

Director Compensation Practices

IN THE RUSSELL 3000 AND S&P 500 | 2020 EDITION



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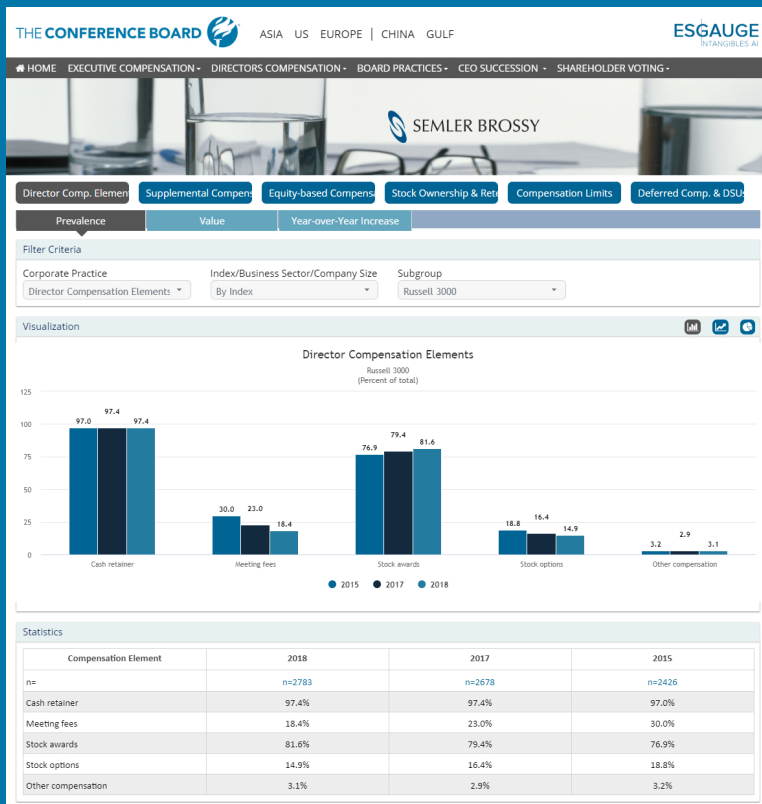
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Director Compensation Practices in the Russell 3000 and S&P 500: 2020 Edition

by Mark Emanuel, Todd Sirras, and Matteo Tonello

A broadening set of ESG-related oversight responsibilities, evolving case law, and increased investor scrutiny prompt companies to seek innovation in director compensation design.

At its core, the director role is primarily one of stewardship rather than execution. While “pay for performance” has become a mantra for executive compensation in the last decade, the concept does not extend in the same way to director pay. Rather, director pay structures are oriented toward compensating for time commitments and leadership. Retainers and per-meeting fees for board and board committee services reflect the time spent on company-related activities. Supplemental retainers for board chairs, lead directors, and board committee chairs reward the additional responsibility of service in leadership positions. To be sure, equity grants are widely used but, rather than being linked to specific performance measures, they are meant more generally to establish an ongoing interest in the long-term prospects of the business.

Yet, today’s corporate directorship is at the forefront of rapidly evolving economic and social changes that are affecting the notion and purpose of the corporation itself. The board slate increasingly represents a diverse array of experiences and viewpoints, while individual directors are asked to exercise judgment and provide coordinated guidance on an expanding set of stakeholder issues. Though compensation is expected to remain rooted in the stewardship function of boards, pay plans will necessarily need to evolve in response to the increased complexity of the independent director role and the level of scrutiny to which it is subject.

In the United States, in particular, the current debate on public company director compensation is driven by the following forces:

- Changes in the composition of the board of directors in response to demand for refreshment, gender diversity, and skill set diversification. Companies are increasingly discussing how director compensation design should evolve to better promote board succession planning and attract a new cadre of qualified individuals to the role.
- The expansion of board committee responsibilities in response to the demand for more oversight of environmental, social, and governance (ESG)-related risks—from climate change to supply chain and from gender pay equity to a range of human capital management (HCM) and corporate culture issues.
- The additional scrutiny exercised by investors and courts of law over director compensation and the pay-setting process, following the Goldman Sachs and Investors Bancorp decisions by the Delaware courts and the public positions large stakeholders and proxy advisors have recently taken. As a result, boards are being challenged to ensure that their pay program is “entirely fair” and based on rigorous benchmarking and peer competitive analysis.

Director Compensation Practices in the Russell 3000 and S&P 500: 2020 Edition includes an online dashboard offering the comprehensive set of benchmarking data and analysis needed to inform the board pay design process. The software enables users to delve into the most recent corporate disclosure by Russell 3000 companies and review individual elements of compensation packages, supplemental compensations for committee service and leadership roles, stock ownership and retention policies, pay limits, and deferred compensation schemes. Access the dashboard at: conferenceboard.esgauge.org/directorcompensation

Browse Hundreds of Tables

Equity Award Types, Median Value by Index (2015-2018)

Subgroup	Compensation Element	2018	2017	2015	1-Year Change (2018-2017)	% of 2017 Value	3-Year Change (2018-2015)	% of 2015 Value
	n=	n=2206	n=1835	n=1580	—	—	—	—
Russell 3000	Unrestricted stock	95,000	95,000	87,500	0	0.0%	7,500	8.6%
Russell 3000	Restricted stock	100,000	100,000	90,000	0	0.0%	10,000	11.1%
Russell 3000	Restricted stock units (RSUs)	125,000	125,000	117,500	0	0.0%	7,500	6.4%
Russell 3000	Deferred stock units (DSUs)	140,000	135,000	125,000	5,000	3.7%	15,000	12.0%
Russell 3000	Performance shares	—	—	—	—	—	—	—
Russell 3000	Performance units	103,266	98,524	83,562	4,742	4.8%	19,705	23.6%
Russell 3000	Phantom shares	115,000	113,450	97,500	1,550	1.4%	17,500	17.9%
Russell 3000	Other	100,000	110,000	—	-10,000	-9.1%	—	—
Russell 3000	Total stock awards	116,440	110,000	100,000	6,440	5.9%	16,440	16.4%
Russell 3000	Stock appreciation rights (SARs)	74,803	65,000	52,303	9,803	15.1%	22,500	43.0%
Russell 3000	Stock options	80,000	75,000	70,000	5,000	6.7%	10,000	14.3%
Russell 3000	Total option awards	80,000	75,000	70,000	5,000	6.7%	10,000	14.3%
Russell 3000	Total equity awards	120,000	120,000	105,000	0	0.0%	15,000	14.3%

Director Compensation Elements, Prevalence by Index (2015-2018)

Subgroup	Compensation Element	Supplemental Retainer			Supplemental Meeting Fees		
		2018	2017	2015	2018	2017	2015
	n=	n=2783	n=2678	n=2426	n=2783	n=2678	n=2426
Russell 3000	Board Chair	48.4%	46.0%	40.9%	0.9%	0.8%	1.2%
Russell 3000	Board Vice-Chair	2.5%	2.4%	2.3%	0.0%	0.0%	0.1%
Russell 3000	Lead Director	38.6%	37.8%	37.3%	0.3%	0.2%	0.3%
Russell 3000	Audit committee member	52.8%	51.2%	46.2%	19.2%	23.6%	30.8%
Russell 3000	Compensation committee member	46.9%	45.0%	39.0%	18.6%	23.1%	29.9%
Russell 3000	Nominating/governance committee member	44.1%	42.0%	36.2%	16.9%	21.1%	27.7%
Russell 3000	Other standing board committee member	17.9%	16.5%	14.1%	9.8%	11.7%	14.7%
Russell 3000	Special board committee member	1.1%	1.0%	1.0%	0.7%	0.8%	0.9%
Russell 3000	Audit committee chair	92.2%	92.0%	90.1%	2.7%	3.1%	4.2%
Russell 3000	Compensation committee chair	87.2%	86.5%	84.4%	2.2%	2.4%	3.3%
Russell 3000	Nominating/governance committee chair	81.8%	80.8%	78.4%	2.0%	2.3%	2.9%
Russell 3000	Other standing board committee chair	34.7%	33.9%	31.8%	1.5%	1.5%	1.7%
Russell 3000	Special board committee chair	1.1%	1.3%	1.5%	0.1%	0.1%	0.1%

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conferenceboard.esgauge.org/directorcompensation

Drawn from the wealth of data available in the online dashboard, the following are the key insights for what's ahead in the field.

The makeup of boards of directors is changing, amid growing demand for gender diversity and the search for a broader set of skills that can help organizations face rapidly evolving business challenges. Companies may thus need to rethink some aspects of their director compensation policies to help their boards compete for desirable candidates.

As companies face new strategic challenges, changed expectations from the labor force, and rapidly evolving consumer interests, the scope of board searches is expanding to encompass a broader set of skills found not just among active or retired CEOs but across (and even below) the C-suite. These increasingly coveted competences range from corporate culture to cyber risk, from energy efficiency to supply chain management, and from digital innovation to bioscience.¹ Moreover, institutional investors² and proxy advisors³ have been putting pressure on issuers to improve board diversity standards and increase refreshment rates, whether through more rigorous performance assessment processes or the introduction of more stringent overboarding rules.

In the coming years, as companies may be attempting to lure individuals from the same talent pool, director compensation design should evolve to attract a new and younger generation of executives. It should take into account that these candidates are at earlier stages of their careers than the more traditional board member to whom US public companies have been accustomed for decades; that because they have active careers, their time to serve on an outside board is certainly more limited than a professional director's;⁴ and that their motivations for joining boards may reflect the unique cultural backgrounds and priorities of people of their age. For example, research shows that younger generations of executives have been more enthusiastic to embrace the shifting paradigms around ESG and corporate citizenship;⁵ if so, that same desire to contribute to societal impact may inform their perception of the role that the board of directors should perform in the future. In addition, unlike older directors, they may be more interested in the corporate governance peer-learning and other onboarding educational opportunities a board of directors could offer them as well as the exposure to business industries in which they have never worked.

In general, companies should consider:

- Allowing for sign-on, onetime equity awards to new directors. More and more companies had discontinued this practice in recent years, but it may make the difference in the competition for top talent in coveted areas of expertise such as technology and bioscience. According to our data based on 2019 disclosure documents, only 22.4 percent of Russell 3000 companies provide a sign-on equity award to their board members, with by far the highest percentages seen among information technology (44.9 percent) and health care (61.8 percent) firms. The practice is clearly more prevalent among smaller organizations (70.5 percent of those with annual revenue under \$100 million, compared to 18.4 percent of those with a turnover exceeding \$50 billion).

- Ensuring that the cash component of director pay programs is sufficient to cover the tax liability directors will face from vesting equity grants so that they don't have to resort to selling shares. As the competition for younger talent increases, this solution would help smaller companies attract individuals with valuable skill sets who do not yet have independent means and cannot afford to be "cash negative" for their board service, especially if they are required to hold shares.
- Supporting educational and peer-networking benefits, including business association memberships, the opportunity to participate in prominent conferences, and the reimbursement of tuition fees for corporate governance courses at top universities. In the last decade, there has been a significant movement away from the use of perquisites in director compensation, and our data show that only about one-quarter of Russell 3000 companies still incur tuition fees for their board members' education, while most others opt for their own in-house onboarding and continuing education programs. However, among perquisite types, director education and peer networking might be worth some reconsideration when the objective is to attract a younger generation of board members.
- Extending to their board members the eligibility for charitable contribution matching programs offered to employees. While the practice is instituted at 33.1 percent of S&P 500 companies (and as much as 57.1 percent of those with annual revenue of \$50 billion or higher), it is found at less than 10 percent of Russell 3000 companies.

Boards of directors are evolving in their role and composition, and such evolution may foster innovation and experimentation in director compensation design and counter the current trend toward the homogenization of pay practices. To a certain extent, the changes in director compensation necessary to compete in the search for new board members may conflict with the expectation recently set by institutional investors and proxy advisors to contain pay growth within a tight peer comparative range. Moving forward, companies should not shy away from trying new ideas. Instead, they should ensure that their market disclosure thoroughly describes the rationale for adopting diverging practices and adequately documents the difficulties of attracting top talent in key areas of board expertise.

Board members are asked to take on more direct oversight responsibilities on a broader range of ESG matters. The COVID-19 crisis, in particular, will dominate board agendas of all companies in 2020 and demand an unprecedented level of time commitment. While current economic circumstances warrant restraint, in the longer term, director compensation may grow to account for the additional workload of board committees.

In recent years, ESG and HCM issues have increasingly risen to the attention of the board of directors. Driving forces are multiple:

- Once a fringe investment tactic used by specialized socially responsible investors, ESG and HCM factors have moved front and center in corporate stewardship programs of large asset management firms such as Vanguard and BlackRock. In fact, in March 2020 the latter publicly indicated that, despite the global health crisis, it would continue to link extrafinancial performance against ESG-related indicators to its voting decisions for or against boards or individual directors.⁶

- Standard setters such as the Global Reporting Initiative, the Task Force on Climate-related Financial Disclosures, and the Sustainability Accounting Standards Board have gained considerable ground in their effort to promote a framework to measure and report on these corporate practices.⁷
- In the summer of 2019, under the auspices of the Business Roundtable, 181 CEOs of large US business corporations signed a “statement on the purpose of the corporation,” recognizing that no company can thrive in the long term by looking exclusively at the short-term interests of its shareholders and neglecting the interests of other stakeholders (employees, customers, suppliers, and the local and global communities where the company operates).
- And while there is no US federal legislation explicitly stating that corporate fiduciaries can depart from the pursuit of short-term shareholder value growth to protect other stakeholder interests, a majority of US states have adopted constituency statutes that do so. These state-level legislations have prompted state attorneys general to investigate corporate risk factor disclosures and to start litigation against or seek settlements with companies that are not forthcoming on climate change risk.⁸

As a result of these developments, the responsibilities of board committees have started to expand. Their charters are being revised to articulate specialized responsibilities around ESG and HCM, while some companies consider instituting new special or standing committees. As of this writing, the COVID-19 pandemic is also demanding an unprecedented time commitment from corporate directors, at both the board and committee levels. Directors are expected to work even more closely with senior management. Their contribution can be wide ranging: to assess the impact of the crisis on strategy execution; to revisit succession plans for key executives who may fall ill; to devise tactics meant to preserve liquidity and enhance the efficiency of the company’s capital allocation; to evaluate opportunities for transactions resulting from the changing circumstances; and to address the risk of activists’ speculative attacks.⁹

The general principle in committee pay is to compensate for the additional workload required to perform the specific tasks assigned to a committee. As a result, once the crisis has passed, these developments may bleed through to director pay levels in the form of increased supplemental retainers for committee service. Similarly, pay for leadership roles within the board may begin to outpace the overall rate of growth of standard director compensation.

Historically, audit committee service and leadership have demanded a pay premium relative to compensation and nominating/governance committees. Our most recent data, for example, show that audit committee members earn, at the median, an annual supplemental retainer of \$10,000, compared to \$7,500 for compensation committee members and \$5,000 for nominating/governance committee members. As for the leadership roles, audit committee chairs can earn, at the median, a supplemental retainer of \$20,000, which is almost twice as large as the one paid to nominating/governance committee chairs (\$11,000). The premium recognizes, in particular, the expanded workload resulting from the complex compliance framework established over the years

by federal legislation such as the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2011: audit committee members perform highly technical and laborious tasks, ranging from the oversight of external audits to monitoring the effectiveness of internal controls or conducting investigations of allegations of misconduct. However, the rising prominence of ESG and HCM topics may rebalance the delegation of tasks and responsibilities, as compensation committees increasingly explore executive compensation policies that incorporate extrafinancial measures of performance and nominating/governance committees take on the difficult task of probing corporate cultures, continuing to promote workforce diversity and equal opportunities, and ensuring open and inclusive workplaces.¹⁰ If confirmed, these trends may level the playing field of supplemental retainers for service across the three main board committees or may even lead to increasing the base retainer for board service and eliminating fees for committee service.

Director Compensation in the **COVID-19 Crisis**

Director cash retainer reductions As many businesses discharge, furlough, or drastically reduce pay to large shares of their workforces, some compensation committees are announcing their decision to cut base salaries for C-suite executives as well as board cash retainers. The extent of these reductions varies according to the specific circumstances the company faces but, even when they amount to a relatively small percentage of the total executive and board compensation expenditures, the reductions send an important signal of business leadership and solidarity to employees.

Hard-hit companies in the travel and leisure industries were the first to introduce these measures, but others have followed suit. The following are just a few examples from 8-K disclosures Russell 3000 firms have filed in recent weeks to communicate these decisions:

- While in some cases the announced reduction is limited to the compensation of the CEO, other companies extended it to other named executive officers (NEOs), to other senior managers below the C-suite, and to the cash retainer of nonexecutive directors.
- Most executive reductions are limited to base salary, but some companies have chosen to cut or eliminate annual executive bonuses for 2020.
- In some cases, in lieu of a reduction, compensation committees opted for a deferral—either to later in the year or to next year—of compensation payments to their executives. Deferrals may be conditioned upon the achievement of specific financial targets.
- Aside from the common situations described above, where companies are choosing to adjust either the schedule or the pricing of their equity awards, some companies are amending their equity plans to reduce the weight of (or eliminate) certain performance metrics and increase the use of discretion by compensation committees in granting the awards.
- Some executives have elected for a voluntary salary waiver to fund onetime cash bonuses to eligible employees or to endow a relief fund created by the company to address hardship faced by its workforce.

The Conference Board, in collaboration with Semler Brossy's research team and Es gauge Analytics, is keeping track of filings. For the current database, click [here](#).

Frequency and pricing of equity awards Coincidentally, for many US public companies, the extreme volatility in share prices experienced since the beginning of March 2020 occurred during an incentive award cycle. Equity plans are widely used even in director compensation, and data show that about 90 percent of Russell 3000 companies grant either some form of full-value stock or stock options (or a combination of both) to their board members.

The main question boards face in these circumstances is whether they should hold the course and stay true to the rationale that informed the design of those equity plans or adjust them in light of the changing business and financial environments. The answer will likely depend on their economic industry and the characteristics of the equity plan currently in place. Our research shows that, across the Russell 3000 and with minimal variation by company size, about 80 percent of shares granted under director pay plans are denominated as a dollar value (as opposed to a fixed number of securities). In a highly depressed market, this means that a significantly higher number of shares will be needed to deliver comparable value, depleting some equity plans and putting many others under strain. Moreover, considering the record-high valuation of recent memory, granting a disproportionate number of shares that could quickly reappreciate after the crisis may raise criticism by investors and other gatekeepers.

For these reasons, companies may consider different scheduling options to mitigate the impact of the COVID-19 crisis on share prices. Some of these options are similar to the ones being considered for employees and executives receiving equity, and they include:

- delaying grants;
- staggering the grant schedule so as to distribute those grants over a longer time frame and average their cost; or
- halting the entire award process until the next cycle.

Alternatively, to preserve the existing schedule and avoid the risk of demotivating employees and directors at a time of uncertainty, some companies could choose to artificially adjust the price of awarded shares and:

- award the same number of shares awarded in the previous fiscal year;
- calculate the number of shares to be granted based on a capped burn rate (for example, if the company's prior year burn rate was 2 percent and, as a result of today's volatility, it would surge to 6 percent, the company could choose to cap it at 3 or 4 percent);
- determine the value of awards through a historical stock price (for example, the average price calculated over a 90-day period) rather than by using a depressed grant-date fair market value; or
- change their award types to restricted stock units that settle in cash.

Companies that had already granted equity awards to their executives before the outbreak of the pandemic have the additional option of pricing the grants to nonexecutive directors at the same price previously used for their employees.

While assessing these options, companies should review equity plan provisions regulating amendments to board equity grant value or frequency and carefully draft the disclosure language needed to inform shareholders.

Source: Mark Emanuel, Kathryn Neel, Todd Sirras, and Matteo Tonello, *Executive and Director Compensation Reductions in the COVID-19 Era: An Ongoing Review of Russell 3000 Corporate Disclosures*, The Conference Board, May 2020.

Case law developments and increased scrutiny of director pay by institutional investors and proxy advisors are putting pressure on companies to document a more rigorous process for establishing board compensation and to revisit structural compensation elements—including meeting fees and equity grants based on a fixed number of shares. In the last couple of years, limits on total compensation and equity holding requirements have become much more common, and the emerging trend is expected to continue.

As a general principle, as long as corporate directors comply with fiduciary duties, their decisions are protected by the “business judgment rule,” which ensures their ability to exercise judgment and discretion in the execution of their role. However, recent decisions by the Delaware courts have highlighted the inherent conflict of interest resulting from a process where directors establish their own pay. Under this new case law, in a shareholder challenge to board compensation, the business judgment rule is superseded by a more rigorous “entire fairness” standard unless shareholders “approve a compensation plan that does not involve future director discretion in setting the amount of self-payment.”¹¹

The legal development is resulting in various corporate responses meant to demonstrate that director pay decisions were indeed made in a fair manner:

- First and foremost, boards are increasingly seeking guidance from independent compensation advisors, reviewing robust peer analysis, and enhancing disclosure on the pay-setting process and the use of benchmarking data. The standard of review requires a potential plaintiff to factually plead the unfairness of the compensation—for example, by showing the discrepancy with director pay at peer companies, or that the peer groups’ directors attended more board meetings, or that the peer companies performed substantially better. To counter the allegations and have the claim dismissed at the pleadings stage, directors must therefore prove that their pay is comparable to the board compensation of those peers. Over time, these competitive precedents are likely to be conducive to further homogenization of director pay programs.
- There has been a material rise in the adoption of limits on director pay in shareholder-approved equity plans. Yet, some companies have gone even further, as Delaware courts can no longer support a company’s motion to dismiss on the

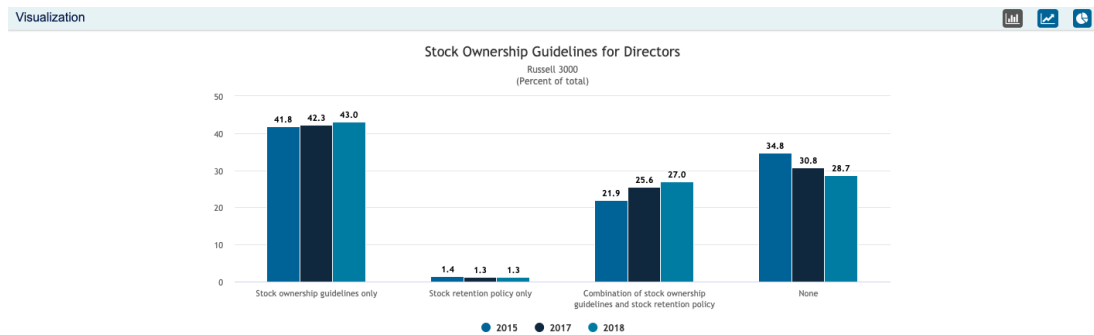
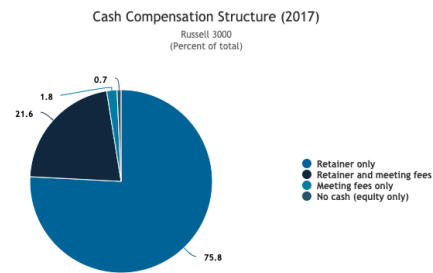
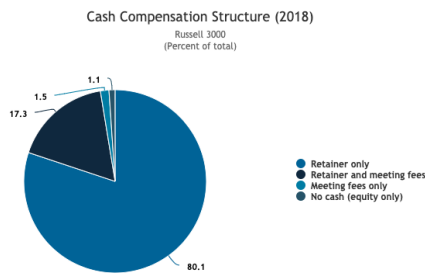
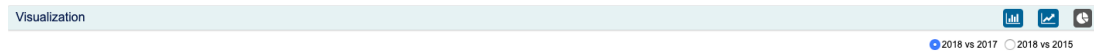
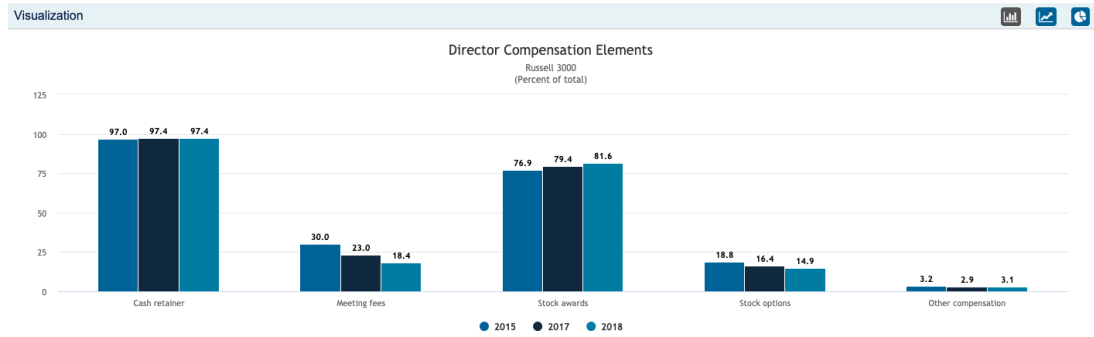
mere ground that a “meaningful limit” was approved. Companies are doing so by: having shareholders cast a separate vote on and approve the parts of the omnibus equity plan that apply to board member-participants, including the specific formulas for the determination of such director compensation; or, in some cases, voluntarily holding a nonbinding shareholder vote on director pay (i.e., “director say on pay”).

In this proxy season, the curbing effects of these case law developments are likely to be compounded by two other main factors:

- Under a new policy introduced in 2018, proxy advisory firm ISS may issue a “no” or “withhold” voting recommendation regarding the reelection of compensation committee members at companies found to have engaged in “a pattern of excessive director compensation” while also failing to disclose “a compelling rationale or other mitigating factors” for being outliers.¹² Since the policy states that the pattern will be evaluated over the course of two or more consecutive years, the 2020 proxy season is the first that will see these types of negative voting recommendations against directors. Outliers are defined as companies with director pay figures above the top 2 percent of all comparable directors within the same index and two-digit GICS business sector group. In practice, within those groupings, the distribution of director pay data can be much more compressed than the one often observed for executive compensation, which further underscores the importance of stress-testing director compensation in different benchmarking scenarios. For example, according to our data, in the Russell 3000 consumer discretionary sector, the difference in individual director pay between the median and the 90th percentile can amount to only \$82,241, or 46 percent of the median. (By way of comparison, that difference nears 70 percent in executive compensation.) Companies should therefore be mindful of the effects on total compensation of program features such as meeting fees and fixed equity grant guidelines, which, in a year of frequent meetings or rapid share price appreciation, could easily move the company’s directors to the higher end of the peer comparative range.
- In March 2020, the Council of Institutional Investors (CII) introduced a new policy urging companies to require their directors to hold a significant portion (such as 80 percent) of their equity grants until after they retire from the board.¹³ CII is an influential advocacy group representing institutional investors with \$35 trillion in assets under management, and its new policy is expected to prompt companies to revisit equity grant plans. According to our data, as much as 71.7 percent of Russell 3000 companies do not yet have a stock retention policy applicable to equity awarded to their board members, and the percentage is as high as 82.7 in the health care sector and 93.7 among small companies with annual revenue under \$100 million. Stock retention rules are more common among larger organizations: 51 percent of companies with annual revenue of \$50 billion or more and 64.4 percent of financial institutions with assets valued at \$100 billion or higher report requiring directors to retain granted or vested securities—either for a specified period of time or at least until stock ownership guidelines are met.

Stress-Test Director Compensation Using Index, Business Sector, and Size Group Analyses

In the last couple of years, peer group benchmarking has become more relevant than ever even in the director compensation-setting process. Delaware case law and ISS voting policies expect boards to contain pay magnitude within the range of index- and sector-defined peer groups. *Director Compensation Practices: 2020 Edition* is an online dashboard that enables users to visualize benchmarks for individual indexes, GICS business sectors, and size-adjusted scenarios.



Access the dashboard at:

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Endnotes

- 1 See Matteo Tonello, *Corporate Board Practices in the Russell 3000 and S&P 500: 2019 Edition*, The Conference Board, April 2019, p. 25. The percentage of corporate directors with business experience below the C-suite level has grown in recent years. This is true especially among larger firms (from 34 percent in 2016 to 41 percent in 2018 in the S&P 500), but the trend is expected to expand to smaller companies as well.
- 2 See Matteo Tonello, *Proxy Voting Analytics (2016-2019) and 2020 Season Preview*, The Conference Board, December 2019, p. 11. In the Russell 3000, the number of directors receiving less than 50 percent support level has climbed from 37 in 2016 to 54 in 2019. Similarly, The Conference Board counted 421 directors who received less than 70 percent of votes cast at this year's annual meetings; there were only 273 in 2016. While these remain low numbers overall (more than 16,000 directors were up for reelection in the Russell 3000 in the examined 2019 period), they are part of an upward trend that was not observed before and that is attributed to the announcements some large institutions have made in recent years that they intend to intensify their scrutiny of board composition. For example, the California Public Employees' Retirement System, the largest public pension fund in the country by volume of managed assets, recently pointed to issues of diversity and concerns about directors serving on multiple other public companies' boards as the main factors influencing its decisions to step up its vote against certain incumbents. And in early October 2019, New York City Comptroller Scott Stringer announced the launch of a third phase of his office's Boardroom Accountability Project, calling on companies to adopt the so-called Rooney Rule and include diversity candidates in searches for new directors.
- 3 Findings from the most recent edition of ISS' annual policy survey suggest that the proxy advisor may consider introducing "against" vote recommendations in situations where a director holds more than four directorships or an active CEO serves on more than one outside board. See 2019 Global Policy Survey, ISS Governance, September 11, 2019, pp. 15.
- 4 See *Age Diversity in the Boardroom: PwC's Census of Board Directors 50 and Under*, PwC, March 2019. The survey notes that candidates younger than 50 are in high demand but also tend to have active careers with limited time for outside board service.
- 5 *The Decade to Deliver: A Call to Business—CEO Study on Sustainability 2019*, The United Nations Global Compact-Accenture Strategy, September 2019; *Swipe to Invest: The Story behind Millennials and ESG Investing*, MSCI ESG Research, March 2020.
- 6 *BlackRock Investment Stewardship. Engagement Priorities for 2020*, BlackRock, March 2020. The document lists board quality (governance), environmental risks and opportunities, and HCM as key areas on which to assess the extrafinancial performance of their portfolio companies.
- 7 The Conference Board has been documenting the gradual adoption of these reporting framework by US public companies. See Thomas Singer, Anuj Saush, and Anke Schrader, *Sustainability Practices: 2019 Edition. Trends in Corporate Sustainability Reporting in North America, Europe, and Asia*, The Conference Board, February 2020.
- 8 Hana V. Vizcarra, "Climate-Related Disclosure and Litigation Risk in the Oil and Gas Industry: Will State Attorneys General Investigations Impede the Drive for More Expansive Disclosures?" *Vermont Law Review* 43, no. 4 (2018-2019): 733-775.
- 9 Matteo Tonello and Paul Washington, *7 Key Areas for Board Attention during the COVID-19 Crisis*, The Conference Board, March 2020.
- 10 On these trends, see, among others: Paul Hodgson, Matteo Tonello, and James Reda, *CEO and Executive Compensation Practices: 2019 Edition*, The Conference Board, November 2019; Seymour Burchman, "How to Tie Executive Compensation to Sustainability," Semler Brossy, Memorandum, November 16, 2018; Denise Kuprionis, "Time to Replace Nominating with Governance Committee," *On Governance*, The Conference Board, October 18, 2019; and Anthony Goodman, "The Rise and Rise of the Nominating and Governance Committee," *Corporate Board Member* 3, 2019.
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- 12 First adopted in 2018, the policy was reiterated in the 2019 edition of the ISS voting guidelines. See *U.S. Proxy Voting Guidelines. Benchmark Policy Recommendations*, ISS Governance, November 18, 2019, p. 15.
- 13 *Policies on Corporate Governance*, Council of Institutional Investors (CII), March 10, 2010, Section 6.4c, March 10, 2020.

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