Triodos Investment Management

# NORTONLIFE LOCK INC

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| MEETING DATE | Tue, 14 Sep 2021 9:00 am | TYPE | AGM | ISSUE DATE | Thu, 09 Sep 2021 |
| MEETING LOCATION | www.virtualshareholdermeeting.com/NLOK2021 | | | | |
| CURRENT INDICES | S&P500 | | | | |
| SECTOR | Prepackaged software | | | | |
| FYE | 04 Feb 2021 | | | | |

| | PROPOSALS | ADVICE |
|---|---|---|
| 1.a | **Elect Sue Barsamian - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.b | **Elect Eric K. Brandt - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.c | **Elect Frank E. Dangeard - Chair (Non Executive)**<br>Non Executive Chair. Not considered independent owing to a tenure of more than nine years, however there is sufficient independence on the board.<br>Triodos supports this resolution. | **For** |
| 1.d | **Elect Nora M. Denzel - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.e | **Elect Peter A. Feld - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.f | **Elect Kenneth Y. Hao - Non-Executive Director**<br>Non-Executive Director. Not considered independent as he was nominated by the Silver Lake, which holds USD 500 million of convertible 2.5% unsecured notes due in 2021, issued by the company. There is sufficient independent representation on the Board.<br>Triodos supports this resolution. | **For** |
| 1.g | **Elect Emily Heath - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 1.h | **Elect Vincent Pilette - Chief Executive**<br>Chief Executive. | **For** |
| 1.i | **Elect Sherrese M. Smith - Non-Executive Director**<br>Independent Non-Executive Director. | **For** |
| 2 | **Appoint the Auditors**<br>KPMG proposed. Non-audit fees represented 3.40% of audit fees during the year under review and 1.45% on a three-year aggregate basis.<br>This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.<br>Triodos opposes this resolution. | **Oppose** |

**3 Advisory Vote on Executive Compensation** **Abstain**

The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus pay-outs are considered to be excessive as they represent more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

The compensation rating is: CCB.

Based on this rating Triodos abstains on this resolution.

**4 Shareholder Resolution: Introduce an Independent Chair Rule** **For**

**Proponent's argument:**

Shareholders are requesting that the Board of Directors to adopt as policy, and amend the bylaws if necessary, to require the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. This policy could be phased in for the next CEO transition. If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is temporarily waived if in the unlikely event no independent director is available and willing to serve as Chair. This proposal topic won 52% support at Boeing and 54% support at Baxter International in 2020. NortonLifeLock shareholders gave 40% support to this proposal topic in 2019. This impressive support may have represented a near majority vote from the NLOK shares that have access to independent proxy voting advice. In spite of management text claiming that management is committed to ongoing engagement with our stockholders to gain valuable insight into the issues that matter most to them, NLOK management rolled out the unwelcome mat for the 2019 proposal by including a management electioneering statement on the ballot itself. And NLOK management discouraged shareholders from even reading the 2019 proposal. The roles of Chairman and CEO are fundamentally different and should be held by 2 directors, a CEO and a Chairman who is completely independent of the CEO and our company; The role of the CEO and management is to run the company; The role of the Board of Directors is to provide independent oversight of management and the CEO; There is a potential conflict of interest for a CEO to have the oversight role of Chairman.

**Company's response:**

While the Board's longstanding Board leadership structure reflects separation in the roles of Chair and CEO and the company's practice has been to maintain a separate independent Board chair, the Board believes that it should ultimately have the flexibility to tailor its Board leadership structure to fit Norton LifeLock's changing needs. The Board of Directors believes that eliminating flexibility in the structure of Board leadership as facts and circumstances require, as the proponent requests, is unnecessary given the safeguards on Board independence already in place and could adversely impact NortonLifeLock's ability to adapt to new challenges and implement long-term leadership transitions.

**PIRC analysis:** There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. It is considered that an independent Chair can provide independent oversight of management and facilitates clearer lines of accountability with respect to corporate decisions.

Triodos supports this resolution.

## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 3 - Advisory Vote on Executive Compensation

**Disclosure: C** - The company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The performance metrics used to award the Annual bonus have not been disclosed. The performance-based long term incentive is subject to quantified performance targets for relative TSR and CAGR for revenue.

**Balance: C** - The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards made up less than one-third of the awards granted to executives, which is considered best practice. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

**Contract: B** - The company maintains a supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Cash severance is limited to three times base salary; which is welcomed. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is line with best practice. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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