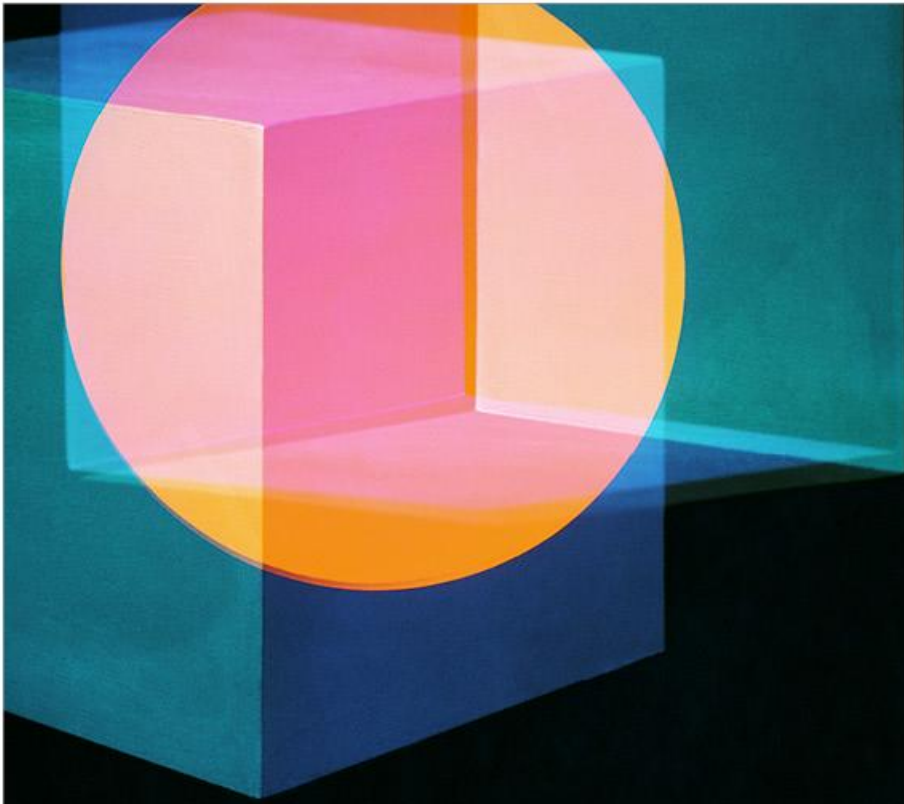


# 2019 **SAY ON PAY** & PROXY RESULTS

RUSSELL 3000



**YEAR-END  
REPORT**

JANUARY 23

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2,237 VOTE RESULTS

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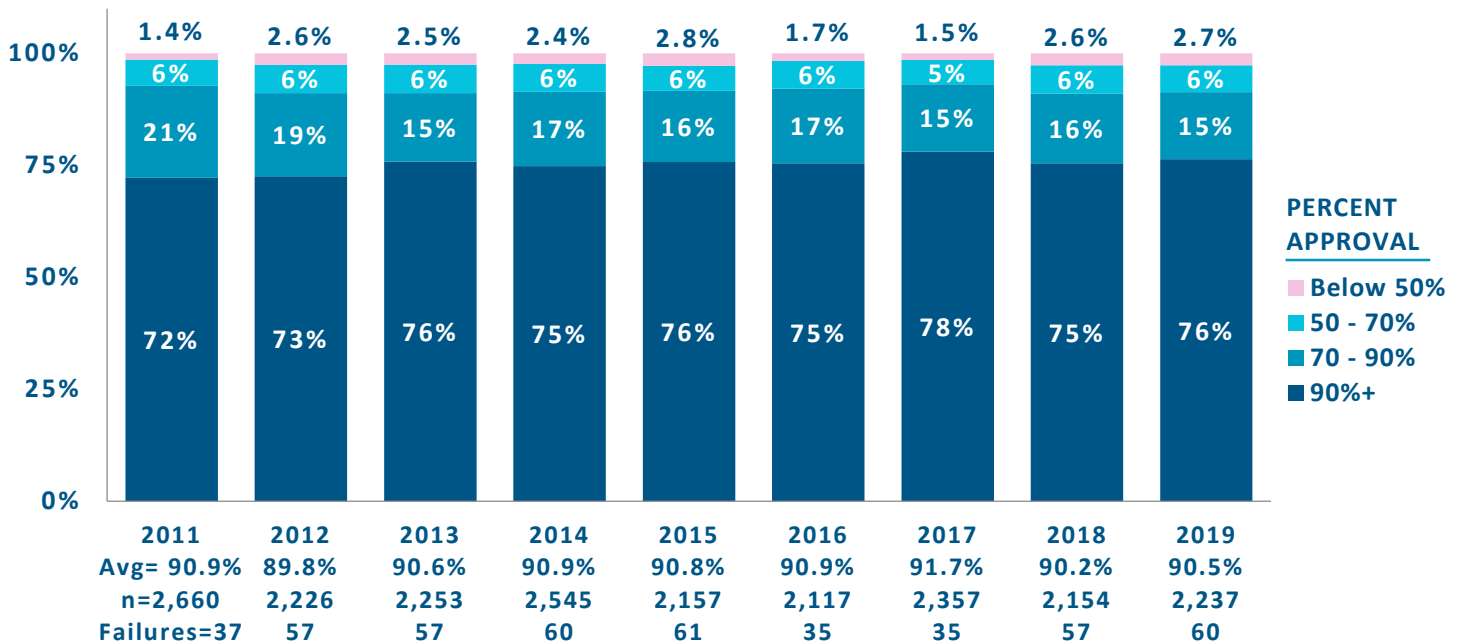
# 2019 SAY ON PAY RESULTS

1/23/2020

**RUSSELL 3000**  
2,237 COMPANIES

## BREAKDOWN OF SAY ON PAY VOTE RESULTS

Sixty Russell 3000 companies (2.7%) failed Say on Pay in 2019. Four companies failed since our last report in September– Accuray, American Outdoor Brands, Aspen Technology, and Palo Alto Networks.

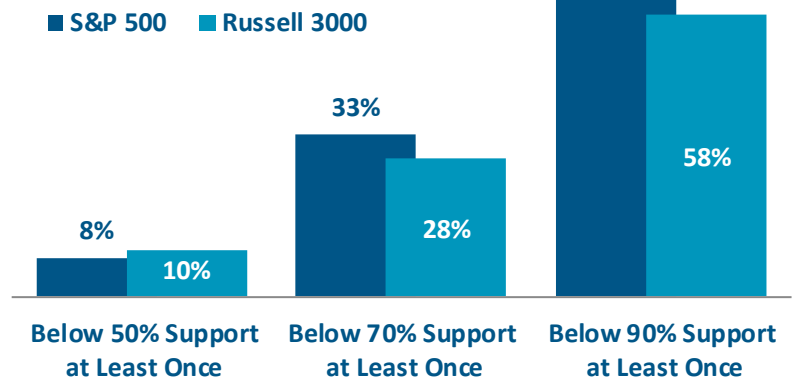


## SAY ON PAY OBSERVATIONS

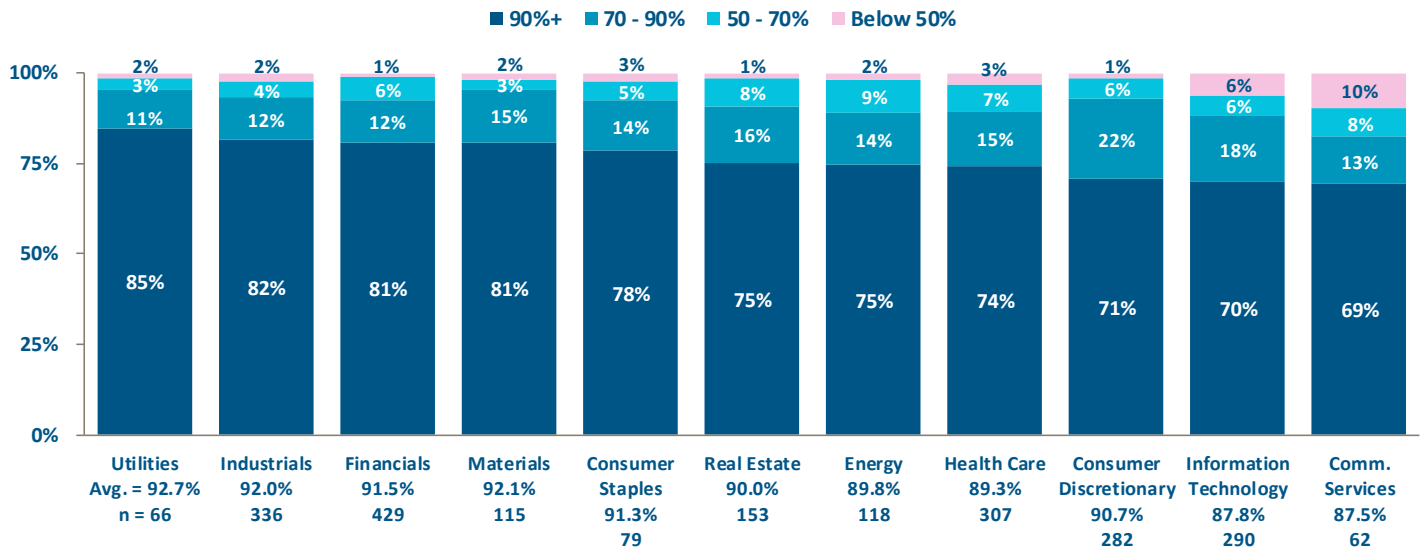
- The failure rate (2.7%) was 10 basis points higher than last year, and was the highest observed since 2015
- The average vote result (90.5%) was 30 basis points higher than the average vote result last year and the third lowest since voting began in 2011
- One-third of the S&P 500 has received vote 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

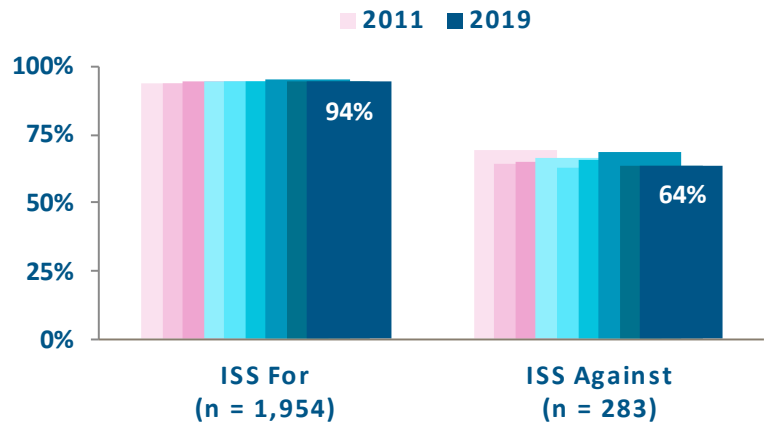


**SAY ON PAY VOTE RESULTS BY GICS SECTOR**



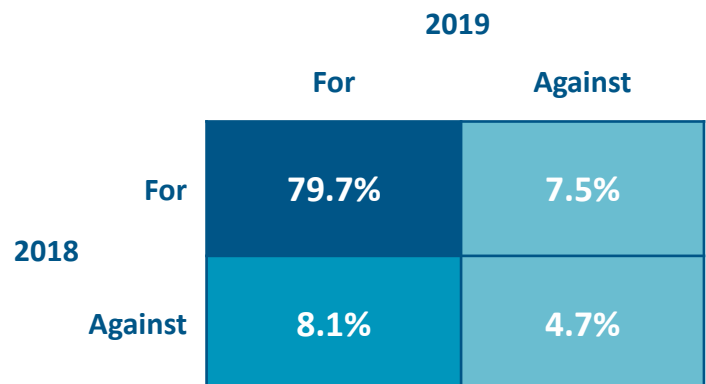
**ISS IMPACT ON SAY ON PAY VOTE RESULTS**

- The average Say on Pay vote result for companies that received an ISS “Against” recommendation was 30 percentage points lower than for companies that received an ISS “For” recommendation
- The 30-percentage point gap is equal to the gap observed last year and is near the high end of the historical average range of 24 to 32 percentage points observed since 2011
- The larger gaps observed last year, and this year could indicate an increase in proxy advisors’ influence on shareholder voting



**ISS YEAR OVER YEAR BREAKDOWN**

- 305 companies (15.6%) received one “For” and one “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 (12.7%) was 120 basis points lower than the 2018 rate (13.9%); and was in-line with the historical average observed since 2011 (12.8%)



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

2019 Failed Say on Pay Vote Results<sup>1</sup>

Russell 3000, n=60

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			
Tribune Media Company	49%	56%	-6%	1		X		X				
Vector Group Ltd.	49%	51%	-2%	1	X	X	X	X	X			
Nexstar Media Group, Inc.	49%	39%	9%	2		X					X	
HC2 Holdings, Inc.	49%	82%	-33%	1	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			
Nabors Industries Ltd.	47%	41%	7%	8	X	X		X				
QEP Resources, Inc.	47%	85%	-38%	1	X	X	X					
Nuance Communications, Inc.	47%	10%	37%	6	X		X		X		X	
Diebold Nixdorf, Incorporated	46%	90%	-44%	1	X		X					
The Middleby Corporation	46%	85%	-39%	2	X	X				X		X
TG Therapeutics, Inc.	46%	-	-	1	X	X	X					
LendingClub Corporation	46%	95%	-49%	1	X	X	X					
Willdan Group, Inc.	46%	-	-	1		X			X			
South Jersey Industries, Inc.	45%	98%	-53%	1	X	X						
Citizens, Inc.	44%	99%	-55%	1		X						
The Boston Beer Company, Inc.	44%	82%	-38%	1	X				X		X	
Ennis, Inc.	44%	52%	-8%	1	X	X	X	X				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	
McKesson Corporation	40%	87%	-46%	3	X	X	X				X	
Motorcar Parts of America, Inc.	40%	76%	-36%	2	X		X		X			
Xerox Holdings Corporation	40%	64%	-24%	1		X		X	X	X		
Vista Outdoor Inc.	40%	50%	-9%	2	X	X	X					
Williams-Sonoma, Inc.	40%	83%	-43%	1	X						X	
Rayonier Advanced Materials Inc.	40%	81%	-41%	1	X	X	X				X	
IMAX Corporation	39%	43%	-4%	3	X	X		X	X			
2U, Inc.	38%	95%	-57%	1			X		X		X	
Signature Bank	38%	65%	-27%	1	X	X	X	X				
Xperi Corporation	38%	74%	-36%	1	X	X			X			
American Outdoor Brands Corporation	37%	95%	-58%	1	X		X					
Tutor Perini Corporation	37%	38%	-1%	9	X	X		X				X
Mallinckrodt plc	37%	59%	-22%	1	X		X	X	X			
NCR Corporation	36%	97%	-60%	1	X				X		X	
ASGN Incorporated	36%	91%	-55%	1			X		X		X	
ServiceSource International, Inc.	35%	52%	-17%	1	X	X		X	X			
Alkermes plc	35%	98%	-63%	1	X	X			X			
Aspen Technology, Inc.	34%	68%	-34%	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			
United Therapeutics Corporation	27%	74%	-48%	3	X	X	X					
FleetCor Technologies, Inc.	26%	14%	11%	4	X		X	X	X	X		
Newmont Corporation	24%	52%	-28%	1		X		X				
Proofpoint, Inc.	18%	-	-	1	X	X			X		X	
Palo Alto Networks, Inc.	18%	21%	-3%	4	X	X	X	X				
Kilroy Realty Corporation	15%	59%	-44%	4	X	X		X			X	
MEDNAX, Inc.	13%	74%	-61%	1	X	X	X					
Accuray Incorporated	11%	88%	-77%	2	X	X		X	X			
ImmunoGen, Inc.	10%	91%	-82%	1	X		X				X	
<b>Count (n=60)</b>					<b>42</b>	<b>41</b>	<b>24</b>	<b>17</b>	<b>30</b>	<b>19</b>	<b>3</b>	

<sup>1</sup> As of December 31, 2019FOR MORE INFORMATION, VISIT US AT [SEMLERBROSSY.COM](http://SEMLERBROSSY.COM)SEMLER BROSSY CONSULTING GROUP  
11755 WILSHIRE BOULEVARD, 10TH FLOOR  
LOS ANGELES, CA 90025  
310.481.0180 | [INFO@SEMLERBROSSY](mailto:INFO@SEMLERBROSSY)

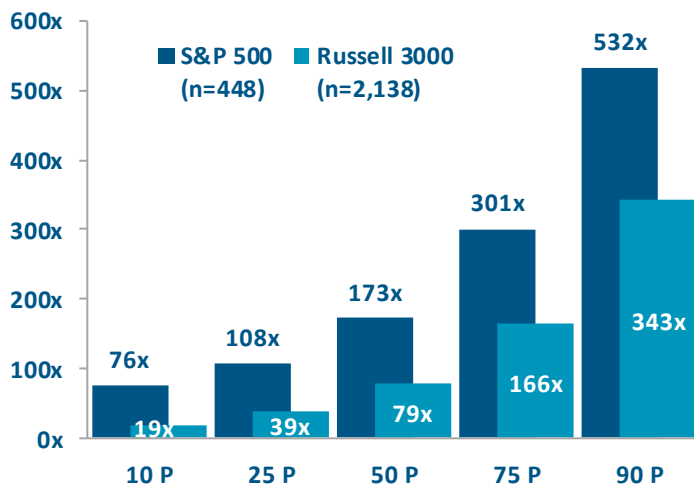
# 2019 CEO PAY RATIO RESULTS

1/23/2020

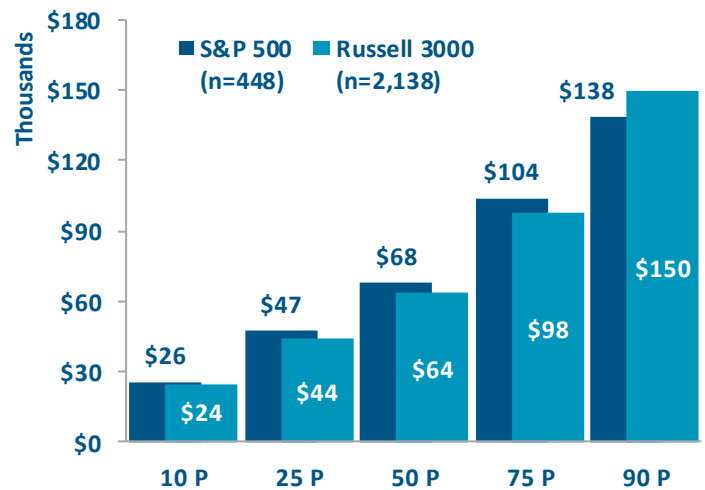
**RUSSELL 3000**  
2,138 COMPANIES

- The median CEO Pay Ratio of the S&P 500 was 2.2x the median CEO Pay Ratio of the Russell 3000, which was slightly lower than the 2.3x multiple we observed between the two indices last year
- The range of median employee compensation for the S&P 500 was slightly higher than the Russell 3000, except at the 90<sup>th</sup> percentile, where the Russell 3000 was 8% higher
- The Russell 3000 CEO Pay Ratio distribution trailed off near 300:1 while the S&P 500 distribution trailed 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

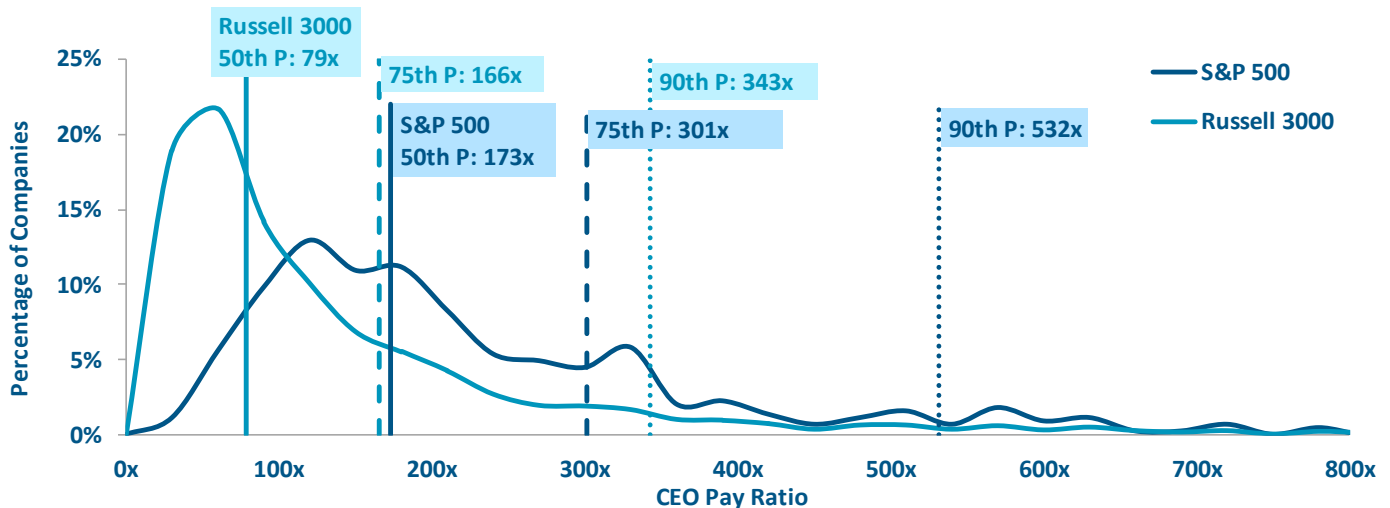
## CEO PAY RATIO



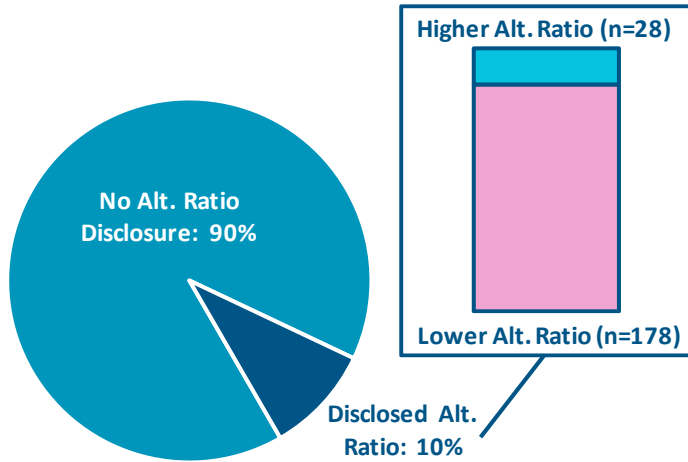
## MEDIAN EMPLOYEE COMPENSATION



## CEO PAY RATIO DISTRIBUTION



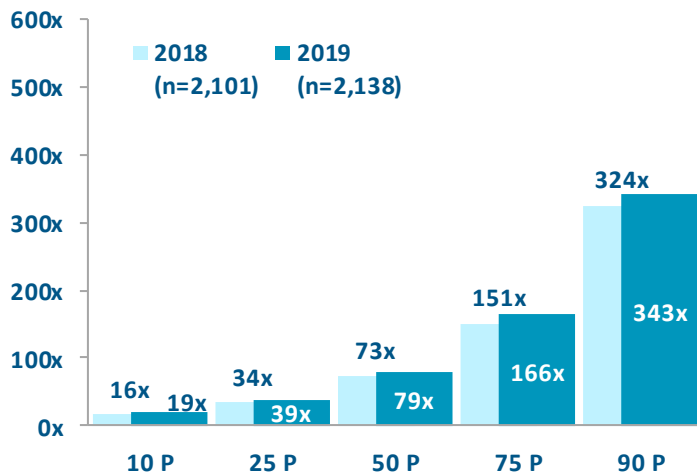
**RUSSELL 3000 ALTERNATE CEO PAY RATIO DISCLOSURES**



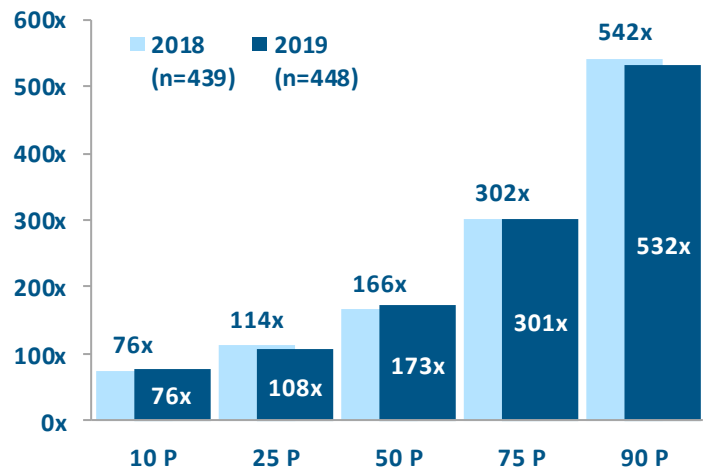
**CEO PAY RATIO OBSERVATIONS**

- 10% of companies disclosed an alternate Pay Ratio
- Companies most frequently disclosed 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 CEO Pay Ratios for the Russell 3000 was slightly wider than the range observed last year
- The median change in Summary Compensation Table CEO pay by company in the Russell 3000 was +6% and in the S&P 500 was +4%; the median change in median employee compensation by company in both indices was +3%

**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**

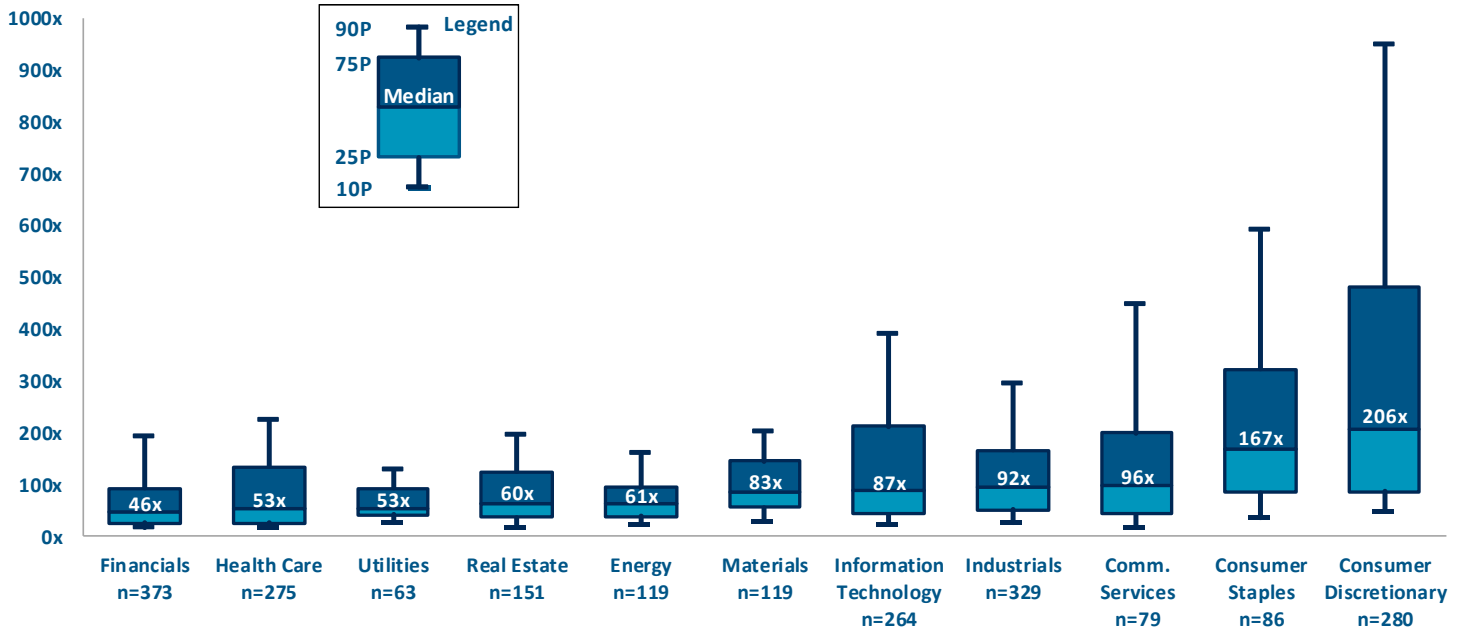
Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+67%	+80%	+21%
75 P	+24%	+28%	+10%
<b>Median</b>	<b>+2%</b>	<b>+6%</b>	<b>+3%</b>
25 P	-13%	-9%	-2%
10 P	-33%	-31%	-12%

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

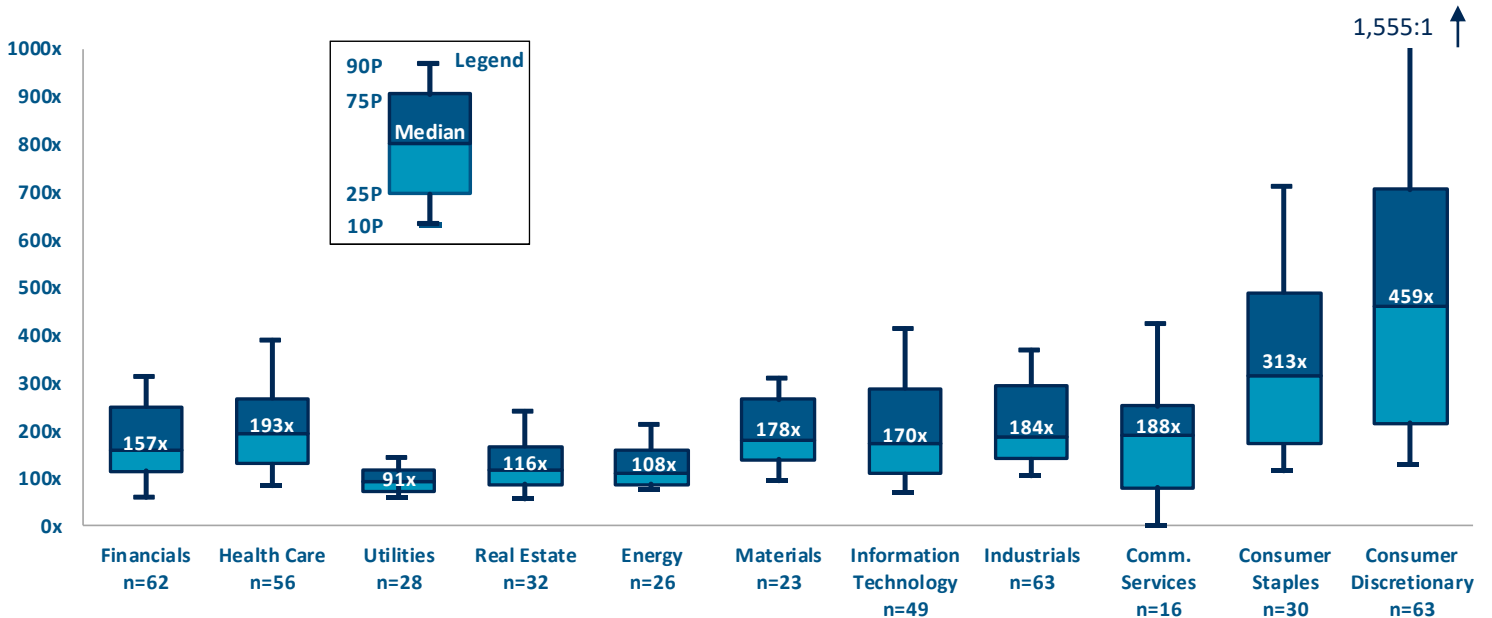
Percentile	CEO Pay Ratio	CEO Comp.	Median Emp. Comp.
90 P	+54%	+60%	+16%
75 P	+17%	+19%	+8%
<b>Median</b>	<b>+2%</b>	<b>+4%</b>	<b>+3%</b>
25 P	-13%	-8%	-2%
10 P	-31%	-28%	-11%

- CEO Pay Ratios in the Utilities and Energy sectors were within a tight range between the 25<sup>th</sup> and 75<sup>th</sup> percentiles
- Highly paid CEOs in the Communication Services and Information Technology sectors lead to higher CEO Pay Ratios at the 90<sup>th</sup> percentile
- The composition of a company’s workforce and the use of seasonal or part-time employees in the Consumer Staples and Consumer Discretionary sectors drove the high CEO Pay Ratios at the 75<sup>th</sup> and 90<sup>th</sup> percentiles

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



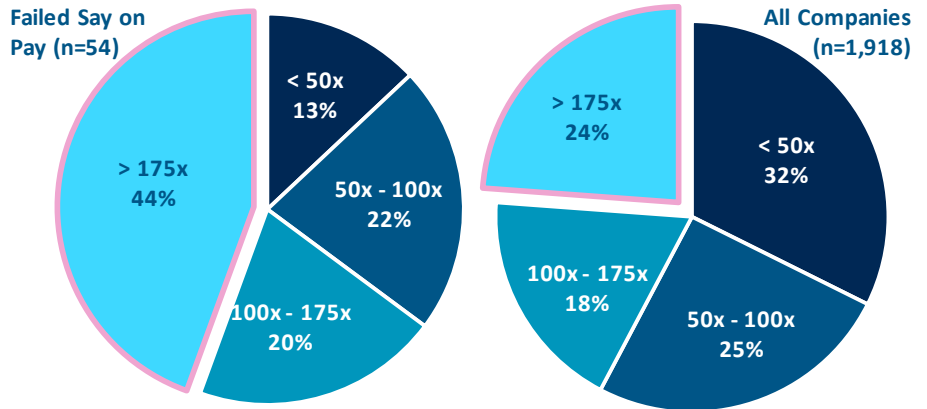
**S&P 500 CEO PAY RATIO VARIANCE BY GICS SECTOR**



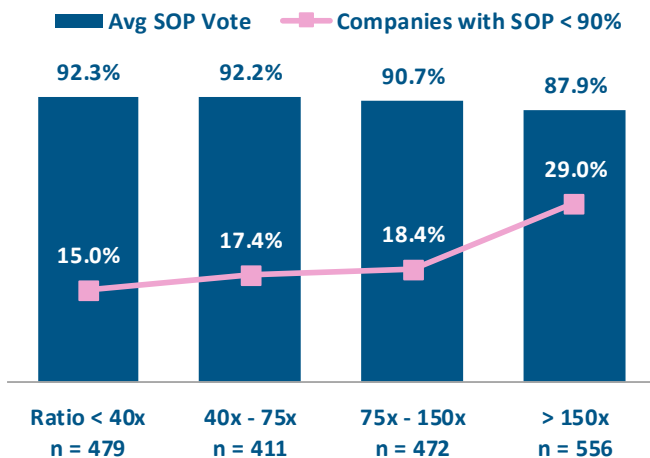
**OBSERVATIONS**

- The CEO Pay Ratio has an inverse relationship with Say on Pay but is not a primary driver of Say on Pay results
- 24% of Russell 3000 companies had a Pay Ratio above 175:1, but accounted for 44% of Say on Pay vote failures; 31% of S&P 500 companies had a Pay Ratio above 260x, but accounted for 67% of all Say on Pay failures
- Companies with top quartile CEO Pay Ratios (Russell 3000 above 150x and S&P 500 above 300x) were almost twice as likely to receive Say on Pay vote support below 90%

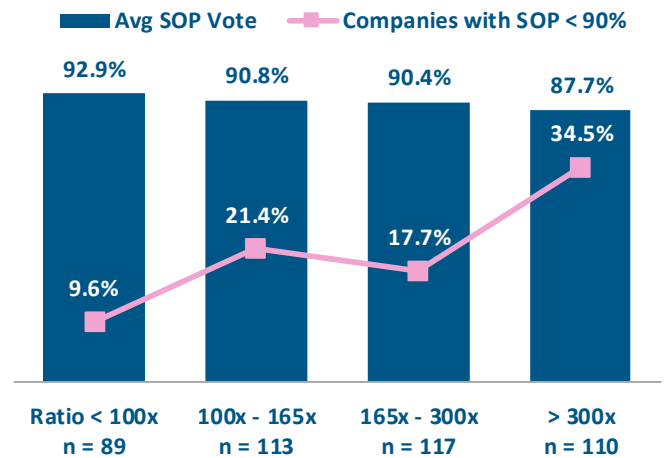
**CEO PAY RATIOS OF RUSSELL 3000 CONSTITUENTS THAT FAILED SAY ON PAY**



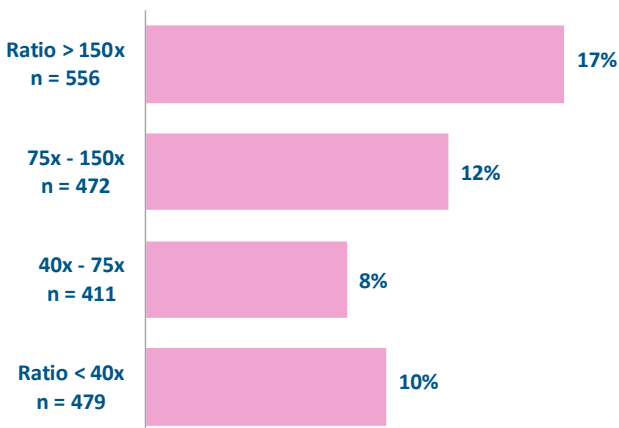
**RUSSELL 3000 SAY ON PAY RESULTS BY CEO PAY RATIO**



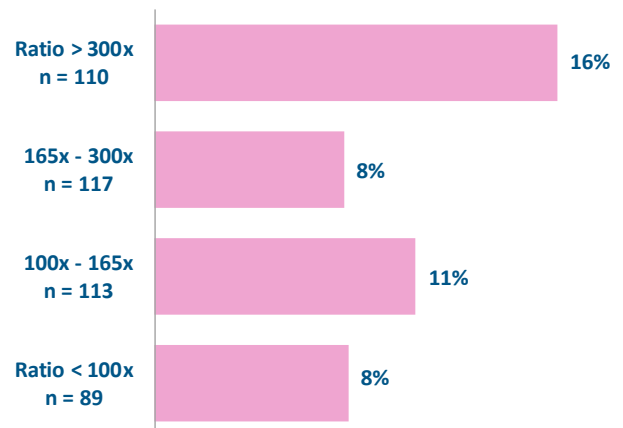
**S&P 500 SAY ON PAY RESULTS BY CEO PAY RATIO**



**RUSSELL 3000 ISS AGAINST RECOMMENDATION RATE BY PAY RATIO**



**S&P 500 ISS AGAINST RECOMMENDATION RATE BY PAY RATIO**





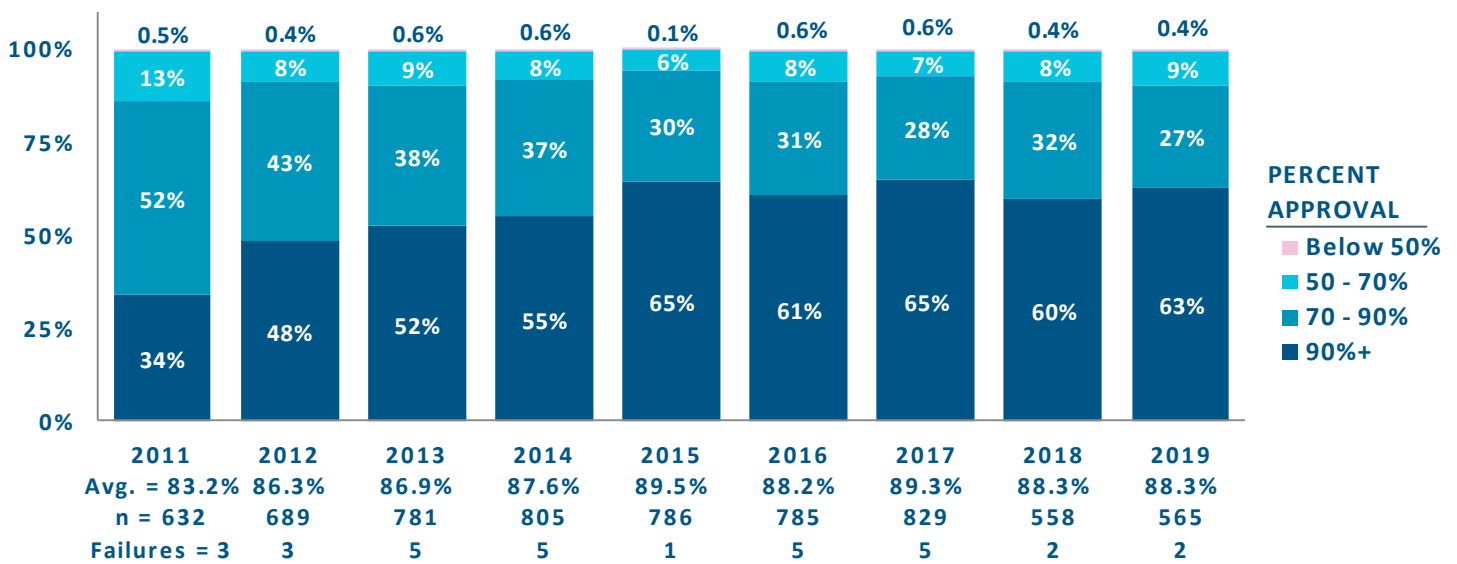
# 2019 EQUITY PROPOSAL RESULTS

1/23/2020

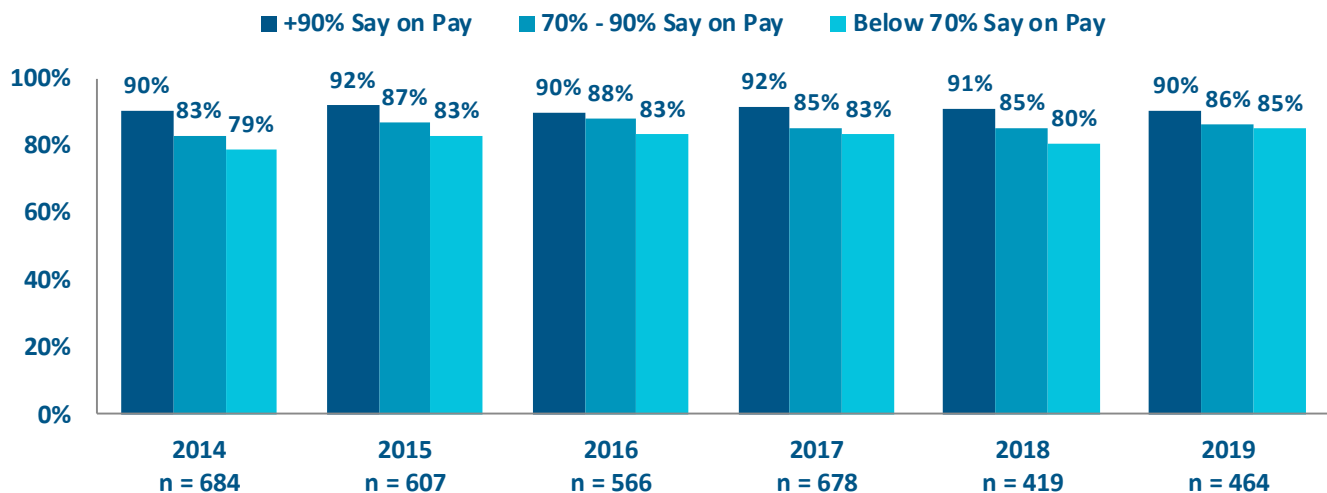
**RUSSELL 3000**  
565 COMPANIES

- Average vote support for equity proposals (88.3%) was equal to the average vote support observed last year
- The number of equity proposals in 2019 (565) and 2018 (558) were the two lowest numbers of proposals since 2011 - we suspect this decrease over the last two years was largely attributable to the elimination of the 162(m) provision that required shareholder approval of performance goals in incentive plans every five years, and we expect this will likely continue going forward
- Companies that received Say on Pay support below 70% received five percentage points lower support on equity proposals than companies that received Say on Pay support above 90%

## BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



## SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



# 2019 DIRECTOR ELECTION RESULTS

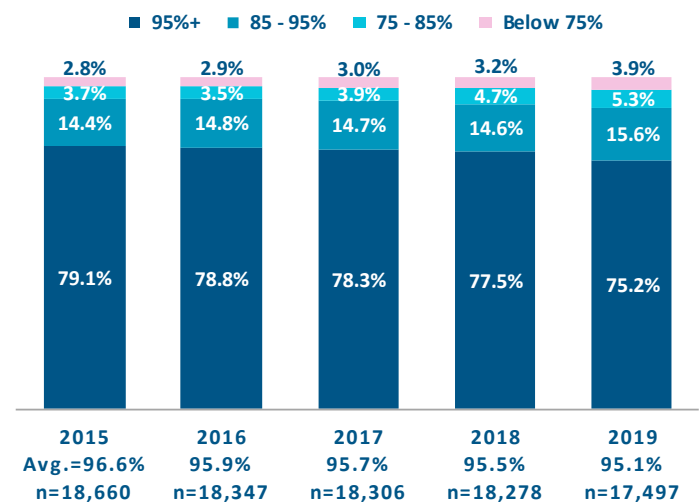
1/23/2020

**RUSSELL 3000**  
17,497 DIRECTORS

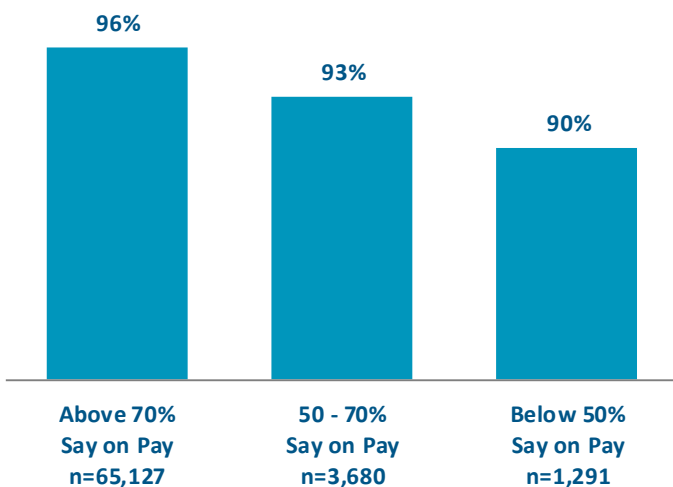
## DIRECTOR ELECTION OBSERVATIONS

- Average Director election vote support was 40 basis points lower than the average support observed in 2018
- 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 6 percentage points lower than at companies that received above 70% vote support
- Average support for female Director nominees was 180 basis points higher than average support for male Director nominees

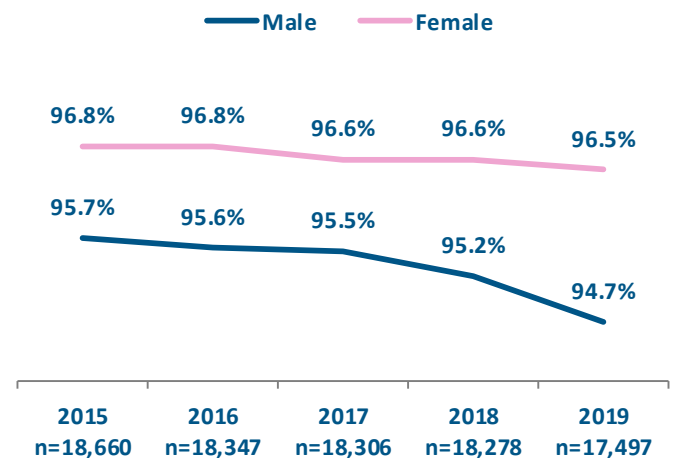
## BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



## AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



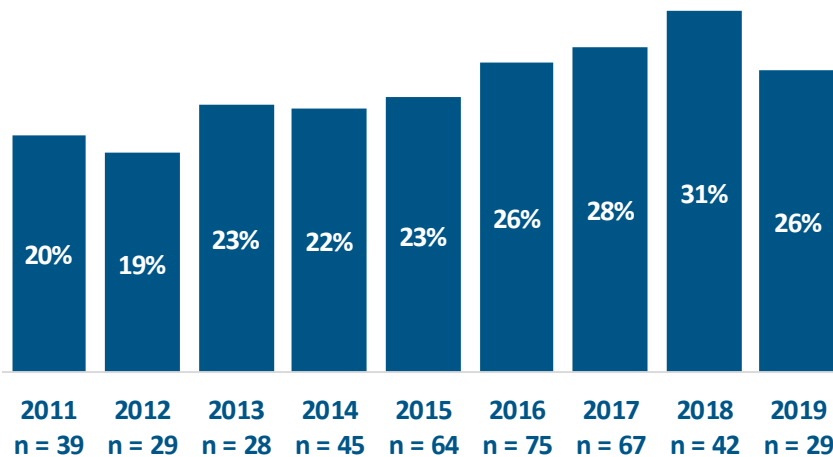
# 2019 ESG RESULTS

1/23/2020

**RUSSELL 3000**  
175 PROPOSALS

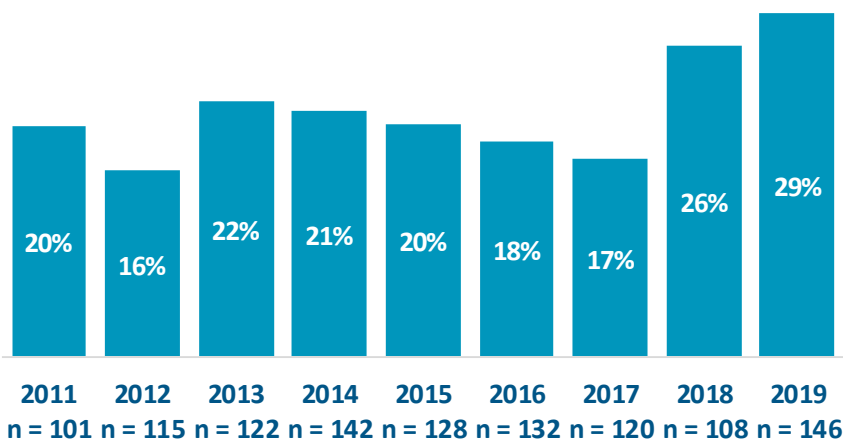
- The median support for environmental proposals was 500 basis points lower than last year, while median support for social proposals is 270 basis points higher than last year
- Zero environmental proposals and nine social proposals (6.2%) received greater than 50% support in 2019
- By comparison, 11.9% of environmental proposals and 6.5% of social proposals received majority support in 2018
- Social topics became a more prominent focus area for shareholders in 2019, reflected by the larger number of proposals (146) and the higher median vote support (29%)

## ENVIRONMENTAL PROPOSALS MEDIAN VOTE RESULT



Zero environmental proposals received majority support in 2019

## SOCIAL PROPOSALS MEDIAN VOTE RESULT



Nine social proposals received majority support in 2019

## SPOTLIGHT: ORACLE

Two large shareholders, Pax World Mutual Funds and the Comptroller of New York City, submitted a proposal requesting that Oracle report on its gender pay gap and whether one exists within the company.

*The proposal received 35% vote support*

- The proponents expressed concerns about potential regulatory, litigation, and reputational risks of gender pay disparity and noted public commitments by Apple, eBay, Microsoft and other technology companies to publish gender pay assessments
- The proponents also cited research that shows: (i) pay equity is associated with more gender diversity, (ii) women are underrepresented in the technology industry workforce; and, (iii) representation of women falls in higher-level positions
- The Board recommended voting “Against” the proposal, stating that the company promotes equality through its hiring, pay, and promotion processes and noting its STEM-related community initiatives that are focused on helping women in technology
- ISS recommended voting “For” the proposal and noted that the company has stated its commitment to promoting gender diversity but would benefit from publishing progress and results in this area

Semler Brossy publishes a bi-weekly Say on Pay & Proxy Results report during proxy season that provides statistics and analysis on Say on Pay, the CEO Pay Ratio, and other proxy voting topics.

Each year, we also publish four predictions for the upcoming proxy season prior to our first report to spotlight the key themes and trends we expect will be focus areas for shareholders when voting. We intentionally made bold predictions for 2019 in anticipation of the second year of the CEO Pay Ratio disclosure requirement and after we observed Say on Pay vote results shift dramatically in 2018. The following pages summarize the results of our predictions – three of which were nearly correct – and offer additional commentary on these topics in review of the 2019 proxy season.

We will share our predictions for the 2020 proxy season in March and publish our first report at the start of April. Click on the following link to subscribe to Semler Brossy’s Dialogue weekly e-newsletter to receive the Say on Pay reports and the latest reporting, opinion, and research articles on executive compensation: <https://www.semlebrossy.com/dialogue/subscribe/>

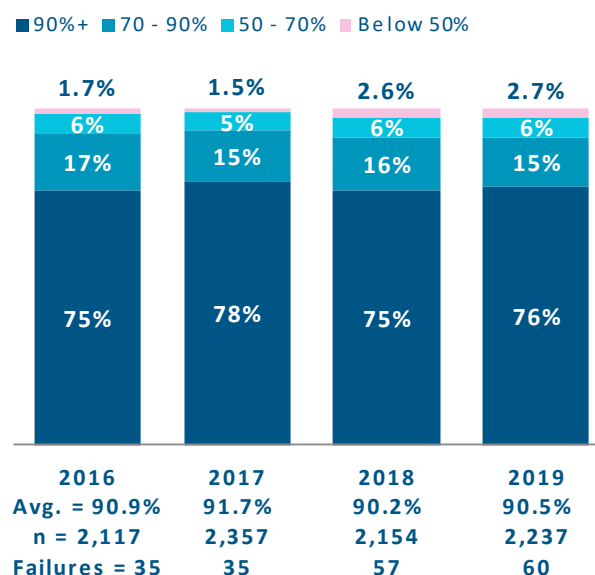
**— RUSSELL 3000 AVERAGE SAY ON PAY SUPPORT WILL CONTINUE TO DECLINE**

**Average Russell 3000 Say on Pay support in 2019 (90.5%) was 20 basis points higher than in 2018;** however, this marked the third lowest vote result since voting began in 2011 and was well below the highest level of average support (91.7%) observed in 2017.

Shareholders continue to push company leadership to enhance their governance practices and their approach to managing social and environmental business risks, as well as to expand proxy disclosure of these efforts. Shareholders have started to use Say on Pay voting as a mechanism to voice concerns with the overall practices of company leadership, and not just compensation. Performance evaluations previously focused solely on financial measures, but have now taken on a broader scope by considering companies’ management of social and environmental business risks.

We expect that the increased number of factors considered when shareholders cast votes will lead to a further decrease in average vote support and cause the range of vote outcomes for companies that perform similarly on “standardized” investor and proxy advisor pay and performance tests to be less predictable.

Say on Pay Results



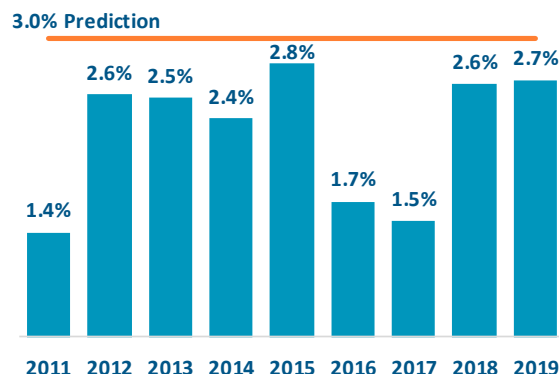
**— RUSSELL 3000 SAY ON PAY FAILURE RATE WILL REACH 3.0% FOR THE FIRST TIME**

**The Russell 3000 Say on Pay failure rate in 2019 was 10 basis points higher than last year’s failure rate of 2.7%.** The 2.7% failure rate was the third highest observed since voting began in 2011 and was 110 basis points higher than the average failure rate in 2016 and 2017. In addition, approximately 9% of companies received support below 70% in 2019 and 2018, compared to just 7% of companies in 2017.

Flat TSR performance for the Russell 3000 in 2018 placed additional stress on quantitative evaluations of CEO pay and performance used to inform 2019 Say on Pay votes. TSR results and bearish financial outlooks in several industries caused pay and performance misalignment and performance goal rigor to be two of the most prevalent causes of vote results under 50%.

We anticipate the failure rate will remain elevated in future years as shareholder and proxy advisors scrutinize a wider range of minor “problematic” compensation program mechanics.

Russell 3000 Failure Rate



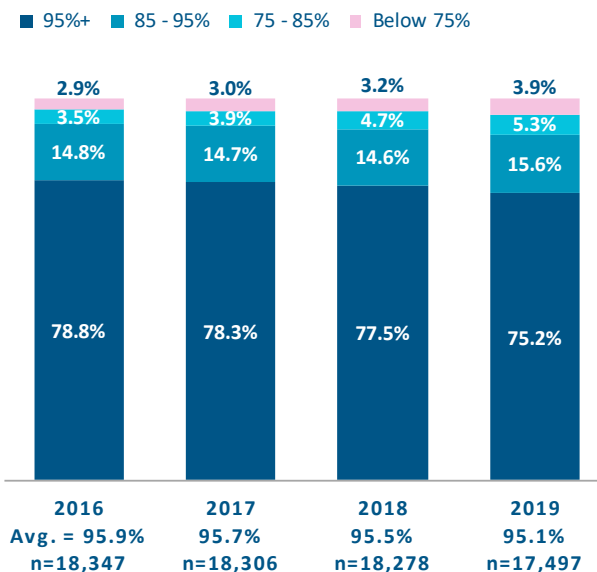
**RUSSELL 3000 AVERAGE DIRECTOR ELECTION VOTE RESULTS WILL FALL BELOW 95.0%**

Russell 3000 average Director election vote support declined by 40 basis points to 95.1% in 2019. This decrease marked a fifth consecutive year of declining Director election support since 2015 when average support was 96.6%.

Shareholders continue to place heightened scrutiny on Director nominees as pay for Board service increases and as the role of Directors expands. Further, proxy advisors and large investors introduced formal voting policies that define circumstances under which they will vote against certain Directors, such as for companies with no female Directors or companies that have not properly managed environmental or social risks.

We expect shareholders will use these policies to vote more critically against the Chair or members of committees whose performance does not meet shareholder expectations. As a result, the range of vote support for Directors nominees will likely widen and average vote support will continue to decline.

**Director Election Results**

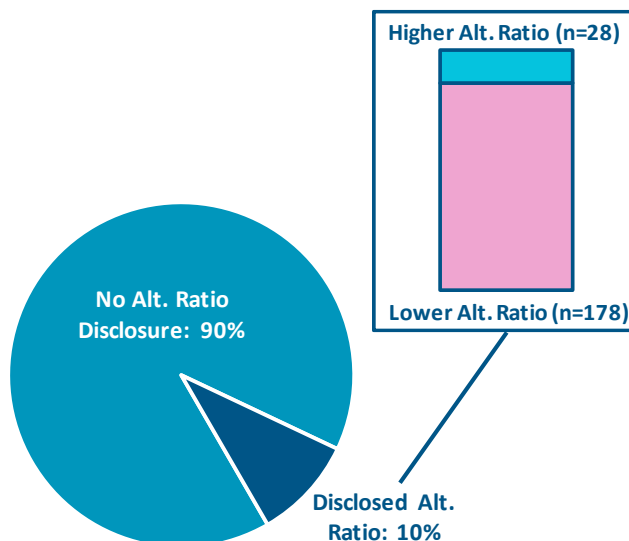


**20% OF RUSSELL 3000 COMPANIES WILL REPORT AN ALTERNATE CEO PAY RATIO**

10% of Russell 3000 companies reported an alternate CEO Pay Ratio in 2019.

The Pay Ratio has not received much attention from media or investors despite shareholder requests for companies to disclose more information about their CEO Pay Ratio. As a result, most companies made few or no changes to their CEO Pay Ratio disclosure from a year ago and focused primarily on meeting the minimum disclosure required by Dodd-Frank legislation. Some companies expanded disclosure to add clarity about certain nuances that affected the Pay Ratio or led to year-over-year increases, but this was uncommon.

We do not expect the Pay Ratio to garner additional interest (unless additional disclosure requirements are added) in the near future; however, we do anticipate shareholder requests for companies to be more transparent about their approach to human capital will lead to enhanced disclosure in other sections of the proxy.



**NEW YORK OFFICE**

350 FIFTH AVENUE, SUITE 4700  
NEW YORK, NY 10118

**212.393.4000**

**AUSTIN VANBASTELAER**, CONSULTANT

646.969.2318

AVANBASTELAER@SEMLERBROSSY.COM

**JUSTIN BECK**, SR. ASSOCIATE

646.969.2316

JBECK@SEMLERBROSSY.COM

**BASIL WILLIAMS**, ASSOCIATE

646.969.2310

BWILLIAMS@SEMLERBROSSY.COM

**LOS ANGELES OFFICE**

11755 WILSHIRE BLVD, 10TH FLOOR  
LOS ANGELES, CA 90025

**310.481.0180**

**TODD SIRRAS**, MANAGING DIRECTOR

310.943.8369

TSIRRAS@SEMLERBROSSY.COM

FOR MORE INFORMATION,  
VISIT US AT **SEMLERBROSSY.COM**

