



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

May 23, 2017

About This Material

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 May 15, 2017)

- 100% of S&P 500 companies' SOP proposals have received majority shareholder support.
- 99.42% of Russell 3000 companies' SOP proposals have received majority shareholder support (5 Russell 3000 companies' SOP proposals failed to receive majority support).
- Institutional Shareholder Services (ISS) has recommended AGAINST 7.7% and 11.3% of SOP proposals at S&P 500 companies and Russell 3000 companies, respectively.
- So far this proxy season, negative ISS SOP vote recommendations at Russell 3000 companies have arguably depressed shareholder support by 25.5 percentage points, down from the prior six-year average of 29.8 percentage points. Major institutional investors continue to employ their own review models.

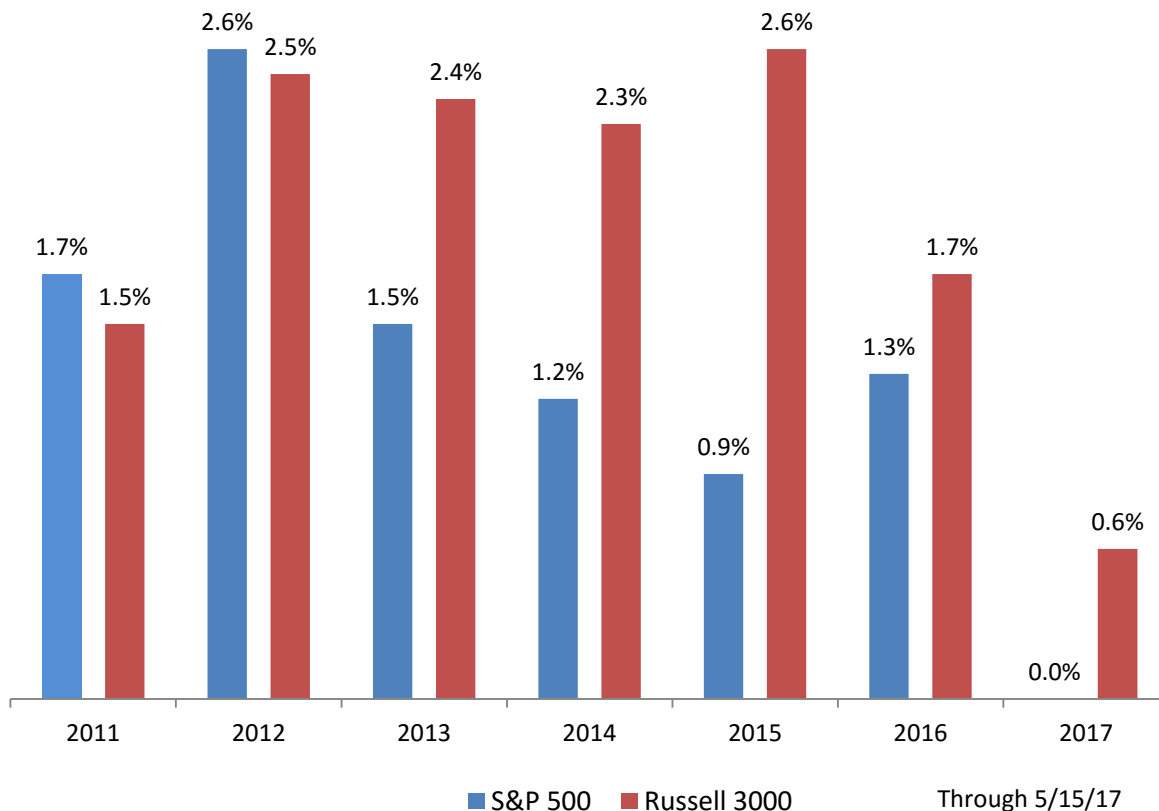
Highlights of Vote Results on Select Shareholder Proposals (through May 16, 2017)

- So far this proxy season, the most prevalent shareholder proposal on corporate governance relates to proxy access. Of the 14 proposals to adopt proxy access voted upon by shareholders, 6 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 12 proposals vote 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 20 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 gender pay gap. 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. Shareholder have not approved any of these proposals so far this proxy season.

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Say on Pay Vote Outcomes

Percentage of Failed SOP Proposals

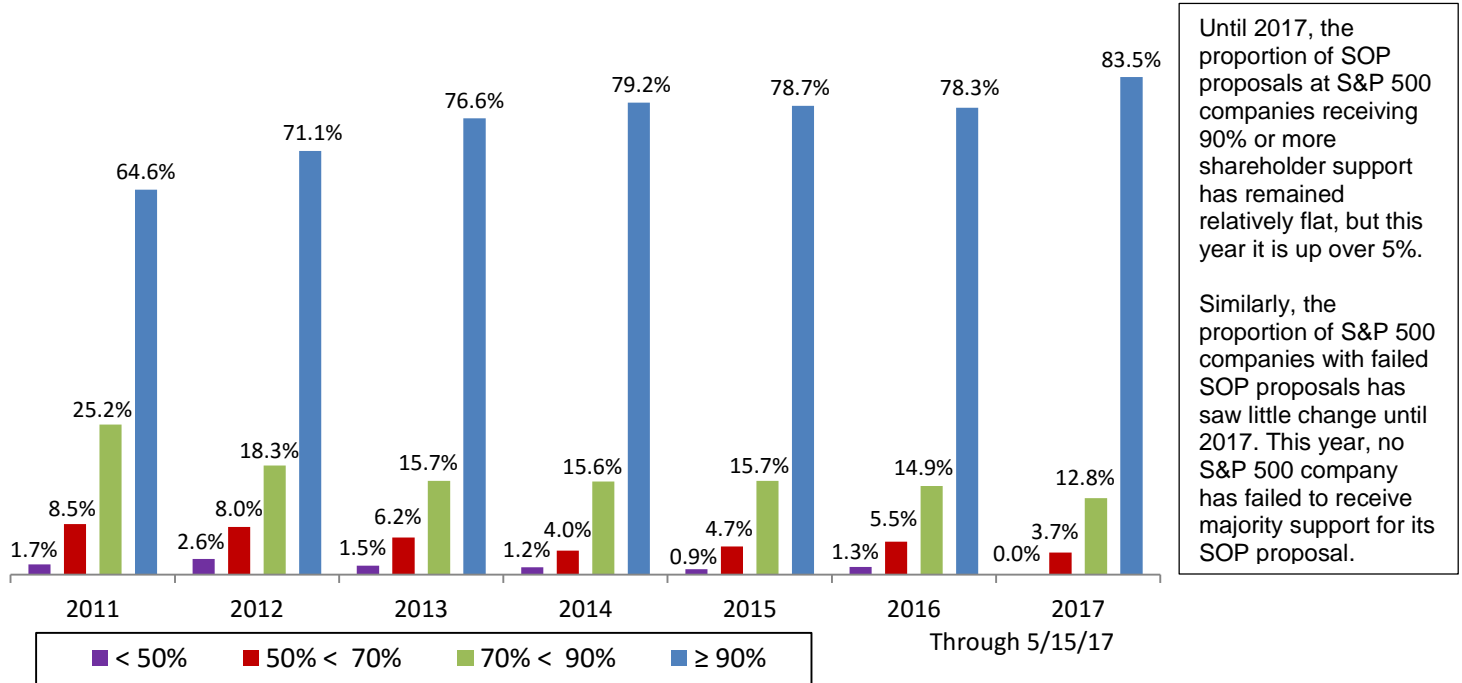


The failure rate of SOP proposals at Russell 3000 companies has been fairly consistent over the prior six years. So far in 2017, no S&P 500 company's SOP proposal and only 5 Russell 3000 companies' SOP proposals have failed to receive majority shareholder support this year. Over 80% of both S&P 500 companies' and Russell 3000 companies' SOP proposals have received 90% or more shareholder support through May 15, 2017 (see following discussion).

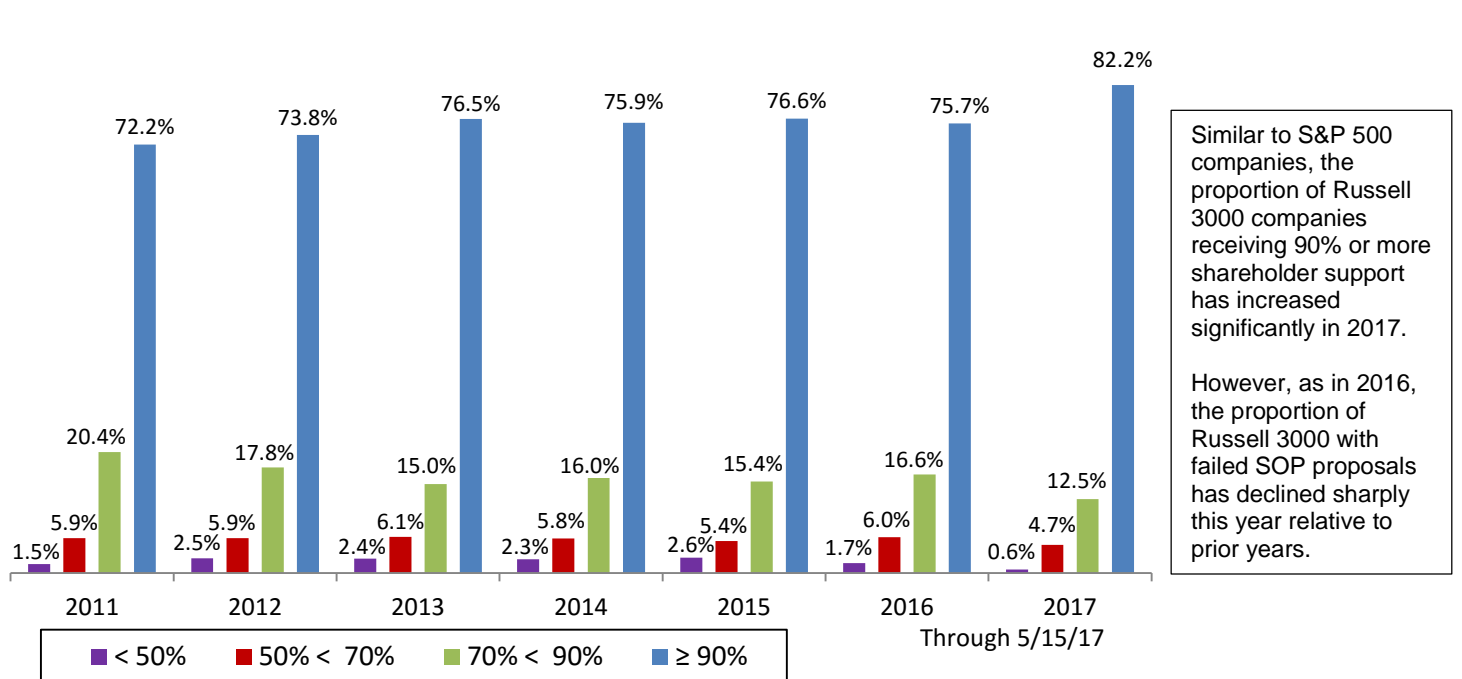
These multi-year trends in high passing rates at both S&P 500 companies and Russell 3000 companies strongly suggest that that these companies have been effectively addressing pay and governance concerns raised by shareholders and proxy advisors.

Say on Pay Vote Outcomes

Level of Shareholder Support - S&P 500 Companies

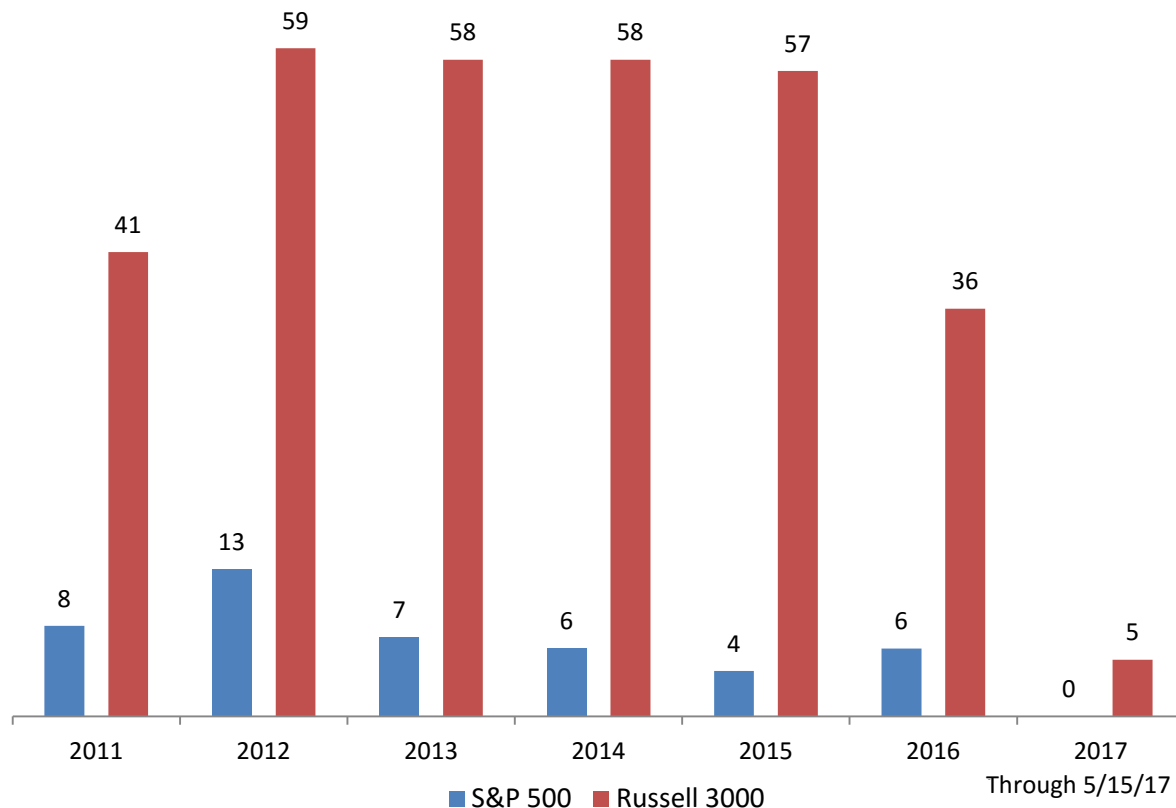


Level of Shareholder Support - Russell 3000 Companies



Analysis of Failed SOP Proposals

Number of Failed SOP Proposals

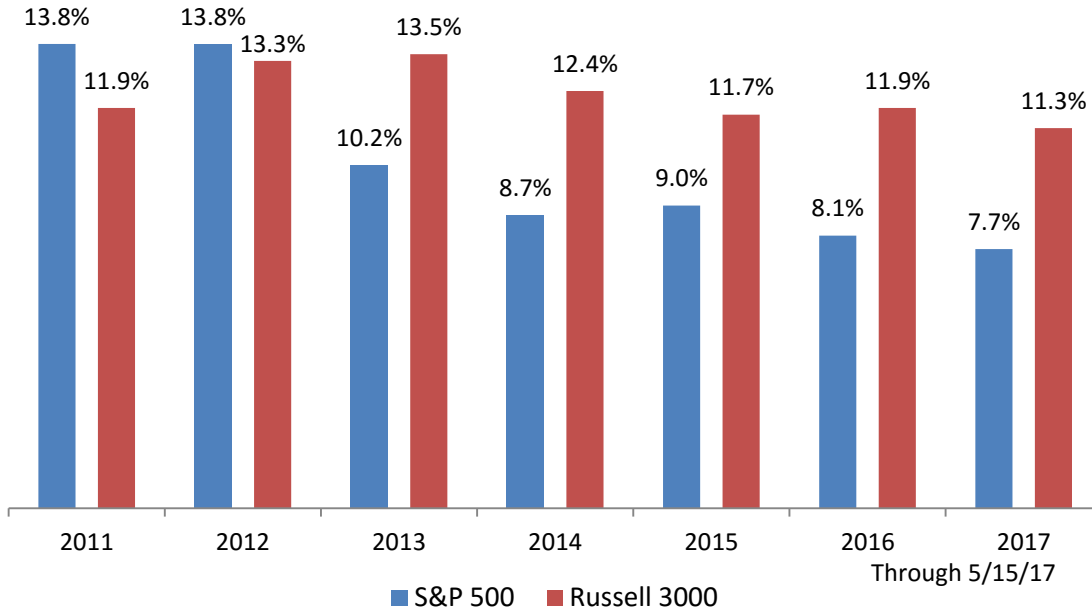


Contributing Reasons for Failed SOP Outcomes (Based on ISS Commentary)

- 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 bonus when threshold performance not achieved.
- Grant of special LTI awards during a period of underperformance.
- Problematic pay practices, including large, one-time equity grants.

Analysis of ISS Impact on SOP Vote Outcomes

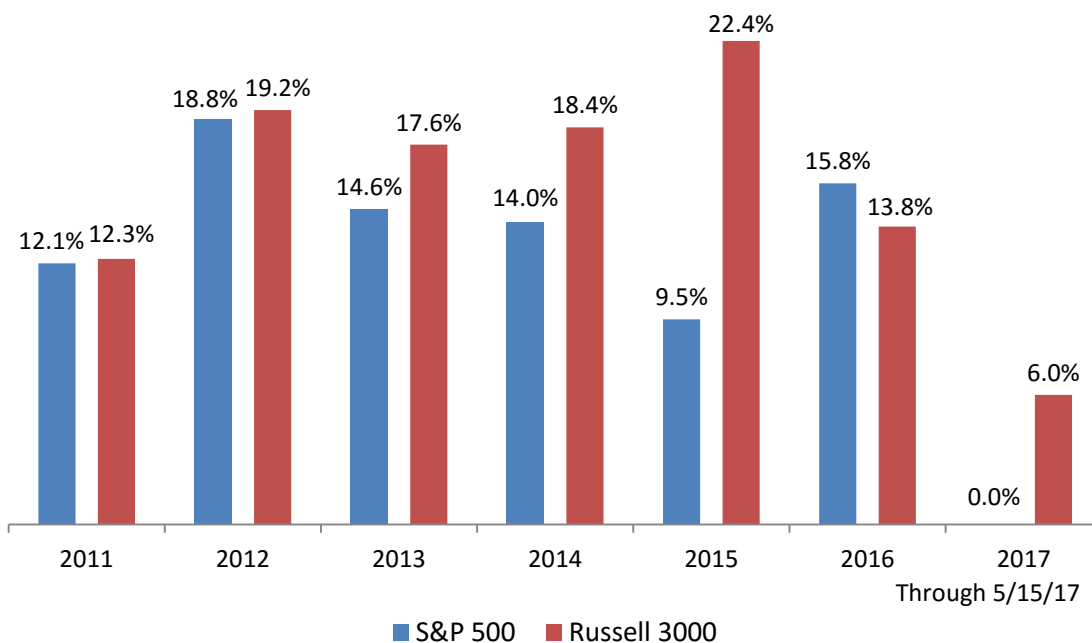
Percentage of SOP Proposals *Not* Supported by ISS



ISS recommendations against SOP proposals at S&P 500 companies have declined significantly since 2011/2012, while Russell 3000 companies have experienced a more modest decline in ISS negative SOP vote recommendations.

In our experience, most companies that receive an ISS negative SOP vote recommendation receive 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

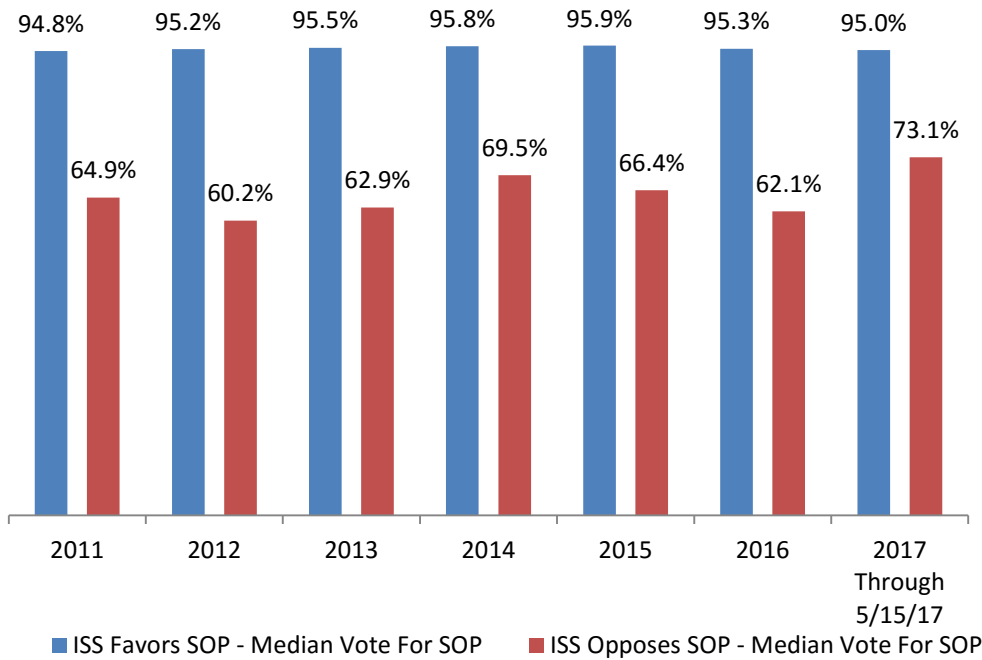


The last 7 years have shown that while a negative ISS vote recommendation on a SOP proposal will significantly depress shareholder support, it is much less likely to result in a failed SOP proposal.

For example, of the 83 Russell 3000 companies that have received a negative ISS vote recommendation in 2017 and have reported vote results, only 5 of these companies’ SOP proposals failed to receive majority shareholder support (6.0%).

Analysis of ISS Impact on SOP Vote Results

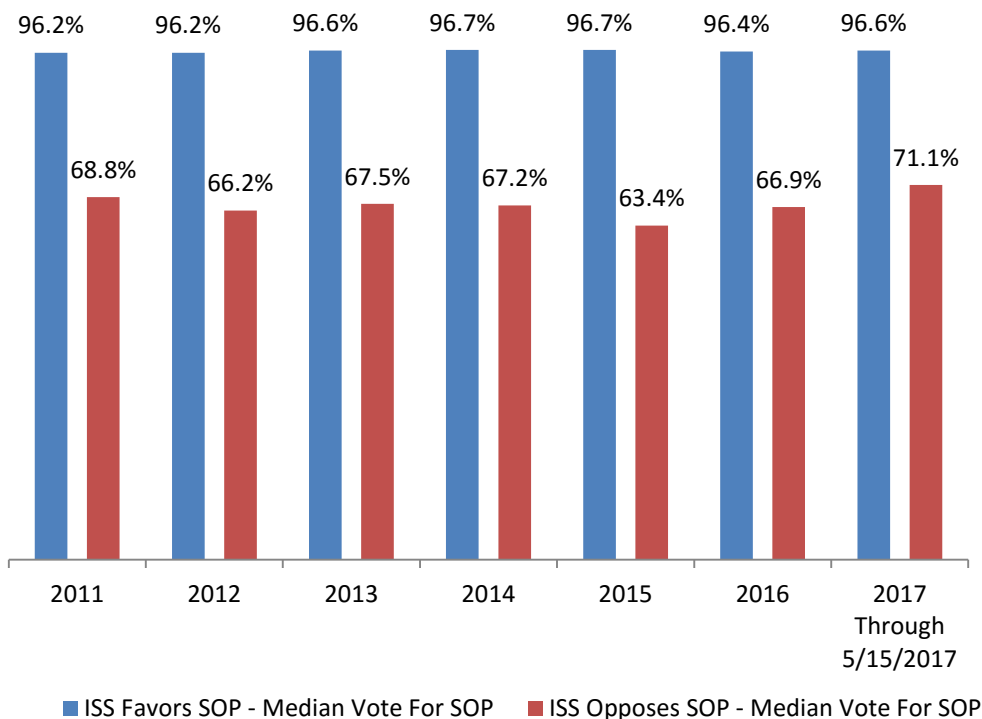
Impact of ISS Adverse Recommendation on SOP Vote Results for S&P 500 Companies



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 only 21.9 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.

In line with this 6-year history, for this proxy season a negative ISS vote recommendation has arguably depressed SOP vote results by 25.5 percentage points at Russell 3000 companies.

Impact of ISS Relative Financial Performance Analysis on ISS SOP Vote Recommendations

ISS Pay-for-Performance Test

For Russell 3000 companies, ISS uses the following two-part analysis to assess the relationship between CEO pay and company performance:

- a quantitative analysis (“Quantitative Analysis”) which compares CEO total pay and company performance, as measured by total shareholder returns, over various time horizons on both a relative and absolute basis, and
- a qualitative analysis (“Qualitative Analysis”) in which ISS considers eleven unweighted factors to determine whether a company’s pay practices mitigate or facilitate a pay-for-performance misalignment identified by the Quantitative Analysis.

If ISS finds that a pay-for-performance misalignment exists at a company (and which is not sufficiently mitigated by the factors assessed under the Qualitative Analysis), ISS will likely recommend that shareholders vote AGAINST such company’s SOP proposal.

ISS Relative Financial Performance Analysis Has *Not* Impacted ISS Vote Recommendations on SOP Proposals in 2017

For 2017, ISS added the relative financial performance analysis (“FPA”) to the factors included in its Qualitative Analysis. The FPA includes a standardized comparison of a CEO’s pay and company financial performance ranking relative to the company’s ISS-defined peer group. Financial performance is based on the 3-year weighted average of one or more of the following financial metrics, as selected by ISS:

- Return on invested capital
- Return on assets
- Return on equity
- Revenue growth
- EBITDA growth
- Cash flow (from operations) growth
- Total shareholder return

Meridian reviewed the 2017 ISS proxy research reports on 185 Russell 3000 companies and found that the FPA did not impact ISS’s vote recommendation on any company’s say on pay proposal.

- A positive FPA score did not mitigate ISS’s perceived pay-for-performance misalignment when a company received a medium or a high concern on the ISS Quantitative Analysis.
- Conversely, a negative FPA score did not undermine ISS’s finding that a company exhibited pay-for-performance alignment when a company received a low concern on the ISS Quantitative Analysis.

ISS may be using 2017 FPA scores to develop a new quantitative pay-for-performance test for 2018, as ISS is expected to incorporate financial metrics other than TSR into its Quantitative Analysis at that time.

Analysis of Proxy Access Proposals at Russell 3000 Companies (through 5/16/17)

As an increasing number of large cap companies have 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 12 proposals voted on thus far have received majority support.

Prevalence and Status of Shareholder Proxy Access Proposals in 2016 and 2015

The following table shows 2016 vote results and 2017 vote results through May 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	20	6	48.5%	83	42	50.3%
Amend proxy access provisions	17	5	0	28.6%	0	0	N/A

Prevalence and Status of Management Proxy Access Proposals in 2017

Of the 10 Russell 3000 companies that have submitted management proposals on proxy access to shareholders, only 1 represents a counterproposal to a shareholder proposal on proxy access. So far this proxy season, all 7 management proposals at companies that have reported their vote results received majority shareholder support.

Analysis of Shareholder Proposals at Russell 3000 Companies (through 5/16//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
Adopt proxy access	34	20	6	48.5%	83	42	50.3%
Independent Board Chair/separate Chair and CEO roles	41	21	0	28.9%	46	0	28.9%
Right to call a special meeting	23	14	2	42.4%	19	3	41.4%
Require majority voting in the election of directors	13	11	1	55.0%	19	15	69.2%
Provide right to act by written consent	14	5	2	45.6%	17	0	40.4%
Reduce supermajority requirements to amend the charter or bylaws	14	9	5	68.2%	15	8	58.1%
Adopt policy and/or report on board diversity	9	5	1	21.1%	9	1	23.7%
Repeal classified board	6	6	0	0.0%	6	5	78.3%
Amend proxy access provisions	17	5	0	28.6%	0	0	N/A

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
Policy against accelerated vesting of equity awards upon a change in control	9	7	0	32.6%	18	0	30.4%
Stock retention/holding requirement	3	1	0	27.5%	12	0	17.1%
Adopt or amend clawback policy	6	4	0	19.8%	6	0	15.4%
Report on gender pay gap	13	10	0	13.8%	5	0	15.2%
Submit change-in-control severance agreement to shareholder vote	0	0	0	N/A	4	1	36.0%

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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