



Report on Say on Pay and Select Shareholder Proposals For the 2019 Proxy Season

October 29, 2019

Executive Summary

Meridian Compensation Partners, LLC is pleased to provide this periodic report on key voting results for the 2019 proxy season. Specifically, this report will cover the following areas:

- Standard & Poor's (S&P) 500 Say on Pay (SOP) Vote Results and Analysis,
- Russell 3000 SOP Vote Results and Analysis, and
- Analysis of Vote Results on Select Shareholder Proposals.

Highlights of Say on Pay Vote Results (through October 10, 2019)

- 98.43% of S&P 500 companies' SOP proposals have received majority shareholder support (Seven S&P 500 companies' SOP proposals failed to receive majority support – namely, Align Technology, Ameriprise Financial, CenturyLink, Fleetcor, McKesson, Netflix and Xerox).
- 97.64% of Russell 3000 companies' SOP proposals have received majority shareholder support (53 Russell 3000 companies' SOP proposals failed to receive majority support).
- Institutional Shareholder Services (ISS) has recommended AGAINST 11.5% and 12.8% of SOP proposals at S&P 500 companies and Russell 3000 companies, respectively.
- So far this proxy season, negative ISS SOP vote recommendations at S&P 500 companies have arguably depressed shareholder support by 27.1 percentage points, down from the prior eight-year average of 30.4 percentage points.

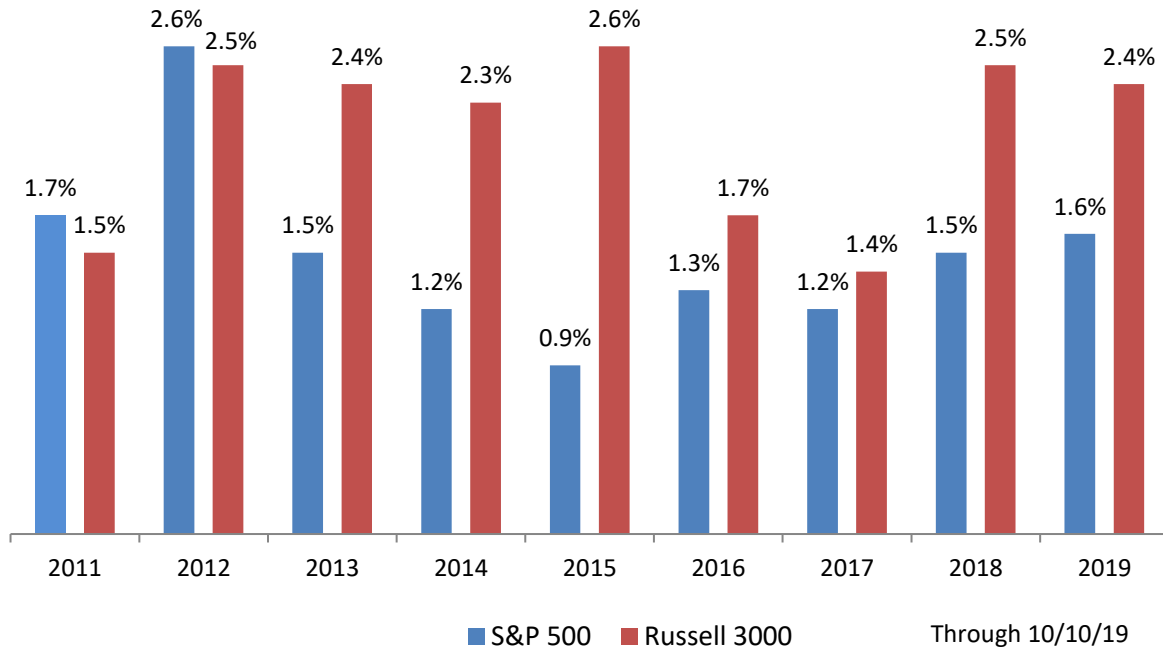
Highlights of Vote Results on Select Shareholder Proposals (through October 10, 2019)

- So far this proxy season, the most prevalent shareholder proposal on corporate governance relates to the separation of CEO and Board Chair roles. However, none of the 59 proposals voted on thus far have received majority support.
- Other key shareholder proposals on corporate governance seek (i) the right to act by written consent, (ii) the right to call a special meeting at a specified ownership threshold, (iii) a majority-voting requirement in the election of directors, (iv) the right to proxy access, and (v) the elimination of supermajority requirements to amend the charter or bylaws.
- The most prevalent type of compensation-related shareholder proposal requests that a company report on a company's gender pay gap. The second-most prevalent type of compensation-related proposal seeks for the board to include environmental or social metrics in determining senior executive incentive compensation. However, none of the proposals voted on thus far have received majority support.
- Two diversity related shareholder proposals received majority shareholder support. One shareholder proposal called for Travelers Companies to issue a company-wide diversity report with employee data by gender and race in EEOC-defined job categories. The other shareholder proposal called for Newell Brands to issue a report on diversity in executive leadership.
- Shareholder proposals calling for the adoption of a clawback policy and annual disclosure of any recouped compensation received majority support at Fleetcor Technologies and Mallinckrodt, respectively. A shareholder proposal seeking to broaden the company's clawback policy received majority support at Mylan.

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2019 Say on Pay Vote Outcomes

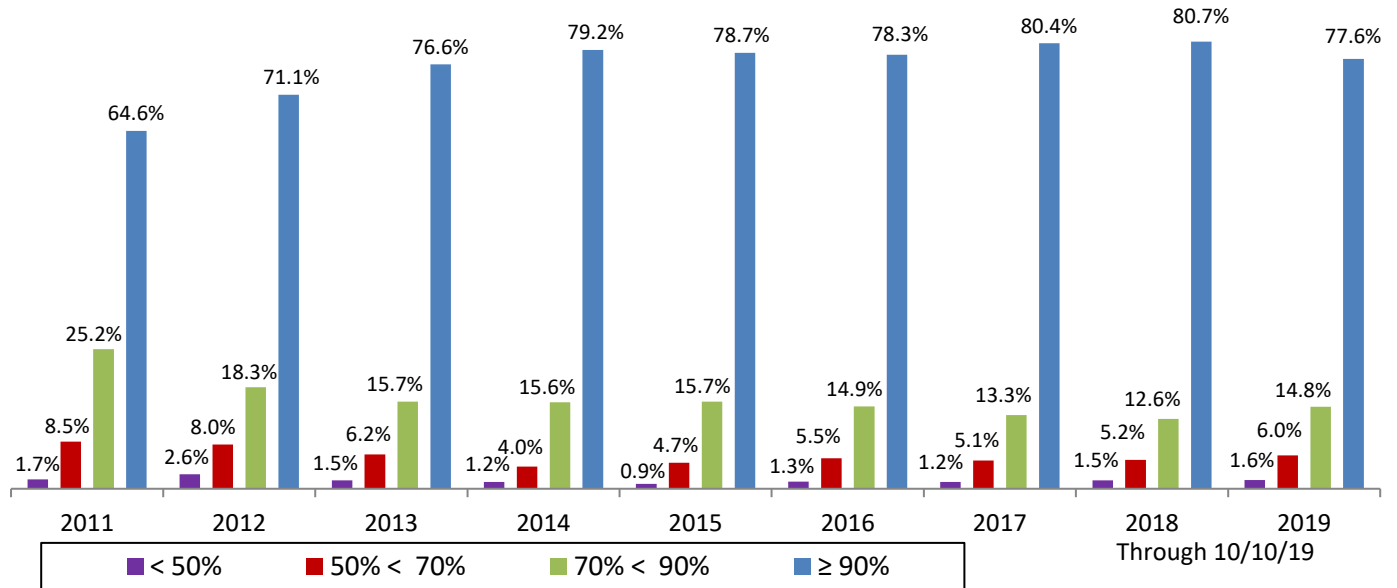
Percentage of Failed SOP Proposals



So far this year, only six S&P 500 company's SOP proposals and 53 Russell 3000 companies' SOP proposals have failed to receive majority shareholder support. Nearly 80% of both S&P 500 companies' and Russell 3000 companies' SOP proposals have received 90% or more shareholder support through October 10, 2019 (see following discussion).

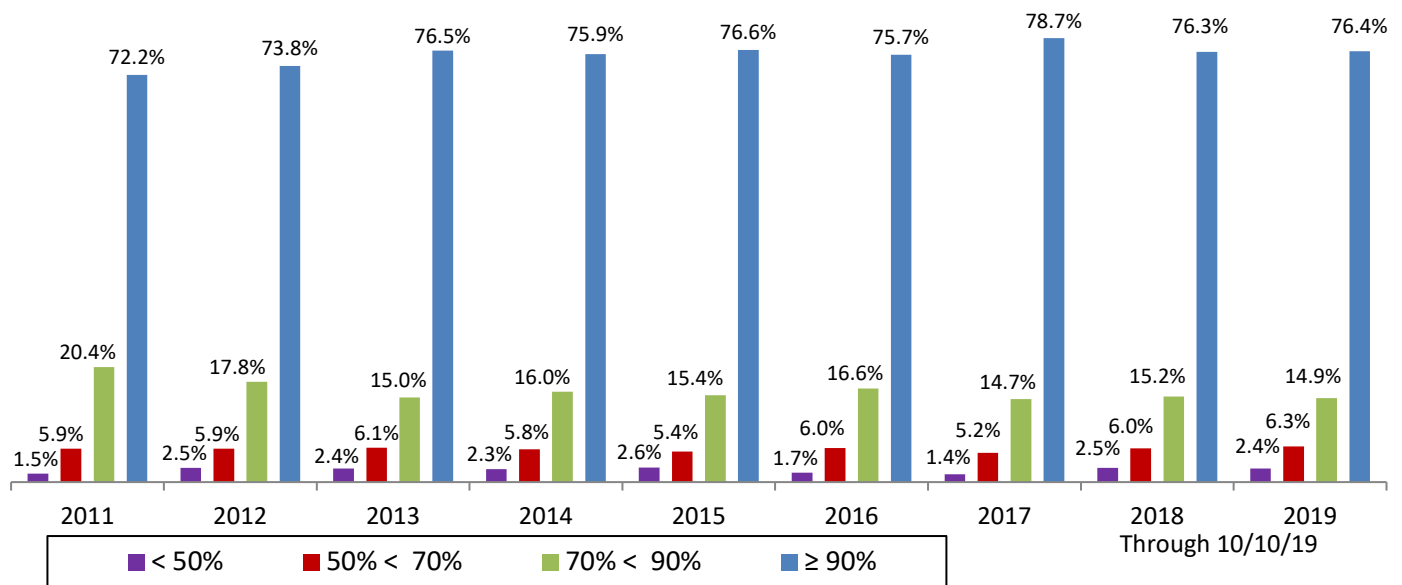
2019 Say on Pay Vote Outcomes

Level of Shareholder Support – S&P 500 Companies



Since 2014, the proportion of SOP proposals at S&P 500 companies receiving 90% or more shareholder support has remained relatively consistent.

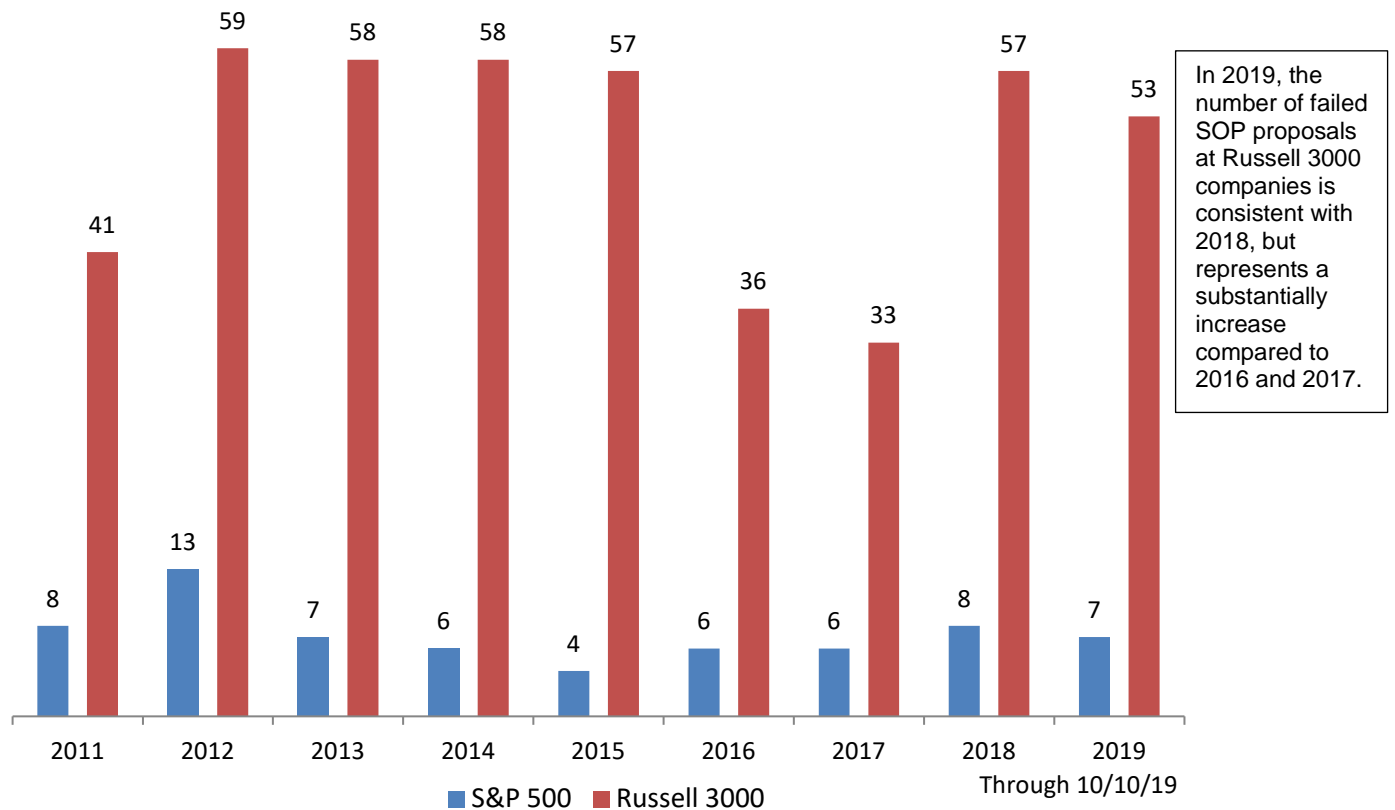
Level of Shareholder Support – Russell 3000 Companies



Similar to S&P 500 companies, the proportion of Russell 3000 companies receiving 90% or more shareholder support has remained relatively consistent since 2013.

Analysis of Failed SOP Proposals in 2019

Number of Failed SOP Proposals

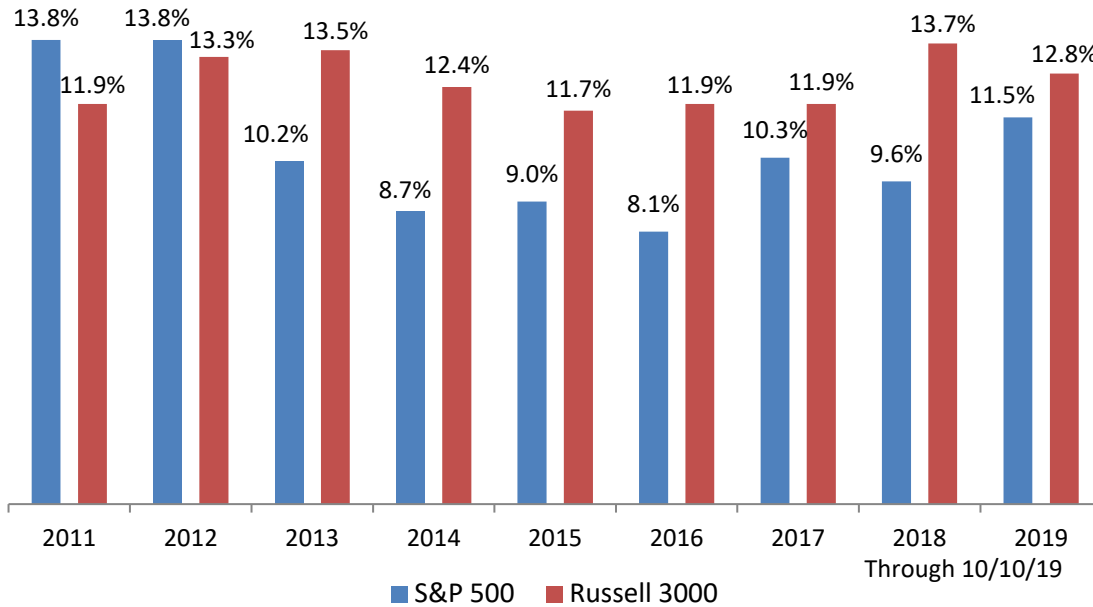


Contributing Reasons for Failed SOP Outcomes (Based on ISS Commentary)

- Failure to respond sufficiently to multiple years of low SOP support.
- CEO pay-for-performance misalignment, primarily due to a failure to meet ISS quantitative tests (especially the three-year Relative Degree of Alignment (RDA) test, which compares three-year relative CEO pay and relative TSR performance).
- Goals in short- and/or long-term performance plans not viewed as sufficiently rigorous.
- Lowering of performance goals from prior year without corresponding decrease in incentive award opportunities.
- High proportion of non-performance-based compensation.
- CEO compensation is largely discretionary and/or lacks clear linkage to financial performance criteria.
- Outsized time-based grants to new hires (CEOs and other NEOs).
- “Problematic pay practices,” including large, one-time equity grants, excessive retirement payments.

Analysis of ISS Impact on 2019 SOP Vote Outcomes

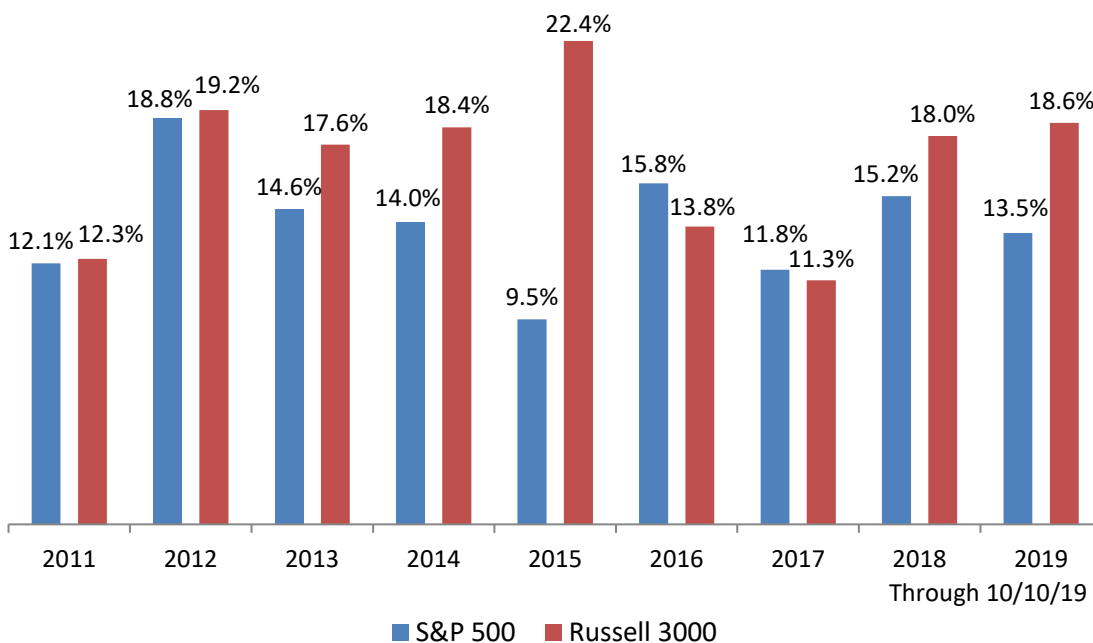
Percentage of SOP Proposals *Not* Supported by ISS



ISS has recommended against 11.5% of SOP proposals at S&P 500 companies in 2019, which is above the prior 5-year average of 9.1%.

Similarly, ISS has recommended against 12.8% of SOP proposals at Russell 3000 companies in 2019, which is slightly above the prior 5-year average of 12.3%.

Of the Companies Receiving an ISS AGAINST Recommendation, Percentage with Failed SOP Proposals

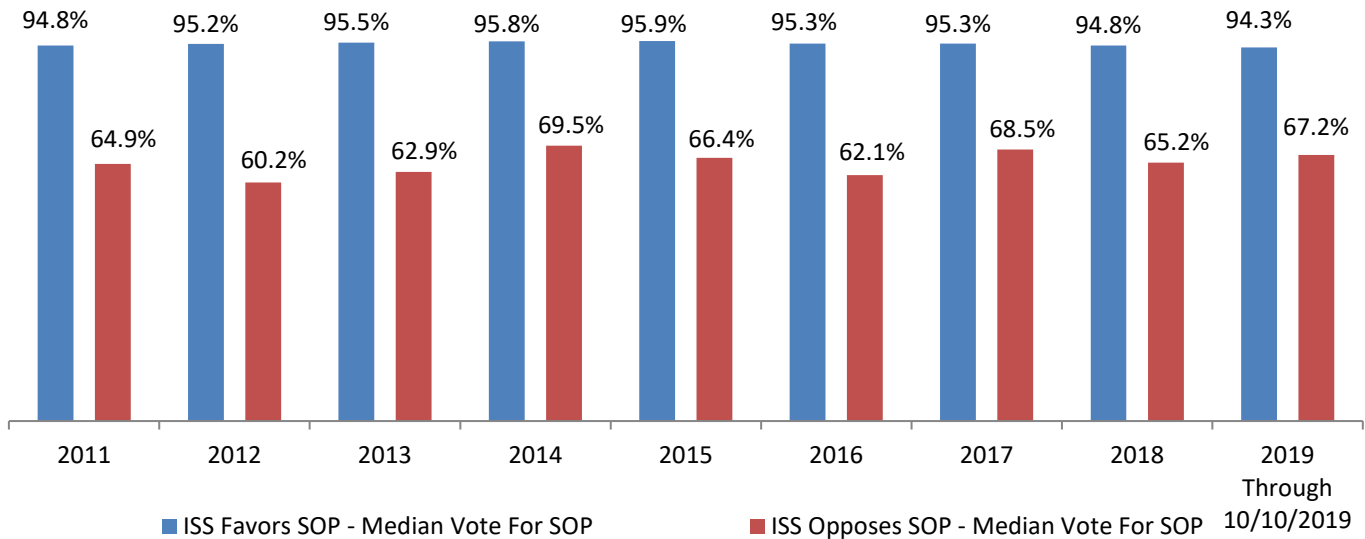


The last nine years have shown that while a negative ISS vote recommendation on a SOP proposal will significantly depress shareholder support, it is much less likely to result in a failed SOP proposal.

For example, of the 285 Russell 3000 companies that have received a negative ISS vote recommendation in 2019 and have reported vote results, only 53 of these companies' SOP proposals failed to receive majority shareholder support (18.6%).

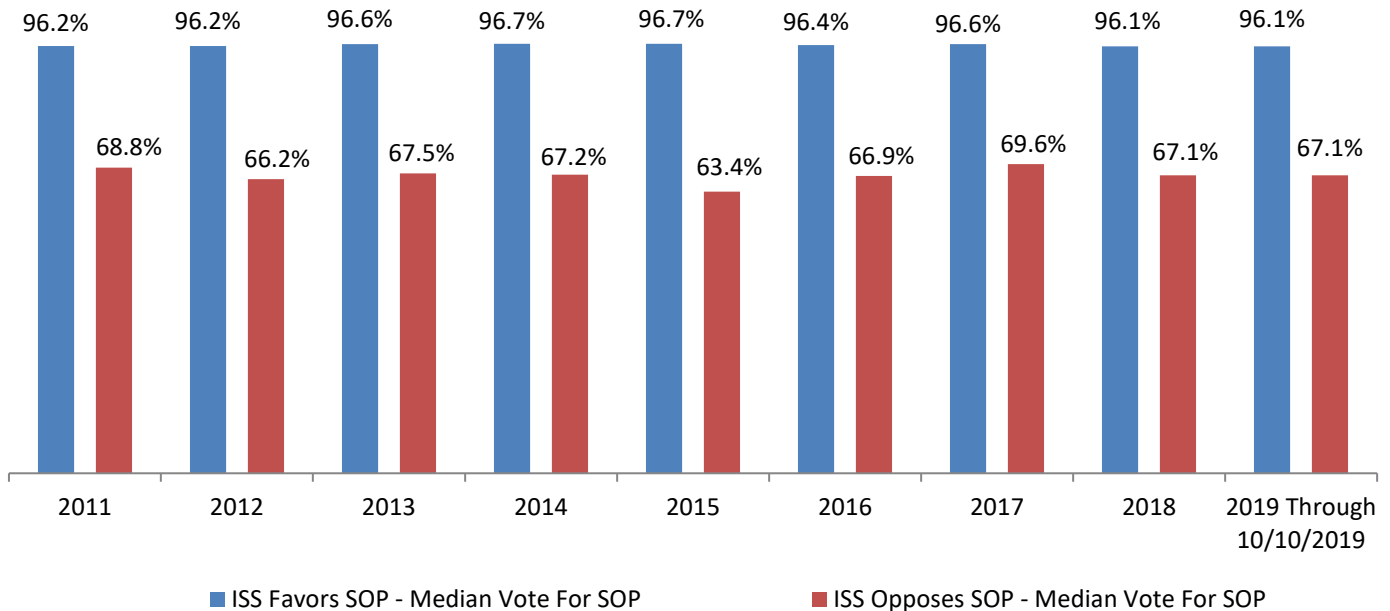
Analysis of ISS Impact on 2019 SOP Vote Results

Impact of ISS Adverse Recommendation on SOP Vote Results for S&P 500 Companies



So far this proxy season, a negative ISS vote recommendation has arguably depressed SOP vote results by 27.1 percentage points at S&P 500 companies, down from the prior 8-year average of 30.4 percentage points.

Impact of ISS Adverse Recommendation on SOP Vote Results for Russell 3000 Companies



Over the prior eight proxy seasons, an ISS negative vote recommendation helped to depress votes for SOP proposals at Russell 3000 companies, on average, by 29.4 percentage points.

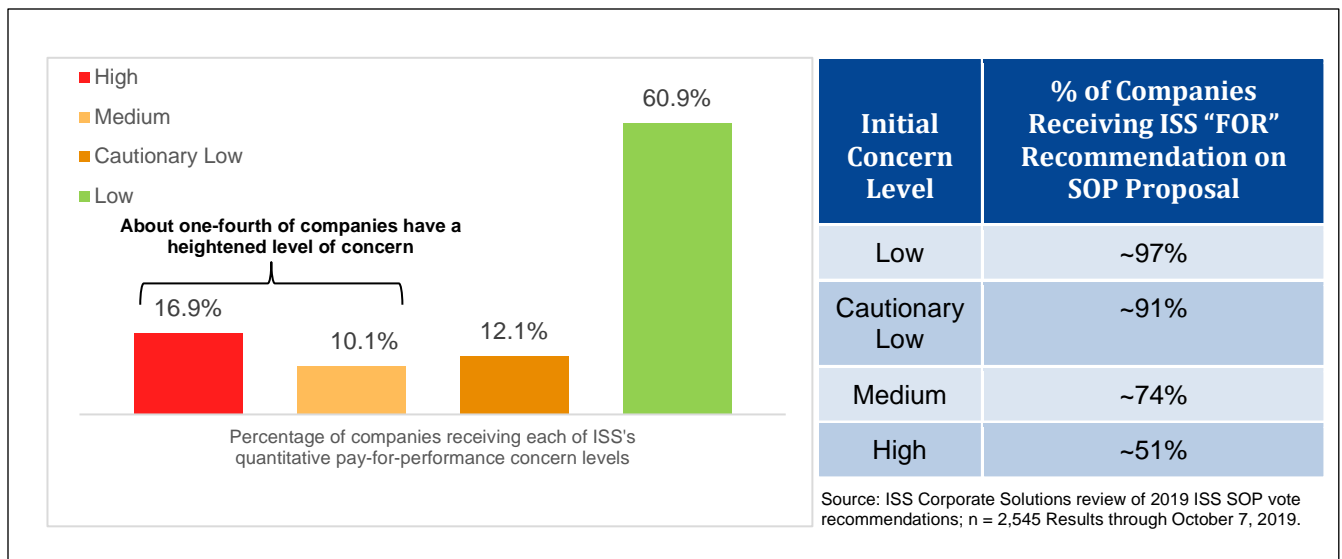
During this proxy season, a negative ISS vote recommendation has arguably depressed SOP vote results by 29.0 percentage points at Russell 3000 companies.

Impact of ISS Quantitative Pay-for-Performance Test Results on ISS’s 2019 SOP Vote Recommendations

A primary driver for an unfavorable vote recommendation from ISS is CEO pay-for-performance misalignment based on weak outcomes from the ISS quantitative tests, especially the three-year Relative Degree of Alignment (RDA) test.

As shown below, in 2019, ISS has issued a “High” concern level for roughly 17% of companies, and 49% of these companies have received a negative ISS vote recommendation. In contrast, only a small minority of companies have received a negative ISS vote recommendation for “Medium”, “Cautionary Low” and “Low” concern levels this year.

Companies that receive a “Cautionary Low” or a “Medium” concern on the initial quantitative pay-for-performance tests are subject to ISS’s relative financial performance analysis to determine the overall concern level and the degree of scrutiny in the ISS qualitative pay-for-performance assessment.



Analysis of Proxy Access Proposals at Russell 3000 Companies (through 10/10/19)

As an increasing number of large cap companies have voluntarily adopted proxy access, the number of shareholder proposals seeking proxy access this proxy season has continued to decline from the peak levels in 2015 and 2016.

Similar to last year, shareholders are also voting on proposals to amend proxy access bylaws to include provisions that broaden the right to proxy access. However, none of the 24 proposals voted on thus far have received majority support (average support was 28.9%).

Prevalence and Status of Shareholder Proxy Access Proposals in 2019 and 2018

The following table shows 2018 vote results and 2019 vote results through October 10, 2018 on proxy access proposals.

Proposal Type	2019				2018		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Adopt proxy access	6	0	4	54.8%	12	3	38.9%
Amend proxy access provisions	24	0	0	28.9%	27	0	27.6%

Prevalence and Status of Management Proxy Access Proposals in 2019

So far this proxy season, only three Russell 3000 companies have submitted management proposals on proxy access to shareholders. Each of these proposals received majority shareholder support.

Analysis of Shareholder Proposals at Russell 3000 Companies (through 10/10/19)

Shareholder proposals on key governance and pay-related matters continue to draw significant attention from corporate boards.

Prevalence and Status of Shareholder Proposals on Corporate Governance

The chart below provides a comparative summary of 2018 and 2019 shareholder proposals on key corporate governance matters.

Corporate Governance Proposal Type	2019				2018		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Independent Board Chair/separate Chair and CEO roles	59	3	0	29.2%	49	1	31.6%
Provide right to act by written consent	36	0	6	39.4%	39	5	42.0%
Right to call a special meeting	27	0	6	44.1%	62	7	41.4%
Require majority voting in the election of directors	24	0	8	41.7%	6	4	73.1%
Amend proxy access right	24	0	0	28.9%	27	0	27.6%
Reduce supermajority requirements to amend the charter or bylaws	23	0	16	60.9%	12	10	65.9%
Adopt policy and/or report on board diversity	12	0	2	18.7%	5	0	18.3%
Adopt proxy access	6	0	4	54.8%	12	3	38.9%
Repeal classified board	4	0	4	74.9%	7	7	87.1%

Prevalence and Status of Shareholder Proposals on Executive Pay

The chart below provides a comparative summary of 2018 and 2019 shareholder proposals on executive pay matters.

Pay-Related Proposal Type	2019				2018		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Report on gender pay gap	14	1	0	24.1%	5	0	19.5%
Link executive pay to environmental or social criteria	10	0	0	21.4%	11	0	16.3%
Report employee diversity/pay data	8	0	2	38.1%	7	0	38.0%
Adopt or amend clawback policy or related disclosure	5	0	2	45.5%	8	0	38.0%
Adjust incentive metrics for share buybacks	4	0	0	8.5%	2	0	6.3%
Report on pay disparity between executives and other employees	4	0	0	7.1%	2	0	7.4%
Use of adjusted GAAP incentive metrics	2	0	0	8.3%	3	0	10.0%
Submit change-in-control severance agreement to shareholder vote	2	0	0	31.7%	1	0	37.1%
Policy against accelerated vesting of equity awards upon a change in control	2	0	0	24.4%	7	0	29.3%
Stock retention/holding requirement	1	0	0	24.9%	1	0	28.1%

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