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Top Priorities in 2026 for Compensation Committees

ClearBridge Compensation Group

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As compensation committees head into 2026, they find themselves operating in a markedly different environment than in prior years. After more than a decade of increasingly prescriptive frameworks, today's pay landscape is defined by fewer bright-line rules, creating greater uncertainty but also increased flexibility.

Ongoing economic volatility, constrained shareholder engagement, rapid advances in AI, and renewed regulatory attention on executive compensation are collectively reshaping compensation committee agendas. The five priorities that follow highlight the issues most likely to demand committee attention in 2026 and shape how they navigate pay, talent, and governance decisions.

1. Rethinking Shareholder Engagement After the SEC's 13D/13G Guidance

Implications of Reduced Investor Dialogue

Under the SEC's revised 13D/13G guidance, certain types of shareholder engagement may cause large investors to be viewed as "active" rather than "passive," triggering additional reporting obligations and leading some to limit direct engagement. Because the guidance specifically references executive compensation, even routine discussions about pay may now carry heightened regulatory sensitivity.

As a result, some large institutional investors may reduce direct dialogue to avoid potential reporting implications, limiting the availability of candid, real-time feedback. Compensation committees should therefore assume that pre-vote engagement may be more constrained in 2026. This is especially consequential for companies anticipating lower say-on-pay support, as reduced engagement limits opportunities to clarify decisions or mitigate concerns after the proxy is filed.

Key implications for compensation committees include:

- Silence from investors should not be interpreted as support
- A clear understanding of investor voting frameworks is increasingly critical
- Proxy disclosure must stand on its own without reliance on follow-up engagement

2. Disclosure and Proxy Advisors: Fewer Prescriptions, Greater Judgment

Evolving Disclosure Expectations | Proxy Advisor Methodologies

Executive compensation disclosure and proxy advisor evaluation frameworks are both in transition, increasing uncertainty around how pay decisions will be assessed in 2026.

Renewed SEC attention to disclosure modernization signals an ongoing focus on clarity and materiality in how compensation decisions are explained. SEC Chairman Atkins has emphasized that executive pay disclosure has become lengthy and technical, often obscuring the link between pay, performance, and strategy. While formal rule changes are unlikely before the 2027 proxy season, potential guidance in 2026 will keep disclosure squarely on compensation committee agendas.

At the same time, ISS and Glass Lewis have introduced meaningful changes to their pay-for-performance methodologies, including longer performance measurement periods and, for Glass Lewis, a redesigned scoring framework. These shifts, combined with broader political and regulatory scrutiny of proxy advisory firms, are likely to reduce predictability around vote recommendations.

For compensation committees, the practical implication is a continued move away from formulaic compliance towards sound judgment. In a less prescriptive environment, compensation committees should focus on pay decisions that are clearly grounded in business strategy, performance outcomes, and long-term value creation, and that can withstand scrutiny as disclosure standards and proxy advisor frameworks continue to evolve.

3. The Competition for AI Talent and Its Impact on the Future of Work

AI Leadership and Workforce Design Implications

As AI becomes central to business strategy, compensation committees are increasingly overseeing leadership roles and workforce dynamics that challenge traditional operating models. Demand for leaders with expertise in data science, machine learning, cybersecurity, and digital platforms has intensified, prompting some companies to elevate AI leadership within the executive suite.

Beyond leadership roles, AI is reshaping how work gets done and how organizations are structured. AI-enabled decision making is influencing:

- Job design and evolving skill requirements
- Organizational structure and spans of control
- Performance measurement and incentive design

For compensation committees, this expands the scope of oversight from attracting and retaining scarce AI talent to ensuring that compensation programs support the successful integration of AI into the business.

4. Recalibrating Goal Setting, Incentives, and Competitive Pay

Operating With Fewer Guardrails

Compensation committees have managed economic uncertainty before, but 2026 presents a different challenge. More uncertain growth expectations, uneven performance across sectors, continued competition for critical talent, and reduced tolerance for broad discretion are converging at the same time. In prior cycles, committees often relied on structural adjustments or discretionary overlays to navigate volatility. In 2026, those same approaches are likely to face greater scrutiny unless they are clearly tied to business strategy and supported by performance outcomes.

What distinguishes this period is the need to operate with fewer prescriptive guardrails and greater reliance on judgment. Committees must balance rigorous but realistic goal setting, maintain competitive pay positioning without weakening pay-for-performance alignment, and ensure incentive outcomes reinforce long-term value creation rather than short-term relief. Navigating the year ahead will require consistency of decision-making, clear rationale, and a willingness to make difficult compensation decisions as conditions continue to evolve.

5. Time-Vested Equity Awards May Be Having a Moment

Expanding Acceptable Equity Design Approaches

Investor perspectives on long-term incentive design continue to evolve. Some investors have raised concerns about the complexity and transparency of traditional performance-based equity awards. These concerns are amplified where performance awards deliver payouts despite weak shareholder returns or rely on metrics that are difficult to evaluate externally.

Against this backdrop, ISS' 2026 proxy voting guidelines reflect a notable shift. ISS has acknowledged that time-vested equity awards with extended vesting schedules and/or meaningful post-vesting holding requirements may, in certain circumstances, serve as a reasonable alternative to performance-based equity. Such structures may demonstrate long-term alignment by extending executives' exposure to sustained stock price performance rather than near-term targets.

For compensation committees, this expands the range of acceptable equity design approaches and presents an opportunity to reassess whether the mix of performance-based and time-based awards best reflects the company's strategy, risk profile, and investor base.

Conclusion

Taken together, these priorities reflect a broader shift for compensation committees in 2026. While many familiar themes remain, the context in which compensation committees are making decisions in 2026 has shifted materially. There are fewer bright-line rules, more competing pressures, and greater accountability for how pay decisions are made and defended. The defining challenge for compensation committees this year is making and standing behind hard compensation decisions in a more complex and less prescriptive environment.

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