



Diligent Market Intelligence

Executive Compensation in 2026



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Editor's foreword



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Executive compensation remains one of the most closely watched subjects in corporate governance. It is a statement of priorities, a mechanism for attracting and retaining talent, and a signal of how a board connects performance, accountability and long-term value creation. When pay programs are well designed and clearly explained, they help investors understand the choices a company is making. When the narrative is incomplete or pay is out of whack with peers, uncertainty can become a governance concern.

The strategic relevance of compensation becomes clear in succession planning. CEO transitions can bring significant costs, from sign-on awards and replacement incentives to severance and the treatment of outstanding equity. Compensation data helps boards and investors assess the market context around decisions, distinguish routine practice from outliers, and evaluate whether incentives support the organization's strategy through a period of transition. It also helps reveal how companies are responding to a competitive global talent market, including the growing role of performance-based equity and long-term incentives.

Proposed Securities and Exchange Commission compensation reforms could be set to change how many public companies engage with investors, including by reducing the reach of mandatory "say on pay" votes at smaller companies, if adopted as expected. For compensation committee chairs - particularly at smaller companies - this may increase the importance of communication, disciplined oversight and a clear explanation of how pay decisions support strategy, especially if direct shareholder engagement is unavailable. If a formal voting event becomes less available as a channel for investor feedback, the committee's narrative may carry greater weight. Clear disclosure should explain not only what executives were paid, but why the design is appropriate, how performance was assessed, and how the program supports succession and long-term objectives.

This is why compensation data generates attention, and why quality, consistency and timelines matter. Diligent Market Intelligence's compensation offering is designed to make that analysis more practical. It brings together executive pay profiles, disclosed and realized compensation, NEO metrics, incentive

structures and performance measures in a form that supports benchmarking and deeper pay-for-performance analysis. Delivered via our tailored platform and feeds, the data can serve a single research question or power repeatable workflows across a portfolio. Its connection to DMI's *Voting*, *Governance* and *Activism* intelligence is equally important: compensation is most useful when it can be considered alongside shareholder demands, voting outcomes, board structure and broader governance signals.

That connected perspective is also central to DMI's Stewardship Intelligence feed. Built for asset managers, it provides structured governance, executive compensation and shareholder data that can be integrated directly into internal voting policies, engagement workflows and portfolio oversight. Rather than requiring reliance on third-party recommendations, the feed supports consistent, auditable decisions based on an investor's own thresholds and stewardship framework.

We recently added Stewardship Reports to this offering, giving investors a focused view of critical information ahead of an upcoming shareholder meeting. By bringing together relevant governance, compensation and shareholder signals sooner - often faster than traditional proxy advisors - these reports are intended to help stewardship teams move from monitoring to decision-making with greater confidence. We invite readers to reach out for more information about the reports and the broader Stewardship Intelligence offering.

This year's improvements to N-PX reporting reflect the same commitment to usable, timely information. A more gradual rollout of data, rather than last year's batch approach, allows users to get faster access for incorporation into ongoing analysis and stewardship workflows. The result should be a more continuous view of voting activity and policy-relevant developments, helping users act on information as it becomes available rather than waiting for a single concentrated release.

We hope this report, compiled by DMI's Antoinette Giblin, contributes to a more informed conversation about executive pay, board accountability and investor stewardship. Thank you to the researchers, data specialists, product teams, analysts and contributors whose expertise and care make this work possible.

Executive summary

1. CEO pay continued to increase across global indices, with the S&P 500 extending its lead as median granted pay reached \$18.2 million.
2. Amid an acceleration in CEO turnover in the U.S., transition costs reached a new record with the average sign-on bonus at the S&P 500 climbing to \$3.7 million.
3. While shareholders broadly backed U.S. directors at the ballot box, compensation committees emerged as a clear focus of investor scrutiny, with S&P 500 compensation committee chairs averaging 94.6% support.
4. As the U.K. loosens executive-pay structures to keep pace with the U.S., pressure is mounting across Europe, where median granted CEO pay at CAC 40 and DAX companies surpassed €6.8 million.
5. As U.S. deals and change-of-control payouts to departing executives grew larger, golden parachute proposals faced increased dissent, with investor support falling from 84% to 77%.
6. Investor support for advisory remuneration plans held steady, with the FTSE 100 recording the highest level of backing at 96%.

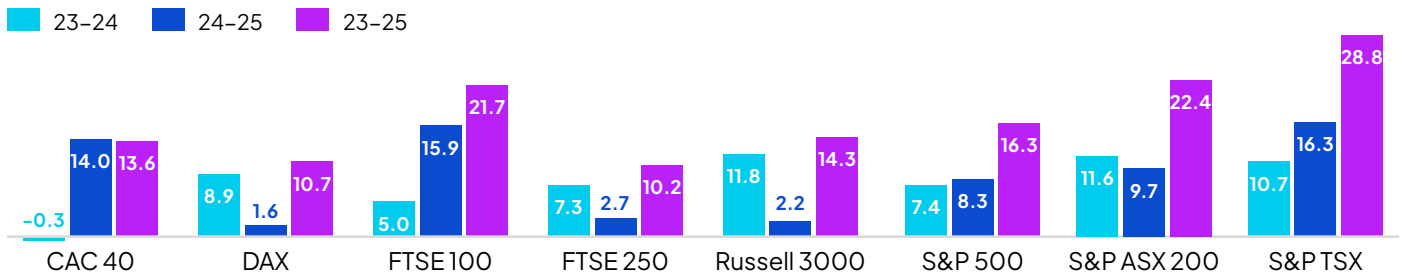
Infographics

Total CEO Granted Pay

Median CEO total granted pay, by index and year

	2023	2024	2025
CAC 40 (€M)	6.02	6.00	6.84
DAX (€M)	6.15	6.70	6.81
FTSE 100 (£M)	4.98	5.23	6.06
FTSE 250 (£M)	2.45	2.63	2.70
Russell 3000 (\$M)	6.51	7.28	7.44
S&P 500 (\$M)	15.68	16.84	18.23
S&P ASX 200 (AU\$M)	4.24	4.73	5.19
S&P TSX (CA\$M)	5.69	6.30	7.33

Percentage (%) change



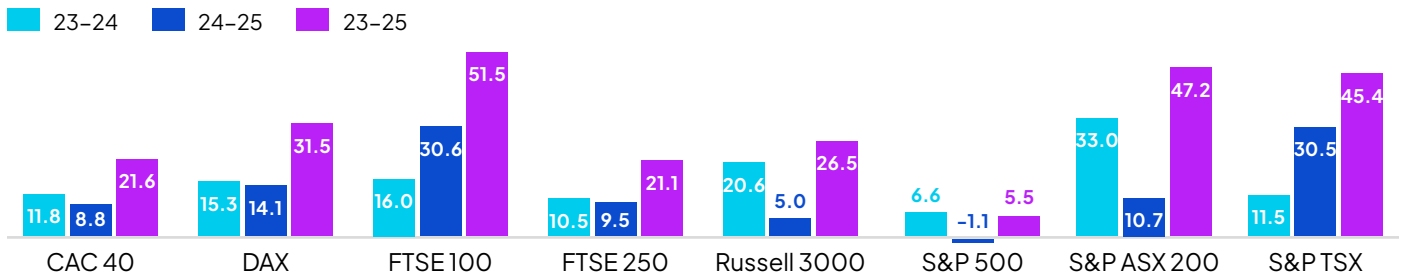
Source: Diligent Market Intelligence / Compensation

Total CEO Realized Pay

Median CEO total realized pay, by index and year

	2023	2024	2025
CAC 40 (€M)	4.59	5.13	5.58
DAX (€M)	5.43	6.26	7.14
FTSE 100 (£M)	3.69	4.28	5.59
FTSE 250 (£M)	1.52	1.68	1.84
Russell 3000 (\$M)	4.52	5.45	5.72
S&P 500 (\$M)	16.60	17.70	17.51
S&P ASX 200 (AU\$M)	2.82	3.75	4.15
S&P TSX (CA\$M)	4.71	5.25	6.85

Percentage (%) change



Source: Diligent Market Intelligence / Compensation

Long-term incentive (LTI) pay

Median CEO total granted LTI, by index and year

	2025
CAC 40 (€M)	3.28
DAX (€M)	2.56
FTSE 100 (£M)	3.23
FTSE 250 (£M)	1.14
Russell 3000 (\$M)	4.79
S&P 500 (\$M)	12.75
S&P ASX 200 (AU\$M)	2.13
S&P TSX (CA\$M)	4.19

Source: Diligent Market Intelligence / Compensation

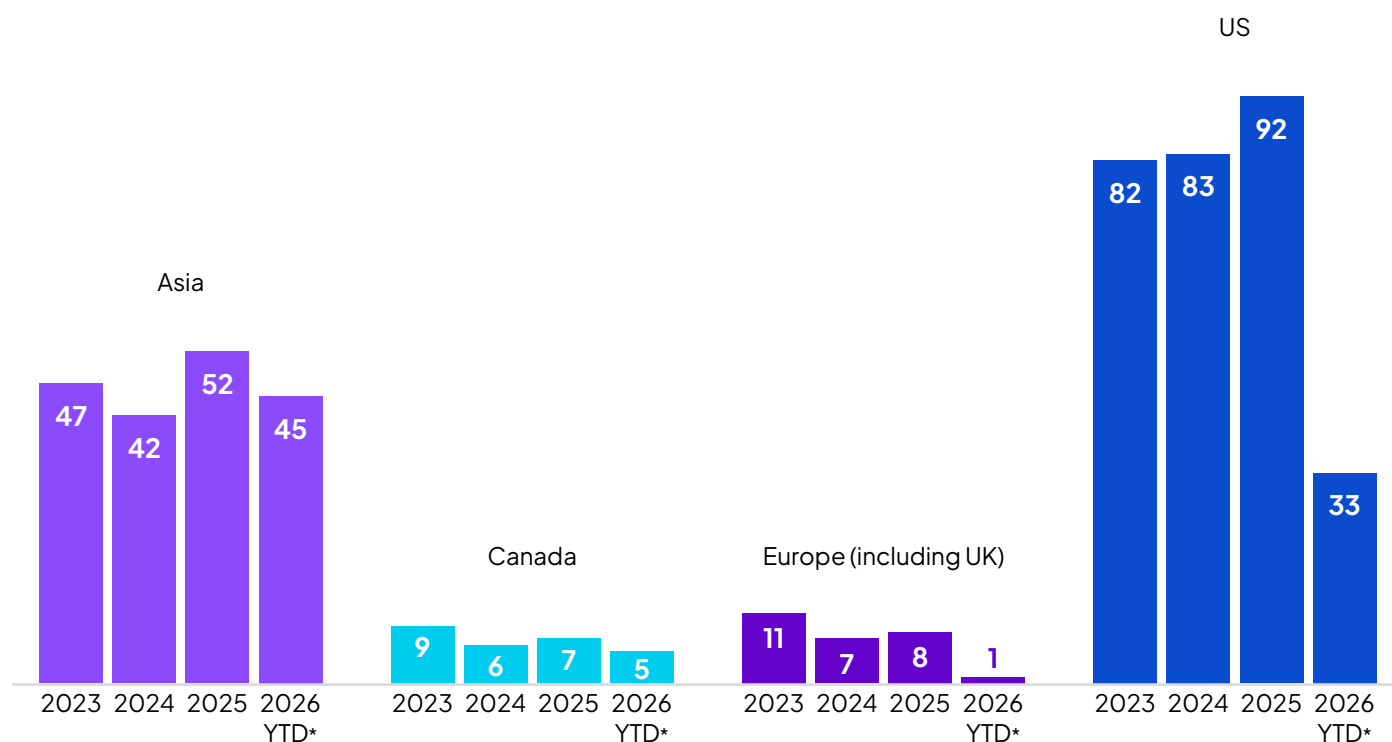
Short-term incentive (STI) pay

Median CEO total granted STI, by index and year

	2025
CAC 40 (€M)	1.50
DAX (€M)	1.60
FTSE 100 (£M)	1.70
FTSE 250 (£M)	0.68
Russell 3000 (\$M)	0.95
S&P 500 (\$M)	2.65
S&P ASX 200 (AU\$M)	1.07
S&P TSX (CA\$M)	1.25

Source: Diligent Market Intelligence / Compensation

No. of remuneration-related activist demands, by region and year



Source: Diligent Market Intelligence / Activism

*January - June

Counting the cost of CEO transition

When a company hires a new chief executive, the CEO's paycheck gets the headline but the real cost often extends across the leadership team, writes Jason Booth.



According to Diligent Market Intelligence (DMI) *Compensation* data (based on available filings at mid-July), cash sign-on bonuses for new S&P 500 CEOs reached a six-year high in 2025 while severance for departing CEOs also climbed.

The spike in costs comes as CEO turnover has accelerated over recent years.

“I wouldn’t say they’re necessarily becoming more expensive,” said Ed Steinhoff, managing director at Pearl Meyer. “I would say there have been more of them in the last couple of years.”

According to DMI *Governance* data, almost 40 S&P 500 CEOs had departed by the end of June this year with 67 such executives transitioning during 2025, up 29% on the level of churn recorded in 2023.

“I would say there have been more of them in the last couple of years.”

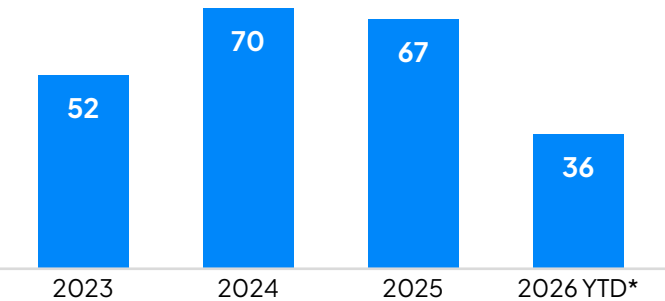
Joining incentives

CEO transitions have become a balancing act for companies looking to attract top talent while also retaining existing executives.

Cash sign-on bonuses for S&P 500 CEOs totaled \$14.8 million for fiscal 2025, just below the \$15.3 million recorded a year earlier and 82% higher than the amount recorded in 2020.

The average sign-on bonus at the S&P 500 reached \$3.7 million in 2025, up from \$3 million in 2024, and \$2.4 million in 2023.

No. of CEO departures at S&P 500 companies, by year



Source: Diligent Market Intelligence / Governance

*January – June

For 2025, bonuses were concentrated in a handful of large payments. MGM Resorts International recorded an \$8 million bonus for William Hornbuckle, in what was essentially a re-signing bonus, given that he has served since 2020, while Starbucks recorded a \$5 million award for Brian Niccol, in the second of two installments. Baxter International’s Andrew Hider and Crown Castle’s Christian Hillabrant also appeared among the recipients.

Many of the hiring companies described the payment as a “make-whole” bonus to compensate executives for compensation they forfeited by leaving their previous job.

“Make-whole awards are very much par for the course,” said Serdar Sikca, a principal at compensation consultant FW Cook. “That is literally just buying somebody out of the compensation that they already possess, or they’re owed at their former employer.”

CEO hiring packages also include restricted stock units (RSUs), performance stock units (PSUs) and long-term incentive (LTI) grants.

“If you want to then entice the executive to go through this and join you, then companies also need to give something on top, i.e. an inducement award,” explained Sikca.

But he cautioned that such awards are more defensible when linked to shareholder outcomes.

“They are much more palatable when those types of inducement awards are structured in a shareholder-friendly and shareholder-aligned manner, such as being tied to rigorous stock-price goals or based on the current performance metrics of the company. You want them to be, for better or for worse, exposed to your stock price.”

Pay to stay

The spending may not stop when the CEO accepts.

Executives passed over for the top job can become flight risks once the board chooses someone else, particularly when an external candidate is chosen.

“The last thing you want is a CEO coming in from outside or a CEO candidate being promoted from within and having the rest of the senior executive team leave because they weren’t selected as CEO,” Steinhoff said.

Those executives may hold the institutional knowledge the new CEO needs, and competitors may see an opportunity

to recruit them. Boards may therefore issue retention awards to stabilize the management team during the transition.

Nike’s 2024 CEO change illustrates how the cost of a leadership transition can extend far beyond the incoming executive’s sign-on bonus. Along with payments to incoming CEO Elliott Hill, Nike awarded five other C-suite executives retention grants totaling \$22 million to support leadership continuity.

The parting price

While the cost of bringing in or retaining talent continues to rise, so too does the price of ushering former CEOs out.

Cash severance totaled \$20.5 million in fiscal 2025, up about 20% from \$17.1 million the previous year.

Much of the severance pay seen in 2025 had been influenced by shareholder activism.

CSX came under pressure from Ancora Holdings, which urged the railroad to explore merger options or replace CEO Joe Hinrichs, who went on to receive \$8.3 million on his departure last September.

Air Products and Chemicals CEO Seifi Ghasemi stepped down in February 2025 with \$7.3 million in severance, after activist Mantle Ridge won three board seats at the company’s January annual meeting.

Severance arrangements themselves have not necessarily become more generous. “The multiple remains the same because there are structures around these things,” Sikca said.

The dollar amount, however, can rise in line with broader inflation in executive compensation.

According to DMI data, the median granted pay for an S&P 500 CEO in 2025 was \$18.2 million based on filings examined by the end of H1, up from \$16.8 million in 2024.

Shareholder revolts

Shareholders, meanwhile, have been ready to challenge what they consider excessive upfront payments to CEOs or the board’s inability to justify them.

At software company Procore Technologies’ June annual meeting, its “say on pay” vote was met with almost 37% pushback, with shareholders noting that CEO Ajei Opal received an inducement award “which was nearly four times the value of the total median pay for peer CEOs.”

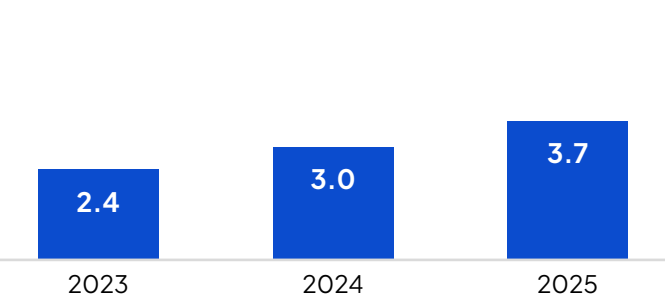
“It’s very important that awards mimic shareholder experience in the long run.”

Lumentum also saw support for its “say on pay” vote fall to 88%, while its 2025 equity incentive plan received only 82% support, with shareholders citing a \$2 million cash signing bonus for Michael Hurlston, who became CEO in February 2025.

“It’s very important that [the awards] mimic shareholder experience in the long run rather than, ‘here’s cash in hand’ – which doesn’t have any shareholder alignment,” said Sikca.

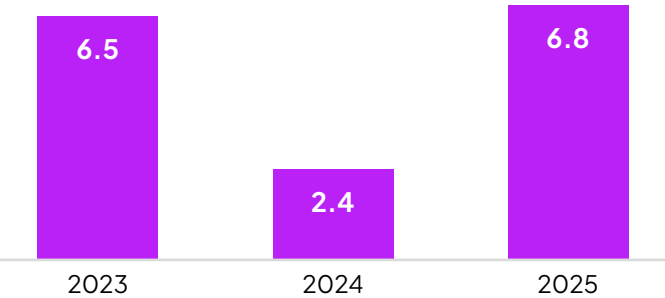
For boards, that may be the clearest lesson from a costly CEO transition: shareholders are more likely to tolerate large awards when they rise and fall with performance, not when they amount to cash in hand. As companies spend more to recruit, retain and replace top leaders, the biggest risk may be not the size of the check itself, but whether investors believe it was earned.

Average sign-on bonus (\$m) at S&P 500 companies, by year



Source: Diligent Market Intelligence / Compensation

Average severance (\$m) at S&P 500 companies, by year



Source: Diligent Market Intelligence / Compensation

Comp committee in the crosshairs

While U.S. directors continue to win steady support at the ballot box, compensation committees are feeling the heat, with reform plans to remove “say on pay” for many public companies likely to turn the pressure up even further if approved, writes Antoinette Giblin.



Since the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in 2010, “say on pay” votes have given investors a direct, if advisory, way to register dissatisfaction with executive pay.

However, if proposed U.S. Securities and Exchange Commission (SEC) reforms remove that vote from as many as 80% of U.S. public companies, the pressure is unlikely to disappear.

“If there is a scale back on certain disclosures, particularly the ‘say on pay’ proposal, it opens a real can of worms for compensation committee members.”

It comes as directors tasked to oversee pay have already attracted some of the highest levels of investor scrutiny.

According to Diligent Market Intelligence (DMI) *Voting* data, average backing for S&P 500 directors overall held steady at 96.4% in the opening half of 2026.

However, when it came to those linked to compensation decisions, that support was diluted. DMI *Governance* data reveal that S&P 500 compensation committee chairs attracted an average of 94.6% support in the period, while committee members fared a little better at 95.8%.

Compensation chairs have also emerged as key targets in activist campaigns over recent seasons with Jonathan Litt’s Land and Buildings among those to single out such directors for removal.

“The compensation committee and its chair are viewed as the stewards of pay design and outcomes,” said AJ Patterson, associate partner at the executive and board advisory arm of Aon. “When investors see a pay-for-performance disconnect, they increasingly hold that committee directly accountable.”

A first line of defense

Investor support for the compensation committee tends to closely track the “say on pay” outcome, seen as a first line of defense. Overall support for such advisory pay resolutions at the S&P 500 has held strong over recent years, reaching 90.1% in the first half of 2026, up from 89.6% in full year 2025.

However, successive proxy seasons have shown that the vote is not always enough to protect the committee with certain compensation decisions consistently triggering elevated levels of concern and driving investors to also lean on the binding director reelection vote. Some investors even link both in their voting guidelines. “The ‘say on pay’ vote is the primary forum for us to voice concern. However, if we had flagged concern and there hadn’t been a response, then in the second year, we would consider an escalation to a vote against the comp committee chair. It’s part of our voting guidelines,” Matthew Roberts, associate director of stewardship with Fidelity International, told DMI.

Of the half a dozen S&P 500 pay plans to fail in H1, performance misalignment was the most common concern cited in investor rationales collected by DMI, followed by excessive quantum, weak vesting in long-term incentive (LTI) awards and insufficient disclosure.

For Matt DiGuseppe, managing director at PwC’s governance insights center, the compensation committee chair and its members are most exposed when investors identify a breakdown in three key areas: alignment, process, or explanation.

Rewriting the pay story

Market observers argue that investors and proxy advisors need a clear, plain-English explanation of why awards and compensation decisions were made. Without that rationale and especially where discretion was used, even defensible decisions can appear unjustified.

“The compensation story should be the same as the strategy story the company tells throughout the year. You need to have fidelity to the alignment between those things and when you do, the outcome is generally something that the market and shareholders can support,” DiGuseppe told DMI.

However, the scale of transparency looks set for change as the SEC moves to transform the disclosure regime described as a “Frankenstein patchwork of rules” in a related roundtable discussion.

“Guided by materiality, the proposed reforms aim to reduce compliance burdens and further facilitate capital formation in our public markets, while maintaining critical investor protections,” SEC Chair Paul Atkins stated in a July unveiling of the 2026 regulatory agenda.

While the scale of the overhaul has surfaced a level of unease in parts of the stewardship community, many also point out that the reforms should be treated as an opportunity to improve disclosure, not as a reason to reduce transparency.

“The volume of compensation disclosure has increased substantially, but that has not always made compensation programs easier to understand,” said DiGuseppe. “There is a real opportunity that exists when there’s a change in the disclosure environment is to make sure that the information that’s being put out is valuable to the stakeholders that are using it.”

Less ‘say on pay’

Many have supported efforts to make compensation disclosure more relevant and decision-useful. The Nasdaq welcomed the SEC’s reform plans overall and the resulting “reduced external legal spending and management time on disclosures that may not be relevant” for investors. The New York Stock Exchange Institute concluded that scaling disclosure obligations is “a sensible approach” that will “also meaningfully reduce burdens on issuers.”

However, if the SEC proceeds to eliminate the pay plan vote for a large portion of the Russell 3000, that would remove a regular mechanism for investors to register dissatisfaction with pay programs.

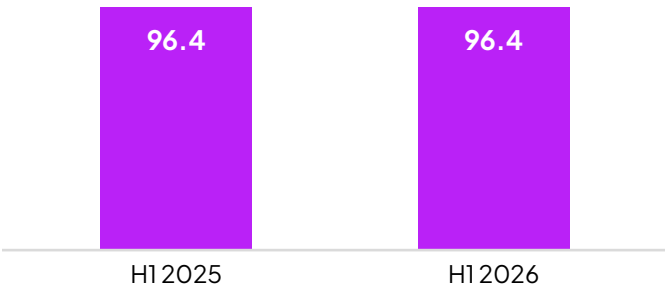
In its comment letter to the regulator, CalPERS was one to caution that the move would “significantly undermine governance” and “strip shareholders of important rights.”

Those concerns raise a broader question about where accountability would ultimately sit with director elections, shareholder engagement and activist campaigns likely to emerge among the pressure points.

“If there is a scale back on certain disclosures, particularly the ‘say on pay’ proposal, it opens a real can of worms for compensation committee members,” said Patterson. “That vote effectively acts as a shield for the committee. If investors can’t hold the compensation program accountable through the ‘say on pay’ vote they get today, then who is setting the tone?”

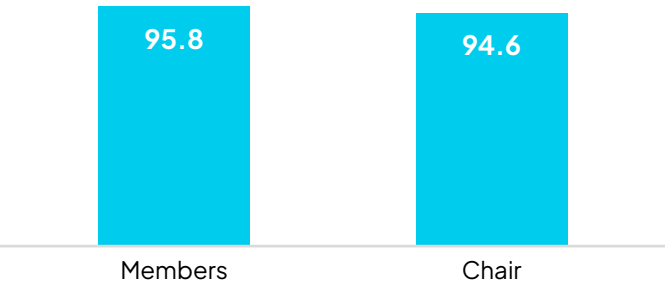
The answer may well be the committee itself.

Average support (%) for S&P 500 director reelections



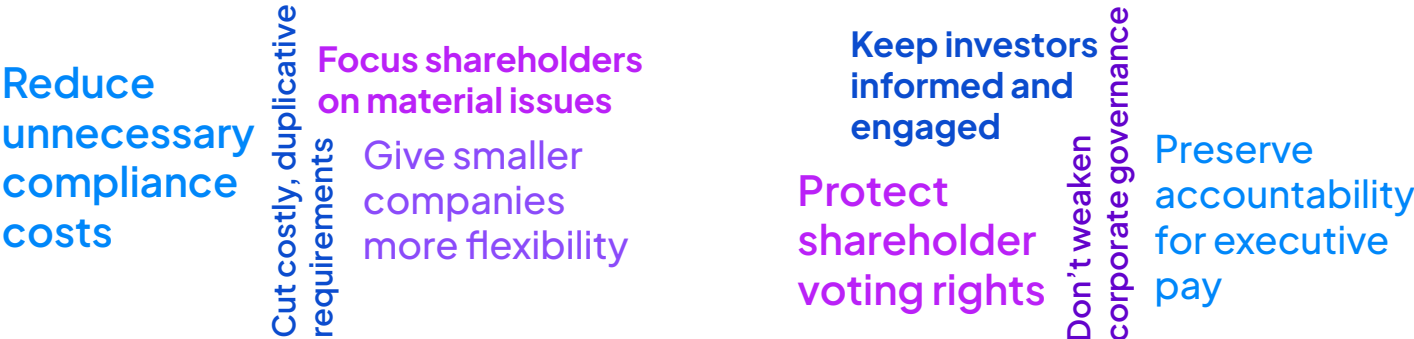
Source: Diligent Market Intelligence / Voting

Average support (%) for S&P 500 compensation committee H1 2026



Source: Diligent Market Intelligence / Voting & Governance

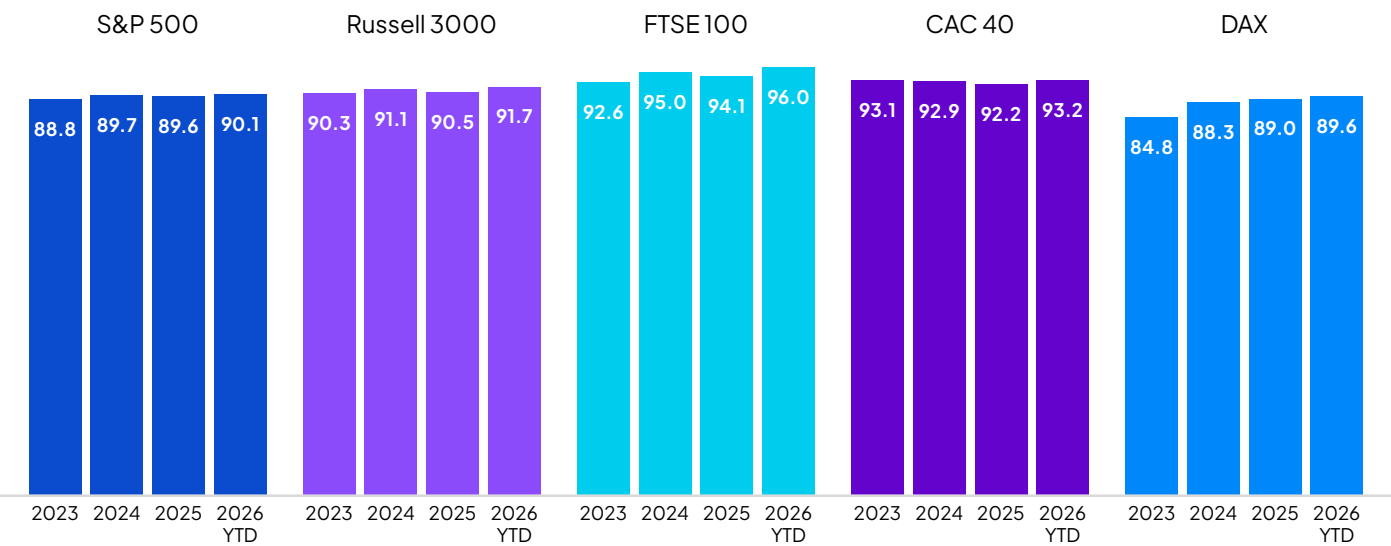
Market participants weigh SEC proposal to eliminate ‘say on pay’ for non-accelerated filers*



*Snapshot of feedback received in comment letters to the SEC

Support for advisory remuneration proposals

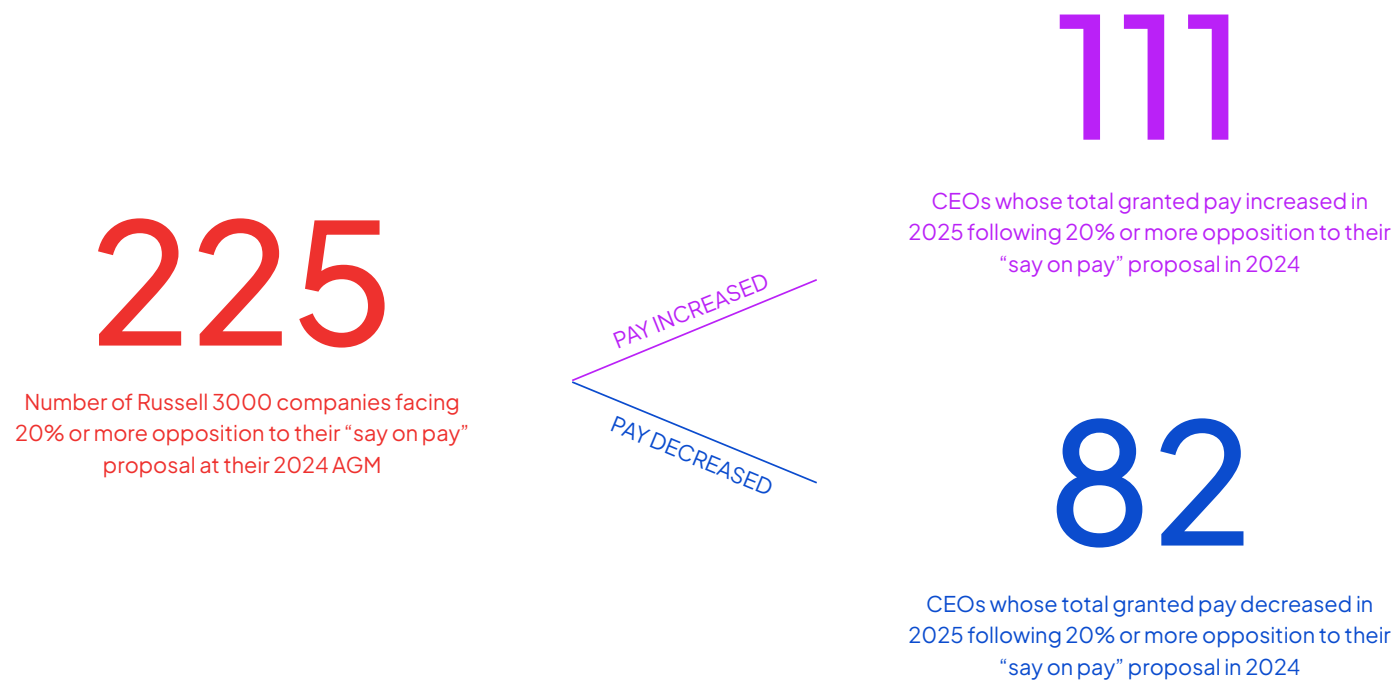
Average support (%) for pay plans by index and year



Source: Diligent Market Intelligence / Voting

*YTD (January - June)

CEO Compensation Changes Following AGM Opposition



Source: Diligent Market Intelligence / Compensation & Voting

Investor rationale in voting down Russell 3000 pay plans in H1

Of the 16 Russell 3000 pay plans to fail in the opening half of 2026, pay-for-performance misalignment, insufficient disclosure and outsized quantum were among the most common concerns cited in investor rationales collected by DMI.



*Based on investor rationales collected by DMI on Russell 3000 "say on pay" plans that failed to secure majority support in H1

Source: Diligent Market Intelligence / Voting

Survey finds boards split on linking CEO pay to AI outcomes

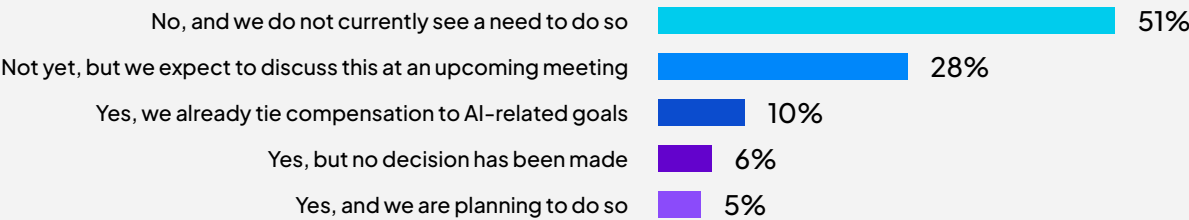
The Director Confidence Index (DCI) is a survey of U.S. public company directors run by Diligent Institute and Corporate Board Member. Fielded during the last week of August 2026, it captures directors’ perspectives on the governance and strategic issues shaping public companies.

In the Q3 findings, the DCI shows that boards are beginning to confront a central question: how and when AI performance should influence executive pay.

Just 10% of directors say their companies already tie CEO or senior executive compensation to AI goals.

Yet the issue is moving onto the agenda: 28% expect to discuss it at an upcoming meeting, while another 11% have discussed it and either plan to act soon or have not decided. A slim majority (51%) say they have not discussed AI-linked pay and see no current need to do so.

Has your board discussed tying CEO or senior executive compensation to AI-related goals?

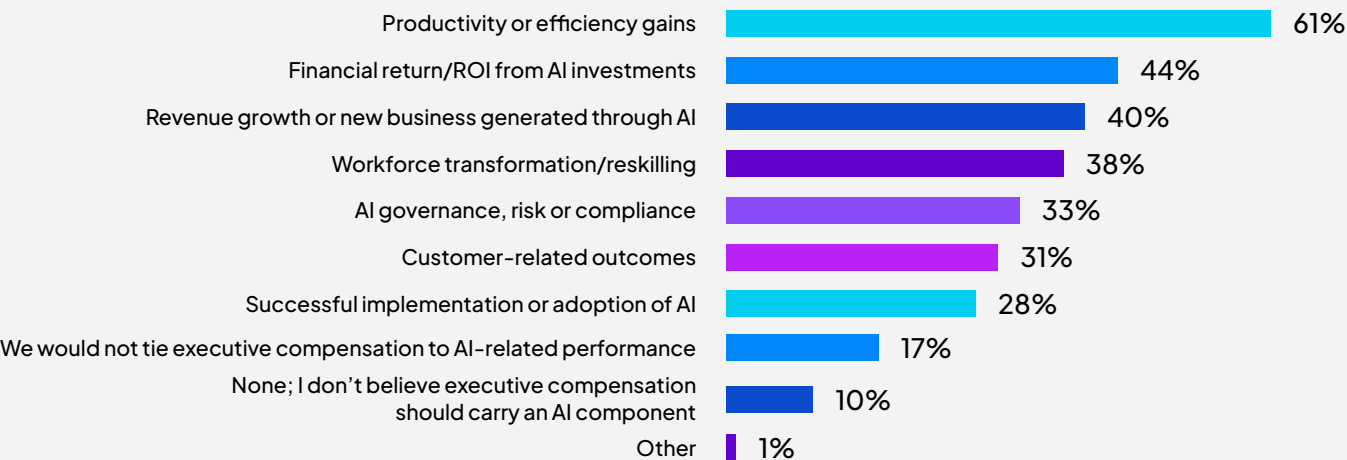


Source: Director Confidence Index, Corporate Board Member – Diligent Institute

Where directors are open to linking pay and AI, they favor business results over deployment milestones. Productivity or efficiency gains lead by a wide margin (61%), followed by financial return/ROI (44%) and revenue or new business (40%).

Only 28% would consider linking successful AI implementation or adoption. This mirrors broader compensation priorities: company performance (40%) and long-term strategy/value creation (37%) rank highest.

What type of AI-related performance would you consider when evaluating executive compensation?



Source: Director Confidence Index, Corporate Board Member – Diligent Institute

Note: Respondents were allowed to select all that apply

The findings argue for a balanced, measurable approach rather than a single AI metric. As Diligent Institute’s Dottie Schindlinger told DMI, boards should first determine whether AI goals can be clearly defined and measured.

The stakes extend beyond AI plans: 61% say major company underperformance could justify cutting pay beyond the incentive plan, and 52% cite reputational or compliance failure.

Golden parachutes face headwinds

Amid a blockbuster 18-month run for U.S. mergers and acquisitions, golden parachutes have been facing heightened scrutiny from investors at the ballot box, writes Simon Roughneen.



Average backing for deal-based change-of-control payouts to executives fell to 77.3% in the opening half of 2026 across the 83 advisory votes tracked by Diligent Market Intelligence (DMI). That's down from 84.1% backing in the first six months of 2025, when 59 golden parachutes faced a vote and from 79.2% in the same period of 2024 with 62 such proposals tabled.

"As the M&A market heats up, and deals and parachute payouts are larger, they attract more investor attention," said Ariane Marchis-Mouren, senior governance researcher at The Conference Board.

No small matter

The seven-percentage-point fall in average support is considered significant in light of recent history.

“2026 has been noteworthy for the magnitude of certain failed votes.”

"In the past, parachute votes in favor have averaged around 80% with closer to 60% for more controversial payouts," said Stuart Gillan of the University of North Texas, who described the drop as "quite large."

According to Lauren Peek, a partner at Compensation Advisory Partners (CAP), the fall-off in shareholder support for golden parachutes has been "sizable" and possibly down to how some payments are structured.

"Large payouts of equity awards, single-trigger vesting of equity or added excise tax gross-ups receive lower shareholder support," Peek explained.

"If a CEO is walking away with multiples of their current compensation because performance shares are paid at maximum or an excise tax gross-up is added, shareholders will be warier and may vote against the proposal," explained Gillan, who has written extensively on golden parachutes.

Popcorn at the ready

The fall-off has come alongside some high-profile displays of shareholder dissent focused on lavish top-brass payouts as the period's headline-making deals were tested at the ballot box.

"2026 has been noteworthy for the magnitude of certain failed votes," said Laura Wanlass, a partner in Aon's executive and board advisory practice.

At an April 23 special meeting convened as part of Warner Bros. Discovery's \$111-billion merger with Paramount Skydance, 82% of votes were cast against the \$1.4 billion goodbye package that would see CEO David Zaslav sever ties with an equity award valued at over \$517 million as well as tax reimbursements potentially worth \$335 million.

The show of dissent stood in cinematic contrast to the near-unanimous vote in favor of the deal. Zaslav's parachute was described by many investors as "not in line with best practice," not only because of its size, but also because of its structure, with multiple investors warning against on the grounds it contained provisions such as "auto-accelerated equity" and an excise gross-up.

In another investor rebellion, only 22% of votes cast by Olympic Steel shareholders were in favor of the golden parachute related to its proposed merger with Ryerson – a deal backed by 99% of votes cast at the same February special meeting.

In its rationale against, BlackRock said the Olympic Steel payouts "have the potential to be excessive," concerns echoed by the Florida State Board of Administration, while others, including the University of California and BMO Asset Management, pointed to the inclusion of multiple payments based on equity, long-term cash benefits and employee benefits.

“Large payouts of equity awards, single-trigger vesting of equity or added excise tax gross-ups receive lower shareholder support.”

"The concern that investors have – and when we see higher votes cast against parachute payments – is when the rewards seem outsized, where executives appear to be 'double dipping,'" said Gillan. "For example, getting a parachute payout and a position with the acquirer at the same time, or where the parachute contains large amounts for excess taxes on the parachute payments."

Of little consequence?

One comfort for boards going into a transaction is that the failure of a golden parachute does not often translate into trouble for the deal itself or for the board at large.

“While investors may view some golden parachute arrangements as excessive, they are highly unlikely to also vote against the merger transaction they accompany,” said Wanlass.

“We looked to see if board members at firms with high opposition votes to parachutes got fewer board seats or experienced more withhold votes at their other board positions in the future and didn’t see any evidence of that,” said Gillan.

However, boards would be wise to consider whether significant opposition to golden parachutes could signal wider concerns.

Six weeks after Warner Bros.’ special meeting, shareholders voted down the “say on pay” proposal on the ballot at the 2026 annual meeting – a show of dissent that also saw the compensation committee Chair Paul Gold attract 52% opposition.

“A failed vote, or even a narrow passage, may indicate concern about the size or structure of the package, the board’s handling of potential conflicts or how transaction value is being divided between executives and shareholders,” said Marchis-Mouren.

The next deal wave

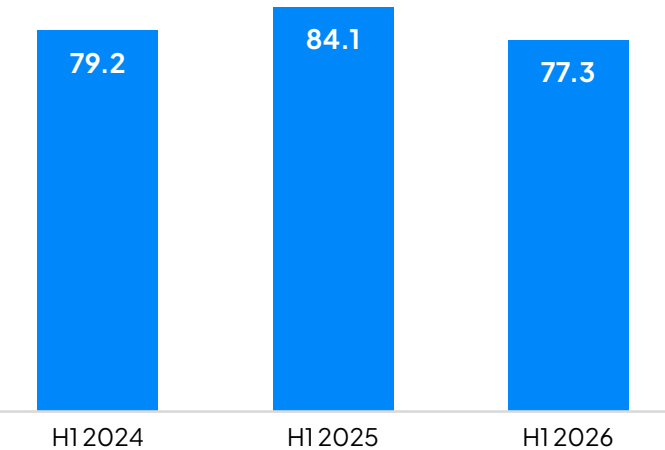
For now, investors and companies are more likely to wonder if the drop in support for golden parachutes is a blip or signals a move in the direction of greater scrutiny of executives.

“It’s hard to say right now whether this is part of a broader trend or an isolated outcropping of golden parachute transactions with particularly egregious terms,” said Aon’s Wanlass.

For companies pursuing M&A, the message is already becoming harder to ignore with EY-Parthenon forecasting an 8% increase in U.S. deal volume. “Investors don’t want executives to go after M&A activity and have a change of control just so that they get a big payday,” said Robin Ferracone, CEO of Farient Advisors.

“They don’t want to have outsized golden parachutes that reward executives just for making a transaction.”

Support (%) for golden parachute proposals at U.S.-based companies, by H1



Source: Diligent Market Intelligence / Voting

UK attempts to outrun Europe on CEO pay

U.K. boards have spent the past two years loosening executive pay structures to stay competitive internationally, especially with the U.S. But the more immediate pressure may now be closer to home, with France and Germany pushing CEO pay higher while investors remain broadly supportive, writes Will Arnot.



The latest DMI data show that median granted CEO pay rose 16% in the FTSE 100 to 6.1 million pounds (\$8.2 million as of December 31), compared with increases of 13.8% in the CAC 40 to 6.8 million euros (\$8 million) and 1.6% in the DAX to 6.8 million euros (\$8 million).

Realized pay also rose across all three indices: by 30.6% in the FTSE 100 to 5.6 million pounds (\$7.5 million), 8.7% in the CAC 40 to 5.6 million euros (\$6.6 million) and 14.2% in the DAX to 7.1 million euros (\$8.4 million).

Those figures put the three markets within a narrow range and highlight that France and Germany are now important reference points for U.K. boards weighing pay levels, structures and investor expectations.

“ Shareholders can support higher quantum where there is “a clear retention need.” ”

U.K. adapts

The U.K. market has already moved more than it often gets credit for as boards seek to retain executives who may have better-paid U.S. or private-company options, while making packages more attractive without abandoning the safeguards associated with the U.K. model. Nic Stratford, Mercer U.K. practice leader for executive reward, pointed to “some really big increases in max PSP [performance share plan] award levels in the FTSE 50” and the continued spread of hybrid plans, as evidence that boards have become more willing to revisit long-standing constraints.

The result is that pay composition has been shifting year-over-year. In 2025, long-term incentives (LTIs) accounted for 54.1% of median CEO pay in the FTSE 100, up from 52.2% in 2024, while base salary fell from 19% to 17.4% of the package. The annual bonus was broadly stable at 28.5%.

Stephen Cahill, partner at Farient Advisors, identified higher quantum and the “reduction and removal of bonus deferral when share ownership guidelines have been met” as two of the clearest changes. Yousif Ebeed, corporate governance lead at Schroders, also pointed to “more hybrids” and a

“continued uptick in shareholding requirements” alongside higher quantum.

Investors have also helped shape the shift. Ebeed pointed to the Investment Association’s clarification of hybrid plans and a broader acceptance of the “explain” element of comply or explain, adding that “the onus is on companies now more than ever.” That has encouraged boards to take a more holistic approach, linking higher pay opportunities to stronger shareholding requirements, credible performance targets and fuller disclosure.

That acceptance is conditional, however. Rutendo Muponda, a corporate governance analyst at Schroders, said shareholders can support higher quantum where there is “a clear retention need,” but not when increases are simply designed to match better-paid peers without corresponding performance.

While the shift does not amount to a wholesale move away from U.K. safeguards, Cahill argued that boards and regulators could still revisit some of the “extra bells and whistles” around pay, including post-vesting holding periods and post-employment share ownership rules.

Europe closes in

European markets are not converging through one uniform model. France looks closer to the U.K. in its reliance on long-term incentives, while Germany retains a larger fixed-pay component. Long-term incentives accounted for 54.5% of median CEO pay in the CAC 40 in 2025, alongside 25.4% for annual incentives and 20% for base salary. CEO pay at the DAX was structured differently: base salary made up 27.2%, annual incentives 28% and long-term incentives 44.8%.

At the same time, realized pay in the DAX reached 7.1 million euros in 2025, above both the CAC 40 and FTSE 100 in their respective currencies.

Nonetheless, Stratford has described fundamental U.K. and continental European pay structures as “broadly similar,” with the U.S. still standing apart for much larger LTI awards and a greater willingness to use restricted stock and options. Cahill likewise noted that “LTI often in the U.S. is often two-to-three times more than LTI in the U.K.”

For U.K. boards, the challenge is to borrow selectively from U.S. practice while deciding how far their own model should evolve.

Support holds

For now, shareholder support suggests investors are not rejecting change outright. DMI's 2026 year-to-date figures show average support of 96% for FTSE 100 remuneration votes and 95.2% for the FTSE 250. All 93 FTSE 100 proposals with disclosed results passed. Support was lower in continental Europe, at 93.2% in the CAC 40 and 89.6% in the DAX, but the figures still point to broad acceptance of higher pay and more flexible structures.

“ For U.K. boards, the challenge is to borrow selectively from U.S. practice while deciding how far their own model should evolve. ”

That broad support has not eliminated scrutiny. In the same data, 19.4% of FTSE 100 proposals received less than 95% support, compared with 58.1% in the CAC 40 and 65.7% in the DAX. Ebeed has argued that the U.K.'s active governance community and legal framework give shareholders “teeth” when boards get the balance wrong.

Median granted CEO pay, by index

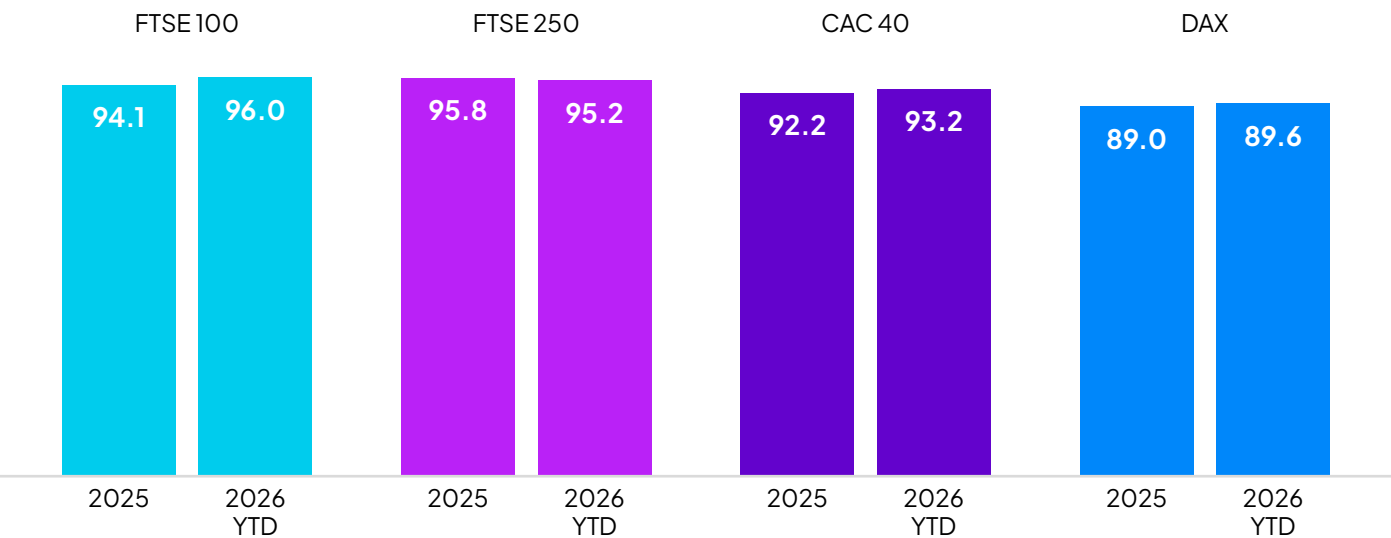
Index	2024	2025
FTSE 100 (£m)	5.2	6.1
CAC 40 (€m)	6.0	6.8
DAX (€m)	6.7	6.8

Source: Diligent Market Intelligence / Compensation

Cahill suggested the proposals most likely to clear investors comfortably combine strong performance, a credible strategic rationale and a “pretty good track record around executive pay.” Companies that simply benchmark themselves against better-paid peers, he cautioned, are more vulnerable than those that can explain why their business model, talent base or international exposure justifies a change.

Investors will have a big impact on what happens next. Cahill believes shareholders have loosened the “handcuffs” around policy by allowing companies to move further on pay, but the trade-off is likely to be tougher scrutiny of what comes out at the end. “It’s okay that you can have seven-, eight- and nine-times salary,” he noted, “but if you’re going to pay out at that level, what have you delivered?”

Average support (%) for advisory pay plans, by index



Source: Diligent Market Intelligence / Voting

*January - June

Australia's cautious pay pivot

Despite year-on-year increases in CEO pay in Australia, industry experts warn that the country risks losing ground in the global competition for executive talent, writes Ross Carney.



The latest DMI data show that median granted CEO pay rose 9.8% in the ASX 200 to reach AU\$5.2 million in 2025, and 4.8% in the ASX 300 to reach AU\$4.2 million. Realized pay also increased across both indices: by 10.6% in the ASX 200 and by 23% in the ASX 300.

“When comparing pay practices to other indices, Australia is somewhat behind, or not influenced much by, major trends in other markets,” said Michael Robinson, principal at Guerdon Associates. “It has made Australian pay less competitive globally, so it’s quite a constraint when you’re looking for talent.”

The regulatory burden

In the Australian market, unique regulatory levers impact how remuneration is designed, disclosed and approved.

“Expect less ‘one-size-fits-all.’
Instead, pay will be more tailored.”

The “two-strikes rule” is a key part of the governance regime, with some observers arguing that it forces companies into rigid pay structures. The measure, introduced in 2011, was designed to curb excessive pay and force greater accountability with a board spill vote required if a remuneration report faces more than 25% opposition at two consecutive meetings.

More recent sectoral changes have seen the introduction of CPS 511 in 2024, a standard led by the Australian Prudential Regulation Authority that aims to ensure pay arrangements appropriately incentivize individuals “to prudently manage the risks they are responsible for, and that there are appropriate consequences for poor risk outcomes.” The rule requires significant financial institutions to defer at least 40% of variable remuneration for certain senior executives and 60% for CEOs over a period of four to six years.

Robinson argues that the regulation makes it challenging for affected financial-services companies to compete with other markets such as the U.K. where executive pay in the financial services sector has become less regulated, resulting in larger pay packages.

Indeed, a recent report by Farient Advisors examining the 2026 AGM season found that many U.K. companies have

moved to reduce or eliminate bonus deferral, “with little resistance from shareholders.”

“You have seen a much bigger increase in levels of pay in financial services in the U.K. market due to regulatory easing, whereas Australia is still quite constrained and highly regulated, with longer deferral periods,” said Robinson. “The U.K. has historically been a good source of talent for the banking and insurance sectors and because regulation there has eased and pay has gone up, it’s become quite difficult for Australian companies to attract and retain people from those markets.”

The Australian model

Unlike other markets such as the U.S., CEO pay in Australia has a much higher fixed pay component and a lower proportion of equity.

However, recent years have seen an increase in the use of long-term incentives (LTIs) which accounted for 45% of median granted CEO pay in the ASX 200 in 2025, up from 42% in 2024 and 39% in 2023.

Meanwhile, base pay has fallen year-on-year since 2023, accounting for 33% of the median granted pay package at the index in 2025.

Kirsten Ross, associate partner at Aon, believes that the gradual shift in approach reflects a deliberate rebalancing towards pay that is at risk.

“LTIs are better aligned with
shareholder interests than
base salary.”

“LTIs are better aligned with shareholder interests than base salary because outcomes are linked to performance, whereas fixed pay is guaranteed and not tied to results. Therefore, increased LTI opportunity and less base mechanically increases the share of pay contingent on performance.”

The divergence, however, is most pronounced in the way pay is designed at ASX-listed companies with a significant U.S. presence.

According to a July report by the Australian Council of Superannuation Investors (ACSI), five of the 10 highest

earners in the ASX are CEOs of U.S.-domiciled companies with Life360 CEO Chris Hulls, ResMed CEO Mick Farrell and News Corporation CEO Robert Thomson topping the list.

“This is an area where we are seeing an increasing level of nuance. There is growing recognition that ASX-listed companies with overseas-domiciled executives need to provide pay that attracts and retains,” explained Suzanne Wohlthat, principal at Guerdon Associates.

Proxy advisors have also taken note, with Glass Lewis setting out its expectation that where an Australia-based company relies on such international benchmarking, transparent disclosure of the benchmarking process, the peer groups used and the board’s rationale are all vital, so that shareholders can assess whether the chosen comparators are appropriate to the company’s circumstances.

It warned, however, that if such benchmarking is “applied by default, or too loosely,” Australian remuneration could be drawn “toward the more generous practices of some offshore markets.”

Made-to-measure

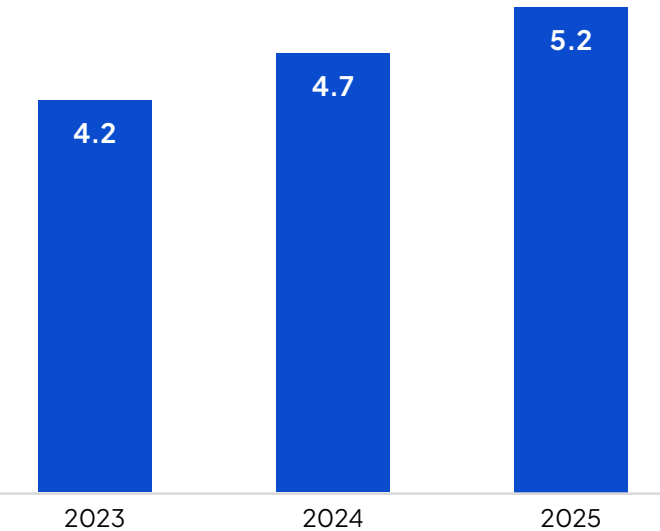
As Australian companies respond to external pressure to compete for executive talent, their remuneration programs are likely to become more tailored, advisors told DMI.

“Larger investors in the region are becoming more sophisticated and nuanced on executive pay matters,” said Wohlthat. “Expect less ‘one-size-fits-all.’ Instead, pay will be more tailored to peer practice, company strategy, company business cycle, or a company’s stage of development.”

That shift is likely to bring greater scrutiny as the proxy season continues. It comes as average investor support for advisory remuneration reports held steady at 90.6% in the ASX 200 in 2025.

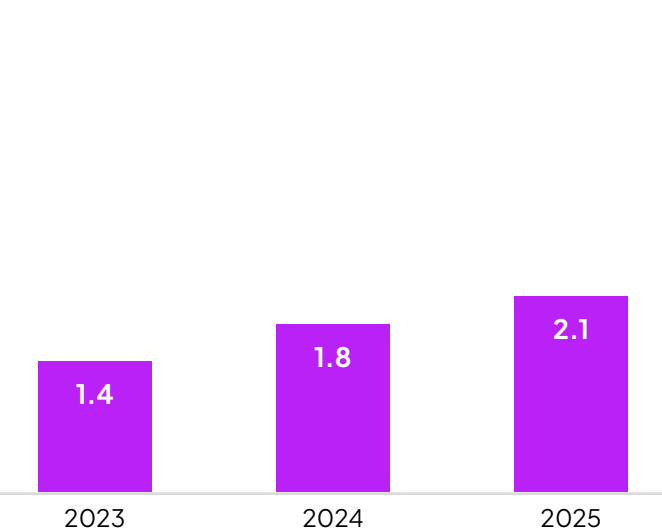
But ACSI warns that this support should not be taken for granted while advising investors against complacency. “This year, investors will need to remain vigilant to ensure that we do not see the inflation in CEO salaries or a pay ‘break-out’ that we see in markets like the U.S.,” said Ed John, executive manager, stewardship at ACSI.

Median granted CEO pay (AU\$m) at ASX 200 companies, by year



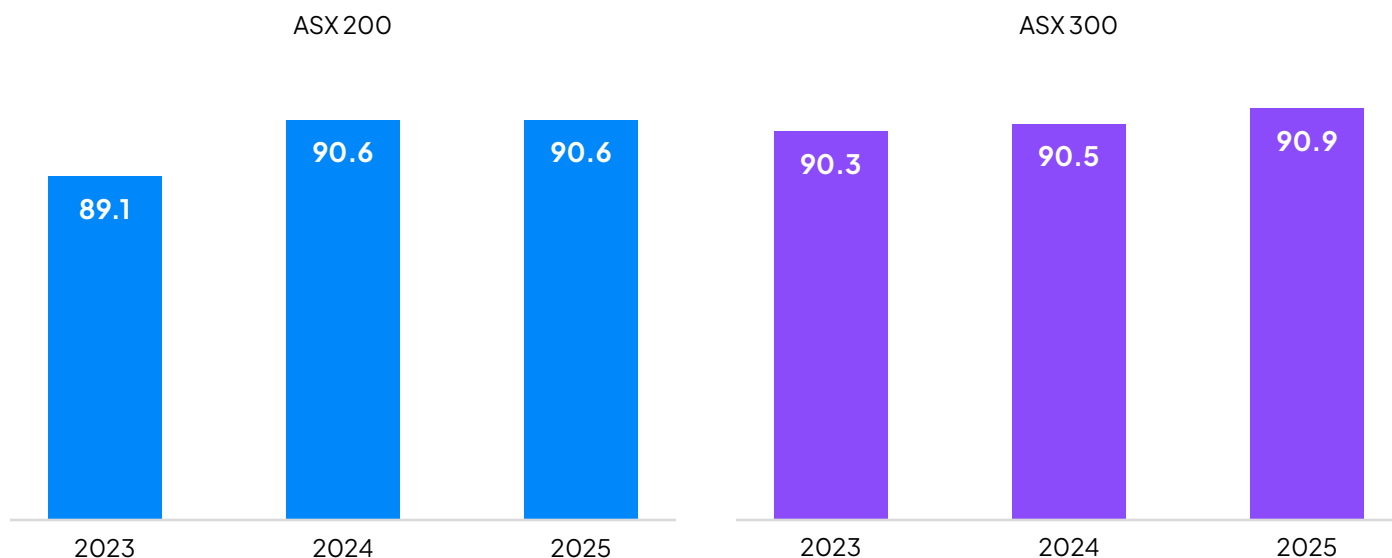
Source: Diligent Market Intelligence / Compensation

Median granted LTI CEO pay (AU\$m) at ASX 200 companies, by year



Source: Diligent Market Intelligence / Compensation

Support (%) for advisory remuneration reports in Australia



Source: Diligent Market Intelligence / Voting

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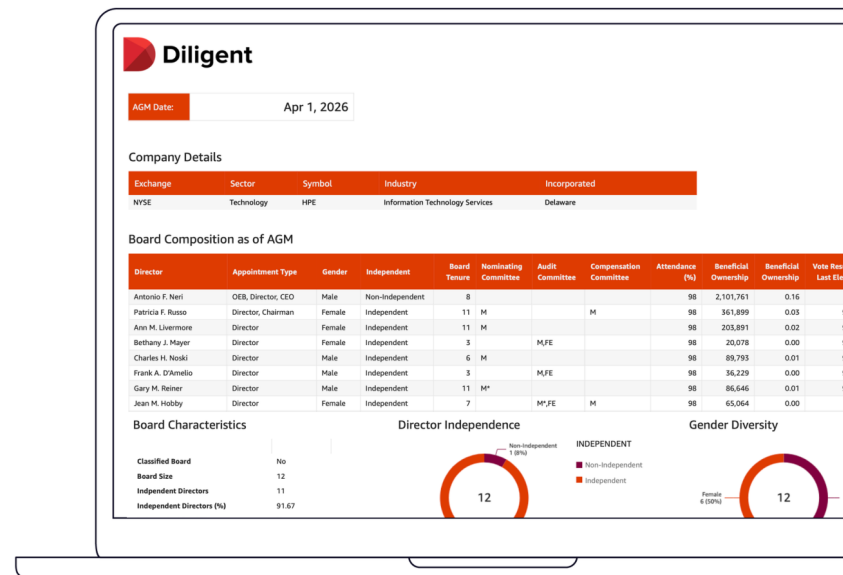
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The level of disruption in the stewardship space around tech enhancements is welcome and long overdue. I want to make stewardship even more insights driven — harnessing more data, better measurement, getting a more proactive lens to see if we can deepen the link between stewardship and value creation over time."

Senior Stewardship Leader
Global Asset Manager