



U.S Executive Pay Votes

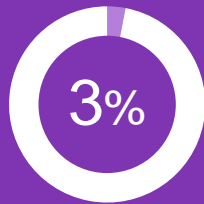
2021 proxy season review

April 2022

Executive summary

2021 by the numbers

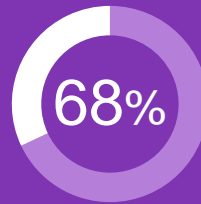
Say-on-pay proposals



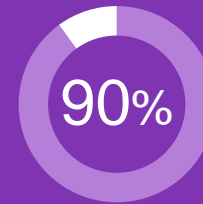
Failure rate,
similar to 2020



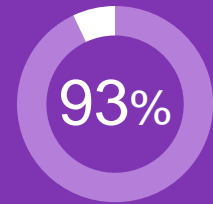
Companies that failed say
on pay and had negative
vote recommendations
for compensation
committee members



First-time failures



Average support



Companies with
support > 70%

Say-on-golden-parachute proposals

7%

Failure rate

76%

Average support

37%

Institutional Shareholder
Services (ISS) negative
recommendations

Equity plans proposals

91%

Two failures, still stable
support for equity plans

13%

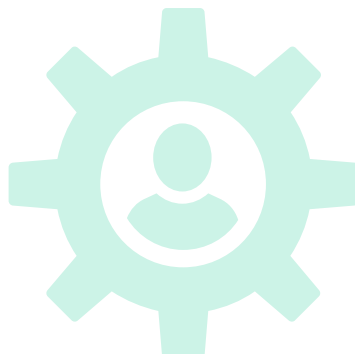
ISS negative vote
recommendation rate

Say-on-pay snapshot

2021 Russell 3000 say-on-pay snapshot

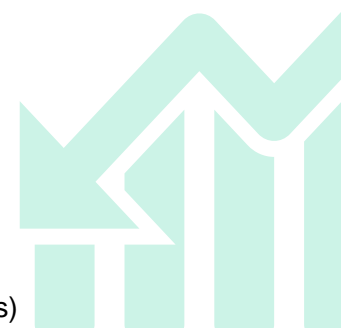
90%

Average support
2020 = 90%



3%

Failure rate (71 failed votes)
2020 = 3% (based on 59 failed votes)



12%

ISS (Institutional Shareholder Services)
negative vote recommendations

Up from
11% in 2020



32%

Difference in average support between an
ISS “for” and “against” vote recommendation

Up from
29% in 2020



77%

Rate of “high” ISS concerns related to pay-for-
performance among proposals that ultimately
received an “against” vote recommendation

Up from
67% in 2020

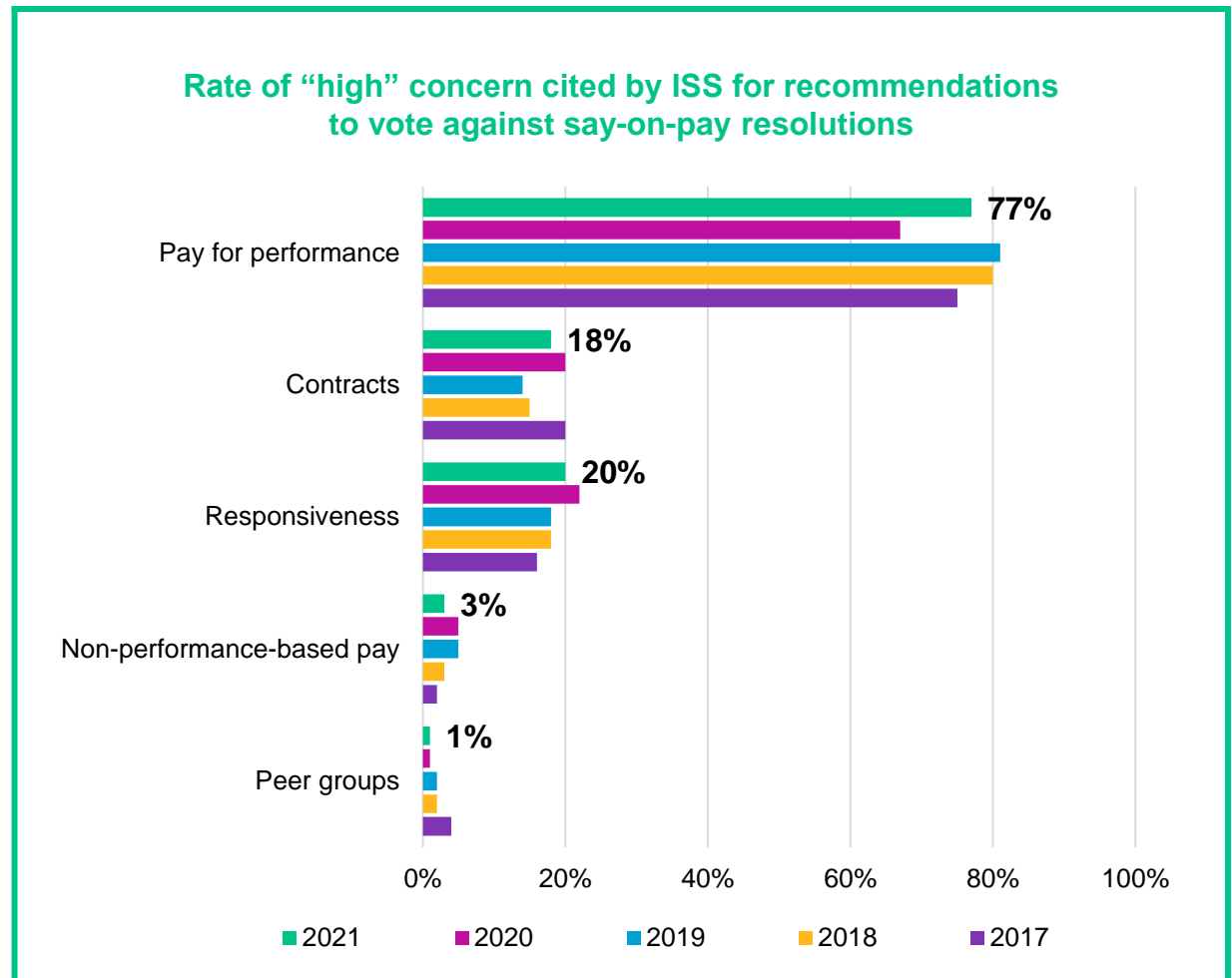


Source: WTW's Compensation Analysis Team analysis of 2,334 of Russell 3000 companies from January 1, 2021 to December 31, 2021, and 2,304 of Russell 3000 companies reporting results in 2020. ISS recommendations confirmed using ISS's Governance Analytics.

Perceived pay-for-performance disconnects drive most ISS “against” recommendations

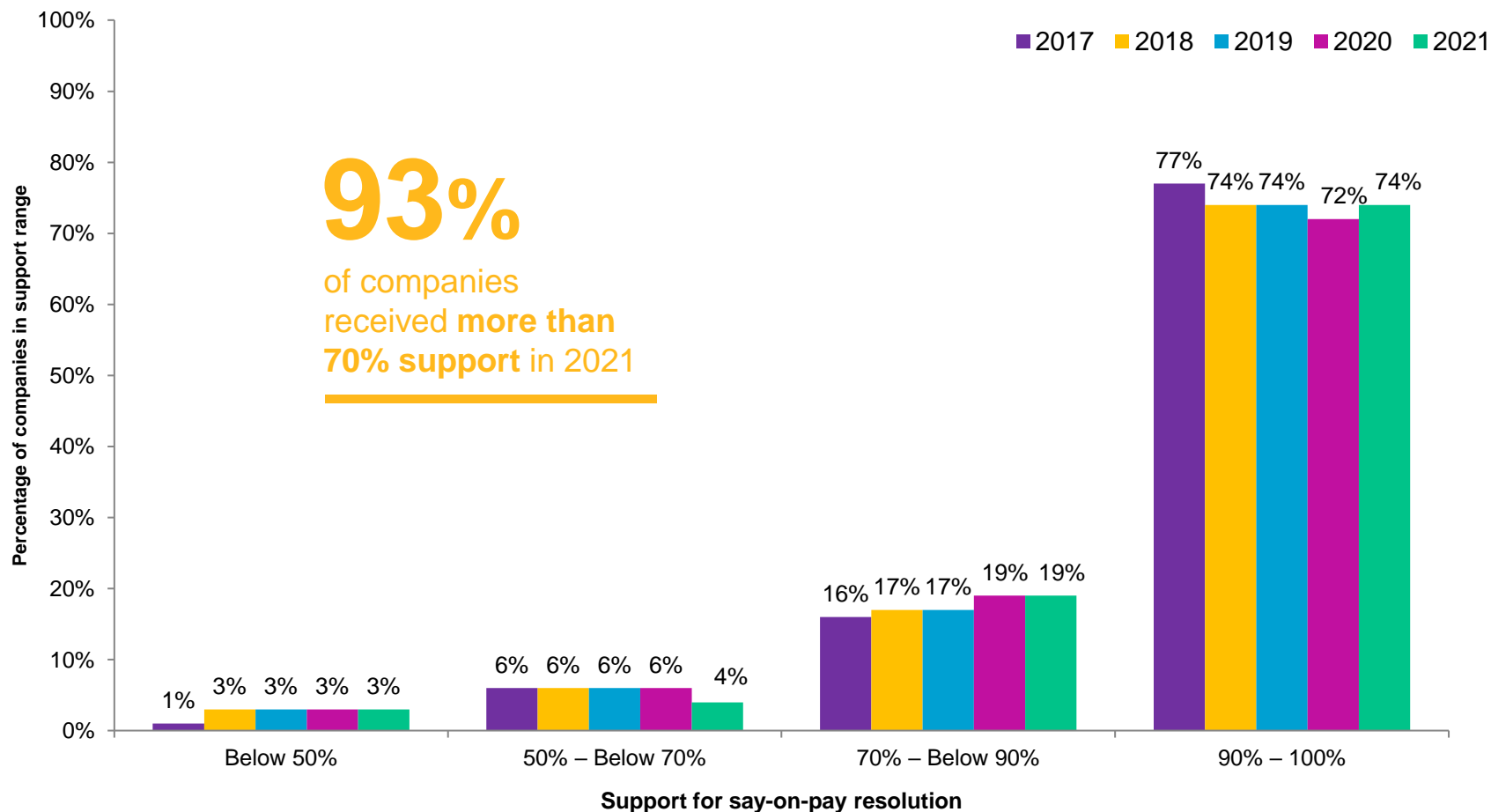


Source: WTW's Global Executive Compensation Analysis Team. Areas of concern confirmed using ISS's Governance Analytics.



Strong shareholder support remains the norm

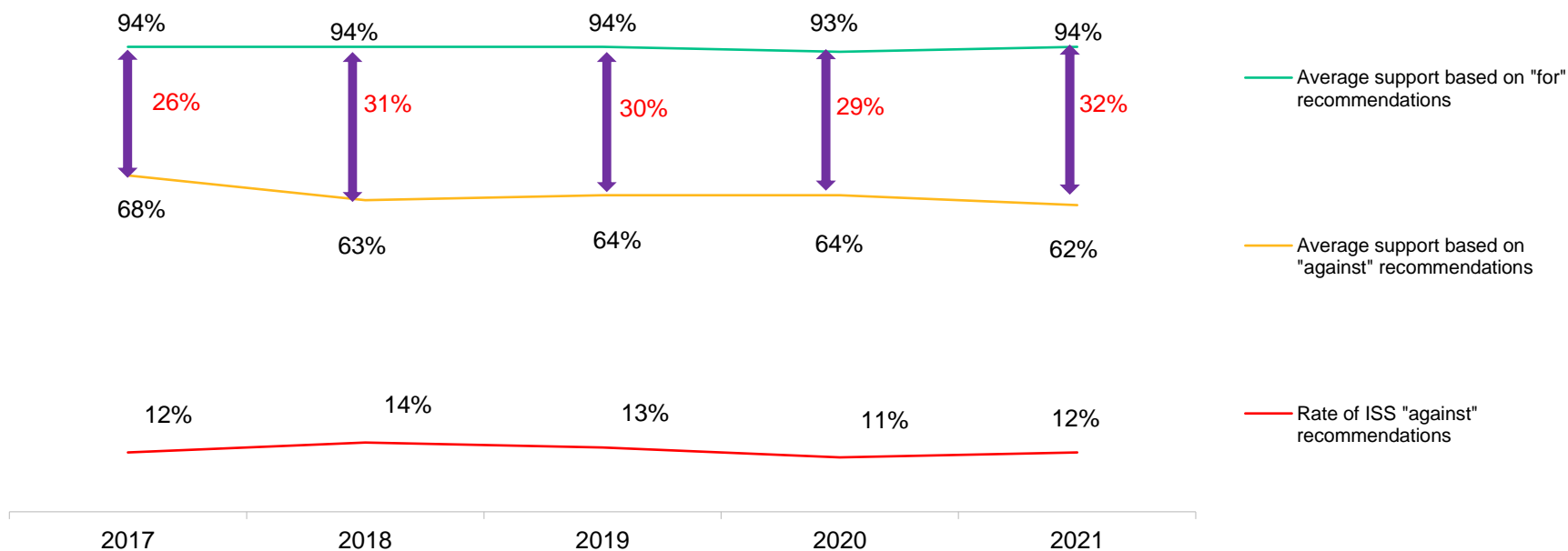
The trend of 90%+ support continues



Source: WTW's Global Executive Compensation Analysis Team.

Shareholder support and proxy advisor recommendations

Lowest average support for “against” recommendations in 2021



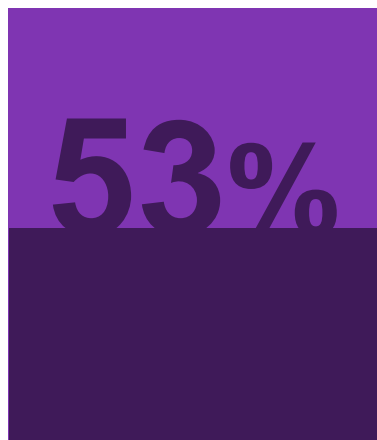
Source: WTW's Global Executive Compensation Analysis Team. ISS recommendations confirmed using ISS's Governance Analytics.

Opposition to compensation committee members at companies with a negative say-on-pay vote recommendation

18%

of companies receiving an “against” recommendation also had a “withhold” recommendation on compensation committee members during the same year

Main reasons leading to “withhold” recommendations



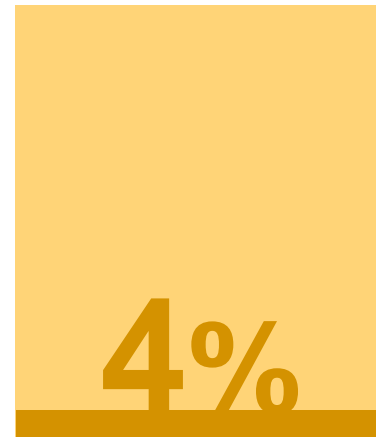
Lack of responsiveness to previous say-on-pay vote



Governance failure



Director is non independent



Director is over boarded

Source: WTW's Global Executive Compensation Analysis Team review of 49 Russell 3000 companies that received a “withhold” vote against compensation committee members and a negative recommendation for say on pay. ISS areas of concern confirmed using ISS's Governance Analytics.

Opposition to compensation committee members at companies that failed say on pay

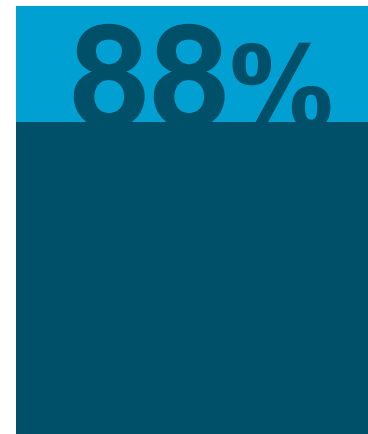
10%

of compensation committee members at companies that failed say on pay also received a negative vote recommendation from ISS

Average support for compensation committee members at companies that failed



Average support for compensation committee members with a withhold recommendation



Average support for compensation committee members with a positive recommendation

Source: WTW's Global Executive Compensation Analysis Team review of 71 companies that failed say on pay as of December 31, 2021.

Pay-for-performance snapshot

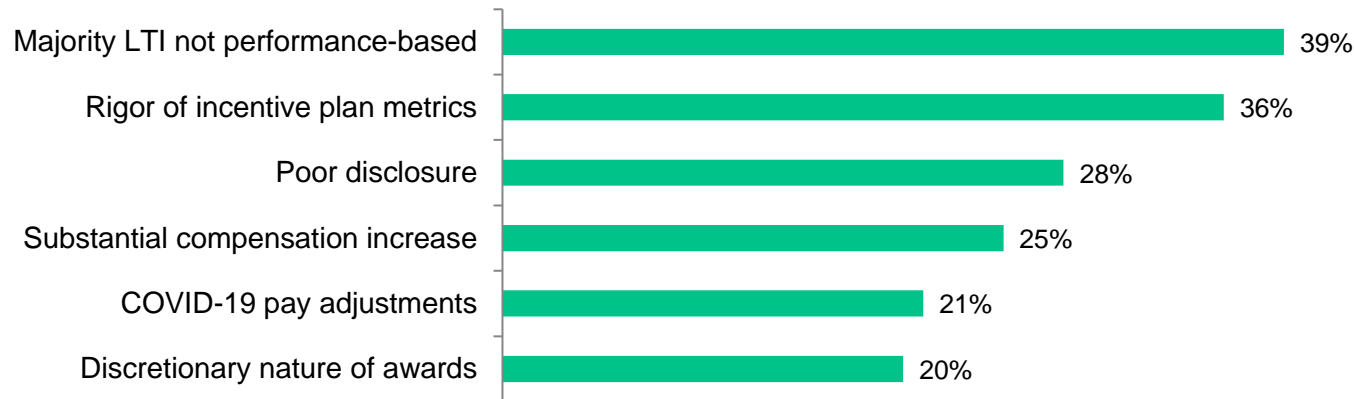
Pay-for-performance concern

36%

of 2021 *failures* with high pay-for-performance concern report majority LTI not performance-based as an issue.

- Majority long term incentive (LTI) not performance-based is a concerning issue among 39% of companies reporting a high pay-for-performance concern (compared to 35% in 2020)
- COVID-19 pay adjustments have been viewed as a new qualitative line item for pay-for-performance concern

Common issues for companies with a high pay-for-performance concern

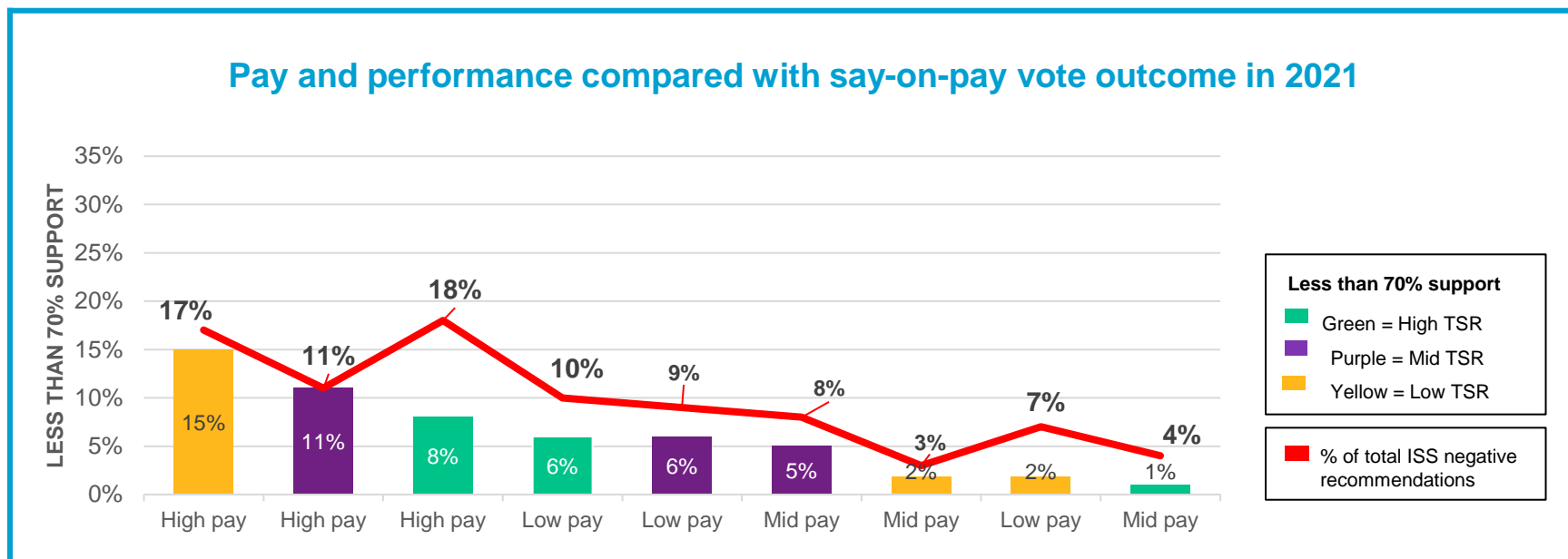


Source: WTW's Global Executive Compensation Analysis Team review of 193 Russell 3000 companies that received a high concern for pay for performance and a negative recommendation for say on pay. ISS areas of concern confirmed using ISS's Governance Analytics.

Pay-for-performance and three-year total shareholder return (TSR)

High pay triggers lower vote support

- Companies with high pay receive more opposition from ISS and less shareholder support
 - Strong TSR performance has mitigated opposition from institutional investors
- Magnitude of pay appears to be a key factor driving opposition to say-on-pay



Note: Pay is total CEO pay disclosed in the Summary Compensation Table; performance is TSR over the 2017 to 2020 period for each Russell 3000 company. “High,” “mid” and “low” are those in the top third, middle third and lower third respectively in each category.

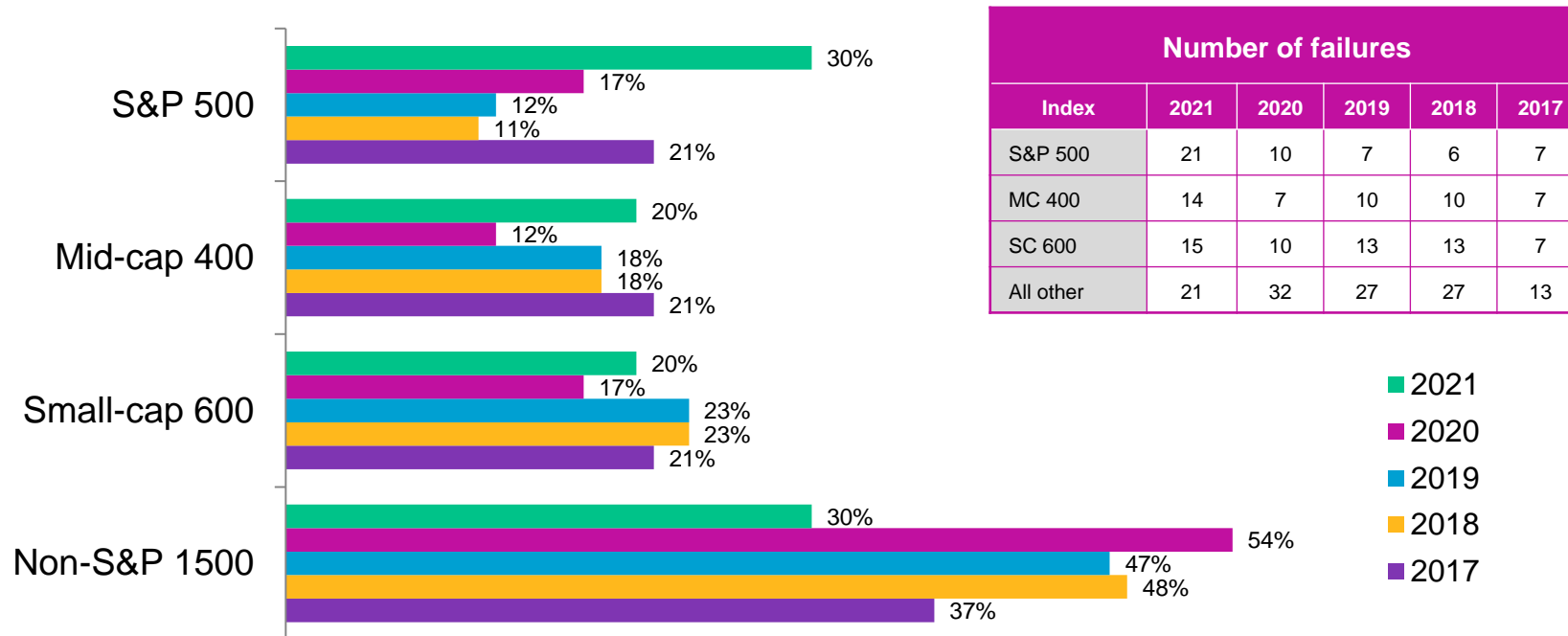
Source: WTW’s Global Executive Compensation Analysis Team. ISS areas of concern confirmed using ISS’s Governance Analytics.

Say-on-pay trends

Comparison of say-on-pay failures by company size

Highest yearly failure rate for S&P 500 in 2021

Sharp failure rate decline at smaller companies in 2021*



*Percentage of failures relative to the total number of failures

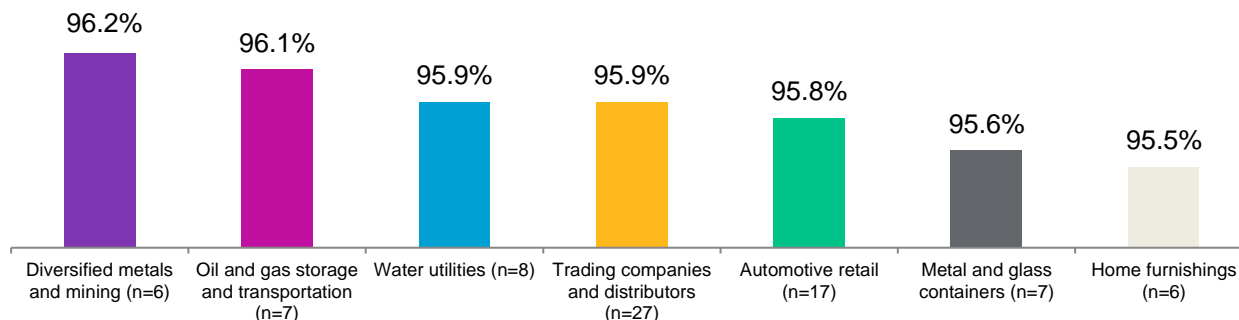
Source: WTW's Global Executive Compensation Analysis Team. ISS areas of concern confirmed using ISS's Governance Analytics.

Pay-for-performance concern

**23 out of
154**

industries had average support level of 95% or greater

Industries with more than 95% average support



Common issues for companies with a high pay-for-performance concern

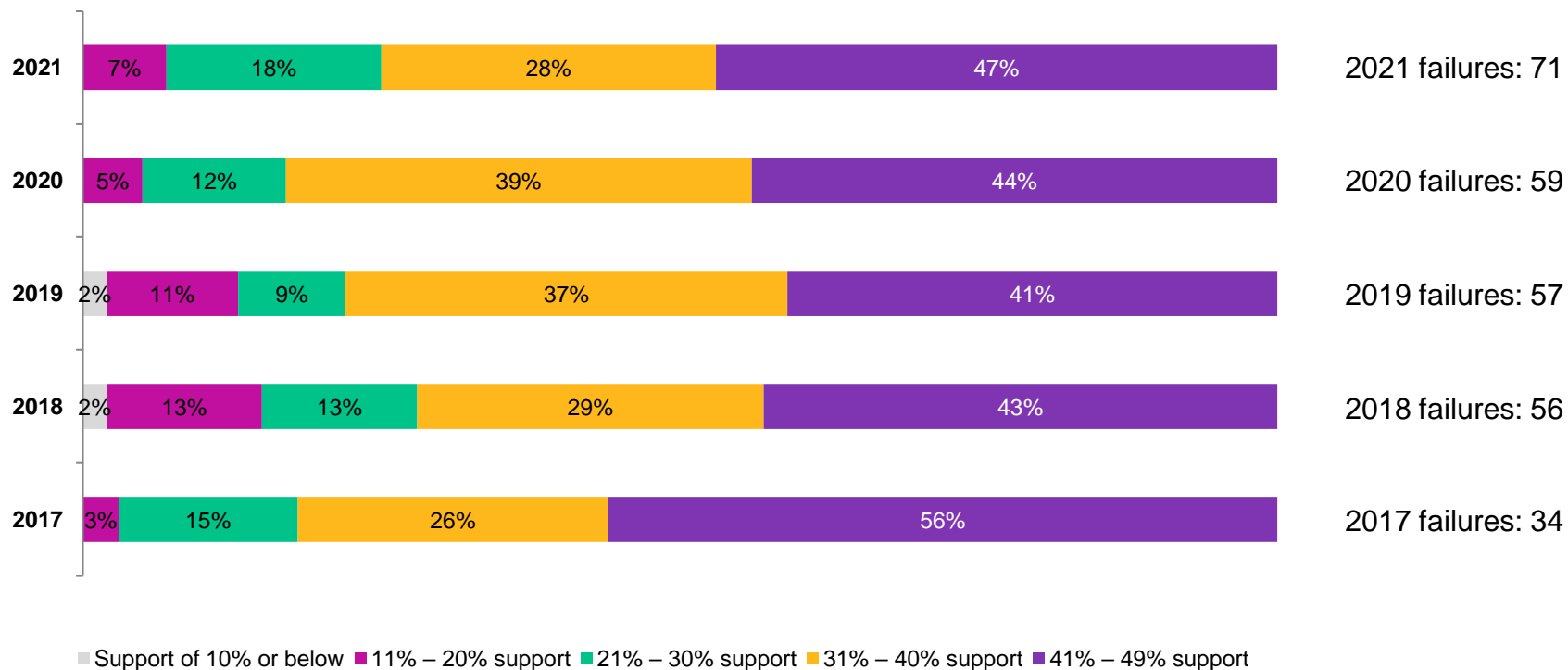
GICS primary industry	Average support
Movies and entertainment (n=11)	78.6%
Hotel, resorts and cruise lines (n=13)	82.5%
Oil and gas refining and marketing (n=15)	83.6%
Hotel and resort REITs (n=13)	84.0%
Healthcare services (n=23)	84.6%

Source: WTW's Global Executive Compensation Analysis Team. Industry classifications were based on the Global Industrial Classification System (GICS). Results are included for those industries with six or more companies in the group (n=the number of companies in the industry). For this analysis, all companies with less than 50% support are considered to have failed say on pay.

*Data based on 154 primary industries

Say-on-pay failures

Comparison of say-on-pay support levels at companies that failed say-on-pay votes



Source: WTW's Executive Compensation Resources. Support levels reflect data for all Russell 3000 companies with 50% or less support in each year.

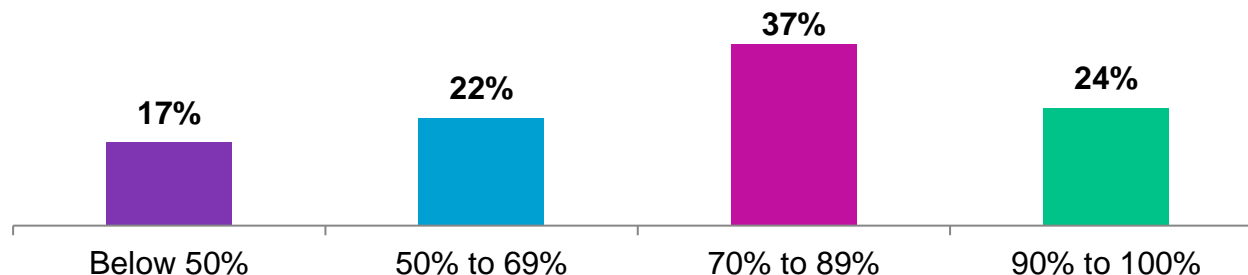
Most companies that failed in 2020 improved their results in 2021

83% of companies recovered from last year's say-on-pay failure

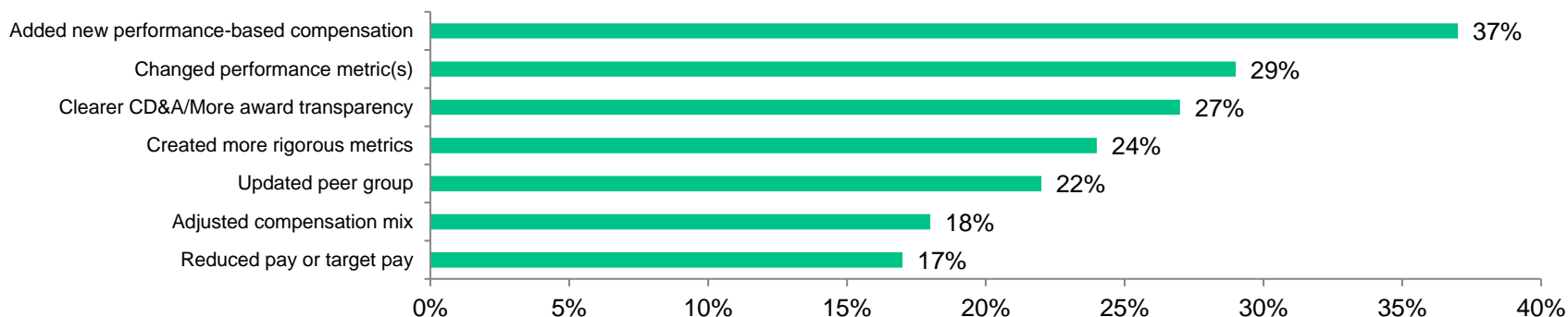
33%

Average year-over-year increase in shareholder support for companies failing in 2020

2021 support level for companies that failed in 2020*



Most common compensation program changes disclosed after failed 2020 vote



Source: WTW's Global Executive Compensation Analysis Team.

*Based on 41 companies that failed in 2020 and have filed voting results for say-on-pay in 2021

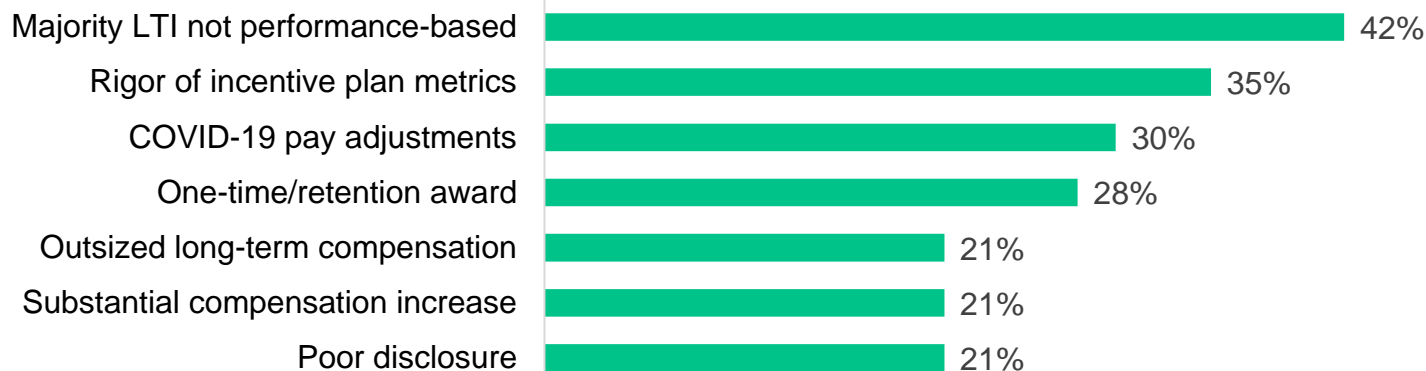
48 companies failed say on pay for the first time in 2021

68%

of all failures are *first-timers*

- 25% of first-time failures are from the healthcare industry followed by industrials (17%) and information technology (14%)
- 67% of first-time failures are non-S&P 1500 companies, and 15% are S&P 500 companies

Common issues at first-time failures



Source: WTW's Global Executive Compensation Analysis Team review of 48 Russell 3000 companies that failed say on pay for the first time as of December 31, 2021. ISS areas of concern confirmed using ISS's Governance Analytics.

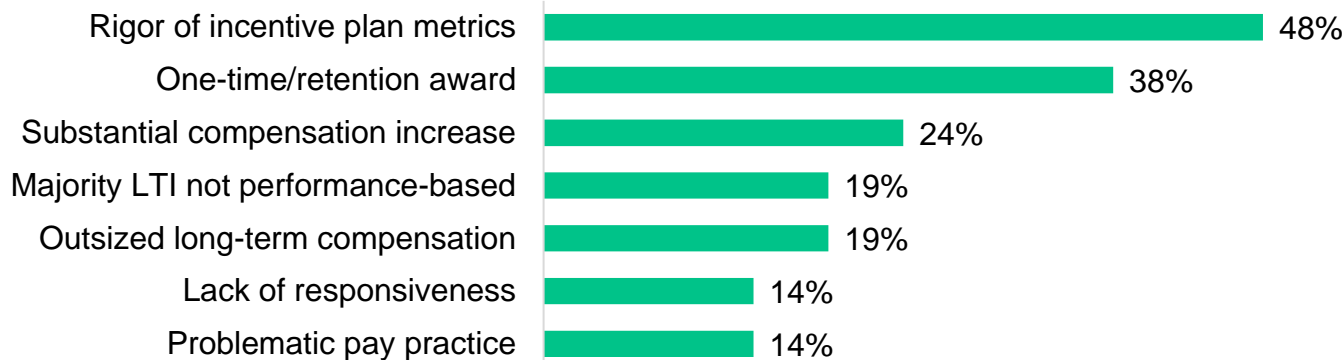
21 S&P 500 companies failed say on pay in 2021

30%

of all failures are S&P 500

- 29% of S&P 500 failures are from the information technology industry followed by industrials (14%), consumer discretionary, healthcare and real estate (10% each).

Common issues at S&P 500 failures



Source: WTW's Global Executive Compensation Analysis Team review of 21 S&P 500 companies that failed say on pay as of July 16, 2021. ISS areas of concern confirmed using ISS's Governance Analytics.

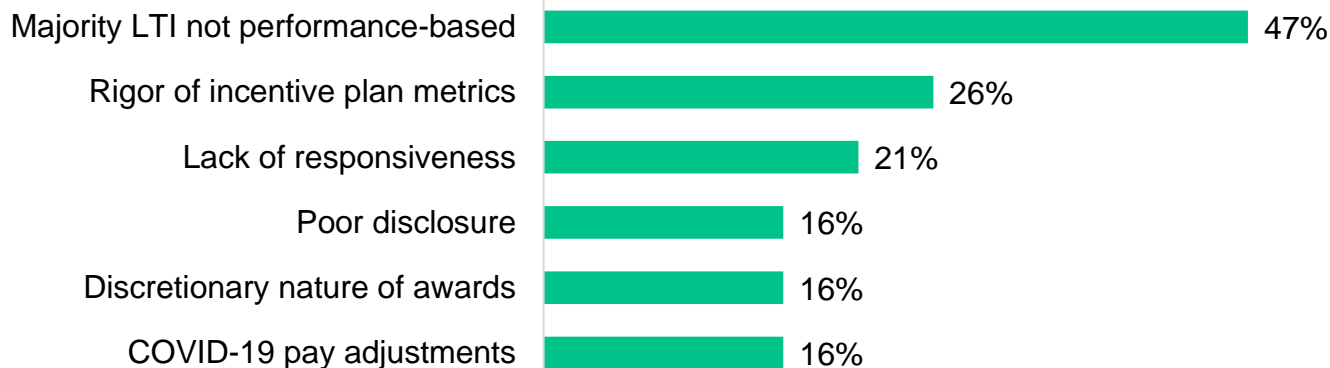
21 non-S&P 1500 companies failed say on pay in 2021

30%

of all failures are non-S&P 1500

- 43% of non-S&P 1500 failures are from the healthcare industry followed by industrials (19%) communication services and financials (10% each)

Common issues at non-S&P 1500 failures



Source: WTW's Global Executive Compensation Analysis Team review of 21 S&P 500 companies that failed say on pay as of July 16, 2021. ISS areas of concern confirmed using ISS's Governance Analytics.

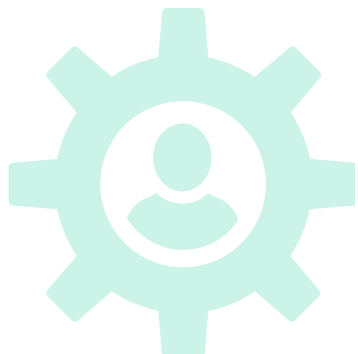
Equity plans

2021 S&P 1500 equity plan voting results snapshot

First S&P 1500 failures since ISS Equity Plan Score Card implemented in 2015

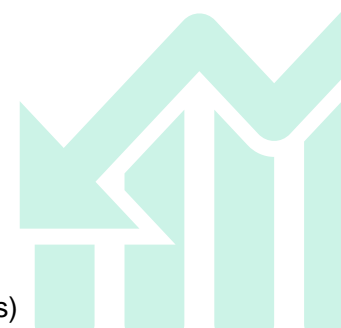
91%

Average support
2020 = 91%



1%

Failure rate (2 failed votes)
2020 = 0% (based on no failed votes)



13%

ISS negative vote recommendations

Up from
12% in 2020



23%

Difference in average support between an ISS
“for” and “against” vote recommendation

Up from
18% in 2020



71%

Average support at companies with an “against”
vote recommendation

Down from
74% in 2020



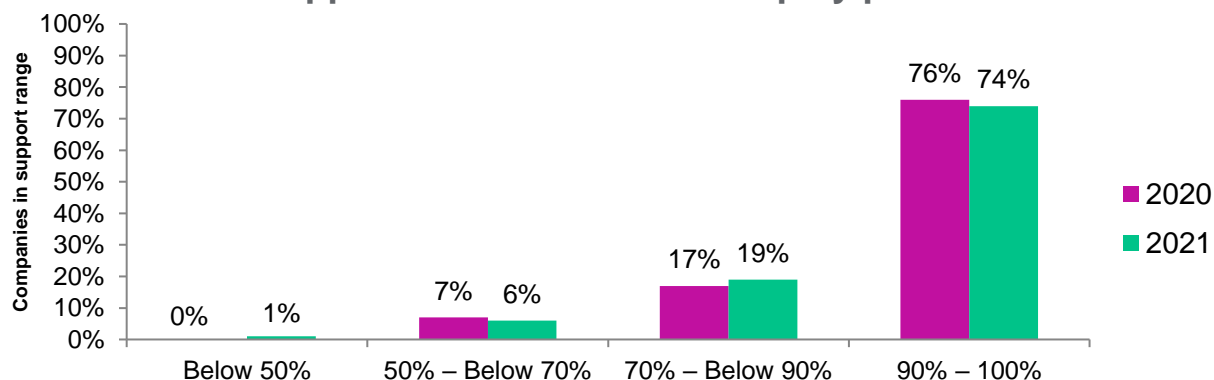
Source: WTW's Global Executive Compensation Analysis Team analysis of 347 S&P 1500 companies that had a new or materially amended plan with voting results from January 1, 2021, to December 31, 2021, and 384 companies in 2020. ISS recommendations confirmed using ISS' Governance Analytics.

Spotlight on equity plans

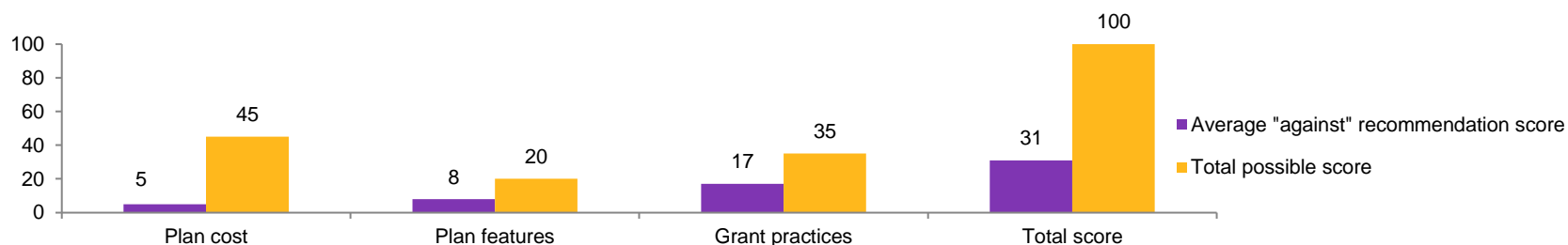
93%

S&P 1500 equity plans with support above 70% in 2021 (similar to 2020)

Support level for S&P 1500 equity plans



Plan cost is the number one concern for those with “against” recommendations*



Source: WTW's Global Executive Compensation Analysis Team review of 347 S&P1500 companies that had a new or materially amended plan with voting results from January 1, 2021, to December 31 2021, and 384 companies in 2020.

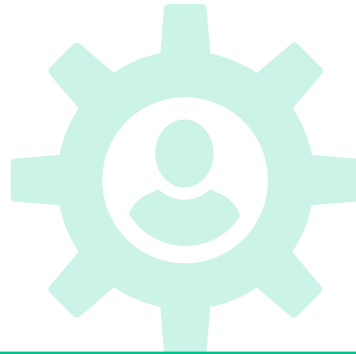
*This spotlight highlights 46 S&P 1500 companies with an “against” recommendation that were evaluated under ISS's Equity Plan Scorecard.



Say on parachutes

2021 say-on-parachute snapshot

76%



Average support
2020 = 76%

7%



Failure rate (4 failed votes)
2020 = 17% (based on 7 failed votes)

37%

ISS negative vote recommendations

Up from
34% in 2020



51%

**Difference in average support between an ISS
“for” and “against” vote recommendation**

Up from
39% in 2020



43%

**Average support at companies with an “against”
vote recommendation**

Down from
50% in 2020



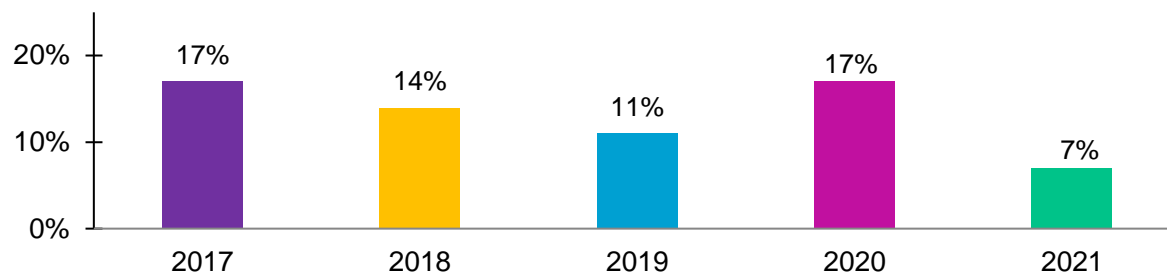
Source: WTW's Global Executive Compensation Analysis Team analysis of 57 Russell 3000 companies holding a say-on-parachute vote from January 1, 2021, to December 31, 2021, and 41 Russell 3000 companies reporting results in 2020. ISS recommendations confirmed using ISS's Governance Analytics

Say-on-parachute overview

78%

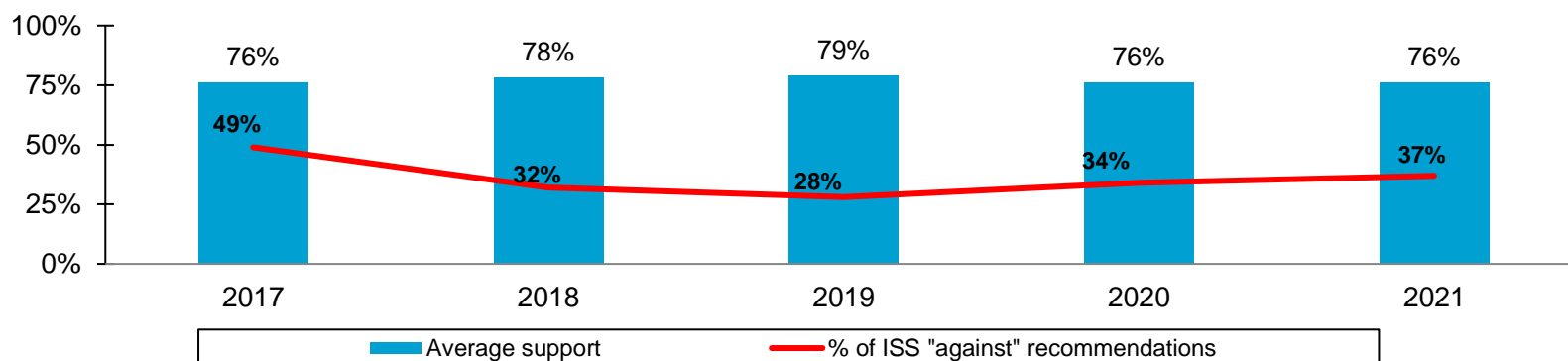
Average support for all say-on-parachute votes since the requirement was introduced (average support for related mergers was 97%)

Say-on-parachute failures by year



ISS opposition to say-on-parachute resolutions marginally increased in 2021

Say-on-parachute vote summary

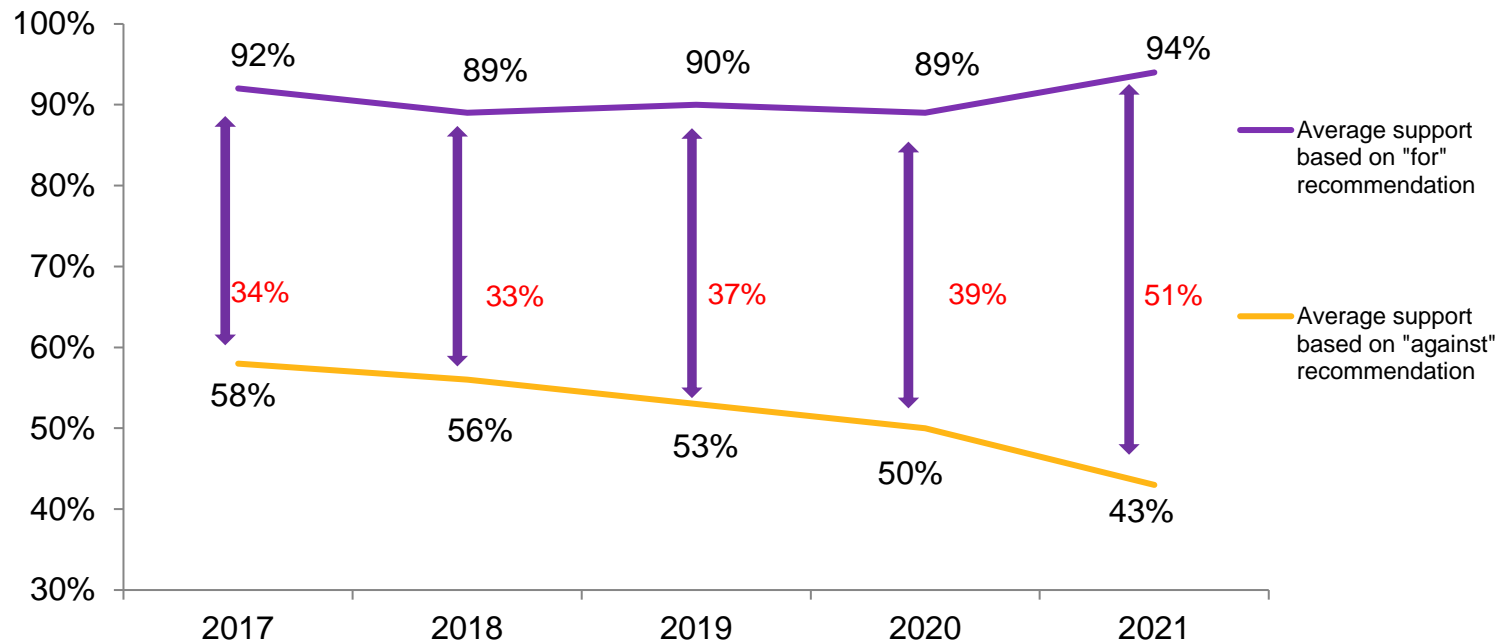


Source: WTW's Global Executive Compensation Analysis Team analysis of say-on-parachute votes at 343 Russell 3000 companies reporting results since 2017 (with 92 companies reporting in 2017, 81 in 2018, 72 in 2019, 41 in 2020 and 57 in 2021). ISS recommendations confirmed using ISS's Governance Analytics.

Say-on-parachute support

ISS impact is stronger in 2021

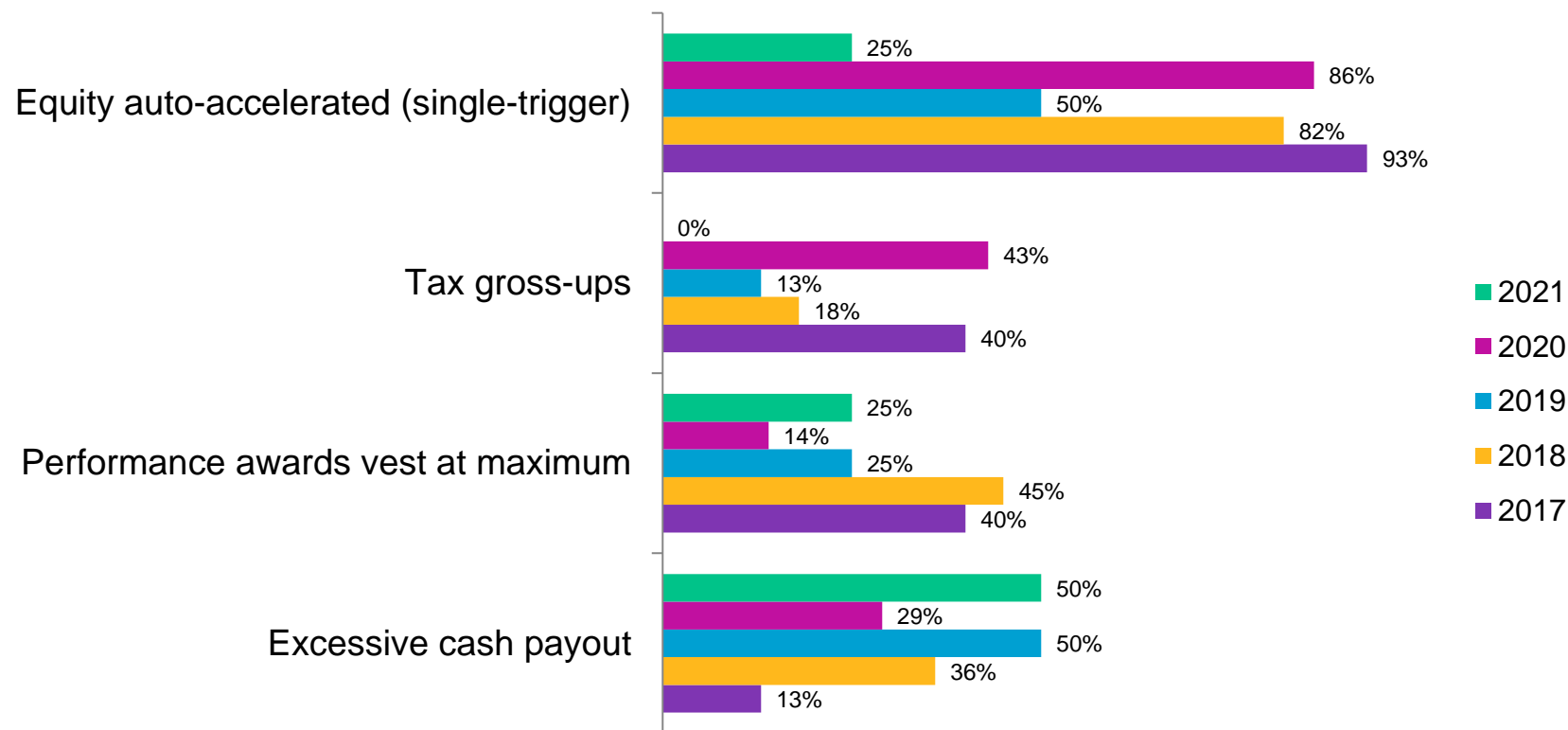
Highest difference in average support between “for” and “against” recommendations from ISS in 2021



Source: WTW's Global Executive Compensation Analysis Team analysis of say-on-parachute votes at 343 Russell 3000 companies reporting results since 2017 (with 92 companies reporting in 2017, 81 in 2018, 72 in 2019, 41 in 2020 and 57 in 2021). ISS recommendations confirmed using ISS's Governance Analytics.

Areas of concern at failed say-on-parachute resolutions

Excessive cash payout is the main concern in 2021



Source: WTW's Global Executive Compensation Analysis Team analysis of 4 Russell 3000 companies that failed say on parachute from January 1, 2021, to December 31, 2021 (seven in 2020, eight in 2019, 11 in 2018 and 15 in 2017). ISS areas of concern confirmed using ISS's Governance Analytics.

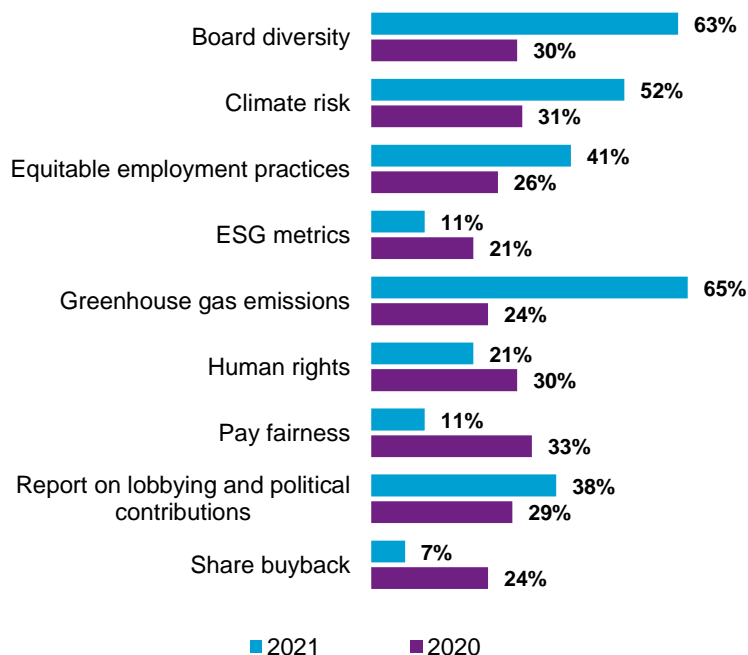
ESG shareholder proposals

Environmental, social and governance (ESG) shareholder proposals

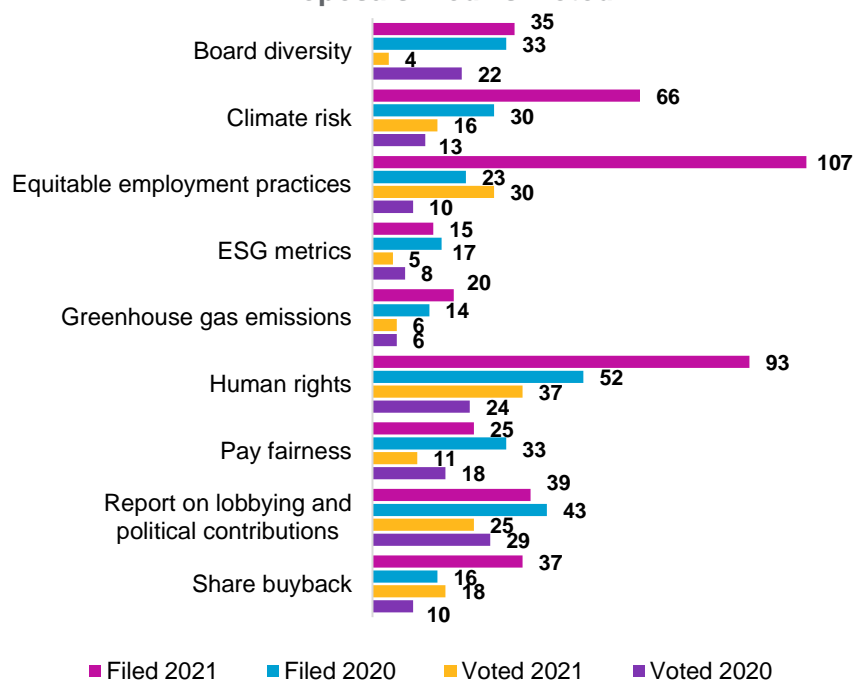
Support in 2021

Majority support for three proposals in 2021

Average support for ESG proposals



Proposals filed vs. voted*



*Difference between filed and voted proposals made by withdrawals

Source: WTW's Global Executive Compensation Analysis Team analysis of executive compensation-related governance, social and environmental shareholder proposals voted in 2021 at Russell 3000 companies using ISS's Governance Analytics.

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Thank you!