

2017 – 2018

**PRIVATE COMPANY BOARD
COMPENSATION SURVEY**

LODESTONE GLOBAL | WINTER 2017



LODESTONE GLOBAL PROFILE

LODESTONE GLOBAL

We are 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.

Considering Building or Refreshing your Board?

Contact us at: info@lodestoneglobal.com



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LODESTONE GLOBAL

Industry-leading **strategic architects** with a unique ability to design effective boards of directors.

- Building a Board?
- Need Help Clarifying Strategy?
- Questions on Compensation or Governance?

Schedule your complimentary Governance Assessment

CONTACT US SCHEDULE

EXECUTIVE SUMMARY

Lodestone Global surveyed **386 companies** across **32 different industries** and **43 countries** to analyze current board practices and compensation around the world. **30% of respondents were from companies based outside the United States**, with every continent but Antarctica represented. The median revenue of the sample was \$100m. The median number of employees was 250.

Median total compensation was \$39,700, with Technology and Real Estate firms leading all other industries. **Total compensation was ~10% higher than the \$36,000 reported last year.** This 10% increase (6% in 2016) is the result of increases both domestically (+14%) and internationally (+5%). The 14% growth in U.S. compensation was the largest increase we have seen in our survey's history. Technology firms saw the most growth this year, paying their directors ~50% more than in 2016. Real Estate firms also showed double digit growth offsetting declines in Oil & Gas and Professional Services. Compensation growth is forecasted to continue, with 27% of the respondents projecting a rise in director pay – up from 20% that expected an increase last year.

60% of the companies in the survey had women as board members, up from 57% last year and 55% the year before. Boards had an even stronger impact on company performance, with **97% of companies reporting increased revenues** and **95% reporting increased EBIT**. Since the respondent joined the board, companies reported an average revenue increase of 56%. ~98% of boards with at least one woman director reported that their companies increased revenues. 52% 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.**

51% 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). In 2017 however, this number dropped down to 15%. 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 7th Annual 2017-2018 Private Company Board Compensation Survey was conducted among members of YPO in the fall of 2017. 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 386 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:	386	386
Revenue:	\$321m	\$100m
Employees:	1,357	250
Yearly Meetings:	4.5	4.0
Annual Retainer:	\$29,285	\$26,700
Per Meeting Fee:	\$2,187	\$2,500
Board Members:	6.4	6.0
Independent Board Members:	3.0	3.0
Female Board Members:	1.1	1.0

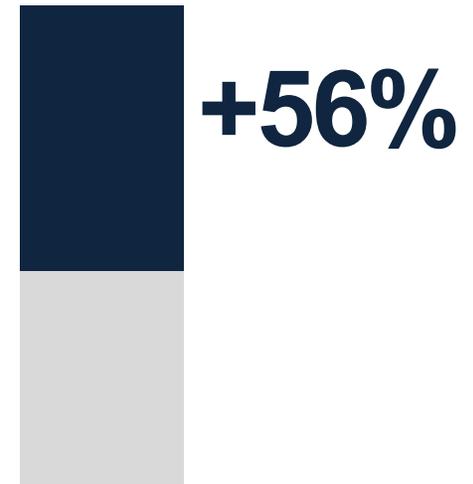
BOARDS DRIVE PERFORMANCE



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 56%** (48% 2016) since implementing a Board of Directors



CONTACT US FOR THE FULL VERSION

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

info@lodestoneglobal.com

Material presented is designed to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.