

INDEPENDENT DIRECTORS EXECUTIVE COMPENSATION PROJECT

Executive Compensation Principles, January 2010

Executive Compensation Principles

These principles create a framework to assess the quality and effectiveness of executive compensation programs and practices at corporations. Principles are the lenses through which boards can view, understand, categorize and evaluate compensation programs. This document includes several suggested principles, along with some corresponding key questions and core statements. The questions can be used by boards to evaluate how the company is implementing the principle. The core statements are possible declarations that can be made by the board about how the company operates by the principles.

These principles, questions and statements are meant to be examples. Each board Compensation Committee should adopt a customized set of principles that reflects the culture and values of their organization, and should avoid one-size-fits-all approaches. However, alignment and accountability are likely to be common to all companies. Once a board or Compensation Committee has discussed and adopted a set of principles, it should use those them—or direct its consultant to use them—to assess the company’s compensation programs. The principles and the assessment should also be used as the basis for communicating the company’s compensation programs to shareholders and investors in the proxy statement disclosure. This states to all stakeholders the company’s clear affirmation and implementation of principles-based compensation.

These principles were developed in a series of small conferences and individual meetings, conversations and correspondence with over 200 board members. They reflect a general consensus from a significant sample of the independent director community as to what is most important to the oversight, implementation and communication of effective and appropriate executive compensation programs and practices.

For purposes of this document and this effort, a principle is defined as follows:

- Principles are simple yet profound concepts that are easily recognizable but highly expansive in their interpretation and application.
- Individuals, groups and organizations will naturally orient to a principle. This makes principles powerful leadership tools, when properly used.
- A principle is not a rule, prescription or guideline. It is usually one or two words. It does not include the words “should” or “must.”
- Here are examples of principles: engagement, intention, truth, fairness, responsibility, accountability, commitment, independence, stewardship, transparency, sustainability, maximization and optimization.

The principles were developed under the umbrella of the Independent Directors Executive Compensation (IDEC) Project. The purpose of the project is to be a resource to board members and others for highly effective oversight of executive compensation. The principles are seen as an initial framework for collecting, organizing and disseminating best practices, research, articles and dialogue on the governance of executive compensation.

PRINCIPLE	KEY QUESTIONS	POSSIBLE CORE STATEMENTS
<p>1. Alignment</p>	<ul style="list-style-type: none"> • Do executive compensation programs reflect and reinforce the company’s culture and values? • Do executive compensation programs reflect, reinforce and reward the company’s purpose, strategy and objectives? • Do executive compensation programs foster common financial interests and risk preferences between management and shareholders? <ul style="list-style-type: none"> • Other stakeholders, as appropriate? • Over the short and long term? • Do executive compensation programs foster common financial interests, motivation and rewards at all key levels of management? • Do executive compensation programs foster the desired amount of cooperation and mutual interest between business units and geographies? 	<ul style="list-style-type: none"> • Our executive compensation programs reflect and reinforce the values and culture of our organization. • Our executive compensation programs are designed to drive our business strategy and achieving short- and long-term objectives. • Our executive compensation programs help align the interests of our executives with the long-term interests and risk preferences of our shareholders (and other stakeholders). • Our executive compensation programs foster and reward a sense of common purpose, mission and goals that permeates, unifies and motivates the organization. <ul style="list-style-type: none"> • From top to bottom. • Across business units. • Across geographies. • Our executives have a significant and appropriate ownership stake in the company.

2. Accountability

- Does the executive compensation program embody a model of performance pay that reflects and reinforces these areas:
 - How the company makes money?
 - How the company creates value?
 - Company strategy and objectives?
 - Business and economic environment?
 - Does the executive compensation program establish an appropriate balance between short-term and long-term performance?
 - Does the program use performance metrics that are well-defined, relevant, rigorous and results-based?
 - Does the compensation program, administration and oversight incorporate adequate checks and balances, restrictions and remedies to prevent or dissuade undo risk-taking and unethical behavior?
 - Are performance goals and ranges established so that rewards consistently reflect the desired level of achievement and results?
 - Are appropriate rewards and consequences established for key non-financial areas, such as leadership, talent development, succession planning and innovation?
 - Are shareholders getting an appropriate return on their investment?
- Our executive compensation program is instrumental in motivating and driving our management team to achieve the results that are critical to our long-term success as an enterprise.
 - Our incentive programs tie management rewards to achievement of the most important measures of short- and long-term success.
 - Our incentive programs promote and reward long-term, sustained value creation.
 - We do not pay for mediocrity or failure.
 - Our executive compensation and incentive programs provide significant rewards for success and significant negative consequences for failure.

3. Engagement

- Does the compensation program help foster the desired level of
 - Urgency and intensity?
 - Focus on key goals and metrics?
 - Teamwork and collaboration?
 - Creativity and innovation/?
 - Appropriate risk taking?
 - Does the compensation program enable the company to attract and retain the executive talent needed?
 - Does the compensation program play the appropriate role in the overall employee value proposition?
 - Is it appropriately aligned with and reflective of the reasons people work for the company?
- Our executive compensation and incentive programs are powerful tools that drive high levels of performance, effort, creativity, teamwork and results.

4. Fairness

- Does the executive compensation program provide pay levels and opportunities that are competitive relative to other companies of similar size, complexity, industry, business model and performance (as defined by the board and management)?
 - Are relative pay levels commensurate with relative performance levels (relative to peer companies)?
 - Are executives and managers rewarded at levels that are commensurate with individual and company performance?
 - Does the program result in management receiving an appropriate share of profits and value created relative to shareholders?
- Our executives are paid at levels that reflect typical competitive practice at other companies of similar size, complexity, industry, business model and performance.
 - Over time, our executive's total compensation is highly correlated to the company's financial and stock performance relative to peer companies and to the broader market.
 - Our executives' income and accumulated wealth from compensation reflects a reasonable and consistent sharing ratio with shareholders.

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- Are relative pay levels among executives and between the CEO and other executives appropriate?
- Does the board or management consider the relationship between CEO compensation and employee compensation?
- Are perquisites and benefits provided to executives appropriate relative to shareholder interests, company values and possible employee perception?
- Do employment contracts, severance programs and change-in-control provisions provide the right level of security to executives without undue cost to shareholders?

- We establish, monitor and maintain a reasonable relationship between the pay levels of our CEO and other senior executives.
- We consider and monitor the relationship between the pay of senior management—including the CEO—and pay levels throughout the company.
- We maintain a policy of providing perquisites and benefits to our executives that are based on business need and do not differ dramatically from those provided to most employees.
- We provide contracts, severance programs and change-in-control provisions based on clear objectives that are in the best long-term interests of the company and its stakeholders.

5. Objectivity

- Does the Compensation Committee receive thorough, objective counsel and information from knowledgeable and fully independent sources on a regular basis?
- Does the Compensation Committee make all assessments and decisions on a well informed basis but without undue management influence or bias?

- The Compensation Committee retains an independent compensation consultant that does not provide services to management.
- The committee relies on extensive data on competitive compensation practices without rigid adherence to formulaic pay levels or targets.

6. Transparency

- Do executives understand, appreciate and value all elements of their compensation and benefits programs?
 - Does the Compensation Committee understand all elements of the company's executive compensation and benefits programs?
 - Are shareholders informed, in a clear and complete manner, of all elements of the company's executive compensation and benefits programs?
- The Compensation Committee thoroughly and comprehensively reviews all elements of executive compensation and benefits at least once a year.
 - We strive for clarity, completeness, simplicity and brevity in communicating our compensation philosophy, programs and practices to shareholders and the investment community.
 - The company engages in meaningful dialogue with our shareholders about executive compensation.