



Report on Say on Pay and Select Shareholder Proposals For the 2017 Proxy Season

August 9, 2017

Executive Summary

Meridian Compensation Partners, LLC is pleased to provide this periodic report on key voting results for the 2017 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
- Analysis of Vote Results on Select Shareholder Proposals

Highlights of Say on Pay Vote Results (through August 4, 2017)

- 99.11% of S&P 500 companies' SOP proposals have received majority shareholder support (Four S&P 500 companies' SOP proposals failed to receive majority support – namely, ConocoPhillips, Mylan, McKesson and SL Green Realty Corp.)
- 98.69% of Russell 3000 companies' SOP proposals have received majority shareholder support (29 Russell 3000 companies' SOP proposals failed to receive majority support).
- Institutional Shareholder Services (ISS) has recommended AGAINST 10.2% and 12.1% 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 26.4 percentage points, down from the prior six-year average of 31.1 percentage points. Major institutional investors continue to employ their own review models.

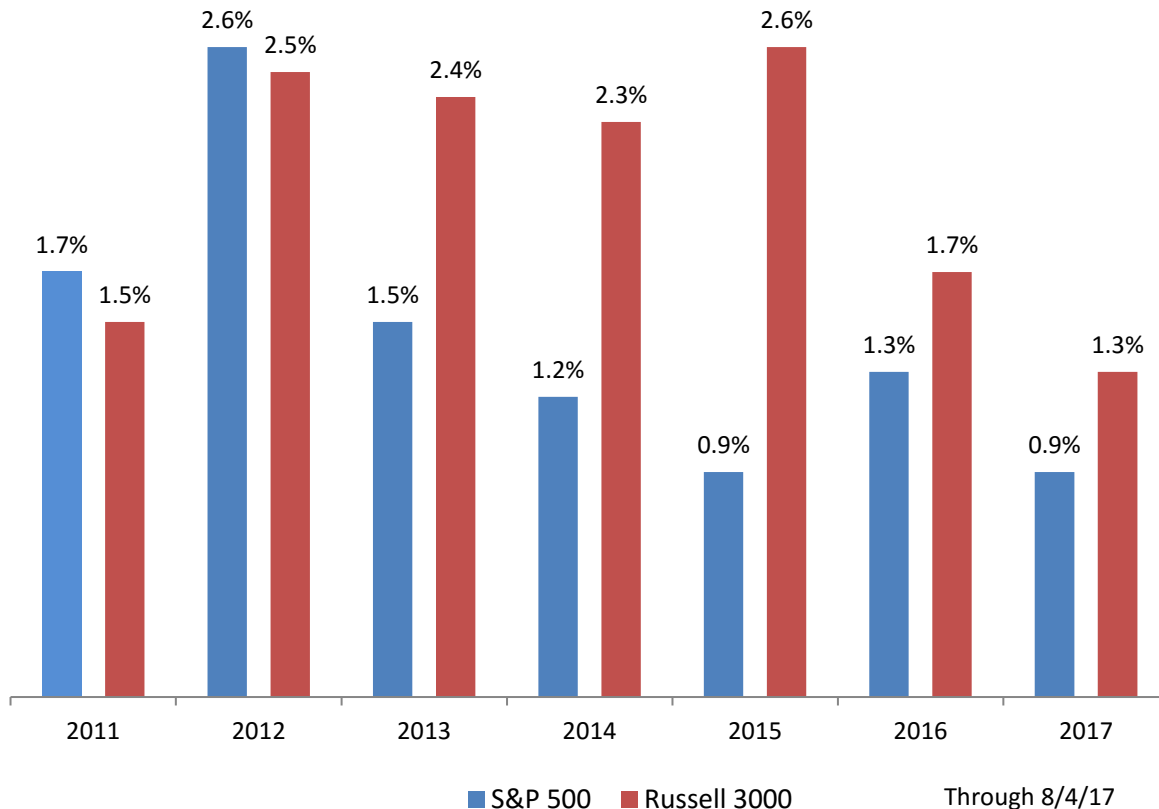
Highlights of Vote Results on Select Shareholder Proposals (through August 7, 2017)

- So far this proxy season, the most prevalent shareholder proposal on corporate governance relates to proxy access. Of the 33 proposals to adopt proxy access voted upon by shareholders, 18 proposals have received majority shareholder support. For example, proxy access proposals at Cigna, Humana and IBM, among others, received majority shareholder support. This year, shareholders are also voting on proposals to amend proxy access bylaws to include provisions that broaden the proxy access right. However, none of the 17 proposals voted upon thus far have received majority support.
- Another prevalent shareholder proposal on corporate governance relates to the separation of CEO and Board Chair roles. Here too, **none** of the 42 proposals voted on thus far have received majority support.
- Other key shareholder proposals on corporate governance seek (i) mandatory majority voting on the election of directors, (ii) the right to call a special meeting, and (iii) the right to act by written consent.
- The most prevalent compensation-related shareholder proposal seeks for the board to report on the company's pay profiles between men and women. Other compensation-related shareholder proposals are markedly declining in prevalence, including proposals to: (i) prohibit vesting of equity awards solely upon a change in control and (ii) impose stock retention or holding requirements. Shareholders have not approved any of these proposals so far this proxy season.

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2017 Say on Pay Vote Outcomes

Percentage of Failed SOP Proposals

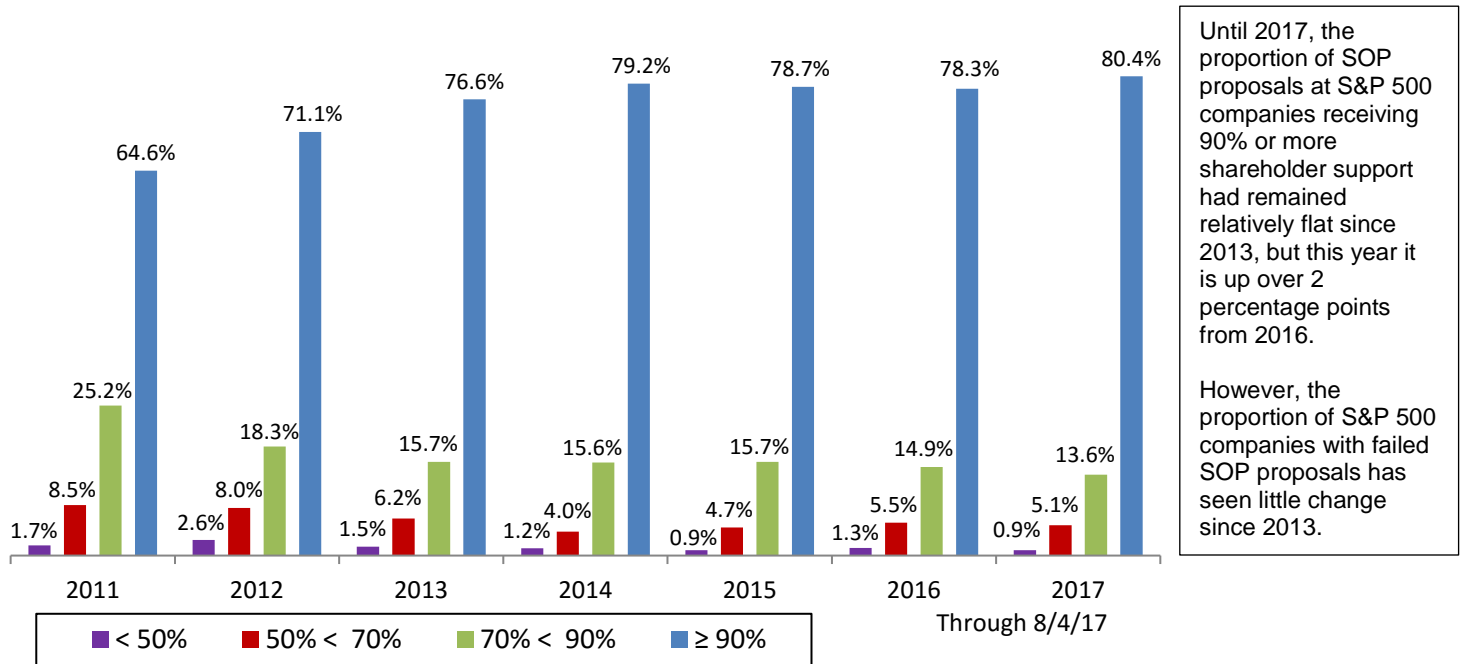


So far this proxy season, the failure rates of SOP proposals at S&P 500 companies and Russell 3000 companies have declined significantly, as compared to the prior six years, in which the failure rate of SOP proposals at companies in each of the respective indices had been fairly consistent. Only four S&P 500 companies' SOP proposals and 29 Russell 3000 companies' SOP proposals have failed to receive majority shareholder support. Approximately 80% of both S&P 500 companies' and Russell 3000 companies' SOP proposals have received 90% or more shareholder support through August 4, 2017 (see following discussion).

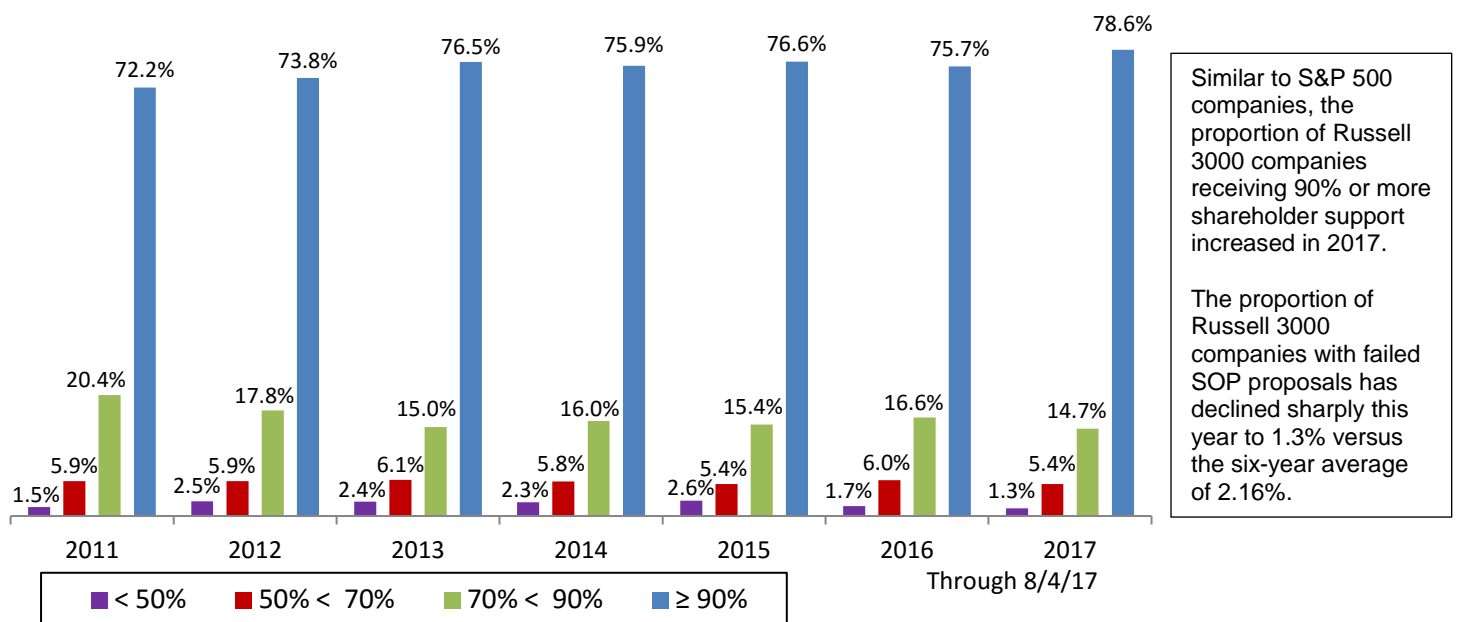
These multi-year trends in high passing rates at both S&P 500 companies and Russell 3000 companies strongly suggest that these companies have been effectively addressing compensation and corporate governance concerns raised by shareholders and proxy advisors.

2017 Say on Pay Vote Outcomes

Level of Shareholder Support - S&P 500 Companies

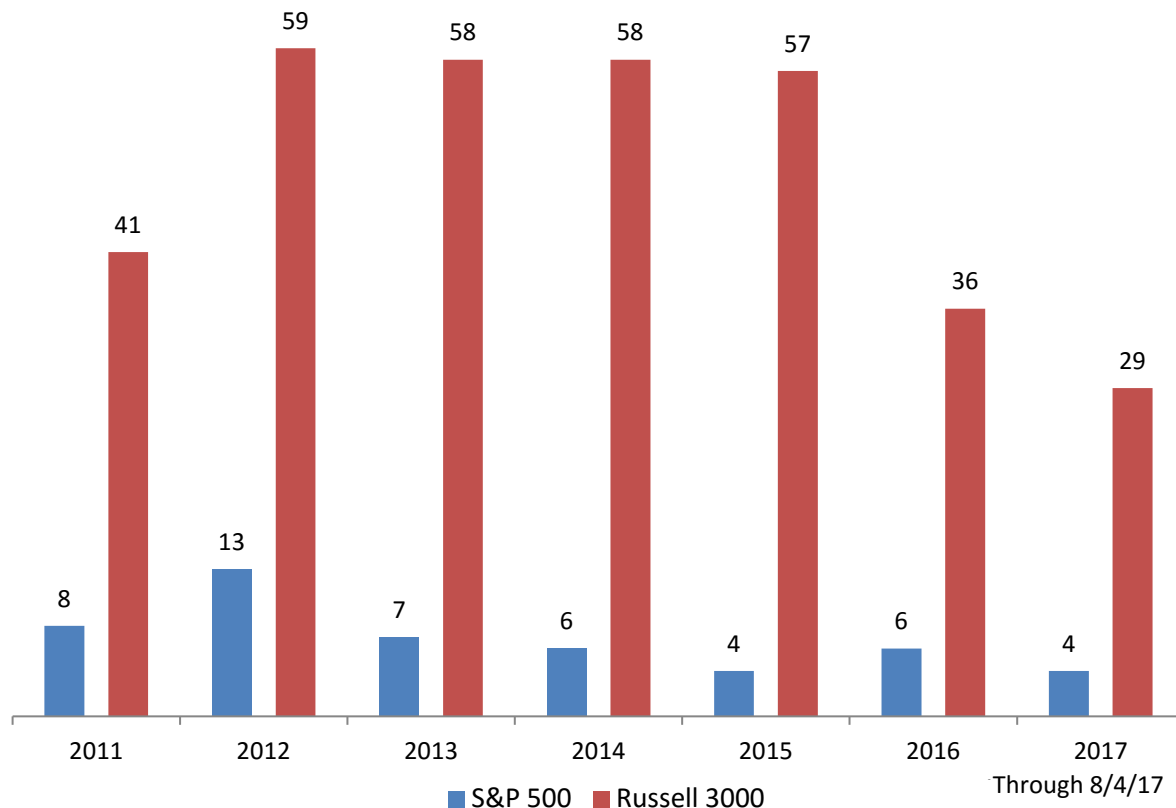


Level of Shareholder Support - Russell 3000 Companies



Analysis of Failed SOP Proposals in 2017

Number of Failed SOP Proposals

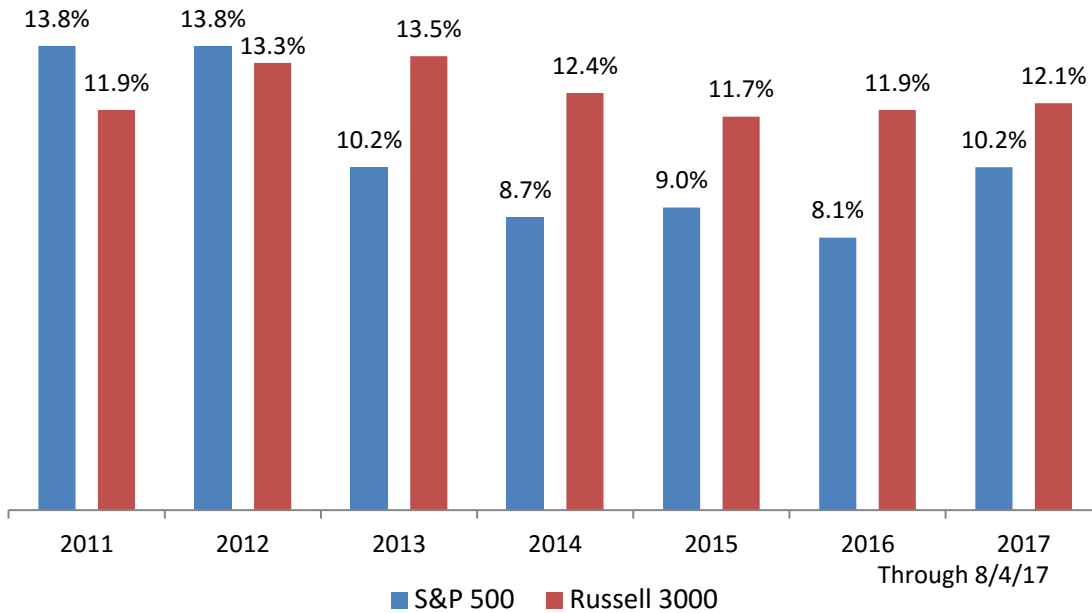


Contributing Reasons for Failed SOP Outcomes (Based on ISS Commentary)

- Failure to respond 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 that compares relative CEO pay and relative TSR performance against ISS selected peers.
- Goals in short- and/or long-term performance plans not viewed as “sufficiently rigorous”.
- High proportion of non-performance-based compensation.
- CEO compensation remains largely discretionary and/or lacks clear linkage to financial performance criteria.
- Payout of annual incentive award despite decline in year-over-year performance.
- Grant of special LTI awards during a period of underperformance.
- Problematic pay practices, such as large, one-time equity grants and/or guaranteed bonus payments.

Analysis of ISS Impact on 2017 SOP Vote Outcomes

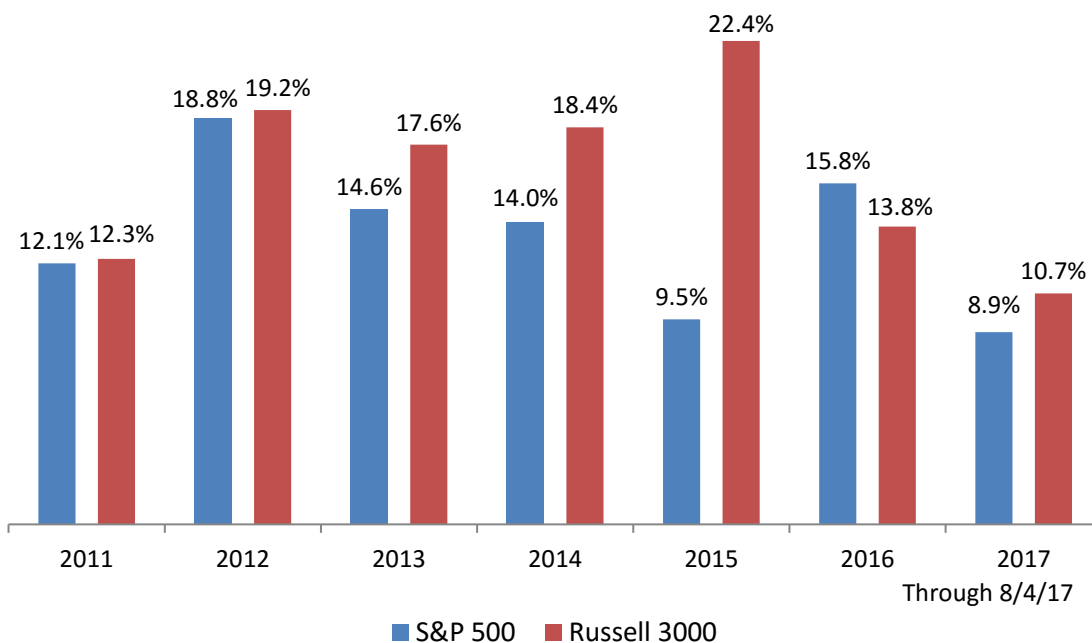
Percentage of SOP Proposals *Not* Supported by ISS



ISS recommendations against SOP proposals at Russell 3000 and S&P 500 companies have increased slightly in 2017.

In our experience, the great majority of companies that receive an ISS negative SOP vote recommendation received a “high” or “medium” concern on the relative degree of alignment component of ISS’s quantitative pay-for-performance test.

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

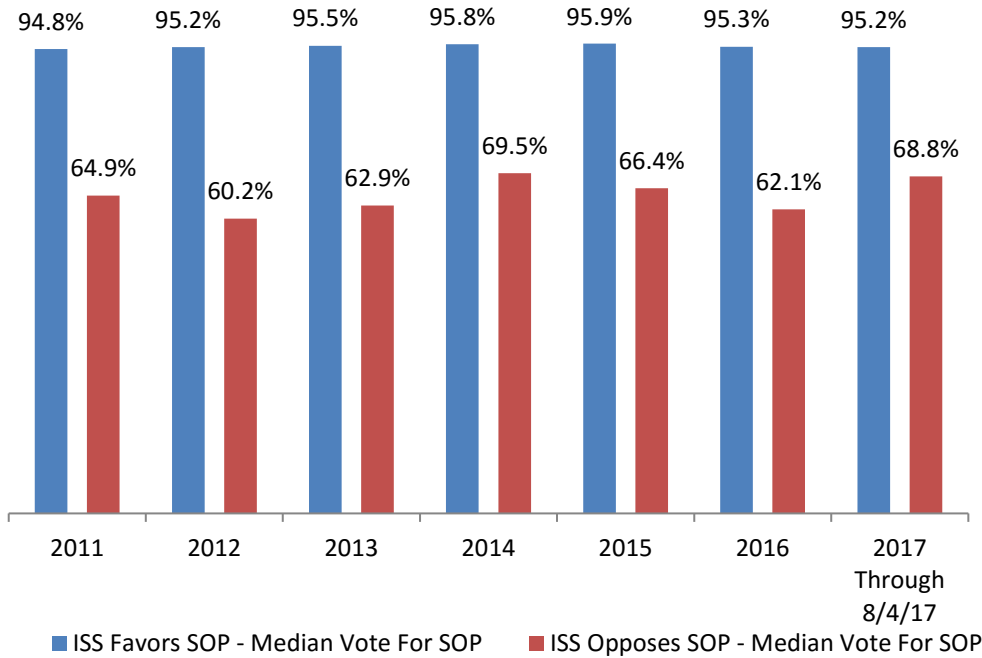


The last 7 years have shown that while a negative ISS vote recommendation on a SOP proposal will significantly depress shareholder support, it is much less likely to result in a failed SOP proposal.

For example, of the 271 Russell 3000 companies that have received a negative ISS vote recommendation in 2017 and have reported vote results, only 29 of these companies’ SOP proposals failed to receive majority shareholder support (10.7%).

Analysis of ISS Impact on 2017 SOP Vote Results

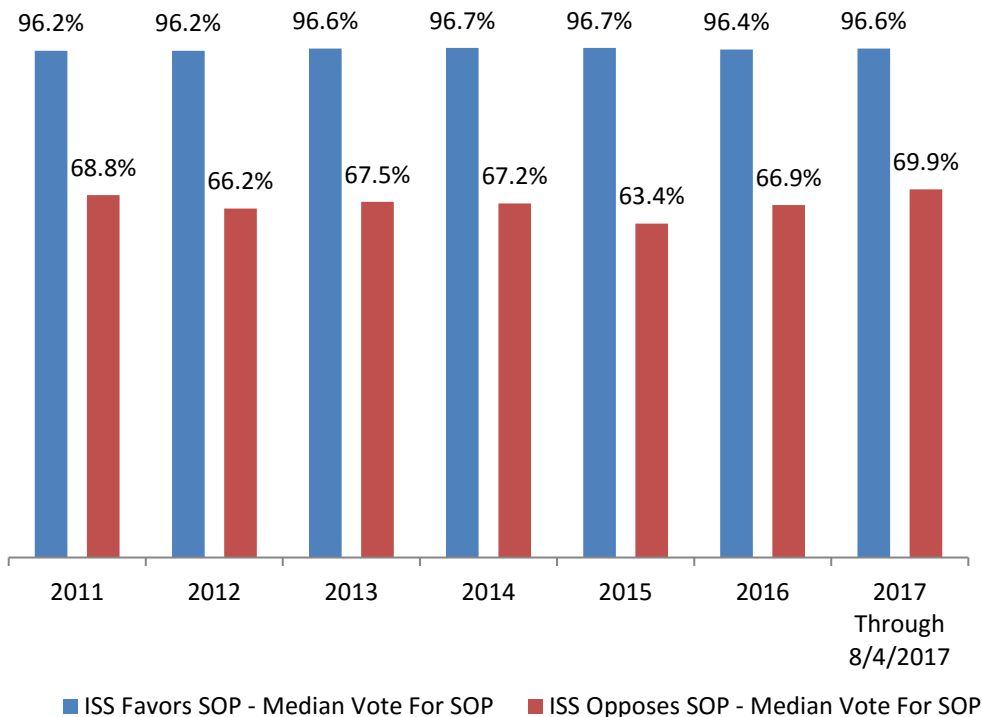
Impact of ISS Adverse Recommendation on SOP Vote Results for S&P 500 Companies



Over the prior 6 proxy seasons, an ISS negative vote recommendation helped to depress votes for SOP proposals at S&P 500 companies, on average, by 31.1 percentage points.

So far this proxy season, a negative ISS vote recommendation has arguably depressed SOP vote results by 26.4 percentage points at S&P 500 companies.

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



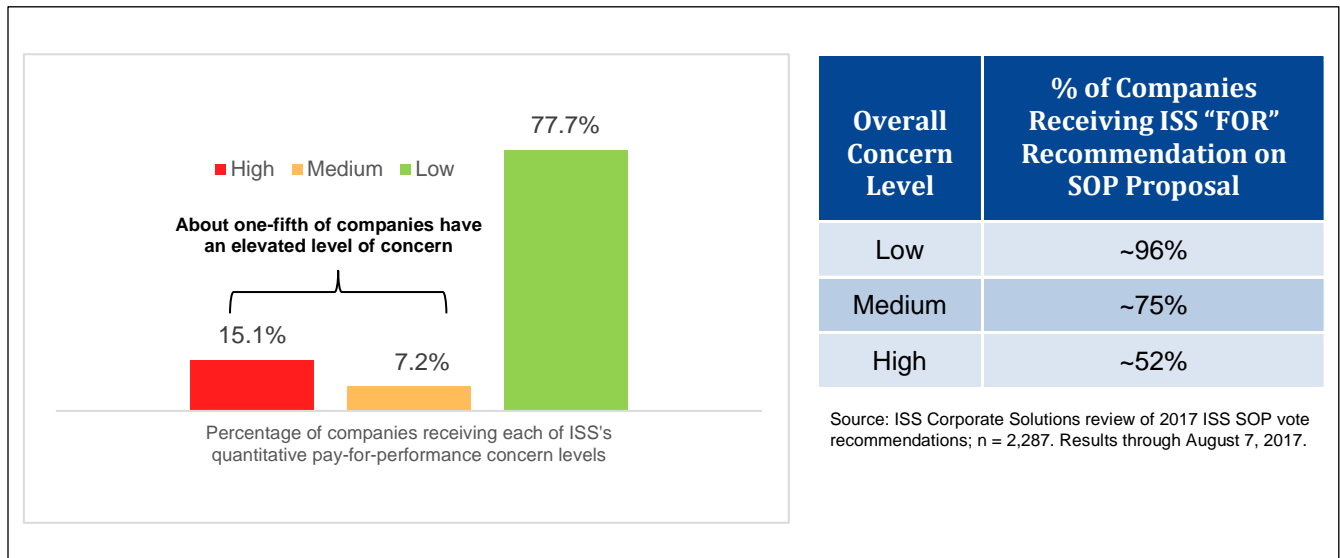
Over the prior 6 proxy seasons, an ISS negative vote recommendation helped to depress votes for SOP proposals at Russell 3000 companies, on average, by 29.8 percentage points.

During this proxy season, a negative ISS vote recommendation has arguably depressed SOP vote results by 26.7 percentage points at Russell 3000 companies.

Impact of ISS Quantitative Pay-for-Performance Test Results on ISS 2017 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 2017, ISS has issued a “High” concern level for roughly 15% of companies, and 48% of these companies have received a negative ISS vote recommendation. In contrast, only a small minority of companies have received a negative ISS vote recommendations for “Medium” and “Low” concern levels this year.



Analysis of Proxy Access Proposals at Russell 3000 Companies (through 8/7/17)

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 seen a substantial decline from 2016 levels. Shareholder support for “3 + 3” proxy access proposals (i.e., those requiring 3% ownership for three years) has been strong.

This year, shareholders are also voting on proposals to amend proxy access bylaws to include provisions that broaden the right to proxy access. None of the 17 proposals voted on thus far have received majority support.

Prevalence and Status of Shareholder Proxy Access Proposals in 2017 and 2016

The following table shows 2016 vote results and 2017 vote results through June 16, 2017 on proxy access proposals.

Proposal Type	2017				2016		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Adopt proxy access	34	1	18	54.4%	83	42	50.3%
Amend proxy access provisions	18	1	0	27.3%	0	0	N/A

Analysis of Shareholder Proposals at Russell 3000 Companies (through 8/7/17)

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 2016 and 2017 shareholder proposals on key corporate governance matters.

Corporate Governance Proposal Type	2017				2016		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Independent Board Chair/separate Chair and CEO roles	42	0	0	29.9%	46	0	28.9%
Adopt proxy access	34	1	18	54.4%	83	42	50.3%
Right to call a special meeting	23	0	4	41.7%	19	3	41.4%
Amend proxy access provisions	18	1	0	27.3%	0	0	N/A
Provide right to act by written consent	15	0	3	45.4%	17	0	40.4%
Reduce supermajority requirements to amend the charter or bylaws	14	0	13	73.8%	15	8	58.1%
Require majority voting in the election of directors	14	1	8	58.9%	19	15	69.2%
Adopt policy and/or report on board diversity	8	0	2	27.5%	9	1	23.7%
Repeal classified board	7	0	5	68.1%	6	5	78.3%

Prevalence and Status of Shareholder Proposals on Executive Pay

The chart below provides a comparative summary of 2016 and 2017 shareholder proposals on executive pay matters.

Pay-Related Proposal Type	2017				2016		
	Number	Pending	Approved	Average % Voted For	Number	Approved	Average % Voted For
Report on gender pay gap	13	0	0	12.6%	5	0	15.2%
Policy against accelerated vesting of equity awards upon a change in control	7	0	0	31.9%	18	0	30.4%
Adopt or amend clawback policy	6	0	0	13.7%	6	0	15.4%
Stock retention/holding requirement	3	0	0	29.8%	12	0	17.1%

As we expected, the prevalence of proposals on gender pay gap reporting has increased in 2017. In contrast, other compensation-related shareholder proposals have markedly declined in prevalence, including proposals to: (i) prohibit vesting of equity awards solely upon a change in control and (ii) impose stock retention or holding requirements.

Note: Each of the approved shareholder proposals is only advisory and non-binding on management.

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