GECN™ GROUP | GLOBAL STRATEGIC INDEPENDENT

REPORT

September 2026

The World of Executive Compensation Governance Has Shifted. What's Next?

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EXECUTIVE SUMMARY

To shape their pay strategy, internationally active companies cannot only look to practices in their home country. They need to monitor cross-border and global trends.

Around the world, executive compensation programs and related governance frameworks for publicly traded issuers are shaped by a wide range of stakeholder interests, including regulators, proxy advisors, and investors.

In this report, we explore recent trends and best practices in compensation governance across major markets, leveraging the expertise of the GECN Group subject matter experts. The GECN Group is composed of leading independent firms across six continents known for their strategic, analytical, and business-aligned approach to pay and governance. The report also provides perspectives on how governance practices have evolved since the GECN Group's initial 2017 study of global executive compensation governance trends.

Looking ahead, executive pay governance appears to be moving in a broadly similar direction across most markets, with greater scrutiny of outcomes, disclosure, investor engagement, risk alignment, and board judgment. The **United States (US)**, however, stands apart, as regulators and investors under the current administration are pursuing an agenda to make the public market more attractive to companies. Similarly, the **United Kingdom (UK)**, historically a leader in governance practices, has become more open to reducing regulatory burdens to improve the UK market's global competitiveness. Despite this broad convergence, the mechanisms and degree of scrutiny continue to differ by jurisdiction, reflecting local regulation, ownership structures, proxy advisor influence, and stewardship maturity.

Key Themes

1

PAY GOVERNANCE INFLUENCERS EXTEND BEYOND REGULATORS

Across markets, executive compensation governance is not driven by regulation alone. Proxy advisors act as important intermediaries between companies and investors, although their role is changing and the balance of influence among regulators, investors, and other stakeholders differs by jurisdiction.

2

PAY-RELATED SHAREHOLDER ACCOUNTABILITY DIFFERS BY MARKET

Shareholder accountability for executive pay exists across all markets, but the form it takes varies. It ranges from binding votes and remuneration caps to advisory say-on-pay votes and indirect governance mechanisms. The practical consequences of shareholder opposition vary considerably, from enhanced disclosure and engagement expectations to formal board or compensation outcomes.

3

THE PAY GOVERNANCE LANDSCAPE IS SHIFTING IN A SIMILAR DIRECTION, BUT MECHANISMS AND ADOPTION DIFFER BY JURISDICTION

Despite important regional differences, including some backtracking in the **US**, executive compensation governance is generally advancing toward comparable goals: better disclosure, stronger pay-for-performance alignment, enhanced risk oversight, and more structured use of board discretion.

4

LESSONS LEARNED FROM REPEATED CONTROVERSIES

Markets differ in how they govern executive pay, but the causes of governance failures – for example, one-time egregious awards, pay and performance misalignment, and unwarranted board discretion – are remarkably consistent. The recurring lesson is that board discretion is most effective when it is principled, consistent, transparent, and supported by a clear link to long-term value creation.

5

FORECASTING FUTURE STATE

The next phase of governance will likely be defined by less standardized and potentially less intensive proxy advisor influence, greater focus on realized and realizable pay outcomes, and earlier investor scrutiny enabled by data analytics and AI. As investor expectations become more sophisticated and company-specific, boards may need to exercise more discretion but will also need to justify their decisions. This will include providing more compelling explanations and demonstrating that pay outcomes align with long-term value creation.

INTRODUCTION

There is no single global model for executive pay governance, nor is it shaped by any single factor. Instead, each jurisdiction reflects a different balance between regulation, investor stewardship, foreign investor ownership, and proxy advisor influence. These balances also evolve at different paces, depending on jurisdiction and pay expectations.

In this context, we use the term "good governance" not to mean strict compliance with a universal checklist, but the credible application of the board's judgment over time. In terms of executive pay, this includes showing how the board-approved pay program reinforces the business strategy, motivates longer-term performance, is subject to independent oversight, manages risk, treats shareholder and workforce concerns seriously, and is explained through clear, transparent disclosure.

This report explores executive compensation governance in **Australia, Brazil, Canada, Chile, Hong Kong (HK), Mexico, Switzerland, the UK, and the US**. It is based on the work of GECN firms active in those markets.

Across the markets reviewed, the gap between "market practice" (what companies typically do today) and "best practice" (the most effective approaches) ranges from modest to significant, with the nature of the gap differing by jurisdiction.

In **Canada and the US**, market practice broadly tracks best practice among large issuers, with gaps concentrated in execution quality, including incentive goal rigor, use of discretion, use of special awards, disclosure clarity, and the credibility of pay-for-performance alignment.

The **UK** continues to be broadly aligned with best practice, although the gap is widening as companies respond to global talent competition through higher quantum or alternative incentive structures. Investor acceptance is shifting from strict adherence to traditional models to whether the rationale is strategic, well explained, and credible.

Australia presents an apparent small gap because the "Two-Strikes"[1] rule and proxy advisor influence strongly shape market practice, but this can mask a deeper tension between defensive conformity and genuinely tailored incentive design.

HK and Switzerland show moderate but persistent gaps, with HK still catching up to UK and US standards, while Switzerland relies on robust board oversight within a principles-based corporate governance framework.

In **Brazil, Chile, and Mexico**, the gap is more segmented and closely tied to company profile, ownership structure, and exposure to international investors.

[1] Under Australia's *Corporations Act 2001,* the "Two-Strikes" rule gives shareholders a "say on pay" by triggering a potential board re-election if 25% or more of votes cast oppose the company's remuneration report at two consecutive Annual General Meetings. A second strike requires an immediate vote on a "spill resolution," which, if passed by a simple majority, forces all non-executive directors to stand for re-election within 90 days.

1. PAY GOVERNANCE INFLUENCERS EXTEND BEYOND REGULATORS

Regulators, including securities regulators, stock exchanges, politicians, and government bodies responsible for legislation, remain foundational in prescribing frameworks for pay governance, but they alone do not shape pay programs.

For example, **Australia, Canada, the UK, and the US** operate within mature, highly scrutinized pay-related voting frameworks, giving investors and proxy advisors a strong forum for influence. **HK** is driven by proxy advisors and institutional investor stewardship codes, supported by listing rule requirements. **Switzerland** relies on a combination of company law requirements, the voluntary *Swiss Code of Best Practice for Corporate Governance*, binding say-on-pay votes, and sector-specific prudential expectations for financial institutions, which are influenced indirectly by developments in EU legislation.

By contrast, in **Brazil, Chile, and Mexico**, best governance is defined by a combination of legal minimums, local governance codes, board or committee oversight structures, and external expectations from foreign investors and proxy advisors.

Proxy advisors exert heavy influence across most markets because their voting guidelines often convert broad governance principles into concrete expectations on incentive structures, pay-for-performance alignment, disclosure, quantum, and board accountability. Their role is especially visible in markets with established say-on-pay voting, where adverse recommendations can materially affect voting outcomes and pressure boards to engage, revise disclosure, or adjust pay practices. In these markets, boards sometimes consider certain actions in the context of proxy advisor policies, e.g., questioning if a special award or a quantum of pay could trigger pay-for-performance alignment concerns and an adverse recommendation.

Across all markets, regulators, proxy advisors, institutional investors, shareholder groups, stock exchanges, and government or political actors all play a role in shaping executive compensation governance. Their relative influence, however, differs markedly from one market to another.

While regulators and the government are influential in both **Australian and UK** markets, the **UK** combines governance and disclosure expectations with direct shareholder oversight through an annual advisory vote on the Directors' Remuneration Report and a binding remuneration policy vote at least every three years. **Australia**, by contrast, exerts more direct influence through prescriptive rules, stock exchange requirements and guidelines, and formal regulatory mechanisms such as the “Two-Strikes” rule, resulting in standardized disclosures and frameworks.

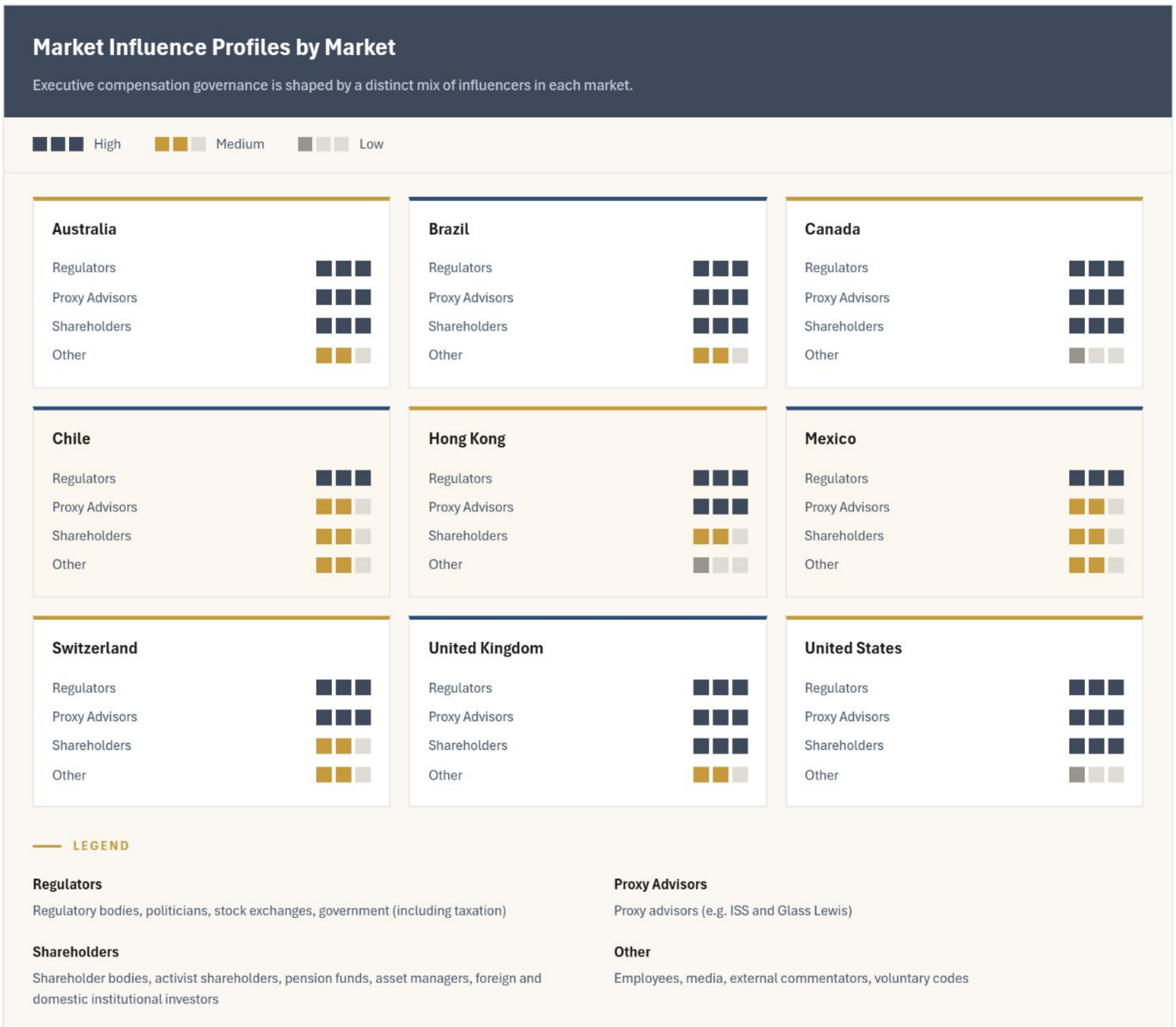
In **Brazil, Chile, and Mexico**, governance expectations are less defined by broad say-on-pay regimes and more by legal minimums, local governance codes, committee or board oversight structures, stock exchange rules, tax and government constraints, and foreign investor or proxy advisor expectations for internationally visible issuers.

Canada is principles-based: securities rules set the reporting floor, while voluntary say-on-pay, institutional investors, and proxy advisors provide the main accountability pressure.

HK relies heavily on listing-rule disclosure and proxy advisor consequences for board responsiveness.

In **Switzerland**, proxy advisors and institutional investors reinforce board accountability, but the foundations remain the combination of binding say-on-pay with a principles-based corporate governance framework.

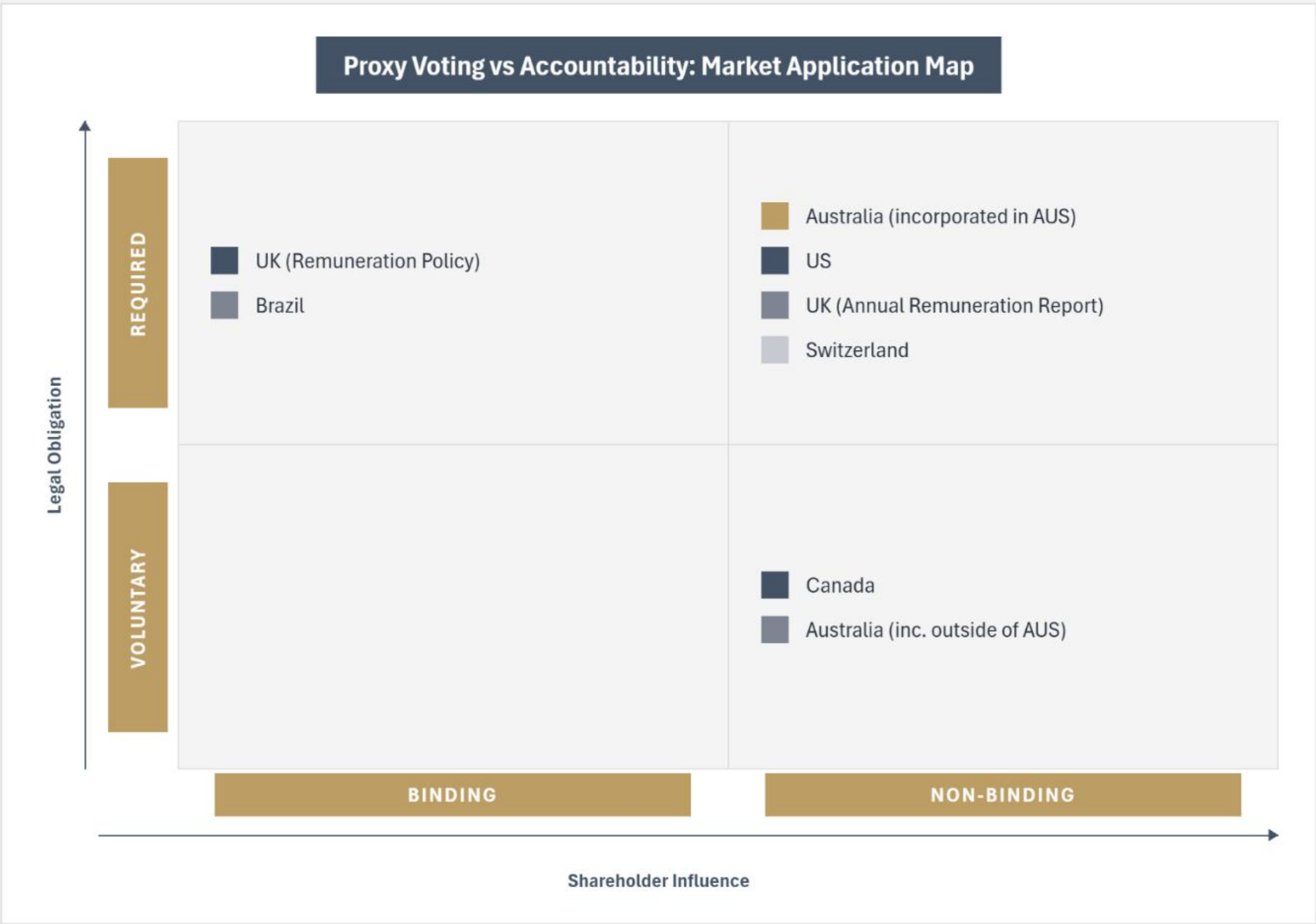
In the **US**, the framework is more rule-driven, with the Securities and Exchange Commission (SEC), *Dodd-Frank Act*[2] requirements, stock exchanges, and proxy advisors shaping disclosure, mandatory (non-binding) say-on-pay, pay-for-performance reporting, clawbacks, and committee independence. Shareholders also carry significant influence through their coordination with proxy advisors, their say-on-pay votes, and their direct engagement with companies.



[2] The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 introduced key US executive compensation governance requirements, including mandatory advisory say-on-pay votes, say-on-frequency and golden parachute votes, compensation committee independence standards, pay-related disclosure requirements, and clawback rules.

2. PAY-RELATED SHAREHOLDER ACCOUNTABILITY DIFFERS BY MARKET

The chart below summarizes how pay-related shareholder votes and equivalent accountability mechanisms differ across markets by legal effect, whether they are required or voluntary, and how frequently they occur. Globally, 'soft' accountability is most prevalent, while binding remuneration resolutions or mechanisms that block remuneration are uncommon.



Footnotes

1. Chile, Hong Kong, and Mexico do not have say-on-pay votes but have adjacent pay mechanisms.
2. The UK's vote on remuneration policy and the US say-on-pay vote are held at least every three years.
3. Switzerland's say-on-pay combines 1) approval of compensation amounts separately for the Board of Directors and Executive Board (mandatory and binding), 2) Compensation Report (mandatory if variable pay is approved prospectively as a budget for future periods), and 3) individual election of the Compensation Committee members (mandatory & binding).

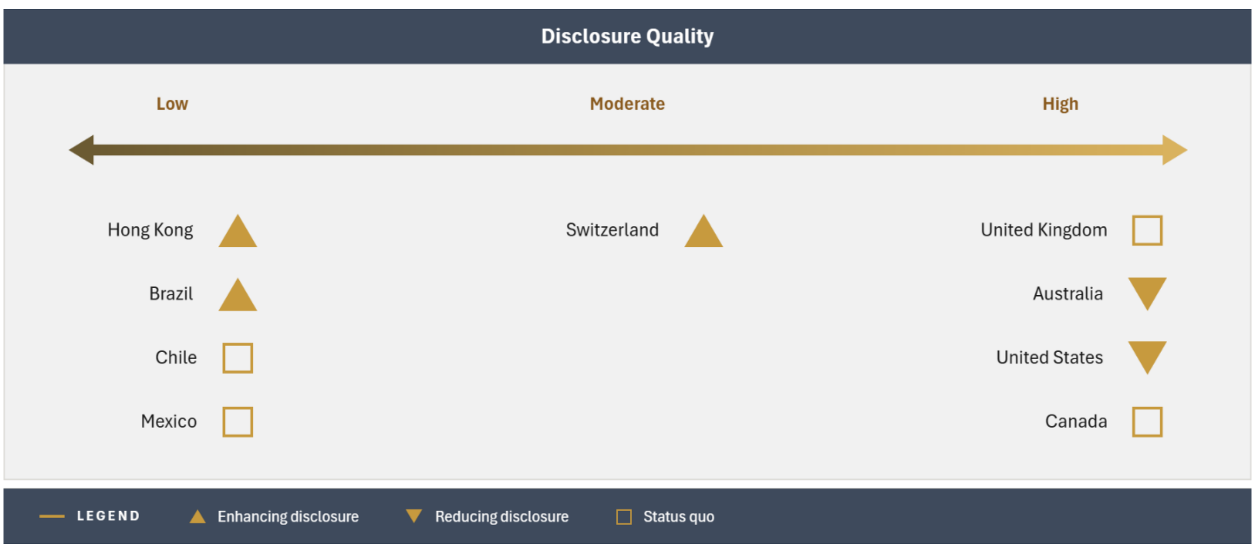
3. THE PAY GOVERNANCE LANDSCAPE IS SHIFTING IN A SIMILAR DIRECTION, BUT MECHANISMS AND ADOPTION DIFFER BY JURISDICTION

Over the past decade, executive pay governance has become more developed and more sophisticated, although the pace and form of change vary by market. Across markets, companies face stronger expectations on engagement quality, disclosure usefulness, risk management, and pay-for-performance alignment. At the same time, there is growing resistance to one-size-fits-all governance. The direction of travel is not simply toward more rules. It is toward more credible board judgment, better explanations, and a clearer link between pay design and company-specific strategy.

Detailed market-specific insights for each observation are provided in the Appendix.

1) Disclosure expectations have shifted from volume to usefulness.

Disclosure is generally moving toward higher-quality, more investor-friendly reporting, although the degree of development varies by market, with **Mexico and Chile** still relying on opaque and aggregated disclosure. Developed markets are also reconsidering their approaches: the **US** is considering ways to reduce disclosure burdens, while the **UK** is moving away from prescriptive, formulaic disclosure and toward greater flexibility in explaining its approach to pay and reducing boilerplate disclosure.



2) Pay practices have become more aligned due to benchmarking pressure but are also moving toward greater flexibility.

Peer benchmarking, especially among companies competing for global talent, exerts strong influence in standardizing pay design across markets. Proxy advisors and investors are slowly becoming more acceptive of international peer benchmarking, so long as it can be justified. Markets such as **Australia, the UK, and the US** are moving toward greater customization as engagement with institutional investors becomes more sophisticated.

3) Risk management has become a more explicit part of pay governance.

Clawback provisions and risk-control measures are becoming more standard in pay design across most markets, except **Mexico**. Unlike in the **US** and in some **Australian** companies[3], most markets adopt these measures voluntarily, which leaves enforcement largely to board discretion. Board and committee discretion is another risk-management tool that is often not formally adopted through a specified framework, and it can become a double-edged sword if it enables outsized grants.

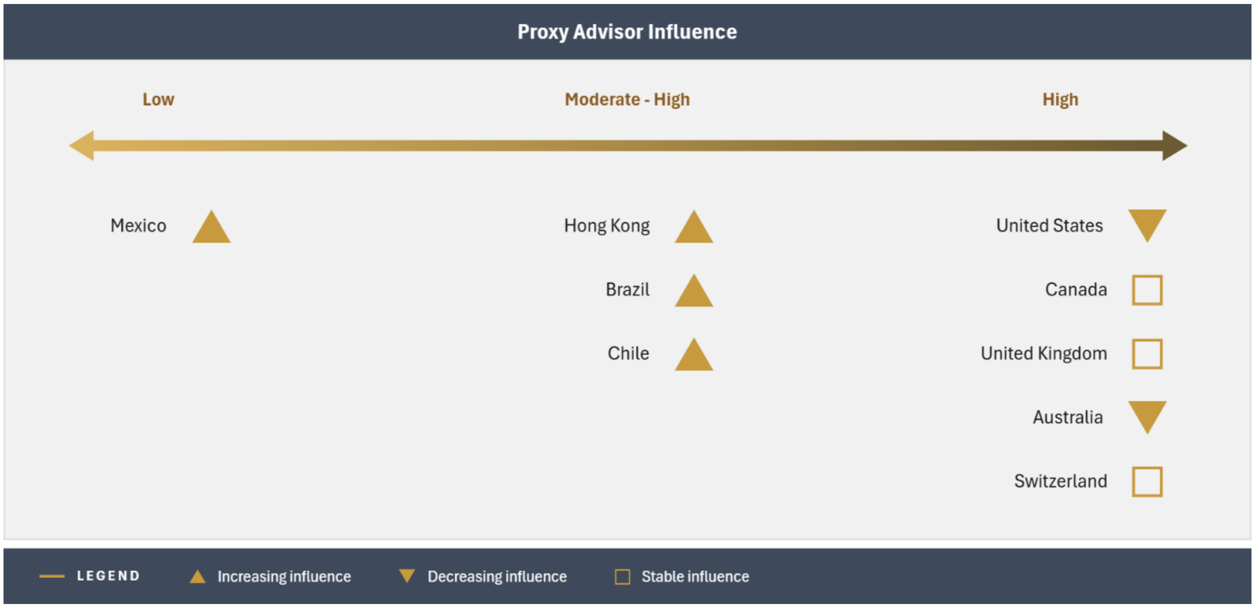
4) ESG has been the most visible engagement theme, though its trajectory now varies by market.

Environmental, social, and governance (ESG) influence in executive compensation surged between 2020 and 2023, but has softened or even reversed since 2024/2025. This trend has been observed in **Australia, Brazil**, **and the US,** but has been less evident in **Canada, Chile, HK, Mexico, and Switzerland.**

[3] Malus and clawback provisions are mandatory for financial services companies regulated by the Australian Prudential Regulation Authority (APRA).

5) Proxy voting is also becoming more nuanced.

Proxy advisors still have material influence in most markets, though their direct influence on votes is facing challenges. Amid US government pressure on proxy advisors, shareholders are becoming more active in stewardship, relying more on direct engagement with issuers and less on proxy advisor recommendations.



6) Internal pay equity has gained visibility, but its practical impact remains limited outside markets with formal disclosure requirements.

CEO pay ratio and pay equity were once prominent topics that encouraged companies to consider the workforce as a stakeholder in CEO pay decisions. The **UK** is the major market that most clearly promotes internal alignment, and the **US** has adopted mandatory disclosure. However, these measures have not fundamentally affected CEO pay levels or incentive design.

Taken together, the last decade has not produced convergence around a single governance template. Instead, it has produced a more segmented landscape. Large-cap, globally exposed companies are moving toward richer disclosure, more direct investor engagement, stronger risk controls, and more sophisticated pay design. Smaller, domestically focused or controlled companies often lag, particularly where disclosure is limited or investor stewardship is underdeveloped. The next phase of governance will likely be defined by how well boards balance flexibility with accountability: they will need enough discretion to have dynamic and adaptive pay programs, but enough transparency and discipline to maintain investor and public trust.

The implications of failed or weak pay-related voting outcomes vary significantly by jurisdiction, but the escalation pattern is broadly similar: companies are expected to engage with shareholders, revise or better explain pay design, and demonstrate responsiveness in the next disclosure cycle.

Australia has the most formal escalation pathway: a first strike triggers required disclosure of how concerns were addressed, while a second consecutive strike can lead to a board spill resolution[4], even though spills rarely pass in practice.

Brazil creates more direct budgetary consequences through binding approval mechanisms: a failed Brazilian remuneration envelope prevents payment above the approved level and creates legal and reputational pressure.

In **Canada and the US**, failed advisory votes typically drive shareholder outreach, compensation redesign, enhanced disclosure, and potential opposition to compensation committee members, with more severe cases contributing to compensation committee chair changes or broader committee refreshment.

In **Chile and Mexico**, where formal say-on-pay does not exist, accountability is indirect and operates through directors' or corporate practices committees, foreign investor engagement, equity plan votes, disclosure enforcement, media scrutiny, and reputational pressure.

In HK, the say-on-pay vote is advisory and mandated annually. An "against" vote exceeding 20% triggers mandatory disclosure of enhanced shareholder engagement, requiring the Remuneration Committee to explain its response, and may put the chair's role at risk.

Switzerland's binding say-on-pay regime creates direct governance consequences: a failed remuneration vote requires the company to address shareholder concerns and obtain approval for remuneration in accordance with its articles of association, reinforcing board accountability.

In the **UK**, dissent can require a revised remuneration policy, enhanced engagement disclosure, and increased director accountability. Companies receiving 20% or more votes against their policy or Directors' Remuneration Report are expected to formally engage with shareholders, disclose the reasons for the dissent, and report within six months on the actions taken.

[4] If greater than 25% of eligible votes cast are against the following year's remuneration report at the subsequent AGM, the Corporations Act "Two Strikes Rule" is triggered. The board is obligated to put a 'spill resolution' to the floor at that same meeting. If more than 50% of eligible votes support the spill, all non-executive directors cease office, and the company must hold an extraordinary 'spill meeting' within 90 days to facilitate fresh director elections. While non-executive directors are legally permitted to stand for re-election, the reputational penalty of a board spill is immense. Even where two consecutive strikes are common, a spill resolution rarely passes.

4. LESSONS LEARNED FROM REPEATED CONTROVERSIES

Across markets, the most common pay governance failure modes are strikingly similar:

- Perceived misalignment between pay and performance
- High payouts during weak company performance or shareholder returns
- Excessive quantum increases
- Poorly justified one-time or retention awards
- Upward discretion without a compelling rationale
- Problematic severance terms
- Opaque variable pay design
- Insufficient disclosure of targets, outcomes, or plan rationale

The above concerns are especially prominent in **Australia, Canada, HK, the UK, and the US**, where failed or weak say-on-pay outcomes often arise when boards approve large pay opportunities, special awards, retention grants, or positive discretion that investors view as disconnected from performance or shareholder experience. These issues often translate directly into shareholder dissent, proxy advisor opposition, and scrutiny of remuneration or human resources committee members.

In Brazil, pay concerns may lead to resistance to the size of the aggregate compensation budget or remuneration envelope. **In Chile and Mexico**, where formal say-on-pay mechanisms are absent, similar concerns surface through related-party pay, controlling shareholder influence, committee independence concerns, media scrutiny, and reputational pressure. In **Switzerland**, pay concerns are expressed through binding shareholder votes on remuneration amounts, reinforcing board accountability and shareholder engagement on executive pay.

A recurring lesson across markets is that executive compensation oversight cannot be reduced to shareholder approval, proxy advisor alignment, or formulaic plan design. The strongest governance frameworks start from the board's duty to act in the long-term interests of the corporation, taking shareholder perspectives into account as a primary but not sole consideration. This principle is explicit in **Canada**'s fiduciary framework and is broadly consistent with governance expectations in other markets, although each market applies it through different legal and ownership structures. For example, **US** directors generally owe fiduciary duties to both the corporation and its shareholders, while **HK** directors owe their duties to the company as a legal entity under the Companies Ordinance, without a statutory stakeholder balancing test. However, shareholder primacy remains dominant in practice.

Human resources committees are increasingly expected to act not only as pay approvers, but as strategic governance bodies that test whether compensation supports long-term value creation, risk management, talent strategies, and leadership continuity. In **Switzerland**, directors' duties are owed more directly to the company. Binding shareholder approval of executive remuneration reinforces accountability but does not displace the board's responsibility to act in the long-term interests of the company.

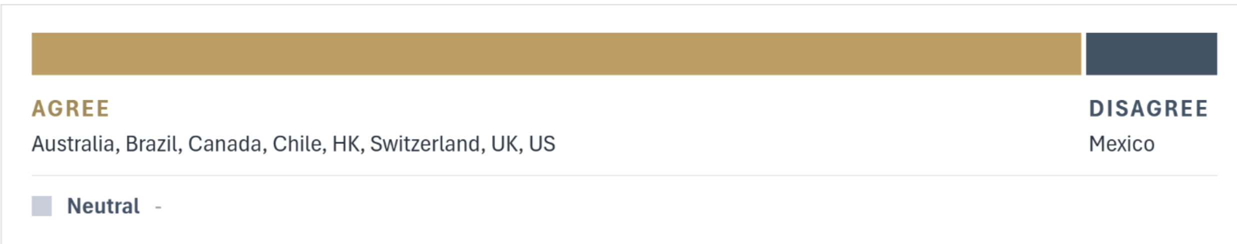
The most difficult governance questions arise when boards use discretion to depart from formulaic outcomes. Across markets, discretion is generally accepted when it protects the integrity of the pay-for-performance relationship, accounts for extraordinary circumstances, or avoids outcomes that would undermine long-term corporate interests. However, discretion becomes controversial when it is broad, retrospective, poorly disclosed, or used to increase payouts despite weak performance. The practical lesson is that discretion should be built into the governance framework in advance: **boards should define when and how the discretion may be used, what limits apply, what evidence will support the decision, and how the rationale will be disclosed.**

The broader lesson is that pay governance failures often occur when decisions are detached from established policies or processes: the company may have a committee, a policy, a shareholder vote, or disclosure, but the board cannot demonstrate why the outcome was fair, strategic, risk-adjusted, and aligned with sustainable value creation. Repeated controversies therefore point to a common governance standard: **engage early, document judgment, set boundaries around discretion, disclose the rationale clearly, and ensure that compensation decisions remain accountable to the corporation's long-term health and stakeholder trust** rather than to short-term optics, controlling shareholder interests, or management preference. Ongoing market comparisons also help ensure that the company's practices do not unreasonably diverge from good market practice.

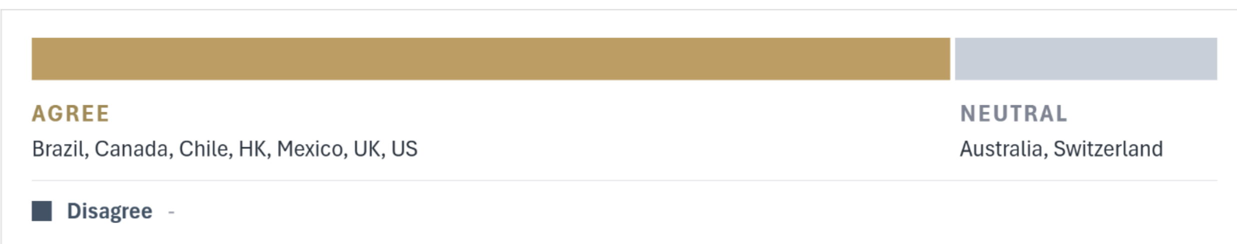
5. FORECASTING FUTURE STATE

Looking ahead, market movement points to three near-term developments in pay governance. The responses below show the degree of alignment among GECN Group firms on several forecasts regarding executive compensation governance trends.

Less standardized proxy advisor influence, but more market-specific scrutiny. Proxy advisor influence will become less standardized and, in some jurisdictions, less intensive as large investors develop internal analytics, pass-through voting[5] expands, and proxy advisors move toward more client-specific voting frameworks. Some issuers are increasingly bypassing proxy advisors by engaging shareholders directly on governance and compensation matters. However, ISS and Glass Lewis will remain important reference points, especially where foreign institutional ownership is significant or domestic stewardship capacity is still developing.

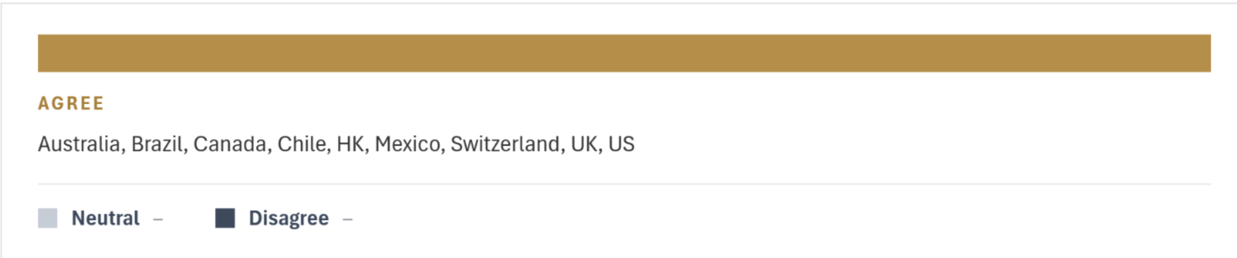


More focus on realized and realizable pay. Investors will increasingly focus on what executives actually earn, or can realistically earn, rather than grant-date value alone. Realized/realizable pay will become more common in disclosure to assist shareholders with evaluating the alignment of realized pay and actual performance, as an indicator of effective pay design. In the **UK**, however, this is already a key feature of the market, with significant scrutiny of realized pay outcomes and established disclosure of how pay outcomes align with performance.



[5] Pass-through voting refers to arrangements that allow underlying fund investors to direct or influence proxy voting decisions. As voting authority becomes more decentralized, reliance on proxy advisor recommendations may be reduced.

More AI-enabled stewardship. Stewardship teams will use more analytics and AI to identify compensation outliers, governance concerns, director independence issues, and related-party risks earlier in the proxy season. This will increase the value of pre-emptive shareholder engagement, which will play a crucial role in pay design, governance processes, disclosure, and voting outcomes. Better data and AI-enabled analysis will help investors identify issues earlier, but boards will still need to provide credible explanations for why pay design fits the company's strategy, risk profile, and performance context.



The **UK**'s response points to an additional market-specific theme: growing tension between greater flexibility in pay design and continued governance discipline. UK companies are expected to pursue more selective use of hybrid long-term incentive (LTI) plans[6] and bespoke pay arrangements, larger quantum adjustments including non-executive director fee increases, and closer scrutiny of performance measures and target-setting as variable pay opportunities rise. However, investor support will depend on whether companies can provide a credible strategic rationale, demonstrate genuine global talent competition, and show clear alignment between higher rewards and shareholder performance.

These developments point to a future state of pay governance that will be more data-driven, but also more judgment-based. **Companies will be encouraged to engage early, explain clearly, and demonstrate that compensation outcomes are tied to longer-term value creation rather than simply calibrated to meet market conventions or proxy advisor expectations**.

[6] Hybrid LTI plans combine performance-based and time-vested equity awards in a single long-term incentive program, providing a balance between performance alignment, retention, simplicity, and shareholder expectations.

APPENDIX

I. Disclosure expectations have shifted from volume to usefulness.

Market Highlights	
Australia	Australian disclosure has become more scrutinized and defensive as shareholders increasingly use say-on-pay votes to signal broader concerns. The "Two-Strikes" framework has increased both the volume and quality of disclosure, enabling companies to provide stronger justifications and explanations. However, companies may also disclose selectively to better frame their remuneration structures and minimize the risk of disclosing information that could result in a strike.
Brazil	Brazil's Securities Commission (Comissão de Valores Mobiliários) disclosure framework now requires richer compensation data. Quality remains uneven, with Novo Mercado[7] and larger issuers providing stronger disclosure than smaller or less scrutinized companies.
Canada	Canada's disclosure framework has remained structurally stable, but expectations for narrative quality have risen. Investors increasingly expect clearer realized/realizable pay discussion, disciplined metric selection, and better explanation of peer group selection and pay outcomes.
Chile	Chile has made meaningful progress in disclosure quality through the Chile Financial Market Commission (CMF) integrated reporting and related-party transaction rules. The main remaining gap is individual executive pay disclosure, which remains aggregated below the director level.
HK	Disclosure has become more useful to investors. For example, the shift from summary disclosure toward individual director pay disclosure (name, role and exact figures) has made pay versus personal performance more transparent. However, a material gap persists: the five highest-paid non-director executives are still disclosed on an aggregated basis rather than individually.
Mexico	Mexico's executive compensation disclosure remains largely aggregate and opaque, with limited individual pay transparency for domestic issuers. New International Sustainability Standards Board (ISSB)-aligned sustainability reporting may improve governance-related disclosure, but pay-specific transparency gaps are likely to persist.
Switzerland	Switzerland has seen increasingly transparent remuneration disclosures, with listed companies voluntarily expanding disclosure in response to evolving market practice and shareholder expectations.
UK	UK disclosure is shifting from prescriptive, formulaic reporting toward clearer explanation of outcomes, strategy alignment, and policy implementation within the Directors' Remuneration Report (DRR)[8].
US	US disclosure has expanded through Dodd-Frank rules on CEO pay ratio, pay-versus-performance, and clawbacks. Moreover, mandatory say-on-pay votes under Dodd-Frank, together with investor and proxy advisor scrutiny, have increased both the breadth and quality of executive compensation disclosure. Companies increasingly view the proxy statement not merely as a regulatory filing, but as an opportunity to articulate the business rationale, governance safeguards, and pay-for-performance alignment underlying compensation outcomes. However, recent SEC proposals[9] suggest a potential shift toward reduced disclosure obligations for many public companies.

[7] Operated by B3 (Brasil, Bolsa, Balcão), Novo Mercado is Brazil's premier stock exchange listing segment for companies that voluntarily adopt enhanced corporate governance standards beyond those required under Brazilian law.

[8] Directors' Remuneration Report is a UK statutory disclosure included in the annual report that explains a company's executive remuneration policy, how the policy was implemented in the fiscal year under review, and the compensation outcomes for directors, as well as implementation of the policy in the next fiscal year.

[9] On May 19, 2026, the SEC released a proposal that would reclassify approximately 81% of U.S. public companies as non-accelerated filers, extending scaled disclosure relief and exempting those issuers from mandatory say-on-pay, say-on-frequency, and golden parachute advisory votes. The SEC is expected to release an additional proposal in 2026 that would reduce executive compensation disclosure requirements more broadly.

II. Pay practices have become more aligned due to benchmarking pressure but are also moving toward greater flexibility.

Market Highlights	
Australia	Australia is allowing more tailored structures, particularly where companies need to retain global talent or justify non-standard designs. However, certain features remain highly standardized, such as relative total shareholder return in LTI plans.
Brazil	LTI adoption has grown significantly in Brazil, particularly through stock options, restricted stock units, and phantom shares, supported by greater tax clarity following the 2024 STJ ruling on stock options. More competitive pay positioning is also emerging, especially in technology, financial services, and energy.
Canada	Performance share units remain the dominant LTI vehicle, while investor guidance is pushing toward stronger vesting discipline, reduced reliance on options, limits on special awards, and more meaningful downside outcomes.
Chile	Short-term incentives (STIs) are widespread in Chile, while LTI adoption has grown since 2018 among large-cap companies competing for international talent. Tax treatment still favours cash-settled phantom share plans over actual equity grants, especially for mid-market companies.
HK	Benchmarking has become defensive, with remuneration committees relying heavily on median peer data to justify increases. This has reduced pay variation across large-cap companies.
Mexico	STIs are common in Mexico, but LTI adoption remains more limited due to tax friction, family-controlled ownership, lower market liquidity, and weaker institutional pressure. A small group of large, US-exposed companies has moved further toward equity-based LTIs to compete for global talent.
Switzerland	Swiss evidence supports the importance of peer benchmarking in shaping executive remuneration practices. However, benchmarking is used primarily to calibrate pay levels and structures rather than to drive standardized remuneration models, with boards retaining considerable flexibility to tailor pay arrangements to company-specific circumstances within the Swiss corporate governance framework.
UK	UK is moving from a highly standardized pay model toward greater flexibility in response to global talent competition, including hybrid LTIs that use a mix of performance-based shares and time-restricted shares, higher variable pay opportunities, and reduced bonus deferral where shareholding guidelines have been met. However, deviations from established norms continue to require strong strategic rationale and investor engagement.
US	US CEO pay has reached record highs but say-on-pay support remains stable and failure rates are near historic lows. Strong market performance, more sophisticated engagement, a more tolerant regulatory environment, and more selective proxy advisor opposition have helped decouple rising pay levels from voting outcomes.

III. Risk management has become a more explicit part of pay governance.

Market Highlights	
Australia	Australia has long disclosed risk controls thoroughly, but Australian Prudential Regulation Authority Prudential Standards (CPS) 511 has made risk alignment more explicit for financial services entities. The standard requires accountability for risk and conduct failures through downward adjustments to variable pay. This includes mandatory deferral and the application of malus and clawback.
Brazil	Brazil has mandatory deferral, malus, and clawback requirements for regulated financial institutions, while broader listed-company adoption remains limited. The post-Americanas scandal (2023) increased board attention to these tools, especially in audit-sensitive sectors.
Canada	Clawbacks, share ownership guidelines, and anti-hedging policies are common among large issuers as investor-recommended practice rather than statutory mandate.
Chile	Chile is more developed than Mexico on clawback and malus, supported by its Directors' Committee structure and financial-sector risk-alignment rules. Broader listed-company adoption is growing but remains concentrated among large, internationally visible issuers.
HK	Clawback provisions are now standard in annual bonus and LTI plan rules. The more notable shift is that boards increasingly document in advance how they may override formulaic outcomes for poor risk-adjusted results.
Mexico	Clawback and malus provisions remain rare outside Mexico's financial sector. Governance attention has focused more on anti-corruption and related-party transaction oversight than on pay-specific risk management.
Switzerland	Bonus deferrals, clawbacks, and related risk controls are increasingly common in Swiss companies, even where not legally required. Formal discretion frameworks remain less prevalent, reflecting a preference for transparent incentive arrangements and predictable governance.
UK	Risk management mechanisms have strengthened, with robust malus and clawback provisions now widely expected. Investors also expect clear disclosure on when and why discretion is used, particularly where it increases pay outcomes.
US	The most significant US shift is the mandatory clawback regime under SEC rules and exchange listing standards. This requirement stemmed from the Dodd-Frank legislation and was implemented in 2023. It made compliant clawback policies a condition of listing and expanded recovery requirements for incentive compensation following accounting restatements. Many large companies go beyond the statutory requirement to cover additional triggers for clawback, such as misconduct (regardless of restatement).

IV. ESG has been the most visible engagement theme, though its trajectory now varies by market.

Market Highlights	
Australia	Australia has a long-standing, high-touch investor engagement model, and ESG metrics became common in STIs from FY2020, typically weighted at 10–20%. Use of ESG metrics may begin to decline amid anti-DEI rhetoric and softer stakeholder pressure on emissions.
Brazil	ESG metrics are mainly used in STIs, typically at 10–20% and are concentrated among Novo Mercado companies with significant foreign ownership. Early signals of reducing DEI-specific metrics have emerged since the 2025 US anti-DEI rhetoric shift.
Canada	ESG metrics use continues to expand in Canada, with TSX60 issuers increasingly using ESG measures in both STI and LTI plans. However, companies with US exposure are becoming more cautious in the use of diversity, equity, and inclusion (DEI) metrics.
Chile	ESG integration has advanced faster in Chile than in Mexico but still trails Brazil's leading issuers and international benchmarks. CMF integrated reporting requirements have created a stronger sustainability disclosure baseline that leading companies use to support ESG metrics in STI plans, typically at 10–20%.
HK	ESG has shifted from voluntary practice toward compliance-driven integration, with Stock Exchange of HK (SEHK) requirements linking board oversight to climate-related risks. ESG metrics are increasingly used in annual bonuses, mainly around carbon reduction and safety, although financial key performance indicators still dominate.
Mexico	ESG integration in Mexico remains gradual and inconsistent, concentrated among large companies with foreign investor exposure. New ISSB-aligned sustainability reporting requirements may accelerate adoption, but most listed companies have not yet formally linked ESG performance to executive pay.
Switzerland	With some adjustments, ESG-linked remuneration remains well established in Switzerland, with approximately 2/3 of listed companies incorporating some ESG metrics into executive pay. However, the pace of new adoption has slowed since 2025, suggesting that the market is entering a more mature phase.
UK	ESG measures continue to be incorporated in short- and long-term incentives. However, there has been some decline in the prevalence of these metrics in annual bonuses, and an increase in using them in long-term incentive plans. Where used, these measures are most commonly linked to environmental goals.
US	US has seen the clearest ESG-in-pay reversal, with DEI metrics declining and environmental metrics stalling after rapid growth. Many companies appear to be reframing rather than abandoning these priorities, embedding them more quietly in governance or human capital frameworks. For example, many US companies that have dropped DEI measures have replaced them with other human capital measures, such as employee engagement or retention. Moreover, compensation committees continue to expand their oversight of "S" issues related to talent management.

V. Proxy voting is also becoming more nuanced.

Market Highlights	
Australia	The 4 major proxy advisors - CGI Glass Lewis, ISS, Australian Council of Superannuation Investors (ACSI), and Ownership Matters (OM) - have maintained their levels of influence. Due to Australia's superannuation (retirement) funds owning a significant portion of the listed companies, ACSI's guidelines continue to guide remuneration frameworks. Glass Lewis and ISS have both reported changes to their guidelines, signaling they will be more 'tailored' rather than prescriptive.
Brazil	ISS and Glass Lewis have expanded Brazil-specific policies and coverage, especially for larger Ibovespa companies. Their influence is indirect because the main compensation vote is a binding remuneration envelope, so recommendations tend to shape engagement intensity rather than advisory vote failure.
Canada	Proxy advisor influence has matured rather than retreated, with ISS and Glass Lewis still materially affecting say-on-pay outcomes. However, stronger in-house stewardship among major Canadian asset managers is gradually reducing reliance on third-party recommendations.
Chile	Proxy advisor influence has grown with foreign institutional ownership and American Depositary Receipts (ADR) exposure[10], especially on board independence and related-party transactions. Whether domestic Pension Fund Administrators (Administradoras de Fondos de Pensiones) stewardship becomes more active, rather than primarily aligned with management, remains a medium-term question.
HK	Proxy advisors materially influence voting outcomes, with negative recommendations often driving "against" votes for remuneration committee chairs. The critical threshold is 20% opposition, triggering mandatory enhanced shareholder engagement disclosure.
Mexico	Proxy advisor influence has grown modestly, mainly for large-cap companies with foreign institutional ownership. Without say-on-pay, recommendations affect director elections and equity plan approvals more than executive pay outcomes directly.
Switzerland	Proxy advisor influence has remained broadly steady. However, US developments around issuers bypassing proxy advisors may eventually influence Swiss practice.
UK	Proxy advisor influence has become more nuanced and case-specific. The Investment Association is encouraging more flexibility to design executive pay arrangements that best suit a company's commercial circumstances, including openness to alternative incentive structures and higher quantum where global talent competition is clearly demonstrated. At the same time, greater weight is placed on company context, engagement outcomes, and strategic rationale.
US	Proxy advisor influence has diminished but remains material, especially where both ISS and Glass Lewis recommend against a proposal. Internal AI tools, pass-through voting, and client-specific voting frameworks are expected to reduce standardized proxy advisor pressure over time.

[10] American Depositary Receipts (ADRs) are U.S.-traded securities representing shares of non-U.S. companies. ADR exposure refers to a company's access to U.S. capital markets through ADRs, increasing engagement with U.S. investors and governance expectations.

VI. Internal pay equity has gained visibility, but its practical impact remains limited outside markets with formal disclosure requirements.

Market Highlights	
Australia	Australia does not require CEO pay-ratio disclosure. There is little pressure from shareholders, but some proxy advisors do provide it for reference.
Brazil	Brazil does not yet require CEO pay-ratio disclosure, although Novo Mercado reform proposals have included it as a recommended practice. Voluntary pay equity disclosure is emerging among a small number of larger issuers, driven by ESG investors and sustainability reporting expectations.
Canada	Canada has no mandatory CEO pay-ratio disclosure, so pressure has come mainly from shareholder proposals. However, proxy advisors may evaluate CEO pay using CEO-NEO pay ratios.
Chile	Chile does not mandate CEO pay-ratio disclosure, and voluntary disclosure remains rare. Sustainability reporting and gender pay equity expectations are beginning to increase transparency pressure, but links to executive incentives are still nascent.
HK	Hong Kong does not mandate CEO-to-employee pay ratio disclosure. However, institutional investors increasingly expect remuneration committees to justify executive pay levels relative to the broader workforce context, supported by individual director pay transparency under the listing rules.
Mexico	Mexico does not require CEO pay-ratio disclosure, and voluntary disclosure remains rare. Gender pay equity and DEI are gaining attention through governance code recommendations and future sustainability reporting, but remain mostly non-binding.
Switzerland	Swiss companies are aware of internal equity, but it is not a major executive pay driver and CEO pay-ratio disclosure is not required. The main formal internal-pay lens is equal pay analysis for larger employers to address gender discrimination.
UK	Internal alignment is a prominent UK governance consideration, with a key focus on ensuring wider workforce arrangements have been considered in determining executive pay decisions. Although it has not fundamentally reshaped pay structures, it has led to increased scrutiny of salary increases awarded above the wider workforce rate and a governance requirement for pension contributions to be aligned with the rate available to the wider workforce.
US	US has mandatory CEO pay-ratio disclosure, but the metric has had limited practical impact on say-on-pay voting, incentive design, or pay quantum. Certain state and local jurisdictions have aimed to use the metric by applying higher business tax rates on companies with excessive CEO pay ratios, but these cases are limited. Proposed SEC changes could significantly reduce the number of companies subject to the requirement.

ABOUT US

Across six continents, GECN Group is known for strategic, analytical, and independent pay and governance advice. Going beyond borders requires worldwide perspectives and feet on the street.

Our group is an integral part of our clients' business and talent strategy. Imagine what this would mean for your organization.

The power of compensation is to attract, retain, and motivate talent. It is like water. At its worst, water is destructive. At its best, water is transparent. Like water to life, good remuneration and governance practices are essential to value creation. The time is now to re-define the future in these areas.

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