

BDO 600

Board Director Compensation Trends in Retail



Director compensation among middle market public companies is up 12 percent in fiscal year 2013, a significant jump from the 3 percent increase in the previous year, according to an analysis of 600 companies conducted by BDO USA, LLP, a leading accounting and consulting organization.

Board director compensation in the retail industry was relatively flat in fiscal year 2013, rising just 2 percent—the smallest increase of all industries studied. On average, retail directors received \$118,997 this past fiscal year, up from \$117,080 last year. While this is the fourth straight fiscal year of growth in the average total compensation paid to retail industry directors, it follows a more significant 6 percent increase from fiscal 2011 to 2012. In addition, despite significant transformation and numerous changes for retail leadership teams and boards, retail boards are compensated less than peers in all other industries studied save for banking.

“Director compensation underwent strong overall growth in fiscal year 2013, indicating that improving economic conditions are enabling compensation to catch up to the increase in job responsibility, complexity and overall demands,” says **Randy Ramirez, senior director in the Global Employer Services practice at BDO.** “With solid sales growth and improving consumer confidence levels in 2014, and with so much being asked of boards, we may see compensation levels increasing, as well.”

BDO RETAIL AND CONSUMER PRODUCTS PRACTICE

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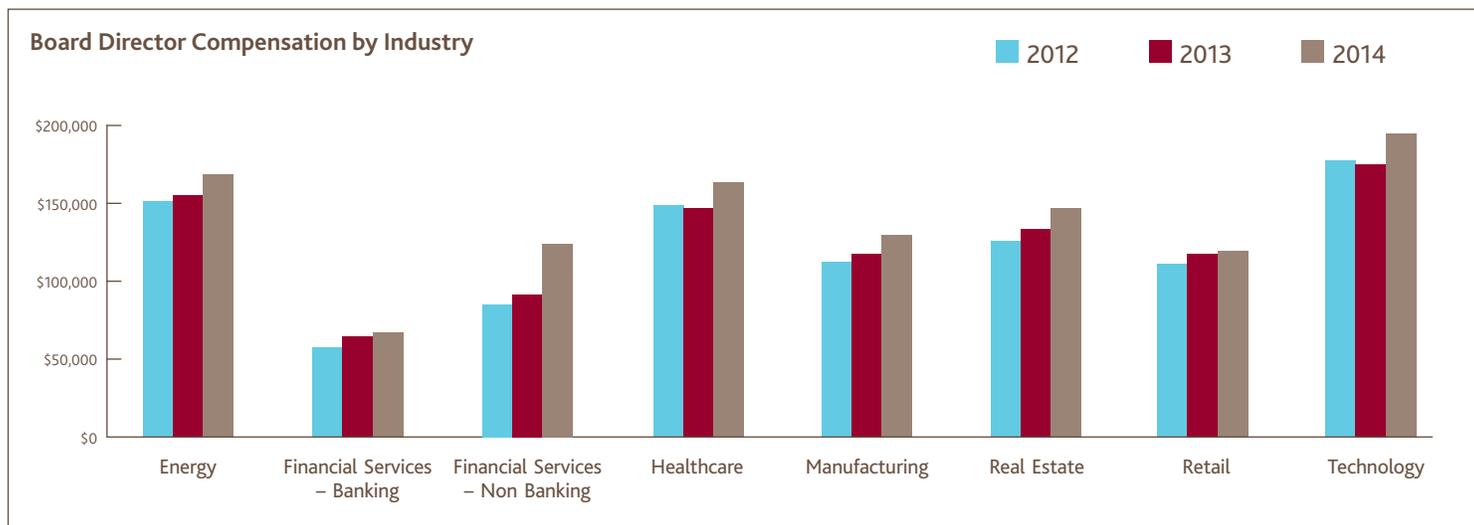
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RETAIL BOARDS PLAYING VITAL ROLE

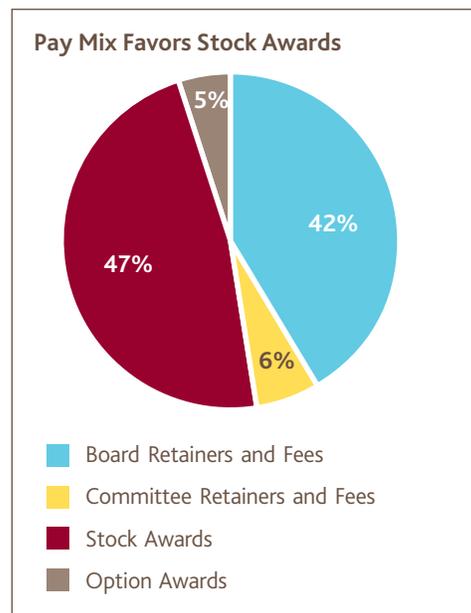
As the traditional retailer continues to transform in response to changing consumer demands, new skill sets and capabilities are required. Retailers are increasingly looking to boards for guidance, and in many cases, seeking members with technology or startup backgrounds to help their brands enhance the omnichannel experience and reach the challenging millennial group, while maintaining their current base of customers.

Moreover, significant operational and IT challenges in the wake of the plethora of data breaches are concerning to retailers. BDO's recent study of public company board members found that a majority (59 percent) of directors report that their board is more involved in cybersecurity today than it was 12 months ago. A majority (55 percent) say they have increased company investments in cybersecurity during the past year. Qualified directors are critical to guiding retailers through these incidents and helping

them develop robust response plans. While compensation levels are steady with 2012 levels, the new reality in retail may lead to increases in the years ahead.

BOARD FEES AND STOCK AWARDS DOMINATE PAY MIX

The pay mix scenario for retailers remains consistent with previous years. Board fees and retainers, along with stock awards, are the two largest components of director pay packages for the third year in a row. When it comes to retail directors pay mix, stock awards continued to rise, increasing 8 percent. Committee retainers and fees held steady at 6 percent of total compensation, while stock options decreased 41 percent. While companies are focused on pay for performance, retail boards play an important role in corporate governance and fiduciary oversight, and less of their compensation is tied to short-term company performance accordingly.



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