

2018 **SAY ON PAY** AND PROXY RESULTS

RUSSELL 3000

MAY
23
2018

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1,785 DISCLOSURES

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2018 CEO PAY RATIO RESULTS

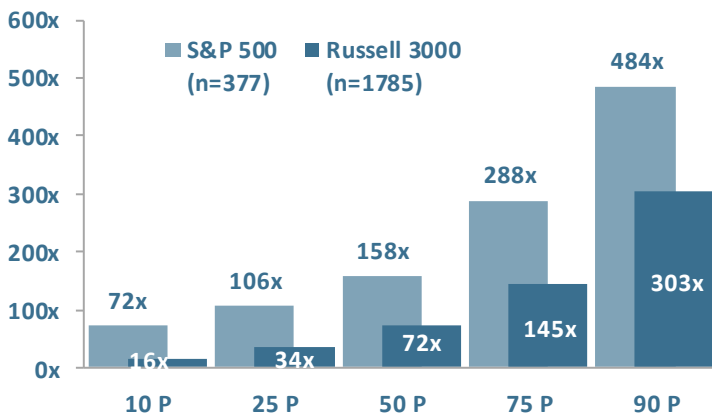
5/23/2018

Russell 3000
1,785 Companies

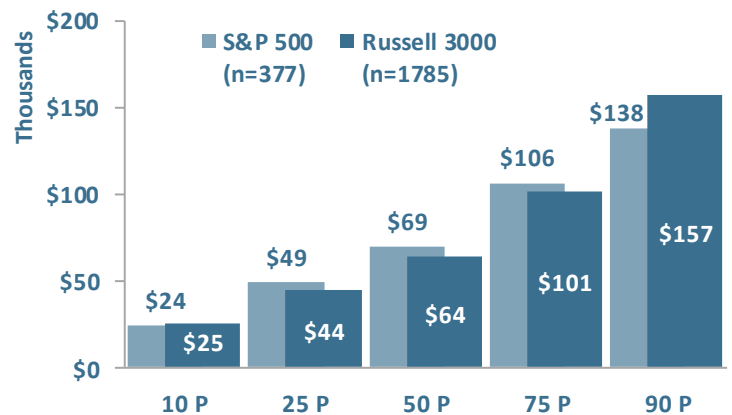
CEO Pay Ratio Overview

Since our last report, many of the December 31st fiscal year end companies that had disclosed CEO Pay Ratios during March and April have now also held their Say on Pay vote. Among the 845 Russell 3000 companies that have disclosed both numbers, there has been a weak inverse relationship between the Ratio and Say on Pay. Average Say on Pay support declines by about 300 basis points for Russell 3000 constituents that disclose a Ratio above the 75th percentile, compared to fairly constant vote support for the rest of the Russell 3000. Among the 224 S&P 500 companies that have disclosed both, we have observed a stronger inverse relationship than the Russell 3000.

CEO Pay Ratio



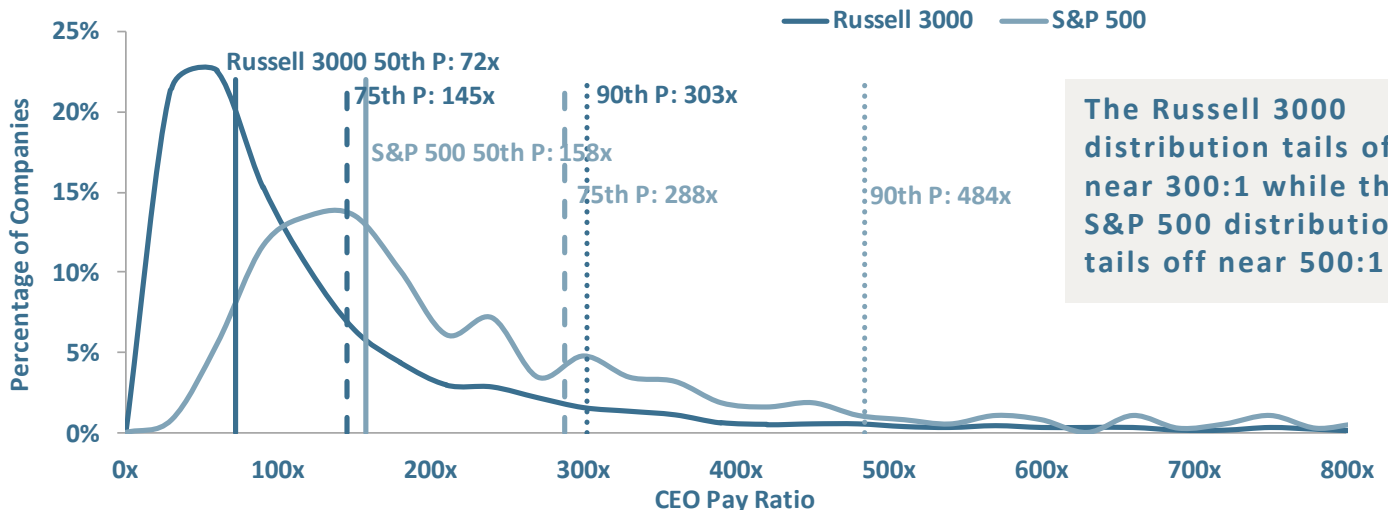
Median Employee Compensation



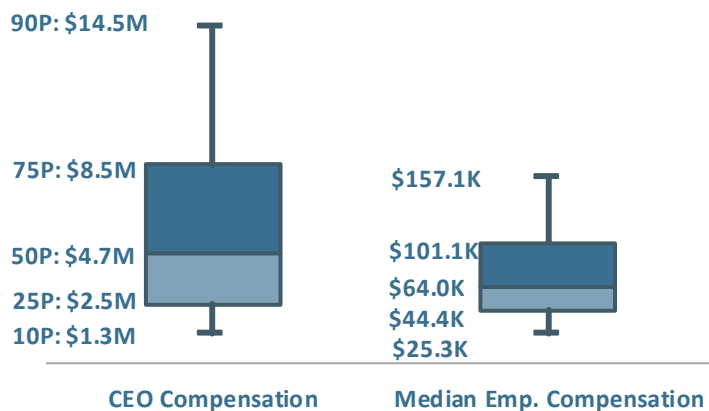
The median Ratio of the S&P 500 is more than two times the median Ratio of the Russell 3000

The ranges of median employee compensation are almost identical among the S&P 500 and Russell 3000 constituents

Russell 3000 and S&P 500 CEO Pay Ratio Distributions



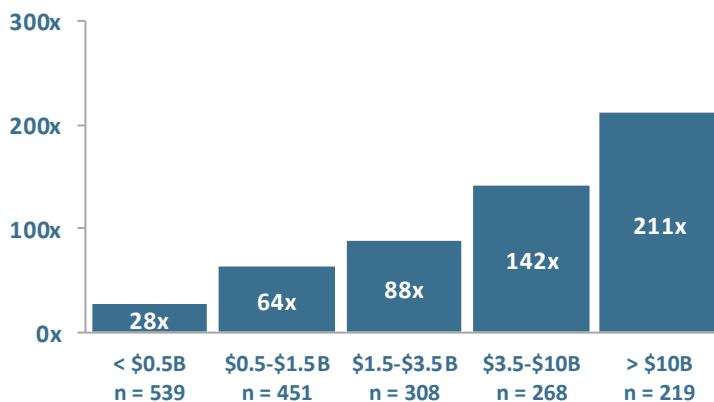
Russell 3000 CEO and Median Employee Compensation Variance



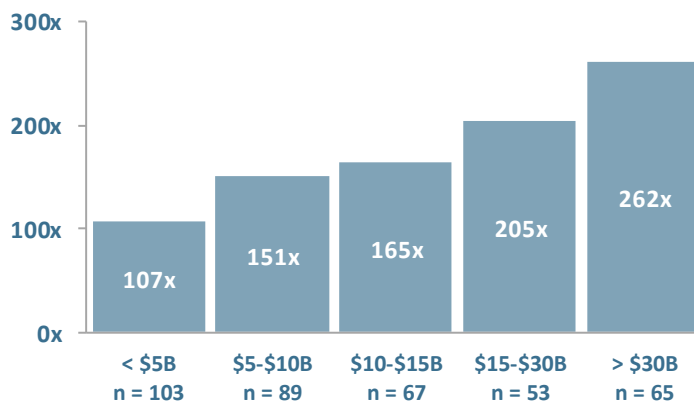
CEO Pay Ratio Observations

- The CEO Pay Ratio is more heavily influenced by the magnitude and variance in CEO compensation than by the median employee compensation
- Company revenue, a primary determinant of CEO compensation, has a direct correlation with the CEO Pay Ratio
- CEO compensation scales as company size increases, while median employee compensation has little correlation with company size
- The CEO Pay Ratio is inversely correlated with median employee compensation – companies with bottom quartile median employee compensation have significantly higher Ratios

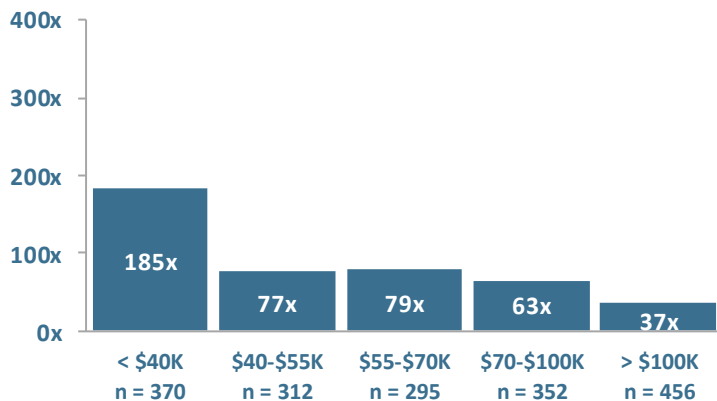
Russell 3000 Median CEO Pay Ratio by Revenue



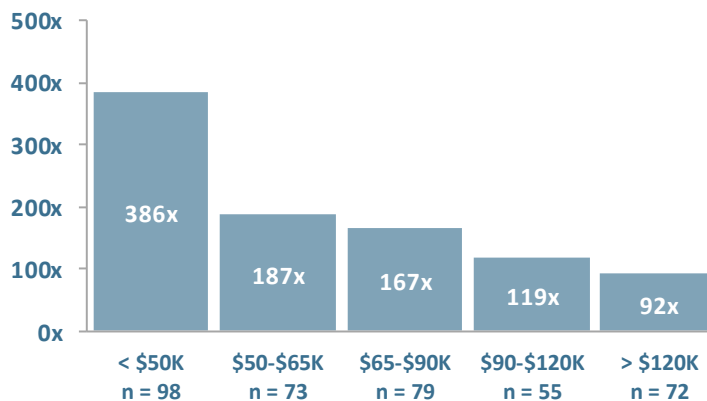
S&P 500 Median CEO Pay Ratio by Revenue



Russell 3000 Median CEO Pay Ratio by Median Employee Compensation



S&P 500 Median CEO Pay Ratio by Median Employee Compensation



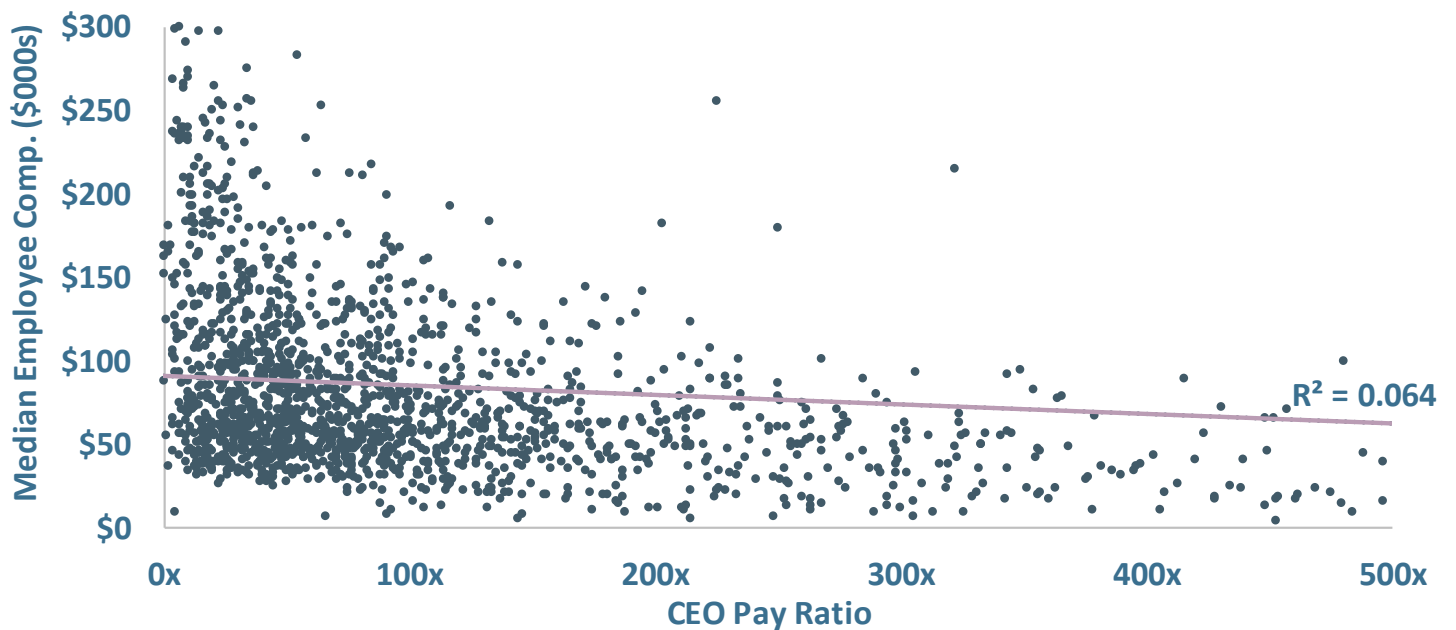
Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017.
*Excludes companies with no employees, no CEO, or CEOs with no compensation.

- The CEO Pay Ratio and CEO compensation show a positive relationship, while the Ratio and median employee compensation show an inverse and weaker relationship
- There is a particularly strong relationship between the CEO Pay Ratio and CEO compensation for Ratios below 100:1

CEO Compensation vs. CEO Pay Ratio



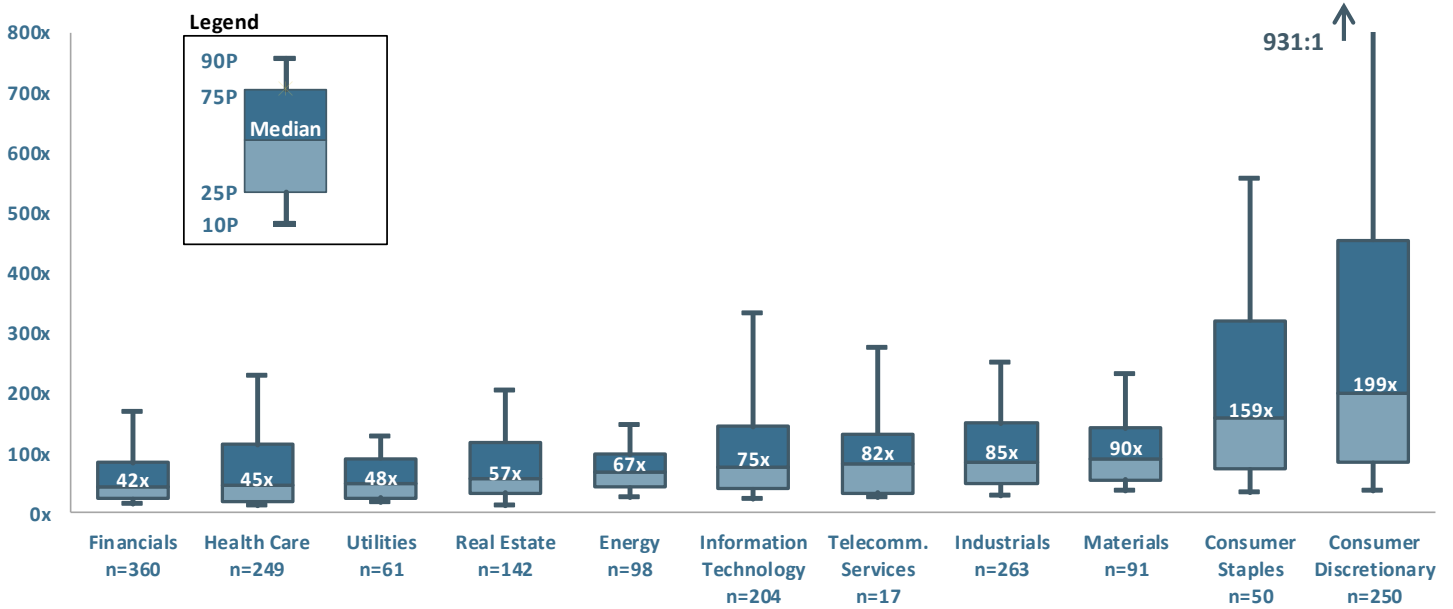
Median Employee Compensation vs. CEO Pay Ratio



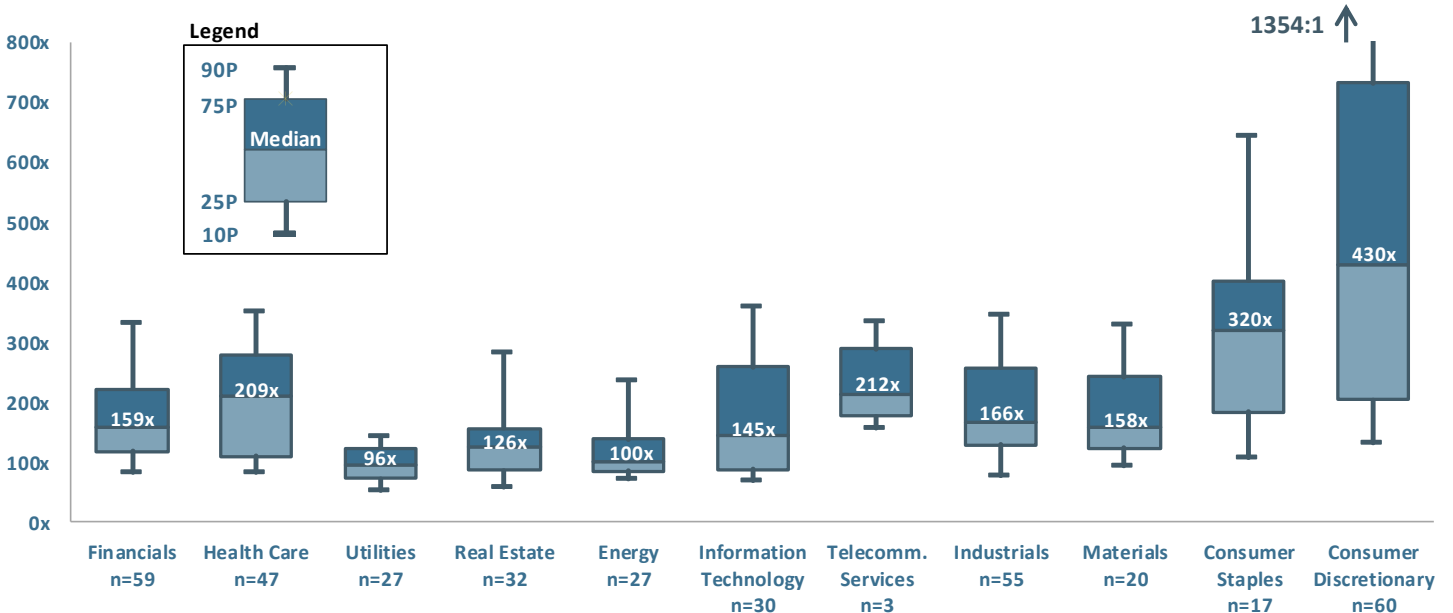
Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017.
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- CEO Pay Ratios differ greatly by sector among companies in both studied indices
- CEO pay typically scales more proportionately than median employee compensation as company size increases, illustrated by higher CEO Pay Ratios among S&P 500 constituents relative to Russell 3000 constituents across nearly all sectors
- The composition of a company's workforce and the use of seasonal or part-time employees are primary drivers of high CEO Pay Ratios at the 75th and 90th percentiles in the Consumer Staples and Consumer Discretionary sectors
- Highly-paid CEOs in the Information Technology sector are driving high CEO Pay Ratios at the 90th percentile

Russell 3000 CEO Pay Ratio Variance by GICS Sector



S&P 500 CEO Pay Ratio Variance by GICS Sector

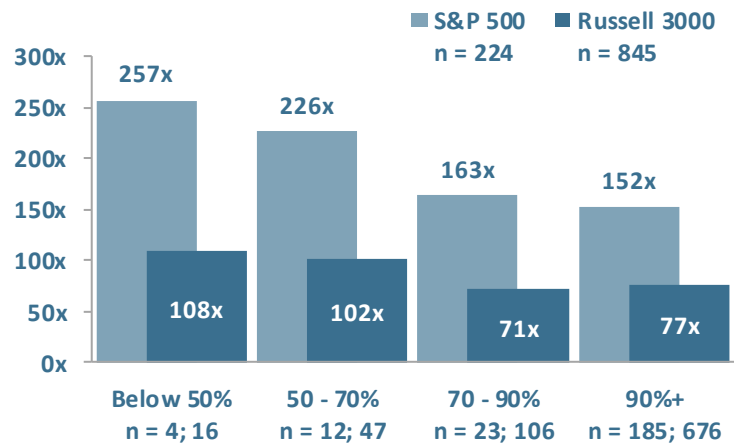


Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017.
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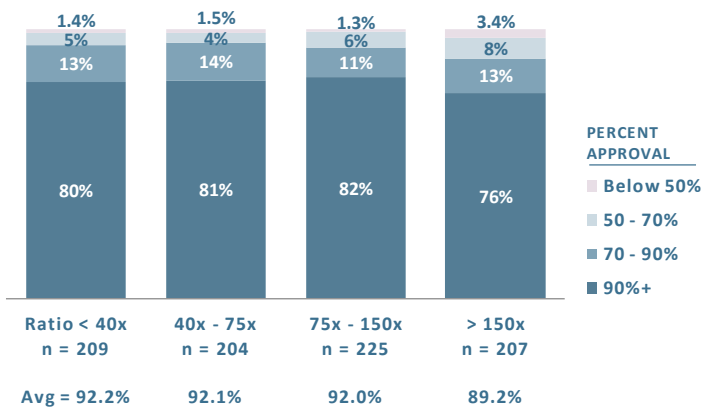
Observations

- 845 Russell 3000 and 224 S&P 500 constituents have disclosed a CEO Pay Ratio and held a Say on Pay vote thus far in 2018
- There is an inverse relationship between Say on Pay support and the CEO Pay Ratio among S&P 500 constituents
- For Russell 3000 companies, Say on Pay support declines for those disclosing Ratios above the 75th percentile
- Thus far, ISS "For" recommendation rate and Say on Pay support are much lower among S&P 500 constituents that disclose a ratio between 175:1 and 300:1. However, we expect the "For" recommendation rate to be around 90% as proxy season progresses

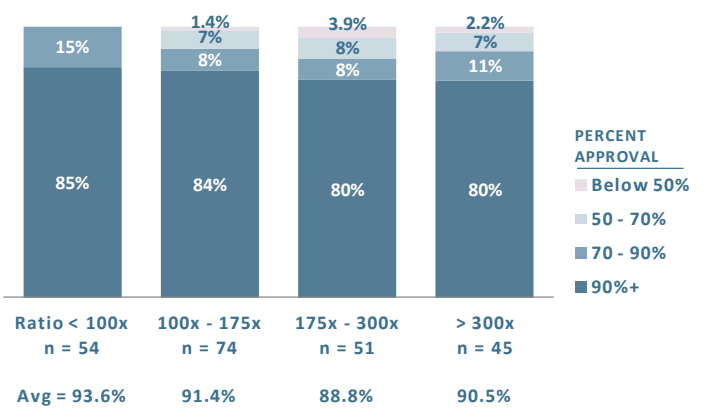
CEO Pay Ratios by Say on Pay Results



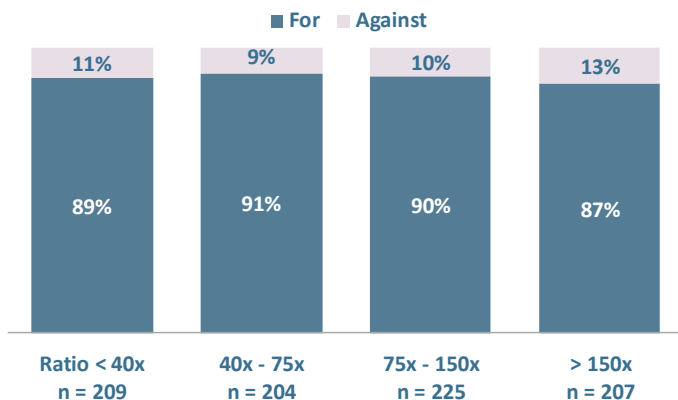
Russell 3000 Say on Pay Results by CEO Pay Ratio



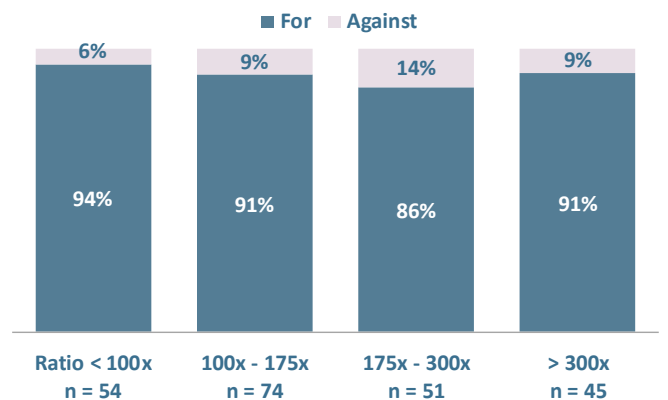
S&P 500 Say on Pay Results by CEO Pay Ratio



Russell 3000 ISS Recommendation by CEO Pay Ratio



S&P 500 ISS Recommendation by CEO Pay Ratio



Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017. *Excludes companies with no employees, no CEO, or CEOs with no compensation.

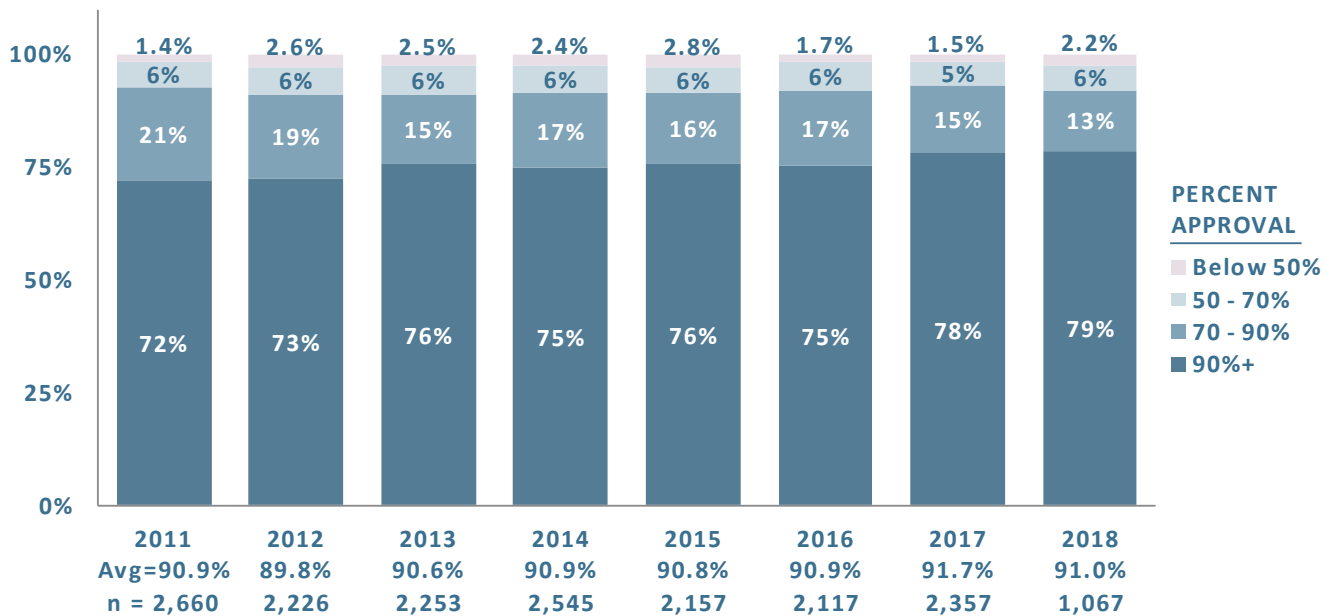
2018 SAY ON PAY RESULTS

5/23/2018

Russell 3000
1,067 Companies

Breakdown of Say on Pay Vote Results

23 Russell 3000 companies (2.2%) have failed Say on Pay in 2018. 12 companies have failed since the last report – Chesapeake Energy, Chicago Bridge & Iron, FCB Financial, Halliburton, Huron Consulting Group, iStar, Molina Healthcare, Mondelez International, Tanger Factory Outlet Centers, USG Corp., Virtus Investments Partners, and Waterstone Financial.

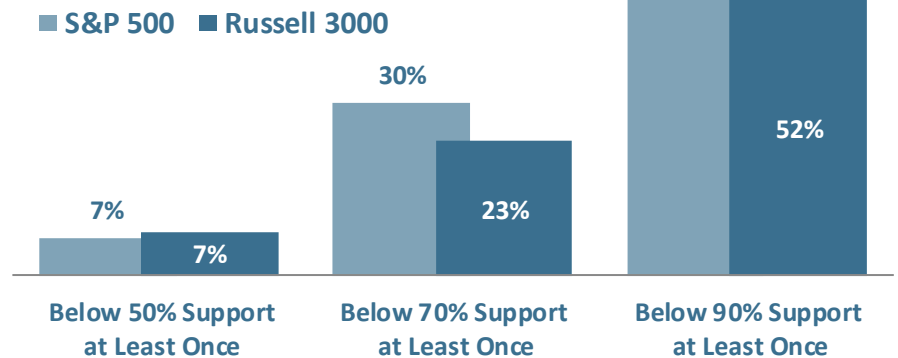


Since the Last Report

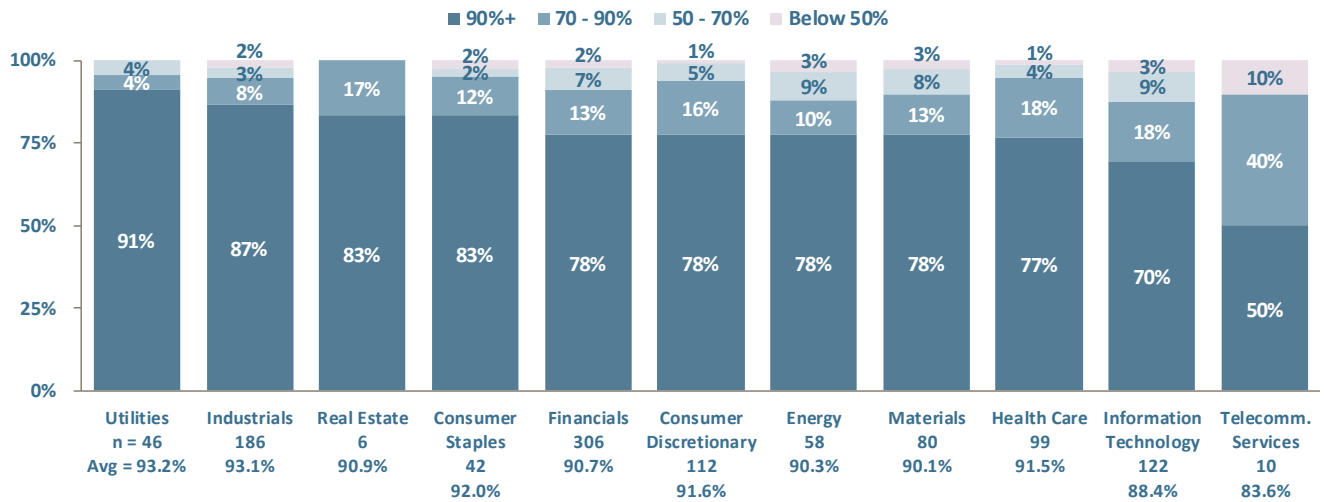
- The failure rate (2.2%) has increased 20 basis points since the last report
- The average vote result (91.0%) has increased 10 basis points since the last report. If the average vote support were to continue, it would be the second-highest since voting began
- Nearly one-third of the S&P 500 has received vote support below 70% at least once since 2011
- 7% of Russell 3000 and S&P 500 companies have failed Say on Pay at least once

Likelihood of a Low Say on Pay Vote

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

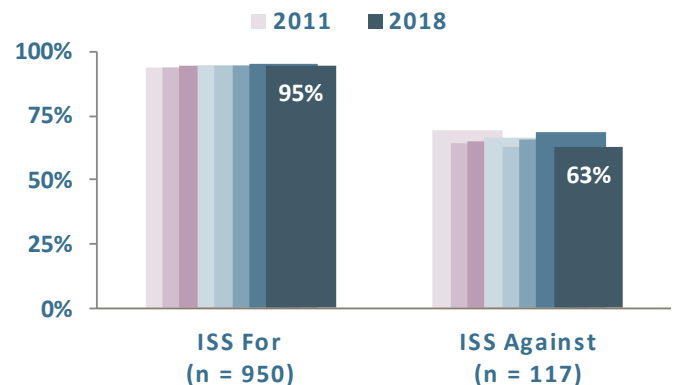


Say on Pay Vote Results by GICS Sector



ISS Impact on Say on Pay Vote Results

- Say on Pay vote results are 32% lower at companies that receive an ISS “Against” recommendation. This gap has narrowed 280 basis points since our last report
- Difference in vote results for companies receiving “For” and “Against” will likely continue to converge towards the historical average of 25-30% as more vote results are released
- The slightly higher wider gap this year could be an indication of increased alignment of institutional shareholder voting with ISS recommendations



ISS Year over Year Breakdown

- 138 companies (13.4%) received one “For” and one “Against” recommendation from ISS during the last two years
- The “Against” recommendation rate in 2018 (11%) is slightly lower than the rate in 2017 (12%)
- Only 3% of companies received ISS “Against” recommendations in each of the last two years

		2018 Rec.	
		“For”	“Against”
2017 Rec.	“For”	83% of companies (n=861)	8% of companies (n=78)
	“Against”	6% of companies (n=60)	3% of companies (n=34)

Likely Causes of Votes Under 50% in 2018

2018 Failed Say on Pay Vote Results¹

Russell 3000, n=23

Company	Say on Pay Vote Results			Number of Failures	Likely Causes of Votes Under 50%						
	2018 ▼	2017	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
Molina Healthcare, Inc.	50%	79%	-29%	1		X					X
Waterstone Financial, Inc.	50%	86%	-36%	1	X				X		
Cogent Communications Holdings, Inc.	50%	66%	-17%	5			X	X			X
AECOM	48%	52%	-4%	1	X		X	X			
USG Corp.	47%	97%	-51%	1		X					
Rambus, Inc.	46%	77%	-31%	1	X		X			X	X
Virtus Investment Partners, Inc.	46%	66%	-20%	1	X	X					
Chesapeake Energy Corp.	45%	57%	-12%	2	X		X	X	X		
Mondelez International, Inc.	45%	85%	-41%	1				X	X	X	
Commercial Metals Co.	44%	95%	-51%	1		X				X	
The Walt Disney Co.	44%	84%	-40%	1			X			X	
Digimarc Corp.	42%	75%	-33%	1					X	X	
Halliburton Co.	42%	66%	-24%	1	X	X			X	X	
Tanger Factory Outlet Centers, Inc.	42%	80%	-38%	1	X	X					
Huron Consulting Group, Inc.	40%	99%	-59%	1	X		X				
iStar, Inc.	40%	87%	-47%	1	X	X		X			
Chicago Bridge & Iron Co. NV	39%	75%	-36%	1	X		X				X
FCB Financial Holdings, Inc.	33%	55%	-22%	1		X	X	X		X	
First Horizon National Corp. (Tennessee)	32%	95%	-63%	1			X			X	
Cliffs Natural Resources, Inc.	32%	57%	-26%	1	X			X		X	
Sanmina Corp.	31%	76%	-45%	1	X	X	X				
Ameriprise Financial, Inc.	25%	81%	-56%	1	X		X				
Nuance Communications, Inc.	10%	33%	-24%	5	X			X	X		

¹ As of May 21, 2018.

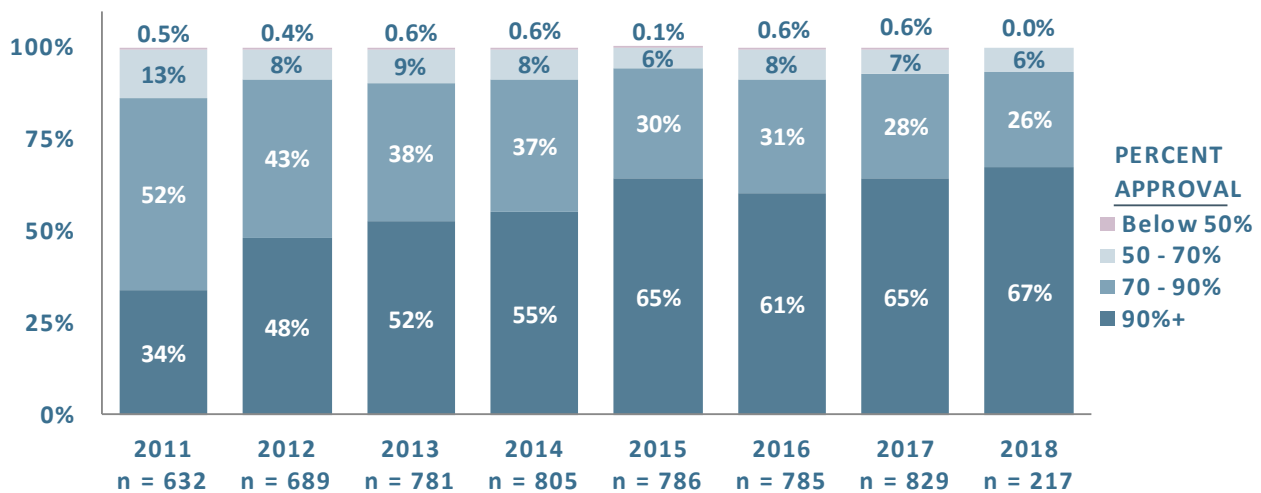
2018 EQUITY PROPOSAL RESULTS

5/23/2018

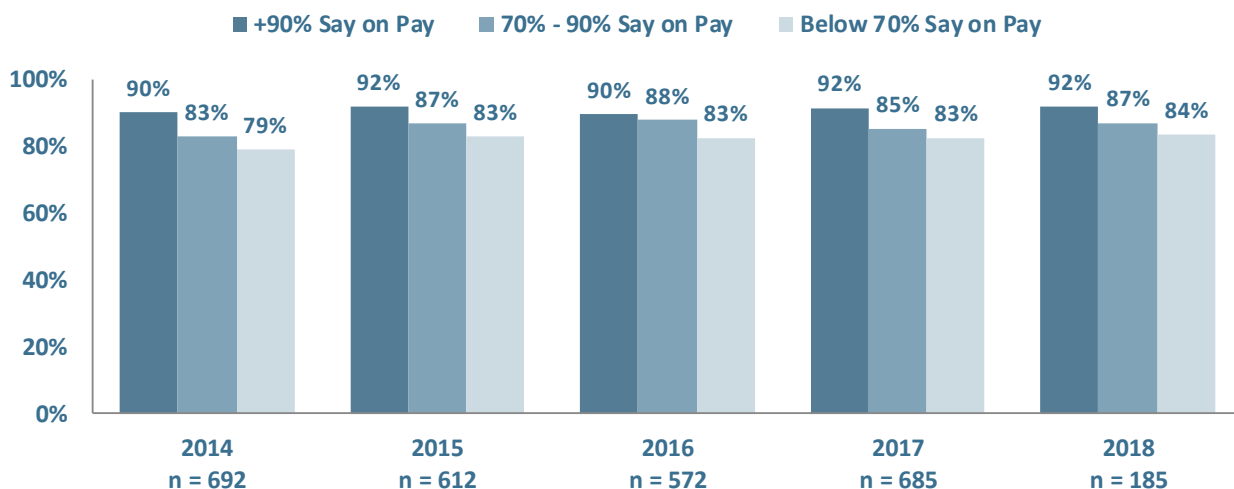
Russell 3000
217 Companies

- 67% of equity proposals in 2018 have received vote support above 90% – if this current rate were to continue, 2018 would have the highest support for equity proposals since 2011
- Only 27 (0.49%) of the 5,497 equity plan proposal votes since 2011 have received less than a majority vote
- Over the past five years, we have observed that companies that receive Say on Pay support below 70% also receive about 10 percentage points less support on equity plan votes in the same year

Breakdown of Equity Plan Proposal Votes



Impact of Say on Pay on Equity Plan Proposal Votes



2018 DIRECTOR ELECTION RESULTS

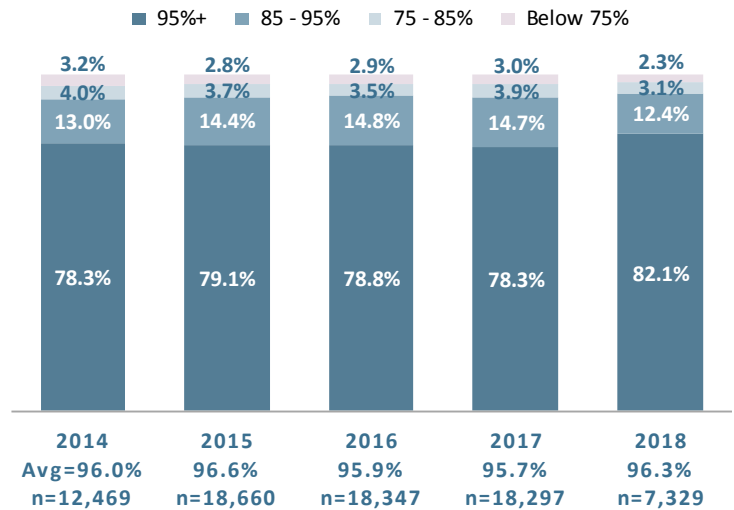
5/23/2018

Russell 3000
7,329 Directors

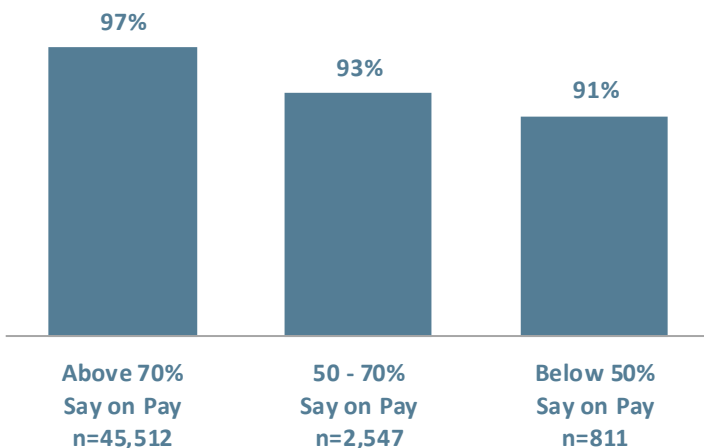
Director Election Observations

- Eight director nominees (0.11%) have received vote support below 50% in 2018 – historically, 0.3% of director nominees have received vote support below 50%
- Average director election vote support at companies that received a Say on Pay vote below 50% in the prior year is 6% lower than at companies that received above 70% vote support
- Early 2018 season vote support for both male and female director nominees continues to be higher than each of the previous four years. We'll continue to watch this data point as the season progresses as it may be an early indication of a deviation from the consistent level of vote support from 2014 to 2017

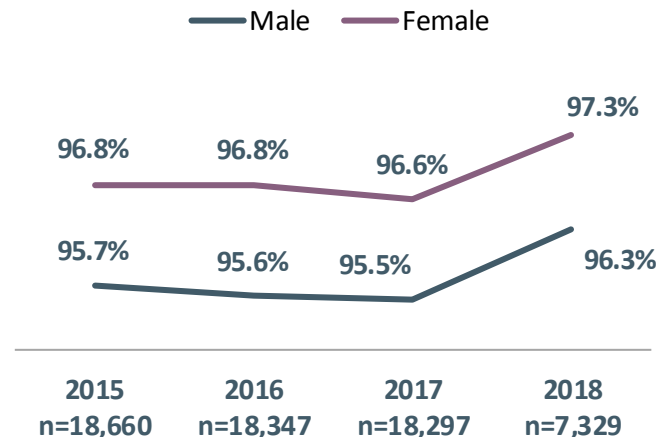
Historical Director Election Results



Average Director Election Support in Year following Say on Pay (2015-2018)



Director Election Results by Gender



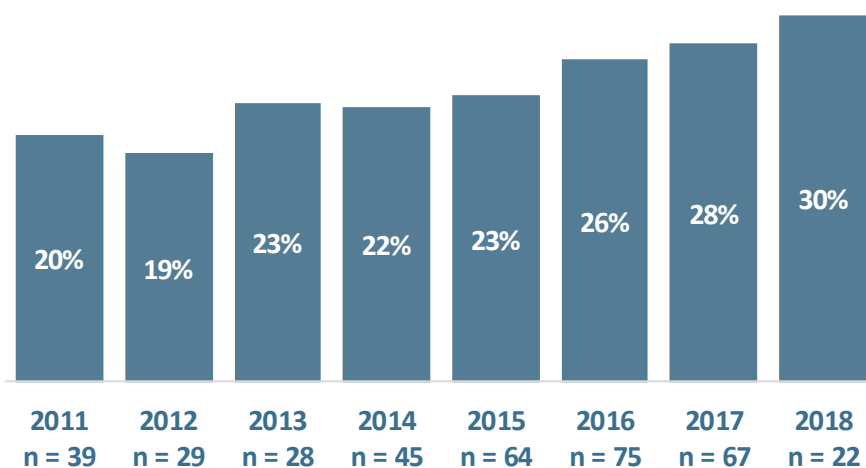
2018 ESG RESULTS

5/23/2018

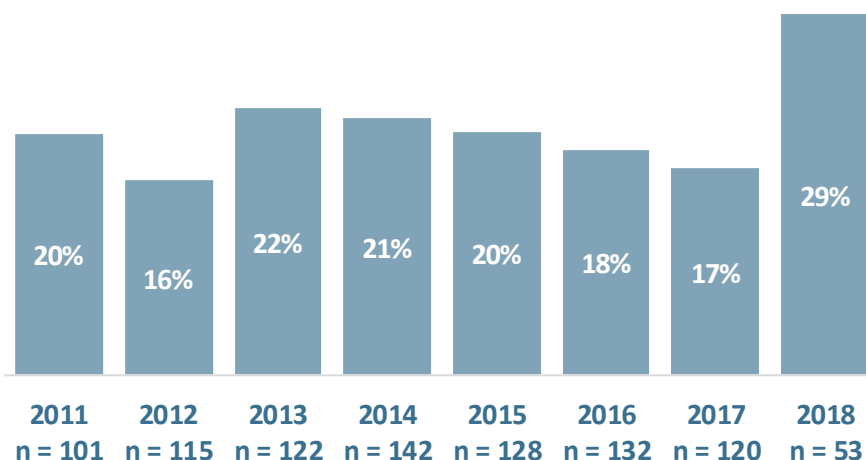
Russell 3000
75 Proposals

- Three environmental (13.6%) and four social (7.5%) proposals have received greater than 50% support in 2018, all of which occurred since the last report
- By comparison, only seven environmental (2.0%) and nine social (1.0%) proposals passed over the previous seven years combined
- Thus far in 2018, the median support for environmental proposals is slightly higher than last year, while median support for social proposals is nearly double the median support observed in 2017

Environmental Proposals Median Vote Results



Social Proposals Median Vote Result



Proposal Spotlight: Strum, Ruger & Company

The Sisters of the Holy Names of Jesus and Mary of Marylhurst, Oregon submitted a proposal that requires the Company to issue a report on the activities related to gun safety measures and steps taken to mitigate harm caused by using their products

- The proposal passed, receiving 68% support
- Strum Ruger is one of the largest gun manufacturers in America
- The proponents of the proposal assert that gun violence creates financial and reputational risk for the Company
- The Company's Board recommended that shareholders vote "Against" the proposal. The Board asserted that the criminal misuse of firearms is out of the Company's control. Further, they stated that gun locks, smart gun technology, and proper enforcement of existing laws are better ways to prevent gun violence
- ISS recommended that shareholders vote "For" the proposal to ensure the Board is properly assessing risks for the Company's long-term viability
- The proposal also received support from BlackRock, the largest investor in Strum Ruger. BlackRock met with publicly-traded firearm manufacturers to discuss their business and safety practices

Summary of 2018 Proposals

2018 ESG Proposals Since Last Report¹

Company	Proposal	Recommendation			Support ▼	Result
		ISS	Management			
Environmental Proposals (n=12)						
Kinder Morgan, Inc.	Report on Sustainability	For	Against	60%	Pass	
The Middleby Corporation	Report on Sustainability, Including GHG Goals	For	Against	57%	Pass	
Ameren Corporation	Report on Coal Combustion Residual and Water Impacts	For	Against	52%	Pass	
Fluor Corporation	Adopt Quantitative Company-wide GHG Goals	For	Against	41%	Fail	
Kinder Morgan, Inc.	Report on Methane Emissions Management	For	Against	38%	Fail	
C.H. Robinson Worldwide, Inc.	Report on Feasibility of Adopting GHG Disclosure and Management	For	Against	38%	Fail	
Illinois Tool Works Inc.	Adopt and Report on Science-Based GHG Emissions Reduction Targets	For	Against	24%	Fail	
Ford Motor Company	Report on Fleet GHG Emissions in Relation to CAFE Standards	For	Against	13%	Fail	
Berkshire Hathaway Inc.	Report on Sustainability	For	Against	12%	Fail	
Berkshire Hathaway Inc.	Report on Methane Emissions Management, Including Reduction Targets	For	Against	8%	Fail	
Pilgrim's Pride Corporation	Adopt and Implement a Water Quality Stewardship Policy	For	Against	7%	Fail	
TOOTSIE ROLL INDUSTRIES, INC.	Report on Sustainability	For	Against	3%	Fail	
Social Proposals (n=31)						
STURM, RUGER & COMPANY, INC.	Report on Gun Violence	For	Against	68%	Pass	
Depomed, Inc.	Report on Governance Measures Implemented Related to Opioids	For	Against	62%	Pass	
Kinder Morgan, Inc.	Assess Portfolio Impacts of Policies to Meet 2 Degree Scenario	For	Against	60%	Pass	
Anadarko Petroleum Corporation	Assess Portfolio Impacts of Policies to Meet 2 Degree Scenario	For	Against	53%	Pass	
The Allstate Corporation	Report on Political Contributions	For	Against	45%	Fail	
CMS Energy Corporation	Report on Political Contributions	For	Against	45%	Fail	
American Water Works Company, Inc.	Report on Political Contributions	For	Against	39%	Fail	
American Water Works Company, Inc.	Report on Lobbying Payments and Policy	For	Against	0	Fail	
Verizon Communications Inc.	Report on Lobbying Payments and Policy	For	Against	0	Fail	
Range Resources Corporation	Report on Political Contributions	For	Against	36%	Fail	
Nucor Corporation	Report on Lobbying Payments and Policy	For	Against	36%	Fail	
AT&T Inc.	Report on Lobbying Payments and Policy	For	Against	34%	Fail	
Duke Energy Corporation	Report on Benefits of Lobbying	For	Against	0	Fail	
Equifax Inc.	Report on Political Contributions	For	Against	30%	Fail	
Entergy Corporation	Report on Distributed Renewable Generation Resources	For	Against	30%	Fail	
EXPRESS SCRIPTS HOLDING COMPANY	Report on Measures Taken to Manage and Mitigate Cyber Risk	For	Against	29%	Fail	
Republic Services, Inc.	Report on Political Contributions	For	Against	28%	Fail	
The Charles Schwab Corporation	Report on Political Contributions	For	Against	25%	Fail	
The Boeing Company	Report on Lobbying Payments and Policy	For	Against	24%	Fail	
AbbVie Inc.	Report on Lobbying Payments and Policy	For	Against	24%	Fail	
Eli Lilly and Company	Report on Lobbying Payments and Policy	For	Against	20%	Fail	
United Parcel Service, Inc.	Report on Lobbying Payments and Policy	For	Against	19%	Fail	
Ford Motor Company	Transparent Political Spending	For	Against	17%	Fail	
Ford Motor Company	Report on Lobbying Payments and Policy	For	Against	17%	Fail	
Denny's Corporation	Adopt Policy to Phase Out the Use of Medically Important Antibiotics in Meat	For	Against	16%	Fail	
EXPRESS SCRIPTS HOLDING COMPANY	Report on Gender Pay Gap	Against	Against	15%	Fail	
American Water Works Company, Inc.	Report on the Human Right to Water and Sanitation	Against	Against	0	Fail	
The Goldman Sachs Group, Inc.	Report on Lobbying Payments and Policy	Against	Against	9%	Fail	
DTE Energy Company	Independent Economic Analysis of Early Closure of Fermi 2 Nuclear Plant	Against	Against	6%	Fail	
Eli Lilly and Company	Report on Policies and Practices Regarding Contract Animal Laboratories	Against	Against	3%	Fail	
Eli Lilly and Company	Support the Descheduling of Cannabis	Against	Against	0	Fail	

¹ As of May 21, 2018.

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