Pearl Meyer

Quick Poll

Quick Poll: How Coronavirus is Affecting Director Compensation

Introduction

Our Quick Poll survey series provides organizations with information on emerging topics and is designed to provide context for discussion and decision-making around pay, governance, and employment issues.

This survey was open from 4/14/2020 to 4/16/2020 and reflects responses from 315 participants, including 230 publicly traded companies, 71 private firms, and 14 not-for-profit organizations.

Due to the COVID-19 pandemic, we are observing trends in director pay that haven't been seen since the 2008-2009 economic crisis. Up to this point, the majority of director pay cuts have been focused in those industries most impacted such as energy, transportation, hospitality, etc. As the economic uncertainty and fallout continues, additional business sectors will likely consider similar actions to manage cash, contain costs, and acknowledge the economic hardship being felt by their key stakeholders.

While the impact of COVID-19 on director pay is just beginning to emerge, it appears that most companies are poised to stay the course (~55% of respondents). Approximately 20% of respondents have already acted to temporarily reduce director pay, while the remainder are still evaluating the best path forward. For companies still evaluating their options, we expect to gain more clarity over the next couple of months as companies, whose fiscal years correspond with the calendar year, conduct their annual shareholder meetings.

We hope you find the information included in this report useful. If you have any questions or are interested in discussing these findings, please contact:

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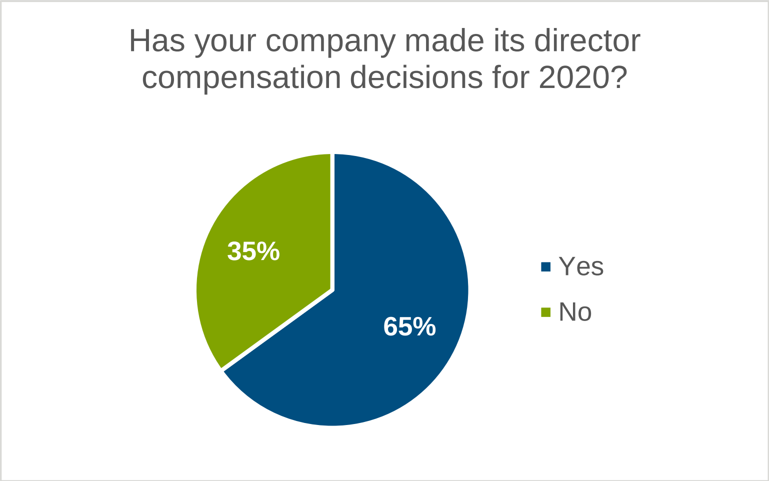
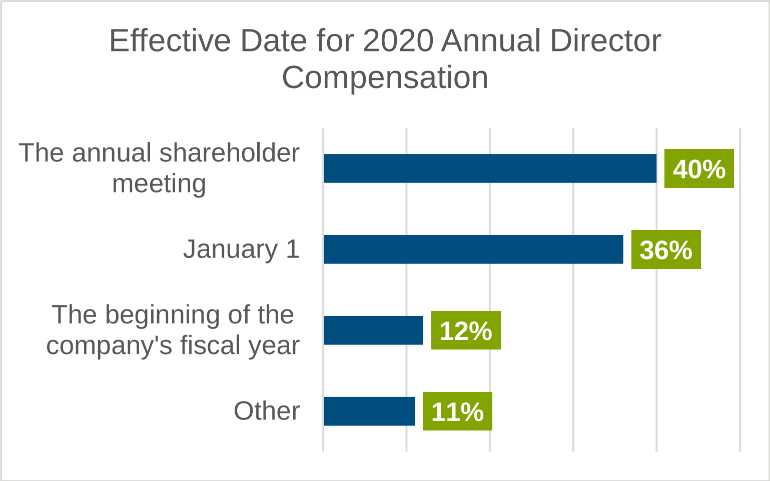
Director Pay Decisions and Effective Date

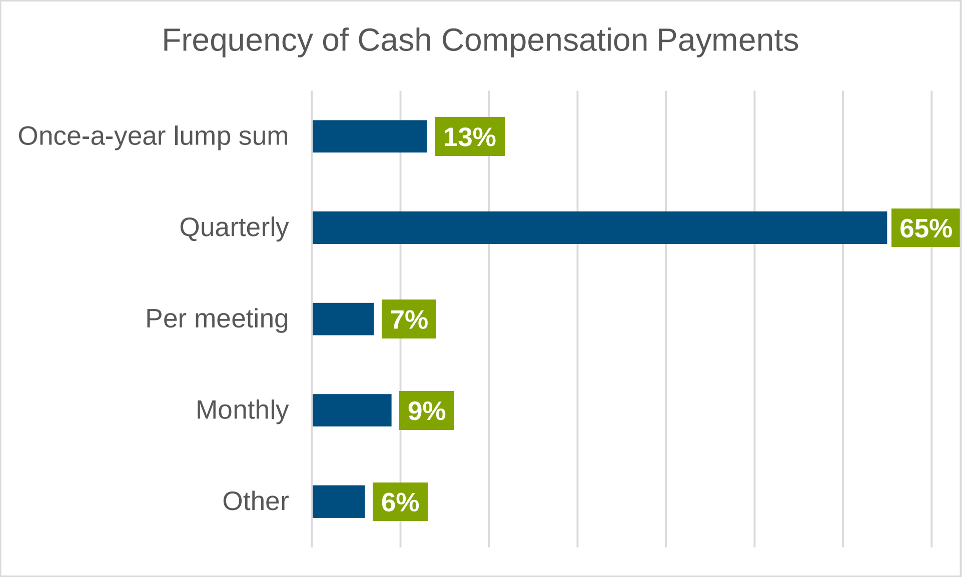
- Over half (65%) have already made their director compensation decisions for 2020
- Slightly less than half (40%) of respondents use their annual share meeting as the effective date for director compensation
- 36% of respondents make annual director pay effective on January 1
- Only 12% of respondents utilize the start of the company’s fiscal year as the effective date for director pay

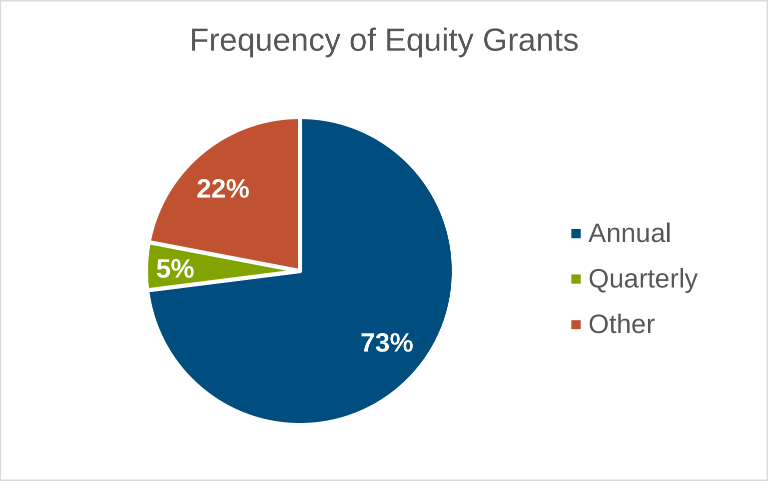




Director Pay Frequency: Cash and Equity Retainers

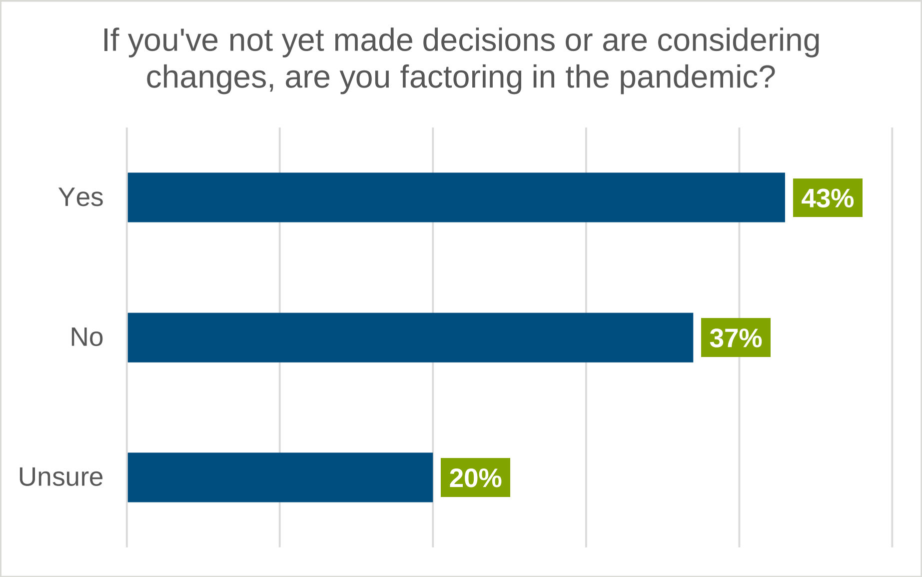
- Most respondents (65%) provide the annual cash retainer in quarterly installments
- Only 13% of respondents provide the director cash retainer in one lump sum, with even less providing it in monthly payments (9%)
- Annual equity grants are typically delivered in one lump sum (73%)

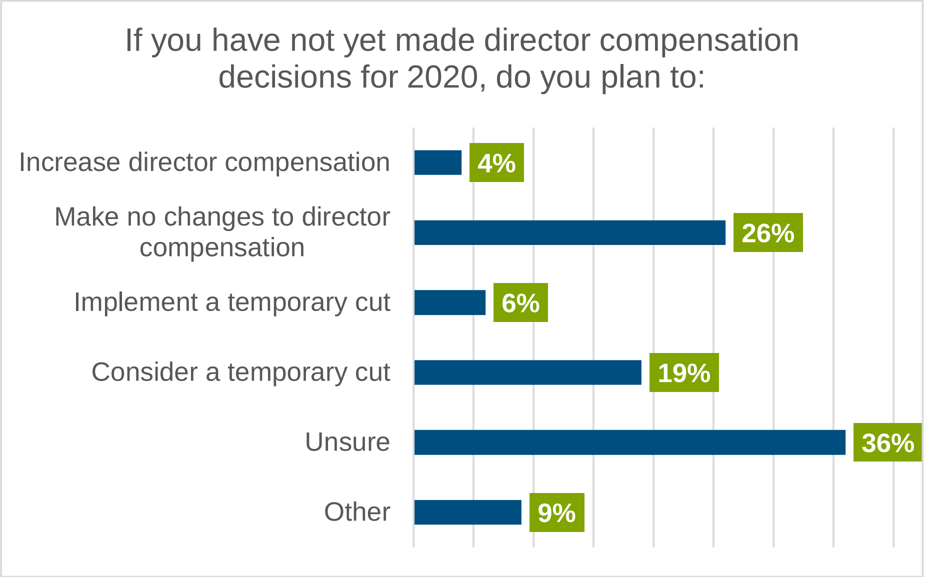




Proactive Director Pay Changes for 2020

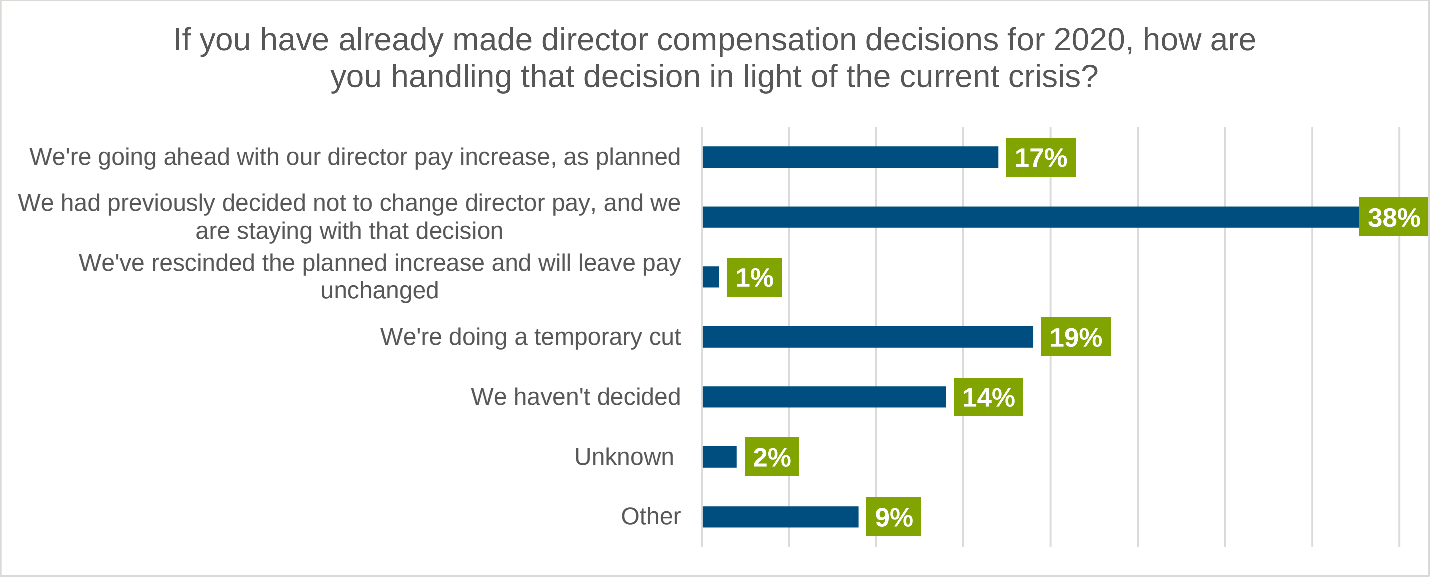
- While 43% of respondents are factoring the COVID-19 pandemic into their decisions on 2020 director pay, 37% are not letting it influence these decisions
- 20% of respondents are still unsure how it will impact 2020 director pay
- For boards that have yet to decide on how COVID-19 will impact director compensation decisions for 2020, the most prevalent planned approaches are:
  - Unsure and still evaluating (36%)
  - Make no changes to director pay (26%)
  - Consider implementing a temporary pay cut (19%)





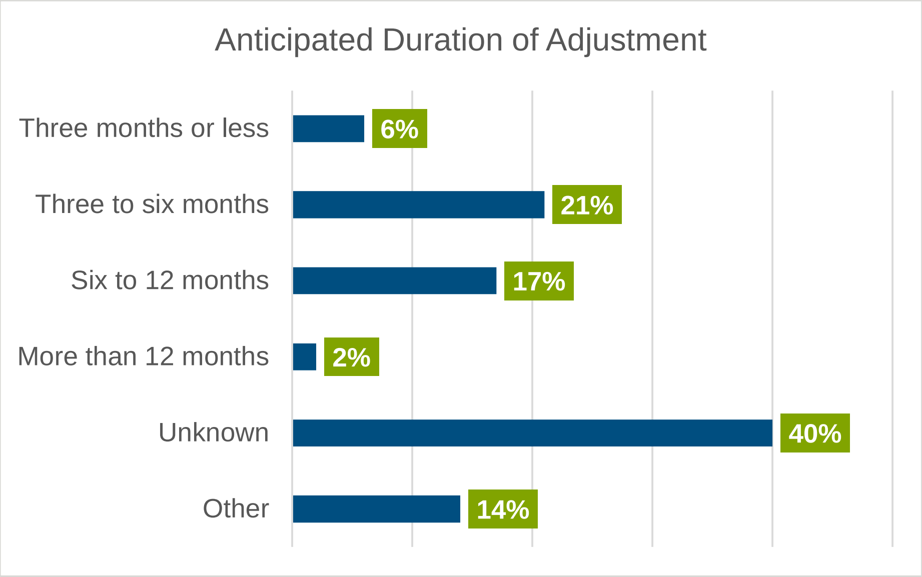
Retroactive Director Pay Changes for 2020

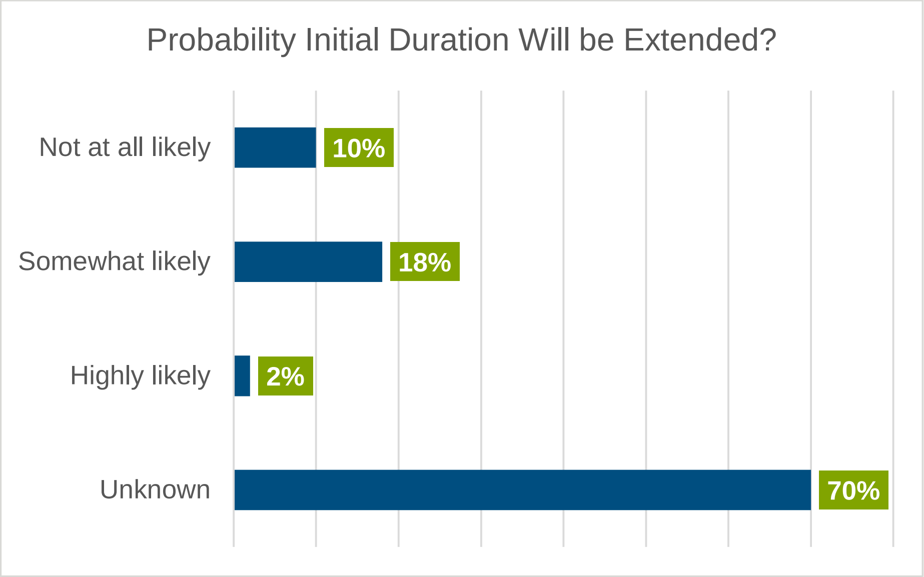
- As a result of the impact of COVID-19, 20% of respondents have either rescinded a planned director pay increase or temporarily reduced director compensation
- More than half (55%) of respondents are moving forward as planned, with 38% having decided to freeze director pay prior to the pandemic and 17% planning to move ahead with proposed pay increases
- Only 14% of respondents appear to be further evaluating the effect of the pandemic and are still considering changes to director pay



Anticipated Duration of Director Pay Adjustment

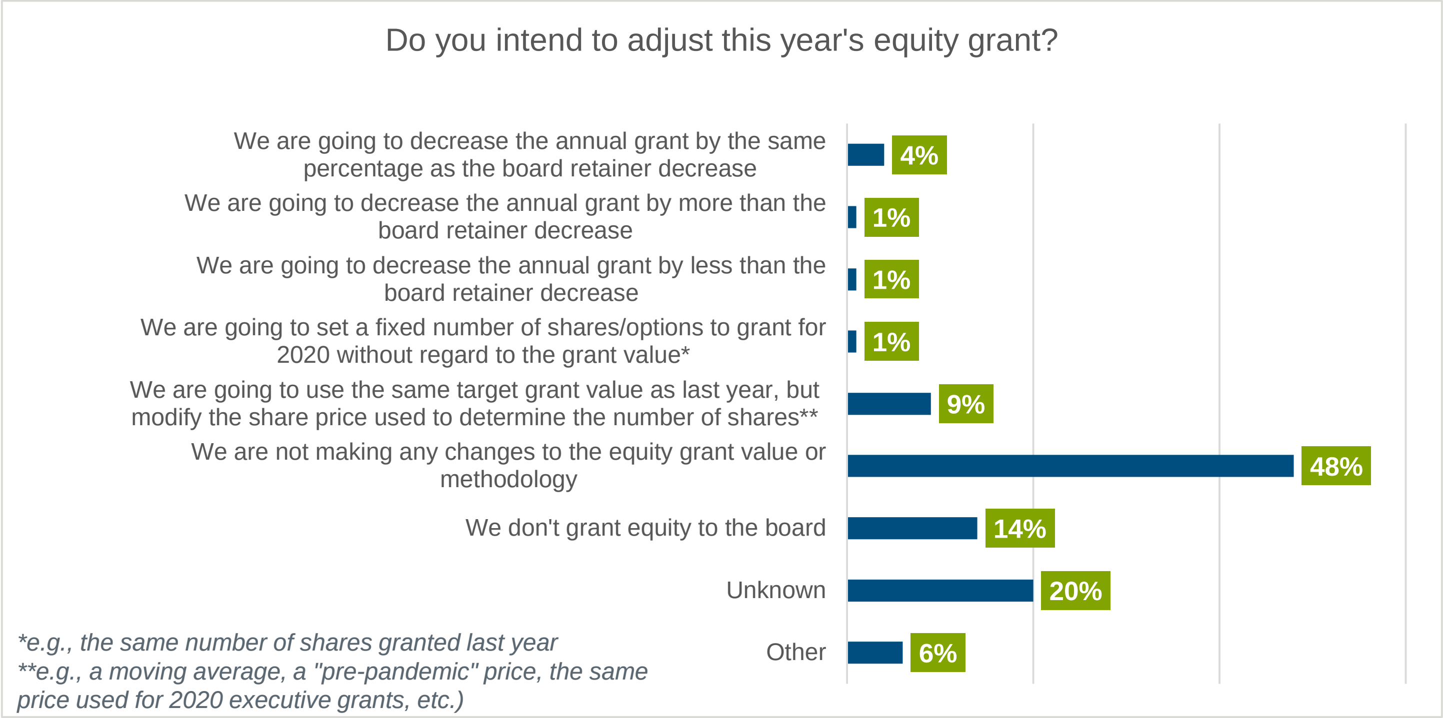
- Among companies that are adjusting director pay in response to COVID-19, most respondents (40%) did not know how long the adjustments would last
- Companies with an anticipated timeline typically think the adjustments will last longer than three months, but less than a year (38%)
- Given the uncertainty associated with the pandemic, 70% of respondents are still unsure if the initial adjustment period will need to be extended





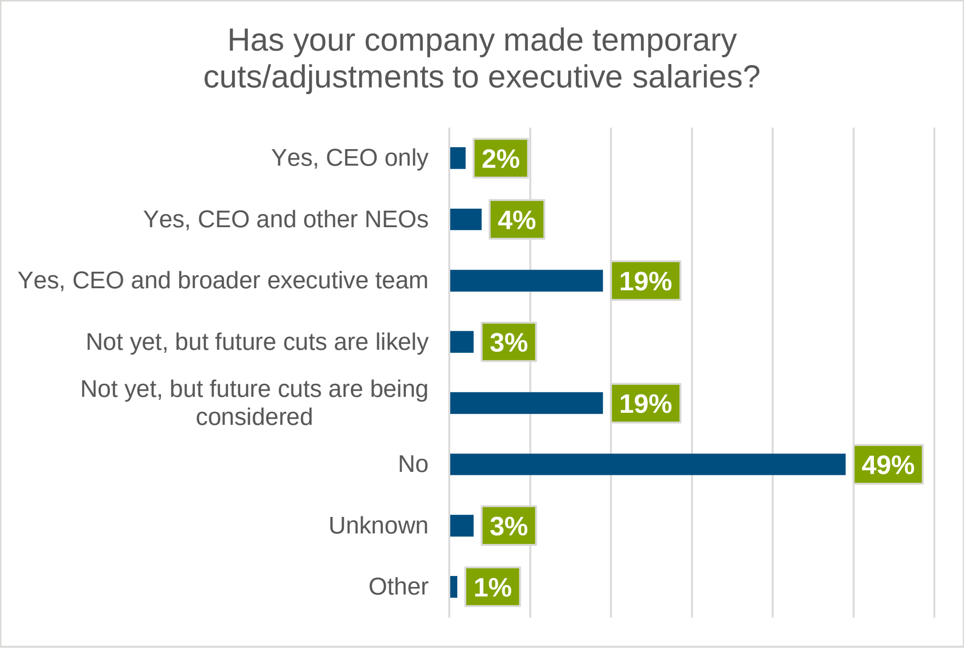
Changes to Director Equity Grants

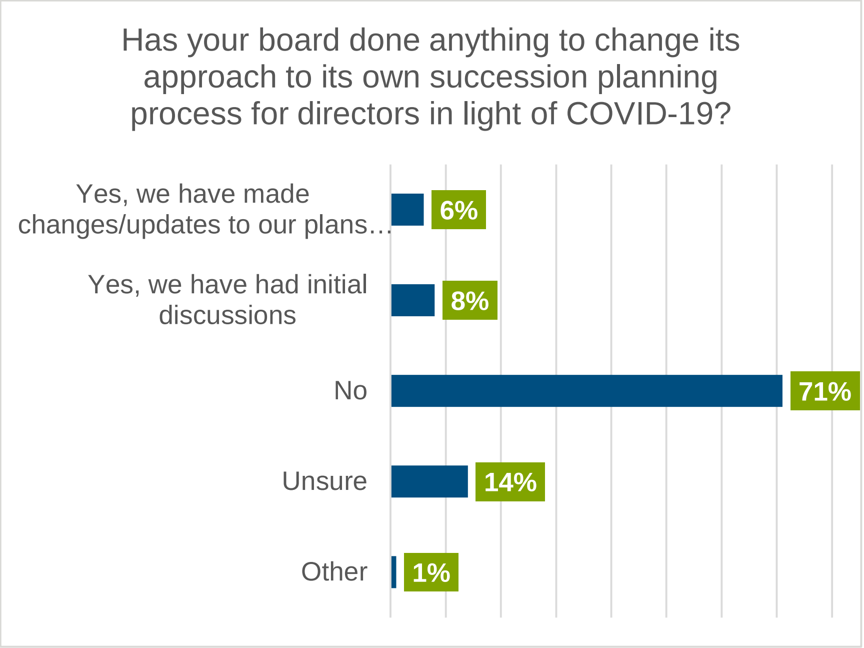
- At this point, about half (48%) of the respondents have no plans to make any changes to their annual director grant value or methodology
- The most common approaches for companies that intend to adjust this year's director equity grant are to modify the share price used to determine the number of shares (9%) and to decrease the equity grant by the same amount as the annual cash retainer (4%)
- 20% of respondents are still deciding if they will adjust equity grants in light of COVID-19



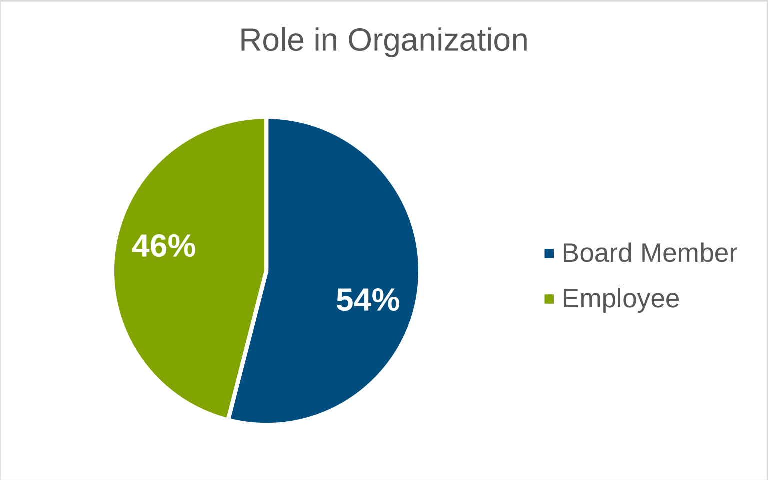
Executive Pay Cuts and Board Succession Planning

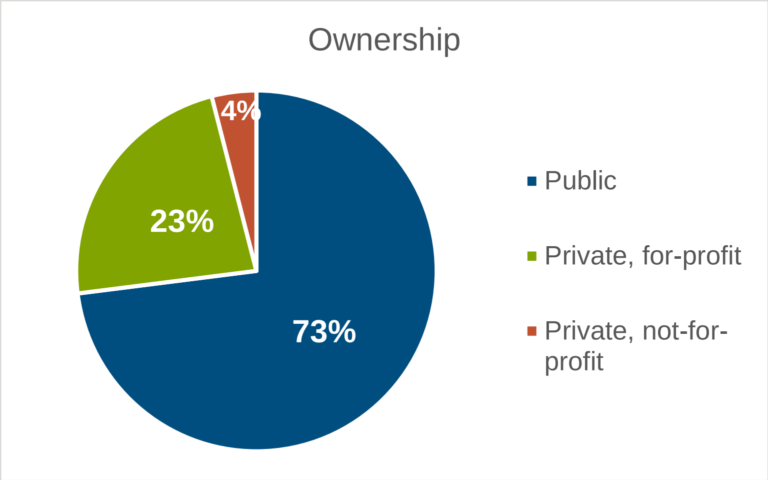
- Similar to the results on director pay, about half (49%) of respondents are staying the course on executive compensation
- Almost 20% have implemented a reduction in salary to the CEO and broader executive team
- Most respondents (71%) haven’t done anything to change their approach to board succession planning
- Given the demographics of who is most impacted by COVID-19, there is an expectation that companies will begin to put additional focus on board succession planning and renewal programs

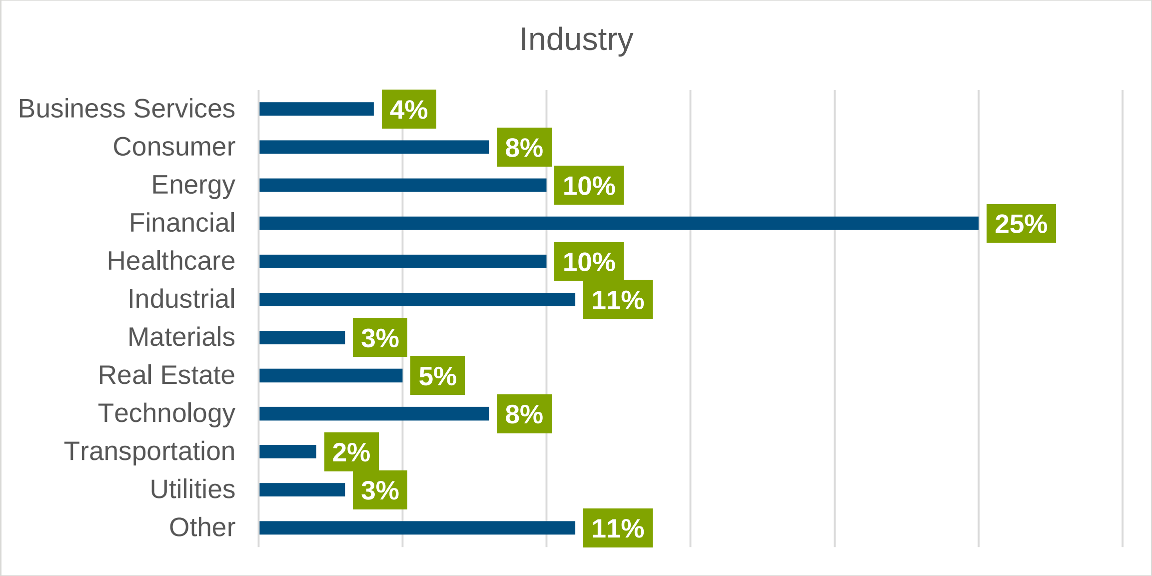




Respondent Demographics







About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, Raleigh, and San Jose.