

2019 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000

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**JUNE
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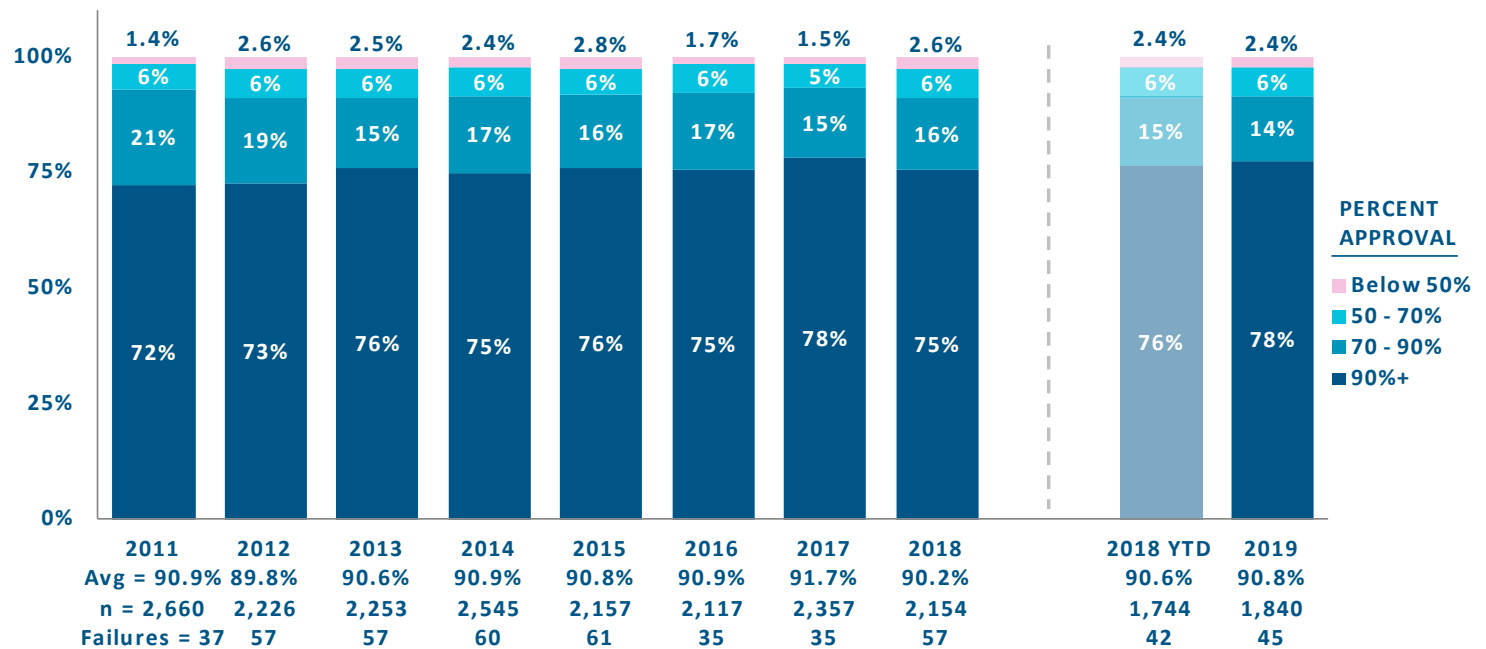
2019 SAY ON PAY RESULTS

6/20/2019

RUSSELL 3000
1,840 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

Forty-five Russell 3000 companies (2.4%) have failed Say on Pay thus far in 2019. 12 companies failed since our last report: Citizens, FleetCor Technologies, IMAX, LendingClub, The Middleby Corp, Nabors Industries, Netflix, Nexstar Media Group, Puma Biotechnology, Proofpoint, TG Therapeutics, and Williams-Sonoma.

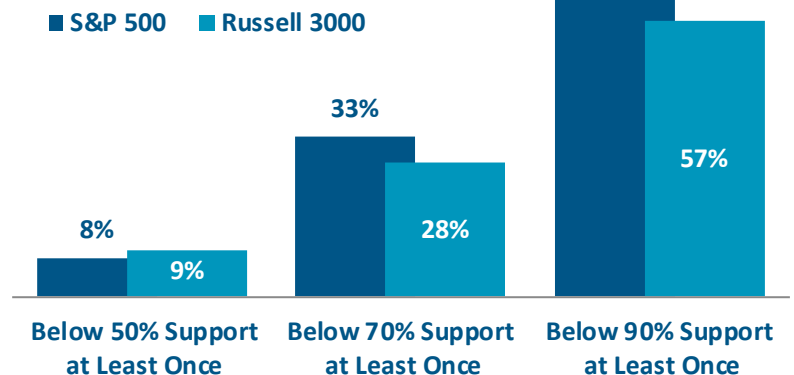


SAY ON PAY OBSERVATIONS

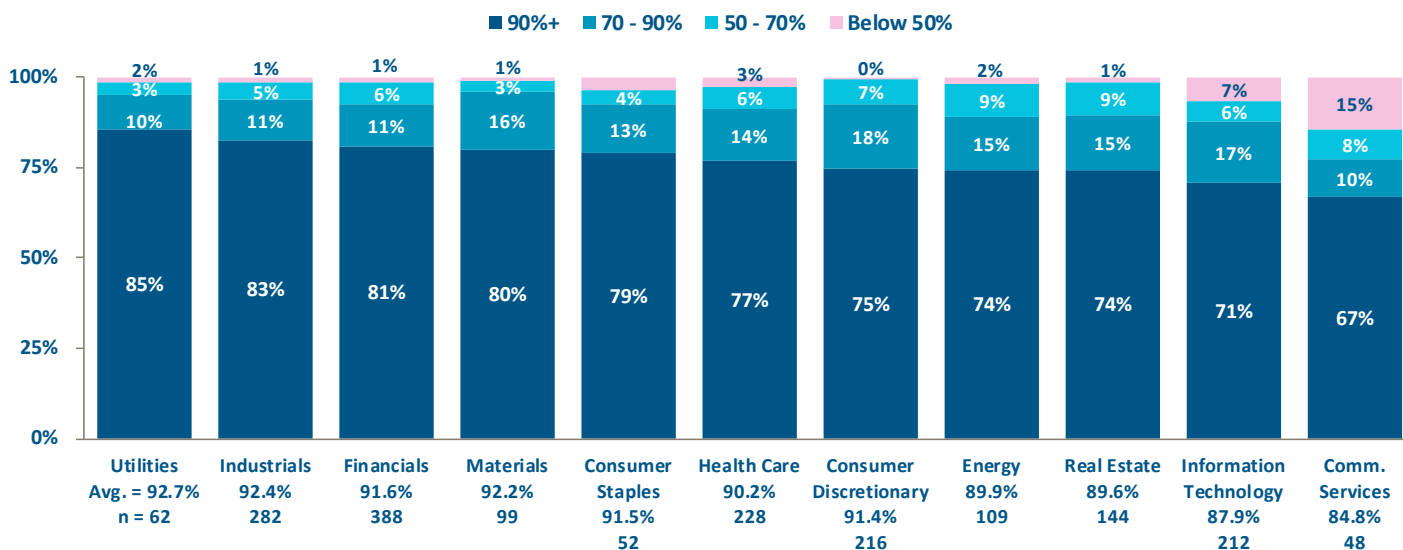
- The current failure rate (2.4%) increased 20 basis points since the last report and is equal to the failure rate observed at this time last year
- The average vote result (90.8%) decreased 20 basis points since the last report and is 20 basis points higher than the average vote result at this time last year (90.6%)
- One-third of the S&P 500 has received vote support below 70% at least once since 2011
- 9% 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

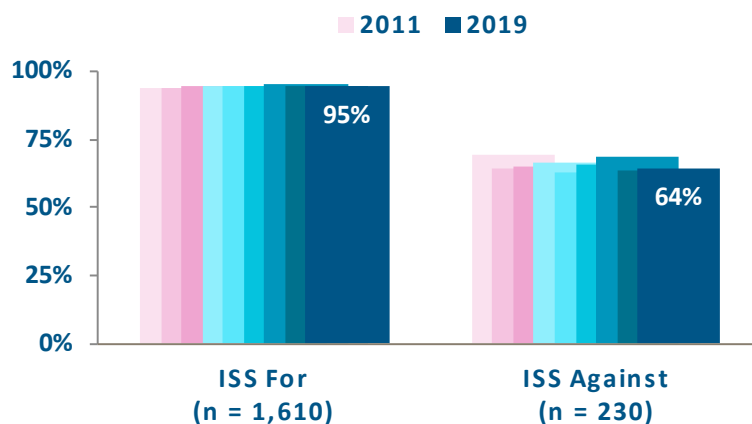


SAY ON PAY VOTE RESULTS BY GICS SECTOR



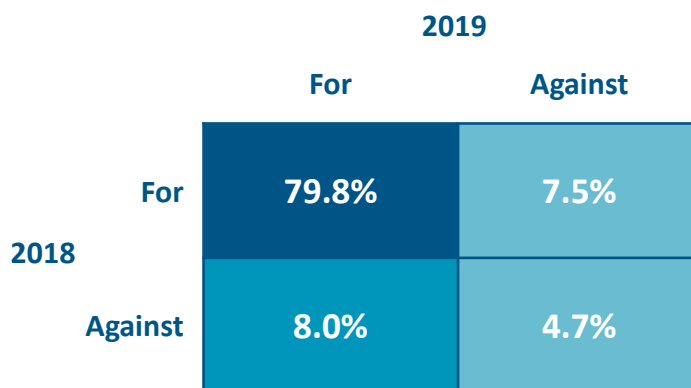
ISS IMPACT ON SAY ON PAY VOTE RESULTS

- The average Say on Pay vote result for companies that received an ISS “Against” recommendation is 31% lower than for companies that received an ISS “For” recommendation
- This is at the higher end of the historical average range of 24-32% observed since 2011
- The larger gap observed this year could indicate an increase in proxy advisors’ influence on shareholder voting
- At this time last year, we observed a 30% difference, which persisted through the year-end



ISS YEAR OVER YEAR BREAKDOWN

- 251 companies (15.5%) received one ISS “For” and one ISS “Against” recommendation from ISS during the last two years
- 63% of companies that got an “Against” recommendation in 2018 were able to get a “For” recommendation in 2019
- Only 4.7% of companies received consecutive “Against” recommendations in the last two years
- The “Against” recommendation rate in 2019 (12.5%) is 140 basis points lower than the 2018 rate (13.9%); and is in-line with the historical average (12.8%)



LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2019

2019 Failed Say on Pay Vote Results¹

Russell 3000, n=45

Company	Say on Pay Vote Results			Number of Failures	Likely Causes of Votes Under 50%						
	2019 ▼	2018	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
	Avaya Holdings Corp.	50%	-		-	1	X	X			X
Netflix, Inc.	50%	61%	-11%	1		X		X	X		
Nexstar Media Group, Inc.	49%	39%	9%	2		X				X	
Tribune Media Company	49%	56%	-6%	1		X		X			
Vector Group Ltd.	49%	51%	-2%	1	X	X	X	X	X		
FuelCell Energy, Inc.	48%	66%	-17%	1	X	X		X	X		
Applied Optoelectronics, Inc.	48%	90%	-42%	1	X	X	X		X		
Digimarc Corporation	47%	42%	5%	2	X	X		X	X		
Tyler Technologies, Inc.	47%	76%	-29%	1	X	X			X		
QEP Resources, Inc.	47%	85%	-38%	1	X	X	X				
Nuance Communications, Inc.	47%	10%	37%	6	X		X		X	X	
Nabors Industries Ltd.	47%	41%	7%	8	X	X		X			
TG Therapeutics, Inc.	46%	-	-	1	X	X	X				
LendingClub Corporation	46%	95%	-49%	1	X	X	X				
The Middleby Corporation	46%	85%	-39%	2	X	X				X	X
Diebold Nixdorf, Incorporated	46%	90%	-44%	1	X		X				
South Jersey Industries, Inc.	45%	98%	-53%	1	X	X					
The Boston Beer Company, Inc.	44%	82%	-38%	1	X				X	X	
Citizens, Inc.	44%	99%	-55%	1		X					
Frontier Communications Corporation	44%	83%	-39%	1		X	X		X		
iStar Inc.	43%	40%	3%	2	X	X					
Southern National Bancorp of Virginia, Inc.	43%	73%	-30%	1	X	X			X		
Align Technology, Inc.	42%	95%	-53%	1			X			X	
SS&C Technologies Holdings, Inc.	42%	66%	-24%	1	X	X		X	X		
PTC Inc.	42%	93%	-51%	1	X	X				X	
CenturyLink, Inc.	41%	79%	-39%	1	X	X				X	
Xerox Corporation	40%	64%	-24%	1		X		X	X	X	
Rayonier Advanced Materials Inc.	40%	81%	-41%	1	X	X	X			X	
Williams-Sonoma, Inc.	40%	83%	-43%	1	X					X	
IMAX Corporation	39%	43%	-4%	3	X	X		X	X		
Signature Bank	38%	65%	-27%	1	X	X	X	X			
Xperi Corporation	38%	74%	-36%	1	X	X			X		
Mallinckrodt plc	37%	59%	-22%	1	X		X	X	X		
Tutor Perini Corporation	37%	38%	-1%	9	X	X		X			X
ServiceSource International, Inc.	35%	52%	-17%	1	X	X		X	X		
Alkermes plc	35%	98%	-63%	1	X	X			X		
Ameriprise Financial, Inc.	34%	25%	9%	2	X		X				
Varonis Systems, Inc.	33%	94%	-60%	1		X			X	X	
AGCO Corporation	33%	94%	-61%	1	X	X	X		X	X	
Puma Biotechnology, Inc.	27%	79%	-52%	1	X	X			X		
FleetCor Technologies, Inc.	26%	14%	11%	4	X		X	X	X	X	
New Media Investment Group Inc.	24%	52%	-28%	1		X		X			
Proofpoint, Inc.	18%	-	-	1	X	X			X	X	
Kilroy Realty Corporation	15%	59%	-44%	4	X	X		X		X	
MEDNAX, Inc.	13%	74%	-61%	1	X	X	X				
Count (n=45)					36	37	16	16	23	15	2

¹ As of June 14, 2019.

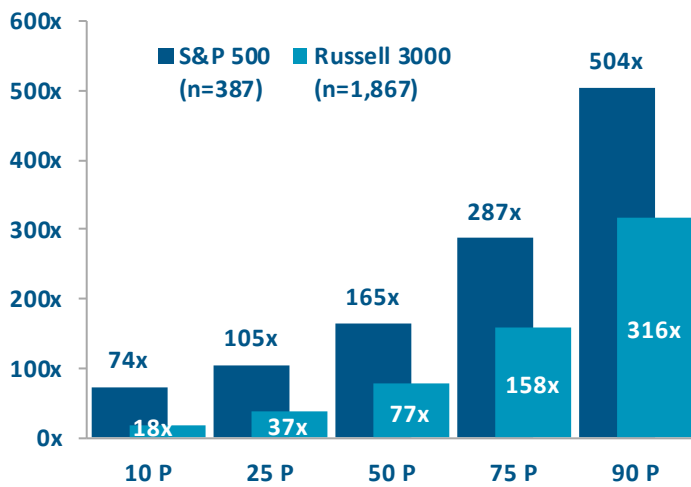
2019 CEO PAY RATIO RESULTS

6/20/2019

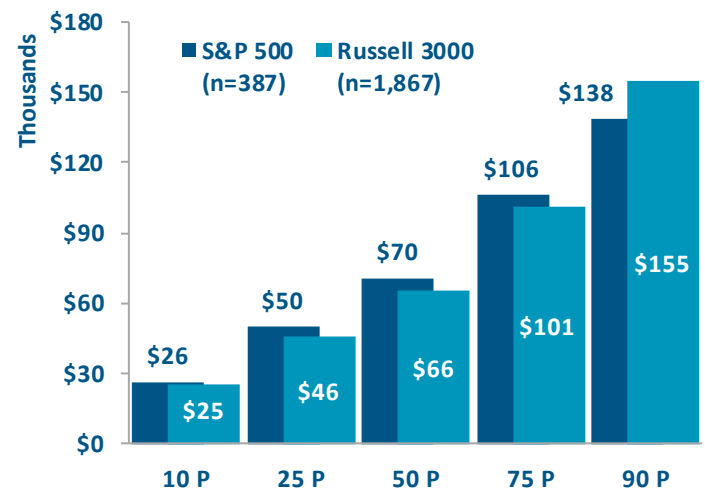
RUSSELL 3000
1,867 COMPANIES

- The median CEO Pay Ratio of the S&P 500 is 2.1x the median CEO Pay Ratio of the Russell 3000, which is slightly lower than the 2.2x multiple we observed between the two indices at this time last year
- The range of median employee compensation for the S&P 500 is slightly larger than the Russell 3000, except at the 90th percentile, where the Russell 3000 is 12% higher
- The Russell 3000 CEO Pay Ratio distribution trails off near the 300:1 while the S&P 500 distribution trails off near 500:1
- The distribution of CEO Pay Ratios is most highly concentrated near 60:1 for the Russell 3000 and near 120:1 for the S&P 500

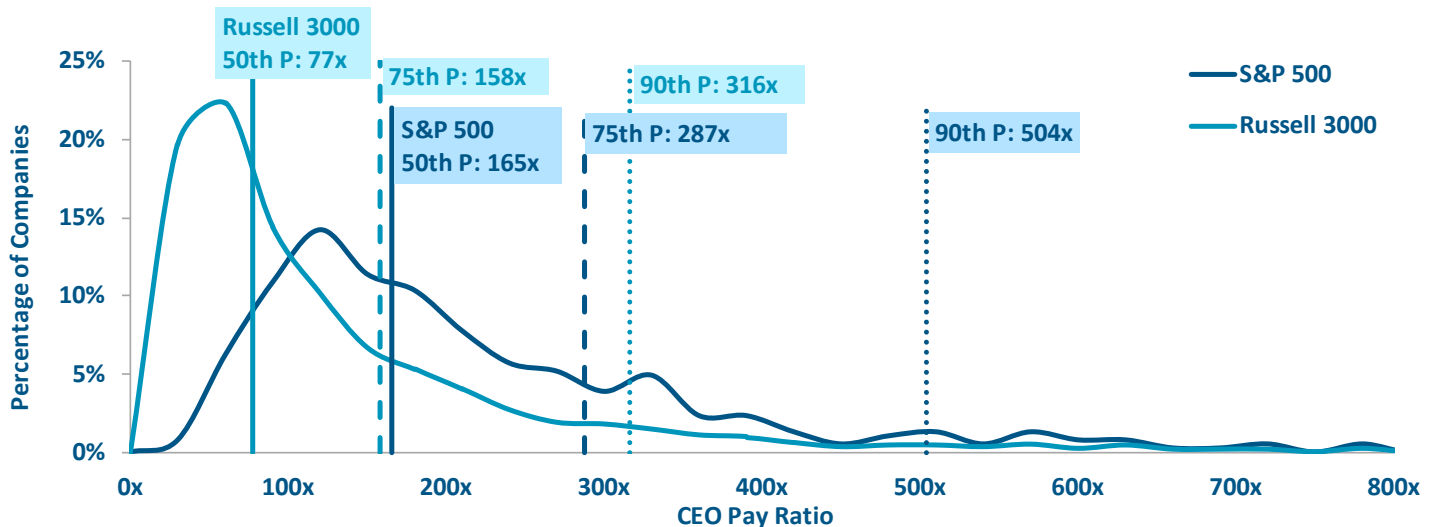
CEO PAY RATIO



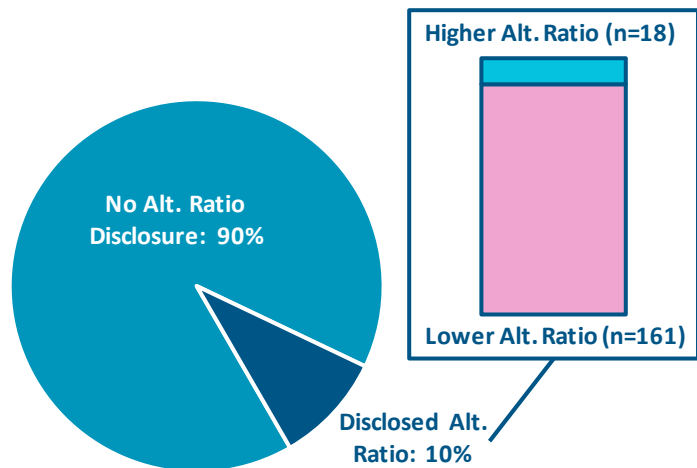
MEDIAN EMPLOYEE COMPENSATION



CEO PAY RATIO DISTRIBUTION



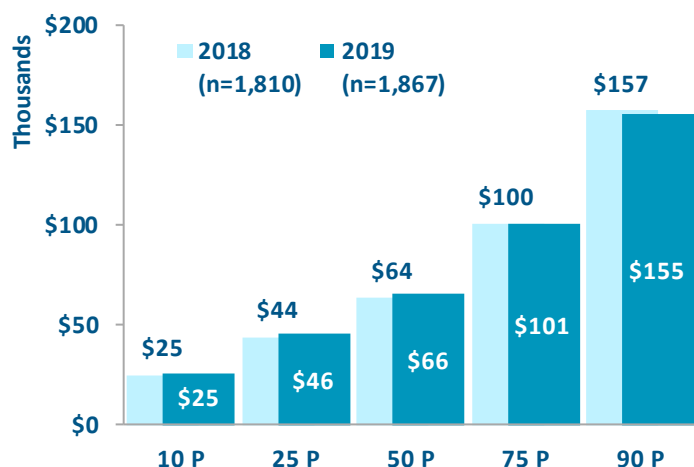
RUSSELL 3000 ALTERNATE CEO PAY RATIO DISCLOSURES



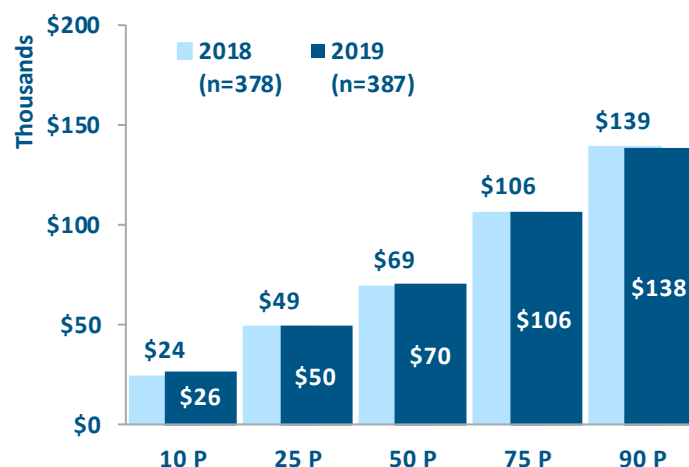
CEO PAY RATIO OBSERVATIONS

- Companies most frequently disclose alternate Pay Ratios to illustrate the impact of: (1) excluding one-time awards for the CEO; (2) using only U.S. employees; or (3) using only full-time or corporate employees
- The range of median employee compensation for both the Russell 3000 and the S&P 500 are nearly identical to the ranges observed for both indices at this time last year
- The median change in CEO Pay Ratio by company in the Russell 3000 is +2% and in the S&P 500 is +1%; the median change in Summary Compensation Table CEO pay by company in the Russell 3000 is +6% and in the S&P 500 is +4%

RUSSELL 3000 MEDIAN EMPLOYEE COMPENSATION: 2019 VS. 2018



S&P 500 MEDIAN EMPLOYEE COMPENSATION: 2019 VS. 2018



RUSSELL 3000 INDIVIDUAL COMPANY YEAR-OVER-YEAR CHANGES

Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+66%	+79%	+21%
75 P	+23%	+26%	+10%
Median	+2%	+6%	+3%
25 P	-13%	-9%	-2%
10 P	-33%	-31%	-12%

S&P 500 INDIVIDUAL COMPANY YEAR-OVER-YEAR CHANGES

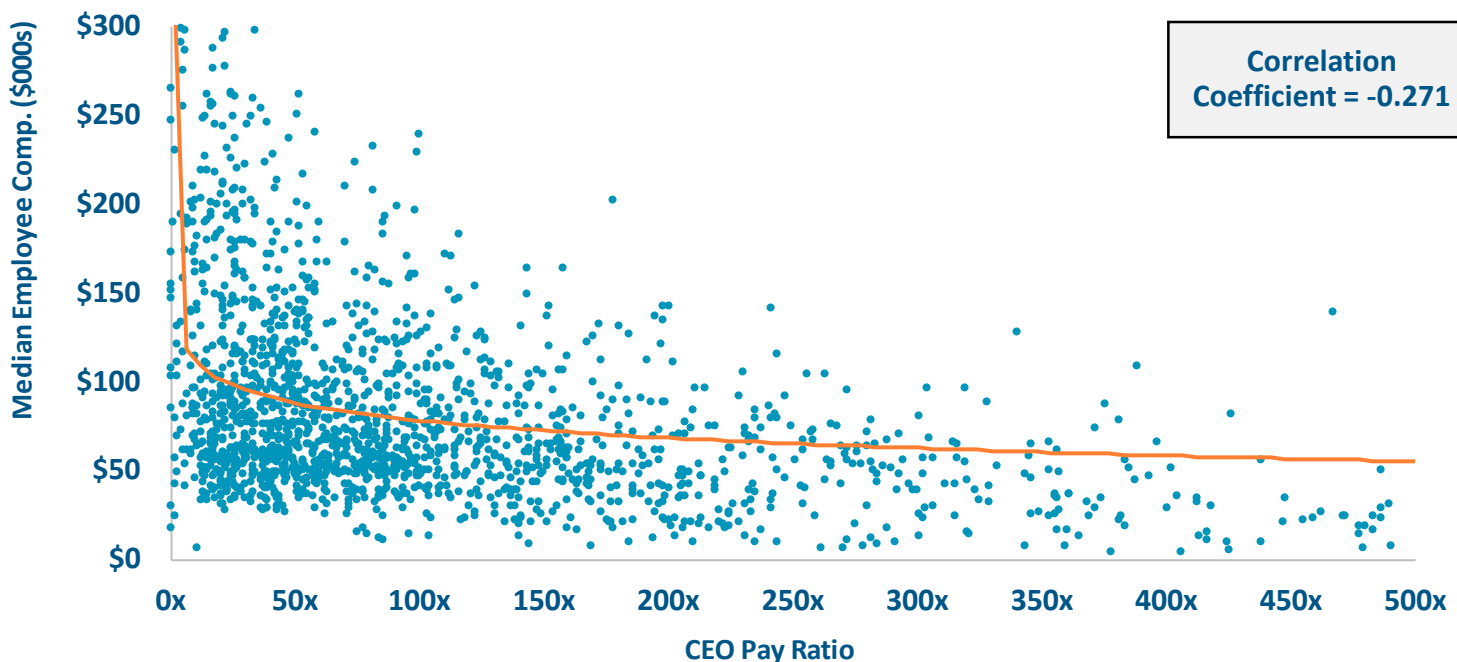
Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+46%	+51%	+15%
75 P	+14%	+15%	+8%
Median	+1%	+4%	+3%
25 P	-13%	-8%	-3%
10 P	-28%	-26%	-12%

- CEO Pay Ratio and CEO compensation show a positive relationship, while Pay Ratio and median employee compensation show an inverse, and weaker relationship
- Russell 3000 companies that filed a Pay Ratio in 2018 had a slightly lower CEO Pay Ratio to CEO compensation correlation coefficient (+0.425) and a similar Pay Ratio to median employee compensation correlation coefficient (-0.274) in comparison to the companies that have filed thus far in 2019

RUSSELL 3000 CEO COMPENSATION VS. CEO PAY RATIO

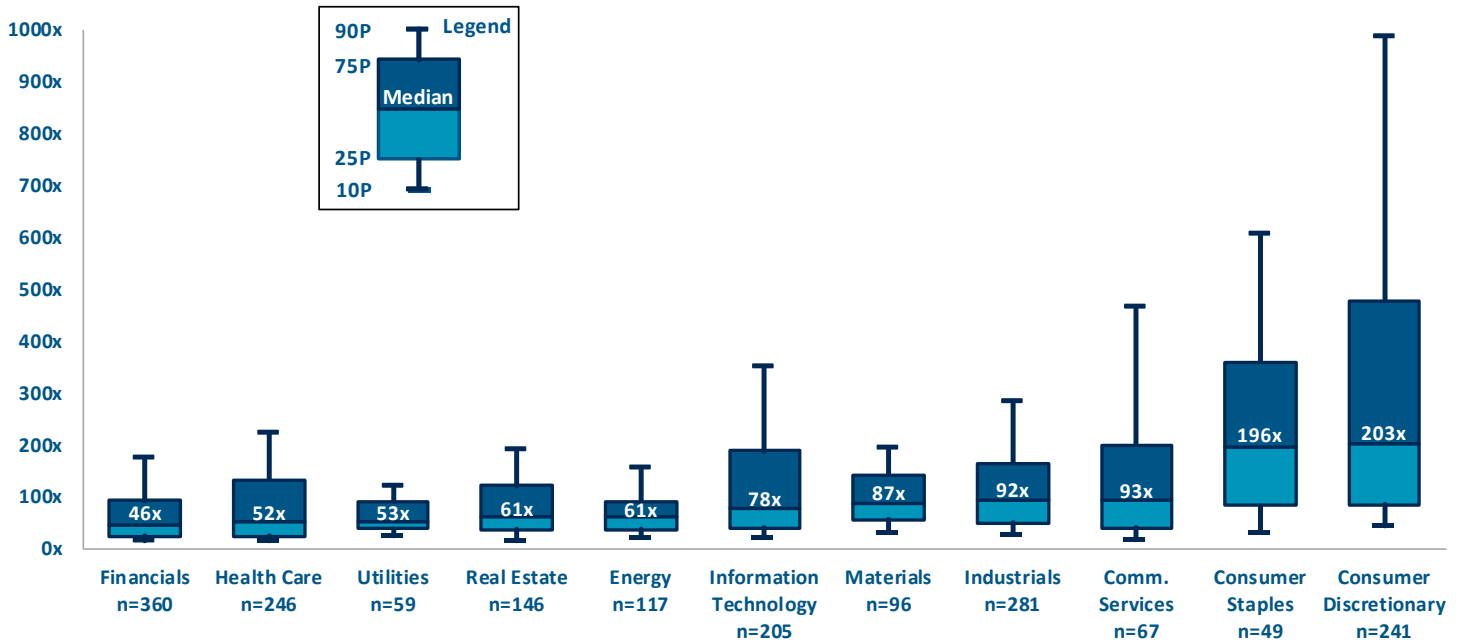


RUSSELL 3000 MEDIAN EMPLOYEE COMPENSATION VS. CEO PAY RATIO

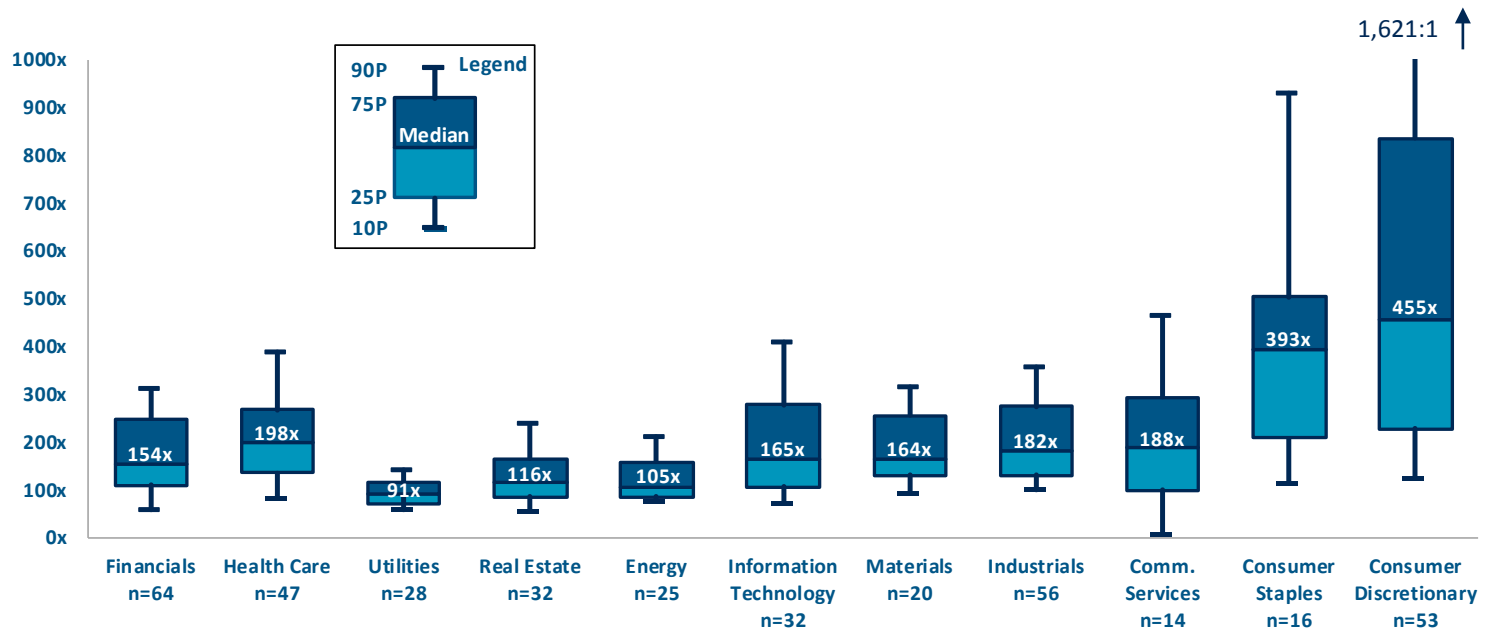


- Highly paid CEOs in the Communication Services and Information Technology sectors drive the higher CEO Pay Ratios at the 90th percentile
- CEO Pay Ratios in the Utilities and Energy sectors are within a tight range between the 25th and 75th percentiles
- The composition of a company's workforce and the use of seasonal or part-time employees in the Consumer Staples and Consumer Discretionary sectors drive the high CEO Pay Ratios at the 75th and 90th percentiles

RUSSELL 3000 CEO PAY RATIO VARIANCE BY GICS SECTOR



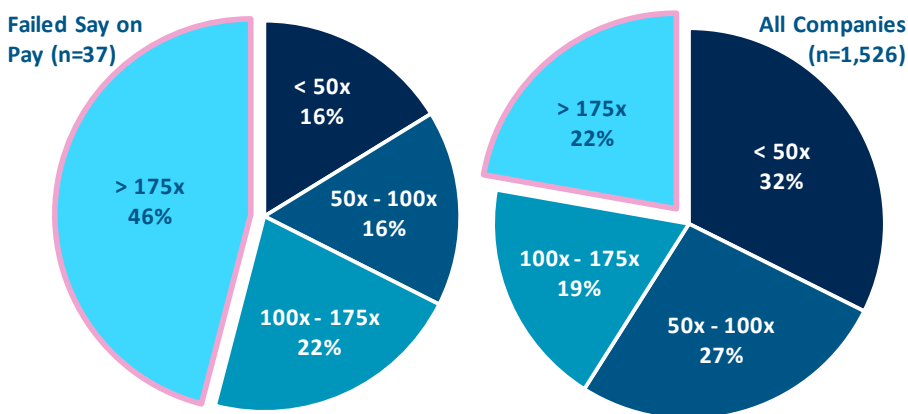
S&P 500 CEO PAY RATIO VARIANCE BY GICS SECTOR



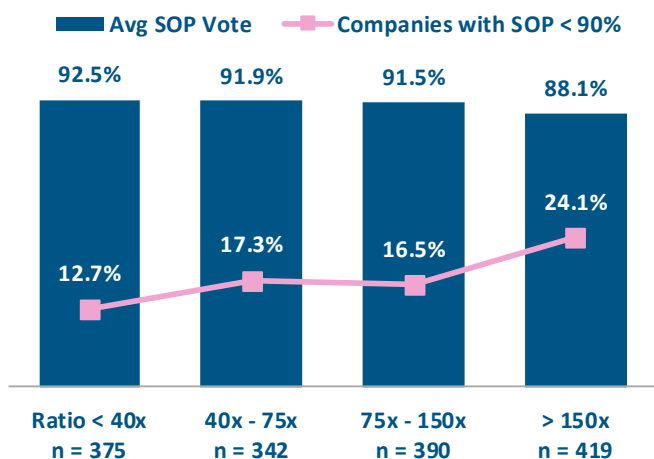
OBSERVATIONS

- The CEO Pay Ratio has an inverse relationship with Say on Pay but is not a primary driver of Say on Pay results
- 22% of Russell 3000 companies have a Pay Ratio above 175:1, but account for 46% of Say on Pay vote failures; 29% of S&P 500 companies have a Pay Ratio above 260x, but account for 60% of all Say on Pay failures
- Companies with top quartile CEO Pay Ratios (Russell 3000 above 150x and S&P 500 above 300x) are almost twice as likely to receive an "Against" recommendation from ISS

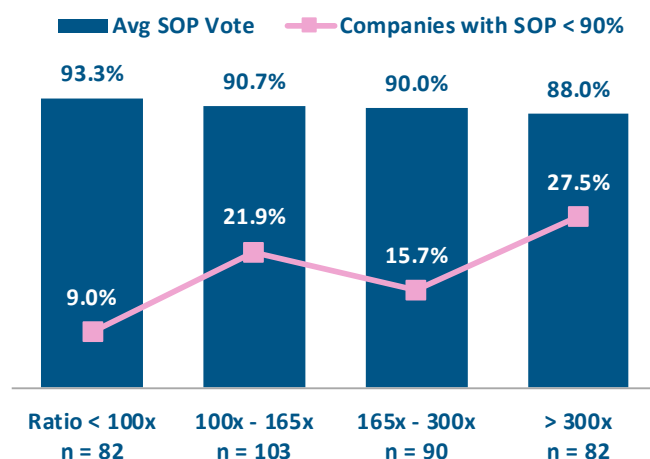
CEO PAY RATIOS OF RUSSELL 3000 CONSTITUENTS THAT FAILED SAY ON PAY



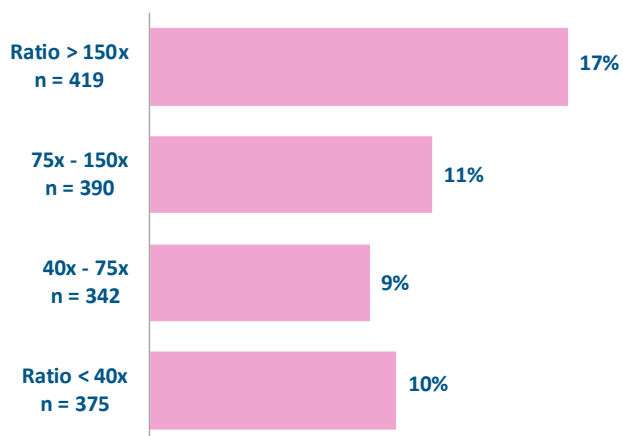
RUSSELL 3000 SAY ON PAY RESULTS BY CEO PAY RATIO



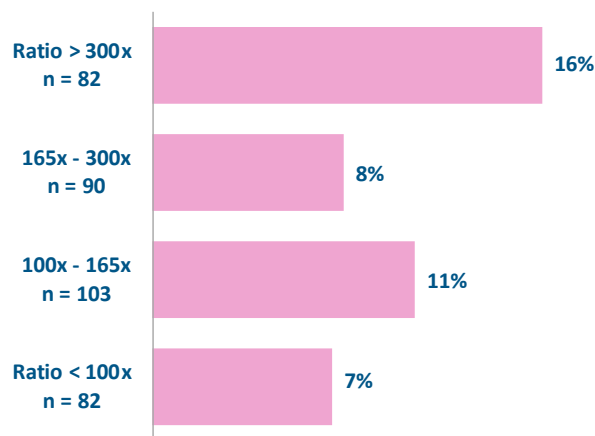
S&P 500 SAY ON PAY RESULTS BY CEO PAY RATIO



RUSSELL 3000 ISS AGAINST RECOMMENDATION RATE BY PAY RATIO



S&P 500 ISS AGAINST RECOMMENDATION RATE BY PAY RATIO



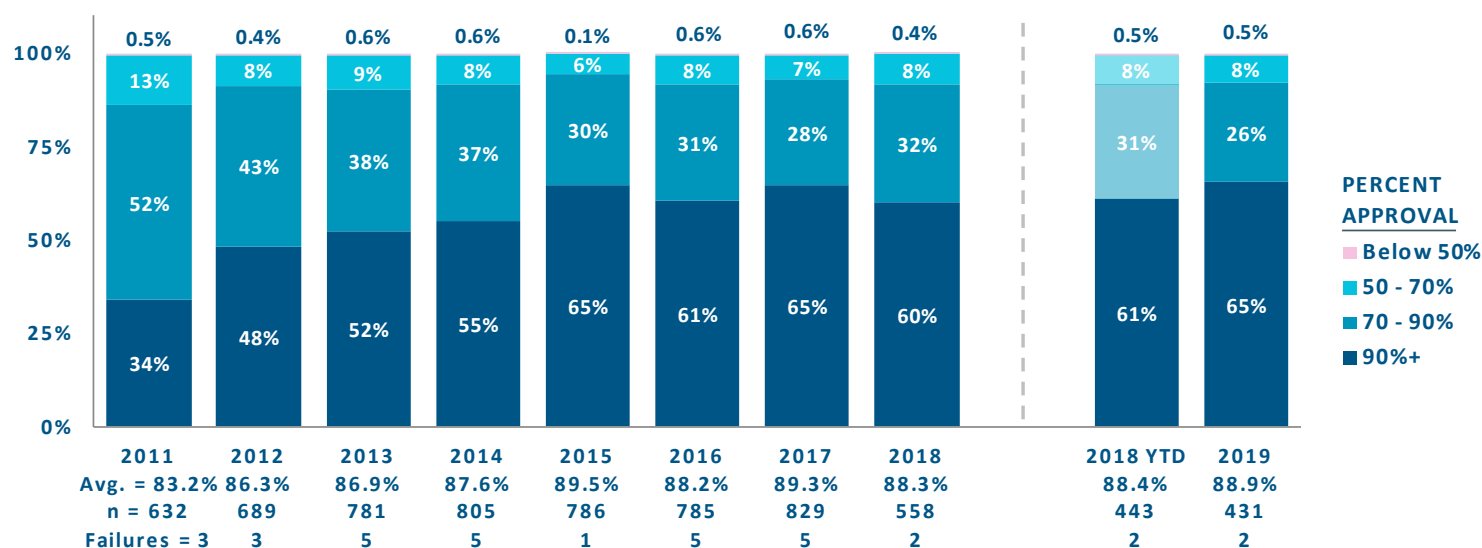
2019 EQUITY PROPOSAL RESULTS

6/20/2019

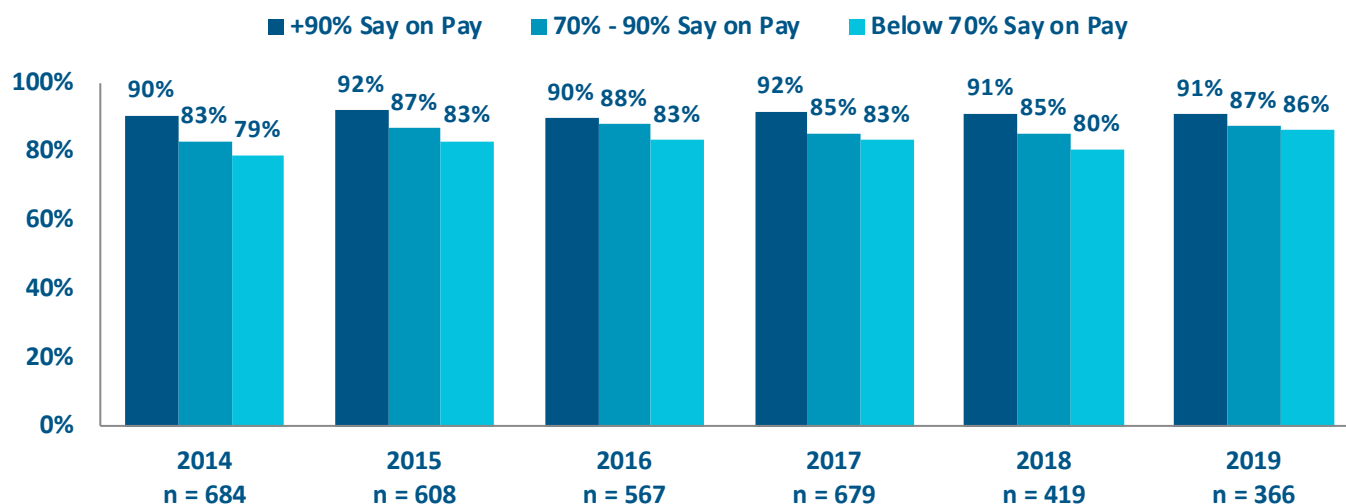
RUSSELL 3000
431 COMPANIES

- Average vote support for equity proposals (88.9%) is 50 basis points higher than the average vote support observed at this time last year (88.4%)
- No proposals received vote support below 50% since our last report
- The number of equity proposals in 2018 (558) was lower than in any year since 2011, and the current number of equity proposals (431) is similar to the number of equity proposals at this time last year (443) - we suspect this decrease is largely attributable to the elimination of the 162(m) provision that required shareholder approval of performance goals in incentive plans every five years

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



2019 DIRECTOR ELECTION RESULTS

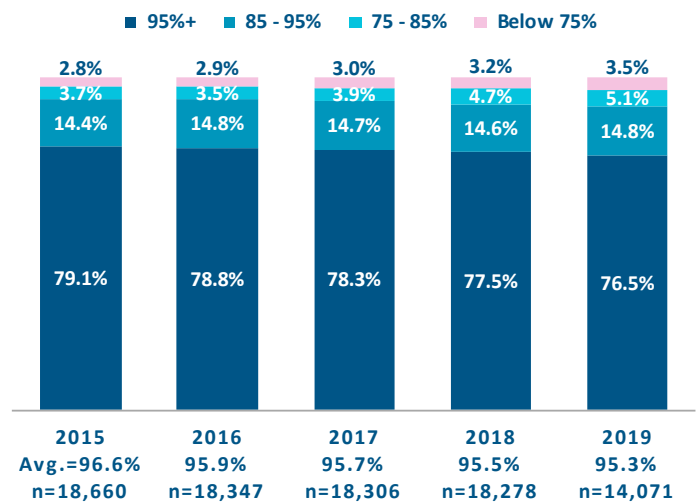
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RUSSELL 3000
14,071 DIRECTORS

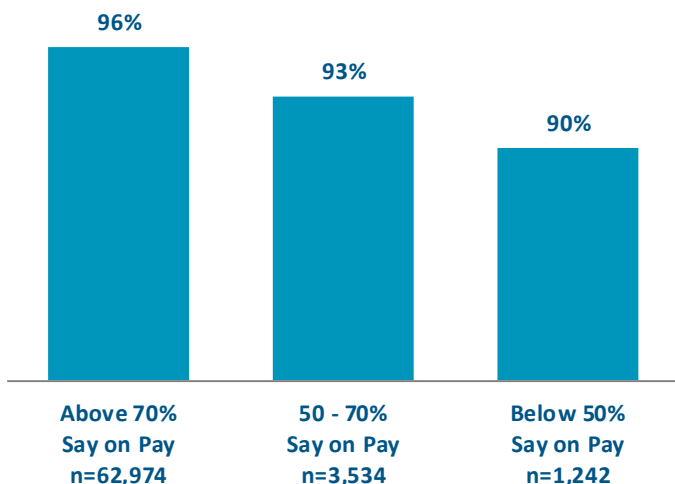
DIRECTOR ELECTION OBSERVATIONS

- Average Director election vote support decreased slightly from our last report (95.6%) and is now 20 basis points lower than the year-end vote support observed in 2018
- One of our season predictions is that average vote support for Director nominees will drop below 95.0% by the end of the year
- 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
- Average support for female Director nominees is 170 basis points higher than average support for male nominees

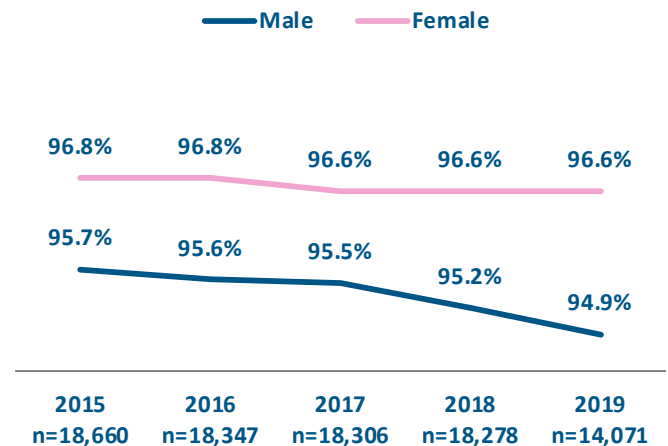
BREAKDOWN OF DIRECTOR ELECTION RESULTS



AVERAGE DIRECTOR ELECTION RESULTS IN YEAR FOLLOWING SAY ON PAY (2015-2019)



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



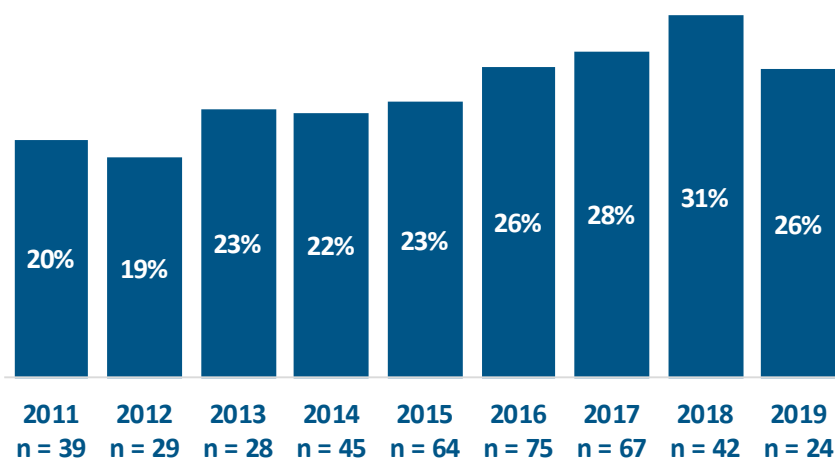
2019 ESG RESULTS

6/20/2019

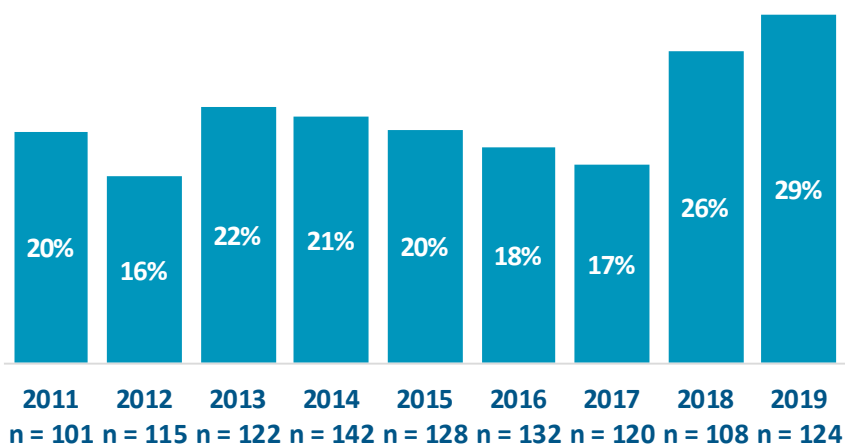
RUSSELL 3000
148 PROPOSALS

- Thus far in 2019, the median support for environmental proposals is 450 basis points lower than last year, while median support for social proposals is 300 basis points higher than last year
- Zero environmental proposals and seven social proposals (5.6%) have received greater than 50% support in 2019
- By comparison, 11.9% of environmental proposals and 6.5% of social proposals passed in 2018
- Social topics have become a more prominent focus area for shareholders this year, reflected by the larger number of proposals (124) this year and the higher median vote support (29%)

ENVIRONMENTAL PROPOSALS MEDIAN VOTE RESULT



SOCIAL PROPOSALS MEDIAN VOTE RESULT



SPOTLIGHT: CHEVRON CORP.

A shareholder submitted a proposal requesting that the company report on efforts to reduce its carbon footprint in line with the Paris Agreement's goal to limit global warming to no more than two degrees Celsius.

The proposal received 30.7% vote support

- The proponent of the proposal requests information on the relative benefits and drawbacks of transitioning operations and investments to reduce its carbon footprint
- The proponent states that Chevron is planning reductions only to its operational emissions (not including the oil and gas it sells), and has not adopted policies to achieve the goal of less than 2 degrees warming
- The Board recommends that shareholders vote "Against" the proposal, arguing that the report is unnecessary and that shifting away from fossil fuel production at this time would be detrimental to shareholders
- ISS recommends "For" the proposal and noted shareholders would benefit from a better understanding of the company's assessment of how it could reduce its carbon footprint in alignment with the achievement of the Paris Agreement's two degrees goal
- Chevron received a related proposal last year that ISS did not support because it was considered to be too prescriptive

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