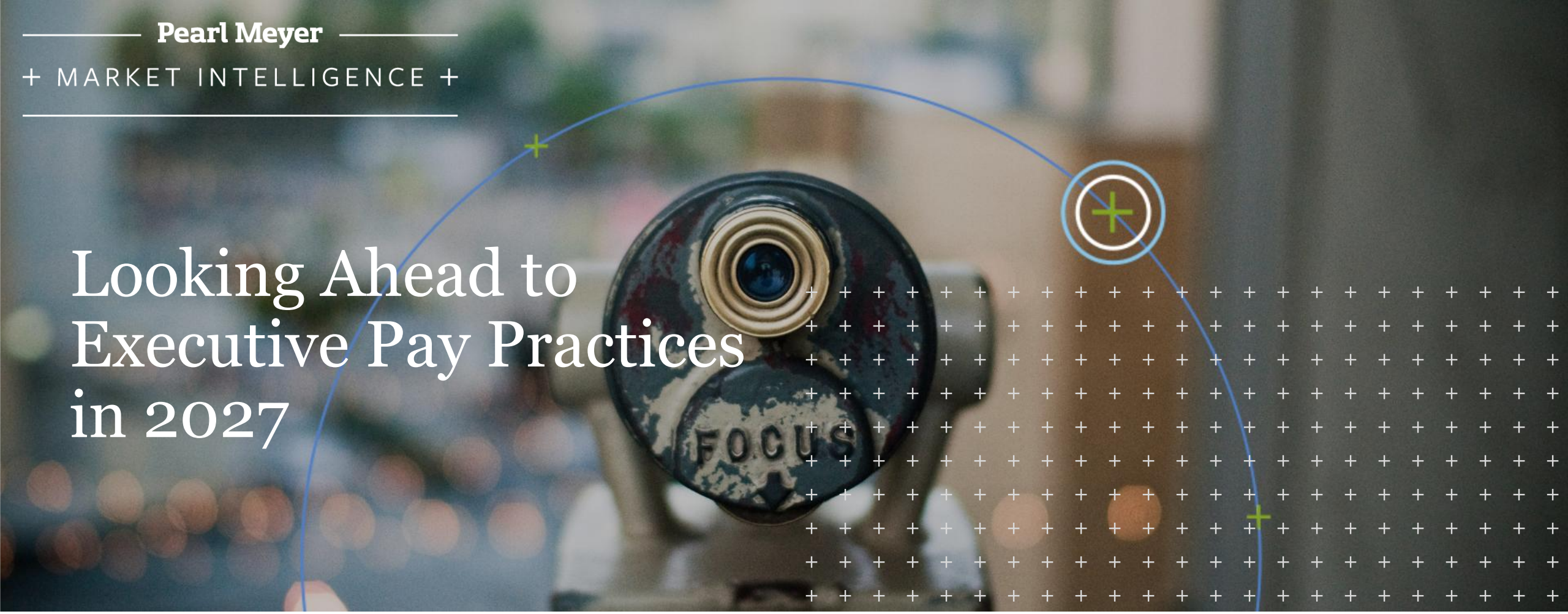
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Looking Ahead to Executive Pay Practices in 2027

Executive Summary

November 2026

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Introduction

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- Pearl Meyer's "Looking Ahead to Executive Pay Practices" is an annual, online survey and valuable compensation planning tool.
- This year's plan design survey was conducted between mid-August and mid-October of 2026, with total participation from 177 companies, including 87 publicly traded, 67 private-for-profit, and 23 not-for-profit (NFP) organizations.
  - As with prior surveys, responses are broken out separately by respondent type (employee vs. board member), ownership type, industry, and company size.

This Year's Survey Focuses	
Key topics associated with the current environment	Standard annual analyses
• Anticipated impact of macroeconomic factors on company performance and executive compensation and actions taken in response • Incentive plan goal setting challenges • Premium pay for key skill sets • Use of artificial intelligence (AI) metrics within incentive plans • Retention awards for executives • Recoupment (clawback) prevalence and provisions	• Projected base salary increases for 2027, • Expected payouts for short-term incentive (STI) and long-term incentive (LTI) cycles ending in 2026 • Anticipated use of discretion • Compensation philosophy • Compensation/human capital committee oversight • Recent or anticipated changes to incentive plan designs

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Introduction (cont'd)

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+ **This year's survey includes eight industry groups:**

1. Business/Professional Services
2. Consumer
3. Energy/Utilities
4. Financial/Insurance
5. Healthcare/Life Sciences
6. Industrials/Materials/Transportation
7. Real Estate/Construction
8. Technology

Certain industry categories in the online questionnaire were combined to allow for more meaningful sample sizes. Statistics are based on the number of responses for each question, and sample sizes vary.

Thank you to all participating organizations for sharing their valuable perspectives on how companies are navigating the evolving executive compensation landscape.

Please feel free to contact the author with any questions:

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Key Highlights

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+ While market conditions remain volatile and challenging, nearly half of all respondents anticipate improved overall company performance this year, with roughly one-third of respondents expecting similar year-over-year (YOY) results and only 12% forecasting worse outcomes.
  - The top three most commonly cited macroeconomic factors impacting company performance and executive compensation include economic uncertainty, inflation, and geopolitical events, while only 18% of respondents included tariffs among their top three external choices.
  - In response to these challenges, approximately 25% of all respondents have revised or plan to revise incentive plan performance hurdles or provided or plan to provide supplemental awards, with another 7% uncertain as to whether any special actions might be taken.
+ Approximately 35% of respondents have taken one or more actions to address incentive plan goal setting challenges, such as widening performance ranges, adding or increasing the emphasis on qualitative goals, adding or increasing the emphasis on relative metrics, and/or delaying the timing to finalize goal setting.
  - These actions may help to reduce the need for positive discretion or changes to previously-established incentive plan goals while providing a more prospective approach to addressing goal-setting challenges.
  - Most respondents cited a similar degree of stretch vs. last year for current year incentive plan performance hurdles, with use of more aggressive goals more common than less aggressive goals (25% vs. 8%, respectively).
+ Executive turnover remains relatively stable, with slightly more than half of respondents citing similar turnover levels compared with their longer-term historical average and other respondents fairly evenly split between higher and lower levels.
  - Survey participants remain focused on executive and key employee retention, with nearly 20% of respondents already providing or planning to provide retention awards to executives this year and roughly 20% unsure as to anticipated use of special retention awards.
  - When provided, retention awards are typically tied to continued service over a multi-year period (most commonly at least 3 years) with equity-based grants more common than cash awards for publicly traded companies.
+ Most respondents expect to increase base salaries in 2027, with average projections ranging from 3.4% to 3.5%, slightly below 2026 average increases for executives (3.7%) and in-line with actual results for non-executive employees (3.4%).
  - The anticipated prevalence of salary freezes in 2027 is lower across all employee categories than the reported prevalence for 2026.

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Key Highlights (cont'd)

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- Most respondents also expect to provide at least some payout for short-term incentive (STI) and long-term incentive (LTI) cycles ending in 2026.
  - Consistent with the overall expectation for improved YOY company performance, most respondents (nearly two-thirds, excluding "not applicable" and "don't know" responses) currently expect payouts to be at or above target for both STI and LTI cycles ending this year. Projected payouts are generally expected to be either similar to, or higher than, prior year levels.
- Anticipated use of positive discretion for STI cycles ending this year ranges from 12% to 15% of respondents (varying by employee category) with another 30% of respondents still undecided on whether to take any action.
  - Anticipated prevalence of positive discretion is lower for performance-based LTI cycles ending this year, ranging from 7% to 8% of respondents, with another 13% to 18% undecided.
  - Only 2% of respondents currently anticipate using negative discretion this year.
  - Among respondents considering the use of discretion, the most commonly cited potential triggers include unanticipated transactions, restructuring charges, geopolitical events and tariffs.
- The market 50th percentile ("median") remains the most common executive pay positioning target vs. the external market, selected by approximately 41% to 55% of respondents depending on the pay component.
  - Approximately 20% to 30% of respondents (varying based on pay component) target executive pay above the 50th percentile, typically either to address retention concerns, use of stretch incentive plan performance hurdles, or competition with larger-sized organizations.
  - Additionally, approximately 18% of respondents provide premium pay or more aggressive competitive positioning for certain roles, most commonly those with key information technology skills, such as AI or cybersecurity.
- In addition to executive compensation, most compensation/human capital committees have oversight responsibilities for succession planning and non-employee director compensation, with approximately half also overseeing leadership and talent development.
  - Similar to findings from last year's survey, prevalence for involvement with broader human capital issues was evenly split between moderate or high levels vs. little or no involvement, with the prevalence of no involvement responses declining YOY.
  - These findings suggest that survey participants continue to recognize the importance of human capital as a key strategic differentiator and the need to attract, retain, and motivate key talent and to build, develop, and reward strong leadership teams that can deliver long-term value creation.

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Key Highlights (cont'd)

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- Most respondents are not planning changes to STI or LTI designs for 2027, or to the STI performance mix or LTI award vehicle prevalence and mix.
  - Almost all publicly traded respondents and most private-for-profit respondents grant LTI to executives (and often more broadly in the case of public companies), with no significant changes in participation levels or grant values anticipated.
  - Only 2% of respondents currently include AI-related metrics within executive incentive plans, with another 7% considering adding them in the future.
- Most publicly traded respondents maintain formal recoupment or clawback policies, evenly split between those pertaining to performance-based incentive compensation only vs. broader executive compensation components such as time-based equity grants and, in some cases, severance/separation payments or new hire awards.
  - In addition to financial restatements, other reported clawback triggers include various forms of misconduct and/or violation of restrictive covenants.
  - Most private-for-profit and NFP respondents do not currently maintain any type of formal clawback policy.



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Key Highlights (cont'd)

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Implications for 2027 Planning

+ Taken together, the findings point to continuity in core executive compensation programs, with targeted adjustments rather than broad redesign. Compensation planning should also be informed by an assessment of whether the organization has the leadership capabilities, critical skill sets, and succession bench strength needed to execute its strategy.

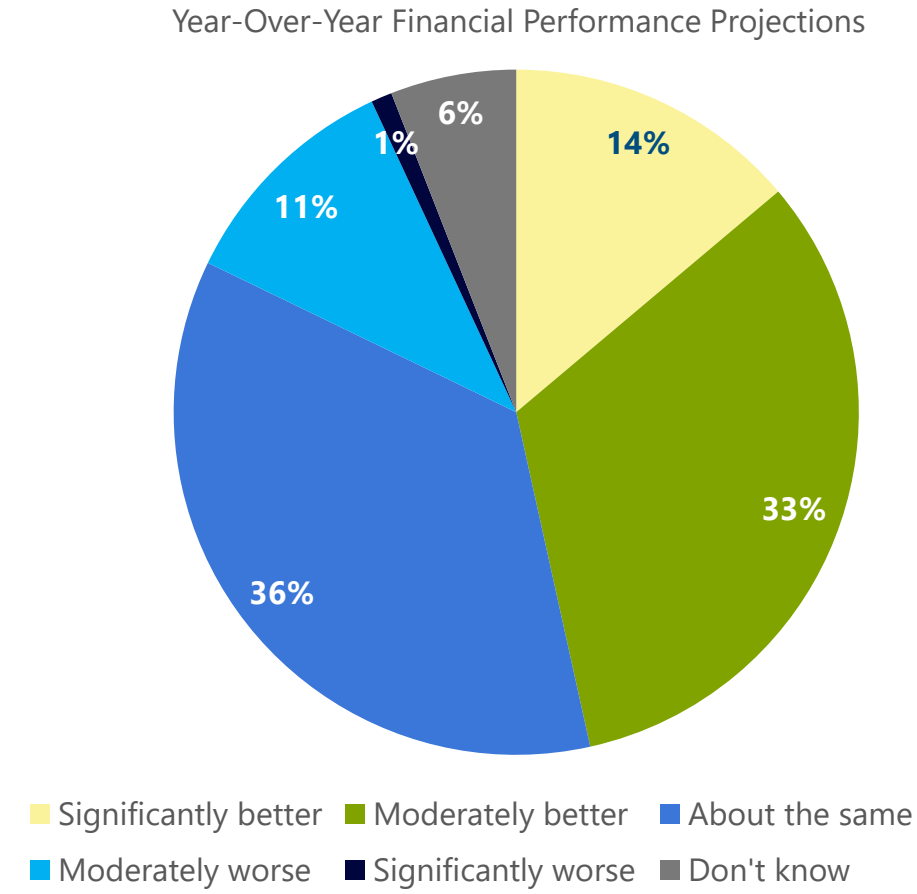
+ For 2027 planning, compensation committees should consider whether incentive plan metrics align with current strategic priorities and whether performance ranges remain appropriately calibrated.
  - They should also determine whether specific retention concerns warrant targeted action, and how any year-end discretion will be evaluated and explained.
  - Where LTI is offered, committees should assess whether award vehicles, mix, and participation levels support performance and retention objectives.
  - They should also consider whether pay premiums or higher market positioning are warranted for certain critical skill sets, while also being mindful of internal equity, corporate culture, and program costs.
  - These decisions should reflect each organization's specific circumstances rather than survey prevalence alone.

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Current Year Financial Performance Projections

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- Nearly one-half of all respondents expect overall financial performance for 2026 to be better than the prior year, with most citing "moderate" (+5% to +19%) YOY improvement.
  - Only 12% of respondents anticipate worse YOY results, with most citing moderately worse (-5% to -19%) outcomes.
  - Most respondents within the energy/utilities (75%), technology (59%), and financial/insurance (56%) sectors anticipate improved YOY financial performance while nearly 30% of respondents within the consumer sector anticipate lower YOY results.



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Macroeconomic Factors Impacting Organizations and Executive Pay

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- Nearly three-fourths of respondents listed economic uncertainty among the top three factors impacting their organizations and executive compensation programs, with nearly half including inflation and more than one-third citing geopolitical events and tight labor markets.
  - The least commonly cited top three factors were supply chain constraints (12%), external stakeholder/advisory group pressure (18%) and tariffs (18%).
  - By ownership, 33% of public companies included stock market volatility among the top three factors while nearly two-thirds of private-for-profit respondents selected inflation and 52% of NFP respondents cited legal/regulatory developments among their top 3 factors.
  - By industry, inflation had the highest top-3 factor prevalence within the financial/insurance sector (67% of respondents) and tariffs had the highest prevalence within the consumer sector (50%).

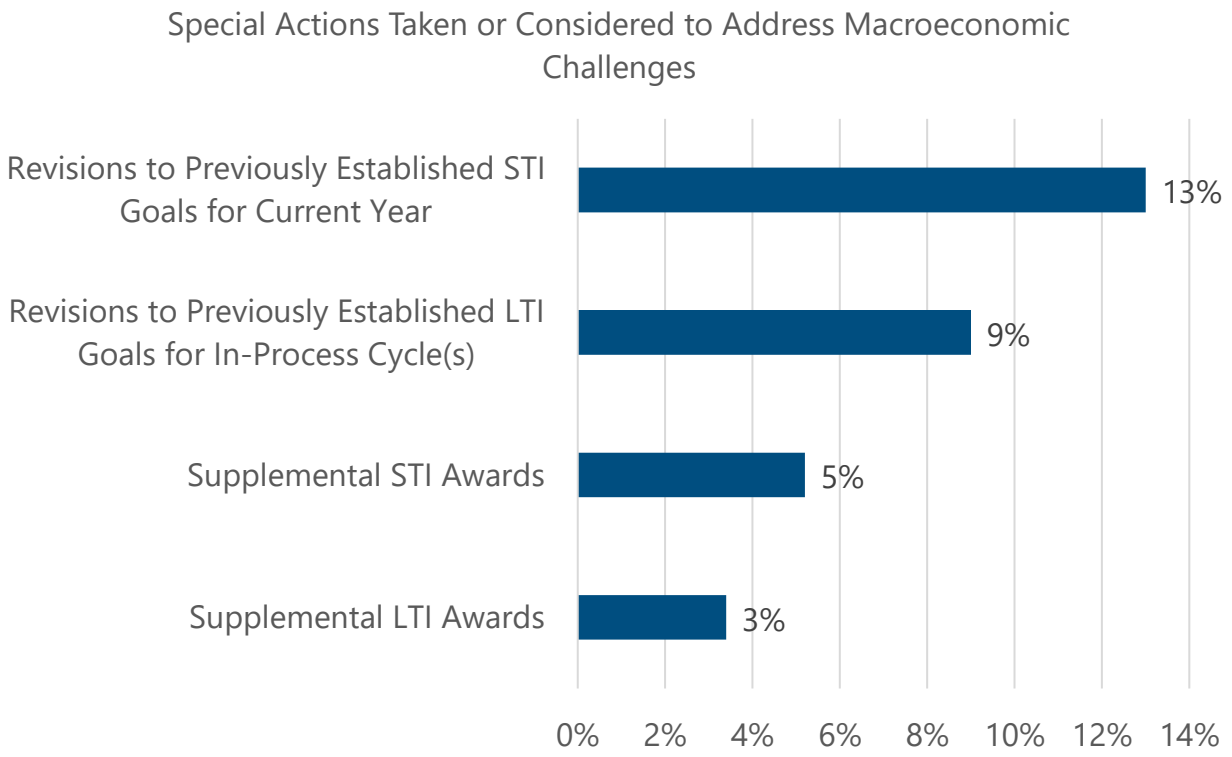
Factors	% Biggest Impact	% 2nd Biggest Impact	% 3rd Biggest Impact	% Within Top 3
Economic Uncertainty	30%	24%	20%	74%
Inflation	10%	22%	14%	46%
Geopolitical Events	13%	12%	12%	37%
Tight Labor Market	10%	10%	15%	35%

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Special Actions Taken or Considered to Address Macroeconomic Challenges

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- Approximately 25% of respondents have taken or are considering special compensation-related actions such as changes to previously-established goals for in-process incentive cycles or supplemental awards to address macroeconomic challenges *(note: some respondents have taken or plan to take multiple actions)*.
  - As expected, prevalence of actual or planned changes to in-process incentive goals is lower for publicly traded respondents (8% for STI and 5% for LTI) than for private-for-profit (20% STI and 14% LTI) and NFP (13% STI and 9% LTI) companies.
  - By industry, prevalence of actual incentive plan goal changes already made was highest for the business/professional services sector (24% for STI) and lowest for the real estate/construction sector (no actual changes made to date).
  - While most respondents have not taken any of the above-referenced actions to date, some may consider use of discretion following year-end.
- Separately, more than one-third of respondents have revised goal setting approaches prospectively, as noted on the following page.

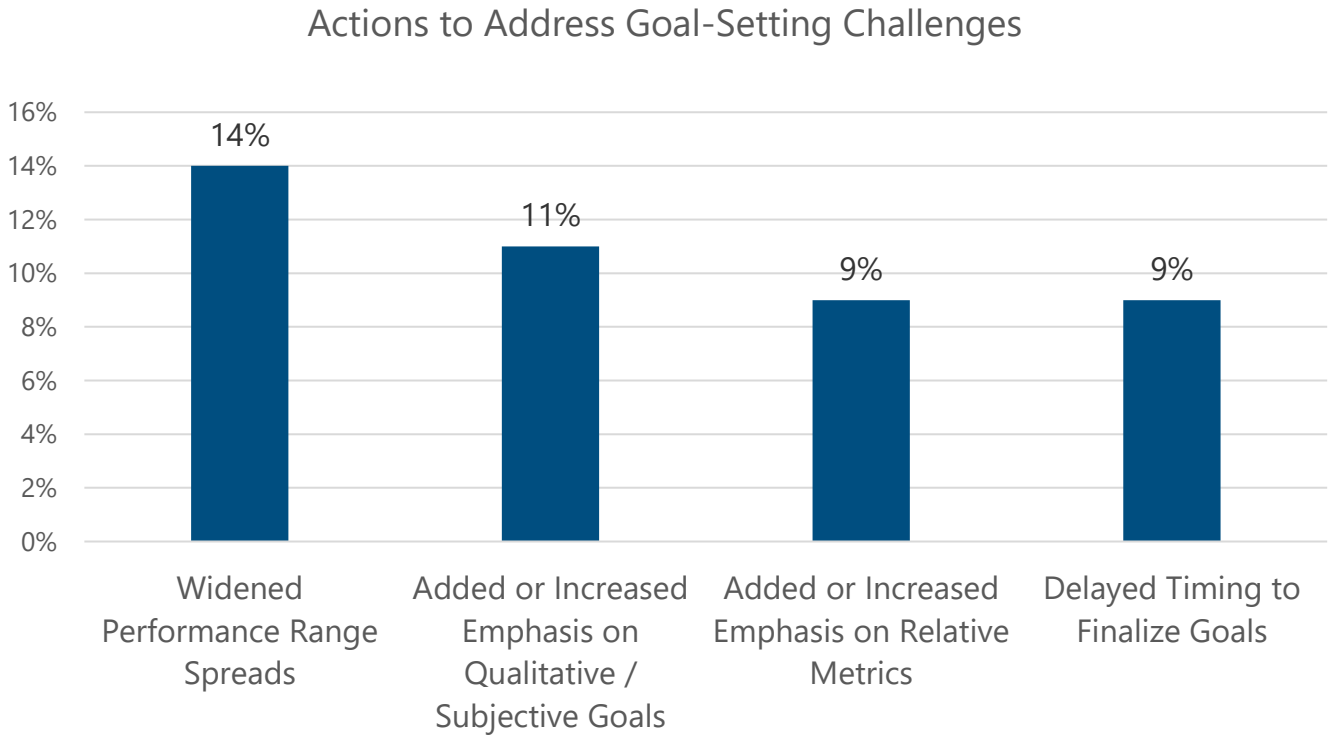


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Incentive Plan Goal Setting Actions

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- Approximately 35% of respondents took one or more of the actions shown in the chart to the right to address incentive plan goal setting challenges within the current environment, with some taking multiple actions.
  - These actions may help to reduce the need for positive discretion or changes to previously-established incentive plan goals.
  - Prevalence of actions taken was higher among private-for-profit respondents (39%) vs. publicly traded companies (31%) and NFP organizations (35%).
  - By industry, prevalence was highest for the industrials/materials/transportation (52% of respondents) and healthcare/life sciences (47%) sectors and lowest for the real estate/construction sector (6%).
- Most respondents (60%) cited similar degrees of stretch for current year vs. prior year incentive plan performance hurdles, with 25% setting more aggressive goals and 8% using less aggressive goals (others were uncertain or responded with "not applicable").



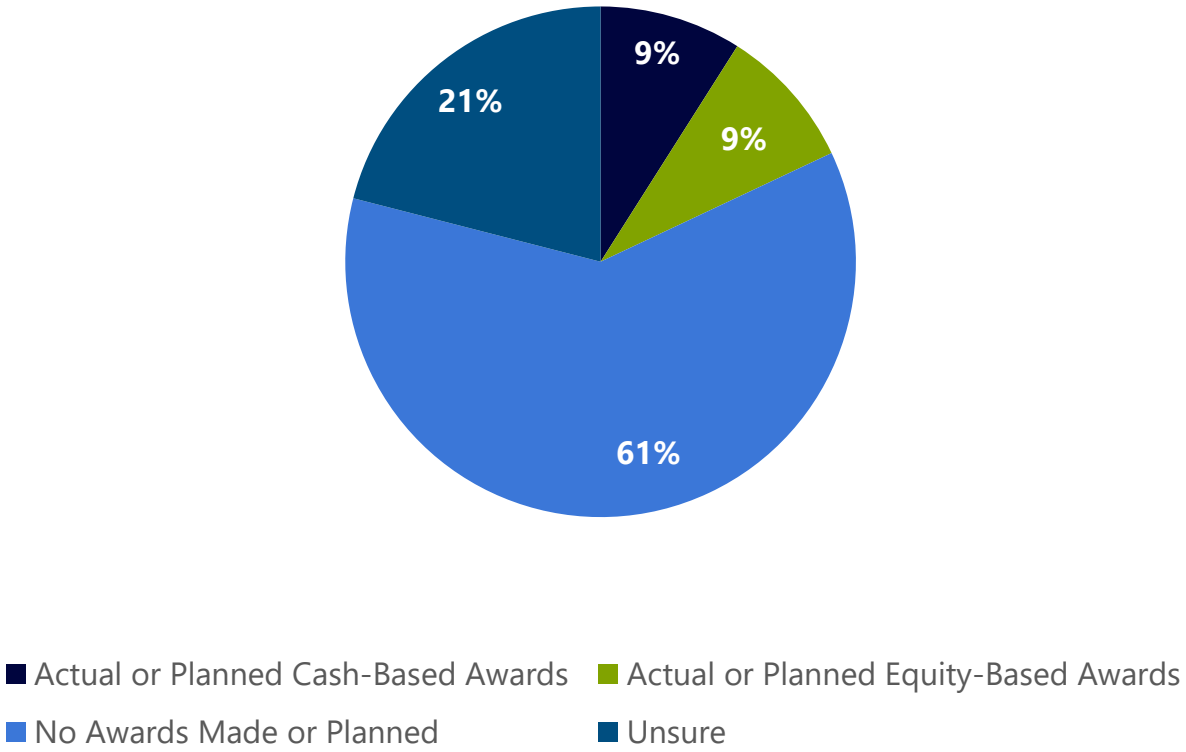
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Executive Turnover Levels and Retention Awards

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- Slightly more than half of all respondents (54%) cite similar executive turnover levels vs. their long-term historical average with other participants equally split between higher and lower levels.
- To help promote retention, 18% of respondents have already provided or plan to provide retention awards to senior executives this year, with prevalence evenly split between cash-based and equity-based awards.
  - Retention award prevalence did not vary meaningfully with reported executive turnover levels.
  - Disclosed values for cash-based awards range from 6% to 300% of salary, with several other respondents disclosing dollar values ranging from $100,000 to $2 million.
  - Disclosed values for equity-based awards range from 10% to 120% of salary, with several other respondents disclosing dollar values ranging from $150,000 to $20 million (or $4 million annualized).
  - Among respondents reporting retention-award vesting criteria, 71% use continued service, 16% use performance-based vesting, and 13% report other arrangements, such as a combination of continued service and performance.
  - Retention awards typically vest over a multi-year period (most commonly 3 years or longer).

Actual or Planned Retention Award Prevalence for Executives

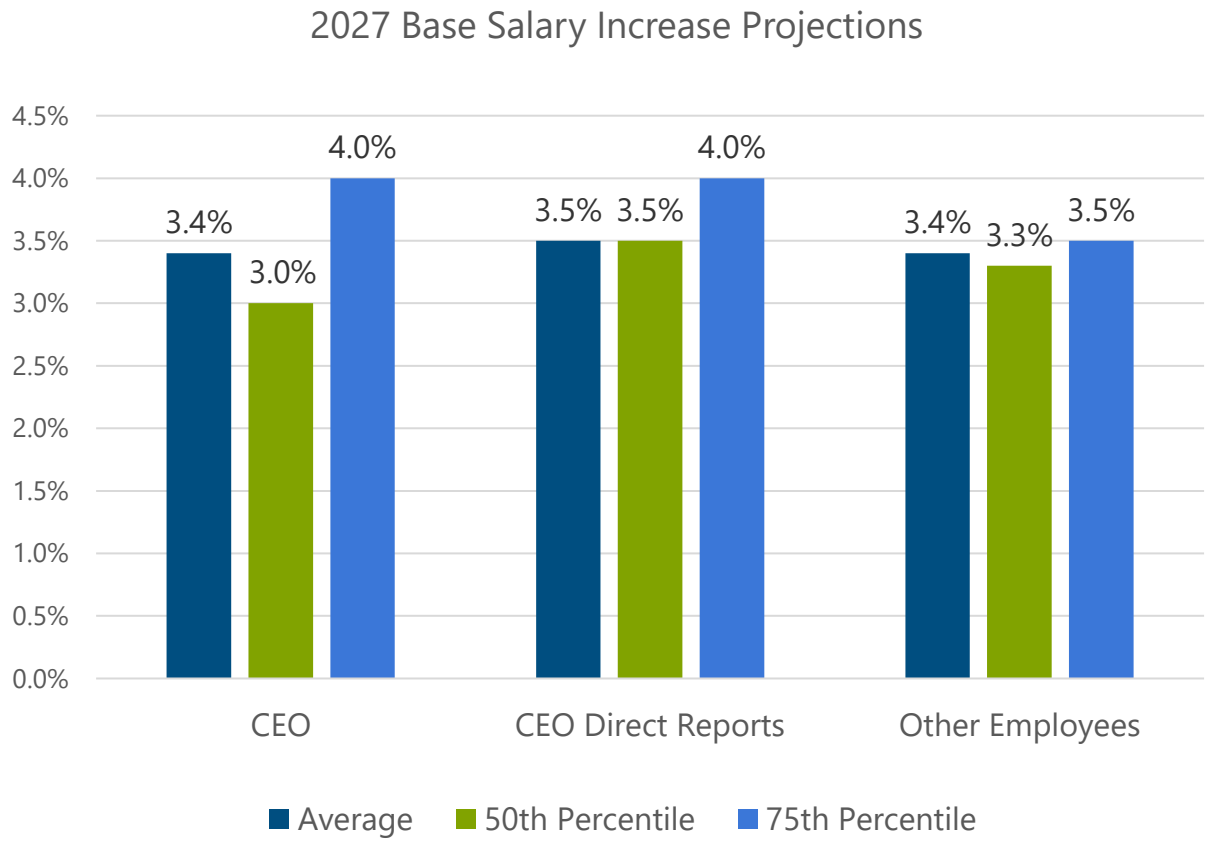


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2027 Base Salary Increase Projections

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- Average 2027 projected salary increase percentages range from 3.4% to 3.5% across employee categories, below 2026 actual average percentages for executives (3.7%) and unchanged for other employees, while 50th percentile projections range from 3.0% to 3.5%.
  - Most respondents expect to provide salary increases in 2027, with salary freeze prevalence equal to 15% for CEOs, 6% for CEO direct reports, and only 1% for other employees, in each case lower prevalence than for 2026.
  - Salary increase projections shown in the chart to the right include 0% values.
  - Average 2027 salary increase projections for executives are highest in the technology sector (4.1% for CEOs and 4.5% for CEO direct reports) and lowest for the healthcare/life sciences sector for the CEO (2.8%) and the real estate/construction sector for direct reports (2.7%).
  - Average 2027 salary increase projections are higher for respondents anticipating a YOY improvement in financial performance (ranging from 3.5% - 3.7% across employee categories) vs. those with lower performance (ranging from 3.1% - 3.4%).

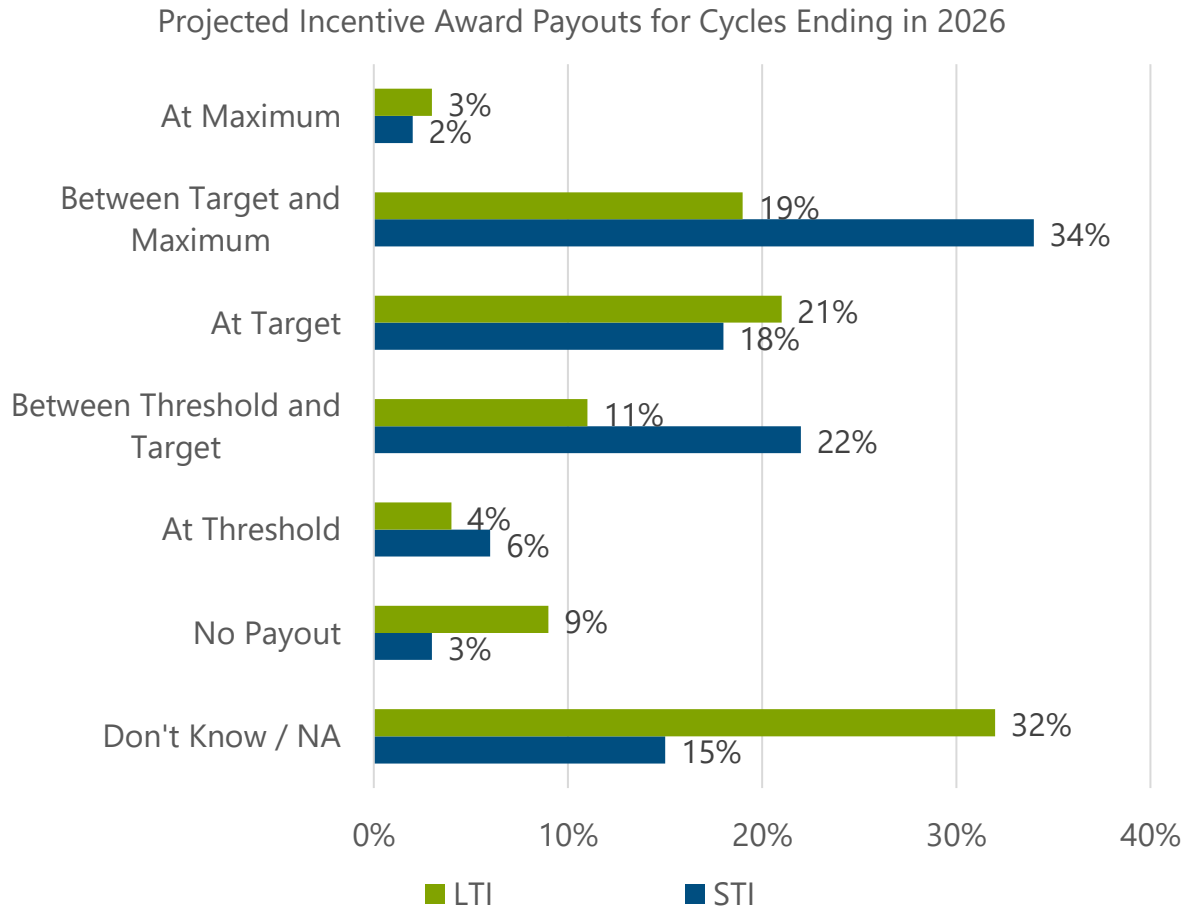


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Incentive Award Funding Projections for Cycles Ending in 2026

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- Most respondents expect payouts for STI and LTI cycles ending in 2026, with 54% of all respondents expecting payouts at or above-target for STI vs. 43% for LTI (including "not applicable" or "N/A" and "don't know" responses).
  - Excluding "N/A" and "don't know" responses, anticipated payout prevalence is 43% above-target, 21% at target, 33% below-target, and 3% no payout for STI and 32% above-target, 31% at target, 23% below-target, and 14% no payout for LTI.
  - Half or more respondents within all industry sectors other than business services and healthcare/life sciences (38% each) project STI payouts at or above target; for LTI cycles ending in 2026, energy/utilities and technology are the only sectors where most respondents are projecting target or better payouts.
  - Excluding "N/A" and "don't know" responses, anticipated incentive award funding outcomes correlate with YOY financial projections, with 85% of respondents with improved performance projecting STI payouts at or above target vs. only 24% of those with lower results.
  - Including "N/A" and "don't know" responses, 40% of all respondents expect similar STI awards for 2026 vs. 2025 with 31% projecting higher awards and 21% anticipating lower payouts.

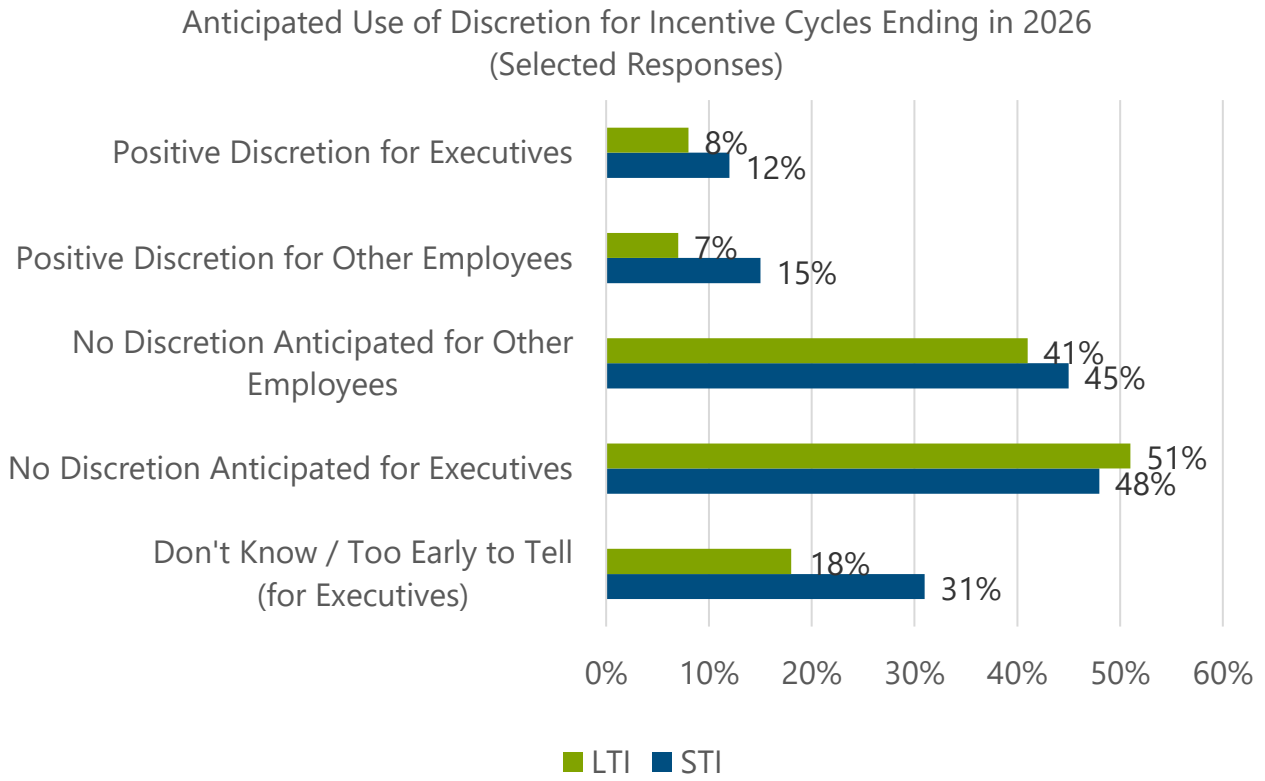


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Anticipated Use of Discretion for Incentive Cycles Ending in 2026

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- Most respondents do not currently anticipate applying discretion or are taking a "wait and see" approach as relates to payout determinations for incentive cycles ending in 2026.
  - Excluding N/A responses, no discretion is anticipated by approximately half of respondents for STI and two-thirds for LTI, with one-third taking a "wait and see" approach for STI and approximately 20% for LTI.
  - Similar to prior surveys, anticipated use of positive discretion is higher for STI than for LTI and for non-executives vs. executives in the case of STI payouts.
  - Only 2% of respondents currently anticipate using negative discretion for STI and LTI cycles ending in 2026.
  - Prevalence of positive discretion for STI payouts is lower for publicly traded companies (8% - 12%) than private-for-profit organizations (19%), as well as for larger-sized vs. smaller respondents, presumably due to greater external scrutiny.
- Among respondents considering the use of discretion, the most commonly cited potential triggers include unanticipated transactions (24% of respondents), restructuring charges (23%), geopolitical events (15%) and tariffs (14%).
  - Only 4% of respondents cited technology disruptions among the criteria; we expect prevalence to increase going forward.



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Targeted Executive Pay Positioning and Pay Premiums

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- Approximately half of all respondents target total direct compensation (base salary + STI + LTI) at the market 50th percentile, with prevalence higher for base salary than variable pay.
  - Public company respondents are more likely to target executive pay at the 50th percentile compared with private organizations, as are larger-sized companies, which may reflect the impact of greater external scrutiny.
  - By industry, prevalence of respondents targeting total compensation at the 50th percentile was highest for the technology sector (63%) and lowest for financial/insurance sector respondents (33%, most of which are private).
  - The most commonly cited reason for targeting executive pay above the 50th percentile is due to turnover concerns/tight labor market (38% of respondents), followed by use of stretch incentive plan goals (23%) and competing against larger-sized organizations (17%).
- Nearly three-fourths of respondents have not changed their compensation philosophy, while 10% increased targeted pay positioning and 10% increased the emphasis on STI and/or LTI.
- Across the entire sample, 18% of respondents provide pay premiums or use more aggressive targeted pay positioning for executives with certain key skill sets, most commonly including expertise with AI, cybersecurity, or other IT-related functions and, to a lesser extent, engineering, supply chain, and revenue generation.

Pay Component	Targeted Pay Positioning (% of All Respondents)			
	Below 50th Percentile	At 50th Percentile	Above 50th Percentile	No Positioning
Base Salary	13%	55%	26%	6%
Short-Term Incentives (STI)	10%	44%	29%	17%
Long-Term Incentives (LTI)	10%	41%	20%	29%
Total Direct Compensation	12%	48%	27%	13%

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STI Performance Mix Projections for 2027

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- Most respondents (80% of full sample and 86% of public companies) have formulaic STI plan designs, with pre-defined weightings for metrics and award opportunities.
  - 78% of private-for-profit and 61% of NFP respondents have formulaic designs, with prevalence up considerably vs. last year's results (62% of private-for-profit and 37% of NFP respondents); while prevalence comparisons are impacted by YOY changes in participation, current survey results may also signal an increased focus by participants across all ownership types on strengthening the alignment between pay and performance and improving the motivational impact of incentive plans.
- The anticipated performance mix for 2027 is very similar to 2026, with a primary emphasis on objective financial/ operational goals and very low prevalence of stand-alone DE&I or other ESG metrics.
  - None of the publicly traded respondents and only 4% of private-for-profit respondents plan to use stand-alone goals tied to DE&I in 2027.
- Among respondents using multiple STI award funding components, excluding "not applicable" ("N/A") responses, 57% fund each component separately while 33% use a profitability "gatekeeper" that must be met before any funding can occur, with the remainder not providing any details.
- Among respondents with business unit executives participating in the senior executive STI plan, the average overall performance mix for financial metrics was 60% corporate and 40% business unit results, reinforcing collaboration as well as line of sight.

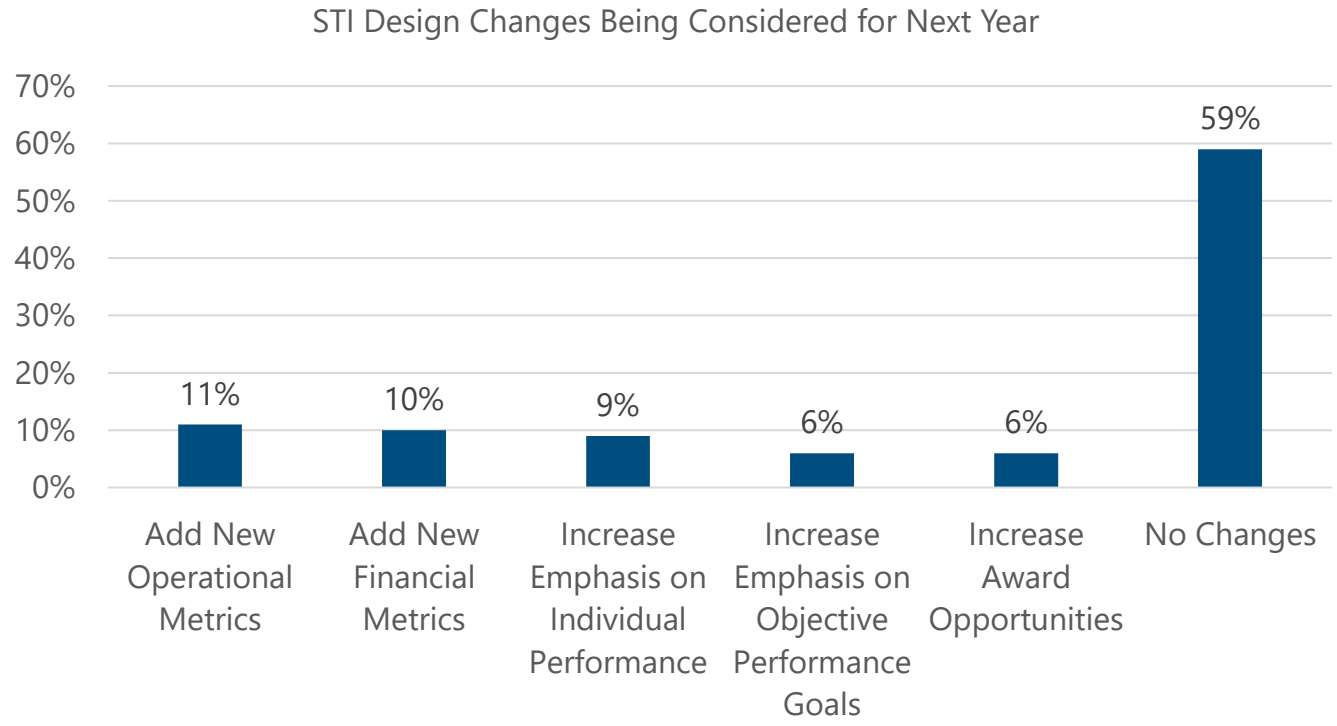
Performance Metric Category	2027 STI Performance Mix: CEO		2027 STI Performance Mix: CEO Direct Reports	
	Prevalence	Median Weighting (when provided)	Prevalence	Median Weighting (when provided)
Financial/Operational	90%	80%	91%	80%
DE&I (Stand-Alone)	2%	10%	2%	10%
ESG (Stand-Alone)	7%	15%	8%	15%
Other Non-Financial/ Strategic Metrics	30%	20%	32%	20%
Individual	33%	25%	37%	30%
Discretionary	20%	30%	17%	25%

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STI Plan Design Changes Being Considered for 2027

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- Approximately one-third of all respondents (including "N/A" responses) are considering making changes to senior executive STI designs for 2027, with the most common actions (expressed as a percentage of all respondents, not just for those considering changes) shown to the right.
  - The most commonly anticipated changes include adding new performance metrics, with higher prevalence for private-for-profit respondents vs. other ownership types.
  - By industry, prevalence for potentially adding new financial and operational metrics is highest for respondents in the consumer (22% financial, 15% operational), technology (20% financial, 13% operational), and healthcare/life sciences (7% financial, 20% operational) sectors and lowest in the energy/utilities sector (0%); prevalence may be impacted by low sample sizes for these sectors.
  - Senior executive STI plan prevalence is higher among for-profit respondents (approximately 95%) than for NFP organizations (approximately 75%).

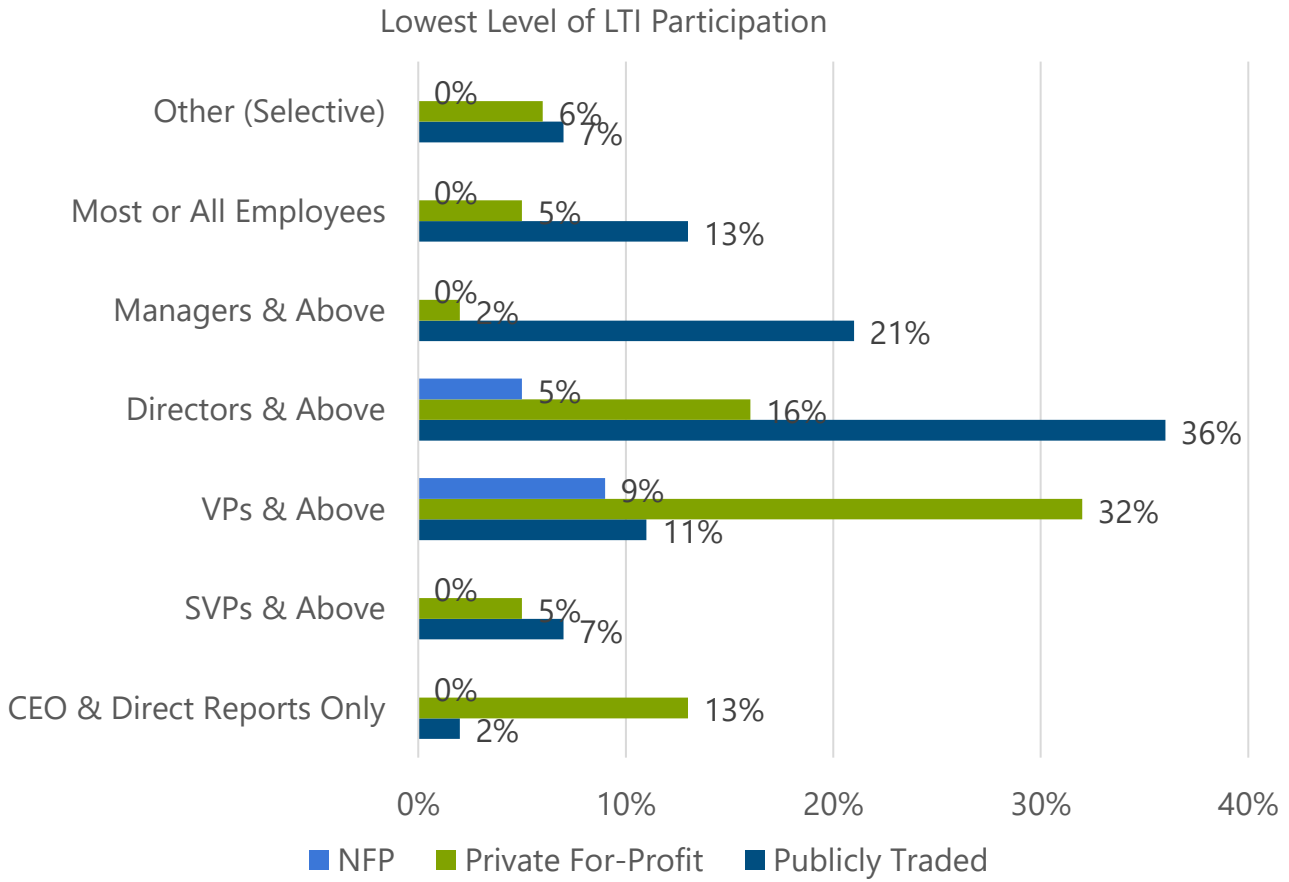


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LTI Participation Levels

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- Nearly all (98%) publicly traded and 78% of private-for-profit respondents grant LTI awards to senior executives while most NFP respondents (86%) do not.
  - Across the entire sample, most respondents do not expect to increase participation levels next year, with approximately 5% anticipating increases for executives and 3% for other employees; lower participation levels are anticipated by only 1% (executives) to 2% (other employees) of respondents.
- When provided, private companies generally do not make LTI grants below the executive level while most publicly traded companies have broader participation.
  - Approximately 70% of public company respondents provide grants below the executive level vs. 22% of private-for-profit respondents (including "N/A" responses).
  - Broader participation below the employee director level is most prevalent within the technology (50%), healthcare/life sciences (44%) and energy/utilities (42%) sectors, with prevalence at or below 15% for other sectors (and 0% among real estate/construction respondents).



Note: In the chart to the right, "Other" refers to other non-specified categories (e.g., a selective combination of roles)

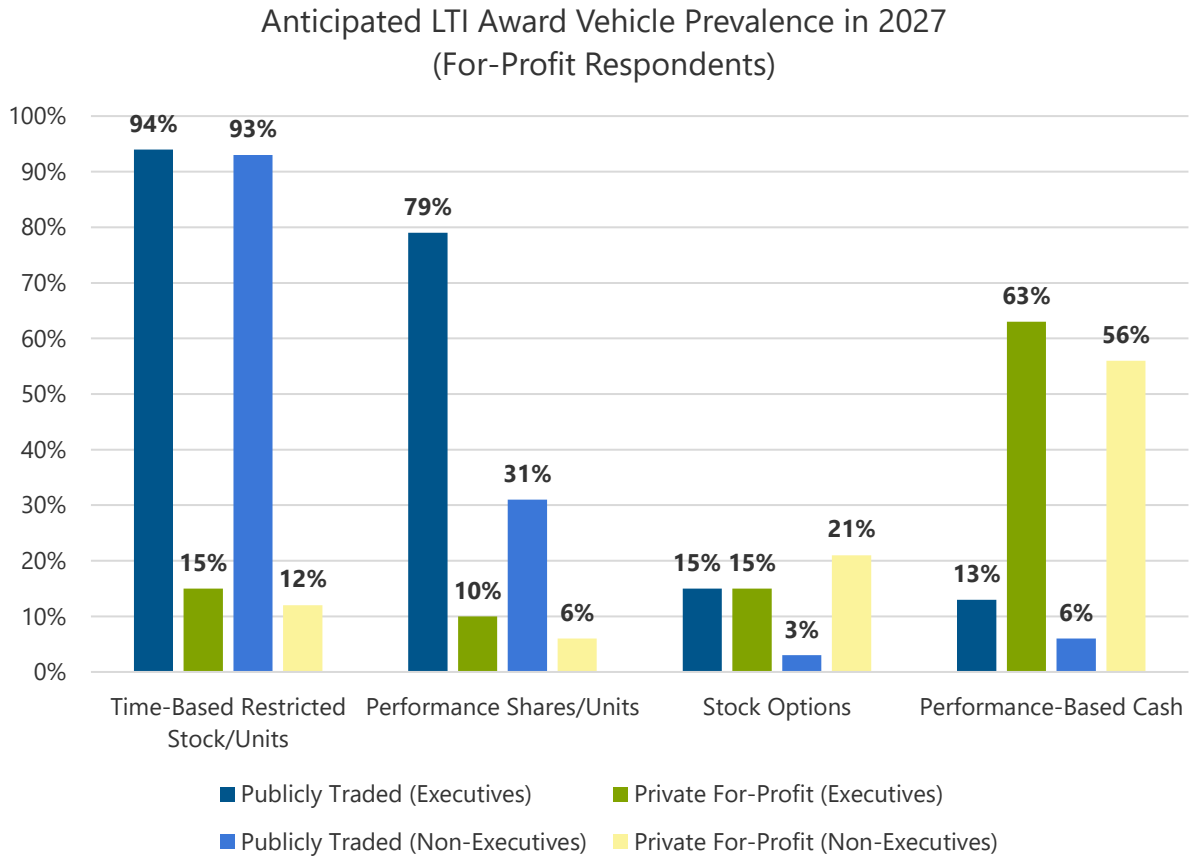
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LTI Award Vehicle Prevalence and Target Value Mix

For-Profit Companies

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+ Most publicly traded respondents provide a combination of time-based and performance-based equity to executives and time-based restricted stock to non-executives, while private-for-profit respondents make relatively greater use of performance-based cash.
  - Most respondents do not plan to grant stock options in 2027; prevalence may be impacted by relatively low participation by life sciences and technology companies in the current survey.
  - Approximately 30% of private-for-profit respondents plan to provide actual equity-based awards to senior executives in 2027 and 25% plan to provide phantom stock/appreciation units.
  - Use of multiple award vehicles is much higher for publicly traded (86% for executives, 32% for other employees) vs. private-for-profit (17% for executives, 3% for other employees) respondents.
  - Most NFP respondents do not grant LTI; those that do typically only provide performance-based cash.
+ When provided by public company respondents, average anticipated target value weightings for CEO direct reports in 2027 equal 53% for performance shares/units (PSUs) and 49% for time-based restricted stock units (RSUs); for non-executives, the average anticipated weightings, when provided, are 43% for PSUs and 86% for RSUs.
  - Among public company respondents planning to grant RSUs to non-executives in 2027, 70% anticipate using a 100% weighting.
  - Average weightings are calculated separately among respondents using each vehicle and exclude 0% values.

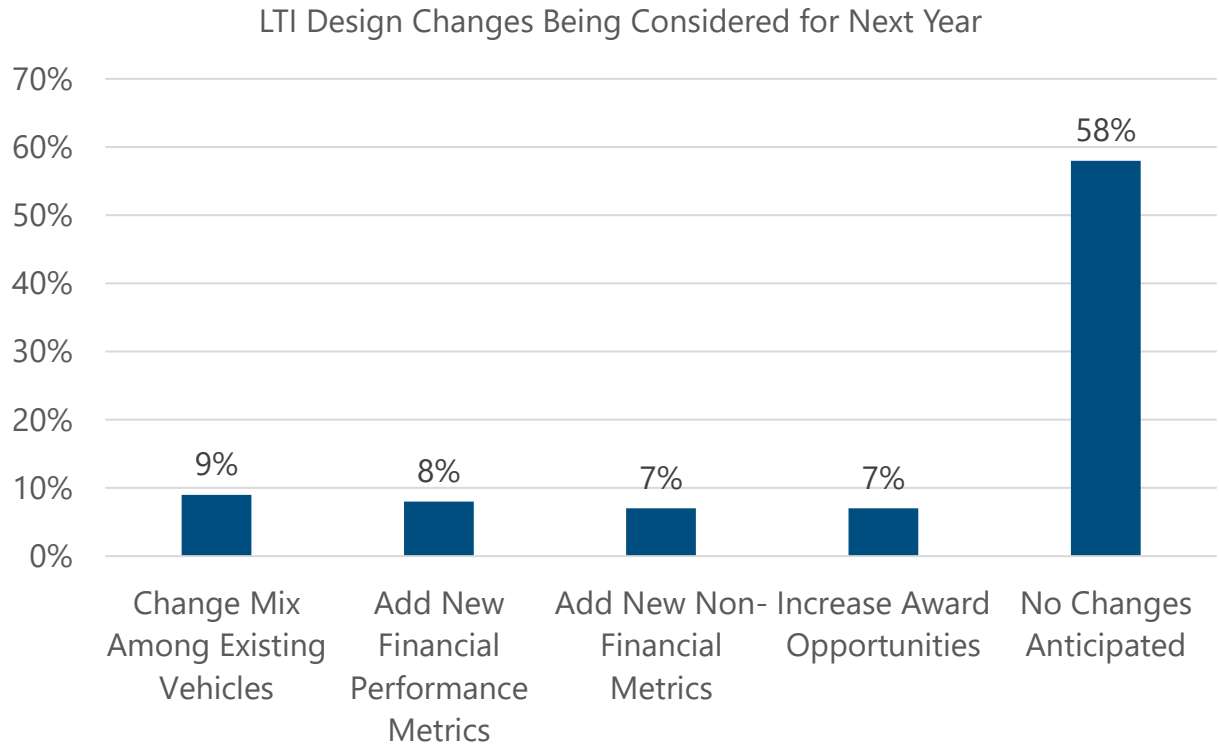


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LTI Plan Design Changes Being Considered for 2027

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- Approximately 30% of all respondents (including "N/A" responses) are considering making one or more LTI plan design changes for 2027, with the most common actions (expressed as a percentage of all respondents, not just those considering changes) shown to the right.
  - By ownership, prevalence of potential changes to the existing award vehicle mix is highest for publicly traded companies (14% of respondents) while private-for-profit respondents are most likely to add new financial metrics (11% of respondents).
- Most respondents (95%, excluding "N/A" responses) do not anticipate making any changes to LTI grant practices in response to stock market volatility in 2027.
  - This is somewhat surprising given that one-third of public company respondents included stock market volatility among their top 3 macroeconomic factors impacting company performance and executive compensation programs.
  - Including "N/A" responses, potential actions being considered include adding or increasing the emphasis on cash-based LTI (2% of respondents) and using a longer-term average stock price to determine grant levels (1% of respondents).

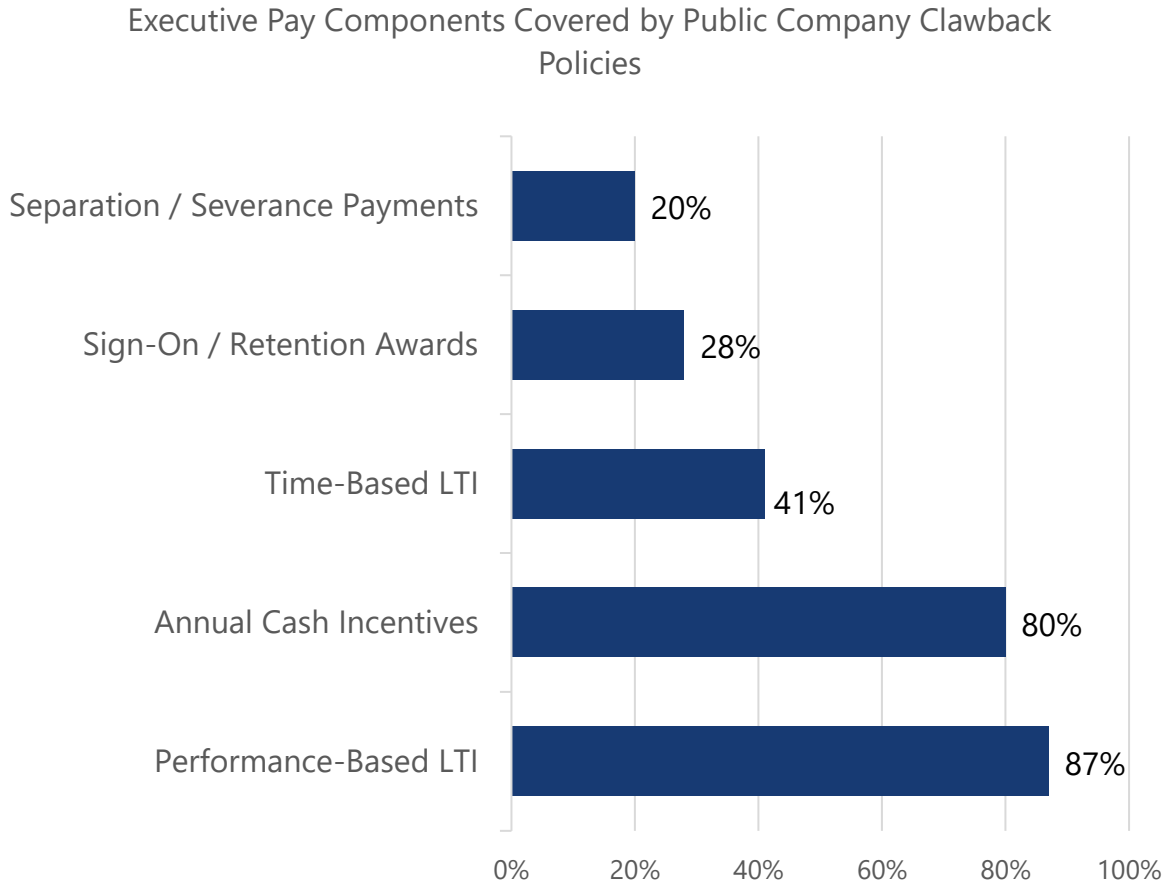


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Executive Compensation Recoupment ("Clawback") Policies

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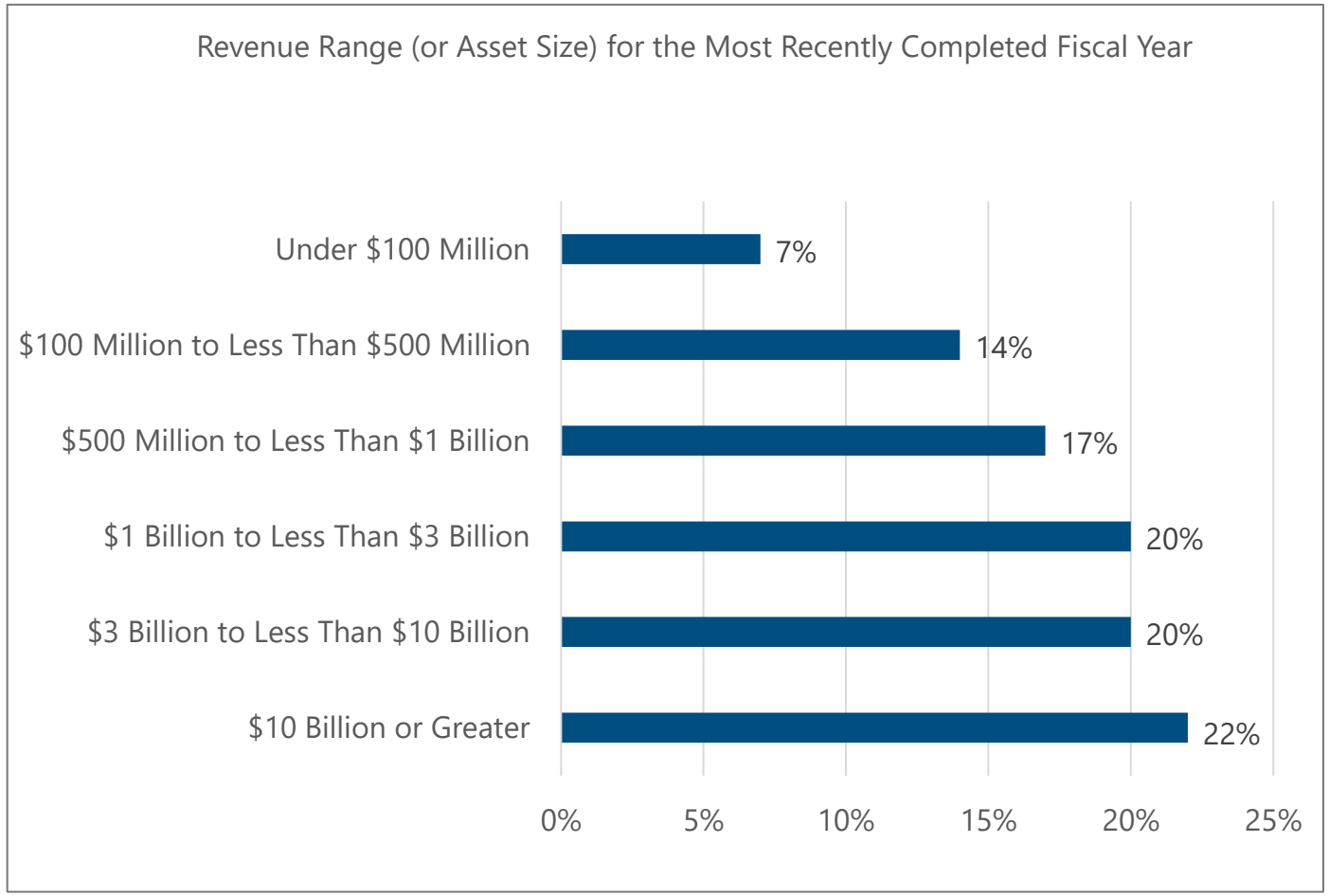
- Most publicly traded respondents (90%, including "don't know" responses) reported having a formal clawback policy for executives vs. only 16% of private-for-profit and 4% of NFP respondents.
- Among public company respondents reporting a formal clawback policy, approximately half say coverage is limited to performance-based incentive compensation while the other half report broader coverage.
  - Most policies cover annual cash incentives and performance-based LTI.
  - The vast majority of all respondents with clawback policies listed a financial restatement as a trigger for recoupment (91% of all respondents answering the clawback-trigger question) with 62% also including misconduct and 29% including violation of restrictive covenants.
  - Nearly half of respondents said recoupment would be mandatory with the remainder saying either it is subject to board or committee discretion, other arrangements, or responded with "don't know".
- These responses describe respondents' understanding of their policies and should not be interpreted as an assessment of compliance with mandatory stock exchange-based recovery requirements.

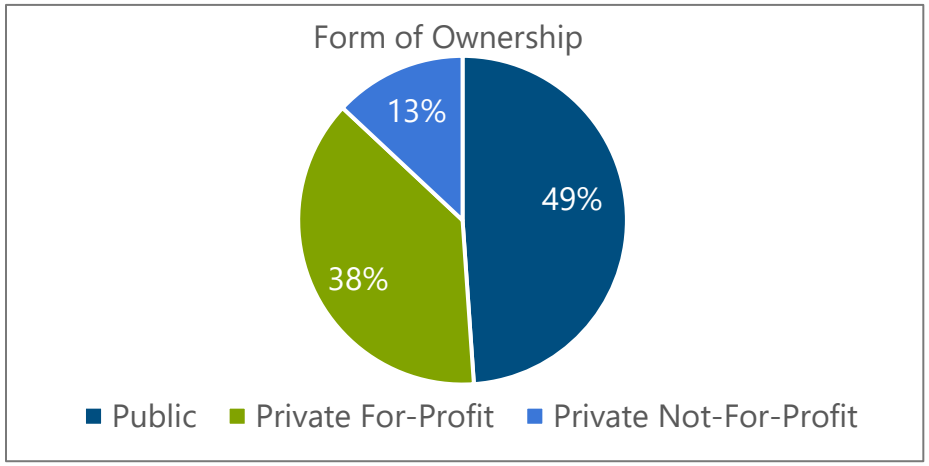


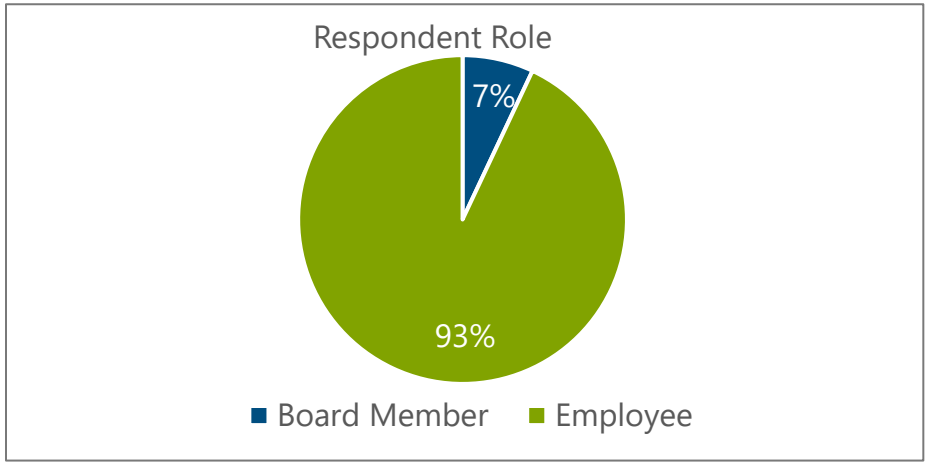
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Demographics

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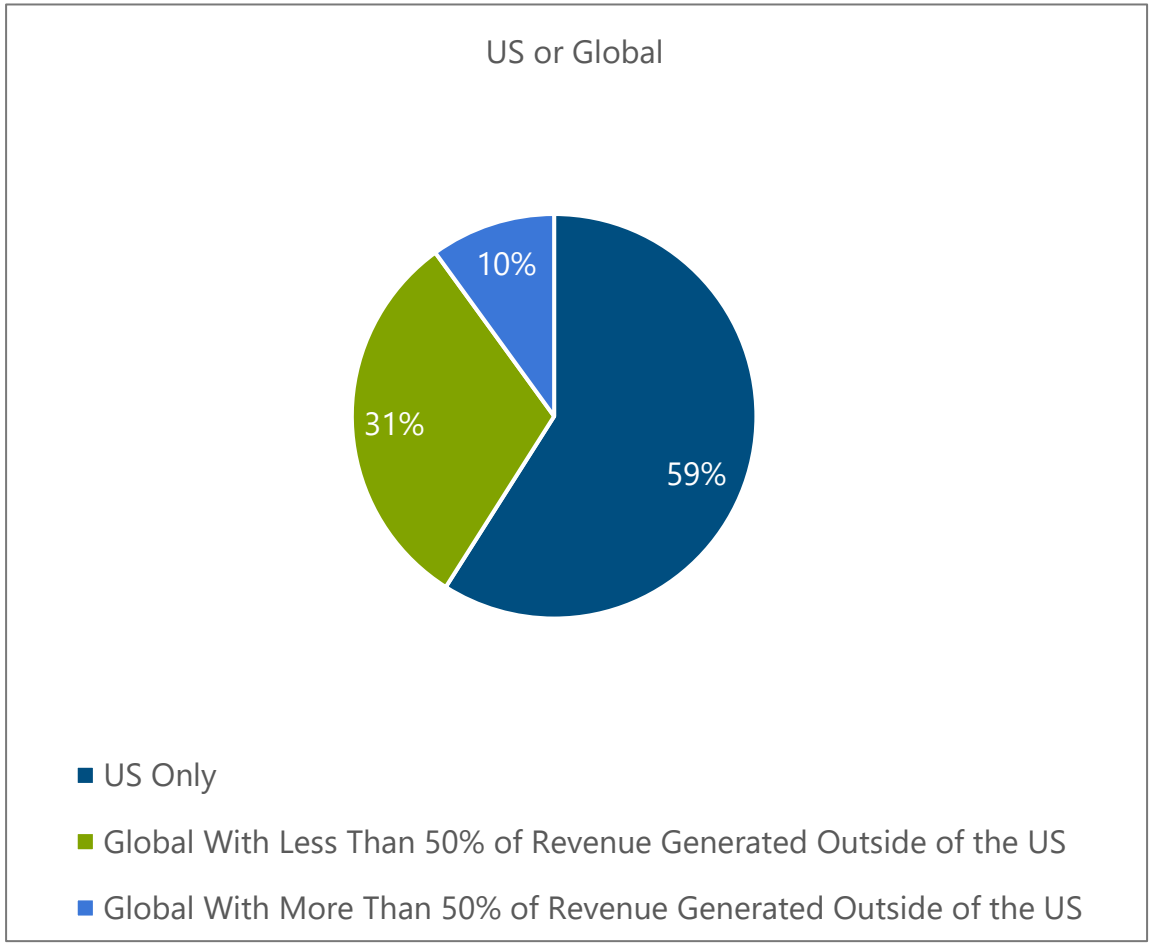


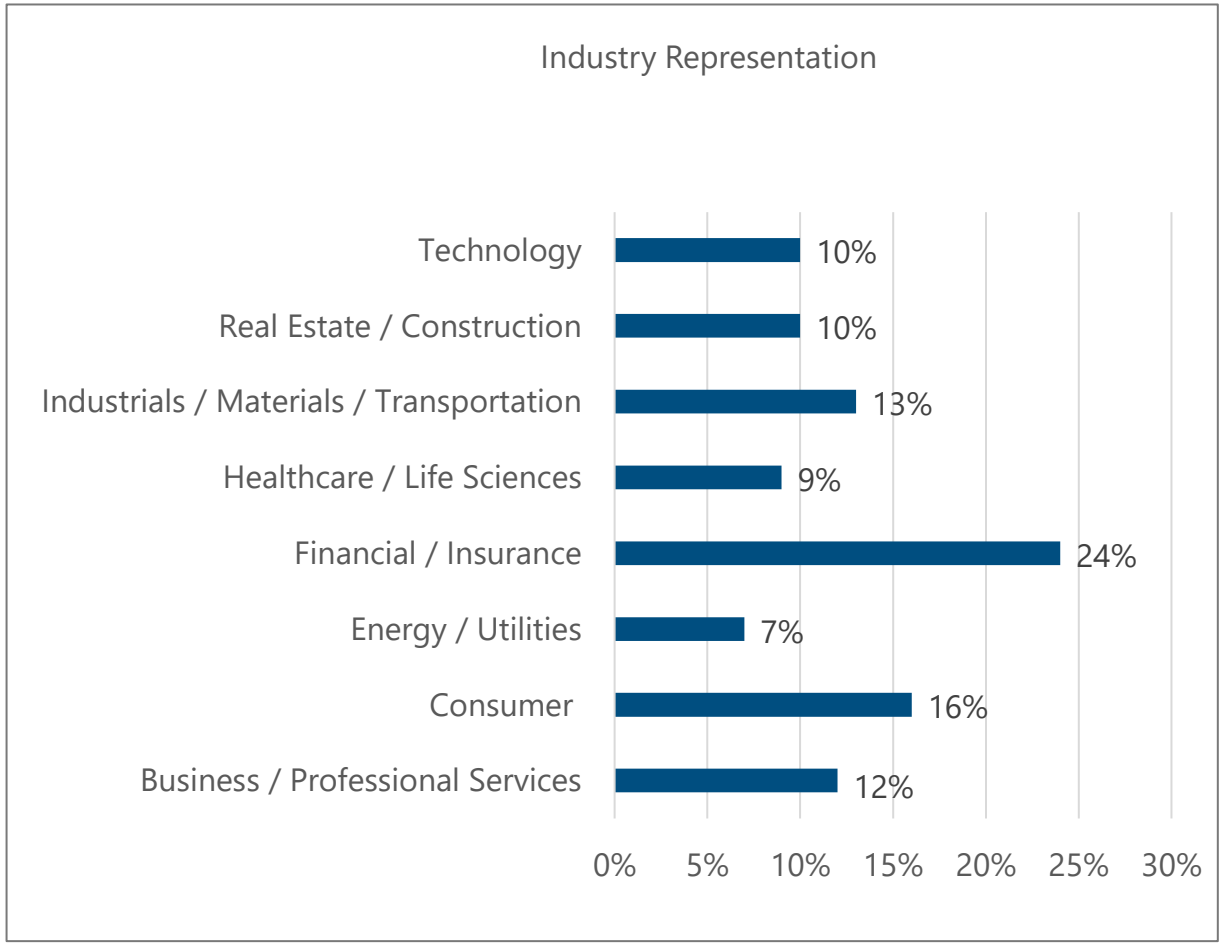


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Demographics (cont'd)

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Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.

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