November 2018

2018 Director Compensation Report

FW COOK

2018 DIRECTOR COMPENSATION REPORT

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EXECUTIVE SUMMARY

FW Cook's 2018 Director Compensation Report studies non-employee director compensation at 300 companies of various sizes and industries to analyze market practices in pay levels and program structure.

Total compensation amounts increased by 0.5% at the median of the total sample versus last year's study, reflecting generally stable compensation levels across size sectors.   Large-cap companies in our study pay directors $275,000 at the median, and experienced the smallest increase in median total pay this year of 0.2%, following a 5.4% increase the previous year. This year, among mid-cap companies, median total pay of $205,000 increased by 1.9%, which increased from last year's growth of 0.8%.   Median total pay at small-cap companies grew 1.2% to $152,000, following a 3.7% increase the prior year.   Technology continues to be the highest-paying sector in our study, while Financial Services continues to be the lowest-paying sector.

There is minimal change to director compensation program structure. We observe an increase in equity compensation as a percentage of total pay, representing approximately 62% across the sample (up from 58% in the prior two years). In line with the trend toward simplification, meeting fees continue to be eliminated in favor of retainer-only director pay programs. The vast majority of companies continue to use fixed-value equity award guidelines. Full-value stock awards are the dominant form of equity compensation and provide the most consistent means to align director pay with shareholder interests. Equity grants most commonly either vest immediately or cliff-vest after one year.

Director stock ownership guidelines continue to be majority practice and have increased in prevalence this year among large-cap and small-cap companies. Mandatory stock deferrals are overall still a minority practice, utilized by 13% of companies granting equity. Large-cap companies continue to have the highest prevalence of mandatory stock deferrals, present at 26% of large-cap companies.

We continue to observe companies adding annual limits on director compensation to shareholder-approved equity plans to help reduce the risk of litigation. Over half of the companies in this study now have such limits. To enhance protection, these limits are increasingly covering total pay rather than just equity: 34% of limits cover total pay this year, versus 26% in the prior study. Among the companies in this study, limits on total pay typically reflect a multiple of two-to-three times annual total pay.

The following chart summarizes total non-employee director pay levels and market capitalizations of the 300 companies in our study (100 companies in each size grouping):

	Small-Cap	Mid-Cap	Large-Cap
Median Values	**(Less than $1B)**	**($1B - $5B)**	**(Greater than $5B)**
Total Compensation - 2018 Study	$151,750	$205,417	$274,583
Total Compensation - 2017 Study	$150,000	$201,667	$274,000
Year-Over-Year Compensation Change	1.2%	1.9%	0.2%
Market Capitalization ($M) - 2018 Study	$548	$2,178	$20,525
Market Capitalization ($M) - 2017 Study	$544	$2,506	$18,217
Year-Over-Year Market Cap. Change	0.8%	-13.1%	12.7%

EXECUTIVE SUMMARY

Additional key findings are summarized below:

Cash vs. Equity	• Companies in all size segments continue to provide more than half of total pay in equity, on average, with equity weighting generally increasing with company size • The average mix across the entire sample is 38% cash and 62% equity • Higher-paying sectors tend to place a greater weighting on equity; Technology companies continue to have the most equity-heavy mix while Financial Services have the least
Cash Compensation for Board Service	• Just over three-quarters of the sample use retainers only (no board meeting fees) • The median board retainer for small-cap and mid-cap companies remained flat at $50,000 and $70,000, respectively, while large-cap companies saw a $5,000 increase in the median board retainer to $90,000 • The Industrials sector provides the highest median cash retainer fee for board service ($77,500) and Technology the lowest ($60,000)
Equity Compensation for Board Service	• At least 82% of companies in each size group grant full-value stock awards exclusively (i.e., no stock options) • The vast majority of equity awards continue to be denominated as a dollar value rather than a number of shares • The Technology sector has the highest prevalence of stock options (15%), followed by Industrials (12%)
Committee Compensation	• Consistent with last year, 63% of companies provide additional compensation to committee members, with committee member retainers remaining the more prevalent means of accomplishing this, as opposed to committee meeting fees • The prevalence of committee member retainers has been stable year-over-year, while the use of committee meeting fees continues to decrease, especially at large-cap companies • Nearly all companies provide additional compensation to committee chairs. Across the sample, median retainers are $20,000 for audit chair and $15,000 for both compensation and nominating/governance chairs
Non-Executive Board Chairs and Lead Directors	• Non-executive board chairs are typically provided additional compensation for the role, with the median ranging from $50,000 at small-cap companies to $150,000 at large-cap companies • Almost 90% of lead directors receive additional compensation, ranging from $15,000 to $30,000 at the median across all size and sector groups
Stock Ownership Guidelines and Retention Requirements	• Approximately 80% of companies have ownership guidelines, while stock retention requirements remain a minority practice, prevalent at approximately 35% of companies • Among companies with ownership guidelines, approximately 80% define the guideline as a multiple of cash retainer, most commonly 5x for large-cap and mid-cap companies and 3x for small-cap companies
Compensation Deferrals	• Prevalence of cash deferral programs remained steady year-over-year with roughly 65%, 40%, and 20% of large-, mid-, and small-cap companies, respectively, offering such programs • Stock deferral programs (including voluntary and mandatory programs) declined somewhat this year due to the change in sample set. Large-cap companies continue to have significantly more mandatory stock deferral requirements and thus higher prevalence overall of stock deferral programs
Annual Limits on Director Compensation	• This year, the prevalence of annual limits on director compensation increased slightly to 55% of companies. Approximately 70%, 60%, and 30% of large-, mid-, and small-cap companies, respectively, have shareholder-approved limits on annual director compensation in the applicable equity plan • About one-third of companies with limits apply them to total director compensation and not just equity, which is a significant increase from 15% two years ago. More than half of companies adding limits for the first time apply them to total director compensation

OVERVIEW AND METHODOLOGY

Research Sample

This study is based on a sample of 300 U.S. public companies equally divided among small-, mid-, and large-cap size segments (100 companies per segment) and further classified into five sectors: Energy, Financial Services, Industrials, Retail, and Technology (60 companies per sector) based on Standard & Poor's Global Industry Classification Standard ("GICS") codes. Approximately 88% of this year's sample companies were constituents of last year's sample, allowing for meaningful year-over-year comparisons. For a complete list of the companies included in this study, refer to the List of Companies Surveyed at the end of the report.

Market capitalization and trailing 12-month revenue as of April 30, 2018 are summarized below:

	Market Capitalization ($M)			Trailing 12-Month Revenue ($M)		
Size	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Small-Cap	$325	$548	$740	$169	$410	$893
Mid-Cap	$1,467	$2,178	$3,467	$852	$1,665	$3,393
Large-Cap	$11,266	$20,525	$47,446	$4,688	$10,259	$25,092
Sector	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Energy	$744	$2,278	$14,973	$682	$1,350	$7,290
Financial Services	$848	$3,201	$11,634	$250	$753	$3,961
Industrials	$728	$2,571	$12,682	$873	$2,794	$7,744
Retail	$686	$2,091	$8,474	$1,797	$4,074	$11,392
Technology	$671	$2,333	$11,320	$349	$1,460	$3,167

Director compensation program details were sourced from companies' proxy statements and/or annual reports, generally filed with the Securities and Exchange Commission ("SEC") in the one-year period ending May 31, 2018.

OVERVIEW AND METHODOLOGY

Methodology

The study analyzes compensation for board and committee service (with the latter focused on the three most common standing committees of the board: audit, compensation, and nominating/governance). The specific pay components presented in this study include:

- Annual cash retainers and meeting fees for board service
- Equity compensation, in the form of stock options or full-value stock awards (i.e., restricted shares/units, deferred stock units, and fully vested stock)
- Annual cash retainers and meeting fees for committee member and chair service
- Additional compensation for serving as a non-executive chair or lead director

The report also presents our findings on equity vesting practices, the prevalence of stock ownership guidelines and compensation deferral provisions, as well as the prevalence, design, and magnitude of shareholder-approved limits on annual compensation per director.

The following assumptions were used to facilitate competitive comparisons:

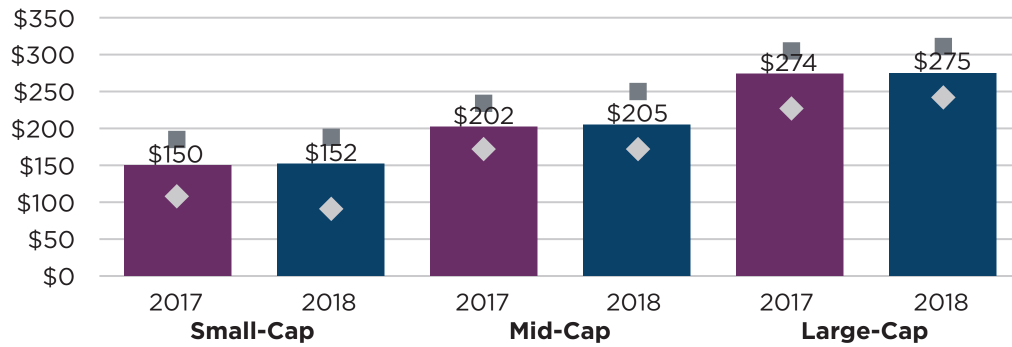
- Each director attends nine board meetings annually (consistent with last year's study)
- Each director is a member of one committee and attends six committee meetings per year (consistent with last year's study)
- If denominated as a number of shares (rather than as a fixed-dollar value), then equity compensation is valued using closing stock prices as of April 30, 2018
- All equity compensation is annualized over a five-year period (e.g., if a company makes a "larger than normal" equity grant upon initial election to the board followed by smaller annual grants, then our analysis includes the five-year average value of the initial grant and the four subsequent annual grants)
- Stock options are valued using each individual company's publicly disclosed Accounting Standards Codification ("ASC") Topic 718 assumptions to align option values used in this study with their accounting costs, assuming an April 30, 2018 grant date

TOTAL BOARD COMPENSATION

Total Compensation – Pay Levels

Total director compensation levels continue to be influenced by company size. At the median, large-cap companies provide total pay of $275,000 per director versus $205,000 at mid-cap companies and $152,000 at small-cap companies. Year-over-year, total compensation levels were generally stable. Large-cap companies increased just 0.2%, following a 5.4% increase the prior year. Among mid-cap companies, median total values increased by 1.9%, which increased from last year's increase of 0.8%. Small-cap companies increased by 1.2%, following a 3.7% increase the prior year. Over the past five years, the annualized increase in director compensation has been approximately 3% at large-cap and mid-cap companies and 2% for small-cap companies.

Total Compensation By Size
($000)

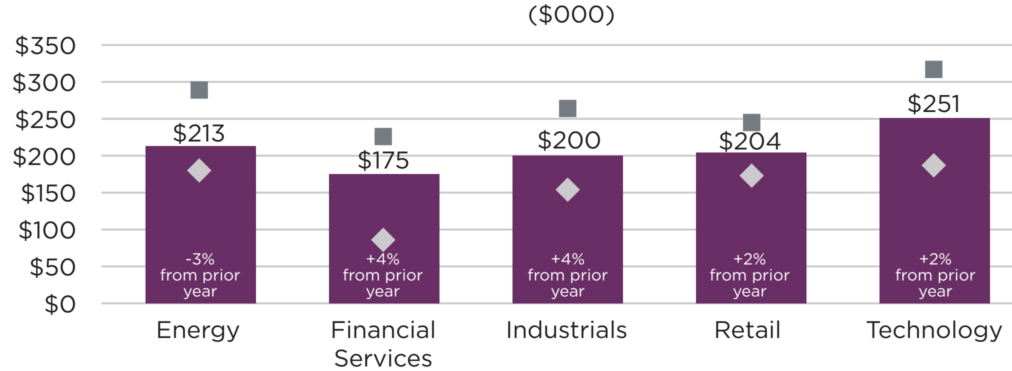


2018:

	Small-Cap	Mid-Cap	Large-Cap
75th Percentile	$188	$250	$311
Median	$152	$205	$275
25th Percentile	$91	$172	$242

Technology companies continue to provide the highest median total pay compared to other sectors ($251,000) and Financial Services companies continue to provide the lowest median total pay ($175,000). The highest growth in median pay occurred in the Financial Services and Industrials sectors (+4% for both).

Total Compensation By Sector
($000)



	Energy	Financial Services	Industrials	Retail	Technology
75th Percentile	$289	$226	$264	$245	$317
Median	$213	$175	$200	$204	$251
25th Percentile	$180	$86	$154	$173	$187

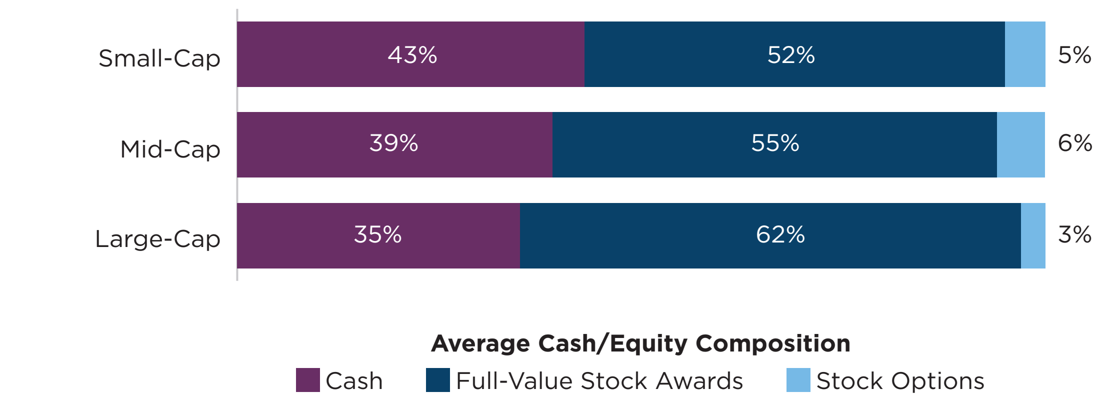
TOTAL BOARD COMPENSATION

Total Compensation – Cash vs. Equity

Compensation for board service typically consists of both cash and equity. The charts below illustrate average pay mix by company size and sector, with the emphasis on equity generally increasing since last year. Across all size and sector categories, companies continue to favor delivering equity compensation in the form of full-value awards over stock options.

Across size segments, companies provide more than half of compensation in equity, with equity weighting increasing with company size and total pay. Among all three size sectors, we observe a trend of increasing the weighting of equity as a percentage of total compensation, which on average represents 62% of total pay across all companies in the sample this year.

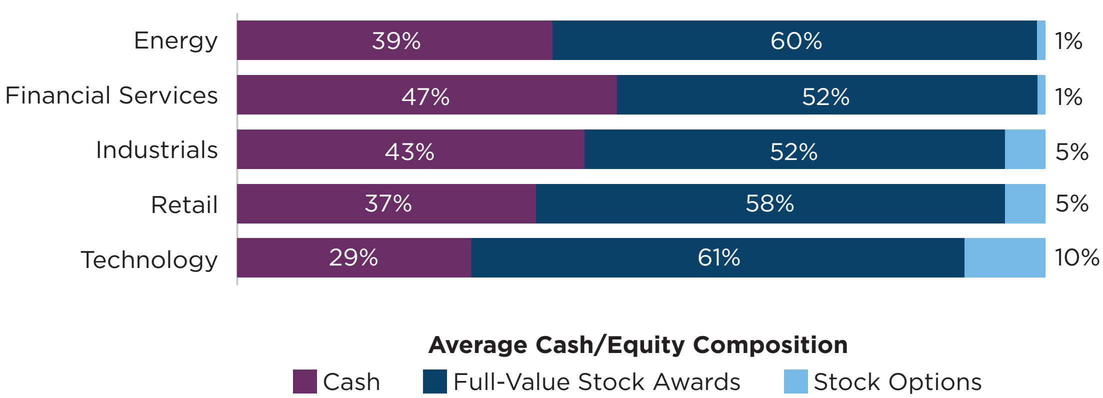
Cash vs. Equity By Size



Percentage Equity 2016	2017	2018
53%	54%	57%
58%	58%	61%
62%	62%	65%

The higher-paying sectors tend to place a greater weighting on equity, with Technology companies providing approximately 71% of total compensation in the form of equity. Financial Services companies place the lowest emphasis on equity (just over half of total compensation, on average).

Cash vs. Equity By Sector

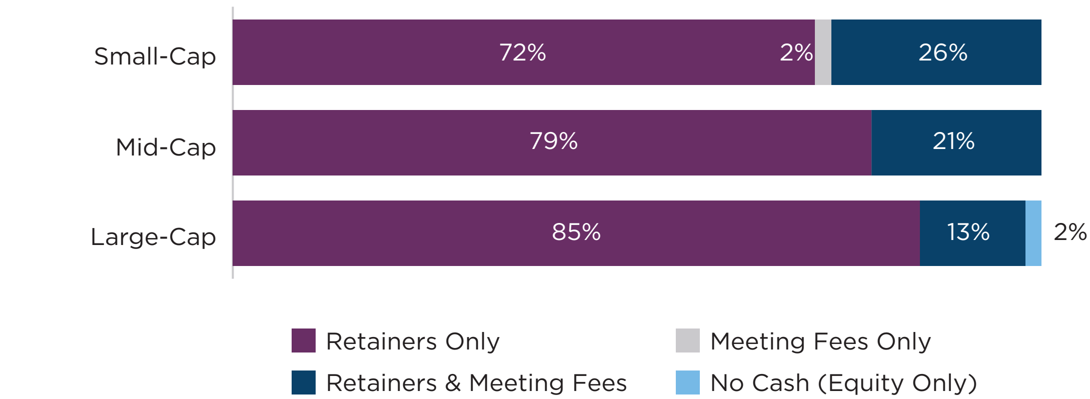


BOARD CASH COMPENSATION

Cash Compensation Pay Structure

Cash compensation for board service is typically provided through an annual board retainer, board meeting fees, or a combination of both. Across size and industry segments, retainer-only programs continue to be the most prevalent. There is a continued trend of companies simplifying their programs by eliminating board meeting fees, with the number of companies in the sample providing retainer-only programs increasing from 74% in 2016 to 79% this year. Some companies continue to provide compensation for years with abnormally high activity by instituting pre-set thresholds that require a specific number of meetings to occur before per-meeting fees are paid.

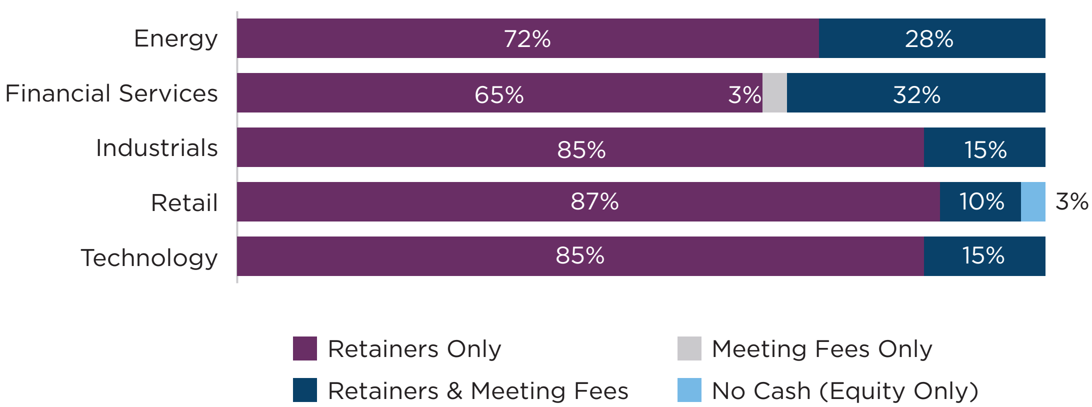
Board Cash Structure By Size



	Percentage of Companies With Retainers Only		
	2016	2017	2018
Small-Cap	68%	70%	72%
Mid-Cap	73%	77%	79%
Large-Cap	81%	81%	85%

Retainer-only programs are the majority practice regardless of industry sector.

Board Cash Structure By Sector

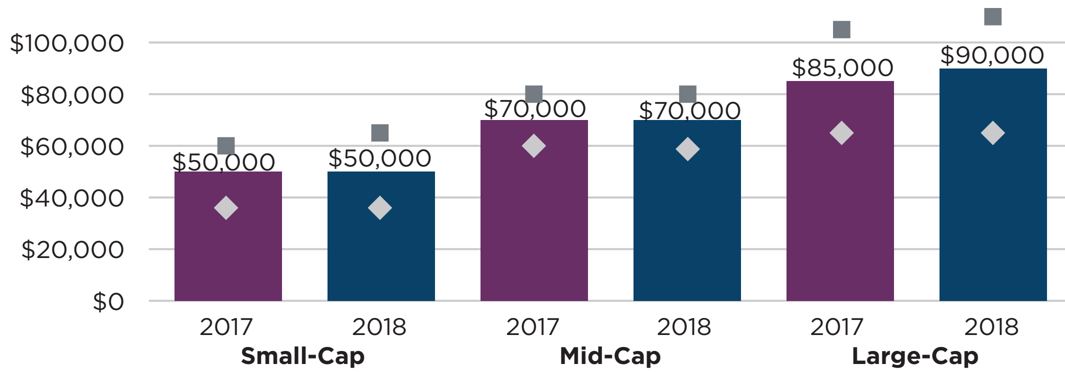


BOARD CASH COMPENSATION

Board Cash Retainers

Board retainers have remained relatively stable year-over-year. For small-cap and mid-cap companies, the median board retainer remained flat at $50,000 and $70,000, respectively, while large-cap companies saw a 6% increase in the median board retainer to $90,000.

Board Cash Retainers By Size

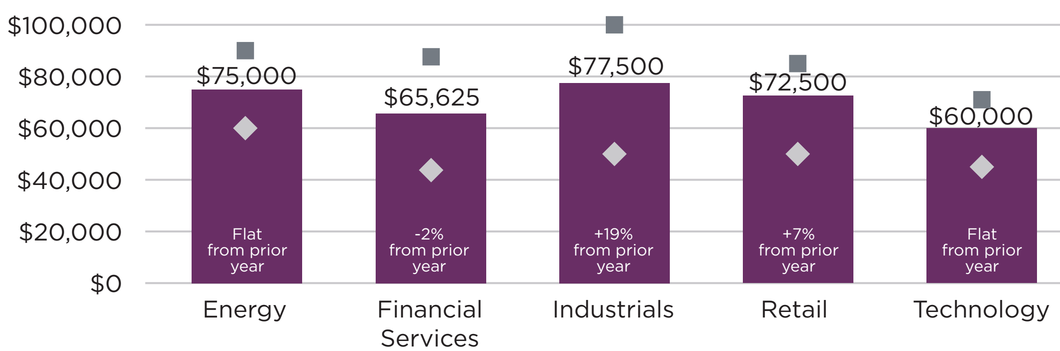


2018:

	Small-Cap	Mid-Cap	Large-Cap
■ 75th Percentile	$65,000	$80,000	$110,000
Median	$50,000	$70,000	$90,000
◆ 25th Percentile	$36,000	$58,750	$65,000

Median board retainers remained flat for the Energy and Technology sectors for the second year in a row, while the Retail sector experienced a 7% increase, the Industrials sector a 19% increase, and the Financial Services sector a 2% decrease. The significant increase in Industrials follows a 4% decrease the previous year and is influenced by the change in sample composition.

Board Cash Retainers By Sector



	Energy	Financial Services	Industrials	Retail	Technology
■ 75th Percentile	$90,000	$87,625	$100,000	$85,000	$71,250
Median	$75,000	$65,625	$77,500	$72,500	$60,000
◆ 25th Percentile	$60,000	$43,750	$50,000	$50,000	$45,000

BOARD CASH COMPENSATION

Board Meeting Fees

The prevalence of board meeting fees has remained stable at small-cap and mid-cap companies but has declined at large-cap companies compared to last year. Of the total sample, 21% use board meeting fees versus 22% in 2017 and 24% in 2016.

Meeting fee prevalence continues to be influenced by size, with small-cap companies having the largest prevalence and large-cap companies having the smallest. The magnitude of board meeting fees also increases with company size: the median value is $1,500 at small-cap companies, $1,600 at mid-cap companies, and $2,000 at large-cap companies.

Board Meeting Fees By Size					Prior Year Meeting Fee Prevalence*
	Prevalence*	**25th Percentile**	**Median**	**75th Percentile**	
Small-Cap	28%	$1,000	$1,500	$2,000	28%
Mid-Cap	21%	$1,500	$1,600	$2,000	20%
Large-Cap	13%	$1,500	$2,000	$2,750	17%

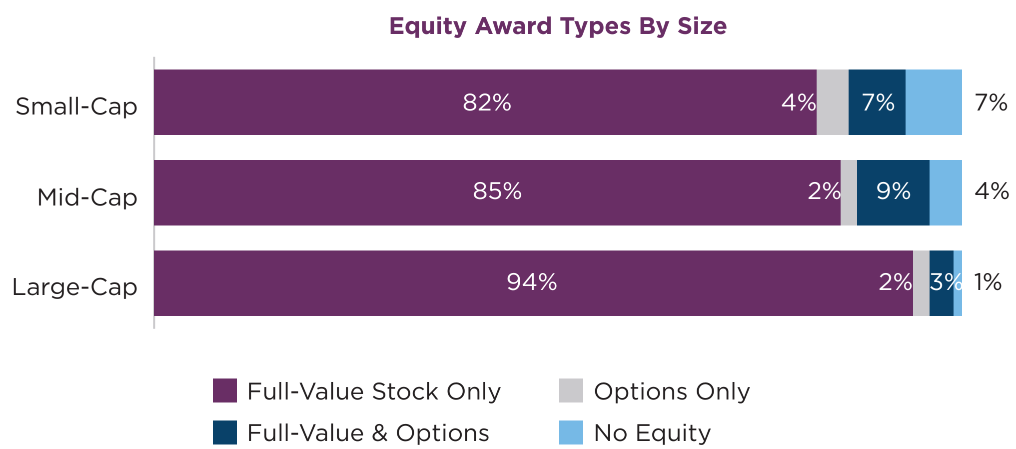
Unchanged from last year, the median board meeting fee is $1,500 in the Energy and Financial Services sectors and $2,000 in each of the other three sectors.

Board Meeting Fees By Sector					Prior Year Meeting Fee Prevalence*
	Prevalence*	**25th Percentile**	**Median**	**75th Percentile**	
Energy	28%	$1,500	$1,500	$2,000	32%
Financial Services	35%	$1,000	$1,500	$1,500	33%
Industrials	15%	$1,500	$2,000	$2,500	17%
Retail	10%	$2,000	$2,000	$2,500	15%
Technology	15%	$2,000	$2,000	$2,875	12%

*Prevalence statistics reflect companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 3% of companies (4% last year) provide a fee starting after a pre-set minimum number of meetings per year

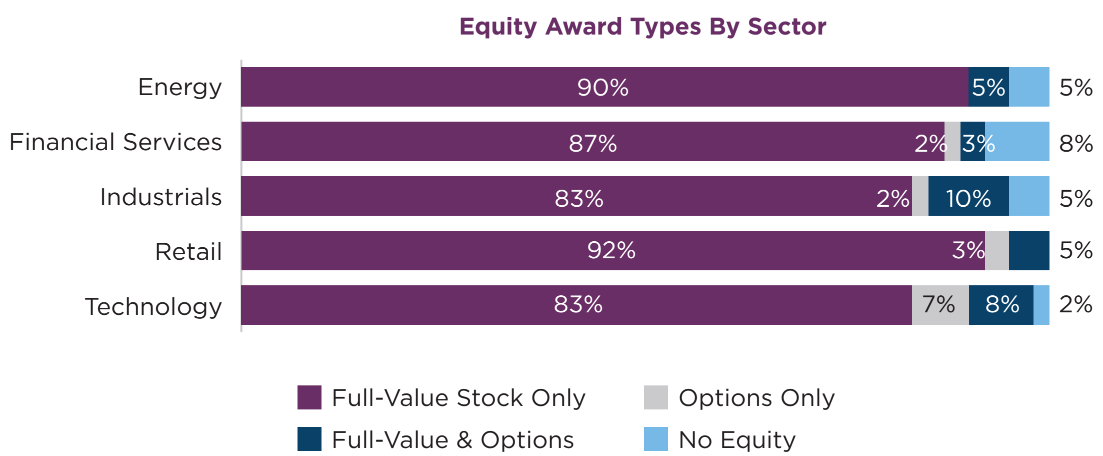
EQUITY AWARD TYPES

Full-value stock awards (i.e., restricted stock/units, deferred stock units, or fully vested stock) remain the most prevalent equity grant type in director compensation programs across all company sizes and sectors. Option-only programs remain a minority practice following a decline across the sample over the last several years. This year, we observe a slight decrease in small-cap companies providing equity compensation in only full-value awards, but this is driven by a change in the sample set rather than a trend in small-cap companies moving to delivering equity compensation in stock options.



Prior Year Full-Value Only Use
85%
84%
91%

When segmented by industry, full-value awards remain the majority practice. Technology sector companies have the highest prevalence of options in their equity programs (15%), followed by companies in the Industrial sector (12%).



EQUITY AWARD DENOMINATION

Companies continue to define annual equity awards primarily as a fixed-dollar value rather than as a fixed number of shares across all company sizes and sectors. Dollar-denominated awards provide the same proxy-disclosed grant value on an annual basis despite stock price movement. This year, we observe that approximately 90% of small-cap and mid-cap companies use a fixed-dollar approach for full value awards; this percentage increases to 97% for large-cap companies.

The share-denominated approach is used more commonly for stock options than for full-value stock awards, although it is still a minority practice for stock options overall. Share-denomination of stock options has declined significantly across most size and sector groups, although it remains a majority practice among mid-cap companies and Technology companies.

Equity Award Denomination By Size: Percentage of Companies				
	Full-Value Stock (Used by 93% of Companies)*		**Options** (Used by 9% of Companies)*	
	Dollar Value	**Number of Shares**	**Dollar Value**	**Number of Shares**
Small-Cap	92%	8%	64%	36%
Mid-Cap	87%	13%	45%	55%
Large-Cap	97%	3%	80%	20%

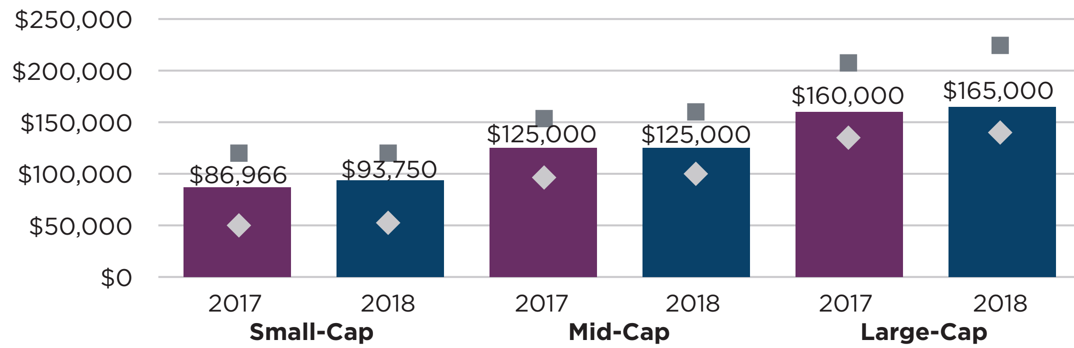
Equity Award Denomination By Sector: Percentage of Companies				
	Full-Value Stock (Used by 93% of Companies)*		**Options** (Used by 9% of Companies)*	
	Dollar Value	**Number of Shares**	**Dollar Value**	**Number of Shares**
Energy	96%	4%	67%	33%
Financial Services	91%	9%	67%	33%
Industrials	93%	7%	71%	29%
Retail	90%	10%	100%	0%
Technology	91%	9%	22%	78%

*Some companies grant both full-value stock awards and options, so percentages add to greater than 100%

EQUITY COMPENSATION VALUES

Year-over-year, median annual equity compensation values increased by 8% for small-cap companies and 3% for large-cap companies, while median equity compensation for mid-cap companies remained flat at $125,000.

Equity Compensation Value By Size

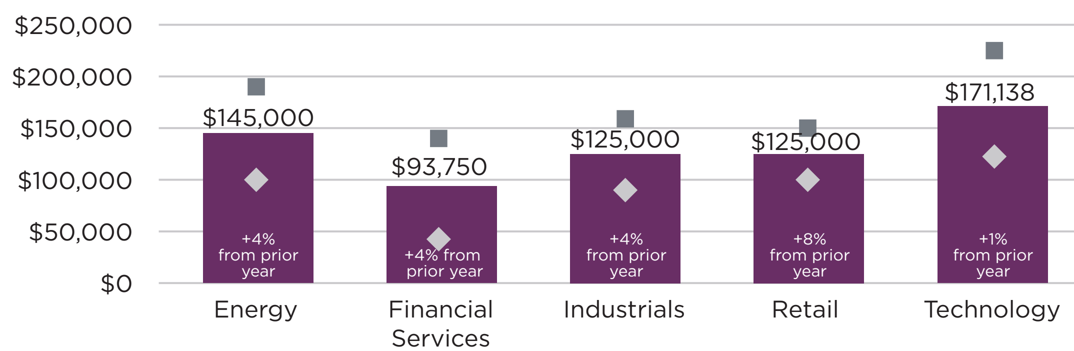


2018:

	Small-Cap	Mid-Cap	Large-Cap
75th Percentile	$120,000	$160,000	$224,461
Median	$93,750	$125,000	$165,000
25th Percentile	$52,500	$99,994	$140,000

Equity compensation continues to be highest among Technology companies and lowest among Financial Services companies. We observe the largest increase in median equity value in the Retail sector, which is up 8% year-over-year. Median equity value increased by 4% in the Energy, Financial Services, and Industrials sectors and by 1% for the Technology sector.

Equity Compensation Value By Sector

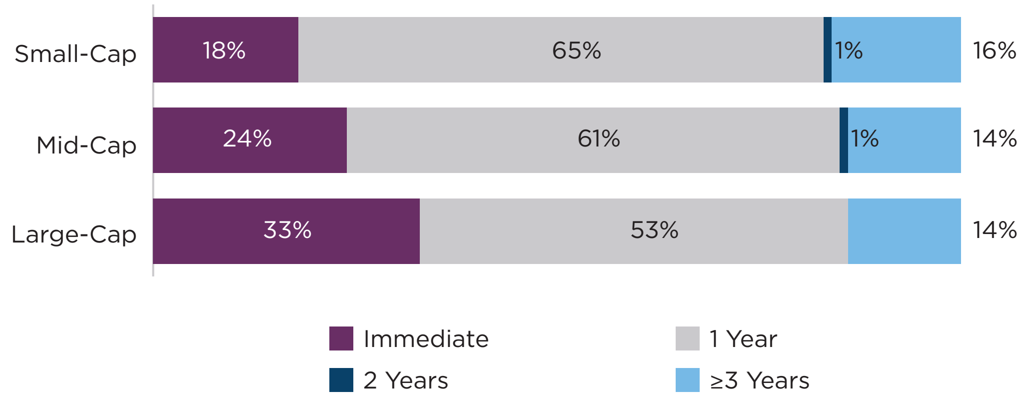


	Energy	Financial Services	Industrials	Retail	Technology
75th Percentile	$190,000	$140,000	$150,000	$150,000	$225,000
Median	$145,000	$93,750	$125,000	$125,000	$171,138
25th Percentile	$100,000	$42,500	$90,000	$100,000	$122,500

EQUITY VESTING PRACTICES

Across size and industry sectors, equity awards most commonly vest within one-year from grant. Among the sample, approximately 25% of companies have immediate vesting and approximately 60% have vesting one year after grant. The prevalence of immediate vesting increases with size, with the highest prevalence among large-cap companies (33%) and the lowest prevalence among small-cap companies (18%). Awards with longer vesting periods tend to vest in installments, rather than cliff vest.

Equity Compensation Vesting Periods By Size



COMMITTEE MEMBER COMPENSATION

Committee service can be compensated through additional retainers paid in cash (or, more rarely, equity) or meeting fees. Consistent with last year, 63% of companies provide additional compensation to directors for serving as a regular member of a board committee, either as a retainer, meeting fee, or both. We observe the highest prevalence at mid-cap companies (68%), followed by small-cap companies (67%), then large-cap companies (53%). Year-over-year, the prevalence of committee member retainers has been stable, while the prevalence of committee meeting fees has continued to decline. Across the sample, approximately 40% of companies pay additional retainers to committee members and 20% pay meeting fees.

	Committee Member Retainers			Committee Meeting Fees*		
	Audit	**Compensation**	**Nominating & Governance**	**Audit**	**Compensation**	**Nominating & Governance**
Total Prevalence (2018)	**43%**	**37%**	**36%**	**22%**	**22%**	**21%**
Total Prevalence (2017)	**41%**	**38%**	**37%**	**25%**	**24%**	**23%**
Size (2018)						
Small-Cap	40%	39%	38%	29%	29%	28%
Mid-Cap	46%	40%	38%	24%	24%	23%
Large-Cap	44%	33%	31%	14%	13%	13%
Sector (2018)						
Energy	25%	22%	21%	28%	28%	25%
Financial Services	32%	24%	22%	42%	41%	42%
Industrials	40%	27%	26%	17%	17%	19%
Retail	50%	45%	44%	8%	8%	8%
Technology	70%	68%	65%	17%	15%	14%
Pay Levels (All Companies 2018)						
75th Percentile	$15,000	$10,500	$10,000	$2,000	$2,000	$1,500
Median	$10,000	$10,000	$7,250	$1,500	$1,500	$1,500
25th Percentile	$7,625	$6,375	$5,000	$1,000	$1,000	$1,000

Committee service compensation is relatively similar across industry sectors, but generally increases with company size. Prevalence and values of committee retainers are typically highest for the audit committee and lowest for the nominating/governance committee, while meeting fees are typically identical for all three committees. Year-over-year, we observe no change in median audit member retainer ($10,000) and increases in median member retainers for both compensation and nominating/governance committees (from $7,500 to $10,000 and from $5,000 to $7,250, respectively). Median committee meeting fees are flat year-over-year ($1,500) across all three size segments and all three committees.

For companies that provide committee member compensation, member retainers are favored by the Technology sector, while meeting fees are favored by the Financial Services sector. Compared to last year, we observe a notable decrease in meeting fee prevalence among Retail companies and a corresponding increase in the use of retainers. Committee member retainer prevalence increased slightly year-over-year for Energy, Financial Services, and Industrial companies, but decreased slightly for Technology companies.

*Reflects companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 3% of companies (4% last year) provide a fee starting after a pre-set minimum number of meetings per year

COMMITTEE CHAIR COMPENSATION

Consistent with prior years, nearly all companies provide additional compensation to committee chairs to recognize the substantial time required to lead a committee. Similar to committee member retainers, committee chair retainers tend to be highest for the audit committee and lowest for the nominating/governance committee, which recognizes the different time commitment expectations between committees. Similar to last year, 26% of companies providing chair retainers to both the audit and compensation committee provide the same amount, highlighting the increased importance and complexity of the compensation committee chair role. Only 9% of companies providing chair retainers to all three committees provide the same level of retainer (rather than differentiating).

The table below shows the prevalence and magnitude of retainers paid to directors who chair the audit, compensation, and nominating/governance committees. The vast majority of companies use cash for their chair retainers, although a small minority (less than 5% of companies providing chair retainers) use equity either solely or in combination with cash.

Committee Chair Retainers (Inclusive of Any Member Retainers)									
	Audit			Compensation			Nominating & Governance		
Percentile	**25th**	**Median**	**75th**	**25th**	**Median**	**75th**	**25th**	**Median**	**75th**
Size									
Small-Cap	$11,000	$18,500	$22,500	$10,000	$12,000	$15,000	$7,500	$10,000	$12,875
Mid-Cap	$16,500	$20,000	$27,250	$15,000	$15,000	$21,125	$10,000	$12,000	$15,500
Large-Cap	$20,000	$25,000	$35,000	$15,000	$20,000	$25,000	$15,000	$15,000	$20,000
Sector									
Energy	$15,000	$20,000	$25,000	$15,000	$15,000	$20,000	$10,000	$10,000	$15,000
Financial Services	$11,478	$20,000	$25,000	$10,000	$15,000	$20,000	$7,500	$15,000	$20,000
Industrials	$16,750	$20,000	$25,000	$12,000	$15,000	$20,000	$10,000	$10,000	$15,000
Retail	$20,000	$25,000	$30,000	$15,000	$20,000	$22,625	$10,000	$15,000	$18,000
Technology	$17,250	$25,000	$40,000	$12,500	$17,500	$30,000	$10,000	$15,000	$20,000
All Companies 2018	**$15,000**	**$20,000**	**$28,000**	**$12,000**	**$15,000**	**$20,000**	**$10,000**	**$15,000**	**$17,500**
Prevalence		96%			94%			92%	

Year-over-year, median committee chair retainers were flat for audit and compensation committees, and higher for nominating/governance (up from $11,500 to $15,000). Across industry sectors, median retainers are between $20,000 to $25,000 for audit chair, $15,000 to $20,000 for compensation chair, and $10,000 to $15,000 for nominating/governance chair. Retail and Technology companies continue to provide the highest committee chair retainers. This year, we observe an increase at the median for nominating/governance committee chairs in the Financial Services and Technology sectors.

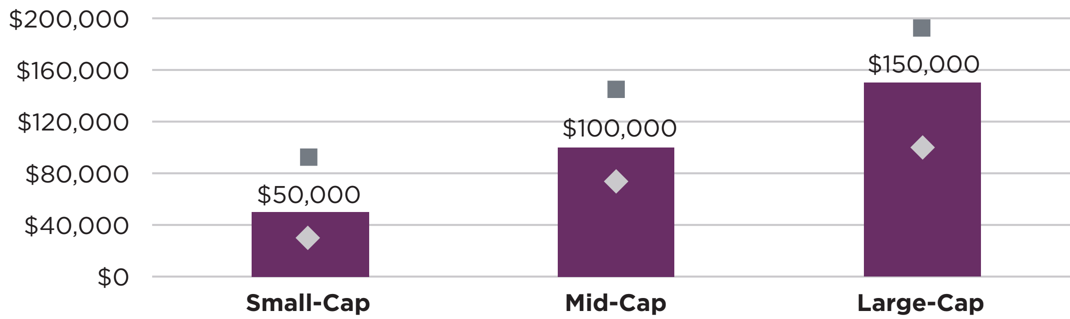
Less than 2% of companies in the research sample provide a higher meeting fee to committee chairs than to regular committee members (in lieu of, or in addition to, incremental cash or equity retainers).

NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

Non-Executive Board Chair Retainer

There were 144 non-executive board chairs identified in this year's study, of which 136 (94%) are provided additional compensation over regular board members. Incremental compensation for non-executive chairs is provided in cash, equity, or a combination of both. The values shown below represent only the companies that provide additional compensation to their non-executive board chair. Such additional retainers are highly differentiated based on factors including responsibility and expected time commitment, incumbent background (e.g., former CEO), and board structure. Year-over-year changes in the data vary by size segment and are influenced by the change in the sample and the number of companies that provide board chair retainers. Compared to last year, the median board chair retainer was flat at small-cap companies ($50,000), decreased at mid-cap companies (from $112,000 to $100,000), and increased at large-cap companies (from approximately $143,000 to $150,000).

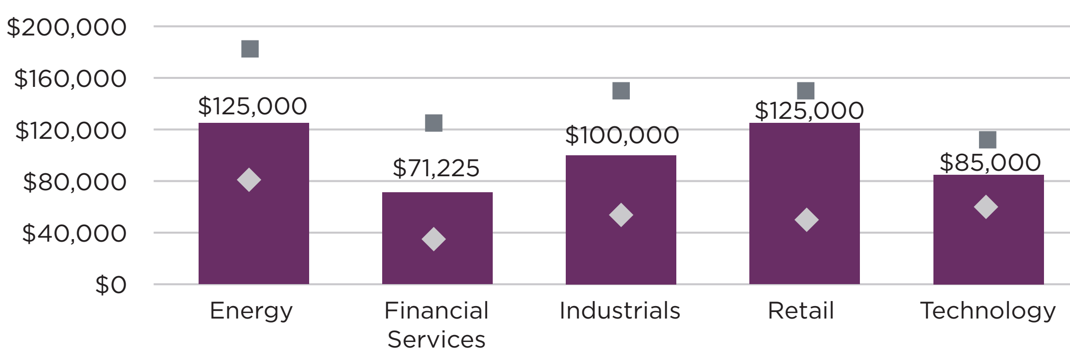
Non-Executive Board Chair Retainers By Size



# of Occurrences	53	47	36
75th Percentile	$92,300	$145,000	$192,500
Median	$50,000	$100,000	$150,000
25th Percentile	$30,000	$73,725	$100,000

Consistent with the prior year, companies in the Energy and Retail sectors provide the highest additional compensation for non-executive board chair service, while companies in the Financial Services and Technology sectors provide the lowest.

Non-Executive Board Chair Retainers By Sector



# of Occurrences	27	30	27	23	29
75th Percentile	$182,500	$125,000	$150,000	$150,000	$112,000
Median	$125,000	$71,225	$100,000	$125,000	$85,000
25th Percentile	$81,000	$35,000	$53,750	$50,000	$60,000

NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

Lead Director Retainer

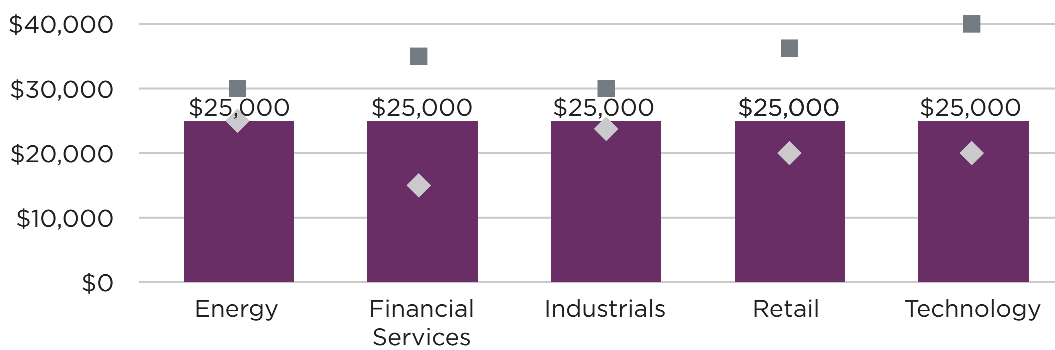
Of the 157 lead directors in this year's study, 139 (89%) receive additional compensation for their service. Lead director retainers are less differentiated than other elements of director compensation, with a median value ranging from $15,000 at small-cap companies to $30,000 at large-cap companies.

Lead Director Retainers By Size

	Small-Cap	Mid-Cap	Large-Cap
# of Occurrences	**31**	**43**	**65**
75th Percentile	$25,000	$32,500	$35,000
Median	$15,000	$25,000	$30,000
25th Percentile	$14,000	$20,000	$25,000

When segmented by sector, there is little differentiation in magnitude: the median lead director retainer across all five sectors is $25,000.

Lead Director Retainers By Sector

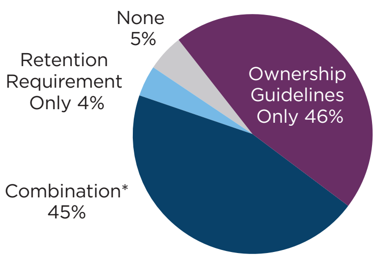


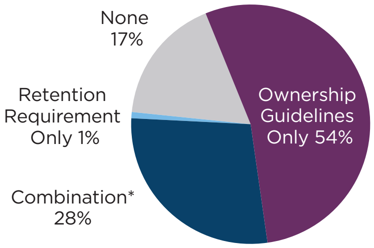
	Energy	Financial Services	Industrials	Retail	Technology
# of Occurrences	**27**	**28**	**25**	**32**	**27**
75th Percentile	$30,000	$35,000	$30,000	$36,250	$40,000
Median	$25,000	$25,000	$25,000	$25,000	$25,000
25th Percentile	$25,000	$15,000	$23,750	$20,000	$20,000

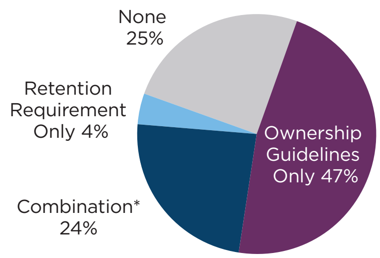
STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS

Director stock ownership guidelines are in place for a majority of the sample, particularly at large-cap and mid-cap companies, and have increased in prevalence year-over-year among large-cap and small-cap companies. Companies may also have stock retention requirements in the form of: (1) granting equity as deferred stock units that mandatorily settle after retirement from the board (often observed at large-cap companies) or (2) requiring retention of a percentage of "net shares" acquired, which is also known as a "retention ratio."

Across all companies in the survey, 81% of companies have ownership guidelines and 35% have retention requirements.







Retention Requirements

Stock retention requirements continue to be a minority practice but are most prevalent among large-cap companies where they typically take the form of equity awards that only settle after retirement from the board. For small-cap and mid-cap companies, the requirement more often provides for mandatory retention until a required ownership level is achieved. A retention ratio of 100% of net shares is the most common across all three size sectors.

Stock Retention Requirements

	Small-Cap	Mid-Cap	Large-Cap	Overall
Prevalence	**28%**	**29%**	**49%**	**35%**
Length Of Retention**				
Until Retirement	29%	28%	57%	42%
Until Ownership Guideline Met	64%	62%	35%	50%
Fixed Years	7%	10%	8%	8%
Vehicle for Requirement**				
Retention Ratio	79%	82%	48%	65%
Deferred Stock Units	21%	18%	52%	35%
Retention Ratio***				
100%	46%	50%	58%	52%
75%	9%	8%	4%	7%
50%	45%	29%	38%	37%
Other	0%	13%	0%	4%

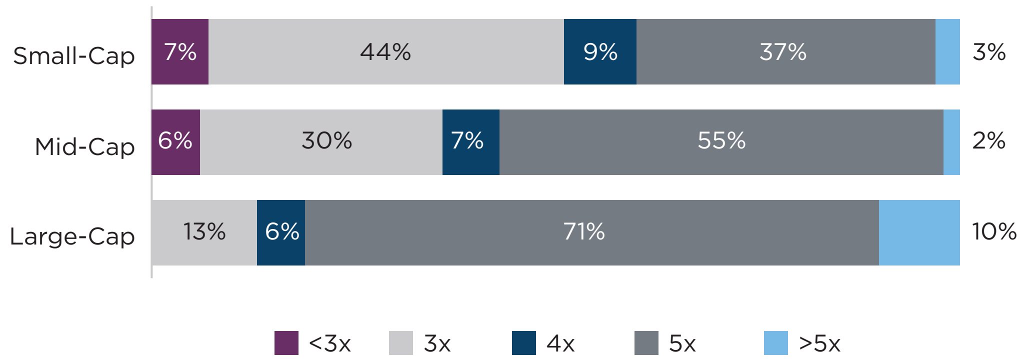
*Combination means the use of a retention requirement in addition to an ownership guideline (note: methodology was expanded in this year's report to include retention requirements in the form of deferred stock units)
**Calculated out of companies disclosing retention requirements
***Calculated out of companies disclosing retention ratios

STOCK OWNERSHIP GUIDELINES

Director stock ownership guidelines are typically defined in three ways: (1) as a multiple of retainer (most commonly cash retainer), (2) as a value of shares, or (3) as a fixed number of shares.

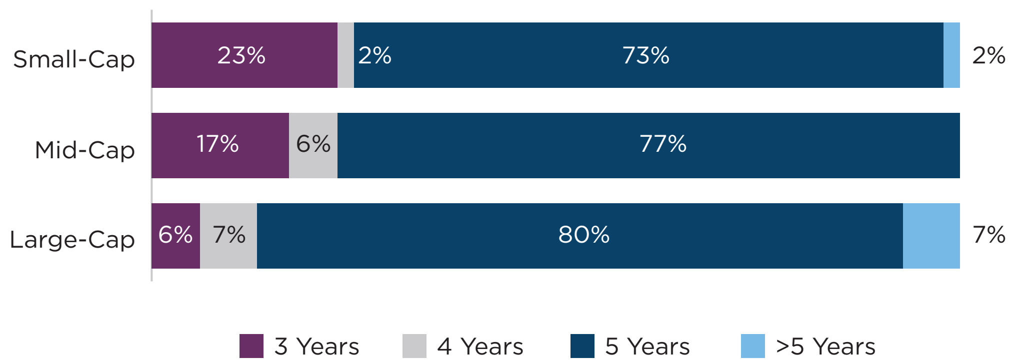
Among the sample, 84% of companies with stock ownership guidelines use the multiple approach (of these companies, 93% define as a multiple of cash retainer). The magnitude of stock ownership guideline multiples increases with company size: the most prevalent multiple among large-cap and mid-cap companies is 5x cash retainer and among small-cap companies is 3x cash retainer.

Stock Ownership Guideline Multiples*



Of the companies with stock ownership guidelines, 80% have compliance deadlines to achieve ownership levels. Across all size and industry segments, a sizeable majority of companies provide 5 years to achieve ownership levels.

Time to Achieve Ownership Guidelines



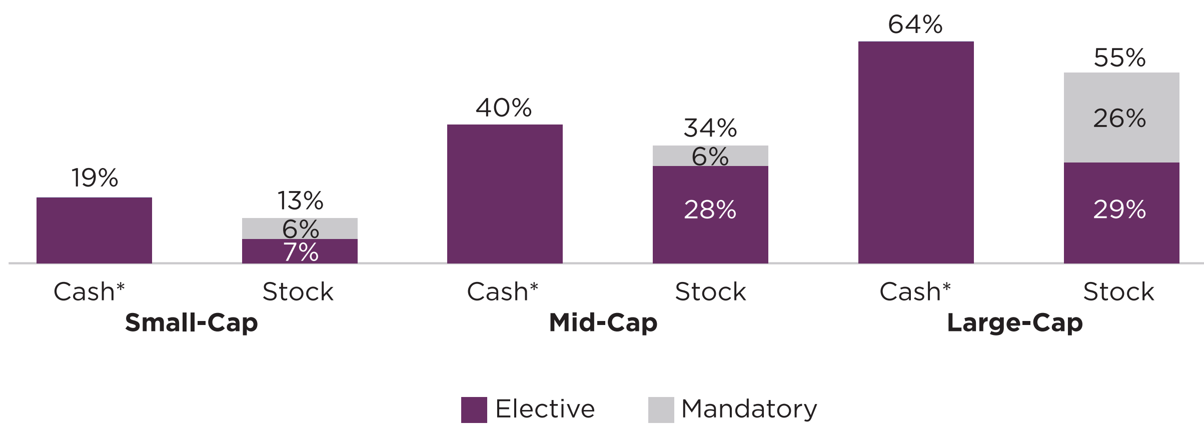
*Statistics reflect companies that define ownership guidelines as a multiple of cash retainer; across the entire sample, an additional 7% of companies define multiples based on either equity retainer or both cash and equity retainer

COMPENSATION DEFERRALS

Unchanged from last year, approximately 41% of companies that pay cash retainers/fees provide for some form of voluntary cash deferral. Of the companies that provide voluntary cash deferrals, approximately two-thirds provide for “cash-to-cash” deferral by which cash may be deferred into alternative investments such as those under a company’s employee 401(k) plan, and the same percentage allow directors to defer cash into a company stock unit account (approximately 40% provide both). Such deferrals are typically distributed after retirement from the board.

Of companies that award equity annually, 34% provide for deferral of equity grants beyond the vesting period (“stock-to-stock” deferral); 21% allow this on a voluntary basis, while the remaining 13% grant equity that is mandatorily deferred until retirement from the board. Compared to last year, the prevalence of stock-to-stock deferrals somewhat decreased among the sample primarily due to changes in the company set year-over-year.

Prevalence of Cash and Stock Deferral Programs By Size



*Includes companies that permit deferral of either cash-to-cash, cash-to-stock, or both

SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

In recent years, there has been a trend to include meaningful limits on annual compensation per director in shareholder-approved equity plans. Such limits can apply to equity compensation only (expressed as a dollar value or number of shares/options) or to total compensation (cash and equity); the latter is preferable and is viewed as providing more complete protection against a potential lawsuit, since case law does not seem to distinguish between cash and equity. However, recent legal developments indicate that the protection provided by a limit may be more limited than was believed last year.

We examined the research sample to understand the prevalence and magnitude of annual per-director pay limits. Year-over-year, we observe a less pronounced increase in the number of companies having such limits (up from 51% to 55%, compared to last year's more significant increase from 32% to 51%). While equity-only limits continue to be more common, total pay limits are growing in use, increasing this year from 26% to 34% of companies and accounting for 55% of new limits among the sample companies. This year, we observe an increase in equity limits expressed as a dollar value, which makes sense because fixed-share limits do not ultimately restrict grant value. Some companies raise or nullify the limit in special cases, such as a director's first year of service or if a director serves as the board chair or lead director, although such exceptions are used by less than 10% of companies with limits.

Annual Limits on Non-Employee Director Compensation

	Small-Cap	Mid-Cap	Large-Cap	Overall
Prevalence	**31%**	**63%**	**70%**	**55%**
Application of Limit*				
Total Compensation	19%	41%	34%	34%
Equity Only	81%	59%	66%	66%
Denomination of Equity Limit**				
Dollar-Denominated	60%	68%	80%	71%
Share-Denominated	32%	27%	18%	24%
Both	8%	5%	2%	5%

*Calculated out of companies disclosing limits
**Calculated out of companies with equity-only limits

SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

Consistent with last year, median limit values on total pay range between $400,000 (small-cap companies) and $750,000 (large-cap companies) and typically equate to a multiple of about two-to-three times total pay. Dollar-denominated equity-only limits tend to have similar or slightly smaller values. Share-denominated equity-only limits are larger and more variable, both in terms of dollar value and as a multiple of annual equity award value, which may be attributable to stock price growth since limits were established or the desire to provide a buffer against stock price decline, among other factors. Such limits have been valued using April 30, 2018 closing stock prices and latest ASC Topic 718 option valuation assumptions.

	Total Compensation Limit			Dollar-Denominated Equity Limit			Share-Denominated Equity Limit		
Percentile	**25th**	**Median**	**75th**	**25th**	**Median**	**75th**	**25th**	**Median**	**75th**
Dollar Value of Limit									
Small-Cap	$400,000	$400,000	$850,000	$300,000	$500,000	$500,000	$492,233	$662,667	$1,149,375
Mid-Cap	$500,000	$675,000	$750,000	$300,000	$500,000	$500,000	$1,197,150	$1,655,100	$2,283,750
Large-Cap	$600,000	$750,000	$925,000	$500,000	$600,000	$750,000	$540,413	$2,837,475	$4,845,175
Limit Multiple*									
Small-Cap	3.1x	3.5x	4.7x	3.2x	4.2x	5.2x	4.5x	9.8x	12.1x
Mid-Cap	2.3x	3.0x	3.5x	2.6x	3.6x	4.3x	5.5x	16.1x	25.3x
Large-Cap	2.2x	2.8x	3.3x	2.7x	3.2x	4.5x	2.7x	16.1x	22.1x

*For total compensation limits, reflects multiple of total pay; for equity-only limits, reflects multiple of annual equity award value

LIST OF COMPANIES SURVEYED

1-800-FLOWERS.COM
3M
Abercrombie & Fitch
Access National
Acxiom
Adobe Systems
Advance Auto Parts
Aegion
Alamo Group
Allstate
Amazon.com
American Eagle Outfitters
American Midstream Partners
American Software
Amkor Technology
Anadarko Petroleum
Analog Devices
Apache
Apartment Investment & Management
Approach Resources
ArcBest
Armstrong World Industries
Atlas Air Worldwide Holdings
AutoZone
Axcelis Technologies
B. Riley Financial
Banc of California
Barnes & Noble
Basic Energy Services
BB&T
Beacon Roofing Supply
Bed Bath & Beyond
Belden
BGC Partners
Big 5 Sporting Goods
Big Lots
Bloomin' Brands
Booking Holdings
Bristow Group
Bryn Mawr Bank
Build-A-Bear Workshop
Burlington Stores
CA
Cadence Design Systems
Caleres
Callon Petroleum
Camden National
CARBO Ceramics
Care.com
Carrizo Oil & Gas
Cass Information Systems
Cathay General Bancorp
Central Pacific Financial
Chesapeake Energy
Chevron
Children's Place
Cincinnati Financial
Citrix Systems
CNO Financial Group
Cognex
Cognizant Technology Solutions
Colfax
Columbia Sportswear
Comerica
Concho Resources
Conn's
ConocoPhillips
Container Store Group
CoreLogic
Core-Mark Holding
CorEnergy Infrastructure Trust
Cowen
Cree
CSG Systems International
CSW Industrials
CTS
Cummins
Deere
Delek US Holdings
Devon Energy
Dick's Sporting Goods
Digimarc
Dillard's
Dollar General
Donegal Group
Donnelley Financial Solutions
Dover
Duke Realty
Ellington Financial
EMCORE
Energen
Ennis
EnPro Industries
Era Group
Expeditors International of Washington
Exterran
Exxon Mobil
F5 Networks
FBL Financial Group
Finish Line

LIST OF COMPANIES SURVEYED

First BanCorp.
First Defiance Financial
Fluor
Foot Locker
Fossil Group
Francesca's Holdings
Fred's
FreightCar America
FuelCell Energy
GAMCO Investors
GameStop
General Dynamics
General Electric
Genesis Energy
German American Bancorp
Gibraltar Industries
Global Partners
Green Bancorp
Green Dot
Green Plains
Griffon
Guaranty Bancorp
Gulfport Energy
Halliburton
Hanesbrands
Hartford Financial Services Group
Haverty Furniture
Healthcare Realty Trust
Helix Energy Solutions Group
Heritage Commerce
Heritage Financial
Hess
HFF
Home Depot
Hub Group
IBERIABANK
InnerWorkings
Insteel Industries
Intel
Intuit
Invesco
Iron Mountain
Itron
Jacobs Engineering Group
Juniper Networks
Kelly Services
Kimball Electronics
Kirkland's
KLA-Tencor
Kohl's
Korn/Ferry International
L.B. Foster
Lam Research
Laredo Petroleum
LaSalle Hotel Properties
Lattice Semiconductor
Layne Christensen
Life Storage
Lincoln National
Lockheed Martin
Lowe's
Mack-Cali Realty
Macy's
Mammoth Energy Services
Marathon Oil
Marathon Petroleum
MarineMax
Matrix Service
MAXIMUS
Meridian Bancorp
Mesa Laboratories
MetLife
MGIC Investment
Micron Technology
Mistras Group
Model N
Morgan Stanley
National Oilwell Varco
Natural Gas Services Group
NCR
NetApp
Netflix
Newpark Resources
Noble Energy
Nordstrom
Northern Oil & Gas
Northrop Grumman
Nutrisystem
Office Depot
Omega Flex
ONEOK
OneSpan
Oracle
Overstock.com
PBF Energy
PC Connection
PDC Energy
Penn Virginia
Penske Automotive Group
PGT Innovations

LIST OF COMPANIES SURVEYED

PHI
Pier 1 Imports
Pinnacle Entertainment
Pioneer Energy Services.
Pioneer Natural Resources
Piper Jaffray
Plug Power
Preformed Line Products
Principal Financial Group
Q2 Holdings
QEP Resources
Quantum
R.R. Donnelley & Sons
Radiant Logistics
Rapid7
RealPage
Red Hat
Regal Beloit
Rent-A-Center
Resolute Energy
Resources Connection
RH
Ribbon Communications
Rockwell Collins
Rollins
Rosetta Stone
Ross Stores
Rowan
RPC
Ryder System
Sally Beauty Holdings
Scholastic
SEACOR Holdings
Select Energy Services
SemGroup
ServiceSource International
Shoe Carnival
Sigma Designs
SilverBow Resources
Sirius XM Holdings
SkyWest
SM Energy
Spirit Airlines
Stamps.com
Stanley Black & Decker
Stock Yards Bancorp
Superior Energy Services
Sykes Enterprises
T. Rowe Price Group
Take-Two Interactive Software
Tanger Factory Outlet Centers
Targa Resources
Target
TCF Financial
TD Ameritrade Holding
Tempur Sealy International
Tennant
Tetra Tech
TETRA Technologies
Textron
Thermon Group Holdings
TJX
Tompkins Financial
Tractor Supply
Transocean
Travelers
Trimble
Triumph Group
TTEC Holdings
TTM Technologies
Tuesday Morning
U.S. Bancorp
Under Armour
United Financial Bancorp
United Parcel Service
United Rentals
Valero Energy
Viad
Viasat
Viavi Solutions
Virtu Financial
Vornado Realty Trust
W&T Offshore
Waste Connections
Waste Management
Wells Fargo
WesBanco
WESCO International
Western Digital
Williams-Sonoma
Woodward
Workiva
World Fuel Services
WPX Energy
Xcerra
XO Group
Xylem
Zions Bancorporation
Zoe's Kitchen
Zynga

COMPANY PROFILE

FW Cook is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, our firm has served more than 3,000 companies of divergent size and business focus from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston and Boston. We currently serve as the independent advisor to the compensation committees at a substantial number of the most prominent companies in the U.S.

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