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2025 SEC Annual Reporting Workshop

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Drafting Effective CD&A and HCM Disclosures

Agenda

- Compensation Discussion & Analysis (CD&A)
  - Setting the Stage
  - CD&A and Say-on-Pay
  - Ten Practical Tips for CD&A Drafting
- Human Capital Management (HCM) Disclosures
  - Setting the Stage
  - Tips for Drafting HCM Disclosure

CD&A: Setting the Stage

What is the CD&A?

- Flexible, principles-based discussion of compensation policies and objectives
- Narrative explanation of quantitative disclosures about named executive officer (NEO) compensation—the “**how**” and “**why**”
- Has become a tool to educate investors about pay and performance

What Compensation Is Covered?

- Material elements of **all** compensation awarded to, earned by, or paid to the NEOs
  - "Compensation" defined broadly
  - Information that is "material" varies based on facts and circumstances
- CD&A generally covers compensation information for the most recently completed fiscal year
- Need to discuss other years if material to an investor's understanding of compensation for the most recent fiscal year—e.g., post-employment arrangements, multi-year compensation plans

Potential Topics for Discussion in CD&A

Compensation philosophy and objectives

Elements of compensation and rationale for each item

How compensation is determined

- Allocation among components
- Timing
- Choice of equity vehicles and mix
- Impact of company and individual performance
- Exercise of discretion
- Benchmarking against peers

Other Common Topics

- Time vs. performance-based compensation
- Link between pay and performance
- Consideration of Say-on-Pay vote results
- Stock ownership guidelines
- Hedging and pledging

Going Beyond the Legal Requirements

- **Focus on telling the compensation story effectively**—not just *what* is being disclosed, but *how* it is being disclosed
  - Contextualizing executive pay with business strategy and the macro environment
  - Explain rationale behind pay decisions
- Desire to avoid failed/low-support say-on-pay votes
- Influence of peer companies, compensation committee members serving on other public company boards, company performance/economic climate
- CD&A is a shareholder engagement tool and reflects shareholder engagement efforts

CD&A and Say-on-Pay

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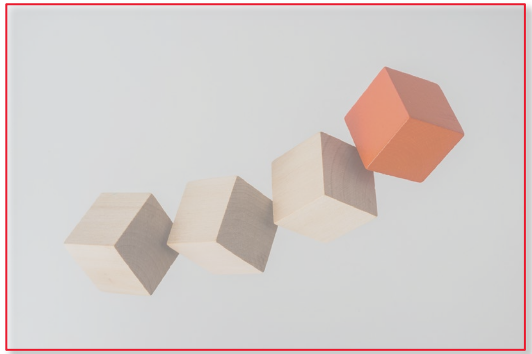
Proxy Advisory Firm Influence

- **CD&A factors into say-on-pay recommendations by proxy advisors (ISS, Glass Lewis)**

- **Quantitative and qualitative pay-for-performance evaluation**
  - Strength of performance-based compensation and rigor of goals
  - Financial and operational results
  - Realized and realizable pay
  - Executive transitions
  - Peer group benchmarking
  - Responsiveness to receipt of low support for say-on-pay proposal

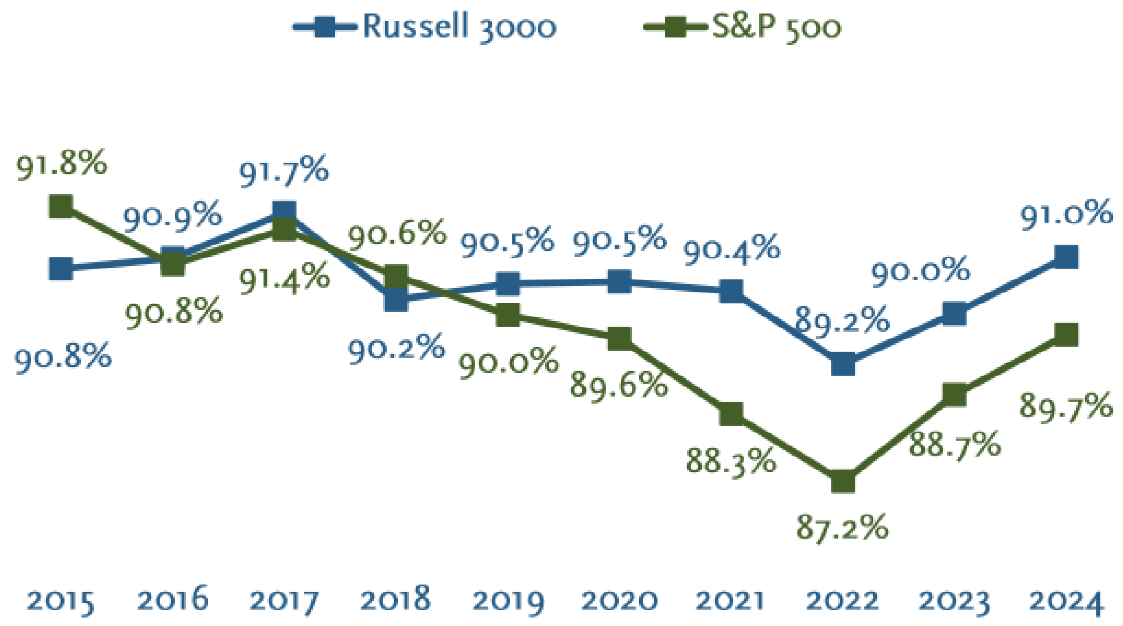
- **Focus on one-time awards—repeated use is problematic**
  - Rationale, magnitude, structure—“retention concerns” not sufficient
  - How they further investors’ interests



Say on Pay: 2024 Results

- **Average support has remained relatively stable**
  - Slight increases for Russell 3000 and S&P 500 companies
- **Most proposals pass**
  - Russell 3000 failure rate is 1.1% in 2024, down slightly from 2.0% in 2023

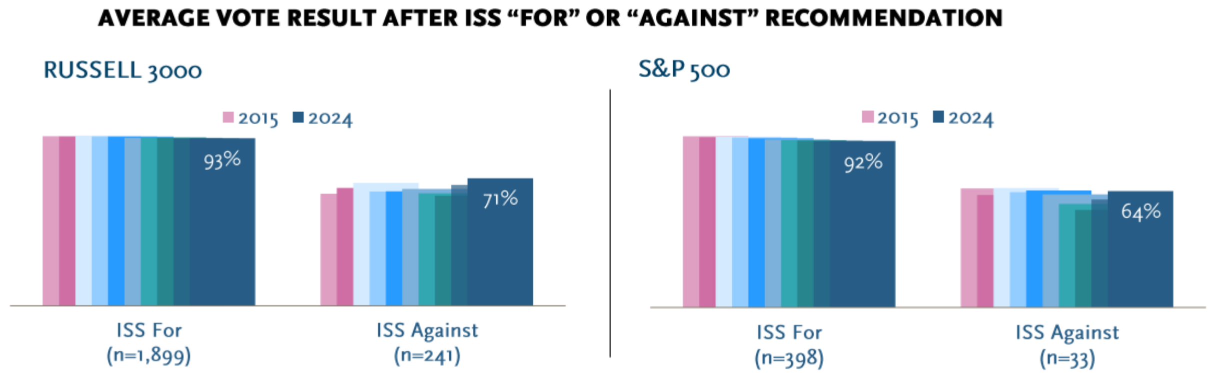
AVERAGE VOTE RESULTS

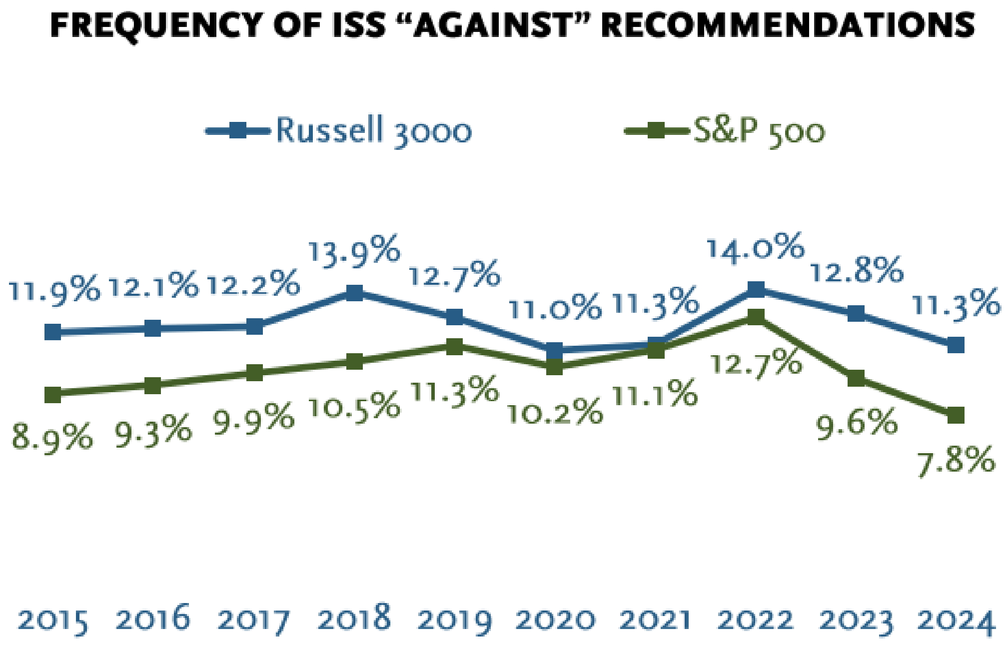


Source: Semler Brossy, *2024 Say on Pay & Proxy Vote Results* (August 22, 2024)

Say on Pay: Diving Deeper into ISS Recommendations

- **ISS recommended AGAINST ~ 11.3%** of Russell 3000 say on pay proposals in 2024 (down from 12.8% in 2023)
- **Impact of ISS recommendation:** Average vote result of Russell 3000 companies that received AGAINST recommendation from ISS is 23% lower than those that received FOR recommendation (28% spread for S&P 500)

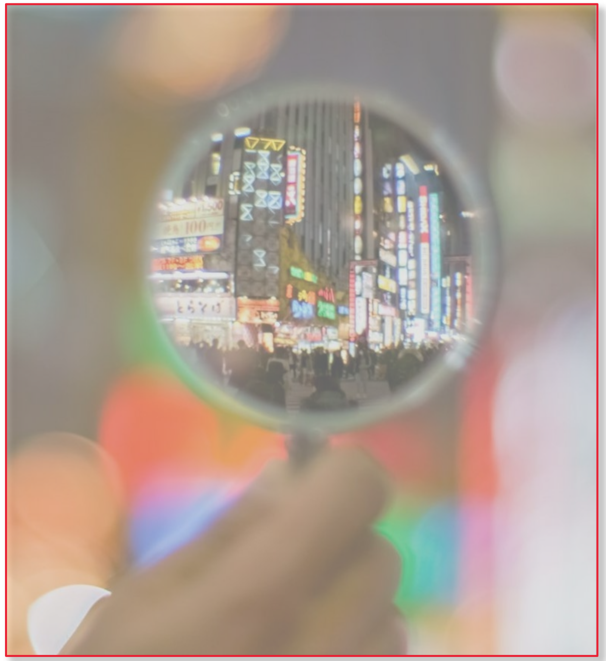




Source: Semler Brossy, *2024 Say on Pay & Proxy Vote Results* (August 22, 2024)

Areas of Concern

- Common reasons for low say-on-pay support:
  - Pay and performance misalignment
  - Problematic pay practices
  - Rigor of performance goals/performance structure
  - Perceived poor responsiveness to prior year or ongoing concerns
  - Lack of performance-based equity awards
  - One-off grants or outsized “mega” or sign-on/retention grants



- **The impact of some of these issues on say-on-pay can be mitigated through effective CD&A disclosure**

Ten Practical Tips for CD&A Drafting

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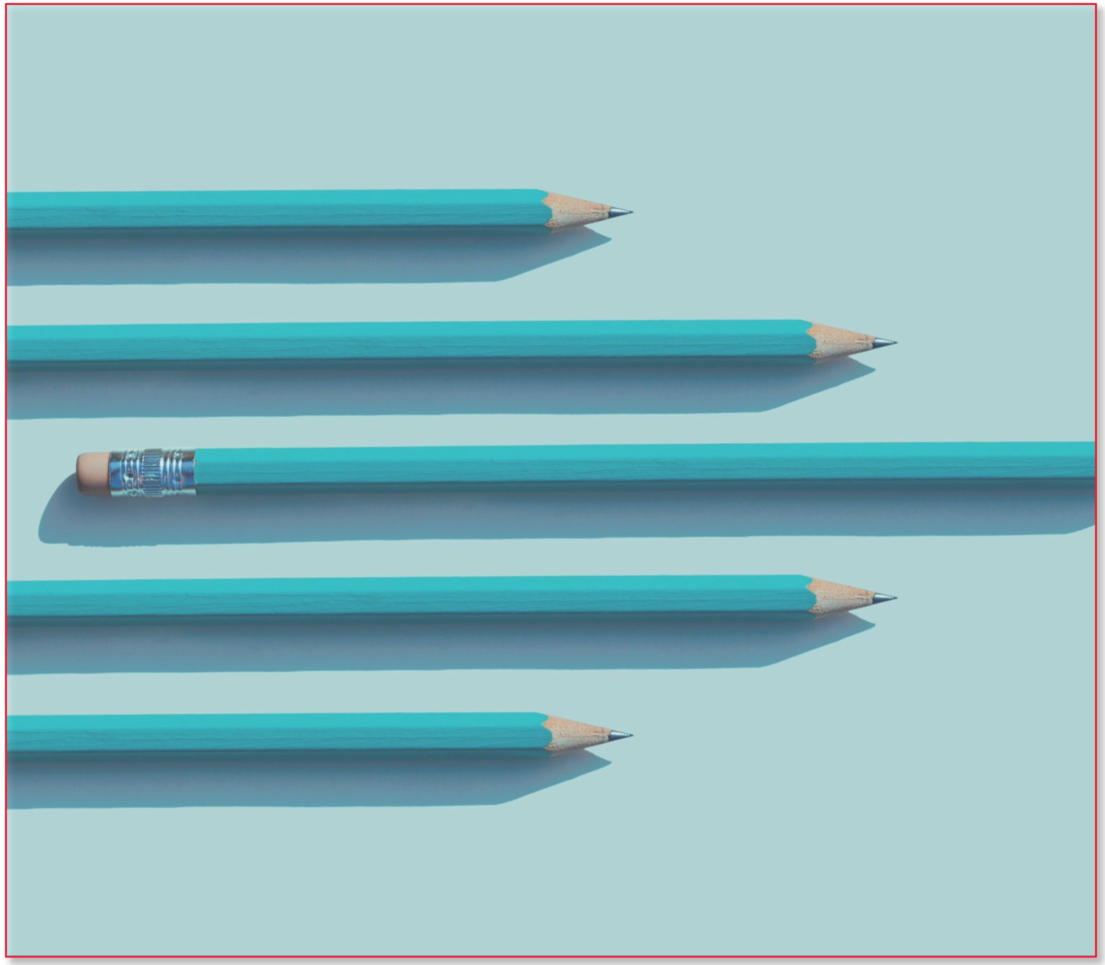
Tip #1: Know Your Audience

- What do your stakeholders consider most important?
- Is your shareholder base sensitive to ISS and/or Glass Lewis?
- Ensure that resources are being allocated effectively to preparation of disclosure—don’t waste time on things that don’t matter to your company

Tip #2: Focus on Consistency



- Telling a unified story
- Cross-reference CD&A against other proxy statement disclosures (e.g., pay-versus-performance (PVP), compensation table footnotes/narratives) to ensure internal alignment
- Consistency between CD&A and other public disclosures—8-Ks, earnings releases

Tip #3: Consider Performance Goal Sensitivity

- Desire to understand specific performance measures used in short- and long-term incentive programs, how actual performance compares to targets, and how payouts are derived based on results
- Specific disclosure of company performance influencing compensation decisions and how NEO compensation is structured/implemented to reflect performance
- Materiality and potential for "competitive harm"—risk of SEC comment

> *"We believe that disclosure of the specific performance goals could cause significant* ***competitive harm*** *to our business. At the time that the performance goals were established, our compensation committee believed that they were* ***rigorous and challenging*** *and would require significant effort and achievement by our executives to attain."*

Tip #4: Contextualize Leadership Changes

- Especially important if there was significant turnover during the year (or after FYE)—preview upfront where NEOs are listed
- Separate section describing transitions and related compensation arrangements for new hires, promotions, and terminated executives
- Provide rationale for compensation packages and explain alignment with shareholder interests

Leadership Changes – Disclosure Examples

Executive Leadership Transitions

We experienced a number of changes in our senior leadership during fiscal 2024. The following summarizes the compensation decisions associated with these leadership changes. In determining the compensation arrangements for Mr. Wilmer, as well as Ms. Khetani and Ms. Chavez, the Compensation Committee considered market data, market practices for similar management transitions, and the input of our independent compensation consultant, FW Cook. The Compensation Committee further took into consideration modifications to the Peer Data that was used for executive compensation decisions earlier in fiscal 2024 during our annual focal review. In November 2023, the Peer Data set was changed to better reflect our updated market capitalization and the relative market capitalization of the members of the Peer Data. The changes included removing AppFolio, Inc., Cognex Corporation, Five9, Inc., Lyft, Inc., New Relic, Inc., Novanta Inc., Plug Power Inc., Power Integrations, Inc., Teradata Corporation, Universal Display Corporation and Vontier Corporation due to differences in market capitalization, revenue and adjusted EBITDA. Those companies were replaced with additional companies chosen for industry overlap, more similar market capitalization, and revenue growth over the prior twelve months. The companies added to the year-end fiscal 2024 Peer Data for the compensation decisions tied to our executive *leadership transitions* included Ameresco, Inc., Arlo Technologies, Inc., Array Technologies, Inc., Aspen Aerogels, Inc., Clean Energy Fuels Corp., Evgo, Inc., FuelCell Energy, Inc., PagerDuty, Inc., Stem, Inc., Sunnova Energy International, Inc. and SunPower Corporation.

ChargePoint Holdings, Inc.

Leadership Transitions

During fiscal year 2024, we experienced two retirements involving our Named Executive Officers, each as contemplated by our ongoing succession planning. Effective on June 1, 2023, Steven L. Wentzel retired from his position as President of American Gypsum, and effective July 3, 2023, Robert S. Stewart retired from his position as Executive Vice President - Strategy, Corporate Development and Communications. Their respective successors were in position at the time of their retirement to ensure a smooth transition of their duties.

For each of the retiring officers, the Board determined that his departure constituted a Board-approved retirement from service, and therefore, pursuant to the terms of the award agreements, his outstanding restricted stock (both time-vesting awards and performance-vesting awards for which the performance condition had been satisfied) accelerated vesting upon retirement, and Mr. Wentzel's outstanding stock options will survive for the remaining term following retirement. The value of these retirement-related items is reflected in the fiscal 2024 compensation for Messrs. Wentzel and Stewart in the Fiscal 2024 Summary Compensation Table below.

Eagle Materials Inc.

Management Changes

We have recently experienced significant changes to our executive management team. In February 2023, Stephanie Linnartz joined the company as the President and Chief Executive Officer and a member of the company's Board of Directors. In March 2024, we announced that, effective April 1, 2024, Ms. Linnartz would be leaving the company, and Kevin Plank, the founder and former Chief Executive Officer of the company, who was then serving as Executive Chair and Brand Chief, would be returning as President and Chief Executive Officer. This "Compensation Discussion and Analysis" section provides an overview of our executive compensation throughout fiscal year 2024, prior to the changes to Ms. Linnartz's and Mr. Plank's roles.

Additional changes to our executive management team during fiscal year 2024 and in recent months have impacted the named executive officers included in this Proxy Statement. On July 3, 2023, Lisa Collier stepped down from her role as Chief Product Officer. On July 24, 2023, Jim Dausch joined the company as Chief Consumer Officer. On February 1, 2024, David Baxter stepped down from his role as President, Americas. On May 16, 2024, Tchernavia Rocker stepped down from her role as Chief People and Administrative Officer.

Under Armour, Inc.

Tip #5: Proactively Address "Special" Compensation

- One-time compensation (e.g., large sign-on or retention equity grants, discretionary bonuses) can be tricky to disclose
- Provide clear rationale and context
  - Specific issues driving decision
  - How do the grants further shareholder interests?
- Beware of repeat "one-time" grants
- Proxy advisor firms will closely scrutinize—preference for strong performance-based component

"Special" Compensation – Disclosure Examples

New CFO Employment Agreement

On October 18, 2023, the Company entered into an at-will employment agreement with Mr. Daskal. The Compensation Committee together with the members of our Board spent significant time reviewing Mr. Daskal's compensation terms with its independent compensation consultant. In setting Mr. Daskal's new hire compensation, the Compensation Committee took into account the following factors:

- The critical importance of hiring an experienced, well-regarded CFO;
- The competitive landscape for top talent;
- Our prior permanent CFO's compensation, including with respect to severance benefits;
- The need to compensate Mr. Daskal for the base salary differential between his role at his prior employer and VIAVI;
- Mr. Daskal's prior severance benefits; and
- The value of Mr. Daskal's cash incentive compensation and equity awards from his prior employer, which would be forfeited.

The rationale for each of the elements of Mr. Daskal's compensation and how each element aligns with our compensation philosophy is summarized in the table below.

Compensation Element	Description	Rationale
Base Salary	$570,000	Provides a predictable level of income; reflects role and responsibilities as well as market competitiveness and prior compensation considerations
Annual Incentive Bonus Target	100% of base salary (target)	Reflects role and responsibilities as well as market competitiveness and prior compensation considerations. Ties additional upside earning opportunity to Company and individual performance results.
Annual Equity Incentives	Annual equity awards with a target value of $2,500,000 commencing in FY24 • 50% in MSUs, which vest based on relative TSR over three years, and • 50% in RSUs, which vest annually over three years	Reflects role and responsibilities as well as market competitiveness and prior compensation considerations
Replacement Equity Grants	New hire replacement equity grants with a target value of $4,500,000: • 50% in MSUs, which vest based on relative TSR over four years, and • 50% in RSUs, which vest annually over four years The MSUs have the same design as our annual MSUs, except that they are measured over one-year, two-year, three-year and four-year performance periods.	The replacement equity grants were made in respect of the estimated value of outstanding equity awards that Mr. Daskal forfeited when he left his prior employer, and are intended to drive our long-term performance, and support retention.
Signing Bonus	$500,000, with 50% paid on his first payroll date, and 50% paid on the six-month anniversary of his start date, subject to repayment if Mr. Daskal is terminated by the Company for Cause (as defined in his agreement) or voluntarily terminates his employment with the Company.	In consideration of Mr. Daskal's cash incentive opportunity that was forfeited from his prior employer and consistent with market practice
Severance Benefits	Participation in the Company's Change of Control Benefits Plan. Mr. Daskal's definition of "Good Reason" for purposes of the plan also includes a material reduction in his duties, authority, reporting relationships or responsibilities, including not being the chief financial officer of a publicly reporting company after a Change of Control (as defined in the plan). Further, if Mr. Daskal's employment is involuntarily terminated other than for Cause, outside of the Change of Control period, he will receive: • A severance payment equal to 18-months of his base salary, and • Healthcare payments for the lesser of a period of 18 months or the period of his eligibility under COBRA.	Our prior CFO was entitled to the same severance benefits in the event he was involuntarily terminated other than for cause, outside of the Change of Control period. Please see Severance and Change of Control Benefits below for more information regarding the material features of the Executive Change of Control Benefits Plan.

Viavi Solutions Inc.

Special Retention Grants to Senior Leaders

For the first five months of 2023, the Company operated with an expectation that the pending transaction with Standard General would eventually be consummated. Although the Company could not engage with Standard General on the future state of the Company while the regulatory review of the transaction was pending, based on the structure of Standard General's organization certain of our executives had reason to question whether their roles would continue with the Company once the transaction closed. The overhang of the pending merger therefore created significant uncertainties for our leadership team. The transaction ultimately did not close and the Company terminated the merger agreement in May 2023. In the weeks and months following the termination of the merger agreement, three key members of the Company's leadership team, including Ms. Harker and Mr. Harrison, announced their intentions to step down from their positions and/or to leave the organization. Mr. Harrison resigned effective June 30, 2023.

Against this backdrop, the Board recognized it was critical to ensure retention and engagement of senior leadership through the time of transition from the potential change of control to remaining a standalone company. Following extensive conversations, the Board and the Committee, with advice from the Committee's independent compensation consultant, Meridian, determined that it was necessary and appropriate to make retention awards to senior leaders to ensure their continued dedication and service to the Company during this unique transition period. After evaluating various alternatives, market data, and the executives' overall compensation, the Board granted one-time special cash and stock retention awards to certain senior leaders in August 2023 to help ensure their ongoing leadership and incentivize focus on driving future success of the business.

For Mr. Lougee, the Board made a total one-time special retention grant of $6,000,000 and for Ms. Beall, the Board made a total one-time special retention grant of $1,500,000, which the Board felt was appropriate after evaluating Mr. Lougee's and Ms. Beall's respective total compensation relative to the market, and the importance of achieving the retention objective described above. In determining the structure of the awards, the Board considered the executives' earnings opportunity, the strong performance-based nature of the annual incentive program, and the focus of the awards on ensuring stability through this unique transition period, and determined an award comprised of 40 percent cash ($2,400,000 for Mr. Lougee and $600,000 for Ms. Beall) and 60 percent RSUs (resulting in a grant of 218,845 RSUs for Mr. Lougee and 54,711 RSUs for Ms. Beall) would help to ensure leadership continuity and engagement. The cash component of each executive's retention award will be paid and the RSUs each will vest in two equal installments, in August 2024 and August 2025. The Committee believes the two-year payment and vesting period was most appropriately aligned with the timeline to execute on our refined business priorities.

TEGNA Inc.

Tip #6: Smaller Companies: Plan Ahead

- Not all reporting companies are subject to CD&A rules
  - Only non-EGCs/SRCs need to provide comprehensive CD&A and tabular disclosure
  - For EGCs/SRCs, scaled disclosure required regarding **what** was paid (with limited narrative), not how and why the pay decisions were made
- Companies anticipating exiting EGC/SRC status in near future may choose to begin including “CD&A-like” disclosure
  - Gradually expand compensation narrative to include “how” and “why”
  - Consider shareholder base preferences
  - Do not call it a CD&A!
- May need to maintain CD&A if transitioning back to SRC per proxy advisor policy

Tip #7: Avoid a Mad Scramble

- Develop process and timeline early on—especially when drafting a CD&A for the first time
- Consider internal and external stakeholders
  - Legal
  - HR
  - Accounting/Finance
  - Investor Relations
  - Outside advisors (outside legal counsel, compensation consultant)

Tip #8: Consider "Extra" Disclosure

2023 Compensation Highlights; Some 2024 Compensation Actions

- ***Emphasis on Performance-based Incentives.*** A large portion of our NEOs' target compensation opportunity was performance-based, awarded in the form of annual cash incentives and long-term equity awards.
- ***Performance-based Approach to Long-term Incentives***. Performance Stock Units ("PSUs") represented 50% of the total target value of all equity granted in 2023 to John Carrington, our Chief Executive Officer. Mr. Carrington's 2023 PSU grant will be earned, if at all, over a three-year period ending December 31, 2025 based on meeting stock price hurdles, and any earned portion will vest on December 31, 2025. The remaining long-term target incentive value was granted to our CEO in 2023 in the form of restricted stock units ("RSUs") and stock options, which vest ratably over three years.
    - As of March 31, 2024, none of the PSUs have been earned, demonstrating the challenging nature of Mr. Carrington's performance goals and the Company's focus on strengthening pay-for-performance alignment.
- ***Challenging Financial and Performance Goals.*** Our Compensation Committee set rigorous goals for our annual cash incentive plan that would be achieved only if we performed at a high level. For 2023, we continued to tie 100% of our NEOs' target annual cash incentive opportunity to Company financial goals, including full-year adjusted EBITDA. Based on our performance in 2023, our eligible NEOs each earned a below-target bonus equal to 85% of their target bonuses for the year, demonstrating the link between pay and performance in our compensation design.
    - For 2024, in addition to maintaining rigorous adjusted EBITDA goals, we also added an operating cash flow metric to our annual cash incentive program, to better align our executives' short-term pay to the Company's goal of positive cash generation in 2024.
- ***For 2024, Significantly Lower LTI Awards to Officers.*** Our Compensation Committee approved 2024 LTI awards to our officers that in most cases were significantly lower year-over-year in terms of target dollar size awarded in 2023, and were in the bottom quartile of awards at peer group companies. In so doing, the Compensation Committee considered the constraints in the Company's 2021 equity plan and the decline in the Company's stock price since awards were made to the officers in 2023, the Company's historical burn rate, market practice, and other factors.

Stem, Inc.

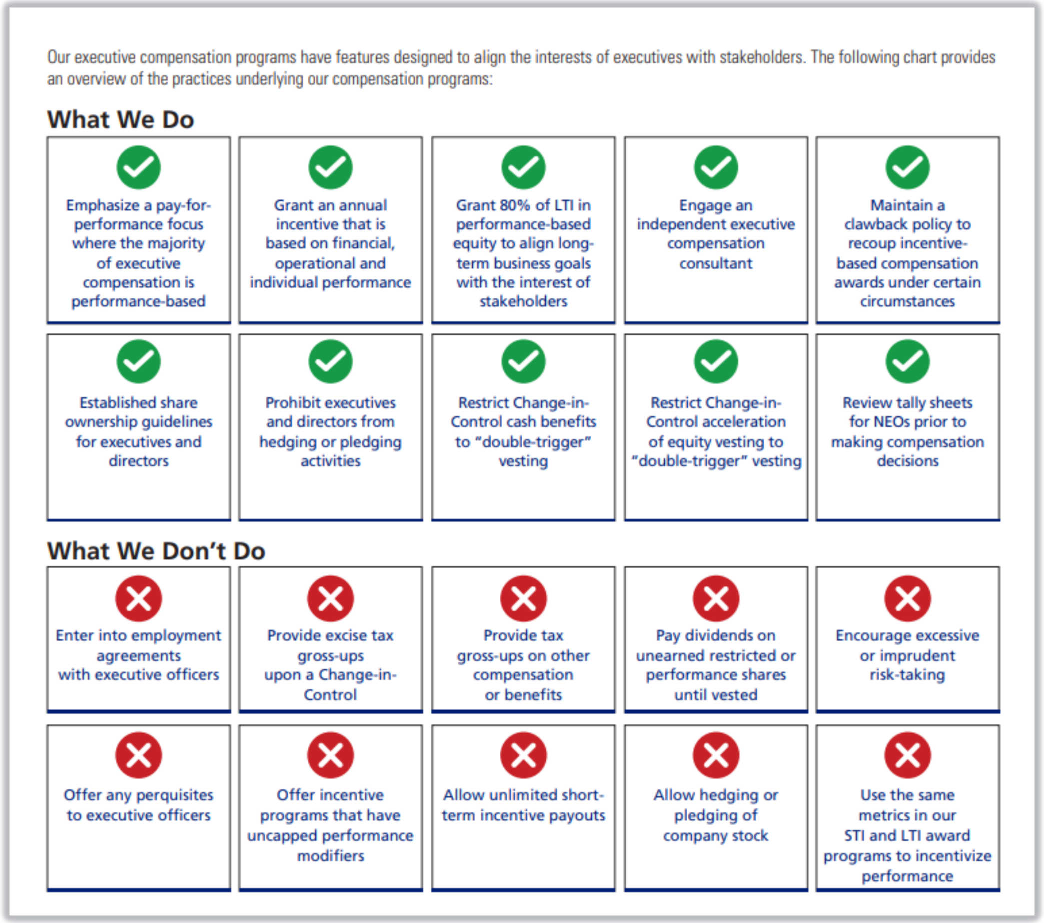
- Forward-looking disclosure is sometimes necessary or advisable
- Getting ahead of criticism from proxy advisors/investors by discussing positive and/or responsive changes to compensation program going forward
- Examples:
    - Adjusting or freezing salaries
    - Changing performance metrics
    - Reducing equity grants
    - Changing mix of long-term incentives

Tip #9: Know Your Compensation Committee

- Compensation Committee signs off on inclusion of CD&A in proxy statement
- Committees will have varying levels of involvement in preparation and review of CD&A
- Ensure there is enough time built into the proxy filing timeline to allow for committee member review, questions, incorporation of suggestions

Tip #10: Highlight Governance Best Practices

- Discuss “good” practices that have been adopted and “bad” practices that are not followed
- Hedging/pledging, lack of gross-ups, employment agreements, equity treatment on termination or change in control, stock ownership guidelines
- Where a company has decided not to follow a best practice, would typically explain why that is the correct approach



Our executive compensation programs have features designed to align the interests of executives with stakeholders. The following chart provides an overview of the practices underlying our compensation programs:

What We Do

Emphasize a pay-for-performance focus where the majority of executive compensation is performance-based	Grant an annual incentive that is based on financial, operational and individual performance	Grant 80% of LTI in performance-based equity to align long-term business goals with the interest of stakeholders	Engage an independent executive compensation consultant	Maintain a clawback policy to recoup incentive-based compensation awards under certain circumstances
Established share ownership guidelines for executives and directors	Prohibit executives and directors from hedging or pledging activities	Restrict Change-in-Control cash benefits to “double-trigger” vesting	Restrict Change-in-Control acceleration of equity vesting to “double-trigger” vesting	Review tally sheets for NEOs prior to making compensation decisions

What We Don’t Do

Enter into employment agreements with executive officers	Provide excise tax gross-ups upon a Change-in-Control	Provide tax gross-ups on other compensation or benefits	Pay dividends on unearned restricted or performance shares until vested	Encourage excessive or imprudent risk-taking
Offer any perquisites to executive officers	Offer incentive programs that have uncapped performance modifiers	Allow unlimited short-term incentive payouts	Allow hedging or pledging of company stock	Use the same metrics in our STI and LTI award programs to incentivize performance

ONE Gas, Inc.

HCM: Setting the Stage

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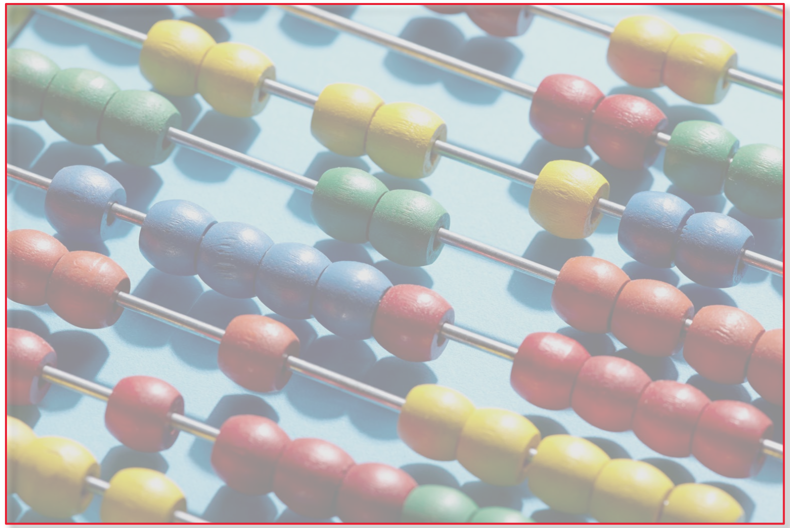
HCM Disclosure Requirements

- Item 101(c)(2) of Regulation S-K:
  - To the extent material to an understanding of the registrant's business taken as a whole, provide "*A description of the registrant's* **human capital resources**, *including the* **number of persons employed** *by the registrant, and* **any human capital measures or objectives that the registrant focuses on** *in managing the business (such as, depending on the nature of the registrant's business and workforce, measures or objectives that address the* **development, attraction and retention** *of personnel).*"



HCM Disclosure Practical Considerations

- Principles-based disclosure regime; not prescriptive or quantitative
  - Biggest criticism is that disclosures are hard to compare across companies given that companies determine what is material
- SEC has been considering proposing enhanced, prescriptive HCM rules since 2021; unlikely to move forward under new administration and with the departure of Chair Gensler

Tips for Drafting HCM Disclosure

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Tip #1: Be Specific

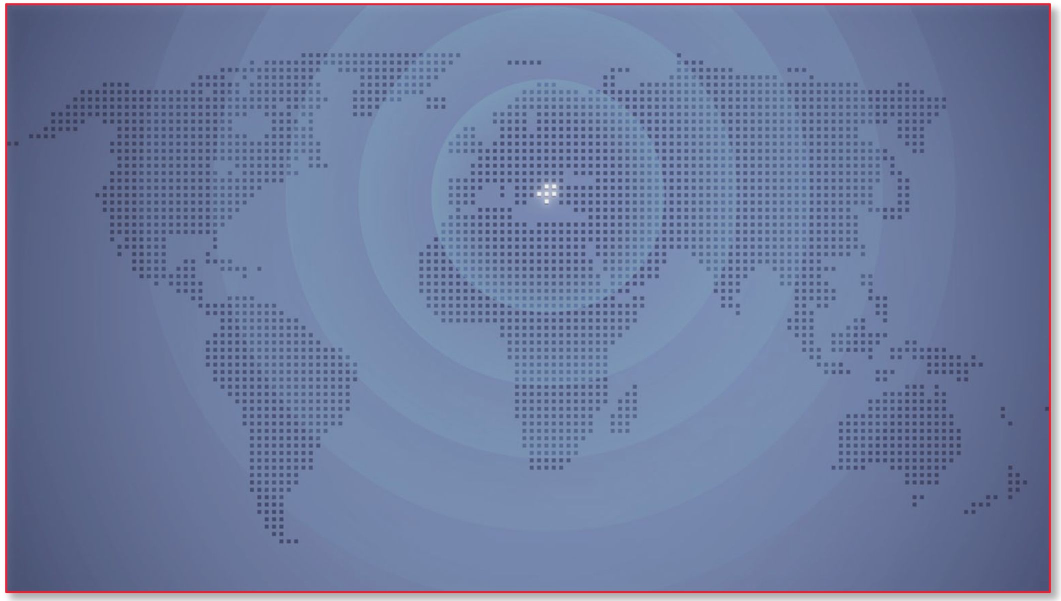
- Disclosure should be industry- and company-specific
  - Principles-based disclosure acknowledges that each company and industry is different
  - Disclosure should focus on what matters for your company

Tip #2: Start Big

- Cross-functional process, starting with management and board view, and involving other departments within the company for input

	Questions to Ask
Management and Board	• What metrics does management track and review with respect to human capital (e.g. attrition, engagement/satisfaction, pay equity, etc.)? • What metrics are reported to the board? • What do management and the board view as the most critical initiatives and practices when it comes to the company's human capital resources? • Has the company reviewed the human capital issues prioritized in ESG reporting frameworks (e.g. SASB) or rankings (e.g. MSCI)? • What areas of focus have been highlighted in shareholder engagement meetings?
Human Resources	• What metrics is HR tracking when it comes to human capital (pay ratios, attrition rates, internal hire rates, engagement/employee survey feedback) • What benefits, programs and initiatives does HR view as the most critical when it comes to the company's human capital?
Existing Disclosure	• What is the company already saying in its public filings (e.g., prior Form 10-K's, proxy statement, etc.) about human capital management, diversity, equity and inclusion, etc.? • What does the company say on its website about benefits, compensation, culture, or otherwise to attract new talent? • Do prior year human capital management disclosures remain relevant? Consider reviewing industry peer disclosures. • What progress has been made against human capital management objectives set and previously disclosed?

Tip #3: Narrow In



- Scope disclosure to those topics that are considered by multiple groups to be important to the business
- Iterate as business priorities evolve

Tip #4: Disclosure Controls

- Subject disclosure (especially quantitative disclosure) to disclosure controls and procedures that are required to make sure all information is reported accurately and timely
- Disclosures should be reviewed with Board or Board committee tasked with HCM oversight

Questions?

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