

# 2019 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000

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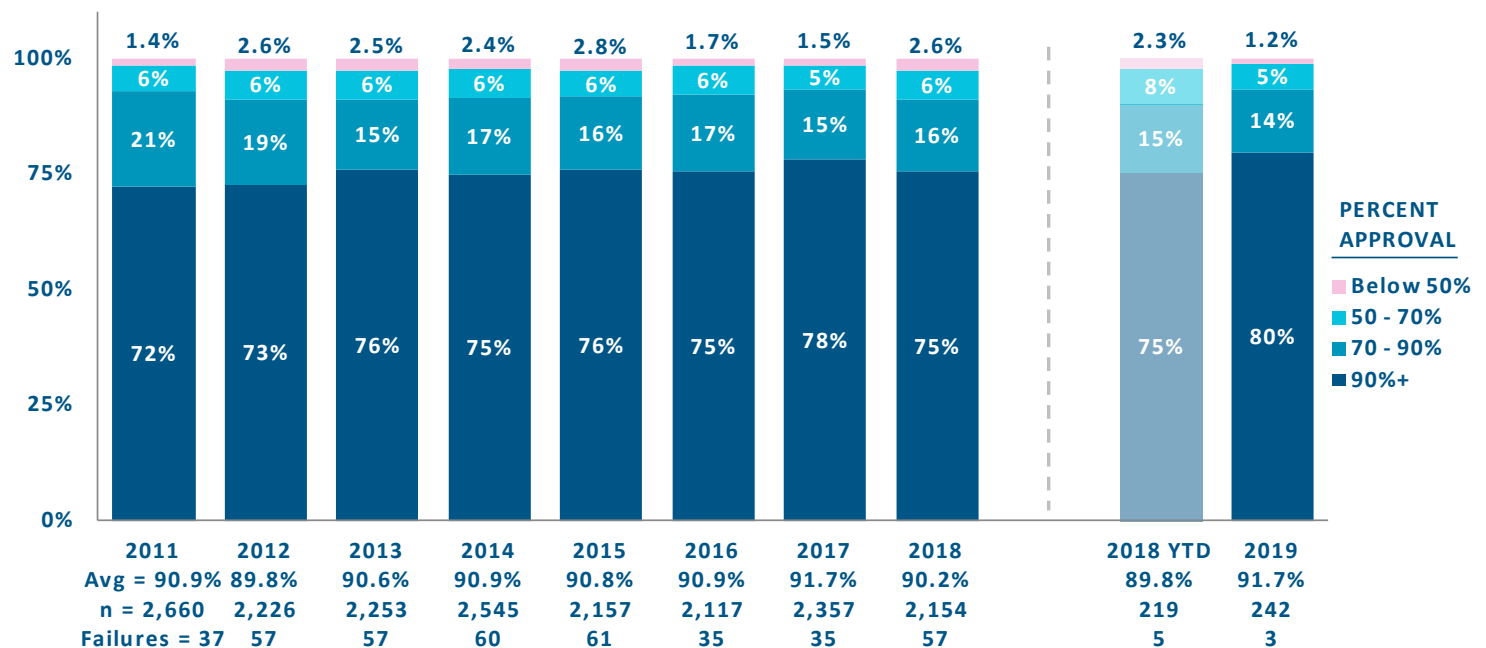
# 2019 SAY ON PAY RESULTS

5/2/2019

**RUSSELL 3000**  
242 COMPANIES

## BREAKDOWN OF SAY ON PAY VOTE RESULTS

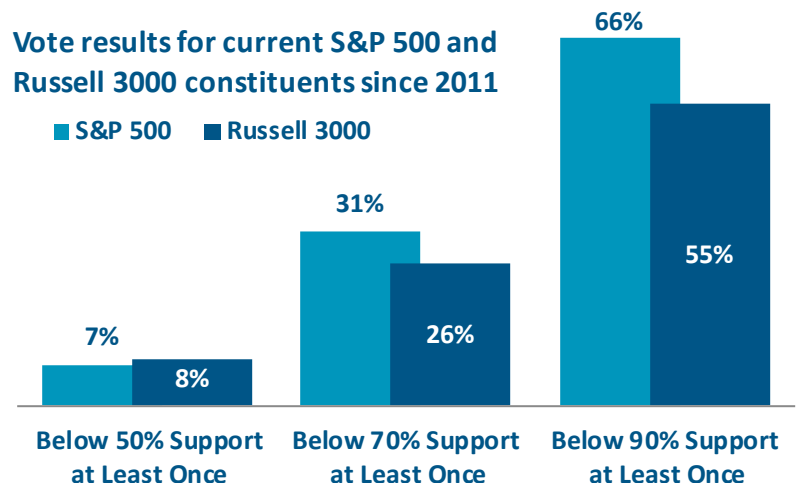
Three Russell 3000 companies (1.2%) have failed Say on Pay thus far in 2019. Zero companies failed since our last report.



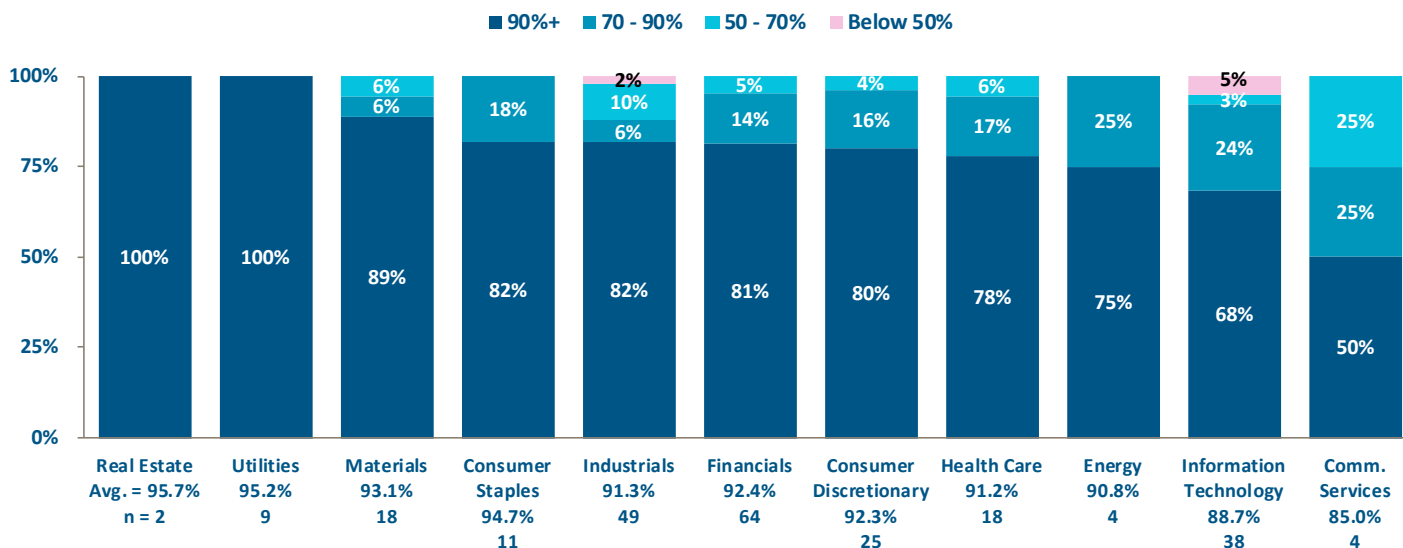
## SAY ON PAY OBSERVATIONS

- The current failure rate (1.2%) is 104 basis points lower than the failure rate at this time last year (2.3%)
- The 91.7% average vote result thus far in 2019 is 190 basis points higher than the average vote result at this time last year (89.8%)
- Say on Pay voting for the majority of December 31<sup>st</sup> fiscal year-end companies will occur in late April and early May
- Nearly one-third of the S&P 500 has received vote support below 70% at least once since 2011
- 8% of the Russell 3000 and 7% 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

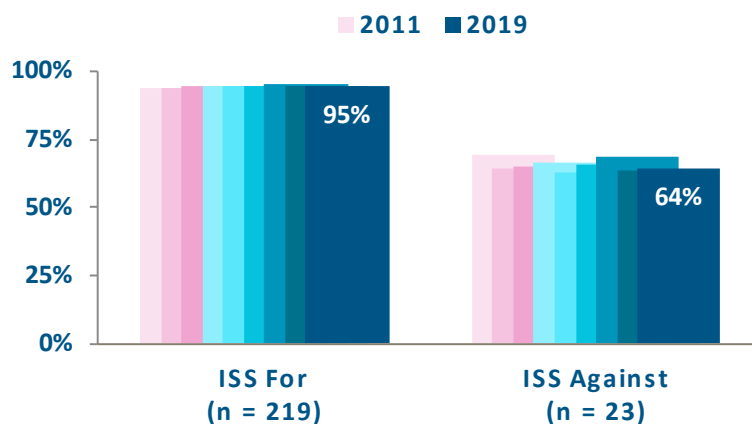


**SAY ON PAY VOTE RESULTS BY GICS SECTOR**



**ISS IMPACT ON SAY ON PAY VOTE RESULTS**

- The average 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 high end of the historical average range of 24-32% observed since 2011
- At this time last year, we observed a 35% difference, which declined to 31% by year-end



**ISS YEAR OVER YEAR BREAKDOWN**

- 31 companies (14.0%) received one “For” and one “Against” recommendation from ISS during the last two years
- Only 5% of companies received consecutive “Against” recommendations in the last two years
- The “Against” recommendation rate in 2019 (9.5%) is 440 basis points lower than the 2018 rate (13.9%); as more vote results are released, we expect the “Against” recommendation rate to move closer to the historical average (12.8%)

		2019	
		For	Against
2018	For	82%	5%
	Against	9%	5%

**LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2019****2019 Failed Say on Pay Vote Results<sup>1</sup>**

Russell 3000, n=3

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
FuelCell Energy, Inc.	48%	66%	-17%	1	X	X		X	X		
Nuance Communications, Inc.	47%	10%	37%	6	X		X		X	X	
PTC Inc.	42%	93%	-51%	1	X	X				X	
<b>Count (n=3)</b>					<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>0</b>

<sup>1</sup> As of April 24, 2019

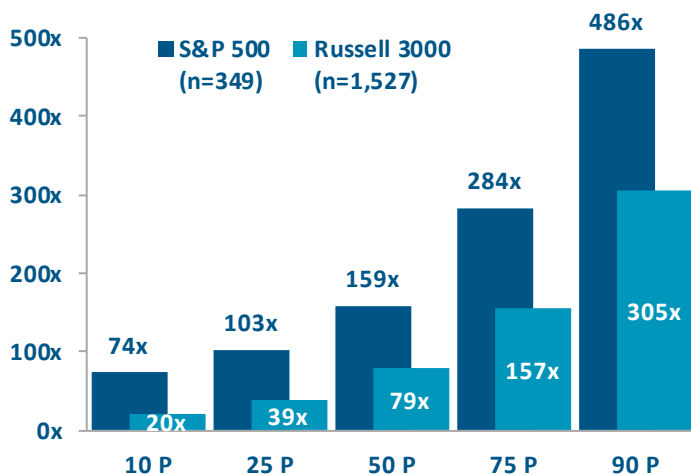
# 2019 CEO PAY RATIO RESULTS

5/2/2019

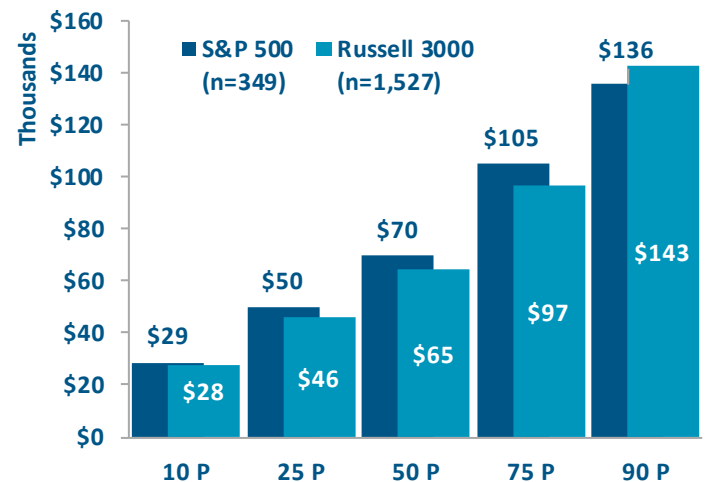
**RUSSELL 3000**  
1,527 COMPANIES

- The median CEO Pay Ratio of the S&P 500 is 2x the median CEO Pay Ratio of the Russell 3000, which is slightly lower than the 2.1x 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 higher than the Russell 3000, except at the 90<sup>th</sup> percentile, where the Russell 3000 is slightly 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

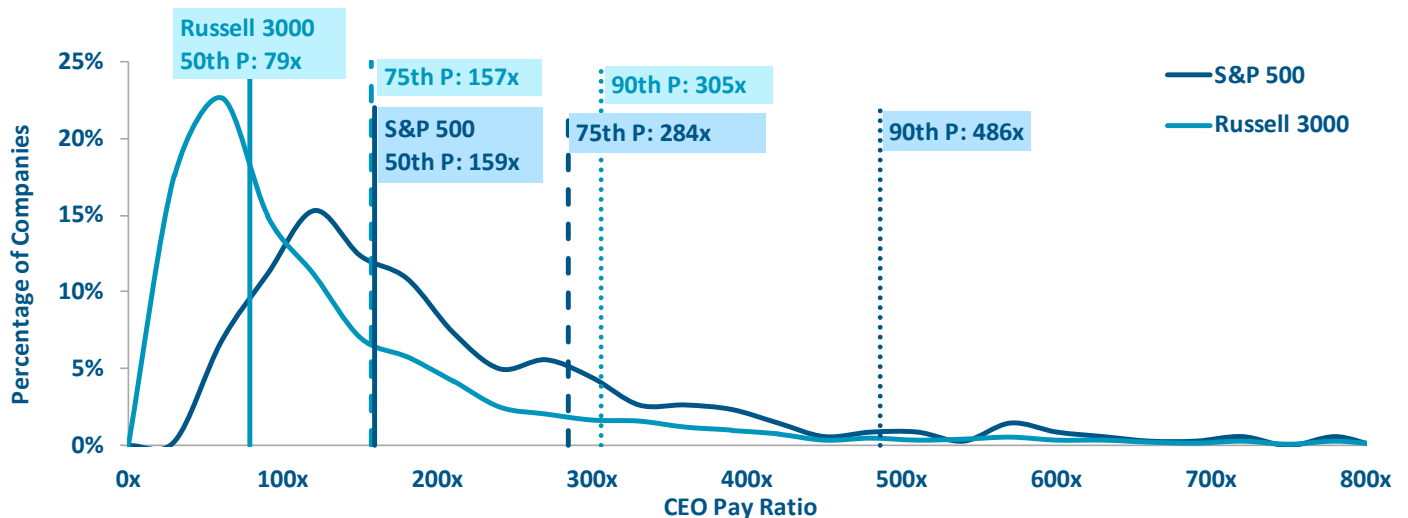
## CEO PAY RATIO



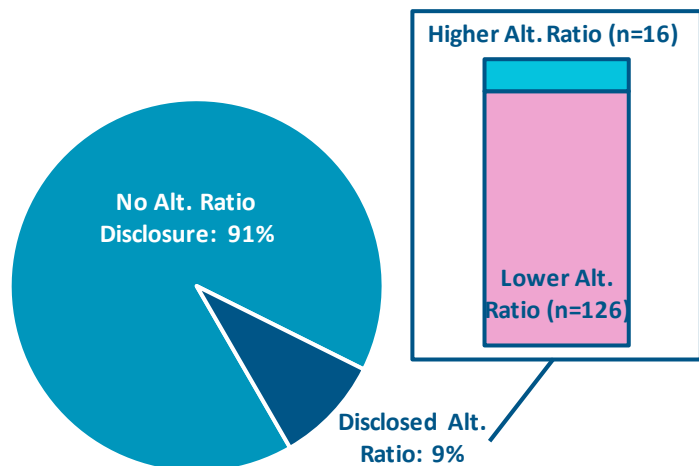
## MEDIAN EMPLOYEE COMPENSATION



## CEO PAY RATIO DISTRIBUTION



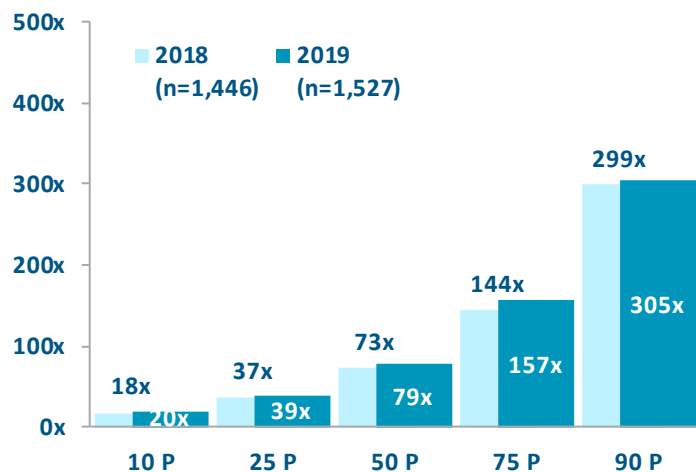
**RUSSELL 3000 ALTERNATE CEO PAY RATIO DISCLOSURES**



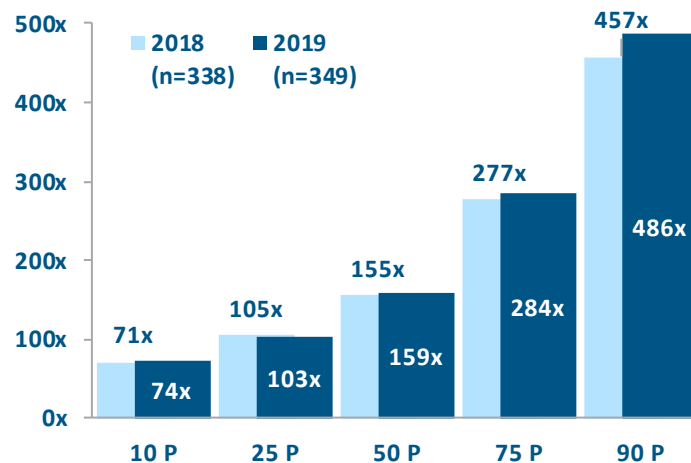
**CEO PAY RATIO OBSERVATIONS**

- 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 median change in Pay Ratio by company in the Russell 3000 is +2%; this could be interpreted as CEO pay growing at a faster rate than median employee pay, but the median employee calculation as calculated for Pay Ratio purposes is a bad indicator of movements in pay at the individual level
- The range of year-over-year changes for companies' CEO compensation and median employee compensation at the 10<sup>th</sup> percentile and 90<sup>th</sup> percentile is wider for the Russell 3000 companies than for the S&P 500 companies

**RUSSELL 3000 CEO PAY RATIO: 2019 VS. 2018**



**S&P 500 CEO PAY RATIO: 2019 VS. 2018**



**RUSSELL 3000 INDIVIDUAL COMPANY YEAR-OVER-YEAR CHANGES**

Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+63%	+73%	+20%
75 P	+22%	+24%	+9%
<b>Median</b>	<b>+2%</b>	<b>+6%</b>	<b>+3%</b>
25 P	-13%	-9%	-2%
10 P	-31%	-29%	-12%

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

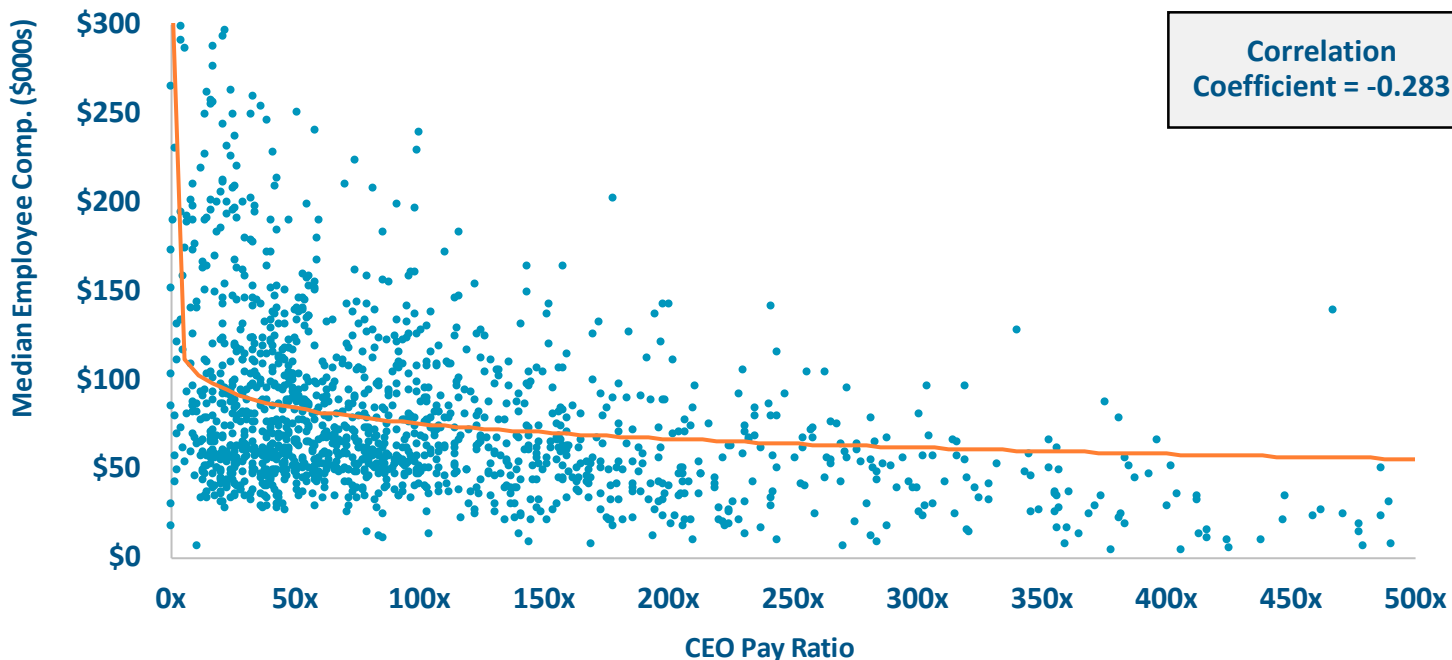
Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+41%	+49%	+15%
75 P	+13%	+15%	+8%
<b>Median</b>	<b>+1%</b>	<b>+3%</b>	<b>+3%</b>
25 P	-14%	-9%	-4%
10 P	-28%	-26%	-13%

- 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 slightly higher Pay Ratio to median employee compensation correlation coefficient (-0.274) than the companies that have filed thus far in 2019

**CEO COMPENSATION VS. CEO PAY RATIO**

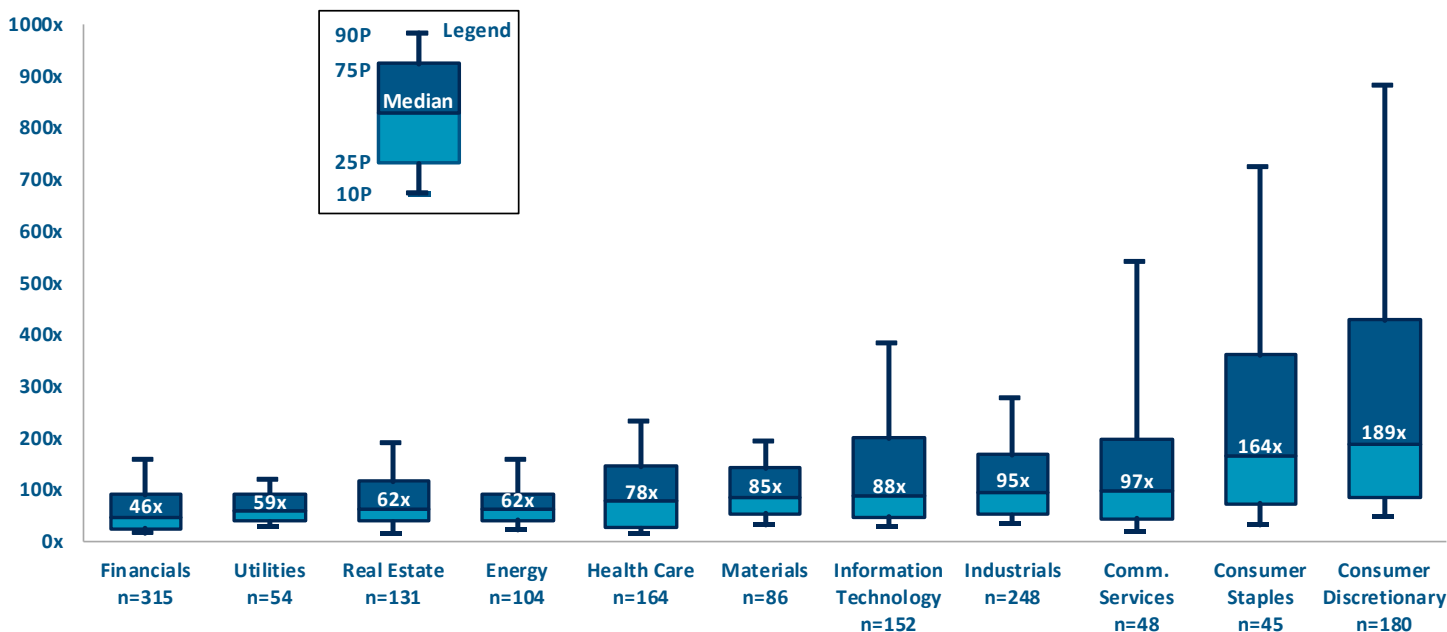


**MEDIAN EMPLOYEE COMPENSATION VS. CEO PAY RATIO**

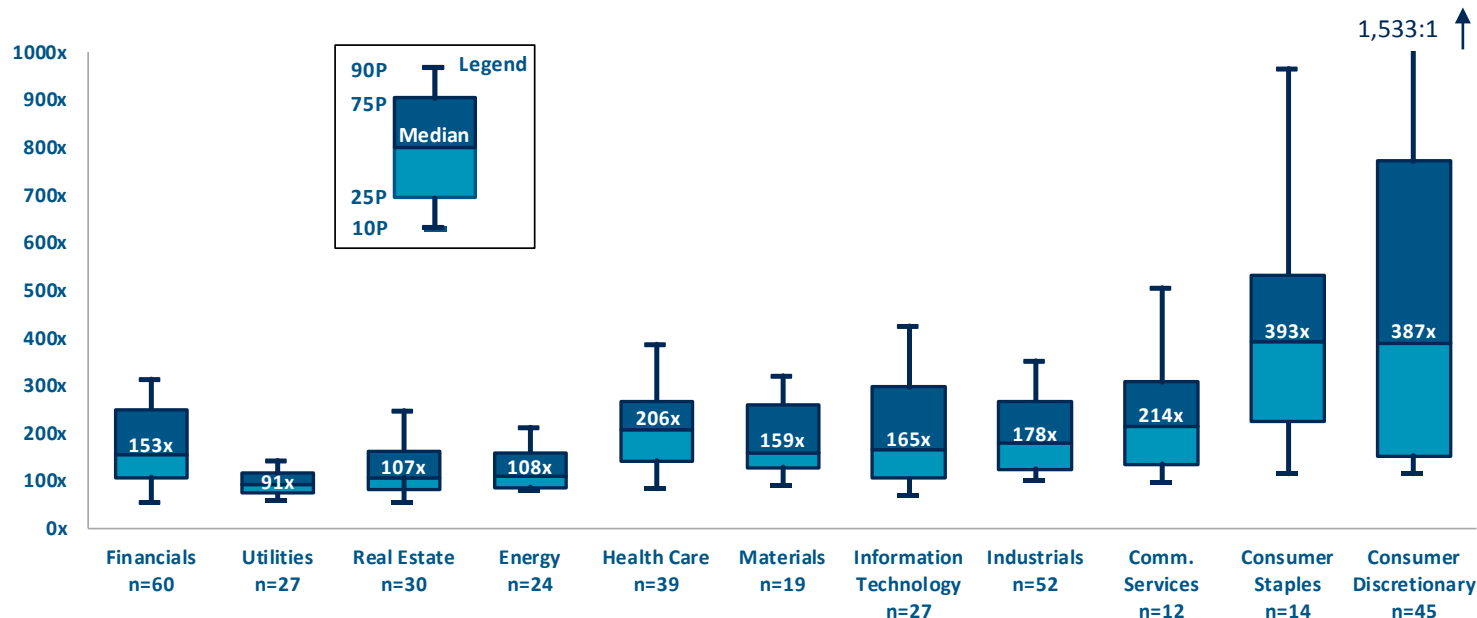


- The median CEO Pay Ratio for the Russell 3000 Information Technology sector decreased significantly since our last report (122x), and is closer to the median Pay Ratio observed for that sector in 2018 (79x)
- The median Pay Ratios for the Financial Services sector in both indexes were unchanged by the December 31<sup>st</sup> fiscal-year end companies that disclosed Pay Ratios since our last report

**RUSSELL 3000 CEO PAY RATIO VARIANCE BY GICS SECTOR**



**S&P 500 CEO PAY RATIO VARIANCE BY GICS SECTOR**





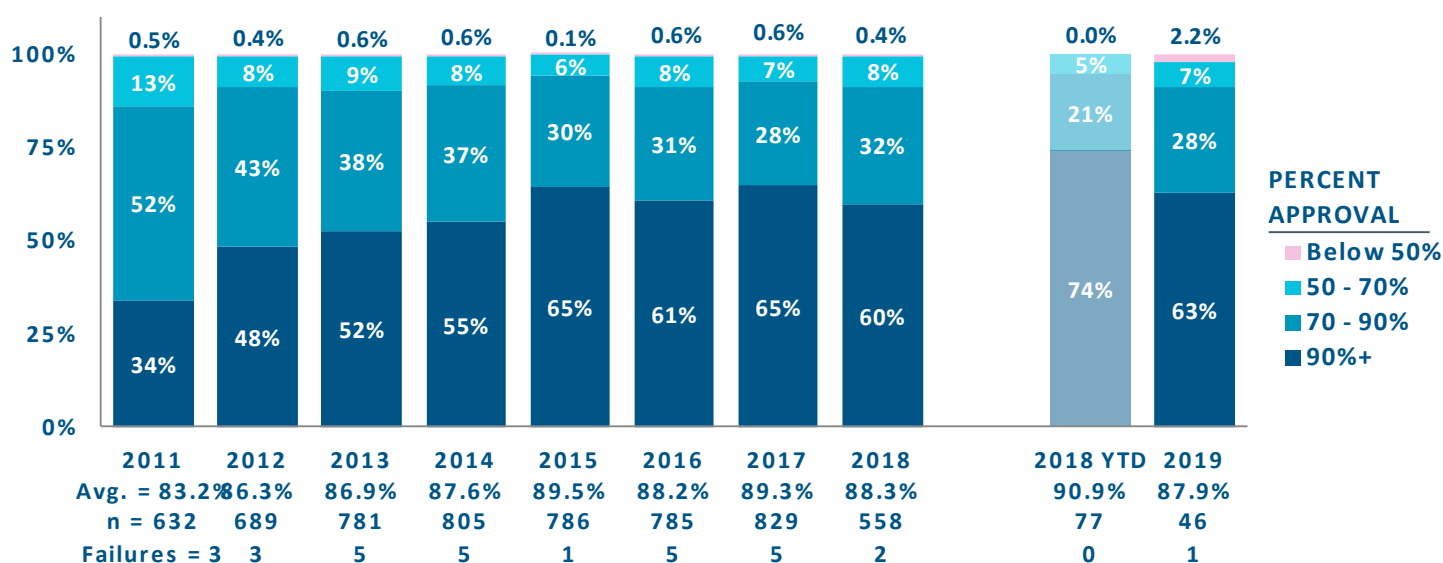
# 2019 EQUITY PROPOSAL RESULTS

5/2/2019

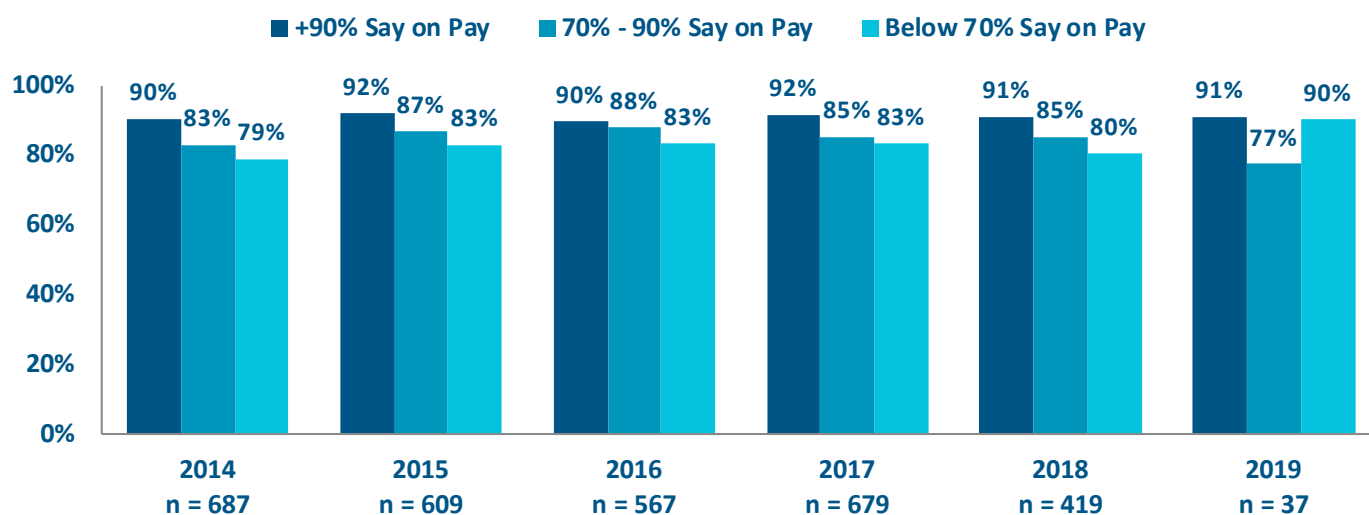
RUSSELL 3000  
46 COMPANIES

- Average vote support for equity proposals (87.9%) increased 260 basis points since our last report (85.3%)
- One proposal (Mitek Systems) has received vote support below 50% in 2019; only two proposals received below 50% support in 2018
- The number of equity proposals in 2018 (558) was lower than in any year since 2011, and the current number of equity proposals (46) is less than the number of equity proposals at this time last year (77) - 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

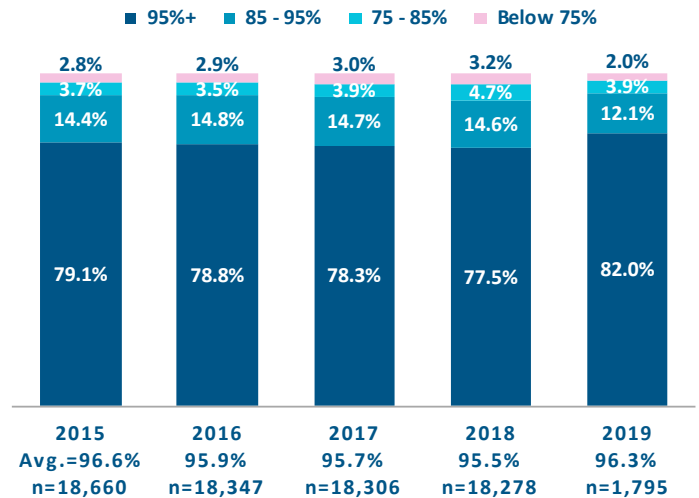
5/2/2019

**RUSSELL 3000**  
1,795 DIRECTORS

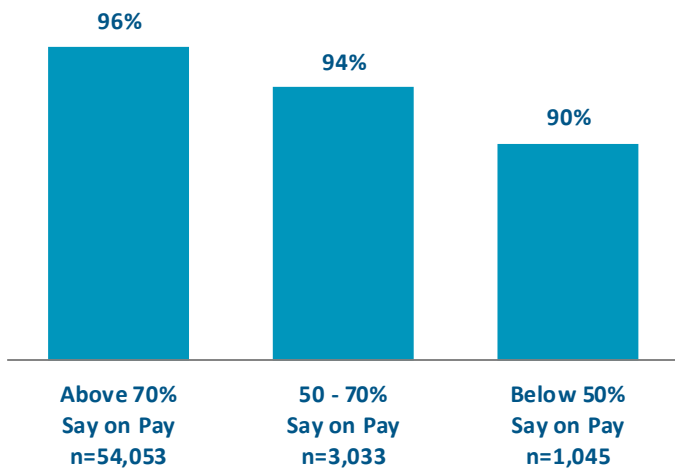
## DIRECTOR ELECTION OBSERVATIONS

- Early 2019 proxy season vote support for Director nominees is 80 basis points higher than the year-end vote support observed in 2018; however, average vote support was at 96.9% at this time last year before declining to the year-end level (95.5%)
- 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

## BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



## AVERAGE DIRECTOR ELECTION RESULTS BY GENDER

