

# The Macerich Company

Supplemental Information Regarding 2019 Proxy Statement

May 28, 2019

# Annual Meeting of Stockholders to be Held on June 7, 2019

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We ask for your support by voting in accordance with the recommendations of our Board of Directors on all of the proposals included in our 2019 Proxy Statement, which was filed on April 26, 2019. In particular, we are requesting your vote **FOR** Proposal 3, the approval of the annual advisory vote on the compensation paid to our named executive officers (“NEOs”).

We take a very disciplined, “pay-for-performance” approach to executive compensation. We believe that our executive compensation program strongly aligns the compensation of our NEOs with our performance, as detailed in the section of our 2019 Proxy Statement entitled “Compensation Discussion and Analysis.”

Glass Lewis has recommended a **FOR** vote for Proposal 3. However, ISS recommended an **AGAINST** vote on Proposal 3. Notwithstanding the ISS recommendation, the Company believes that the executive compensation program supports our financial and strategic objectives and is appropriately aligned with the interests of our stockholders. ISS’ negative recommendation was unexpected because, among other reasons, in connection with CEO succession in 2018 the target total direct compensation of our CEO, CFO and next three highest paid executive officers for 2019 decreased 47% from that of the same group in 2018. We strongly disagree with ISS’ recommendation on Proposal 3, as well as the stated reasons behind it.

This presentation is intended to facilitate discussions with stockholders as part of our engagement with them in advance of our Annual Meeting and sets forth the reasons for Macerich’s substantive disagreement with ISS.

We were pleased to receive the support of approximately 89% of the votes cast on our say-on-pay proposal the prior two years, and over 97% in 2016. We look forward to receiving strong support again this year.

# CEO Compensation in Context: New CEO Target Total Direct Compensation

## ISS Analysis Ignores New CEO Compensation

- The ISS analysis focuses on the target total direct compensation (“TDC”) of Mr. A. Coppola, our former CEO, in all evaluation components without an analysis of the 2019 target TDC for Mr. O’Hern, our new CEO. The 2019 target TDC for Mr. O’Hern is 53% of his predecessor’s 2018 target TDC. In addition, with other executive transitions, the Company’s overall 2019 target TDC for our NEOs is significantly reduced, with the aggregate 2019 target TDC of our CEO, CFO and the next three highest paid executives approximately 63% of the 2018 target TDC for our CEO, CFO and three highest paid executives.

### CEO TARGET TOTAL DIRECT COMPENSATION COMPARISON

	Former CEO- Mr. A. Coppola’s 2018 Target Total Direct Compensation	New CEO- Mr. O’Hern’s 2019 Target Total Direct Compensation	Mr. O’Hern (2019) % +/- Mr. A. Coppola (2018)
Base Salary	\$ 1,000,000	\$ 800,000	-20%
Target Annual Incentive (Bonus)	\$ 2,000,000	\$1,600,000	-20%
Target Long-Term Incentives	\$ 9,000,000	\$4,000,000 <sup>(1)</sup>	-56%
Target Total Direct Compensation	\$12,000,000	\$6,400,000	-47%

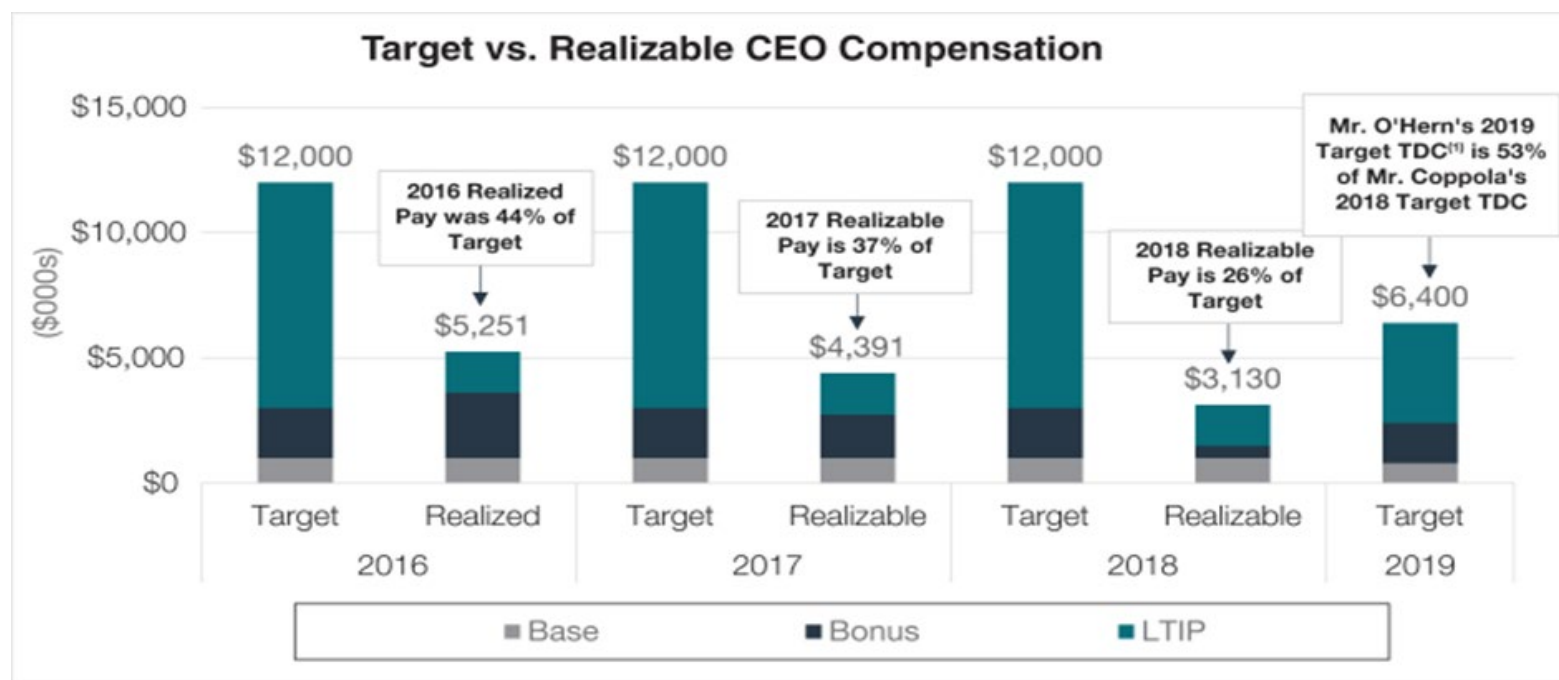
<sup>(1)</sup> Mr. O’Hern’s target LTIP grant value for 2019 was \$6 million, but he volunteered to reduce the value by \$2 million as described below.

- The ISS analysis does not appear to take into consideration that Mr. O’Hern volunteered to reduce the size of his 2019 long-term incentive award by \$2 million, and such amount was instead used to fund an incentive bonus pool for other senior executives (non-NEOs) tied to same center growth and EBITDA growth.

# Pay for Performance Alignment

## ISS Methodology is Based on Reported Pay Not Realized or Realizable Pay

- We believe realized or realizable pay is a superior measure than reported pay for alignment of pay and performance. The majority of our CEO's compensation opportunity is "at risk" and tied to performance goals and our relative total stockholder return ("TSR"). Because a significant portion of our CEO's compensation opportunity is in the form of equity awards, the value is also tied to our absolute TSR. Our pay-for-performance philosophy is illustrated by comparing target TDC to "realizable" compensation, which after taking into account actual performance demonstrates alignment of pay and performance.



(1) TDC for 2019 includes target LTIP grant value of \$4 million, as Mr. O'Hern volunteered to reduce the size of his 2019 long-term incentive award by \$2 million, and such amount was instead used to fund an incentive bonus pool for other senior executives (non-NEOs) tied to same center growth and EBITDA growth.

## Pay for Performance Alignment

- As of December 31, 2018, none of the performance-based LTIP Units granted in 2016 were earned, resulting in realized pay from performance based LTIPs being 0% of target and, further, none of the performance-based LTIP Units granted in 2017 and 2018 would have been earned at December 31, 2018 based on our relative TSR performance as of such date.

LTIP Performance Period	2016	2017	2018	2019	2020	Status	% Payout
2016 3-year LTIP	100% Complete					▼ Below Threshold and 100% Forfeited	0%
2017 3-year LTIP		67% Complete				▼ Tracking Below Threshold	0% <sup>(1)</sup>
2018 3-year LTIP			33% Complete			▼ Tracking Below Threshold	0% <sup>(1)</sup>

<sup>(1)</sup> The performance period for these awards remains open and the payout percentage for these awards has not been determined. The payout percentage is reflected as 0% in the table to indicate that, if the performance period applicable to the award had ended as of December 31, 2018, the Company's relative TSR ranking considered for purposes of the awards would have been below the applicable Threshold level and the awards would have been forfeited. We make no prediction as to the future performance of our stock.

- We don't believe there is better evidence of alignment of CEO pay and performance than that illustrated by the foregoing.

## New CEO Initial Equity Award

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### ISS' Blanket Position Against Awards for Internal Promotions Does Not Reflect Market Realities

- Mr. O'Hern's equity award received upon his agreement to become our CEO was appropriate in light of the market realities of what is necessary in attracting top candidates, whether internal or external, to fill the role of CEO. We disagree with ISS' statement that "[l]arge internal promotion grants are problematic, especially a grant that lacks performance-vesting criteria and which only requires repayment of only half of the total value if the recipient leaves the company within four months of assuming the CEO role."
- In early 2018, not only did Mr. A. Coppola announce his retirement by the end of the calendar year but Mr. Perlmutter, our then COO, also announced that he would be stepping down from his position with Macerich effective immediately. Our Board determined that Mr. O'Hern was the right candidate to fill the role of CEO, but given the departures of both the CEO and the COO, our Board believed that it needed to entice Mr. O'Hern, one of the longest tenured CFOs in the S&P 500, to accept the role.
- The \$5 million equity award included in Mr. O'Hern's agreement is consistent with similar awards granted to new CEOs of other similarly situated companies, particularly where equity enticement is appropriate in retaining the right candidate for the role.

## New CEO Initial Equity Award

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- The size of the award reflected our expectation that the 2019 target TDC of our CEO, CFO and the next three highest paid executives would be significantly lower than the 2018 target TDC for our CEO, CFO and next three highest paid executives given the reduction in the CEO compensation package, the elimination of the COO position and corresponding compensation package as well as the compensation packages of the remaining three highest paid executives.
- The award was subject to a one-year clawback provision.
- Given our Board's focus on succession, the agreement with Mr. O'Hern helped to ensure an orderly transition from Mr. A. Coppola to Mr. O'Hern.

## Overall Commitment to Corporate Governance

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We ask for your support on Proposal 3 in the context of our strong commitment to corporate governance, as evidenced by a number of profound corporate governance changes made by our Board in the recent past:

- ✓ opting out of Subtitle 8 of the Maryland General Corporation Law (often referred to as MUTA) and prohibition from opting back in (including the provision allowing our Board to self-classify) without stockholder approval;
- ✓ allowing any stockholder to propose amendments to our Bylaws and removing the previous requirement that stockholders meet certain ownership thresholds to do so;
- ✓ demonstrated commitment to Board refreshment and diversity (women represent thirty percent of our director nominees and six of our current directors have joined our Board since mid-2015); and
- ✓ separating the role of CEO and Chairman, with our Lead Director transitioning to Independent Chairman.

## Conclusion

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### Strong stockholder support for Say-on-Pay Proposals

We have received strong stockholder support for Say-on-Pay proposals in recent years  
2016 → over 97%      2017 → approximately 89%      2018 → approximately 89%

### New CEO Compensation

The 2019 target TDC of Mr. O'Hern is 53% of his predecessor's 2018 target TDC.

### Aggregate 2019 Target TDC for NEOs

The aggregate 2019 target TDC of Mr. O'Hern, our CFO and the next three highest paid executive officers is expected to be approximately 63% of the 2018 target TDC for our CEO, CFO and three highest paid executive officers.

### Pay for Performance Alignment

Our pay-for-performance philosophy is illustrated by comparing target TDC to "realizable" compensation, which after taking into account actual performance demonstrates alignment of pay and performance.

### New CEO Initial Equity Award

The initial equity award to Mr. O'Hern was necessary to entice him to take the role of CEO and is consistent with similar awards granted to new CEO's of other similarly situated companies, particularly where equity enticement is appropriate in retaining the right candidate for the role.

## Conclusion

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Our Board of Directors and executive team are proud of their track record of working tirelessly in the interests of our stockholders, with powerful initiatives in both areas of executive compensation and corporate governance, that are beginning to bear fruit.

Our Board of Directors encourages you to vote **FOR** the approval of the advisory vote on the compensation paid to our named executive officers (Proposal 3) at our Annual Meeting of Stockholders on June 7, 2019.

***Thank you for your continued support!***