

Analyzing Director Pay: New Data for 2025

A Compensation Committee Series Webinar

Presented by NACD and Pearl Meyer

February 25th, 2025

Presenters



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Housekeeping



- Submit a question and receive your answer directly from the presenters, either during today’s webinar or as a follow-up. You will also be opted-in to receive future executive compensation thought leadership from Pearl Meyer.
- Presentation slides are available today at www.pearlmeyer.com/director-pay-trends-for-2025
- The replay will be available early next week at www.nacdonline.org/webinars and www.pearlmeyer.com/director-pay-trends-for-2025

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The annual Pearl Meyer/NACD Director Compensation Report analyzes director pay at 1400 public companies across 24 industries to provide the latest data on cash and equity compensation, along with a number of important governance policies and practices.

In this webinar with Pearl Meyer and the NACD, we will share the report's high-level data on board pay and a historical analysis of evolving trends. Our panel will also discuss the pros and cons of compensation for special committees, which are becoming a more frequent occurrence.

Learning objectives:

- Understand current director pay levels and program structures for public companies at multiple revenue bands
- Learn leading practices for board compensation policies and equity grant practices
- Gain insights on how board pay programs are evolving

Current Environment



- In recent years, digital innovation and an increased focus on workforce dynamics have begun to transform the strategic priorities for many companies, which are reshaping the responsibilities and talent needs of boards of directors.
- Boards now face heightened expectations to oversee digital transformation and cybersecurity as companies scramble to integrate cutting-edge innovations driven by artificial intelligence. In addition, with employees returning to office, workforce strategy has also landed itself a regular spot on the board agenda, along with already prominent ESG/DEI related requirements.
- To manage the complexities of these new topics and associated risks, ensuring that boards have the right mix of talent to effectively govern has become a major priority, putting increased pressure on board refreshment.
- It remains to be seen how the upcoming administration may influence the economic and geopolitical environment, and what regulatory changes may occur. One thing is for certain: The scope of responsibilities and expectations placed on boards of directors continues to expand.

Polling Question #1

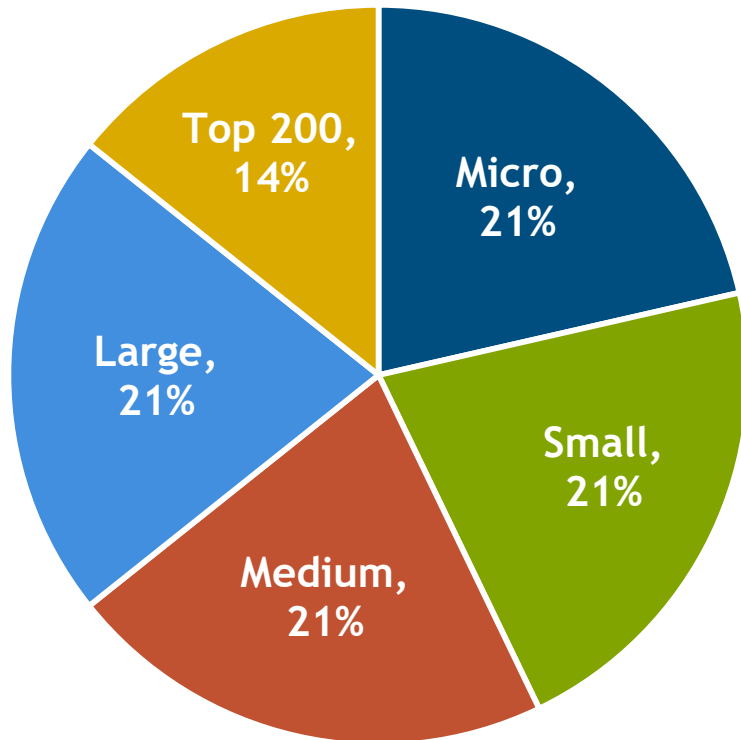


Q: Which of the following emerging priorities do you think will have the greatest impact on board governance in the coming years?

1. Digital transformation and cybersecurity oversight
2. Workforce strategy and return-to-office dynamics
3. Regulatory compliance
4. Other

Director Compensation Data

Five Size Categories
Based on Annual Revenue



- All companies are publicly traded
- Information is collected across 24 industries based on GICS at the group level
- Source: Main Data Group

- Micro: \$50M - \$500M
- Small: \$500M - \$1B
- Medium: \$1B - \$2.5B
- Large: \$2.5B - \$10B
- Top 200: Largest 200 companies in the S&P 500

Total Direct Compensation increased by +3% relative to 2023 levels



	Total Direct Compensation		Annual Growth in Median Total Direct Compensation									
	2024	2023	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Micro	\$164,773	\$150,000	10%	7%	6%	7%	-0%	5%	-3%	2%	4%	9%
Small	\$211,014	\$198,583	6%	-0%	10%	2%	2%	3%	2%	6%	5%	3%
Medium	\$228,469	\$223,681	2%	5%	-0%	5%	2%	4%	-0%	6%	-1%	1%
Large	\$269,639	\$262,278	3%	3%	0%	3%	2%	3%	1%	4%	1%	3%
Top 200	\$323,375	\$322,611	0%	3%	1%	1%	4%	3%	2%	3%	3%	3%
All Firms	\$242,094	\$234,132	3%	4%	2%	3%	3%	2%	2%	4%	3%	1%

(a) Director compensation methodology was modified in 2007. Percentages are based on old methodology for comparable year-over-year growth rates

Source: Main Data Group

Nearly all firms have at least one female director on the board; over half now have three or more



	Organization Size						Prior Year
	Micro	Small	Medium	Large	Top 200	All Firms	All Firms
Median No. of Directors (a)	7	8	9	10	11	9	9
Median Director Age (yrs)	63	63	63	64	64	63	63
Median Director Tenure (yrs)	5.8	6.2	6.1	6.3	6.0	6.2	6.2
% with 1 year term	52%	56%	63%	75%	95%	66%	67%
Mandatory Retirement Age (yrs)							
Prevalence of disclosure	24%	33%	44%	53%	73%	43%	45%
Median Retirement Age	75	75	75	75	75	75	75
<u>Gender Diversity</u>							
% of companies with ≥ 1 female director	93%	97%	97%	99%	100%	97%	96%
% of companies with ≥ 2 female directors	61%	86%	89%	95%	100%	85%	83%
% of companies with ≥ 3 female directors	27%	44%	56%	75%	92%	56%	53%
Combined CEO/COB Role	33%	31%	29%	37%	52%	35%	35%
Median No. of Board Meetings	7	6	6	6	7	6	6

(a) Includes non-employee and employee directors

 ≥ +10% pts. Higher than last year

 > +5% pts. Higher than last year

Source: Main Data Group

Polling Question #2



Q: In light of the evolving political and regulatory landscape, how do you anticipate your board's focus on ESG and DEI initiatives will change as it relates to director diversity?

1. Increase focus and investment in ESG/DEI
2. Maintain current focus and approach
3. Decrease focus due to shifting external pressures
4. Reassess priorities to align with emerging stakeholder expectations
5. Unsure

Boards continue to reallocate compensation away from meeting fees



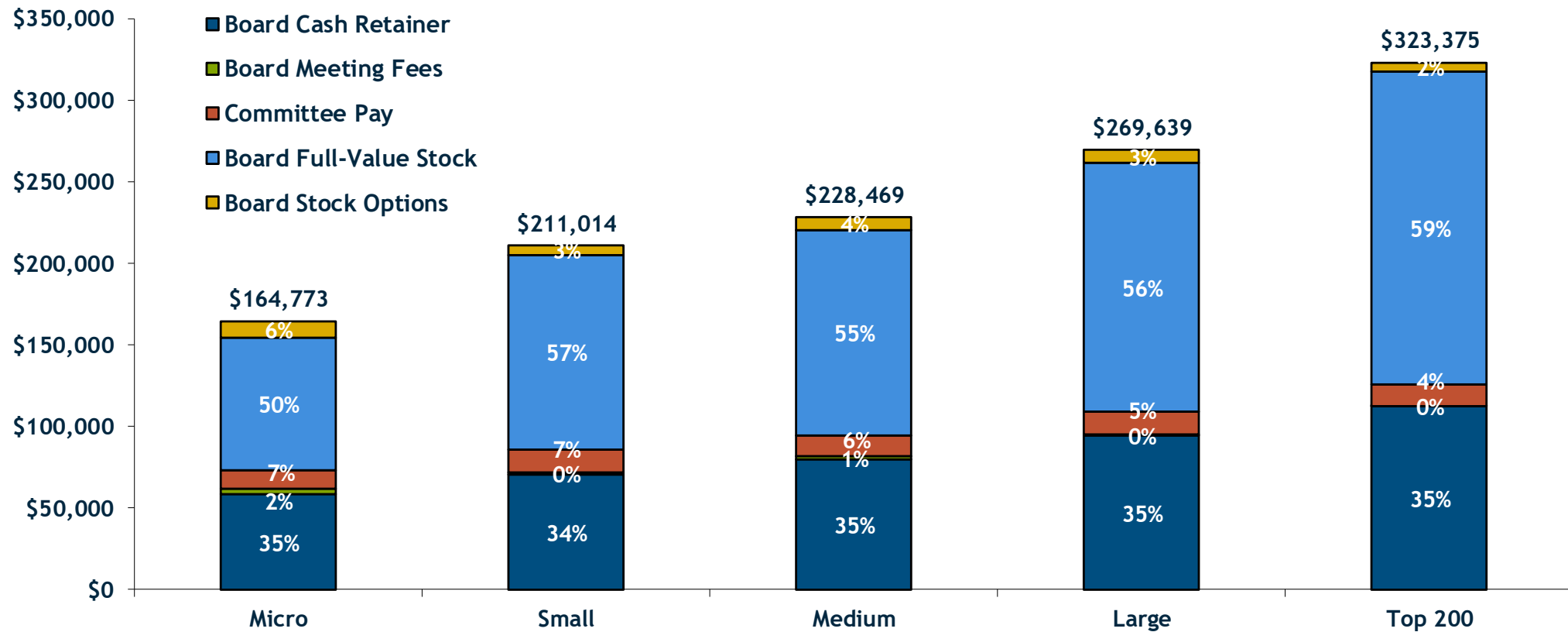
		All Firms						
		2024	2023	2022	2021	2020	2019	5-year Change
Cash	Median Annual Cash Retainer	\$75,000 0%	\$75,000 0%	\$75,000 0%	\$75,000 4%	\$72,000 3%	\$70,000 6%	
	Median Average Committee Compensation	\$10,500 5%	\$10,000 4%	\$9,600 2%	\$9,410 -2%	\$9,640 -4%	\$10,000 0%	5%
	Prevalence of Board Meeting Fees	10% 0%	10% -4%	14% -3%	17% -2%	19% -2%	21% -2%	-11%
Equity	Median Equity Award	\$150,000 3%	\$145,000 7%	\$135,000 4%	\$130,000 4%	\$125,000 0%	\$125,000 4%	20%
	Median Total Direct Compensation	\$242,094 3%	\$234,132 4%	\$225,750 2%	\$221,557 3%	\$214,115 3%	\$207,938 2%	16%
	Median Total Board Cost	\$1,833,393 3%	\$1,786,512 4%	\$1,710,366 0%	\$1,702,500 4%	\$1,644,472 3%	\$1,596,250 3%	15%

Source: Main Data Group

Full-value stock continues to account for the largest portion of director pay



Median TDC and Pay Mix by Company Size



Source: Main Data Group

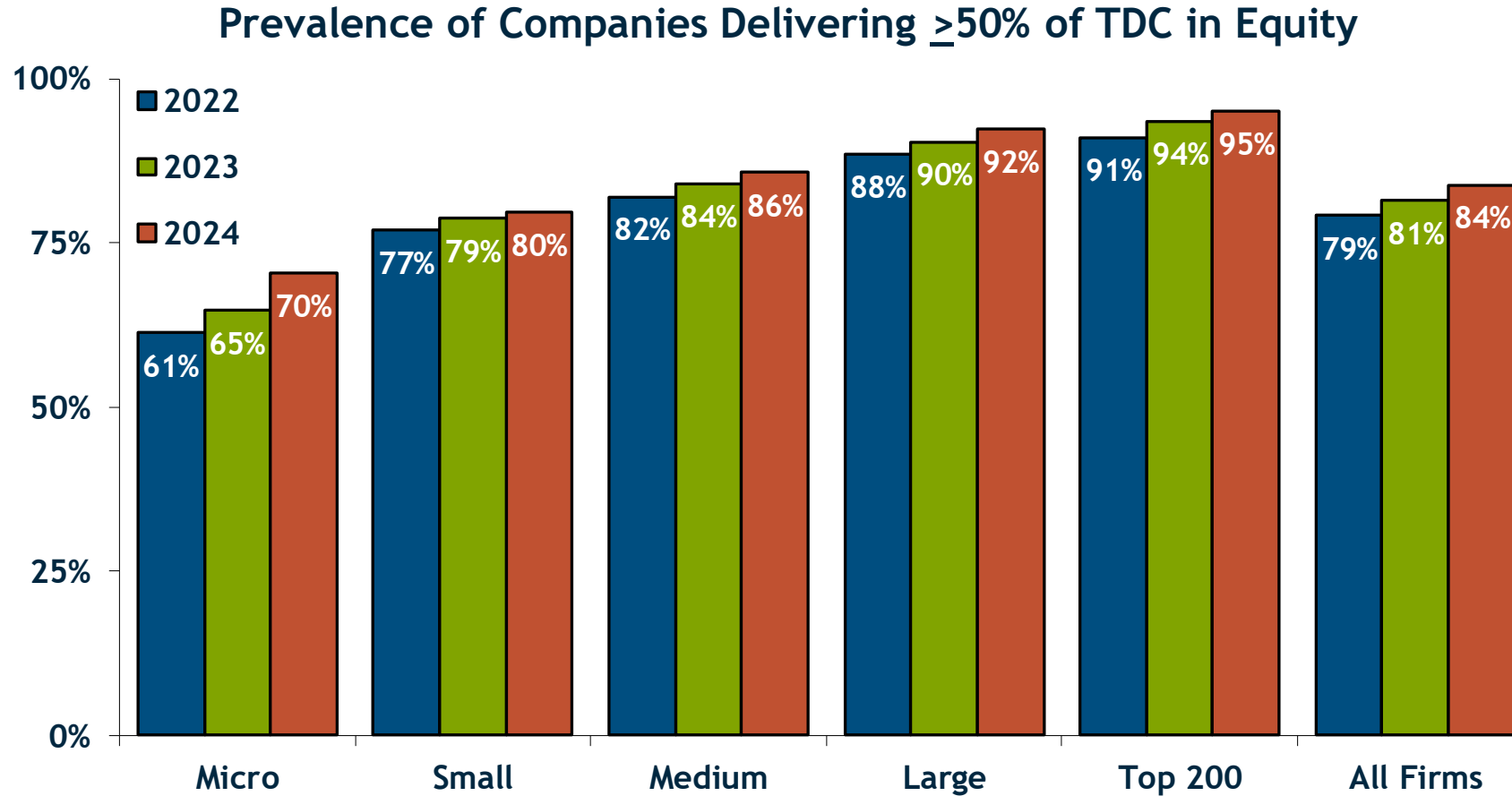
Polling Question #3



Q: How has your board's pay mix evolved over time?

1. We have moved away from variable pay elements (meetings fees and committee fees) toward fixed elements (cash and equity retainers)
2. We have moved away from fixed pay elements (cash and equity retainers) toward variable pay elements (meeting fees and committee fees)
3. The pay mix has largely remained the same over time

Equity awards comprise over 50% of the total director pay package



Source: Main Data Group

Most companies set equity awards as a fixed value



Equity Grant Practices: Fixed Values vs Fixed Shares							
	Micro	Small	Medium	Large	Top 200	All Firms	Prior Year All Firms
Total Firms Providing Equity	92%	96%	96%	96%	99%	96%	95%
Grant Determination	%	%	%	%	%	%	%
Fixed Value	83%	92%	92%	96%	99%	92%	89%
Fixed Shares	14%	7%	6%	3%	1%	6%	9%
Combination	3%	1%	2%	1%	1%	2%	2%

Source: Main Data Group

The presence of stock ownership guidelines and holding requirements tend to correlate with company size



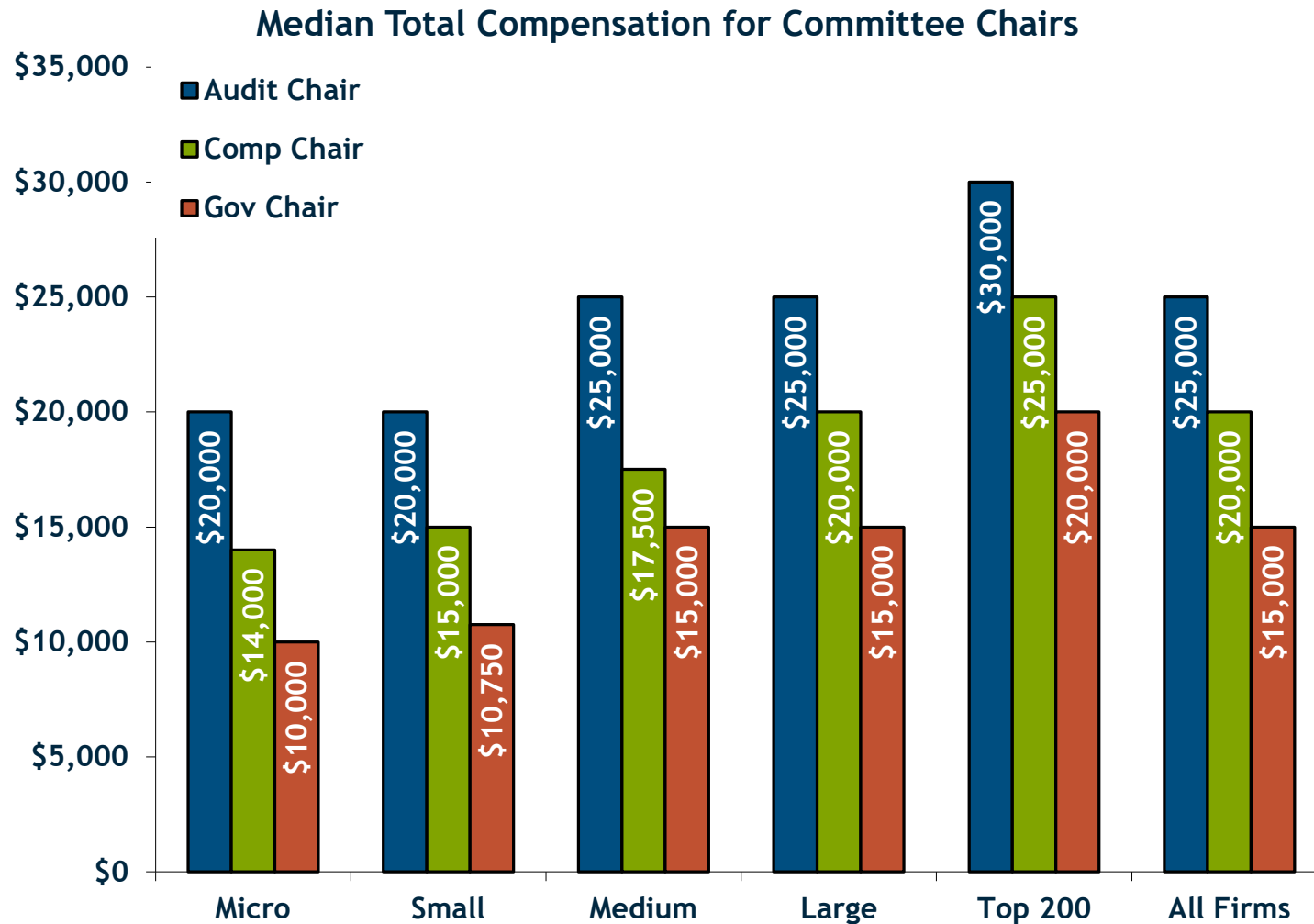
Prevalence of Stock Ownership Guidelines (SOG)							
	Micro	Small	Medium	Large	Top 200	All Firms	Prior Year All Firms
% of Companies with Any Form of SOG	62%	78%	84%	93%	96%	82%	80%
% of Companies with a Multiple of Retainer SOG	55%	69%	75%	84%	81%	72%	71%
Median Multiple of Retainer Requirement	4.0	5.0	5.0	5.0	5.0	5.0	5.0
% of Companies with Share SOG	5%	5%	5%	3%	8%	5%	5%
% of Companies with Dollar SOG	5%	6%	6%	9%	13%	7%	7%
Median Dollar Value Requirement	\$200,000	\$320,000	\$405,000	\$500,000	\$850,000	\$450,000	\$400,000
Median Time Frame (yrs)	5	5	5	5	5	5	5

Holding Period Requirements							
	Micro	Small	Medium	Large	Top 200	All Firms	Prior Year All Firms
% with Holding Requirements	31%	36%	38%	44%	48%	39%	34%
Type of Holding Guideline							
Until or Beyond Retirement	24%	18%	18%	18%	41%	23%	22%
Until Ownership Guideline Achieved	54%	59%	66%	68%	42%	59%	63%
Other / Unknown	22%	24%	16%	14%	17%	18%	16%

≥ +5% pts. higher than last year
 ≥ -5% pts. lower than last year

Source: Main Data Group

Committee chair premiums are commonly used to acknowledge the increased time commitment and additional responsibility of the role

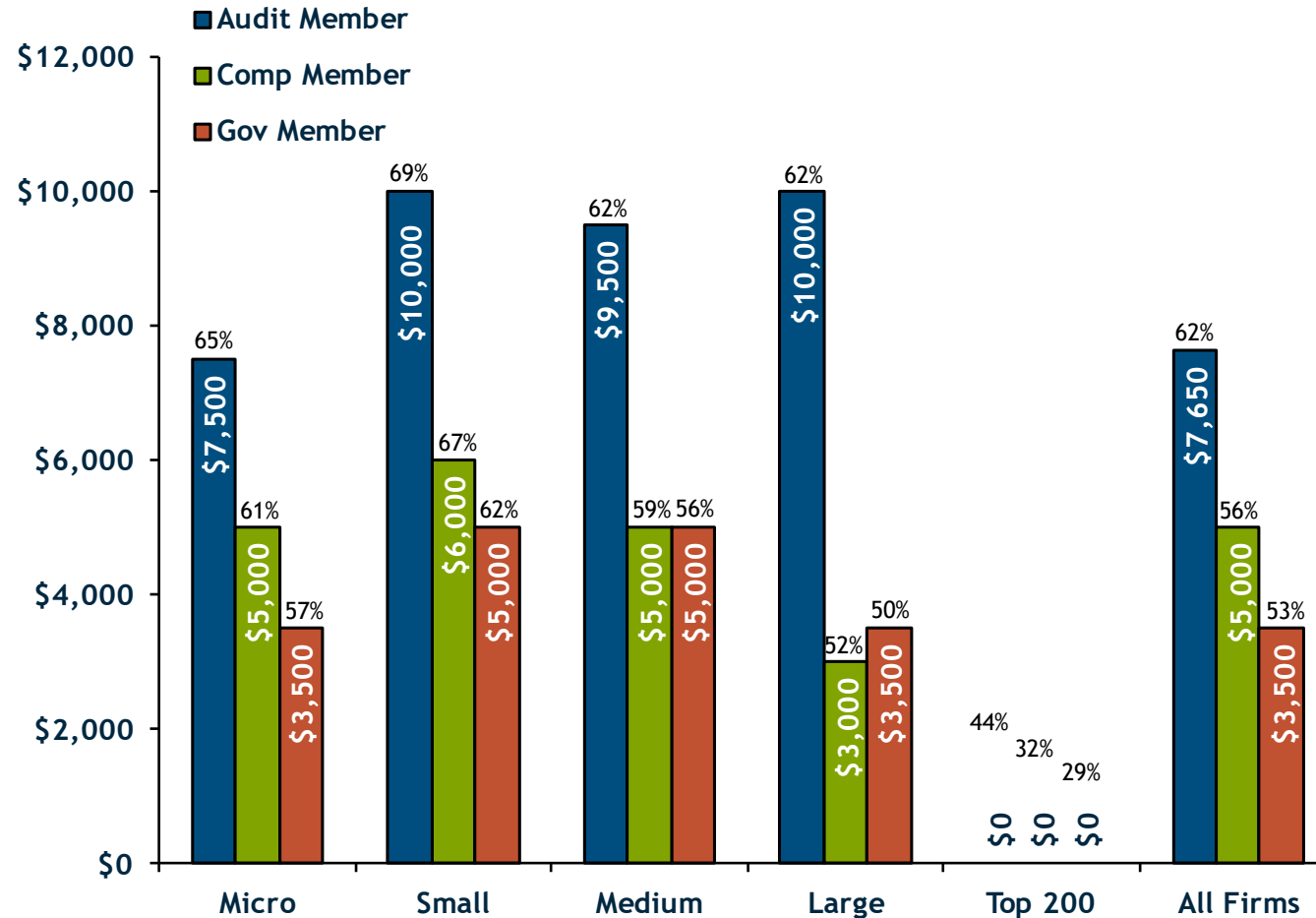


Source: Main Data Group

Pay for service as an audit committee member continues to be the highest on a value and prevalence basis relative to other committees



Median Total Compensation for Committee Members



Note: prevalence percentages displayed above dataset

Source: Main Data Group

Polling Question #4



Q: Given the expanding responsibilities and oversight of the board, how is your board currently approaching its committee structure?

1. We have recently established new committees to address emerging areas
2. We are evaluating the potential need for additional committees
3. Our existing committees effectively oversee all areas, and we are expanding their scope as needed
4. Our existing committee structure effectively oversees all areas without the need for changes

Given the additional liability, a larger premium is typically provided to non-executive board chairs relative to other types of leadership



Compensation for Non-Exec Leadership						
	Median TDC for Board Leadership		Median Board Leadership TDC as a Multiple of Board Member TDC (a)		Median Total Premium for Board Leadership	
	Non-Executive Chair	Lead/ Presiding	Non-Executive Chair	Lead/ Presiding	Non-Executive Chair	Lead/ Presiding
Micro	\$212,500	\$162,500	1.32x	1.13x	\$50,000	\$20,000
Small	\$285,000	\$210,000	1.37x	1.14x	\$75,000	\$25,000
Medium	\$315,000	\$243,000	1.44x	1.13x	\$100,000	\$25,000
Large	\$396,000	\$297,213	1.52x	1.12x	\$137,500	\$30,000
Top 200	\$500,000	\$360,000	1.62x	1.15x	\$200,000	\$50,000
All Firms	\$315,000	\$269,975	1.45x	1.13x	\$100,000	\$30,000

(a) Excludes fees for committee service.

Source: Main Data Group

- How are board compensation structures evolving?
 - Companies are adopting more stable compensation practices that align with governance standards and shareholder expectations
 - Director pay is shifting towards a 60% equity and 40% cash mix, reducing reliance on cash compensation
 - Variable pay elements such as meeting fees and stock options are becoming less common
- How are board leadership and responsibilities changing?
 - There is a strong emphasis on board refreshment to enhance effectiveness
 - The need for specialized committees is decreasing as board and primary committee responsibilities expand

Q&A

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