



S&P 500 Director Pay Trends

WTW's Global Executive
Compensation Analysis Team

February 2022

Methodology

Outline of data sample and analysis

WTW's annual S&P 500 trends analysis of director compensation pay levels and practices

01

This analysis is based on proxies filed in 2021, and year-over-year comparisons are made against S&P 500 index constituents for the review completed in 2020 of proxy statements filed in 2020.

- Design and compensation values are captured as forward looking, representing a calculated “expected pay” for fiscal year (FY) 2021 and FY 2020, respectively, and are not reflective of compensation actually paid in FY 2020 and FY 2019.
- Committee memberships and board leadership roles are captured as of fiscal year-end.
- For further specifics of the analysis methodology, see the footnotes slide.

02

Industry breakdowns are based on the 11 Global Industry Classification Standard (GICS) sectors:

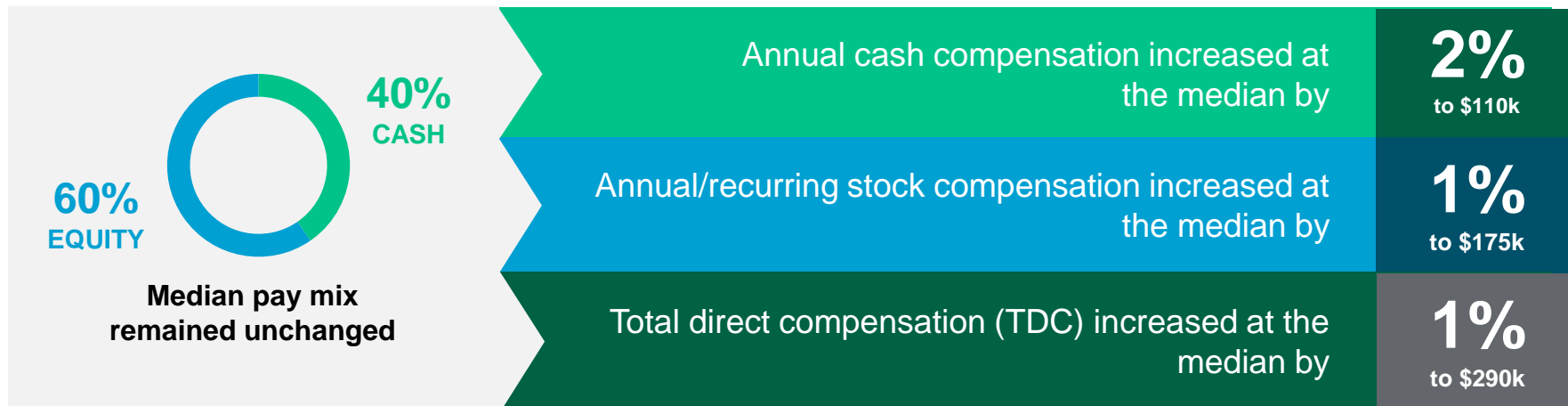
- Communication services (22)
- Consumer discretionary (59)
- Consumer staples (32)
- Energy (24)
- Financials (65)
- Health care (63)
- Industrials (73)
- Information technology (73)
- Materials (28)
- Real estate (30)
- Utilities (28)

This report was completed by WTW's Global Executive Compensation Analysis Team.

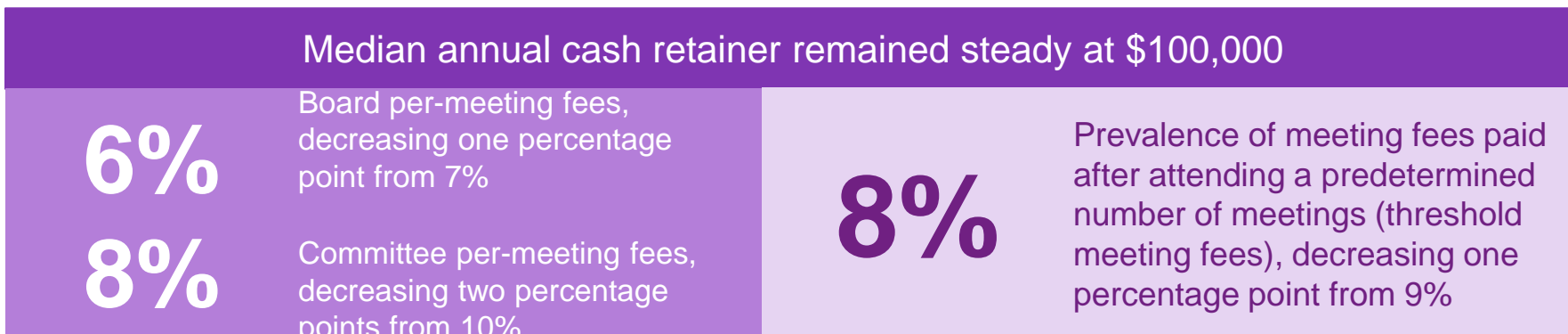
Pay program design

Fiscal year 2020 S&P 500

Overall mix and change in value



Cash compensation*



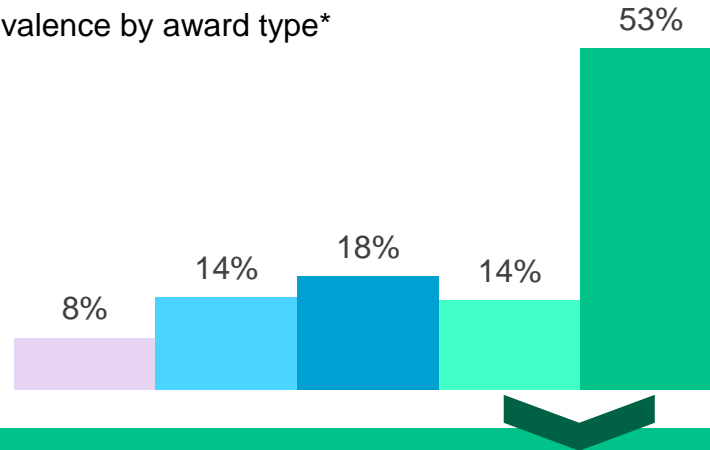
Pay program design

Fiscal year 2020 S&P 500 – Equity compensation

99% of companies provide an annual equity grant to non-employee directors.

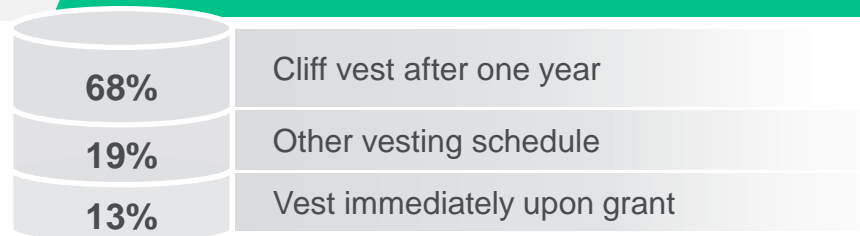
Annual/recurring stock compensation, prevalence by award type*

- Stock options
- Common stock
- Deferred/phantom stock
- Restricted stock
- Restricted stock units (RSUs)



67%

Deliver all or a portion of annual equity value through restricted stock or restricted stock units, up from 66% in the prior period.



*Sums to 107% due to companies granting multiple award types; 99% of companies grant annual/recurring stock compensation.

Pay program design

Fiscal year 2020 S&P 500 – Equity compensation



The median value of stock options increased 3% from \$86,500 to \$89,000; deferred stock increased 3% from \$160,000 to \$165,000, and restricted stock/RSUs increased 3% from \$165,000 to \$170,000.



The number of companies awarding annual share-based grants decreased one percentage point to 3%, while the number of companies awarding annual value-based grants increased one percentage point to 96%.



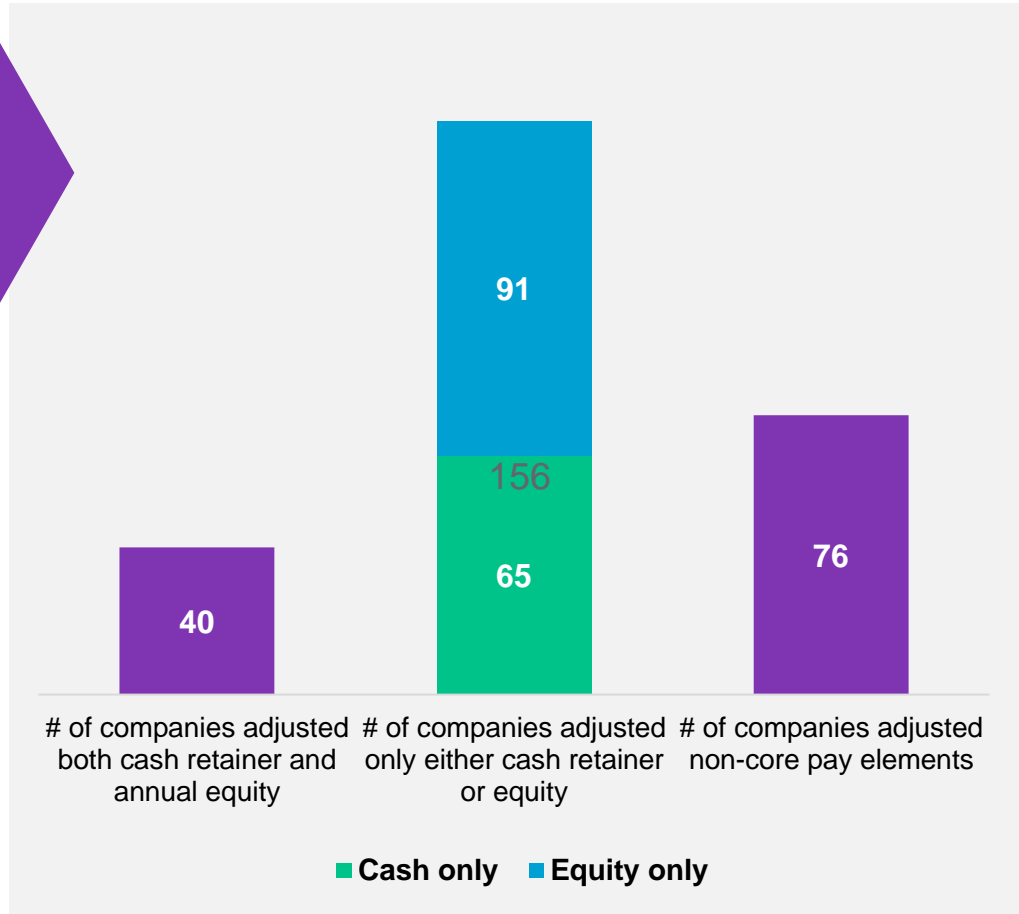
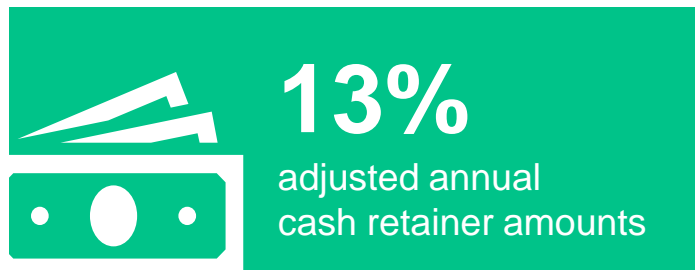
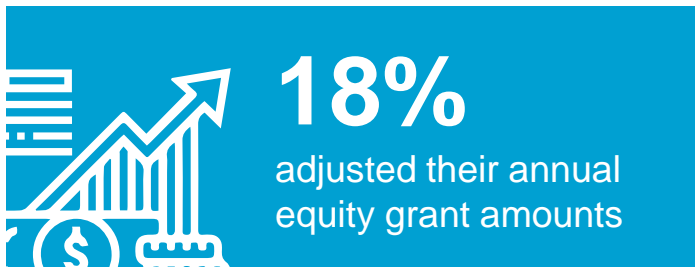
The number of companies granting common stock decreased one percentage point; conversely, the number of companies granting restricted stock/RSUs increased one percentage point.



The median value of annual/recurring stock compensation increased three percentage points, from \$170,000 to \$175,000.

Pay program changes

Fiscal year 2020 S&P 500



Leadership roles

Fiscal year 2020 S&P 500

58% of S&P 500 companies separate the roles of board chair and chief executive officer. 15% of S&P 500 companies have a separate, executive chair (non-CEO) while 43% have a separate, non-executive chair.

Non-executive chairman of the board

43% of S&P 500 companies have a separate, **non-executive** COB with **95%** of non-executive COB roles receiving additional pay (decrease of two percentage points).

51% additional fees paid in cash only

37% additional fees paid in cash and equity

12% additional fees paid in equity only

Lead director

65% of S&P 500 companies identify a separate lead or presiding director (decrease from 66%), with 89% of lead directors receiving additional pay (decrease of three percentage points).

89% additional fees paid in cash only

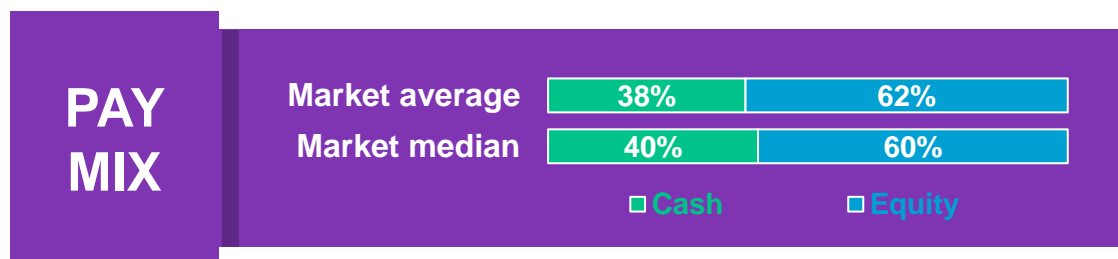
6% additional fees paid in cash and equity

5% additional fees paid in equity only

Outside director compensation - Percentile values

Fiscal year 2020 S&P 500

	25th	Median	75th	Average	Prevalence
Sales (\$ millions)					
CASH	\$4,519	\$9,637	\$20,092	\$23,918	
Board cash retainer	\$80,000	\$100,000	\$112,500	\$98,273	96%
Board meeting fee	\$1,500	\$2,000	\$3,000	\$2,213	6%
Committee cash retainer	\$7,625	\$10,000	\$12,500	\$10,837	37%
Committee meeting fee	\$1,500	\$2,000	\$2,000	\$1,883	8%
Committee chair extra retainer	\$12,500	\$15,000	\$20,000	\$16,884	94%
Annual cash compensation	\$96,368	\$110,000	\$125,000	\$109,759	97%
ANNUAL/RECURRING STOCK					
<i>Expected value:</i>					
Common stock (\$)	\$140,000	\$160,000	\$189,986	\$162,650	14%
Stock options (\$)	\$73,342	\$89,167	\$141,449	\$124,930	8%
Deferred stock and phantom stock (\$)	\$150,000	\$165,047	\$189,984	\$165,928	18%
Restricted stock (\$)	\$145,556	\$170,043	\$208,494	\$181,609	67%
Annual/recurring stock compensation (\$)	\$150,008	\$175,000	\$203,028	\$186,910	99%
Total direct compensation	\$262,483	\$290,035	\$322,488	\$295,295	100%
ONE-TIME STOCK					
One-time stock grants annualized	\$12,500	\$21,250	\$31,250	\$29,450	9%
Total compensation (with one-time stock)	\$263,719	\$291,505	\$325,008	\$297,961	100%



Median outside director compensation

Fiscal year 2020 S&P 500

	2019	2020	% change	Prevalence
Revenue (\$ millions)				
CASH	\$10,187	\$9,637	-5%	
Board cash retainer	\$100,000	\$100,000	No change	96%
Board meeting fee	\$2,000	\$2,000	No change	6%
Committee cash retainer	\$10,000	\$10,000	No change	37%
Committee meeting fee	\$1,500	\$2,000	33%	8%
Committee chair extra retainer	\$15,000	\$15,000	No change	94%
Annual cash compensation	\$107,500	\$110,000	2%	97%
ANNUAL/RECURRING STOCK				
<i>Expected value:</i>				
Common stock (\$)	\$160,000	\$160,000	No change	14%
Stock options (\$)	\$86,424	\$89,167	3%	8%
Deferred stock and phantom stock (\$)	\$160,000	\$165,047	3%	18%
Restricted stock (\$)	\$165,000	\$170,043	3%	67%
Annual/recurring stock compensation (\$)	\$170,154	\$175,000	3%	99%
Total direct compensation	\$286,292	\$290,035	1%	100%
ONE-TIME STOCK				
One-time stock grants annualized	\$19,500	\$21,250	9%	9%
Total compensation (with one-time stock)	\$290,053	\$291,505	1%	100%

Pay for board leadership and committee service

Fiscal year 2020 S&P 500

Additional leadership pay

	Non-executive board chair		Lead director	
	Total incremental compensation	Total chair pay relative to typical director	Total incremental compensation	Total lead director pay relative to typical director
25th percentile	\$125,000	140%	\$30,000	110%
Median	\$155,000	156%	\$35,000	112%
Average	\$191,544	167%	\$42,854	115%
75th percentile	\$200,000	169%	\$50,000	116%

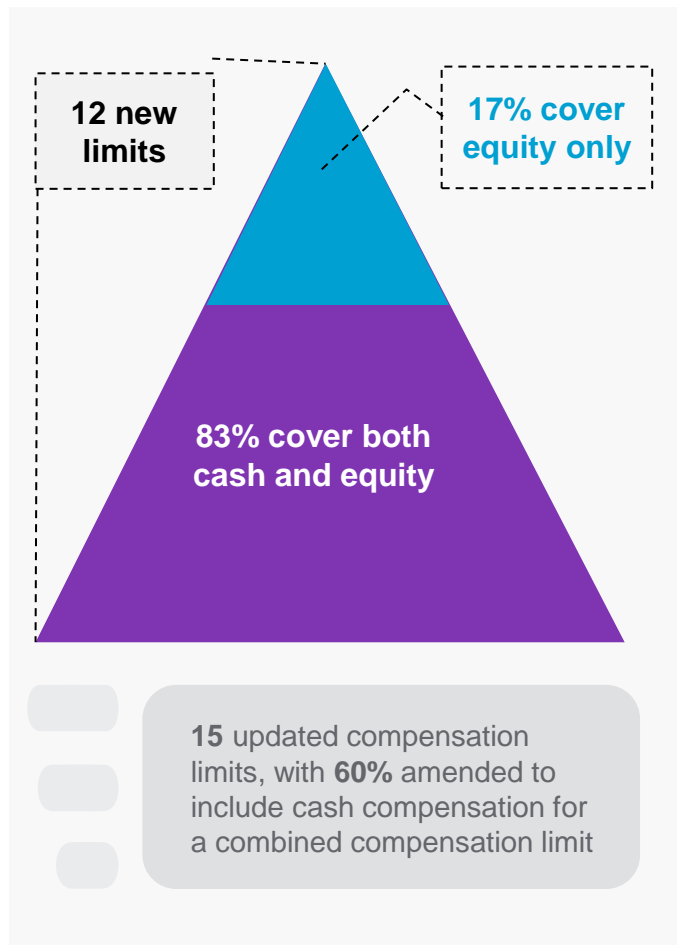
Additional committee pay*

Pay element	Prevalence	Market 25th percentile	Market median	Market 75th percentile
Audit committee member retainer	50%	\$10,000	\$15,000	\$15,000
Audit committee chair retainer	98%	\$25,000	\$25,000	\$35,000
Compensation committee member retainer	38%	\$9,750	\$10,000	\$15,000
Compensation committee chair retainer	97%	\$20,000	\$20,000	\$25,000
Governance committee member retainer	36%	\$7,500	\$10,000	\$10,000
Governance committee chair retainer	95%	\$15,000	\$20,000	\$20,000

*Chair retainers are inclusive of member retainers.

Director-specific annual compensation limits

Annual compensation limits have been set by more than two-thirds of the group (69%) with 12 new limits enacted this year, which increased prevalence by one percentage point.



	Combined fixed value cash and equity limits	Fixed value equity limits	Fixed number of shares limits
Prevalence	34%	26%	10%
Minimum	\$320,000	\$150,000	5,000
Median	\$750,000	\$500,000	27,500
Average	\$781,707	\$605,115	77,170
Maximum	\$2,000,000	\$3,000,000	1,200,000

*Three companies maintain at least two types of limits.

	Combined fixed value cash and equity limits		Fixed value equity limits		Fixed number of shares limits	
	2019	2020	2019	2020	2019	2020
Prevalence	31%	34%	26%	26%	11%	10%
Minimum	\$250,000	\$320,000	\$150,000	\$150,000	5,000	5,000
Median	\$750,000	\$750,000	\$500,000	\$500,000	25,000	27,500
Average	\$800,942	\$781,707	\$641,107	\$605,115	86,066	77,170
Maximum	\$5,355,000	\$2,000,000	\$3,000,000	\$3,000,000	1,200,000	1,200,000

Share ownership and retention

Fiscal year 2020 S&P 500

95%

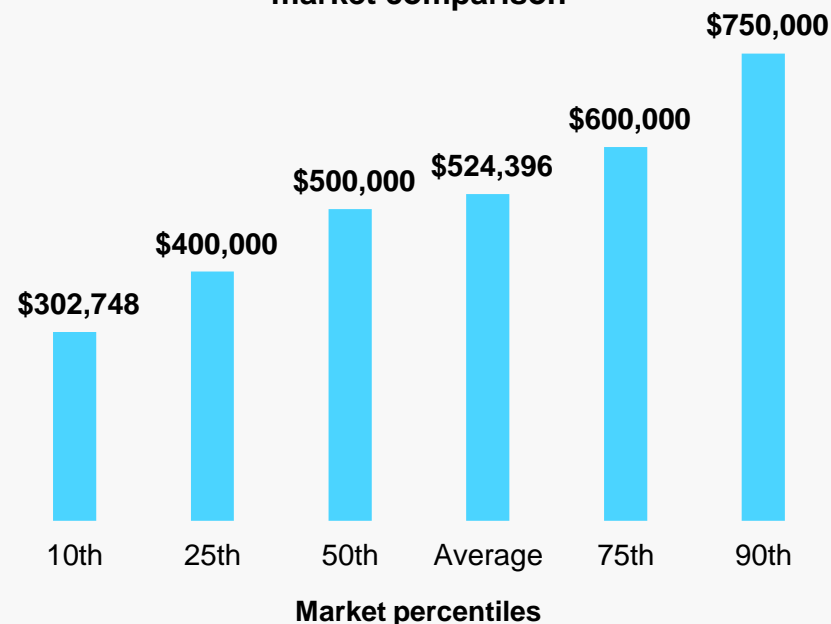
of companies have a director-specific stock ownership guideline.

44%

of companies have a retention requirement, with 26% requiring a holding period that lasts until the stock ownership guidelines are met.

	Type of stock ownership guideline			Total guideline value
	Multiple of retainer	Fixed number of shares	Fixed-dollar value	
Prevalence	84%	4%	7%	
25th percentile	5	5,375	\$387,500	\$400,000
Median	5	10,000	\$500,000	\$500,000
75th percentile	5	10,000	\$700,000	\$600,000

Total stock ownership guideline values: market comparison



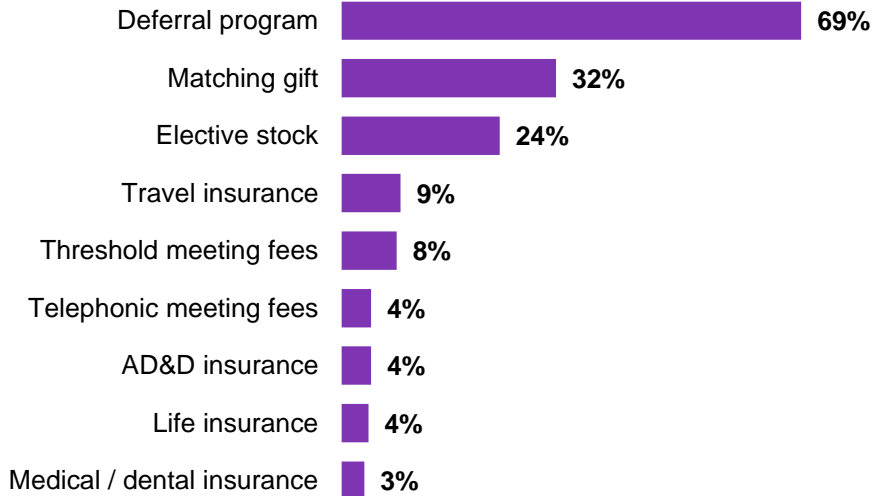
78%

have a guideline based on just the annual cash retainer.

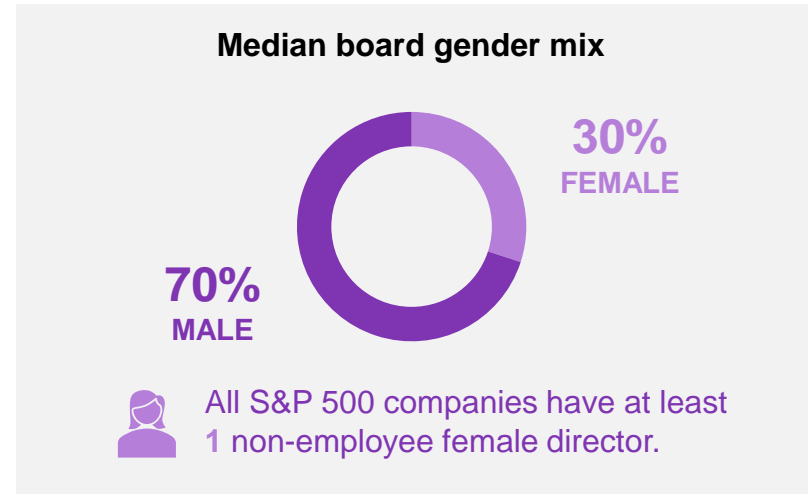
Additional director pay and governance program practices

Fiscal year 2020 S&P 500

Prevalence of director pay program practices

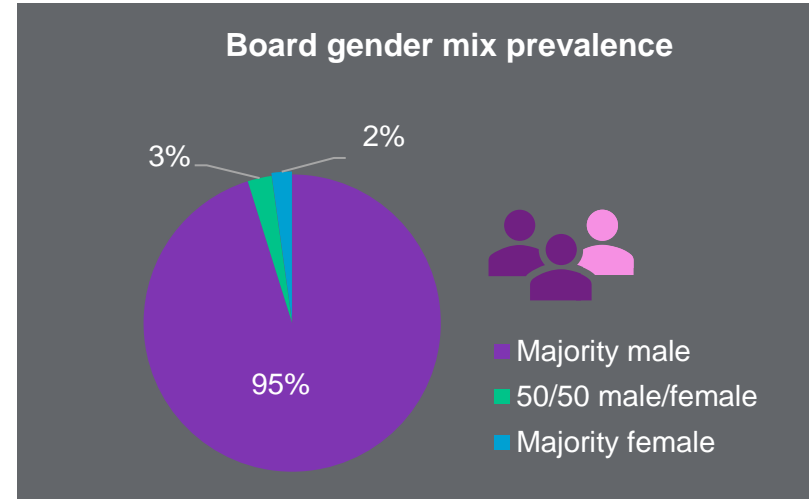


Gender mix



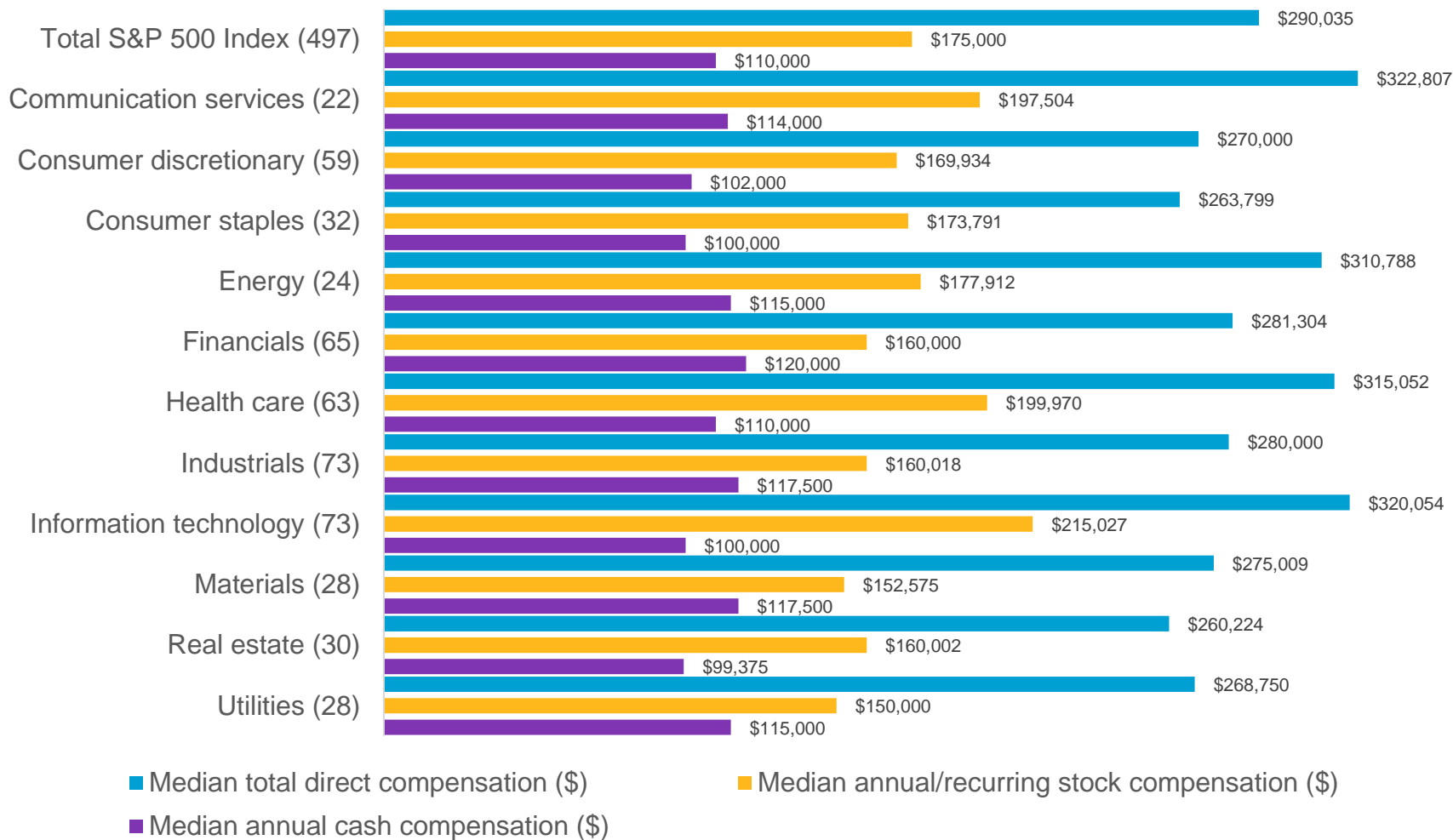
Board tenure practices

	Mandatory retirement age	Term limits (years)
Prevalence	68%	7%
10th percentile:	72	12
25th percentile:	72	13
Median:	75	15
75th percentile:	75	15
90th percentile:	75	17
Average:	74	15



S&P 500 index and industry sector comparisons

Fiscal year 2020 S&P 500



Endnotes

1. The 2021 S&P 500 sample consists of 497 publicly owned companies in the S&P 500 as of December 31, 2020. The 2020 S&P 500 sample consists of 499 publicly owned companies in the S&P 500 as of December 31, 2019.
 - Figures expressed as a percentage of all S&P 500 companies, unless otherwise specified.
 - The 2021 S&P 500 sample excludes three companies that did not disclose director pay data for 2020.
 - Pay programs detailed in this report are compared with findings in last year's S&P 500 director pay report for 2019.
2. Annual cash compensation is calculated as follows:
 - i. Values reported for fees earned or paid in cash in the Director Summary Compensation Table are identified for each director, adjusted to reflect disclosed pay program changes for the future year.
 - ii. Directors who did not serve the entire fiscal year as well as directors in leadership positions receiving supplemental compensation (e.g., board chair, lead director) and chairs of the three primary committees (audit, compensation and nominating/governance) are removed.
 - iii. The median value is identified for the remaining directors to determine the total cash compensation for "typical" directorial duties.
 - iv. The value of the retainer is eliminated from the total cash compensation for the "typical" director to determine the value, if any, of total variable cash fees.
 - v. Annual cash compensation is the combined value of the annual cash retainer and the median value of variable cash fees.
3. Stock compensation is determined using ASC 718 values reported in company proxy statements.
 - a. Full-value stock represents the combined value of all full-value grants, regardless of the form of the award, adjusted to reflect disclosed pay program changes for the future year.
4. All board/committee meeting fees and retainers that are paid in stock are included under annual/recurring stock compensation.
5. Total direct compensation includes annual cash compensation plus annual/recurring stock compensation.
6. One-time stock includes initial and discretionary stock-based grants. The values reflect the incremental additional value above that of the annual grant.
7. Prevalence is inclusive of all compensation limits disclosed by each company. Companies are not limited to only one type of limit per company.
8. Combined fixed value cash and equity limits is inclusive of companies that provide for both separate equity and separate cash limits.
9. Multiple of retainer is inclusive of the following categories: annual cash retainer, annual stock retainer, annual cash and stock retainer, annual equity grant and annual compensation.
10. NA indicates that there were not enough companies using identified practices to trigger summary stats based on the methodology's minimum company requirement.



Global Executive Compensation Analysis Team (GECAT)

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