

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/ for more detail.

2020 SAY ON PAY & PROXY RESULTS

RUSSELL 3000

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COVID-19: A FOCUS ON RETAIL

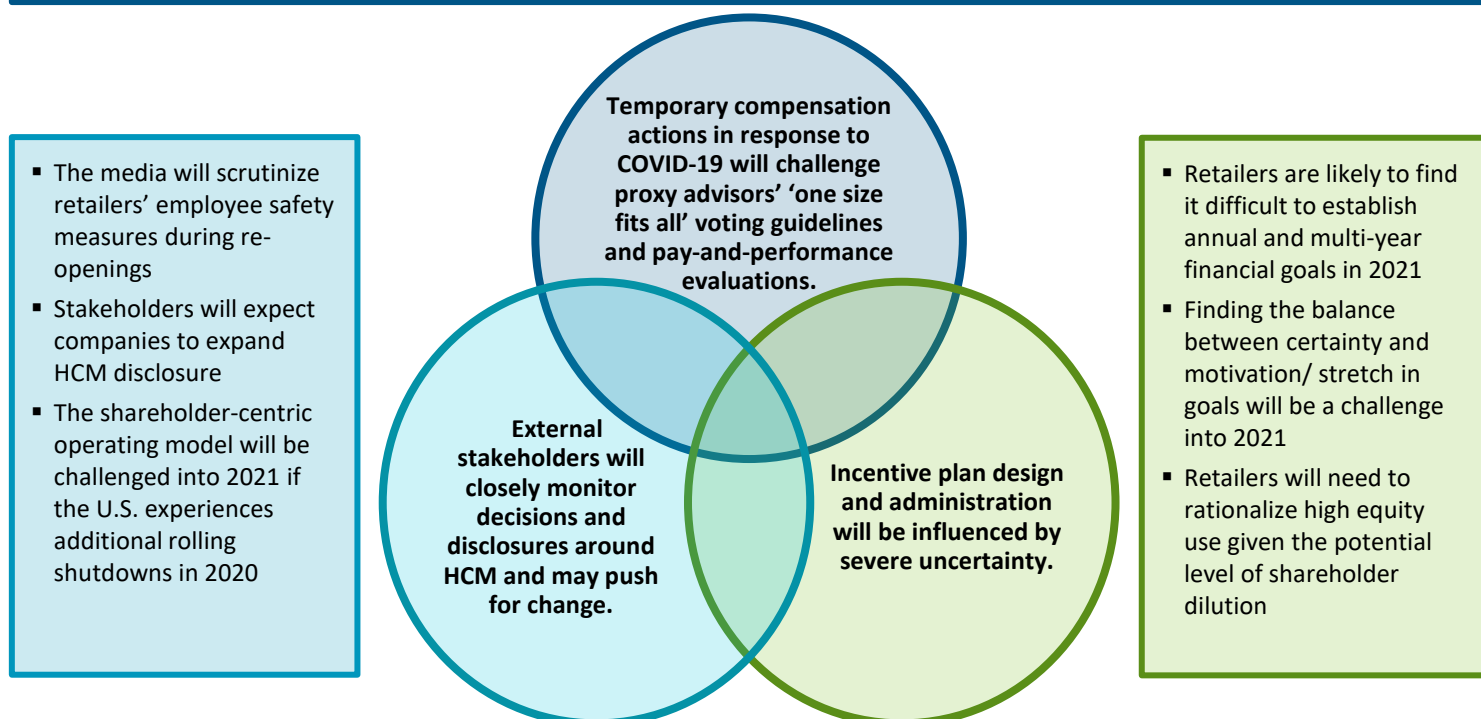
7/9/2020

For More Details, Visit:
semlebrossy.com/COVID

CONSIDERING COVID-19'S ONGOING IMPACT ON THE RETAIL INDUSTRY

COVID-19 has disrupted the design and administration of executive compensation in the retail industry. We expect that the challenges faced by retailers will persist into next proxy season and will influence pay-and-performance tests and Human Capital Management (HCM) discussions. Please visit www.semlebrossy.com/COVID/ for additional insight on COVID-19's widespread impact.

- Several retailers shifted to a less performance-oriented LTI mix for 2020 and/ or 2021, which may set a precedent for future years
- Many Compensation Committees will elect to measure individual and strategic performance and/ or apply significant discretion to determine 2020 bonus payouts – retailers that try to use financial-based goals (even quarterly) could be at a disadvantage
- Executives could receive a windfall from annual grants made “at the market bottom” in March
- Most executives will receive lower cash compensation in 2020 due to temporary reductions to salary and annual bonus payouts



- *To what extent will the COVID-19 crisis push stakeholders towards an ESG- or HCM-focused equitability model? Will these frameworks serve as an overlay in their evaluations of 2020 performance?*
- *CEO pay will decrease, but will some CEO Pay Ratios spike due to workforce furloughs, pay freezes, and new hires?*

- *How rigidly will proxy advisors apply guidelines (including updated COVID-19 guidance) when evaluating compensation for 2021 Say on Pay vote recommendations?*
- *How will proxy advisors and investors consider broader workforce actions (e.g., furloughs) in evaluations of executive pay actions and design?*

- *Will a sub-set of retailers temporarily transition to liquidity/ balance sheet measures, qualitative performance metrics, and/ or broader performance goal ranges?*
- *How will companies and shareholders evaluate future equity plan share requests given 2020 burn rate and dilution levels?*

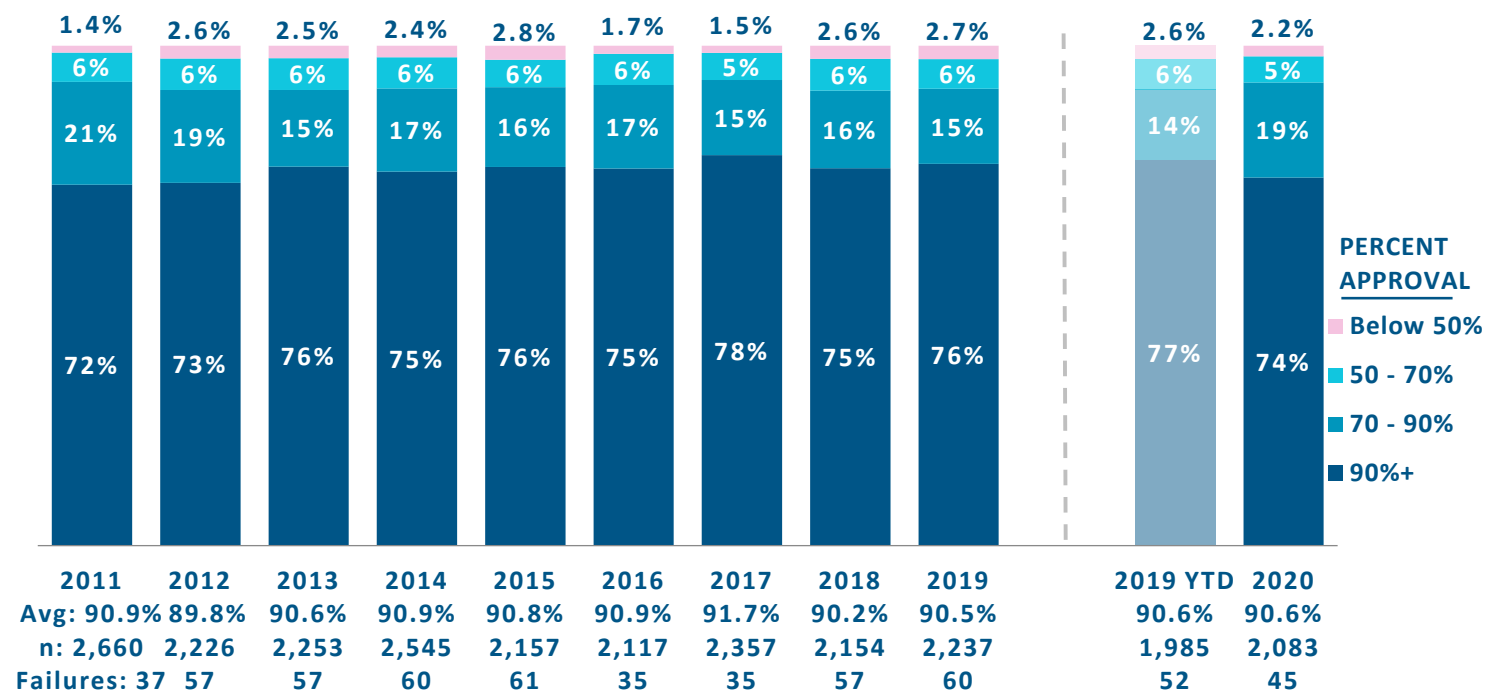
2020 SAY ON PAY RESULTS

7/9/2020

RUSSELL 3000
2,083 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

45 Russell 3000 companies (2.2%) failed Say on Pay thus far in 2020. 11 companies failed since our last report and are highlighted in **bold** on page 4 of this report.

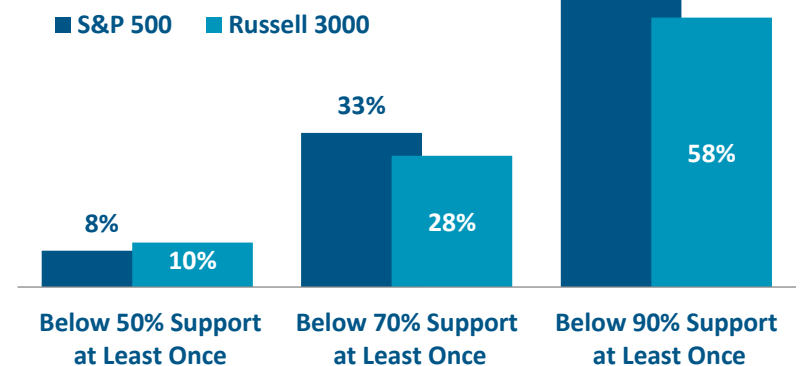


SAY ON PAY OBSERVATIONS

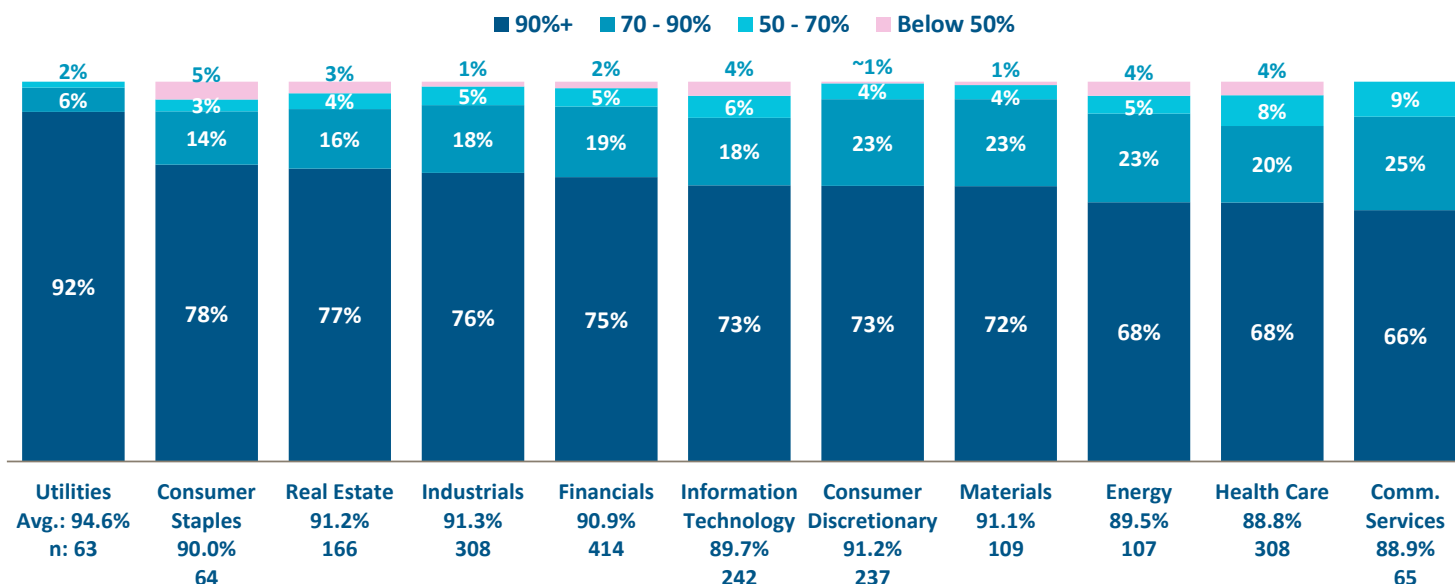
- The current number of failures (45) and failure rate (2.2%) are both lower than this time last year
- The 90.6% average vote result thus far in 2020 is 40 basis points lower than our last report and is now equivalent to the average vote result at this time last year
- One-third of the S&P 500 has received 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

Vote results for current S&P 500 and Russell 3000 constituents since 2011

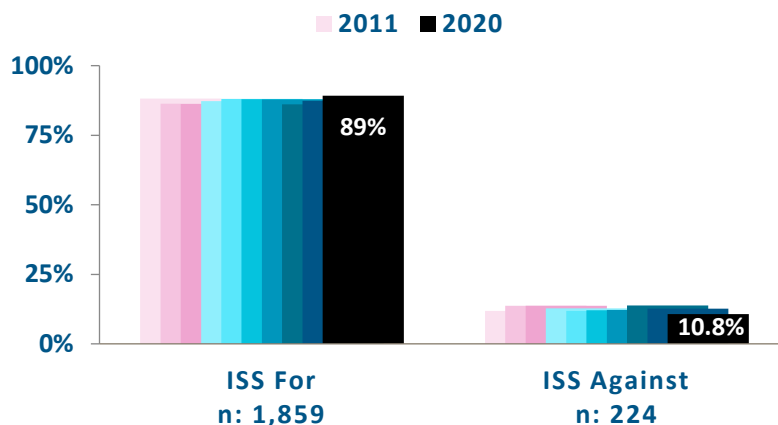


SAY ON PAY VOTE RESULTS BY GICS SECTOR



ISS RECOMMENDATION RATE

- 89% of companies have received a “For” recommendation from ISS, while 10.8% of companies have received an “Against” recommendation from ISS
- At this time in each of the last two year’s, 86% of companies received a “For” recommendation from ISS, while 14% of companies received an “Against” recommendation from ISS
- 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



COMPANIES RECEIVING CONSECUTIVE ISS “AGAINST” RECOMMENDATIONS

- Average vote result decreases and ISS ‘Against’ likelihood increases with consecutive prior ‘Against’ recommendations

Consecutive Prior “Against” Recommendations Before 2020	Number of Companies	Rate of Additional Consecutive “Against” Recommendations	Average 2020 Vote for Those With Additional “Against” Recommendations	Average 2020 Vote for Those Achieving “For” Recommendations
1	142	29%	60.5%	91.6%
2	38	42%	58.9%	91.5%
3	17	47%	56.4%	90.5%
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=45

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 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		
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	
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					
Acuity Brands, Inc.	33%	53%	-20%	1	X	X		X			
Medpace Holdings, Inc.	33%	-	-	1	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			
Atlas Air Worldwide Holdings, Inc.	31%	92%	-61%	4		X	X				
U.S. Silica Holdings, Inc.	30%	95%	-65%	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=45)						26	25	15	18	14	16

¹ As of June 30, 2020

2020 ESG PROPOSAL RESULTS

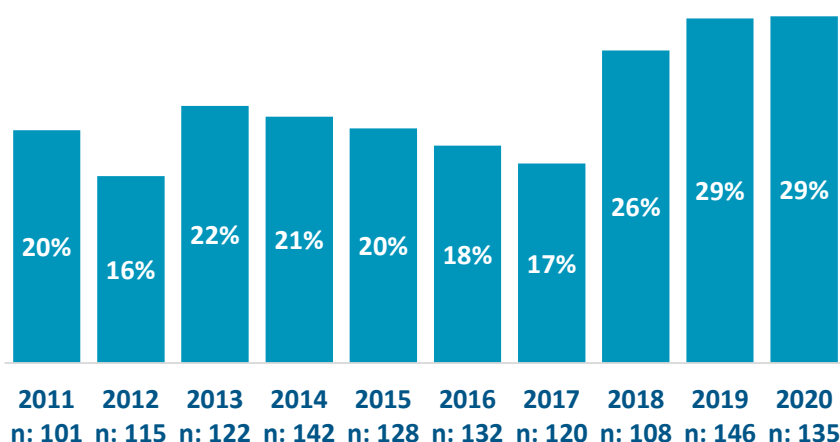
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RUSSELL 3000
172 PROPOSALS

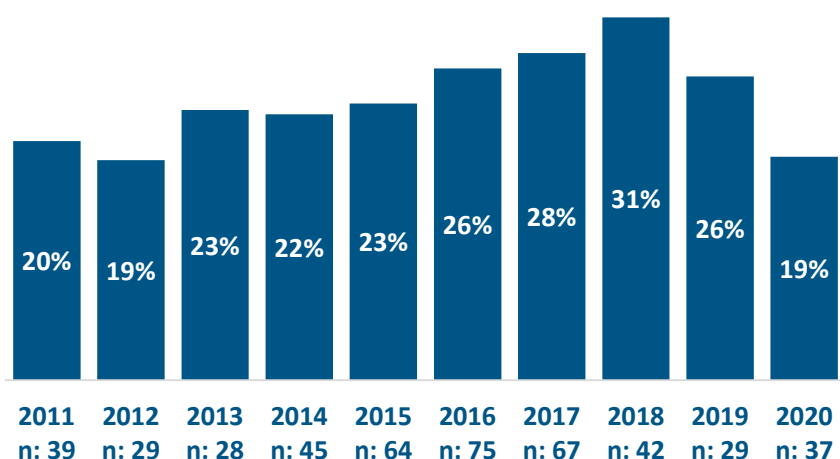
- Thus far in the proxy season, shareholders have voted on 135 social proposals and 37 environmental proposals – median support for social proposals is 29% and for environmental proposals is 19%
- Twelve social proposals (9%) and five environmental proposals (14%) have received greater than 50% support in 2020 – proposals that received greater than 50% support since our last report include requests for reports on greenhouse gas emissions goals, political contributions, and diversity & inclusion efforts
- 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: DOLLAR TREE

Shareholders submitted a proposal requesting that Dollar Tree publish a report on its greenhouse gas emission (GHG) goals.

The proposal passed with 74% vote support

- The proponents of the proposal requested long-term goalsetting related to reducing GHG emissions and carbon risk since the company has lagged behind its peers in publicly disclosing such goals
- The proponents of the proposal noted that the company is a member of the Retail Industry Leadership Association – which prioritizes reducing GHG emissions in the retail industry – and requested that the company develop goals consistent with the 2018 Intergovernmental Panel on Climate Change report and Paris Climate Agreement
- The Board recommended that shareholders vote “Against” the proposal and asserted that the company is already enhancing Board oversight of GHG, taking action to reduce emissions, and expanding its sustainability report to include a development process and long-term goals
- ISS recommended “For” the proposal and cited that additional information on plans to adapt to increased costs and risks related to climate change would allow shareholders to better assess the company’s management of related risks

2020 DIRECTOR ELECTION RESULTS

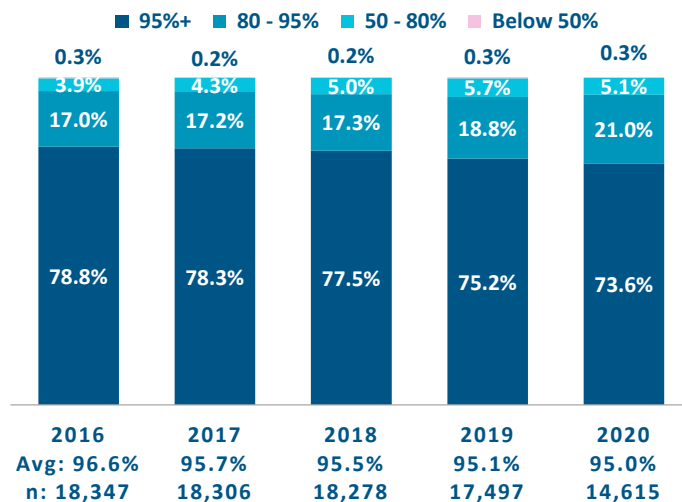
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RUSSELL 3000
14,615 DIRECTORS

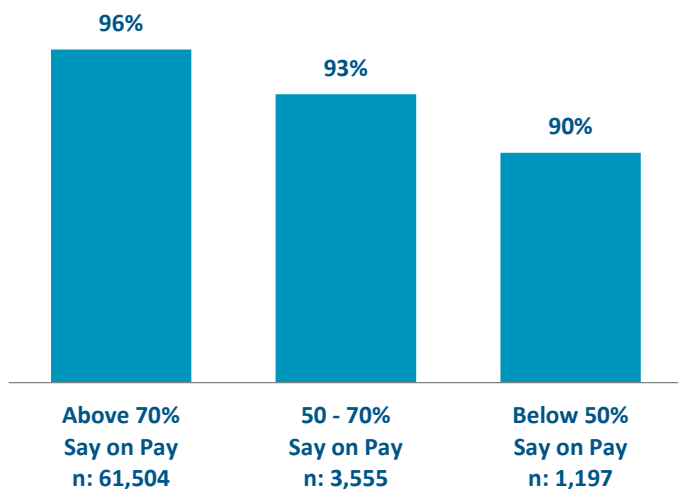
DIRECTOR ELECTION OBSERVATIONS

- Average vote support for Director nominees (95.0%) decreased 60 basis points since our last report and is now 10 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

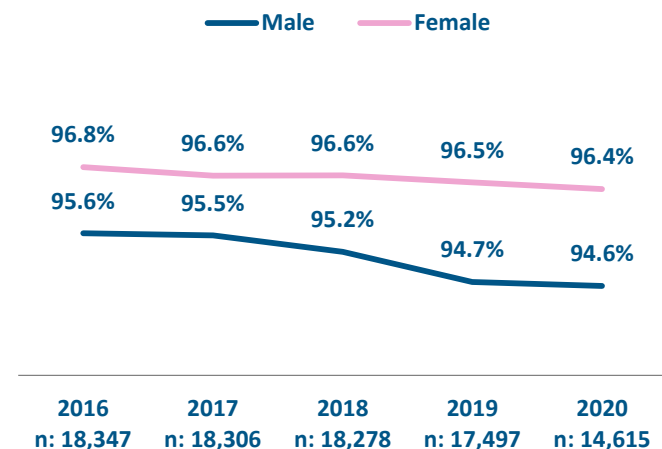
BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



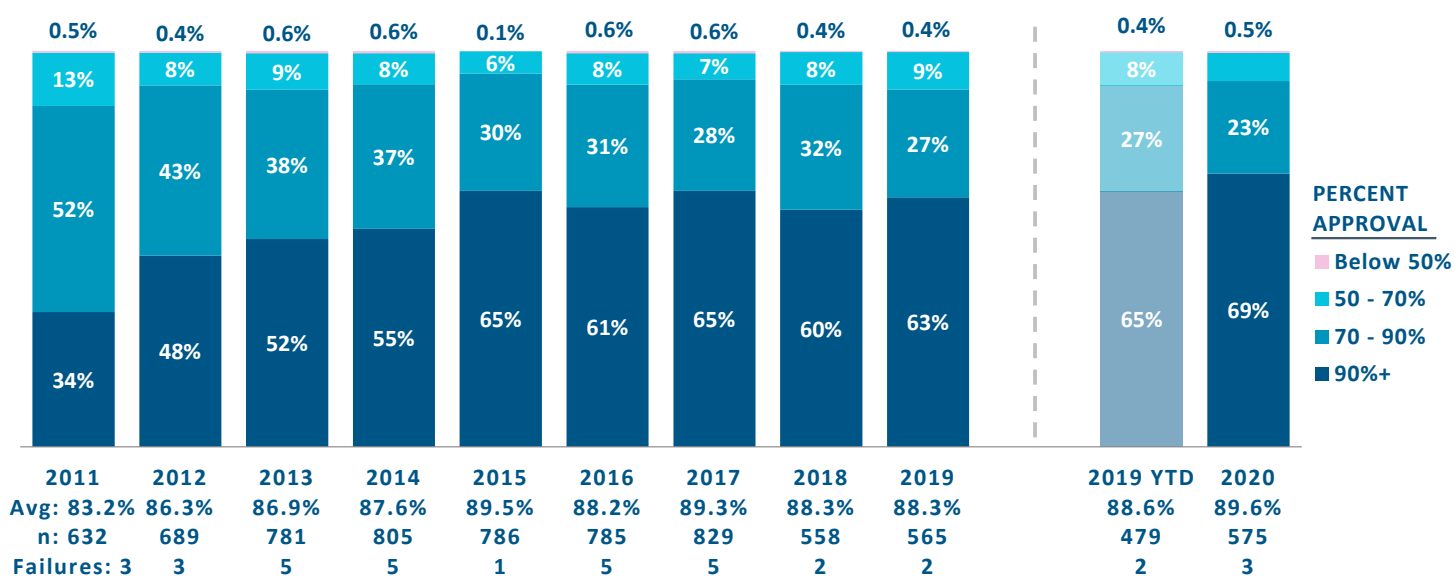
2020 EQUITY PROPOSAL RESULTS

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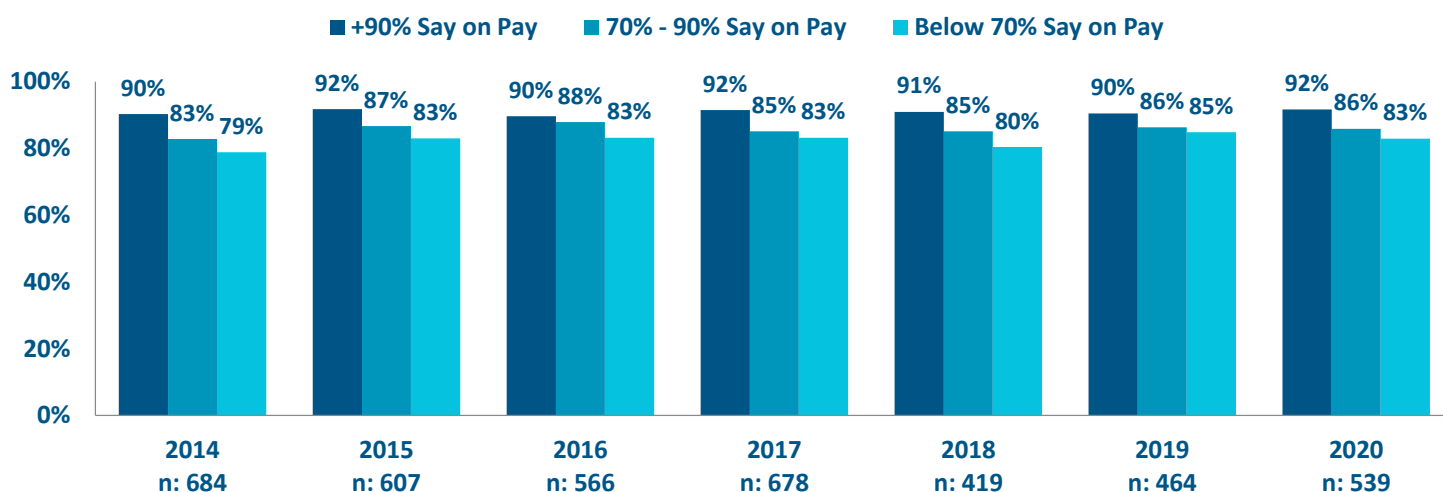
RUSSELL 3000
575 COMPANIES

- Average vote support for equity proposals thus far in the proxy season (89.6%) is 100 basis points higher than the 88.6% average support observed at this time last year
- Three proposals have received vote support below 50% thus far in 2019, and one proposal since our last report received below 50% support – CareDX’s omnibus stock plan amendment
- 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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