



Investor perspectives on compensation, succession, and investor-board relations

March 2026



Executive compensation continues to be a priority for investors, who are seeking a close alignment between pay and performance even as political and regulatory pressures are shifting investor-board dynamics. On March 19, 2026, Compensation and Talent Governance Network (CTGN) members met virtually to discuss investor perspectives on executive compensation, CEO succession, and the current state of investor-board relations. This *Summary of Themes* provides an overview of the conversation.

Members were joined by Susan Sandlund and Matt Turner, managing directors at Pearl Meyer.

A full list of participants can be found on page 5.

This *Summary of Themes* highlights the following key insights from the conversation:

Investors prioritize simplicity, rigor, and alignment with performance in assessing compensation plans

Succession planning and executive retention are garnering increased attention

Shifts in the investment landscape are reshaping investor-board interaction

Investors prioritize simplicity, rigor, and alignment with performance in assessing compensation plans

Simplicity, clarity, and measurability emerged as paramount principles for executive compensation design, as investors prize financial metrics that are clear, measurable, and aligned with company strategy. Absolute quantum of pay matters less than clear line-of-sight between performance requirements and shareholder value creation. One participant noted that investors embrace programs that demonstrate *“pay for performance, fair compensation, and a really good balance.”*

Members and guests discussed other specific elements that investors prioritize in compensation plans.

- **A preference for financial metrics does not rule out use of nonfinancial metrics.** Nonfinancial metrics, particularly those related to environmental, social, and governance factors, have fallen out of favor in recent years, and participants agreed that financial metrics should comprise the significant majority of long-term investment plans, with performance periods favoring longer time frames to align with investor horizons. However, investors are not categorically opposed to the use of such metrics as long as they are measurable and material to performance. It has sometimes been the case that *“financial metrics were very quantifiable, and then in your nonfinancial metrics, there was very little ability for a fund manager to audit the performance.”* This has improved, but investors remain cautious about nonfinancial weightings creating potential disconnections between pay and performance.
- **Rigor in setting performance goals is critical.** Investors evaluate what companies define as a stretch target in incentive compensation plans by comparing those performance targets with analyst consensus of anticipated company performance. Investors will probe any misalignment between their expectations and what the plan defines as strong performance in a compensation plan.
- **Use of discretion is better received when explicit justification is given.** Investors are generally skeptical about the use of discretion, especially when compensation is always adjusted upward, and participants noted that examples of downward discretion are rare. Intentional communication with investors can mitigate concerns. Compensation committees that proactively communicate with shareholders before exercising discretion—explaining potential retention risks when plans won’t pay out, for example—receive far better reception than those that simply announce discretion adjustments in annual reports.
- **Investors welcome adjustments that reflect shifting market conditions.** One member shared an example of a company that shifted from heavy reliance on total shareholder return to metrics like free cash flow margins and organic growth when market conditions changed dramatically. A compelling reason for a change, particularly one driven by market factors beyond company control, will often receive investor understanding.

Succession planning and executive retention are garnering increased attention

Succession planning and leadership development is an area of growing investor interest, but may not *“get a lot of attention until it becomes perhaps a little bit more of a risk,”* said one participant. Situations that

can trigger increased attention include the following:

- **Lengthy tenure.** CEO, chair, or CFO tenure exceeding 10–15 years raises concerns.
- **Rapid turnaround scenarios.** Retention concerns arise when new CEOs or CFOs drive strong turnarounds over three to five years. In these situations, investors want to know that the board has strategies to retain key personnel, given that success creates external opportunities for senior executives that could derail the company’s trajectory.
- **Poor execution from management.** Unsuccessful executives prompt immediate questions from shareholders about board planning. When shareholders lose faith in executives’ ability to execute, they look to the board for answers.

Ms. Sandlund confirmed increased investor focus on succession planning over the past five years and warned boards *“to avoid being caught flat-footed.”* She described a client whose long-term CEO resisted succession planning discussions until a major risk event occurred, prompting investors to dive in and discover inadequate preparation, ultimately leading to a forced transition. Members and guests acknowledged that transparency and advance preparation set investors at their ease and agreed that boards need robust succession processes in place regardless of current CEO tenure or performance.

Shifts in the investment landscape are reshaping investor-board interaction

Last year, new SEC guidance broadened when a large shareholder may be deemed to be “influencing control” over a company and therefore required to file a Schedule 13D rather than the lighter-touch Schedule 13G. Participants agreed that efforts to avoid triggering the requirement to file the 13D are causing shareholders to cut back on asking boards to adopt specific actions or policies. There has been *“quite a markedly different approach”* among US fund managers compared to their European counterparts since the guidance came out, one participant said, noting *“hesitance and reluctance about what asset managers can and should be engaging on.”* Multiple board members affirmed the same trend. Mr. Turner reported that many of his clients have experienced *“thinner”* conversations from investors, with one shareholder actually reading *“a boilerplate statement that helped to explain why they weren’t saying as much as they normally would.”* In this context, Mr. Turner emphasized, companies must *“take more than half the responsibility for the communications,”* meaning proxy disclosures and public materials now carry greater weight than ever. Board members noted that with board-led conversations *“bringing less and less value,”* there have been internal discussions about redesigning engagement strategies. One director’s board is *“asking what shareholder engagement should look like in this new world so that as a board we’re getting valuable insight.”* Members agreed that boards cannot rely on investors to ask pointed questions anymore and must proactively tell their story through written materials and structured outreach.

Participants noted that the role of proxy advisory firms is also changing. Institutional Shareholder Services and Glass, Lewis & Co., facing political pressure and accusations of exercising undue influence over corporate America, are moving away from general policy recommendations and toward research and bespoke advice for clients. At the same time, they are facing new forms of competition. One director

noted that *“there's been lots of discussion about the role of AI and whether that will displace proxy advisors,”* while new tech-forward firms are emerging that provide research without recommendations. These companies, one participant noted, are *“scraping AGM materials and putting them into a format that can be used for large-scale consumption”*—in other words, digestible formats—addressing the core need for baseline research while avoiding the controversial recommendation layer.

About this document

The Compensation and Talent Governance Network (CTGN) brings together committee chairs drawn from North America’s most prominent companies for private discussions about improving the performance of their corporations and earning the trust of their shareholders.

Summary of Themes reflects the network’s use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Quotations in italics are drawn from conversations with network members and guests in connection with the meeting. The views expressed in this document are the sole responsibility of Tapestry Networks and do not necessarily reflect the views of network members or participants or their affiliated organizations. Please consult your counselors for specific advice.

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Appendix 1: Participants

The following members participated in all or part of the meeting:



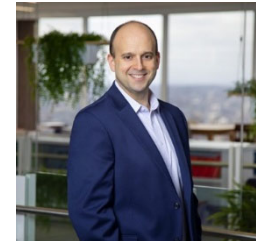
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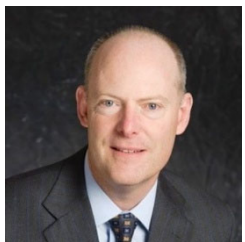
Anne Chow
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Stephanie Coyles
Management Resources
Chair
Sun Life Financial



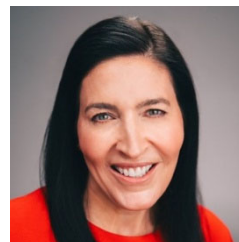
Jake George
Chief Marketing Officer
Pearl Meyer



Bill Glavin
Compensation Chair
Invesco



Hal Kravitz
Lead Director
Celsius Holdings



Bea Perez
Compensation Chair
WW Grainger



Joyce Russell
Human Resources and
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Celsius Holdings



Susan Sandlund
Managing Director
Pearl Meyer



Steven Shane
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SAIC



Laura Thatcher
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Matt Turner
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