



Meridian Compensation Partners, LLC ■ *September 2015*

2015 Trends in Outside Director Compensation

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Background Information – Scope of Companies

The 2015 Outside Director Compensation Trends Report includes data from public Fortune 100 companies. Size and industry characteristics are shown below for the Fortune 100.

Size Statistics

	Fortune 100
Number of Companies	94
Median Revenues (\$M)	\$58,085
Median Market Value (\$M)	\$61,794
Median Enterprise Value (\$M)	\$79,942
Median Number of Employees	98,250

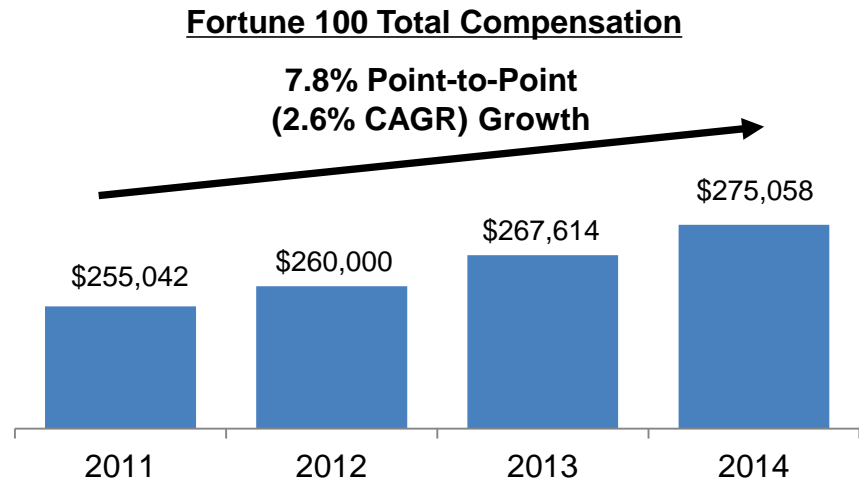
Industry Profile—GICS Sector

	Fortune 100
Consumer Discretionary	14%
Consumer Staples	15%
Energy	13%
Financials	16%
Health Care	14%
Industrials	15%
Information Technology	10%
Materials	2%
Telecommunication Services	2%

Data provided by S&P Compustat

Highlights

- Annual increase in total compensation continues to be modest at 2%-3% per year for Fortune 100 companies
- Annual cash retainer values have increased at the highest of any other pay component at about 5.5% per year
- Equity grant values have increased approximately 2% per year
- A recent governance trend is that companies are amending plan documents to include limits on equity compensation to mitigate potential litigation lawsuits

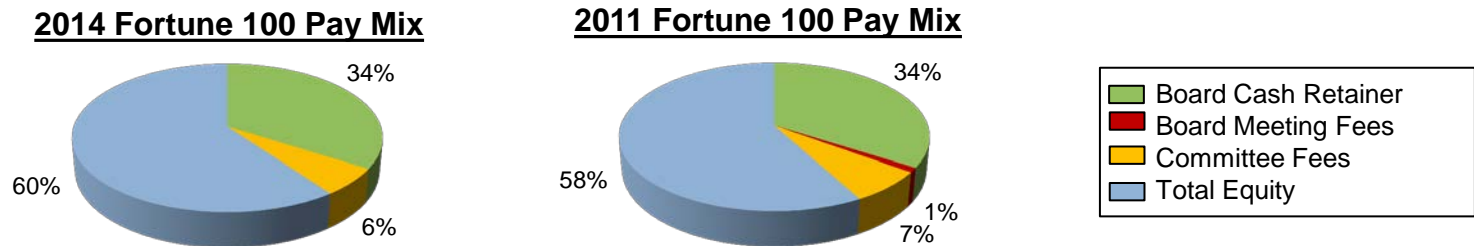


Year	Board Cash Retainer	Average Board Mtg. Fees	Average Committee Fees	Total Cash	Total Equity	Total Compensation
2014	\$100,000	\$12,000	\$10,732	\$115,000	\$160,000	\$275,058
2013	\$95,000	\$16,250	\$11,111	\$111,389	\$158,288	\$267,614
2012	\$90,000	\$16,750	\$9,167	\$109,167	\$150,000	\$260,000
2011	\$85,000	\$18,000	\$10,417	\$110,125	\$150,000	\$255,042

Note: Results have not been adjusted to reflect changes in sample constituents

Highlights

- **Pay Mix:** Total equity has consistently comprised over one-half of total compensation at Fortune 100 companies and stayed relatively flat over the past year



- **Equity:** 95% of Fortune 100 companies grant equity as a portion of total annual compensation
 - Most common annual equity vehicles granted are restricted (39%) and deferred stock (39%)
 - Companies increasingly target a specific grant value (93%) when granting annual equity awards versus a fixed number of shares or units (7%)
 - Majority of annual restricted stock/RSU awards are granted with a 1-year cliff vesting provision (51%)
- **Board Meeting Fees:** Prevalence of board meetings fees among Fortune 100 companies decreased from 20% in 2011 to only 11% in 2014
- **Committee Fees:** Additional chair retainers continue to be highly prevalent (> 90%) for the 3 most common committees – Audit, Compensation and Nominating/Governance. Committee meeting fees have also decreased in prevalence and have been replaced with board or committee member retainers.
 - Audit committee chair retainer continues to be the highest (median is \$25,000)

Highlights

- **Board Leadership Structure:** Approximately 70% of the F100 companies appointed a Lead Director compared to 23% Non-Executive
 - Median premium/incremental compensation paid to Lead Directors increased to \$30,000 from \$25,000
 - Median premium/incremental compensation paid to Non-Executive Chairs is \$222,5000, up from \$200,000
- **Stock Ownership Guidelines:** A large majority of companies (approximately 85%) have established stock ownership guidelines for outside directors with a designated retainer multiple being the most common guideline structure (typically 5 × retainer); the most typical time allowed for achievement is 5 years
 - Modest increases in guideline values (median is \$500,000) largely due to slight increases in board retainers
- **Benefits:** Most common supplemental benefit offered at largest companies is the ability to defer compensation (approximately 70%)
 - Matching gift programs also remain a somewhat prevalent benefit offered (approximately 45%)
- **Board and Committee Composition:** Median number of outside directors is 10, with 4 members typically serving on each Audit, Compensation and Nominating/Governance Committee

Stock Ownership Guidelines

Guideline Prevalence

	Fortune 100
Ownership Guideline - Prevalence	84%
Multiple of Retainer - Prevalence*	75%
25th Percentile	4
50th Percentile	5
75th Percentile	5
Number of Shares - Prevalence*	11%
Fixed Value - Prevalence*	14%
Holding Requirement - Prevalence	30%
Median Years to Achieve	5

*Prevalence statistics are reflective of only companies with established guidelines in place and not additive because some companies have multiple structures

Guideline Value*

	Fortune 100
25th Percentile	\$375,000
Median	\$500,000
75th Percentile	\$655,000

*Guidelines denominated as number of shares are estimated as of 4/1/2015

Board Leadership Structure

Lead/Presiding Director

	Fortune 100
Prevalence ¹	71%
Premium Pay ^{1,2}	82%
25th Percentile	\$25,000
Median	\$30,000
75th Percentile	\$40,000

¹ Excludes rotating Lead/Presiding Directors

² Prevalence based on companies with a designated Lead/Presiding Director and the premium reflects the total incremental annual compensation (cash and/or equity) paid above "regular" board pay

Non-Executive Chairman

	Fortune 100
Prevalence ¹	23%
Premium Pay ¹	100%
25th Percentile	\$143,750
Median	\$222,500
75th Percentile	\$275,000

¹ Prevalence based on companies with a designated Non-Executive Chair and the premium reflects the total incremental annual compensation (cash and/or equity) paid above "regular" board pay

About Meridian

Meridian Compensation Partners, LLC is an independent executive compensation consulting firm providing trusted counsel to Boards and Management at hundreds of large companies. We consult on executive and Board compensation and their design, amounts and governance. Our many consultants throughout the U.S. and in Canada have decades of experience in pay solutions that are responsive to shareholders, reflect good governance principles and align pay with performance. Our partners average 25 years of executive compensation experience and collectively serve over 500 clients, primarily at the Board level. As a result, our depth of resources, content expertise and Boardroom experience are unparalleled.

Customized Data

Meridian can provide custom market compensation levels and design data that is tailored specifically to your organization's needs. This includes building a customized report based on a specified group of public peer companies and/or all companies in Meridian's director compensation database within a certain revenue range or industry. Contact Stuti Sehgal for additional information.

With consultants in 9 cities, we are located to serve you.

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