ClearBridge
Compensation Group

The ClearBridge 100 Report

January

2019

Non-Employee Director Compensation

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This *ClearBridge 100* Report presents findings on compensation levels and practices for non-employee directors among the "*ClearBridge 100.*" The *ClearBridge 100* is comprised of 100 S&P 500® companies to provide data representative of compensation practices and trends among large companies.

Over the past several years, with director pay litigation and more recently, changes in shareholder advisory group policies, director compensation is becoming more of a focus for companies and shareholders. Continued trends in director compensation such as the decline of meeting fees and the increase of stock ownership guidelines, as well as recent trends such as director compensation limits, align director compensation with the current landscape and the role of today's director.

Key Findings

Key findings from this *ClearBridge 100* Report include:

Board Compensation

- Median total board compensation levels (cash plus equity) increased 4% from 2017 to 2018
- Board meeting fee prevalence continues to decline, falling from 15% of companies in 2017 to 13% in 2018

Compensation for Committees and Board Leadership

- Most companies provide additional compensation to committee chairs, typically in the form of cash retainers; whereas, providing additional retainers for committee members is a less common practice varying by committee
- Additional compensation for Lead Directors remained flat in 2018 at $30,000, though the percentage of companies with a lead independent director continued to decrease
- Median value of additional compensation for Non-Executive Chairs decreased slightly from 2017 to 2018 (from $182,500 to $177,500)

Director Compensation Limits

- Setting compensation limits for directors as part of stock plans continues to become more prevalent. 56% of companies have director compensation limits, 91% of which adopted the limits since 2014
- The most common approach is an equity-only limit (63% of companies), although other companies use total compensation limits (37% of companies)
- The median limit is more than 3 times the annual equity retainer or average director compensation, consistent with prior years

Equity Design Features

- Full-value shares continue to be the most common equity grant type awarded to directors (90% in 2018), most often in the form of time-vested restricted stock units (62%)
- Companies granting equity most frequently use a vesting period of one year (40%) while others grant equity that vests immediately (20%) or has a mandatory deferral period (25%). Only 15% of companies use a vesting period of 2 years or greater
- Many companies allow directors to defer a portion of their cash retainers (69%) and annual equity (63%)

Stock Ownership Guidelines and Holding Requirements

- Among companies with a stock ownership guideline for directors (88%), a guideline of 5x the annual board retainer continues to be the most prevalent practice at 85% of companies in 2018 (typically with 5 years to comply with the guideline)
- A minority of companies (18%) have policies that require directors to hold shares of company stock for a specified length of time before selling, typically until a stock ownership guideline has been achieved

The following pages present the supporting detail underlying these key findings, along with additional information and analyses.

BOARD COMPENSATION

All *ClearBridge 100* companies provided some form of compensation to their non-employee directors in 2018. This section analyzes the compensation levels received by non-employee directors for service on the board.

Board Compensation Elements and Level

The vast majority of companies continue to provide directors with a cash retainer (97% of companies) and an annual equity grant (99% of companies) for board service. Consistent with trends observed over the past several years, the prevalence of meeting fees declined from 15% of companies in 2017 to 13% in 2018. This decline reflects a growing focus on compensating directors for their role rather than their attendance at meetings. As a result, companies are shifting towards a simpler structure of cash and equity retainers.

Median total board compensation increased 4% in 2018, from $260,000 to $270,000.

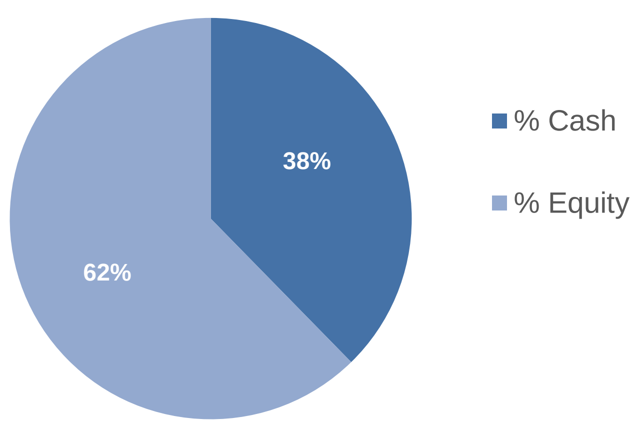
Compensation Element	Prevalence		Median Value		*% Change in Median Value*
	2017	2018	2017	2018	
Cash Retainer	97%	97%	$92,000	$100,000	*9%*
Meeting Fees	15%	13%	$1,750	$1,500	*-14%*
Total Cash(1)	-	-	$95,000	$100,000	*5%*
Equity: Grant Value(2)	99%	99%	$160,000	$170,000	*6%*
Total Compensation	-	-	$260,000	$270,000	*4%*

Note: Percentile values for individual elements of compensation (cash retainers, meeting fees, and equity) are calculated including only those companies that provide that element. Percentile values for aggregate compensation (total cash compensation and total compensation) are calculated including all companies
(1) Total cash is calculated assuming eight board meetings during the year, which was the median number of board meetings among *ClearBridge 100* companies
(2) Equity grant value is calculated including annual equity grants, as well as initial equity grants that have been annualized over an eight-year period

Mix of Cash vs. Equity

A majority of the compensation for board service (62%) is delivered through equity awards, with the remainder delivered through cash retainers and meeting fees, consistent with the average cash/equity mix in 2017. The average cash/equity mix has remained fairly consistent over the past several years.

Average Cash/Equity Mix of Total Board Compensation



COMPENSATION FOR COMMITTEES & BOARD LEADERSHIP

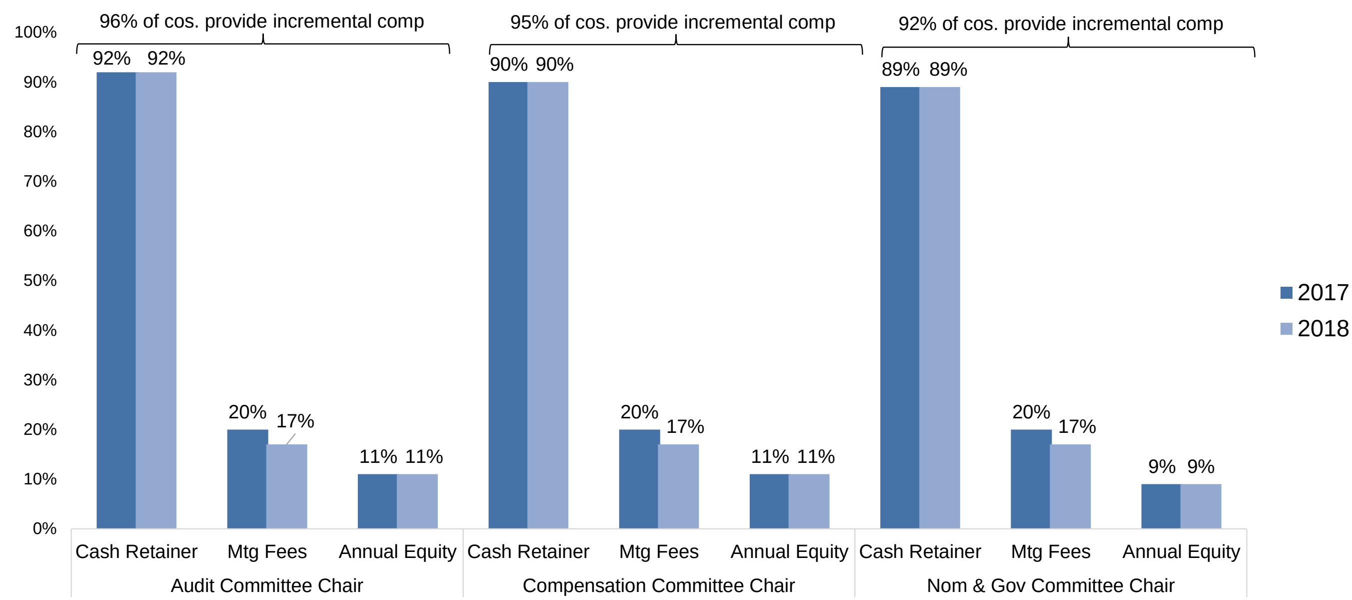
This section provides information on compensation delivered to committee chairs and members as well as board leaders in addition to compensation for board membership.

Committee Compensation

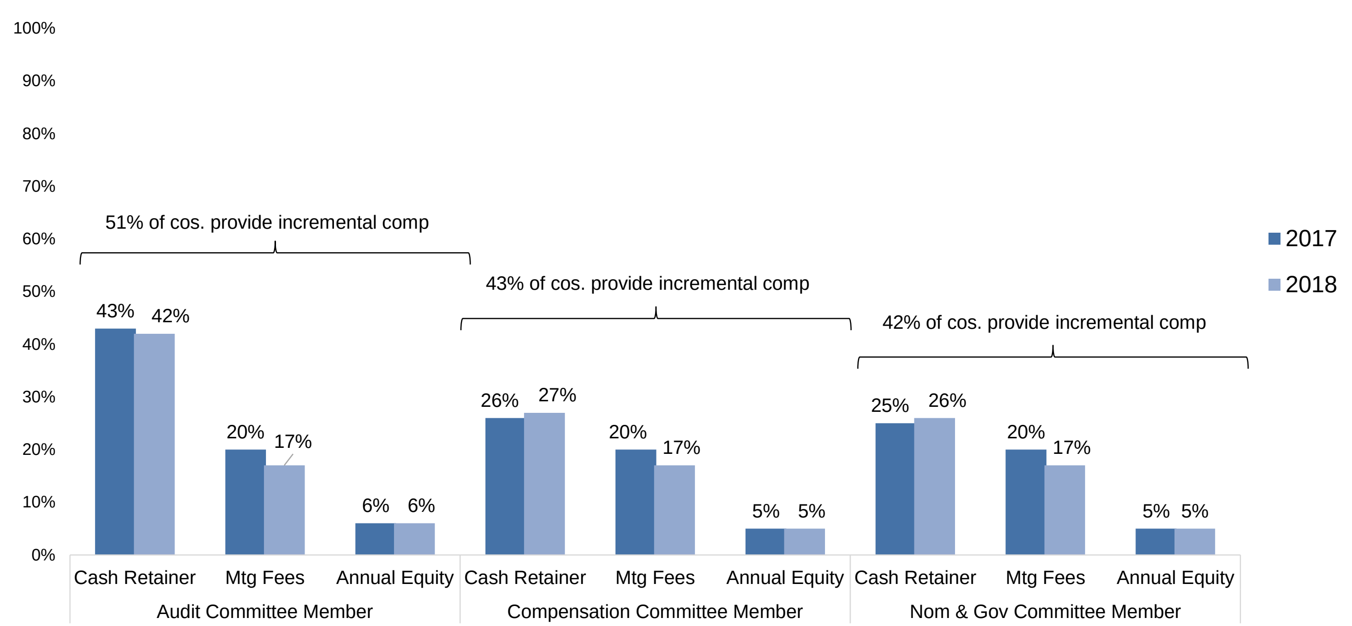
For committee chairs, a majority of companies provide additional compensation to one or more committee chairs, with specific prevalence varying by committee. For committee members, prevalence of additional compensation (e.g., member retainer or meeting fees) to committee members varies by committee.

From 2017 to 2018, the number of companies providing additional compensation to committee chairs and members remained fairly consistent. The most typical element of committee compensation continues to be a cash retainer. The use of meeting fees to compensate both chairs and members declined from 2017 to 2018.

Committee Chair Compensation Elements: (% of Companies)



Committee Member Compensation Elements: (% of Companies)



The Audit Committee is typically the highest-paid committee, followed by the Compensation Committee, and then the Nominating and Governance Committee. Across committees, committee chair cash retainers continue to be set at ~2x committee member cash retainers. From 2017 to 2018, cash retainers generally remained flat for all committees at both the chair and member levels, with a small increase in total compensation for Audit Committee members.

		2018 Median Value	
		Chair	**Member**
Audit Committee	**Cash Retainer**	$25,000	$12,500
	Meeting Fees	$1,500	$1,500
	Annual Equity	$21,000	$13,750
	Total Add'l Comp (1)	$25,000	$15,000
Compensation Committee	**Cash Retainer**	$20,000	$10,000
	Meeting Fees	$1,500	$1,500
	Annual Equity	$15,000	$10,000
	Total Add'l Comp (1)	$20,000	$10,000
Nominating and Governance Committee	**Cash Retainer**	$15,000	$8,125
	Meeting Fees	$1,500	$1,500
	Annual Equity	$11,250	$7,500
	Total Add'l Comp (1)	$16,000	$7,750

Note: Percentile values for individual elements of compensation (cash retainers, meeting fees, and equity) are calculated including only those companies that provide that element. Percentile values for total compensation are calculating only for those companies that provide additional compensation for these roles

(1) Total additional compensation is calculated based on a standard number of committee meetings for all companies: 7 Audit Committee meetings, 6 Compensation Committee meetings, and 4 Nominating and Governance Committee meetings. These meeting numbers reflect the median number of committee meetings among *ClearBridge 100* companies in 2018

Board Leadership: Lead Independent Director

59% of companies in 2018 have an independent director serving as the Lead Independent Director, a slight decrease from 2017 (62%) and a continuation of the decline over the past several years, as more boards are being led by Non-Executive Chairs. Additional compensation for the Lead Independent Director role continues to be delivered primarily through a cash retainer, which remained flat at the median of $30,000 in 2018.

	Lead Independent Director			
	Prevalence		Median $ Value	
Compensation Element	**2017**	**2018**	**2017**	**2018**
Cash Retainer	90%	88%	$30,000	$30,000
Per-Meeting Fee	n/a	n/a	n/a	n/a
Annual Equity	7%	8%	$27,500	$30,000
Total Add'l Comp	91%	90%	$30,000	$30,000

Board Leadership: Non-Executive Chair

A minority of companies have a Non-Executive Chair (36% in 2018 and 2017). The median value of additional compensation for Non-Executive Chairs decreased slightly by 3% from 2017 to 2018.

Compensation Element	Non-Executive Chair			
	Prevalence		Median $ Value	
	2017	2018	2017	2018
Cash Retainer	86%	89%	$140,000	$145,000
Per-Meeting Fee	n/a	n/a	n/a	n/a
Annual Equity	47%	44%	$120,000	$123,000
Total Add'l Comp	100%	100%	$182,500	$177,500

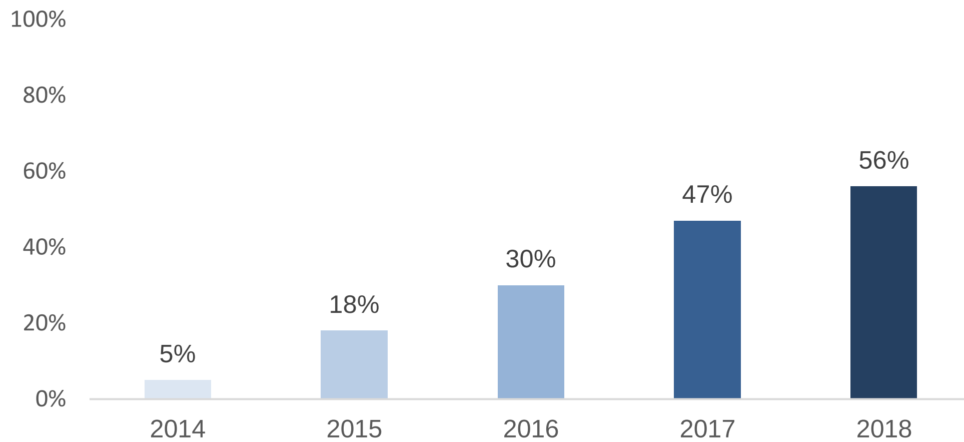
DIRECTOR COMPENSATION LIMITS

This section provides information on director compensation limit trends among the *ClearBridge 100* companies.

Director Compensation Limits

Of the 100 companies comprising our study, 56% have implemented a director compensation limit, of which 91% have adopted their limits since 2014. The increase in number of companies adopting pay limits for individual non-employees is a result of increasing focus on director compensation, as boards attempt to attract and retain qualified directors while setting their own pay.

Prevalence of Director Compensation Limits:
% of Companies



Director compensation limits are structured in one of three ways: equity-only fixed-share limits, equity-only fixed-dollar limits, or total compensation limits. Overall, fixed-dollar equity limits were the most prevalent practice among companies using director compensation limits (43% of companies). There has been an increase over the past few years of companies using total compensation limits (37% of companies), and a minority of companies use a fixed-share equity limit (20% of companies). At median, the director limit is more than 3 times the annual equity retainer or average director compensation, consistent with prior years.

	Equity-Only Limit		Total Compensation Limit
	Fixed-Dollar	Fixed-Share	
Number of Companies	24 of 56	11 of 56	21 of 56
Percent of Companies	43%	20%	37%
Median Value	$550,000	n/a	$900,000
Limit as a Multiple of Equity Retainer or Avg. Comp. at the Median [(1)]	3.45	n/a	3.19

(1) Equity-only limit multiple calculated based on dollar value of equity-only limit as a multiple of equity retainer; total compensation limit multiple calculated based on dollar value of the total compensation limit as a multiple of average director compensation

EQUITY DESIGN FEATURES

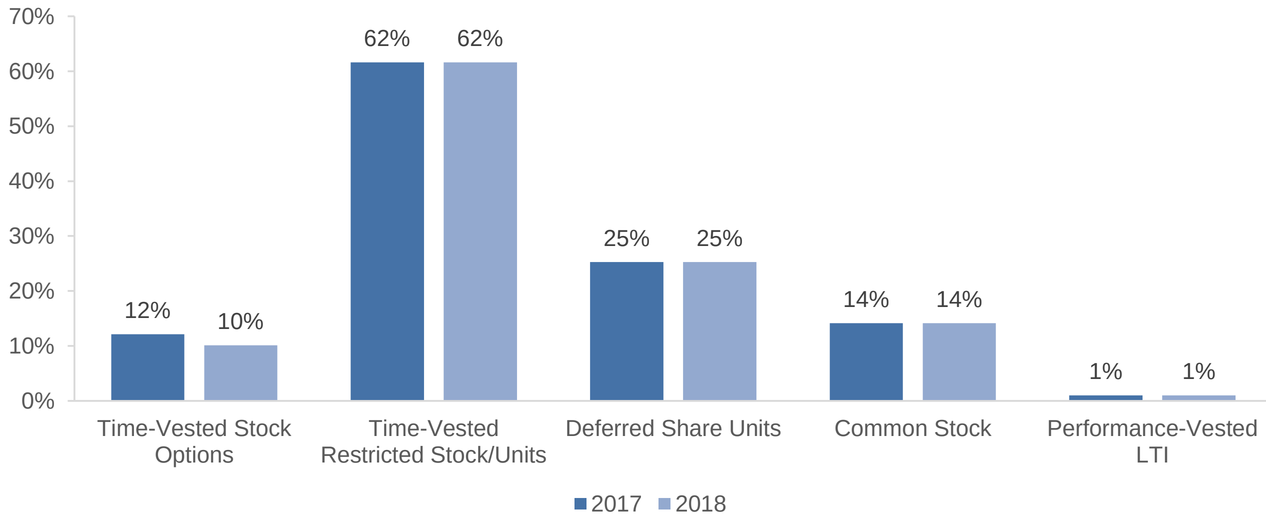
Grant Approach

Nearly all companies (99%) provide an annual equity grant to non-employee directors. Initial equity awards, which are one-time awards granted upon a director's election to the board, remain a minority practice, with 10% of companies granting initial awards in 2018, a slight decline from prior years. The remainder of this section provides data for annual equity grants.

Prevalence of Equity Vehicles

Equity grants to directors are usually granted in full-value shares (90%), most commonly in the form of time-vested restricted stock/units (62% of companies) followed by deferred share units (25% of companies). The use of stock options has continued to decrease, with only 10% of companies granting options.

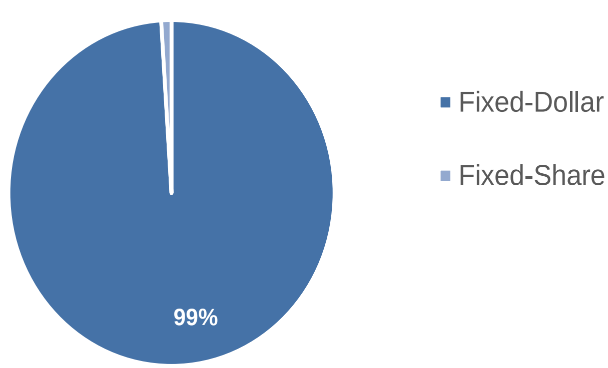
Prevalence of Annual Equity Vehicles: % of Companies with Annual Equity



Determination of Equity Grants: Fixed-Dollar vs. Fixed-Share

Almost all companies that grant equity to directors use a fixed-dollar approach, meaning the grant value of equity to be delivered is fixed and the number of shares is determined by dividing the dollar value by the stock price at grant. 99% of companies used a fixed-dollar approach in 2017 and 2018.

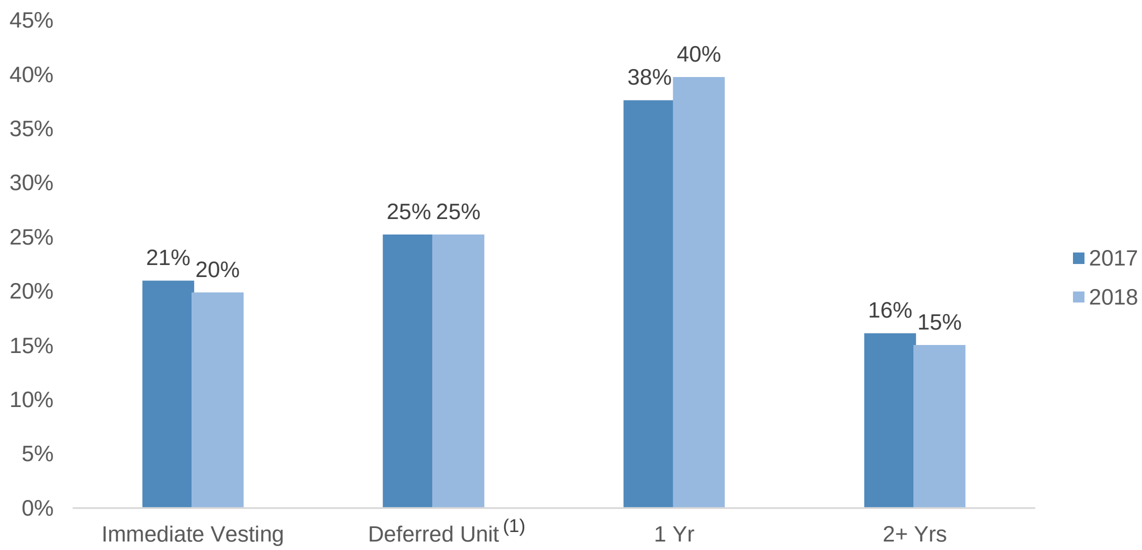
Prevalence of Fixed-Dollar vs. Fixed-Share: % of Companies with Annual Equity



Vesting of Equity Grants

The most prevalent vesting period for companies granting equity is a one year, which increased from 38% in 2017 to 40% in 2018, while the prevalence of a 2+ year vesting period decreased from 16% in 2017 to 15% in 2018. The prevalence of immediate vesting decreased from 21% in 2017 to 20% in 2018, while the prevalence of a deferred unit remained flat at 25%.

Annual Equity Vehicles Vesting:
% of Companies with Annual Equity

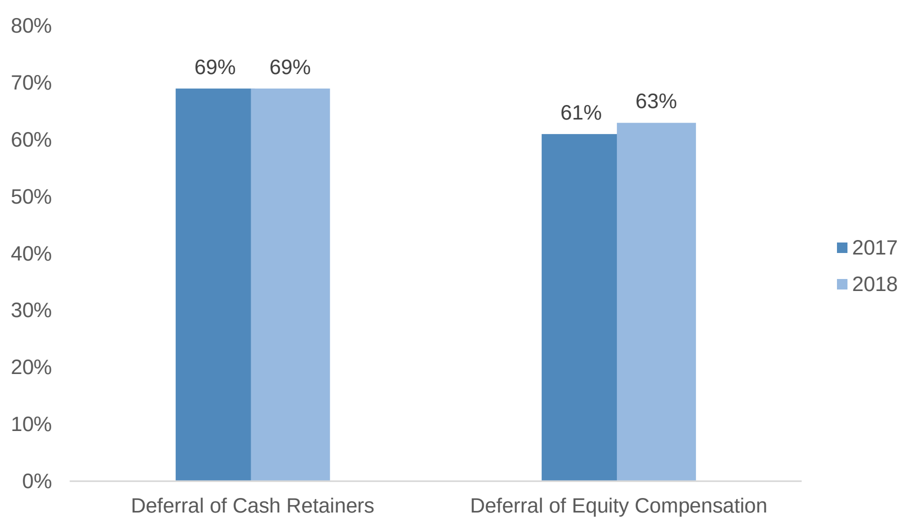


(1) Immediately vested but deferred

Prevalence of Deferral Features

As annual equity grant values increase over time, deferral features are becoming increasingly common in non-employee director compensation programs. Deferral features are commonly used to allow for more effective tax planning for directors. Most *ClearBridge 100* companies allow their directors at least one of two types of deferrals: deferral of cash retainers (offered by 69% of companies) or deferral of equity compensation (offered by 63% of companies).

Prevalence of Deferral Features
% of Companies



STOCK OWNERSHIP GUIDELINES

&

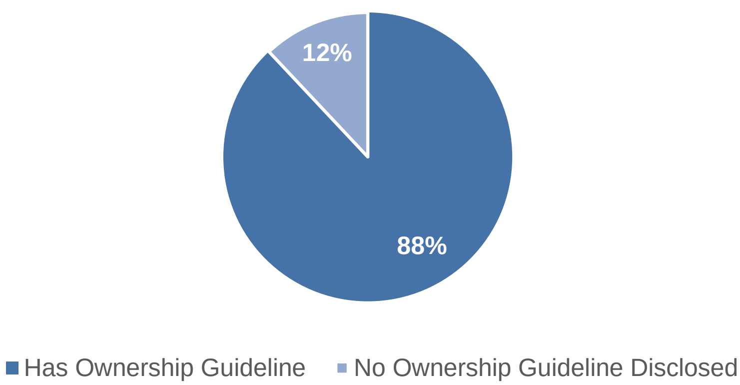
HOLDING REQUIREMENTS

Stock Ownership Guidelines

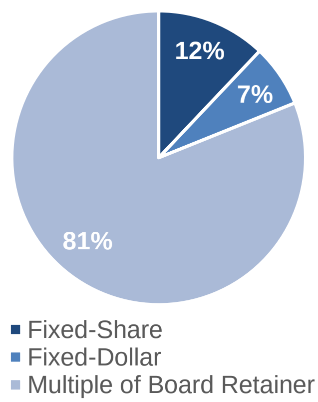
Prevalence and Type of Guideline

Stock ownership guidelines are a common practice, with 88% of companies requiring directors to achieve a specific ownership guideline. Most stock ownership guidelines are expressed as a multiple of the board retainer. A smaller portion of companies define the ownership requirement as a fixed-share or a fixed-dollar amount.

Prevalence of Stock Ownership Guideline: % of Companies



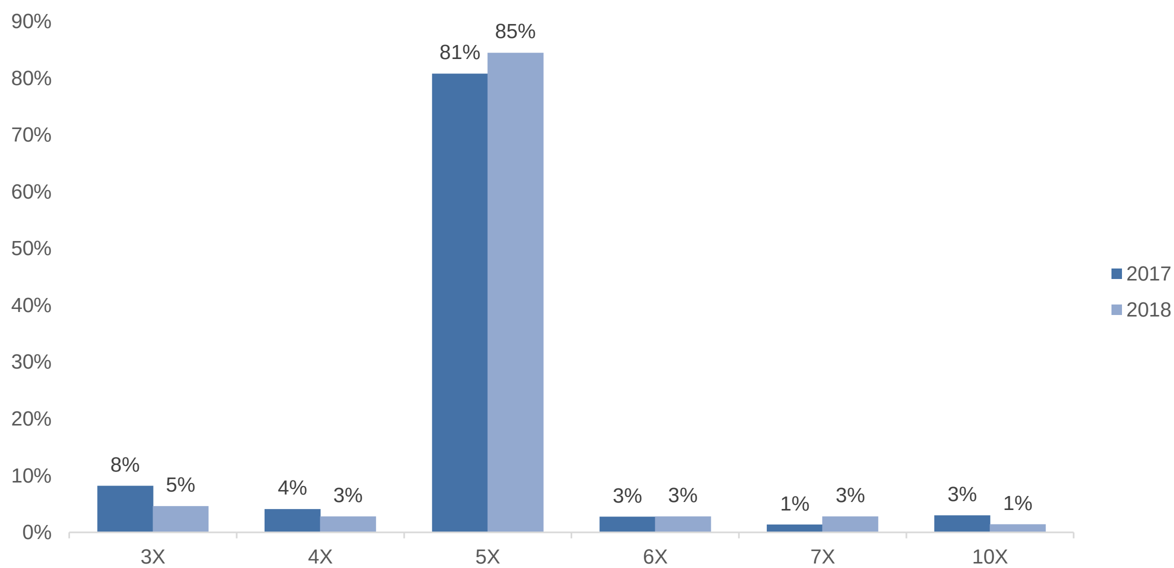
Type of Stock Ownership Guideline: % of Companies with Stock Ownership Guideline



Guideline Levels

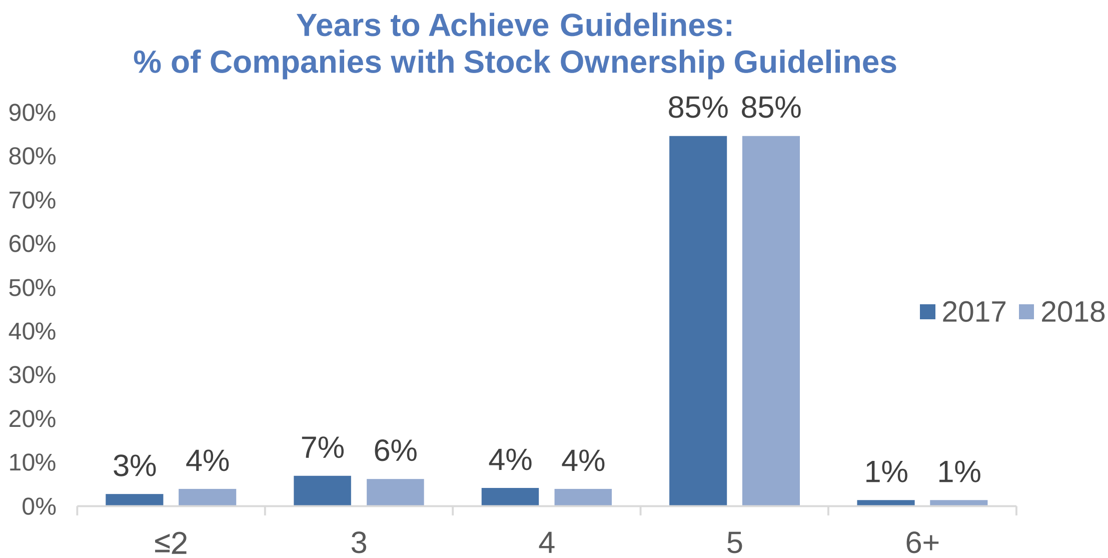
Consistent with 2017, the most prevalent stock ownership guideline is a multiple of 5x the annual board retainer. In 2018, among companies disclosing stock ownership guidelines, the prevalence of 5x and 7x multiples increased, while the prevalence of other multiples either decreased or remained flat. Consistent with previous years, many companies with lower multiples are shifting towards higher multiples.

Multiple of Annual Board Retainer: % of Companies with Stock Ownership Guidelines



Years to Achieve Guideline

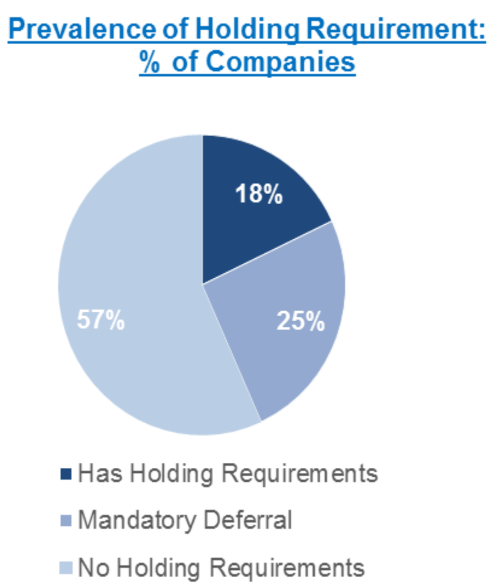
Most companies (86%) give directors five or more years to achieve the company's specified stock ownership guideline, aligned with the typical guideline multiple.

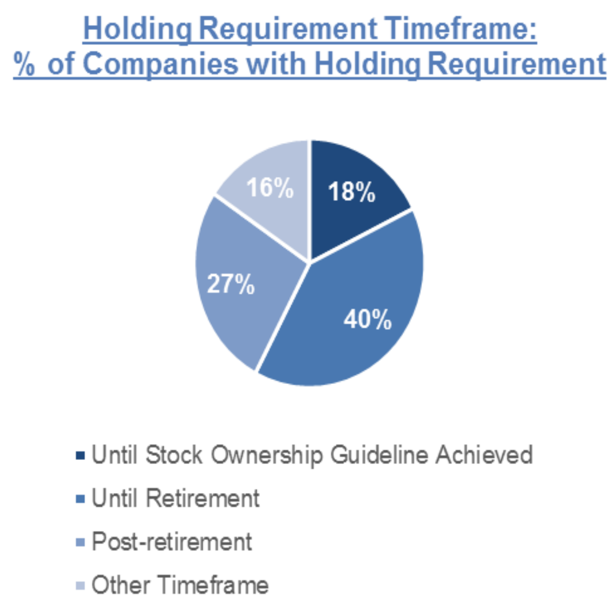


Stock Holding Requirements

Prevalence

A minority of companies (18%) have a policy requiring directors to hold shares of company stock for a specified length of time before selling, though other companies (25%) offer equity with a mandatory deferral feature. Among the companies with either practice in place, a large portion require directors to hold shares until retirement (40%). 45% of companies with holding requirements require directors to either hold stock until a stock ownership guideline is met (18%) or hold stock post-retirement (27%).





CLEARBRIDGE 100 COMPOSITION

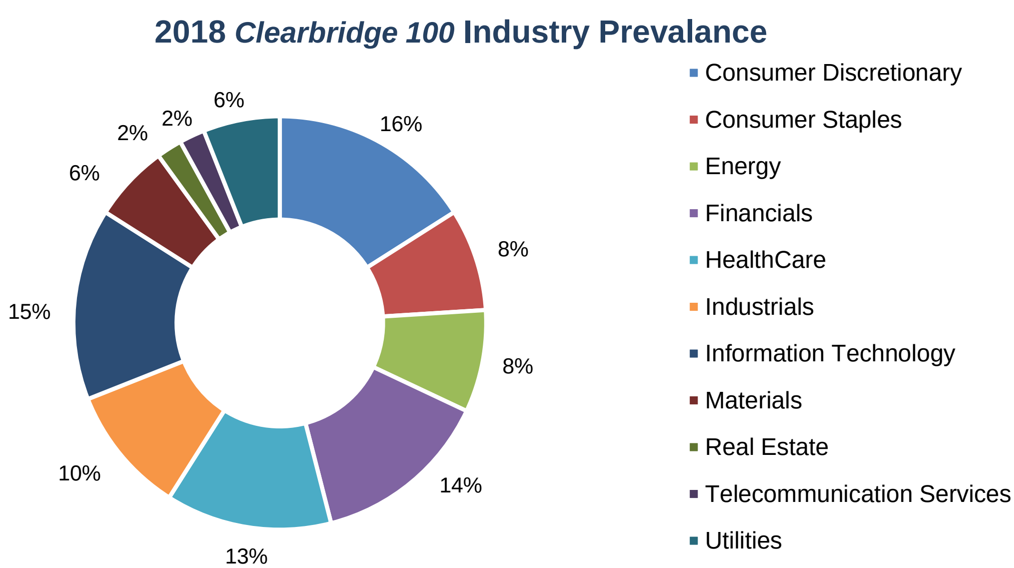
Overview of the *ClearBridge 100*

The *ClearBridge 100* consists of 100 companies in the S&P 500® Index, selected to roughly approximate the industry composition and size of the S&P 500® in order to provide a representation of the broad US market. See the following pages for a list of the companies included in the analysis.

Characteristics of ClearBridge 100

	Revenue ($ Millions)	Market Value as of 12/31/2018 ($ Millions)
75th Percentile	$23,695	$67,453
Median	$12,382	$25,506
25th Percentile	$6,827	$11,181

ClearBridge 100 Industry Composition



COMPANY
ADOBE SYSTEMS INCORPORATED
AETNA INC.
AKAMAI TECHNOLOGIES, INC.
ALLERGAN PLC
ALLIANCE DATA SYSTEMS CORPORATION
ALPHABET INC.
AMAZON.COM, INC.
AMERICAN EXPRESS COMPANY
AMERICAN WATER WORKS COMPANY, INC.
AMGEN INC.
ANADARKO PETROLEUM CORPORATION
AON PLC
AT&T INC.
BAKER HUGHES INCORPORATED
BALL CORPORATION
BB&T CORPORATION
BIOGEN INC.
BLACKROCK, INC.
BORGWARNER INC.
BOSTON PROPERTIES, INC.
BOSTON SCIENTIFIC CORPORATION
BRISTOL-MYERS SQUIBB COMPANY
CBRE GROUP, INC.
CENTURYLINK, INC.
CHUBB LIMITED
CINCINNATI FINANCIAL CORPORATION
COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
COLGATE-PALMOLIVE COMPANY
CONSOLIDATED EDISON, INC.
CORNING INCORPORATED
CVS HEALTH CORPORATION
DANAHER CORPORATION
DISCOVERY COMMUNICATIONS, INC.
DISH NETWORK CORPORATION
DOMINION ENERGY, INC.
DR PEPPER SNAPPLE GROUP, INC.
EATON CORPORATION PLC
EBAY INC.
ECOLAB INC.
EQUIFAX INC.
EXELON CORPORATION
EXXON MOBIL CORPORATION
GARTNER, INC.
GENERAL ELECTRIC COMPANY
HARLEY-DAVIDSON, INC.
HESS CORPORATION
ILLINOIS TOOL WORKS INC.
INTEL CORPORATION
INTERNATIONAL BUSINESS MACHINES CORPORATION
JPMORGAN CHASE & CO.
JUNIPER NETWORKS, INC.
KELLOGG COMPANY
L BRANDS, INC.

COMPANY
M&T BANK CORPORATION
MASCO CORPORATION
MATTEL, INC.
MCDONALD'S CORPORATION
MERCK & CO., INC.
MOODY'S CORPORATION
MOTOROLA SOLUTIONS, INC.
MURPHY OIL CORPORATION
MYLAN N.V.
NASDAQ, INC.
NATIONAL OILWELL VARCO, INC.
NEWELL BRANDS INC.
NEWMONT MINING CORPORATION
NISOURCE INC.
NVIDIA CORPORATION
PACCAR INC
PENTAIR PLC
PEPSICO, INC.
PFIZER INC.
PIONEER NATURAL RESOURCES COMPANY
PPL CORPORATION
QUANTA SERVICES, INC.
QUEST DIAGNOSTICS INCORPORATED
RANGE RESOURCES CORPORATION
TARGET CORPORATION
TEXAS INSTRUMENTS INCORPORATED
THE BANK OF NEW YORK MELLON CORPORATION
THE CHARLES SCHWAB CORPORATION
THE COCA-COLA COMPANY
THE DOW CHEMICAL COMPANY
THE GOLDMAN SACHS GROUP, INC.
THE HERSHEY COMPANY
THE KRAFT HEINZ COMPANY
THE PRICELINE GROUP INC.
THE SHERWIN-WILLIAMS COMPANY
TIFFANY & CO.
TIME WARNER INC.
UNITED PARCEL SERVICE, INC.
UNITED TECHNOLOGIES CORPORATION
V.F. CORPORATION
VARIAN MEDICAL SYSTEMS, INC.
WAL-MART STORES, INC.
WESTROCK COMPANY
WYNDHAM WORLDWIDE CORPORATION
XEROX CORPORATION
YUM! BRANDS, INC.
ZIONS BANCORPORATION

Analysis Scope and Methodology

This report analyzes the value and design of non-employee director compensation programs, as disclosed in the 2017 and 2018 proxy statements for each of the *ClearBridge 100* companies. The results have been aggregated in this report to provide a broad-market view of director compensation practices and trends.

Design features in this report are either expressed as a percentage of *ClearBridge 100* companies in total, or as a percentage of companies with a particular type of practice. In certain charts and tables, totals may not add up to 100% due to companies that incorporate more than one form of practice. To ensure a meaningful sample size, percentile values are only calculated if there are a minimum of five data points.

In calculating total cash compensation and total compensation for companies with meeting fees, each company's per-meeting fee was multiplied by the median number of board or committee meetings of the entire sample in order to reflect a standardized/typical compensation level. Initial equity grants have been annualized over eight years, reflective of typical director tenure.

Definitions

Provided below are definitions for terms used throughout the remainder of this report:

- ***Cash Retainers*** are cash fees paid to directors for service on the board or a committee
- ***Meeting Fees*** are cash fees paid to directors on a per-meeting basis
- ***Total Cash Compensation*** includes cash retainers plus total meeting fees, calculated assuming a standardized number of meetings across *ClearBridge 100* companies
- ***Initial Equity Awards*** are one-time equity awards granted to directors upon their initial appointment to the board
- ***Total Compensation*** includes total cash compensation plus the grant value of equity awards
- ***Time-Vested Restricted Stock/Units*** are shares or share units representing actual shares of a company's common stock with vesting dependent on the lapse of a pre-specified time period (the vesting period)
- ***Time-Vested Stock Options*** are rights to purchase company stock at a pre-specified price (exercise price) over a set time period (option term) with vesting dependent on a pre-specified time period (vesting period)
- ***Deferred Share Units*** are share units representing actual shares of a company's common stock with vesting and settlement dependent on the lapse of pre-specified time periods (the vesting period and deferral period)
- ***Common Stock*** are shares of a company's stock
- ***Performance-Vested Long-Term Incentives ("Performance-Vested LTI")*** are awards of cash or equity that vest over a period of longer than one year and are dependent on the achievement of performance objectives
- ***Stock Ownership Guidelines*** are requirements for directors to own a specific number or value of shares
- ***Holding Requirements*** are requirements for directors to retain a certain amount or percentage of vested shares
- ***Director Compensation Limit*** restricts the maximum annual cash, equity, or total fees that can be paid to a director in any given year

About ClearBridge

ClearBridge Compensation Group is an independent consulting firm providing advice to boards of directors and senior management on the design of effective executive and incentive compensation programs with a focus on alignment with shareholders, linkage with business strategy, and adherence to strong governance standards.

Our consultants have extensive experience and expertise in executive compensation program design. Our work spans across industries for both publicly-traded and privately-held companies. Our aim is to ***establish transparent connections between management and shareholders*** and ***understandable links between performance and compensation.***

We provide an array of compensation services to meet the individual needs of our clients. A sample of our consulting services includes:

Total Compensation Review and Design

Annual Incentive Design

Long-term Incentive/Equity Compensation Design

Board of Director Compensation

Pay-for-Performance Assessment

Say-on-Pay Preparation and Shareholder Engagement

Transactional Compensation Design (e.g., IPOs, M&A)

This report was authored by Matthew Kim, Steve Ross, and Ulyana Erokhina. For questions specific to this *ClearBridge 100* report, or for more information on ClearBridge Compensation Group or any of the services outlined above, please visit our website or contact our New York City office at:

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