Argyle

Effective Investor Communications

Disclosure Considerations After a Low/Failed Say-on-Pay Vote

Disclosure Considerations After a Low/Failed Say-on-Pay Vote

In This Thought Piece

If your company's say-on-pay vote received a low level of support at your last annual meeting, you will be preparing a strategy to understand why, and bounce back. After reviewing the issues, engaging with shareholders and amending your compensation program as appropriate, you will want to publish a proxy statement that explains your company's compensation philosophy and performance clearly, while satisfying increased scrutiny from proxy advisors.

This Thought Piece highlights examples of certain key disclosures that the proxy advisory firms want to see after a low say-on-pay vote. While some of the following examples are from proxy statements published by companies after a low say-on-pay score, others are from companies that publish these "best practice" disclosures as a matter of course.

Contents

What Proxy Advisors Are Looking For

ISS

ISS' review takes into consideration the following when a say-on-pay proposal receives less than 70% support:

- *The disclosure of details on the breadth of engagement, including information on the frequency and timing of engagements, the number of institutional investors, and the company participants (including whether independent directors participated);*
- *The disclosure of specific feedback received from investors on concerns that led them to vote against the proposal;*
- *Specific and meaningful actions taken to address the issues that contributed to the low level of support;*
- *Other recent compensation actions taken by the company and/or the persistence of problematic issues;*
- *Whether the issues raised are recurring or isolated;*
- *The company's ownership structure; and*
- *Whether the proposal's support level was less than 50 percent, which would warrant the highest degree of responsiveness.*

https://www.issgovernance.com/file/policy/latest/americas/US-Compensation-Policies-FAQ.pdf

GLASS LEWIS

Glass Lewis' review takes into consideration the following when a say-on-pay proposal receives less than 80% support:

Our review of a company's practices also takes into consideration the compensation committee's response to previous say-on-pay votes and the level of shareholder support. When a company receives low support for its say-on-pay proposal, we believe the compensation committee should provide some level of response to shareholders' concerns, including engaging with large shareholders to identify the concerns driving the opposition. Shareholders should also expect adequate disclosure of any such engagement and any resulting feedback or changes being made to address outstanding concerns.

https://www.glasslewis.com/say-on-pay/

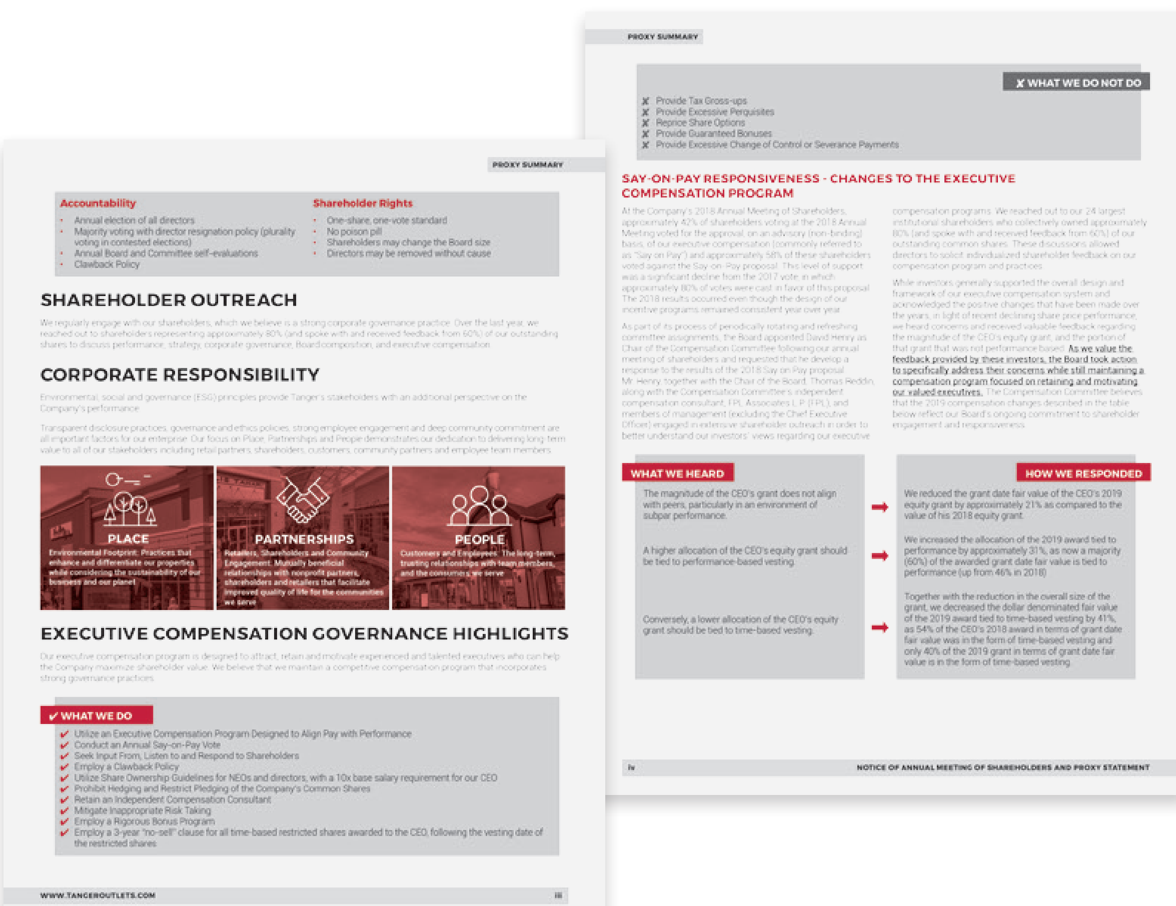
Disclosure Examples

Presenting Compensation in the Proxy Summary

- To reduce duplication, consider a “light” approach to compensation information in the Proxy Summary with the “compensation story” pages being in the CD&A.
- Elements to consider for the Proxy Summary, as appropriate:
  - The breadth and scope of the business (background about the company).
  - Business highlights (not necessarily specifically tied to compensation metrics, although financial and non-financial results tied to compensation metrics should be included).
  - Compensation elements and their metrics (not goals or outcomes – the summary introduces readers to the compensation plan).
  - Pay for performance alignment over time – with the performance metric that’s most relevant for the company and its industry.
  - Compensation governance (“what we do / don’t do”).
  - Shareholder outreach and a summary of resultant changes.
- If it tells the right story, consider also showing (briefly/visually) that the program works by showing pay for performance over time, whether that is actual pay or realizable pay or plan payouts over a 3 or 5-year period.
  - Proxy Summary examples:

TANGER FACTORY OUTLETS

https://www.sec.gov/Archives/edgar/data/899715/000120677419001227/skt_courtesy-pdf.pdf



WESTERN DIGITAL

https://www.sec.gov/Archives/edgar/data/106040/000120677418002861/wdc_courtesy-pdf.pdf

PROXY SUMMARY

FISCAL 2018 EXECUTIVE COMPENSATION HIGHLIGHTS

FISCAL 2018 PAY ALIGNED WITH PERFORMANCE

Our overriding executive compensation philosophy is clear and consistent — we pay for performance. Our executives are accountable for the performance of our company and the operations they manage and are compensated primarily based on that performance.

Chief Executive Officer Total Direct Compensation Decreased in Fiscal 2018

Based on the compensation paid or awarded to our Chief Executive Officer (consisting of base salary, short-term incentive ("STI") awards and fiscal 2018 annual long-term incentive ("LTI") awards), Mr. Milligan's compensation **decreased 4.4% from fiscal 2017 to fiscal 2018**:

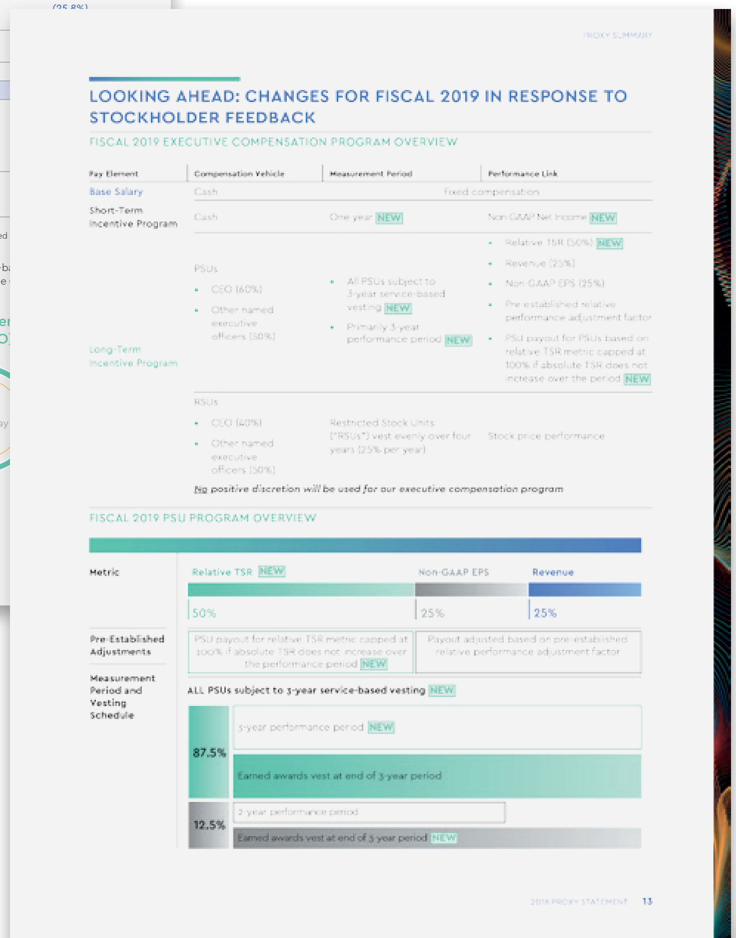
	CEO Pay Year-over-Year		
Pay Element	**Fiscal 2017**	**Fiscal 2018**	**Year-over-Year Change**
Base Salary	$1,150,000	$1,250,000	*+8.7%*
STI Award (based on amount earned)	$2,932,500	$2,175,000	*(25.8%)*
LTI Award[1] (at target level, based on grant date fair value)	$13,762,605	$13,417,083	
All Other Compensation	$62,519	$279,391	
Total CEO Pay (Fiscal 2018 vs. Fiscal 2017)	*$17,907,624*	*$17,121,474*	
For fiscal 2018, we are required to report a one-time adjustment with respect to the fiscal 2016-2017 performance stock unit ("PSU") awards because the payout was modified after the end of fiscal 2017 (as discussed on pages 51-53 of our 2017 Proxy Statement)		$2,616,907	
Total CEO pay reflecting the adjustment as required to be reported in the Summary Compensation Table for Fiscal 2018 on page 70 of this Proxy Statement		*$19,738,381*	

(1) The fiscal 2018 LTI award excludes $2.6 million adjustment for a prior year (fiscal 2016-2017) PSU payout award required fiscal 2018 Summary Compensation Table in accordance with SEC and accounting rules.

The charts below illustrate the mix of fiscal 2018 fixed pay (base salary) and variable or performance-ba STI target and annual LTI awards based on the stock value on the award date) for our Chief Executive other named executive officers (on average).

Chief Executive Officer Pay Mix

Named Executive Officer Pay Mix (other than CEO)



PROXY SUMMARY

LOOKING AHEAD: CHANGES FOR FISCAL 2019 IN RESPONSE TO STOCKHOLDER FEEDBACK

FISCAL 2019 EXECUTIVE COMPENSATION PROGRAM OVERVIEW

Pay Element	Compensation Vehicle	Measurement Period	Performance Link
Base Salary	Cash		Fixed compensation
Short-Term Incentive Program	Cash	One year NEW	Non GAAP Net Income NEW
Long-Term Incentive Program	PSUs • CEO (60%) • Other named executive officers (50%)	• All PSUs subject to 3-year service-based vesting NEW • Primarily 3-year performance period NEW	• Relative TSR (50%) NEW • Revenue (25%) • Non-GAAP EPS (25%) • Pre-established relative performance adjustment factor • PSU payout for PSUs based on relative TSR metric capped at 100% if absolute TSR does not increase over the period NEW
	RSUs • CEO (40%) • Other named executive officers (50%)	Restricted Stock Units ("RSUs") vest evenly over four years (25% per year)	Stock price performance

No positive discretion will be used for our executive compensation program

FISCAL 2019 PSU PROGRAM OVERVIEW

www.argyleteam.com

Shareholder Outreach

- First and foremost, proxy advisors will be looking for a robust presentation of shareholder engagement. Our interpretation of the ISS guidelines is that, in addition to the usual participants/process/feedback discussion, companies should also present facts specifically about the feedback from shareholders voting no, and how the company addressed these concerns. ISS will take board engagement after dissent into consideration when formulating its recommendation on this year's SOP and incumbent compensation committee members. Glass Lewis' general expectation is that boards will respond to shareholder dissent.
- Efforts made to solicit feedback from shareholders since the last Annual Meeting:

NEWMONT MINING

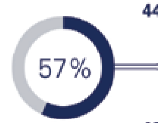
https://www.sec.gov/Archives/edgar/data/1164727/000120677418000734/nem_courtesy-pdf.pdf

SAY ON PAY AND STOCKHOLDER ENGAGEMENT

Newmont has historically received strong support from our stockholders regarding our executive compensation programs, averaging 94% in favor during 2012 to 2016 and receiving consistent support from major proxy advisory services. In 2017, our "Say on Pay" proposal received 67% support from stockholders – the LDCC and management viewed this as a signal that additional outreach and program reviews were needed. While stockholder engagement is ongoing at Newmont, we increased our level of engagement to ensure stockholder interests are incorporated into our planning process for 2018 programs.

2017 STOCKHOLDER OUTREACH

Our outreach included **26 firms**, representing **57% of shares owned** *(as of December 31, 2017)*



44% We met with 13 firms to discuss governance and executive compensation (44% of shares owned)

13% 13 firms either confirmed that they had no concerns/did not require a meeting, or did not respond (13% of shares owned)

Additional details regarding our stockholder engagement process, specific feedback provided by our stockholders, as well as how we incorporate this feedback into our planning is provided in the Compensation Discussion and Analysis and the **"Letter from the Chair of the Leadership Development and Compensation Committee"** beginning on page 50. The following table summarizes the primary feedback and our response.

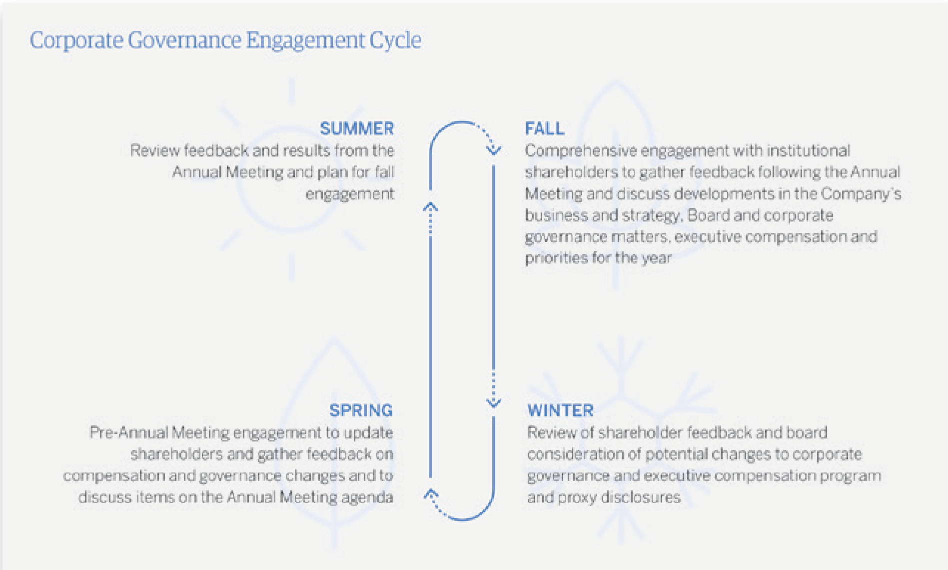
Please see the following page for our response to stockholder feedback.

2018 Proxy Statement **11**

- “Year-round” shareholder outreach process and cycle:

AMERICAN EXPRESS

https://www.sec.gov/Archives/edgar/data/4962/000120677419000869/axp_courtesy-pdf.pdf



MCDONALD’S

https://www.sec.gov/Archives/edgar/data/63908/000120677419001299/mcd_courtesy-pdf.pdf

Board and Governance Matters

SHAREHOLDER ENGAGEMENT

Our Board and management team have developed a robust shareholder engagement program. Throughout the year, we engage with a significant and diverse portion of shareholders on topics of importance to both the Company and shareholders. In addition to discussing our business results and initiatives, strategy and capital structure, we engage on other matters, such as governance practices, including Board composition, tenure and refreshment; executive compensation; and environmental, social, and other sustainability topics such as packaging and recycling and climate change as it relates to the Company's business.

In 2018, we reached out to a broad group of shareholders, including actively managed funds, index funds, union and public pension funds and socially responsible investment funds, based in and outside of the U.S. This group represented approximately 50% of our outstanding shares. Shareholder feedback, including through direct discussions and prior shareholder votes, as well as engagement with proxy and other investor advisory firms that represent the interests of a wide array of shareholders, is reported to our Governance Committee periodically throughout the year. We also review our practices against guidelines published by shareholders and proxy advisory firms, among others. As appropriate, our Governance Committee may delegate specific issues to relevant Committees for further consideration.

The following graphics illustrate elements of our ongoing shareholder outreach and engagement, as well as certain items that take place more specifically before, during and after our Annual Shareholders' Meeting:

ONGOING SHAREHOLDER ENGAGEMENT – FOCUS AREAS

- Business Strategy and Performance
- Capital Structure
- Executive Compensation
- Board Governance, Composition and Refreshment
- Oversight of Risk and Strategy
- Environmental, Social and Other Sustainability Matters

BEFORE ANNUAL SHAREHOLDERS' MEETING

- Discuss shareholder proposals with proponents, on case-by-case basis
- Publish Annual Report and Proxy Statement, highlighting recent Board and Company activities
- Engage shareholders and seek feedback on matters presented for their consideration

ANNUAL SHAREHOLDERS' MEETING

- Engage directly with shareholders and other stakeholders
- Receive voting results for management and shareholder proposals

AFTER ANNUAL SHAREHOLDERS' MEETING

- Discuss voting results from Annual Shareholders' Meeting in light of existing governance and compensation practices, as well as feedback received from shareholders, and determine if any follow-up actions are appropriate
- Review corporate governance trends, recent regulatory developments and the Company's own corporate governance documents, policies and procedures to determine if any enhancements should be considered
- Determine topics for discussion during off-season shareholder engagement

OFF-SEASON ENGAGEMENT AND EVALUATION OF PRACTICES

- Engage with shareholders and other stakeholders regarding our Board, governance and executive compensation practices to better understand investors' viewpoints and inform boardroom discussions
- Attend and participate in investor and governance-related events to learn about emerging trends or issues and further engage shareholders
- Evaluate potential changes to Board, governance or executive compensation practices in light of shareholder feedback and review of practices

2019 Proxy Statement 33

WESTERN DIGITAL

https://www.sec.gov/Archives/edgar/data/106040/000120677418002861/wdc_courtesy-pdf.pdf

SAY ON PAY VOTE RESULTS AND STOCKHOLDER ENGAGEMENT

Historical Say on Pay Support

The Compensation Committee strives to ensure that our executive compensation program aligns with the interests of our stockholders and adheres to our pay-for-performance philosophy. Historically, our executive compensation program has received very strong stockholder support (averaging over 90% approval in the five years prior to 2017). We were disappointed with the 42% stockholder support for our 2017 Say on Pay vote. Following the 2017 annual meeting of stockholders, the Compensation Committee immediately sought to better understand the views of our stockholders and address their concerns.

Stockholder Engagement Effort in Fiscal 2018

Fall

- **August/September 2017:** Fiscal 2018 compensation program design approved by Compensation Committee
- **October 2017:** Active engagement led by Board members with over **40%** of our stockholders to discuss important executive compensation and governance items to be considered at our 2017 annual meeting of stockholders

Winter

- **November/December 2017:** Share stockholder feedback with entire Board
- **February/March 2018:** Compensation Committee retained new independent compensation consultant and considered comprehensive executive compensation program changes in light of 2017 Say on Pay Vote outcome and stockholder feedback

Spring

- **March 2018:** Outreach to **49%** of stockholders to engage on executive compensation program changes under consideration
- **May/June 2018:** Board members directly engaged with over **36%** of our outstanding stock
- Overwhelmingly positive feedback from stockholders on proposed changes

Summer

- **July/August 2018:** Compensation Committee finalized fiscal 2019 executive compensation program changes based on comprehensive feedback from stockholders

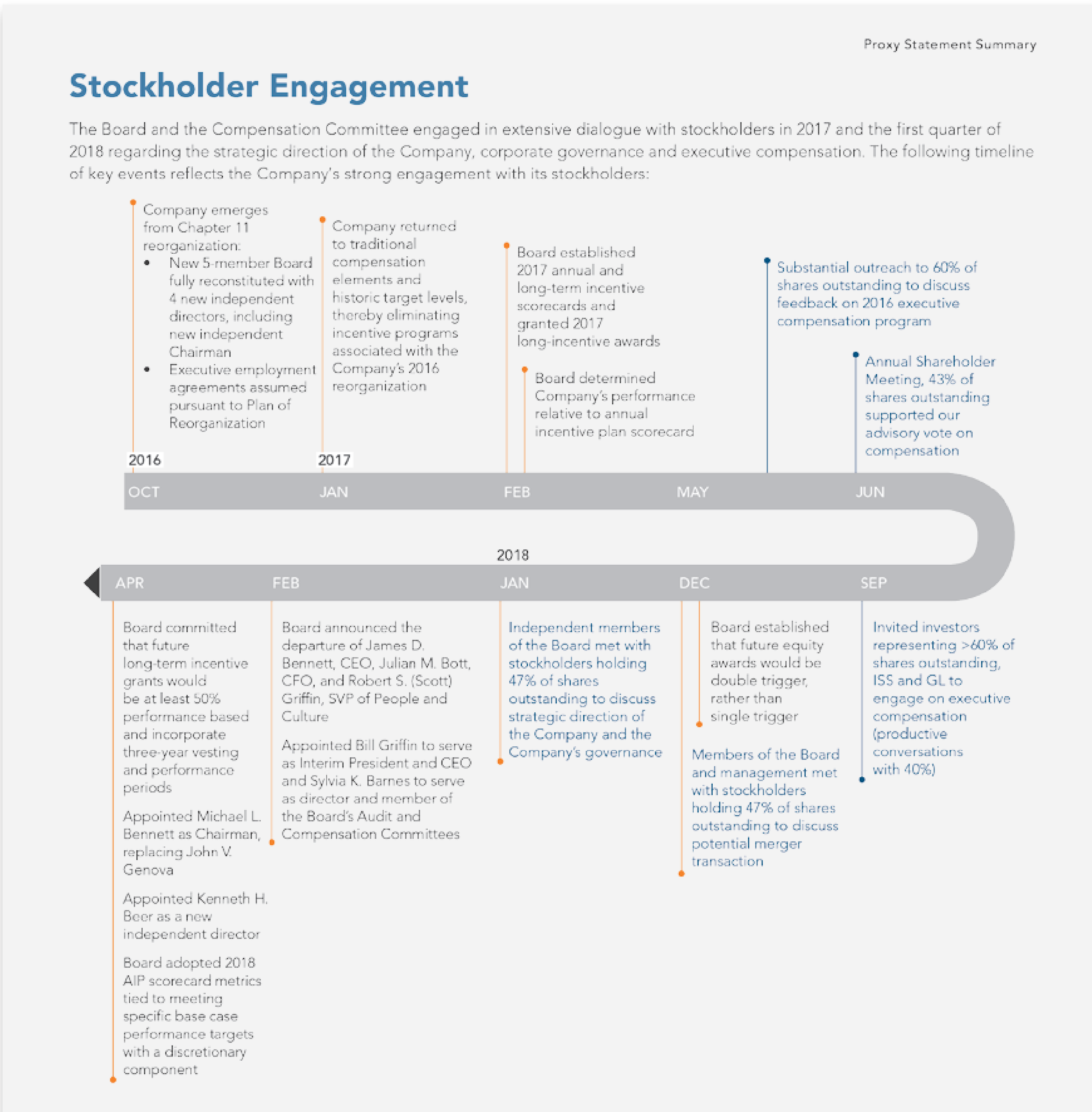
Our stockholder engagement effort included members of our Board, including our Chairman of the Board, Matthew Massengill, and our Lead Independent Director and Compensation Committee Chair, Len Lauer, as well as members of management from our Human Resources, Investor Relations, Finance and Legal teams, all of whom met with stockholders in Spring 2018 to solicit feedback on our executive compensation program, better understand the reasons behind the 2017 Say on Pay vote outcome and discuss constructive changes under the Compensation Committee's consideration. For additional information about our stockholder engagement program and how feedback from our regular outreach cycle is incorporated into Board decisions, please see the section entitled "Corporate Governance Matters—The Board's Role and Responsibilities—Stockholder Engagement."

Changes Made as a Result of Shareholder Outreach

- Any changes to the compensation program should be clearly highlighted and emphasized. Particularly if additional changes were made following last year's say-on-pay vote, we would suggest visually showing changes over multi-year period and emphasizing that the evolving program is in line with shareholder feedback – even better if the program has evolved in line with the company's strategic transformation initiatives.
- Timeline of changes:

SANDRIDGE ENERGY

https://www.sec.gov/Archives/edgar/data/1349436/000120677418001297/sd_courtesy-pdf.pdf


Proxy Statement Summary

Stockholder Engagement

The Board and the Compensation Committee engaged in extensive dialogue with stockholders in 2017 and the first quarter of 2018 regarding the strategic direction of the Company, corporate governance and executive compensation. The following timeline of key events reflects the Company's strong engagement with its stockholders:

- A visually impactful chart to highlight “what we heard / what we did” may be presented in the proxy summary and the CD&A:

JEFFERIES FINANCIAL

https://www.sec.gov/Archives/edgar/data/96223/000120677419000439/jef_courtesy-pdf.pdf

Compensation Discussion and Analysis

Changes to Our Executive Compensation Program NEW

What We Heard	What We Did
Banking: We uniformly heard displeasure with our banking mechanism, under which executives could earn banked but unvested RSUs for each individual performance year even if performance for subsequent years is below expectations.	We **eliminated banking**
Absolute TSR Measurement: Shareholders and proxy advisory firms favored some element of relative total shareholder return instead of an exclusive, absolute TSR performance measurement.	We **implemented a relative TSR performance threshold** starting in the current year
Insufficient Articulation of Peer Selection Process: Certain shareholders and the proxy advisory firms asked us to review and amend our peer list and to explain in greater detail why we selected the peers that we did.	We **reshaped and expanded our peer list** and provided a more fulsome articulation of our peer-selection reasoning
Performance Targets: Certain shareholders expressed an issue with our targeted performance metrics for ROTDE and TSR.	We **raised our performance ranges** from a 5% threshold and 8% target for each of ROTDE and TSR **to a 6% threshold and 9% target**; the higher performance target reduces overall award magnitude at the former 8% target by nearly 17%
Magnitude of the Overall Award: Certain shareholders believed that the overall magnitude of our executive compensation package was too high.	We **reduced the targeted cash portion of our compensation plan by 28% and the overall targeted compensation by 10%**

Commitments to Our Shareholders NEW

What We Heard	What We Committed
No Increases to Equity: We heard concern that, because we employed a one-time equity grant for the 2018 Plan, 2019 Plan and 2020 Plan, the equity portions of those plans could be increased at a later time.	We confirmed and committed that **no additional equity would be granted under those Plans**
Exercise of Negative Discretion: We heard questions whether we could employ negative discretion as it pertained to the equity portion of the 2018 Plan, 2019 Plan and 2020 Plan.	We confirmed that **we retain negative discretion** and that **no positive discretion is allowed**; that is, we may reduce equity awards, but will not increase them

The changes discussed later in this CD&A are meaningful amendments to the executive compensation plans that we approved on January 1, 2018 in direct response to our shareholders' feedback. It bears noting that, although these substantial amendments make it more difficult for our two top executives to achieve targeted compensation that has been reduced by 10%, our CEO and President – who are also two of our largest individual shareholders – have, fully supported our changes.

CONOCOPHILLIPS

http://static.conocophillips.com/files/resources/18proxystatement.htm#1

Board Responsiveness to Our Stockholders

HOW WE ENGAGED IN 2017

Stockholder Outreach

In 2017, we requested meetings with stockholders representing **more than 50%** of our outstanding stock.

Meetings with Board Members and Senior Management

Our Lead Director, Richard H. Auchinleck, and HRCC Chairman, Robert A. Niblock, met in person with stockholders representing **approximately 37%** of ConocoPhillips' outstanding stock. Senior management conducted additional stockholder engagements. In total, we conducted engagement meetings with stockholders representing **more than 42%** of our outstanding stock.

Matters Discussed

Matters discussed during these meetings included our **strategy and value proposition, executive compensation, board composition and governance,** and **sustainability**.

Outcomes

ConocoPhillips' Board and management team were disappointed with the results of the 2017 Say on Pay vote, which failed to receive majority support. We undertook an extensive engagement effort and the HRCC conducted a thorough review of our compensation programs in order to determine how best to respond to stockholders. **After considering input from stockholders and other stakeholders, we implemented the following changes:**

Enhancements to our executive compensation program and disclosures

- ✔ Increased transparency around targets and results for our annual and long-term incentive programs
- ✔ Disclosed a payout matrix for relative financial metrics
- ✔ Reduced the complexity of our annual incentive program
- ✔ Adjusted the 2018 ... incentive program
- ✔ Improved peer selection and CEO target pay benchmarking disclosures

Additional changes made in response to ongoing stockholde

Enhancements to our governance disclosures

- ✔ Improved Board refreshment and diversity disclosure
- ✔ Strengthened Boa... evaluation and no... process disclosure

An improved Annual Meeting experience for our stockho

- ✔ Returned to an in-person annual meeting
- ✔ Implemented imp... availability throu... webcast of the me... capability to subm... in advance of the

Implemented industry-leading steps to further strengthen

- ✔ Set a target to reduce our greenhouse gas emissions intensity

Updated our lobbying policies and disclosures

- ✔ Revised our policies to reflect that the Vice President, Governmen
- ✔ Posted disclosures on our website to provide the total lobbyi... aggregate percentage of trade association dues that relate to

EXECUTIVE COMPENSATION CHANGES IMPLEMENTED IN CONSIDERATION OF STOCKHOLDER FEEDBACK

WHAT WE HEARD	WHAT WE DID
Variable Cash Incentive Program	
Increase transparency around targets and payouts	• Disclosed targets and results (pages 66-68) • Disclosed payout matrix for relative financial metrics (pages 65 and 67)
Simplify VCIP complexity	• Reduced complexity by aligning NEO VCIP metrics to focus on five key areas to better reflect overall corporate performance (pages 61-64)
Long-term Incentive Program	
Increase transparency around targets and payouts	• Disclosed payout matrix for relative financial metrics (pages 65 and 70) • Disclosed strategic plan objectives (pages 64 and 69-70)
Consider adjusting LTI pay mix	• For LTI grants in 2018, increased performance shares from 60% to 65% of LTI mix; replaced stock options with time-vested restricted stock units weighted at 35% of LTI mix (page 72)
Other/Disclosure	
Improve CD&A disclosure	• Increased disclosure around targets, results and payouts, as outlined above (pages 66-70) • Explained the link between compensation program metrics and ConocoPhillips strategy (pages 50-52 and 61-64) • Increased disclosure on rationale for peer group selection (pages 58-61) • Increased disclosure on CEO target compensation benchmarking (pages 58-60)
Vague reasons for use of discretion	• Will provide clear rationale if discretion is exercised

In addition to the changes above, based on stockholder feedback prior to the 2017 Annual Meeting, we made changes to our Performance Share Program (PSP) that are reflected in the three-year PSP results for the first time in this Proxy Statement. Those changes included (1) changing the metrics for performance shares to increase the weight of relative Total Shareholder Return from 40% to 50% and reduce the weight of Financial/Operational metrics from 40% to 30% Financial; and (2) focusing on two relative financial metrics to further align with stockholder interests.

The HRCC believes these changes are responsive to the views expressed by our stockholders and are consistent with our overall compensation objectives. We will continue our dialogue with stockholders on compensation issues as part of our ongoing engagement.

During the fall of 2018, and the beginning of 2019, we had discussions with stockholders representing approximately 81% of our outstanding shares. Our independent Lead Director, Michael J. Dolan, and members of senior management participated in these discussions, which were focused on sharing the changes the Compensation Committee made to our compensation programs in response to the stockholder feedback we received in the spring after the 2018 Annual Meeting with respect to our 49% Say-on-Pay vote, and providing an update on our transformation progress.

Feedback received from our stockholders during this year-round practice is regularly shared with the full Board, the Governance and Social Responsibility Committee, and the Compensation Committee when related to our compensation programs and practices.

Executive Compensation Highlights

We made meaningful changes to our executive compensation programs in response to stockholder feedback in 2018 and are committed to our pay-for-performance philosophy and compensation governance best practices.

Meaningful Compensation Changes in Direct Response to Stockholder Feedback

The Compensation Committee carefully considered the feedback from our stockholders, our 49% Say-on-Pay vote in 2018, and compensation governance best practices, in implementing the following changes to our executive compensation programs and practices in 2018.

Feedback We Heard	How We Responded
CEO compensation structure should have greater alignment with Company performance and stockholder value creation, in particular the guaranteed bonus for our former CEO.	The compensation of our new CEO, Mr. Kreiz, is substantially performance-based, with: • 84% of his 2018 equity awards* subject to Company and stock price performance; and • No guaranteed or signing bonuses.
Former CEO's vesting period and performance requirements for new-hire equity awards were insufficient.	Mr. Kreiz's new-hire inducement stock option is fully performance-based. • Grant vests if our relative three-year TSR is ≥ 65th percentile of companies in the S&P 500.
Weighting of three-year performance-based restricted stock units ("Performance Units" or "PSUs") in long-term incentive ("LTI") mix should be increased.	Percentage of our 2018 total target annual equity grant value ("Annual LTI Value") granted as Performance Units was increased to 50% (from 33%) for Executive Vice Presidents ("EVPs") and above.
A three-year financial performance measurement should be employed in the Long-Term Incentive Program ("LTIP").	Our 2018-2020 LTIP employs a single three-year cumulative Free Cash Flow goal, instead of an annual goal set each year and averaged over three years.
Explicit link of incentive measures with transformation and strategic plan should be increased.	Our Mattel Incentive Plan ("MIP") and LTIP were realigned to emphasize profitability and cash flow.
Size of companies in our executive compensation benchmarking peer group should be reconsidered.	We realigned our peer group in 2018 by: • Targeting median positioning and utilizing a lower revenue cap of 3x from the previous 4x revenue cap; and • Increasing focus on branded content/home entertainment companies. Three of the four new companies in our peer group are smaller than Mattel in terms of revenue and market capitalization. Three of the five companies removed had market capitalizations greater than 5x Mattel.

* 2018 equity awards subject to Company and stock price performance include Mr. Kreiz's 2018-2020 Performance Units, new-hire performance-based stock options, and time-vesting stock options, and exclude his time-vesting Restricted Stock Units ("RSUs").

Letter from the Compensation Committee

- After a low/failed say-on-pay vote, we recommend a carefully considered Compensation Committee letter to explain their rationale for compensation decisions, and any additional changes that have been made.

CHESAPEAKE ENERGY Q&A

https://www.sec.gov/Archives/edgar/data/895126/000110465918022869/a18-3046_1def14a.htm

What types of transactions did Chesapeake enter into that aligned with its compensation incentives?

To execute on our long-term corporate strategy over the last two years, management negotiated an unprecedented number of transactions, including an amendment to our credit facility, asset sales, tender offers and repurchases of debt, common stock for debt and preferred stock exchanges, and debt and convertible debt offerings. We also renegotiated or terminated legacy GP&T agreements, which previously contained excessive rates and/or onerous minimum volume commitments, and thereby reduced our net long-term expected commitments by approximately $4.8 billion in the past two years (and by approximately $9.3 billion since June 2013). Each of these transactions contributed to our goals of reducing debt, enhancing our margins, reaching cash flow neutrality and generating improved shareholder returns. However, we are not resting on our laurels, as we have more work to do.

What was the Board's role in reviewing and approving these transactions?

The Board reviewed each transaction in an effort to promote only those transactions that the Board believed to be accretive to shareholder value. Among other things, the Board approved and established price thresholds for material asset sales, debt reduction/refinancing transactions, tender offers, open market repurchases, securities offerings and other transactions. The Board also approved the amendment to our credit agreement and reviewed each amendment to our GP&T agreements.

Why is the goal relating to asset sales difficult to achieve?

Both the Board and management impose very strict standards and will not pursue a proposed asset sale unless they believe there will be a long-term improvement in Chesapeake's operating performance, particularly its net debt to EBITDA ratio. In short, Chesapeake must receive consideration that the Board believes will offset projected reductions in cash flow.

How does the Compensation Committee distinguish long-term goals from short-term goals and why didn't you impose negative discretion on short-term AIP payouts?

The value of our long-term compensation package (RSUs, stock options and PSUs), which represents over 72% of our CEO's total reported compensation for 2017, is determined primarily by Chesapeake's stock price, as well as achievement of long-term PSU performance metrics. In determining short-term performance goals, on the other hand, we:

- incentivize financial discipline and liquidity in all aspects of our business, with the goal of increasing operational flexibility through significantly lower, value-driven spending; and
- intentionally eliminate the influence of Chesapeake's stock price, largely because we believe this will lead to short-term decisions that are not in the long-term interests of shareholders.

This distinction between long-term and short-term goals is extremely important. Our executive team achieved important short-term goals in 2017 and we believe the executives should be rewarded in a manner that is consistent with their achievements. Executives have already been impacted by stock price with respect to the long-term compensation that is directly tied to Chesapeake's stock price, such as RSUs, stock options and PSUs. If we exercised negative discretion to lower the amount of short-term compensation because of the drop in our stock price, we believe that we would be penalizing our executive team for losses that have already been experienced through long-term compensation arrangements. Conversely, we do not apply positive discretion to short-term incentives due to increases in stock price.

Why is it ***managen***

Despite th team was evidenced cessfully r is essentia to continu cured deb our opera our manag and we be encourage mation 20

Sincerely,

Merrill A.
Compens

Compensation Overview

Q&A with Merrill A. ("Pete") Miller, Jr., Compensation Committee Chairman

Distinguishing Long-Term vs. Short-Term Compensation Incentives

Did the Board and Compensation Committee reach out to shareholders about executive compensation?

Yes. The Board and Compensation Committee oversaw another year-round shareholder engagement program. We reached out to Chesapeake's top 50 shareholders, representing 56% of shares outstanding and 64% of institutional share ownership. In particular, we heard shareholder views about Chesapeake's compensation plans and incentives and business strategy, including efforts to enhance liquidity, extend debt maturities and reduce secured debt, all in light of a continuously volatile commodity price environment. Any shareholder can communicate with our Board through our website, www.chk.com/about/board-of-directors, or by email, TalktoBoD@chk.com.

In response to feedback from shareholders, the Compensation Committee continued to evolve Chesapeake's executive compensation plans. What were the key changes?

The Compensation Committee responded to shareholders' views by taking the following actions:

- **Hiring a New Compensation Consultant.** We selected Longnecker & Associates as our new compensation consultant in order to gain a fresh perspective on our executive compensation decisions.
- **Adopting a New Peer Group for 2018.** We undertook an extensive review of our peer group and, based on shareholder feedback, a report prepared by Longnecker, and our analysis of key metrics, including enterprise value, market capitalization and domestic production we replaced the six peer companies with the largest enterprise values and market capitalizations with six new companies.
- **Designing More Challenging Short-Term and Long-Term Incentive Programs in 2018.** To better align compensation incentives with shareholder value, we refocused 2018 short-term and long-term compensation metrics on more rigorous financial measures, such as return on invested capital, the ratio of EBITDA to capital expenditures, and fewer operating metrics.

Did executive compensation increase or decrease in 2017?

It decreased, as we again asked management to "do more with less." There are three points that I would like to emphasize. First, aggregate ***reported*** compensation for our named executive officers, as disclosed in the Summary Compensation Table (page 59 of the proxy statement), decreased by $4.4 million, from $37.7 million in 2016 to $33.3 million in 2017. Second, ***realized*** pay has averaged approximately 25 – 36% of reported pay, primarily because our long-term compensation is aligned with share performance, which has lagged (as reflected in the ***realized*** pay chart on page 43 of the proxy statement). Third, aggregate compensation for our entire executive team decreased even more, by $7.4 million, as the number of executive officers decreased from seven at the beginning of 2016 to six in 2017.

What were the key elements of executive compensation in 2017?

We asked management to again "do more with less" by imposing limitations on capital expenditures, in which management is rewarded more for spending less. At the same time, we established:

- financial return goals that incentivized increased margins and return on capital through a focus on increased oil production and reduced cycle times;
- liquidity goals that incentivized asset sales, but upon Board approval after reviewing projected long-term improvements in Chesapeake's operating performance; and
- EHS goals (TRIR and agency reportable spills) that were even more difficult than the prior year's record-setting standards.

What did the management team accomplish in 2017?

Among other things, we successfully refinanced a significant amount of near-term maturities, reduced secured debt and continued to create operating efficiencies by improving cycle times and dramatically reducing production and GP&T expenses, both in absolute and on a per barrel of oil equivalent basis. Despite gloomy predictions from certain analysts, our management team responded.

8 CHESAPEAKE ENERGY CORPORATION

https://www.sec.gov/Archives/edgar/data/21344/000120677419000735/ko_courtesy-pdf.pdf

MESSAGE FROM THE COMPENSATION COMMITTEE

In early 2017, James Quincey announced new strategic priorities aimed at continuing to drive our transformation as a total beverage company. Mr. Quincey became Chief Executive Officer later that year and since then has steered the Company through a period of fundamental changes in the industry. One of the cornerstones of this work has involved shaping a growth-oriented culture at all levels of the organization.

We, the Compensation Committee, are committed to ensuring that our compensation programs help drive the Company's focus on disciplined growth. To align our 2018 compensation programs to this strategy, we conducted a comprehensive review to ensure that we incentivize growth and continue to pay for performance while also focusing on key growth metrics and long-term shareowner value. During this process, we listened to feedback from employees, leaders and shareowners.

We refreshed our 2018 talent and compensation philosophy to focus more sharply on employee performance and the future potential to drive long-term growth, with a strong emphasis on accountability to deliver the right work in the right way. We introduced enhancements to annual incentive and performance-based equity programs, which included measures focused on driving growth, differentiation and segmentation, as well as simplicity and transparency.

Our renewed compensation programs deliver highly differentiated rewards for employees who make outstanding contributions to the Company. Our programs are also intended to help shift the Company's culture, encouraging employees to be fast, agile, empowered and accountable.

Our Compensation Discussion and Analysis describes specific program design changes in 2018 and individual compensation decisions and rationales for the 2018 Named Executive Officers. We remain committed to listening to shareowner feedback as we continue to evaluate and refine the Company's compensation programs.

WHAT'S NEW IN THIS CD&A

To explain the rationale behind changes to our compensation framework, we have added "Compensation Committee Insights" throughout this CD&A, which highlight changes made in the last twelve months. We hope that you find them useful and welcome your feedback.




Maria Elena Lagomasino

Christopher C. Davis

Heler

COMPENSATION COMMITTEE INSIGHTS

When does the Compensation Committee make decisions regarding annual and long-term incentives?

We have a robust annual cycle to plan, review and execute the executive compensation process, which includes year-round engagement with our shareowners.

When evaluating pay reported in the 2018 Summary Compensation Table against Company performance, it is important to consider the timing of compensation decisions and which performance period informs each of the annual and long-term incentive awards. For instance:

- Annual incentive awards reported for 2018 were decided in February 2019 and reflect Company and individual performance in 2018 (see page 53); and
- Long-term incentive awards reported for 2018 were granted in February 2018 and reflect the individual's potential to drive future growth (see page 55).

April to June	July to September	October to December	January to March
▸ Evaluate and set compensation comparator group to be used for upcoming year (see page 60)	▸ Review program design and align on changes to support the business strategy for the upcoming year	▸ Complete a risk assessment of all compensation programs (see page 61) ▸ Benchmark compensation programs and pay opportunity against the compensation comparator group	▸ Evaluate prior year business performance, individual contributions and future potential of executives in order to determine individual compensation decisions ▸ Hold a dedicated meeting for rigorous target-setting of performance metrics for the upcoming year (see page 52)

ANNUAL INCENTIVE COMPENSATION

COMPENSATION COMMITTEE INSIGHTS

What was the rationale for changing the Company performance metrics for the 2018 annual incentive awards?

To align with the Company's new growth strategy, we refined our 2018 annual incentive performance metrics as follows:

2017 Performance Metrics		2018 Performance Metrics
Net operating revenue Profit before tax Unit case volume	➔	Net operating revenue Operating income

Net operating revenue aligns with the Company's growth focus, by reflecting how we are sustainably growing top-line performance. Operating income is a bottom-line performance measure of the profitability of our primary business operations. Both measures provide employees line of sight to influence results. In addition, they are widely used measures to evaluate the success of our business by investors. Removing unit case volume helps focus on our growth strategy and helps support the transformation to a total beverage company by incentivizing revenue growth through multiple levers, rather than just through volume growth.

How has the new scorecard guided the Committee's determinations with respect to the individual performance amount?

The scorecard provides a framework to more clearly define specific action items in three key areas: leadership, operational, and people and culture. Our assessment of these outcomes was a key factor in determining the level of discretion to apply to each Named Executive Officer's individual performance amount for their 2018 annual incentive award.

Letter from the Management Planning and Development Committee and Compensation Committee Report

DEAR CVS HEALTH CORPORATION STOCKHOLDER,

As the members of the Board's Management Planning and Development Committee (for purposes of this letter and the CD&A, the Committee), we are responsible for and highly focused on overseeing the design and implementation of competitive compensation programs that align pay and performance, support our long-term strategic goals, and drive stockholder value.

It was a milestone year for CVS Health. In 2018 we successfully completed our transformational acquisition of Aetna, began effective implementation of our integration strategy, and took important steps toward building the integrated healthcare model that will bring substantial value to our various stakeholders. During this time, we maintained strong financial performance and delivered on our operating expectations. The Committee took into account all of these factors, in addition to the direct feedback we heard from our stockholders, as we implemented the 2018 compensation program and structured the compensation program for 2019.

In 2018, following a thorough review of the compensation program and significant stockholder engagement, the Committee implemented a number of substantive enhancements that both responded to stockholder feedback and continued to support our core compensation principles. These changes were designed to simplify and enhance the performance-based nature of the program, and to increase overall transparency. Stockholder feedback since these changes were implemented, through the 2018 say-on-pay proposal, which received 91% support, and subsequent stockholder engagement in late 2018 and early 2019, has been positive.

We remain firmly committed to incent management to remain focused on drivers of sustainable performance over the long term. As a result of the Aetna Transaction which closed in late 2018 and as our strategy continues to evolve, the Committee has reviewed the performance metrics within our compensation program to ensure appropriate alignment. For 2019, the Committee determined to grant the performance stock units (PSUs) portion of our long-term incentive program following the Company's Investor Day presentation in June using an EPS growth rate and a leverage ratio as the performance metrics for the awards. We believe these metrics are key to driving long-term, sustained growth and will be critical measures of success for you, our stockholders.

We believe that our compensation programs drive the right behaviors for our executives, which in turn benefits our stockholders by driving our business strategies and goals. We look forward to ongoing dialogue and collaboration with our stockholders as we transform the consumer health care experience.

Compensation Committee Report

We met with management to review and discuss the Compensation Discussion and Analysis (the CD&A). Based on that review and discussion, we recommended to the Board that the CD&A be included in this proxy statement.

David W. Dorman	Tony L. White	Anne M. Finucane	C. David Brown II (Chair)	William C. Weldon	Roger N. Farah

1. Executive Summary

Compensation Committee Message and Report

DEAR FELLOW SANDRIDGE ENERGY STOCKHOLDERS,

The success of our business depends on setting and achieving goals tied to our strategic objectives. Incentivizing performance relative to those goals is fundamental to our compensation principles and executive compensation program. As we reflect on 2017, we are proud of the results that our Company delivered during a challenging period of low commodity prices and following the Company's emergence from Chapter 11 reorganization in October 2016. We believe these results are reflected in our near-top-quartile stock price performance for the year relative to our 2017 peer group. Although our team delivered on key performance goals in 2017, in light of our new strategic direction, discussions with large stockholders and robust deliberation among the independent members of the Board, we determined to transition to a new leadership team, which resulted in the departure of Messrs. J. Bennett, Bott and S. Griffin during the first quarter of 2018.

ALIGNING COMPENSATION WITH STRATEGY AND PERFORMANCE

Our business and principal source of revenue is the production of oil, natural gas, and NGLs. Our Company exceeded our production growth goals for 2017 while simultaneously surpassing our per unit adjusted operating cost reduction goal and effectively managing its capital program rate of return. We found establishing a balanced set of goals focused our management team on growth that contributes long-term value, not just growth for growth's sake.

Further, our team delivered on numerous qualitative goals that were fundamental to our Company's 2017 performance, including:

- Reducing 2017 total reportable incident rate by 33% and our motor vehicle incident rate by 41% compared to 2016
- Increasing our NW STACK acreage position and entering into a $200 million development agreement with an initial $100 million tranche to efficiently fund the delineation of our NW STACK asset
- Refinancing our non-conforming credit facility to increase our borrowing base, eliminate onerous covenants, release $50 million in cash from escrow and trigger the conversion of $264 million in convertible debt to equity.
- Selling $21.9 million in non-core assets (resulting in $33.7 million in non-core asset sales since emerging from Chapter 11).

STOCKHOLDER ENGAGEMENT AND FEEDBACK

The Compensation Committee, as well as the full Board, values input and feedback received from our stockholders. We were not satisfied with the outcome of our say-on-pay vote at our 2017 annual meeting of stockholders, having received only 42.8% of the votes cast. We therefore initiated robust engagement with our largest stockholders and proxy advisory firms Institutional Shareholder Services and Glass Lewis. We took the feedback we received seriously, and our 2017 and 2018 compensation programs are responsive to the concerns we heard. We expect to continue such engagement in the future.

2017 COMPENSATION DECISIONS

For 2017, we returned to historic base salaries and incentive opportunities that were effective prior to our reorganization in 2016 and we implemented a multi-metric performance scorecard comprised of important drivers of value creation for each of the annual incentive program and the performance share units granted under our long-term incentive program. The scorecard balanced production growth with cost reduction and capital program return goals to ensure our management team was not incentivized to pursue growth at any cost, a concern we heard among stockholders. Eliminating the incentive compensation structure the Company adopted during its chapter 11 reorganization, and the absence of comparable emergence equity awards from our 2017 long-term incentive program, addresses feedback we heard regarding outlier compensation levels, particularly for our CEO, in 2016. Our Compensation Committee also replaced its independent compensation consultant with Mercer Company ("Mercer").

2018 COMPENSATION DECISIONS - GOING FORWARD

For 2018, the Compensation Committee and Board continued applying a balanced scorecard approach in establishing the annual incentive program and committed that 50% of the Company's long-term incentive awards made later in 2018 would be performance-based. Further, in light of the departure of Mr. J. Bennett and the termination of his employment agreement, which contained minimum base salary and effective minimum bonus and long-term incentive opportunities, the Company may now recalibrate total target compensation for his successor in a way that is both competitive and more reflective of the compensation found among our peer group companies. We believe that the compensation package established for Bill Griffin, our Interim President and CEO, reflects these principles in a way that is consistent with the market for interim chief executives.

We held 7 Compensation Committee meetings during 2017 and numerous other informational update calls in addition to calls and in person meetings with stockholders. We are engaged and take our responsibilities very seriously in establishing and overseeing SandRidge's executive compensation program.

By the Compensation Committee of the Board:

Sylvia K. Barnes, Chair — Michael Bennett

SOUTHERN COMPANY

https://www.southerncompanyannualmeeting.com/media/2517/346338-1-_35_southern-company_nps_wr-spread-_r1.pdf

CEO Performance

The CEO's performance throughout 2018 drove and delivered the strong results described at the beginning of the CD&A. Our Board believes that Mr. Fanning is among the best CEOs in the energy industry. Below are highlights of the CEO's performance.

Industry Leadership and Credibility Created Long-Term Value for Stockholders

- Industry leadership demonstrated through various roles and engagements on cyber and resiliency matters (*e.g.*, Electricity Subsector Coordinating Council co-Chair, Tri-Sector Executive Working Group, expert Congressional testimony)
- Leadership creating positive outcomes for stockholders, such as the extension of production tax credits for advanced nuclear and a premier position on cyber and physical security

Construction Oversight at Plant Vogtle Units 3 and 4

- Critical involvement and engagement with co-owners, regulators and project's oversight and governance committees
- Successful attraction and retention of skilled craft labor, coupled with productivity improvements at the site, resulted in achievement of our principal year-end construction targets

Strategy for Long-Term GHG Reductions

- Implementing long-term strategy to migrate generation fleet and power delivery infrastructure from "Big Iron" (*i.e.*, traditional delivery model) to diversified infrastructure
- Advancing ongoing engagement with stockholders and environmental stakeholder groups

Created Value and Mitigated Risks Through Accretive Transactions

- Demonstrated deal discipline and industry credibility on M&A executions
- Transactions created value for stockholders by offsetting over $5 billion of equity issuances and enhancing credit metrics
- Expected equity needs through 2022 reduced from $7.0 billion to $2.4 billion
- We believe that the transactions represent one of the highest valuation multiples for regulated electric and gas distribution transactions (creating 10 cents of EPS accretion, more than offsetting EPS dilution of 5 cents related to the revised estimate to complete the construction at Plant Vogtle Units 3 and 4, and also enhancing credit quality)

Successfully Executed Strategy in Response to Federal Tax Law Changes

- Improved our credit profile, increased earnings potential and created savings for customers
- Successfully raised equity ratios at operating companies to preserve credit quality of state-regulated subsidiaries
- All three rating agencies removed negative watches and affirmed ratings with negative outlook
- Delivered significant benefits to customers resulting from tax reform, while at the same time maintaining the credit metrics of our state-regulated businesses

Corporate Governance Enhancements

- As Chairman of the Board, facilitated the Board's commitment to regular Board refreshment (three new Directors added since March 2018)
- Encouraged robust stockholder outreach efforts and participated in key stockholder engagements (except when discussing CEO pay)

Culture and Human Capital

- Strong emphasis and engagement in culture, diversity and inclusion, equality and human capital matters
- Continued to advance the workforce and Company culture through focus on safety, compensation and benefits, diversity and inclusion, succession planning and development for all employees

Notable A

- 2018 G
- Edison Award
- CEO C Found well-re Hewle

Letter from the Compensation and Management Succession Committee

To our Fellow Stockholders:

We are pleased to report to you on our continued focus on ensuring that our compensation programs are designed and implemented to drive long-term value creation for our stockholders and reflect feedback from our ongoing stockholder engagement program.

Compensation Committee Oversight and Engagement

We are actively engaged in our oversight responsibilities for executive compensation, leadership development and management succession planning. We met 10 times in 2018, with average Director attendance of 96%. The seven independent Directors serving on the Compensation Committee bring a diverse range of qualifications, attributes, skills, experiences and perspectives to our decision-making. We are committed to aligning pay with performance each year, hiring, developing and retaining top talent and ensuring alignment of our compensation program with the Company's long-term strategy.

Throughout 2018 and into 2019, we continued our robust stockholder outreach program, which includes involvement by several of our Committee members in key engagements. In addition to direct participation, Directors receive regular updates from management on stockholder engagement and feedback. Our Committee also retained an independent compensation consultant to provide analysis on market practices, stockholder feedback and governance for the compensation programs.

Key Focus Areas

An overview of the key focus areas for our Committee over the past year are described below. Many of these were driven by the stockholder feedback process.

CEO Performance

- Reviewed and approved the CEO's performance goals for 2018 and engaged in ongoing performance assessment dialogue throughout the year
- Engaged a third party to facilitate a review of CEO performance by the independent members of the Board

Human Capital Engagement

- Gained insight at each regular Committee meeting about key talent at the local business unit/operating company level, including their specific human resources initiatives and actions on diversity and inclusion, culture and employee attraction, engagement and retention

Motivating and Retaining Key Talent and Thoughtful Succession Planning

- Identified strategies and tools to motivate and retain key talent
- Actively engaged in the identification and review of key talent throughout the organization
- Conducted multiple detailed review sessions for CEO and senior management succession planning with the support of external consulting expertise

Goal Setting and Earnings Adjustments

- Reviewed and continued our practice of setting financial goals consistent with earnings guidance and our financial plan
- Remained actively engaged in reviewing any EPS adjustment by considering (1) management's control over the earnings adjustment, (2) whether the item was contemplated in the financial plan, (3) alignment of pay outcome with stockholder impact and (4) alignment of pay outcome with management accountability

Compensation Goal for 2019 Aligned with GHG Reduction Efforts

- Designed new compensation metric that links a portion of the CEO's 2019 incentive pay to the Company's GHG emission reduction goals for 2030 and 2050

Compensation Plan Design/Implementation and Alignment with Business Strategy and Stockholder Interests

- Evaluated whether our incentive plan design is appropriate and strikes the right balance between short- and long-term results
- Evaluated our plan design to ensure alignment with the business strategy and key financial objectives of superior risk-adjusted total shareholder return and regular, predictable, sustainable EPS and dividend growth, while maintaining financial integrity
- Ensured our plan design is aligned with stockholder interests

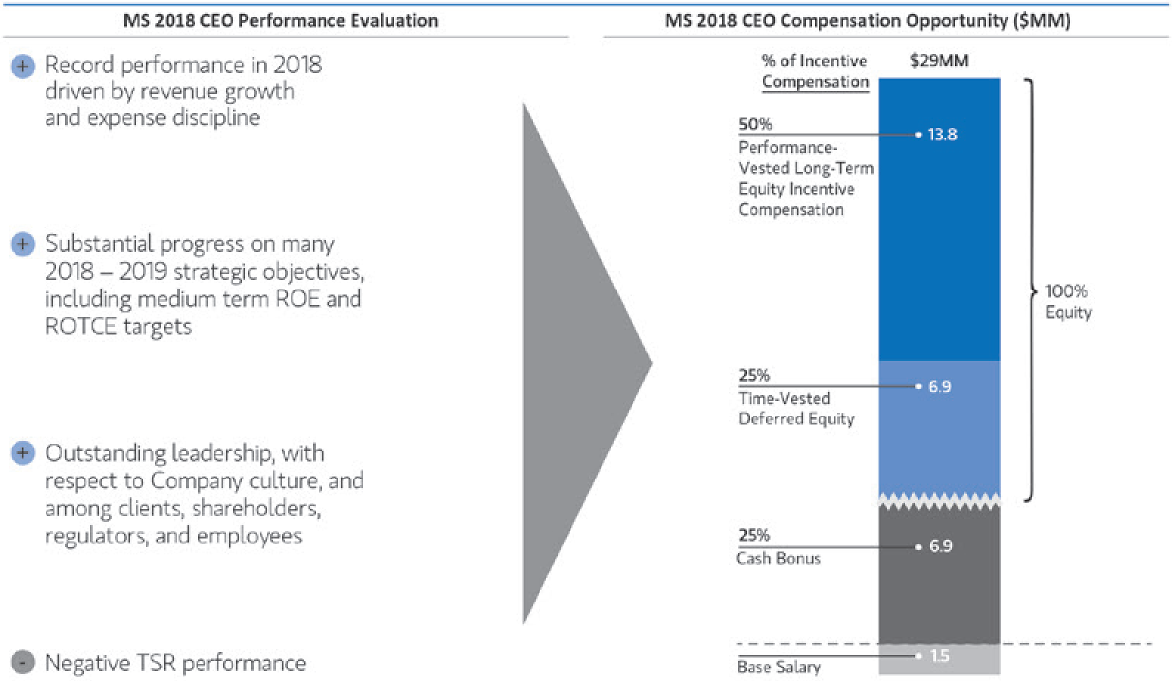
- In a similar manner, a graphic may be used to highlight the Compensation Committee's consideration of CEO performance vs. outcome.

MORGAN STANLEY

https://www.sec.gov/Archives/edgar/data/895421/000119312519099179/d637011ddef14a1.pdf

2018 CEO Compensation Determination

The 2018 pay decision for the CEO was made by the CMDS Committee, in consultation with the entire Board, based on its assessment of Mr. Gorman's outstanding individual performance, the Company's record performance in 2018 and substantial progress on the Company's strategic objectives. The CMDS Committee also noted Mr. Gorman's overall leadership with respect to Company culture, and among clients, shareholders, regulators and employees.



CEO compensation was delivered in a combination of base salary, cash bonus, time-vested deferred equity, and a performance-vested long-term equity incentive compensation award. A significant portion of CEO pay is deferred, awarded in equity, subject to future stock price performance, cancellation and clawback and, in the case of the performance-vested equity award, subject to future achievement of specified financial goals over a three-year period. The CMDS Committee believes this approach to executive compensation supports the Company's pay for performance philosophy and key compensation objectives, and is consistent with shareholder feedback, best practices and regulatory principles.

Appropriately Challenging Goals

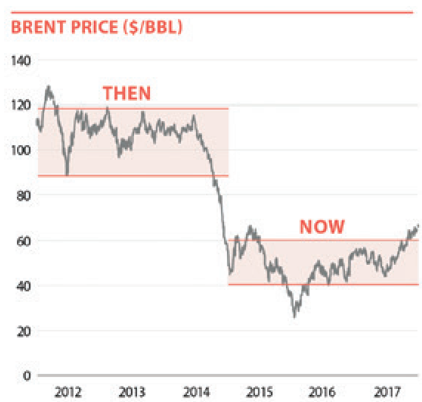
- Shareholders will want to see that the goals on which compensation is based are challenging, given the company's business model, industry and past results.
- Show how the process for setting those goals takes those and other company/industry-specific factors into account, resulting in goals that evolve as those factors evolve.

CONOCOPHILLIPS

http://static.conocophillips.com/files/resources/conocophillips-2018proxy.pdf

2017 Strategic Transformation and Execution

When ConocoPhillips emerged as an independent E&P company in 2012, we set out to deliver a unique, returns-based value proposition through a combination of production and margin growth, with a compelling dividend. These objectives were established based on annual capital expenditures of about $16 billion and relatively high, stable oil prices. We delivered on our commitments to stockholders and met or exceeded our strategic objectives through 2014. However, oil and gas prices began a precipitous decline in late 2014 that continued through 2016, with some rebound in 2017. During the period from 2015 to 2017 we took several transformational actions to position ConocoPhillips for more cyclical and volatile commodity prices. These actions were designed to improve our resilience to lower prices, while still providing investors upside from higher prices.



The significant actions we took included:

Reduced capex from $17.1B in 2014 to $4.6B in 2017	Reduced adjusted operating costs* from $9.7B in 2014 to $5.9B in 2017	Exited high-cost, low-margin businesses, such as deepwater exploration
Sold >$30B of assets since 2012; ~$16B in 2017	Paid down $7.6B of debt in 2017, reducing year-end debt to $19.7B	
Reduced ordinary dividend by 66% in Q1 2016 to a sustainable, through-cycle level; increased dividend by 6% in Q1 2017		Initiated a share buyback program with a $6B authorization; completed $3B through 2017

* Adjusted operating costs is a non-GAAP financial measure. A reconciliation to U.S. GAAP and a discussion of the usefulness and purpose of adjusted operating costs is shown on Appendix A and at *www.conocophillips.com/nongaap*.

See page 5 of the *Proxy Summary* for an overview of ConocoPhillips' operations, size, scope and complexity.

- Evolution of goals over a three-year period:

COGNIZANT

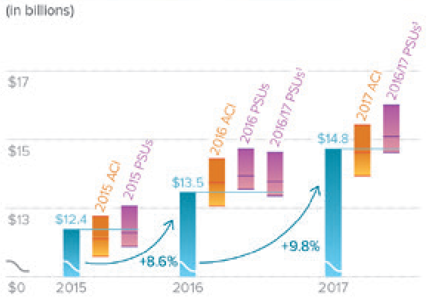
https://www.sec.gov/Archives/edgar/data/1058290/000120677418001288/ctsh_courtesy-pdf.pdf

Aligning Pay with Performance

The following graphs show Company performance across revenue, profitability and cash flow metrics for the last three years as compared to the performance targets for the annual cash incentives (ACIs) and PSUs with performance measurement periods covering such years. In addition, the Company's share price performance, which impacts the performance of long-term equity grants and holdings of our common stock, is set forth below for the last five years.

Revenue

Revenue



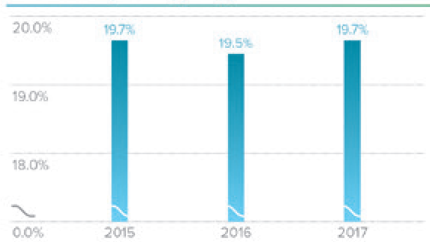
- **Continued strong, consistent revenue growth** remains a key Company objective
- **Appropriate targets and significant weighting** have helped drive revenue growth

	Target Increase[2]	Weighting	Payout Range
2015 ACI	19.0%	50%	Maximum 200% payout
2016 ACI	11.0%	50%	Target 100% payout
2017 ACI	9.0%	50%	Threshold 50% payout
2015 PSUs	19.1%	100%	Maximum 200% payout
2016 PSUs	12.0%	75%	Target 100% payout
2016/17 PSUs	11.0%	75%	Threshold 50% payout

- **Reduced revenue weighting in 2017 awards** of 2017/18 PSUs (from 75% to 50%) as weighting of non-GAAP EPS increased (from 25% to 50%) to reflect focus on profitability
- PSUs awarded in 2017 (2017/18 PSUs) not shown as their 2-year performance period is ongoing

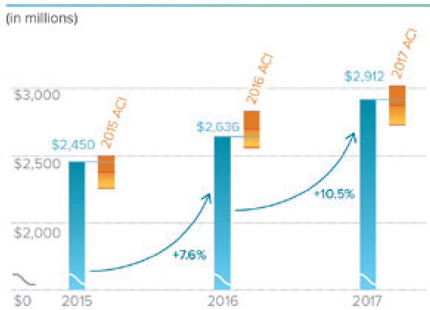
Profitability

Non-GAAP Operating Margin[3]



- **Historical 19-20% target** for non-GAAP Operating Margin, with the ACI targets for non-GAAP Income from Operations (40% weighting) increased each year to maintain margin target while revenue growth was encouraged
- **2019 goal of 22%** that the Company plans to achieve by accelerating the pursuit of high-value digital transformation work, driving leverage in the cost structure, executing on opportunities to improve operational efficiency and aggressively employing automation to optimize traditional services[3,4]
  - 2018 ACI targets for non-GAAP Income from Operations designed to incentivize an increase in non-GAAP Operating Margin during 2018 towards the 2019 goal

Non-GAAP Income from Operations[3]



- **Historically increased in line with revenue target increases** to maintain non-GAAP Operating Margin in the 19-20% range

	Target Increase[2]	Weighting	Payout Range
2015 ACI	14.8%	40%	Maximum 200% payout
2016 ACI	9.8%	40%	Target 100% payout
2017 ACI	8.9%	40%	Threshold 50% payout

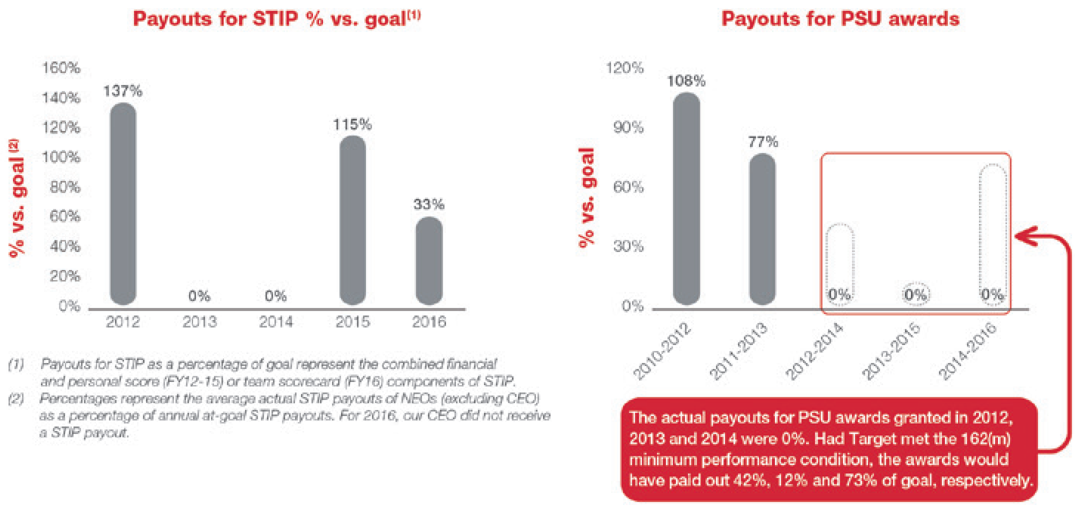
- 2018 ACI targets for non-GAAP Income from Operations designed to incentivize an increase in non-GAAP Operating Margin during 2018 towards the **2019 goal of 22% non-GAAP Operating Margin**[3,4]

[1] 2016/17 PSU targets were based on combined performance of the Company for 2016 and 2017. The combined target was allocated between 2016 and 2017 in the graph in the same proportion as actual revenue in such years such that the same level of achievement is reflected in both years.
[2] Increase in target (compound annual growth for 2017/18 PSUs) vs. prior year actual Company performance.
[3] See "Non-GAAP Financial Measures and Forward-Looking Statements" on page 65.
[4] 2019 goal excludes any changes to the regulatory environment, including with respect to immigration and taxes. See our 2017 Annual Report for these and other risk factors that may impact our ability to achieve this goal.

- Outcomes/status of long-term plans:

TARGET

https://www.sec.gov/Archives/edgar/data/27419/000130817917000174/tgt2017_def14a.pdf

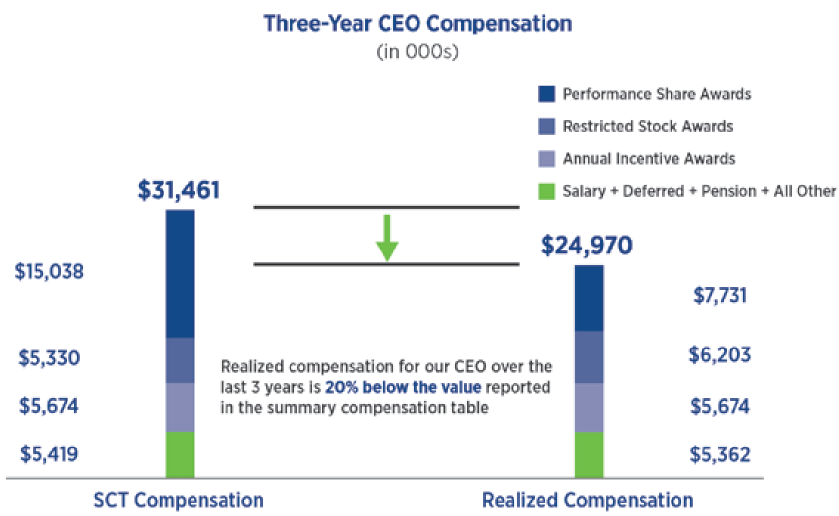


As disclosed in prior proxy statements, PSUs spanning the 2012-2014, 2013-2015 and 2014-2016 performance periods and 2014 STIP payouts were forfeited for active executive officers (including current NEOs Mr. Cornell and Mr. Mulligan) when we did not meet the minimum performance condition under 162(m) for fiscal 2014, due to the discontinuation of Canadian operations. If the awards were not forfeited, the financial results versus our peers would have yielded payouts well below goal. Refer to page 37 for payout information on special, one-time Strategic Alignment Awards granted in 2015 to executive officers to re-connect pay with performance in achieving goals designed to re-position Target and drive long-term growth consistent with our key priorities.

- Summary Compensation Table vs. Realized Compensation:

BORG WARNER

https://cdn.borgwarner.com/docs/default-source/investors/2018-proxy-statement.pdf?sfvrsn=9448cb3c_16



Clear Link Between Compensation Program and Strategy

Compensation program complexity has been a criticism of investor groups, and with this in mind, the link between pay and performance/strategy cannot be made clear enough:

EXELON

https://www.sec.gov/Archives/edgar/data/1109357/000120677419000934/exc_courtesy-pdf.pdf

Exelon's Value Proposition and Overview of 2018 Key Achievements on Objectives

The value proposition articulated below provides more granular insights into our long-term strategic goals and the path to achieving these goals. Our continued focus on the following five key strategic initiatives is expected to drive strong operational and financial performance. The table below demonstrates the strong link between Exelon's value proposition and the compensation components or metrics used in our executive compensation program.

STRONG FINANCIAL AND OPERATIONAL PERFORMANCE

Strategic Business Objective	Compensation Component or Metric	2018 Results
1. Regulated utility growth with utility EPS rising 6-8% and rate base growth of 7.4% annually through 2021	**Adjusted (non-GAAP) Operating EPS*** Performance measure for annual incentive **Utility Net Income** Performance share award measure	• Operating EPS of $3.12 exceeded the mid-point of 2018 guidance and our targets with utilities contributing $1.93 • Completed eight distribution rate cases with regulatory authorities, reaching six constructive settlements
2. Strong free cash generation and maintaining a strong balance sheet to support utility growth while also reducing debt by $3 billion over the next 4 years	**Exelon FFO/Debt*** Performance share award measure	• Investment in advanced technology and infrastructure continued to drive improved customer satisfaction across our utilities, and allowed ComEd to complete its $920 million smart meter installation program three years ahead of its original schedule and more than $20 million under budget
3. Invest in utilities where we can earn an appropriate return	**Utility Earned Return on Equity*** Performance share award measure	
4. Superior operational performance to support achievement of financial objectives	**Operational Metrics** Outage duration, outage frequency, nuclear fleetwide capacity factor and dispatch match are performance measures for the annual incentive	• All Exelon Utilities generally achieved top quartile reliability performance in outage frequency and outage duration
5. Create sustainable value for shareholders by executing business strategy	**Relative TSR** Modifier for performance share award	• Achieved significant judicial success in defending ZEC programs in New York and Illinois • Announced additional annual cost savings of $200 million gross, and $150 million net, reflecting ongoing initiatives leveraging process efficiency and technology; full run-rate savings scheduled to be achieved in 2021 • Together with previously announced cost savings, Exelon has identified total savings of over $900 million since 2015.

Scorecard to Highlight NEO Performance

ALLSTATE

https://www.sec.gov/Archives/edgar/data/899051/000120677419001263/all_courtesy-pdf.pdf

Compensation Decisions for 2018

THOMAS J. WILSON

Chair, President, and Chief Executive Officer

Key Responsibilities

Our Chair, President, and CEO is responsible for managing the Company's strategic direction, operating results, organizational health, ethics and compliance, and corporate responsibility.

2018 COMPENSATION

(in millions)

2018 Performance

Mr. Wilson's total compensation and the amount of each compensation element are driven by the design of our compensation program, his responsibilities, experience and performance, and peer company CEO compensation. The committee's independent compensation consultant annually reviews Mr. Wilson's compensation payments to advise the committee if any changes are warranted.

Mr. Wilson's performance as Chair, President, and CEO is evaluated under five categories: operating results, developing and implementing long-term strategy, maintaining and motivating a high-performance team, corporate stewardship and Board effectiveness. Performance is assessed over one- and three-year time periods.

- Operating Results. Achieved all five 2018 Operating Priorities. Insurance premiums and contract charges increased by $1.8 billion (5.3%), and policies in force grew by 38.4% to 113.9 million. Adjusted net income* rose to $2.85 billion in 2018 from $2.47 billion in the prior year. Allstate's annual total shareholder return was down for 2018. Allstate's three-year period total return was 40.7%, which exceeds both the three-year return of peers (25.3%), and the three-year return of the S&P 500 index (30.4%).
- Long-term Strategy. Improved competitive position of existing businesses while continuing to build long-term growth platforms. Acquisition of SquareTrade in 2017 is exceeding performance metrics. Acquired InfoArmor in 2018.
- High-Performance Team. Extremely competent, highly engaged team with excellent collaboration to achieve strategic vision.
- Corporate Stewardship. Corporate reputation is at an all-time high. Allstate is a leader in supporting youth empowerment and ending domestic violence.
- Board Effectiveness. Excellent governance processes, Board diversity, and shareholder engagement.

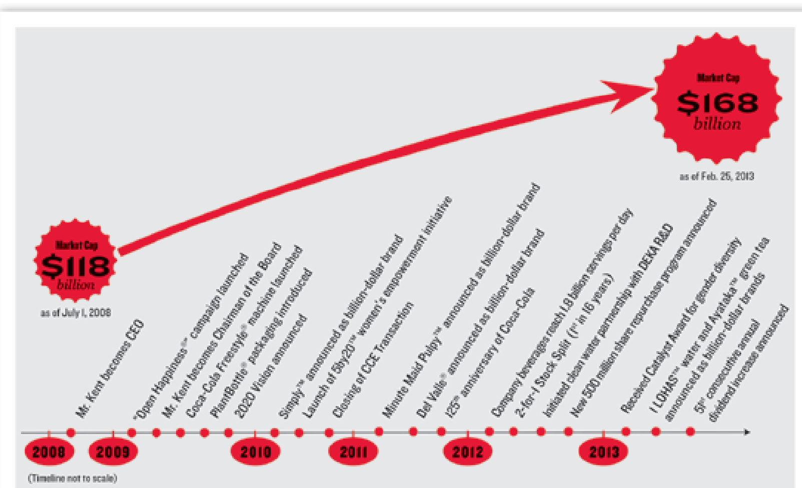
2018 Compensation Decisions

Mr. Wilson's annual cash incentive target of 300% of salary remained unchanged but his long-term equity incentive target was increased to 775% of salary (previously 750%).

- Salary. In 2018, the Board increased Mr. Wilson's salary from $1,250,000 to $1,300,000, based on an evaluation of his performance, level of responsibility, experience, and target compensation as compared to the peer group.
- Annual Cash Incentive Award. Mr. Wilson's target annual incentive payment of 300% of base salary with a maximum funding opportunity for the award pool of 200% of target was unchanged in 2018. The committee approved an annual cash incentive award of $6,719,194, which was equal to the funding level as determined by the actual results for the three performance measures of 173.4% of target.
- Equity Incentive Awards. In February 2018, based on its assessment of Mr. Wilson's performance in delivering strong business results in 2017, the committee granted him equity awards with a grant date fair value of $9,687,526, which was Mr. Wilson's target equity incentive award opportunity of 775% of salary.

Mr. Kent's Accomplishments as Chief Executive Officer (page 50)

Under the leadership of Mr. Kent, who became Chief Executive Officer in July 2008 and Chairman of the Board in April 2009, the Company has performed very well and delivered significant value to shareowners. In addition, the Compensation Committee believes that Mr. Kent's strategic vision and focus on long-term sustainable growth has laid a solid foundation for future growth. The Compensation Committee believes that Mr. Kent's leadership has directly contributed to the Company's strong performance over the last several years and should be appropriately rewarded.



CEO Achievements Over Time

COCA COLA

https://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2013/03/2013-coca-cola-proxy.pdf

HOLOGIC

https://www.sec.gov/Archives/edgar/data/859737/000120677419000140/holx_courtesy-pdf.pdf

CEO Pay for Performance Alignment

2013	2018		
	NET DEBT DECREASED TO $2.6 BILLION	**GROWTH IN SALES**	**ACQUISITIONS AND MULTIPLE NEW PRODUCT LAUNCHES**
• $4.0 billion net debt • Declining organic sales and earnings • No meaningful product pipeline	✔ Disciplined approach to strengthening the balance sheet ✔ Eliminated all convertible debt from our balance sheet	✔ Significant contributions by our commercial teams and international businesses drive sustainable growth, with our largest businesses gaining momentum	✔ Significantly improved the product pipeline from 2013 to 2018, resulting in numerous new product launches ✔ Executed on several smaller tuck-in acquisitions
	As a result **SHARE PRICE HAS INCREASED BY 96% SINCE 2013**		

LONG-TERM FOCUS

Financial results for one year are a snapshot of short-term performance. Our focus is on the long term. Since Mr. MacMillan joined the company in 2013, the Company has invested significantly in its people, infrastructure and products. The power of focused, motivated people is evident, and has driven growth in revenue and profits over the past five years.

NOVEMBER 2013

Before the current management team was in place, our organic sales and earnings were declining, we had $4.0 billion in debt, and we had no meaningful product pipeline. Our interest expense on our debt was higher than our expenditures on research and development (R&D).

SEPTEMBER 2018

Under the stewardship of our management team, with significant contributions by our commercial teams, our sales have not only stopped declining, but our largest divisions are driving growth. In fiscal 2018, organic growth (growth excluding the impact of the Cynosure acquisition and disposition of the blood screening business) was led by our international businesses, our molecular diagnostics products including Panther and APTIMA, and our Breast Health business.

In addition to revenue growth, the Company's disciplined approach to strengthening the balance sheet also has paid off. From fiscal 2013 to fiscal 2018 our net debt, which is total debt minus cash, decreased from $4.0 billion to $2.6 billion, our ROIC improved significantly, and our strong free cash flow enabled us to repurchase shares of our common stock.

While decreasing our debt, we also have increased our R&D spending by double-digits since 2013. This investment is yielding benefits, as evidenced by the multiple ne

These improvements have helped drive our share
comparison of the closing price on the last trading
We are committed to bringing value to our stockh

SPECIAL RETENTION EQUITY GRANT

In light of his long track record of success, other l
over time in hiring Mr. MacMillan to serve as Chief
from a larger medical device company. The indep
potential for disruption to Hologic and its busines
and determined that it was in the best interests of
Chief Executive Officer. Accordingly, the indepen
Mr. MacMillan and the Compensation Committee'
retention equity grant, effective December 1, 2017

Rather than attempt to match the sign-on bonus offered to Mr. MacMillan by the other medical device company by making a one-time cash award, the independent members of the Board chose to make an equity grant, two-thirds of which is subject to a three-year performance period (PSUs) and one third of which vests in equal installments over four years (options). If the Company does not meet the minimum ROIC and relative TSR threshold targets for the PSUs, none of the PSUs granted to Mr. MacMillan as part of this retention grant will vest. If the Company's share price does not exceed the exercise price of the options, they will have no value. Mr. MacMillan was afforded no special treatment with respect to the structure of the grants, including performance goals, which are identical to those set for the fiscal 2018 annual grants awarded to senior executives. This grant serves the dual purpose of retaining Mr. MacMillan and continuing to incentivize performance. For additional information regarding this special retention equity grant, please see the "Compensation Discussion and Analysis" and "Message from the Compensation Committee", beginning on page 40.

A Unique Asset – Investment Analysts Agree

The day after our post-market close announcement of Mr. MacMillan's special retention equity grant, the response from stockholders and investment analysts was overwhelmingly positive. In the words of several analysts:

"We believe the possibility of CEO MacMillan leaving has been an overhang on the stock and we would expect HOLX shares to be up on this news. . . The Board believed (appropriately in our view) it was in the best interest of HOLX shareholders after considering the disruption to HOLX and the business should he leave to issue a retention package. . ."

"We view the retention of Mr. MacMillan as positive for HOLX as he has been a key architect behind the company's turnaround. Since he joined the firm in December 2013, the stock has returned ~75%, outperforming the S&P by ~30%. Quarterly earnings results and sales growth have stabilized during his tenure . . . in our opinion this news underscores the difficulty of hiring talented managers in the medtech space."

". . .faith in the execution capabilities of the HOLX management team (many personally recruited by the CEO) is a material component of our and others' investment theses in HOLX. A leadership change would have been disruptive."

These views expressed by the investment analysts are consistent with and reflect issues discussed by the Board as it considered whether or not to award the special retention equity grant. Additionally, the Company publicly announced the grant on November 2, 2017, after the close of market. The Company's stock price increased 3% on the next day, adding over $300 million in value in just that day, and from November 2, 2017 to November 30, 2017, the Company's stock price increased 8.6%, adding almost $900 million in value in a month.

About Argyle

We are a creative communications firm offering end-to-end, in-house execution capabilities.

Our experienced and passionate team is composed of attorneys, designers, project managers, thinkers and web developers. We collaborate together around a process that encompasses drafting, editing, designing and publishing across all digital and print channels.

We are thrilled that communications prepared by Argyle have contributed to trustful relationships between our clients and their readers, whether investors, employees or other stakeholders.

In turn, our commitment to our clients has resulted in meaningful long-term relationships with some of the most respected public and private companies in the world.

www.argyleteam.com

Argyle Company
401 Park Avenue South, 8th Floor
New York, NY 10016
(201) 793 5400