September 2024

2024 Top 250 Annual Incentive Plan Report

FW COOK

2024 TOP 250 ANNUAL INCENTIVE PLAN REPORT

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EXECUTIVE SUMMARY

FW Cook's 2024 Annual Incentive Plan Report provides a comprehensive review of the annual incentive plans of the top 250 largest companies in the S&P 500 by market capitalization. Annual incentive plans are critical tools used to align executive compensation with a company's short-term goals and support talent attraction, motivation and retention objectives. This report examines trends in financial and non-financial metrics, goal-setting practices, and actual payouts, comparing findings over 2-year and 5-year periods, which coincide with our 2022 and 2019 reports. ESG trends are analyzed based on findings from the last 3 years, corresponding with FW Cook's 2023 and 2022 Use of ESG in Incentive Plans Reports.

Please note that while this report references 2024 as the publication year, it primarily reflects 2023 compensation practices. Similarly, references to 2023, 2022 and 2019 publication years correspond to 2022, 2021 and 2018 compensation practices, respectively.

Plan Design

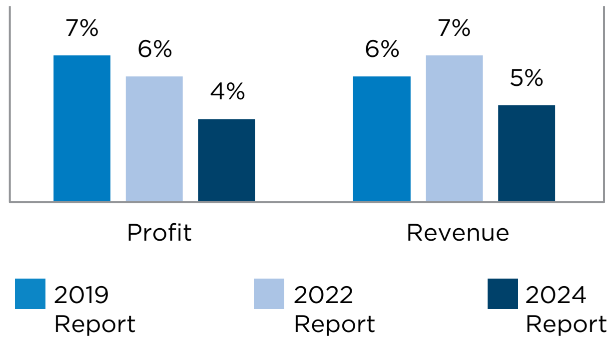
- **Increased Use of Formulaic Plan Design:** 93% of the top 250 companies use a formulaic annual incentive plan design with predetermined metrics and weightings, up from 88% in 2022 and 83% in 2019. Formulaic plans are preferred by proxy advisory firms and shareholders as they provide a clear link between pay and performance.
- **Multiple Measures are Common:** Companies continue to use multiple financial measures in annual incentive plans, with 64% of companies using two or three financial measures in 2024. We observe a growing trend of companies using a scorecard approach of four or more metrics to measure performance. A multiple-metric approach provides a balanced performance assessment and mitigates the risks associated with reliance on a single measure.
- **Profitability measures continue to be the most common and have the highest weightings:** Companies prioritize profitability measures, which are typically weighted 50%. Profitability is most often paired with a revenue measure. These measures are frequently communicated to investors and are critical indicators of a company's financial health and growth potential, making them highly relevant for annual incentive plans. The average weightings for all measures have remained relatively stable over a 2- and 5-year period.
- **Non-financial measures remain common and critical:** The use of non-financial measures continues to be a significant component of annual incentive plans, with 79% of companies incorporating them in 2024, consistent with prior years. While overall weighting remains stable at ~20%, there is a noticeable shift away from individual performance measures toward team-wide strategic initiatives (67% in 2024, up from 42% in 2019).
- **Individual performance metrics are most commonly incorporated as modifiers as opposed to standalone weighted measures:** The use of individual performance weighted measures decreased from 47% in 2019 to 36% in 2024, while the use of individual performance modifiers increased from 46% in 2022 to 64% in 2024.
- **ESG measures remain prevalent, but areas of focus have shifted:** 77% of the top 250 companies included ESG measures in some form in their annual incentive plans in 2024, an increase from 73% in the prior year. However, the focus within ESG is shifting, with a decline in the prevalence of Diversity & Inclusion measures (73% in 2024, down from 79% in 2022) and slightly increased emphasis on Environmental & Sustainability (62%) and Human Capital & Culture (63%) metrics. This trend suggests that while companies are maintaining their commitment to ESG, they may be reassessing and adjusting the specific areas of focus.
- **Payout ranges remain consistent with prior years, other than a slight uptick in 0% threshold payouts:** Maximum payouts ranges remain largely stable, commonly set at 200% of target and used by ~70% of companies in 2024, consistent across the past three studies. However, there is a growing trend in threshold payouts, with 0% threshold payouts steadily increasing since 2019, reaching 37% in 2024. This trend suggests that companies are increasingly building in more downside protection for below-target performance.

EXECUTIVE SUMMARY

Goal-Setting

- **Most companies set more challenging target goals in 2023 relative to prior year actual results:** In 2023, profit targets were set 4% higher than the actual profit performance in 2022, and revenue targets were set 5% higher than the actual performance of 2022. This approach is slightly more conservative compared to the goal setting observed in prior reports, reflecting a more cautious approach amid potential uncertainty. Setting targets above prior year actual performance is becoming a growing area of scrutiny from proxy advisors, who evaluate goal-setting rigor as part of their qualitative review of executive compensation plans.

Target Goal Compared to Prior Year Actual Performance (Median)



- **Threshold and maximum goal-setting performance ranges remain tied to confidence in forecasting accuracy:** Performance ranges around target (threshold to maximum) remained generally consistent in 2024 vs. prior studies. Median performance range for profit metrics was -10% at threshold to +10% at maximum (as a % of target). For revenue, threshold goals were set at -6%, and maximum goals at +5%. For cash flow measures, threshold and maximum were set at -18% and +15%. The width of the performance range is directly tied to the level of confidence management has in the goals they set. Narrower ranges suggest a higher degree of confidence, whereas companies will often widen ranges if they predict more potential volatility in financial performance in the year ahead. Performance ranges should be set with a realistic view of operational performance, ensuring that targets are set at challenging but achievable levels.

	Median Goal as a % of Target	
	Threshold	**Maximum**
Revenue	-6%	5%
Profit	-10%	10%
Cash Flow	-18%	15%

Plan Payouts

- **A majority of company payouts exceeded target performance in 2023:** 2023 was a strong year for the Top 250 companies as they recovered from a volatile 2022 during which median TSR was -7%. In 2023, top-line and bottom-line growth were positive, each increasing by 7% year-over-year, and median TSR was +16%. The median CEO annual incentive payout was 127% of target, which aligns with overall company performance. Notably, the median CEO payout exceeded 100% of target across all industry sectors, reflecting that companies generally met or exceeded their performance goals for the year.

Top 250 Median			
FYE Annual Growth		Annual TSR as of 12/31/2023	CEO Bonus Payout as a % of Target
Total Revenue	Op. Income		
7%	7%	16%	127%

INTRODUCTION

Overview and Background

This report presents information on annual incentive plans for executives at the 250 largest U.S. companies in the S&P 500 Index. It is intended to inform boards of directors and compensation professionals when designing and implementing effective annual incentive programs that motivate short-term success for their companies by supporting strategic objectives and aligning pay delivery with performance. The report covers the following topics:

- Annual incentive measures, including the number of financial measures, types and weighting of measures, and use of modifiers.
- Annual incentive goal setting, including setting target goals relative to the prior year actual performance, distribution of target goals, and performance ranges (in relation to target).
- Actual annual incentive payouts as a percent of target payout for the latest fiscal year.

Source of Data

All information was obtained from public documents filed with the Securities and Exchange Commission and generally reflects programs in place during 2023. For companies with plans that vary by participant, the design in place for the CEO was used.

Top 250 Company Selection

The Top 250 U.S.-based companies were selected based on market capitalization as of April 30, 2024, as reported by S&P's Capital IQ (see the Appendix for a list of the companies reviewed). The following table profiles the industry sectors represented in the Top 250 for 2024, defined by the S&P Global Industry Classification System.

Industry Sector (# of companies)	**Percent of 2024 Top 250**	**Median Market Data ($Bil)**						
		4/30/2024 Market Cap.	**Fiscal Year-End (FYE)**		**FYE Annual Growth**		**Annual TSR[1] as of 12/31/2023**	**CEO Bonus Payout as a % of Target**
			Total Revenue	**Net Income**	**Total Revenue**	**Op. Income**		
Communication Services (9)	4%	$166.2	$88.9	$8.3	1%	8%	15%	114%
Consumer Discretionary (21)	8%	$59.8	$21.4	$4.1	10%	7%	16%	142%
Consumer Staples (21)	8%	$55.7	$35.2	$2.3	5%	10%	-2%	126%
Energy (16)	6%	$55.5	$26.9	$4.4	-16%	-25%	2%	140%
Financials (38)	15%	$69.3	$22.0	$3.5	7%	7%	18%	122%
Health Care (36)	14%	$87.2	$27.7	$2.9	7%	4%	1%	118%
Industrials (42)	17%	$61.0	$19.3	$1.9	8%	9%	22%	129%
Information Technology (35)	14%	$116.9	$15.5	$2.1	8%	9%	58%	106%
Materials (11)	4%	$40.4	$17.2	$1.4	-1%	-4%	21%	200%
Real Estate (10)	4%	$45.9	$6.1	$1.2	13%	15%	18%	128%
Utilities (11)	4%	$45.3	$21.7	$2.5	3%	10%	-1%	134%
Total Top 250 - Median	**—**	**$67.5**	**$20.6**	**$2.6**	**7%**	**7%**	**16%**	**127%**

Source: S&P Capital IQ

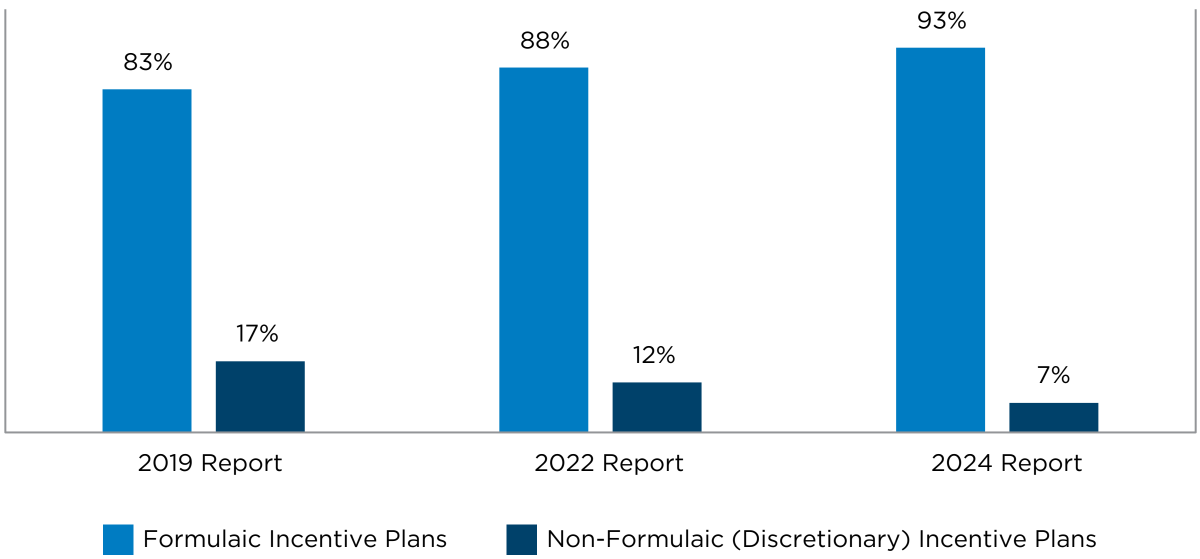
[1] TSR = Total Shareholder Return, a measure of stock price and dividend performance

PLAN TYPE

Of the top 250 companies, 93% use a formulaic annual incentive plan design with predetermined metrics and weightings, up from 88% in 2022 and 83% in 2019. Formulaic plans demonstrate a strong link between pay and performance and are generally preferred by proxy advisory firms and shareholders.

The remaining 7% of companies utilize non-formulaic (or discretionary) plans, which include any plans without predefined metrics and weightings. Examples of non-formulaic plans include completely discretionary bonus determinations, scorecards without specific weightings, or other plans with limited disclosure surrounding plan mechanics. Although payouts in these plans are determined by the Committee's subjective evaluation rather than calculated formulaically, most still consider company financial performance to ensure alignment between pay and performance.

Plan Type



The use of non-formulaic (or discretionary) incentive plans peaked during the pandemic when many companies stopped providing guidance to investors due to the challenges of forecasting financial performance. By 2024, most companies have reverted to a formulaic approach. However, some sectors, notably Financials (with 46% prevalence), continue to utilize discretionary plans to avoid compensation structures that could promote excessive risk-taking. This approach is often influenced by regulatory and governance frameworks that emphasize the need to manage compensation-related risks, especially in industries prone to financial volatility.

FINANCIAL MEASURES

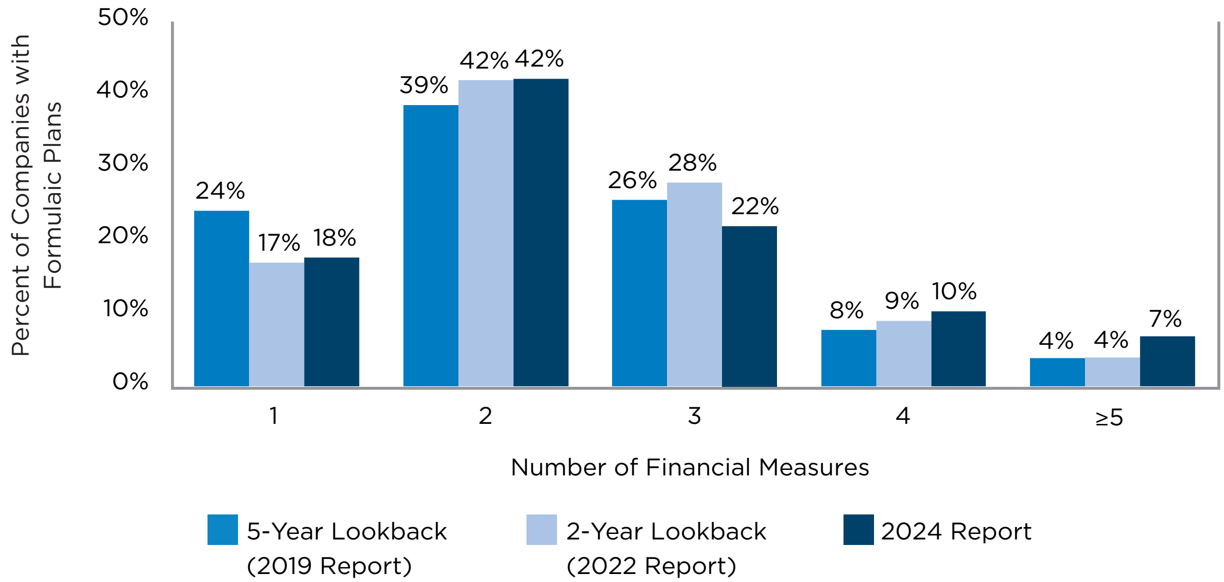
The choice and number of financial measures used in annual incentive plans highlight a company's internal and external priorities. Companies aim to select measures that provide clear visibility for participants to effectively motivate desired behaviors.

Number of Financial Measures

There is a continued trend towards using multiple measures, with 64% of companies incorporating two or three financial measures in the 2024 report. This is slightly lower than the 2022 report but remains the predominant practice.

Additionally, the number of companies using four or more financial measures has increased, now at 17% in 2024, up from 13% in 2022 and 12% in 2019. Using more metrics (referred to as a "scorecard" approach) captures a more holistic view of performance and protects executives from the impact of poor performance in any single area. However, companies should be mindful of the overall complexity of the annual incentive plan, as using too many financial measures could dilute participant focus and inhibit greater differentiation in payouts.

Prevalence of Number of Financial Measures



Note: Values may not add up to 100% due to rounding.

FINANCIAL MEASURES

Types of Financial Measures

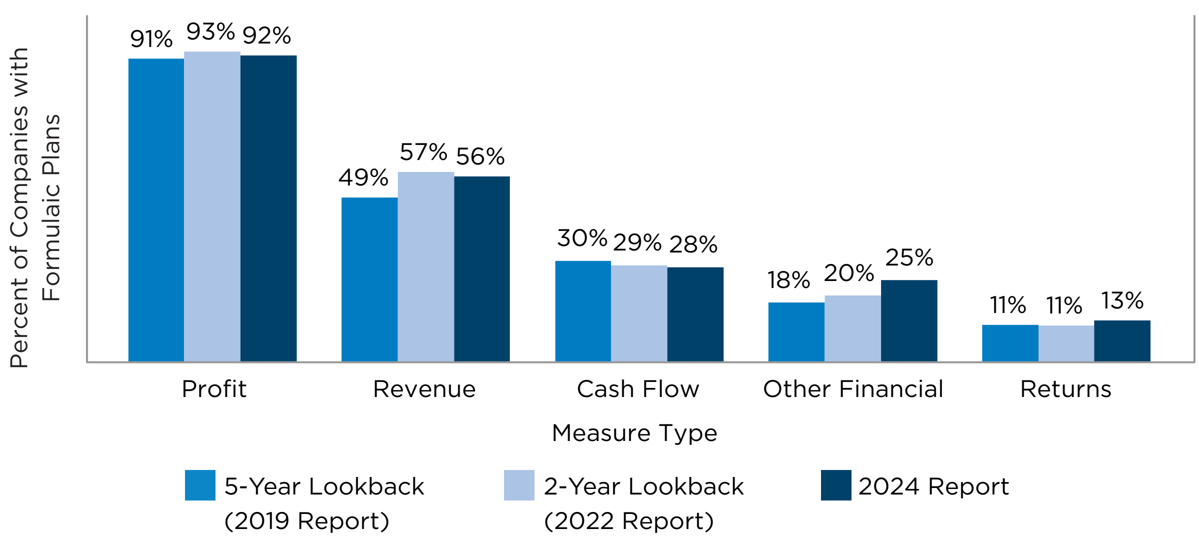
One of the challenges in designing effective annual incentive plans is selecting performance measures that align with key business objectives and motivate participant behaviors. Profitability measures remain the most common, with a prevalence of 92% in 2024, consistent with the 2022 and 2019 reports.

Revenue is the second most common financial measure, with its use generally increasing over the 5-year period from 49% in 2019 to 56% in 2024. The combination of revenue and profitability metrics provides a healthy tension between topline growth without sacrificing profitability and is the combination of measures most frequently used in tandem in annual incentive plans.

Cash flow metrics, such as free cash flow or operating cash flow, have shown little change in prevalence over the 5-year period (approximately 30%). Return measures like return on equity, assets, or capital have seen a slight increase. Return measures are more commonly found in long-term performance plans but remain prevalent in the annual incentive plans of certain sectors like Financials.

Additionally, Other Financial measures have increased to 25% in 2024, continuing the upward trend from 18% in 2019 to 20% in 2022, suggesting a more nuanced view of performance. This category primarily includes industry-specific financial indicators important to investors or companywide strategic priorities, such as cost reduction or inventory turns.

Prevalence of Financial Measure Types

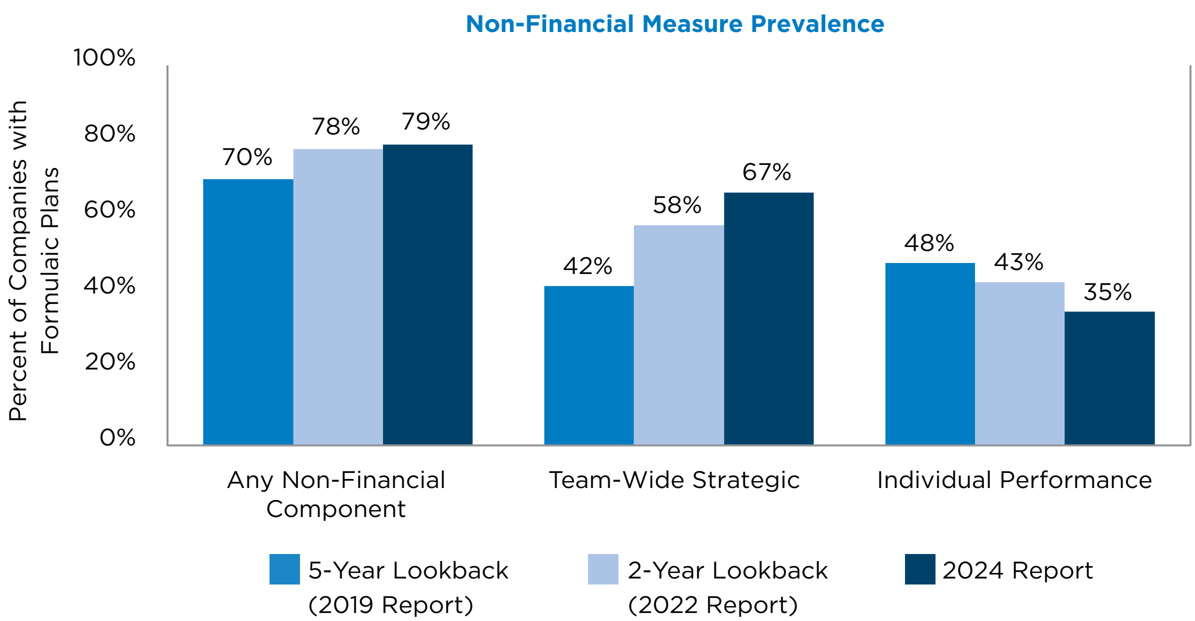


NON-FINANCIAL MEASURES

Non-financial measures complement a company's financial objectives by focusing on strategic and individual performance factors that drive long-term success. These measures allow companies to reward individual contributions or collective efforts towards goals such as integration of M&A, prioritizing technological improvements, diversity initiatives, and growing loyalty programs. While these efforts may not immediately affect financial performance, they are still critical to the quality and sustainability of future growth.

In 2024, the use of non-financial components in annual incentive plans increased to 79%, up from 70% in 2019. This trend highlights the growing importance of strategic initiatives in performance evaluation. Non-financial performance also allows for the use of committee discretion in evaluating performance and provides more flexibility in assessing performance at the end of the performance year. The prevalence of team-wide strategic measures continues to increase, rising from 42% in 2019 to 67% in 2024, reflecting a shift towards broader organizational goals. Much of this shift is tied to the continued increase in Environmental, Social, and Governance (ESG) adoption within incentive plans, which are now incorporated in 77% of Top 250 annual incentive plans.

The use of individual performance measures has decreased from 48% in 2019 to 35% in 2024. This decline suggests a shift towards evaluating performance holistically at the team or organizational level rather than focusing on individual achievements. By reducing reliance on individual performance metrics, companies may aim to foster a more collaborative approach and ensure that incentives align with broader strategic objectives. Additionally, companies may find setting individual goals each year and evaluating performance on these qualitative goals challenging.

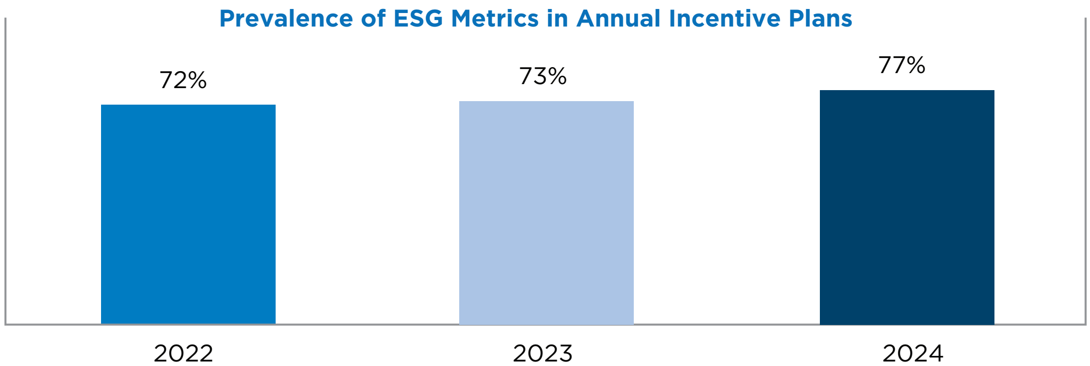


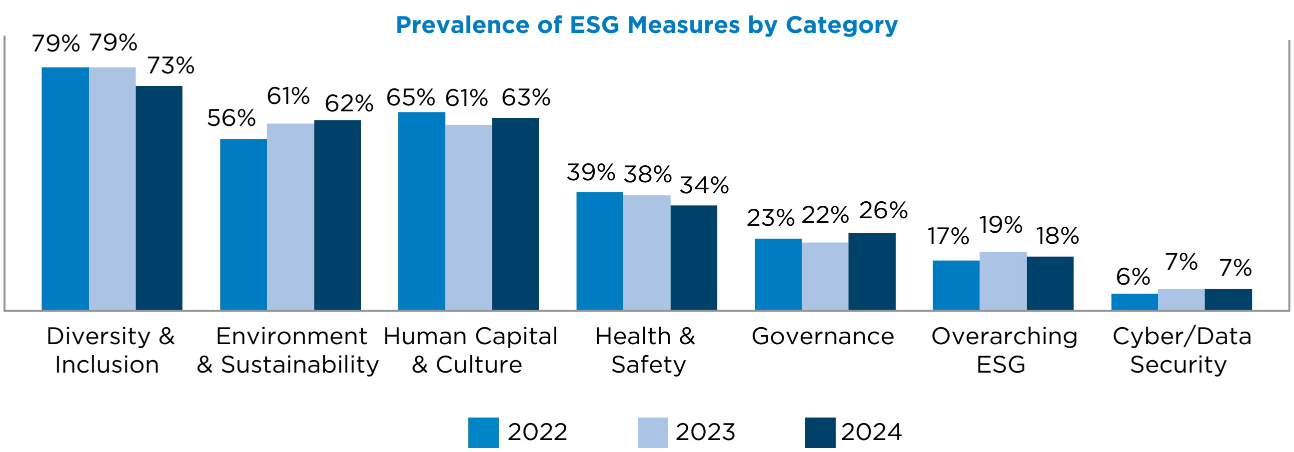
NON-FINANCIAL MEASURES

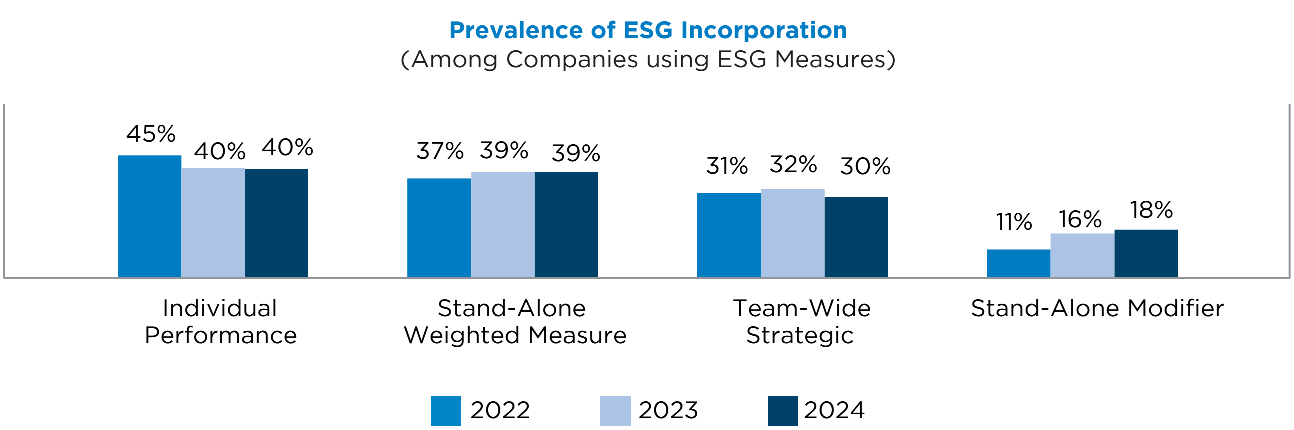
ESG in the Annual Incentive Plan

Companies are not abandoning ESG within their annual incentive plans, as 77% of the top 250 companies included some form of ESG. However, the focus areas may be shifting. While Diversity & Inclusion has seen a slight decline in prevalence (73% in 2024 compared to 79% in 2023), Environmental & Sustainability (62% in 2024 compared to 61% in 2023) and Human Capital & Culture (63% in 2024 compared to 61% in 2023) have seen a slight uptick in prevalence over the past year.

The way ESG is incorporated and measured within annual incentive plans has remained relatively stable over the past year. This may suggest that companies are taking time to evaluate the impact of ESG on incentive payouts, opting to maintain its current influence for now rather than significantly increasing or decreasing its weight in the overall plan.







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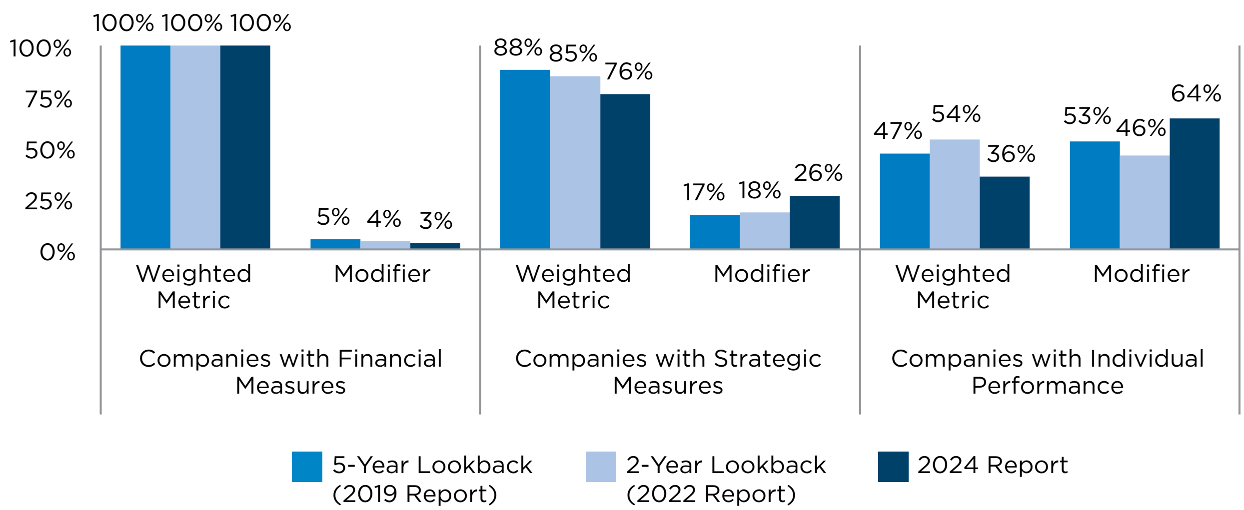
USE OF PERFORMANCE MODIFIERS

While metrics are defined as measures with specific weightings (e.g., EBITDA at 75% and revenue at 25%) in formulaic annual incentive plans, modifiers do not have a specific weighting and may only adjust calculated metric payouts up or down. Modifiers provide a check on the primary metric(s) in the annual incentive plan. Some modifiers only have limited ability to influence final payouts (e.g., can increase or decrease payouts by up to 10%). In contrast, others may be able to reduce payouts to zero or increase payouts to the maximum opportunity.

The prevalence of financial modifiers remains low, with only 3% of companies using this approach in 2024. Strategic modifiers were used by 26% of companies in 2024, up from 17% in 2019. The prevalence of individual performance modifiers has increased significantly from 46% in 2022 to 64% in 2024. The increased use of individual performance modifiers indicates companies prefer to adjust payouts for individual contributions, but only when financial metric performance thresholds are met.

Prevalence of Weighted Metric vs. Modifiers



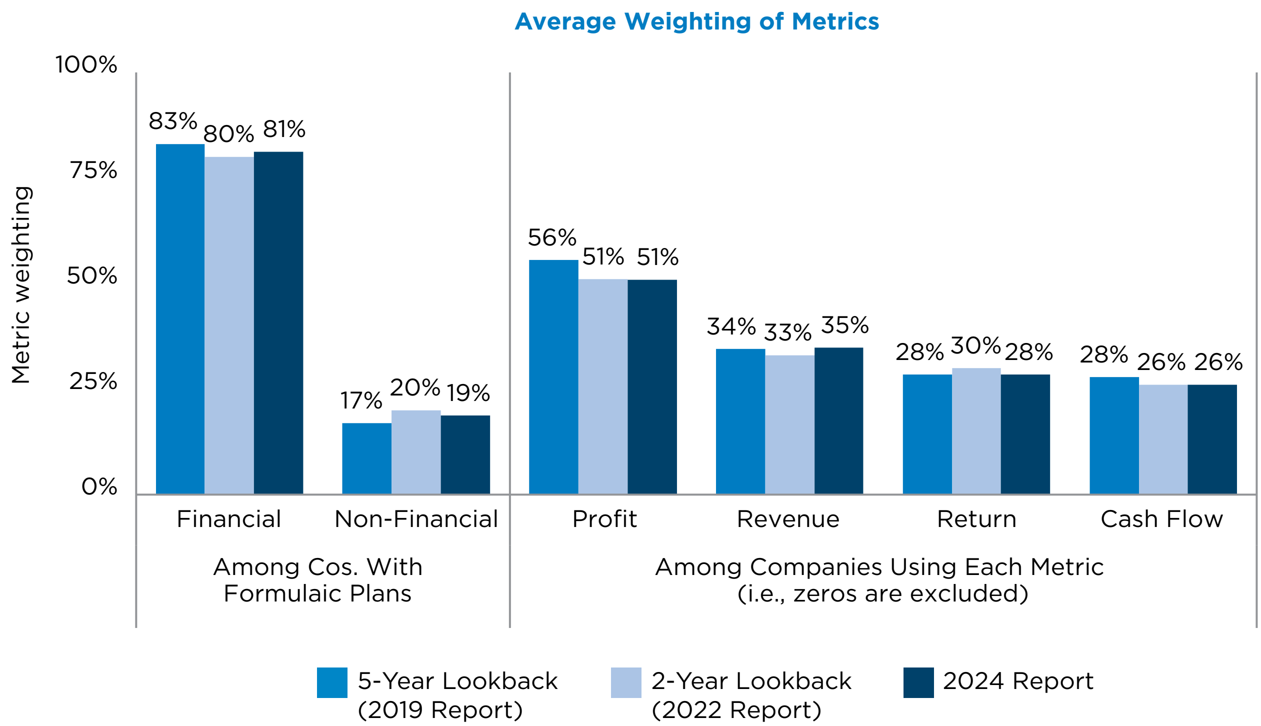
Statistics exceed 100% as some companies utilize both metrics and modifiers

WEIGHTING OF METRICS

On average, companies with formulaic plans allocate approximately 80% of annual incentive plan performance weighting to financial metrics, while non-financial metrics account for the remaining 20%. These findings are consistent with the 2022 and 2019 reports.

Profitability measures continue to dominate the annual incentive plan, making up about half of the financial portion. Other financial metrics, such as revenue, cash flow, and returns, typically receive weightings between 26% and 35%.

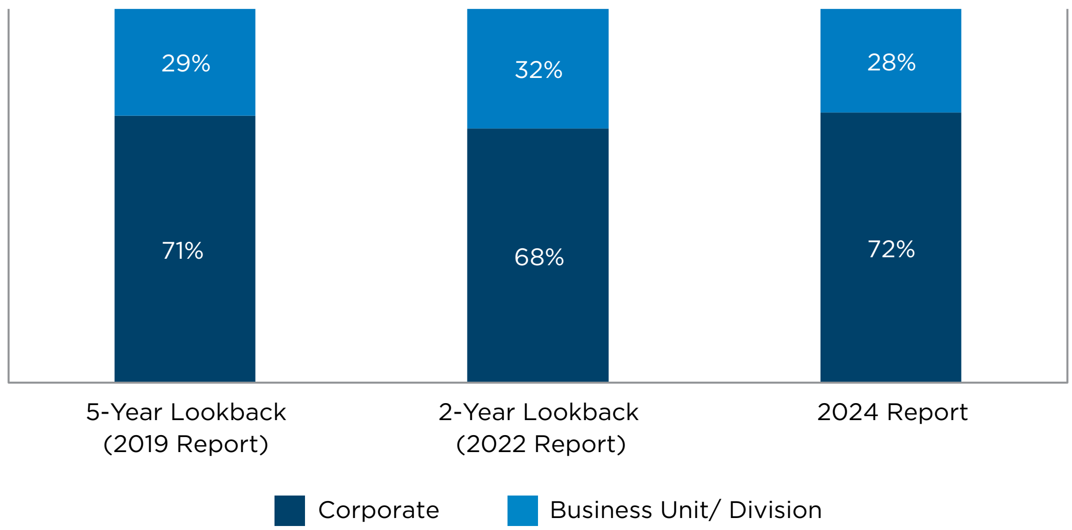
Certain industries favor non-financial metrics more than others, as these measures are vital to their success and are frequently communicated to investors. For example, safety, environmental objectives, and portfolio management are critical for the Utilities, Energy, and Real Estate sectors. These industries often allocate substantial portions of their incentive plans (some up to 40% or 50%) to capture these essential aspects of operations.



EVALUATING BUSINESS UNIT OFFICER PERFORMANCE

A key decision with incentive design is whether senior executives leading a division or segment should be primarily rewarded for their business unit's performance or as part of the corporate team. For companies that disclose business unit officers in their proxy statements, the average weighting within annual incentive plans has remained relatively stable over the past five years, with approximately 70% allocated to corporate performance and 30% to business unit/ division performance. This approach indicates a desire to maintain a more unified strategy for senior leadership, reducing the likelihood of having winners and losers, and promoting collaboration between individual segments and functional leaders.

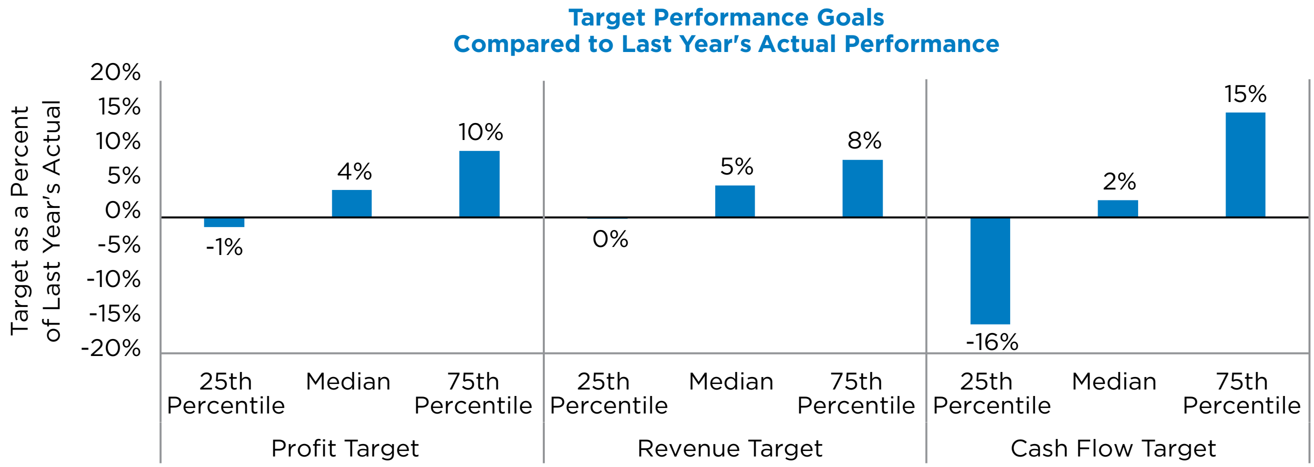
Average Financial Weighting of Corporate vs. Business Unit



FINANCIAL METRIC GOAL-SETTING

Target Goal-Setting Relative to Prior Year Actual Performance

Goal-setting remains a crucial yet challenging exercise for companies as they navigate varying economic conditions, strategic priorities, and investor and regulatory pressure. The 2024 report data highlights the differences in how companies set target goals for different financial metrics related to the prior year's performance for revenue, profit, and cash flow measures.



In 2024, most of the top 250 companies set targets for profit, revenue, and cash flow above the prior year's actual performance. At the median, profit, revenue, and cash flow goals were set 4%, 5%, and 2% above the prior year actual, respectively. The disparity in the ranges of target setting can be attributed to the greater line of sight and predictability in profit and revenue metrics, which allow companies to set targets more confidently. On the other hand, cash flow metrics are inherently more volatile because cash flow growth may not always be optimal depending on the company's cash deployment strategy for the year.

FINANCIAL METRIC GOAL-SETTING

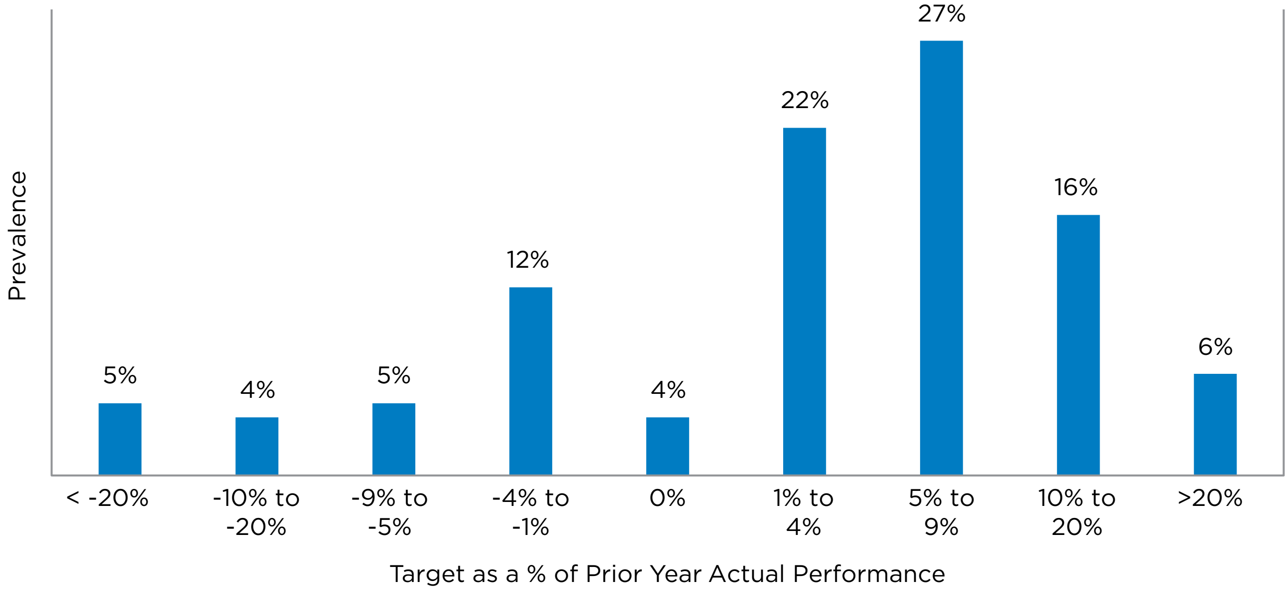
Goal-Setting: Distribution of Revenue, Profit, and Cash Flow Targets

The distribution of revenue, profit, and cash flow targets in 2024 generally skewed above prior-year performance, reflecting the confidence Top 250 companies had entering the year. Both revenue and profit targets were primarily set between 1% to 9% above prior-year actuals, representing 49% and 40% of observations, respectively.

In contrast, cash flow targets displayed a more varied distribution. While some companies set aggressive cash flow goals, many opted for a more conservative approach, likely reflecting the inherent volatility of cash flow in the current economic environment and differing cash flow needs and priorities across businesses.

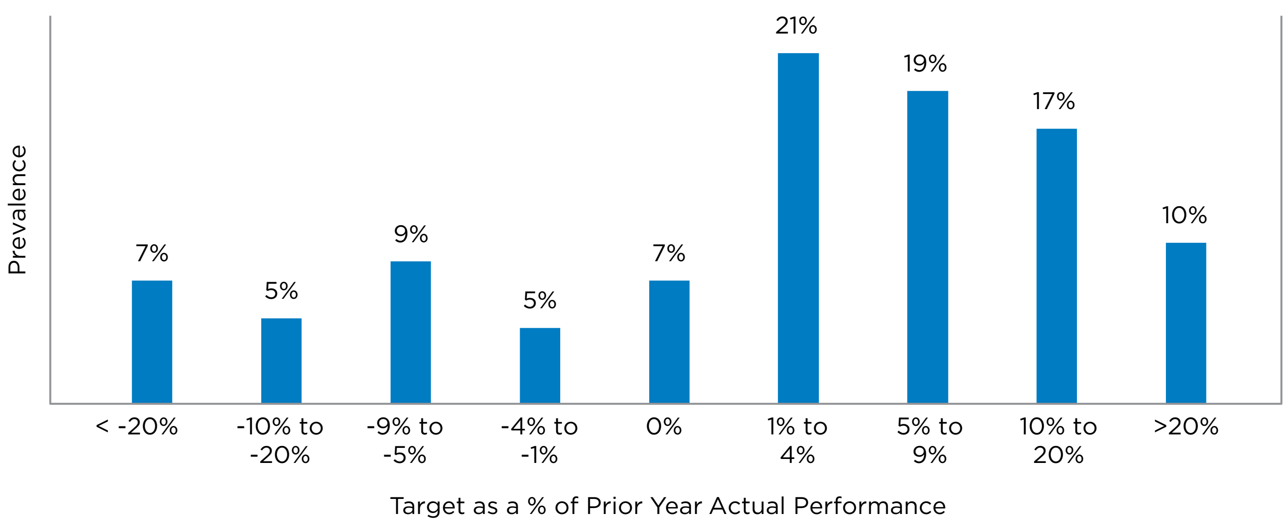
Goal-Setting Rigor: Distribution of Revenue Targets

(Target Goal % of Prior Year Actual)



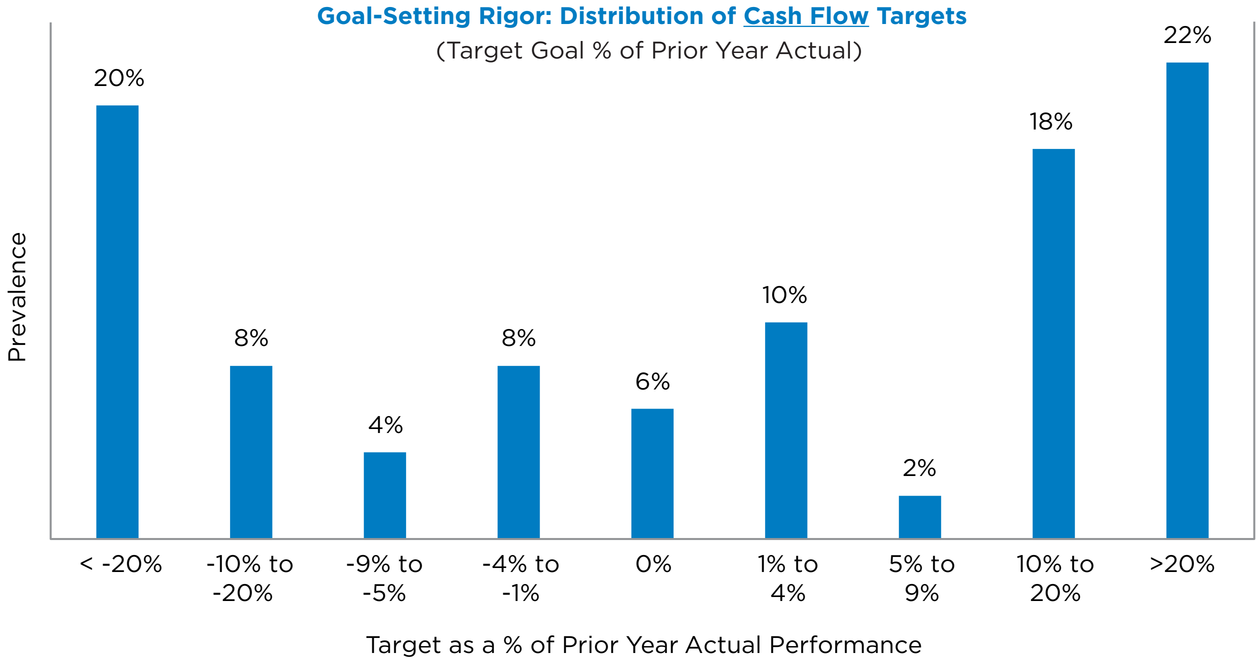
Goal-Setting Rigor: Distribution of Profit Targets

(Target Goal % of Prior Year Actual)



Note: Values may not add up to 100% due to rounding.

FINANCIAL METRIC GOAL-SETTING

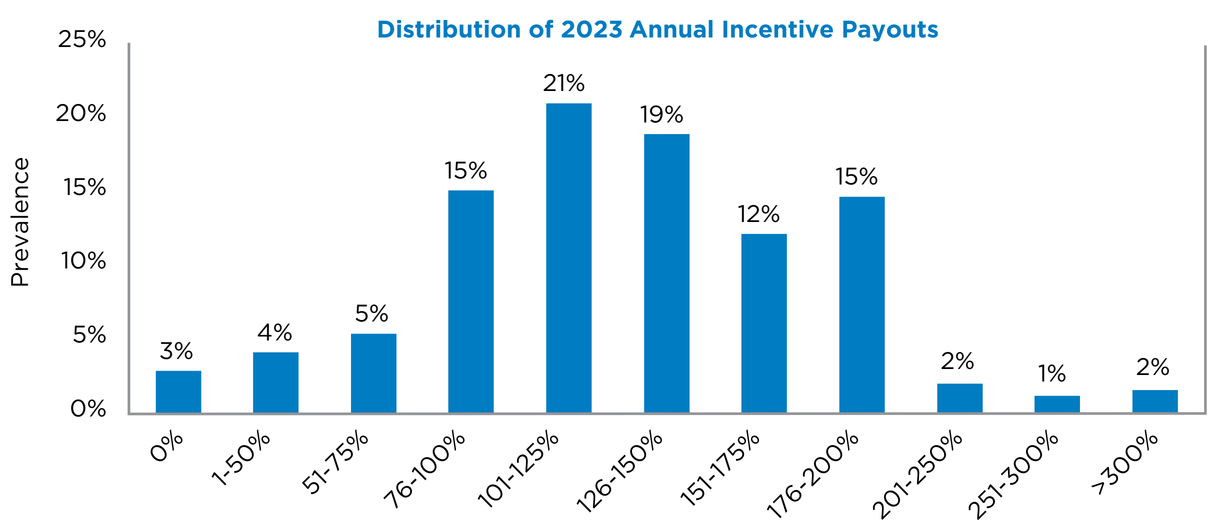


Goal-Setting Rigor vs. Actual Performance Achievement

Evaluating how companies perform relative to their goals provides insight into the effectiveness and rigor of their goal-setting processes. Generally, incentive plans often demonstrate the following likelihood of achievement scale over a longer period (i.e., 10 years):

- Achieve target performance 50%-60% of the time
- Achieve threshold performance 90% of the time
- Achieve maximum performance 10%-20% of the time

The bonus payouts for the Top 250 companies, as illustrated in the distribution chart below, align closely with these probabilities. Most payouts fall within the target range, with fewer payouts at the extreme ends of the spectrum, consistent with the expected distribution.

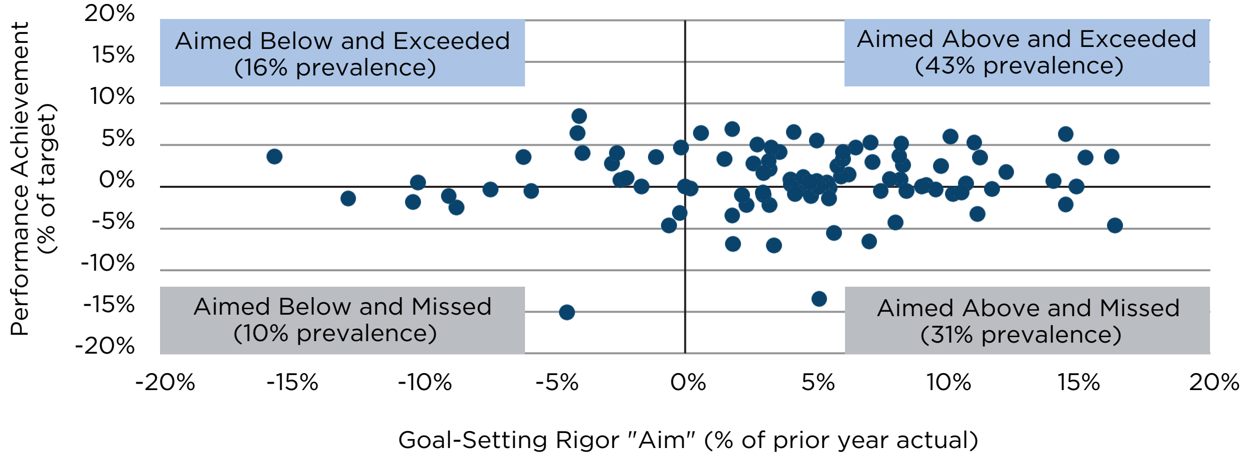


Note: Values may not add up to 100% due to rounding.

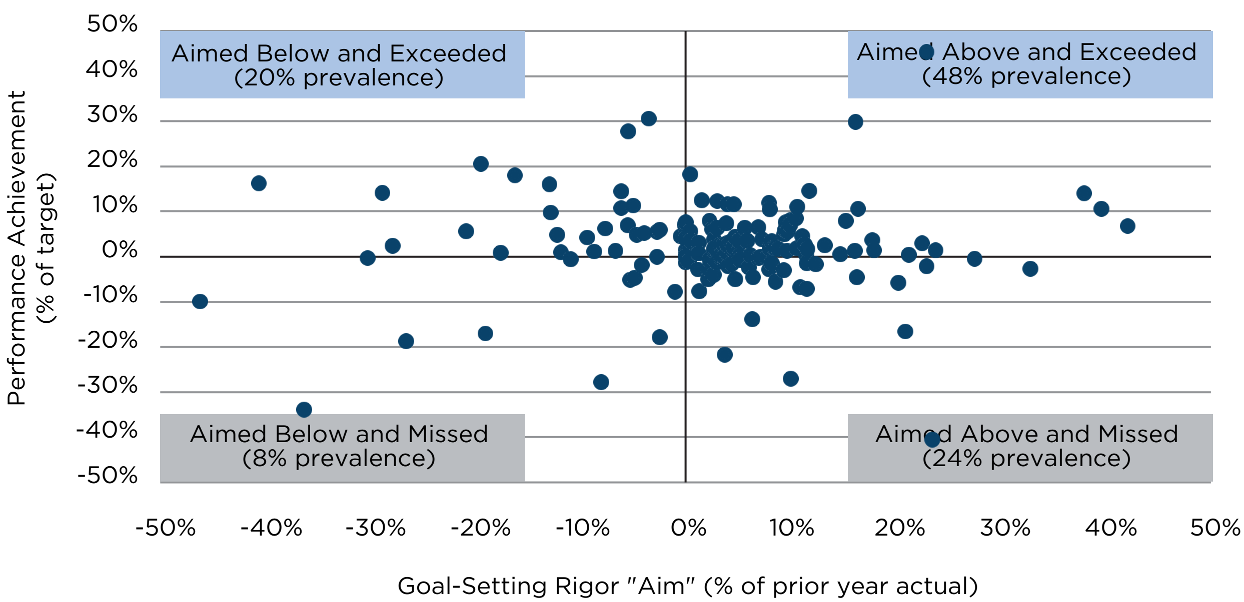
FINANCIAL METRIC GOAL-SETTING

The analysis below compares goal-setting rigor (defined as "Aim") against actual performance achievement for Revenue Profit, and Cash Flow measures. 'Aim' measures how aggressively or conservatively companies set their annual incentive targets relative to prior year actual performance—either below, or above. The exhibits provide a visual breakdown of the outcomes based on whether companies set more conservative goals and still exceeded them or set more aggressive goals and either met or missed them.

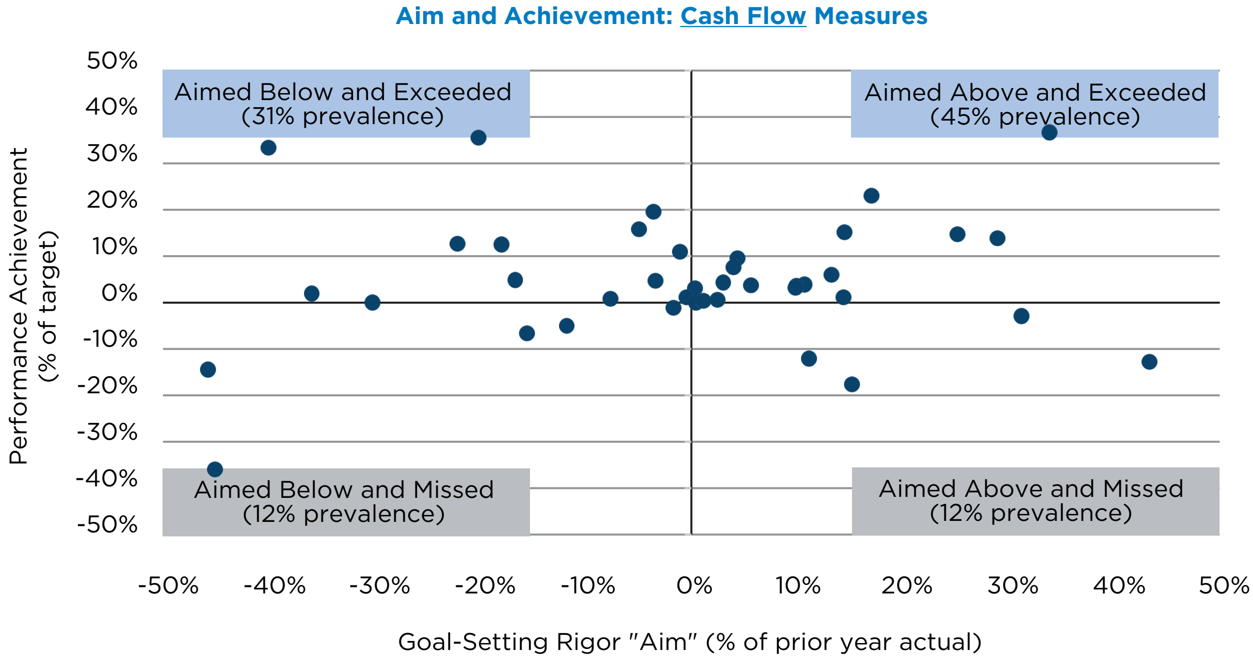
Aim and Achievement: Revenue Measures



Aim and Achievement: Profit Measures



FINANCIAL METRIC GOAL-SETTING



Legend:

Aimed Below (Above): Companies who set their target below (above) prior year actual performance

Missed (Exceeded): Companies who achieved below (above) target performance

Companies Who Aimed Below:

A portion of companies chose to set their targets below the prior year's actual performance, reflecting a conservative approach. Specifically, 26% of companies for revenue measures, 28% for profit measures, and 43% of cash flow measures aimed below prior year results. Companies adopting this approach often do so due to:

- Market uncertainty, cyclicality, or internal challenges.
- Coming off a year of unsustainable record performance.
- Previous cycles of low or zero payouts, where further low payouts could affect employee morale and retention.

Setting conservative goals can serve as a strategic reset for companies undergoing a turnaround, allowing them to build a track record of achievement. However, if payouts significantly exceed these conservative targets, investors and proxy advisors may question the goal-setting rigor and overall process. Proxy advisors have particular issues with companies if they also identify pay-and-performance misalignment in their quantitative models. In addition, missing conservative targets can signal troubled financial health and suggest potential operational challenges or strategic missteps.

Companies Who Aimed Above:

A significant portion of companies—74% for revenue measures and 72% for profit measures—set their targets above the prior year's actual performance, compared to a slight majority of 57% for cash flow measures. Investors and other stakeholders likely view companies setting ambitious targets and achieving them positively. This demonstrates strong performance, strategic execution, and effective management. However, missing ambitious target performance could indicate unrealistic goals or challenges in execution due to adverse market conditions.

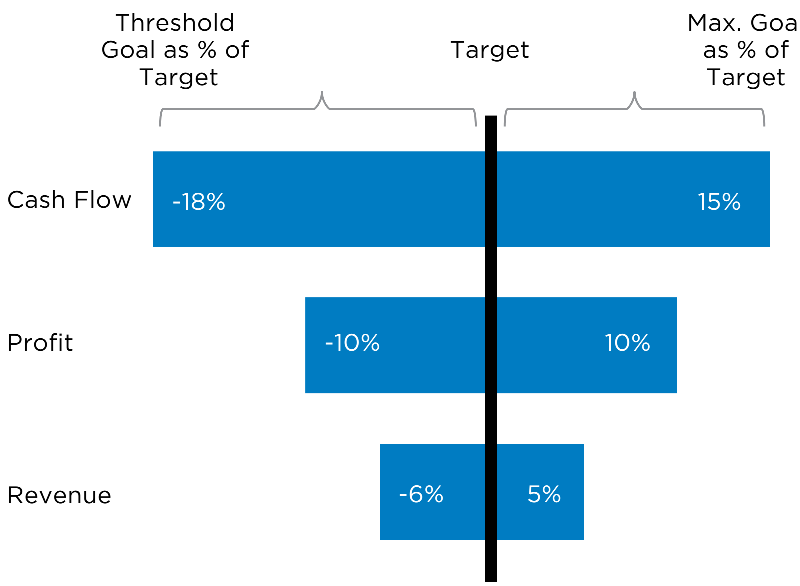
FINANCIAL METRIC GOAL-SETTING

Threshold and Maximum Goals In Relation to Target (Performance Goal Ranges)

Another important aspect of goal setting is the width of the performance range relative to the target. This range includes the threshold level of performance at which some portion of the bonus is paid and the maximum level of performance at which the full bonus is awarded. Performance ranges are generally tied to the confidence a company has in achieving its target goal — the less certainty a company has about its forecast accuracy, the wider the performance range tends to be. These ranges are determined by calculating the threshold and maximum performance goals as percentages of the target goal.

The exhibit below shows the median performance goal ranges across different metrics.

Median Performance Goal Range



The median performance range for profit metrics is +/-10% of the target, consistent with our findings in the 2022 report, indicating that companies maintain a consistent approach in setting profit targets despite varying market conditions.

In contrast, the median performance range for revenue metrics is slightly wider at -6% to +5% of the target (comparable to +/- 5% in the 2022 report). Revenue tends to be less volatile and easier to predict than profitability, leading to a more confined range of expected outcomes. Companies set tighter ranges for revenue targets reflecting higher confidence in their ability to achieve these goals.

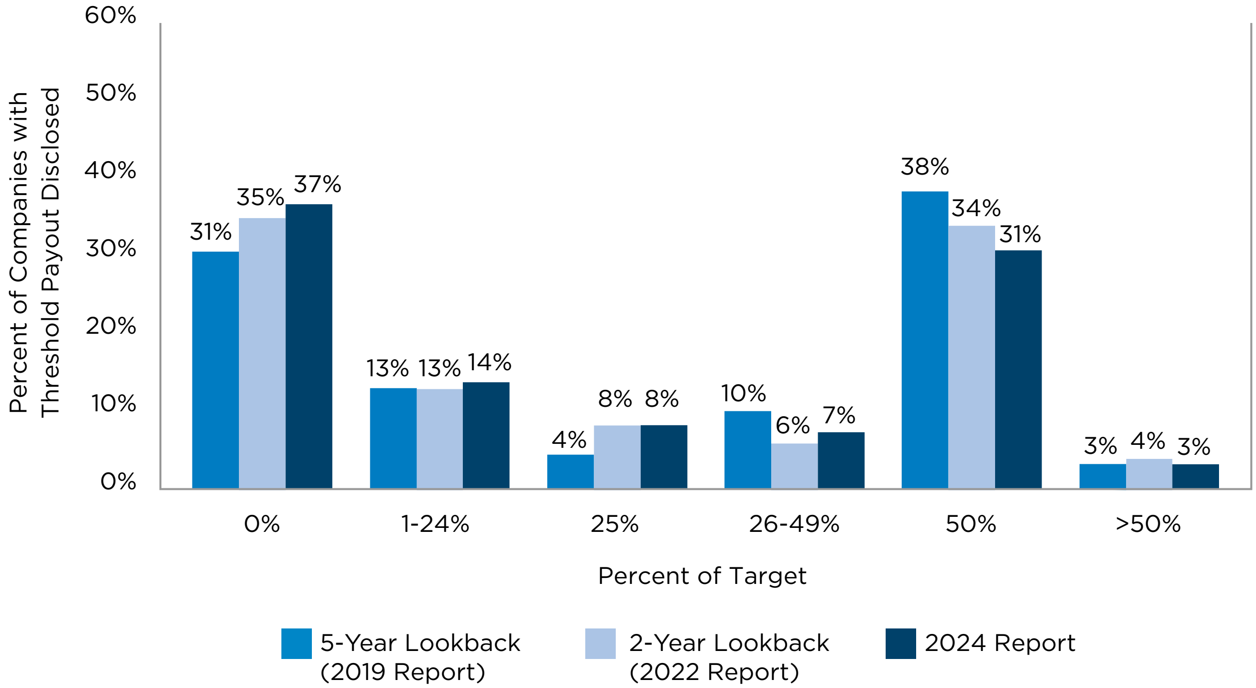
For cash flow metrics, the median performance range is wide, at -18% to +15%, indicating greater uncertainty in forecasting cash flows. Cash flow can be influenced by numerous factors such as changes in working capital, investment activities, and external economic conditions.

ANNUAL INCENTIVE PLAN PAYOUTS

Threshold Payout

The threshold payout represents the opportunity, as a percent of target, that is provided for achieving threshold performance goals. The majority of companies continue to provide either a 0% threshold payout (37% prevalence) or a 50% threshold payout (31% prevalence). Notably, the number of companies providing a 0% payout for threshold performance has steadily increased since 2019. This could suggest a trend in companies allowing for more downside protection for performance below target and thus decreasing the likelihood of no payout.

Threshold Payout

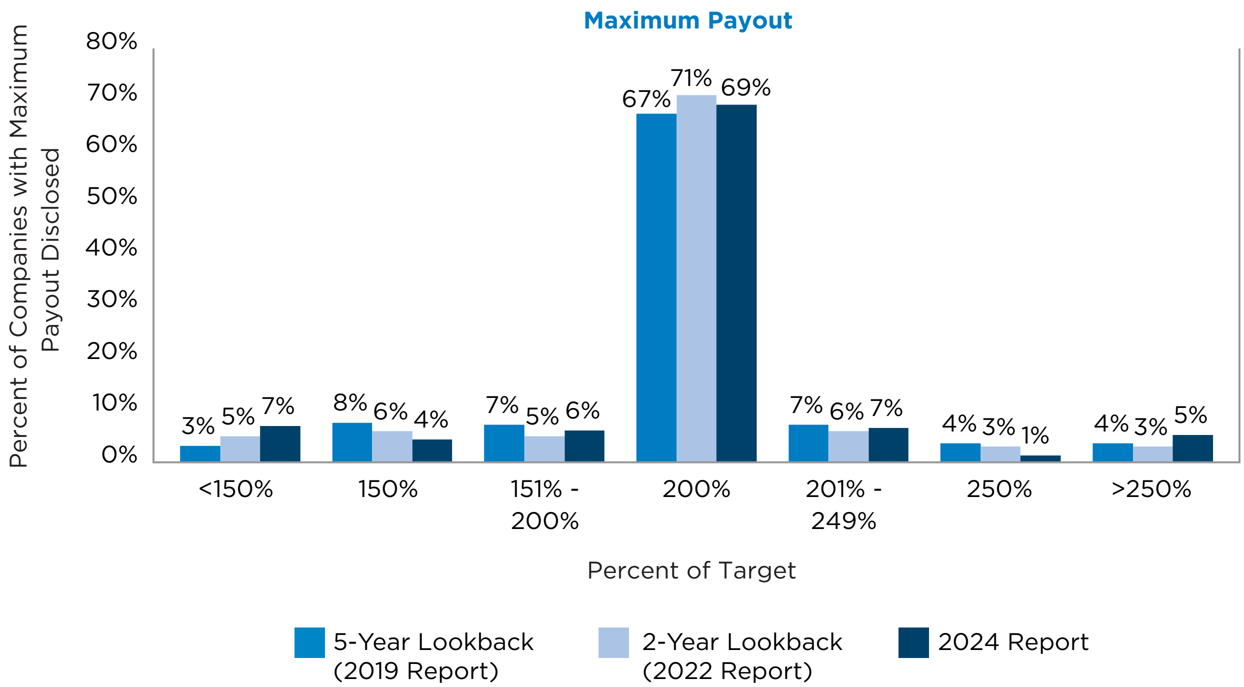


Note: Values may not add up to 100% due to rounding.

ANNUAL INCENTIVE PLAN PAYOUTS

Maximum Payout

The most prevalent maximum payout level continues to be 200% of target, which is used by 69% of companies in 2024. The 200% maximum payout opportunity provides a balanced approach by offering substantial upside leverage for participants while avoiding the perception of encouraging excessive risk-taking. This level of payout is generally acceptable to proxy advisors and institutional investors so long as the maximum payout coincides with stretch performance goals.



Note: Values may not add up to 100% due to rounding.

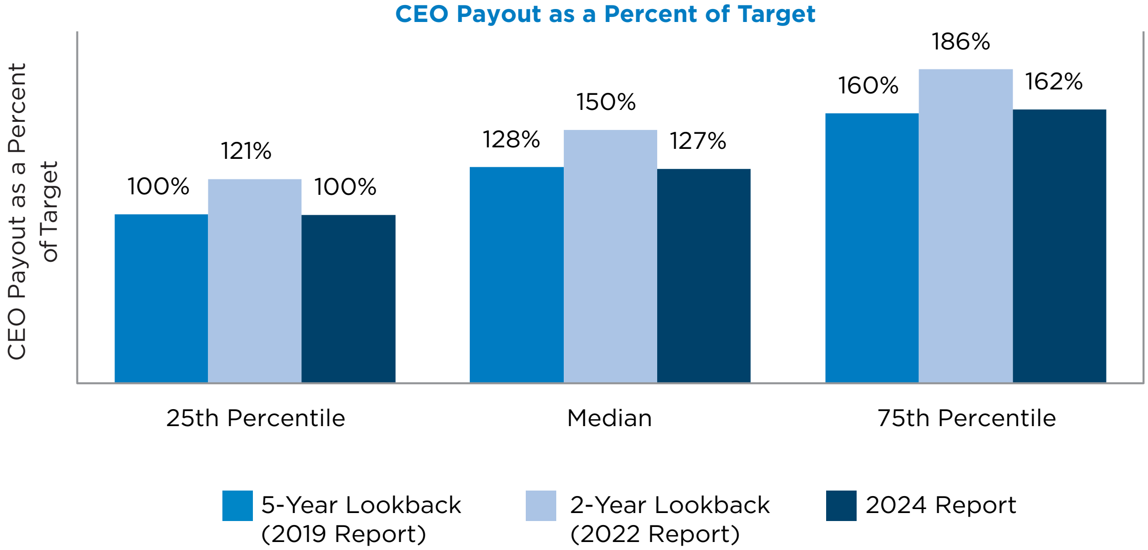
ANNUAL INCENTIVE PLAN PAYOUTS

2023 Annual Incentive Payouts

2023 was a strong performance year for the Top 250 companies, marked by healthy financial results across various sectors. At the median, annual revenue and operating income growth for these companies were both 7%, and the one-year TSR as of December 31, 2023, was 16%. Consequently, the median CEO annual incentive payout was 127% of target, aligning well with overall performance.

While these payouts were lower compared to the 2022 report, where the median payout was 150% of target, it is important to note that financial performance was significantly stronger in that year. Specifically, in the 2022 report, the median annual revenue and operating income growth were 15% and 19%, respectively, with a one-year TSR of 29% as of December 31, 2021.

CEO Payout as a Percent of Target

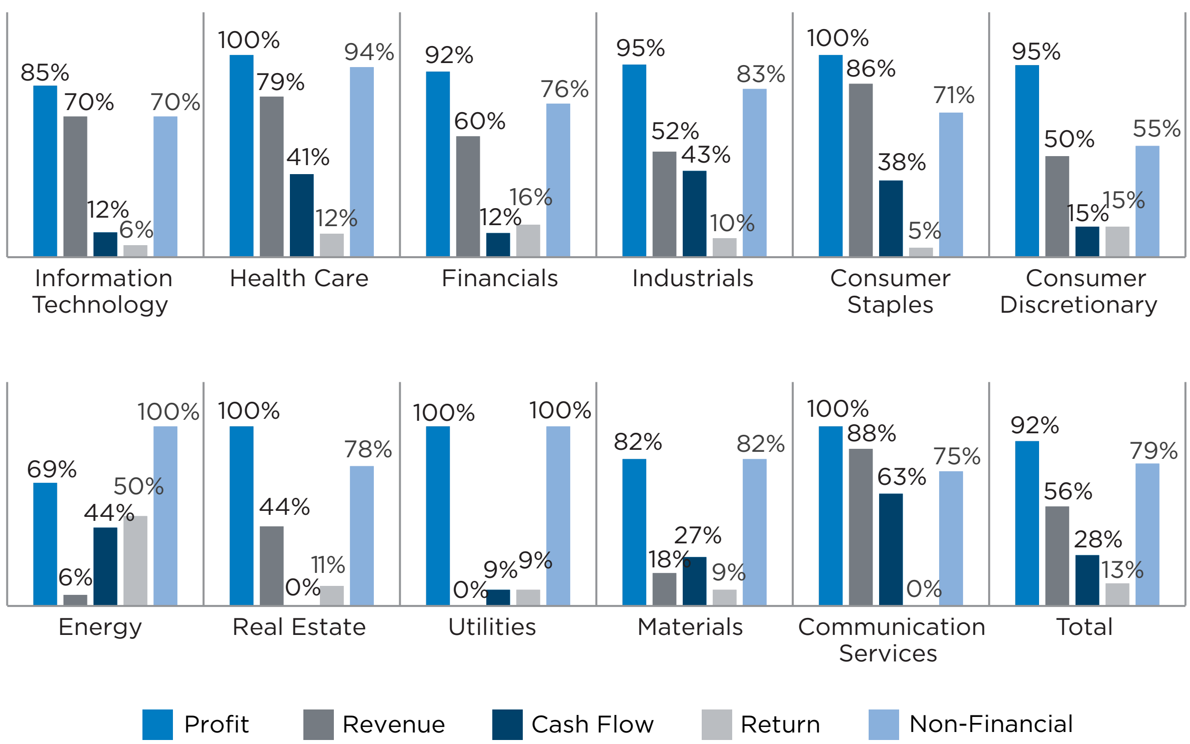


APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

A. Prevalence of Number of Financial Measures

Industry Sector	Industry Statistics: Number of Financial Measures				
	1	2	3	4	≥5
Information Technology	21%	61%	12%	3%	3%
Health Care	12%	29%	29%	18%	12%
Financials	16%	48%	12%	16%	8%
Industrials	14%	38%	38%	7%	2%
Consumer Staples	10%	43%	29%	0%	19%
Consumer Discretionary	30%	35%	25%	10%	0%
Energy	13%	44%	13%	13%	19%
Real Estate	22%	44%	11%	11%	11%
Utilities	45%	36%	0%	18%	0%
Materials	27%	45%	18%	9%	0%
Communication Services	0%	50%	25%	25%	0%

B. Prevalence of Financial Measure Types



APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

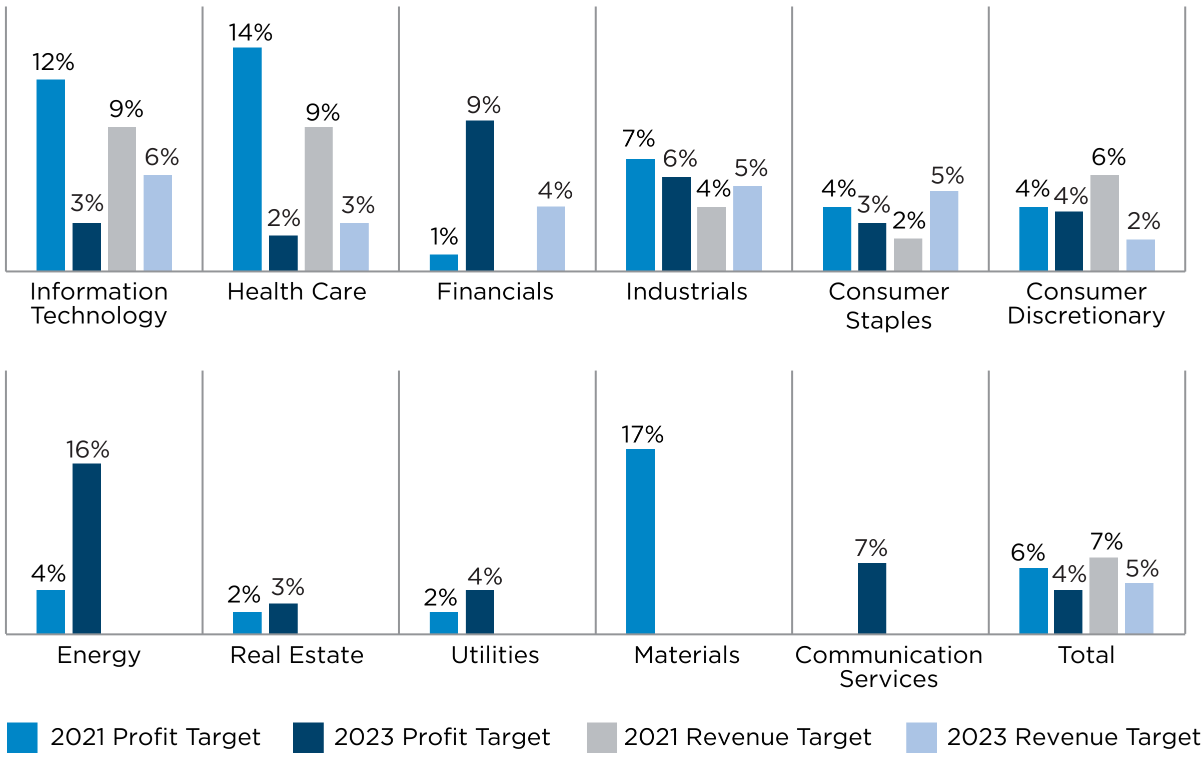
C. Average Weighting of Metrics

Industry Sector	Average Metric Weighting						
	Total[1]		Financial[2]				
	Financial	Non-Fin.	Profit	Revenue	Cash Flow	Returns	Other
Information Technology	85%	15%	52%	47%	31%	—	30%
Health Care	74%	26%	41%	32%	18%	16%	30%
Financials	87%	13%	55%	35%	39%	20%	43%
Industrials	87%	13%	52%	30%	33%	53%	23%
Consumer Staples	82%	18%	44%	35%	19%	—	21%
Consumer Discretionary	82%	18%	61%	39%	25%	13%	17%
Energy	66%	34%	39%	—	25%	23%	24%
Real Estate	78%	22%	57%	26%	—	5%	21%
Utilities	69%	31%	60%	—	—	—	22%
Materials	86%	14%	66%	26%	33%	—	20%
Communication Services	86%	14%	41%	28%	24%	—	45%

"—" indicates limited sample size
(1) Statistics calculated for all companies with formulaic plans
(2) Statistics calculated for all companies using each metric (i.e., excludes zeros)

APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

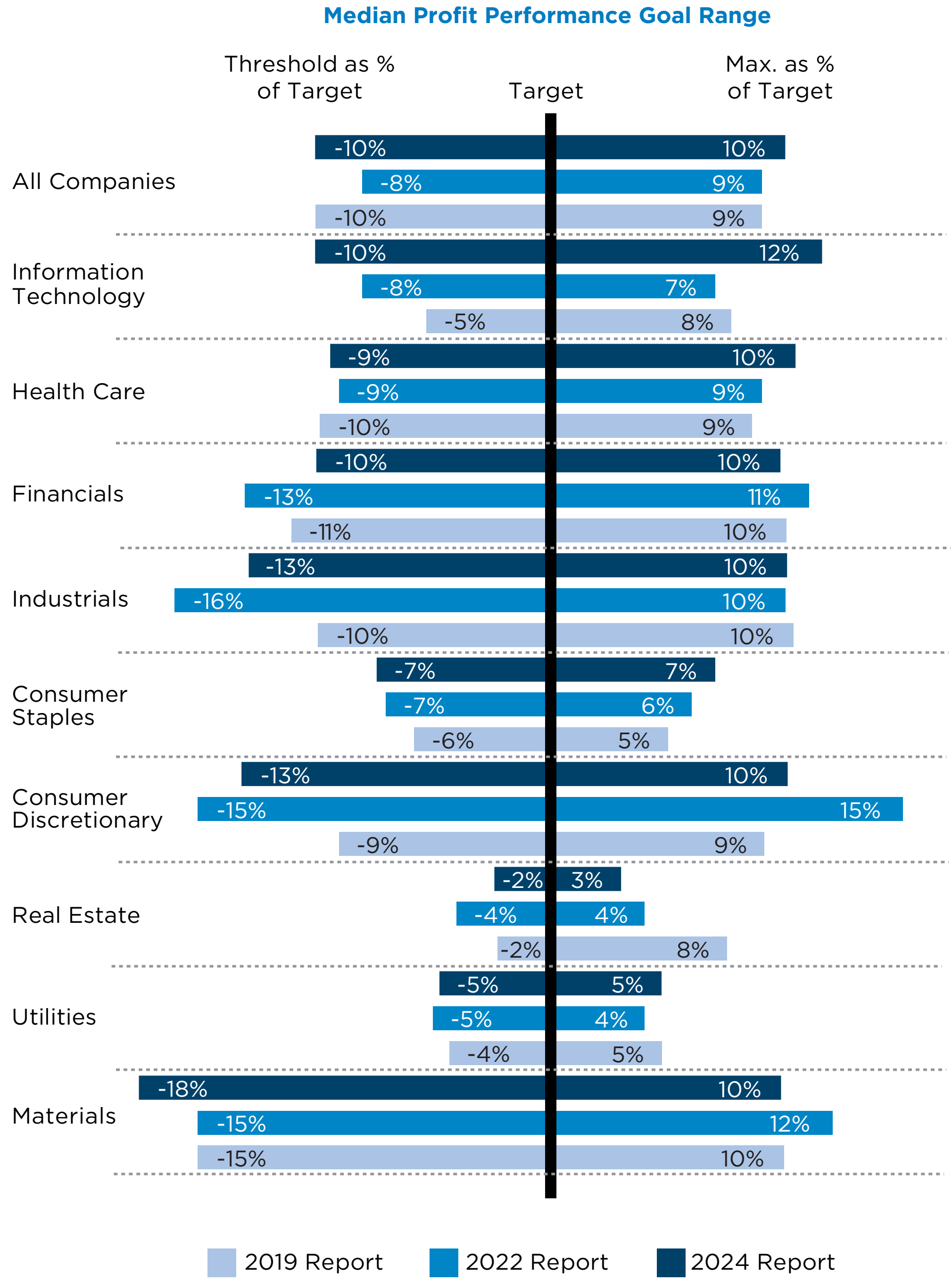
D. Target Goal-Setting Compared to Last Year's Actual Performance



No bars indicates that statistics are excluded or noncalculable due to small sample size

APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

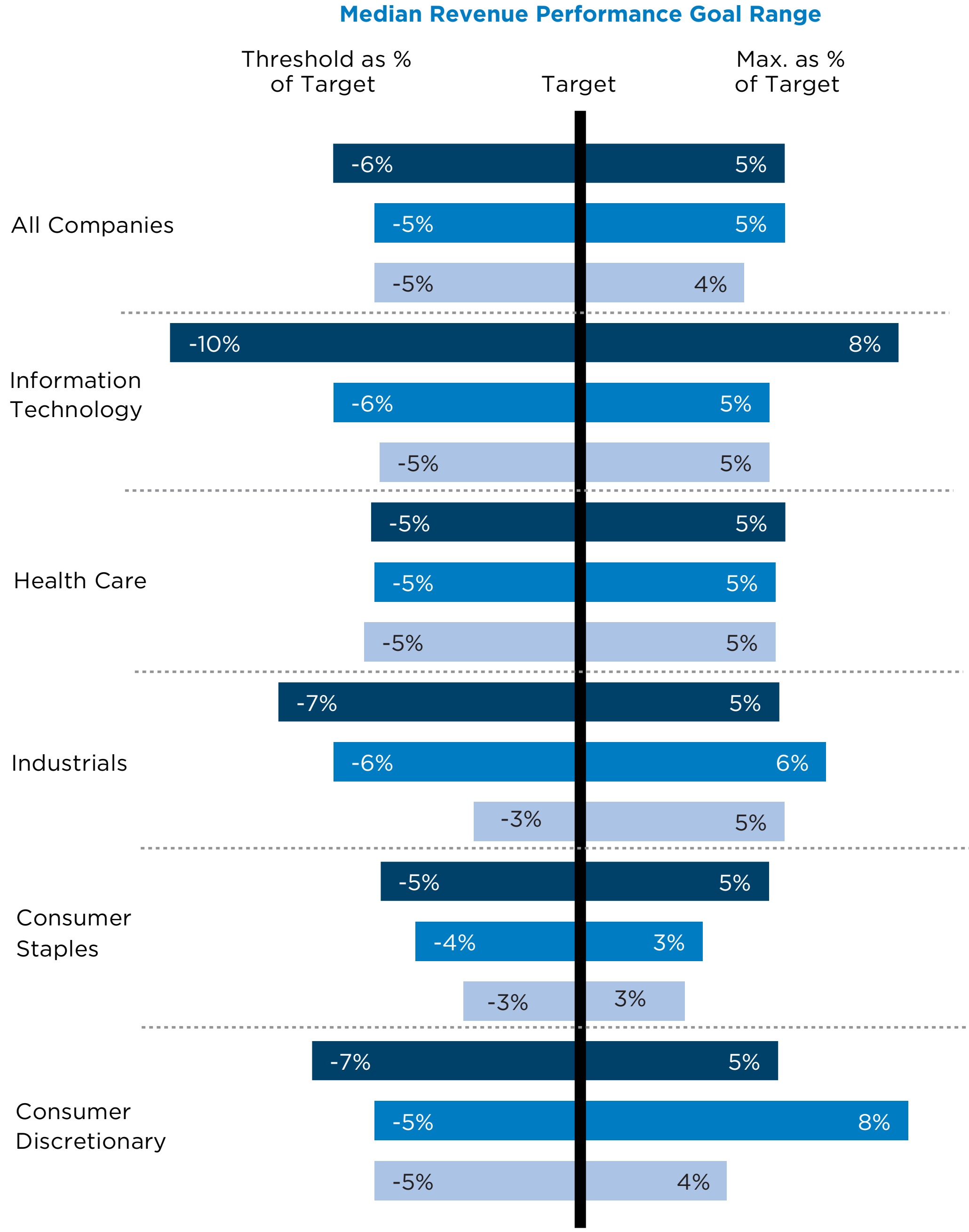
E. Median Profit Performance Goal Ranges



Energy and Communication Services industry sectors not shown due to small sample sizes

APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

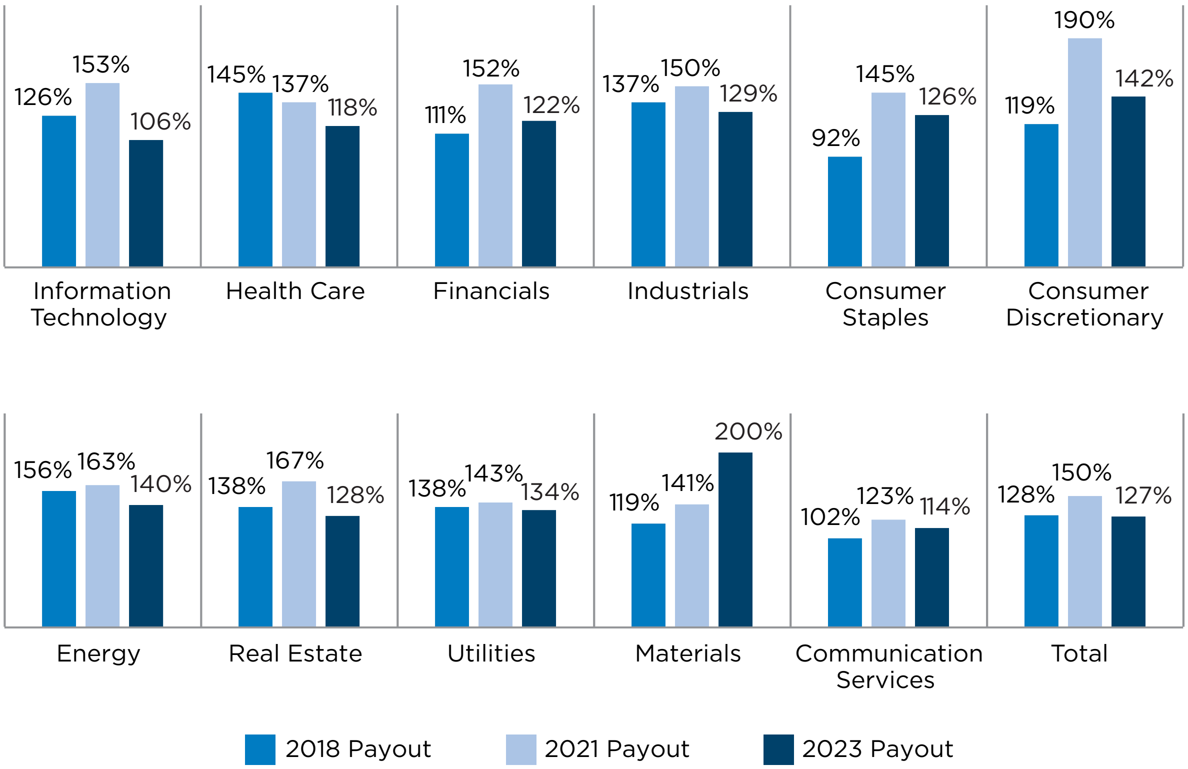
F. Median Revenue Performance Goal Ranges



Industry sectors not shown are excluded due to small sample sizes

APPENDIX – SUPPLEMENTAL DETAIL BY INDUSTRY SECTOR

G. Median CEO Annual Incentive Payouts as a Percent of Target



APPENDIX – COMPANIES STUDIED

Communication Services (9 Companies)

AT&T Inc.
Charter Communications, Inc.
Comcast Corp.
Electronic Arts Inc.
Meta Platforms, Inc.
Netflix, Inc.
The Walt Disney Co.
T-Mobile US, Inc.
Verizon Communications Inc.

Consumer Discretionary (21 Companies)

Airbnb, Inc.*
AutoZone, Inc.
Booking Holdings Inc.
Chipotle Mexican Grill, Inc.
D.R. Horton, Inc.
Ford Motor Co.
General Motors Co.
Hilton Worldwide Holdings Inc.
Las Vegas Sands Corp.
Lennar Corp.
Lowe's Companies, Inc.
Marriott International, Inc.
McDonald's Corp.
NIKE, Inc.
O'Reilly Automotive, Inc.
Ross Stores, Inc.
Royal Caribbean Cruises Ltd.*
Starbucks Corp.
The Home Depot, Inc.
The TJX Companies, Inc.
Yum! Brands, Inc.

Consumer Staples (21 Companies)

Altria Group, Inc.
Colgate-Palmolive Co.
Constellation Brands, Inc.
Costco Wholesale Corp.
Dollar General Corp.
General Mills, Inc.
Kenvue Inc.*
Keurig Dr Pepper Inc.
Kimberly-Clark Corp.
Mondelez International, Inc.
Monster Beverage Corp.
PepsiCo, Inc.
Philip Morris International Inc.
Sysco Corp.
Target Corp.
The Coca-Cola Co.
The Estée Lauder Companies Inc.
The Hershey Co.
The Kroger Co.
The Procter & Gamble Co.
Walmart Inc.

Energy (16 Companies)

Baker Hughes Co.
Chevron Corp.
ConocoPhillips
Devon Energy Corp.
Diamondback Energy, Inc.*
EOG Resources, Inc.
Exxon Mobil Corp.
Halliburton Co.
Hess Corp.
Marathon Petroleum Corp.
Occidental Petroleum Corp.
ONEOK, Inc.
Phillips 66
Schlumberger Limited
The Williams Companies, Inc.
Valero Energy Corp.

Financials (38 Companies)

Aflac Inc.
American Express Co.
American International Group, Inc.
Ameriprise Financial, Inc.
Arthur J. Gallagher & Co.
Bank of America Corp.
BlackRock, Inc.
Blackstone Inc.*
Capital One Financial Corp.
Citigroup Inc.
CME Group Inc.
Discover Financial Services*
Fidelity National Information Services, Inc.
Fiserv, Inc.
Global Payments Inc.
Intercontinental Exchange, Inc.
JPMorgan Chase & Co.
Marsh & McLennan Companies, Inc.
Mastercard Inc.
MetLife, Inc.
Moody's Corp.
Morgan Stanley
MSCI Inc.
Nasdaq, Inc.*
PayPal Holdings, Inc.
Prudential Financial, Inc.
S&P Global Inc.
The Allstate Corp.
The Bank of New York Mellon Corp.
The Charles Schwab Corp.
The Goldman Sachs Group, Inc.
The PNC Financial Services Group, Inc.
The Progressive Corp.
The Travelers Companies, Inc.
Truist Financial Corp.
U.S. Bancorp
Visa Inc.
Wells Fargo & Co.

*(*Denotes new company in 2024 Top 250)*

APPENDIX – COMPANIES STUDIED

Healthcare (36 Companies)

Abbott Laboratories
AbbVie Inc.
Agilent Technologies, Inc.
Amgen Inc.
Becton, Dickinson and Co.
Biogen Inc.
Boston Scientific Corp.
Bristol-Myers Squibb Co.
Cencora, Inc.*
Centene Corp.
CVS Health Corp.
Danaher Corp.
DexCom, Inc.
Edwards Lifesciences Corp.
Elevance Health, Inc.
Eli Lilly and Co.
GE HealthCare Technologies Inc.
Gilead Sciences, Inc.
HCA Healthcare, Inc.
Humana Inc.
IDEXX Laboratories, Inc.
Intuitive Surgical, Inc.
IQVIA Holdings Inc.
Johnson & Johnson
McKesson Corp.
Merck & Co., Inc.
Moderna, Inc.
Pfizer Inc.
Regeneron Pharmaceuticals, Inc.
ResMed Inc.
Stryker Corp.
The Cigna Group
Thermo Fisher Scientific Inc.
UnitedHealth Group Inc.
Vertex Pharmaceuticals Inc.
Zoetis Inc.

Industrials (42 Companies)

3M Co.
AMETEK, Inc.
Automatic Data Processing, Inc.
Carrier Global Corp.
Caterpillar Inc.
Cintas Corp.
Copart, Inc.*
CSX Corp.
Cummins Inc.
Deere & Co.
Delta Air Lines, Inc.*
Emerson Electric Co.
Fastenal Co.
FedEx Corp.
General Dynamics Corp.
General Electric Co.
Honeywell International Inc.
Illinois Tool Works Inc.
Ingersoll Rand Inc.*
L3Harris Technologies, Inc.
Lockheed Martin Corp.
Norfolk Southern Corp.
Northrop Grumman Corp.
Old Dominion Freight Line, Inc.
Otis Worldwide Corp.
PACCAR Inc
Parker-Hannifin Corp.
Paychex, Inc.
Quanta Services*
Republic Services, Inc.
Rockwell Automation, Inc.
RTX Corporation
The Boeing Co.
TransDigm Group Inc.
Uber Technologies, Inc.*
Union Pacific Corp.
United Parcel Service, Inc.
United Rentals, Inc.*
Verisk Analytics, Inc.
W.W. Grainger, Inc.
Waste Management, Inc.
Xylem Inc.*

Information Technology (35 Companies)

Adobe Inc.
Advanced Micro Devices, Inc.
Amphenol Corp.
Analog Devices, Inc.
Apple Inc.
Applied Materials, Inc.
Arista Networks, Inc.
Autodesk, Inc.
Broadcom Inc.
Cadence Design Systems, Inc.
CDW Corportation*
Cisco Systems, Inc.
Cognizant Technology Solutions Corp.
Fortinet, Inc.
Gartner, Inc.*
Intel Corp.
International Business Machines Corp.
Intuit Inc.
KLA Corp.
Lam Research Corp.
Microchip Technology Inc.
Micron Technology, Inc.
Microsoft Corp.
Monolithic Power Systems, Inc.
Motorola Solutions, Inc.
NVIDIA Corp.
Oracle Corp.
Palo Alto Networks, Inc.*
QUALCOMM Inc.
Roper Technologies, Inc.
Salesforce, Inc.
ServiceNow, Inc.
Super Micro Computer, Inc.*
Synopsys, Inc.
Texas Instruments Inc.

*(*Denotes new company in 2024 Top 250)*

APPENDIX – COMPANIES STUDIED

Materials (11 Companies)

Air Products and Chemicals, Inc.
Corteva, Inc.
Dow Inc.
Ecolab Inc.
Freeport-McMoRan Inc.
LyondellBasell Industries N.V.
Martin Marietta Materials, Inc.*
Newmont Corp.
Nucor Corp.
The Sherwin-Williams Co.
Vulcan Materials Company*

Real Estate (10 Companies)

American Tower Corp.
CoStar Group, Inc.
Crown Castle Inc.
Digital Realty Trust, Inc.
Equinix, Inc.
Prologis, Inc.
Public Storage
Realty Income Corp.
Simon Property Group, Inc.
Welltower Inc.

Utilities (11 Companies)

American Electric Power Co., Inc.
Consolidated Edison, Inc.
Constellation Energy Corporation*
Dominion Energy, Inc.
Duke Energy Corp.
Exelon Corp.
NextEra Energy, Inc.
PG&E Corp.
Public Service Enterprise Group Inc.
Sempra Energy
The Southern Co.

*(*Denotes new company in 2024 Top 250)*

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