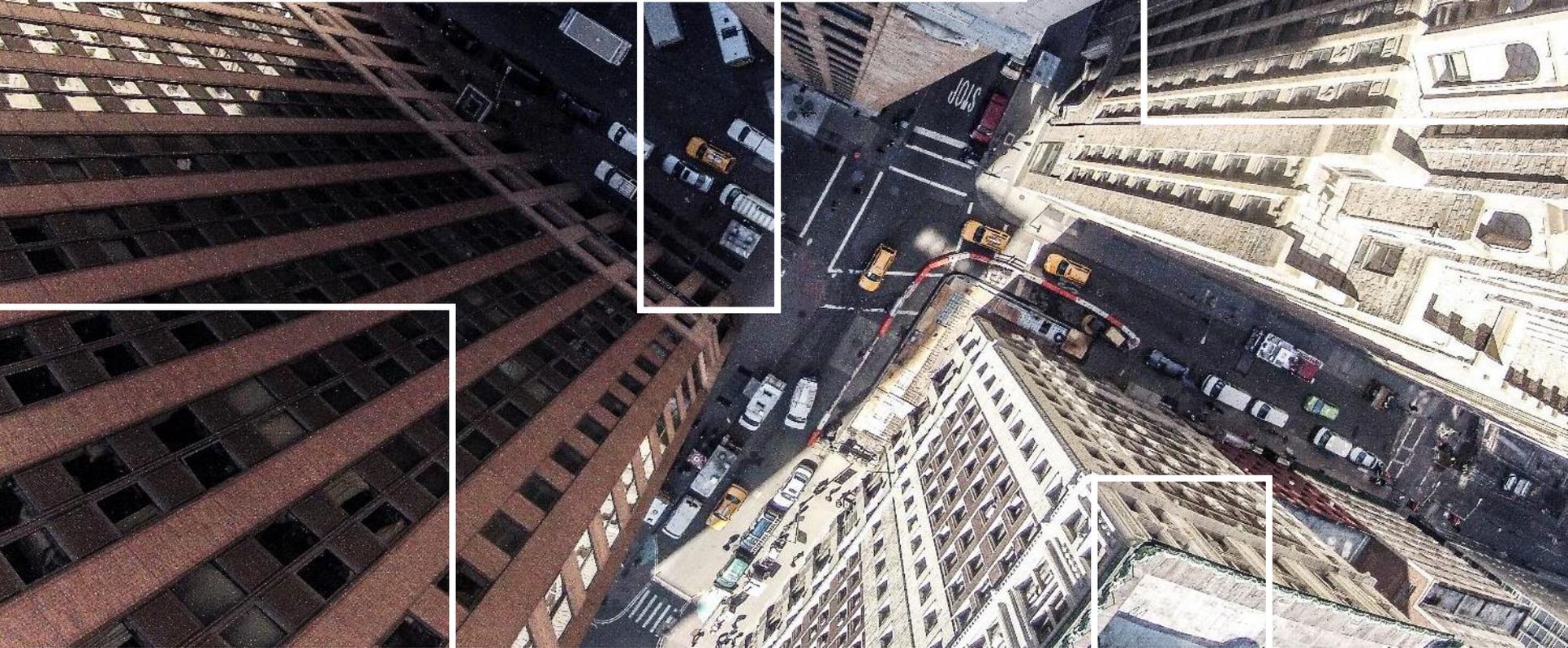


S&P 500 Director Pay Trends

Willis Towers Watson's Global Executive Compensation Analysis Team

December 2020



Methodology

Outline of data sample and analysis

Willis Tower's Watson's annual S&P 500 trends analysis of director compensation pay levels and practices.

01

This analysis is based on proxies filed in 2020, and year over year comparisons are made against S&P 500 index constituents for the review completed in 2019 of proxy statements filed in 2019.

- Design and compensation values are captured as forward looking, representing a calculated 'expected pay' for fiscal year (FY) 2020 and FY 2019, respectively, and are not reflective of compensation actually paid in FY 2019 and FY 2018.
- Committee memberships and board leadership roles are captured as of fiscal year end.
- For further specifics of the analysis methodology, see the footnotes slide.

02

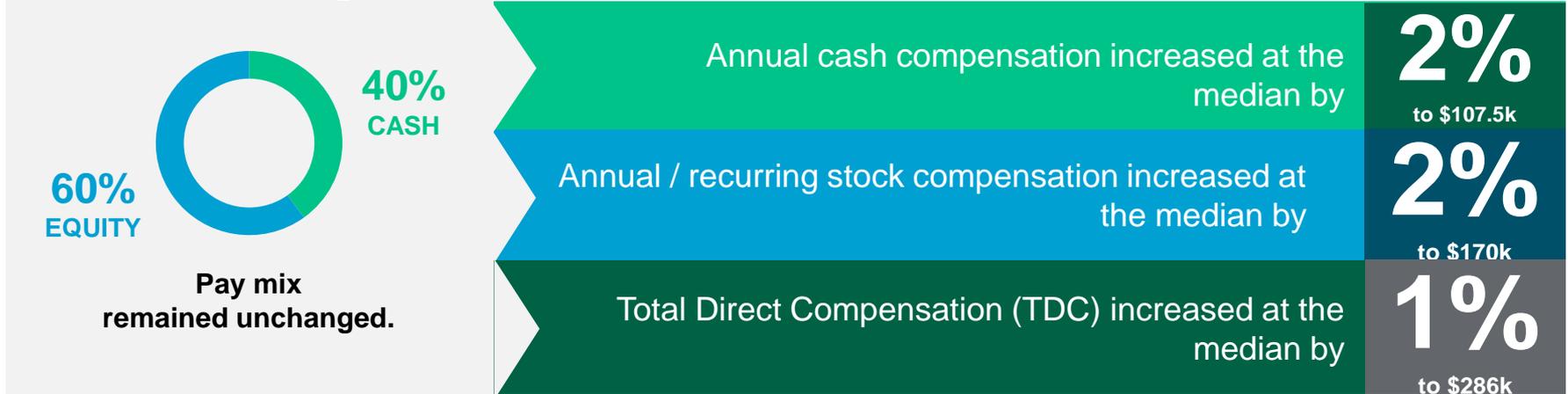
Industry breakdowns are based on the 11 Global Industry Classification Standard (GICS) sectors.

- Communication services (22)
- Consumer discretionary (63)
- Consumer staples (33)
- Energy (28)
- Financials (66)
- Health care (60)
- Industrials (70)
- Information technology (70)
- Materials (28)
- Real estate (31)
- Utilities (28)

This report was completed by Willis Towers Watson's Global Executive Compensation Analysis Team.

Pay program design

Overall mix and change in value



Cash compensation*

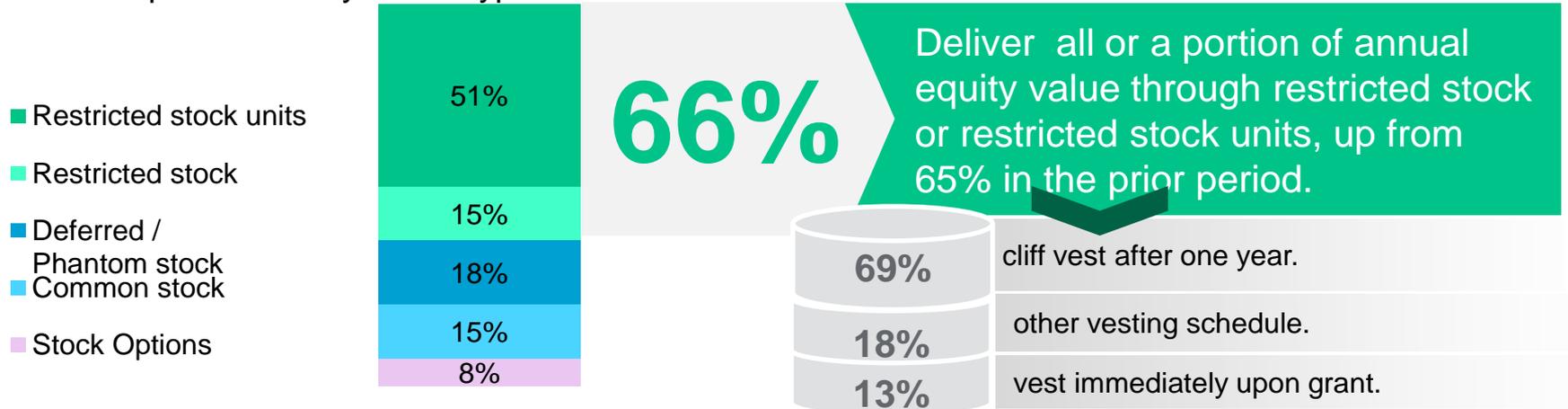


*pp = percentage point change over the prior year.

Pay program design

Equity compensation

Annual / Recurring stock compensation, prevalence by award type*



The median value of common stock increased 7%, from \$150,000 to \$160,000, and now approximately matches the median values of other full value stock.

One-time initial stock grant prevalence decreased from 9% to 8% as value at the median dropped 11% from \$175,000 to \$156,000.

The number of companies granting common stock decreased 1 percentage point; conversely, the number of companies granting restricted stock increased 1 percentage point.

Cash proration (for partial year service) is near-universal (97%) while equity compensation proration has been recorded for two-thirds (66%) of the S&P 500.

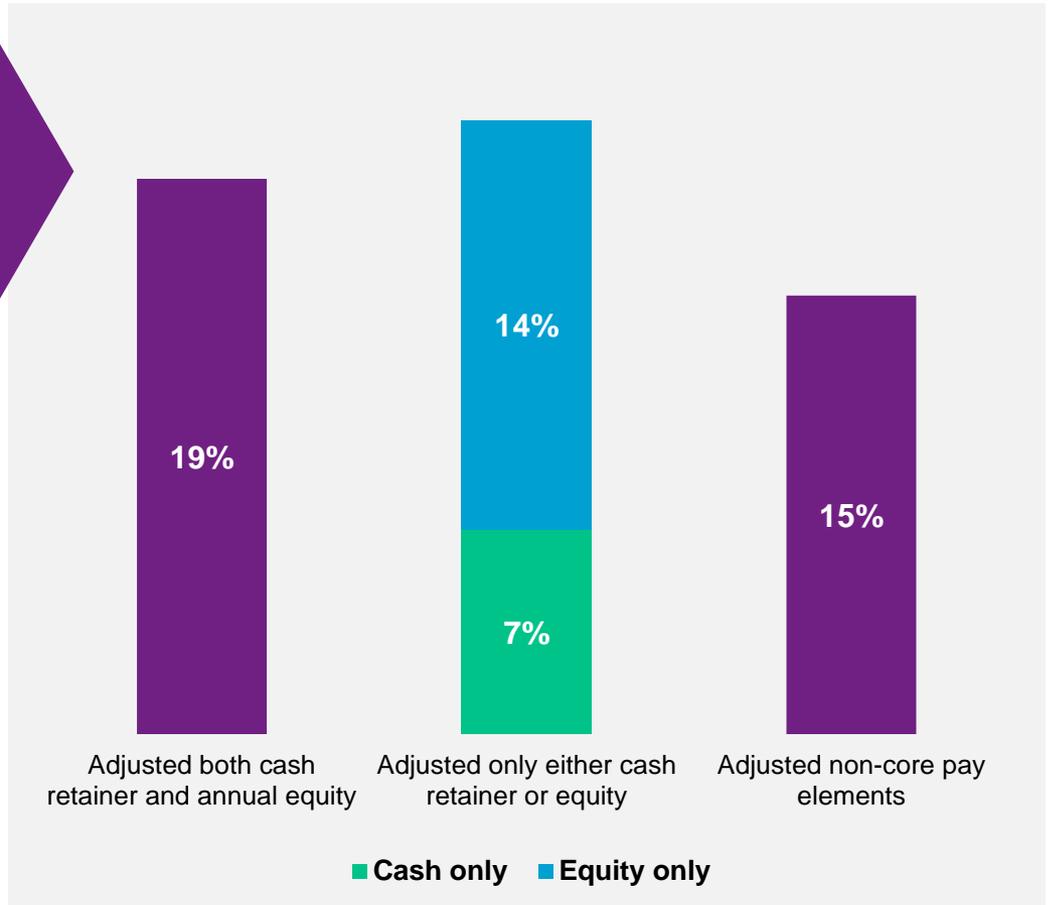
*Sums to 107% due to companies granting multiple award types. 99% of companies grant annual / recurring stock compensation.

Pay program changes

55%
of companies made changes to their pay programs.

31%
adjusted their annual equity grants amounts.

26%
adjusted the annual cash retainer amounts.



Pay for leadership roles

54%

of S&P 500 companies separate the roles of board chair and chief executive officer, increased from 53%. 13% of companies with separate executive chairs (non-CEO).

Non-executive chairman of the board

41%

of S&P 500 companies have a separate, **non-executive** COB, with **97%** of non-executive COB roles receiving additional pay (increase of 1 percentage point).

52%

additional fees paid in cash only

36%

additional fees paid in cash and equity

12%

additional fees paid in equity only

Lead director

66%

of S&P 500 companies identify a separate lead or presiding director (decrease from 68%), with 92% of lead directors receiving additional pay (increase of 6 percentage points).

89%

additional fees paid in cash only

7%

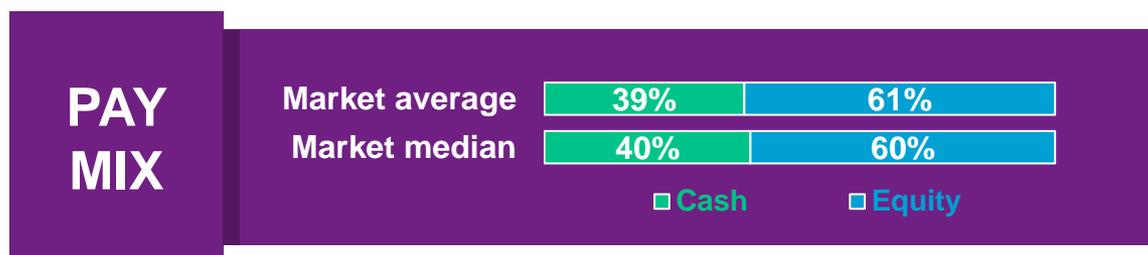
additional fees paid in cash and equity

4%

additional fees paid in equity only

Outside director compensation - percentile values

	25th	Median	75th	Average	Prevalence
Sales (\$ millions)					
CASH	\$4,971	\$10,187	\$22,283	\$26,088	
Board cash retainer	\$80,000	\$100,000	\$110,000	\$97,822	97%
Board meeting fee	\$1,500	\$2,000	\$2,500	\$2,108	7%
Committee cash retainer	\$7,625	\$10,000	\$13,750	\$10,837	36%
Committee meeting fee	\$1,500	\$1,500	\$2,000	\$1,796	10%
Committee chair extra retainer	\$12,500	\$15,000	\$20,000	\$16,933	95%
Annual Cash Compensation	\$95,000	\$107,500	\$124,750	\$108,613	98%
ANNUAL/RECURRING STOCK					
<i>Expected Value:</i>					
Common stock (\$)	\$131,998	\$160,000	\$181,902	\$159,676	15%
Deferred stock and phantom stock (\$)	\$150,000	\$160,000	\$186,000	\$163,048	18%
Restricted stock (\$)	\$142,130	\$165,000	\$200,000	\$177,847	66%
Full-value stock (\$)	\$146,233	\$165,000	\$199,857	\$175,282	97%
Stock options (\$)	\$67,520	\$86,424	\$142,500	\$121,098	8%
Annual/Recurring Stock Compensation (\$)	\$150,000	\$170,154	\$200,000	\$182,431	99%
Total Direct Compensation	\$258,335	\$286,292	\$319,922	\$292,306	100%
ONE-TIME STOCK					
One-time stock grants annualized	\$90,000	\$156,000	\$250,000	\$211,686	8%
One-time stock grants annualized	\$11,250	\$19,500	\$31,250	\$26,461	8%
Total Compensation (with one-time stock)	\$259,758	\$290,053	\$323,108	\$294,480	100%



Median outside director compensation

	2018	2019	% change	Prevalence
Revenue (\$ millions)	\$10,086	\$10,187	1%	
CASH				
Board cash retainer	\$100,000	\$100,000	No change	97%
Board meeting fee	\$2,000	\$2,000	No change	7%
Committee cash retainer	\$10,000	\$10,000	No change	36%
Committee meeting fee	\$1,500	\$1,500	No change	10%
Committee chair extra retainer	\$15,000	\$15,000	No change	95%
Annual Cash Compensation	\$105,000	\$107,500	2%	98%
ANNUAL/RECURRING STOCK				
<i>Expected Value:</i>				
Common stock (\$)	\$150,018	\$160,000	7%	15%
Deferred stock and phantom stock (\$)	\$159,975	\$160,000	No change	18%
Restricted stock (\$)	\$164,950	\$165,000	No change	66%
Full-value stock (\$)	\$162,500	\$165,000	2%	97%
Stock options (\$)	\$89,978	\$86,424	-4%	8%
Annual/Recurring Stock Compensation (\$)	\$166,743	\$170,154	2%	99%
Total Direct Compensation	\$282,991	\$286,292	1%	100%
ONE-TIME STOCK				
One-time stock grants annualized	\$21,875	\$19,500	-11%	8%
Total Compensation (with one-time stock)	\$285,000	\$290,053	2%	100%

Pay for board leadership and committee service

Additional leadership pay

	Non-executive board chair		Lead director	
	Total incremental compensation	Total chair pay relative to typical director	Total incremental compensation	Total lead director pay relative to typical director
25th percentile	\$125,000	142%	\$30,000	110%
Median	\$159,999	157%	\$35,000	112%
Average	\$193,330	169%	\$41,611	114%
75th percentile	\$200,000	173%	\$70,000	122%

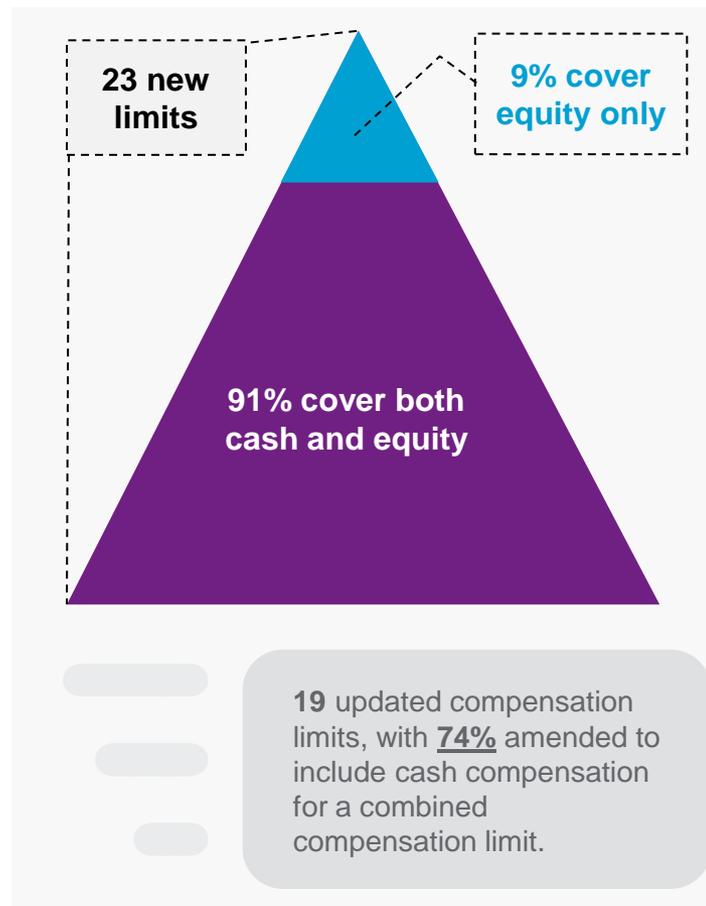
Additional committee pay*

Pay element	Prevalence	Market 25th percentile	Market median	Market 75th percentile
Audit committee member retainer	48%	\$10,000	\$15,000	\$15,000
Audit committee chair retainer	98%	\$22,500	\$25,000	\$35,000
Compensation committee member retainer	36%	\$10,000	\$10,000	\$15,000
Compensation committee chair retainer	97%	\$20,000	\$20,000	\$25,000
Governance committee member retainer	34%	\$7,500	\$10,000	\$10,000
Governance committee chair retainer	94%	\$15,000	\$20,000	\$20,000

*Chair retainers are inclusive of member retainers.

Director-specific annual compensation limits

Annual compensation limits have been set by two-thirds of the group (**68%**) with 23 new limits pushing prevalence up 4 percentage points from last year.



	Combined fixed value cash & equity limits	Fixed value equity limits	Fixed number of shares limits
Prevalence	31%	26%	11%
Minimum	\$250,000	\$150,000	5,000
Median	\$750,000	\$500,000	25,000
Average	\$800,942	\$641,107	86,066
Maximum	\$5,355,000	\$3,000,000	1,200,000

	Combined fixed value cash & equity limits		Fixed value equity limits		Fixed number of shares limits	
	2018	2019	2018	2019	2018	2019
Prevalence	24%	31%	27%	26%	12%	11%
Minimum	\$250,000	\$250,000	\$150,000	\$150,000	1,000	5,000
Median	\$750,000	\$750,000	\$500,000	\$500,000	20,000	25,000
Average	\$814,343	\$800,942	\$642,889	\$641,107	85,523	86,066
Maximum	\$3,977,500	\$5,355,000	\$3,000,000	\$3,000,000	1,200,000	1,200,000

Share ownership and retention

96%

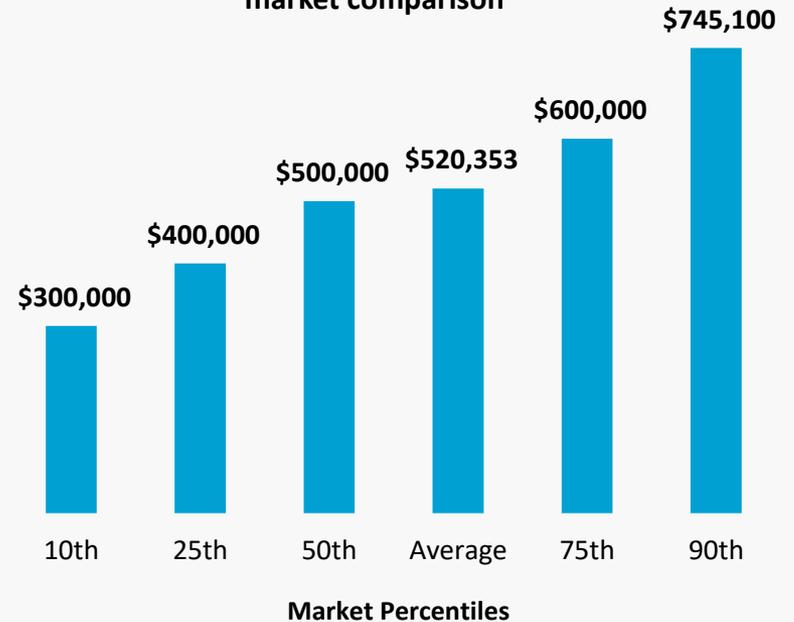
have a director-specific stock ownership guideline.

43%

have a retention requirement with 26% requiring a holding period that lasts until the stock ownership guidelines are met.

	Type of stock ownership guideline			Total guideline value
	Multiple of retainer	Fixed number of shares	Fixed-dollar value	
Prevalence	84%	4%	7%	
25th percentile	5	5,000	\$375,000	\$400,000
Median	5	9,000	\$500,000	\$500,000
75th percentile	5	10,000	\$631,250	\$600,000

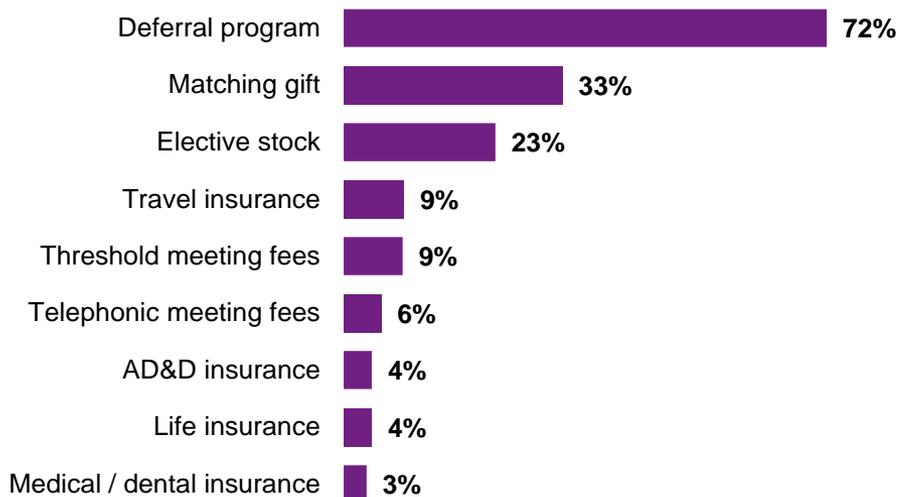
Total stock ownership guideline values: market comparison



79% have a guideline based on the annual cash retainer.

Miscellaneous

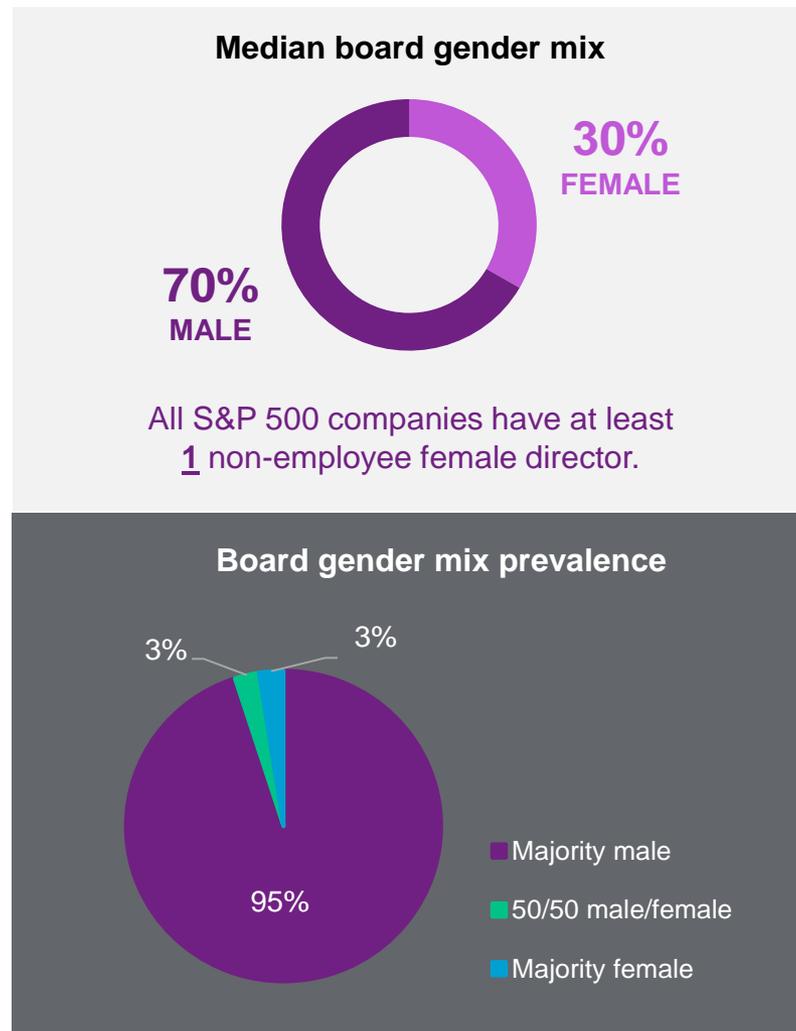
Additional director pay program practices



Board tenure practices

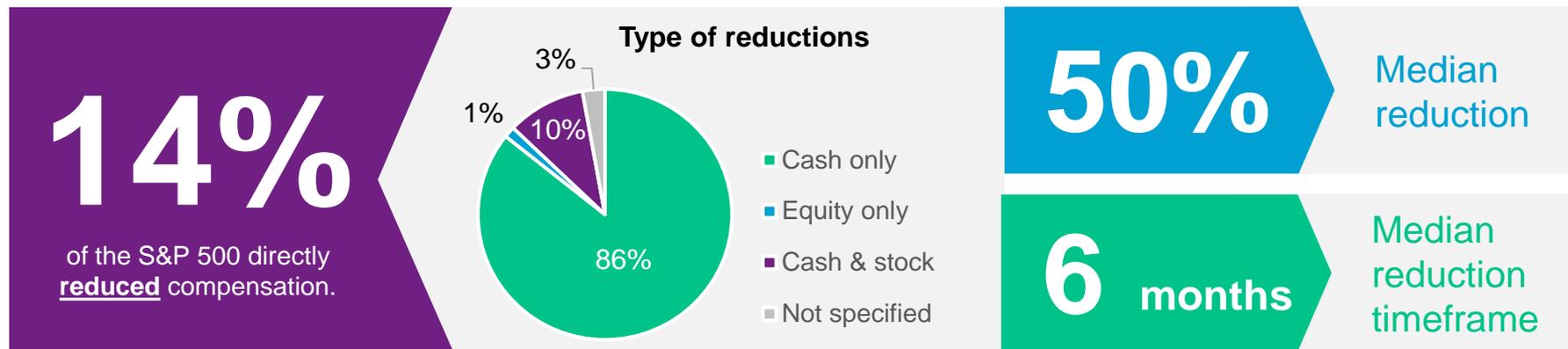
	Mandatory retirement age	Term limits (years)
Prevalence	69%	6%
10th percentile:	72	12
25th percentile:	72	13
Median:	74	15
75th percentile:	75	15
90th percentile:	75	16
Average:	74	14

Gender mix

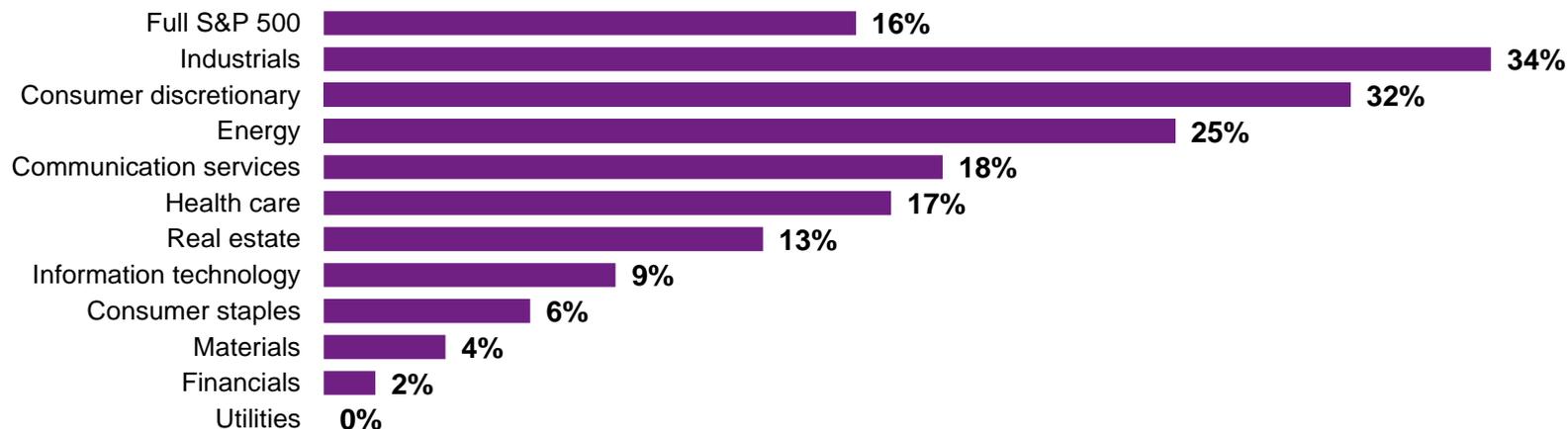


Impact of COVID-19 on director pay decisions

As of December 7, 2020, **16%** of the S&P 500 announced a change in their director compensation programs.



COVID-19 related director pay change prevalence by industry



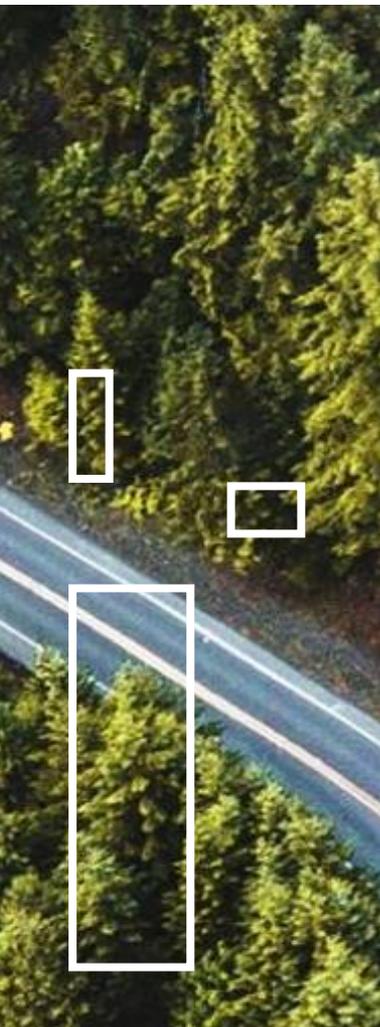
Footnotes

1. The 2020 S&P 500 sample consists of 499 publicly owned companies in the S&P 500 as of December 31, 2019. The 2019 S&P 500 sample consists of 498 publicly owned companies in the S&P 500 as of December 31, 2018.
 - Figures expressed as a percentage of all S&P 500 companies, unless otherwise specified.
 - The 2020 S&P 500 sample excludes one company that did not disclose director pay data for 2019.
 - Pay programs detailed in this report are compared with findings in last year's S&P 500 director pay report for 2018.
2. Annual cash compensation is calculated as follows:
 - i. Values reported for fees earned or paid in cash in the Director Summary Compensation Table are identified for each director, adjusted to reflect disclosed pay program changes for the future year.
 - ii. Directors who did not serve the entire fiscal year, as well as directors in leadership positions receiving supplemental compensation (e.g., board chair, lead director) and chairs of the three primary committees (audit, compensation and nominating/governance) are removed.
 - iii. The median value is identified for the remaining directors to determine the total cash compensation for "typical" directorial duties.
 - iv. The value of the retainer is eliminated from the total cash compensation for the "typical" director to determine the value, if any, of total variable cash fees.
 - v. Annual cash compensation is the combined value of the annual cash retainer and the median value of variable cash fees.
3. Stock compensation is determined using ASC 718 values reported in company proxy statements.
 - a. Full-value stock represents the combined value of all full-value grants, regardless of the form of the award, adjusted to reflect disclosed pay program changes for the future year
4. All board/committee meeting fees and retainers that are paid in stock are included under annual/recurring stock compensation.
5. Total direct compensation includes annual cash compensation plus annual/recurring stock compensation.
6. One-time stock includes initial and discretionary stock-based grants. The values reflect the incremental additional value above that of the annual grant.
7. Prevalence is inclusive of all compensation limits disclosed by each company. Companies are not limited to only one type of limit per company.
8. Combined fixed value cash & equity limits is inclusive of companies that provide for both separate equity and separate cash limits.
9. Multiple of retainer is inclusive of the following categories: annual cash retainer; annual stock retainer; annual cash and stock retainer; annual equity grant; and annual compensation.



Global Executive Compensation Analysis Team (GECAT)

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