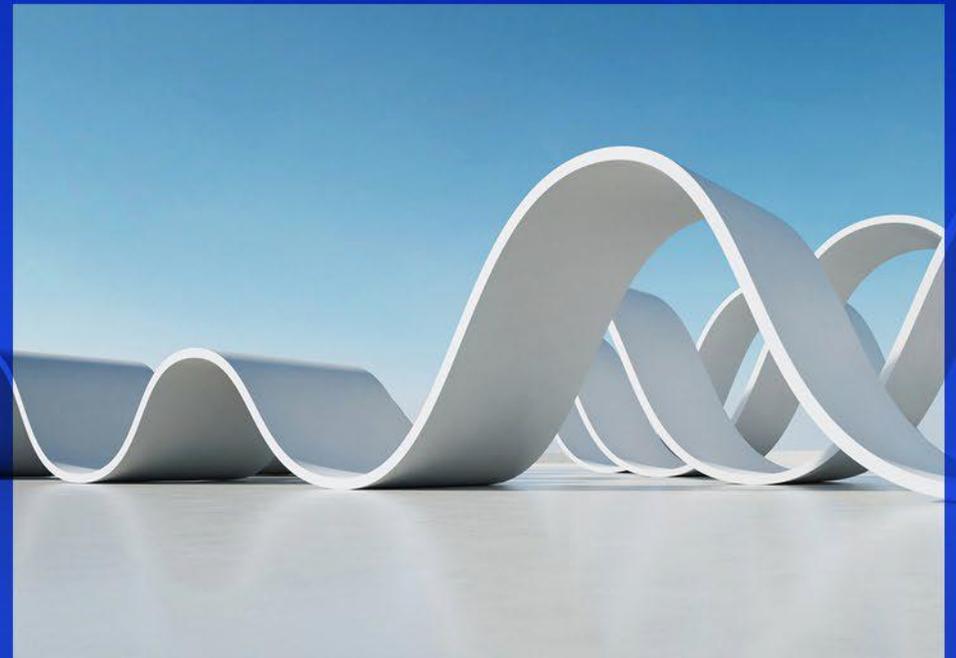




On the 2026 compensation committee agenda

KPMG Board Leadership Center

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As we head into 2026, companies will continue to face many of the challenges that defined 2025—shifting regulatory and economic priorities, a nonlinear policy on tariffs, geopolitical and domestic tensions, and the growth of GenAI and other emerging technologies. Ongoing volatility makes projecting financial performance and establishing meaningful performance metrics for incentive compensation plans more difficult. Helping to ensure that the company’s executive compensation programs support its objectives and philosophy and that its broader talent strategy and human capital management (HCM) systems are optimal requires diligence in the year ahead.



Drawing on insights from our interactions with directors and business leaders, we highlight four issues to keep in mind as compensation committees consider and carry out their 2026 agendas:

Ensure compensation structures support long-term strategy and talent retention while continuing to consider investor expectations.

Continue to focus on oversight of broader HCM matters, including the impact of the company’s integration of AI on the workforce.

Remain committed to shareholder engagement and ensure compensation-related disclosures are clear and comprehensive.

Review perquisites in light of increasing security concerns.



Ensure compensation structures support long-term strategy and talent retention while continuing to consider investor expectations.

Given the shifting economic and regulatory landscape, compensation committees may want to review their compensation plans and performance metrics for any necessary adjustments. Compensation committees can work with outside advisors to help ensure compensation plans provide the right mix of incentives to motivate and retain top talent and to drive long-term shareholder value.

When making significant changes, compensation committees should remain cognizant of the concerns of their largest shareholders and feedback received in prior years. A review of the vote results for say-on-pay proposals shows that shareholder support remained strong in 2025, with average support at Russell 3000 and S&P 500 companies of around 90 percent.¹ Large one-time equity grants with unclear performance alignment continue to receive strong criticism. One compensation advisor we spoke to recommends that boards reconsider awarding one-time grants, which have been a key reason for say-on-pay vote failures.

Investors and proxy advisors continue to scrutinize non-GAAP adjustments and use of ESG/DEI-related metrics in incentive plans. Compensation committees should be aware of whether adjustments to non-GAAP measures could potentially result in unintended windfall payouts for executives and should provide clear explanations of how and why adjustments were made.² Many companies that adopted incentive plan metrics tied to ESG and DEI measures following the pandemic have eliminated or adjusted the way they disclose those metrics as the political climate shifted. Compensation committees should clearly explain the rationale for removing those metrics from incentive awards and their plans.³

¹ Etelvina Martinez, “Executive pay: lessons from 2025 and board priorities for the year ahead,” Alliance Advisors, September 2025.

² Simone Hicks, Jonathan Lewis, and J. Michael Snypes Jr., “2025 Executive Compensation Reminders for Public Companies,” Harvard Law School Forum on Corporate Governance, January 15, 2025.

³ Subodh Mishra, “2025 U.S. Compensation Post-Season Review: Strong Investor Support Despite Record CEO Pay,” Harvard Law School Forum on Corporate Governance, October 30, 2025.





Continue to focus on oversight of broader HCM matters, including the impact of the company's integration of AI on the workforce.

Compensation committees continue to broaden their purview beyond traditional executive compensation issues. As we noted in this publication in prior years, many compensation committees have expanded their oversight to include broader workforce and talent management matters due to heightened employee health and safety concerns during the COVID-19 pandemic, and a subsequent increased focus on employee well-being, mental health, and workforce composition.⁴ In light of this expanded focus, some boards have added directors with human resources experience to strengthen oversight of a broader range of human capital matters.

The rapid adoption of GenAI, agentic AI, and other emerging technologies and their potential to dramatically transform a company's operations will have significant impact on the current workforce. As such, many compensation committees are questioning management about the company's approach to retaining current employees, recruiting specific technology expertise, and considering how organizational structures and career paths may need to be altered.



⁴ KPMG Board Leadership Center, "On the 2025 compensation committee agenda," p. 4.



Remain committed to shareholder engagement and ensure compensation-related disclosures are clear and comprehensive.

Engaging with shareholders remains important as market swings and regulatory uncertainty may impact performance against incentive plan metrics. Indeed, increased communication via shareholder engagement over the last decade has resulted in more informational discussions, or engagement meetings, between companies and shareholders. However, that dynamic was significantly impacted by the SEC's interpretation of Schedule 13D and 13G prior to the 2025 proxy season. Many of the largest institutional investors in the US briefly halted their engagements with portfolio companies to avoid being considered "active investors" subject to more stringent filing requirements.⁵ Despite this, it is important for lines of communication with shareholders to remain open so boards and management have a good understanding of shareholder concerns related to compensation programs and HCM practices.

In addition to participating in engagement meetings, compensation committee members can stay informed about key shareholder concerns by monitoring their largest investors' proxy voting guidelines and the topics and level of support of shareholder proposals voted on in previous years. During the first half of 2025, as in 2024, most compensation-related shareholder proposals called for limits on severance packages for executives. Average support for these proposals increased from 15 percent in 2024 to 23 percent in 2025. The next most common type of pay-related proposal called for enhanced clawback provisions; however, average support for those proposals dropped significantly from 17 percent to 7 percent in 2025.⁶

Even if a company doesn't typically receive shareholder proposals or have cause to be concerned about lack of support for the say-on-pay vote, it is still imperative to maximize the opportunity to communicate the board's reasoning for adopting the current compensation strategy and incentive plan design in the proxy statement and other compensation-related disclosures. At the same time, the length of proxy disclosures has attracted the attention of SEC Chairman Paul Atkins. In remarks related to a public roundtable on the topic held by the SEC, Atkins said the "requirements, and the resulting disclosure, have become increasingly complex and lengthy," adding, "It is important for the Commission to engage in retrospective reviews of its rules to ensure that they continue to be cost-effective and result in disclosure of material information without an overload of immaterial information."⁷



⁵ KPMG Board Leadership Center, "On the 2026 nom/gov committee agenda," forthcoming January 2026.

⁶ Sullivan & Cromwell, "2025 Proxy Season Review: Part 1: Rule 14a-8 Shareholder Proposals," August 11, 2025.

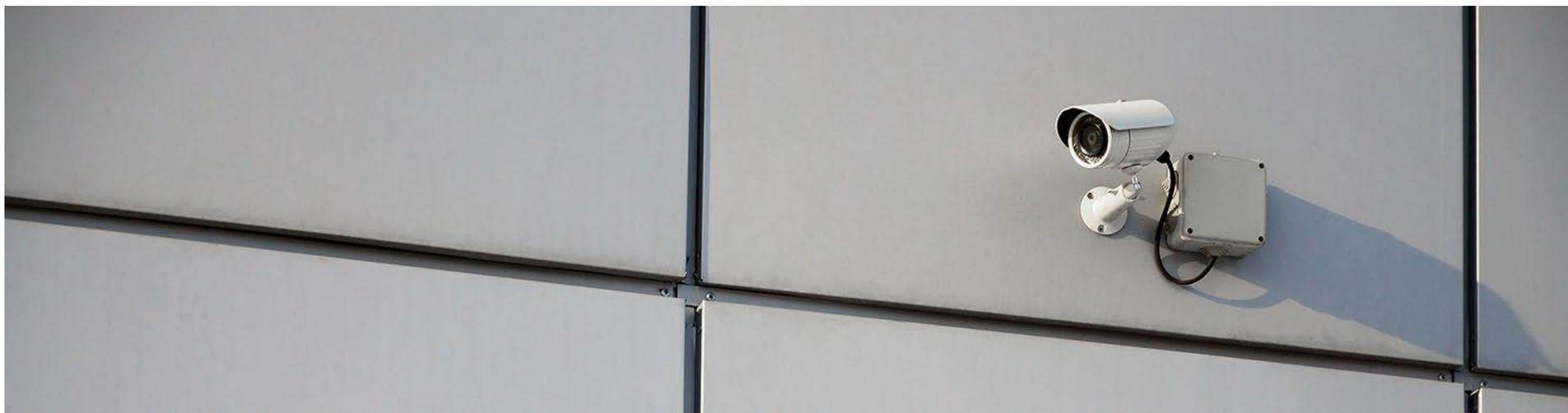
⁷ Paul S. Atkins, "Statement on the Upcoming Executive Compensation Roundtable," Securities and Exchange Commission, May 16, 2025.



Review perquisites in light of increasing security concerns.

Due to the increasing risk of physical threats to executives, the prevalence of perquisites related to executive security may continue to rise. In 2024, more than 31 percent of S&P 500 companies provided security services for senior executives, compared to approximately 21 percent in 2021. The median value of this perquisite, which can include the cost of personal and residential security services as well as digital threat monitoring, more than doubled in 2024.⁸ As the cost of security services can be significant for some companies, it is important to clearly explain the threat environment and decision-making process for determining the value of the perquisite in the proxy statement.

The last several years have also seen a significant increase in the prevalence and value of the personal use of corporate aircraft. In addition to the efficiency of corporate flights compared to commercial travel, many companies require CEOs to travel on private flights for security reasons. Nearly 44 percent of S&P 500 companies disclosed CEO use of corporate aircraft for personal travel in 2025, compared to only about 6 percent in 2021. Among the Russell 3000, almost 16 percent of companies disclosed this practice in 2025, compared to only 2 percent in 2021.⁹ Compensation committees should remain aware of the potential reputational risks related to the personal use of corporate aircraft by the CEO and other executives, which may draw scrutiny from shareholders and employees, especially amid return-to-office mandates and workforce reductions.



⁸ Equilar, "Executive Security Spending Shifts From Perk to Priority," April 18, 2025.

⁹ CEO and Executive Compensation Practices in the Russell 3000 and S&P 500: Live Dashboard, The Conference Board, ESGAUGE, and FW Cook, accessed December 12, 2025.

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