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Associate General Counsel

January 22, 2021

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: Verizon Communications Inc. 2021 Annual Meeting
Shareholder Proposal of the Association of BellTel Retirees Inc.

Ladies and Gentlemen:

I refer to my letter dated December 17, 2020, on behalf of Verizon Communications Inc. ("Verizon"), pursuant to which Verizon requested that the Staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission concur with Verizon's view that the shareholder proposal and supporting statement (the "Proposal") submitted by the Association of BellTel Retirees Inc. (the "Proponent") may be properly omitted from the proxy materials to be distributed by Verizon in connection with its 2021 annual meeting of shareholders (the "2021 proxy materials") pursuant to Rule 14a-8(i)(7) (the "No Action Request"). Verizon received a copy of the letter to the Staff dated January 11, 2021, submitted by the Proponent's counsel in response to the No Action Request (the "Proponent's Letter").

This letter is in response to the Proponent's Letter and supplements the No Action Request. In accordance with Rule 14a-8(j), a copy of this letter is being sent concurrently to the Proponent and the Proponent's counsel. Capitalized terms used but not defined in this letter have the meanings given to them in the No Action Request.

I. The attempted rebuttal in the Proponent's Letter of Verizon's position set forth in the No Action Request is premised on a number of characterizations of Verizon's executive compensation program that are factually inaccurate.

A. Verizon does not pay dividends on equity awards that do not vest or result in ownership by an executive.

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The Proponent both in the Proposal and through the Proponent's Letter appears to take issue with the practice of companies paying dividends to executives prior to the date the executive vests in or receives the underlying shares. The Proponent's Letter refers to this practice as the payment of "stealth dividends" and cites articles that purport to support this position. Verizon's compensation program does not include this feature.

The Compensation Discussion and Analysis in Verizon's 2020 Proxy Statement contains a table entitled "Best Practices in Executive Compensation and Governance" (see Exhibit A hereto with relevant language highlighted). The table highlights features of Verizon's executive compensation program under two headings, namely "What We Do" and "What We Don't Do." Under the heading "What We Don't Do" is a statement that "We do not pay dividends on unearned Performance Stock Units (PSUs) or Restricted Stock Units (RSUs)," i.e., what the Proponent's Letter refers to as the payment of "stealth dividends," and a cross-reference to page 31 for more information. Following the cross-reference, on page 31, under the heading "Long-Term Incentive Compensation" is a statement that "PSUs and RSUs accrue dividend equivalents that are deemed to be reinvested in PSUs and RSUs, respectively. These dividend equivalents are *paid when, and only to the extent that, the related PSUs and RSUs are actually earned*" (emphasis added) (see Exhibit B attached hereto with relevant language highlighted). These disclosures, which clearly distinguish Verizon's practice from the practice described in the Proposal and Proponent's Letter and were also highlighted in the No Action Request,[1] seem to have fallen on deaf ears.

Therefore, much of the argument that the Proponent's Letter puts forth does not even apply to Verizon's compensation program and practices. This is clear for the following reasons:

- The Proponent's Letter cites three *Crain's* articles, one of which is also cited in the supporting statement of the Proposal, about the practice of paying dividends to executives prior to the date the executive vests in or receives the underlying shares. These articles are inapposite, because Verizon quite simply does not engage in that practice.

- One of the *Crain's* articles and the Proponent's Letter cite Citigroup and General Electric as examples of companies that "have done away with" the targeted practice. Indeed, based on disclosures in their annual proxy statements, it appears that these companies, just like Verizon, do not pay dividends to executives prior to the date the executive vests in or receives the underlying shares. However, both Citigroup and General Electric provide the same dividend equivalent rights to their executive equity awards that Verizon provides – namely, that unvested stock unit awards accrue dividend equivalent rights that are *paid when, and only to the extent that, the related*

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[1] The No Action Request states on page 3 that RSUs and PSUs granted under the Long-Term Incentive Plan "accrue dividend equivalent units from the time of grant, *which are subject to the same vesting requirements as the underlying RSUs and PSUs, and are paid only if and to the extent that the underlying RSUs and PSU awards vest*" (emphasis added). The No Action Request further states on page 4 that the Human Resources Committee of the Board of Directors "noted that, contrary to the implication of the Proposal's supporting statement and the *Crain's* article referenced therein, dividend equivalents accrued on equity awards granted under the Plan *are not paid to the recipient until the award has vested and then are only paid to the extent that the underlying RSU and PSU award vests*" (emphasis added).

stock units are actually earned, and the accrued dividend equivalents are forfeited if the stock unit award does not vest.[2]

- The Proponent's Letter implies on page 1 that "the Company's senior executive compensation policies . . . allow[] executives to earn 'stealth dividends' (or dividend equivalents) for performance-based equity awards, even if those awards have not yet vested." Verizon's compensation program provides for no such thing.

- The Proponent's Letter states on page 3: "In other words, even though a grantee does not own these assets, the challenged practice says, in effect, 'let's pretend' that the grantee *does* own the shares and is thus entitled to dividends. This is not 'pay for performance.'" Verizon does not pay dividend equivalents on equity awards unless those awards are earned. Moreover, Verizon's practice *is* consistent with pay for performance alignment. Simply put, if an executive is granted an equity award that has a three-year vesting period, and the executive receives upon vesting the number of shares initially granted plus an additional number of shares representing the value of dividends that would have accrued during the three-year vesting period, that executive is in the exact same position as a shareholder who purchased the number of shares granted to him or her on the grant date, at the beginning of the vesting period. That is the essence of pay for performance alignment.

B. There is strong market support for Verizon's practice.

The Proposal and the Proponent's Letter cite numerous sources that purport to be critical of Verizon's practice, but for the reasons described above, these sources do not, in fact, describe Verizon's practice at all. By contrast, there is strong market support for the practice actually followed by Verizon:

- The Proposal and the Proponent's Letter charge that Institutional Shareholder Services ("ISS") views Verizon's practice negatively, quoting a representative of ISS as saying "you shouldn't have an income stream from an asset you don't own." This reference is inapposite, since it refers to ISS's position on the payment of dividends to executives prior to the date the executive vests in or receives the underlying shares – a practice which Verizon does not follow and which its Long-Term Incentive Plan (the "Plan") expressly prohibits. In fact, ISS does not have a negative view of dividend equivalents that are paid only if and when the underlying stock unit vests. See ISS's Equity Compensation Plans Frequently Asked Questions, available at https://www.issgovernance.com/file/policy/active/americas/US-Equity-Compensation-Plans-FAQ.pdf, and excerpted in relevant part in Exhibit C hereto, with relevant language highlighted. See also "Drafting a Modern Equity Incentive Plan" (January 14, 2020) available at https://www.meridiancp.com/insights/drafting-a-modern-equity-incentive-plan/ ("ISS favors equity plans that subject dividends/dividend equivalents

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[2] Citigroup states on page 84 of its 2020 proxy statement that "We pay dividend equivalents on our Performance Share Units and Deferred Stock Awards only if and when the underlying awards are earned and delivered." General Electric states on page 53 of its 2020 proxy statement that "PSUs and RSUs granted to our named executives do not pay dividend equivalents on shares that are not yet owned. Instead, dividend equivalents are accrued during the vesting or performance period and paid out only on shares actually received."

to the same vesting provisions as the underlying equity award. That is, dividends/dividend equivalents may accrue during an award's vesting period, and be paid solely to the extent underlying shares vest").

- An analysis of the proxy statement filings of the dividend-paying peer companies in Verizon's peer group which includes the other companies in the Dow Jones Industrial Average, as well as industry peers, reveals that the vast majority of these companies provide dividend equivalent accrual rights on stock unit awards that, just like those provided at Verizon, are paid when, and only to the extent that, the related stock units are actually earned.

- In the "NASPP Essential" published by the National Association of Stock Plan Professionals ("NASPP") in 2020 and attached as Exhibit D hereto, the NASPP reports that RSU awards at fully 78% of dividend-paying companies are eligible for dividend or dividend equivalent payments, that performance awards paid out in stock at 66% of these companies are eligible for such payments, and that 39% of performance awards paid out in cash at these companies are eligible for such payments. The NASPP also states that "many companies provide payments on unvested restricted stock units that are equivalent to the dividends paid to shareholders; these payments are typically referred to as 'dividend equivalents.' Units are designed to track the value of the company's stock; dividends paid to shareholders are part of that value, therefore, although units cannot receive actual dividends, it is reasonable (although not legally mandated) to provide an equivalent payment to unit holders."

C. The Stock Together Awards and the Director-Level Awards are not two different plans. Rather, the stock unit awards under these programs are all granted under and subject to the terms and conditions set forth in the Plan, which is a shareholder-approved, broad-based plan.

The No Action Request clearly indicates on page 3 that both the RSU awards granted to over 130,000 employees under a program referred to as "Stock Together" and the RSU and PSU awards granted to approximately 2,100 employees who are not senior executives, referred to as "Director-Level Awards," are all grants made under and are subject to the terms of the Plan. However, the Proponent's Letter refers to them on page 3 as "two plans . . . [that] differ in significant ways that preclude an 'ordinary business' argument." They are not two different plans. The fact that they both represent grants made under and subject to the terms of Verizon's sole long-term incentive plan strengthens Verizon's position that a primary aspect of the targeted compensation, namely, the accrual of dividend equivalent units on unvested equity grants awarded under the Plan, is applicable to the general workforce and, therefore, that the Proposal may be excluded on ordinary business grounds, as described in further detail in the No Action Request and in Section II below.

II. Verizon maintains its position set forth in the No Action Request that the Proposal may be excluded pursuant to Rule 14a-8(i)(7), consistent with the Staff's guidance set forth in SLB 14J.

The attempted rebuttal in the Proponent's Letter does not undercut Verizon's position outlined in the No Action Request that the Proposal may be excluded pursuant to Rule 14a-8(i)(7), consistent with the Staff's guidance set forth in SLB 14J.

In addition to criticizing the practice of paying dividends to executives prior to the date the executive vests in or receives the underlying shares, which Verizon does not do, the Proponent's Letter argues that the Proposal is not excludable because accrued dividend equivalents represent a greater proportion of the compensation of senior executives than they do the compensation of the general workforce. This argument is flawed because it does not correctly apply the analytical framework laid out in SLB 14J. SLB 14J provides the example that "a proposal that seeks to limit when senior executive officers will receive golden parachutes may be excludable under Rule 14a-8(i)(7) if the company's golden parachute provision broadly applies to a significant portion of its general workforce. This is because the availability of certain forms of compensation to senior executives and/or directors that are also broadly available or applicable to the general workforce does not generally raise significant compensation issues that transcend ordinary business matters. In this regard, it is difficult to conclude that a proposal does not relate to a company's ordinary business when it addresses aspects of compensation that are broadly available or applicable to a company's general workforce, even when the proposal is framed in terms of the senior executives and/or directors." It is noteworthy that SLB 14J refers to the "golden parachute provision" and the "availability of certain forms of compensation"; it says nothing about the proportion of an aspect of compensation in relation to other aspects of compensation. In other words, for purposes of the analytical framework specified in SLB 14J, it is the concept or form of compensation that is relevant, not the amount.

In SLB 14J, the Staff states its view that "a proposal that addresses senior executive and/or director compensation may be excludable under Rule 14a-8(i)(7) if a primary aspect of the targeted compensation is broadly available or applicable to a company's general workforce and the company demonstrates that the executives' or directors' eligibility to receive the compensation does not implicate significant compensation matters." The Proposal targets dividend accruals on equity awards issued to Verizon's executives under the Plan. As discussed in the No Action Request, this aspect of compensation is applicable to the general workforce – nearly all of Verizon's employees receive annual equity awards with the same terms and conditions under the Plan. Indeed, the Human Resources Committee of the Board of Directors (the "Committee") took this fact into account when it considered whether the dividend equivalents implicated a significant compensation matter. This fact, together with other factors described in the No Action Request, including the prevalence of the practice followed by Verizon (as described above), led the Committee to conclude that this particular feature of the equity awards issued under the Plan was not a significant compensation matter that warranted a shareholder vote.

III. The Proponent's Letter treats the list of factors considered by the Committee as mere "points" made by Verizon, to which "responses" are given.

In the No Action Request, consistent with the Staff's guidance in Section B.2. of SLB 14J, Verizon provided a list of factors that the Committee considered in arriving at its determination that the Proposal does not transcend Verizon's ordinary business operations or raise a compensation issue sufficiently significant to warrant a shareholder vote. That the Committee considered these factors is a statement of fact, but the Proponent's Letter treats these considerations merely as "points" that Verizon is making, to which "responses" are given.

The analytical framework set forth in the Staff Legal Bulletins does not contemplate the second-guessing of the particular factors that were considered by the Board or a committee by shareholder proponents. In any event, Verizon believes that the "responses" in the Proponent's Letter have been sufficiently addressed above in this letter.

Conclusion

For the reasons stated above and in the No Action Request, Verizon respectfully requests the concurrence of the Staff that it will not recommend enforcement action against Verizon if Verizon omits the Proposal in its entirety from its 2021 proxy materials.

Verizon requests that the Staff send a notification of its determination of this matter by email to the undersigned at brandon.egren@verizon.com and to the Proponent's counsel at conh@hitchlaw.com.

If you have any questions with respect to this matter, please telephone me at (908) 559-2726.

Very truly yours,

Brandon N. Egren
Associate General Counsel

Enclosures

Cc: Association of BellTel Retirees Inc.
Cornish F. Hitchcock, Hitchcock Law Firm PLLC

Exhibit A

Excerpt from Verizon's 2020 Proxy Statement: What We Do and What We Don't Do

Best Practices in Executive Compensation and Governance

Our compensation program reflects our commitment to industry-leading standards for compensation design and governance. The Human Resources Committee regularly reviews best practices in executive compensation and governance and revises our policies and practices when appropriate. The following table highlights some features of our executive compensation program that demonstrate the rigor of our policies.

✔ What We Do		More Information on Page
Pay for performance	Approximately 90% of named executive officers' total compensation opportunity is variable, incentive-based pay.	26
Robust stock ownership guidelines	We have stock ownership guidelines for the CEO of 7x base salary; for other named executive officers of 4x base salary; and for Directors of 3x the cash component of the annual Board retainer.	36
Shareholder outreach	Our outreach program gives institutional shareholders a regular opportunity to express their views about our executive compensation program and policies. Shareholder input is carefully considered by the Committee.	23
Clawback policies	Our clawback policies give us the right to cancel or "claw back" incentive compensation from any senior executive who has engaged in misconduct that results in (i) significant reputational or financial harm to Verizon or (ii) a material financial restatement.	37
Anti-hedging policy	Our anti-hedging policy prohibits Directors and executives who receive equity-based incentive awards from entering into transactions designed to hedge or offset any decrease in the market value of Verizon stock that they own.	37
Annual compensation risk assessment	We perform a risk assessment of our compensation program every year.	17
Independent compensation consultant	The Committee's independent compensation consultant cannot do any work for the Company while it is engaged by the Committee.	25
Double-trigger change in control	In the event of a change in control, our Long-Term Incentive Plan (Long-Term Plan) requires an involuntary termination for any accelerated vesting of awards.	36

✕ What We Don't Do		
Tax gross-ups	We do not provide tax gross-ups to our executive officers or Directors.	35
Dividends on unearned performance awards	We do not pay dividends on unearned Performance Stock Units (PSUs) or Restricted Stock Units (RSUs).	31
Employment contracts	None of our named executive officers has an employment contract.	36
Guaranteed benefits	In 2006, we froze our defined benefit pension and supplemental benefits.	35

Roles and Responsibilities

Human Resources Committee

The Human Resources Committee of the Board of Directors oversees the design and implementation of the compensation program for our named executive officers, as well as Verizon's management succession planning and talent development. The CEO's compensation is determined by the independent members of the Board after receiving the Committee's recommendation. References to the Committee in this Compensation Discussion and Analysis with respect to the CEO's compensation reflect that process.

Exhibit B

Excerpt from Verizon's 2020 Proxy Statement: Long-Term Incentive Compensation

2019 Short-Term Plan award. In addition to considering the Company's strong performance against the pre-established performance measures, the Committee considered that the Company's operational and EBITDA (earnings before interest, taxes, depreciation and amortization) performance in the second half of 2019 did not meet management's expectations, notwithstanding the significant investments Verizon made in its strategic growth areas and the cost reduction initiatives it undertook in 2019. Based on this assessment, the Committee determined the final 2019 Short-Term Plan award as a percentage of the target level for the employees participating in the Short-Term Plan to be 110% of the target level, which reflects a reduction to the payout percentage that would have applied based solely on the Company's performance against the pre-established performance measures.

The following table shows the payout percentage and amount of the Short-Term Plan award paid to each named executive officer.

Named Executive Officer	Payout Percentage	As a Dollar Value
Mr. Vestberg	110%	$4,125,000
Mr. Ellis	110%	$1,567,500
Mr. Dunne	110%	$1,650,000
Ms. Erwin	110%	$1,402,500
Mr. Gowrappan	110%	$1,402,500

Long-Term Incentive Compensation

The Long-Term Plan is intended to align executives' and shareholders' interests and to reward participants for creating long-term shareholder value.

Annual Long-Term Plan awards are made in 60% PSUs and 40% RSUs. The value of each PSU or RSU is equal to the value of one share of Verizon common stock. The Committee assumes each executive will earn 100% of the PSUs and RSUs awarded for purposes of determining the total compensation opportunity. PSUs and RSUs accrue dividend equivalents that are deemed to be reinvested in PSUs and RSUs, respectively. These dividend equivalents are paid when, and only to the extent that, the related PSUs and RSUs are actually earned. PSUs are earned over a three-year performance cycle, with cliff vesting at the end of the three-year period. The Committee believes that a three-year performance cycle is appropriate for the PSU awards because a multi-year performance cycle enables the Committee to meaningfully evaluate the execution of long-term strategies and the effect on shareholder value. Commencing with the 2017 annual grant, RSUs vest ratably over three years (as opposed to a single, longer cliff vesting schedule), which aligns with market practices and enables us to continue to attract and retain key executive talent.

The number of PSUs actually earned and paid is determined based upon Verizon's achievement of pre-established performance targets over the three-year performance cycle, and the ultimate value of each PSU is based on the closing price of Verizon's common stock on the last trading day of the performance cycle. Because the value of PSUs is linked to both stock price and performance targets, PSUs provide a strong incentive to executives to deliver value to Verizon's shareholders. RSUs also provide a performance link as the value of the award depends on Verizon's stock price. Both PSUs and RSUs provide a retention incentive by requiring the executive to remain employed with Verizon through the end of the applicable vesting period, subject to certain qualifying separations.

2019 Long-Term Plan Award Opportunities

In 2019, the Committee established the annual target long-term incentive award opportunities for the named executive officers as a percentage of base salary and set the award levels to provide a total compensation opportunity consistent with the Company's overall compensation philosophy and the compensation mix considerations described above.

The Committee established the 2019 annual target award opportunity for named executive officers, other than Mr. Vestberg, within a range of 400% to 600% of base salary taking into account the market practices for each individual's role and responsibilities, the individual's performance, the strategic impact of the individual's role and internal pay alignment. Based on the Committee's assessment, the Committee approved a 2019 target award opportunity of 600% for each of the named

Exhibit C

Excerpt from ISS Equity Compensation Plans Frequently Asked Questions

Plan Features: Based on investor and broader market feedback, the following factors may have a negative impact on EPSC results:

- *Quality of disclosure of award vesting upon a change in control,* if the plan does not provide the specific disclosure of the CIC vesting treatment for both time- and performance-based awards (or if the plan merely provides for discretionary vesting of either award type);
- *Broad discretionary vesting authority* that may result in "pay for failure" or other scenarios contrary to a pay-for-performance philosophy;
- *Liberal share recycling* on various award types, which obscures transparency about share usage and total plan cost;
- *Absence of a minimum required vesting period (at least one year)* for all equity award types issuable under the plan, which may result in awards with no retention or performance incentives; and
- *The ability to pay dividends prior to the vesting of the underlying award.*

Grant Practices: Based on market feedback and analysis of long-standing (and some emerging) techniques, the following factors may have a positive impact on EPSC results, depending on the company's size and circumstances:

- *The company's 3-year average burn rate relative to its industry and index peers* – this measure of average grant "flow" provides an additional check on plan cost per SVT (which measures cost at one point in time). The EPSC compares a company's burn rate relative to its index and industry (GICS groupings for S&P 500, Russell 3000 (ex-S&P 500), and non-Russell 3000 companies).
- *Vesting schedules and performance measurement periods for the CEO's most recent equity grants* during the prior three years – multi-year vesting periods or performance measurement periods that incentivize long-term retention are beneficial.
- *The plan's estimated duration*, based on the sum of shares remaining available and the new shares requested, divided by the 3-year annual average of burn rate shares – given that a company's circumstances may change over time, shareholders may prefer that companies limit share requests to an amount estimated to be needed over no more than five to six years.
- *The proportion of the CEO's most recent equity grants/awards subject to performance conditions* – given that stock prices may be significantly influenced by market trends, making a substantial proportion of top executives' equity awards subject to specific performance conditions is a best practice.
- *A clawback policy that includes equity grants* – clawback policies potentially mitigate excessive risk-taking that certain compensation may incentivize, including large equity grants.
- *Post-exercise/post-vesting shareholding requirements* – equity-based incentives are intended to help align the interests of management and shareholders and enhance long-term value, which may be undermined if executives may immediately dispose of all or most of the shares received.

39. Are the factors binary? Are they weighted equally?

EPSC factors are not equally weighted. Each factor is assigned a maximum number of potential points, which may vary by model. Most factors are binary, but certain ones may generate partial points or negative points. For all models, the total maximum points that may be accrued is 100. The passing score is 53 for all models except the S&P 500 model, which has a passing score of 55. The chart below summarizes the scoring basis for each factor.

EPSC Factors & Point Allocation System		
Factor	**Definition**	**Scoring Basis**
SVT – A+B+C Shares	Company's Shareholder Value Transfer (SVT) relative to peers – based on new shares requested + shares remaining available + outstanding grants and awards	Scaled depending on company SVT versus ISS' SVT benchmarks
SVT – A+B Shares	Company's Shareholder Value Transfer (SVT) relative to peers – based on new shares requested + shares remaining available	Scaled as above
CIC Equity Vesting	Disclosure of the specific vesting treatment for outstanding time- and performance-based awards upon a CIC.	Disclosure of the specific CIC vesting treatment for both time- and performance-based awards – full points. Plan is silent on the CIC vesting treatment for either type of award, or the plan provides for merely discretionary vesting for either type of award – no points. Plan is silent on the CIC vesting treatment for either type of award, or the plan provides for merely discretionary vesting for either type of award – no points.
Liberal Share Recycling – FV	Certain shares not issued (or tendered to the company) related to full value share vesting may be re-granted	Yes – no points No – full points
Liberal Share Recycling – Options	Certain shares not issued (or tendered to the company) related to option or SAR exercises or tax withholding obligations may be re-granted; or, only shares ultimately issued pursuant to grants of SARs count against the plan's share reserve, rather than the SARs originally granted	Yes – no points No – full points
Minimum Vesting Requirement	Does the plan stipulate a minimum vesting period of at least one year for all equity award types?	No or vesting period < 1 year – no points Vesting period ≥ 1 year – full points No points if the plan allows for individual award agreements or other mechanisms to reduce or eliminate the minimum vesting requirement. No points for plans that allow shares to vest over the course of the 1-year period (e.g., monthly ratable vesting).
Full Discretion to Accelerate	May the plan administrator accelerate vesting of an award (unrelated to a death or disability)	Yes – no points No – full points
Dividends Paid on Unvested Awards	Does the plan expressly prohibit the payment of dividends on unvested awards for all equity award types?	Yes—full points No—no points

Exhibit D

NASPP Essential

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11 January 2021

Office of the Chief Counsel
Division of Corporation Finance
Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

By Electronic mail: shareholderproposals@sec.gov

Re: Shareholder proposal to Verizon Communications Inc. from the Association of BellTel Retirees

Dear Counsel:

I write on behalf of the Association of BellTel Retirees (the "Association") in response to a letter from counsel for Verizon Communications Inc. ("Verizon" or the "Company") dated 17 December 2020 ("Verizon Letter") in which Verizon advises that it intends to omit the Association's proposal (the "Proposal") from the Company's 2021 proxy materials.

The Proposal

The Proposal proposes a revision of the Company's senior executive compensation policies insofar as it allows executives to earn "stealth dividends" (or dividend equivalents) for performance-based equity awards, even if those awards have not yet vested. The resolution states:

> **RESOLVED:** Verizon shareholders urge the Board to adopt a policy that prohibits paying senior executives dividends, or dividend equivalents, that accrue in relation to unvested portions of performance-based equity awards during the period prior to the satisfaction of the performance conditions. This policy should apply to all performance-based equity awards, including Performance Share Units (PSUs) and Restricted Share Units (RSUs), and should be implemented prospectively and apply only to senior executive officers in a manner that does not interfere with contractual rights.

The Supporting Statement states that paying dividends on stock that is not yet earned can be costly, yet the practice does nothing to align executive compensation with shareholder interests. Verizon's 2020 proxy statement does not explicitly disclose the cost of this additional compensation, yet given Verizon's relatively high dividend yield (4.4% as of November 2020), the cost may be significant. Based on the "outstanding equity awards" that are reported in Verizon's 2020 proxy statement, the Supporting Statement estimates that in 2020 alone CEO Hans Vestberg accrued at least $2.4 million in "dividend equivalents."

Moreover, because quarterly "dividend equivalents" accrue and are reinvested in additional stock units, executives earn dividends on these dividends over the remainder of the three-year performance cycle (over five years in the case of Vestberg's additional PSU award in 2018, which had a fair market grant value of $10 million).

The Supporting Statement adds that prominent companies – including Citigroup, General Electric and IBM – have done away with stealth dividends. A representative of Institutional Shareholder Services is quoted as terming this practice "particularly problematic," as "you shouldn't have an income stream from an asset you don't own."

Relying heavily on *Staff Legal Bulletin 14J.* ("SLB 14J") Verizon's letter seeks exclusion of the Proposal under Rule 14a-8(i)(7) on two grounds: (1) the practice of paying stealth dividends is broadly applicable in the workforce, and (2) Verizon's board has determined that the practice does not transcend Verizon's ordinary business operations. As we explain below, neither argument is persuasive, but before getting into that discussion, we provide the following factual background.

<u>Discussion</u>.

It is a generally accepted principle of executive compensation that senior executives should receive "pay for performance" as a means of aligning managers' interests with shareholders' interests. Indeed, Verizon outs its own practices as meeting this standard, noting in its most recent proxy statement that: "Approximately 90% of named executive officers' total compensation opportunity is variable, incentive-based pay" (2020 Proxy Statement, p. 24).

But "pay for performance" is not what is being offered with respect to the "stealth compensation" at issue here, the precise cost of which need not be disclosed to shareholders in a company's proxy statement.

Incentive compensation in the form of restricted stock or restricted stock units is generally time-based and requires a grantee to remain employed at the company for a fixed period or periods of time, after which ownership in the equity

will vest. There is a separate category of performance-based equity that vests only if certain performance criteria have been satisfied by the vesting date. Either way, however, an awardee does not "own" the asset until any applicable conditions have been satisfied, and ownership "vests" in the grantee. Verizon authorizes both types of equity under its Long-Term Incentive Plan ("LTIP") in the form of "restricted stock units" and "performance share units," respectively.

In other words, even though a grantee does not own these assets, the challenged practice says, in effect, "let's pretend" that the grantee *does* own the shares and is thus entitled to dividends. This is not "pay for performance."

In defending exclusion on "ordinary business" grounds, Verizon contends that the targeted practice is broadly applicable to the general workforce, citing language in SLB 14J to the effect that ""the availability of certain forms of compensation to senior executives and/or directors that are also broadly available or applicable to the general workforce does not generally raise significant compensation issues that transcend ordinary business matters." Whatever the applicability of that principle may be "generally," the Proposal here does not present such a case.

First, the no-action letters cited by Verizon deal with vastly different situations than what we have here. In *Delta Air Lines, Inc.* (27 March 2012), which was also cited in SLB 14J, the Proposal sought to link executive compensation to achievement of a goal affecting employees generally, namely, funding the company's retirement accounts at a certain level. This Proposal, by contrast, does not seek to use executive compensation as a lever to achieve a separate policy objective.

Second, in the other letters cited by Verizon, the resolution was drafted to cover not just to "senior executives" or "named executive officers," but to a much larger group, such as "corporate officers" or the 100 top earners. *3M Co.* (8 January 2018); *Bank of America Corp.* (31 January 2012); *Exelon Corp.* (21 February 2007); *Wal-Mart Stores, Inc.* (17 March 2003).

Third, Verizon makes too much of the fact that the two plans authorized by the LTIP both award stealth dividends. Those plans differ in significant ways that preclude an "ordinary business" argument.

Verizon's two LTIP plans are:

• "Stock Together Awards," consisting of modest time-based RSUs that approximately 130,000 of Verizon's employees are eligible to receive;[1] and

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[1] Verizon's most recent Form 10-K reported a total of 135,000 employees as of the end of 2019.

• "Director-Level Awards," consisting of a mix of RSUs and PSUs, which may be awarded to approximately 2,100 senior executives and other high-level personnel – representing approximately 1.5% of Verizon's entire workforce.

According to Verizon, the Association's Proposal may be excluded because the company pays stealth dividends on RSUs not just to senior executives, or not just to participants in the Director-Level Awards plan, but also to participants in the Stock Together Awards plan. Therefore, the argument goes, the Proposal is challenging a practice that is so all pervasive at the company that it must be viewed as part of the company's "ordinary business".

The problem with this argument is that it ignores crucial distinctions between the two plans. Stock Together Awards are effectively a very modest profit-sharing plan, with RSUs that are awarded in relatively small dollar amounts and that vest ratably over a three-year period. A page on Verizon's web site entitled "What is Stock Together?" explains to employees that a $2,000 award, vesting in one-third implements over a three-year period, can be worth $2,300 at the end of that period, assuming a $60 grant price, 2% annual stock price increase over 3 years, and quarterly dividend equivalent units over 3 years. https://www.verizon.com/about/careers/stock-together.[2] Assuming a dividend payout of 4.4% annually, the annual value of stealth dividends to such an employee would be approximately $35 annually or $100 over three years.

Such a modest program – which offers a small bonus on top of an employee's annual salary or hourly pay (the employee's principal source of compensation) – cannot plausibly be compared with the munificence shown to senior executives under a separate program and a pay philosophy that makes RSUs and PSUs the principal form of compensation. Clearly the senior executive long-term equity plan serves an entirely different purpose and rewards performance on a vastly larger scale ("within a range of 400% to 600% of base salary,"2020 Proxy Statement, p. 31). As noted previously, Verizon trumpets the fact that "[a]pproximately 90% of named executive officers' total compensation opportunity is variable, incentive-based pay" (*id.*, p. 24), with 20% in the form of short-term incentive pay and 70% in

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[2] The modest size of "Stock Together" awards is also shown by a web page posted by a New York-based local of the Communications Workers of America, which tells members that under an agreement with Verizon, employees who are actively at work on 2 March 2020 will receive RSUs with a grant date value of $2,500 if they were full-time employees who were first hired as a union represented associate on or after 28 October 2012, while full-time employees who did not fall into that category will receive an award worth $500, http://www.cwa1103.org/index.cfm?zone=/unionactive/view_article.cfm&homeID=817049.

the form of long-term incentive pay (*id.*, p. 27). Annual Long-Term Plan awards are made in 60% PSUs and 40% RSUs (*id.*, p. 31).

And that is what distinguishes awards to senior executives under the Director-Level Awards program, insofar as they affect senior executives, from awards under the Stock Together programs. For an employee earning, say, $100,000 annually, a dividend equivalent that is worth $100 over three years on an award of RSUs worth $2,000 raises no serious "pay for performance" policy issues.

By contrast, stealth dividends can raise senior executive compensation by a considerable amount because long-term equity (PSUs and RSUs) is 70 percent of compensation. As the Proposal notes – and Verizon does not challenge the point – the value of stealth dividends to CEO Hans Vestberg in 2020 would be approximately $2.4 million, assuming the 4.4% dividend. The combined value of stealth dividends to the four other Named Executive Officers would be nearly $2.7 million for 2020 – for a total cost to shareholders of approximately $5 million *for these five executives alone.*[3]

If anything, the estimate may be conservative. If performance thresholds are exceeded, the payout for PSUs can be as high as 200% of target, as the Supporting Statement notes. PSU awards, which at target represent 60% of the long-term equity opportunity for senior executives, vest and pay out at the end of a three-year cycle based on a combination of Total Shareholder Return (two-thirds) and Free Cash Flow (one-third).

The fact that the Director-Level Awards are potentially available to 2,100 Verizon officials is not a reason to exclude the Proposal. The Proposal does not seek to affect the practices with respect to the vast majority of those employees – only the small number that constitute "senior executives." The Proposal was carefully drafted in that regard, thus avoiding the error in the letters Verizon cites, where a Proposal was drafted to apply to a larger universe of "corporate officers" or another large group of employees.

Differently put, the fact that Verizon may offer RSUs to most if not all of its workforce under this new and special program is not dispositive, given that--

(1) only 1.5% of the workforce is eligible for the Director-Level Awards;

(2) the majority of Director-Level Awards are in the form of PSUs, a form of compensation not available to Stock Together participants;

(3) the Proposal targets only a small number of Director-Level participants,

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[3] These calculations total the unvested shares or units reported on p. 41 of Verizon's 2020 proxy statement, multiplied by a stock price of $58/share and the 4.4% dividend rate.

i.e., senior executives, for whom the Director-Level Awards are 70% or more of total compensation;

(4) unlike the RSUs, the accrual of dividends on non-vested PSUs is not a standard feature: the LTIP explicitly gives the Board's Human Resources Committee the discretion to decide if dividends should accrue on PSUs during the three-year performance cycle (LTIP, Article 8, Section 8.4(b)).

SLB 14J notes that a Proposal may be excludable on "ordinary business" grounds if (1) "a primary aspect of the targeted compensation is broadly available or applicable to a company's general workforce" and (2) "the company demonstrates that the executives' or directors' eligibility to receive the compensation does not implicate significant compensation matters." Verizon has satisfied neither element of this test.

Here the "primary aspect" of the challenged practice is the board's decision provide discretionary awards to senior executives that are costly to shareholders; the issue is "significant" because the Company and its shareholders are paying for performance on assets that the executive does not own. Moreover, the amounts of the challenged compensation are so grossly disproportionate to so few.

It is important to remember that in focusing on the policy implications of executive compensation the Division and the Commission have focused not only on the type and availability of certain items, but on the cost. When the Division (and later the Commission) first decided that executive compensation issues could lie outside the realm of ordinary business, it was in the context of "golden parachutes," which came into prominence during the hostile takeover heyday of the 1980s.

From a policy perspective, the focus was not on golden parachutes or severance payments *per se*, but on the "excessive" nature of awards for a very few top executives at a given company. The pertinent history is usefully summarized in a 2016 article in the HARVARD BUSINESS REVIEW by Professor Peter Fiss entitled *A Short History of Golden Parachutes* (Oct. 2016), available at https://hbr.org/2016/10/a-short-history-of-golden-parachutes.

For example, in 1983, there was shock when William Agee, the CEO of Bendix, lost a takeover battle and yet received a golden parachute worth $4 million – compared to total severance payments for all Bendix executives of $16 million. Responding to this and similar examples, Congress enacted a provision in the Deficit Reduction Act of 1984 that amended the Internal Revenue Code to add section 280G(a), which disallows in change-in-control situations any corporate deduction for "excess parachute payments," and section 4999(a), which imposes a non-deductible 20 per cent excise tax on their recipients.

The word "excess" is not our characterization. It is the word Congress used

several times in the statute to describe executive pay above a certain level.

The Commission and the Division adjusted their analysis as well, starting with the decision in *Transamerica Corp.* (10 January 1990) and a series of letters in 1992 that opened the door to shareholder votes on various forms of executive compensation. *E.g., Bell Atlantic Corp.* (13 February 1992); *Battle Mountain Gold Co.* (13 February 1992). Then-Chairman Richard Breeden stated at the time that this change in position could be attributed to "the level of public and shareholder concern over the issue of senior executive compensation," which he said had become "intense and widespread." McCartney and Hilzenrath, *SEC to allow votes on executive pay*, THE WASHINGTON POST (14 February 1992), *available at* https://www.washingtonpost.com/archive/politics/1992/02/14/sec-to-allow-votes-on-executive-pay/4dcc916e-c142-4e22-a24b-23ba0142f38f/?utm_term=.857409d72f8b

If anything, public policy concerns about "excess" compensation have remained strong, witness Congress's decision in the "Dodd-Frank Act" of 2010 to mandate (1) disclosure of a CEO-to-median-employee pay ratio (which Verizon calculates as 151:1), (2) a "say on pay" advisory vote generally and (3) a shareholder advisory vote on golden parachutes in merger or acquisition situations.

Thus it cannot be said that the "primary aspect" of the Proposal is a benefit that is broadly available or applicable to the entire workforce, nor can it be said that Verizon has demonstrated that the Proposal fails to "implicate significant compensation matters." Indeed, unlike Stock Together Awards – which appear to represent less than 2% of total compensation for nearly all other employees – the senior executive equity plan is designed to pay out 400% to 600% of base salary.

Verizon's letter (at p. 4) lists a series of bullet points, some of which we have addressed in the discussion above in distinguishing a broad-based profit-sharing plan that makes small awards to most employees from a plan available only to a small number of employees and at levels that can be worth millions of dollars to individual executives.

Verizon's remaining points (shown below in italics) do not undercut the investor interest in this topic.

o *The accrual of dividend equivalents on RSUs and PSUs is not limited to the awards issued to senior executives under the Plan and is, in fact, a prevalent practice.*

Response: Verizon does not cite a source for the unsupported assertion that Verizon's practice is "prevalent," nor does Verizon define the relevant market where this is supposedly so.

o *Because the value of Verizon stock takes into account the value of the future dividend payments, if Verizon were to eliminate dividend equivalents, the value of the awards granted under the Plan, including the Stock Together and Director-Level Awards, would decrease because they would no longer track the value of Verizon stock.*

Response: This is inaccurate. Eliminating the practice would mean that Verizon is conveying the value of the stock on the day that ownership vests.

o *Verizon has not previously received a shareholder proposal concerning the accrual of dividend equivalents that vest only to the extent that the underlying award vests.*

o *Neither Institutional Shareholder Services nor Glass Lewis has flagged this as a problematic pay practice in its public-facing materials, nor has any proxy advisory firm raised it as an issue to Verizon.*

o *Verizon' institutional shareholders have not raised this aspect of compensation as a topic of discussion during engagements with management on Verizon' executive*

o *This aspect of compensation has not been a significant topic of public discussion in the media.*

Response: We take this points together because they try to make the same point, namely, that if no one has raised the issue previously, there can be no significant investor interest. This is not persuasive. The significance of many issues cannot be assessed until or unless they are raised for the first time, and the market as a whole has a chance to consider the issue.

For example, no shareholder had filed a proposal asking a company to "claw back" unearned executive pay after a restatement until 2004, when the first such proposal was filed and voted at Computer Associates, which had to restate its financial results after a significant accounting scandal. At the time, neither ISS nor Glass Lewis had a "public-facing" policy; only six years later, however, the Dodd-Frank Act mandated a rulemaking on corporate clawback policies, which are now the "prevalent" practice at many companies. In similar fashion, many other compensation reforms gained traction only after investors had filed shareholder proposals challenging other discredited practices such as options backdating or "golden coffin" awards payable only in the event of an executive's death.

And if Verizon is not aware of any media coverage, the reason may be that Verizon was not looking very hard to find any. Thus Verizon may want to consider the following:

• *Stealth pay fattening CEOs' wallets*, CRAIN'S NEW YORK (16 April 2019), available at https://www.crainsnewyork.com/finance/stealth-pay-fattening-ceos-wallets

• *Easy money: JPMorgan, Vornado and others pay dividends to executives for shares they don't own*, CRAIN'S NEW YORK (26 May 2020), available at https://www.crainsnewyork.com/markets/easy-money-jpmorgan-vornado-and-others-pay-dividends-executives-shares-they-don't-own; and

• *Real estate exec's money for nothing*, CRAIN'S NEW YORK (21 March 2018), available at https://www.crainsnewyork.com/article/20180321/REAL_ESTATE/180329958/vornado-ceo-steven-roth-pocketed-2-million-from-stocks-he-didn-t-own.

Verizon has also wish to consider the following excerpt from the last of these press reports, which was cited in the supporting statement of the Proposal:

> Shareholders activists have been fighting this practice for a long time, arguing it makes no sense to give executives a stream of income from an asset they don't own. An official at Institutional Shareholder Services, which advises pension funds and other big investors on how to vote on executive pay, last year called the payments "particularly problematic." Companies including Citigroup, IBM and General Electric have done away with them over the years.
>
> Yet the payouts endure, with at least 10% of public companies paying executives dividends on shares they don't own, according to a 2016 survey by Deloitte Consulting and the National Association of Stock Plan Professionals.

Conclusion.

Accordingly, we respectfully ask the Division to advise Verizon that the Division does not concur that the Proposal may be omitted under Rule 14a-8(i)(7).

Thank you for your consideration of these points. Please feel free to contact me if any additional information would be helpful.

Very truly yours,

Cornish F. Hitchcock

cc: Brandon N. Egren, Esq.

One Verizon Way
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908.559.2726
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Brandon N. Egren
Associate General Counsel

December 17, 2020

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: Verizon Communications Inc. 2021 Annual Meeting
Shareholder Proposal of the Association of BellTel Retirees Inc.

Ladies and Gentlemen:

I am writing on behalf of Verizon Communications Inc., a Delaware corporation ("Verizon"), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to request that the Staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") concur with our view that, for the reasons stated below, Verizon may exclude the shareholder proposal and supporting statement (the "Proposal") submitted by the Association of BellTel Retirees Inc. (the "Proponent"), from the proxy materials to be distributed by Verizon in connection with its 2021 annual meeting of shareholders (the "2021 proxy materials"). A copy of the Proposal and related correspondence is attached as Exhibit A hereto.

In accordance with Rule 14a-8(j), I am submitting this letter not less than 80 calendar days before Verizon intends to file its definitive 2021 proxy materials with the Commission and have concurrently sent a copy of this correspondence by email and overnight courier to the Proponent as notice of Verizon's intent to omit the Proposal from Verizon's 2021 proxy materials. Rule 14a-8(k) and Staff Legal Bulletin No. 14D (November 7, 2008) provide that a shareholder proponent is required to send the company a copy of any correspondence relating to the Proposal which the proponent submits to the Commission or the Staff. Accordingly, we hereby inform the Proponent that, if the Proponent elects to submit additional correspondence to the Commission or the Staff relating to the Proposal, the Proponent should concurrently furnish a copy of that correspondence to the undersigned.

The Proposal

The Proposal states:

> **RESOLVED:** Verizon shareholders urge the Board to adopt a policy that prohibits paying senior executives dividends, or dividend equivalents, that accrue in relation to unvested portions of performance-based equity awards during the period prior to the satisfaction of the performance conditions. This policy should apply to all performance-based equity awards, including Performance Share Units (PSUs) and Restricted Share Units (RSUs), and should be implemented prospectively and apply only to senior executive officers in a manner that does not interfere with contractual rights.

Basis for Exclusion

In accordance with Rule 14a-8, Verizon respectfully requests that the Staff confirm that no enforcement action will be recommended against Verizon if the Proposal is omitted from Verizon's 2021 proxy materials pursuant to Rule 14a-8(i)(7), because the Proposal deals with matters relating to Verizon's ordinary business operations.

Analysis

The Proposal may be excluded pursuant to Rule 14a-8(i)(7) because the aspect of senior executive compensation targeted by the Proposal is applicable to the general workforce.

Rule 14a-8(i)(7) permits a company to omit a shareholder proposal from its proxy materials if it deals with a matter relating to the company's ordinary business operations. When adopting amendments to Rule 14a-8 in 1998, the Commission explained that the general policy underlying the "ordinary business" exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." Exchange Act Release No. 34-40018 (May 21, 1998) (the "1998 Release"). As explained in the 1998 Release, this general policy reflects two central considerations: (i) "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight;" and (ii) the "degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment."

On October 23, 2018, the Staff issued Staff Legal Bulletin No. 14J ("SLB 14J"), which, among other things, provides guidance on the scope and application of Rule 14a-8(i)(7) for proposals that touch upon senior executive and/or director compensation matters. SLB 14J confirmed the Staff's position of concurring in the exclusion of proposals that, while styled as senior executive and/or director compensation proposals, have had as their underlying concern ordinary business matters. *See, e.g., Delta Air Lines, Inc.* (March 27, 2012) (concurring in the exclusion of a proposal requesting that the board prohibit payment of incentive compensation to executive officers unless the company first adopted a process to fund the retirement accounts of

certain retired employees, on the grounds that the focus of the proposal was on the ordinary business matter of employee benefits rather than senior executive compensation matters). In SLB 14J, the Staff states its view that "a proposal that addresses senior executive and/or director compensation may be excludable under Rule 14a-8(i)(7) if a primary aspect of the targeted compensation is broadly available or applicable to a company's general workforce and the company demonstrates that the executives' or directors' eligibility to receive the compensation does not implicate significant compensation matters." The Staff further explains, "For example, a proposal that seeks to limit when senior executive officers will receive golden parachutes may be excludable under Rule 14a-8(i)(7) if the company's golden parachute provision broadly applies to a significant portion of its general workforce. This is because the availability of certain forms of compensation to senior executives and/or directors that are also broadly available or applicable to the general workforce does not generally raise significant compensation issues that transcend ordinary business matters." The Staff's guidance is consistent with its findings in *3M Company* (January 8, 2018); *Bank of America Corporation* (January 31, 2012); *Exelon Corporation* (February 21, 2007); and *Wal-Mart Stores, Inc.* (March 17, 2003).

Verizon believes that the Proposal falls squarely into the category of proposals that SLB 14J states may be properly excluded under Rule 14a-8(i)(7) because the aspect of compensation targeted by the Proposal – namely, the accrual of dividend equivalent units on unvested equity grants awarded under Verizon's Long-Term Incentive Plan (the "Plan") – is applicable to the general workforce. All employees of Verizon are eligible to receive grants under the Plan, which is a shareholder-approved, broad-based plan. At present, over 130,000 employees receive an annual grant of restricted stock units ("RSUs") under the Plan (the "Stock Together Awards"). An additional approximately 2,100 employees, who are not senior executives[1] receive an annual grant of RSUs and performance stock units ("PSUs") under the Plan (the "Director-Level Awards"). Like the RSUs and PSUs that comprise the senior executives' annual equity awards, the RSUs granted under the Stock Together Awards, and the RSUs and PSUs granted under the Director-Level Awards, accrue dividend equivalent units from the time of grant, which are subject to the same vesting requirements as the underlying RSUs and PSUs, and are paid only if and to the extent that the underlying RSUs and PSU awards vest. Accordingly, since the terms and conditions of the Stock Together Awards and the Director-Level Awards are exactly the same as the senior executive awards with respect to the accrual of dividend equivalents, Verizon believes that exclusion of the Proposal under Rule 14a-8(i)(7) is consistent with the views and approach expressed by the Staff in SLB 14J.

Verizon's Human Resources Committee of the Board of Directors has determined that the Proposal does not raise a significant compensation issue that transcends Verizon's ordinary business operations.

The Commission noted in the 1998 Release that shareholder proposals related to ordinary business operations but focusing on sufficiently significant social policy issues generally would not be excludable, because the proposals would "transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a

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[1] These employees are neither "senior executive officers" (which would include only persons who are "executive officers" as defined in Rule 3b-7 under the Exchange Act) nor "senior managers" (which would include vice presidents and above under Verizon's management structure).

shareholder vote." In Staff Legal Bulletin No. 14I (November 1, 2017), the Staff stated that a board of directors, acting pursuant to its fiduciary duties and "with the knowledge of the company's business and the implications of a particular proposal on that company's business, is well situated to analyze, determine and explain whether a particular issue is sufficiently significant because the matter transcends ordinary business and would be appropriate for a shareholder vote."

In December 2020, Verizon's Human Resources Committee of the Board of Directors undertook a thorough review of the Proposal in order to determine whether the Proposal raises a significant compensation issue that transcends Verizon's ordinary business operations. The Committee noted that, contrary to the implication of the Proposal's supporting statement and the *Crain's* article referenced therein, dividend equivalents accrued on equity awards granted under the Plan are not paid to the recipient until the award has vested and then are only paid to the extent that the underlying RSU and PSU award vests. The Committee also considered the following factors:

- RSUs and PSUs are designed to align executive and shareholder interests and to treat Verizon employees like owners of the business.

- The accrual of dividend equivalents on RSUs and PSUs is not limited to the awards issued to senior executives under the Plan and is, in fact, a prevalent practice.

    - All equity awards issued under the Plan, including the annual Stock Together Award, which was granted to more than 130,000 employees in 2020, provide for the accrual of dividend equivalents.

    - The accrual of dividend equivalents on equity awards replicates the performance of the underlying stock and aligns the interests of the holder with the interests of stockholders.

    - Because the value of Verizon stock takes into account the value of the future dividend payments, if Verizon were to eliminate dividend equivalents, the value of the awards granted under the Plan, including the Stock Together and Director-Level Awards, would decrease because they would no longer track the value of Verizon stock.

- Verizon has not previously received a shareholder proposal concerning the accrual of dividend equivalents that vest only to the extent that the underlying award vests.

- Neither Institutional Shareholder Services nor Glass Lewis has flagged this as a problematic pay practice in its public-facing materials, nor has any proxy advisory firm raised it as an issue to Verizon.

- Verizon's institutional shareholders have not raised this aspect of compensation as a topic of discussion during engagements with management on Verizon's executive compensation program.

- This aspect of compensation has not been a significant topic of public discussion in the media.

Acting consistent with its fiduciary duties and after due consideration of the relationship of the Proposal to Verizon's general compensation program, as well as the executive compensation program, the Committee determined that the Proposal does not transcend Verizon's ordinary business operations or raise a compensation issue sufficiently significant to warrant a shareholder vote.

Conclusion

For the foregoing reasons, Verizon believes that the Proposal may be properly excluded from its 2021 proxy materials in reliance on Rule 14a-8(i)(7). Verizon respectfully requests that the Staff confirm that it will not recommend enforcement action to the Commission if Verizon omits the Proposal from its 2021 proxy materials.

Verizon requests that the Staff send a notification of its determination of this matter by email to the undersigned at brandon.egren@verizon.com.

If you have any questions with respect to this matter, please telephone me at (908) 559-2726.

Very truly yours,

Brandon N. Egren
Associate General Counsel

Enclosure

Cc: Association of BellTel Retirees Inc.

<u>Exhibit A</u>

The Proposal and Related Correspondence

Association of BellTel Retirees Inc.

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Fax: (631) 367-1190
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Web Site: www.belltelretirees.org
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Senior Staff Manager
Stef Baker
(631) 367-3067

BOARD OF DIRECTORS

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Lionel Brandon
Executive Vice President
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Donald R. Kaufmann
Chief Financial Officer
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Una Kelly
Treasurer
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Assistant Treasurer &
V.P. Labor Relations
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Pamela M. Harrison
Secretary
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David J. Simmonds
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Board Member Emeritus
Louis Miano

Board Member Emeritus
Robert A. Rehm

Board Member Emeritus
C. William Jones

Board Member Emeritus
Eileen T. Lawrence

November 16, 2020

Mr. William L. Horton, Jr.
SVP, Deputy General Counsel and Corporate Secretary
Verizon Communications Inc.
1095 Avenue of the Americas, 8th Floor
New York, NY 10036

Dear Mr. Horton:

The Association of BellTel Retirees hereby submits the attached stockholder proposal for inclusion in the Company's 2021 proxy statement as allowed under Securities and Exchange Commission Rule 14a-8.

The resolution urges the Board of Directors "to adopt a policy that prohibits paying senior executives dividends, or dividend equivalents, in relation to unvested portions of performance-based equity awards that accrue during the period prior to the satisfaction of the performance conditions."

The Association of BellTel Retirees is a stockholder of record and has continuously held the requisite number of shares of Verizon common stock (currently 214 shares) for more than one year. The Association intends to maintain its ownership position through the date of the 2021 Annual Meeting. An officer of the Association will introduce and speak for our resolution at the Company's 2021 Annual Meeting.

Thank you for including our proposal in the Company's Proxy Statement. If you need any additional information please do not hesitate to contact me.

Sincerely yours,

Una Kelly
Treasurer
Association of BellTel Retirees

ATTACHMENT

GCC/IBT 372-C

Accrued Dividends on Unvested Performance-Based Equity Awards

The Association of BellTel Retirees Inc., 181 Main Street/PO Box 33, Cold Spring Harbor, NY 11724, which owns 214 shares of the Company's common stock, hereby notifies the Company that it intends to introduce the following resolution at the 2021 Annual Meeting for action by the stockholders:

RESOLVED: Verizon shareholders urge the Board to adopt a policy that prohibits paying senior executives dividends, or dividend equivalents, that accrue in relation to unvested portions of performance-based equity awards during the period prior to the satisfaction of the performance conditions. This policy should apply to all performance-based equity awards, including Performance Share Units (PSUs) and Restricted Share Units (RSUs), and should be implemented prospectively and apply only to senior executive officers in a manner that does not interfere with contractual rights.

SUPPORTING STATEMENT

Verizon currently pays the vast majority of compensation to senior executive officers in the form of performance-based equity awards (PSUs and RSUs). The annual awards typically vest at the end of a three-year performance cycle.

In the case of PSUs, the number of shares earned and vested can vary greatly (from 0% to 200% of the target grant) depending on metrics set by the Board.

One significant component of the ultimate payout is dividends that accrue each quarter on the outstanding PSU and RSU awards during the period before the performance conditions are met and before the shares are vested and actually owned by the executive.

Although Verizon discloses that "dividend equivalents are paid only if and to the extent that the applicable performance criteria . . . are achieved," the cost of this extra compensation is not disclosed explicitly (2020 Proxy, page 41).

Because Verizon has a relatively high dividend yield (4.4% as of November 2020), accruing dividends on stock not yet earned or owned by senior executives is costly to shareholders.

For example, we estimate that during 2020 alone CEO Hans Vestberg accrued at least $2.4 million in "dividend equivalents" on his outstanding equity awards disclosed in the 2020 Proxy ("Outstanding Equity Awards" table, page 41).

The accrued dividends paid out at the end of the performance cycle are based on the number of shares that ultimately vest. As a result, Vestberg could ultimately receive substantially more than $2.4 million for dividends accrued during 2020 if all the underlying awards ultimately vest at the maximum number of shares (200% of target).

And because the quarterly "dividend equivalents" accrue and are reinvested in additional stock units, executives earn dividends on these dividends over the remainder of the three-year performance cycle (over five years in the case of Vestberg's additional PSU award in 2018, which had a fair market grant value of $10 million).

A report in *Crain's* – "Stealth Pay Fattening CEO's Wallets: How Executives Reap Dividends on Shares They Don't Own" (April 16, 2019) – notes that "many companies have done away with paying dividends on unearned shares, including Citigroup, General Electric and IBM."

"We view the practice as particularly problematic. . . . you shouldn't have an income stream from an asset you don't own," a compensation expert at Institutional Shareholder Services told *Crain's*.

We believe paying dividends on stock that is not yet earned is costly and adds nothing to aligning compensation with shareholder interests.

Please **VOTE FOR** this proposal.

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