FY18	Net income	Relative TSR modifier (+/- 20%)				Net revenue (50%)	Net operating profit (50%)	Individual MBOs modifier (goals are aligned solely to financial achievement of HPE Next costs saves target) (+/-20%)			
HP Inc	FY18	EPS (50%)	Relative TSR (vs. S&P 500) (50%)				Revenue (25%)	Net earnings/profit (25%)	Individual MBOs (business objectives, such as operational objectives, strategic initiatives, succession planning, and talent development) (25%)			
International Business Machine	FY19	Operating EPS (70%)	Free cash flow (30%)	Relative ROIC modifier (vs. S&P 500 (ex fin services) and S&P IT Index) (+/- 20%)			Operating net income (40%)	Operating cash flow (40%)	Strategic imperatives revenue (20%)			
Intel Corp	FY18	Relative TSR (vs. S&P 500 IT Index)					Net income (25%)	Net income growth relative to peer group (25%)	Operational performance (financial performance, product development, launch roadmaps, environmental sustainability) (50%)			
Intuit Inc	FY18	Relative TSR	Operating income hurdle				Revenue (50%)	Non-GAAP operating income (50%)	leadership results - employee engagement, talent management			
IPG Photonics Corp	FY18	CEO does not participate in incentive compensation programs	Other NEO's performance shares based on TSR vs. Russell 3000				Net sales (50%)	Adjusted EBIT (50%)				
Gartner Inc	FY18	Contract value					EBITDA (50%)	FX-neutral contract value (50%)				
Jack Henry & Associates	FY18	Relative TSR					Operating income (75%)	Individual performance goals (25%) - inc. employee satisfaction				
Juniper Networks Inc	FY18	Revenue	Non-GAAP EPS	Relative TSR (vs. S&P 500)			Revenue	Non-GAAP EPS	Strategic (including quality, innovation, business agility)			
Keysight Technologies	FY18	Relative TSR (50%) (vs. S&P 400)	Non-GAAP operating margin (50%)				Adjusted EPS (75%)	Revenue growth (25%)	Individual performance			
KLA-Tencor Corp	FY18	Relative free cash flow margin					Operating margin dollars	Individual performance modifier - includes talent management/employee engagement				
Lam Research Corp.	FY18	Relative TSR (vs. SOX)					Non-GAAP operating margin	Corporate performance factor	Individual performance (financial metrics, innovation, perception enhancement, relationship building, cultural change, position for growth)			
Mastercard Inc	FY18	Net revenue (50%)	EPS (50%)	TSR relative to S&P 500 (modifier) (+50-150%)			Adjusted net income (67%)	Adjusted net revenue (33%)	Individual performance modifier			
Microchip Technology Inc	FY18	Operating expenses (profit)					Total sequential revenue growth (10%)	Micro-controller, analog, and licensing sequential revenue growth (10%)	EPS (non-GAAP quarterly) (15%)	Operating expenses/income as a percentage of sales (non-GAAP) (30%)	Gross margin percentage (non-GAAP) (15%)	Discretionary (20%)
Microsoft Corp	FY18	Commercial iCloud revenue (34%), LinkedIn sessions (6%)	Commercial cloud subscribers and Windows 10 monthly active devices (33% and 11%)	Surface GM and consumer post-sales monetization GM (Search, Store, Display/Homepage, Gaming, Office Consumer) (16%)		TSR Multiplier	Revenue (25%)	Operating income (25%)	Qualitative performance (product & strategy, customers & stakeholders, culture & org leadership (16.6%)) (50% total)			
Motorola Solutions Inc	FY18	TSR relative to S&P 500 (67%)	Absolute TSR (33%)				Operating earnings (65%)	Free cash flow (35%)	Individual performance			
Micron Technology Inc	FY18	Revenue threshold	TSR vs. S&P 500	ROA			Revenue threshold	Technology and product milestones (50%)	Profitability (net income) (50%)			
Maxim Integrated Products	FY18	Relative TSR					Operating income threshold	Revenue	Product development	Company performance - inc. employee talent		
NetApp Inc	FY19	Relative TSR (vs. S&P 1500 Tech Hardware & Equipment Index) (50%)	Adjusted operating income (50%)				Operating profit (50%)	Revenue (25%)	Individual performance metrics (25%) - inc. accelerate organizational foundation, customer acquisition			
NVIDIA Corp	FY19	Non-GAAP operating income (67%)	TSR relative to S&P 500 (33%)				Revenue	Annual non-GAAP operating income				
Oracle Corp	FY18	TSR (absolute market capitalization goals)	Cloud, SaaS and PaaS revenue and market share goals	Non-GAAP SaaS/PaaS/IaaS gross margin			Non-GAAP pre-tax profits					
Paychex Inc	FY18	Service revenue	Operating income (net of certain items)				Service revenue (27%)	Operating income, net of certain items (42%)	Annualized new business revenue (31%)	Minimum net income performance hurdle	Individual performance modifier (+20%)	
PayPal Holdings Inc	FY18	FX-neutral revenue CAGR (17.65%)	Free cash flow CAGR (17.65%)	Stock price (90-day avg) (65%)			Minimum revenue threshold ("gate")	Revenue	Non-GAAP operating margin	Net new actives modifier	Individual performance (25%)	
Qualcomm Inc	FY18	Relative TSR (vs. NASDAQ-100) (50%)	Adjusted ROIC (50%)				Adjusted EPS (60%)	Adjusted revenue (40%)				
Qorvo Inc	FY19	Company objectives - design wins, R&D improvements, qualifying product technologies, financial metrics, and implementing IT capabilities					Revenue (50%)	Operating income (50%)				
Red Hat Inc	FY18	Revenue growth (25%)	Operating income growth (25%)	Relative TSR (50%)			Total revenue (25%)	Non-GAAP cash flow from operations (25%)	Non-GAAP operating margin (25%)	Individual performance objectives (25%)		
Synopsys Inc	FY18	1-yr net income					Non-GAAP op margin funding threshold	Revenue (33%)	Non-GAAP operating margin (33%)	Revenue backlog (33%)		
Seagate Technology PLC	FY18	ROIC	Relative TSR modifier	Adjusted EPS threshold			Revenues	Operating margin	Quality metric modifier: customer's view of product quality			
Skyworks Solutions Inc	FY18	Non-GAAP EBITDA (50%)	Relative TSR (50%) (vs. SUIP Semiconductor Select Industry Index)				Revenue (50%)	Non-GAAP Operating margin (50%)				

Source: Company data

**Exhibit 90: Management incentive drivers for S&P 500 Information Technology companies (cont.)**

	Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
			Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Information Technology	Symantec Corp	FY18	Non-GAAP EPS	Relative TSR				Non-GAAP revenue (50%)	Non-GAAP operating income (50%)				
	TE Connectivity Ltd	FY19	3-yr EPS growth relative to S&P 500 Non-Financials Index					Operating Income (30%)	Revenue (30%)	EPS (20%)	KPI Metrics (focus on growth, productivity, quality, and customer delivery) (20%)		
	Total System Services Inc	FY18	Adjusted diluted EPS (70%)	Relative TSR (vs. S&P 500) (30%)				Net revenue growth (50%)	Adjusted diluted EPS (50%)				
	Texas Instruments Inc	FY18	No LTIP					1-yr and 3-yr revenue growth	1-yr and 3-yr operating margin	1-yr and 3-yr TSR relative to peer group			
	Visa Inc	FY18	EPS	Relative TSR modifier (vs. S&P 500)				Net income (70% of corp performance)	Net revenue (30% of corp performance)	Individual performance (20% of total)			
	Verisign Inc	FY18	Operating income per share CAGR	Relative TSR (vs. S&P 500)				Revenue (50%)	Non-GAAP operating margin (50%)				
	Western Digital Corp	FY19	Revenue (25%)	Adjusted EPS (25%)	Absolute TSR hurdle (modifier)	TAM adjustment factor (addressable market size vs. forecasts)	Relative TSR	Net income					
	Western Union Co	FY 18	Revenue (50%)	EBIT (21%)	Relative TSR (29%) (vs. S&P 500)			Operating income (15%)	Revenue (35%)	Strategic performance (30%) (Digital money transfer rev and sender customer experience & compliance execution)			
	Xilinx Inc	FY 18	Revenue - 28nm, total, 20/16nm (65%)	Product Leadership (20%)	XBB & DC Strategy (15%)			Operating Profit (35%)	Revenue Growth (40%)	Strategic/Individual Performance - product, sales/marketing, operational, and organizational objectives (30%)			
	Xerox Corp	FY19	Absolute TSR (vs. peer group) (50%)	Absolute revenue (25%)	FCF (25%)			Absolute revenue (25%)	Adjusted operating margin (25%)	Free cash flow (25%)	Individual performance/strategic metric (25%)		

Source: Company data

Exhibit 91: Management incentive drivers for S&P 500 Materials companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers						
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6	
Albemarle Corp	FY18	Relative TSR (vs. peer group)					Adjusted EBITDA (60%)	Adjusted free cash flow (30%)	Stewardship (safety, process safety and environment) (10%)				
Air Products and Chemicals Inc	FY18	Relative TSR					Non-GAAP EPS	non-financial modifier - safety, sustainability, diversity, among others					
Avery Dennison Corp	FY18	Absolute TSR (Market-leveraged stock units MSUs)(50%)	Relative TSR (vs. peer group) (25%)	Cumulative EVA (25%)			Adjusted EPS (60%)	Adjusted sales growth (20%)	Free cash flow (20%)	Ind. modifier (product penetration (25%), core business profitability (25%), productivity (15%), effective capital deployment (15%), succession planning (15%), sustainability diversity (5%) +150% cap			
Ball Corp	FY18	Absolute EVA dollars growth (66%)	ROAIC (after-tax)(16.5%)	Relative TSR (vs. S&P 500 ex Financials, Utilities & Transportation) (16.5%)			EVA (NOPAT - capital employed charge)						
Celanese Corp	FY19	Adjusted EPS (70%)	ROCE (30%)	TSR negative modifier (vs. S&P 500)			Adjusted EBIT growth (65%)	Working capital as a percent of sales (20%)	Occupational safety (5%)	Process safety (5%)	Environment (5%)		
CF Industries Holdings Inc	FY19	Average return on net assets (RONA)	TSR modifier (+/- 20%)			Gross ammonia production subject to a behavioral safety practices gate modifier (25%)							
DowDuPont Inc	FY17	Relative TSR					Operating net income (Dow)	Operating cash flow (Dow)	Operating EPS (DuPont)	Business unit operating earnings (DuPont)	Business unit revenue (DuPont)	Individual performance modifier (Dow) - includes safety	
Ecolab Inc	FY18	3 Yr. Avg. Adjusted ROIC					1 Yr. Adjusted EPS						
Eastman Chemical Co	FY18	Return on capital target	Relative TSR (vs. peer group)				EBIT	Adjusted earnings per share	Free cash flow	Employee safety - days away from work	OSHA recordable injuries; process safety incident rate	Ind. - (financial, growth & innovation, employee safety and wellness) (no weightings)	
Freeport-McMoRan Inc	FY19	Return on investment	Relative TSR modifier (vs. peer group)				Adjusted EBITDA	Operating cash flow	Capital expenditures	Total PT-FI cash distributions	Ops - Americas copper sales, PT-FI gold sales & net unit cash costs of copper (27%)	Safety and environmental & social responsibility (15% and 10%)	
FMC Corp	FY18	Relative TSR (vs. peer group) (70%)	3 Yr. cumulative OCF (30%)				Adjusted earnings (70%)	Individual (30%) ( reduce total recordable incident rate, cost and sales synergies, business process modernization, successful Lithium IPO, drive financial results)					
International Flavors & Fragrances	FY18	3 Yr. Relative TSR (vs. S&P 500) (62.5%)	3 Yr. Net Debt : EBITDA				FX-neutral sales growth (30%)	Operating profit (35%)	Gross margin (15%)	Working capital (20%)			
International Paper Co	FY19	Absolute ROIC (50%)	Relative TSR (50%) (vs. peer group)				Adjusted EBITDA (70%)	Cash conversion (15%)	Revenue (15%)	Individual performance modifier +200%			
Linde Plc	FY19	Return on capital	TSF (S&P 500 (ex financials) + Eurofirst 300)				Net Income (37.5%)	Sales (18.75%)	Cash flow (18.75%)	Strategic/non-financial performance (relative performance, strategic positioning, project execution, safety, environmental performance, sustainability) (25%)		Individual performance modifier	
LyondellBasell Industries NV	FY18	Relative TSR (vs. peer group)					Target EBITDA (60%)	Cost discipline (cash fixed costs vs. target) (20%)	HSE performance (total recordable (70%) and process safety incident (30%) rates) (20% of full STIP)				
Martin Marietta Materials Inc	FY18	EBITDA (67%)	Sales growth (33%)	TSR modifier (relative to S&P 500) +/-20%			Pre-tax earnings y/y	EBITDA growth	Days sales outstanding (DSO)	Safety improvement & environmental & regulatory compliance results	Management succession and development planning	Growth; including acquisitions & integrations	
Mosaic Co	FY18	Absolute TSR	Positive net earnings threshold				Operating earnings / ROIC (30%)	Free cash flow (30%)	Operating costs per tonne (20%)	Premium product sales (10%)	Safety - mgmt system effectiveness (10%)		
Newmont Mining Corp	FY19	Relative TSR (vs. peer group)	TSR modifier (maximum and negative TSR caps)				Health & safety (20%)	EBITDA, ROCE & cash sustaining costs (60%)	Project execution & exploration success (15%)	Water strategy, mine closure & reclamation, DJSI rating (5%)	Personal ( strategy, people & org dev., safety, operational, corp susty & fin goals)	Sustainability (5%) - water strategy, Dow Jones Sustainability index ; reserves	
Nucor Corp	FY18	Relative ROAIC (vs. steel comparator group)	Relative ROAIC (vs. general industry comparator group)				ROE (75%)	ROAIC vs. peers (25%)					
Packaging Corp of America	FY18	Relative ROIC (vs. peer group)	Relative TSR (vs. peer group)				EBITDA	EPS	EBITDA margin	EBITDA vs. comps	Other factors (strategic execution)		
PPG Industries Inc	FY18	Adjusted EPS (25%)	Return on capital (25%)	TSR shares (vs. S&P 500) (50%)			Adjusted EPS (42%) (from continuing operations)	Adjusted cash flow from operations (14%)	Sales volume / mix growth (14%)	Personal (30%) - Safety, waste costs, energy usage and costs, and sustainable product sales			
Sealed Air Corp	FY18	Relative TSR (34%)	Adjusted EBITDA margin (33%)	Net sales growth CAGR (33%)			Consolidated adjusted EBITDA (50%)	Profit to growth ratio (30%)	Ratio of working capital to net trade sales (20%)	Individual performance modifier (customer satisfaction, value creation, innovation sustainability, and communications)			
Sherwin-Williams Co	FY18	EPS (67%)	RONAE (33%)				EPS (30%)	Net sales (20%)	Free cash flow (25%)	Synergy savings related to Valspar transaction (25%)			
Vulcan Materials Co	FY18	Relative TSR (vs. S&P 500)					EBITDA economic profit	Individual performance modifier -(safety, diversity, leadership, capital stewardship)					
WestRock Co	FY18	Cash flow per share (63%)	Relative TSR (37%)				EBITDA (75%)	Productivity (realized) (25%)	Safety modifier				

Source: Company data



Exhibit 92: Management incentive drivers for S&P 500 Real Estate companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Apartment Investment and Mgmt.	FY18	Relative TSR - NAREIT apartment index (50%)	Relative TSR - MSCI US REIT index (50%)				Same store NOI performance	Redevelopment and development investment and returns (10%)	Balance sheet - leverage ratios and balance sheet activities (5%)	Team and culture - team member engagement scores and on-site retention, efficiency (10%)		AFFO per share (50%)
American Tower Corp	FY18	Consolidated AFFO per share (70%)	Average ROIC (30%)				Total property revenue (30%)	Adjusted EBITDA (50%)	Individual performance - company reputation, partnerships, innovation, profitability, returns, growth, etc. (20%)			
Alexandria Real Estate Equities Inc	FY18	FFO per share	Relative TSR modifier (vs. FTSE Nareit Equity Office Index)				Balance sheet - liquidity (25%), net debt to adjusted EBITDA (25%), fixed-charge coverage ratio (25%), and appropriate balance of capital options (25%) (30% of total STIP)	Development and redex. NOI, Dev. yield (10%, 5%, & 10% respectively, CASH BONUS)	Profitability and NAV - rental revenue from investment-grade tenants (20%), NOI growth (20%), same property NOI growth (cash basis - 10% same property NOI growth (10%), amount of RSF leased (20%), adjusted EBITDA margin (20%)(30% of total STIP)	Customer service - midlease NPS and same store NOI (20% each; STOCK BONUS)	Qualitative - construction performance, development starts, and talent development (20% each; STOCK BONUS)	Ind. - inc. strategic, employee training, health, wellness, and others (40% of total STIP)
AvonBay Communities Inc	FY18	Absolute TSR (20%)	Relative TSR - NAREIT Equity REIT index (20%)	Relative TSR - NAREIT Apt index (20%)	Relative core FFO per share growth (25%)	Relative Net debt to core EBITDA (15%)	Core FFO per share (50%; CASH BONUS)	Development and redex. NOI, Dev. yield (10%, 5%, & 10% respectively, CASH BONUS)	Strategic, effectiveness of mgmt (10% and 15%, respectively, CASH BONUS)	Customer service - midlease NPS and same store NOI (20% each; STOCK BONUS)	Qualitative - construction performance, development starts, and talent development (20% each; STOCK BONUS)	
Boston Properties Inc	FY19	3-Yr TSR relative to NAREIT Office Index (adjusted)					No STIP					
CBRE Group Inc	FY18	Adjusted EPS					Adjusted EBITDA (80%)	Strategic objectives - business strategy, leadership structure, data strategy, strategic plan, corporate strategy, diversity initiative (20%)				
Crown Castle International Corp	FY18	Relative TSR (vs. peer group) (54%)	Absolute TSR (46%)				Adjusted EBITDA (50%)	Adjusted FFO per share (50%)				
Digital Realty Trust Inc	FY18	Relative TSR (vs. MSCI US REIT Index)					Core FFO per share (45%)	Revenue (20%)	Adjusted EBITDA margin (10%)	Individual goals (customer focus, innovation and differentiation, go-to-market, profitability and financial excellence and organizational excellence) (25%)		
Duke Realty Corp	FY18	Average annual growth in AFFO	Relative TSR (vs. peers)				AFFO per share (25%)	Core FFO per share (25%)	Average total in-service lease up occupancy (25%)	Individual performance - credit rating, succession & leadership plans, board member recruitment, joining another public board, new company HQ (25%)		
Equinix Inc	FY18	Relative TSR (33%) (vs. Russia 1000)	Revenue and AFFO (67%)				Revenue (50%)	Adjusted FFO (50%)				
Equity Residential	FY19	Relative TSR - NAREIT apartment index (35%)	Relative TSR - NAREIT equity index (22.5%)	Absolute TSR (22.5%)	Normalized FFO per share (20%)		Growth in same store NOI (20%)	Normalized funds from operations per share (20%)	Leadership/employee engagement (15%)	Normalized G&A and property management costs (10%)	Lease-up NOI (10%)	Individual goals - strategic, leadership, ESG initiatives, among others (25%)
Essex Property Trust Inc	FY18	Relative TSR - SNL Apartment REIT Index					Same-property NOI growth	Core FFO per diluted share	Acquire and development new investment opportunities	Underwritten yields from 2016 and 2017 acquisitions and developments	Individual - career development programs, strategic goals, financial objectives	
Extra Space Storage Inc	FY18	Relative TSR (50%) (vs. peers)	Core FFO growth (50%)				Core FFO	Efficient/agile balance sheet	portfolio growth			
Federal Realty Investment Trust	FY18	Relative TSR - BBRESHOP (50%) (3Yr)	Absolute TSR (25%) (3Yr.)	ROIC (25%) (3 Yr)			FFO per share					
HCP Inc	FY19	Relative TSR - FTSE NAREIT equity healthcare index (67%) (3 yr)	Relative TSR - S&P REIT Index (33%) (3 Yr)	1-year FFO per share performance hurdle			Normalized FFO per share (45%)	Net debt to adjusted pro forma EBITDA (15%)	Individual performance - subject to FFO per share hurdle (40%)			
Host Hotels & Resorts Inc	FY19	Investments and dispositions (10%); Finance and corporate strategy (10%)	Operations and Organizational (10% each)	Value Enhancement & Redevelopment (10%)	Relative TSR - equally weighted against the NAREIT equity index, S&P 500, and company-curated lodging index (50%)		Adjusted FFO (56%)	ROIC (24%)	Individual objectives (strategic initiatives, succession plan, communicate with stakeholders, trade association participation) (20%)			
Iron Mountain Inc	FY18	Relative TSR - S&P 500 (ex financial services) (50%)	Storage revenue with ROIC threshold (50%)				Adjusted EBITDA with revenue modifier (40%)	AFFO (30%)	Strategic objectives (organic storage rental revenue growth (5%) EM revenue run rate as a % of total (5%) new data center contract sales (7.5%), Storage business revenue growth (5%), Key safety and security measure performance (5%) sales training and customer strategy (2.5%)			Individual modifier +20%
Kimco Realty Corp	FY18	Relative TSR - Bloomberg REIT shopping center index					Adjusted FFO (36%)	Adjusted EBITDA (12%)	Leverage (12%)	Individual performance (40%)		
Mid-America Apartment Communities	FY18	Relative TSR (3 Yr.) ( vs. SNL US REIT Multifamily Index) (62.5%)	FFO per diluted common share (37.5%)				FFO per diluted common share					
Macerich Co	FY18	Relative TSR - Equity peer REITs					Same center NOI growth (25%)	FFO per diluted share (25%)	Re-leasing spreads (25%)	Ind. - engagement with investment community, capital market efforts, non-core asset disposals, new dev. financing, addressing tenant bankruptcies, co. restructuring (25%)		
Realty Income Corp	FY18	Relative TSR - MSCI US REIT index (45%)	Relative TSR - JP Morgan net lease peers (26%)	Dividend per share growth rate (16%)	Debt-to-ebitda (13%)		AFFO per share (40%)	Fixed charge coverage ratio (20%)	Portfolio occupancy (10%)	Individual objectives (30%)		
Prologis Inc	FY18	Relative TSR - numerous REIT indexes (50%)	Qualitative assessment of performance (50%)	Relative TSR hurdle for additional compensation			Portfolio ops - FFO per share, avg occupancy, SSNOI growth, rent change on rollovers (40%)	Deployment, land bank & dispositions (25%)	Strategic capital (10%)	Competitive advantage drivers (inclusion & diversity, customer experience, advanced data analytics, procurement, continuous improvement) (25%)		
Public Storage	FY18	Same store revenues					Core FFO per share					
Regency Centers Corp	FY18	Relative TSR - FTSE NAREIT shopping center index (100%)					Core operating earnings per share (60%)	Same store NOI growth (40%)				
SBA Communications Corp	FY18	No LTIP					Adjusted EBITDA (30%)	AFFO per share (30%)	Subjective - institutional contribution, acquisitions and ground lease extensions, leasing results, financial & operational performance, SG&A, exec performance (40%)			
SL Green Realty Corp	FY19	Funds available for distribution (12.5%)	Deb/EBITDA ratio (12.5%)	Manhattan office same store lease occupancy and office leasing volume (12.5% each)	Relative TSR (3Yr) (50%) (vs. SNL Office Index Companies)	Absolute TSR modifier (3 Yr) (50%)	FFO per share (30%)	Same-store cash NOI growth (30%)	Dividend growth (30%)	G&A expense (10%)		
Simon Property Group Inc	FY18	Absolute TSR (20%)	Relative TSR - MSCI U.S. REIT index (60%)	Relative TSR - S&P 500 (20%)			FFO threshold	Individual performance - NOI & dividend growth				
UDR Inc	FY19	Adjusted FFO per share(1 Yr) (30%)	Relative adjusted cumulative FFO (3 yr) (vs. peers) (15%)	Relative TSR (3 Yr)(vs. NAREIT apartment index) (20%)	Relative TSR (3 Yr) (vs. apartment peers) (35%)		Adjusted FFO per share (28%)	Transaction volume (14%)	Controllable operating NOI (7%)	Operating platform execution (7%)	Relative valuation (7%) & Associated engagement (7%)	Ind. - vision, planning, board relations, leadership, plan execution, others (30%)
Vornado Realty Trust	FY18	Relative TSR - SNL office index (70%)	Relative TSR - SNL retail index (30%)				Adjusted FFO threshold & cap	Absolute and relative TSR (vs. peer group & REIT industry)	Same-store NOI per share	Leasing performance and occupancy levels	Capital markets performance	Goals and business unit objectives
Ventas Inc	FY18	Relative TSR - MSCI REIT index (3 yr.) (37%)	Relative TSR - FTSE NAREIT equity health care index (3 Yr.) (27%)	Net debt to adjusted pro forma EBITDA (3 Yr) (26%)			Normalized FFO per share (40%)	Liquidity coverage ratio (15%)	Fixed charge coverage ratio (10%)	Individual objectives (including ESG efforts and profile) (35%)		
Welltower Inc	FY18	Relative TSR - MSCI US REIT index (25%)	Relative TSR - NAREIT health care index (50%)	Debt plus preferred stock to EBITDA (25%)			Normalized FFO per share (25%)	Same-store NOI growth (25%)	G&A expense control (25%)	Individual performance ( capital raising, investments, developments and dispositions, portfolio repositioning, diversity, sustainability leadership)(25%)		
Weyerhaeuser Co	FY18	Relative TSR (vs. S&P 500 and industry peers)					Combined adjusted EBITDA - timberlands and real estate, energy & natural resources businesses (42%)	RONA - wood products business (28%)	Individual performance - operational excellence, people development, financial and competitive performance (30%)			

Source: Company data

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Exhibit 93: Management incentive drivers for S&P 500 Utilities companies

Name	Applicable FY	Long term incentive drivers					Short term incentive drivers					
		Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 1	Metric 2	Metric 3	Metric 4	Metric 5	Metric 6
Ameren Corp	FY18	Relative TSR (vs. PSU peer group)					EPS (80%)	Safety (10%)	Customer satisfaction (10%)	Individual performance modifier +25%		
American Electric Power Company	FY18	Cumulative operating earnings per share (3 Yr) (50%)	Relative TSR (3 Yr)(50%) (vs. peer group)				Operating earnings per share (70%)	Safety & Compliance(12%) (includes environmental stewardship)	Strategic initiatives - business transformation, customer experience, culture and employee engagement (18%)			
AES Corp	FY18	Proportional FCF (35%)	Relative TSR (vs. mix of peer indices)(65%)				Safety - serious incidents, near miss reporting, proactive measures (10%)	Adjusted EPS (35%)	Parent FCF (25%)	Operational KPIs and construction program (10%)	Growth projects (20%)	
Atmos Energy Corp	FY18	EPS (cumulative 3Yr) (100%)					Diluted EPS (100%)					
American Water Works Company	FY18	Relative TSR	Compound adjusted EPS growth				Adjusted EPS (50%)	Customer satisfaction (15%)	ORIR (injury and illness measure) (7.5%)	DART injury rate (7.5%)	Environmental leadership (10%)	Operational efficiency (10%)
CMS Energy Corp	FY18	Relative TSR (50%)	Relative EPS growth (50%)				EPS (70%)	OCF (30%)	modifier - safety, reliability, and customer value			
CenterPoint Energy Inc	FY19	Relative TSR (3 Yr) (vs. peers) (57%)	Utility net income (43%)				Core operating income (35%)	Diluted EPS (20%)	Operations and maintenance expenditures (25%)	Customer satisfaction composite (10%)	Safety composite (10%)	
Dominion Energy Inc	FY18	Relative TSR (vs. peer group) (50%)	ROIC (50%)	Absolute TSR and P/E modifiers			Operating EPS	Negative stewardship modifier (includes diversity and sustainability performance)				
DTE Energy Co	FY18	Relative TSR (vs. peer group) (80%)	FFO to debt (20%)				Operating EPS (20%)	Adjusted cash flow (20%)	Customer satisfaction Index, Improvement, Improvement Index, Customer Complaints (8%,4%,4%,4%)	Employee engagement (10%); Safety performance and effectiveness (10%)	Operating excellence (20%)	
Duke Energy Corp	FY18	Adjusted EPS (50%)	Relative TSR (25%)	Safety (25%)			Adjusted EPS (50%); Customer satisfaction (10%)	Operational excellence - operations and maintenance expense, reliability, safety, and environmental (20%)	Individual (operational excellence, safety, risk-informed growth, inclusive & diverse culture)(20%)		Safety modifier -5%	
Consolidated Edison Inc	FY18	Adjusted EPS (30%)	Operating objectives - advanced meter plan, cyber security plan, gas main replacement, renewable portfolio (20%)		Relative TSR (50%)		Adjusted net income (50%)	Other financial performance (25%)	Operating objectives (25%) (Includes environment & sustainability goals)			
Edison International	FY18	Relative TSR (vs. Philadelphia Utility Index) (50%)	Core EPS (3 Yr) (50%)				Core earnings (60%); Safety (10%)	Strategic - affordable customer rates, strategy, settlement agreement, capital spending, EE revenues (20%)	Leadership diversity, employee engagement & work environment (10%)	Foundational goals downward modifier- worker fatalities, serious injuries, non-compliance events, data breaches (-5%)		
Eversource Energy	FY18	EPS growth (50%)	Relative TSR (vs. EEI Index) (50%)				Earnings per share (42%)	Dividend (7%)	Strategic growth (21%)	Safety rating/gas service/diversity (12%)	Reliability/restoration (18%)	
Entergy Corp	FY19	Utility earnings	Relative TSR (vs. Philadelphia Utility Index) (50%)				Operating EPS (50%)	Operating cash flow (50%)				
Energy Inc.	FY18	Relative TSR (3 Yr)(vs. EEI Index)(100%)					Safety (15%)	Reliability (SAIDI) (15%)	Equivalent availability (coal) (12.6%)	Equivalent availability (nuclear) (2.4%)	Adjusted non-fuel O&M expense (55%)	
Exelon Corp	FY18	Utility net income (33%)	Utility ROE (33%)	FFO/debt (34%)	Relative TSR modifier (3 Yr)	TSR cap if negative 1 year absolute TSR	Adjusted EPS (70%)	Operational goals - outage duration, outage frequency, nuclear fleetwide capacity factor, dispatch match (30%)	TSR cap if negative 1 year absolute TSR			
FirstEnergy Corp	FY19	Operating EPS growth	Capital effectiveness index	Relative TSR modifier (vs. S&P 500 Utility Index) (+/- 25%)			Operating earnings (70%)	Diversity and inclusion (10%)	Safety (15%)	Financial performance hurdle	Operational (mix of customer, reliability, and environmental metrics) (5%)	
Alliant Energy Corp	FY18	Net income (50%)	Relative TSR (vs. EEI Stock Index) (50%)				EPS (70%)	Customer satisfaction (15%)	Environmental (10%)	Diversity - people of color, women (5%)		
Naxtera Energy Inc	FY18	Relative TSR (vs. S&P 500 Utilities Index) (35%)	Adjusted ROE and adjusted EPS growth (52%)	Safety, nuclear performance index, forced outage rate, service reliability (13%)	Individual performance modifier +20% and adjusted earnings threshold (applicable to 65% of performance share award)		Adjusted ROE (25%)	Adjusted EPS growth (25%)	Operational - earnings, ROE, cost goals, EBITDA, cash available for distribution, employee safety, environmental violations, nuclear industry composite performance index, forced outage rate, reliability standards, wind and solar projects, pre-tax income, others (50%)		Individual performance modifier	
NiSource Inc	FY18	Net operating earnings per share (81.25%)	Customer value framework (18.75%)	Relative TSR modifier	Customer value framework hurdle	NOEPS hurdle	Net operating earnings per share (75%)	Customer care (15%)	Safety (10%)			
NRG Energy Inc	FY18	Relative TSR (vs. peer group)					Adjusted free cash flow (35%)	Adjusted EBITDA (35%)	Corporate debt to corporate EBITDA (30%)	Adjusted FCF threshold	Individual performance modifier - includes safety and staff development, among others	
Public Service Enterprise Group	FY18	Relative TSR (50%)	Relative ROIC (50%)				Operating EPS (75%)	Corporate strategic goals - operational excellence, financial strength, disciplined investment, talent retention, diversity (25%)	Business unit performance (corporate resources (includes sustainability),customer service, fossil generation, transmission and distribution) (37.5%)			
Pinnacle West Capital Corp	FY18	Relative TSR (50%)	Relative operational performance - customer reliability, customer-to-employee improvement ratio, injury rate, nuclear generation capacity, coal generation capacity (50%)				Earnings threshold (25%)	Earnings above threshold (37.5%)				
PPL Corp	FY18	Relative TSR (50%)	Average ROE (50%)				EPS (80%)	Operational performance - including customer satisfaction and reliability among others (20%)				
Southern Co	FY19	Relative TSR (32.5%)	Consolidated ROE (32.5%); Cash from operations (25%)	Net mW reduction (meeting GHG reduction targets by adding renewables & placing coal in retirement) (10%)	Credit quality threshold		EPS (45%)	Operational - customer satisfaction, safety, strategic projects, culture, reliability, availability, gas operations, nuclear plant operations (30%)	Individual (25%)			
Sempra Energy	FY18	Relative TSR - S&P 500 Utilities Index (50%)	Relative TSR - S&P 500 (21%)	Relative EPS CAGR (29%)			Earnings (85%)	Safety and customer service and stakeholders (15%)	Performance level threshold			
WEC Energy Group Inc	FY18	TSR (100%)	Authorized ROE modifier +-10%				EPS (75%)	Cash flow (25%)	Customer satisfaction modifier +5%	Safety modifier +2.5%	Diversity modifier +2.5%	
Xcel Energy Inc	FY18	Relative TSR (vs. peer group) (63%)	Environment - reduction in CO2 emissions (37%)				Customer satisfaction (20%)	Public safety (20%)	O&M growth (20%)	Electric system reliability (20%)	Employee safety (20%)	EPS - funding multiplier and modifier up to additional 50% of award

Source: Company data

## Disclosure Appendix

### Reg AC

We, Derek R. Bingham, Tristyn Martin, Sharmini Chetwode, Ph.D., Christopher Vilburn, CFA and Evan Tylenda, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

### GS Factor Profile

The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our coverage universe) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

### M&A Rank

Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

### Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

### Disclosures

#### Distribution of ratings/investment banking relationships

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	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	38%	49%	13%	66%	57%	51%

As of July 1, 2019, Goldman Sachs Global Investment Research had investment ratings on 2,924 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage groups and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

## Regulatory disclosures

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