



S&P 500 director pay trends

WTW Global Executive Compensation Analysis Team

December 2022



Methodology

Outline of data sample and analysis

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

This analysis is based on proxies filed in 2022, and year-over-year comparisons are made against S&P 500 index constituents for the review completed in 2021 of proxy statements filed in 2021.

- Design and compensation values are captured as forward looking, representing a calculated 'expected pay' for fiscal year (FY) 2022 and FY 2021, respectively, and are not reflective of compensation actually paid in FY 2021 and FY 2020.
- Committee memberships and board leadership roles are captured as of fiscal year-end.
- For further specifics of the analysis methodology, see footnotes on slide 16.

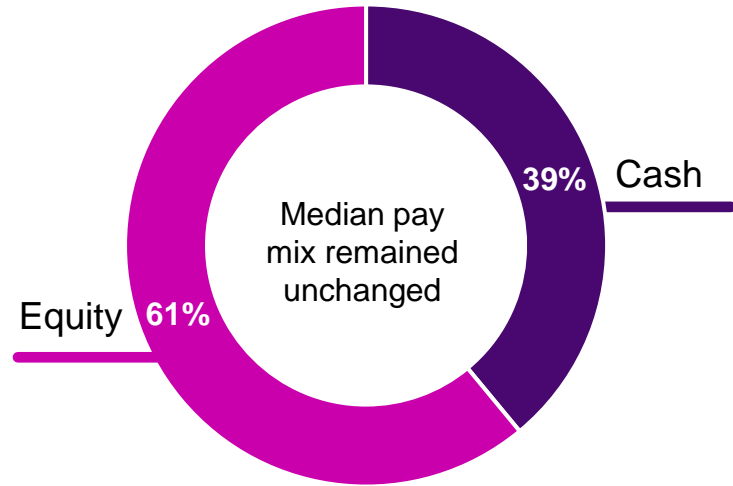
Industry breakdowns are based on the 11 Global Industry Classification Standard (GICS) sectors.

- Communication services (23)
- Consumer discretionary (59)
- Consumer staples (32)
- Energy (21)
- Financials (67)
- Health care (64)
- Industrials (72)
- Information technology (76)
- Materials (28)
- Real estate (29)
- Utilities (28)

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

Pay program design

Overall mix and change in value



No change \$110k	3% to \$180k	3% to \$300k
Annual cash compensation remained the same year over year	Annual/Recurring stock compensation increased at the median by	Total direct compensation (TDC) increased at the median by

Cash compensation



The median annual cash retainer remained steady at \$100,000.

4%

Board per-meeting fees, decreasing two percentage points from 6%

5%

Committee per-meeting fees, decreasing three percentage points from 8%

9%

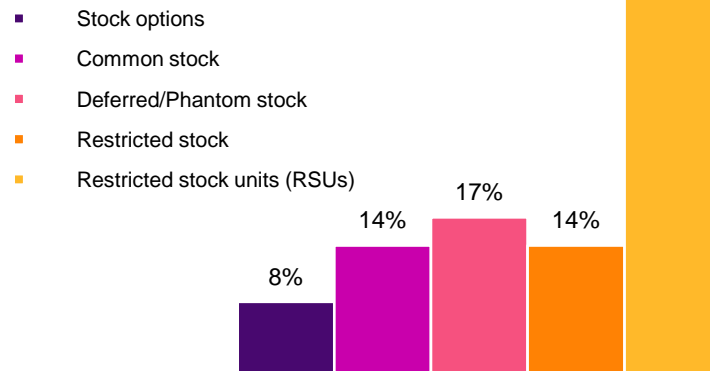
Prevalence of meeting fees paid after attending a predetermined number of meetings (threshold meeting fees), increasing one percentage point from 8%

Pay program design

Equity compensation

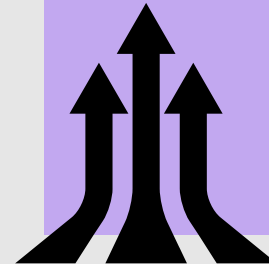
Nearly all companies (99%) provide an annual equity grant to non-employee directors.

Annual/Recurring stock compensation, prevalence by award type*

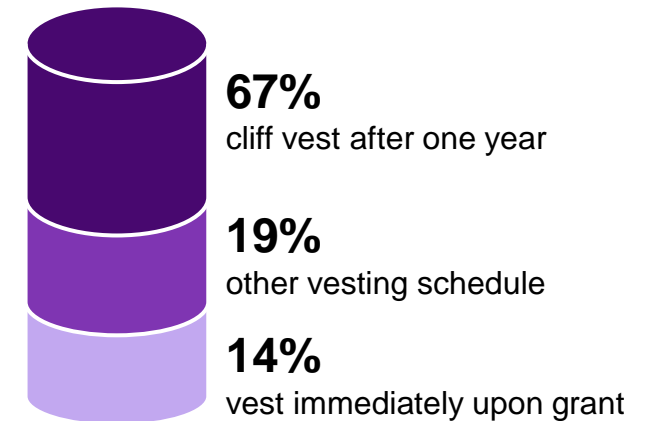


68%

Deliver all or a portion of annual equity value through restricted stock or restricted stock units, up from 67%



Restricted stock/RSUs vesting



*Sums to 107% due to companies granting multiple award types.



Pay program design

Annual/Recurring equity compensation



The number of companies awarding annual share-based grants remained at 3%, while the number of companies awarding annual value-based grants stayed at 96%.



The number of companies granting deferred/phantom 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 \$175,000 to \$180,000.



The median value of stock options increased **12%** from \$89,000 to \$100,000; deferred stock increased **3%** from \$165,000 to \$170,000; and restricted stock/RSUs increased **3%** from \$170,000 to \$175,000.

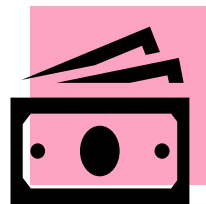
Pay program changes



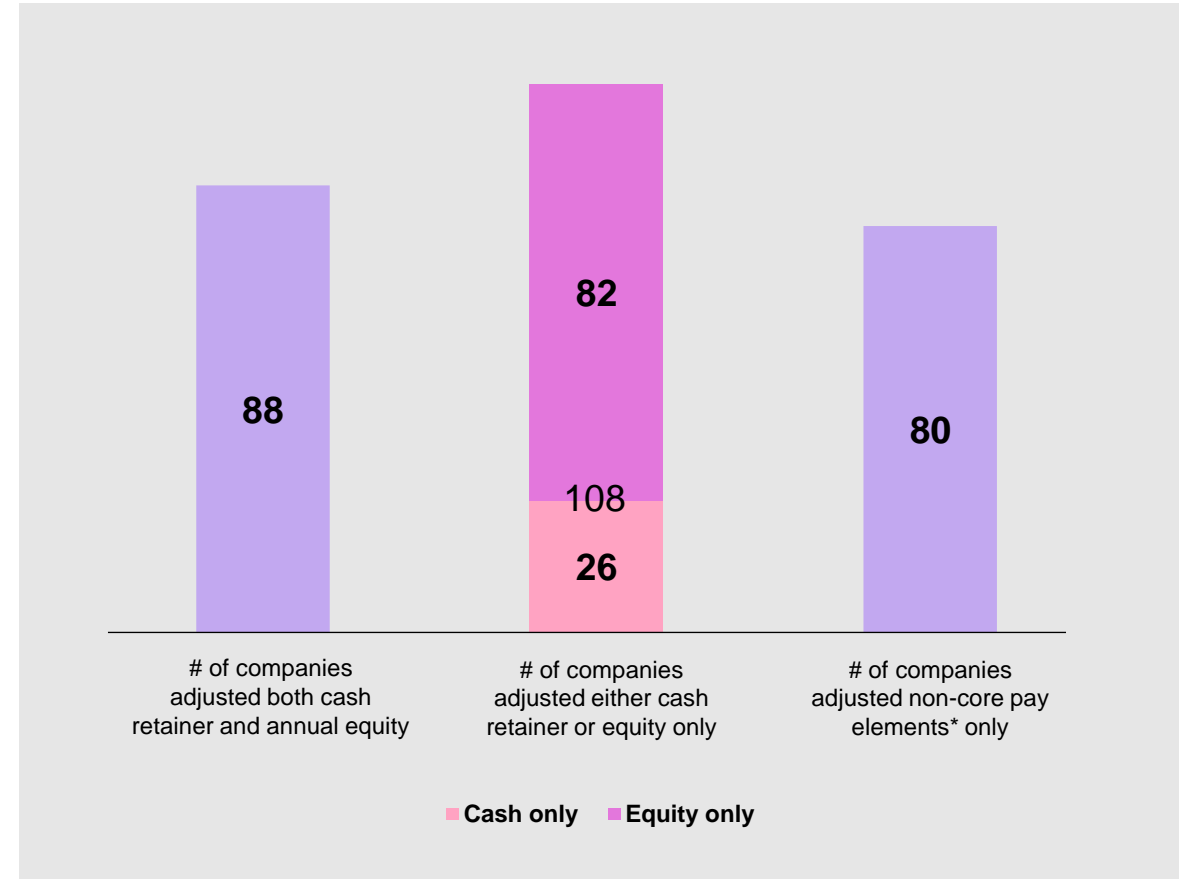
55% of companies made changes to their pay programs



34% adjusted their annual equity grant value



23% adjusted their annual cash retainer value



*Non-core pay elements reflect pay elements other than the annual board cash retainer and equity.

Leadership roles

Non-executive chair of the board (COB)

58% of S&P 500 companies separate the roles of COB and chief executive officer (CEO)

15% of S&P 500 companies have a separate executive chair (non-CEO), while 43% have a separate non-executive chair

43% of S&P 500 companies have a separate, **non-executive** COB, of which **95%** receive additional pay (unchanged year over year).

53% additional fees paid in cash only (increase of two percentage points)

36% additional fees paid in cash and equity (decrease of one percentage point)

11% additional fees paid in equity only (decrease of one percentage point)

Lead director

65% of S&P 500 companies identify a separate lead or presiding director, of which 90% receive additional pay (increase of one percentage point).

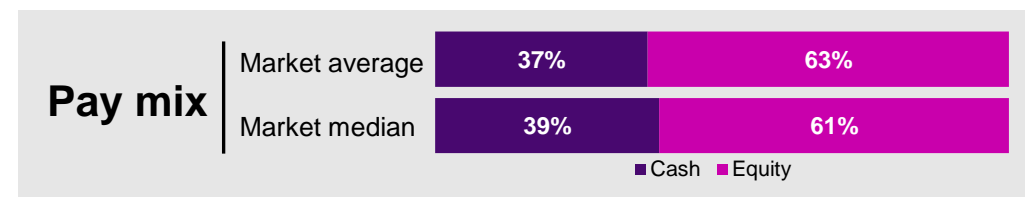
88% additional fees paid in cash only (decrease of one percentage point)

8% additional fees paid in cash and equity (increase of two percentage points)

4% additional fees paid in equity only (decrease of one percentage point)

Outside director compensation – percentile values

	25th	Median	75th	Average	Prevalence
Sales (\$ millions)	\$5,114	\$11,141	\$23,595	\$27,908	
CASH					
Board cash retainer	\$85,000	\$100,000	\$115,000	\$100,058	97%
Board meeting fee	\$1,500	\$2,000	\$3,000	\$2,170	4%
Committee cash retainer	\$8,000	\$10,000	\$15,000	\$11,290	37%
Committee meeting fee	\$1,500	\$1,500	\$2,000	\$1,662	5%
Committee chair extra retainer	\$15,000	\$17,500	\$20,000	\$17,699	94%
Annual cash compensation	\$99,208	\$110,000	\$125,000	\$110,355	98%
ANNUAL/RECURRING STOCK					
<i>Expected value:</i>					
Common stock (\$)	\$145,629	\$166,258	\$194,803	\$167,200	14%
Stock options (\$)	\$75,928	\$99,955	\$147,456	\$139,380	8%
Deferred stock and phantom stock (\$)	\$155,000	\$170,000	\$190,012	\$169,602	17%
Restricted stock (\$)	\$154,296	\$175,055	\$220,000	\$188,693	68%
Annual/Recurring stock compensation (\$)	\$160,000	\$180,000	\$215,000	\$193,787	99%
Total direct compensation	\$274,941	\$300,000	\$328,407	\$304,344	100%
ONE-TIME STOCK					
One-time stock grants annualized	\$114,655	\$200,000	\$275,062	\$244,523	9%
Total compensation (with one-time stock)	\$275,000	\$302,222	\$330,329	\$307,223	100%



Median outside director compensation

	2020	2021	% change	Prevalence
Sales (\$ millions)	\$9,637	\$11,141	16%	
CASH				
Board cash retainer	\$100,000	\$100,000	No change	97%
Board meeting fee	\$2,000	\$2,000	No change	4%
Committee cash retainer	\$10,000	\$10,000	No change	37%
Committee meeting fee	\$2,000	\$1,500	-25%	5%
Committee chair extra retainer	\$15,000	\$17,500	17%	94%
Annual cash compensation	\$110,000	\$110,000	No change	98%
ANNUAL/RECURRING STOCK				
<i>Expected value:</i>				
Common stock (\$)	\$160,000	\$166,258	4%	14%
Stock options (\$)	\$89,167	\$99,955	12%	8%
Deferred stock and phantom stock (\$)	\$165,047	\$170,000	3%	17%
Restricted stock (\$)	\$170,043	\$175,055	3%	68%
Annual/Recurring stock compensation (\$)	\$175,000	\$180,000	3%	99%
Total direct compensation	\$290,035	\$300,000	3%	100%
ONE-TIME STOCK				
One-time stock grants annualized	\$21,250	\$25,000	18%	9%
Total compensation (with one-time stock)	\$291,505	\$302,222	4%	100%

Pay for board leadership and committee service

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	\$165,000	156%	\$40,000	112%
Average	\$191,596	165%	\$46,470	115%
75th percentile	\$200,000	168%	\$50,000	116%

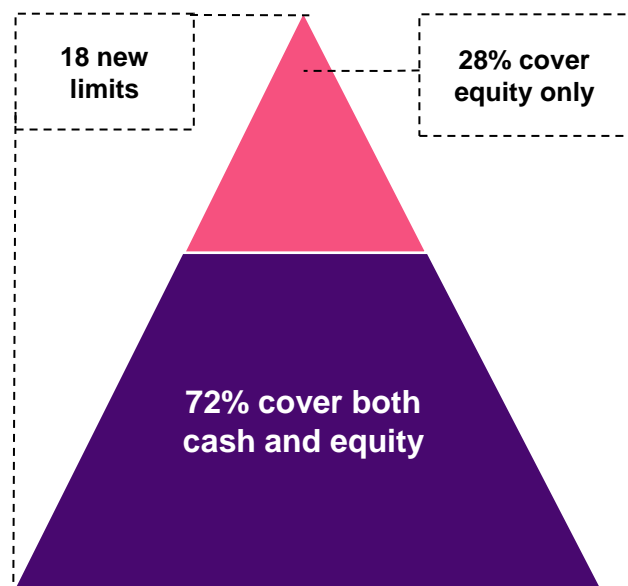
Additional committee pay*

Pay element	Prevalence	Market 25th percentile	Market median	Market 75th percentile
Audit committee member retainer	49%	\$10,000	\$15,000	\$16,000
Audit committee chair retainer	98%	\$25,000	\$25,000	\$35,000
Compensation committee member retainer	37%	\$10,000	\$10,000	\$15,000
Compensation committee chair retainer	97%	\$20,000	\$20,000	\$25,000
Governance committee member retainer	35%	\$7,500	\$10,000	\$10,000
Governance committee chair retainer	95%	\$15,000	\$20,000	\$22,313

*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 (**71%**) with 18 new limits enacted this year, which increased prevalence by two percentage points.



Nineteen companies updated their compensation limits, **58%** of which were amended to include cash compensation for a combined compensation limit.

	Combined fixed value cash & equity limits		Fixed value equity limits		Fixed number of shares limits	
	2020	2021	2020	2021	2020	2021
Prevalence*	34%	37%	26%	25%	10%	9%
Minimum	\$320,000	\$320,000	\$150,000	\$150,000	5,000	5,000
Median	\$750,000	\$750,000	\$500,000	\$500,000	27,500	30,000
Average	\$781,707	\$793,005	\$605,115	\$635,357	77,170	70,952
Maximum	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000	1,200,000	1,200,000

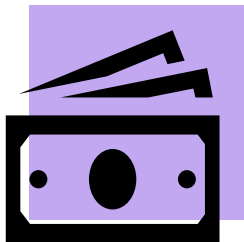
*Two companies maintain at least two types of limits.

Share ownership and retention

96%

of companies have a director-specific stock ownership guideline.

	Type of stock ownership guideline			Total guideline value
	Multiple of retainer	Fixed number of shares	Fixed-dollar value	
Prevalence	86%	3%	7%	
25th percentile	5	5,000	\$375,000	\$425,000
Median	5	7,000	\$500,000	\$500,000
75th percentile	5	10,000	\$650,000	\$600,000



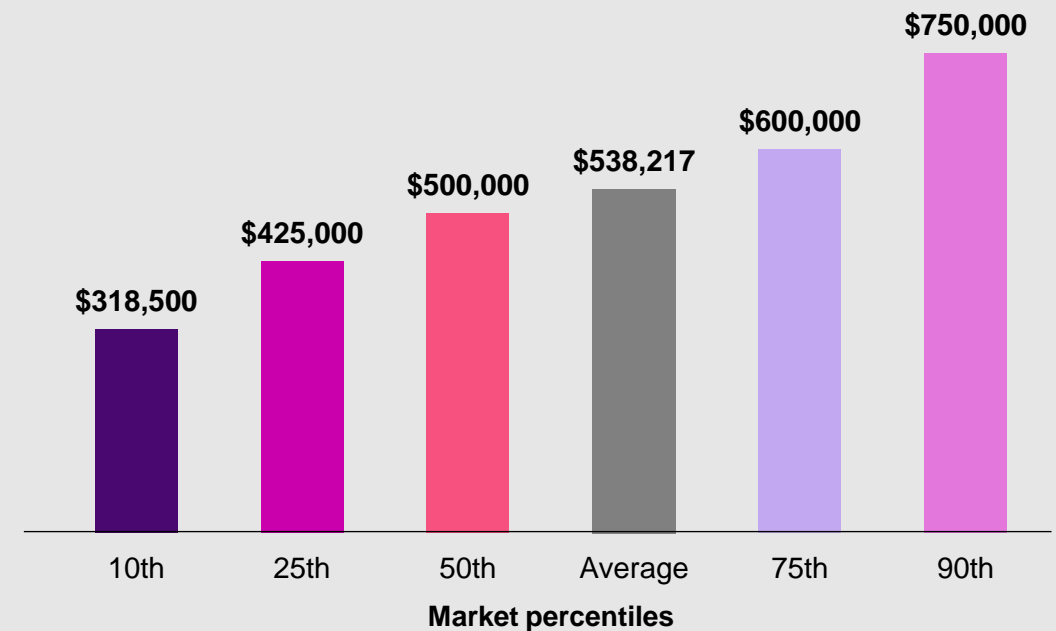
80%

have a guideline based on just the annual cash retainer.

68%

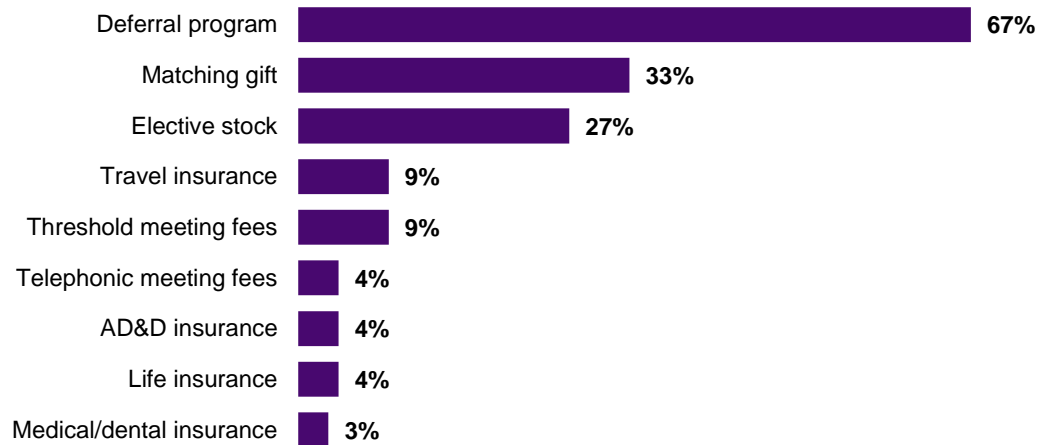
of companies have a retention requirement (increase of one percentage point) with 27% requiring a holding period that lasts until the stock ownership guidelines are met (increase of one percentage point).

Total stock ownership guideline values: Market comparison



Additional director pay and governance program practices

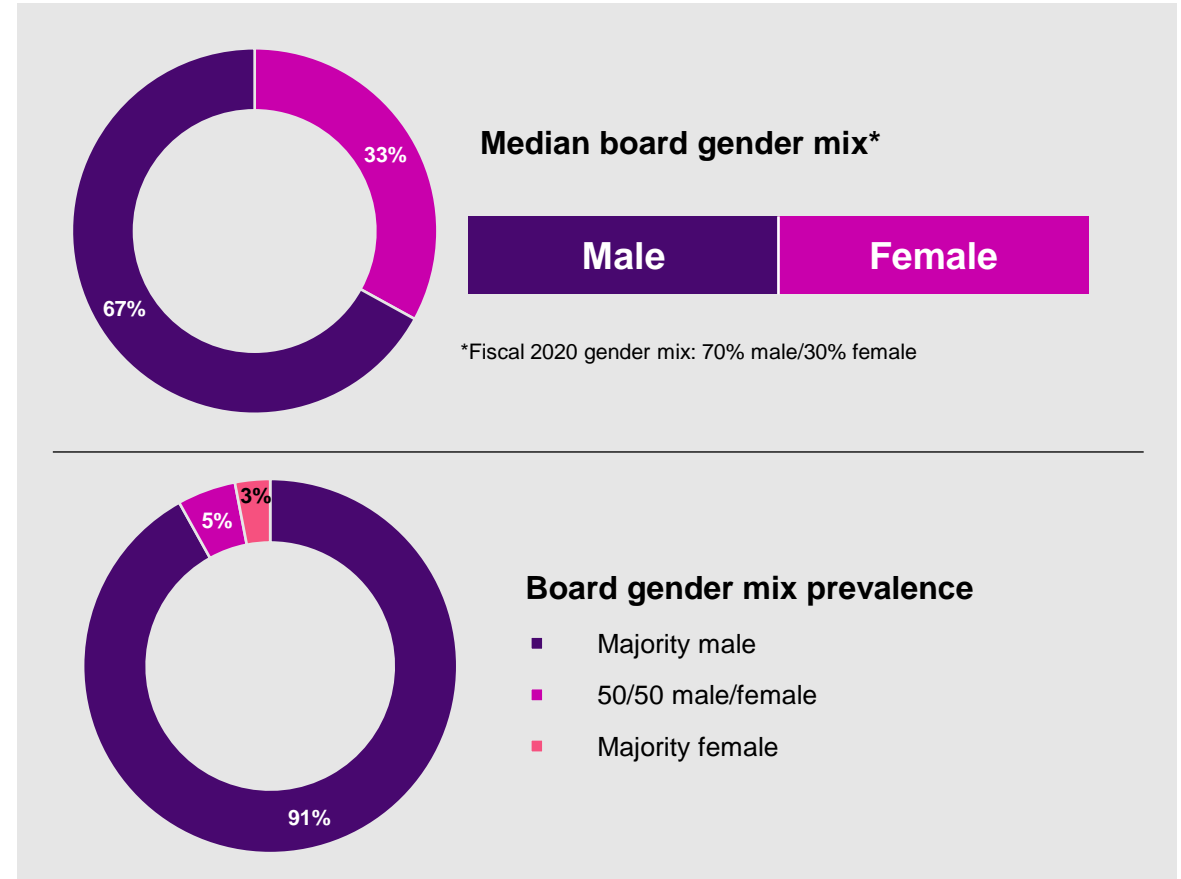
Prevalence of director pay program practices



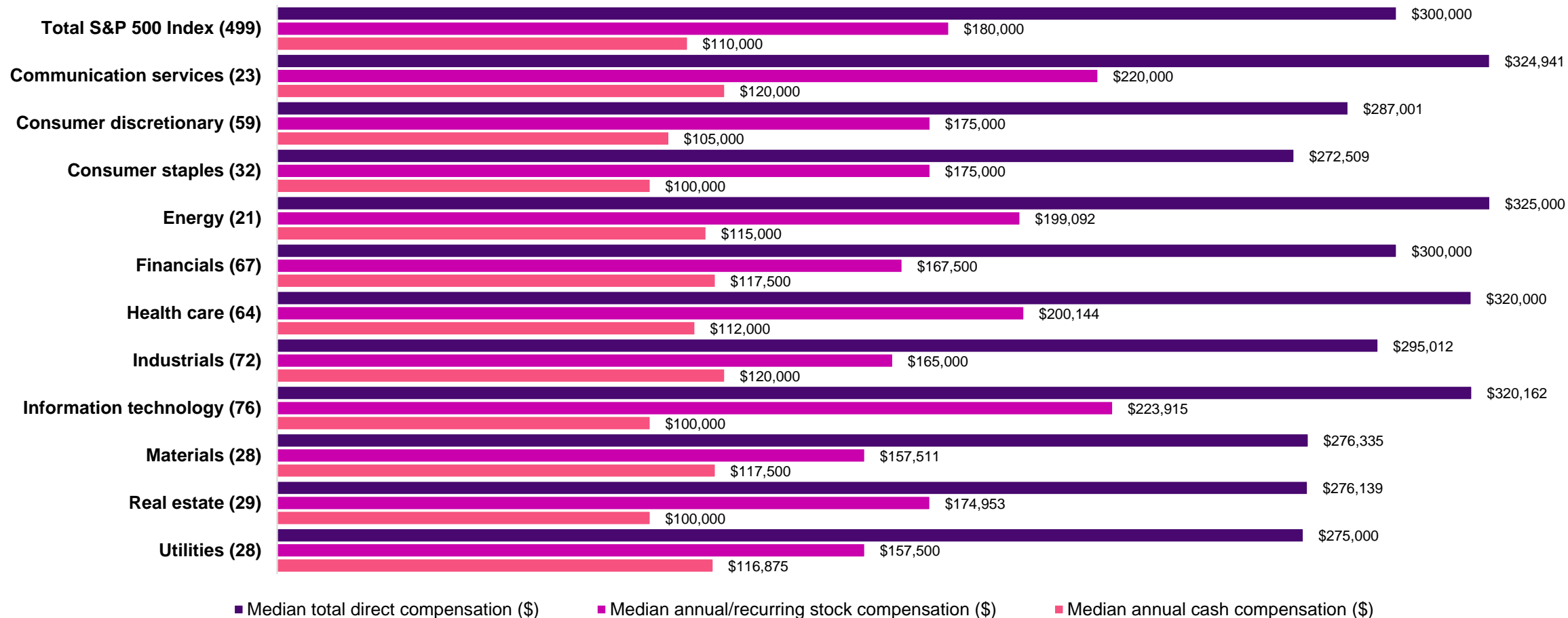
Board tenure practices

	Mandatory retirement age	Term limits (years)
Prevalence	65%	7%
10th percentile:	72	12
25th percentile:	72	12
Median:	75	15
75th percentile:	75	15
90th percentile:	75	17
Average:	74	15

Gender mix



S&P 500 index and industry sector comparisons



Footnotes

1. The 2022 S&P 500 sample consists of 499 publicly owned companies in the S&P 500 as of December 31, 2021. The 2021 S&P 500 sample consists of 497 publicly owned companies in the S&P 500 as of December 31, 2020.
 - Figures expressed as a percentage of all S&P 500 companies, unless otherwise specified.
 - The 2022 S&P 500 sample excludes one company that did not disclose director pay data for fiscal 2021.
 - Pay programs detailed in this report are compared with findings in last year's S&P 500 director pay report for fiscal 2020.
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 are 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. N/A 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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