Pay vs. Performance – Year 2

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Agenda

- The 402(v) Rules and Updated Guidance
- About SEE
- Trends and Prevalence
- The Investor’s Perspective and Measuring PvP Alignment

Overview of Item 402(v) ("Pay vs. Performance Disclosures")

Why?	The Dodd-Frank Act (adopted in 2010) required the SEC to adopt rules for issuers to show the relationship between executive compensation actually paid and the financial performance of the issuer
What?	1. **New Pay Versus Performance Table** – Specified executive compensation and financial performance measures for the five most recent fiscal years (three years in the initial disclosure and four years for 12/31/2023) 2. **Relationship Disclosures** – Narrative tying company financial metrics to executive pay 3. **Tabular list** – Unranked list of three to seven "most important" financial performance metrics
Who?	**Public companies** that are not emerging growth companies, foreign private issuers, or registered investment companies
When?	**2023 proxy statement** for most companies (required in proxy and information statements that are required to include Reg. S-K Item 402 executive compensation disclosure for fiscal years ending on or after December 16, 2022)
Where?	Rule provides **flexibility** where in proxy to include disclosure; not required in CD&A; likely to follow the executive compensation tables

PvP Disclosures

2022 Pay Versus Performance Table

Year (a)	Summary Compensation Table Total for CEO[1] (b)	Compensation Actually Paid to CEO[2] (c)	Average Summary Compensation Table Total for Other NEOs[3] (d)	Average Compensation Actually Paid to Other NEOs[4] (e)	Value of initial fixed $100 investment based on: TSR[5] (f)	Value of initial fixed $100 investment based on: Peer Group TSR[6] (g)	GAAP Net Income ($000s)[7] (h)	Adjusted EBITDA[8] (i)
2022	$10,350,942	($2,744,094)	$2,675,244	$1,403,983	$130.98	$111.05	$491.6	$1,120.2
2021	$ 9,674,692	$32,084,428	$1,975,384	$3,399,845	$174.73	$140.44	$506.8	$1,131.6
2020	$11,764,199	$19,355,234	$2,444,415	$3,211,076	$116.97	$120.46	$502.9	$1,051.1

Reconciliation 1

Year	Reported Summary Compensation Table Total	Minus Reported Value of Equity Awards[a]	Plus Recalculated Value of Equity Awards[b]	Compensation Actually Paid
2022	$10,350,942	$ 9,032,190	($4,062,846)	($2,744,094)
2021	$ 9,674,692	$ 8,407,162	$30,816,898	$32,084,428
2020	$11,764,199	$10,183,694	$17,774,729	$19,355,234

Reconciliation 2

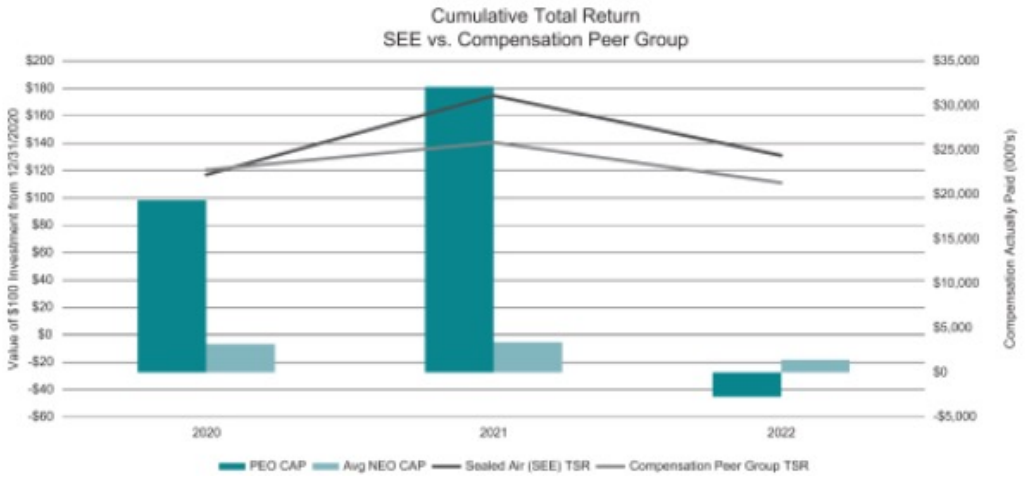
Year	Value of Outstanding and Unvested Equity Awards Granted in the Year	Year over Year Change in Fair Value of Outstanding and Unvested Equity Awards	Fair Value as of Vesting Date of Equity Awards Granted and Vested in the Year	Year over Year Change in Fair Value of Equity Awards Granted in Prior Years that Vested in the Year	Fair Value at the End of the Prior Year of Equity Awards that Failed to Meet Vesting Conditions in the Year	Value of Dividends or other Earnings Paid on Stock Awards not Otherwise Reflected in Fair Value or Total Compensation	Total Recalculated Value of Equity Awards
2022	$ 6,360,979	($4,718,863)	—	($5,184,588)	($1,076,585)	$556,211	($ 4,062,846)
2021	$15,585,639	$12,155,133	—	$ 2,785,580	$0	$290,546	$30,816,898
2020	$15,474,409	$ 1,717,803	—	$ 450,428	($62,314)	$194,403	$17,774,729

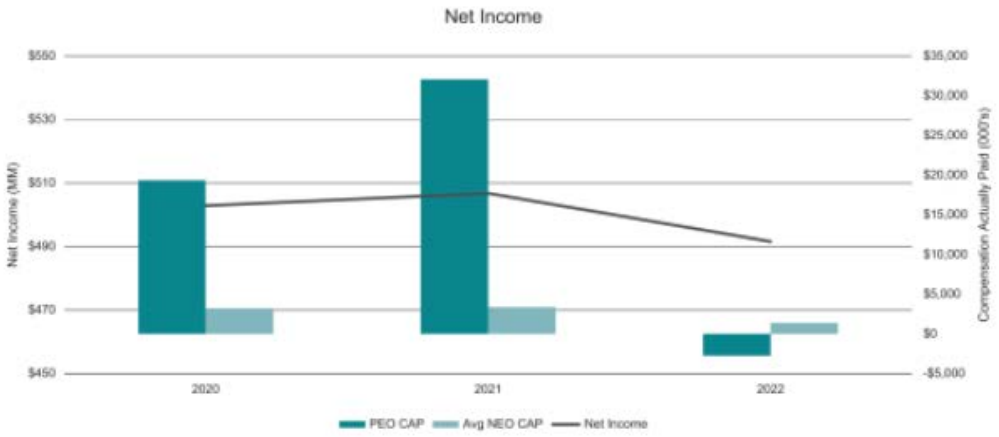
PvP Disclosures

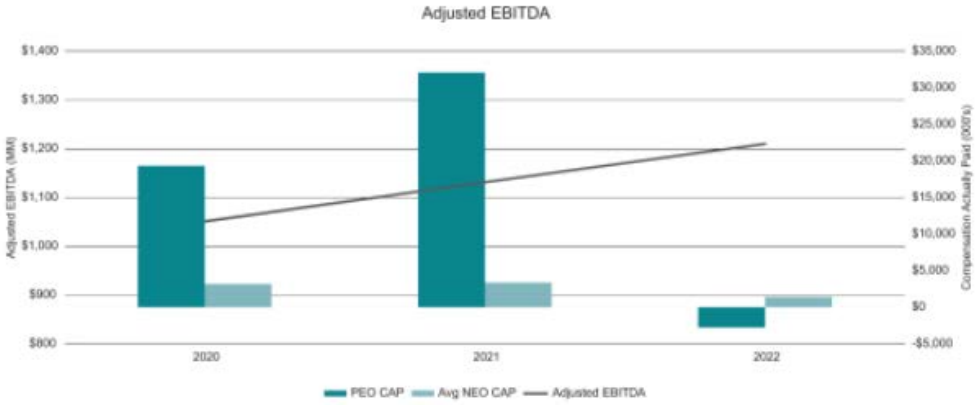
Most Important Performance Measures for 2022

As described in greater detail in the Compensation Discussion and Analysis, the Company's executive compensation program includes linking pay of our NEOs to strategic business, operational, and financial goals for both annual and long-term incentive awards. For the last fiscal year, the most important financial performance measures used by the Company to link executive compensation actually paid to the NEOs, for the most recently completed fiscal year, to the Company's performance are as follows:

- Adjusted EBITDA
- Net Sales
- Free Cash Flow
- Adjusted EBITDA CAGR
- Return on Invested Capital







Updates for C&DI's Released on 9/27/2023

- The SEC released 9 new interpretations/guidance. Let's focus on 2 of the new interpretations.

✓ Issue 1 - Updates for treatment of "Retirement Eligible" individuals

- If the award holder is Retirement Eligible, and that allows for continued vesting of equity (either in full or pro rata), there is no substantive service condition or risk of forfeiture.
- What defines "substantive"? Market or Performance Conditions? Is a claw-back provision? Non-compete arrangements?
- Look to the treatment under ASC718. Paragraphs 10 and 11 of ASC 718.20.55.84 - ASC 718.20.55.92 provide a couple of examples. It may be determined by facts and circumstances
- Therefore, if an award holder is Retirement Eligible on grant, there is no further need to re-value the awards, as they are already substantively vested.
- Most companies did NOT apply this treatment on grant, therefore will need to transition to this approach:

Alternative 1: Fix the valuation now, with no further modified accruals for changes in value

Alternative 2: Correct the valuation for prior years and accrue for the cumulative change in the current year disclosures (could create lumpiness in the disclosed CAPs)

Alternative 3: Correct the valuation for prior years and modify the prior disclosures to reflect for the corrected interpretation (awkward to change numbers that should have been fixed historically)

Infinite Equity commentary: Yuk! These are all not ideal solutions. I'm hopeful for more guidance.

Updates for C&DI's Released on 9/27/2023

- ✓ Issue 2 - Further guidance for compliant approaches to stock option valuation
  - The valuation must be ASC718 compliant.
  - 2 approaches were deemed non-compliant:
    1. Elapsed Time approach – subtract the lapsed time from the initial valuation date to the current valuation date
    2. Simplified approach – midpoint of contractual term and vesting used as a safe harbor for grant date valuations.
  - Implies that any approach should consider the "in-the-moneyness" level

Infinite Equity commentary: *Would recommend the use of IRS Revenue Procedure 2003-68 which provides safe harbor tables for option valuation based on the remaining contractual term and the in-the-moneyness level. Tables are already used in the Proxy for estimation of 280G golden parachute liabilities.*

About SEE

Our Purpose

SEE® is in business to protect, to solve critical packaging challenges, and to make our world better than we find it.

We design and deliver packaging solutions that safeguard food, protect essential goods transported worldwide, enable e-commerce deliveries, and create digital connectivity.

Our portfolio of packaging solutions integrates sustainable, high-performance materials, automation and digital technologies.

Trends and Prevalence

PvP Table Choices and Year 1 Key Findings

- Companies have choices related to select elements of the PvP disclosure - - for some choices there was a clear majority practice, while for others, practices were more mixed

Choices	Mercer Survey Results*
TSR comparator group: • Peer group used for making executive pay decisions • Peer group or published industry/line of business (LOB) index from annual report performance graph	Most (**81%**) used an **industry / LOB index** from annual report performance graph as their TSR comparator group
Company selected measure (CSM): • Can use relative TSR • Can use stock price if it's an incentive plan metric • Can't use: - Absolute TSR or net income because already in table - Multiyear metric	**CSMs varied among companies**, even within the same industry sector but: • Almost **30%** of the S&P 500 sample selected earnings per share (EPS) • Almost **30%** of the Russell 3000 sample selected earnings before interest, taxes, depreciation and amortization (EBITDA) • In four of 11 industry sectors, more than half of companies selected the same CSM: In Financials, **58%** used a return metric; in Materials, **55%** used EBITDA; in Real Estate, **75%** used EPS; and in Utilities, **63%** used EPS
List of three to seven metrics • How many? • Whether to include nonfinancial metrics?	Majority chose to include **three to five measures** in their tabular list: • Over **75%** of the sample did not include any nonfinancial measures • Revenue and EPS were the most common measures — each used by over **40%** of the sample
Description of pay vs. performance relationship: • Graph/chart, narrative or both	• Approximately **90%** used at least one **graph/chart** to describe the relationship • Most did not include robust narratives

** Based on a Mercer analysis of a cross-industry group of 100 S&P 500 companies (the "S&P 500 sample") and 100 Russell 3000 companies that aren't in the S&P 500*

Getting Ready for PvP Table Round 2

- “Heavy lifting” done in Year 1 has many companies in good position to replicate process and calculations for Year 2; as of now, companies are generally inclined to stay the course with key decisions made in Year 1 (could change pending any new SEC guidance)

- Track SEC guidance:
  - Assess whether the guidance requires changes to how CAP was calculated in 2023 and, if yes, determine how to address 2020-2022 CAP values for the 2024 table (e.g., should they be recalculated, with footnote explanations of any changes)
  - Enhance footnote disclosures, if necessary, on: valuation assumptions, probably outcomes of awards with performance conditions, and non-GAAP metrics

- Review SEC staff comment letters sent to individual companies to see what the SEC staff identified as inadequate disclosure or an incorrect interpretation of the rule

- Review peer company approaches to narratives and graphs

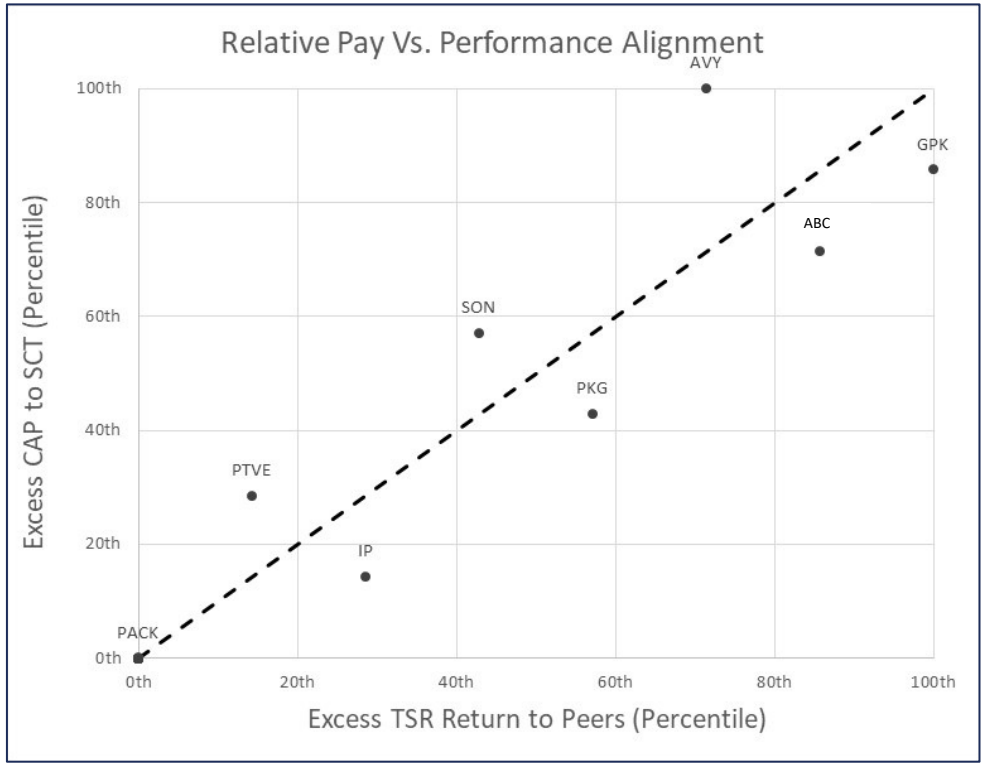
- Monitor proxy advisor and shareholder voting policy updates for how they will consider the pay-versus-performance disclosures in their pay-for-performance assessments

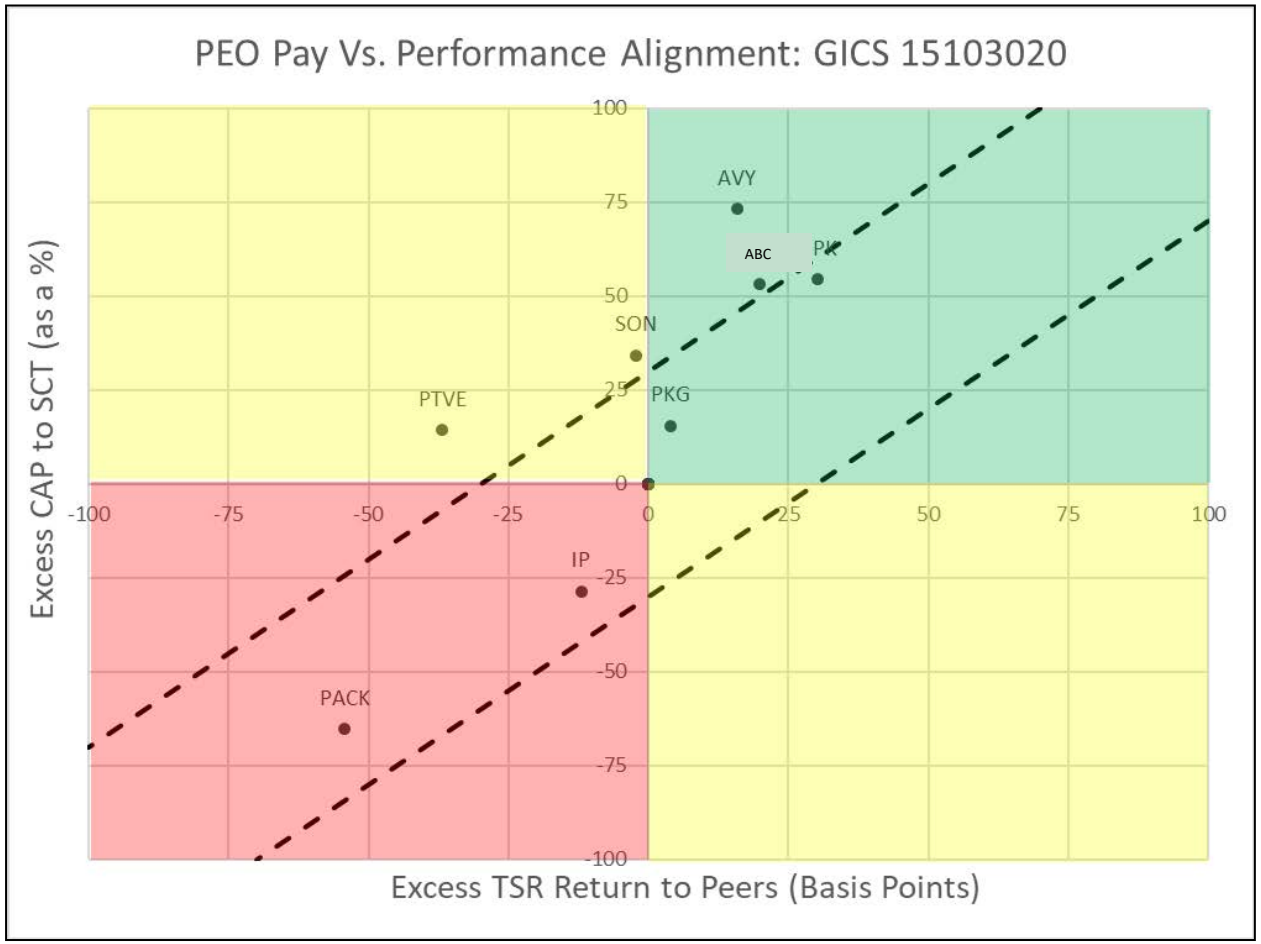
- Don’t be complacent if you didn’t get a comment letter – start table updating process early!

Measuring PvP Alignment

Comparing against GICS 15103020

- We have categorized each member of their 8-digit GICS code into the 4 Quadrants.

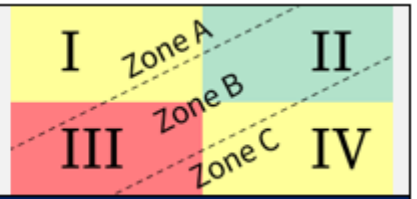




Measuring PvP Alignment – The Russell 3000

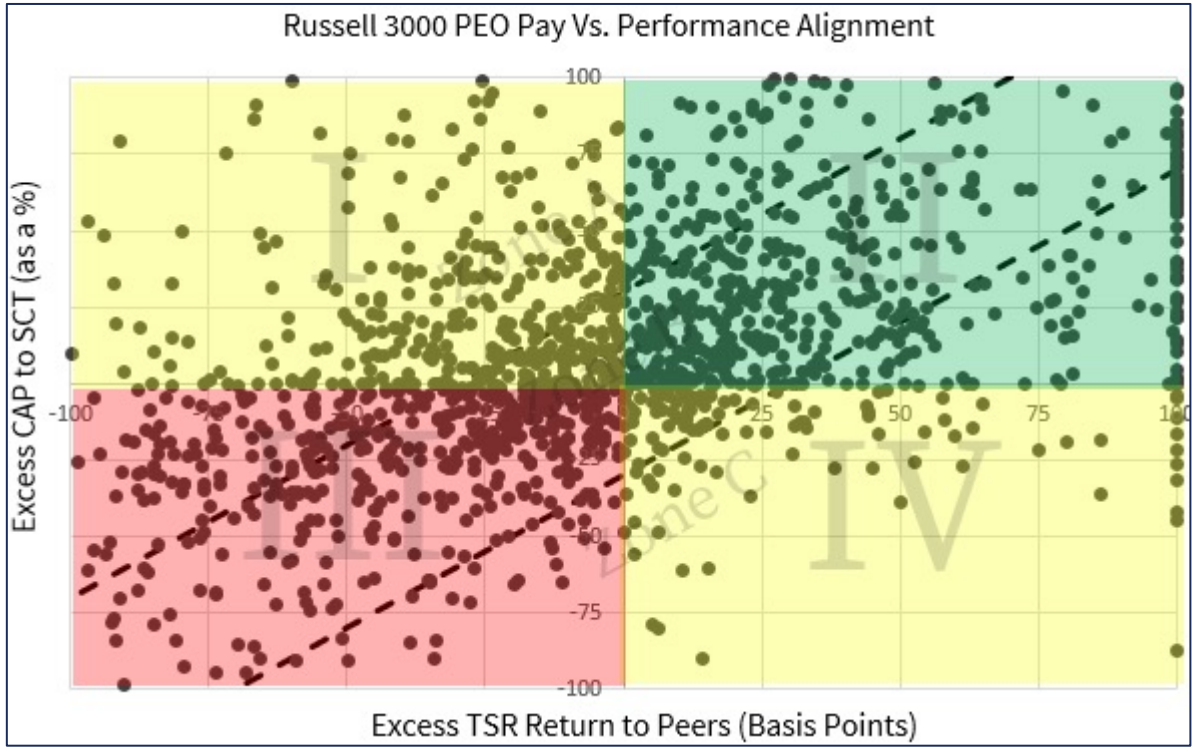
- Start with Russell 3000
- Eliminate Small Reporting Companies and Foreign Private Issuers
- Eliminate a small number of non filers due to fiscal year end

- **Quadrant 1** – Accumulated CAP is greater than SCT, but TSR is less than Peers
- **Quadrant 2** – Accumulated CAP is greater than SCT, and TSR is greater than Peers
- **Quadrant 3** – Accumulated CAP is less than SCT, and TSR is less than Peers
- **Quadrant 4** – Accumulated CAP is less than SCT, but TSR is greater than Peers
- **Zone A** – Delta between Pay/TSR is > than 30%
- **Zone B** – Delta is within +/- 30%
- **Zone C** – Delta between Pay/TSR is > than -30%



Distribution of Quadrants / Zones – 3

	Zone A	Zone B	Zone C	Total
Quadrant 1	342	124	N/A	466 (23.8%)
Quadrant 2	234	377	117	728 (37.2%)
Quadrant 3	159	397	47	603 (30.8%)
Quadrant 4	N/A	78	81	159 (8.1%)
Total	735	976	245	1956 (100%)



Sharing Ratios

- What is the relationship between excess Compensation Actually Paid, as compared to the increase in TSR (or market capitalization)?

$$Sharing\ Ratio = \frac{Excess\ CAP}{Excess\ Market\ Cap} = \frac{\sum CAP - \sum SCT}{Market\ Cap_0 \times (TSR_3 - PTSR_3)}$$

2022 Pay Versus Performance Table

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$$\text{Sharing Ratio} = \frac{(\$48.696M - \$31.790M)}{\$6.1B(1.3098 - 1.1105)} = \frac{\$16.905M}{\$1.2265B} = 1.38\%$$

For every $100 of excess Market Cap, then $1.38 was delivered to the CEO

Sharing Ratios – The Russell 3000

- Based on companies in Quadrant 2, there is a clear trend in seeing “sharing ratio” decrease as a function of market capitalization
- Avoid excessive sharing ratios

Category of Market Capitalization	Total	Quadrant 1	Quadrant 2		Quadrant 3		Quadrant 4
	#	#	#	Median Ratio	#	Median Ratio	#
Micro Cap (<$300M)	165	79	47	1.56%	12	-4.04%	27
Small Cap (<$2B)	696	124	260	1.19%	254	-0.81%	58
Mid Cap (<$10B)	670	156	239	0.76%	226	-0.44%	49
Large Cap (<$200B)	403	101	173	0.28%	106	-0.13%	23
Mega Cap (>$200B)	22	6	9	0.07%	5	-0.04%	2
All	1956	466	728	0.70%	603	-0.45%	159

Peer Groups Selected

- **We have summarized the Selection for Communications Services (GICS = “50”) and Utilities (GICS = “55”)**

			Peer TSR - Value of $100			Firm	GICS- 12/31/22	
Sub-Industry	Sub-Industry	Number	25th	Median	75th	Value of $100	Value of $100	Median vs GICs
50 Communications Services								
50101010	Alternative Carriers	8	$86.26	$91.07	$95.61	$66.41	$91.31	-$0.25
50101020	Integrated Telecommunication Services	5	$82.00	$90.00	$90.34	$92.00	$73.02	$16.98
50102010	Wireless Telecommunication Services	5	$81.00	$81.00	$90.00	$63.00	$164.25	-$83.25
50201010	Advertising	14	$81.03	$94.61	$110.72	$121.71	$124.50	-$29.89
50201020	Broadcasting	9	$58.00	$66.00	$74.15	$54.00	$63.22	$2.78
50201030	Cable & Satellite	8	$80.45	$85.33	$89.10	$65.45	$78.34	$6.99
50201040	Publishing	2	$98.16	$103.31	$108.47	$67.41	$113.62	-$10.31
50202010	Movies & Entertainment	10	$67.60	$86.10	$99.59	$80.60	$67.35	$18.75
50202020	Interactive Home Entertainment	2	$136.57	$146.38	$156.19	$126.54	$118.34	$28.04
50203010	Interactive Media & Services	19	$81.25	$98.30	$118.02	$58.63	$104.07	-$5.77
TOTAL	TOTAL	82	$79.63	$89.96	$101.43	$74.94	$88.27	$1.69
55 Utilities								
55101010	Electric Utilities	27	$117.00	$117.09	$120.50	$104.64	$124.41	-$7.32
55102010	Gas Utilities	4	$104.63	$104.94	$110.05	$92.26	$104.87	$0.07
55103010	Multi-Utilities	15	$102.44	$111.20	$120.05	$109.00	$107.53	$3.67
55104010	Water Utilities	6	$105.00	$113.53	$122.59	$122.64	$122.35	-$8.82
55105010	Independent Power Producers & Energy Traders	2	$120.02	$120.05	$120.07	$134.37	$157.14	-$37.09
55105020	Renewable Electricity	3	$117.12	$122.25	$179.65	$161.38	N/A	N/A
TOTAL	TOTAL	57	$111.03	$117.09	$120.09	$110.06	$118.32	-$1.23

Questions and Closing Thoughts

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Learn More

INFINITE EQUITY

- More information can be found at **www.SECPayVersusPerformance.com**

- Personally ask some of the most burning questions. Register for "Office Hours" with Terry on 11/14 at 2 PM EST. Register here.

Mercer

SEC Issues Guidance with C&DI's

First Year Learnings

Item 402(v): Pay vs. Performance

Deep Dive Into the PvP Rules