



PAY FOR CLIMATE PERFORMANCE

Linking CEO Compensation to Emissions Reduction

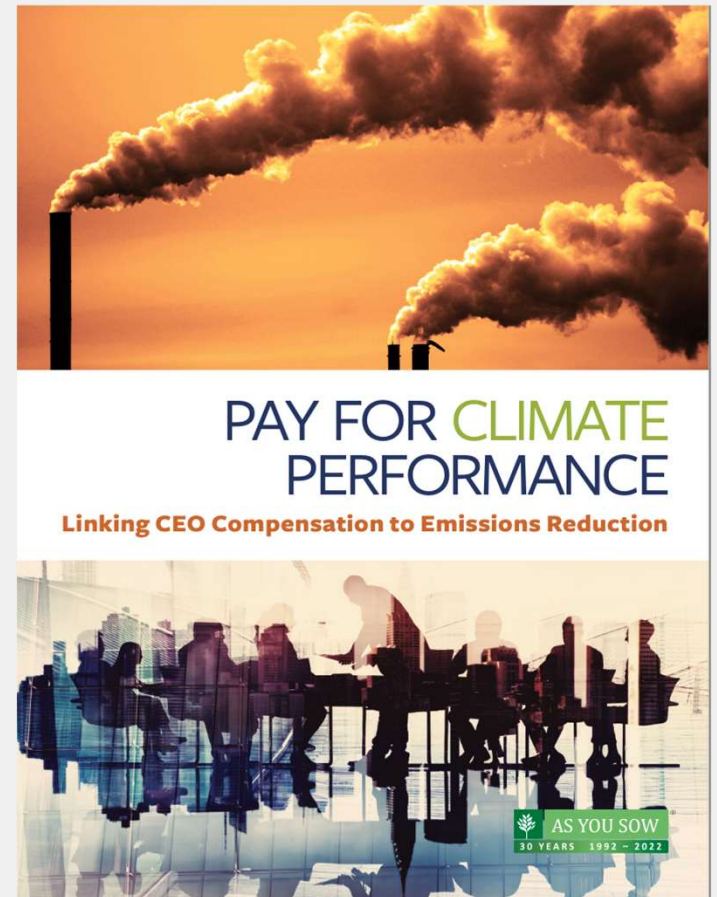


AS YOU SOW
30 YEARS 1992 - 2022

Welcome to the Webinar

Agenda

- Report Findings
- Panelist Remarks
- Moderated Discussion
- Audience Q&A
- Virtual After Party on Gather



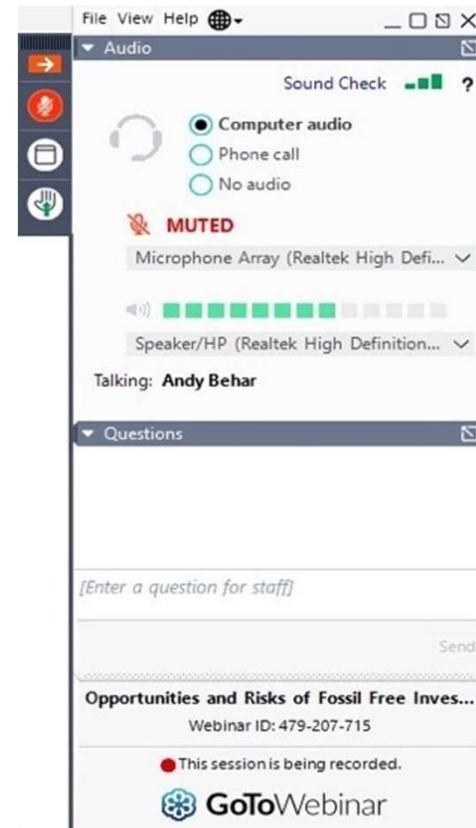
Audience Q&A

Download the report at:

<https://www.asyousow.org/>

Use the Q&A window to send us your questions

Q&A Window



About As You Sow

Mission: *to promote environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies*

- Founded in 1992 on the belief that corporations *must* be an active part of the solutions to society's environmental and human rights issues
- 30-year track record of promoting values-aligned investing and securing positive, lasting corporation change
- We communicate directly with corporate executives to collaboratively develop and implement business models that reduce risk, benefit brand reputation, and protect long-term shareholder value while simultaneously bringing about positive change for the environment and human rights

Panelists



Danielle Fugere
As You Sow

President & Chief
Counsel

Moderator



Diana Lee
AllianceBernstein

Director –
Corporate
Governance;
ESG Analyst –
Responsible
Investing



Melissa Walton
As You Sow

Executive
Compensation &
Say on Climate
Associate



Ken Kuk
WTW

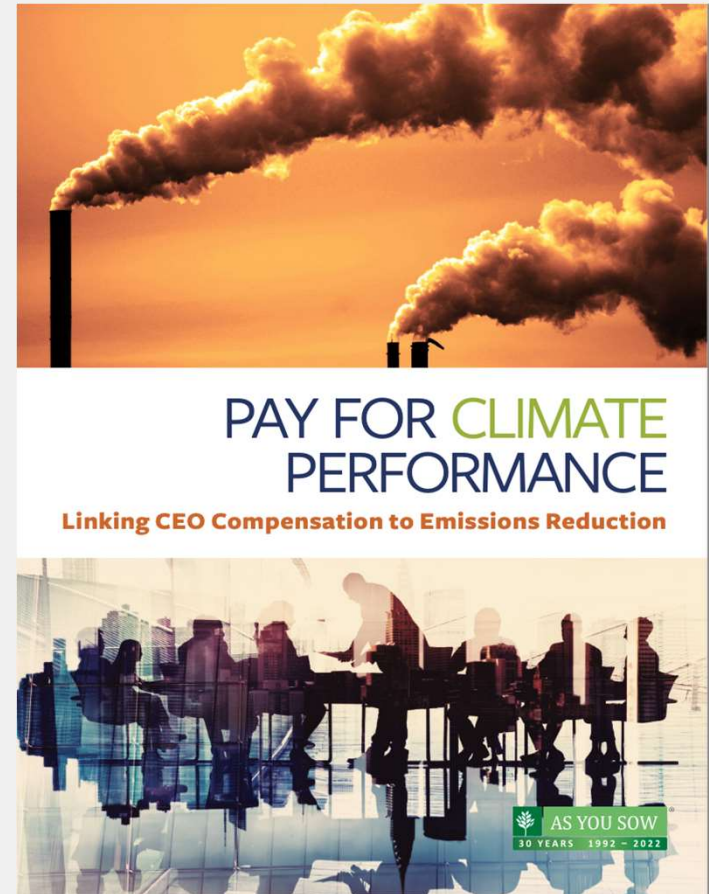
Sr. Director,
Executive
Compensation
and Board
Advisory



Lauren Quillian
Xcel Energy

Director of Energy
and Environmental
Policy

Report Introduction



Key Indicators

Compensation Design

- Measurable Pay
- Inclusion in Long-Term Incentive Plan

Quality of Climate Metric

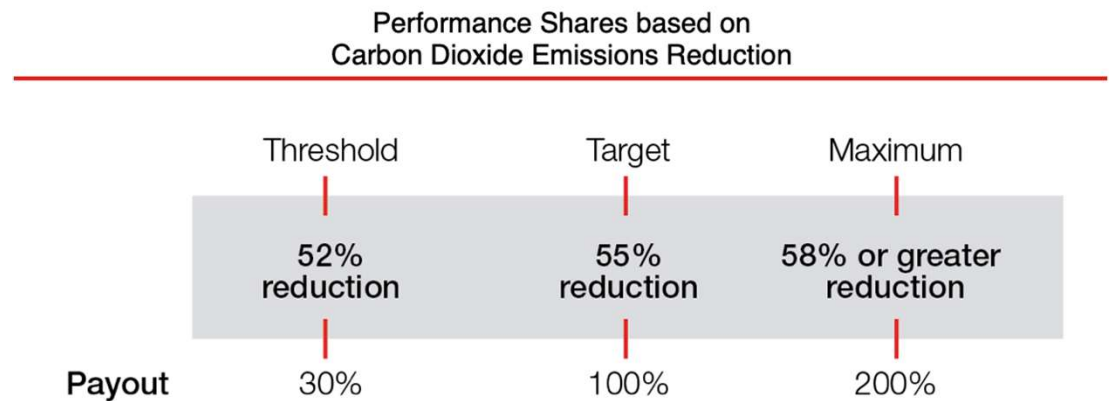
- Quantitative Metric
- Focused on Emissions Reduction



Measurable Pay



- Standalone Metric
- In the Long-Term Incentive Plan
- 30% of Performance Share Units
- 55% emissions reduction by 2023 from 2005 baseline in electric service



Measurable Pay

- 5% of ESG scorecard
- Scope 1 & 2 intensity metric

PERFORMANCE METRIC	TARGET WEIGHING	THRESHOLD 50% PAYOUT	TARGET 100% PAYOUT	MAXIMUM 200% PAYOUT	RESULT	PERFORMANCE ACHIEVED
20% ENVIRONMENTAL, SOCIAL & GOVERNANCE						
Greenhouse Gas Intensity	5%	24.0	23.4	22.5	23.1 (133.33% of target)	6.67%
Process Safety Events Rate	5%	0.50	0.33	0.25	0.41 (76.47% of target)	3.82%
Designated Environmental Incidents	5%	80	60	30	55 (116.67% of target)	5.83%
Diversity, Equity & Inclusion	5%	External hires are at least (Women / BIPOC): 28% / 27% 30% / 30% 34% / 34%			23% / 32% (75% of target)	3.75%

Marathon Oil, 2022 Proxy Statement

(Un)Measurable Pay

Metric		Threshold (50%)	Target (100%)	Maximum (200%)	Weight	2021 Actual	Payout	
Operating EBIT		\$2.49 billion	\$3.55 billion	\$4.61 billion	40%	\$9.53 billion	200%	
Free Cash Flow 1		\$2.07 billion	\$2.95 billion	\$3.84 billion	40%	\$6.57 billion	200%	
	Customer Experience (CXi, out of 100)	77	79	81		72	0%	
	Sustainability (WLO Index)	67.9%	72.7%	81.2%		75.5%	133%	
ESG	Inclusion	Global ERG Participation	49.0%	52.0%	55.0%	20%	52.4%	125%
		Global Representation of Women	28.1%	28.7%	29.3%		28.9%	
		U.S. Ethnic Minority Representation	25.1%	25.8%	26.5%		26.0%	
Total Payout							177%	

Dow Inc., 2022 Proxy Statement

Only five out of the 47 companies assessed had measurable pay for the climate metric.

Long-Term Incentive Package

Amount of Pay in LTIP

- Approximately 60% – 70% of total CEO compensation is typically in the LTIP
- Climate Metric must be tied to incentivizing amount of pay.

Better placement for emissions reduction performance

- Three-year performance period versus one year
- Quantitative targets, less discretion applied.

5 out of the 47 companies assessed incorporated the climate incentive in the LTIP

Use of Quantitative Climate Metrics

Non-Quantitative

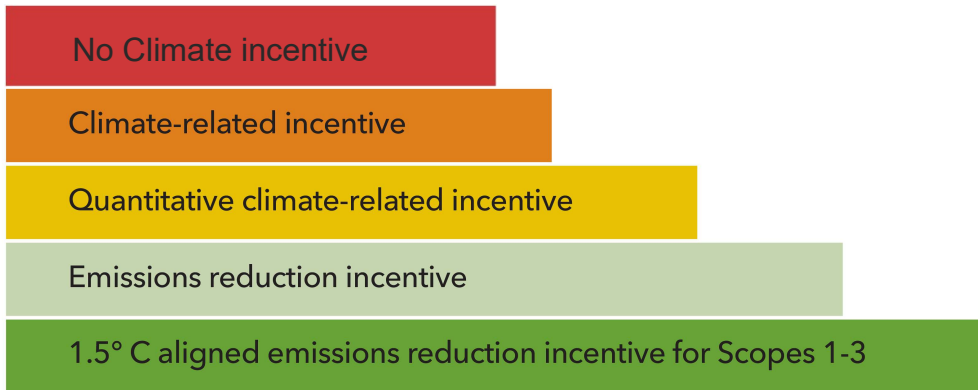
- “reduce greenhouse gases”
- “Reduction of gigawatt hours from coal generation across the Company’s portfolio...”
- **Our Strategic milestones** included...
- “**Demonstrate leadership to** advance our Climate Strategy to cost effectively reduce our carbon footprint from electricity generation by at least 50% by 2030 and net – zero by 2050”
- “internal greenhouse gas reductions, external carbon emissions reduction...**in conjunction with the Committee’s holistic review of the Company’s key accomplishments and actions** taken during the year...”

Quantitative

- 55% emissions reduction by 2023 from 2005 baseline in electric service
- 3 Year Carbon Free Capacity as Percentage of Total Generating Capacity, target performance: 35.4%
- Flaring intensity reduction. Target: 1.9% flaring intensity reduction

7 out of the 47 companies had a quantitative metric

Quality of Climate Metric



Climate-Related Incentive

Reduce greenhouse gases

Quantitative Climate-Related Incentive

3 Year Carbon Free Capacity as Percentage of Total Generating Capacity

Emissions Reduction Incentive

55% emissions reduction by 2023 from 2005 baseline in electric service

Company Overall Grades

COMPANY NAME	POINTS	GRADES
Xcel Energy	9	B
American Electric Power	6	C
Southern Company	6	C
Valero Energy Corp	6	C
Marathon Petroleum	5	C-
Occidental Petroleum Corp	4	D+
Devon Energy Corp	4	D+
The AES Corp	2	D
Vistra Corp	1	D-
Phillips 66	1	D-
Bunge Ltd	1	D-
Trane Technologies PLC	1	D-
Chevron Corp	1	D-
ConocoPhillips	1	D-
Dow Inc	1	D-
Duke Energy	1	D-
General Motors Co	1	D-
Raytheon Technologies	1	D-
NextEra Energy Inc	1	D-
ExxonMobil Corp	1	D-
Procter & Gamble Co	1	D-
Weyerhaeuser Co	1	D-
American Airlines Group Inc	0	F
Berkshire Hathaway Inc	0	F

COMPANY NAME	POINTS	GRADES
Boeing Co	0	F
Caterpillar Inc	0	F
Coca-Cola Company	0	F
Colgate-Palmolive Co	0	F
Cummins Inc	0	F
Delta Air Lines Inc	0	F
Dominion Energy Inc	0	F
Exelon Corp	0	F
FirstEnergy Corp	0	F
Ford Motor Co	0	F
General Electric	0	F
International Paper Co	0	F
Kinder Morgan Inc	0	F
Lockheed Martin Corp	0	F
LyondellBasell Industries N.V.	0	F
Martin Marietta Materials Inc	0	F
NRG Energy Inc	0	F
PACCAR Inc	0	F
PepsiCo Inc	0	F
PPL Corp	0	F
United Airline Holdings Inc	0	F
Walmart Inc	0	F
WEC Energy Group Inc	0	F

Final Thoughts

- Inclusion of a climate metric is not enough – quality must be considered
- Develop Proxy Voting Guidelines for climate metrics



Diana Lee

AllianceBernstein

Director – Corporate
Governance

ESG Analyst –
Responsible Investing



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Panelist Discussion



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Wed, October 19, 2022
3:00 – 5:00 PM PDT

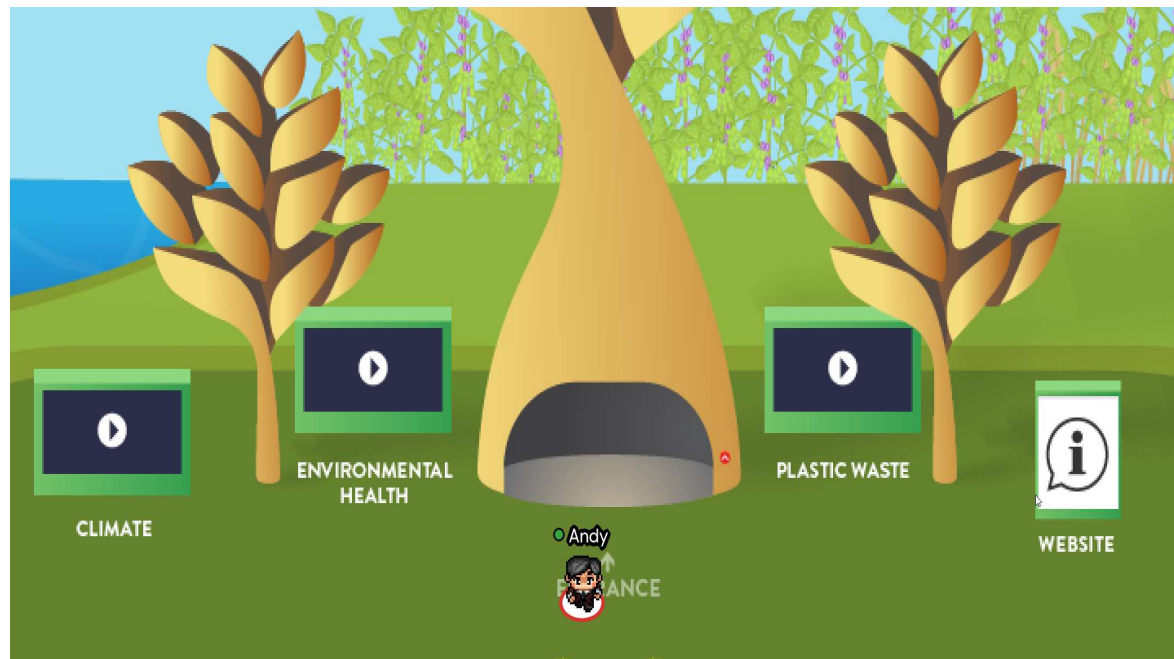
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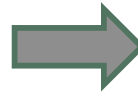
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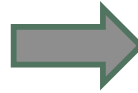


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Input your first *and* last name.
Allow mic and video access.



What is your name?
First AND Last name

FaceTime HD Camera

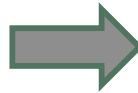
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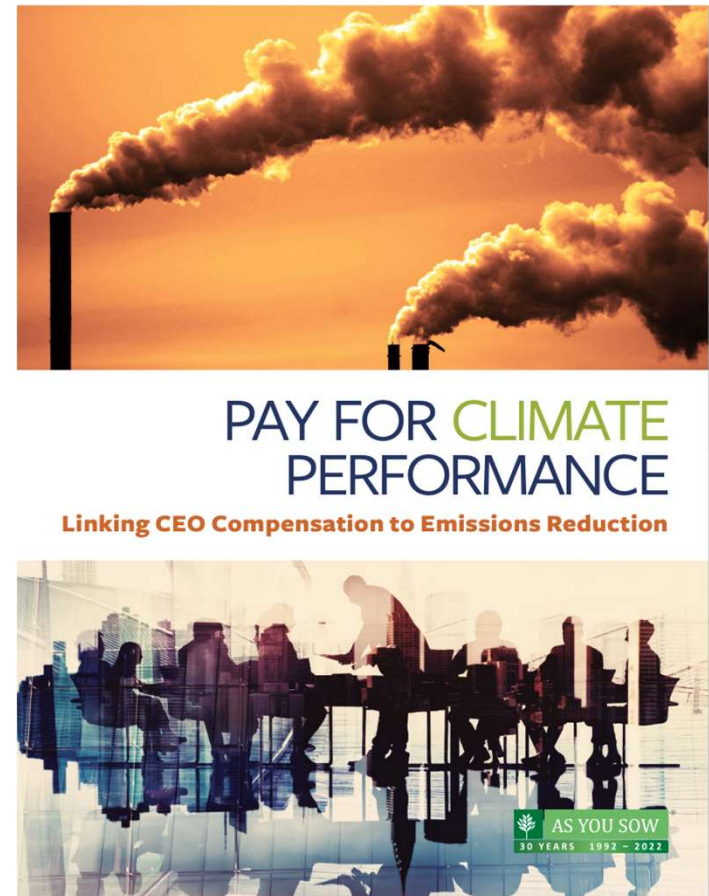
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References

Quantitative Metrics Slide

Quotes from 2022 Proxy Statements from the Quantitative Metrics Slide

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