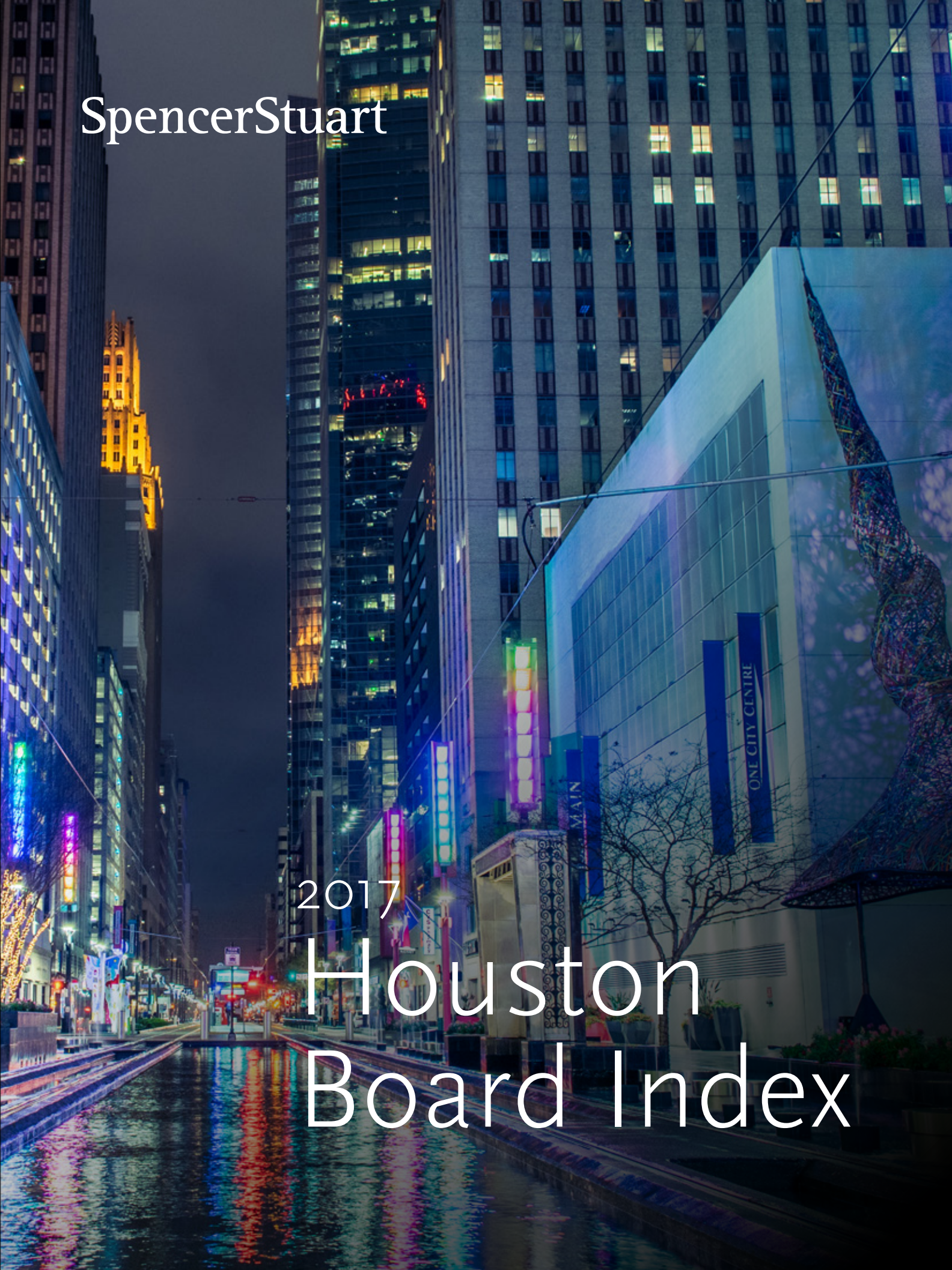


SpencerStuart

2017

Houston Board Index



ABOUT SPENCER STUART BOARD SERVICES

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 board chairs, 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.

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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 U.S. Board Index (SSBI)*, now in its 32nd edition, is just one of our many ongoing efforts.

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

- » Next Gen Board Leaders (NGBL), an initiative designed to foster a community of current and aspiring directors to spark discussion around the challenges, opportunities and contributions of a younger generation in today's boardrooms
- » 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., Davis Polk, Lazard and PricewaterhouseCoopers

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Introduction

Spencer Stuart's Houston office is pleased to present its 2017 *Houston Board Index*, which examines trends in board composition, practices and compensation among Houston's leading companies. The 83 companies included in this year's index were featured in the *Houston Chronicle's* "List of Top 100 Largest Companies," have their headquarters in the Houston area and are publicly traded on one of the major stock exchanges (NYSE or NASDAQ).

45
Number of new independent directors

Our analyses are based on data from the companies' 2017 proxy filings and supplementary research. Throughout the survey, we draw comparisons between this year's results and those reported in prior years. Where relevant, we also compare Houston board practices to those of the S&P 500, as reported in the 2017 *Spencer Stuart U.S. Board Index*.

Among the highlights of this year's *Houston Board Index*:

New perspectives: Twenty-nine of the 83 companies in the index added new independent directors in 2017. A total of 45 new independent directors were added, down from 50 in 2016 and 65 in 2015.

16%
Women among the total new directors

Women in the boardroom: Houston companies added seven new female independent directors to boards last year, representing 16% of new directors, and 16% of all directors are women. By comparison, 36% of new S&P 500 independent directors and 22% of all directors are women. Seventy-six percent of Houston companies have at least one female director, and 29% have two or more. This compares to 99% and 80%, respectively, for S&P 500 companies.

Mandatory retirement: 67% Houston boards report having a mandatory retirement age, compared with 73% of the S&P 500. In 2007, 26 of 94 (28%) companies included in the *Houston Board Index* reported having a mandatory retirement age.

Separation of chairman and CEO roles: 69% of Houston company boards separate the chair and chief executive officer roles. In comparison, 51% of S&P 500 companies separate the chair and CEO roles.

Cash retainers: The average cash retainer increased modestly to \$78,309 in 2017, still well below the S&P 500 average of \$120,409. The average retainer (\$113,333) for Houston companies with revenue of more than \$10 billion is comparable to the S&P 500 average.

A large, stylized green graphic of the number 69% is positioned to the right of the text. The numbers are in a clean, sans-serif font, and the percentage sign is slightly larger and positioned to the right of the 9.

Boards separating the chair
and CEO roles

Editor's note:

Data for the *Houston Board Index* were obtained from Equilar, a leading independent provider of executive and board compensation data and analysis, supplemented with Spencer Stuart research. The data were derived from the most recent proxies as of June 13, 2017. Data for the S&P 500 were derived from proxies filed between May 15, 2016 and May 19, 2017. This year's index includes 83 companies. In order to provide readers with more comparable data, the following master limited partnerships were excluded from this year's report: Archrock Partners, Boardwalk Pipeline Partners, Buckeye Partners, Cheniere Energy Partners, Crestwood Equity Partners, CVR Refining, Enbridge Energy Partners, Enterprise Products Partners, Genesis Energy, Midcoast Energy Partners, Phillips 66 Partners, Plains All American Pipeline, Plains GP Holdings, Spectra Energy Partners, Western Gas Partners, Western Gas Equity Partners and Westlake Chemical Partners.

Diamond Offshore is a "controlled" company under NYSE listing standards and has different committee and independence requirements than non-controlled companies. Pacific Drilling is a foreign private issuer, exempt from certain requirements of the NYSE that are applicable to U.S.-listed companies.

Board Composition

In the ever-changing — and challenging — economic, competitive and regulatory landscape, investor attention to board composition and refreshment continues to grow. Investors are scrutinizing board composition in new ways, beyond simply the independence of directors. They are taking into consideration issues such as director skills and qualifications, director tenure, “overboarding” and boardroom diversity in terms of gender, race, age and ethnicity.

Boards are responding, adding directors with fresh perspectives and knowledge of emerging areas of importance, and prior board or CEO experience is no longer a prerequisite for many boards. The number of new independent directors elected to S&P 500 boards during the 2017 proxy year rose to 397, the most since 2004 and an increase of 15% from 2016. Forty-five percent of the new directors are first-time directors, serving on their first outside corporate board, and 36% are women.

We see similar trends among Houston-area companies. While Houston boards elected slightly fewer new directors this year, 45 versus 50 in 2016, they have roughly the same percentage of new independent directors as the S&P 500 — 7.6% versus 8.8%. The average tenure of Houston directors is 8.0 years, a small decline from 8.2 years in 2016. But Houston boards trail the S&P 500 in female representation; 76% of Houston companies have at least one female director, and 29% have two or more, versus 99% and 80%, respectively, of S&P 500 boards.

MOST HOUSTON BOARDS HAVE NINE OR FEWER MEMBERS

- » Houston boards have nine directors on average, almost unchanged from 8.9 in 2016. S&P 500 companies, in contrast, average 10.8 directors, unchanged from last year.
- » Sixty-seven percent of Houston boards have nine or fewer members, compared with 64% last year.
- » Houston’s larger companies tend to have larger boards; 67% of companies with revenue in excess of \$7.5 billion have 10 or more members, compared with 33% of Houston companies overall.

Board Size

Number of directors	Houston board breakdown by company revenues					
	Overall Houston	>\$7.5B	\$2.5B to \$7.5B	\$1.4B to \$2.5B	\$750M to \$1.4B	<\$750M
7 or fewer	22%	6%	0%	17%	47%	44%
8 to 9	46%	28%	63%	67%	27%	44%
10 to 11	23%	28%	38%	17%	20%	13%
12 or more	10%	39%	0%	0%	7%	0%
Average board size	9.0	10.8	9.1	8.7	7.9	7.9

Note: Columns may not add to 100% due to rounding.

SMALL DECLINE IN THE NUMBER OF NEW INDEPENDENT DIRECTORS ADDED TO HOUSTON BOARDS

- » Forty-five new independent directors were added to Houston boards during the 2017 proxy year, down from 50 in 2016 and 65 in 2015. In recent years, new independent director additions have ranged from a high of 75 in 2005 to a low of 25 in 2008. Overall, 7.6% of independent directors are new to Houston boards, compared with 8.8% for the S&P 500.
- » Thirteen percent of Houston boards added two or more independent directors, down from 16% last year and 20% in 2015.
- » Thirty-five percent of Houston boards added at least one new independent director, down from 43% in 2016. In the past dozen years, as many as 48% (2005) and as few as 16% (2008) of Houston companies elected new independent directors.
- » Eighty percent of Houston directors are independent, substantively unchanged from the past four years. By comparison, 85% of S&P 500 directors are independent.
- » The number of Houston boards with more than one inside director remained the same at 48%. Having more than one inside director was much more common in the pre-Sarbanes-Oxley era. For example, in 2000, 74% of Houston boards had more than one inside director.

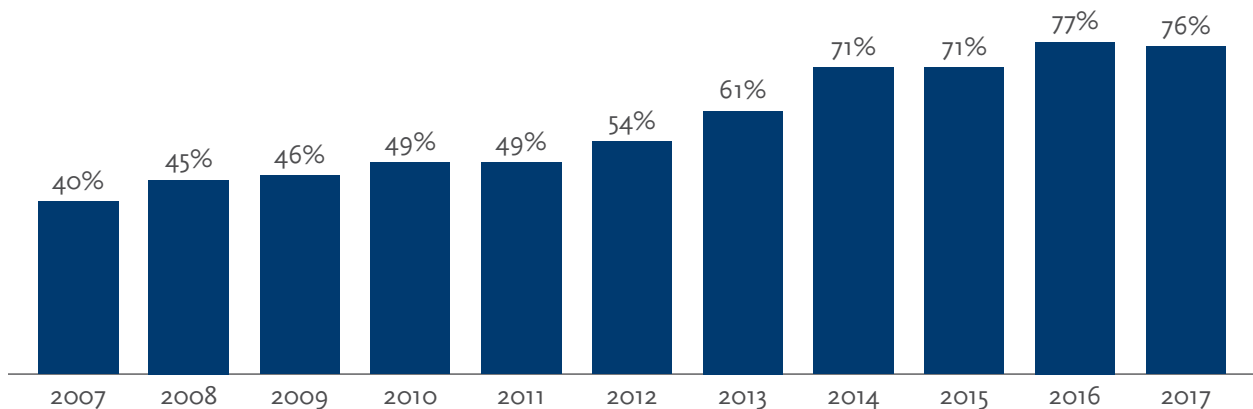
AVERAGE BOARD TENURE HOVERS AT EIGHT YEARS

- » Sixty-three percent of Houston directors have served less than eight years, down from 65% in 2016.
- » The average tenure of Houston directors is 8.0 years, comparable to 8.3 years for the S&P 500. This is down slightly from the average tenure of 8.2 years among Houston boards in 2016.
- » The longest-serving Houston director, Stanford Alexander, has served on the Weingarten Realty Advisors board for 61 years.
- » Fifty-three of 743 (7.1%) Houston directors have served on their respective boards for more than 20 years, little changed from last year.

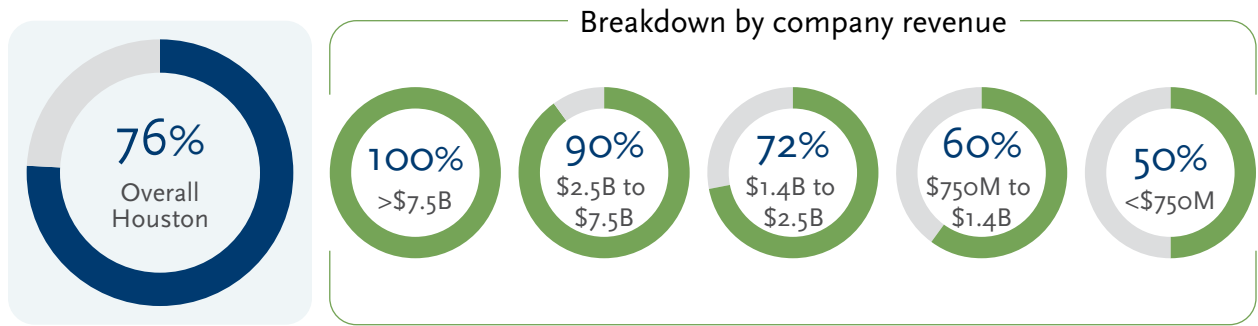
16% OF HOUSTON BOARD DIRECTORS ARE WOMEN, A SMALL INCREASE OVER 2016

- » There is no question that the number of women on Houston boards is growing, although there is still room for improvement. The overall percentage of female independent directors increased to 16%, up from 15% in 2016. In 2011, just 8% of Houston board directors were female.
- » Women are still underrepresented on Houston boards compared to the S&P 500, where 22% of directors are women.
- » Among new independent directors, 16% are women, representing an increase from 14% last year. In contrast, 36% of independent directors added this year to S&P 500 boards are female.
- » Seventy-six percent of Houston companies now have at least one female director, a decline from 77% last year. However, 29% of Houston companies have two or more women, a significant increase from 18% last year. Even with the increase in female independent directors since last year, Houston lags the S&P 500, where women sit on 99% of boards, and 80% of boards have two or more women.
- » Eight Houston companies have three women directors: Camden Property Trust, Francesca's Holdings, LyondellBasell Industries, Occidental Petroleum, Phillips 66, Schlumberger, Stage Stores and Sysco Corporation.
- » Among the 23 companies with revenues of \$5 billion or more, all have at least one female board member, compared with 93% in 2016 and 68% in 2011.
- » At the other end of the spectrum, 50% of companies with revenues less than \$750 million have female representation on their boards. Nevertheless, female board representation has accelerated rapidly at companies with less than \$2 billion in revenue over the last 10 years.

% of Companies with at Least One Female Director



Female Representation: Companies with at Least One Female Director



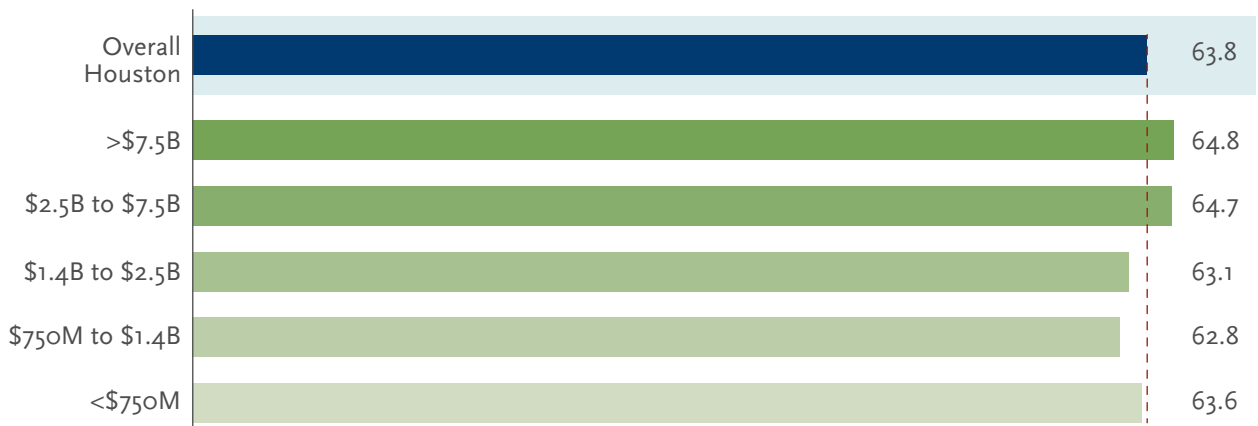
MORE BOARDS ADOPT MANDATORY RETIREMENT REQUIREMENTS

- » This year, 67% of Houston companies report having a mandatory retirement age, compared with 66% last year and 59% in 2015. By comparison, 73% of S&P 500 boards disclose a mandatory retirement age. In 2007, just 28% of companies included in the *Houston Board Index* reported having a mandatory retirement age.
- » Mandatory retirement ages for Houston boards range from 70 to 80 and average 73.8.

AVERAGE AGE OF HOUSTON DIRECTORS RISES SLIGHTLY AS S&P 500 SEES SMALL DECLINE

- » The average age of board directors is 63.8 years, compared to 63.5 last year. The average age of independent directors on S&P 500 boards is 62.9, down slightly from 63 last year.
- » The oldest board on average is 71 — Diamond Offshore Drilling. The board with the youngest average age is Conn’s, with an average age of 52.

Average Age of Directors



Board Organization and Process

Investors also have become more vocal about other areas of governance, including director term length and tenure, and independent board leadership. Increasingly, investors are questioning the independence of long-tenured directors, and some are classifying directors as independent or non-independent based on their tenure. The average tenure of all directors and the dispersion of director tenures are now metrics routinely used by some investors to assess the robustness of board refreshment efforts. Investors also expect boards to have some form of robust independent board leadership, and some advocate independent chairs as the best structure. In 2017, for the first time, more than half (51%) of S&P 500 boards have a separate chair and CEO. The number of lead and presiding directors of S&P 500 boards has declined as more boards separate the chair and CEO roles and appoint independent chairs.

DECLASSIFICATION OF BOARDS INCREASES, BUT STILL TRAILS S&P 500

» Declassifying, or moving to one-year terms, is on the rise among Houston boards. In 2017, 70% of Houston boards are declassified, a modest increase from 67% in 2016. Five years ago, 54% of Houston boards had one-year terms. By contrast, 92% of boards in the S&P 500 are declassified.

Term Length

Length of term	Houston #	Houston %	S&P 500 %
1 year	58	70%	92%
3 years	25	30%	8%
Total boards	83	100%	100%

NEARLY 70% OF HOUSTON BOARDS SPLIT CHAIR AND CEO ROLES, OUTPACING THE S&P 500

- » 69% of Houston companies separate the chairman and CEO roles, up nine percentage points from last year. Houston boards are more likely to adopt that structure than companies in the S&P 500, where just 51% of boards separate the roles.

Houston Boards Separating the Chairman and CEO Roles*

Company	Chair	Company	Chair
Apache Corporation	John E. Lowe	McDermott International	Gary P. Luquette
Archrock	Gordon T. Hall	MRC Global	Rhys J. Best
Atwood Oceanics	George S. Dotson	NOW	Merrill A. Miller
Benchmark Electronics	David W. Scheible	NRG Energy	Lawrence S. Coben
Bristow Group	Thomas C. Knudson	Occidental Petroleum	Eugene L. Batchelder
Calpine Corporation	Frank Cassidy	Oceaneering International	John R. Huff
CB&I	L. Richard Flury	Oil States International	Mark G. Papa
C&J Energy Services	Patrick Murray	Orion Group Holdings	Richard L. Daerr
CenterPoint Energy	Milton Carroll	Pacific Drilling	Ron Moskovitz
Cheniere Energy	G. Andrea Botta	Par Pacific Holdings	Melyvn N. Klein
Comfort Systems USA	Franklin Myers	Patterson-UTI Energy	Mark S. Siegel
Crown Castle International Corp.	J. Landis Martin	Powell Industries	Thomas W. Powell
CVR Energy	Carl C. Icahn	Quanta Services	Bruce Ranck
Diamond Offshore Drilling	James S. Tisch	Rowan Companies	William E. Albrecht
Dril-Quip	John V. Lovoi	Southwestern Energy	Catherine A. Kehr
Dynegy	Patrick Wood III	Spark Energy	W. Keith Maxwell III
Exterran Corp.	Mark R. Sotir	Stage Stores	William Montgoris
Francesca's Holdings Corp	Richard Kunes	Sterling Construction	Milton L. Scott
Forum Energy Technologies	C. Christopher Gaut	Stewart Information Services	Thomas G. Apel
Frank's International	Michael C. Kearney	Superior Energy Services	Terence E. Hall
Group 1 Automotive	John L. Adams	Sysco Corporation	Jackie M. Ward
Huntsman Corporation	Jon M. Huntsman	Targa Resources Corp.	James W. Whalen
IES Holdings	Jeffrey Gendell	Team	Louis A. Waters
KBR	Loren K. Carroll	Tetra Technologies	William D. Sullivan
Kinder Morgan	Richard D. Kinder	Waste Management	Bradbury H. Anderson
Kirby Corp.	Joseph H. Pyne	Weingarten Realty Investors	Stanford J. Alexander
Kraton Corp.	Dan F. Smith	Westlake Chemical Corporation	James Chao
LyondellBasell Industries	Robert Gwin	Willbros Group	S. Miller Williams
Marathon Oil Corporation	Dennis H. Reilley		

*Based on companies' most recent proxies as of June 13, 2017.

LEAD/PRESIDING DIRECTORS COMMON, ESPECIALLY WHEN CHAIR/CEO ROLE IS COMBINED

- » Less than half of Houston boards — 46% — have a lead or presiding director, a decline from 53% last year and 62% in 2015. By comparison, 84% of all S&P 500 companies report having a lead or presiding director, down slightly from 87% in 2016.
- » Of the 26 companies combining the chair and CEO roles, all but two (Adams Resources & Energy and American National Insurance) have a named lead or presiding director.

Houston Boards Reporting a Named Presiding Director*

Company	Presiding director	Company	Presiding director
CenterPoint Energy	Peter Wareing	Kirby Corporation	Richard Alario
CVR Energy	Stephen Mongillo	NCI Building Systems	Gary Forbes
DXP Enterprises	Timothy Halter	Prosperity Bancshares	James Bouligny
EOG Resources	Charles Crisp	Targa Resources	Charles Crisp
EP Energy	Thomas Hix	Weingarten Realty Investors	Shelaghmichael Brown

*Based on companies' most recent proxies as of June 13, 2017.

Houston Boards Reporting a Named Lead Director*

Company	Lead director	Company	Lead director
Anadarko Petroleum Corporation	Paulett Eberhart	LGI Homes	Bryan Sansbury
Baker Hughes	Larry Nichols	Nabors Industries	John Yearwood
Cabot Oil & Gas Corporation	Robert Kelley	National Oilwell Varco	Greg Armstrong
Camden Property Trust	Kelvin Westbrook	Newfield Exploration Company	Steven Nance
Conns	Bob Martin	Noble Energy	Michael Cawley
ConocoPhillips	Richard Auchinleck	NOW	Wayne Richards
Diamond Offshore Drilling	Edward Grebow	Oasis Petroleum	Michael McShane
Exterran Corp.	William Goodyear	Patterson-UTI Energy	Curtis Huff
Forum Energy Technologies	Franklin Myers	Phillips 66	Glenn Tilton
Halliburton Company	J. Martin Landis	Powell Industries	Scott Rozzell
Helix Energy Solutions	William Transier	Quanex Building Products	Joseph Rupp
Huntsman Corporation	Nolan Archibald	Schlumberger	Peter Currie
Insperty	Austin Young	Service Corporation	Anthony Coelho
Kinder Morgan	Michael Morgan	Superior Energy Services	James Funk

*Based on companies' most recent proxies as of June 13, 2017.

HOUSTON BOARDS MET MORE OFTEN THAN LAST YEAR

- » Houston company boards met 8.8 times on average, one more meeting on average than in 2016 (7.6). The average S&P 500 board met 8.2 times, up slightly from 8.1 in 2016.
- » The number of reported meetings ranged from as few as two to as many as 50. The most common number of meetings was six.
- » Twenty-five of 83 companies (30%, up from 27% in 2016) reported holding 10 or more board meetings.

Number of Board Meetings

Number of meetings	Houston board breakdown by company revenues					
	Overall Houston	>\$7.5B	\$2.5B to \$7.5B	\$1.4B to \$2.5B	\$750M to \$1.4B	<\$750M
7 or fewer	57%	61%	56%	50%	43%	75%
8 to 10	12%	17%	0%	22%	14%	6%
11 to 13	8%	11%	0%	11%	14%	6%
14 or More	22%	11%	44%	17%	29%	13%

Note: Columns may not add to 100% due to rounding.

AUDIT, COMPENSATION AND NOMINATING/GOVERNANCE COMMITTEES ARE STANDARD PRACTICE

- » All Houston boards have the mandatory audit committee and all have a compensation committee.
- » All but two boards (Diamond Offshore Drilling, Forum Energy Technologies) have a nominating, governance, or nominating and governance committee. Diamond Offshore Drilling is not required to have such a committee because it is a controlled company. Forum Energy Technologies has a combined nominating, governance and compensation committee.
- » Other more common committees include the executive committee and the finance committee.

Committee Summary

Company	Committee details
Adams Resources & Energy	Audit; Compensation; Governance; Finance
American National Insurance	Audit; Compensation; Nominating; Executive
Anadarko Petroleum	Audit; Compensation; Governance; Executive
Apache	Audit; Compensation; Governance
Archrock	Audit; Compensation; Governance
Atwood Oceanics	Audit; Compensation; Governance
Baker Hughes	Audit; Compensation; Governance; Executive; Finance
Benchmark Electronics	Audit; Compensation; Governance
Bristow Group	Audit; Compensation; Governance
C&J Energy Services	Audit; Compensation; Governance
Cabot Oil & Gas	Audit; Compensation; Governance; Executive; Environment, Health & Safety
Calpine	Audit; Compensation; Governance; Other
Camden Property Trust	Audit; Compensation; Governance; Executive

Company	Committee details
CenterPoint Energy	Audit; Compensation; Governance; Equity
Cheniere Energy	Audit; Compensation; Governance
Chicago Bridge & Iron	Audit; Compensation; Governance; Nominating; Strategy
Comfort Systems USA	Audit; Compensation; Governance
Conns	Audit; Compensation; Governance; Compliance/Regulatory
ConocoPhillips	Audit; Compensation; Nominating; Executive; Public Policy
Crown Castle International	Audit; Compensation; Governance; Strategy
CVR Energy	Audit; Compensation; Governance
Diamond Offshore Drilling	Audit; Compensation; Executive
Dril-Quip	Audit; Compensation; Governance
DXP Enterprises	Audit; Compensation; Governance
Dynegy	Audit; Compensation; Governance; Finance
EOG Resources	Audit; Compensation; Governance
EP Energy	Audit; Compensation; Governance
Exterran	Audit; Compensation; Governance
Forum Energy Technologies	Audit; Nominating, Governance & Compensation
Francesca's Holdings	Audit; Compensation; Governance
Frank's International	Audit; Compensation; Governance
Group 1 Automotive	Audit; Compensation; Governance; Finance
Halliburton	Audit; Compensation; Governance; Environment, Health & Safety
Helix Energy Solutions Group	Audit; Compensation; Governance
Huntsman	Audit; Compensation; Governance; Litigation
IES Holdings	Audit; Compensation; Governance
Insperty	Audit; Compensation; Governance; Strategy
KBR	Audit; Compensation; Governance; Environment, Health & Safety
Kinder Morgan	Audit; Compensation; Governance; Environment, Health & Safety
Kirby	Audit; Compensation; Governance
Kraton Corp	Audit; Compensation; Governance; Executive; Other
LGI Homes	Audit; Compensation; Governance
LyondellBasell Industries	Audit; Compensation; Governance; Executive; Finance; EH&S
Marathon Oil	Audit; Compensation; Governance; Environment, Health & Safety
McDermott International	Audit; Compensation; Governance
MRC Global	Audit; Compensation; Governance
Nabors Industries Ltd	Audit; Compensation; Governance; Executive; Strategy; Technology
National Oilwell Varco	Audit; Compensation; Governance
NCI Building Systems	Audit; Compensation; Governance; Executive; Other
Newfield Exploration	Audit; Compensation; Governance; Strategy
Noble Energy	Audit; Compensation; Governance; Environment; Health & Safety
NOW	Audit; Compensation; Governance
NRG Energy	Audit; Compensation; Governance; Compliance/Regulatory; Finance; Other
Oasis Petroleum	Audit; Compensation; Governance
Occidental Petroleum	Audit; Compensation; Governance; Finance; Search; Environment, Health & Safety
Oceaneering International	Audit; Compensation; Governance
Oil States International	Audit; Compensation; Governance
Orion Group Holdings	Audit; Compensation; Governance
Pacific Drilling	Audit; Compensation; Nominating

Company	Committee details
Par Pacific Holdings	Audit; Compensation; Governance; Executive
Patterson UTI Energy	Audit; Compensation; Governance; Executive
Phillips 66	Audit; Compensation; Governance; Executive; Public Policy
Powell Industries	Audit; Compensation; Governance
Prosperity Bancshares	Audit; Compensation; Governance; Strategy
Quanex Building Products	Audit; Compensation; Governance; Executive
Quanta Services	Audit; Compensation; Governance; Finance
Rowan Companies	Audit; Compensation; Governance; Executive; Environment, Health & Safety
Schlumberger Ltd	Audit; Compensation; Governance; Finance; Technology
Service Corporation International	Audit; Compensation; Governance; Executive; Finance
Southwestern Energy	Audit; Compensation; Governance; Finance; Strategy; Environment, Health & Safety
Spark Energy	Audit; Compensation; Other
Stage Stores	Audit; Compensation; Governance
Sterling Construction	Audit; Compensation; Governance
Stewart Information Services	Audit; Compensation; Governance; Executive
Superior Energy Services	Audit; Compensation; Governance
Sysco	Audit; Compensation; Governance; Executive; Finance; Public Policy
Targa Resources	Audit; Compensation; Governance; Conflict of Interest
Team Inc.	Audit; Compensation; Governance; Executive
Tetra Technologies	Audit; Compensation; Governance
Waste Management	Audit; Compensation; Governance; Other
Weingarten Realty Investors	Audit; Compensation; Governance; Executive
Westlake Chemical	Audit; Compensation; Governance; Strategy
Willbros Group	Audit; Compensation; Governance; Executive; Finance
Waste Connections	Audit; Compensation; Governance
Waste Management	Audit; Compensation; Governance; Other
Westlake Chemical	Audit; Compensation; Governance; Strategy
Willbros Group	Audit; Compensation; Governance; Executive; Finance

Board Compensation

Director compensation has shifted in recent years. Fewer boards provide meeting attendance fees or stock options to non-employee directors, but boards are more likely to provide stock grants. Compensation for board leadership roles, including committee chairs, and committee service also is more common.

CASH RETAINERS INCREASE MODESTLY

- » The average cash retainer for Houston boards is \$78,309 this year, a modest increase from the 2016 average of \$76,884. The average retainer has increased by 82% (before adjusting for inflation) since 2007, when the average retainer was \$42,919. Despite the increases, the Houston average is far below the S&P 500 average of \$120,409.

Average Cash Retainer



- » The average retainer (\$113,333) for Houston companies with revenue of more than \$10 billion is comparable to the S&P 500 average.
- » Only two of the 83 Houston boards do not report paying a cash retainer to directors. In lieu of a cash retainer, DXP Enterprises and Prosperity Bancshares award significant shares of common stock, plus meeting fees.

Board Cash Retainers

	Houston board breakdown by company revenues*				
	>\$7.5B	\$2.5B to \$7.5B	\$1.4B to \$2.5B	\$750M to \$1.4B	<\$750M
Minimum	\$45,000	\$55,000	\$40,000	\$45,000	\$30,000
Maximum	\$200,000	\$150,000	\$90,000	\$160,000	\$75,000
Average	\$111,667	\$82,375	\$68,306	\$67,857	\$55,700

*Among companies that provide a cash retainer.

AUDIT COMMITTEE CHAIR RETAINERS SIGNIFICANTLY OUTPACE THOSE OF OTHER COMMITTEES

- » Retainers paid to Houston audit committee chairs continue to dwarf the retainers paid to chairs of other committees. On average, audit committee chair retainers are 46% higher than the retainers paid to other committee chairs. And the audit committee chair retainer has grown 62% since 2006 — from \$12,312 to \$19,953 in 2017.
- » Despite the increases, the average Houston audit committee chair retainer still trails the S&P 500 average of \$25,163.
- » The Houston average for all other committee chairs is \$13,639 in 2017, down from \$14,081 in 2016 and \$14,049 in 2015, but 11% higher than the 2011 average of \$12,323.

Committee Chair Cash Retainers

	% of Houston boards paying this type of compensation	Houston average	% of S&P 500 boards paying this type of compensation	S&P 500 average
Audit committee chairs	93%	\$19,953	96%	\$25,163
All committee chairs	90%	\$13,639	96%	\$18,083

2007 – 2017 Comparison

Snapshot: 2007 Versus 2017

	2007	2017	% Change
Average age of independent directors	61	63.8	4.6%
Percent of independent directors who are female	6.4%	16%	150%
Percentage of new directors who are female	10%	16%	60%
Percentage of boards that are declassified	56%	70%	25%
Percentage of directors who are independent	82%	80%	-2%
Companies with combined chairman and CEO	55%	31%	-44%
Named lead or presiding director	68%	46%	-32%
Average board size	8.7	9	3%
Number of board meetings	7.9	8.8	11%
Average annual retainer	\$42,919	\$78,309	82%

How Does Your Board Measure Up?

How does your board compare in size and composition to Houston's top companies? Use the following index to see how your board measures up to these companies. (Note that in some cases, the averages mask wide variations among individual companies.)

We hope you find this tool to be a useful benchmark. If you have any questions, please contact us. Consultants within our Board Practice can help you assess, analyze and determine the best course of action to evolve your board. We are happy to discuss emerging governance best practices.

Board Index of Largest Houston Companies

	Average	Highest	Lowest	Your Board
Number of directors	9.0	16	4	
Number of committees	3.8	6	2	
Number of board meetings per year	8.8	50	2	
Independent directors per committee	1.9	4.5	.67	
Percentage of independent directors	80%	100%	17%	
Percentage of female independent directors	16%	43%	0%	
Average age of independent directors	63.8	73	52	

INSTRUCTIONS:

1. Calculate the totals and averages for the above measures for your board.
2. To benchmark your board against the index, complete the information in the space provided and compare.
3. For objective counsel on your board composition and practice, or on board evaluation and director searches, please contact us at 1.713.225.1621.

Comparative Board Data

Comparative Board Data

COMPANY TICKER REVENUE (\$ MILLIONS)	NUMBER OF DIRECTORS						BOARD COMPENSATION									DIRECTOR ADDITIONS		
	TOTAL	INDEPENDENT	NEW INDEPENDENT	FEMALE	NEW FEMALE	(OUTSIDE DIRECTORS) AVERAGE AGE	PRESIDING (P) OR LEADING (L) DIRECTOR	CHAIRMAN AND CEO COMBINED	RETIREMENT AGE	MANDATORY	TERM LENGTH	NUMBER OF BOARD MEETINGS	CASH RETAINER	VALUE OF ANNUAL EQUITY AWARDS	AUDIT COMMITTEE CHAIR RETAINER		COMPENSATION COMMITTEE CHAIR RETAINER	ANNUAL LEAD DIRECTOR RETAINER
Phillips 66 PSX \$85,777	10	9	2	3	1	65	L	Y	75	3	6	\$125,000	\$200,000	\$25,000	\$25,000	\$175,000	Gary Adams Denise Ramos	
Sysco Corporation SYX \$50,366	14	12	3	3	0	65				a	1	14	\$100,000	\$160,000	\$25,000	\$20,000	N/A	Daniel Brutto Bradley Halverson Edward Shirley
LyondellBasell Industries LYB \$29,813	11	11	0	3	0	64			75	1	5	\$115,000	\$170,000	\$27,500	\$27,500	N/A		
Schlumberger SLB \$27,810	12	11	2	3	0	61	L	Y	70	1	4	\$100,000	\$178,650	\$20,000	\$20,000	\$150,000	Miguel Galuccio Helge Lund	
ConocoPhillips COP \$24,360	10	9	0	2	0	62	L	Y	72	1	6	\$115,000	\$220,000	\$25,000	\$20,000	\$150,000		
Halliburton Corporation HAL \$15,887	13	11	1	2	0	65	L	Y	72	1	7	\$115,000	\$185,000	\$20,000	\$20,000	\$140,000	William Albrecht	
Waste Management WM \$13,609	9	8	0	2	0	65			75	1	10	\$110,000	\$140,000	\$25,000	\$20,000	N/A		
Kinder Morgan KMI \$13,058	16	13	0	2	0	69	L		None	1	7	\$200,000	\$0	N/A	N/A	N/A		
NRG Energy NRG \$12,351	13	11	2	1	0	64			75	1	10	\$100,000	\$125,000	\$15,750	\$9,000	N/A	Barry Smitherman C. John Wilder	
Group 1 Automotive GPI \$10,887	9	7	2	2	1	64			74	1	6	\$45,000	\$110,000	\$25,000	\$15,000	N/A	Carin Barth Charles Szews	
Chicago Bridge & Iron CBI \$10,679	9	8	1	2	0	65			72	3	4	\$110,000	\$175,000	\$20,000	\$20,000	N/A	Forbes Alexander	
Occidental Petroleum Corporation OXY \$10,398	11	10	1	3	0	66			75	1	6	\$125,000	\$225,000	N/A	N/A	N/A	Jack Moore	
Baker Hughes BHI \$9,841	12	11	0	2	0	68	L	Y	75	1	17	\$100,000	\$175,000	\$20,000	\$15,000	\$115,000		
Huntsman Corporation HUN \$9,657	8	6	0	1	0	71	L		75	1	8	\$135,000	\$135,000	\$50,000	\$30,000	\$185,000		
Anadarko Petroleum Corporation APC \$7,869	12	11	2	2	1	59	L	Y		1	6	\$110,000	\$250,000	\$25,000	\$25,000	\$145,000	David Constable Claire Farley	
Quanta Services PWR \$7,651	9	8	0	1	0	61			73	1	8	\$75,000	\$140,000	\$30,000	\$25,000	N/A		
EOG Resources EOG \$7,650	7	6	1	1	0	68	P	Y	80	1	9	\$140,000	\$140,000	N/A	N/A	N/A	Robert Daniels	

COMPANY TICKER REVENUE (\$ MILLIONS)	NUMBER OF DIRECTORS					AVERAGE AGE (OUTSIDE DIRECTORS)	PRESIDING (P) OR LEADING (L) DIRECTOR	CHAIRMAN AND CEO COMBINED	MANDATORY RETIREMENT AGE	TERM LENGTH	NUMBER OF BOARD MEETINGS	BOARD COMPENSATION					DIRECTOR ADDITIONS
	TOTAL	INDEPENDENT	NEW INDEPENDENT	FEMALE	NEW FEMALE							CASH RETAINER	VALUE OF ANNUAL EQUITY AWARDS	AUDIT COMMITTEE CHAIR RETAINER	COMPENSATION COMMITTEE CHAIR RETAINER	ANNUAL RETAINER	
CenterPoint Energy CNP \$7,528	10	8	1	2	0	63	P		73	1	6	\$90,000	\$120,000	\$20,000	\$20,000	N/A	John Somerhalder
National Oilwell Varco NOV \$7,251	8	7	0	1	0	64	L	Y	72	1	5	\$75,000	\$175,019	\$30,000	\$15,000	\$100,000	
Calpine Corporation CPN \$6,716	9	7	1	2	1	61			75	1	4	\$76,000	\$100,000	\$34,000	\$24,000	\$101,000	Mary Bras
Targa Resources TRGP \$6,690	10	6	0	1	0	64	P		None	3	7	\$76,000	\$100,000	\$20,000	\$15,000	N/A	
Apache Corporation APA \$5,354	11	10	0	2	0	61			75	1	7	\$100,000	\$200,000	\$20,000	\$20,000	N/A	
Westlake Chemical Corporation WLK \$5,075	8	5	0	1	0	67			75	3	26	\$100,000	\$119,968	\$20,000	\$15,000	N/A	
CVR Energy CVI \$4,782	8	3	0	0	0	66	P		None	1	5	\$75,000	\$0	\$5,000	\$5,000	N/A	
Marathon Oil Corporation MRO \$4,650	8	7	0	1	0	64			72	1	14	\$150,000	\$175,000	\$25,000	\$25,000	N/A	
Dynergy DYN \$4,318	8	6	0	1	0	59			None	1	16	\$75,000	\$110,000	\$25,000	\$20,000	N/A	
KBR KBR \$4,268	9	8	0	1	0	66			75	1	13	\$100,000	\$110,000	\$20,000	\$15,000	N/A	
Crown Castle International Corp. CCI \$3,921	11	9	0	1	0	63			None	1	6	\$75,000	\$155,000	\$20,000	\$15,000	N/A	
Noble Energy NBL \$3,491	10	9	0	1	0	66	L	Y	72	1	15	\$75,000	\$200,000	\$15,000	\$15,000	\$95,000	
American National Insurance ANAT \$3,227	8	5	0	1	0	69		Y	None	1	5	\$55,000	\$88,523	\$8,000	\$6,000	N/A	
MRC Global MRC \$3,041	10	7	0	1	0	65			73	1	5	\$75,000	\$125,000	\$15,000	\$15,000	N/A	
Service Corporation International SCI \$3,031	11	8	0	1	0	70	L	Y	75	3	5	\$75,000	\$269,500	\$15,000	\$10,000	\$95,000	
Insperty NSP \$2,941	9	7	1	2	0	67	L	Y	None	3	14	\$61,000	\$90,000	\$21,000	\$12,000	\$70,000	Timothy Clifford
McDermott International MDR \$2,635	8	7	0	1	0	63			72	1	16	\$75,000	\$119,999	\$20,000	\$20,000	\$95,000	

Comparative Board Data

COMPANY TICKER REVENUE (\$ MILLIONS)	NUMBER OF DIRECTORS						BOARD COMPENSATION									DIRECTOR ADDITIONS	
	TOTAL	INDEPENDENT	NEW INDEPENDENT	FEMALE	NEW FEMALE	(OUTSIDE DIRECTORS) AVERAGE AGE	PRESIDING (P) OR LEADING (L) DIRECTOR	CHAIRMAN AND CEO COMBINED	RETIREMENT AGE	MANDATORY	TERM LENGTH	NUMBER OF BOARD MEETINGS	CASH RETAINER	VALUE OF ANNUAL EQUITY AWARDS	AUDIT COMMITTEE CHAIR RETAINER		COMPENSATION COMMITTEE CHAIR RETAINER
Southwestern Energy SWN \$2,436	8	7	1	1	0	63			75	1	8	\$60,000	\$200,000	\$16,000	\$12,000	\$76,000	Jon Marshall
Benchmark Electronics BHE \$2,310	7	6	0	0	0	60			72	1	12	\$60,000	\$125,000	\$15,000	\$10,000	N/A	
Oceaneering International OII \$2,271	7	6	2	0	0	65			None	3	10	\$80,000	\$111,600	\$15,000	\$8,000	N/A	William Berry John Reinhardtsen
NOW DNOW \$2,107	9	7	0	1	0	62	L		72	3	4	\$70,000	\$119,940	\$20,000	\$15,000	\$90,000	
Nabors Industries Ltd NBR \$2,007	7	6	1	1	1	61	L	Y	72	1	5	\$90,000	\$300,000	\$90,000	\$45,000	\$135,000	Tanya Beder
Stewart Information Services Corporation STC \$2,006	9	8	3	0	0	59			80	1	14	\$40,000	\$60,000	\$15,000	\$10,000	N/A	Allen Bradley Frederic Eppinger Clifford Press
Par Pacific Holdings PARR \$1,865	9	6	0	0	0	65			None	1	8	\$62,500	\$62,500	\$20,000	\$15,000	N/A	
Rowan Companies RDC \$1,843	9	8	2	1	0	64			b	1	4	\$72,000	\$200,000	\$13,500	\$13,500	N/A	Thierry Pilenko Charles Szews
Kirby Corporation KEX \$1,770	9	7	0	1	0	64	P		72	3	6	\$75,000	\$201,000	\$27,500	\$22,500	\$95,000	
Kraton Corporation KRA \$1,744	8	7	0	2	0	64			None	3	7	\$80,000	\$80,000	\$17,500	\$12,500	N/A	
NCI Building Systems NCS \$1,684	11	7	0	1	0	67	P	Y	78	3	4	\$50,000	\$80,000	\$15,000	\$12,500	N/A	
Comfort Systems USA FIX \$1,634	9	7	0	1	0	61			72	1	9	\$60,000	\$140,000	\$30,000	\$20,000	N/A	
Diamond Offshore Drilling DO \$1,600	11	7	0	0	0	73	L		None	1	6	\$50,000	\$37,271	\$15,000	\$10,000	\$60,000	
Conn's CONN \$1,596	8	6	0	1	0	52	L	Y	72	1	13	\$70,000	\$75,000	\$15,000	\$10,000	\$90,000	
Newfield Exploration Company NFX \$1,472	9	8	0	2	0	64	L	Y	72	1	6	\$75,000	\$200,000	\$25,000	\$20,000	\$150,000	
Superior Energy Services SPN \$1,450	8	6	0	1	0	67	L		75	1	4	\$85,000	\$200,000	\$20,000	\$15,000	\$110,000	
Stage Stores SSI \$1,442	8	7	0	3	0	63			75	1	8	\$60,000	\$100,000	\$20,000	\$15,000	N/A	

COMPANY TICKER REVENUE (\$ MILLIONS)	NUMBER OF DIRECTORS						BOARD COMPENSATION									DIRECTOR ADDITIONS		
	TOTAL	INDEPENDENT	NEW INDEPENDENT	FEMALE	NEW FEMALE	(OUTSIDE DIRECTORS) AVERAGE AGE	PRESIDING (P) OR LEADING (L) DIRECTOR	CHAIRMAN AND CEO COMBINED	RETIREMENT AGE	MANDATORY RETIEMENT AGE	TERM LENGTH	NUMBER OF BOARD MEETINGS	CASH RETAINER	VALUE OF ANNUAL EQUITY AWARDS	AUDIT COMMITTEE CHAIR RETAINER		COMPENSATION COMMITTEE CHAIR RETAINER	ANNUAL LEAD DIRECTOR RETAINER
Bristow Group BRS \$1,400	11	11	1	1	0	62				75	1	10	\$90,000	\$125,000	\$20,000	\$20,000	N/A	A. William Higgins
Cheniere Energy LNG \$1,283	11	8	0	2	0	55				75	1	17	\$90,000	\$90,000	\$10,000	\$10,000	N/A	
Team TISI \$1,196	8	7	1	1	0	62				None	3	13	\$50,000	\$75,000	\$20,000	\$10,000	\$70,000	Gary Yesavage
Cabot Oil & Gas Corporation COG \$1,155	6	5	0	1	0	67	L	Y		73	1	6	\$75,000	\$200,000	\$15,000	\$15,000	\$95,000	
Adams Resources & Energy AE \$1,099	8	6	0	1	0	67		Y		None	1	4	\$60,000	\$0	\$10,000	\$10,000	N/A	
Exterran Corporation EXTN \$1,029	8	6	0	1	0	64	L			75	1	9	\$45,000	\$112,500	\$13,500	\$13,500	\$67,500	
Atwood Oceanics ATW \$1,020	7	6	0	0	0	65				72	1	4	\$60,000	\$61,313	\$15,000	\$15,000	N/A	
C&J Energy Services CJ \$971	7	6	5	0	0	59				None	3	50	\$50,000	\$0	\$15,000	\$10,000	N/A	Stuart Brightman John Kennedy Steven Mueller Patrick Murray Michael Zawadzki
DXP Enterprises DXPE \$962	4	3	1	0	0	68	P	Y		None	1	4	N/A	\$75,000	N/A	N/A	N/A	David Patton
Quanex Building Products Corporation NX \$928	6	5	0	1	0	66	L	Y		72	1	6	\$55,000	\$80,000	\$15,000	\$10,000	\$75,000	
Patterson UTI Energy PTEN \$915	7	5	0	1	0	63	L			None	1	10	\$75,000	\$88,516	\$15,000	\$15,000	\$95,000	
Camden Property Trust CPT \$876	10	8	2	3	2	63	L	Y		75	1	9	\$55,000	\$100,000	\$15,000	\$10,000	\$80,000	Heather Brunner Renu Khator
LGI Homes LGIH \$838	6	5	0	0	0	54	L	Y		73	1	6	\$60,000	\$60,000	\$10,000	\$10,000	\$70,000	
Archrock AROC \$807	8	7	0	2	0	61				75	1	14	\$45,000	\$112,500	\$13,500	\$13,500	N/A	
Pacific Drilling PACD \$769	11	6	0	0	0	62				None	1		\$160,000	\$0	N/A	N/A	N/A	
EP Energy EPE \$767	12	2	0	0	0	66	P	Y		72	3	11	\$70,000	\$175,000	\$15,000	\$15,000	N/A	

Comparative Board Data

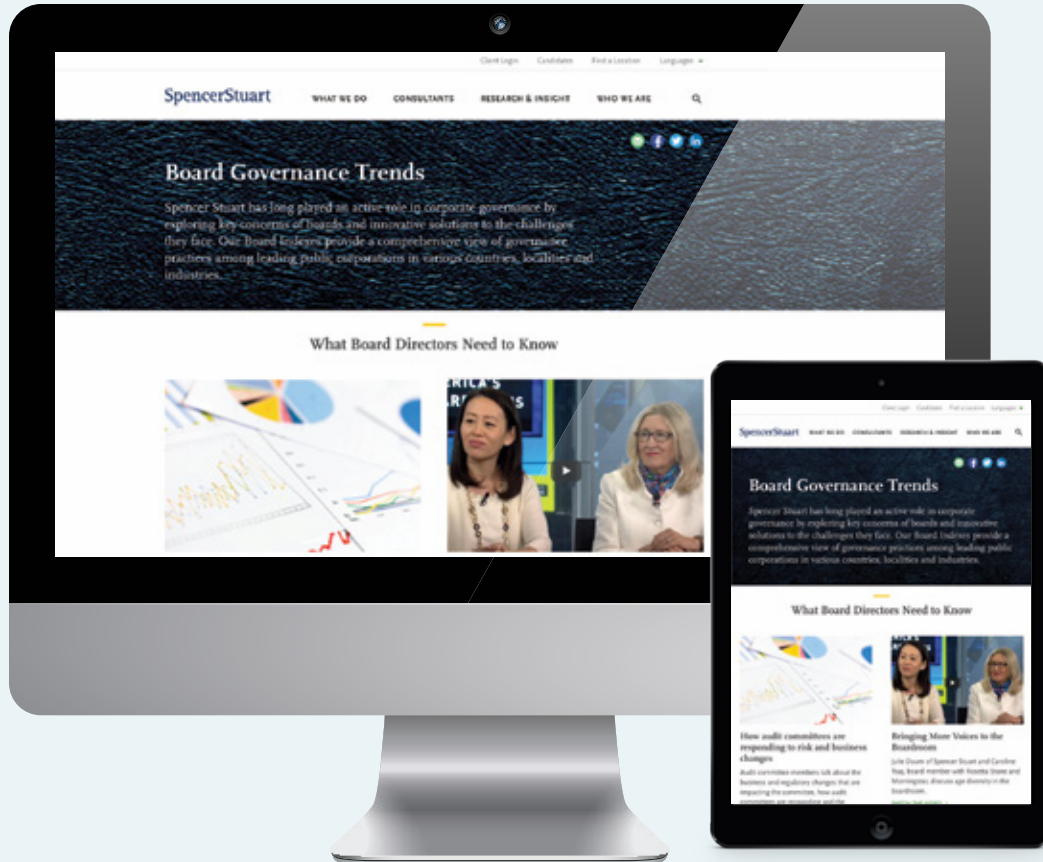
COMPANY TICKER REVENUE (\$ MILLIONS)	NUMBER OF DIRECTORS						BOARD COMPENSATION										DIRECTOR ADDITIONS
	TOTAL	INDEPENDENT	NEW INDEPENDENT	FEMALE	NEW FEMALE	(OUTSIDE DIRECTORS) AVERAGE AGE	PRESIDING (P) OR LEADING (L) DIRECTOR	CHAIRMAN AND CEO COMBINED	RETIREMENT AGE	MANDATORY	TERM LENGTH	NUMBER OF BOARD MEETINGS	CASH RETAINER	VALUE OF ANNUAL EQUITY AWARDS	AUDIT COMMITTEE CHAIR RETAINER	COMPENSATION COMMITTEE CHAIR RETAINER	
Willbros Group WG \$731	7	6	1	0	0	65			70	3	5	\$75,000	\$75,000	\$20,000	\$10,000	N/A	Gary Gates
Prosperity Bancshares PB \$727	11	7	0	1	0	70	P	Y	None	3	4	N/A	\$50,730	N/A	N/A	N/A	
Oasis Petroleum OAS \$704	8	6	1	0	0	61	L	Y	None	3	7	\$60,000	\$117,000	\$17,000	\$15,000	N/A	John Hagale
IES Holdings IESC \$695	6	5	1	0	0	63			None	1	2	\$65,000	\$0	\$25,000	\$10,000	N/A	Jeffrey Gendell
Oil States International OIS \$694	8	7	0	1	0	69			None	3	5	\$50,000	\$93,737	\$17,500	\$10,000	N/A	
Tetra Technologies TTI \$694	9	8	0	0	0	65			None	1	8	\$40,500	\$100,000	\$12,150	\$8,100	N/A	
Sterling Construction Company STRL \$690	7	6	1	1	0	64			None	1	20	\$30,000	\$50,000	\$25,000	\$15,000	N/A	Raymond Messer
Forum Energy Technologies FET \$587	11	9	0	1	0	59	L		72	3	5	\$70,000	\$125,000	\$20,000	\$15,000	\$90,000	
Orion Group Holdings ORN \$578	6	4	0	0	0	71			None	3	5	\$50,000	\$70,000	\$15,000	\$15,000	N/A	
Powell Industries POWL \$565	9	8	0	1	0	66	L		75	3	4	\$40,000	\$51,960	\$12,000	\$8,000	N/A	
Weingarten Realty Investors WRI \$549	9	7	0	1	0	62	P		75	1	5	\$50,000	\$135,000	\$10,000	\$6,000	N/A	
Spark Energy SPKE \$546	5	3	0	0	0	57			None	3	5	\$75,000	\$257,910	\$10,000	\$10,000	N/A	
Dril-Quip DRQ \$536	5	4	0	0	0	59			None	3	6	\$75,000	\$111,968	\$15,000	\$10,000	N/A	
Francesca's Holdings Corporation FRAN \$487	9	8	1	3	0	61			None	3	7	\$50,000	\$100,000	\$15,000	\$10,000	\$67,500	Philip Bleser
Frank's International FI \$487	9	5	1	0	0	64			75	1	10	\$50,000	\$150,000	\$30,000	\$15,000	\$70,000	Robert Drummond
Helix Energy Solutions Group HLX \$487	7	5	0	1	0	62	L	Y	75	3	17	\$55,000	\$175,000	\$15,000	\$10,000	\$80,000	

^aNon-employee directors are limited to 15 years of service.

^bNon-employee directors are limited to 12 years of service.

Data for the *Houston Board Index* were obtained from Equilar, a leading independent provider of executive and board compensation data and analysis.

Board Governance Trends: A Global View



Spencer Stuart Board Governance Trends is an exclusive source of insight into the way board practices are changing around the world and how they compare across countries. It is a one-stop online resource for the latest data in board composition, governance practices and director compensation among leading public companies in more than 20 countries.

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