

# THE BDO 600

2013 Survey of Board Compensation Practices of  
600 Mid-Market Public Companies



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600 Mid-Market Public Companies

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## ► INTRODUCTION

BDO's Compensation and Benefits practice offers an experienced and dedicated team of professionals who operate nationwide to provide a comprehensive array of services to address client needs.

The BDO 600 survey details director compensation practices of publicly traded companies in the energy, financial services banking and non-banking, healthcare, manufacturing, real estate, retail and technology industries.

#### **About the BDO 600 Survey**

The BDO 600 survey details director compensation practices of publicly traded companies in the energy, financial services–banking, financial services–non-banking, healthcare, manufacturing, real estate, retail, and technology industries. Companies in the six non-financial service industries have annual revenues between \$25 million and \$1 billion. Companies in the two financial services industries have assets between \$50 million and \$2 billion. All data in our survey was extracted from proxy statements that were filed between May 15, 2012, and May 15, 2013.

The BDO 600 survey is the seventh iteration of our annual publication.

Our survey is unique because it focuses on mid-market companies; most board compensation surveys focus on much larger companies.

#### **About BDO's Global Employer Services Practice**

BDO's Global Employer Services practice offers an experienced and dedicated team of professionals who operate nationwide to seamlessly provide a comprehensive array of services to address client needs.

Our team provides tax, accounting, and consulting services for all types of compensation arrangements, including cash and equity incentives, merger and acquisition related issues, employee stock purchase plans, qualified and nonqualified plan arrangements and other related services.

We serve a broad base of clients from mid-sized domestic companies to Fortune 500 multinationals.

# 3%

In fiscal year 2012, director compensation increased by an average of 3%

# 47%

Overall, companies pay 47% (almost the same as last year) of director compensation in cash and 53% in equity

## ► HOW TO USE THIS SURVEY

The data we collected from the 600 companies surveyed represents the policy in effect at each company as of their fiscal year end, as disclosed in the director compensation narrative in public filings. We analyzed the data in aggregate by the standard four components of compensation: board retainers and fees, committee retainers and fees, stock options and full-value stock awards.

### Types of Compensation

- **"Board Retainers and Fees"** are comprised of the annual board retainer and total board meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person per-meeting fee by the total number of board meetings held during the year.
- **"Committee Retainers and Fees"** are comprised of the annual committee retainer and total committee meeting fees earned during the year. Total meeting fees are calculated by multiplying the in-person per-meeting fee by the total number of committee meetings held during the year. The data shown reflects the assumption that the director serves as a member of two committees; fees for serving on the compensation committee and the nominating and governance committee were used in this analysis.
- **"Stock Options"** values are the grant date fair value awards as reported by each company. If a company did not report these values, the values were calculated using the FAS123R assumptions as reported by the company. Irregular grants have been annualized but one-time grants have been excluded.
- **"Full-value Stock Awards"** data includes both stock and stock unit awards. The grant date fair value of the awards was used in this analysis. Irregular grants have been annualized, but one-time grants have been excluded.
- **"Total Compensation"** represents the sum of board retainers and fees, committee retainers and fees, full-value stock awards, and stock options for each company.

Our survey focuses on mid-market companies.



### Data Arrangement

The survey data is organized by company size and industry. Board compensation practices can be benchmarked by either of these groups to gain different perspectives on board compensation practices. The groups are described in more detail on the following pages.

### Company Size

Because of the well-established direct correlation between company size and director/executive compensation, the most traditional form of director and executive compensation benchmarking uses annual revenue as the primary scope factor.

Our survey reports compensation provided at companies in the following revenue ranges:

- **\$25 million – \$325 million**
- **\$325 million – \$650 million**
- **\$650 million – \$1 billion**

Companies in the financial services industry are more traditionally benchmarked based on assets, not revenue; therefore, the asset ranges for this industry are \$50M to \$650M, \$650M to \$1.3B, and \$1.3B to \$2B. These asset ranges are referenced at the bottom of pages 8-10.

### Industry

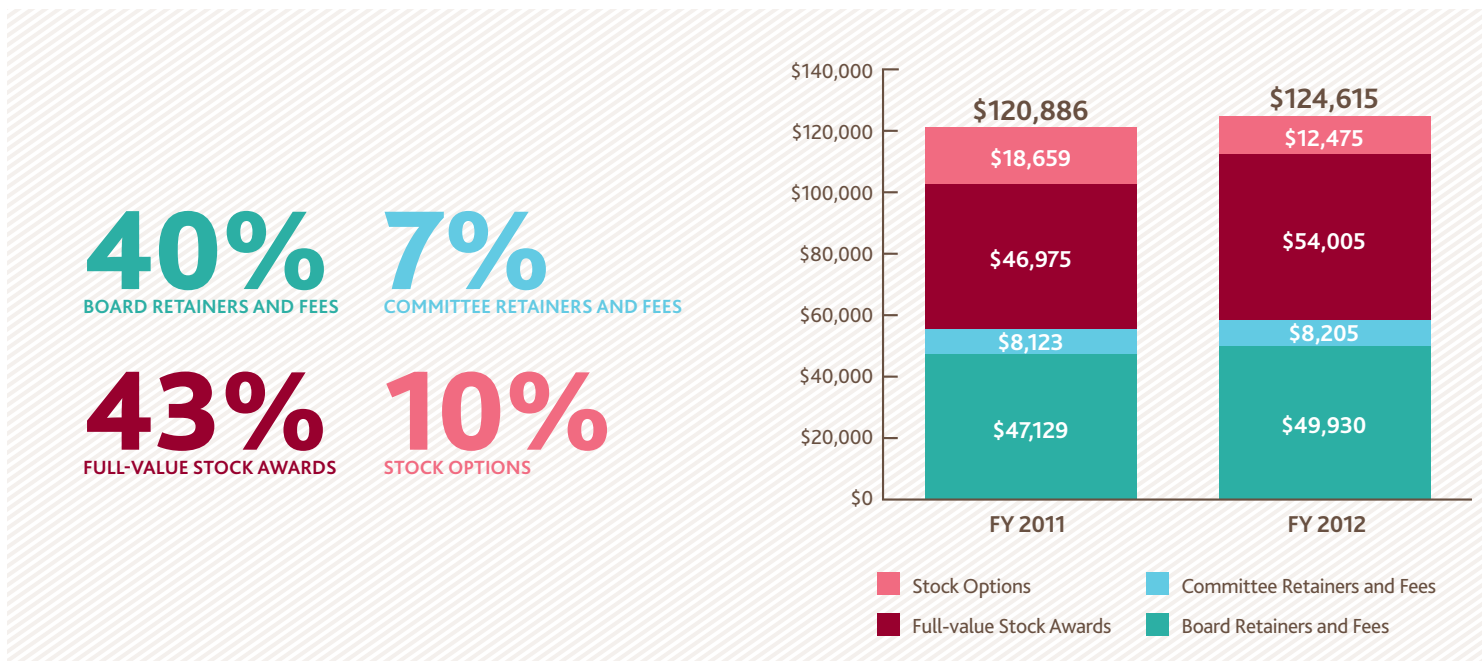
Industry group is another common lens used when benchmarking director and executive compensation is industry. In our survey, we report compensation provided to directors of companies in the following industries:

- **Energy**
- **Financial Services – Banking**
- **Financial Services – Non-banking**
- **Healthcare**
- **Manufacturing**
- **Real Estate**
- **Retail**
- **Technology**

### Additional Notes on the Survey

One of the most important aspects of survey work is maintaining a consistent, quantitative platform for analysis. The majority of companies used in last year's analysis were included in this year's examination.

If it was necessary to establish a common comparative base for all 600 companies surveyed, data was annualized and a consistent methodology was used to value compensation. If a surveyed company could not be brought into parity with other participant companies, it was excluded from the survey and replaced with a company chosen at random to obtain a representative sample across industries and company size.



## ► OVERALL RESULTS

For the 600 companies surveyed, BDO found that average total compensation paid to board members for the fiscal year ending in 2012 ("FY 2012") was \$124,615. This value is comprised of board retainers and fees (\$49,930), committee retainers and fees (\$8,205), full-value stock awards (\$54,005), and stock options (\$12,475).

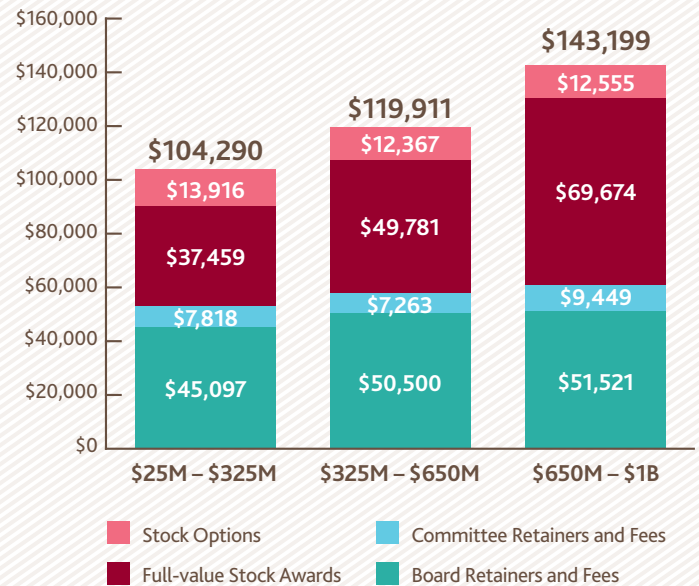
Director compensation in FY 2012 (\$124,615) is up by an average of 3.1 percent over FY 2011 (\$120,886).

We also note the mix of pay for these companies for FY 2012 was 40 percent board retainers and fees (about the same as last year), 7 percent committee retainers and fees (which remained the same from last year), 43 percent full-value stock awards (39 percent last year), and 10 percent stock options (15 percent last year), which was similar to the pay mix in the prior year. Additionally, the emphasis on full-value stock awards

(which increased to 43 percent from 39 percent last year) over stock options (which decreased to 10 percent from 15 percent last year) is consistent with the trends seen in executive compensation over the past few years. Restricted stock is less dilutive, minimizes the expense in the financial statements and will always deliver some economic value.

The remainder of this survey further dissects this collective data and presents results by company size and industry.

Our survey continues to confirm that director compensation increases as company size increases.



## ► SURVEY BY COMPANY SIZE

# OVERALL RESULTS

As shown in the chart above, director compensation at the companies in our survey is generally correlated with company size. This result is expected given the established historical link between company size and compensation among executives.

Compensation for Board members continues to increase, with only the highest revenue category showing a slight decrease. Compared to last year:

- Total Compensation increased slightly from \$102,164 to \$104,290 (2.1 percent increase) for the \$25 million to \$325 million revenue range
- Total Compensation increased from \$112,779 to \$119,911 (6.3 percent increase) for the \$325 million to \$650 million revenue range
- Total Compensation stayed almost flat from \$143,605 to \$143,199 (0.3 percent decrease) for the \$650 million to \$1 billion revenue range

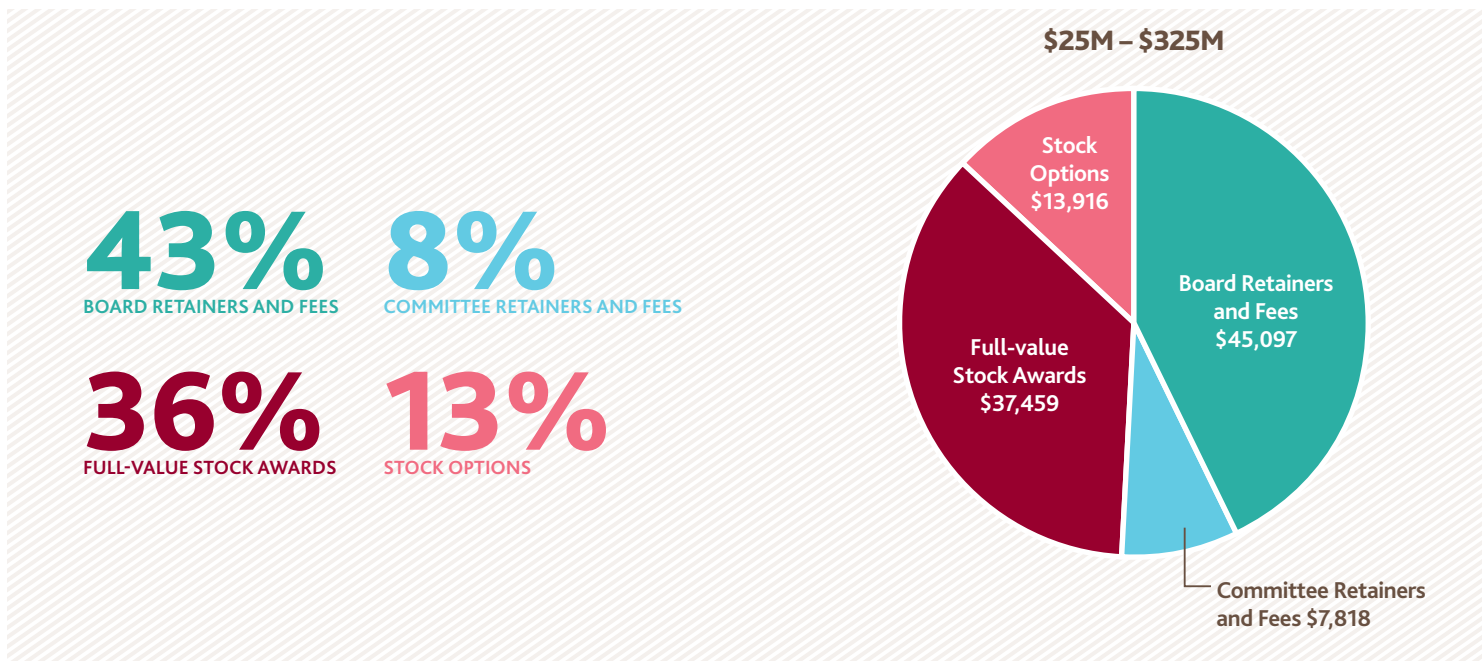
As previously mentioned, companies in the financial services industries (banking and non-banking) were categorized based on asset size between \$50 million and \$2 billion.

Our findings reveal that although companies of all sizes favor equity over cash, larger companies provide a higher proportion of compensation in equity than do the smaller companies.

We also found that stock awards are favored over stock options for companies of all sizes. The average stock option grant value decreased to \$12,476 from around \$18,659 last year for companies of all sizes. The average stock option grant was about the same at all company sizes, at \$13,916 for the smaller companies and \$12,555 for the larger companies.

The following pages detail our findings for each of the three company size categories.



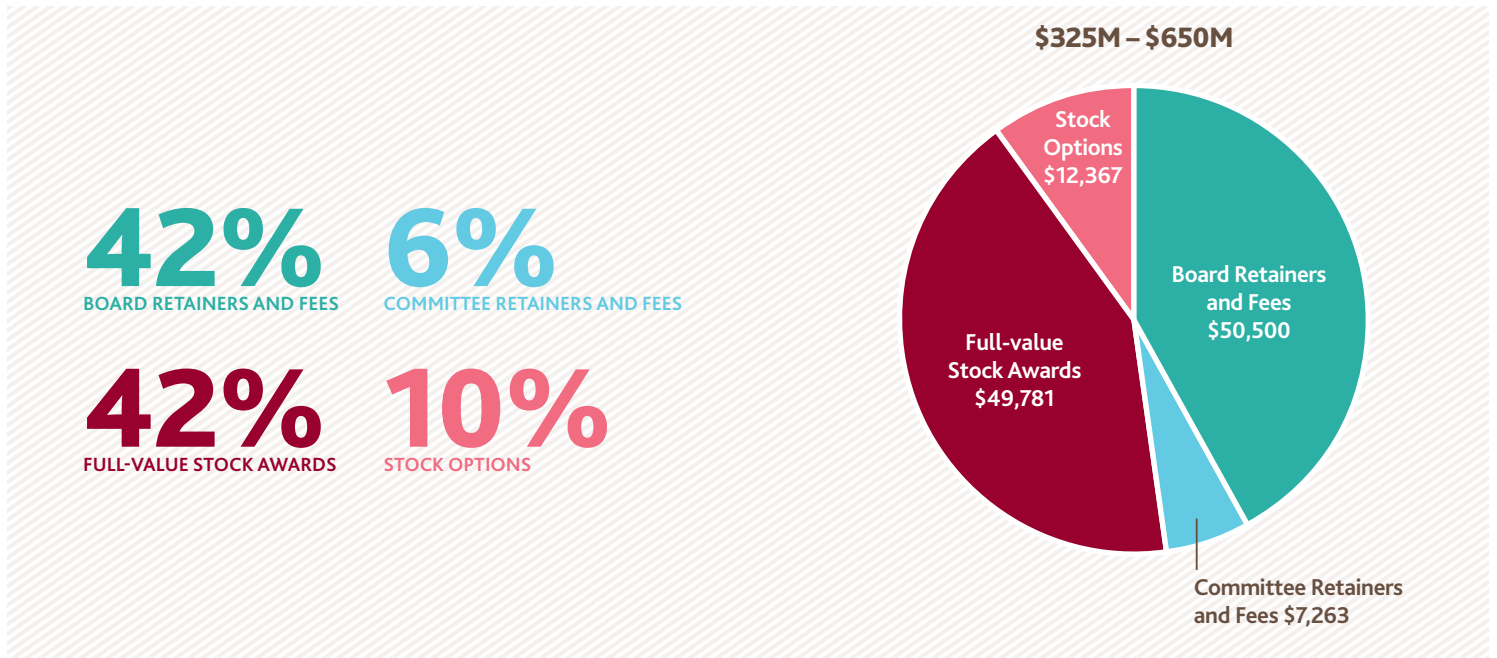


► SURVEY BY COMPANY SIZE  
**\$25 MILLION TO  
 \$325 MILLION\***

The average annual total compensation paid to board members of companies with between \$25 million and \$325 million\* in revenues for FY 2012 service was \$104,290. This value is comprised of board retainers and fees (\$45,097, an increase from \$43,292 last year), committee retainers and fees (\$7,818, an increase from \$7,422 from last year), full-value stock awards (\$37,459, an increase from \$32,005 last year), and stock options (\$13,916, a decrease from \$19,445 last year).

The pay mix for these companies is 43 percent board retainers and fees (same as last year), 8 percent committee retainers and fees (7 percent last year), 36 percent full-value stock awards (31 percent last year), and 13 percent stock options (19 percent last year).

\*Financial service companies in this data sample have between \$50M and \$650M in assets.

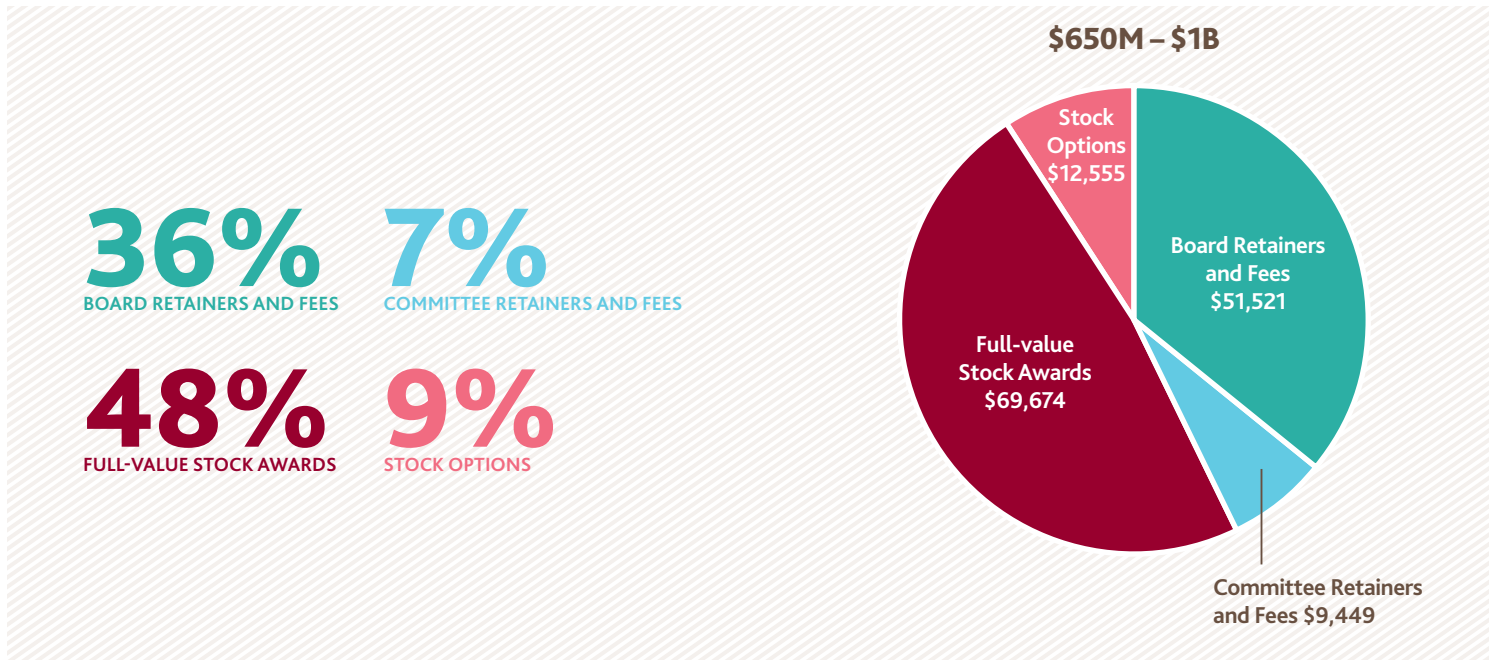


► SURVEY BY COMPANY SIZE  
**\$325 MILLION TO  
 \$650 MILLION\***

The average annual total compensation paid to board members of companies with between \$325 million and \$650 million\* in revenues for FY 2012 service was \$119,911 (up from \$112,779 last year). This value is comprised of board retainers and fees (\$50,500, an increase from \$47,653 last year), committee retainers and fees (\$7,263, a decrease from \$7,628 last year), full-value stock awards (\$49,781, an increase from \$40,157 last year) and stock options (\$12,367, a decrease from \$17,342 last year).

The pay mix for these companies is 42 percent board retainers and fees (42 percent last year), 6 percent committee retainers and fees (7 percent last year), 42 percent full-value stock awards (36 percent last year), and 10 percent stock options (15 percent last year).

\*Financial service companies in this data sample have between \$650M and \$1.3B in assets.

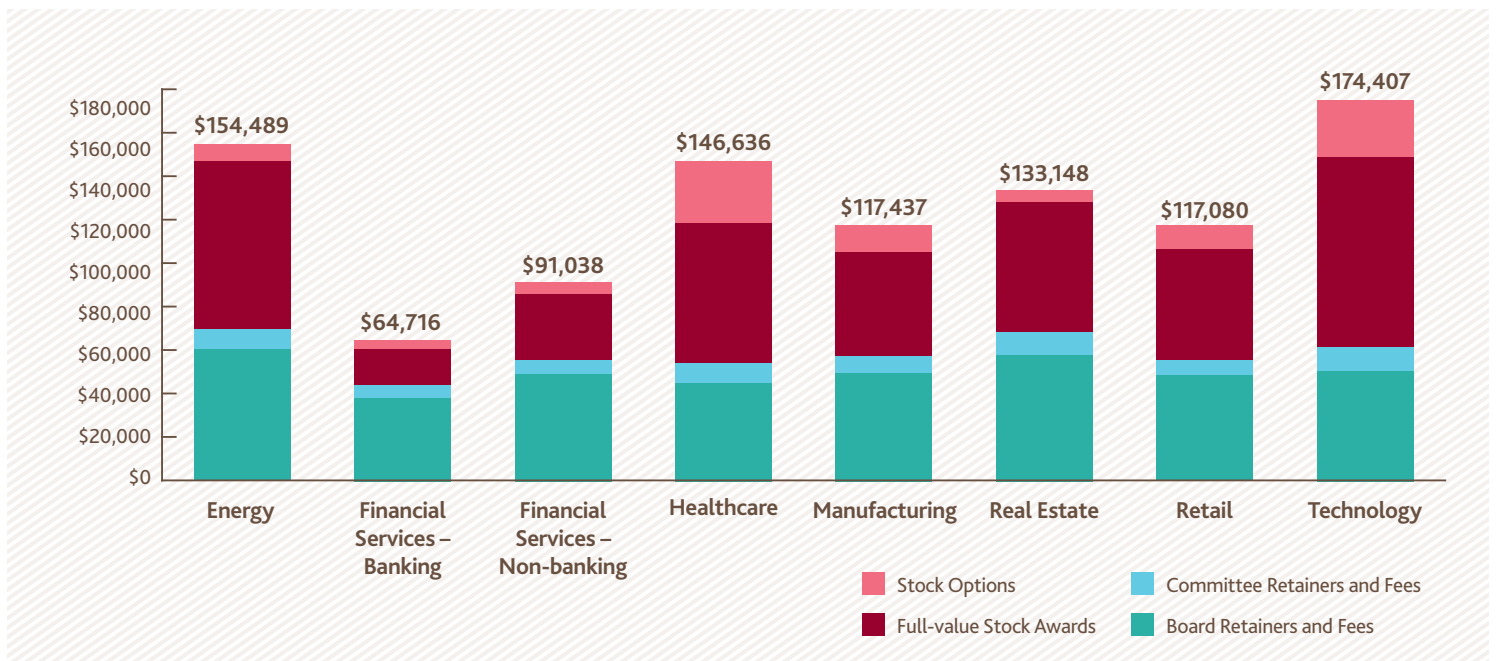


► SURVEY BY COMPANY SIZE  
**\$650 MILLION TO  
 \$1 BILLION\***

The average annual total compensation paid to board members of companies with between \$650 million and \$1 billion\* in revenues for FY 2012 service was \$143,199 (a slight decrease from \$143,605 last year). This value is comprised of board retainers and fees (\$51,521, an increase from \$49,291 last year), committee retainers and fees (\$9,449, a slight increase from \$9,172 last year), full-value stock awards (\$69,674, an increase from \$64,621 last year) and stock options (\$12,555, a decrease from \$20,521 last year).

The pay mix for these companies is 36 percent board retainers and fees (34 percent last year), 7 percent committee retainers and fees (same as last year), 49 percent full-value stock awards (45 percent last year), and 9 percent stock options (14 percent last year). For this revenue category, the highest percentage of equity compensation comes via stock awards compared to companies in the lower revenue categories.

\*Financial service companies in this data sample have between \$1.3B and \$2B in assets.



## ► SURVEY BY INDUSTRY

# OVERALL RESULTS

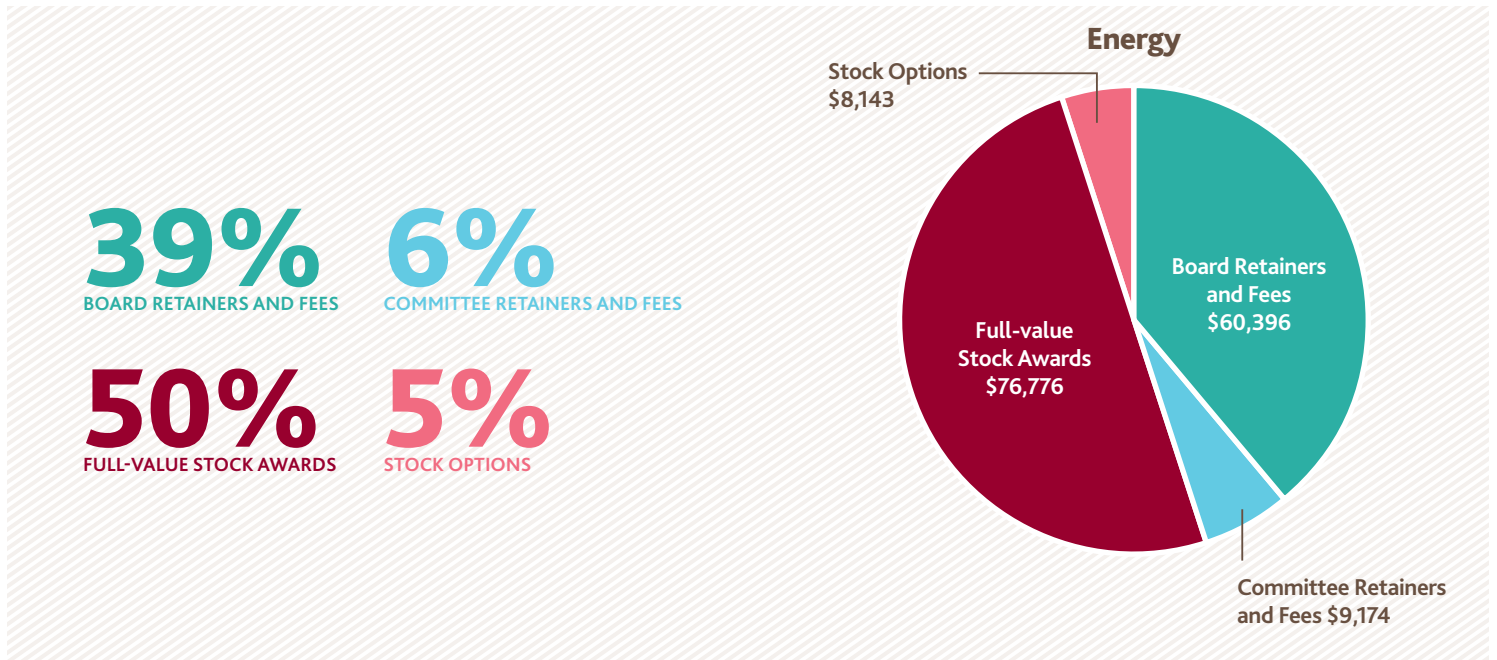
As shown in the chart above, director compensation has the potential to vary considerably by industry. For middle market companies, industry is just as important as company size when benchmarking director compensation.

Average director compensation ranged from \$64,716 for companies in the financial services – banking industry to \$174,407 for companies in the technology industry. Generally, the industries that pay more do so via equity (stock and/or stock options). Fixed pay (i.e., retainers and fees) ranged from \$43,915 (\$40,041 last year; financial services – banking) at the low end to \$69,570 (\$67,774 last year; energy) at the high end. Whereas variable pay (i.e., stock and stock options) had a much wider range of \$20,800 (\$17,385 last year; financial services – banking) at the low end, to \$113,027 (\$116,882 last year; technology) at the high end.

Our findings reveal that companies in the financial services–banking, financial services – non-banking, and real estate industries (the same three industries as last year) favor fixed compensation over equity compensation. Companies in the remaining industries favor equity over cash compensation.

We also found that stock awards are favored over stock options for companies in all industries.

The following pages detail our findings for each of the eight industries.



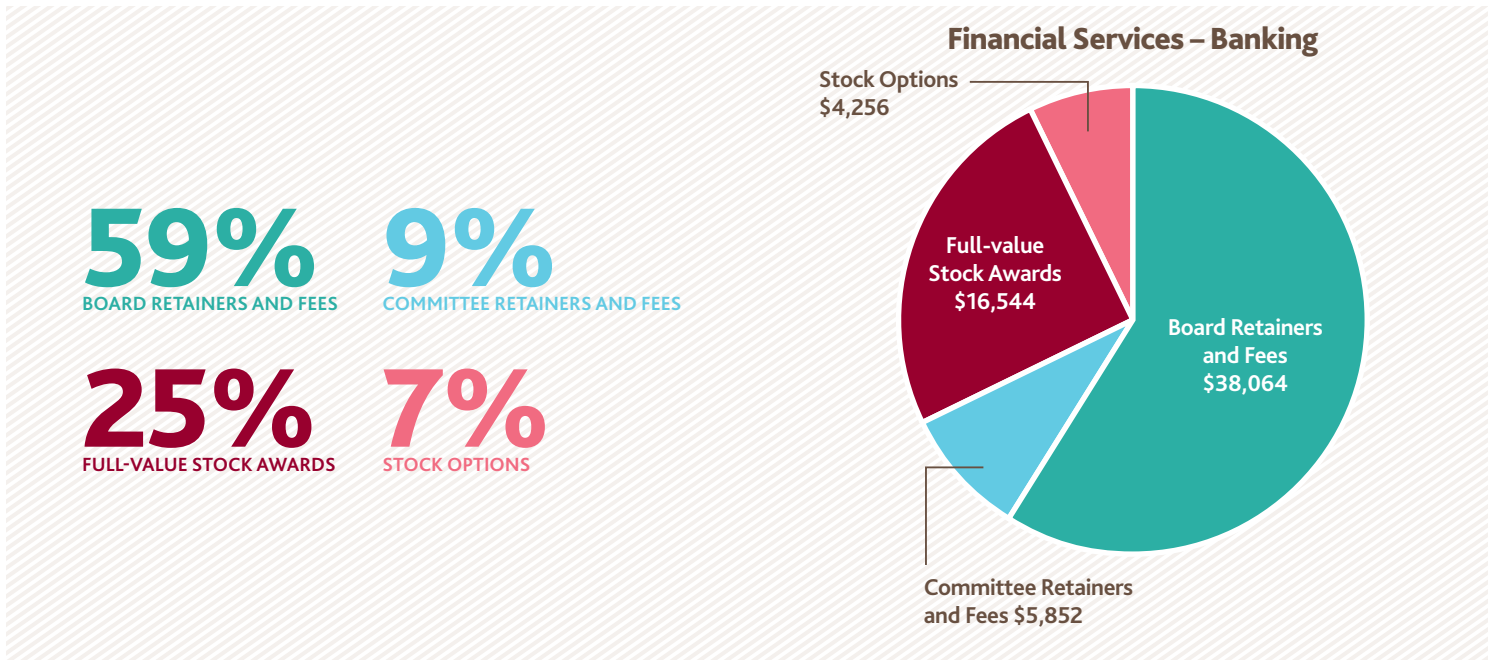
## ► SURVEY BY INDUSTRY

# ENERGY

The average annual total compensation paid to board members of companies in the energy industry for FY 2012 service was \$154,489 (an increase from \$151,254 last year). This value is comprised of board retainers and fees (\$60,396, an increase from \$59,169 last year), committee retainers and fees (\$9,174, an increase from \$8,605 last year), full-value stock awards (\$76,776, an increase from \$67,654 last year) and stock options (\$8,143, a decrease from \$15,826 last year).

The pay mix for these companies is 39 percent board retainers and fees (same as last year), 6 percent committee retainers and fees (same as last year), 50 percent full-value stock awards (45 percent last year), and 5 percent stock options (10 percent last year).

Average total compensation paid to energy industry directors (\$154,489) is second only to technology industry directors (\$174,407).

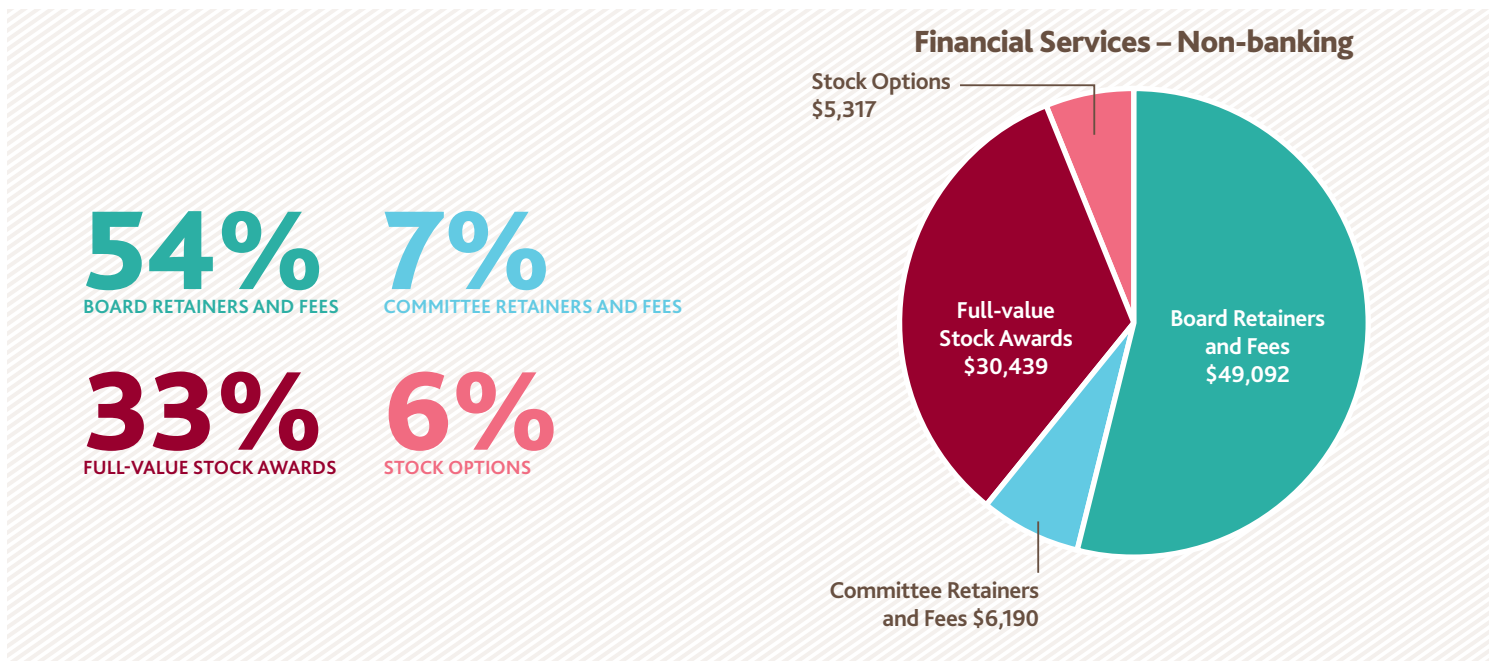


► SURVEY BY INDUSTRY  
**FINANCIAL SERVICES – BANKING**

The average annual total compensation paid to board members of companies in the financial services – banking industry for FY 2012 service was \$64,716 (an increase from \$57,426 last year). This value is comprised of board retainers and fees (\$38,064, an increase from \$34,416 last year), committee retainers and fees (\$5,852, an increase from \$5,624 last year), full-value stock awards (\$16,544, an increase from \$12,542 last year) and stock options (\$4,256, a decrease from \$4,843 last year).

The pay mix for these companies is 59 percent board retainers and fees (60 percent last year), 9 percent committee retainers and fees (10 percent last year), 25 percent full-value stock awards (22 percent last year), and 7 percent stock options (8 percent last year). Our analysis found that financial services – banking companies provide the highest percentage of pay via cash compared to the companies in the other industries.

Director pay in this industry increased the most of any industry in the survey, with a 13 percent increase over last year; although average director compensation in the financial services – banking industry remains the lowest of the industries included in our survey.

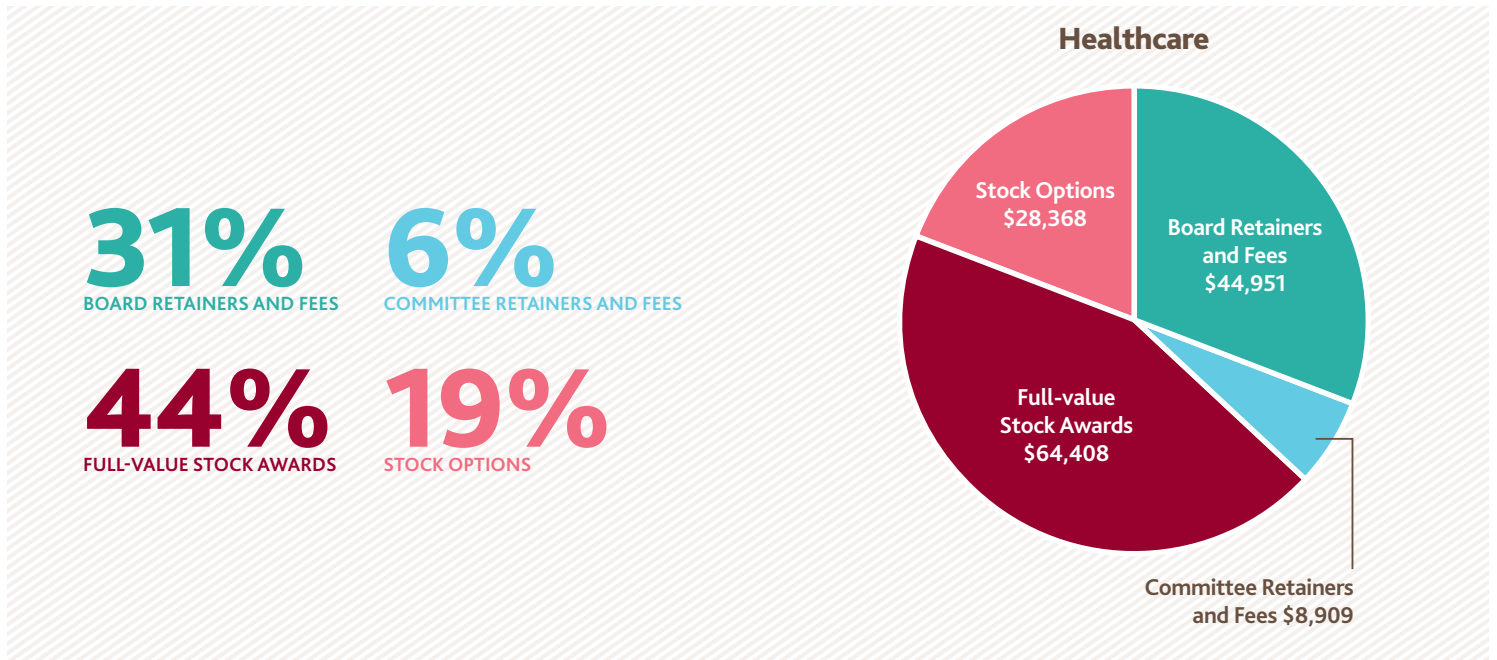


► SURVEY BY INDUSTRY  
**FINANCIAL SERVICES – NON-BANKING**

The average annual total compensation paid to board members of companies in the financial services – non-banking industry for FY 2012 service was \$91,038 (an increase from \$85,132 last year). This value is comprised of board retainers and fees (\$49,092, an increase from \$43,950 last year), committee retainers and fees (\$6,190, about the same as \$6,171 last year), full-value stock awards (\$30,439, an increase from \$24,958 last year) and stock options (\$5,317, a decrease from \$10,052 last year).

The pay mix for these companies is 54 percent board retainers and fees (52 percent last year), 7 percent committee retainers and fees (same as last year), 33 percent full-value stock awards (29 percent last year), and 6 percent stock options (12 percent last year). Our analysis found that unlike companies in the other industries, the financial services companies (banking and non-banking) provide more compensation in cash than they do in equity.

Average total director compensation in the financial services – non-banking industry is among the lowest of the industries included in our survey.



► SURVEY BY INDUSTRY  
**HEALTHCARE**

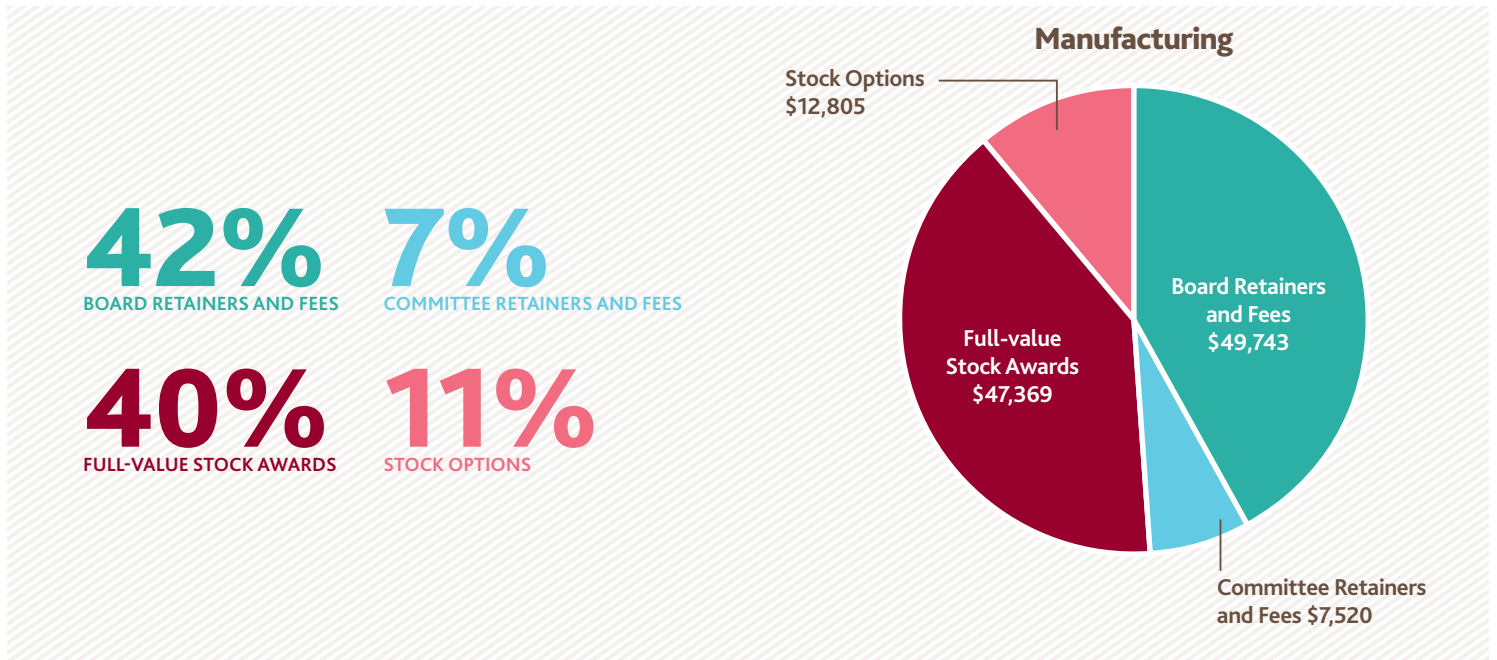
The average annual total compensation paid to board members of companies in the healthcare industry for FY 2012 service was \$146,636 (a slight decrease from \$148,272 last year). This value is comprised of board retainers and fees (\$44,951, an increase from \$40,573 last year), committee retainers and fees (\$8,909, an increase from \$8,557 last year), full-value stock awards (\$64,408, an increase from \$58,193 last year) and stock options (\$28,368, a decrease from \$40,948 last year).

Director compensation at these companies decreased slightly, by 1 percent, compared to pay in the prior fiscal year.

The pay mix for these companies is 31 percent board retainers and fees (27 percent last year), 6 percent committee retainers and fees (same as last year), 44 percent full-value stock awards (39 percent last year) and 19 percent stock options (28 percent last year). Healthcare and technology companies use the highest percentage of equity and the smallest percentage of cash in their compensation plans compared to other industries.

The amount of equity offered by healthcare companies in our survey (\$92,776, down a bit from \$99,142 last year) is second only to technology companies.



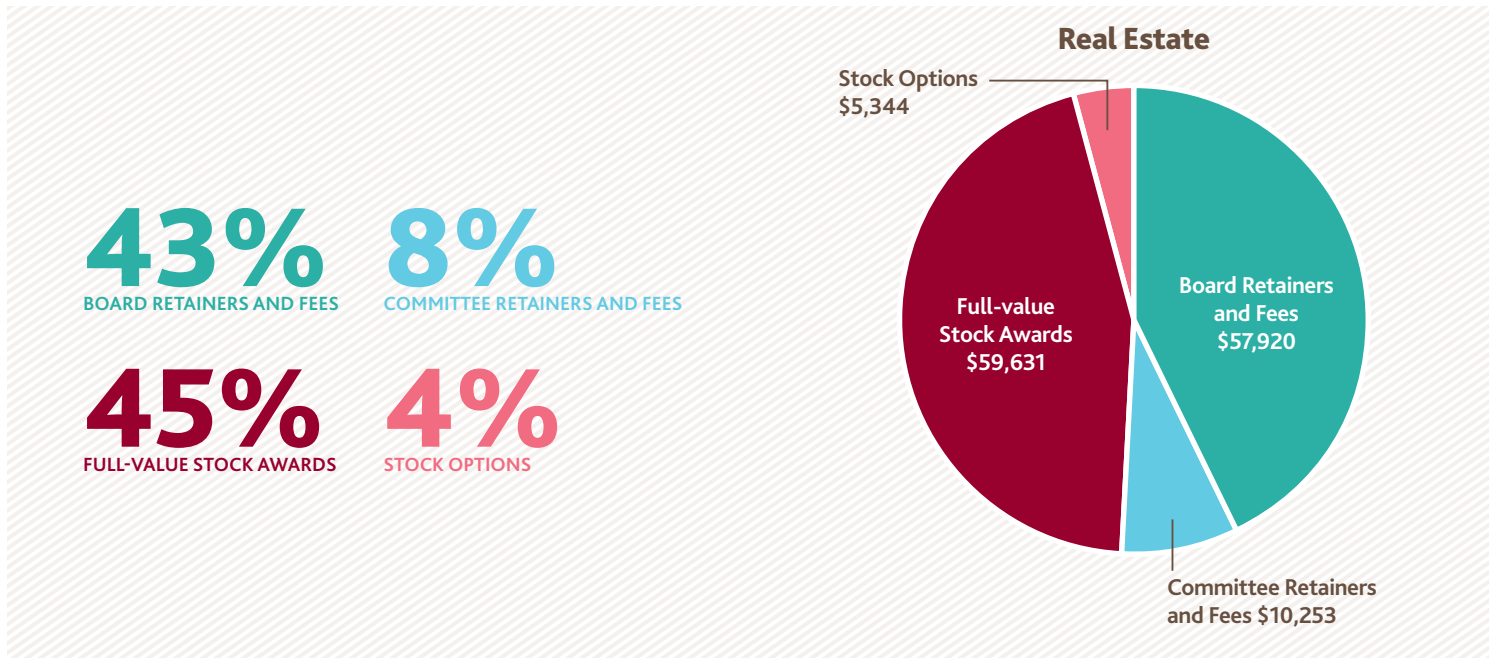


► SURVEY BY INDUSTRY  
**MANUFACTURING**

The average annual total compensation paid to board members of companies in the manufacturing industry for FY 2012 service was \$117,437 (an increase from \$111,926 last year). This value is comprised of board retainers and fees (\$49,743, an increase from \$45,023 last year), committee retainers and fees (\$7,520, about the same as \$7,582 last year), full-value stock awards (\$47,369, an increase from \$44,733 last year) and stock options (\$12,805, a decrease from \$14,587 last year).

Director compensation at these companies increased by 5 percent compared to pay in the prior fiscal year.

The pay mix for these companies is 42 percent board retainers and fees (40 percent last year), 7 percent committee retainers and fees (same as last year), 40 percent full-value stock awards (same as last year), and 11 percent stock options (13 percent last year).



## ► SURVEY BY INDUSTRY

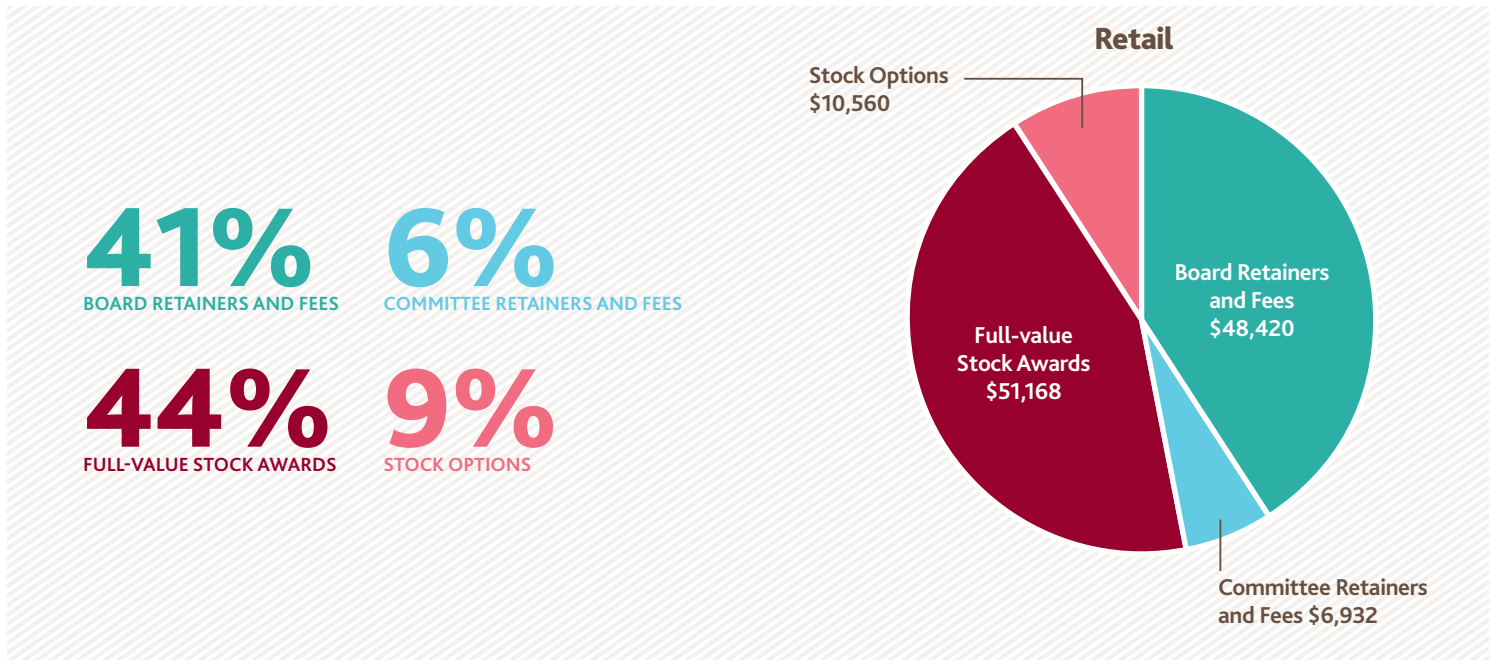
# REAL ESTATE

The average annual total compensation paid to board members of companies in the real estate industry for FY 2012 service was \$133,148 (an increase from \$125,498 last year). This value is comprised of board retainers and fees (\$57,920, a slight increase from \$57,100 last year), committee retainers and fees (\$10,253, an increase from \$8,987 last year), full-value stock awards (\$59,631, an increase from \$54,469 last year) and stock options (\$5,344, an increase from \$4,943 last year).

When compared to pay in the prior fiscal year, director compensation at these companies increased by 6 percent.

The pay mix for these companies is 43 percent board retainers and fees (46 percent last year), 8 percent committee retainers and fees (7 percent last year), 45 percent full-value stock awards (43 percent last year), and 4 percent stock options (same as last year).

Companies in the real estate industry grant a significantly higher value of full-value shares compared to stock options than companies in the other industries.



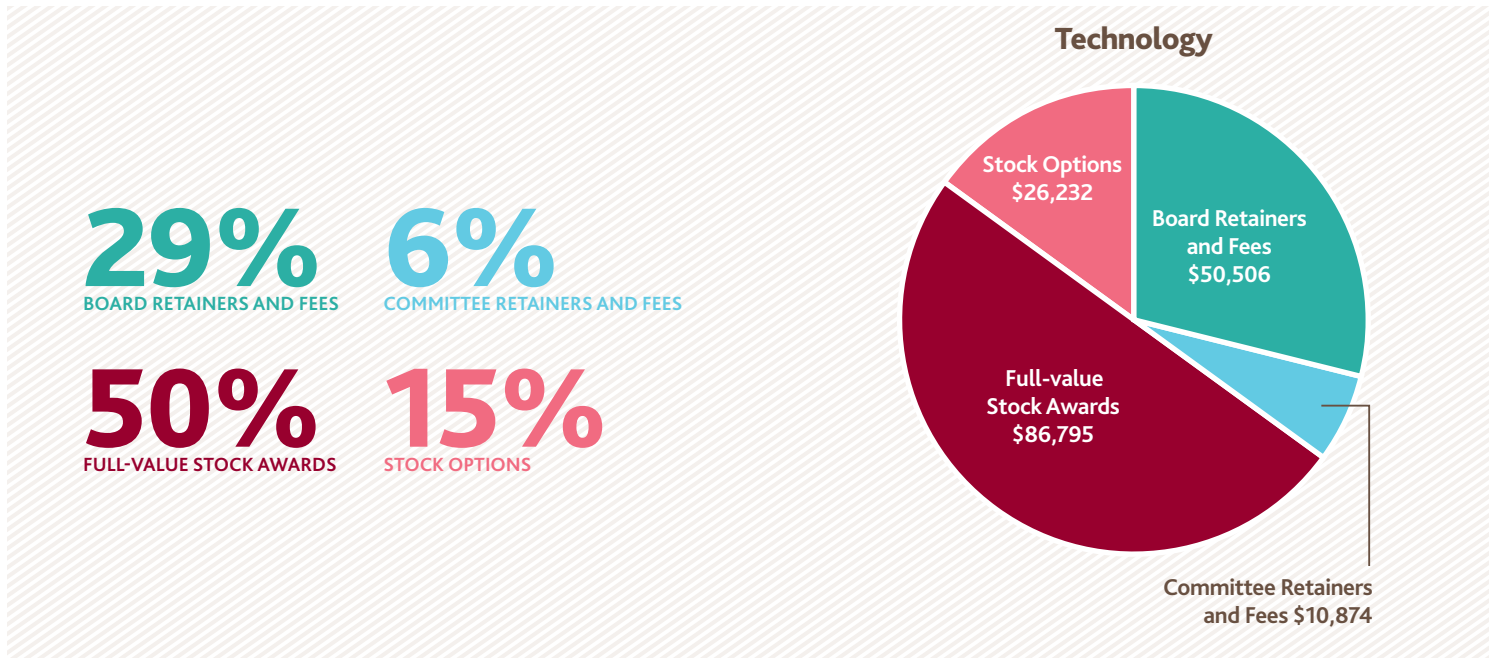
► SURVEY BY INDUSTRY  
**RETAIL**

The average annual total compensation paid to board members of companies in the retail industry for FY 2012 service was \$117,080 (an increase from \$110,844 last year). This value is comprised of board retainers and fees (\$48,420, a slight increase from \$48,080 last year), committee retainers and fees (\$6,932, a decrease from \$7,785 last year), full-value stock awards (\$51,168, an increase from \$41,711 last year), and stock options (\$10,560, a decrease from \$13,267 last year).

When compared to pay in the prior fiscal year, director compensation at these companies increased by 6 percent.

The pay mix for these companies is 41 percent board retainers and fees (43 percent last year), 6 percent committee retainers and fees (7 percent last year), 44 percent full-value stock awards (38 percent last year), and 9 percent stock options (12 percent last year).

Average total compensation paid to retail industry directors is lower than director compensation in the other non-financial services industries in our survey.



## ► SURVEY BY INDUSTRY **TECHNOLOGY**

The average annual total compensation paid to board members of companies in the technology industry for FY 2012 service was \$174,407 (a decrease from \$177,249 last year). This value is comprised of board retainers and fees (\$50,506, an increase from \$48,699 last year), committee retainers and fees (\$10,874, a decrease from \$11,668 last year), full-value stock awards (\$86,795, an increase from \$71,688 last year), and stock options (\$26,232, a significant decrease from \$45,194 last year).

The pay mix for these companies is 29 percent board retainers and fees (27 percent last year), 6 percent committee retainers and fees (7 percent last year), 50 percent full-value stock awards (40 percent last year), and 15 percent stock options (25 percent last year).

Driven by high committee retainers and fees and full-value stock awards, average director compensation in the technology industry is the highest of the industries included in our survey. While director pay in this industry jumped by 19 percent during the prior year, it stayed somewhat flat this year with a modest 2 percent drop.

The BDO 600: 2013 Survey of Board Compensation Practices of 600 Mid-Market Public Companies examined the director compensation practices of publicly traded companies in the energy, financial services – banking, financial services – non-banking, healthcare, manufacturing, real estate, retail, and technology industries. Companies in the six non-financial service industries in our survey have annual revenues between \$25 million and \$1 billion. Companies in the two financial services industries in our survey have assets between \$50 million and \$2 billion.

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## CONTACT US

If you have any questions, comments or suggestions, please contact our Compensation and Benefits practice by emailing us at [compensation@bdo.com](mailto:compensation@bdo.com) or by calling your local BDO office.

Please visit [www.bdo.com/bdo600](http://www.bdo.com/bdo600) for the electronic copy of this survey.

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