



THE BDO 600

2020 Study of Board Compensation Practices
of 600 Mid-Market Public Companies



Table of Contents

INTRODUCTION 1

BOARD COMPENSATION IN A COVID-19 CLIMATE 2

THOUGHT LEADERSHIP: INSIGHTS FROM ACTING BOARD MEMBERS 4

METHODOLOGY 5

BOARD COMPENSATION PRACTICES 6

 OVERALL RESULTS 6

 SUMMARY OF FINDINGS 6

 STUDY BY COMPANY SIZE 8

 STUDY BY INDUSTRY..... 12

TRENDS IN BOARD STRUCTURE AND COMPENSATION 22

ABOUT BDO'S GLOBAL EMPLOYER SERVICES PRACTICE 26

CONTACT US BACK COVER

BDO'S GLOBAL EMPLOYER SERVICES PRACTICE

BDO's Global Employer Services practice consists of an experienced and dedicated team of professionals who are committed to assisting leadership and boards with developing strategies and compensation programs designed to attract, retain and reward the executive team. Our services include designing and benchmarking executive compensation programs, including cash- and equity-based programs, board remuneration, compensation committee development, nonqualified and deferred compensation plans, advising on compensation-related tax and accounting issues and other related services.

Our services are tailored, scalable and designed to accommodate the unique needs of public, private and nonprofit clients of all sizes and across all industries, including multinational Fortune 500 companies.

Introduction

The global pandemic has disrupted and amplified the role of boards of directors across industries. The boards of directors' traditional roles of strategic planning and general risk management were already evolving; the disruption of COVID-19 has accelerated this evolution and amplified these roles and the hours board directors are investing. While director pay levels have been increasing over time, the trend toward fixed-fee retainers and away from per-meeting fees has limited the ability of organizations to reimburse board members for the countless hours they have invested in attending meetings to support the organization in response to this crisis. While the number of meetings and directors' workloads have increased, scrutiny is intensifying around compensation practices for boards and the executives whose pay they monitor. A deeper understanding of board compensation trends has never been more critical to attract, retain and appropriately compensate talented board members who provide the oversight necessary for companies to succeed in an increasingly dynamic and complex marketplace.

ABOUT THE BDO 600 STUDY

The 14th annual BDO 600 study details director and select boards' compensation practices of 600 middle-market public companies by reviewing the key components of pay packages and providing comparisons by company size and industry. The BDO 600 examines companies in the following industries:



ENERGY



FINANCIAL SERVICES—BANKING



FINANCIAL SERVICES—NONBANKING



HEALTHCARE



MANUFACTURING



REAL ESTATE



RETAIL



TECHNOLOGY

Companies in the six nonfinancial service industries have annual revenues between \$100 million and \$3 billion. Companies in the two financial services industries have assets between \$100 million and \$6 billion. All data in our study were extracted from proxy statements filed between April 2019 and March 2020. Consolidated proxy data were provided by Salary.com.

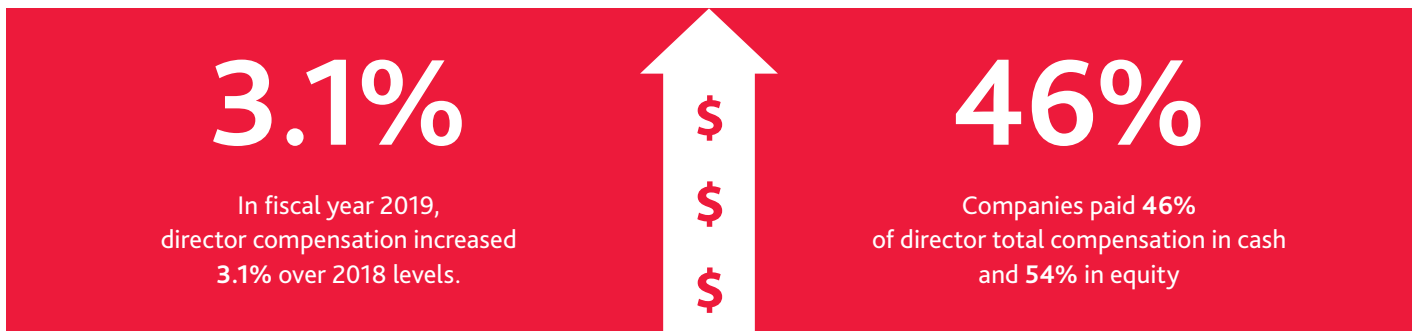
This study is unique in the industry because it focuses on middle-market public companies. Most board compensation studies focus on larger companies. The BDO 600 provides insight as to how companies are paying for board-level talent and addresses a variety of board structure issues including gender diversity.

In addition to compensation levels, BDO collected and analyzed data on board compensation and addresses recent trends for the 600 companies in the study. Data are reported by company size and industry and are categorized, as follows:

1. Board structure
2. Total board fees
3. Compensation of chairpersons and lead directors
4. Stock ownership guidelines
5. Representation of women on boards

Findings are outlined in the Trends in Board Structure and Compensation section of this report.

Board Compensation in a COVID-19 Climate



2020 has been a time of exceptional challenges and changes. Our report focuses on pay levels as reported in the 2020 proxies, which reflect a pre-COVID-19 world. While pay increased just over 3% in 2019, director compensation has not avoided the impact of the pandemic. Research of the BDO 600 companies' 8K SEC filings between March and June 2020 found that 14% of organizations reduced board member pay levels by 50% for an average of six months.

Board compensation programs must balance the declining economy brought on by the pandemic with an ever-changing array of complex challenges that boards are being tasked with addressing:

- ▶ Changing regulations, technology advances, supply chain disruptions, risk impacts and globalization, all of which require directors with experience and foresight.
- ▶ Institutional investors flexing their muscles to influence boards. Recent studies suggest that institutional investors hold close to 70% of the ownership of public companies with a voting participation rate of 91%.
- ▶ Activists continuing to use the boardroom as a way to influence the strategic direction of companies.

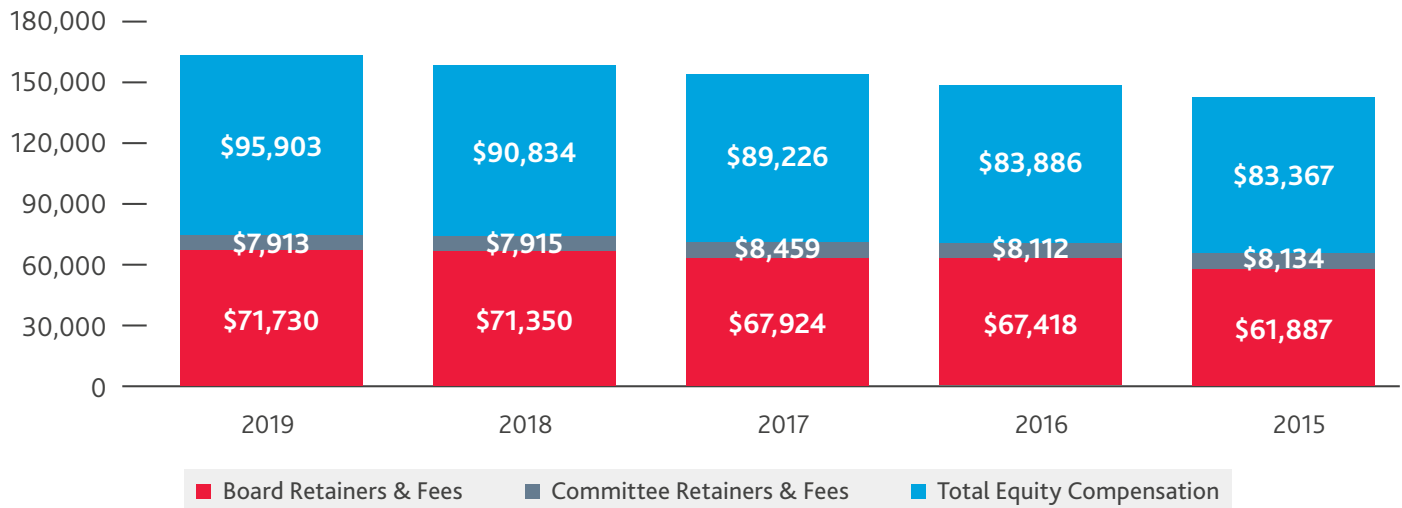
As such, corporate boards of directors have been under heightened pressure, even since before the pandemic. While pay has increased, it is not clear that the increase has kept pace with the evolving challenges required for boards of directors to address.

Board members' retainers and fees increased by an annualized rate of 3.3% since 2015, and total compensation has increased by 3.4% on an annualized basis.

DISCLOSED SALARY REDUCTIONS OF BDO 600 COMPANIES

	Board of Directors
Percent disclosing pay reductions	14%
Median decrease	-50%
Median number of months	6

FIVE-YEAR TREND IN DIRECTORS' COMPENSATION, 2015-2019



While 3.3% is more than the typical salary increase, one needs to ask if it aligns with the increasingly long list of issues for which board members are accountable in their oversight roles, including exceedingly complex matters related to:

- ▶ Board composition, including diversity—currently 21% of public company directors are female
- ▶ Enterprise risk management
- ▶ Cybersecurity
- ▶ Compliance
- ▶ Executive compensation
- ▶ Financial reporting and disclosure
- ▶ Succession planning
- ▶ Emergency preparedness and response
- ▶ Emerging areas including environmental, social and governance (ESG) initiatives and disclosure

COVID-19 amplified many of these issues and created urgency around change. These changes include increased scrutiny of “excess pay” by proxy advisory firms. [Glass Lewis](#) made their guidance clear: “Trying to make executives whole at even further expense to shareholders and other employees is a certainty for proposals to be rejected and boards to get thrown out—and an open invitation for activists and lawsuits onto a company’s back for years to come. Even those companies [that] project a ‘business as usual’ approach to executive pay will face opposition if employees and shareholders see their own ‘paychecks’ cut. Companies would be wise to avoid this.”

For companies experiencing reduced cash flow, reductions in pay, in staff, or both have been necessary to keep companies financially viable. Other compensation-related changes included modifying goals or changing payout schedules and, in some cases, implementing deferral arrangements. Again, the proxy advisory firms have been clear that saving money at the expense of employees should not translate into increased pay levels for executives. Glass Lewis expressed concern that we may see “...‘crocodile tears’ for maintaining, or even increasing, executive pay.” As such, for named executive officers (NEOs), companies may want to assess carefully their financial situation and consider delaying pay increases. As they respond to the COVID-19 pandemic, boards will be well advised to make it clear that they are thinking beyond just their executive suite.

Thought Leadership: Insights From Acting Board Members

BDO presents thought leadership and insights from the boardroom. This year we have several timely articles and podcasts bringing you insights directly from board members:

Insights from a Board Director: LoriAnn Lowery-Biggers, CEO and Cofounder of Bella Vaughan, Inc.

LoriAnn Lowery-Biggers, who has deep expertise serving on various corporate boards of directors and chairing board committees, reflects on events that may shape future director pay and practices and discusses compensation, transparency, board structure, diversity of skills, directors' time requirements and risks. She shares her perspective with BDO's National Assurance Partner Amy Rojik. Their discussion probed behind the numbers to examine the realities and challenges facing boards of directors.

Read the [full article](#).



Insights from Board Member Betsy Atkins, CEO and Founder of Baja Corporation

[Amy Rojik](#), BDO National Assurance Partner, recently sat down with Betsy Atkins, CEO and founder of Baja Corporation and a deeply experienced corporate executive and highly accomplished board member, who reflected on and shared her thoughts, experiences and advice for being a proactive director during such challenging times. The following captures key takeaways from their recent national [webinar](#) conversation and runs the gamut from matters related to human capital, responsibilities of the board for emerging risks, communication and engagement, as well as issues that are percolating on the horizon.

Read the [full article](#).

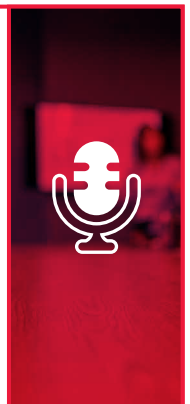


BDO in the Boardroom Podcast Series

BDO in the Boardroom is a podcast series for boards of directors and those charged with companies' governance. Each episode features a topical discussion with board peers and subject-matter experts on a variety of trending and timeless boardroom issues including:

- ▶ Navigating your board career: From landing your first board seat to succession planning.
- ▶ Risk management: From identifying to mitigating risk in a digital world.
- ▶ Oversight from the boardroom: From crisis response and M&A to shareholder activism.
- ▶ Engaging and communicating with stakeholders: From corporate reporting to evolving ESG matters.

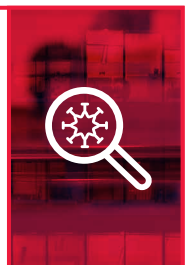
Listen to ["BDO in the Boardroom" episodes](#).



BDO Board Pulse Survey – Fall 2020

Company boards have had to respond quickly and nimbly to the risks and challenges posed by the sudden onset of the global health crisis, economic turmoil and civil unrest and outrage over continued inequality—all without compromising long-term business viability. Released in September, this survey examines responses from 280 corporate directors and reveals how public company boards are meeting new demands during this time of uncertainty.

Read the [full report](#).



METHODOLOGY

The data collected from the 600 companies in the sample represent the compensation policy in effect at each company's fiscal year-end, as disclosed in the director compensation narrative in public filings. We analyzed the data in aggregate by the standard four components of compensation: board retainers and fees, committee retainers and fees, stock options and full-value stock awards.

Year-over-year analysis is based on the average change in overall pay levels. Starting in 2020, BDO updated our methodology for calculating year-over-year pay increases. We now calculate the average of year-over-year changes in pay, company by company. In the past we compared current year average pay to the prior year average pay as published. Each report typically represents a slightly different array of companies because of delistings, mergers and other circumstances. This year, the tables show the 2019 pay data and the net change in pay levels. We no longer show the data from the prior year's report since that is no longer being used as a point of comparison.

TYPES OF COMPENSATION

- ▶ **Board Retainers and Fees** comprise the annual board retainer and total board meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person and telephonic per-meeting fee by the total number of board meetings held during the year.
- ▶ **Committee Retainers and Fees** comprise the annual committee retainer and total committee meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person and telephonic per-meeting fee by the total number of committee meetings held during the year. The data shown reflect the assumption that directors serve as members of two committees. Fees for serving on the compensation committee and the nominating-and-governance committees were used in this analysis.
- ▶ **Total Equity** is the amount paid to directors in either stock options, full-value stock awards or a combination of both.
 - **Stock Options** are the grant date fair-value awards reported by each company. If a company did not report these values, the values were calculated using the Accounting Standards Codification (ASC) Topic 718 assumptions, as reported by companies. Irregular grants were annualized, one-time grants have been excluded.
 - **Full-Value Stock Awards** data include both stock and stock unit awards. The grant date fair value of the awards was used in this analysis. Irregular grants have been annualized, but one-time grants have been excluded.
- ▶ **Total Compensation** represents the sum of board retainers and fees, committee retainers and fees, full-value stock awards and stock options for each company.

SCOPE FACTORS

The study data are organized by company size and industry. Compensation can be benchmarked against either of these factors to obtain different perspectives on boards' compensation practices.

COMPANY SIZE

Most traditional director compensation benchmarking studies use annual revenues (or assets in the case of financial services) as the primary scope factor because of the well-established direct correlation between company size and director compensation.

Our study reports compensation for three groups of companies based on size:

Size Category	Revenue Range	Asset Range (Financial Services)
Group A (Smallest)	\$100 million-\$500 million	\$100 million-\$1.25 billion
Group B	\$500 million-\$1.25 billion	\$1.25 billion-\$2.5 billion
Group C (Largest)	\$1.25 billion-\$3 billion	\$2.5 billion-\$6 billion

INDUSTRY

Industry group is another common lens used when benchmarking director compensation. In our study, we report compensation provided to directors of companies in the following industries:

- ▶ Energy
- ▶ Financial Services–Banking
- ▶ Financial Services–Nonbanking
- ▶ Healthcare
- ▶ Manufacturing
- ▶ Real Estate
- ▶ Retail
- ▶ Technology

ADDITIONAL NOTES ON THE STUDY

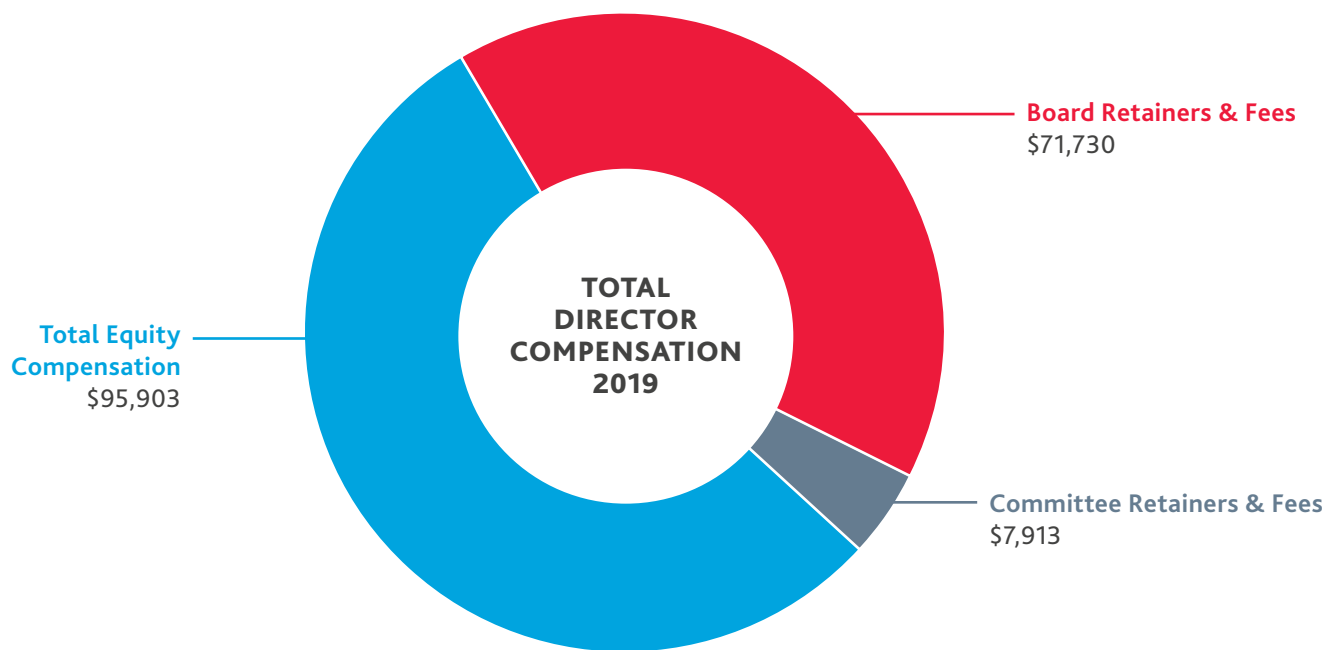
To establish a comparative baseline for all 600 companies in the study sample, a consistent methodology was used to value compensation levels, including annualizing special equity awards. If a company could not be brought into parity with other companies in the sample, then that company was excluded from the sample and replaced with a similar company in order to obtain a representative sample across industries and company size. These adjustments are typically the result of a transition or in situations where a majority of board members take no compensation because they are equity stakeholders (e.g., venture capital or founder/family/management).

BOARD COMPENSATION PRACTICES

Overall Results

PAY MIX

41% Board Retainers & Fees **5%** Committee Retainers & Fees **54%** Total Equity Compensation



OVERALL RESULTS SUMMARY OF FINDINGS

The total cost of boards of director compensation for an organization can be significant. Of the companies in this study, the smaller companies pay an average of almost \$130,000 in cash and stock to each director, while larger companies pay just over \$200,000 on average. The actual range of pay is significant. A few of the smaller companies pay less than \$10,000 (typically a cash stipend) to their board members. In contrast, some of the larger companies offer their directors a package worth over \$400,000 that is largely equity-based (more than 75% of their pay package).

Key findings from this year's study are summarized below:

- ▶ Director total compensation increased by 3.1% in fiscal year 2019 over fiscal year 2018.
- ▶ Overall, annual board fees and retainers increased 3.7% between 2018 and 2019.
- ▶ Committee retainers and fees show a more modest increase of 1.6%, continuing the trend to provide cash-based compensation through board fees rather than for individual committee work.
- ▶ Full-value stock awards continue to outpace stock options. Stock awards increased 3% over the prior year, whereas stock options decreased by 25%. Total equity compensation remained virtually the same overall.

The table below presents the average component (e.g., total equity) and total compensation paid to board members for all 600 companies for fiscal year 2019 and the change from 2018:

TOTAL EQUITY AND COMPENSATION PAID TO BOARD MEMBERS FOR THE BDO 600 COMPANIES

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$71,730	\$7,913	\$95,903	\$175,546
Change over Prior Year	3.7%	1.6%	-0.1%	3.1%

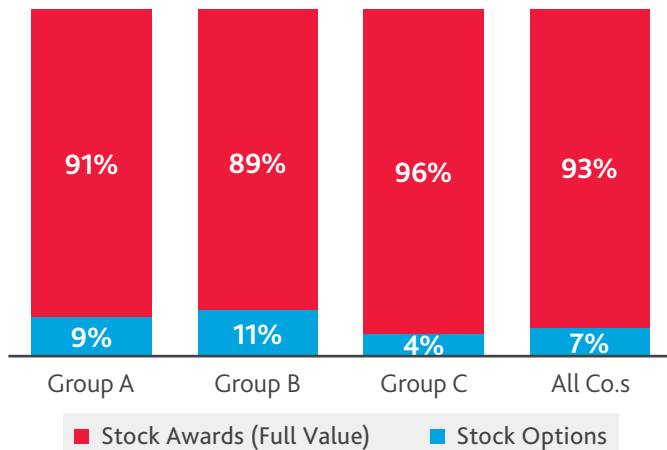
The table below presents the mix of pay for fiscal year 2019:

MIX OF COMPENSATION

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation
2019	41%	5%	54%

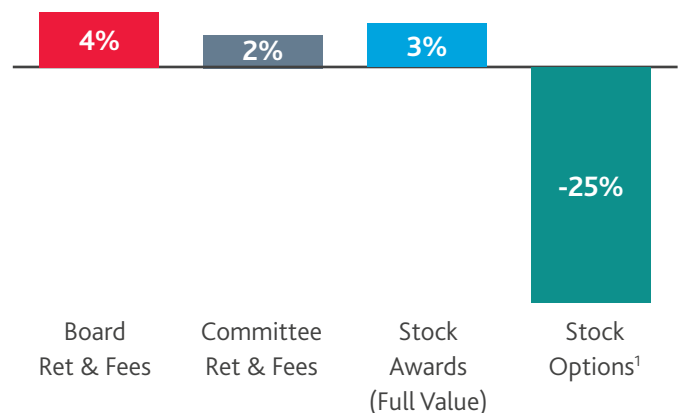
The chart below illustrates the mix of full-value stock awards and stock options that make up total equity compensation for the three size groups of companies that we examined. Full-value awards represent approximately 90% of all equity awards.

MIX OF EQUITY COMPENSATION



The following chart illustrates the change in the mix of pay from 2018 to 2019. The 4% increase in board retainers and fees correlated to the small increase in the use of committee retainers and fees in an effort to simplify the process of paying board members. The use of full-value shares shifted focus in such a way as to increase value while simultaneously limiting speculative pressure to increase price.

ALL COMPANIES



The following section provides data by company size. More trends can be found in the subsequent sections on board compensation practices by industry.

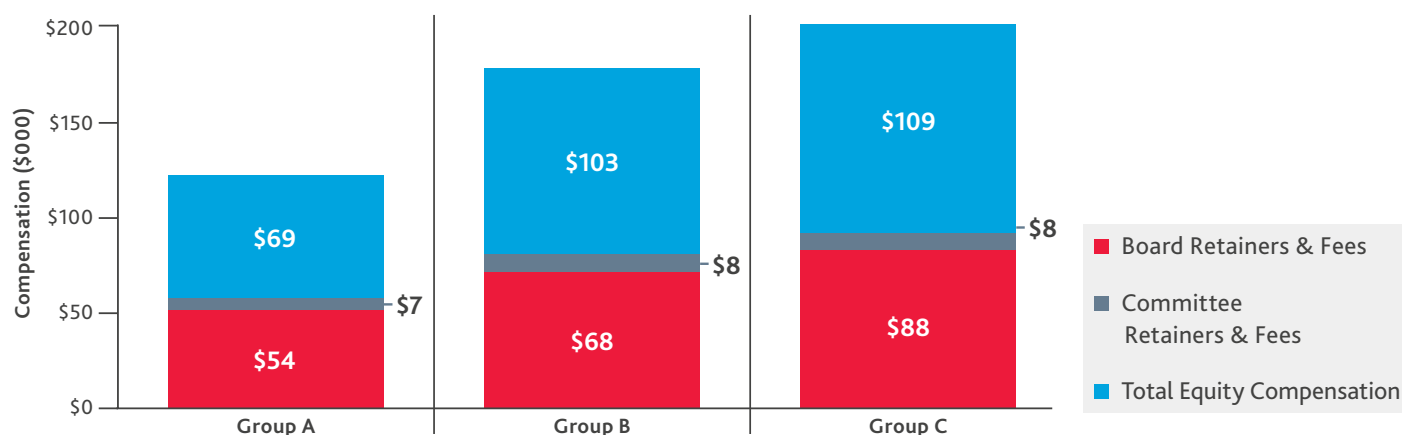
¹ Note: The 25% decline in stock options is largely due to the limited sample size; however, it does illustrate the continued trend away from stock options as a form of compensation.

STUDY BY COMPANY SIZE

Overall Results

It is important to remember that these findings represent 2019 pay as disclosed in 2020 proxies. This represents policies in place prior to companies experiencing the full impact of the pandemic. More related insights can be found in the Introduction under "Board Compensation in a COVID-19 Climate."

TOTAL COMPENSATION BY COMPANY SIZE



Our study confirms that director compensation increases as company size increases.

As illustrated in the chart above, our study shows a strong correlation between director compensation and company size. This positive correlation between company size and executive compensation levels has been consistent throughout the history of our study.

Average total compensation for board members increased at similar rates across the size groups. Group B saw the largest increase, and the larger companies (Group C) saw the smallest.

TOTAL COMPENSATION BY SIZE CATEGORY

Fiscal Year	Group A	Group B	Group C
2019	\$129,756	\$179,024	\$204,820
Change over Prior Year	2.1%	2.4%	1.6%

Our findings reveal that companies of all sizes favor equity over cash. Historically, larger companies (Group C) provided a higher proportion of equity-based compensation compared to smaller companies (Group A). Now, the compensation mix is more comparable across all groups. As shown above, stock awards are preferred over stock options. Equity comprising such a significant portion of pay results in more year-over-year variation in the board members' actual/realized compensation based on the performance of companies' stock.

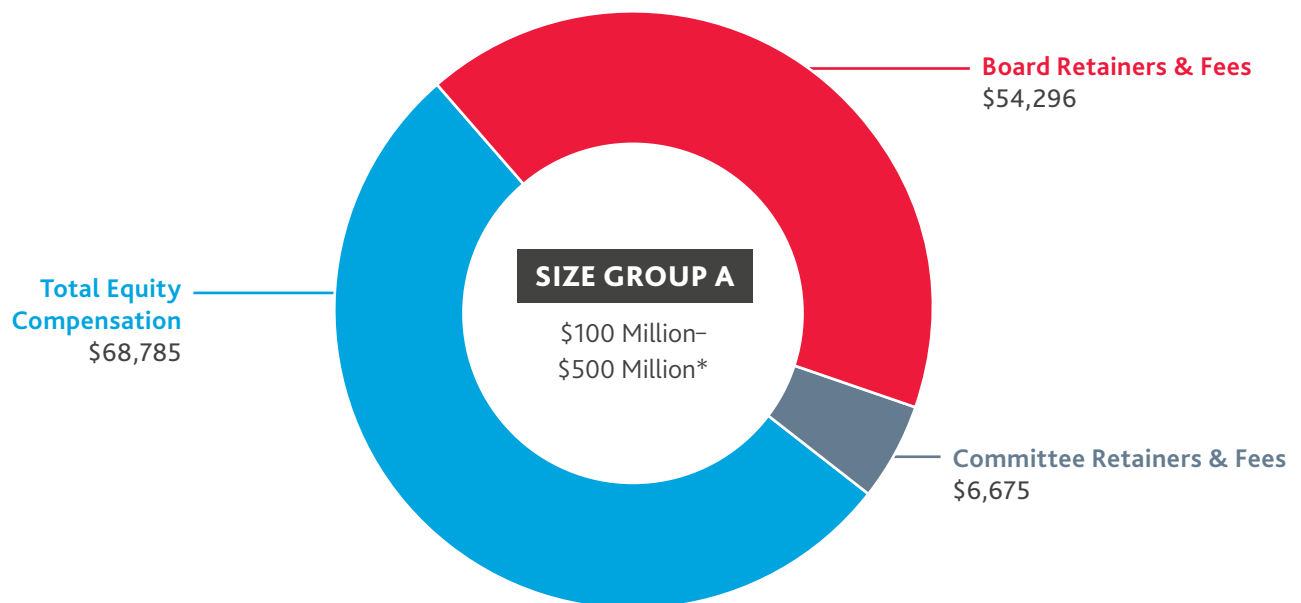
MIX OF COMPENSATION BY SIZE CATEGORY

Size Category	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation
Group A	42%	5%	53%
Group B	38%	5%	57%
Group C	43%	4%	53%

Findings for each of the three company size categories are presented on the following pages.

PAY MIX

42% Board Retainers & Fees **5%** Committee Retainers & Fees **53%** Total Equity Compensation



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$100 million and \$500 million* (Group A), and the change from 2018 to 2019.

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$54,296	\$6,675	\$68,785	\$129,756
Change over Prior Year	4.9%	1.8%	-3.4%	2.1%

While retainers and fees for board service saw an increase of 4.9%, committee retainers and fees only rose 1.8% and total equity compensation (stock awards and stock options) decreased by 3.4%. As such, total compensation went up a modest 2.1% for Group A.

As highlighted in the table below, equity compensation comprises 53% of director total compensation.

MIX OF COMPENSATION

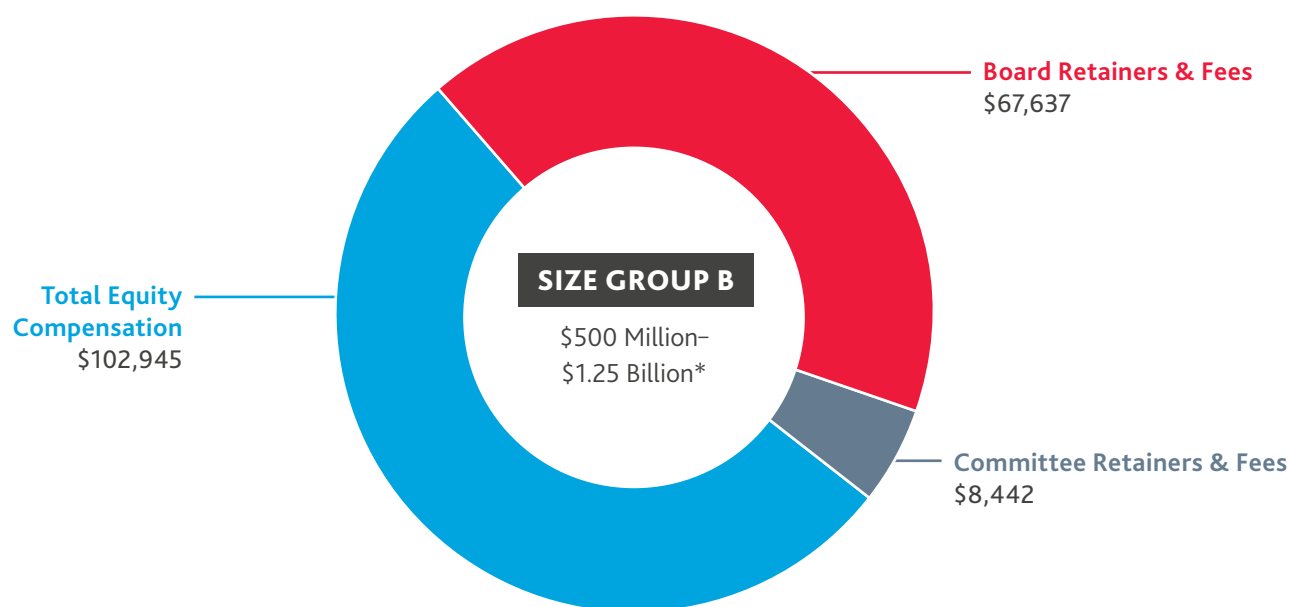
Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation
2019	42%	5%	53%

*Financial service companies in this data sample have between \$100M and \$1.25B in assets.



PAY MIX

38% Board Retainers & Fees **5%** Committee Retainers & Fees **57%** Total Equity Compensation



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$500 million and \$1.25 billion (Group B)*, comparing fiscal years 2018 and 2019:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$67,637	\$8,442	\$102,945	\$179,024
Change over Prior Year	1.9%	1.8%	2.0%	2.4%

The total compensation paid to directors in this group saw moderate increases across all pay elements. Total compensation increased by 2.4% for board members of companies in Group B. Equity-based compensation comprised 57% of the director total pay package.

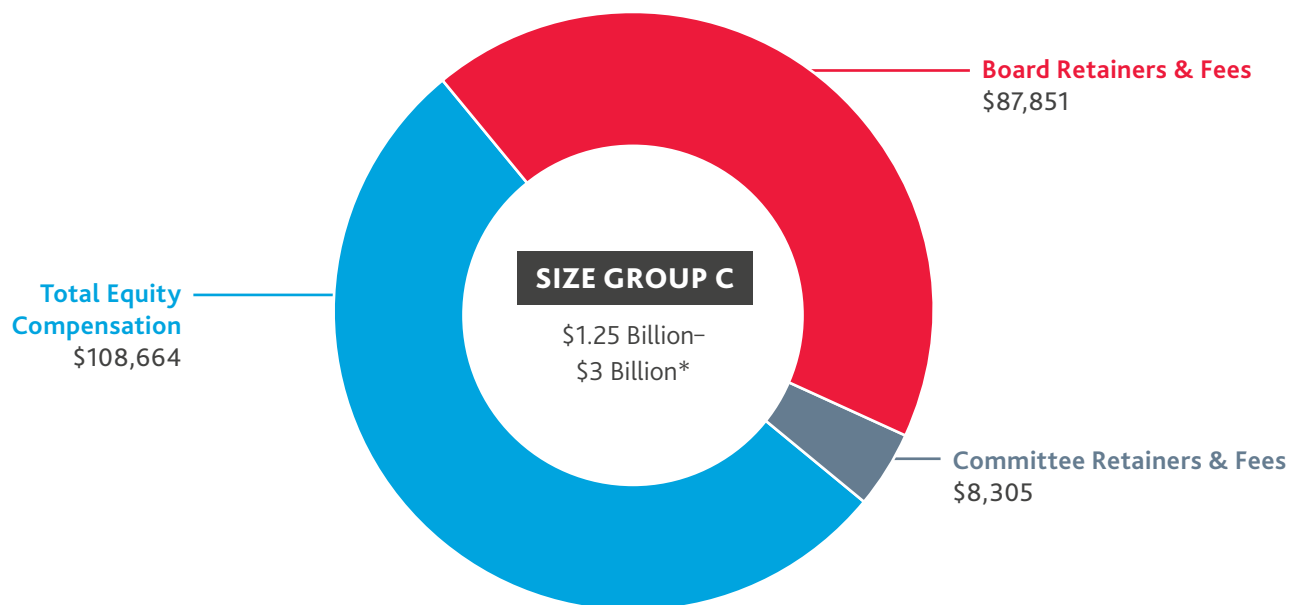
MIX OF COMPENSATION

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation
2019	38%	5%	57%

*Financial service companies in this data sample have between \$1.25B and \$2.5B in assets.

PAY MIX

43% Board Retainers & Fees **4%** Committee Retainers & Fees **53%** Total Equity Compensation



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$1.25 billion and \$3 billion (Group C)*, and the change in pay for year 2019 over 2018:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$87,851	\$8,305	\$108,664	\$204,820
Change over Prior Year	4.1%	0.4%	-0.3%	1.6%

Board retainers and fees saw a 4.1% increase, and total compensation increased by 1.6% year-over-year for companies in Group C. Total equity did not change, nor did committee retainers and fees resulting in only a modest rise in total compensation. The overall mix of pay shows equity compensation comprised 53% of the total pay package.

MIX OF COMPENSATION

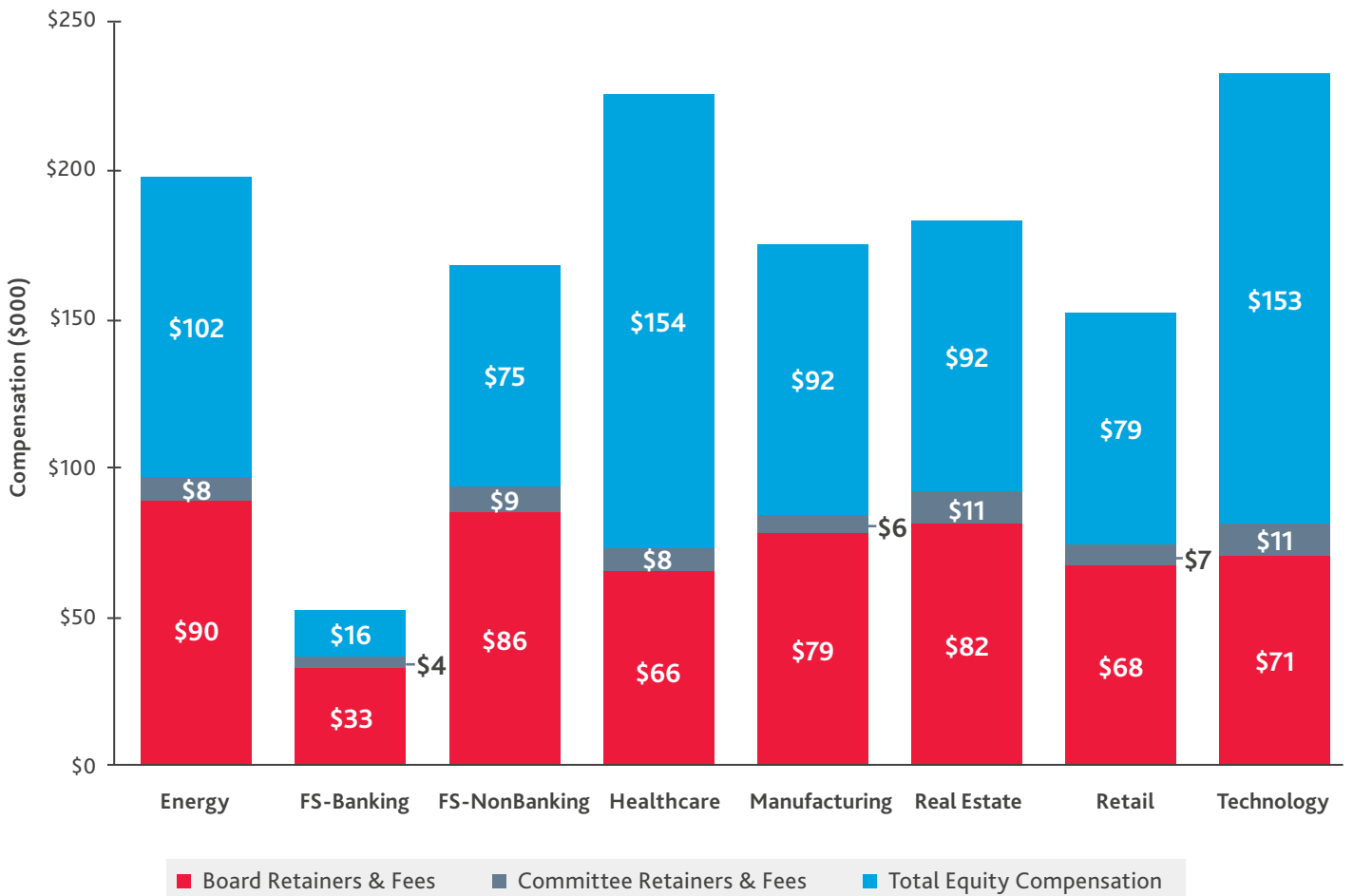
Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation
2019	43%	4%	53%

*Financial service companies in this data sample have between \$2.5B and \$6B in assets.

COMPENSATION LEVELS BY INDUSTRY

Overall Results

TOTAL DIRECTOR COMPENSATION BY INDUSTRY





As illustrated in the chart on the left, director compensation varies dramatically by industry. For middle-market companies, industry membership is a critical consideration when benchmarking director compensation.

- ▶ Directors in the healthcare and technology industries are the highest paid.
- ▶ On the other end of the continuum, financial services-banking directors are paid one-quarter of the compensation received by those in the highest paying industries.

TOTAL ANNUAL COMPENSATION PAID TO BOARD MEMBERS BY INDUSTRY

Fiscal Year	Energy	FS-Banking	FS-Nonbanking	Healthcare	Manufacturing	Real Estate	Retail	Technology
2019	\$199,153	\$52,747	\$168,769	\$228,866	\$177,501	\$184,446	\$153,642	\$234,950
Change over Prior Year	1.0%	4.4%	-0.2%	1.9%	3.2%	2.8%	0.6%	1.9%

The mix of pay varies significantly by industry, but equity awards are a major component of compensation in all industries.

- ▶ Technology and healthcare companies have the largest percentage of pay delivered in the form of equity. While they are the most highly paid directors overall, they also have the most pay at risk.
- ▶ Banks deliver the least amount of pay in the form of equity.

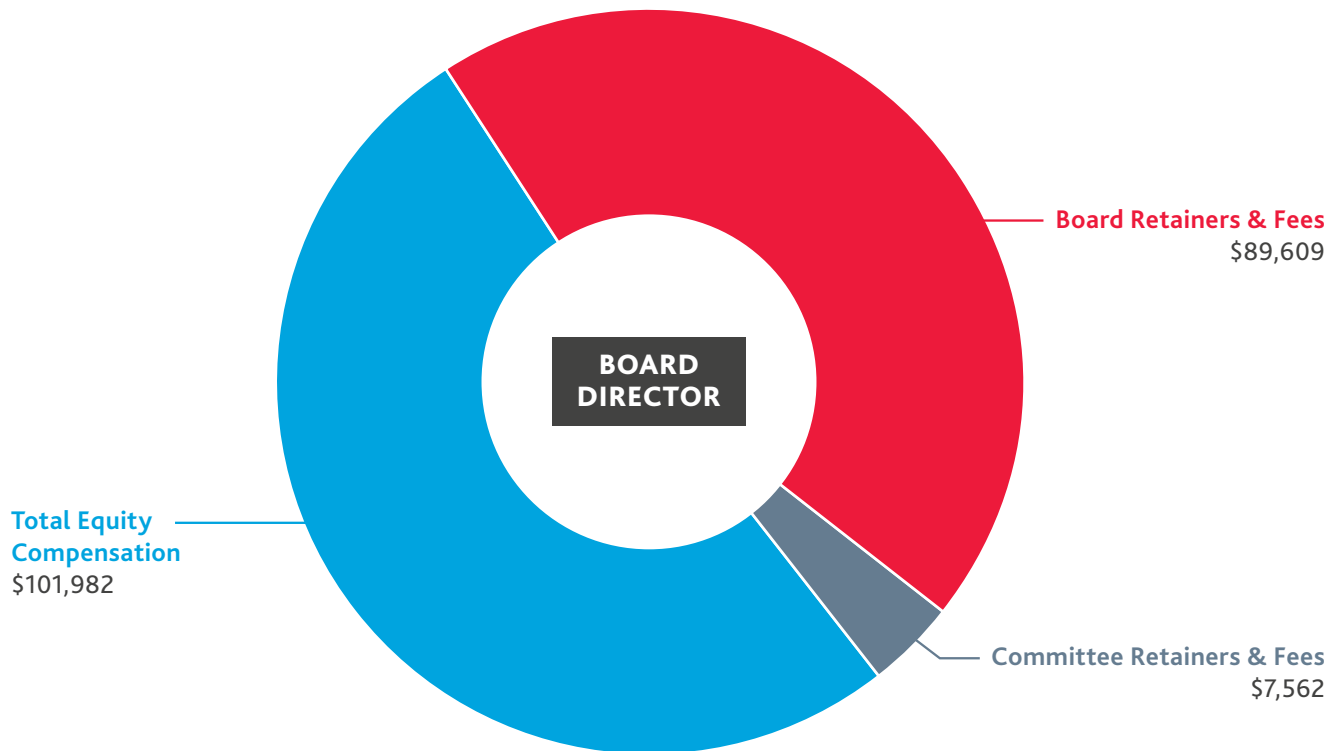
FIXED/CASH COMPENSATION VS. VARIABLE/STOCK COMPENSATION

	Energy	FS-Banking	FS-Nonbanking	Healthcare	Manufacturing	Real Estate	Retail	Technology
Fixed Comp	49%	71%	56%	33%	48%	50%	48%	34%
Equity Comp	51%	29%	44%	67%	52%	50%	52%	66%

The following pages detail our findings for each of the eight industries.

COMPENSATION LEVELS BY INDUSTRY

Energy



Average annual total compensation paid to energy industry directors is among the highest in the study, behind only the technology and healthcare industries.

The table below summarizes the average annual total compensation paid to energy industry board members:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$89,609	\$7,562	\$101,982	\$199,153
Change over Prior Year	1.9%	4.3%	-3.8%	1.0%

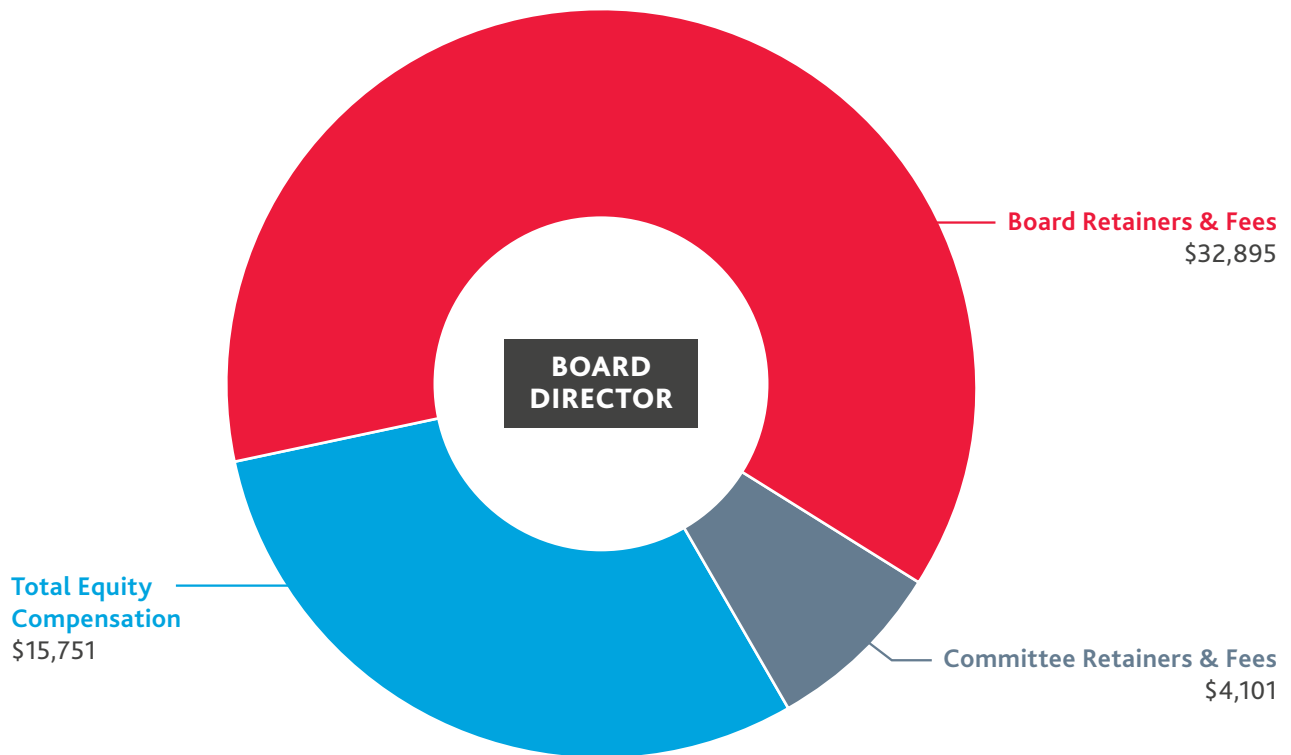
Energy industry board members experienced an increase in board retainers and fees (1.9%) and in committee retainers and fees (4.3%), but these were offset by a decrease in total equity compensation (3.8%). These resulted in an overall 1% increase in pay for this industry sector.

PAY MIX

45% Board Retainers & Fees **4%** Committee Retainers & Fees **51%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Financial Services-Banking



Average total compensation for directors in the financial services-banking industry remains the lowest of the industries in our study. Banking director total compensation was approximately 25% of the average director compensation for all companies in the study. However, they also experienced the highest increase in total compensation year-over-year—a 4.4% jump. The majority of the increases came through board retainers and fees, as well as committee retainers and fees.

The table below summarizes the average annual total compensation paid to board members of companies in the financial services-banking industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$32,895	\$4,101	\$15,751	\$52,747
Change over Prior Year	9.0%	9.7%	-11.1%	4.4%

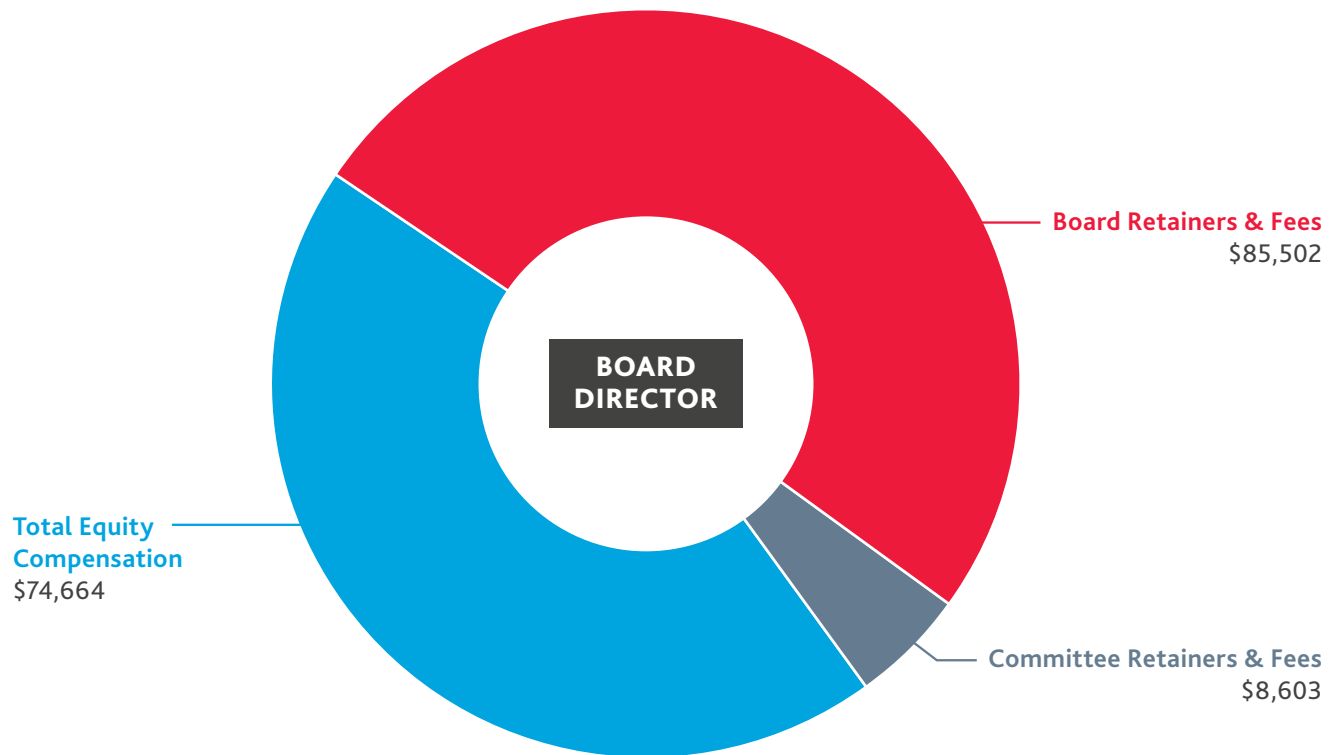
Unlike companies in the other industries, financial services companies (banking and nonbanking) provide more compensation in cash than in equity. Banking delivers the least amount of pay in equity (29%) in absolute terms and as a percentage of total compensation.

PAY MIX

63% Board Retainers & Fees **8%** Committee Retainers & Fees **29%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Financial Services-Nonbanking



Average total director compensation in the financial services-nonbanking industry trends in the middle of the industries covered in our study.

The following table summarizes the average annual total compensation paid to board members in this industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$85,502	\$8,603	\$74,664	\$168,769
Change over Prior Year	2.0%	-0.6%	-2.9%	-0.2%

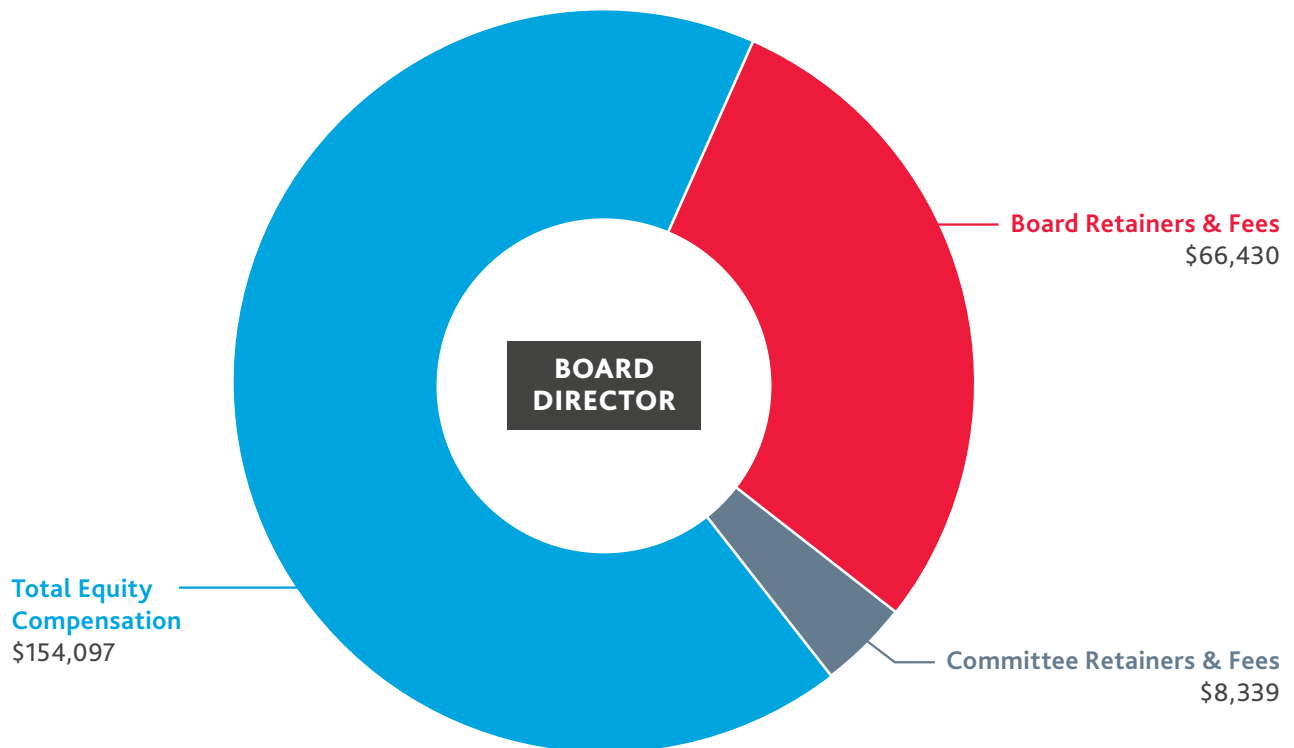
Overall, financial services companies favor cash compensation over equity. Nonbanking director pay in 2019 followed suit with a downtick in equity-based pay from the prior year.

PAY MIX

51% Board Retainers & Fees **5%** Committee Retainers & Fees **44%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Healthcare



Director compensation at healthcare companies increased by 1.9% from the prior fiscal year.

The healthcare industry's board pay came in as the second highest in 2019 behind only technology. The following table summarizes the average annual total compensation paid to healthcare companies' board members:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$66,430	\$8,339	\$154,097	\$228,866
Change over Prior Year	4.1%	-2.4%	0.9%	1.9%

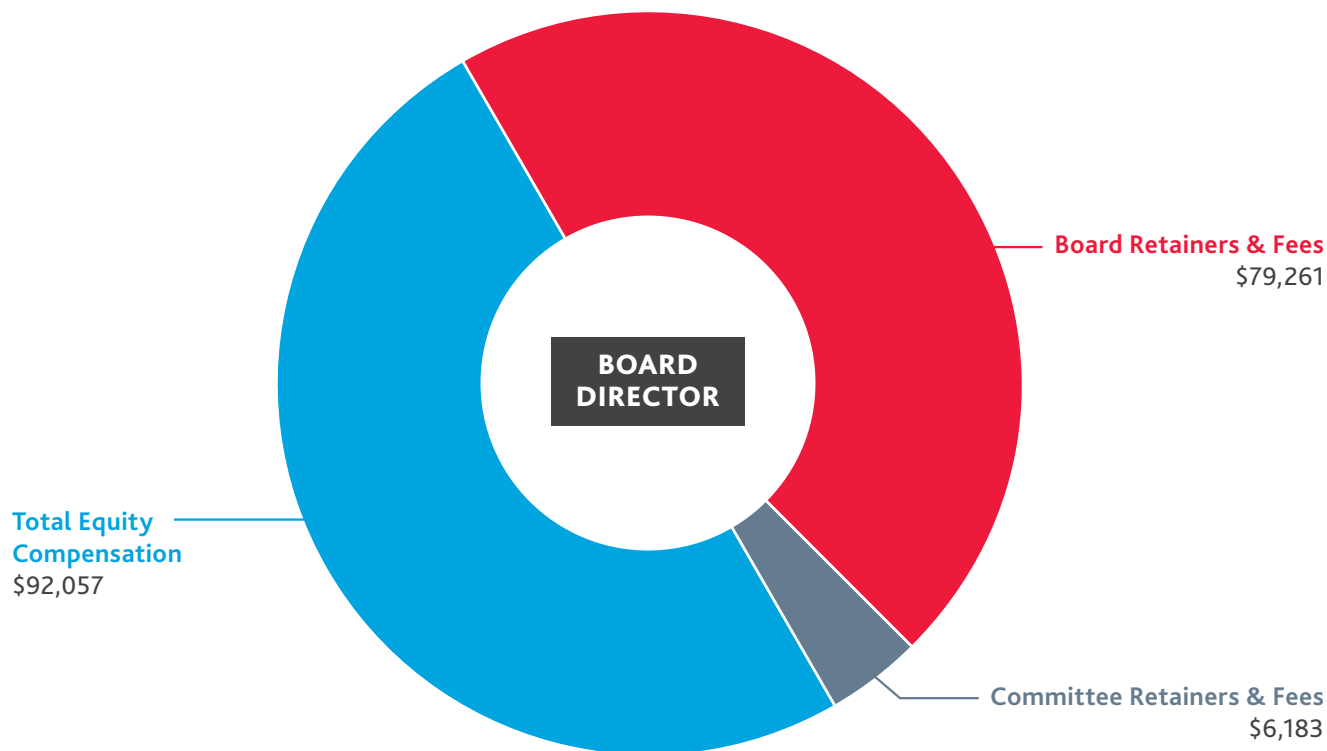
Healthcare companies deliver the highest percentage of director pay as equity, and the smallest percentage as cash compared to other industries. While they are among the most highly paid directors, a significant portion of their pay is at risk. The percentage of equity compensation offered by healthcare companies increased slightly—up 1% year-over-year.

PAY MIX

29% Board Retainers & Fees **4%** Committee Retainers & Fees **67%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Manufacturing



Director pay for manufacturing companies increased by 3.2% in 2019. The table below summarizes the average annual total compensation paid to board members of companies in the manufacturing industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$79,261	\$6,183	\$92,057	\$177,501
Change over Prior Year	2.2%	-1.2%	4.7%	3.2%

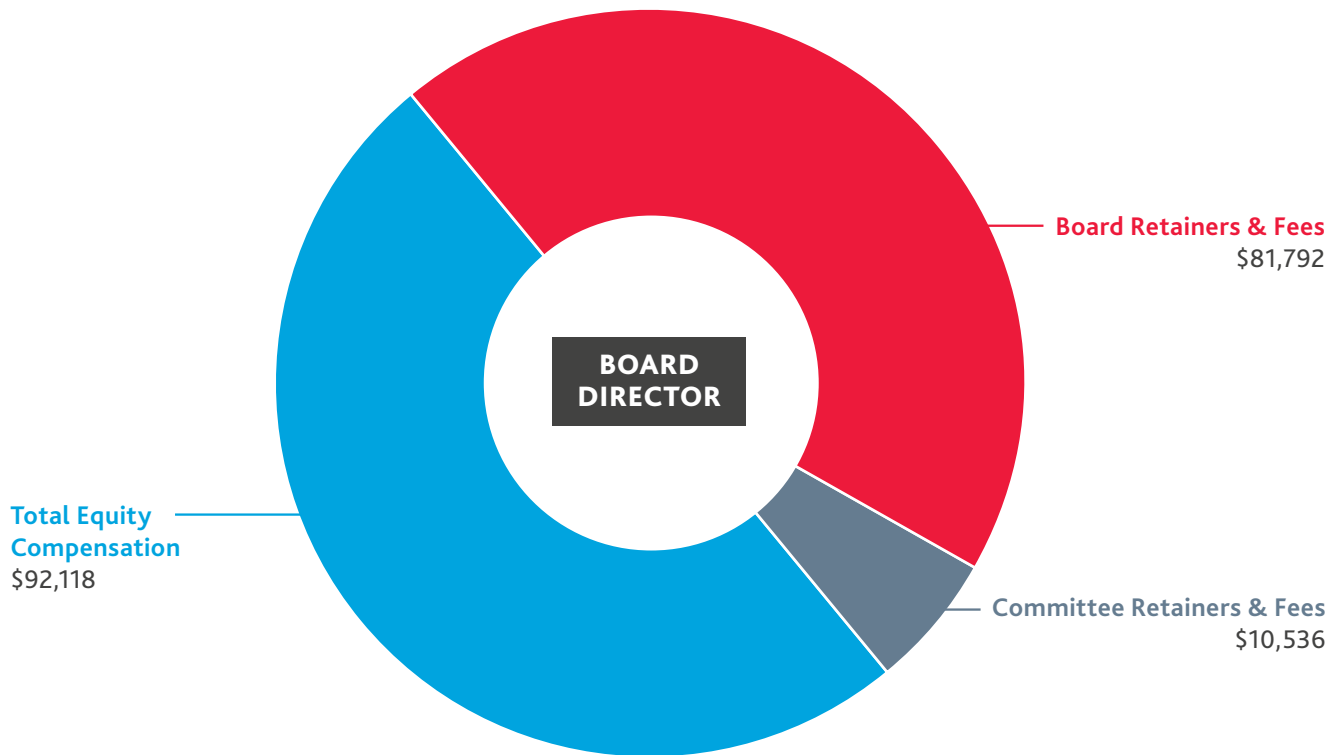
Pay from board retainers and fees rose 2.2%, while committee retainers and fees decreased slightly (1.2%) year-over-year. Total equity compensation was up 4.7% from 2018.

PAY MIX

45% Board Retainers & Fees **3%** Committee Retainers & Fees **52%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Real Estate



Compared to pay in the prior fiscal year, director compensation at real estate companies increased by nearly 3%.

The table below summarizes the average annual total compensation paid to real estate board members:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$81,792	\$10,536	\$92,118	\$184,446
Change over Prior Year	3.3%	-2.4%	4.2%	2.8%

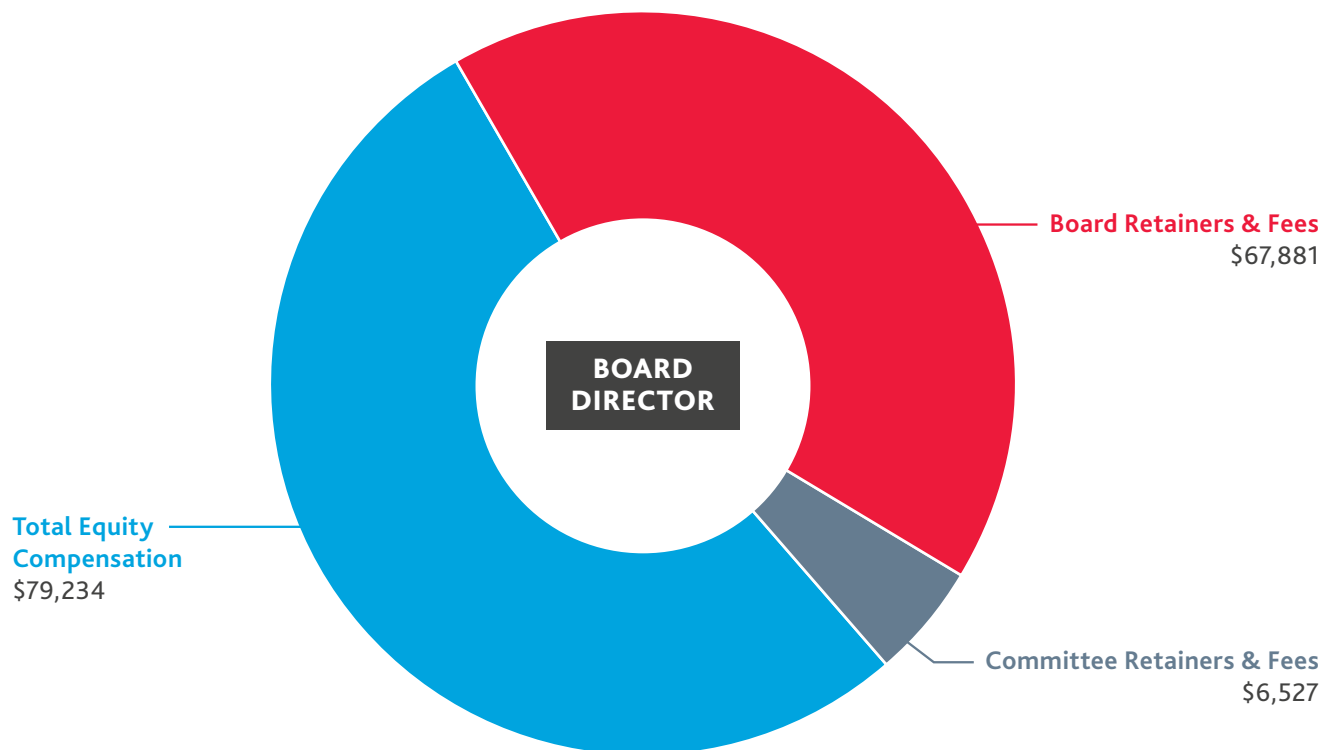
Real estate directors saw a 3.3% increase in board retainers and fees, and 2.8% in total compensation. Approximately 50% of their compensation was in the form of equity.

PAY MIX

44% Board Retainers & Fees **6%** Committee Retainers & Fees **50%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Retail



Retail industry directors are the second lowest paid among the BDO 600 industry groups. Still, they receive close to three times that of the pay of financial services-banking directors, which are the lowest paid directors.

The table below summarizes the average annual total compensation paid to board members of companies in the retail industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$67,881	\$6,527	\$79,234	\$153,642
Change over Prior Year	3.3%	-6.8%	-0.7%	0.6%

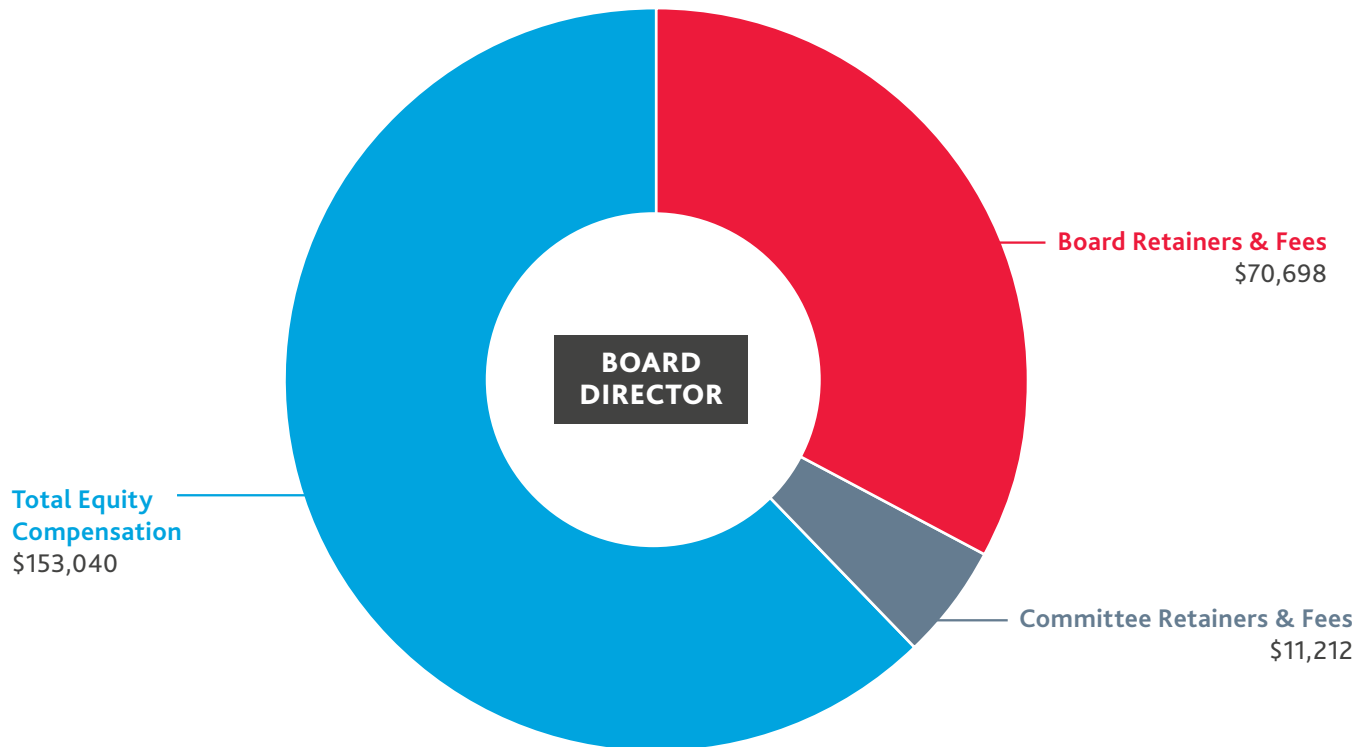
Retail director pay shifted downward in committee retainers and fees (-6.8%) and in total equity (-0.7%). These drops were partially offset by a 3.3% increase in board retainers and fees.

PAY MIX

44% Board Retainers & Fees **4%** Committee Retainers & Fees **52%** Total Equity Compensation

COMPENSATION LEVELS BY INDUSTRY

Technology



The average director compensation in the technology industry is historically the highest in our study. Overall, technology director pay saw a small change from the prior year (1.9%).

The following table summarizes the average annual total compensation paid to board members of companies in the technology industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Compensation	Total Compensation
2019	\$70,698	\$11,212	\$153,040	\$234,950
Change over Prior Year	2.5%	7.7%	1.3%	1.9%

The overall pay mix is still heavily weighted with equity-based pay (66%). Among all the industries we examined, the technology and healthcare industries provide the highest amount of equity as part of the pay mix.

PAY MIX

29% Board Retainers & Fees **5%** Committee Retainers & Fees **66%** Total Equity Compensation

Trends in Board Structure and Compensation

BOARD STRUCTURE

We reviewed a number of aspects of board structures, including the average number of directors, the number of committees and the prevalence of various committees. Data are categorized by company size and industry.

Observations

- ▶ On average, boards have nine members, 82% of whom are independent directors. The least number of board members was three; the most was 19.
- ▶ The most prevalent committees outside of the core committees are the executive (20%), finance (12%) and risk (10%) committees. Others that are less prevalent include the strategy, cybersecurity/technology and regulatory committees.
- ▶ It is noteworthy that 36% of banks and 29% of real estate companies have an executive committee, which is the highest among all industries.
- ▶ Virtually all companies have these core committees: audit, nominating/governance and compensation committees.
 - All companies have an audit committee.
 - All but one or two companies have a compensation committee.
 - Almost all companies (97%) have a nominating/governance committee.
- ▶ The prevalence of committees other than audit, nominating/governance and compensation is detailed below:

	Average Number of Directors	Number of Committees	Executive	Finance	Risk
Overall	9	4.0	20%	12%	10%
Group A	9	3.7	22%	8%	3%
Group B	9	3.9	18%	8%	9%
Group C	10	4.1	21%	18%	15%
Energy	9	3.7	25%	6%	7%
Healthcare	10	3.9	10%	14%	5%
Manufacturing	9	3.9	19%	23%	3%
Real Estate	9	4.0	29%	13%	4%
Retail	9	3.5	14%	9%	2%
Technology	9	3.6	11%	12%	5%
Banking	11	4.3	36%	11%	33%
Nonbanking	8	3.9	19%	7%	22%

Size Category	Revenue Range	Asset Range (Financial Services)
Group A (Smallest)	\$100 million–\$500 million	\$100 million–\$1.25 billion
Group B	\$500 million–\$1.25 billion	\$1.25 billion–\$2.5 billion
Group C (Largest)	\$1.25 billion–\$3 billion	\$2.5 billion–\$6 billion

TOTAL BOARD FEES

The table below provides the median total board fees categorized by company size and industry.

Observations

- ▶ The median total board fee among all companies in the study was \$1.4 million, which is up from \$1.3 million last year.
- ▶ The median totals differ by both company size and industry.
- ▶ The industry with the highest median total board fee is healthcare (\$1,955,056), followed closely by technology (\$1,888,863). The industry with the lowest median total fee is banking (\$601,500).

	Total Board Fees - Median
Overall	\$1,392,801
Group A	\$836,696
Group B	\$1,393,561
Group C	\$1,846,251
Energy	\$1,511,116
Healthcare	\$1,955,056
Manufacturing	\$1,423,588
Real Estate	\$1,427,337
Retail	\$1,020,000
Technology	\$1,888,863
Banking	\$601,500
Nonbanking	\$1,358,873

COMPENSATION FOR CHAIRPERSONS AND LEAD DIRECTORS

Accepting the role of board chair or lead director comes with significant additional responsibilities. To reflect the additional time commitment and responsibilities, these roles are paid more than the regular board members. The table below presents the following comparisons:

- ▶ Chairperson compensation as a percentage of regular board member compensation.
- ▶ Lead director compensation as a percentage of regular board member compensation.

Data are categorized by company size and industry.

Observations

- ▶ A board chairperson is typically paid approximately one-third more than the regular directors. Lead directors are paid about 10% more on average.
- ▶ Close to half (47%) of the companies have a non-employee chairperson.
 - This role is paid 33% more than regular board members.
 - As would be expected, chairpersons at larger companies earn more than their counterparts at smaller companies.
 - The compensation variance is smaller between the technology chairperson and regular board members (123%) compared to the variance observed in the other industry groups, which ranges from 130% for nonbanking to 139% for retail.
- ▶ One-third of the companies have a lead director (30%).

	Chair as % of Director	Lead Director as % of Director
Overall	133%	110%
Group A	121%	110%
Group B	133%	109%
Group C	138%	111%
Energy	135%	109%
Healthcare	136%	109%
Manufacturing	132%	109%
Real Estate	134%	112%
Retail	139%	112%
Technology	123%	104%
Banking	136%	112%
Nonbanking	130%	113%

STOCK OWNERSHIP GUIDELINES

Stock ownership guidelines continue to be a common practice to align board member compensation with investors' interests. Institutional investors concerned about corporate scandals in recent years have been a driving force behind the use of stock ownership guidelines. In addition, such guidelines are a factor in analyst and proxy advisory firms' assessments of good corporate governance principles. The table below lists the percentage of companies in the study with stock ownership guidelines, and the average stock ownership guideline value by company size and industry.

Observations

- ▶ About two-thirds of companies have director stock ownership guidelines with an average value of \$336,200.
- ▶ As would be expected, the percentage of companies with stock ownership guidelines and the corresponding average ownership guideline values increase with company size.
- ▶ Energy companies have the highest stock ownership guideline value at \$438,872, whereas banking is the lowest at \$154,284.

	Percent of Companies with Stock Ownership Guidelines	Average Ownership Guideline Value
Overall	67%	\$336,200
Group A	50%	\$240,736
Group B	70%	\$306,640
Group C	75%	\$408,081
Energy	65%	\$438,872
Healthcare	71%	\$292,543
Manufacturing	69%	\$357,721
Real Estate	82%	\$361,312
Retail	62%	\$287,807
Technology	71%	\$357,951
Banking	51%	\$154,284
Nonbanking	59%	\$388,489

Size Category	Revenue Range	Asset Range (Financial Services)
Group A (Smallest)	\$100 million–\$500 million	\$100 million–\$1.25 billion
Group B	\$500 million–\$1.25 billion	\$1.25 billion–\$2.5 billion
Group C (Largest)	\$1.25 billion–\$3 billion	\$2.5 billion–\$6 billion

REPRESENTATION OF WOMEN ON BOARDS

The representation of women on boards continues to be a key issue in addressing board diversity. Evidence suggests that including women on boards, and thus increasing board diversity, improves business performance. In recent years, the lack of representation of women resulted in negative publicity and outside pressure for more inclusion.

While the vast majority of companies include women on their board (94%), women continue to represent a small percent of directors overall (21%)—a number comparable to the number of women on S&P 500 boards (27%).

The table below shows board makeup, including the percentage of companies with at least one female director, and the percentage of companies where women comprise more than 35% of the board. Data are categorized by company size and industry.

Observations

- ▶ Representation of women on boards remains low, but has grown. On an aggregate basis, women represent 21% of the directorship on boards. This figure is up from 19% in 2018.
 - This percentage is a bit higher among larger companies (23%) versus smaller companies (19%).
 - Retail companies have the highest representation of female directors (24%).
 - Energy companies lag behind other industries. Only 18% of board members are women.
- ▶ 94% of companies have women represented on the board, an improvement from 2018 when 89% of companies reported having at least one female director.
 - Larger companies are the most likely to have female representation with 97% reporting at least one woman on the board—up from 95% in 2018.
 - Despite having the smallest percentage of women on their boards, energy companies are also making progress: 88% report having at least one woman on the board in 2019—up from 73% in 2018.
- ▶ Few companies come close to an even representation of men and women. Only 10% of companies report that women comprise more than 35% of the board, though retail leads with 18% of companies having more than 35% representation.

	% of Female Directors	Percent of Companies with Female Directors	Percent of Companies with >35% Female Directors
Overall	21%	94%	10%
Group A	19%	88%	10%
Group B	22%	94%	10%
Group C	23%	97%	11%
Energy	18%	88%	9%
Healthcare	22%	97%	10%
Manufacturing	21%	93%	4%
Real Estate	22%	97%	8%
Retail	24%	95%	18%
Technology	22%	96%	10%
Banking	19%	90%	10%
Nonbanking	22%	91%	14%

The *BDO 600: 2020 Study of Board Compensation Practices of 600 Mid-Market Public Companies*

examines the compensation practices of publicly traded companies in the energy, financial services-banking, financial services-nonbanking, healthcare, manufacturing, real estate, retail and technology industries. Companies in the six non-financial service industries in our study have annual revenues between \$100 million and \$3 billion. Companies in the two financial services industries in our study have assets between \$100 million and \$6 billion. Data sources include data provided by Salary.com and public company data collected from proxies and other sources.



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Providing comprehensive design for qualified retirement, defined benefit, and defined contribution plans—helping with all compliance requirements including annual non-discrimination testing, information returns, and distribution and loan tax planning for qualified plans and IRAs.

Executive Tax Consulting

Tax consulting for nonqualified deferred compensation plans, stock options and other equity-based plans, golden parachute issues, transfer of partnership interests, and review for IRC 409A compliance.

Global Payroll Services

Providing companies preliminary payroll review and recommendation implementation, assignment benefit and compensation gathering, and compensation worksheets to reconcile and U.S. and foreign payrolls.

Expatriate Tax Services

Working with multinational companies to minimize tax burdens and compliance risk while providing integrated services and essential tools, such as our business travelers tracking application to enable seamless global and domestic employee transitions.

Qualified Plan Consulting

Collaborating with a company's internal teams to design and operate strategic compensation and benefit programs that support their organizational short- and long-term business goals.

Compensation Consulting

Providing total compensation program design and benchmarking, long-term incentive strategy development, Board briefings and support on the executive compensation regulatory environment, preparation of executive compensation disclosures, and performance management.

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Contact Us

If you have any questions, comments or suggestions, please contact our Compensation Consulting practice by emailing us at compensation@bdo.com or by calling your local BDO office.

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