



# U.S. executive pay votes 2022 season in review

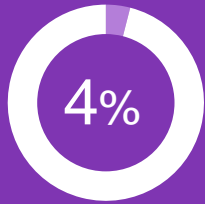
February 2023



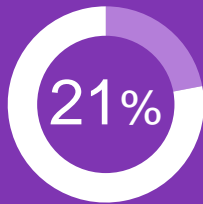
# Executive summary

## 2022 by the numbers

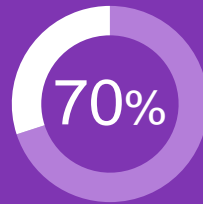
### Say-on-pay proposals



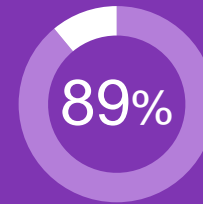
Failure rate, increase from 3% in 2021



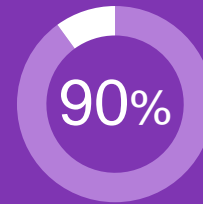
Companies that failed say on pay and had negative vote recommendations for compensation committee members



First-time failures



Average support



Companies with support > 70%

### Say-on-golden-parachute proposals

**26%**

Failure rate

**72%**

Average support

**41%**

Institutional Shareholder Services (ISS) negative recommendations

### Equity plan proposals

**91%**

Average support with one failure this year, still stable for equity plans

**11%**

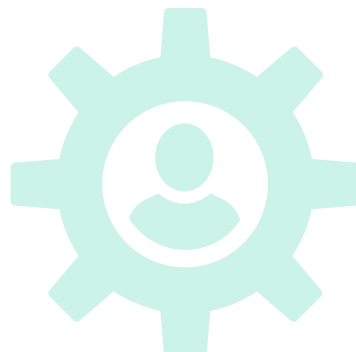
ISS negative vote recommendation rate

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

# Say-on-pay snapshot

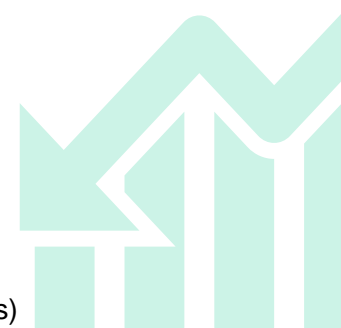
# 2022 Russell 3000 say-on-pay snapshot

89%



**Average support**  
2021 = 90%

4%



**Failure rate (86 failed votes)**  
2021 = 3% (based on 71 failed votes)

14%

ISS (Institutional Shareholder Services)  
negative vote recommendations

**Up from**  
12% in 2021



32 percentage points

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

**Similar to 2021**



73%

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

**Down from**  
77% in 2021

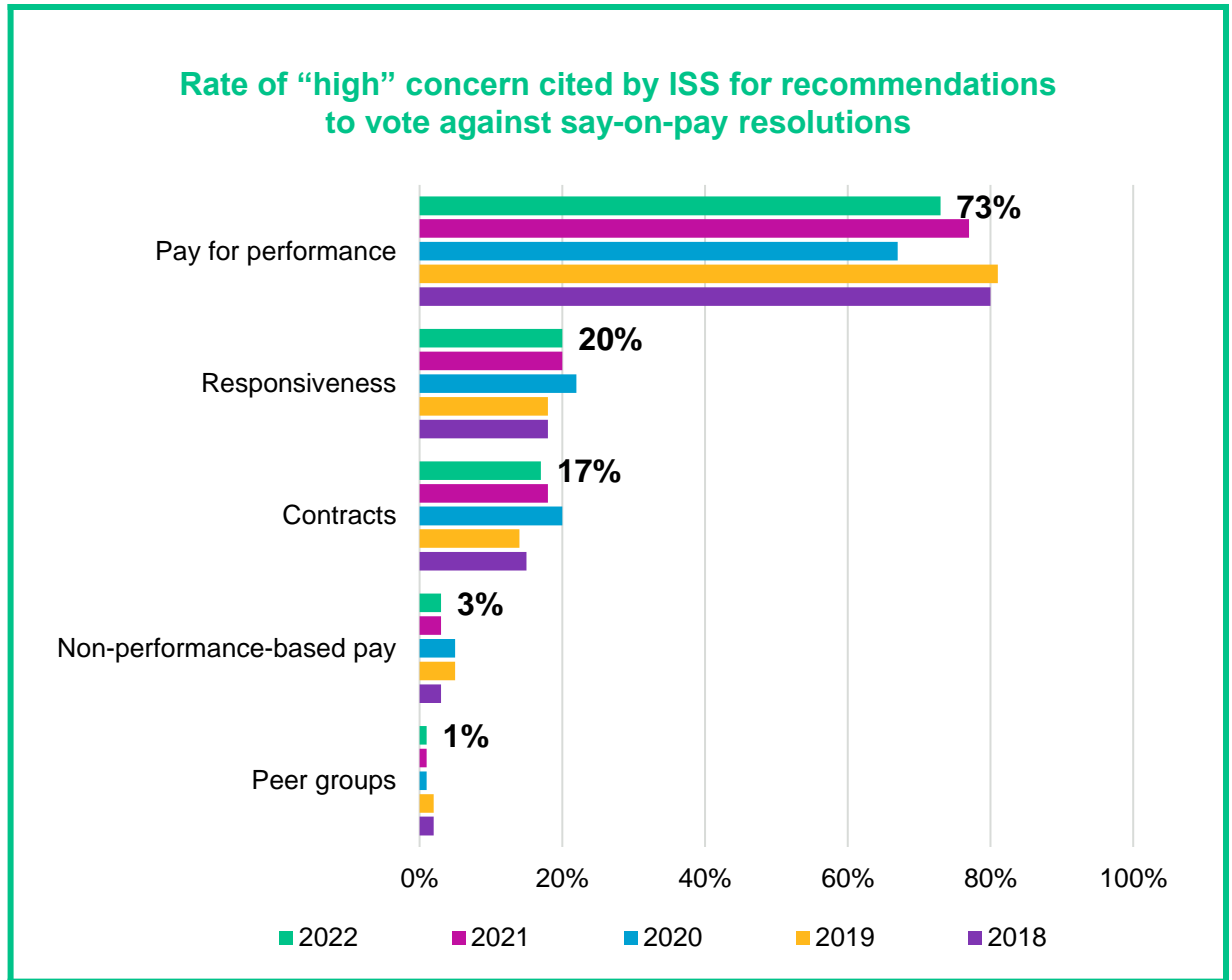


Source: WTW's Global Executive Compensation Analysis Team analysis of 2,383 Russell 3000 companies from January 1, 2022, to December 31, 2022, and 2,334 Russell 3000 companies reporting results in 2021. ISS recommendations confirmed using ISS's Governance Analytics.

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

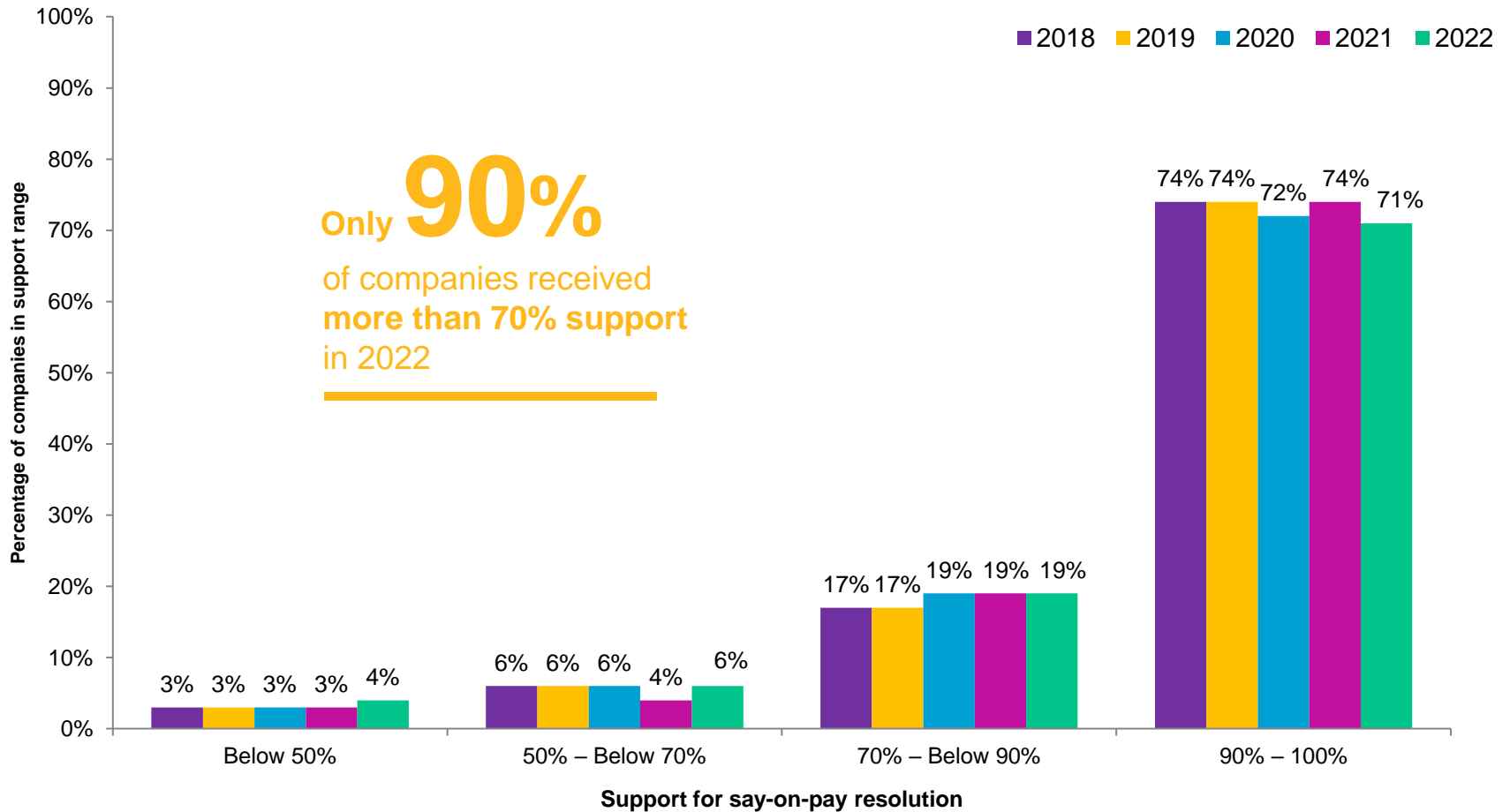


Source: WTW's Global Executive Compensation Analysis Team. Areas of concern confirmed using ISS's Governance Analytics.



# Strong shareholder support remains the norm

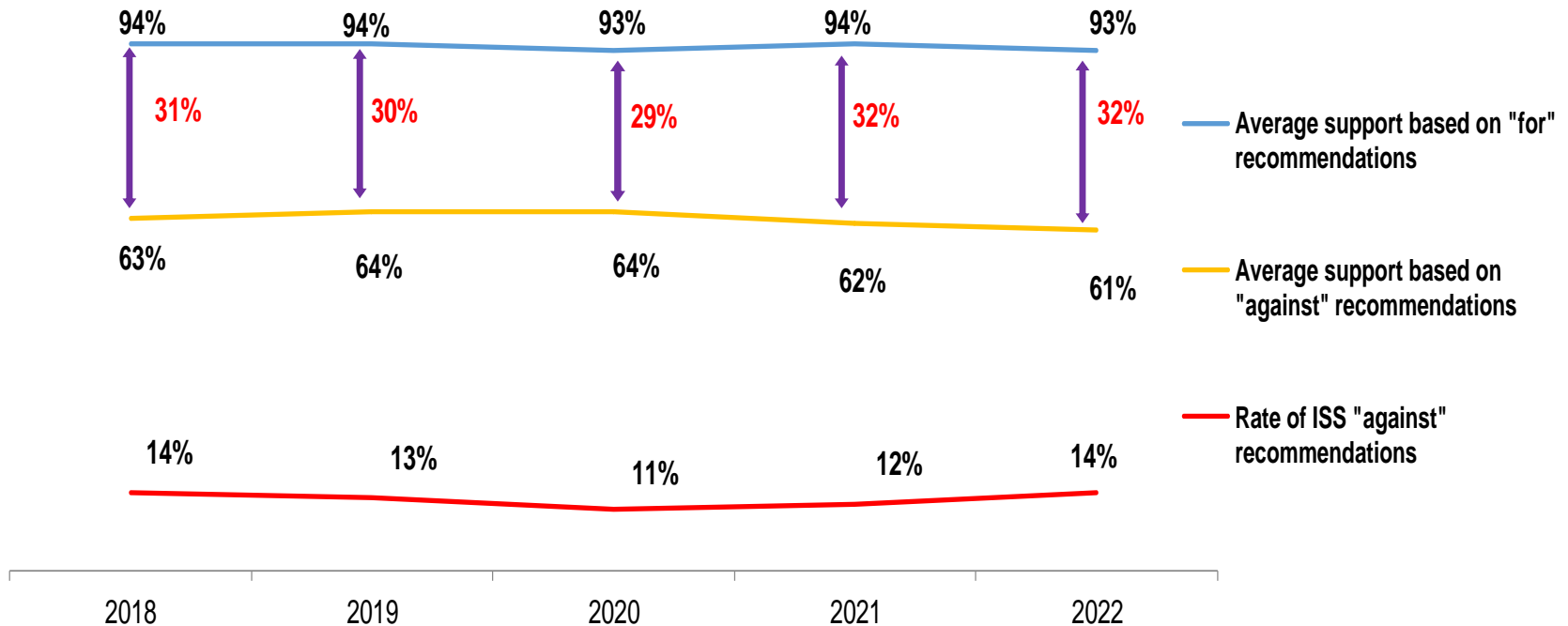
## Lowest 70%+ support since 2018



Source: WTW's Global Executive Compensation Analysis Team.

# Shareholder support and proxy advisor recommendations

Lowest average support for "against" recommendations in 2022



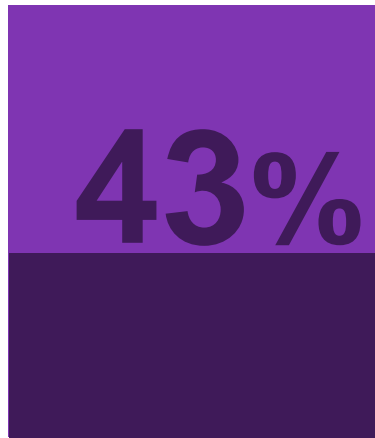
Source: WTW's Global Executive Compensation Analysis Team. ISS recommendations confirmed using ISS's Governance Analytics.

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

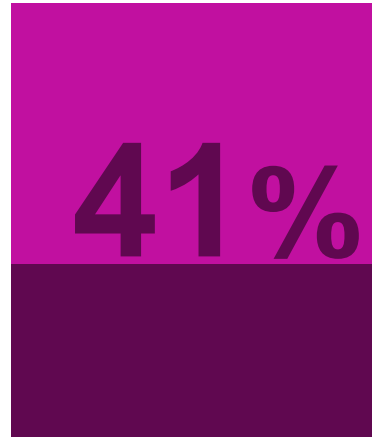
**26%**

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



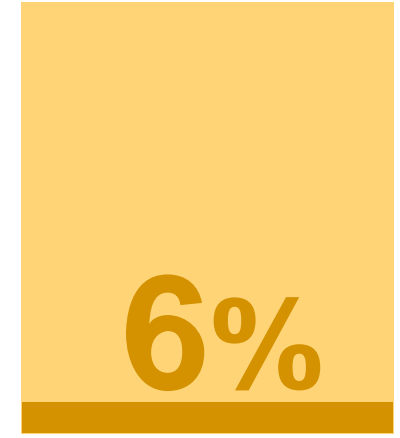
Lack of responsiveness to previous say-on-pay vote



Governance failure



Lack of diversity and inclusion



Director is nonindependent

Source: WTW's Global Executive Compensation Analysis Team review of 87 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

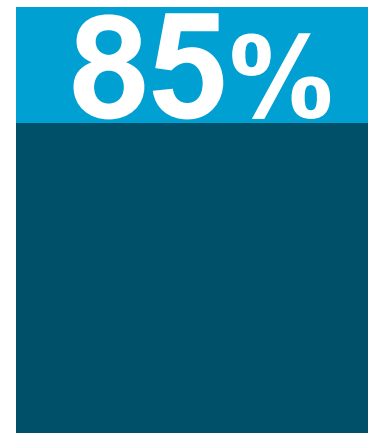
**21%**

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 86 companies that failed say on pay as of December 31, 2022.

# Pay-for-performance snapshot

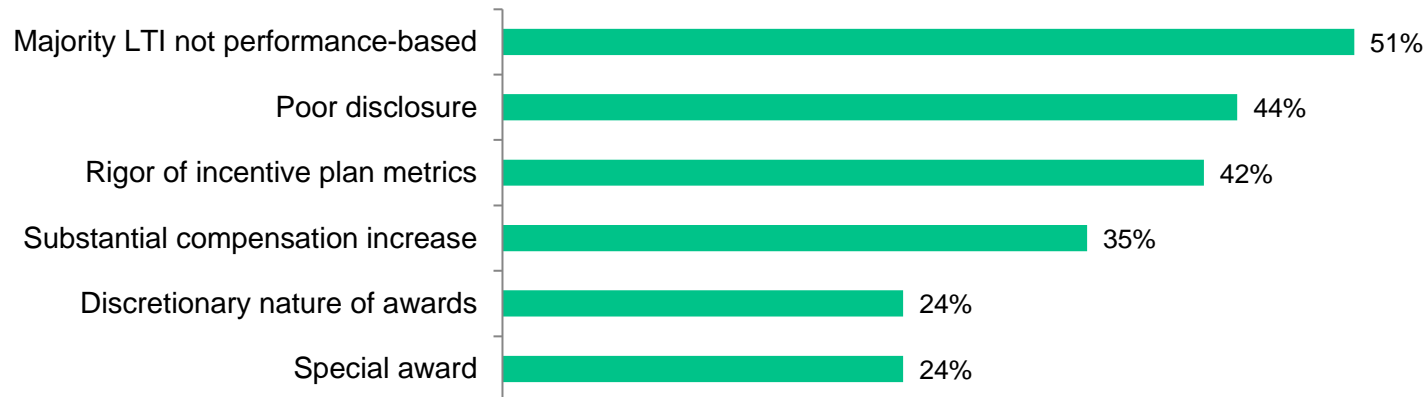
# Pay-for-performance concern

49%

of 2022 failures with high pay-for-performance concern report rigor of incentive plan metrics as an issue

- “Majority long-term incentive (LTI) not performance-based” is a concerning issue among 51% of companies reporting a high pay-for-performance concern (compared with 39% in 2021)
- Poor disclosure and rigor of incentive plan metrics are still viewed as major pay-for-performance concerns

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

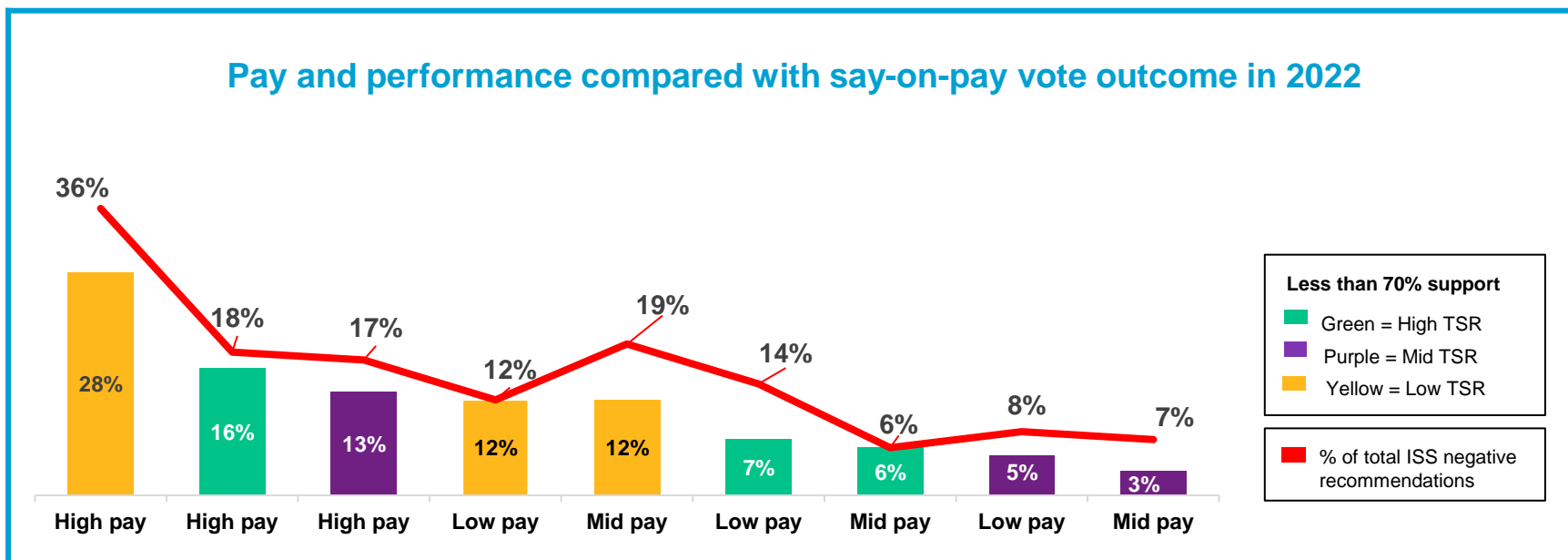


Source: WTW's Global Executive Compensation Analysis Team review of 232 Russell 3000 companies that received a high concern for pay for performance and a negative recommendation for say on pay. ISS areas of concern confirmed using ISS's Governance Analytics.

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

High pay triggers the most shareholder opposition across all performance levels

- Highest opposition historically recorded at companies with high pay and low performance
  - Strong TSR performance coupled with mid/low pay still mitigates opposition from investors
- Low pay appears to drive less opposition



Note: Pay is total CEO pay disclosed in the summary compensation table; performance is TSR over the 2018 to 2021 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.

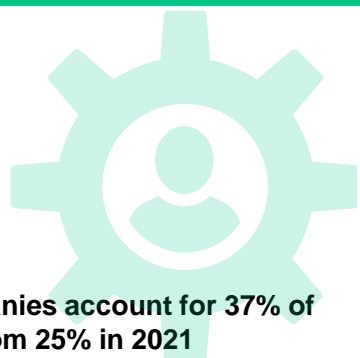
Source: WTW's Global Executive Compensation Analysis Team. ISS areas of concern confirmed using ISS's Governance Analytics.



# Say-on-pay trends

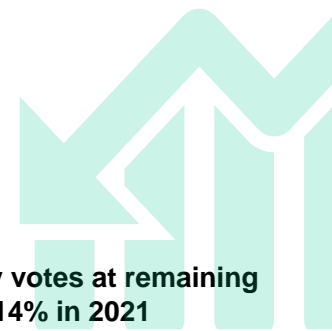
## Index component say-on-pay snapshot

**37%**



Remaining Russell 3000 companies account for 37% of 2022 say-on-pay failures, up from 25% in 2021

**18%**



Average opposition for say-on-pay votes at remaining Russell 3000 companies, up from 14% in 2021

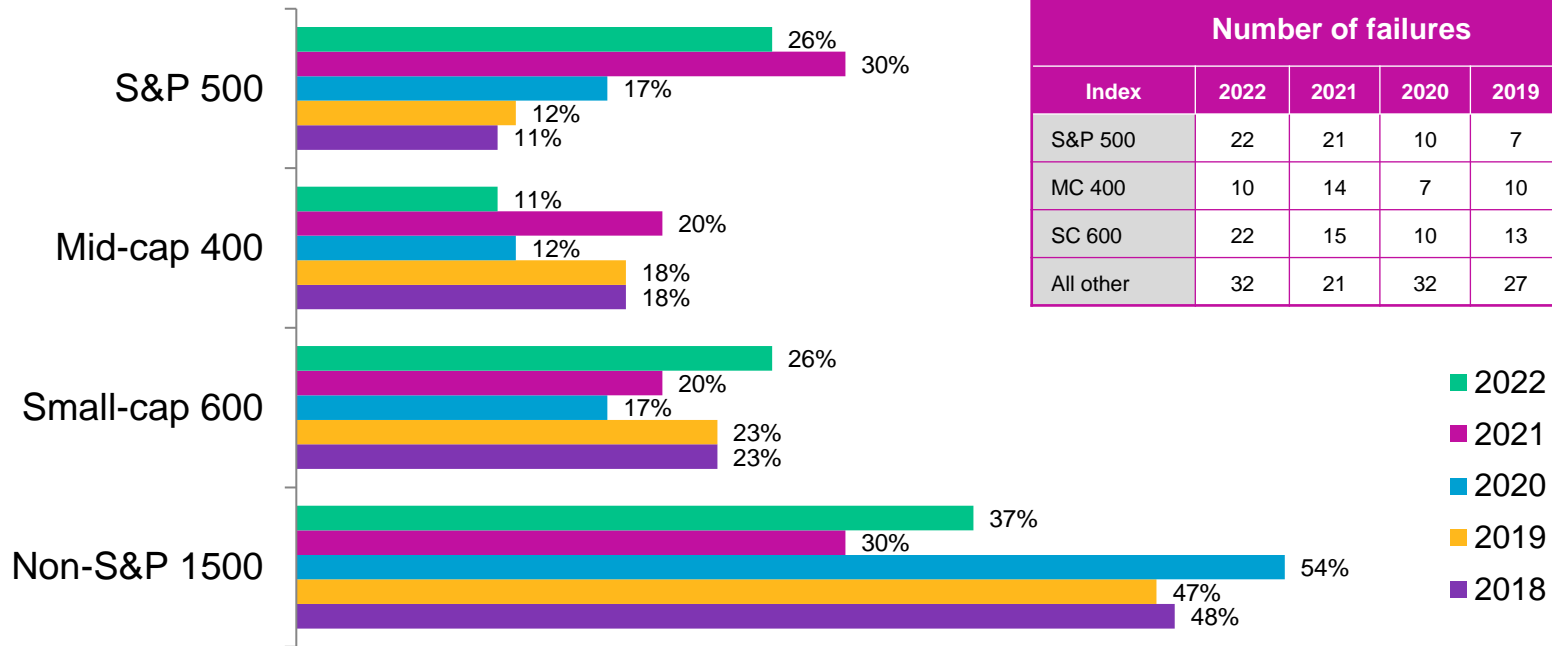
	S&P 500	S&P Mid-cap	S&P Small-cap	Remaining Russell 3000
Failure rate	5%	3%	4%	3%
Average support	87%	91%	91%	88%
ISS negative votes	13%	9%	11%	18%

Source: WTW Global Executive Compensation Analysis Team analysis of 357 S&P 400, 470 S&P 500, 510 S&P 600 and 1,046 non-S&P 1,500 companies from January 1, 2022, to December 31, 2022, and 356 S&P 400, 456 S&P 500, 517 S&P 600 and 1,005 non-S&P 1,500 companies reporting results in 2021. ISS recommendations confirmed using ISS's Governance Analytics.

# Comparison of say-on-pay failures by company size

Highest yearly failure rate for small-cap companies since 2018

## Sharp failure rate decline at mid-cap companies in 2022\*



\*Percentage of failures relative to the total number of failures.

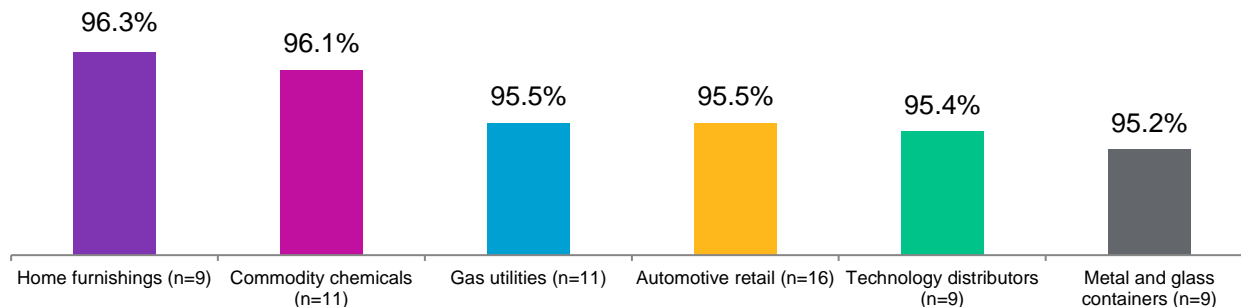
Source: WTW's Global Executive Compensation Analysis Team.

# Average say-on-pay results by industry in 2022

**21** out of  
**155**

industries had an average support level of 95% or greater

## Industries with more than 95% average support



## Industries with the lowest average say-on-pay support

GICS primary industry	Average support
Hotel and resort REITs (n=16)	73.2%
Movies and entertainment (n=11)	76.5%
Hotels, resorts and cruise lines (n=15)	77.6%
Technology hardware, storage and peripherals (n=13)	79.1%
Soft drinks (n=6)	80.4%

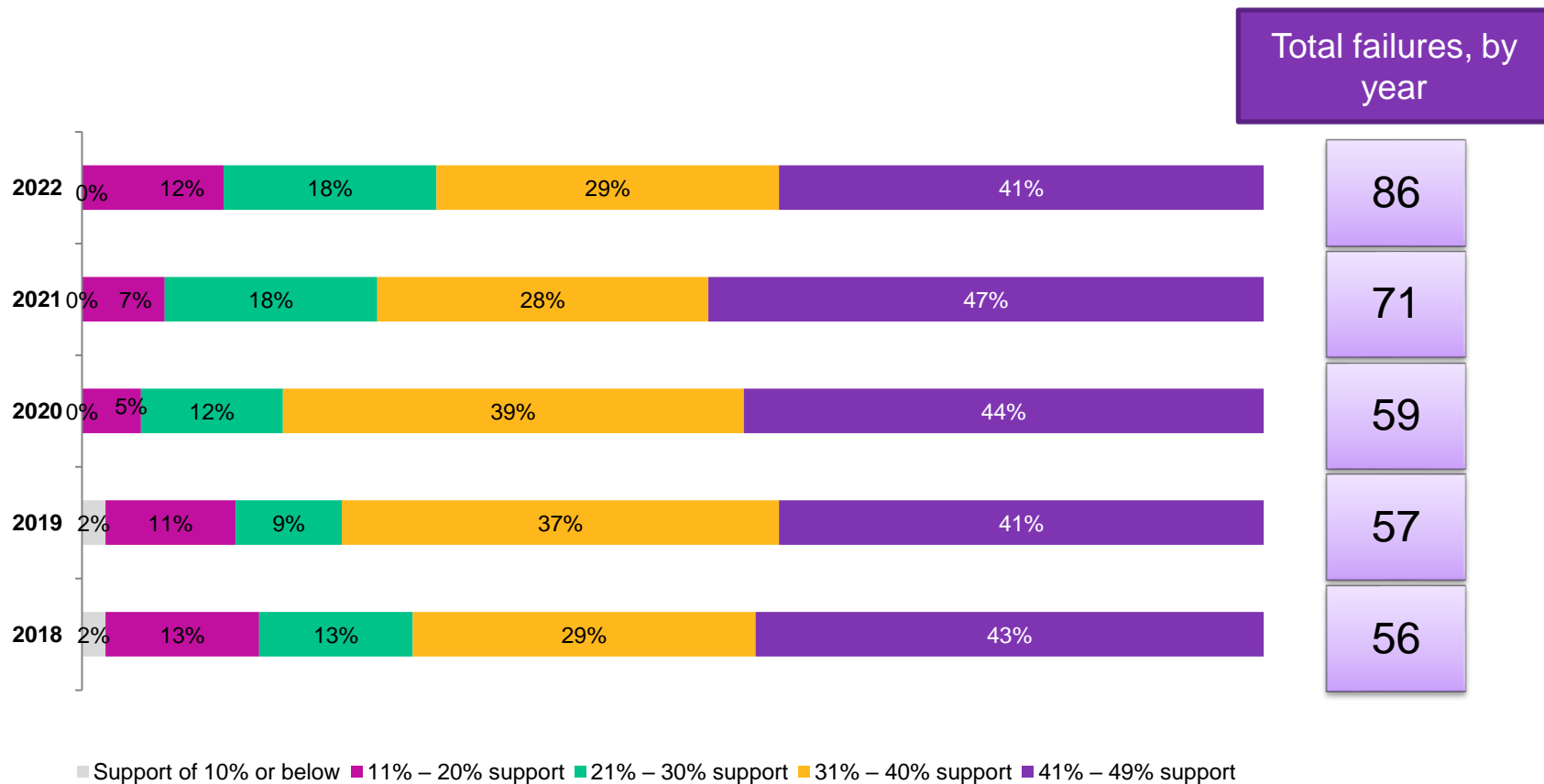
Source: WTW's Global Executive Compensation Analysis Team. Industry classifications were based on the Global Industrial Classification System (GICS). Results are included for those industries with six or more companies in the group (n=the number of companies in the industry). For this analysis, all companies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

\*Data based on 155 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.

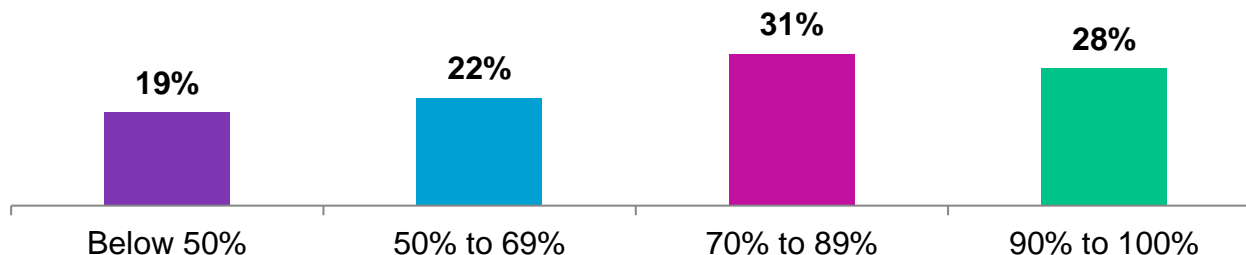
# Most companies that failed in 2021 improved their results in 2022

More than 80% of companies recovered from last year's say-on-pay failure

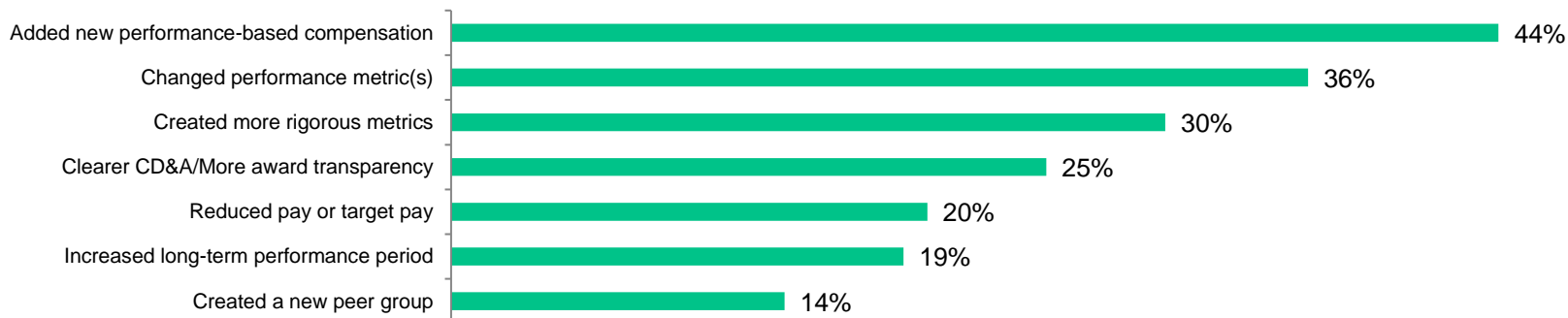
**35%**

Average year-over-year increase in shareholder support for companies failing in 2021

2022 support level for companies that failed in 2021\*



## Most common compensation program changes disclosed after failed 2021 vote



Source: WTW's Global Executive Compensation Analysis Team.

\*Based on 64 companies that failed in 2021 and have filed voting results for say on pay in 2022.

# 60 companies failed say on pay for the first time in 2022

70%

of all failures are *first-timers*

- 22% of first-time failures are from the healthcare industry, followed by industrials (19%) and information technology (17%)
- 48% of first-time failures are non-S&P 1500 companies, and 22% are S&P 500 companies

## Common issues at first-time failures



Source: WTW's Global Executive Compensation Analysis Team review of 60 Russell 3000 companies that failed say on pay for the first time as of December 31, 2022. ISS areas of concern confirmed using ISS's Governance Analytics.

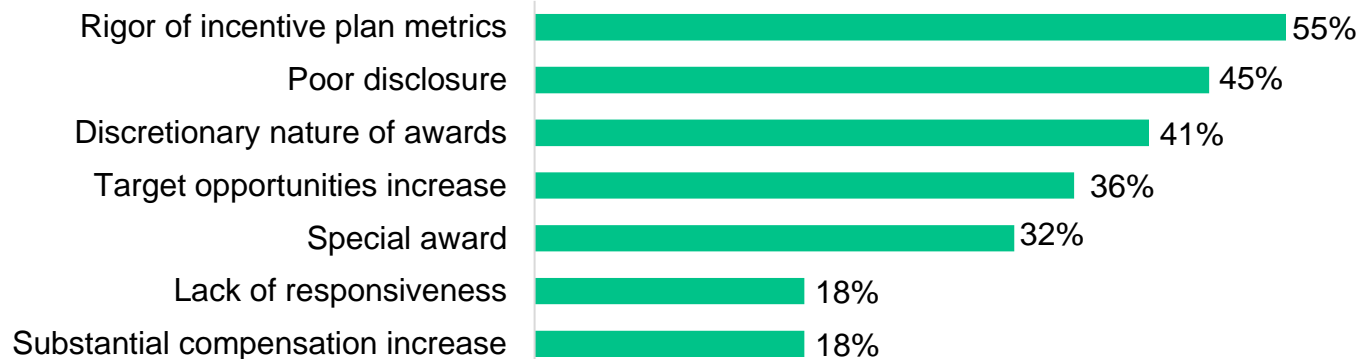
## 22 S&P 500 companies failed say on pay in 2022

**26%**

of all failures are S&P 500

- 32% of S&P 500 failures are from the information technology industry, followed by consumer discretionary (23%) and financials (9%).

### Common issues at S&P 500 failures



Source: WTW's Global Executive Compensation Analysis Team review of 22 S&P 500 companies that failed say on pay, as of December 31, 2022. ISS areas of concern confirmed using ISS's Governance Analytics.

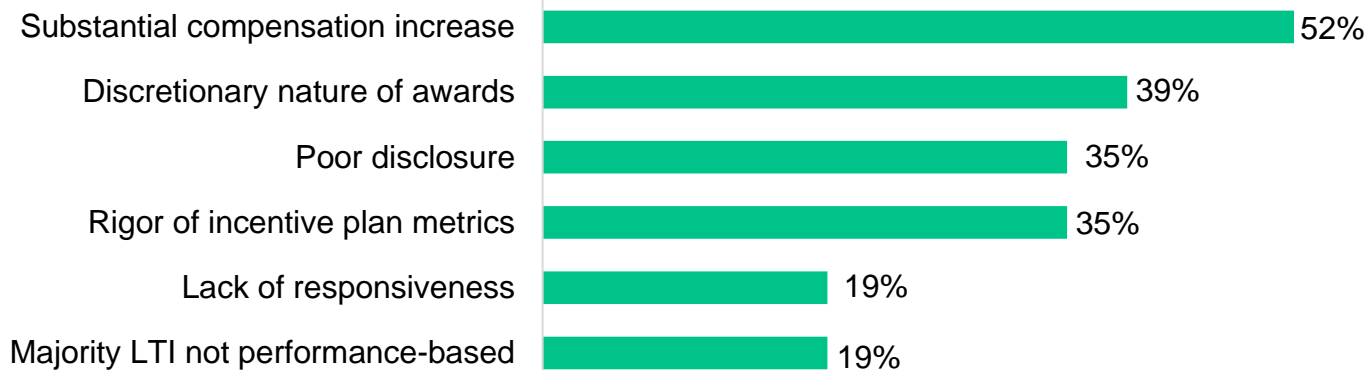
## 32 non-S&P 1500 companies failed say on pay in 2022

**37%**

of all failures are non-S&P 1500

- 29% of non-S&P 1500 failures are from the healthcare industry, followed by information technology and industrials (23% each)

### Common issues at non-S&P 1500 failures

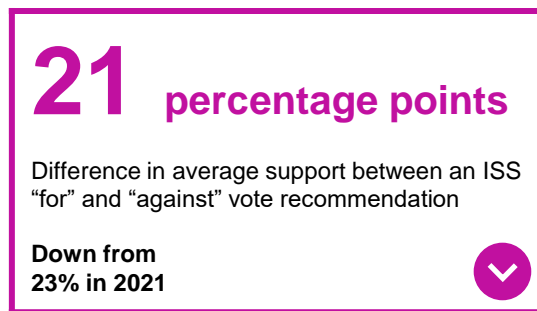
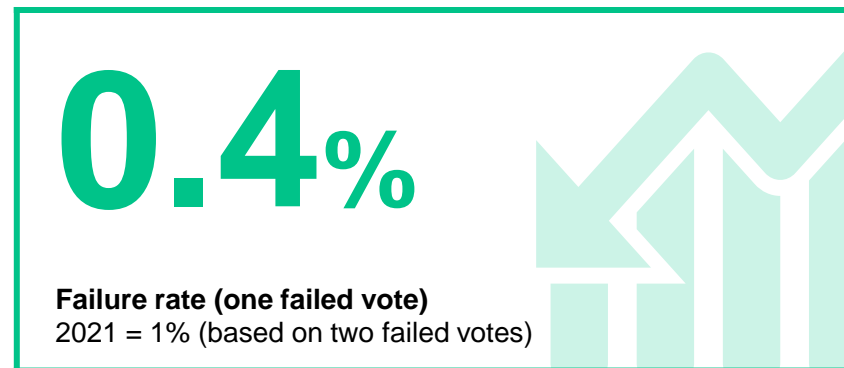
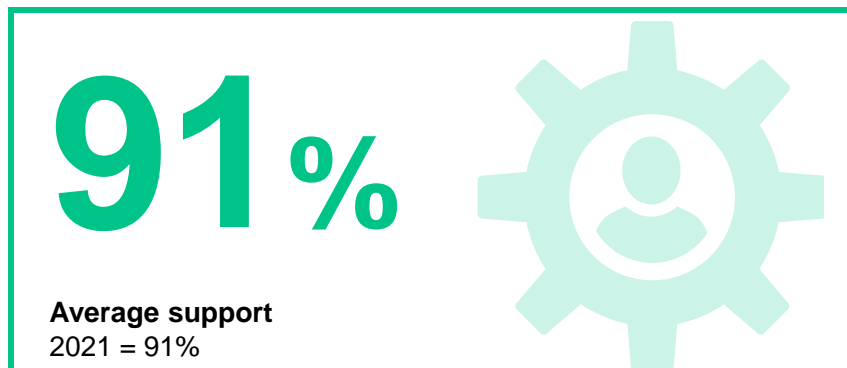


Source: WTW's Global Executive Compensation Analysis Team review of 32 non-S&P 1500 companies that failed say on pay as of December 31, 2022. ISS areas of concern confirmed using ISS's Governance Analytics.

# Equity plans

# 2022 S&P 1500 equity plan voting results snapshot

## One S&P 1500 failure in 2022



Source: WTW Global Executive Compensation Analysis Team analysis of 283 S&P 1500 companies that had a new or materially amended plan with voting results from January 1, 2022, to December 31, 2022, and 347 companies in 2021. ISS recommendations confirmed using ISS's Governance Analytics.

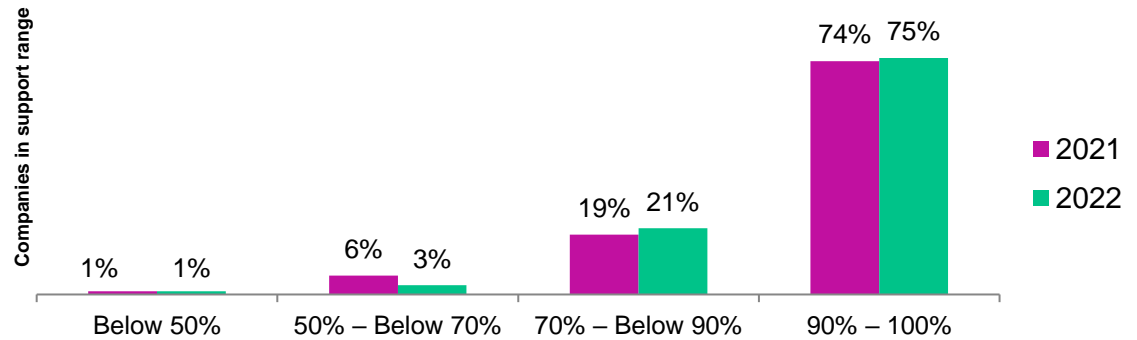


# Spotlight on equity plans

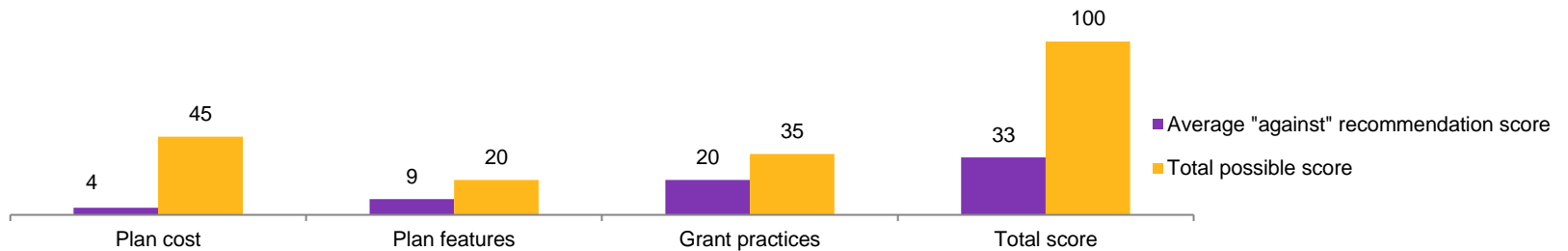
**96%**

S&P 1500 equity plans with support above 70% in 2022 (from 93% in 2021)

## 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 283 S&P1500 companies that had a new or materially amended plan with voting results from January 1, 2022, to December 31, 2022, and 347 companies in 2021.

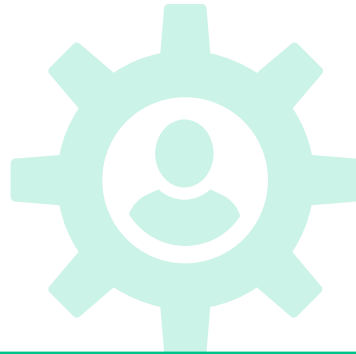
\*This spotlight highlights 32 S&P 1500 companies with an “against” recommendation that were evaluated under ISS's Equity Plan Scorecard.



Say on parachutes

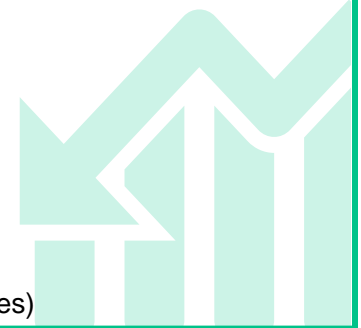
# 2022 say-on-parachute snapshot

72%



**Average support**  
2021 = 76%

26%



**Failure rate (13 failed votes)**  
2021 = 7% (based on four failed votes)

41%

**ISS negative vote recommendations**

**Up from**  
37% in 2021



46 percentage points

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

**Down from**  
51% in 2021



46%

Average support at companies with an “against”  
vote recommendation

**Up from**  
43% in 2021



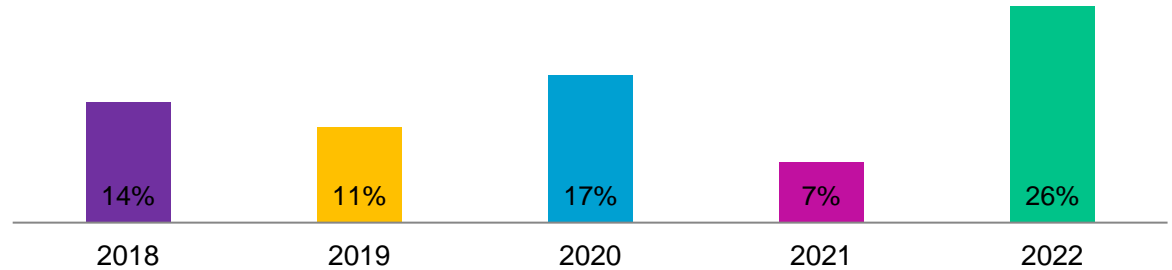
Source: WTW Global Executive Compensation Analysis Team analysis of 38 Russell 3000 companies holding a say-on-parachute vote from January 1, 2022, to December 31, 2022, and 57 Russell 3000 companies reporting results in 2021. ISS recommendations confirmed using ISS’s Governance Analytics.

# Say-on-parachute overview

## Say-on-parachute failures by year

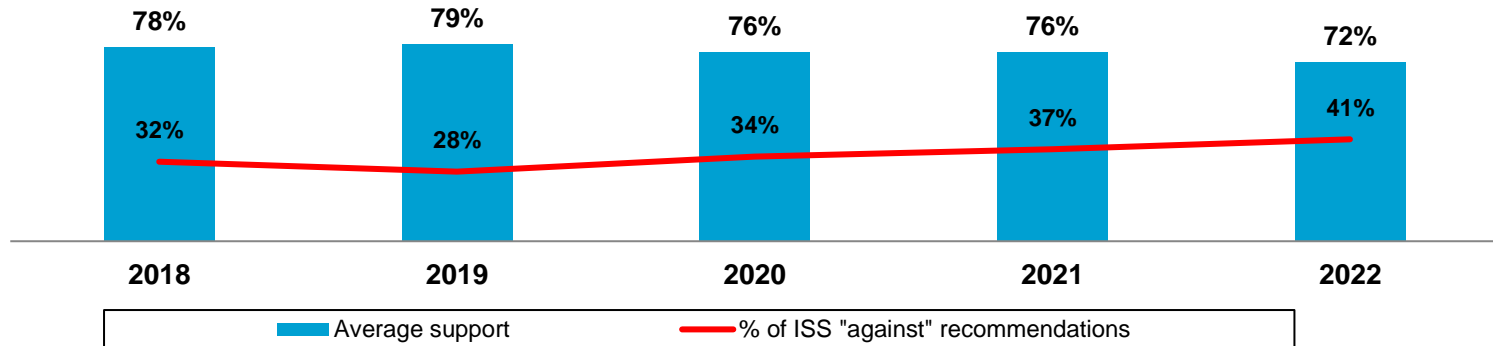
**78%**

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



## Highest ISS opposition to say-on-parachute resolutions since 2018

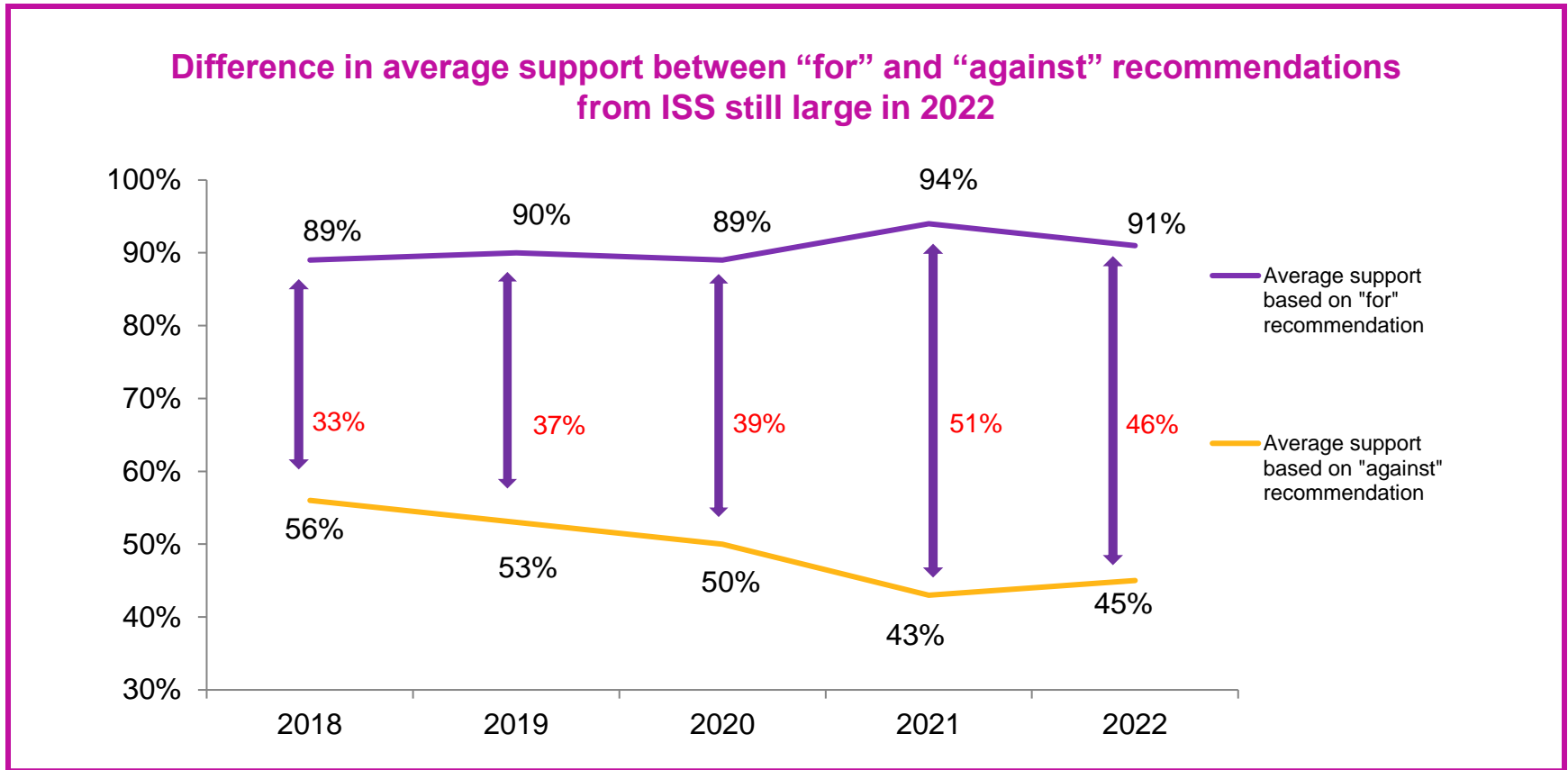
### Say-on-parachute vote summary



Source: WTW's Global Executive Compensation Analysis Team analysis of say-on-parachute votes at 394 Russell 3000 companies reporting results since 2018 (with 81 companies reporting in 2018, 72 in 2019, 41 in 2020, 57 in 2020 and 51 in 2022 ). ISS recommendations confirmed using ISS's Governance Analytics.

# Say-on-parachute support

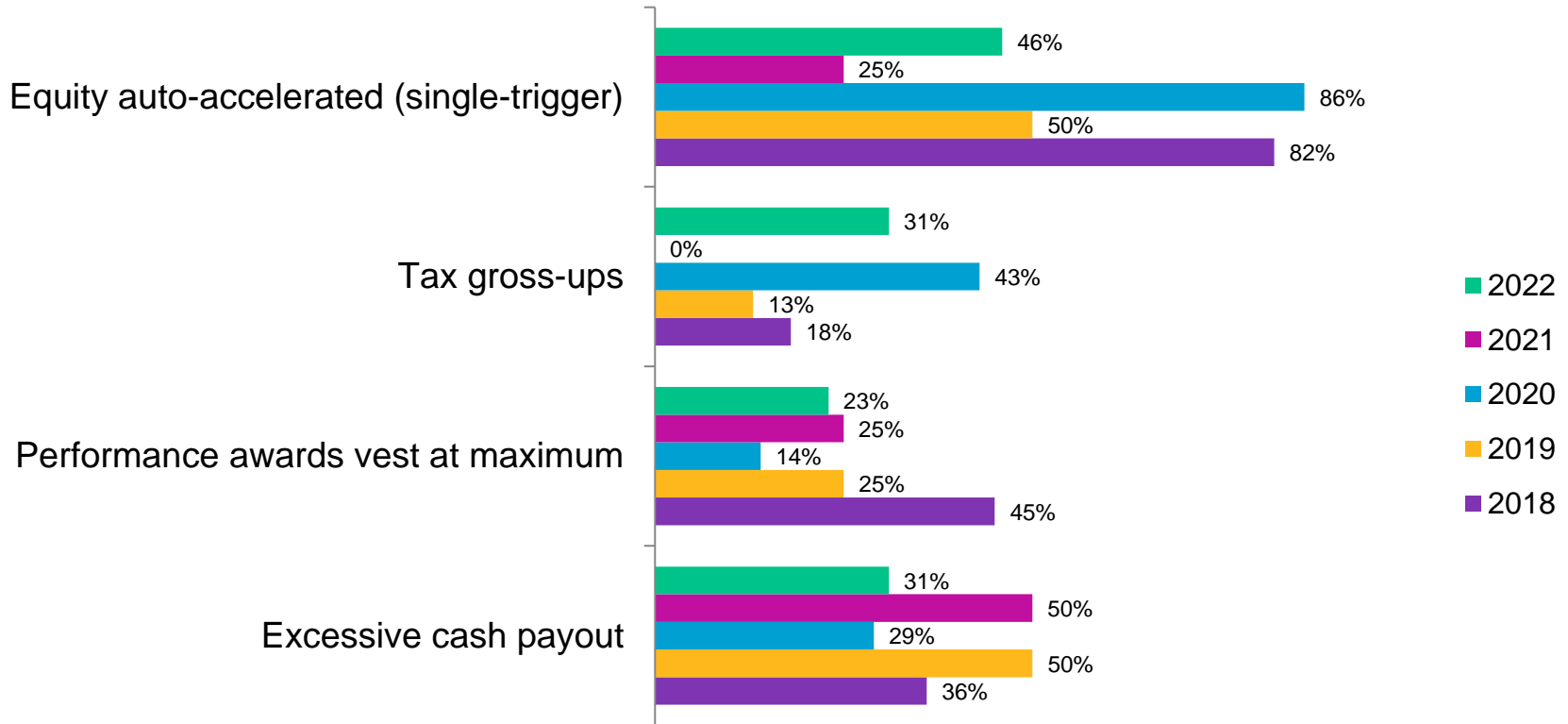
ISS impact marginally decreased from 2021



Source: WTW's Global Executive Compensation Analysis Team analysis of say-on-parachute votes at 394 Russell 3000 companies reporting results since 2018 (with 81 companies reporting in 2018, 72 in 2019, 41 in 2020, 57 in 2020 and 51 in 2022). ISS recommendations confirmed using ISS's Governance Analytics.

# Highlighted concerns among say-on-parachute failures

Auto-accelerated equity (single trigger) is the main concern in 2022



Source: WTW Global Executive Compensation Analysis Team analysis of 13 Russell 3000 companies that failed say on parachute from January 1, 2022, to December 31, 2022 (four in 2021, seven in 2020, eight in 2019 and 11 in 2018). ISS areas of concern confirmed using ISS's Governance Analytics.

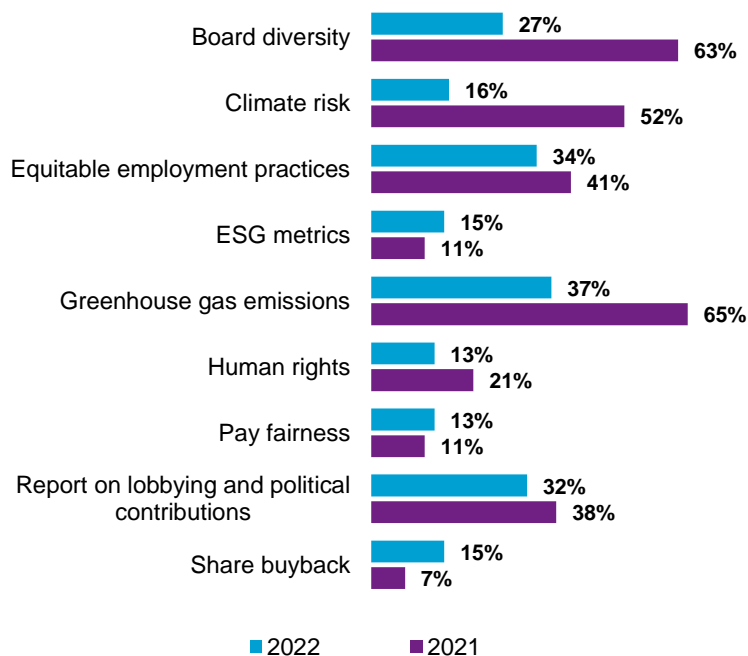
# ESG shareholder proposals

# Environmental, social and governance (ESG) shareholder proposals

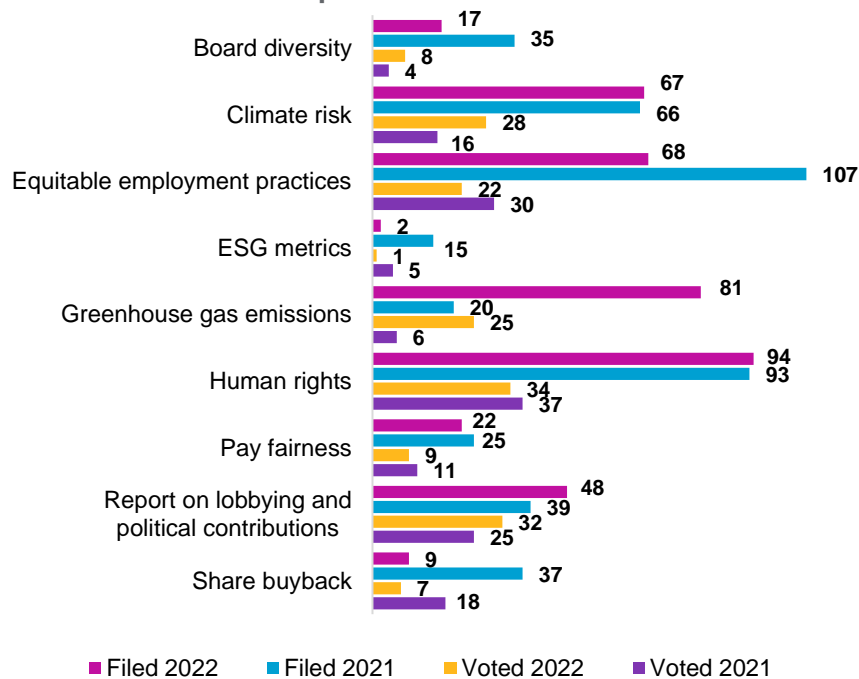
## Support in 2022

### Less support for ESG proposals in 2022

Average support for ESG proposals



Proposals filed vs. voted\*



\*Difference between filed and voted proposals made by withdrawals

Source: WTW Global Executive Compensation Analysis Team analysis of executive compensation-related governance, ESG proposals voted in 2022 at Russell 3000 companies using ISS's Governance Analytics.



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