

2021 THE DEBRIEFING

D.F. KING[®]
An AST Company

SEASON REVIEW AND
FALL ENGAGEMENT GUIDE

INTERESTED IN MORE THAN A DEBRIEF?

For more information, please reach out.

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All data provided in this review reflects statistics gathered from January through June 2021.

Statistics in this document were extrapolated from data provided by ISS Corporate Solutions, FactSet & D.F. King proprietary data.

DISCLAIMER: This presentation includes current public information that we consider reliable, including data and statements made by third parties, but we do not represent that it is accurate or complete, and it should not be relied on as such. This information should not be considered, or used as, legal or financial advice.

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SHAREHOLDER PROPOSALS

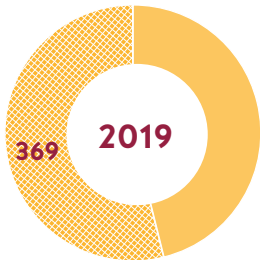
Submissions increased notably, and more proposals made it onto ballots in 2021.

Takeaways

- Following the sudden shift to virtual shareholder meetings in 2020 and the influx of issuers easing requirements to physically present shareholder proposals, we saw proposal submissions increase by nearly 20%.
 - Social proposals nearly tripled and outpaced the number of governance submissions for the first time, though the number that made it onto ballots decreased.
 - Governance proposals are still the category that ends up on ballots the most, with over 75% of governance submissions going to a vote during proxy season 2021.
 - Although just over a quarter of environmental proposals made it onto ballots, this year we saw significant spikes in shareholder support levels.
- Shareholder proposals continue to be the focus of large-cap companies, with over 75% of proposals being submitted at S&P 500 companies.
- Trending topics received increased spikes in average support levels and increased numbers of passing proposals—these included political contributions/lobbying, EEO-1, board and management diversity, proposals related to human capital management, climate change reporting and GHG emissions.

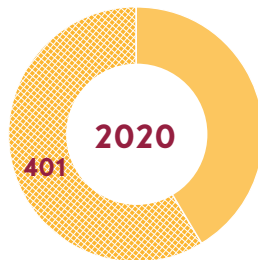


SUBMITTED VS. VOTED, YEAR-OVER-YEAR TRENDS

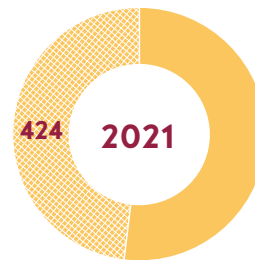


Total Submitted = 682

☒ SHPs That Made It Onto Ballots



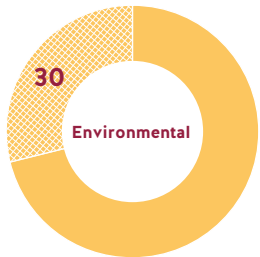
Total Submitted = 682



Total Submitted = 809

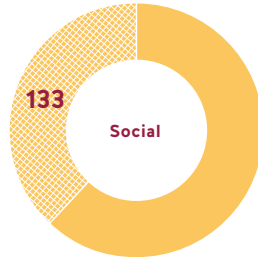


SUBMITTED VS. VOTED, BY PROPOSAL CATEGORY

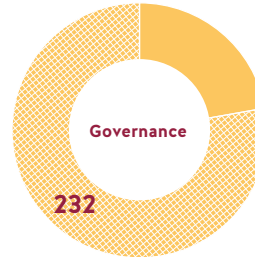


Total Submitted = 111

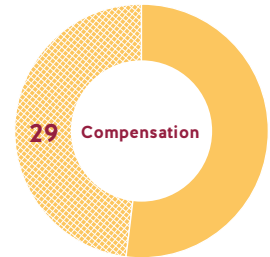
☒ SHPs That Made It Onto Ballots



Total Submitted = 350



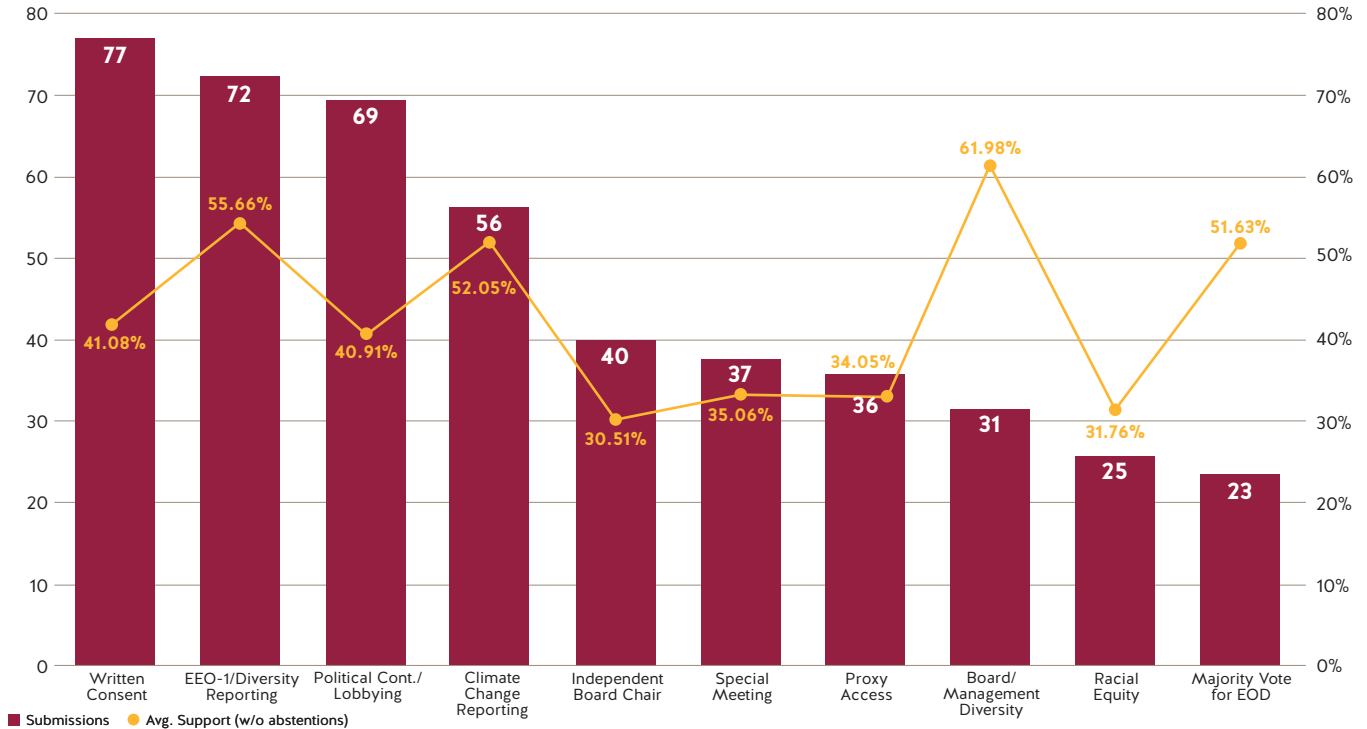
Total Submitted = 298



Total Submitted = 56

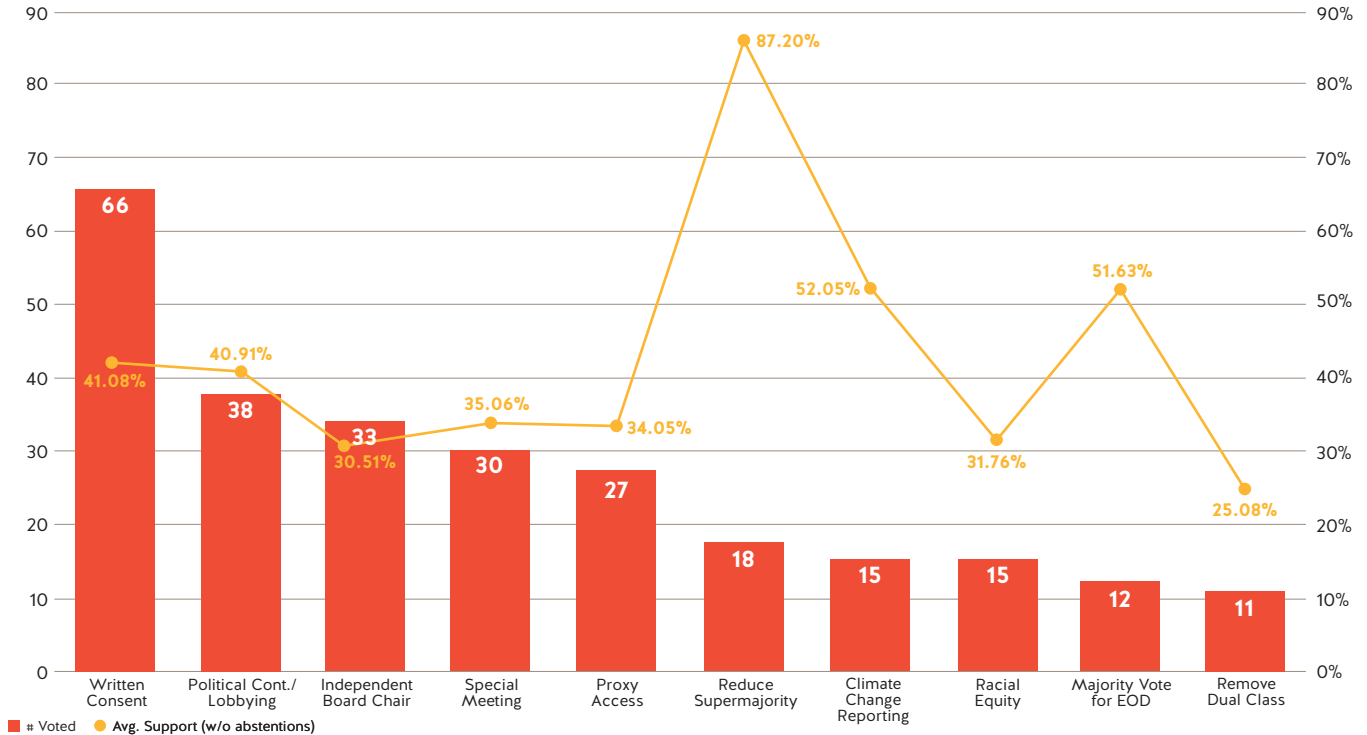


TOP SUBMITTED PROPOSALS 2021





TOP PROPOSALS THAT MADE IT ONTO BALLOTS 2021



ENVIRONMENTAL INITIATIVES

This year, we saw record-breaking support for environmental proposals.

Takeaways

- Nearly half of all environmental proposals that made it onto ballots this year received majority shareholder support, compared to none just two years ago.
- Requests for climate change reporting received the highest number of submissions as well as the highest number of proposals in this category that received majority shareholder support, followed by proposals requesting reporting or targets for GHG emissions.
- 80% of GHG emissions-related proposals that made it onto ballots received majority shareholder support this year, reinforcing the increased investor interest over the past year. This year, we saw an increase in the number of proposals requesting data on Scope 3 emissions.
- This year, a "say-on-climate" initiative emerged, where such proposals requested an annual advisory vote on a company's climate-related plans; one such proposal received majority shareholder support.

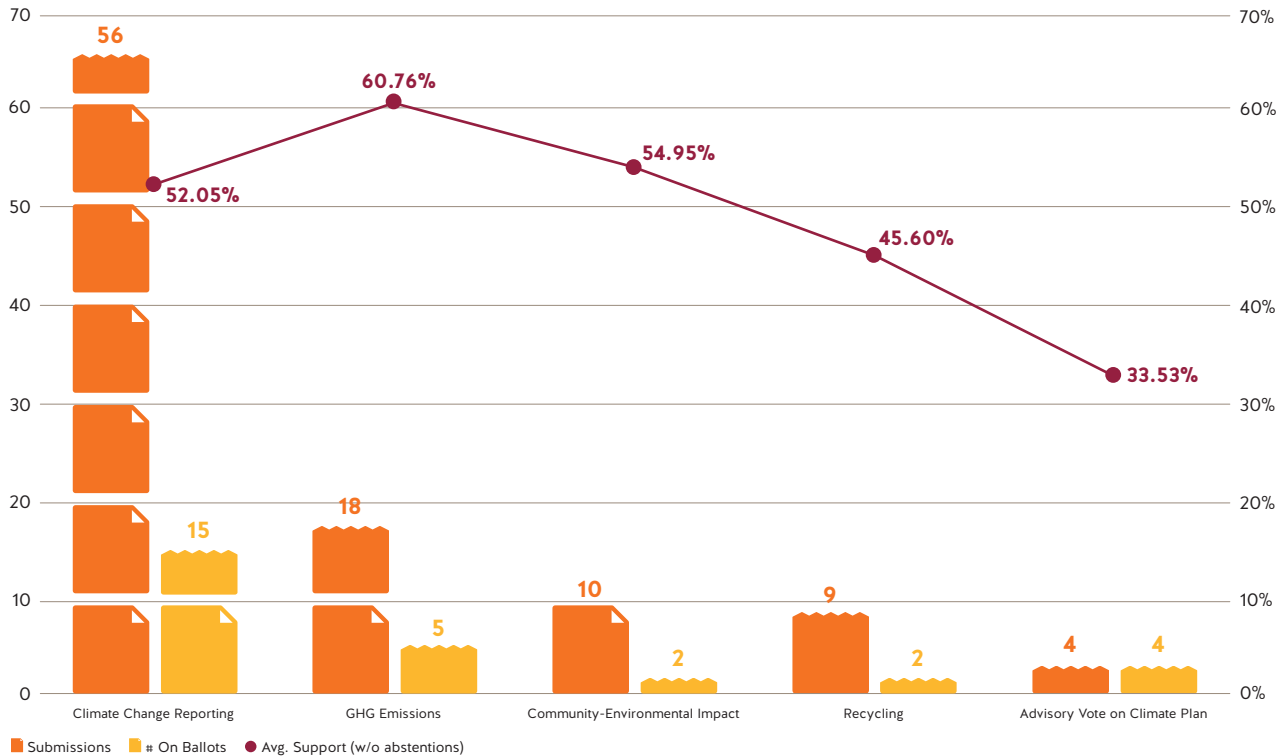


80%

of GHG emissions-related proposals that made it onto ballots received majority shareholder support this year.

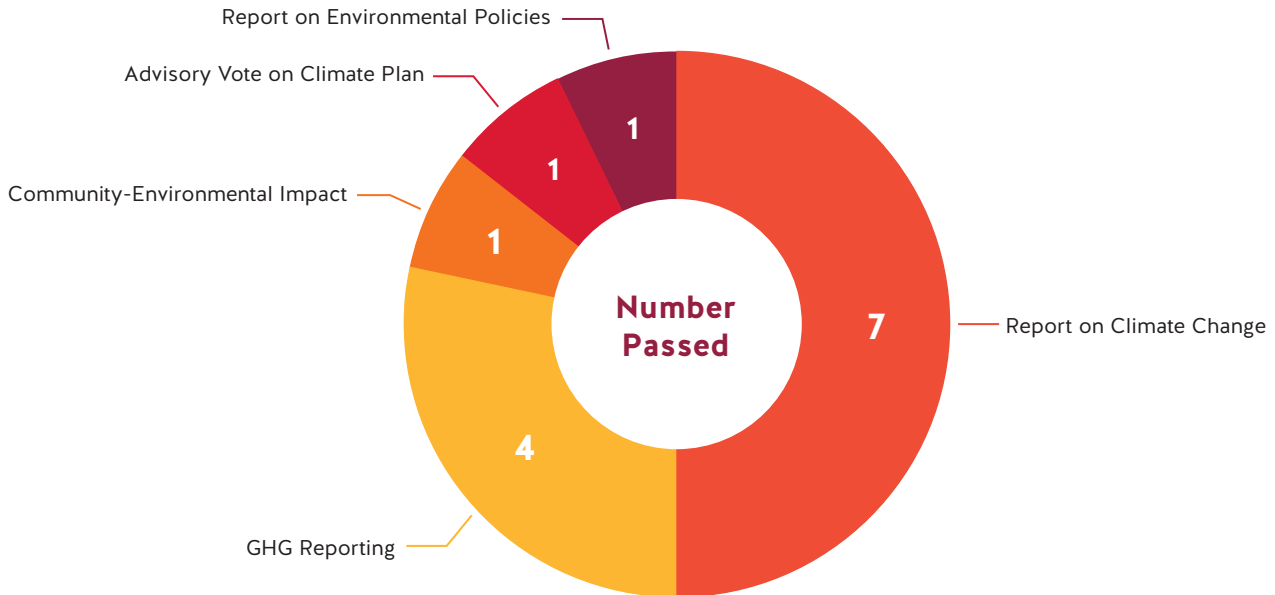


TOP ENVIRONMENTAL PROPOSALS





MAJORITY-SUPPORTED ENVIRONMENTAL PROPOSALS



Proponents

- The Thornhill Company, Boston Common Asset Management, CalSTRS, BNP Paribas Asset Management, Presbyterian Church USA, Green Century Capital Management, Friends Fiduciary Corporation
- Follow This, LongView Funds
- Green Century Capital Management
- Booth Investments LLC
- As You Sow Foundation

SOCIAL INITIATIVES

Proposal submissions nearly tripled, and significant spikes were recorded for topics pertaining to human capital management.

Takeaways

- EEO-1 reporting proposals more than tripled this year to 72 submissions and average support remains high at 55.7%. Notably, over half of these made it onto ballots this year.
- Although board and management diversity proposal submissions, didn't increase significantly, all proposals that made it onto ballots received majority shareholder support. Support levels are amongst the highest of all social proposals, averaging at 61.9%.
- Political contributions and lobbying proposals continue to take a lead spot in terms of submissions, and unsurprisingly, in light of the current political climate, more than three times the number of proposals received majority shareholder support this year vs. last year.
- This year, proposal requests relating to racial equity reporting received record numbers of submissions, following increased attention to this topic over the last year. Over half of these proposals made it onto ballots this year, and two received majority shareholder support.



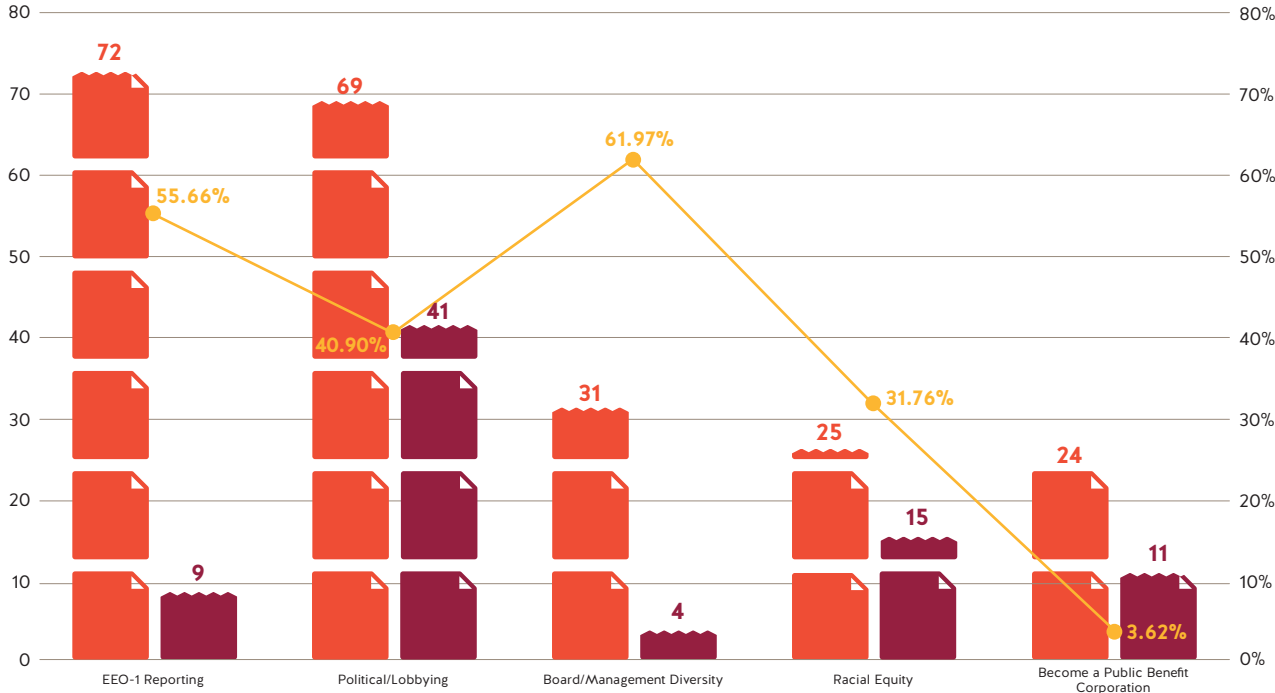
EEO-1 reporting proposals

**MORE THAN
TRIPLED**

this year to 72 submissions,
and average support
remains high at 55.7%.



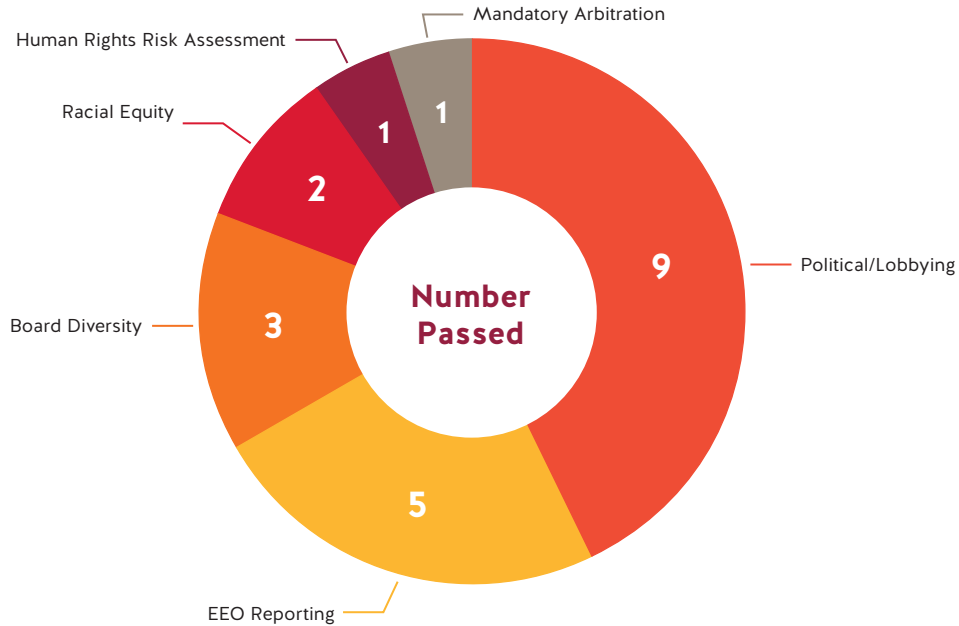
TOP SOCIAL PROPOSALS



■ Submissions ■ # On Ballots ● Avg. Support (w/o abstentions)



MAJORITY-SUPPORTED SOCIAL PROPOSALS



Proponents

- James McRitchie, John Chevedden, Service Employees International Union, United Steelworkers of America, NY State Common Retirement Fund
- Nia Impact Capital, As You Sow Foundation, Calvert Research & Management, NYC Teachers' Retirement Fund
- Trillium Asset Management, NorthStar Asset Management, NY State Common Retirement Fund
- Trillium Asset Management, Service Employees International Union
- Franciscan Sisters of Allegany, NY
- Nia Impact Capital

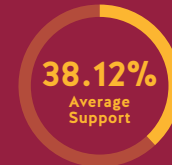
GOVERNANCE INITIATIVES

More proposals are making it onto ballots, and many are proving harder to defeat.

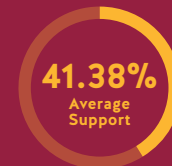
Takeaways

- Submissions did not drastically increase, and proponents largely remain the same players.
- Written consent proposals remain the proposal type with the highest number of submissions. There are two types of written consent proposals, those requesting the adoption of written consent (38.12% average support) and those requesting an amendment to a company's preexisting written consent provision (41.38% average support).
- Average support for proposals requesting an elimination of supermajority voting provisions skyrocketed to almost 90%. This has historically been the governance topic that receives the highest level of support, and it is rare for these proposals to be defeated. During the 2021 proxy season, we saw two times the number of these proposals submitted (18 proposals) compared to last year—all made it onto ballots and received over a majority of shareholder support.

TWO TYPES OF WRITTEN CONSENT PROPOSALS



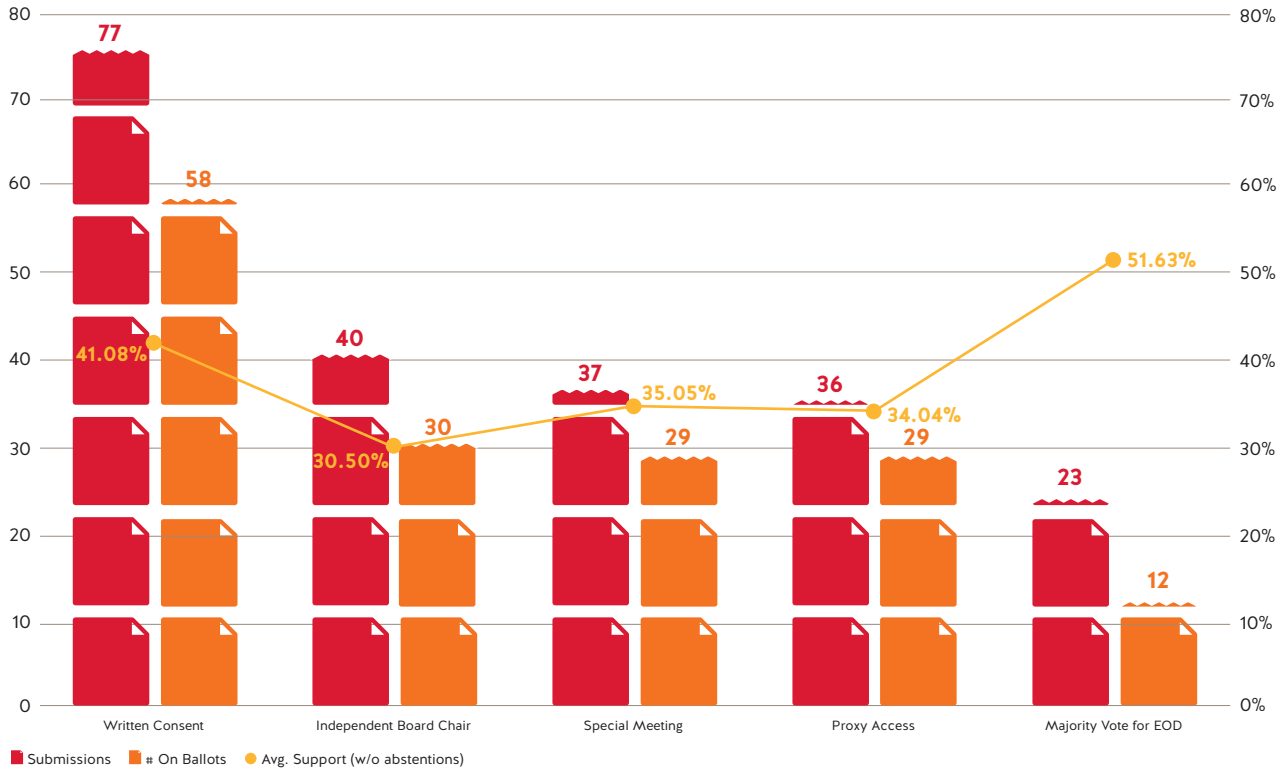
Those requesting adoption of written consent



Those requesting an amendment to a company's preexisting written consent provision

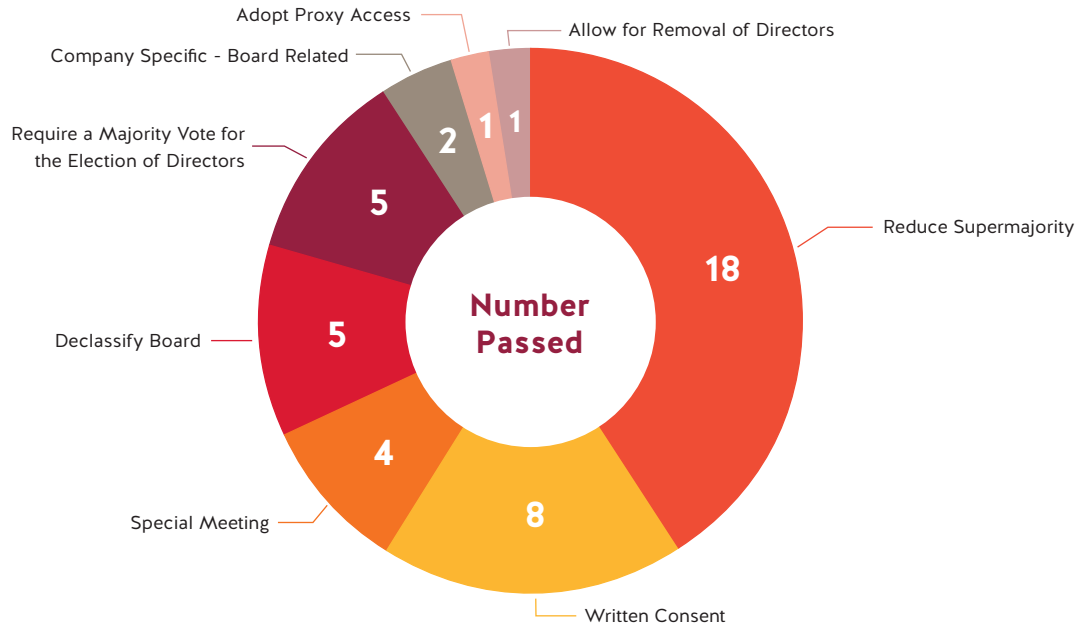


TOP GOVERNANCE PROPOSALS





MAJORITY-SUPPORTED GOVERNANCE PROPOSALS



Proponents

John Chevedden, Kenneth Steiner, Undisclosed

John Chevedden, Kenneth Steiner, Undisclosed

John Chevedden, Undisclosed

John Chevedden, James McRitchie, Legion Partners, Undisclosed

Undisclosed, James McRitchie, Kenneth Steiner

Chambers, Donald, Undisclosed

James McRitchie

Undisclosed

SAY-ON-PAY & EQUITY PLANS

Support remains high for both say-on-pay and equity plan proposals, despite early predictions that stated otherwise.

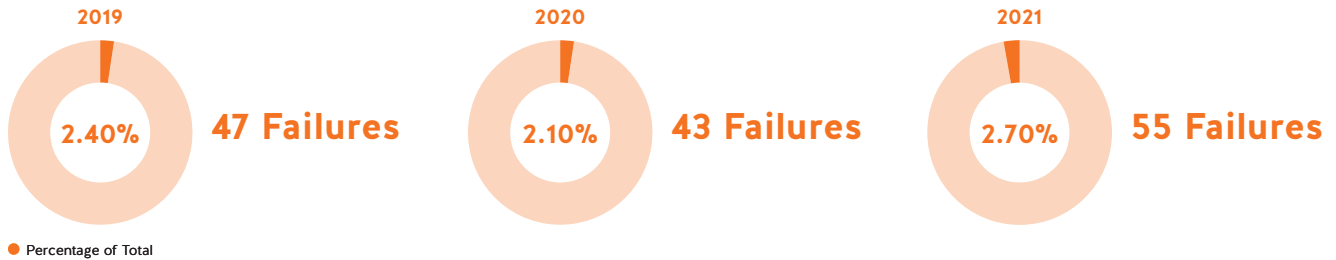
Takeaways

- Average say-on-pay support levels slightly decreased from what we've seen in previous years, likely due to investor concerns at companies that made significant adjustments to executive compensation without compelling rationale. There was also an increase in the number of failures, up to 55 from the 43 we saw last proxy season.
- Equity plan approvals remain uneventful, with support levels generally in line with historical data. Only three companies reported a failed vote this year.
- In terms of submissions, shareholder proposals regarding executive compensation have remained stagnant—none received majority shareholder support this year. Proposals requesting the feasibility for incorporating ESG metrics into executive compensation and those regarding pay disparity received the highest number of submissions.

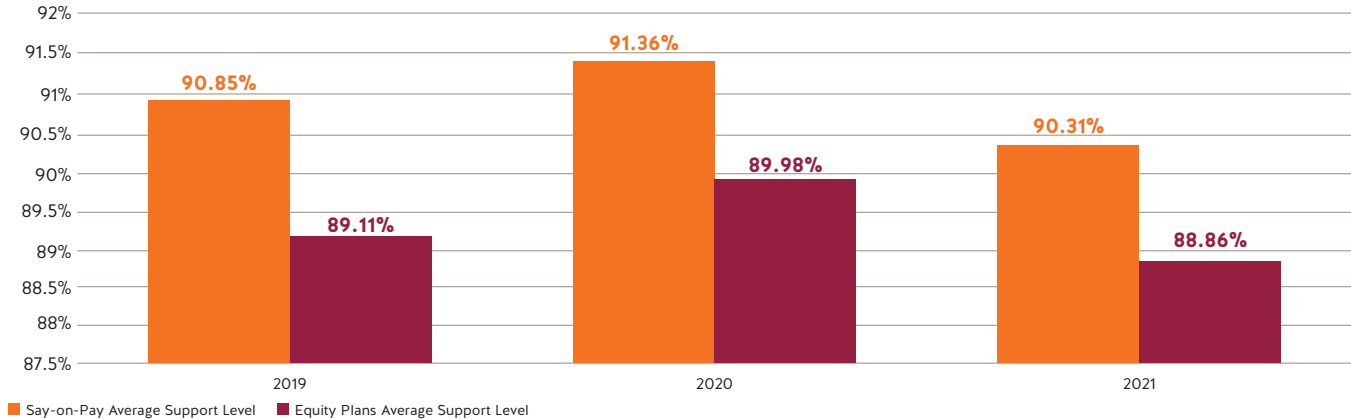


There was also an **increase** in the number of failures, up to 55 from the 43 we saw last proxy season.

 **SAY-ON-PAY FAILURE RATE**



 **AVERAGE SUPPORT (SAY-ON-PAY & EQUITY PLANS)**



COVID-19 AND ITS LINGERING EFFECTS ON THE PROXY SEASON

Virtual Meetings & Updated Best Practices

Following sudden government-mandated restrictions on travel and indoor gatherings in 2020, many issuers were frustrated by a lack of sufficient time to pivot from in-person annual meetings to virtual ones. Despite this, over 2,000 virtual shareholder meetings were conducted last year, which have helped to lay the framework for best practices on conducting virtual meetings going forward.

Over a year later, COVID-19 precautions have remained in place in much of the world during the 2021 proxy season, resulting in the majority of issuers retaining their virtual meeting formats. This proxy season, over 90% of the S&P 500 offered shareholders the option to attend their annual meeting virtually. For many companies, the virtual format is likely here to stay, as virtual meetings are able to provide various cost-cutting and logistical efficiencies that a traditional format could not.



OVER 2,000

virtual shareholder meetings
were conducted last year.

Following the broad shift toward virtual meetings, a 2020 working group on practices for virtual shareholder meetings (the “Working Group”) was created and spearheaded by the Society for Corporate Governance, Council of Institutional Investors and Rutgers Center for Corporate Law and Governance to review, assess and identify ways to improve the virtual shareholder meeting landscape. The Working Group has outlined a number of recommended best practices for virtual shareholder meetings, which include the following suggestions:¹



Disclosure

Companies must provide shareholders with detailed instructions on how they can attend the meeting and vote prior to and at the meeting, placed in a prominent location in the proxy statement. Companies must also explain the different procedures for shareholders of record and beneficial holders, if applicable, and highlight whether/why a shareholder must provide additional information in advance of the meeting and how to do so.

¹Rutgers Center for Corporate Law and Governance, Council of Institutional Investors and Society for Corporate Governance, Report of the 2020 Multi-Stakeholder Working Group on Practices for Virtual Shareholder Meetings, December 10, 2020.



Q&A Session

Prior to the meeting, companies should provide instructions on how and when shareholders will be able to ask questions at the meeting, make it clear that a shareholder must attend as a verified shareholder to be eligible to ask questions at the meeting, explain any requirements or limitations on asking questions at the meeting, explain whether the company will respond to any questions after the meeting and, if the company chooses to solicit questions in advance, provide instructions on how shareholders can ask questions ahead of the meeting.

Companies should explain how much time will be dedicated to the Q&A session and how the company will handle questions it may not be able to get to before time expires, as well as detailing in what order the company will be reciting and answering questions submitted.



Shareholder Proposals

With regard to shareholder proposal proponents, companies should coordinate with proponents in advance of the meeting to discuss logistics of presenting their proposals. Proponents should receive a dedicated phone or video connection to present their proposals in real time, as well as the option to provide a prerecorded statement that the company will play in lieu of virtual attendance. Contingency plans should be discussed in the event the proponent faces technical difficulties.

Pandemic-Related Executive Compensation Changes

Heading into the 2021 proxy season, institutional investors and advisory firms warned that pandemic-related adjustments to compensation that resulted in increased payouts would be met with scrutiny. Many market observers predicted that there would be an influx in say-on-pay failures and a marked decrease in average support levels as a result.

Interestingly, it appears that average and median support levels dipped slightly but largely are in line with what we've seen in previous years. That being said, there was a notable 28% increase in the number of companies in the Russell 3000 that received below 50% shareholder support (55 companies this year vs. 43 during proxy season 2020). "Against" recommendations issued by ISS increased slightly from 215 in 2020 to 227 in 2021.

The pandemic's impact on company financial performance varied by industry, ranging from severely harmed to positively impacted and resulting in a wide range of pay implications. Adjustments to executive compensation range from cutting executive and/or director compensation to demonstrate aligned interest with shareholders to adjusting metrics and resetting triggers to reflect market volatility:

- Some companies, particularly those severely impacted by the global pandemic, have revised or modified in-cycle cash and/or equity awards, while others took a "wait-and-see" approach.
- Many companies, guided by their pay-for-performance philosophies, were reluctant to make changes to in-cycle awards.
- The vast majority of executive pay actions have been reductions to base salaries.

TRENDS IN INVESTOR BEHAVIOR

Continued Focus on Diversity




Investors across the board have been strengthening their stance on board diversity, and many now include quotas in their voting guidelines—BlackRock, for example, expects to see at least two women on each board and may vote against board members if they believe a company has not adequately accounted for diversity in its board composition. The focus has now expanded beyond gender to racial diversity as well, with State Street updating its voting policies this year to require disclosure of racial and ethnic composition of boards at S&P 500 companies, and ISS updating their voting policies this year as well to highlight boards that lack racial and ethnic diversity for 2021 annual meetings.

Employee diversity is on the forefront of investors' minds as well. This year, the NYC Comptroller launched a letter writing campaign to the CEOs of 67 Fortune 100 companies, seeking public disclosure of EEO-1 Reporting data. For the 2021 proxy season, the number of EEO-1-related shareholder proposals skyrocketed to outpace almost all other categories in terms of submissions; although most were negotiated out via concessions made by the companies who received them, those that did make it onto ballots saw a notable average of 55.6% shareholder support.

Overboarding

This proxy season, we saw investors continue to enforce recently updated overboarding policies, which affected a fair number of directors up for reelection in 2021.

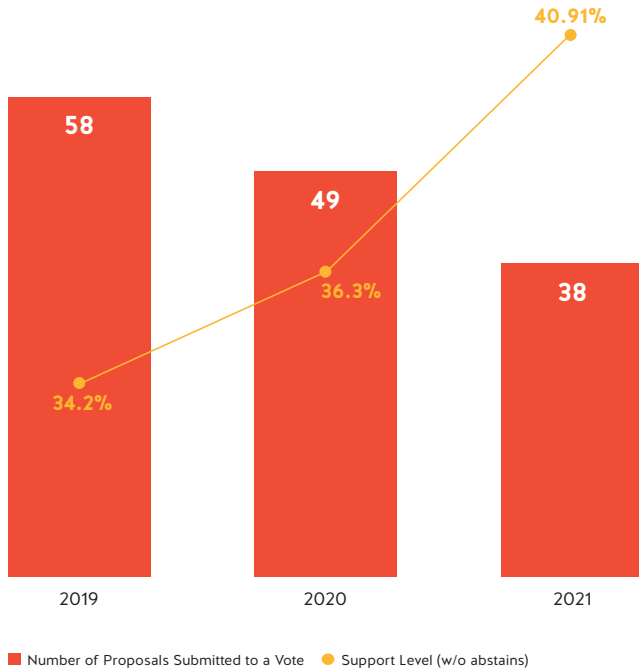
The chart below details the maximum number of public company boards a director can serve on before they are considered "overboarded" at several of the larger institutional investors:

 Institutional Investors	 Public Company CEO	 Public Company NEO	 Non-Executive Director
BlackRock	2 total boards	2 total boards	4 total boards
Vanguard	2 total boards	2 total boards	5 total boards
State Street	2 total boards	2 total boards	4 total boards, 3 total boards for board chairs or lead directors
Northern Trust	2 total boards	Applies only to CEO	4 total boards
Invesco	Not specified	Not specified	4 total boards
J.P. Morgan	3 total boards	Applies only to CEO	4 total boards
BNY Mellon	3 total boards	Applies only to CEO	5 total boards
CalPERS	2 total boards	2 total boards	4 total boards
CalSTRS	2 total boards	Applies only to CEO	4 total boards

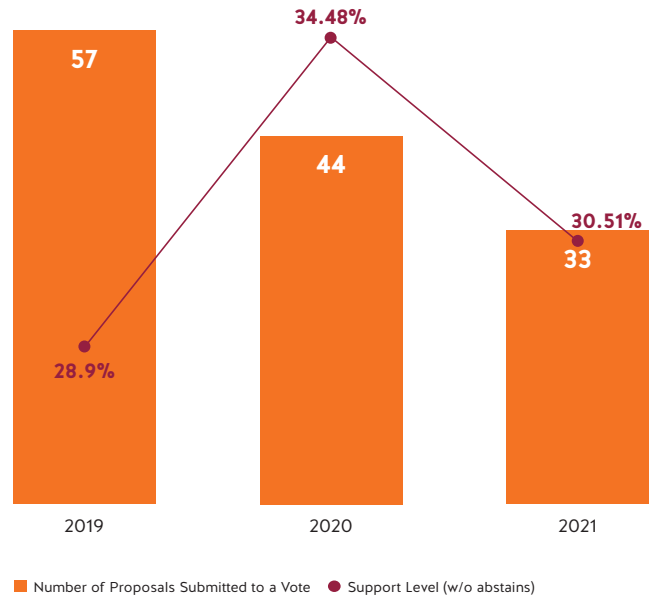
APPENDIX



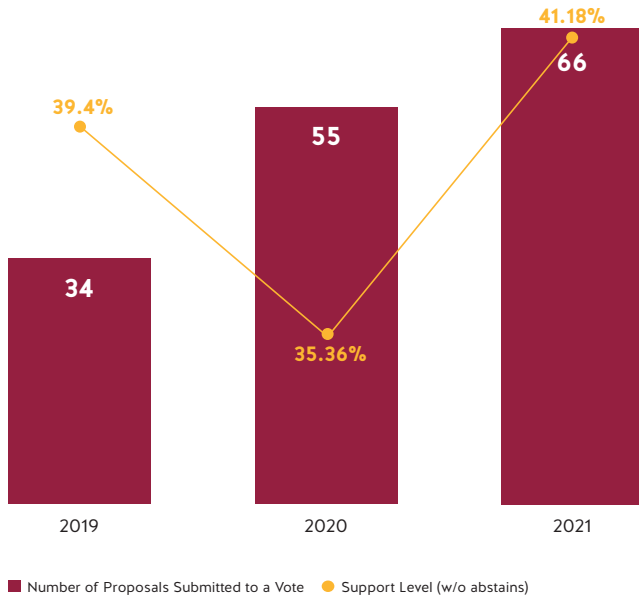
POLITICAL CONTRIBUTIONS/ LOBBYING



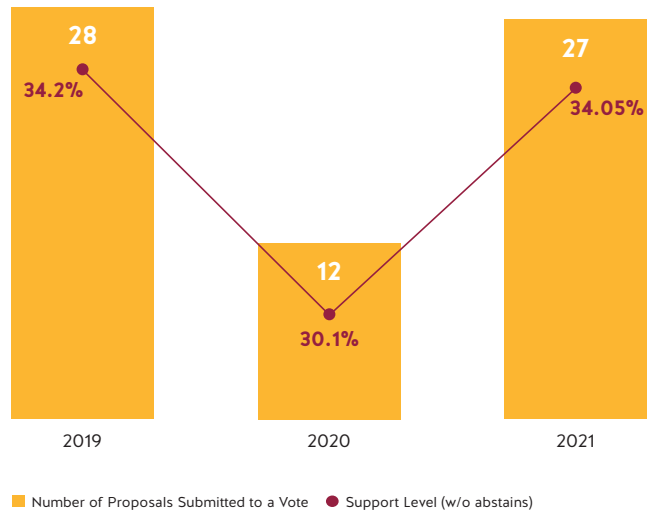
REQUIRE INDEPENDENT BOARD CHAIR



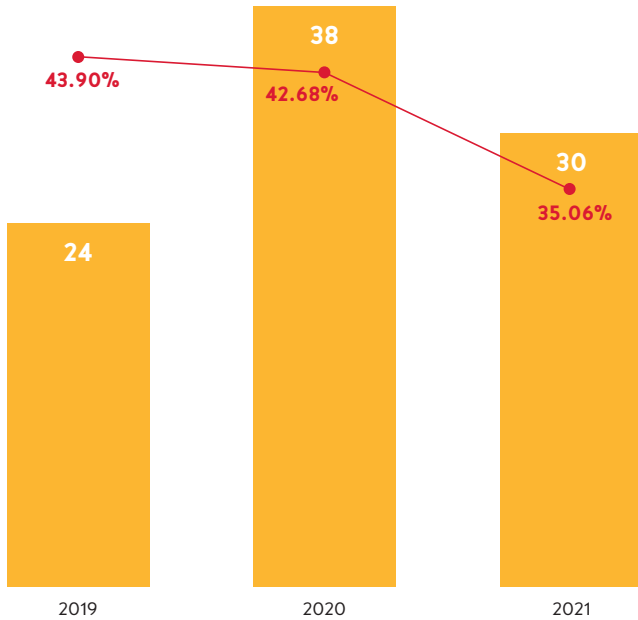
WRITTEN CONSENT



PROXY ACCESS

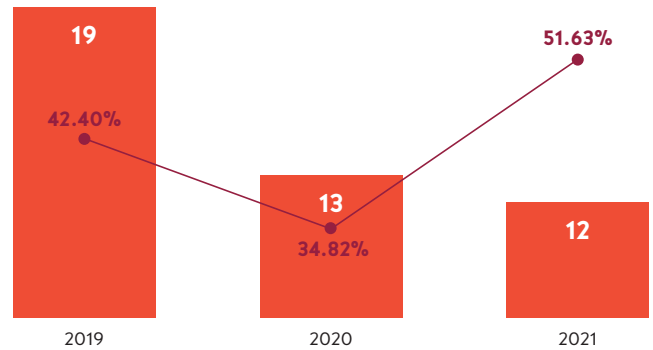


CALL SPECIAL MEETING



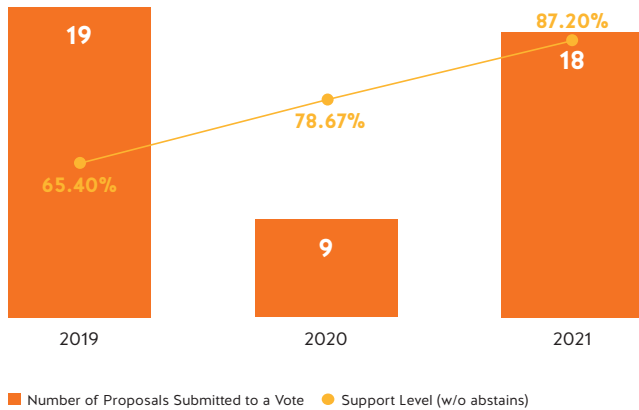
■ Number of Proposals Submitted to a Vote ● Support Level (w/o abstains)

MAJORITY VOTE FOR EOD

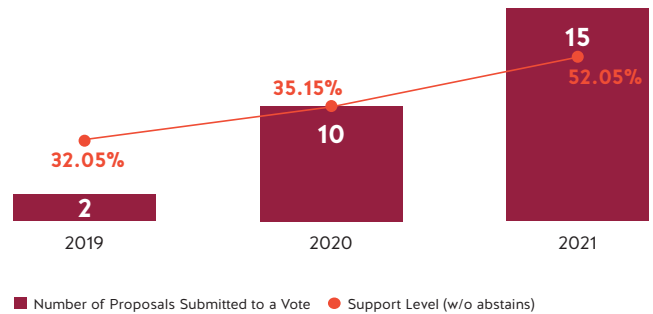


■ Number of Proposals Submitted to a Vote ● Support Level (w/o abstains)

REDUCE SUPERMAJORITY

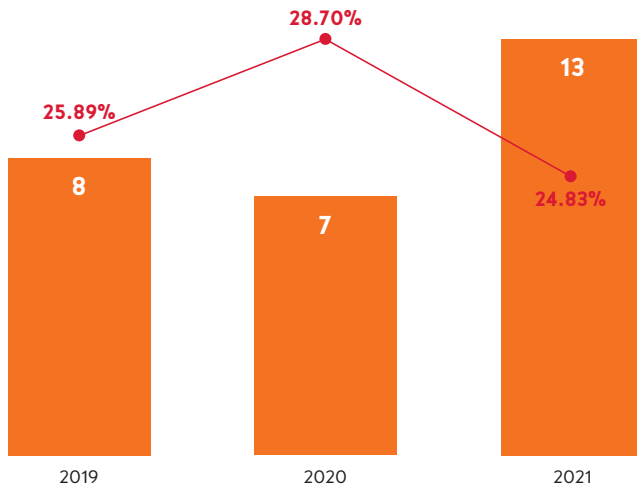


CLIMATE CHANGE REPORTING



NOTES

REMOVE DUAL CLASS



■ Number of Proposals Submitted to a Vote ● Support Level (w/o abstains)

IT HAS BEEN OUR PLEASURE TO PREPARE THE DEBRIEF FOR OUR CLIENTS AND COLLEAGUES

Here are some next steps you can take:

- ▶ Request additional booklets to share
- ▶ Request additional information about this booklet's contents
- ▶ Schedule a more detailed review using the contact information below
- ▶ Schedule a debriefing for your board

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THANK YOU

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