

## SAY-ON-PAY FREQUENCY VOTES ("SAY-WHEN-ON-PAY") MORE NUMEROUS IN 2017

---

The SEC's rules specify that "say-on-pay" votes required under the Dodd-Frank Act must occur at least once every three years, beginning with the date of the first annual shareholders meeting or after January 21, 2011. Companies are also required to hold a 'frequency' vote at least once every six years in order to allow shareholders to decide how often they would like to be presented with the say-on-pay vote. Given this requirement we anticipate that the number of say-on-pay proposals will spike significantly for the 2017 proxy season, well above the average of approximately 190 for both 2015 and 2016, based upon the Russell 3000 universe. As shown in the table below, issuers have generally recommended, and shareholders have generally supported, an annual say-on-pay proposal to provide shareholders with the most consistent input into the company's pay practice. However, there are a number of significant exceptions, with investors such as BlackRock, Franklin Advisory and Morgan Stanley Investment Management leaning towards an extended three-year cadence.

Proxy advisors as well as most large investors generally disclose their intent regarding these "say-when-on-pay" votes. Institutional Shareholder Services recommends that investors "vote for annual advisory votes on compensation, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs."

As to investors, BlackRock generally supports a say-on-pay vote once every three years. Their guidelines state "We believe that shareholders should undertake an annual review of executive compensation and express their concerns through their vote on the members of the compensation committee. As a result, it is generally not necessary to hold a Say-on-Pay vote on an annual basis, as the Say-on-Pay vote merely supplements the shareholder's vote on compensation committee members. However, we may support annual Say-on-Pay votes in some situations, for example, where we conclude that a company has failed to align pay with performance." Northern Trust holds a contrary view to this and "generally votes proposals regarding the frequency of advisory votes on executive compensation in accordance with the recommendation of the issuer's board of directors, as long as such recommendations are in compliance with existing rules and regulations." Mellon Capital Management states that they generally vote for proposals that call for say-on-pay on an annual basis. Most major institutional investors agree with the annual approach.

Irrespective of whether an issuer has a say-on-pay proposal on the ballot, proxy advisors such as ISS will conduct a pay for performance and executive compensation plan design review, and seek out problematic pay practices. In the absence of a say-on-pay proposal, they may express their concerns by way of withhold votes for directors of the compensation committee. It's common to see lower levels of support for compensation committee directors when no say-on-pay proposal is available to shareholders, and any issuer proposing a triennial cadence would do well to notify compensation committee members in advance



TABLES ON FOLLOWING PAGE

### SELECTED MAJOR INVESTORS SUPPORTING ONE-YEAR FREQUENCY, 2014-2016

If Issuer Recommended:	ONE-YEAR			THREE-YEAR			TOTAL # VOTES	OVERALL% SUPPORT
	ONE-YEAR	THREE-YEAR	% SUPPORT	ONE-YEAR	THREE-YEAR	% SUPPORT		
INVESTOR VOTES:								
The Vanguard Group, Inc.	315	0	100.0%	167	0	0.0%	482	65.4%
Geode Capital Management, LLC	292	0	100.0%	177	0	0.0%	469	62.3%
State Street Global Advisors (SSgA)	241	0	100.0%	78	0	0.0%	319	75.5%
Mellon Capital Management Corporation	196	0	100.0%	60	0	0.0%	256	76.6%
TIAA-CREF Investment Management, LLC	230	0	100.0%	72	0	0.0%	302	76.2%

### SELECTED MAJOR INVESTORS SUPPORTING THREE-YEAR FREQUENCY, 2014-2016

If Issuer Recommended:	ONE-YEAR			THREE-YEAR			TOTAL # VOTES	OVERALL% SUPPORT
	ONE-YEAR	THREE-YEAR	% SUPPORT	ONE-YEAR	THREE-YEAR	% SUPPORT		
INVESTOR VOTES:								
BlackRock fund Advisors	12	237	4.8%	11	84	88.4%	344	27.9%
Franklin Advisory Services, LLC	24	133	15.3%	9	46	83.6%	212	33.0%
Diamond Hill Capital Management, Inc.	11	88	11.1%	1	16	94.1%	116	23.3%
GE Asset Management, Inc. (U.S.)	11	50	18.0%	3	14	82.4%	78	32.1%
Westfield Capital Management Company, L.P.	24	62	27.9%	4	12	75.0%	102	35.3%

### SELECTED MAJOR INVESTORS SUPPORTING MANAGEMENT RECOMMENDATION ON FREQUENCY, 2014-2016

If Issuer Recommended:	ONE-YEAR			THREE-YEAR			TOTAL # VOTES	OVERALL% SUPPORT
	ONE-YEAR	THREE-YEAR	% SUPPORT	ONE-YEAR	THREE-YEAR	% SUPPORT		
INVESTOR VOTES:								
Northern Trust Investments, Inc.	229	0	100.0%	0	31	100.0%	260	100.0%
American Century Investment Management, Inc.	110	0	100.0%	6	12	66.7%	128	95.3%
Lord Abbett & Co., LLC (Asset Management)	78	34	69.6%	15	30	66.7%	157	68.8%
GAMCO Asset Management Inc.	31	0	100.0%	0	5	100.0%	36	100.0%
Eagle Asset Management Inc.	24	0	100.0%	3	4	57.1%	31	90.3%

Learn more about our Corporate Governance platform

Ipree Corporate Governance  
 +1 (877) 588-5030 | sales@ipree.com