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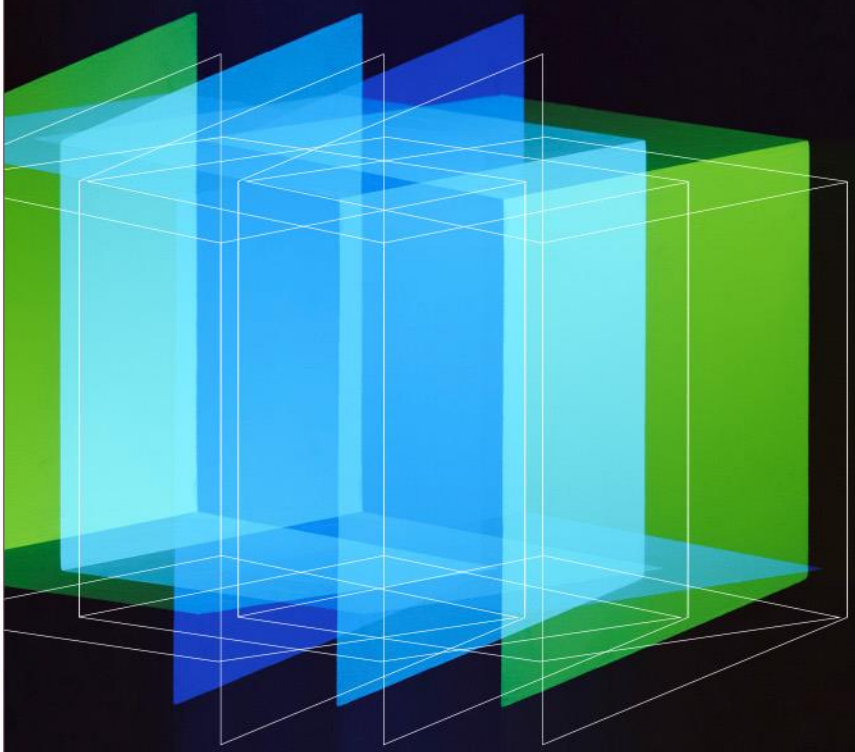
SEMLER BROSSY

2022 **SAY ON PAY** & PROXY RESULTS

S&P 500

RUSSELL 3000



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480 VOTE RESULTS
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SEPTEMBER

29

2022 SAY ON PAY RESULTS

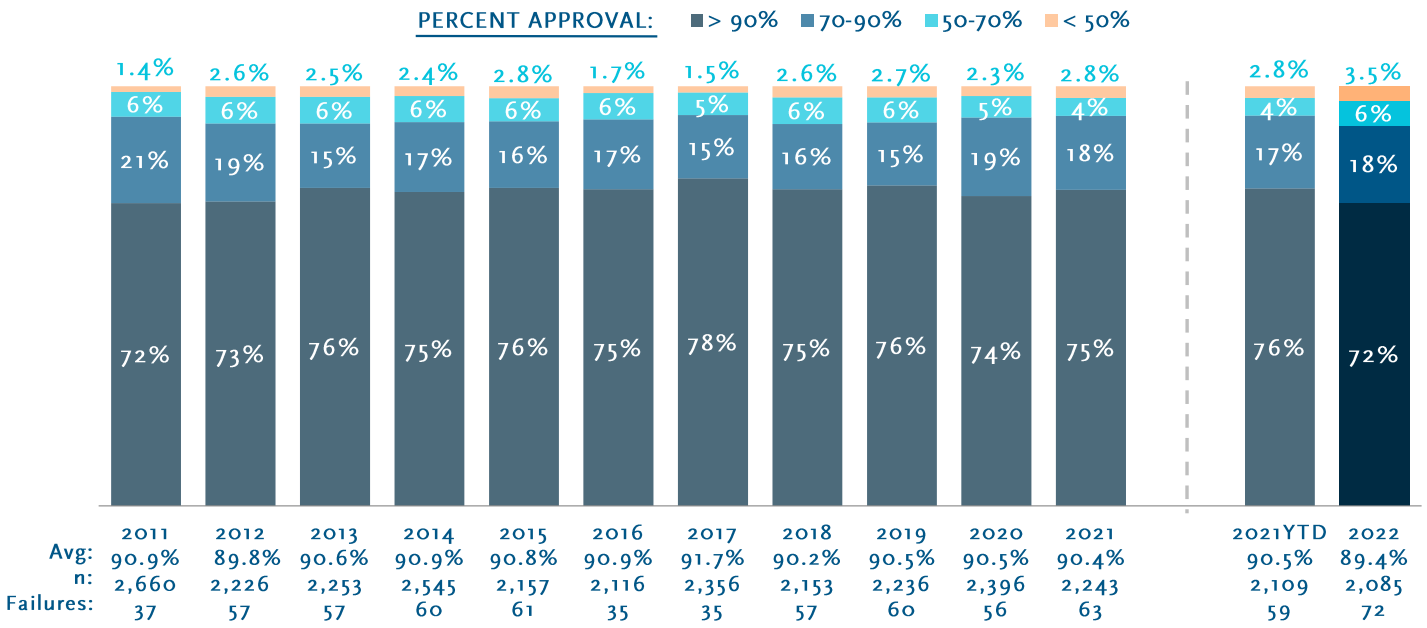
9/29/2022

S&P 500
433 COMPANIES

RUSSELL 3000
2,085 COMPANIES

BREAKDOWN OF SAY ON PAY VOTE RESULTS

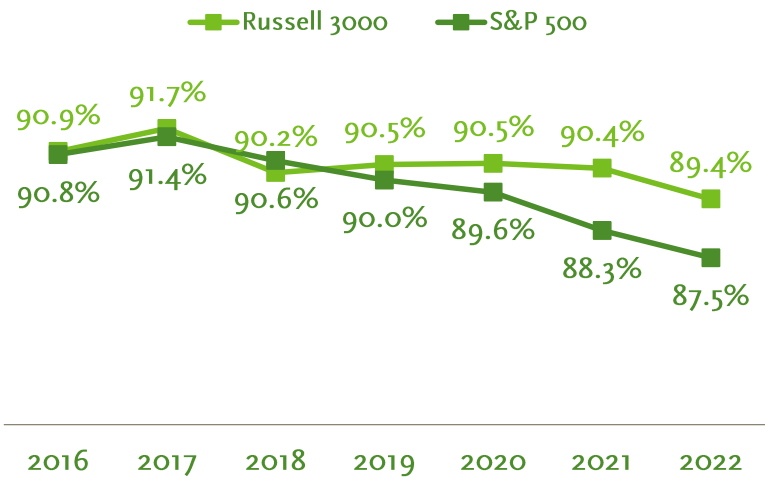
72 Russell 3000 companies (3.5%) failed Say on Pay thus far in 2022, 19 of which are in the S&P 500. Six companies failed since our last report on July 14th (bolded on pages 3 and 4). The failure rate has increased 20 basis points since our last report (3.3%).



SAY ON PAY OBSERVATIONS

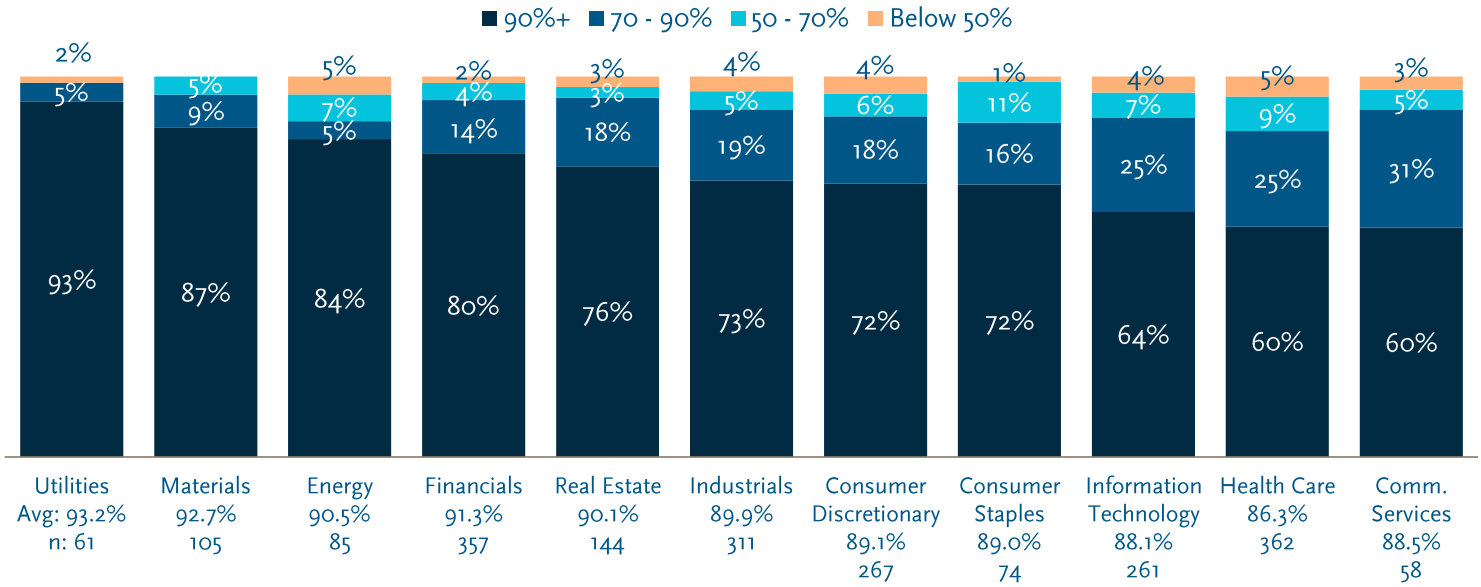
- The current Russell 3000 average vote result of 89.4% is 110 basis points lower than the index's average vote at this time last year (90.5%); the current S&P 500 average vote result of 87.5% is 210 basis points lower than the index's average at this time last year (89.6%)
- The failure rates for the Russell 3000 and S&P 500 are higher than the failure rates at this time last year: the Russell 3000 is 70 basis points higher at 3.5% and the S&P 500 is 40 basis points higher at 4.4%
- A third of S&P 500 companies received lower than 90% support thus far in 2022, compared to an average of 24% over the prior five years; we explored the reason behind this low vote support and the continued divergence in vote results for large companies in our recent paper

COMPARISON OF RUSSELL 3000 AND S&P 500



Data provided by Proxy Insight; analysis by Semler Brossy.

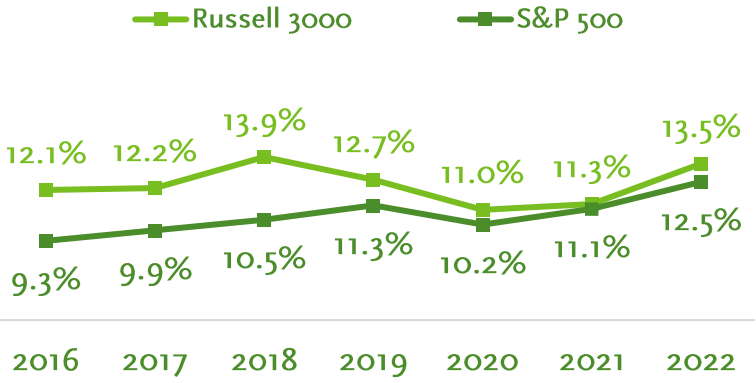
RUSSELL 3000 SAY ON PAY VOTE RESULTS BY GICS SECTOR



ISS RECOMMENDATION RATE OBSERVATIONS

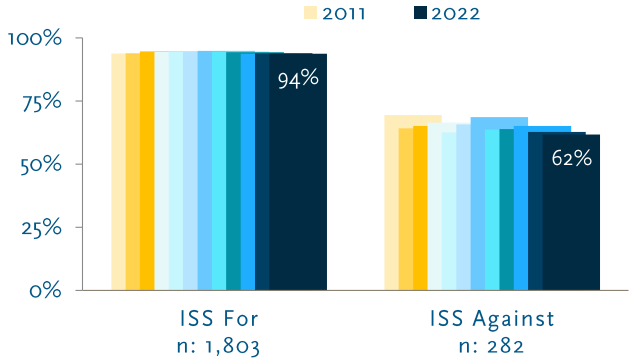
- 13.5% of Russell 3000 and 12.5% of S&P 500 companies have received an ISS "Against" recommendation thus far in 2022
- The ISS "Against" recommendation rates for both indices have converged since 2018, although the spread between the rates has increased during the 2022 proxy season
- The Russell 3000 "Against" rate is 220 basis points higher than the rate observed last year, and the S&P 500 "Against" rate is 140 basis points higher

FREQUENCY OF ISS "AGAINST" RECOMMENDATIONS

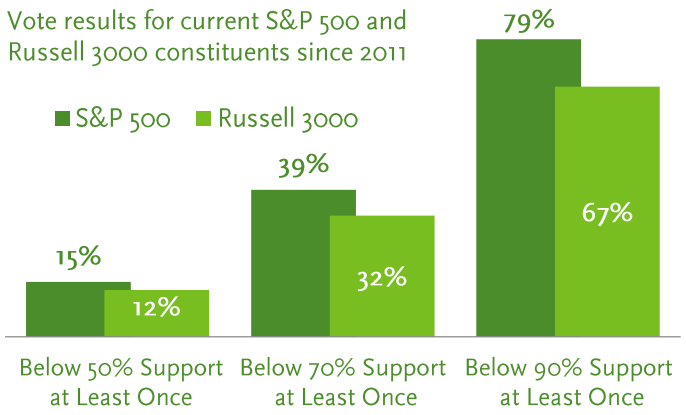


AVERAGE RUSSELL 3000 VOTE RESULT AFTER ISS "FOR" OR "AGAINST" RECOMMENDATION

The average vote result for Russell 3000 companies that receive an ISS "Against" is 32 percentage points lower than those that receive an ISS "For", and 37 points for the S&P 500.



LIKELIHOOD OF A LOW SAY ON PAY VOTE



LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2022

2022 Failed Say on Pay Vote Results[1]
Russell 3000, n=72

Company	Say on Pay Vote Results 2022▼	2021	YOY	Number of Failures	Likely Causes of Votes Under 50%: Pay and Performance Relation	Problematic Pay Practices	Rigor of Performance Goals	Shareholder Outreach and Disclosure	Non-Performance Based Equity	Special Awards/ Mega-Grants	COVID-Related Actions
Titan International, Inc.	50%	-	-	2				X			
The TJX Companies, Inc.	50%	91%	-42%	1		X					X
Paycom Software, Inc.	49%	30%	19%	3				X			
Ventas, Inc.	49%	85%	-36%	1	X	X				X	
Wynn Resorts, Limited	49%	64%	-15%	2	X			X	X	X	
IMAX Corporation	49%	63%	-14%	4				X			
The RealReal, Inc.	48%	-	-	1	X				X	X	
SS&C Technologies Holdings, Inc.	48%	87%	-39%	3		X					
Talos Energy Inc.	48%	99%	-51%	1		X			X		
Enphase Energy, Inc.	47%	93%	-45%	1		X	X				
Masimo Corporation	47%	81%	-33%	6		X					
Accolade, Inc.	**47%**	-	-	**1**		**X**			**X**		
Dime Community Bancshares, Inc.	47%	94%	-47%	1					X	X	
Quotient Technology Inc.	46%	-	-	1		X					
Health Catalyst, Inc.	46%	60%	-14%	1	X	X			X		
Heritage-Crystal Clean, Inc	46%	56%	-10%	1	X			X			
Halliburton Company	46%	46%	0%	3	X		X	X			
JBG SMITH Properties	46%	91%	-45%	1	X	X	X		X	X	
Cardiff Oncology, Inc.	46%	-	-	1	X				X		
Yellow Corporation	45%	-	-	1				X			
Mersana Therapeutics, Inc.	44%	95%	-51%	1	X	X					
Vector Group Ltd.	44%	46%	-2%	4	X		X	X	X		
Riot Blockchain, Inc.	**44%**	-	-	**1**	**X**	**X**	**X**			**X**	
Sage Therapeutics, Inc.	43%	67%	-23%	1	X					X	
Pediatrix Medical Group, Inc.	43%	81%	-38%	3		X	X				
Smartsheet Inc.	43%	81%	-38%	1					X	X	
UroGen Pharma Ltd.	42%	78%	-36%	2	X				X		
TransMedics Group, Inc.	42%	-	-	1	X	X			X		
Penn National Gaming, Inc.	42%	88%	-47%	1		X				X	
CSW Industrials, Inc.	**41%**	**96%**	**-55%**	**1**					**X**	**X**	
Global Payments Inc.	41%	95%	-54%	1			X	X		X	
Hexcel Corporation	41%	92%	-51%	1	X					X	X
Harley-Davidson, Inc.	41%	76%	-35%	1		X					
Heska Corporation	39%	97%	-57%	1		X				X	
Welbilt, Inc.	38%	91%	-53%	1		X					
Barnes Group Inc.	37%	97%	-59%	1	X	X	X				
Abiomed, Inc.	**36%**	**51%**	**-15%**	**1**	**X**	**X**	**X**	**X**			
AMC Entertainment Holdings, Inc.	36%	59%	-23%	1				X			
CONSOL Energy Inc.	36%	97%	-61%	1		X		X			
FLEETCOR Technologies, Inc.	36%	97%	-62%	5	X					X	
ServiceNow, Inc.	35%	90%	-55%	1		X	X			X	
nLIGHT, Inc.	35%	80%	-46%	1	X				X		
Intel Corporation	34%	38%	-4%	3	X	X	X	X			
Centene Corporation	34%	63%	-29%	1		X		X			
Griffon Corporation	34%	51%	-17%	1	X			X	X	X	
2U, Inc.	33%	95%	-61%	2			X		X		
Nabors Industries Ltd.	32%	32%	0%	11	X		X	X			
Booking Holdings Inc.	32%	91%	-59%	1		X	X			X	X
Tutor Perini Corporation	32%	35%	-3%	12	X	X	X	X			
JPMorgan Chase & Co.	31%	90%	-59%	1			X			X	
NeoGenomics, Inc.	31%	92%	-61%	1					X		

LIKELY CAUSES OF SAY ON PAY VOTES UNDER 50% IN 2022 (CONTINUED)

2022 Failed Say on Pay Vote Results[1]
Russell 3000, n=72

Company	Say on Pay Vote Results 2022▼	2021	YOY	Number of Failures	Likely Causes of Votes Under 50%: Pay and Performance Relation	Problematic Pay Practices	Rigor of Performance Goals	Shareholder Outreach and Disclosure	Non-Performance Based Equity	Special Awards/ Mega-Grants	COVID-Related Actions
TG Therapeutics, Inc.	30%	-	-	2		X				X	
D.R. Horton, Inc.	27%	80%	-52%	1		X	X				
RLJ Lodging Trust	26%	97%	-70%	1	X	X	X		X	X	
Mesa Laboratories, Inc.	**25%**	**91%**	**-65%**	**1**		**X**			**X**	**X**	
Montrose Environmental Group, Inc.	25%	-	-	1		X				X	
Natus Medical Incorporated	25%	94%	-69%	1		X					
Tabula Rasa HealthCare, Inc.	25%	89%	-64%	1				X			
CME Group Inc.	23%	90%	-67%	1		X	X				
Flowserve Corporation	23%	97%	-74%	1		X			X	X	
G-III Apparel Group, Ltd.	22%	39%	-16%	4	X			X			
CenterPoint Energy, Inc.	22%	80%	-58%	1		X			X	X	
Palomar Holdings, Inc.	22%	78%	-56%	1		X			X	X	
The Goodyear Tire & Rubber Company	21%	69%	-48%	1		X			X	X	
Arrowhead Pharmaceuticals, Inc.	20%	44%	-24%	2	X	X		X		X	
PacWest Bancorp	20%	37%	-17%	3	X		X	X			
Pebblebrook Hotel Trust	20%	94%	-75%	1	X		X		X	X	
Redwood Trust, Inc.	19%	90%	-71%	1	X	X					
Upland Software, Inc.	18%	93%	-76%	1	X		X		X		
Norwegian Cruise Line Holdings Ltd.	15%	17%	-1%	2	X			X			
Endo International plc	15%	66%	-51%	1	X	X		X			
SWK Holdings Corporation	**11%**	**99%**	**-88%**	**1**		**X**					
Count (n=72)					27	38	20	21	23	27	3

[1] As of September 20, 2022

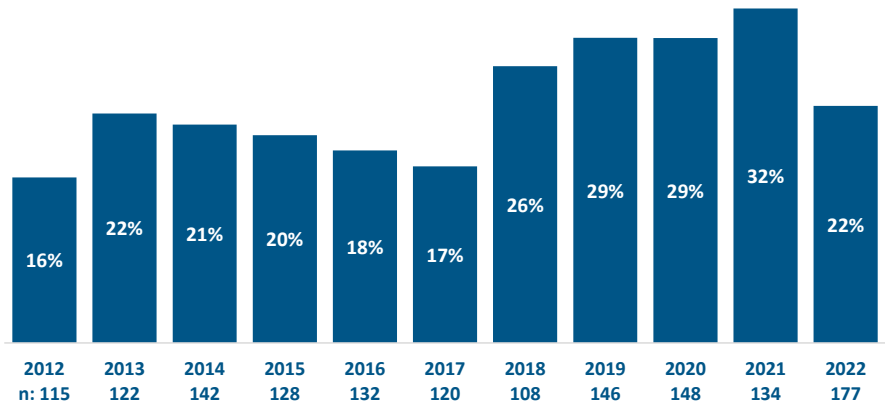
2022 E&S PROPOSAL RESULTS

9/29/2022

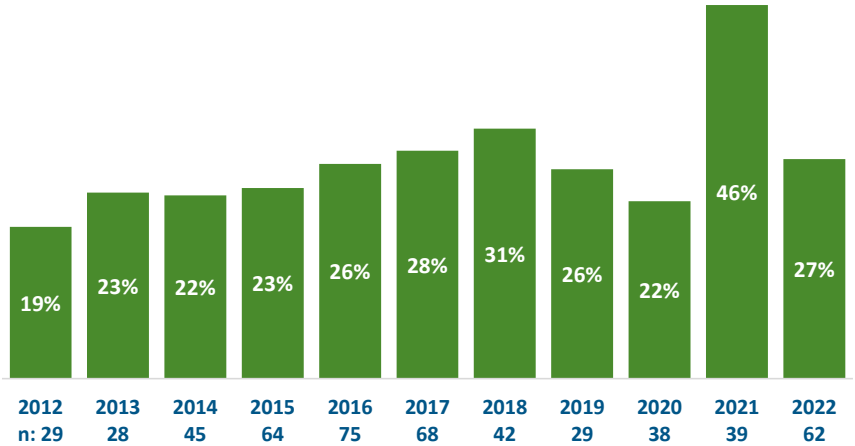
RUSSELL 3000
239 PROPOSALS

- Shareholders have voted on 177 social proposals and 62 environmental proposals thus far in 2022
- Median vote support is 22% for social proposals and 27% for environmental proposals
- Sixteen social proposals (9%) and twelve environmental proposals (19%) have received greater than 50% support thus far in 2022
- Median support for social proposals has decreased by 10 percentage points when compared to 2021, and 19 percentage points for environmental proposals

SOCIAL PROPOSALS MEDIAN VOTE RESULT



ENVIRONMENTAL PROPOSALS MEDIAN VOTE RESULT



SPOTLIGHT: TESLA

A shareholder submitted a proposal requesting that Tesla produce an annual public report on the effectiveness of company efforts to prevent harassment and discrimination.

The proposal received 47% vote support

- The proponent requested that the Company provide a report disclosing the effectiveness and outcomes of Company efforts to prevent harassment and discrimination against protected classes of employees
- Specifically, they requested that the report include the total number and dollar amount of disputes settled by the Company related to abuse, harassment or discrimination, the Company's progress toward reducing the time taken to resolve complaints, and the total number of pending complaints
- The Board opposed the proposal, citing the Company's policies on ethics, human rights, and internal initiatives
- ISS recommended a vote "For" the proposal and noted that despite the Company's policies, they have multiple pending lawsuits related to harassment and have recently paid substantial damages in both arbitrated and juried discrimination suits

2022 DIRECTOR ELECTION RESULTS

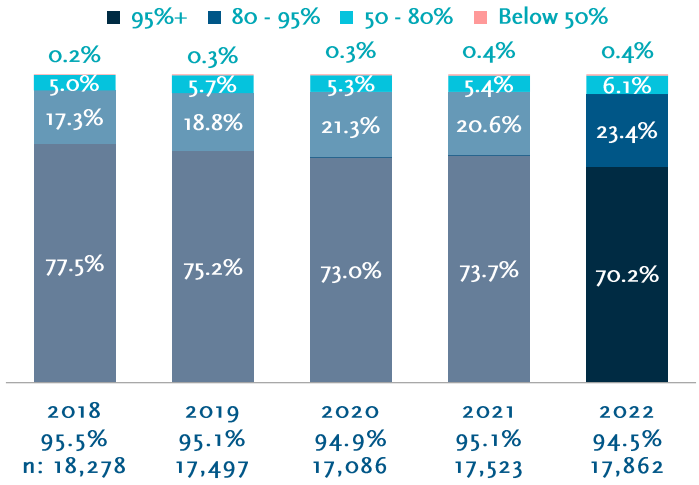
9/29/2022

RUSSELL 3000
17,862 DIRECTORS

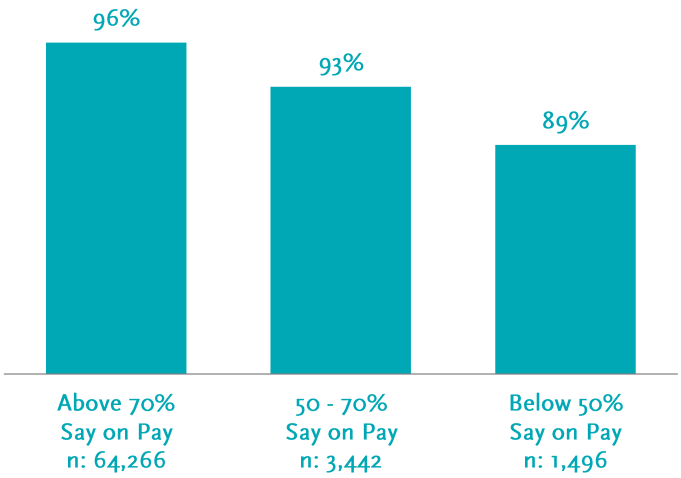
DIRECTOR ELECTION OBSERVATIONS

- Average vote support for Director nominees of 94.5% thus far in 2022 is 60 basis points lower than the year-end support observed in 2021
- 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 seven percentage points lower than at companies that received above 70% support
- Average vote support for female Director nominees is 130 basis points higher than average support for male nominees, which is trending similar to previous years at this point in the season

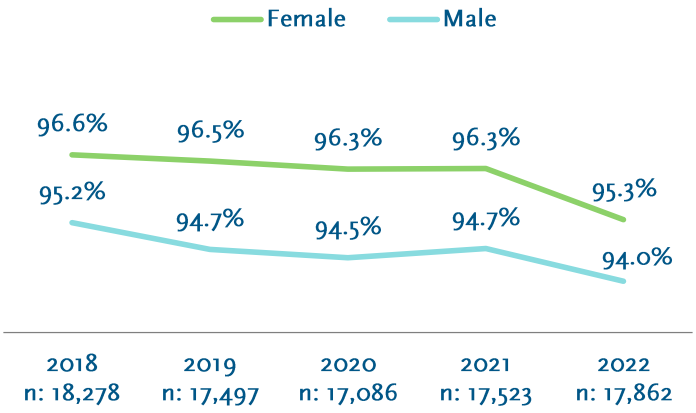
BREAKDOWN OF DIRECTOR ELECTION RESULTS



AVERAGE DIRECTOR ELECTION RESULTS IN YEAR FOLLOWING SAY ON PAY (2018-2022)



AVERAGE DIRECTOR ELECTION RESULTS BY GENDER



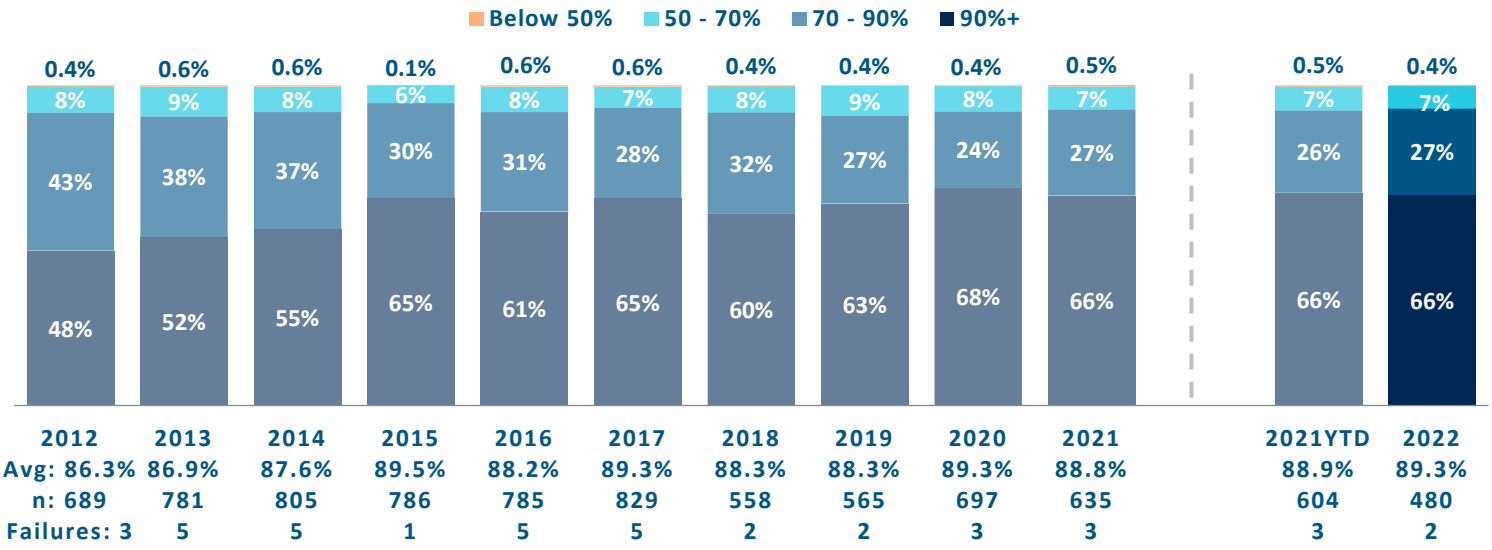
2022 EQUITY PROPOSAL RESULTS

9/29/2022

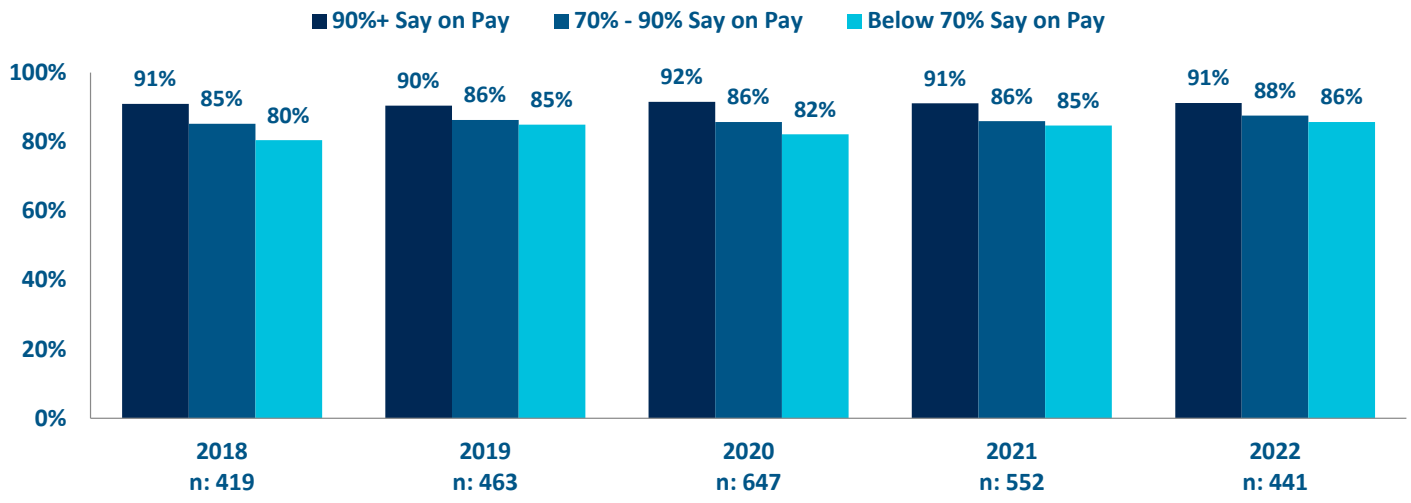
RUSSELL 3000
480 COMPANIES

- Average vote support for equity proposals thus far in the proxy season (89.3%) is 40 basis points above the average vote support observed at this time last year (88.9%)
- Corcept Therapeutics and Transmedics Group are the only two companies to receive vote support below 50% thus far in 2022
- Average equity plan proposals vote support at companies that received a Say on Pay vote below 70% in the prior year is five percentage points lower than at companies that received above 90% support; this is consistent with the trend over the previous three years

BREAKDOWN OF EQUITY PLAN PROPOSAL VOTES



SAY ON PAY IMPACT ON EQUITY PLAN PROPOSAL VOTES



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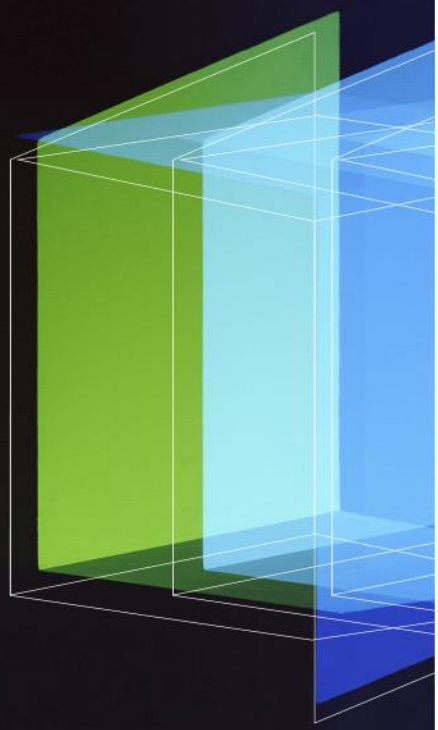

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