

Executive Compensation and Corporate Governance

June 30, 2020

DJIA: 25,812 | RMZ: 1021 | 10-Yr Treasury Note: 0.65%



Green Street Advisors

Ranking the Listed REITs

Overview: The differences in executive compensation and corporate governance practices within the U.S. REIT industry impact share prices, in some cases meaningfully. A systematic approach to evaluating those practices is essential to gain perspective. The updated compensation and governance rankings contained herein provide the necessary framework.

10% Increase in CEO Pay: Median compensation for U.S. REIT CEOs increased 10% last year to \$6.3 million. That is about half of what S&P 500 CEOs make, but the eighty-three REITs studied herein are smaller companies. On average, annual pay for the top five executives at REITs is 0.11% of enterprise value, approximately one-fourth of total G&A (total overhead is 0.40%). That “fee” is far smaller than the load imposed by competing real estate investment vehicles (e.g., non-traded REITs, PE funds). Along with reasonable comp/overhead, REIT investors get superior governance structures and alignment of interests. REIT governance, though clean relative to other real estate alternatives, is not up to the high standards of large-cap corporate America.

Executive Compensation Highlights:

- Comp is correlated with firm size (larger REITs pay more), but there are plenty of exceptions. Of the ten REITs with the highest pay levels, less than half of them rank in the top ten by market cap.
- Adjusting for 1) larger REITs can and do pay more and 2) firms with good returns relative to sector peers should pay more, compensation over the past three years (as reported in SEC filings) was highest at **Prologis, Kilroy Realty Corp, Empire State Realty, and Ventas**.
- Measured the same way, compensation was lowest at **Simon Property Group, Extra Space, MAA, and American Homes 4 Rent**.

Corporate Governance Highlights:

- The REIT industry checks the governance boxes (e.g., classified boards and poison pills are nearly extinct, proxy access for large shareholders is common), but three-quarters of REITs are incorporated in Maryland, a state where corporate laws favor boards over shareholders.
- Maryland law allows companies to classify their boards without shareholder approval, a feature unheard of in Delaware—the legal state of choice for much of corporate America. Some Maryland REITs have opted out of this unique-to-Maryland provision, but more than half have not. Investors should view those that haven’t as operating with classified boards.
- **Omega Healthcare Investors** is the latest Maryland REIT to prohibit a staggering of the board. Unfortunately, they are the only REIT to do so over the past year.
- The announced acquisition of **Taubman Centers** (at a massive control premium) highlights why board structure matters. It is no coincidence that ’20 was the first year the entire board was up for election.

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Executive Compensation Overview

Executive Compensation

A Review of Pay Practices in the Public Real Estate Sector

Executive Comp is important on two fronts: 1) for small-to-mid cap companies, compensation can be large enough to materially impact the appropriate value of their shares; and 2) it sends an important message about a board and management team's mindset. The information contained in annual proxies is confusing, easy to overlook, and difficult to put into perspective. For these reasons, we systematically address the topic on an annual basis. Variances in pay practices across companies exist, and the impact those variances should have on share prices can be assessed.

Key Features of Green Street's Annual Review of Executive Compensation:

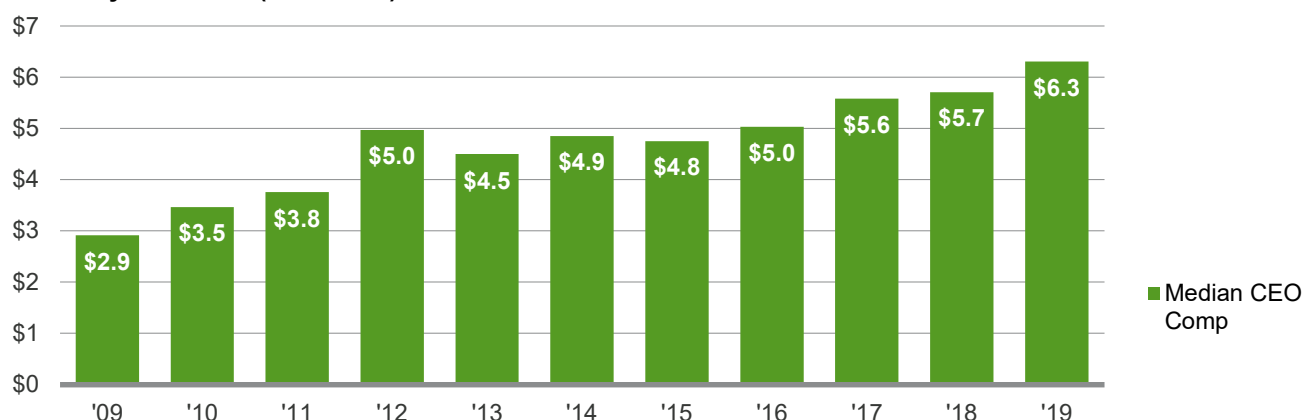
- It takes into account the fact that pay is higher at larger companies
- And that relative total returns should influence pay levels (i.e., better returns equal higher pay)
- It assesses compensation over a 3-year period, so as to smooth out "lumpiness"
- Pay data comes from Summary Compensation Table of proxy statement
- Those reported figures are not perfectly comparable across companies, but SEC guidelines are strict enough to make them useful. Investors should dig deeper where warranted.

Executive Compensation

How the REIT Sector Stacks Up

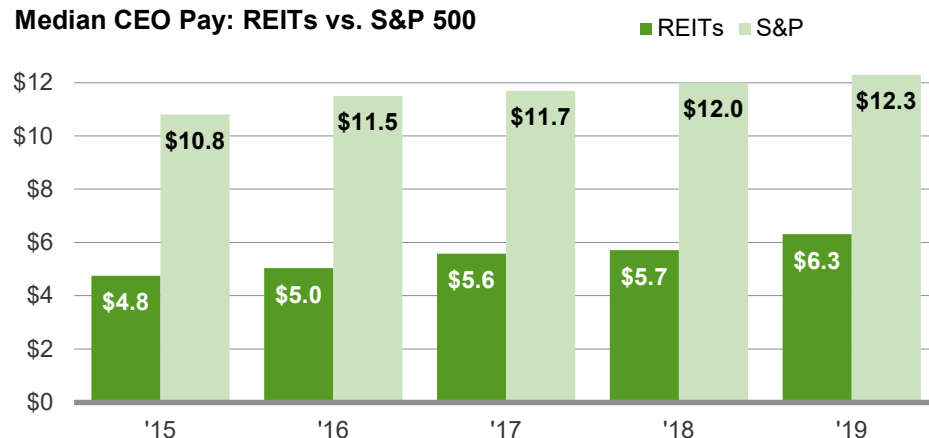
10% Higher: Median CEO compensation of the eighty-three REITs in this study increased to \$6.3 million last year.

CEO Pay for REITs (\$ millions)

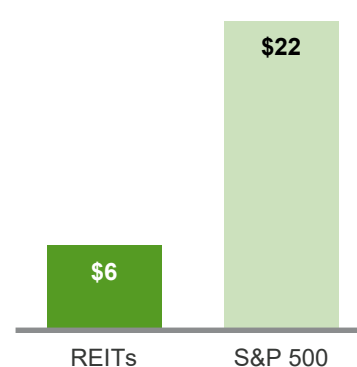


REITs vs. Corporate America: REIT CEOs earn half as much as CEOs at S&P 500 companies, but the typical REIT is smaller than those large-caps.

Median CEO Pay: REITs vs. S&P 500

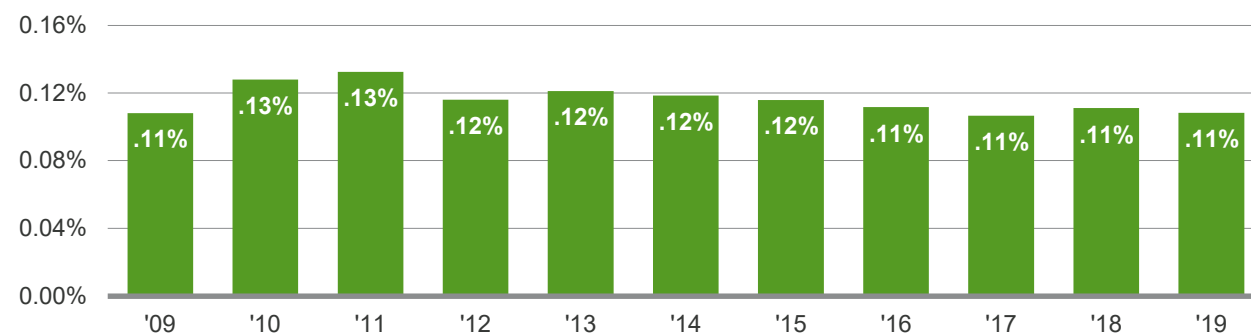


Median Equity Market Cap (\$ billions)



An Efficient Vehicle: Compensation for the REIT sector as a whole is reasonable. Comp loads of 11 bp/yr for the top five execs (and total G&A of 40 bp) are attractive when compared with other real estate investment vehicles such as non-traded REITs and PE funds.

Total Compensation of Five NEOs as a % of Enterprise Value (Per Year: Three Year Avg)



Executive Compensation

What Makes a "Good" Plan?

What Matters? There is no perfect formula for a compensation plan. However, "good" plans align interests with those of shareholders and should rely on relative performance metrics.

Common Sense	Pay should be reasonable. Comp plans should be able to pass the "I know it when I see it" standard.
Performance-Based	Performance matters. Execs shouldn't be compensated handsomely for just showing up. But comp committees need to balance this objective with the first point—going overboard with performance-based plans can lead to unintended out-sized payouts. Comp caps are a solution.
Relative Performance	All boats go up in a rising tide. Performance should be assessed relative to an appropriately defined peer group (i.e., REITs that own similar properties). As property sector performance has diverged, selection of the peer group for return benchmarking has become an even more important consideration. Executives should not be rewarded for being in the right place at the right time.

Notes on Companies with the Highest & Lowest Excess Comp

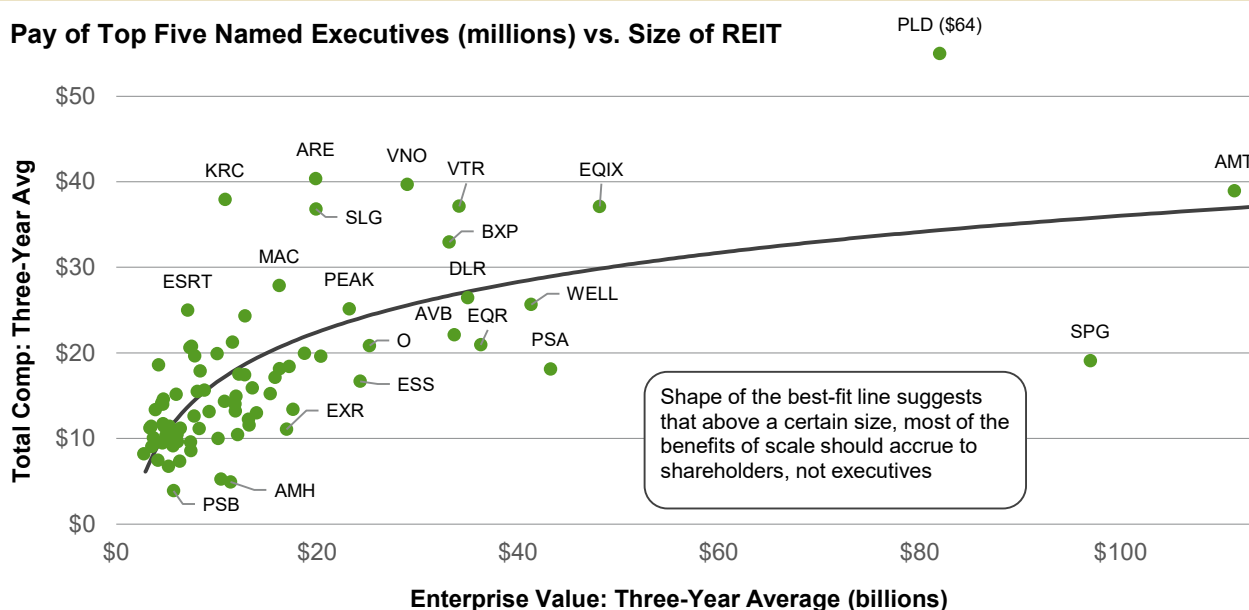
The \$ Matter	The adage that low is good and high is bad has merit. Of the ten REITs with the highest absolute comp, seven of them rank as top ten outliers after pay is adjusted for company size and three-year total returns.
Lowest Comp	The four REITs that screen the best, Simon Property Group, Extra Space, MAA, and American Homes 4 Rent all had pay levels over the past three years that were lower than those of similarly sized REITs. Three of them also had shareholder returns during the period that exceeded peers.
Highest Comp	The reverse is true of the four REITs that oppose them in the rankings. Prologis, Kilroy Realty Corp, Empire State Realty, and Ventas all had above average comp relative to company size. And total returns ranged from average to well below peers.
Not As Bad As It Looks	Headline compensation for Prologis is inflated by large payouts from the firm's Promote Plan where executives (and other employees) receive a portion of the carry earned by the firm's investment management business. Unlike most other long-term performance-based plans it is accounted for on an as-earned basis (vs. expected value at time plan is put in place). Treatment similar to other plans would result in comp approximately \$20 million/yr less than the \$64 million/yr shown herein—high on a size & performance adjusted basis, but not egregious.
Not As Bad As It Looks (cont'd)	SEC reporting also overstates comp at Ventas (a switch in plans in 2017 caused double-counting that year; two-year avg is \$9 million/yr less than the \$37 million/yr used in this report) and Kilroy Realty Corp (amortizing special grants made in Dec 2018 over five years—the term of Mr. Kilroy's new employment agreement—vs. three years results in comp \$5 million/yr less). With the exception of severance payments (excluded), adjustments to the figures in the Summary Compensation Table are not made, only noted.

Executive Compensation Ranking the Companies

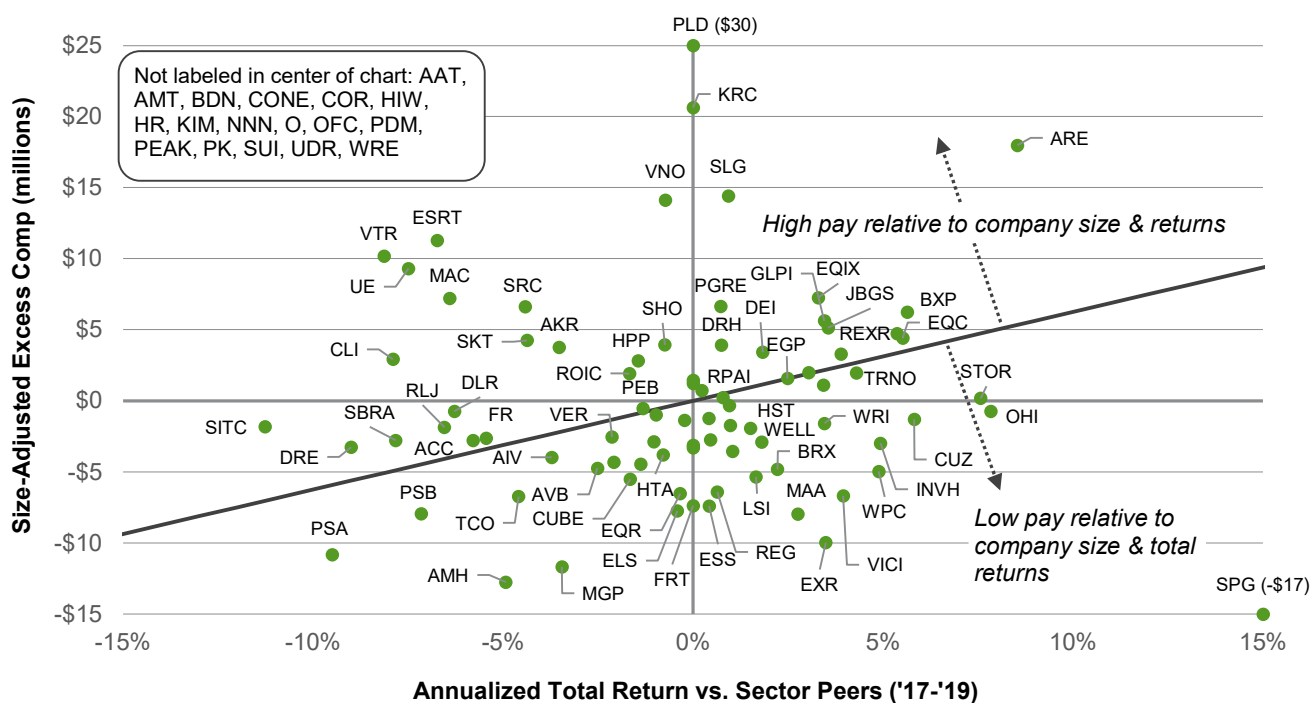
Green Street's evaluation of compensation is designed to gauge the appropriateness of pay packages at any given REIT relative to industry norms. Adjustments are made to acknowledge that pay should be higher: 1) at larger companies; and 2) where shareholder returns have been better than peers.

Step 1: Absolute compensation levels are adjusted for size. Companies below the "best-fit" line have relatively low levels of size-adjusted pay, while those above it pay richly after adjusting for size.

Pay of Top Five Named Executives (millions) vs. Size of REIT



Step Two: "Size-adjusted comp"(y-axis) is then compared with total returns. Executives at companies that show up below the diagonal line have low pay relative to company size & 3-year share price performance and vice versa for companies above the line.



Executive Compensation

The Lowest & Highest Pay Packages

After Adjustments: Shown below are the REITs with the lowest & highest levels of executive pay after adjusting for firm size and recent returns (rankings based on absolute excess dollars).

Pay is lowest relative to company size & stock performance

Company	Total Comp (millions)	Avg for a REIT this Size	3-yr Ann. Return vs. Peers	Excess Comp (size and perform adj)	Excess as a % of Target (for Size)
Simon Property Group	\$19.1	\$35.8	+15%	-\$26.3	-74%
Extra Space	\$11.1	\$21.0	+3%	-\$12.1	-58%
MAA	\$13.4	\$21.4	+3%	-\$9.7	-45%
American Homes 4 Rent	\$4.9	\$17.7	-5%	-\$9.7	-55%

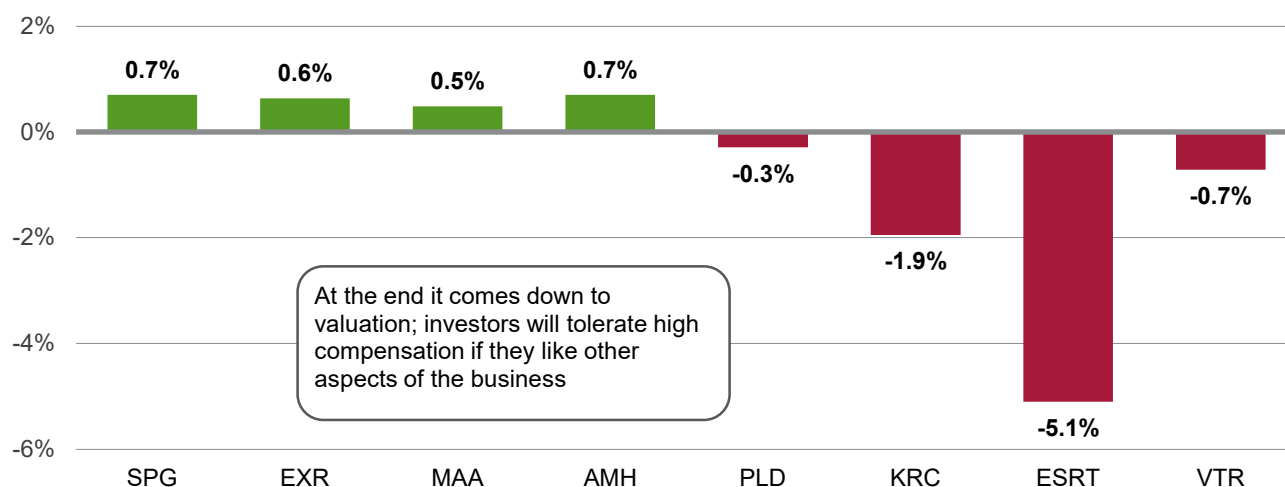
Pay is highest relative to company size & stock performance

Company	Total Comp (millions)	Avg for a REIT this Size	3-yr Ann. Return vs. Peers	Excess Comp (size and perform adj)	Excess as a % of Target (for Size)
Prologis	\$64.1	\$34.4	+0%	\$29.7	+86%
Kilroy Realty Corp	\$37.9	\$17.3	+0%	\$20.6	+119%
Empire State Realty	\$25.0	\$13.7	-7%	\$15.5	+113%
Ventas	\$37.2	\$27.0	-8%	\$15.3	+57%

Total comp is aggregate per year compensation of the top five named executive officers from '17-'19. See prior page for notes for an explanation of total comp at Prologis, Kilroy Realty Corp, and Ventas.

Excessive Comp Hurts Shareholders: The signaling effects of large pay packages are usually more important than the dollars involved, but at small/medium-sized companies the dollars can move the valuation needle. The graph below shows the impact of capitalizing excess comp at a 7X multiple.

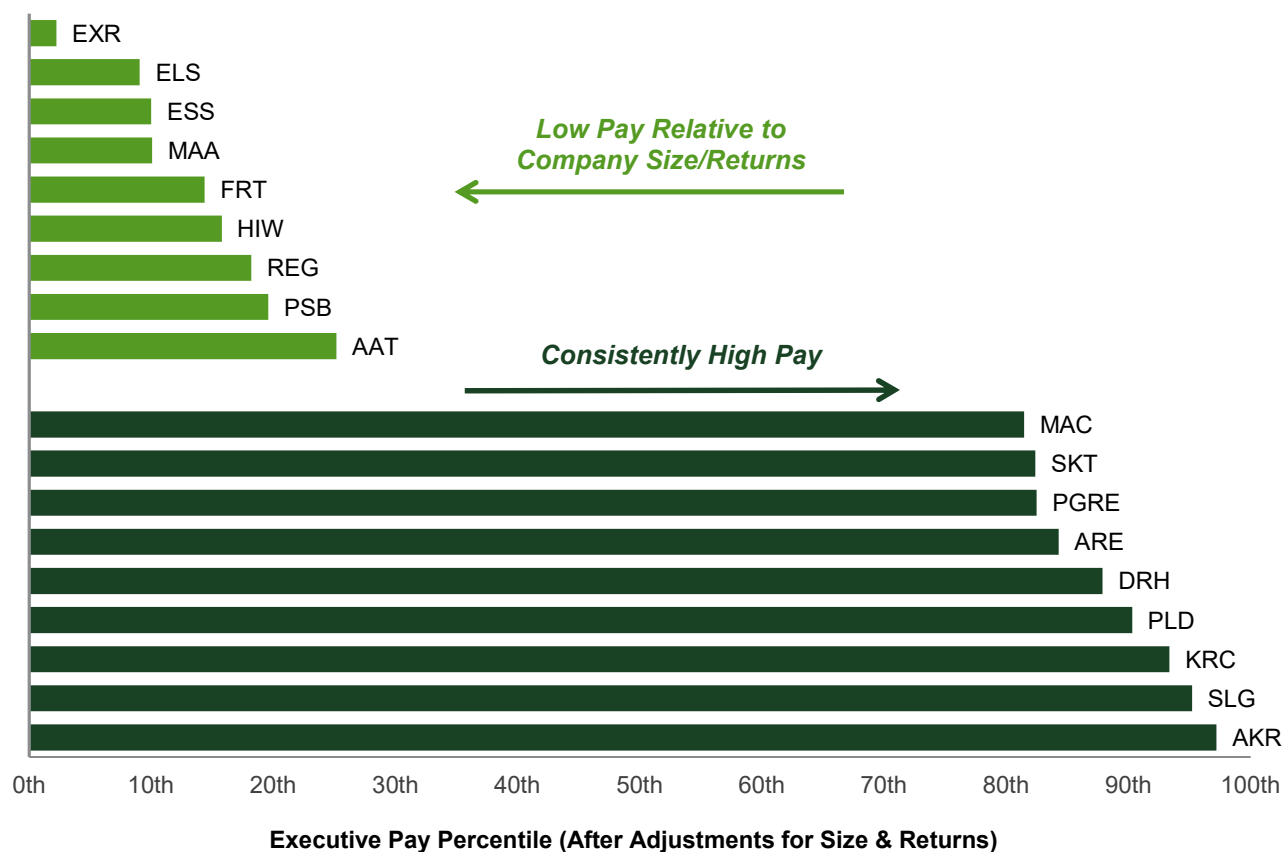
Share Price Impact of Excess Comp (7X Multiple)



Executive Compensation The Halls of Fame & Shame

In their DNA? Some REITs consistently look good when executive pay is compared to that of their industry peers. Other REITs consistently screen poorly.

Compensation Ranking: Average Ranking (Size & Perform. Adjusted) in Study Past 10 Yrs



Rank is based on excess comp as a % of predicted comp for a REIT of similar size. Must have been in five pay studies to be eligible for inclusion.

Highlights

The Dollars Matter Most

A consistent theme among the REITs that stack up best in this study is low absolute dollar amounts. Many of the REITs in the Hall of Fame are industry blue-chips, yet pay is often below the 50th percentile of the industry. Total returns, when measured against peers owning similar properties, have for the most part been average or better.

Small Companies

A small base makes excess compensation at some companies look worse than it would otherwise. Percentile ranking is based on (\$ Excess Comp / Avg Pay for a REIT of that Company's Size).

Corporate Governance Overview

Corporate Governance

A Review of Governance Practices in the Public Real Estate Sector

Companies with good governance should trade at valuation premiums relative to companies with poor governance. Because of this, Green Street regularly and systematically assesses governance for each of the companies in our coverage universe. Our rankings take into account subjective factors specific to individual companies as well as objective factors unique to the REIT industry, both of which serve to differentiate these rankings from those published by governance ranking specialists (e.g., ISS).

Assessing corporate governance is no easy task because it is comprised of so many different variables. Governance is a composite of structural features embedded in corporate charters and bylaws, the make-up and structure of the board of directors, and the attitudes and behavior of management and the board. The goal of providing a comprehensive overview needs to be balanced with the competing goal of keeping an eye on the big picture.

Our governance rankings are predicated on two key observations:

- 1. The center of governance in any corporation is its board of directors.** Boards that make themselves accountable to shareholders via annual elections are much more likely to behave in a shareholder-friendly manner. Also, boards comprised of members who have no conflicts and/or have serious "skin in the game" are desirable.
- 2. Companies have numerous anti-takeover devices at their disposal.** The choices a company makes on this front send a strong signal about the board's attitude toward governance. It is fair to assume that boards that "keep their options open" with regard to anti-takeover devices are more likely to use them—and more often in a manner detrimental to shareholders.

Many Boards are Destaggered in Name Only: Three-quarters of the REITs in this study are incorporated in Maryland. Maryland corporate law contains a provision (the Maryland Unsolicited Takeovers Act or MUTA) that allows REITs incorporated in that state to classify their boards without prior approval from shareholders. A destaggered board that has the ability to stagger itself is not fully accountable to shareholders. Maryland REITs that have not amended their bylaws to ensure that boards do not take advantage of MUTA and stagger themselves in the future, are not given full credit in Green Street's scoring system (they receive 5 out of the 30 points). Maryland REITs that have addressed this issue and REITs incorporated in other states receive full credit.

Corporate Governance

The Ranking System

Green Street's Governance Scoring System: Our governance ranking system differs in two key respects from those provided by other evaluators: 1) our familiarity with the companies allows for subjective input; and 2) issues unique to REITs (e.g., quirks in Maryland corporate law, the 5 or fewer rule) are ignored by others. Scoring is on a 100-point basis with the key inputs highlighted below. A more thorough description of the variables can be found in Appendix D.

Category	Max Points	Ideal Structure
Board Rating:		
Non-Staggered Board	30	Yes; Opt out of MUTA (Maryland REITs)
Independent Board	5	80%+; Director Tenure of less than 12 Years
Investment by Board Members	5	Large Investment by Numerous Members
Conduct	20	No Blemishes, Fair Comp, Leadership
Proxy Access	5	Less Restrictions on Qualifying Groups Better
Total	65	
Anti-Takeover Weapons:		
State Anti-Takeover Provisions	7	Opt out/Shareholders Approve Change
Ownership Limits from 5/50 Rule	5	Limit Waived for Ownership by other REITs
Shareholder Rights Plan	10	Shareholders Must Approve Implementation
Insider Blocking Power	8	No Blocking Power
Total	30	
Potential Conflicts of Interest:		
Business Dealings with Management	3	No Business Dealings
Divergent Tax Basis of Insiders	2	Basis Near Share Price
Total	5	
Perfect Score	100	

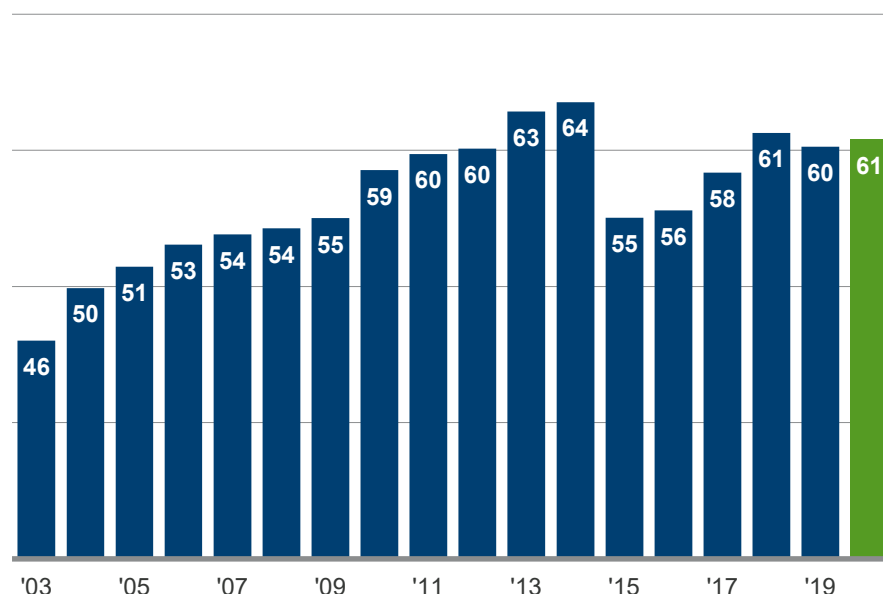
Insider blocking power: In some instances, insiders control enough shares to hold a blocking position, or close to one. In such instances, the 8-point variable above does not fully capture how harmful this can be to governance. Because of that, other adjustments to the score are often made. In extreme examples (e.g., MGP), no credit is given for having a de-staggered board (0 out of 30 points). In less problematic instances, the points awarded for neutering anti-takeover weapons are adjusted downward.

Corporate Governance

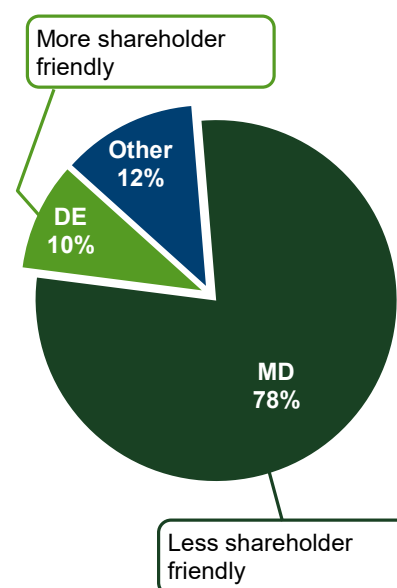
Notable Developments

Not Much Progress: The REIT industry is good at checking the corporate governance boxes—classified boards and poison pills are virtually non-existent and many REITs have adopted some form of proxy access. But, ultimate authority rests with the board of directors and far too many REITs retain the ability to classify the board without asking shareholders (because Maryland law allows it). After several years that saw thirty-some Maryland REITs opt out of this statute, progress on this front—by far, the most important—has slowed to a trickle.

Average Corporate Governance Score



State of Incorporation



Highlights

A Telling Example

It may or may not close as planned, but the announced acquisition of **Taubman Centers** by Simon Property Group provides a compelling argument for a staggered board. A deal would probably not have happened without the acquiescence of the founding family, but the fact that 2020 was the first year the entire board was to be up for election surely played a role.

MUTA

One can only guess the number of deals that do not get done because potential suitors are wary of fighting a board that can change the terms of director tenure at will (as many Maryland REITs are free to do). Don't count **Omega Healthcare Investors** in that group; they are the latest Maryland REIT to prohibit adopting a staggered board.

Better Late Than Never

The board at **Liberty Property Trust** (acquired by Prologis) ultimately did the right thing for shareholders. Bravo.

A Fresh Start

Facing a proxy contest with activist investor Bow Street, **Mack-Cali Realty** has relented. The incoming board is independent from management and will likely be open to anything that increases shareholder value. Unfortunately, there are no easy answers for this long-challenged REIT.

Corporate Governance The Rankings

Fine Tuning: A reassessment of board conduct and independence as well as corrections to scoring of takeover variables (e.g., ownership limit) were the main cause of changes vs. last year's report.

Company	Score	Change	Company (cont'd)	Score	Change
Terreno Realty Corp	93	+1	Camden Prop Trust	65	+1
Brixmor Property Group	88		Macerich	63	-4
Prologis	86		PS Business Parks	62	
Sunstone Hotel Inv	86	+1	Equity Residential	57	
VICI Properties	86		Mack-Cali Realty Corp	57	+3
Boston Properties	83	+1	EastGroup Properties	54	
Invitation Homes	82	+5	Taubman Centers	54	+5
Equity Commonwealth	81		Extra Space	53	
Store Capital	80		Rexford Industrial Realty, Inc.	53	-3
American Tower Corp	79	-5	Digital Realty Trust	51	+3
DiamondRock Hospitality	79		Essex Property Trust	51	+1
Park Hotels	79		Realty Income Corp	51	
Vereit	79		Alexandria Real Estate Equities	48	+5
Gaming & Leisure Properties	78	+2	CubeSmart	48	
MAA	78		CyrusOne	48	+2
Piedmont Office Realty Trust	77	-1	Empire State Realty	48	-1
Host Hotels & Resorts	76		Kilroy Realty Corp	48	
Ventas	76	-2	AvalonBay	47	-5
Brandywine Realty Trust	75		Equity Lifestyle Props	47	+1
Duke Realty Corp	75	-1	Highwoods Properties	47	-1
Regency Centers	75		National Retail Properties, Inc.	47	
Welltower	75		Retail Properties of America	45	-1
Equinix	74		First Industrial Realty	44	-5
WP Carey Inc	74	+3	Hudson Pacific Prop	44	
Cousins Properties	72	+2	Urban Edge Properties	44	+2
American Homes 4 Rent	71	+8	Kimco Realty	43	
Corporate Office Properties	71		UDR, Inc.	43	
Healthpeak Properties	71	+1	Sun Communities	42	
Simon Property Group	71		Washington REIT	42	
Site Centers	71	-5	Retail Opportunity Investments Corp	41	-5
JBG Smith	70		CoreSite Realty Corp	40	
Federal Realty	69		Sabra Health Care REIT	40	
Healthcare Realty Trust	69	-3	Douglas Emmett	39	-1
Pebblebrook Hotel Trust	69		Paramount Group	39	-3
Spirit Realty Capital Inc.	69	+1	SL Green Realty	38	
Tanger Factory	69	-2	Public Storage	38	0
American Campus	68	-5	AIMCO	37	+1
RLJ Lodging Trust	68		Life Storage	37	
Weingarten Realty	68		American Assets Trust	36	+3
Acadia Realty Trust	67		Vornado Realty Trust	34	-1
Omega Healthcare Investors	67	+26	MGM Growth Properties	23	-1
Healthcare Trust of America	66	-5	Average Score	61	+0

See [greenstreetadvisors.com/reit/corpgov](https://www.greenstreetadvisors.com/reit/corpgov) for details on corporate governance scoring.

Appendix A

Executive Compensation – Ranked by Total Comp

Total Compensation of Five Named Executive Officers: '17-'19

Company	Total Comp (per year)	% Total Cap	(cont'd)	Total Comp (per year)	% Total Cap
1 PLD	\$64.1	0.08%	43 NNN	\$14.4	0.13%
2 ARE	\$40.4	0.20%	44 SKT	\$14.2	0.31%
3 VNO	\$39.7	0.14%	45 AIV	\$14.0	0.12%
4 AMT	\$38.9	0.03%	46 SHO	\$14.0	0.30%
5 KRC	\$37.9	0.35%	47 MAA	\$13.4	0.08%
6 VTR	\$37.2	0.11%	48 REXR	\$13.4	0.34%
7 EQIX	\$37.1	0.08%	49 BRX	\$13.2	0.11%
8 SLG	\$36.8	0.19%	50 ACC	\$13.1	0.14%
9 BXP	\$33.0	0.10%	51 REG	\$13.0	0.09%
10 MAC	\$27.9	0.17%	52 SITC	\$12.6	0.16%
11 DLR	\$26.4	0.08%	53 VICI	\$12.2	0.09%
12 WELL	\$25.7	0.06%	54 EGP	\$11.7	0.25%
13 PEAK	\$25.2	0.11%	55 FRT	\$11.6	0.09%
14 ESRT	\$25.0	0.35%	56 HR	\$11.4	0.22%
15 GLPI	\$24.3	0.19%	57 AKR	\$11.4	0.33%
16 AVB	\$22.1	0.07%	58 PDM	\$11.4	0.24%
17 DEI	\$21.3	0.18%	59 DRH	\$11.2	0.34%
18 EQR	\$21.0	0.06%	60 WRI	\$11.2	0.18%
19 O	\$20.9	0.08%	61 HTA	\$11.2	0.14%
20 SRC	\$20.8	0.28%	62 EXR	\$11.1	0.07%
21 PGRE	\$20.6	0.28%	63 CUZ	\$10.9	0.18%
22 HST	\$20.0	0.11%	64 COR	\$10.9	0.18%
23 PK	\$19.9	0.20%	65 RLJ	\$10.5	0.17%
24 JBGS	\$19.7	0.25%	66 BDN	\$10.5	0.19%
25 INVH	\$19.6	0.10%	67 ELS	\$10.4	0.09%
26 SPG	\$19.1	0.02%	68 RPAI	\$10.3	0.21%
27 UE	\$18.6	0.44%	69 ROIC	\$10.1	0.27%
28 UDR	\$18.4	0.11%	70 TCO	\$10.0	0.10%
29 VER	\$18.2	0.11%	71 SBRA	\$9.6	0.16%
30 PSA	\$18.1	0.04%	72 HIW	\$9.6	0.13%
31 HPP	\$17.9	0.21%	73 PEB	\$9.5	0.21%
32 OHI	\$17.5	0.14%	74 FR	\$9.1	0.16%
33 SUI	\$17.4	0.14%	75 WRE	\$9.1	0.26%
34 KIM	\$17.2	0.11%	76 CUBE	\$8.6	0.12%
35 ESS	\$16.7	0.07%	77 TRNO	\$8.2	0.30%
36 DRE	\$15.9	0.12%	78 AAT	\$7.4	0.18%
37 STOR	\$15.7	0.18%	79 LSI	\$7.3	0.12%
38 CONE	\$15.5	0.19%	80 OFC	\$6.7	0.13%
39 WPC	\$15.2	0.10%	81 MGP	\$5.3	0.05%
40 CLI	\$15.2	0.25%	82 AMH	\$4.9	0.04%
41 CPT	\$15.0	0.13%	83 PSB	\$3.9	0.07%
42 EQC	\$14.6	0.31%	Median	\$14.6	0.14%

Comp data shown in millions. Total cap is avg enterprise value for past three years. PLD cap increased by 50% to account for large fund mgmt business. Comp for new REITs begins year after IPO.

Appendix B

Executive Compensation – Ranked by Excess Comp

Excess Comp (Size and Performance Adjusted): Top Five Execs '17-'19

Company	Excess Comp (per year)	Share Price Impact	(cont'd)	Excess Comp (per year)	Share Price Impact
1 PLD	\$29.7	-0.3%	43 RPAI	-\$0.9	0.4%
2 KRC	\$20.6	-1.9%	44 PDM	-\$1.0	0.3%
3 ESRT	\$15.5	-5.1%	45 VER	-\$1.2	0.1%
4 VTR	\$15.3	-0.7%	46 COR	-\$1.2	0.1%
5 VNO	\$14.6	-1.2%	47 SUI	-\$1.5	0.1%
6 UE	\$14.0	-7.1%	48 AIV	-\$1.6	0.2%
7 SLG	\$13.8	-2.3%	49 NNN	-\$2.2	0.2%
8 ARE	\$12.7	-0.4%	50 AAT	-\$2.3	0.7%
9 MAC	\$11.2	-5.4%	51 HST	-\$2.9	0.2%
10 SRC	\$9.4	-1.7%	52 OFC	-\$3.0	0.7%
11 CLI	\$7.9	-3.4%	53 UDR	-\$3.0	0.2%
12 SKT	\$7.0	-6.5%	54 CPT	-\$3.1	0.2%
13 PGRE	\$6.2	-2.2%	55 AVB	-\$3.2	0.1%
14 AKR	\$6.0	-3.2%	56 KIM	-\$3.3	0.4%
15 SITC	\$5.2	-2.4%	57 HTA	-\$3.3	0.4%
16 EQIX	\$5.2	-0.1%	58 PSB	-\$3.5	0.5%
17 SHO	\$4.4	-1.5%	59 HIW	-\$3.6	0.6%
18 HPP	\$3.7	-0.6%	60 WRI	-\$3.7	1.0%
19 GLPI	\$3.5	-0.3%	61 TCO	-\$3.9	0.8%
20 DRH	\$3.5	-2.0%	62 WELL	-\$4.0	0.1%
21 DLR	\$3.2	-0.1%	63 O	-\$4.2	0.1%
22 ROIC	\$3.0	-1.4%	64 CUBE	-\$4.5	0.6%
23 JBGS	\$2.9	-0.5%	65 STOR	-\$4.5	0.5%
24 BXP	\$2.7	-0.1%	66 PSA	-\$4.9	0.1%
25 DRE	\$2.4	-0.1%	67 CUZ	-\$4.9	0.7%
26 DEI	\$2.3	-0.3%	68 OHI	-\$5.6	0.5%
27 RLJ	\$2.2	-0.9%	69 INVH	-\$6.1	0.3%
28 SBRA	\$2.1	-0.5%	70 BRX	-\$6.2	1.1%
29 PEAK	\$1.5	-0.1%	71 EQR	-\$6.3	0.2%
30 REXR	\$1.4	-0.2%	72 LSI	-\$6.4	1.0%
31 WRE	\$1.2	-0.5%	73 REG	-\$6.8	0.6%
32 EQC	\$1.0	-0.2%	74 FRT	-\$7.4	0.8%
33 PK	\$0.9	-0.2%	75 ELS	-\$7.5	0.4%
34 ACC	\$0.8	-0.1%	76 ESS	-\$7.7	0.3%
35 FR	\$0.8	-0.1%	77 WPC	-\$8.0	0.4%
36 CONE	\$0.6	0.0%	78 VICI	-\$9.1	0.6%
37 PEB	\$0.3	-0.1%	79 MGP	-\$9.5	0.8%
38 AMT	\$0.1	0.0%	80 AMH	-\$9.7	0.7%
39 EGP	\$0.0	0.0%	81 MAA	-\$9.7	0.5%
40 HR	-\$0.2	0.0%	82 EXR	-\$12.1	0.6%
41 BDN	-\$0.4	0.1%	83 SPG	-\$26.3	0.7%
42 TRNO	-\$0.7	0.1%			

Comp data shown in millions. Excess comp is the dollar amount of compensation received above what would be expected after adjusting for size and performance. Impact on share price estimated by capitalizing excess comp at a 7X multiple.

Appendix C

Executive Compensation – Individual Compensation

2019 Total Compensation

	Company	Executive	'19 Comp	'18 Comp
1	Prologis	Hamid R. Moghadam	\$30.4	\$28.2
2	Vornado Realty Trust	Haim Chera	\$26.5	NA
3	SL Green Realty	Marc Holliday	\$21.0	\$13.4
4	American Tower Corp	James D. Taiclet Jr.	\$18.1	\$14.3
5	Equinix	Charles J. Meyers	\$16.6	\$12.0
6	Welltower	Thomas J. DeRosa	\$13.1	\$12.9
7	Digital Realty Trust	Arthur William Stein	\$12.3	\$12.5
8	SL Green Realty	Andrew W. Mathias	\$12.2	\$10.4
9	Prologis	Eugene F. Reilly	\$12.1	\$10.7
10	Kilroy Realty Corp	John B. Kilroy Jr.	\$12.1	\$43.6
11	Boston Properties	Owen David Thomas	\$11.9	\$11.7
12	Vornado Realty Trust	Steven Roth	\$11.5	\$11.6
13	Gaming & Leisure Properties	Peter M. Carlino	\$11.4	\$12.4
14	Ventas	Debra A. Cafaro	\$11.3	\$13.1
15	Prologis	Gary E. Anderson	\$11.2	\$9.9
16	Prologis	Edward S. Nekritz	\$11.2	\$9.9
17	Empire State Realty	Anthony E. Malkin	\$11.1	\$9.5
18	Alexandria Real Estate Equities	Joel S. Marcus	\$11.0	\$11.8
19	Prologis	Thomas S. Olinger	\$11.0	\$9.8
20	AvalonBay	Timothy J. Naughton	\$10.9	\$10.1
21	Simon Property Group	David E. Simon	\$10.4	\$11.4
22	Vornado Realty Trust	Michael J. Franco	\$10.1	\$5.3
23	Healthpeak Properties	Thomas M. Herzog	\$9.9	\$8.6
24	Spirit Realty Capital Inc.	Jackson Hsieh	\$9.7	\$12.1
25	Douglas Emmett	Jordan L. Kaplan	\$9.4	\$8.7

Notes

- Pay for Hamid Moghadam and other executives at **Prologis** includes payouts from the Prologis Promote Plan (PPP), which sets aside a portion of the promoted interest earned by co-investment vehicles for executives. Unlike values of other awards, which are typically fair value at the time of grant (e.g., using Monte Carlo simulation), these payouts reflect value received after the fact. PPP awards in 2019 amounted to \$12.9 million for Mr. Moghadam.
- Haim Chera, EVP & Head of Retail at **Vornado Realty Trust** received a one-time grant of restricted units valued at \$24.2 million in connection with his hiring in April 2019. The grant vests 20% on grant date, 40% in June '22 and 40% in June '23.

Appendix D

Corporate Governance Ranking System – The Variables

I. Introduction

Companies with good governance should trade at valuation premiums relative to companies with poor governance. Because of this, Green Street regularly and systematically assesses governance for each of the companies in our coverage universe. Our rankings take into account subjective factors specific to individual companies as well as objective factors unique to the REIT industry, both of which serve to differentiate these rankings from those published by governance ranking specialists (e.g., ISS).

Assessing corporate governance is no easy task because it is comprised of so many different variables. Governance is a composite of structural features embedded in corporate charters and bylaws, the make-up and structure of the board of directors, and the attitudes and behavior of management and the board. The goal of providing a comprehensive overview needs to be balanced with the competing goal of keeping an eye on the big picture.

Our governance rankings are predicated on two key observations:

1. The center of governance in any corporation is its board of directors. Boards that make themselves accountable to shareholders (via annual elections) are much more likely to behave in a shareholder friendly manner. Also, boards comprised of members who have no conflicts and/or have serious "skin in the game" are desirable.
2. Companies have a litany of anti-takeover devices from which they can choose. The choices a company makes on this front send a strong signal about the board's attitude toward governance. It is fair to assume that boards that avail themselves of more potential anti-takeover devices are more likely to use them.

II. About the Ratings

Our evaluation of corporate governance is separated into three key categories. The first of these is an evaluation of the make-up of each board, and, importantly, whether the board is accountable to shareholders. The second broad category measures the power that the board has to make governance decisions vs. the power vested in shareholders. The final category measures potential conflicts of interest between key insiders and shareholders. Our ratings are structured such that the "perfect REIT" would garner a score of 100, with the variables weighted according to the importance we believe they deserve.

A. Rating the Board

No aspect of corporate governance is more important than the composition of a company's board. Boards control enormous power. In the specific case of change of control issues, boards generally control the "trigger" with regard to some extremely potent weapons. In addition to these change of control issues, boards are responsible for ensuring that corporations behave in a manner consistent with the best interests of shareholders on all other fronts. Because the board's roles are so varied and important, any analysis of corporate governance has to place substantial weight on both the structure and membership of the board. 65 of the 100 points available in our rating system pertain to the quality and structure of the board.

As defined herein, the "perfect board" would have the five characteristics described below. Not surprisingly, these same characteristics constitute the variables we use to rate board strength.

1. **Boards should have an annual, not staggered, election of all directors.** Investors feel much more comfortable giving boards considerable power if they have a way of reigning in or firing boards that abuse those powers. Accountability is so important that this is the most important variable (30 of 100 points) in our rating system. Since Maryland corporate law allows REITs incorporated in that state to stagger their boards without prior shareholder approval, Maryland REITs must amend their bylaws in a way that preserves the de-staggered board structure in order to receive full credit in our rating system.
2. **A high percentage of directors should be independent.** The New York Stock Exchange has guidelines that afford considerable leeway for companies to define what constitutes an "independent" director. The idea that boards are left with discretion to make this determination strikes us as inappropriate, and our categorization of independence leaves much less room for business relationships between the director, or his/her employer, and the company. In addition, with the ability to be independent becoming more difficult the longer one has served, boards should be refreshed after a time.
3. **Multiple board members, including both insiders and independents, should hold sizable investments in the company.** Most board members today have impressive looking resumes, but when they

don't "eat their own cooking", they tend not to utilize the skills that made them successful in the first place. Companies can promote this goal by paying board fees in stock, requiring members to hang on to that stock, and imposing share ownership minimums on board members.

4. **Shareholders should have access.** Shareholders should have the opportunity to use corporate proxy materials to nominate directors.
5. **Reputation matters.** While this variable is obviously subjective, it is also very important. Some boards have been stress-tested on change-of-control questions, many have dealt with issues where shareholder interests and managerial interests diverge, and all have dealt with executive pay questions. Our annual review of executive pay can have a big influence on this variable.

B. Evaluating the Anti-Takeover Tools

The primary entrenchment tools available to all companies are state antitakeover laws and poison pills. Anti-takeover devices that are more unique to the REIT sector include ownership limitations arising from the "5 or fewer" rule and the ability of founders/insiders to veto major transactions. It is impossible to determine ahead of time whether boards that have availed themselves of these tools would use them inappropriately, and it is also unwise to assume that a board that does not have certain of these features in place today might not put them in place when push comes to shove. Nevertheless, insight regarding the mindset of a board can be gleaned by reviewing which of these objectionable devices are in place.

1. **State Antitakeover Laws** - Well over half of the REITs in our coverage universe are incorporated in Maryland, a state whose corporate law (known by the acronym "MGCL") can be used to thwart the possibility of hostile takeovers. A number of other states have similar laws. MGCL establishes provisions that protect shareholders from "business combinations" involving "interested stockholders" as well as unsolicited takeover attempts. The key sections of this law serve as enormous impediments for hostile takeovers. A Maryland company may choose to opt out of these provisions, although boards generally hold the power to change prior elections any time in the future.
 - **Section 3-602: Otherwise referred to as the "Business Combination" provision.** The law prohibits for a period of five years a merger (or similar transaction) between a company and an "interested stockholder". An interested stockholder is defined as someone owning 10% or more of the voting stock. A business combination that is approved by the Board before a person becomes an interested stockholder is not subject to the five-year moratorium or special voting requirements. After five years, three things are required:
 1. Approval of the transaction by the Board of Directors.
 2. Approval by >80% of all shares outstanding.
 3. Approval by >2/3 of all shares excluding those owned by the interested stockholder.
 - **Section 3-701 through 3-710: Otherwise referred to as the "Control Share Acquisition" provision.** Defines a "Control Share Acquisition" as having occurred when a shareholder passes any of three ownership thresholds (20%, 33.3% and 50%). Once an individual or group passes one of these thresholds, voting power is stripped from their shares unless such voting power is reaffirmed by a 2/3 vote of shares not held by the acquiring person.
 - **Section 3-801 through Section 3-805: Otherwise referred to as "The Maryland Unsolicited Takeover Act (MUTA)":** Among other things, the law permits, without shareholder approval, the board of Maryland corporation to:
 1. Elect a classified board
 2. Enact a majority requirement for calling a special meeting of stockholders
 3. Require a two-thirds vote to remove directors
 4. Restrict the number and replacement of existing directors

A REIT that has not opted out of these clauses would appear to be "takeover proof" absent the blessing of the Board. Explicit bylaw safeguards are necessary to ensure that these onerous laws can never be used to fend off a suitor absent the approval of shareholders. Companies incorporated in Maryland or similar states are accorded credit in our system if they have opted out of these laws. They are accorded more credit if they have bylaws preventing them from ever opting in. Companies located in states that don't have laws of this sort do not have these anti-takeover devices available, so they receive a good score in our rating system.

2. **Poison Pills or Shareholder Rights Plans** - Although their terms and conditions vary considerably, the

stated purpose of a poison pill is to force potential bidders to negotiate with a target company's board of directors. If the board approves the deal, it may redeem the pill. If the board does not approve a bid and the potential acquirer proceeds anyway, the pill would be triggered. The "poison" in the pill is generally the issuance of a new class of preferred stock that is massively dilutive to the ownership and voting power of the suitor. Poison pills typically do not have to be ratified by shareholders, and even those companies that do not currently have a poison pill can put one in place subsequent to receiving a hostile bid. Our scoring gives credit for not having a pill in place (most REITs fit this category), and additional credit is given to companies that have explicitly transferred authority regarding poison pills to shareholders, instead of their boards (though rare, a small number of REITs have done this).

3. **Ownership Limits Arising from the "5 or Fewer" Rule** - One of the requirements in the tax code for a company electing REIT status is that not more than 50% of the outstanding shares of a REIT may be owned by five or fewer individuals ("individuals" may include certain entities). As a result, the vast majority of REITs have a rule restricting ownership of any individuals or entities to eliminate any chance that this rule may be violated. In most instances, the ownership limit is just below 10%, although for some companies where insiders (who are typically exempted from this rule) control a large amount of stock, the limit is more restrictive. More than any other attribute unique to REITs, the presence of these restrictions makes REITs harder to take over than is the case for other corporations.

While the presence of these ownership limits is entirely legitimate, their use as an anti-takeover device has nothing to do with their original intent. Most potential hostile acquirers would present no threat of violating the "5 or fewer" rule. By way of example, if the acquirer is a REIT, the tax code allows a "look through" of the REIT entity to the numerous shareholders of that REIT. Because of this, the acquisition of a sizable share block by another REIT presents no cause for concern that the target's tax status would be compromised, but a Board could still use the ownership limit as a deterrent to a hostile takeover.

The vast majority of REITs have ownership limitations in place, and most have written these limitations in a manner where they could be used by the board to deter a suitor. Since REITs have the entire arsenal of normal corporate anti-takeover devices at their disposal, it is objectionable that so many have made this added entrenchment device available as well. Credit is given in our scoring system to companies that have explicitly attempted to neutralize the anti-takeover aspects associated with their ownership limitations.

4. **Insider Blocking Power** - Companies where insiders control a large stake can, for all practical purposes, only be taken over if management agrees. Our scoring system penalizes companies where insider blocking power is present. Further, because this power trumps everything else, adjustments to the overall score are often made. In extreme cases, no credit is given for having a de-staggered board (0 out of 30 points). In less problematic instances, the points awarded for neutering anti-takeover weapons are adjusted downward. There are also cases where the interests of the controlling shareholder are aligned with those of outside shareholders; these companies are typically awarded full credit for their anti-takeover elections even though they score less than perfect on the insider blocking variable.

C. Potential Conflicts of Interest

Potential conflicts arising from divergent interests of key insiders and shareholders represent the final category of variables that comprise our governance ratings.

1. **Business Relationships with Management/Board Members** - REITs have come a long way from earlier structures in which they were generally externally advised, i.e., they contracted with insider-owned entities for most management services. Indeed, business dealings between insiders and their companies are either non-existent or immaterial at the large majority of the companies in our coverage universe.
2. **Extent to which Insiders' Basis Differs from Outside Shareholders** - A CEO who has been at the helm of a successful company for a long time generally has a tax basis in his shares that is much lower than that of recent investors. Divergent tax bases can create a large difference in the way two parties perceive major transactions, such as a cash sale of the company. Because of this, interests of insiders and shareholders are generally better aligned where tax bases are more closely aligned. Because it is difficult to obtain tax basis information for insiders, our ratings represent our best estimate based on how long insider shares have likely been owned and how much appreciation (and real estate depreciation) has taken place over that time. It is somewhat ironic that certain underperforming REITs score high on this variable solely because their stock prices have been stagnant, but in terms of rating governance, this is appropriate. It does, however, highlight the need to consider factors other than governance in selecting stocks.

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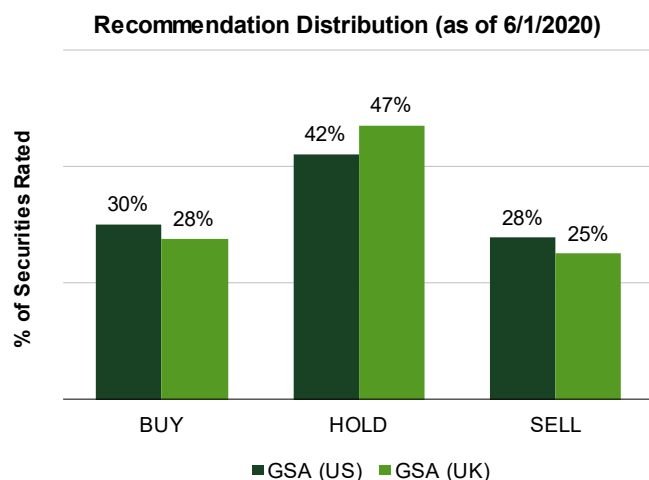
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Total Return of Green Street's Recommendations^{1,2}

Year ³	Buy	Hold	Sell	Universe
2020 YTD	-16.1%	-28.1%	-36.8%	-27.0%
2019	31.6%	22.4%	17.8%	24.0%
2018	-5.1%	-6.6%	-9.2%	-7.0%
2017	6.4%	0.2%	2.1%	2.6%
2016	14.9%	14.7%	13.1%	14.4%
2015	8.3%	0.9%	-1.7%	2.4%
2014	41.6%	31.5%	27.3%	33.3%
2013	4.1%	0.6%	1.7%	2.2%
2012	24.5%	24.7%	18.9%	23.0%
2011	18.9%	7.6%	-4.7%	7.6%
2010	43.3%	32.8%	26.6%	33.8%
2009	59.0%	47.7%	6.0%	37.9%
2008	-28.1%	-30.9%	-52.6%	-37.3%
2007	-6.9%	-22.4%	-27.8%	-19.7%
2006	45.6%	29.6%	19.5%	31.6%
2005	26.3%	18.5%	-1.8%	15.9%
2004	42.8%	28.7%	16.4%	29.4%
2003	43.3%	37.4%	21.8%	34.8%
2002	17.3%	2.8%	2.6%	5.4%
2001	34.9%	19.1%	13.0%	21.1%
2000	53.4%	28.9%	5.9%	29.6%
1999	12.3%	-9.0%	-20.5%	-6.9%
1998	-1.6%	-15.1%	-15.5%	-12.1%
1997	36.7%	14.8%	7.2%	18.3%
1996	47.6%	30.7%	18.9%	32.1%
1995	22.9%	13.9%	0.5%	13.5%
1994	20.8%	-0.8%	-8.7%	3.1%
1993	27.3%	4.7%	8.1%	12.1%
Cumulative Total Return	17712.5%	945.5%	-10.3%	1154.6%
Annualized	20.9%	9.0%	-0.4%	9.7%

The results shown above are hypothetical; they do not represent the actual trading of securities. Actual performance will vary from the hypothetical performance shown above due to, but not limited to 1) advisory fees and other expenses that one would pay; 2) transaction costs; 3) the inability to execute trades at the last published price (the hypothetical returns assume execution at the last closing price); 4) the inability to maintain an equally-weighted portfolio in size (the returns above assume an equal weighting); and 5) market and economic factors will almost certainly cause one to invest differently than projected by the model that simulated the above returns. All returns include the reinvestment of dividends. Past performance, particularly hypothetical performance, cannot be used to predict future performance. Investing involves risk and possible loss of principal capital.

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- (2) Beginning July 5, 2017, all companies in Green Street's North American coverage universe are included in the performance calculation. Previously, inclusion in the calculation of total return had been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly" and had a rating other than "Not Rated".
- (3) From 1993 until July 3, 2017, the returns for each year cover the period following the first RESM issued in the respective year through the first RESM issued in the following year and are not based on a calendar year. Subsequent to July 5, 2017, returns are based on calendar months.

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Green Street will furnish upon request available investment information regarding the recommendation

North American Team

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