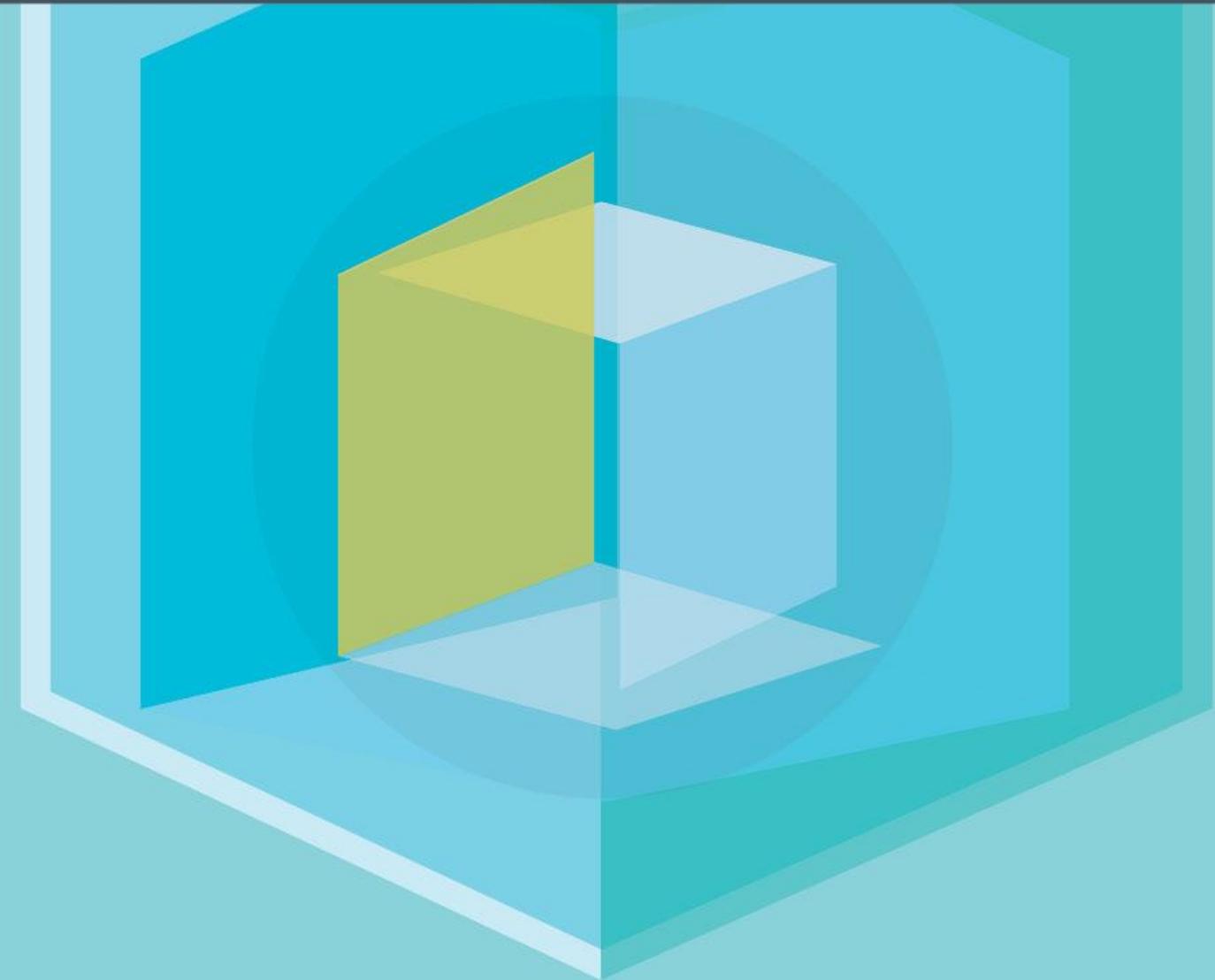


Diversity & Inclusion Metrics In Incentives Across the F200

RESEARCH FINDINGS

AS OF OCTOBER 7, 2020



NOTE: Semler Brossy Consulting Group does not provide tax, legal or accounting advice and does not provide regulatory guidance in the jurisdictions being considered. The Company should consult its respective experts in those fields on such matters, as appropriate.

Summary & Key Findings

Over the fall of 2020, we collected data on ESG & incentives from the Fortune 200. We excerpted from that data a subset of companies that have included a Diversity and Inclusion (D&I) metric in their incentive designs.

- **20 companies have incorporated D&I metrics in their incentive compensation programs**
- **Of these companies, the metrics tend to be assessed qualitatively and are more operational in nature**
 - 19 of the 20 companies studied have incorporated these metrics within annual incentive plans, or as an element of the broader performance evaluation that informs annual pay, and one incorporated it within its long-term incentive program
 - Amongst the companies studied, typical D&I weightings make up approximately 5%-30% of metrics within annual incentive plans, and are often a qualitative element of the individual performance review
- **We expect the prevalence of D&I metrics to rise in 2021 as multiple stakeholders call for greater oversight/progress on HCM topics and the nature of the metrics to evolve to be more strategic**

The following pages provide in-depth examples of disclosures from these companies that have incorporated D&I metrics in their incentive plans. We plan to update this report periodically.

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Company	Industry	Weight	Metric	Performance Outcome	Disclosure Year & Link
Archer-Daniel-Midland	Consumer Staples	25% individual performance overall (not specific to D&I)	The individual performance component (25% weighting) includes discretion to adjust the target by +/- 5% increments based on the NEO's performance and contribution. D&I appear to be one of many factors in determining the final payout for some of the NEOs	<ul style="list-style-type: none"> The individual performance evaluations for the CEO and one of the SVPs reference making advancements towards diversity and inclusion goals but the specific goals and progress are not listed 	Disclosure Year: 2020
AIG	Financials	Modifier (individual scorecard cannot account for more than one third of total earned)	The individual performance modifier (0-150% multiplier) is tied to four goals, one of which is "Organizational: Enhance AIG reputation for talent and promote diversity and inclusion" as mentioned in the proxy	<ul style="list-style-type: none"> The individual performance scorecard for the President mentions the following achievements in 2019: <ul style="list-style-type: none"> "Continued to enhance AIG's reputation as a diverse and inclusive organization, with key milestones such as achieving recognition on the DiversityInc. Top 50 Companies List" "Promoted employee resource groups, contributing to membership growth of 16%" "Implemented unconscious bias training" 	Disclosure Year: 2019
American Express	Financials	15% (fully devoted to D&I)	15% of the annual incentive is tied to a "Colleague" metric, which considers "Talent Retention and Diversity Representation Goals to globally increase minority and women representation at management levels and retain our key talent (high potential or high performers)	<ul style="list-style-type: none"> The "colleague" component of the annual incentive award which considered talent retention and diversity representation was achieved at or "above target" in 2019 as noted in the proxy, however the specific goals and progress are not listed 	Disclosure Year: 2020
Bank of America	Financials	Not disclosed	One of the four of the individual performance achievement targets for all NEOs is tied to "Grow in a sustainable manner," which is tied to many different highlights, a few being related to diversity and inclusion: "driving diversity and inclusion initiatives through engagement, recruitment" and "mentorship to further develop and retain top diverse leaders"	<ul style="list-style-type: none"> General progress is disclosed by individual in their disclosed performance evaluations For example, the CEO's highlight mentions "All enterprise diversity scorecard metrics are up year-over-year across the enterprise compared to 2018," and the CFO's highlight mentions "Within senior roles, female representation increased 8% and Black/African American representation increased 27% compared to 2018," but the specific goals and progress are not listed 	Disclosure Year: 2020

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Company	Industry	Weight	Metric	Performance Outcome	Disclosure Year & Link
Citigroup	Financials	Not disclosed	The cash bonus includes a non-financial scorecard for each executive, which includes human capital management, diversity and inclusion, or other talent development goals that vary by individual	<ul style="list-style-type: none"> The non-financial scorecard includes highlights such as the following for the CFO, "Mr. Mason co-leads our Black Heritage affinity group and has added further diversity and strength to his senior leadership team," and the President's states " Ms. Fraser co-leads the Citi Women affinity group and champions diversity and inclusion initiatives throughout the firm." Additional specific goals and progress are not listed 	Disclosure Year: 2020
Comcast	Communication Services	Portion of the 20%, without specific weighting for D&I	The annual cash bonus program includes "a small qualitative portion based on achievement of key initiatives, such as diversity and inclusion" as noted in the proxy	<ul style="list-style-type: none"> The qualitative portion of annual cash bonus was based on predetermined objectives including (i) "creating a strong workplace culture that emphasizes integrity and respect" and (ii) continuing focus on critical diversity and inclusion initiatives and customer experience metrics" The qualitative portion of the cash bonus was achieved at 20% in 2019 	Disclosure Year: 2020
Disney	Communication Services	Not disclosed	In addition to the financial factors in the bonus, which have specific weighting, the Company evaluates each executive's individual performance against other performance factors to determine annual incentive pay outcomes. In 2019, one of the four factors was "Increase the diverse composition of our workforce, with a focus on management and executives; actively engage in creating a culture of inclusion and expand inclusive content into the marketplace"	<ul style="list-style-type: none"> In the individual assessments for the GC and CFO, the Company mentions the continued promotion of diversity hiring in each of those departments, and for legal, the promotion of the departments' pro bono legal program. For the legal function, it resulted in industry recognition 	Disclosure Year: 2020
FedEx	Industrials	Not disclosed	Cash bonus outcomes can be adjusted based on the achievement of individual performance objectives, which vary by individual but include (among other objectives), "Implement and document good faith efforts designed to ensure inclusion of females and minorities in the pool of qualified applicants for open positions and promotional opportunities, and otherwise promote FedEx's commitment to diversity, tolerance and inclusion in the workplace."	<ul style="list-style-type: none"> The overall annual cash bonus payouts were zero in 2019, implying that the individual performance objectives had no impact; the diversity and inclusion performance was not specifically disclosed 	Disclosure Year: 2019

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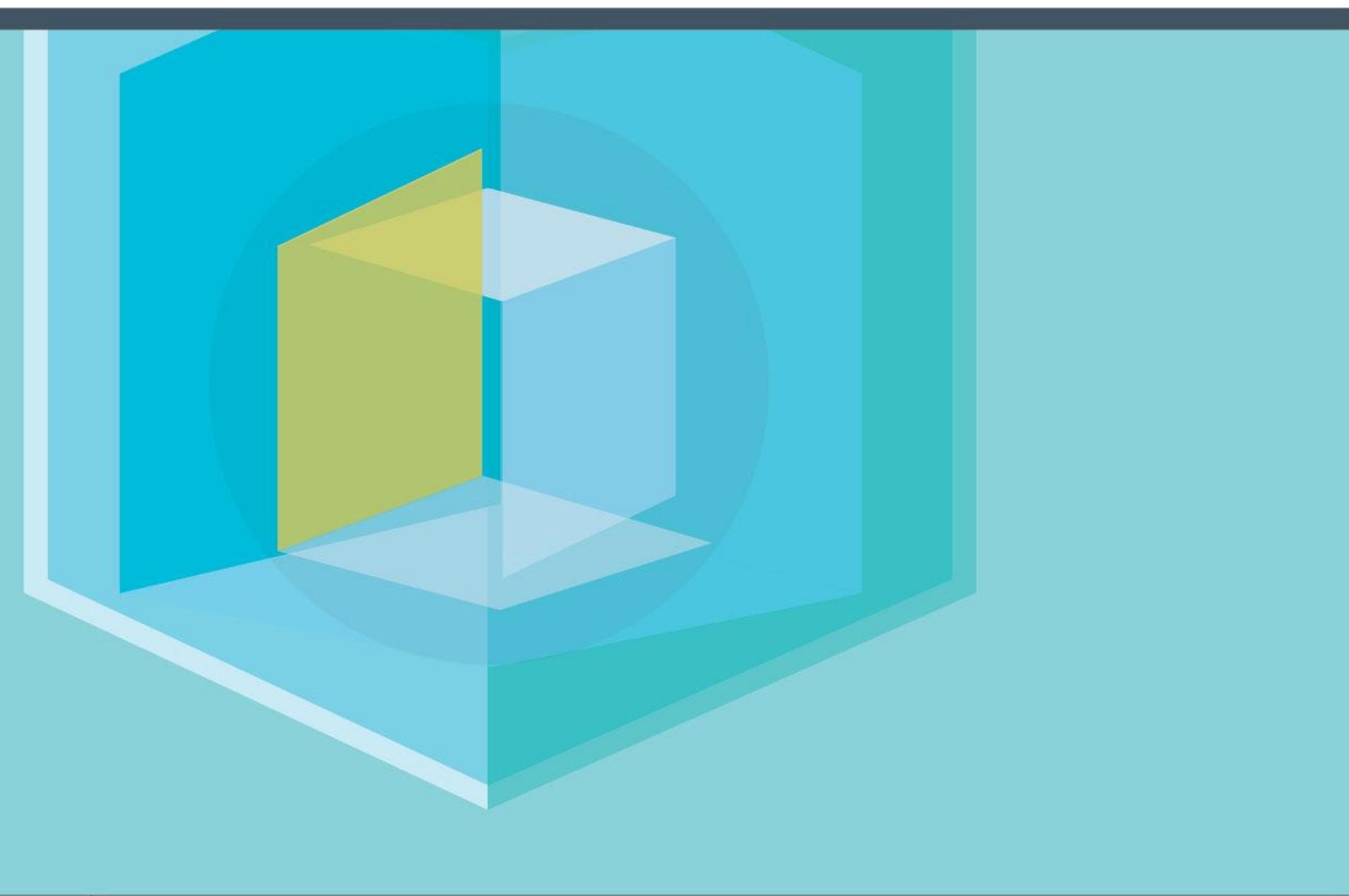
Company	Industry	Weight	Metric	Performance Outcome	Disclosure Year & Link
Goldman Sachs	Financials	Not disclosed	The performance assessment framework within the annual incentive plan includes four main topics, one of which is “Leadership, Culture & Values” which includes the following goal: “progress towards announced aspirational diversity goals”. Additionally, there are nine factors included in their “360 review process” for individual performance evaluations; one of which includes diversity and inclusion	<ul style="list-style-type: none"> ▪ In the performance achievements section of the proxy, the following highlights were mentioned: <ul style="list-style-type: none"> — CEO: “Drove the firm’s sustainability initiatives and remained committed to setting and advancing the firm’s diversity aspirations” — COO: “Drove the assessment if the firm’s top performing leaders with a particular focus on diversity and development of the firm’s next generation” — GC: “Played a key leadership role in many of the firm’s culture and diversity initiatives, including as a member of the Board of Advisors of Launch With GS, the firm’s \$500 million commitment to invest in companies and investment managers with diverse leadership, and as a member of the firm’s Global Diversity Committee” 	Disclosure Year: 2020
Honeywell	Industrials	Portion of 20% (without specific weighting for diversity and inclusion)	Individual goals account for 20% of the annual incentive plan and some include D&I initiatives such as “Ingraining the diversity and inclusion program in Honeywell’s culture, increasing diversity conference hiring and other diversity and inclusion programs”	<ul style="list-style-type: none"> ▪ The qualitative considerations for select NEOs include highlights such as “A 25% increase in diversity conference hiring,” and “Oversaw the creation and implementation of an enhanced diversity of slate and diversity of panel initiative”—however, do not disclose specific goals to be met 	Disclosure Year: 2020
IBM	Information Technology	Individual Modifier (without specific weighting on diversity and inclusion)	A portion of the individual contribution factor in the annual cash bonus for the CEO is tied to IBM’s “diverse leadership representation” among other factors	<ul style="list-style-type: none"> ▪ The individual contribution factor was achieved at 110% in 2019 for the CEO and noted exceptional personal leadership including “record results in IBM’s diverse leadership representation” 	Disclosure Year: 2020
Johnson & Johnson	Health Care	Portion of 30% (without specific weighting for D&I)	In addition to the financial factors in the bonus, there are four strategic objectives which includes a section called “Empower and Inspire our Employees,” including objectives that measure organizational health, diversity, and reputation	<ul style="list-style-type: none"> ▪ According to their performance against long-term strategic goals, the proxy mentions, “We met our objectives that measure our organizational health, diversity, and reputation.” Additionally, they “Strengthened leadership pipeline advanced diversity and culture of inclusion” and “Maintained global reputational index and exceeded employee engagement goals” 	Disclosure Year: 2020

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Company	Industry	Weight	Metric	Performance Outcome	Disclosure Year & Link
JP Morgan	Financials	Not disclosed	One of four areas of NEO's performance assessment is tied "Teamwork & Leadership", which includes "Creating a diverse, inclusive and respectful environment and developing employees, managers and leaders." Diversity and Inclusion appear to be one of many factors in determining the final payout for some of the NEOs	<ul style="list-style-type: none"> The following is included in the CEO's 2019 performance section, "Mr. Dimon's stewardship...led to a highly effective succession and management development program, a robust pipeline of leaders across the organization and a diversity and inclusion strategy that attracts, motivates and retains top talent" 	Disclosure Year: 2020
Microsoft	Information Technology	16.5% (Culture & Organizational leadership, which includes D&I)	The annual cash bonus qualitative performance section includes a portion related to "Culture & Organizational Leadership" (weighted 33%), which includes unspecified goals related to diversity and inclusion for executives	<ul style="list-style-type: none"> According to the proxy, the CEO "Continued to demonstrate his commitment to evolve Microsoft culture, where his successes include achieving aspirational goals for diversity goals in hiring and retention. In fiscal year 2019, nearly 80% of employees and managers surveyed indicated they understand how to leverage a new core priority for inclusion to contribute towards building a more diverse and inclusive workplace." 	Disclosure Year: 2019
Northrop Grumman	Industrials	Modifier (only downward)	The annual cash bonus payout can be adjusted downward based on nine metrics, one of which is diversity related: "Measured in terms of females and people of color in all management level positions with respect to internal and external benchmarks" and one of which is based on inclusion: "Measured based on performance at or above the global high performing norm for engagement and inclusion indices"	<ul style="list-style-type: none"> According to the proxy, the Company "Demonstrated strong performance in 2018 overall against the non-financial goals"—however, additional goals and progress are not disclosed 	Disclosure Year: 2020
PepsiCo	Consumer Staples	Portion of 30% of individual performance overall (not specific to D&I)	One of the five qualitative individual goals is determined by "Managing and developing a diverse and talented workforce." Diversity appears to be one of many factors in determining the final payout for some of the NEOs	<ul style="list-style-type: none"> The individual performance section for the EVP and CHRO mentions that he "Prioritized gender parity by advancing female promotional opportunities and pay equity in 70 countries that collectively make up more than 99 percent of PepsiCo's salaried population" and "Led succession planning process resulting from organizational changes, focused on developing and maintaining a highly skilled and diverse leadership team" 	Disclosure Year: 2020

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Company	Industry	Weight	Metric	Performance Outcome	Disclosure Year & Link
Prudential Financial	Financials	PSU Modifier (+/- 10% based on achievement of D&I goals)	The performance shares awarded to executives at the Senior Vice President level and above were subject to a PSU modifier intended to improve the representation of diverse persons among senior management over the 2018-2020 performance period. Goals are as mentioned in the proxy, "If we meet our goal of increased representation of diverse persons by five percentage points or more over this period, payouts will be increased by up to 10%. If there is no change in representation, payouts will be decreased by 5%. If such representation decreases over this period, payouts will be decreased by up to 10%"	<ul style="list-style-type: none"> The performance period is still in progress and will likely be disclosed in the following year 	Disclosure Year: 2020
Valero Energy	Energy	Portion of the 20%, without specific weighting for D&I	The strategic portion of the annual incentive program makes up 20% of the total. One of the five goals is tied to ESG efforts and improvements, and among those initiatives includes diversity and inclusion with no additional insight to specific metrics or progress	<ul style="list-style-type: none"> The strategic portion of the annual cash bonus paid out at target in 2019, though no further details were mentioned with respect to diversity and inclusion goal tracking 	Disclosure Year: 2020
Verizon	Communication Services	Portion of 5%, without specific weighting for diversity	The annual cash bonus measures include diversity and sustainability, which is one of four metrics composing the total. The diversity related goals included in this measure are: "Target to achieve (1) at least 60% of U.S.-based workforce comprised of minority and female employees; (2) direct at least \$5.2 billion of our overall supplier spending to minority- and female-owned firms"	<ul style="list-style-type: none"> As noted in the proxy, 59.3% U.S.-based workforce comprised of minority and female employees, which is below their target of 60% Additionally, over \$5.8B of the overall supplier spending directed to minority- and female-owned firms, which resulted in above target performance 	Disclosure Year: 2020
Wells Fargo	Financials	Not disclosed	The performance evaluation framework for the annual cash bonus includes diversity initiatives as one of many factors with consideration to each of the NEOs individual performance portions (see right for further detail)	<ul style="list-style-type: none"> A few examples of the considerations for select NEOs include highlights such as: <ul style="list-style-type: none"> Former GC/ Interim CEO: "Executive sponsor of the Legal Diversity and Inclusion Council" CFO: "Led and acted as executive sponsor for the Enterprise Finance Diversity & Inclusion Council" Division President: "Strong Advocate for diversity and inclusion agenda led the Consumer Banking Diversity & Inclusion Council" 	Disclosure Year: 2020



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