

**FENWICK
& WEST**

2017
PROXY SEASON



Corporate Governance Practices and Trends

A Comparison of Large Public Companies and
Silicon Valley Companies

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Corporate Governance Practices and Trends

A Comparison of Large Public Companies and Silicon Valley Companies

Overview

Corporate governance practices vary significantly among public companies. This is a reflection of many factors, including:

- Differences in the stage of development of companies, including the relative importance placed on various values (for example, focus on growth and scaling operations may be given more importance);
- Differences in the investor base for different types of companies;
- Differences in expectations of board members and advisors to companies and their boards, which can vary by size, age of company, stage of development, geography, industry and other factors; and
- The reality that corporate governance practices that are appropriate for large, long-established public companies can be meaningfully different from those for newer, smaller companies.

Since the passage of the Sarbanes-Oxley Act of 2002, which signaled the initial wave of corporate governance reforms among public companies, Fenwick & West has surveyed the corporate governance practices of the companies included in the Standard & Poor's 100 Index (S&P 100) and the technology and life sciences companies included in the Silicon Valley 150 Index (SV 150) each year.

In this report, we present statistical information for a subset of the data we have collected over the years, updating for the 2017 proxy season. These include size and number of meetings for boards and their primary committees, the number of insider directors, board leadership makeup, majority voting, board classification and use of a dual-class voting structure, as well as the frequency and number of stockholder proposals. We have also included data covering the number of women on boards of directors, stock ownership guidelines for executive officers and directors and additional information about committees beyond the primary committees. In each case, we present comparative data for the S&P 100 companies and for the technology and life sciences companies included in the SV 150, as well as trend information.

Overview *(continued)*

Governance practices and trends (or perceived trends) among the largest companies are generally presented as normative for all public companies. Fenwick & West collects information regarding public company governance practices to enable boards and companies in Silicon Valley to understand the actual corporate governance practices among their peers and neighbors, and understand how those practices contrast with practices among large companies nationally.

About the Data — SV 150 and S&P 100 Group Makeup

In the 2017 proxy season, there were approximately 245 public technology and life sciences companies in “Silicon Valley,”¹ of which the SV 150 captures those that are the largest by one measure — revenue.² The 2017 constituent companies of the SV 150 range from Apple and Alphabet with revenue of approximately \$218B and \$90B, respectively, to Aemetis and DSP Group with revenue of approximately \$143M and \$138M, respectively, in each case for the four quarters ended on or about December 31, 2016. Apple went public in 1980, Alphabet (as Google) in 2004, Aemetis in 2007 and DSP Group in 1994, with the top 15 companies averaging 13 or more years as a public company than the bottom 15 companies in the SV 150. Apple and Alphabet’s peers clearly include companies in the S&P 100, of which they are also constituent members (eight companies were constituents of both indices for the survey in the 2017 proxy season), where market capitalization averages approximately \$130B.³ Aemetis and DSP Group’s peers are smaller technology and life sciences companies that went public relatively recently and have market capitalizations well under \$1B. In terms of number of employees, the SV 150 averages approximately 9,500 employees (with a median of approximately 1,800 employees), ranging from Hewlett Packard Enterprise with 195,000 employees spread around the world in dozens of countries, to companies such as Aemetis with 144 employees in the United States and India, as of the end of their respective fiscal years 2016. The S&P 100 averages approximately 130,000 employees and includes Wal-Mart with 2.3 million employees in more than two dozen countries at its most recent fiscal year-end. Compared to the S&P 100, SV 150 companies are on average much smaller and younger, have lower revenue and are concentrated in the technology and life sciences industries. As the

- 1 The number fluctuates constantly as some companies complete initial public offerings and others are acquired. As of September 5, 2017, Hoover’s included 349 public companies in Silicon Valley (defined by *The Mercury News* [fka the *San Jose Mercury News*] as Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties). Of the 349 public companies in Silicon Valley, we consider approximately 245 of them technology or life sciences companies based on their “Line of Business” descriptions from Hoover’s as well as their initial sources of funding. The number of Silicon Valley public technology and life sciences companies is down from a high of 417 reached in 2000 during the dot-com era. See “[Vanishing Public Companies Lead to The Incredible Shrinking Silicon Valley](#)” (*SiliconBeat*, February 17, 2010) and “[The IPO market in 2017? Underwhelming so far, underscores a new survey](#)” (TechCrunch, July 26, 2017).
- 2 There are approximately 100 public companies that are outside of the technology or life sciences industries but are located in the Silicon Valley region (defined by *The Mercury News* as Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties) (see footnote 1). See also the “Methodology — Group Makeup” section below for a more detailed discussion of the makeup of the SV 150 and the geography of Silicon Valley for its purposes, including footnote 40.
- 3 The average market capitalization of the SV 150 at the time of announcement of the current index list (see footnote 40) was approximately \$23.4B, ranging from Aemetis at approximately \$25M to Apple at approximately \$753.7B, with a median of \$2.5B. The median revenue of the SV 150 for the four quarters ended on or about December 31, 2016 was approximately \$721M. It is also worth noting that, for the 2017 proxy season year, 30 of the SV 150 companies were also constituents of the most recent S&P 500.

Overview *(continued)*

graphs on pages 4 to 7 illustrate, SV 150 companies also tend to have significantly greater ownership by the board and management than S&P 100 companies (whether measured by equity ownership or voting power).

While not specifically studied in this report, it is worth noting that the broad range of companies in the SV 150 (whether measured in terms of size, age or revenue) is associated with a corresponding range of governance practices. Comparison of governance practice statistics and trends for the top 15,⁴ top 50,⁵ middle 50⁶ and bottom 50⁷ companies of the SV 150 (in terms of revenue) bears this out.⁸ A few examples of such comparisons are included in this report. Additional comparison information of the top 15, top 50, middle 50 and bottom 50 companies of the SV 150 (as well as other data not presented in this report)⁹ may be obtained by consulting your Fenwick & West securities partner.

- 4 The top 15 of the SV 150 includes companies, eight of which are included in the S&P 100, with revenue of approximately \$8.4B or more and market capitalizations averaging \$178.8B, ranging from Synnex at approximately \$4.5B to Apple at approximately \$753.7B at the time of announcement of the current index list (see footnote 40).
- 5 The top 50 of the SV 150 includes companies with revenue of approximately \$1.6B or more and market capitalizations averaging \$66B, ranging from SunPower at approximately \$846M to Apple at approximately \$753.7B at the time of announcement of the current index list (footnote 40).
- 6 The middle 50 of the SV 150 includes companies with revenue of at least approximately \$380M but less than approximately \$1.6B and market capitalizations averaging \$3.3B, ranging from Quantum at approximately \$236M to ServiceNow at approximately \$14.7B at the time of announcement of the current index list (footnote 40).
- 7 The bottom 50 includes companies with revenue of at least approximately \$138M but less than \$375M and market capitalizations averaging \$1.2B, ranging from Aemetis at approximately \$25M to Exelixis at approximately \$6.3B at the time of announcement of the current index list (footnote 40).
- 8 Contrasting the top 15 or top 20 SV 150 companies (in the latter case, companies with revenue of approximately \$6.4B or more and market capitalizations averaging \$142.6B at the time of announcement of the current index list) against the remaining SV 150 companies is similarly enlightening (footnote 40). In 2017, the SV 150 included 24 life sciences companies (broadly defined) and 126 technology companies. There are also some differences between technology and life sciences companies as groups within the SV 150.
- 9 Such as comparisons of the top 15 or top 20 SV 150 companies against the remaining SV 150 companies, comparisons of technology and life sciences companies as separate groups within the SV 150 or other details related to the topics covered in this report.

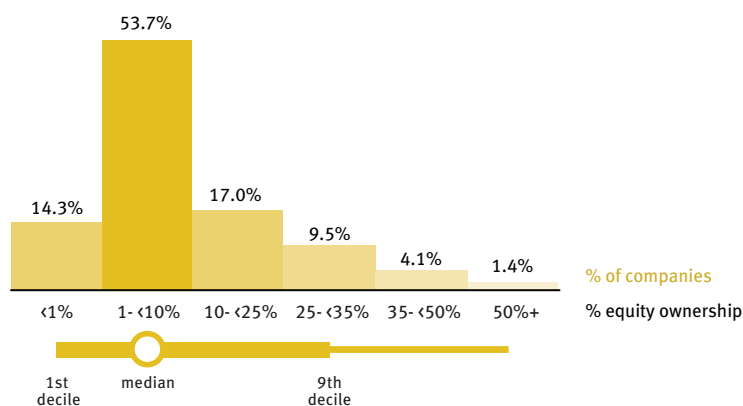
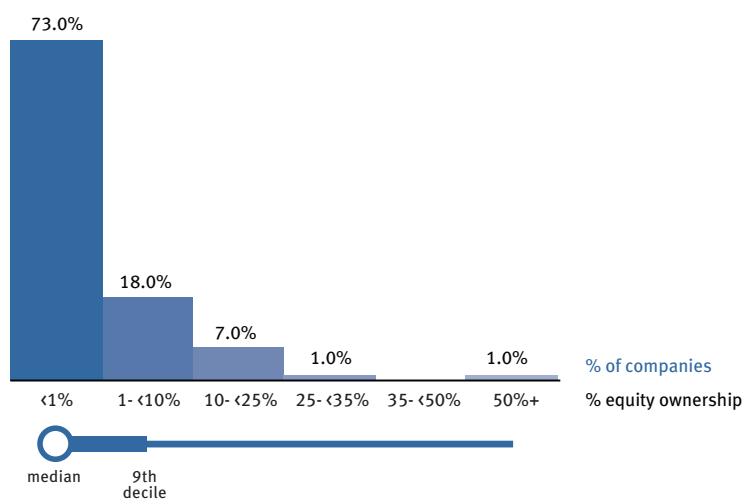
Overview *(continued)*

Equity Ownership by Executives and Directors

The distribution of simple equity ownership skews higher among the technology and life sciences companies in the SV 150 (average 10.7%) than among S&P 100 companies (average 2.9%).

The graphs below show the distribution of the percentage of simple equity ownership of the directors and executive officers of the companies in each of the SV 150 and the S&P 100 for the 2017 proxy season.

EXECUTIVE AND DIRECTOR EQUITY OWNERSHIP — DISTRIBUTIONS

SV 150
2017S&P 100
2017

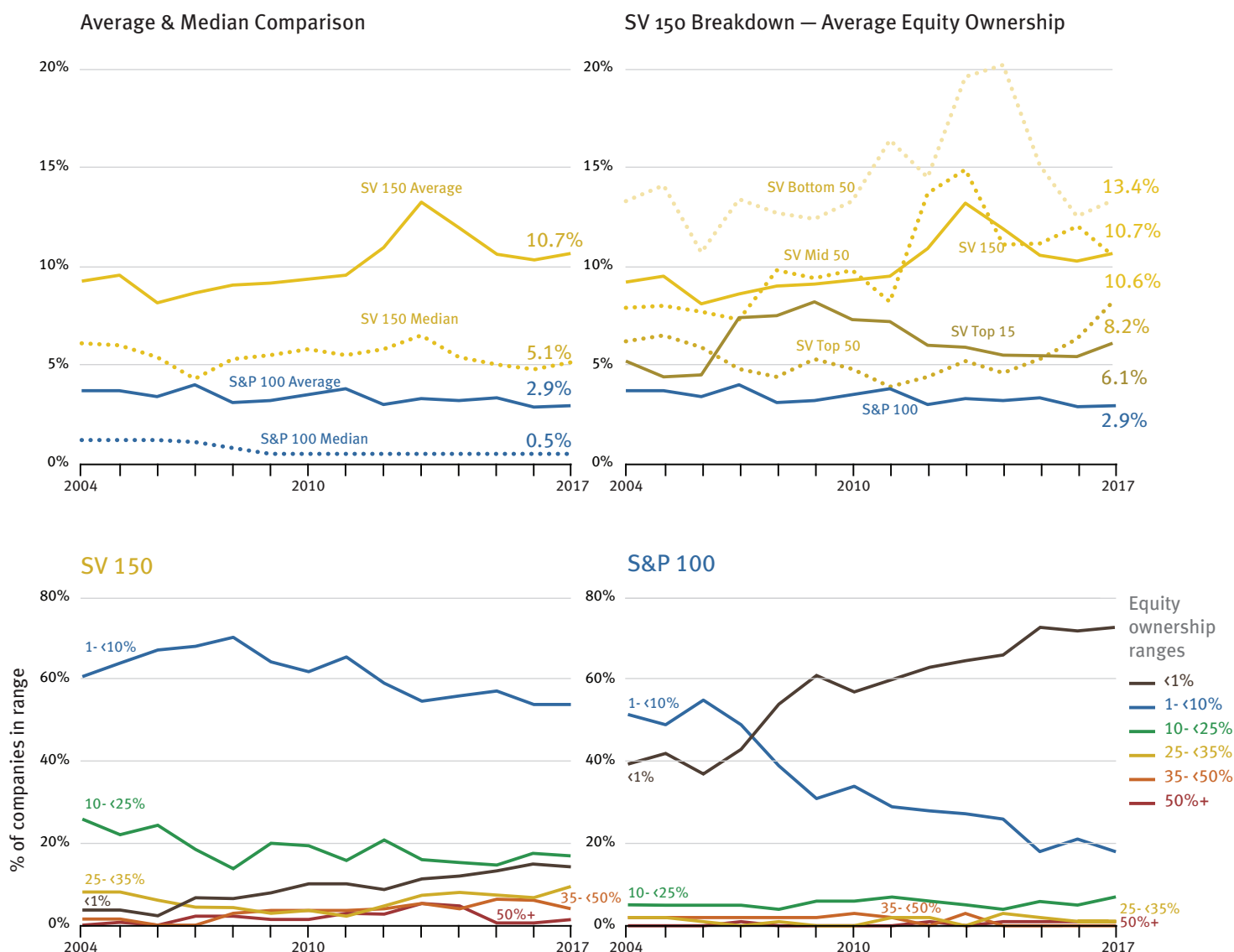
Overview (continued)

Equity Ownership by Executives and Directors (continued)

As noted above, the distribution of simple equity ownership skews higher among the technology and life sciences companies in the SV 150, and that difference has held fairly steady over time — increasing in recent years.

The graphs below show the average percentages of simple equity ownership of the directors and executive officers of the companies in each of the SV 150 and the S&P 100 as a group from the 2004 through 2017 proxy seasons as well as the percentages of average equity ownership for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

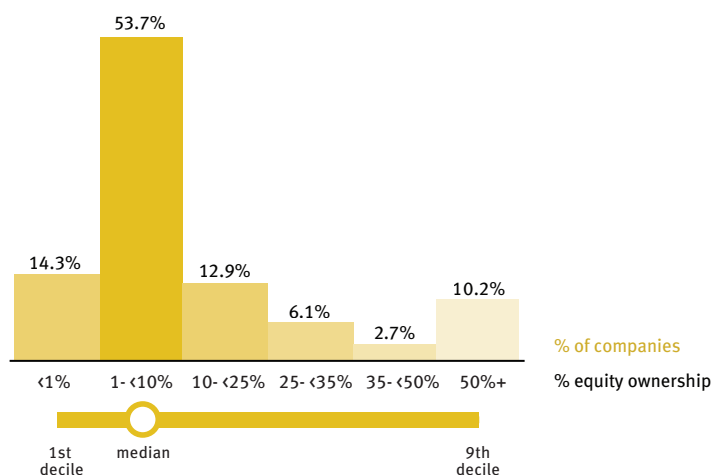
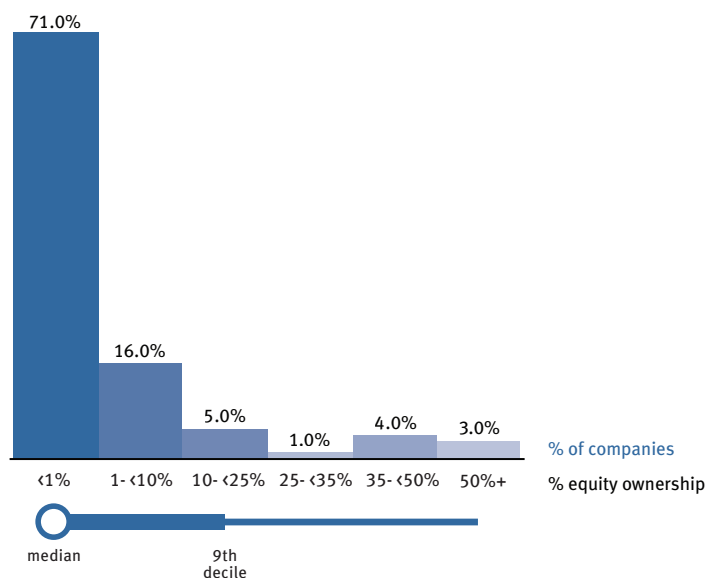
EXECUTIVE AND DIRECTOR EQUITY OWNERSHIP — TRENDS OVER TIME



Overview *(continued)***Voting Power Ownership by Executives and Directors**

The distribution of voting power ownership skews higher among the technology and life sciences companies in the SV 150 (average 14.7%) than among S&P 100 companies (average 5.1%).

The graphs below show the distribution of the percentage ownership of total voting power of the directors and executive officers of the companies in each of the SV 150 and the S&P 100 for the 2017 proxy season.

EXECUTIVE AND DIRECTOR VOTING OWNERSHIP — DISTRIBUTIONS**SV 150
2017****S&P 100
2017**

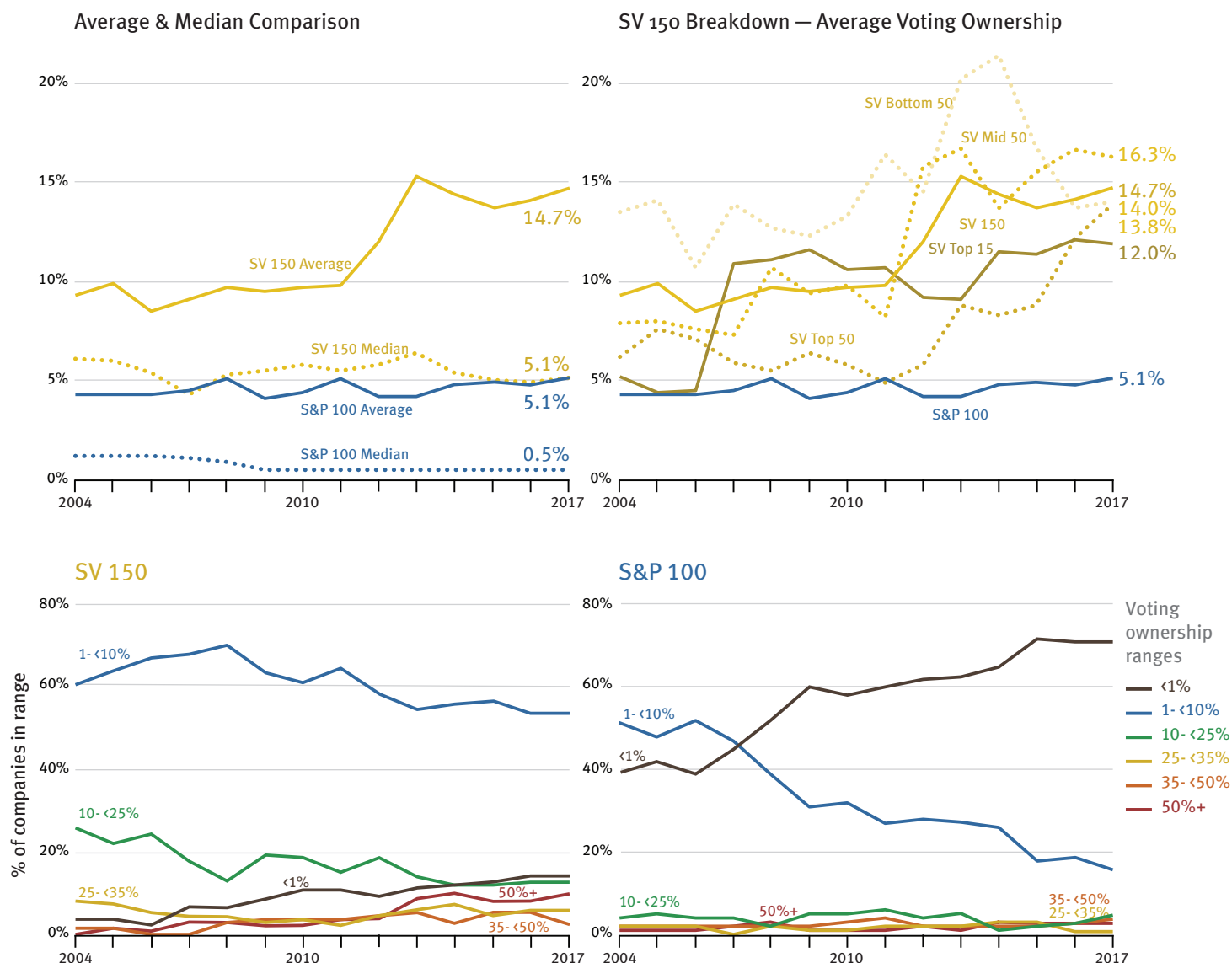
Overview (continued)

Voting Power Ownership by Executives and Directors (continued)

As noted above, the distribution of voting power ownership skews higher among the technology and life sciences companies in the SV 150, and that difference has held fairly steady over time — increasing in recent years.

The graphs below show the average percentages of ownership of total voting power of the directors and executive officers of the companies in each of the SV 150 and the S&P 100 as a group from the 2004 through 2017 proxy seasons, as well as the percentages of average voting ownership for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

EXECUTIVE AND DIRECTOR VOTING OWNERSHIP — TRENDS OVER TIME



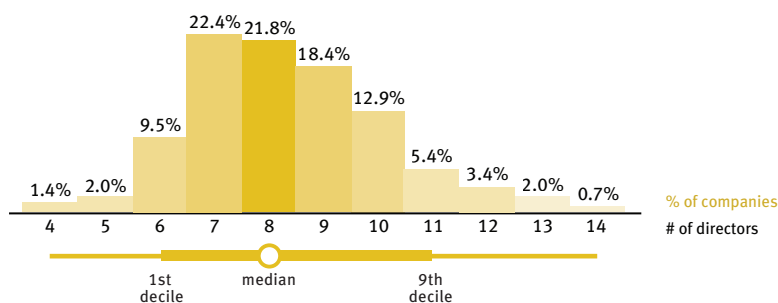
Board Size and Meeting Frequency

The number of directors tends to be substantially lower among the technology and life sciences companies in the SV 150 (average = 8.4 directors) than among S&P 100 companies (average = 12.4 directors).

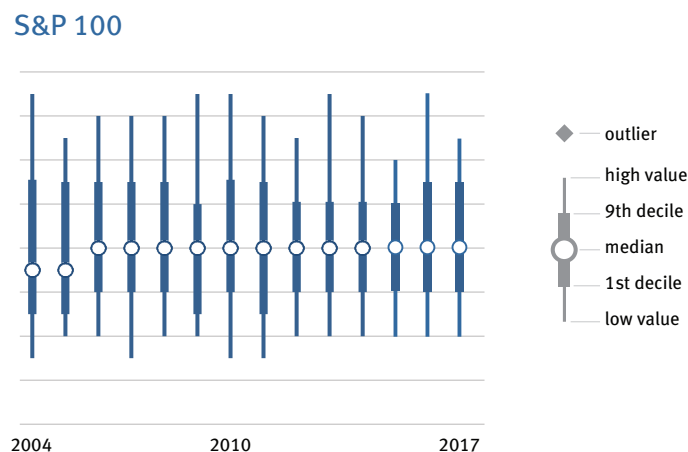
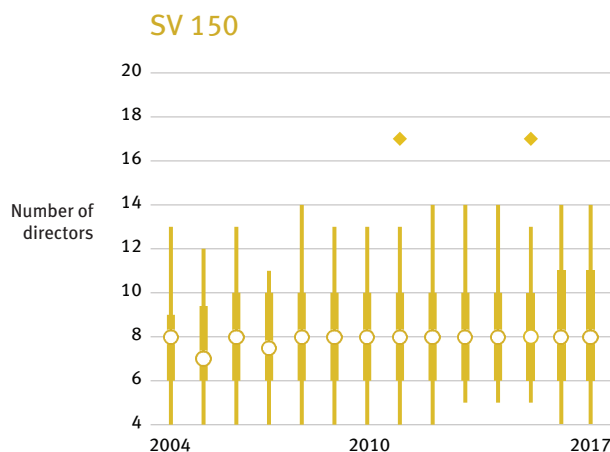
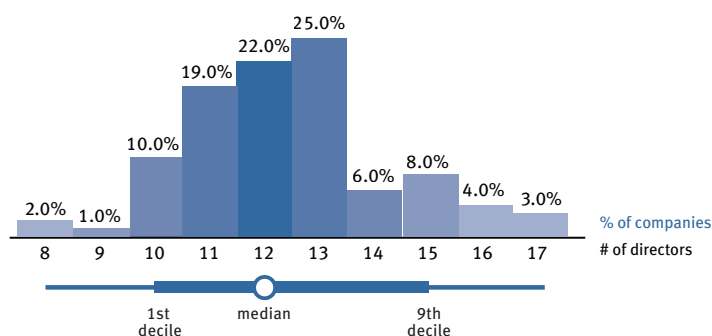
The following graphs show the distribution by number of directors among the two groups during the 2017 proxy season, as well as the trend over the period from the 2004 through 2017 proxy seasons (showing both the median number and the cutoffs for the deciles with the most and fewest directors).

SIZE OF BOARD OF DIRECTORS — DISTRIBUTION AND TRENDS OVER TIME

SV 150
2017



S&P 100
2017

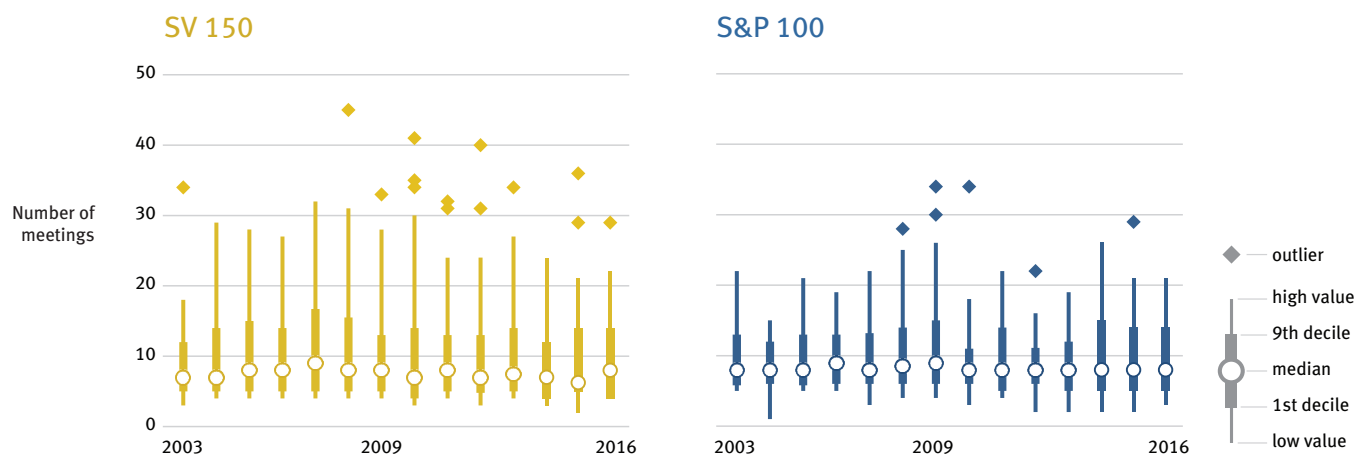
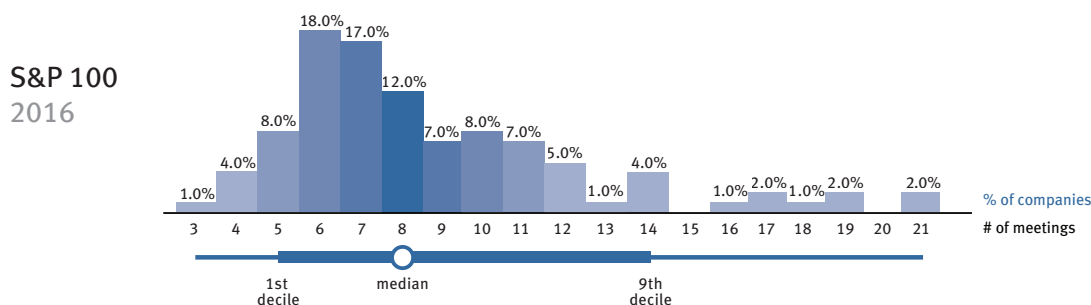
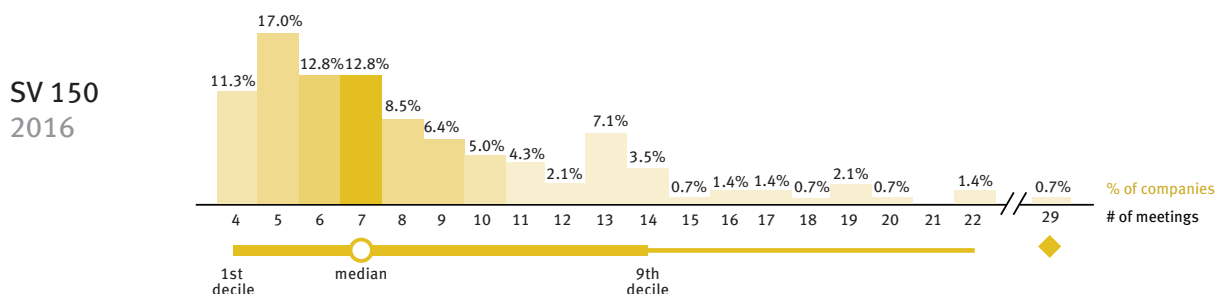


Board Size and Meeting Frequency *(continued)*

The technology and life sciences companies in the SV 150 held board meetings more often in fiscal 2016 (average = 8.6 in 2016 compared to 8.1 in 2015), while S&P 100 companies decreased meeting frequency (average = 8.8 in 2016 compared to 8.9 in 2015). Although, SV 150 companies continued to skew noticeably toward fewer meetings compared to the S&P 100.

The following graphs show the distribution by number of board meetings among the two groups in fiscal 2016 as reported during the 2017 proxy season, as well as the trend over the period from fiscal 2003 through 2015 (showing both the median number and the cutoffs for the deciles with the most and fewest meetings), as reported in the 2004 through 2017 proxy seasons.

NUMBER OF BOARD OF DIRECTORS MEETINGS — DISTRIBUTION AND TRENDS OVER TIME

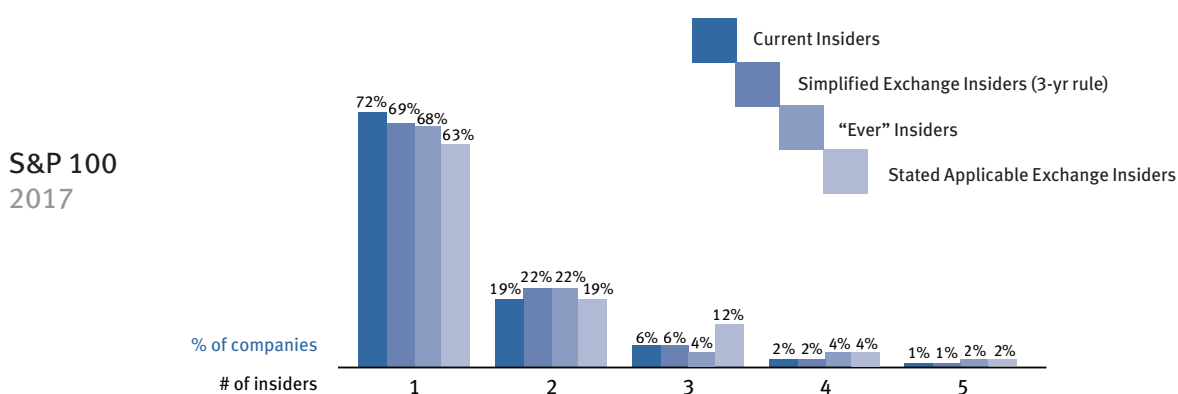
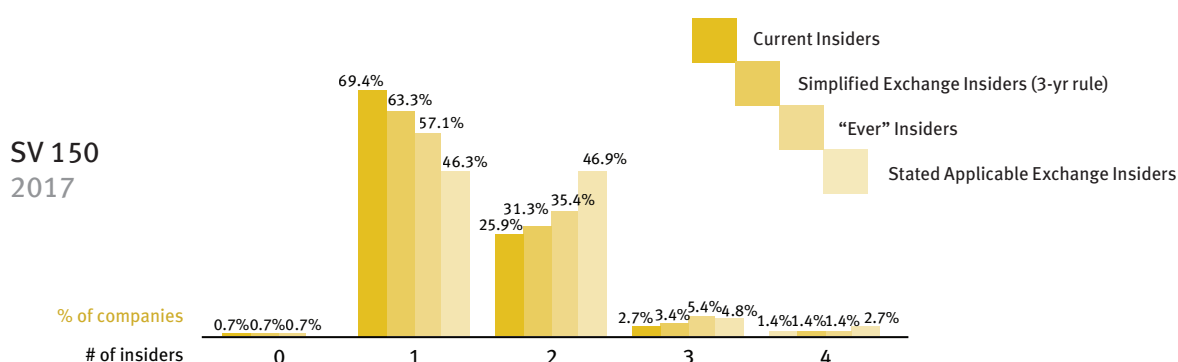


Insider Directors

Insider directors are more common among members of the boards of the technology and life sciences companies included in the SV 150 than among board members at S&P 100 companies. While generally their prevalence has declined over time in both groups, the SV 150 has not reached the level of the S&P 100 at the start of the period covered by the survey. This is largely a function of the relative size of the boards in the two groups rather than the absolute number of insider directors per board.

The following graphs show the distribution by number of insider directors among the two groups during the 2017 proxy season. In these graphs, we have shown “insider” status determined in various ways. See the discussion under “Insider / Independent” in the Methodology section at the end of this report for a description of the different methods of determining whether a director is an insider.

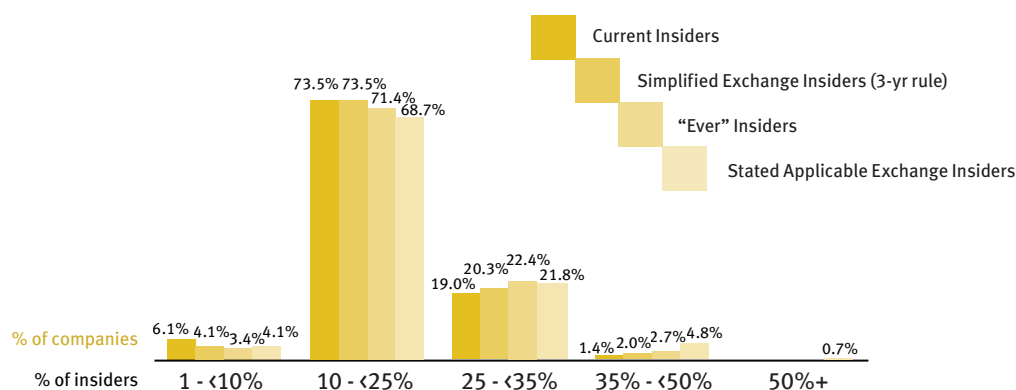
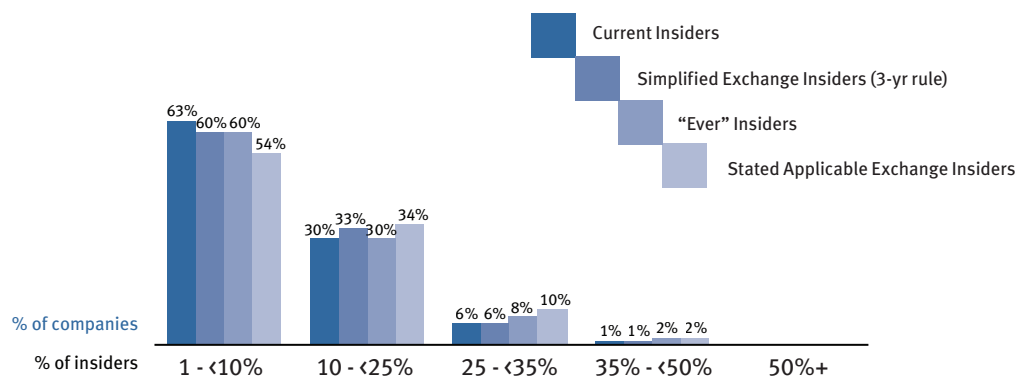
INSIDER DIRECTOR — DISTRIBUTION OF NUMBERS OF INSIDERS



Insider Directors *(continued)*

The following graphs show the distribution by percentage of insider directors among the two groups during the 2017 proxy season. In these graphs, we have shown “insider” status determined in various ways. See the discussion under “Insider / Independent” in the Methodology section at the end of this report for a description of the different methods of determining whether a director is an insider.

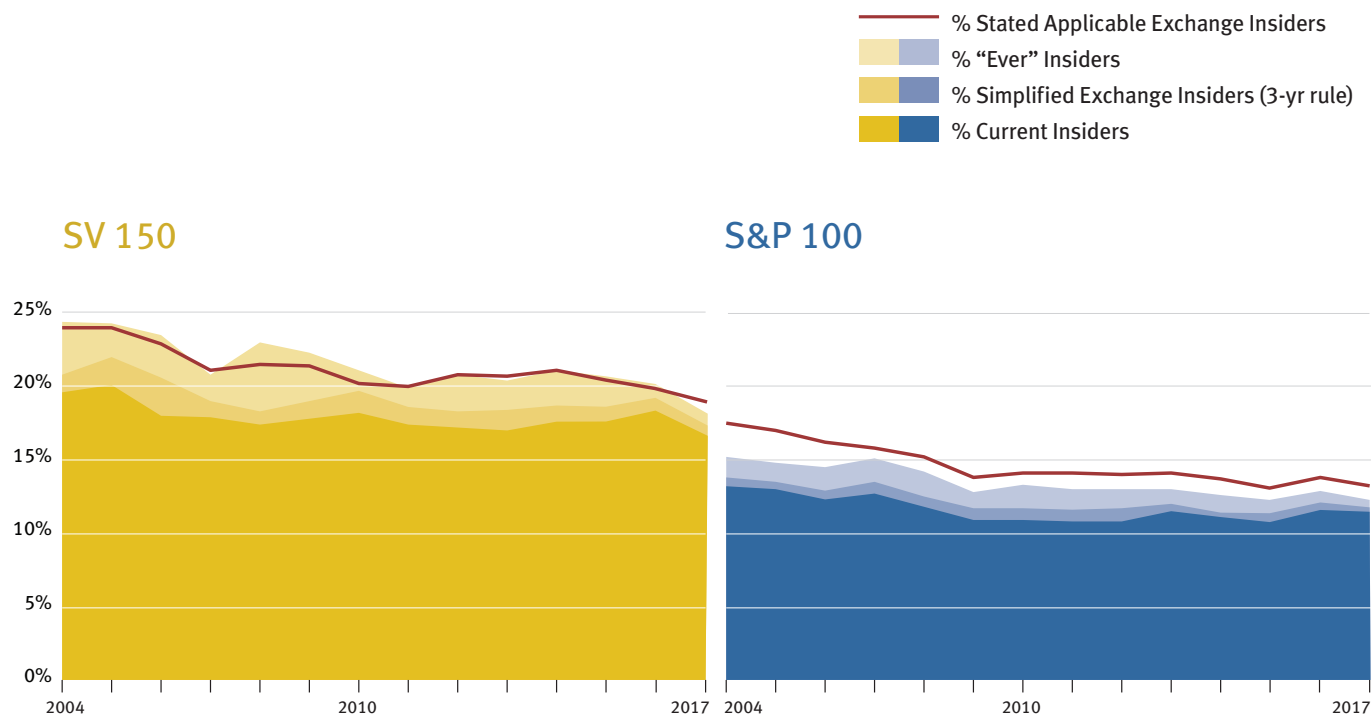
INSIDER DIRECTOR — DISTRIBUTION OF PERCENTAGES OF INSIDERS

SV 150
2017S&P 100
2017

Insider Directors *(continued)*

The following graphs show the trend of the average as a percentage of the full board that are insiders for each group. In these graphs, we have shown “insider” status determined in various ways over the period from the 2004 through 2017 proxy seasons.

INSIDER DIRECTOR — TRENDS OVER TIME

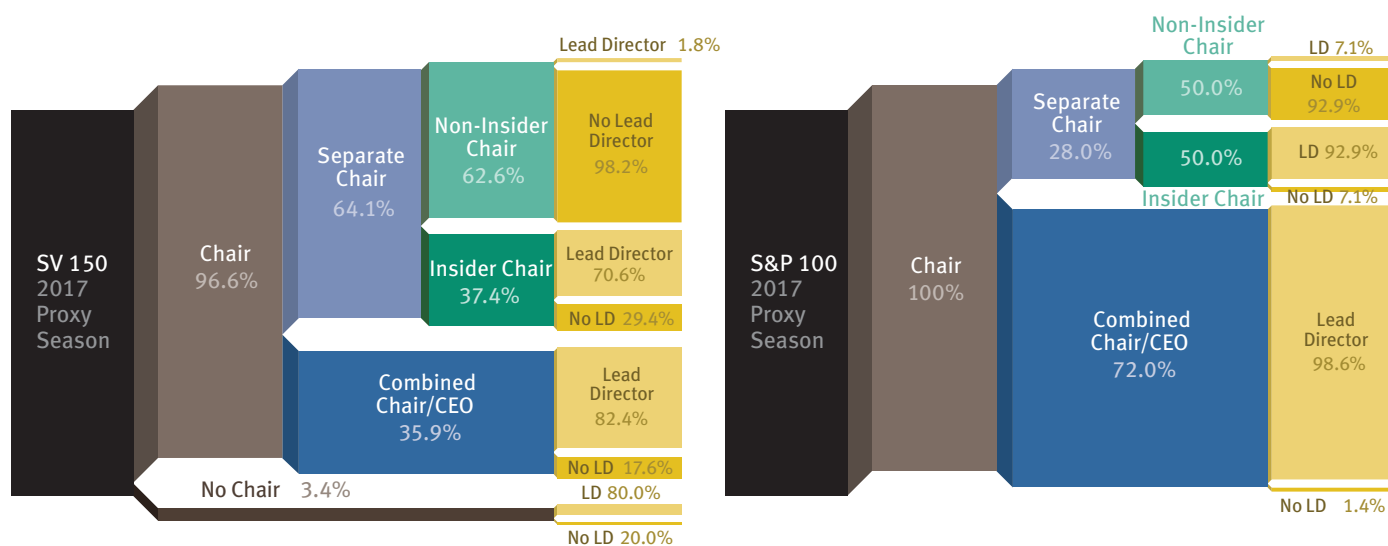


Board Leadership

During the period covered by this survey, insider dominance of board leadership started lower and declined more rapidly among the technology and life sciences companies in the SV 150 than among S&P 100 companies. By the 2011 proxy season, almost half of SV 150 companies did not have a chair who was an insider (whether measured as a current insider or under the applicable exchange listing standard) — though that trend has largely stalled since then (51% in the 2017 proxy season, compared to only 16% in the S&P 100 for not having a current insider chair, and 47.6% under the applicable exchange listing standard, compared to only 15% in the S&P 100). In the 2017 proxy season, combined chair/CEOs existed at about one-third of companies in the SV 150, while combined chair/CEOs exist at about 72% of S&P 100 companies (albeit with lead directors also present at about 85% of all S&P 100 companies).

These graphs show the percentage of companies during the 2017 proxy season with a board chair, then of those with a chair, the percentage with a separate chair (rather than a combined chair/CEO), and then of those with a separate chair, the percentage with a chair who is not an insider (under the applicable exchange standard). In addition, for each branch, the graphic shows the percentage with some form of lead director (separate from any chair).

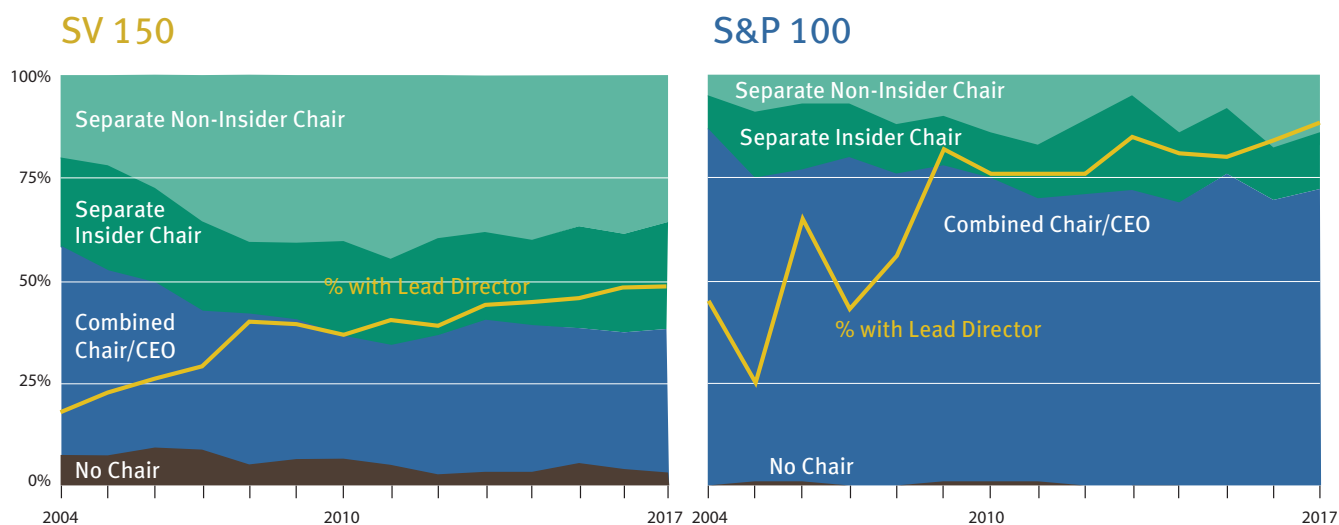
BOARD LEADERSHIP — BRANCHING PERCENTAGES



Board Leadership *(continued)*

The graphs below track, from the 2004 through 2017 proxy seasons, the percentage of all companies with no chair, a combined chair/CEO, a separate but insider chair and a separate and non-insider chair (under the applicable exchange standard), as well as the percentage of all companies with some form of lead director.

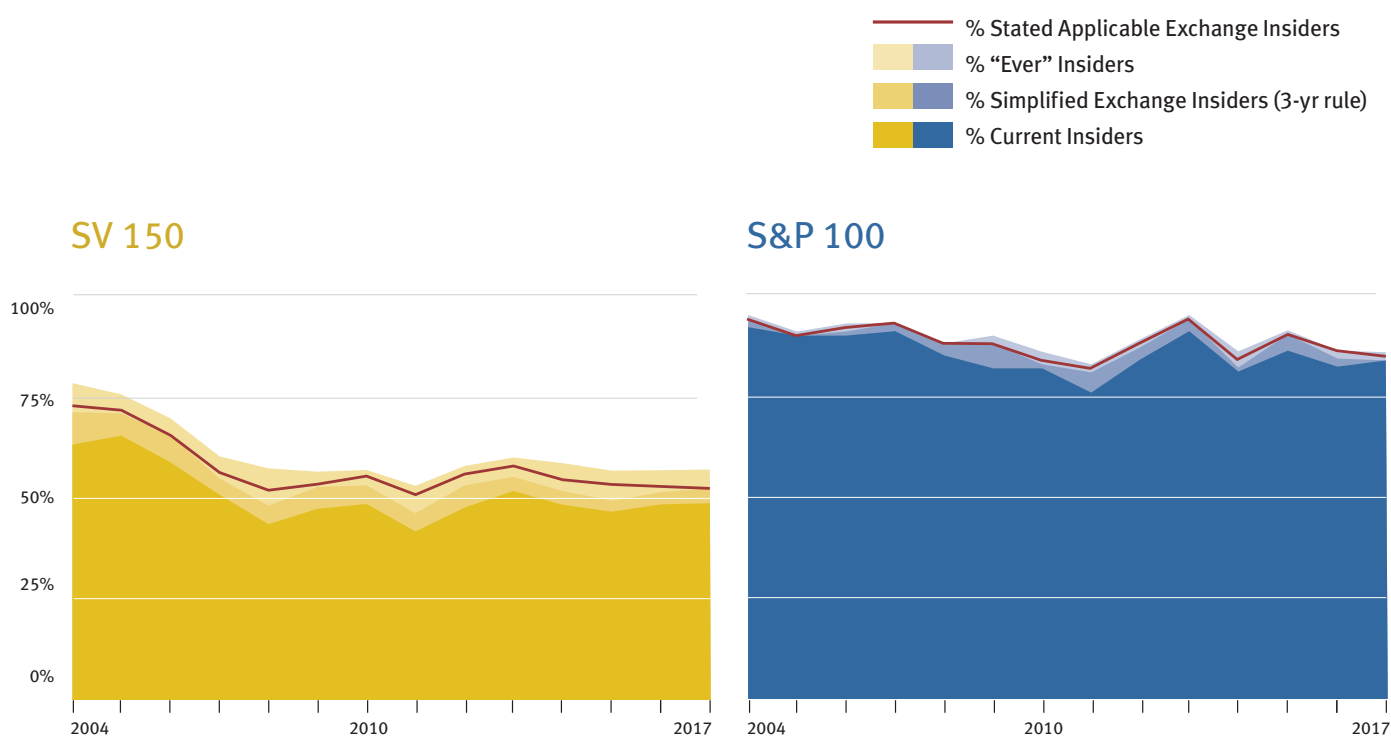
BOARD LEADERSHIP — TRENDS OVER TIME



Board Leadership *(continued)*

These following graphs show the trend over time of the percentage of boards with chairs who are insiders for each group. In these graphs, we have shown “insider” status determined in various ways. See the discussion under “Insider / Independent” in the Methodology section at the end of this report for a description of the different methods of determining whether a chair is an insider.

INSIDER BOARD CHAIR — TRENDS OVER TIME



Board Diversity¹⁰

Under applicable SEC disclosure rules, companies are required to disclose whether they consider diversity in identifying nominees to the board of directors. However, companies have the flexibility to define diversity for themselves, and such definitions typically include a wide range of factors, not simply traditional diversity factors such as gender, race and ethnicity.¹¹ Consequently, it is fairly difficult to measure board diversity in a systematic way when relying primarily on the information in public filings.¹²

We have elected to track gender as a measure of board diversity for the technology and life sciences companies in the SV 150 and S&P 100 companies because gender can be more readily measured in public filings than other traditional diversity factors.

A review of our data suggests that board size may be a significant factor affecting the number of women directors and to some degree that is a function of the relatively small size of many SV 150 companies.¹³ For example, while S&P 100 companies tend to have more women directors than SV 150 companies when measured in absolute numbers (S&P 100 average = 3.0 and SV 150 average = 1.4 women in the 2017 proxy season), the difference (while significant) is less pronounced when measured as a percentage of the total number of directors (S&P 100 average = 23.9% of directors and SV 150 average = 15.8% of directors in the 2017 proxy season). In addition, the data for the top 15 of the SV 150 is closer to that of the S&P 100 than to the SV 150 generally (top 15 average = 2.9 in the 2017 proxy season, up from average = 1.9 in the 2011 proxy season), despite having a smaller average board size (top 15 of SV 150 average = 11.2; S&P 100

- 10 See *Gender Diversity in Silicon Valley: A Comparison of Silicon Valley Public Companies and Large Public Companies (2016 Proxy Season)* for a substantially more detailed review of gender diversity on the board of directors, as well as among the management teams, of SV 150 and S&P 100 companies. That report, a supplement to this survey that covers data from the 1996 through 2016 proxy seasons and includes a discussion of factors underlying the statistics as well as references to additional materials on the subject, is being published concurrently with this report. To be placed on an email list for future editions of the gender diversity survey when published, visit the fenwick.com/Pages/Subscription-GD-Survey.aspx.
- 11 See current Item 407(c)(2)(vi) of Regulation S-K and SEC Release No. 33-9089. Companies typically include factors such as diversity of business experience, viewpoints, personal background (sometimes specifying race and gender) and relevant knowledge, skills or experience in technology, government, finance, accounting, international business, marketing and other areas (if they provide even this level of definition in their disclosures) when describing how their boards consider diversity when making nomination decisions. They do not typically describe how each sitting director or nominee measures against each of those factors (to the extent they enumerate them at all as part of the definition). See also “Corporate Reporting under the U.S. Securities and Exchange Commission’s Diversity Disclosure Rule: A Mixed-Methods Content Analysis” by Aaron A. Dhir (2015).
- 12 However, for a report on traditional diversity factors, see “Missing Pieces: Women and Minorities on Fortune 500 Boards — 2012 Alliance for Board Diversity Census” (August 15, 2013), which “conducted extensive research to confirm the gender, race and ethnicity of directors” and found that white men make up 73.3% of the Fortune 500 board seats in 2012, with white women, minority men and minority women making up 13.4%, 10.1% and 3.2%, respectively. Data for 2016 from Deloitte showed that companies have made only incremental progress in promoting boardroom diversity: Women and minorities comprise nearly 31 percent of the board seats of Fortune 500 companies, which is only a small increase over the previous four years, according to “Missing Pieces Report: The 2016 Board Diversity Census of Women and Minorities on Fortune 500 Boards” by Alliance for Board Diversity and Deloitte (2016).
- 13 While our data focuses on a limited number of public companies in Silicon Valley and large public companies nationally, this observation appears to be true among the largest companies as well. See the “Missing Pieces: Women and Minorities on Fortune 500 Boards — 2012 Alliance for Board Diversity Census” (August 15, 2013), which includes data for Fortune 100 and Fortune 500 companies. See also the “2015-16 UC Davis Study of California Women Business Leaders — A Census of Women Directors and Highest-Paid Executives,” a review of the 400 largest companies headquartered in California, which reaffirmed its earlier findings that size matters, and The Boston Club’s “2016 Census of Women Directors and Executive Officers of Massachusetts Public Companies.”

Board Diversity *(continued)*

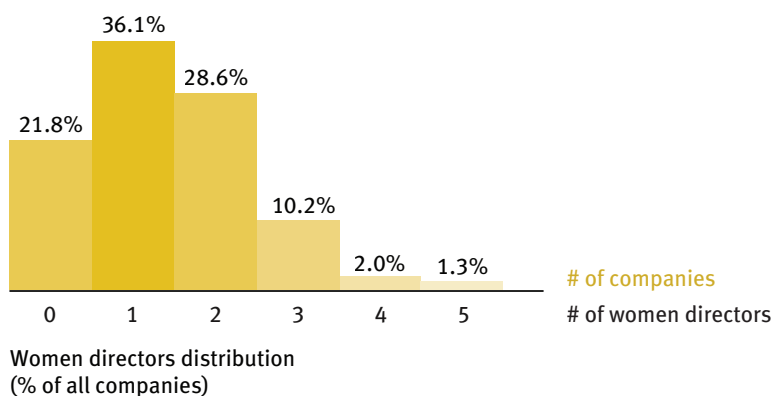
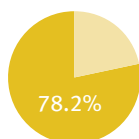
average = 12.4). When measured as a percentage of the total number of directors, the top 15 of the SV 150 now exceed their S&P 100 peers (top 15 average = 25.4% women directors in the 2017 proxy season).¹⁴

Further, significantly affecting the average in the SV 150 are the 32 companies without any women directors (21.8% of SV 150 companies, down from 82% in 1996 and 52% as recently as 2011), of which 21 are companies with seven or fewer total board members (and only two of which have more than nine directors). Overall, 2017 continued the long-term trend in the SV 150 of increasing numbers of women directors (both in absolute numbers and as a percentage of board members) and declining numbers of boards without women members. The rate of increase in women directors for the SV 150 continues to be higher than among S&P 100 companies.

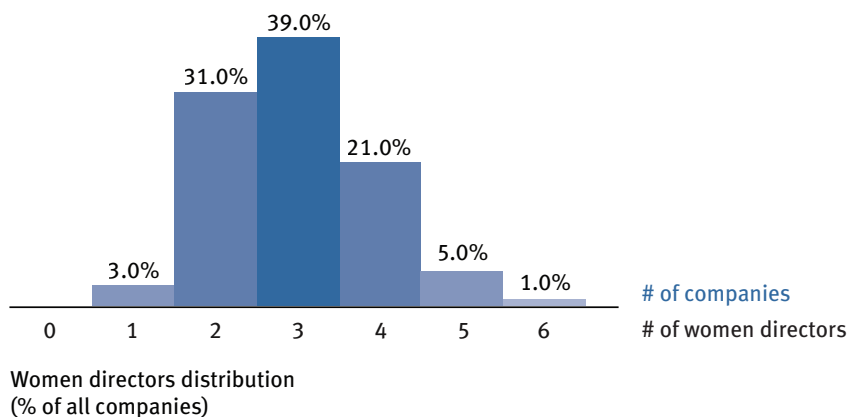
The following graphs show the percentage of companies with at least one woman director and the distributions by number of women directors among the boards of companies in each group during the 2017 proxy season.

WOMEN DIRECTORS — 2017 PROXY SEASON DISTRIBUTION**SV 150
2017**

of companies
with at least 1
woman director

**S&P 100
2017**

of companies
with at least 1
woman director



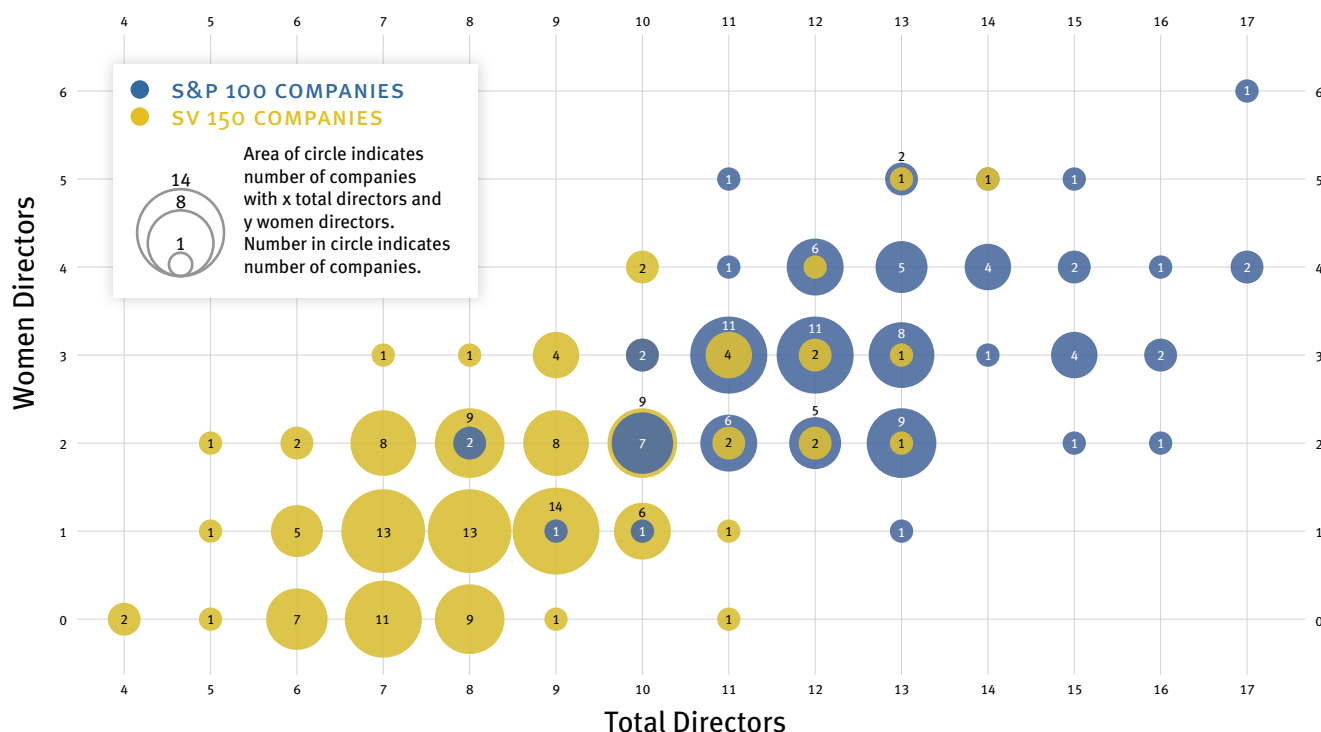
¹⁴ As many companies add board seats, their boards generally expand the mix of skills and experiences that they seek to have represented, often into areas where women are more represented than they are in the mix in effect for smaller boards or companies at earlier stages of development.

Board Diversity *(continued)*

The following graph shows the distribution of women directors by number of women directors at each board size among the boards of companies in each group during the 2017 proxy season.

DISTRIBUTIONS BY BOARD SIZE VS. NUMBER OF WOMEN DIRECTORS

S&P 100 (100 COMPANIES) VS. SV 150 (150 COMPANIES) — 2017 PROXY SEASON



During the period covered by the survey, there has been a general upward trend in both groups of companies in the average percentage of board members that are women (SV 150 average = 2.1% in 1996 and 15.8% in the 2017 proxy season; top 15 of the SV 150 average 5.7% in 1996 and 25.4% in the 2017 proxy season; S&P 100 average = 10.9% in 1996 and 23.9% in the 2017 proxy season), though there was a period of relative stagnation from the 2008 through 2011 proxy seasons. However, while there has been a distinct downward trend in the percentage of SV 150 companies with no women directors (82.3% in 1996; 21.8% in the 2017 proxy season), there were no such companies in the S&P 100 in the 2017 proxy season (10.6% in 1996).¹⁵ Our data show that, within the SV 150, this fairly closely tracks with the size of company (measured by revenue), which also correlates with board size, with 32.7% of the bottom 50 companies having no women directors in the 2017 proxy season but that being true for none of the top 15 companies of the SV 150.

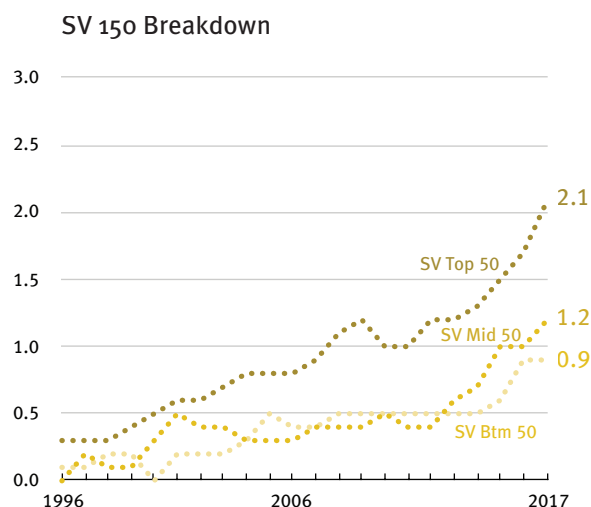
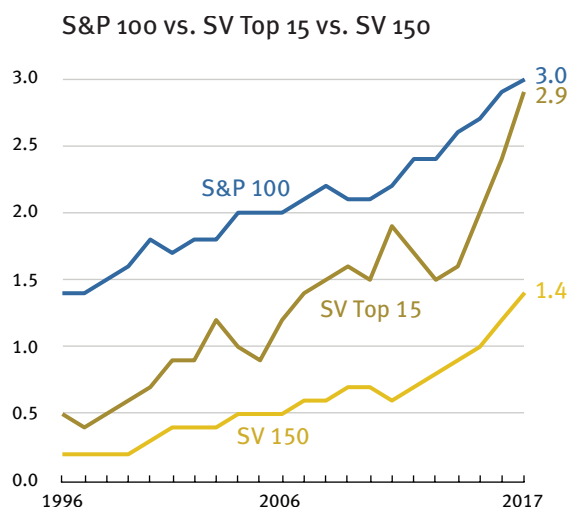
¹⁵ Progress among companies in the top 15 of the SV 150 has been even greater, with a drop from 50.0% of companies with no women serving as directors in 1996 to all companies having at least one woman director in 2017. In fact, the number of companies with no women serving as directors fell meaningfully at all levels of the SV 150.

Board Diversity (continued)

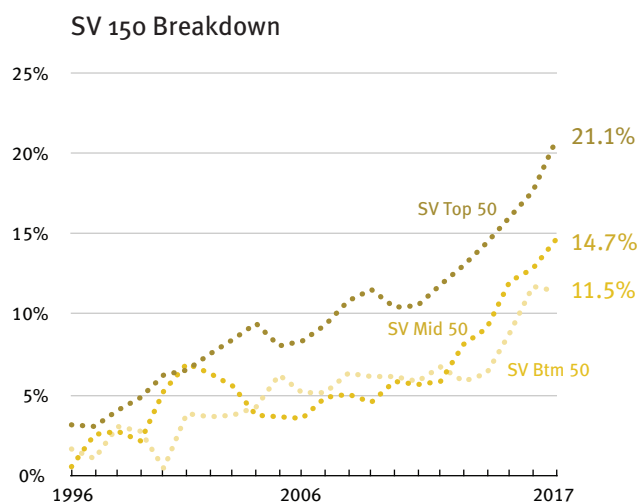
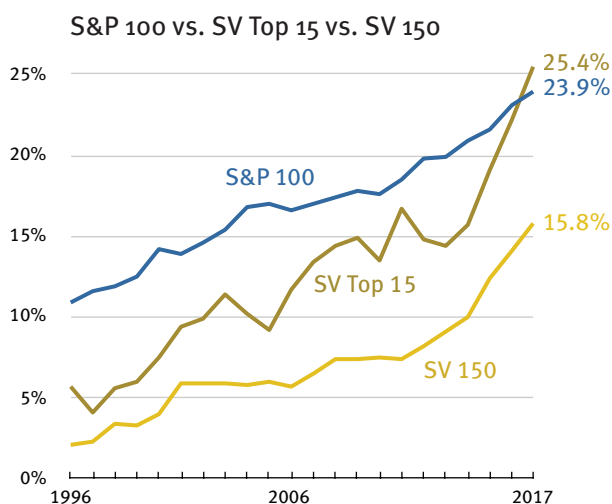
Overall, 2017 continued the long-term trend in the SV 150 of increasing numbers of women directors (both in absolute numbers and as a percentage of board members) and declining numbers of boards without women members. The rate of increase for the SV 150 continues to be higher than among S&P 100 companies.

The following graphs show the average number and the average percentage of women directors for each of the SV 150, the top 15 of the SV 150 and the S&P 100 (and with the SV 150 broken down by the top 50, middle 50 and bottom 50 companies), over the period from the 1996 through 2017 proxy seasons.

AVERAGE NUMBER OF WOMEN DIRECTORS — 1996–2017



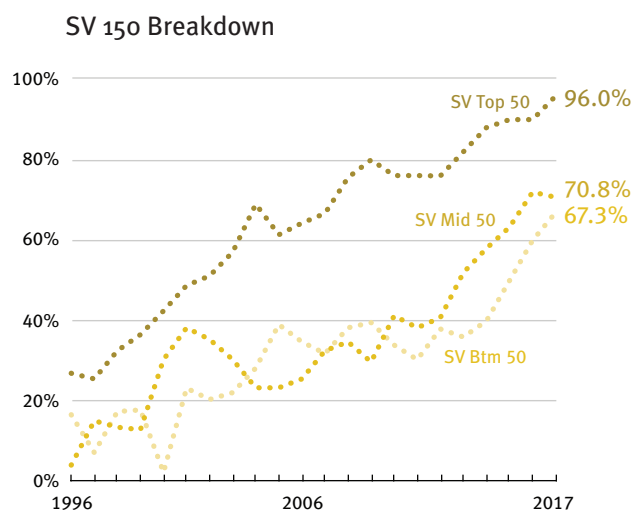
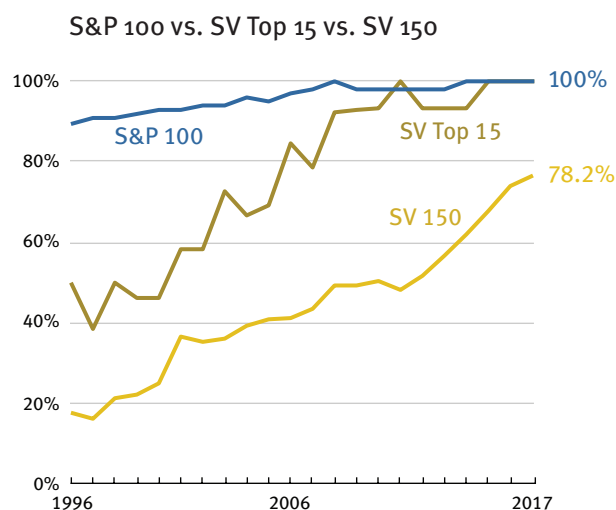
AVERAGE PERCENTAGE OF WOMEN DIRECTORS — 1996–2017



Board Diversity *(continued)*

The following graphs show the percentage of companies with at least one woman director in each of the SV 150, the top 15 of the SV 150 and the S&P 100 (and with the SV 150 broken down by the top 50, middle 50 and bottom 50 companies) over the period from the 1996 through 2017 proxy seasons.

PERCENTAGE OF COMPANIES WITH AT LEAST ONE WOMAN DIRECTOR — 1996–2017

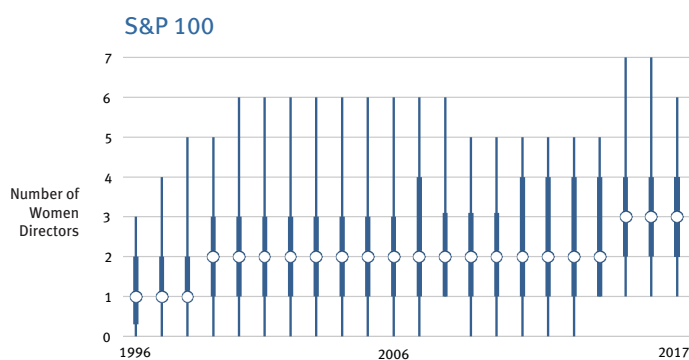
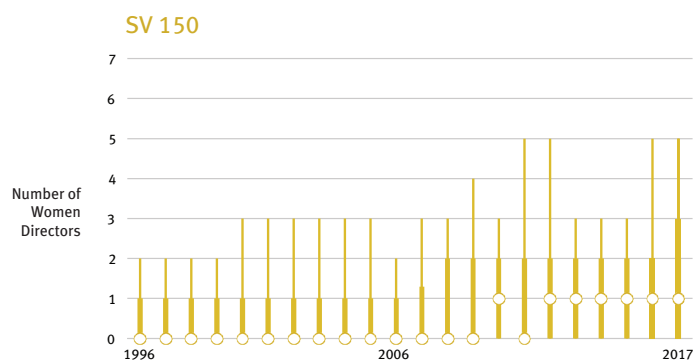


Board Diversity *(continued)*

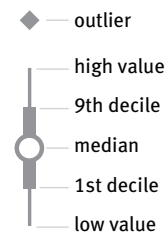
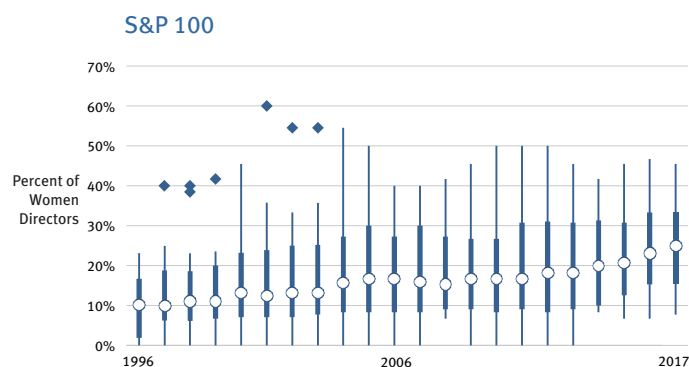
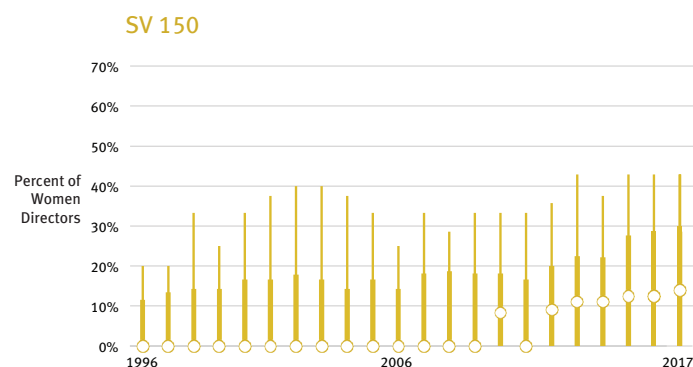
The following graphs show the trend in the distribution by number and percentage of women directors in each group (showing both the median number or percentage and the cutoffs for the deciles with the most women directors) over the period from the 1996 through 2017 proxy seasons.

DISTRIBUTION OF NUMBER AND PERCENTAGE OF WOMEN DIRECTORS — 1996–2017

Women Directors: Numbers
1996–2017



Women Directors: Percentages
1996–2017

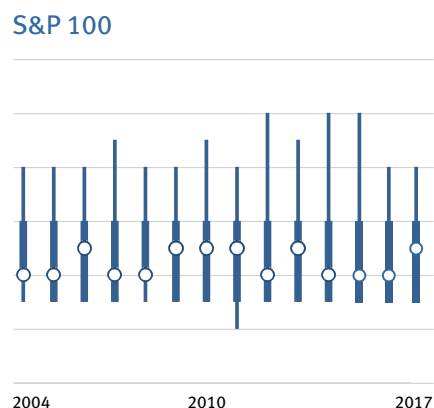
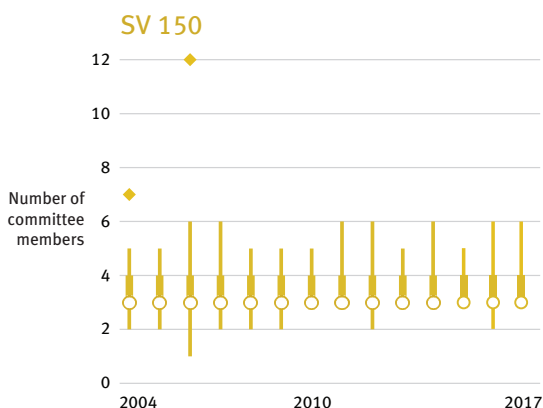
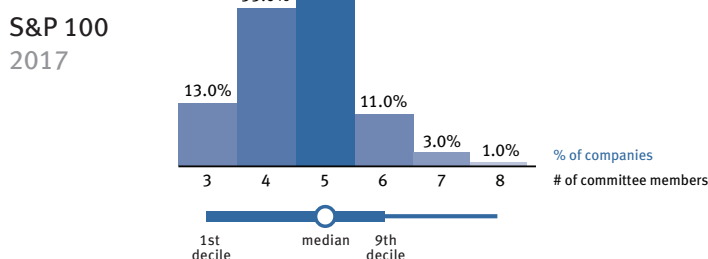
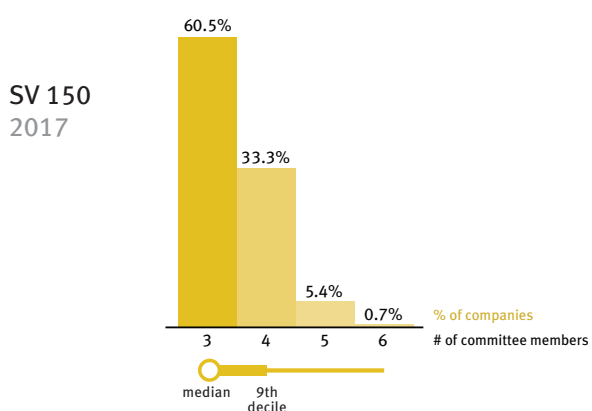


Audit Committee Size and Meeting Frequency

Audit committees tend to be smaller among the technology and life sciences companies in the SV 150 (average = 3.5 directors) than among S&P 100 companies (average = 4.6 directors).

The following graphs show the distribution by number of audit committee members among the companies in each group during the 2017 proxy season, as well as the trend over the period from the 2004 through 2017 proxy seasons (showing both the median number and the cutoffs for the deciles with the most and fewest directors).

AUDIT COMMITTEE SIZE — DISTRIBUTIONS AND TRENDS OVER TIME

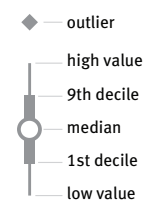
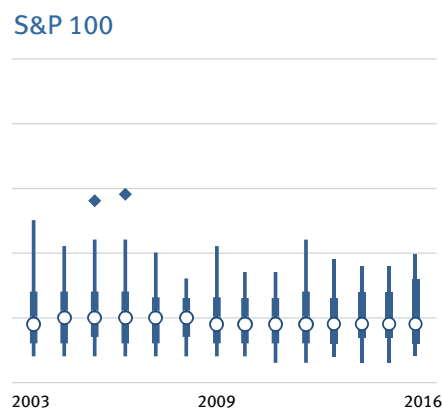
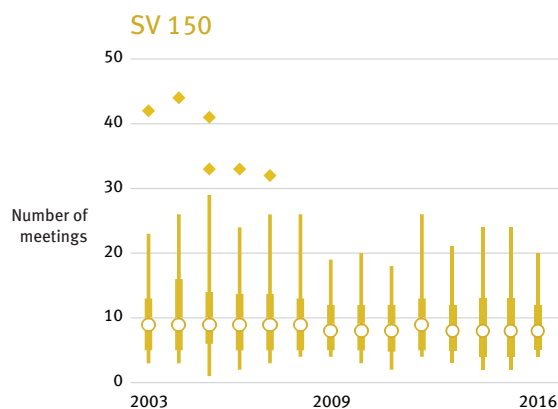
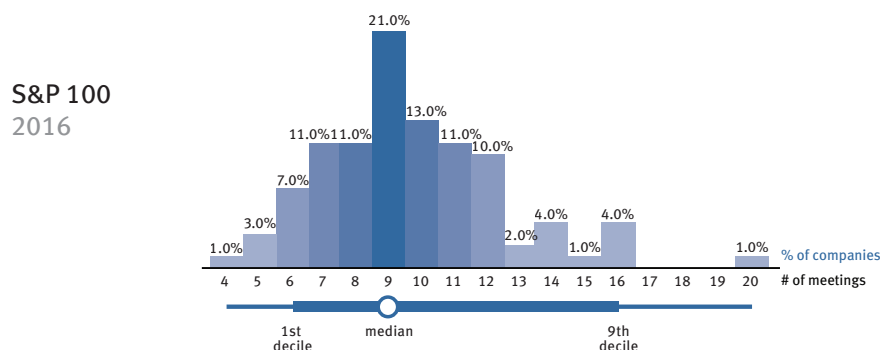
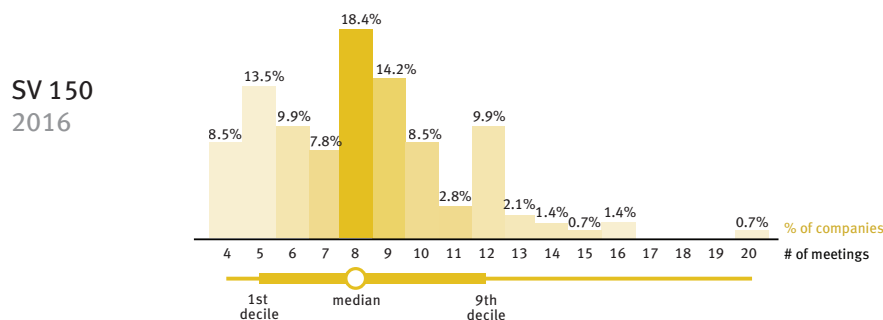


Audit Committee Size and Meeting Frequency (continued)

In both groups, after peaking in 2007, a trend largely driven by a surge of internal investigations (such as for stock option backdating issues), the number of audit committee meetings appears to have stabilized at levels similar to those found in the first year following the adoption of the Sarbanes-Oxley Act of 2002 (SV 150 average = 8.2 meetings; S&P 100 average = 9.7 meetings).

The following graphs show the distribution by number of audit committee meetings among the members of each group in fiscal 2016 as reported during the 2017 proxy season, as well as the trend over the period from fiscal 2003 through 2016 (showing both the median number and the cutoffs for the deciles with the most and fewest meetings), as reported in the 2004 through 2017 proxy seasons.

NUMBER OF AUDIT COMMITTEE MEETINGS — DISTRIBUTIONS AND TRENDS OVER TIME

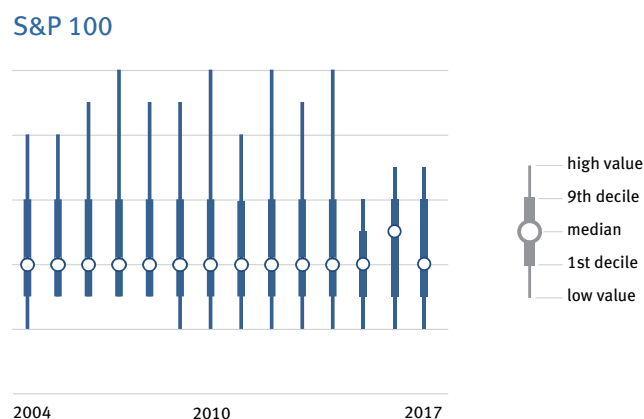
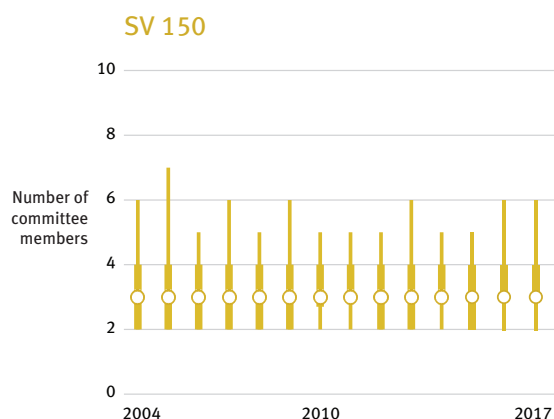
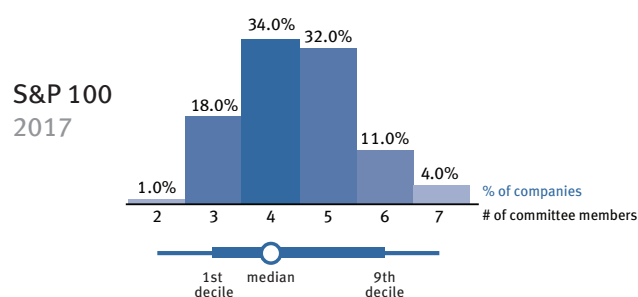
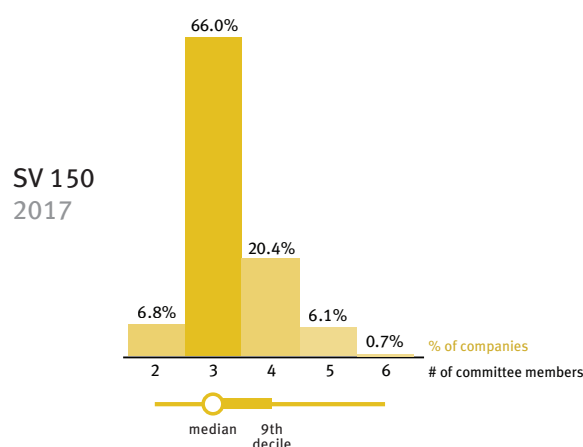


Compensation Committee Size and Meeting Frequency

Compensation committees tend to be larger among S&P 100 companies (average = 4.5 directors) than among the technology and life sciences companies in the SV 150 (average = 3.3 directors).

The following graphs show the distribution by number of compensation committee members among companies in each group during the 2017 proxy season, as well as the trend over the period from the 2004 through 2017 proxy seasons (showing both the median number and the cutoffs for the deciles with the most and fewest directors).

COMPENSATION COMMITTEE SIZE — DISTRIBUTIONS AND TRENDS OVER TIME

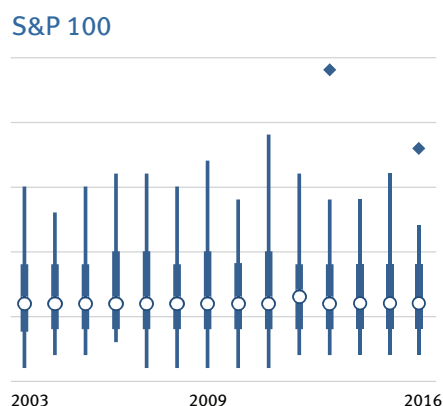
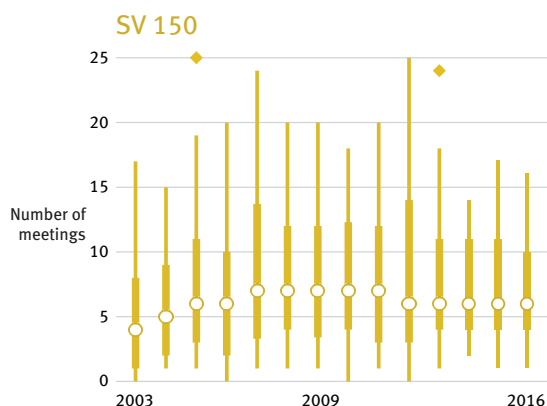
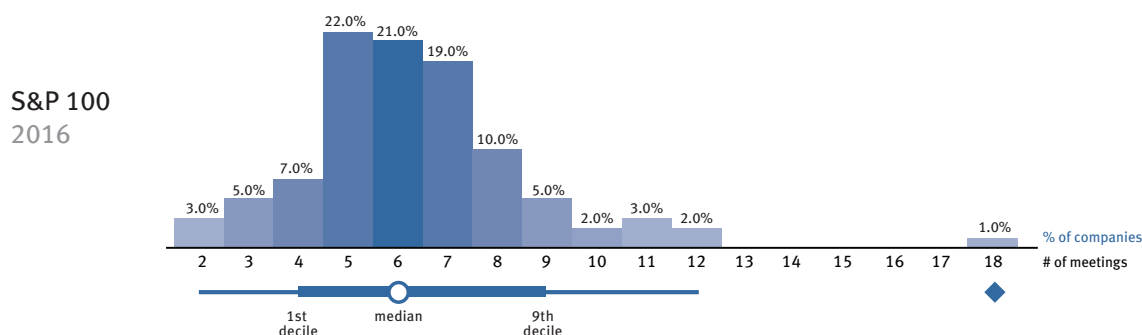
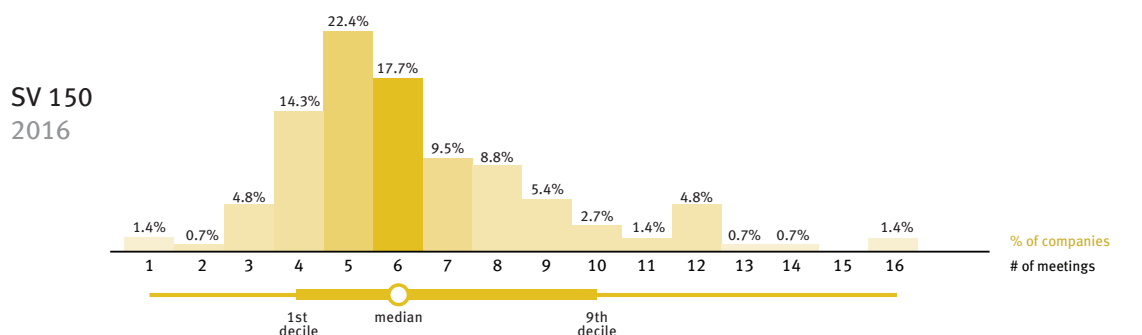


Compensation Committee Size and Meeting Frequency *(continued)*

In both groups, compensation committees hold more frequent meetings than at the outset of the survey period, though the trend is particularly pronounced among the SV 150 companies (S&P 100 average = 6.4 meetings; SV 150 average = 6.4 meetings).

The following graphs show the distribution by number of compensation committee meetings among the members of each group in fiscal 2016 as reported during the 2017 proxy season, as well as the trend over the period from fiscal 2003 through 2016 (showing both the median number and the cutoffs for the deciles with the most and fewest meetings), as reported in the 2004 through 2017 proxy seasons.

NUMBER OF COMPENSATION COMMITTEE MEETINGS — DISTRIBUTIONS AND TRENDS OVER TIME



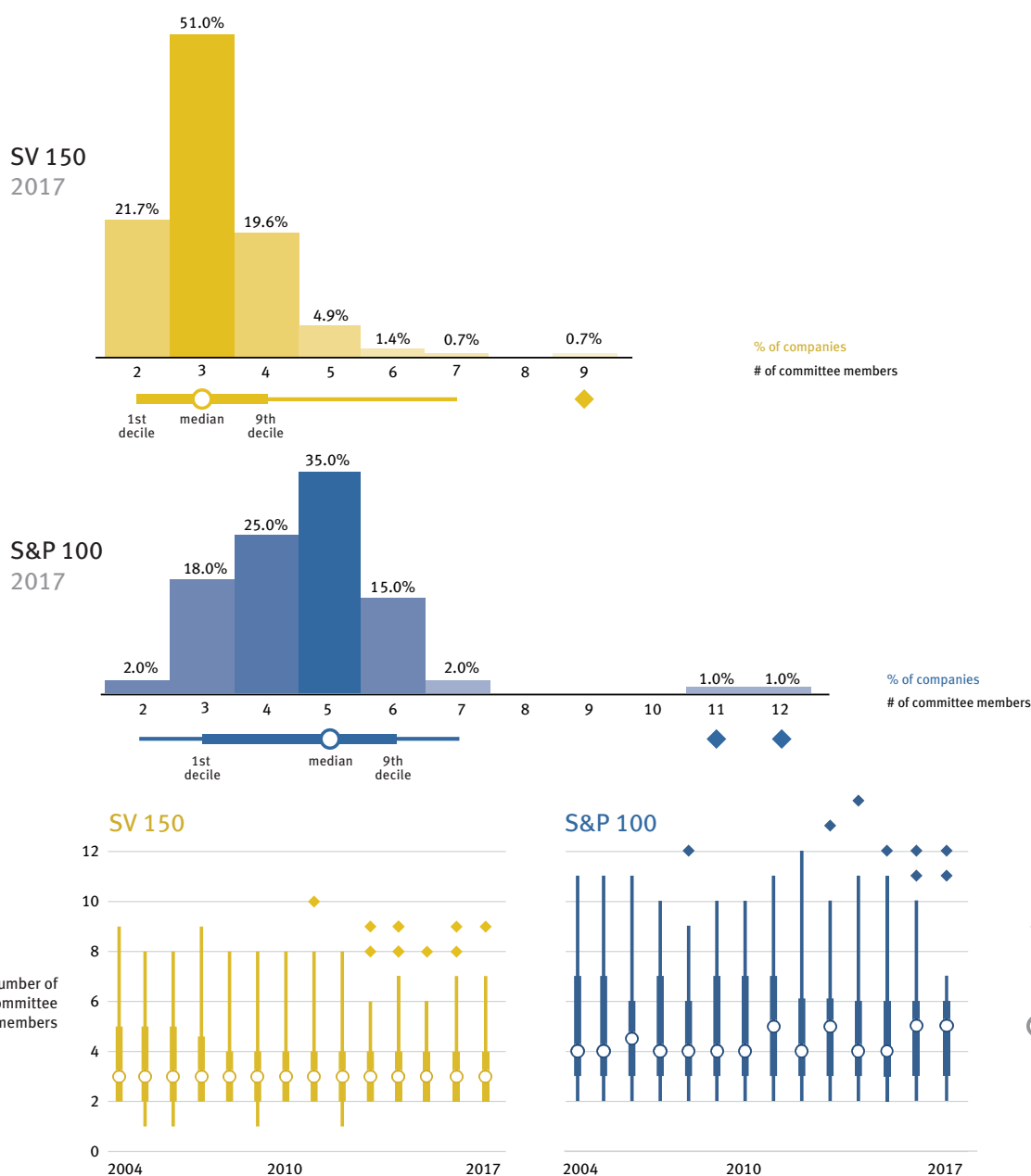
◆ outlier
— high value
— 9th decile
○ median
— 1st decile
— low value

Nominating Committee Size and Meeting Frequency

Nominating committees tend to be smaller among the technology and life sciences companies in the SV 150 (average = 3.2 directors) than among S&P 100 companies (average = 4.6 directors).

The following graphs show the distribution by number of nominating committee members among the companies in each group during the 2017 proxy season, as well as the trend over the period from the 2004 through 2017 proxy seasons (showing both the median number and the cutoffs for the deciles with the most and fewest directors).

NOMINATING COMMITTEE SIZE — DISTRIBUTIONS AND TRENDS OVER TIME



Nominating Committee Size and Meeting Frequency *(continued)*

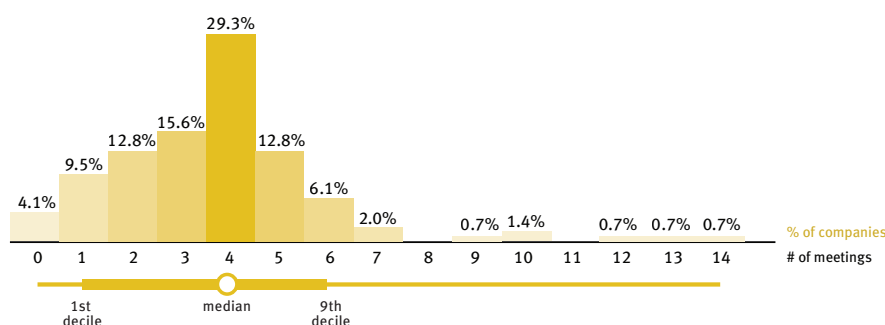
In both groups, nominating committees generally hold meetings more frequently over time, though the trend is somewhat more pronounced among the SV 150 companies (SV 150 average = 3.9 meetings; S&P 100 average = 5.2 meetings).

The following graphs show the distribution by number of nominating committee meetings among the members of each group in fiscal 2015 as reported during the 2017 proxy season, as well as the trend over the period from fiscal 2003 through 2015 (showing both the median number and the cutoffs for the deciles with the most and fewest meetings), as reported in the 2004 through 2017 proxy seasons.

NUMBER OF NOMINATING COMMITTEE MEETINGS — DISTRIBUTIONS AND TRENDS OVER TIME

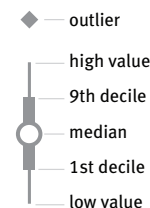
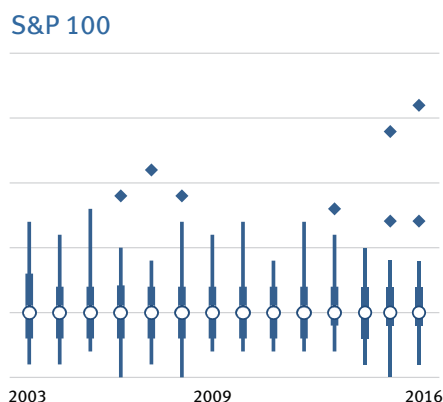
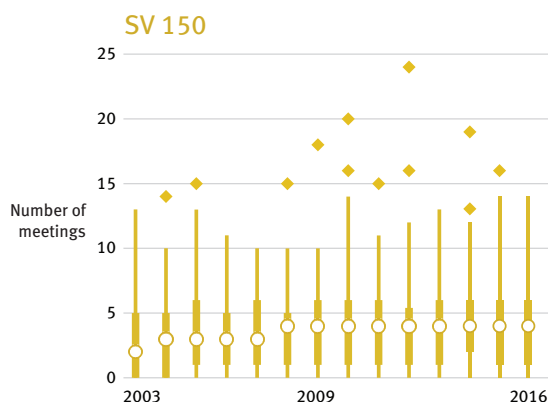
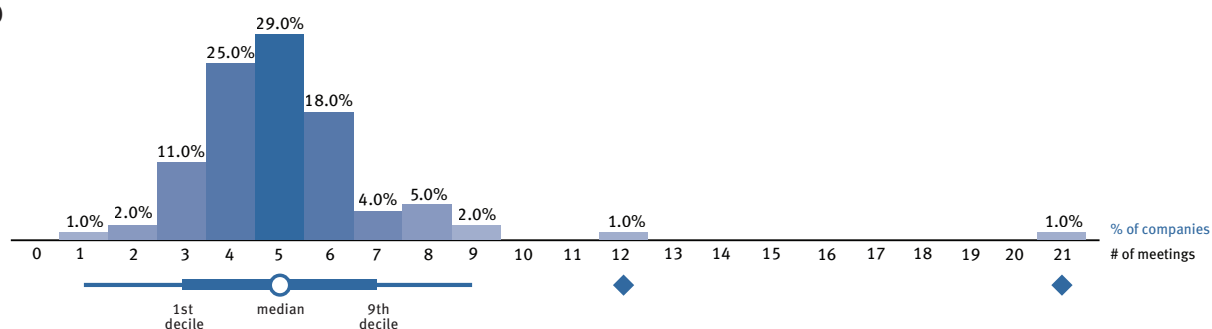
SV 150

2016



S&P 100

2016



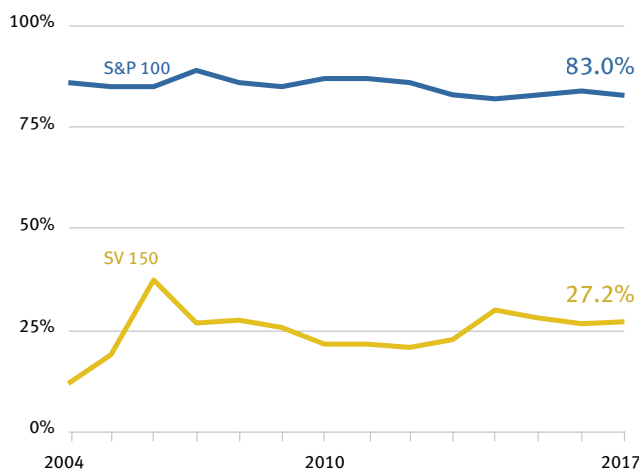
Other Standing Committees

Standing committees other than the three primary board committees are quite common among S&P 100 companies (83%) and relatively uncommon among the technology and life sciences companies in the SV 150 (27.2%). These committees can serve a wide variety of purposes. Executive, finance and risk management committees are most common among the S&P 100—though public policy committees are becoming increasingly common; with finance, some amalgam of strategy/M&A and technology committees most common among the SV 150 companies. While our data show that, within the SV 150, the rate of formation of other standing committees tracks to a degree with the size of a company (measured by revenue), with an approximately 60% rate among the top 15 (somewhat closer to the S&P 100, though still meaningfully lower) and an approximately 22.9% and 18.4% rate among the middle 50 and bottom 50 in the 2017 proxy season, respectively, there are clearly other factors contributing to their relative infrequency in Silicon Valley.

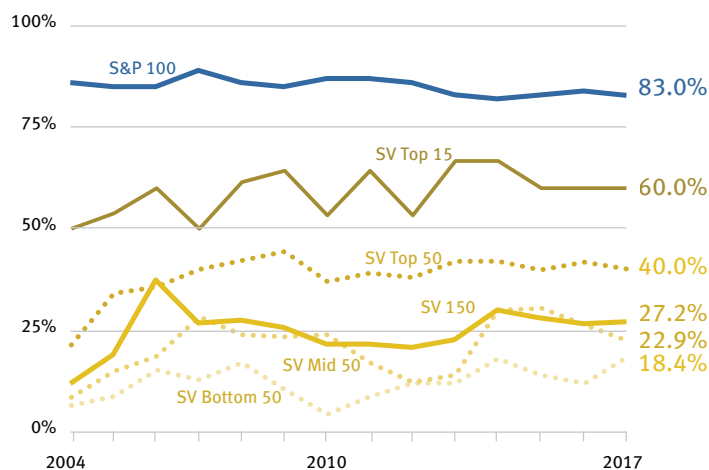
The following graphs show, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies in each group with at least one standing committee other than the three primary committees, as well as the same information for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

OTHER COMMITTEES — TRENDS OVER TIME

S&P 100 vs. SV 150



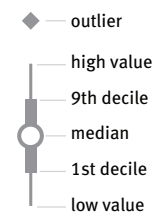
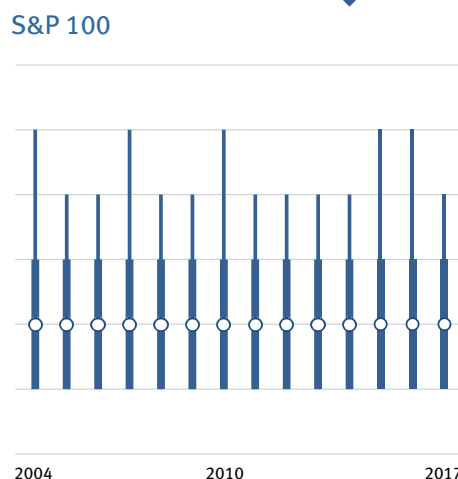
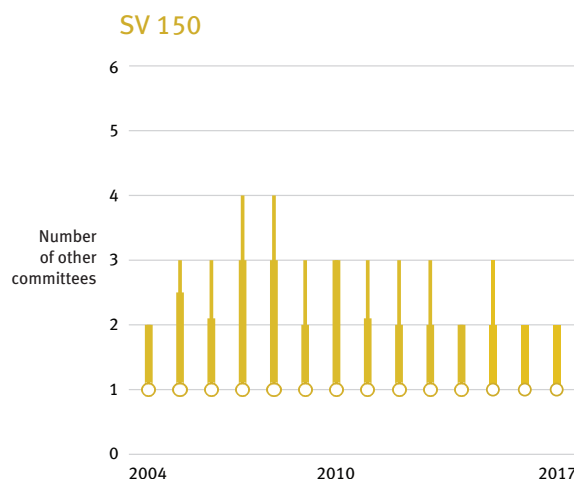
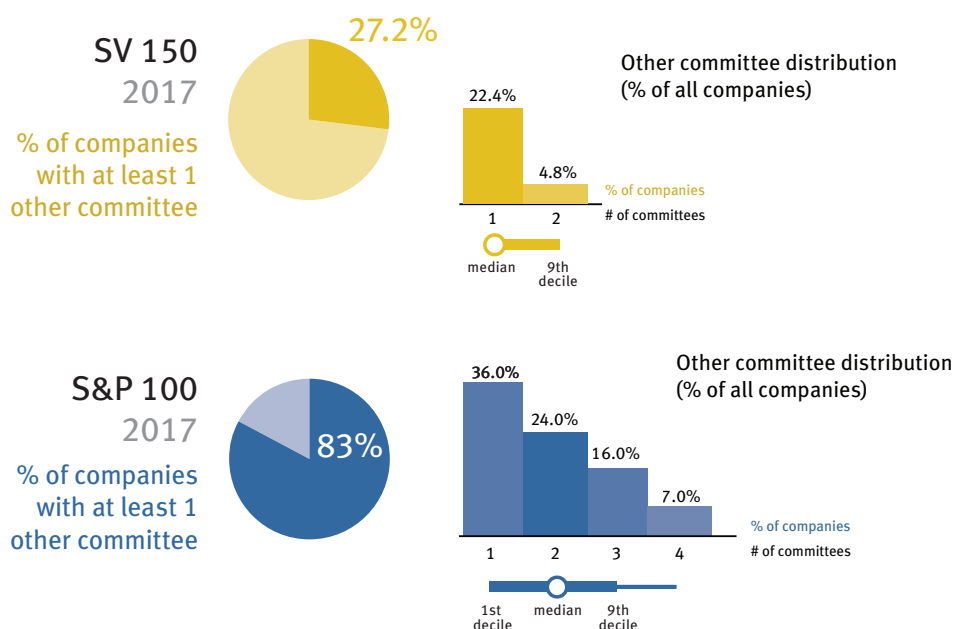
SV 150 Breakdown



Other Standing Committees *(continued)*

The following graphs show the distribution by number of standing committees other than the three primary board committees (for those that have any such other committees) among the members of each group as reported during the 2017 proxy season, as well as the trend over the period from the 2004 through 2017 proxy seasons (showing both the median number and the cutoff for the decile with the most such committees).

OTHER COMMITTEES — DISTRIBUTIONS AND TRENDS OVER TIME



Majority Voting

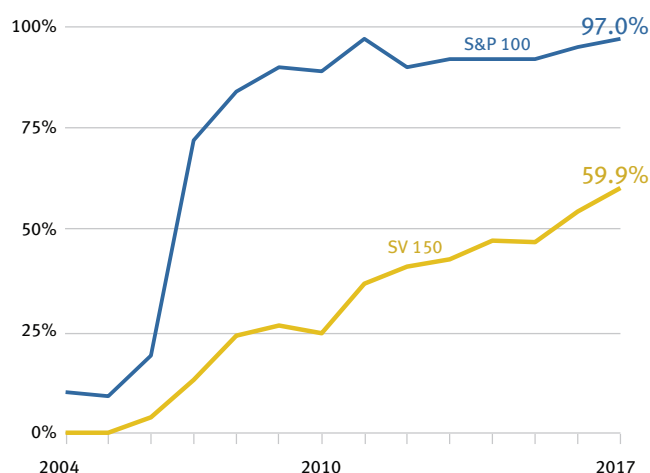
The rate of implementation of some form of majority voting has risen substantially over the period of this survey. The increase has been particularly dramatic among the S&P 100 companies, rising from 10% to 97% between the 2004 and 2017 proxy seasons. Among the technology and life sciences companies in the SV 150, the rate has risen from zero as recently as the 2005 proxy season to 59.9% in the 2017 proxy season (increasing about 35% from the 2010 proxy season). Our data show that, within the SV 150, the rate of adoption fairly closely tracks with company size (measured by revenue), with an approximately 86.7% rate among the top 15 (more similar to the S&P 100) and an approximately 32.6% rate among the bottom 50 in the 2017 proxy season.

Of those with some form of majority voting, 70.6% of the SV 150 (and 78.4% of the S&P 100) had the “traditional” (rejectable resignation) style majority voting, 15.3% had “plurality plus” (compared to 3.1% of the S&P 100) and 2.4% had “consequential” (compared to 5.2% in the S&P 100)—with 11.8% of SV 150 companies (and 13.4% of the S&P 100) disclosing insufficient information in their proxy statements to determine the type of majority voting.¹⁶

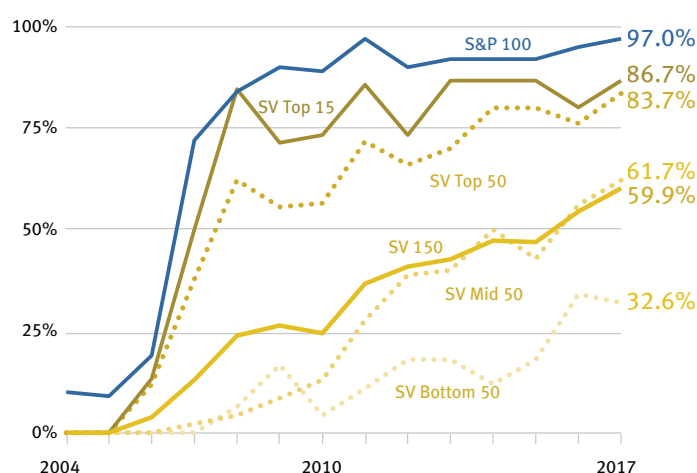
The following graphs show, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies in each group with some form of majority voting, as well as the same information for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

MAJORITY VOTING — TRENDS OVER TIME

S&P 100 vs. SV 150



SV 150 Breakdown



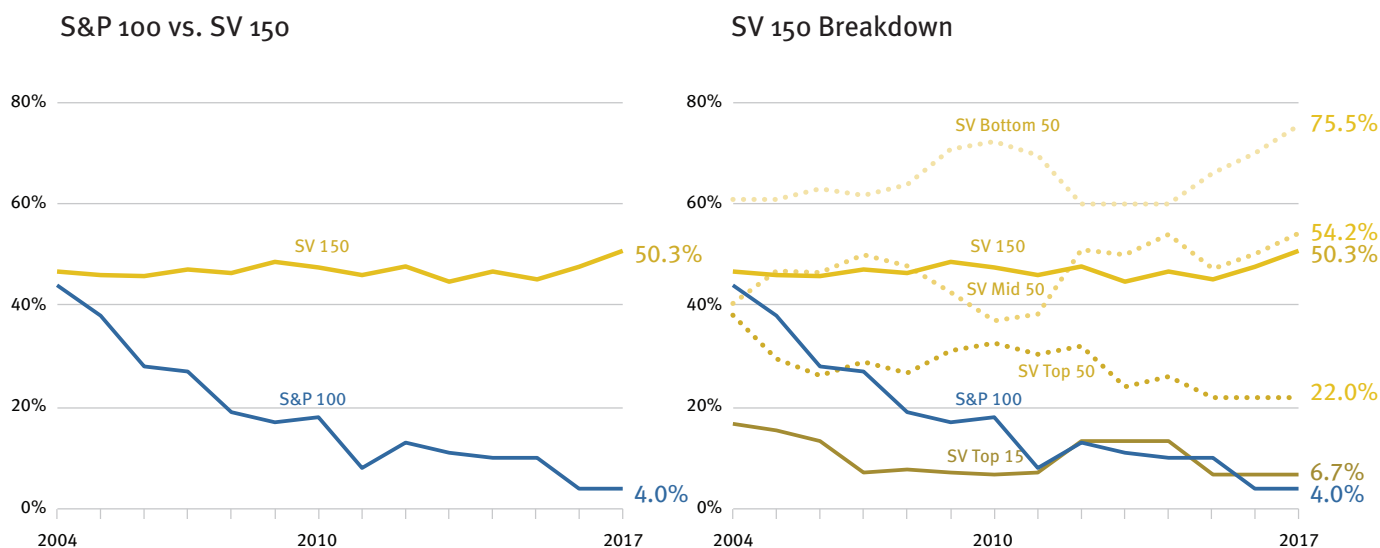
¹⁶ See “Methodology — Majority Voting” section below for a discussion of the types of majority voting provisions and how they are counted for this survey.

Classified Board

Classified boards are now significantly more common among the technology and life sciences companies in the SV 150 than among the S&P 100 companies, though that has not always been the case. This graph illustrates that declassifying boards has been a trend among the largest public companies, but not among Silicon Valley companies. At the beginning of the survey period, both groups had similar rates of classified boards. But, while the frequency among the S&P 100 declined dramatically during the period of the survey, the rate has held fairly steady among the technology and life sciences companies in the SV 150. Our data show that, within the SV 150, the rate among the top 15 companies had fallen in half (to a rate similar to the S&P 100) in the 2011 proxy season, but had rebounded to 13.3% in the 2012 through 2014 proxy seasons (tracking a similar slight rebound in the S&P 100) — though it has fallen again since then. Between 2015 and 2017, the top 15 companies have held steady at 6.7% and the S&P 100 has been at 4.0% since 2016. Meanwhile, the rate among the bottom 50 companies had actually increased to 75.5% in the 2017 proxy season. To a major extent, this reflects the reality that one of the principal reasons for classification, as a takeover defense, is less compelling for some larger companies due to the sheer size of the companies and dispersion of their stockholdings. The changes in recent years within the SV 150 largely reflect changes in the constituent companies of the subdivisions of the SV 150.

The following graphs show, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies in each group with a classified board, as well as the same information for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

CLASSIFIED BOARD — TRENDS OVER TIME

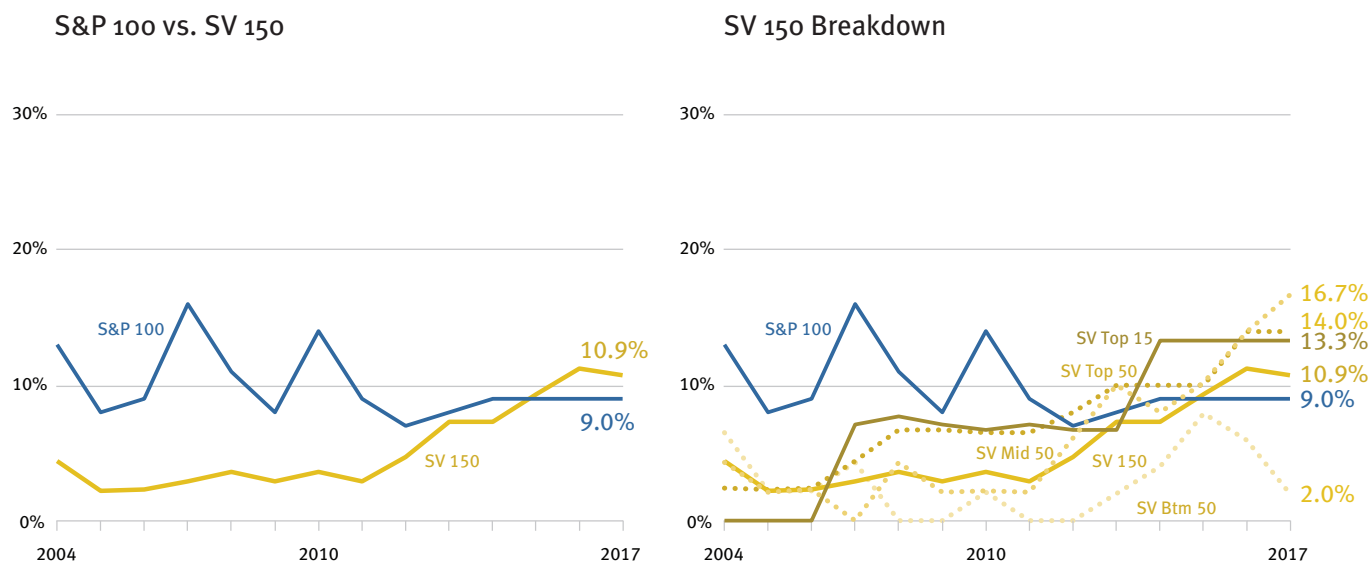


Dual-Class Voting Stock Structure

Adoption of dual-class voting stock structures has now emerged as a recent clear trend among Silicon Valley technology companies (though it is still a small percentage of companies). Historically, dual-class voting stock structures have been significantly more common among S&P 100 companies than among the technology and life sciences companies in the SV 150 companies, though the frequency in the SV 150 has surpassed the S&P 100 in recent years. However, in both groups dual-class voting remains a small minority. Other than the recent overall trend in the SV 150, the variation in the percentage of each group over time is primarily a function of changes in the constituents of each group. Within the SV 150, our data suggests that there has been an increase in dual-class voting structures among the midsize to larger companies, with little appearance among the smallest companies. That has been a function of companies such as Alphabet (Google), Facebook, VMware, Workday and Zynga joining the SV 150 with dual-class structures (though during the period of the survey Electronic Arts and Yelp moved away from a dual-class structure), while smaller companies with dual-class voting have departed as constituents of the SV 150 (offset by the recent addition of Box, Nutanix and RingCentral).

The following graphs shows, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies in each group with a dual-class voting stock structure, as well as the same information for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

DUAL-CLASS STRUCTURE — TRENDS OVER TIME



Stock Ownership Guidelines

Alignment of executive officer and director economic interests with those of stockholders in the form of requirements that executive officers and directors hold specified amounts of a company's stock has been on the rise during the period of the survey. While generally the prevalence of stock ownership guidelines has increased over time in both groups, the SV 150 has only recently surpassed the level of the S&P 100 at the start of the period covered by the survey, particularly with respect to executive officers. Further, our data show that, within the SV 150, the rate among the top 15 companies has risen to a rate generally comparable to that of the S&P 100, while the rate among the bottom 50 companies has risen very slowly. Such policies are still only implemented at about two-thirds of the middle 50 and at a distinct minority of bottom 50 companies (increasing from none in the 2004 proxy season to 34.7% in the 2017 proxy season, including an increase of 14.7% since the 2011 proxy season).

We believe these differences are primarily a function of entrepreneurial ownership and the general culture of equity compensation in Silicon Valley, where insiders typically own larger stakes in their companies (particularly so with more recently public companies) and boards feel less need to establish guidelines to encourage alignment of interests (or for stockholder relations).¹⁷

The following graph shows the percentage of all companies in each of the S&P 100 and the SV 150 with stock ownership guidelines for executive officers over the survey period and the coverage of those guidelines for each group in the 2017 proxy season, as well as the percentage of each group with stock ownership guidelines for directors over the same period.

STOCK OWNERSHIP GUIDELINES — EXECUTIVE OFFICERS AND DIRECTORS

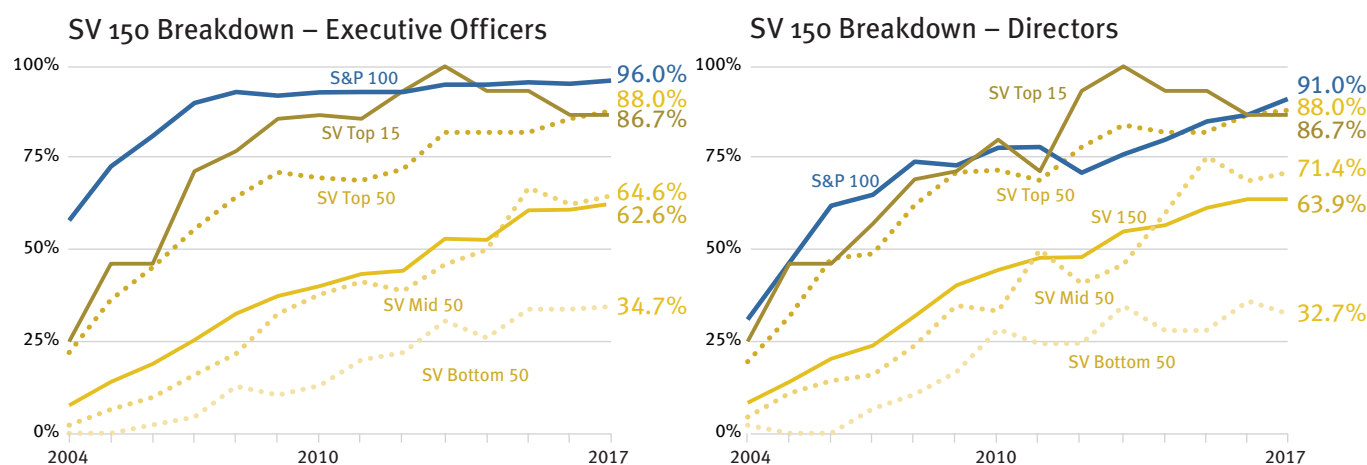


¹⁷ For example, our data show that equity ownership of executive officers and directors among the bottom 50 companies in the SV 150 ranges over time from roughly six to 20 times that of executive officers and directors at S&P 100 companies (also depending on whether you are comparing averages or medians). See the data regarding the actual equity and voting ownership of executive officers and directors for each group on pp. 4–7.

Stock Ownership Guidelines *(continued)*

The following graphs show, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies in each of the S&P 100 and the SV 150 with stock ownership guidelines for executive officers and directors, separately, for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

STOCK OWNERSHIP GUIDELINES — EXECUTIVE OFFICERS AND DIRECTORS (SV 150 BREAKDOWN)



Minimum Holding Amount Requirements for Executives

Among the 92 SV 150 companies with stock ownership guidelines for executive officers, all but one disclosed the terms of their guidelines (either in their proxy statement or via reference to their website). Of those, 10 companies specified the requirement based simply on a fixed number of shares or a fixed minimum value of shares that must be held, while 80 companies instead specified the requirement based on a multiple of base salary (and one that has no minimum holding amount and instead only had a holding period requirement).¹⁸ Of the companies using a multiple, three companies specified 1–2x, 28 specified 3x, 28 companies specified 4–5x, 15 companies specified 6x and six companies specified 7–10x of base salary for the CEO.¹⁹ In addition, 53 companies specified a grace period of five years to reach the minimum, and 14 companies specified a grace period that ranged from two years to 50 months (while the remaining companies did not specify a grace period).²⁰ Eighteen companies stated that they require a minimum retention level pending achievement of the identified target (either during the grace period or simply until the minimum retention level is met), of

¹⁸ The CEO is required to hold the net shares from any equity awards granted in 2017 or later for 36 months from the date of settlement or exercise, as applicable (or until separation of service, if earlier).

¹⁹ Among the 13 companies in the top 15 of the SV 150 with stock ownership guidelines for executives, three companies specified the requirement based on a fixed number of shares or a fixed minimum value of shares that must be held, while 10 companies instead specified the requirement based on a multiple of salary. Of the companies using a multiple, one company specified 1x, three specified 4–5x, two specified 6x and four companies specified 7–10x base salary for the CEO.

²⁰ In the top 15, nine companies had a five-year grace period of five years to reach the minimum (with the remainder not specifying a grace period).

Stock Ownership Guidelines *(continued)*

which one company required 100%, 11 companies required 50% and six required 25% retention (generally as a percentage of “net shares” or a similar concept).²¹ Of those with stock ownership guidelines, 53 companies specified which equity holdings are counted toward meeting the minimum, of which:

- 41 companies discussed time-based stock options, of which seven excluded them, 31 only included vested options and three included both vested and unvested options — generally only the “in-the-money” value of such options was counted where such options were included (or the company was silent on the subject);²²
- 17 companies discussed performance-based stock options, of which 13 excluded them and four only included vested options — generally only the “in-the-money” value of such options was counted where such options were included (or the company was silent on the subject);²³
- 40 companies discussed time-based RSUs, of which two excluded them, 21 only included vested RSUs and 17 included both vested and unvested RSUs — though one company only counted 65% of the value of unvested RSUs;²⁴
- 23 companies discussed performance-based RSUs, of which seven excluded them, 12 only included vested RSUs and four included both vested and unvested PSUs;²⁵
- 37 companies discussed restricted shares, of which two excluded them, 17 only included vested shares and 18 included both vested and unvested shares — though one company only counted 65% of the value of unvested shares;²⁶
- four companies expressly included shares in 401(k) plans;²⁷ and
- five companies expressly included shares subject to purchase via contributions to the company’s employee stock purchase plan (ESPP).²⁸

²¹ “Net shares” or a similar concept generally means the shares that remain after shares are sold or withheld to pay any applicable exercise price or satisfy withholding tax obligations in connection with the exercise, vesting, settlement or payment of an equity award. In the top 15, two companies specified in their proxy statement disclosure that they require a minimum retention level pending achievement of the stated target, with one requiring 50% and one requiring 25% retention.

²² Of the seven companies in the top 15 of the SV 150 that specified which equity holdings are counted toward meeting the minimum, all discussed time-based stock options, of which three excluded them, three included vested only and one included both vested and unvested options.

²³ In the top 15, three companies discussed performance-based stock options, all of which excluded them.

²⁴ In the top 15, six companies discussed time-based RSUs, all of which only counted vested shares toward the minimum holding requirement.

²⁵ In the top 15, four companies discussed performance-based RSUs, all of which only counted vested shares toward the minimum holding requirement.

²⁶ In the top 15, six companies discussed restricted shares, three of which included vested and three of which included both vested and unvested shares when measuring holdings.

²⁷ In the top 15, three companies expressly included shares in 401(k) plans.

²⁸ In the top 15, one company expressly included shares subject to purchase via contributions to the company’s ESPP.

Stock Ownership Guidelines *(continued)*

All of the 96 S&P 100 companies with stock ownership guidelines for executive officers disclosed the terms of their guidelines (either in their proxy statement or via reference to their website). Of those, 10 companies specified the requirement based simply on a fixed number of shares or a fixed minimum value of shares that must be held, while 84 companies instead specified the requirement based on a multiple of base salary (and two that have no minimum holding amount and instead simply required holding a portion of equity awarded as compensation during their tenure).²⁹ Of the companies using a multiple, two companies specified 3 – 4x, 14 specified 5x, 46 companies specified 6x, 19 companies specified 7 – 10x and three companies specified more than 10x of base salary for the CEO. In addition, 55 companies specified a grace period of five years to reach the minimum, four companies specified a grace period of two to four years and two specified a six-year grace period (while the remaining companies did not specify a grace period). Thirty-one companies stated that they required a minimum retention level pending achievement of the identified target (either during the grace period or simply until the minimum retention level is met), of which 12 companies required 100%, five companies required 66.7% – 75%, 12 required 50% and two required 25% retention (generally as a percentage of “net shares” or a similar concept). Of those with stock ownership guidelines, 64 companies specified which equity holdings are counted toward meeting the minimum, of which:

- 42 companies discussed time-based stock options, of which 34 excluded them, six only included vested options and two included both vested and unvested options — generally only the “in-the-money” value of such options was counted where such options were included (or the company was silent on the subject) — though three companies counted less than the full value of time-based options;
- 34 companies discussed performance-based stock options, of which 32 excluded them and two only included vested options — generally only the “in-the-money” value of such options was counted where such options were included (or the company was silent on the subject);
- 46 companies discussed time-based RSUs, of which four excluded them, 19 only included vested RSUs and 23 included both vested and unvested RSUs — though three companies counted less than the full value of unvested RSUs;
- 34 companies discussed performance-based RSUs, of which seven excluded them, 18 only included vested RSUs and nine included both vested and unvested PSUs — though three companies counted less than the full value of unvested PSUs;
- 46 companies discussed restricted shares, of which two excluded them, 15 only included vested shares and 29 included both vested and unvested shares — though five companies counted less than the full value of unvested restricted shares;
- 23 companies expressly included shares in 401(k) plans; and
- 25 companies expressly included shares subject to purchase via contributions to the company’s employee stock purchase plan (ESPP).

²⁹ One company required holding 50% of net shares and the other required retention of 75% of net shares.

Stock Ownership Guidelines *(continued)*Minimum Holding Amount Requirements for Executives *(continued)*

The following graphs show for each group the percentage of companies with stock ownership guidelines for executive officers, the type of target for minimum holding amount requirements and, where the target is a multiple of base salary, the multiple applicable to the Chief Executive Officer (CEO), as well as any grace period to achieve the target and any minimum retention level required pending achievement of the target.

STOCK OWNERSHIP GUIDELINES FOR EXECUTIVES — 2017 PROXY SEASON

SV 150

92 OF 150 COMPANIES HAVE GUIDELINES



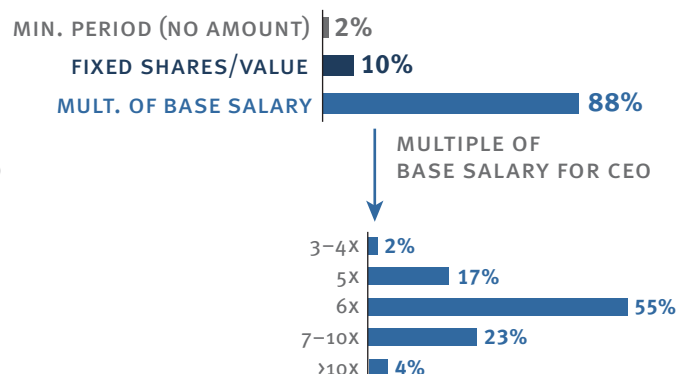
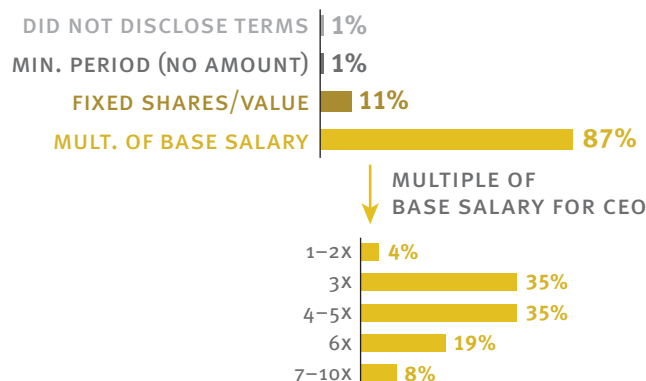
S&P 100

96 OF 100 COMPANIES HAVE GUIDELINES

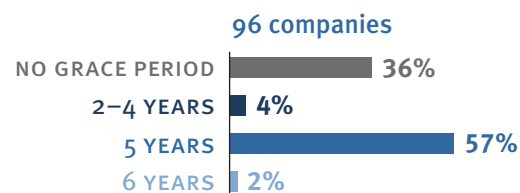
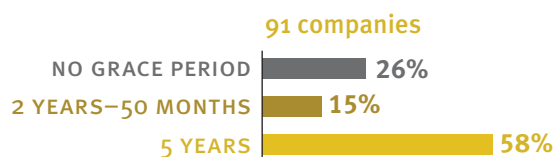


MINIMUM HOLDING AMOUNT REQUIREMENTS FOR EXECUTIVES — 2017 PROXY SEASON

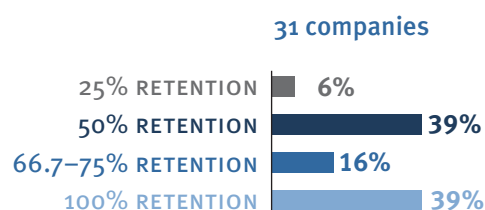
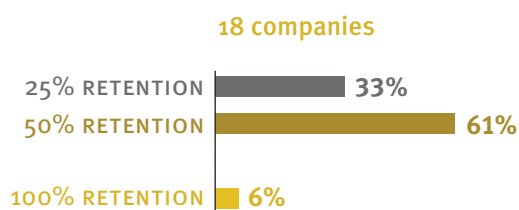
TYPE OF MINIMUM TARGET



GRACE PERIOD TO REACH MINIMUM



MINIMUM RETENTION LEVEL PENDING TARGET

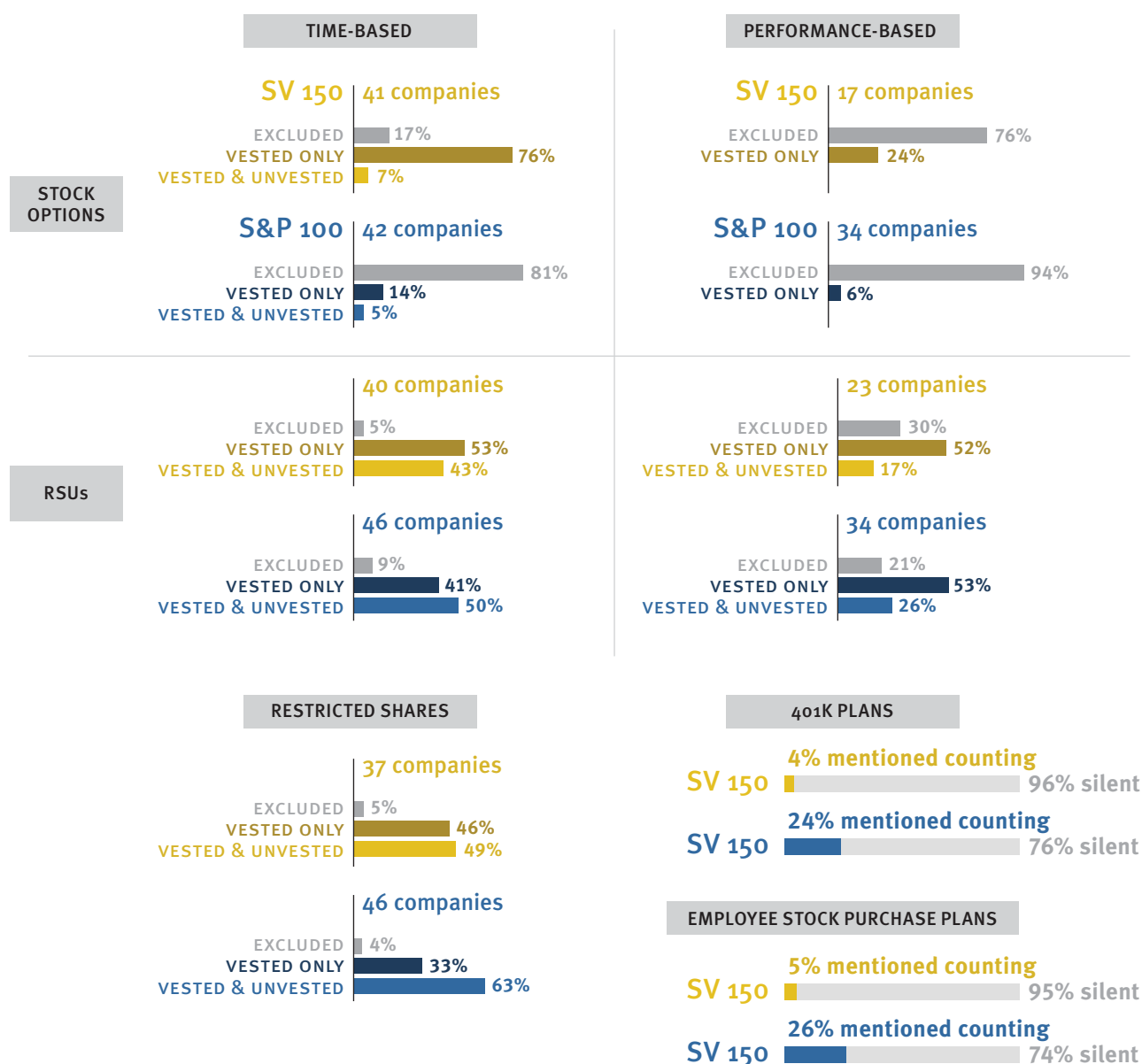


Stock Ownership Guidelines (continued)

Minimum Holding Amount Requirements for Executives (continued)

The following graphs show for each group whether stock options with time-based vesting, stock options with performance-based vesting, restricted stock units (RSUs) with time-based vesting, RSUs with performance-based vesting (PSUs) and restricted shares are counted toward achievement of the minimum holding target and whether such counting includes only vested or both vested and unvested equity, as well as whether the stock ownership guidelines discuss inclusion of shares in 401(k) plans or employee stock purchase plans (ESPPs).

EQUITY HOLDINGS THAT COUNT TOWARD MINIMUM — 2017 PROXY SEASON

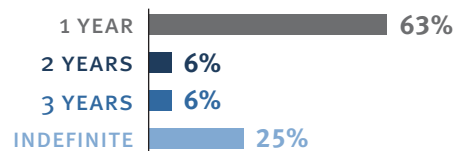
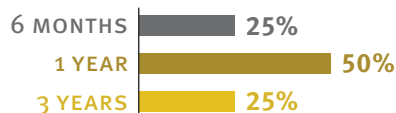


Stock Ownership Guidelines *(continued)***Minimum Holding Period Requirements for Executives**

In addition, four companies in the SV 150 also had minimum holding period requirements for executive officers in addition to, or in some cases in lieu of, the minimum holding amount requirements discussed above.³⁰ A period of six months was used by one company, for two companies it was one year and for one company it was three years. These minimum holding period requirements applied to 100% of “net shares” (or a similar concept) at three of the companies, and the fourth applied the requirement to “the CEO’s service-based RSUs and Relative TSR RSUs beginning with the equity grant in the 2015 fiscal year.”

In the S&P 100, 16 companies had such minimum holding period requirements for executive officers. For 10 companies the period was one year, one company specified two and three years and for four companies the period was indefinite (generally applying until retirement or other separation of employment, or for some period thereafter). These minimum holding period requirements applied to 100% of “net shares” (or a similar concept) at six of the companies, five companies applied it to 75% and five companies to 50% of such shares.

The following graphs show for each group the percentage of companies with minimum holding period requirements for executive officers (in addition to, or in lieu of, minimum holding amounts), the minimum holding period applicable to the CEO and the portion of equity holdings to which the requirement applied.

MINIMUM HOLDING PERIOD REQUIREMENTS FOR EXECUTIVES — 2017 PROXY SEASON**SV 150****4 OF 150 COMPANIES HAVE REQUIREMENTS****S&P 100****16 OF 100 COMPANIES HAVE REQUIREMENTS****HOLDING PERIOD****SHARES TO WHICH HOLDING PERIOD APPLIES**

³⁰ None of them are in the top 15 of the SV 150.

Stock Ownership Guidelines *(continued)*

Minimum Holding Requirements for Directors

Among the 94 SV 150 companies with stock ownership guidelines for non-employee board members, all but one disclosed the terms of their guidelines (either in their proxy statement or via reference to their website). Of those, 22 companies specified the requirement based simply on a fixed number of shares or a fixed minimum value of shares that must be held, while 70 companies instead specified the requirement based on a multiple of the directors' annual cash retainer (and one company had a holding period requirement that has the effect of acting as a phased-minimum holding amount requirement).³¹ One of the companies using a fixed number of shares increased that number based on tenure.³² Of the companies using a multiple, 37 companies specified a multiple of 3x, six companies specified 4x, 21 specified 5x, four specified 6x and two companies specified 8 – 10x.³³ In addition, 61 companies specified a grace period of five years to reach the minimum, 18 companies specified a grace period that ranged from two to four years and two companies specified a one-year grace period (while the remaining companies did not specify a grace period).³⁴ Seventeen companies specified in their proxy statement disclosure that they required a minimum retention level pending achievement of the stated target (either during the grace period or simply until the minimum retention level is met), of which three companies required 100%, nine companies required 50%, four required 25% retention and one required 10% (generally as a percentage of “net shares” or a similar concept).³⁵

All of the 91 S&P 100 companies with stock ownership guidelines for non-employee directors disclosed the terms of those guidelines. Of those, 16 companies specified the requirement based simply on a fixed number of shares or a fixed minimum value of shares that must be held, while 70 companies instead specified the requirement based on a multiple of the directors' annual cash retainer (and five companies simply specified that such directors must hold some or all of their net shares received as compensation during their tenure). Counterintuitively, one of the companies that requires the directors to indefinitely hold all shares received as compensation for board service also applies the holding requirement to shares purchased on the open market (this would seem to have the effect of discouraging such purchases). One of the companies using a fixed number of shares increased that number based on tenure.³⁶ Of the companies

- 31 The non-employee directors are required to hold 50% of net shares that were granted as restricted stock for a period of five years (or until the director leaves the board, if earlier).
- 32 The minimum amount to be held increases by one-third for directors with more than 10 years of service. The company (Intel) is a constituent of the SV 150 and S&P 100.
- 33 Among the 13 companies in the top 15 of the SV 150 with stock ownership guidelines for non-employee directors, five companies specified the requirement based on a fixed number of shares or a fixed minimum value of shares that must be held, while eight companies instead specified the requirement based on a multiple of the directors' annual cash retainer. Of the companies using a multiple, three companies specified 3x and five companies specified 5x annual cash retainer.
- 34 In the top 15, nine companies specified a five-year grace period, one specified one year and one specified a grace period of four years.
- 35 In the top 15, only one company specified such a minimum retention level (25%).
- 36 The minimum amount to be held increases by one-third for directors with more than 10 years of service. The company (Intel) is a constituent of the SV 150 and S&P 100.

Stock Ownership Guidelines *(continued)*

using a multiple, 54 companies specified a multiple of 5x, 11 companies specified a multiple of 3 – 4x and five companies specified a multiple of 6 – 8x. In addition, 61 companies specified a grace period of five years to reach the minimum, six companies specified a grace period that ranged from two to four years and three companies specified a six-year grace period (while the remaining companies did not specify a grace period). Fourteen companies specified in their proxy statement disclosure that they required a minimum retention level pending achievement of the stated target (either during the grace period or simply until the minimum retention level is met), of which six companies required 100%, two companies required 75%, four required 50% and two required 25% retention (generally as a percentage of “net shares” or a similar concept).

Companies typically do not specifically discuss which holdings are counted toward meeting the requirements for non-employee directors, or they state or imply that holdings are counted the same as for executive officers (as applicable).

Stock Ownership Guidelines *(continued)*Minimum Holding Requirements for Directors *(continued)*

The following graphs show for each group the percentage of companies with stock ownership guidelines for non-employee directors, the type of target for minimum holding amount requirements and, where the target is a multiple of the annual cash retainer, the applicable multiple, as well as any grace period to achieve the target and any minimum retention level required pending achievement of the target.

STOCK OWNERSHIP GUIDELINES FOR DIRECTORS — 2017 PROXY SEASON

SV 150

94 OF 150 COMPANIES HAVE GUIDELINES

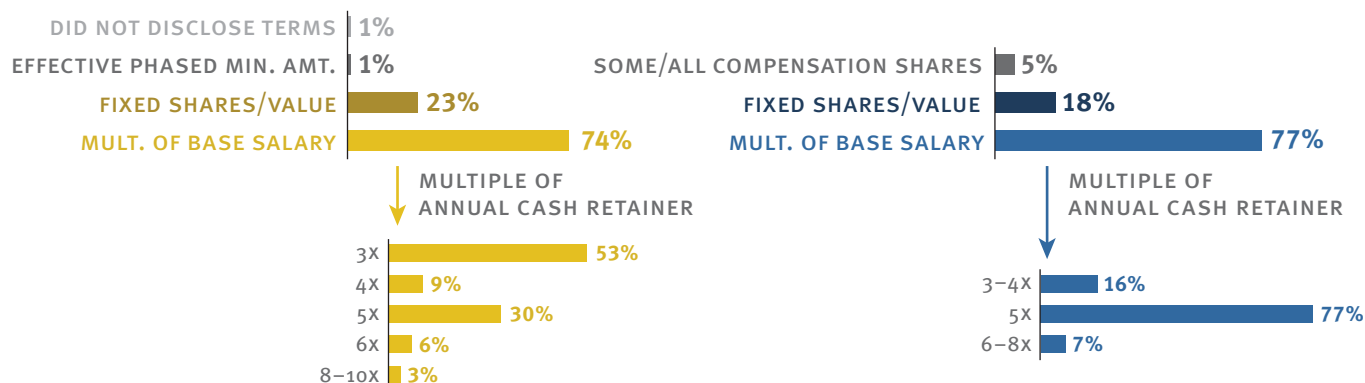


S&P 100

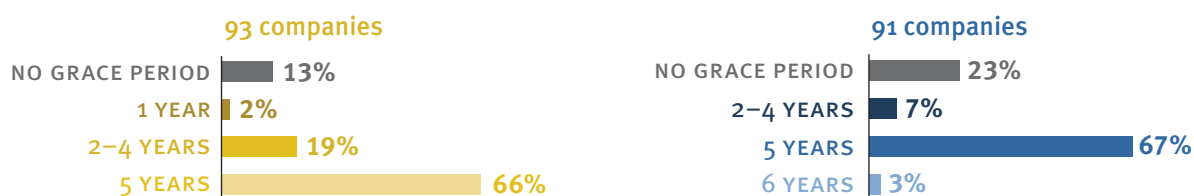
91 OF 100 COMPANIES HAVE GUIDELINES



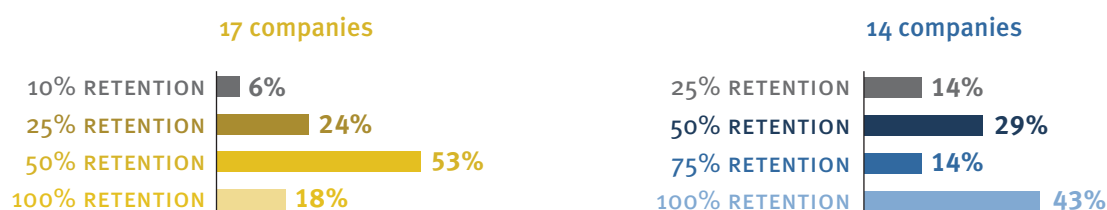
TYPE OF MINIMUM TARGET



GRACE PERIOD TO REACH MINIMUM



MINIMUM RETENTION LEVEL PENDING TARGET

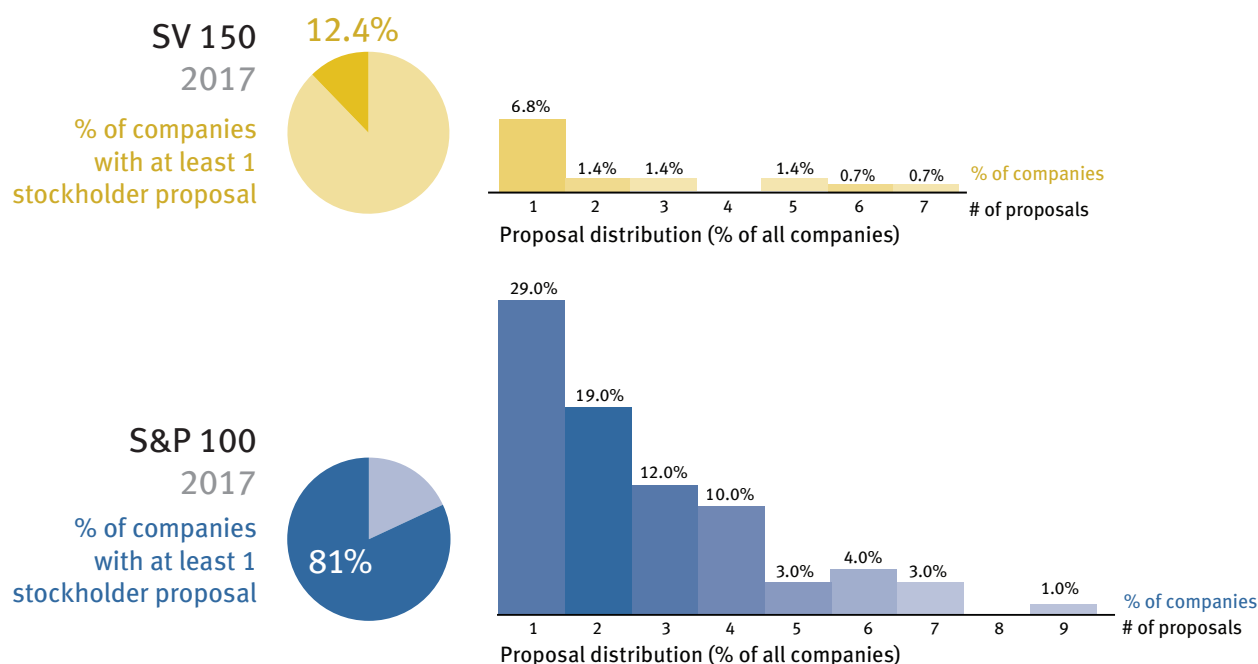


Stockholder Proposals

Stockholder activism, measured in the form of proposals included in the proxy statements of companies, is substantially lower among the technology and life sciences companies in the SV 150 than among S&P 100 companies. However, our data show a marked increase in recent years among the technology and life sciences companies in the top 15 of the SV 150, where 73.3% had at least one stockholder proposal. Four companies in the SV 150 had four or more proposals during the 2017 proxy season (with an average of 2.4 proposals among those with any), compared to 21 such companies in the S&P 100 (with an average of 2.6 among those with any). Our data reflect a current general downward trend of stockholder activism, measured in terms of stockholder proposal frequency, particularly in the S&P 100 — although the SV 150, where there are any proposals, has had an upward trend in number of proposals in recent years. Contested elections, another form of stockholder activism, were exceedingly rare among both the SV 150 and the S&P 100. There were no contested elections in six of the years surveyed among the SV 150 (and two years in which there were four contested elections, and six years with only one or two). There were no contested elections in six of the years among the S&P 100 during the 14 years of the survey (and eight years in which each had only one or two contested elections). This trend continued in the 2017 proxy season, when each group had just one contested director election.³⁷

The following graphs show for each group during the 2017 proxy season the percentage of all companies with at least one stockholder proposal, and the distribution by number of stockholder proposals, included in the company's proxy statement.

STOCKHOLDER PROPOSALS — DISTRIBUTIONS



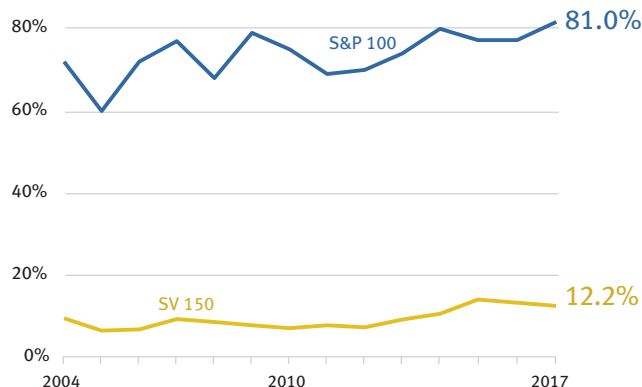
³⁷ Cypress Semiconductor's board slate competed with a slate of two candidates, both of which were ultimately elected (Cypress entered into an 11th-hour settlement and two directors resigned when the outcome of the voting was clear). General Motors handily defeated a competing slate of three candidates.

Stockholder Proposals (continued)

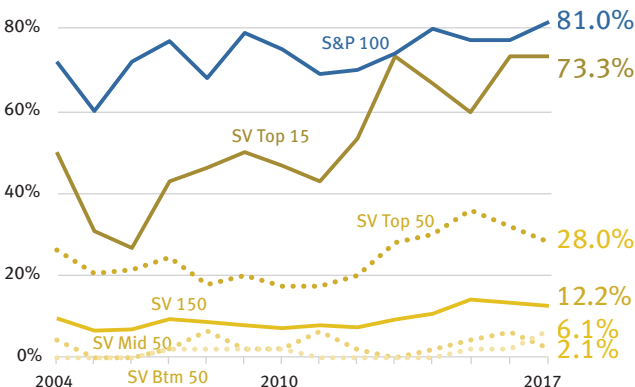
The following graphs show for each group, over the period from the 2004 through 2017 proxy seasons, the percentage of all companies with at least one stockholder proposal included in the company proxy statement and the average and median number of such proposals per company, as well as the percentage of all companies with at least one stockholder proposal and the average number of proposals for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies.

STOCKHOLDER PROPOSALS — TRENDS OVER TIME

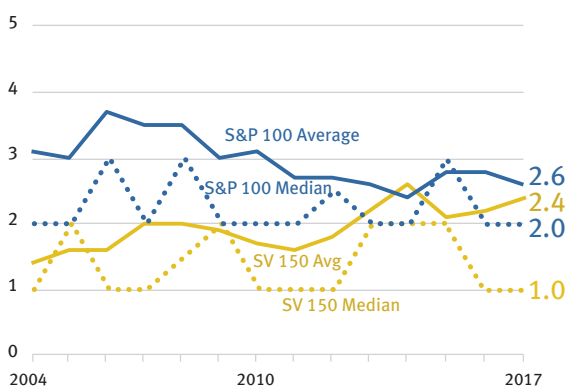
Percentage of Companies with at least one Stockholder Proposal



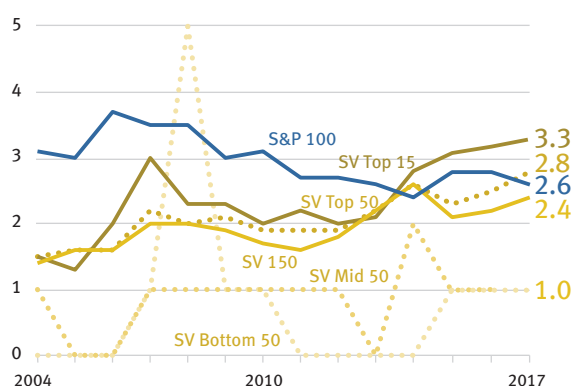
SV 150 Breakdown — at least one Stockholder Proposal



Number of Stockholder Proposals per Company



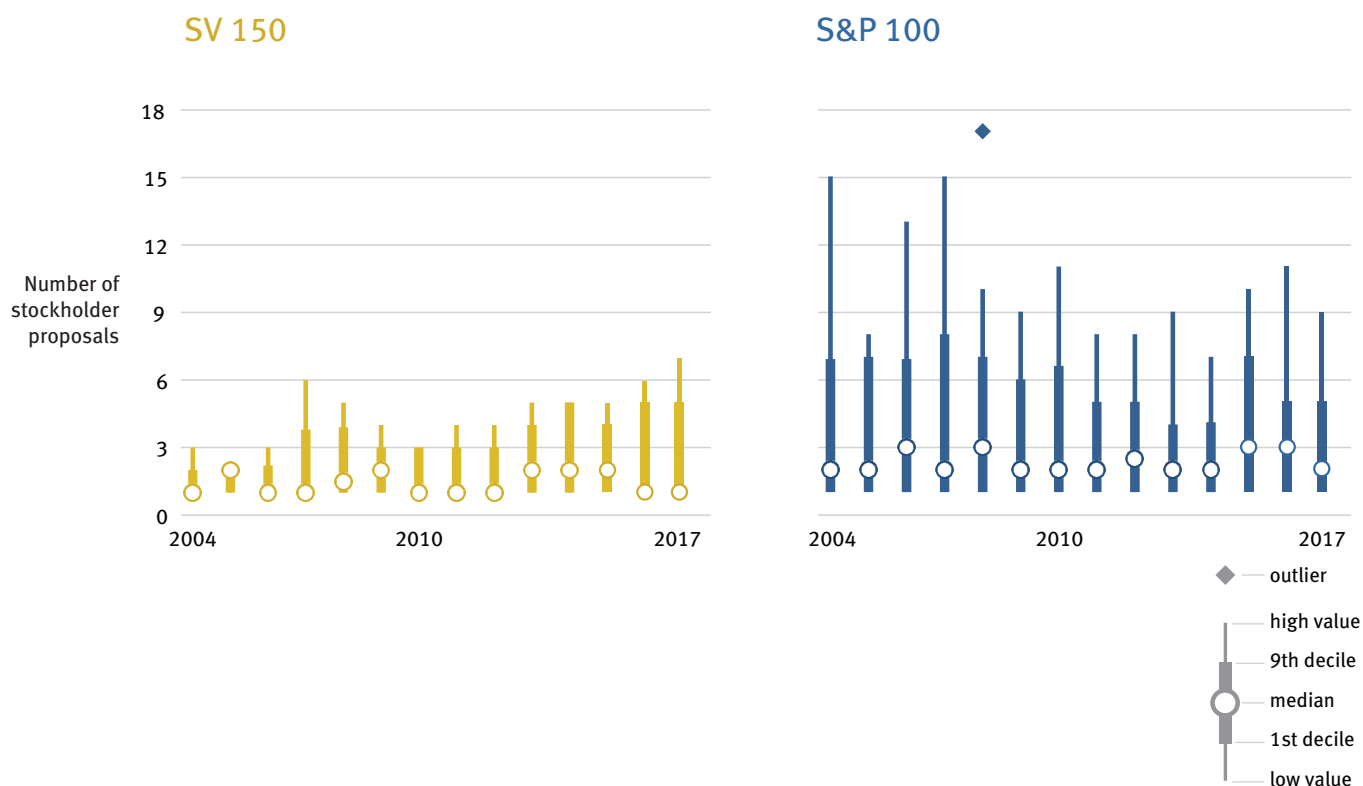
SV 150 Breakdown — Average # of Stockholder Proposals



Stockholder Proposals *(continued)*

The following graphs show for each group the range, over the period from the 2004 through 2017 proxy seasons, of the number of stockholder proposals included in company proxy statements, showing both the median and the cutoffs for the deciles with the most and fewest proposals (among those that have any such proposals).

STOCKHOLDER PROPOSALS — RANGE TRENDS OVER TIME



For a substantially more detailed review of stockholder proposals and other aspects of annual meeting voting in the SV 150, as well as the S&P 100, see the companion Fenwick publication *Results of the 2017 Proxy Season in Silicon Valley: A Comparison of Silicon Valley 150 Companies and the Large Public Companies of the Standard & Poor's 100*, released in October 2017. To be placed on an email list for future editions of the Proxy Season Results Survey when published, visit www.fenwick.com/subscribe-proxy.

Executive Officers

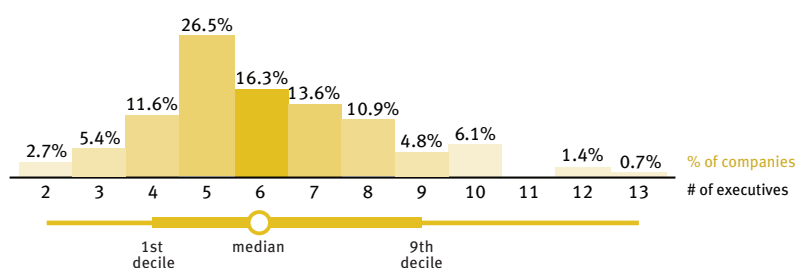
Number of Executive Officers

The number of executive officers tends to be substantially lower among the technology and life sciences companies in the SV 150 (average = 6.1 executive officers) than among S&P 100 companies (average = 10.4 executive officers), generally reflecting the scale differences between the groups of companies. In both groups there has been a general decline in the average number of executive officers per company (a trend that continued in the 2017 proxy season), as well as a narrowing of the range of that number in each group (SV 150 max = 20 and min = 4 in the 1996 proxy season compared to max = 13 and min = 2 in the 2017 proxy season; S&P 100 max = 41 and min = 5 in 1996 proxy season compared to max = 20 and min = 2 in the 2017 proxy season).

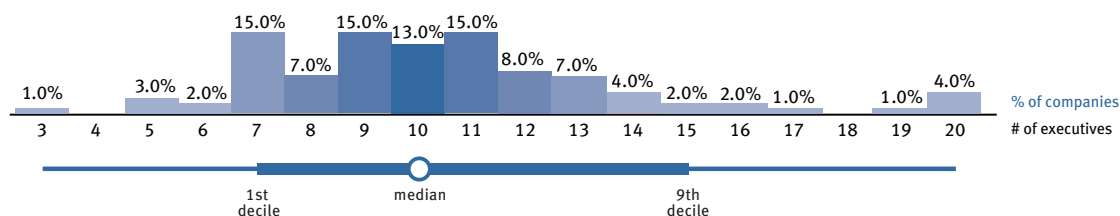
The following graphs show the distribution by number of executive officers among the two groups during the 2017 proxy season.

NUMBER OF EXECUTIVE OFFICERS — DISTRIBUTIONS AND TRENDS OVER TIME

SV 150 2017



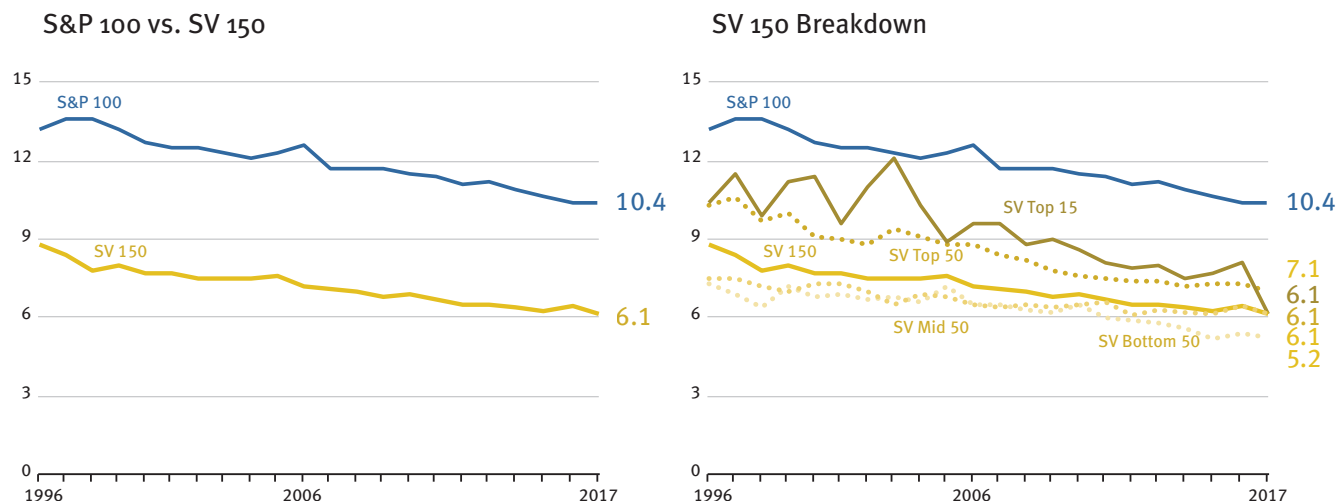
S&P 100 2017



Executive Officers *(continued)*

The following graphs show the average number of executive officers in each group, as well as the same information for the SV 150 broken down by the top 15, top 50, middle 50 and bottom 50 companies, over the period from the 1996 through 2017 proxy seasons.

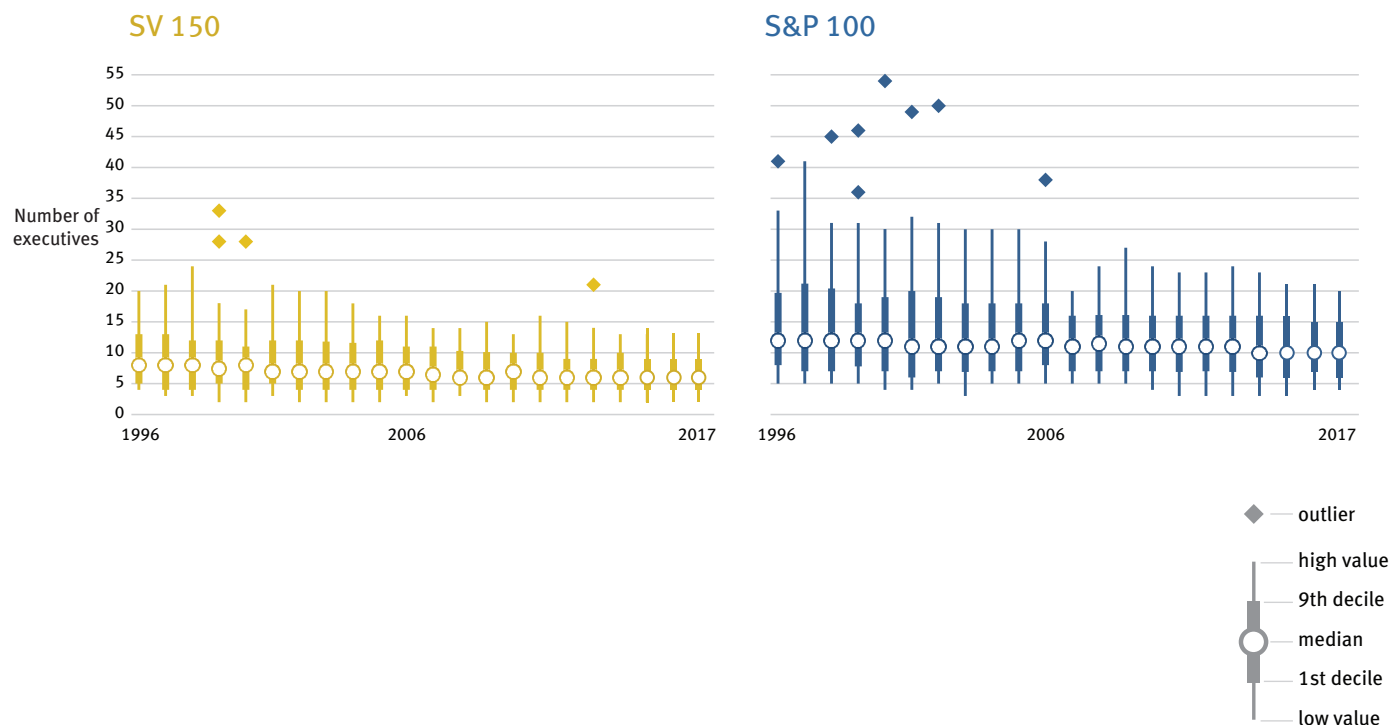
AVERAGE NUMBER OF EXECUTIVE OFFICERS — TRENDS OVER TIME



Executive Officers *(continued)*

The following graphs show the range of the number of executive officers per company in each group, showing both the median and the cutoffs for the deciles with the most and fewest executive officers, over the period from the 1996 through 2017 proxy seasons.

RANGE OF NUMBER OF EXECUTIVE OFFICERS — TRENDS OVER TIME



Executive Officer Makeup

The type of officers included among company executive officers has varied over time, with some types substantially increasing over time — running counter to the overall steady decline in the number of executive officers. In addition to the Chief Executive Officer (CEO), the breakdown in the 2017 proxy season is the following:³⁸

- 98.6% of SV 150 companies identified a Chief Financial Officer (CFO), compared to 98% in the S&P 100;
- 71.4% of SV 150 companies identified a General Counsel (GC), Chief Legal Officer (CLO) or other senior legal executive, compared to 95% in the S&P 100;
- 49.0% of SV 150 companies identified a Chief Technology Officer (CTO) or other senior engineering or research and development executive, compared to 53% in the S&P 100;
- 45.6% of SV 150 companies identified a President, Chief Operating Officer (COO) or other senior operations executive, compared to 41% in the S&P 100;
- 40.1% of SV 150 companies identified a senior sales executive, compared to 23% in the S&P 100;
- 14.3% of SV 150 companies identified a senior corporate or business development executive, compared to 33% in the S&P 100; and
- 7.5% of SV 150 companies identified a senior marketing executive (separate from the senior sales executive), compared to 4% in the S&P 100;
- 70.7% of SV 150 companies identified at least one other position (separate from those included above) among their executive officers, compared to 99% in the S&P 100.

Generally, the frequency of inclusion of these positions has held relatively steady or declined slightly over time. In the SV 150, the number of seniors sales executives has declined somewhat more rapidly than other positions (while the S&P 100 has seen steady growth in that position, though from a very small base). Similarly, the S&P 100 has seen more significant decline in President/COO-type executive officers, particularly in recent years (with the SV 150 showing a slightly slower decline in that position). Conversely, the inclusions of GC/CLO and CTO/Engineering/R&D executives have markedly increased during the survey period in both groups.

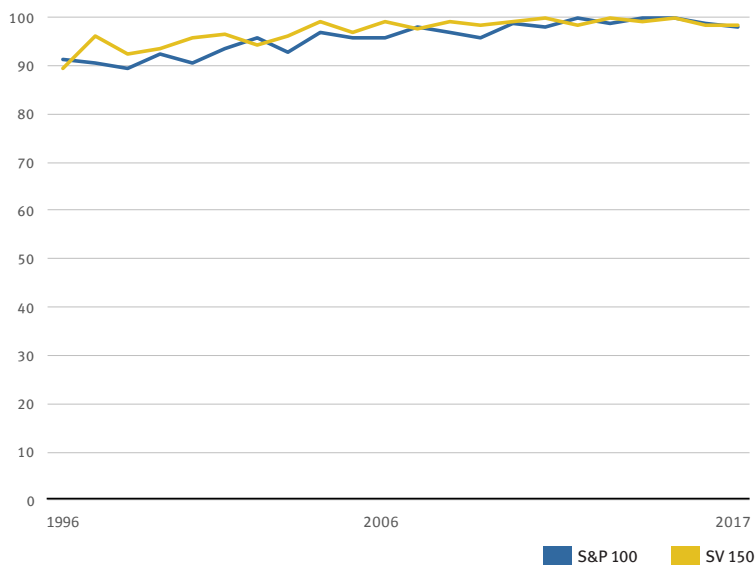
The overall decline in the average number of executive officers at companies in each group appears to be driven largely by the decline in the number of executive officers that hold some position other than (and separate from) those identified above. The percentage of the total executive officers that fall in the category of “other” executive officer positions has declined significantly over time (30.0% of all executive officers in the SV 150 in the 2017 proxy season compared to 46.7% in the 1996 proxy season; 56.9% of all executive officers in the S&P 100 in the 2017 proxy season compared to 69.6% in the 1996 proxy season).

³⁸ In some companies, a single executive may hold more than one of these positions with such executives consequently counted in more than one of these categories (e.g., President and CFO). In addition, some companies have more than one person holding a position (e.g., Co-Presidents), in which case the position is only counted once.

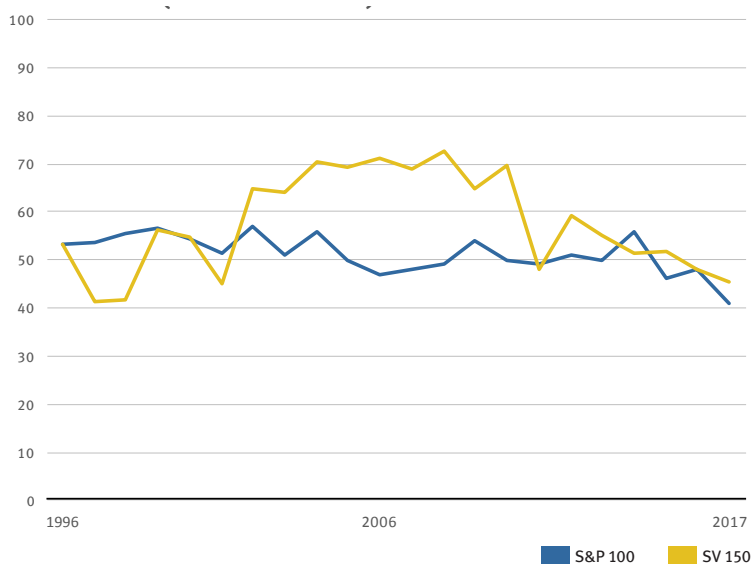
Executive Officer Makeup *(continued)*

The following graphs show the percentage of companies in each group that have included (in the top graph) CFO or other senior finance executive and (in the bottom graph) a President and/or COO or other senior operations executive as an “executive officer” from the 1996 through the 2017 proxy seasons.

PERCENTAGE OF COMPANIES INCLUDING CFO AS AN EXECUTIVE OFFICER



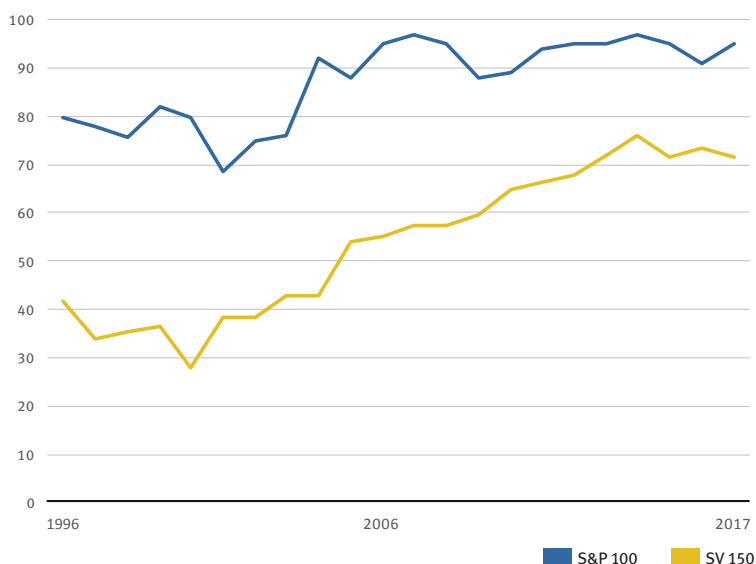
PERCENTAGE OF COMPANIES INCLUDING PRESIDENT / COO AS AN EXECUTIVE OFFICER



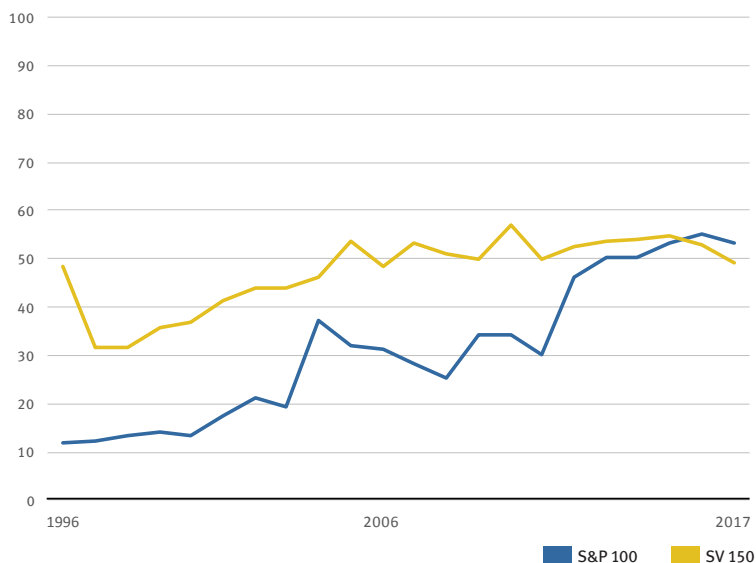
Executive Officer Makeup *(continued)*

The following graphs show the percentage of companies in each group that have included (in the top graph) a GC, CLO or other senior legal executive and (in the bottom graph) a CTO or other senior engineering or research and development executive as an “executive officer” from the 1996 through the 2017 proxy seasons.

PERCENTAGE OF COMPANIES INCLUDING GC / CLO AS AN EXECUTIVE OFFICER



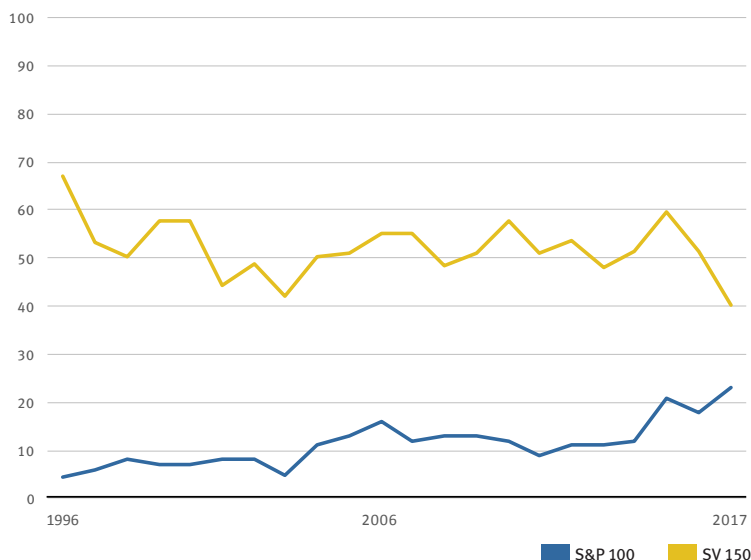
PERCENTAGE OF COMPANIES INCLUDING CTO / ENGINEERING / R&D EXECUTIVE AS AN EXECUTIVE OFFICER



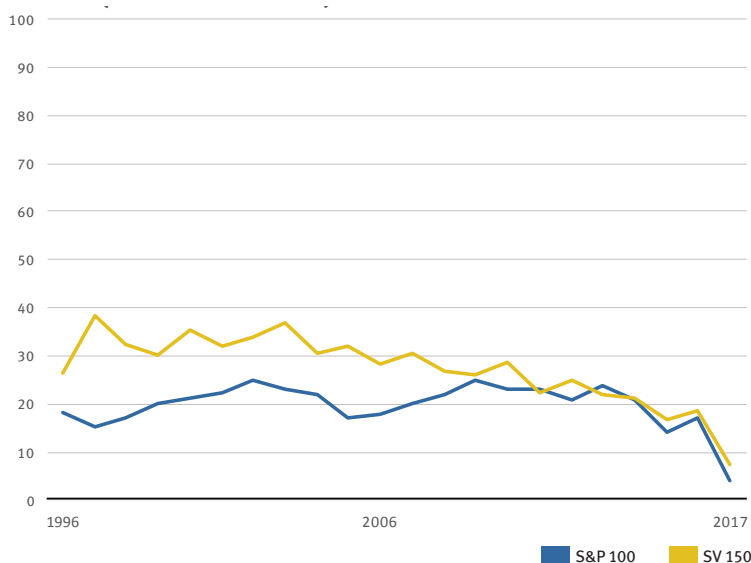
Executive Officer Makeup *(continued)*

The following graphs show the percentage of companies in each group that have included (in the top graph) a senior sales executive and (in the bottom graph) a senior marketing executive (separate from the senior sales executive) as an “executive officer” from the 1996 through the 2017 proxy seasons.

PERCENTAGE OF COMPANIES INCLUDING SENIOR SALES EXECUTIVE AS AN EXECUTIVE OFFICER



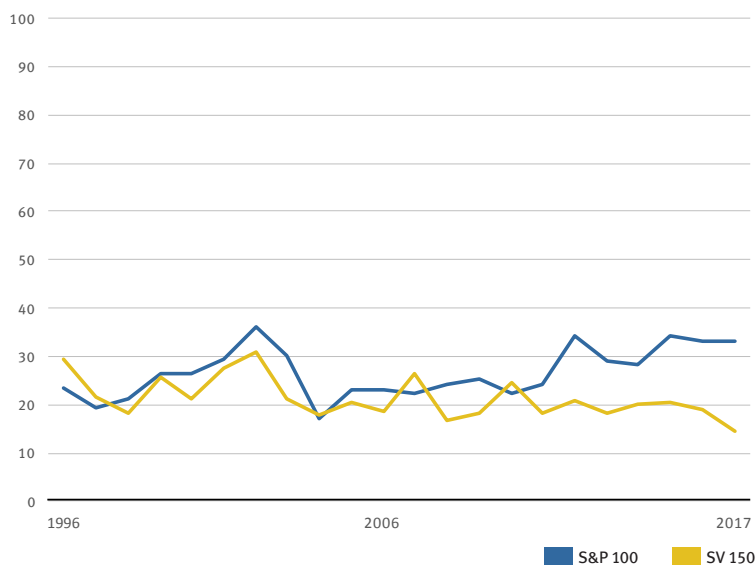
PERCENTAGE OF COMPANIES INCLUDING SENIOR MARKETING EXECUTIVE AS AN EXECUTIVE OFFICER



Executive Officer Makeup *(continued)*

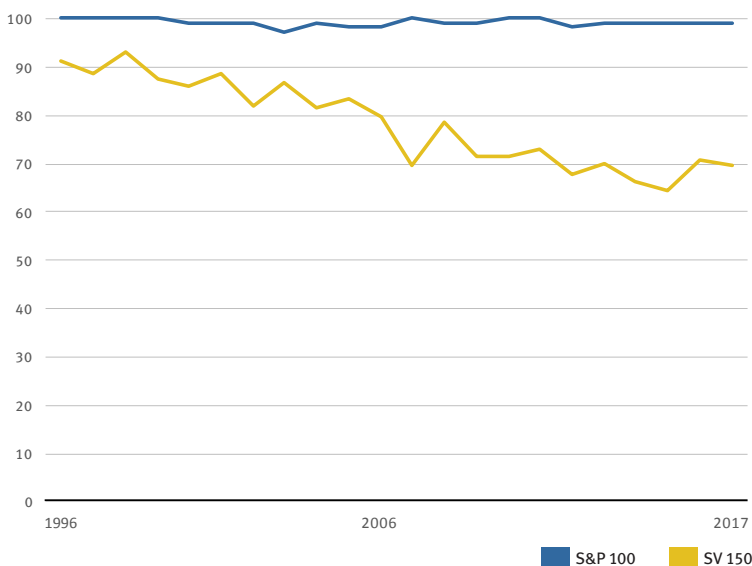
The following graph shows the percentage of companies in each group that have included a senior corporate and/or business development executive as an “executive officer” from the 1996 through the 2017 proxy seasons.

PERCENTAGE OF COMPANIES INCLUDING SENIOR CORPORATE/BUSINESS DEVELOPMENT EXECUTIVE AS AN EXECUTIVE OFFICER



The following graph shows the percentage of companies in each group that have included at least one other officer position (separate from those included above) as an “executive officer” from the 1996 through the 2017 proxy seasons.

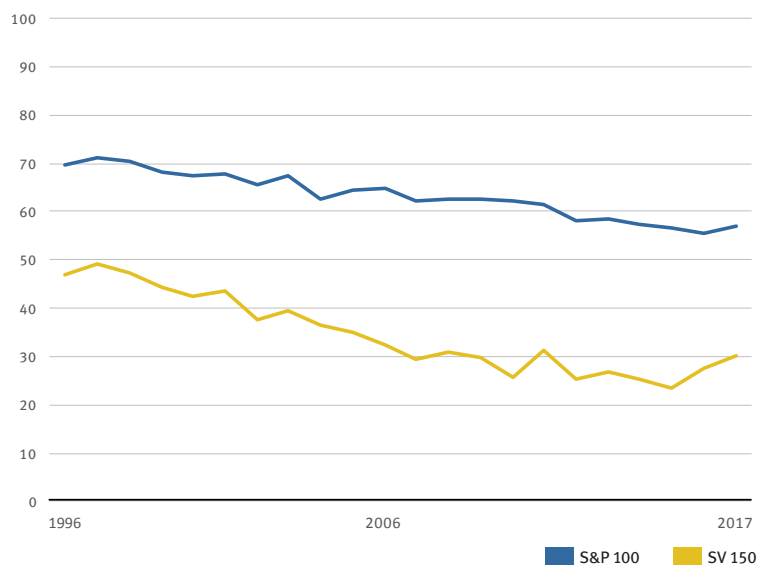
PERCENTAGE OF COMPANIES INCLUDING “OTHER” EXECUTIVE(S) AS AN EXECUTIVE OFFICER



Executive Officer Makeup *(continued)*

The following graph shows the percentage of all “executive officers” in each group that have executive positions other than the positions identified in the graphs above, from the 1996 through the 2017 proxy seasons.

PERCENTAGE OF EXECUTIVE OFFICERS THAT ARE “OTHER” OFFICER POSITIONS



Methodology

Group Makeup

We reviewed the corporate governance practices of the companies included in the Standard & Poor's 100 Index (S&P 100)³⁹ and the technology and life sciences companies included in the Silicon Valley 150 Index (SV 150).⁴⁰ The makeup of the indices has changed over time as determined by their publishers,⁴¹ with the SV 150 makeup being updated generally once annually and the S&P 100 changing more frequently.⁴² For analytical purposes, companies are included in the survey if they appeared in the relevant index as determined in the most recent calendar year-end.⁴³ Further, in past years, to focus the survey on the industries most relevant to Silicon Valley, companies were excluded from the SV 150 data set if they were not primarily in the technology or life sciences industries (broadly interpreted).⁴⁴ To some degree, the volatility in the statistical trends within each of the indices is a reflection of changes in the constituents of the index over time.⁴⁵ Finally, some companies are constituents of both indices.⁴⁶ Those companies are included in the data sets of both groups for purposes of this survey.

- 39 Standard & Poor's has stated that "[t]he S&P 100 consists of 100 companies selected from the S&P 500. To be included, the companies should be among the larger and most established companies in the S&P 500, and must have listed options. Sector balance is considered in the selection of companies for the S&P 100." (Standard & Poor's states that "[t]he S&P 500 focuses on the large-cap sector of the market; however, since it includes a significant portion of the total value of the market, it also represents the market; [c]ompanies in the S&P 500 are considered leading companies in leading industries" and that constituents of the S&P 100 are selected for sector balance and represent over 57% of the market capitalization of the S&P 500 and almost 45% of the market capitalization of the U.S. equity markets.)
- 40 In the past, *The Mercury News* (fka the *San Jose Mercury News*) had stated that "[t]he Silicon Valley 150 ranks [public] companies headquartered in Santa Clara, Santa Cruz, southern San Mateo and southern Alameda counties [in California] on the basis of worldwide revenue for the most recent available four quarters ended on or near [the most recent December 31]." However, in recognition of the continued geographic spread of technology and life sciences companies beyond the traditional Silicon Valley area, beginning in the 2012 proxy season, *The Mercury News* expanded the definition for purposes of the index to "include [the entirety of] the five core Bay Area counties: Santa Clara, San Mateo, San Francisco, Alameda and Contra Costa." (According to local lore, the term "Silicon Valley" was coined in 1971 to describe the concentration of semiconductor companies in what was then the northern portion of Santa Clara County. The term has since expanded to include all technology and life sciences companies and their geographic spread in the region.) For a discussion of the change in geographical area and its history, see "O'Brien: Welcome to the new and expanded Silicon Valley" in *The Mercury News* (April 22, 2012). The most recent determination of the makeup of the SV 150, based on the revenues of public companies in Silicon Valley for the most recent available four quarters ended on or near December 31, 2016, was announced by *The Mercury News* in May 2017. That group was used for purposes of the 2017 proxy season in this report. In 2014, the *San Jose Mercury News* made an unpublished correction to the SV 150, following its initial publication, and added Fair Isaac Corporation to the list at number 64. As Fair Isaac Corporation was not included in the original publication of the SV 150, in April 2014, it was similarly excluded from the SV 150 data set analyzed in this report as it discusses the 2014 proxy season. Similar exclusions occurred in some prior years.
- 41 The constituents of the Standard & Poor's 100 (S&P 100) Index are now determined by S&P/Dow Jones Indices LLC (a subsidiary of The McGraw-Hill Companies, Inc. that was originally launched by Standard & Poor's) and the constituents of the Silicon Valley 150 Index (SV 150) are determined by *The Mercury News* (part of the Bay Area News Group, a part of Digital First Media).
- 42 However, while changes are more frequent, Standard & Poor's has noted that "in past years, turnover among stocks in the S&P 100 has been even lower than the turnover in the S&P 500." Given the relative rapidity of acquisitions and the volatility of the technology business, annual constituent turnover in the SV 150 is somewhat greater than the S&P 100 in terms of the number of companies changing.
- 43 I.e., the Fenwick & West survey for the 2017 proxy season included companies constituent in the SV 150 and S&P 100 as published on April 30, 2017, based on "the most recent available four quarters ended on or near December 31, 2016."
- 44 E.g., for the 2011 proxy season, the following companies were excluded from the SV 150 data set for purpose of the survey (in order of rank within the index): Franklin Resources (14), Con-Way (17), Robert Half (25), Granite Construction (38), West Marine (66), California Water (74), Essex Property (79), SJW (105), Financial Engines (138), Coast Distribution (141) and Mission West (142). However, beginning with the 2012 proxy season, *The Mercury News* removed all of the non-technology/life sciences companies from the SV 150 and created a parallel Bay Area 25 (BA 25) index made up of the 25 largest such companies ranked by revenue. While not presented in this report, Fenwick does collect and analyze the same set of data for the BA 25 (and companies that we excluded from the SV 150 for purposes of this survey prior to the 2012 proxy season), which can be obtained by consulting your Fenwick & West securities partner. In addition, companies are not included in the data set (on a subject-by-subject basis) if information is not available because no SEC filing with the relevant data was made (generally as a result of acquisition). For example, in the 2017 proxy season, three companies were not included in the SV 150 data set for all subjects. Similar exclusions occurred in prior years.
- 45 Other factors include changes in board membership and turnover in the chief executive officer of constituent companies.
- 46 For example, for the 2017 proxy season, the following companies were included in each of the S&P 100 and the SV 150 (in order of rank within the SV 150 index): Apple (1), Alphabet (2), Intel (3), Cisco (6), Oracle (7), Gilead (8), Facebook (9), PayPal Holdings (12).

Methodology *(continued)***Proxy Season / Proxy Statements**

To be included in the data set for a particular “proxy season,” the definitive proxy statement for a company’s annual meeting generally must have been filed by the company with the U.S. Securities and Exchange Commission during the year ended June 30, irrespective of when the annual meeting was actually held.⁴⁷ In some instances, a company may not have consistently filed its annual meeting proxy statement on the same side of the cutoff date each year. In such cases, we have normalized the data by including only one proxy statement per year for a company (and including a proxy statement in a “proxy season” year even though it was filed beyond the normal cutoff).⁴⁸ In some instances, a company may not have filed an annual meeting proxy statement during a year at all (or held any annual meeting).⁴⁹ In such instances, data was gleaned for that company from other SEC filings to the extent available.⁵⁰

Generally, where a trend graphic identifies a year, it presents information as of the time of the proxy statement (such as the number of directors or whether the company has majority voting for directors, a classified board or dual-class stock structure), in which event the data speaks as to circumstances in effect at the time of the proxy statement (rather than at some particular time during the preceding year or immediately following the annual meeting) and is presented by “proxy season” (as defined for purposes of the survey). Generally, any discussion of the data will be by proxy season and will contain a “2017” statistic in the graphic. However, some information (primarily meeting data) is shown in graphics for the year for which the data was presented in the relevant proxy statements rather than the year of the proxy statement themselves. For example, a proxy statement filed in April 2017 included data about the number of board and committee meetings for 2016. That data would be included in the graphic in the year “2016” statistic (and no “2017” statistic would be included since the fiscal year for the relevant data is ongoing).

Insider / Independent

A variety of meanings are ascribed to the terms “insider” and “not independent,” which are colloquially used somewhat interchangeably. We have attempted to cover a range of these meanings within the same survey. At the narrowest end of the spectrum, a director is considered an insider if he or she is currently an officer or otherwise an employee of the company (and not an insider if he or she is not currently an officer/employee). At the broadest end of the spectrum, some commentators consider a director to be an insider if he or she has

⁴⁷ I.e., the proxy statements included in the 2017 proxy season survey were generally filed with the SEC from July 1, 2016 through June 30, 2017 (the annual meetings were usually held about two months following the filing of the proxy statement).

⁴⁸ E.g., several companies generally filed proxy statements in June each year but in a particular year filed in July (or later). The data for such a proxy statement was “moved” into the data set for the “proxy season” year before the cutoff.

⁴⁹ This can occur for a variety of reasons, including (among others) instances where: (a) a company failed to timely file its periodic reports due to a pending or potential accounting restatement, or (b) a company was acquired or had agreed to be acquired (and determined to defer an annual meeting during the pendency of the acquisition).

⁵⁰ Generally Forms 10-K or S-4 and Schedules 14D-9 or TO as well as proxy statements for mergers (Schedules 14A) when the company is in the process of being acquired. These sources generally provide only a subset of the data available in an annual meeting proxy statement (Schedule 14A). Sometimes these filings were made beyond the standard cutoff for the relevant proxy season for purposes of the survey but were nonetheless included in the survey data set for that proxy season if they generally presented data for the period that would have been covered by the proxy statement for that company if it had been filed. See footnote 48 and accompanying text.

Methodology *(continued)*

ever been an officer of the company. In between, the stock exchanges have promulgated rules that define independence as not having been an officer or otherwise an employee of a company for the last three years, in addition to other specified criteria that vary somewhat by stock exchange.⁵¹

However, companies have not always been required to state with respect to each director whether he or she meets the applicable stock exchange's independence criteria (as implemented by that company).⁵² Consequently, when our survey was initiated, we also utilized a simplified version of the stock exchange rules, only applying the three-year employment test to the director since that information can be gleaned from the requisite biographical summary that has long been included in proxy statements.⁵³ This allowed us to include all companies surveyed in this particular version of "insider" status throughout the period covered (while not all have been historically included for the applicable stock exchange independence criteria statistics across the period),⁵⁴ and we have carried that methodology forward for trend analysis purposes.

Finally, for purposes of the statistics regarding insider board chairs in this report, we have collected information based on the same four meanings. However, when only presenting one meaning of insider board chair, the statistics generally have presented information based on the applicable stock exchange standard (or simplified three-year employment rule where that is not available).⁵⁵

Nominating and Governance Committees / Other Standing Committees

Generally, the companies surveyed have a unified committee with responsibility for both nominating and governance functions. However, a small number of companies have separate committees for nominating functions and for governance functions.⁵⁶ For statistical purposes, where separate committees existed, the data for the nominating committee were included (and data for the governance committee ignored) for the information presented in this report. Such separate governance committees were also ignored for purposes

- 51 See, e.g., Section 303A.02 of the New York Stock Exchange (NYSE) Listed Company Manual and Rule 5605(a)(2) of the Nasdaq Stock Market (Nasdaq) Marketplace Rules. They generally provide coverage for compensation from the company to a director above a specified level (other than for board service) [currently each exchange specifies \$120,000 during any 12 months within the last three years], certain levels of business relationship between the company on whose board a director serves and a company that employs him or her, and similar employment by, compensation to or business relationships with a director's immediate family members, among other factors. Further, in implementing these rules, a number of companies have adopted their own independence standards (e.g., to define "material relationships" that will preclude independence under a portion of the NYSE rule).
- 52 Current Item 407(a) of Regulation S-K requires such disclosure. Prior to its adoption in 2006, companies were merely required to state whether a majority of their directors were independent, and some merely stated that fact rather than identifying their independent or non-independent directors (though for many of those independence could be largely deduced based on the disclosures in the proxy statement regarding independence of members of the primary board committees and director biography — particularly with smaller boards).
- 53 Accordingly, family member relationships or other indicia of non-independence are not factored in for this purpose.
- 54 Where a company did not provide enough information to determine the independence of each director (e.g., by affirmative statement or by elimination through biographical and committee membership information), the company was excluded from the data set for calculating the statistics based on the applicable stock exchange criteria.
- 55 For purposes of the Lead Director statistics, we have not applied this methodology. Rather, we have included any company as having a Lead Director if the proxy statement identified a specific director as having the title of "Lead Director," "Lead Independent Director" or "Presiding Director" (or a similar title). Generally all such directors were independent under all of the methods we applied (including the applicable stock exchange independence requirement), though some were not under the "Ever" [a company employee] rule.
- 56 While always rare, it has become increasingly less common over time.

Methodology *(continued)*

of the statistics for “Other Standing Committees” included in this report. Similarly, an exceedingly small number of companies have had a committee that combined the nominating function with the function of one of the other primary committees in a single committee.⁵⁷ In such rare instances, the data for that committee were included in the data set for each of the primary committees it comprised.⁵⁸ In addition, some companies have not formed a nominating committee,⁵⁹ and instead nomination decisions are made by the independent directors as a group.⁶⁰ In such instances, our statistics have treated that group as the nominating committee. Further, with respect to the statistics regarding “Other Standing Committees” included in this report, we have disregarded “Stock Option,” “Equity Incentive” and other committees whose sole (or almost exclusive) function is to approve grants to non- executive employees and consultants of the company.⁶¹

Equity / Voting Ownership

The percentage of equity and voting ownership statistics was based on beneficial ownership data presented in the Security Ownership of Certain Beneficial Owners and Management table,⁶² as well as other information regarding voting and conversion rights included elsewhere in proxy statements and other filings with the SEC. A fair number of companies report aggregate ownership by all executive officers and directors as a group of “less than 1.0%” (whether measured as simply equity or voting ownership).⁶³ For purposes of calculating the average ownership statistics, companies that reported “less than 1%” ownership were treated as having ownership of 0.5% in the data set.⁶⁴

Majority Voting

There are a variety of ways to implement majority voting. These range from strict majority voting provisions in the charter or bylaws that require a majority of “for” votes for a director to be elected (and if less than a majority, the director simply does not take, or loses, office) to various resignation policies implemented in corporate governance principles that simply require a director to tender a resignation if less than a majority of “for” votes are received, which may or may not be accepted by the board or nominating committee (which retains full discretion in making the decision) — with a range of variations in between (often implemented

⁵⁷ Such as a unified “Compensation and Corporate Governance Committee” that the proxy statement described as having nominating functions.

⁵⁸ E.g., data for a unified “Compensation and Corporate Governance Committee” that the proxy statement described as having nominating functions was included in the data for the Compensation Committee and the Nominating Committee with respect to that company.

⁵⁹ This was considerably more common, particularly in the SV 150, prior to the wave of governance reforms in the wake of the Sarbanes-Oxley Act of 2002.

⁶⁰ In some instances, particularly before the wave of governance reforms in the wake of the Sarbanes-Oxley Act of 2002, the nominating decisions were made by the board as a whole.

⁶¹ These “committees” generally consist of the CEO as the sole member or are made up of members of the company’s management team operating with delegated authority in order to relieve the Board of the burden of routine grants of stock-based compensation. Consequently, they are not really indicative of general board operations.

⁶² Item 403 of Regulation S-K (required by Item 6(d) of Schedule 14A).

⁶³ SEC regulations permit such reporting. In the 2017 season, this included approximately 73% of S&P 100 companies and 14% of SV 150 companies.

⁶⁴ Companies that reported an actual numerical ownership percentage that happened to be less than 1% were included in the data set with the numerical ownership percentage reported.

Methodology *(continued)*

in bylaws), generally with contested elections retaining plurality voting. The effectiveness of any of these (including the charter implementations) is further affected by state laws that often provide for holding over of an incumbent even if a majority of “for” votes is not received (to prevent an unnecessary vacancy). Consequently, rather than attempt to illustrate the trends among the many variations, historically we have simply presented trend data regarding whether the companies surveyed have implemented any form of majority voting policy for uncontested elections (rather than having simply utilizing strict plurality voting for all director elections).

In early 2017, the Council of Institutional Investors (CII), which advocates on behalf of pension funds and other employee benefit funds, as well as like-minded foundations and endowments, issued an FAQ on majority voting for directors, in which they identified the following continuum of director election voting schemes:⁶⁵

- strict plurality;
- “plurality plus” board-rejectable resignation;
- majority voting with board-rejectable resignation; and
- consequential majority voting.

In this survey, we count the companies using the latter three categories as having some form of majority voting (the data presented in the graphs on page 30) — with the first category counted as not having majority voting. However, for the 2017 proxy season, we have supplemented that information with a breakdown of the percentage of companies (in each group) that used majority voting fitting into each of the latter three CII categories (or for which there was insufficient information to determine the categorization).

Dual-Class Structure

Generally, where a company has more than one class of stock and those classes have disparate voting rights, they were included in the data set as having a dual-class structure. However, in some instances companies may have a class of stock with disparate voting rights, but that class is incredibly small compared to the overall voting power represented by all voting stock or there are other indicia that the voting rights are not really effectively disparate.⁶⁶ In such cases, such companies were not included in the data set as having a dual-class voting stock structure.

Executive Officer and Director Stock Ownership Guidelines

Generally companies disclose whether they have, and details regarding, any stock ownership requirements for executive officers and directors in the Compensation Discussion and Analysis (CD&A) sections and

⁶⁵ See Council of Institutional Investors “FAQ: Majority Voting for Directors” for a more fulsome explanation and discussion of these classifications.

⁶⁶ E.g., where the company might have a class of preferred stock outstanding in addition to its common stock and each share of preferred stock is entitled to more votes than each share of common stock, but the preferred stock is also convertible to common stock at the same ratio as the ratio of votes per share of preferred to votes per share of common. Some editorial judgment was necessarily applied in drawing such distinctions.

Methodology *(continued)*

Director Compensation sections of their proxy statements.⁶⁷ However, the SEC only began requiring the CD&A section be included in proxy statements filed on or after December 15, 2006. Further, SEC rules do not strictly call for disclosure of director stock ownership requirements. In our experience, companies that had such executive officer or director ownership guidelines generally have disclosed them for stockholder-relations reasons even in the absence of such requirements. In addition, where a company later disclosed stock ownership requirements and provided a history of those guidelines that indicated that they were adopted in prior years, we have retroactively applied that information in our data set (even though those guidelines were not discussed in the proxy statement covering that prior period).⁶⁸ Consequently, we believe that the trend information regarding stock ownership guidelines presented in this report is fairly representative of company practices in this area.

Executive Officers

SEC regulations define the term “executive officer” as a company’s “president, any vice president of the [company] in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the [company].”⁶⁹ A company’s determination of executive officers under this definition is an inherently factual one, with the focus less on a person’s title and more on their actual duties or substantive role within the company. The SEC staff will not provide advice or concurrence regarding a determination. So companies, with the advice of their counsel, must apply the facts, judicial decisions and various statements by the SEC staff when applying the rule.⁷⁰ We have not tried to second-guess these inherently subjective conclusions, and have simply accepted the executive officer determinations made by companies and/or their boards as reflected in their SEC filings.⁷¹ It is possible that the number of executive officers is effectively systematically under-reported due to the timing of executive departures.⁷²

67 Among the items that the SEC listed as examples of material elements of the company’s compensation for the named executive officers to be included in CD&A is “the company’s equity or other security ownership requirements or guidelines and any company policies regarding hedging the economic risk of such ownership.” See current Item 402(b)(2)(xiii) of Regulation S-K, which requires such disclosure.

68 This was a fairly rare circumstance.

69 See Rule 3b-7 under the Securities Exchange Act of 1934, as amended. The rule goes on to provide that “[e]xecutive officers of subsidiaries [of a company] may be deemed executive officers of the [parent company] if they perform such policy making functions for the [parent company].”

70 As noted in “Study: Benchmarking the Number of ‘Executive Officers’” by TheCorporateCounsel.net and LogixData, “[i]n particular, determining whether a business unit, division or function is a ‘principal’ one — or whether a person’s sphere of responsibility involves significant policymaking — can be challenging. Internal company politics can play a role too. Sometimes people are deemed to be ‘executive officers’ even though they really do not have important functions or policymaking responsibilities, but are deemed as such because the company doesn’t want to tell them that their stature isn’t equal to others at the same level on the organization chart, etc.” Companies and their advisers often use as a starting point in this analysis an informal rule of thumb that any officer who reports directly to the CEO (or sometimes president) should be presumed to be an executive officer, absent meaningful substantive indicia to the contrary.

71 As a practical matter, the judgment of who is an executive officer is made annually by the board of directors of most companies at the time the board approves the list of executive officers in connection with the filing of their Forms 10-K (or proxy statement).

72 For example, if an executive officer resigns shortly prior to the filing of the company’s proxy statement and the company has not yet hired a replacement (even though it intends to do so — and in fact for most of the years preceding and succeeding the filing in fact has a person filling the position of the departed executive), then that company may list one fewer executive officer in its proxy statement than it generally has in practice.

Methodology *(continued)*

In some companies, a single executive may hold more than one of these positions with such executive consequently counted in more than one of the types of executives when discussing executive officer makeup — but such executive is only counted once when discussing overall number of executive officers.⁷³ In addition, some companies have more than one person holding positions with the same or overlapping titles,⁷⁴ in which case the position is only counted once when discussing executive officer makeup, but the executives are counted separately when discussing overall number of executive officers.

Gender

In almost all cases, the proxy statement or other company SEC filings clearly identify the gender of each of its executive officers and directors.⁷⁵ In a small number of instances, we resorted to limited supplemental research (apart from reviewing SEC filings) to identify gender.⁷⁶ This generally took the form of researching a relevant individual on freely available public sources.⁷⁷ We accepted the gender identifications in SEC filings or such supplemental sources at face value.

Outliers

For purposes of the distribution graphs (such as those at the top and bottom of page 9), outliers have been determined by applying a fence equal to 1.5 times the interdecile range (i.e., the difference between the first and ninth decile amounts multiplied by 1.5). Any result beyond that fence is shown as an outlier (represented by a ♦).

73 E.g., A person with the title President and CFO or a person with the title GC and Senior Vice President of Corporate Development.

74 E.g., Co-Presidents.

75 I.e., through the use of the prefix “Mr.” or “Ms.” or pronouns “his” or “her” in the individual’s biographical description or elsewhere in the filing(s).

76 Most typically these involved instances in which the prefix “Dr.” was consistently used (and the prefixes “Mr.” or “Ms.” or gendered pronouns were not).

77 I.e., the bios for such individual on the relevant company’s web page or the web pages for other companies for which the individual serves as an executive officer or director, LinkedIn profiles, biographical profiles prepared by reputable online sources, etc.

About the Firm

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The views expressed are those of the author and do not necessarily represent the views of any other partner of Fenwick & West LLP or the firm as a whole, nor do they necessarily represent the views of the firm's many clients that are mentioned in this report or are constituents of either the SV 150 or the S&P 100 indices.

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