



2015 Innovations in CD&A Design: A Proxy Disclosure Analysis

Featuring Commentary from **RR DONNELLEY**

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Equilar is the leading provider of executive compensation and corporate governance data for corporations, nonprofits, consulting firms, institutional investors, and the media. As the trusted data provider to 70% of the Fortune 500, Equilar helps companies accurately benchmark and track executive and board compensation, Say on Pay results, and compensation practices.

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- Institutional Shareholder Services (ISS) Simulator
- Glass Lewis Modeler
- Pay for Performance Analytics Solution

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Featured In



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Introduction

Executive Summary

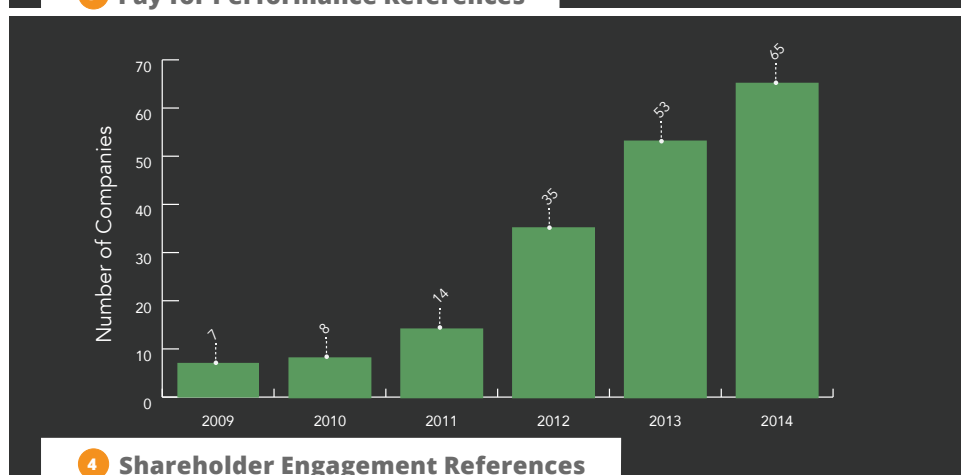
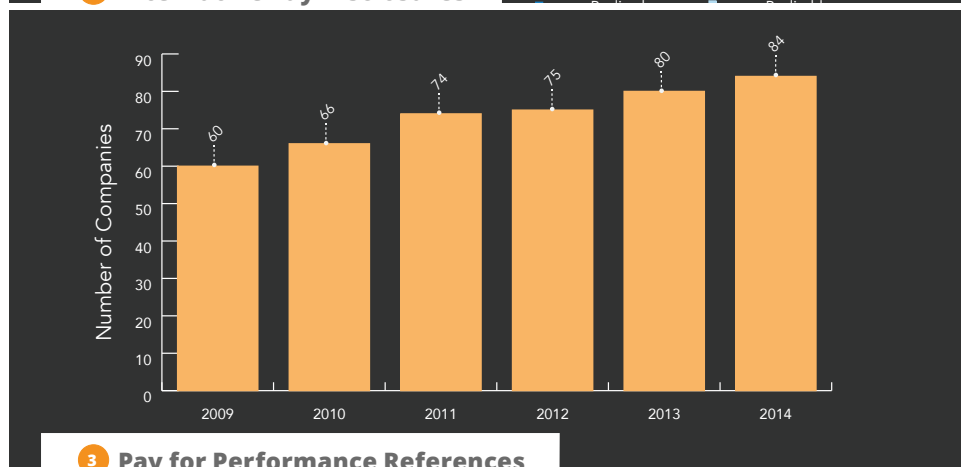
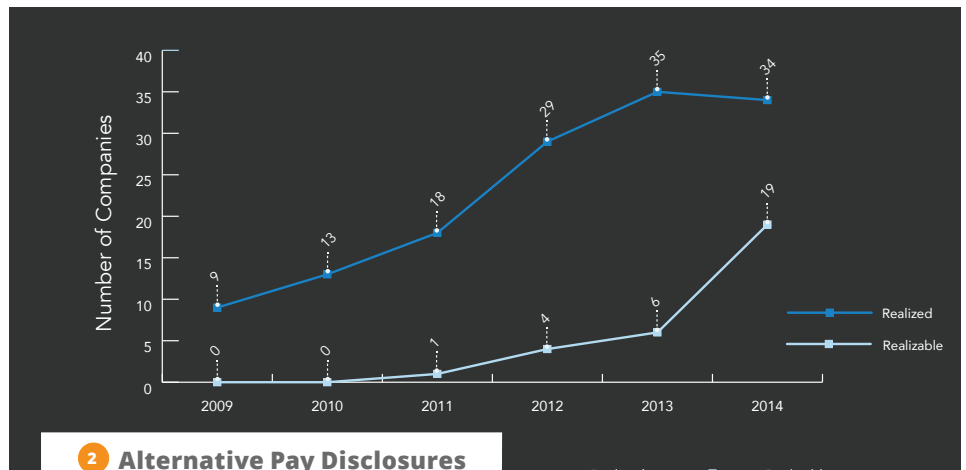
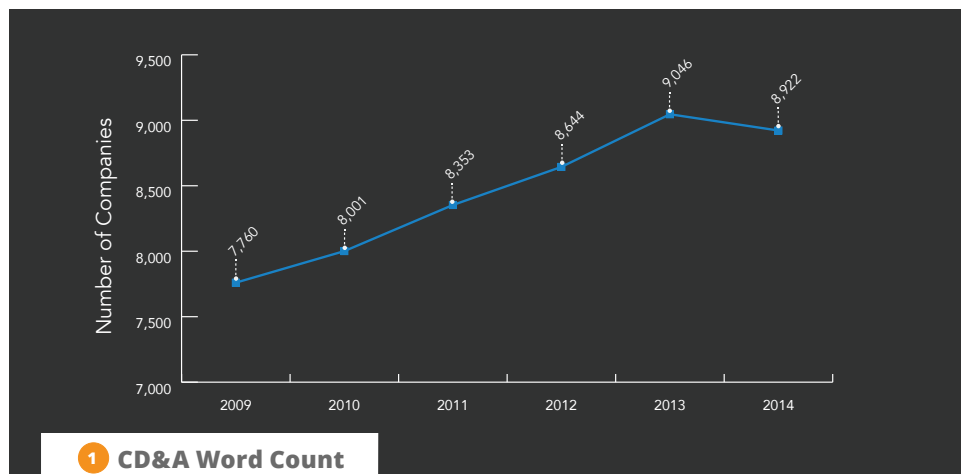
Over the past decade, the Securities and Exchange Commission (SEC) has implemented numerous changes concerning the proxy disclosure requirements to which public companies are subject. This has been especially true for the Compensation Discussion & Analysis (CD&A) section, which describes in detail a company's executive compensation program and compensation governance practices. Using data from the past six years, Equilar looked into the proxies of S&P 100 companies to identify relevant disclosure trends and highlight significant changes in both the design and content.

CD&As have become lengthier each year, and mentions of popular concepts, such as realizable pay, realized pay, and pay for performance, have steadily increased in frequency. While some of this inevitably stems from regulatory changes following The Dodd-Frank Wall Street Reform and Consumer Protection Act, there has also been an ongoing shift toward enhancing the readability of disclosure, with more companies writing proxy summaries and utilizing colors in their filings to make the content more easily digestible for readers. This shift is also reflected in the increased prevalence of alternative pay tables and graphs to better summarize the compensation plans disclosed in CD&As. Over half of S&P 100 companies now mention some form of engagement with shareholders in their CD&As, an effect of Say on Pay resolutions that have led to increased shareholder outreach on the part of companies.

In a changing regulatory landscape, companies are looking to make their disclosures as comprehensive and accessible as possible to promote understanding among various stakeholders. Considering these changes in the design and content of CD&As, this report is intended to provide an in-depth look at the evolution of trends and strategies used by leading S&P 100 companies to improve their disclosure for readers. As executive compensation continues to be a heavily dissected issue, trends in disclosure reveal important insights into the changing priorities for top companies today.

Key Findings

- 1 CD&A length decreased slightly in 2014 despite steady growth over the previous five years.** As companies continue to emphasize disclosure to communicate more effectively with shareholders, CD&A word counts decreased 1.3% from an average of 9,046 words in 2013 to 8,922 words in 2014.
- 2 Alternative methods of calculating compensation grew more common in 2012.** While realizable pay was only disclosed by a single company in 2011, it was disclosed by four companies in 2012, six companies in 2013, and 19 companies in 2014. Over the same period, organizations referencing realized pay increased from nine companies in 2009 to 34 companies in 2014.
- 3 “Pay for performance” references increased in the wake of Say on Pay.** The number of companies with direct “pay for performance” references in their annual proxies has increased consistently over the last five years, with 84 companies in the S&P 100 including the phrase in their most recent proxies.
- 4 Shareholder engagement disclosure increased as more companies reached out to investors.** Nearly two-thirds of the S&P 100 (65 companies) included disclosure of outreaches in their most recent proxies, a substantial increase from only seven companies in 2009.



Executive Compensation



Executive Compensation

Compensation Program Checklists

One straightforward approach to addressing several shareholder topics in a simple and structured format is through the use of a compensation program checklist. There are several topics that are viewed as good governance and companies will often present these topics in the section about what they “do.” There also several topics that are viewed as poor governance and companies will often present these topics in the section about what they “do not” do. Procter & Gamble Co. provided a compensation program checklist in its most recent proxy, and it chose to disclose a few specific topics it “does” and “does not” do. On the right is an example of how one company displayed a program checklist of pay practices in its proxy filing.

These kinds of disclosures were nonexistent in S&P 100 companies in 2009 and 2010. The first compensation program checklist appeared in Coca-Cola Co’s proxy in March 2011. Its prominence increased exponentially from four disclosures in 2012 to 17 in 2013 and reached 33 disclosures in 2014. The graph on the next page depicts the increase of compensation program checklists over the past six years.

Disclosure Example

Procter & Gamble (PG)

[DEF 14A](#) filed on August 29, 2014

What We Do:

- Significant share ownership and share holding requirements are in place for senior executives.
- Multiple performance metrics under STAR and PSP discourage excessive risk-taking by removing any incentive to focus on a single performance goal to the detriment of the Company.
- Appropriate balance between short-term and long-term compensation discourages short-term risk taking at the expense of long-term results.
- Double Trigger. Time-based equity awards do not vest solely on account of a change-in-control (requires a qualifying termination following a change-in-control).
- Engagement of an Independent Advisor. Our C&LD Committee engages an independent compensation consultant, who performs no other work for the Company, to advise on executive compensation matters.
- Clawback policy permits the C&LD Committee to recoup certain compensation payments in the event of a significant restatement of financial results for any reason. Additionally, the stock plan allows recovery of proceeds from stock transactions if a participant violates certain plan provisions.

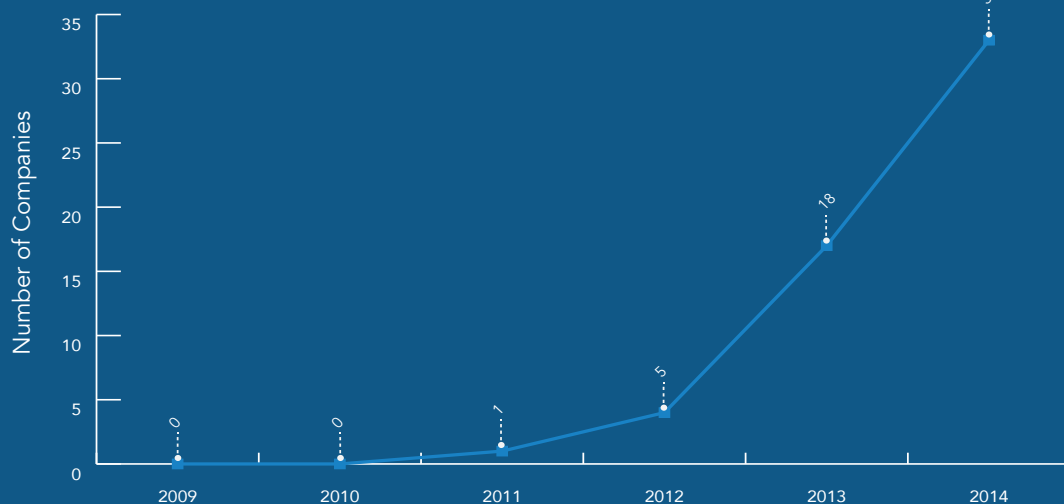
What We Do Not Do:

- No employment contracts with executives containing special severance payments such as golden parachutes.
- No special executive retirement programs and no severance programs that are specific to executive officers.
- No gross-up payments to cover personal income taxes or excise taxes that pertain to executive or severance benefits.
- No excessive perquisites for executives.
- No hedging or engaging in the following transactions that include shares of Common Stock: pledging, collars, short sales, and other derivative transactions.
- No re-pricing or backdating stock options.

By RR Donnelley

These checklists, covering a range of corporate governance and compensation issues, can serve several valuable purposes, including:

- Highlighting the company's position on key issues that can drive corporate governance ratings, proxy advisor vote recommendations and investor voting decisions
- Making it difficult for proxy advisors and investor voting analysts to "miss" key information that is otherwise located within a dense narrative disclosure
- Highlighting recent "investor-friendly" changes to practices to ensure the company "gets credit" for its responsiveness to investor input and adaptability on key issues



Compensation Program Checklists

Compensation Program Checklists (Cont'd)

In addition to increases in the inclusion of compensation program checklists, the number of items on the checklists has changed over the past four years. Companies are adding and subtracting items from the checklist in correspondence with governance trends. Some companies have included a long list of items while others made briefer lists. Lockheed Martin provided the largest number of items on its checklist over the past four years—24 in 2013—while Freeport-McMoRan provided the smallest number—six in 2013. The most common number of items in a compensation program checklist was 20.

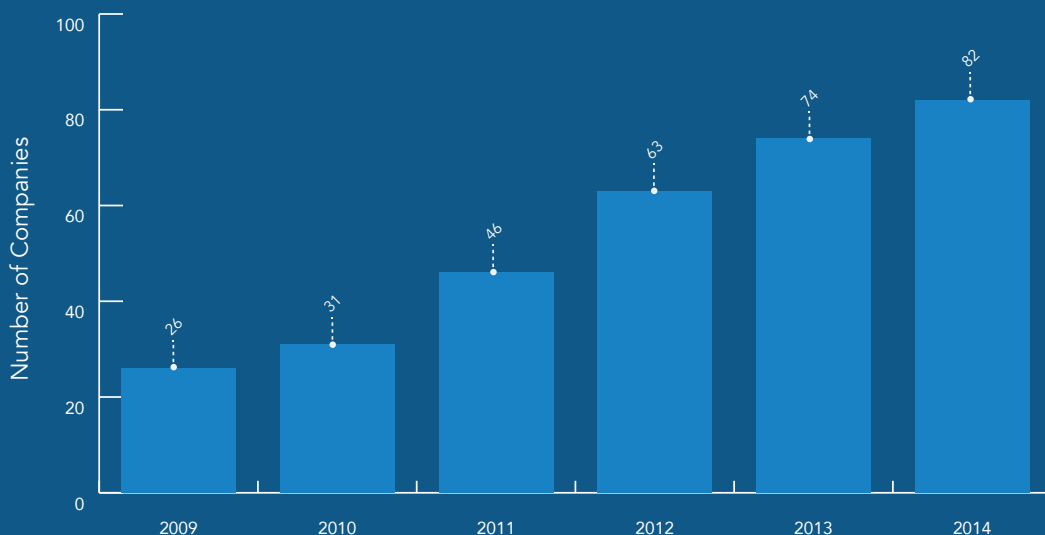
Some companies chose to include more "dos" to demonstrate good governance although others chose to include more "don'ts" to demonstrate abstinence from poor governance. The most common number of "dos" included in compensation program checklists over the past four years was eight, while the most common number of "don'ts" was six.

It is more frequent to include a larger number of "dos" than "don'ts", although the differential between the number of "dos" and the number of "don'ts" ranges significantly. For example, American Express provided 15 items that it "does" and only five items that it "does not" do in its most recent proxy; whereas, Exelon provided only five items that it "does" and seven items that it "does not" do. The most common differential between "dos" and "don'ts" is zero, which indicates that it is most common for companies to include the same number of "dos" and "don'ts" in their checklists.

By RR Donnelley

These are the most common type of visual elements contained within CD&As. As with many other design and visual elements, these graphs attract the reader's eye, make a key point quickly and memorably, and can either supplement – or replace – textual disclosure.

In addition to summarizing various elements of compensation, they also typically differentiate between those elements representing “fixed” versus “performance-based” (or “at-risk”) pay, often summarizing the relative split. In characterizing “fixed versus performance-based” pay, bear in mind that proxy advisors and most investors do not consider traditional stock options to be “performance-based” unless they are subject to the achievement of specific and relevant performance requirements.



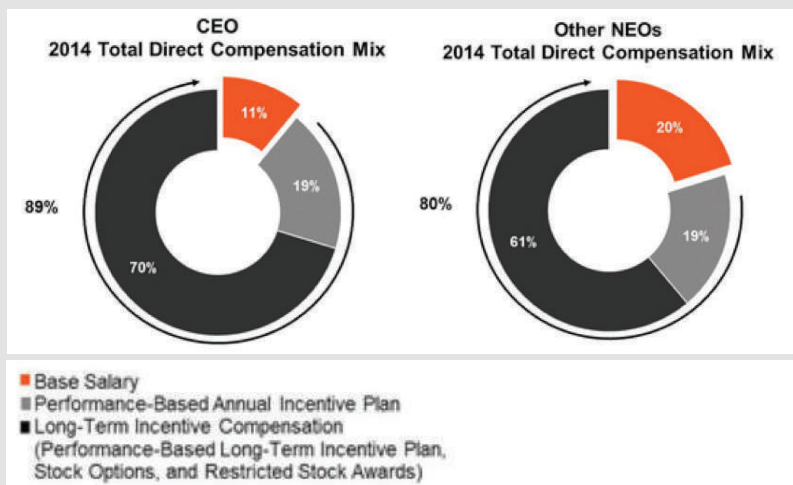
Pay Mix Graphs

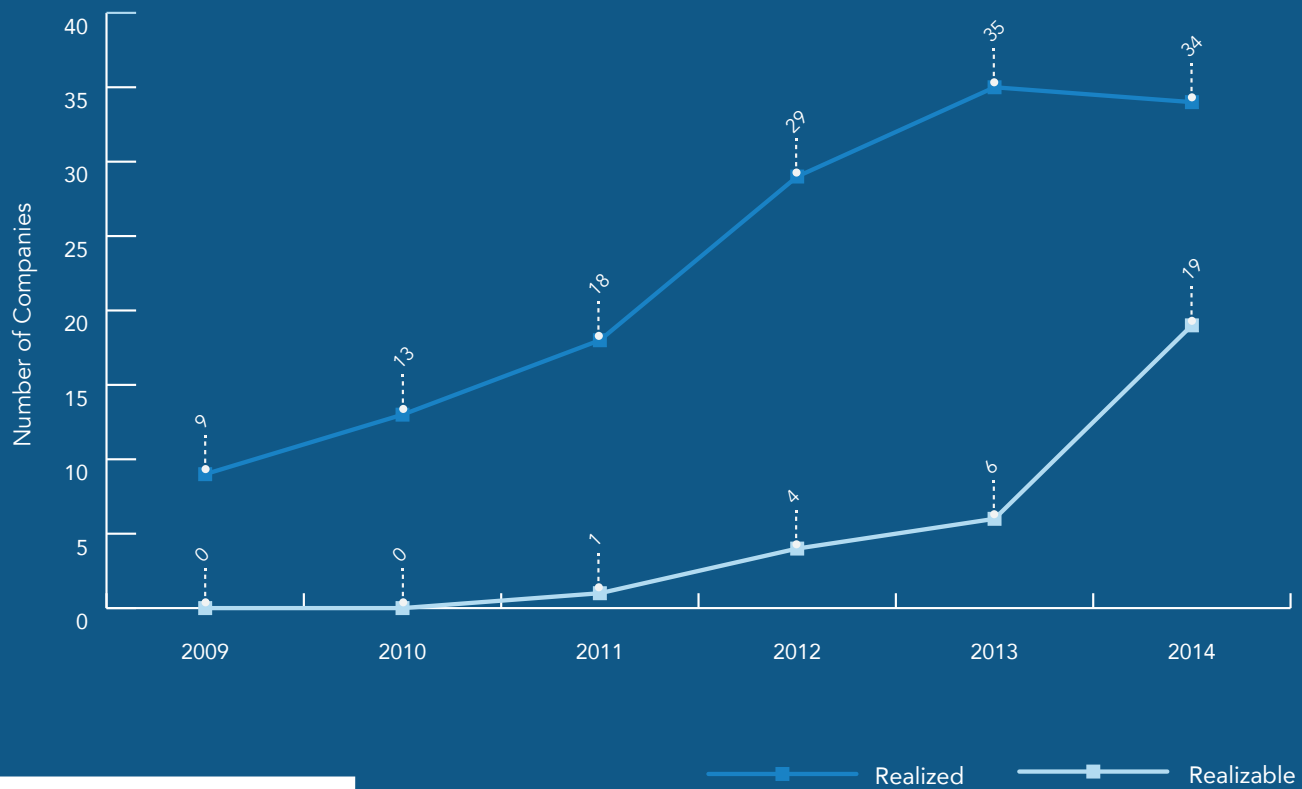
Pay Mix Graphs

A large number of companies have started incorporating pay mix graphs into their proxy statements. Pay mix graphs show the breakdown of each element of compensation for the executives. Pay mix graphs include information such as base salary, bonus, performance-based annual incentive plan, and long-term incentive compensation. These are very helpful in displaying the composition of pay for each executive and are important for shareholders.

Disclosure Example

Nike (NKE)
[DEF 14A](#) filed on July 25, 2014





Alternative Pay Disclosures

Alternative Pay Calculations

Since 2009, CD&As have increasingly discussed supplemental methods of calculating executive compensation. Summary Compensation Table figures are often supplemented by these pay calculations, namely realizable and realized pay, to paint a fuller picture of how executives are paid. With the increased scrutiny on pay for performance, companies are looking for alternative methods to communicate with shareholders and define executive compensation. Although there are different methods of calculating realizable and realized pay, for

the purposes of this report, only realizable and realized were tracked. Any disclosure surrounding the company considering realized or realizable pay has been captured. A few of those companies provide the full calculation.

Biogen, Capital One Financial, Comcast, EMC, Gilead Sciences, and Norfolk Southern mentioned realized pay in all six years. Amgen, AT&T, Boeing, and Merck disclosed the last five years.

Disclosure Example

Boeing (BA)

[DEF 14A](#) filed on March 14, 2014

CEO Actual Compensation Realized

The supplemental table below, which sets forth our CEO's actual compensation realized in 2013 and 2012, is not a substitute for the Summary Compensation Table above. "Total Actual Compensation Realized" differs substantially from "Total Compensation" as set forth in the Summary Compensation Table on page 38. The principal differences between the tables are that the table below (i) does not include "Change in Pension Value" or "All Other Compensation" and (ii) reports the value realized on equity compensation during the applicable year in lieu of the grant date fair market value of awards that were granted in that year.

Year	Salary(1)	Annual Incentive Award(2)	Long-Term Incentive Plan Performance Award Payout(3)	Equity Compensation		Total Actual Compensation Realized
				Stock Option Exercises	Stock Award Vesting(4)	
2013	\$ 1,930,000	\$ 4,439,000	\$ 8,481,972	\$ 20,036,665	\$ 4,273,104	\$ 39,160,741
2012	\$ 1,930,000	\$ 4,439,000	\$ 6,380,580	\$ 89,664	\$ 7,241,488	\$ 20,080,732

Disclosure Example

Boeing (BA)

DEF 14A filed on March 15, 2010

Name	Year	Salary(1)	Annual Incentive Award(2)	Long-Term Incentive Plan (LTIP) Payout(3)	Equity Compensation		Total Actual Compensation Realized(6)
					Stock Option Exercises(4)	Stock Award Vesting(5)	
W. James McNerney, Jr.	2009	\$ 1,930,000	\$ 2,340,300	\$ 2,160,000	\$ —	\$ 2,643,846	\$ 9,074,146
	2008	\$ 1,915,288	\$ 1,476,500	\$ 4,613,125	\$ —	\$ 6,562,525	\$ 14,567,438
Change in Payout from Prior Year		0.8%	58.5%	-53.2%	N/A	-59.7%	-37.7%

Alternative Pay Calculations (Cont'd)

Historically, companies have disclosed realizable pay more than realized pay. However, in 2014 the trend seems to be reversing. Companies are increasingly disclosing realized pay over realizable. The deviation might be explained by the difference in how realizable and realized pay are calculated.

- Realized pay refers to the compensation that an executive actually takes home.
- Realizable pay refers to the potential value of compensation awarded over a defined period, valued at a specific point in time.

While more companies are mentioning realizable pay, most companies providing supplemental pay disclosure are considering both realizable and realized pay. In 2013, 16.7% of companies disclosing realizable pay also disclosed realized pay, and this number grew to 63.2% of companies in 2014.

In their 2014 Policy Updates, ISS announced that they would consider a CEO's realizable pay compared to his or her grant pay as disclosed in the Summary Compensation Table to assess a company's pay for performance. The difference between realized and realizable pay in this case is that realizable pay takes into account the target value of awards granted but not vested.

Glass Lewis also takes into account realizable pay when submitting vote recommendations. They calculate realizable pay over a three-year period and include: actual salary received, actual incentive cash granted and earned,

the intrinsic value of time-vesting equity granted, the intrinsic value of performance-based equity granted and earned, and actual all other compensation paid.

While both proxy advisory firms ISS and Glass Lewis consider realizable pay when drafting their recommendations, they utilize different definitions of realizable pay. This is because realizable pay combines actual pay with a current snapshot of future incentive pay, which both proxy advisory firms calculate differently. The difference lies mainly in their treatment of long-term awards. Glass Lewis makes their calculations based on the value of awards at the end of a measurement period, while ISS takes into account the target or Black-Scholes value of awards that have not vested or have not been exercised. Since the definition for realized pay is more frequently agreed upon, some may favor realized pay calculations over realizable pay.

While the SEC has yet to define a formula for "actual compensation paid", the trends in realizable and realized pay disclosure will likely continue to change until an SEC ruling is passed.

Alternative Pay Calculations (Cont'd)

Disclosure Examples

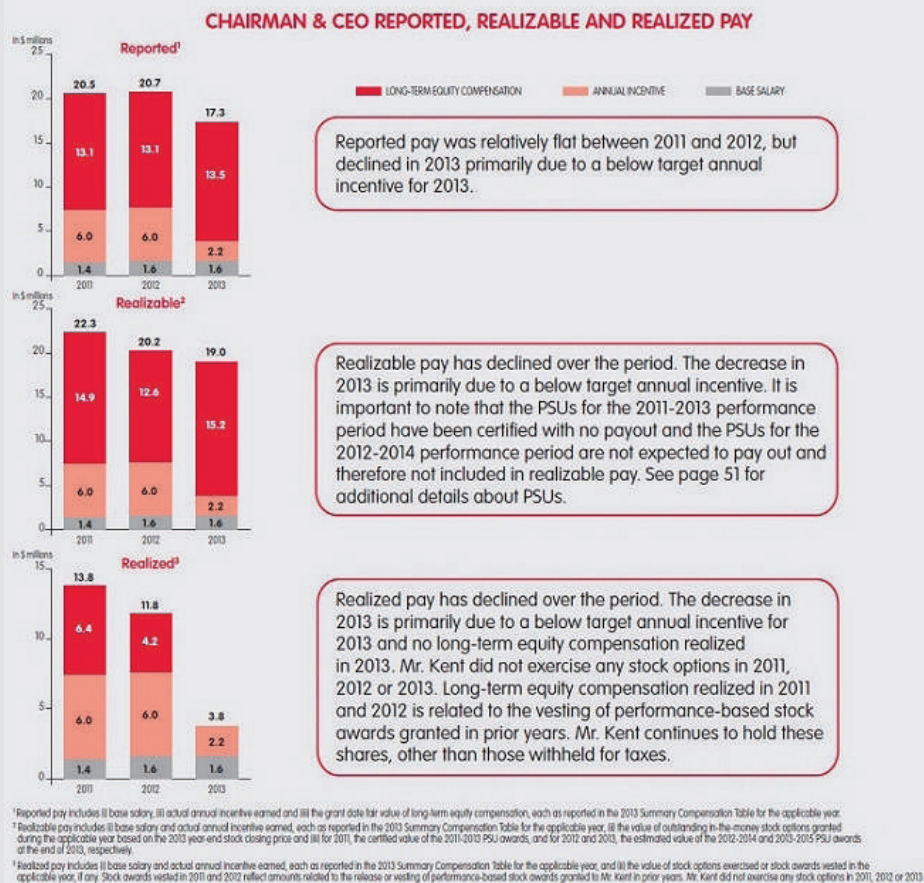
Apache (APA)

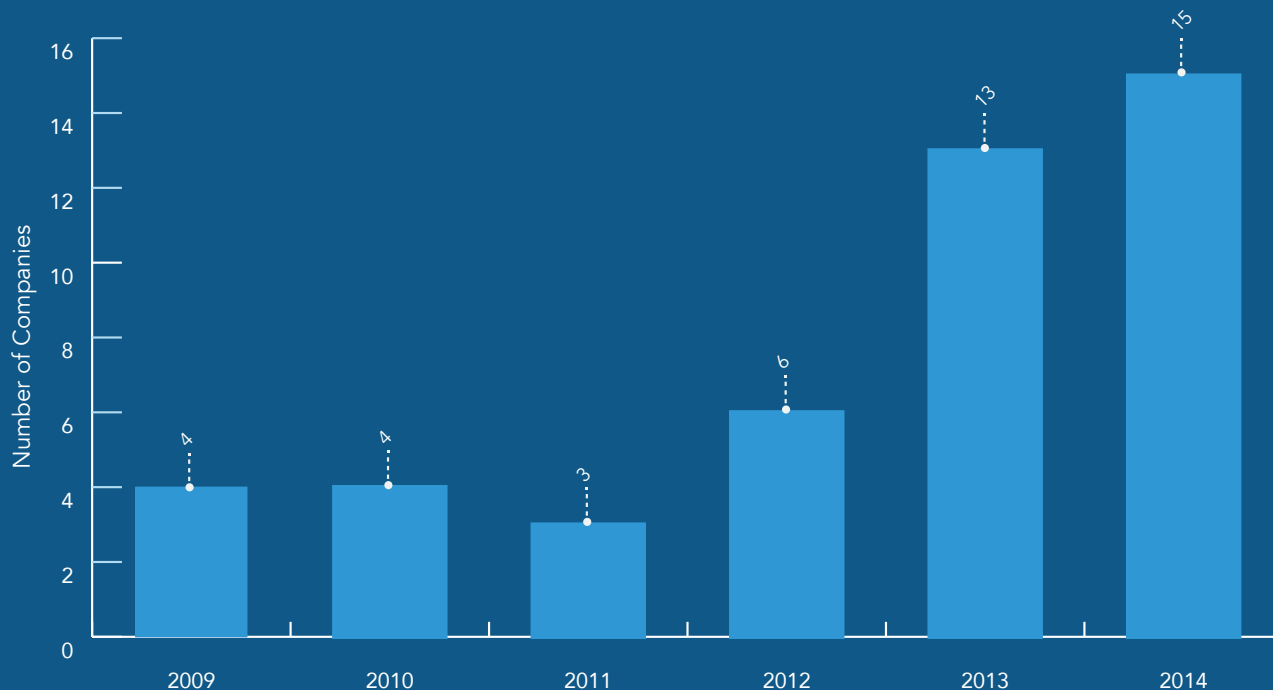
DEF 14A filed on April 24, 2014

Category	2010 Compensation			2011 Compensation		
	Reported Pay	Realized Pay	% Change	Reported Pay	Realized Pay	% Change
Salary	\$ 1,750,000	\$ 1,750,000	0%	\$ 1,750,000	\$ 1,750,000	0%
Annual Incentive Bonus	\$ 3,250,000	\$ 3,250,000	0%	\$ 4,750,000	\$ 4,750,000	0%
TSR Shares	\$ 9,774,154	\$ 0	-100%	\$ 2,558,767	\$ 0	-100%
Stock Options	\$ 3,598,631	\$ 1,923,632	-45%	\$ 2,610,154	\$ 773,769	-70%
RSUs	\$ 0	\$ 0	0%	\$ 3,172,720	\$ 2,153,570	0%
Other Compensation	\$ 1,021,644	\$ 1,021,644	0%	\$ 1,134,810	\$ 1,134,810	0%
Total Compensation	\$ 19,294,429	\$ 7,945,276	-59%	\$ 15,976,451	\$ 10,562,149	-34%

Coca-Cola (KO)

DEF 14A filed on March 7, 2014





Ranked Peer Group Disclosed

Peer Groups

In 2006, the SEC implemented a ruling in which companies engaging in compensation benchmarking were required to disclose relevant companies. As a result, the number of companies disclosing peer groups has grown. In 2013, of the S&P 100, 97 companies disclosed a peer group. The three companies that did not disclose a peer group were: General Electric, Berkshire Hathaway, and FedEx.

General Electric had minimal disclosure regarding companies it references for compensation benchmarking. Berkshire Hathaway had no disclosure surrounding compensation benchmarking in its minimal CD&A. FedEx did not use a peer group but identified companies from

Towers Watson and Aon Hewitt databases. It provided the list of companies in its appendix.

Of the companies disclosing peer groups, disclosure is increasingly becoming more reader-friendly. An increasing trend is to disclose the peer groups in a ranked fashion.

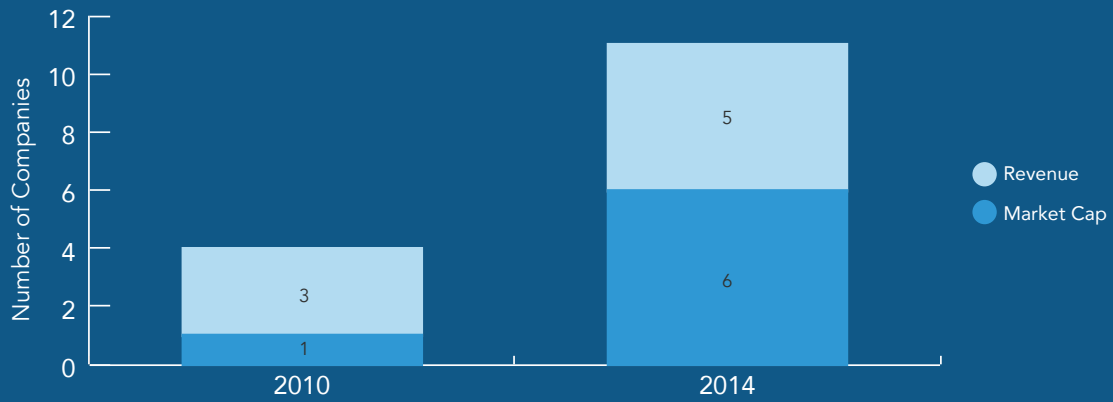
There were 15 companies in 2014 that disclosed a ranked compensation peer group. They used various metrics including: assets, capital, CEO compensation, EBITDA, employees, market capitalization, net income, operating income, revenue, return on assets, and total shareholder return (TSR).

Disclosure Example

General Electric (GE)
[DEF 14A](#) filed on March 5, 2014

LIMITED USE OF COMPENSATION CONSULTANTS AND PEER GROUP COMPARISONS

- **Compensation consultants.** *From time to time, the MDCC and the company's human resources function have sought the views of Frederic W. Cook & Co., Inc. (Frederic Cook) about market intelligence on compensation trends along with its views on particular compensation programs designed by our human resources function. For 2013, the MDCC did not consult directly with Frederic Cook, although the company's human resources function consulted with Frederic Cook on market practices relating to compensation and benefits for named executives. These services were obtained under hourly fee arrangements rather than through a standing engagement. The MDCC and the company have adopted a policy that any compensation consultant that advises the MDCC on executive compensation will not at the same time advise the company on any other human resources matter.*
- **Peer group comparisons.** *The MDCC considers executive compensation at the other Dow 30 companies as just one among several factors in setting pay. It does not target a percentile within this group and instead uses the comparative data merely as a reference point in exercising its judgment about the types and amounts of compensation the company provides.*



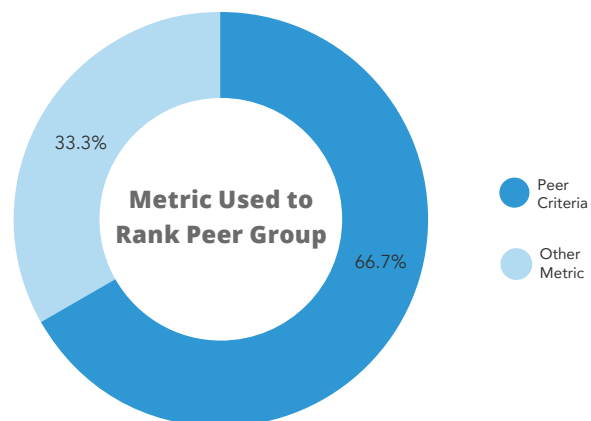
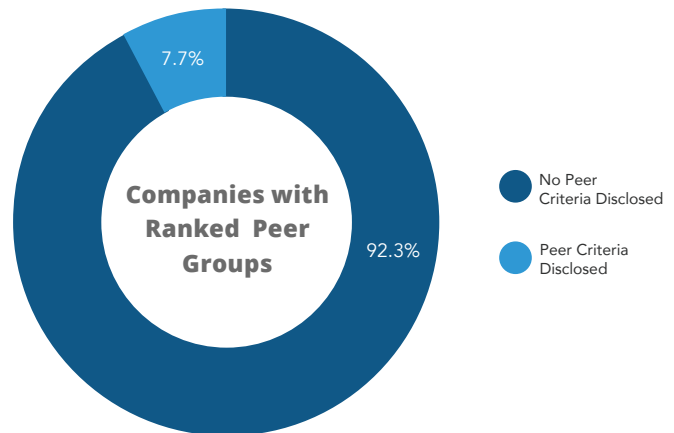
Year	Assets	Capital	Employees	Operating Income	TSR
2010	1	1	1	1	0
2014	2	1	1	1	2

Peer Group Ranked Criteria

Peer Groups (Cont'd)

From 2010 to 2011, the only metrics used to rank peer groups were: assets, capital, employees, market cap, operating income, and revenue. All companies in those years used revenue as a metric. This was largely due to the same few companies disclosing ranked peer groups. In 2013, there was a shift from revenue to market cap as the most frequently used metric.

Of the companies that disclosed their peer groups in a ranked manner, the surrounding text discussed their peer group criteria. In 2014, of the 13 companies that disclosed ranked peer groups, 12 disclosed peer company criteria. Of those 12 companies, eight ranked their peer group by a metric that was also disclosed as a peer company criterion. Companies that disclosed their peer group in a ranked fashion by a peer criterion did so to show where they ranked in comparison to their peer group. By doing this, companies have the ability to demonstrate to their shareholders that their own financial measures aligned with their peer group.



Peer Groups (Cont'd)

Disclosure Examples

ConocoPhillips (COP)

[DEF 14A](#) filed on March 28, 2014

"The companies chosen as compensation and performance peers have the following characteristics that led to their selection: complex organizations; publicly traded (and not directed by a government or governmental entity); very large market capitalization; very large production and reserves; competitors for exploration prospects and competitors for the same talent pool of potential employees."

Company Name	Symbol	Market Cap (\$B) As of 12/31/2013(1)
Exxon Mobil Corporation	XOM	442
Chevron Corporation	CVX	240
Royal Dutch Shell plc	RDSA	234
BP plc	BP	151
TOTAL SA	TOT	146
ConocoPhillips	COP	87
Occidental Petroleum	OXY	77
BG Group	BG.L	73
Anadarko Petroleum Corporation	APC	40
Apache Corporation	APA	34
Devon Energy	DVN	25

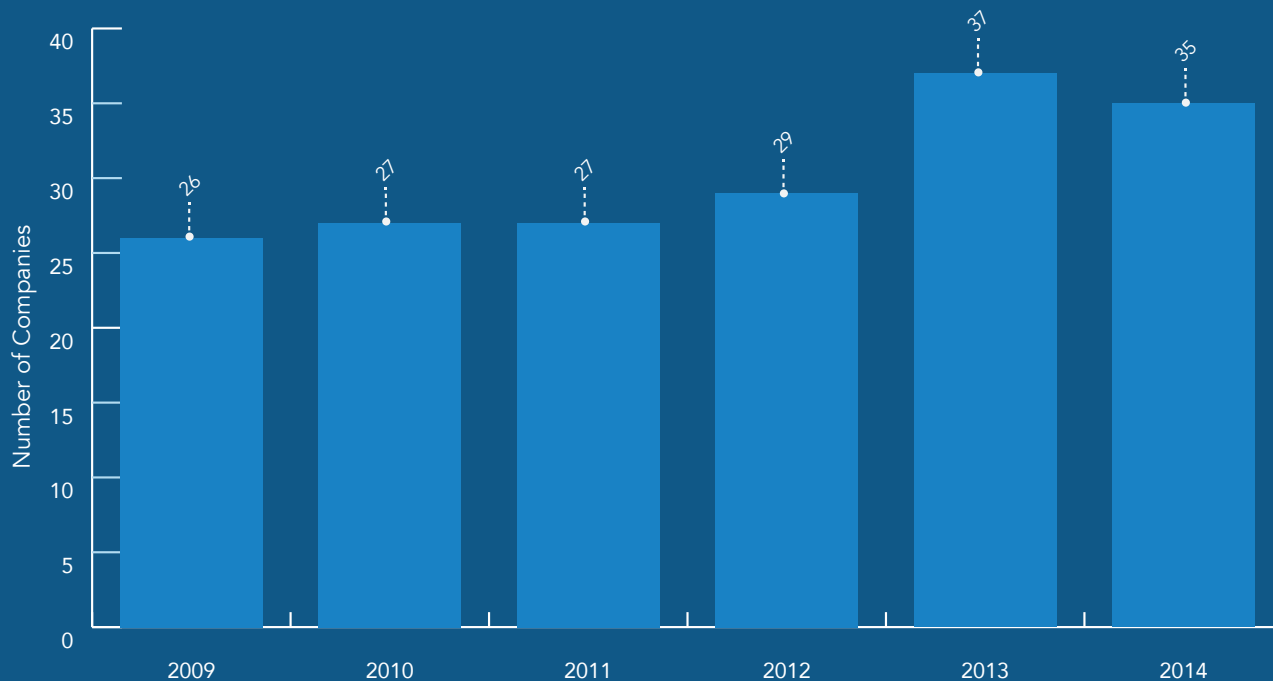
Hewlett Packard (HPQ)

[DEF 14A](#) filed on February 3, 2014

"Under this approach, the peer group companies for fiscal 2013 were determined using five screening criteria:

- Current market capitalization greater than \$25 billion;
- Revenue in excess of \$30 billion for technology companies and \$50 billion for companies in other industries;
- In the S&P 500 Index, the Dow Jones 30 Index and/or the Dow Jones Global Titans Index
- In industry-specific categories of information technology, industrials, materials, telecommunications services, consumer discretionary and consumer staples; and
- Global scope and complexity commensurate with our business."

Company Name	Revenue (\$ in billions)*
Chevron Corporation	241.91
Apple Inc.	170.91
General Electric Company	144.80
Ford Motor Company	134.25
AT&T Inc.	127.43
Verizon Communications Inc.	115.85
Hewlett-Packard Company	112.30
International Business Machines Corporation	104.51
The Procter & Gamble Company	84.17
The Boeing Company	81.70
Microsoft Corporation	77.85
Johnson & Johnson	67.22
Caterpillar Inc.	65.88
PepsiCo, Inc.	65.49
United Technologies Corporation	57.71
Dell Inc.	56.94
Intel Corporation	53.34
Google Inc.	50.18
Cisco Systems, Inc.	48.61
Oracle Corporation	37.18
EMC Corporation	21.71



Disclosure of Peer Group Selection Criteria

Peer Groups (Cont'd)

There has also been an increase in the past five years in the number of companies mentioning the criteria and range for their peer group selection. All companies stating the specific parameters of their peer group criteria were tallied in this analysis. With increasing scrutiny of performance in relation to peer groups, companies appear to be increasing the amount of detail in the disclosure of peer group criteria for the readers of their proxies. Varying disclosures by companies might be due to the SEC's final ruling:

"We have adopted, substantially as proposed, the following examples of the issues that would potentially be appropriate for the company to address in given cases in the Compensation Discussion and Analysis: whether the company engaged in any benchmarking of total compensation or any material element of compensation, identifying the benchmark and, if applicable, its components (including component companies)." August 29, 2006, SEC final rules 33-8732a, Item 402(b)(2)(xiv)

When disclosing their compensation peers, companies want to be able to communicate to their shareholders why

they have included certain companies. The justifications vary, but companies often cite peer criteria such as industry, market capitalization, revenue, or competition for talent. It is important for a company to justify to shareholders that companies included in the peer group are appropriate for benchmarking and have not been selected to make company performance look better or to increase executive compensation.

Disclosure Example

Google (GOOGL)
[DEF 14A](#) filed on March 14, 2014

"In 2013, we considered peers to be companies that met at least three of the following criteria:

- High-technology or media company
- Key talent competitor
- High-growth, with a minimum of 50% of Google's revenue growth and / or headcount growth over the previous two-year period
- \$10 billion or more in annual revenues
- \$50 billion or more in market capitalization"

COMMENTARY

By RR Donnelley

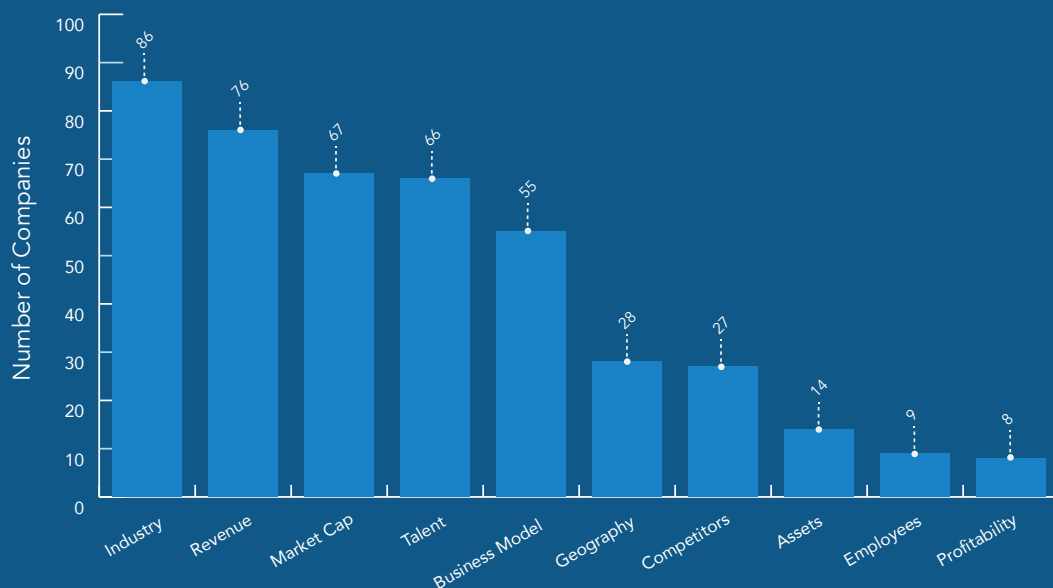
In reviewing peer company disclosures, investors are interested in:

- Selection criteria
- Changes from prior peer groups and their rationales
- How peer data is utilized in establishing executive pay and measuring performance

Companies whose peers appear to be larger than themselves on relevant metrics may face investor suspicion that they are comparing themselves to larger companies in order to justify higher pay.

For these reasons, companies are increasingly providing context in several ways:

- In narrative disclosure, describing their size relative to the peer group
- Graphically demonstrating where they fit relative to the peer group median
- In tabular fashion, ranking all peers on key metrics and placing themselves in context among these rankings (with some companies using multiple rankings corresponding to various peer selection criteria)



Peer Criteria Disclosed

Peer Groups (Cont'd)

In 2009, 26 of the 100 companies mentioned specific criteria. That number grew to 37 in 2013 but fell slightly to 35 in 2014. This was due to Abbott Laboratories, Accenture, Lockheed Martin, and National Oilwell Varco disclosing peer criteria in 2013 but not in 2014 and to Amgen and JP Morgan Chase disclosing peer criteria in 2014 but not in 2013. The top five most disclosed criteria were: industry, revenue, market cap, talent, and business model.

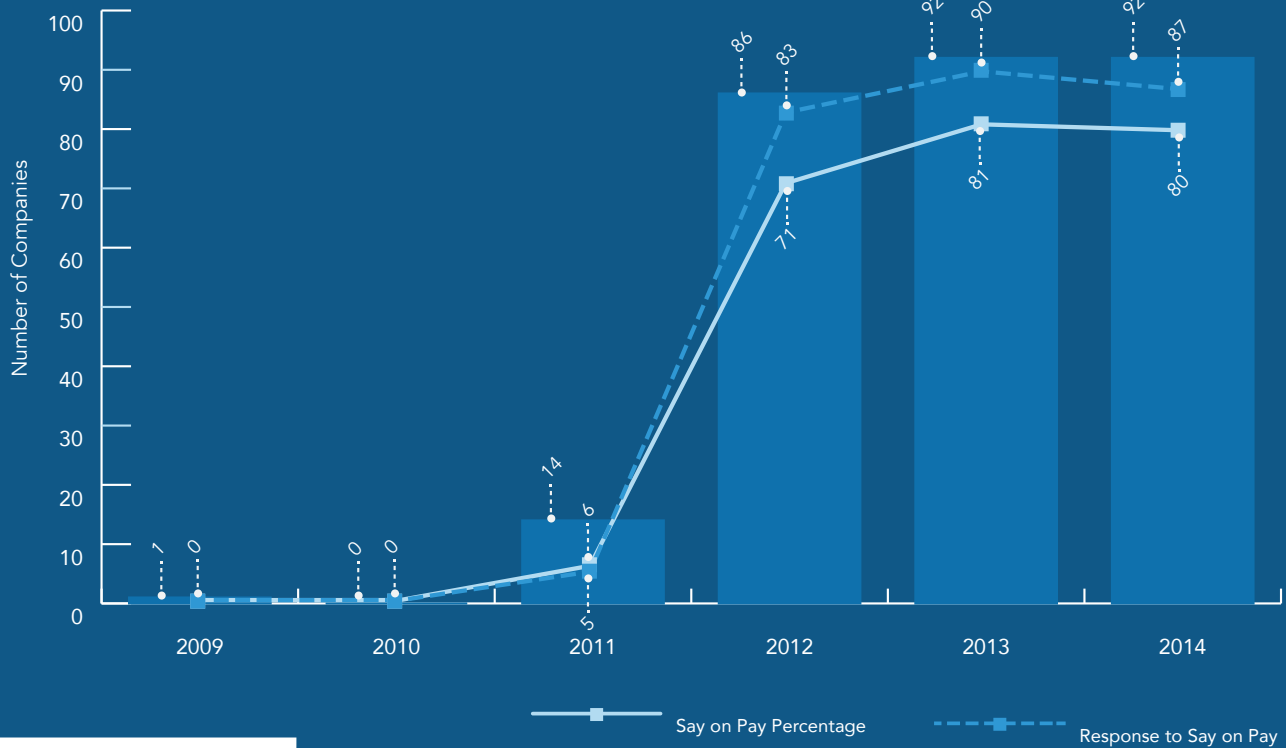
Disclosure Example

E.I. du Pont de Nemours and Company (DD)

[DEF 14A](#) filed on March 14, 2014

"To help guide the selection process in an objective manner, the Committee established the following criteria for peer group companies:

- *Publicly traded U.S. companies and select European companies traded on the New York Stock Exchange to facilitate pay design and performance comparisons*
- *Direct business competitors*
- *Companies similar in revenue size to DuPont -- As there are limited potential peers within a typical one-half to double revenue-size criterion, we established a broader one-third to triple range, which also ensures the inclusion of some direct competitors that would otherwise be excluded*
- *Meaningful international presence -- At least one-third of revenues earned outside of the United States*
- *Scientific focus/research intensity -- The criterion of a minimum of two percent research and development expense as percent of revenue results in the inclusion of several pharmaceutical companies. DuPont's research and development expense tends to be higher than that of industry peers"*



Say on Pay Disclosure

Say on Pay

Say on Pay was put into effect in 2011 and has led to nearly every company addressing it in its proxies. Prior to its implementation, only one company in 2009 included disclosure about Say on Pay. With discussions of it becoming a required vote, the number of companies disclosing Say on Pay increased to 14 in 2011. Since its adoption, the disclosure surrounding Say on Pay has become nearly customary for S&P 100 companies with 92 companies addressing it in 2014.

A handful of companies are developing disclosures further and including Say on Pay percentages and responses. In 2011, five companies had a section or paragraph discussing a response to Say on Pay results. This increased to 83 in 2012 and 90 in 2013. Fewer companies are disclosing Say on Pay percentages. In 2011, six companies specifically disclose its percentages for Say on Pay votes. In 2012 and 2013, 71 and 81 companies, respectively, disclosed percentages.

Say on Pay (Cont'd)

Company responses to Say on Pay votes were not only disclosed by companies that had below-stellar performances. Many companies, such as Lowe's, stated that they will maintain compensation practices and not make any changes due to high Say on Pay votes.

Occidental Petroleum is another company that disclosed its Say on Pay percentages and its response. While Occidental Petroleum did not fail Say on Pay, it received only 63% support from shareholders. This prompted the company to have a discussion with shareholders and communicate a clear response.

Disclosure Examples

Lowe's Companies (LOW)

[DEF 14A](#) filed on April 14, 2014

"2013 Say-on-Pay Advisory Vote

Approximately 95% of the shares voted at the 2013 Annual Meeting of Shareholders on a proposal to approve the Company's executive compensation program (the "say-on-pay vote") were cast in favor of the proposal. The 95% approval rate was approximately the same percentage of shares voted in favor of the say-on-pay vote at the 2012 and 2011 Annual Meetings of Shareholders. In view of the sustained strong shareholder support of the Company's executive compensation, the Committee maintained the principal features and performance-based elements of the executive compensation program in 2013. For the Annual Meeting, the Company's shareholders will again have the opportunity to approve the Lowe's executive compensation program through the advisory say-on-pay vote included as Proposal Three in this Proxy Statement. The Company encourages its shareholders to review this section of the Proxy Statement prior to casting their advisory votes on this year's say-on-pay proposal."

Occidental Petroleum (OXY)

[DEF 14A](#) filed on March 25, 2014

"Response to 2013 Say on Pay Vote

While stockholders overwhelmingly approved the executive compensation program with more than 90% of voting stockholders voting in favor in 2011 and 2012, the program, which was virtually unchanged, received the support of approximately 63% of stockholders voting at the 2013 Annual Meeting of Stockholders. Prior to that meeting, the Board announced significant executive compensation changes based on extensive stockholder feedback, as well as a commitment to further review and modify the program. Those changes, as described in more detail below, demonstrate the company's commitment to responsiveness to stockholders' views and to continually reviewing its practices with respect to executive compensation."

United Technologies (UTX)

[DEF 14A](#) filed on March 25, 2014

"Following significant changes made to our compensation programs in 2012, 90% of the votes cast (i.e., excluding abstentions and broker non-votes) supported our Say-on-Pay proposal at the 2013 Annual Meeting."

In 2013, our Say-on-Pay proposal garnered 90% support, 29 percentage points better than 2012.

COMMENTARY

By RR Donnelley

In terms of response to Say on Pay voting results,

- Dodd-Frank requires companies to describe whether and, if so, how they consider one year's Say on Pay vote in making future compensation decisions.
- Proxy advisors will apply "greater scrutiny" the following year to companies with failing or poor votes (with ISS using 70% support and Glass Lewis 75% as the levels below which they apply greater scrutiny). They will look for discussion about the conduct and scope of post-meeting engagement with investors about compensation, the feedback obtained, and any subsequent changes made in response to this investor input.

Also, one year's poor Say on Pay vote – if apparently left unaddressed – may translate into future votes against or withheld from members of the board compensation committee. Poor support for the board in turn could be opportunistically employed by activists as evidence of investor dissatisfaction with the company's leadership, strategies and performance.

For these and other reasons, most companies take poor Say on Pay votes seriously.

Corporate Governance



Corporate Governance

Board Skills Matrices

A relatively new practice in corporate governance is the addition of board skills matrices to proxies. There has been an increased demand to demonstrate the qualification of board members to shareholders. While director biographies are less effective at demonstrating this, board skills matrices are designed as a clear presentation aligning the objectives of the company with the skills that their board members have. Including board skills matrices has not become common practice yet, although there were 10 companies in the S&P 100 that included a board skills matrix in the proxy in 2014 as opposed to zero companies in 2009. FedEx is one company that disclosed a board skills matrix in its most recent proxy.

Disclosure Example

FedEx (FDX)

[DEF 14A](#) filed on August 18, 2014

Summary of Director Experience, Qualifications, Attributes and Skills

Transportation Industry Experience is a positive attribute as it greatly increases a director's understanding of our business operations and its management.

International Experience is beneficial given our continued capitalization on increasing globalization and the resulting expansion of customer access to goods, services and information.

Financial Expertise is important given our use of financial targets as measures of success and the importance of accurate financial reporting and robust internal auditing.

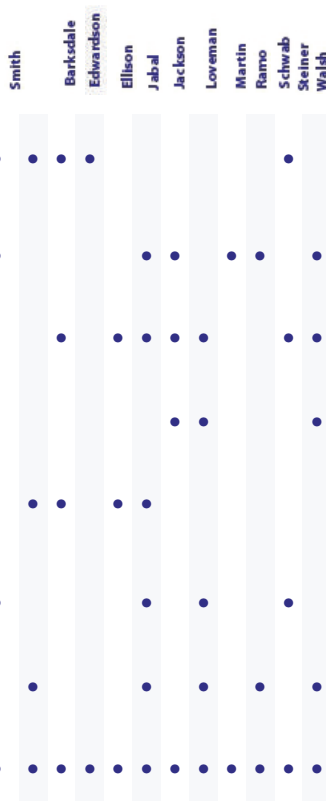
Marketing Expertise is valuable because we emphasize promoting and protecting the FedEx brand, one of our most important assets.

Technological Expertise is beneficial because attracting and retaining customers and competing effectively depend in part upon the sophistication and reliability of our technology.

Energy Expertise is important as we are committed to protecting the environment and have initiatives underway to reduce our energy use and minimize our environmental impact.

Government Experience is useful in our highly-regulated industry as we work constructively with governments around the world.

Leadership Experience is critical because we want directors with the experience and confidence to capably advise our executive management team on a wide range of issues.



COMMENTARY

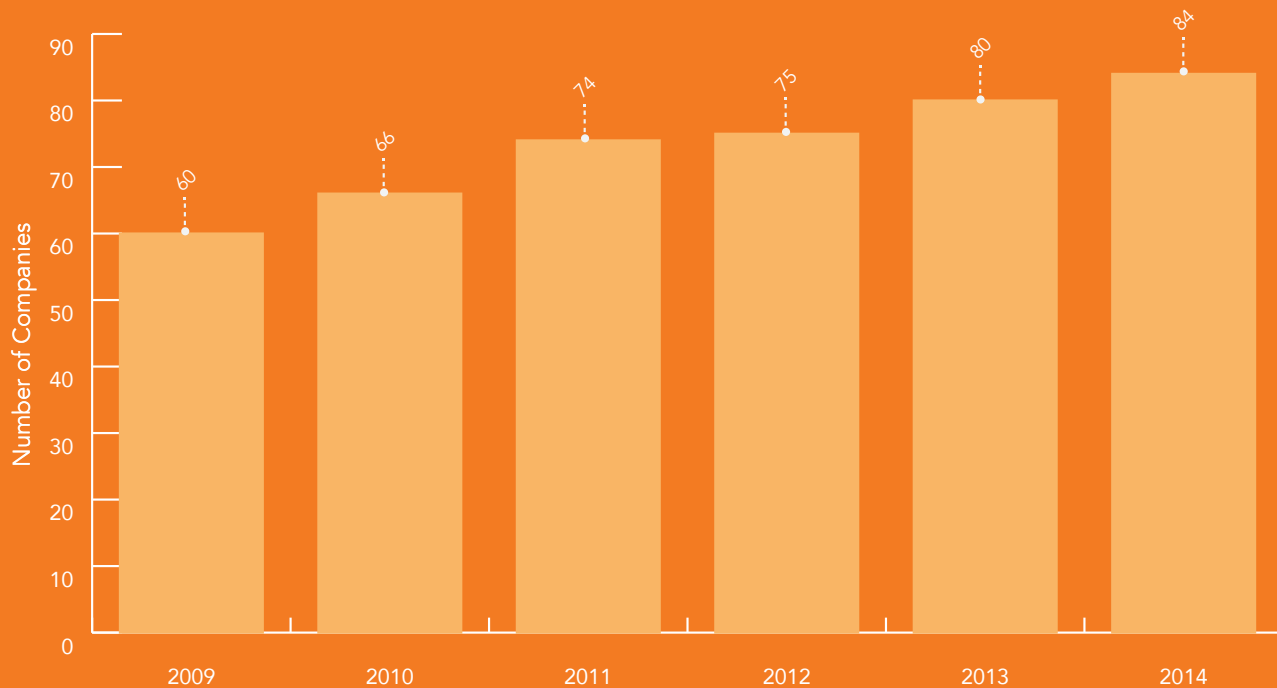
By RR Donnelley

Board skills matrices visually highlight key skills held by various board members, which also may be disclosed in narrative fashion in the director nominee section.

Investors, proxy advisors and other commentators are not inside the board room and thus have little ability to directly measure or appreciate director quality or their independence in thought and action. They therefore focus on externally visible metrics, including board structure, composition, diversity, age, tenure and meeting attendance.

A skills matrix can dramatically demonstrate that the company and its board have identified the key areas critical to its success given its current stage of growth and competitive environment and that the board possesses the right mix of skills and qualifications to provide effective guidance and oversight both presently and in the foreseeable future.

Companies anticipating adding new directors with key skills may prefer to hold off on presenting a skills matrix until these additions are in place.



Pay for Performance References

Pay for Performance

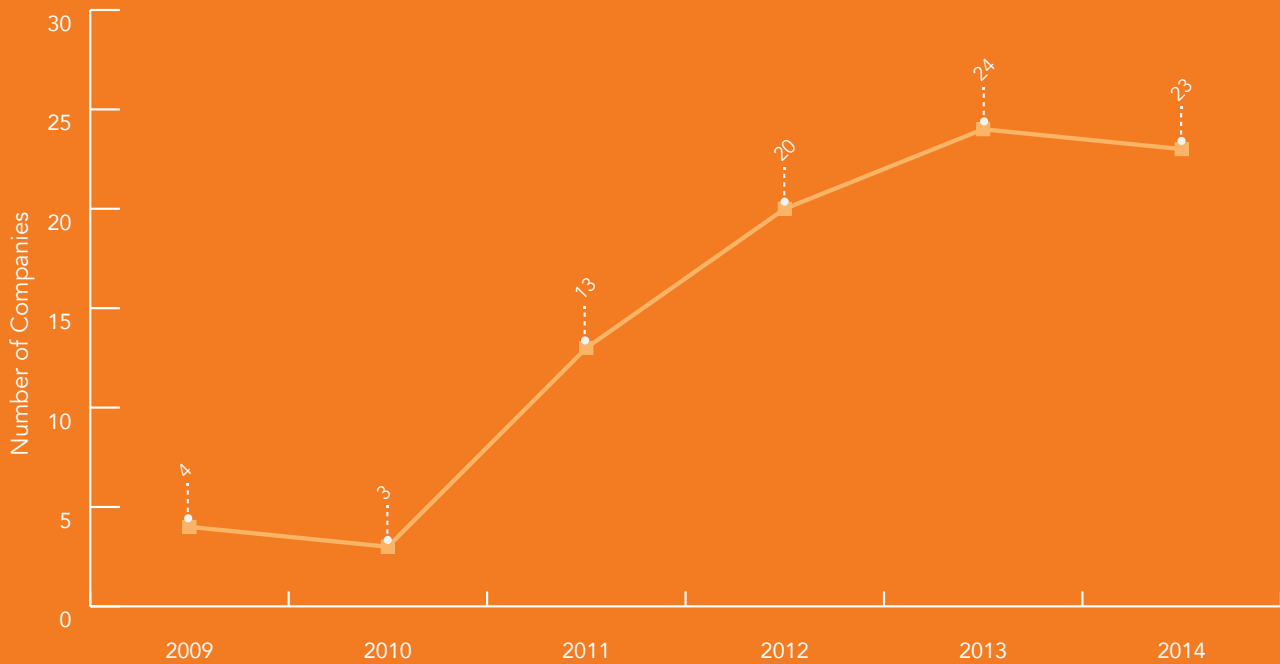
Pay for performance has emerged as one of the key phrases in compensation over the last several years. It is no surprise that many companies do what they can to assure shareholders that the link between pay and performance is as strong as possible. The number of companies with direct pay for performance mentions in their annual proxies has increased consistently over the last five years, making up 84% of the S&P 100 in the most recent filing year.

Shareholders want to know how pay supports company growth strategy. Providing a pay for performance disclosure, gives companies the chance to communicate to shareholders how compensation has followed the same trends as company performance. Most companies disclosing pay for performance in additional graphs use three- to five-year Total Shareholder Return as a metric to display the relationship. If shareholders understand the alignment, they are more likely to support the overall program and vote in favor of Say on Pay.

The emphasis on pay for performance is important to note as its influence on the filing goes far beyond this simple metric of keyword mentions. The inclusion of supplemental

pay tables and graphs addressing the link between Total Shareholder Return and compensation rank can also be attributed to the increased focus on pay for performance. With all the attention the topic now receives, its impact will likely continue to increase in the years to come.

The SEC has not yet proposed rules with regard to the provision "Disclosure of Pay Versus Performance" (§953(a)). The disclosure would involve the relationship between executive compensation actually paid and the financial performance of the issuer, taking into account any change in the value of the shares of stock and dividends of the issuer and any distributions. Since the ruling would involve defining actual compensation paid and determining which metric should be used for defining company performance, the SEC has some hurdles to overcome. Since the SEC has not ruled on this issue yet, this is a topic to watch for in the 2016 proxies. With legislation looming, the 16 companies in the S&P 100 who have not yet disclosed pay for performance may start doing so in 2015.



Pay for Performance Graphs

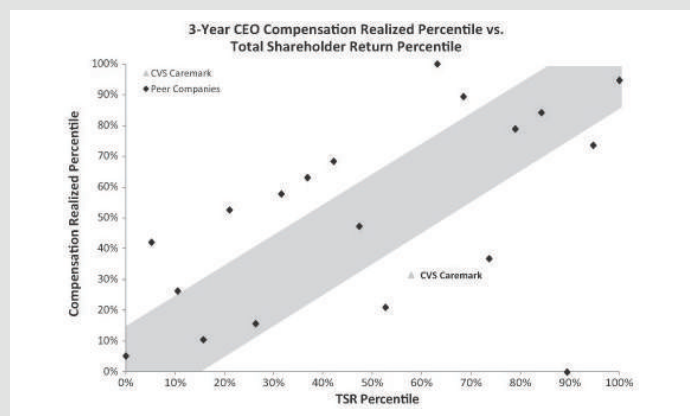
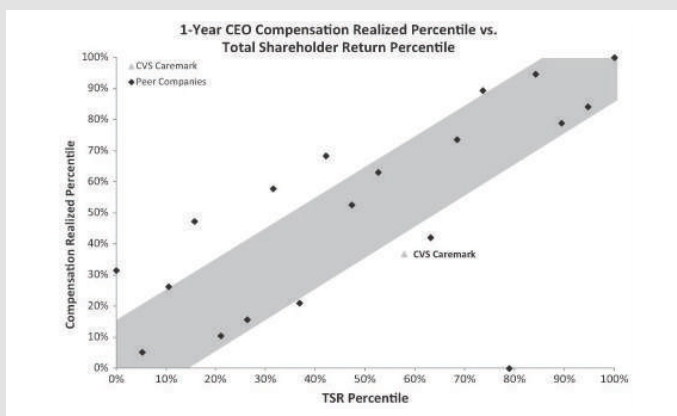
Pay for Performance (Cont'd)

Some companies disclose a pay for performance graph to demonstrate alignment between their compensation and their performance. These graphs allow the pay for performance philosophy to be more easily understood. Some examples of graphs include pay for performance alignment and CEO total compensation compared to a metric such as absolute TSR, Earnings Per Share, profit, or sales. The number of companies incorporating a pay for performance graph has increased from four companies in 2009 to 23 companies in 2014.

Disclosure Example

CVS Caremark (CVS)

[DEF 14A](#) filed on March 28, 2014

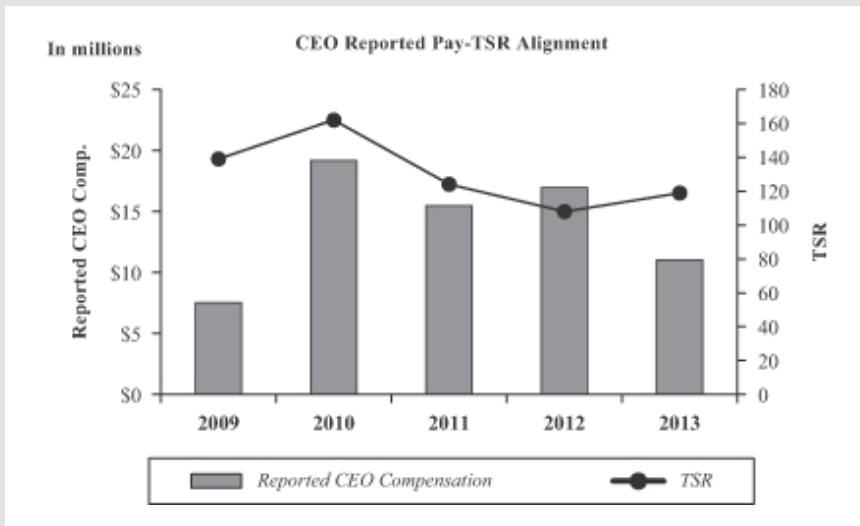


Pay for Performance (Cont'd)

Disclosure Examples

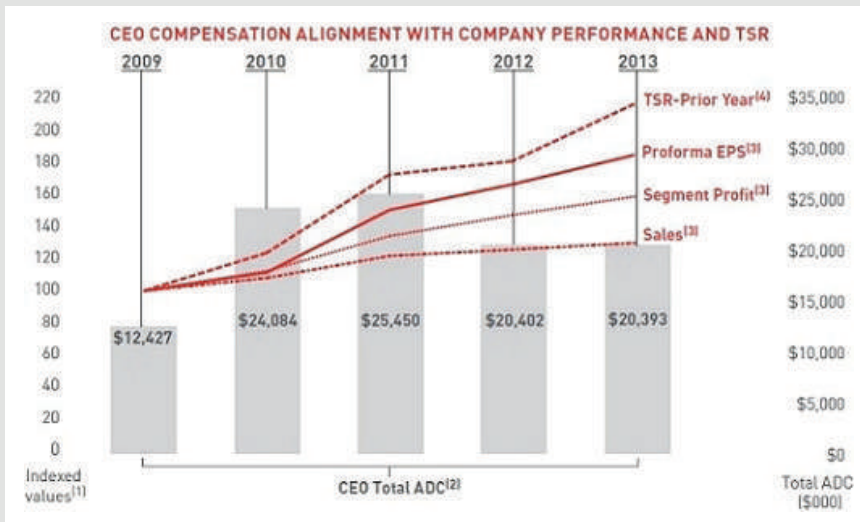
Apache (APA)

DEF 14A filed on April 24, 2014



Honeywell International (HON)

DEF 14A filed on March 13, 2014



Since almost all companies indicate that they have a “pay for performance philosophy,” investors look beyond these words for hard evidence of how pay outcomes are aligned with relevant measures of performance.

Given the complexity of executive compensation and its narrative descriptions, graphical representations of key correlations and trends can aid in telling this story.

“Pay” and “performance” can each be defined and portrayed in multiple ways:

- “Pay” can include summary compensation table pay, alternative “realizable” or “realized” pay calculations
- “Performance” can mean absolute or relative TSR, achievement of specific financial, strategic or operational measures intended to drive future shareholder value

However described, companies that provide investors with a credible and compelling pay for performance story may find that their investors are more likely to support them despite negative proxy advisor recommendations than companies that do not present their stories effectively.

Internal Pay Equity

Comparing the compensation of CEOs is a focal point of regulation and corporate governance. CEO compensation is analyzed across industries, market capitalizations, revenues, competitors, and several other criteria to evaluate whether the compensation aligns with relevant peers. While comparing CEO compensation across different criteria has become common disclosure practice, new regulations are forthcoming requiring that companies also disclose how their CEO's compensation compares internally to that of a typical employee. Due to challenges in defining this metric, the SEC has delayed when a specific ratio will be required for disclosure.

Despite the delay, some companies have willingly disclosed this information in their proxies. There are also a number of companies that include a discussion of internal pay equity in some form. Internal pay equity

is most often stated as a consideration when setting the CEO's compensation in comparison to the other named executive officers. Companies like McDonald's and Nike both addressed internal pay equity between named executive officers in their most recent proxies. Even though they disclosed a form of internal pay equity, these two companies may face interesting challenges with reporting the median compensation for their entire employee count when the ratio becomes a required disclosure.

Disclosure Examples

McDonald's (MCD)

[DEF 14A](#) filed on April 11, 2014

"INTERNAL PAY EQUITY

Compensation opportunities reflect our executives' positions, responsibilities and tenure in a given position and are generally similar for executives who have comparable levels of responsibility (although actual compensation delivered may differ depending on relative performance). Although our executive pay decisions are based on individual performance and other criteria, we consider the potential impact of internal pay equity on morale, incentive, management alignment, and succession planning. In addition, from time to time we make special onetime awards to executives in connection with their hiring or promotion. These awards permit us to meet one-time business objectives with minimum impact to long-term pay equity."

Nike (NKE)

[DEF 14A](#) filed on July 25, 2014

"We look to the experience and judgment of the Committee to determine what it believes to be the appropriate target compensation mix for each Named Executive Officer. We do not apply fixed ratios or formulas, or rely solely on market data or quantitative measures. In allocating compensation among the various elements, the Committee considers market data, Company performance and budget, the impact of the executive's position in the Company, individual past performance, expectations for future performance, experience in the position, any anticipated increase in the individual's responsibilities, internal pay equity for comparable positions, and retention incentives for succession planning."

By RR Donnelley

Internal Pay Equity (Cont'd)

In its most recent proxy, Noble Energy was one of a small number of companies that actually disclosed the ratio of its CEO's compensation to the median compensation for its entire employee count. Interestingly, Noble Energy acknowledged that its calculation may not reflect what will one day be required by the SEC.

Disclosure Examples

Noble Energy (NBL)

[DEF 14A](#) filed on March 24, 2013

"CEO Pay Ratio

Our Compensation Committee recognizes that executive compensation is an evolving area. We are still awaiting rules to be adopted to implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 relating to compensation clawbacks, hedging transactions, and pay ratio and pay for performance disclosures. In the absence of final rules, our Board has adopted a compensation clawback policy and a policy with respect to the hedging and pledging of our stock, which are discussed elsewhere in this Proxy Statement. In this regard, we have elected to disclose an estimate of the ratio between the pay of our Chairman and CEO and the median for all of our other employees.

Our Chairman and CEO's annual total direct compensation for 2013 was \$9,720,334 as reflected in the Summary Compensation Table. We estimate that the median of the annual total direct compensation of all of our employees, excluding our Chairman and CEO, was \$114,376 for 2013. As a result, we estimate that our Chairman and CEO's total annual direct compensation was approximately 85 times that of the median annual total direct compensation of all of our other employees.

The foregoing estimate may not be reflective of the pay ratio information required under rules, if any, that ultimately are adopted by the SEC."

Our research indicates that – at the present time – many larger, long-term institutional investors consider comparisons of CEO to NEO pay more useful than CEO to median employee pay because:

- The data is already disclosed in proxies
- It is indicative of executive "bench strength" and the robustness of internal succession planning and preparedness
- There are concerns about non-standardization of CEO/median ratio calculations and thus poor comparability

Once CEO/median employee ratio disclosures become widespread, investors may then find uses for the data, whether across different companies or in reviewing individual company trends over time.

In addition to investor perceptions, companies are considering how employees may react to these disclosures. Employees already know what they make relative to the CEO. Since by definition, one half of all employees are paid "below the median," many employees may be disappointed to learn that they are paid less than the majority of their co-workers. For this reason, companies are focusing on internal HR perceptions and preparing accordingly.

Sustainability

There are a significant number of companies that write sections of their proxies about their commitment to the environment. Companies whose operations affect the environment are more likely to include disclosure or design certain elements of compensation dependent on environmental metrics. The number of companies that have included such a disclosure has steadily risen over the past six years, starting at 16 in 2009 and increasing to 26 in 2014.

Stores, Raytheon and General Electric. Although more industries included a disclosure regarding the environment, the majority of companies that design compensation on environmental measures are in the energy sector. Intel is one of only a few technology companies that has implemented an annual incentive plan with an environmental metric.

There are 10 companies that now provide a disclosure on the environment in their most recent proxies but did not in their previous proxies. Those companies operate in various industries and include: Ford Motor, Wal-Mart

Disclosure Examples

Intel (INTC)

[DEF 14A](#) filed on April 3, 2014

“The operational goals typically link to company performance in several key areas, including financial performance, product design and development roadmaps, manufacturing, cost and productivity improvements, customer satisfaction, and corporate responsibility and environmental sustainability. For 2013, the committee approved a similar number of operational goals compared to 2012. The table below shows how goals are allocated and grouped into certain major categories, with weightings that total 100 points.”



By RR Donnelley

Shareholder Engagement

Shareholders want to believe that their voices are heard by management and the board. If shareholders feel like their requests are not being acknowledged and considered, there may be potential backlash in some form, such as an unfavorable Say on Pay vote. Companies have responded by reaching out to shareholders and nearly two-thirds of the S&P 100 (65 companies) now include disclosure of outreach in their most recent proxies, a substantial increase from only seven companies in 2009.

Although there are some companies that reach out to shareholders after an unfavorable Say on Pay vote result, there are also companies that reach out to shareholders even with consistently strong Say on Pay vote results. Reaching out to shareholders is viewed as good governance and companies want to ensure that their shareholders' suggestions are recognized. Pfizer is a company that has consistently reached out to shareholders and has received strong Say on Pay vote results (at least 94% for the past three years). In Pfizer's most recent proxy, the company disclosed how it continually reaches out to shareholders, and incorporates feedback into its compensation program.

Disclosure Examples

Pfizer (PFE)

[DEF 14A](#) filed on March 13, 2014

"As in the past several years, we continued our robust investor outreach program. This enables us to obtain valuable feedback and incorporate a number of shareholder suggestions in our compensation program. In light of our shareholders' recent response and inquiries in 2013, the Committee has taken a number of actions to make our executive compensation program more aligned with our performance and more responsive to shareholder interests.

[...]

The Committee and full Board were kept apprised of investor feedback gathered during our discussions.

"Based on this feedback and marketplace trends, the Committee made two key changes to our compensation program. Effective with the 2014 long-term incentive award grants, the terms of the PSAs and RSUs were modified to provide for continued vesting in accordance with the original grant term following retirement, rather than vest pro-rata upon retirement. This change will further strengthen the connection with pay for long-term performance into retirement. In addition, in 2013 we expanded the PPS awards program to additional business units and countries to improve the alignment of long-term grant value with the achievement of R&D performance goals supporting the pipeline. The Committee also reviewed the PSA payout matrix to ensure that the matrix appropriately ties pay with performance and is consistent with competitive practice.

"We elicited feedback on the benefits of including additional disclosures on 'realized' and/or 'realizable' pay in our proxy statement. We also obtained shareholder views on the usefulness of including pay ratios (comparing CEO total annual compensation to that of the Company's median employee) prior to such disclosure being required. Investor views remain mixed on both topics, with the majority expressing concerns about the usefulness of inconsistent (across companies) disclosure of 'realized' and/or 'realizable' pay information. Most shareholders consulted also expressed uncertainty about the usefulness of pay ratio disclosures in their assessment of the Committee's compensation decisions."

The near-universal requirement of Say on Pay proposals in 2011 is widely believed to have contributed to a significant increase in companies engaging – either proactively or reactively – with their investors on corporate governance, compensation and other proxy voting issues.

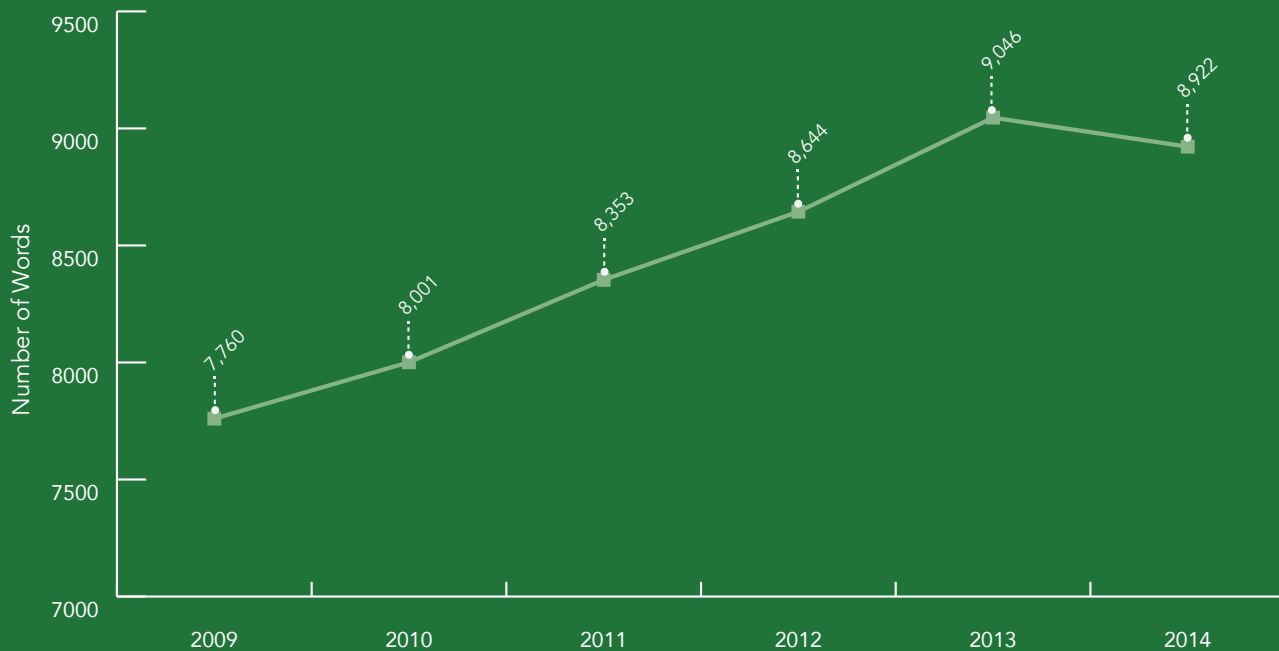
This, in turn, has helped companies better identify investor information, needs, and preferences to enhance disclosures to better meet these informational needs.

In some cases, companies find that specific changes to compensation and other practices are required in order to gain investor and/or proxy advisor support.

Alternatively, many companies have learned that confusing or murky disclosure of existing practices caused investors to misunderstand them and withhold their voting support. In these cases, clearer disclosure in the initial proxy – and not just in supplemental filings following receipt of negative proxy advisor recommendations – is an appropriate and accessible remedy.

Proxy Design





CD&A Word Count

Proxy Design

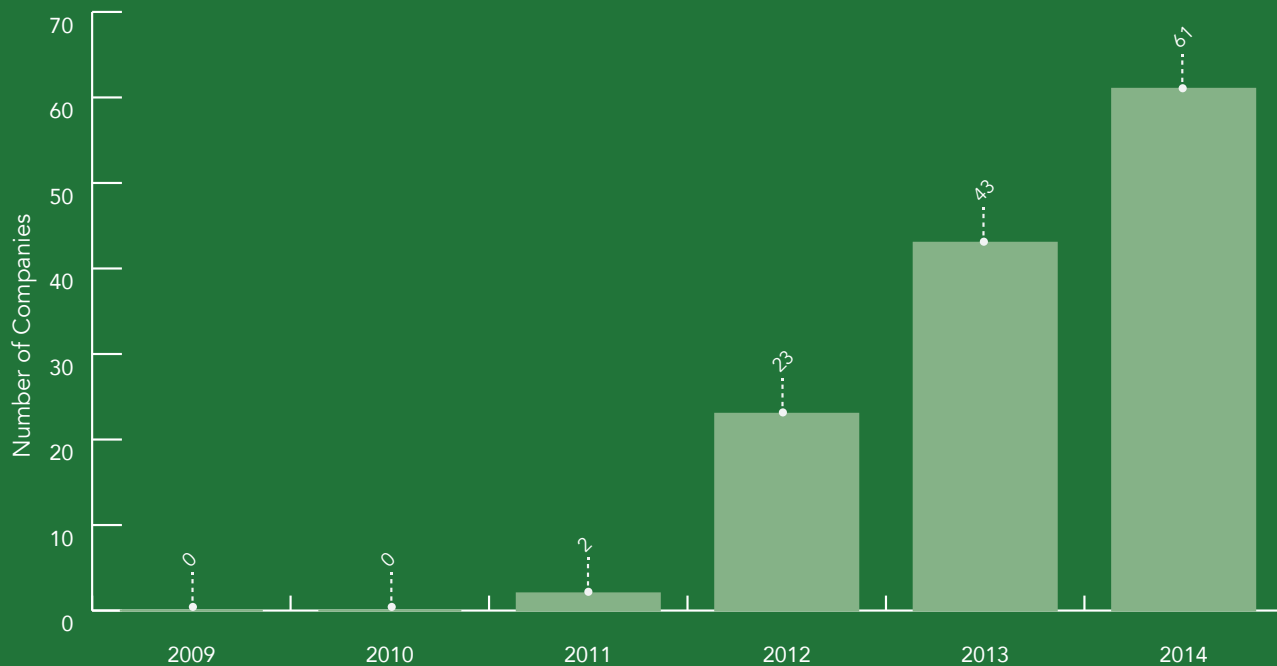
Design has played a large role in enhancing the proxy statements. Features such as color, graphs, and additional content are used to strengthen the proxy statement and have had a rapidly increasing presence over the past five years. The components that will be examined are word count, use of color, use of additional graphs, alternative pay visuals, and the CD&A Table of Contents.

Word Count and New Sections

The length of the Compensation Discussion & Analysis section of proxies has steadily increased from 2009 to 2013, growing by an average of 321 words each year. However, there was a slight dip from 2013 to 2014, in which the average CD&A word count for S&P 100 companies dropped from 9,046 words to 8,922 words. The average word counts for proxies filed from 2009 to 2014 were 7,760, 8,001, 8,353, 8,644, 9,046, and 8,922, respectively. Overall, CD&A word count has increased 15% from 2009 to 2014 in S&P 100 companies. A factor causing

these increases is the addition of sections to the CD&A, such as proxy summaries and executive summaries.

In the upcoming 2015 proxy season, it is likely that word counts in the CD&A section will continue to increase. Visa has grown its word count from 5,176 words in 2009 to 13,969 words in 2014, demonstrating a significant increase in length. Companies like Amgen, however, have decreased CD&A word count from 18,332 words in 2009 to 13,713 words in 2014.



Proxy Summary Inclusion

Proxy Summary

As proxy statements continue to increase in length, several companies have provided summaries of their proxies. To meet the expectation that some shareholders will not read the entire proxy statement, companies have responded by including proxy summaries in an effort to highlight key topics. Companies hope that shareholders will read at least a summary to get an understanding of compensation programs and internal corporate governance. Proxy summaries were not included in any S&P 100 proxy statements in 2009 or 2010. However, 2011 brought the first two disclosures of proxy summaries, and 2012 through 2014 saw an exponential increase in the inclusion of proxy summaries.

The page length of these proxy summaries ranged from one page to 11 pages for S&P 100 companies over the past four years. The most common page length of proxy summaries was three pages, and the average page length has increased from 3.13 pages in 2012 to 3.60 pages in

2014. Companies are trying to incorporate more topics in proxy summaries, and as a result, proxy summaries are getting longer.

The longest proxy summary, from Abbott Laboratories' 2014 proxy, was 11 pages long and provided sections discussing its spinoff of AbbVie, financial highlights, governance highlights, executive compensation program highlights, and other topics. In contrast, 16 proxies from 2011 to 2014 had only single page proxy summaries. Norfolk Southern was one such company (its proxy summary is displayed on the next page). It included only a list of proposals with recommendations and the location of the annual meeting. Other companies' proxy summaries ranged in length and most included proposal recommendations along with governance and executive compensation highlights.

Proxy Summary (Cont'd)

Disclosure Examples

Norfolk Southern (NSC)

[DEF 14A](#) filed on March 19, 2014

2014 PROXY SUMMARY

2014 PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider, and you should read the entire proxy statement before voting.

Annual Meeting of Stockholders

<i>Time and Date</i>	Thursday, May 8, 2014, at 8:30 A.M., Eastern Daylight Time
<i>Place</i>	Conference Center, Williamsburg Lodge South England Street, Williamsburg, Virginia
<i>Record Date</i>	February 27, 2014
<i>Voting</i>	Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at this meeting.

Business of the Meeting

	Board Vote Recommendation	Page (for additional information)
Election of 13 Directors	FOR EACH NOMINEE	8
Other Board Proposals:		
• Ratification of KPMG as Auditor for 2014	FOR	13
• Advisory Resolution to Approve Executive Compensation	FOR	13
Stockholder Proposal Concerning an Independent Chairman of the Board of Directors	AGAINST	14

Transact other business that properly comes before the meeting or any adjournment or postponement thereof.

COMMENTARY

By RR Donnelley

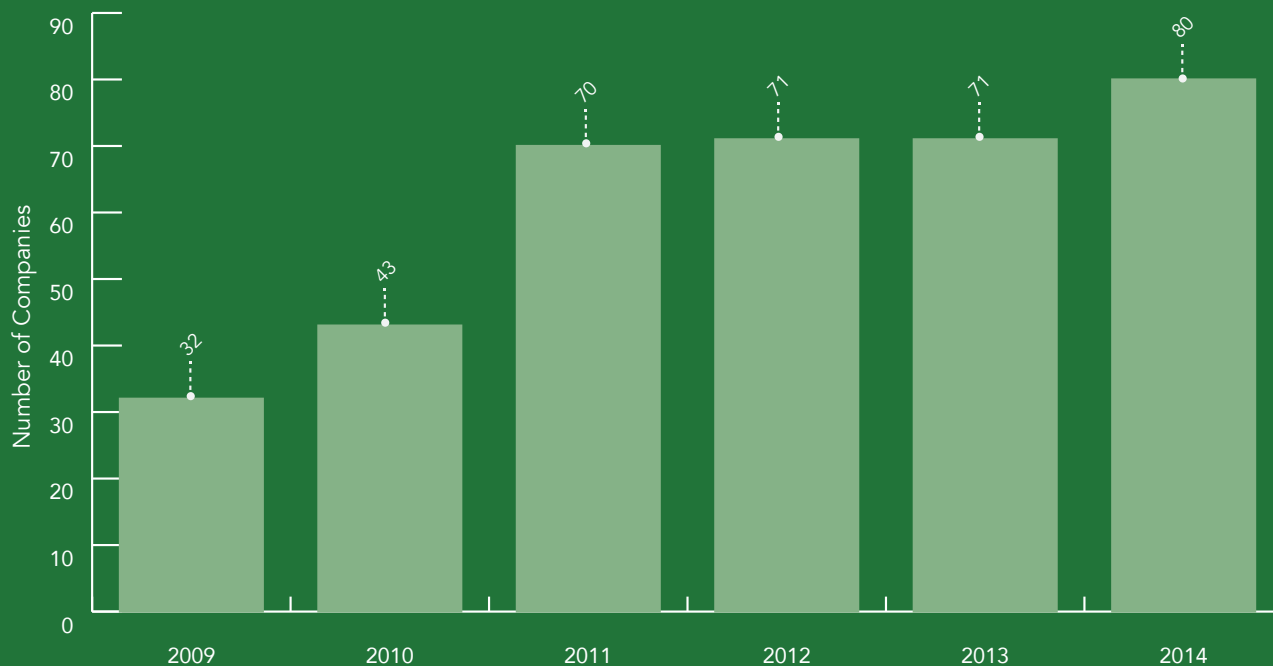
We see three main “types” or purposes for proxy summaries:

1. Navigational - briefly describes the business of the meeting and where key information is located
2. Argumentative - summarizes why investors should support the company on various proposals
3. Change - highlights changes the company made from prior practices

In actuality, most are hybrids. In evaluating whether to include a proxy summary at the front of the document, ask yourself what the purpose would be. Also, consider whether this can be accomplished equally as well by a well-written CD&A executive summary.

An irony of summaries is that, while often written due to concerns that growing proxy and CD&A lengths are contributing to declining readership, they often lead to repetition and increased document length because they typically draw from information contained later in the proxy, which usually remains there as well.

That said, summaries are highly likely to be read, so while they may introduce some duplication, at least the key information is read at least once.

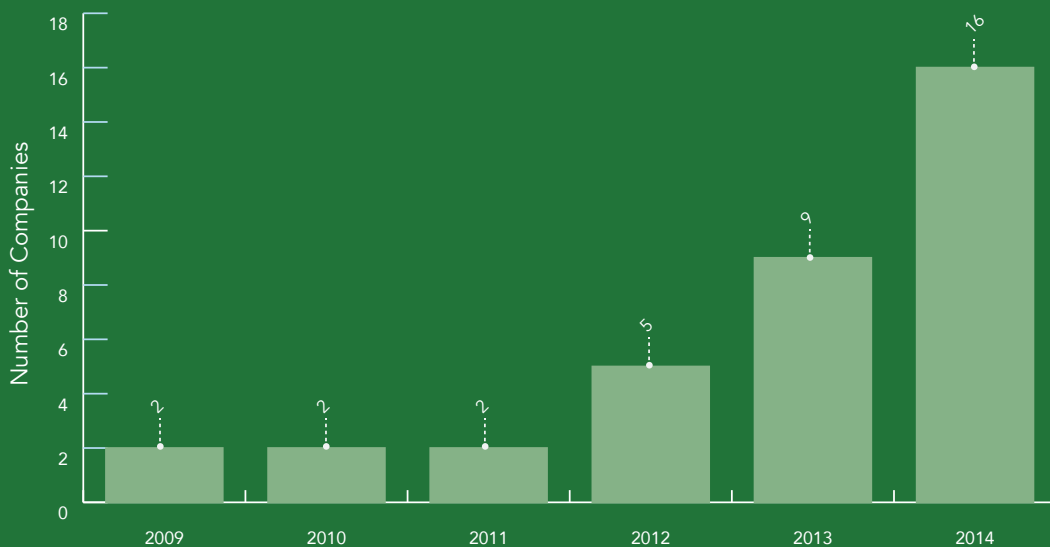


CD&A Executive Summary

CD&A Navigation

At the beginning of the CD&A, companies have the ability to provide an executive summary prior to discussing each element of executive compensation. Similar to proxy summaries, executive summaries enable companies to disclose a snapshot of their executive compensation for shareholders who are unable to read the entire CD&A. The majority of companies in the S&P 100 disclosed an executive summary in their most recent proxies, a significant increase from six years ago.

Topics frequently discussed in executive summaries include: Financial Highlights, Total Shareholder Return, CEO Compensation Highlights, All Named Executive Officers' Compensation Highlights, and Response to Say on Pay. The rest of the CD&A discusses the individual elements of compensation, making the executive summary an opportunity for companies to provide disclosure on their company success and share how executive compensation was paid in response.



CD&A Table of Contents

CD&A Navigation (Cont'd)

Companies have increasingly added a Table of Contents specifically for the CD&A in their proxy statements. The prevalence of a CD&A Table of Contents in S&P 100 companies increased from two companies in 2009 to 16 companies in 2014. The CD&A Table of Contents is a tool to preface the CD&A and provide a general overview of the sections. Sections include: Executive Summary, Compensation Objectives and Strategy, Compensation Principles, and Shareholder Engagement on Executive Compensation.

COMMENTARY

By RR Donnelley

While “content is king,” navigation to key content – i.e., the ability to locate it quickly – is equally important. Resource-constrained investors with large portfolios need to locate key information quickly, and when they do, the disclosure should be clear, credible and impactful.

Since many of the key topics of interest to investors are contained within the CD&A, it’s important that the Table of Contents (TOC) features a reasonable amount of detail about where key topics are discussed within the CD&A.

Given the desire by investors for efficient CD&A navigation, each year we are seeing more companies include a separate CD&A TOC at the beginning of that section. In fact, we note that many Canadian proxy circulars, which often are organized in a more modular fashion than US company proxy statements, feature separate “mini TOCs” at the beginning of each such section – with some having as many as 8 mini TOCs.

Use of Colors

The use of color has become increasingly prominent in proxy design, making a dense proxy more aesthetically pleasing. The frequency of color increased from 10 companies using color in their proxies in 2009 to 70 companies in 2014. A company can employ colors in various forms within the CD&A. This can be done by using colors in borders throughout a proxy or using colors within a table or graph. These percentages do not include monochromatic instances of grey, black, or light blue used to distinguish rows.

Adding color to a proxy can improve its visual appeal, make section headings stand out and differentiate sections of graphs. Many companies express concern that adding color to their printed proxies will be cost-prohibitive. They often are pleasantly surprised to learn that the incremental cost of additional color may not be that expensive.

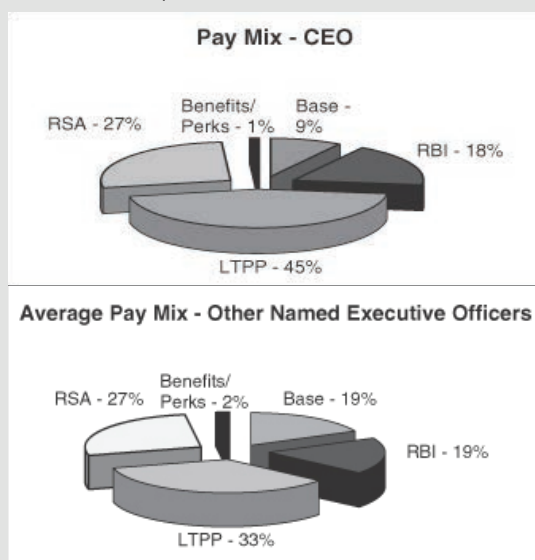
That said, there are many well-designed and attractive proxies that use only black, white and shades of grey. Shading is an under-utilized device that can help highlight key disclosures (such as director qualifications), draw attention to call-out boxes, smooth out the column headings in tables, and break up otherwise dense text and draw the reader's eye to top-line messaging.

Also, some companies that use color sparingly in their printed proxies choose to add additional color to the online versions of their documents.

Disclosure Examples

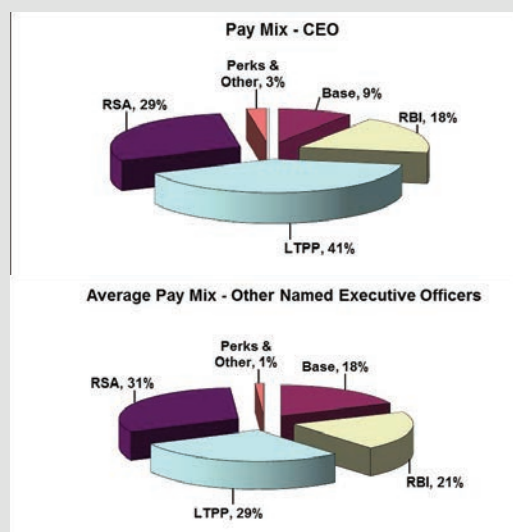
Raytheon (RTN)

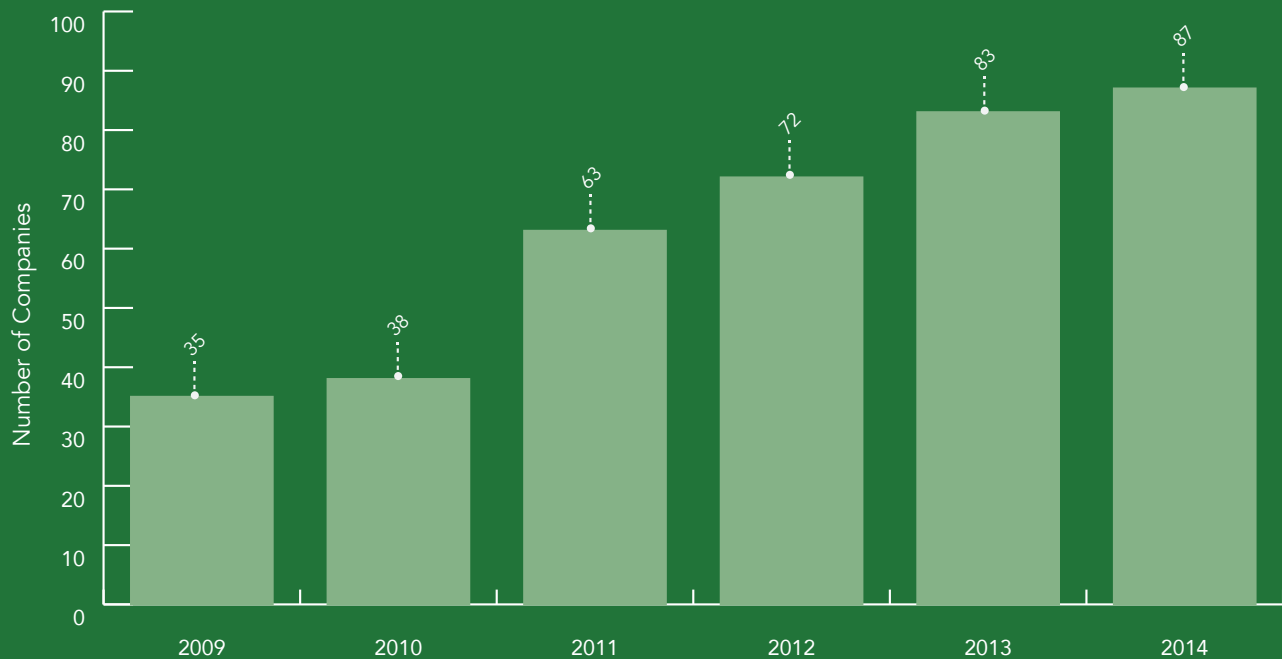
[DEF 14A](#) filed on April 11, 2014



Raytheon (RTN)

[DEF 14A](#) filed on April 25, 2014





Supplemental Charts & Graphs

Additional Graphs

In recent years, companies have incorporated visual aids into their proxies to supplement the filing. The number of companies that used additional graphs has increased significantly over the past six years, from 35 companies in 2009 to 87 companies in 2014. Some examples of graph topics include alternative pay, total direct compensation pay mix, revenue growth/operating income growth, and total compensation versus total shareholder return.

Several companies disclosed additional graphs within the CD&A in addition to those required by the SEC. These additional graphs add variety to company proxy statements and describe pay practices more thoroughly. As the 2015 proxy season approaches, companies are more likely to include additional graphs for the optimal proxy disclosure.

Disclosure Example

Metlife (MET)

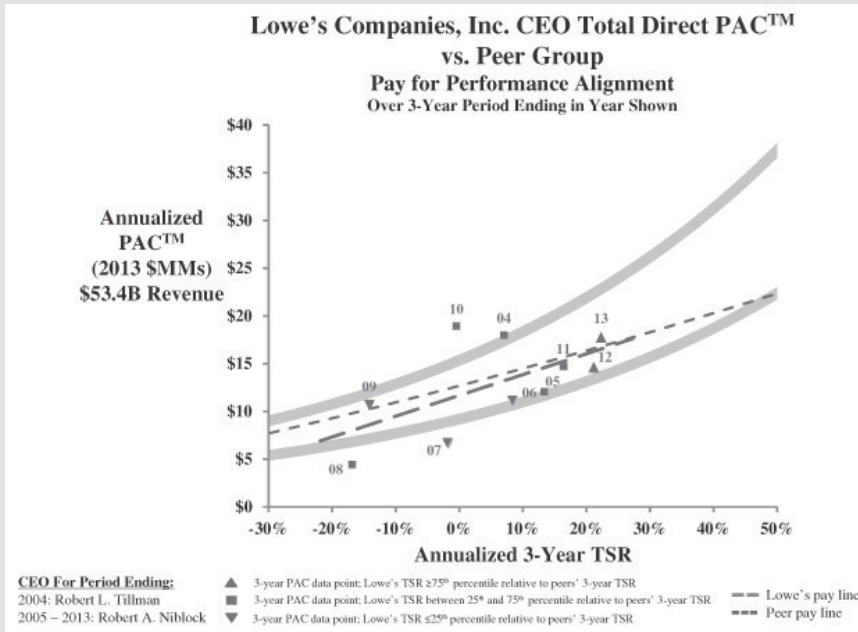
[DEF 14A](#) filed on March 25, 2014



Additional Graphs (Cont'd)

Disclosure Examples

Lowe's Companies (LOW)
[DEF 14A](#) filed on April 4, 2014



Simon Property Group (SPG)
[DEF 14A](#) filed on April 10, 2014



Companies increasingly are using their proxies to communicate and inform – not just “disclose.” Given the length of these documents and the fact that most investors will not read 50+ pages, companies are using supplemental charts and graphs, summaries, navigational tools, section headings and subheadings, page headers and footers, checklists, timelines, call-out boxes and other visual aids to break up dense text and try to focus readers on their key messages.

ATTRIBUTION

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Report Partner

RR DONNELLEY

RR Donnelley assists over 1,900 U.S. companies with various aspects of proxy statement design, printing, filing and dissemination. This provides us a unique window into issuer concerns and objectives, as well as what is driving companies to evolve their proxies from traditional SEC 14a compliance documents to more visually inviting and compelling communications pieces. Oft-cited concerns include the growing length of proxies (which over the past decade have ballooned from an average of 30 pages to 70 or more), related concerns that increased length is contributing to declining readership, and the influence of proxy advisors and the relative degree investors rely on these third party analyses versus the company's disclosures.

Driving this evolution are feedback from investors and insight into their informational needs versus SEC disclosure requirements, the intense focus on executive compensation, and the need to tell a clear compensation story driven in large part by annual Say on Pay votes.

This has led to a very positive period of experimentation and creativity in proxy disclosures, use of plain English, proxy summaries and CD&A executive summaries, more graphical and tabular content that highlights key data more impactfully than traditional textual disclosure, and improved navigation to key content.

To ensure our advice and recommendations help make the proxy a more digestible and relied-upon document by investors, over the summer and fall of 2013 RR Donnelley conducted a broad-based survey of institutional investors on how they use proxy statements. Among other facts validated by the survey, compensation is the paramount issue of concern and scrutiny, and the CD&A (or CD&A executive summary) is the most carefully read section of the proxy and the first destination for the majority of investors.

About RR Donnelley

RR Donnelley (Nasdaq: RRD) is a global provider of integrated communications. The company works collaboratively with more than 60,000 customers worldwide to develop custom communications solutions that reduce costs, drive top-line growth, enhance ROI and increase compliance. Drawing on a range of proprietary and commercially available digital and conventional technologies deployed across four continents, the company employs a suite of leading Internet based capabilities and other resources to provide premedia, printing, logistics and business process outsourcing services to clients in virtually every private and public sector.

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