Long-Term Incentives:

Is It Time to Rethink Business as Usual?

A Compensation Committee Series Webinar

October 27, 2026

© NACD 2026. All rights reserved. **Empowering Directors. Transforming Boards.**

Presenters



Jeri Isbell

Independent Board Member at SiteOne Landscape Supply (NYSE: SITE) and Atkore (NYSE: ATKR) | Qualified Audit Committee Financial Expert | Former CHRO & CFO | Governance, Risk, HR, and Compensation



Jannice Koors

Senior Managing Director

Pearl Meyer



Greg Stoeckel

Managing Director

Pearl Meyer

© NACD 2026. All rights reserved.

Housekeeping

+ Submit a question and receive your answer directly from the presenters, either during today's webinar or as a follow-up. You will also be opted-in to receive future executive compensation thought leadership from Pearl Meyer.

Presentation slides available today	Recording available early next week
• https://pearlmeyer.com/insights-and-research/webcast/2026-long-term-incentives	• www.nacdonline.org/webinars • https://pearlmeyer.com/insights-and-research/webcast/2026-long-term-incentives

© NACD 2026. All rights reserved.

NACD Credentialing Information

Your participation in today's webinar earns you credit toward maintaining your NACD credentials.

NACD Board Leadership *Fellowship* ®

If you're working toward maintaining your NACD *Fellowship*® credential, you will receive **1 credit.**

NACD Directorship Certification®

If you're working toward maintaining your NACD Directorship Certification® credential, you will receive **1 credit.**

© NACD 2026. All rights reserved.

Agenda

Today's 5 key themes

1	How we got to where we are with long-term incentive (LTI) plan designs
2	The key factors causing companies to reconsider their LTI plan designs
3	Potential "fixes" for traditional PSU plan designs
4	The pros and cons of stock options in today's environment
5	What "stock options 2.0" might look like

© NACD 2026. All rights reserved.

Key Drivers of Current State Practices

The vast majority of large, publicly-traded companies are currently using a mix of RSUs and PSUs for their executive-level LTI plan design.

The Decline of Options

- Accounting changes
- Proxy advisory firm views
- Share usage and dilution impact

The Rise of PSUs

- Proxy advisory firm views
- Need to replace stock options
- Desire to align pay and performance

The Continued Use of RSUs

- Address retention objectives
- Provide stability in turbulent times
- Often highly valued by recipients

© NACD 2026. All rights reserved.

Polling Question #1

What LTI award mix are you currently using for executive-level LTI plan design?

1. RSUs + PSUs
2. RSUs + PSUs + Options
3. PSUs Only
4. Other

© NACD 2026. All rights reserved.

Key Factors Driving Reconsideration Today

Some of the key factors driving companies to reconsider their LTI plan designs for 2027	
Business Cycle	Longer than traditional 3-year PSUs
Forecasting Accuracy	Ability to set realistic multi-year financial targets
Program Complexity	Annual “debate” on metrics, weights, ranges, etc.
Adjustments & Discretion	Periodic need to address “in flight” awards
Proxy Advisory Firm Views	More open to longer, time-based vesting
PE Competitors	Almost exclusively use stock options

Some view PSUs as rewarding or punishing “forecast accuracy” more than actual business performance.

© NACD 2026. All rights reserved.

Polling Question #2

Are you considering a change to your executive-level LTI plan design for 2027?

1. Yes
2. No

© NACD 2026. All rights reserved.

Potential “Fixes” to PSU Designs Going Forward

Where PSUs remain in the annual grant mix, some ways to address potential challenges include:

Absolute Financial Metrics

- More pre-set adjustments
- Shorter performance period
- Wider performance range
- “Strike zone” around target
- Self-adjusting targets

Relative Metrics

- Increased usage / weighting
- Weighted metric vs. modifier
- Larger comparator group

© NACD 2026. All rights reserved.

Polling Question #3

For those companies with PSUs, which best describes your current PSU design?

1. 100% Absolute Metrics
2. 100% Relative Metrics
3. Blend of Absolute and Relative Metrics

© NACD 2026. All rights reserved.

The Pros and Cons of Stock Options

Are stock options really coming back?

The answer just might be YES, as part of a strategically-balanced LTI mix.

PROs of Stock Options

- Simple
- More “long-term” (10-year term vs. 3-year PSUs)
- More “durable” (no changing metrics/weights/etc.)
- Directly aligns executives with shareholders
- Avoids multi-year financial goal-setting
- Avoids consideration of “in-flight” adjustments
- Participant controls monetization and taxation timing
- Greater upside leverage based on stock price

CONs of Stock Options

- Consumes more shares (higher grant rate)
- Can become “underwater” and de-motivating
- Difficult to “clear out” underwater options
- Overhang can impede future new share requests
- Not directly linked to the company’s objectives
- More impacted by external, market factors
- Accounting expense may exceed value delivered

© NACD 2026. All rights reserved.

Polling Question #4

Would you consider adding stock options in the executive-level LTI mix?

1. Yes
2. No
3. We already grant stock options

© NACD 2026. All rights reserved.

Stock Options 2.0

If stock options return to majority practice, new practices/provisions may improve effectiveness

Front-loaded grants covering multiple years	Mix of FMV and premium-priced options	Determining the number of options using something other than Black-Scholes
Increased grant frequency within an annual grant model	Auto termination following a material stock price decline	Equity plan documents with an evergreen renewal feature

© NACD 2026. All rights reserved.

NACD

Q&A

Please submit your questions in the Q&A box below.



© NACD 2026. All rights reserved. **Empowering Directors. Transforming Boards.**



Don’t Miss Our Next Webinar

Stay tuned for 2027 *Compensation Committee Series* webinar dates and check out the archives of earlier webinars in this series at www.nacdonline.org/webinars

© NACD 2026. All rights reserved. **Empowering Directors. Transforming Boards.**

NACD