



THE BDO 600

2018 Study of Board Compensation Practices of
600 Mid-Market Public Companies

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Introduction

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, compensation committee development, nonqualified 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 non-profit clients of all sizes and across all industries including multinational Fortune 500 companies.

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. Developing a deeper understanding of board compensation trends is critical to attract and retain talented board members that can provide the oversight necessary for companies to succeed in an increasingly dynamic and complex workspace.

ABOUT THE BDO 600 STUDY

The 12th annual BDO 600 study details director compensation 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 that were filed between March 2017 and March 2018. Consolidated proxy data were provided by Salary.com.

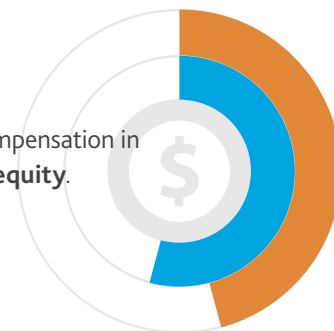
This study is unique in the industry because it focuses on middle-market companies; most board compensation studies focus on much larger companies.



In fiscal year 2017, director compensation **increased** over 2016 levels.

4%

Overall, companies pay **46%** of director compensation in **cash** (down 2% from last year) and **54%** in **equity**.



How To Use This Study

The data collected from the 600 companies in the sample represent the compensation policy in effect at each company as of 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.
- ▶ **"Stock Options"** values 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 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 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 on the following pages.

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

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

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 study work is maintaining a consistent, quantitative platform for analysis. In 2016, we updated the size categories to better reflect middle market companies. This means that 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 over 85 percent 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. This is 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).

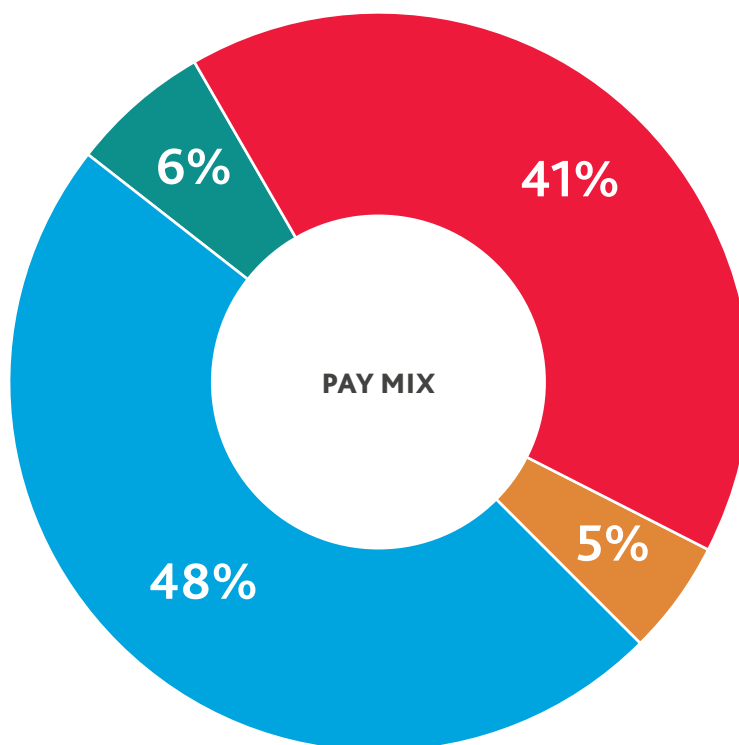
BOARD COMPENSATION & RECENT TRENDS (NEW FOR 2018)

For the first time, 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:

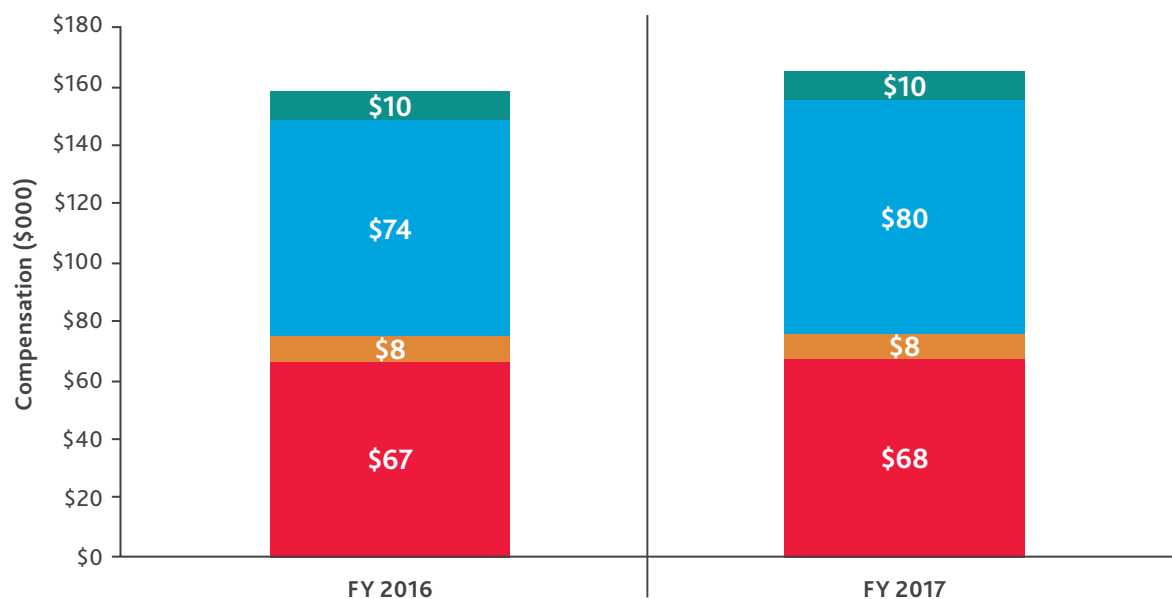
1. Board Structure
2. Total Board Fees
3. Compensation Ratio Analysis
4. Stock Ownership Guidelines
5. Board Term Limits
6. Representation of Women on Boards

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

Overall Results



TOTAL DIRECTOR COMPENSATION / 2016 AND 2017



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

- ▶ Director total compensation increased by 4 percent in fiscal year 2017 compared to fiscal year 2016.
- ▶ Annual board fees and retainers remained fairly consistent between 2016 and 2017, with only a modest 1 percent increase overall.
- ▶ Committee retainers and fees increased at the same rate (4 percent) as overall compensation.
- ▶ Utilization of full-value stock awards continues to outpace stock options; stock awards increased 7 percent over last year whereas stock options decreased by 2 percent.

The table below summarizes the average total compensation paid to board members for fiscal years 2017 and 2016:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$67,924	\$8,459	\$79,609	\$9,617	\$165,609
2016	\$67,418	\$8,112	\$74,085	\$9,801	\$159,416
Change	1%	4%	7%	-2%	4%

The table below summarizes the mix of pay for fiscal years 2017 and 2016, which remained relatively unchanged¹:

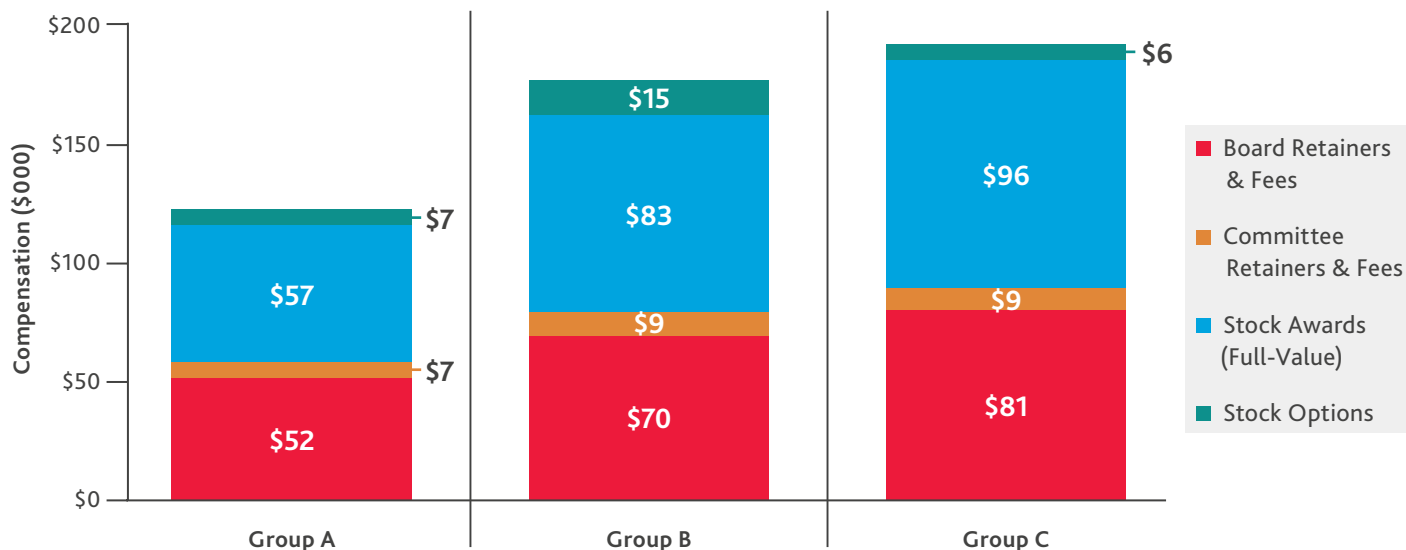
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	41%	5%	48%	6%
2016	43%	5%	46%	6%

The remainder of this study further dissects this collective data and presents results by company size and industry.

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

Results By Company Size

TOTAL COMPENSATION BY COMPANY SIZE



Our study continues to confirm 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 result is consistent with the positive correlation we have historically seen between company size and executive compensation levels.

Total compensation for board members decreased among the smallest companies (Group A), but increased among larger companies.

Total Compensation by Size Category

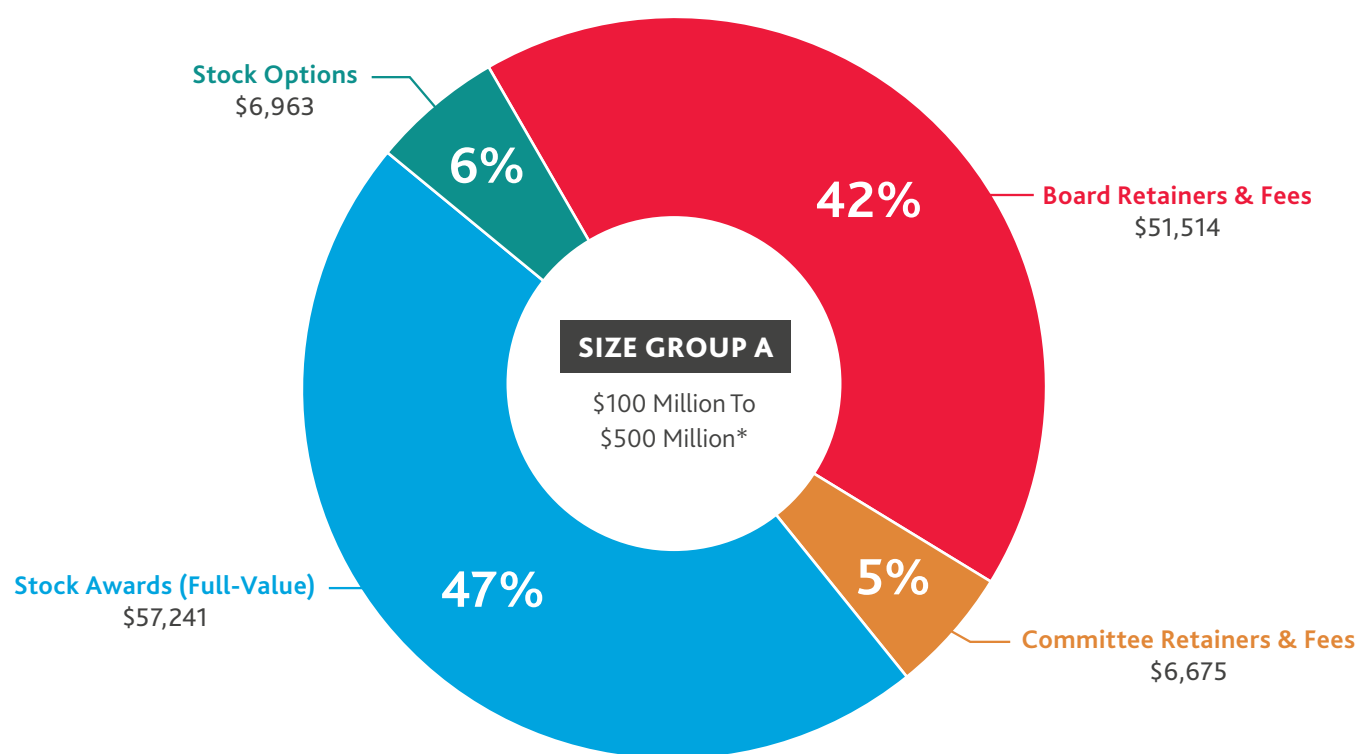
Fiscal Year	Group A	Group B	Group C
2017	\$122,393	\$177,023	\$191,938
2016	\$128,035	\$167,641	\$182,921
Change	-4%	6%	5%

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

Mix of Compensation by Size Category

Size Category	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
Group A	42%	5%	47%	6%
Group B	40%	5%	47%	8%
Group C	42%	5%	50%	3%

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 2017 and 2016.

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$51,514	\$6,675	\$57,241	\$6,963	\$122,393
2016	\$51,492	\$6,801	\$61,428	\$8,314	\$128,035
Change	0%	-2%	-7%	-16%	-4%

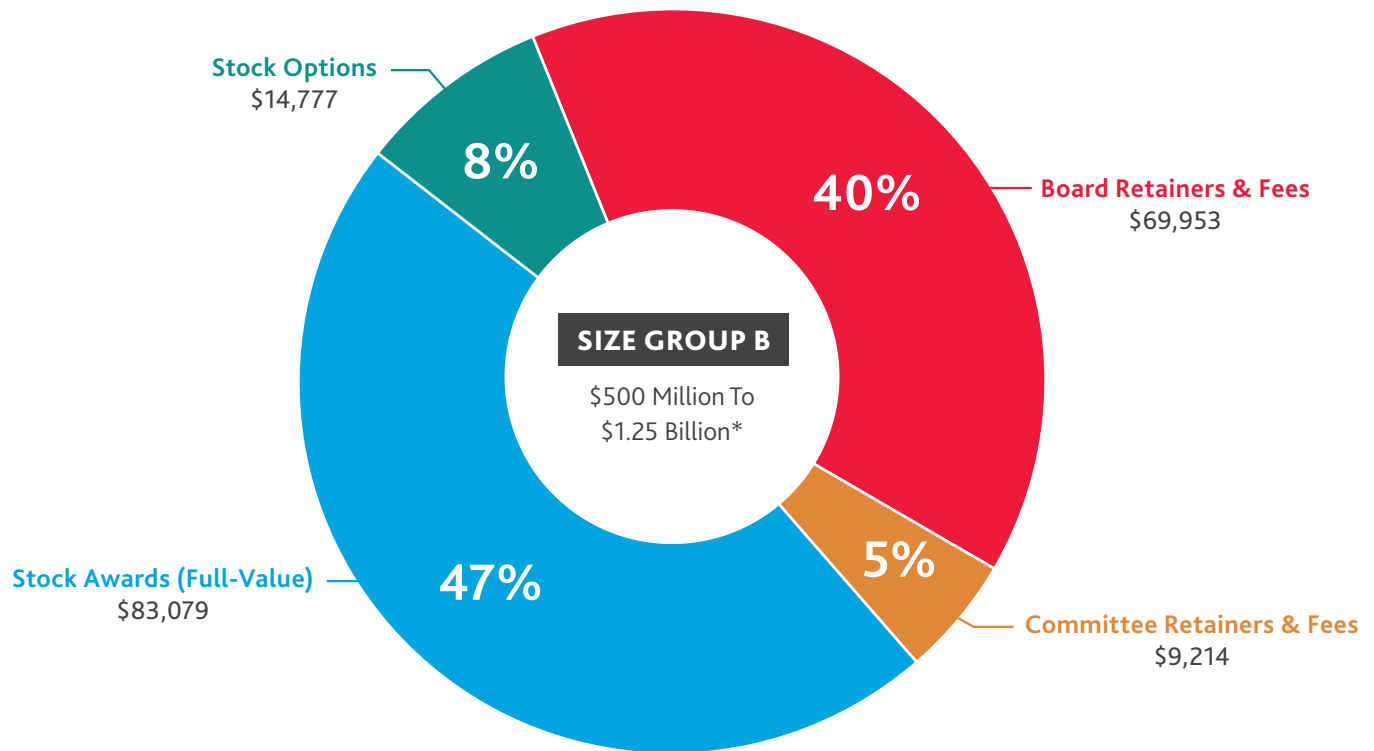
While retainers and fees for board and committee service remained mostly flat, equity compensation (stock awards and stock options) decreased by 7 percent and 16 percent respectively. Overall compensation decreased by 4 percent for Group A.

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

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	42%	5%	47%	6%
2016	41%	5%	48%	6%

*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 2017 and 2016:

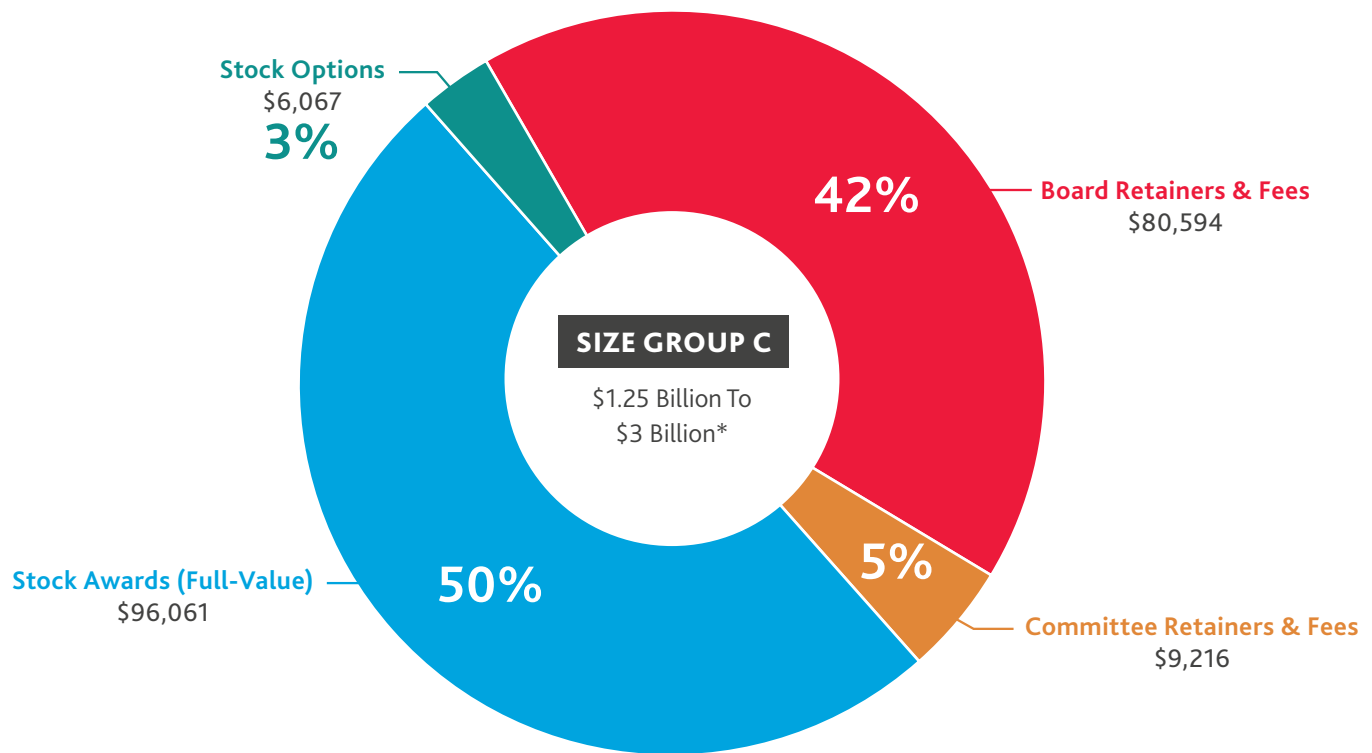
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$69,953	\$9,214	\$83,079	\$14,777	\$177,023
2016	\$71,109	\$8,514	\$75,004	\$13,014	\$167,641
Change	-2%	8%	11%	14%	6%

Total compensation increased by 6 percent for board members of companies in Group B, driven mostly by an increase in stock awards (11 percent) and stock options (14 percent). Committee retainers and fees increased by 8 percent, board retainers and fees decreased slightly (-2 percent). Equity-based compensation comprised 55 percent of the director total pay package.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	40%	5%	47%	8%
2016	42%	5%	45%	8%

*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 2017 and 2016:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$80,594	\$9,216	\$96,061	\$6,067	\$191,938
2016	\$79,832	\$9,034	\$86,477	\$7,578	\$182,921
Change	1%	2%	11%	-20%	5%

Despite stock option pay dropping 20 percent, total compensation increased by 5 percent year-over-year for companies in Group C. Full value stock awards increased 11 percent over last year, partially offsetting the reduction in stock option pay. There were also modest increases in board retainers and fees (1 percent) and committee retainers and fees (2 percent) in 2017. As a result, the overall mix of pay shifted slightly in favor of equity compensation, which comprised 53 percent of the total pay package.

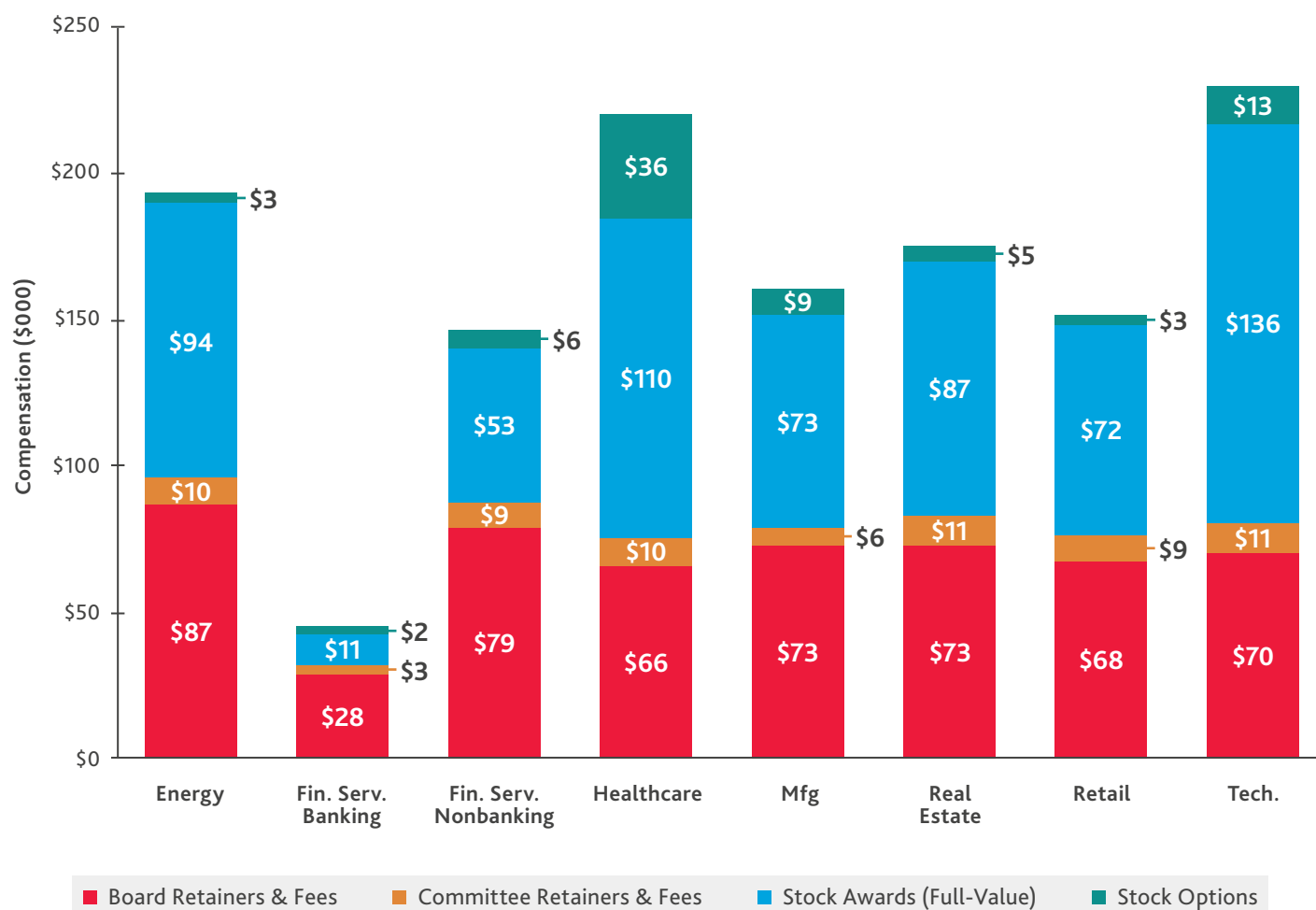
Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	42%	5%	50%	3%
2016	44%	5%	47%	4%

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

Results By Industry

TOTAL DIRECTOR COMPENSATION BY INDUSTRY





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

- ▶ Technology continues to be the highest paying industry, followed closely by healthcare.
- ▶ Bank directors are paid the least – less than a quarter of what directors at technology companies are paid.

Fiscal Year	Energy	FS – Banking	FS – Nonbanking	Healthcare	Manufacturing	Real Estate	Retail	Technology
2017	\$193,576	\$44,564	\$146,457	\$220,830	\$161,034	\$175,307	\$151,701	\$230,408
2016	\$194,548	\$45,531	\$145,402	\$217,552	\$151,409	\$167,539	\$139,310	\$219,484
Change	0%	-2%	1%	2%	6%	5%	9%	5%

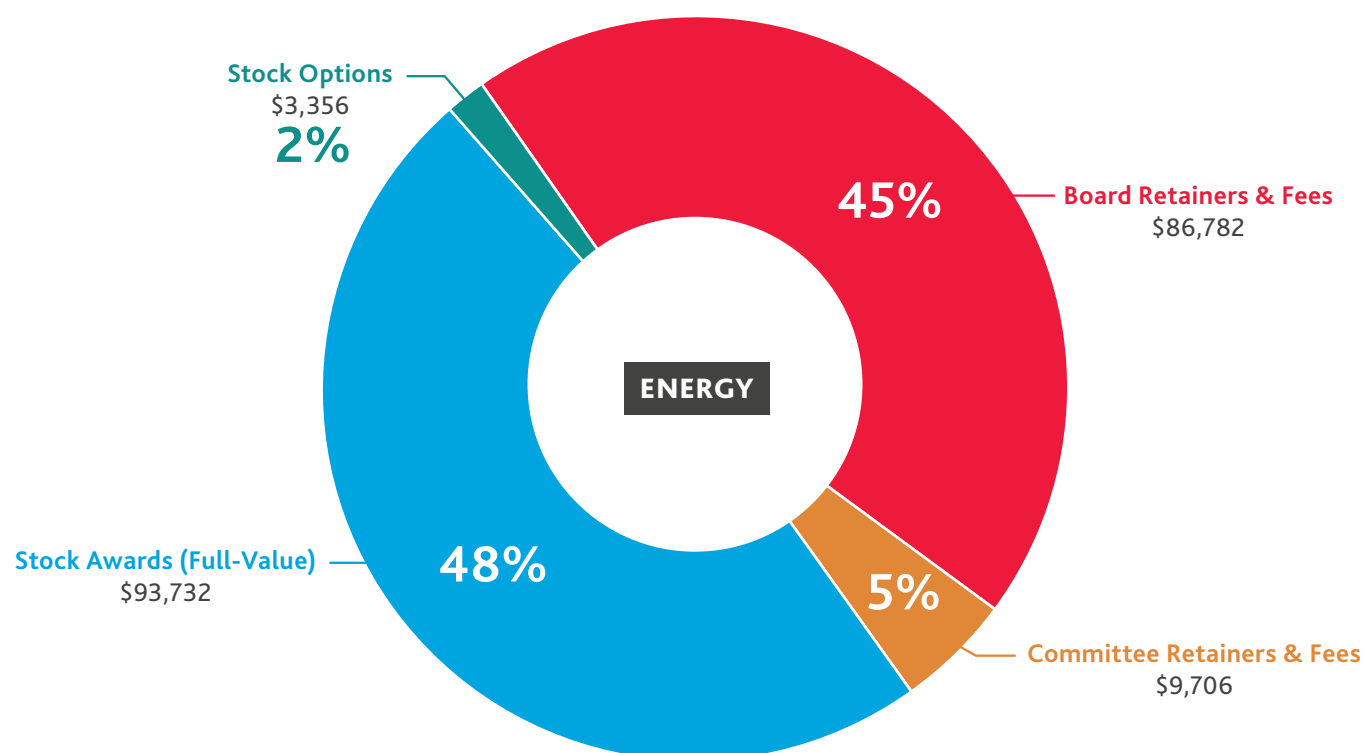
The mix of pay varies significantly by industry, but stock awards are universally favored over stock options.

- ▶ Technology and healthcare companies have the largest percentage of pay delivered in the form of stock.
- ▶ Banks deliver the least amount of pay in the form of stock.

Fixed/ Cash Compensation vs. Variable/Stock Compensation

	Energy	FS – Banking	FS – Nonbanking	Healthcare	Manufacturing	Real Estate	Retail	Technology
Cash Comp	50%	71%	60%	34%	49%	47%	50%	35%
Equity Comp	50%	29%	40%	66%	51%	53%	50%	65%

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.

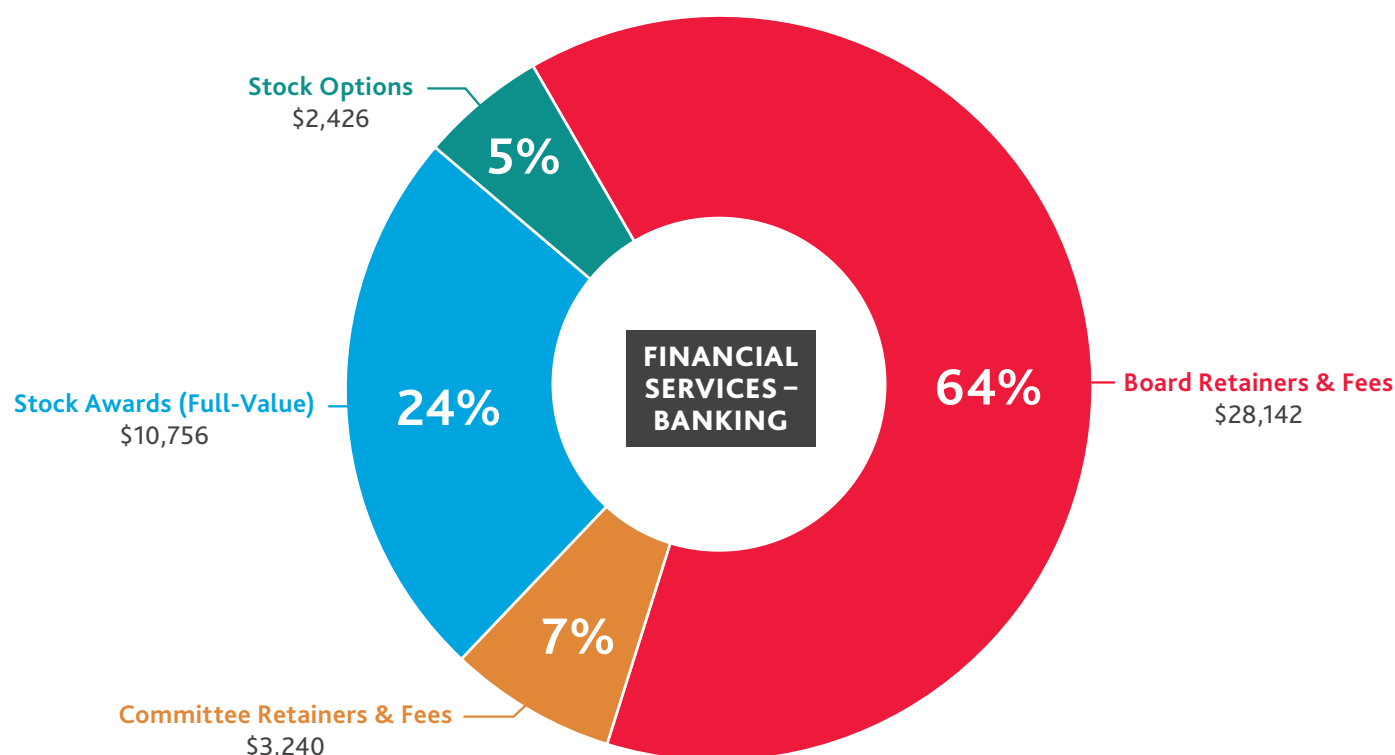
The table below summarizes the average annual total compensation paid to board members of companies in the energy industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$86,782	\$9,706	\$93,732	\$3,356	\$193,576
2016	\$82,772	\$9,264	\$99,818	\$2,694	\$194,548
Change	5%	5%	-6%	25%	0%

Energy industry board members experienced an increase in board (5 percent) and committee (5 percent) retainers and fees. Stock options increased significantly (25 percent), while stock awards declined 6 percent. Despite the increases in the other pay components, the decrease in stock awards kept pay flat for 2017. The mix of pay, which is summarized in the table below, remained largely unchanged year over year.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	45%	5%	48%	2%
2016	43%	5%	51%	1%



Average director compensation in the financial services–banking industry remains the lowest of the industries included in our study. Banking directors' total compensation was approximately 25 percent of the average director compensation for all companies in the study. Total compensation for banking directors decreased slightly (-2 percent) from last year, although stock options increased 63 percent and committee retainers and fees were up 14 percent.

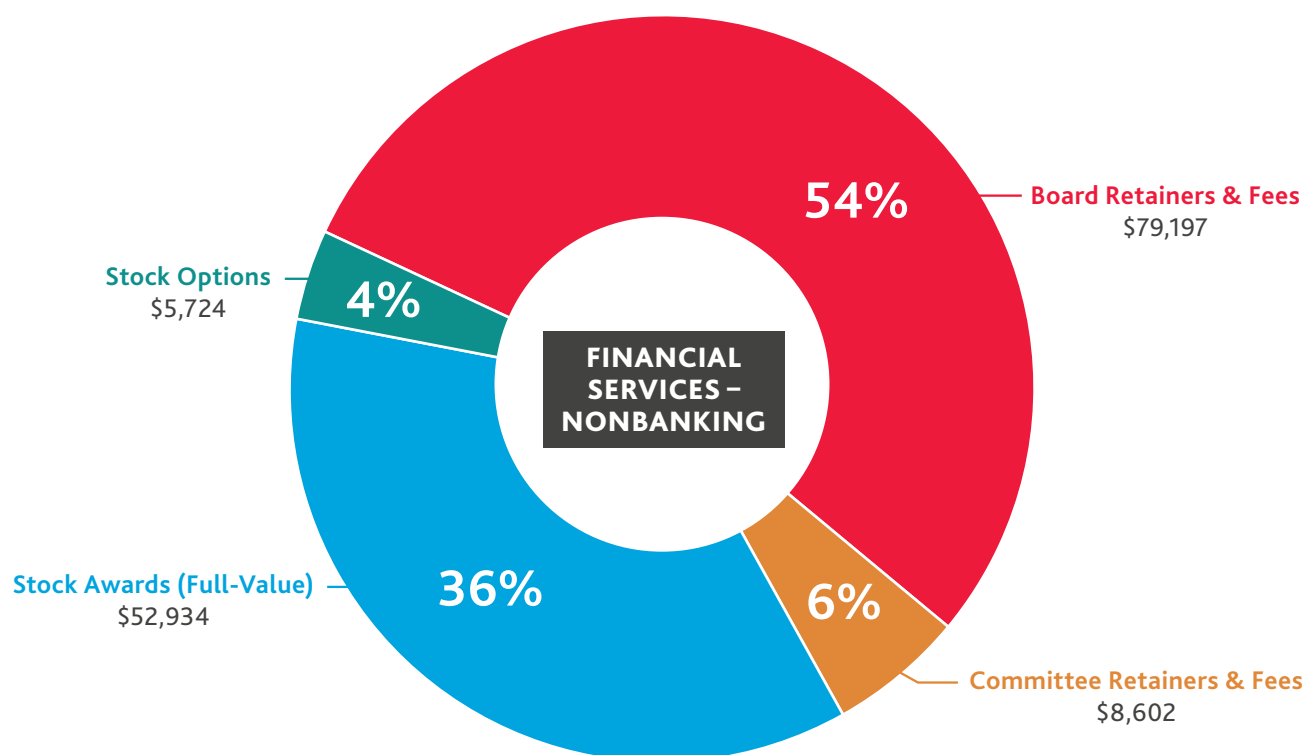
The table below summarizes the average annual total compensation paid to board members of companies in the financial services–banking industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$28,142	\$3,240	\$10,756	\$2,426	\$44,564
2016	\$28,521	\$2,851	\$12,674	\$1,485	\$45,531
Change	-1%	14%	-15%	63%	-2%

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 percent) in absolute terms and as a percentage of total compensation. The use of equity for bank director pay decreased 7 percent in 2017. The pay mix for board members of banks is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	64%	7%	24%	5%
2016	63%	6%	28%	3%



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

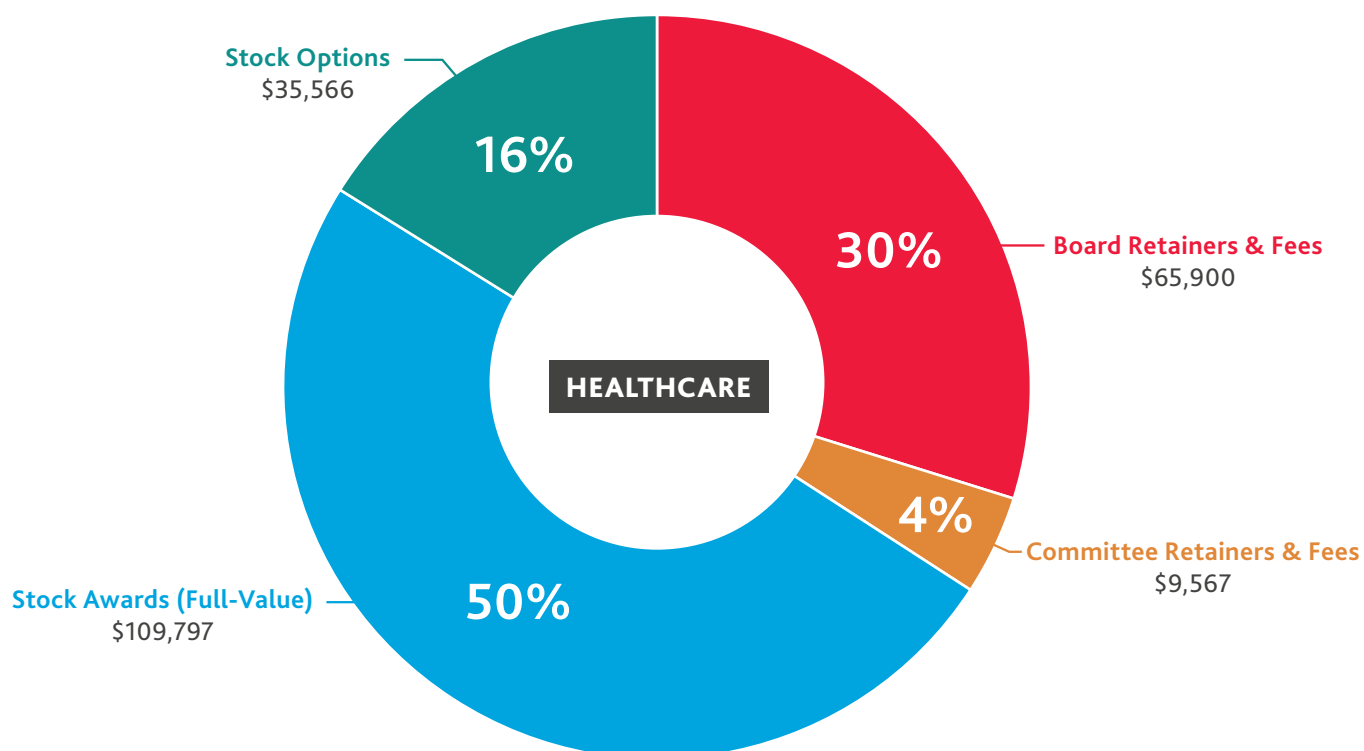
The following table summarizes the average annual total compensation paid to board members of companies in the financial services–nonbanking industry:

Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$79,197	\$8,602	\$52,934	\$5,724	\$146,457
2016	\$80,653	\$8,923	\$48,541	\$7,285	\$145,402
Change	-2%	-4%	9%	-21%	1%

As stated earlier, financial services companies overall favor cash compensation over equity. This remained the case for nonbanking director pay in 2017, with a slight uptick in equity-based pay.

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	54%	6%	36%	4%
2016	56%	6%	33%	5%



Director compensation at healthcare companies increased by 2 percent from the prior fiscal year.

The healthcare industry pays their board members higher than most other industries studied, (second only to the technology industry), reporting compensation levels a full 33 percent 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:

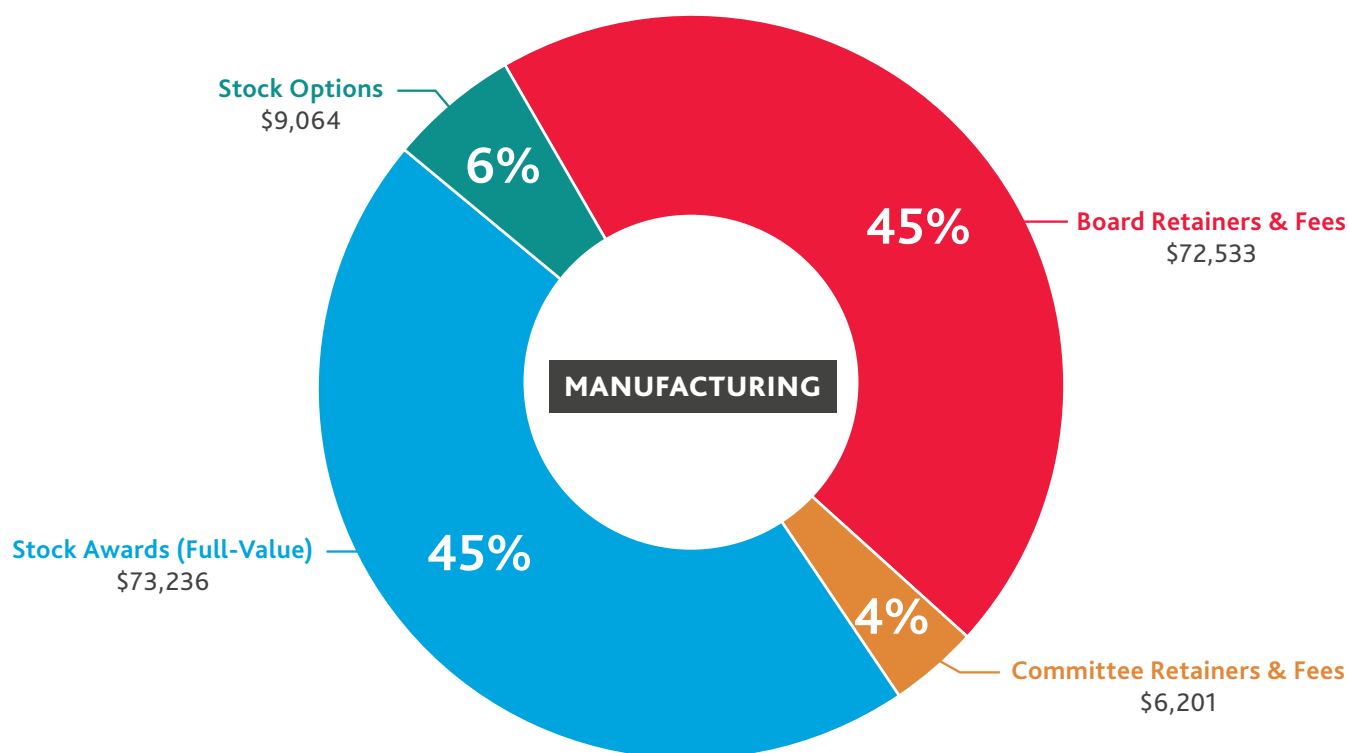
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$65,900	\$9,567	\$109,797	\$35,566	\$220,830
2016	\$63,363	\$9,986	\$110,769	\$33,434	\$217,552
Change	4%	-4%	-1%	6%	2%

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 was consistent (66 percent) 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	Stock Awards (Full Value)	Stock Options
2017	30%	4%	50%	16%
2016	29%	5%	51%	15%



Director pay for manufacturing companies increased by 6 percent in 2017. The table below summarizes the average annual total compensation paid to board members of companies in the manufacturing industry:

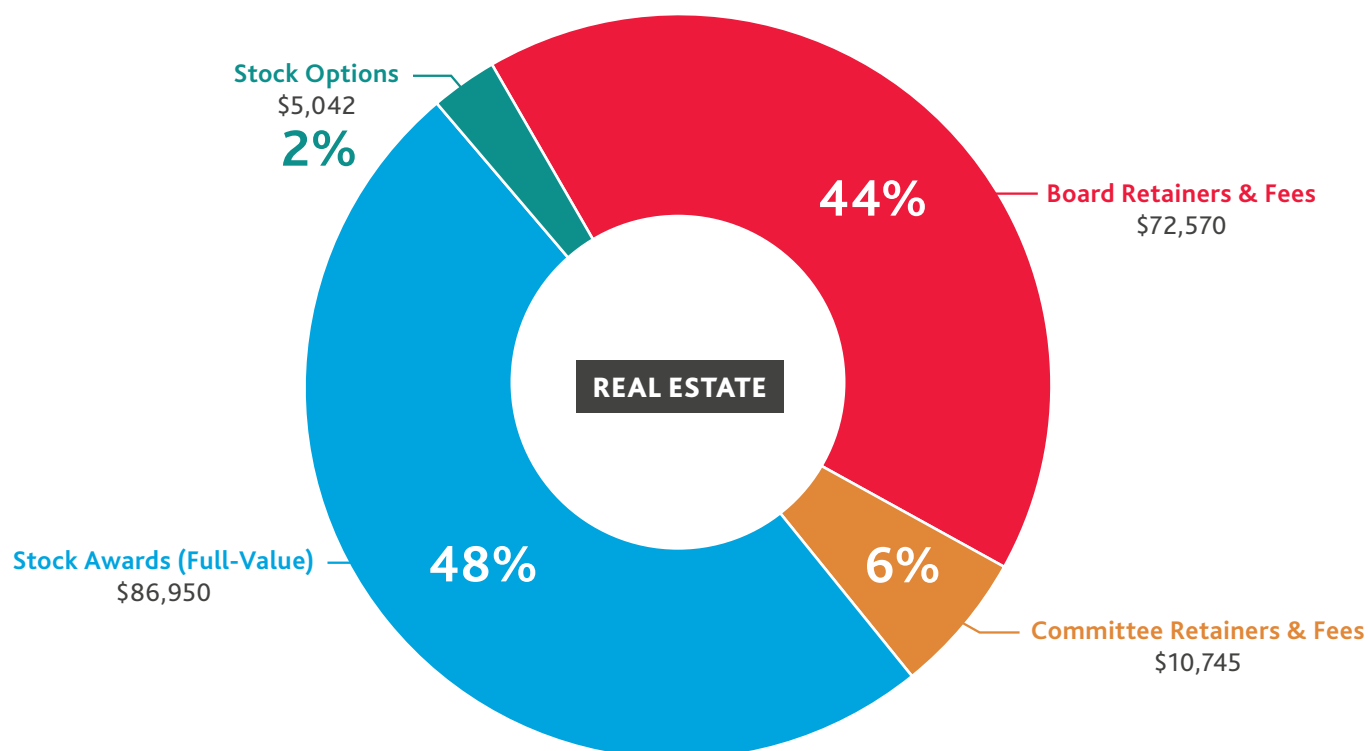
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$72,533	\$6,201	\$73,236	\$9,064	\$161,034
2016	\$72,589	\$6,050	\$63,076	\$9,694	\$151,409
Change	0%	2%	16%	-6%	6%

Pay from stock options jumped 16 percent, and committee retainers and fees increased slightly (2 percent) year over year. Stock award payments were down 6 percent from 2016.

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	Stock Awards (Full Value)	Stock Options
2017	45%	4%	45%	6%
2016	48%	4%	42%	6%



When compared to pay in the prior fiscal year, director compensation at real estate companies increased by 5 percent.

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

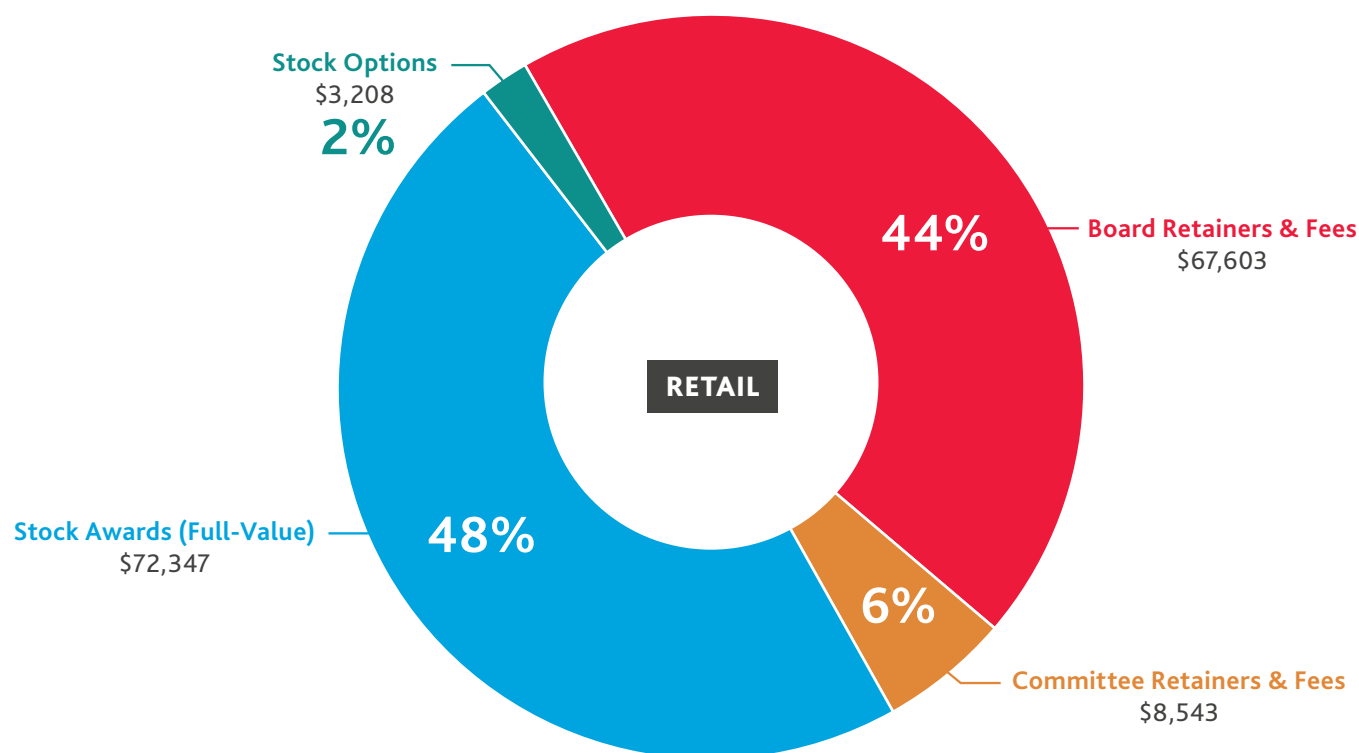
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$72,570	\$10,745	\$86,950	\$5,042	\$175,307
2016	\$73,524	\$10,091	\$80,490	\$3,434	\$167,539
Change	-1%	6%	8%	47%	5%

While the mix of pay this year was similar to last year's, real estate directors experienced a slight increase in equity-based pay (in the form of stock options and full value stock awards) and a slight dip in cash-based board retainers and fees. Approximately 53 percent 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	Stock Awards (Full Value)	Stock Options
2017	41%	6%	50%	3%
2016	44%	6%	48%	2%



Average total compensation paid to retail industry directors comes in just above 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 up 9 percent over the prior fiscal year.

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

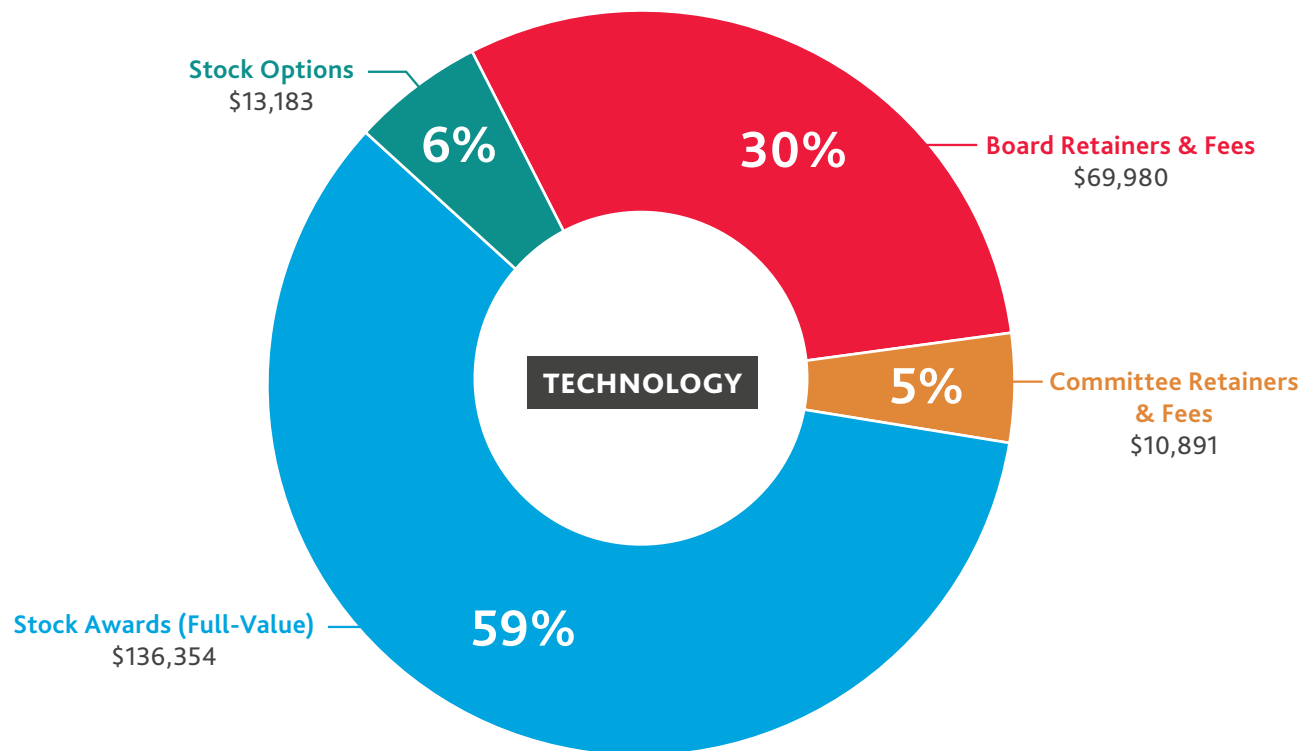
Fiscal Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$67,603	\$8,543	\$72,347	\$3,208	\$151,701
2016	\$64,678	\$7,286	\$61,546	\$5,800	\$139,310
Change	5%	17%	18%	-45%	9%

Retail director pay increased in all categories except stock options, with the highest increases coming from committee retainers and fees (17 percent) and stock awards (18 percent).

The pay mix for retail company board members remained similar to last year and is summarized below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	44%	6%	48%	2%
2016	47%	5%	44%	4%



Average director compensation in the technology industry is the highest in our study, as are the committee retainers and fees they receive. Director pay increased by 5 percent from the prior year, close to the average 4 percent increase across all industries.

While directors in this industry experienced the highest decrease in board retainers and fees (-5 percent), this was offset by a 14 percent increase in full-value stock awards.

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	Stock Awards (Full Value)	Stock Options	Total Compensation
2017	\$69,980	\$10,891	\$136,354	\$13,183	\$230,408
2016	\$73,770	\$10,641	\$119,688	\$15,385	\$219,484
Change	-5%	2%	14%	-14%	5%

There was a shift toward more equity-based compensation in 2017. The technology industry provides the second highest amount of equity (65 percent) as part of the pay mix in comparison to the other industries. The pay mix for technology industry board members is summarized in the table below:

Mix of Compensation

Year	Board Retainers & Fees	Committee Retainers & Fees	Stock Awards (Full Value)	Stock Options
2017	30%	5%	59%	6%
2016	33%	5%	55%	7%

Board Compensation & Recent Trends

BOARD STRUCTURE

The table below lists board structure details including average number of directors, number of committees, and committee names. Data are categorized by company size and industry.

Observations

- ▶ On average, boards have nine members, 81 percent of whom are independent directors. The lowest number of board members was four; the highest was 21.
- ▶ The most prevalent additional committees include executive (22 percent report having), finance (10 percent report having), and risk (11 percent report having). Other committees often include strategic planning, technology, and regulatory.
- ▶ Virtually all companies have audit, nominating/governance, and compensation committees.
- ▶ It is noteworthy that 42 percent of banks have an executive committee, which is the highest among all industries. This is likely a result of monthly loan reviews required by the board.

	Average Number of Directors	Number of Committees	Audit	Nominating/Governance	Compensation	Executive	Finance	Risk
Overall	9.2	3.9	100%	99%	100%	22%	10%	11%
Group A	8.4	3.8	100%	99%	100%	18%	9%	5%
Group B	9.1	3.8	100%	100%	100%	21%	9%	9%
Group C	10.1	4.1	100%	99%	100%	28%	14%	18%
Energy	8.9	3.8	100%	99%	100%	23%	8%	8%
Healthcare	9.0	4.0	100%	100%	100%	8%	7%	10%
Mfg	9.2	3.7	100%	100%	100%	21%	21%	1%
Real Estate	9.0	4.1	100%	100%	100%	35%	11%	5%
Retail	8.8	3.5	100%	99%	100%	20%	12%	3%
Technology	8.9	3.6	100%	100%	100%	11%	8%	7%
Banking	11.3	4.5	100%	99%	100%	42%	7%	31%
Nonbanking	7.0	3.8	100%	100%	100%	19%	8%	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 \$1.2 million. The median totals differ by both company size and industry.
- ▶ The industry with the highest median total board fee is healthcare (\$1,674,766), followed closely by technology (\$1,559,896). The industry with the lowest median total fee is banking (\$561,047).

Total Board Fees - Median	
Overall	\$1,213,963
Group A	\$860,000
Group B	\$1,289,806
Group C	\$1,641,056
Energy	\$1,449,484
Healthcare	\$1,674,766
Mfg	\$1,155,636
Real Estate	\$1,371,517
Retail	\$1,041,800
Technology	\$1,559,896
Banking	\$561,047
Nonbanking	\$1,176,250

COMPENSATION RATIO ANALYSIS

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.
- ▶ Chairperson compensation as a percentage of lead director compensation.

Data are categorized by company size and industry.

Observations

- ▶ Chairpersons are paid about 28 percent more than regular board members.
- ▶ Lead directors are only paid about 5 percent more than regular board members.
- ▶ As would be expected, chairpersons at larger companies earn more than their counterparts at smaller companies.
- ▶ There is smaller variance between technology chairperson compensation and regular board member compensation (116%) compared to the chairperson variance observed in the other industry groups, which ranges from 121% for banking to 136% for manufacturing.

	Chair as % of Director	Lead Director as % of Director	Chair as % of Lead Director
Overall	128%	105%	123%
Group A	120%	102%	114%
Group B	129%	105%	137%
Group C	133%	106%	115%
Energy	133%	101%	187%
Healthcare	129%	106%	106%
Mfg	136%	106%	125%
Real Estate	132%	105%	135%
Retail	131%	110%	113%
Technology	116%	104%	109%
Banking	121%	100%	100%
Nonbanking	131%	109%	275%



STOCK OWNERSHIP GUIDELINES

We continue to observe an upward trend in the number of public companies adopting stock ownership guidelines for directors. This upward trend has been influenced by the concerns of institutional investors in light of corporate scandals in recent years as well as inclusion of stock ownership guidelines as 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 \$298,119.
- ▶ 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 \$384,670 whereas banking is the lowest at \$137,745.

	Percent of Companies with Stock Ownership Guidelines	Average Ownership Guideline Value
Overall	68%	\$298,119
Group A	53%	\$218,042
Group B	73%	\$291,407
Group C	76%	\$356,294
Energy	70%	\$384,670
Healthcare	73%	\$250,798
Mfg	76%	\$316,676
Real Estate	87%	\$315,440
Retail	71%	\$271,264
Technology	75%	\$309,992
Banking	41%	\$137,745
Nonbanking	49%	\$340,028

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. (Note: Data are from 2016.)

Observations

- ▶ Of the 600 companies in the study sample, 83.5 percent disclosed term limit data. Among those companies that disclosed term limit data, only 3.4 percent reported having term limits.
- ▶ The average term limit among companies that reported having term limits is 13.2 years.
- ▶ None of the companies in the banking industry reported having term limits.
- ▶ The average retirement age among all companies is 73.5 years.
- ▶ Company size and industry appear to have little impact on the average retirement age.

	Percent of Companies Disclosing	Percent of Companies with Term Limits	Average Term Limit in Years	Percent of Companies with Retirement Age Limits	Average Retirement Age
Overall	83.5%	3.4%	13.2	32%	73.5
Group A	85.1%	0.5%	10.0	27%	73.8
Group B	76.9%	4.6%	12.7	29%	71.3
Group C	89.6%	4.9%	14.1	39%	71.3
Energy	90.1%	2.8%	11.0	45%	73.8
Healthcare	87.3%	8.5%	11.7	30%	73.7
Mfg	86.5%	2.7%	16.5	43%	71.0
Real Estate	95.9%	2.7%	12.0	38%	73.8
Retail	88.2%	2.6%	15.0	25%	69.5
Technology	82.2%	5.5%	15.0	27%	70.0
Banking	50.0%	0.0%	NA	15%	72.8
Nonbanking	88.0%	2.7%	12.5	29%	70.8

REPRESENTATION OF WOMEN ON BOARDS

Female representation on boards continues to be a hot topic. Evidence suggests that board diversity, including female representation, improves business performance and helps to close the gender inequality gap that has plagued many companies in recent years. The table below depicts female representation on boards among companies in our study, including the percentage of companies with no women directors and the percentage of companies with greater than 35 percent female representation. Data are categorized by company size and industry.

Observations

- ▶ Representation of women on boards is very low – on an aggregate basis, only 15 percent of companies report having female directors.
 - This percentage increases modestly among larger companies (18 percent) versus smaller (13 percent).
 - Retail companies have a slightly higher representation of woman directors (21 percent).
 - Energy companies lag behind other industries; only 10 percent of board members are women.
- ▶ Eighteen percent of companies have no women represented on the board, an improvement from 2016 when 27 percent of companies reported having no female directors.
 - Smaller companies experienced an improvement in terms of female representation in 2017, with 30 percent reporting no women on the board, down from 40 percent in 2016.
 - Despite having the smallest percentage of women on their boards, energy companies are also making progress: 37 percent report having no women on the board in 2017, down from 45 percent in 2016.
- ▶ Few companies come close to an even representation of men and women; in only 4 percent of companies do women comprise more than 35 percent of the board.

	Percent of Women Directors	Percent of Companies with No Women Directors	Percent of Companies with >35% Women
Overall	15%	18%	4%
Group A	13%	30%	4%
Group B	15%	18%	5%
Group C	18%	9%	4%
Energy	10%	37%	0%
Healthcare	17%	17%	1%
Mfg	14%	19%	3%
Real Estate	16%	11%	4%
Retail	21%	6%	13%
Technology	15%	17%	7%
Banking	15%	10%	0%
Nonbanking	14%	33%	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: 2018 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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Contact Us

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

Please visit www.bdo.com/2018-bdo-600-board for the electronic copy of this study.

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