

2016 | PRIVATE COMPANY BOARD COMPENSATION SURVEY

COMPANY PROFILE

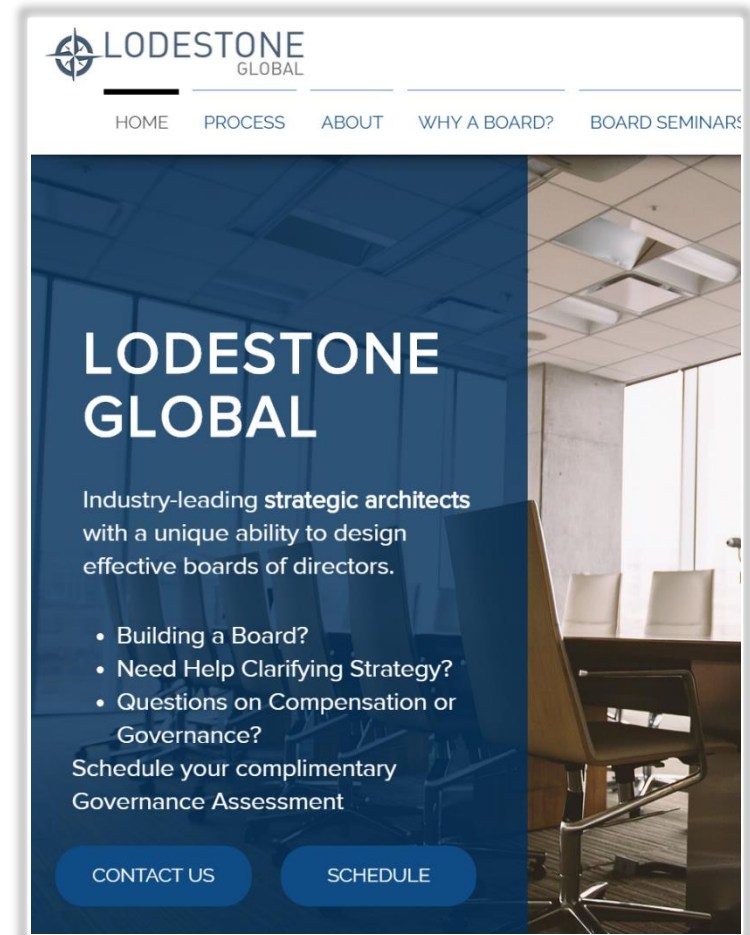
LODESTONE GLOBAL

Lodestone Global is a specialized consulting firm providing strategic guidance to chief executives of private and family controlled enterprises, who are considering forming or refreshing a fiduciary or advisory board.

Lodestone Global is **not a traditional search firm**. We invest significant partner time to help you define your strategy, and assist you in developing, recruiting and maximizing a board that drives those strategic objectives.

Lodestone Global gives you exclusive access to a network of experienced Board candidates from a proprietary database for you to evaluate. We utilize a proven methodology for assembling or updating a board that respects your culture and delivers a high return on investment.

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EXECUTIVE SUMMARY

Lodestone Global surveyed **331 companies** across **33 different industries** and **39 countries** to analyze current board practices and compensation around the world. **35% of respondents were from companies based outside the United States**, with every continent but Antarctica represented. The mean revenue of the sample was \$219m. The mean number of employees was 572.

Median total compensation was \$36,000, with Transportation and Logistics leading all industries. **Total compensation was ~6% higher than the \$34,000 reported last year**. This 6% increase (8% in 2015) is the result of increases both domestically (+9%) and internationally (+1%).

57% of the YPO companies in the survey had women as board members, up from 55% last year. Boards continued to have a strong impact on company performance, with **87% of companies reporting increased revenues** and **82% reporting increased EBIT**. Since the respondent joined the board, companies reported an average revenue increase of 48%. ~90% of boards with at least one woman director reported that their companies increased revenues. Nearly 50% of the participants categorized their boards as “Indispensable” or “Very Effective” at driving corporate strategy. **These results support the notion that a board, particularly with the right directors, can be essential to achieving corporate goals and improving profitability.**

50% of the survey respondents were family owned companies. The median number of board members was 6, with 3 independent directors. Historically, a statistically insignificant number of companies in our survey have used equity to compensate their board members. In 2016, however, the number of companies that used equity retainers more than doubled to 21% (meeting fees were still nearly all cash). We believe this is due to the increased number of PE/VC-backed companies in our sample that pay their directors purely in equity. These institutionally financed companies also tended to compensate directors more than market rates. We attribute most of the growth in the <\$10m revenue segment to these companies who are investing in great governance early, to propel substantial growth. We continue to hold the thesis that mature private companies do not use equity as a key element of their board compensation programs.

HOW TO READ THE SURVEY

ABOUT THE SURVEY

The 6th Annual 2016 Private Company Board Compensation Survey was conducted among members of YPO in the summer of 2016. YPO connects 24,000 chief executives of companies generating US\$6 trillion in revenues and employing more than 15 million people in 130 countries. 331 companies provided meaningful responses.

Surveyed companies were comprised of family majority owned, private equity owned, single majority owned, and diversely owned equity structures. The survey presents the overall results of our work in determining specific compensation levels, as well as prevalent Board practices. This survey is private and confidential and was conducted for the sole benefit of participating YPO companies and Lodestone Global. This report may not be reproduced, quoted, archived, redistributed, or otherwise used without express permission.

METHODOLOGY

The objective of the survey was to collect data on Board member compensation for independent directors. We also captured data on Board practices and sentiment, to provide a picture of current governance thought among private company board members.

All of our data was collected and normalized to annual levels to provide a relative basis of comparison.

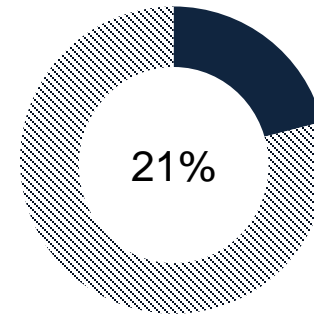
Average calculations included all 331 respondents (except per teleconference fees) whereas median calculations excluded the respondents who did not give an answer for that particular category.

SUMMARY STATISTICS

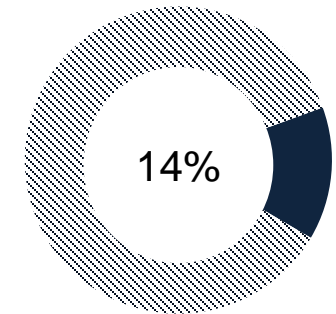
SURVEY STATISTICS	AVG	MED
Total Respondents:	331	331
Revenue:	\$219m	\$63m
Employees:	572	235
Yearly Meetings:	4.6	4.0
Annual Retainer (cash):	\$20,627	\$25,000
Per Meeting Fee:	\$1,545	\$2,250
Board Members:	6.2	6.0
Independent Board Members	2.8	3.0
Female Board Members	1.0	1.0

INDUSTRY REPRESENTATION

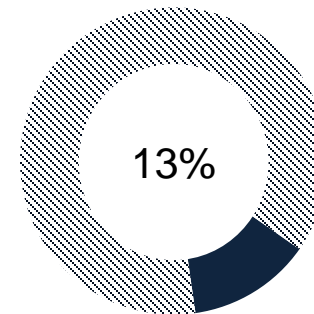
Retail/Wholesale



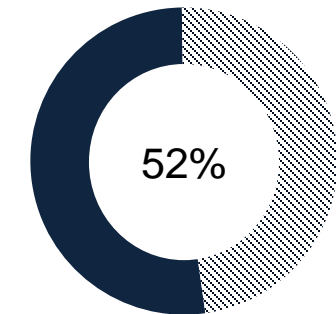
Manufacturing



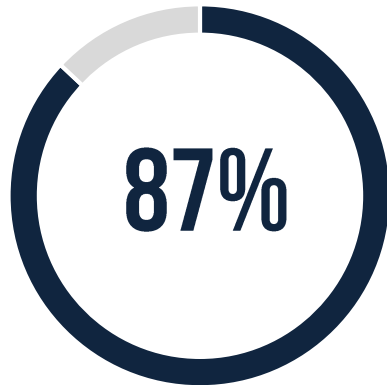
Professional Services



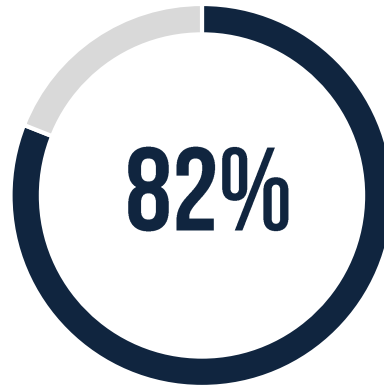
Other



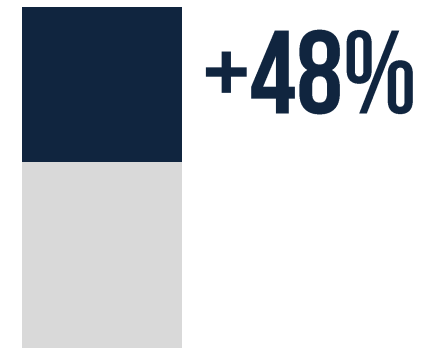
BOARDS DRIVE PERFORMANCE



Companies reported **INCREASED REVENUES** since implementing a Board of Directors



Companies reported **INCREASED EBIT** since implementing a Board of Directors



Companies reported average revenue growth of **~48%** (35% 2015) since respondent joined the Board



CONTACT US FOR THE FULL VERSION

Or, if you have any questions, comments or suggestions, please contact us by email at:

info@lodestoneglobal.com

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