

2018 **SAY ON PAY** AND PROXY RESULTS

RUSSELL 3000

JUNE

6

2018

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2018 CEO PAY RATIO RESULTS

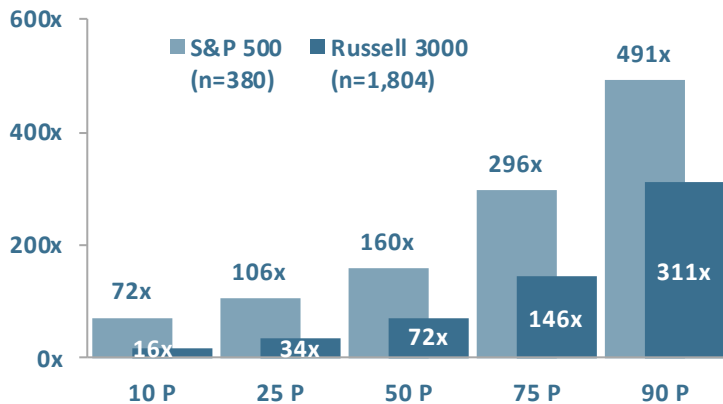
6/6/2018

Russell 3000
1,804 Companies

CEO Pay Ratio Overview

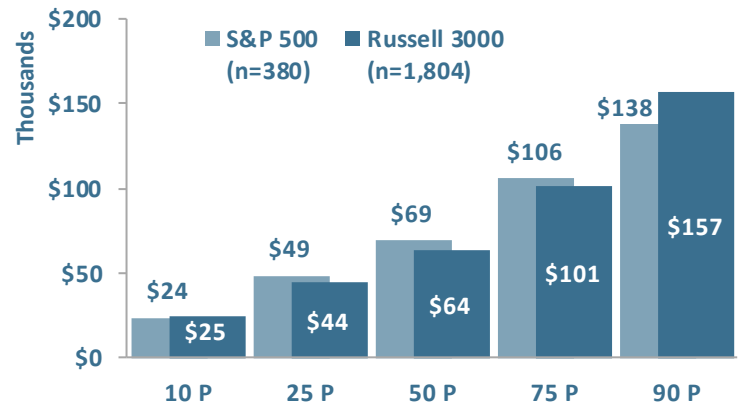
Many December 31st fiscal year end companies that disclosed CEO Pay Ratios during March and April held Say on Pay votes in May. Among the 1,011 Russell 3000 constituents that have reported both numbers, there has been a weak inverse relationship between the Ratio and Say on Pay. Average Say on Pay support declines by about 290 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. There's a stronger inverse relationship among the 270 S&P 500 constituents that have reported both numbers. Average Say on Pay support is 93.5% for S&P 500 constituents with Ratios below 100:1, compared to 88.4% for those with Ratios above 300:1.

CEO Pay Ratio



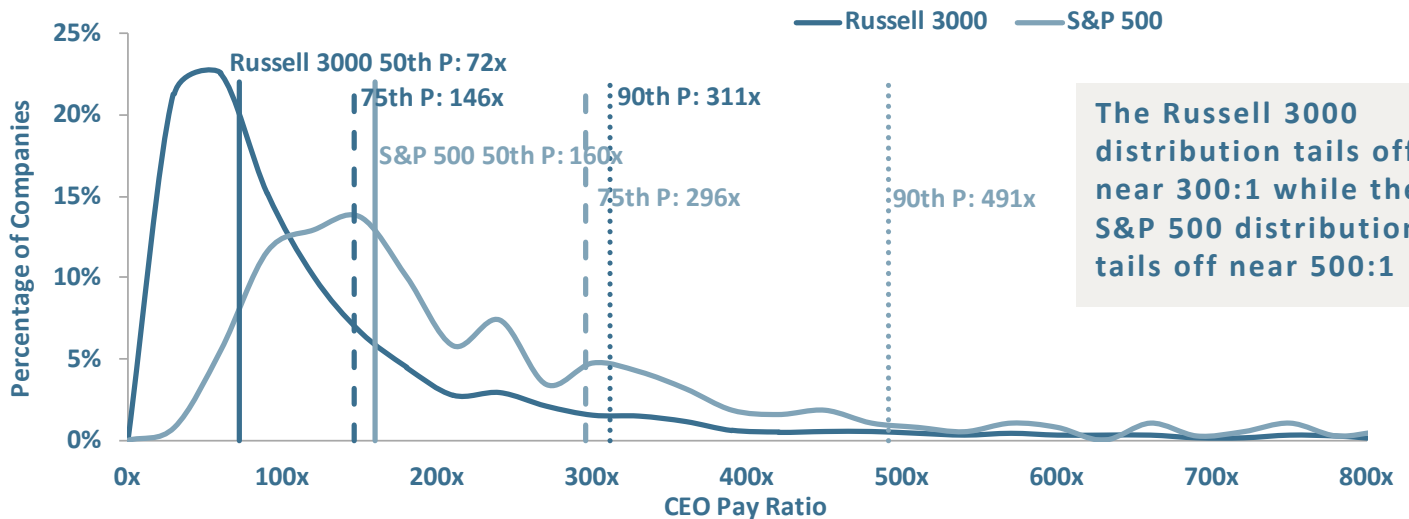
The median Ratio of the S&P 500 is more than two times the median Ratio of the Russell 3000

Median Employee Compensation

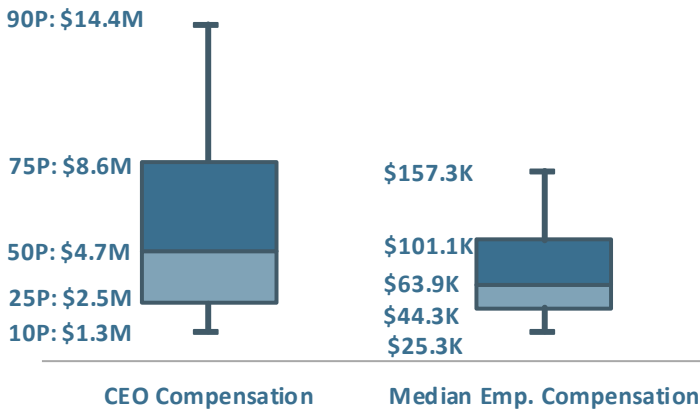


The ranges of median employee compensation are almost identical among the S&P 500 and Russell 3000 constituents

Russell 3000 and S&P 500 CEO Pay Ratio Distributions



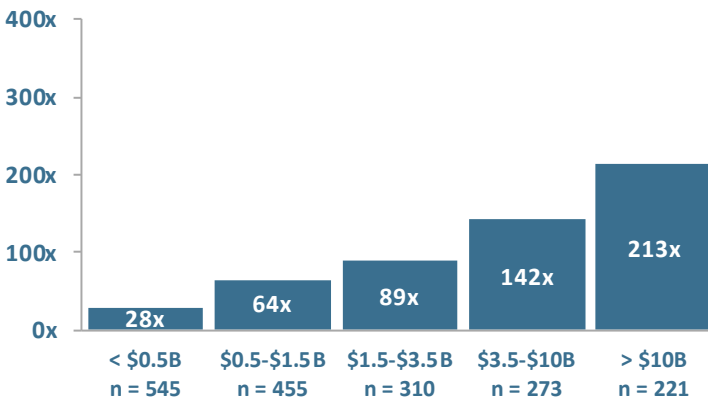
Russell 3000 CEO and Median Employee Compensation Variance



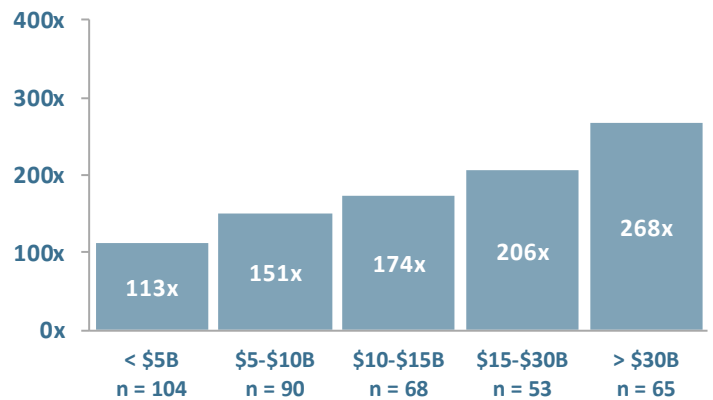
CEO Pay Ratio Observations

- 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

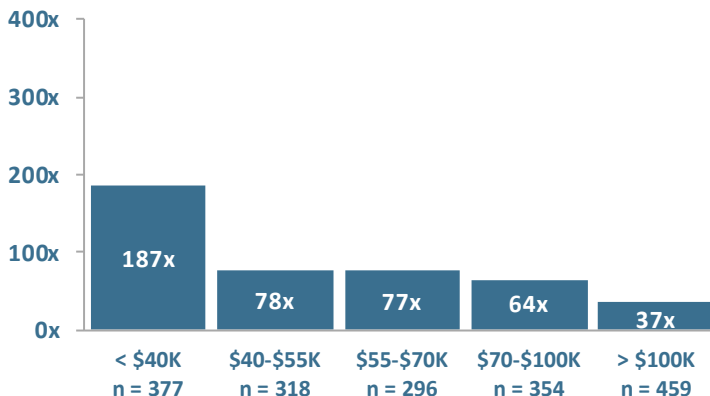
Russell 3000 Median CEO Pay Ratio by Revenue



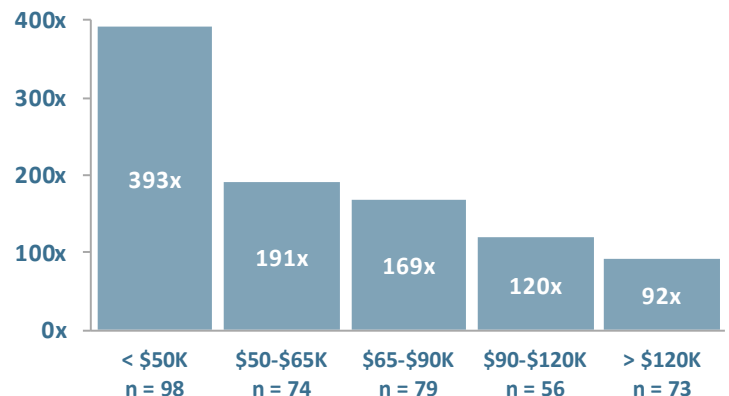
S&P 500 Median CEO Pay Ratio by Revenue



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



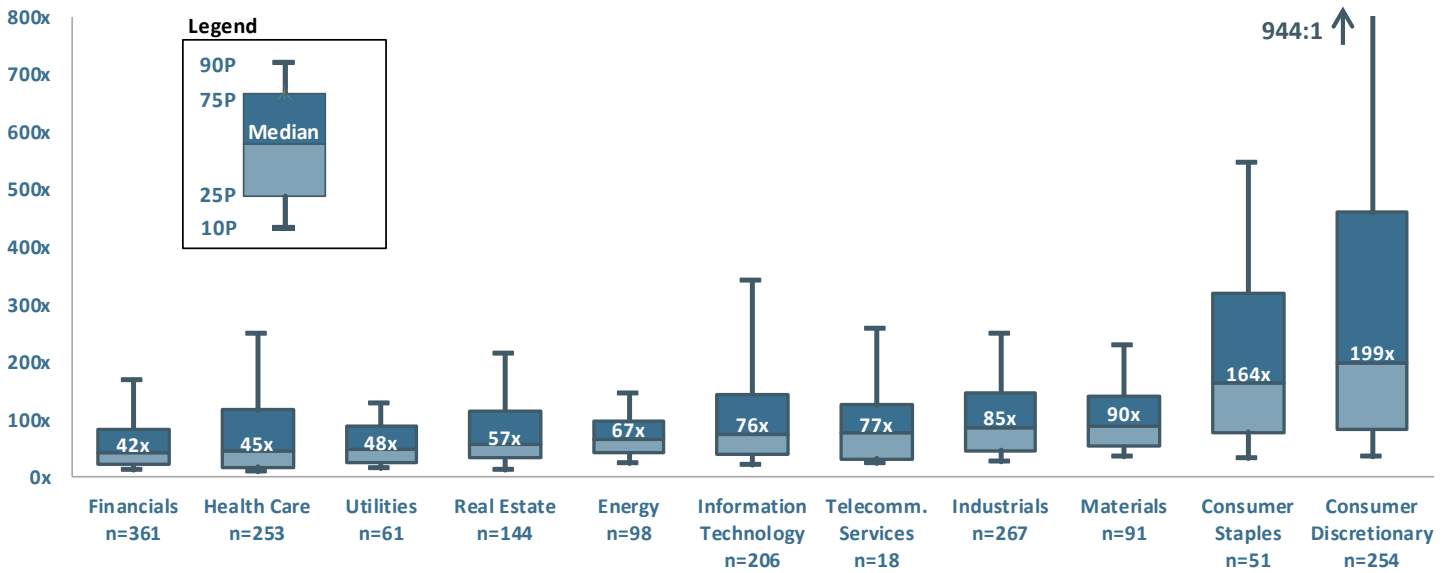
Median Employee Compensation vs. CEO Pay Ratio



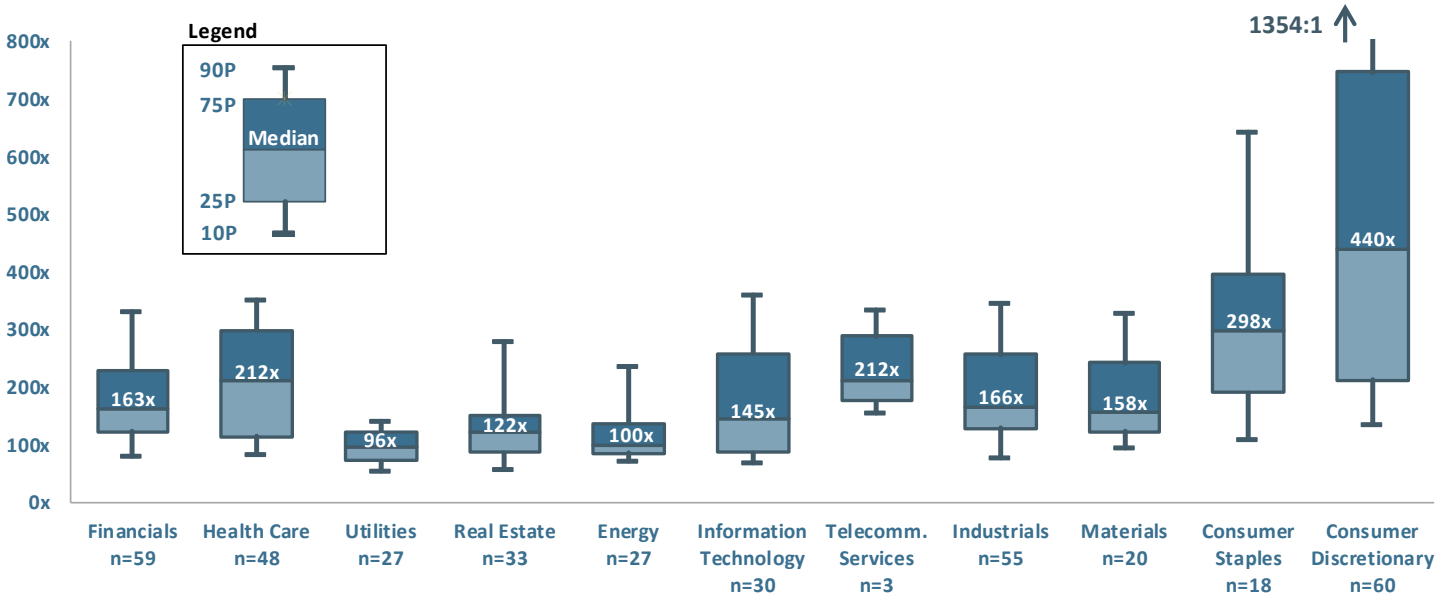
Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017.
*Excludes companies with no employees, no CEO, or CEOs with no compensation.

- 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

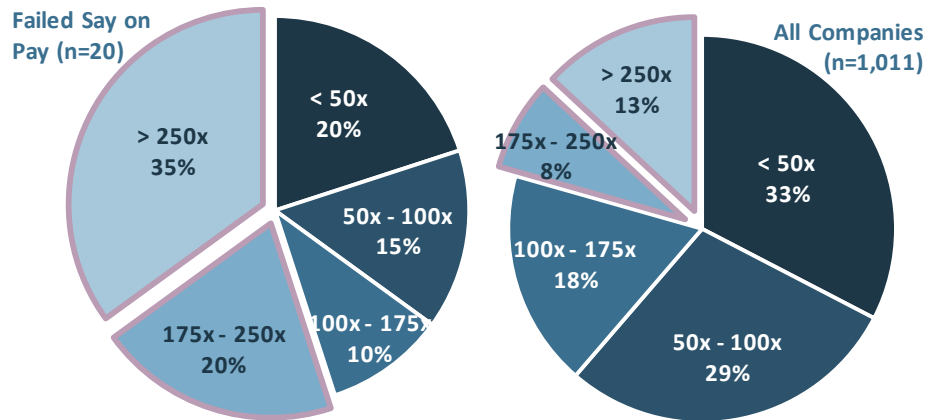


Source: Semler Brossy data and analysis; Fundvotes, LLC; ISS Voting Analytics. Russell 3000 sample effective as of June 26, 2017.
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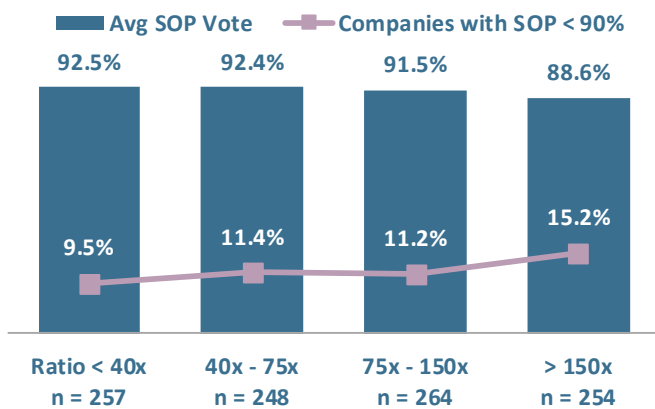
Observations

- The Pay Ratio has an inverse relationship with Say on Pay but is not a primary driver of Say on Pay results
- While only 21% of Russell 3000 constituents disclose a Ratio above 175:1, those companies make up 55% of all Say on Pay vote failures
- Since our last report, average Say on Pay support for S&P 500 constituents that disclose a Ratio above 300:1 decreased from 90.5% to 88.4% and is now lower than constituents that disclose a Ratio between 175:1 and 300:1 (was higher in last report)

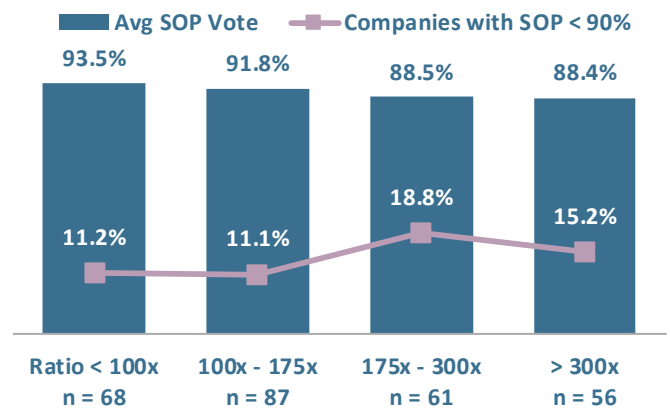
CEO Pay Ratios of Russell 3000 Constituents that Failed Say on Pay



Russell 3000 Say on Pay Results by CEO Pay Ratio



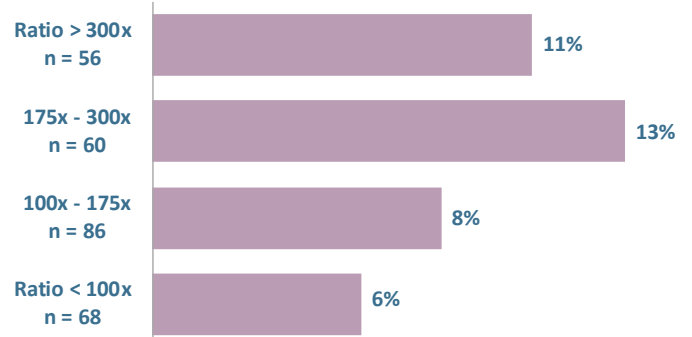
S&P 500 Say on Pay Results by CEO Pay Ratio



Russell 3000 ISS Against Recommendation Rate by CEO Pay Ratio



S&P 500 ISS Against Recommendation Rate 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.

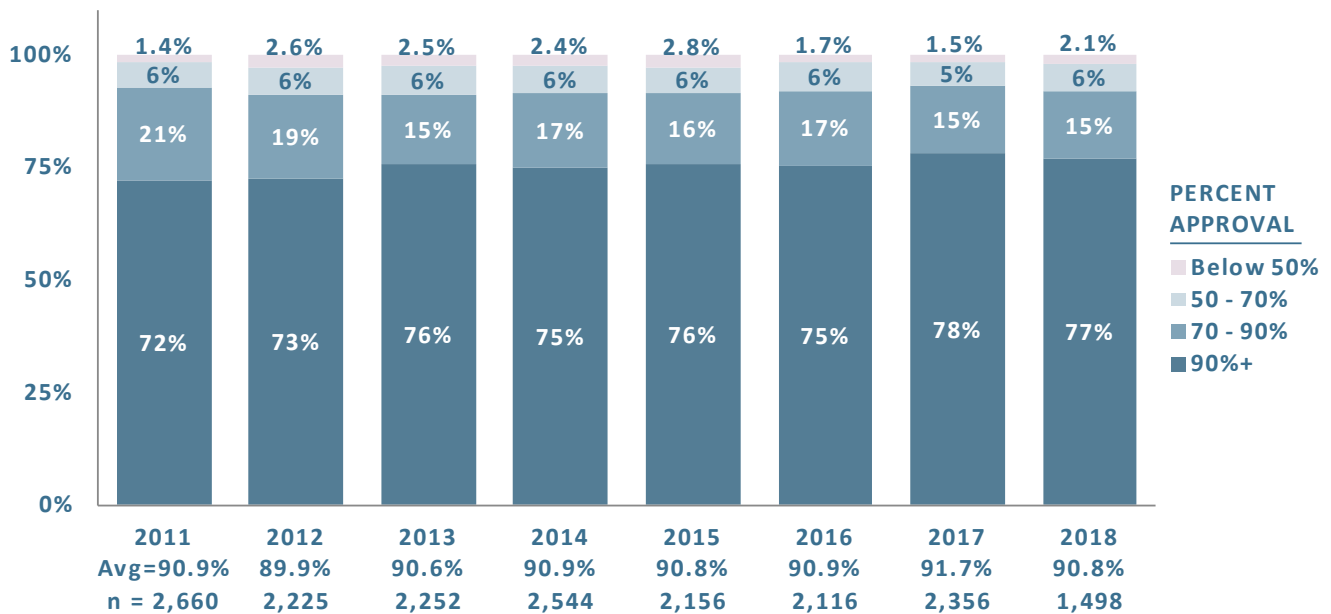
2018 SAY ON PAY RESULTS

6/6/2018

Russell 3000
1,498 Companies

Breakdown of Say on Pay Vote Results

32 Russell 3000 companies (2.1%) have failed Say on Pay in 2018. Nine companies have failed since our last report – Fluidigm, GenMark Diagnostics, Gentherm, Mattel, Nevro, Ophthotech, Tutor Perini, Whitestone REIT, and Wynn Resorts.

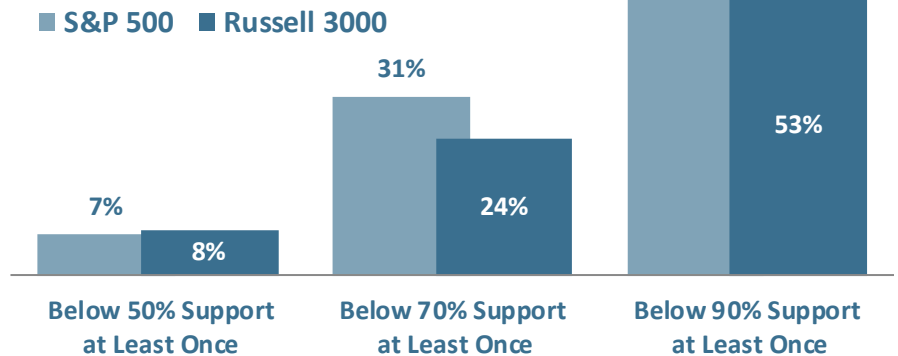


Since the Last Report

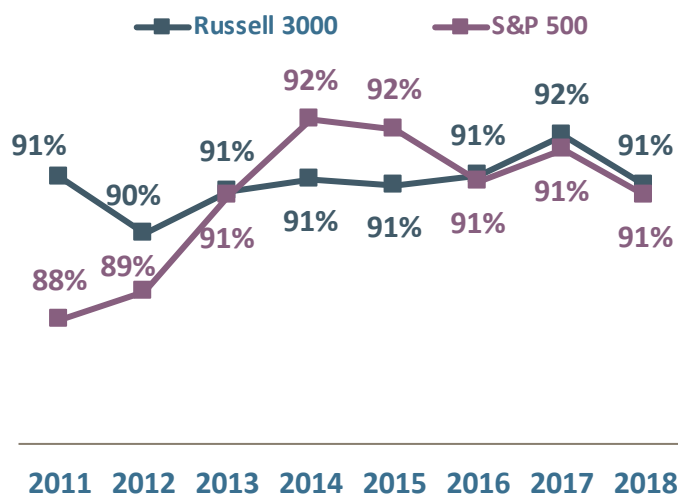
- The failure rate (2.1%) has decreased 10 basis points since the last report and is 60 basis points higher than last year's failure rate
- The average vote result (90.8%) has decreased 20 basis points since the last report and is 90 basis points lower than the 2017 average
- Nearly one-third of the S&P 500 has received vote support below 70% at least once since 2011
- 8% of Russell 3000 and 7% of S&P 500 constituents have failed Say on Pay at least once

Likelihood of a Low Say on Pay Vote

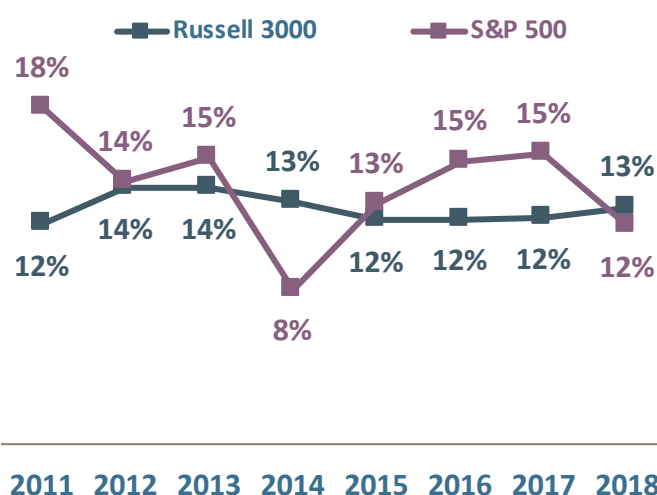
Vote results for current S&P 500 and Russell 3000 constituents



Average Say on Pay Results

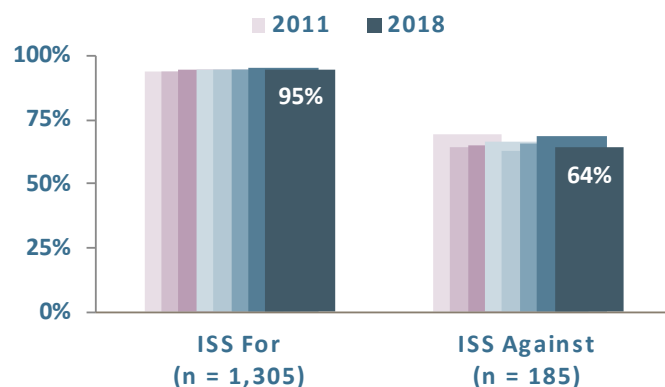


ISS "Against" Recommendations



ISS Impact on Say on Pay Vote Results

- Say on Pay vote results are 31% lower at companies that receive an ISS "Against" recommendation. The gap has narrowed by 150 basis points since the last report
- As proxy season progresses, we continue to see the difference in vote results for companies receiving "For" and "Against" converge towards the historical average of 25-30%
- The slightly wider gap this year could be an indication of increased alignment of institutional shareholder voting with ISS recommendations



ISS Year over Year Breakdown

- 189 companies (13.2%) received one "For" and one "Against" recommendation from ISS during the last two years
- The "Against" recommendation rate in 2018 (13%) is slightly higher than the 2017 rate (12%)
- Only 4% of companies have received ISS "Against" recommendations in each of the last two years

		2018 Rec.	
		"For"	"Against"
2017 Rec.	"For"	83% of companies (n=1187)	8% of companies (n=108)
	"Against"	6% of companies (n=81)	4% of companies (n=60)

Likely Causes of Votes Under 50% in 2018

2018 Failed Say on Pay Vote Results¹
Russell 3000, n=32

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			
Waterstone Financial, Inc.	50%	86%	-36%	1	X				X		
Cogent Communications Holdings, Inc.	50%	66%	-17%	5			X	X		X	
Fluidigm Corp.	49%	98%	-49%	1	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					
Mattel, Inc.	46%	92%	-46%	1		X			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
Tutor Perini Corp.	38%	42%	-4%	8	X	X		X			X
Whitestone REIT	37%	43%	-6%	2		X			X		
Genther, Inc.	37%	91%	-54%	1		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				
GenMark Diagnostics, Inc.	29%	65%	-37%	1	X	X	X		X		
Ameriprise Financial, Inc.	25%	81%	-56%	1	X		X				
Ophthotech Corp.	24%	64%	-40%	1		X					
Nevro Corp.	20%	82%	-61%	1		X			X	X	
Wynn Resorts Ltd.	20%	59%	-39%	1	X	X				X	
Nuance Communications, Inc.	10%	33%	-24%	5	X			X	X		

¹ As of June 3, 2018.

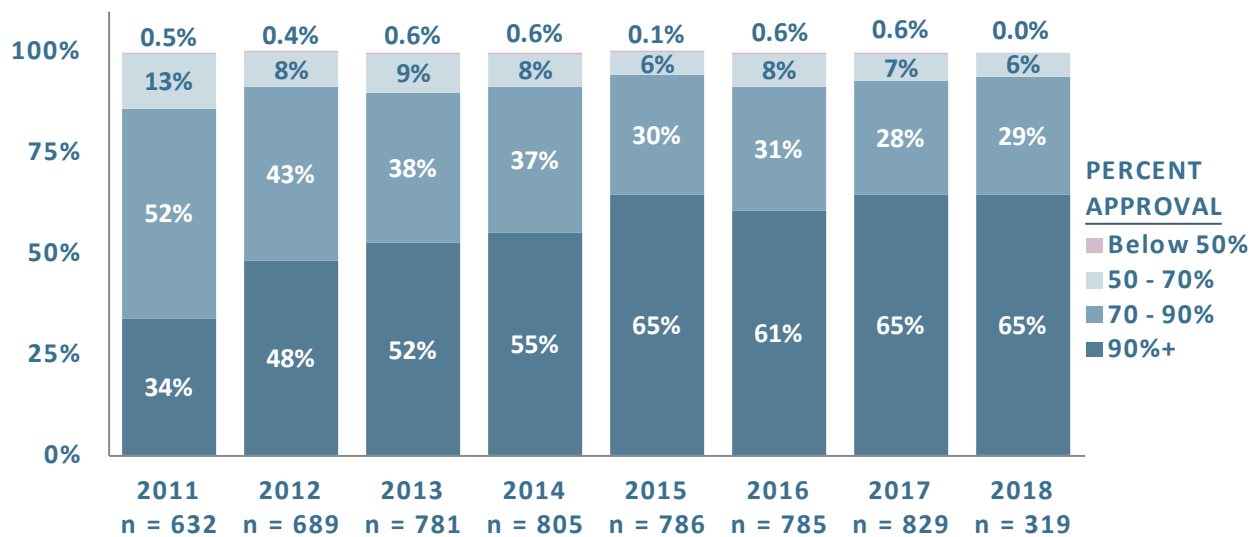
2018 EQUITY PROPOSAL RESULTS

6/6/2018

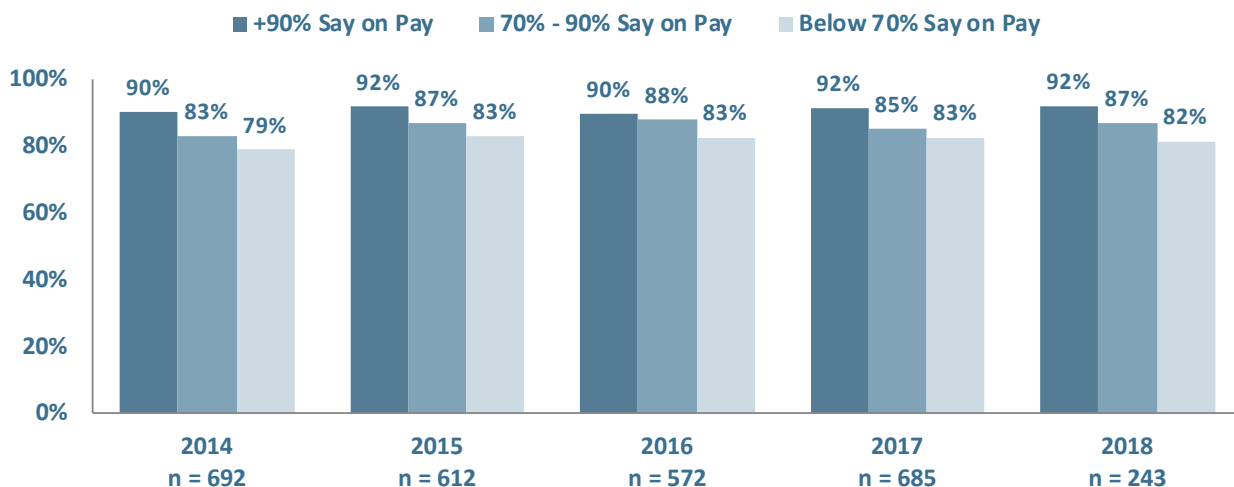
Russell 3000
319 Companies

- 65% of equity proposals in 2018 have received vote support above 90%, which is the same rate as 2017
- Only 27 (0.48%) of the 5,599 equity plan proposal votes since 2011 have received less than a majority vote. No proposal has failed thus far in 2018
- 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

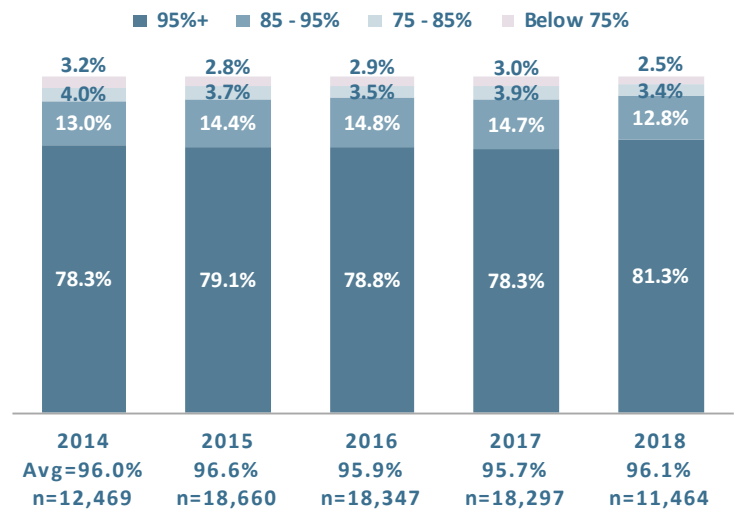
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Russell 3000
11,464 Directors

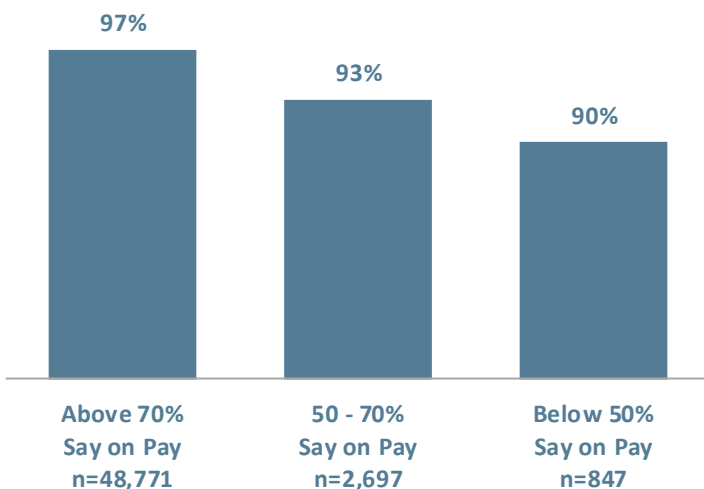
Director Election Observations

- 19 director nominees (0.17%) have received vote support below 50% in 2018 – historically, 0.29% 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 7% lower than at companies that received above 70% vote support
- Early in the proxy season, vote support for both male and female director nominees was higher than each of the previous four years. As the season continues to progress, vote support has moved closer to what has been a consistent level near 96% since 2014

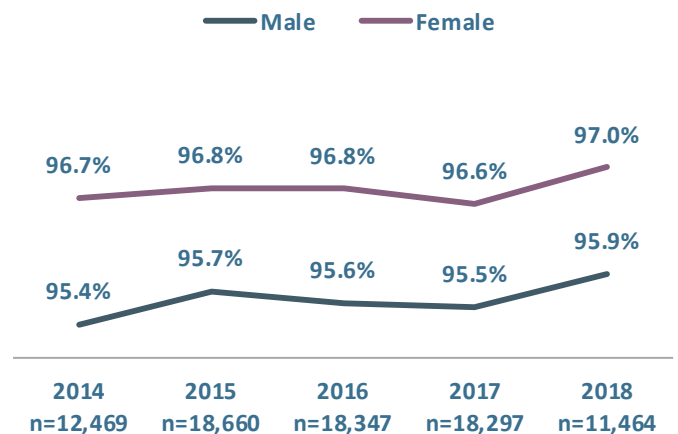
Historical Director Election Results



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



Director Election Results by Gender



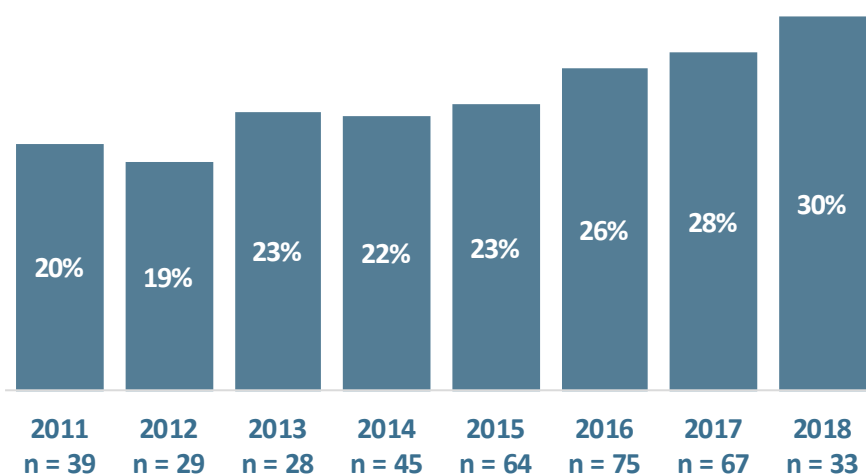
2018 ESG RESULTS

6/6/2018

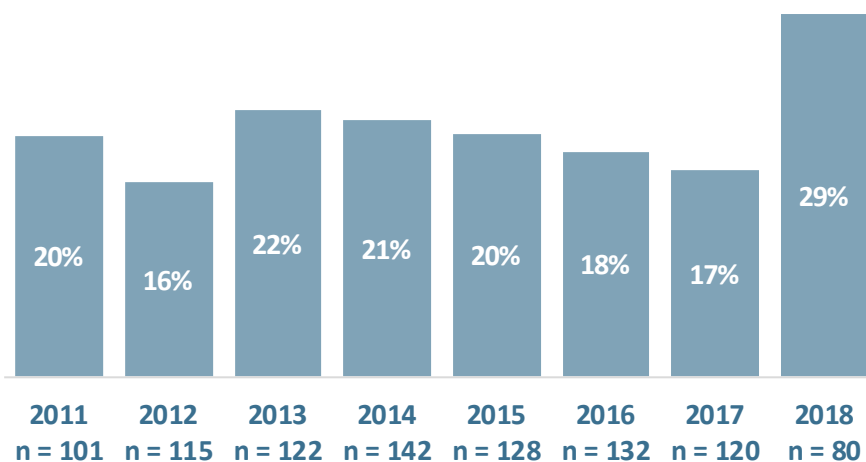
Russell 3000
113 Proposals

- Four environmental (12.1%) and four social (5.0%) proposals have received greater than 50% support in 2018
- 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: The Home Depot

The Congregation of Benedictine Sisters submitted a proposal that requires the Company to issue a diversity report on its workforce

- The proposal nearly passed, receiving 48% support
- The proponents of the proposal assert that good equal employment opportunity (EEO) practices are an investment issue because companies with good EEO records have a competitive advantage in recruiting and retaining employees
- In the proposal, the proponents cited a history of settlements of discrimination lawsuits, which have totaled to \$100MM
- The Company's Board recommended that shareholders vote "Against" the proposal because the report would not meaningfully enhance the Company's existing diversity and inclusion commitments
- ISS recommended that shareholders vote "For" the proposal because the report would benefit shareholders in assessing the risk associated with discrimination with little additional cost to the Company
- The Home Depot's CEO said the Company will take into account the result but did not mention specific actions
- The same proposal was voted on at the Company's 2017 annual meeting and received 34% support

Summary of 2018 Proposals

2018 ESG Proposals Since Last Report¹

Company	Proposal	Recommendation			Result
		ISS	Management	Support ▼	
Environmental Proposals (n=12)					
Genesee & Wyoming Inc.	Adopt GHG Emissions Reduction Goals	For	None	54%	Pass
Range Resources Corporation	Report on Methane Emissions Management and Reduction Targets	For	Against	49%	Fail
American Financial Group, Inc.	Report on Sustainability	For	Against	48%	Fail
Old Republic International Corporation	Report on Steps Taken to Improve Board Oversight of Climate Change Risk	For	Against	48%	Fail
XPO Logistics, Inc.	Report on Sustainability	For	Against	34%	Fail
Mondelez International, Inc.	Assess Environmental Impact of Non-Recyclable Packaging	For	Against	31%	Fail
Host Hotels & Resorts, Inc.	Report on Sustainability	Against	Against	31%	Fail
Flowserve Corporation	Adopt GHG Emissions Reduction Goals	For	Against	21%	Fail
MGE Energy, Inc.	Disclose Business Strategy for Aligning with 2 Degree Warming Goal	Against	Against	11%	Fail
MGE Energy, Inc.	Report on Renewable Energy Adoption	Against	Against	11%	Fail
MGE Energy, Inc.	Request a Study of the Electrification of the Transportation Sector	Against	Against	10%	Fail
McDonald's Corporation	Report on Plastic Straws	Against	Against	8%	Fail
Social Proposals (n=29)					
Anadarko Petroleum Corporation	Assess Portfolio Impacts of Policies to Meet 2 Degree Scenario	For	Against	53%	Pass
The Home Depot, Inc.	Prepare Employment Diversity Report and Report on Diversity Policies	For	Against	48%	Fail
Juniper Networks, Inc.	Report on Annual Disclosure of EEO-1 Data	For	Against	44%	Fail
NextEra Energy, Inc.	Report on Political Contributions	For	Against	43%	Fail
Wyndham Worldwide Corporation	Report on Political Contributions	For	Against	42%	Fail
Navient Corporation	Report on Governance Measures Implemented Related to Student Loan Debt	For	Against	41%	Fail
Alliant Energy Corporation	Report on Political Contributions	For	Against	39%	Fail
Wynn Resorts, Limited	Report on Political Contributions	For	Against	37%	Fail
Range Resources Corporation	Report on Political Contributions	For	Against	36%	Fail
The Charles Schwab Corporation	Prepare Employment Diversity Report	For	Against	35%	Fail
The Travelers Companies, Inc.	Prepare Employment Diversity Report and Report on Diversity Policies	For	Against	35%	Fail
Motorola Solutions, Inc.	Report on Lobbying Payments and Policy	For	Against	34%	Fail
The Western Union Company	Report on Political Contributions	For	Against	32%	Fail
Vertex Pharmaceuticals Incorporated	Report on Lobbying Payments and Policy	For	Against	31%	Fail
First Republic Bank	Prepare Employment Diversity Report and Report on Diversity Policies	For	Against	29%	Fail
The Charles Schwab Corporation	Report on Political Contributions	For	Against	25%	Fail
PayPal Holdings, Inc.	Report on Political Contributions	For	Against	24%	Fail
CenturyLink, Inc.	Report on Lobbying Payments and Policy	For	Against	21%	Fail
BlackRock, Inc.	Report on Lobbying Payments and Policy	For	Against	21%	Fail
PNM Resources, Inc.	Assess Portfolio Impacts of Policies to Meet 2 Degree Scenario	Against	Against	13%	Fail
Motorola Solutions, Inc.	Report on Efforts to Ensure Supply Chain Has No Forced Labor	Against	Against	13%	Fail
JPMorgan Chase & Co.	Procedures to Prevent Investments in Companies that Contribute to Genocide	Against	Against	8%	Fail
Aetna Inc.	Report on Lobbying Payments and Policy	Against	Against	8%	Fail
Intel Corporation	Report on Costs and Benefits of Political Contributions	Against	Against	7%	Fail
First Solar, Inc.	Report on Risks Associated with Sourcing Materials from Conflict Areas	Against	Against	6%	Fail
Vertex Pharmaceuticals Incorporated	Report on Drug Pricing Increases	Against	Against	5%	Fail
Altria Group, Inc.	Reduce Nicotine Levels in Tobacco Products	Against	Against	4%	Fail
McDonald's Corporation	Report on Charitable Contributions	Against	Against	3%	Fail
PG&E Corporation	Cease Charitable Contributions	Against	Against	1%	Fail

¹ As of June 4, 2018.