

2022 S&P 500 Compensation Snapshot

Director compensation edges upwards

This report provides a snapshot of the findings of the 2022 *U.S. Spencer Stuart Board Index* on director compensation among S&P 500 boards.

It sets out headline data relating to compensation levels as reported in the 2022 proxy year and highlights key year-on-year movements. It also uses 10-year and even 20-year comparisons to provide context for some of today's most significant trends, which reveals where small annual incremental shifts are part of more significant long-term changes.

2022 Compensation Snapshot

\$316,091*

Average total compensation of S&P 500 directors

3%

Increase in the average total compensation of S&P 500 directors

*This is the total excluding independent chair's compensation. Total including independent chair's compensation is \$322,015.

\$136,133

Average annual retainer of S&P 500 directors

3%

Increase in the average annual retainer of S&P 500 directors

\$164,205

Average premium paid to independent board chairs

91%

of boards with an independent chair report additional compensation for this role

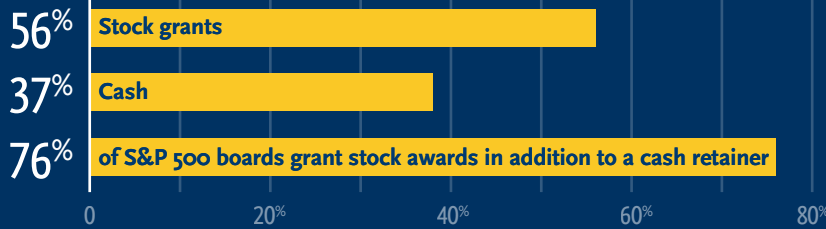
\$44,309

Average premium paid to independent lead directors

82%

of boards with a lead director report additional compensation for this role

Composition of director compensation



\$181,372

Average target value of the annual stock award

Average total director compensation increases by 3% to \$316,091*

*Excluding independent chair's fee

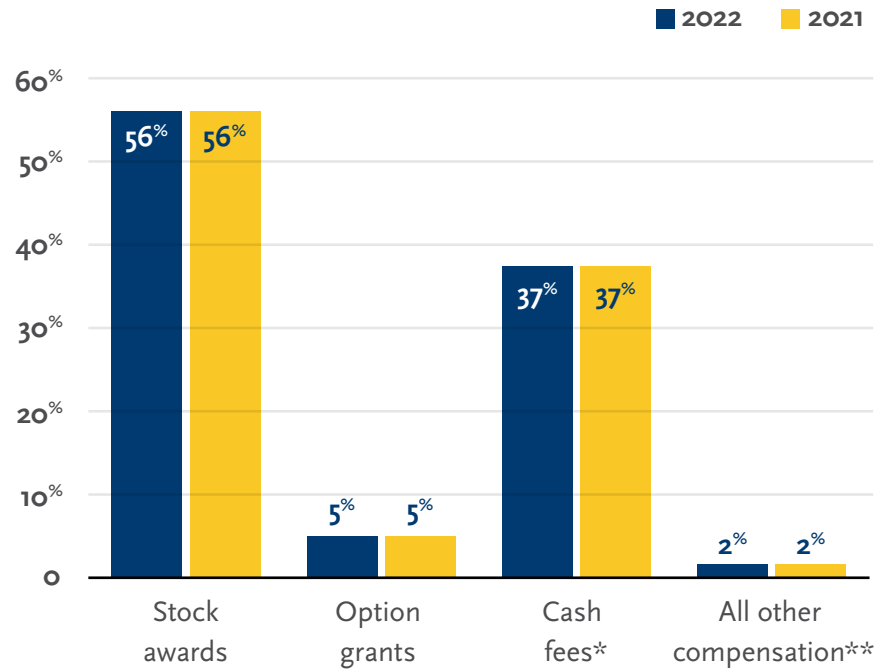
The average total compensation for S&P 500 directors is \$316,091, an increase of around 3% from \$305,808 in 2021.

Stock grants represent the largest share of director compensation, at 56% — the same proportion as last year. And these are again followed by cash at 37% of compensation, the same as last year.

The composition of equity awards has shifted significantly over the past two decades, with fewer companies granting options and more providing stock awards. This year, 11% of boards disclosed that they award stock options to directors — down from 25% in 2012, and from 77% in 2002.

Sixty-nine percent of boards have deferred compensation plans, down one point from 2021. This number has not changed much over the past 20 years: in 2002, it stood at 68% and in 2012 it was 72%.

BREAKDOWN OF DIRECTOR COMPENSATION: 2022 VS 2021



* Includes deferred compensation amounts.

** All other compensation consists of the following: insurance premiums, charitable award programs and the incremental cost to company of products provided.

The average retainer rises by 3% to \$136,133

The average annual retainer for S&P 500 independent board directors is \$136,133, 3% higher than last year's average of \$131,664.

The average retainer has increased by 2–3% each year over the past five years and by 13% overall since 2017.

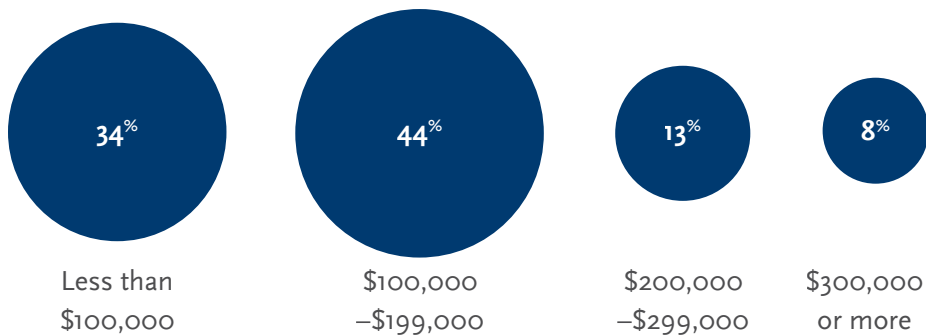
Retainers vary widely across the S&P 500. The lowest board retainer is \$20,000 and the highest is \$375,000, which is paid partially in equity.

Thirty-four percent of boards pay retainers of less than \$100,000, including 13 companies with retainers under \$50,000 — one more than last year. At the other end of the spectrum, 41 companies (8%) pay retainers of \$300,000 or more, up from 29 companies (6%) in 2021. In total, 65% of boards pay a retainer of at least \$100,000.

3.3%

Annualized increase in average director retainer since 2012

ANNUAL RETAINERS



The shift by S&P 500 boards away from paying meeting fees continues. Only 24 boards, or 5%, pay board meeting fees — down from 30 companies (6%) in 2021. A decade ago, 33% paid meeting fees; in 2002, 70% did. Where they are paid, the average value of meeting fees is \$2,767, although they range between \$900 and \$15,000.

CHANGES IN NON-EMPLOYEE DIRECTOR COMPENSATION, 2012–2022

Type of compensation	% of boards paying this type		Average paid (\$)		% change in value	
	2022	2012	2022	2012	1-year % change	10-year % change
Board retainer*	100%	100%	\$136,133	\$96,649	3%	41%
Board meeting fees	5%	33%	\$2,767	\$2,224	4%	24%
Committee chair retainer	97%	92%	\$23,558	\$17,872	2%	32%
Committee member retainer	49%	38%	\$11,964	\$10,295	1%	16%
Committee meeting fee	6%	33%	\$1,775	\$1,703	-5%	4%
Stock option awards	11%	25%	\$141,830	\$72,105	13%	97%
Supplemental stock awards	76%	76%	\$181,372	\$122,479	2%	48%

* Dollar amounts for retainer do not include boards that do not pay a retainer or boards that do not provide a dollar equivalent for the retainer equity amount.

On most boards, director compensation includes stock grants

Three-quarters of boards (76%) award stock grants to directors in addition to a cash retainer, the same figure as last year and the same as in 2012. The average targeted dollar value of annual stock grants is \$181,372, up 2% from \$177,529 last year.

Stock options, however, are less common today. Only 11% of boards grant stock options to directors, the same proportion as last year, compared with 25% a decade ago. The average disclosed value of annual stock option grants is \$141,830, up from \$125,934 last year — a nearly 13% increase.

A large majority of boards (93%) disclose share ownership guidelines for directors, up from 92% last year and 88% in 2012. Typically, these guidelines require directors to own a certain number of shares or a multiple of the retainer value within a specified number of years, and the aim is to align directors' interests with those of shareholders.

EQUITY COMPENSATION

	2022	2017	2012
Stock option program	11%	13%	25%
Supplemental stock grants	76%	77%	76%
Stock grants provided as a part of retainer	22%	21%	21%
Directors may elect to receive stock in lieu of cash pay	46%	52%	57%
Directors may elect to receive stock options in lieu of cash pay	3%	3%	5%
Retainer paid fully in stock	2%	2%	2%

The premium for board leadership service varies by role

Of the 176 S&P 500 boards with independent board chairs, 91% provide the chair with additional compensation (worth an average of \$164,205, only \$71 less than last year). The value of additional compensation for board chairs ranges from \$25,000 to \$585,000.

Among boards that have a lead or presiding director, 82% pay them additional compensation, averaging \$44,314. Lead directors are more likely than presiding directors to receive additional compensation — 86% versus 51% — although the gap has narrowed since last year (87% versus 38%).

The average lead director premium is \$44,309, up 5% from last year. In 2021, the average premium paid to lead directors was 18% more than that paid to presiding directors, but that has reversed this year: the compensation for presiding directors is now aligned with lead director premiums at \$44,375, up from \$35,595 last year.

Committee chair retainers vary

Ninety-seven percent of S&P 500 boards provide a retainer to committee chairs, compared with 92% a decade ago.

Among these boards, compared with the nominating/governance committee chair retainer, 88% pay a higher retainer to the audit committee chair, and 55% pay more to the compensation committee chair.

Just under half of boards (49%) provide a retainer for committee member service, which is slightly down from last year (51%) but still higher than a decade ago (38%). Twenty years ago, just 13% of boards paid committee membership retainers.



COMMITTEE RETAINERS

	Average committee retainers (\$)			% of boards paying this type		
	2022	2017	2012	2022	2017	2012
All committee members						
Audit committee members	\$14,059	\$13,446	\$11,503	49%	45%	n/a
Compensation committee members	\$11,398	\$11,801	\$10,915	37%	31%	n/a
Nominating committee members	\$9,619	\$9,434	\$10,202	35%	30%	n/a
All committee chairs						
Audit committee chairs	\$28,744	\$25,163	\$22,504	97%	96%	n/a
Compensation committee chairs	\$22,675	\$19,983	\$18,079	97%	95%	n/a
Nominating committee chairs	\$19,179	\$16,184	\$13,035	96%	93%	n/a

Like board meeting fees, attendance fees for committee meetings are less common today. Six percent of S&P 500 boards pay committee meeting fees, down from 8% last year and 33% a decade ago. The average committee meeting fee is \$1,775.

Average director compensation varies widely by sector

Average total director compensation varies significantly across industries, ranging from a low of \$277,164 in real estate to a high of \$349,349 in healthcare. The average compensation for directors of healthcare companies is 11% more than the S&P 500 average. Average compensation for directors in the real estate sector trails the S&P 500 average by 14%.

Stock awards account for 65% of director compensation among information technology companies — the biggest share of any sector. Utility companies rely least on stock awards. There, stock awards represent 47% of director compensation, down from 52% last year, and cash represents a larger share, at 51% of compensation. The sector where cash represents the smallest share of compensation is healthcare (31%).

S&P 500 companies have generally reduced their use of stock options in director compensation, but stock options represent 10% or more of compensation in two sectors: consumer discretionary (13%) and healthcare (10%).

51%

Highest share of cash compensation: Utilities

31%

Lowest share of cash compensation: Healthcare

AVERAGE COMPENSATION PER NON-EMPLOYEE DIRECTOR BY INDUSTRY*

Industry	% of total compensation				
	Total average compensation (\$)	Cash fees**	Stock awards	Option value	All other compensation***
Communication services	\$346,647	33%	60%	6%	1%
Consumer discretionary	\$312,138	34%	52%	13%	1%
Consumer staples	\$288,603	37%	57%	4%	2%
Energy	\$318,442	40%	57%	0%	3%
Financials	\$305,728	40%	57%	1%	2%
Healthcare	\$349,349	31%	56%	10%	3%
Industrials	\$303,401	41%	51%	6%	2%
Information technology	\$338,372	32%	65%	2%	1%
Materials	\$295,815	42%	56%	1%	1%
Real estate	\$277,164	38%	56%	4%	1%
Utilities	\$324,581	51%	47%	0%	2%
Average	\$316,091	37%	56%	5%	2%

* Based on total compensation per non-employee director tables included in 489 proxies this year.

** Includes deferred compensation amounts.

*** All other compensation consists of the following: insurance premiums, charitable award programs and the incremental cost to the company of products provided.

Average director total compensation also varies according to company size. It ranges from a low of \$275,532 for directors of companies with revenues less than \$2.5 billion, down 3% from last year, to a high of \$330,129 for companies with revenues greater than \$10 billion, which is up 2%.

For companies with sales between \$2.5 billion and \$10 billion, the average total compensation is \$301,417, an increase of nearly 5% since last year and 10% since 2017.

Average director compensation by sales			
	2022	1-year change	5-year change
Less than \$2.5 billion	\$275,532	-3%	-1%
\$2.5 billion—\$10 billion	\$301,417	5%	10%
Greater than \$10 billion	\$330,129	2%	12%

Editor's notes

This data draws on the latest proxy statements from 489 companies filed between May 1, 2021, and April 30, 2022.

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Data in tables may not total 100%, due to rounding.

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