

EVENT TITLE: Navigating Key Compensation Issues

EVENT DATE: 5/28/2026

EVENT TIME: 12:00 Noon ET

PROGRAM SUMMARY

Compensation committees are operating in an increasingly complex environment marked by economic volatility, regulatory change, evolving shareholder expectations, and heightened scrutiny of executive pay decisions.

During this NACD New England and NACD Philadelphia joint program, panelists explored the most pressing issues facing compensation committees today, including executive compensation design, the use of discretion in incentive programs, talent retention, shareholder engagement, human capital oversight, and the expanding responsibilities of compensation committees beyond traditional pay-setting functions. The discussion underscored that effective compensation oversight requires both rigorous analysis and thoughtful judgment as boards navigate rapidly changing business conditions.

Compensation Committees Are Navigating Unprecedented Complexity

Panelists noted that compensation committees are balancing a growing number of responsibilities at a time when business conditions remain highly unpredictable. Economic uncertainty, geopolitical tensions, supply chain disruptions, labor market pressures, changing regulatory requirements, and evolving investor expectations are all influencing compensation decisions.

At the same time, many compensation committees have expanded their scope beyond executive pay to include broader oversight of talent management, succession planning, leadership development, culture, and human capital strategy. As a result, committees are increasingly required to consider not only how executives are compensated, but also how organizations attract, develop, retain, and motivate leadership talent.

The discussion highlighted that compensation committees can no longer operate solely as compliance-oriented bodies. Instead, they must serve as strategic partners to the board and management while maintaining independent oversight responsibilities.

Balancing Structure and Flexibility in Incentive Design

One of the most significant challenges discussed was how boards should evaluate executive performance when external factors materially affect business outcomes.

Panelists observed that traditional performance metrics can be difficult to apply in periods of significant disruption. Events such as the pandemic, supply chain interruptions, inflationary pressures, tariffs, and geopolitical instability have forced many boards to reconsider how incentive plans are evaluated and whether adjustments are appropriate when circumstances fall outside management's control.

Importantly, speakers emphasized that compensation committees should not view performance adjustments as arbitrary exercises. Rather, boards should establish clear frameworks throughout the year to monitor evolving business conditions and discuss potential impacts on incentive outcomes well before year-end decisions are made.

Several panelists suggested that the term "discretion" often understates the rigor involved in these decisions. Effective committees rely on structured judgment, ongoing dialogue, and clearly communicated expectations to ensure that compensation outcomes remain aligned with both performance and shareholder interests.

The discussion also reinforced that flexibility must work in both directions. While boards may adjust outcomes upward when extraordinary circumstances warrant consideration, they must also be prepared to exercise downward adjustments when performance falls short or strategic opportunities are missed.

Compensation Philosophy Must Remain Grounded in Strategy

Panelists stressed the importance of maintaining a consistent compensation philosophy despite changing market conditions.

While external events may influence short-term decision-making, boards were encouraged to remain anchored in core principles related to performance, shareholder alignment, culture, values, and long-term value creation. Compensation programs should support the company's strategic objectives while reinforcing the behaviors and leadership qualities needed for sustainable success.

The discussion highlighted that culture and values remain important components of executive evaluation. Several speakers noted that leadership effectiveness extends beyond financial performance and should include factors such as talent development, organizational culture, risk management, and execution against strategic priorities.

Boards were encouraged to regularly revisit their compensation philosophy to ensure that incentives continue to align with evolving business needs while avoiding unnecessary volatility in compensation design.

Talent Oversight Is Becoming a Core Compensation Committee Responsibility

A recurring theme throughout the session was the growing connection between executive compensation and broader talent oversight.

Panelists highlighted that compensation committees increasingly oversee succession planning, leadership development, workforce retention, and executive performance evaluation. Several participants argued that the committee's role should extend beyond compensation to encompass broader human capital management responsibilities.

The discussion emphasized that boards should maintain visibility into leadership pipelines and organizational readiness. Strong succession planning processes, regular talent reviews, and ongoing assessment of leadership

capabilities help ensure that organizations are prepared for future transitions and strategic challenges.

Panelists also stressed the importance of understanding talent markets. One practical recommendation involved examining where companies attract talent from and where they lose talent to, rather than relying exclusively on traditional peer groups. This approach can provide a more realistic understanding of competitive compensation dynamics and retention risks.

The Value of Independent Compensation Advisors

The role of compensation consultants received considerable attention throughout the program.

Panelists agreed that independent advisors play a critical role in helping committees navigate increasingly complex regulatory, accounting, tax, governance, and market considerations. Beyond benchmarking compensation levels, consultants provide valuable perspective on emerging trends, shareholder expectations, proxy advisor positions, and potential unintended consequences of compensation decisions.

However, speakers emphasized that compensation committees cannot delegate decision-making responsibilities to advisors. Consultants should inform board discussions, not replace them. Effective committees use external expertise to enhance their understanding while maintaining accountability for final decisions.

Several panelists also encouraged boards to periodically evaluate their advisor relationships and ensure they are receiving the expertise, perspectives, and insights necessary to support effective governance.

Shareholder Engagement and Evolving Investor Expectations

The discussion also explored the growing importance of shareholder engagement on compensation matters.

While many companies historically engaged investors primarily in response to compensation concerns or unfavorable say-on-pay outcomes, panelists noted

that investor engagement has become increasingly valuable as a mechanism for understanding shareholder priorities and expectations.

Directors observed that these conversations often provide important context regarding investor concerns and can improve board understanding of how compensation decisions are perceived externally. At the same time, engagement practices continue to evolve as institutional investors adapt to changing regulatory considerations surrounding shareholder activism and ownership reporting requirements.

The panel emphasized that while investor feedback should inform board deliberations, compensation committees must ultimately make decisions that align with the company's strategy, talent needs, and long-term value creation objectives.

Governance, Judgment, and Board Effectiveness

The session concluded with a broader discussion of governance effectiveness and the qualities that distinguish strong compensation committees.

Panelists stressed that effective oversight requires both analytical rigor and informed judgment. Committee members must understand financial performance, strategy, talent, culture, shareholder expectations, and regulatory developments while maintaining an independent perspective.

Several speakers also highlighted the importance of close coordination between compensation and audit committees, noting that a deep understanding of the company's financial performance is essential to evaluating executive compensation outcomes appropriately.

Ultimately, the discussion reinforced that compensation committees play a critical role in aligning leadership incentives with long-term business success. As business conditions become more dynamic and stakeholder expectations continue to evolve, boards will need to balance consistency and adaptability while maintaining focus on performance, talent, culture, and shareholder value.

KEY TAKEAWAYS:

Compensation Committees Must Balance Structure with Flexibility

Incentive plans should be grounded in clear performance expectations while allowing boards to respond thoughtfully to significant external disruptions and changing business conditions.

Talent Oversight Is Now a Core Governance Responsibility

Compensation committees are increasingly responsible for succession planning, leadership development, culture, and broader human capital management—not just executive pay.

Compensation Philosophy Should Remain Anchored in Strategy

Strong boards maintain consistent principles around performance, shareholder alignment, and long-term value creation even as market conditions evolve.

Independent Advisors Inform Decisions But Do Not Make Them

Compensation consultants provide valuable expertise and market perspective, but accountability for compensation outcomes remains with the board.

Shareholder Engagement Can Strengthen Compensation Oversight

Constructive dialogue with investors helps boards understand external perspectives while reinforcing transparency, credibility, and long-term alignment with shareholders.

MODERATOR:

Arlene Yocum, Director, The Glenmede Trust Company, N.A.; Chair, Audit Committee

SPEAKER(S):

Elaine Eisenman, Managing Director, Saeje Advisors

Laurel Richie, Independent Board Director, Bright Horizons, Hasbro, Seat Geek and Synchrony Financial

Theo Sharp, Partner, Executive and Board Advisory, AON

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