



SUMMARY OF THEMES

# Compensation strategy in a volatile world

October 2026



**Members of the Compensation and Talent Governance Network (CTGN) met virtually on September 24, 2026, to compare notes on executive pay trends, incentive design in a volatile environment, lessons from the 2026 proxy season, and the emerging influence of artificial intelligence (AI) on compensation and talent strategy. The discussion came as committees are beginning to set 2027 plans against a backdrop of geopolitical tension, supply-chain disruption, uneven market performance, and a technology transition whose effects on business models and workforces remain difficult to forecast.<sup>1</sup>**

Members were joined by Becky Huddleston and David Wathen, both senior managing directors at Willis Towers Watson.

*A full list of participants can be found on page 6.*

This *Summary of Themes*<sup>2</sup> highlights the following insights that emerged from the conversation:

Compensation trends remain relatively calm this proxy season

Persistent uncertainty is now the baseline for compensation design, not an exception to it

AI is affecting incentives and the workforce, but few boards are putting it directly in the pay plan

## Compensation trends remain relatively calm this proxy season

The 2026 proxy season was relatively uneventful: say-on-pay support averaged above 90%, and the small number of failures traced to familiar causes, such as disconnects between pay and performance and large one-time awards.

Mr. Wathen and Ms. Huddleston shared pay data that indicates a market that is cautious on fixed costs but is still rewarding performance. Median chief executive base salaries rose just under 3% in the most recent proxy cycle, while long-term incentives rose roughly 7.5% and total direct compensation a little over 6%, with sharper movement in high-growth sectors such as businesses tied to data-center buildout. Projected 2027 merit budgets have settled in the 3% to 3.5% range, a decline from the peaks of the tight labor market a few years ago. The season's one notable pay development—a material uptick in security benefits for executives—drew *“next to no pushback”* from investors according to Mr. Wathen, particularly where companies conducted wholesale security reviews spanning the broader workforce, not just the C-suite.

At the same time, the dynamics of investor influence are changing. Mr. Wathen noted that some large investors are moving away from proxy adviser recommendations and toward their own AI-assisted analysis, and that *“more organizations are not going to blindly follow their vote recommendations.”* Meanwhile, Glass Lewis plans to stop issuing standard vote recommendations next year, instead applying each institutional client's custom voting policy. The result will be less consistency and visibility into how a vote that can swing 20% or more of shares will land, leading to a more fragmented investor base where, as one director explained, *“you just can't please everyone because you have an array of people who say, ‘You absolutely must have this, you absolutely can't have this.’”*

Against that backdrop, sustained direct engagement is becoming the decisive factor in winning and holding support. One board that failed say-on-pay over a one-time cash grant conducted 33 shareholder meetings to regain support, and the committee chair intends to keep making the case for the decision, while signaling that the award will not recur. Another board that failed for several years over a large multiyear CEO grant met with roughly 40 analysts and advisers, substantially expanded its proxy disclosure to explain its rationale, and ultimately won back Institutional Shareholder Services support, lifting its vote significantly. In both cases, boards that believed the underlying award was right for the business chose explanation over retreat, accepting a bruising vote as the price of retaining key leaders.

One participant noted that investor attention is broadening from pay to people. One member described a recent buy-side investor meeting in which nearly the entire hour was spent not on compensation but on leadership depth, succession, and culture. *“They really were digging into the secret sauce of the company,”* the participant said. Committees should expect talent strategy increasingly to be part of the investor conversation.

## Persistent uncertainty is now the baseline for compensation design, not an exception to it

While geopolitical conflict, tariffs, and technological disruption are creating a climate of volatility and uncertainty, participants agreed that boards are increasingly viewing this not as an aberration but as a permanent fixture of the operating environment, one that began with the pandemic and has simply changed form. One director said, *“We have been living since COVID through disruption.”* This outlook is now shaping compensation plan design across the market. Ms. Huddleston said, *“Uncertainty and volatility are the new normal,”* so committees are *“designing their programs to withstand uncertainty,”* rather than adjusting plans in response to every shock.

### Adapting plan designs for uncertainty

Members and guests pointed to a few key ways they are approaching compensation plan design to withstand uncertainty:

- **De-risk the long-term incentive mix where goal setting has become difficult.** Some companies are weighting awards more heavily toward restricted stock units or temporarily shortening performance periods for performance-based units when credible multiyear targets simply cannot be set. Ms. Huddleston noted that these are not yet common market practice, but *“we certainly are seeing that, and I’ve got a few clients that are employing some of those particular practices.”* One committee broadened its performance ranges after severe industry disruption to build in downside risk protection, a change that *“has served us well.”*
- **Maintain consistency in metrics unless circumstances require a change.** Guests and members expressed reluctance to make changes to in-flight plans or repeatedly change performance metrics. As one chair put it, *“I like consistency. I don’t want to mess around every year and change things. If you change it, hopefully it’s going to stay there for a couple of years.”* However, on some occasions metrics need to evolve with changes in strategy, and investors would support deliberate, well-justified changes in metrics. For example, one committee shifted its operating businesses to an organic revenue growth measure to reflect a strategic imperative—changes that investors explicitly endorsed.
- **Rebuild peer groups so relative measures compare like with like.** The current climate has pushed companies to ensure that their peers are *“responding to the macroeconomic environment in a similar fashion.”* Several committees have overhauled comparator groups in response to events such as industry disruption or a major divestiture. Members noted that getting alignment with investors and proxy advisers around relevant peer groups can require a significant investment in time to explain the rationale for peer-group adjustments.

### Balancing discretion and accountability

Uncertainty arising from geopolitical conflict, market volatility, and technological disruptions raise questions around use of discretion and the right approach to take when external events depress results through no fault of management. Ms. Huddleston observed that more committees are converging on the position that such shocks are *“just a cost of doing business,”* while recognizing that the ability to exercise discretion when genuinely appropriate remains *“one of the committee’s most important roles.”*

Committees are thus faced with finding the right balance between maintaining standards of accountability and the practical need to retain leaders in a competitive talent market. While committee chairs are generally reluctant to deploy discretion, participants did recognize some ways they are navigating the balance in practice:

- **Weigh accountability for performance with the realities of talent competition.** One chair articulated an ownership view: *“If you are the owner of your own business, and the economy performs terribly, guess what? You’re not making any money. And so I’m struggling if, on a publicly traded company, you treat your executives differently. If COVID or anything else happens, and it drives down your earnings, the shareholders suffer—so why would I make my executives whole?”* The same chair acknowledged that companies with more accommodating philosophies compete for the same talent and that targeted retention grants can bridge the gap, but he warned, *“I would also be careful there not to overdo it.”*
- **Hold the executive tier to the formula and protect the ranks below.** Circumstances may require committees to be more forgiving of leaders further down the organization while holding the line for top executives. When the pandemic hit, one company made no adjustments for top executives year—meaning they received no bonus—while paying bonuses below the top level to protect retention.
- **Reserve true discretion for genuinely unforeseeable circumstances.** Ms. Huddleston explained that discretion is generally exercised after the fact, weighing whether circumstances were contemplated at goal setting and whether they were within management’s control. Notably, committees exercised far less discretion for tariffs this year than many anticipated, precisely because such disruption is now expected and priced into goals. In contrast, one board did intervene to ensure that leaders of businesses caught in a regional armed conflict—who had managed through extraordinary circumstances—were not penalized for events entirely beyond their control.

## AI is affecting incentives and the workforce, but few boards are putting it directly in the pay plan

The pervasive impact of AI across industries and workplaces is raising questions of whether AI should appear in incentive compensation plans. The prevailing answer from members was no, at least not directly, not because AI is unimportant, but because its value should surface in the financial and operational results that committees already measure.

One director turned to an analogy: *“In a very few years, we’re going to think of AI as electricity. It’s just kind of a substance that everybody uses. I don’t see any advantage or even a practical way to use it as a particular metric.”* Another director, whose company has invested heavily in AI, agreed: *“If AI is properly done, you should be seeing [developments such as enhanced productivity, cost savings, and revenue growth] in your bottom line and in your top line.”* Mr. Wathen confirmed that this is the dominant market posture—clients are retaining their customer and operational measures, and *“the hope is the AI flows through and drives greater efficiencies and outcomes.”*

The consensus was not unanimous, however, as some committees have deployed or are considering specific AI-related metrics. Ms. Huddleston noted that a handful of clients had integrated AI into

performance metrics, including one that measured AI’s effectiveness in handling customer-service questions without having to hand over to a human representative. She also noted that that among companies that adopted AI usage metrics, targets set for 2026 were overtaken by the pace of change and largely rendered useless. Mindful of how fast the technology is moving, one director’s committee is considering adding a technology measure to the annual plan for a year or two “*to make the transformation, to make AI a real part of the fabric of the company*”—a deliberate, time-limited use of incentives to promote adoption, prompted in part by a fast-moving competitor.

## About this document

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

*The views expressed in this document represent those of the Compensation and Talent Governance Network. They do not reflect the views nor constitute the advice of network members, their companies, or Tapestry Networks. Please consult your counselors for specific advice.*

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## TK Appendix 1: Participants

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



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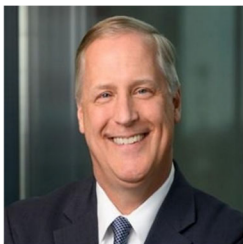
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## Endnotes

<sup>1</sup> Use of artificial intelligence: Portions of this document may have been prepared with the assistance of artificial intelligence tools. All content has been reviewed and approved by Tapestry Networks.

<sup>2</sup> This *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. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.