

Our firm wishes well for everyone's health and safety during this challenging time. Those who want to stay informed on compensation implications of COVID-19 and view more detail about the information in this report can visit www.semlerbrossy.com/COVID/.

2020 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000

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APRIL
09

EXECUTIVE AND BOARD COMPENSATION RESPONSES TO COVID-19

4/9/2020

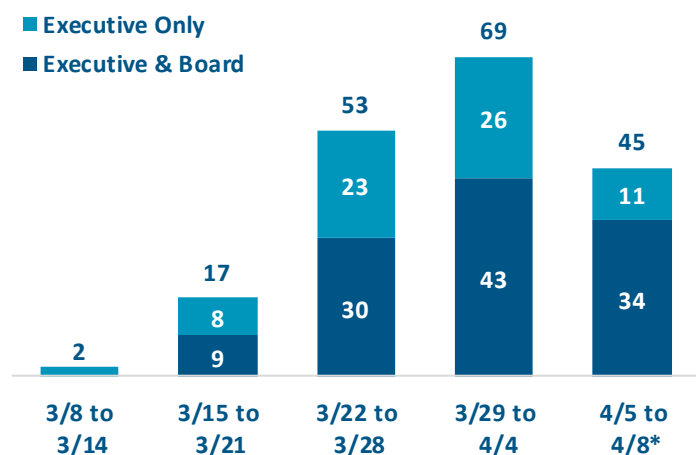
For More Detailed Analysis, Visit:
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RUSSELL 3000
186 COMPANIES

This new section leads our report with executive and Director pay-related actions taken by Russell 3000 companies in response to the COVID-19 pandemic. See more detailed coverage of the pandemic-related pay actions at www.semlerbrossy.com/COVID/

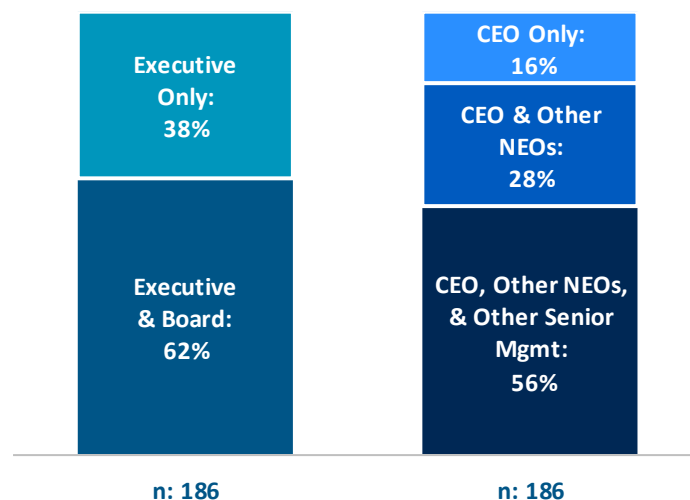
- COVID-19 started to disrupt companies' operations in January; however, the breadth and financial impact of the pandemic escalated during March, and now, corporate leadership teams are faced with challenging decisions such as reducing pay, freezing pay and benefits, enacting furloughs, and eliminating jobs in order to limit the pandemic's effect on their businesses
- Through April 8, 186 Russell 3000 companies announced or publicly disclosed salary reductions for Management and 116 companies also reduced Board cash retainers; we note that some companies did not announce the magnitude of reductions and acknowledge that the number of companies implementing reductions at this time may be higher due to unannounced actions

TIMING OF REDUCTION ANNOUNCEMENTS



* 4/5 to 4/8 data is through Wednesday of the week of 4/8.

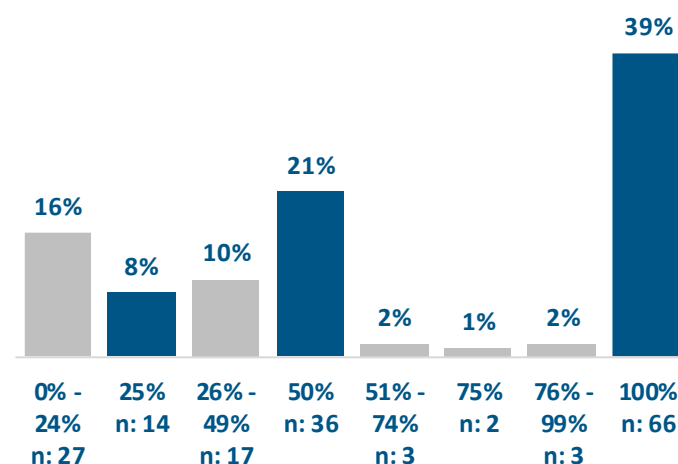
BREAKDOWN OF SALARY REDUCTIONS



OBSERVATIONS

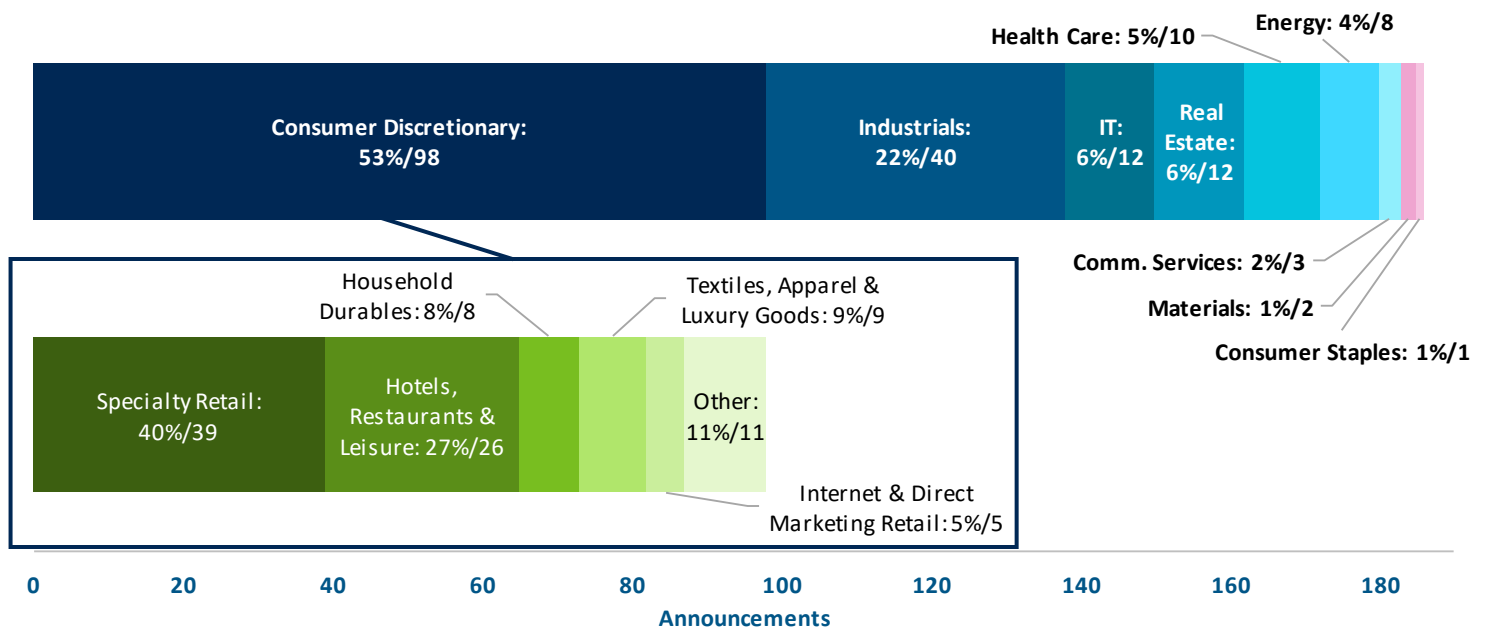
- Thus far, the median CEO salary reduction is 50%; however, 39% of companies have announced a 100% reduction, while only 21% announced a 50% reduction
- By comparison, the median salary reduction for other NEOs and senior members of management is 25%
- Many companies have announced cash retainer reductions for Directors that match salary reductions for their CEO - the median reduction to Director cash retainers is 50%; however, 40% of Directors have forfeited 100% of their cash retainer
- The number of pay reduction announcements increased through each week of March, and we expect a similar number of announcements to continue in April

DISTRIBUTION OF CEO SALARY REDUCTIONS

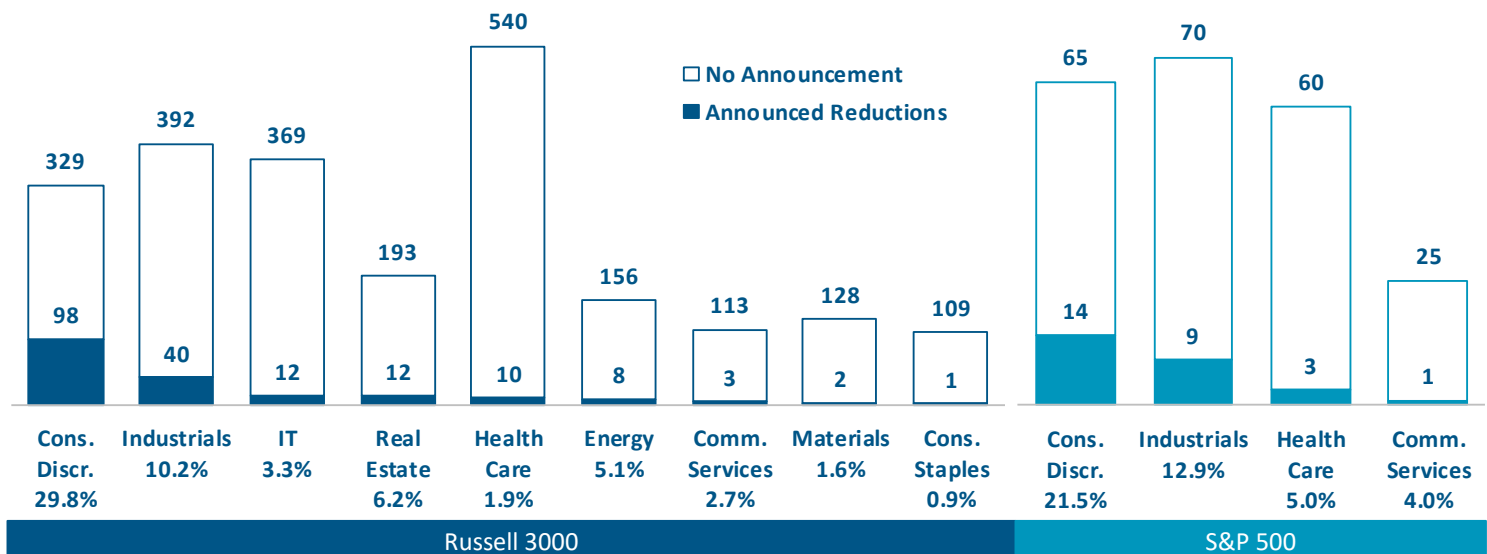


- The Consumer Discretionary and Industrials (which includes Airlines and adjacent industries) sectors have made the highest percentage of announcements due to the impact of social distancing and quarantine measures in response to the pandemic
- Some companies in the Consumer Staples sector have received increased sales and customer traffic as a result of the pandemic – we will monitor whether companies in this sector will follow the actions taken by other negatively impacted businesses
- We have observed a similar prevalence of pay reduction announcements for Russell 3000 and S&P 500 companies, which suggests the pandemic’s impact on executive and Board compensation has been broad, regardless of company size

RUSSELL 3000 ANNOUNCEMENT BREAKDOWN BY SECTOR (X% OF TOTAL/ Y COMPANIES)



RUSSELL 3000 AND S&P 500 ANNOUNCEMENT PREVALENCE BY SECTOR



No S&P 500 companies in the following sectors have made pay reduction announcements: Information Technology, Real Estate, Energy, Materials, Consumer Staples, and Financials

Semler Brossy publishes a bi-weekly Say on Pay and Proxy Results report during the proxy season that provides statistics and analysis on Say on Pay, the CEO Pay Ratio, and other proxy voting topics.

In 2019, average Say on Pay vote support was at the low-end of the historical range for a second consecutive year and average Director election support continued to decline. Shareholders continued to increase engagement on environmental, social, and governance (ESG) topics and many companies adopted formal ESG-related policies. We anticipate ESG topics will receive greater attention during the 2020 proxy season and will shape shareholder voting trends. At this time, it is difficult to estimate the impact COVID-19 will have on the 2020 proxy season; however, we expect it will be a critical Board-level discussion topic as companies consider 2020 ESG and pay actions.

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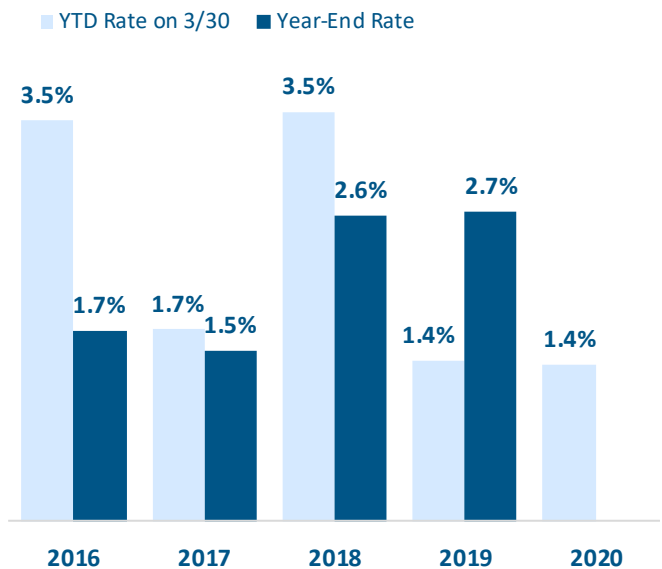
RUSSELL 3000 SAY ON PAY FAILURE RATE TREND WILL REVERSE AND DROP BELOW 2%.

The Russell 3000 Say on Pay failure rate was below 2% in 2016 and 2017 before rising to 2.6% and 2.7% in 2018 and 2019, respectively. We expect the failure rate will swing back below 2.0% in 2020. The rise in the failure rate in 2018 and 2019 coincided with proxy advisors' and shareholders' increased scrutiny of compensation program mechanics and incentive goal rigor. We expect this scrutiny will continue, but by now, most companies have adjusted program designs and external disclosure of goal-setting processes to better align with stakeholder expectations.

Further, higher thresholds for an elevated concern level on ISS' quantitative pay-for-performance tests in 2020 will likely lead to fewer companies receiving an "Against" recommendation, which will in turn impact the number of institutional shareholders voting "Against" proposals.

Lastly, strong stock market performance for the 2019 calendar year will bolster companies' performance on quantitative models that compare pay and TSR, though this dynamic will be different for companies with a fiscal year end after December 31st and who might be impacted by the market volatility caused by the COVID-19 pandemic.

Say on Pay Failure Rate



STANDARD DEVIATION OF RUSSELL 3000 SAY ON PAY VOTES WILL INCREASE IN 2020.

During 2019, institutional investors continued to adjust their voting policies and proprietary pay-for-performance evaluations that inform their Say on Pay voting, with many investors taking slightly different approaches to measuring a company's pay-and-performance relationship. As a result, Say on Pay vote support will likely be more varied across companies in 2020 (and even within companies with a higher-than-average number of institutional investors).

Historically, many institutional investors gave significant weighting to ISS' and Glass Lewis' vote recommendations or maintained pay-for-performance evaluations that utilized nearly identical criteria as those used in both of the proxy advisors' quantitative models. In recent years, investors started considering a wider range of performance metrics when casting Say on Pay votes. Additional performance metrics adopted by investors include financial measures, such as EVA, and qualitative measures, such as diversity metrics. The recent discussion at the Business Roundtable about the purpose of a corporation and *BlackRock* CEO Larry Fink's 2020 letter to executives demonstrate a visible shift in thinking. Fink's letter explicitly relates climate risk and investment risk and references *BlackRock's* initiative to place sustainability at the center of its investment approach.

Voting patterns across the largest institutional investors in 2019 signaled a potential inflection point in how they are voting on ESG-related topics. We anticipate this will expand into Say on Pay voting since evaluations of pay-and-performance are beginning to consider performance criteria beyond 1- and 3-year TSR.

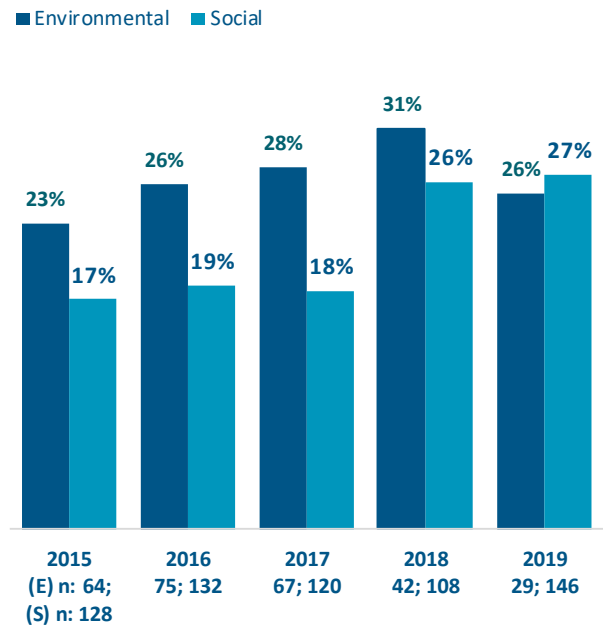
MEDIAN VOTE SUPPORT FOR ENVIRONMENTAL AND SHAREHOLDER (E&S) PROPOSALS WILL REACH 30% DUE TO E&S PROPOSALS BEING WITHDRAWN AT AN INCREASING RATE.

We expect that increased cooperation around E&S topics from corporations and shareholders will continue to increase the withdrawal rate for E&S shareholder proposals and lead to a higher level of vote support for those proposals that do reach the proxy.

A high percentage of E&S shareholder proposals have historically requested that companies issue reports on sustainability and/or human capital management metrics. In recent years, many companies have proactively expanded reporting on these topics in proxies and other communication documents and invested in better management practices in these areas. Larry Fink’s discussion of climate change in his 2020 letter to CEOs pushed these topics further into the mainstream and led many of the world’s largest corporations to pledge capital investments towards addressing sustainability. We expect more companies will invest in managing E&S topics in 2020, which in turn will address some concerns raised by shareholders in recent E&S proposals.

We expect the remaining proposals that reach proxies will be more critical and thus, will receive greater support from investors. The COVID-19 pandemic will also challenge companies on the social side of E&S topics as a large portion of the private sector grapples with the pandemic’s impact.

E&S Proposal Median Support

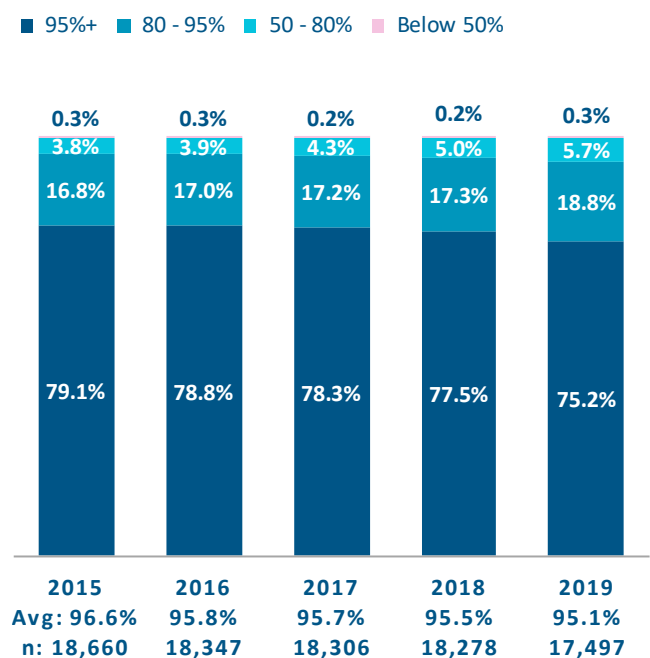


RUSSELL 3000 AVERAGE DIRECTOR ELECTION VOTE RESULTS WILL FALL BELOW 94.5%.

Average Director election vote support declined in each of the last four years, and in 2019, average support was 20 basis points higher than our prediction of 94.9%. We expect shareholders will continue to increase expectations for Directors, and as a result, average Director election support will decline for a sixth consecutive year in 2020. Directors’ responsibilities on Boards continue to grow as companies become increasingly complex and as investors ask for more granular information across a wide range of topics (e.g., financial reporting, risk management, human capital management, etc.). Investors also have the ability to weigh the performance of individual Directors against these expanded responsibilities, as different Board Committees—and thus Directors—are responsible for different tasks that are delegated by the Board. We expect the average vote result for Director elections will trend towards the average vote result in Say on Pay voting as Board roles continue to expand and as evaluation criteria used by investors develop over time.

New laws and proxy advisor policies could push vote results further below historical levels. In California, new legislation now requires public companies to have at least one woman on the Board starting at the end of 2019 (and will escalate to require companies to achieve greater diversity benchmarks by the end of 2021). Similarly, ISS and Glass Lewis have now both implemented policies to recommend against the Nominating & Governance Committee Chairs at companies with no women on the Board. Shareholders are pushing companies to refresh Directors more frequently and are challenging Boards on key issues of sustainability and human capital management.

Director Election Results



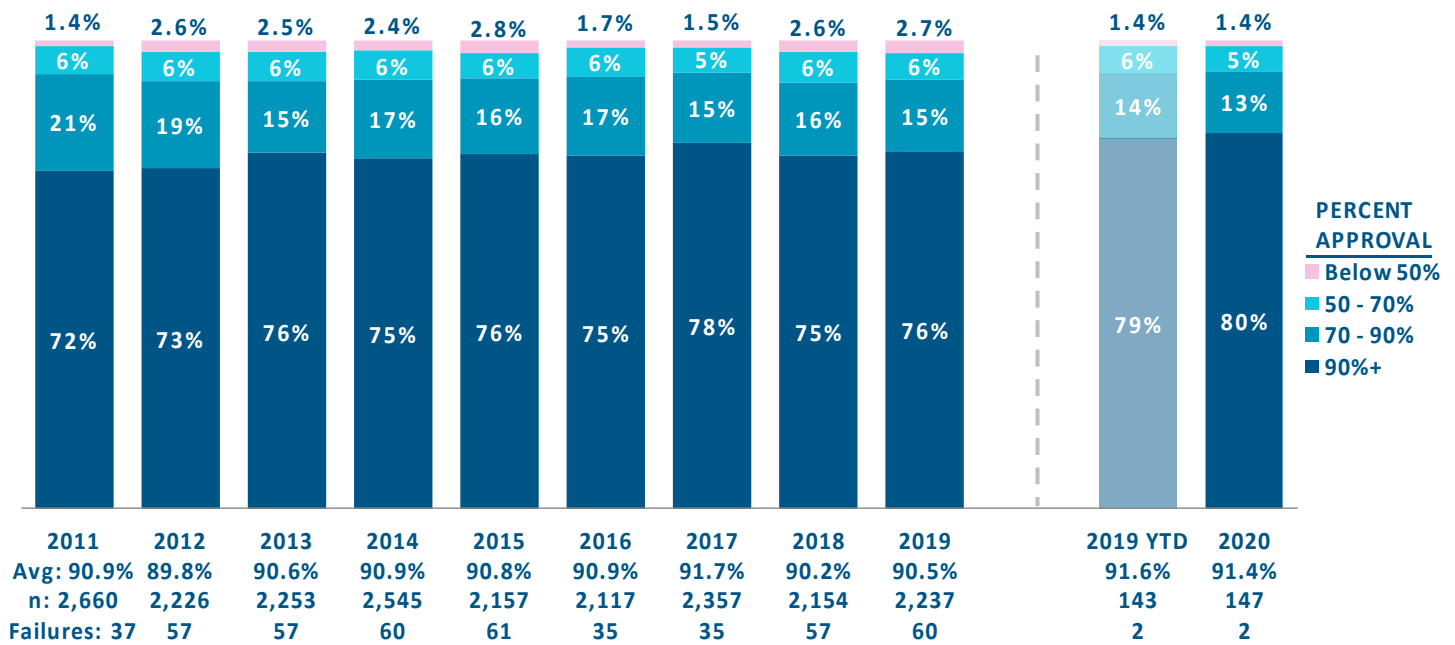
2020 SAY ON PAY RESULTS

4/9/2020

RUSSELL 3000
147 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

Two Russell 3000 companies (1.4%) failed Say on Pay thus far in 2019: Acuity Brands and Qualcomm, Inc.

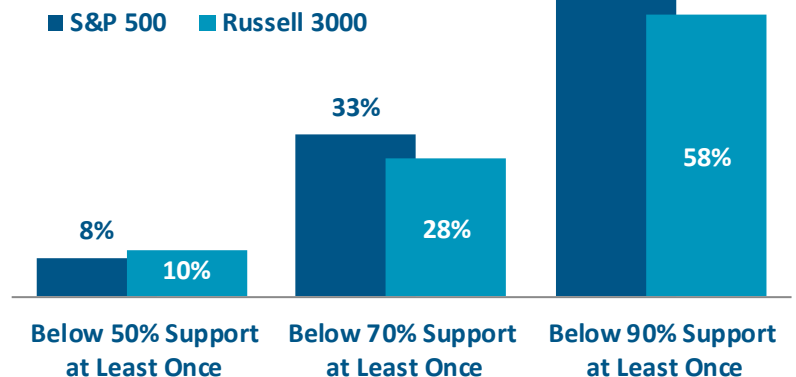


SAY ON PAY OBSERVATIONS

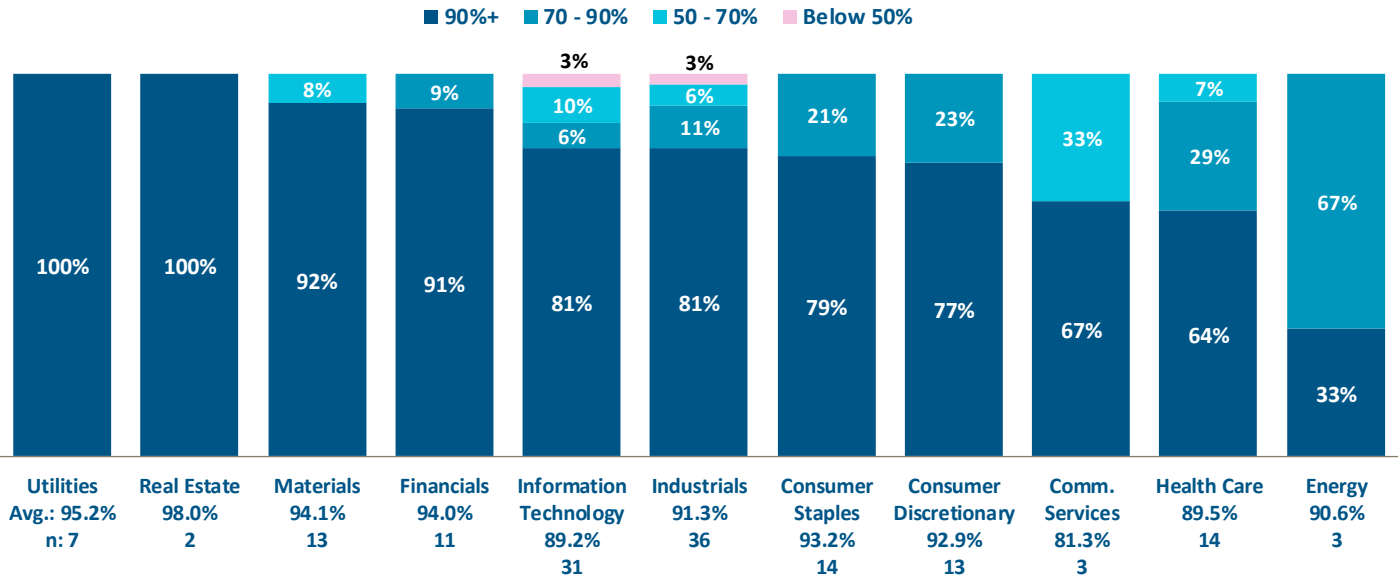
- The current failure rate (1.4%) is the same as the failure rate at this time last year
- The 91.4% average vote result thus far in 2020 is 20 basis points lower than the average vote result at this time last year
- Say on Pay voting for the majority of December 31st fiscal year-end companies will occur in late April and Early May
- One-third of the S&P 500 has received vote support below 70% at least once since 2011
- 10% of the Russell 3000 and 8% of the S&P 500 constituents have failed Say on Pay at least once over the same period

LIKELIHOOD OF A LOW SAY ON PAY VOTE

Vote results for current S&P 500 and Russell 3000 constituents since 2011

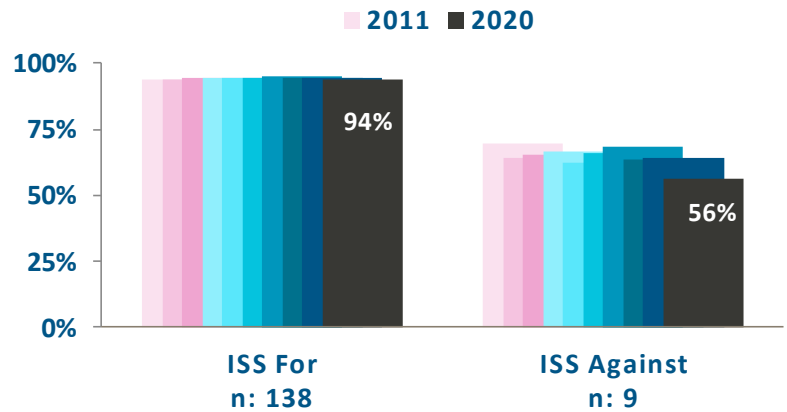


SAY ON PAY VOTE RESULTS BY GICS SECTOR



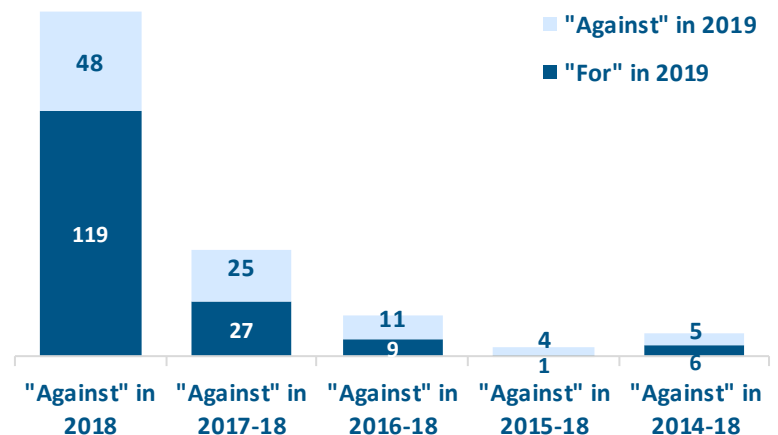
ISS IMPACT ON SAY ON PAY VOTE RESULTS

- The current average Say on Pay vote result for companies that received an ISS “Against” recommendation is 38 percentage points lower than for companies that received an ISS “For” recommendation
- The 38-percentage point gap is above the historical average range of 24 to 32 percentage points observed since 2011
- At this time last year, we observed a 31% difference, which declined to 30% by year end, and two years ago we observed a 39% difference at this time, which narrowed to 31% by end of year



COMPANIES RECEIVING CONSECUTIVE ISS “AGAINST” RECOMMENDATIONS

- ISS recommended “Against” 36% of companies in 2019 that also received an “Against” recommendation in 2018
- Companies that received an “Against” recommendation from ISS in 2018, but did not receive an “Against” in 2017, had a roughly 30% chance of receiving a second consecutive “Against” in 2019
- This rate jumped to roughly 50% for companies that received two or more consecutive “Against” recommendations



LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2020**2020 Failed Say on Pay Vote Results¹**

Russell 3000, n=2

Company	Say on Pay Vote Results			Number of Failures	Likely Causes of Votes Under 50%						
	2020 ▼ ¹	2019 ¹	YOY		Pay and Performance Relation	Problematic Pay Practices	Rigor of Performance Goals	Shareholder Outreach and Disclosure	Non-Performance Based Equity	Special Awards/ Mega-Grants	Benchmarking Practices
Acuity Brands, Inc.	33%	53%	-20%	1	X	X					X
QUALCOMM Incorporated	18%	79%	-62%	1	X	X	X		X		
Count (n=2)					2	2	1	0	1	1	0

¹ As of March 31, 2020FOR MORE INFORMATION, VISIT US AT SEMLERBROSSY.COMSEMLER BROSSY CONSULTING GROUP
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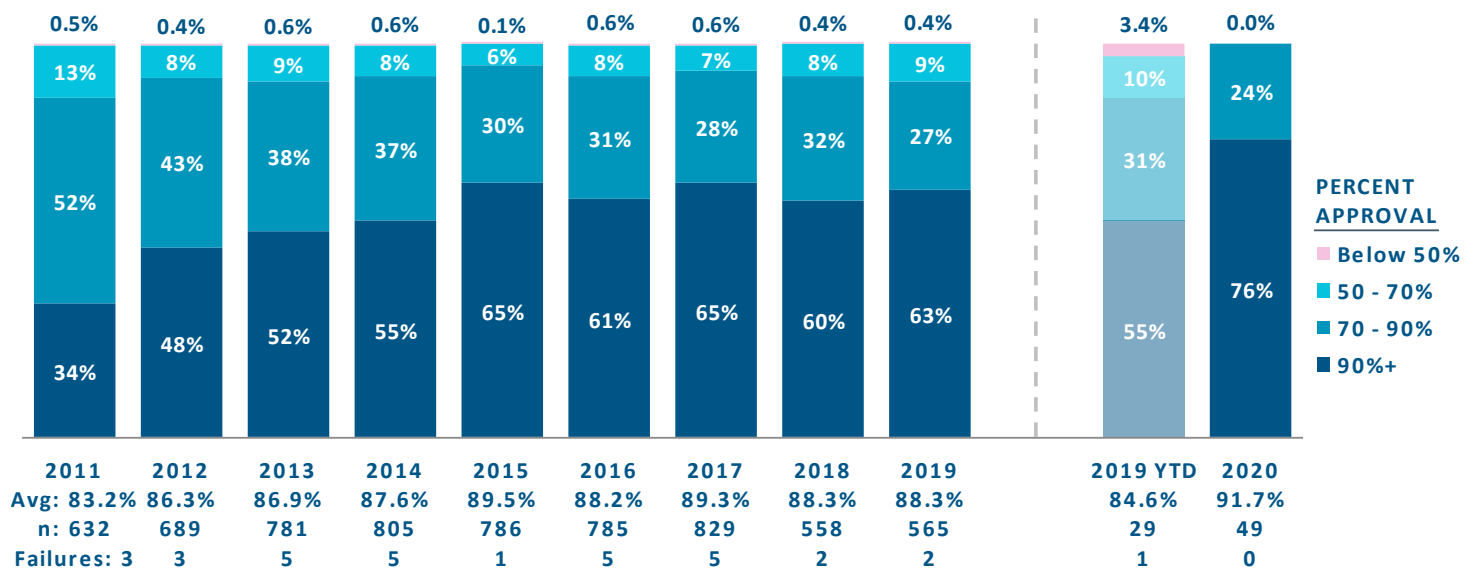
2020 EQUITY PROPOSAL RESULTS

4/9/2020

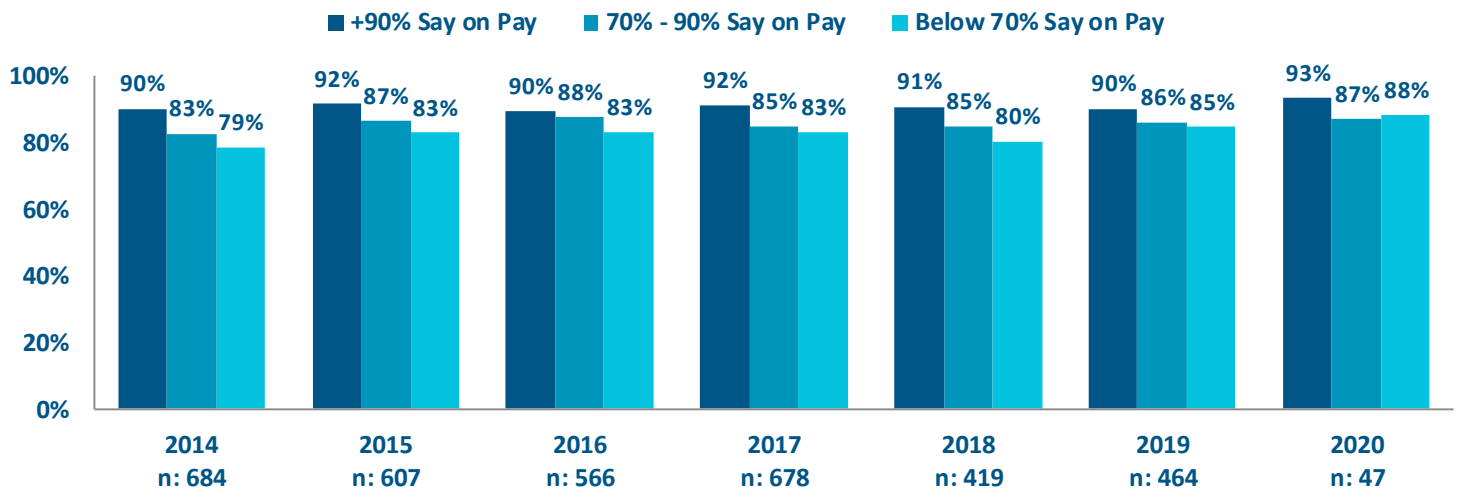
RUSSELL 3000
49 COMPANIES

- Average vote support for equity proposals thus far in the proxy season (91.7%) is significantly higher than the 88.7% average support observed over the previous three years
- No proposals have received vote support below 50% thus far in 2020; two proposals received below 50% support in 2019 and 2018
- The stock market downturn caused by COVID-19 will place pressure on companies' granting equity awards during 2020, and in turn, could impact companies' equity plan proposals, particularly later in the proxy season; we will monitor any equity plan proposal voting trends related to the pandemic

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



2020 DIRECTOR ELECTION RESULTS

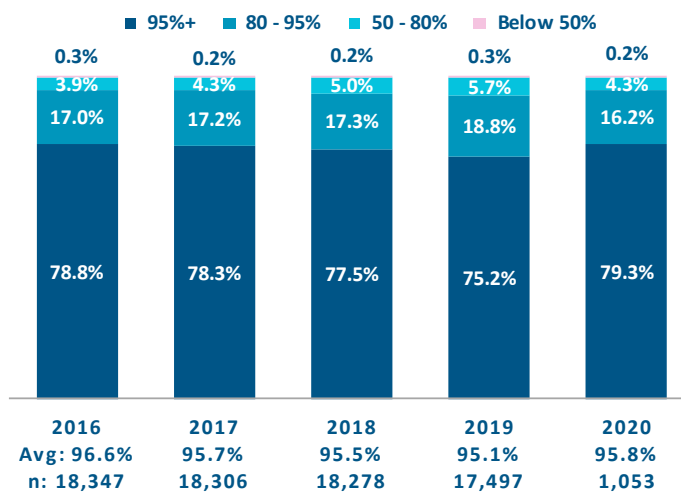
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RUSSELL 3000
1,053 DIRECTORS

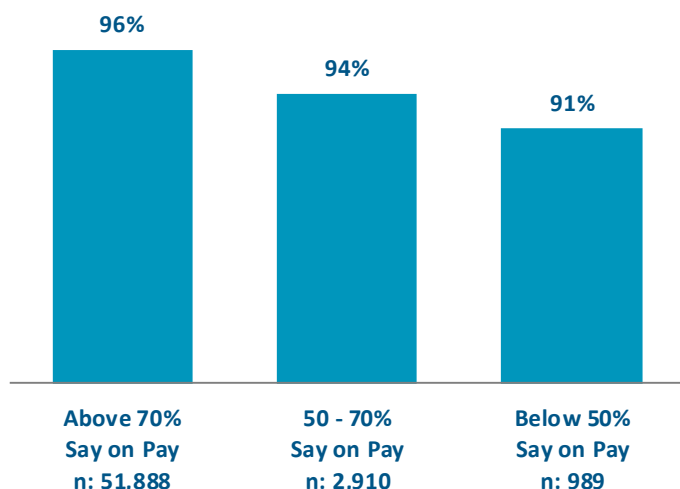
DIRECTOR ELECTION OBSERVATIONS

- Early 2020 proxy season vote support for Director nominees of 95.8% is 70 basis points higher than the year-end support observed in 2019; however, average vote support was 96.5% as of this time last year before declining to the year-end level (95.1%)
- One of our proxy season predictions is that average vote support for Director nominees will drop below 94.5% by the end of the year
- Over the past five years, average Director election vote support at companies that received a Say on Pay vote below 50% in the prior year is 6 percentage points lower than at companies that received above 70% vote support

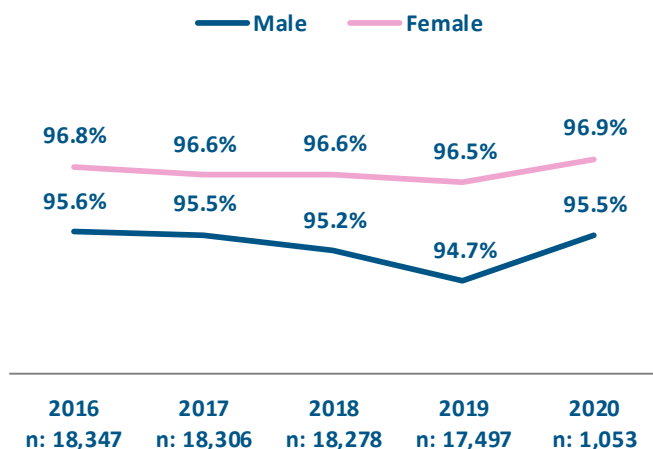
BREAKDOWN OF DIRECTOR ELECTION RESULTS



AVERAGE DIRECTOR ELECTION RESULTS IN YEAR FOLLOWING SAY ON PAY (2016-2020)



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



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