



Pay Governance

What You are Likely to Hear in the Boardroom

10 Trends Shaping Compensation Committee Agendas for the 2026–2027 Proxy Season

For more details, see these Pay Governance Viewpoints

External Forces Reshaping Executive Compensation
Boardroom Decisions Shaping Compensation Strategy

The 10 Trends at a Glance

Issues receiving the greatest attention in Compensation Committee meetings



External Environment & Regulatory Landscape

1. Economic Uncertainty, Supply Constraints, & ...Stock Market Highs?
2. Upcoming Shifts in Disclosure Requirements
3. Fallout from Excluding Shareholder Proposals



Investor Landscape & Proxy Voting Dynamics

4. Changing Say-on-Pay Voting Climate
5. Emergence of AI-Based Proxy Voting



Compensation Design & Program Evolution

6. Stick with PSUs or “Go Long”?
7. Evolution from ESG Metrics to Broader Human Capital Focus



Talent, Governance & Organizational Priorities

8. Differentiating High Performers & Top Skills
9. Navigating Shifts to Split Leadership Structures
10. Continued Focus on Executive Security

External Environment & Regulatory Landscape

Economic conditions and shifting SEC priorities are reframing Compensation Committee discussions



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Economic Uncertainty, Supply Constraints & ... Stock Market Highs?

- ◆ Equity grant values vary sharply by sector — energy, industrials and tech are up double digits YTD; healthcare, consumer, and financial services lag.
- ◆ Three-year performance plans leave time for results to shift, but mid-year bonus accruals are already on committee calendars.
- ◆ Any adjustment needs a clear, supportable rationale tied to factors outside management's control.



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Upcoming Shifts in Disclosure Requirements

- ◆ SEC Chairman Atkins has asked for a full review of Regulation S-K reporting, including executive pay disclosure.
- ◆ Proposed rules would ease requirements for smaller filers (float below \$2B), potentially removing Say-on-Pay votes for that group.
- ◆ A related proposal would allow semi-annual financial reporting, which could affect incentive metric design.
- ◆ Final rules aren't expected until early 2027 (for 2028 disclosures) — hold off on major changes until clarity emerges.



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Fallout from Excluding Shareholder Proposals

- ◆ November 2025 changes to Rule 14a-8 expanded companies' ability to exclude certain shareholder proposals without SEC no-action relief.
- ◆ Litigation is emerging — AT&T, PepsiCo, and Chubb have already faced lawsuits, with some excluded proposals reinstated.
- ◆ Boards should weigh legal, governance, and investor-relations risk carefully before excluding future proposals.

Investor Landscape & Proxy Voting Dynamics

Proxy advisors are pulling back from one-size-fits-all recommendations



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Changing Say-on-Pay Voting Climate

- ◆ DOL and a Trump Administration executive order are increasing scrutiny of proxy advisors as potential investment-advice fiduciaries.
- ◆ Glass Lewis is dropping single benchmark reports for a “client-driven” model; ISS is shifting toward customized data over integrated analysis and vote recommendations.
- ◆ Expect more varied Say-on-Pay voting themes — direct investor engagement matters more than ever.
- ◆ Institutional investors are likely to rely more heavily on their own internal analyses going forward.



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Emergence of AI-Based Proxy Voting

- ◆ JPMorgan Asset Management now uses its own AI model, “Proxy IQ,” instead of proxy-advisor recommendations, covering 3,000+ companies.
- ◆ AI-driven analytics could “democratize” proxy voting research across more institutional investors.
- ◆ If the trend continues, companies could face an even more varied landscape of investor voting policies.

Compensation Design & Program Evolution

Long-term incentive structure and strategic metrics are both in motion



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Stick with PSUs or “Go Long”?

- ◆ ISS and Glass Lewis have softened their long-held requirement that at least 50% of LTI value be delivered in performance shares.
- ◆ Both advisors now support long-vesting time-based shares, such as structures with a five-year-plus restriction period.
- ◆ Many institutional investors still prefer at least 50% PSU weighting, per a 2025 Pay Governance survey of 100+ investors.



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Evolution from ESG Metrics to Broader Human Capital Focus

- ◆ Traditional ESG metric usage is declining in the U.S. amid regulatory scrutiny and political pressure.
- ◆ Companies are shifting toward human-capital metrics — employee engagement, recruiting, retention, turnover, and talent development.
- ◆ Europe and other international markets continue to favor traditional ESG measures.
- ◆ The goal is not swapping one metric set for another, but keeping incentive plans tied to long-term value drivers.

Talent, Governance & Organizational Priorities

Committees are treating talent and leadership risk as core governance work



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Differentiating High Performers & Top Skills

- ◆ AI and workforce reconfiguration are bifurcating the labor market — strong demand for top talent, softer demand elsewhere.
- ◆ Companies are steering larger merit increases and special incentives to high performers and critical-skill roles.
- ◆ This links directly to succession planning and retention risk management.



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Navigating Shifts to Split Leadership Structures

- ◆ Elevated CEO turnover is driving more executive-chair / new-CEO pairings to balance continuity with renewal.
- ◆ These roles work best when transitional, time-bound and clearly delineated to avoid overlap in authority.
- ◆ Committees must design differentiated, market-aligned pay for both roles, backed by strong independent oversight.



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Continued Focus on Executive Security

- ◆ High-profile incidents of violence against corporate leaders have made security a standing, at-least-annual committee agenda item.
- ◆ The SEC has signaled that comprehensive 24/7 protection may be viewed as a business expense rather than a perquisite.
- ◆ Coverage is expanding beyond the CEO — in some cases beyond the C-suite — to other key or highly visible employees.

What This Means for Compensation Committees

Practical next steps as boards prepare for the 2026–2027 proxy season



Define clear principles for any pay adjustments tied to factors outside management's control, before results are known.



Engage investors directly — proxy advisor guidance is fragmenting, so first-hand investor views matter more.



Align pay programs with talent and succession strategy, especially for critical-skill roles and split leadership structures.



Assess the pros and cons of the SEC's proposed disclosure relief for smaller filers before acting on it.



Revisit long-term incentive mix (PSUs vs. time-based awards) against evolving advisor and investor preferences.



Review executive security protocols at least annually as protection increasingly reads as a business necessity.

Questions? Contact **Tara Tays**, Partner, Pay Governance LLC | tara.tays@paygovernance.com | 312.285.8641