

COMPENSATION COMMITTEE HANDBOOK

Summary of 2011 Outside Director Pay Levels at Largest Public Companies

Total compensation paid to outside directors in the *FORTUNE* 250 increased by 7%. Board pay structure also continues to evolve across all public organizations with the largest public companies continuing to shift toward a greater emphasis on fixed cash retainers and restricted stock/RSU grants and away from per-meeting-based compensation and stock options.

Meridian’s findings were based on proxy statements filed in 2011. For the study, total outside director compensation included annual retainer (cash and/or equity), average board meeting fees per director, average committee fees per director (includes additional retainers and meeting fees), and non-retainer equity. The median total compensation for companies in the *FORTUNE* 100 and *FORTUNE* 250 are \$248,183 and \$231,042 respectively. While median total retainer compensation rose 10% over the past year among the *FORTUNE* 250, committee fees decreased by 11%. Non-retainer equity increased 8% from last year’s levels.

Median Total Compensation

| <i>FORTUNE</i> Segment | Revenues (FY10 \$M) | Market Capitalization (FY10 \$M) | Total Retainer | Average Board Meeting Fees Per Director | Average Committee Fees Per Director | Total Board and Committee Fees | Non-Retainer Equity | Total Pay |
|------------------------|---------------------|----------------------------------|----------------|---|-------------------------------------|--------------------------------|---------------------|-----------|
| <i>FORTUNE</i> 100 | \$49,376 | \$41,183 | \$90,000 | \$16,000 | \$10,000 | \$115,292 | \$150,000 | \$248,183 |
| <i>FORTUNE</i> 250 | \$20,518 | \$20,912 | \$85,000 | \$16,000 | \$12,261 | \$109,241 | \$126,694 | \$231,042 |

*Summary statistics exclude zeros and are not additive

In addition to moderate pay level increases, many large public companies made structural changes in an effort to simplify the way they compensate their directors. Stability and stock ownership seem to be the driving factors when determining compensation structure as companies have shifted towards using full-value share awards and away from more volatile stock options.

The study also reveals there is not much difference between director pay designs between the *FORTUNE* 100 and *FORTUNE* 250. In fact, the portions paid in equity are nearly identical; the *FORTUNE* 100 delivers 46% of total compensation to directors through equity, compared to 47% for the *FORTUNE* 250. Only 15% of the *FORTUNE* 100 reported using stock options to deliver equity to directors, down from 29% just 3 years ago. The median additional retainer paid to audit and compensation committee chairmen for the *FORTUNE* 250 were \$20,000 and \$12,500, respectively, while the median additional retainer paid to lead directors was \$25,000.