Compensation
Advisory Partners

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# Director Compensation: Pay Increases Again, Led by Larger Equity Grants

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Each year CAP analyzes non-employee director compensation programs among the 100 largest US public companies. These companies are trendsetters and can provide early insights into evolving pay practices across the broader public company marketplace. This report reflects a summary of pay levels and pay practice trends based on the most recent 2025 proxy disclosures for these 100 companies.

The following page describes CAP's key takeaways from 2025 proxy disclosures on Director Compensation programs, as well as our expectations looking ahead. Pages 3 through 6 provide more detailed findings.

| Topic | CAP Analysis — Key Takeaways | CAP Expectations — Looking Ahead |
|---|---|---|
| Board Compensation Increases | • Median standard total board compensation rose by +3% year-over-year, from $325K to $335K<br>• 25th and 75th percentile also increased year-over-year, +3% and +5%, respectively<br>• Nearly one-third of our 100 company sample increased standard board cash or equity pay during the last year | • We expect to continue to see low-to-mid single-digit year-over-year increases to total standard board member pay |
| Board Compensation Pay Levels | • There is a tight range from median to 75th percentile standard total board compensation, $335K and $358K, respectively, or a difference of only $23K<br>• There is even a tight range from 25th percentile to 75th percentile, a difference of only $38K | • We expect narrow ranges to continue and possibly narrow even during the next two to three years |
| Pay Mix | • On average, total standard board pay was comprised of 64% equity and 36% cash. This is consistent with a longer-term, gradual trend among the 100 largest US public companies of increasing the weighting on equity-based compensation in the overall pay mix (i.e., on average, in our 2020 study 61% of standard total pay was equity, and in our 2015 study 58% of standard total equity) | • While providing a majority of director pay through equity is best practice, we do not expect the weighting on equity-based pay to increase materially in the coming years |
| Annual Equity Vehicles | • For equity award vehicle, providing full-value awards (shares/units) remains the standard approach, with only one company granting stock options, and at that company stock options are not the only vehicle used | • We expect full-value equity awards (shares/units) to continue to be standard practice in the coming years |
| Board Meetings | • Having a number of board meetings per year that is well above market norms (e.g., 2x) does not necessarily correlate to materially higher pay levels<br>• In our sample, we compared companies with the top 10 percent of total board meetings during the last year to our overall 100 company sample. The top 10 percent sample had a median of 16 total board meetings during the last year, which compares to a median of six meetings for the full 100 company sample. Despite having about an additional 10 board meetings during the last year, median total standard board member compensation was only about 3 percent higher for the top 10% meeting activity group of companies | • More board meetings can equate to greater annual time commitment. In instances where this is clearly the case, greater differentiation versus market median should be considered for annual cash and equity retainers (for those companies with pay levels at or are below median) |
| Meeting Fees | • Most of the largest companies now have simple director pay programs with no meeting fees and with fixed value annual equity grants<br>• Only five companies in our 100 company sample still provide board meeting fees, a decline from six last year and from 11 in our 2020 study | • We expect simple director pay programs to continue to be standard practice among the largest companies, and the prevalence similar pay programs to continue to trend up among other size groups |
| Additional Compensation for Board Leadership | • Median additional compensation provided for service in most board leadership roles remained flat versus prior year; i.e., non-executive Board Chair ($200K), Lead Director ($50K), Audit Committee Chair ($30K), and Compensation Committee Chair ($25K)<br>• In contrast, median additional compensation for serving as Chair of the Nominating and Governance Committee increased versus prior year, from $20K to $25K, now consistent with the median additional pay provided to Compensation Committee Chairs | • Taking on the role of non-executive Chair, Lead Director or Chair of a major Board committee can come with considerable additional time requirements, responsibilities, and reputational risk, yet additional compensation provided for most of these roles only reflects a modest premium on the standard director pay program<br>• Over the next one to two years, we expect median additional compensation provided to the Lead Director to increase above $50K |

# CAP Detailed Findings

## Board Compensation

- **Total Fees:** Median board compensation rose +3% year-over-year to $335K from $325K. Board compensation at the 25th percentile increased by +5% to $320K, while the 75th percentile saw a +3% increase to $358K.

- **Pay Structure:** On average, total pay was comprised of 64% equity and 36% cash, a slightly higher weighting on equity-based pay versus the prior year. This is consistent with a longer-term, gradual trend seen among large public companies, where total pay was comprised of 61% equity and 39% cash in our 2020 study, and 58% equity and 42% cash in our 2015 study. Typically, large US public companies solely use annual retainers to compensate directors, rather than through meeting fees or a mix of retainers and meeting fees. The simple of director pay structure (e.g., no meeting fees) is another long-term trend seen among large public companies. Only five companies in the sample still provide meeting fees – a decline from six last year, and from 11 in our 2020 study. Of the five companies that provide meeting fees, only three actually paid out any meeting fees in the past year, since the majority of these companies only do so when the number of meetings exceeds a pre-defined threshold. All three companies that paid out board meeting fees in the past year have non-standard ownership.

- **Equity:** Providing full-value equity awards (shares/units) remains the standard approach, with only one company granting stock options (no company uses stock options as the sole equity vehicle). Nearly all companies denominated equity awards using a fixed value rather than a fixed number of shares. Using fixed value is generally considered best practice as it manages the "target" value awarded each year.

- **Form of Increase:** 32% of companies disclosed increases to their annual cash or equity retainers, with most of the increases driven by changes to equity retainers:
  - 1% disclosed increases to only the board cash retainer
  - 11% disclosed increases to only the annual equity grant, with most companies making increases between $10K and $25K, with the median increase being $15K
  - 20% disclosed increases to both cash and equity retainers, with most companies making total increases between $15K and $31K, with the median increase being $24K

## Committee Member[1] Compensation

- **Overall Prevalence:** 36% of companies paid committee-specific member fees for Audit Committee service, while only about a quarter of companies paid fees for service as a member on other committees. Most companies rely on board-level compensation to recognize committee member (non-Chair) service, with the general expectation that all independent directors actively participate in committees.

- **Total Fees:** Of the companies that paid committee member compensation, the median for additional compensation remained flat for the Audit ($15K) and Compensation ($15K) Committees, while there was a modest decrease to $12K from $12.5K for Nominating/Governance Committee members.

- **Meeting Fees:** Similar to compensation for board service, meeting fees are uncommon for committee service. Only four companies in our sample provided committee meeting fees this past year (all four of these also provide board meeting fees). Per meeting fee values are consistent between each of a company's committees, although the total fees paid differ due to different numbers of meetings between committees. This past year, Audit Committees had the highest median number of meetings at 9 per year, which is more than twice per quarter. Compensation Committees and Nominating & Governance Committees meet less frequently, at 6 and 5 times a year at median, respectively, or a little more than once per quarter.

1 Audit, Compensation and/or Nominating/Governance Committees.

## Committee Chair[2] Compensation

- **Overall Prevalence:** 95% of companies in the study provided additional compensation to committee chairs, recognizing the additional time commitment, responsibilities and heightened shareholder scrutiny of governance.

- **Total Fees:** Median additional compensation for Chair service remained flat for each of the Audit ($30K) and Compensation ($25K) Chair roles. However, the additional retainer for Nominating/Governance Chairs increased to $25K from $20K for year-over-year. No committee chair from our sample receives additional committee meeting fees beyond what other committee members receive.

## Independent Board Leader Compensation

- **Non-Executive Chair:** 86% of companies with this role provided additional compensation. Median additional compensation provided was $200K, consistent with the prior year. At median, when expressed as a multiple of total board compensation, total Non-Executive Chair pay was 1.61x that of a standard board member.

- **Lead Director:** 91% of companies with this role provided additional compensation. While median additional compensation remained flat year-over-year ($50K), CAP anticipates future increases based on the relatively narrow pay gap between the 25$^{th}$ percentile ($46.25K) to median, and the wide pay gap between median and the 75$^{th}$ percentile ($75K). At median, when expressed as a multiple of total board compensation, total Lead Director pay was 1.15x that of a standard board member. The pay differential relative to Non-Executive Chairs is in line with variation in roles and responsibilities.

## Equity Retention

- Having a minimum stock ownership guideline in place is typical practice

- 91% of companies in our sample have a minimum stock ownership guideline in place for outside board members, consistent with the prior year. Among these companies, 89% use a “multiple of retainer” approach, the most common multiple being 5.0x the annual cash retainer, and the most common achievement period being within five years of election to the board.

- 38% of companies have a holding requirement in place where a pre-defined minimum percentage (net after-tax) of all vested equity awards must be held until a director achieves the minimum stock ownership guideline.

- It continues to be minority practice to require that equity awards be settled at or after termination of board service.

2 Excludes controlled companies. Also excludes instances where Lead Director role is assumed by Chair of Nominating and Governance Committee, who receives compensation for the role.

## Pay Limits

- Director pay limits are in place largely due to the advancement of litigation over the past decade, over the conflict of interest stemming from directors approving their own compensation. As a general rule, directors who receive a substantial amount of their wealth through their pay as a director create a reputational risk for the company.

- 77% of companies have a shareholder approved limit in place for director compensation, slightly more than the prior year. Limits apply to total director pay (62% prevalence for those who have limits in place) or equity awards, only (38% prevalence). Similar to last year, limits typically range from $600K to $1M with a median of $800K, which is generally much higher than annual equity grants and/or total annual compensation. For example, roughly one-third of limits are equivalent to more than 5x the annual equity grants, which (as mentioned above) represent 64% of total annual board pay, on average.

| Limit Multiple Range | Prevalence |
|---|---|
| <= 3x annual equity | 34% |
| 3.01x – 5x annual equity | 36% |
| 5.01x – 7x annual equity | 10% |
| >7x annual equity | 19% |

- Companies do not typically change, or review, director compensation limits on an annual basis. They typically review pay limits about every three to five years when they look for shareholder approval for a new or amended equity incentive plan/reserve. During the last year, four companies in our sample added pay limits, and three companies made changes to their pre-existing limits over the past year:
  - Bank of America, HCA Healthcare, Performance Food Group Company, and Exxon Mobil added new limits this past year.
  - Chubb increased their equity and cash limit across all directors from $5.5M to $6.5M, using a consistent percentage increase to what was approved for the annual pay program.
  - Centene and Walmart changed their limit from covering equity only to now cover both equity and cash. Centene changed their limit from two million shares to a limit of $1M in cash or equity, while Walmart changed their limit from five hundred thousand shares to a limit of $2M in cash or equity.

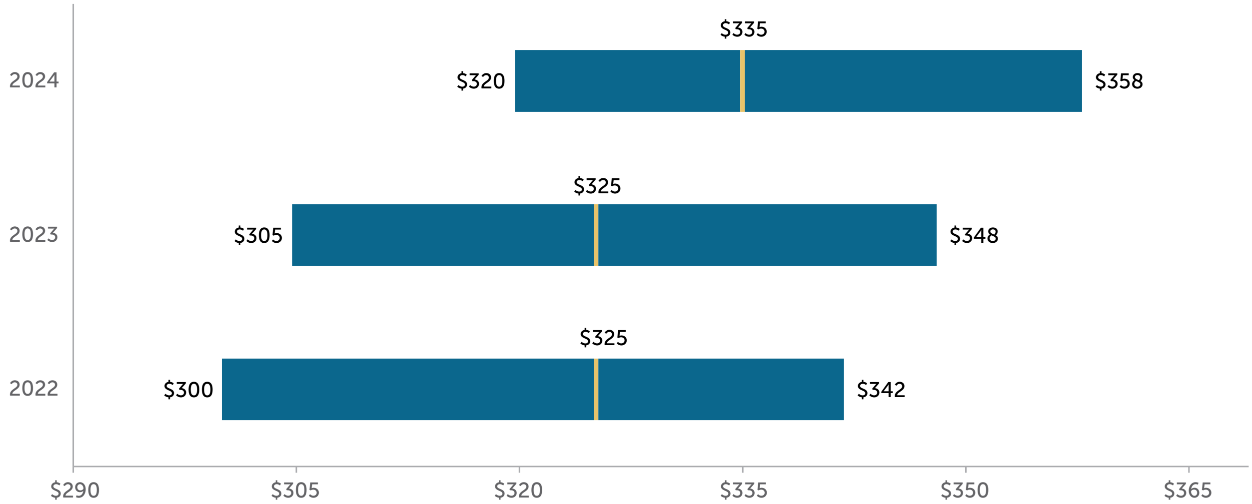
## Board Size & Number of Board Meetings

- Both Board size and number of board meetings have remained constant despite evolving responsibilities of corporate boards (e.g., artificial intelligence, cybersecurity, environmental/social issues, etc.).

- The median number of non-employee directors for our sample has consistently been at 10 over the past decade, while the median number of board meetings has remained at 7 since 2022 (consistently around 8 for years prior to that).

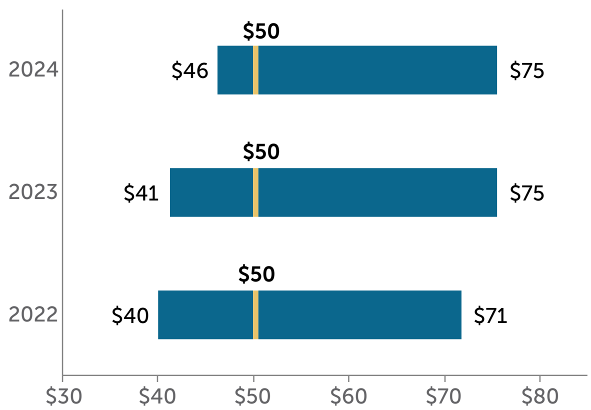
## Historical 3-Year Look at Pay Levels

### Average Total Board Compensation ($000s)[3]

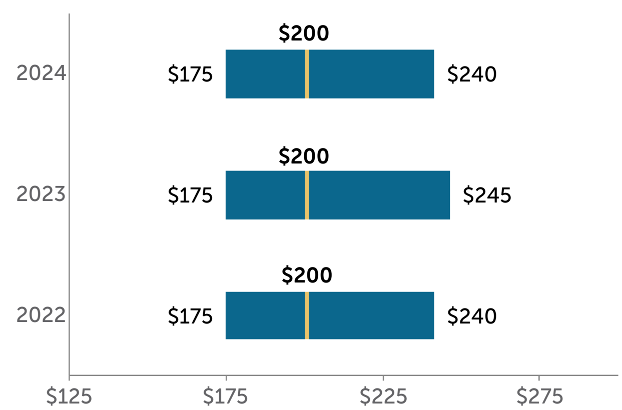



### Additional Leadership Compensation ($000s)

Lead/Presiding Directors




Non-Executive Chairs




Research assistance for this CAPIntel was provided by: Thomas Brown, Grace Tan, Cedrick Jean-Louis, and Alex Barrionuevo.

3 Total Board Compensation reflects all cash and equity compensation for Board and committee service, excluding compensation for leadership roles such as Committee Chair, Lead/Presiding Director, or non-executive Board Chair.