

# 2022 Director Compensation Report

# 2022 DIRECTOR COMPENSATION REPORT

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# EXECUTIVE SUMMARY

FW Cook's 2022 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.

At the median, 2022 total compensation increased modestly among mid-cap and large-cap companies compared to small-cap companies, where compensation increased slightly more: the small-cap median increased 4.9% from \$185,833 to \$195,000, the mid-cap median increased by +1.1% from \$236,000 to \$238,500, and the large-cap median increased +2.0% from \$294,167 to \$300,000.

Director compensation structure remains consistent with prior years, with an average mix of 60% equity and 40% cash compensation, across the entire sample. Small-cap companies tend to have the highest cash weighting (average of 44%) while large-cap companies tend to have the lowest (average of 36%). Most companies have continued to simplify cash payments by replacing meetings fees with larger board annual cash retainers (only 8% of the total sample pay meeting fees). 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.

Nearly all Boards have at least one female director (98% of companies in the study have at least one woman on the Board over the last two years) and the percentage of companies with at least three females on the Board continues to increase: from 32% to 39% for small-cap companies, from 48% to 50% for mid-cap companies, and from 67% to 81% for large-cap companies. Females represent 14% of Board leadership positions (i.e., Non-Executive Chair or Lead Director), which is up from 13% last year.

Most Boards have at least one racially or ethnically diverse Board member; 81% of small-cap companies, 89% of mid-cap companies, and 98% of large-cap companies have at least one racially or ethnically diverse Board member. Most Boards do not report having an LGBTQ+ Board member: 1% of small-cap companies, 9% of mid-cap companies, and 7% of large-cap companies have a Board member who identifies as LGBTQ+.

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

## Summary of Director Compensation Values and Market Capitalizations

	Small-Cap	Mid-Cap	Large-Cap
Median Values	(Less than \$2B)	(\$2B - \$10B)	(Greater than \$10B)
<b>Total Compensation - 2022 Study</b>	\$195,000	\$238,500	\$300,000
<b>Year-Over-Year Compensation Change</b>	+4.9%	+1.1%	+2.0%
<b>Market Capitalization (\$M) - 2022 Study<sup>1</sup></b>	\$1,072	\$4,525	\$37,022

<sup>1</sup> Market capitalization as of 4/30/22.

# EXECUTIVE SUMMARY

Key findings are summarized below:

<b>Cash vs. Equity</b>	<ul style="list-style-type: none"> <li>The average mix across the entire sample is 40% cash and 60% equity (unchanged from 2021). 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.</li> <li>The highest paying sector, Technology, allocates 71% of total compensation in the form of equity, while the lowest paying sector, Financial Services, allocates 56% of total compensation in the form of equity.</li> </ul>
<b>Cash Compensation for Board Service</b>	<ul style="list-style-type: none"> <li>In the total sample, 85% of companies use a retainer-only structure (up from 83% in 2021), while 13% of the sample pays an annual board cash retainer and meeting fees (5% pay meeting fees after a pre-set minimum number of meetings per year and 8% pay fees for all meetings).</li> <li>The median board retainer for large-cap companies increased from \$95,000 to \$100,000, held constant among mid-cap companies at \$80,000, and increased from \$65,000 to \$70,000 at small-cap companies.</li> <li>The Energy sector provides the highest median cash retainer for board service (\$95,000), and the Technology sector provides the lowest (\$60,000).</li> </ul>
<b>Equity Compensation for Board Service</b>	<ul style="list-style-type: none"> <li>Approximately 95% of the total sample grants full-value stock awards exclusively (i.e., no stock options). The Technology and Industrials sectors have the highest prevalence of stock options, granted in isolation or in tandem with full-value stock awards, at 7% each.</li> <li>The median equity retainer for large-cap companies increased from \$181,000 to \$190,000, decreased slightly from \$143,500 to \$140,000 at mid-cap companies, and increased from \$110,000 to \$120,000 at small-cap companies.</li> <li>Approximately 90% of the total sample incorporates immediate or short (i.e., 1-year or less) vesting provisions</li> </ul>
<b>Committee Compensation</b>	<ul style="list-style-type: none"> <li>Approximately 50% of the total sample provides additional compensation to committee members in the form of retainers. The prevalence of committee member retainers has been stable over the past several years, while the use of committee meeting fees continues to decrease; only 10% of companies pay committee meeting fees.</li> <li>Seventy-five percent of Technology companies provide committee member retainers, while approximately 30% of companies in the Industrials sector provide committee member retainers.</li> <li>In the total sample, 96%, 93%, and 90% of companies pay an additional retainer for serving as the Chair of the Audit, Compensation, and Nominating/Governance committees, respectively.</li> </ul>
<b>Non-Executive Board Chairs and Lead Directors</b>	<ul style="list-style-type: none"> <li>Non-executive Board Chairs are almost always provided additional compensation for the role, with a median retainer of \$170,000 at large-cap companies, \$115,000 at mid-cap companies, and \$70,000 at small-cap companies. Retainers are typically paid fully in cash (55% prevalence), followed by a mix of cash and equity (38% prevalence).</li> <li>Similarly, Lead Directors are also almost always provided with additional compensation, with a median retainer of \$40,000 at large-cap companies, and \$25,000 at small- and mid-cap companies. Retainers are typically paid fully in cash (91% prevalence), and rarely in a mix of cash and equity (8% prevalence)</li> </ul>
<b>Stock Ownership Guidelines and Retention Requirements</b>	<ul style="list-style-type: none"> <li>In the total sample, 88% of companies have director ownership guidelines, while stock retention requirements are less common, present at 37% of companies.</li> <li>The most common director ownership guideline is 5x the annual cash retainer with a 5-year timeframe to meet the guideline.</li> <li>Of companies with retention requirements, 62% require retention until ownership guidelines are met, while 37% require retention until retirement, and 1% require retention for a fixed number of years.</li> </ul>
<b>Annual Limits on Director Compensation</b>	<ul style="list-style-type: none"> <li>Prevalence of annual limits on director compensation continues to increase (72% of the total sample versus 69% last year), with a slight bias towards a total compensation limit (54%) versus an equity-only limit (46%).</li> </ul>

# 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 80% of this year's sample companies were constituents of last year's sample, which allows for reliable year-over-year comparisons.

Market capitalization and trailing 12-month revenue as of April 30, 2022, are summarized below:

Market Capitalization (\$M)				Trailing 12-Month Revenue (\$M)		
Size	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
Small-Cap	\$649	\$1,072	\$1,447	\$352	\$859	\$1,588
Mid-Cap	\$3,234	\$4,525	\$7,068	\$1,258	\$2,726	\$5,031
Large-Cap	\$20,456	\$37,022	\$81,611	\$8,091	\$18,790	\$45,828
Sector	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
Energy	\$1,665	\$4,724	\$26,762	\$1,619	\$3,828	\$19,784
Financial Services	\$1,106	\$4,347	\$17,851	\$421	\$1,414	\$7,843
Industrials	\$1,657	\$4,029	\$23,586	\$1,263	\$2,634	\$8,614
Retail	\$1,695	\$4,558	\$17,571	\$2,019	\$5,513	\$15,413
Technology	\$1,406	\$4,820	\$24,444	\$540	\$1,287	\$6,341

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, 2022.

# OVERVIEW AND METHODOLOGY

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## 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, ethnically/racially diverse, and LGBTQ+ members.

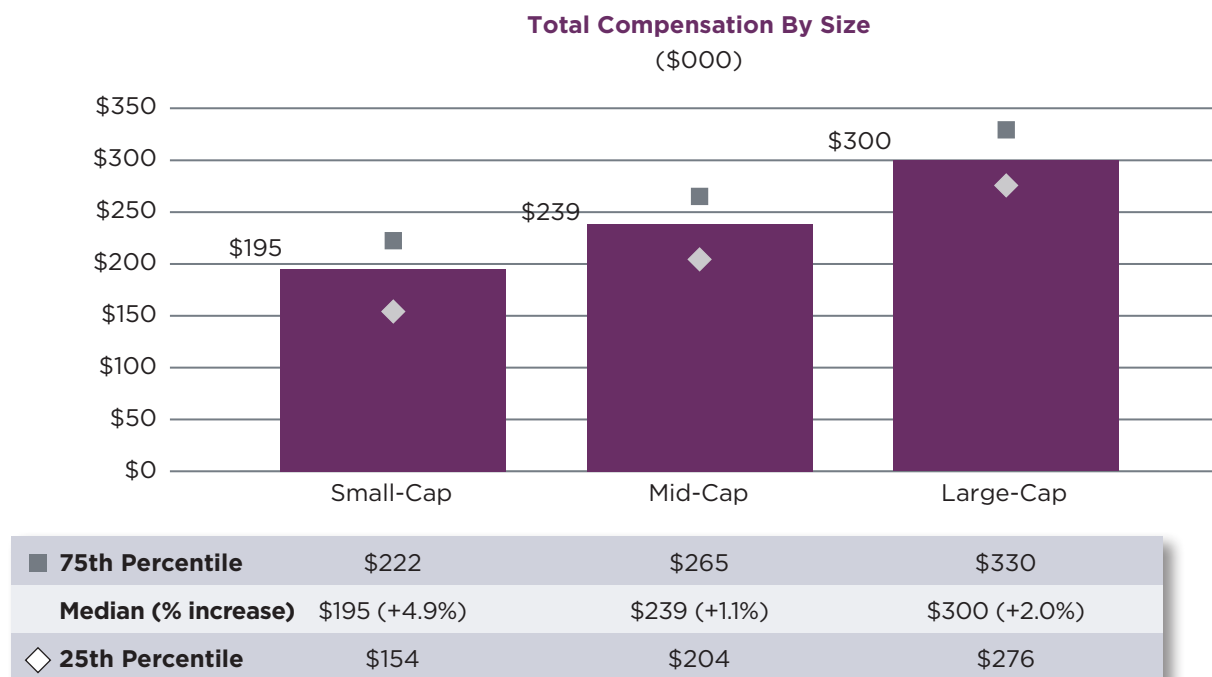
The following assumptions were used to facilitate competitive comparisons, consistent with prior years:

- 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, 2022, and, for stock options, a Black-Scholes model valuation using each company's Accounting Standards Codification ("ASC") Topic 718 assumptions
- All non-annual equity compensation, which is used by 9% 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)

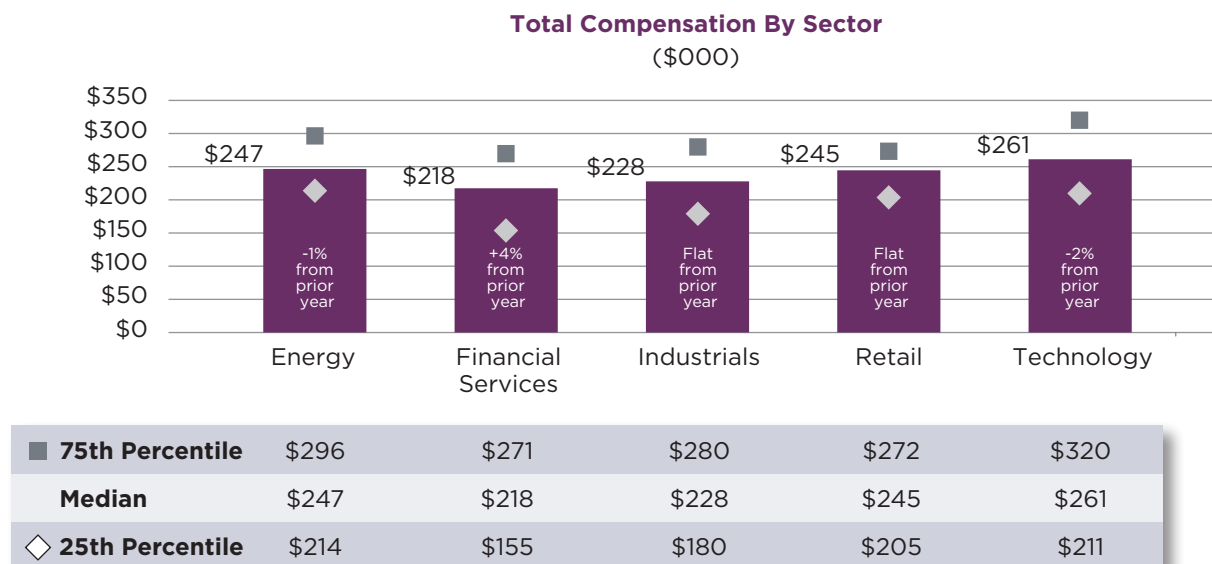
# TOTAL BOARD COMPENSATION

## 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 \$300,000 per director versus \$238,500 at mid-cap companies and \$195,000 at small-cap companies.



Similar to prior years, Technology sector companies in the study provide the highest median total pay (\$261,250) compared to other sectors, while Financial Services companies continue to provide the lowest (\$217,500).

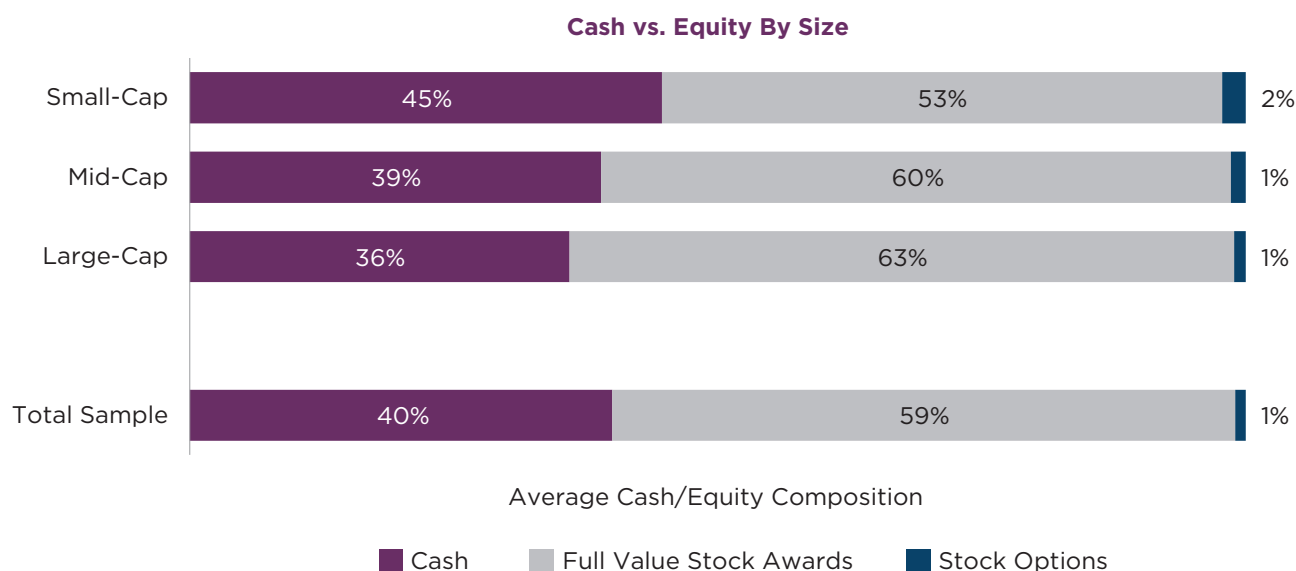


# TOTAL BOARD COMPENSATION

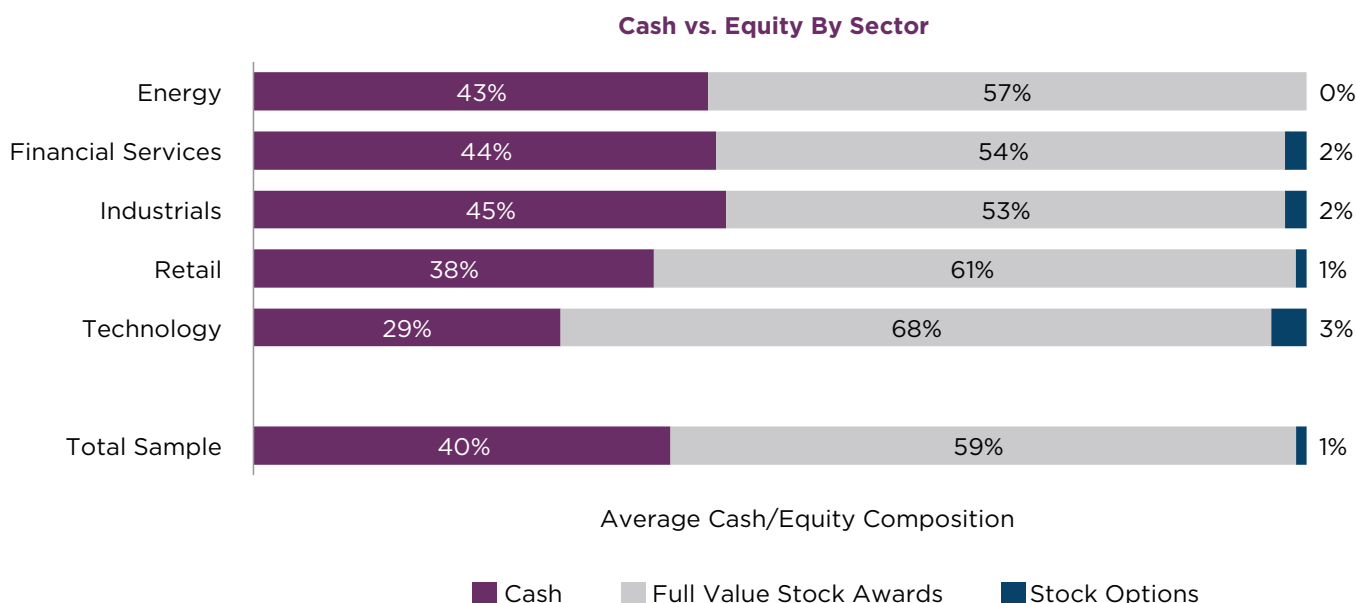
## Total Compensation – Cash vs. Equity

Compensation for board service typically consists of both cash and equity. The charts below illustrate average pay mix by company size and sector. The average pay mix is consistent with prior years with about 40% delivered in cash, and 60% delivered in equity.

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 55% of total compensation, while large-caps provide the highest, averaging 64% of total compensation.



The highest-paying sectors tend to place a greater weighting on equity; on average, the companies in the Technology sector provide approximately 70% of total compensation in the form of equity. The lowest-paying sector, Financial Services, placed the second lowest emphasis on equity (56%).

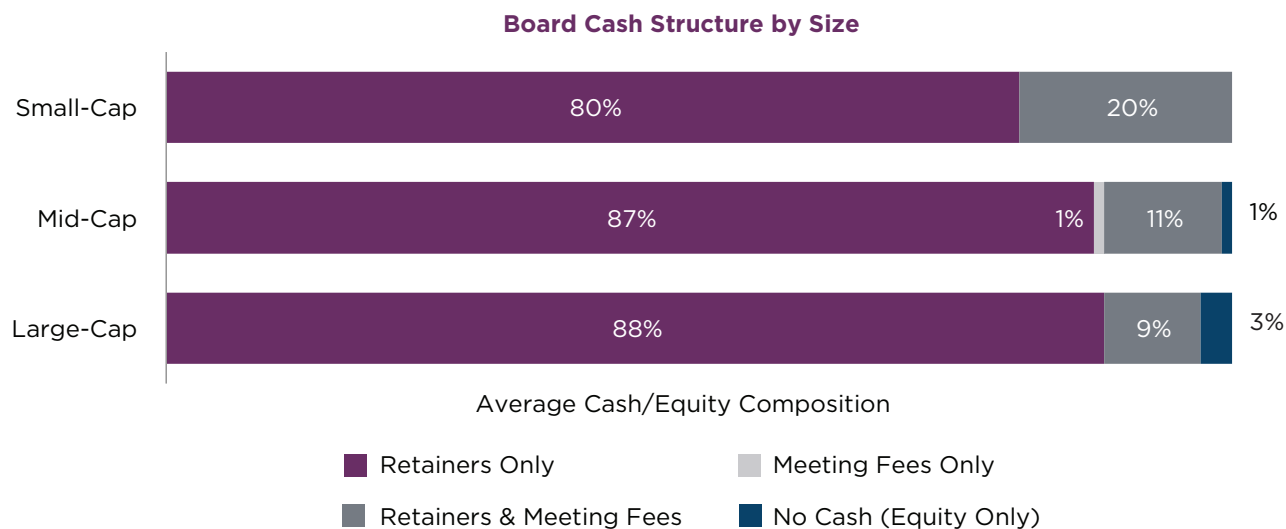




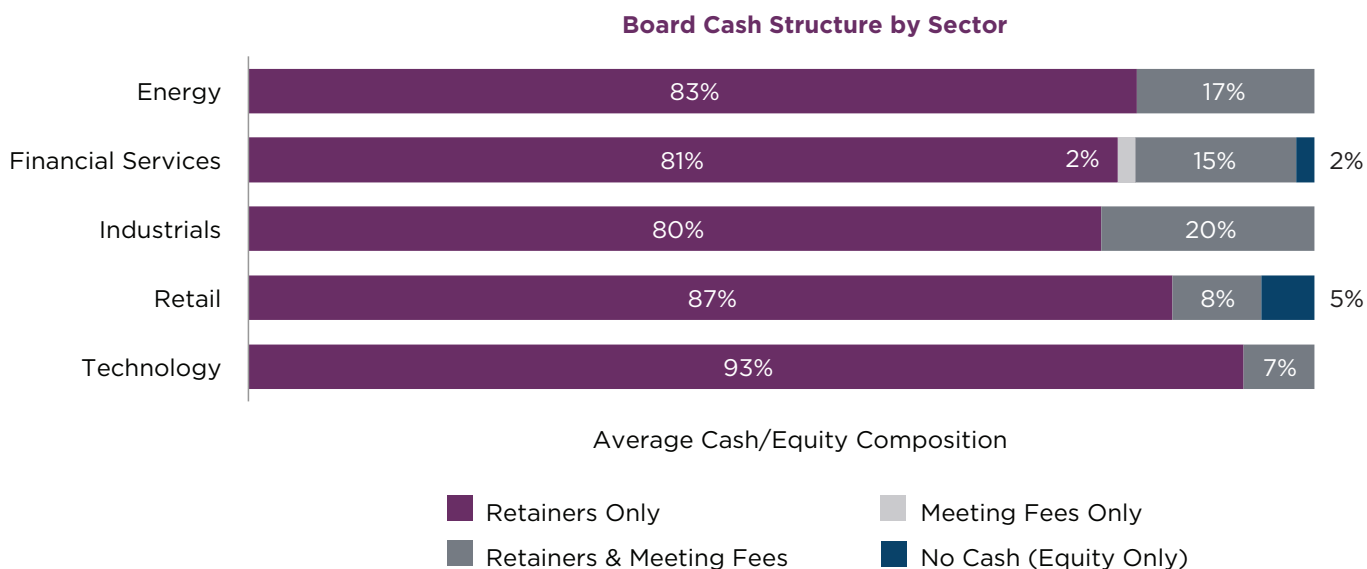
# BOARD CASH COMPENSATION

## 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. We continue to observe companies simplifying their programs through the elimination of board meeting fees and adoption of a “retainer-only” approach with the rationale that attending board meetings is an expected part of serving on the Board. The number of companies taking a “retainer-only” approach has been steadily increasing in the past few years to over 80% prevalence. Only 3% and 1% of large-cap and mid-cap companies, respectively, utilize an equity-only approach, while no small cap companies use an equity-only approach.



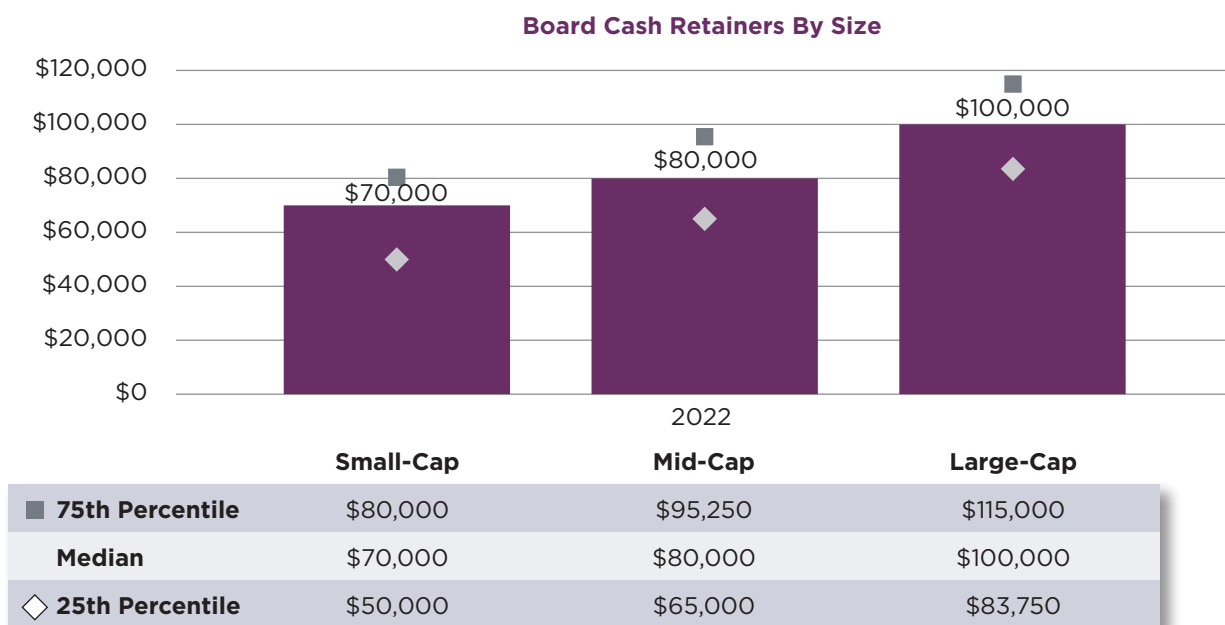
Retainer-only programs are the majority practice across all sectors.



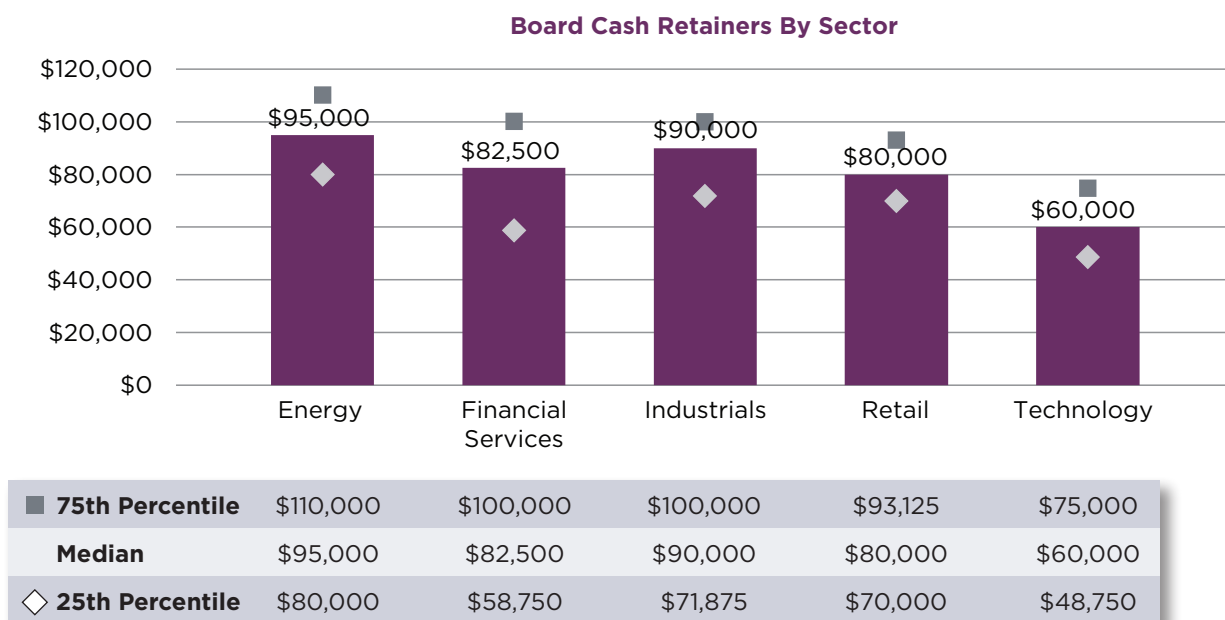
# BOARD CASH COMPENSATION

## Board Cash Retainers

At the median, large-cap company cash retainers increased from \$95,000 in 2021 to \$100,000 in 2022, stayed the same at \$80,000 at mid-cap companies, and increased from \$65,000 to \$70,000 at small-cap companies.



The Energy sector provides the highest board cash retainers followed by companies in the Industrials sector, while Technology companies provided the lowest cash retainer.



# BOARD CASH COMPENSATION

## Board Meeting Fees

The prevalence of board meeting fees continues to decline, with only 8% of the total sample using board meeting fees, down from 10% last year, and 15% two years ago. Board meeting fees are more common among smaller companies; however, the decline in prevalence of board meeting fees is observed among small-, mid-, and large-cap companies.

Board Meeting Fees By Size					Prior Year Meeting Fee Prevalence*
	Prevalence*	25th Percentile	Median	75th Percentile	
Small-Cap	13%	\$1,000	\$1,500	\$2,200	18%
Mid-Cap	7%	\$1,750	\$2,000	\$2,250	7%
Large-Cap	4%	\$2,000	\$2,500	\$4,500	6%

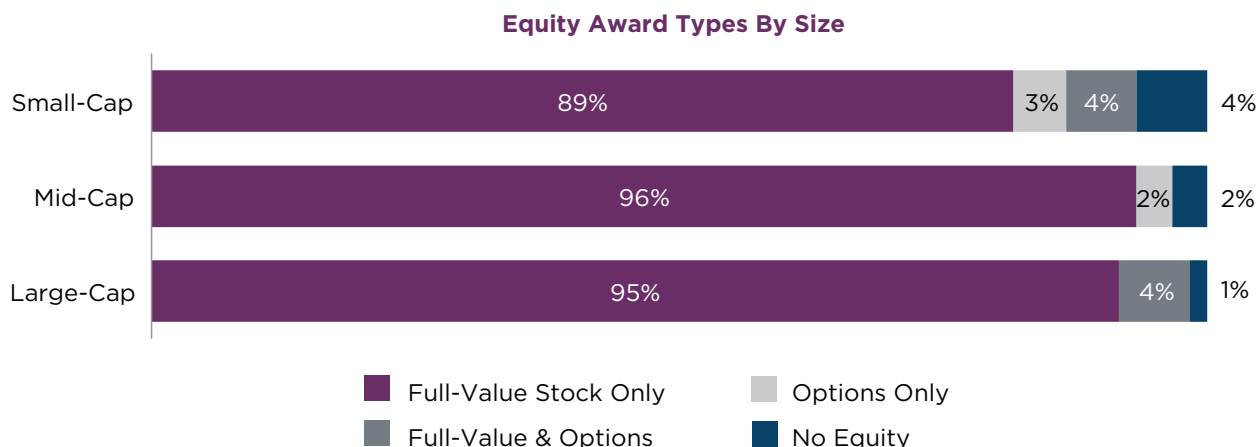
Board meeting fees are most prevalent in the Financial Services sectors, and least prevalent among Retail and Technology companies. The Energy and Financial Services industries typically pay a \$1,500 per meeting fee at the median, while the Industrials, Retail, and Technology sectors pay a per meeting fee ranging from \$1,850 to \$2,000 at the median.

Board Meeting Fees By Sector					Prior Year Meeting Fee Prevalence*
	Prevalence*	25th Percentile	Median	75th Percentile	
Energy	8%	\$1,000	\$1,500	\$2,000	13%
Financial Services	15%	\$1,000	\$1,500	\$7,500	19%
Industrials	7%	\$1,500	\$1,850	\$2,400	9%
Retail	5%	\$2,000	\$2,000	\$2,250	6%
Technology	5%	\$2,000	\$2,000	\$2,200	6%

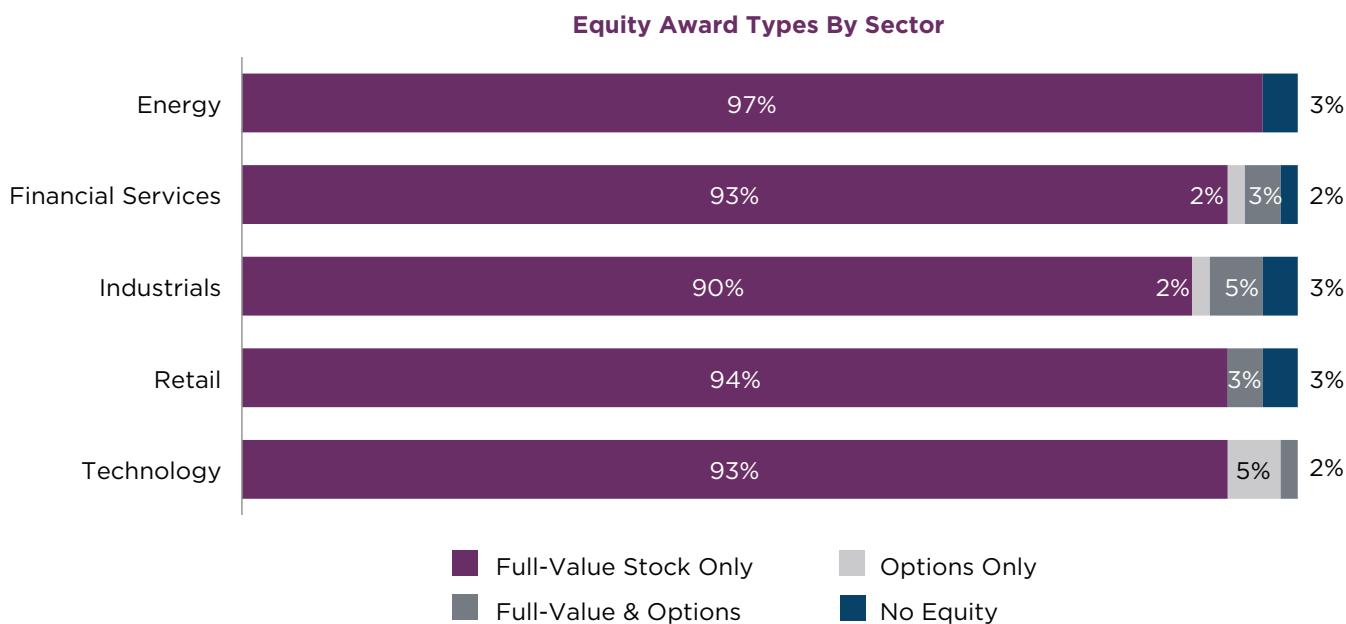
\*Prevalence statistics reflect companies that pay a fee starting with the first meeting in a year; across the entire sample, an additional 5% of companies (6% last year and 4% two years ago) provide a fee starting after a pre-set minimum number of meetings per year.

# 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. We continue to observe a decline in prevalence of option-only programs. Only 3% of the total sample provides a combination of full-value stock awards and options.



The prevalence of full-value awards is consistent across sectors as at least 90% of companies award equity in full-value awards. The prevalence of option awards in the Technology sector declined from 11% to 7%, and declined in the Industrial sector from 9% to 7% since last year.



# EQUITY AWARD DENOMINATION

Annual equity awards are almost always denominated 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. Approximately 96% of all companies (up from 94% a year ago) use a fixed-dollar approach for full-value awards. Approximately 100% of mid-cap and large-cap companies in the sample utilize dollar-denominated awards, and 94% of small-cap companies use dollar-denominated awards. Of the companies that grant options, practice is mixed between the use of share-denominated and dollar-denominated awards.

## Equity Award Denomination By Size: Percentage of Companies

	Full-Value Stock (Used by 96% of Companies)		Options (Used by 3% of Companies)	
	Dollar Value	Number of Shares	Dollar Value	Number of Shares
Small-Cap	94%	6%	40%	60%
Mid-Cap	98%	2%	50%	50%
Large-Cap	99%	1%	100%	0%

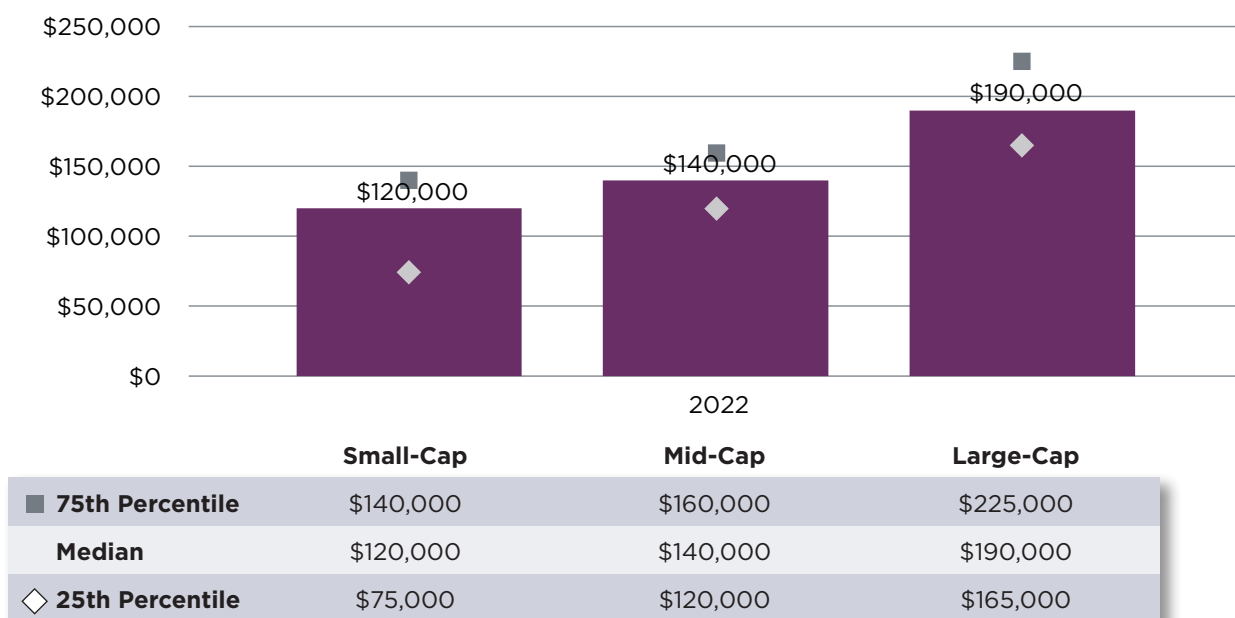
## Equity Award Denomination By Sector: Percentage of Companies

	Full-Value Stock (Used by 96% of Companies)		Options (Used by 3% of Companies)	
	Dollar Value	Number of Shares	Dollar Value	Number of Shares
Energy	98%	2%	N/A	N/A
Financial Services	95%	5%	0%	100%
Industrials	96%	4%	100%	0%
Retail	95%	5%	N/A	N/A
Technology	100%	0%	50%	50%

# EQUITY COMPENSATION VALUES

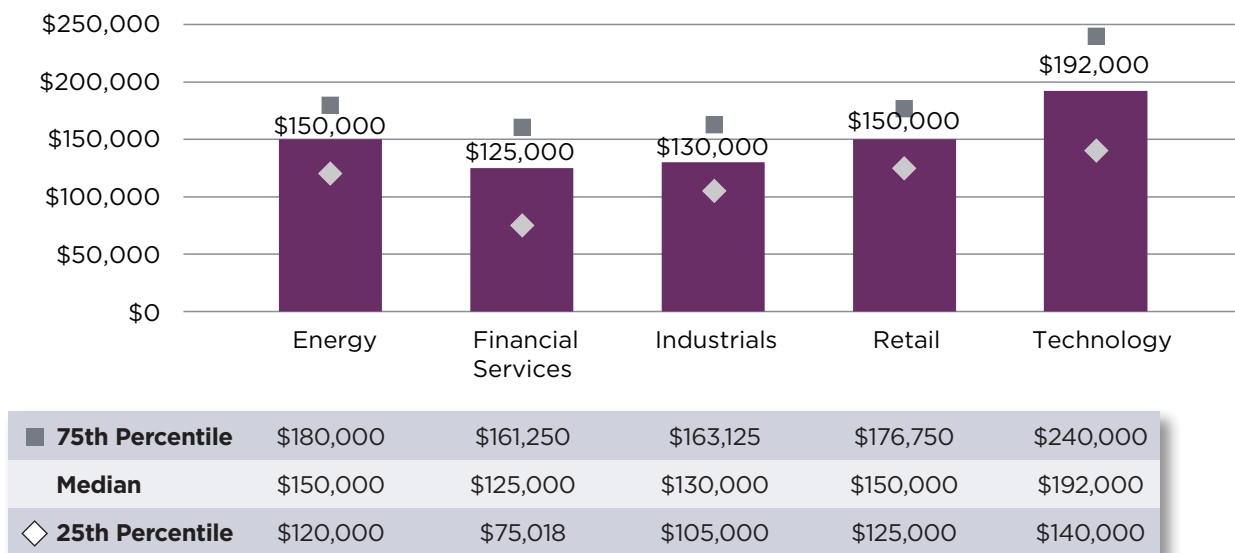
At the median, large-cap company equity retainers increased from \$181,000 in 2021 to \$190,000 in 2022, decreased slightly from \$143,500 to \$140,000 at mid-cap companies, and increased from \$110,000 to \$120,000 at small-cap companies.

Equity Compensation Value By Size



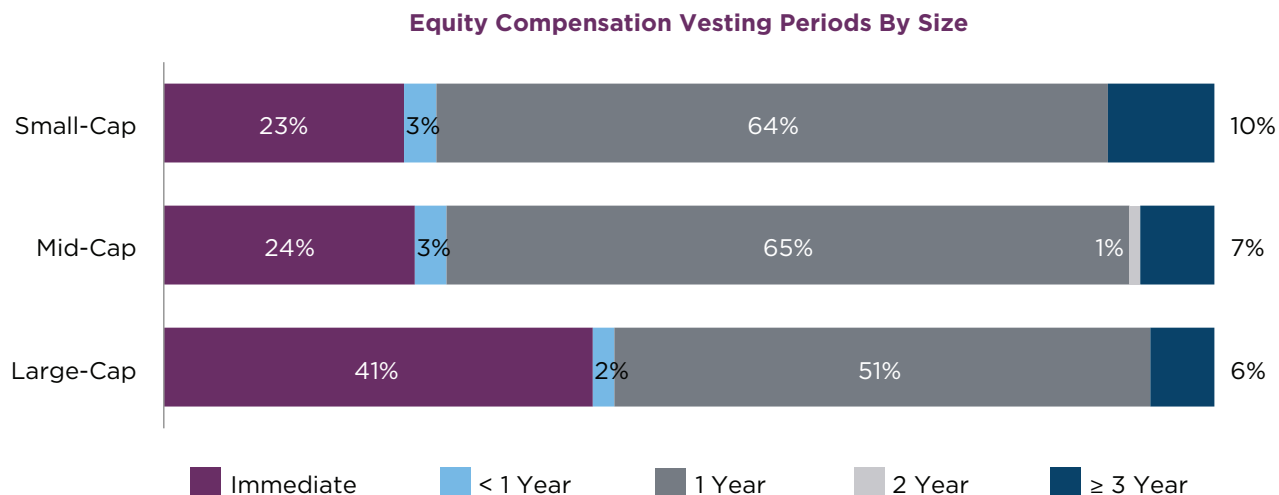
Equity compensation continues to be highest among Technology companies and lowest among Financial Services companies.

Equity Compensation Value By Sector



# EQUITY VESTING PRACTICES

Equity awards are typically subject to short vesting provisions (i.e., immediate or 1-year). Across all sizes and sectors, approximately 90% of companies utilize short vesting provisions, with the most prevalent approach being 1-year cliff vesting. A common practice is to align the annual Board service term with 1-year cliff vesting such that the equity award vests at the earlier of the anniversary of the grant or the next annual meeting. Approximately 40% of large-cap companies utilize immediate vesting, while only 23% of small-cap and 22% of mid-cap companies have immediate vesting. For companies that have vesting periods longer than 1-year, equity awards typically vest in installments (e.g., 3-year pro rata vesting).



# COMMITTEE MEMBER COMPENSATION

Committee service can be compensated through additional retainers paid in cash (or, more rarely, equity) and/or meeting fees. Sixty-two percent 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. Year-over-year, the prevalence of committee member retainers decreased by 2% and the use of meeting fees decreased by 1%.

Pay levels among Audit, Compensation, and Nominating & Governance committees were flat year-over-year. The Audit and Compensation committee member retainers were \$10,000, while the Nominating & Governance committee member retainer was \$7,500, at the median. Committee meeting fees typically range from \$1,000 to \$2,000.

	Committee Member Retainers			Committee Meeting Fees*		
	Audit	Compensation	Nominating & Governance	Audit	Compensation	Nominating & Governance
<b>Total Prevalence (2022)</b>	<b>52%</b>	<b>45%</b>	<b>42%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>
<b>Total Prevalence (2021)</b>	<b>54%</b>	<b>49%</b>	<b>45%</b>	<b>11%</b>	<b>11%</b>	<b>9%</b>
<b>Size (2022)</b>						
Small-Cap	48%	46%	42%	14%	14%	11%
Mid-Cap	61%	54%	52%	8%	8%	8%
Large-Cap	46%	36%	33%	7%	6%	7%
<b>Sector (2022)</b>						
Energy	45%	35%	30%	10%	8%	7%
Financial Services	45%	35%	35%	20%	20%	20%
Industrials	30%	28%	25%	7%	7%	7%
Retail	62%	53%	52%	7%	7%	7%
Technology	77%	75%	70%	5%	5%	3%
<b>Pay Levels (All Companies 2022)</b>						
75th Percentile	\$15,000	\$10,000	\$10,000	\$2,000	\$2,000	\$2,000
Median	\$10,000	\$10,000	\$7,500	\$2,000	\$1,500	\$1,500
25th Percentile	\$10,000	\$7,500	\$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 5% of companies, (6% last year, and 4% two years ago) provide a fee starting after a pre-set minimum number of meetings per year.



# 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; the audit committee chair retainer tends to be the highest, followed by the compensation committee chair retainer, and the nominating/governance committee chair retainer. In the total sample, the audit committee chair retainer is \$25,000, the compensation committee chair retainer is 20,000, and the nominating/governance committee chair is \$15,000, at the median.

The table below shows the prevalence and magnitude of retainers paid to directors who chair the audit, compensation, and nominating/governance committees. Most companies pay chair retainers in cash (94%), and a small minority pay in equity (2%) or a mix of cash and equity (4%).

Committee Chair Retainers (Inclusive of Any Member Retainers)									
	Audit			Compensation			Nominating & Governance		
Percentile	25th	Median	75th	25th	Median	75th	25th	Median	75th
<b>Size</b>									
Small-Cap	\$16,575	\$20,000	\$25,000	\$10,200	\$15,000	\$20,000	\$10,000	\$10,000	\$15,000
Mid-Cap	\$20,000	\$25,000	\$30,000	\$15,000	\$20,000	\$22,500	\$10,000	\$15,000	\$20,000
Large-Cap	\$25,000	\$29,000	\$35,000	\$20,000	\$20,000	\$26,250	\$15,000	\$20,000	\$20,000
<b>Sector</b>									
Energy	\$20,000	\$20,000	\$25,000	\$15,000	\$15,000	\$20,000	\$10,000	\$15,000	\$20,000
Financial Services	\$20,000	\$30,000	\$35,000	\$10,600	\$22,500	\$25,000	\$10,000	\$20,000	\$22,500
Industrials	\$20,000	\$20,000	\$25,000	\$15,000	\$15,000	\$20,000	\$10,000	\$15,000	\$17,250
Retail	\$20,000	\$25,000	\$30,000	\$17,500	\$20,000	\$25,000	\$15,000	\$15,000	\$20,000
Technology	\$20,000	\$25,000	\$33,250	\$15,000	\$18,000	\$25,000	\$10,000	\$13,000	\$20,000
<b>All Companies 2022</b>	<b>\$20,000</b>	<b>\$25,000</b>	<b>\$30,000</b>	<b>\$15,000</b>	<b>\$20,000</b>	<b>\$25,000</b>	<b>\$10,000</b>	<b>\$15,000</b>	<b>\$20,000</b>
Prevalence	96%			93%			90%		

# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

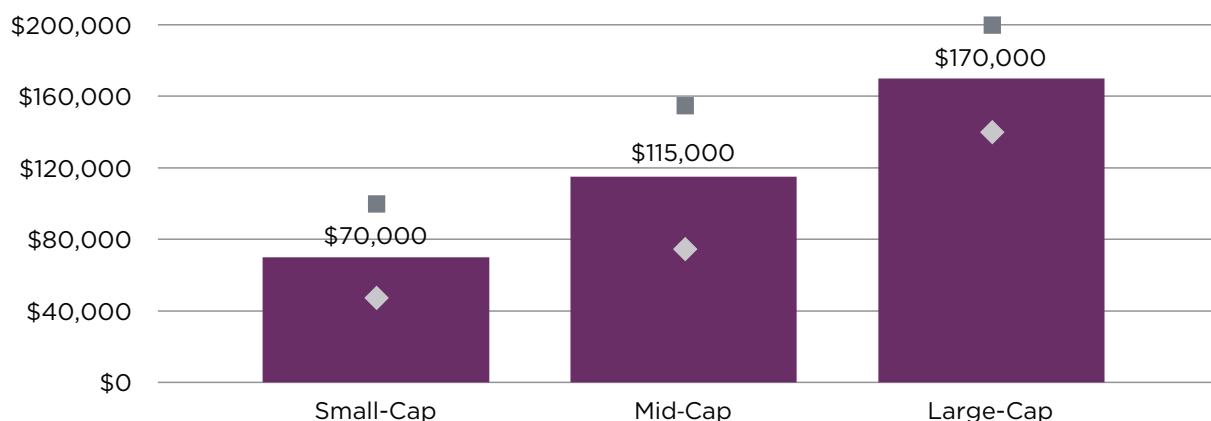
## Non-Executive Board Chair Retainer

There were 164 non-executive board chairs identified in this year's study, which is the same number of non-executive board chairs identified in the prior year's study. Of the non-executive board chairs identified this year, 147 (90%) are provided additional compensation over regular board member pay. Incremental compensation for non-executive board chairs is typically provided in cash (55%), followed by a combination of cash and equity (38%), and only equity (7%).

At the median, non-executive board chair retainers decreased from \$80,000 to \$70,000 among small-cap companies, increased from \$100,000 to \$115,000 among mid-cap companies, and increased from \$150,000 to \$170,000 among large-cap companies. Values in the table below exclude 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.

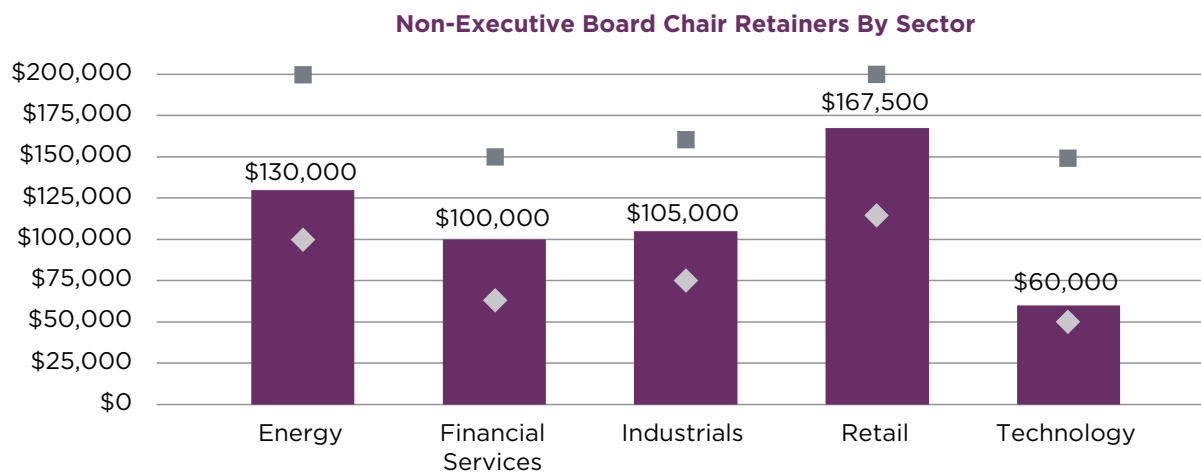
**Non-Executive Board Chair Retainers By Size**



# of Occurrences	51	51	45
■ 75th Percentile	\$100,000	\$155,000	\$200,000
◆ Median	\$70,000	\$115,000	\$170,000
◇ 25th Percentile	\$47,500	\$75,000	\$140,000

# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

Similar to last year, companies in the Retail sector provide the highest additional compensation for non-executive board chair service, while companies in the Technology sector provide the lowest additional compensation for non-executive board chair service.



# of Occurrences	32	23	31	26	35
■ 75th Percentile	\$200,000	\$150,000	\$160,000	\$200,000	\$150,000
Median	\$130,000	\$100,000	\$105,000	\$167,500	\$60,000
◇ 25th Percentile	\$100,000	\$63,750	\$75,000	\$115,000	\$50,000

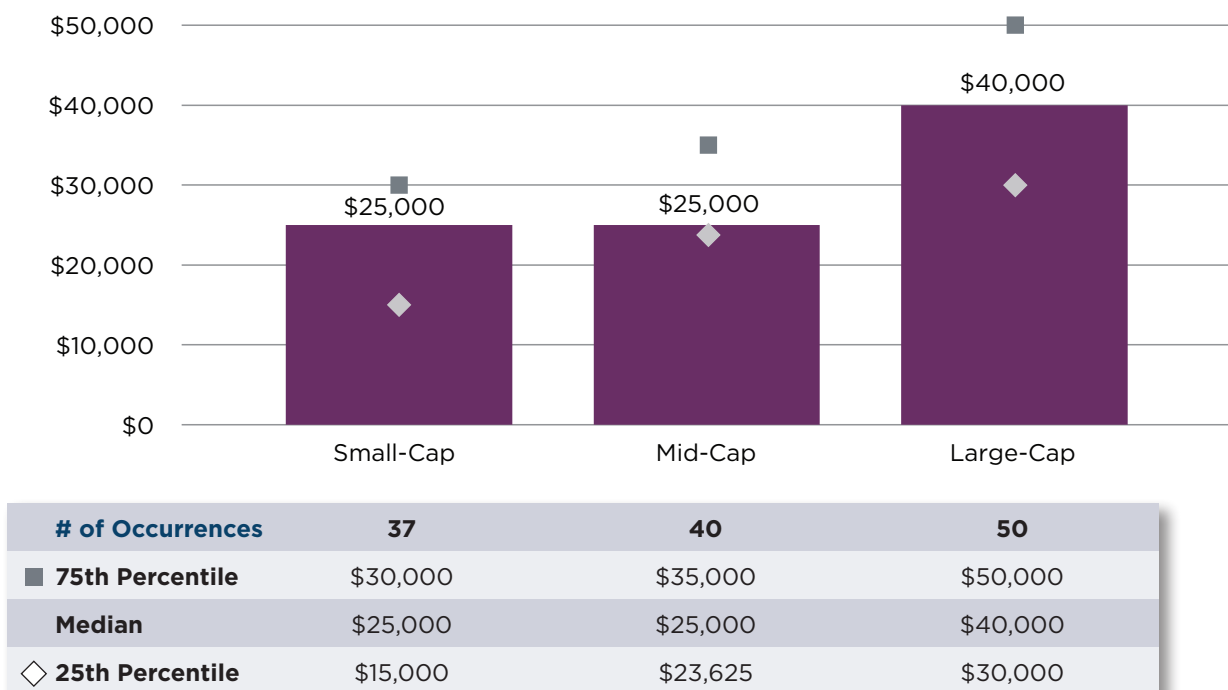
# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

## Lead Director Retainer

Of the 146 lead directors in this year's study, 127 (87%) 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 \$25,000 at small- and mid-cap companies to \$40,000 at large-cap companies.

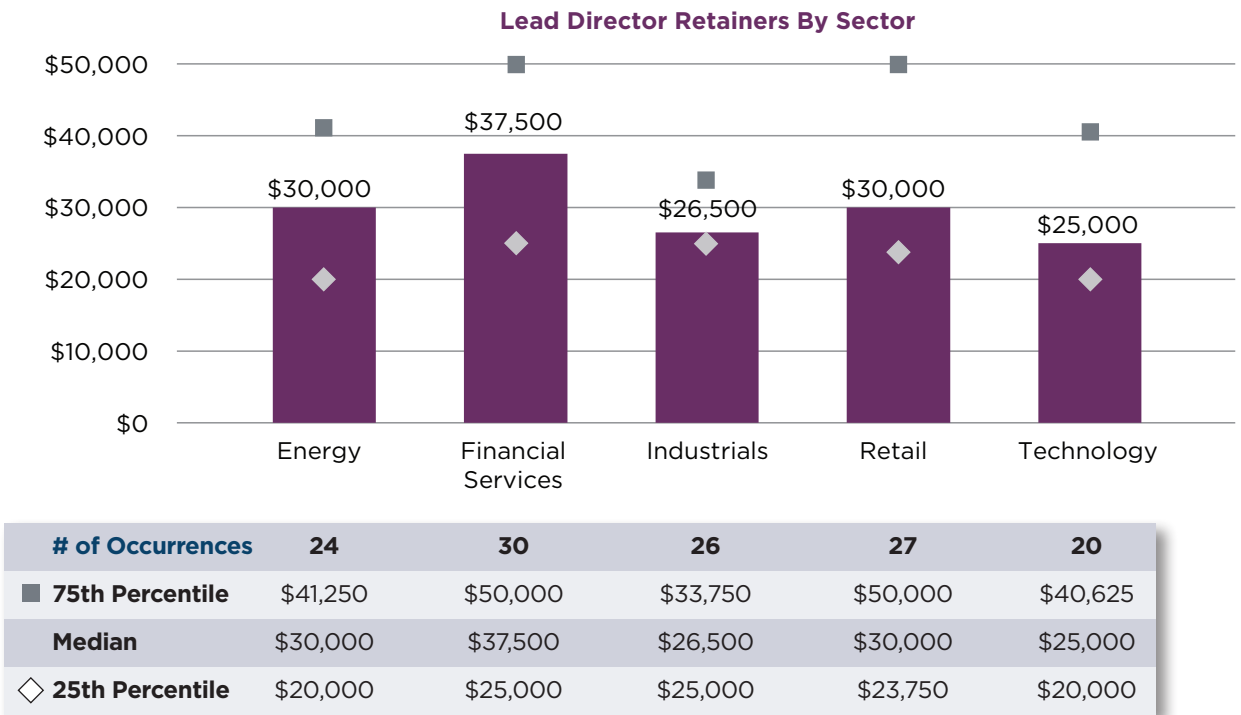
Median lead director retainers increased from \$22,500 to \$25,000 among small-cap companies, were flat at \$25,000 among mid-cap companies, and increased from \$37,500 to \$40,000 among large-cap companies. Values in the table below exclude companies that do not provide additional compensation to their lead director.

**Lead Director Retainers By Size**



# NON-EXECUTIVE BOARD CHAIR AND LEAD DIRECTOR COMPENSATION

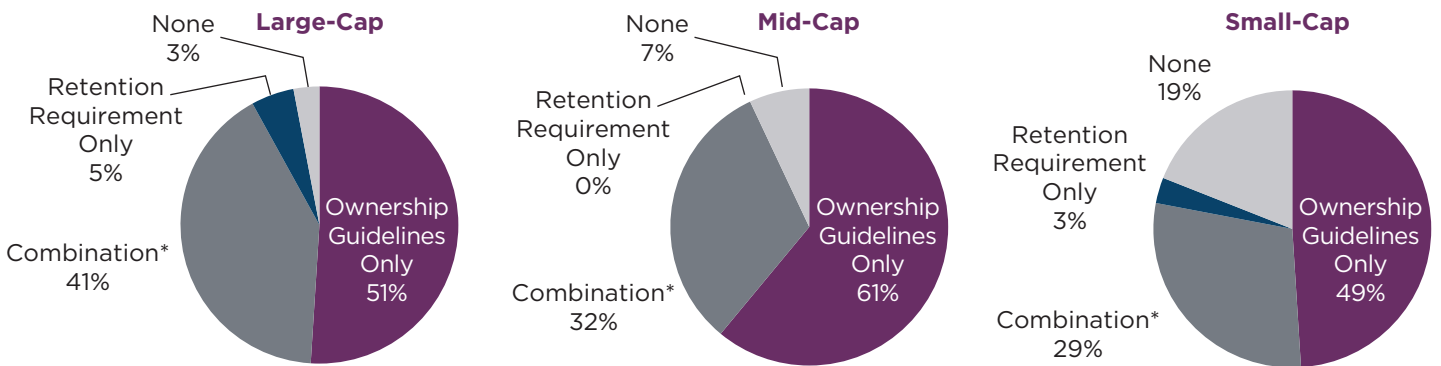
Similar to prior years, there is limited differentiation in pay amounts between industries, with lead director median retainers ranging from \$25,000 to \$37,500.



# STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS

Director stock ownership guidelines are in place at 88% of companies in our sample, particularly at large-cap and mid-cap companies, and have increased in prevalence year-over-year among the total sample (85% prevalence last year). 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 observed at large-cap companies) or (2) requiring retention of a percentage of “net after-tax shares” acquired, which is also known as a “retention ratio.”

Across all companies in the survey, 88% of companies have ownership guidelines and 37% have retention requirements.



\*Combination means the use of a retention requirement in addition to an ownership guideline

# STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS

## Retention Requirements

Similar to prior years, retention requirements remain most prevalent at large-cap companies, where 46% of companies maintain them. Among all companies, 62% apply a retention requirement until an ownership guideline is achieved, while 37% require directors to hold shares until retirement, either in the form of explicit requirements, or by granting deferred share units that settle at retirement.

Stock Retention Requirements				
	Small-Cap	Mid-Cap	Large-Cap	Overall
<b>Prevalence</b>	<b>32%</b>	<b>32%</b>	<b>46%</b>	<b>37%</b>
<b>Length Of Retention*</b>				
Until Retirement	28%	22%	54%	37%
Until Ownership Guideline Met	72%	78%	43%	62%
Fixed Years	0%	0%	2%	1%
<b>Vehicle for Requirement*</b>				
Retention Ratio	94%	94%	78%	87%
Deferred Stock Units (DSUs)	0%	3%	2%	2%
Retention Ratio and DSUs	6%	3%	20%	11%
<b>Retention Ratio**</b>				
100%	66%	65%	84%	73%
75%	3%	3%	4%	4%
50%	31%	29%	11%	22%
Other	0%	3%	0%	1%

\*Calculated out of companies disclosing retention requirements

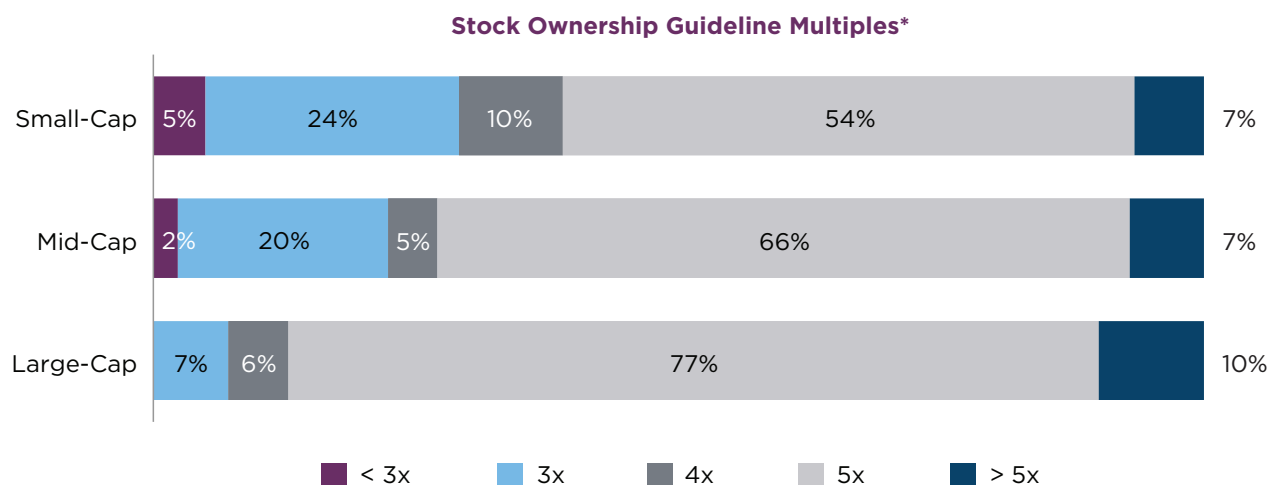
\*\*Calculated out of companies disclosing retention ratios

# STOCK OWNERSHIP GUIDELINES AND RETENTION REQUIREMENTS

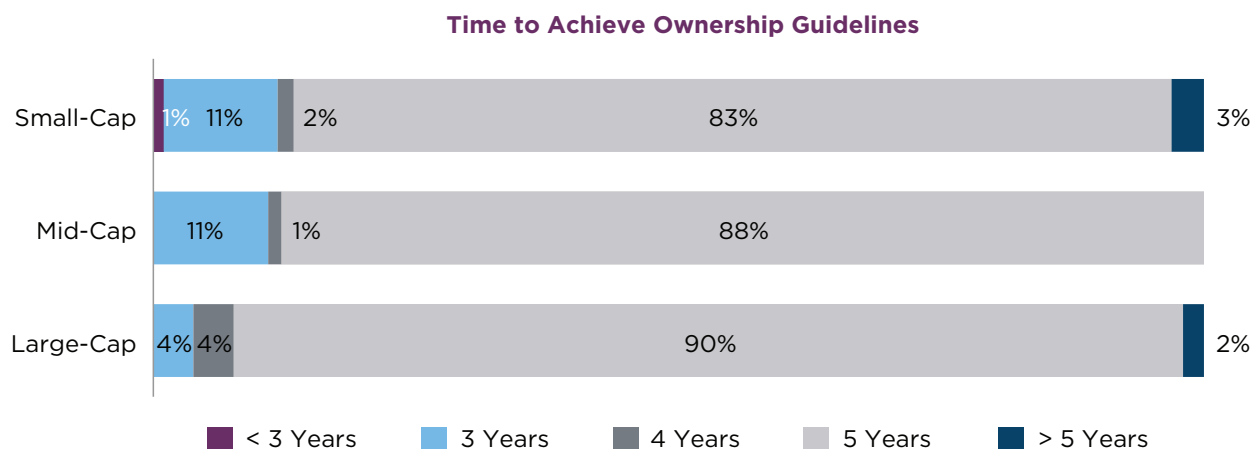
## Stock Ownership Guidelines

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 85% 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, mid-cap, and small-cap companies is 5x cash retainer. The prevalence of 5x cash retainer increased year-over-year from 50% to 54% among small-cap companies, 62% to 66% among mid-cap companies, and 71% to 77% among large-cap companies



Small-, mid-, and large-cap companies typically include a 5-year time period to achieve the prescribed stock ownership guidelines.



*\*Statistics reflect companies that define ownership guidelines as a multiple of cash retainer; across the entire sample, an additional 7% of companies define multiples based on either equity retainer or both cash and equity retainer*



# SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

Companies continue to include meaningful limits on annual compensation per director in shareholder-approved equity plans. In 2017, approximately 50% of the sample has such annual compensation limits, whereas in 2022, approximately 75% of companies have annual compensation limits. 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 viewed as providing more complete protection against a potential lawsuit, since case law does not seem to distinguish between cash and equity. However, legal developments in 2017 suggest that the protection provided by a limit may be less than previously believed.

The application of a limit is slightly more prevalent for Total Compensation than equity-only among the full sample of companies. Note that some companies raise or nullify the limit in special cases such as a director's first year of service, or for additional premiums for non-executive chairs or lead directors.

Annual Limits on Non-Employee Director Compensation				
	Small-Cap	Mid-Cap	Large-Cap	Overall
<b>Prevalence</b>	<b>60%</b>	<b>77%</b>	<b>79%</b>	<b>72%</b>
<b>Application of Limit*</b>				
Total Compensation	42%	58%	58%	54%
Equity Only	58%	42%	42%	46%
<b>Denomination of Equity Limit**</b>				
Dollar-Denominated	66%	78%	82%	75%
Share-Denominated	31%	22%	15%	23%
Both	3%	0%	3%	2%

\*Calculated out of companies disclosing limits

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

# SHAREHOLDER-APPROVED LIMITS ON ANNUAL DIRECTOR COMPENSATION

Median limits on total director pay range from \$500,000 (small-cap companies) to \$750,000 (large-cap companies) and typically equate to a multiple of approximately 2.5x to 2.7x 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, 2022, closing stock prices and for stock options the Black-Scholes valuation using and the latest disclosed ASC Topic 718 option valuation assumptions.

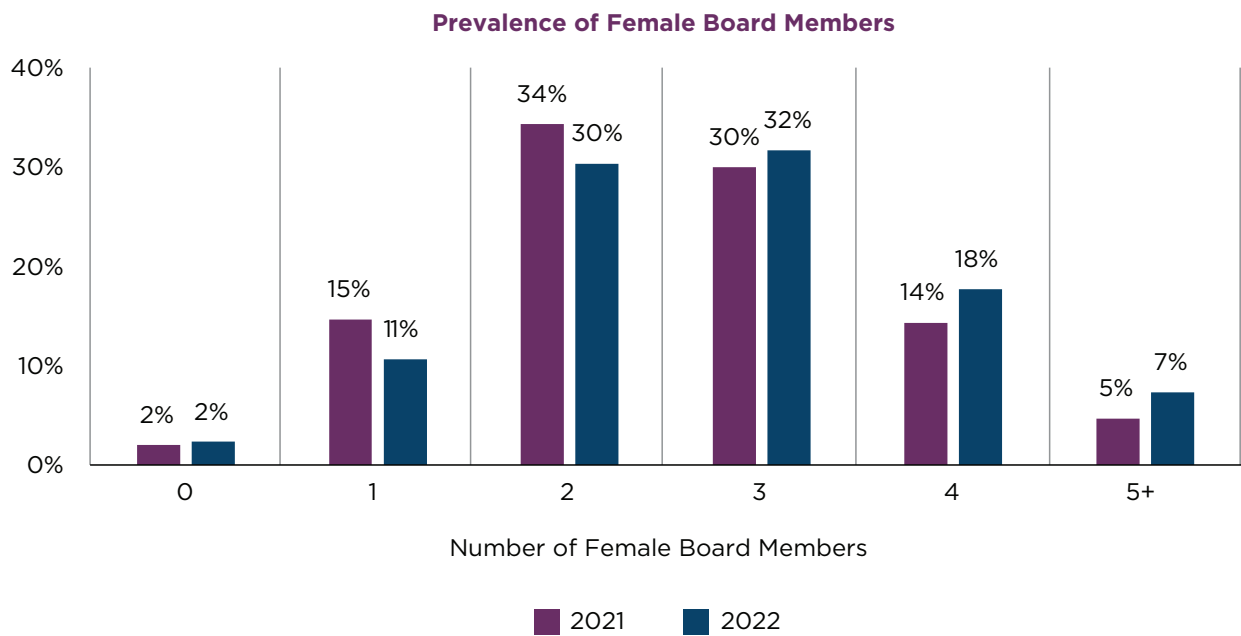
Percentile	Total Compensation Limit			Dollar-Denominated Equity Limit			Share-Denominated Equity Limit		
	25th	Median	75th	25th	Median	75th	25th	Median	75th
<b>Dollar Value of Limit</b>									
Small-Cap	\$500,000	\$500,000	\$650,000	\$437,500	\$500,000	\$500,000	\$622,750	\$2,541,000	\$4,500,454
Mid-Cap	\$500,000	\$600,000	\$750,000	\$400,000	\$600,000	\$750,000	\$1,433,175	\$1,671,600	\$4,960,100
Large-Cap	\$712,500	\$750,000	\$900,000	\$500,000	\$500,000	\$750,000	\$2,891,625	\$3,820,500	\$4,571,550
<b>Limit Multiple***</b>									
Small-Cap	2.0x	2.5x	3.0x	3.3x	3.7x	4.4x	7.9x	33.9x	42.4x
Mid-Cap	2.1x	2.7x	3.0x	2.9x	3.8x	4.8x	7.1x	16.5x	42.9x
Large-Cap	2.2x	2.6x	3.0x	2.5x	2.9x	3.3x	10.5x	16.0x	20.8x

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

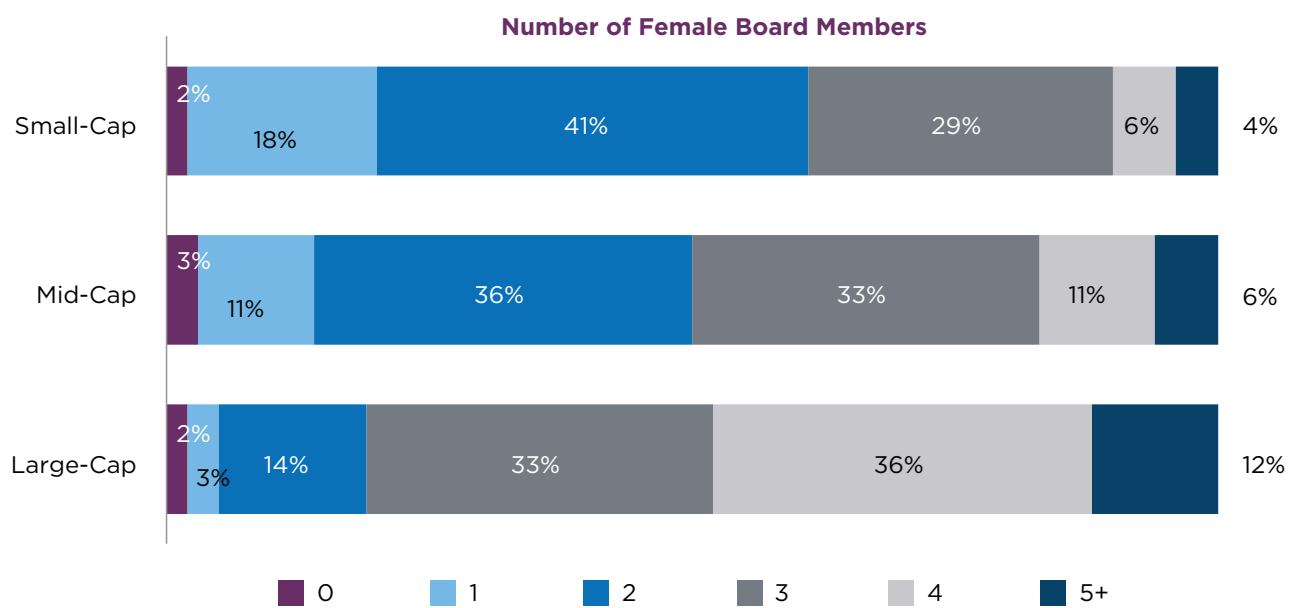
# WOMEN ON BOARDS AND WOMEN IN BOARD LEADERSHIP ROLES

## Women on Boards

The number of female board members increased slightly since last year. The chart below displays the prevalence of female board members in 2021 and 2022, respectively. Since the prior year, the trend is towards females representing a larger proportion of Boards.



Approximately 98% of small-, mid-, and large-cap companies have at least one female member. Multiple female member representation (i.e., three or more) is much stronger among large-cap companies (81%), compared to mid-cap (50%), and small-cap companies (39%).

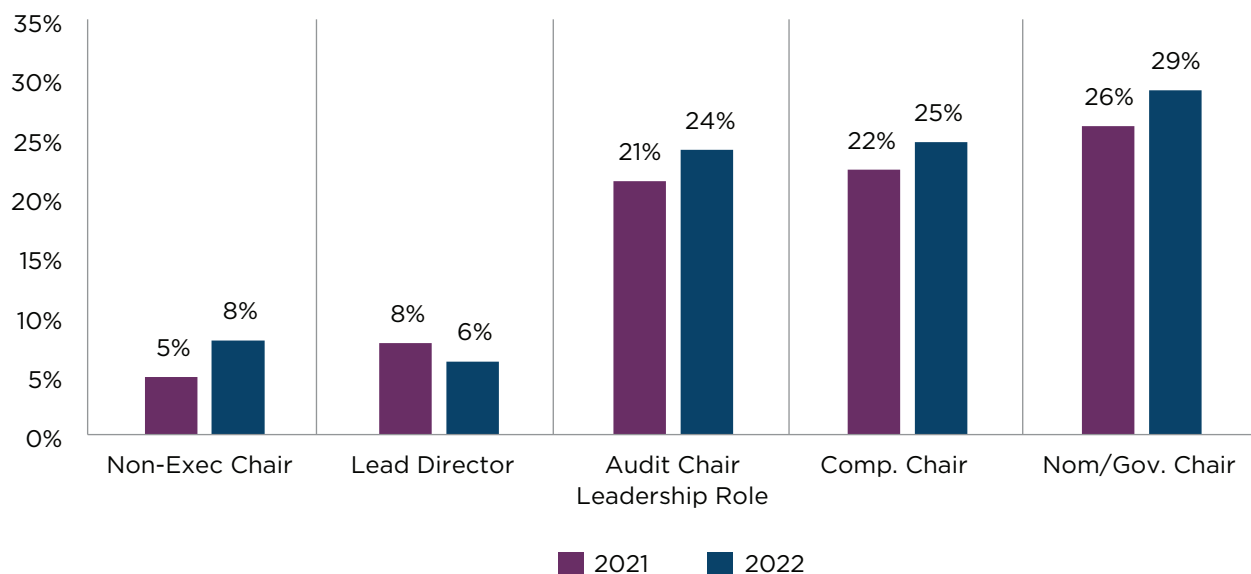


# WOMEN ON BOARDS AND WOMEN IN BOARD LEADERSHIP ROLES

## Women in Leadership Roles

Just 8% of Non-Executive Board Chair seats (up from 5% in 2021) and 6% of Lead Director seats (down from 8% in 2021) are filled by women. Female representation in committee chair seats increased by 3% among Audit, Compensation, and Nominating/Governance committee chair seats since last year.

Prevalence of Women in Leadership Roles



Large-cap companies have the highest prevalence of women in leadership roles, with approximately 10% of non-executive chair seats, approximately 4% of lead director seats, and approximately 30% of committee chair seats.

Prevalence of women holding Committee Chair roles ranges from 18% to 31% among the Audit, Compensation, and Nominating/Governance Committees (across the entire data sample).

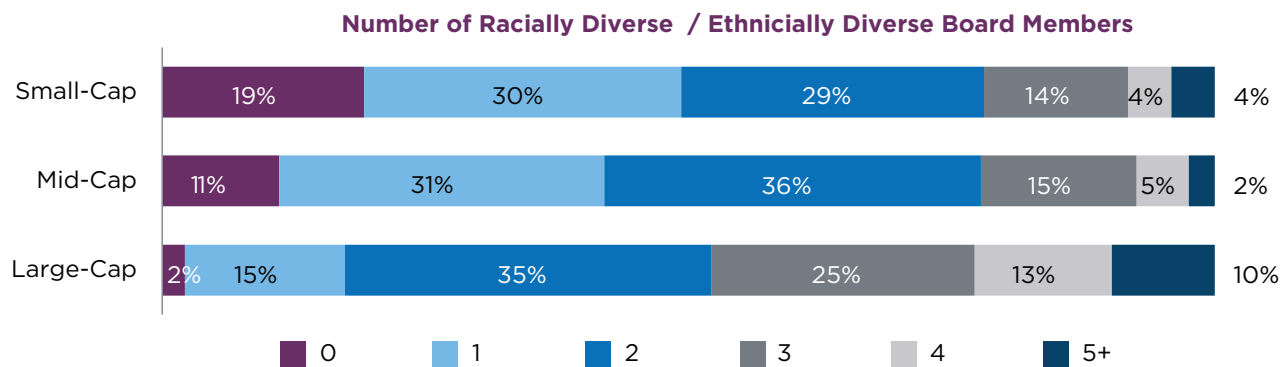
Women In Leadership Roles				
	Small-Cap	Mid-Cap	Large-Cap	Overall
<b>Board Leadership</b>				
Non-Executive Board Chair	7%	7%	10%	8%
Lead Director	7%	9%	4%	6%
<b>Committee Leadership</b>				
Audit Chair	25%	18%	29%	24%
Compensation Chair	22%	24%	28%	25%
Nominating & Governance Chair	25%	31%	31%	29%

# RACIALLY/ETHNICALLY DIVERSE AND LGBTQ+ BOARD MEMBERS

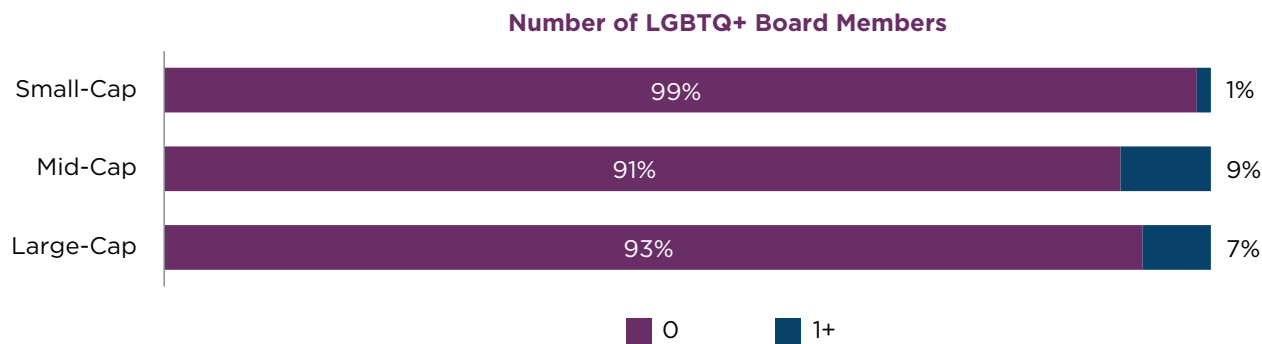
## Racially/Ethnically Diverse and LGBTQ+ Board Members

In August 2021, the Nasdaq Stock Exchange approved new rules that require companies listed on the U.S. exchange to appoint at least two diverse directors (one who identifies as female and one who identifies as a racial or ethnic minority, or as LGBTQ+). If a company does not meet the required rule, the company must publicly disclose why not.

The chart below presents the prevalence of racially or ethnically diverse Board members among small-, mid-, and large-cap companies. Approximately 50% of small-cap companies 60% of mid-cap companies, and 85% of large-cap companies have at least two racially/ethnically diverse Board members.



In the total sample, 7% of large-cap companies, 9% of mid-cap companies, and 1% of small-cap companies have a Board member who identifies as LGBTQ+.



# LIST OF COMPANIES SURVEYED

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1-800-FLOWERS.COM, Inc.  
3M Company  
AAR Corp.  
Abercrombie & Fitch Co.  
Accenture plc  
Acushnet Holdings Corp.  
Adobe Inc.  
Advance Auto Parts, Inc.  
Advanced Energy Industries, Inc.  
Aflac Incorporated  
Alamo Group Inc.  
Alleghany Corporation  
Amazon.com, Inc.  
American Eagle Outfitters, Inc.  
American Express Company  
American Software, Inc.  
Amkor Technology, Inc.  
Analog Devices, Inc.  
Antero Midstream Corporation  
APA Corporation  
Apartment Investment and Management Company  
Applied Industrial Technologies, Inc.  
Applied Optoelectronics, Inc.  
ArcBest Corporation  
Arch Resources, Inc.  
Archrock  
Armstrong World Industries, Inc.  
Arthur J. Gallagher & Co.  
Atlas Air Worldwide Holdings, Inc.  
AutoZone, Inc.  
Axcelis Technologies, Inc.  
B. Riley Financial, Inc.  
Baker Hughes Company  
Banc of California, Inc.  
Bank of America Corporation  
Beacon Roofing Supply, Inc.  
Bed Bath & Beyond Inc.  
Best Buy Co., Inc.  
Big 5 Sporting Goods Corporation  
Big Lots, Inc.  
BlackRock, Inc.  
Bloomin' Brands, Inc.  
Booking Holdings Inc.  
Brown & Brown, Inc.  
Burlington Stores, Inc.  
Cactus, Inc.  
Cadence Design Systems, Inc.  
Caesars Entertainment, Inc.  
Caleres, Inc.  
Callon Petroleum Company  
Camden National Corporation  
CarMax, Inc.  
Cass Information Systems, Inc.  
Cathay General Bancorp  
Centennial Resource Development, Inc.  
Central Pacific Financial Corp.  
Chevron Corporation  
Cincinnati Financial Corporation  
Citizens Financial Group, Inc.  
Citrix Systems, Inc.  
CNO Financial Group, Inc.  
CNX Resources Corporation  
Cognex Corporation  
Cognizant Technology Solutions Corporation  
Cohu, Inc.  
Columbia Sportswear Company  
Comerica Incorporated  
Commerce Bancshares  
Conn's, Inc.  
ConocoPhillips  
Consol Energy  
Continental Resources, Inc.  
CoStar Group, Inc.  
Cowen Inc.  
Crawford & Company  
Crocs, Inc.  
CrowdStrike Holdings, Inc.  
CSG Systems International, Inc.  
CSW Industrial  
CTS Corporation  
Cullen Frost Bankers  
Cummins Inc.  
CURO Group Holdings Corp.  
CVB Financial Corp.  
DCP Midstream, LP  
Deere & Company  
Dell Technologies Inc.  
Delta Air Lines, Inc.  
Devon Energy Corporation  
DICK'S Sporting Goods, Inc.  
Digi International Inc.  
Digimarc Corporation  
Dillard's, Inc.  
DMC Global Inc.  
DocuSign, Inc.  
Dolby Laboratories, Inc.  
Dollar General Corporation  
Dollar Tree, Inc.  
Domino's Pizza, Inc.  
Donegal Group Inc.  
Donnelley Financial Solutions, Inc.  
Dorman Products, Inc.

# LIST OF COMPANIES SURVEYED

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Dover Corporation	Intuit Inc.
DraftKings Inc.	Itron, Inc.
DT Midstream	Jacobs Engineering Group Inc.
Duke Realty Corporation	Kelly Services, Inc.
eGain Corporation	Kennametal Inc.
Ellington Financial Inc.	Kimball Electronics, Inc.
Ennis, Inc.	Kinder Morgan, Inc.
Enova International, Inc.	Kirkland's, Inc.
EnPro Industries, Inc.	KLA Corporation
Enterprise Products Partners L.P.	Kohl's Corporation
EOG Resources, Inc.	Lakeland Financial Corp
Evercore Inc.	Lands' End, Inc.
Everi Holdings Inc.	Laredo Petroleum, Inc.
Expeditors International of Washington, Inc.	Lattice Semiconductor Corporation
Exxon Mobil Corporation	Lincoln Electric Holdings
Fastly, Inc.	Lincoln National Corporation
Foot Locker, Inc.	Lockheed Martin Corporation
FormFactor, Inc.	Lowe's Companies, Inc.
Fortive Corporation	MACOM Technology Solutions Holdings, Inc.
Fossil Group, Inc.	Macy's, Inc.
FuelCell Energy, Inc.	Marathon Petroleum Corporation
GAMCO Investors, Inc.	MarineMax, Inc.
GameStop Corp.	Marten Transport
GATX Corporation	Matador Resources
General Dynamics Corporation	Matrix Service Company
General Electric Company	Maximus, Inc.
Genesis Energy, L.P.	MetLife, Inc.
German American Bancorp, Inc.	MGIC Investment Corporation
Gibraltar Industries, Inc.	Micron Technology, Inc.
Global Partners LP	Microsoft Corporation
Graham Holdings Company	Model N, Inc.
Green Dot Corporation	Morgan Stanley
Green Plains Inc.	MPLX LP
Griffon Corporation	Mr. Cooper Group Inc.
Halliburton Company	Murphy Oil Corporation
Hanesbrands Inc.	MYR Group
Hannon Armstrong	NCR Corporation
Harmonic Inc.	NetApp, Inc.
Haverty Furniture Companies, Inc.	New Fortress Energy
Healthcare Realty Trust Incorporated	Newpark Resources, Inc.
Helix Energy Solutions Group, Inc.	Nielsen Holdings
Heritage Commerce Corp	Nordstrom, Inc.
Heritage Financial Corporation	Northern Oil and Gas, Inc.
Hertz Global Holdings	Northrop Grumman Corporation
Hess Corporation	NOV Inc.
HNI Corp.	Novanta Inc.
HollyFrontier Corporation	Nustar Energy LP
HP Inc.	NV5 Global
ICF International	Occidental Petroleum Corporation
IES Holdings, Inc.	Oil States International, Inc.
Intel Corporation	Omega Flex, Inc.

# LIST OF COMPANIES SURVEYED

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ONEOK, Inc.	Tanger Factory Outlet Centers, Inc.
OneSpan Inc.	Target Corporation
Oracle Corporation	Tempur Sealy International, Inc.
Overstock.com, Inc.	Tenneco Inc.
PBF Energy Inc.	Tetra Tech, Inc.
PC Connection, Inc.	The Allstate Corporation
PDC Energy	The Children's Place, Inc.
Peabody Energy Corporation	The Container Store Group, Inc.
Penske Automotive Group, Inc.	The First Bancshares, Inc.
PGT Innovations, Inc.	The Hartford Financial Services Group, Inc.
Phillips 66	The Home Depot, Inc.
Pioneer Natural Resources Company	The ODP Corporation
Plains All American Pipeline LP	The TJX Companies, Inc.
Playa Hotels & Resorts N.V.	The Travelers Companies, Inc.
Plug Power Inc.	The Williams Companies, Inc.
Preformed Line Products Company	Thermon Group Holdings, Inc.
Premier Financial Corp.	Tower Semiconductor Ltd.
Q2 Holdings, Inc.	Tractor Supply Company
Range Resources Corp	Trimble Inc.
Ranger Oil Corp	Triumph Group, Inc.
Rapid7, Inc.	TTEC Holdings, Inc.
Regal Beloit Corporation	TTM Technologies, Inc.
Reinsurance Group of America	Tucows Inc.
Renewable Energy Group, Inc.	United Parcel Service, Inc.
Resources Connection, Inc.	United Rentals, Inc.
Ribbon Communications Inc.	Valero Energy Corporation
Rogers Corporation	Varonis Systems, Inc.
Rollins, Inc.	Veritex Holdings
Ross Stores, Inc.	Viad Corp
RPC, Inc.	Viavi Solutions Inc.
Ryder System, Inc.	Virtu Financial, Inc.
Sally Beauty Holdings, Inc.	Voya Financial, Inc.
Schlumberger Limited	W&T Offshore, Inc.
Scholastic Corporation	Waste Connections, Inc.
SecureWorks Corp.	Waste Management, Inc.
SEI Investments Co.	Webster Financial Corp.
Shake Shack Inc.	Wells Fargo & Company
Shoe Carnival, Inc.	Western Alliance Bancorporation
Simmons First National Corporation	Western Digital Corporation
SM Energy Company	Western Midstream Partners, LP
Smartsheet Inc.	Williams-Sonoma, Inc.
Southwestern Energy Company	WillScot Mobile Mini Holdings
Spirit Airlines, Inc.	Woodward, Inc.
Stanley Black & Decker, Inc.	Workiva Inc.
Steven Madden, Ltd.	World Fuel Services
Sunoco LP	Xylem Inc.
T. Rowe Price Group, Inc.	Zions Bancorporation, National Association
Talos Energy	Williams-Sonoma, Inc.



# FW COOK PROFILE

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