

**The
ClearBridge
100 Report**

May

2018

Executive Compensation Policies:

Clawback Policies

Stock Ownership Guidelines & Post-Vesting Holding Requirements

Anti-Hedging & Anti-Pledging Policies

Target Compensation Positioning Philosophies





Executive Summary	1
Introduction	2
Detailed Findings:	
Clawback Policies	3
Stock Ownership Guidelines and Post-Vesting Holding Requirements	6
Anti-Hedging and Anti-Pledging Policies	12
Target Compensation Positioning Philosophies	14
<i>ClearBridge 100</i> Composition	16
About ClearBridge	20





This *ClearBridge 100* Report presents findings on various executive compensation policies, including compensation recovery (or “clawback”) policies, stock ownership guidelines and post-vesting holding requirements, anti-hedging policies and anti-pledging policies, and target compensation positioning philosophies, among the “*ClearBridge 100*.” The *ClearBridge 100* is comprised of 100 S&P 500® companies to provide a database representative of compensation practices and trends across the broad U.S. market.

As demonstrated by recent headlines and shareholder lawsuits, there has been increasing scrutiny on companies’ corporate governance practices from shareholders and proxy advisory firms. As a result, as discussed in this report, companies have continued to expand their use of certain executive compensation policies to further ensure their executives’ alignment with shareholders’ interests and encourage appropriate behavior.

Key Findings

Key findings from this *ClearBridge 100* Report include:

Clawback Policies

- 96% of companies disclose having a clawback policy in 2018
- The three most prevalent events that trigger a clawback are a financial restatement with the executive at fault (58%), fraud or willful misconduct (49%), and any financial restatement (33%)
- Clawbacks typically apply to all aspects of incentive compensation, including cash incentives (96%), vested equity (96%), and unvested equity (89%)

Stock Ownership Guidelines and Post-Vesting Holding Requirements

- 97% of companies have stock ownership guidelines in 2018, with most companies (87%) requiring executives to meet guidelines within 5 years
- The multiple of salary for CEOs has increased over time; in 2018, 75% of companies require a multiple of $\geq 6x$ salary for the CEO as compared to 2015 when 62% required $\geq 6x$ salary
- A majority of companies (59%) in 2018 have post-vesting holding requirements for executives, similar to 2015 (51%)
- Most companies with post-vesting holding requirements require executives to hold equity grants until stock ownership guidelines are met (85%)

Anti-Hedging and Anti-Pledging Policies

- 97% of companies disclose an anti-hedging policy in 2018, a slight increase since 2015 (95%)
- 79% of companies disclose an anti-pledging policy in 2018, representing a more notable increase since 2015 (71%)

Target Compensation Positioning Philosophies

- In 2018, 42% of companies disclose a target compensation positioning philosophy, a dip from 2015 (46%)
- There has been a significant drop in the number of companies disclosing target compensation positioning philosophies above the 50th percentile, from 24% of companies in 2015 to 7% in 2018

The following pages present the detailed analyses underlying these key findings.





Analysis Scope and Methodology

This report analyzes compensation clawback policies, stock ownership guidelines and post-vesting holding requirements, anti-hedging policies and anti-pledging policies, and target compensation positioning philosophies as disclosed in 2015, 2016, 2017, and 2018 proxy statements. The results have been aggregated in this report to provide a broad-market view of practices and trends.

Design features in this report are either expressed as a percentage of *ClearBridge 100* companies in total, or as a percentage of companies with a particular type of practice. In certain charts and tables, totals may not add up to 100% due to companies that incorporate more than one form of practice.

Definitions

Provided below are definitions for terms used throughout the remainder of this report.

- **Clawback Policies** allow companies to recoup compensation in connection with certain events
- **Stock Ownership Guidelines** are requirements for executives to own a specific number or value of company shares
- **Post-Vesting Holding Requirements** are requirements for executives to retain a certain amount or percentage of vested shares
- **Anti-Hedging Policies** prohibit executives from using equity to hedge against company stock
- **Anti-Pledging Policies** disallow executives from using equity as collateral
- **Target Compensation Positioning Philosophies** are guiding principles for where to set executive compensation versus a comparator group (e.g., at 50th percentile)





CLAWBACK POLICIES

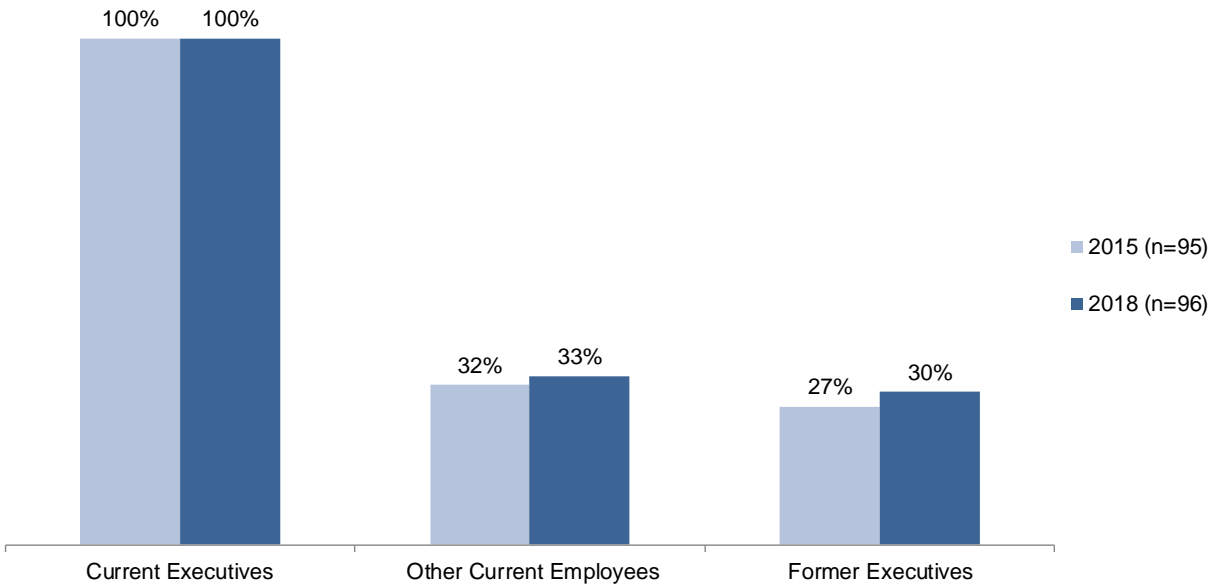




Clawback Policies

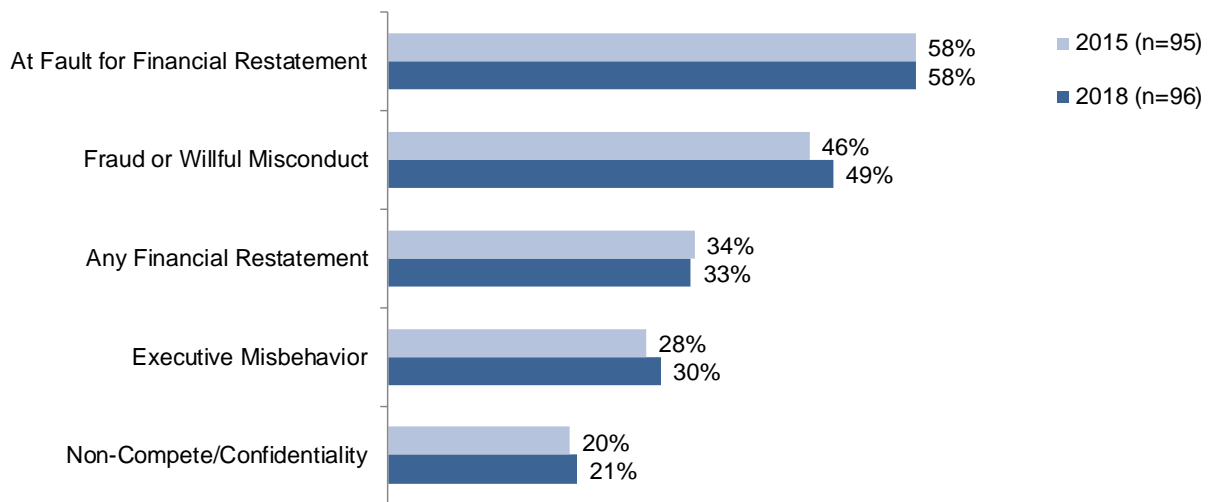
96% of companies disclose a clawback policy in 2018, similar to 2015 (95%). Among companies that disclose a clawback policy in 2018, 100% of the companies apply their clawback policy to current executives, as defined by each company (e.g., NEOs, Section 16 Officers), 33% apply their policy to other current employees (e.g., equity recipients), and 30% apply their policy to former executives.

Executives Covered by Clawback Policy



The three most prevalent events that trigger a clawback are a financial restatement with the executive at fault (58%), fraud or willful misconduct (49%), and any financial restatement (33%). Less prevalent triggers are executive misbehavior (30%) and the violation of non-compete/confidentiality agreements (21%).

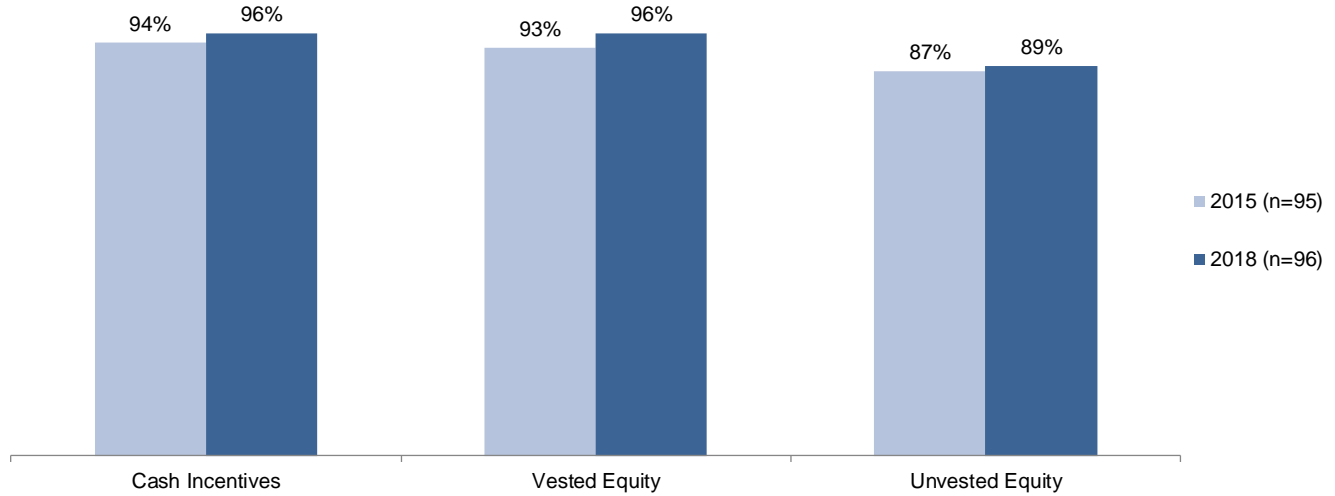
Prevalence of Clawback Policy Triggers





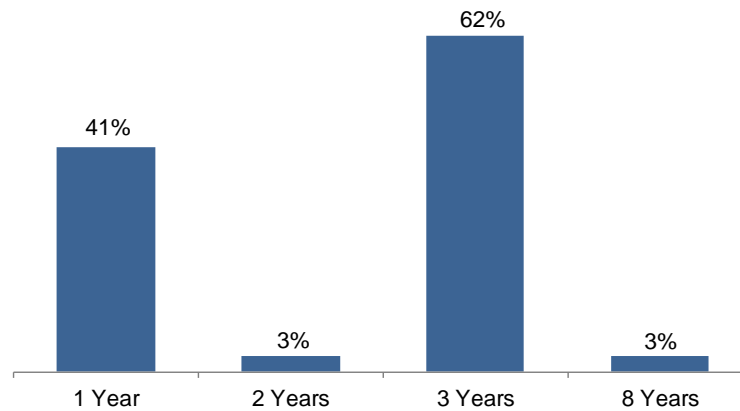
Cash, vested equity, and unvested equity are all typically covered under companies' clawback policies. The prevalence of each form of compensation subject to a clawback policy has slightly increased since 2015.

Compensation Subject to Clawback Policy



Of companies that disclose a time period that compensation is subject to the clawback policy, the most prevalent time period is three years (62%). The next most prevalent time period is one year (41%). Note that 8% of companies disclose a different time period for different triggering events (i.e., 1 or 3 years, depending on the trigger).

Time Period that Compensation is Subject to Clawback Policy (n=37)





**STOCK OWNERSHIP GUIDELINES
AND
POST-VESTING HOLDING REQUIREMENTS**

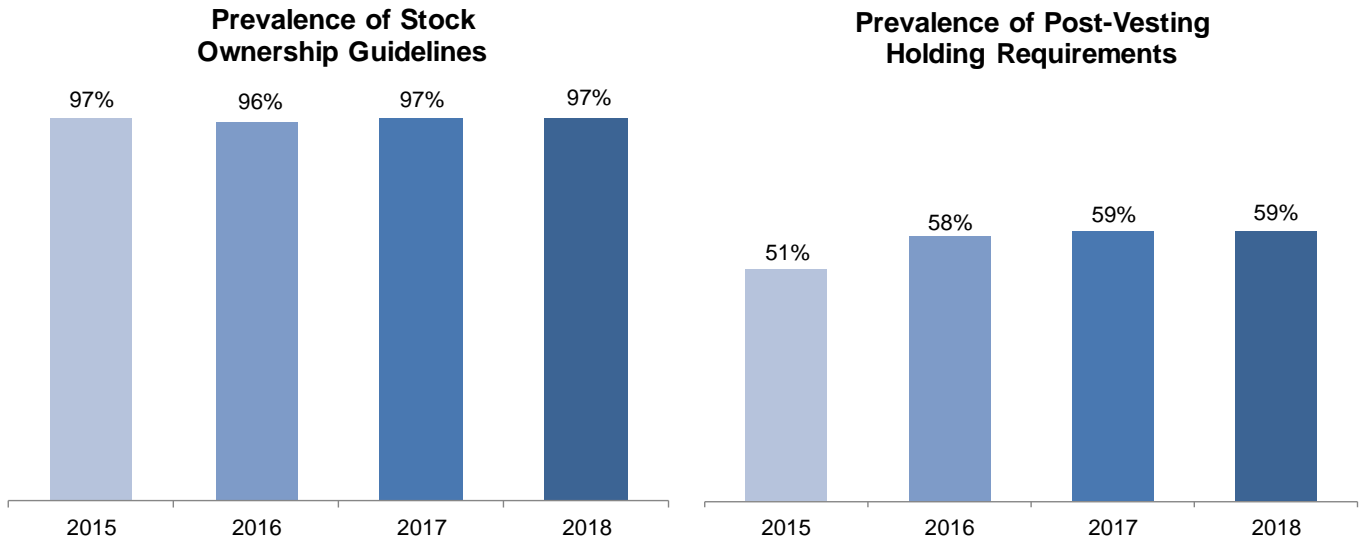




Stock Ownership Guidelines and Post-Vesting Holding Requirements

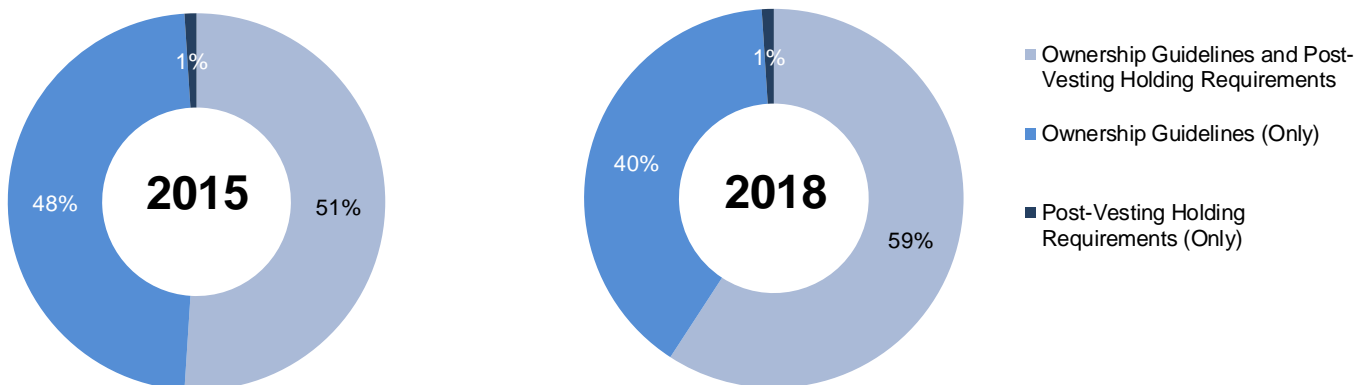
Prevalence of Stock Ownership Guidelines, Post-Vesting Holding and Time to Meet Requirements

The prevalence of executive stock ownership guidelines has remained consistent from 2015 to 2018 (97%). Post-vesting holding requirements have experienced more movement, with 59% of companies disclosing a holding requirement in 2018 versus 51% of companies in 2015.



Companies have steadily moved towards having a combination of stock ownership guidelines and post-vesting holding requirements from only having stock ownership guidelines. In 2018, 59% of companies had both stock ownership guidelines and post-vesting holding requirements, an increase from 2015 (51%). In 2018, 40% of companies had stock ownership guidelines only, a decrease from 2015 (48%).

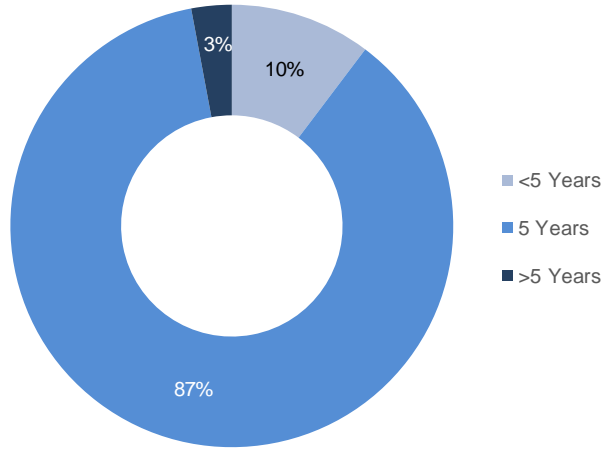
Type of Stock Ownership Policy (n=98)





As an additional tool to ensure compliance with stock ownership guidelines, a majority of companies in 2018 (68%) disclose a required timeframe in which to achieve the stock ownership guidelines after being subject to the requirements (e.g., upon eligibility, promotion, hiring). The most prevalent timeframe required to achieve stock ownership guidelines is 5 years (87% of companies).

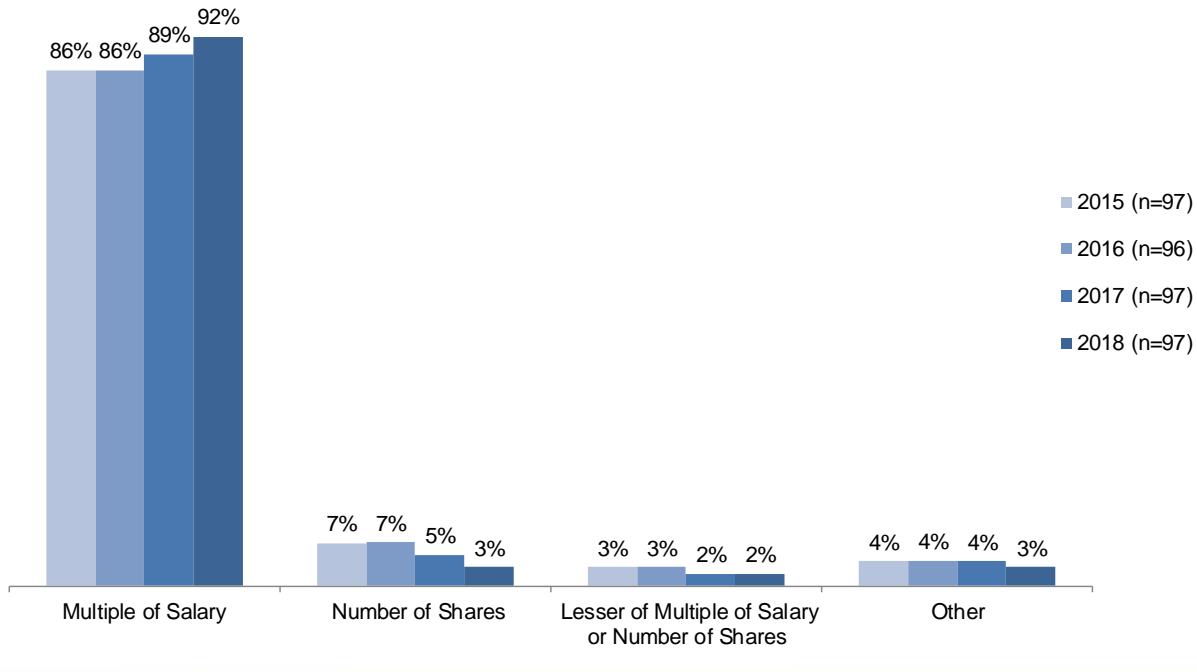
Required Timeframe to Achieve Stock Ownership Guidelines (n=68)



Stock Ownership Guidelines Design

In 2018, the most typical way to express stock ownership guidelines is as a multiple of salary (92% of companies with stock ownership guidelines). Only 3% of companies with stock ownership guidelines express the guideline as a number of shares, and only 2% express the guideline as the lesser of a multiple of salary or number of shares in terms of value.

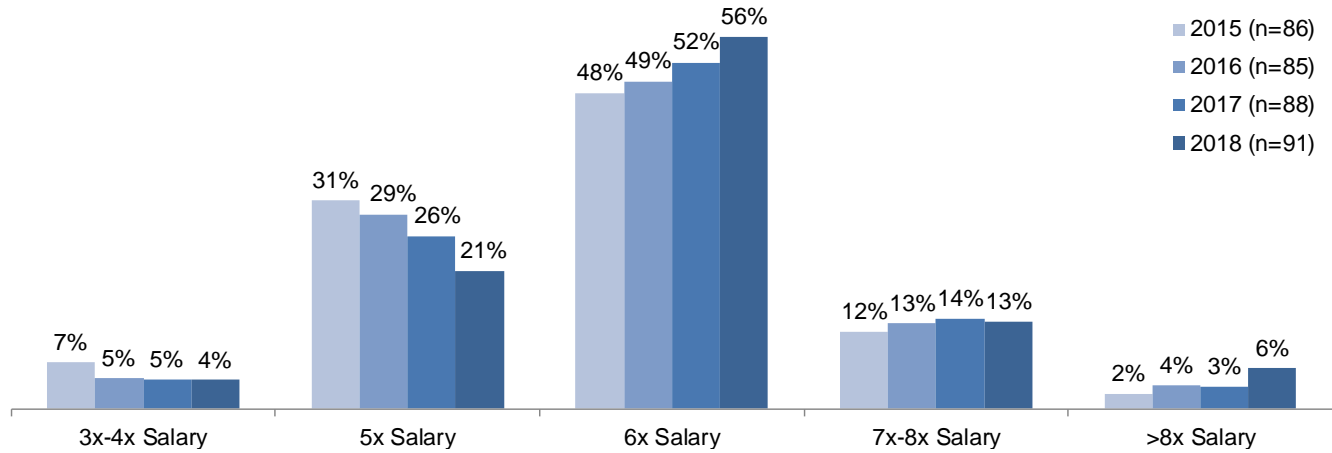
Prevalence of Stock Ownership Guideline Design





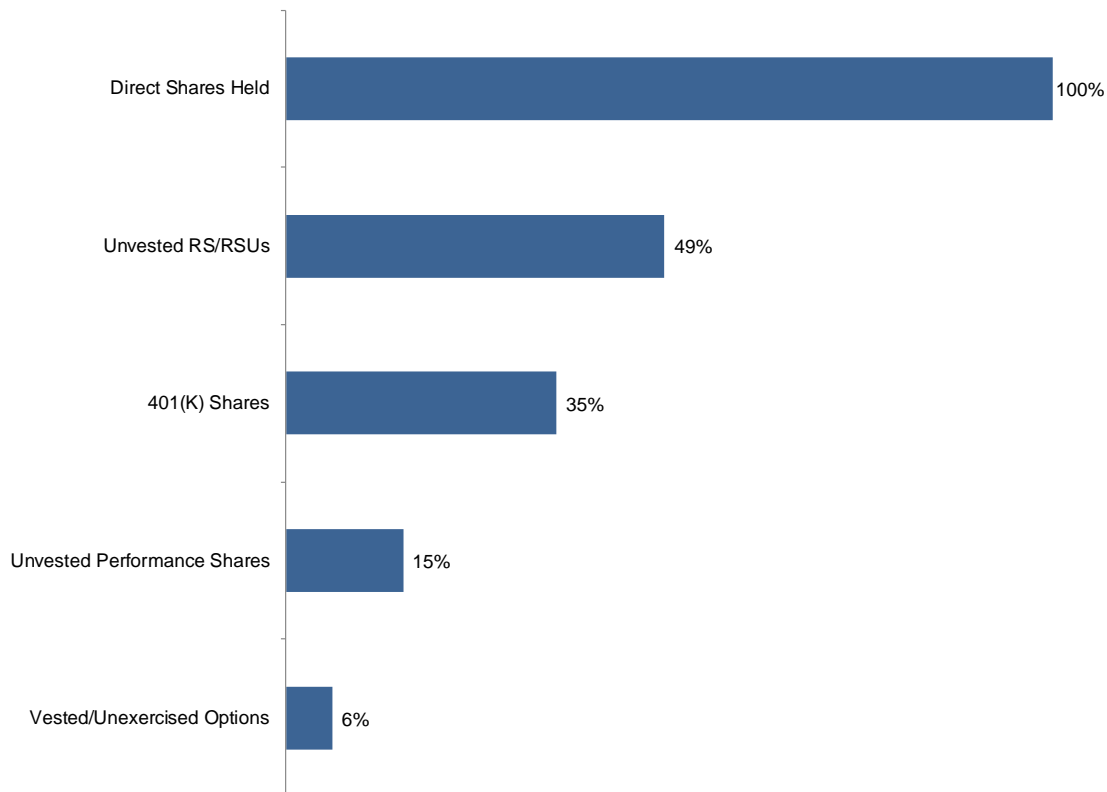
Of the companies that express the guideline as a multiple of salary, including companies with the lesser of multiple of salary or number of shares design, the most typical CEO stock ownership guideline is 6x salary (56%, compared to 48% in 2015). The increase in the prevalence of 6x salary for CEOs from 2015 to 2018 has coincided with a decrease in the number of companies using 5x salary (31% in 2015 versus 21% in 2018). For other NEOs, guidelines range from 1x to 7x salary; 3x salary is the most common guideline for other NEOs.

Multiple of Salary for CEO Stock Ownership Guidelines



100% of companies count direct shares held towards meeting stock ownership guidelines. Unvested restricted stock/RSUs and 401(k) shares are also commonly included in stock ownership guidelines (49% and 35%, respectively). Most companies do not count unvested performance shares towards the guidelines. This data has remained consistent over the past several years.

Type of Stock Counting Towards Ownership Guidelines (n=85)

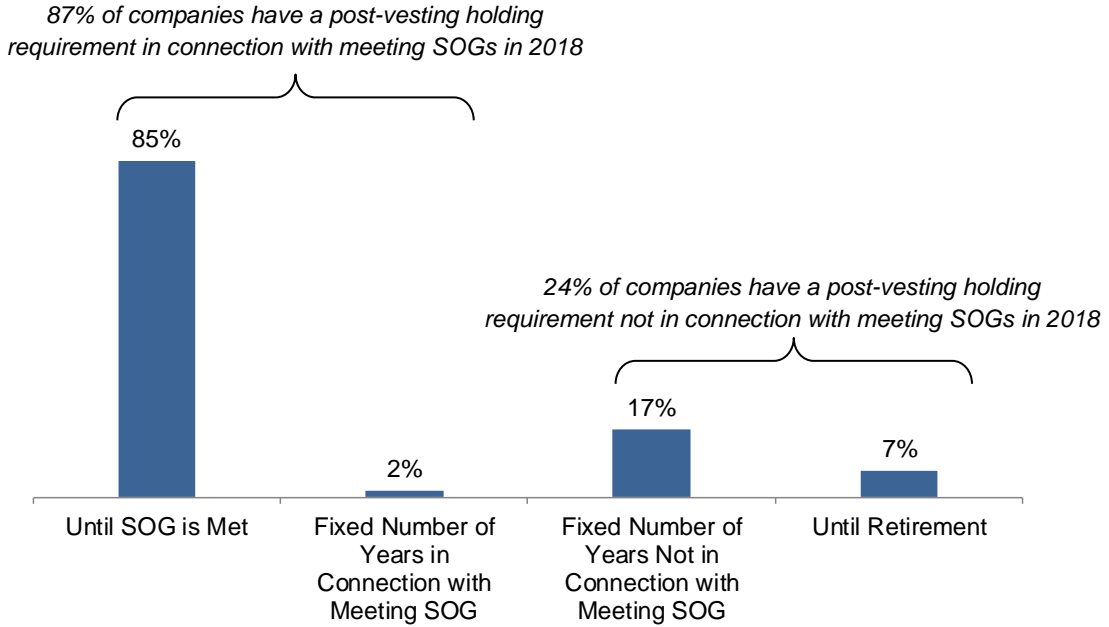




Post-Vesting Holding Requirements

Of companies with post-vesting holding requirements, most require executives to hold all or a portion of vested and/or exercised shares, net of taxes, until stock ownership guidelines are met (85%). The next most prevalent timeframe is a fixed number of years, not in connection with meeting stock ownership guidelines (17%).

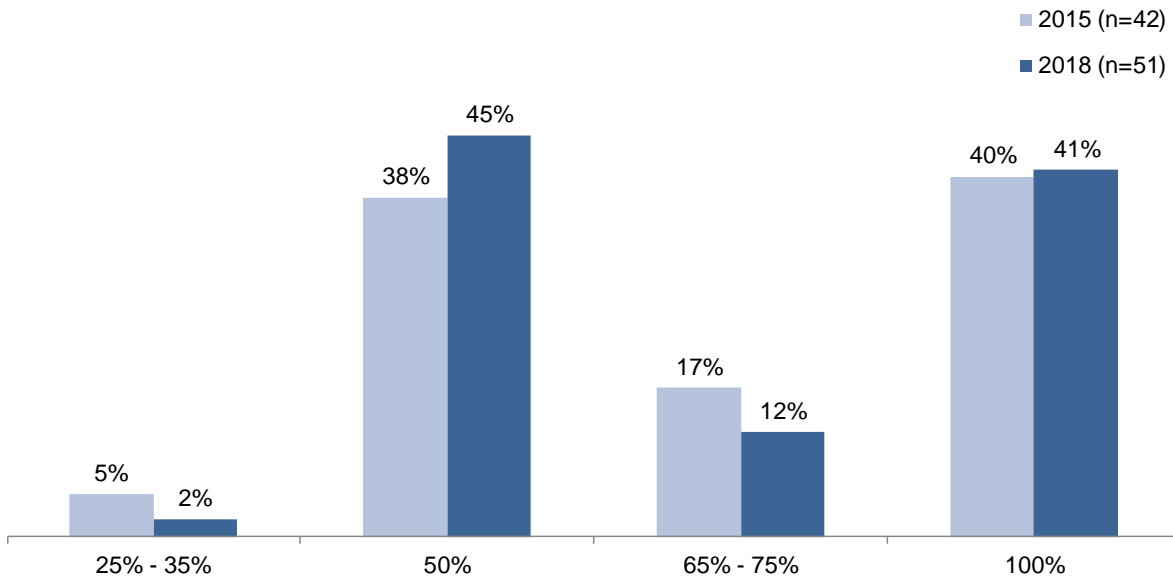
% of Companies with Post-Vesting Holding Requirement (n=59)



Post-Vesting Holding Requirements in Connection with Meeting Stock Ownership Guidelines

When post-vesting holding requirements are implemented in connection with meeting stock ownership guidelines, the two most prevalent percentages of net shares required to be held are 50% of net shares (45% of companies) and 100% of net shares (41% of companies).

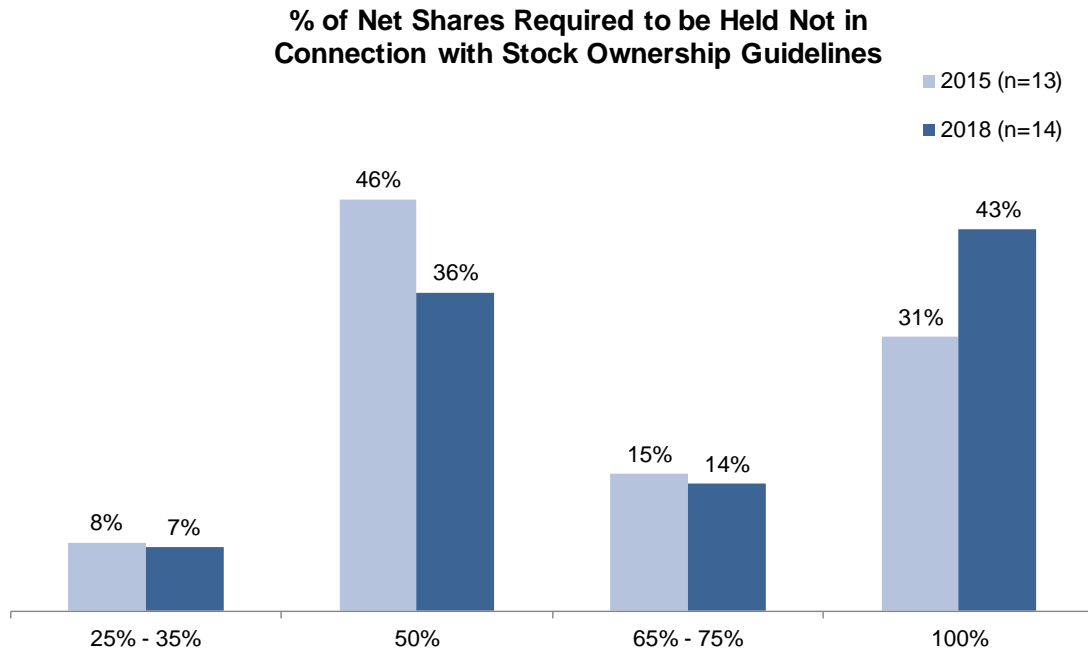
% of Net Shares Required to be Held in Connection with Stock Ownership Guidelines



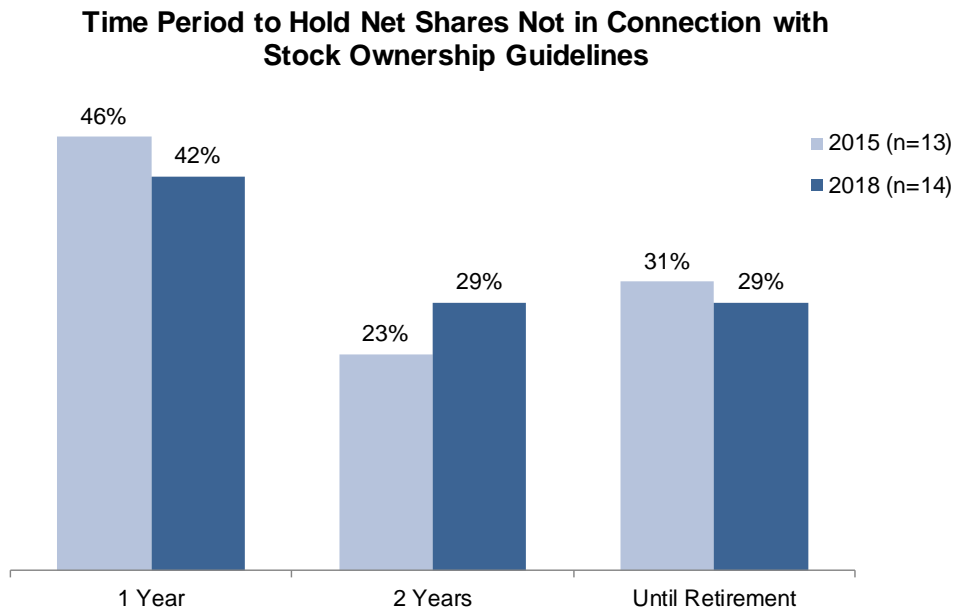


Post-Vesting Holding Requirements Not in Connection with Meeting Stock Ownership Guidelines

When post-vesting holding requirements are implemented not in connection with meeting stock ownership guidelines, the two most prevalent percentages of net shares required to be held are 100% of net shares (43% of companies) and 50% of net shares (36% of companies).



In addition, for these companies, the most prevalent time period to retain net shares is one year (42%).





ANTI-HEDGING AND ANTI-PLEDGING POLICIES



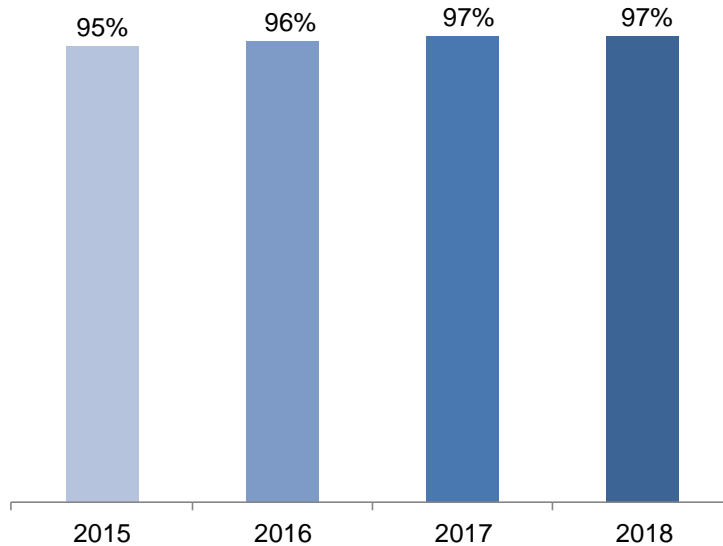


Anti-Hedging and Anti-Pledging Policies

Anti-Hedging Policy

97% of companies disclose an anti-hedging policy in 2018, representing a slight increase from 2015 (95%).

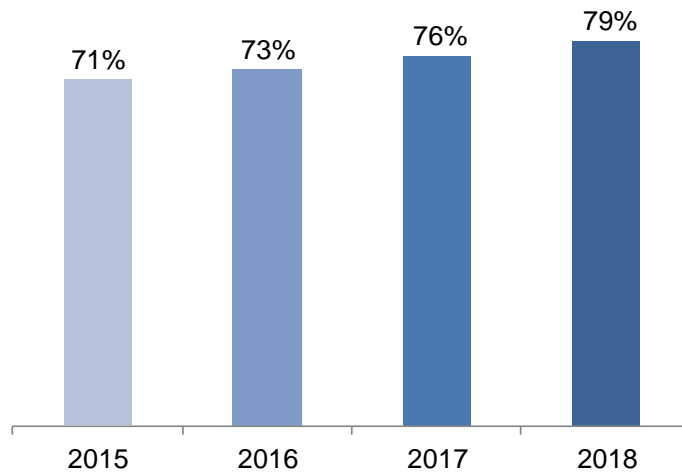
Disclosure of Anti-Hedging Policies



Anti-Pledging Policy

79% of companies disclose an anti-pledging policy in 2018, representing a significant increase from 2015 (71%).

Disclosure of Anti-Pledging Policies





TARGET COMPENSATION POSITIONING PHILOSOPHIES

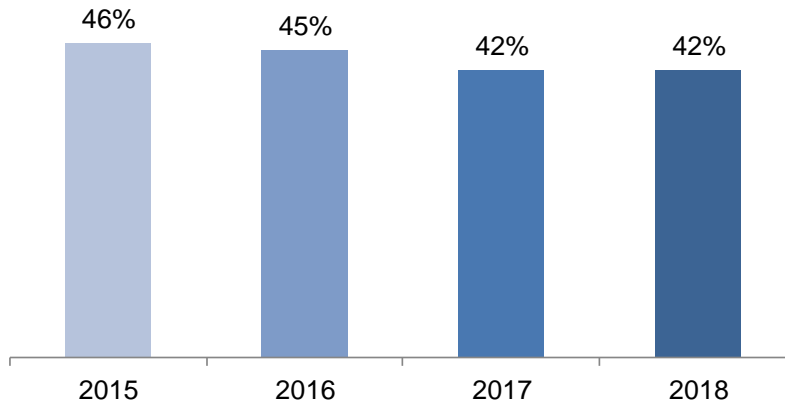




Target Compensation Positioning Philosophy

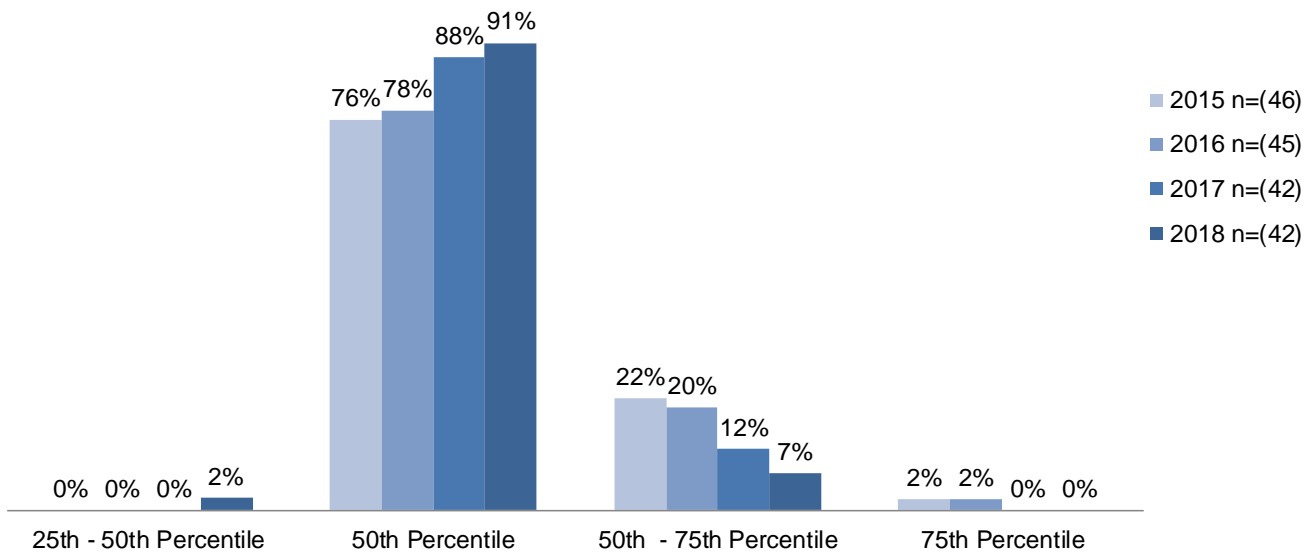
In 2018, 42% of companies disclose a target compensation positioning philosophy, a slight drop from 46% of companies in 2015.

Prevalence of Target Compensation Positioning Philosophy



Of the companies that disclose a target compensation positioning philosophy in 2018, an overwhelming majority target the 50th percentile of their respective comparator group for their executives' pay (91%). There has been a significant drop in the number of companies disclosing compensation philosophies that target above the 50th percentile of their comparator group; in 2018, 7% of companies disclose targeting >50th percentile as compared to 24% of companies in 2015.

Target Compensation Positioning Philosophies





***CLEARBRIDGE 100* COMPOSITION**



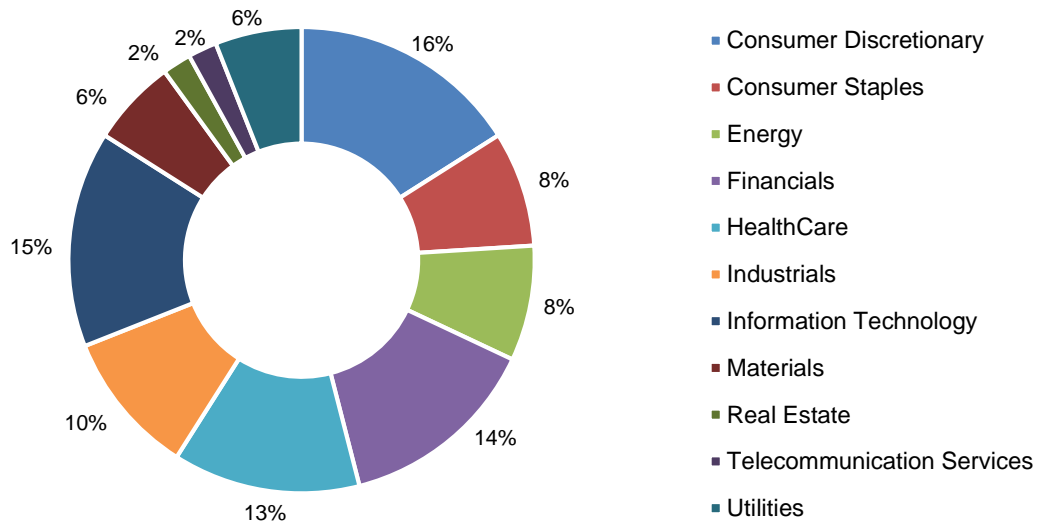
Overview of the *ClearBridge 100*

The *ClearBridge 100* consists of 100 companies in the S&P 500® Index, selected to roughly approximate the industry composition and size of the S&P 500® in order to provide a representation of the broad US market. See the following pages for a list of the companies included in the analysis.

Characteristics of *ClearBridge 100*

	FY2017 Revenue (\$ Millions)	Market Value as of 12/31/2017 (\$ Millions)
75 th Percentile	\$23,695	\$85,112
Median	\$12,382	\$29,381
25 th Percentile	\$6,827	\$14,121

ClearBridge 100 Industry Composition





CLEARBRIDGE 100 COMPOSITION

COMPANY	INDUSTRY
ADOBE SYSTEMS INCORPORATED	INFORMATION TECHNOLOGY
AETNA INC.	HEALTHCARE
AKAMAI TECHNOLOGIES, INC.	INFORMATION TECHNOLOGY
ALLERGAN PLC	HEALTHCARE
ALLIANCE DATA SYSTEMS CORPORATION	INFORMATION TECHNOLOGY
ALPHABET INC.	INFORMATION TECHNOLOGY
AMAZON.COM, INC.	CONSUMER DISCRETIONARY
AMERICAN EXPRESS COMPANY	FINANCIALS
AMERICAN WATER WORKS COMPANY, INC.	UTILITIES
AMGEN INC.	HEALTHCARE
ANADARKO PETROLEUM CORPORATION	ENERGY
AON PLC	FINANCIALS
AT&T INC.	TELECOMMUNICATION SERVICES
BAKER HUGHES INCORPORATED	ENERGY
BALL CORPORATION	MATERIALS
BB&T CORPORATION	FINANCIALS
BIOGEN INC.	HEALTHCARE
BLACKROCK, INC.	FINANCIALS
BORGWARNER INC.	CONSUMER DISCRETIONARY
BOSTON PROPERTIES, INC.	REAL ESTATE
BOSTON SCIENTIFIC CORPORATION	HEALTHCARE
BRISTOL-MYERS SQUIBB COMPANY	HEALTHCARE
CBRE GROUP, INC.	REAL ESTATE
CENTURYLINK, INC.	TELECOMMUNICATION SERVICES
CHUBB LIMITED	FINANCIALS
CINCINNATI FINANCIAL CORPORATION	FINANCIALS
COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION	INFORMATION TECHNOLOGY
COLGATE-PALMOLIVE COMPANY	CONSUMER STAPLES
CONSOLIDATED EDISON, INC.	UTILITIES
CORNING INCORPORATED	INFORMATION TECHNOLOGY
CVS HEALTH CORPORATION	HEALTHCARE
DANAHER CORPORATION	HEALTHCARE
DISCOVERY COMMUNICATIONS, INC.	CONSUMER DISCRETIONARY
DISH NETWORK CORPORATION	CONSUMER DISCRETIONARY
DOMINION ENERGY, INC.	UTILITIES
DR PEPPER SNAPPLE GROUP, INC.	CONSUMER STAPLES
EATON CORPORATION PLC	INDUSTRIALS
EBAY INC.	INFORMATION TECHNOLOGY
ECOLAB INC.	MATERIALS
EQUIFAX INC.	INDUSTRIALS
EXELON CORPORATION	UTILITIES
EXXON MOBIL CORPORATION	ENERGY
GARTNER, INC.	INFORMATION TECHNOLOGY
GENERAL ELECTRIC COMPANY	INDUSTRIALS
HARLEY-DAVIDSON, INC.	CONSUMER DISCRETIONARY
HESS CORPORATION	ENERGY
ILLINOIS TOOL WORKS INC.	INDUSTRIALS
INTEL CORPORATION	INFORMATION TECHNOLOGY
INTERNATIONAL BUSINESS MACHINES CORPORATION	INFORMATION TECHNOLOGY
JPMORGAN CHASE & CO.	FINANCIALS
JUNIPER NETWORKS, INC.	INFORMATION TECHNOLOGY
KELLOGG COMPANY	CONSUMER STAPLES
L BRANDS, INC.	CONSUMER DISCRETIONARY





COMPANY	INDUSTRY
M&T BANK CORPORATION	FINANCIALS
MASCO CORPORATION	INDUSTRIALS
MATTEL, INC.	CONSUMER DISCRETIONARY
MCDONALD'S CORPORATION	CONSUMER DISCRETIONARY
MERCK & CO., INC.	HEALTHCARE
MOODY'S CORPORATION	FINANCIALS
MOTOROLA SOLUTIONS, INC.	INFORMATION TECHNOLOGY
MURPHY OIL CORPORATION	ENERGY
MYLAN N.V.	HEALTHCARE
NASDAQ, INC.	FINANCIALS
NATIONAL OILWELL VARCO, INC.	ENERGY
NEWELL BRANDS INC.	CONSUMER DISCRETIONARY
NEWMONT MINING CORPORATION	MATERIALS
NISOURCE INC.	UTILITIES
NVIDIA CORPORATION	INFORMATION TECHNOLOGY
PACCAR INC	INDUSTRIALS
PENTAIR PLC	INDUSTRIALS
PEPSICO, INC.	CONSUMER STAPLES
PFIZER INC.	HEALTHCARE
PIONEER NATURAL RESOURCES COMPANY	ENERGY
PPL CORPORATION	UTILITIES
QUANTA SERVICES, INC.	INDUSTRIALS
QUEST DIAGNOSTICS INCORPORATED	HEALTHCARE
RANGE RESOURCES CORPORATION	ENERGY
TARGET CORPORATION	CONSUMER DISCRETIONARY
TEXAS INSTRUMENTS INCORPORATED	INFORMATION TECHNOLOGY
THE BANK OF NEW YORK MELLON CORPORATION	FINANCIALS
THE CHARLES SCHWAB CORPORATION	FINANCIALS
THE COCA-COLA COMPANY	CONSUMER STAPLES
THE DOW CHEMICAL COMPANY	MATERIALS
THE GOLDMAN SACHS GROUP, INC.	FINANCIALS
THE HERSHEY COMPANY	CONSUMER STAPLES
THE KRAFT HEINZ COMPANY	CONSUMER STAPLES
THE PRICELINE GROUP INC.	CONSUMER DISCRETIONARY
THE SHERWIN-WILLIAMS COMPANY	MATERIALS
TIFFANY & CO.	CONSUMER DISCRETIONARY
TIME WARNER INC.	CONSUMER DISCRETIONARY
UNITED PARCEL SERVICE, INC.	INDUSTRIALS
UNITED TECHNOLOGIES CORPORATION	INDUSTRIALS
V.F. CORPORATION	CONSUMER DISCRETIONARY
VARIAN MEDICAL SYSTEMS, INC.	HEALTHCARE
WAL-MART STORES, INC.	CONSUMER STAPLES
WESTROCK COMPANY	MATERIALS
WYNDHAM WORLDWIDE CORPORATION	CONSUMER DISCRETIONARY
XEROX CORPORATION	INFORMATION TECHNOLOGY
YUM! BRANDS, INC.	CONSUMER DISCRETIONARY
ZIONS BANCORPORATION	FINANCIALS





ClearBridge Compensation Group is an independent consulting firm providing advice to boards and senior management on executive compensation and incentive plan design with a focus on alignment with shareholders, linkage with business strategy, and adherence to strong governance standards.

Our Partners and team of consultants work together to provide sound advice based on each company's unique situation. Companies choose ClearBridge for:

- Our tailored approach and emphasis on advice, not just data
- Our focus on long-term sustainable shareholder value creation
- Our rigorous approach to pay-for-performance
- Our highly-proactive and exceedingly responsive approach

Our Services

As advisors to Compensation Committees and management, we provide an array of services to meet the individual needs of our clients. A sample of our consulting services includes:

<p>Total Compensation Review and Design</p> <p>Annual Incentive Design</p> <p>Long-term Incentive/Equity Compensation Design</p> <p>Board of Director Compensation</p> <p>Pay-for-Performance Assessment</p> <p>Say-on-Pay Preparation and Shareholder Engagement</p> <p>Transactional Compensation Design (e.g., IPOs, M&A)</p>

Contact Us

This report was authored by Arnaldo Ulaj and Natalie Smyth. For questions specific to this *ClearBridge 100* report, or for more information on ClearBridge Compensation Group or any services outlined above, please visit our website or contact our New York City office at:

515 Madison Avenue
32nd Floor
New York, NY 10022
212-886-1022

www.ClearBridgeComp.com





ClearBridge

Compensation Group