

SpencerStuart

2016

Spencer Stuart  
Board Index

## ABOUT SPENCER STUART BOARD SERVICES

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At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more than 30 years, our Board Practice has helped boards around the world identify and recruit independent directors and provided advice to chairmen, CEOs and nominating committees on important governance issues. We serve a range of organizations across geographies and scale, from leading multinationals to smaller organizations. In the past year alone, we conducted more than 600 director searches worldwide, and in North America one-third of those assignments were for companies with revenues under \$1 billion.

Our global team of board experts works together to ensure that our clients have unrivaled access to the best existing and potential director talent, and regularly assists boards in increasing the diversity of their composition. We have helped place women in more than 1,600 board director roles and recruited roughly 600 minority directors around the world.

In addition to our work with clients, Spencer Stuart has long played an active role in corporate governance by exploring — both on our own and with other prestigious institutions — key concerns of boards and innovative solutions to the challenges facing them. Publishing the *Spencer Stuart Board Index (SSBI)*, now in its 31st edition, is just one of our many ongoing efforts.

Each year, we sponsor and participate in several acclaimed director education programs including:

- » The New York Stock Exchange (NYSE) Annual Boardroom Summit & Peer Exchange hosted by NYSE Governance Services
- » The Global Board Leaders' Summit hosted by the National Association of Corporate Directors
- » The Global Institutes sponsored by the WomenCorporateDirectors (WCD) Foundation
- » The Corporate Governance Conference at Northwestern University's Kellogg School of Management
- » The New Directors Program, a unique two-year development program designed to provide first-time, non-executive directors with an exclusive forum for peer dialogue on key issues and "unwritten rules" of corporate boards, produced in partnership with the Boston Consulting Group, Frederick W. Cook & Co., Gibson Dunn, Lazard and PricewaterhouseCoopers

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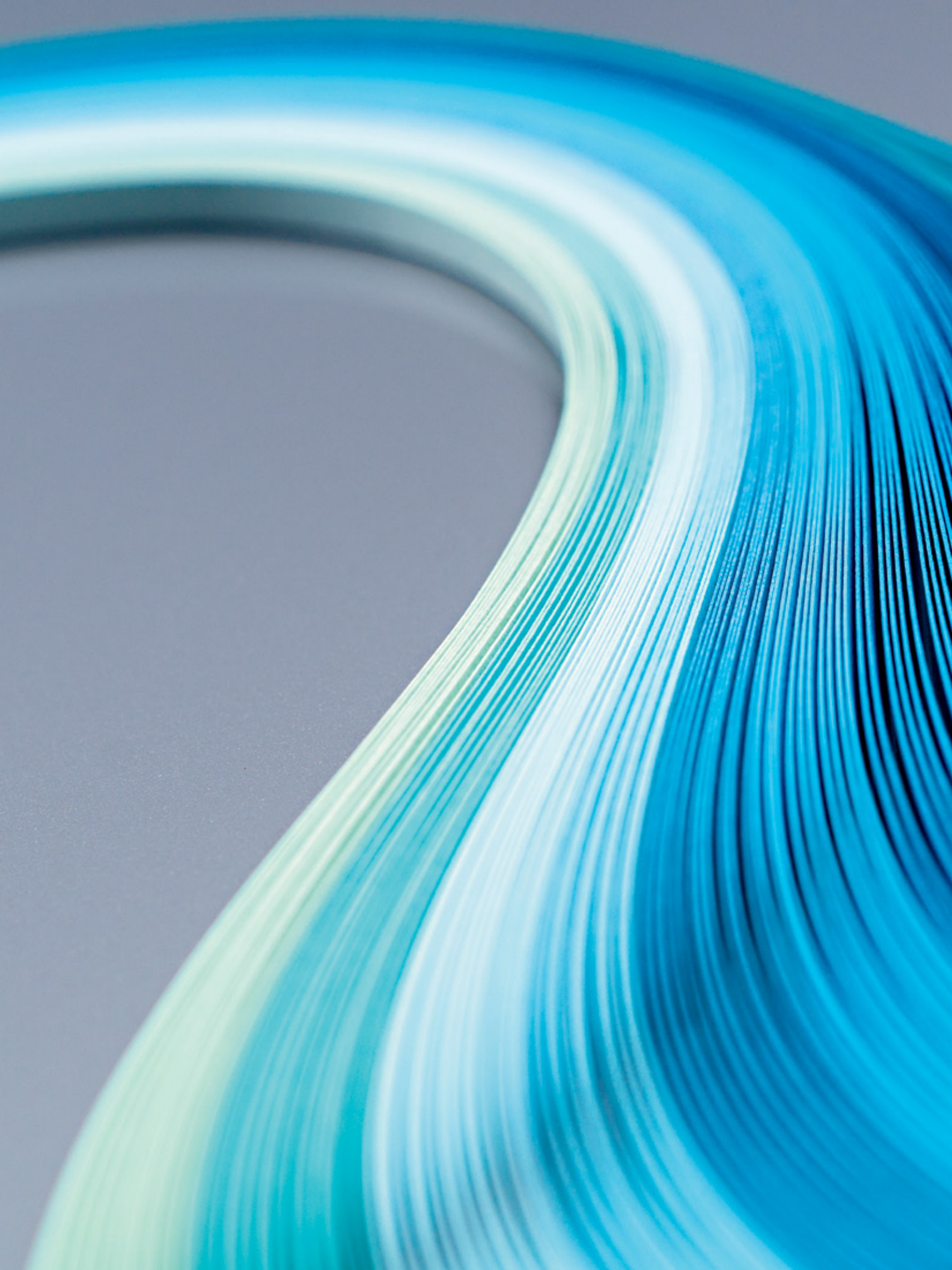


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# Spencer Stuart Perspective for 2016

Investor attention to board performance and governance continues to escalate, and, increasingly, it's large institutional investors — so-called “passive” investors — who are making known their expectations in areas such as board composition, disclosure and shareholder engagement. Long-term investors have shifted their posture to taking positions on good governance, and are increasingly demonstrating common ground with activists on governance topics.

Board composition is a particular area of focus, as traditional institutional investors have become more explicit in demanding that boards demonstrate that they are being thoughtful about who is sitting around the board table and that directors are contributing. They are looking more closely at disclosures related to board refreshment, board performance and assessment practices, in some cases establishing voting policies on governance.

Boards are taking notice. Directors want to ensure that their boards contribute at the highest level, aligning with shareholder interests and expectations. In response, boards are enhancing their disclosures on board composition and leadership, reviewing governance practices and establishing protocols for engaging with investors. Here are some of the trends we are seeing in the key areas of investor concern.

## **BOARD COMPOSITION**

The composition of the board — who the directors are, the skills and expertise they bring, and how they interact — is critical for long-term value creation, and an area of governance where investors increasingly expect greater transparency. Shareholders are looking for a well-explained rationale for why the group of people sitting around the board table are the right ones based on the strategic priorities of the business. They want to know that the board has the processes in place to review and evolve board composition in light of emerging needs, and that the board regularly evaluates the contributions and tenure of current board members and the relevance of their experience.

345

New independent directors

Acknowledging investor interest in their composition, more boards are reviewing how to best communicate their thinking about the types of expertise needed in the board — and how individual directors provide that expertise. More than one-third of the 96 corporate secretaries responding to our annual governance survey, conducted each year as part of the research for the *Spencer Stuart Board Index*, said their board has changed the way it reports director bios/qualifications; among those that have not yet made changes, 15% expect the board to change how they present director qualifications in the future.

What's happening to board composition in practice after all of the talk about increasing board turnover? In 2016, we actually saw a small decline in the number of new independent directors elected to S&P 500 boards. S&P 500 boards included in our index elected 345 new independent directors during the 2016 proxy year — averaging 0.72 new directors per board. Last year, S&P 500 boards added a total of 376 new directors (0.78 new directors per board).

Nearly one-third (32%) of the new independent directors on S&P 500 boards are serving on their first outside corporate board. Women account for 32% of new directors, the highest rate of female representation since we began tracking this data for the S&P 500. This year's class of new directors, however, includes fewer minority directors (defined as African-American, Hispanic/Latino and Asian); 15% of the 345 new independent directors are minorities, a decrease from 18% in 2015.

With the rise of shareholder activism, we've also seen an increase in investors and investment managers on boards. This year, 12% of new independent directors are investors, compared with 4% in 2011 and 6% in 2006.

27%

Boards with an independent chair

### INDEPENDENT BOARD LEADERSHIP

Boards continue to feel pressure from some shareholders to separate the chair and CEO roles and name an independent chairman. And, indeed, 27% of S&P 500 boards, versus 21% in 2011, have an independent chair. An independent chair is defined as an independent director or a former executive who has met applicable NYSE or NASDAQ rules for independence over time. This actually represents a small decline from 29% last year. Meanwhile, naming a lead director remains the most common form of independent board leadership: 87% of S&P 500 boards report having a lead or presiding director, nearly all of whom (98%) are identified by name in the proxy.

In our governance survey, 12% of respondents said their board has recently separated the roles of chairman and CEO, while 33% said their board has discussed whether to split the roles within the next five years. Among boards that expect to or have recently separated the chair and CEO roles, 72% cite a CEO transition as the reason, while 20% believe the chair/CEO split represents the best governance.

In response to investor interest in board leadership structure — and sometimes demands for an independent chairman — more boards are discussing their leadership structure in their proxies, for example, explaining the rationale for maintaining a combined chair/CEO role and delineating the responsibilities of the lead director. Among the lead director responsibilities boards highlight: approving the agenda for board meetings, calling meetings and executive sessions of independent directors, presiding over executive sessions, providing board feedback to the CEO following executive sessions, leading the performance evaluation of the CEO and the board assessment, and meeting with major shareholders or other external parties, when necessary. Some proxies include a letter to shareholders from the lead independent director.

## TENURE AND TERM LIMITS

Director tenure continues to be a hot topic for some shareholders. While some rating agencies and investors have questioned the independence of directors with “excessive” tenure, there are no specific regulations or listing standards in the U.S. that speak to director independence based on tenure. And, in fact, most companies do not have governance rules limiting tenure; only 19 S&P 500 boards (4%) set an explicit term limit for non-executive directors, a modest increase from 2015 when 13 boards (3%) had director term limits.

Just 3% of survey respondents said their boards are considering establishing director term limits, but many boards are disclosing more in their proxies about director tenure. Specifically, boards are describing their efforts to ensure a balance between short-tenured and long-tenured directors. And several companies have included a short summary of the board’s average tenure accompanied by a pie chart breaking down the tenure of directors on the board (e.g., directors with less than five years tenure, between five and 10 years, and more than 10 years tenure on the board).

4%

Boards setting an explicit term limit for non-executive directors

8.3 years

Average board tenure

19%

Boards with an average  
tenure of 11 or more years

Among S&P 500 boards overall, the average board tenure is 8.3 years, a slight decrease from 8.7 five years ago. The median tenure has declined as well in that time, from 8.4 to 8.0. The majority of boards, 63%, have an average tenure between six and 10 years, but 19% of boards have an average tenure of 11 or more years.

We also looked this year at the tenure of individual directors: 35% of independent directors have served on their boards for five years or less, 28% have served for six to 10 years, and 22% for 11 to 15 years. Fifteen percent of independent directors have served on their boards for 16 years or more.

### MANDATORY RETIREMENT

In the absence of term or tenure limits, most S&P 500 boards rely on mandatory retirement ages to promote turnover. About three-quarters (73%) of S&P 500 boards report having a mandatory retirement age for directors. Eleven percent report that they do not have a mandatory retirement age, and 16% do not discuss mandatory retirement in their proxies.

Retirement ages have crept up in recent years, as boards have raised them to allow experienced directors to serve longer. Thirty-nine percent of boards have mandatory retirement ages of 75 or older, compared with 20% in 2011 and just 9% in 2006. Four boards have a retirement age of 80. The most common mandatory retirement age is 72, set by 45% of S&P 500 boards.

39%

Boards with a  
mandatory retirement  
age of 75 or higher

As retirement ages have increased, so has the average age of independent directors. The average age of S&P 500 independent directors is 63 today, two years older than a decade ago. In that same period, the median age rose from 61 to 64. Meanwhile, the number of older boards has increased; 37% of S&P 500 boards have an average age of 64 or older, compared with 19% a decade ago, and 15 of today's boards (3%) have an average age of 70 or greater, versus four (1%) a decade ago.

### BOARD EVALUATIONS

Another topic on which large institutional investors have become more vocal is board performance evaluations. Shareholders are seeking greater transparency about how boards address their own performance and the suitability of individual directors — and whether they are using assessments as a catalyst for refreshing the board as new needs arise.



We have seen a growing trend in support of individual director assessments as part of the board effectiveness assessment — not to grade directors, but to provide constructive feedback that can improve performance. Yet the pace of adoption of individual director assessments has been measured. Today, roughly one-third (32%) of S&P 500 boards evaluate the full board, committees and individual directors annually, an increase from 29% in 2011.

In our survey of corporate secretaries, respondents said evaluations are most often conducted by a director, typically the chairman, lead director or a committee chair. A wide range of internal and external parties are also tapped to conduct board assessments, including in-house and external legal counsel, the corporate secretary and board consulting firms. Thirty-five percent use director self-assessments, and 15% include peer reviews. According to proxies, a small number of boards, but more than in the past, disclose that they used an outside consultant to facilitate all or a portion of the evaluation process.

## SHAREHOLDER ENGAGEMENT

In light of investors' growing desire for direct engagement with directors, more boards have established frameworks for shareholders to raise questions and engage in meaningful, two-way discussions with the board. In addition to improving disclosures about board composition, assessment and other key governance areas, some boards include in their proxies a summary of their shareholder outreach efforts. For example, they detail the number of investors the board met with, the issues discussed and how the company and board responded. A few boards facilitate direct access to the board by providing contact information for individual directors, including the lead director and audit committee chair.

Going further, many boards now proactively reach out to their company's largest shareholders. In our survey, 83% of respondents said management or the board contacted the company's large institutional investors or largest shareholders, an increase from 70% the year prior. The most common topic about which companies engaged with shareholders was proxy access (52%), an increase from 33% in 2015. Other topics included "say on pay" (51%), CEO compensation (40%), director tenure (30%), board refreshment (27%), shareholder engagement approach (27%) and chairman independence (24%). Survey respondents also wrote in more than a dozen additional topics, including majority/cumulative voting, disclosure enhancements, environmental issues and gender pay equity.

63

Average age of independent directors

32%

Boards that evaluate the full board, committees and individual directors annually

## ENHANCING BOARD PERFORMANCE

The topic of board refreshment can be a highly charged one for boards. But having the right skills around the table is critical for the board's ability to provide the appropriate guidance and oversight of management. Furthermore, the capabilities and perspectives that a board needs evolve over time as the business context changes. Boards can ensure that they have the right perspectives around the table and are well-equipped to address the issues that drive shareholder value — which, after all, is what investors are looking for — by doing the following:

- » **Viewing director recruitment in terms of ongoing board succession planning, not one-off replacements.**  
Boards should periodically review the skills and expertise on the board to identify gaps in skills or expertise based on changes in strategy or the business context.
- » **Proactively communicating the skill sets and expertise in the boardroom — and the roadmap for future succession.**  
Publishing the board's skill matrix and sharing the board's thinking about the types of expertise that are needed on the board — and how individual directors provide that expertise — signals to investors that the board is thoughtful about board succession.
- » **Setting expectations for appropriate tenure both at the aggregate and individual levels.**  
By setting term expectations when new directors join, boards can combat the perceived stigma attached to leaving a board before the mandatory retirement age. Ideally, boards will create an environment where directors are willing to acknowledge when the board would benefit from bringing on different expertise.
- » **Thinking like an activist and identifying vulnerabilities in board renewal and performance.**  
Proactive boards conduct board evaluations annually to identify weaknesses in expertise or performance. They periodically engage third parties to manage the process and are disciplined about identifying and holding themselves accountable for action items stemming from the assessment.
- » **Establishing a framework for engaging with investors.**  
This starts with proactive and useful disclosure, which demonstrates that the board has thought about its composition, performance and other specific issues. In addition, it is valuable to have a protocol in place enumerating responsibilities related to shareholder engagement.

Furthermore, the capabilities and perspectives that a board needs evolve over time as the business context changes.

## OTHER HIGHLIGHTS FROM THIS YEAR'S INDEX

- » Only 19% of new independent directors are active CEOs, chairs, presidents and chief operating officers, compared with 24% in 2011, 29% in 2006 and 49% in 1998, the first year we looked at this data for S&P 500 companies.
- » Active executives with financial backgrounds (CFOs, other financial executives, as well as investors and bankers) represent 15% of new independent directors this year, an increase from 12% last year. Another 10% of new directors are retired finance and public accounting executives.
- » On average, S&P 500 directors have 2.1 outside corporate board affiliations, although most directors aren't restricted from serving on more.
- » The number of boards with no female directors dropped to the lowest level we have seen; six S&P 500 boards (1%) have no women, a noteworthy decline from 2006, when 52 boards (11%) included no female members. Women now constitute 21% of all S&P 500 directors.
- » Among the boards of the 200 largest S&P companies, the total number of minority directors has held steady at 15% since 2011. 88% of the top 200 companies have at least one minority director, the same as 10 years ago.
- » Only 43% of S&P 500 CEOs serve on one or more outside corporate boards in addition to their own board, the same as in 2015. In 2006, 55% of CEOs served on at least one outside board.
- » Boards met an average of 8.4 times for regularly scheduled and special meetings, up from 8.1 last year and 8.2 five years ago. The median number of meetings rose from 7.0 last year to 8.0.
- » The average annual total compensation for S&P 500 directors, excluding the chairman's compensation, is \$280,389.
- » Over time, the compensation mix for directors has evolved, with more stock grants and fewer stock options. Today, stock grants represent 54% of total director compensation, versus 48% five years ago, while stock options represent 6% of compensation today, down from 10% five years ago. Cash accounts for 38% of director compensation, versus 39% in 2011.
- » 95% of the independent chairmen of S&P 500 boards receive an additional fee, averaging \$165,112. Nearly two-thirds of lead and presiding directors, 65%, receive additional compensation. The average premium paid to lead and presiding directors is \$33,354.

## Editor's Note

The *Spencer Stuart Board Index (SSBI)* is based on our analysis of the most recent proxy reports from the S&P 500, plus an extensive supplemental survey. This edition of the SSBI draws on the latest proxy statements from 482 companies filed between May 15, 2015, and May 15, 2016, and responses from 96 companies to our governance survey conducted in the second quarter of 2016. Survey respondents are typically corporate secretaries, general counsel or chief governance officers. Proxy and survey data have been supplemented with information compiled in Spencer Stuart's proprietary database.

# S&P 500 Boards: Trends over One, Five and 10 Years

	2016 <sup>(a)</sup>	2015 <sup>(b)</sup>	2011 <sup>(c)</sup>	2006 <sup>(d)</sup>	5-year % change	10-year % change	Comments
<b>Board composition</b>							
Average board size	10.8	10.8	10.7	10.7	1%	1%	Board size remains constant over the past decade
Independent directors	85%	84%	84%	81%	1%	5%	The representation of independent directors has increased by 5% in the last decade
Average age of independent directors	63.0	63.1	62.4	61.0	1%	3%	Independent directors are two years older on average than 10 years ago
<b>New independent directors</b>							
Total number	345	376	294	391	17%	-12%	17% more new independent directors than five years ago
Women	32%	31%	21%	23%	52%	39%	Nearly one-third of new directors are women
Active CEO/chair/president/COO/vice chair	19%	20%	24%	29%	-21%	-34%	Sitting CEOs and other top executives are steadily decreasing as a source of new directors
Retired CEO/chair/president/COO/vice chair	19%	18%	19%	11%	0%	73%	Boards continue to tap retired senior executives
Financial backgrounds	25%	24%	18%	24%	39%	4%	Demand for directors with financial expertise grows
Other corporate executives	23%	25%	21%	15%	10%	53%	Other C-level executives have become an important source of new directors
<b>Women directors</b>							
Women as a % of all directors	21%	20%	16%	15%	33%	42%	Female representation continues to grow
Boards with at least one woman director	99%	97%	91%	89%	8%	10%	Still 6 boards have no female directors
<b>CEO profile</b>							
% of CEOs serving on an outside board	43%	43%	46%	55%	-7%	-22%	CEOs continue to reduce their outside board commitments
Women CEOs	24	22	15	12	60%	100%	The number of female CEOs has doubled, but women still lead just 6% of S&P 500 companies
Boards where CEO is the only non-independent	60%	61%	57%	39%	5%	54%	50% decline in boards with more than one executive member in the past decade
Average age	57.2	57.0	56.5	55.2	1%	4%	The average age of CEOs has increased gradually over the past 10 years
Average tenure with company	19.4	18.8	16.4	14.4	18%	35%	Average CEO company tenure is 3 years longer than 5 years ago
<b>Board leadership</b>							
CEO is also chairman	52%	52%	59%	67%	-12%	-22%	Nearly half of boards separate the chair and CEO roles
Independent chairman	27%	29%	21%	10%	29%	170%	The percentage of boards with an independent chair has almost tripled in a decade, despite small decline from last year
Boards with lead or presiding director	87%	89%	92%	96%	-7%	-10%	Fewest lead directors in past decade, but more independent chairs
<b>Board meetings</b>							
Average number of board meetings	8.4	8.1	8.2	8.4	2%	0%	Board meeting frequency returns to 2006 level
Median number of board meetings	8	7	8	8	0%	0%	Median consistent with 5- and 10-year levels

	2016 <sup>(a)</sup>	2015 <sup>(b)</sup>	2011 <sup>(c)</sup>	2006 <sup>(d)</sup>	5-year % change	10-year % change	Comments
<b>Retirement age</b>							
Boards with mandatory retirement age	73%	73%	73%	78%	0%	-6%	Boards with a mandatory retirement age remain unchanged from 2011
Boards with mandatory retirement age of 75+	39%	34%	20%	9%	95%	333%	Director retirement ages continue to rise
Boards with mandatory retirement age of 72+	95%	94%	83%	61%	14%	56%	Nearly all S&P 500 boards with a retirement age set it at 72 or higher
<b>Committee meetings</b>							
Average number of audit committee meetings	8.6	8.8	8.7	9.5	-1%	-9%	Audit committees do not meet as often as they did a decade ago
Average number of compensation committee meetings	6.1	6.1	6.6	6.0	-8%	2%	Compensation committee meeting frequency returning to average from 10 years ago
<b>Audit committee chairmen</b>							
Active CEO/chair/president/vice chair	6%	7%	11%	19%	-45%	-68%	Fewer active executives serve as audit committee chair as time commitment increases
Financial exec/CFO/treas/public acct exec	39%	40%	32%	23%	22%	70%	Boards more likely to tap financial executives to chair audit committee
<b>Non-employee director compensation</b>							
Total average compensation <sup>(e)</sup>	\$285,065	\$277,237	\$232,142	n/a	23%	n/a	23% increase in total director compensation in five years
Average annual retainer <sup>(f)</sup>	\$118,521	\$112,144	\$88,858	\$63,594	33%	86%	Average retainer grew by more than 85% in 10 years
Median annual retainer <sup>(f)</sup>	\$100,000	\$90,000	\$75,000	\$50,000	33%	100%	Median retainer has doubled in the past decade
Boards paying retainer of at least \$100,000	50%	77%	29%	15%	72%	233%	72% increase in boards paying a retainer of \$100,000 or more in 5 years
Boards paying board meeting fee	16%	21%	37%	57%	-57%	-72%	The number of boards paying meeting fees has fallen below 20%
Average board meeting fee	\$2,155	\$2,041	\$2,284	\$1,955	-6%	10%	Average meeting fee is also on the decline
Boards offering stock option program	14%	16%	28%	51%	-50%	-73%	Most boards have dropped stock options as a component of director compensation
Boards paying equity in addition to retainer	76%	77%	77%	64%	-1%	19%	Three-quarters of boards provide equity in addition to a cash
<b>Committee compensation</b>							
Boards paying committee chair retainer	95%	95%	91%	84%	4%	13%	Nearly all boards provide a retainer to committee chairs
Average committee chair retainer	\$15,370	\$14,399	\$12,476	\$9,106	23%	69%	Committee chair retainers continue to rise
Boards paying committee member retainer	41%	41%	37%	29%	11%	41%	Retainers for committee service more common in lieu of meeting fees
Average committee member retainer	\$8,947	\$8,926	\$7,917	\$6,431	13%	39%	Committee member retainers also on the rise
Boards paying committee meeting fees	21%	26%	35%	59%	-40%	-64%	About 20% of boards compensate for committee meeting attendance
Average committee meeting fees	\$1,677	\$1,678	\$1,635	\$1,499	3%	12%	The average meeting fee has increased modestly

<sup>(a)</sup>Data based on proxy year May 15, 2015, through May 15, 2016.

<sup>(b)</sup>Data based on proxy year May 20, 2014, through May 15, 2015.

<sup>(c)</sup>Data based on proxy year May 15, 2010, through May 15, 2011.

<sup>(d)</sup>Data based on proxy year May 15, 2005, through May 15, 2006.

<sup>(e)</sup>Based on non-employee director compensation tables included in 477 and 493 proxies for 2016 and 2011, respectively.

<sup>(f)</sup>Not including stock beyond retainer

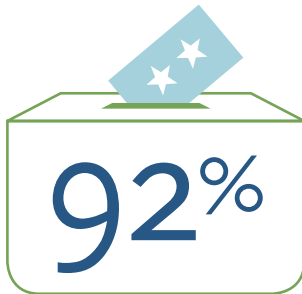
# Board Composition

## 2016 Snapshot

**345** new independent directors



**27%** of boards have an independent chairman

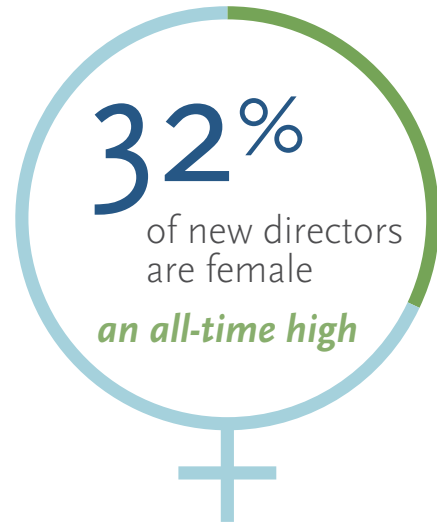


**92%** of boards have annual director elections

**23%**



of new directors are one or two levels down from the CEO role



**32%** of new directors are serving for the first time

### SLIGHT DECLINE IN NEW DIRECTOR RECRUITING

- » S&P 500 boards included in our index elected 345 new independent directors during the 2016 proxy year — averaging 0.72 new directors per board. Last year, S&P 500 boards added a total of 376 new directors (0.78 new directors per board).
- » Among the 482 boards in our study, 48% added at least one new director. The 345 new directors joined 233 boards, with 87 boards welcoming more than one director.
- » The number of new independent directors decreased 8% from last year. This is still the third most since 2008, when S&P 500 boards added 380 new directors.

## **FEWER ACTIVELY EMPLOYED EXECUTIVES JOINING OUTSIDE BOARDS THAN IN THE PAST**

- » More than half (53%) of new independent directors are active senior executives and professionals. Over the past decade, we have seen a decline in the number of actively employed executives taking on outside board appointments; active executives made up 59% of new directors in 2011 and 66% a decade ago.
- » Only 19% of new independent directors are active CEOs, chairs, presidents and chief operating officers, compared with 24% in 2011, 29% in 2006 and 49% in 1998, the first year we looked at this data for S&P 500 companies.
- » With fewer active CEOs taking new outside board roles, we have seen a rise in the representation of active corporate executives a level or two below the CEO among new independent directors. Corporate executives such as division and subsidiary presidents and line and functional leaders now make up 23% of new independent directors, compared with 21% in 2011.
- » Active executives with financial backgrounds (CFOs and other financial executives, as well as investors and bankers) represent 15% of new independent directors this year, an increase from 12% last year. Another 10% of new directors are retired finance and public accounting executives.
- » Among the 36 new independent directors classified as line and functional leaders, 16% are technology executives.

## **ONE-THIRD OF NEW DIRECTORS ARE SERVING ON THEIR FIRST OUTSIDE CORPORATE BOARD**

- » Nearly one-third of new independent directors (32%) are serving on their first outside board. This represents an increase from 26% last year, but a decrease from 2014 when 39% of new directors were first-time board members, the largest influx of first-time directors we have seen since we began tracking this data in 2006.
- » First-time directors are more likely to be actively employed than new directors with previous board experience: 68% of first-timers are active executives compared with 27% of experienced directors.
- » Current or retired CEOs are more likely to have outside public company board experience, defined as membership on a board other than their employer's board. Only 24% of new directors who are current or former CEOs are serving on an outside board for the first time.

## **NEARLY ONE-THIRD OF NEW DIRECTORS ARE WOMEN**

- » Female representation among new directors rose to 32% in 2016, from 31% in 2015 and 21% in 2011. This is the highest rate of female representation since 1998 when we began tracking this data for the S&P 500.
- » New female independent directors are more likely than their male counterparts to be line and functional leaders; 20% of women are in line or functional roles, compared with 6% of male directors. Another 18% of female directors are division or subsidiary presidents, versus 10% of male directors. By contrast, male directors are significantly more likely than female directors to be active or retired CEOs and other top leaders: 47% versus 18%.
- » 28% of new directors have global professional experience — defined in this report as having worked at an international location — compared with 35% in 2015. New directors have working experience in diverse global locations, including Africa, Asia, Europe and Latin America.

## ADDED PERSPECTIVE

**Spencer Stuart Governance Survey: Board renewal**

69% of survey respondents said their board has a strategy to encourage regular board succession, unchanged from last year. This represents a significant increase over 41% in 2014, however, reflecting the increasing attention to composition and board succession planning.

Respondents cited three main drivers of their refreshment strategies: director retirements (91%), the desire to add new skills (79%) and the goal to increase the diversity of the board (62%).

When asked how many new directors their board intends to recruit in the current year, 37% of respondents said their board intends to recruit one new director, 13% intend to recruit two new directors, and 2% intend to recruit three or more directors. 36% expect their boards will recruit one or more directors in 2017. Director retirements are the main driver of board recruitment, cited by 79% of respondents. Adding new skills (70%) and increasing the diversity of the board (47%) were the two other primary reasons for adding directors.

In light of the growing interest in board composition by shareholders, this year's survey asked whether boards have made changes to the way directors' qualifications are presented in the proxy. 34% of respondents said their boards had changed the way they reported director bios/qualifications; among those that have not made changes, 15% expect the board to make changes to the presentation of director backgrounds in the future.

**Director recruiting profiles**

Boards are prioritizing women when recruiting new directors, the survey found: 64% of respondents said their boards are looking to bring a woman on board, a 10% increase from last year.

Other recruiting priorities are active and retired CEOs/COOs, at 63% and 58% of respondents, respectively. More than half of respondents indicated that minority directors and those with financial expertise and global perspective were recruiting priorities. 37% of respondents said their boards are prioritizing specific industry expertise, compared with 27% last year.

Interest in recruiting directors with technology, digital and marketing expertise is on the rise, the survey found. In the 2016 survey, 44% said technology expertise was on their board's wish list, versus 41% last year. We also saw an increase in demand for digital and social media expertise (21% versus 16%) and marketing expertise (19% versus 14%). Demand for cybersecurity experts fell slightly to 19% from 20% last year.

**Wish list for new director backgrounds\***

Women	64%
Active CEO/COO	63%
Retired CEO/COO	58%
Minority	55%
Financial expertise	55%
Global perspective	55%
Technology expertise	44%
Specific industry expertise	37%
Digital/social media expertise	21%
Regulatory/government experience	19%
Marketing expertise	19%
Cybersecurity expertise	19%
Other	7.7%

N = 96 survey respondents

\*Percentages add up to more than 100 as respondents could select more than one category.

*Data in this and other sections labeled "Added Perspective" come from our governance survey, conducted in the second quarter of 2016. This year, we heard from 96 S&P 500 companies. Respondents include corporate secretaries, general counsel and chief governance officers.*



## NEW DIRECTORS REPRESENT DIVERSE INDUSTRY AND FUNCTIONAL BACKGROUNDS

- » Demand for financial backgrounds has been rising modestly in recent years; as noted below, 25% of new directors are active or retired executives with banking, finance, investment or accounting credentials, compared with 24% last year, 20% in 2014 and 18% in 2013. Specifically, we are seeing an increase in directors coming from investing and investment management, together accounting for 12% of new directors, up from 9% last year.
- » The top three industry backgrounds for new independent directors are tech/telecommunications, consumer goods and services, and private equity/investments, representing 15%, 13% and 12% of new director backgrounds, respectively.

### New Independent Director Backgrounds\*

	Year			2016	
	2006	2011	2016	Men	Women
<b>CEO/chair/president/ COO/vice chair</b>	<b>40%</b>	<b>43%</b>	<b>38%</b>	<b>47%</b>	<b>18%</b>
<i>Active</i>	29%	24%	19%	24%	9%
<i>Retired</i>	11%	19%	19%	23%	9%
<b>Other corporate executives</b>	<b>15%</b>	<b>21%</b>	<b>23%</b>	<b>16%</b>	<b>38%</b>
<i>Division/subsidiary presidents</i>	5%	13%	13%	10%	18%
<i>Line and functional leaders</i>	10%	8%	10%	6%	20%
<b>Financial backgrounds</b>	<b>24%</b>	<b>18%</b>	<b>25%</b>	<b>28%</b>	<b>19%</b>
<i>Financial executives/CFO/treasurers</i>	11%	9%	9%	9%	7%
<i>Bankers/investment bankers</i>	4%	3%	2%	3%	2%
<i>Investment managers/investors</i>	6%	4%	12%	14%	7%
<i>Public accounting executives**</i>	3%	2%	2%	2%	3%
<b>Academics/nonprofit</b>	<b>8%</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>6%</b>
<b>Consultants</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>1%</b>	<b>6%</b>
<b>Lawyers</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>0%</b>
<b>Others***</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>3%</b>	<b>13%</b>

N = 236 men and 109 women in 2016

\*Except where noted, all include both active and retired executives.

\*\*All former partners or executives of public accounting firms.

\*\*\*Includes former government employees, medical executives, a real estate broker, a sports/entertainment agent and an author, among others.

## ADDED PERSPECTIVE

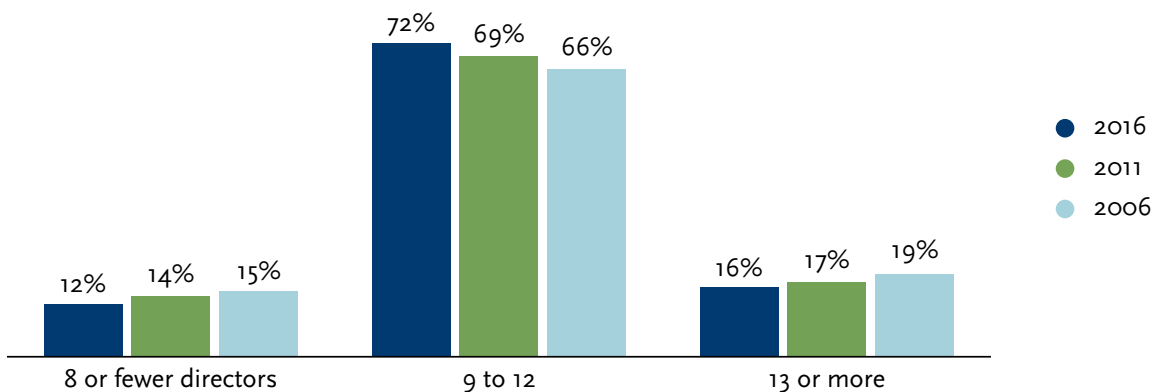
### Spencer Stuart Governance Survey: Director onboarding

- » 90% of respondents said new directors meet with the company's outside auditor as part of the director orientation program, and 50% have new directors meet with the company's compensation adviser. 8% said new directors meet with outside legal counsel.
- » 68% of respondents said new directors get to know the company through site visits, while 20% said new directors participate in third-party development/education. 18% require new board members to attend meetings of all the committees during their first year.

## AVERAGE BOARD SIZE HOVERS NEAR 11

- » For more than 10 years, the average size of S&P 500 boards has fallen within a consistent range between 10.7 and 10.9 members. S&P 500 boards have 10.8 members on average today, the same as last year.
- » Boards range in size from five to 19 members. Over the past decade, more boards have settled into the nine to 12 member range; 72% of boards have nine to 12 members today, compared with 66% in 2006. Larger and smaller boards are less common; 12% of boards have eight or fewer directors, compared with 15% in 2006; and 16% of boards have 13 or more members, versus 19% in 2006.
- » BlackRock tops the list of largest boards with 19 members, followed by BB&T with 18 members and Chubb with 17.
- » As of their latest proxy filings, the smallest boards — D.R. Horton, Garmin and Microchip Technology — have five directors, and two boards have six members.

Board Size



## INDEPENDENT DIRECTOR REPRESENTATION STABILIZES NEAR 85%

- » Independent directors make up 85% of all S&P 500 board members, up slightly from 84% last year. The ratio of independent directors to non-independent directors on S&P 500 boards is 5.4 to 1, with boards averaging 9.1 independent directors and 1.7 non-independent directors. In 2006, 81% of directors were independent.
- » As boards have become more independent over time, the CEO has emerged as the only non-independent director on most boards; the CEO is the only non-independent director on 60% of S&P 500 boards, compared with 57% in 2011 and 39% in 2006.

## ANNUAL DIRECTOR ELECTIONS ARE NOW STANDARD

- » 92% of S&P 500 boards are declassified, unchanged from last year. The remaining boards have three-year terms.
- » The move toward declassified boards has accelerated in recent years, often in response to shareholder demands; 56% of boards in 2006 and 76% in 2011 had annual director elections.
- » We also have seen an increase in boards establishing policies requiring directors to offer their resignation if they fail to receive a majority vote from shareholders; 88% of boards have such policies today, up from 79% in 2011. While these policies have become widespread, boards retain the discretion to accept or decline a director's resignation.

## **MOST BOARDS HAVE RESIGNATION POLICIES FOR CHANGING DIRECTOR STATUS**

- » Consistent with the past several years, 85% of S&P 500 boards require directors who experience a change in employment status or significant change in job responsibilities to notify the chairman and/or the nominating committee and offer their resignation from the board. Typically, the chair or nominating committee has the discretion to accept or decline the resignation.
- » 37% of boards report having a policy requiring the CEO to submit his or her resignation from the board when the CEO's employment with the company ends. In all cases, however, boards retain the discretion to accept or decline the resignation. This provision is somewhat more common than in 2011, when 32% of boards had such a policy.

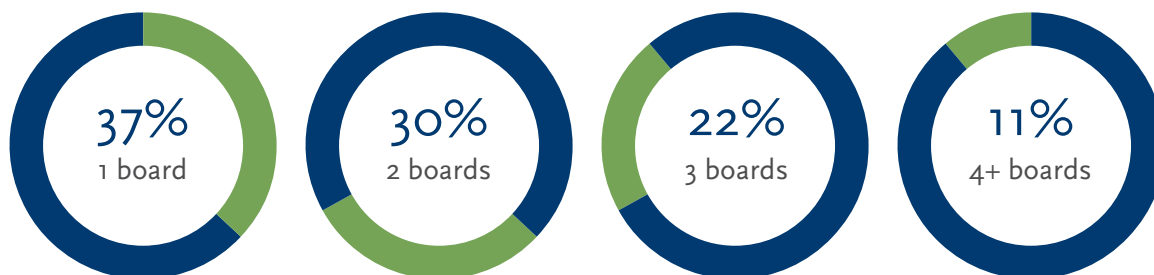
## **MAJORITY OF DIRECTORS FACE RESTRICTIONS ON ADDITIONAL BOARD SERVICE**

- » Nearly three-quarters of S&P 500 boards (74%) have established some limit on their directors' ability to accept other corporate directorships, an increase from 27% in 2006. The prevalence of these restrictions has grown in response to concerns about directors becoming "overboarded," with insufficient time to devote to board responsibilities.
- » 61% of boards set a numerical limit for other board service applying to all directors; of those, 5% cap additional directorships at two, 36% at three, 40% at four, and 19% at five or six. No company limits other directorships to one.
- » 40% of S&P 500 boards restrict the number of other audit committees on which their members may serve; 97% of these boards allow audit committee members to serve on up to two other audit committees.
- » 20% of boards set restrictions for directors who are public company CEOs or are otherwise fully employed; most often, these directors are limited to two other outside public company boards. No board allows directors who are employed executives to serve on more than three additional boards.
- » Among the 125 boards that do not specify a limit on other corporate directorships, 90% report that they require directors to notify the chairman prior to accepting an invitation to join another company board and/or encourage directors to "reasonably limit" their other board service.
- » Most companies do not restrict their CEOs from serving on outside boards. Only 20% of S&P 500 boards set a specific limit in their corporate governance guidelines on the CEO's outside board service; 97% of those boards limit CEOs to one or two outside boards. One board does not allow the company CEO to serve on any outside corporate boards.

## THE AVERAGE DIRECTOR SERVES ON TWO CORPORATE BOARDS

- » On average, S&P 500 directors have 2.1 outside corporate board affiliations, although most directors aren't restricted from serving on more. While the average has remained unchanged for the past five years, we've seen a decline in the number of directors serving on more than four boards; 88 directors (2%) today serve on five or six outside corporate boards, versus 165 (4%) in 2011.
- » 63% of independent directors have two or more outside affiliations; 11% have four or more. 15 directors (less than 1%) serve on six boards.

### Number of Corporate Board Affiliations for Independent Directors



## DIRECTOR TERM LIMITS RARELY USED AS A TOOL TO PROMOTE TURNOVER

- » 19 S&P 500 boards (4%) set an explicit term limit for non-executive directors, a modest increase from 2015 when 13 boards (3%) had director term limits. The use of term limits has been consistently low; the number of boards with term limits today is exactly the same as in 2011, 19 (4%). 65% of boards explicitly state in their corporate governance guidelines that they do not have term limits, and 31% do not mention term limits at all.
- » Of the 19 boards with a specific term limit, nine cap director service at 15 years, four at 12 years, three at 10 years, one at 18 years, and two at 20 years. The longest term limit is 20 years, and no board has a term limit less than 10 years.
- » Rather than set term limits or a mandatory retirement age, many boards report that they consider whether individual directors should be re-nominated during the evaluation process.

### Boards with Term Limits

Company	Term limits	Company	Term limits
Patterson Companies	20 years	Varian Medical Systems	15 years
Target Corporation	20 years	Xcel Energy	15 years
The Procter & Gamble Company	18 years	AvalonBay Communities	12 years
Alaska Air Group	15 years	CBRE Group	12 years
Frontier Communications Corporation	15 years	International Flavors & Fragrances	12 years
General Electric Company	15 years	Wal-Mart Stores	12 years
MasterCard	15 years	Allegion Public Limited Company	10 years
Qorvo	15 years	Illumina	10 years
Signet Jewelers Limited	15 years	Juniper Networks	10 years
The Walt Disney Company	15 years		

**Spencer Stuart Governance Survey: Director term limits**

- » Scrutiny of board tenures has increased in recent years, but boards have not taken the step to establish director term limits as a means of limiting tenure. Only 4% of survey respondents said their boards have term limits today, and just 3% reported their boards are considering this step.
- » 6% of respondents report their board is considering other means of ensuring director turnover, such as a mandatory retirement age, annual evaluations and a robust self-assessment process.

**INDEPENDENT DIRECTORS ARE TWO YEARS OLDER THAN A DECADE AGO**

- » The average age of S&P 500 independent directors increased by two years in the past decade, from 61 in 2006 to 63 today, while the median age increased from 61 to 64. 19% of S&P 500 independent directors are 70 to 79, and 4% are younger than 50.
- » Fewer boards than in the past have an average age of 59 or younger: 15% today compared with 28% a decade ago. By contrast, the number of older boards has increased. 37% of S&P 500 boards have an average age of 64 or older, compared with 19% of boards a decade ago, and 15 of today's boards (3%) have an average age of 70 or greater, versus four (1%) a decade ago.
- » Among new independent directors, the average age increased since last year. The new independent director class of 2016 has an average age of 57.3, compared with 56.8 in 2015. The median age increased from 57 to 58. The oldest new director elected in the 2015 proxy year is 77, and the youngest is 35. Eight boards added a new independent director aged 70 or older.

**Ages of Independent Directors**

	2016	2011	2006
Average age of all independent directors	63.0	62.4	61.0
Youngest average board age	47	50	49
Oldest average board age	76	72	75

**% of all S&P 500 boards with average age ...**

59 and younger	15%	17%	28%
60-63	48%	46%	53%
64 and older	37%	37%	19%

### MANDATORY RETIREMENT AGES KEEP RISING

- » Consistent with the past 10 years, about three-quarters (73%) of S&P 500 boards report having a mandatory retirement age for directors. 11% report that they do not have a mandatory retirement age, and 16% do not discuss mandatory retirement in their proxies.
- » While the number of boards with mandatory retirement ages has remained consistent, retirement ages have continued to increase. 39% of boards have retirement ages of 75 or higher, compared with just 9% in 2006. Four boards have a retirement age of 80. In 2006, 38% set their retirement age at 70, or lower; today just 5% of boards have a retirement age of 70, and no board has set it lower than that.
- » The most common mandatory retirement age is 72, set by 45% of S&P 500 boards, a decrease from 50% last year.

#### Mandatory Retirement Age

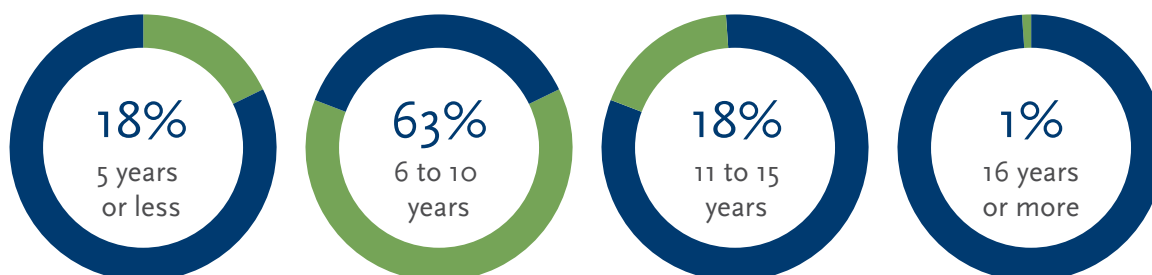
	2016	2011	2006
70 and younger	5%	16%	38%
71	1%	1%	1%
72	45%	55%	48%
73	4%	5%	3%
74	6%	3%	1%
75 and older	39%	20%	9%

N = Boards that have set a mandatory retirement age: 352 for 2016, 362 for 2011, 376 for 2006.

### SMALL DECLINE IN AVERAGE BOARD TENURE

- » The average tenure of S&P 500 boards is 8.3 years, a slight decrease from 8.7 five years ago. The median tenure has declined as well in that time, from 8.4 to 8.0.
- » The majority of boards, 63%, have an average tenure between six and 10 years.
- » 19% of boards have an average tenure of 11 or more years, compared with 21% in 2015 and 19% in 2011. 18% have an average tenure of five years or less, up from 17% last year.
- » The longest average board tenure is 21 years, and the longest-tenured director has served 48 years.
- » 35% of independent directors have served on their boards for five years or less, 28% have served for six to 10 years, and 22% for 11 to 15 years. 15% of independent directors have served on their boards for 16 years or more.
- » With the average tenure for sitting CEOs at 7.2 years, most boards will serve with two CEOs.

#### Board Average Tenure



## FEMALE REPRESENTATION ON BOARDS NOW TOPS 20%

- » Women now constitute 21% of all S&P 500 directors. Female representation has increased from 15% a decade ago. On average, boards have 2.3 female directors, compared with 1.6 in 2006.
- » Six S&P 500 boards (1%) have no women directors, a noteworthy decline from 2006, when 52 boards (11%) included no female members. More than three-quarters of boards (76%) include two or more women, a significant increase from 51% a decade ago and 58% five years ago. One-quarter of boards have three women directors, compared with just 12% of boards in 2011.
- » 24 S&P 500 companies (4.8%) had a woman serving as CEO as of our May 15, 2016, proxy cut-off date, an increase from 3.0% five years ago. Since then, one female CEO (Lauralee E. Martin) stepped down in 2016 and three announced plans to retire or step down in 2017 (Susan M. Cameron, Gracia C. Martore and Ursula Burns); and five women were named CEOs: Shira Goodman at Staples, Debra Crew at Reynolds American, Tricia Griffith at Progressive Corporation, Vicki Hollub at Occidental Petroleum and Pat Kampling at Alliant Energy.
- » Companies led by women tend to have more female board directors than those led by men: 31% of directors on boards of companies with a female CEO are women, versus 21% for companies with a male CEO. When the female CEO is excluded, however, the gap narrows: 24% of the remaining directors are women.

### S&P 500 Female CEOs and Their Boards\*

Company	CEO	Total directors	Women directors	Women directors as % of total
American Water Works	Susan N. Story	9	5	56%
TEGNA	Gracia C. Martore	10	5	50%
ULTA Salon, Cosmetics & Fragrance	Mary N. Dillon	11	5	45%
General Motors Company	Mary T. Barra	12	5	42%
Xerox Corporation	Ursula M. Burns	8	3	38%
Hewlett-Packard Company	Margaret C. Whitman	14	5	36%
KeyCorp	Elizabeth E. Mooney	14	5	36%
Campbell Soup Company	Denise M. Morrison	12	4	33%
CMS Energy Corporation	Patricia K. Poppe	12	4	33%
Synchrony Financial	Margaret M. Keane	9	3	33%
Mondelez International	Irene B. Rosenfeld	13	4	31%
Mylan	Heather Bresch	13	4	31%
Yahoo!	Marissa Mayer	13	4	31%
General Dynamics Corporation	Phebe N. Novakovic	10	3	30%
PepsiCo	Indra K. Nooyi	14	4	29%
Lockheed Martin Corporation	Marilyn A. Hewson	11	3	27%
Sempra Energy	Debra L. Reed	11	3	27%
Duke Energy Corporation	Lynn J. Good	12	3	25%
HCP	Lauralee E. Martin	8	2	25%
Ventas	Debra A. Cafaro	9	2	22%
International Business Machines Corporation	Virginia M. Rometty	14	3	21%
Ross Stores	Barbara Rentler	11	2	18%
Oracle Corporation	Safra A. Catz	12	2	17%
Reynolds American	Susan M. Cameron	13	2	15%
<b>Average % women directors for companies with female CEOs</b>				<b>31%**</b>
<b>Average % women directors for companies with male CEOs</b>				<b>21%</b>

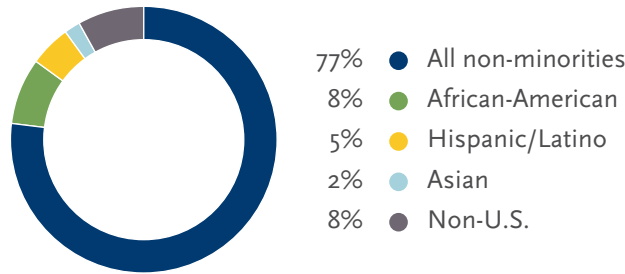
\*Accurate as of each company's most recent proxy released by May 15, 2016.

\*\*Excluding the CEO, the average is 24%.

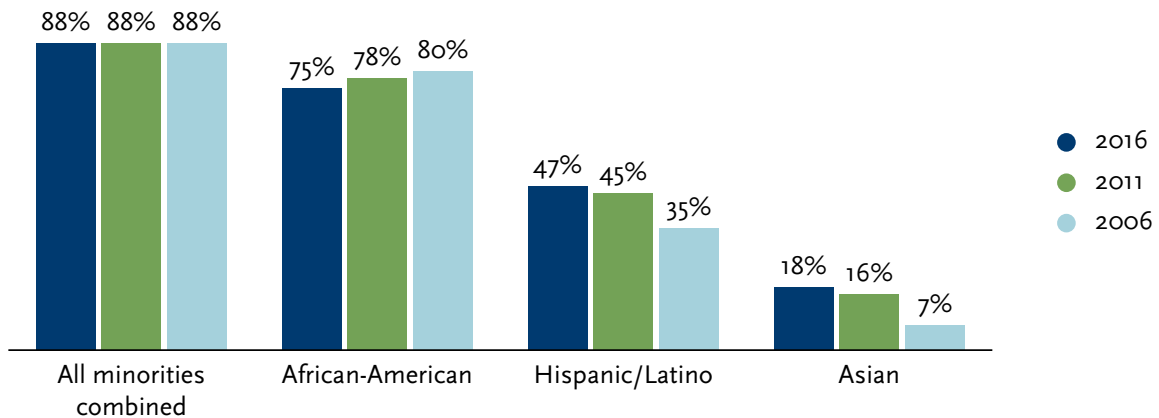
## FEWER MINORITIES JOIN BOARDS; NO CHANGE IN MINORITY REPRESENTATION OVERALL

- » Fewer minority directors (defined as African-American, Hispanic/Latino and Asian) were appointed to S&P 500 boards over the past year than the prior year. 15% of the 345 new independent directors are minorities, a decrease from 18% in 2015. Minority directors filled 53 vacant board seats. 8% of new directors are African-American, 5% are Hispanic/Latino, and 2% are of Asian descent.
- » New minority directors are more likely than non-minority directors to be line and functional leaders or division/subsidiary presidents, 41% versus 20%, and less likely to be active or retired senior leaders (such as CEO, chair, president or COO), 24% versus 41%.
- » Among the boards of the top 200 S&P 500 companies, the total number of minority directors has held steady at 15% since 2011, and the number of the top 200 companies with at least one minority director remains unchanged at 88%.
- » Despite increased attention to the topic of board diversity, representation of minority directors at the top 200 S&P 500 companies has not significantly changed over the past five to 10 years.
  - 8.2% of directors are African-American, compared with 9.5% in 2011 and 9.2 in 2006. 75% of boards have at least one African-American director, a decline from 78% in 2011 and 80% in 2006.
  - 4.8% of directors are Hispanic/Latino, up from 4.4 in 2011 and 3.6 in 2006. 47% of boards today have at least one Hispanic/Latino director, up from 45% in 2011 and 35% in 2006.
  - 1.8% of directors are Asian (non-Indian), versus 1.4% in 2011 and 0.7% in 2006. 18% of boards have one or more Asian directors, up from 16% in 2011 and 7% in 2006.

Minorities as % of Directors at Top 200 Boards



Top 200 Boards with at Least One Minority Director





## FEW TOP 200 COMPANIES LED BY MINORITIES

- » Nine (5%) of the top 200 S&P companies are led by African-American, Hispanic/Latino or Asian CEOs, three more than in 2015. In 2011, only five of the top 200 companies were led by minority CEOs.
- » Similar to the pattern seen among companies led by women, companies led by minority CEOs have more minority directors than other companies. 24% of the directors for the nine companies with minority CEOs are minorities, compared with 14% of directors of companies with a non-minority CEO. However, minority representation drops to 17% when the CEO is excluded.

### Top 200 Minority-Led Companies and Their Boards\*

Company	CEO	Total directors	Minority directors	Minority directors as % of total
Archer-Daniels-Midland Company	Juan R. Luciano	12	6	50%
Xerox Corporation	Ursula M. Burns	8	3	38%
Eaton Corporation	Craig Arnold	13	4	31%
NRG Energy	Mauricio Gutierrez	10	3	30%
American Express Company	Kenneth I. Chenault	13	3	23%
AbbVie	Richard A. Gonzalez	9	2	22%
Merck & Co.	Kenneth C. Frazier	13	2	15%
Carnival Corporation	Arnold W. Donald	9	1	11%
United Continental Holdings	Oscar Munoz	14	1	7%
<b>Average % of minority directors for companies with minority CEOs</b>				<b>24%**</b>
<b>Average % of minority directors for companies with non-minority CEOs</b>				<b>14%</b>

\*Accurate as of each company's most recent proxy released by May 15, 2016.

\*\*Excluding the CEO, the average is 17%.

## JUST OVER HALF OF THE TOP 200 COMPANIES HAVE DIRECTORS FROM OUTSIDE THE U.S.

- » More than half of the top 200 S&P 500 companies (53%) have at least one non-U.S. director, a small decline from 55% in 2015 but an increase from 45% in 2006.
- » A total of 191 directors of non-U.S. origin serve on the boards of the top 200 companies, accounting for 8% of all directors, consistent with the past five years. For the purposes of this report, directors of Indian descent are included within the non-U.S. group.
- » International directors represent 33 different countries, but the majority of non-U.S. directors (58%) come from the following five countries: India (16%), the U.K. (12%), Canada (11%), Germany (11%) and France (8%).
- » Among the S&P 500, 8% of all new independent director board seats were filled by directors from outside the U.S., a decrease from 9% last year. More than half of the new directors from outside the U.S. — 15 of 27 — are active or retired CEOs.

## ADDED PERSPECTIVE

**Spencer Stuart Governance Survey: CEO succession planning**

- » Nearly one-quarter of respondents (24%) said their board formally discusses CEO succession two or three times a year, up from 15% last year. 13% report that the board addresses CEO succession four or more times per year, almost double the 2015 number of 7%. 60% of survey respondents said their board formally discusses CEO succession annually, 3% address succession less than once a year.
- » 69% of respondents have contingency and long-term succession plans in place, while 25% have a contingency succession plan only. Three companies have only a long-term plan, and two companies have no CEO succession plan in place.
- » This year, our survey delved more deeply into boards' processes for understanding the readiness of potential CEO succession candidates:
  - 91% said the board's process includes a briefing on potential successors' gaps in readiness.
  - 78% said the board is familiar with the development plans for addressing individuals' gaps.
  - 71% said internal succession candidates undergo formal assessments.
  - 53% said the board defines the desired future criteria for the CEO profile as part of its process.
- » 42% said the process for reviewing potential internal successors is supported by an external adviser.
- » 36% report that their succession process includes gaining insight on potential external candidates.

**Getting to know internal candidates**

- » 66% of respondents said their boards have a formal process for reviewing internal succession candidates.
  - 99% get to know internal succession candidates through regular interactions during board meetings and presentations.
  - 34% schedule individual meetings between board members and candidates.
  - 8% assign formal board mentors.
  - 7% said they use other methods, such as company events and feedback from an external adviser.

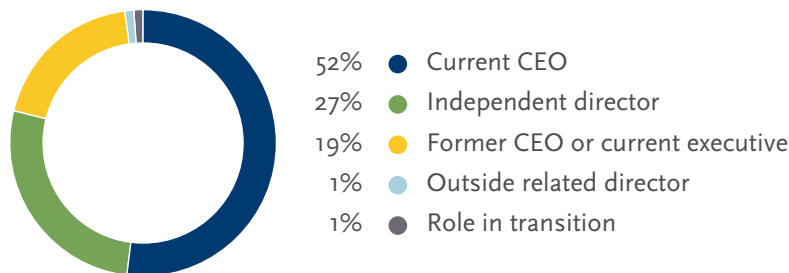
**THE NUMBER OF CEOS SERVING ON AN OUTSIDE PUBLIC COMPANY BOARD REMAINS AT HISTORIC LOW**

- » Only 43% of S&P 500 CEOs serve on an outside corporate board in addition to their own board, the same as in 2015, when the number of CEOs with outside boards hit a new low. A decade ago, 55% of CEOs served on at least one outside board.
- » 35% of CEOs serve on one outside board, and 8% serve on two. Only two CEOs have three outside board assignments. In 2006, 19% of CEOs served on two outside boards and 4% (20) served on three. One CEO served on four outside boards.
- » CEOs serve on an average of 0.5 other corporate boards, compared with 0.6 in 2011 and 0.8 in 2006.

## 27% OF BOARDS HAVE A TRULY INDEPENDENT CHAIR, A SMALL DECLINE FROM LAST YEAR

- » 48% of S&P 500 boards split the chair and CEO roles between two individuals, the same as in 2015. During the past decade, more boards have evaluated their leadership structures, with a growing number opting to separate the roles. 41% of S&P 500 boards in 2011 and 33% in 2006 split the roles.
- » 132 boards (27% versus 29% in 2015) have a truly independent chair — an independent director or a former executive who has met applicable NYSE or NASDAQ rules for independence over time. Although their number decreased from last year, boards are more likely to have an independent chair than five and 10 years ago, when 21% and 10% of boards, respectively, had truly independent chairs. Eight of the independent chairs today are founders or former CEOs or COOs who met independence standards over time.
- » 13% of chairs are company executives other than the CEO, and 6% had been the CEO and are no longer a company executive.
- » Among the 97 boards where the chair is separate but not independent, 89 (92%) have identified a lead or presiding independent director.

### Chairman's Relationship with the Company



### ADDED PERSPECTIVE

#### Spencer Stuart Governance Survey: The chairman and CEO split

- » 12% of respondents said their board split the chairman and CEO roles in the last proxy year, while 33% said their board has discussed splitting the roles within the next five years.
- » Of those that have recently separated (or expect to separate) the chair and CEO roles, 72% say the primary reason for the change is a CEO transition, while 20% believe the chair/CEO split represents the best governance.

## MORE THAN HALF OF INDEPENDENT CHAIRS ARE RETIRED SENIOR EXECUTIVES

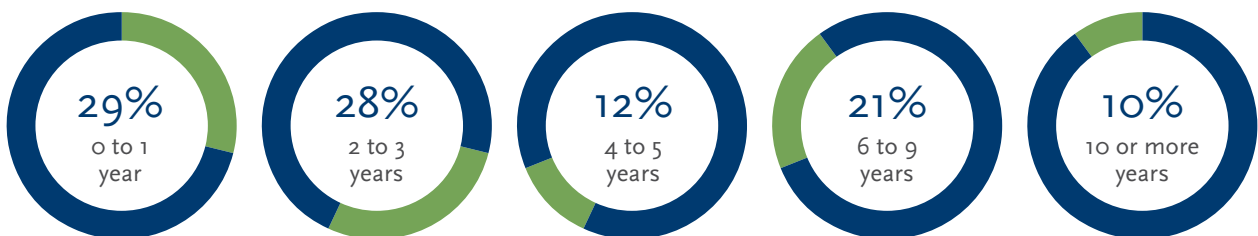
- » 51% of the 132 independent chairs of S&P 500 companies are retired chairmen, vice chairmen, presidents or CEOs. Only 5% of independent chairs are active executives in these roles, including one current public-company CEO. In 2011, 52% of chairs were retired senior executives and 9% were active.
- » 14% of the independent chairs are investors or investment managers, and another 12% are other corporate executives, active or retired, including division presidents and line and functional leaders.
- » The remaining independent chairs are financial executives, bankers/investment bankers and retired public accounting executives (12%); academics and nonprofit executives (2%); and others, including lawyers and consultants (4%).
- » Independent chairmen are older on average than their fellow directors: 66.1 versus 63.1.
- » There are 10 women serving as independent chairs, 8% of all independent chairs.

### Independent Chairman Backgrounds



- » The average tenure for current independent chairs is 4 years. 57% have been in the role for three years or less, including 29% who have served as chair for one year or less. On the other end of the spectrum, 31% of independent chairmen have served in their roles for six or more years. The longest-serving S&P 500 independent chairman has been in the position for 18 years.
- » 92% of the independent chairmen previously served as directors on the board before becoming chair, serving 8.4 years on average before moving into the chairman role.

### Independent Chairman Tenure



Average: 4.0 years  
N=132 independent chairmen

## DESPITE DECLINE, MOST BOARDS HAVE A LEAD OR PRESIDING DIRECTOR

- » 87% of S&P 500 boards report having a lead or presiding director, nearly all of whom (98%) are identified by name in the proxy.
- » The number of lead and presiding directors has declined over the past decade as more boards named independent chairs. 92% of S&P 500 boards had a lead or presiding director in 2011, down from 96% in 2006.
- » 1% of boards rotate the role among independent directors and committee chairs compared to 5% of boards five years ago.
- » Lead directors are more common than presiding directors; of the 417 boards with one of these titles, 71% have lead directors and 29% have presiding directors, including those identified as “chair” of executive sessions. This represents a change from a decade ago, when 64% of boards had a presiding director and 36% had a lead director.
- » 74 independent chairs are also named as the lead or presiding director. Another seven boards report having a lead/presiding director in addition to the independent chair.
- » Only five S&P 500 boards do not report having a form of independent board leadership — neither an independent chairman nor a lead/presiding director. Often, this is a temporary situation during a leadership transition and restructuring.

### Lead Versus Presiding Directors

	2016	2011	2006
Lead directors	71%	54%	36%
Presiding directors	29%	46%	64%

- » 328 boards (81%) disclosed how long their lead/presiding director has been serving in the role, reporting an average tenure of 3.7 years. 33% have served in the role one year or less, 36% have served for two to four years while 31% have been serving for five years or more.
- » Retired CEOs, presidents and/or chairs are most likely to serve as a lead or presiding director; 47% of lead/presiding directors are retired senior executives. 11% are investors or investment managers, and another 11% are active or retired other corporate executives. Only 10% of lead/presiding directors are active CEOs, presidents and/or chairs.

Lead and Presiding Director Backgrounds\*



N = 405 lead or presiding directors identified by name  
 \*All active and retired unless where specifically stated.

ADDED PERSPECTIVE

**Spencer Stuart Governance Survey: Lead director**

- » 81% of survey respondents reported that the lead or presiding director is selected by the full board. The lead or presiding director is chosen by the nominating and governance committee at 26% of responding companies. Three boards reported that the CEO selects the lead director, and on one board, the outgoing lead director names a successor. Among the 14% of “other” responses, most indicated that the independent directors select the lead director.
- » Among boards with a lead or presiding director, 46% said there is no set term length for the position. Of those that that define some limit, 19% have a one-year term, 6% have a two-year term and 4% have a three-year term. Other approaches include a three-to-five-year term guideline, a five-year term or an understanding that the board will consider rotating the position every two years.
- » 90% said the lead/presiding director’s term is renewable.

# Board Organization and Process

## 2016 Snapshot

**71%**  
of boards have more than 3 committees

**99%**   
of boards conduct an evaluation on the full board of directors



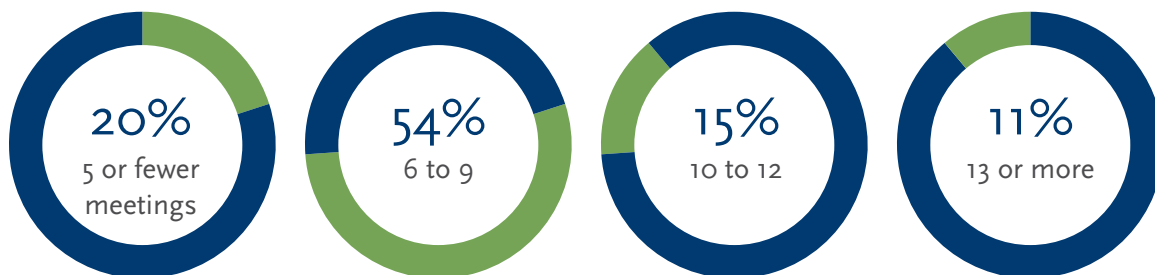
Boards met an average of **8.4** times up from 8.1 last year

Only **6%** of audit committee chairs are active CEOs and chairs versus 18% a decade ago

### MODEST RISE IN THE AVERAGE NUMBER OF BOARD MEETINGS

- » Boards met an average of 8.4 times, up from 8.1 last year and 8.2 five years ago. The median number of meetings rose from 7.0 last year to 8.0. The annual meeting average includes regularly scheduled meetings and special meetings. These meetings may be in-person or telephonic.
- » The majority of boards, 54%, met six to nine times. Ten boards met 19 times or more.

#### Distribution of Board Meetings\*

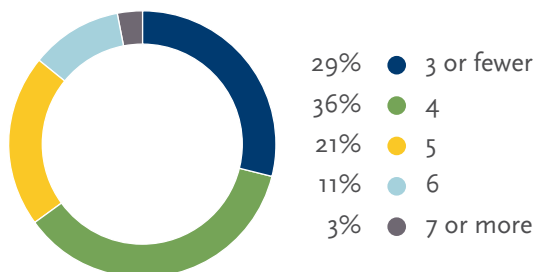


\*Includes in-person and telephonic regular and special meetings.

## BOARDS HAVE FOUR COMMITTEES ON AVERAGE

- » A majority of S&P 500 boards, 71%, have more than the three NYSE-mandated committees (compensation, audit and nominating/governance).
- » Boards have an average of 4.2 standing committees and a median of four committees, which has remained consistent during the past decade.
- » 21% of boards have five standing committees, and 14% have six or more.
- » The most common committees beyond the compensation, audit and nominating/governance committees are the executive committee (33%) and finance committee (31%).
- » Several committees have become more prevalent in the past 10 years, including risk, science/technology, and environment, health and safety. In 2006, for example, 4% of boards had a risk committee, compared with 11% today. By contrast, the number of public policy/social & corporate responsibility committees have declined somewhat.

### Number of Standing Committees



### Prevalence and Independence of Standing Committees

	% with this committee		% composed entirely of independent directors	
	2016	2011	2016	2011
Audit	100%	100%	100%	100%
Compensation	100%*	100%	100%	99.6%
Nominating/governance	99.6%**	98.8%	99.8%	99.6%
Executive	33%	35%	4%	3%
Finance***	31%	33%	78%	70%
Risk	11%	8%	85%	74%
Public policy/social & corporate responsibility	10%	14%	88%	84%
Science & technology	9%	6%	88%	77%
Environment, health & safety	7%	6%	80%	86%
Legal/compliance	5%	5%	91%	87%
Strategy & planning	2%	3%	60%	80%
Investment/pension	3%	2%	75%	83%
Acquisitions/corporate development	2%	2%	50%	64%

\*14 boards have a combined compensation and nominating committee. They are counted as separate committees for the purpose of this analysis.

\*\*Includes one board with a standing corporate governance committee in addition to the nominating committee. Controlled companies are not required to have nominating committees.

\*\*\*11 boards have a combined finance and risk management committee. They are counted as separate committees for the purpose of this analysis.



## ADDED PERSPECTIVE

### Spencer Stuart Governance Survey: Cybersecurity

- » Major information security breaches to business or government systems regularly hit the news, and boards increasingly recognize that cyber crime is a risk management issue that affects the entire organization and belongs on the board agenda.
- » One-quarter of survey respondents said the full board is responsible for cybersecurity oversight, while 75% said the board has assigned cybersecurity oversight to a specific board committee. Of those, 74% said the audit committee oversees cybersecurity risk, and 14% said the risk committee is responsible. Responsibility for cyber risk falls to the technology committee for 5% of boards.
- » 88% of respondents said the board or a committee has discussed the company's crisis response plan to a cyber breach within the past year.

## AUDIT COMMITTEES AVERAGE MORE THAN EIGHT MEETINGS

- » Audit committees averaged 8.6 meetings, a slight decrease from 8.8 last year and roughly one meeting less than the 2006 average of 9.5.
- » 68% of S&P 500 audit committees met eight or more times annually, including 48% that had eight, nine or 10 meetings. 20% of audit committees met 11 times or more, compared with 37% a decade ago.
- » Compensation and nominating/governance committees meet less often, averaging 6.1 and 4.8 meetings annually, respectively.
- » 43% of compensation committees held five or six annual meetings.
- » 74% of nominating/governance committees met five times or fewer annually, with 29% meeting four times.

### Distribution of Committee Meetings\*

	Audit committee	Compensation committee	Nominating/governance committee
3 or fewer meetings	1%	7%	20%
4	5%	14%	29%
5	11%	23%	25%
6	6%	20%	13%
7	9%	16%	9%
8-10	48%	15%	4%
11-13	16%	4%	0%
14 or more	4%	1%	0%
<b>Average</b>	<b>8.6</b>	<b>6.1</b>	<b>4.8</b>
<b>Median</b>	<b>9.0</b>	<b>6.0</b>	<b>5.0</b>
<b>Maximum</b>	<b>24</b>	<b>16</b>	<b>19</b>

\*Includes in-person and telephonic regular and special meetings.

## **FINANCE PROFESSIONALS CONTINUE TO GROW AS A SOURCE FOR AUDIT COMMITTEE LEADERSHIP**

- » 28% of audit committee chairmen are active/retired financial executives, including CFOs and treasurers, an increase from 21% in 2011 and 13% in 2006. Retired CEOs, chairs, presidents and COOs make up the next largest source, accounting for 27% of audit committee chairs. Retired public accounting executives are the next largest source, representing 11% of audit committee chairs.
- » Meanwhile, active CEOs, chairs, presidents and COOs are much less likely to head an audit committee than in the past, reflecting the increased workload and demands of audit committee service. Just 6% of S&P 500 audit committee chairs are fully employed/active CEOs, chairs, presidents and COOs, compared with 18% a decade ago.
- » 25% of all S&P 500 directors have been identified as audit committee financial experts, compared with 20% of directors in 2006.

## **INCREASE SEEN IN NUMBER OF WOMEN LEADING AUDIT, COMPENSATION AND NOMINATING COMMITTEES**

- » The representation of women in committee leadership roles increased slightly since last year. Women now chair 20% of nominating/governance committees, 15% of audit committees and 11% of compensation committees, compared with 16%, 13% and 10%, respectively, last year. In 2011, women chaired 13% of audit committees, 8% of compensation committees and 16% of nominating/governance committees.
- » Retired CEOs, chairs, presidents and COOs are the most common backgrounds of compensation and nominating/governance committee chairs; 43% of compensation committee chairs and 31% of nominating/governance committee chairs are retired top senior executives.
- » Active CEOs and other top senior executives are more likely to serve as chair of the compensation and nominating/governance committees than the audit committee. 14% of directors with these profiles serve as compensation committee chair, and 13% as nominating/governance committee chair. Five years ago, 20% of compensation committee chairs and 15% of nominating/governance committee chairs were filled by active CEOs, chairs, presidents and COOs.

## Committee Chairman Backgrounds\*

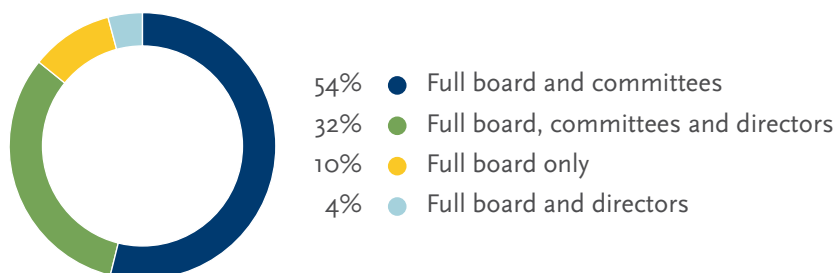
	% of chairmen		
	Audit committee	Compensation committee	Nominating/governance committee
Retired chair/president/CEO/vice chairman	27%	43%	31%
Active chair/president/CEO/vice chairman	6%	14%	13%
Financial executive/CFO/treasurer	28%	2%	2%
Public accounting executive	11%	0%	1%
Investor/investment manager	7%	11%	13%
Other corporate executive	9%	16%	14%
Academic/nonprofit	3%	5%	10%
Consultant	3%	3%	5%
Banker/investment banker	6%	4%	3%
Lawyer	0%	1%	5%
Other	0%	1%	3%
<b>Total number of chairmen listed in proxies</b>	<b>475</b>	<b>473</b>	<b>473</b>

\*Except where noted, all categories include active and retired executives.

## NEARLY ALL BOARDS CONDUCT AN ANNUAL PERFORMANCE EVALUATION

- » All but seven S&P 500 boards (99%) report conducting some sort of annual performance evaluation.
- » More than half of boards (54%) evaluate the full board and committees, and nearly one-third (32%) evaluate the full board, committees and individual directors annually. This represents an increase from 2011, when 29% examined the performance of the board, committees and individual directors as part of their annual evaluations.
- » Thirteen boards disclosed that they engaged an independent third party to facilitate and conduct all or a portion of the evaluation process.

### Board, Committee and Director Evaluations



N = 475 companies; 7 others did not mention evaluations in their proxies or corporate governance guidelines.

## ADDED PERSPECTIVE

**Spencer Stuart Governance Survey: Board evaluations**

- » 35% of survey respondents report that they assess the full board, board committees and individual directors as part of a board evaluation. 66% evaluate the full board and committees, but not individual directors. 11% said only an evaluation of the full board is conducted. (Note: Respondents could select multiple responses.)
- » Evaluations are most often conducted by a director, typically the chairman, lead director or a committee chair, according to 65% of respondents. A wide range of internal and external parties are also tapped to conduct board assessments, including in-house and external legal counsel, the corporate secretary and board consulting firms. 35% use director self-assessments, and 15% include peer reviews.

## ADDED PERSPECTIVE

**Spencer Stuart Governance Survey: Shareholder engagement**

- » Proxy access emerged as the top issue formally raised by shareholders during the most recent proxy year, accounting for 19% of shareholder contacts, followed by inquiries related to director tenure (11%).
- » Other topics on the minds of shareholders were CEO compensation (10%), board chair independence (10%) and “say on pay” (9%). Board refreshment and company political contributions and activities each accounted for 7% of shareholder contacts.
- » As in past years, public and private pension funds were the most likely to initiate contact with the boards, although they represented a smaller share of the total contacts than in the past. Accounting for 39% of the inquiries (versus 51% in 2015), pension funds were most likely to contact boards about proxy access, director tenure and board chair independence.

**Issues formally raised by shareholders in 2016\***

Proxy access	19%
Director tenure	11%
Independent board chair	10%
CEO compensation	10%
Say on pay	9%
Disclosure of political contributions/activities	7%
Board refreshment	7%
Company strategy	6%
Shareholder engagement approach	5%
Director slate	4%
Strategic alternatives (e.g., M&A, divestiture)	3%
Other	8%

**Sources of shareholder contacts\***

Public/private pension fund	39%
Mutual fund	26%
Activist shareholder	17%
Hedge fund/private equity	6%
Other	11%

\*Percentages may not total 100% due to rounding.

- » Inquiries from mutual funds, which represented 26% of shareholder contacts (an increase from 16% last year), tended to be about proxy access, CEO compensation, director tenure and board refreshment.
- » Activist shareholders accounted for 17% of the inquiries, and their top issues were proxy access, companies' political contributions/activities and strategic alternatives.
- » Some 83% percent of respondents said management or the board proactively reached out to the company's large institutional investors or largest shareholders, an increase from 70% the year prior. The most common topic about which companies engaged with shareholders was proxy access (52%), an increase from 33% in 2015. Other topics boards discussed with large institutional investors and large shareholders included say on pay (51%), CEO compensation (40%), director tenure (30%), board refreshment (27%), shareholder engagement approach (27%) and chairman independence (24%).
- » Survey respondents also wrote in more than a dozen additional topics, including majority/cumulative voting, disclosure enhancements, environmental issues and gender pay equity.
- » Despite the growing interest by shareholders in board composition, only 3% of survey respondents reported that their companies' large institutional shareholders recommended changes to board composition.
- » 39% of respondents reported that they were contacted formally by large institutional investors and/or largest shareholders specifically regarding a governance-related topic.
- » For most companies responding to the survey, the CEO is responsible for representing the board in non-routine matters with the public and investors: 46% said the chairman/CEO had the responsibility for representing the board, and 32% said the CEO had the responsibility when there was a separate chair. Another 30% said the lead director represented the board with investors and the public. 18% said the non-CEO chairman had the responsibility.

**Responsible for representing the board in non-routine matters with the public/investors\***

Chairman/CEO (if combined)	46%
CEO (if split)	32%
Lead director	30%
Chairman (if split)	18%
Other	26%

\*Multiple answers allowed. Others included CFO, head of investor relations, general counsel and chairs of the applicable committees.

# Director Compensation

## 2016 Snapshot

Average per-director compensation rose **3%** to **\$285,065**

**76%** of S&P 500 boards **provide stock grants** to directors in addition to **paying a cash retainer**

Annual retainers grew by **6%** last year

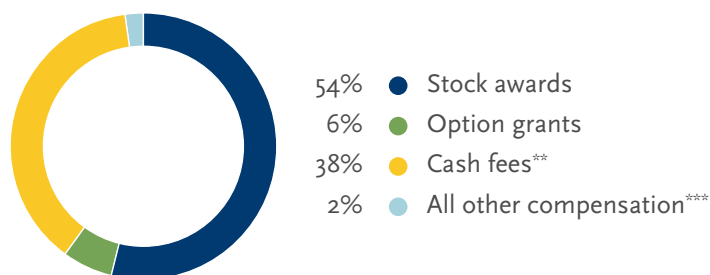
Additional compensation for independent chairmen averages

**\$165,112**  a 2% decrease

### AVERAGE TOTAL DIRECTOR COMPENSATION GROWS BY 3%

- » The average total compensation for S&P 500 directors is \$285,065, 3% higher than the 2015 average. When premium compensation for the independent chairman is excluded, the average total compensation per director falls to \$280,389.
- » Over time, the compensation mix for directors has evolved, with more stock grants and fewer stock options. Today, stock grants represent 54% of total director compensation, versus 48% five years ago, while stock options represent 6% of compensation today, down from 10% five years ago. Cash accounts for 38% of director compensation, versus 39% in 2011.
- » 73% of boards have deferred compensation plans.

## Breakdown of Director Compensation\*



\*Based on non-employee director compensation tables in 477 proxies for fiscal year 2016. Includes all board and committee retainers and meeting fees, non-executive chairman and lead/presiding director supplemental fees when applicable, the value of equity compensation and all other compensation paid to non-employee directors in 2015. Retiring and new directors are included when paid compensation for at least three quarters of the year.

\*\*Includes deferred compensation amounts.

\*\*\*Includes, for example, insurance premiums, charitable award programs and incremental cost to company of products provided.

## Changes in Non-employee Director Compensation

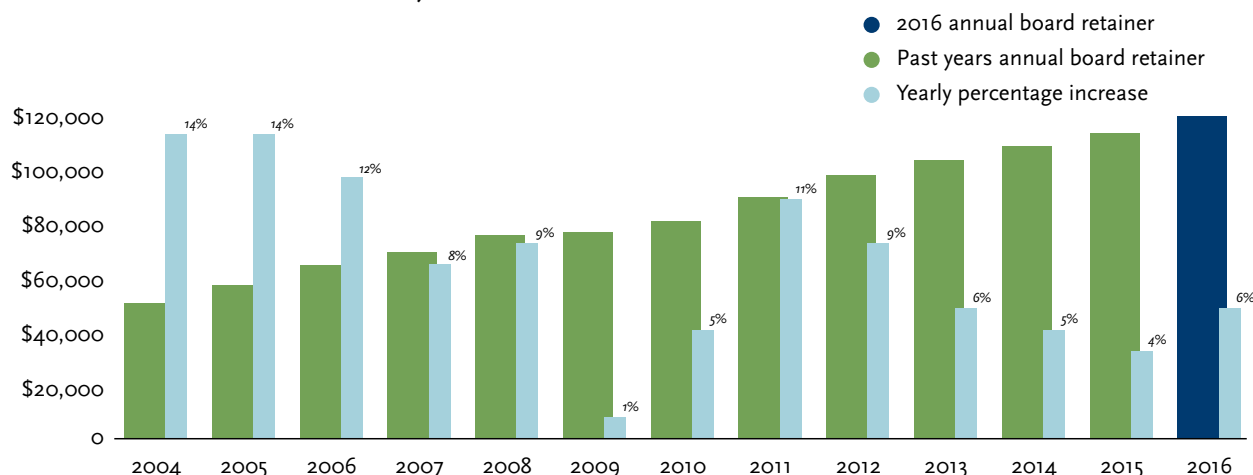
Type of compensation	% of boards paying this type		Average paid		% of change in value
	2016	2011	2016	2011	2011-16
Board retainer*	99.6%	99.2%	\$118,521	\$88,858	33%
Board meeting fee	16%	37%	\$2,155	\$2,284	-6%
Committee chair retainer	95%	91%	\$15,370	\$12,476	23%
Committee member retainer	41%	37%	\$7,947	\$7,917	less than 1%
Committee member meeting fee	21%	35%	\$1,677	\$1,635	3%
Stock option program	14%	28%	n/a	n/a	n/a
Stock grants paid in addition to retainer	76%	77%	n/a	n/a	n/a

\*Dollar amounts for retainer do not include boards that do not pay a retainer or boards that do not provide a dollar value equivalent for the retainer equity amount.

## 6% INCREASE IN AVERAGE ANNUAL BOARD RETAINER

- » The average annual retainer for S&P 500 directors is \$118,521, which is 6% more than in 2015 and 86% more than in 2006, without adjusting for inflation. During the past decade, one-year increases have ranged from as little as 1% to as much as 11%. The median annual retainer, \$100,000, is double the median in 2006, \$50,000.
- » Half of boards provide an annual retainer of \$100,000 or more, up from 29% in 2011 and 15% in 2006.
- » 90 boards (18%) pay a retainer of \$200,000 or more, compared with 42 boards (9%) in 2011 and 11 boards (4%) in 2006.
- » On the other end of the spectrum, 3% of boards today have retainers less than \$50,000, compared with 14% five years ago and 38% a decade ago.
- » The highest annual retainer is \$325,000, which is paid by a board that does not provide meeting attendance fees. Three companies provide no retainer; one of these pays \$900 per meeting, one pays \$15,000 per meeting (not to exceed \$60,000 per year), and one only provides a stock option grant.
- » Our research has shown that four boards have reduced director compensation for the upcoming fiscal year in response to pressure on the company share price and market conditions. Similarly, four boards have capped board compensation by placing a dollar limit on the value of equity compensation provided to directors.

## Annual Board Retainers and Yearly Increases

**USE OF MEETING FEES FOR DIRECTOR COMPENSATION HITS NEW LOW**

- » Only 78 S&P 500 boards (16%) pay board meeting attendance fees in 2016, down from 21% last year, and 57% in 2006.
- » The average board meeting attendance fee increased to \$2,155 from \$2,041 last year. Fees range from a low of \$900 to a high of \$15,000 at one company, where meeting fees are paid in lieu of a retainer and capped at \$60,000 per year. 38% of companies pay \$1,500 per meeting, 29% pay \$2,000 and 21% pay more than \$2,000.
- » 15 boards (3%) pay a lower fee for telephonic meetings. The average telephonic meeting fee is \$1,197. Two boards only pay a telephonic board meeting fee.
- » Among the boards that pay meeting fees, 25 boards compensate directors for meetings in addition to regularly scheduled board meetings; the fee for meetings in excess of regularly scheduled board meetings averages \$2,068. Seven other boards compensate directors only for attendance at special board meetings. The average special board meeting fee is \$2,000.



## THREE-QUARTERS OF BOARDS GRANT STOCK TO DIRECTORS AS PART OF COMPENSATION

- » 76% of S&P 500 boards provide stock grants to directors in addition to paying a cash retainer, compared with 64% a decade ago. The average targeted dollar value of annual stock grants is \$155,328.
- » By comparison, stock options for directors have become much less common. 14% of S&P 500 companies now offer option plans, compared with 51% in 2006. The average targeted value of annual stock option grants is \$95,402.
- » 51% of boards allow directors to choose to receive their compensation in cash, stock or stock units, but only 4% offer stock options as an alternative choice.
- » Eight boards, 2% of the total, pay director retainers fully in stock.
- » 91% of boards disclose having share ownership guidelines for directors, which are meant to align directors' interests with those of stockholders. A decade ago, 62% disclosed director share ownership guidelines. Typically, these guidelines require directors to own a certain number of shares or a multiple of the retainer value within a specified number of years.

### Equity Compensation

	% of S&P 500 boards		
	2016	2011	2006
Stock option program exists	14%	28%	51%
Equity paid in addition to retainer	76%	77%	64%
Equity paid as a part of retainer	22%	18%	21%
Director can elect to receive compensation in cash, stock, or stock units	51%	57%	60%
Director can elect to receive compensation in stock options	4%	5%	7%
Retainer paid fully in stock	2%	2%	3%

## MOST BOARDS PROVIDE A PREMIUM FOR BOARD LEADERSHIP SERVICE

- » 95% of the 132 independent chairmen of S&P 500 boards receive an additional fee, which ranges from \$25,000 to \$820,546 and averages \$165,112. The median premium paid to independent chairmen is \$150,000.
- » 65% of the 417 S&P 500 boards with a lead or presiding director provide additional compensation to directors serving in those roles, compared with 61% of boards one year ago.
- » Lead directors are more likely than presiding directors to receive additional compensation: 80% versus 27%. The average lead director premium is \$33,565, 5% higher than the \$31,848 average premium for presiding directors.
- » Supplemental compensation for lead and presiding directors ranges from \$6,000 to \$175,000 and averages \$33,354 for the combined roles.

## NEARLY ALL BOARDS PROVIDE EXTRA COMPENSATION FOR CHAIRING A COMMITTEE

- » 95% of S&P 500 boards included in our study provide a retainer to committee chairmen, an increase from 91% in 2011 and 84% in 2006. Among these boards, 86% pay a higher retainer to the audit committee chair, and 58% pay more to the compensation committee chair.
- » The average retainer for all committee chairs is \$15,370, an increase from last year's average of \$14,399.
- » Retainers for audit and compensation committee chairs average \$24,989 and \$20,916, respectively.
- » The lowest committee chair retainer is \$3,000, while the highest committee chair retainer — paid to an audit chair — is \$75,000.

## COMPENSATION FOR COMMITTEE SERVICE HAS BECOME MORE COMMON

- » 41% of boards pay a retainer for committee member service, averaging \$8,947. A decade ago, 29% of boards provided a retainer for committee service, which averaged \$6,431.
- » 87% provide a different retainer for audit committee service, which averages \$13,015.
- » 39% of boards now provide a higher premium for compensation committee service, an increase from 24% in 2011 and 8% in 2006. The average compensation committee member retainer is \$11,851.

### Committee Retainers

	Average committee retainers		% of boards paying this type	
	2016	2011	2016	2011
<b>All committee members</b>	<b>\$8,947</b>	<b>\$7,917</b>	<b>41%</b>	<b>37%</b>
<i>Compensation committee members</i>	\$11,851	\$10,600	39%	24%
<i>Audit committee members</i>	\$13,015	\$10,796	87%	89%
<b>All committee chairs</b>	<b>\$15,370</b>	<b>\$12,476</b>	<b>95%</b>	<b>91%</b>
<i>Compensation committee chairs</i>	\$20,916	\$16,761	58%	40%
<i>Audit committee chairs</i>	\$24,989	\$21,382	86%	86%

## ONE-FIFTH OF BOARDS PAY COMMITTEE MEETING FEES

- » Similar to board meeting attendance fees, committee meeting fees have declined as a component of director compensation. 21% of S&P 500 boards pay committee meeting fees, down from 26% last year and 59% a decade ago. The average committee meeting fee is \$1,677, a \$1 less than last year's average.
- » 12% of the 99 boards that provide committee meeting fees pay a higher amount for audit committee meetings than for other committee meetings. The \$2,392 average audit committee meeting fee is 43% higher than the average for all committees. Just five companies pay a higher meeting fee for compensation committee meetings, averaging \$2,300.
- » 16% of the boards providing committee meeting fees pay a different amount for telephonic meetings, which averages \$911. One board pays a higher fee for telephonic audit committee meetings, \$2,000.
- » Only three boards (1%) pay meeting fees to committee chairs, compared with 11% 10 years ago. The average chair committee meeting fee is \$2,550.

## SMALL NUMBER OF BOARDS PROVIDE EXTRA COMPENSATION FOR SPECIAL COMMITTEE SERVICE

- » Seven boards (1%) reported providing additional compensation to directors serving on a special committee. Supplemental retainers for service on special committees ranged in amounts from \$10,000 to \$22,500.
- » Among boards that disclosed the purposes of the special committees, reasons included: addressing shareholder demands (three boards), CEO search or succession planning (one board), overseeing equity investments (one board), SEC and internal investigation (one board), and mergers and acquisitions (one board).

## DIRECTOR COMPENSATION IN HEALTHCARE SECTOR TOPS S&P 500 AVERAGE BY 29%

- » Director compensation within the healthcare sector averages \$369,080, which is 29% higher than the S&P 500 average. By contrast, the \$244,135 average paid to directors in the utility sector, which has the lowest average compensation of all sectors, is 14% lower than the S&P 500 average.
- » Cash represents a larger share of compensation in industry sectors such as utilities and materials, 48% and 45%, respectively, and a smaller share in the healthcare and information technology sectors, 31% and 33%, respectively.
- » Stock awards account for 59% of director compensation among information technology companies and 58% in consumer staples companies, but just 50% of director compensation for materials and utilities companies.

### Average Compensation per Non-employee Director by Industry\*

Industry	Total average compensation	% of total compensation			
		Cash fees**	Stock awards	Option grants	All other compensation***
Consumer discretionary	\$257,811	38%	56%	4%	2%
Consumer staples	\$284,354	36%	58%	4%	2%
Energy	\$313,712	37%	56%	3%	4%
Financials	\$258,712	42%	54%	2%	2%
Healthcare	\$369,080	31%	51%	17%	1%
Industrials	\$267,205	43%	51%	3%	3%
Information technology	\$315,618	33%	59%	7%	1%
Materials	\$266,940	45%	50%	1%	4%
Telecommunication services	\$276,786	44%	55%	0%	1%
Utilities	\$244,135	48%	50%	0%	2%
<b>Average</b>	<b>\$285,065</b>	<b>38%</b>	<b>54%</b>	<b>6%</b>	<b>2%</b>

\*Based on non-employee director compensation tables in 477 proxies for 2016. Includes all board and committee retainers and meeting fees, non-executive chairman and lead/presiding director supplemental fees when applicable, the value of equity compensation and all other compensation paid to non-employee directors in fiscal year 2015. Retiring and new directors are included when paid compensation for at least three quarters of the year.

\*\*Includes deferred compensation amounts.

\*\*\*Includes insurance premiums, charitable award programs and incremental cost to the company of products provided to directors.

## SOUTHWEST SEES THE LARGEST GAIN IN DIRECTOR COMPENSATION

- » Director compensation for boards in the Southwestern U.S. grew by 5% — the largest regional increase — bringing average director compensation to \$292,608. Boards in the Northeast and Southeast regions each had 1% decreases in average director compensation.
- » Average director compensation for companies in the West, already the region with the highest director compensation, rose 1% to \$305,832.
- » Average director compensation in the Midwest region rose 4% to \$258,470.
- » The spread between the highest- and lowest-paying regions has decreased since last year. This year the difference between the regions with the highest and lowest average director compensation was \$48,144, compared with \$51,468 in 2015.

## GREATEST GAIN IN COMPENSATION SEEN FOR DIRECTORS OF SMALLER S&P 500 COMPANIES

- » Average compensation for directors of companies with revenue less than \$2.5 billion grew by 8% to \$282,311, bringing the compensation for these directors higher than the average for directors of companies in the \$2.5-\$10 billion revenue range.
- » Directors of the largest companies, with revenue greater than \$10 billion, receive \$293,425 in annual compensation on average, 4% more than the average compensation for directors of companies with revenue less than \$2.5 billion.

### Average Director Compensation by Region and by Sales

By region		By sales	
West	\$305,832	Less than \$2.5 billion	\$283,213
Southwest	\$292,608	\$2.5-\$10 billion	\$275,355
Northeast	\$298,940	Greater than \$10 billion	\$293,425
Northwest	\$257,688		
Southeast	\$270,417		
Midwest	\$258,470		

# Comparative Board Data

## Methodology:

Based on the S&P 500 as of May 15, 2016. Fiscal year 2015 company sales data obtained from Hoovers; industry/sector categories from Capital IQ. All remaining data were culled from the most recent DEF14A proxy statements released between May 15, 2015 and May 15, 2016. Total average compensation per non-employee director is based on non-employee director compensation tables included in 477 proxies. Amount includes all board and committee retainers and meeting fees, supplemental non-executive chairman and lead/presiding director fees, the value of equity compensation, and all other compensation paid in fiscal year 2015.

# Comparative Board Data

	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS					BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
	COMPANY SALES (\$ IN MILLIONS)	TOTAL	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER	
<b>CONSUMER DISCRETIONARY</b>															
<b>Advertising</b>															
The Interpublic Group of Companies	7,613.8	10	9	N	64	7	74	11	100,000	b	270,516	39%	55%	0%	6%
Omnicom Group	15,134.4	14	12	Y	70	15	75	7	75,000	b,c	262,325	52%	48%	0%	0%
<b>Apparel Retail</b>															
Foot Locker	7,412.0	10	9	Y	65	11	72	5	130,000	b,c,d	262,381	39%	61%	0%	0%
The Gap	15,797.0	10	8	Y	63	12	72	8	75,000	b	265,749	44%	53%	0%	3%
L Brands	11,454.0	11	8	N	71	17	-	7	223,800	d	271,003	52%	48%	0%	0%
Ross Stores	11,041.7	11	7	Y	61	13	-	5	187,500	d	219,187	38%	62%	0%	0%
The TJX Companies	29,078.4	10	8	Y	63	12	75	7	75,000	b	286,959	38%	62%	0%	0%
Urban Outfitters	3,445.1	9	7	N	62	17	-	5	100,000	e	249,200	40%	60%	0%	0%
<b>Apparel, Accessories &amp; Luxury Goods</b>															
Coach	4,191.6	8	7	Y	53	6	-	6	75,000	b,c,e	248,977	40%	30%	30%	0%
Hanesbrands	5,731.6	10	9	N	64	7	72	5	95,000	b	242,987	41%	59%	0%	0%
Michael Kors Holdings Limited	4,371.5	8	6	N	63	4	-	5	60,000	b	245,000	39%	61%	0%	0%
PVH Corporation	8,020.3	10	9	N	58	8	72	7	70,000	b	230,777	41%	59%	0%	0%
Ralph Lauren Corporation	7,405.0	11	8	N	72	12	-	4	70,000	b	189,253	47%	26%	27%	0%
Under Armour	3,963.3	10	8	N	63	8	75	13	75,000	b,c	213,611	41%	59%	0%	0%
V.F. Corporation	12,376.7	12	10	N	59	9	72	7	90,000	b,c,e	249,682	39%	29%	30%	2%
<b>Auto Parts &amp; Equipment</b>															
BorgWarner	8,023.2	10	9	Y	66	11	72	7	92,000	b	235,503	51%	49%	0%	0%
Delphi Automotive	15,165.0	13	12	Y	64	5	75	12	250,000	c,d	279,083	37%	63%	0%	0%
Johnson Controls	37,179.0	10	9	N	59	9	72	16	265,000	c,d	279,444	48%	52%	0%	0%
<b>Automobile Manufacturers</b>															
Ford Motor Company	149,558.0	14	11	Y	65	10	72	8	250,000	c,d,f	295,353	37%	51%	0%	12%
General Motors Company	152,356.0	12	10	N	63	4	72	12	250,000	c,d,f	295,534	27%	69%	0%	4%
<b>Automotive Retail</b>															
Advance Auto Parts	9,737.0	12	9	Y	59	8	72	5	85,000	b	232,143	46%	54%	0%	0%
AutoNation	20,862.0	10	9	N	51	7	-	15	50,000	b	366,867	18%	82%	0%	0%
AutoZone	10,187.3	11	10	N	60	9	75	4	200,000	d,g,h	212,653	13%	87%	0%	0%
CarMax	15,149.7	11	10	Y	63	8	76	5	205,000	d	232,950	43%	56%	0%	1%
O'Reilly Automotive	7,966.7	9	5	Y	69	13	78	4	50,000	b	198,532	61%	39%	0%	0%
<b>Broadcasting</b>															
CBS Corporation	13,886.0	13	8	N	76	10	-	7	100,000	b,c	332,247	37%	61%	0%	2%
Discovery Communications	6,394.0	10	9	Y	67	9	-	15	90,000	b	258,945	44%	55%	0%	1%
Scripps Networks Interactive	3,018.2	12	11	N	58	6	72	8	50,000	b,c,e	236,445	37%	31%	32%	0%
TEGNA	3,050.9	10	9	Y	60	5	70	10	100,000	b,c	206,302	46%	52%	0%	2%
<b>Cable &amp; Satellite</b>															
Comcast Corporation	74,510.0	11	9	N	64	8	72	9	100,000	b,c	311,880	45%	55%	0%	0%
<b>Casinos &amp; Gaming</b>															
Wynn Resorts Limited	4,075.9	9	7	N	68	8	-	10	60,000	b,e	399,311	37%	62%	0%	1%
<b>Computer &amp; Electronics Retail</b>															
Best Buy Co.	39,528.0	10	9	N	57	5	75	7	85,000	b,c	271,353	34%	66%	0%	0%

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	CHAIRMAN/CEO SEPARATE	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOONOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Consumer Electronics</b>															
Garmin	2,820.3	5	4	Y	66	8	-	4	85,000	b	205,390	39%	61%	0%	0%
Harman International Industries	6,155.3	11	10	N	64	8	75	7	80,000	b	239,822	44%	56%	0%	0%
<b>Department Stores</b>															
Kohl's Corporation	19,204.0	10	9	N	58	10	72	7	100,000	b	234,967	57%	43%	0%	0%
Macy's	27,079.0	13	12	N	58	8	74	8	70,000	b,c	243,798	38%	57%	0%	5%
Nordstrom	14,437.0	12	9	Y	57	6	72	5	85,000	b,c	255,444	38%	62%	0%	0%
<b>Distributors</b>															
Genuine Parts Company	15,280.0	13	10	N	63	7	72	4	60,000	b	258,944	29%	71%	0%	0%
<b>Footwear</b>															
NIKE	30,601.0	13	9	Y	60	9	72	5	85,000	b	283,126	32%	61%	0%	7%
<b>General Merchandise Stores</b>															
Dollar General Corporation	20,368.6	8	7	Y	59	6	76	10	85,000	b	224,055	44%	55%	0%	1%
Dollar Tree	15,498.4	11	9	Y	68	12	-	6	180,000	c,i	206,111	100%	0%	0%	0%
Target Corporation	73,785.0	14	13	N	59	7	72	7	260,000	c,d	282,105	33%	67%	0%	0%
<b>Home Furnishing Retail</b>															
Bed Bath & Beyond	12,103.9	10	7	Y	64	13	-	11	100,000	b,c	201,071	55%	45%	0%	0%
<b>Home Furnishings</b>															
Leggett & Platt	3,917.2	9	7	Y	66	14	72	4	195,000	c,d	247,687	31%	61%	0%	8%
Mohawk Industries	8,071.6	9	7	N	63	8	75	5	80,000	b,c	177,877	49%	51%	0%	0%
<b>Home Improvement Retail</b>															
The Home Depot	88,519.0	12	11	N	58	6	72	7	280,000	c,d,f	299,545	21%	77%	0%	2%
Lowe's Companies	59,074.0	11	10	N	62	5	72	5	80,000	b,c	241,456	36%	64%	0%	0%
The Sherwin-Williams Company	11,339.3	11	9	Y	61	7	72	6	110,000	b,c	262,056	45%	55%	0%	0%
<b>Homebuilding</b>															
D.R. Horton	10,824.0	5	4	Y	64	11	75	8	-	b	199,404	39%	61%	0%	0%
Lennar Corporation	9,474.0	9	8	Y	67	13	-	5	90,000	b,d,e	253,617	34%	59%	6%	1%
PulteGroup	5,982.0	10	9	N	60	8	75	6	235,000	d	251,139	44%	56%	0%	0%
<b>Hotels, Resorts &amp; Cruise Lines</b>															
Carnival Corporation	15,714.0	9	7	Y	65	11	75	6	110,000	b	295,068	45%	54%	0%	1%
Marriott International	14,486.0	11	8	Y	63	8	72	7	75,000	b,c	238,329	39%	59%	0%	2%
Royal Caribbean Cruises Ltd.	8,299.0	12	10	N	63	9	-	7	80,000	b	232,247	46%	51%	0%	3%
Wyndham Worldwide Corporation	5,536.0	7	6	N	66	15	75	5	210,000	b,c,d	478,586	28%	49%	0%	23%
<b>Household Appliances</b>															
Whirlpool Corporation	20,891.0	11	9	N	61	8	72	7	125,000	b	258,806	52%	48%	0%	0%
<b>Internet Retail</b>															
Amazon.com	107,006.0	10	9	N	66	10	-	4	265,000	d,g	265,000	0%	100%	0%	0%
NetFlix	6,779.5	9	8	N	57	9	-	5	-	e,g,j	266,364	0%	0%	100%	0%
The Priceline Group	9,224.0	10	9	N	60	8	-	8	50,000	b	345,055	22%	78%	0%	0%
TripAdvisor	1,492.0	8	6	Y	47	4	-	8	50,000	b,c	67,857	100%	0%	0%	0%
<b>Leisure Products</b>															
Hasbro	4,447.5	12	11	N	61	11	72	8	95,000	b,c	324,931	20%	61%	0%	19%
Mattel	5,702.6	10	9	N	60	8	73	8	100,000	b	272,744	44%	48%	0%	8%
<b>Motorcycle Manufacturers</b>															
Harley-Davidson	5,995.4	9	7	Y	62	12	75	5	100,000	b,c	247,000	49%	51%	0%	0%

# Comparative Board Data

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Movies &amp; Entertainment</b>															
Time Warner	28,118.0	11	10	N	65	10	75	7	145,000	b,c,e	289,996	43%	34%	23%	0%
Twenty-First Century Fox	28,987.0	13	8	Y	55	6	-	6	270,000	d,f	294,714	42%	58%	0%	0%
Viacom	13,268.0	11	6	Y	61	11	-	6	100,000	b,c	313,648	44%	56%	0%	0%
The Walt Disney Company	52,465.0	11	9	N	61	9	-	6	105,000	b,c	324,868	40%	55%	0%	5%
<b>Publishing</b>															
News Corporation	8,633.0	12	7	Y	52	3	-	9	225,000	d,f	241,278	48%	52%	0%	0%
<b>Restaurants</b>															
Chipotle Mexican Grill	4,501.2	9	7	N	62	13	-	5	195,000	d	221,217	47%	53%	0%	0%
Darden Restaurants	6,764.0	12	11	Y	56	2	73	19	75,000	b,c,i	210,277	29%	54%	17%	0%
McDonald's Corporation	25,413.0	12	11	Y	62	10	-	10	100,000	b,c	244,214	45%	51%	0%	4%
Starbucks Corporation	19,162.7	12	10	N	60	11	75	7	240,000	c,i	205,424	6%	63%	31%	0%
Yum! Brands	13,105.0	12	11	Y	58	6	72	10	240,000	b,d,e,g,h	n/a	n/a	n/a	n/a	n/a
<b>Specialized Consumer Services</b>															
H&R Block	3,078.7	10	9	Y	62	7	-	8	190,000	d,f	250,609	35%	63%	0%	2%
<b>Specialty Stores</b>															
Signet Jewelers Limited	6,550.2	10	9	Y	66	7	75	7	245,000	d	293,507	46%	54%	0%	0%
Staples	21,059.0	11	10	N	58	6	72	14	75,000	b	292,962	25%	75%	0%	0%
Tiffany & Co.	4,104.9	10	7	Y	69	14	74	6	80,000	b,e	159,099	0%	50%	50%	0%
Tractor Supply Co.	6,226.5	8	7	Y	63	7	72	5	75,000	b	214,815	49%	51%	0%	0%
ULTA Salon, Cosmetics & Fragrance	3,924.1	11	10	Y	62	7	-	6	200,000	d	215,951	49%	51%	0%	0%
<b>Tires &amp; Rubber</b>															
The Goodyear Tire & Rubber Company	16,443.0	13	11	N	63	6	72	8	121,250	b,c	257,779	52%	48%	0%	0%
<b>TOTAL CONSUMER DISCRETIONARY</b>															
Average		10.5	8.7		62.0	8.8	73.3	7.4	128,007		257,811	38%	56%	4%	2%
Median		10.5	9.0		62.3	8.4	72.0	7.0	100,000		250,609				
<b>CONSUMER STAPLES</b>															
<b>Agricultural Products</b>															
Archer-Daniels-Midland Company	67,702.0	12	11	N	60	8	75	8	275,000	c,d	272,455	32%	67%	0%	1%
<b>Brewers</b>															
Molson Coors Brewing Company	3,567.5	14	9	Y	60	6	70	9	100,000	b,c	271,079	40%	46%	0%	14%
<b>Distillers &amp; Vintners</b>															
Brown-Forman Corporation	4,011.0	13	6	Y	61	6	71	7	175,000	c,d,f	218,072	45%	55%	0%	0%
Constellation Brands	7,223.8	9	7	Y	60	12	70	5	70,000	b,e	221,404	45%	32%	23%	0%
<b>Drug Retail</b>															
CVS Health Corporation	153,290.0	11	10	Y	64	6	74	8	280,000	c,d	329,208	25%	74%	0%	1%
Walgreens Boots Alliance	103,444.0	11	8	Y	60	6	75	9	95,000	b,c	305,997	33%	57%	0%	10%
<b>Food Distributors</b>															
Sysco Corporation	48,680.8	12	10	Y	67	10	-	14	100,000	b,c	354,849	46%	52%	0%	2%
<b>Food Retail</b>															
The Kroger Co.	109,830.0	11	10	N	63	11	72	5	85,000	b	265,317	38%	62%	0%	0%
Whole Foods Market	15,389.0	11	9	Y	63	12	-	7	39,780	b,e	351,047	25%	34%	40%	1%



	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS			BOARD FEES (\$)				PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER POINTS	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Household Products</b>															
Church & Dwight Co.	3,394.8	10	8	Y	59	9	72	6	100,000	d,e,g,h	226,750	9%	38%	53%	0%
The Clorox Company	5,655.0	11	10	Y	64	7	72	7	100,000	b,c	235,835	45%	55%	0%	0%
Colgate-Palmolive Company	16,034.0	10	9	N	62	9	72	9	55,000	b,c,e,h	280,337	25%	58%	16%	1%
Kimberly-Clark Corporation	18,591.0	11	10	N	65	12	72	6	100,000	b	275,100	35%	63%	0%	2%
The Procter & Gamble Company	76,279.0	13	11	Y	62	7	72	8	110,000	b,c	295,500	41%	59%	0%	0%
<b>Hypermarkets &amp; Super Centers</b>															
Costco Wholesale Corporation	116,199.0	13	7	Y	68	12	-	5	30,000	b	343,577	11%	89%	0%	0%
Wal-Mart Stores	482,130.0	12	8	Y	56	5	75	6	90,000	b,c	297,804	38%	61%	0%	1%
<b>Packaged Foods &amp; Meats</b>															
Campbell Soup Company	8,082.0	12	11	Y	64	13	72	7	231,000	c,d	275,423	50%	50%	0%	0%
ConAgra Foods	15,832.4	12	11	Y	64	8	72	9	90,000	b	264,393	34%	63%	0%	3%
General Mills	17,630.3	11	10	N	65	11	74	7	75,000	b,c	290,129	27%	62%	0%	11%
The Hershey Company	7,386.6	11	10	N	64	7	72	10	100,000	b,c	241,111	44%	56%	0%	0%
Hormel Foods Corporation	9,263.9	15	12	N	60	7	72	8	70,000	b,c	250,827	34%	64%	0%	2%
The J.M. Smucker Company	7,811.2	13	8	Y	63	11	72	11	85,000	b	212,833	44%	56%	0%	0%
Kellogg Company	13,525.0	12	10	N	60	6	72	10	250,000	c,d	265,921	42%	58%	0%	0%
The Kraft Heinz Company	18,338.0	10	9	Y	62	2	-	6	110,000	b	n/a	n/a	n/a	n/a	n/a
McCormick & Company	4,296.3	11	8	Y	60	9	72	10	90,000	b,e	262,278	38%	38%	24%	0%
Mead Johnson Nutrition Company	4,071.3	13	10	Y	63	6	75	11	50,000	b	315,359	40%	60%	0%	0%
Mondelez International	29,636.0	13	12	N	65	5	75	8	110,000	b	279,716	43%	57%	0%	0%
Tyson Foods	41,373.0	9	7	Y	61	8	72	6	100,000	b,c	283,229	47%	53%	0%	0%
<b>Personal Products</b>															
The Estee Lauder Companies	10,780.4	15	9	Y	61	11	-	6	150,000	b,d,e	265,181	35%	27%	38%	0%
<b>Soft Drinks</b>															
The Coca-Cola Company	44,294.0	15	13	N	65	8	74	6	250,000	c,d,f	265,985	22%	75%	0%	3%
Coca-Cola Enterprises	7,011.0	11	10	N	62	9	72	13	230,000	d	243,233	50%	49%	0%	1%
Dr Pepper Snapple Group	6,282.0	8	7	Y	62	6	70	6	100,000	b,c	249,375	40%	60%	0%	0%
Monster Beverage Corporation	2,722.6	10	6	N	69	18	-	7	205,000	d,e	223,469	35%	65%	0%	0%
PepsiCo	63,056.0	14	13	N	61	5	72	7	275,000	c,d	320,707	35%	64%	0%	1%
<b>Tobacco</b>															
Altria Group	25,434.0	11	10	N	66	8	75	9	100,000	b,c	315,817	39%	55%	0%	6%
Phillip Morris International	73,908.0	12	9	Y	66	5	-	6	125,000	b,c	345,935	48%	52%	0%	0%
Reynolds American	10,675.0	13	9	Y	63	8	72	12	60,000	b,c	497,065	31%	69%	0%	0%
<b>TOTAL CONSUMER STAPLES</b>															
Average		11.8	9.4		62.6	8.2	72.6	7.9	125,967		284,354	36%	58%	4%	2%
Median		12.0	10.0		62.7	7.6	72.0	7.0	100,000		273,777				
<b>ENERGY</b>															
<b>Integrated Oil &amp; Gas</b>															
Chevron Corporation	129,925.0	11	10	N	63	6	72	6	150,000	b,c,i	399,678	33%	58%	7%	2%
Exxon Mobil Corporation	259,488.0	14	12	N	65	7	72	11	110,000	b	344,415	33%	67%	0%	0%
Occidental Petroleum Corporation	12,480.0	11	9	Y	65	7	75	6	125,000	b	428,990	30%	60%	0%	10%

# Comparative Board Data

	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)				PERCENTAGE OF TOTAL COMPENSATION				
	COMPANY SALES (\$ IN MILLIONS)	TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYEE DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Oil &amp; Gas Drilling</b>															
Diamond Offshore Drilling	2,419.0	11	6	Y	71	11	-	7	50,000	e	149,190	42%	0%	58%	0%
Helmerich & Payne	3,165.4	10	8	Y	67	14	-	4	80,000	c,e	236,607	37%	0%	63%	0%
Transocean Ltd.	7,386.0	11	10	Y	60	6	72	7	100,000	b	385,112	33%	62%	0%	5%
<b>Oil &amp; Gas Equipment &amp; Services</b>															
Baker Hughes	15,742.0	13	12	N	68	11	74	9	100,000	b,i	292,423	40%	59%	0%	1%
FMC Technologies	6,362.7	12	11	N	65	8	73	9	60,000	b,c	342,363	20%	79%	0%	1%
Halliburton Company	23,633.0	12	10	N	64	9	72	6	115,000	b,c	413,134	30%	43%	0%	27%
National Oilwell Varco	14,757.0	9	8	N	63	9	72	6	75,000	b,e	283,668	38%	62%	0%	0%
Schlumberger Limited	35,475.0	10	9	N	63	7	70	5	100,000	b	332,595	36%	64%	0%	0%
<b>Oil &amp; Gas Exploration &amp; Production</b>															
Anadarko Petroleum Corporation	9,486.0	11	10	N	59	7	72	7	110,000	b,c	375,674	33%	66%	0%	1%
Apache Corporation	6,383.0	11	10	Y	60	7	75	16	300,000	c,d,f	316,021	35%	64%	0%	1%
Cabot Oil & Gas Corporation	1,357.2	6	5	N	64	5	73	6	75,000	b	297,183	30%	67%	0%	3%
Chesapeake Energy Corporation	12,764.0	9	8	Y	62	4	80	15	100,000	b,c	390,017	26%	74%	0%	0%
Cimarex Energy Co.	1,452.6	10	8	N	70	10	-	5	255,000	d	290,146	37%	62%	0%	1%
Concho Resources	18,035.6	8	5	N	64	6	-	9	50,000	b	289,124	34%	66%	0%	0%
ConocoPhillips	29,564.0	11	10	N	62	6	72	5	115,000	b,c	360,082	37%	61%	0%	2%
Devon Energy Corporation	13,145.0	9	7	Y	64	7	73	7	70,000	b	344,206	33%	67%	0%	0%
EOG Resources	8,757.0	7	6	N	71	12	80	8	140,000	b	344,796	41%	41%	0%	18%
EQT Corporation	1,954.0	10	9	N	65	11	74	6	60,000	b,c	322,529	28%	55%	0%	17%
Hess Corporation	6,636.0	11	10	Y	65	6	75	8	110,000	b	323,449	46%	54%	0%	0%
Marathon Oil Corporation	5,596.0	8	7	Y	63	7	72	8	150,000	b	359,124	50%	49%	0%	1%
Murphy Oil Corporation	2,787.1	12	10	Y	63	11	72	6	60,000	b	314,314	34%	64%	0%	2%
Newfield Exploration Company	1,557.0	9	8	N	62	8	72	5	75,000	b	291,194	31%	69%	0%	0%
Noble Energy	3,133.0	11	10	N	64	12	75	17	75,000	b,e	289,773	45%	28%	27%	0%
Pioneer Natural Resources Company	3,142.0	13	11	N	61	5	-	11	275,000	d	264,715	19%	80%	0%	1%
Range Resources Corporation	1,181.7	9	8	N	63	9	-	10	50,000	b,c	321,971	22%	78%	0%	0%
Southwestern Energy Company	3,133.0	8	7	Y	62	7	75	7	50,000	b,e	239,303	39%	40%	20%	1%
<b>Oil &amp; Gas Refining &amp; Marketing</b>															
Marathon Petroleum Corporation	72,051.0	10	8	N	64	4	72	13	150,000	b	364,417	53%	46%	0%	1%
Phillips 66	98,975.0	8	7	N	65	4	75	8	125,000	b,c	321,361	43%	53%	0%	4%
Tesoro Corporation	28,711.0	10	9	N	67	7	75	11	270,000	c,d	309,557	45%	49%	0%	6%
Valero Energy Corporation	87,804.0	9	8	N	64	8	75	6	120,000	b	302,409	44%	56%	0%	0%
<b>Oil &amp; Gas Storage &amp; Transportation</b>															
Kinder Morgan	14,403.0	15	12	Y	70	4	-	9	200,000	c	200,734	85%	15%	0%	0%
ONEOK	7,763.2	11	9	Y	62	8	73	17	200,000	c,d	204,950	30%	66%	0%	4%
Spectra Energy Corporation	5,234.0	11	10	N	65	7	74	12	225,000	d	238,511	48%	52%	0%	0%
<b>TOTAL ENERGY</b>															
Average		10.3	8.8		64.3	7.7	73.7	8.6	124,306		313,712	37%	56%	3%	4%
Median		10.5	9.0		64.2	7.0	73.0	7.5	110,000		318,691				

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS			BOARD FEES (\$)				PERCENTAGE OF TOTAL COMPENSATION					
		TOTAL	INDEPENDENT DIRECTORS	CHAIRMAN/CEO	SEPARATE	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER POINTS	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>FINANCIALS</b>																
<b>Asset Management &amp; Custody Banks</b>																
Affiliated Managers Group	2,484.5	8	7	N	54	6	-	6	80,000	b,e	323,077	38%	25%	37%	0%	
Ameriprise Financial	12,170.0	8	7	N	65	8	75	6	205,000	c,d	280,627	38%	45%	0%	17%	
The Bank of New York Mellon Corporation	15,494.0	11	10	N	64	12	75	17	110,000	b,c	286,122	53%	45%	0%	2%	
BlackRock	11,401.0	19	16	N	65	6	75	7	75,000	b,c,d	266,400	44%	56%	0%	0%	
Franklin Resources	7,948.7	10	7	N	60	5	75	6	85,000	b,c	217,938	34%	66%	0%	0%	
Invesco	5,122.9	7	6	Y	67	8	75	13	120,000	b	310,459	53%	47%	0%	0%	
Legg Mason	2,660.8	11	10	N	66	7	75	8	50,000	b,h	243,980	41%	58%	0%	1%	
Northern Trust Corporation	4,856.5	12	11	N	59	8	72	9	220,000	c,d	232,267	52%	47%	0%	1%	
State Street Corporation	10,760.0	11	10	N	63	10	75	8	75,000	b,c	314,300	35%	60%	0%	5%	
T. Rowe Price Group	4,200.6	12	9	Y	64	6	72	7	100,000	b,c,e,k	354,106	35%	53%	9%	3%	
<b>Consumer Finance</b>																
American Express Company	34,441.0	13	12	N	63	7	72	10	95,000	b,c	310,508	41%	53%	0%	6%	
Capital One Financial Corporation	25,038.0	11	10	N	62	9	72	13	90,000	b	336,417	45%	51%	0%	4%	
Discover Financial Services	10,002.0	12	11	N	62	7	-	15	90,000	b	249,386	48%	52%	0%	0%	
Navient Corporation	5,197.0	12	11	Y	62	9	75	10	100,000	b	237,036	56%	44%	0%	0%	
Synchrony Financial	13,620.0	9	8	Y	61	1	75	14	160,000	d	271,424	59%	41%	0%	0%	
<b>Diversified Banks</b>																
Bank of America Corporation	93,056.0	13	12	N	65	5	72	21	100,000	b,c	329,732	35%	62%	0%	3%	
Citigroup	88,275.0	16	14	Y	63	5	72	20	75,000	b,c	362,250	59%	41%	0%	0%	
Comerica	2,834.0	9	8	N	59	12	72	8	50,000	b,c	178,328	52%	48%	0%	0%	
JPMorgan Chase & Co.	101,006.0	11	10	N	65	9	72	11	75,000	b,c	353,000	28%	64%	0%	8%	
U.S. Bancorp	21,494.0	14	13	N	60	9	72	8	90,000	b,c	258,845	46%	54%	0%	0%	
Wells Fargo & Company	90,033.0	15	14	N	65	10	72	9	75,000	b,c	340,772	45%	55%	0%	0%	
<b>Healthcare REITs</b>																
HCP	2,544.3	8	7	Y	68	14	-	15	75,000	d,e	236,440	49%	51%	0%	0%	
Ventas	3,283.9	9	8	N	61	7	75	8	90,000	d,e	236,742	45%	55%	0%	0%	
Welltower	3,859.8	10	9	Y	65	9	75	4	75,000	d	228,776	45%	55%	0%	0%	
<b>Hotel &amp; Resort REITs</b>																
Host Hotels & Resorts	5,387.0	9	7	Y	64	11	-	5	200,000	c,d	251,630	34%	46%	0%	20%	
<b>Industrial REITs</b>																
ProLogis	2,197.1	10	9	N	64	11	72	7	100,000	b	270,537	41%	55%	0%	4%	
<b>Insurance Brokers</b>																
Aon plc	11,682.0	11	10	Y	67	12	-	7	120,000	b,c	334,358	38%	53%	0%	9%	
Marsh & McLennan Companies	12,893.0	11	10	Y	64	7	75	9	110,000	b,c	272,743	49%	51%	0%	0%	
Willis Towers Watson Public Limited Company	3,829.0	12	10	Y	62	8	-	11	230,000	d	251,651	48%	47%	0%	5%	
<b>Investment Banking &amp; Brokerage</b>																
The Charles Schwab Corporation	6,380.0	15	13	Y	68	13	-	7	100,000	b,c,e,i	293,532	48%	28%	23%	1%	
E*TRADE Financial Corporation	1,557.0	11	10	Y	66	5	-	13	50,000	b	249,824	51%	49%	0%	0%	
The Goldman Sachs Group	39,208.0	13	10	N	62	6	75	14	75,000	b,d,g,h	607,633	5%	90%	0%	5%	
Morgan Stanley	37,897.0	14	13	N	63	5	72	16	75,000	b,c	351,072	28%	71%	0%	1%	

# Comparative Board Data

	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS					BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
	COMPANY SALES (\$ IN MILLIONS)	TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER POINTS	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Life &amp; Health Insurance</b>															
AFLAC	20,872.0	13	8	N	67	13	75	4	115,000	b,c,e,i,k	268,458	48%	47%	5%	0%
Lincoln National Corporation	13,572.0	10	9	Y	69	13	75	4	247,000	c,d,f	283,675	32%	64%	0%	4%
MetLife	69,951.0	12	11	N	63	7	72	8	300,000	d	281,408	52%	47%	0%	1%
Principal Financial Group	11,964.4	10	9	N	63	11	72	10	225,000	c,d	262,001	50%	50%	0%	0%
Prudential Financial	57,119.0	13	11	N	62	7	74	10	300,000	c,d	322,963	54%	46%	0%	0%
Torchmark Corporation	3,766.1	11	9	N	66	12	74	4	210,000	c,d,i	223,792	42%	36%	22%	0%
Unum Group	10,731.3	13	11	Y	61	6	72	9	110,000	b,c	253,452	43%	56%	0%	1%
<b>Multi-line Insurance</b>															
American International Group	58,327.0	16	15	Y	63	5	75	14	280,000	c,d,f	317,805	59%	41%	0%	0%
Assurant	10,325.5	10	9	Y	65	8	75	10	100,000	b,c	222,251	55%	45%	0%	0%
The Hartford Financial Services Group	18,377.0	11	10	N	62	8	75	7	100,000	b,c	280,880	23%	76%	0%	1%
Loews Corporation	13,415.0	14	11	Y	69	11	-	9	100,000	b	177,132	65%	0%	35%	0%
<b>Multi-sector Holdings</b>															
Berkshire Hathaway	210,821.0	12	8	N	68	12	-	3	-	-	4,170	100%	0%	0%	0%
Leucadia National Corporation	10,886.5	11	8	Y	66	4	-	7	115,000	b	240,000	50%	50%	0%	0%
<b>Office REITs</b>															
Boston Properties	2,490.8	11	9	Y	67	9	75	7	67,500	b,c	202,595	43%	57%	0%	0%
SL Green Realty Corporation	1,662.8	8	5	Y	69	13	-	4	50,000	b,c	381,300	25%	75%	0%	0%
Vornado Realty Trust	2,502.3	9	7	N	75	21	-	7	75,000	b	193,910	50%	50%	0%	0%
<b>Property &amp; Casualty Insurance</b>															
The Allstate Corporation	35,653.0	10	9	N	62	6	72	9	105,000	b,c	267,393	44%	56%	0%	0%
Chubb Limited	18,987.0	17	16	N	65	10	75	8	260,000	d	383,198	37%	54%	0%	9%
Cincinnati Financial Corporation	5,142.0	15	10	Y	60	12	73	4	80,000	d	187,382	51%	46%	0%	3%
The Progressive Corporation	20,853.8	9	8	N	62	9	80	8	250,000	d,g,h	270,566	0%	100%	0%	0%
The Travelers Companies	26,800.0	14	12	Y	66	11	74	5	125,000	b,c	302,913	45%	55%	0%	0%
XL Group	9,308.9	13	11	Y	68	7	-	7	105,000	b,c	288,528	48%	52%	0%	0%
<b>Real Estate Services</b>															
CBRE Group	10,855.8	10	9	Y	62	7	-	5	75,000	b,c	235,350	36%	64%	0%	0%
<b>Regional Banks</b>															
BB&T Corporation	10,346.0	18	16	N	65	5	72	10	60,000	b	196,512	50%	50%	0%	0%
Citizens Financial Group	5,276.0	12	11	N	66	6	75	11	175,000	d	179,027	49%	50%	0%	1%
Fifth Third Bancorp	7,031.0	11	10	Y	61	6	70	13	50,000	b	289,696	56%	40%	0%	4%
Huntington Bancshares	3,153.3	11	9	N	62	8	-	15	35,000	b,c	221,725	50%	50%	0%	0%
KeyCorp	4,502.0	14	13	N	60	6	72	11	70,000	b,c	181,500	50%	50%	0%	0%
M&T Bank Corporation	5,010.1	16	12	N	72	16	-	12	85,000	c	169,040	45%	55%	0%	0%
People's United Financial	1,378.7	12	9	Y	68	13	76	12	24,000	b,c	181,294	47%	53%	0%	0%
The PNC Financial Services Group	16,270.0	13	12	N	63	8	72	10	67,500	b,c	312,790	37%	44%	0%	19%
Regions Financial Corporation	5,674.0	11	10	N	65	9	72	9	165,000	c,d	214,682	51%	49%	0%	0%
SunTrust Banks	8,533.0	11	10	N	62	5	72	6	70,000	b	231,659	46%	52%	0%	2%
Zions Bancorporation	2,210.6	11	9	N	63	12	72	13	40,000	b,c	157,152	52%	48%	0%	0%
<b>Residential REITs</b>															
Apartment Investment and Management Company	981.3	8	7	N	66	11	-	5	25,000	b	209,217	12%	88%	0%	0%
AvalonBay Communities	1,856.0	9	8	N	63	7	72	5	70,000	b,c	207,585	23%	77%	0%	0%

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Residential REITs (continued)</b>															
Equity Residential	2,745.0	13	11	Y	61	11	72	7	180,000	d,e,i	207,777	40%	57%	3%	0%
Essex Property Trust	1,194.4	9	7	Y	67	11	-	6	30,000	e,k	102,545	43%	14%	43%	0%
UDR	894.6	10	9	Y	67	10	-	8	80,000	b,c	207,557	34%	64%	0%	2%
<b>Retail REITs</b>															
Federal Realty Investment Trust	744.0	7	6	Y	62	13	72	5	175,000	d	195,329	42%	57%	0%	1%
General Growth Properties	2,403.9	9	8	Y	56	5	-	8	200,000	c,d	180,002	40%	60%	0%	0%
Kimco Realty Corporation	1,166.8	8	6	Y	74	16	-	5	60,000	b,c	288,599	39%	61%	0%	0%
The Macerich Co.	1,288.1	10	7	N	62	7	75	12	60,000	b,c	207,906	47%	53%	0%	0%
Realty Income Corporation	1,023.3	8	7	Y	63	10	-	17	15,000	b	235,516	20%	80%	0%	0%
Simon Property Group	5,266.1	11	8	N	66	8	-	8	100,000	b	273,624	42%	58%	0%	0%
<b>Specialized Finance</b>															
Intercontinental Exchange	3,338.0	8	7	N	64	11	75	9	85,000	b,c	356,845	31%	53%	0%	16%
Moody's Corporation	3,484.5	9	8	Y	64	8	-	11	90,000	b	267,464	39%	60%	0%	1%
Nasdaq	3,403.0	10	9	Y	58	6	-	20	80,000	b,c	262,200	37%	63%	0%	0%
S&P Global	5,313.0	10	9	Y	66	9	72	9	70,000	b	232,596	50%	50%	0%	0%
<b>Specialized REITs</b>															
American Tower Corporation	4,771.5	10	9	N	64	9	-	11	85,000	b	251,203	36%	32%	32%	0%
Crown Castle International Corp.	3,663.9	12	10	Y	64	12	-	8	75,000	b	214,489	38%	62%	0%	0%
Equinix	2,725.9	10	8	Y	61	7	75	18	60,000	b	339,259	26%	74%	0%	0%
Extra Space Storage	782.3	7	4	Y	67	7	-	7	65,000	b	169,063	50%	50%	0%	0%
Public Storage	2,381.7	8	5	N	65	12	70	5	120,000	e	206,507	66%	34%	0%	0%
Weyerhaeuser Company	7,082.0	13	11	Y	61	10	72	6	220,000	c,d	244,791	48%	52%	0%	0%
<b>TOTAL FINANCIALS</b>															
Average		11.2	9.6		64.0	8.9	73.5	9.3	110,356		258,712	42%	54%	2%	2%
Median		11.0	9.0		63.7	8.5	73.0	8.0	90,000		262,200				
<b>HEALTHCARE</b>															
<b>Biotechnology</b>															
AbbVie	22,859.0	9	8	N	61	3	75	10	126,000	b,c,i	294,290	46%	49%	0%	5%
Alexion Pharmaceuticals	2,604.0	11	9	Y	64	6	-	5	95,000	b,e	343,554	34%	32%	34%	0%
Amgen	21,622.0	13	12	N	66	8	72	6	100,000	b	332,314	40%	60%	0%	0%
Biogen Idec	10,763.8	11	10	Y	61	10	75	16	65,000	b	438,862	33%	65%	0%	2%
Celgene Corporation	9,256.0	12	9	Y	67	8	-	8	75,000	b,e	574,365	19%	20%	61%	0%
Gilead Sciences	32,639.0	9	7	Y	70	10	-	5	75,000	b,c,e	422,148	28%	36%	36%	0%
Regeneron Pharmaceuticals	4,103.7	10	7	Y	68	18	-	7	55,000	e	2,061,048	4%	0%	96%	0%
Vertex Pharmaceuticals	1,032.3	9	8	N	59	10	-	7	85,000	b,e	1,320,797	5%	95%	0%	0%
<b>Health Care Technology</b>															
Cerner Corporation	4,425.3	9	7	N	70	11	75	4	66,000	b	337,035	25%	75%	0%	0%
<b>Healthcare Distributors</b>															
AmerisourceBergen Corporation	135,961.8	10	8	N	62	7	75	4	100,000	b,c	243,750	46%	54%	0%	0%
Cardinal Health	102,531.0	11	10	N	63	6	75	10	100,000	b	260,773	37%	63%	0%	0%
Henry Schein	10,629.7	15	10	N	69	8	80	7	50,000	b	260,650	29%	71%	0%	0%
McKesson Corporation	190,884.0	11	10	N	66	10	75	7	75,000	b	270,827	42%	58%	0%	0%

# Comparative Board Data

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION					
		TOTAL	INDEPENDENT DIRECTORS	CHAIRMAN/CEO	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER POINTS	AVERAGE COMPENSATION PER NON-EMPLOYEE DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Healthcare Distributors (continued)</b>																
Patterson Companies	4,375.0	8	7	N	60	8	75	14	90,000	b	171,468	40%	60%	0%	0%	
<b>Healthcare Equipment</b>																
Abbott Laboratories	20,405.0	11	10	N	64	8	75	6	126,000	b	282,404	47%	48%	0%	5%	
Baxter International	9,968.0	12	11	N	65	9	72	12	65,000	b,e	317,912	42%	36%	17%	5%	
Becton, Dickinson and Company	10,282.0	12	11	N	65	10	72	6	92,000	b,c	288,927	33%	66%	0%	1%	
Boston Scientific Corporation	7,477.0	10	9	N	57	3	-	5	90,000	b,c,i	292,455	35%	57%	6%	2%	
C.R. Bard	3,416.0	12	10	N	66	11	74	6	62,500	b,c	279,313	34%	36%	0%	30%	
Edwards Lifesciences Corporation	2,493.7	8	7	N	65	4	75	8	40,000	b,c,e,i	291,919	14%	75%	11%	0%	
Hologic	2,705.0	10	9	N	58	6	72	6	60,000	b,e	257,900	30%	35%	35%	0%	
Intuitive Surgical	2,384.4	9	7	Y	63	7	-	5	60,000	b,e	425,083	17%	60%	23%	0%	
Medtronic	20,261.0	13	12	N	61	8	72	13	175,000	b	236,219	52%	48%	0%	0%	
St. Jude Medical	5,541.0	10	8	Y	62	10	75	7	100,000	b,c	271,004	37%	63%	0%	0%	
Stryker Corporation	9,946.0	9	8	N	60	16	-	9	60,000	b,e	304,265	44%	29%	27%	0%	
Varian Medical Systems	3,099.1	10	8	Y	61	8	75	8	100,000	b,c	297,007	46%	54%	0%	0%	
Zimmer Biomet Holdings	5,997.8	12	11	Y	58	6	72	5	95,000	b,c,d,f	308,686	31%	67%	0%	2%	
<b>Healthcare Facilities</b>																
HCA Holdings	39,678.0	12	8	N	65	3	75	6	100,000	b	302,906	42%	58%	0%	0%	
Universal Health Services	9,043.5	7	4	N	61	14	-	6	40,000	e	375,655	15%	0%	85%	0%	
<b>Healthcare Services</b>																
DaVita Healthcare Partners	13,781.8	10	9	N	63	11	75	9	80,000	b,e	315,042	47%	30%	23%	0%	
Express Scripts Holding Co.	101,751.8	12	10	Y	63	9	75	7	100,000	b,e	287,450	30%	35%	35%	0%	
Laboratory Corporation of America Holdings	8,505.7	10	9	N	58	8	75	6	100,000	b	253,672	41%	59%	0%	0%	
Quest Diagnostics	7,493.0	10	9	Y	65	10	-	9	96,500	b,c,i	270,515	35%	65%	0%	0%	
<b>Healthcare Supplies</b>																
DENTSPLY Sirona	2,674.3	11	9	Y	65	12	75	9	70,000	b,c,e	234,889	36%	32%	32%	0%	
<b>Life Sciences Tools &amp; Services</b>																
Agilent Technologies	4,038.0	10	9	Y	66	9	75	12	90,000	b,c	298,842	39%	61%	0%	0%	
Illumina	2,219.8	8	6	N	62	8	-	8	55,000	b,c	484,271	17%	83%	0%	0%	
PerkinElmer	2,262.4	8	7	N	64	11	72	7	90,000	b	264,310	34%	60%	6%	0%	
Thermo Fisher Scientific	16,965.4	10	8	Y	62	8	72	13	100,000	b,c	293,300	44%	51%	0%	5%	
Waters Corporation	2,042.3	10	8	Y	62	18	72	7	55,000	b,c,e	335,729	27%	41%	32%	0%	
<b>Managed Healthcare</b>																
Aetna	60,336.5	12	11	N	68	12	76	17	95,000	b,c	311,359	34%	51%	0%	15%	
Anthem	79,156.5	9	8	N	65	8	72	23	95,000	b	347,224	45%	50%	0%	5%	
Centene Corporation	22,760.0	8	7	N	69	12	-	17	125,000	b,c,e	361,574	5%	90%	0%	5%	
CIGNA Corporation	37,876.0	11	10	Y	62	9	72	25	275,000	c,d	319,408	43%	56%	0%	1%	
Humana	54,289.0	10	9	Y	59	11	73	21	105,000	b,c	312,907	43%	50%	0%	7%	
UnitedHealth Group	157,107.0	10	8	Y	70	15	-	10	125,000	b,c	345,628	50%	45%	0%	5%	
<b>Pharmaceuticals</b>																
Allergan plc	15,071.0	12	10	Y	64	7	-	15	125,000	b	455,062	45%	55%	0%	0%	
Bristol-Myers Squibb Company	16,560.0	11	9	Y	62	7	75	7	90,000	b,c	302,451	41%	53%	0%	6%	
Eli Lilly & Company	19,958.7	14	13	N	62	10	72	9	110,000	b,c	283,467	45%	52%	0%	3%	
Endo International plc	3,268.7	9	8	Y	63	8	-	9	140,000	b,c	525,714	43%	57%	0%	0%	

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER POINTS	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Pharmaceuticals (continued)</b>															
Johnson & Johnson	70,074.0	11	10	N	64	6	72	10	110,000	b	292,914	42%	53%	0%	5%
Mallinckrodt Public Limited Company	3,346.9	11	10	Y	63	3	72	9	100,000	b	353,150	33%	67%	0%	0%
Merck & Co.	39,498.0	13	12	N	63	9	72	8	110,000	b,c	273,490	41%	59%	0%	0%
Perrigo Company Public Limited Company	4,603.9	10	8	N	63	13	72	11	75,000	b	431,243	30%	70%	0%	0%
Pfizer	48,851.0	11	10	N	64	7	73	13	137,500	b,c	333,733	47%	49%	0%	4%
Zoetis	4,765.0	11	9	Y	63	2	-	14	270,000	d,f	283,889	40%	60%	0%	0%
<b>TOTAL HEALTHCARE</b>															
Average		10.5	8.9		63.5	8.9	73.8	9.5	97,209		369,080	31%	51%	17%	1%
Median		10.0	9.0		63.2	8.4	75.0	8.0	95,000		297,007				
<b>INDUSTRIALS</b>															
<b>Aerospace &amp; Defense</b>															
The Boeing Company	96,114.0	12	11	N	63	7	74	7	130,000	b,c	329,352	43%	50%	0%	7%
General Dynamics Corporation	31,469.0	12	10	N	64	9	75	8	70,000	b,c,e	278,413	48%	26%	25%	1%
Honeywell International	38,581.0	12	11	N	63	8	72	7	100,000	b,c,e	315,669	61%	16%	16%	7%
L-3 Communications Holdings	10,466.0	10	9	N	70	8	-	10	110,000	b,c	255,136	50%	47%	0%	3%
Lockheed Martin Corporation	46,132.0	11	10	N	66	9	75	10	290,000	c,d	285,956	53%	45%	0%	2%
Northrop Grumman Corporation	23,526.0	13	12	N	66	6	72	9	262,500	c,d,f	289,069	48%	48%	0%	4%
Raytheon Company	23,247.0	10	9	N	63	7	74	9	90,000	b,c	316,223	51%	47%	0%	2%
Rockwell Collins	5,244.0	9	8	N	67	10	74	6	100,000	b,c	263,713	44%	54%	0%	2%
Textron	13,423.0	11	10	N	69	12	75	6	235,000	c,d,f	248,900	58%	40%	0%	2%
United Technologies Corporation	56,098.0	13	12	Y	68	10	72	10	280,000	c,d,f	296,764	23%	76%	0%	1%
<b>Agricultural and Farm Machinery</b>															
Deere & Company	28,863.0	11	10	N	62	6	72	5	120,000	b,c	249,443	50%	49%	0%	1%
<b>Air Freight &amp; Logistics</b>															
C.H. Robinson Worldwide	13,476.1	9	8	N	62	10	-	5	80,000	b,c	219,375	43%	57%	0%	0%
Expeditors International of Washington	6,616.6	11	9	Y	63	7	72	6	65,000	b	266,812	25%	75%	0%	0%
FedEx Corporation	47,453.0	12	11	N	58	10	75	9	111,000	e	264,301	45%	55%	0%	0%
United Parcel Service	58,363.0	11	10	N	61	8	75	8	100,000	b	242,202	40%	60%	0%	0%
<b>Airlines</b>															
Alaska Air Group	5,598.0	11	10	N	60	9	72	10	150,000	c,d	135,427	37%	55%	0%	8%
American Airlines Group	40,990.0	13	12	N	62	3	75	6	100,000	b	287,542	42%	49%	0%	9%
Delta Air Lines	40,704.0	14	11	Y	62	5	72	12	90,000	b	301,522	38%	57%	0%	5%
Southwest Airlines Co.	19,820.0	11	9	N	67	8	75	6	70,000	b	244,329	47%	53%	0%	0%
United Continental Holdings	37,864.0	14	11	Y	60	4	75	11	85,000	b	312,903	52%	41%	0%	7%
<b>Building Products</b>															
Allegion Public Limited Company	2,068.1	6	5	N	62	3	70	5	140,000	b	273,704	68%	26%	0%	6%
Masco Corporation	7,142.0	10	8	Y	60	7	72	7	240,000	d	255,631	52%	48%	0%	0%
<b>Construction &amp; Engineering</b>															
Fluor Corporation	18,114.0	11	10	N	65	9	75	6	115,000	b	261,167	47%	52%	0%	1%
Jacobs Engineering Group	12,114.8	11	9	Y	66	9	-	9	88,000	b,e	203,649	43%	33%	24%	0%
Quanta Services	7,572.4	10	9	Y	60	8	73	13	75,000	b	268,909	42%	58%	0%	0%

# Comparative Board Data

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Construction Machinery &amp; Heavy Trucks</b>															
Caterpillar	47,011.0	12	11	N	61	8	72	7	275,000	c,d	276,723	50%	46%	0%	4%
Cummins	19,110.0	10	9	N	63	9	72	5	250,000	d	270,131	41%	57%	0%	2%
PACCAR	19,115.1	11	8	Y	62	6	72	4	100,000	b,c	255,270	49%	51%	0%	0%
<b>Diversified Support Services</b>															
Cintas Corporation	4,476.9	9	6	Y	64	7	73	4	55,000	b,c,e	182,765	46%	27%	27%	0%
Iron Mountain	3,008.0	12	11	Y	61	7	75	13	75,000	b,c	242,437	44%	56%	0%	0%
<b>Electrical Components &amp; Equipment</b>															
Acuity Brands	2,706.7	10	9	N	67	9	72	5	205,000	c,d,f	183,333	45%	55%	0%	0%
AMETEK	3,974.3	8	7	N	65	12	75	7	90,000	b,c,e	213,384	45%	29%	26%	0%
Eaton Corporation	20,855.0	13	11	N	64	10	72	5	265,000	c,d	334,511	48%	43%	0%	9%
Emerson Electric Company	22,304.0	11	10	N	63	8	72	10	240,000	d	282,558	47%	50%	0%	3%
Rockwell Automation	6,307.9	9	8	N	61	9	72	6	165,000	b,c,d	219,902	44%	52%	0%	4%
<b>Environmental &amp; Facilities Services</b>															
Republic Services	9,115.0	10	9	Y	62	8	73	6	80,000	b	409,571	26%	74%	0%	0%
Stericycle	2,985.9	10	8	Y	67	10	-	8	125,000	e,g,h	130,904	0%	0%	100%	0%
Waste Management	12,961.0	10	9	Y	65	9	75	7	110,000	b	282,500	46%	54%	0%	0%
<b>Human Resource &amp; Employment Services</b>															
Robert Half International	5,094.9	7	5	N	64	12	-	5	40,000	b	344,361	19%	81%	0%	0%
<b>Industrial Conglomerates</b>															
3M Company	30,274.0	12	11	N	65	6	74	8	280,000	c,d	293,479	45%	54%	0%	1%
Danaher Corporation	20,563.1	10	7	Y	66	17	72	8	110,000	b,c,e	265,567	30%	43%	27%	0%
General Electric Company	117,386.0	16	15	N	60	8	75	13	250,000	c,d,f	306,201	21%	72%	0%	7%
Roper Technologies	3,582.4	9	8	N	65	12	78	6	42,500	b	751,973	7%	93%	0%	0%
<b>Industrial Machinery</b>															
Dover Corporation	6,956.3	11	10	Y	66	10	75	12	240,000	d	256,591	52%	48%	0%	0%
Flowserve Corporation	4,561.0	10	9	Y	61	8	72	12	60,000	b,c	223,221	44%	56%	0%	0%
Illinois Tool Works	13,405.0	11	10	N	60	8	75	5	135,000	b,c	272,781	54%	46%	0%	0%
Ingersoll-Rand	13,300.7	12	11	N	67	10	75	6	285,000	d	281,874	49%	51%	0%	0%
Parker-Hannifin Corporation	12,711.7	14	11	Y	63	12	75	7	120,000	b	257,729	49%	49%	0%	2%
Pentair Ltd.	6,449.0	11	10	N	61	9	75	5	123,000	b,e	290,134	53%	28%	19%	0%
Snap-on	3,593.1	9	8	N	62	7	75	8	85,000	b,c	246,545	39%	53%	0%	8%
Stanley Black & Decker	11,171.8	11	10	N	63	6	72	5	125,000	b,c	260,422	52%	48%	0%	0%
Xylem	3,653.0	10	9	Y	63	5	72	7	100,000	b,c	240,906	47%	53%	0%	0%
<b>Office Services &amp; Supplies</b>															
Pitney Bowes	3,578.1	11	10	Y	65	11	72	8	75,000	b	216,408	52%	46%	0%	2%
<b>Railroads</b>															
CSX Corporation	11,811.0	12	11	N	65	9	75	6	90,000	b,c	290,967	34%	52%	0%	14%
Kansas City Southern	2,418.8	9	8	Y	64	9	75	5	50,000	b,c	215,000	48%	42%	0%	10%
Union Pacific Corporation	21,813.0	11	10	N	68	9	75	6	250,000	c,d,f	282,930	93%	0%	0%	7%
<b>Research &amp; Consulting Services</b>															
The Dun & Bradstreet Corporation	1,637.1	10	9	Y	56	5	72	9	70,000	b,c,e	229,709	41%	52%	0%	7%
Equifax	2,663.6	10	9	N	64	10	72	4	80,000	b,c	242,358	38%	62%	0%	0%
Nielsen Holdings plc	6,172.0	11	9	Y	61	5	-	5	80,000	b,c	229,209	12%	88%	0%	0%
Verisk Analytics	2,068.0	12	11	N	65	12	75	10	82,500	b,c,e,i	242,732	18%	41%	41%	0%



	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Security &amp; Alarm Services</b>															
Tyco International	9,902.0	11	9	Y	64	8	72	6	110,000	b	266,000	46%	53%	0%	1%
<b>Trading Companies &amp; Distributors</b>															
Fastenal Company	3,869.2	9	6	Y	54	6	74	4	55,000	-	113,167	100%	0%	0%	0%
United Rentals	5,817.0	11	10	Y	63	10	-	6	80,000	b	266,249	45%	55%	0%	0%
W.W. Grainger	9,973.4	10	9	N	63	13	75	7	85,000	b,c	243,327	38%	61%	0%	1%
<b>Trucking</b>															
J.B. Hunt Transport Services	6,187.6	10	6	Y	59	9	72	4	200,000	c	195,140	39%	60%	0%	1%
Ryder System	6,571.9	11	10	N	62	9	72	6	65,000	b,c	240,311	46%	53%	0%	1%
<b>TOTAL INDUSTRIALS</b>															
Average		10.8	9.4		63.2	8.4	73.5	7.3	131,811		267,205	43%	51%	3%	3%
Median		11.0	9.5		63.0	8.5	74.0	7.0	100,000		262,440				
<b>INFORMATION TECHNOLOGY</b>															
<b>Application Software</b>															
Adobe Systems	4,795.5	11	10	N	60	9	72	10	150,000	c,d	349,484	25%	75%	0%	0%
Autodesk	2,504.1	10	9	N	63	9	72	5	250,000	d	347,753	25%	75%	0%	0%
Citrix Systems	3,275.6	13	11	N	64	10	72	5	265,000	c,d	412,369	36%	64%	0%	0%
Intuit	4,192.0	11	10	N	66	9	75	10	290,000	c,d	393,043	25%	75%	0%	0%
salesforce.com	6,667.2	11	10	N	63	6	72	5	125,000	b,c	600,604	11%	89%	0%	0%
<b>Communications Equipment</b>															
Cisco Systems	49,161.0	11	10	Y	66	10	75	12	240,000	d	326,987	37%	63%	0%	0%
F5 Networks	1,919.8	10	9	Y	61	8	72	12	60,000	b,c	343,060	27%	73%	0%	0%
Harris Corporation	5,083.0	12	11	Y	61	7	75	13	75,000	b,c	250,045	47%	52%	0%	1%
Juniper Networks	4,857.8	10	8	Y	60	7	72	7	240,000	d	411,664	30%	70%	0%	0%
Motorola Solutions	5,695.0	10	9	N	63	7	74	9	90,000	b,c	245,839	33%	67%	0%	0%
<b>Data Processing &amp; Outsourced Services</b>															
Alliance Data Systems Corporation	6,439.7	13	12	N	62	3	75	6	100,000	b	253,581	27%	72%	0%	1%
Automatic Data Processing	10,938.5	10	7	Y	66	17	72	8	110,000	b,c,e	267,950	41%	55%	0%	4%
Fidelity National Information Services	6,595.2	12	10	N	64	9	75	8	70,000	b,c,e	337,683	59%	21%	20%	0%
Fiserv	5,254.0	12	11	N	63	8	72	7	100,000	b,c,e	268,588	36%	32%	32%	0%
Global Payments	2,773.7	12	11	N	67	10	75	6	285,000	d	248,125	42%	58%	0%	0%
MasterCard	9,667.0	14	11	Y	63	12	75	7	120,000	b	320,102	39%	60%	0%	1%
Paychex	2,739.6	9	8	N	67	10	74	6	100,000	b,c	228,648	52%	24%	24%	0%
PayPal Holdings	9,248.0	9	8	N	65	12	78	6	42,500	b	n/a	n/a	n/a	n/a	n/a
Total System Services	2,779.5	11	10	N	61	8	75	8	100,000	b	221,524	42%	29%	29%	0%
Visa	13,880.0	13	12	Y	68	10	72	10	280,000	c,d,f	335,149	43%	54%	0%	3%
The Western Union Company	5,483.7	14	11	Y	60	4	75	11	85,000	b	258,200	40%	41%	16%	3%
Xerox Corporation	18,045.0	10	9	N	63	13	75	7	85,000	b,c	219,479	43%	57%	0%	0%
<b>Electronic Components</b>															
Amphenol Corporation	5,568.7	9	8	N	62	10	-	5	80,000	b,c	208,611	40%	60%	0%	0%
Corning	9,111.0	10	9	N	64	10	72	4	80,000	b,c	285,619	50%	50%	0%	0%
<b>Electronic Equipment &amp; Instruments</b>															
FLIR Systems	1,557.1	11	10	N	60	8	75	5	135,000	b,c	245,870	40%	31%	29%	0%

# Comparative Board Data

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Electronic Manufacturing Services</b>															
TE Connectivity	12,233.0	10	9	Y	56	5	72	9	70,000	b,c,e	294,505	34%	59%	0%	7%
<b>Home Entertainment Software</b>															
Activision Blizzard	4,664.0	10	9	N	67	9	72	5	205,000	c,d,f	363,620	31%	69%	0%	0%
Electronic Arts	4,396.0	9	6	Y	54	6	74	4	55,000	-	337,991	10%	38%	52%	0%
<b>Internet Software &amp; Services</b>															
Akamai Technologies	2,197.4	6	5	N	62	3	70	5	140,000	b	318,018	21%	79%	0%	0%
Alphabet	74,989.0	8	7	N	65	12	75	7	90,000	b,c,e	429,769	18%	82%	0%	0%
eBay	8,592.0	11	9	Y	63	7	72	6	65,000	b	297,465	26%	74%	0%	0%
Facebook	17,928.0	11	10	N	65	9	75	6	115,000	b	377,922	19%	81%	0%	0%
VeriSign	1,059.4	11	10	Y	63	10	-	6	80,000	b	342,945	25%	75%	0%	0%
<b>IT Consulting &amp; Other Services</b>															
Accenture	32,914.0	12	11	N	65	6	74	8	280,000	c,d	292,217	37%	63%	0%	0%
Cognizant Technology Solutions Corporation	12,416.0	11	10	N	63	8	72	10	240,000	d	311,566	33%	34%	33%	0%
International Business Machines Corporation	81,741.0	10	9	N	70	8	-	10	110,000	b,c	373,303	82%	0%	0%	18%
Teradata Corporation	2,530.0	11	9	Y	64	8	72	6	110,000	b	317,437	11%	89%	0%	0%
<b>Semiconductor Equipment</b>															
Applied Materials	9,659.0	12	11	N	65	9	75	6	90,000	b,c	299,855	34%	66%	0%	0%
KLA-Tencor Corporation	2,814.0	11	9	Y	61	5	-	5	80,000	b,c	286,711	42%	58%	0%	0%
Lam Research Corporation	5,259.3	13	12	N	66	6	72	9	262,500	c,d,f	315,307	37%	60%	0%	3%
<b>Semiconductors</b>															
Analog Devices	3,435.1	12	11	N	61	8	72	7	275,000	c,d	258,598	32%	34%	34%	0%
Broadcom Limited	6,824.0	11	10	N	62	6	72	5	120,000	b,c	176,086	44%	56%	0%	0%
First Solar	3,579.0	16	15	N	60	8	75	13	250,000	c,d,f	245,091	46%	54%	0%	0%
Intel Corporation	55,355.0	9	8	Y	64	9	75	5	50,000	b,c	313,089	29%	70%	0%	1%
Linear Technology Corporation	1,475.1	11	8	Y	62	6	72	4	100,000	b,c	214,190	38%	62%	0%	0%
Microchip Technology	2,173.3	11	10	N	61	9	75	5	123,000	b,e	155,295	49%	51%	0%	0%
Micron Technology	16,192.0	11	10	Y	65	11	72	8	75,000	b	380,733	34%	66%	0%	0%
Nvidia Corporation	5,010.0	7	5	N	64	12	-	5	40,000	b	285,904	26%	74%	0%	0%
Qorvo	2,610.7	11	10	N	62	9	72	6	65,000	b,c	227,266	39%	14%	47%	0%
QUALCOMM	25,281.0	9	8	N	62	7	75	8	85,000	b,c	378,343	40%	53%	0%	7%
Skyworks Solutions	3,258.4	11	10	N	69	12	75	6	235,000	c,d,f	267,763	31%	68%	0%	1%
Texas Instruments	13,000.0	11	10	N	68	9	75	6	250,000	c,d,f	297,094	32%	33%	34%	1%
Xilinx	2,213.9	10	9	Y	65	9	75	7	110,000	b	265,699	32%	68%	0%	0%
<b>Systems Software</b>															
CA	4,025.0	14	11	Y	62	5	72	12	90,000	b	356,250	23%	73%	0%	4%
Microsoft Corporation	93,580.0	10	9	Y	60	8	73	13	75,000	b	228,583	41%	59%	0%	0%
Oracle Corporation	37,047.0	9	8	N	61	9	72	6	165,000	b,c,d	780,004	18%	44%	38%	0%
Red Hat	2,052.2	11	9	N	67	8	75	6	70,000	b	332,827	16%	84%	0%	0%
Symantec Corporation	6,508.0	12	11	N	63	7	74	7	130,000	b,c	326,879	28%	72%	0%	0%
<b>Technology Hardware, Storage &amp; Peripherals</b>															
Apple	233,715.0	9	6	Y	64	7	73	4	55,000	b,c,e	398,762	36%	63%	0%	1%
EMC Corporation	24,704.0	12	11	N	58	10	75	9	111,000	e	353,624	36%	64%	0%	0%

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS			BOARD FEES (\$)					PERCENTAGE OF TOTAL COMPENSATION			
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Technology Hardware, Storage &amp; Peripherals (continued)</b>															
Hewlett Packard Enterprise Company	52,107.0	11	9	Y	66	9	-	9	88,000	b,e	n/a	n/a	n/a	n/a	n/a
HP	103,355.0	10	6	Y	59	9	72	4	200,000	c	311,030	23%	59%	16%	2%
NetApp	5,546.0	10	9	Y	62	8	73	6	80,000	b	337,171	27%	61%	12%	0%
Seagate Technology Public Limited Company	13,739.0	10	8	Y	67	10	-	8	125,000	e,g,h	334,149	31%	69%	0%	0%
Western Digital Corporation	14,572.0	12	11	N	65	12	75	10	82,500	b,c,e,i	341,610	34%	66%	0%	0%
<b>TOTAL INFORMATION TECHNOLOGY</b>															
Average		10.8	9.4		63.2	8.4	73.5	7.3	132,300		315,618	33%	59%	7%	1%
Median		11.0	10.0		63.0	8.6	74.0	7.0	100,000		313,089				
<b>MATERIALS</b>															
<b>Aluminum</b>															
Alcoa	22,534.0	15	14	N	66	6	75	8	240,000	c	252,864	100%	0%	0%	0%
<b>Construction Materials</b>															
Martin Marietta Materials	3,539.6	9	7	N	65	11	75	5	100,000	b,c	240,150	37%	42%	0%	21%
Vulcan Materials	3,422.2	11	10	N	62	7	74	5	110,000	b	290,724	46%	53%	0%	1%
<b>Diversified Chemicals</b>															
The Dow Chemical Company	48,778.0	13	12	N	63	8	72	16	115,000	b	261,721	48%	52%	0%	0%
E.I. du Pont de Nemours & Company	25,103.0	11	10	N	61	7	72	29	265,000	d	275,598	45%	55%	0%	0%
Eastman Chemical Company	9,648.0	12	11	N	65	9	75	5	100,000	b,c	250,929	46%	30%	0%	24%
<b>Diversified Metals and Mining</b>															
Freeport McMoRan	15,877.0	8	7	Y	58	6	-	11	75,000	b,c	420,529	34%	64%	0%	2%
<b>Fertilizers &amp; Agricultural Chemicals</b>															
CF Industries Holdings	4,308.3	10	9	Y	62	7	74	10	100,000	b	244,502	46%	53%	0%	1%
FMC Corporation	3,276.5	10	9	N	62	9	72	7	100,000	b,c	241,059	23%	72%	0%	5%
Monsanto Company	15,001.0	13	12	N	60	8	75	6	245,000	c,d,f	277,284	50%	50%	0%	0%
The Mosaic Company	8,895.3	11	9	Y	60	7	74	8	90,000	b,h	275,272	37%	60%	0%	3%
<b>Gold</b>															
Newmont Mining Corporation	7,729.0	10	9	Y	63	7	75	9	115,000	b	336,358	55%	45%	0%	0%
<b>Industrial Gases</b>															
Air Products & Chemicals	9,894.9	8	7	N	61	5	72	9	100,000	b,c	247,291	51%	49%	0%	0%
Praxair	10,776.0	11	10	N	66	9	72	6	100,000	b,c	266,050	41%	54%	0%	5%
<b>Metal &amp; Glass Containers</b>															
Ball Corporation	7,997.0	9	7	N	65	11	-	10	85,000	b	235,493	31%	49%	0%	20%
Owens-Illinois	6,156.0	12	11	Y	62	8	-	12	67,500	b,c	204,154	55%	45%	0%	0%
<b>Paper Packaging</b>															
Avery Dennison Corporation	5,966.9	9	8	Y	61	9	72	5	100,000	b,c	232,479	42%	54%	0%	4%
International Paper Company	22,365.0	12	11	N	64	6	72	10	255,000	c,d	285,466	17%	81%	0%	2%
Sealed Air Corporation	7,031.5	10	9	Y	66	10	75	7	205,000	c,d	211,524	45%	55%	0%	0%
WestRock Company	11,381.3	14	12	Y	60	10	72	5	115,000	b	n/a	n/a	n/a	n/a	n/a
<b>Specialty Chemicals</b>															
Ecolab	13,545.1	15	14	N	60	7	72	6	105,000	b,c,e	269,064	43%	37%	20%	0%
International Flavors & Fragrances	3,023.2	11	10	N	64	6	72	5	225,000	d,f	234,596	51%	46%	0%	3%

# Comparative Board Data

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS				BOARD FEES (\$)				PERCENTAGE OF TOTAL COMPENSATION				
		TOTAL	INDEPENDENT DIRECTORS	CHAIRMAN/CEO	SEPARATE	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Specialty Chemicals (continued)</b>																
PPG Industries	15,330.0	10	8	Y	62	10	72	8	270,000	c,d	269,642	49%	47%	0%	4%	
<b>Steel</b>																
Nucor Corporation	16,439.3	8	7	N	62	7	72	4	95,000	b,c	247,533	43%	57%	0%	0%	
<b>TOTAL MATERIALS</b>																
Average		10.9	9.7		62.5	8.0	73.1	8.6	140,729		266,940	45%	50%	1%	4%	
Median		11.0	9.5		62.2	7.7	72.0	7.5	102,500		252,864					
<b>TELECOMMUNICATION SERVICES</b>																
<b>Alternative Carriers</b>																
Level 3 Communications	8,229.0	11	10	Y	64	5	73	4	75,000	b	265,292	40%	60%	0%	0%	
<b>Integrated Telecommunication Services</b>																
AT&T	146,801.0	12	11	N	61	5	72	8	95,000	b,c	310,279	48%	48%	0%	4%	
CenturyLink	17,900.0	11	10	Y	62	11	75	10	65,000	b	297,031	45%	55%	0%	0%	
Frontier Communications Corporation	5,576.0	11	10	Y	62	8	-	16	95,000	b,c	225,000	42%	58%	0%	0%	
Verizon Communications	131,620.0	13	12	N	61	6	72	10	100,000	b	287,026	42%	57%	0%	1%	
<b>TOTAL TELECOMMUNICATION SERVICES</b>																
Average		11.6	10.6		61.7	7.0	73.0	9.6	86,000		276,786	44%	55%	0%	1%	
Median		11.0	10.0		61.6	6.2	72.5	10.0	95,000		287,026					
<b>UTILITIES</b>																
<b>Utilities</b>																
Ameren Corporation	6,098.0	11	10	N	63	6	72	7	85,000	b,c	210,133	52%	48%	0%	0%	
American Electric Power Company	16,453.2	12	11	N	63	6	72	7	105,500	b,c	273,780	45%	55%	0%	0%	
American Water Works Company	3,159.0	9	8	Y	64	7	75	13	75,000	b	195,520	46%	53%	0%	1%	
CenterPoint Energy	7,386.0	9	7	Y	62	6	73	7	90,000	b	219,420	45%	55%	0%	0%	
CMS Energy Corporation	6,456.0	12	10	Y	61	5	75	8	95,000	b,c	233,222	49%	51%	0%	0%	
Consolidated Edison	12,554.0	10	8	N	66	10	75	10	100,000	b,c	257,437	50%	49%	0%	1%	
Dominion Resources	11,683.0	10	9	N	63	8	72	10	205,000	c,d	277,165	46%	46%	0%	8%	
DTE Energy Company	10,337.0	12	11	N	66	9	75	6	82,500	b,c	234,682	49%	51%	0%	0%	
Duke Energy Corporation	23,459.0	12	11	N	64	6	71	14	215,000	c,d	310,491	59%	41%	0%	0%	
Edison International	11,524.0	10	9	N	62	6	72	9	110,000	b	260,159	49%	48%	0%	3%	
Entergy Corporation	11,513.3	11	10	N	64	7	74	14	95,000	b	244,233	45%	45%	0%	10%	
Eversource Energy	7,954.8	12	11	N	68	8	75	7	100,000	b	208,655	51%	49%	0%	0%	
Exelon Corporation	29,447.0	13	12	Y	63	6	75	8	80,000	b	276,417	60%	36%	0%	4%	
FirstEnergy Corporation	15,026.0	14	13	Y	65	8	72	10	230,000	c,d	248,369	44%	53%	0%	3%	
NextEra Energy	17,486.0	12	11	N	63	8	72	6	220,000	d	251,833	46%	54%	0%	0%	
NiSource	4,651.8	9	8	Y	61	7	70	9	210,000	d	258,000	53%	47%	0%	0%	
NRG Energy	14,674.0	13	11	Y	65	9	75	9	225,000	b,d,f	260,697	44%	56%	0%	0%	
PG&E Corporation	16,833.0	12	11	N	65	8	72	12	120,000	b,c	257,460	53%	47%	0%	0%	
Pinnacle West Capital Corporation	3,495.4	10	9	N	68	12	-	7	95,000	b,c	203,057	51%	49%	0%	0%	
PPL Corporation	7,669.0	9	8	N	62	7	75	7	235,000	c,d,f	247,031	47%	52%	0%	1%	

	COMPANY SALES (\$ IN MILLIONS)	NUMBER OF DIRECTORS		INDEPENDENT DIRECTORS			BOARD FEES (\$)			PERCENTAGE OF TOTAL COMPENSATION					
		TOTAL	INDEPENDENT DIRECTORS	SEPARATE CHAIRMAN/CEO	AVERAGE AGE	AVERAGE TENURE (YEARS)	RETIREMENT AGE	MEETINGS PER YEAR <sup>a</sup>	BOARD RETAINER	BOARD RETAINER FOOTNOTES	AVERAGE COMPENSATION PER NON-EMPLOYER DIRECTOR	CASH	STOCK	OPTIONS	ALL OTHER
<b>Utilities (continued)</b>															
Public Service Enterprise Group	10,415.0	11	10	N	67	11	72	9	85,000	b,c	239,798	50%	50%	0%	0%
SCANA Corporation	4,380.0	11	10	N	60	10	70	9	193,000	c,d	199,378	42%	58%	0%	0%
Sempra Energy	10,231.0	11	10	N	67	9	75	7	85,000	b,c	246,113	49%	45%	0%	6%
Southern Company	17,489.0	15	14	N	65	6	72	9	110,000	b,c	242,657	47%	52%	0%	1%
WEC Energy Group	5,926.1	13	11	Y	66	9	72	9	75,000	b	198,474	41%	50%	0%	9%
Xcel Energy	11,024.5	11	10	N	62	10	72	6	90,000	b,c	240,229	20%	80%	0%	0%

#### TOTAL UTILITIES

Average	11.3	10.1	64.1	7.8	73.0	8.8	131,192	244,135	48%	50%	0%	2%
Median	11.0	10.0	64.1	7.7	72.0	9.0	100,000	245,173				

#### TOTAL S&P500

Average	10.8	9.2	63.1	8.5	73.3	8.4	118,521	285,065	38%	54%	6%	2%
Median	11.0	9.0	63.0	8.2	72.0	7.5	100,000	269,642				

## Footnotes:

- a Includes regular, special and telephonic board meetings.
- b Equity (stock or stock units) is paid in addition to stated retainer.
- c Directors can elect to receive cash compensation fully or partially in stock.
- d Equity (stock or stock units) is paid as part of retainer.
- e Stock option program for directors exists.
- f Equity portion of retainer paid in deferred stock.
- g Retainer paid 100% in stock.
- h Directors can elect to receive equity retainer fully or partially in cash.
- i Directors can elect to receive cash and/or stock compensation in stock options.
- j Dollar value equivalent for retainer not provided in proxy.
- k Directors can elect to receive stock in lieu of stock option grant.

# Research & Insights

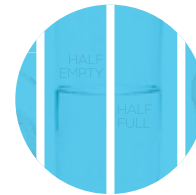
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The Effect of Shareholder Activism on Corporate Strategy



How to Think About Assessing Leaders



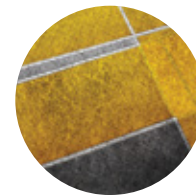
What Directors Think 2016



2016 Global Board of Directors Survey



Leadership Development Yesterday and Today: Approaches that Work



Why Senior Leaders Need to Rethink Learning Intelligence



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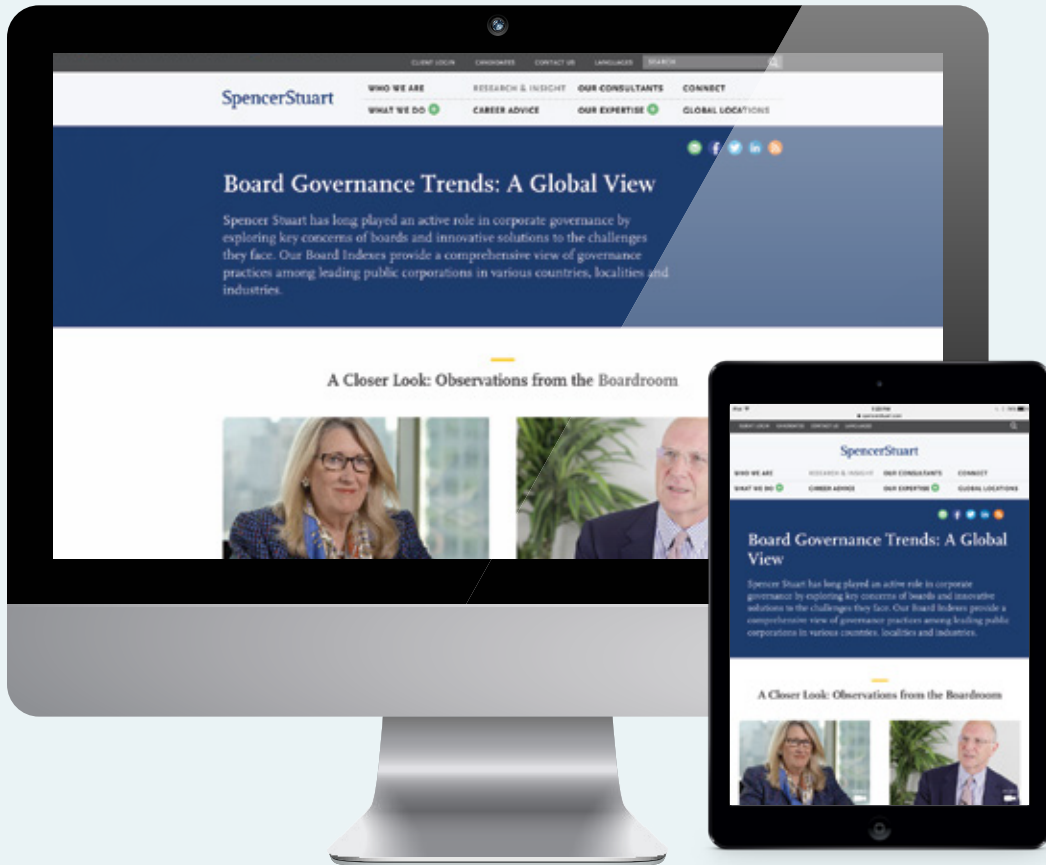


Technology in the Boardroom: Five Things Directors Should Be Thinking About



Data Leadership: Defining the Expertise Your Organization Needs


# Board Governance Trends: A Global View



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