

# 2016 SAY ON PAY RESULTS

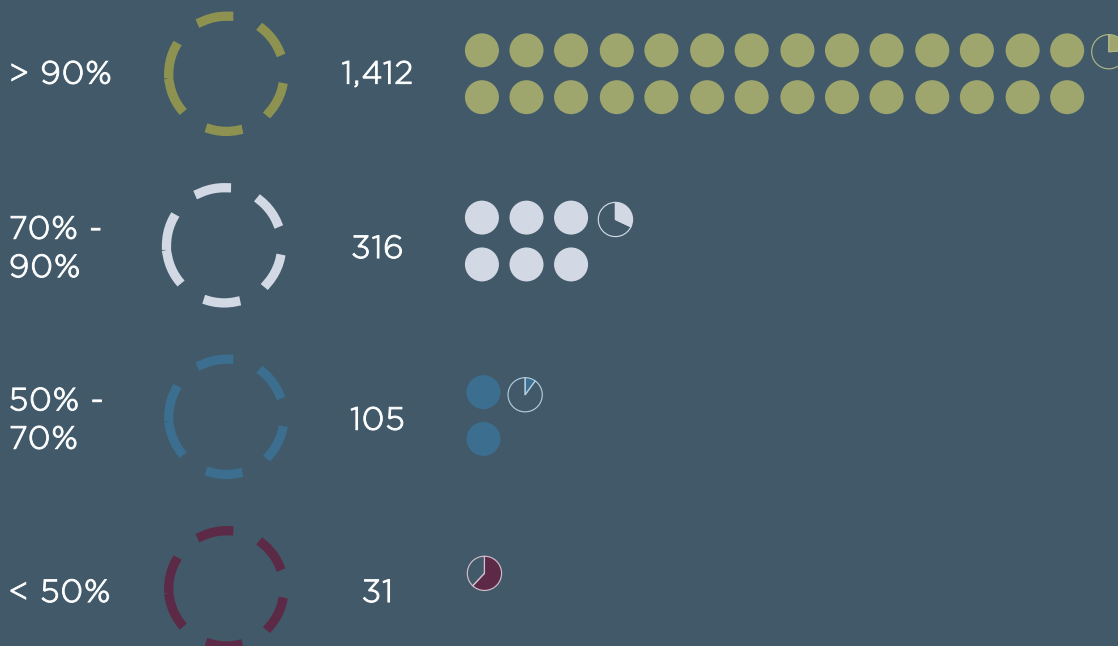
RUSSELL 3000  
1,864 COMPANIES

IN THIS REPORT...

## TRENDS IN PROXY ACCESS VOTES

July 27, 2016

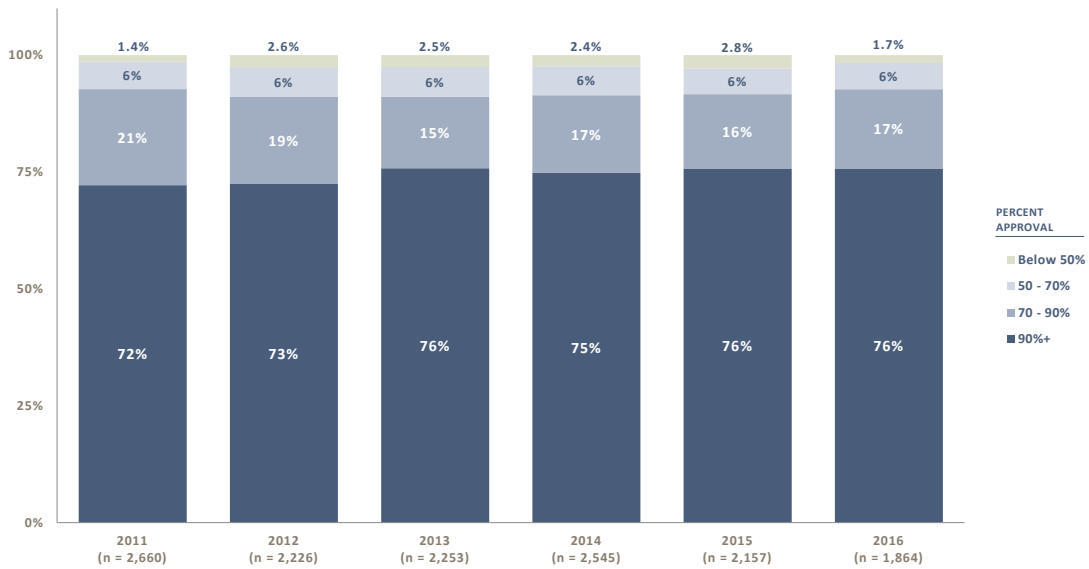
### RESULTS AT A GLANCE:



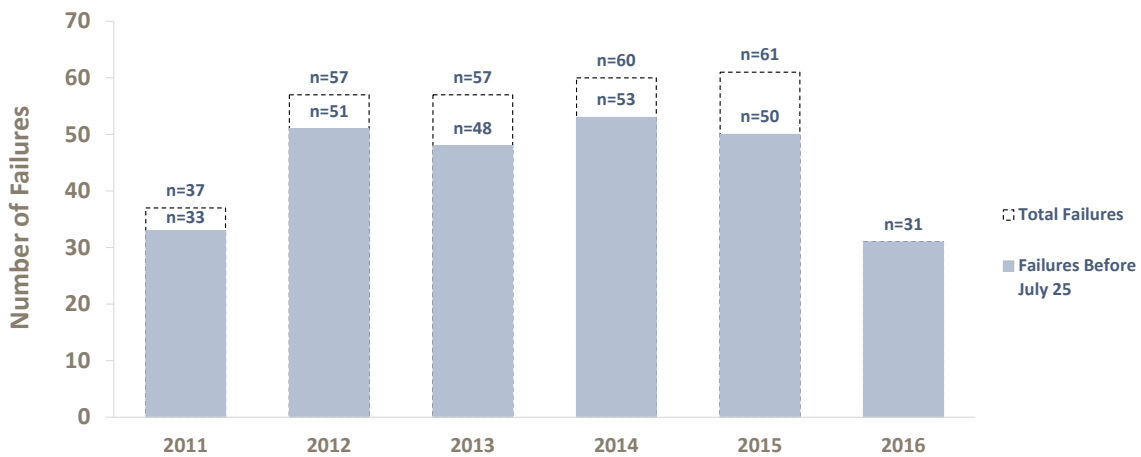
**SUMMARY OF VOTE RESULTS (n=1,864)**

- To date, 31 Russell 3000 companies (1.7%) have failed Say on Pay in 2016  
Two new companies have failed since our last report – PICO Holdings and TiVo
- Average vote result to date in 2016 is 91%

**SAY ON PAY VOTE RESULTS (2011-2016)**



- At this point last year, 49 companies in the Russell 3000 had failed Say on Pay



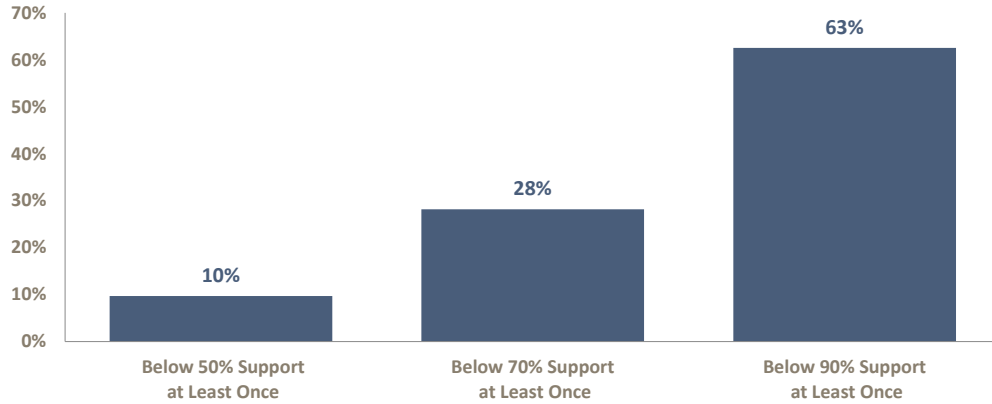
Source: Semler Brossy data and analysis; Fund Votes LLC.

Notes: As of July 25, 2016. The 2016 sample includes companies that had an Annual Meeting and Say on Pay vote in calendar year 2016. Year over year data presented in this document does not reflect a constant sample given turnover in the Russell 3000 used for each year as well as differences in how frequently companies hold votes.

For FY 2016, Russell 3000 sample effective as of June 30, 2015.

**COMPANIES WITH VOTE RESULTS IN EACH YEAR BETWEEN 2011 AND 2016**

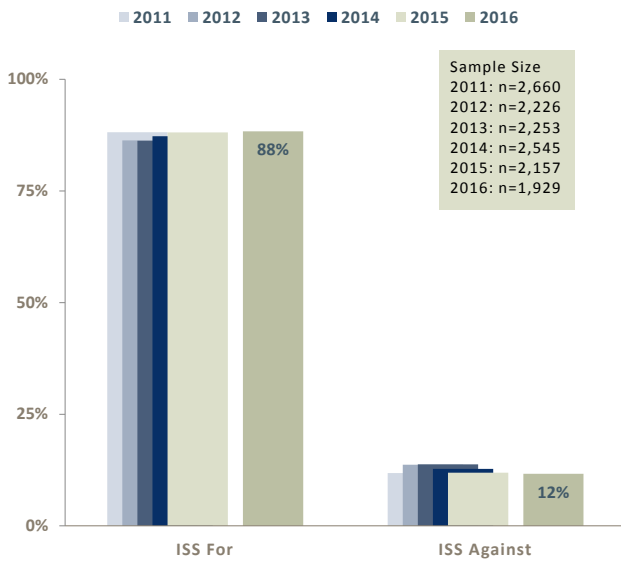
— Of Russell 3000 companies with vote results in each year between 2011 and 2016 (n=1,388), 10% have failed Say on Pay at least once and 28% have received vote support below 70% at least once



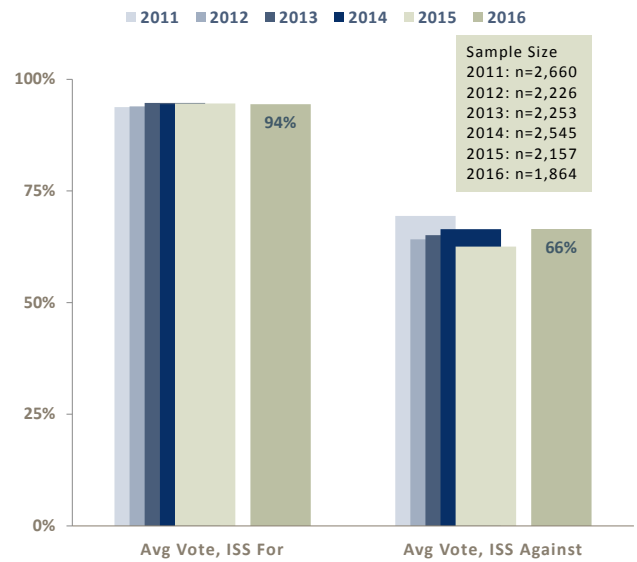
**IMPACT OF ISS RECOMMENDATIONS**

- ISS has recommended that shareholders vote ‘Against’ Say on Pay at 12% of companies it has assessed<sup>1</sup> in 2016
- Shareholder support was 28% lower at companies with an ISS ‘Against’<sup>2</sup>

**ISS RECOMMENDATION BREAKDOWN<sup>1</sup>**



**IMPACT ON VOTE RESULTS<sup>2</sup>**



Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

<sup>1</sup> Based on ISS’ assessment of 1,929 companies, of which 224 have received ‘Against’ from ISS; 1,864 companies (in total) have reported vote results.

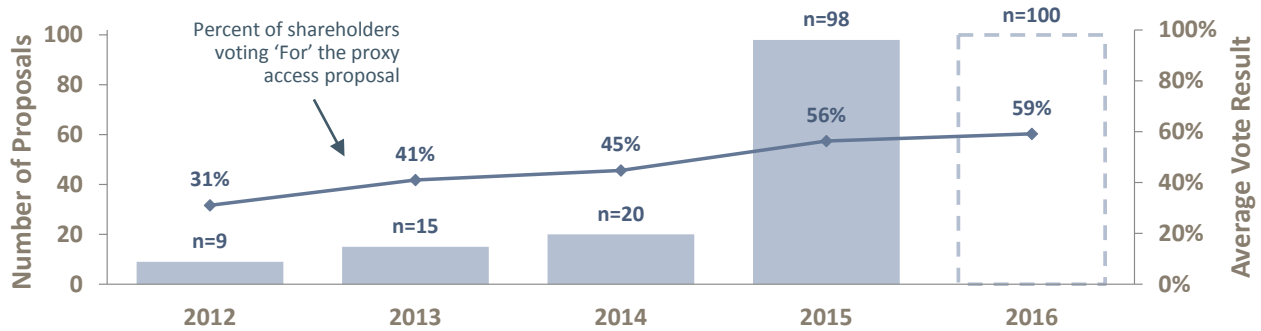
<sup>2</sup> Reflects only those companies whose vote results have been reported.

**REPORT TOPIC: TRENDS IN PROXY ACCESS VOTE RESULTS**

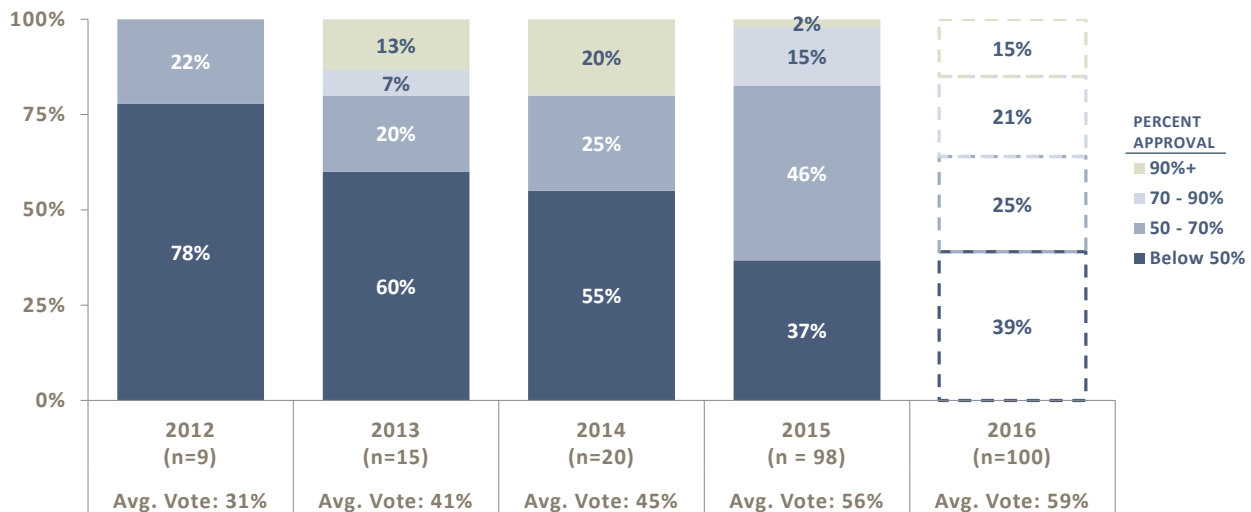
We are revisiting an earlier examination of proxy access votes, as 90 additional proposals have been voted on since our last study in March. As a reminder, proxy access rights have been a topic of discussion since a 2010 D.C. Circuit Court ruling allowed shareholders to submit proposals for proxy access procedures. Proxy access proposals, if adopted, give certain shareholders the right to nominate their own director candidates on a company’s Board of Director proxy ballot.

— The number of proxy access proposals has increased every year since 2012; there have already been more proposals in 2016 than there were in 2015. Over half of proxy access proposals in 2015 and 2016 were brought forth from Scott Stringer, the NYC Comptroller.

**Proxy Access Vote Frequency and Average Vote Result by Year**



— 36 votes have received over 70% support in 2016, nearly double the number from 2015 (17). Since 2015, 123 of 198 proposals have received support over 50%.



Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

Notes: As of July 25, 2016. Represents all companies that have held proxy access votes. Charts only show proposals with available vote results. 103 total proxy access proposals have been filed as of July 25, 2016.

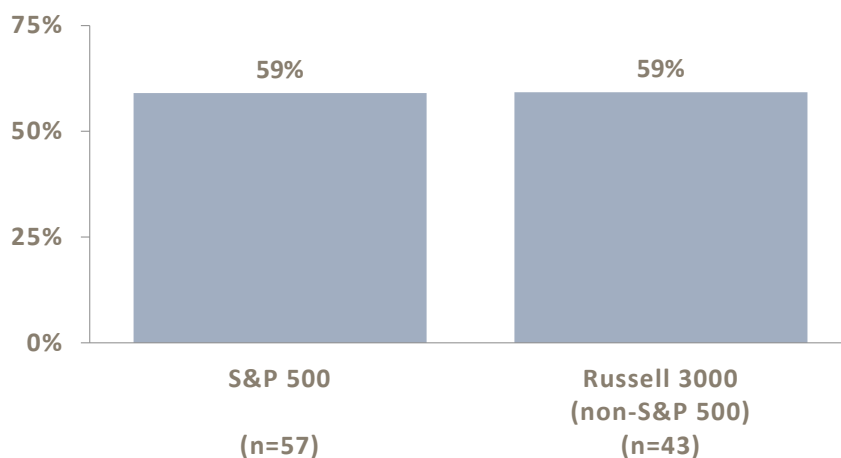
## REPORT TOPIC: TRENDS IN PROXY ACCESS VOTE RESULTS

The four charts on the following pages examine the relationship between proxy access votes and (i) company size, (ii) management and ISS recommendations, (iii) Say on Pay vote results, and (iv) total shareholder return (TSR) in the year prior to the access vote:

— **We do not observe a significant relationship between company size and proxy access vote results.**

We find that companies in the S&P 500 have the same average proxy access vote results as non-S&P 500 Russell 3000 companies. We note that a majority of proxy access votes in 2016 occurred at companies in the S&P 500.

**2016 Average Proxy Access Vote by Company Size**



— **Both management and ISS recommendations continue to have material impact on proxy access vote results.**

Companies receiving 'For' recommendations from both management and ISS had an average proxy access vote of 93%. When companies only received one 'For' recommendation, however, average vote results ranged from 46% to 50%.

**Management Rec. (2016)**

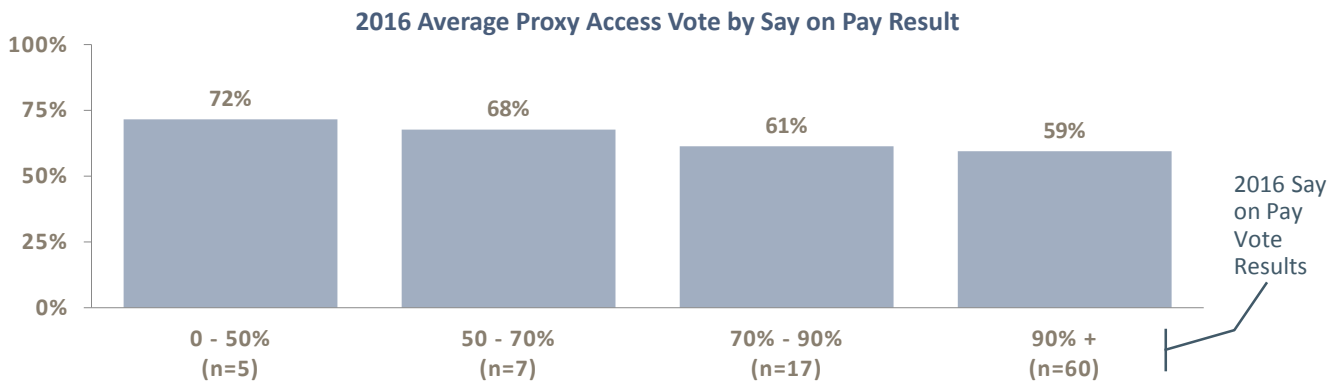
		<b>'For'</b>	<b>'Against'</b>
<b>ISS Rec. (2016)</b>	<b>'For'</b>	Average vote support of 93% (n=20)	Average vote support of 50% (n=73)
	<b>'Against'</b>	Average vote support of 46% (n=3)	Average vote support of 17% (n=1)

Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

Notes: As of July 25, 2016. Represents all companies that have held proxy access votes. Charts only show proposals with available vote results. 103 total proxy access proposals have been filed as of July 25, 2016. Companies that do not have both a management and an ISS recommendation are not included in 2<sup>nd</sup> chart.

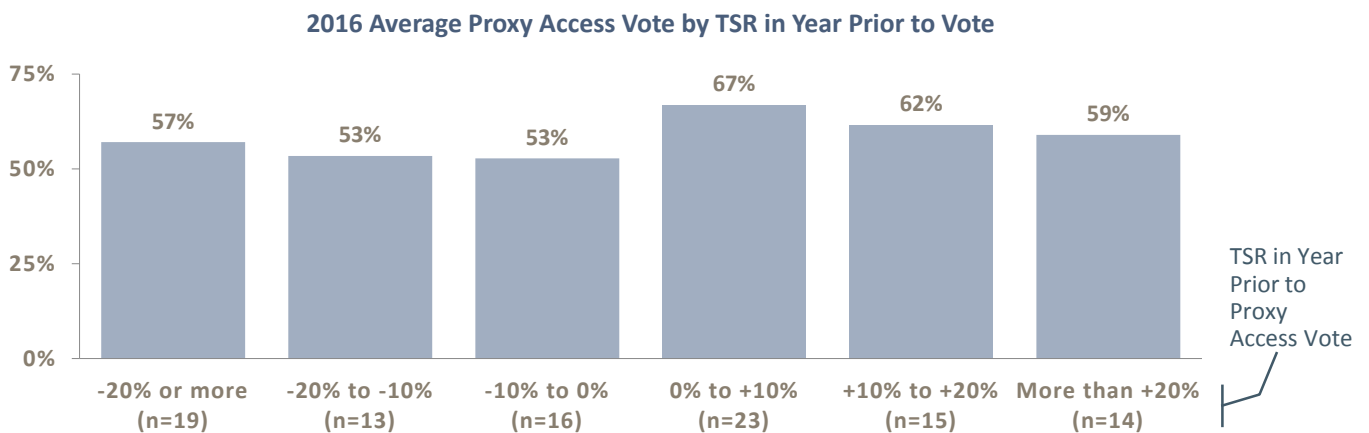
## REPORT TOPIC: TRENDS IN PROXY ACCESS VOTE RESULTS

- Our data suggests that companies with lower Say on Pay votes may receive higher support on proxy access, though we note there are a limited number of companies with Say on Pay vote results below 70%.



- We also observe a slight relationship between positive company performance, as measured by 1-year trailing TSR, and average proxy access vote support.

Companies with positive TSR in the year prior to their proxy access votes had an average vote result of 63%, while companies with negative TSR had an average vote result of 55%.



**In general, we do not find that financial factors, such as company size and TSR, have significant impact on proxy access vote results. We do observe, however, that recommendations from management and proxy advisors have a strong influence on vote outcomes. We posit that shareholders are voting on proxy access proposals on a standalone basis — not through the lens of company performance, but rather, through the specifics of each proposal and the potential impact on the company.**

Source: Semler Brossy data and analysis; Fund Votes LLC; ISS Voting Analytics.

Notes: As of July 25, 2016. Represents all companies that have held proxy access votes. Charts only show proposals with available vote results. 103 total proxy access proposals have been filed as of July 25, 2016. Companies with triennial Say on Pay votes are not included in the 1<sup>st</sup> chart.

## APPENDIX: COMPANIES UNDER 50% IN 2016

2016 Failed Say on Pay Vote Results<sup>1</sup>

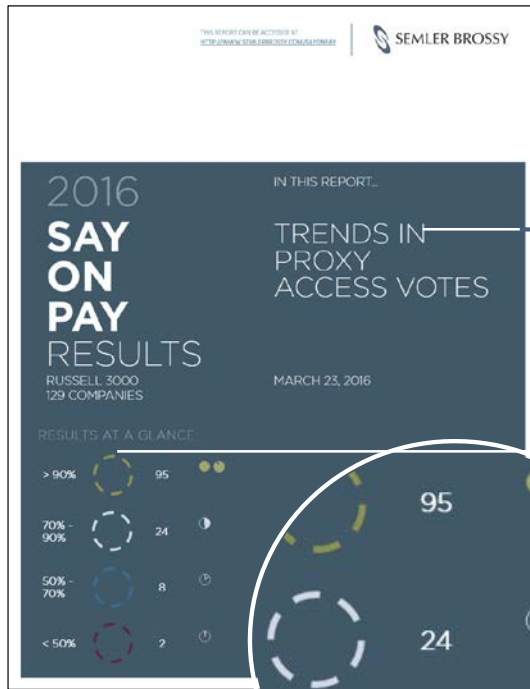
Russell 3000, n=31

Company	Meeting Date	GICS Industry	S&P 500	FYE 2015 Revenue (\$MM)	Say on Pay Vote Results			TSR (as of FYE 2015)			Number of Failures
					2016 ▼	2015	YOY	1-Yr	3-Yr	5-Yr	
Atlas Air Worldwide Holdings, Inc.	05/24/16	Air Freight & Logistics		\$1,823	50%	56%	-6%	-16%	-5%	-27%	2
General Growth Properties, Inc.	05/17/16	Real Estate Investment Trusts (REITs)	X	\$2,404	48%	89%	-41%	-2%	49%	103%	1
Motorcar Parts of America, Inc.	03/24/16	Auto Components		\$369	48%	77%	-29%	8%	189%	334%	1
Senior Housing Properties Trust	05/18/16	Real Estate Investment Trusts (REITs)		\$995	47%	96%	-50%	-28%	-21%	-4%	1
NeuStar, Inc.	06/15/16	IT Services		\$1,050	46%	61%	-15%	-14%	-42%	-9%	1
FMC Corp.	04/26/16	Chemicals	X	\$3,277	46%	91%	-46%	-31%	-29%	2%	1
HCI Group, Inc.	05/19/16	Insurance		\$294	45%	-	-	-19%	84%	440%	1
VeriFone Systems, Inc.	03/24/16	Electronic Equipment Instruments & Components		\$2,000	45%	83%	-38%	-18%	2%	-11%	2
Bill Barrett Corp.	05/17/16	Oil Gas & Consumable Fuels		\$208	45%	95%	-50%	-66%	-78%	-90%	1
Consolidated-Tomoka Land Co.	04/27/16	Real Estate Management & Development		\$43	44%	99%	-55%	-5%	73%	84%	1
Sonus Networks, Inc.	06/09/16	Communications Equipment		\$249	43%	85%	-42%	-65%	-14%	-45%	2
Masimo Corp.	04/20/16	Health Care Equipment & Supplies		\$623	42%	44%	-1%	58%	98%	50%	5
Tutor Perini Corp.	05/25/16	Construction & Engineering		\$4,944	42%	38%	4%	-31%	26%	-21%	6
Sucampo Pharmaceuticals, Inc.	06/02/16	Pharmaceuticals		\$153	42%	100%	-58%	24%	262%	351%	1
Hatteras Financial Corp.	05/04/16	Real Estate Investment Trusts (REITs)		\$280	41%	85%	-44%	-21%	-26%	-22%	1
M.D.C. Holdings, Inc.	03/29/16	Household Durables		\$1,890	40%	87%	-47%	1%	-22%	6%	2
BorgWarner, Inc.	04/27/16	Auto Components	X	\$8,025	40%	88%	-48%	-21%	26%	22%	1
Tetra Tech, Inc.	03/03/16	Commercial Services & Supplies		\$1,719	40%	59%	-19%	0%	-3%	24%	1
Ultra Petroleum Corp.	05/19/16	Oil Gas & Consumable Fuels		\$839	39%	89%	-50%	-81%	-86%	-95%	1
Diodes, Inc.	05/10/16	Semiconductors & Semiconductor Equipment		\$849	39%	71%	-31%	-16%	35%	-16%	1
Cepheid	04/26/16	Biotechnology		\$531	39%	93%	-54%	-33%	11%	58%	1
Exelon Corp.	04/26/16	Electric Utilities	X	\$28,325	38%	83%	-44%	-24%	8%	-16%	1
PICO Holdings, Inc.	07/11/16	Diversified Financial Services		\$307	38%	44%	-7%	-45%	-48%	-68%	3
Nabors Industries Ltd.	06/07/16	Energy Equipment & Services		\$3,864	36%	65%	-29%	-33%	-37%	-62%	5
Nuance Communications, Inc.	01/27/16	Software		\$1,931	33%	15%	18%	8%	-34%	4%	3
TiVo, Inc.	07/11/16	Software		\$490	31%	40%	-9%	-24%	-36%	-15%	2
Banc of California, Inc.	05/13/16	Banks		\$493	30%	-	-	31%	38%	36%	1
Wolverine World Wide, Inc.	04/21/16	Textiles Apparel & Luxury Goods		\$2,692	30%	99%	-69%	-43%	-16%	10%	1
Community Health Systems, Inc.	05/17/16	Health Care Providers & Services		\$19,437	24%	75%	-50%	-52%	-11%	-29%	2
Bed Bath & Beyond, Inc.	07/01/16	Specialty Retail	X	\$12,104	23%	35%	-12%	-34%	-14%	2%	2
C&J Energy Services Ltd.	05/26/16	Energy Equipment & Services		\$1,749	10%	-	-	-64%	-77%	-	1

<sup>1</sup> As of July 25, 2016.

Source: Semler Brossy data and analysis; Fund Votes LLC; FactSet.

DATA AT A GLANCE: A GUIDE TO OUR REPORT COVERS



**EACH ISSUE OF OUR 2016 REPORT CONTAINS** an update to vote results and in-depth coverage of a special topic related to Say on Pay

**EACH COLORED CIRCLE REPRESENTS** the vote results for 50 Russell 3000 companies

**REPORT SPECIAL TOPIC** rotates each issue

**2016 VOTING GROUP** divides companies by the results of their 2016 Say on Pay vote

**FILLED CIRCLES** represent 50 companies with vote results within the range

**PARTIAL CIRCLES** represent fewer than 50 companies with vote results within the range

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