

## 2023 S&P 500 Compensation Snapshot

### **Director compensation continues to rise slowly**

This report provides a snapshot of the findings of the 2023 *U.S. Spencer Stuart Board Index* on director compensation of S&P 500 boards.

It sets out headline data relating to 2022 compensation levels as reported in the 2023 proxy year (noted as 2023 pay throughout the report) and highlights key year-on-year movements. It uses five-year, 10-year and even 20-year comparisons to give context to some of today's most significant trends, revealing where incremental annual shifts are indicative of more significant long-term changes.

# Highlights: Compensation — S&P 500 directors

**\$321,220**

Average total compensation\*

\* Excludes compensation of independent chairs; the average including compensation of independent chairs is \$327,764



Increase since 2022

**\$143,106**

Average annual retainer



Increase since 2022

**\$175,519**

Average premium paid to independent board chairs

**93%**

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

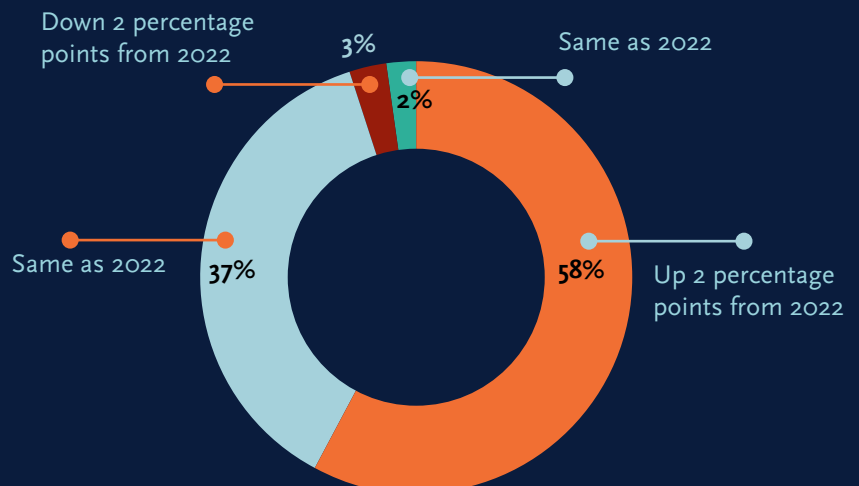
**\$47,709**

Average premium paid to independent lead directors

**85%**

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

## COMPOSITION OF DIRECTOR COMPENSATION



## Average total director compensation increases 1.6% to \$321,220

The average total compensation for S&P 500 directors (excluding independent chairs' fees) is \$321,220, an increase of 1.6% from \$316,091 in 2022.

The trend toward stock compensation continues. This year, stock grants represent 58% of total director compensation — up 2 percentage points from last year. Cash accounts for 37% of director compensation, the same as last year.

The composition of equity awards has shifted significantly over the past two decades, with fewer companies awarding stock options and more granting stock awards. In 2003, 74% of boards disclosed that they granted stock options; that had fallen to 20% by 2013 and to 11% last year, and this year just 7% of boards disclosed that they award stock options to directors.

Sixty-nine percent of boards have deferred compensation plans, the same as last year. This has not changed much over the past 20 years: it was 72% in 2003 and 2013.

### COMPOSITION OF S&P 500 DIRECTOR COMPENSATION: 2023 VS 2022

	2023	2022
Cash*	37%	37%
Stock awards	58%	56%
Stock option awards	3%	5%
All other compensation**	2%	2%

\* Includes deferred compensation amounts

\*\* "All other compensation" consists of insurance premiums, charitable award programs and incremental costs to the company of products provided

## The average annual retainer rises 5% to \$143,106

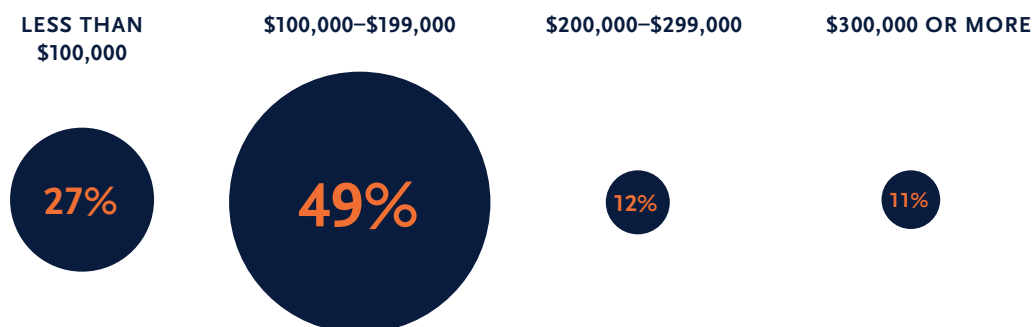
The average annual retainer for S&P 500 independent directors is \$143,106, 5% higher than last year's average of \$136,133. That is the highest annual increase since 2016 (6%) and comes after six years during which retainers increased 2–3% annually. Over the past 20 years, director retainers have increased on an annualized basis by 6%.

Retainers vary across the S&P 500. The lowest board retainer is \$35,000 and the highest is \$375,000, both paid partially in equity.

Twenty-seven percent of boards pay retainers of less than \$100,000, down from 34% last year. This includes 10 boards with retainers under \$50,000 — three fewer than last year.

At the other end of the spectrum, 54 companies (11%) pay retainers of \$300,000 or more, up from 41 companies (8%) a year ago. In total, 72% of boards pay a retainer of at least \$100,000, up from 65% in 2022.

### DISTRIBUTION OF ANNUAL RETAINERS (% OF S&P 500 COMPANIES)



	2023	2022	2013
Less than \$100,000	27%	34%	62%
\$100,000–\$199,000	49%	45%	26%
\$200,000–\$299,000	12%	13%	13%
\$300,000 or more	11%	8%	0%

## The shift away from paying board meeting attendance fees continues

Only 17 boards, or 3%, pay board meeting attendance fees – down from 24 boards (5%) last year. A decade ago, 27% paid board meeting attendance fees; in 2003, 69% did. Where they are paid, the average board meeting attendance fee is \$3,141 (up from \$2,767 in 2022) and ranges from \$900 to \$15,000.

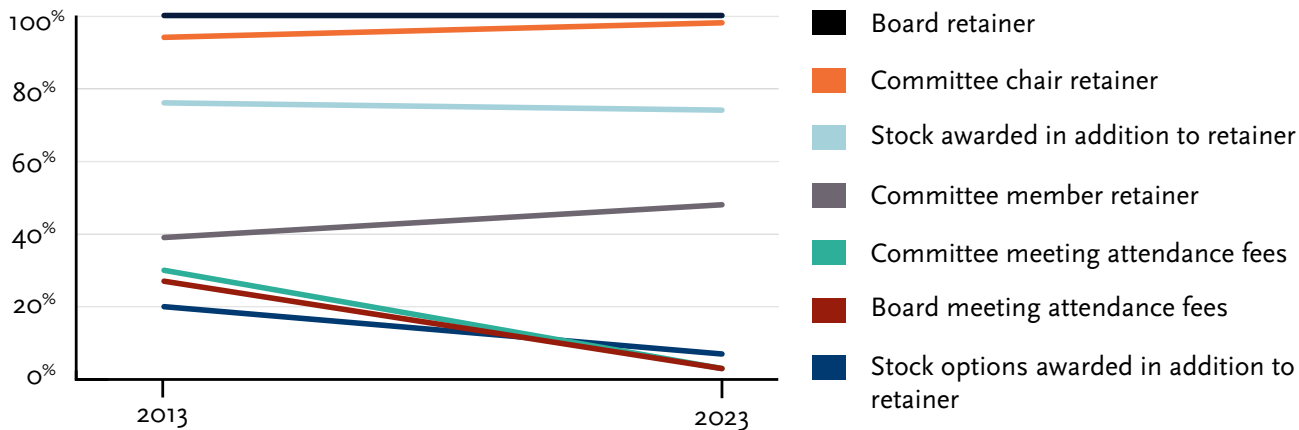
The number of boards paying for telephonic board meetings has also decreased. This year, only seven boards (1%) pay telephonic board meeting fees, one less board than last year. A decade ago, 8% paid telephonic board meeting fees; and in 2008, 11% did.

### CHANGES IN DIRECTOR COMPENSATION OVER THE PAST 10 YEARS

Types of compensation	% of boards		Average paid		% change in value		
	2023	2013	2023	2013	One-year % change	10-year annualized % change	
Board retainer*	100%	100%	\$143,106	\$102,507	5.1%	3.4%	
Board meeting attendance fees	3%	27%	\$3,141	\$2,159	13.5%	3.8%	
Committee chair retainer	98%	94%	\$24,460	\$17,248	3.8%	3.6%	
Committee member retainer	48%	39%	\$12,460	\$10,443	4.2%	1.8%	
Committee meeting attendance fees	3%	30%	\$1,688	\$1,708	-4.9%	-0.1%	
		% of boards		Average paid		% change in value	
Stock options awarded in addition to retainer	7%	20%	\$131,800	\$87,612	-7%	4.2%	
Stock awarded in addition to retainer	74%	76%	\$185,460	\$132,942	2.3%	3.4%	

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

### PERCENTAGE OF S&P 500 BOARDS PROVIDING DIRECTOR COMPENSATION OVER THE PAST 10 YEARS



## Nearly all boards grant some form of stock to directors

Seventy-four percent of S&P 500 boards grant stock awards to directors in addition to the cash retainer, compared with 76% in 2022. The average targeted dollar value of annual stock awards is \$185,460, up 2% from \$181,372 last year.

As stock options become less common — they are now granted to directors on just 7% of boards — the average disclosed value of stock option grants has also dropped, from \$141,830 in 2022 to \$131,800. This is a 7% reduction.

Nearly all boards (93%) disclose having share ownership guidelines for directors — the same as last year and up from 88% in 2013. 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, with the goal of aligning directors' interests with those of shareholders.

## EQUITY COMPENSATION

	2023	2018	2013
Stock options	7%	12%	20%
Supplement stock awards	74%	77%	76%
Stock awards granted as a part of retainer	23%	21%	21%
Directors may elect to receive stock in lieu of cash	45%	51%	55%
Directors may elect to receive stock options in lieu of cash	4%	4%	5%
Retainer paid fully in stock	2%	2%	2%

## Additional compensation for board leaders varies by role

One hundred and eighty-nine S&P 500 boards have independent board chairs, up from 176 last year. Of these, 93% provide the chair with additional compensation worth an average of \$175,519, a 7% increase from \$164,205 last year. The value of additional compensation for board chairs ranges from \$25,000 to \$570,000.

Among S&P 500 boards with a lead or presiding director, 85% pay them additional compensation averaging \$47,237, up 7% from \$44,314 last year. Lead directors are much more likely than presiding directors to receive additional compensation — 90% compared with 42%.

The average lead director premium is \$47,709, up 8% from last year. In 2022, the average premium paid to lead directors was aligned with that paid to presiding directors, but this year, the premium paid to lead directors is 24% higher than the \$38,571 average for presiding directors. The average premium paid to presiding directors declined 13% from \$44,375 last year.

## Committee retainers vary

Ninety-eight percent of S&P 500 boards provide a retainer for service as a committee chair, compared with 94% a decade ago.

Among these boards, audit committee members and chairs tend to receive the highest retainer. Among those boards that pay a committee chair retainer, 88% pay a higher retainer to the audit committee chair vs the nominating/governance committee chair, and 54% pay more to the compensation committee chair.

Nearly half of boards (48%) provide a retainer for committee member service, slightly down from last year (49%) but still higher than a decade ago (39%).

### COMMITTEE RETAINERS

	Average committee retainer (\$)			% of boards paying		
	2023	2018	2013	2023	2018	2013
<b>Committee members</b>						
Audit committee	\$14,424	\$13,726	\$11,699	48%	45%	39%
Compensation committee	\$12,027	\$12,124	\$11,073	36%	32%	24%
Nominating/governance committee	\$10,185	\$9,427	\$8,346	35%	30%	23%
<b>Committee chairs</b>						
Audit committee	\$29,636	\$25,777	\$22,532	98%	97%	94%
Compensation committee	\$23,611	\$20,416	\$18,369	97%	96%	93%
Nominating /governance committee	\$20,057	\$16,783	\$13,446	96%	94%	90%

Committee meeting attendance fees are now rare. Three percent of S&P 500 boards pay these fees, down from 6% last year and from 30% a decade ago. The average committee meeting attendance fee is \$1,688, 5% less than last year.

## Average director compensation varies by sector

Average total director compensation varies significantly across industries. It ranges from a low of \$299,227 in the consumer staples sector to a high of \$362,976 in communication services. The average compensation for directors of communication services companies is 11% more than the S&P 500 average, while average compensation for directors in the consumer staples sector trails the S&P 500 average by 9%.

Stock awards account for 66% of director compensation among information technology companies — the biggest share of any sector.

Stock options are more often awarded to directors of companies in the communication services and industrials sectors than in other sectors.

#### AVERAGE COMPENSATION PER NON-EMPLOYEE DIRECTOR BY SECTOR\*

Sector	Total average compensation*	% of total average compensation			
		Cash**	Stock awards	Option value	All other compensation****
Communication services	\$362,976	33%	58%	7%	2%
Consumer discretionary	\$332,191	34%	64%	1%	1%
Consumer staples	\$299,227	39%	56%	4%	1%
Energy	\$331,015	40%	56%	0%	4%
Financial services	\$322,927	39%	58%	1%	2%
Healthcare	\$357,001	34%	55%	0%	1%
Industrials	\$312,712	41%	51%	6%	2%
Information technology	\$354,496	32%	66%	1%	1%
Materials	\$303,696	43%	55%	1%	1%
Real estate	\$315,567	36%	62%	1%	1%
Utilities	\$305,122	45%	53%	0%	2%
<b>Average</b>	<b>\$327,764</b>	<b>37%</b>	<b>58%</b>	<b>3%</b>	<b>2%</b>

\* Based on non-employee director compensation tables included in 487 proxies this year.

\*\* Includes deferred compensation amounts

\*\*\* "All other compensation" consists of insurance premiums, charitable award programs and incremental costs to the company of products provided

## Average director pay varies by company size

Average director compensation also varies according to company size, with average total compensation generally increasing with company size.

For directors of companies with revenue less than \$2.5 billion, this year's average compensation is \$291,741, up about 5% from 2022 but still a 25 annualized decline the past five years. For companies with sales between \$2.5 billion and \$10 billion, the average total compensation was \$313,079, an increase of just under 2% compared with last year. At S&P 500 companies with revenue greater than \$10 billion, total average director compensation this year was \$338,592, up almost 1% from last year.



### AVERAGE DIRECTOR COMPENSATION BY SALES

Revenue	2023	One-year change	Five-year annualized change
Less than \$2.5 billion	\$291,741	4%	-2%
\$2.5 billion to \$10 billion	\$313,079	2%	2%
More than \$10 billion	\$338,592	1%	2%

## Editor's note

This data draws on the latest proxy statements from 489 companies filed between May 1, 2022, and April 30, 2023.

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