

2020 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000

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**YEAR-END
REPORT**

FEBRUARY 4

2020 VOTING TRENDS

2/4/2021

RECAPPING 2020 VOTING TRENDS

Our first Say on Pay and Proxy Results report of the 2020 proxy season included four predictions for voting trends. At that time, it was difficult to estimate the impact that COVID-19 would have on 2020 corporate performance and compensation programs (and significant uncertainty still exists). Compensation-related actions in response to COVID-19 will be a major discussion point in CD&As and proxy advisor reviews that are released in early 2021. Below are the trends we observed through the 2020 proxy season.

- We did not observe any change in the average Say on Pay vote support for Russell 3000 companies from 2019 to 2020, despite a significant number of companies disclosing mid-year pay actions. We expect the 2021 average vote support and failure rate to reflect more of COVID-19's impact as shareholders learn the full breadth of actions (such as discretionary bonus adjustments, modifications to outstanding equity, and other design changes) taken by companies through proxy filings covering FY20 executive compensation
- Based on the Say on Pay failure rate's cyclical trend since 2011, we predicted the Say on Pay failure rate for Russell 3000 companies would fall below 2% after two consecutive years above 2.5%. The failure rate decreased to 2.3% in 2020
- We expected the standard deviation of Say on Pay voting to increase above the 13% standard deviation observed in 2019 due to differing approaches from investors measuring company's pay-and-performance relationship; however, this shift was not as impactful as expected and the standard deviation decreased from 13% to 12.3% in 2020
- We anticipated average Director vote support would fall below 94.5% as shareholders continue to increase expectations for Directors. Average vote support in 2020 (94.9%) did not drop as drastically as predicted; however, we expect this trend will continue at the current pace in 2021 as pay-related decisions in the COVID-19 environment are assessed in next year's proxies
- We predicted the median vote support for Environmental and Shareholder proposals would reach 30%. Overall, vote support did not increase in 2020, but the number of proposals receiving above 50% support increased significantly. Investors are tightening their expectations around ESG-related actions and are holding companies accountable to these expectations through other avenues beyond shareholder proposals

ADDITIONAL SEMLER BROSSY RESEARCH AND ARTICLES

We have published multiple articles with COVID-19 related research and considerations:

- [Incentive design changes in response to COVID-19](#) – Provides up-to-date data on COVID-related disclosure and design changes among Russell 3000 companies
- [CEO and executive compensation practices in the Russell 3000 and S&P 500](#) – Offers details on trends for 2,402 companies' total compensation figures including base salaries and incentive-related elements of a typical compensation package

We also have multiple resources for ESG and HCM topics, as well as Director compensation practices:

- [Latest ESG & Incentives Report](#) – This report series delves into the current state of ESG in executive incentives for the Fortune 200
- [Diversity and Inclusion Incentives Across the F200](#) – This report provides in-depth examples of disclosures from these companies that have incorporated D&I metrics in their incentive plans
- [Director Compensation Practices Dashboard](#) – Online dashboard offering a comprehensive set of benchmarking data and analysis needed to inform the board pay design process

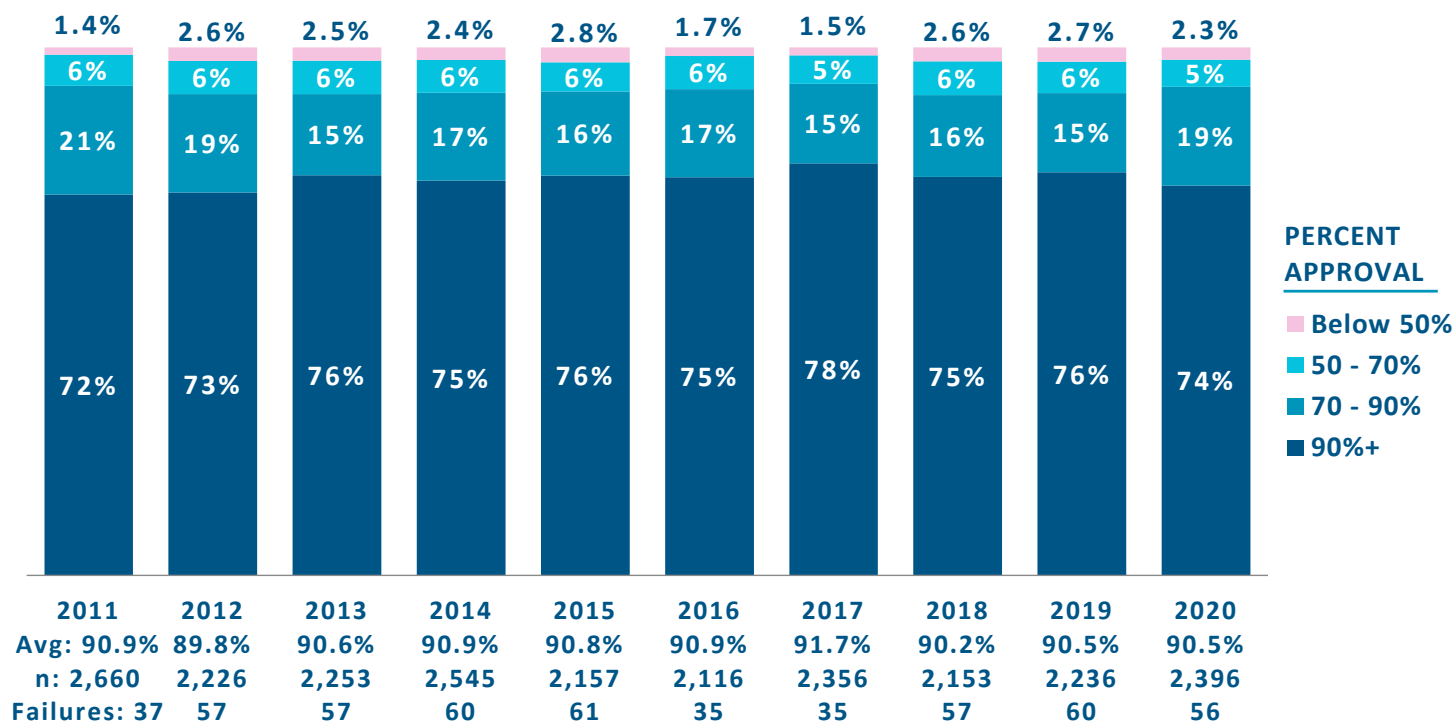
2020 SAY ON PAY RESULTS

2/4/2021

RUSSELL 3000
2,396 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

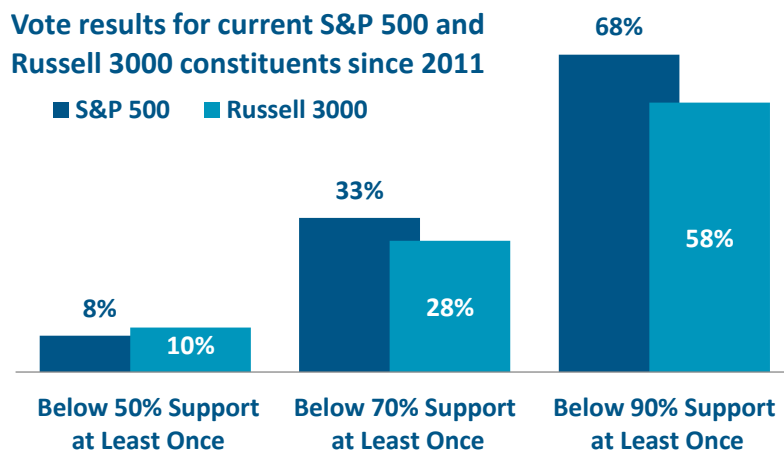
56 Russell 3000 companies (2.3%) failed Say on Pay in 2020. Four companies failed since our last report in September – these companies are highlighted in **bold** on page four of this report.



SAY ON PAY OBSERVATIONS

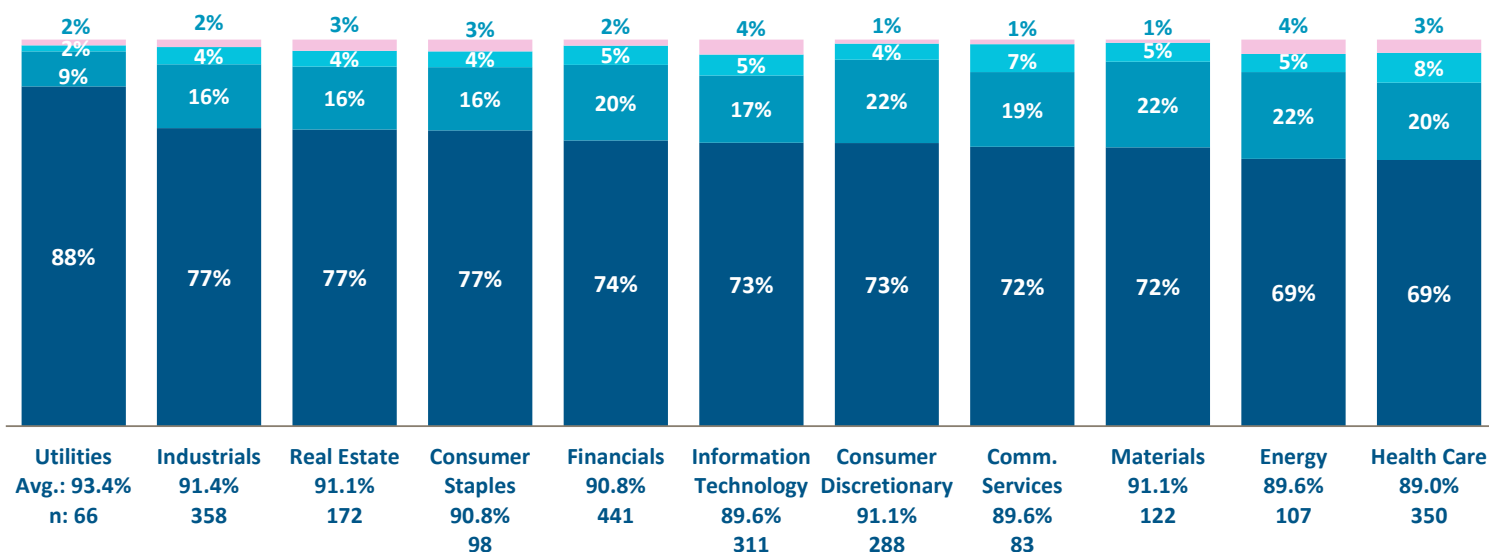
- The number of failures (56) and failure rate (2.3%) were both lower than last year, and were the lowest observed since 2017
- The 90.5% average vote result in 2020 was the same as the average vote result in 2019
- One-third of the S&P 500 has received vote support below 70% at least once since 2011
- The percentage of companies that received support between 70% and 90% was the highest observed 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



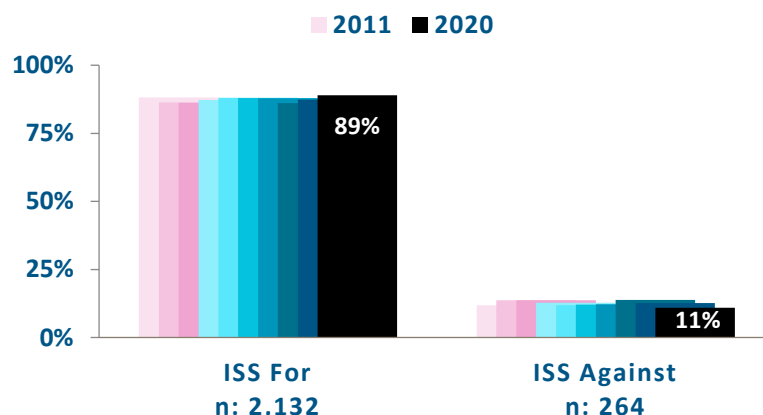
SAY ON PAY VOTE RESULTS BY GICS SECTOR

■ 90%+ ■ 70 - 90% ■ 50 - 70% ■ Below 50%



ISS RECOMMENDATION RATE

- 89% of companies received a “For” recommendation from ISS in 2020. This is the highest rate observed since 2011
- 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 continue to monitor this number in 2021 as we expect that companies taking actions in contrast to ISS’ COVID-19 guidance will lead ISS to recommend “Against” for a higher percentage of companies in 2021



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	163	28%	60.0%	91.7%
2	45	44%	58.5%	91.2%
3	20	40%	56.3%	91.0%
4+	16	63%	53.6%	88.9%

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

2020 Failed Say on Pay Vote Results¹

Russell 3000, n=56

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			
Noble Holding 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		
Radiant Logistics, Inc.	45%	67%	-23%	1	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						
Palo Alto Networks, Inc.	40%	18%	22%	5			X	X	X	X	
Digimarc Corporation	40%	47%	-7%	3	X		X				
Montauk Holdings Limited	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		
Cracker Barrel Old Country Store, Inc.	36%	81%	-45%	1	X	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				
Stride, Inc.	22%	94%	-72%	3		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=56)						28	32	21	25	17	22

¹ As of December 31, 2020

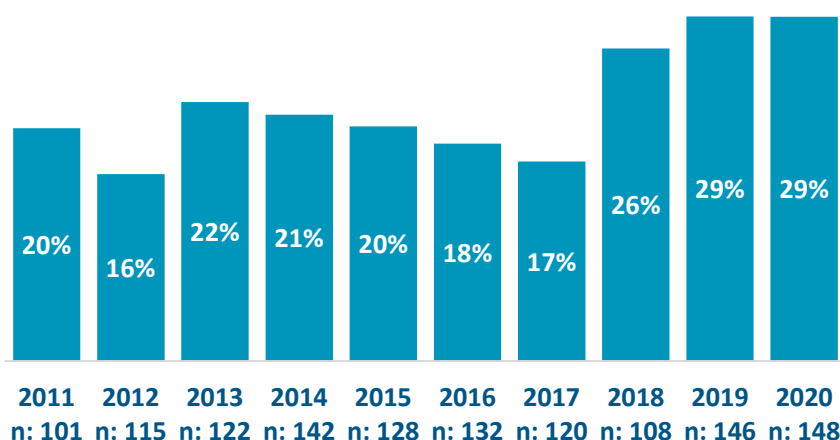
2020 ESG PROPOSAL RESULTS

2/4/2021

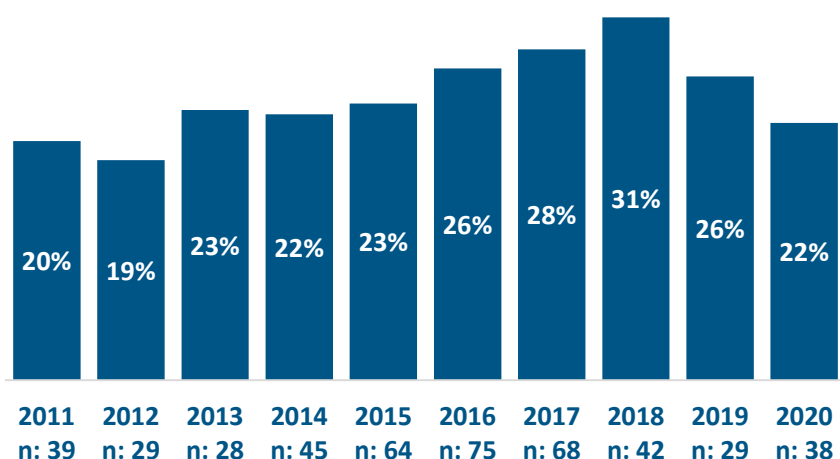
RUSSELL 3000
186 PROPOSALS

- During the 2020 proxy season, shareholders voted on 148 social proposals and 38 environmental proposals – median support for environmental proposals (22%) was 400 basis points lower than last year, while median support for social proposals (29%) was equal to the median support observed last year
 - Thirteen social proposals (9%) and six environmental proposals (16%) received greater than 50% support in 2020
 - 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: PROCTOR & GAMBLE

Shareholders submitted a proposal requesting that Proctor & Gamble publish a report on the company's efforts to eliminate deforestation from its supply chain.

The proposal passed with 68% vote support

- The proponents of the proposal cited the company's use of palm oil and forest pulp (commodities considered leading drivers of forest degradation) as well as the company's connections with palm oil suppliers linked to illegal deforestation as the basis for the initiative
- The proponents of the proposal specifically noted that potential remedies could include no-deforestation policies for all relevant commodities and disclosure of quantitative progress reports/ time-bound action plans
- The Board's response opposing the resolution stated that the company is already committed to responsible sourcing in its supply chain and already reports on its progress toward its goals in its Annual Citizenship report
- ISS recommended "For" the proposal, citing that environmentalists question the deforestation standards of some third-party certification partners that the company references in its Citizenship Report and that the company lags its peers in terms of deforestation commitments and policies to monitor its suppliers

2020 AND 2019 ENVIRONMENTAL AND SOCIAL PROPOSALS THAT RECEIVED GREATER THAN 50% VOTE SUPPORT

Company	Proposal	Recommendation		
		ISS	Mgmt	Support
2020 Environmental Proposals (n=6)				
Dollar Tree	Report on Greenhouse Gas Emissions Goals	For	Against	74%
Procter & Gamble Company	Report on Efforts to Eliminate Deforestation	For	Against	68%
J.B. Hunt Transport Services	Report on Climate Change Initiatives	For	Against	54%
Phillips 66	Report on Risks of Gulf Coast Petrochemical Investments	For	Against	54%
Chevron Corporation	Report on Climate Lobbying Aligned with Paris Agreement Goals	For	Against	54%
Enphase	Report on Sustainability	For	Against	52%
2019 Environmental Proposals (n=0)				
No Environmental Proposals received greater than 50% support in 2019				
2020 Social Proposals (n=13)				
Genuine Parts	Report on EEO	Against	Against	74%
Fortinet	Report on Diversity and Inclusion Efforts	For	Against	69%
O'Reilly Automotive Inc.	Report on Material Human Capital Risks	Against	Against	65%
Johnson & Johnson	Report on Opioid-Related Risks	For	Against	61%
National HealthCare Corporation	Report on Plans to Increase Board Diversity	For	Against	59%
Fastenal	Prepare Employment Diversity Report	For	Against	58%
Activision Blizzard	Report on Political Contributions	For	Against	56%
J.B. Hunt Transport Services	Report on Political Contributions	Against	Against	53%
Western Union Company (The)	Report on Political Contributions Disclosure	For	Against	53%
Expeditors International of Washington Inc.	Adopt a Policy on Board Diversity	For	Against	53%
McKesson	Report on Lobbying	For	Against	52%
Centene	Report on Political Spending	Against	Against	51%
Alaska Air Group Inc.	Report on Lobbying Payments and Policy	For	Against	51%
2019 Social Proposals (n=9)				
Mallinckrodt	Report on Political Contributions Disclosure	For	For	80%
Mallinckrodt	Report on Lobbying Payments and Policy	For	For	79%
Gaming and Leisure Properties	Adopt a Policy on Board Diversity	For	None	78%
Walgreens Boots Alliance	Report on Governance Measures Implemented Related to Opioids	For	Against	59%
Newell Brands	Prepare Employment Diversity Report	For	Against	55%
Alliant Energy	Report on Political Contributions	For	Against	54%
Cognizant Technology Solutions	Report on Political Contributions	For	Against	54%
Microchip Technology	Report on Human Rights Risks to Supply Chain Workers	For	Against	51%
Travelers Companies	Prepare Employment Diversity Report, Including EEOC Data	For	Against	50%

2020 DIRECTOR ELECTION RESULTS

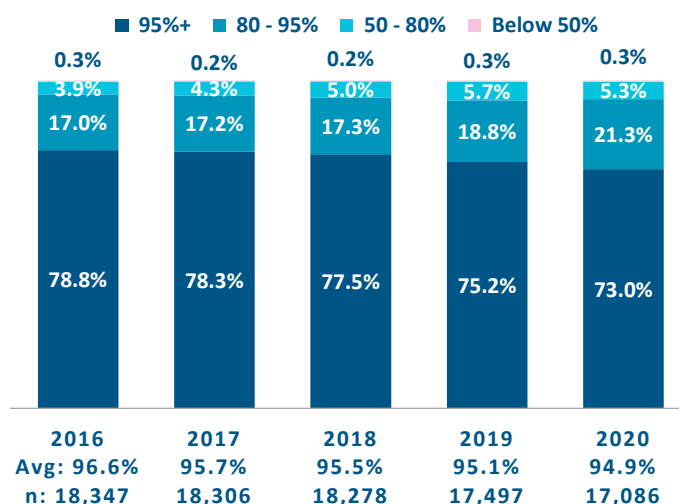
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RUSSELL 3000
17,086 DIRECTORS

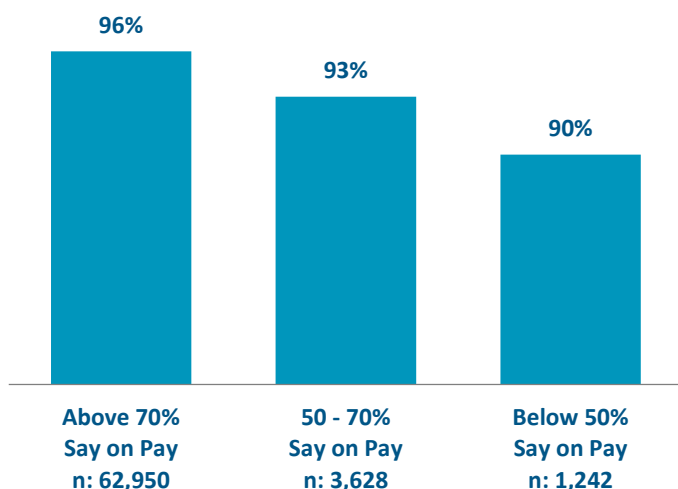
DIRECTOR ELECTION OBSERVATIONS

- Average vote support for Director nominees (94.9%) was 20 basis points lower than the average support observed in 2019; this continues a trend of declining average vote support for Director nominees over the last five years
- The percentage of Director nominees that receive vote support over 95% has declined from 79% of nominees in 2016 to 73% of nominees in 2020
- 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 was 180 basis points higher than average support for male nominees in a second consecutive year

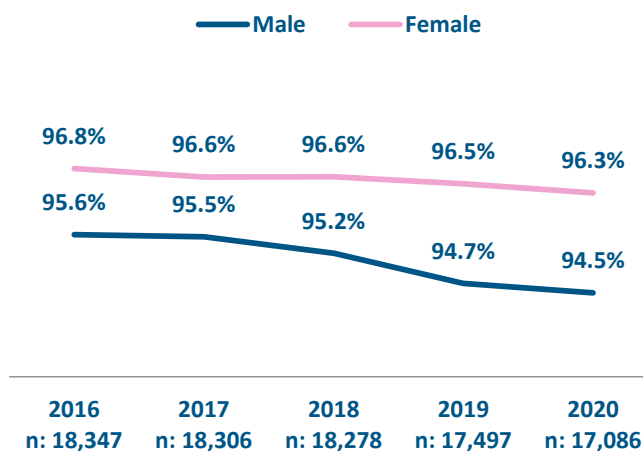
BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



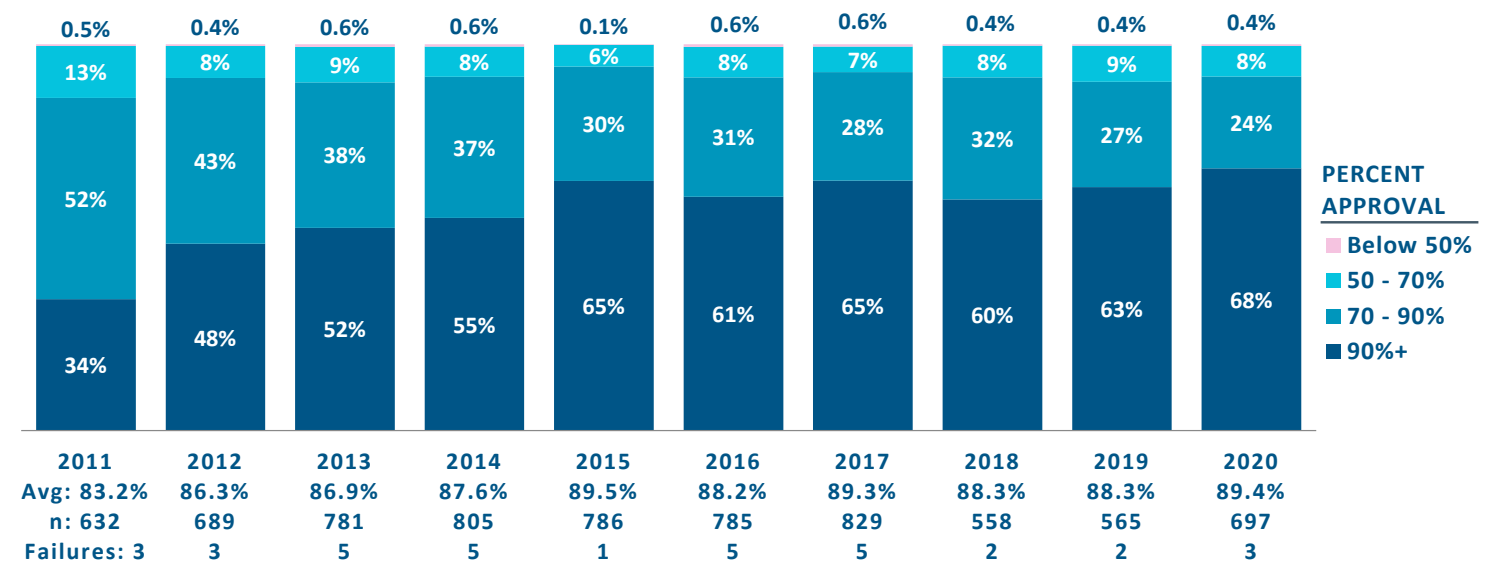
2020 EQUITY PROPOSAL RESULTS

2/4/2021

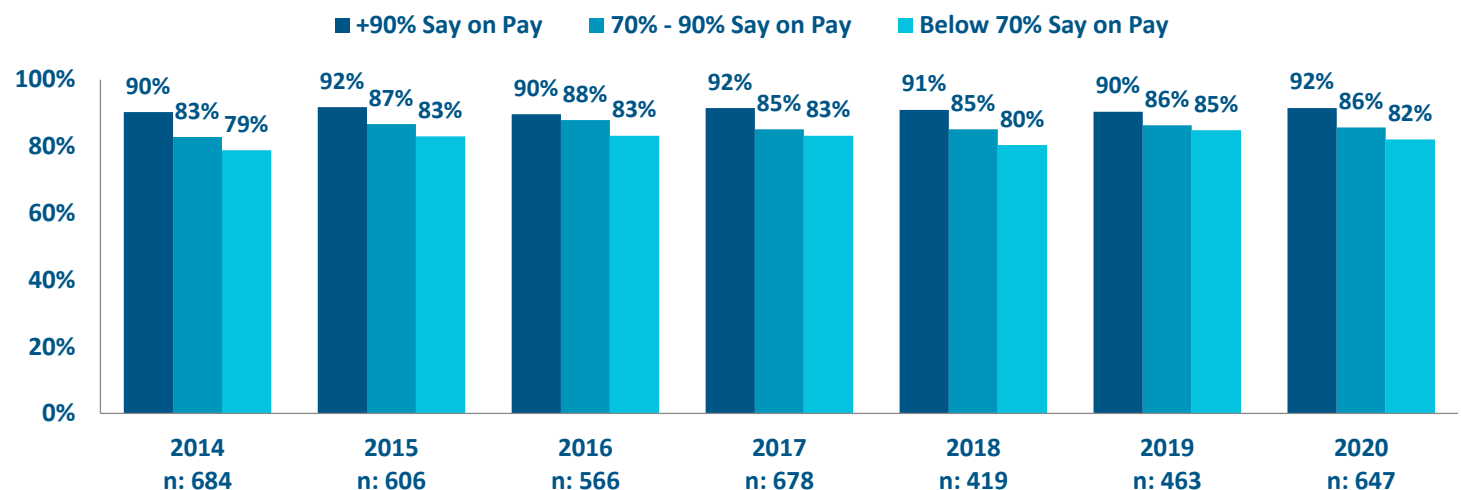
RUSSELL 3000
697 COMPANIES

- Average vote support for equity proposals (89.4%) was 110 basis points higher than the average vote support observed last year
- The number of equity proposals (697) increased in 2020 after the number of proposals in 2019 (565) and 2018 (558) were the two lowest since 2011; we expect the number of proposals in future years will remain below the levels observed prior to 2018 due to the elimination of the 162(m) provision that required shareholder approval of performance goals in incentive plans every five years
- Companies that received Say on Pay support below 70% received ten percentage points lower support on equity proposals than companies that received Say on Pay support above 90%

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



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