November 2020

# 2020 Director Compensation Report

FW COOK

# 2020 DIRECTOR COMPENSATION REPORT

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# EXECUTIVE SUMMARY

FW Cook's 2020 Director Compensation Report studies non-employee director compensation at 300 companies of various sizes and industries to analyze market practices in pay levels and program structure.

Year-over-year increases to total compensation, at the median, were modest among large-cap and mid-cap companies compared to small-cap companies, which had a relatively significant increase: the large-cap median increased 1.6% to $290,000, the mid-cap median increased 1.7% to $216,950, and the small-cap median increased 5.1% to $163,500. Changes were relatively stable across industries; we observe that Financial Services, Industrials, and Technology companies had no increases in median total compensation, while Energy and Retail companies had increases of 3% and 2%, respectively.

Director compensation structure remains consistent with prior years, with an average mix of 57% equity and 43% cash across the entire sample. Small-cap companies tend to have the highest cash weighting (average of 47%) and large-cap companies tend to have the lowest (average of 37%). Most companies continue to use fixed-value equity award guidelines, with full-value stock awards remaining the most common form of equity compensation and providing the most consistent means to align director pay with shareholder interests. Equity grants most commonly vest immediately, or cliff-vest after one year.

We continue to observe an increasing number of women on Boards: 94% of companies in the study have at least one woman on the Board (90% last year), 59% of large-cap companies have three or more women on the Board (50% last year) and 25% of both mid-cap and small-cap companies have three or more female members (22% and 13% last year, respectively).

Due to the COVID-19 pandemic, 15% of S&P 500 companies and roughly 13% of Russell 3000 companies reported taking pay actions through the third quarter of 2020, which generally consisted of cash retainer reductions. The median decrease in director compensation was 50% at S&P 500 companies and 40% at Russell 3000 companies. The compensation analysis excludes any temporary reductions to director compensation implemented due to the pandemic.

The following chart summarizes total non-employee director pay levels and market capitalizations of the 300 companies in our study (100 companies in each size grouping):

| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **Median Values** | **(Less than $1B)** | **($1B - $5B)** | **(Greater than $5B)** |
| **Total Compensation - 2020 Study[1]** | $163,500 | $216,950 | $290,000 |
| **Total Compensation - 2019 Study** | $155,500 | $213,333 | $285,417 |
| **Year-Over-Year Compensation Change** | +5.1% | +1.7% | +1.6% |
| **Market Capitalization ($M) - 2020 Study[2]** | $478 | $2,062 | $21,460 |
| **Market Capitalization ($M) - 2019 Study** | $540 | $2,142 | $21,539 |
| **Year-Over-Year Market Cap. Change** | -11.4% | -3.7% | -0.4% |

[1] *Excludes any temporary reductions related to COVID-19 pandemic.*
[2] *Market capitalization as of 4/30/20.*

# EXECUTIVE SUMMARY

Additional key findings are summarized below:

| | |
|---|---|
| **Cash vs. Equity** | • Companies in all size segments continue to provide more than half of total pay in equity, on average, with equity weighting generally increasing with company size.<br>• The average mix across the entire sample is 43% cash and 57% equity.<br>• Higher-paying sectors tend to place a greater weighting on equity; Energy and Technology companies have the most equity-heavy mix while Financial Services organizations have the least. |
| **Cash Compensation for Board Service** | • Approximately 80% of the sample uses a retainer-only structure (no board meeting fees), and an additional 6% only awards a meeting fee for abnormally high activity above a pre-set threshold.<br>• The median board retainer for large-cap companies increased slightly by $2,500 to $92,500 and remained flat at mid-cap and small-cap companies (at $75,000 and $60,000, respectively).<br>• The Energy sector provides the highest median cash retainer for board service ($86,250) and Technology the lowest ($60,000). |
| **Equity Compensation for Board Service** | • Approximately 90% of companies in the sample grant full-value stock awards exclusively (i.e., no stock options). The Technology and Industrials sectors have the highest prevalence of stock options at 18% and 10% prevalence, respectively, granted in isolation or in tandem with full-value stock awards.<br>• Approximately 94% of companies denominate equity awards as a dollar value rather than as a fixed number of shares.<br>• The Technology sector provides the highest median equity retainer ($161,595) and Financial Services the lowest ($100,000). |
| **Committee Compensation** | • Similar to last year, 63% of companies provide additional compensation to committee members. Fixed retainers remain more prevalent than meeting fees as the means to deliver additional compensation.<br>• The prevalence of committee member retainers has been stable year-over-year, while the use of committee meeting fees continues to decrease. |
| **Non-Executive Board Chairs and Lead Directors** | • Non-executive board chairs are almost always provided additional compensation for the role, with the median ranging from $72,500 at small-cap companies to $175,000 at large-cap companies.<br>• Lead directors are also almost always provided with additional compensation, ranging from approximately $20,000 to $35,000 at the median across all size and sector groups. |
| **Stock Ownership Guidelines and Retention Requirements** | • Approximately 85% of companies have director ownership guidelines, while stock retention requirements are less common, present at 42% of companies.<br>• The most common director ownership guideline is 5x the annual cash retainer with a 5-year timeframe to meet the guideline.<br>• Ownership guidelines are typically enforced via a "years-to-achieve" rule (66% prevalence), a retention/holding requirement (11% prevalence), or a combination of the two (23% prevalence). |
| **Annual Limits on Director Compensation** | • Prevalence of annual limits on director compensation remains high, with equity-only limits continuing to be the most common approach, though use of total compensation limits increased slightly year-over-year (from 39% to 41%). |

# OVERVIEW AND METHODOLOGY

## Research Sample

This study is based on a sample of 300 U.S. public companies equally divided among small-, mid-, and large-cap size segments (100 companies per segment) and further classified into five sectors: Energy, Financial Services, Industrials, Retail, and Technology (60 companies per sector) based on Standard & Poor's Global Industry Classification Standard ("GICS") codes. Approximately 90% of this year's sample companies were constituents of last year's sample, allowing for meaningful year-over-year comparisons. For a complete list of the companies included in this study, refer to the *List of Companies Surveyed* at the end of the report.

Market capitalization and trailing 12-month revenue as of April 30, 2020 are summarized below:

| | Market Capitalization ($M) | | | Trailing 12-Month Revenue ($M) | | |
|---|---|---|---|---|---|---|
| **Size** | **25th Percentile** | **Median** | **75th Percentile** | **25th Percentile** | **Median** | **75th Percentile** |
| **Small-Cap** | $274 | $478 | $719 | $216 | $603 | $1,144 |
| **Mid-Cap** | $1,318 | $2,062 | $2,980 | $766 | $1,735 | $3,656 |
| **Large-Cap** | $10,216 | $21,460 | $50,183 | $5,204 | $9,568 | $32,047 |
| **Sector** | **25th Percentile** | **Median** | **75th Percentile** | **25th Percentile** | **Median** | **75th Percentile** |
| **Energy** | $636 | $1,376 | $9,092 | $795 | $2,013 | $8,559 |
| **Financial Services** | $719 | $2,046 | $8,567 | $71 | $789 | $2,037 |
| **Industrials** | $770 | $2,316 | $12,465 | $791 | $2,929 | $8,057 |
| **Retail** | $442 | $1,575 | $7,192 | $1,316 | $4,993 | $13,513 |
| **Technology** | $625 | $2,120 | $12,845 | $345 | $1,159 | $4,376 |

Director compensation program details were sourced from companies' proxy statements and/or annual reports, generally filed with the Securities and Exchange Commission ("SEC") in the one-year period ending May 31, 2020.

# OVERVIEW AND METHODOLOGY

## Methodology

The study analyzes compensation for board and committee service (with the latter focused on the three most common standing committees of the board: audit, compensation, and nominating/governance). The specific pay components presented in this study include:

- Annual cash retainers and meeting fees for board service
- Equity compensation, in the form of stock options or full-value stock awards (i.e., restricted shares/units, deferred stock units, and fully vested stock)
- Annual cash retainers and meeting fees for committee member and chair service
- Additional compensation for serving as a non-executive chair or lead director

The report also presents our findings on equity vesting practices, the prevalence of stock ownership guidelines, the prevalence, design, and magnitude of shareholder-approved limits on annual compensation per director, and the number of Board member and leadership seats that are occupied by women.

- The following assumptions were used to facilitate competitive comparisons, consistent with prior years:
- Each director attends nine board meetings annually
- Each director is a member of one committee and attends six committee meetings per year
- If denominated as a number of shares (rather than as a fixed-dollar value), then equity compensation is valued using closing stock prices as of April 30, 2020 and, for stock options, each company's Accounting Standards Codification ("ASC") Topic 718 assumptions
- All non-annual equity compensation, which is used by 13% of companies in the sample, is annualized over a five-year period (e.g., if a company makes a "larger than normal" equity grant upon initial election to the board followed by smaller annual grants, then our analysis includes one-fifth of the initial grant value plus the value of the annual grant)

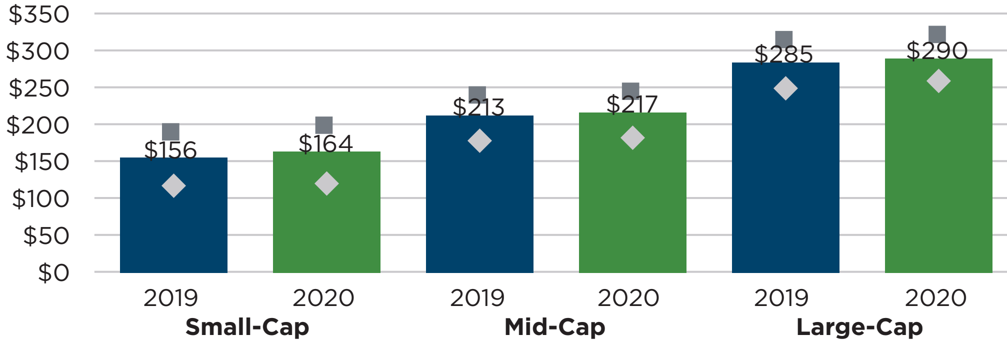
Compensation levels in the study do not include temporary reductions related to the COVID-19 pandemic.

# TOTAL BOARD COMPENSATION

## Total Compensation – Pay Levels

Total director compensation levels continue to be influenced by company size. At the median, large-cap companies provide total pay of $290,000 per director versus $217,000 at mid-cap companies and $164,000 at small-cap companies. Year-over-year, total compensation levels increased slightly. Director pay at large-cap companies increased 1.6%, after a 3.9% increase the prior year. Increases among mid-cap companies were similar to those at large-cap companies - total compensation increased by 1.7% after a 3.9% increase the prior year. Director compensation at small-cap companies increased by 5.1%, after a 2.5% increase the prior year. Over the past five years, the annualized increase in director compensation has been approximately 2.2% at large-cap companies, 1.9% at mid-cap companies, and 3.8% at small-cap companies.

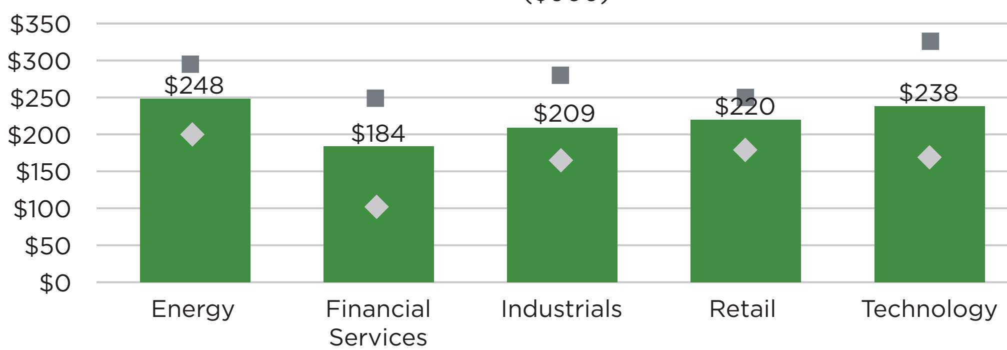
**Total Compensation By Size**
($000)




| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **75th Percentile** | $200 | $246 | $323 |
| **Median** | $164 (+5.1%) | $217 (+1.7%) | $290 (+1.6%) |
| **25th Percentile** | $121 | $183 | $260 |

Energy sector companies in the study continue to provide the highest median total pay compared to other sectors ($248,000), while Financial Services companies continue to provide the lowest ($184,000). Total compensation remained flat at the median from the prior year in the Financial Services, Industrials, and Technology sectors.

**Total Compensation By Sector**
($000)



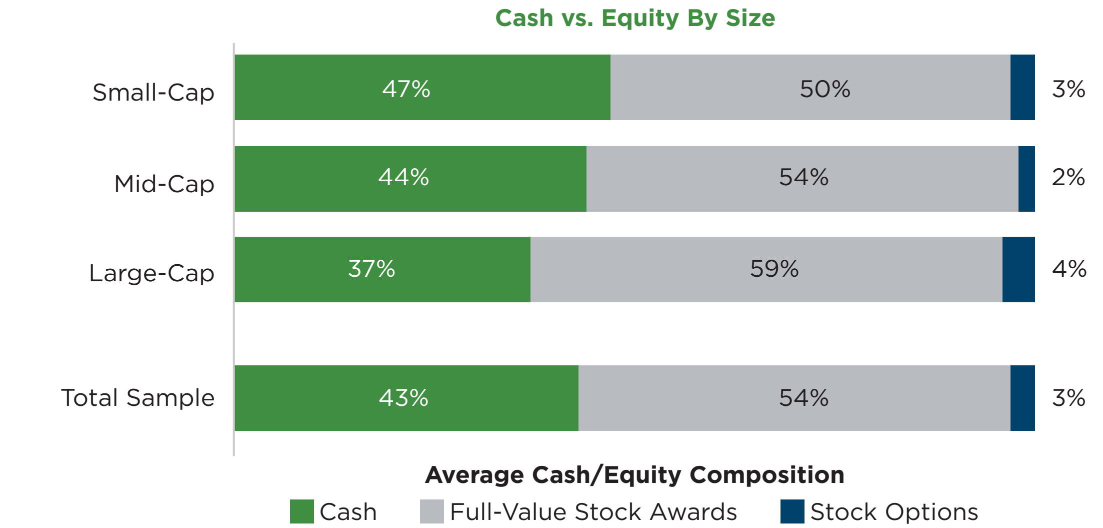

| | Energy | Financial Services | Industrials | Retail | Technology |
|---|---|---|---|---|---|
| **75th Percentile** | $295 | $249 | $280 | $250 | $326 |
| **Median** | $248 | $184 | $209 | $220 | $238 |
| **25th Percentile** | $200 | $102 | $165 | $179 | $169 |

# TOTAL BOARD COMPENSATION

## Total Compensation – Cash vs. Equity

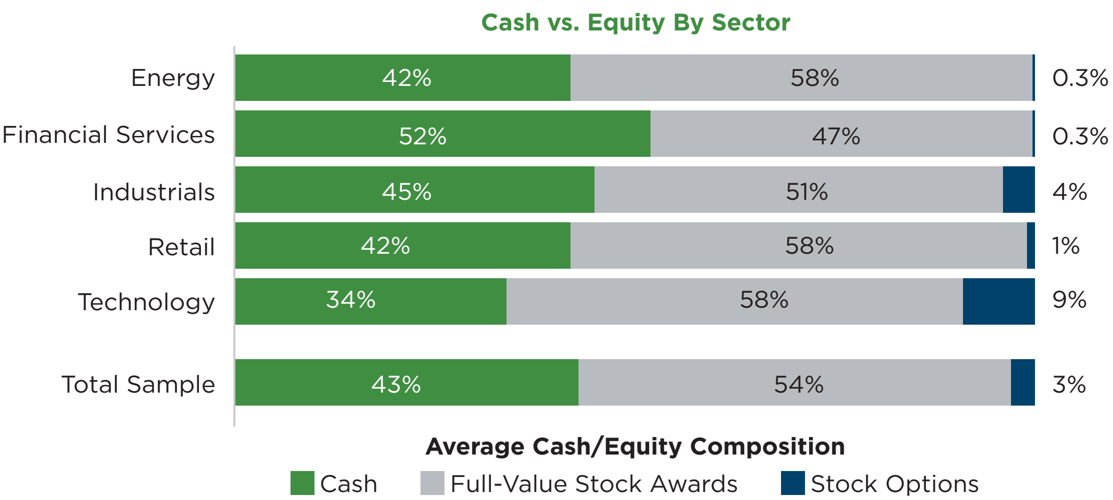
Compensation for board service typically consists of both cash and equity. The charts below illustrate average pay mix by company size and sector. Across all sizes and sectors, companies continue to favor delivering equity compensation in the form of full-value awards over stock options.

Across all three size segments, companies provide at least half of compensation in equity, with the weighting on equity increasing with company size and total pay. Small-cap companies generally provide the lowest proportion of equity, averaging 53% of total compensation, while large-cap provide the highest, averaging 63% of total compensation.




| Percentage Equity | | | |
|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 |
| 54% | 57% | 53% | 53% |
| 58% | 61% | 57% | 56% |
| 62% | 65% | 64% | 63% |

The higher-paying sectors tend to place a greater weighting on equity, with Energy, Retail, and Technology companies providing approximately 58%, 59%, and 67% of total compensation in the form of equity, respectively.  Financial Services companies place the lowest emphasis on equity, on average providing slightly less than half of total compensation in the form of equity.

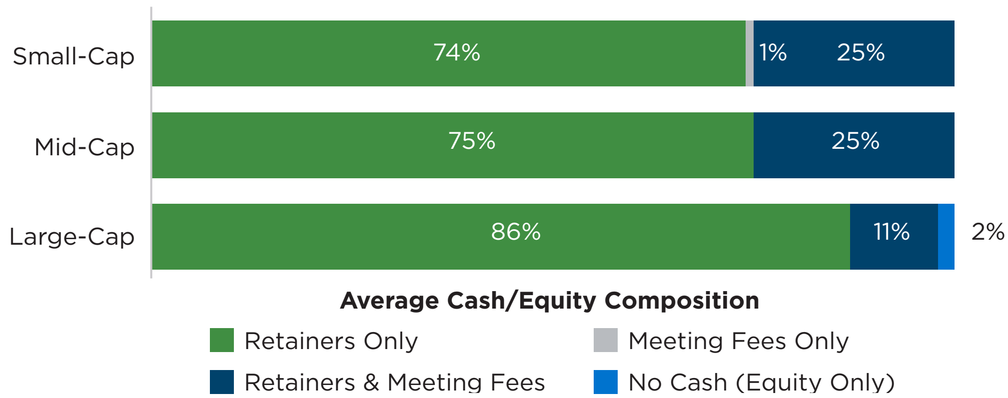


# BOARD CASH COMPENSATION

## Cash Compensation Pay Structure

Cash compensation for board service is typically provided through an annual board retainer, board meeting fees, or a combination of both. Across size and industry segments, retainer-only programs continue to be the most prevalent. There has historically been a trend of companies simplifying their programs by eliminating board meeting fees, although the number of companies taking a "retainer-only" approach has been steady at ~80% over the past three years. A small minority (6%) of companies in the sample provide additional compensation for years with abnormally high activity by instituting pre-set thresholds that require a specific number of meetings to occur before per-meeting fees are paid.

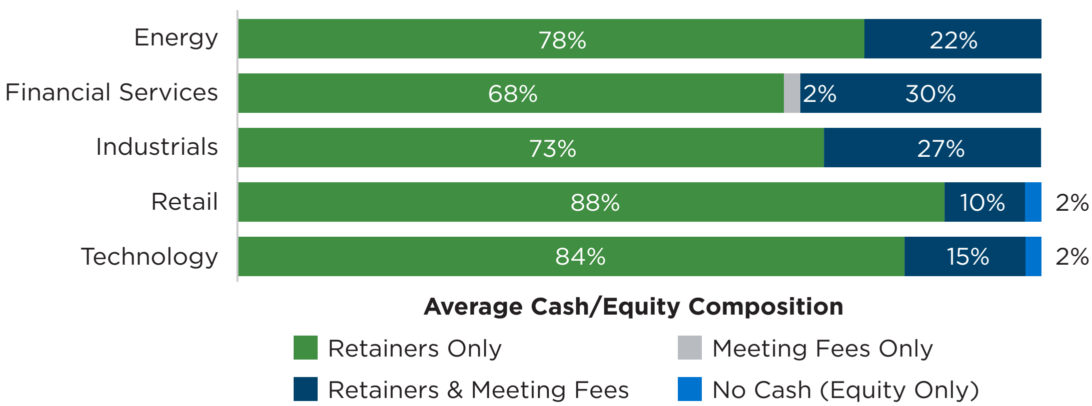
**Board Cash Structure By Size**




| Percentage of Companies with Retainers Only | | |
|---|---|---|
| 2018 | 2019 | 2020 |
| 72% | 75% | 74% |
| 79% | 78% | 75% |
| 85% | 86% | 86% |

Retainer-only programs are the majority practice regardless of industry sector.

**Board Cash Structure By Sector**

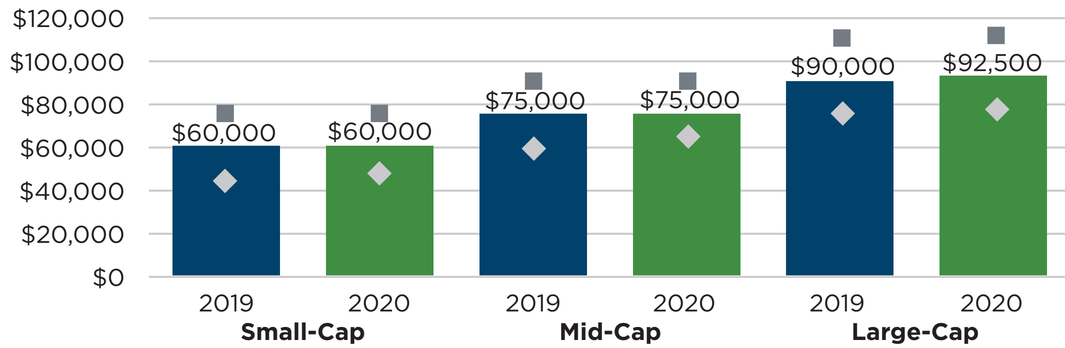


# BOARD CASH COMPENSATION

## Board Cash Retainers

Board retainers increased slightly year-over-year for large-cap companies and were flat for mid-cap and small-cap companies. At median, retainers for large-cap companies increased by $2,500 after remaining flat last year. Median retainers for mid-cap and small-cap companies remained flat after a $5,000 and $10,000 increase, respectively, in the prior year.

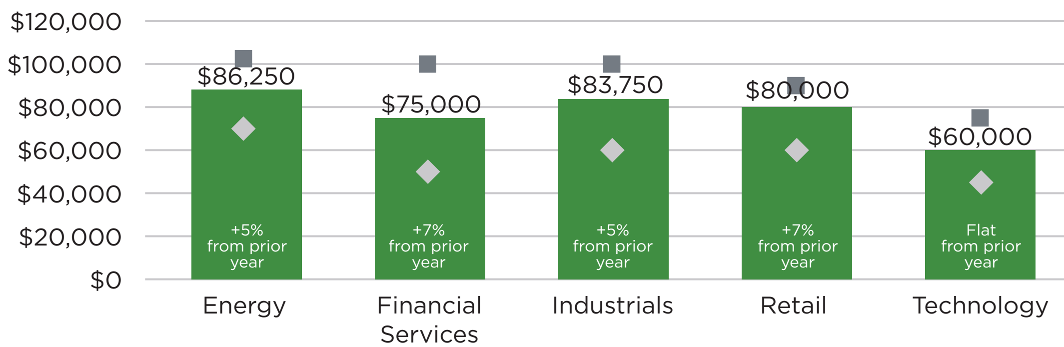
**Board Cash Retainers By Size**




| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **75th Percentile** | $75,000 | $90,000 | $111,250 |
| **Median** | $60,000 | $75,000 | $92,500 |
| **25th Percentile** | $47,250 | $64,375 | $76,875 |

Median board retainers generally increased between 5% and 7% across all sectors, although retainers in the Technology sector remained flat for a fourth year in a row.

**Board Cash Retainers By Sector**




| | Energy | Financial Services | Industrials | Retail | Technology |
|---|---|---|---|---|---|
| **75th Percentile** | $102,500 | $100,000 | $100,000 | $90,000 | $75,000 |
| **Median** | $86,250 | $75,000 | $83,750 | $80,000 | $60,000 |
| **25th Percentile** | $70,000 | $50,000 | $60,000 | $60,000 | $45,000 |

# BOARD CASH COMPENSATION

## Board Meeting Fees

The prevalence of board meeting fees continues to decline, with 15% of the total sample using board meeting fees, down from 16% in 2019 and 21% in 2018. Board meeting fees are more prevalent among smaller companies than larger companies, but the downward trend is observed in all three size categories.

Median per-meeting fee amounts remained flat at small-cap companies and increased by $500 at mid-cap and large-cap companies (to $2,000 and $2,500 per meeting, respectively).

| Board Meeting Fees By Size | | | | | Prior Year Meeting Fee Prevalence* |
|---|---|---|---|---|---|
| | Prevalence* | 25th Percentile | Median | 75th Percentile | |
| **Small-Cap** | 21% | $1,175 | $1,500 | $2,000 | 23% |
| **Mid-Cap** | 17% | $1,500 | $2,000 | $2,125 | 16% |
| **Large-Cap** | 7% | $2,000 | $2,500 | $4,750 | 10% |

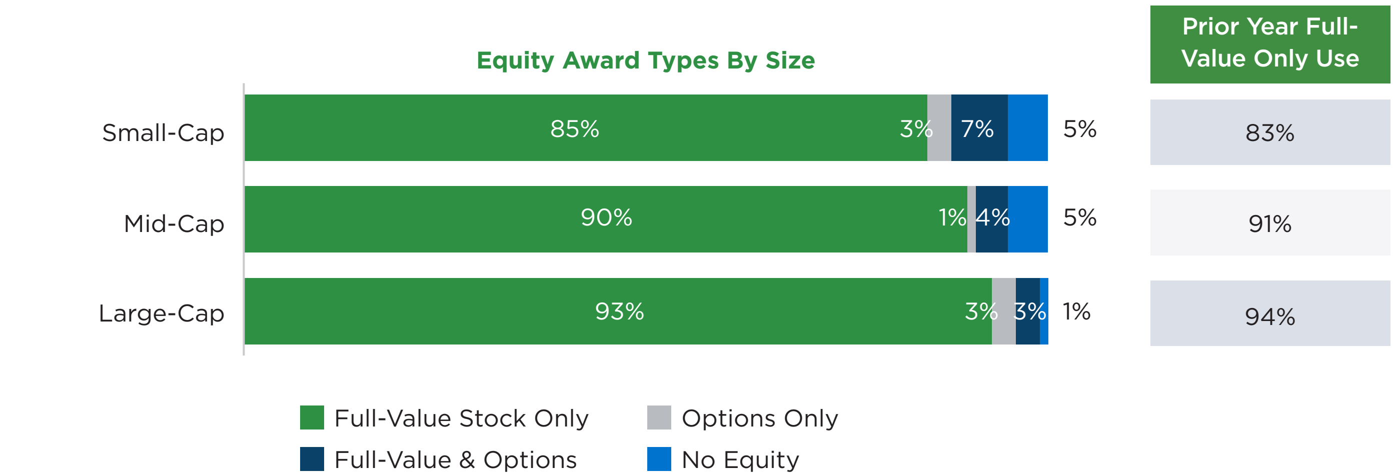
Board meeting fees are most prevalent in the Energy and Financial Services sectors, where median per-meeting fees, at $1,750 and $1,500, respectively, are lowest relative to Industrials, Retail and Technology sectors. Per-meeting fees in these sectors, where prevalence is at or below 15%, range from $2,000 to $2,250.

| Board Meeting Fees By Sector | | | | | Prior Year Meeting Fee Prevalence* |
|---|---|---|---|---|---|
| | Prevalence* | 25th Percentile | Median | 75th Percentile | |
| **Energy** | 17% | $1,500 | $1,750 | $2,375 | 23% |
| **Financial Services** | 30% | $1,000 | $1,500 | $1,594 | 30% |
| **Industrials** | 13% | $2,000 | $2,250 | $3,000 | 13% |
| **Retail** | 5% | $2,000 | $2,000 | $2,250 | 5% |
| **Technology** | 11% | $1,750 | $2,000 | $2,450 | 10% |

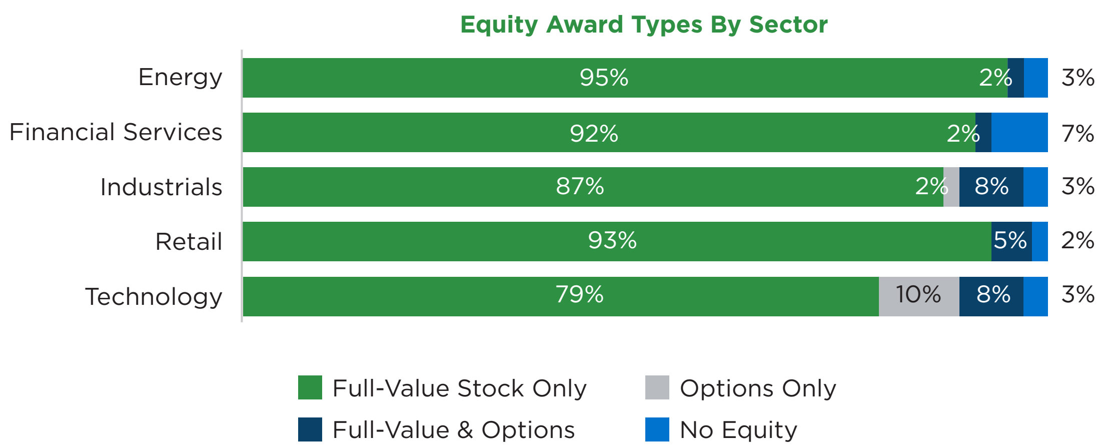
*Prevalence statistics reflect companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 6% of companies (4% last year) provide a fee starting after a pre-set minimum number of meetings per year.

# EQUITY AWARD TYPES

Full-value stock awards (i.e., restricted stock/units, deferred stock units, or fully vested stock) remain the most prevalent equity grant type in director compensation programs across all company sizes and sectors. Option-only programs remain a minority practice following a decline across the sample over the last several years.




When segmented by industry, full-value awards remain the majority practice. Technology sector companies have the highest prevalence of options in their equity programs (18%), followed by companies in the Industrial sector (10%).



# EQUITY AWARD DENOMINATION

Companies continue to define annual equity awards primarily as a fixed-dollar value rather than as a fixed number of shares across all company sizes and sectors. Dollar-denominated awards provide the same proxy-disclosed grant value on an annual basis independent of stock price movement. This year, we observe that approximately 94% of all companies use a fixed-dollar approach for full-value awards, with small-cap companies slightly below this level and mid-cap and large-cap companies slightly above this level. The fixed-share approach is used more commonly by the small minority of companies that grant stock options (6% of all companies).

| Equity Award Denomination By Size: Percentage of Companies | | | | |
|---|---|---|---|---|
| | **Full-Value Stock** (Used by 94% of Companies) | | **Options** (Used by 6% of Companies)* | |
| | **Dollar Value** | **Number of Shares** | **Dollar Value** | **Number of Shares** |
| **Small-Cap** | 92% | 8% | 29% | 71% |
| **Mid-Cap** | 97% | 3% | 50% | 50% |
| **Large-Cap** | 97% | 3% | 83% | 17% |

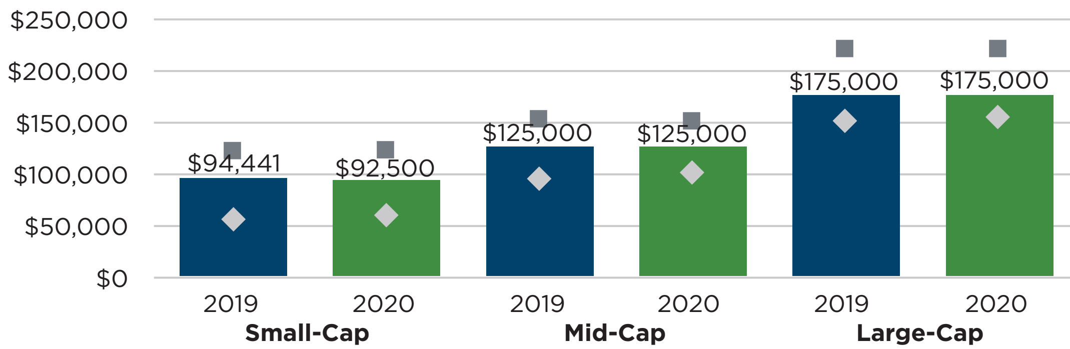
| Equity Award Denomination By Sector: Percentage of Companies | | | | |
|---|---|---|---|---|
| | **Full-Value Stock** (Used by 94% of Companies)* | | **Options** (Used by 6% of Companies)* | |
| | **Dollar Value** | **Number of Shares** | **Dollar Value** | **Number of Shares** |
| **Energy** | 95% | 5% | 0% | 100% |
| **Financial Services** | 93% | 7% | 0% | 100% |
| **Industrials** | 100% | 0% | 100% | 0% |
| **Retail** | 91% | 9% | 100% | 0% |
| **Technology** | 96% | 4% | 33% | 67% |

*Some companies grant both full-value stock awards and options, so percentages add to greater than 100%

# EQUITY COMPENSATION VALUES

Year-over-year, median annual equity compensation values remained flat for mid-cap and large-cap companies and decreased by 2% for small-cap companies.

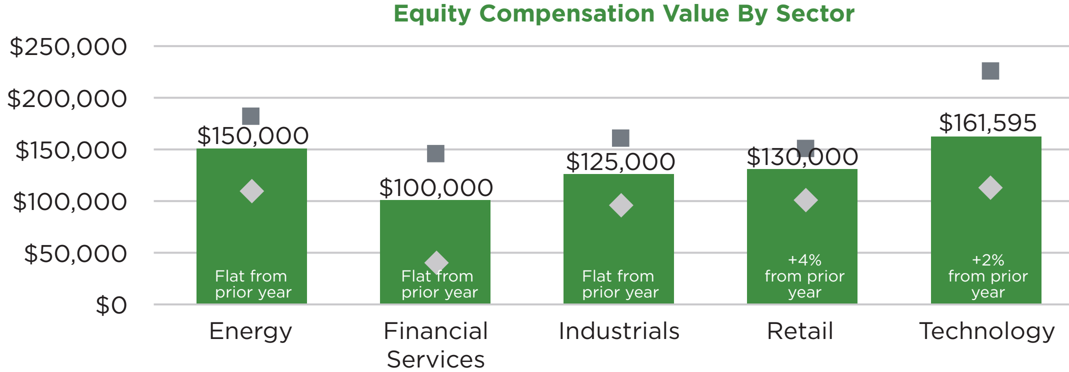
**Equity Compensation Value By Size**




| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **75th Percentile** | $122,000 | $150,000 | $220,000 |
| **Median** | $92,500 | $125,000 | $175,000 |
| **25th Percentile** | $58,750 | $100,000 | $153,750 |

Equity compensation continues to be highest among Technology companies and lowest among Financial Services companies. We observe the largest increase in median equity value in the Retail sector, which is up 4% year-over-year. Median equity value was flat in the Energy, Financial Services, and Industrials sectors and increased by 2% in the Technology sector.

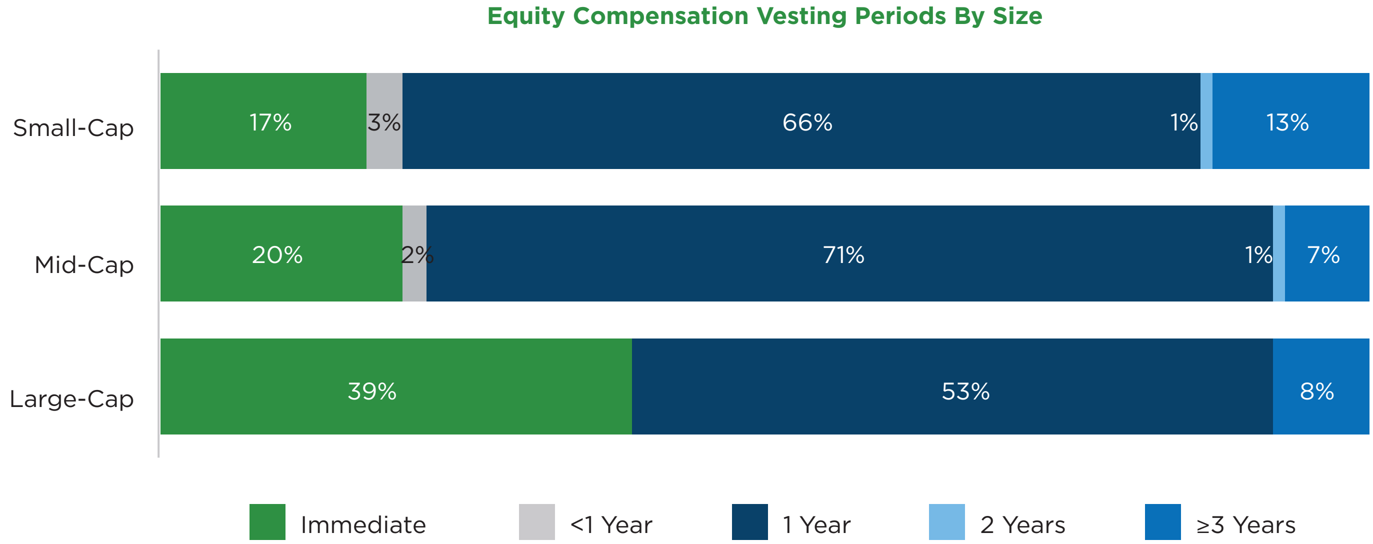
**Equity Compensation Value By Sector**




| | Energy | Financial Services | Industrials | Retail | Technology |
|---|---|---|---|---|---|
| **75th Percentile** | $181,250 | $145,000 | $160,000 | $150,000 | $225,000 |
| **Median** | $150,000 | $100,000 | $125,000 | $130,000 | $161,595 |
| **25th Percentile** | $108,750 | $39,375 | $95,000 | $100,000 | $112,000 |

# EQUITY VESTING PRACTICES

Across size and industry sectors, equity awards most commonly vest within one year of grant. Among the sample, approximately 25% of companies vest awards immediately upon grant and another 65% vest awards within one year of grant (but not immediately). The prevalence of immediate vesting increases with company size, with the highest prevalence among large-cap companies (39%) and the lowest prevalence among small-cap companies (17%). Awards with longer vesting periods tend to vest in installments, rather than cliff vest.



# COMMITTEE MEMBER COMPENSATION

Committee service can be compensated through additional retainers paid in cash (or, more rarely, equity) and/or meeting fees. Similar to last year, 63% of companies provide additional compensation to directors for serving as a regular member of a board committee, either via a retainer, meeting fee, or both. We observe the highest prevalence at mid-cap companies (70%), followed by small-cap (62%) and large-cap companies (58%). Year-over-year, the prevalence of committee member retainers and meeting fees decreased slightly: 46% of companies pay additional retainers to committee members, down from 47% in the prior year, and 17% pay meeting fees, down from 19%.

| | Committee Member Retainers | | | Committee Meeting Fees* | | |
|---|---|---|---|---|---|---|
| | **Audit** | **Compensation** | **Nominating & Governance** | **Audit** | **Compensation** | **Nominating & Governance** |
| **Total Prevalence (2020)** | **46%** | **41%** | **37%** | **17%** | **17%** | **16%** |
| **Total Prevalence (2019)** | **47%** | **41%** | **38%** | **18%** | **18%** | **17%** |
| **Size (2020)** | | | | | | |
| Small-Cap | 38% | 37% | 33% | 24% | 23% | 23% |
| Mid-Cap | 53% | 49% | 44% | 17% | 17% | 15% |
| Large-Cap | 48% | 38% | 35% | 10% | 9% | 9% |
| **Sector (2020)** | | | | | | |
| Energy | 33% | 28% | 28% | 18% | 18% | 17% |
| Financial Services | 35% | 27% | 23% | 35% | 33% | 33% |
| Industrials | 37% | 30% | 27% | 15% | 15% | 15% |
| Retail | 56% | 51% | 47% | 5% | 5% | 5% |
| Technology | 69% | 69% | 61% | 13% | 11% | 10% |
| **Pay Levels (All Companies 2020)** | | | | | | |
| 75th Percentile | $15,000 | $10,000 | $10,000 | $2,000 | $2,000 | $2,000 |
| Median | $10,000 | $10,000 | $7,500 | $1,500 | $1,500 | $1,500 |
| 25th Percentile | $10,000 | $6,750 | $5,000 | $1,000 | $1,000 | $1,000 |

* Reflects companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 4% of companies (3% last year) provide a fee starting after a pre-set minimum number of meetings per year

Compensation for committee service is relatively similar across industry sectors, but generally increases with company size. Year-over-year, we observe no change in median member retainer for all three committees (audit and compensation remained at $10,000 and nominating/governance remained at $7,500). Median committee meeting fees ($1,500) are also flat year-over-year across all three size segments and all three committees.

Approximately 10% of companies that pay committee retainers have a homogeneous structure, where the retainer is identical for all three committees. The remaining 90% of companies use a tiered structure, with the audit committee typically receiving the highest retainer.

# COMMITTEE CHAIR COMPENSATION

Consistent with prior years, nearly all companies provide additional compensation to committee chairs to recognize the substantial time required to lead a committee. As with committee member retainers, committee chair retainers tend to be highest for the audit committee and lowest for the nominating/governance committee, which recognizes the different time commitment expectations between committees. 13% of companies providing chair retainers compensate the audit and compensation committee chairs equally and only 6% of companies providing chair retainers compensate all three committees equally.

The table below shows the prevalence and magnitude of retainers paid to directors who chair the audit, compensation, and nominating/governance committees. The vast majority of companies use cash for their chair retainers, although a small minority (approximately 6% of companies providing chair retainers) use equity, either in isolation or in combination with cash.

**Committee Chair Retainers (Inclusive of Any Member Retainers)**

| | Audit | | | Compensation | | | Nominating & Governance | | |
|---|---|---|---|---|---|---|---|---|---|
| **Percentile** | **25th** | **Median** | **75th** | **25th** | **Median** | **75th** | **25th** | **Median** | **75th** |
| **Size** | | | | | | | | | |
| Small-Cap | $15,000 | $20,000 | $20,500 | $10,000 | $15,000 | $18,375 | $7,500 | $10,000 | $15,000 |
| Mid-Cap | $20,000 | $23,000 | $25,000 | $15,000 | $15,000 | $21,250 | $10,000 | $12,500 | $15,000 |
| Large-Cap | $25,000 | $25,000 | $35,000 | $20,000 | $20,000 | $25,000 | $15,000 | $16,250 | $20,000 |
| **Sector** | | | | | | | | | |
| Energy | $20,000 | $20,000 | $25,000 | $15,000 | $15,000 | $20,000 | $10,000 | $13,750 | $15,000 |
| Financial Services | $15,000 | $25,000 | $30,250 | $10,000 | $15,000 | $25,000 | $8,000 | $15,000 | $20,000 |
| Industrials | $20,000 | $20,000 | $25,000 | $12,500 | $15,000 | $20,000 | $10,000 | $12,500 | $15,000 |
| Retail | $20,000 | $25,000 | $30,000 | $15,000 | $20,000 | $25,000 | $10,000 | $15,000 | $20,000 |
| Technology | $20,000 | $22,000 | $34,000 | $12,750 | $15,000 | $25,000 | $10,000 | $12,500 | $20,000 |
| **All Companies 2020** | **$11,500** | **$20,000** | **$25,000** | **$10,000** | **$15,000** | **$20,000** | **$6,000** | **$10,000** | **$15,000** |
| Prevalence | | 95% | | | 92% | | | 87% | |

Year-over-year, median committee chair retainers were flat for audit and compensation committees at $20,000 and $15,000, respectively. Median nominating/governance committee chair retainers decreased to $10,000 (from $15,000 in the prior year). Across industry sectors, median retainers are $20,000-$25,000 for the audit chair, $15,000-$20,000 for the compensation chair, and $12,500-$15,000 for the nominating/governance chair. Retail companies continue to provide the highest committee chair retainers.

Less than 4% of companies that provide meeting fees provide a higher meeting fee to committee chairs than to regular committee members (in lieu of, or in addition to, incremental cash or equity retainers).

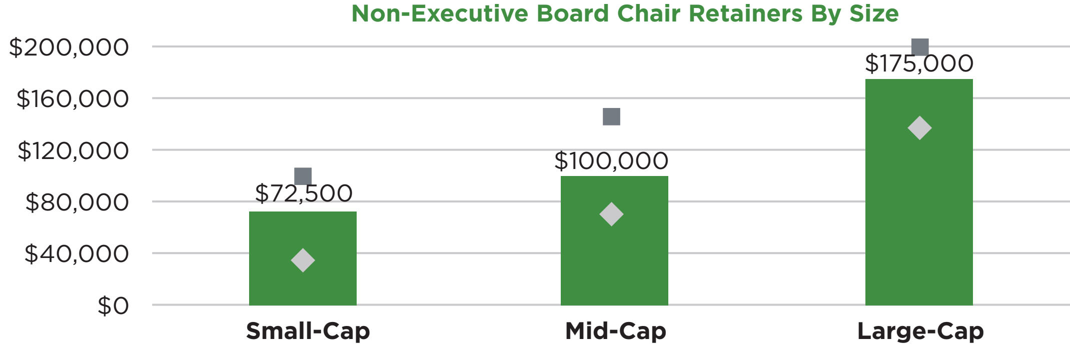
# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

## Non-Executive Board Chair Retainer

There were 163 non-executive board chairs identified in this year's study, which is up slightly from the 161 non-executive board chairs identified last year. Of the non-executive board chairs identified this year, 155 (95%) are provided additional compensation over regular board member pay. Incremental compensation for non-executive board chairs is provided in cash (57%), equity (9%), or a combination of both (34%). Values in the table below exclude the companies that do not provide additional compensation to their non-executive board chair.

Additional retainers are highly differentiated based on factors including whether the role has strategic importance to the company as opposed to a governance focus, the skill set and experience of both the CEO and non-executive board chair, and the resulting expected time commitment. Year-over-year changes in the data vary by size and segment, and are influenced by the change in the sample and the number of companies that provide board chair retainers. Compared to last year, the median non-executive board chair retainer increased at small-cap companies (from $60,000 to $72,500) and at large-cap companies (from $150,000 to $175,000) and was flat at mid-cap companies (at $100,000).

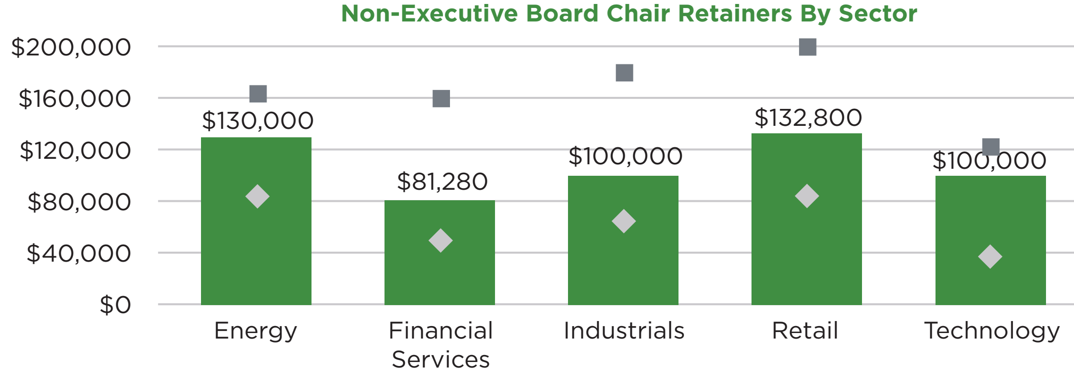
**Non-Executive Board Chair Retainers By Size**




| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **# of Occurrences** | **58** | **54** | **43** |
| ■ **75th Percentile** | $100,000 | $146,250 | $200,000 |
| **Median** | $72,500 | $100,000 | $175,000 |
| ◆ **25th Percentile** | $35,000 | $70,750 | $137,500 |

Consistent with the prior year, companies in the Energy and Retail sectors provide the highest additional compensation for non-executive board chair service, while companies in the Financial Services sector provide the lowest.

**Non-Executive Board Chair Retainers By Sector**



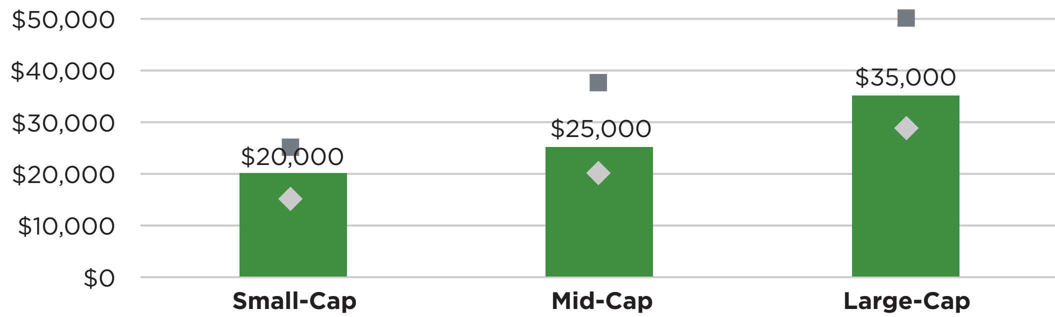

| | Energy | Financial Services | Industrials | Retail | Technology |
|---|---|---|---|---|---|
| **# of Occurrences** | **32** | **29** | **31** | **32** | **31** |
| ■ **75th Percentile** | $163,750 | $160,000 | $180,000 | $200,000 | $122,500 |
| **Median** | $130,000 | $81,280 | $100,000 | $132,800 | $100,000 |
| ◆ **25th Percentile** | $84,250 | $50,000 | $65,000 | $84,525 | $37,500 |

# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

## Lead Director Retainer

Of the 145 lead directors in this year's study, 119 (82%) receive additional compensation for their service. Lead director retainers exhibit less differentiation compared to other elements of director compensation, with a median value ranging from $20,000 at small-cap companies to $35,000 at large-cap companies.

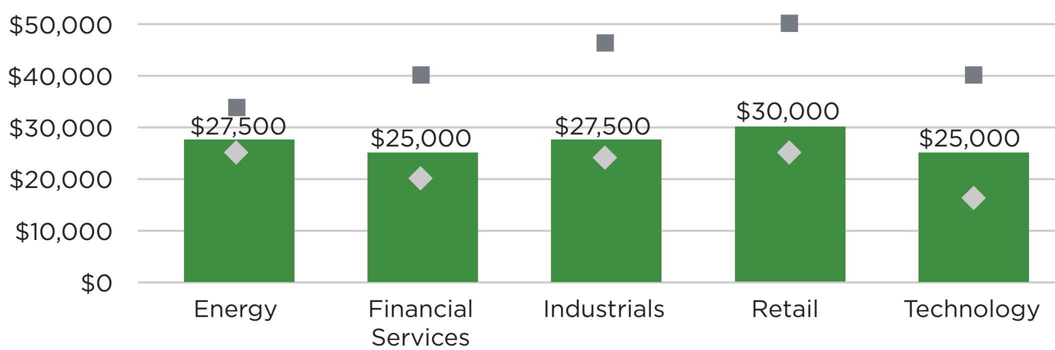
**Lead Director Retainers By Size**




| | Small-Cap | Mid-Cap | Large-Cap |
|---|---|---|---|
| **# of Occurrences** | **36** | **31** | **52** |
| **75th Percentile** | $25,000 | $37,500 | $50,000 |
| **Median** | $20,000 | $25,000 | $35,000 |
| **25th Percentile** | $15,000 | $20,000 | $28,750 |

When segmented by sector, there is limited differentiation in pay amounts, with a median lead director retainer of $25,000 in the Financial Services and Technology sectors, $27,500 in the Energy and Industrial sectors, and $30,000 in the Retail sector.

**Lead Director Retainers By Sector**

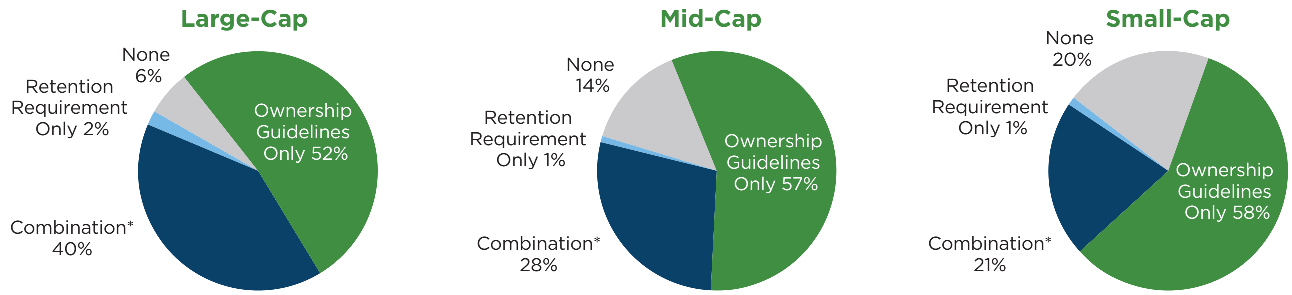



| | Energy | Financial Services | Industrials | Retail | Technology |
|---|---|---|---|---|---|
| **# of Occurrences** | **26** | **25** | **22** | **24** | **22** |
| **75th Percentile** | $33,750 | $40,000 | $46,250 | $50,000 | $40,000 |
| **Median** | $27,500 | $25,000 | $27,500 | $30,000 | $25,000 |
| **25th Percentile** | $25,000 | $20,000 | $24,063 | $25,000 | $16,250 |

# RETENTION REQUIREMENTS AND STOCK OWNERSHIP GUIDELINES

Director stock ownership guidelines are in place for 85% of companies in our sample, particularly at large-cap and mid-cap companies, and have increased in prevalence year-over-year among large-cap and small-cap companies.  Companies may also have stock retention requirements in the form of: (1) granting equity as deferred stock units that mandatorily settle after retirement from the board (most commonly observed at large-cap companies) or (2) requiring retention of a percentage of "net shares" acquired, which is also known as a "retention ratio."

Across all companies in the survey, 85% of companies have ownership guidelines and 30% have retention requirements.




## Retention Requirements

Retention requirements remain most prevalent at large-cap companies, where 42% of companies maintain them. Among all companies, the most common retention requirement is linked to the achievement of ownership guidelines (74%), although 25% of companies with retention requirements (8% of all companies in the study) indicate directors must hold shares until retirement, either in the form of explicit requirements, or by granting deferred share units that typically settle at retirement.

| Stock Retention Requirements | | | | |
|---|---|---|---|---|
| | **Small-Cap** | **Mid-Cap** | **Large-Cap** | **Overall** |
| **Prevalence** | **21%** | **29%** | **42%** | **30%** |
| **Length Of Retention**** | | | | |
| Until Retirement | 13% | 18% | 38% | 25% |
| Until Ownership Guideline Met | 87% | 82% | 60% | 74% |
| Fixed Years | 0% | 0% | 3% | 1% |
| **Vehicle for Requirement**** | | | | |
| Retention Ratio | 91% | 89% | 78% | 85% |
| Deferred Stock Units (DSUs) | 9% | 7% | 20% | 13% |
| Retention Ratio and DSUs | 0% | 4% | 3% | 2% |
| **Retention Ratio***** | | | | |
| 100% | 52% | 50% | 72% | 59% |
| 75% | 5% | 0% | 3% | 3% |
| 50% | 43% | 35% | 25% | 33% |
| Other | 0% | 15% | 0% | 5% |

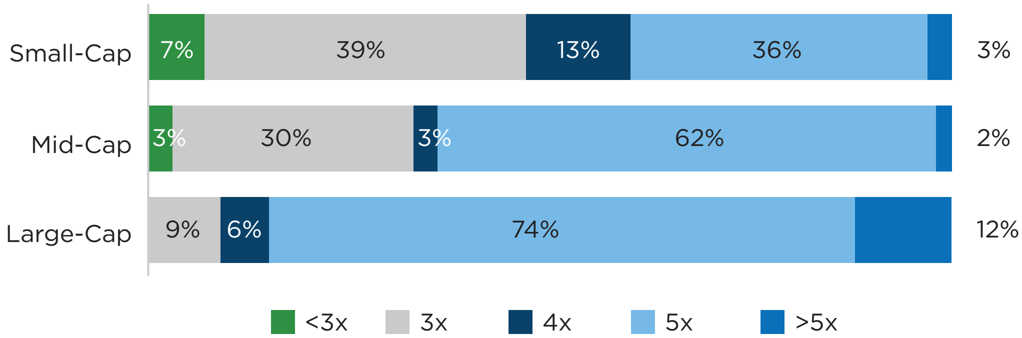
*Combination means the use of a retention requirement in addition to an ownership guideline
**Calculated out of companies disclosing retention requirements
***Calculated out of companies disclosing retention ratios

# STOCK OWNERSHIP GUIDELINES

Director stock ownership guidelines are typically defined in three ways: (1) as a multiple of retainer (most commonly cash retainer), (2) as a value of shares, or (3) as a fixed number of shares.

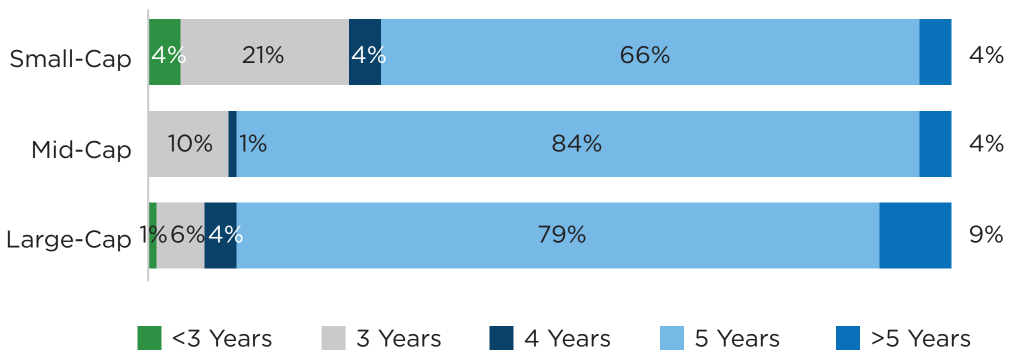
Within the sample, approximately 82% of companies with stock ownership guidelines use the multiple of retainer approach (most commonly cash retainer). The magnitude of stock ownership guideline multiples increases with company size: the most prevalent multiple among large-cap and mid-cap companies is 5x cash retainer and among small-cap companies is 3x cash retainer.

**Stock Ownership Guideline Multiples***




Of the companies with stock ownership guidelines, 80% have compliance deadlines to achieve ownership levels. Across all size and industry segments, a sizeable majority of companies provide five years to achieve ownership levels.

**Time to Achieve Ownership Guidelines**




*Statistics reflect companies that define ownership guidelines as a multiple of cash retainer; across the entire sample, an additional 6% of companies define multiples based on either equity retainer or both cash and equity retainer

# SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

In recent years, there has been a trend to include meaningful limits on annual compensation per director in shareholder-approved equity plans. Such limits can apply to equity compensation only (expressed as a dollar value or number of shares/options) or to total compensation (cash and equity); the latter is preferable and is viewed as providing more complete protection against a potential lawsuit, since case law does not seem to distinguish between cash and equity. However, recent legal developments indicate that the protection provided by a limit may be less than previously believed.

Year-over-year, prevalence of limits on director compensation in shareholder-approved equity plans among small-cap companies increased slightly, while remaining flat among mid-cap and large-cap companies. Equity-only limits remain the most common, although the prevalence of total compensation limits increased slightly over the prior year, from 39% to 41%. Note that some companies raise or nullify the limit in special cases, such as a director's first year of service or if a director serves as the board chair or lead director.

**Annual Limits on Non-Employee Director Compensation**

| | Small-Cap | Mid-Cap | Large-Cap | Overall |
|---|---|---|---|---|
| **Prevalence** | **56%** | **72%** | **75%** | **67%** |
| **Application of Limit*** | | | | |
| Total Compensation | 34% | 51% | 36% | 41% |
| Equity Only | 66% | 49% | 64% | 59% |
| **Denomination of Equity Limit**** | | | | |
| Dollar-Denominated | 58% | 68% | 89% | 73% |
| Share-Denominated | 40% | 29% | 9% | 25% |
| Both | 3% | 3% | 2% | 3% |

*Calculated out of companies disclosing limits
**Calculated out of companies with equity-only limits

# SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

Median limit values on total director pay range between $500,000 (small-cap companies) and $750,000 (large-cap companies) and typically equate to a multiple of approximately 2.5x to 3.5x total director pay. Dollar-denominated equity-only limits tend to have similar or slightly smaller values than total compensation limits. Share-denominated equity-only limits are larger and more variable, both as a dollar value and as a multiple of annual equity award value. This variability may be attributable to stock price growth following the establishment of limits or companies' desire to provide a buffer against stock price decline, among other factors. Such limits have been valued using April 30, 2020 closing stock prices and the latest ASC Topic 718 option valuation assumptions.

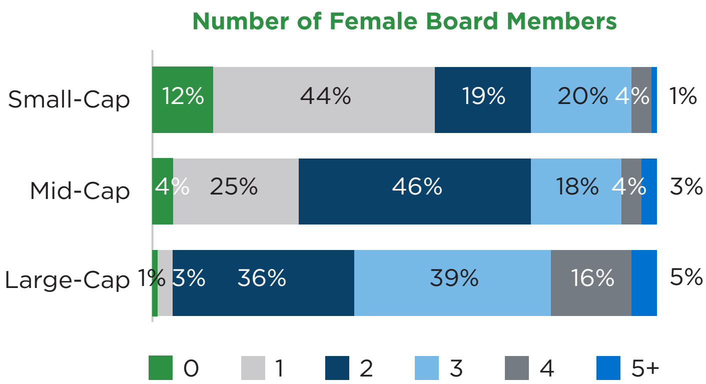
| | Total Compensation Limit | | | Dollar-Denominated Equity Limit | | | Share-Denominated Equity Limit | | |
|---|---|---|---|---|---|---|---|---|---|
| **Percentile** | **25th** | **Median** | **75th** | **25th** | **Median** | **75th** | **25th** | **Median** | **75th** |
| **Dollar Value of Limit** | | | | | | | | | |
| Small-Cap | $400,000 | $500,000 | $700,000 | $400,000 | $500,000 | $500,000 | $149,625 | $563,250 | $1,374,750 |
| Mid-Cap | $500,000 | $500,000 | $725,000 | $375,000 | $500,000 | $600,000 | $1,006,425 | $1,778,000 | $4,021,250 |
| Large-Cap | $612,500 | $750,000 | $787,500 | $500,000 | $500,000 | $750,000 | $707,750 | $1,361,350 | $3,206,550 |
| **Limit Multiple*** ** | | | | | | | | | |
| Small-Cap | 2.4x | 2.8x | 3.4x | 3.3x | 4.0x | 4.9x | 3.0x | 11.2x | 37.5x |
| Mid-Cap | 2.1x | 2.8x | 3.2x | 3.0x | 3.5x | 4.4x | 6.6x | 12.7x | 23.0x |
| Large-Cap | 2.3x | 2.6x | 3.5x | 2.5x | 3.1x | 3.9x | 3.8x | 7.1x | 14.3x |

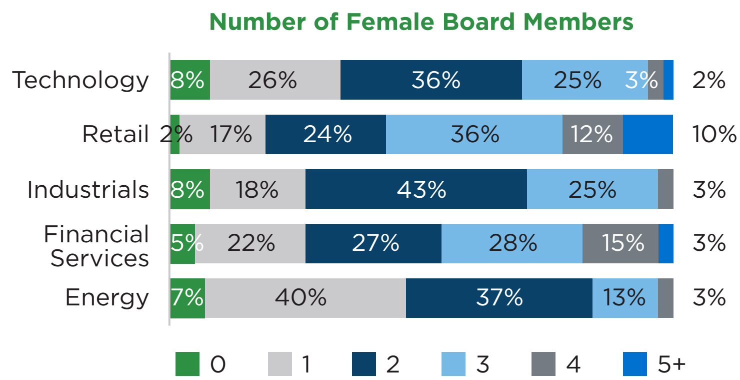
***For total compensation limits, reflects multiple of total pay; for equity-only limits, reflects multiple of annual equity award value

# WOMEN ON BOARDS AND WOMEN IN BOARD LEADERSHIP ROLES

## Women on Boards

Female board members have become more prevalent relative to last year and company size continues to show correlation to the presence of at least one woman on the company's Board: approximately 88% of small-cap and 96% of mid-cap companies have at least one female Board member (80% and 90%, respectively, last year) and 99% of large-cap companies have at least one female Board member (100% last year). Approximately 60% of large-cap companies have at least three female Board members (approximately half last year), compared to 25% for both mid-cap and small-cap companies (21% and 13%, respectively, last year).




## Women in Leadership Roles

Just 4% of Non-Executive Board Chair seats and 6% of Lead Director seats in the sample are filled by women. Large-cap companies have the highest prevalence of women in lead director roles, with approximately 10% of Lead Director seats filled by women.

Prevalence of women holding Committee Chair roles is up on all three committees compared to last year; 24% of nominating/governance committees (21% last year), 21% of audit committees (17% last year), and 19% of compensation committees (17% last year) are chaired by women.

**Women In Leadership Roles**

| | Small-Cap | Mid-Cap | Large-Cap | Overall |
|---|---|---|---|---|
| **Board Leadership** | | | | |
| Non-Executive Board Chair | 5% | 5% | 2% | 4% |
| Lead Director | 2% | 5% | 10% | 6% |
| **Committee Leadership** | | | | |
| Audit Chair | 21% | 14% | 27% | 21% |
| Compensation Chair | 19% | 11% | 28% | 19% |
| Nominating & Governance Chair | 21% | 22% | 28% | 24% |

# COVID-19 IMPACT ON DIRECTOR COMPENSATION

In light of the COVID-19 pandemic, companies have announced executive, non-employee director, and broad-based employee pay actions to shore-up liquidity during a period of unprecedented certainty. Through the third quarter of 2020, 15% of S&P 500 companies and roughly 13% of Russell 3000 companies reported taking pay actions on director compensation. These companies are generally in industries most severely impacted by the pandemic, including energy, media/entertainment, industrials, cruise ships, airlines, brick and mortar retail, and hospitality. All but a handful of companies reporting changes to non-employee director compensation also reported changes to executive compensation.

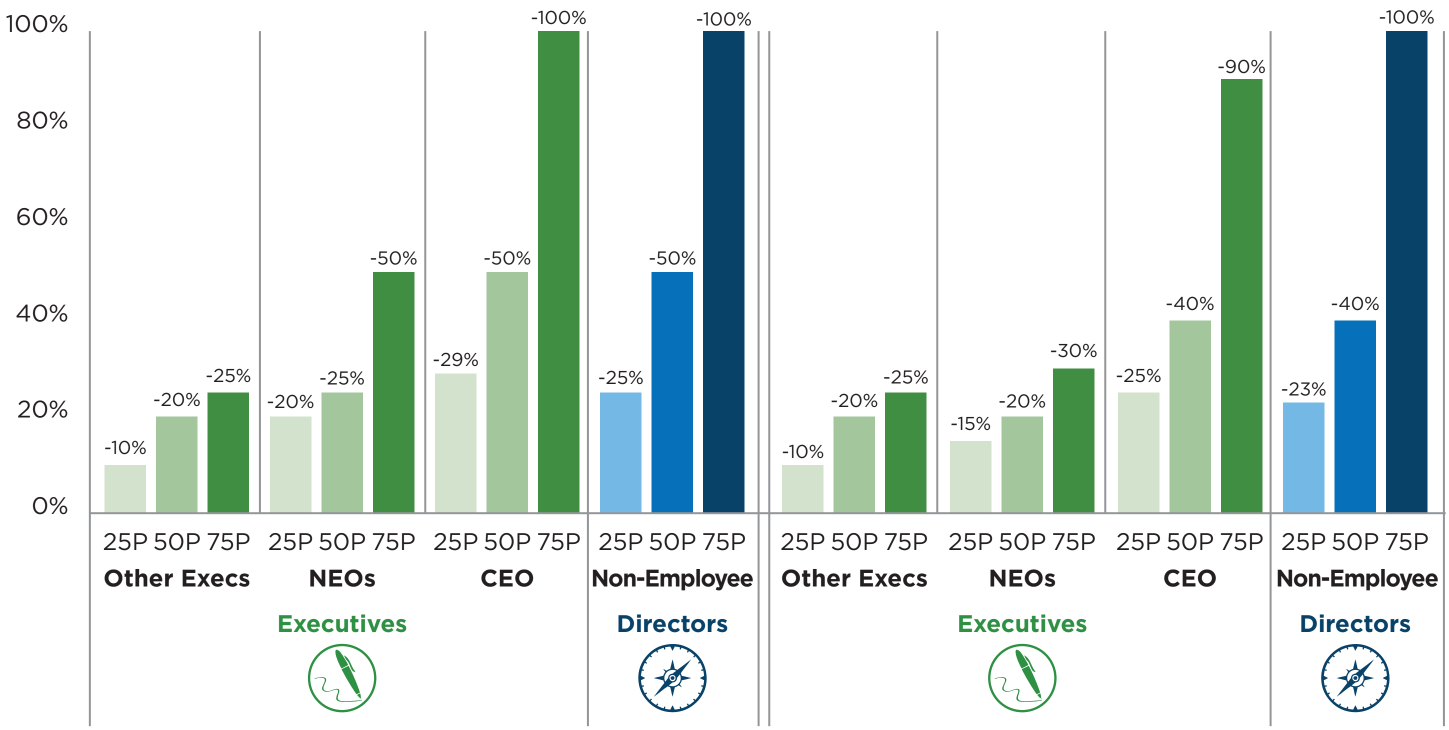
**Companies Reporting Pay Actions Through Third Quarter of 2020**

| | Executives | Directors |
|---|---|---|
| **S&P 500** | 127 | 75 |
| **Russell 3000** | 596 | 386 |

Among companies reporting director pay actions, the median decrease in director compensation at S&P 500 and Russell 3000 companies was 50% and 40%, respectively, and reductions generally represent decreases to cash retainers. The magnitude of changes made to non-employee director compensation generally aligns with the changes made to CEO compensation.

**S&P 500 Executive and Non-Employee Director Compensation Reductions**

**Russell 3000 Executive and Non-Employee Director Compensation Reductions**




As stay-at-home orders have lifted and business as usual has returned to some extent, companies have generally restored executive and director compensation to pre-COVID-19 levels on a prospective basis.

Observations of COVID-19's impact on director compensation are limited by the availability of public disclosure, as proxy filings associated with pandemic-related program changes have yet to be filed, particularly for calendar year companies.

# LIST OF COMPANIES SURVEYED

1-800-FLOWERS.COM
3M
Abercrombie & Fitch
Adobe
Adtalem Global Education
Advance Auto Parts
Aegion
AG Mortgage Investment Trust
Alamo Group
Amazon.com
American Eagle Outfitters
American Software
Amkor Technology
Analog Devices
Apache
Apartment Investment & Management
Apergy
Applied Optoelectronics
ArcBest
Arch Coal
Armstrong World Industries
Atlas Air Worldwide Holdings
AutoZone
Axcelis Technologies
Axon Enterprise
B. Riley Financial
Banc of California
Beacon Roofing Supply
Bed Bath & Beyond
Bel Fuse
Belden
BGC Partners
Big 5 Sporting Goods
Big Lots
Bloomin' Brands
Booking Holdings
Bryn Mawr Bank
Build-A-Bear Workshop
Builders FirstSource
Burlington Stores
Cactus
Cadence Design Systems
Caleres
Callon Petroleum
Camden National
CarMax
Cass Information Systems
Cathay General Bancorp
Centennial Resource Development
Central Pacific Financial
Chesapeake Energy
Chevron
Cincinnati Financial
Citrix Systems
CNO Financial Group
Cognex
Cognizant Technology Solutions
Cohu
Colfax
Columbia Sportswear
Comerica
Concho Resources
Conn's
ConocoPhillips
CoreLogic
Core-Mark Holding
CorEnergy Infrastructure Trust
Cowen
Crawford & Company
Crocs
CSG Systems International
CSW Industrials
CTS
Cummins
CURO Group Holdings
CVB Financial
Deere & Company
Delek US Holdings
Devon Energy
Diamondback Energy
DICK'S Sporting Goods
Digi International
Digimarc
Dillard's
DMC Global
Dollar General
Donegal Group
Donnelley Financial Solutions
Dover
Duke Realty
eGain
Ellington Financial
EMCORE
Endurance International Group
Ennis
Enova International
EnPro Industries
Era Group
Everi Holdings
Expeditors International of Washington
Exterran
Exxon Mobil

# LIST OF COMPANIES SURVEYED

F5 Networks
FBL Financial Group
First BanCorp
First Defiance Financial
FirstCash
Foot Locker
FormFactor
Fortive
Fossil Group
Francesca's Holdings
FreightCar America
FuelCell Energy
GAMCO Investors
GameStop
General Dynamics
General Electric
Genesis Energy
German American Bancorp
Gibraltar Industries
Global Partners
Green Dot
Green Plains
Griffon
Gulfport Energy
Halliburton
Hanesbrands
Harmonic
Haverty Furniture Companies
Healthcare Realty Trust
Helix Energy Solutions Group
Heritage Commerce
Heritage Financial
Hess
Holly Energy Partners
HP Inc.
Hub Group
IBERIABANK
IES Holdings
InnerWorkings
Insteel Industries
Intel
Intuit
Invesco
Iron Mountain
Itron
J.C. Penney
Jacobs Engineering Group
Juniper Networks
Kelly Services
Kimball Electronics
Kirkland's
KLA
Kohl's
L.B. Foster
Lam Research
Lands' End
Laredo Petroleum
Lattice Semiconductor
Life Storage
Lincoln National
Lockheed Martin
Lowe's Companies
Mack-Cali Realty
Macy's
Mammoth Energy Services
Marathon Oil
Marathon Petroleum
MarineMax
Matrix Service
MAXIMUS
Meridian Bancorp
MetLife
MGIC Investment
Micron Technology
Mistras Group
Model N
Morgan Stanley
MPLX LP
Mr. Cooper Group
National Oilwell Varco
Natural Gas Services Group
NCR
NetApp
Netflix
Newpark Resources
Noble Energy
Noble Midstream Partners
Nordstrom
Northern Oil and Gas
Northrop Grumman
Novanta
Oasis Petroleum
Office Depot
Oil States International
Omega Flex
ONEOK
OneSpan
Oracle
Overstock.com
PBF Energy
PC Connection
PDC Energy

# LIST OF COMPANIES SURVEYED

Peabody Energy
Penn Virginia
Penske Automotive Group
PGT Innovations
Pioneer Natural Resources
Plug Power
Preformed Line Products
Q2 Holdings
QEP Resources
R. R. Donnelley & Sons
Radiant Logistics
Rapid7
Reading International
Regal Beloit
Renewable Energy Group
Rent-A-Center
Resources Connection
RH
Ribbon Communications
RLJ Lodging Trust
Rollins
Rosetta Stone
Ross Stores
RPC
Ryder System
Sally Beauty Holdings
Schlumberger Limited
Scholastic
SEACOR Holdings
SecureWorks
ServiceSource International
Shiloh Industries
Shoe Carnival
SilverBow Resources
SkyWest
SM Energy
Spirit Airlines
Stamps.com
Stanley Black & Decker
Stock Yards Bancorp
Superior Energy Services
Superior Industries International
Sykes Enterprises
T. Rowe Price Group
Take-Two Interactive Software
Tanger Factory Outlet Centers
Targa Resources
Target
TCF Financial
TD Ameritrade
Tempur Sealy International
Tennant
Tenneco
Tetra Tech
TETRA Technologies
Textron
The Allstate Corporation
The Children's Place
The Container Store Group
The First Bancshares
The Hartford Financial Services Group
The Home Depot
The TJX Companies
The Travelers Companies
Thermon Group Holdings
Tompkins Financial
Tractor Supply
Transocean
Trimble
Triumph Group
TTEC Holdings
TTM Technologies
Tucows
Tuesday Morning
U.S. Bancorp
Under Armour
United Parcel Service
United Rentals
Valero Energy
Viad
Viavi Solutions
Virtu Financial
Vornado Realty Trust
W&T Offshore
Waste Connections
Waste Management
Wells Fargo
WesBanco
Western Digital
Williams-Sonoma
Woodward
Workiva
World Fuel Services
WPX Energy
Xylem
Zions Bancorporation

# FW COOK COMPANY PROFILE

**FW Cook** is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, our firm has served more than 3,000 companies of divergent size and business focus from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston, and Boston. We currently serve as the independent advisor to the compensation committees at a substantial number of the most prominent companies in the U.S.

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