



Did You Know?

Corporate boards are imposing pay limits on their own compensation.



Main Data Group's New Director Pay Limits Data

Board members set their own compensation—an awkward but largely unavoidable fact of corporate protocol. To defuse accusations of self-dealing, corporate directors have relied in large part on surveys and the advice of independent consultants to determine their pay. Because the size of executive compensation dwarfs it by comparison, board compensation has seldom been subjected to public criticism, the severest of which has targeted practices rather than dollar amounts (e.g., eligibility for defined-benefit retirement plans, the granting of stock options, etc.).

But as the size of directors' compensation packages has incrementally grown over time and some high-profile lawsuits have emerged, governance watchdogs have begun to focus on the magnitude of pay. Consequently, corporate boards are increasingly establishing pay boundaries and communicating these limits in proxy statement disclosures. This trend constitutes an important new set of data points to supplement traditional benchmarks for director pay. Keeping abreast of these new self-imposed restrictions will be crucial for boards to ensure that they remain within evolving competitive norms.

The boundaries come in various forms, depending on several factors.

- **Who is subject to the limit?** Does it apply to every board member, or only to those in certain roles (e.g., independent chair of the board, independent lead director)? Does it apply to members of certain committees?
- **What compensation is limited?** Is the limit on cash, equity, or both? And if equity, does it apply only to a specific type or all equity?
- **Is the limit on individuals or on the board as a whole?** Does the amount paid to one set of directors affect the amount that can be paid to others?



The Main Data Group (MDG) Director Pay Limits analysis is a new data component of our standard Board Pay Details report. For each peer, it shows all the applicable limits, including information from boards who have adopted multiple limits. The data categories are:

- **Affected Population:** total board, individual board member, initial director, lead director, chair, and vice chair
- **Cash:** Amount of limit on total cash (including retainers, meeting fees, or other cash payments)
- **Equity:** Number of shares or dollar value, as applicable; if only specific types of equity are subject to the limit, the report lists each separately (stock options, restricted shares/units, deferred stock/units, and common stock)
- **Total Pay:** If the limit is placed on aggregate pay with no regard to individual components, the total value is shown

MDG's new Director Pay Limits analysis is only one of several steps we are taking to expand our coverage of board compensation and ensures that we remain in the vanguard of evolving issues.

Contact us by phone at **408-776-1000** or email **info@maindatagroup.com** to learn more about the MDG Director Pay Limits analysis and Board Pay Details report.

About Main Data Group

Main Data Group is a provider of executive compensation benchmarking and corporate governance analytics. Its mission is to empower executive compensation professionals with comprehensive total rewards and corporate governance information in an affordable, easy-to-use online service. For more information contact us at info@maindatagroup.com or by filling out our contact form at www.maindatagroup.com.