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Proxy Disclosure Tips on COVID-Related Compensation Decisions

Presentation for:
Executive Compensation Academy
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Presentation by:
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Housekeeping: Questions

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- Questions during this presentation
  - We encourage questions (even though your audio lines are muted)
  - To submit a question, simply type the question in the blank field on the right-hand side of the menu bar and press return
  - If time permits, your questions will be answered at the end of this presentation. And if there is insufficient time, the speaker will respond to you via e-mail after this presentation

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About Anthony “Tony” Eppert

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- Tony practices in the areas of executive compensation and employee benefits
- Before entering private practice, Tony:
  - Served as a judicial clerk to the Hon. Richard F. Suhrheinrich of the United States Court of Appeals for the Sixth Circuit
  - Obtained his LL.M. (Taxation) from New York University
  - Obtained his J.D. (Tax Concentration) from Michigan State University College of Law
    - Editor-in-Chief, Journal of Medicine and Law
    - President, Tax and Estate Planning Society

Upcoming 2020 & 2021 Webinars

- 2021 webinars:
  - Proxy Disclosure Tips on COVID-Related Compensation Decisions (2/11/21)
  - Executive Compensation Clawbacks: A Robust Analysis of Design Features (3/11/21)
  - Finding Value: How to Negotiate Compensatory Economic Drivers in a Change in Control Transaction (4/8/21)
  - Is a Global Employment Company the Solution to Help Manage Internationally Mobile Employees? (5/13/21)
  - Training Course on Designing an Equity Incentive Plan (6/10/21)
  - Training Course on Stock Option Awards and Stock Appreciation Rights (7/8/21)
  - Training Course on Restricted Stock and Restricted Stock Unit Awards (8/12/21)
  - Preparing for Proxy Season: Start Now (Annual Program) (9/9/21)
  - How to Properly Hire and Fire an Executive Officer (10/14/21)
  - A Review of Unique Non-Employee Director Compensation Arrangements (11/11/21)
  - Thoughts on Maximizing the Deductibility of Compensatory Arrangements (12/9/21)

Sign up here: https://www.huntonak.com/en/insights/executive-compensation-webinar-schedule.html

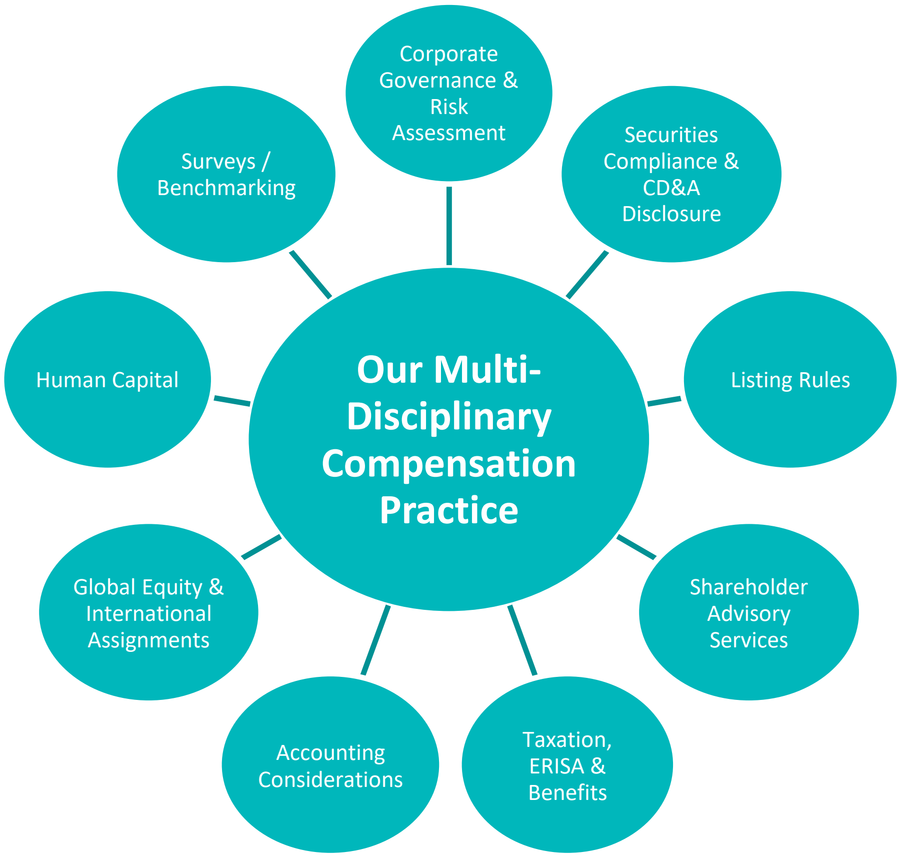
Our Compensation Practice – What Sets Us Apart

- Compensation issues are complex, especially for publicly-traded issuers, and involve substantive areas of:
  - Tax,
  - Securities,
  - Accounting,
  - Governance,
  - Surveys, and
  - Human Resources

- Historically, compensation issues were addressed using multiple service providers, including:
  - Tax lawyers,
  - Securities/corporate lawyers,
  - Labor & employment lawyers,
  - Accountants, and
  - Survey consultants

Our Compensation Practice – What Sets Us Apart (cont.)

- The members of our Compensation Practice Group are multi-disciplinary within the various substantive areas of compensation. As multi-disciplinary practitioners, we take a holistic and full-service approach to compensation matters that considers all substantive areas of compensation



Our Compensation Practice – What Sets Us Apart (cont.)

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- Our Compensation Practice Group provides a variety of multi-disciplinary services within the field of compensation, including:

Traditional Consulting Services

- Surveys
- Peer group analyses/benchmarking
- Assess competitive markets
- Pay-for-performance analyses
- Advise on say-on-pay issues
- Pay ratio
- 280G golden parachute mitigation

Corporate Governance

- Implement "best practices"
- Advise Compensation Committee
- Risk assessments
- Grant practices & delegations
- Clawback policies
- Stock ownership guidelines
- Dodd-Frank

Securities/Disclosure

- Section 16 issues & compliance
- 10b5-1 trading plans
- Compliance with listing rules
- CD&A disclosure and related optics
- Sarbanes Oxley compliance
- Perquisite design/related disclosure
- Shareholder advisory services
- Activist shareholders
- Form 4s, S-8s & Form 8-Ks
- Proxy disclosures

Design/Draft Plan

- Equity incentive plans
- Synthetic equity plans
- Long-term incentive plans
- Partnership profits interests
- Partnership blocker entities
- Executive contracts
- Severance arrangements
- Deferred compensation plans
- Change-in-control plans/bonuses
- Employee stock purchase plans
- Employee stock ownership plans

Traditional Compensation Planning

- Section 83
- Section 409A
- Section 280G golden parachutes
- Deductibility under Section 162(m)
- ERISA, 401(k), pension plans
- Fringe benefit plans/arrangements
- Deferred compensation & SERPs
- Employment taxes
- Health & welfare plans, 125 plans

International Tax Planning

- Internationally mobile employees
- Expatriate packages
- Secondment agreements
- Global equity plans
- Analysis of applicable treaties
- Recharge agreements
- Data privacy

Purpose of this Presentation

- The purpose of this presentation is to help publicly-traded issuers prepare for the upcoming proxy season with respect to their proxy disclosure of COVID-related compensation decisions taken in 2020

ISS Perspective on COVID-19 Pay Actions

- On October 15, 2020, ISS released U.S. Compensation Policies and the COVID-19 Pandemic Frequently Asked Questions
  - The purpose is to provide general guidance on pay-for-performance qualitative evaluation in light of pay decisions resulting from COVID-19
  - Conceptually, the qualitative evaluation will take into account the impact of COVID-19 on the issuer's operations

- Pursuant to the above FAQs:
  - Temporary reductions in salary will have little mitigating weight unless such reduction also works to decrease targeted incentive payout opportunities
  - Addressing annual incentives, an issuer's changes to metrics, performance targets and measurement periods, or a suspension of the foregoing in lieu of a one-time discretionary payment, may be considered by ISS as a reasonable response to COVID-19 so long as the justifications and rationale are clearly disclosed and the resulting outcome is reasonable. Disclosures that will help ISS determine reasonableness include:
    - The challenges the issuer faced as a result of COVID-19, and how such challenges rendered the original program design obsolete or impossible to achieve, and too, the disclosure should address how such changes are not reflective of poor management performance
    - If the issuer made mid-year changes instead of going the route of a 1x discretionary award, the disclosure should explain why such approach was taken and how such was in the best interests of the shareholders
    - Performance-based considerations with respect to 1x discretionary awards should disclose the underlying criteria even if not based on original metrics or targets. Descriptions such as "strong leadership" are not likely sufficient

ISS Perspective on COVID-19 Pay Actions (cont.)

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- [Cont. from prior slide] Pursuant to the above FAQs:
  - Discuss how the resulting payouts reflect both executive and issuer annual performance. There should be a comparison to what would have been earned under the original program had COVID-19 not occurred
  - With respect to changes to equity or long-term incentive awards, any changes to programs currently outstanding will generally be viewed negatively
  - Bonuses and 1x awards for the purpose of retention should contain a long-term performance-based vesting condition with contingencies to avoid windfall scenarios if the executive's employment is terminated
  - For issuers who received less than 70% support on their say-on-pay proposal in the prior proxy season, ISS typically would be looking to see whether the issuer was responsive to the "low" vote by reviewing 3 factors: (i) disclosure of shareholder engagement efforts, (ii) disclosure of feedback from dissenting shareholders, and (iii) actions or changes the issuer undertook in response to shareholder concerns (among other things). But in the COVID-19 environment:
    - ISS will pass on (iii) if the issuer discloses how COVID-19 impeded its ability to address such concerns, and the issuer discloses it long-term plans for addressing shareholder concerns

Reduction in Compensation

- The issuer reduced the cash compensation paid to its NEOs for the purpose of preserving capital. Such can take a variety of forms, including:
  - Reduction or elimination of base pay
  - Deferral of bonuses
  - Reducing or eliminating cash in exchange for equity awards

- Examples of reducing or eliminating base pay
  - *In light of the significant financial impact of the coronavirus pandemic on the Company, Mr. _____ and Mr. _____ waived their base salaries for the period from [_____] to [_____]. The Company's NEOs are anticipated to receive base salary cuts of [___]% effective on or about [_____] to [_____], while other officers are expected to receive base salary cuts of [_____]-[_____]% in the same period. The extent and duration of these reductions will be approved and reassessed by the Committee as the situation evolves.*

- Another example of reducing or eliminating base pay
  - *. . . in an effort to cut costs to combat the devastating impact of the COVID-19 virus on the business, the Compensation Committee agreed to temporary reductions of base salary by 50%, 50%, and 25%, respectively.*

Reduction in Compensation (cont.)

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- [Cont. from prior slide] Examples of reducing or eliminating base pay
  - *In early [_____], the Committee met to make decisions related to our NEOs' base salaries and long-term incentive opportunities and approve the funding goals for 2020 under our Annual Cash Incentive Compensation program. At this meeting, based on the uncertainty being created by COVID-19, the Committee decided to defer making any decisions with respect to these matters. On [_____], the Committee accepted the recommendation of CEO to temporarily reduce his base salary to $0 and to temporarily reduce the base salaries of the other NEOs by between [_____] and [_____]%, in light of the impact of the COVID-19 pandemic on the Company's business operations.*

Reduction in Compensation (cont.)

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- Examples of deferral of bonuses
  - Footnote to the Nonequity Incentive Plan Compensation column of the Summary Compensation Table: *The amounts reported in this column represent annual cash bonus awards payable under our annual cash incentive program. [_____]% of the awards for the prior fiscal year were paid in [_____], while the remaining [_____]% will be paid promptly following our CEO's determination that the effects of the novel coronavirus (COVID-19) have subsided, but no later than [_____].*
  - *In addition, because of the impact of the COVID-19 pandemic, Mr. [_____] requested that the Committee pay his approved bonus at such time as the Committee determines, in its sole discretion, that the market conditions in which the Company operates have improved. The Committee has determined that in no event will Mr. [_____]'s bonus be paid later than [_____].*

Reduction in Compensation (cont.)

- Examples of reducing overall compensation
  - *In [_____], as a result of the coronavirus (COVID-19) situation and associated economic impact to the Company, non-employee directors volunteered to reduce their annual fee rate. The aggregate reduction in fees for the group totals approximately [_____]%*
  - *In light of the unprecedented impact of the Coronavirus (COVID-19), the Board of Directors approved a furlough of a substantial number of store, wholesale and home office employees for 60 days beginning [_____]. In connection with the furlough, the Board of Directors also approved a [_____]% reduction in executive compensation for the length of the furlough.*

Actions with Respect to Annual Incentives

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- Reduced bonus to 0% even though performance measure was achieved to some degree and even though the executives exhibited strong leadership:

The Compensation Committee reviewed the overall operating results of the Company in fiscal 2020, evaluating them against the bonus plan performance ranges developed by the Committee early in the fiscal year. The Compensation Committee elected to make adjustments to financial performance to exclude non-recurring items, but did not make any adjustments related to the impact of COVID-19.

Based on these results, the weighted financial performance factor was 21% in fiscal 2020 compared to a factor of 173% in fiscal 2019. Adjusted after-tax free cash flow performance of $4,399 million was the only metric above the threshold. Adjusted segment operating income ($8,108 million), adjusted return on invested capital (3.6%) and adjusted EPS ($2.02) were all below the threshold and resulted in 0% payout. Additional detail regarding the performance of the Company is set forth in the Proxy Summary beginning on page 3 and our Annual Report on Form 10-K for fiscal 2020.

With respect to the other performance factors, the Committee recognized the extraordinary leadership of the NEOs during very challenging and uncontrollable circumstances, as well as the strong performance of our DTC services. The Committee recognized the accomplishments of the NEOs during unprecedented times, including [listing of accomplishments redacted]:

While this performance against financial performance and other performance factors would have resulted in a bonus for the NEOs, and the Compensation Committee recognized their strong leadership amidst incredible challenges, management and the Compensation Committee believe that in light of circumstances this year, that no bonus should be made to NEOs. Therefore, the Compensation Committee determined to not pay a bonus to NEOs with respect to fiscal 2020.

Actions with Respect to Annual Incentives (cont.)

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- Example where the Compensation Committee exercised positive discretion:

Based on management's considerable contributions during the year, the Compensation Committee established a range of PIP funding it felt was appropriate in light of management's performance, and after thorough consideration, set funding well below target at 75% (compared to the 18% funding level that would have been achieved under the PIP formula), as discussed beginning on page 34.

[Later in the proxy]
Based on its review, the Compensation Committee concluded that the contributions by BD executives in the key resilience areas were substantial, and that through management's efforts, BD's performance exceeded the internal forecast set in April. The Compensation Committee recognized, however, that shareholders and other stakeholders were meaningfully impacted by BD's financial performance this year.

In consideration of management's superior performance and the alternative funding scenarios discussed above, the Compensation Committee determined that funding in the range of 70% to 85% of target would be appropriate for the significant level of performance achieved. The Compensation Committee decided, though, to set the funding factor towards the lower end of this range at 75% to account for the negative impact of the COVID-19 pandemic on BD's shareholders and other stakeholders. The Compensation Committee believed this funding level struck a fair balance of rewarding BD executives for their critical efforts in responding to the unprecedented disruption caused by COVID-19, while not insulating them from the financial impact of the pandemic.

Actions with Respect to Annual Incentives (cont.)

- Increasing the weighting for individual performance or reset individual goals:

During fiscal year 2020, the Compensation Committee considered the impact of COVID-19 on our executive compensation program by reference to the principles of the program, including pay for performance, alignment with stockholders' interests, and motivation and retention of key talent, which includes maintaining a program that is a fair reflection of corporate and individual performance.

In light of these considerations and the unique and unforeseen challenges posed by COVID-19, the Compensation Committee considered the appropriate allocation between corporate and individual performance in the annual incentive plan design for fiscal year 2020. Following the start of the global pandemic, our NEOs were necessarily focused on individual operational goals and on leading Visa and our employees through the significant impact of COVID-19. These updated priorities, including keeping employees safe, engaged, and motivated; securing the integrity of our network; delivering high quality client service and support; advancing ESG initiatives; maintaining liquidity; and continuing to pursue Visa's long-term strategy, drove the NEOs' actions in the second half of the fiscal year and would define their success during this period. As a result, in consultation with FW Cook, in August 2020 the Compensation Committee placed more emphasis on individual performance in the annual incentive plan for fiscal year 2020 by increasing the weighting of the individual performance component to 50% for all of our NEOs, from last year's weighting of 20% for our Chairman and Chief Executive Officer and 30% for the other NEOs. The individual performance goals for our NEOs were also updated in April 2020 to reflect changing business priorities and the extraordinary circumstances caused by COVID-19, and to ensure that our NEOs remain focused on the well-being of our employees, clients, and the communities in which we operate. Additional information regarding individual performance goals is available under the heading Fiscal Year 2020 Compensation – Individual Performance Goals and Results for Fiscal Year 2020.

The Compensation Committee did not modify the corporate performance goals that were established at the beginning of the fiscal year, prior to the onset of COVID-19, for the annual cash incentive plan or outstanding performance share awards. As a result, the portion of the annual cash incentive plan that relates to fiscal year 2020 Net Income Growth and Net Revenue Growth resulted in no annual incentive payment to our NEOs. Similarly, one-third of each outstanding performance share award held by our NEOs resulted in a fiscal year 2020 Earnings Per Share ("EPS") performance factor of 0%.

Actions with Respect to Annual Incentives (cont.)

- Example of lowering threshold in order to achieve performance:

In accordance with regular practice, in December 2019 the Compensation Committee established the fiscal year 2020 metrics for funding the Company's management bonus plan ("MBP"), which is the annual cash incentive plan applicable to approximately 900 employees, including our executive officers. The metrics were consistent with fiscal year 2019 and consisted of distributable income (70% weighting), revenue (15% weighting) and new business awards (15% weighting). The goals for each metric were established at threshold, target, and superior levels based on the Company's projected fiscal year 2020 outlook.

In the wake of the COVID-19 pandemic, the Compensation Committee reviewed the goals to determine whether the MBP appropriately aligned compensation opportunities with the revised fiscal year 2020 guidance we communicated to investors and publicly disclosed in May 2020. As a result of the review, in June 2020, the Compensation Committee determined to revise the threshold, target, and superior goals for the distributable income metric using information including results from the first half of the year and projections for second half distributable income, in line with guidance issued publicly with our second quarter earnings. Goals for the other two metrics, revenue and new business awards, were not adjusted.

The revised goals for this metric reflected the fact that the Company had to deploy significant resources to maintain its operations and support key customers throughout the pandemic and incentivize employees to continue their efforts to help the Company in the areas of employee and client safety, alternative work arrangements, and temporary new business awards related to assisting government clients with pandemic-related needs, including unemployment services, call centers, and contact tracing. However, to ensure that the goal adjustment would not have an excessive impact on MBP funding, the Compensation Committee also capped the maximum MBP pool amount at the amount that would have been funded had the Company achieved the target level of performance under the pre-pandemic goal levels.

The Compensation Committee believes the goal revision was necessary to incentivize and align employees and executives with the drivers of shareholder value for fiscal year 2020 given the business disruption from the pandemic. The Compensation Committee approved the revised targets in June 2020 and believes these were consistent with our internal business plan.

Actions with Respect to Annual Incentives (cont.)

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- Example of excluding COVID from performance:

In the second quarter of fiscal 2020, our top priorities were to make our workplaces the safest place for employees outside of their own home and to do our best to meet the production needs of our customers, including their demand for medical devices and other products directly combatting the effects of the pandemic. Our efforts to keep employees safe involved developing new practices, including personal protective equipment requirements, social distancing measures, decontamination, and contact tracing on a global scale, which we continue to monitor and improve. As a result of prioritizing these efforts, [_____] had success in mitigating the spread of COVID-19 at its sites and in meeting the needs of customers and communities. However, progress toward the transformation cost reduction objective was impacted by our need to incur costs to keep employees safe and to make other changes to our facilities to be responsive to customers. Progress toward the zero defects objective, which involved training to be conducted in person, was delayed by travel restrictions and health and safety guidelines established by the Centers for Disease Control, World Health Organization, and state and local governments. Because these impacts from COVID-19 were not within the control of our executive officers, the Committee excluded them from its determination of whether the shared individual objectives were achieved at a satisfactory level. As a result, all executive officers were awarded an 88% payout of the personal objectives portion of the VICP, or a 17.6% payout versus the target of 20% for individual objectives.

Actions with Respect to Annual Incentives (cont.)

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- Example of making no adjustments for COVID:

Annual Cash Incentives. As described in more detail under "Annual Cash Incentives" beginning on page 35, our corporate performance for our annual cash incentive is adjusted to reflect predefined adjustment events, which, for fiscal 2020, resulted in the exclusion of all financial impacts related to the [_____] acquisition, among other adjustments. We did not adjust our performance measures or goals which were set at the beginning of fiscal 2020 as a result of the COVID-19 pandemic. Accordingly, primarily as a result of the adverse impact of the COVID-19 pandemic on our fiscal 2020 financial results, the corporate performance payout for our fiscal 2020 annual cash incentives was only 30.7% of target:

One-Time Awards

- Bonus column of the Summary Compensation Table contained:
  - *For fiscal 2020, represents bonus paid to [_____] in recognition of his outstanding leadership and performance during the COVID-19 pandemic as the leader of our [_____] Division.*
  - *In addition, to recognize Ms. [_____]'s extraordinary efforts and achievements leading the Company through the COVID-19 pandemic, the Compensation Committee also awarded her a special bonus of $500,000.*

- Granted special restricted stock awards
  - *In July 2020, the Compensation Committee made special restricted stock awards to the Named Executive Officers, with a 15-month vesting schedule, in recognition of the extraordinary efforts and sacrifices they made in leading the Company during the COVID-19 pandemic. These awards were extraordinary grants, which were not intended to be counted against executives' target compensation or to offset the amount of their voluntary salary reductions.*

Risk Management

- An example highlighting the Board’s risk management:

From the outset of the pandemic, the Board was focused on its oversight and risk management responsibilities. We met every week between March 13 and June 5, then every other week or as needed, to receive reports from our executive leadership about management’s response to the pandemic, working conditions for our employees, and the effect on the Company’s operations and sales. We are tremendously proud and grateful to our employees who have worked tirelessly to keep our operations running throughout the crisis and maintain a stable food supply for our country. Additionally, the pandemic has demonstrated without a doubt that we have the most dedicated and conscientious management team in the industry. Their commitment to the safety and welfare of our employees has never wavered. At the same time, they have done an outstanding job of leveraging the flexibility of our operations to shift the Company’s production to serve customers experiencing significant changes in demand for poultry products. The Board is grateful for the team’s leadership, stamina, and resolute focus on building long-term shareholder value while adhering to our core value of respect for every member of our team.

ESG – Worker Safety

- Within an Environmental and Social Governance Section:

Workforce-focused initiatives we took in response to the COVID-19 pandemic include:

  - *Implementing a COVID-19 Task Force focused on assisting associate needs during the pandemic*
  - *Establishing a COVID-19 Relief Fund to assist associates adversely affected by the COVID-19 pandemic; relief funds raised from voluntary contributions from associates with donations matched by the company dollar-for-dollar up to a total of $50,000*
  - *Waiving associate cost-sharing for COVID-19 testing and treatment for certain health plan members across the US*
  - *Providing a COVID-19 allowance to all frontline associates and contingent workers and bonus to all frontline associates and contingent workers in our fiscal 2020 fourth quarter*
  - *Offering large-scale technical support and various resources to enable associate work-from-home when possible*

ESG – Worker Safety (cont.)

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- Another issuer disclosed the safety of its employees as follows:

After the emergence of the pandemic, we took numerous actions to preserve our workforce, maintain their engagement with us, and encourage adaptation to a “new normal.” Below are some of the actions we took in response to the pandemic. We are continuing these initiatives and monitoring the need for additional measures, as the pandemic continues in fiscal 2021.

  - *Immediately organized and empowered a COVID-19 task force led by executive management, which continues to meet daily;*
  - *Early engagement of medical management resources to advise on infection control procedures;*
  - *Monthly or bi-monthly company-wide town halls led by our Executive Leadership Team since early 2020 to ensure all employees receive the same information about how we are responding to the pandemic and have the opportunity to ask questions;*
  - *COVID-19 resource page on our intranet and a dedicated email box for questions relating to COVID-19, which is monitored by our COVID-19 task force;*
  - *Anonymous “pulse” surveys across one-third of our employee population to monitor employee concerns;*
  - *Reallocated underutilized personnel to other functions to enable us to maintain productivity levels and meet liquidity goals, while maintaining employees’ engagement with us;*
  - *Company-wide availability of personal protective equipment (PPE);*
  - *Remote working arrangements, where practicable; and protocols for reducing employee population density, social distancing and disinfecting high-touch areas, work surfaces and equipment;*
  - *Contact tracing and quarantines; return-to-work protocols; and*
  - *Travel restrictions and cancellation of in-person meetings.*

Deviations from Performance Metrics

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- Forward looking statement
  - Following tabular disclosure within the CD&A on the annual incentive plan and its performance measurement categories: *The Committee approved the foregoing categories and specific goal targets in [_____] during the COVID-19 outbreak. In light of the changing business environment, the Committee may re-evaluate the categories and targets, as appropriate.*
  - *The Compensation Committee established the performance targets without the benefit of being able to consider the more recent developments regarding the COVID-19 pandemic. We will continue to monitor and assess the potential impact on our business operations. As a result, the Compensation Committee may exercise its discretion to adjust the performance targets as appropriate.*

Proposals for Equity Plan Amendments

- Incorporating COVID as a rationale for increasing the share reserve
  - *As of the Effective Date, the total number of shares of Common Stock remaining available for grant under the Incentive Plan was approximately [_____] shares. Based on estimated usage, depending on a variety of factors, including the extreme conditions caused by the COVID-19 pandemic, the Compensation Committee anticipates depleting the remaining shares currently available for grant under the Incentive Plan within one year. In order to continue to have an appropriate supply of shares available for grant for future equity awards to recruit, hire and retain the talent required to successfully execute our business plans, the Company is asking the Shareholders to approve the amendment to increase the number of shares available for grant under the Incentive Plan by [_____] shares. In addition to meeting routine equity incentive grant needs, the Compensation Committee believes the [_____] additional shares are necessary to replenish the amount of shares available under the Incentive Plan after the Company hired Mr. [____], and for use to ensure adequate long-term incentives exist for our employees given the decrease in the Company's share price during this unprecedented global pandemic and resulting economic and market shocks. Depending on a variety of factors, including the extreme conditions caused by the COVID-19 pandemic, the Compensation Committee believes that the additional [_____] shares requested in the amendment will provide the Compensation Committee with sufficient shares for our equity compensation program for approximately 2 years. If the amendment is not approved by the Shareholders, awards will continue to be made under the Incentive Plan as currently in effect to the extent shares are available.*

Proposals for Equity Plan Amendments (cont.)

- Another example of incorporating COVID as a rationale for increasing the share reserve
  - *When our stockholders last increased our share authorization in 2018, we had anticipated that the authorized shares would be sufficient to last through the date of our upcoming annual stockholders meeting. However, given the current global macroeconomic conditions, including the unprecedented disruption resulting from the COVID-19 pandemic, and the significant recent decline in the price of our common stock, the Board of Directors has determined that it is advisable to increase the share reserve under the Equity Plan at this time in order to ensure that we have sufficient flexibility to make equity-based awards over the next three fiscal years in amounts determined appropriate by the Compensation Committee of the Board of Directors and also to allow us the discretion to adjust our grant practices in ways that promote retention and align the interests of key employees with those of our stockholders but could deplete our current share reserve more rapidly than originally anticipated.*

Pay Ratio and the Median Employee

- It is likely that a new median employee will be required
  - Such is required every three years (unless certain circumstances require an earlier change), and 3 years has passed since the pay ratio rules were implemented
  - For those that have been disclosing pay ratio less than 3 years, a new median employee may still be required due to employee population disruption and changes to compensatory arrangements cause by COVID

Don’t Forget Next Month’s Webinar

- Title:
  - Executive Compensation Clawbacks: A Robust Analysis of Design Features
- When:
  - 10:00 am to 11:00 am Central
  - March 11, 2021