

NOTE: THIS UPDATE PROVIDES RESULTS FOR THE ENTIRE 2016 PROXY SEASON. WE WILL BEGIN TO ISSUE SAY ON PAY UPDATES FOR THE 2017 PROXY SEASON IN MARCH 2017. PLEASE CONTINUE TO VISIT OUR [SAY ON PAY BLOG](#) FOR UPDATES.

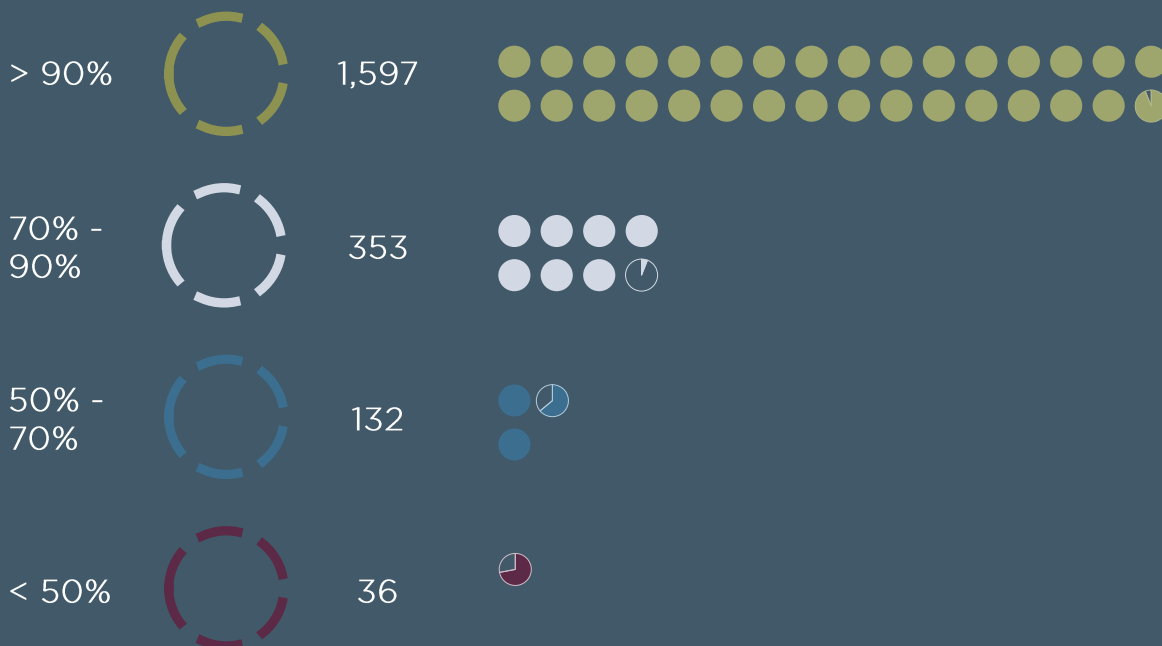
2016 SAY ON PAY RESULTS

END OF YEAR REPORT

RUSSELL 3000
2,118 COMPANIES

February 1, 2017

RESULTS AT A GLANCE:



SUMMARY OF VOTE RESULTS (n=2,118)

— **36 Russell 3000 companies (1.7%) failed Say on Pay in 2016**

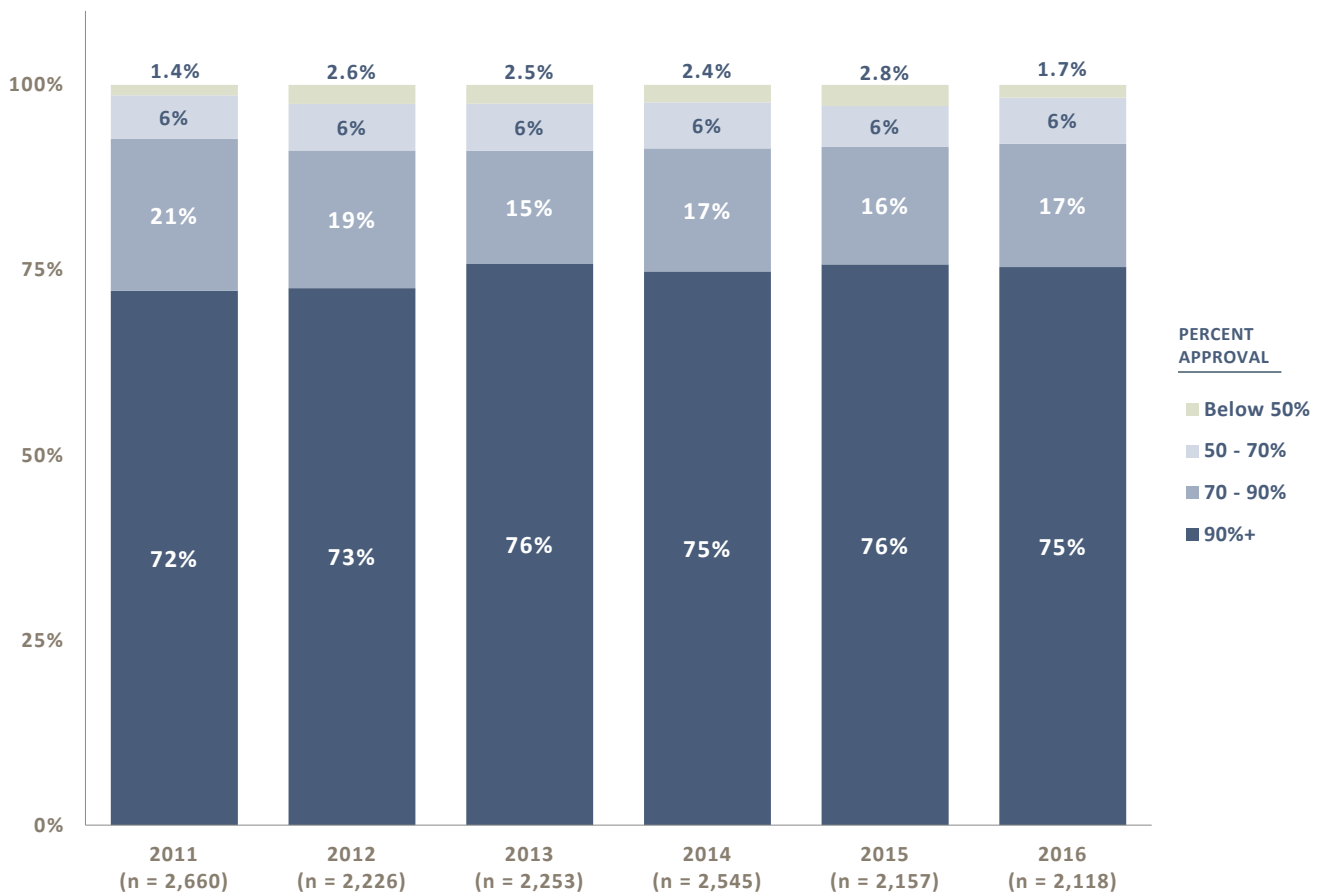
Five additional companies failed since our last report: Accuray, Celadon Group, K12, Oracle, and Palo Alto Networks

2011: 37 (1.4%) 2012: 57 (2.6%) 2013: 57 (2.5%) 2014: 60 (2.4%) 2015: 61 (2.8%)

— **Average vote result in 2016 was 91%**

— **2016 saw the lowest failure rate since the 1.4% rate observed in 2011**

SAY ON PAY VOTE RESULTS



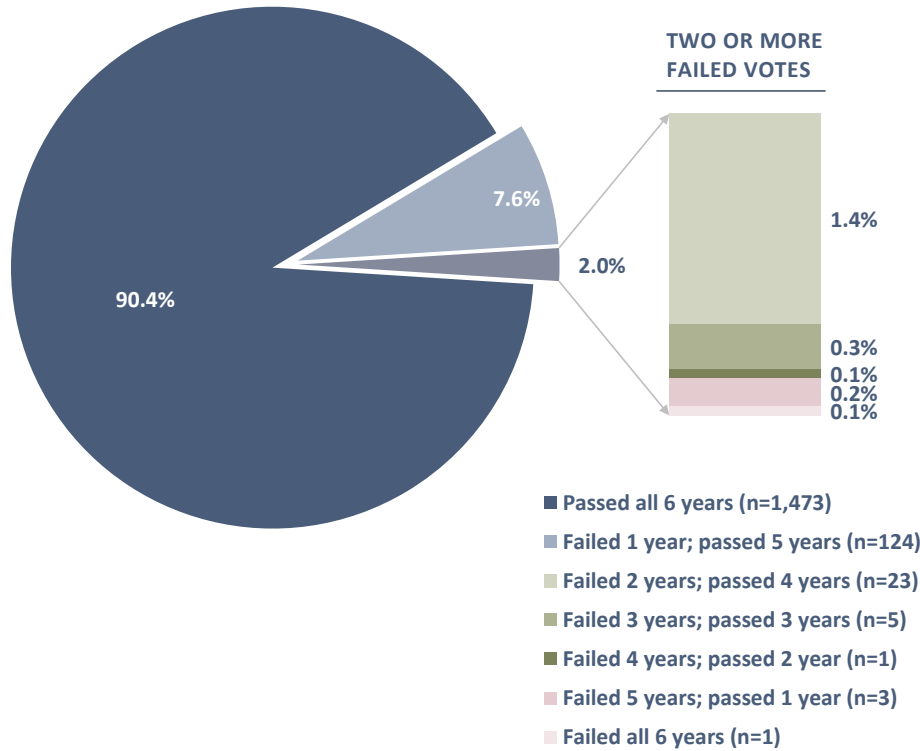
Source: Semler Brossy data and analysis; Fund Votes LLC.

Notes: As of December 31, 2016. The 2016 sample includes companies that had an Annual Meeting and Say on Pay vote in calendar year 2016. Year over year data presented in this document does not reflect a constant sample given turnover in the Russell 3000 used for each year as well as differences in how frequently companies hold votes.

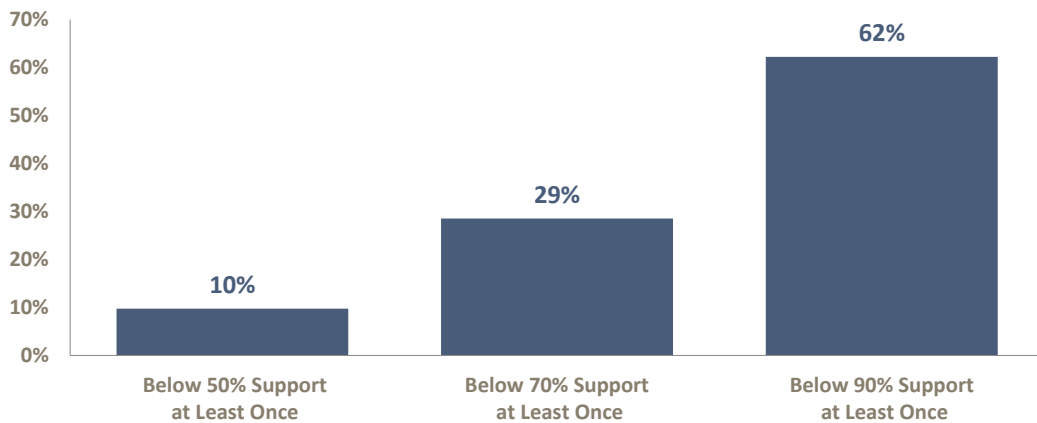
For FY 2016, Russell 3000 sample effective as of June 30, 2015.

VOTE RESULTS OVER TIME

— Over 90% of companies have passed Say on Pay each year since it became mandatory in 2011
 Approximately 2% of companies have failed more than once



— 10% of Russell 3000 companies with vote results in each year (n=1,580) have failed Say on Pay at least once and 29% have received vote support below 70% at least once



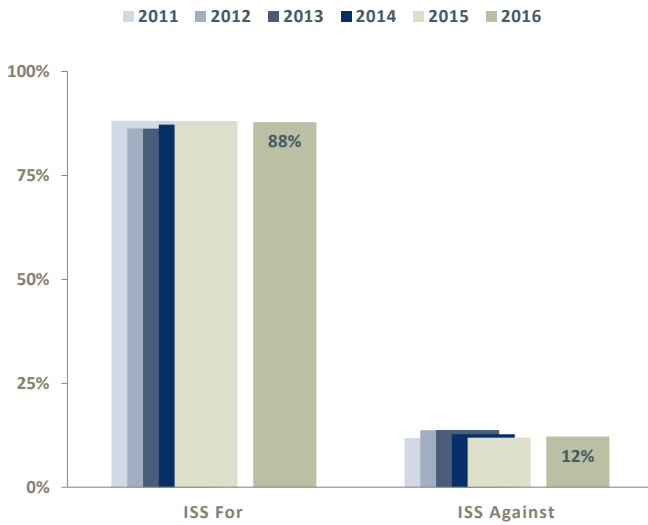
IMPACT OF PROXY ADVISORS ON VOTE RESULTS

— ISS recommended an ‘Against’ Say on Pay vote at 12% of companies it assessed in 2016

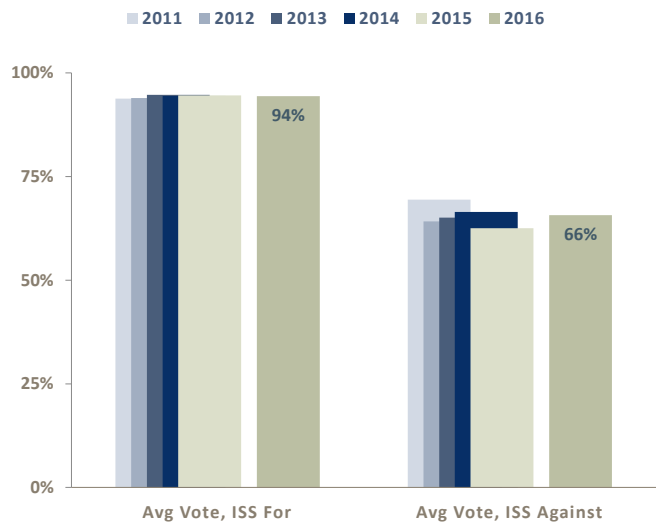
2011: 12% 2012: 14% 2013: 14% 2014: 13% 2015: 12%

— Shareholder support was 28% lower at companies with an ISS ‘Against’

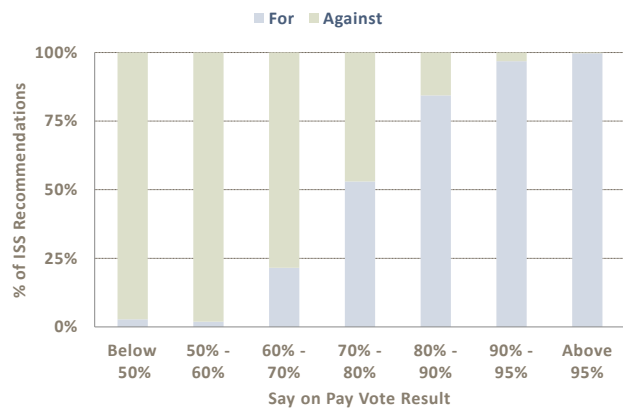
ISS RECOMMENDATION BREAKDOWN¹



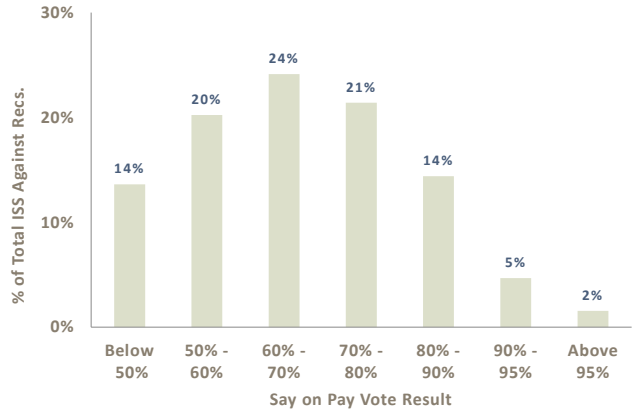
IMPACT ON VOTE RESULTS



2016 SAY ON PAY VOTE BREAKDOWN (n=2,118)



2016 SAY ON PAY VOTE RESULTS WITH ISS ‘AGAINST’ RECOMMENDATION (n=257)



Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

¹ Based on ISS’ assessment of 2,118 companies, of which 257 have received ‘Against’ from ISS; 1,861 companies have received ‘For’ from ISS.

IMPACT OF PROXY ADVISORS ON VOTE RESULTS – YEAR OVER YEAR

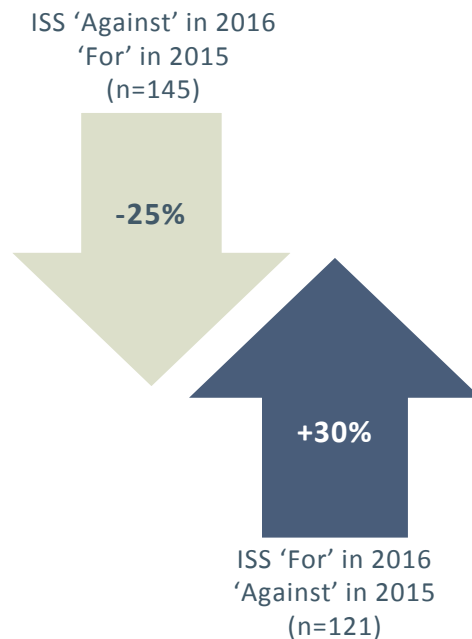
— ISS recommendations differed at 266 companies (13.6%) between 2015 and 2016

YEAR OVER YEAR ISS RECS (n=1,959)¹

		<u>2016 Rec.</u>	
		'Against'	'For'
<u>2015 Rec.</u>	'For'	7% of companies (n=145)	82% of companies (n=1,607)
	'Against'	4% of companies (n=87)	6% of companies (n=121)

— Say on Pay vote results for individual companies continue to change significantly when ISS switches its recommendation year over year

AVERAGE SAY ON PAY VOTE RESULTS¹



¹ Includes only companies with recommendations in 2015 and 2016; also includes companies that have yet to report vote results.

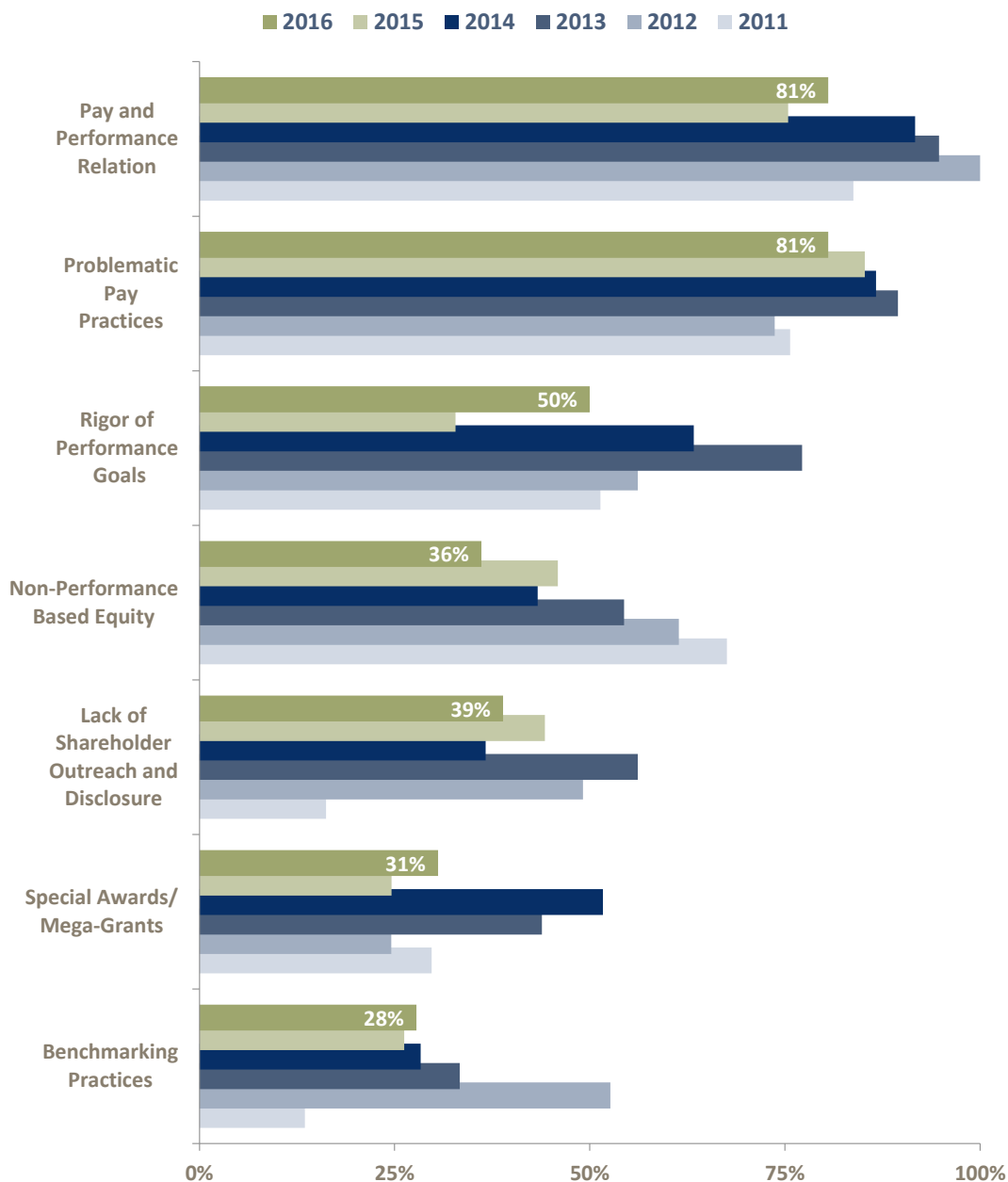
Note: Year over year data presented in this document does not reflect a constant sample given turnover in the Russell 3000 used for each year as well as differences in how frequently companies hold votes.

Special Topics

- 1) **Reasons for Failures**
- 2) **Equity Plan Proposals**
- 3) **Director Elections**
- 4) **Say on Golden Parachute**
- 5) **Vote Results at S&P 500 Companies**
- 6) **Industry Breakdown**
- 7) **DEFA14As Filed as Responses to Proxy Advisors**

LIKELY CAUSES OF VOTES UNDER 50%

- The most common reasons for Say on Pay failure has remained steady over the past six years (i.e., problematic pay practices and pay and performance relation)
- The average number of reasons for failure for the 36 failed companies in 2016 was approximately the same as 2015 (3.4 in 2016 and 3.3 in 2015)
- The rigor of performance goals contributed to Say on Pay failure at 63% of companies in 2014. The rate fell to 33% in 2015, but increased to 50% for 2016



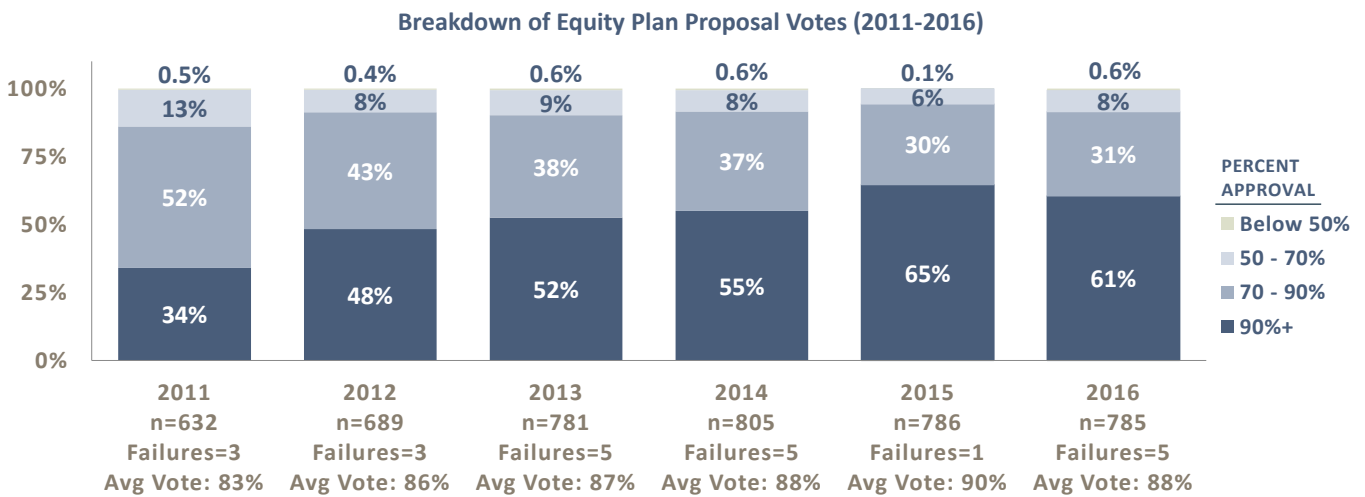
YEAR-END TOPIC RECAP: TRENDS IN EQUITY PLAN PROPOSALS

Equity plan proxy items are binding, unlike Say on Pay votes. Equity plan proposals generally receive higher support than Say on Pay proposals and have significantly fewer failed votes.

0.5% of equity plan proxy items have failed since 2011, compared to a 2.2% failure rate for Say on Pay proposals over the same period.

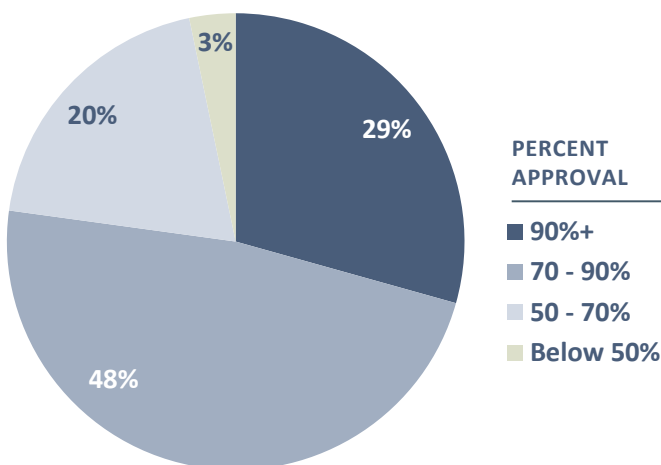
— Average vote support for equity plan proposals has increased 5% over the past six years

— Nearly twice as many companies received equity plan support above 90% in 2016 versus 2011

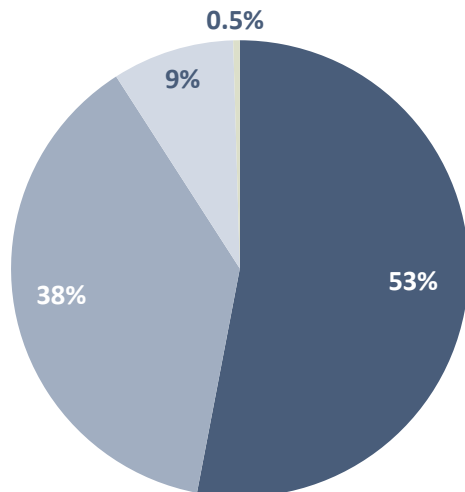


— Companies that fail Say on Pay tend to have materially lower vote results on their equity plan proposals – these companies are 7x more likely to receive equity plan support below 50%

Equity Plan Vote Results for Companies that Failed Say on Pay the Same Year (2011-2016)

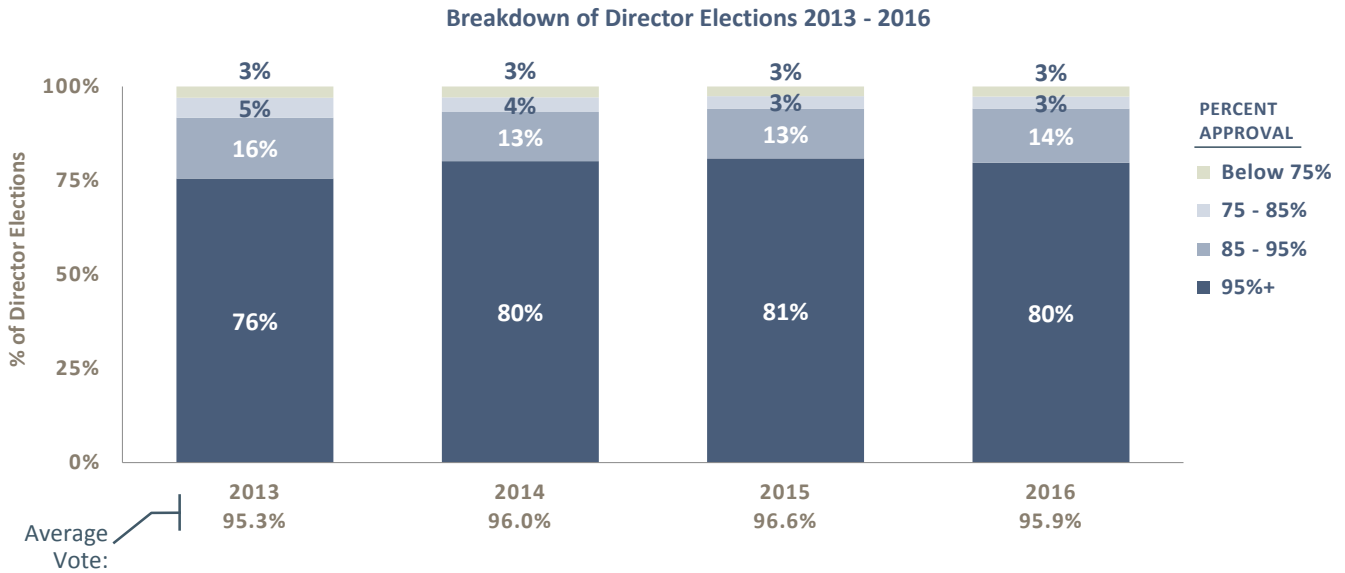


All Equity Plan Vote Results (2011-2016)

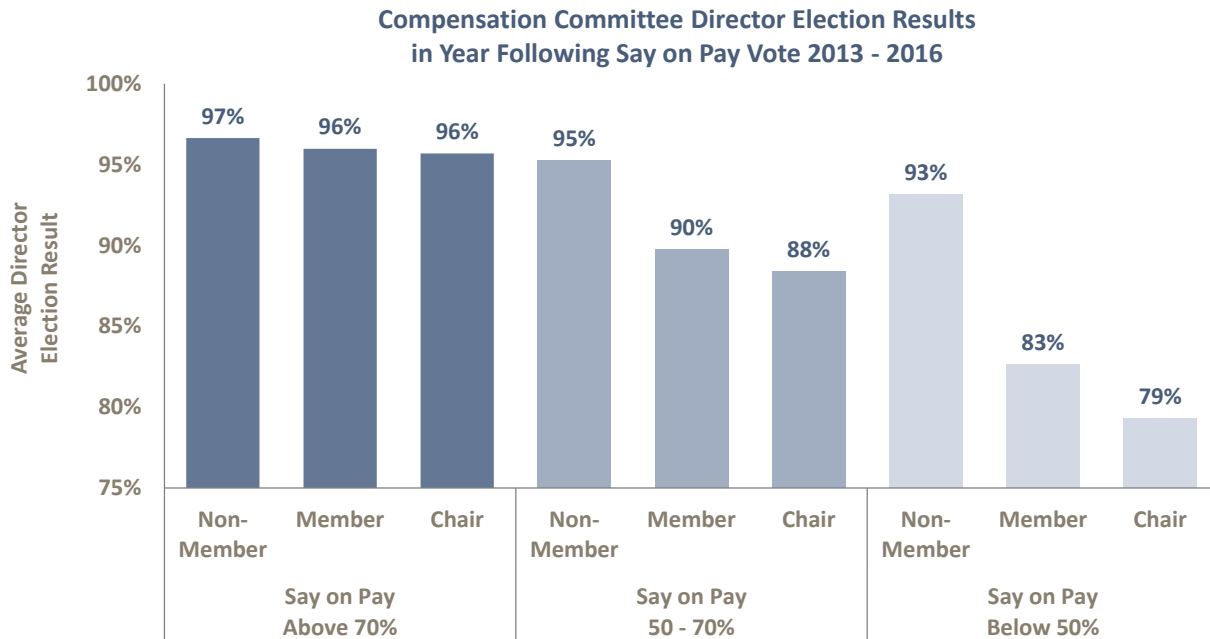


YEAR-END TOPIC RECAP: DIRECTOR ELECTIONS

— Nearly 95% of director elections receive vote support above 85%. Few elections received support below 75% and less than 0.5% received support below 50% between 2013 and 2016



— A Say on Pay vote above 70% continues to have minimal impact on Compensation Committee member elections in the following year. In the year following a failed Say on Pay vote, however, Committee members and chairs receive 13% and 17% lower support, respectively

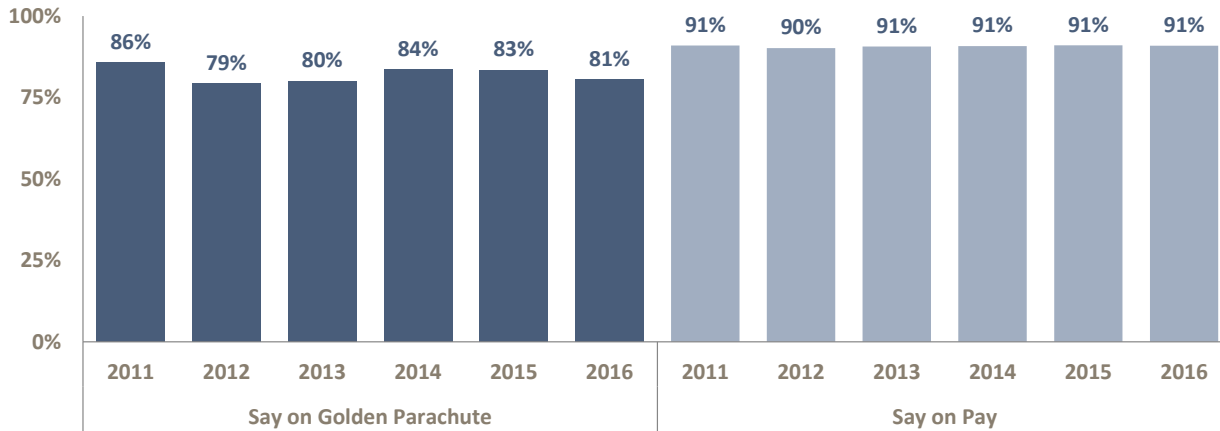


Notes: Data represents 2013, 2014, 2015, and 2016 director election vote results through December 31, 2016.

YEAR-END TOPIC RECAP: SAY ON GOLDEN PARACHUTE VOTES

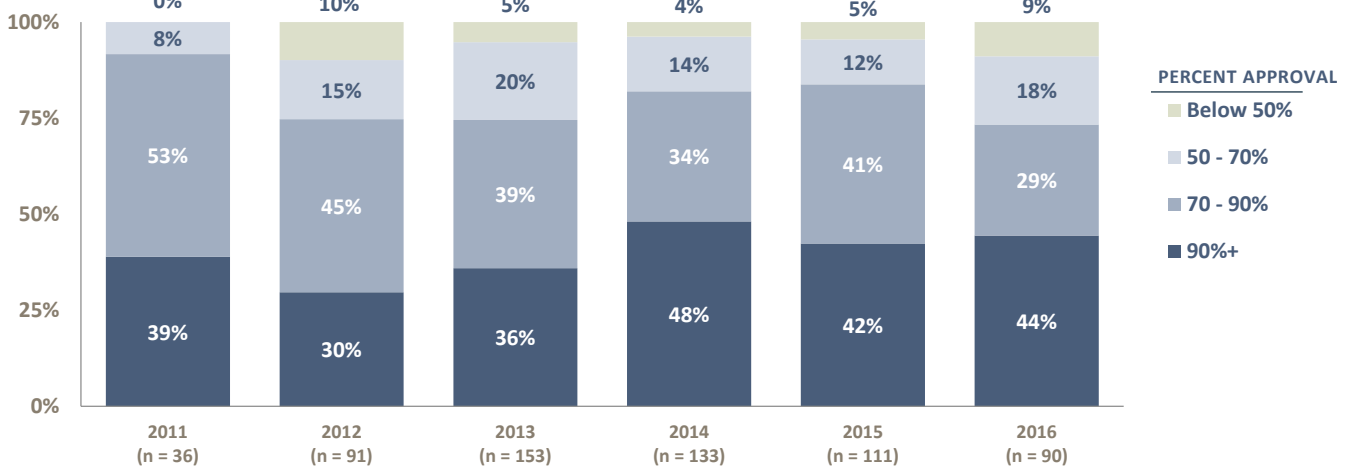
— Say on Golden Parachute votes have fluctuated more and have been lower than Say on Pay votes each year since 2011

Average Vote Results (2011-2016)



— 27% of 2016 proposals received support below 70%

Breakdown of Say on Golden Parachute Votes (2011-2016)



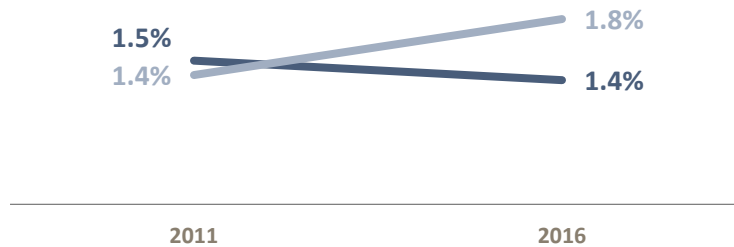
YEAR-END TOPIC RECAP: VOTE RESULTS AT S&P 500 COMPANIES

Larger companies have improved their Say on Pay results while smaller companies have had slightly worse results. We think that larger companies may be better equipped to manage the Say on Pay vote and may place more attention on alignment with shareholder and proxy advisor policies.

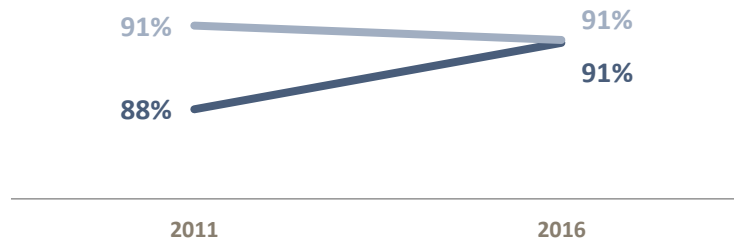
The data on this page refer to the current S&P 500 as “larger” companies (median TTM revenue \$9.6B), and remaining Russell 3000 companies as “smaller” (median TTM revenue \$778MM).



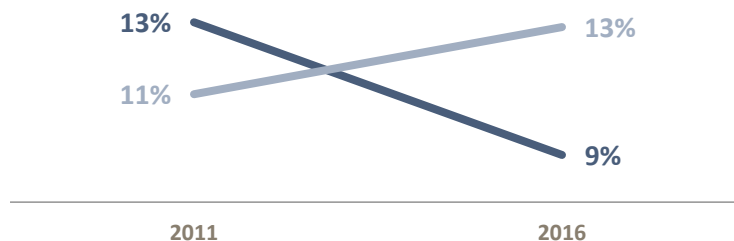
— The failure rate for S&P 500 companies has remained relatively flat since 2011. This rate has slightly increased for smaller companies



— The average vote for smaller companies has remained constant since 2011 while results have increased for S&P 500 companies



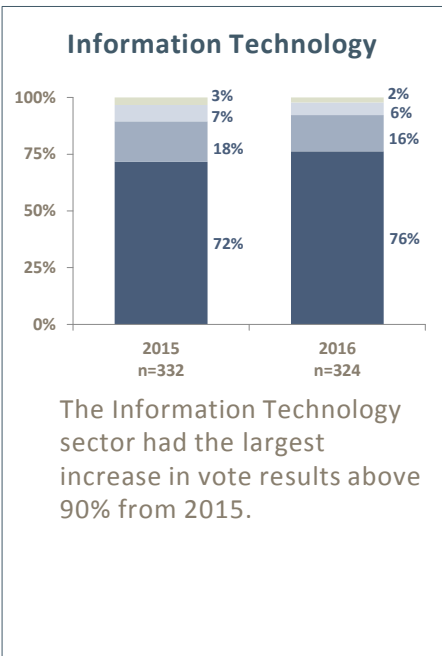
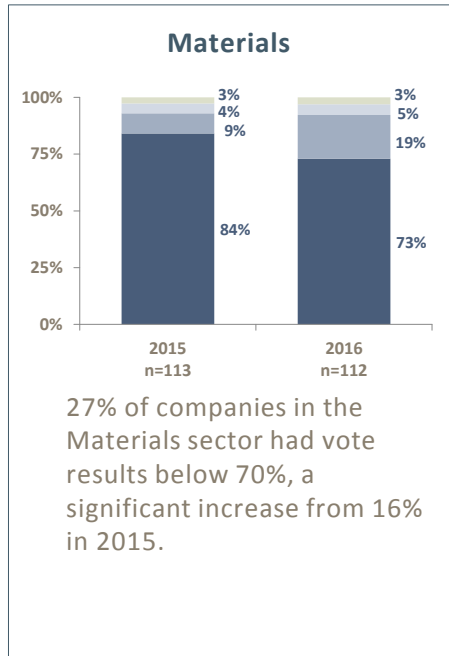
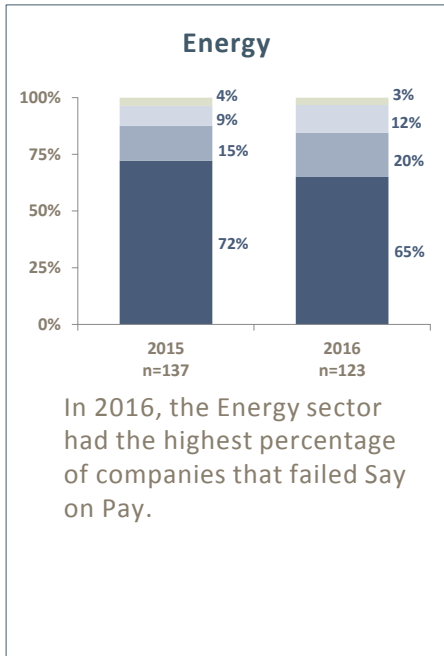
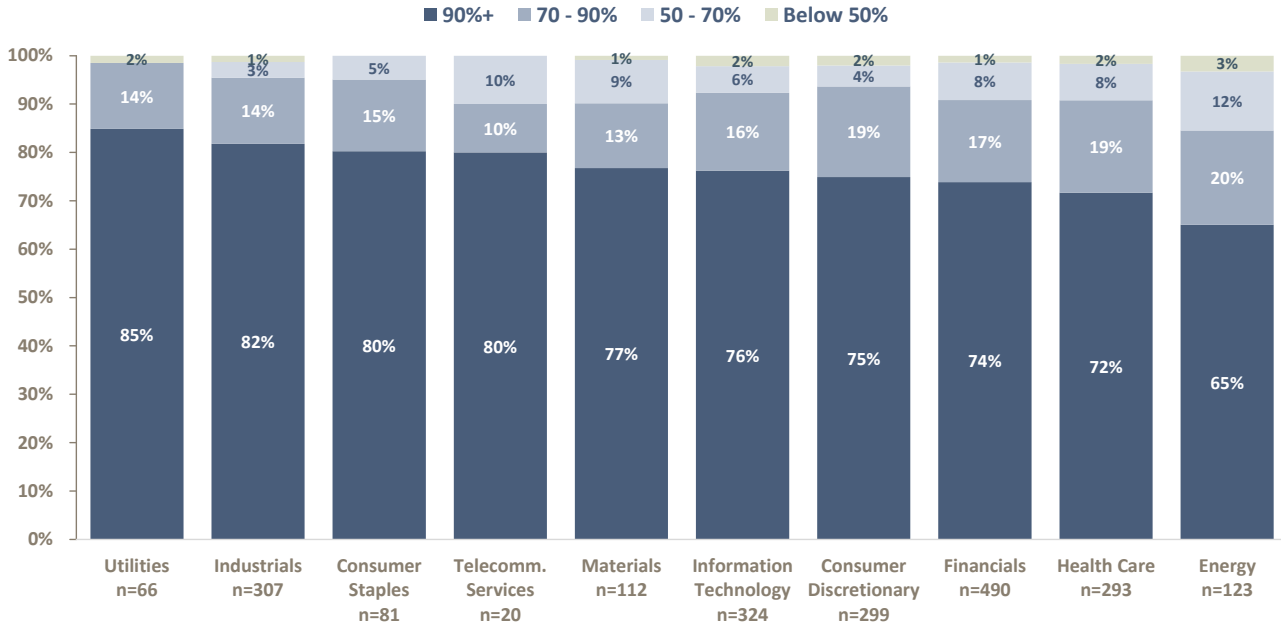
— The rate of ISS ‘Against’ recommendations has slightly increased for smaller companies and has decreased for S&P 500 companies



YEAR-END TOPIC RECAP: INDUSTRY BREAKDOWN OF SAY ON PAY VOTES

2016 Say on Pay results varied significantly by GICS Sector. Companies in the Energy sector were the least likely to receive Say on Pay support above 90%.

2016 Say on Pay Results by GICS Sector



Note: Sample above excludes companies without GICS industry classification from FactSet.

DEFA14As FILED AS REPONSES TO PROXY ADVISORS

It does not appear that company responses to an ISS ‘Against’ recommendation have a material impact on vote results; that said, ISS switched its recommendation to a ‘For’ in response to DEFA14As at five companies in 2016:

— **Gulfport Energy (95% vote support on Say on Pay in 2016)**

ISS recommended ‘For’ after the Company’s DEFA14A demonstrated how shareholder outreach led to program changes and clarified reasoning behind discretionary cash bonuses

— **OraSure Technologies (94%)**

ISS recommended ‘For’ after the Company explained awards are granted in the following year presenting a misalignment when performance is weak in the current year

— **Colgate-Palmolive (93%)**

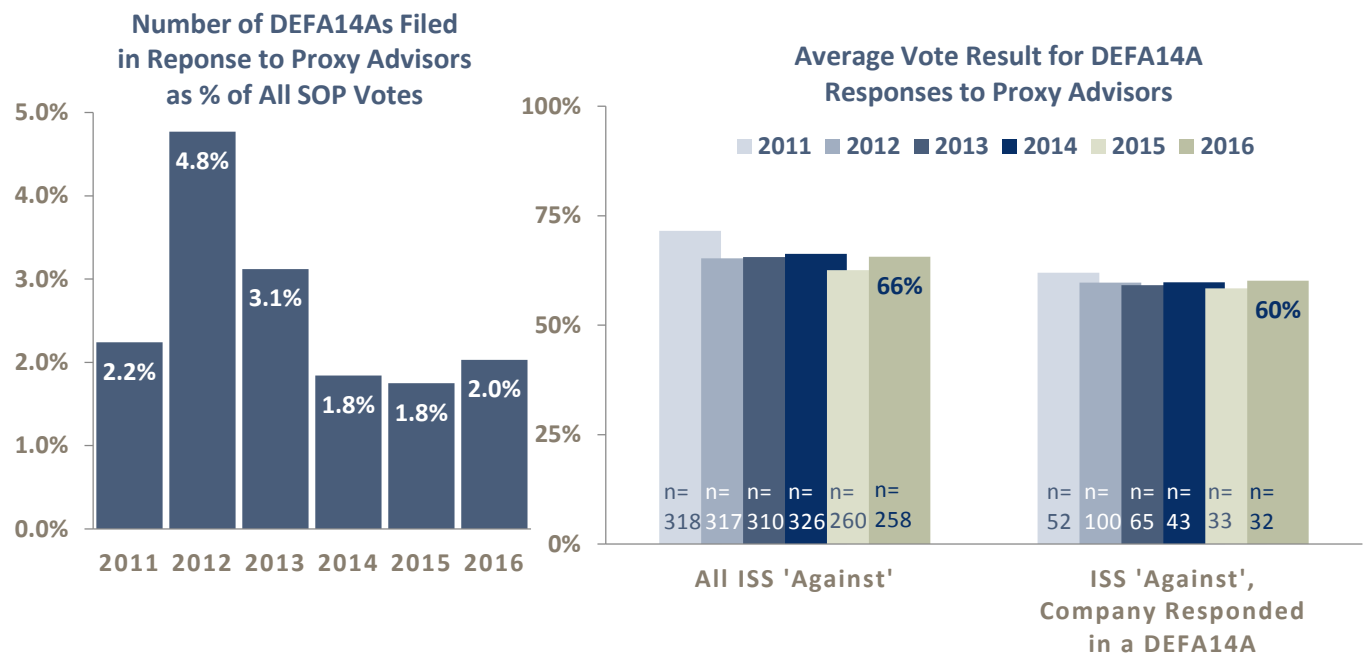
ISS reversed its ‘Against’ recommendation after the Company demonstrated that a special award to executives was warranted due to the impact of the foreign exchange rate on performance results

— **State Bank Financial (92%)**

ISS reversed its ‘Against’ recommendation after the Company provided additional disclosure around its incentive plan goals and payouts, which verified appropriate goal rigor

— **SunCoke Energy (84%)**

ISS recommended ‘For’ after the Company provided additional information on how goals were set and methodology on calculating performance results



Appendix

- 1) **Companies Under 50% in 2016**
- 2) **Likely Causes of Votes Under 50% in 2016**
- 3) **DEFA14A Responses**

APPENDIX: 2016 SAY ON PAY VOTE RESULTS

COMPANIES UNDER 50% IN 2016

2016 Failed Say on Pay Vote Results¹

Russell 3000, n=36

Company	Meeting Date	GICS Industry	S&P 500	FYE 2015 Revenue (\$MM)	Say on Pay Vote Results			TSR (as of FYE 2015)			Number of Failures
					2016 ▼	2015	YOY	1-Yr	3-Yr	5-Yr	
Atlas Air Worldwide Holdings, Inc.	05/24/16	Air Freight & Logistics		\$1,823	50%	56%	-6%	-16%	-5%	-27%	2
General Growth Properties, Inc.	05/17/16	Equity Real Estate Investment Trusts (REITs)	X	\$2,404	48%	89%	-41%	-2%	49%	103%	1
Motorcar Parts of America, Inc.	03/24/16	Auto Components		\$369	48%	77%	-29%	8%	189%	334%	1
Senior Housing Properties Trust	05/18/16	Equity Real Estate Investment Trusts (REITs)		\$995	47%	96%	-50%	-28%	-21%	-4%	1
NeuStar, Inc.	06/15/16	IT Services		\$1,050	46%	61%	-15%	-14%	-42%	-9%	1
FMC Corp.	04/26/16	Chemicals	X	\$3,277	46%	91%	-46%	-31%	-29%	2%	1
HCI Group, Inc.	05/19/16	Insurance		\$294	45%	-	-	-19%	84%	440%	1
Oracle Corp.	11/16/16	Software	X	\$37,047	45%	48%	-3%	-6%	24%	25%	5
VeriFone Systems, Inc.	03/24/16	Electronic Equipment Instruments & Components		\$2,000	45%	83%	-38%	-18%	2%	-11%	2
Bill Barrett Corp.	05/17/16	Oil Gas & Consumable Fuels		\$208	45%	95%	-50%	-66%	-78%	-90%	1
Consolidated-Tomoka Land Co.	04/27/16	Real Estate Management & Development		\$43	44%	99%	-55%	-5%	73%	84%	1
K12, Inc.	12/15/16	Diversified Consumer Services		\$948	44%	47%	-3%	-1%	-52%	-62%	2
Sonus Networks, Inc.	06/09/16	Communications Equipment		\$249	43%	85%	-42%	-65%	-14%	-45%	2
Masimo Corp.	04/20/16	Health Care Equipment & Supplies		\$623	42%	44%	-1%	58%	98%	50%	5
Tutor Perini Corp.	05/25/16	Construction & Engineering		\$4,920	42%	38%	4%	-31%	26%	-21%	6
Sucampo Pharmaceuticals, Inc.	06/02/16	Pharmaceuticals		\$153	42%	100%	-58%	24%	262%	351%	1
Hatteras Financial Corp.	05/04/16	-		\$280	41%	85%	-44%	-21%	-26%	-22%	1
M.D.C. Holdings, Inc.	03/29/16	Household Durables		\$1,890	40%	87%	-47%	1%	-22%	6%	2
BorgWarner, Inc.	04/27/16	Auto Components	X	\$8,025	40%	88%	-48%	-21%	26%	22%	1
Tetra Tech, Inc.	03/03/16	Commercial Services & Supplies		\$1,719	40%	59%	-19%	0%	-3%	24%	1
Ultra Petroleum Corp.	05/19/16	Oil Gas & Consumable Fuels		\$839	39%	89%	-50%	-81%	-86%	-95%	1
Diodes, Inc.	05/10/16	Semiconductors & Semiconductor Equipment		\$849	39%	71%	-31%	-16%	35%	-16%	1
Cepheid	04/26/16	-		\$531	39%	93%	-54%	-33%	11%	58%	1
Exelon Corp.	04/26/16	Electric Utilities	X	\$28,325	38%	83%	-44%	-24%	8%	-16%	1
PICO Holdings, Inc.	07/11/16	Diversified Financial Services		\$307	38%	44%	-7%	-45%	-48%	-68%	3
Nabors Industries Ltd.	06/07/16	Energy Equipment & Services		\$3,864	36%	65%	-29%	-33%	-37%	-62%	5
Nuance Communications, Inc.	01/27/16	Software		\$1,931	33%	15%	18%	8%	-34%	4%	3
Celadon Group, Inc.	12/09/16	Road & Rail		\$901	31%	20%	12%	-60%	-55%	-40%	3
TiVo Corp.	07/11/16	Software		\$526	31%	40%	-9%	-26%	9%	-73%	2
Banc of California, Inc.	05/13/16	Banks		\$493	30%	-	-	31%	38%	36%	1
Wolverine World Wide, Inc.	04/21/16	Textiles Apparel & Luxury Goods		\$2,692	30%	99%	-69%	-43%	-16%	10%	1
Palo Alto Networks, Inc.	12/08/16	Communications Equipment		\$928	29%	36%	-7%	-30%	167%	-	2
Accuray, Inc.	11/17/16	Health Care Equipment & Supplies		\$380	25%	80%	-54%	-23%	-10%	-35%	1
Community Health Systems, Inc.	05/17/16	Health Care Providers & Services		\$19,437	24%	75%	-50%	-52%	-11%	-29%	2
Bed Bath & Beyond, Inc.	07/01/16	Specialty Retail	X	\$12,104	23%	35%	-12%	-34%	-14%	2%	2
C&J Energy Services Ltd.	05/26/16	Energy Equipment & Services		\$1,749	10%	-	-	-64%	-77%	-	1

¹ As of December 31, 2016.

APPENDIX: 2016 SAY ON PAY VOTE RESULTS

LIKELY CAUSES OF VOTES UNDER 50% IN 2016

2016 Failed Say on Pay Vote Results¹

Russell 3000, n=36

Company	Say on Pay Vote Results			Likely Causes of Votes Under 50%						
	2016 ▼	2015	YOY	Pay and	Problematic	Rigor of	Shareholder	Non-	Special	Bench-
				Performance	Pay	Performance	Outreach and	Performance	Awards/ Mega-	marking
Relation	Practices	Goals	Disclosure	Based Equity	Grants	Practices				
Atlas Air Worldwide Holdings, Inc.	50%	56%	-6%	X		X	X			X
General Growth Properties, Inc.	48%	89%	-41%	X	X			X	X	
Motorcar Parts of America, Inc.	48%	77%	-29%		X	X		X		
Senior Housing Properties Trust	47%	96%	-50%		X		X			
NeuStar, Inc.	46%	61%	-15%	X			X			X
FMC Corp.	46%	91%	-46%	X		X		X	X	X
HCI Group, Inc.	45%	-	-	X	X		X			
Oracle Corp.	45%	48%	-3%	X	X		X		X	X
VeriFone Systems, Inc.	45%	83%	-38%	X	X	X				
Bill Barrett Corp.	45%	95%	-50%	X			X			
Consolidated-Tomoka Land Co.	44%	99%	-55%	X	X	X			X	
K12, Inc.	44%	47%	-3%	X	X	X				
Sonus Networks, Inc.	43%	85%	-42%	X	X	X		X	X	
Masimo Corp.	42%	44%	-1%	X	X			X		
Tutor Perini Corp.	42%	38%	4%	X	X		X			
Sucampo Pharmaceuticals, Inc.	42%	100%	-58%		X					
Hatteras Financial Corp.	41%	85%	-44%				X			
M.D.C. Holdings, Inc.	40%	87%	-47%	X	X	X		X		
BorgWarner, Inc.	40%	88%	-48%		X	X			X	X
Tetra Tech, Inc.	40%	59%	-19%	X		X				
Ultra Petroleum Corp.	39%	89%	-50%	X	X	X				
Diodes, Inc.	39%	71%	-31%	X	X		X	X		
Cepheid	39%	93%	-54%	X	X			X		X
Exelon Corp.	38%	83%	-44%	X	X	X				
PICO Holdings, Inc.	38%	44%	-7%		X					
Nabors Industries Ltd.	36%	65%	-29%	X	X	X		X	X	X
Nuance Communications, Inc.	33%	15%	18%	X	X	X	X			
Celadon Group, Inc.	31%	20%	12%		X		X	X		
TiVo Corp.	31%	40%	-9%	X					X	X
Banc of California, Inc.	30%	-	-	X	X		X			
Wolverine World Wide, Inc.	30%	99%	-69%	X	X	X	X		X	
Palo Alto Networks, Inc.	29%	36%	-7%	X	X			X	X	X
Accuray, Inc.	25%	80%	-54%	X	X	X		X	X	
Community Health Systems, Inc.	24%	75%	-50%	X	X	X				X
Bed Bath & Beyond, Inc.	23%	35%	-12%	X	X					
C&J Energy Services Ltd.	10%	-	-	X	X	X	X	X		
Count (n=36)				29	29	18	14	13	11	10

¹ As of December 31, 2016.

APPENDIX: 2016 SAY ON PAY DEFA14A RESPONSES

ADDITIONAL MATERIALS FILED AS REPNSES TO PROXY ADVISORS

Summary of Responses to Say on Pay Recommendations from Proxy Advisors¹

Russell 3000, n=35

Company (Link to Filing)	Filing Date	S&P 500	FYE 2015 Revenue (\$MM)	Say on Pay Vote Results			Key Topics Addressed							ISS Rec Reversal			
				2016 ▼	2015	YOY	Pay and Performance Relation	Peer Group Comparators	Proxy Advisor Methodology	Factual Error	Timing of Grants	Governance	Realizable Pay		Program Changes Following Proxy Advisor Rec.		
																2016 ▼	2015
Gulfport Energy Corporation	06/03/16		\$626	95%	69%	26%	X				X		X				Yes
OraSure Technologies, Inc.	05/09/16		\$120	94%	54%	39%					X	X					Yes
Colgate-Palmolive Company	04/19/16	X	\$16,034	93%	95%	-3%	X										Yes
State Bank Financial Corporation	05/18/16		\$195	92%	79%	14%				X							Yes
² B/E Aerospace, Inc.	07/14/16		\$2,730	90%	42%	48%			X								No
² WEC Energy Group, Inc.	04/18/16	X	\$5,926	86%	93%	-7%	X				X		X				No
² MDU Resources Group, Inc.	04/14/16		\$4,192	85%	88%	-3%	X	X						X			No
eHealth, Inc.	06/08/16		\$190	84%	97%	-13%	X			X	X						No
SunCoke Energy, Inc.	04/22/16		\$1,363	84%	96%	-12%			X	X	X						Yes
² Alexandria Real Estate Equities, Inc.	05/02/16		\$835	80%	79%	1%	X	X				X					No
² PTC, Inc.	02/23/16		\$1,255	79%	97%	-18%	X					X					No
EastGroup Properties, Inc.	05/19/16		\$230	77%	95%	-18%	X					X			X		No
² Ciber Inc.	05/31/16		\$787	77%	65%	12%	X										Yes
PS Business Parks, Inc.	04/14/16		\$372	75%	93%	-18%	X			X							No
STAG Industrial, Inc.	04/21/16		\$224	74%	96%	-23%	X			X							No
Cedar Realty Trust, Inc.	04/21/16		\$150	72%	89%	-17%						X			X		No
Pentair plc	04/25/16	X	\$6,449	72%	91%	-19%	X					X					No
Endurance Specialty Holdings Ltd.	05/09/16		\$2,105	71%	69%	3%				X		X					No
Joy Global, Inc.	02/25/16	X	\$3,172	71%	97%	-26%	X			X	X		X				No
Noble Corporation plc	04/08/16	X	\$3,352	71%	66%	5%	X					X					No
Expeditors International of Washington, Inc.	04/19/16	X	\$6,617	68%	67%	0%	X			X							No
Darling Ingredients Inc.	05/02/16		\$3,397	67%	30%	37%	X					X	X				No
Natural Gas Services Group, Inc.	06/08/16		\$96	65%	47%	18%					X						No
Basic Energy Services, Inc.	05/11/16			65%	48%	16%	X			X		X					No
Kraton Performance Polymers, Inc.	05/10/16		\$1,035	65%	72%	-7%	X	X		X			X				No
Allied World Assurance Company Holdings, AG	04/06/16		\$2,553	64%	99%	-35%					X		X				No
Argan, Inc.	06/15/16		\$413	64%	45%	19%				X		X					No
Citigroup, Inc.	04/07/16	X	\$87,860	64%	84%	-21%	X	X					X				No
Pioneer Natural Resources Company	05/11/16	X	\$3,142	62%	98%	-36%	X										No
Deere & Company	02/10/16	X	\$28,863	61%	93%	-32%	X						X				No
Chubb Limited	05/06/16	X	\$19,372	59%	90%	-31%	X			X							No
Perrigo Co. Plc	04/14/16	X	\$5,541	56%	88%	-32%	X			X	X	X					No
Cardinal Financial Corporation	04/18/16		\$187	56%	52%	4%	X										No
SL Green Realty Corp.	05/20/16	X	\$1,668	55%	66%	-12%	X					X					No
Annaly Capital Management, Inc.	05/19/16		\$1,387	54%	94%	-40%	X					X					No
Knoll, Inc.	04/18/16		\$1,104	54%	20%	34%				X	X	X					No
Cloud Peak Energy Inc.	05/04/16		\$1,124	53%	98%	-46%	X			X		X	X				No
Allergan plc	04/19/16	X	\$15,071	52%	86%	-34%	X				X		X				No
K12, Inc.	12/05/16		\$948	44%	47%	-3%	X			X							No
Sonus Networks, Inc.	06/01/16		\$249	43%	85%	-42%	X			X			X				No
MDC Holdings, Inc.	03/14/16		\$1,890	40%	87%	-47%		X	X	X							No
Accuray, Inc.	11/04/16		\$380	25%	80%	-54%	X					X					No
Bed Bath & Beyond, Inc.	06/21/16	X	\$12,104	23%	35%	-12%	X			X							No

¹ As of December 31, 2016.

² Denotes companies that received a 'For' recommendation from ISS. DEFA14A response was filled to either respond to Glass Lewis or provide further clarity on their pay programs.

DATA AT A GLANCE: A GUIDE TO OUR REPORT COVERS



EACH ISSUE OF OUR 2016 REPORT CONTAINS an update to vote results and in-depth coverage of a special topic related to Say on Pay

EACH COLORED CIRCLE REPRESENTS the vote results for 50 Russell 3000 companies

REPORT SPECIAL TOPIC rotates each issue

2016 VOTING GROUP divides companies by the results of their 2016 Say on Pay vote

FILLED CIRCLES represent 50 companies with vote results within the range

PARTIAL CIRCLES represent fewer than 50 companies with vote results within the range

For more information on Say On Pay results, or how to subscribe to our weekly report, please contact us at dialogue@semlerbrossy.com, or 310.481.0180. We also welcome you to visit our website for additional articles and thought papers on all aspects of executive compensation.

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