

Second Round of “Say on Frequency” Votes Shows Sharp Increase in Annual Voting

Along with the now well-established shareholder advisory vote on named executive officer compensation (the “Say-on-Pay Vote”), the Dodd-Frank Wall Street Reform and Consumer Protection Act also introduced a shareholder advisory vote on the frequency of future Say-on-Pay votes (the “Say-on-Frequency Vote”). This latter vote requires public companies, at least once every six years, to solicit the preference of their shareholders for conducting the Say-on-Pay Vote – every year, every two years, or every three years. For public companies that held their initial Say-on-Frequency Vote in 2011 – the year the requirement first became effective, this vote was required to be on the annual meeting agenda again during the 2017 proxy season.

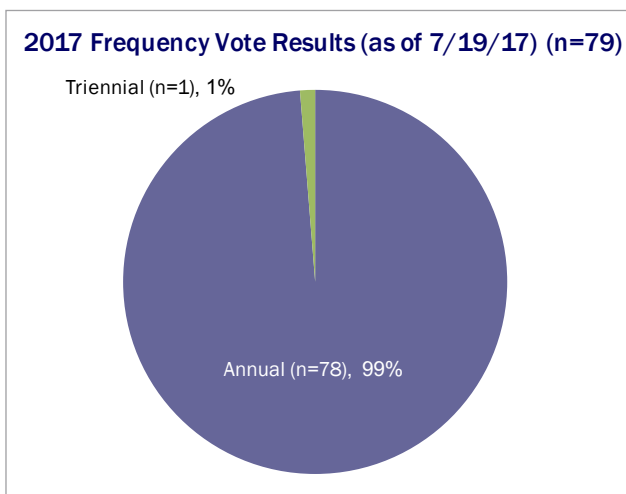
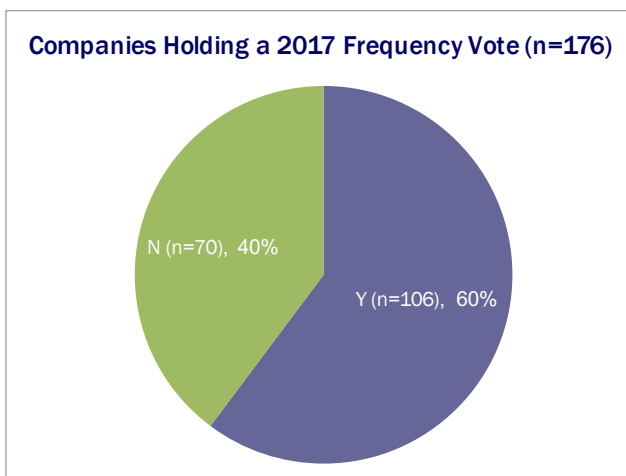
Recently, Compensia evaluated the Say-on-Frequency Vote results for 176 prominent U.S. technology companies. This Thoughtful Pay Alert summarizes our findings as of July 19, 2017, based on the results of the 2017 annual meeting of shareholders held prior to that date. (The companies reviewed that conducted a Say-on-Frequency Vote at their Annual Meeting of Shareholders are listed on the Exhibit to this article.) These results are disclosed in the Exchange Act reports of these companies as filed with the Securities and Exchange Commission.

Companies Reviewed

As of July 19, 2017, 79 of the 106 companies required to hold Say-on-Frequency Votes this year (74.5%) had held their 2017 annual meeting of shareholders and reported the results of the various votes conducted at the meeting. Of the 176 companies reviewed, 70 either went public on or after 2011 (meaning that, as emerging growth companies, they are not required to conduct a Say-on-Frequency Vote) or held their first Say-on-Frequency Vote after 2011 and, thus, have not yet reached the sixth anniversary of that vote.

2017 Say-on-Frequency Vote Results

Of the 79 companies that have reported the results of their 2017 annual meeting of shareholders, 78 (98.7%) have disclosed that



their shareholders expressed a preference for future Say-on-Pay Votes to be held on an annual basis. Only one company saw its shareholders express a different preference, with that company’s shareholders voting in favor of holding future Say-on-Pay Votes every three years.

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Significant Decrease in Support for Triennial Say-on-Pay Votes

While the initial Say-on-Frequency Votes conducted in 2011 showed a significant preference for annual Say-on-Pay Votes, a notable number of companies (approximately 12%) saw their shareholders indicate support for a less frequent Say-on-Pay Vote (either every two or three years), with the vast majority of these companies finding their shareholders comfortable with a triennial Say-on-Pay Vote.

Nationally, this result has changed significantly in 2017, with almost two-thirds of the companies that decided to conduct triennial Say-on-Pay Votes six years ago now opting to switch to annual Say-on-Pay Votes. Our findings indicate that the technology sector is following this trend.

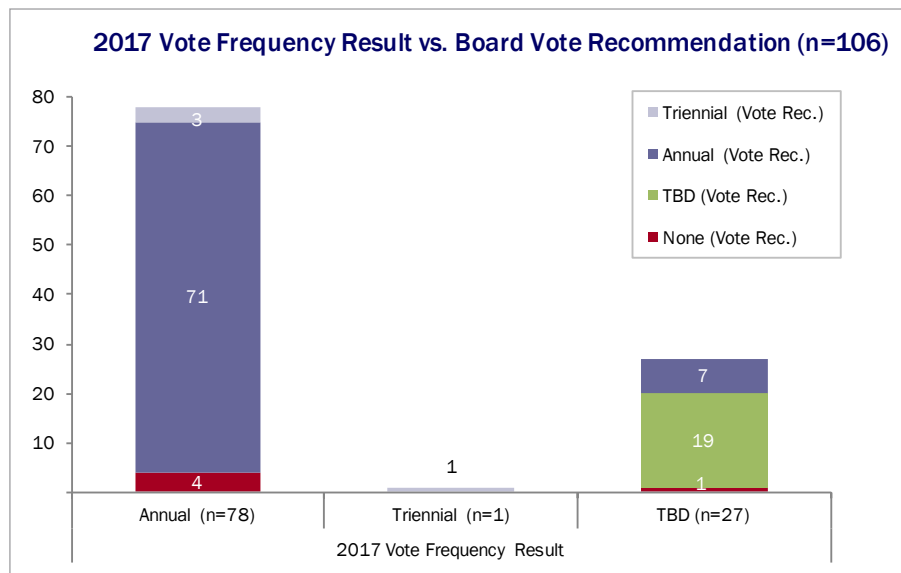
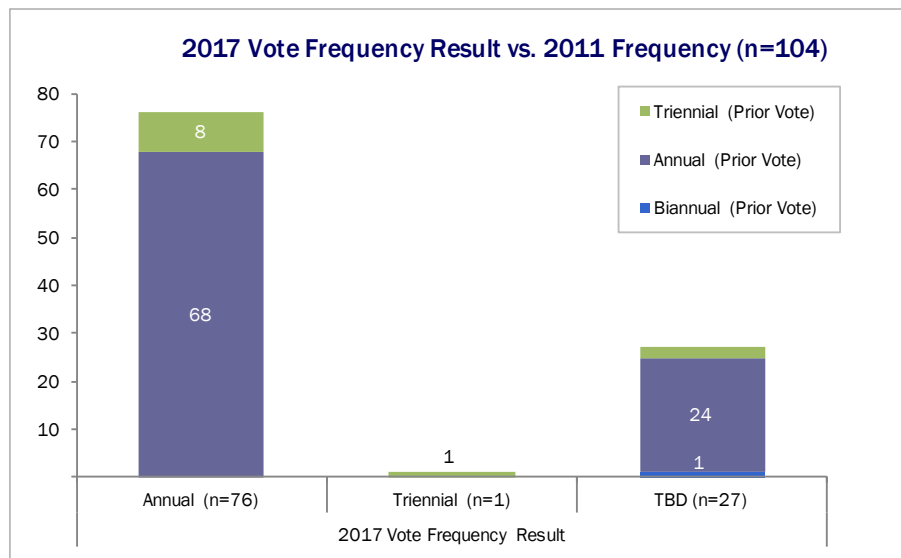
Of the 11 companies that determined in 2011 to hold triennial Say-on-Pay Votes that have held their 2017 annual meeting of shareholders, only four saw their Board of Directors recommend that shareholders continue to support this approach. The Boards of Directors of the remaining six companies recommended that future Say-on-Pay Votes be held every year, while one company has yet to file its proxy statement indicating its recommendation.

Perhaps most notably, of the four companies recommending triennial Say-on-Pay Votes, three saw their shareholders vote in favor of conducting future votes on an annual basis.

As a result, eight of the eleven companies that had previously held triennial Say-on-Pay Votes will be conducting future Say-on-Pay votes every year, one will hold future Say-on-Pay Votes every three years and two outcomes are still pending.

Final Observations

While it has been clear from the outset that shareholders prefer that Say-on-Pay Votes be held annually, for the past six years there have been a significant number of companies that have conducted such votes less frequently. That pattern has changed dramatically this year. Particularly in the technology sector, when we reach the end of the year, it is likely that well above 90% of the companies that held a Say-on-Frequency Vote this year will have determined to hold future Say-on-Pay Votes annually – consistent with the national trend. As a result, situations where Say-on-Pay Votes



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are held less frequently (that is, every three years or, occasionally, every two years) are likely to be limited to companies where a shareholder (or small group of shareholders) hold a controlling interest in the company or a dual class stock structure is in place.

Need Assistance? Compensia has extensive experience in helping companies draft the executive compensation disclosure in the proxy materials for their annual meetings of shareholders and analyze the potential impact on the Dodd-Frank Act shareholder advisory votes on their named executive officer compensation programs. If you would like assistance in preparing your executive compensation disclosure for the required shareholder advisory vote on named executive compensation, or if you have any questions on the subjects addressed in this Thoughtful Pay Alert, please feel free to contact Shayda Fazeli or Mark A. Borges. ■

About Compensia

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Exhibit

ADTRAN	Infinera	RealPage
Advanced Energy Indu	Inphi	Rudolph Technologies
Advanced Micro Devices	InterDigital	Semtech
Akamai Technologies	j2 Global	Shutterfly
Analog Devices	Juniper Networks	Silicon Laboratories
ANSYS	Lattice Semiconductor	Skyworks Solutions
Autodesk	LivePerson	Sonus Networks
Blackbaud	LogMeIn	SS&C Technologies Holdi
BroadSoft	Marvell Technology	Stamps.com
Cabot Microelectronics	MaxLinear	Synchronoss Technologies
Cadence Design Systems	Microchip Technology	Synopsys
Calix	Monolithic Power Systems	Teradyne
Callidus Software	Nanometrics	The Ultimate Software Group
Cavium	National Instruments	TiVo
CEVA	NeoPhotonics	Trimble
Ciena	NETGEAR	Tyler Technologies
Citrix Systems	Nuance Communications	Veeco Instruments
Coherent	ON Semiconductor	VeriFone Systems
CoStar Group	PDF Solutions	Verint Systems
Cypress Semiconductor	Pegasystems	VeriSign
Ebix	Photronics	Web.com Group
Envestnet	Power Integrations	WebMD Health
F5 Networks	Progress Software	Zynga
Fair Isaac	PROS Holdings	
FLIR Systems	PTC	
FormFactor	Pure Storage	
Fortinet	Q2 Holdings	
Harmonic	Rambus	