

Our firm wishes our clients and other readers well during this challenging time. Given the disruptions and fast-developing events, we are working to bring you the most up to date news regarding the COVID-19 crisis and its impact on human capital management and compensation decisions. Please visit our website at www.semlerbrossy.com/COVID-19 for more detail.

2020 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000

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107 COMPANIES

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SEPTEMBER
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PROXY ADVISOR RESPONSE TO RECENT COVID-19 DISCLOSURES

9/24/2020

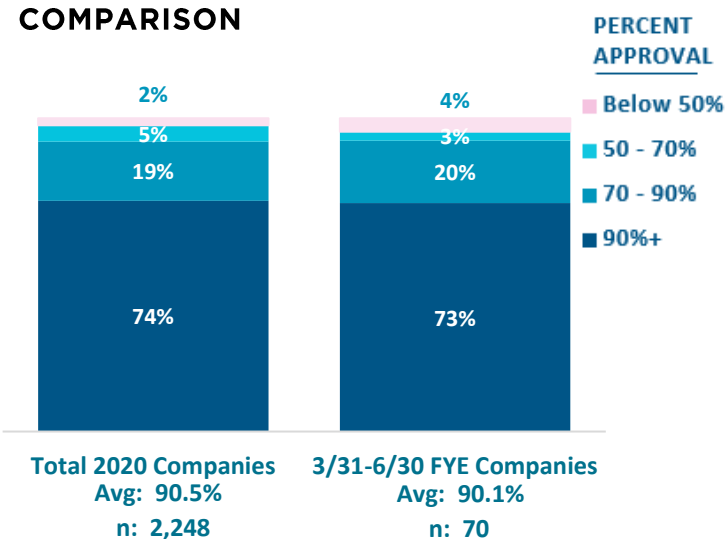
For More Detailed Analysis, Visit:
semmlerbrossy.com/COVID

RUSSELL 3000
 107 COMPANIES

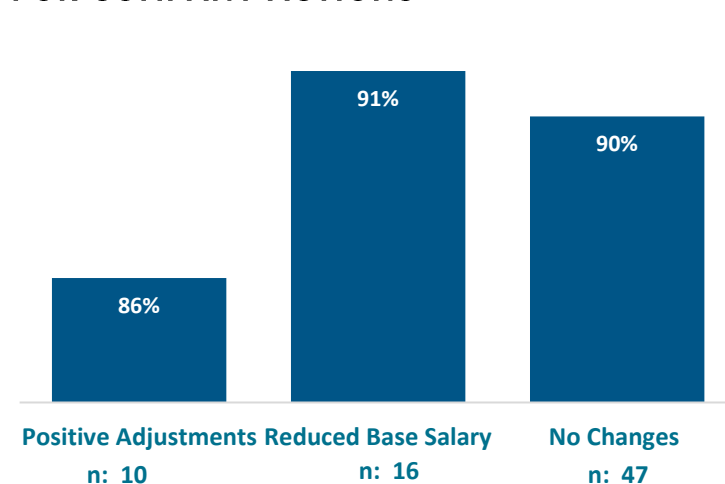
Companies with non-calendar fiscal year-end dates between 3/31 and 6/30 are the first to file proxies for a fiscal year that overlaps with the COVID-19 pandemic. Through September 9th, 107 Russell 3000 companies with non-calendar fiscal year-end dates have filed proxies; 70 of those companies have disclosed Say on Pay votes, and 57 of those companies disclosed pay actions in response to the pandemic. The most commonly disclosed actions have been to apply discretion or ring-fence a portion of annual incentive performance in order to adjust out COVID-19's impact.

Investors and proxy advisors issued guidance at the start of the pandemic that stated they would generally be open to certain non-standard adjustments to annual incentives that maintain pay and performance alignment. Thus far, ISS has recommended "Against" Say on Pay proposals for this sample of 57 companies at a lower rate than the overall 2020 sample and average vote support has been about the same for both groups. To see more detailed coverage of pandemic-related pay actions please visit: www.semmlerbrossy.com/COVID-19

SAY ON PAY VOTE RESULTS COMPARISON



AVERAGE SAY ON PAY VOTE BREAKDOWN FOR COMPANY ACTIONS



OBSERVATIONS

- This sample provides some initial observations such as a 40-basis point lower average voting result for companies that have made positive adjustments to their incentive plans
- Thus far, companies that have reduced base salaries for executives have a slightly higher average vote result compared to companies that have taken no action
- Companies should continue to expect a heavy burden of proof in illustrating continued alignment between pay and performance amidst the COVID-19 landscape

CASE STUDY: NIKE

- Nike adjusted non-executive annual incentive payouts based on performance through three quarters of their recently completed FY, and elected to grant discretionary cash bonuses to the NEOs that approximated the adjustments made to all other eligible employees' payouts
- ISS and Glass Lewis issued "Against" recommendations for Nike's Say on Pay vote
- Glass Lewis' analysis of the incentive plan adjustments suggests they still believe that "at risk" pay should remain "at risk", commenting that they believe such adjustments may indicate a lack of resolve on the part of the compensation committee to put incentive awards truly 'at risk'
- Nike narrowly passed their Say on Pay vote at 54%

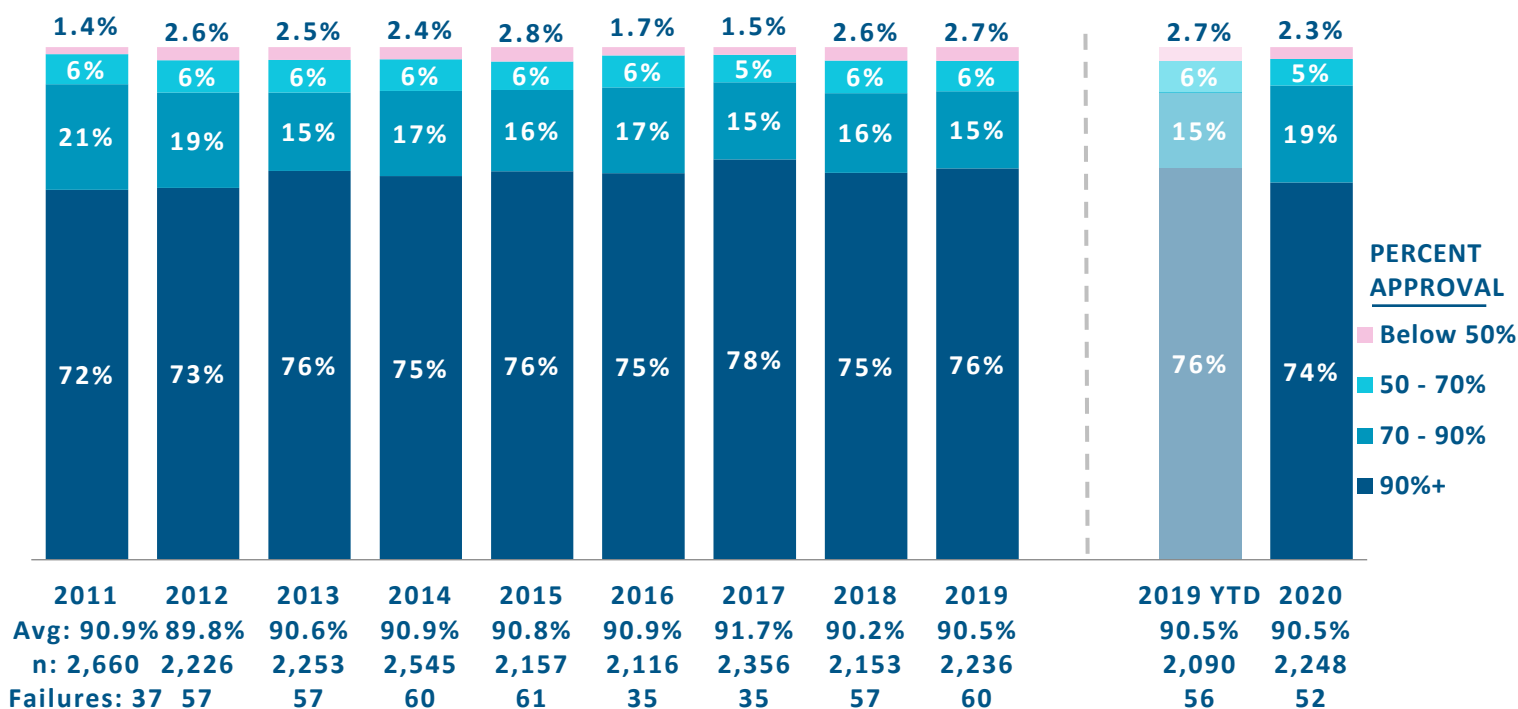
2020 SAY ON PAY RESULTS

9/24/2020

RUSSELL 3000
2,248 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

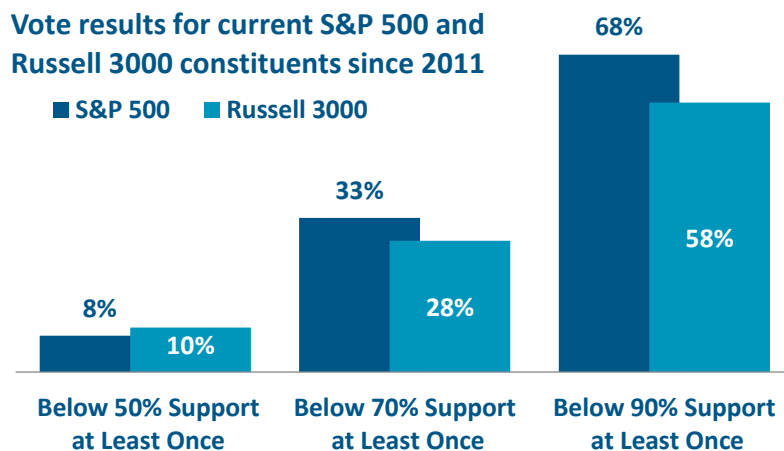
52 Russell 3000 companies (2.3%) failed Say on Pay thus far in 2020. 7 companies failed since our last report and are highlighted in **bold** on page 4 of this report.



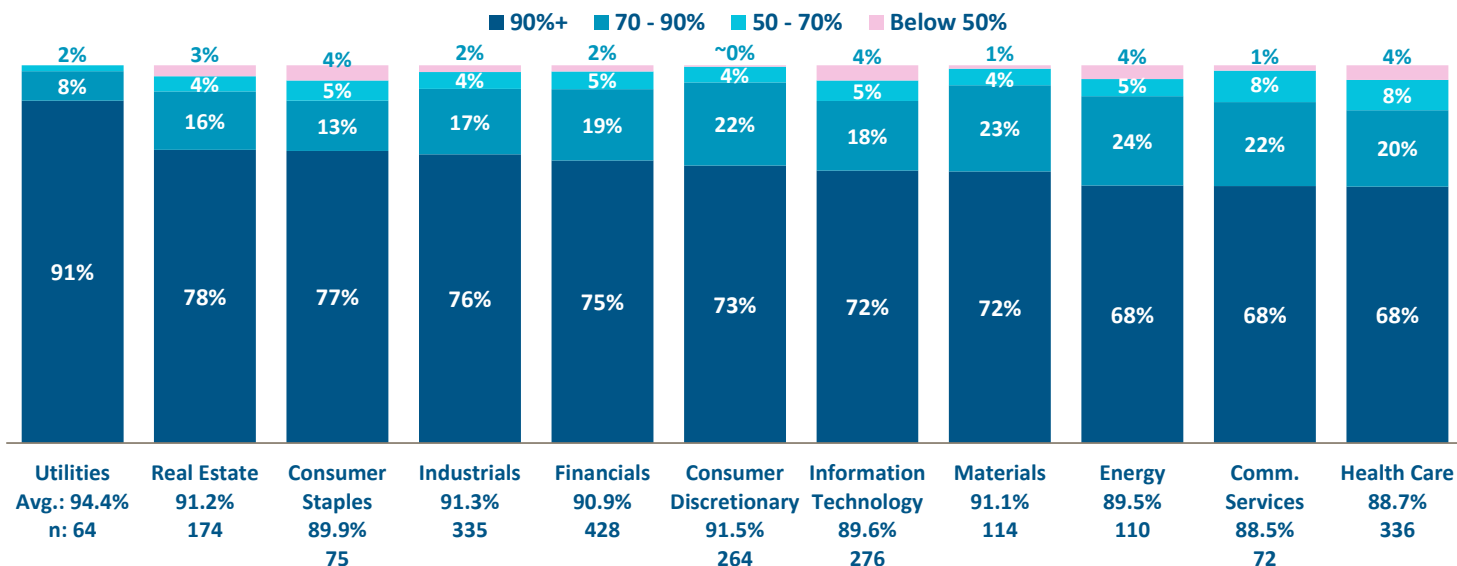
SAY ON PAY OBSERVATIONS

- The current number of failures (52) and failure rate (2.3%) are both lower than this time last year
- The 90.5% average vote result thus far in 2020 is 10 basis points lower than our last report and is now equal to the average vote result at this time last year
- 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

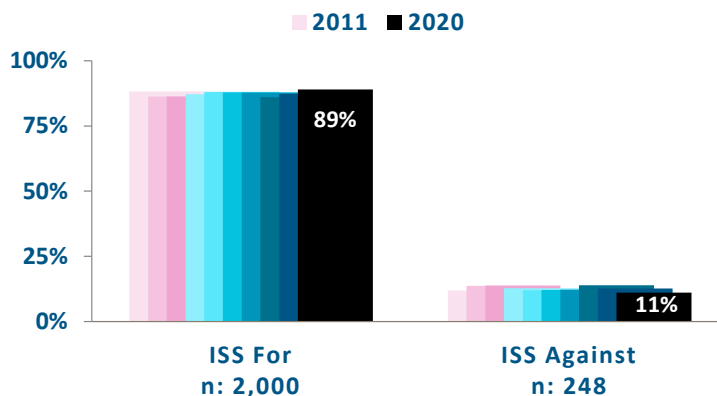


SAY ON PAY VOTE RESULTS BY GICS SECTOR



ISS RECOMMENDATION RATE

- 11% of companies have received an “Against” recommendation from ISS thus far in 2020; by comparison, 14% of companies received an “Against” recommendation from ISS at this time in each of the last two years
- We expect that COVID-19’s impact and ISS’ changes to its pay and performance tests are the primary reasons that the 2020 “For” rate is the highest observed over the last ten years
- We will monitor this number for the remainder of the year and in 2021 as more companies disclose actions in response to COVID-19 that go against ISS’ guidance



COMPANIES RECEIVING CONSECUTIVE ISS “AGAINST” RECOMMENDATIONS

Average vote result decreases and ISS “Against” likelihood increases with additional consecutive prior “Against” recommendations

Consecutive “Against” Recommendations Before 2020	Number of Companies	Rate of Additional Consecutive “Against” Recommendation	Avg. 2020 Vote for Those With Additional “Against” Recommendation	Avg. 2020 Vote for Those Achieving “For” Recommendation
1	153	28%	60.1%	91.6%
2	43	42%	58.0%	91.2%
3	20	40%	56.2%	91.0%
4+	15	67%	53.1%	88.5%

LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2020

2020 Failed Say on Pay Vote Results¹

Russell 3000, n=52

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
Intel Corporation	50%	60%	-10%	1		X				X
Noble Corporation plc	50%	56%	-7%	1	X					X
Vocera Communications, Inc.	49%	96%	-46%	1			X	X		X
Altria Group, Inc.	49%	95%	-45%	1		X	X			
Kilroy Realty Corporation	49%	15%	34%	5			X			
Westwood Holdings Group, Inc.	49%	64%	-15%	1		X		X		X
Penns Woods Bancorp, Inc.	49%	54%	-5%	1		X				X
Everbridge, Inc.	48%	98%	-50%	1	X			X	X	
CIM Commercial Trust Corporation	47%	-	-	1	X	X				X
Clarus Corporation	47%	-	-	1	X			X	X	
Ennis, Inc.	46%	44%	3%	2		X		X		
IQVIA Holdings Inc.	46%	-	-	1		X		X		
Investors Bancorp, Inc.	46%	94%	-48%	1		X				
Home Bancshares, Inc. (Conway, AR)	46%	92%	-46%	1	X	X	X			X
Fidelity National Information Services, Inc.	46%	93%	-47%	1	X				X	
Paycom Software, Inc.	45%	90%	-45%	1	X	X	X		X	
Citizens, Inc.	45%	44%	0%	2	X	X				X
Tandem Diabetes Care, Inc.	45%	50%	-6%	1	X	X			X	
Castlight Health, Inc.	44%	-	-	1	X	X		X	X	
UroGen Pharma Ltd.	44%	-	-	1	X	X			X	X
Marvell Technology Group Ltd.	44%	96%	-52%	2		X	X			X
Vornado Realty Trust	43%	65%	-22%	1		X		X	X	
Laredo Petroleum, Inc.	42%	68%	-25%	1				X	X	X
Colony Capital, Inc.	42%	69%	-27%	1				X	X	X
SS&C Technologies Holdings, Inc.	42%	42%	0%	2				X		X
Federal Realty Investment Trust	42%	93%	-51%	1	X	X				
Bunge Limited	41%	82%	-41%	1	X					
Digimarc Corporation	40%	47%	-7%	3	X		X			
Mallinckrodt plc	38%	37%	1%	2		X		X		X
Applied Optoelectronics, Inc.	37%	48%	-11%	2				X	X	
Associated Banc-Corp	37%	94%	-58%	1			X		X	
Cryoport, Inc.	36%	54%	-18%	1	X		X	X		
Nabors Industries Ltd.	35%	47%	-12%	9	X		X	X		
Tutor Perini Corporation	34%	37%	-2%	10		X		X	X	
United Therapeutics Corporation	34%	27%	7%	4	X	X				
QIAGEN N.V.	34%	-	-	1			X	X		X
Acuity Brands, Inc.	33%	53%	-20%	1	X	X		X		
Medpace Holdings, Inc.	33%	-	-	1	X		X			
DXC Technology Company	33%	79%	-46%	1			X	X		X
Cleveland-Cliffs Inc.	32%	70%	-37%	2	X	X				X
Assertio Holdings, Inc.	32%	96%	-64%	1	X	X				
Vector Group Ltd.	31%	49%	-18%	2	X		X	X		
RBC Bearings Incorporated	31%	74%	-43%	3		X	X			
Atlas Air Worldwide Holdings, Inc.	31%	92%	-61%	4		X	X			
MEDNAX, Inc.	30%	13%	17%	2		X	X	X		
U.S. Silica Holdings, Inc.	30%	95%	-65%	1	X	X			X	
Electronic Arts Inc.	26%	94%	-68%	1		X		X		X
Daseke, Inc.	25%	96%	-71%	1	X			X		
CVS Health Corporation	24%	90%	-66%	1	X		X			
Heritage Insurance Holdings, Inc.	18%	-	-	1		X				X
QUALCOMM Incorporated	18%	79%	-62%	1		X	X			X
USA Technologies, Inc.	16%	-	-	1	X		X			
Count (n=52)					26	30	20	23	14	20

¹ As of September 15, 2020

2020 ESG PROPOSAL RESULTS

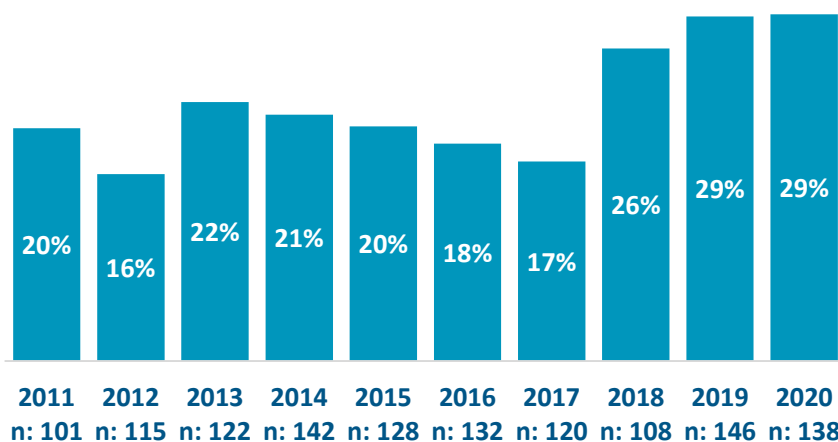
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RUSSELL 3000
175 PROPOSALS

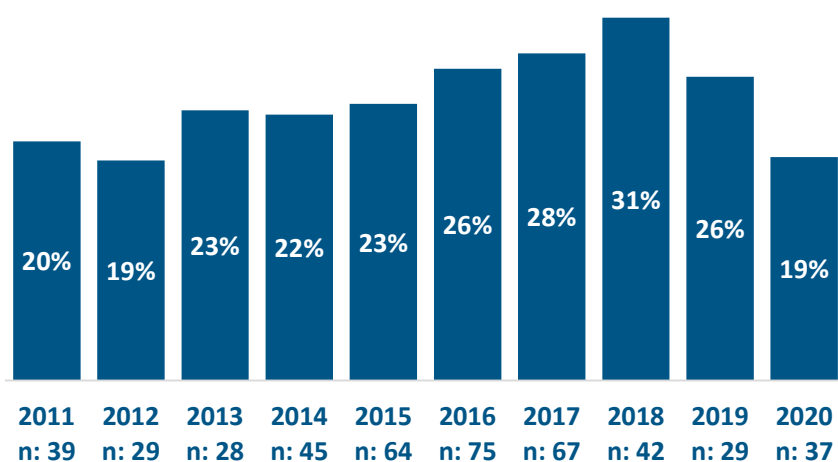
- Thus far in the proxy season, shareholders have voted on 138 social proposals and 37 environmental proposals – median support for social proposals is 29% and median support for environmental proposals is 19%
- Thirteen social proposals (9%) and five environmental proposals (14%) have received greater than 50% support in 2020 – one proposal, a request for a report on political lobbying, received greater than 50% support since our last report
- By comparison, 6.2% of social proposals and 0% of environmental proposals received greater than 50% support in 2019

See additional analysis and insights on ESG in executive incentives at www.semlerbrossy.com/corporate-purpose-guidance/

SOCIAL PROPOSALS MEDIAN VOTE RESULT



ENVIRONMENTAL PROPOSALS MEDIAN VOTE RESULT



SPOTLIGHT: FORTINET

Shareholders submitted a proposal requesting that Fortinet publish an annual report on the company's diversity and inclusion (D&I) efforts

The proposal passed with 69% vote support

- The proponents of the proposal requested that Fortinet increase corporate transparency on workplace equity data, and at a minimum, the report should disclose the Board's process for assessing the effectiveness of its D&I programs (as well as the assessment itself)
- The proponents specifically noted the lack of gender and racial diversity for Fortinet's C-suite, particularly in the information technology security industry
- The Board recommended that shareholders vote "Against" the proposal and stated that the requested report is redundant given the company's ongoing commitment and planned initiatives related to D&I; the Board points out that the company is ahead of competitors and has been recognized for its D&I efforts
- ISS recommended "For" the proposal and cited that the company does not provide comprehensive diversity-related data, even though it currently collects and reports similar data in its EEO-1 report for the Equal Employment Opportunity Commission; as such, the additional disclosure could benefit shareholders without significant additional effort by the company

2020 DIRECTOR ELECTION RESULTS

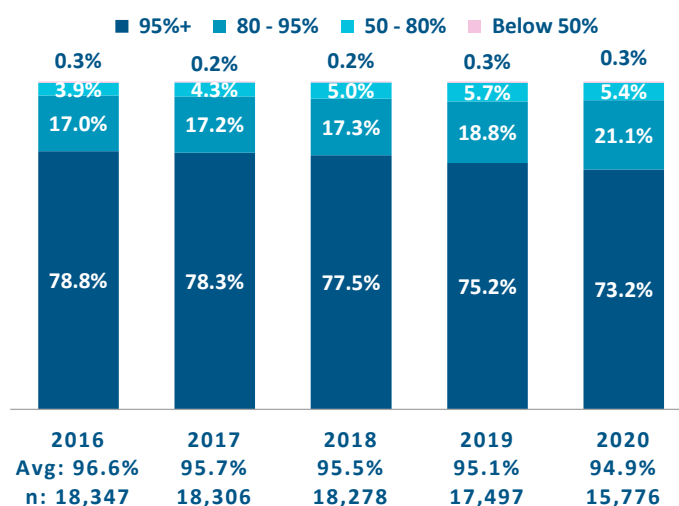
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RUSSELL 3000
15,776 DIRECTORS

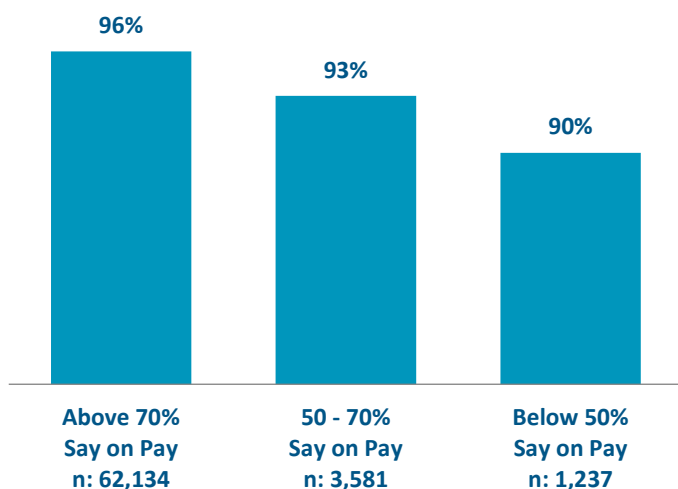
DIRECTOR ELECTION OBSERVATIONS

- Average vote support for Director nominees (94.9%) decreased 10 basis points since our last report and is now 20 basis points lower than the year-end average support observed last year
- 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 six percentage points lower than at companies that received above 70% vote support
- Average vote support for female Director nominees continues to outpace support for male nominees

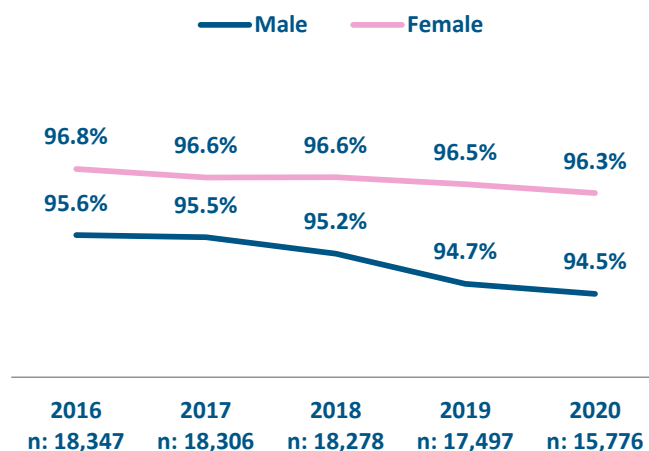
BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



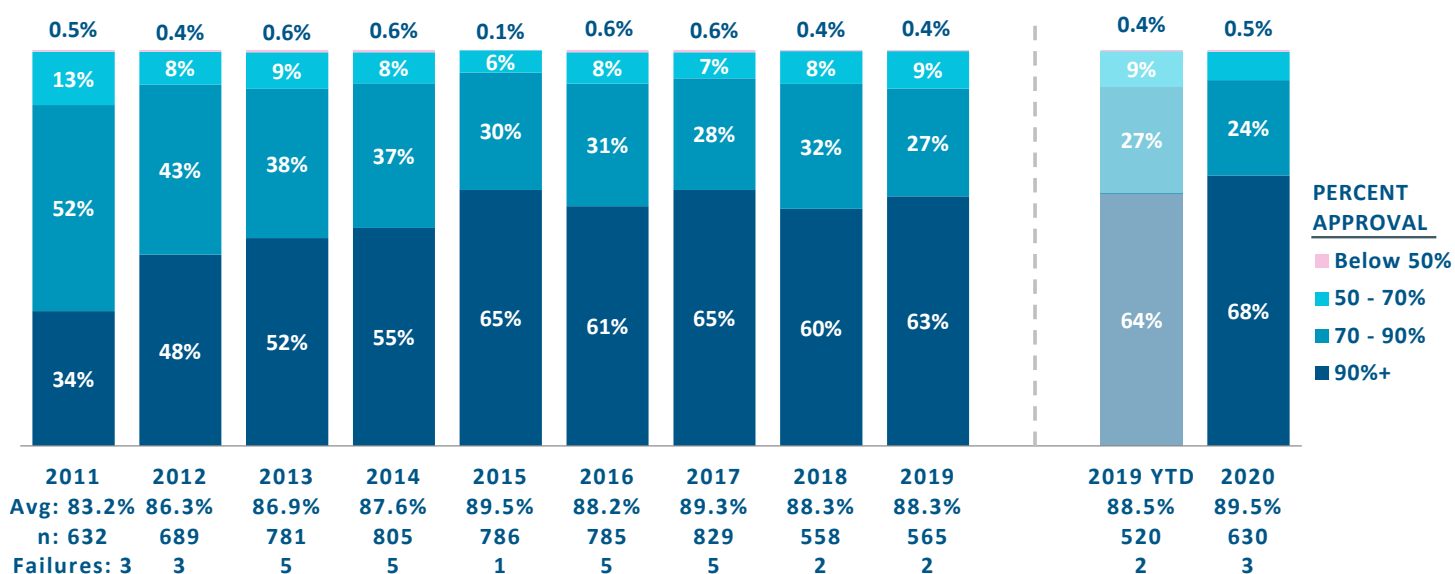
2020 EQUITY PROPOSAL RESULTS

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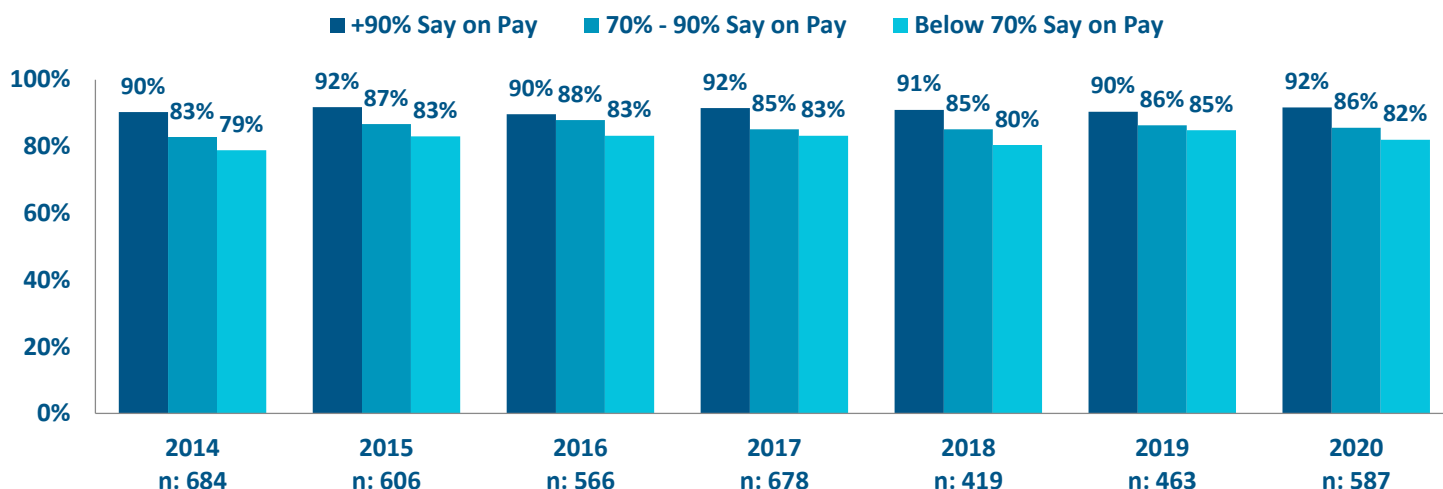
RUSSELL 3000
630 COMPANIES

- Average vote support for equity proposals thus far in the proxy season (89.5%) is 100 basis points higher than the 88.5% average support observed at this time last year
- Three proposals have received vote support below 50% thus far in 2019, compared to two proposals in each of the last two years
- We expect more companies to request shares next year due to the higher dilution levels caused by equity grants made during the challenging market environment in 2020

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



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