

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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EXECUTIVE AND BOARD COMPENSATION RESPONSES TO COVID-19

5/7/2020

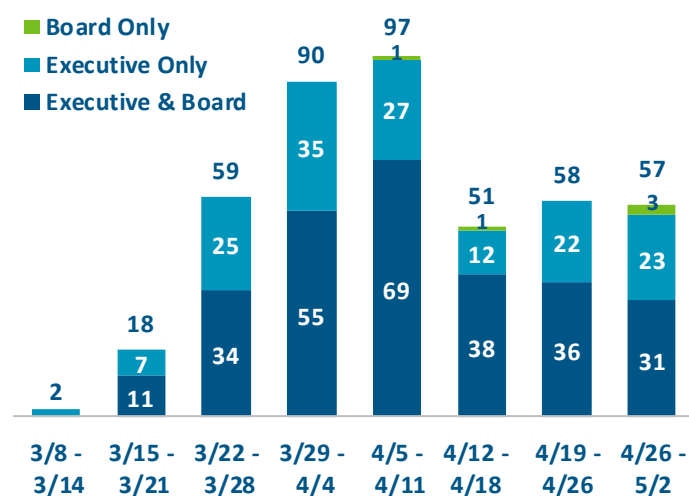
For More Detailed Analysis, Visit:
semldbrossy.com/COVID

RUSSELL 3000
 432 COMPANIES

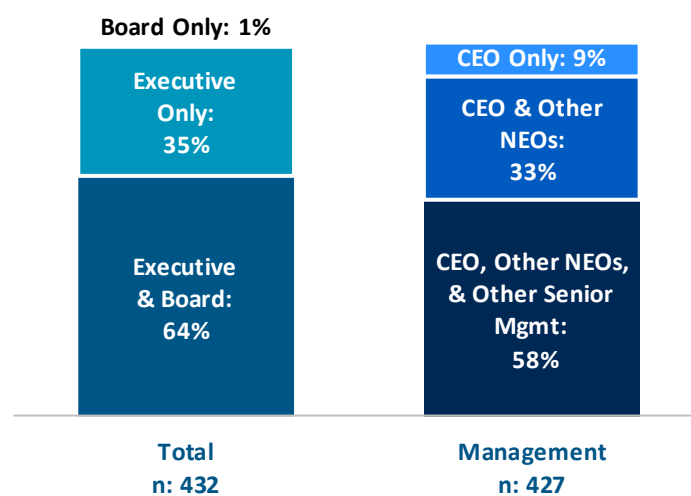
This section summarizes executive and Director pay-related actions announced publicly by Russell 3000 companies in response to the COVID-19 pandemic. See more detailed coverage of pandemic-related pay actions at www.semldbrossy.com/COVID/

- COVID-19 started to disrupt companies' operations in January; however, the breadth and financial impact of the pandemic escalated during March and early-April, and now, corporate leadership teams are faced with challenging decisions such as reducing pay, freezing pay and benefits, enacting furloughs, and eliminating jobs in order to limit the pandemic's effect on their businesses
- Through May 2, 432 Russell 3000 companies announced or publicly disclosed compensation actions in response to COVID-19; we note that some companies did not announce the magnitude of reductions and acknowledge that the number of companies implementing reductions at this time may be higher due to unannounced actions

TIMING OF ANNOUNCEMENTS



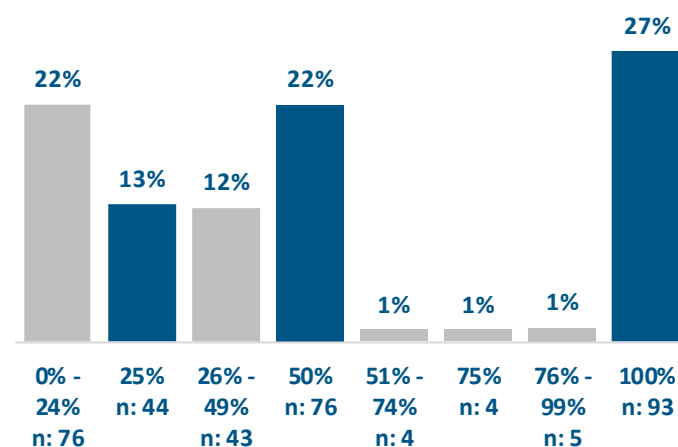
BREAKDOWN OF ANNOUNCEMENTS



OBSERVATIONS

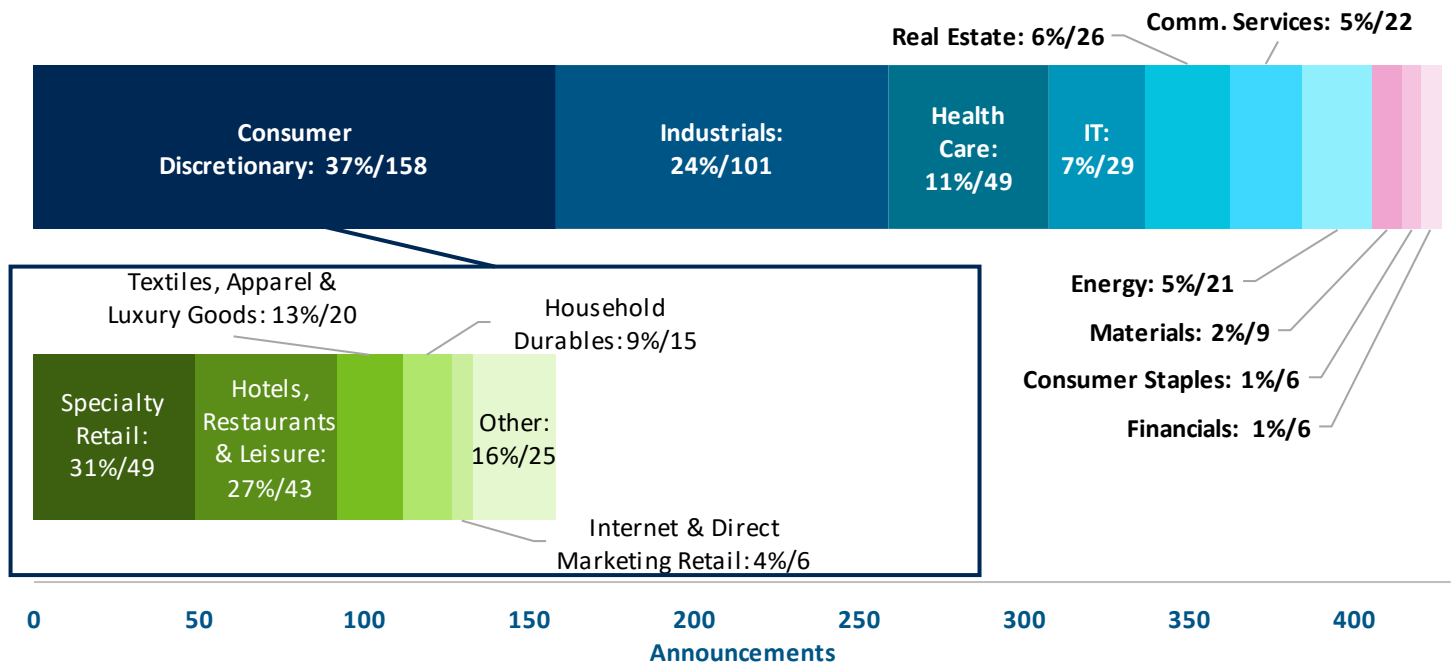
- Thus far, the median CEO salary reduction is 50%; however, 27% of companies have announced a 100% reduction, while only 22% announced a 50% reduction
- By comparison, the most common salary reduction for other NEOs and senior members of Management is 20% to 25%
- Many companies have announced cash retainer reductions for Directors that match salary reductions for their CEO - the median reduction to Director cash retainers is 50%; however, 30% of Directors have forfeited 100% of their cash retainer
- The number of pay reduction announcements increased through each week of March and the first weeks of April, and has now plateaued at about 50 announcements per week

DISTRIBUTION OF CEO SALARY REDUCTIONS

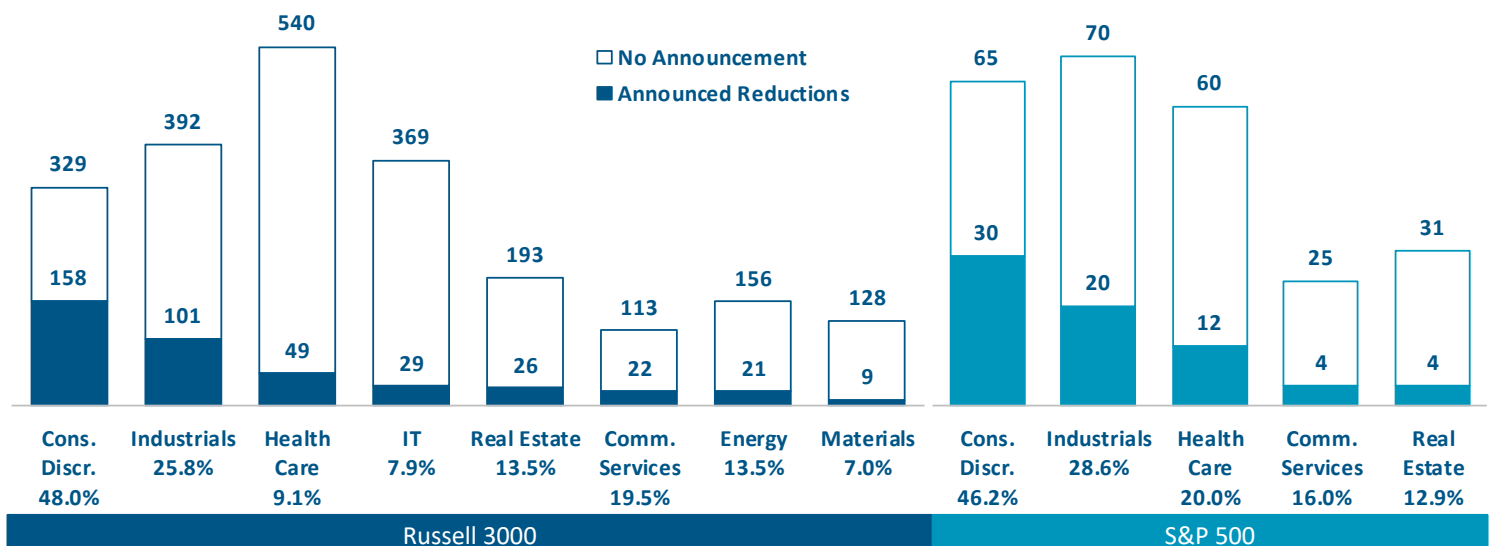


- The number of announcements by Russell 3000 Industrials companies increased from 61 to 101 since our last report, the largest increase of any sector, and made up roughly 35% of the total announcements over the last two weeks
- The Consumer Discretionary and Industrials sectors (which includes Airlines and adjacent industries) continue to have the highest percentage of announcements due to the impact of social distancing and quarantine measures on their operations
- We have observed a similar prevalence of pay reduction announcements for Russell 3000 and S&P 500 companies, which suggests the pandemic's impact on executive and Board compensation has been broad, regardless of company size

RUSSELL 3000 ANNOUNCEMENT BREAKDOWN BY SECTOR (X% OF TOTAL/ Y COMPANIES)



RUSSELL 3000 AND S&P 500 ANNOUNCEMENT PREVALENCE BY SECTOR



Excludes Russell 3000 sectors with less than seven announcements: Cons. Staples (6/ 5.5%), Financials (6/ 1.1%) and S&P 500 sectors with less than four announcements: Energy (3/ 11.1%), IT (3/ 4.2%), Cons. Staples (2/ 6.1%), Materials (2/ 6.9%), Financials (1/ 1.5%).

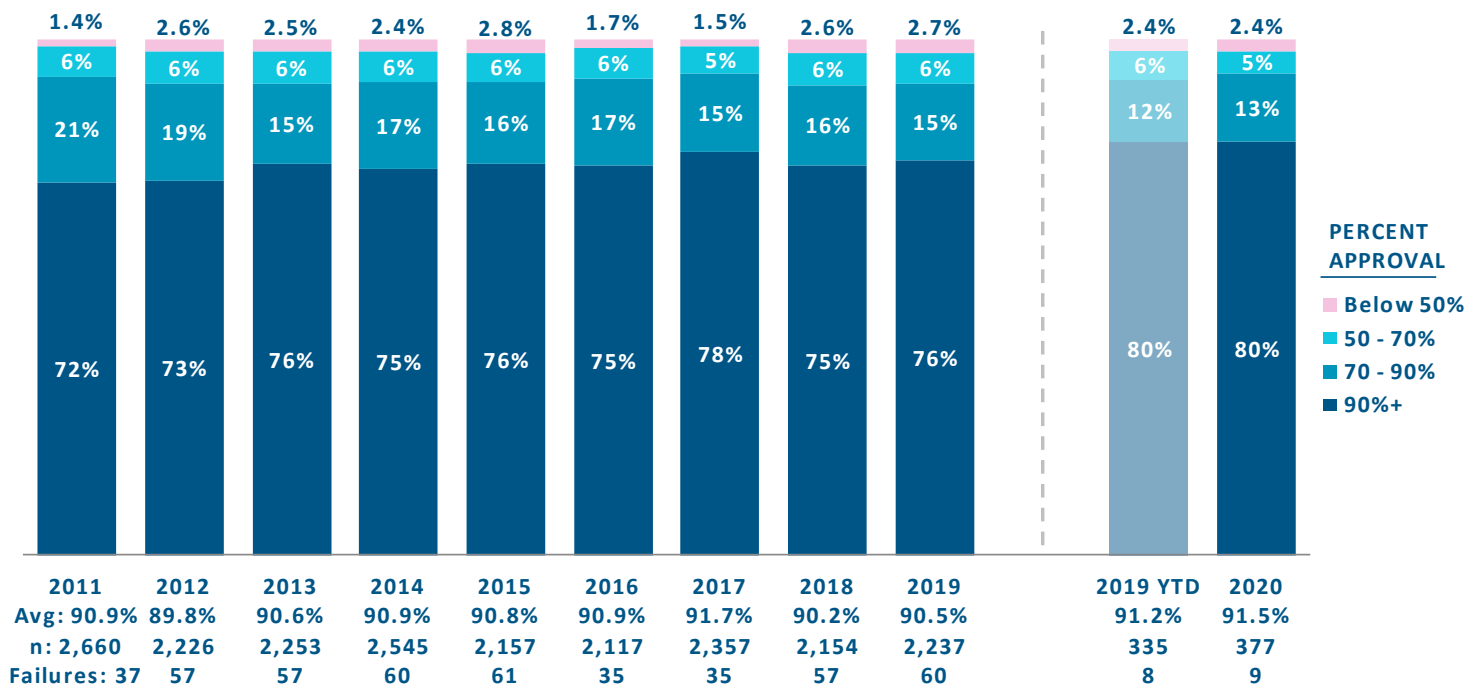
2020 SAY ON PAY RESULTS

5/7/2020

RUSSELL 3000
377 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

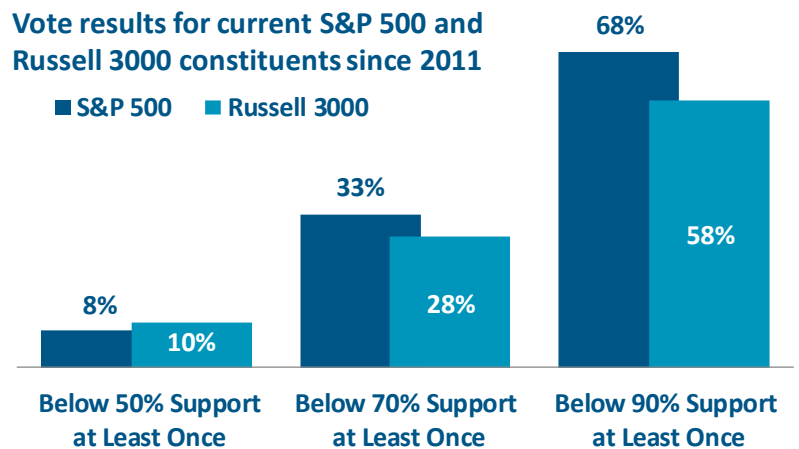
Nine Russell 3000 companies (2.4%) failed Say on Pay thus far in 2020. Six companies failed since our last report: Associated Bancorp, Cleveland-Cliffs, Home Bancshares, Paycom Software, Penns Woods Bancorp, and Westwood Holdings Group.



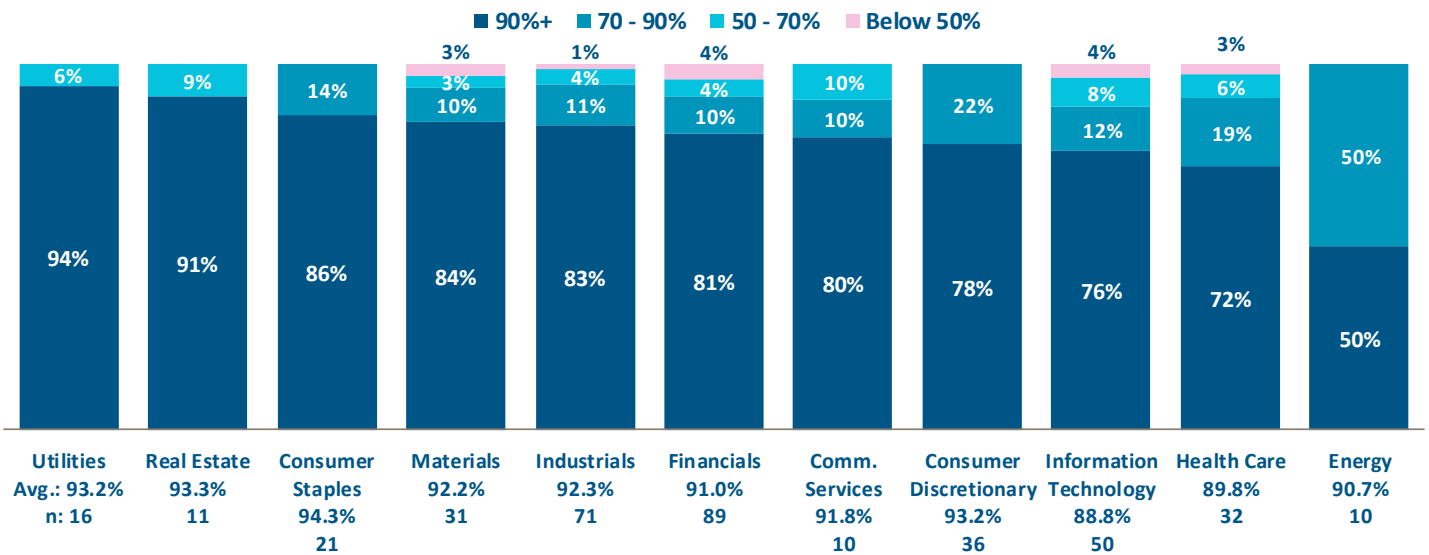
SAY ON PAY OBSERVATIONS

- The current failure rate (2.4%) is the same as the failure rate at this time last year
- The 91.5% average vote result thus far in 2020 is 30 basis points higher than 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

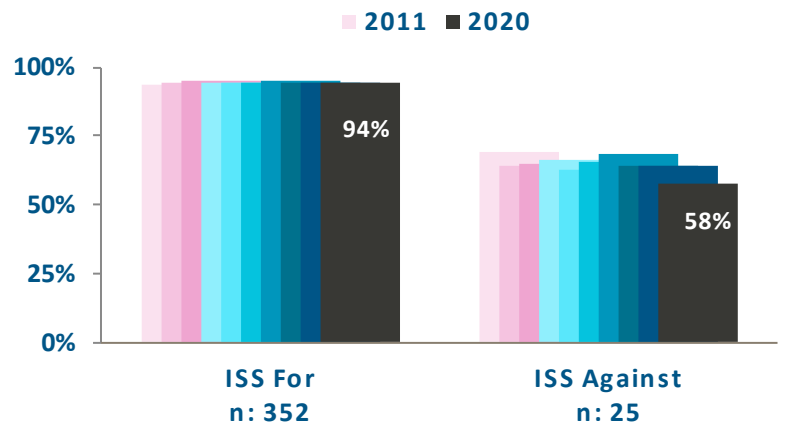


SAY ON PAY VOTE RESULTS BY GICS SECTOR



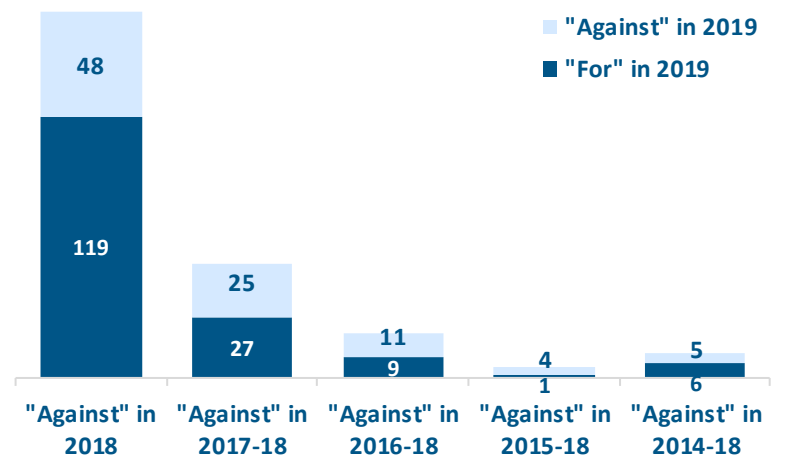
ISS IMPACT ON SAY ON PAY VOTE RESULTS

- The current average Say on Pay vote result for companies that received an ISS “Against” recommendation is 36 percentage points lower than for companies that received an ISS “For” recommendation
- The 36-percentage point gap is above the historical average range of 24 to 32 percentage points
- At this time last year, we observed a 31% difference, which declined to 30% by year end, and two years ago we observed a 33% difference at this time, which narrowed to 31% by end of year



COMPANIES RECEIVING CONSECUTIVE ISS “AGAINST” RECOMMENDATIONS

- ISS recommended “Against” 36% of companies in 2019 that also received an “Against” recommendation in 2018
- Companies that received an “Against” recommendation from ISS in 2018, but did not receive an “Against” in 2017, had a roughly 30% chance of receiving a second consecutive “Against” in 2019
- This rate jumped to roughly 50% for companies that received two or more consecutive “Against” recommendations



LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2020

2020 Failed Say on Pay Vote Results¹

Russell 3000, n=9

Company	Say on Pay Vote Results			Number of Failures	Likely Causes of Votes Under 50%					
	2020 ▼	2019	YOY		Pay and Performance Relation	Problematic Pay Practices	Rigor of Performance Goals	Shareholder Outreach and Disclosure	Non- Performance Based Equity	Special Awards/ Mega- Grants
Acuity Brands, Inc.	33%	53%	-20%	1	X	X				X
QUALCOMM Incorporated	18%	79%	-62%	1	X	X	X		X	
Westwood Holdings Group, Inc.	49%	64%	-15%	1	X			X	X	
Cleveland-Cliffs Inc.	32%	70%	-37%	2	X		X	X		
Home Bancshares, Inc. (Conway, AR)	46%	92%	-46%	1	X	X	X		X	
Penns Woods Bancorp, Inc.	49%	54%	-5%	1	X	X				X
Paycom Software, Inc.	45%	90%	-45%	1	X	X			X	
Associated Banc-Corp	37%	94%	-58%	1	X		X	X		
IQVIA Holdings Inc.	46%	-	-	1	X	X	X			X
Count (n=9)					9	6	5	3	4	3

¹ As of April 29, 2020FOR MORE INFORMATION, VISIT US AT SEMLERBROSSY.COMSEMLER BROSSY CONSULTING GROUP
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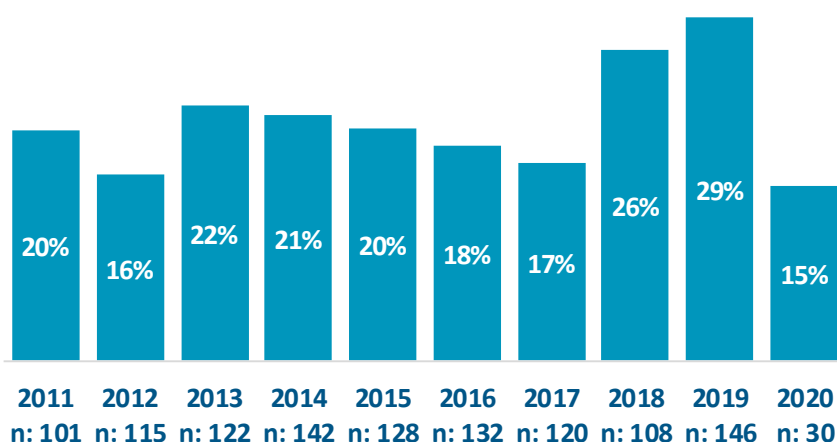
2020 ESG PROPOSAL RESULTS

5/7/2020

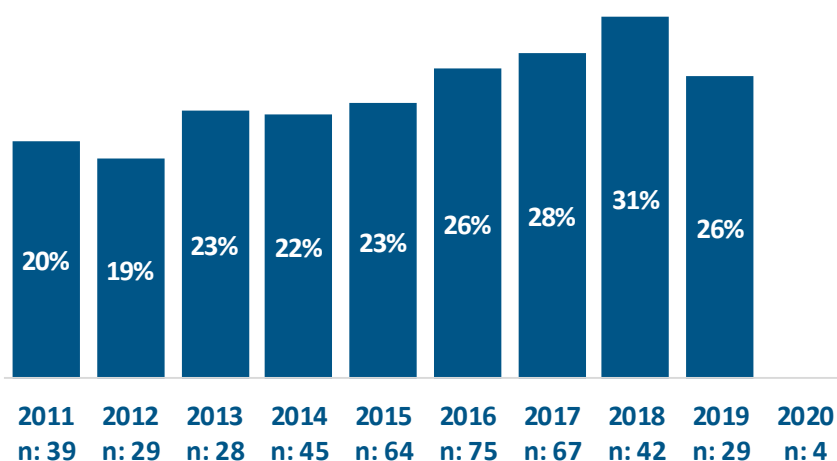
RUSSELL 3000
34 PROPOSALS

- Thus far in the proxy season, shareholders have voted on 30 social proposals and 4 environmental proposals – median support for social proposals is 15% and we will include 2020 environmental proposals once a sufficient sample of vote results are received
- Four social proposals (13%) and one environmental proposal (25%) have received greater than 50% support in 2020 – these proposals included requests for reports on political contributions, governance measures related to the opioid crisis, employment diversity, equal employment opportunity, and climate change initiatives
- By comparison, 6.2% of social proposals and 0% of environmental proposals received greater than 50% in 2019

SOCIAL PROPOSALS MEDIAN VOTE RESULT



ENVIRONMENTAL PROPOSALS MEDIAN VOTE RESULT



SPOTLIGHT: J.B. HUNT

Shareholders submitted a proposal requesting that J.B. Hunt Transport Services publish a report on its plans to reduce its carbon footprint in line with the Paris Agreement's goals.

The proposal passed with 54.5% vote support

- The proponents of the proposal argued that climate change impacts present risks to the business and its investors
- The proponents further contend that the company has adopted ad-hoc initiatives but lacks an overarching strategy to reducing its carbon footprint. They also argued that increasing the scope and scale of climate-related initiatives could attract customers and suppliers with increasing expectations around environmental accountability
- The Board recommended that shareholders vote "Against" the proposal and asserted that environmental considerations are built into the company's core operating model. The Board further argued that public disclosure of greenhouse gas reduction goals might give competitors insight into the company's strategic plans
- ISS recommended "For" the proposal and cited that shareholders would benefit from more specific information on GHG emissions in order to aid shareholder assessments of the Company's performance on this topic

2020 DIRECTOR ELECTION RESULTS

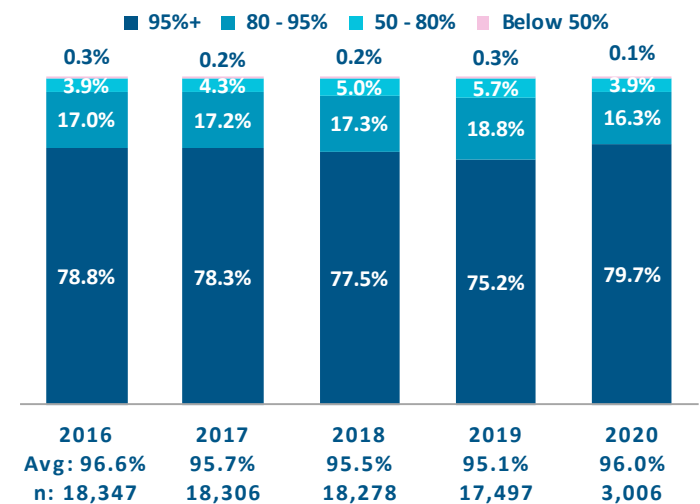
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RUSSELL 3000
3,006 DIRECTORS

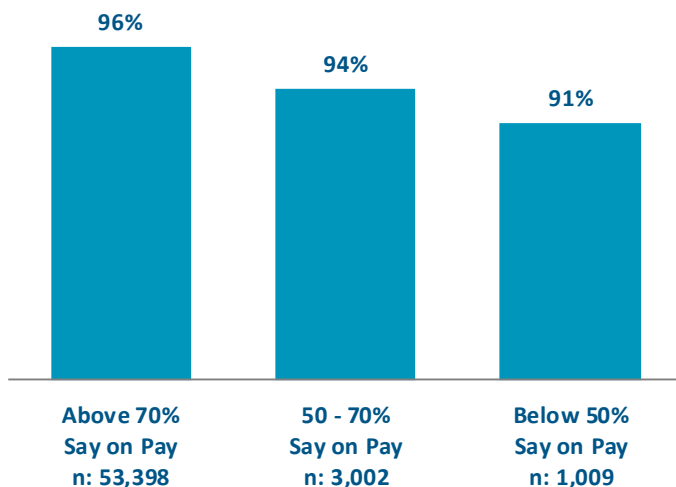
DIRECTOR ELECTION OBSERVATIONS

- Thus far, average vote support for Director nominees (96.0%) is 90 basis points higher than the year-end support observed in 2019; however, average vote support was 96.3% as of this time last year before declining to the year-end level (95.1%)
- 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 five percentage points lower than at companies that received above 70% vote support

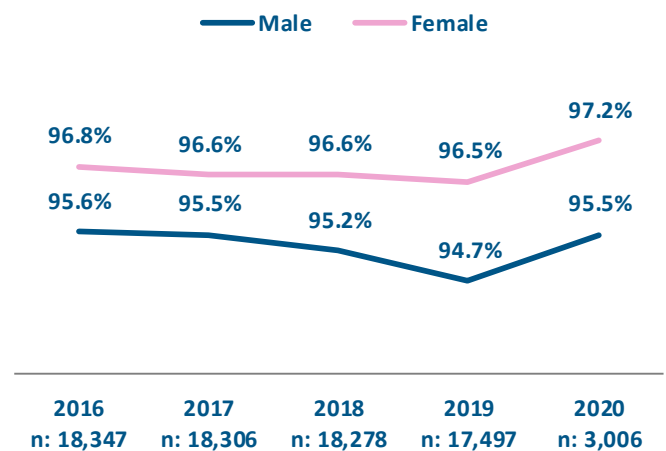
BREAKDOWN OF DIRECTOR ELECTION RESULTS



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



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



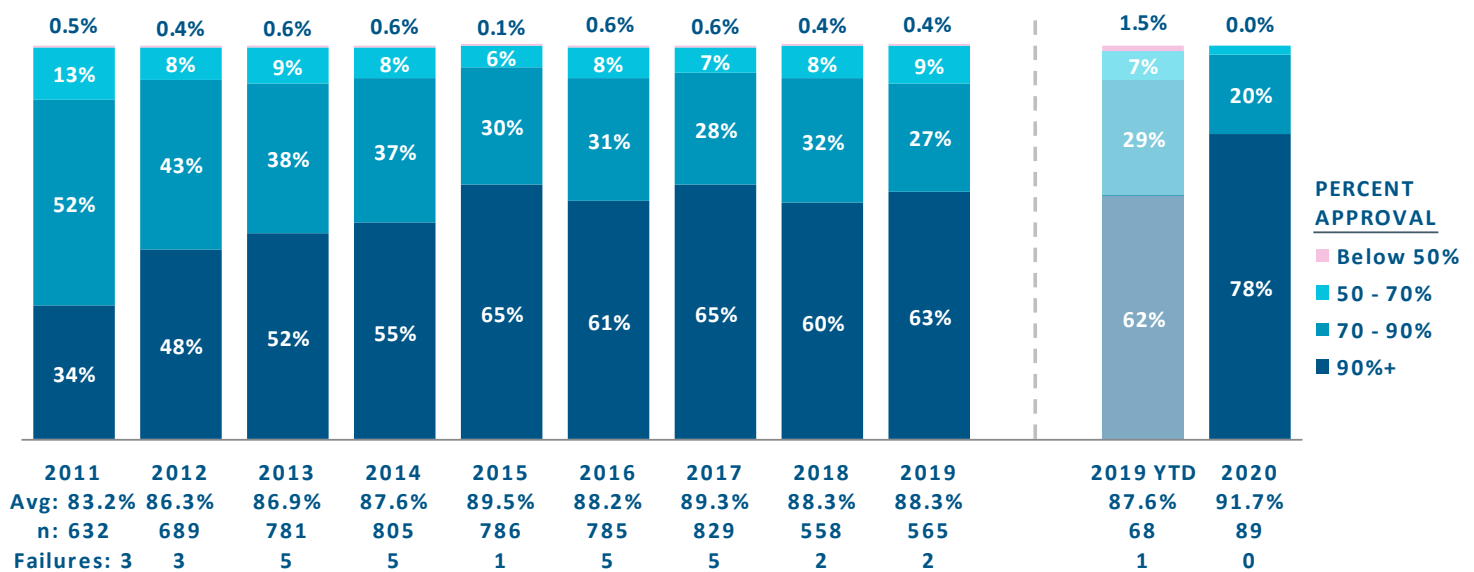
2020 EQUITY PROPOSAL RESULTS

5/7/2020

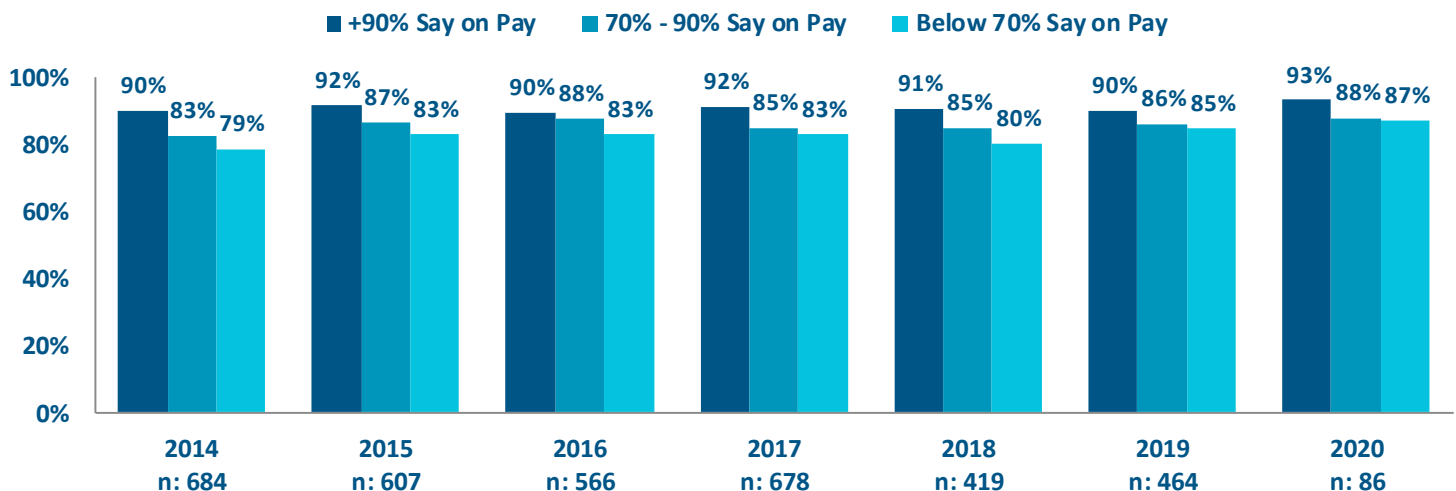
RUSSELL 3000
89 COMPANIES

- Average vote support for equity proposals thus far in the proxy season (91.7%) is 410 basis points higher than the 87.6% average support observed at this time last year
- No proposals have received vote support below 50% thus far in 2020; two proposals received below 50% support in 2019 and 2018
- The stock market downturn caused by COVID-19 will place pressure on companies' granting equity awards during 2020, and in turn, could impact companies' equity plan proposals, particularly later in the proxy season; we will monitor any equity plan proposal voting trends related to the pandemic

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



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