November 2017

2017 Director Compensation Report

FW COOK

2017 DIRECTOR COMPENSATION REPORT

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EXECUTIVE SUMMARY

FW Cook's 2017 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.

In terms of pay levels, total compensation increased by 2.2% at the median of the total sample versus last year's study, largely driven by an increase in compensation among small- and large-cap companies. Large-cap companies in our study pay directors $274,000 at the median, and experienced the greatest increase in median total pay this year of 5.4%, rebounding from flat compensation the past two years. Again this year among mid-cap companies, median total pay of $202,000 remained stable, increasing only 0.8%, similar to the 1.1% growth experienced the prior year. Median total pay at small-cap companies grew 3.7% to $150,000, down from prior year's growth of 6%. Technology continues to be the highest-paying sector in our study, and while Financial Services continues to be the lowest-paying sector, it experienced the greatest year-over-year increase in median compensation (14%).

There is minimal change to director compensation program structure. The mix of pay between cash and equity remained stable with equity continuing to represent 58% of total pay across all companies. In line with the trend toward simplification, meeting fees continue to be eliminated in director pay programs. A small minority of companies continue to use fixed-share equity award guidelines. Full-value stock awards, rather than stock options, are the dominant form of equity compensation and provide the most consistent means to align director pay with shareholders.

Director stock ownership guidelines continue to be majority practice and have increased in prevalence this year among mid-cap companies. Mandatory stock deferral/retention requirements are still a minority practice overall, but continue to increase in prevalence. Deferred stock unit awards are utilized by 16% of companies granting equity versus 15% last year; prevalence is highest among large-cap companies.

We continue to observe an increasing number of companies adding annual limits on director compensation to shareholder-approved equity plans to mitigate the risk of litigation. Over half of the companies in this study have such limits, up from one-third last year. To enhance protection, these limits are increasingly covering total pay rather than just equity: 26% of limits cover total pay this year, versus 15% 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. Despite this emerging trend, most companies utilizing limits cover only equity compensation per director.

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 - 2017 Study	$150,000	$201,667	$274,000
Total Compensation - 2016 Study	$144,625	$200,000	$260,000
Year-Over-Year Compensation Change	3.7%	0.8%	5.4%
Market Capitalization ($M) - 2017 Study	$544	$2,506	$18,217
Market Capitalization ($M) - 2016 Study	$474	$2,464	$15,815
Year-Over-Year Market Cap. Change	14.7%	1.7%	15.2%

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 42% cash and 58% equity • Higher-paying sectors tend to place a greater weighting on equity, Technology companies continue to have the most equity-heavy mix, and Financial Services the least
Cash Compensation for Board Service	• Roughly three-quarters of the sample use retainers only (no board meeting fees) • The median board retainer for small-cap and large-cap companies remained flat, at $50,000 and $85,000 respectively, while mid-cap companies saw a $5,000 increase in the median board retainer to $70,000 • The Energy sector provides the highest median cash retainer fee for board service ($75,000) and Technology the lowest ($60,000), while retail experienced the largest increase in median board cash retainers (+13%)
Equity Compensation for Board Service	• At least 84% 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 Industrials sector continues to have the highest prevalence of stock options (17%), followed closely by Technology (15%), while Financial Services made a material shift toward full-value stock awards only (from 83% to 90% of companies)
Committee Compensation	• 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 meeting committee member retainers has increased slightly year-over-year, while the use of committee meeting fees continues to decrease, especially at large-cap companies
Non-Executive Board Chairs and Lead Directors	• Non-executive board chairs are typically provided additional compensation for the role, which ranges at the median from nearly $50,000 at small-cap companies to $143,340 at large-cap companies. • Eighty-four percent of lead directors receive additional compensation, generally ranging from $17,500 to $30,000 at the median across all size and sector groups
Compensation Deferrals	• Prevalence of cash deferral programs remained steady year-over-year with roughly 60%, 40%, and 20% of large-, mid-, and small-cap companies, respectively, offering such programs • Stock deferral programs (including voluntary and mandatory programs) increased in prevalence at small- and large-cap companies. 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 a significant increase in the prevalence of annual limits on director compensation was observed, from 32% last year to 51% of companies this year. Over 60%, 50%, and 35% of large-, mid-, and small-cap companies, respectively, have annual limits on director compensation in the applicable equity plan • Just over one-quarter of companies with limits apply them to total compensation per director, up from 15% last year. The majority of companies continue to have limits based only on equity compensation • Of companies with equity-only limits, a significant increase in companies are defining the limit as a number of shares (versus a dollar amount), up from 41% to 62% year-over-year, despite the fact that the reasonableness of fixed-share limits is subject to stock price movement

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 (approximately 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 90% 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, 2017 are summarized below:

	Market Capitalization ($M)			Trailing 12-Month Revenue ($M)		
Size	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Small-Cap	$310	$544	$726	$190	$455	$996
Mid-Cap	$1,659	$2,506	$3,604	$814	$1,750	$3,641
Large-Cap	$10,150	$18,217	$35,035	$4,472	$9,894	$24,819
Sector	**25th Percentile**	**Median**	**75th Percentile**	**25th Percentile**	**Median**	**75th Percentile**
Energy	$766	$2,692	$12,804	$640	$1,733	$8,600
Financial Services	$796	$2,902	$12,032	$317	$769	$3,456
Industrials	$820	$2,518	$9,485	$819	$3,081	$6,941
Retail	$576	$2,124	$7,226	$1,815	$4,166	$11,950
Technology	$718	$2,405	$9,529	$293	$1,402	$3,432

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, 2017.

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 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 comparisons:

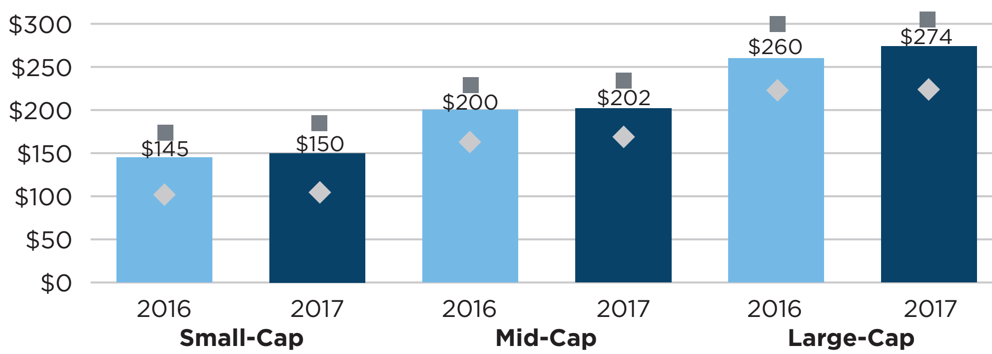
- Each director attends nine board meetings annually (consistent with last year's study)
- Each director is a member of one committee and attends six committee meetings per year (consistent with last year's study)
- If denominated as a number of shares (rather than as a fixed-dollar value), then equity compensation is valued using closing stock prices as of April 30, 2017
- 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, 2017 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 $274,000 per director versus $202,000 at mid-cap companies and $150,000 at small-cap companies. Year-over-year, large-cap companies saw the greatest increase in median total pay of 5.4%, rebounding from a relatively modest increase the prior year. Again this year among mid-cap companies, median total pay remained relatively flat, increasing only 0.8%. Median total pay at small-cap companies grew 3.7%, slowing down a bit from the prior year's growth near 6%. Over the past five years, the annualized increase in director compensation at large-cap companies has been approximately 4%; mid-cap companies have experienced an annualized increase of 2.5%, and small-cap companies have experienced the highest annualized increase since our 2012 study (5%).

Total Compensation By Size
($000)

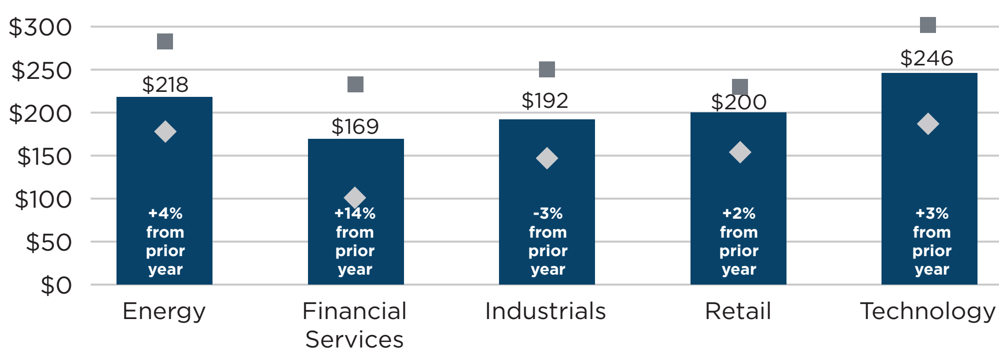


2017:

	Small-Cap	Mid-Cap	Large-Cap
75th Percentile	$185	$234	$305
Median	$150	$202	$274
25th Percentile	$108	$172	$227

When segmented by sector, Technology continues to provide the highest median total pay compared to other sectors ($246,000). Financial Services provides the lowest median total pay ($169,000); however, it had the largest year-over-year increase of 14%.

Total Compensation By Sector
($000)



	Energy	Financial Services	Industrials	Retail	Technology
75th Percentile	$283	$223	$250	$230	$302
Median	$218	$169	$192	$200	$246
25th Percentile	$178	$101	$147	$154	$187

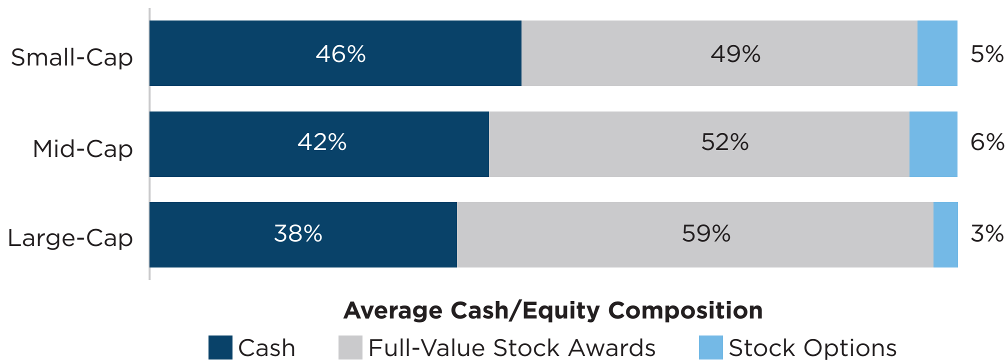
TOTAL BOARD COMPENSATION

Total Compensation – Cash vs. Equity

Compensation for board service typically consists of both cash and equity. The charts below illustrate average pay mix across company size and sector, and findings are essentially unchanged from last year. Companies across all size and sector categories continue to favor the use of full-value awards over stock options to deliver equity compensation.

All three size segments continue to provide more than half of compensation in equity, with equity weighting increasing with company size and total pay. The mix of pay between cash and equity remained stable this year with equity continuing to represent 58% of total pay across all companies.

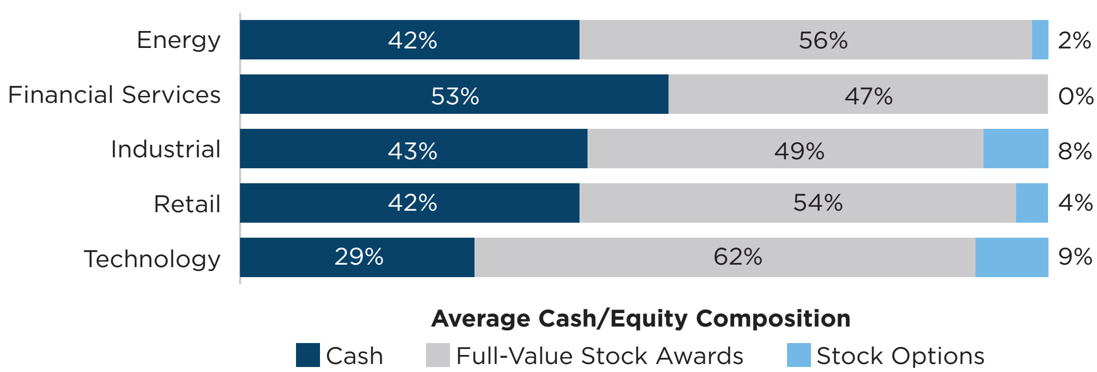
Cash vs. Equity By Size



Percentage Equity 2016	Percentage Equity 2017
53%	54%
58%	58%
62%	62%

Consistent with the size group comparisons, the higher-paying sectors tend to place a greater weighting on equity, which is most heavily utilized among Technology companies (approximately 71% of total compensation) and least heavily utilized among Financial Services companies (less than half of total compensation), on average.

Cash vs. Equity By Sector



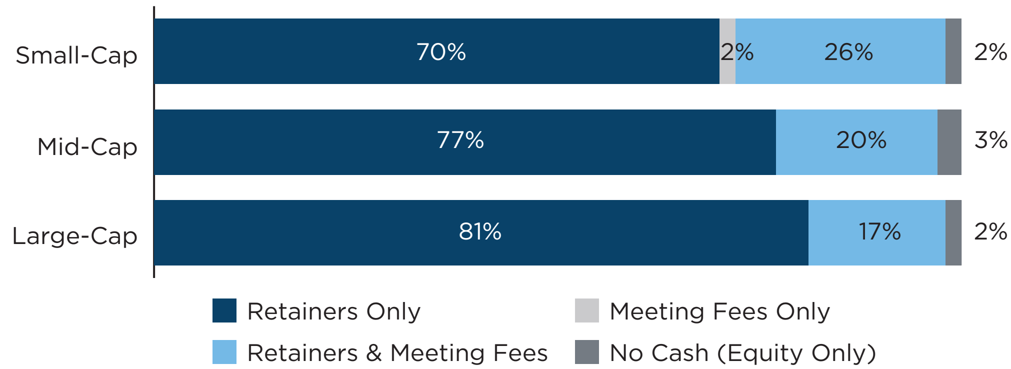
BOARD CASH COMPENSATION

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. Companies across all sizes and sectors generally continue to trend towards retainer-only programs. Out of the total sample, 76% use retainers only, compared to 74% observed last year. The majority of companies have eliminated board meeting fees to simplify administration; however, to compensate for years with abnormally high meeting activity, some companies simply institute pre-set thresholds requiring a specific number of meetings to occur before per-meeting fees are paid.

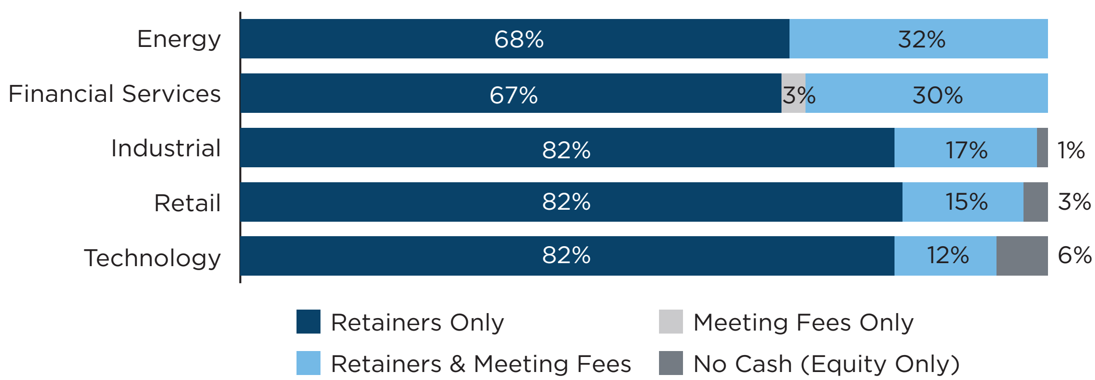
Retainer-only structures continue to be majority practice, regardless of size and industry.

Board Cash Structure By Size



Percentage of Companies With Retainers Only	
2016	2017
68%	70%
73%	77%
81%	81%

Board Cash Structure By Sector

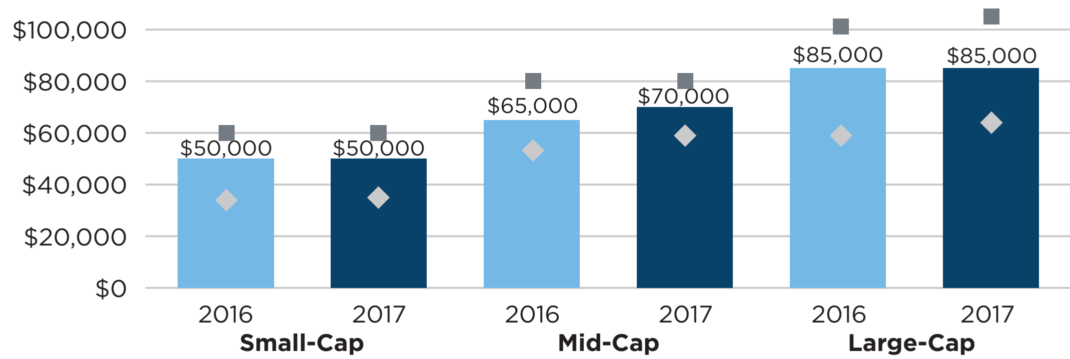


BOARD CASH COMPENSATION

Board Cash Retainers

Board retainers have remained relatively unchanged since last year. For small-cap and large-cap companies, the median board retainer remained flat at $50,000 and $85,000 respectively, while mid-cap companies saw an 8% increase in the median board retainer to $70,000.

Board Cash Retainers By Size

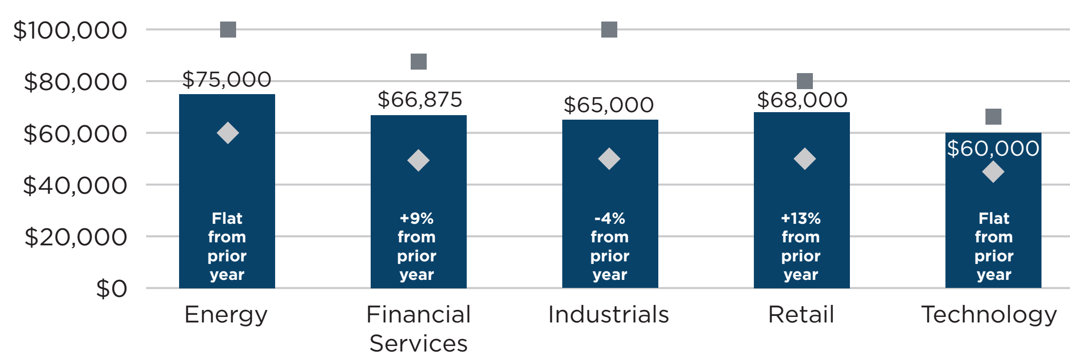


2017:

	Small-Cap	Mid-Cap	Large-Cap
75th Percentile	$60,000	$80,000	$105,000
Median	$50,000	$70,000	$85,000
25th Percentile	$36,000	$60,000	$65,000

Board retainers continued this year to be highest in the Energy sector. The median board retainers remained flat for the Energy and Technology sectors, while Retail experienced a 13% increase in board retainers this year, Financial Services saw a 9% increase, and the median board retainer in the Industrials sector decreased 4%.

Board Cash Retainers By Sector



	Energy	Financial Services	Industrials	Retail	Technology
75th Percentile	$100,000	$87,625	$100,000	$80,000	$66,250
Median	$75,000	$66,875	$65,000	$68,000	$60,000
25th Percentile	$60,000	$49,375	$50,000	$50,000	$45,000

BOARD CASH COMPENSATION

Board Meeting Fees

The prevalence of board meeting fees continues to decline among small- and mid-cap companies, but has remained stable with last year at large-cap companies. Of the total sample, 22% use board meeting fees versus 24% last year. Smaller companies are still more likely to pay board meeting fees despite the continued decline over the past few years. The magnitude of board meeting fees continues to increase with company size: the median value at small-cap and medium-cap companies is $1,500, while the median at large-cap companies is $2,000.

Board Meeting Fees By Size					Prior Year Meeting Fee Prevalence*
	Prevalence*	25th Percentile	Median	75th Percentile	
Small-Cap	28%	$1,075	$1,500	$2,500	30%
Mid-Cap	20%	$1,500	$1,500	$2,000	26%
Large-Cap	17%	$1,500	$2,000	$3,000	17%

The median board meeting fee in both the Energy and Financial Services sectors is $1,500, while the median of each of the other three sectors is $2,000 per board meeting. Financial Services and Energy companies utilize board meeting fees the most while Technology companies utilize them the least.

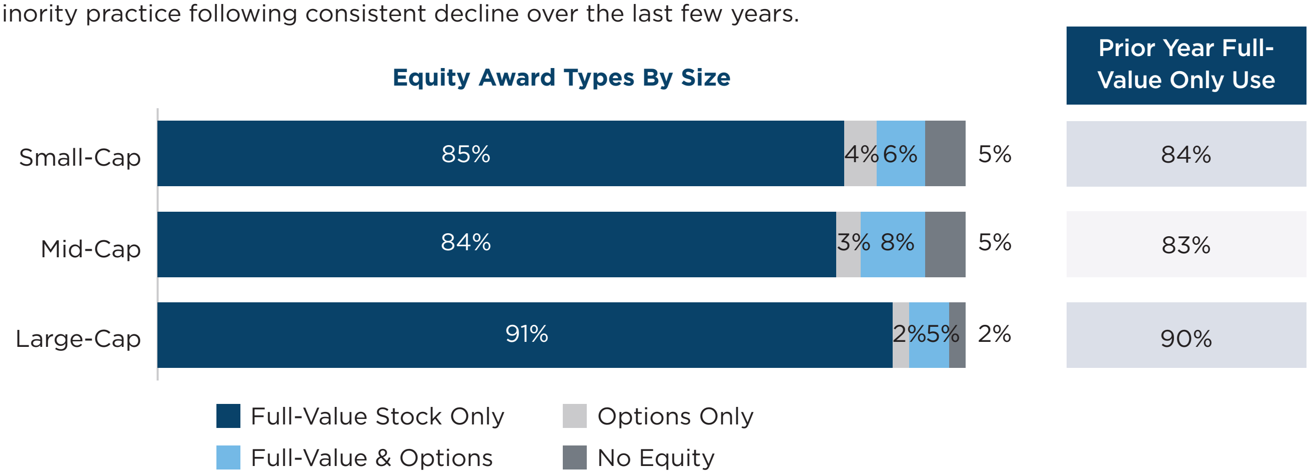
Board Meeting Fees By Sector					Prior Year Meeting Fee Prevalence*
	Prevalence*	25th Percentile	Median	75th Percentile	
Energy	32%	$1,500	$1,500	$2,000	37%
Financial Services	33%	$1,175	$1,500	$1,625	30%
Industrials	17%	$1,525	$2,000	$2,375	22%
Retail	15%	$2,000	$2,000	$2,500	20%
Technology	12%	$2,000	$2,000	$2,750	13%

*Prevalence statistics reflect companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 4% of companies (5% last year) provide a fee starting after a pre-set minimum number of meetings per year

EQUITY AWARD TYPES

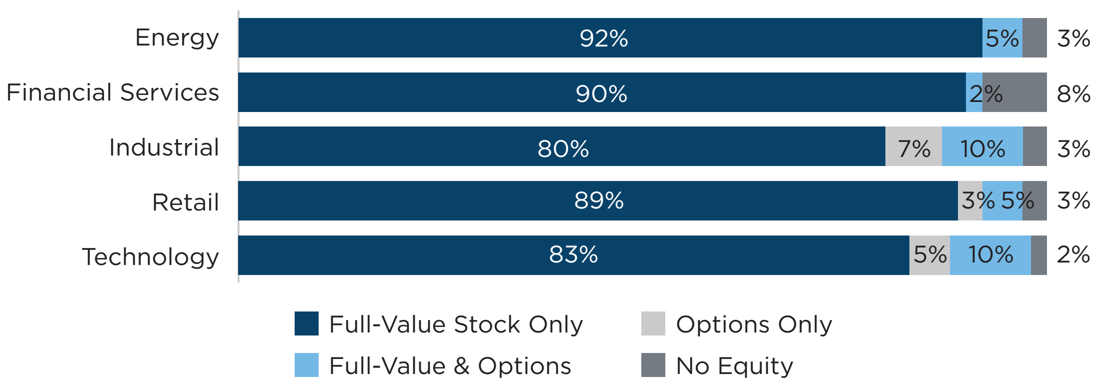
Full-value stock awards (i.e., restricted stock/units, deferred stock units, or fully vested stock) remain the most prevalent equity grant type in director compensation programs across all company sizes and sectors. Option-only programs remain a minority practice following consistent decline over the last few years.

Equity Award Types By Size



Year-over-year, Financial Services companies exhibited a material shift toward full-value only programs, from 83% to 90%. Industrials remain the heaviest users of stock option-only programs again this year, followed by Technology companies.

Equity Award Types By Sector



EQUITY AWARD DENOMINATION

Companies continue to define annual equity awards primarily as a fixed-dollar value rather than as a fixed number of shares, which is consistent 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 significantly more small-cap companies moving to a fixed-dollar approach for both full-value stock (90%) and for stock options (70%).

The share-denominated approach is used more commonly for stock options than for full-value stock awards, although the approach 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 Financial Services 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	90%	10%	70%	30%
Mid-Cap	88%	12%	36%	64%
Large-Cap	96%	4%	86%	14%

Equity Award Denomination By Sector: Percentage of Companies

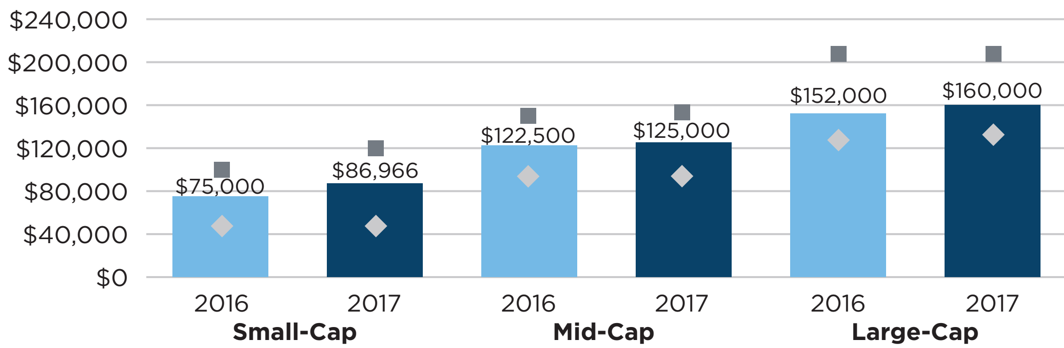
	Full-Value Stock (Used by 93% of Companies)*		**Options** (Used by 9% of Companies)*	
	Dollar Value	**Number of Shares**	**Dollar Value**	**Number of Shares**
Energy	91%	9%	67%	33%
Financial Services	87%	13%	0%	100%
Industrials	93%	7%	60%	40%
Retail	89%	11%	100%	0%
Technology	96%	4%	44%	56%

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

EQUITY COMPENSATION VALUES

Median annual equity compensation values exhibited year-over-year increases across all size segments, with the most notable increase for small-cap companies (16%). Median annual equity compensation values at large-cap companies grew 5% year-over-year, while growing only slightly among mid-cap companies (2%).

Equity Compensation Value By Size

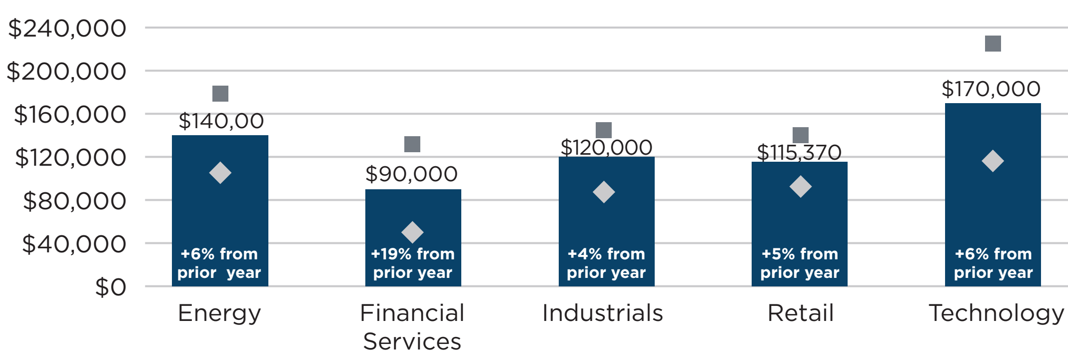


2017:

	Small-Cap	Mid-Cap	Large-Cap
75th Percentile	$120,000	$153,497	$207,500
Median	$86,966	$125,000	$160,000
25th Percentile	$50,000	$96,415	$135,000

Again this year, median equity compensation continues to be highest among Technology companies and lowest among Financial Services companies. We observe the largest increase in median equity values in the Financial Services sector, up 19% year-over-year. Median equity values among other sectors grew 4-6% this year.

Equity Compensation Value By Sector



	Energy	Financial Services	Industrials	Retail	Technology
75th Percentile	$178,750	$131,610	$145,000	$140,008	$225,000
Median	$140,000	$90,000	$120,000	$115,370	$170,000
25th Percentile	$105,275	$50,000	$87,425	$92,500	$116,265

COMMITTEE MEMBER COMPENSATION

Committee service can be compensated through additional retainers paid in cash (or, more rarely, equity) or meeting fees. Sixty-three percent 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 of committee member compensation at small-cap companies (70%), followed by mid-cap companies (63%), then large-cap companies (56%). The prevalence of committee member retainers has increased slightly year-over-year, with a corresponding decrease in the use of committee meeting fees. Large-cap companies shifted even further away from committee meeting fees toward committee member retainers compared to last year, while relatively minor changes occurred among small- and mid-cap companies.

	Committee Member Retainers			Committee Meeting Fees*		
	Audit	Compensation	Nominating & Governance	Audit	Compensation	Nominating & Governance
Total Prevalence (2017)	**41%**	**38%**	**37%**	**25%**	**24%**	**23%**
Total Prevalence (2016)	**41%**	**36%**	**35%**	**27%**	**26%**	**24%**
Size (2017)						
Small-Cap	39%	40%	42%	32%	31%	28%
Mid-Cap	42%	38%	37%	24%	24%	23%
Large-Cap	43%	34%	33%	19%	18%	17%
Sector (2017)						
Energy	23%	23%	24%	33%	33%	27%
Financial Services	33%	25%	24%	43%	42%	42%
Industrials	33%	25%	24%	18%	19%	19%
Retail	40%	37%	37%	17%	17%	17%
Technology	77%	77%	74%	13%	12%	10%
Pay Levels (All Companies 2017)						
75th Percentile	$15,000	$10,000	$10,000	$2,000	$2,000	$1,625
Median	$10,000	$7,500	$5,000	$1,500	$1,500	$1,500
25th Percentile	$9,000	$5,000	$4,999	$1,100	$1,000	$1,000

Committee service compensation is relatively similar for companies regardless of sector, 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. Median committee meeting fees are flat year-over-year.

For companies that provide committee member compensation, member retainers are favored by the Technology, sector, while meeting fees are favored by Financial Services companies. A noticeable decrease is observed in the prevalence of committee meeting fees for Energy companies versus last year, as well as more modest decreases in committee meeting fee prevalence for Industrials, Retail and Technology companies. Committee member retainer prevalence increased slightly year-over-year for Energy, Financial Services, Retail, and Technology companies, but decreased slightly for Industrials.

*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, illustrating primarily the different time commitment expectations between committees. Similar to last year, 27% 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 8% 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 values include any committee member retainers provided. The vast majority of companies use cash for their chair retainers, although a small minority (3%-4% 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	$10,000	$16,000	$20,567	$10,000	$12,000	$15,000	$7,500	$10,000	$10,000
Mid-Cap	$16,000	$20,000	$26,115	$15,000	$15,000	$20,000	$10,000	$12,000	$15,000
Large-Cap	$20,000	$25,000	$30,000	$15,000	$20,000	$25,000	$10,000	$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	$15,000	$20,000	$25,058	$10,000	$15,000	$20,000	$7,500	$11,711	$15,000
Industrials	$15,000	$20,000	$25,000	$10,000	$15,000	$20,000	$8,749	$10,000	$15,000
Retail	$20,000	$25,000	$30,000	$15,000	$20,000	$25,000	$10,000	$15,000	$18,000
Technology	$20,000	$25,000	$34,500	$13,375	$16,000	$25,000	$9,688	$12,500	$17,625
All Companies 2017	**$15,000**	**$20,000**	**$25,173**	**$11,417**	**$15,000**	**$20,000**	**$10,000**	**$11,411**	**$15,000**
Prevalence		95%			93%			91%	

Year-over-year, median committee chair retainers were generally flat for audit and compensation, and slightly higher for nominating/governance. Retail and Technology companies continue to provide the highest committee chair retainers. There is little differentiation in chair retainer amounts among the other three sectors, although we observe an increase at the median for nominating/governance committee chairs in the Financial Sector this year.

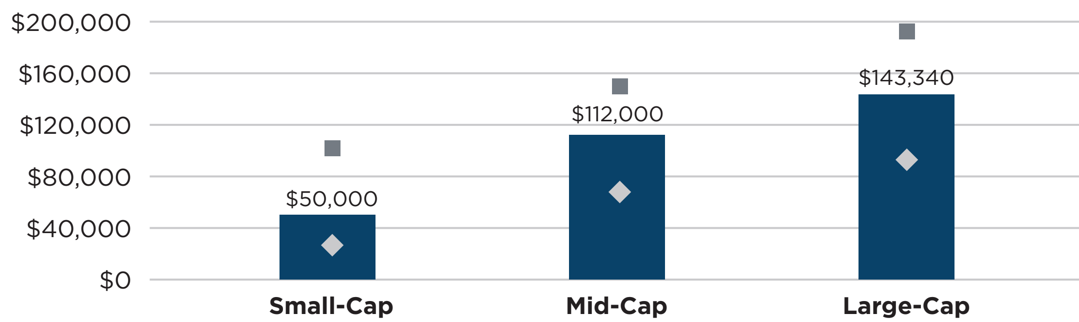
Less than 1% of companies in the research sample provide a higher meeting fee to committee chairs than to regular committee members (in lieu of, or in addition to, incremental cash or equity retainers).

NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

Non-Executive Board Chair Retainer

There were 141 non-executive board chairs identified in this year's study, 129 (91%) of which 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 are calculated based on only the companies that provide additional compensation to their non-executive board chair. Such additional retainers are highly differentiated based on responsibility and expected time committment, incumbent background (e.g., former CEO), and board structure, among other factors. Median board chair premiums for small-cap and mid-cap companies decreased year-over-year, but remained stable at large-cap companies, which is likely a result of a change in the sample size of companies providing board chair retainers (only 44 small-cap companies providing this year versus 51 last year; and 49 mid-cap companies providing this year versus 37 last year).

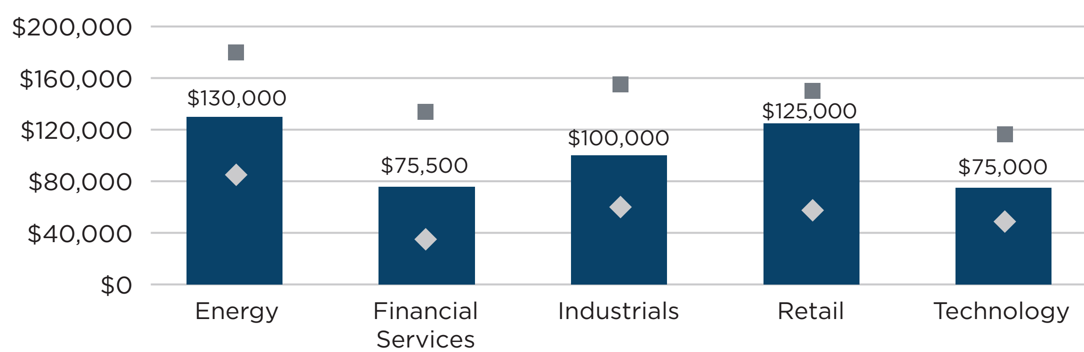
Non-Executive Board Chair Retainers By Size



	Small-Cap	Mid-Cap	Large-Cap
# of Occurrences	44	49	36
75th Percentile	$101,750	$150,000	$192,500
Median	$50,000	$112,000	$143,340
25th Percentile	$28,750	$70,000	$95,000

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

Non--Executive Board Chair Retainers By Sector

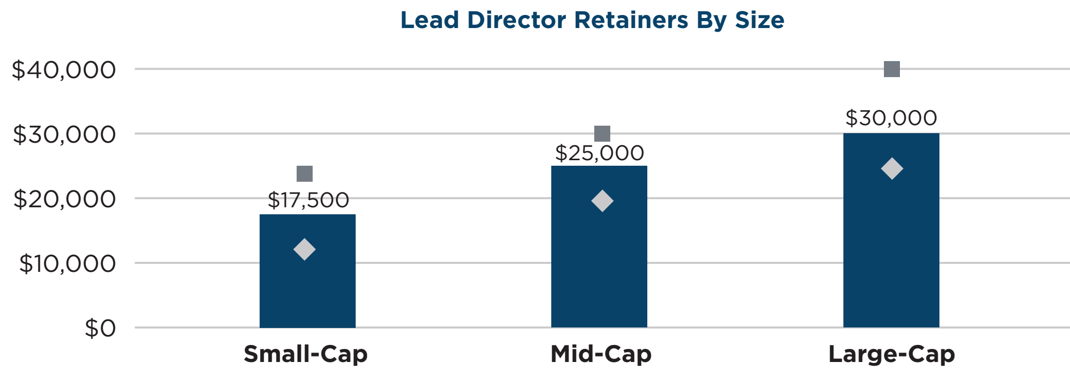


	Energy	Financial Services	Industrials	Retail	Technology
# of Occurrences	25	28	28	20	28
75th Percentile	$180,000	$133,750	$155,000	$150,000	$116,500
Median	$130,000	$75,500	$100,000	$125,000	$75,000
25th Percentile	$85,000	$35,000	$60,000	$57,500	$48,750

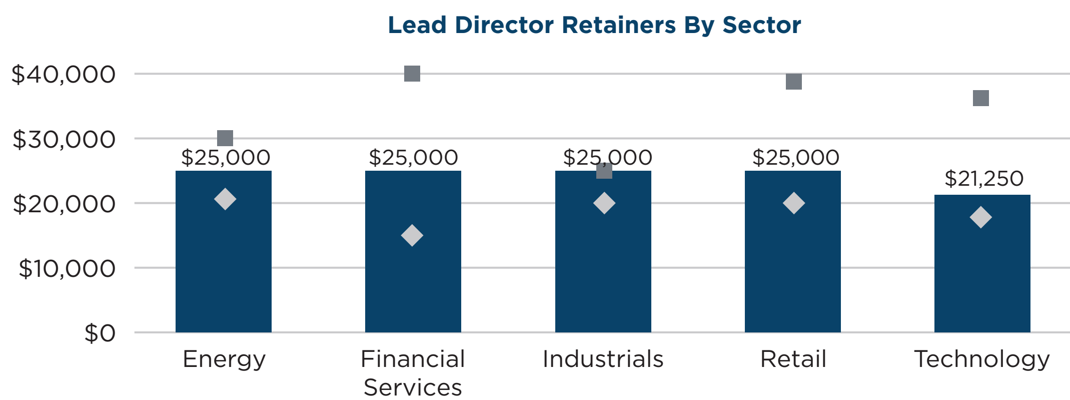
NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

Lead Director Retainer

Of the 159 lead directors in this year's study, 133 (84%) receive additional compensation for their service. Lead director retainers are much less differentiated than other elements of director compensation, with a median value of ranging from $17,500 at small-cap companies to $30,000 at large-cap companies. The median lead director retainer is $25,000 for all sector groups except Technology ($21,250).



	Small-Cap	Mid-Cap	Large-Cap
# of Occurrences	31	41	61
75th Percentile	$23,750	$30,000	$40,000
Median	$17,500	$25,000	$30,000
25th Percentile	$12,500	$20,000	$25,000

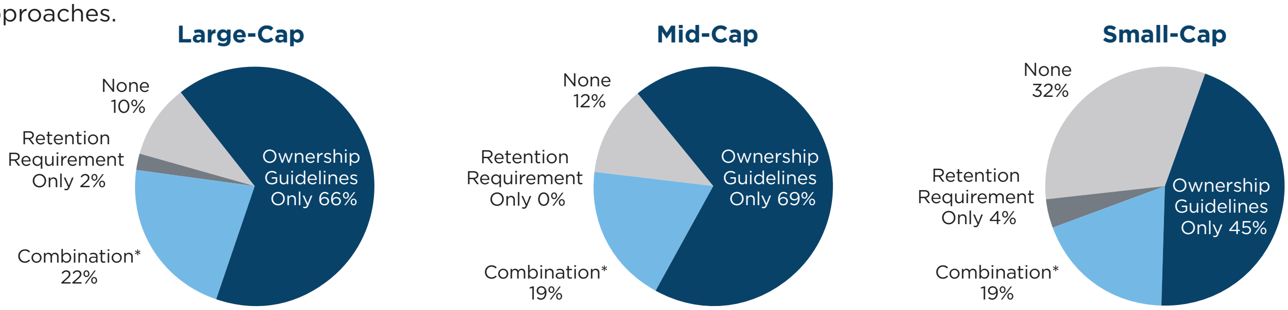


	Energy	Financial Services	Industrials	Retail	Technology
# of Occurrences	26	29	24	30	24
75th Percentile	$30,000	$40,000	$25,000	$38,750	$36,250
Median	$25,000	$25,000	$25,000	$25,000	$21,250
25th Percentile	$20,625	$15,000	$20,000	$20,000	$17,813

STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS

Director stock ownership guidelines are in place at a majority of companies, particularly at large-cap and mid-cap companies. Companies that lack formal guidelines may instead grant equity in the form of deferred stock units that mandatorily settle after retirement from the board (often observed at large-cap companies). Director stock ownership guideline prevalence increased year-over-year for mid-cap companies.

Policies typically take one of three forms: (1) a multiple of a director's cash board retainer (usually five times for large- and mid-cap companies, and three times for small-cap companies), a dollar value, or a number of shares, (2) required retention of a percentage of "net shares" acquired, or (3) a combination of these two approaches. Across all size companies, we observe an increase year-over-year in the portion of companies providing a combination of the two approaches.



Stock retention requirements are still a minority practice but increasingly prevalent, especially among large-cap companies where they typically take the form of equity awards that only settle after retirement from the board; for small- and mid-cap companies, the requirement is more often part of the stock ownership guidelines and provides for mandatory retention until a required ownership level is achieved. A retention ratio of 100% of net shares is the most common, although smaller ratios become more prevalent as company size decreases.

Stock Retention Requirements				
	Small-Cap	**Mid-Cap**	**Large-Cap**	**Overall**
Prevalence	**30%**	**27%**	**51%**	**36%**
Length Of Retention**				
Until Retirement	33%	30%	65%	47%
Until Ownership Guideline Met	57%	63%	31%	46%
Fixed Years	7%	7%	4%	6%
Vehicle for Requirement**				
Stock Ownership Guideline	70%	59%	37%	52%
Equity Award Feature	23%	30%	51%	38%
Both	7%	11%	12%	10%
Retention Ratio**				
100%	57%	59%	82%	69%
75%	10%	7%	2%	6%
50%	30%	22%	14%	20%
Other	3%	11%	2%	5%

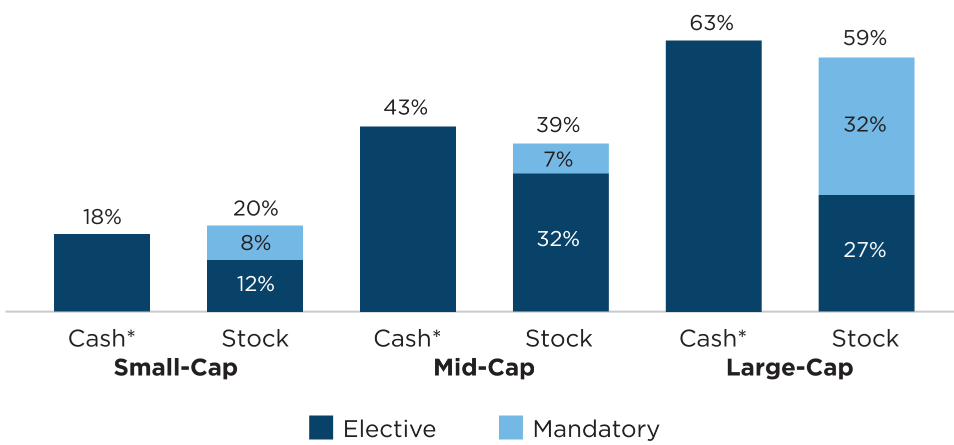
*Combination means the use of a retention requirement in addition to a required ownership level
**Calculated out of companies disclosing retention requirements

COMPENSATION DEFERRALS

Forty-two percent of companies that pay cash retainers/fees provide for some form of voluntary cash deferral (unchanged from last year). Just under one-third of companies 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 (many companies provide both). Such deferrals are typically distributed after retirement from the board.

Of companies that award equity annually, 39% provide for deferral of equity grants beyond the vesting period ("stock-to-stock" deferral); 24% allow this on a voluntary basis, while the remaining 16% grant equity that is mandatorily deferred until retirement from the board. Compared to last year, the prevalence of voluntary stock-to-stock deferral increased among small- and large-cap companies, while the prevalence of mandatory stock-to-stock deferral increased among large-cap companies but was generally flat for small- and mid-cap companies.

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

A trend that has increased significantly over the past year has been for companies 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.

We examined the research sample to understand the prevalence and magnitude of annual per-director pay limits. Year-over-year, we observe a significant increase in the prevalence of such limits, from 32% to 51% of companies providing. While equity-only limits continue to be more common, total pay limits are growing in use. This year, we are surprised to see the increase in equity limits expressed as a number of shares (up from 41% to 64%), expecting instead for that approach to decline over time since fixed-share limits do not restrict grant value (thus may not provide a meaningful defense against a potential lawsuit) and are not consistent with the common practice of value-denominated equity grants for directors. 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 (such exceptions are used by less than 10% of companies with limits). Additionally, a few companies have separate limits for each award type under the plan.

Annual Limits on Non-Employee Director Compensation

	Small-Cap	Mid-Cap	Large-Cap	Overall
Prevalence	**38%**	**52%**	**64%**	**51%**
Limit Scope Mix*				
Total Compensation	26%	29%	23%	26%
Equity Only	74%	71%	77%	74%
Equity Limit Type Mix**				
Dollar-Denominated	32%	27%	24%	27%
Share-Denominated	50%	65%	71%	64%
Both	18%	8%	4%	9%

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

SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

Among the sample, 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, 2017 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	$875,000	$300,000	$400,000	$500,000	$400,000	$741,500	$1,093,750
Mid-Cap	$500,000	$600,000	$750,000	$400,000	$500,000	$725,000	$500,000	$700,000	$1,000,000
Large-Cap	$600,000	$750,000	$950,000	$500,000	$600,000	$750,000	$600,000	$769,400	$1,869,563
Limit Multiple* **									
Small-Cap	2.4x	2.6x	4.7x	4.0x	5.0x	7.2x	4.5x	6.6x	15.0x
Mid-Cap	2.4x	3.1x	3.5x	3.3x	4.4x	5.0x	4.4x	5.7x	13.5x
Large-Cap	2.2x	2.8x	3.4x	2.8x	3.7x	4.5x	3.8x	4.9x	11.6x

***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
Acxiom
Adobe Systems
Advance Auto Parts
Alamo Group
Alon USA Partners
Amazon.com
American Eagle Outfitters
American Midstream Partners
American Software
Amkor Technology
Anadarko Petroleum
Analog Devices
Apache
Apartment Investment & Management
Armstrong World Industries
Atlas Air Worldwide Holdings
AutoZone
Axcelis Technologies
Baker Hughes
Banc of California
Barnes & Noble
Basic Energy Services
Bazaarvoice
BB&T
Beacon Roofing Supply
Bed Bath & Beyond
Belden
BGC Partners
Big 5 Sporting Goods
Big Lots
Blackbaud
Bloomin' Brands
Bristow Group
Bryn Mawr Bank
Build-A-Bear Workshop
Burlington Stores
CA
Cabela's
Cadence Design Systems
Caleres
Callon Petroleum
Carrizo Oil & Gas
Cascade Bancorp
Cass Information Systems
Cathay General Bancorp
CBIZ
Chesapeake Energy
Chevron
Cincinnati Financial
Citrix Systems
CNO Financial Group
Cognex
Cognizant Technology Solutions
Colfax
Comerica
Conn's
ConocoPhillips
Core-Mark Holding
CorEnergy Infrastructure Trust
Cowen Group
Cree
CSG Systems International
CTS
Cummins
DCP Midstream
Deere & Co.
Delek US Holdings
Devon Energy
Dick's Sporting Goods
Dillard's
Dollar General
Donegal Group
Donnelley Financial Solutions
Douglas Dynamics
Dover
DST Systems
Duke Realty
Ellington Financial
EMCORE
Encana
Energen
Energy XXI Gulf Coast
Ennis
EnPro Industries
Era Group
EXCO Resources
Expeditors International of Washington
Exterran
Exxon Mobil
F5 Networks
FBL Financial Group
FBR &
First Bancorp
First Defiance Financial
FBR & Co.
Foot Locker
Francesca's Holdings
Fred's
FreightCar America

LIST OF COMPANIES SURVEYED

FuelCell Energy
GAMCO Investors
GameStop
General Dynamics
General Electric
Genesis Energy
German American Bancorp
Gibraltar Industries
Global Partners
Green Dot
Green Plains
Griffon
Guaranty Bancorp
Guidance Software
Gulfport Energy
Halliburton
Haverty Furniture Companies
Healthcare Realty Trust
Helix Energy Solutions Group
Heritage Financial
Hess
HFF
HSN
Hub Group
IBERIABANK
InnerWorkings
Insteel Industries
Intel
Intuit
Invesco
Iron Mountain
Itron
J. C. Penney
Jacobs Engineering Group
Jive Software
Juniper Networks
KCG Holdings
Kelly Services
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 Companies
Mack-Cali Realty
Macy's
Mammoth Energy Services
Marathon Oil
Marathon Petroleum
MarineMax
Matrix Service
MAXIMUS
Meridian Bancorp
MetLife
MGIC Investment
Micron Technology
Mistras Group
MKS Instruments
Model N
Morgan Stanley
National Oilwell Varco
Natural Gas Services Group
NCR
NetApp
Netflix
Noble Energy
Nordstrom
Northern Oil & Gas
Northrop Grumman
Office Depot
ONEOK Partners
Opus Bank
Oracle
Overstock.com
Parker Drilling
PBF Energy
PC Connection
PDC Energy
Penske Automotive Group
PGT Innovations
PHI
Pier 1 Imports
Pinnacle Entertainment
Pioneer Natural Resources
Piper Jaffray Companies
Plug Power
Preformed Line Products
Principal Financial Group
Q2 Holdings
QEP Resources
Quantum
R.R. Donnelley & Sons
Radiant Logistics
Rapid7
RealPage
Red Hat

LIST OF COMPANIES SURVEYED

Regal Beloit
Rent-A-Center
Resources Connection
RetailMeNot
RH
Rockwell Collins
Rollins
Rosetta Stone
Ross Stores
Rowan Companies
Ryder System
Sally Beauty Holdings
Scholastic
SEACOR Holdings
Sears Holdings
Select Energy Services
SemGroup
Shoe Carnival
Sigma Designs
Silver Bay Realty Trust
Silver Spring Networks
Sirius XM Holdings
SkyWest
SM Energy
Sonus Networks
Spirit Airlines
Stage Stores
Stamps.com
Stanley Black & Decker
Staples
Stein Mart
Sun 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
TeleTech Holdings
Tempur Sealy International
Tennant
Tesoro
Tetra Tech
TETRA Technologies
Textron
The Allstate
The Children's Place
The Container Store Group
The Finish Line
The Hartford Financial Services Group
The Home Depot
The Priceline Group
The TJX Companies
The Travelers Companies
Thermon Group Holdings
Tompkins Financial
Transocean
Trimble
Triumph Group
TTM Technologies
Tuesday Morning
U.S. Bancorp
United Financial Bancorp
United Parcel Service
United Rentals
USG
Valero Energy
VASCO Data Security International
Viad
Viavi Solutions
Virtu Financial
Vornado Realty Trust
Waste Connections
Waste Management
Watsco
WebMD Health
Webster Financial
Wells Fargo & Co.
WesBanco
WESCO International
Western Digital
Western Refining
Willbros Group
Williams-Sonoma
Woodward
Workiva
World Fuel Services
WPX Energy
Xylem
Zions Bancorporation
Zynga

COMPANY PROFILE

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Our office locations:

New York
685 Third Avenue
28th Floor
New York, NY 10017
212-986-6330

Chicago
190 LaSalle Street
Suite 2120
Chicago, IL 60603
312-332-0910

Los Angeles
11100 Santa Monica Blvd.
Suite 300
Los Angeles, CA 90025
310-277-5070

San Francisco
135 Main Street
Suite 1750
San Francisco, CA 94105
415-659-0201

Atlanta
One Securities Centre
3490 Piedmont Road NE
Suite 550
Atlanta, GA 30305
404-439-1001

Houston
Two Allen Center
1200 Smith Street
Suite 1100
Houston, TX 77002
713-427-8300

Boston
34 Washington Street
Suite 230
Wellesley Hills, MA 02481
781-591-3400

Website: www.fwcook.com

Authors

This report was authored by Todd Krauser and Dana Giacone, with assistance from Celinna Ho and Pratik Nadkar. Questions and comments should be directed to Mr. Krauser at (404) 439-1011 or todd.krauser@fwcook.com or to Ms. Giacone at (404) 439-1012 or dana.giacone@fwcook.com.