



THE BDO 600

2019 Study of Board Compensation Practices
of 600 Mid-Market Public Companies



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BDO 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, board and executive talent reviews, compensation committee development, non-qualified and deferred compensation plans, advising on tax and accounting issues, and other related services.

Our services are tailored and scalable, 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

As board responsibilities continue to expand beyond the traditional boundaries of strategic planning and general risk management, director pay levels are increasing. At the same time, scrutiny around compensation practices for boards is intensifying. A deeper understanding of board compensation trends is critical to attract and retain talented board members who can provide the oversight necessary for companies to succeed in an increasingly dynamic and complex workspace.

ABOUT THE BDO 600 STUDY

The 13th annual BDO 600 study details director compensation practices and select board practices of 600 middle market public companies, reviewing the key components of pay packages and providing comparisons by company size and industry. It examines companies in the following industries:



Energy



Financial Services – Banking



Financial Services – Nonbanking



Healthcare



Manufacturing



Real Estate



Retail



Technology

Companies in the six non-financial 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 2018 and March 2019. Consolidated proxy data were provided by Salary.com.

This study is unique in the industry because it focuses on middle market companies. Most board compensation studies focus on larger companies.



In fiscal year 2018, director compensation **increased 3%** over 2017 levels.

Similar to 2017, companies pay **46%** of director total compensation in **cash** and **53%** in **equity**.



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.

TYPES OF COMPENSATION

- ▶ **Board Retainers and Fees** are comprised of 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** are comprised of 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 reflects the assumption that the director serves as a member of two committees. Fees for serving on the compensation committee and the nominating and governance committee were used in this analysis.
- ▶ **Total Equity** is the amount paid to directors in either stock options or full-value stock awards, or a combination of both.
- ▶ **Stock Options** are the grant date fair value awards as 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 the company. Irregular grants have been annualized, but 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 were 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 is organized by company size and industry. Compensation can be benchmarked against either of these factors to obtain different perspectives on board compensation practices. The groups are described in more detail below.

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. These size categories were revised in 2016 to reflect the overall growth in the revenues of middle-market companies.

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

One of the most important aspects of benchmarking compensation and board practices is maintaining a consistent, quantitative platform for analysis. In 2016, we updated the size categories to better reflect middle market companies. We created an updated database of companies based on a broader range of revenues and assets. We were able to maintain a highly consistent group of year-over-year comparators, with more than 85% of the same companies in our database for both this year and last year.

To establish a comparative baseline for all 600 companies in the study sample, a consistent methodology was used to value compensation levels including annualizing salary data as appropriate. 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 stake holders (venture capital or founder/family/management).

INSIGHTS

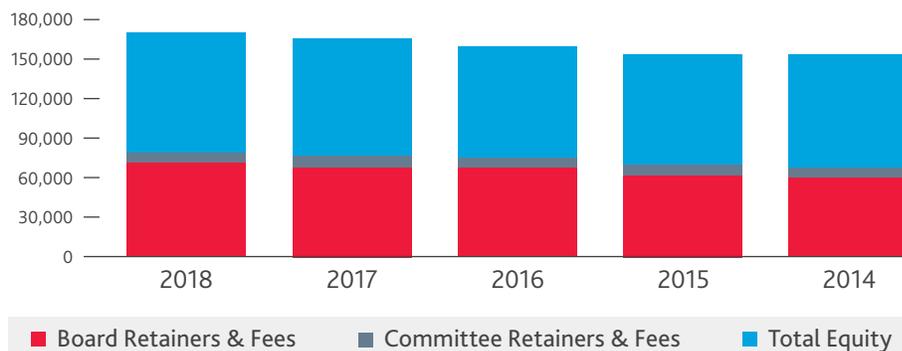
Boards face an ever-changing array of complex challenges:

- ▶ Regulations, technology, risk, and globalization all require directors with experience and foresight.
- ▶ Institutional investors are flexing their muscle to influence boards. Recent studies suggest that institutional investors held close to 70% of the ownership of public companies with a voting participation rate of 91%.
- ▶ Activists continue to use the board room as a way to influence the direction of companies.

As such, corporate boards of directors are under heightened pressure. This is reflected in pay trends.

Board members' retainers and fees increased by an annualized rate of 3.9% since 2014.

Five Year Trend in Director Compensation / 2014-2018



While 3.9% is more than the typical salary increase, it aligns with the increasingly long list of issues for which boards are accountable. Board members must provide guidance around exceedingly complex matters related to:

- ▶ Board diversity – as of now, less than 20% of directors are women
- ▶ Environmental, social, and governance (ESG) initiatives
- ▶ Corporate strategy
- ▶ Cybersecurity and data privacy
- ▶ SEC regulation and enforcement
- ▶ Executive compensation
- ▶ Audit quality
- ▶ Talent and succession planning

This report provides insight on how middle market companies are paying for board-level talent and addressing a variety of board structure issues, including gender diversity.

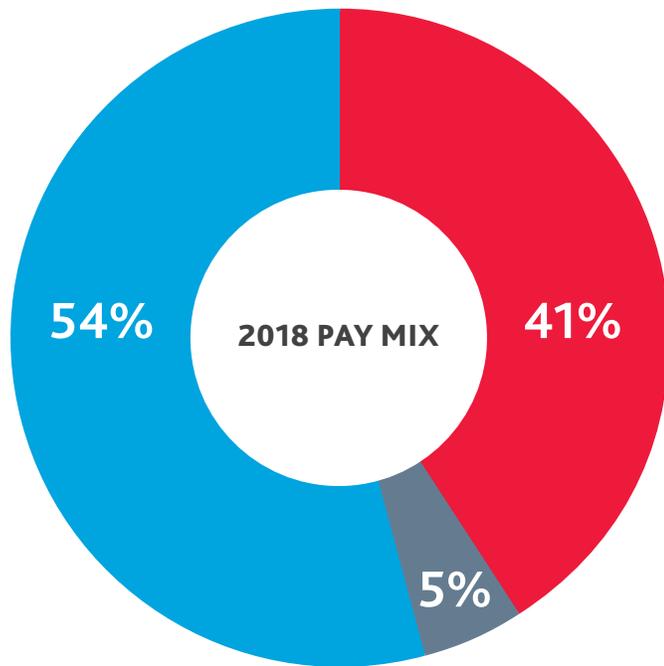
BOARD COMPENSATION & RECENT TRENDS (NEW IN 2018)

BDO collected and analyzed data on board compensation and 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. Board Term Limits
6. Representation of Women on Boards

Findings are outlined in the Board Compensation Policy & Recent Trends section of this report.

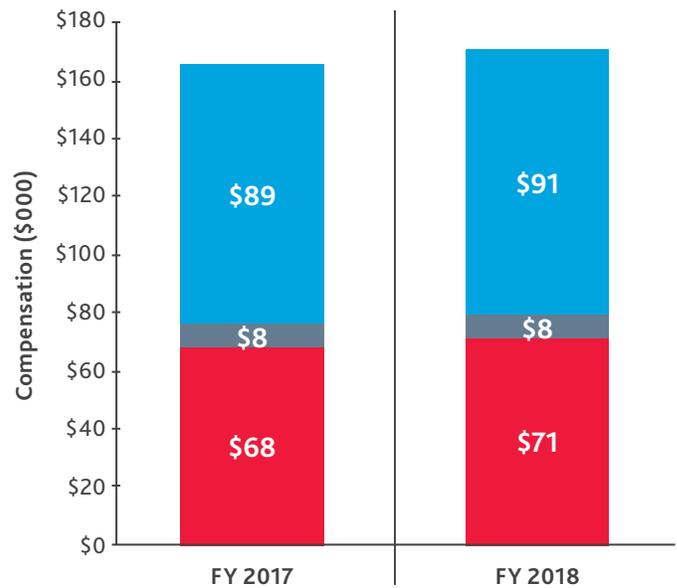
Overall Results



■ Board Retainers & Fees ■ Committee Retainers & Fees ■ Total Equity Pay

Board compensation levels continue to represent a significant cost to organizations. Even the smaller organizations pay an average of almost \$125,000 in cash and stock per director, while larger companies pay almost \$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 more than \$400,000 that is largely equity-based (more than 75%).

TOTAL DIRECTOR COMPENSATION 2017 AND 2018



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

- ▶ Director total compensation increased by 3% in fiscal year 2018 compared to fiscal year 2017.
- ▶ Annual board fees and retainers increased 4% overall between 2017 and 2018.
- ▶ Conversely, committee retainers and fees decreased 6% during this period, 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 4% over the prior year, whereas stock options decreased by 12%. Total equity pay increased 2%.

The table below presents the average component (e.g., total equity) and total compensation paid to board members for all 600 companies for fiscal years 2018 and 2017:

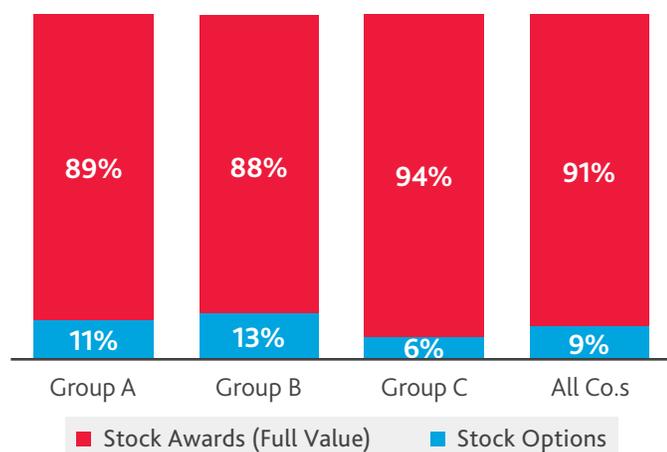
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$70,925	\$7,950	\$91,435	\$170,310
2017	\$67,924	\$8,459	\$89,226	\$165,609
Change	4%	-6%	2%	3%

The table below presents the mix of pay for fiscal years 2018 and 2017, which remained unchanged¹:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	41%	5%	54%
2017	41%	5%	54%

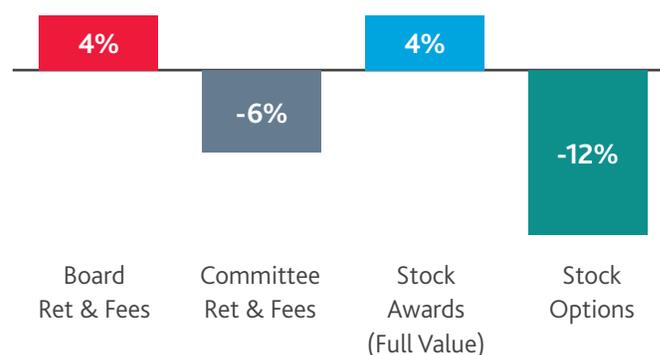
The chart below illustrates the mix of full-value stock awards and stock options that make up total equity pay for the three classifications by company size. Full-value awards represent approximately 90% of all equity awards.

MIX OF EQUITY PAY



The following chart illustrates the change in the mix of pay from 2017 to 2018. The 4% increase in board retainers and fees correlates to the decreased use of committee retainers and fees (an effort to simplify the process of paying board members). The use of full-value shares shifts focus to increasing value while limiting the speculative pressure to increase stock price to realize value (as is the case with options).

ALL COMPANIES



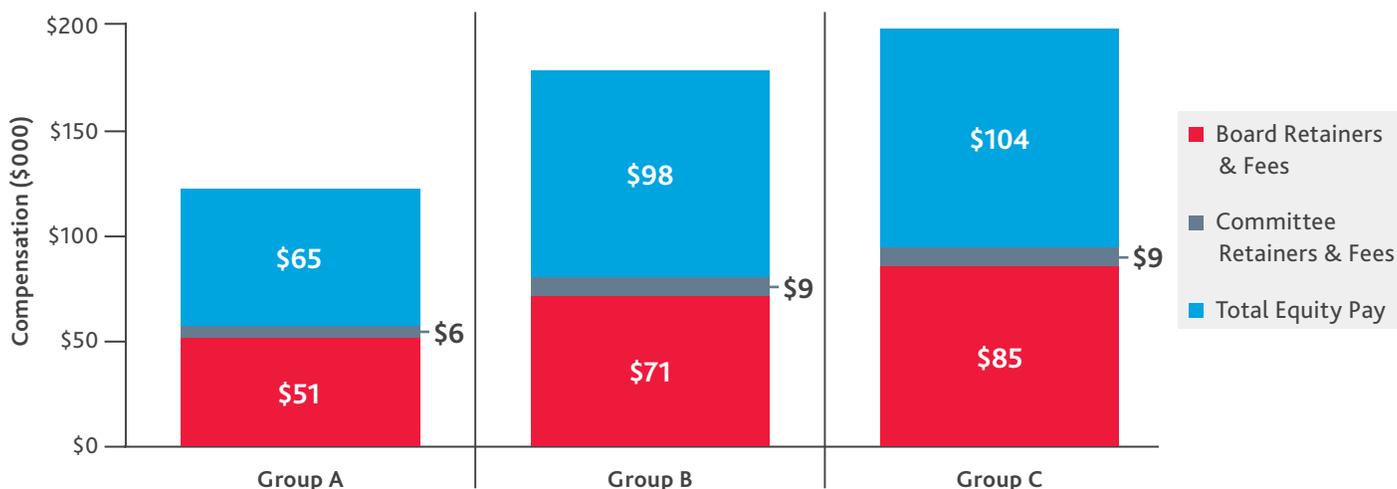
The following section provides data by company size. More trends can be found in the subsequent section on board compensation practices by industry.

¹ Note – due to rounding, figures will not always sum to 100%

COMPENSATION LEVELS BY COMPANY SIZE

Overall Results

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 was flat for smaller companies (Group A), increased slightly for Group B companies, and increased the most for larger companies (Group C).

Total Compensation by Size Category

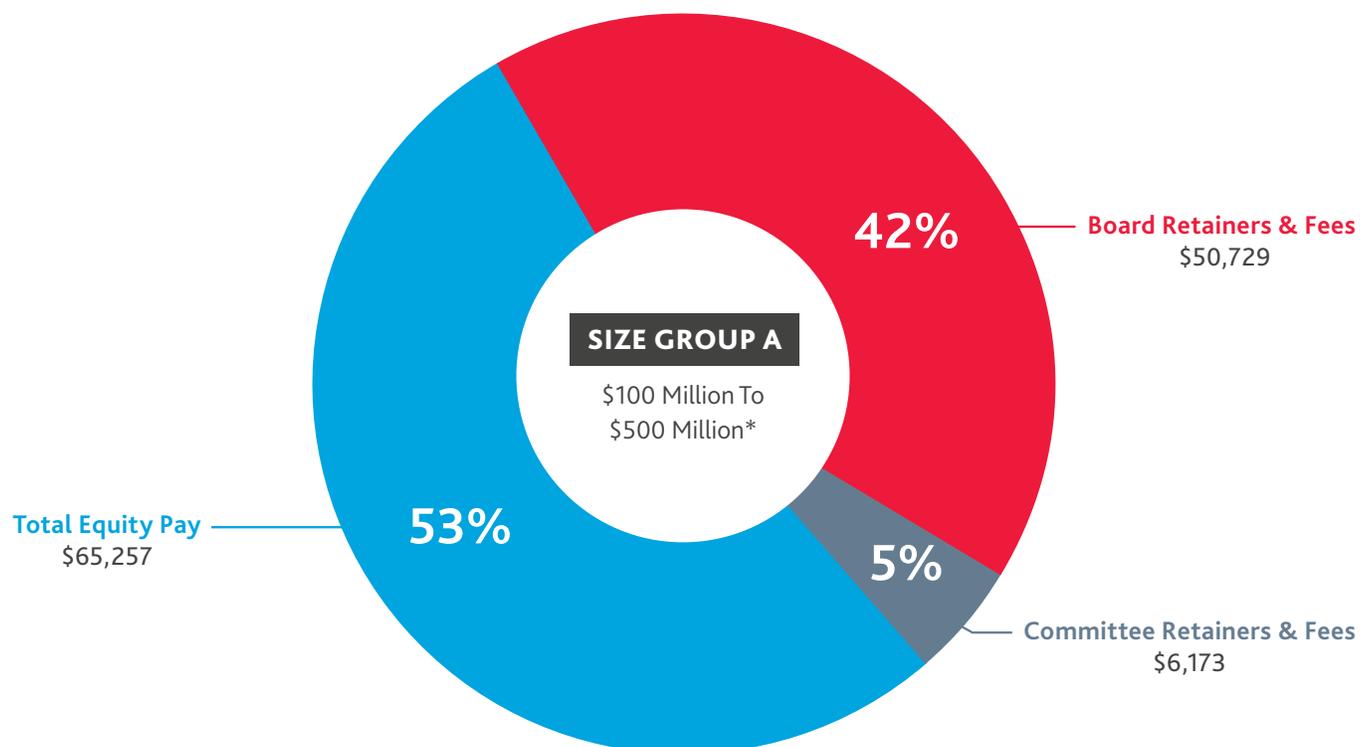
Fiscal Year	Group A	Group B	Group C
2018	\$122,159	\$178,084	\$197,730
2017	\$122,393	\$177,023	\$191,938
Change	0%	1%	3%

Our findings reveal that companies of all sizes favor equity over cash. Historically, larger companies provided a higher proportion of equity-based compensation compared to smaller companies. Now, the compensation mix is more comparable across all groups. Overall, stock awards are preferred over stock options.

Mix of Compensation by Size Category

Size Category	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
Group A	42%	5%	53%
Group B	39%	5%	56%
Group C	43%	4%	53%

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



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$100 million and \$500 million,* comparing fiscal years 2018 and 2017.

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$50,729	\$6,173	\$65,257	\$122,159
2017	\$51,514	\$6,675	\$64,204	\$122,393
Change	-2%	-8%	2%	0%

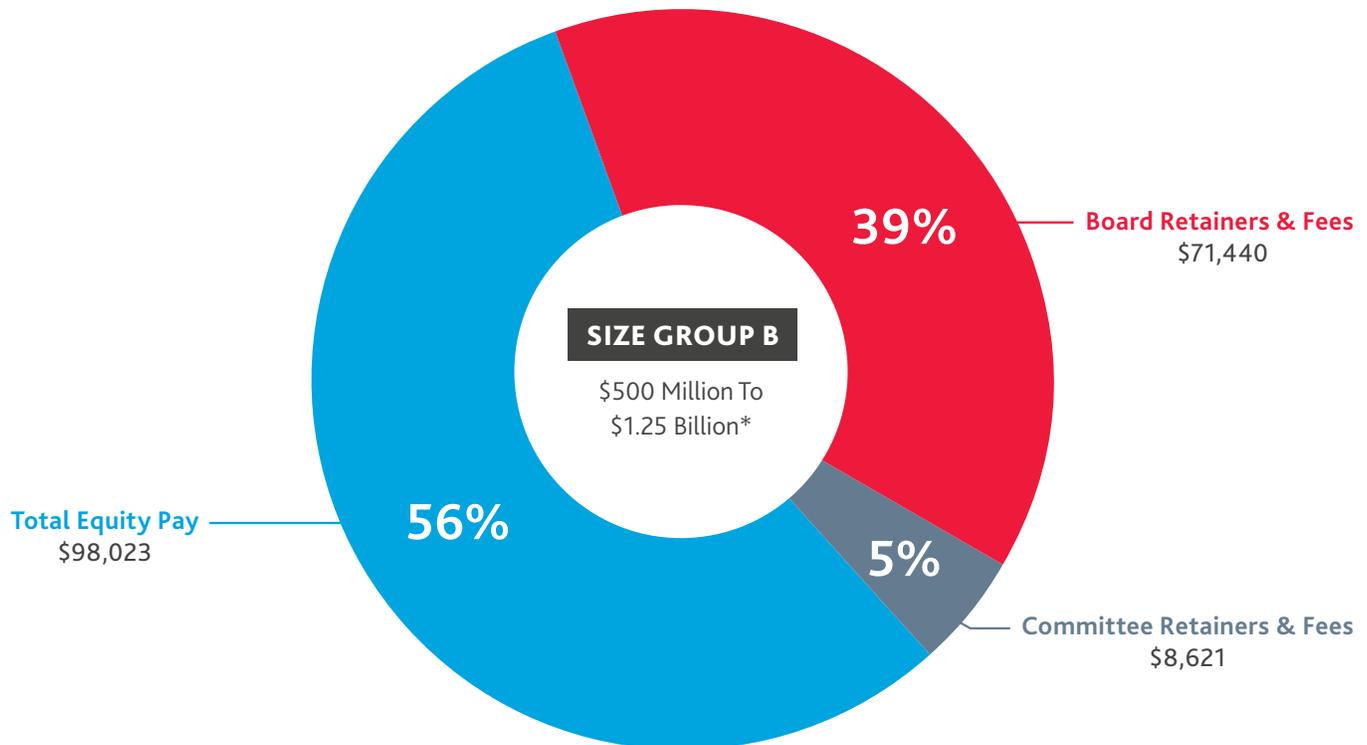
While retainers and fees for board service remained mostly flat, committee retainers and fees decreased 8%. Total equity pay (stock awards and stock options) increased by 2%. Total compensation did not change for Group A.

As highlighted in the table below, the current pay mix is identical to the prior year's, with equity compensation comprising 53% of director total compensation.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	42%	5%	53%
2017	42%	5%	53%

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



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$500 million and \$1.25 billion,* comparing fiscal years 2018 and 2017:

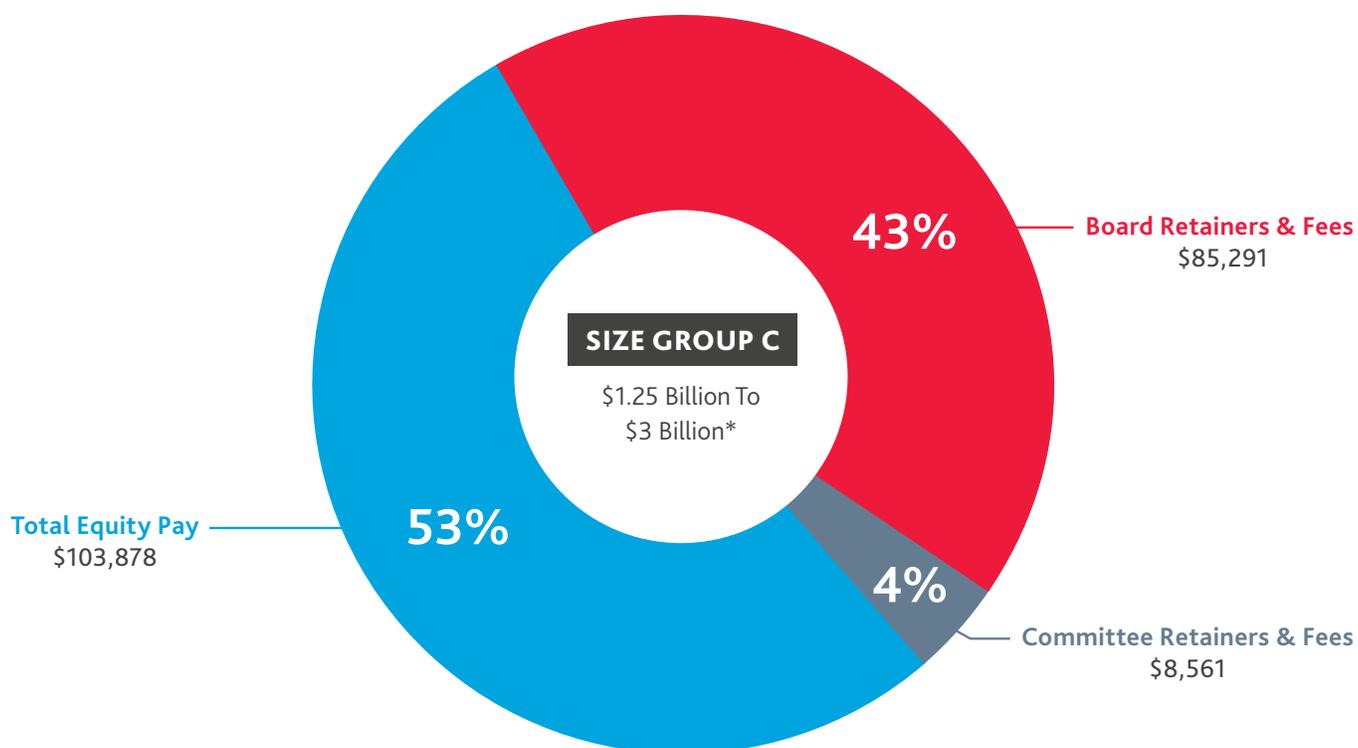
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$71,440	\$8,621	\$98,023	\$178,084
2017	\$69,953	\$9,214	\$97,856	\$177,023
Change	2%	-6%	0%	1%

The total compensation paid to directors in this group remained relatively flat with the exception of reduced committee retainers and fees, which are a small percentage of the total package. Total compensation increased by just 1% for board members of companies in Group B, driven mostly by an increase in board retainers and fees (3%); total equity pay also increased slightly (1%). Committee retainers and fees decreased by 6%. Equity-based compensation comprised 56% of the director total pay package.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	39%	5%	56%
2017	40%	5%	55%

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



The table below summarizes the average annual total compensation paid to board members of companies with revenues between \$1.25 billion and \$3 billion,* comparing fiscal years 2018 and 2017:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$85,291	\$8,561	\$103,878	\$197,730
2017	\$80,594	\$9,216	\$102,128	\$191,938
Change	6%	-7%	2%	3%

Despite a 6% increase in board retainers and fees, total compensation only increased by 3% year-over-year for companies in Group C. Total equity pay increased a modest 2%, while committee retainers and fees dropped 7%. The overall mix of pay is similar to 2017, in which equity pay comprised 53% of the total pay package.

Mix of Compensation

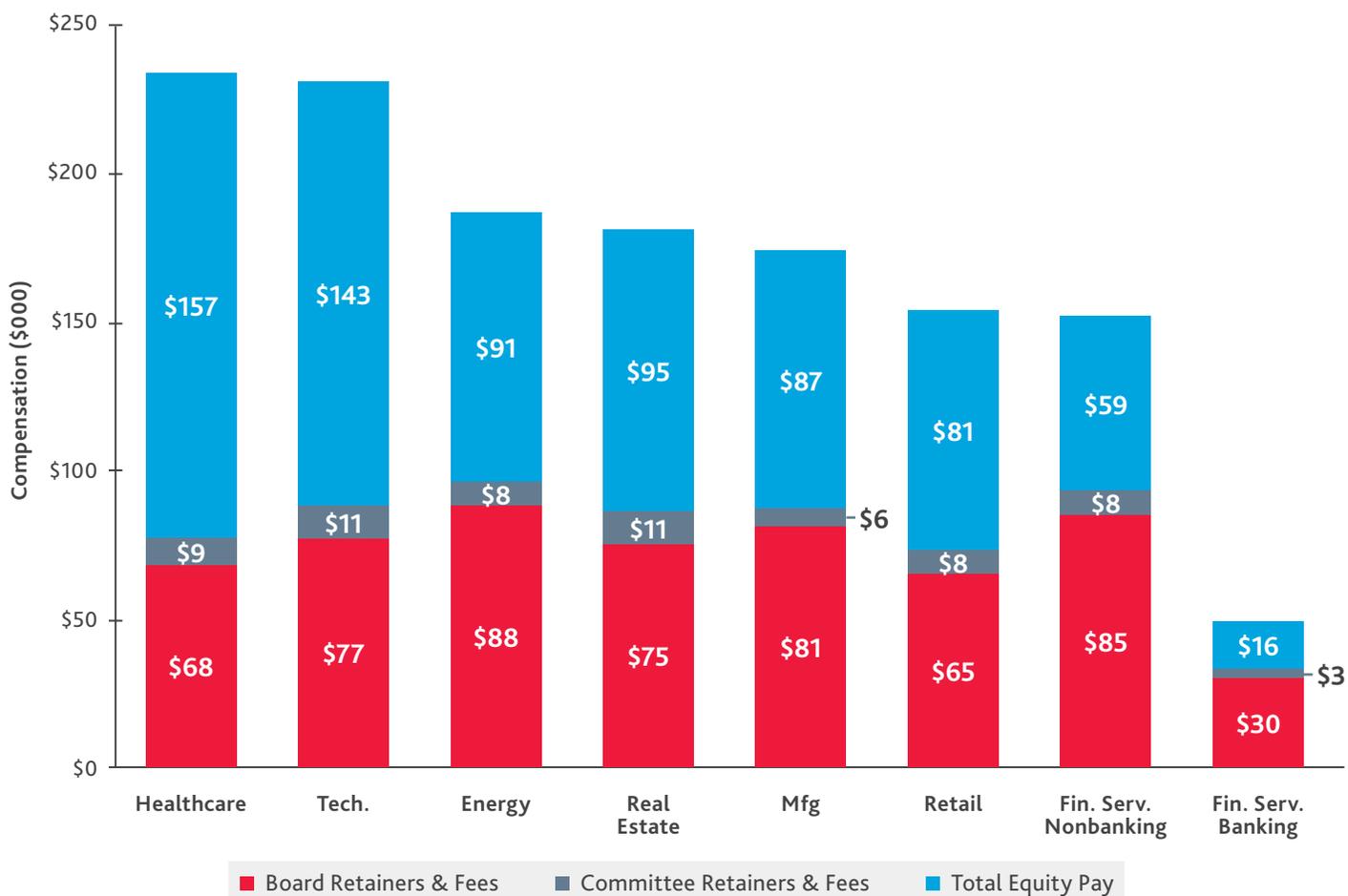
Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	43%	4%	53%
2017	42%	5%	53%

*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.

Fiscal Year	Healthcare	Technology	Energy	Real Estate	Mfg	Retail	FS - Nonbanking	FS - Banking
2018	\$233,331	\$230,621	\$187,270	\$179,765	\$173,481	\$154,070	\$152,340	\$48,669
2017	\$220,830	\$230,408	\$193,576	\$175,307	\$161,034	\$151,701	\$146,457	\$44,564
Change	6%	0%	-3%	3%	8%	2%	4%	9%

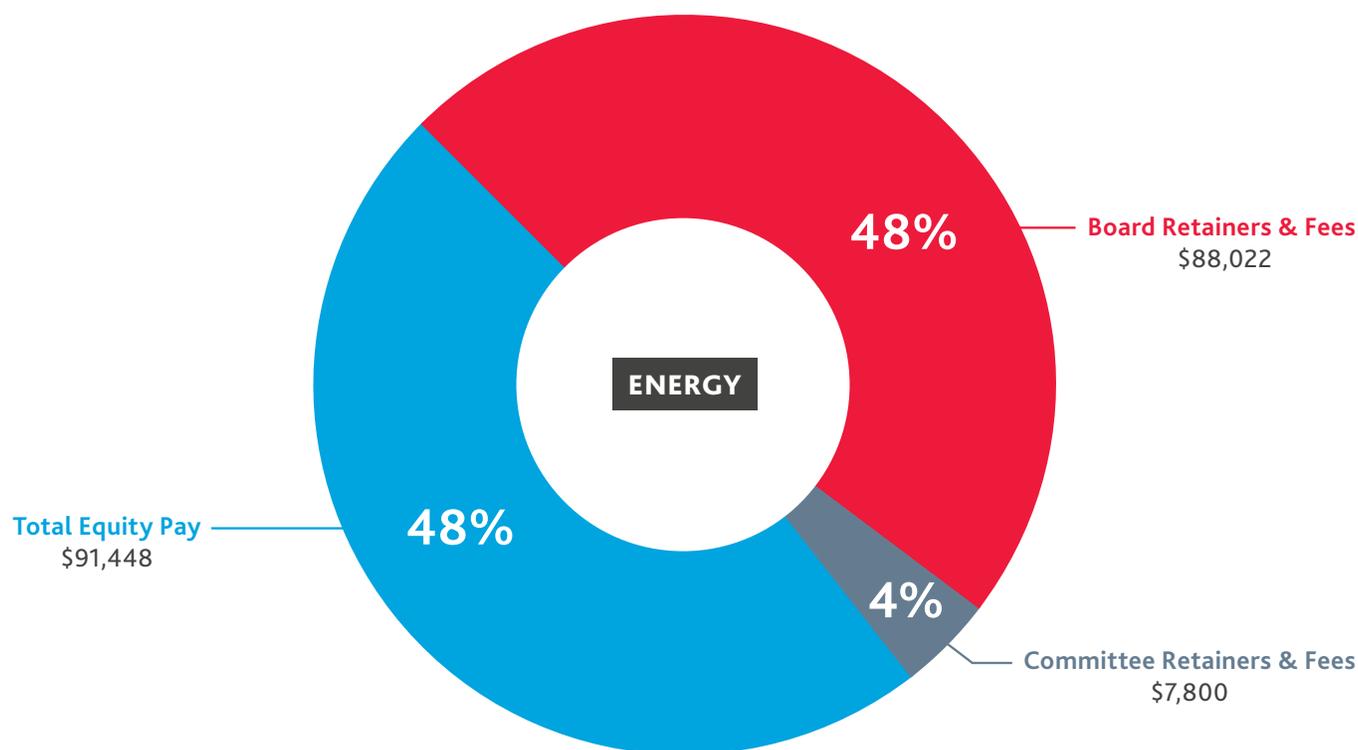
The mix of pay varies significantly by industry, but equity awards are a major component of compensation in all industries.

- ▶ Technology and healthcare companies have the largest percentage of pay delivered in the form of equity.
- ▶ 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	52%	68%	61%	32%	50%	47%	47%	38%
Equity Comp	48%	32%	39%	68%	50%	53%	53%	62%

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



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

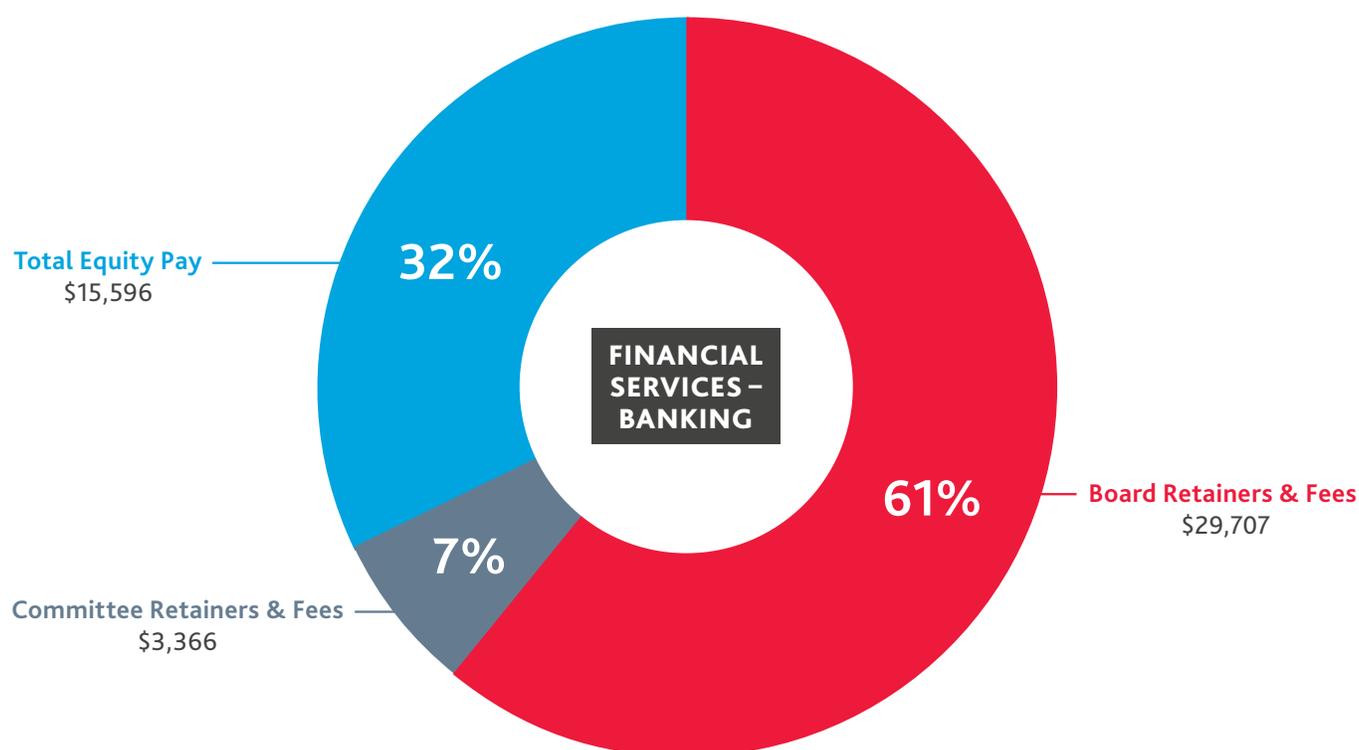
The table below summarizes the average annual total compensation paid to energy industry board members:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$88,022	\$7,800	\$91,448	\$187,270
2017	\$86,782	\$9,706	\$97,088	\$193,576
Change	1%	-20%	-6%	-3%

Energy industry board members experienced an increase in board retainers and fees (1%), but this was offset by decreases in committee retainers and fees (20%) and total equity pay (6%). This resulted in an overall 3% drop in pay for this industry sector. The mix of pay, which is summarized in the table below, remained fairly consistent year-over-year.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	48%	4%	48%
2017	45%	5%	50%



Average total compensation for directors in the financial services – banking industry remains the lowest of the industries included in our study. Banking directors' 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 9% jump. Total equity pay climbed 18% over the prior year.

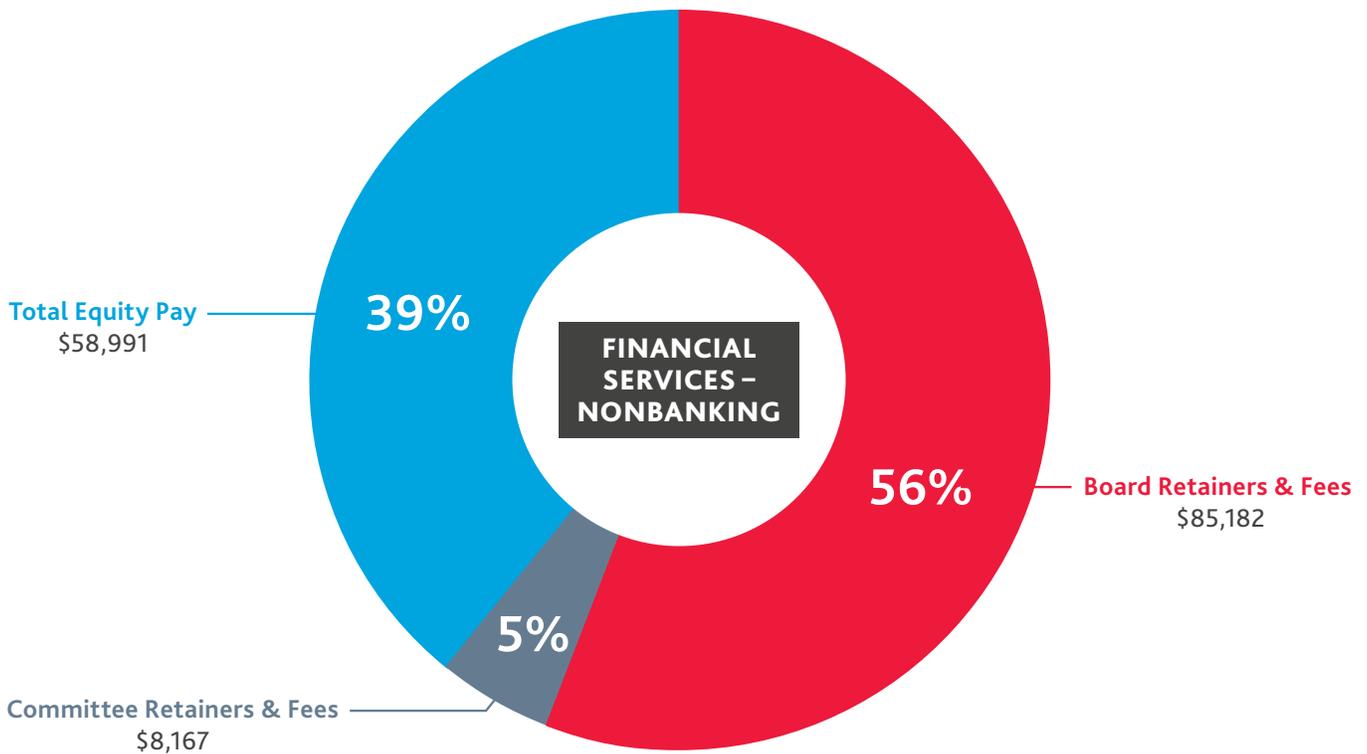
The table below summarizes the average annual total compensation paid to board members of companies in the financial services – banking industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$29,707	\$3,366	\$15,596	\$48,669
2017	\$28,142	\$3,240	\$13,182	\$44,564
Change	6%	4%	18%	9%

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 (32%) in absolute terms and as a percentage of total compensation. The pay mix for board members of banks is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	61%	7%	32%
2017	64%	7%	29%



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

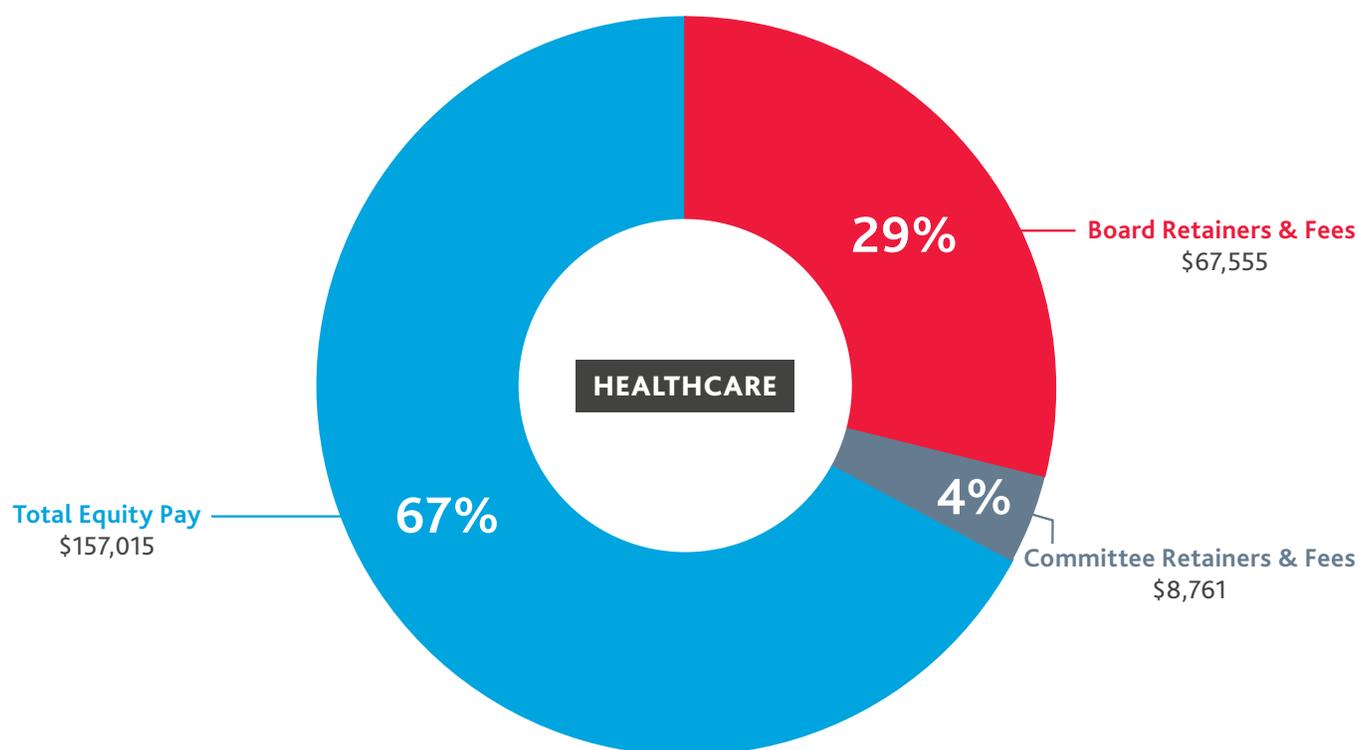
The following table summarizes the average annual total compensation paid to board members in this industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$85,182	\$8,167	\$58,991	\$152,340
2017	\$79,197	\$8,602	\$58,658	\$146,457
Change	8%	-5%	1%	4%

As stated earlier, financial services companies overall favor cash compensation over equity. Nonbanking director pay in 2018 followed suit, with a slight downtick in equity-based pay from the prior year.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	56%	5%	39%
2017	54%	6%	40%



Director compensation at healthcare companies increased by 6% from the prior fiscal year.

The healthcare industry pays their board members higher than the other seven industries we reviewed (even edging out technology in 2018), reporting compensation levels a full 30% higher than the average total compensation of all companies in this study. The following table summarizes the average annual total compensation paid to healthcare company board members:

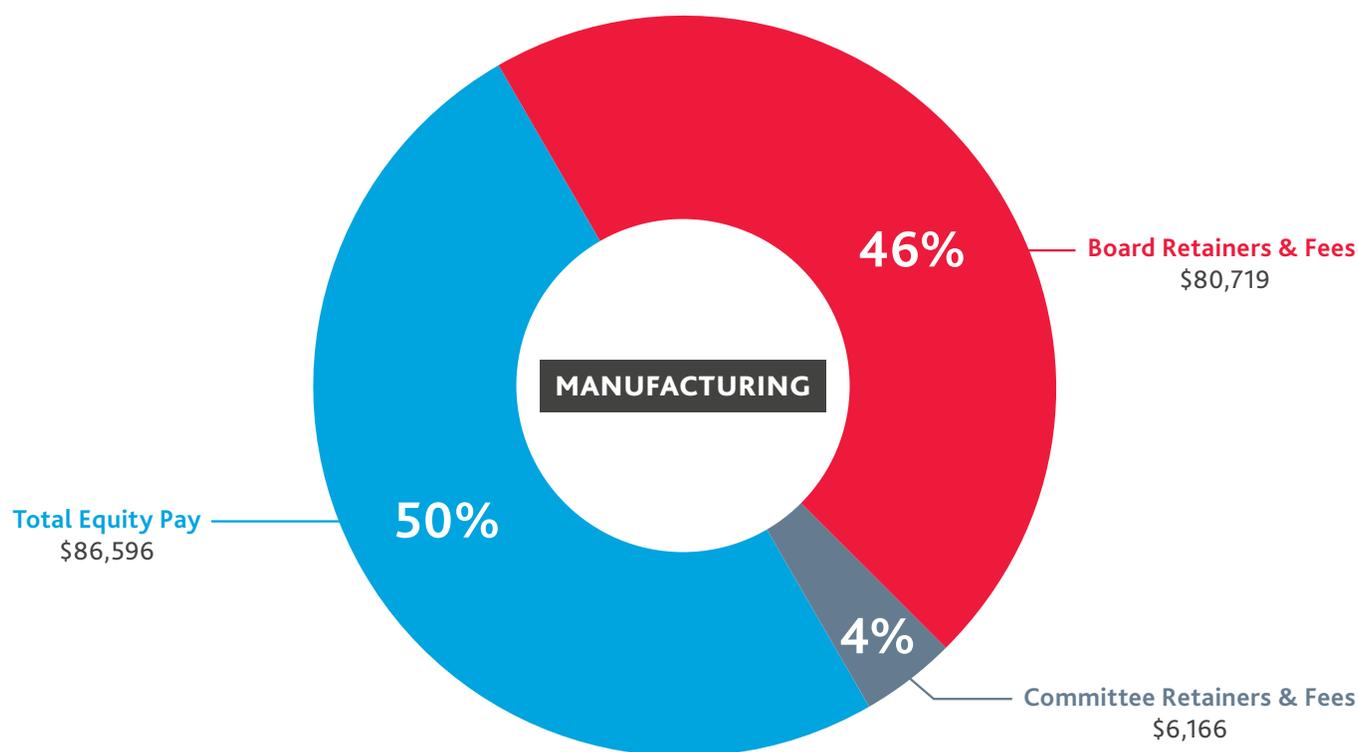
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$67,555	\$8,761	\$157,015	\$233,331
2017	\$65,900	\$9,567	\$145,363	\$220,830
Change	3%	-8%	8%	6%

Healthcare and technology companies deliver the highest percentage of director pay as equity and the smallest percentage as cash compared to other industries. The percentage of equity compensation offered by healthcare companies increased, up 8% year-over-year, and is the highest in this year's study.

The pay mix for directors of healthcare companies is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	29%	4%	67%
2017	30%	4%	66%



Director pay for manufacturing companies increased by 8% in 2018. The table below summarizes the average annual total compensation paid to board members of companies in the manufacturing industry:

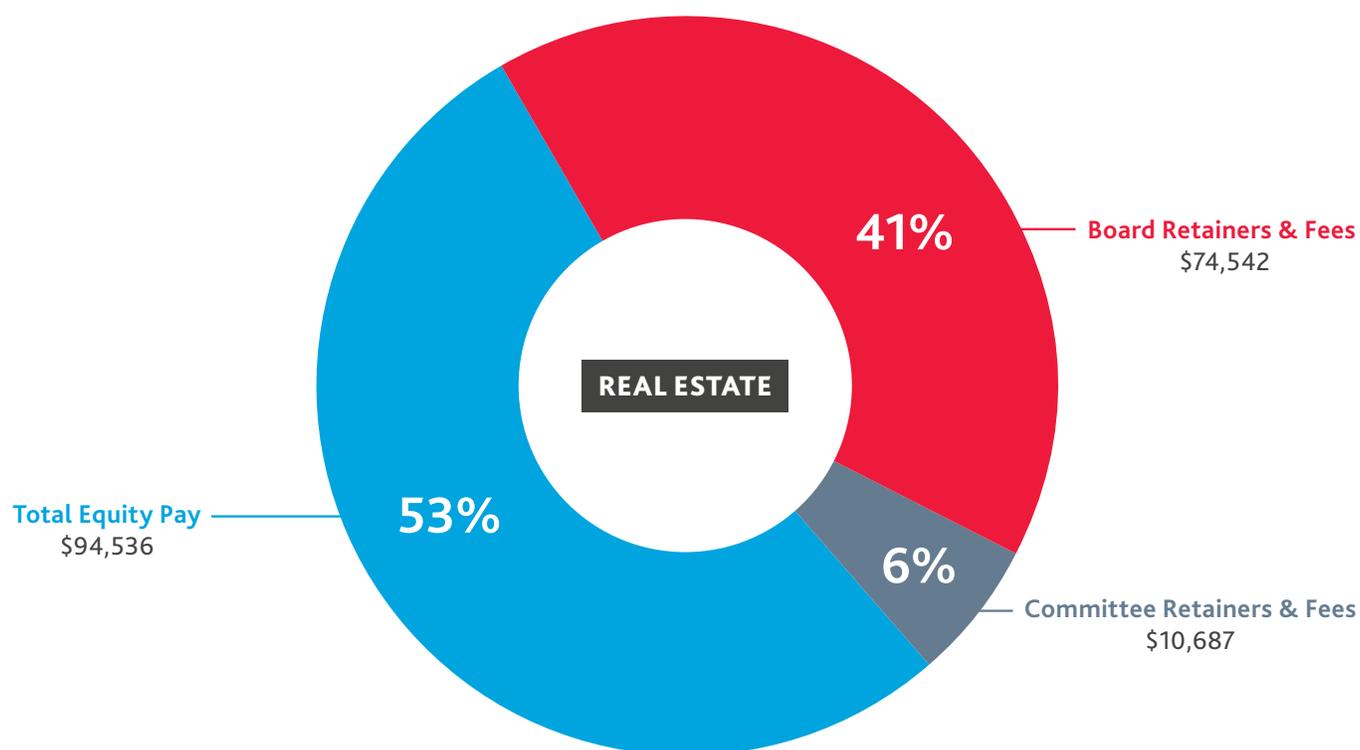
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$80,719	\$6,166	\$86,596	\$173,481
2017	\$72,533	\$6,201	\$82,300	\$161,034
Change	11%	-1%	5%	8%

Pay from board retainers and fees jumped 11%, while committee retainers and fees decreased slightly (1%) year-over-year. Total equity pay was up 5% from 2017.

Manufacturing industry director compensation packages changed only slightly from the prior fiscal year. The pay mix for this industry is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	46%	4%	50%
2017	45%	4%	51%



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

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

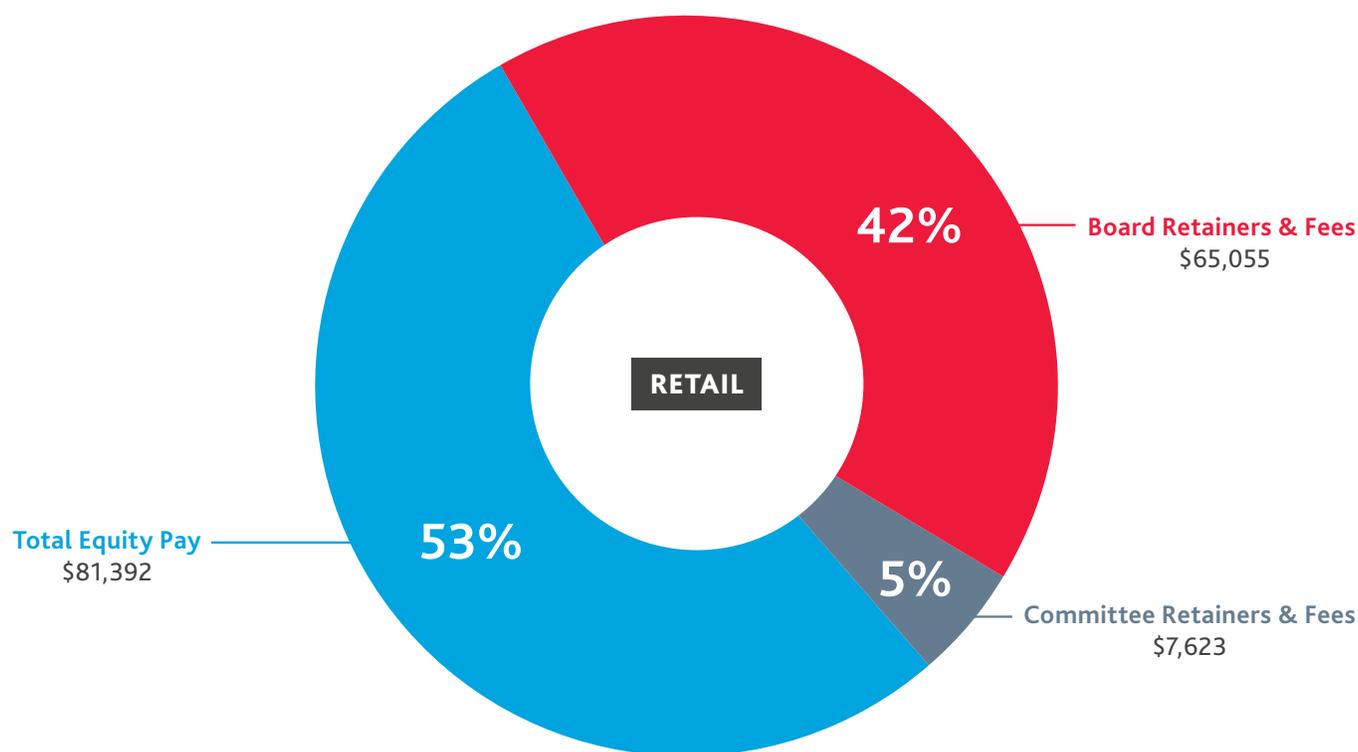
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$74,542	\$10,687	\$94,536	\$179,765
2017	\$72,570	\$10,745	\$91,992	\$175,307
Change	3%	-1%	3%	3%

The mix of pay this year was identical to the prior year's, with real estate directors seeing similar increases (3%) in both board retainers and fees and total equity pay. Approximately 53% of their compensation was in the form of equity.

The pay mix for real estate board members is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	41%	6%	53%
2017	41%	6%	53%



Average total compensation paid to retail industry directors comes in just below that of financial service - nonbanking companies. Still, they receive more than three times the pay of bank directors.

Overall, director compensation at retail companies was consistent with the prior fiscal year.

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

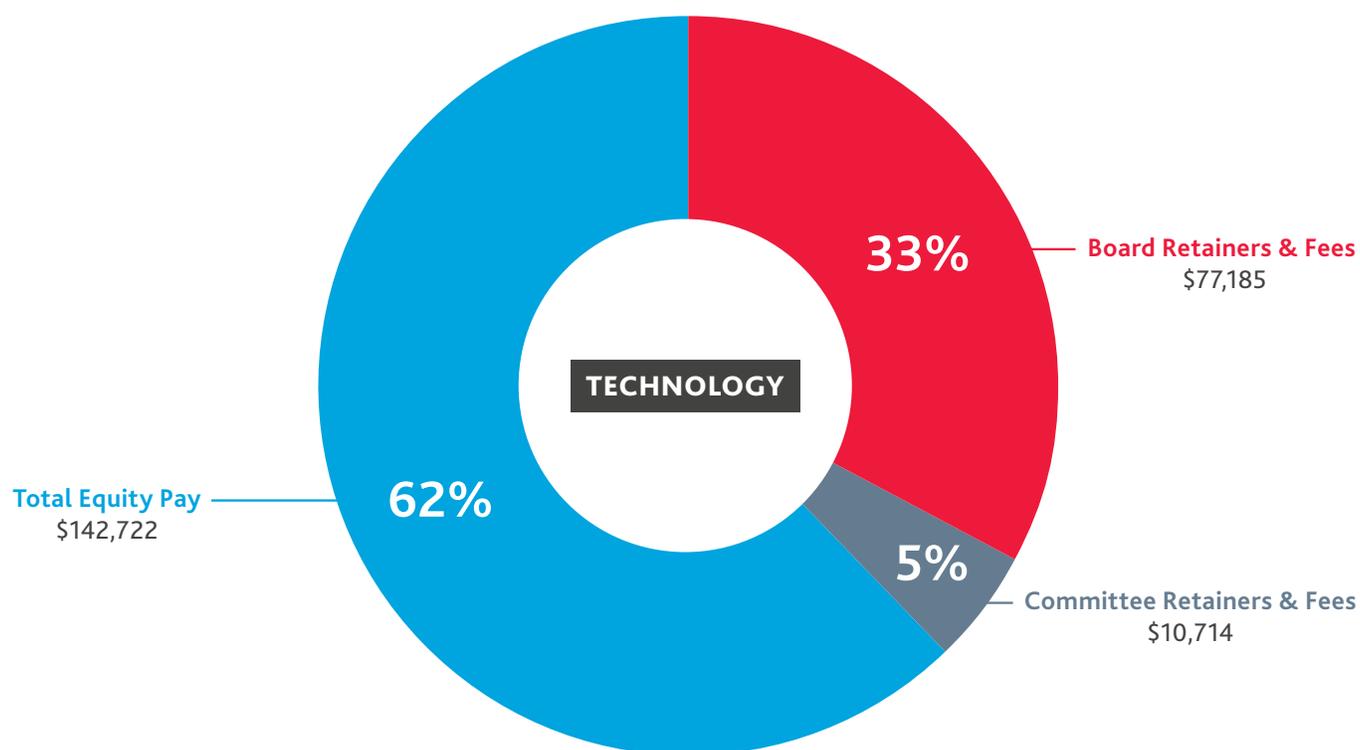
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay	Total Compensation
2018	\$65,055	\$7,623	\$81,392	\$154,070
2017	\$67,603	\$8,543	\$75,555	\$151,701
Change	-4%	-11%	8%	2%

Retail director pay shifted downward in several areas, including board retainers and fees (down 4%) and committee retainers and fees (down 11%). These drops were offset by an 8% increase in total equity pay.

The pay mix for retail company board members remained relatively unchanged, with a slight uptick in equity-based pay, as summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	42%	5%	53%
2017	44%	6%	50%



Average director compensation in the technology industry is historically the highest in our study, however healthcare director pay was the frontrunner this year. Technology director pay overall saw minimal change from the prior year.

Directors in this industry experienced the highest increase in board retainers and fees (10%), but it was offset by a 5% decrease in total equity pay.

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 Pay	Total Compensation
2018	\$77,185	\$10,714	\$142,722	\$230,621
2017	\$69,980	\$10,891	\$149,537	\$230,408
Change	10%	-2%	-5%	0%

The level of cash compensation increased slightly in 2018, but the overall pay mix was still heavily weighted with equity-based pay (62%). Among all the industries we examined, the technology industry provides the second-highest amount of equity as part of the pay mix. The pay mix for technology industry board members is summarized in the table below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Total Equity Pay
2018	33%	5%	62%
2017	30%	5%	65%

Board Compensation Policy & Recent Trends

BOARD STRUCTURE

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

Observations

- ▶ On average, boards have nine members, 81% of whom are independent directors. The least number of board members was three; the most was 19.
- ▶ Virtually all companies have these core committees: audit, nominating/governance, and compensation.
- ▶ The most prevalent committees outside of the core committees are the executive (21%), finance (11%), and risk committees (10%). Others that are less prevalent include the strategy, cybersecurity/technology, and regulatory committees.
- ▶ It is noteworthy that 35% of real estate companies and 34% of banks have an executive committee, which is the highest among all industries.

Committee Prevalence

	Average Number of Directors	Number of Committees	Audit	Nominating/ Governance	Compensation	Executive	Finance	Risk
Overall	9.3	4.0	100%	98%	100%	21%	11%	10%
Group A	8.5	3.9	100%	99%	100%	20%	8%	7%
Group B	9.1	3.8	100%	97%	100%	19%	7%	8%
Group C	10.1	4.1	100%	97%	100%	24%	16%	15%
Energy	8.6	3.9	100%	98%	100%	26%	5%	6%
Healthcare	9.3	3.8	100%	100%	100%	10%	13%	6%
Manufacturing	9.3	3.8	100%	95%	99%	18%	23%	3%
Real Estate	9.0	4.0	100%	97%	100%	35%	8%	4%
Retail	8.9	3.5	100%	97%	100%	15%	10%	1%
Technology	8.8	3.6	100%	100%	100%	9%	12%	5%
Banking	11.3	4.5	100%	97%	100%	34%	11%	35%
Nonbanking	7.0	3.9	100%	96%	100%	22%	4%	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 lists median total board fees categorized by company size and industry.

Observations

- ▶ The median total board fee among all companies in the study was \$1.3 million. The median totals differ by company size and industry.
- ▶ The industry with the highest median total board fee is healthcare (\$1,826,730), followed closely by technology (\$1,729,346). The industry with the lowest median total fee is banking (\$554,256).

	Total Board Fees - Median
Overall	\$1,295,027
Group A	\$827,981
Group B	\$1,323,843
Group C	\$1,747,849
Energy	\$1,826,730
Healthcare	\$1,729,346
Manufacturing	\$1,434,044
Real Estate	\$1,404,783
Retail	\$1,316,766
Technology	\$1,248,747
Banking	\$1,138,475
Nonbanking	\$554,256

COMPENSATION FOR CHAIRPERSONS AND LEAD DIRECTORS

Accepting the role of board chair or lead director comes with significant additional responsibility. To reflect the additional time commitment and responsibility, 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 30% more than the regular directors. Lead directors are paid about 10% more on average.
- ▶ More than half (53%) of the companies have a non-employee chairperson.
 - This role is paid 29% 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 range from 128% for real estate to 140% for financial services - nonbanking.
- ▶ Slightly less than one-third of the companies have a lead director (29%).

	Chair as % of Director	Lead Director as % of Director
Overall	129%	110%
Group A	118%	110%
Group B	133%	108%
Group C	135%	110%
Energy	135%	109%
Healthcare	135%	108%
Manufacturing	129%	108%
Real Estate	128%	111%
Retail	130%	114%
Technology	123%	105%
Banking	131%	112%
Nonbanking	140%	113%

STOCK OWNERSHIP GUIDELINES

Stock ownership guidelines continue to be a common practice to align board members with investor interests. Institutional investors concerned by corporate scandals in recent years have been a driving force behind its use. In addition, stock ownership guidelines are a factor in analyst 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 \$331,480.
- ▶ As would be expected, the percentage of companies with stock ownership guidelines and the corresponding average ownership guideline values increases with company size.
- ▶ Energy companies have the highest stock ownership guideline value at \$435,542, whereas banking is the lowest at \$132,693.

	Percent of Companies with Stock Ownership Guidelines	Average Ownership Guideline Value
Overall	69%	\$331,480
Group A	52%	\$233,758
Group B	74%	\$309,764
Group C	76%	\$402,024
Energy	69%	\$435,542
Healthcare	79%	\$281,756
Manufacturing	74%	\$347,260
Real Estate	88%	\$357,659
Retail	65%	\$274,428
Technology	75%	\$388,599
Banking	42%	\$132,693
Nonbanking	57%	\$356,879

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

BOARD TERM LIMITS

The table below lists the percentage of companies reporting director term limits, the average term limit (in years), the percentage of companies with a defined director retirement age, and the average retirement age. Data are categorized by company size and industry.

Observations

- ▶ Of the 600 companies in the study sample, 59% disclosed term limit data. Among those companies that disclosed term limit data, only 3% reported having term limits.
- ▶ Among those companies with term limits, the average term limit is 13.5 years.
- ▶ None of the companies in the banking industry reported having term limits.
- ▶ The average retirement age among all companies is 73.3 years.
- ▶ Company size and industry appear to have little impact on the average retirement age.

	Percent of Companies Disclosing	Percent of Companies Disclosing Term Limits	Average Term Limit in Years	Percent of Companies Disclosing Retirement Age Limits	Average Retirement Age
Overall	58.6%	2.8%	13.5	30%	73.3
Group A	49.7%	0.7%	10.0	19%	73.6
Group B	60.0%	2.8%	15.4	33%	73.7
Group C	63.8%	4.3%	12.8	36%	73.7
Energy	58.5%	1.5%	10.0	37%	73.8
Healthcare	57.7%	5.6%	11.5	27%	74.2
Manufacturing	61.6%	1.4%	20.0	38%	73.0
Real Estate	77.3%	2.7%	12.0	40%	74.3
Retail	59.7%	4.2%	15.0	33%	73.6
Technology	65.8%	6.6%	14.3	28%	73.7
Banking	26.8%	0.0%	Insufficient data	20%	72.7
Nonbanking	59.7%	0.0%	Insufficient data	19%	74.1

REPRESENTATION OF WOMEN ON BOARDS

Female representation on boards continues to be a key issue in addressing board diversity. There is some evidence to suggest that board diversity, including female representation, improves business performance. In recent years, the lack of female representation has resulted in adverse publicity and outside pressure for more female directors.

While a majority of companies include women on their board (89%), women continue to represent a small percent of directors overall (less than 20%) – a number comparable to the number of women on S&P 500 boards (22%).

The table below depicts female representation on boards, including the percentage of companies with at least one women 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 is very low. On an aggregate basis, only 19% of the companies we analyzed have female directors; however, this figure is up from 15% in 2017.
 - This percentage increases modestly among larger companies (20%) versus smaller (17%).
 - Retail companies have a slightly higher representation of women directors (24%).
 - Energy companies lag behind other industries; only 13% of board members are women.
- ▶ 89% of companies have women represented on the board, an improvement from 2017 when 82% of companies reported having at least one female director.
 - Smaller companies experienced a significant improvement in female representation in 2018, with 80% reporting at least one woman on the board, up from 70% in 2017.
 - Despite having the smallest percentage of women on their boards, energy companies are also making progress: 73% report having at least one woman on the board in 2018, up from 63% in 2017.
- ▶ Few companies come close to an even representation of men and women. Only 7% of companies report that women comprise more than 35% of the board.

	Percent of Directors Who Are Women	Percent of Companies with at Least One Women Director	Percent of Companies with >35% Women
Overall	19%	89%	7%
Group A	17%	80%	5%
Group B	18%	88%	9%
Group C	20%	95%	8%
Energy	13%	73%	5%
Healthcare	19%	93%	4%
Manufacturing	17%	89%	6%
Real Estate	18%	92%	4%
Retail	24%	94%	22%
Technology	19%	89%	11%
Banking	18%	94%	1%
Nonbanking	18%	84%	6%

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

The *BDO 600: 2019 Study of Board Compensation Practices of 600 Mid-Market Public Companies*

examined 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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Please visit www.bdo.com/2019-bdo-600-board for the electronic copy of this study.

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