

# FROM THE STOCK ROOM TO THE BOARD ROOM: HIGHER PAY ON THE WAY

TCS Total Compensation Solutions

## BOARD OF DIRECTORS COMPENSATION MIGRATES UPWARDS

### NEWS RELEASE BY TOTAL COMPENSATION SOLUTIONS

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As a result of projected inflation, increasing interest rates, and a COVID-19 Pandemic economy, compensation shifts are happening up and down the corporate ladder as well as in The Board Room. And, the insurance and energy industries are leading the way. According to the 2022 Total Compensation Solutions (TCS)' Board of Directors Compensation Report, payment methods are also shifting towards a combination of both stock and annual retainers, with Board Chair and Lead Director, among other Board positions, seeing dramatic increases.

The 16<sup>th</sup> annual edition of the TCS Board of Directors Compensation Report, provides in-depth analytics on compensation, incorporating proxy data from 2,283 public companies across 12 industry sectors, representing revenue groups from \$50 million to over \$1 Billion. The report also provides industry breakdowns (i.e., insurance, energy, health care, media, telecommunications, banking, etc.) and geographical breakdowns to reflect regional economies.

Board of Directors' pay elements include annual retainer, meeting fees, stock awards, stock options, committee retainers and meeting fees. Findings reveal:

- Most companies (74%) in this report pay some form of stock compensation to their Board members.
- Seventeen percent (17%) of the companies in this report give initial stock grants to new Board members.
- Seventy-seven percent (77%) use annual retainers to compensate Board members.
- Only three percent (3%) of companies in the report use per meeting fees exclusively.
- Fifty-six percent (56%) of companies reported having stock ownership guidelines for Board members.

#### ***Chairman, Lead Director Regular Board Member Positions Highest Paid Sectors: Insurance, Energy and Tech***

- Overall, compensation for Regular Board Members increased by 8.1% over the last three years.
- The Insurance Industry has the highest total cash compensation and equity pay for Board Chair with an increase of 18.1% over the last three years.
- The Insurance industry has the highest average annual retainer for Regular Board members with an increase of 10.1% over the last three years.

- The Energy industry has the highest average retainer for Lead Directors with compensation increasing 47.7% over the last three years.
- The Technology industry has the highest average total cash compensation and equity for Regular Board Members with an increase of 19.0% over the past three years.
- The members of the Audit Committee have the highest total cash compensation of any committee.

### ***With Projected Growth, Comes Projected Scrutiny” – Proxy Advisory Firms Play Larger Role***

“Our data validates what we expected to see given the inflationary environment and economic variables resulting from a Pandemic economy. What surprised us was the major shifts in the three leading sectors, insurance, energy, and tech.” says Paul Gavejian, Managing Director of TCS. “We’ve been tracking Board data for over 20 years now, and the years of flat payments seem to be over”.

Tom Bailey, Principal Consultant on Board advisory matters point out. “With these increases come the need for caution. When those in the Board Room get paid more, there should be an expectation of increased scrutiny.” Governance surrounding Board compensation will become even more critical in the future and, he notes “proxy advisory firms started to address excessive compensation paid to non-employee directors in 2020. One of these watchdogs instituted a policy to identify boards that pay members at the top 2% of their index and sector and identified these payers as outliers and potentially problematic.”

The 2022 Board of Directors Compensation Report, a leading source of Board compensation trends, and it also reveals data on other Board room issues, including board governance and function, sustainability and societal shifts (ESG), and Diversity Equity and Inclusion (DEI), among over 2,200 public companies in diverse industry sectors, geographical regions, and revenue size groups.

For more information on these trends, or to purchase a copy of the study please contact Tom Bailey at [tbailey@total-comp.com](mailto:tbailey@total-comp.com). For more information on TCS visit the web site at [www.total-comp.com](http://www.total-comp.com).

Total Compensation Solutions is a compensation consulting firm specializing in Executive Compensation and Board of Directors Compensation.

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## Tags

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