

Chart of the Week



Equity-based Director Compensation

FROM *DIRECTOR COMPENSATION AND BOARD PRACTICES: 2013 EDITION*

Across industries and size groups, companies' director compensation policies tend to include an equity-based element, with restricted and unrestricted full-value shares being the preferred type. While most other organizations have been reducing the use of this element dramatically, stock options remain a powerful tool to recruit talent to the board of smaller companies. In 2012 disclosure documents, 69.2 percent of manufacturing and nonfinancial companies with annual revenue of less than \$100 million reported their continued use of equity-based compensation.

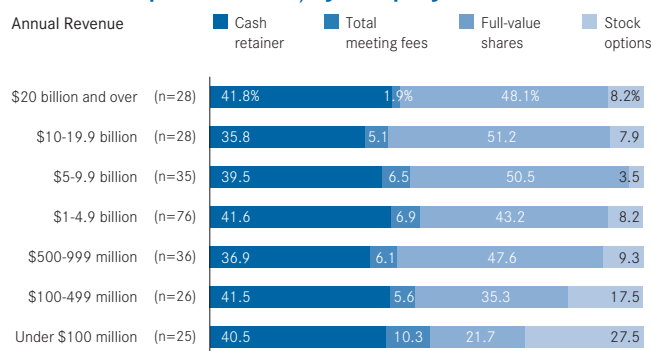
Equity-Based Compensation Policy, by Industry

Companies awarding equity-based compensation to directors



Source: The Conference Board/NASDAQ OMX/NYSE Euronext, 2013.

Director Compensation Mix, by Company Size



Source: The Conference Board/NASDAQ OMX/NYSE Euronext, 2013.

Why it matters...

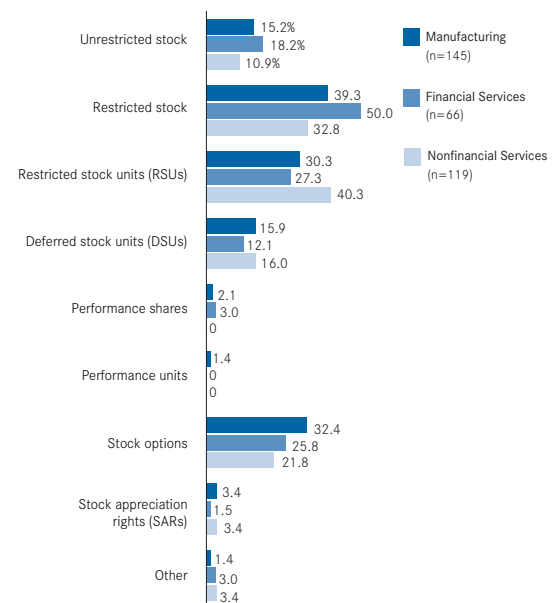
- Increasing skepticism about the effectiveness of stock options and stock appreciation rights as long-term incentives for corporate directors has led to a decline in their inclusion in director compensation, especially in the last few years. Like many of your peers, your company may need to reevaluate their role in your director compensation.
- Since the use of equity for the purpose of compensating directors serves the strategic needs of a firm, the comparative analysis is particularly relevant among industries. When a commercial bank and a technology business are compared, the fair market value of stock awards varies significantly.

For more information on this and other 150 governance practices, download *Director Compensation and Board Practices: 2013 Edition* at: www.conference-board.org/boardpractices or contact Matteo Tonello at matteo.tonello@conference-board.org

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Source: The Conference Board/NASDAQ OMX/NYSE Euronext, 2013.

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