Korn Ferry Hay Group Seventh Annual Study: Director Compensation on the Rise

June 5, 2017

- Median Annual Retainer Flat, Long-Term Incentives Creep Up -
- Premiums for "Big 3" Committee Chairs and Lead Directors Remain Flat -
- Director Median Total Compensation Ranging Between $275,000 and $295,000 -

LOS ANGELES--(BUSINESS WIRE)--Jun. 5, 2017-- The Hay Group division of Korn Ferry (NYSE:KFY) has released findings of its seventh annual director compensation study. The study, which includes data from the 300 largest companies with revenues greater than $9 billion that filed their proxy statements between May 1, 2016 and April 30, 2017, finds that overall director total direct compensation continues to rise.

In 2016, the median total director compensation for directors in the analyzed companies ranged between $275,000 to $295,000, up from the 2015 range of $265,000 to $280,000.

"It's not surprising that we're seeing director compensation increases," said Irv Becker, Senior Client Partner and North American leader for Korn Ferry Hay Group's Executive Pay & Governance practice. "This rise reflects increased board responsibilities and time commitments, and the greater pressures members face from investors and governance watchdogs."

More companies are continuing to eliminate fees for simply attending board meetings, with board meeting fees now paid by only 11 percent of companies in the study, down from 16 percent last year. Instead, companies are focusing on packages that include an annual retainer, committee chair retainers, and long-term incentives.

Key Findings:

- *Annual retainer* – The median annual retainer remains unchanged from last year at $100,000. The last time the median annual retainer increased was in 2014, when it increased to $100,000 from the 2013 median annual retainer of $90,000. All the companies in this year's study paid directors an annual retainer, with most of the companies providing the retainer in cash.
- *Long-term incentive packages* – The median value of long-term incentive packages increased to $160,000 from the 2015 value of $150,000. Restricted stock continues to be the most prevalent means of rewarding directors, with 78 percent of companies using this incentive. Stock option grants continue to decline from 8 percent in 2015 to 7 percent in 2016.
- *Committee chair retainers* – In recognition of the additional responsibilities and time commitments, most of the companies in the study paid an additional retainer to committee chairs. The study found that 97 percent paid their audit committee chair a median retainer of $25,000; 95 percent paid their compensation committee chair a median retainer of $20,000; 92 percent paid their nominating committee chair a median retainer of $15,000.
- *Few committee member retainers offered, except for audit committee* – Perhaps a reflection of the added time commitment and specialized expertise, the percentage of companies paying a retainer for audit committee members ticked upward to 43 percent, while the median retainer increased from $12,000 to $15,000. Twenty-eight percent of companies paid a compensation committee member a median retainer of $10,000, which is unchanged since last year. Companies were least likely to offer retainers to members of their nominating committees, with only 26 percent saying they do so, with a median retainer of $10,000, which is the same as last year.
- *Lead director premiums have remained flat* – The median premium pay for lead directors remained flat at $30,000. Sixty-four percent of companies paid a lead director premium this year, which is slightly up from 63 percent last year.

"Director pay needs to move higher faster, especially for lead directors," says Dennis Carey, Co-Leader of Korn Ferry's Board Services Practice. "Even though the vast majority of directors take on the role without focusing on compensation, boards should recognize the value directors bring and not be shy about aggressively rewarding them for their time and fiduciary responsibilities."

About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group and Futurestep divisions. Visit kornferry.com for more information.

View source version on businesswire.com: http://www.businesswire.com/news/home/20170605005231/en/

Source: Korn Ferry

Korn Ferry

Tracy Kurschner, 612.309.3957
Tracy.Kurschner@kornferry.com