United States

GLASS LEWIS

Proxy Season Review 2021

Key Trends, Season Highlights, Statistics & Notable Meetings

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Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make sustainable decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' **Viewpoint** platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading **Proxy Paper** product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative **Report Feedback Statement** to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

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Executive Summary

Dear clients, customers and shareholders,

The global pandemic had a clear impact on proxy voting in 2021. The events of 2020 galvanized investor views around human capital management, equality, and diversity, while severe weather around the globe highlighted the exigent crisis of climate change. The rapidly evolving priorities of institutional investors were evident in 2021 vote outcomes on director elections and pay proposals, while a slew of new shareholder proposals set sights on holding companies to increasing standards for climate performance.

There was a notable rise in the number of shareholder meetings in 2021, with many new public companies holding their first annual meetings. The most contentious meeting of the year was arguably the contested election of directors at Exxon Mobil, where the climate competency of board members was the primary focus of a successful activist push to replace part of the board.

In 2021, we saw a 25% increase in the number of directors failing to get majority shareholder support, despite a slight rise in average support. And the number of say-on-pay proposal failures in the S&P 500 nearly doubled. These increases may suggest that shareholder perspectives on governance and pay are coalescing around key areas of concern, with outliers cast in a brighter spotlight due to COVID-19 adjustments. Boards are becoming more diverse, slowly but surely, with 25% of all Russell 3000 directorships now held by women.

Disclosure of diversity beyond gender has increased dramatically. Glass Lewis debuted a diversity disclosure rating for companies in the S&P 500 this year, and we observed a substantial improvement in the quality of disclosures around racial and ethnic diversity. This year, nearly 74% of companies in the index disclosed the percentage of racial/ethnic diversity on the board, versus just 29% last year. These rapid improvements in disclosure resonate with new diversity rules from states and the Nasdaq stock exchange, which continue to raise the bar.

Engagement with public companies is a continued focus for Glass Lewis. This year, over 1,850 global companies used our Issuer Data Report to verify the accuracy of our data, and over 1,000 companies provided their updated list of self-disclosed peers for inclusion in our Glass Lewis peer group methodology. And more companies are taking advantage of our innovative Report Feedback Statement service. Already this year, over 100 companies have included their unedited perspectives alongside the Glass Lewis research.

We now turn our attention to off-season engagement and enhancements to our policies and proxy papers. This year, we are targeting engagement on a range of ESG topics, including board diversity, climate, human capital, executive compensation, and responsiveness. We look forward to constructive dialogue about these topics. If you have any comments or feedback regarding this review, please get in touch.

Kind Regards,

Kern McPherson

Vice President, North American Research & Engagement

Key Trends

Market/Regulatory

- In April 2021, the Securities and Exchange Commission (SEC) issued guidance on accounting and reporting considerations for warrants issued by special purpose acquisition companies (SPACs) and how to treat certain warrants issued while they were a SPAC. Specifically, the SEC staff suggested that warrants issued by many SPACs should be properly accounted for under the liability method on the balance sheet. The SEC staff advised that companies with such outstanding warrants (whether SPACs or the combined company following a de-SPAC transaction) consider the need to amend previously filed audited and unaudited financial statements.
    - During the 2021 proxy season, Glass Lewis identified 23 companies that restated financial statements due to this guidance and 20 of those that concurrently disclosed a material weakness in their internal controls over financial reporting. Given the SEC guidance, we generally refrained from recommending against audit committees based on this issue. There were 17 financial restatements for other reasons during the 2021 proxy season, 5 of which reached a level of materiality that led us to recommend against directors based on the severity.

- The NYSE and NASDAQ both had proposals approved by the SEC in December 2020 and May 2021, respectively, to allow companies to list their shares directly on the exchanges while simultaneously conducting a capital raise. Direct listings, an alternative to initial public offerings, have risen in popularity since Spotify Technology publicly listed its shares via direct listing in 2018.
    - Previously, in a direct listing only existing stockholders could offer their shares for resale to the public. Now, the new rules from the NYSE and NASDAQ allow companies to raise capital at the time they list their shares publicly on the exchanges. Three companies went public via direct listings in 2020, including two of the more high-profile technology companies to debut — Asana and Palantir Technologies — and more are likely to follow.

- In April 2021, the SEC reopened the comment period on rules and amendments proposed by the SEC in October 2016 that would mandate the use of universal proxy cards in all non-exempt contested director elections. A universal proxy card would list all management and dissident nominees for directors on a single card, allowing shareholders voting by proxy to pick from among all candidates. The proposed rules would also make certain amendments to proxy statement and proxy card disclosure requirements related to voting options and standards in director elections.
    - The director election rules were proposed in response to concerns of ambiguity and inaccuracies in company disclosure about voting standards. The variety of voting standards used by companies, including those with “resignation policies,” has brought about some confusion in proxy statement disclosures. The proposed rules would benefit shareholders by making the specific voting method being used by each company more clear.

Boards & Governance Oversight

- Eighty-four directors in our coverage failed to receive majority support from shareholders, 17 more than in 2020 and the most recorded by Glass Lewis in any of the past five years. Average shareholder support for directors also dipped slightly to 93.8% in 2021 from 94.5% last year. Glass Lewis recommended supporting nearly 90% of director election proposals, which remained consistent with 2020.
  - While they remain extreme outliers, the rising number of failed elections suggests that directors are more frequently being held accountable for issues that fall outside those of traditional proxy voting policies. It is possible that investors are more willing to break from proxy adviser recommendations to target individual directors for issues that fall under the scope of environmental and social oversight responsibilities.

- The most common driver of majority opposition to directors this year appears to be shareholder concerns with executive compensation programs and practices, primarily ongoing compensation concerns and/or an insufficient response to shareholder dissent regarding compensation issues.
  - This correlates with the increased number of say-on-pay failures in the U.S. this year, and seems to reflect that shareholders are becoming less forgiving of (a) companies with consistently concerning executive compensation programs and practices; and (b) those who exhibited questionable decision making within the unique circumstances of the COVID-19 pandemic.

- Adoption of federal forum provisions continued to rise through the 2021 proxy season after the Delaware Court of Chancery ruled in March 2020 that charter provisions designating U.S. federal district courts as the exclusive jurisdiction for any litigation arising under the Securities Act of 1933 were valid, which led to an increase in our recommendations against directors on boards' that unilaterally adopted forum selection clauses without shareholder approval.
  - Adoption of forum selection clauses skyrocketed into our top five most common drivers of majority director opposition in 2021 after not contributing to a single director failure in each of the previous two years. However, this appears to mostly be a provision that exacerbated existing shareholder concerns with companies' other poor governance practices. In all but two of the cases where we identified this concern we also identified several other poor governance features or practices which contributed to our against recommendation.

Compensation

- The number of S&P 500 companies with failed say-on-pay proposals (17) nearly doubled from 2020 (9), despite average shareholder support rising slightly to 90.0% in 2021 (89.8% in 2020). The Glass Lewis support rate mirrored this trend, increasing slightly to 85.7% in 2021, from 84.3% in 2020.
  - A greater number of failed pay votes, despite an overall rise in average support may indicate that shareholder views around compensation practices are coalescing around key areas of concern, with certain pay decisions cast in a greater spotlight because of the pandemic.

- The most common driver for Glass Lewis against recommendations shifted to excessive granting/compensation in 2021. These practices were prominent at S&P 500 companies which saw a record number of failed say-on-pay proposals.
    - This result is unsurprising in light of the year-over-year increase in total compensation afforded to S&P 500 CEOs and all CEOs (6.5% and 19.3%, respectively), despite commonplace decreases in base salaries made early in the pandemic.

- While most pay plans are finalized early in the calendar year and only rarely amended in a normal year, approximately 45.6% of companies made COVID-19 pandemic-related changes to their compensation program as the year unfolded.
    - Structural changes were common, with a frequent shift towards discretionary and time-based structures, in contrast with the market's momentum towards formula-driven arrangements. Where performance goals were still used, post-facto revisions to bonus plan payouts went from rare occurrence to frequent factor (23.1% of companies revised performance goals in 2021, versus 3.9% in 2020).

Environmental, Social & Governance (ESG)

- Average shareholder support for environmental proposals jumped from 31% to 42% in the course of a single year, and support for social proposals rose from 28% to 31%.
    - There also was a higher proportion of majority-supported environmental and social proposals in 2021 than in previous years; these proposals have comprised 16%, 35%, and 46% of majority-supported proposals over the last three years, respectively.
- Proposals related to climate change were extremely popular with investors in 2021, with over 80% of proposals asking for more information on climate lobbying and 100% of those asking companies to set GHG emissions reductions targets receiving majority support.
    - Issues related to climate change have also migrated to management proposals, with two U.S. companies and an additional 18 European companies putting their climate transition plans up for an advisory vote of shareholders.
- Human capital management represents an issue of growing concern for investors. Proposals on this topic received an average of 45% support, up from 28% the prior year.
    - Of these, the most popular proposals asked companies to provide more information concerning the diversity of their workforces and those that asked companies to report on their use of mandatory arbitration. Two-thirds of those proposals asking for additional reporting on companies diversity received majority shareholder support, as did each of the proposals asking for more information on mandatory arbitration.

Season Highlights

First Year AGMs: IPOs, Direct Listings and SPACs

There was a meaningful increase in the number of companies holding annual meetings during this proxy season, with over 300 additional U.S. meetings versus the prior year. This represents an 8% increase in our U.S. coverage, largely due to a significant number of companies holding initial public offerings (IPOs) during 2020. Additionally, SPAC mergers in 2020 led to first-year AGMs in 2021.

IPOh No! Initial Public Offerings and Governance Concerns

In total, 480 companies held initial public offerings during 2020 - the most since 2000. Glass Lewis covered the first annual meeting of 147 of these newly public companies during the 2021 proxy season. An overwhelming majority of these companies entered the public markets with governance structures unfavorable to shareholders.

'IPO governance concerns' was our top withhold reason during the 2021 proxy season. When covering a company's first public annual meeting we perform a detailed analysis of the Company's governing documents - with a focus on anti-takeover provisions and other concerning governance structures that limit shareholder rights. Companies that go public with multi-class share structures and/or classified boards will generally trigger a Glass Lewis against recommendation based on IPO governance concerns. A combination of other problematic governance provisions can also cause Glass Lewis to recommend against directors. This is often the first and only opportunity for shareholders to weigh in on a company's governing documents on the whole.

In 2021, we recommended against 178 directors on boards of Russell 3000 companies based on IPO governance concerns at the time they went public. Of the 20 largest IPOs (by offering size) analyzed by Glass Lewis during the 2021 proxy season, 18 had concerning provisions in their governing documents: 15 of these companies have classified boards, 17 only allow director removal "with cause", 16 have supermajority provisions and 13 have multi-class share structures.

Tech IPOs

Governance policies vary at post-IPO companies, and in recent years have trended towards being mostly unfavorable to shareholders. The technology industry in particular has notably poor governance, including a prevalence of multi-class voting structures, classified boards, restrictive governance covenants, and extreme pay. The two largest IPOs in our coverage for the 2021 season (Airbnb and DoorDash) were among the worst offenders. After long stints remaining private, these companies' annual meetings provided shareholders their first opportunity to weigh in on governance structures, boards, and compensation practices. Most alarming, these companies both went public with multi-class share structures that provided founders 20 votes per share. These multi-class share structures, although increasingly common, remain severely problematic in the misalignment they create between the voting power and economic stake of founders and public shareholders.

Three companies opted for an alternative to the IPO and went public via direct listings in 2020. Two of these companies (Asana and Palantir Technologies) were some of the more high-profile tech firms to publicly list shares in 2020 and debuted with valuations of roughly $5.5 billion and $21 billion, respectively. Though their method of choice to list shares differed from the rest of the pack, their governance structures did not stray far from the concerns we observed at other newly public companies. Both Asana and Palantir maintain multi-class share structures that perpetuate founder control disproportionate to economic stake.

SPAC Attack Part I – Post-Combination Governance

Special purpose acquisition companies or SPACs are companies with little or no operations formed for the sole purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. SPACs accounted for 247 of the IPOs held in 2020, more than half of the total. Of these, 81 completed mergers with targets in 2020, which led to many of them holding their first annual meeting during the 2021 proxy season. SPACs and the post-merger operating companies they create carry many of the same concerning governance provisions discussed above. SPAC mergers contributed to a significant uptick in bylaw amendments to adopt supermajority provisions and classified boards. We reviewed 61 proposals to adopt supermajority provisions, an increase of 45 from the prior year. Of these, 52 were attributable to SPAC merger meetings. Similarly, we reviewed 16 proposals to adopt a classified board, an increase of 12 from the prior year; 11 of these were at SPAC merger meetings. This trend looks set to continue, with a significant increase in SPAC merger transactions during 2021 (see SPAC Attack — Part II under M&A Transactions & Contests, below).

Concerns for Shareholders

Multi-class share structures, supermajority provisions, classified boards and other anti-takeover provisions serve to insulate founders and management, and can plague shareholders for years. Other concerning provisions, such as when directors may only be removed for cause, or the lack of shareholders' rights to call special meetings or act by written consent, further limit shareholders' ability to influence management and hold companies and boards accountable. Investors are seemingly giving away their rights and protections for near term gain, at the cost of long-term pain down the road when the absence of governance mechanisms makes it more difficult – or even impossible — to keep management and boards in check.

Focus on ESG: Disclosure and Director Accountability

The 2021 proxy season saw a rise in disclosure regarding environmental, social and governance (ESG) issues in proxy statements, in conjunction with an increased shareholder focus on these topics. Significantly, over 57% of companies in the Russell 1000 provided disclosure regarding board oversight of environmental and social (E&S) issues, a 6% increase from last year and 14% increase from 2019. The area where this trend was most noticeable was in board diversity and related disclosure.

Glass Lewis Diversity Disclosure Ratings

During the 2021 proxy season, Glass Lewis introduced diversity disclosure ratings in Proxy Papers for S&P 500 Companies. The ratings are a propriety measure taking into account proxy statement disclosure across four major categories identified by Glass Lewis as material and critical disclosure:

- Race and Ethnicity Disclosure: Disclosure on a board's, and in some cases, individual directors', self-identified racial and ethnic composition;
- Diversity Considerations for Director Candidates: Specific disclosure about what measures of diversity and background are considered in identifying director nominees;
- Rooney Rule: A formal commitment in the proxy statement, charter of a board's nominating committee or corporate governance guidelines to ensure that women and racial/ethnic minorities are included in the initial pool of director candidates when nominating new directors; and
- Director Skills Disclosure: Categorization of director skills disclosure in proxy statements.

Glass Lewis rated companies' disclosure as Poor; Fair; Good or Exemplary. Compared with 2020, we saw a significant increase in the quality of disclosure regarding board diversity. In 2020, we rated 17.6% of S&P 500 companies' disclosure as Good, and just 3.8% as Exemplary. In 2021 we rated 39.3% of companies' disclosure as Good, a 21.7% increase; and 11% as Exemplary, a 7.2% increase. Conversely, in 2020 we rated 30.1% of disclosure as Poor, compared to just 9.5% this year.

It appears that the improvement in overall disclosure ratings can be attributed to a number of factors. Generally, we saw improvement in each of the four major categories of material disclosure. For example, 11% of companies disclosed a Rooney Rule, compared to just 9% last year, a small increase. Over 50% of companies disclosed a tabular skills matrix this year, compared to 41% last year; and 87% of companies in the S&P 500 provided specific disclosure that both gender and race were considered in identifying director nominees, compared to 75% last year.

Most significantly however, we saw a substantial increase in the number of companies disclosing the racial/ethnic diversity metrics of the board. 73.7% of companies in the S&P 500 Index disclosed this information at either the aggregate board level (for example, 20% of the board was composed of racially or ethnically diverse directors) or at an individual directors level (identifying which directors were considered to be racially or ethnically diverse) in 2021. Comparatively, just 29.2% of companies disclosed these metrics last year, representing a 2.5x increase.

Director Accountability for Environmental and Social Oversight

Shareholders have also been under increasing pressure from regulators, advocacy groups and other stakeholders to incorporate aspects of ESG-related risks into their voting policies and have begun to set their sights on board oversight of these issues. While voting against the board is common for many governance, compensation, and diversity-related issues, votes against directors for other pressing ESG-related risks, most notably those related to climate change, have historically been less common. In an effort to draw more attention to climate-related risks, there were a number of vote no campaigns in 2021 targeted at companies with purportedly insufficient oversight of these risks; specifically, Majority Action, an NGO focused on shareholder advocacy, urged that shareholders vote against 27 directors at nearly 20 different companies for this issue. Generally these were at companies operating in the energy or finance sectors, such as Phillips 66, Occidental Petroleum Corp. and Kinder Morgan, Inc. On average, directors targeted by Majority Action received 90.1% support from shareholders; a notable decrease from the average 94% director support level in the U.S. for 2021. The lowest support for Majority Action director targets occurred at Chevron Corporation, Marathon Petroleum Corporation, and PPL Corporation, where they received under 80% support.

The 2021 proxy season was also the first season in which Glass Lewis recommended against directors at several U.S. companies on account of what we viewed as mismanagement of environmental and social risks. Specifically with regard to climate risk, we recommended against directors at Berkshire Hathaway Inc. and Reliance Steel & Aluminum Co. due to our concerns regarding these companies' acknowledgment of and preparedness for climate-related risks. Both companies were clear laggards concerning their disclosure and oversight of climate-related issues and both operated in industries that had significant exposure to attendant risks.

Looking Ahead

Lack of diversity in boardrooms in America has been a concern for many years. Recently, we have seen marked improvement in board gender diversity, as the number of companies with no women directors has significantly decreased: in 2018, we found 26% of boards in our U.S. coverage had no women directors. Comparatively, in 2021, we found 9.8% of boards had no women directors, which represents a 16% decrease. Although board gender parity is still a long way off, it appears that companies have been responding to both regulation targeting gender diversity, such as California Law SB 826 which required California-based public companies to have at least one woman on their board by 2019; and increased shareholder focus and demonstrated opposition to lack of gender diversity.

Investors and stakeholders are now focusing efforts to improve racial/ethnic diversity of boards in corporate America. As seen in our diversity disclosure ratings, S&P 500 companies, in response to pressure to improve board disclosure and best practices in this area, are including more information and metrics about the racial and ethnic composition of their boards, and we expect the wider market to follow suit. Additionally, we are seeing increasing regulation in this area, such as California Law AB 979 requiring California- headquartered companies to have at least one director from an underrepresented community by the end of 2021, and the Nasdaq proposal approved by the SEC in August 2021 requiring companies listed on the exchange to disclose board racial/ethnic demographic information, and meet certain diversity requirements- or explain why they do not. As investors are showing that they are increasingly willing to hold boards accountable for environmental and social issues, we expect to see improvement in these areas in upcoming seasons.

Contest at Exxon

Exxon's 2021 contested annual meeting was one of the most divisive and headline-grabbing meetings during the 2021 proxy season. Upstart investment firm Engine No. 1 nominated a short slate of director candidates intended to address a perceived dearth of successful and transformative energy experience on the board, which in the eyes of some investors had left Exxon unprepared for the future energy industry and economic environment, threatening long-term shareholder value.

Exxon, in defense, claimed it had the right strategy for the inevitable global energy transition and that it was uniquely positioned to meet the world's energy needs in a lower-carbon future. The oil major believed it should continue to grow and improve its core business, not allocating significant capital toward diversification strategies until they were in sufficient demand and economically viable. At the same time, Exxon hoped to appease its more progressive critics and investors by touting its recently-launched Low Carbon Solutions business and the potential opportunities Exxon sees for itself in carbon capture and storage, hydrogen and biofuels.

In the months preceding the shareholder meeting, Exxon expanded the size of the board to 12 directors and appointed three new individuals, including a respected climate-focused investor. The new appointments were meant to enhance the board's experience in oil and gas, energy transition, and capital allocation, but also served as an acknowledgment of the board's shortcomings. In contest to the company's slate of director nominees, Engine No. 1 nominated four alternative candidates with the goal of further enhancing the board's experience in oil and gas, renewable energy, carbon capture, and business transitions.

Several key themes emerged over the course of the months-long campaign. Among other points of contention, Engine No. 1 and Exxon debated over the future of fossil fuel demand, long-term risks in a decarbonizing world, viability of carbon capture technologies, executive incentivization, and setting emissions reduction targets aligned with the Paris goals. To be sure, Engine No. 1's case against Exxon wasn't only focused on environmental or governance concerns. The first-time activist also emphasized the company's operational and stock price underperformance versus oil major peers and the erosion of Exxon's historical leadership on metrics crucial to investors, such as return on capital, over the last decade.

Following extensive analysis and engagement meetings with several interested parties, we determined incremental changes to the board were needed in order to better position Exxon for the evolving industry and economic environment and the oncoming energy transition. We recommended for the election of two of Engine No. 1's nominees and for all of the "non-excluded" Exxon nominees on the dissident proxy card, including CEO Darren Woods.

Despite our favorable view of two of Exxon's own new appointments, we determined the board needed more oil and gas experience, regulatory experience, and scientific expertise to enable the company to devise and implement a more cohesive and sustainable strategy -- for both the company's core business as well as the energy transition. Ultimately, following a close vote, three dissident candidates were elected to the board, displacing two longer-tenured board members and one of the company's new appointees.

While the proxy contest led the news cycle for the first half of 2021, Exxon's annual meeting was also noteworthy for the seven shareholder proposals that went to a vote, including two on governance issues, two on political spending, and three on climate change. Of the three climate-related proposals, one concerned climate-related lobbying, one was a novel proposal, and one was submitted by a Trojan Horse proponent (Trojan Horse proposals mimic the form of traditional resolutions on a variety of topics, but often implicitly or explicitly promote an agenda that is often at odds with that of the traditional resolutions).

Submitted by Christian Brothers Investment Services as lead proponent of a filing group, the novel climate proposal requested that Exxon's board issue an audited report on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions. This climate scenario, data for which was released in full in May 2021, corresponds to the global energy sector reaching net-zero emissions by 2050. The proponents also recommended that the report be supported by reasonable assurance from an independent auditor, which reflects an emerging interest in ensuring that companies are disseminating high-quality, properly vetted climate data as investor demand continues to grow.

In our analysis, we recognized the speculative nature of many of the assumptions on which companies must rely in order to conduct scenario analysis. We also understood that auditing this information is a relatively nascent practice. However, we held that it would be an important step in the incorporation of such information into companies' financial statements. Further, given investor concern regarding Exxon's management of climate issues, as evidenced by Engine No. 1's campaign, we also believed that the production of such information would help to provide shareholders with some assurance that Exxon was considering various scenarios and providing shareholders with meaningful disclosure concerning those considerations.

For a new proposal type, it was somewhat remarkable that it received support from nearly 49% of Exxon's shareholders. The lobbying and Paris-aligned lobbying proposals were more successful, garnering 56% and 64% support, respectively. Overall, it was clear that the proxy contest led to a significant focus on Exxon's climate and political transparency, as demonstrated by these significant vote outcomes.

Compensation in the Time of COVID-19

The core of the pay-for-performance ideology is that shareholders and executives share wealth outcomes, but the actions of many companies over the course of the pandemic have raised serious questions with this axiom. 23% of companies with performance-based pay programs adjusted their bonus plan, long-term awards, or both to provide executives with more pay than would have otherwise been earned. Aside from this normally extraordinary measure, some 45% of companies in the Russell 3000 made broader amendments to their compensation programs in response to the pandemic. These actions cover a wide gamut, ranging from clearly artificial executive windfalls (many of which were awarded as shareholder returns plummeted), to innovative bargaining by boards to balance executive payouts, retention, and incentivization in accordance with the golden rule of pay and performance alignment. In either direction, the responses were clustered as different industries weathered different storms.

Arguably more surprisingly were the 55% of companies that did not change their compensation approaches. Many of these were in sectors less negatively affected by the pandemic, such as in software or life sciences, but a handful of companies that were in the thick of it also held the line and maintained their plans. Where there were boosts in demand, such as for delivery services or video conferencing, expectations were not generally revised upwards to match — only a rare few made goals more challenging or higher pay tiers harder to achieve.

As the U.S. GDP declined for the first time in a decade, CEO pay increased by approximately 19% on average. Still, for all sectors, the forecasting that underlies much of the U.S. approach to metrics and goal-setting was disrupted and remains unpredictable.

The persistent disruptions and the inconsistent telltales of economic recovery suggest that the executive pay challenges of 2020 are not yet historical relics. The overhang of the pandemic may still create significant pressure on boards to continue providing special awards or prioritize retention over tight linkages between pay and performance.

However, the considerable uptick in shareholder opposition to exceptional measures may yet provide some counterweight — roughly double the number of S&P 500 companies failed their say-on-pay votes compared to the prior year and historical counts. Whether boards heed these warning shots or whether executives will continue to secure considerable concessions or special incentives is a debate happening in board rooms across the country, and the search for a "new normal" will certainly apply to the delicate bargains between boards, shareholders, and executives.

General Electric

Background

In 2018, Larry Culp joined GE as its first external CEO in history and entered into a four-year employment agreement. In connection with his appointment, he received an inducement award with a grant date fair value of $37.85 million, tied to the achievement of stock price hurdles. Queue the COVID-19 pandemic and resultant stock price crash, dashing what GE believed was the retentive value of the award and stock price hurdles were set several multiples higher than the Company's stock price range in the second and third quarter of 2020. So, how does a compensation committee retain their CEO?

GE's approach was "more awards." In August 2020, the company granted one-off "Leadership Awards" to certain executives, with Culp's award worth approximately $59.9 million. Similar to the CEO's original inducement award, Leadership Awards tie payouts to share price hurdles. For the Leadership Awards to vest at target, the share price must reach $13.34 over a 30-day rolling period within a four- or five-year period (to be adjusted proportional to the recent reverse-split).

However, Culp's award was also made in connection with a two-year extension on his employment agreement, with the option for an additional year after that. He voluntarily relinquished rights to his inducement PSUs, effectively trading in his original award for the Leadership Award.

Lower Bars for Similar Hurdles

At one level, the CEO's Leadership Award is considerably larger than his inducement award in terms of the number of shares covered by the award, though the realized values of the two awards are extremely close at varying performance levels. At the same time, each performance hurdle was reduced by approximately 46% from the inducement award. The higher number of shares and lower targets for Leadership Awards created a situation where Culp would be provided the same amount of compensation in realized dollars for creating less shareholder value.

Moreover, the structure of the new award was highly consistent with the inducement award and included many negative features. Rolling share price hurdles have retesting provisions, meaning awards may be earned during any 30-day period within the total measurement period even if those results were not sustained for longer periods. In GE's case, the target goal reflected about a 107% increase from the grant date closing stock price of $6.44; however, share price prior to the pandemic and resultant market crash reached a closing peak of approximately $13.16.

Lessons Learned

Despite nearly failing their say-on-pay vote in 2019 due to concerns over Culp's inducement award (60% support), GE risked reliving recent history with the Leadership Awards. This time around a majority of shareholders rebuked the pay program, causing the company to receive only 42% support. As a result, GE joined the growing number of S&P 500 companies that failed their say-on-pay after a tumultuous year.

Shareholder Initiatives

There has been a sea change in how investors engage with and view the responsibilities of public companies. In just the last four years, ESG has gone from a fringe issue that is largely the realm of socially-responsible or activist investors to one that is incorporated in the investment philosophies of most major, mainstream investors. Although ESG issues are considered by investors in every step of the investment decision-making process, the effects of investors' embrace of ESG-related issues is arguably most apparent through how these investors are voting on these issues at companies' AGMs and EGMs.

During the 2021 proxy season, issues related to climate change, human capital management, and racial equity were highlighted, with proposals on many of these topics frequently receiving strong, if not majority, shareholder support. Shareholders are clearly communicating to companies that a single focus on the bottom line with an exclusion to other considerations is no longer sufficient. Instead, investors have signaled to the market that they expect companies to be good corporate citizens, with a view to their environmental and social impacts and a focus on their impacts on stakeholders. At a number of different companies, investors were strongly behind proposals asking for reporting on employee diversity, climate preparedness, and companies' impacts on communities of color. Shareholders also supported a number of proposals asking companies to adopt GHG emission reduction targets and to consider the impacts of their use of mandatory arbitration on employees. Moreover, companies are increasingly agreeing to these investor demands on a more proactive basis, with boards recommending support for shareholder proposals on topics including climate reporting and deforestation.

More proof that ESG issues are being considered more thoroughly and holistically by companies and investors alike is the migration of ESG-related issues to management proposals. Shareholder proposals have long been the exclusive realm of where shareholders are able to vote on environmental and social issues. However, issuers are more commonly proactively addressing these issues through management proposals on these topics. The most notable example of this is the adoption of advisory votes on companies' climate transition strategies, or Say on Climate votes. Though largely a European phenomenon, several U.S. companies adopted the mechanism in 2021 and others faced shareholder proposals asking them to adopt a Say on Climate vote. Although investors have decidedly mixed views on these proposals, as discussed later in this report, it is inarguable that the global proliferation of Say on Climate is promoting better and more thorough reporting from companies on their climate-related risks and opportunities.

Even more evidence that environmental and social issues have gone mainstream was the contested meeting at Exxon Mobil in 2021. Spearheaded by a new activist fund, Engine No. 1, and supported by pension funds including the California State Teachers' Retirement System, Exxon was challenged to appoint new directors to its board on account of investor concerns regarding the oil major's climate transition strategies and assumptions. In addition to several longstanding governance concerns, the dissident campaign was largely focused on Exxon's potential overreliance on carbon capture and storage to ease it into a low-carbon future. This campaign resonated with many shareholders and resulted in three of the dissident's four proposed directors being appointed to the board.

The argument that investors are more engaged on environmental and social issues is also supported on a more macro level, as well. Average shareholder support for environmental proposals jumped from 31% to 42% in the course of a single year, and support for social proposals rose from 28% to 31%. There also was a higher proportion of majority-supported environmental and social proposals in 2021 than in previous years. Although anywhere between 12-18% of proposals that go to a vote have received majority shareholder support, the proportion of those proposals that are environmental and social in nature has grown significantly; these proposals have comprised 16%, 35%, and 46% of majority-supported proposals over the last three years, respectively.

Given this movement, it is clear that issues related to ESG are not just a passing trend, but viewed as integral to many shareholders' investment decisions. A growing number of companies are also embracing environmental and social issues, as a result of demand from stakeholders and shareholders, and in order to drive more sustainable returns. As will be discussed throughout the rest of this report, we have witnessed changing views with respect to a variety of important issues and an increasing emphasis on materiality, employment practices, and companies' responses to climate change, among other important ESG-related issues. It is our view that these proposals will increasingly play a crucial role in investors' engagement with companies on important environmental, social, and governance issues.

M&A Transactions & Contests

It might be preemptive to discuss seasonal trends of the 2021 M&A and contested proxy season, considering that it doesn't seem to have ended yet, but that could be the defining characteristic of 2021. The year might go down as the season that wouldn't quit. The normal post-AGM, late summer lull has not yet materialized as companies, private equity investors and activists, all appear to be making up for lost time following 2020's retractions with a rebound in the number of deals and contested situations in 2021.

After a 22% pull back in transactions in 2020, Glass Lewis has seen an 24% increase in global M&A activity, bringing levels nearly back to pre-pandemic 2019 numbers. While the total number of proxy campaigns in 2020 remained flat relative to 2019 numbers, we have seen a 9% increase in campaigns year to date in 2021 over the comparable period in 2020.

SPAC Attack Part II – Spike in Merger Transactions

The increase in volume in large part can be attributed to the rise of the SPAC market. So far in 2021, Glass Lewis has seen a 300% increase in SPAC merger transactions compared to all of 2020. With four months left in the year, a significant number of SPACs remain in search of acquisition targets, which has led to speculation that the quality of deals may deteriorate going forward, with some SPAC sponsors possibly opting to simply return their IPO proceeds to investors rather than consummate a business combination. In either case, we expect sustained numbers of SPAC mergers into and throughout 2022.

While SPAC valuations soared in early and mid-2021, in several cases even before their deal targets were announced, SPAC stock prices have broadly returned to earth and are for the most part trading in line with their redemption values. That being said, with increased attention on this space, and so much competition for acquisition targets, SPAC sponsors are likely finding it more difficult to locate sound transactions and may be at a disadvantage in negotiations if multiple bidders are circling an attractive target. When these deals go to shareholder vote, even if they end up being approved, several recent SPAC mergers have seen significant redemptions by public shareholders, with those investors effectively opting to get their money back from the SPAC rather than hold stock in the resulting company.

Perhaps seeking to allay investor concern that a SPAC might be overpaying for a target in a frothy market, we have observed a trend of SPACs obtaining fairness opinions for their proposed transactions, something that was nearly unheard of just a year ago. Whether this change was pushed as a safeguard by the SPAC sponsors themselves or their advisors, it is clear there are a lot of eyeballs on SPACs and their acquisition plans. Investors have not been shy to push back on some of the planned and completed transactions and speculation of further activism at SPACs (SPAC-tivism?), whether pre or post deal, will keep investors focused on the developing space.

Standard General v Tegna – Round II

Standard General returned in 2021 with a second campaign at Tegna Inc. While the 2021 campaign focused on many of investor's the same performance concerns that failed to convince shareholders in 2020, this year's effort included a unique director nomination effort. Subsequently to being nominated, one of Standard General's candidates recalled a prior racially insensitive interaction he had with Tegna's CEO. Tegna's CEO fully acknowledged and took responsibility for his actions in the situation and made every effort to apologize to the director candidate, Tegna employees and the company's shareholders. The Standard General candidate determined to withdraw his candidacy for the board.

As in 2020, we found Standard General's 2021 campaign lacked teeth. Whether the director candidate was chosen to leverage a potential inflammatory situation, or perhaps was simply not vetted for his willingness to serve, shareholders won't likely know for sure. But we believe the matter between the CEO and the director candidate was handled appropriately and transparently, and we saw no reason to withhold votes from any members of the Tegna board. Tegna shareholders agreed, voting against Standard General's campaign. Will Standard General come back in 2022? Only time will tell whether Soo Kim becomes to Tegna, what Sardar Biglari is to Cracker Barrel.

Proxy Statistics

Board Composition

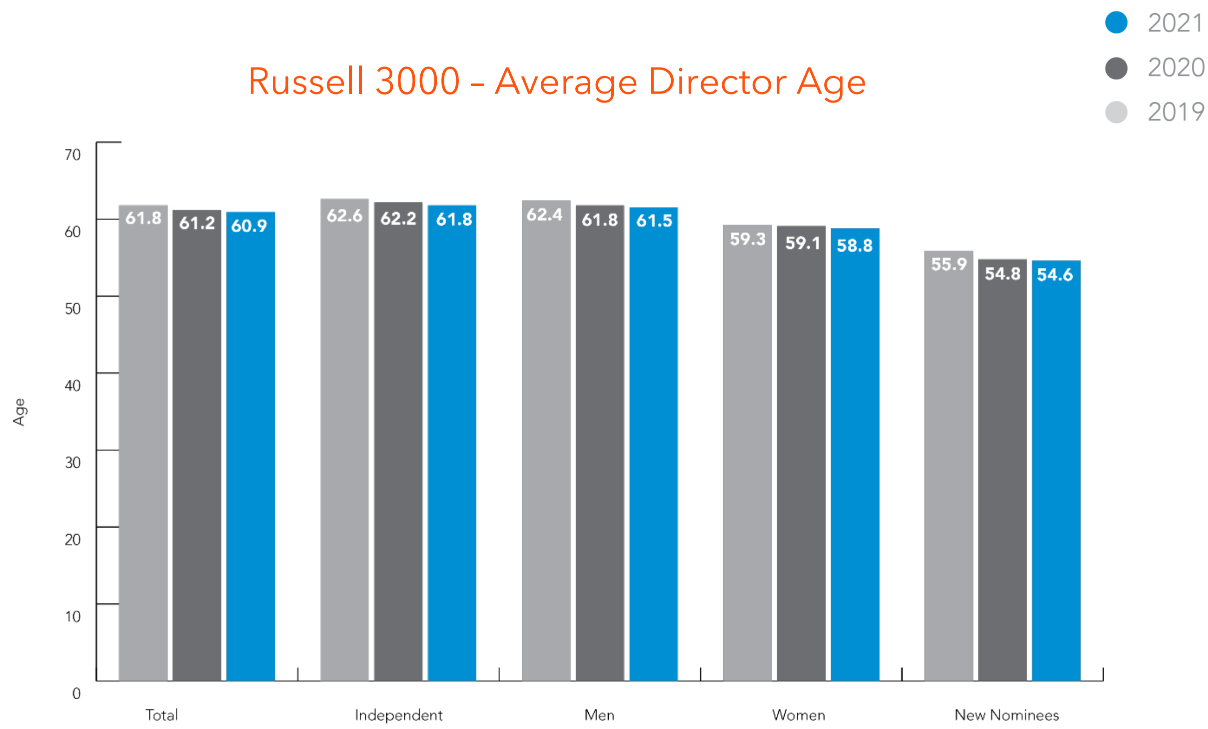
Key Findings

- Progress on overall board gender parity remains slow and incremental. On average, women directors comprise 22.7% of boards in our U.S. coverage. The percentage of women directors serving on boards in the Russell 3000 Index increased 2.4% over the prior year and women now account for 25.4% of directors in the index.
- After a sharp decline from 2019 to 2020, women accounted for 44.9% of first year director appointments in the Russell 3000 Index. Women now chair 27.7% of nominating and governance committees, an increase of 6.6% over the past three years.
- 96.5% of directors on boards of companies in the Russell 3000 Index serve on less than three boards and nearly 70% of directors serve on only one board. Overboarding policies and board refreshment continue to drive directorship numbers down. Directors serving on five or more boards are outliers.

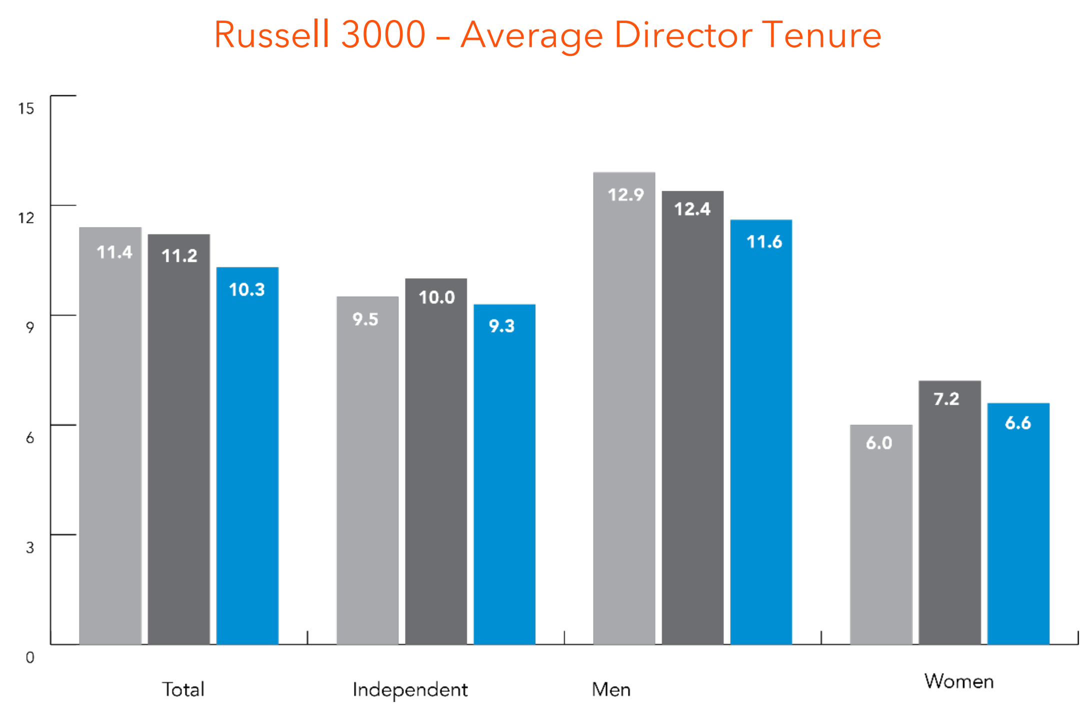
2021 U.S. Board Statistics at a Glance

Total Companies in Glass Lewis Coverage	Approx. 4,300
Total Directors	33,848
Average Board Size	8.6
Average Independence	76.9%
Independent Chair **(chair only; excludes vice-chair or lead directors)**	43.9%

Russell 3000 Index	Men	Women
First Year Appointments	55.1%	44.9%
Gender (Im)Balance	74.6%	25.4%
Percent of Independent Directors	70.2%	29.8%
Directors		
Average Age	61.5	58.8
Average Tenure	11.6	6.6
Average Directorships	1.4	1.6
Board Leadership		
Chair	93.9%	6.1%
CEO	94.2%	5.8%
Lead Director	89.2%	10.9%
Audit Committee Chair	76.7%	23.3%
Compensation Committee Chair	77.3%	22.7%
Nom/Gov Committee Chair	72.3%	27.7%

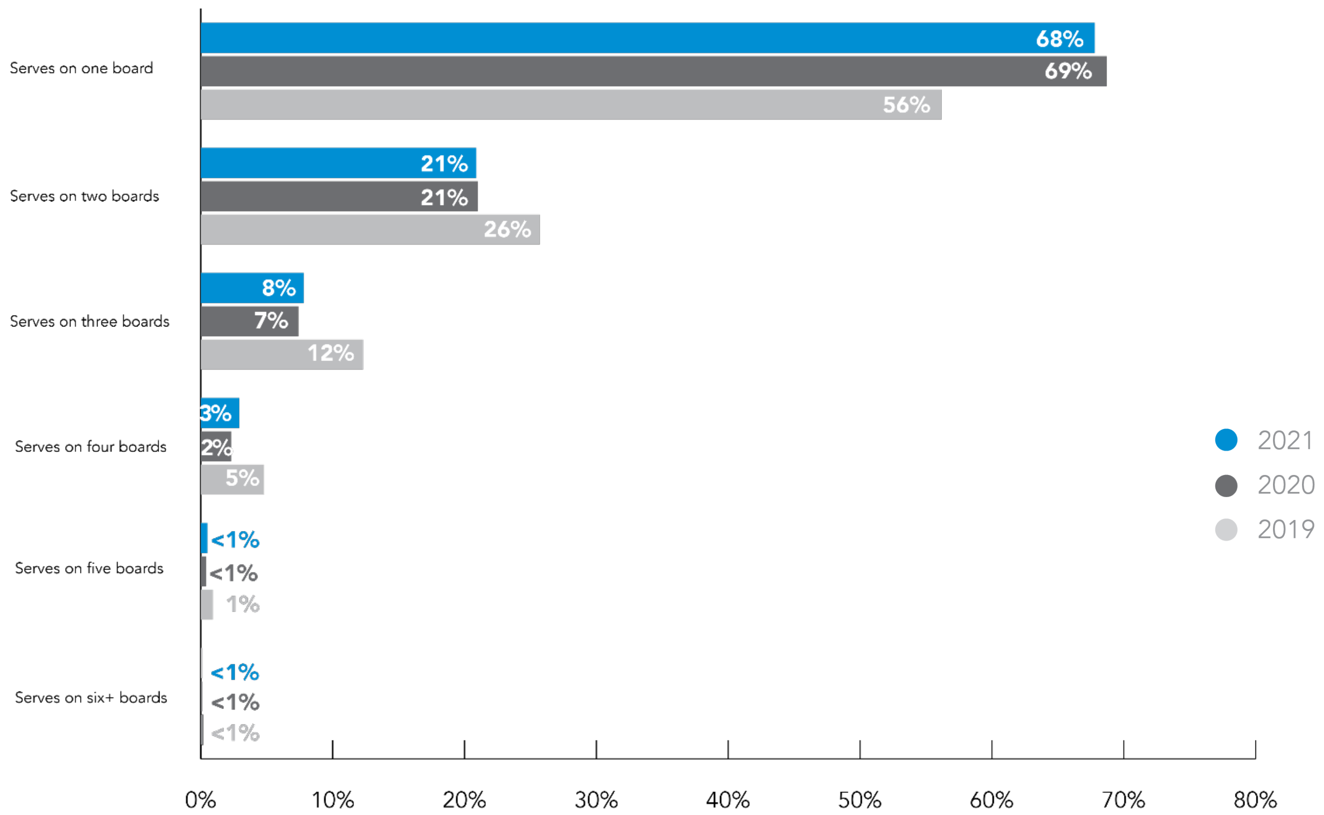


Average director age and tenure continue to go downward. The trend here, along with many other of the board composition metrics, represents the broader trend of board refreshment driving change across corporate boardrooms.



Directors are noticeably serving on fewer boards overall. Men and women now serve on 1.44 boards and 1.61 boards on average, down from 1.82 and 1.83, the prior year. Directors with excessive board commitments remain outliers. In addition to the 13 directors listed below, who serve on seven or more boards, an additional 13 Russell 3000 directors serve on six boards each.

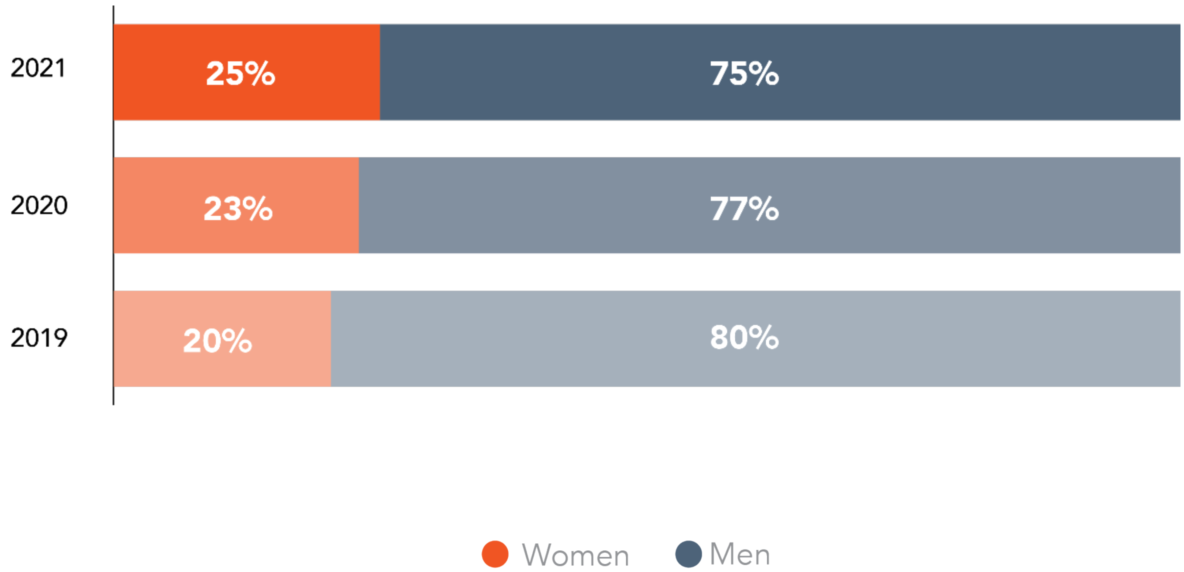
Russell 3000 Directors – Number of Public Company Directorships



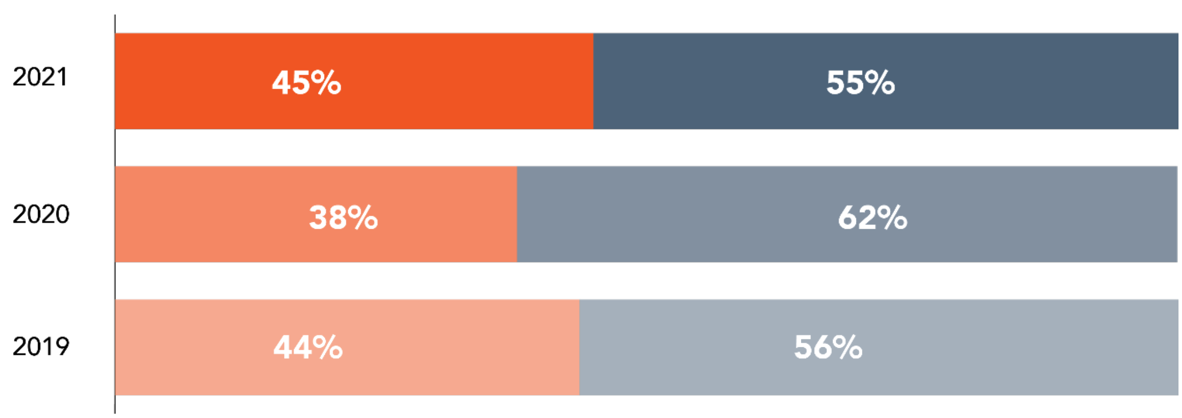
Russell 3000 Directors with Significant Board Commitments

- Adam Portnoy (9 boards)
- Edward Mathers (8)
- Gregory Maffei (8)
- James Healy (8)
- Brandon Van Buren (8)
- Marc Gabelli (7)
- Harry You (7)
- James Speed, Jr. (7)
- Steven Rubin (7)
- Barry Sternlicht (7)
- MIAU Feng-Chiang (7)
- Egon Durban (7)
- James Greene, Jr. (7)

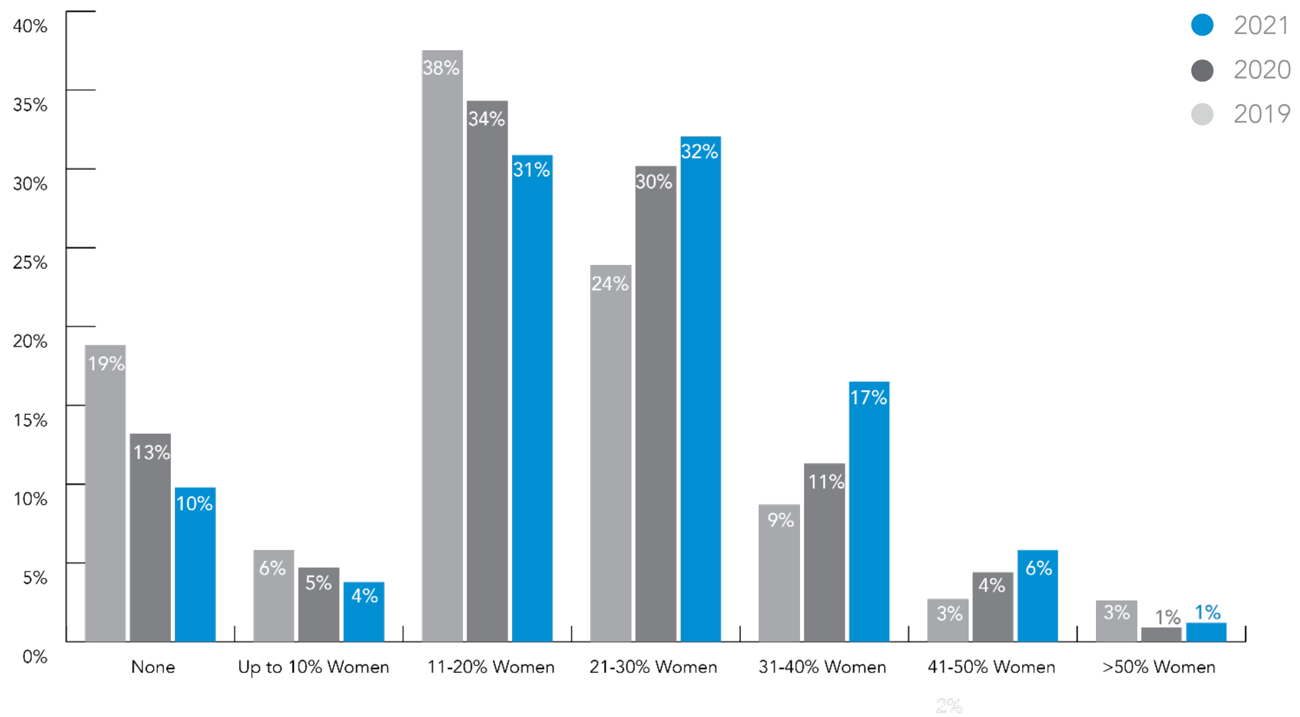
Russell 3000 Board Gender (Im)Balance



Russell 3000 First Year Appointments



How Many Women Serve on the Board



Most boards continue to have between one and three women directors on their board; however, we did see a more than 5% increase in boards that have between 31% and 40% women on boards (for most boards, equivalent to approximately three to four women). Notably, we saw a significant decrease in the number of withhold/against recommendations for boards that lacked gender diversity: 41 in the Russell 3000 this year, compared to 84 last year, which represents an over 50% decrease.

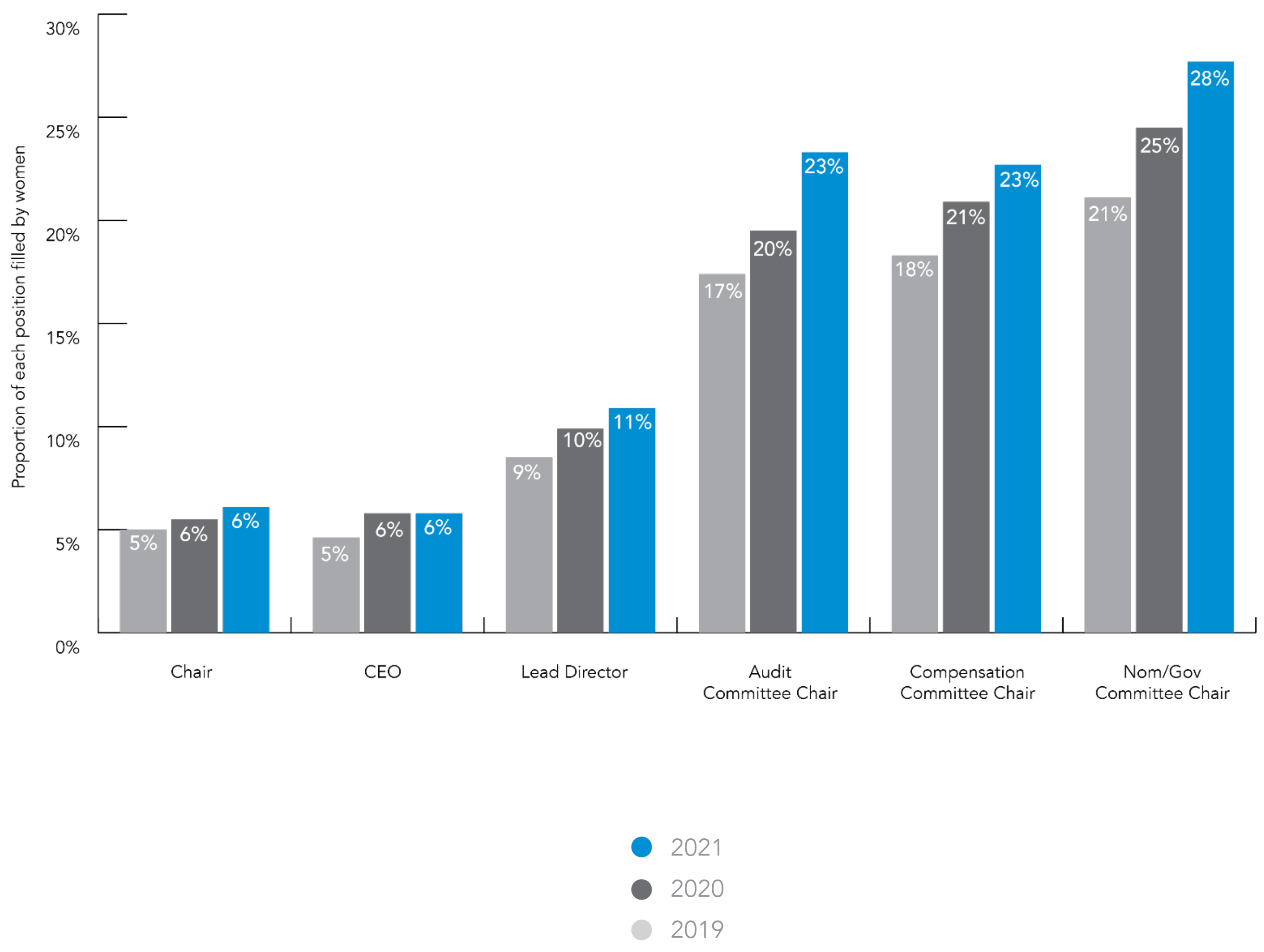
Majority-Women Boards in the S&P 500 Index*:

- Accenture plc
- Apple Inc.
- Applied Materials
- Archer-Daniels-Midland Company
- Mastercard Incorporated
- Starbucks Corporation
- Stryker Corporation

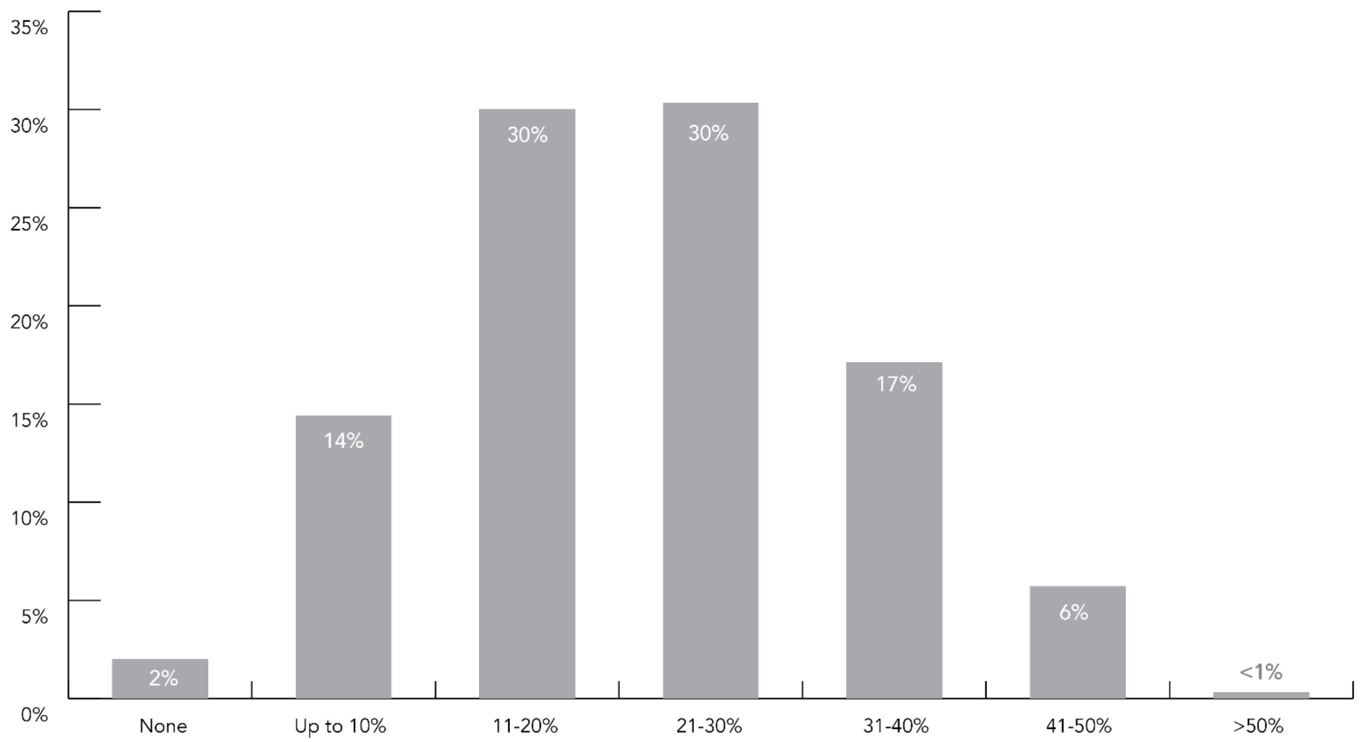
**Only reflects companies that held meetings during the 2021 proxy season*

There has been an observable trend over the past three proxy seasons of more women chairing board committees. In particular, the number of women in audit and nominating/governance committee chair positions saw notable increases of 3.2% and 3.8% over the prior year. Chair and CEO positions lag other board leadership roles, with only 6.1% and 5.8% of such positions being held by women. Following an increase of 1.2% from 2019 to 2020 of women serving in CEO roles, the percentage of women serving in the top spot remained steady at 5.8% from 2020 to 2021.

Gender (Im)Balance – Women in Board Leadership Positions



S&P 500: Board Racial/Ethnic Diversity Breakdown



Percentage of board consisting of racially/ethnically diverse directors

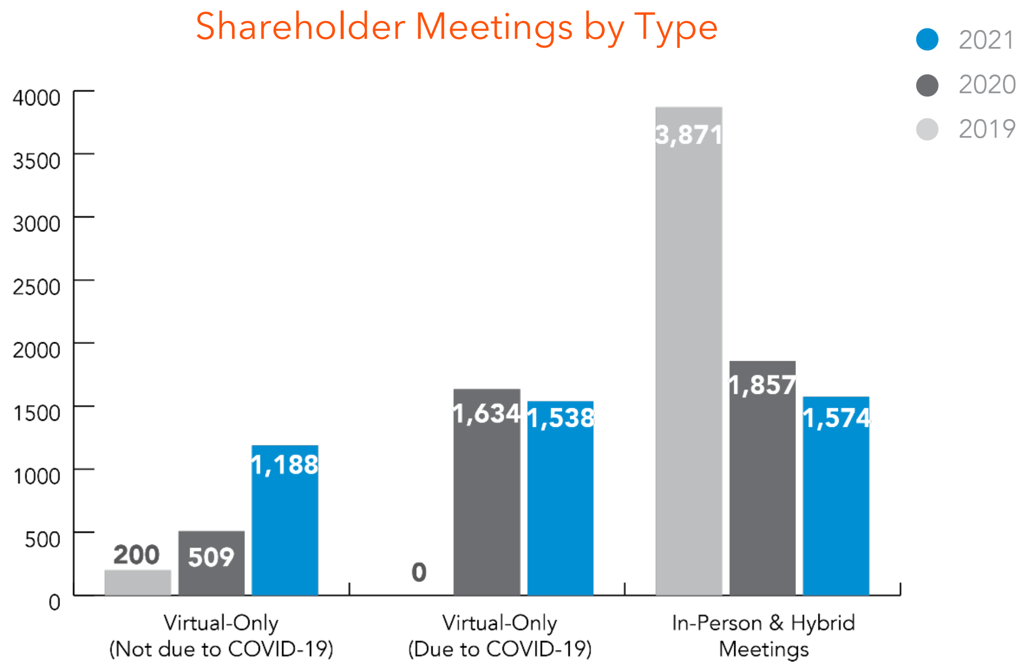
As part of our 2021 diversity disclosure ratings for companies in the S&P 500, we collected the racial/ethnic diversity metrics of boards when they were disclosed. Approximately 73.7% of companies in the index disclosed this information, an overwhelming majority. On average, racially/ethnically diverse directors comprise approximately 23.1% of total amongst boards in the index that disclosed a ratio.*

** Only reflects companies that held meetings during the 2021 proxy season*

Governance & Disclosure Trends

Key Findings

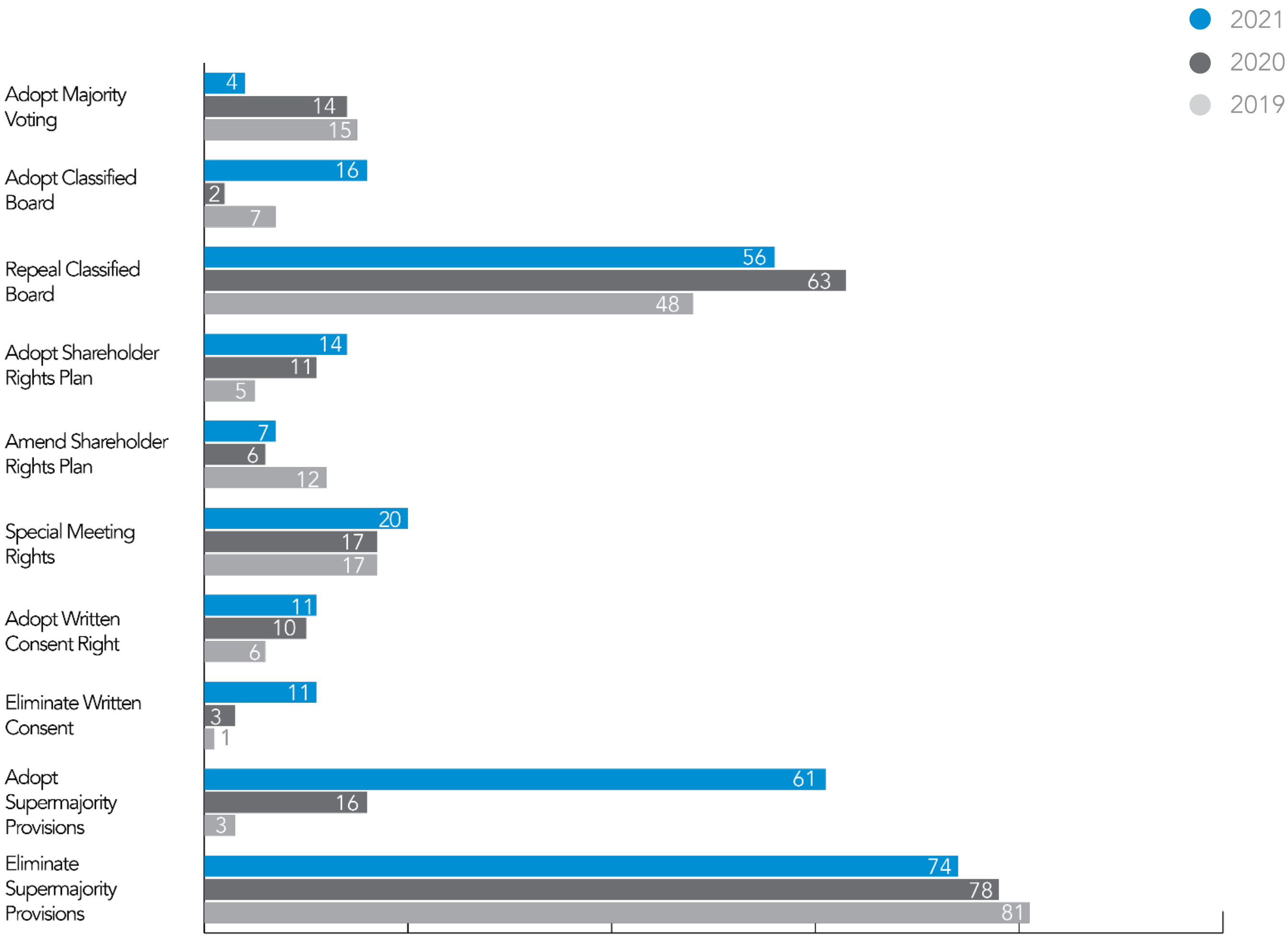
- Over 57% of companies in the Russell 1000 disclosed board oversight of E&S issues; roughly 36.5% of Russell 1000 companies disclosed a board skills matrix; and more than 25% of Russell 1000 companies disclosed both. In each case, that marks a notable jump of more than 10% over the past three proxy seasons.
- Charter amendment proposals contingent on SPAC business combinations accounted for 52 proposals to adopt supermajority provisions, 11 to adopt a classified board and 8 to eliminate written consent. If this trend persists, there will be an increased proportion of companies in the public markets with a lack of shareholder rights.



Following a significant decline of in-person meetings from 2019 to 2020 due to the COVID-19 pandemic, that trend continued in 2021. The number of companies holding virtual-only shareholder meetings increased by 27% from last year, boosting the total proportion of companies holding virtual-only shareholder meetings in our U.S. coverage during the 2021 proxy season to more than 63%.

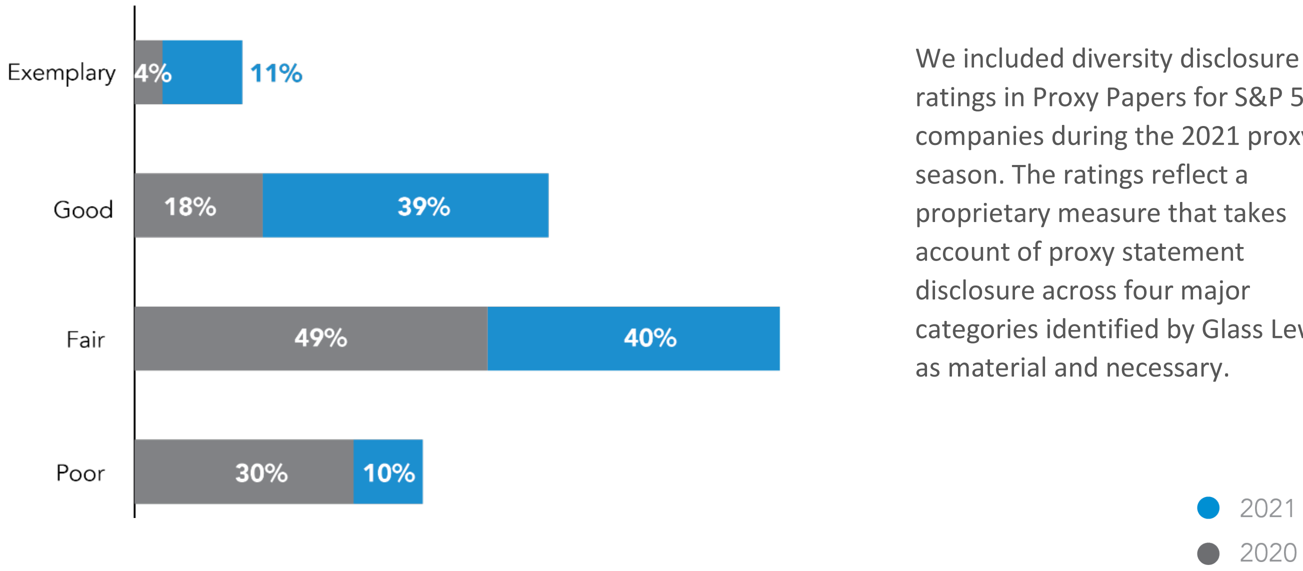
Generally, we believe that companies using the virtual-only format should provide sufficient disclosure addressing shareholder protections and their ability to participate at virtual-only meetings. Although we granted temporary reprieve to companies in 2020 due to the time constraints they faced in responding to exceptional circumstances, in 2021 we returned to holding companies accountable for this disclosure. We recommended voting against 49 directors in the Russell 3000 during 2021 proxy season due to lack of adequate disclosure regarding this issue.

Bylaw Proposals by Type



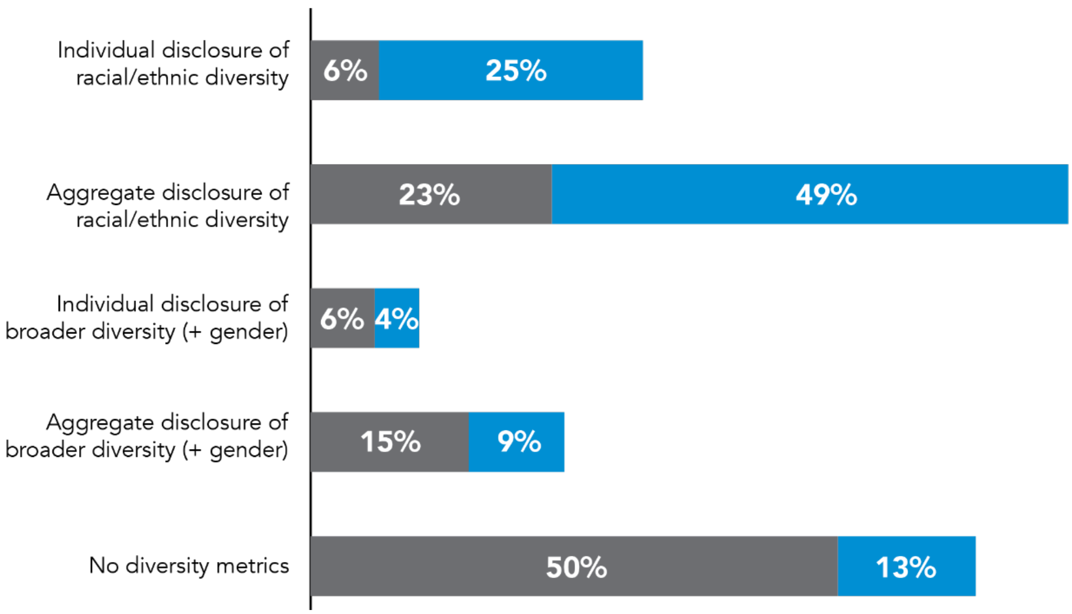
Proposals to amend companies' governing documents continue to be dominated by those related to supermajority provisions. Once adopted, supermajority provisions can prove to be increasingly problematic for companies and shareholders alike. In many instances, even when companies and shareholders wish to eliminate them, the supermajority provisions themselves act as an impediment to their own removal as companies simply struggle to muster enough voting shareholders to overturn these restrictive provisions. Nonetheless, we saw an alarming increase in adoption of supermajority provisions, many among SPACs holding meetings to conduct business combinations with private targets where approval of the merger was contingent upon approval of the charter amendments.

S&P 500 Diversity Disclosure Ratings



We included diversity disclosure ratings in Proxy Papers for S&P 500 companies during the 2021 proxy season. The ratings reflect a proprietary measure that takes account of proxy statement disclosure across four major categories identified by Glass Lewis as material and necessary.

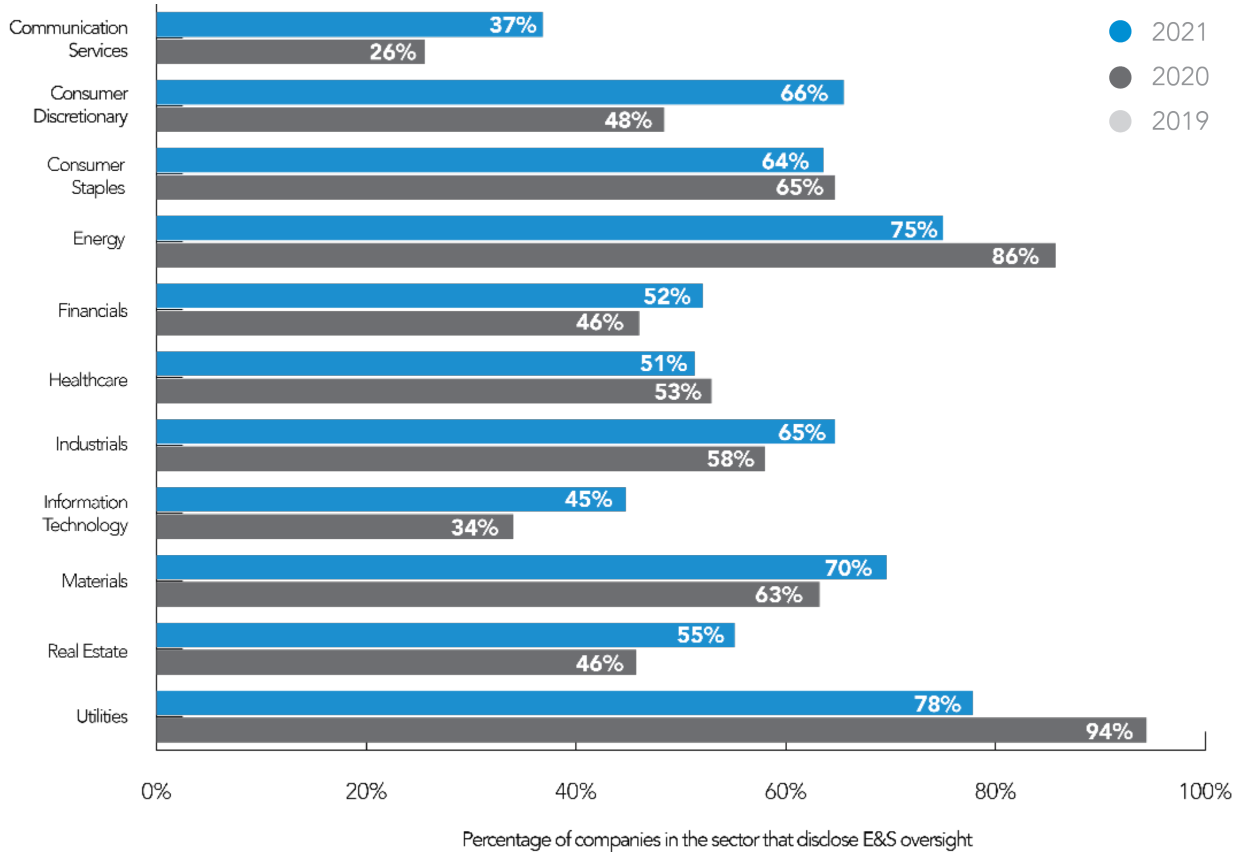
S&P 500 Types of Diversity Disclosure



Disclosure of racial/ethnic board diversity metrics by S&P 500 companies saw a huge uptick from 2020 to 2021, with 73.7% of companies in the index disclosing such information at either the aggregate board or individual director level. Comparatively, in 2020 only 29.2% of companies provided this type of disclosure. The 2.5x year-over-year increase reflects pressure from investors and other stakeholders to improve board disclosure and best practices in this area.

Russell 1000 E&S Oversight by Sector

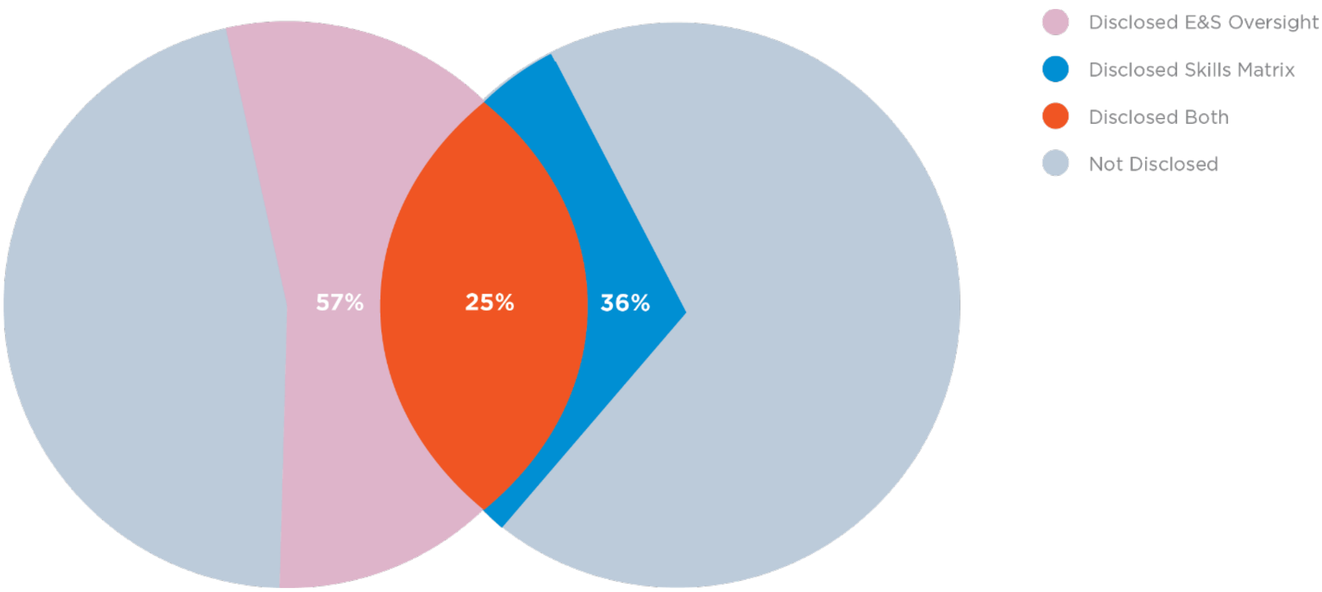
Disclosure of E&S oversight at the board level continued to be led by those with the most material ESG risk exposures — companies in the utilities, energy, and materials sectors. Companies in the communication services and information technology sectors continued to lag in this area but had some of the largest disclosure increases year-over-year at 11.2% and 10.7%, respectively.



Disclosure by companies in the consumer discretionary sector increased by 17.1%, the largest among the ten sectors, as these consumer-facing businesses respond not only to the demands of their shareholders but to that of their customers and the public at large. Slight decreases year-over-year that break from the overall trend of more robust disclosure can likely be attributed to changes in index constituents.

Russell 1000 Disclosure Trends

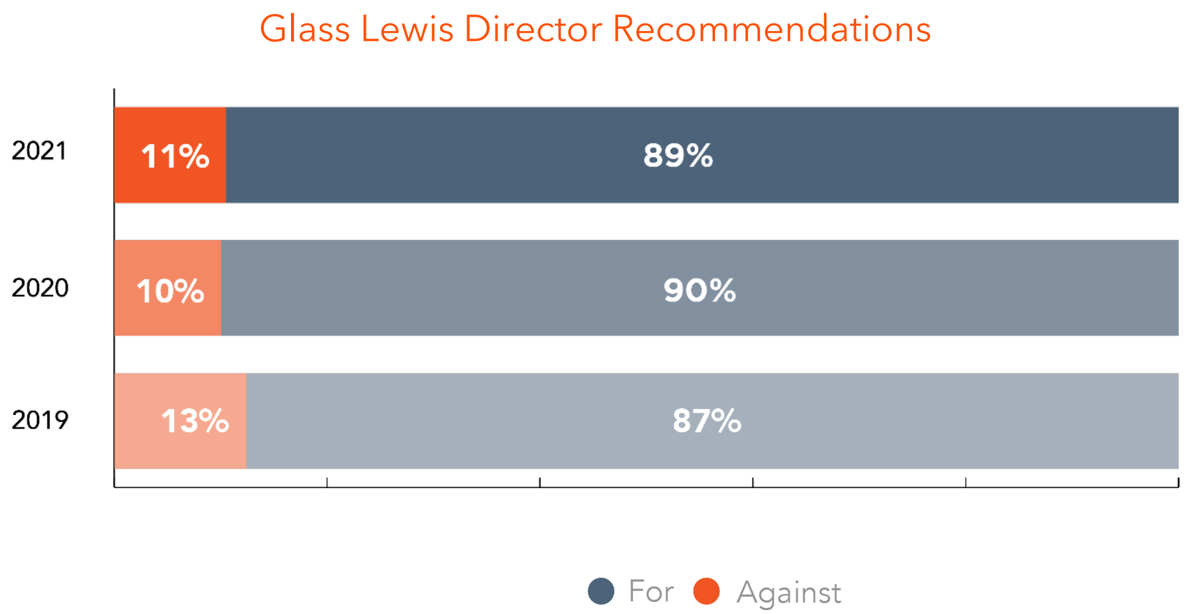
As companies and boards grapple with how to address material E&S risks to their businesses, we continued to see an increase in disclosure of E&S oversight at the board level by companies in the Russell 1000.



Election of Directors

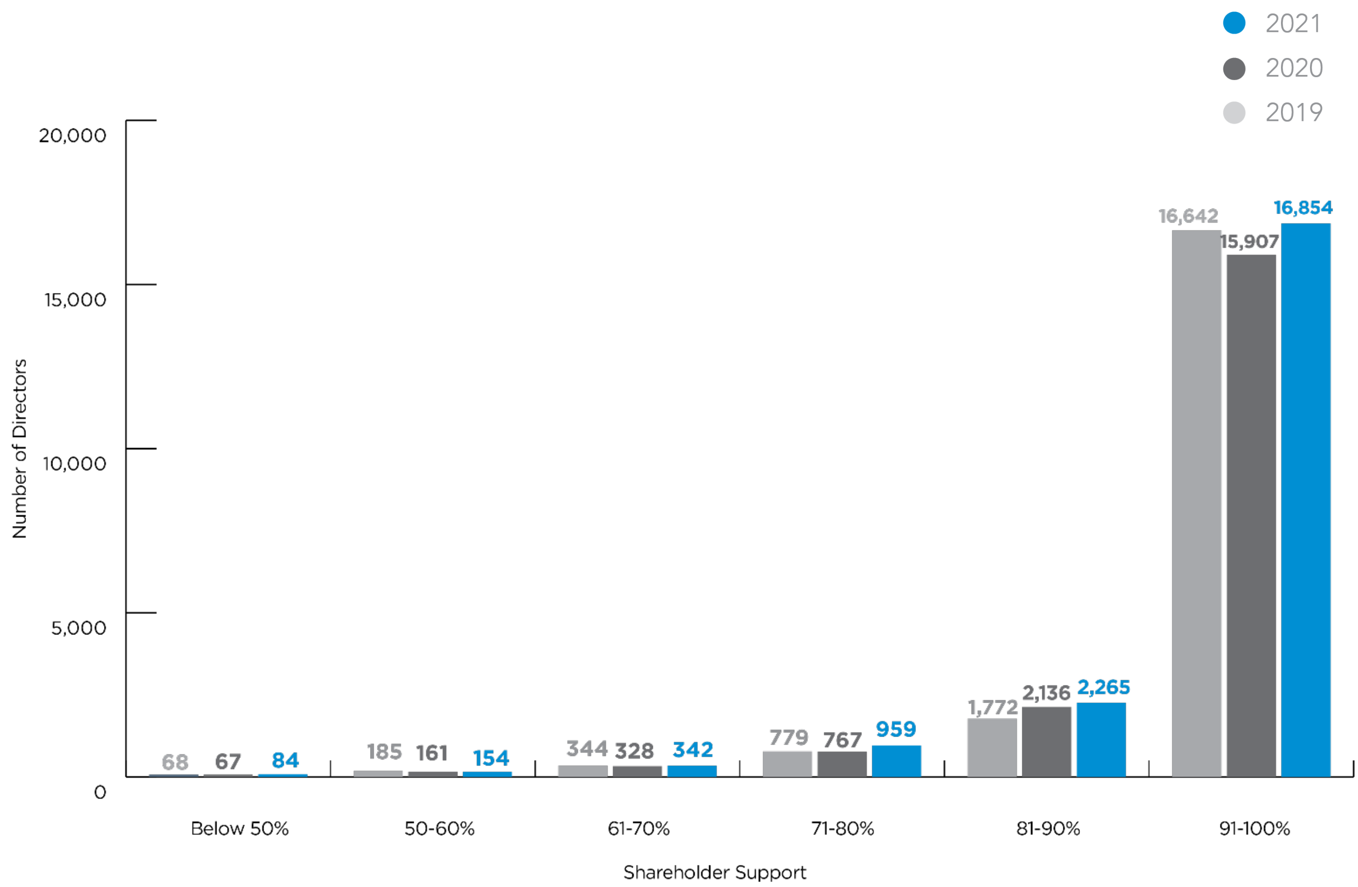
Key Findings

- 84 directors in our coverage failed to receive majority support from shareholders, 17 more than in 2020 —an approximate 25% increase. As companies and boards face more complex challenges in their businesses and risk oversight, we foresee accountability at the individual director level to be a trend that persists and gathers momentum in proxy seasons to come.
- In the year following the onset of the COVID-19 pandemic, all eyes were on the healthcare sector. It’s not surprising that the healthcare sector led the way with the most failed directors, but the near 100% increase in failed directors compared to the previous year stood out nonetheless.
- Gender diversity concerns fell out of the top five most common drivers of majority opposition after being the top concern last year. Ongoing compensation concerns and insufficient response to prior compensation-related dissent were the most common drivers of majority opposition to directors during the 2021 proxy season.



Overall director support by Glass Lewis remains consistent with prior years. Glass Lewis supported 6.4% more directors in 2021 than five years ago. It's likely that this increase in director support can be attributed to board refreshment and improved corporate governance in the overall market.

Shareholder Support Levels for Directors



On average, directors received 93.8% support from shareholders in 2021. While an overwhelming majority of directors received between 91% to 100% support from shareholders, we found some significant increases in the number of directors receiving between 71% and 80% support and directors receiving less than 50% support.

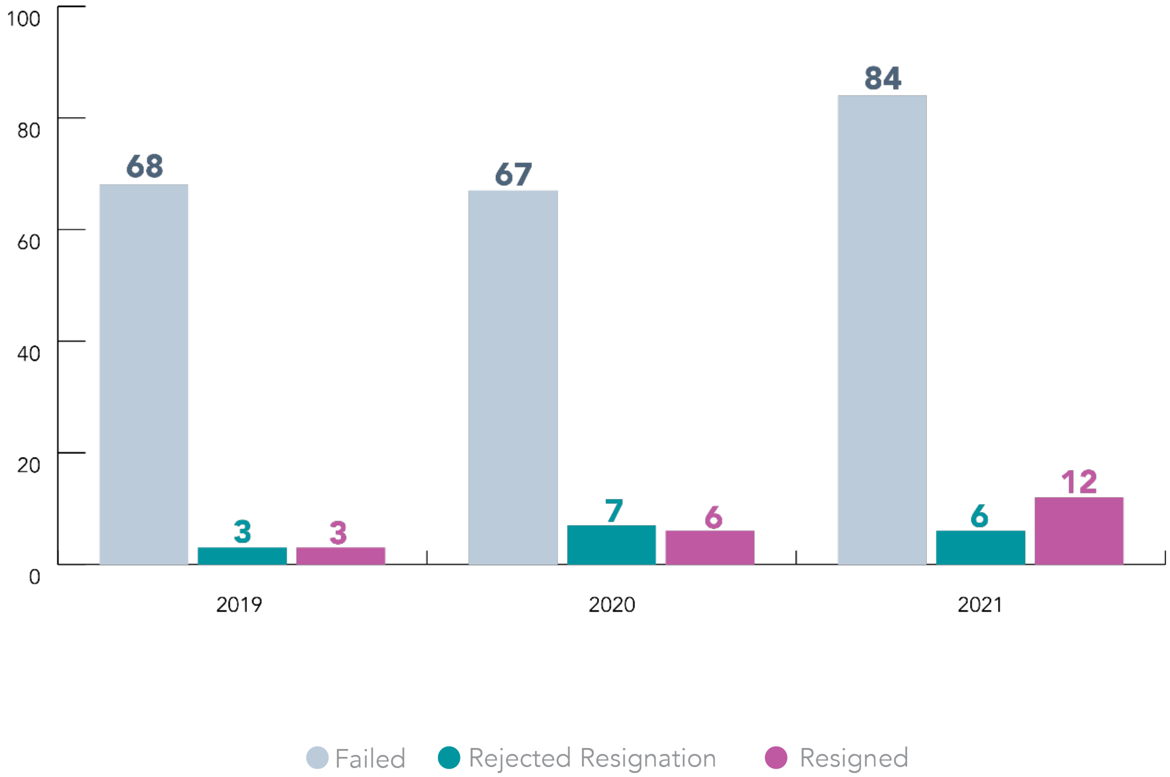
While the number of directors failing to receive majority support from shareholders significantly increased year-over-year, more than 90% of these failed directors remain on the board. Due primarily to the plurality vote standard utilized by these companies, director accountability won't be the status quo until true majority voting policies are adopted by more companies. Until then, director support levels largely act as a signal to boards that some action or response is needed.

Election Methods at Companies with Failed Directors

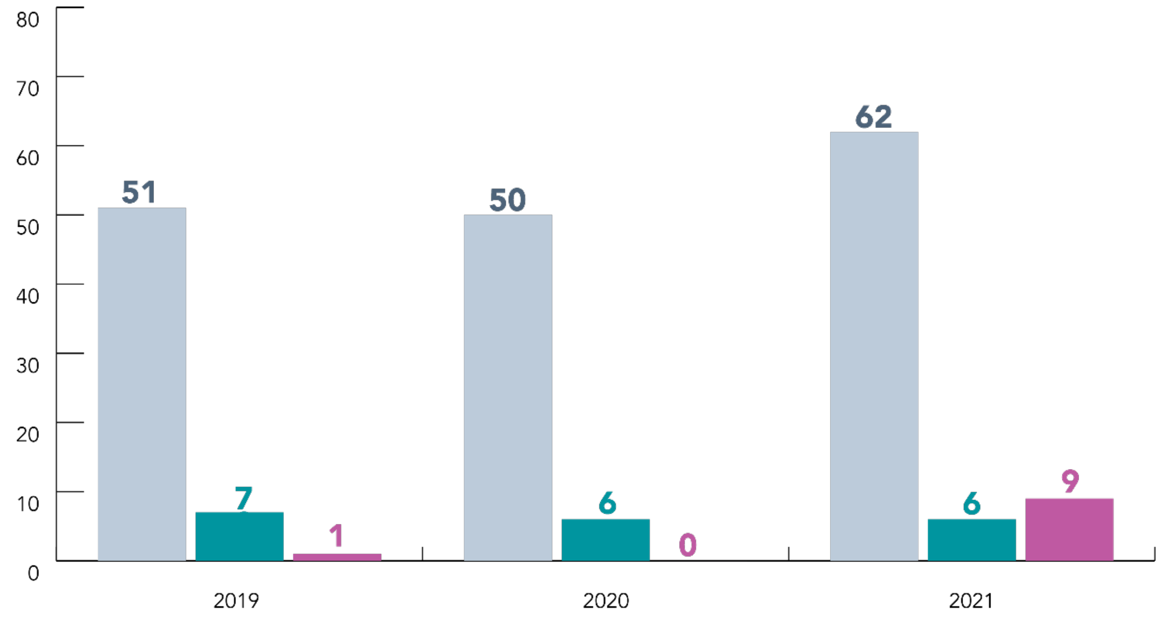
Election Method	# Companies	% Discussed Results	% Departed Board
Plurality	39	33%	10%
Majority	5	100%	63%
Resignation Policy	13	92%	*38%

**One resignation pending board decision*

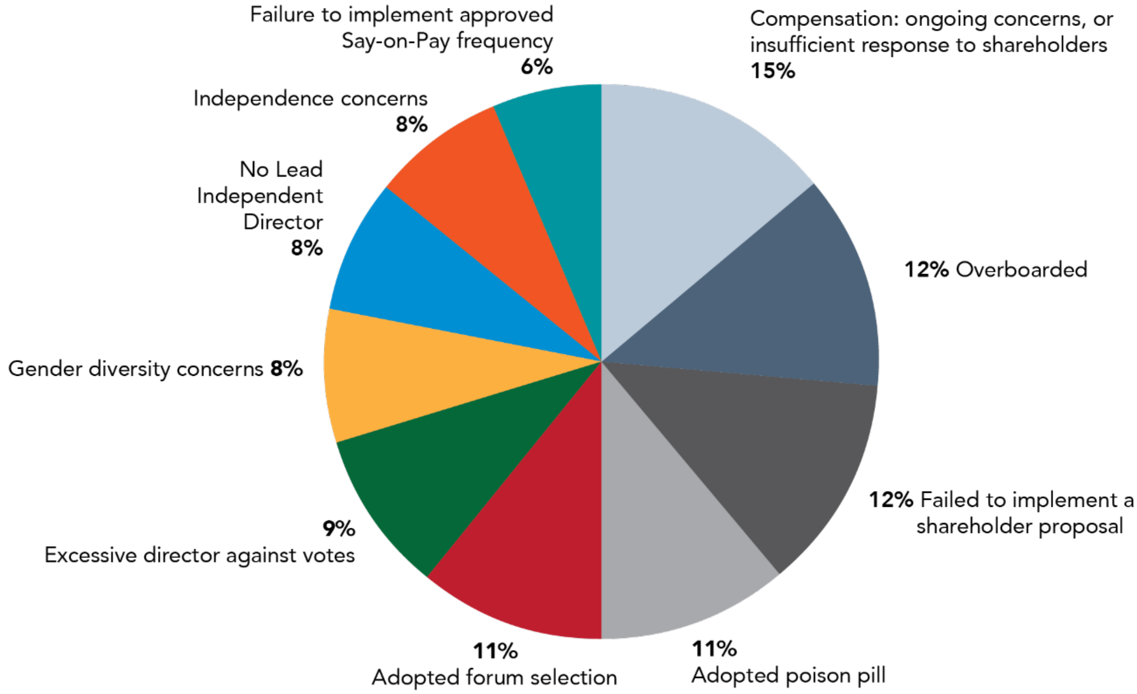
Total U.S. Coverage Failed Directors



Russell 3000 Failed Directors

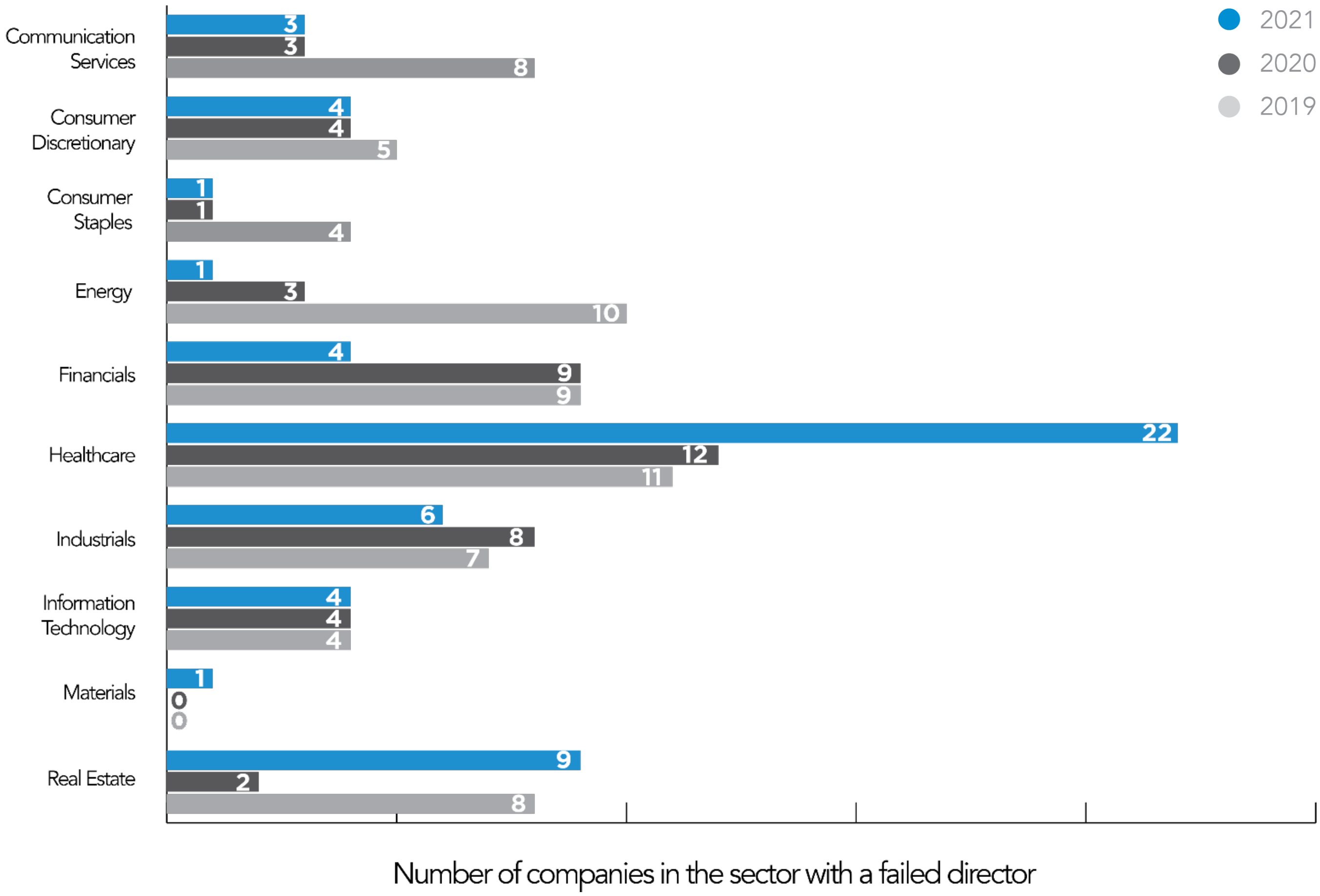


Most Common Drivers of Majority Opposition to Directors



Based on Proxy Paper recommendations, the most common issues driving majority opposition to directors were related to compensation concerns, overboarding, and the failure of boards to implement shareholder proposals that previously received majority support. The two next most common drivers — adoption of poison pills and forum selection clauses — can likely be attributed to outside market forces. Namely, a March 2020 decision by the Delaware Supreme Court has spurred widespread adoption of federal forum selection clauses by boards over the past year plus, and the COVID-19 pandemic has similarly driven boards to adopt poison pills. Notably, the number of directors failing to receive majority support based on board gender diversity concerns dropped from 9 directors in 2020 to 5 in 2021. This is part of the evidence that shareholder-driven board refreshment and other factors are helping to improve board gender diversity.

Companies with Failed Directors by Sector



With 10 more healthcare companies seeing directors fail compared to last year and 13 more directors failing than any other sector, healthcare continues to be home to the most underperforming directors — a startling fact when you consider the importance of many of these companies to public health, and the oversight responsibilities of directors serving on these boards.

Top 10 Glass Lewis Director Withhold Reasons for 2019-2021

2019

1.Overboarding
2. Board Gender Diversity
3. Affiliate/Insider on Cmte
4. IPO Governance Concerns
5. No Lead Director
6. Board Independence
7. Related Party Transactions
8. Compensation Concerns
9. Attendance
10. CFO on Board

2020

1. Affiliate/Insider on Cmte
2. No Lead Director
3. Board Independence
4. IPO Governance Concerns
5. Overboarding
6. Board Gender Diversity
7. Related Party Transactions
8. Compensation Concerns
9. Attendance
10. CFO on Board

2021

1. IPO Governance Concerns
2. No Lead Director
3. Affiliate/Insider on Cmte
4. Board Independence
5. Overboarding
6. Adoption of Exclusive Forum
7. Related Party Transactions
8. Virtual Meeting Participation
9. Compensation Concerns
10. CFO on Board

IPO governance concerns topped our list of director withhold reasons for the 2021 proxy season. The ascent to the top of our list correlates with the volume of IPOs we covered during the season. We recommended against directors for IPO governance concerns at 129 of the 150 IPOs and direct listings we covered.

Independent board leadership and committee independence remain common concerns among the boards we reviewed. Overboarding has trended down our list of withhold reasons which is in line with the decline we are seeing in average directorships. After implementing a policy addressing board gender diversity that took effect for meetings after January 1, 2019, board gender diversity concerns fell from our top ten withhold reasons.

Compensation Proposals

Key Findings

- The most common drivers of against recommendations this year were excessive compensation and granting practices, impacted in part by a noticeable increase in "mega-grants," awards with long time horizons and massive valuations.
- COVID-19 drove significant adjustments to in-flight pay plans amongst companies of all sizes. This contributed to a sharp increase in the use of upward discretion, primarily focused on annual bonuses. 23.3% of companies increased payouts for at least one plan — up from 4.4% in 2020.
- Equity plan failures remain relatively rare, with just 1% of votes failing in 2021. Moreover, one-third of the plans that failed featured broader governance issues outside of the compensation plans.

U.S. Say-on-Pay (SOP)

	2019	2020	2021
Total US SOP Fails	61	58	64
Total S&P 500 Fails	6	9	17
% of failed US SOP votes	2.4%	2.3%	2.5%
US SOP with Low Support (50-75%)	241	223	175
S&P 500 with Low Support (50-75%)	37	30	25
Avg. shareholder support rate across all US SOP	89.8%	89.7%	90.0%
GL Against Rate for all US SOP	14.1%	15.7%	14.3%
GL Against Rate for failed US SOP	73.7%	69.0%	84.4%

The total number of S&P 500 companies with significant opposition has remained fairly steady. However, there has been a shift toward greater opposition where the market identifies problems. This could reflect some coalescing around where shareholders are drawing lines against poor practices and what is "too much." While the impact of COVID-19 on shareholder sentiments and Company actions undeniably contributed to the changes year-over year, the broad range of issues for failed votes and near-misses complicates this assessment as pay remains a diverse and dynamic area of governance. A growing consensus on these lines could well accompany the further maturation of the U.S. market in voting practices.

S&P 500 companies with low support were concentrated largely in the health care and consumer discretionary sectors, with six companies falling in each bucket. S&P 500 fails were led by companies in the information technology, industrials, and energy sectors (five, three, and three, respectively). In some cases, the pandemic was almost peripheral to other severe and developing issues that could have sparked shareholder ire.

S&P 500 SOP Fails

Company	2021 Support	Prior Year Support	P4P	GL Rec	Areas of Concern			
					Excessive Grants/Comp	P4P Disconnect	COVID-19 Adjustments	Other Concerning Pay Practices
Biogen Inc. (BIIB)	49.4%	82.9%	C	For	x			x
General Electric Company (GE)	42.0%	73.2%	F	Against	x			
Halliburton Company (HAL)	46.2%	90.3%	F	Against		x		
Howmet Aerospace, Inc. (HWM)	44.5%	51.2%	F	Against	x		x	
International Business Machines Corporation (IBM)	47.9%	85.0%	D	Against	x			
Intel Corporation (INTC)	38.1%	49.7%	D	Against	x			
Marathon Petroleum Corporation (MPC)	30.0%	89.3%	N/A	For	x			x
Norwegian Cruise Line Holdings Ltd. (NCLH)	16.4%	86.7%	F	Against	x	x	x	
Paycom Software, Inc. (PAYC)	30.2%	45.0%	D	Against	x			
Prologis, Inc. (PLD)	49.9%	84.2%	N/A	Against	x			
Phillips 66 (PSX)	49.9%	89.2%	F	For		x		x
PTC Inc. (PTC)	49.5%	67.0%	F	Against	x			
Starbucks Corporation (SBUX)	47.0%	84.2%	D	Against	x			
Skyworks Solutions, Inc. (SWKS)	22.2%	89.0%	D	Against	x			x
AT&T Inc. (T)	47.8%	82.8%	N/A	For	x			x
TransDigm Group Incorporated (TDG)	43.0%	66.2%	D	Against			x	x
Walgreens Boots Alliance, Inc. (WBA)	47.2%	82.8%	F	Against		x	x	

High Rollers

Excessive granting practices were a common denominator for many S&P 500 companies' failures. These grants could be significant awards on top of a normal year's total pay (see AT&T, PTC, Starbucks, IBM, etc.…), though several firms granted awards staggering awards represented several years' worth of equity, such as the grants made to the CEOs of General Electric, Paycom and Intel with respective values of approximately $60 million, $176 million, and $110 million.

One of Howmet's co-CEOs received front-loaded compensation that put his annualized compensation at the 90th percentile of the Company's peer group. Then the Company adjusted stock price hurdles for his equity awards due to the pandemic. The combination of high pay and generous adjustments in light of COVID-19 led to GL's against recommendation.

Padded Bonuses

Walgreens Boots Alliance and Norwegian Cruise Line made generous adjustments and took other concerning actions as a result of COVID-19, insulating executives from the downturn that dramatically impacted shareholders.

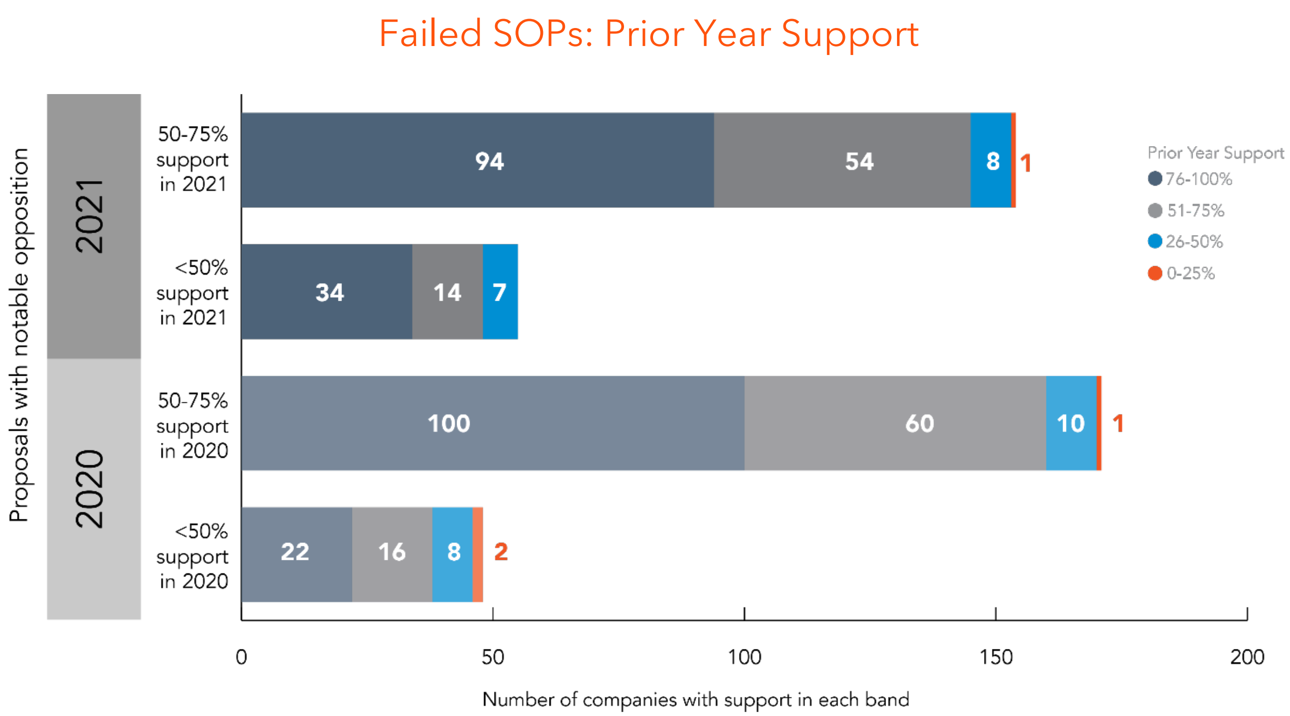
Disconnected

Phillips 66's short-term and long-term incentives paid out above target despite poor TSR and depressed market conditions. Prologis and Halliburton similarly had relatively high total compensation levels that were not commensurate with TSR performance relative to peers. The extreme pressure on the energy sector related to commodity price conditions and the rapid acceleration of the climate change debate only added to this pressure.

Transdigm reflected an unusual and extraordinary combination of rare structural factors paired with bad timing. Special dividends paid just before the pandemic along with increased incentive plan payouts made for an uncomfortable juxtaposition with significant new borrowing, workforce reductions, and the general turmoil in aerospace.

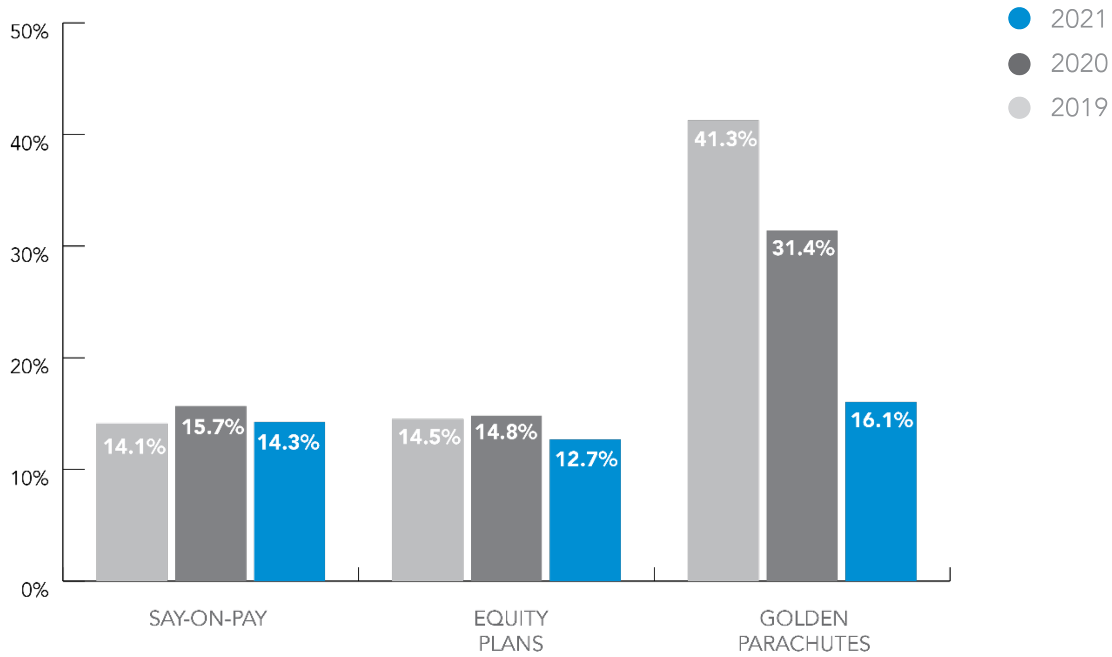
Costly Transitions

Marathon Petroleum's compensation practices were the focus of a Vote No campaign that pointed out concerns regarding an additional award granted to an outgoing CEO despite substantial pension and retirement payouts. Meanwhile, BIIB waived a repayment requirement and made an additional grant to an outgoing CFO.



A higher proportion of dramatic drops from market-average support suggest problematic one-time actions rather than ongoing compensation problems or some commingling of voting as say-on-pay and say-on-performance. This could be due to poor responses from companies during an extraordinary year.

Glass Lewis Recommendations: Against Rates



Top Drivers of Glass Lewis Against SOP Recommendations

2019		2020		2021	
P4P Disconnect	42.6%	P4P Disconnect	42.5%	Concerning Pay Practices (Excessive Grants)	22.7%
Structural Concerns	23.8%	Concerning Pay Practices (Other)	23.9%	P4P Disconnect	21.4%
Concerning Pay Practices (Other)	21.3%	Concerning Pay Practices (Excessive Grants)	11.3%	Structural Concerns	21.4%
Concerning Pay Practices (Excessive Grants)	12.6%	Structural Concerns	11.1%	Concerning Pay Practices (Other)	15.0%
Insufficient Response to Shareholders	12.6%	Insufficient Response to Shareholders	9.1%	Insufficient Response to Shareholders	14.2%

**Multiple reasons may be flagged for one AGAINST recommendation. Percentages are not intended to sum to 100%.*

Historically, 'Pay and Performance Disconnect' has consistently been the primary driver for against recommendations. That it was topped in 2021 by 'Concerning Pay Practices (Excessive Grants)' reflects the impact of COVID-19, which put additional emphasis on in-year pay decisions and deviations from the normal structure. Many of those deviations took the form of one-off grants, along with broader adjustments to the compensation program, which are captured in 'Concerning Pay Practices (Other)'.

Combined, excessive granting and poorly justified adjustments in light of COVID account for approximately 30% of the Concerning Pay Practices categories and nearly 12% for all of the drivers. With approximately 45.6% of companies making changes to their compensation programs due to COVID, 23.1% of companies exercising upward discretion on their short-term incentive plans and 6.7% of companies exercising upward discretion under their long-term incentive plans, these figures are not wholly surprising.

Average Shareholder Support Rate by P4P Grade

	2019	2020	2021
A	95.7%	95.1%	93.6%
B	94.1%	94.6%	94.8%
C	92.0%	92.6%	92.6%
D	85.4%	87.5%	87.8%
F	78.7%	79.4%	81.1%
No Grade	*88.5%*	*87.7%*	*88.7%*

Despite the sharp increases in S&P 500 SOP fails, shareholders appear to have grown more lenient on companies receiving an “F” grade. This may stem from an increase in disclosure from companies on their rationale for pay practices given the unique context of the 2020 year. The onus falls on issuers to explain their actions, and a year of tumult may have been the impetus for such disclosures.

Top Drivers of Glass Lewis Against Equity Recommendations

2019		2020		2021	
Evergreen provision	38.2%	Repricing/buyout provisions	40.1%	Evergreen provision	50.8%
Repricing/buyout provisions	23.5%	Evergreen provision	37.7%	Repricing/buyout provisions	18.7%
Excessively dilutive	22.0%	Plan cost	22.8%	Plan cost	9.7%
Plan cost	13.6%	Pace of grants	14.8%	Excessively dilutive	7.5%
Excessive grants/pace of grants	2.3%	Excessively dilutive	10.5%	Overhang	7.5%

**Multiple reasons may be flagged for one AGAINST recommendation. Percentages are not intended to sum to 100%.*

Late 2020 and continuing through 2021, there has been a sharp increase in equity proposals brought by SPACs merging with privately-held companies. Such proposals generally feature particularly shareholder-unfriendly terms, namely repricing and evergreen provisions. However, the consummation of these mergers is often conditioned on the passage of the equity plans, making it impossible to consider the terms of the plan independent from the transaction. As a result, nearly all merger equity proposals garner majority support from shareholders, buoying up the average level of support for equity plans.

Other Compensation Proposals

Equity	2019	2020	2021
Average Shareholder Support	88.9%	87.7%	88.0%
Glass Lewis Support Rate	85.7%	77.9%	76.4%
Number of Failed Proposals (% of total)	5 (0.6%)	11 (1.4%)	9 (1.0%)
Number Approved with 25-50% Opposition (% of total)	106 (12.1%)	112 (14.4%)	121 (14.1%)
Director Compensation	**2019**	**2020**	**2021**
Average Shareholder Support	94.0%	90.1%	94.8%
Glass Lewis Support Rate	81.1%	87.9%	84.0%
Number of Failed Proposals (% of total)	0	0	0
Number Approved with 25-50% Opposition (% of total)	2 (5.4%)	3 (0.75%)	1 (2.9%)
Golden Parachutes	**2019**	**2020**	**2021**
Average Shareholder Support	79.8%	76.2%	86.0%
Glass Lewis Support Rate	58.7%	63.5%	84.0%
Number of Failed Proposals (% of total)	8 (12.7%)	6 (11.8%)	5 (6.3%)
Number Approved with 25-50% Opposition (% of total)	8 (12.7%)	14 (27.5%)	7 (8.9%)

Along with the standard drivers for shareholder dissent on equity proposals, namely repricing and evergreen provisions, one-third of equity plans that failed in 2021 featured broader governance issues outside of the plan terms themselves.

Average CEO Compensation

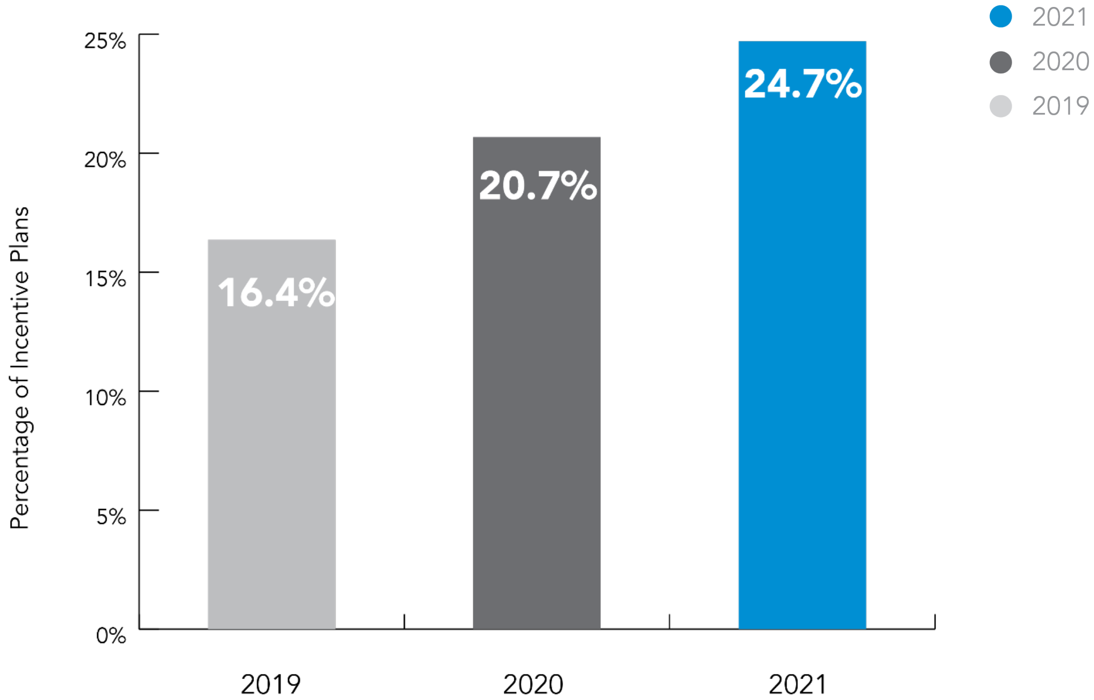
	Type of pay (average)	2019	2020	2021
All CEOs	Base Salary	$798,589	$836,503	$773.639
	Bonus	$1,234,581	$1,259,586	$1,251,700
	Total Compensation	$7,580,223	$6,629,861	$7,912,497
S&P 500 CEOs	Base Salary	$1,166,310	$1,209,486	$1,101,178
	Bonus	$2,831,577	$2,684,772	$2,239,987
	Total Compensation	$13,827,943	$14,206,657	$15,127,390

Despite the impact of the COVID-19 pandemic on markets, CEO total compensation increased in 2021 while base salary and bonuses were reduced compared to 2020.

In a common response to the pandemic, many companies temporarily reduced base salaries in what now appears a largely token gesture given the increases in total compensation.

Another explanation lies in equity granting practices, and in particular mega-grants. The year in review saw multiple newly IPO'd and large S&P 500 companies grant multi-million-dollar awards to executives. Generally, such awards are front-loaded, meaning they are meant to cover a portion of compensation for a set number of years. But consolidating multiple incentive grant cycles into a single award means the structure of the award becomes more important.

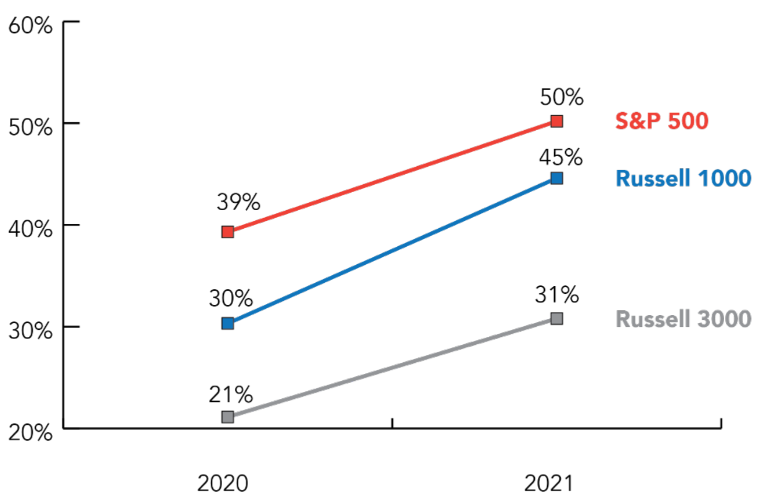
E&S Metric Inclusion in Incentive Plans



Trends in increasing E&S metric inclusion are reiterated when looking at indices. Some of this increase can very well be attributed to a push from investors for companies to tie some level of compensation to sustainability and diversity goals.

However, worth noting for 2021, more companies included human capital management considerations related to workplace safety and employee health as it pertains to COVID-19 compliance in their individual performance criteria. Whether such considerations will persist after the pandemic remains to be seen.

E&S Metric Inclusion by Index



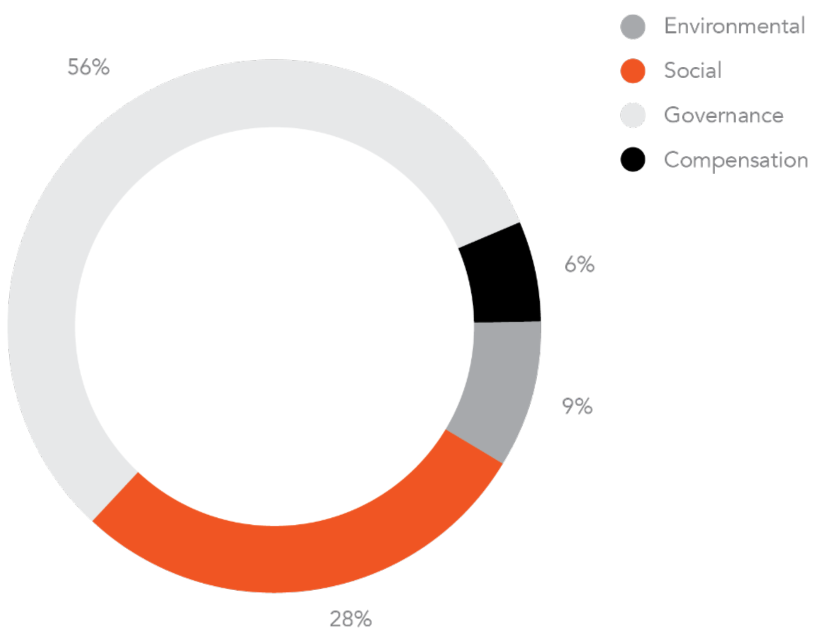
Best Practices

	2018	2019	2020
Clawback	77.5%	74.4%	76.3%
Ownership Guidelines	75.8%	75.2%	75.7%
Anti-Hedging Policy	81.9%	88.8%	92.2%
Single-Trigger Provisions (cash, equity, or both)	32.7%	30.6%	27.3%
Legacy Single-Trigger Provisions	24.3%	25.3%	24.1%
Excise Tax Gross-Ups	10.7%	8.8%	7.5%
Legacy Excise Tax Gross-Ups	61.8%	61.7%	71.0%

Shareholder Proposals

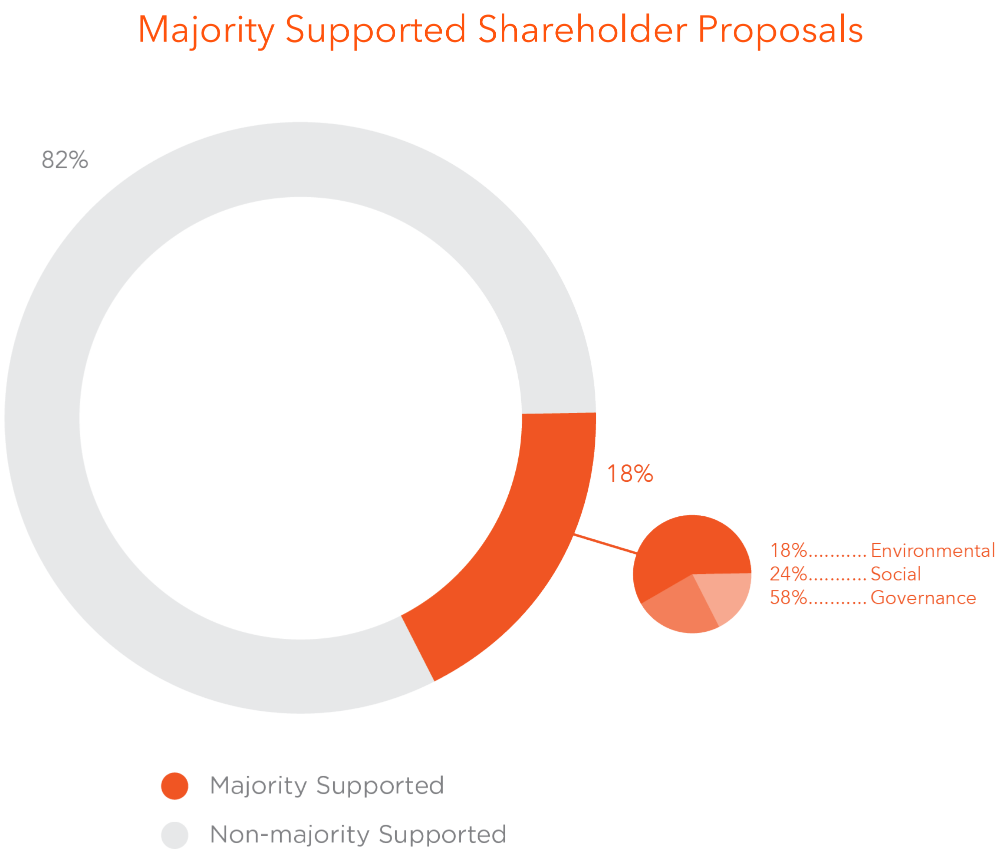
- Average shareholder support for environmental proposals jumped from 31% to 42% in the course of a single year, and support for social proposals rose from 28% to 31%. There also was a higher proportion of majority-supported environmental and social proposals in 2021 than in previous years.
- The number of shareholder proposals to go to a vote in the U.S. is at its lowest point and has been on a steady decline since 2015. In 2021, Glass Lewis reviewed 411 proposals, down from 434 in 2020 and 585 in 2021.
- Tech companies continue to be a significant focus for investors, and have consistently received the highest number of shareholder proposals. Between three companies (Facebook, Alphabet, and Amazon.com), shareholders voted on a total of 79 shareholder proposals in the last three years.

Shareholder Proposals by Category



Despite the increasing scrutiny on how companies are managing ESG issues, the composition of the proposals that went to a vote in 2021 was remarkably similar to those proposed in previous years. There was a slight increase in the proportion and number of environmental proposals that went to a vote. However, the growth in these proposals could be somewhat explained by the submission of climate-focused Trojan Horse proposals (or proposals submitted by conservative groups aimed at scaling back companies' environmental and social initiatives).

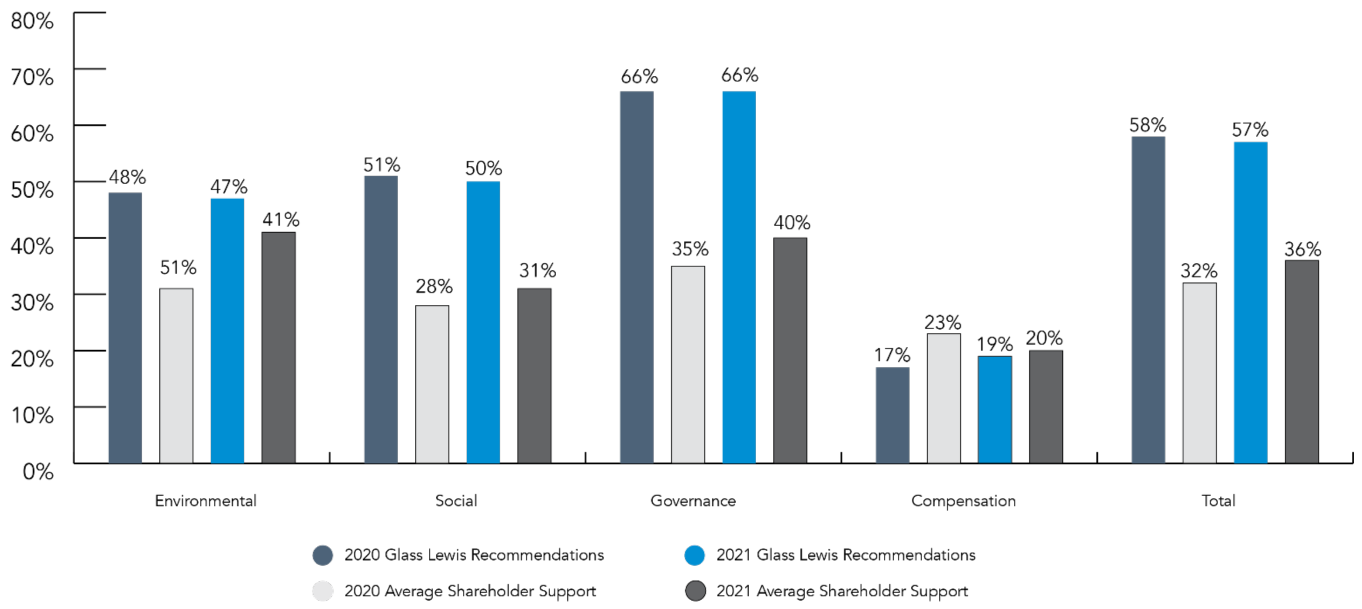
There was also a drop in the number of governance proposals submitted to a shareholder vote in 2021. This drop is largely reflective of the complete omission of proposals requesting that companies place all bylaw amendments up for shareholder approval. There were nearly 20 of these proposals that went to a vote in the previous year.



While there was a drop in the number of proposals that went a vote in 2021, there were more majority-supported proposals than any of the last five years. The year-over-year growth in the number of these proposals is notable, as is the proportion of those proposals that dealt with environmental and social topics; the number of majority-supported proposals rose from 54 in 2020 to 74 in 2021, with environmental and social proposals representing 19 and 34 of those proposals, respectively. To compare, in 2015, only one environmental and social shareholder proposal received majority shareholder support. This demonstrates the shifting landscape and investors' increasing focus on environmental and social issues.

To further put this shift in context, in 2019, governance proposals comprised 81% of majority-supported proposals. Furthermore, in 2019, no shareholder proposals on environmental issues received over 50% shareholder support. In 2021, the composition of majority supported proposals shifted significantly; only 58% of these proposals were governance-related (down from 66% in 2020), and the remaining 42% of majority-supported proposals touched on environmental and social issues (up from 33% the prior year). Finally, unlike previous years, no compensation-related proposals received majority shareholder support in 2021.

Shareholder Support vs. Glass Lewis Recommendations



Although overall support for shareholder proposals rose on a year-over-year basis, the proportion of shareholder resolutions for which Glass Lewis recommended in favor decreased slightly from 58% in 2020 to 57% in 2021. When broken down by category, the only types of proposals for which Glass Lewis recommended a higher proportion were those dealing with compensation issues, which increased slightly; our support for all other categories declined slightly or remained consistent on a year-over-year basis.

It should be noted that we have seen a dramatic shift in our support for environmental proposals over the last three years. In 2019, we recommended support for approximately 20% of these proposals, whereas in 2020 and 2021, we recommended in favor of 48% and 47% of environmental proposals, respectively.

Notable Meetings

Governance & Compensation Failures

Paycom Software, Inc. (PAYC) May 3, 2021 Annual Meeting

- Election of Frederick C. Peters II — 65% opposition / 35% Support
- SOP Vote Result — 70% opposition / 30% Support

At Paycom Software, Inc.'s 2021 annual meeting, director Peters experienced significant opposition stemming from his service as a member of the board's compensation committee, fomented by ongoing shareholder concerns with the company's executive compensation program. After failing to receive majority support for the advisory vote on executive compensation last year, the company made efforts to provide for a more reasonable compensation arrangement to its executives; however, it seems that shareholders considered certain ongoing practices problematic. In particular, opposition likely related to excessive CEO awards.

Tutor Perini Corporation (TPC) May 19, 2021 Annual Meeting

- Election of Michael R. Klein — 65% opposition / 35% Support
- Election of Robert C. Lieber — 63% opposition / 37% Support
- Election of Peter Arkley — 63% opposition / 37% Support
- Advisory Vote on Executive Compensation — 65% opposition / 35% Support

Tutor Perini's shareholders have been voicing their concerns by voting against the company's say-on-pay proposal since 2011, and the company's compensation practices continue to be problematic. As with last year, all compensation committee members failed to receive majority support from shareholders, an indication of continued shareholder dissatisfaction with the pay program. It appears that the board's reluctance to replace the failed directors is adding to shareholder discontent, which may further explain this continued level of opposition.

Election of Directors Protest Votes

American Finance Trust, Inc. (AFIN) April 12, 2021 Annual Meeting

- Election of Stanley R. Perla — 80% opposition / 20% Support
- Election of Edward G. Rendell — 77% opposition / 23% Support

At American Finance Trust's 2021 AGM the two directors up for election were held accountable for adopting, and subsequently extending, the company's shareholder rights plan without putting the plan up for shareholder approval. Furthermore, at the company's 2020 AGM shareholders voted for an annual advisory vote on executive compensation, a choice that the board seems to have disagreed with, as a say-on-pay proposal was not on the ballot this year.

Axon Enterprise, Inc. (AXON) May 27, 2021 Annual Meeting

- Election of Richard H. Carmona — 68% opposition / 32% Support

Shareholders have generally been adamant in opposing the election of directors when boards go against their will by not implementing majority supported shareholder proposals. That is what happened at Axon Enterprise's 2021 AGM, where director Carmona, a member of the nominating and corporate governance committee, received considerable opposition during a time when the company failed to implement a shareholder proposal that asked for board declassification, a practice that promotes director accountability to shareholders.

Carriage Services, Inc. (CSV) May 18, 2021 Annual Meeting

- Election of James R. Schenck — 67% opposition / 33% Support

Board gender diversity was the main driver of director against votes during the 2020 proxy season, and it continues to be a common focus of shareholder concern in 2021. For example, see Carriage Services, where the absence of any women directors is clearly not acceptable to shareholders. This is the second year in a row that directors have failed to receive majority support due to this ongoing issue. Following the meeting, director Schenck's resignation was accepted, and he is no longer serving as a member of the board. However, as of publication the company has yet to appoint a woman to the board.

Cerecor, Inc. (CERC) June 15, 2021 Annual Meeting

- Election of Magnus Persson — 72% opposition / 28% Support
- Election of Sol J. Barer — 68% opposition / 32% Support
- Election of Michael F. Cola — 64% opposition / 36% Support
- Election of Phil Gutry — 62% opposition / 38% Support
- Election of Joseph Miller — 60% opposition / 40% Support
- Election of Steven J. Boyd — 60% opposition / 40% Support

Cerecor's 2021 annual meeting was the first time its board has received such low support. The company stated that the opposition was driven by withhold votes from the company's largest stockholder, Armistice Capital

Master Fund, which is controlled by one of Cerecor's board members and holds 43% of its outstanding common stock. After the publication of these vote results, only director Barer resigned from the board.

Clarus Corporation (CLAR) June 2, 2021 Annual Meeting

- Election of Donald L. House — 51% opposition / 49% Support
- Election of Nicholas Sokolow — 51% opposition / 49% Support

Clarus Corporation has seen shareholders' opposition increasing year after year, meeting after meeting, and directors have failed to attain majority shareholder support for at least three years now. This time around, board negligence on implementing an annual compensation vote; persistent concerns regarding the company's pay structure; and lack of disclosure surrounding how shareholder rights would be protected for the 2021 virtual-only meeting, were added to the list of governance concerns that have been piling up over the last couple of years.

Global Net Lease (GNL) June 17, 2021 Annual Meeting

- Election of Edward G. Rendell — 89% opposition / 11% Support
- Election of Abby M. Wenzel — 84% opposition / 16% Support

Global Net Lease adopted a shareholder rights plan during 2020 without shareholder approval. Shareholders rights plans or poison pills are considered adverse to shareholder's financial interests. At the company's 2021 AGM, directors Rendell and Wenzel were held accountable for the rights plan implementation. The substantial opposition implies a protest vote, not only for the adoption but also the extension of such a plan without giving shareholders the opportunity to weigh in.

JBG SMITH Properties (JBGS) April 29, 2021 Annual Meeting

- Election of Steven Roth — 76% opposition / 24% Support

At JBG SMITH Properties, director Roth received substantial opposition after failing to attend at least 75% of board and committee meetings during the last fiscal year. This director also failed to receive majority support at Urban Edge Properties. Concerns regarding his outside commitments as a member of four public company boards while also serving as an executive of a public company were compounded by the attendance failure. In response to the shareholder vote, director Roth left the JBG SMITH Properties board following the meeting.

Netflix, Inc. (NFLX) June 3, 2021 Annual Meeting

- Election of Richard N. Barton — 73% opposition / 27% Support

This year marked the eighth annual meeting of shareholders where Netflix directors standing for election experienced significant opposition. In addition to ongoing shareholder concern related to the board's failure to adequately address majority-supported shareholder proposals, director Barton's opposition was driven by his excessive board commitments, serving on five public company boards while being an executive of a public company.

Stamps.com Inc. (STMP) June 9, 2021 Annual Meeting

- Election of G. Bradford Jones 83% opposition / 17% Support

The lack of an independent chair is just one of several concerns that prompted large opposition to members of the Stamps.com board. In 2020, Stamps.com's board decided to allow a failed director to continue serving on the board, overlooking the results of the shareholder vote. In 2021, shareholders used the election of director Jones, also a member of the nominating and governance committee, to express disapproval of the board's response to the prior vote. Given the company's plurality voting standard, director Jones remains on the board and Stamps.com, for the second year in a row, has retained directors that failed to obtain majority shareholder support.

Pay Revolts

NCR Corporation (NCR), April 20, 2021 Annual Meeting

- SOP vote result: 84% Opposition / 16% Support

In response to a precipitous drop in the company's stock price during the early days of the pandemic, the board granted PSUs in July 2020 as a retention tool. Those PSUs vest based on the appreciation of the company's stock price, measured from the date of grant. By October the shares had recovered and were trading above the closing stock price prior to the COVID-19-induced sell-off. In addition, while retention concerns were offered as a rationale for these awards, the awards allowed for full vesting within just 30 months contingent on the price appreciation goals being met. These one-time awards were emblematic of the company's continued disconnect of pay with performance. While certain improvements were made to the company's program moving forward, this did not appear to be enough to assuage shareholders concerns.

Norwegian Cruise Line Holdings Ltd. (NCLH), May 5, 2021 Annual Meeting

- SOP vote result: 84% Opposition / 16% Support

While the extent of the impact of COVID-19 on the company's industry is noteworthy, the lengths that the company went to limit the negative impact on CEO compensation during 2020 seemed poorly justified. The use of significant one-off grants contributed to a disconnect between pay and performance, resulting in an F grade under our pay for performance analysis. Shareholders may have noted that, relative to the company's self-disclosed peer group, the CEO's compensation during the year was at the 90th percentile despite the company posting the lowest TSR after a -56.5% drop. The company's actions to shield NEOs, particularly the CEO, from the same impacts that shareholders experienced appears to have been too much for shareholders to tolerate.

Park Hotels & Resorts Inc. (PK), April 30, 2021 Annual Meeting

- SOP vote result: 82% Opposition / 18% Support

In this case opposition appears to have reflected quantum rather than structure, with several factors regarding the compensation received by NEOs warranting concern. First, the company's use of discretion, which led to above-target payouts under the short-term incentive plan during a year where the company posted a 30.1% drop in TSR. The company also saw significant year-over-year increases in total compensation, partially driven by a potentially excessive use of one-time awards. These actions, in contrast to cost-cutting measures actions taken by the company that impacted property-level employees and shareholders, led to a Vote No campaign led by UniteHere.

Blucora, Inc. (BCOR), April 21, 2021 Annual Meeting

- SOP vote result: 80% Opposition / 20% Support

The company took certain actions to mitigate the impacts of COVID-19 on NEO compensation and to promote retention. These included making mid-year adjustments to the performance targets under the STIP and one-off awards granted to NEOs. Largely left in the dark on the specifics of the adjustments under the STIP and given insufficient rationale for the one-time awards, shareholders voiced discontent on the company's relatively high compensation when performance was relatively low.

Skyworks Solutions, Inc. (SWKS), May 12, 2021 Annual Meeting

- SOP vote result: 78% Opposition / 22% Support

The company granted sizable one-off retention awards to all NEOs. While the rationale for such awards may not have been inherently unreasonable, the use of short total vesting periods, particularly for retention awards, was concerning. These concerns were compounded by the use of solely time-vesting award vehicles for all non-CEO NEOs. Vote results suggests that shareholders were unconvinced by the company's rationale.

Whiting Petroleum Corporation (WLL), May 11, 2021 Annual Meeting

- SOP vote result: 77% Opposition / 23% Support

In a year in which the oil and gas services industry was buffeted by external factors, the company determined to cancel both their short-term and long-term incentive programs and grant large discretionary cash awards to their then-NEOs. The awards were granted in March 2021, a month before the company entered bankruptcy. While the terms of the awards allowed for recoupment, the recoupment provisions lapsed following the company's emergence from bankruptcy in September 2020. The use of these discretionary cash payments in lieu of the standard incentive programs during a particularly turbulent year was rebuffed by shareholders.

LCI Industries (LCII), May 6, 2021 Annual Meeting

- SOP vote result: 77% Opposition / 23% Support

Following engagement with shareholders in the wake of the 2020 annual general meeting, the company announced that it would increase transparency surrounding its compensation program, and committed to utilizing ESG metrics in the future. These actions were not enough to assuage shareholders concerns, however, leading to a further drop in support for the company's compensation program this year.

RPT Realty (RPT), April 28, 2021 Annual Meeting

- SOP vote result: 77% Opposition / 23% Support

During a year in which the company posted a 40.4% decline in TSR, year-over-year compensation increased significantly, particularly for the CEO. The results reflected pay decisions made in the context of the COVID-19 pandemic, including the grant of one-off awards, the use of discretion under the STIP, and the extension of performance periods for inducement awards granted in 2018. Despite the exceptional circumstances, shareholders rebuked the company's relatively generous pay practices.

Ceridian HCM Holding Inc. (CDAY), April 27, 2021 Annual Meeting

- SOP vote result: 74% Opposition / 26% Support

Last year, Ceridian nearly failed its say-on-pay vote, with excessive grants a contributing factor. While the company made modestly favorable changes in 2020, they were overshadowed by other, less positive actions. Not least, the company's decision to award another round of excessive grants for the CEO. Moreover, the company chose to grant discretionary awards after their newly enhanced short-term incentive plan failed to pay out. These actions led to a further decline in shareholder support for the company's compensation program.

Cleveland Cliffs Inc. (CLF) April, 28, 2021 Annual Meeting

- SOP vote result: 74% Opposition / 26% Support

Cleveland Cliffs' track record of significant shareholder dissent against its compensation program goes back to its 2016 AGM. In response to failing their say-on-pay vote in 2020 (65% opposition), the company reached out to to collect feedback. While the company did provide additional disclosure regarding decisions that shareholders had questions about, no material changes were made to the compensation program. In the end, it appears that shareholders were unimpressed with the response, leading the SOP to fail for a second year in a row.

Appendix A

Failed Directors from January to June 2021 (Glass Lewis U.S. Coverage)

Company	Voting Method	Director Name	Still on Board?
1Life Healthcare, Inc.	Plurality	David P. Kennedy	Yes
Achilles Therapeutics plc	Majority	Edwin Moses	Yes
Acorda Therapeutics, Inc.	Plurality w/ Resignation Policy	Barry E. Greene	No
Airgain, Inc.	Plurality	Joan Gillman	Yes
Alpine Income Property Trust, Inc.	Plurality	M. Carson Good	Yes
American Bio Medica Corporation	Plurality	Melissa A. Waterhouse	Yes
		Peter Jerome	Yes
American Finance Trust, Inc.	Plurality	Stanley R. Perla	Yes
		Edward G. Rendell	Yes
Amtech Systems, Inc.	Plurality	Michael Garnreiter	Yes
		Lisa D. Gibbs	Yes
Aptevo Therapeutics Inc.	Plurality	Grady Grant	Yes
		Daniel J. Abdun-Nabi	Yes
Arrowhead Pharmaceuticals, Inc.	Majority w/ Resignation Policy	Michael S. Perry	Yes
Avalon Holdings Corporation	Plurality	Stephen L. Gordon	Yes
		Kurtis D. Gramley	Yes
Axon Enterprise, Inc.	Plurality	Richard H. Carmona	Yes
BioMarin Pharmaceutical Inc.	Plurality w/ Resignation Policy	Michael Grey	No
Cable One, Inc.	Majority w/ Resignation Policy	Thomas S. Gayner	Yes
Carriage Services, Inc.	Majority w/ Resignation Policy	James R. Schenck	No
Cerecor Inc.	Plurality	Magnus Persson	Yes
		Sol J. Barer	No
		Michael F. Cola	Yes
		Phil Gutry	Yes
		Joseph Miller	Yes
		Steven J. Boyd	Yes
		Suzanne L. Bruhn	Yes
		Gilla S. Kaplan	Yes
Chatham Lodging Trust	Plurality w/ Resignation Policy	Thomas J. Crocker	Yes
Clarus Corporation	Plurality	Donald L. House	Yes
		Nicholas Sokolow	Yes
Coherus BioSciences, Inc.	Plurality	V. Bryan Lawlis	No
Collegium Pharmaceutical, Inc.	Majority w/ Resignation Policy	Theodore R. Schroeder	No
ContraFect Corporation	Plurality	Sol J. Barer	Yes

GLASS LEWIS

Cryoport, Inc.	Plurality	Robert J. Hariri	Yes
Dawson Geophysical Company	Plurality	Craig W. Cooper	Yes
DXP Enterprises, Inc.	Plurality	David Patton	Yes
F5 Networks, Inc.	Majority	Michel Combes	No
Firsthand Technology Value Fund, Inc.	Plurality	Greg Burglin	Yes
Firsthand Technology Value Fund, Inc.	Plurality	Rodney Yee	Yes
Frequency Therapeutics, Inc.	Plurality	Joel S. Marcus	Yes
Gladstone Commercial Corporation	Plurality	Walter H. Wilkinson Jr.	Yes
Global Net Lease, Inc.	Plurality	Edward G. Rendell	Yes
		Abby M. Wenzel	Yes
		M. Therese Antone	Yes
Greenlight Capital Re, Ltd.	Majority	Joseph P. Platt	No
H&E Equipment Services, Inc.	Plurality w/ Resignation Policy	Lawrence C. Karlson	Yes
Helios Technologies, Inc.	Plurality	Gregory C. Yadley	No
JBG SMITH Properties	Majority w/ Resignation Policy	Steven Roth	No
Jones Soda Co.	Plurality	Michael M. Fleming	Yes
		Jeffrey D. Anderson	Yes
KemPharm, Inc.	Plurality	Joseph B. Saluri	Yes
Medpace Holdings, Inc.	Plurality	Fred B. Davenport Jr.	Yes
Mirati Therapeutics, Inc.	Plurality	Michael Grey	No
Natera, Inc.	Plurality	Roelof F. Botha	Yes
Netflix, Inc.	Plurality	Richard N. Barton	Yes
		Bradford L. Smith	Yes
New Residential Investment Corp.	Plurality	Kevin J. Finnerty	Yes
Novavax, Inc.	Plurality	David M. Mott	Yes
Paramount Group, Inc.	Majority w/ Resignation Policy	Mark R. Patterson	Yes
Paycom Software, Inc.	Plurality w/ Resignation Policy	Frederick C. Peters II	Yes
PetIQ, Inc.	Majority w/ Resignation Policy	Ronald Kennedy	Yes *
Sage Therapeutics, Inc.	Plurality	Steven M. Paul	Yes
		Geno Germano	Yes
Sequential Brands Group, Inc.	Majority	John Dionne	No
Sino-Global Shipping America, Ltd.	Plurality	Tieliang Liu	Yes
		CAO Lei	Yes
Stamps.com Inc.	Plurality	G. Bradford Jones	Yes
		Kate Ann May	Yes
TG Therapeutics, Inc.	Plurality	Yann Echelard	Yes
		Daniel Hume	Yes
		Sagar Lonial	Yes
		Kenneth Hoberman	Yes
TPI Composites, Inc.	Plurality	Paul G. Giovacchini	Yes
Tutor Perini Corporation	Plurality	Michael R. Klein	Yes
Tutor Perini Corporation	Plurality	Robert C. Lieber	Yes
Tutor Perini Corporation	Plurality	Peter Arkley	Yes

Urban Edge Properties	Majority	Steven Roth	Yes
Urban One, Inc.	Plurality	Terry L. Jones	Yes
		Brian W. McNeill	Yes
Veritex Holdings, Inc.	Plurality	Manuel J. Mehos	Yes
VolitionRX Limited	Plurality	Guy Innes	Yes
Warrior Met Coal, Inc.	Plurality	Alan H. Schumacher	Yes
Whitestone REIT	Plurality w/ Resignation Policy	Jack L. Mahaffey	Yes

**Pending board decision*

Appendix B

Glass Lewis Director Withhold/Against Reasons, Proxy Season 2021

Withhold/Against Reason	S&P 500	Russell 3000
Adoption of Exclusive Forum Provision	12	64
Affiliate/Insider on a Committee	13	103
Attendance	1	14
Attendance Record Disclosure Incomplete	0	6
Auditor not up for Ratification	1	21
Board Gender Diversity	0	41
CFO on Board	3	42
Director Received Excessive Against Votes	1	13
Director Serves on Excessive Audit Committees	3	16
Insufficient Board Independence	2	81
Insufficient Committee Meetings	0	5
Insufficient Response to Shareholder Dissent Regarding Compensation Issues	0	8
Interlocking Directorship	0	7
IPO Governance Concerns	0	178
Material Weakness	0	24
No Compensation Committee	0	1
No Lead Director	9	106
Ongoing Compensation Concerns	11	43
Overboarding	19	78
Poison Pill	0	16
Related Party Transactions	3	58
Restated Financial Statements	0	10
SHP Not Implemented	5	9
Virtual-only Meeting Limits Shareholder Participation	1	49
Vote Results Not Disclosed	0	3

Appendix C

Failed Say-on-Pay Proposals

Company	Glass Lewis Recommendation	2021 Support
22nd Century Group, Inc.	Against	44.1%
Acuity Brands, Inc.	Against	32.8%
Allakos Inc.	Against	41.3%
Arrowhead Pharmaceuticals, Inc.	Against	44.1%
AT&T Inc.	For	47.8%
Biogen Inc.	For	49.4%
Blucora, Inc.	Against	20.2%
Capstead Mortgage Corporation	For	49.8%
Cars.com Inc.	Against	45.0%
Ceridian HCM Holding Inc.	Against	25.8%
Cleveland-Cliffs Inc.	Against	26.1%
CV Sciences, Inc.	Against	43.3%
Enzo Biochem, Inc.	Against	35.9%
Essent Group Ltd.	Against	46.1%
Evofem Biosciences, Inc.	Against	33.3%
General Electric Company	Against	42.0%
G-III Apparel Group, Ltd.	Against	38.6%
Global Blood Therapeutics, Inc.	Against	44.5%
Global Net Lease, Inc.	For	21.1%
Greenlight Capital Re, Ltd.	Against	42.4%
Guardant Health, Inc.	Against	38.1%
Halliburton Company	Against	46.2%
Howmet Aerospace, Inc.	Against	44.5%
Intel Corporation	Against	38.1%
International Business Machines Corporation	Against	47.9%
Invacare Corporation	Against	34.2%
Ladder Capital Corp	Against	34.0%
LCI Industries	Against	23.2%
Marathon Petroleum Corporation	For	30.0%
Nabors Industries Ltd.	Against	31.8%
Natural Gas Services Group, Inc.	Against	21.1%
NCR Corporation	Against	15.8%

Nikola Corporation	Against	43.9%
Norwegian Cruise Line Holdings Ltd.	Against	16.4%
PacWest Bancorp	Against	36.9%
Park Hotels & Resorts Inc.	Against	17.7%
Paycom Software, Inc.	Against	30.2%
Phillips 66	For	49.9%
Prologis, Inc.	Against	49.9%
PTC Inc.	Against	49.5%
Qualys, Inc.	Against	38.4%
RPT Realty	Against	23.2%
Sabre Corporation	Against	36.4%
Sino-Global Shipping America, Ltd.	For	19.1%
Skyworks Solutions, Inc.	Against	22.2%
SL Green Realty Corp.	Against	34.4%
Splunk Inc.	Against	34.9%
Starbucks Corporation	Against	47.0%
Sterling Bancorp	For	38.3%
Tejon Ranch Co.	Against	44.7%
The Brink's Company	Against	42.8%
The Children's Place, Inc.	For	48.7%
TransDigm Group Incorporated	Against	43.0%
Tutor Perini Corporation	Against	34.7%
Universal Insurance Holdings, Inc.	Against	40.5%
Vector Group Ltd.	For	46.2%
Vonage Holdings Corp.	Against	45.7%
Walgreens Boots Alliance, Inc.	Against	47.2%
WEX Inc.	Against	47.0%
Whiting Petroleum Corporation	Against	22.6%
Xenia Hotels & Resorts, Inc.	Against	42.2%
Xerox Holdings Corporation	Against	30.4%
XPO Logistics, Inc.	Against	45.4%
Zynga Inc.	Against	47.2%

Failed Golden Parachute Proposals

Company	Glass Lewis Recommendation	Shareholder Support
Bryn Mawr Bank Corporation	For	27.9%
IHS Markit Ltd.	Against	28.3%
People's United Financial, Inc.	Against	39.0%
ZAGG Inc	Against	42.4%
Luminex Corporation	For	35.4%

Failed Equity & Non-Executive Compensation Proposals

Company	Glass Lewis Recommendation	Shareholder Support
CKX Lands, Inc.	For	47.5%
Lipocine Inc.	Against	37.5%
Manning & Napier, Inc.	Against	49.7%
Penumbra, Inc.	Against	44.0%
Ra Medical Systems, Inc.	Against	38.9%
Cassava Sciences, Inc.	Against	41.2%
Simulations Plus, Inc.	Against	45.7%
Aptevo Therapeutics Inc.	For	33.4%
PetIQ, Inc.	For	49.9%

Appendix D

Majority Supported Shareholder Proposals

Ticker	Company Name	Proposal Type	Recommendations GL	Recommendations Mgmt	Support 2021	Support 2020	Proponent
		ENVIRONMENTAL PROPOSALS					
BG	Bunge Limited	Soy Supply Chain Report	For	For	98.9%		Storebrand Asset Management AS and Green Century Fund
BKNG	Booking Holdings Inc.	Climate Transition Report	For	Against	56.4%		As You Sow, on behalf of the Thornhill Company
BLMN	Bloomin' Brands, Inc.	GHG Emissions Targets	Against	Against	76.2%	26.5%	Green Century Capital Management Inc.
COP	ConocoPhillips	GHG Emissions Targets	Against	Against	59.3%		Follow This
CVX	Chevron Corporation	GHG Emissions Targets	Against	Against	60.7%		Not disclosed
DAL	Delta Air Lines, Inc.	Climate Lobbying	For	Against	63.0%	45.9%	BNP Paribas Asset Management
DD	DuPont de Nemours, Inc.	Plastic Pollution	For	Against	81.2%		As You Sow on behalf of John B & Linda C Mason Comm Prop
GE	General Electric Company	Climate Reporting	For	For	98.0%		As You Sow on behalf of Long View Funds and Putney School Inc Endowment Inv Mgr (S), with co-filer
NSC	Norfolk Southern Corporation	Climate Lobbying	For	Against	76.4%		Friends Fiduciary Corporation
PSX	Phillips 66	GHG Emissions Targets	For	Against	80.3%		Not disclosed
PSX	Phillips 66	Climate Lobbying	For	Against	62.5%		California State Teachers' Retirement System
UAL	United Airlines Holdings, Inc.	Climate Lobbying	For	Against	67.9%	31.5%	The Presbyterian Church (U.S.A.) and Portico Benefit Services
XOM	Exxon Mobil Corporation	Climate Lobbying	For	Against	63.8%		BNP Paribas Asset Management as lead proponent of a filing group
		GOVERNANCE PROPOSALS					
ALRM	Alarm.com Holdings, Inc.	Majority Vote (Director Elections)	For	Against	89.0%		James McRitchie and Myra K. Young
ANSS	ANSYS, Inc.	Simple Majority Vote	For	Against	87.2%		Not disclosed
AXON	Axon Enterprise, Inc.	Majority Vote (Director Elections)	For	Against	90.1%		James McRitchie
BAX	Baxter International Inc.	Written Consent	For	Against	53.9%	38.6%	John Chevedden
BG	Bunge Limited	Simple Majority Vote	For	Against	89.5%		Kenneth Steiner, through his proxy John Chevedden
BLMN	Bloomin' Brands, Inc.	Simple Majority Vote	For	Against	91.9%		Kenneth Steiner
BMI	Badger Meter, Inc.	Board Diversity	For	Against	85.3%		Not disclosed
BWA	BorgWarner Inc.	Ownership Threshold (Written Consent)	For	Against	50.1%		John Chevedden
CERN	Cerner Corporation	Simple Majority Vote	For	Against	91.7%		John Chevedden
CL	Colgate-Palmolive Company	Special Meetings	For	Against	50.8%	45.4%	John Chevedden
CNC	Centene Corporation	Board Declassification	For	For	98.7%		John Chevedden
COP	ConocoPhillips	Simple Majority Vote	For	For	99.3%		Kenneth Steiner
COWN	Cowen, Inc.	Written Consent	For	Against	54.5%		Kenneth Steiner
CSGP	CoStar Group, Inc.	Simple Majority Vote	For	Against	82.1%		Not disclosed
CTXS	Citrix Systems, Inc.	Simple Majority Vote	For	Undetermined	98.1%		John Chevedden
DG	Dollar General Corporation	Special Meetings	For	Against	53.2%		John Chevedden
DGX	Quest Diagnostics Incorporated	Written Consent	For	Against	51.0%		John Chevedden
FCBC	First Community Bankshares, Inc.	Board Diversity	For	Undetermined	70.6%		The New York Common Retirement Fund,
FLT	FLEETCOR Technologies, Inc.	Written Consent	For	Against	58.0%		Not disclosed
FOE	Ferro Corporation	Simple Majority Vote	Against	Against	77.2%		Kenneth Steiner
FSLR	First Solar, Inc.	Board Diversity	For	Against	91.2%		Not disclosed
HFC	HollyFrontier Corporation	Simple Majority Vote	For	Against	84.1%		Mr. Kenneth Steiner
ICE	Intercontinental Exchange, Inc.	Simple Majority Vote	For	Against	92.4%		John Chevedden
K	Kellogg Company	Special Meetings	For	Undetermined	63.2%		Not disclosed
KNX	Knight-Swift Transportation Hldgs Inc.	Simple Majority Vote	For	Against	85.5%		Not disclosed
NFLX	Netflix, Inc.	Simple Majority Vote	For	Against	90.1%	73.5%	John Chevedden
NYCB	New York Community Bancorp, Inc.	Written Consent	For	Against	79.1%		Kenneth Steiner
OGE	OGE Energy Corp.	Simple Majority Vote	For	Against	86.2%		John Chevedden
PCAR	PACCAR Inc	Simple Majority Vote	For	Against	65.5%		Not disclosed
PI	Impinj, Inc.	Proxy Access	For	Undetermined	83.6%		James McRitchie
RDFN	Redfin Corporation	Majority Vote (Director Elections)	For	Against	98.1%		Not disclosed
SCHW	The Charles Schwab Corporation	Board Declassification	For	Against	68.2%		John Chevedden, on behalf of James McRitchie
SON	Sonoco Products Company	Majority Vote (Director Elections)	For	Against	61.2%		Not disclosed
SVMK	SVMK Inc.	Board Declassification	For	Undetermined	83.8%		Legion Partners
SWKS	Skyworks Solutions, Inc.	Simple Majority Vote	For	Undetermined	96.9%		John Chevedden
TFX	Teleflex Incorporated	Board Declassification	For	Undetermined	96.4%		Not disclosed
TMO	Thermo Fisher Scientific Inc.	Special Meetings	For	Against	56.1%		John Chevedden, on behalf of Myra Young
TWOU	2U, Inc.	Board Declassification	For	Undetermined	97.7%		John Chevedden on behalf of James McRitchie
TXN	Texas Instruments Incorporated	Written Consent	For	Against	78.0%	N/A	John Chevedden
VGR	Vector Group Ltd.	Majority Vote (Director Elections)	For	Against	73.9%		Kenneth Steiner
XRX	Xerox Holdings Corporation	Written Consent	For	Against	79.2%		Kenneth Steiner
ZTS	Zoetis Inc.	Simple Majority Vote	For	Against	90.3%		John Chevedden

Ticker	Company Name	Proposal Type	Recommendations GL	Mgmt	Support 2021	2020	Proponent
			SOCIAL PROPOSALS				
ACM	AECOM	Lobbying Report	For	Against	54.6%		John Chevedden
AXP	American Express Company	Diversity and Inclusion Reporting	For	Against	59.7%		As You Sow, representing Betsy Krieger, and undisclosed co-filers
CHE	Chemed Corporation	Political Spending Reporting	For	Against	80.1%	48.2%	John Chevedden
DD	DuPont de Nemours, Inc.	Diversity and Inclusion Reporting	For	Against	83.8%		Mr. Scott M. Stringer, Comptroller of the City of New York, on behalf of the New York City Teachers' Retirement System, and co-filer
DUK	Duke Energy Corporation	Political Spending Reporting	For	Against	51.9%	38.9%	State of New York, Office of The State Comptroller, on behalf of the New York State Common Retirement Fund
GEO	The GEO Group, Inc.	Lobbying Report	For	Against	66.3%	42.5%	Service Employees International Union Pension Plans Master Trust and co-filer
GS	The Goldman Sachs Group, Inc.	Report on Impact of Mandatory Arbitration	For	Against	53.2%		The Nathan Cummings Foundation
IBM	International Business Machines Corp.	Diversity and Inclusion Reporting	For	For	94.3%		Nia Impact Capital
NFLX	Netflix, Inc.	Political Spending Reporting	For	Against	80.7%	41.9%	Myra K. Young
OMC	Omnicom Group Inc.	Political Spending Reporting	For	Against	51.0%		John Chevedden
PAYC	Paycom Software, Inc.	Management Diversity Report	For	Undetermined	93.8%		Trillium Asset Management LLC, on behalf of Sundance Family Foundation
RCL	Royal Caribbean Group	Political Spending Reporting	For	Against	52.9%	31.6%	The Comptroller of the State of New York, Thomas P. DiNapoli, on behalf of the New York State Common Retirement Fund
RUN	Sunrun Inc.	Report on Impact of Mandatory Arbitration	For	Against	59.4%		Nia Impact Capital
UAL	United Airlines Holdings, Inc.	Political Spending Reporting	For	Against	67.9%		John Chevedden
UNP	Union Pacific Corporation	Diversity and Inclusion Reporting	For	Against	81.4%		As You Sow on behalf of Betsy L Kreiger CRUT (S), Samajak LP (S), and Julie Kreiger Tr (S)
UNP	Union Pacific Corporation	EEO-1 Reporting	For	Against	86.4%		New York City Comptroller, custodian and trustee of the New York Teachers' Retirement System and the Board of Education Retirement System
WEN	The Wendy's Company	Supply Chain Audits	For	For	95.3%		The Franciscan Sisters of Allegany, NY
XOM	Exxon Mobil Corporation	Lobbying Report	For	Against	55.6%	37.5%	The United Steelworkers as lead proponent of a filing group

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