
2026 Study of CEO Employment Agreements

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Introduction



Meridian Compensation Partners 2026 Study of CEO Employment Agreements (“Study”) provides comprehensive insights into the prevalence of employment agreements covering chief executive officers (“CEO”) and the key terms of those agreements (including terms related to the duration, forms of compensation, severance and other benefits, imposition of restrictive covenants, dispute resolution and other administrative provisions).

Report Scope

The Study reports on the prevalence of CEO employment agreements maintained by Russell 3000 and S&P 500 companies. In addition, the Study provides current information and data on the terms of CEO employment agreements entered into by S&P 500 companies. In total, 107 S&P 500 companies have entered into such agreements. Of these 107 employment agreements, this Study reviews 95 of these CEO employment agreements (“CEO Employment Agreement” or “Agreement”).¹ All 95 companies (which are listed in Appendix A) are U.S.-based and none are foreign private issuers.

The Study derived data on the prevalence of CEO employment agreements from ESGauge and derived information on the terms of the Employment Agreements primarily from public filings of such Agreements.

Overview of Employment Agreements

An executive employment agreement is a formal, bilateral contract between a corporation and a key executive that defines the terms and conditions of the professional relationship. Employment agreements do not alter the ‘at-will’ nature of an executive’s employment. Instead, employment agreements establish specific contractual rights and obligations for both parties, primarily by defining the economic consequences and procedural requirements associated with a potential separation. In addition, employment agreements often provide detailed terms on an executive’s primary compensation components. The term or duration of an employment agreement may also provide expectations between the parties with respect to tenure of the agreement and the ease by which terms may be negotiated.

¹ This Report did not examine 12 CEO employment agreements because these agreements were entered into (i) when the CEO held a subordinate officer position and was not restated upon promotion to CEO, (ii) by a foreign private issuer and reflects the practices of a foreign country or (iii) nearly 30 years ago and therefore does not reflect modern practices. In addition, one employment agreement was disregarded because it was not filed with the Securities and Exchange Commission (“SEC”).

Considerations for Corporate Boards

In evaluating an existing or potential CEO employment agreement, corporate boards should consider whether the agreement:

- serves as a useful tool for talent acquisition, retention and risk management,
- provides competitive level of compensation, benefits and severance,
- safeguards corporate interests,
- allows for terms to be reset through sunset provisions,
- reflects current corporate governance environment,
- addresses dispute resolution,
- complies with applicable regulatory requirements; and
- includes terms which clearly and unambiguously reflect the intent of the parties.

This Report provides comprehensive information and benchmarking data which can be used to assist in drafting new employment agreements or to ensure that existing agreements align with company objectives, market norms and investor expectations.

Boards and senior management should seek advice of legal counsel prior to entering into a new or modifying an existing employment agreement.

Key Findings

A minority of large public companies utilize CEO employment agreements. When used, these agreements typically include provisions covering compensation and benefits, termination protections, restrictive covenants, protection of corporate and executive interests and administrative matters.

Prevalence of CEO Employment Agreements

A minority of large public companies utilize CEO employment agreements, with prevalence varying significantly by index, market and industrial sector.

- **Index, Exchange and Market Cap:** CEO Employment Agreements are more common among Russell 3000 companies (36%) than the S&P 500 companies (21%) and among Nasdaq-listed firms (26%) than NYSE-listed companies (19%). Companies in the bottom quartile of market cap are more than twice as likely to utilize CEO Employment Agreements than companies in the top quartile of market cap.
- **Industry Sector:** CEO Employment Agreements have the highest prevalence among S&P 500 companies within the consumer discretionary (68%) and healthcare (35%) sectors and among Russell 3000 companies within the healthcare (48%) and financials (46%) sectors.

Key Terms of CEO Employment Agreements

(S&P 500 Companies, n=95)

Context

Typically, CEO Employment Agreements initially define the CEO's responsibilities (which are often broadly stated), reporting relationship to the board and exclusivity requirement, while separately establishing the term or duration.

- **Exclusivity Requirement:** Most Agreements require the CEO to devote full-time efforts to the company; however, 72% permit exceptions for civic activities and outside board service.
- **Term:** The term or duration of Agreements follows one of three distinct approaches: auto-renewal (45%), open-ended (34%), or fixed-term (21%). Auto-renewal provisions usually feature an initial three-year term with annual extensions (subject to non-renewal by either party). Fixed-term agreements most commonly have a five-year duration (35%).

Current Compensation

Generally, Agreements include provisions covering the CEO's current annual compensation and benefits.

- **Annual Compensation:** 95% set an initial base salary (typically non-reducible), 75% specify an annual incentive target and 40% outline initial equity award values.
- **Special Awards:** Agreements often detail one-time awards such as cash sign-on bonuses (65% of external hires), promotion awards (55% of internal promotions) or renewal awards (23% of renewed Agreements).
- **Perquisites:** 25% expressly provide for perquisites and personal benefits; however, such benefits are often provided outside of Agreements.
- **Health, Welfare and Retirement Benefits:** Most Agreements provide that the CEO will participate in company health, welfare and retirement plans without specifying the nature or level of benefits. A small percentage identify executive-only arrangements such as non-qualified deferred compensation arrangements (11%) and executive life insurance (6%). However, executive-only arrangements are often extended to a CEO solely under separate plan documents.

Post-Termination Compensation

In addition to current compensation, Agreements almost always include provisions relating to post-termination compensation, particularly severance benefits.

- **Death or Disability:** 86% provide certain benefits upon death or disability, including accrued compensation (74%), a pro-rata bonus (~45%) and cash severance-type benefits (~11%).
- **Qualified Termination of Employment:** 100% provide severance benefits upon a CEO's qualified termination of employment, typically with more generous terms in a change-in-control (CIC) context.

Protection of Corporate Interests

In exchange for the consideration provided to the CEO, Agreements typically include provisions designed to protect key corporate interests.

- **Restrictive Covenants:** 98% include at least one restrictive covenant. The most common are non-disclosure (94%), non-solicitation of employees (92%) and non-compete provisions (84%). The typical duration is one or two years, except for non-disclosure and non-disparagement provisions, which are often indefinite. The most common remedy for breach is equitable or injunctive relief (84%).
- **Clawback Provisions:** 51% incorporate company clawback policies by reference.
- **Release and Waiver of Claims:** Most Agreements require execution of a release and waiver of claims prior to payment of severance benefits.
- **Executive Representations:** A minority of Agreements require the CEO to confirm that their employment is not restricted by pre-existing obligations (46%) and that they have reviewed the Agreement with legal counsel (33%).
- **For-Cause Termination:** All Agreements prohibit payment of severance following a for-cause termination.

Protection of CEO Interests

To protect CEO interests, most Agreements include safeguards against unilateral changes and uninsured liability.

- **Contractual Security:** 96% require the CEO's written approval of any modification and 92% are binding on any successor entity.
- **Liability Protections:** 59% include indemnification provisions and 46% of Agreements require purchase of D&O insurance.
- **For-Cause Termination Protections:** 73% grant the CEO a "right to cure" conduct that might otherwise trigger a for-cause termination.

Administrative Rules of the Road

Agreements also typically include a range of administrative rules of the road.

- Nearly all Agreements include provisions relating to notice requirements, applicable governing law and venue for litigation.
- 66% subject disputes to binding arbitration.
- Approximately one-third provide reimbursement for legal fees incurred in connection with negotiating the Agreement.

Prevalence of CEO Employment Agreements

Overview

The last 20 years have seen a significant increase in the use of severance arrangements covering senior executives, in lieu of individual employment agreements, among large public companies. Despite this trend toward standardization, executive employment agreements remain an important tool for some public companies to attract and retain top executive talent, particularly among industries that face extreme competitiveness, leadership turnover and recruitment challenges and among small- and mid-cap companies.

For companies that do not use employment agreements, terms of employment are often specified in an offer letter or term sheet, with severance protection provided through an executive plan or policy. Having a company policy on severance (rather than specifying terms in an employment agreement) generally allows more flexibility to change provisions (if needed), provides consistent treatment across the executive group and avoids individual negotiations.

This part of the Study examines the prevalence of CEO employment agreements among S&P 500 and Russell 3000 companies in the following contexts:

- Exchange Listing (S&P 500 only)
- Market Capitalization
- Two-Digit GICS Industry Group

Prevalence of Executive Employment Agreements

Nearly 21% of S&P 500 companies and 36% of Russell 3000 companies maintain CEO employment agreements, with the highest prevalence generally concentrated in the consumer discretionary, health care, communication services and financials sectors.

Prevalence of CEO Employment Agreements by Listing Exchange – S&P 500

Nasdaq-listed companies rely more on CEO employment agreements than NYSE-listed companies.

Exchange	S&P 500 Companies	# With CEO Agreements	Prevalence
Nasdaq	160	42	26%
NYSE	340	65	19%
Total S&P 500	500	107	21%

Prevalence of CEO Employment Agreements by Market Capitalization

An inverse relationship exists between a company's market cap and agreement usage across both the S&P 500 and Russell 3000. As market capitalization decreases, boards increasingly utilize CEO employment agreements to provide the security necessary to attract elite talent to small and mid-cap companies.

Market Cap Quartile	S&P 500 Prevalence	Russell 3000 Prevalence
Top Quartile (75th to 100th Percentile)	13%	22%
2nd Quartile (50th to 75th Percentile)	18%	36%
3rd Quartile (25th to 50th Percentile)	26%	42%
4th Quartile (0 to 25th Percentile)	28%	47%

Prevalence of CEO Employment Agreements by Industry Sector

The prevalence of CEO employment agreements varies widely across industry sectors within the S&P 500 and Russell 3000, influenced by factors like industry competitiveness, leadership turnover and recruitment challenges. These factors are essential for boards to consider when evaluating whether employment agreements would be an appropriate or necessary tool for talent acquisition and retention.

The table below highlights industry sectors where the prevalence of CEO employment agreements generally exceeds the overall average for the indicated index.

Industry Sector	S&P 500 Prevalence	Industry Sector	Russell 3000 Prevalence
Consumer Discretionary	68%	Health Care	48%
Health Care	35%	Financials	46%
Communication Services	35%	Communication Services	44%
Real Estate	32%	Real Estate	41%
Industrials	28%	Consumer Discretionary	36%
Information Technology	23%	Energy	32%
Average for Index	21%	Average for Index	37%

Statistics were derived from a database maintained by ESGauge.

Evaluation of CEO Employment Agreements

Overview

This part of the Study examines the material provisions of CEO Employment Agreements maintained by S&P 500 companies. The analysis reveals that these agreements are not uniform, differing materially in both the terms included and the substance of those terms. By identifying the prevailing patterns within these variations, this Study establishes a baseline for understanding current norms in the design of CEO Employment Agreements.

The Study is organized into the following six areas:

- **Context:** Identifies the parties to the Agreement, CEO role and responsibilities and duration.
- **Current Compensation:** Details annual salary, annual incentives and long-term incentives.
- **Post-termination Compensation:** Outlines compensation and benefits payable upon prescribed terminations.
- **Protection of Corporate Interests:** Focuses on restrictive covenants, including non-compete, non-solicitation provisions and non-disclosure, release of claims and clawback provision.
- **Protection of CEO Interests:** Addresses contractual security and liability protection.
- **Administrative Rules of the Road:** Covers governing law, notice requirements and dispute resolution mechanisms.

A detailed listing of these material provisions is provided in Appendix B to this Study.

Context

The introductory provisions provide context for the overall structure of CEO Employment Agreements. These provisions generally include:

- **Recitals**
- **Role and Responsibilities**
- **Term of Agreement**

Recitals

All CEO Employment Agreements begin with recital provisions identifying the parties to the agreement, setting forth the effective date and often describing the manner in which the CEO position was attained.

- **Effective Date:** Most, but not all, CEO Employment Agreements include an effective date. The effective date is not necessarily the date on which the agreement is executed by the parties. The effective date not only signals the commencement of the agreement but often serves as the reference point for other contractual events, such as when an initial equity grant or sign-on bonus will be made or when restrictive covenants will start.

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- **Attainment of CEO Position:** Most, but not all, CEO Employment Agreements explicitly or implicitly indicate whether the CEO was an internal promotion, external hire or an incumbent whose agreement was amended and restated. This history helps provide context for other provisions in an employment agreement, such as the grant of sign-on bonuses or promotion awards. The table below shows the prevalence of the manner in which the CEO position was attained under CEO Employment Agreements:

Attainment of CEO Position	# of CEOs	Prevalence (n-95)
Internal Promotion	36	38%
Incumbent - Renewed Agreement	39	41%
External Hire	20	21%
Total	95	100%

Role and Responsibilities

Each CEO Employment Agreement typically includes provisions which set forth the CEO’s role and responsibility, which often cover the following items:

- **Title:** In addition to the title of Chief Executive Officer, employment agreements generally indicate whether the CEO holds additional titles such as president.
- **Board Membership:** CEO Employment Agreements typically indicate that the CEO will be appointed to the Board. In cases where the CEO will also serve (or is continuing to serve) as the Board Chair, the employment agreement will explicitly state this dual role.
- **Reporting Line:** Invariably, CEO Employment Agreements provide that the CEO reports directly to the Board.
- **Role and Responsibilities:** Given the breadth of a CEO’s responsibilities, employment agreements typically provide a broad description of the CEO’s role and responsibilities such as those customarily undertaken by a chief executive officer, along with any additional responsibilities assigned by the Board.
- **Exclusive Duty Requirement:** A core provision in nearly all CEO Employment Agreements is the requirement that the CEO devote full-time efforts to the service of the company. This ensures that the CEO’s attention remains focused on the organization’s strategic and operational objectives. However, recognizing that involvement in broader community and corporate activities can provide value to both the CEO and the company, many agreements include exceptions to this exclusivity requirement, as described below.
 - **Civic Activities:** One common exception to the exclusive duty requirement is allowing the CEO to engage in civic activities related to charitable organizations, educational institutions and other non-profit enterprises. Typically, these activities do not require prior approval from the Board.
 - 72% of employment agreements permit the CEO to engage in civic activities.
 - Of the companies that allow civic activities, 37% require the CEO to obtain pre-approval from the Board before undertaking such activities.

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- Service on Other Corporate Boards:** Another significant exception to the exclusive duty requirement allows the CEO to serve on the boards of other for-profit private or public companies. This "Board Carve-Out" is as common as the civic activities' exception, included in 72% of CEO Employment Agreements. Unlike civic activities, external board service typically involves more stringent governance oversight. Of the agreements that permit external board service, 82% require Board pre-approval. This ensures that the Board can evaluate potential conflicts of interest or concerns about "overboarding" that could detract from the CEO's primary responsibilities.

While most Agreements rely on a pre-approval process to manage such external commitments, some employment agreements (21%) impose limits on the number of for-profit boards on which the CEO may serve, most commonly a single external board seat.

Term of Agreement

The term of a CEO Employment Agreement is a critical governance choice that defines the "horizon" of the contractual relationship between the CEO and the company. CEO Employment Agreements follow one of three distinct approaches: Auto-Renewal, Open-Ended and Fixed Term. The table below shows the prevalence of each approach, with further details provided below.

Term	# of CEO Employment Agreements	Prevalence (n-95)
Auto-Renewal	43	45%
Open-Ended (No Specified Term)	32	34%
Fixed-Term	20	21%
Total	95	100%

Auto-Renewal Term

CEO Employment Agreements with an auto-renewal term typically include an initial multi-year term that automatically renews for subsequent periods (usually one year) unless one party provides advance written notice of non-renewal to the other party within a defined "notice period" (which is described below).

Duration of Initial Term	# of CEO Employment Agreements	Prevalence (n-95)
1 Year	7	16%
2 Years	1	2%
3 Years	24	56%
4 Years	5	12%
5 Years	6	14%
Total	43	100%

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Upon expiration of the initial term, the majority of these agreements (88%) transition to a recurring one-year renewal period.

The "notice period" is the window during which either party may provide advanced written notice to the other party of nonrenewal of the agreement. The most prevalent advance notice periods are 60 days (23%), 90 days (26%) and 180 days (21%) prior to the date that the current term is scheduled to end.

Open-Ended Term

An open-ended term has no fixed expiration date and continues until terminated by either party in accordance with the agreement's provisions. This approach treats the executive relationship as continuous and avoids the potential brinkmanship associated with auto-renewal or fixed terms. However, without a sunset provision (as found in CEO Employment Agreements with auto-renewal or fixed terms), a Board lacks the flexibility to terminate the agreement without the prior consent of the CEO.

Fixed-Term Agreement

A fixed-term agreement expires on a specific date (typically 3 to 5 years from commencement) and does not contain a mechanism for automatic extension.

Duration of Fixed-Term	# of CEO Employment Agreements	Prevalence (n-95)
2.5 Years or Less	3	15%
3 to 3.5 Years	5	25%
4 to 4.5 Years	3	15%
5 Years	7	35%
6 Years	2	10%
Total	20	100%

A fixed term provides a natural expiration of an employment agreement. In advance of the agreement's termination, a fixed term arrangement requires the Board and the CEO to affirmatively decide whether to go-forward without an employment agreement, renew the existing employment agreement or to enter into a new agreement which can reflect current market conditions and practices.

However, the mandated expiration of an employment agreement may give rise to several challenges as the end date approaches, including friction between the parties, high-stakes negotiations, a perceived diminution of the CEO's authority or effectiveness and concerns among investors and employees if a successor has not been identified. These risks may be mitigated by addressing potential end-of-term scenarios during the initial negotiation of the agreement.

Current Compensation

Generally, CEO Employment Agreements will include provisions covering base salary, annual incentives, long-term incentives and to a lesser extent perquisites and health, welfare and retirement benefits, which collectively serve as

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the primary consideration for the CEO to enter into the employment agreement. These elements represent the core components of the CEO's compensation package. While the specific level of detail varies, these compensation-related provisions generally fall into two categories: discretionary and prescribed.

At its simplest, a minority of CEO Employment Agreements provide that the CEO will be eligible for an annual base salary and participation in the company's annual and long-term incentive programs, with each component determined at the discretion of the board. However, the majority of CEO Employment Agreements specify initial levels for base salary and annual incentive opportunity, while a minority specify the value of long-term incentives.

Base Salary

Ninety-five percent of CEO Employment Agreements specify the CEO's initial base salary, with 82% of those agreements prohibiting base salary reductions. No CEO Employment Agreement guarantees any future increase in base salary.

Annual Incentive

Similar to base salary, the majority of executive agreements (75% prevalence) specify an initial target annual incentive opportunity, typically expressed as a percentage of the executive's base salary. Sixty-one percent of these agreements provide that the CEO's target incentive opportunity may not be decreased. Employment agreements rarely incorporate specific performance metrics, goals and related payout levels. Instead, the Board determines these elements annually.

Long-Term Incentives

Consistent with base salary and annual incentives, nearly all CEO Employment Agreements provide that the executive will be entitled to receive long-term incentive (LTI) awards, such as stock options, restricted shares/units (RS/RSUs), performance shares/units (PS/PSUs). Typically, these awards are delivered in the form of equity grants, aligning the CEO's long-term financial interests with those of the company's shareholders.

Equity Grants – During First Year of Employment Agreement

A significant minority of Agreements (40%) specify a guaranteed target value for the CEO's equity awards granted during the first year of the Agreement, which may be a necessary provision in the recruitment of external candidates. The remainder of Agreements provide that the value and form of the CEO's equity awards will be determined at the discretion of the Board.

When an agreement specifies a guaranteed initial award, typically it also defines the form of the grant (e.g., stock options, performance shares, restricted stock units).

Equity Grants – Beyond the First Year of the Employment Agreement

With respect to equity awards granted beyond the first year of the employment agreement, the prevalence of board discretion to determine the size and type of award increases significantly. The majority of agreements (83%) provide boards the flexibility to determine equity grant values and mix based on performance, current market conditions and practices and other considerations. The guarantee of minimum equity grant values for future years may draw adverse scrutiny by investors and proxy advisors.

Special Awards

In addition to standard annual and long-term incentive awards, CEO Employment Agreements may include provisions for special, one-time compensation awards (e.g., sign-on awards, promotional, renewal awards). These grants are typically utilized to address specific circumstances, such as recruitment, internal promotion, or the renewal of an existing contractual arrangement.

Sign-on or promotional awards are common practice for external hires and internal candidates, respectively – and are commonly described in the employment agreement. Renewal awards are made in connection with the successful negotiation and extension of the CEO's existing employment agreement. While less common than sign-on or promotion awards, they may serve as a critical retention tool for high-performing incumbents.

CEO Employment Agreement Includes Special Award	Sign-on Award (n-20)	Promotion Award (n-36)	Renewal Award (n-39)
Yes	65%	56%	23%
No	35%	44%	77%
Total	100%	100%	100%

When a CEO Employment Agreement provides for the grant of a special award, typically it also defines the form of the grant. Sign-on awards were most often in the form of cash (62%) while promotion and renewal awards were always in the form of an equity award.

Perquisites and Personal Benefits

The vast majority of large public companies provide one or more perquisite or personal benefit to their CEO, such as car allowances, personal security, personal financial planning, club membership and other similar types of benefits. However, only a quarter of CEO Employment Agreements expressly provide for perquisites or personal benefits. The remaining Agreements either make no mention of perquisites or implicitly or explicitly state that the CEO will be eligible for perquisites provided to other executive officers.

A company's decision to exclude specific references to perquisites in employment agreements may serve to avoid highlighting these benefits within the primary employment document (or to allow for flexibility if the offerings change over time). Nevertheless, such omission does not preclude transparency, as the value of provided perquisites generally remains subject to proxy disclosure regardless of whether they are set forth in the employment agreement.

The most commonly identified perquisites among CEO Employment Agreements were car allowance/car service (18%), personal financial planning (17%) and personal use of corporate aircraft (16%).

Health, Welfare and Retirement Benefits

CEO Employment Agreements typically include provisions covering health, welfare and retirement benefits. These benefits fall into two categories: broad-based (group) benefit programs and executive-only benefit programs.

Broad-Based Benefit Programs

CEO Employment Agreements typically specify that the CEO will be covered under group health, welfare and retirement plans generally made available to other senior executives or to the company's employees in general.

These provisions are usually drafted in broad terms, and the agreements rarely reference the specific names of these arrangements or the detailed nature of the benefits provided. The details are typically outlined in separate plan documents.

Executive-Only Health, Welfare and Retirement Programs

In addition to broad-based benefit programs, a relatively small percentage of CEO Employment Agreements explicitly state that the CEO is eligible to participate in executive-only health, welfare, or retirement programs

(typically, these programs provide enhanced or additional benefits for executives relative to broad-based programs).

The remaining employment agreements are either silent on these programs or implicitly or explicitly state that the CEO will be covered under such programs to the same extent as other senior executives.

Among the executive-only programs identified in employment agreements, the most commonly identified programs are non-qualified deferred compensation arrangements (11%) and executive life insurance (6%).

However, similar to broad-based arrangements, the specific nature of these executive-only arrangements and the value of the benefits provided are generally not disclosed within the employment agreement. These details are typically outlined in separate plan documents.

Post-termination Compensation

In addition to current compensation, CEO Employment Agreements include provisions relating to the payment of post-termination compensation, particularly severance benefits. Typically, the payment of post-termination compensation will be triggered upon the following events:

- Death
- Disability
- Terminations of Employment

A well-drafted employment agreement will provide clear and comprehensive detail regarding the nature and quantum of benefits provided under each of the foregoing circumstances to avoid any misunderstanding in the midst of what often is a high stress or volatile context.

Benefits Payable Upon Death or Disability

Upon the CEO's death or disability, 86% of CEO Employment Agreements provide for the payment of post-termination benefits and compensation as shown in the table below.

Type of Benefit	Payable Upon Death (n-95)	Payable upon Disability (n-95)
Payment of "accrued benefits"	74%	74%
Payment of bonus covering year of death or disability	46%	44%
Acceleration or continued vesting of service-based equity awards	32%	29%
Acceleration or continued vesting of performance-based awards	24%	24%
Payment of cash severance benefits	11%	12%

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It is important to note that other documents may provide for the payment of certain benefits upon the CEO's death or disability, not otherwise provided under the CEO's Agreement. A company's annual incentive plan may provide for the payment of year of termination bonus. Similarly, a company's equity plan or award agreements may provide for the acceleration of vesting of equity awards. A review of these documents would be necessary to determine benchmark statistical data as to the prevalence of these benefits.

Each of these benefits is described below.

Accrued Benefits

Generally, accrued benefits include one or more of the following items: (i) accrued but unpaid salary, (ii) accrued but unpaid vacation, (iii) earned but unpaid annual incentive, (iv) unreimbursed business expense and (v) any other vested benefit which is not forfeitable. CEO Employment Agreements do not employ a uniform definition of accrued benefit and may include some or all of the foregoing items, as well as additional benefits.

Annual Bonus

For CEO Employment Agreements that provide for the payment of a bonus covering the year of death/disability, the majority base the amount of the bonus on actual performance (57% death/52% disability), and a significant minority base the bonus on target (39% death/33% disability). Nearly 95% of these CEO Employment Agreements provide that bonus payments will be made on a pro rata basis, reflecting the portion of the fiscal year the CEO served prior to death or disability.

Acceleration of Vesting of Performance-Based Equity Awards

For CEO Employment Agreements that provide for the vesting of performance-based equity awards upon death or disability, the most common practice is to determine the vested portion based on target performance (57% death/39% disability) or actual performance (30% death/39% disability). In contrast to annual bonus payable upon death or disability, performance-based equity awards are more likely to be paid in full (65%) than on a pro-rata basis (31%).

Severance Benefits

In nearly 90% of CEO Employment Agreements, termination due to death or disability does not result in the payment of cash severance benefits to the CEO. However, approximately 11% of CEO Employment Agreements provide cash severance benefits upon death or disability, respectively. The majority of these cash severance benefits are equal to 1x or 2x the CEO's compensation (with 'compensation' defined as base salary, or base salary plus bonus). Two employment agreements provide cash severance equal to 3x CEO's compensation.

The payment of cash severance benefits upon death or disability is uncommon for two principal reasons:

- Generally, the payment of cash severance benefits is considered, in part, to be an economic bridge to future employment and income. This rationale does not apply in the case of death and may be less applicable in the case of permanent disability.
- Typically, a CEO will be covered under other company-sponsored programs which may provide significant benefits upon death (i.e., executive and group life insurance coverage) and upon disability (i.e., executive and group long-term disability programs).

Compensation Payable upon Termination

A key, if not the primary, feature of CEO Employment Agreements is the provision of severance benefits payable upon a qualified termination of employment. The level and extent of severance benefits may be affected by the context of such termination. That is, whether the termination occurs outside of a CIC or in connection with a CIC. CIC-related

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severance benefits generally are more comprehensive or generous than general severance benefits. CEO Employment Agreements typically provide for both general severance and CIC-related severance benefits upon a qualified termination (referred to collectively as “Executive Severance”).

Meridian conducted prior studies which provide detailed analysis and statistical data on Executive Severance arrangements maintained by S&P 500 companies. These studies can be accessed via the following links: [2024 Study of Executive Severance Arrangements Not Related to a Change in Control](#) and [2023 Study of Executive Change-in-Control Arrangements](#).

In light of Meridian’s prior studies, this Study does not include detailed discussion or analysis of Executive Severance provisions in CEO Employment Agreements. However, Appendix C of this Study summarizes the key terms typically associated with Executive Severance arrangements.

Benefits Triggered Upon Expiration/Nonrenewal of CEO Employment Agreement

While there are some employment agreements that provide for severance benefits upon expiration/nonrenewal of a CEO’s employment agreement, it has become a highly scrutinized practice, particularly if the severance benefits are triggered when the CEO terminates voluntarily – or without requiring a termination of employment.

Protection of Corporate Interests

In exchange for valuable consideration provided to the CEO, Agreements will subject a CEO to one or more of the following provisions, which are intended to protect key corporate interests:

- Restrictive Covenants (e.g., nondisclosure, noncompete, non-solicitation and non-disparagement)
- Remedies for Breach of Restrictive Covenants
- Clawback Provision
- Release and Waiver of Claims
- Executive Representations
- For Cause Termination

Each of these provisions is discussed below.

Restrictive Covenants

Restrictive covenants are contractual provisions designed to protect a company’s legitimate business interests, such as proprietary information, client relationships and specialized talent, following the termination of the CEO’s employment. These covenants represent a critical component of the overall bargain between the company and the CEO, ensuring that the company’s competitive position is not compromised by the CEO’s departure.

The enforceability of restrictive covenants is generally tied to the reasonableness of their scope, duration and, where applicable, geographic limitations. Courts typically require that these restrictions be no broader than necessary to protect the company’s legitimate interests.

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Types of Restrictive Covenants

CEO Employment Agreements typically incorporate one or more of the following restrictive covenants:

- **Non-Compete:** Prohibits the executive from engaging in competitive activities or working for a direct competitor for a specified period after leaving the company.
- **Non-Solicit of Employees:** Restricts the executive from recruiting or hiring the company's employees to join a new venture or competitor.
- **Non-Solicit of Clients/Customers:** Prevents the executive from soliciting or doing business with the company's existing client/customer base for a defined duration.
- **Non-Disclosure:** Requires the executive to maintain the confidentiality of the company's trade secrets, financial data, business strategies and other proprietary information.
- **Non-Disparagement:** Obligates the executive to refrain from making negative or derogatory statements about the company, its leadership, or its products.

While non-compete and non-solicitation covenants are usually limited to a specific post-termination window (typically 12 to 24 months), non-disclosure and non-disparagement covenants are unique in that they may lawfully be of indefinite duration.

It is important to note that the enforceability of all restrictive covenants is determined by applicable state law. Jurisdictions vary materially with respect to the circumstances in which their courts will enforce restrictive covenants; for instance, while many states follow a "reasonableness" standard, others (such as California) have historically imposed significant statutory restrictions on the enforceability of non-compete agreements.

Prevalence of Restrictive Covenants

Ninety-eight percent of CEO Employment Agreements include at least one restrictive covenant. The prevalence of each restrictive covenant (and its duration) is shown in the table below.

Restrictive Covenant Type	Prevalence (n-95)	Typical Duration of Restrictive Covenant	Prevalence of Typical Duration*
Non-Disclosure	94%	Indefinite	94%
Non-Solicit Employees	92%	1 or 2 Years	87%
Non-Compete	84%	1 or 2 Years	83%
Non-Solicit Customers/Clients	69%	1 or 2 Years	82%
Non-Disparagement	63%	Indefinite	85%

*Prevalence statistics are based on the number of CEO Employment Agreements which include the identified restrictive covenant.

Remedies for Breach of Restrictive Covenants

When an executive breaches a restrictive covenant, CEO Employment Agreements typically provides one or more remedies available to the company. These remedies are described below.

- **Equitable and Injunctive Relief:** Equitable and injunctive relief are the primary tools for enforcement of a restrictive covenant. This remedy allows the company to seek an immediate court order to stop the CEO from continuing the prohibited conduct (e.g., to stop working for a competitor or to cease soliciting clients). Such relief may also be available to prevent an anticipatory breach.

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- **Forfeiture of Benefits:** This remedy allows the company to cease making any future severance payments to the CEO.
- **Recoupment:** This remedy allows the company to demand the return of payments already made to the CEO, such as severance already paid or, to a lesser extent, other compensation paid.

The following table details the prevalence of these remedies among CEO Employment Agreements:

Remedy for Breach of Restrictive Covenant	Prevalence
Equitable/Injunctive Relief	84%
Forfeiture of Severance Benefits	38%
Forfeiture of Other Benefits/Compensation	20%
Recoupment of Other Paid Benefits/Comp	17%
Recoupment of Paid Severance	16%

CEO Employment Agreements do not necessarily cover all potential remedies, as some companies also maintain separate (free-standing) recoupment and/or forfeiture policies which may be implicated by a breach of restrictive covenant.

Clawback Provision

Fifty-one percent of CEO Employment Agreements incorporate by reference a company's clawback policy. This puts the CEO on notice that compensation is at risk of recoupment under certain circumstances.

A clawback policy allows a company to recoup specified compensation in the event of a triggering event, such as a financial restatement or a miscalculation of benefits. To meet exchange listing requirements, nearly all public companies are required to maintain a mandatory clawback policy under which incentive compensation must be recouped that would not have otherwise been paid to an executive officer due to a financial restatement. Mandatory clawback policies are not triggered by a breach of a restrictive covenant.

In addition, some companies maintain voluntary clawback and forfeiture policies, which are triggered upon certain defined events such as a for Cause termination or specified misconduct. Under these policies, boards typically have the discretion to determine whether, and the amount of, compensation subject to recoupment upon a triggering event.

Many CEO Employment Agreements pre-date when public companies were required to adopt mandatory clawback policies under Dodd-Frank. Undoubtedly, the prevalence of referencing clawback policies will increase as companies enter into new or amended and restated agreements with CEOs.

Release and Waiver of Claims

In consideration for the payment of general severance benefits and CIC-related severance benefits, companies may require a separating CEO to execute (and not revoke) a release and waiver of claims agreement. Under a release agreement, the CEO typically waives his or her right to bring claims of any nature, whether known or unknown at the time of execution of the release, against the CEO's employer. If the release covers claims under the Age Discrimination in Employment Act ("ADEA"), the release must satisfy the notice and revocation periods under ADEA.

The majority of CEO Employment Agreements require the CEO to execute a release agreement to be eligible to receive severance benefits.

Executive Representations

CEO Employment Agreements may include certain representations made by the CEO. The two most common representations and their prevalence in CEO Employment Agreements are described below:

- **No agreement bars employment with company:** Typically, this representation requires a CEO to confirm that his or her employment with the company and future performance of services does not and will not violate any other agreement or obligation that CEO may have with any former employers or other third parties. This representation is particularly important with respect to a new hire CEO whose prior employment may have been subject to restrictive covenants, such as a non-compete. However, the data shows a significant prevalence of this representation among CEOs who were internally promoted or whose employment agreement was renewed. Overall, 46% of all CEO Employment Agreements included this representation.

Category – Attainment of CEO Position	# of CEO Employment Agreements	Includes Representation: No Agreement Bars Employment with the Company (#)	Prevalence
External Hire	20	10	50%
Internal Promotion	36	17	47%
Incumbent CEO – Renewed Agreement	39	17	43%
Total	95	44	46%

- **The CEO has been directed to receive advice from counsel:** Under this representation, the CEO asserts that he has been advised by the company to seek advice from counsel with respect to the terms of the Employment Agreement and that the CEO has done so. Approximately one-third of CEO Employment Agreements include this representation.

Termination for Cause

As previously noted, a company may be obligated to pay substantial Severance Benefits upon certain types of terminations of employment. However, under all CEO Employment Agreements, a company avoids any such obligation in the case of a CEO's termination for Cause. Generally, the Agreements expressly provide that a CEO who is involuntarily terminated for Cause will be ineligible to receive any Severance Benefits, other than Accrued Benefits. In addition, a for Cause termination typically will result in the forfeiture of unvested equity awards, and, in some cases, forfeiture of earned but unpaid annual bonus. Also, the terminated CEO generally will not be eligible to receive any portion of the annual bonus covering the year of termination. These forfeiture events are typically outlined in other documents, such as a company's annual incentive plan, equity plan and award agreements.

Protection of CEO Interests

In addition to provisions protecting corporate interests, CEO Employment Agreements separately include provisions that protect CEO interests. These countervailing provisions are an integral part of the overall bargain between the parties. The nature of these protections and their prevalence are discussed below.

Provision	Description	Prevalence (n-95)
Modification	Subjects any company modification to the CEO's written approval <i>(Note: Four CEO Employment Agreements are silent on this item; however, generally contract law would not permit unilateral modification)</i>	96%
Assignment	Makes employment agreement binding on any successor entity	92%
For Cause Termination Rights	Allows CEO to cure Cause conduct to the extent possible <i>(for additional details on For Cause Termination Rights, see discussion below)</i>	73%
Indemnification	Indemnifies and holds harmless the CEO from any liabilities that arise from actions performed as a director/officer of the company	59%
Director & Officers (D&O) Insurance	Requires company to cover CEO under D&O insurance	46%
Whistleblower Rights	Provides legal protection to an employee who reports certain types of misconduct to governmental authorities, such as violations of law, fraud, or unethical activities within their organization (acts as an exception to nondisclosure provision)	* ²

CEO terminations for Cause are relatively rare occurrences, although there has been a slight increase in such terminations. Given the sensitive nature of this type of termination, some CEO Employment Agreements outline the voting standard for a board to find Cause and the CEO's procedural rights when receiving notice of a for Cause termination.

- **Voting Standard:** Generally, CEO Employment Agreements expressly provide or imply that the company's board is responsible for the determination of whether a Cause event has occurred. A small percentage of Agreements include the voting standard for a finding of Cause. A supermajority vote of the board is required under 7% of Agreements. A simple majority vote is required under 11% of Agreements.

The remaining 82% of CEO Employment Agreements do not include a specified voting standard for a board determination of Cause. However, generally under applicable state corporate law and a corporation's

² Data was not collected on the prevalence of whistleblower rights. Nonetheless, the importance of whistleblower protections in employment agreements has been emphasized by SEC enforcement actions and guidance since 2016, which have indicated that overly broad non-disclosure provisions may unlawfully impede whistleblower rights. For more information on whistleblower rights, please see Meridian's Client Alert, *SEC Cracks Down on Violations Of Whistleblower Protection Rules* (September 27, 2024), and the *Whistleblower Protections* page on the SEC's website: [SEC.gov | Whistleblower Protections](https://www.sec.gov/whistleblower-protections).

governing documents, any action taken by the board generally would require majority approval, including any determination of Cause.

- **Substantive and Procedural Rights:** A majority of CEO Employment Agreements (73%) allow the CEO to cure Cause conduct to the extent possible. However, given the nature of most Cause-defined events, the ability to cure often has limited utility to the CEO. A minority of Agreements provide the following procedural rights to the CEO: (i) allows the CEO to be heard by the board (28%) and (ii) allows the CEO to be represented by counsel before the board (23%).

Administrative Rules of the Road

Other miscellaneous provisions of CEO Employment Agreements set forth the rules of the road governing notice requirements, dispute resolution, applicable law and the reimbursement of legal fees.

Notice Requirements

Nearly all CEO Employment Agreements specify detailed notice mechanics, including permitted methods of delivery and provisions addressing deemed receipt. Some agreements also require that notices delivered to the company be copied to outside legal counsel.

Dispute Resolution

CEO Employment Agreements often include provisions that define the forum and process for resolving legal disputes that may arise regarding the interpretation or execution of the agreement. Among CEO Employment Agreements, binding arbitration is the most prevalent dispute resolution technique and is generally more efficient, confidential and cost-effective than court litigation.

Dispute Resolution Technique	# of CEO Employment Agreements	Prevalence (n-95)
Binding Arbitration	63	66%
Non-binding Mediation	5	5%
Litigation	27	29%
Total	95	100%

Litigation is the default dispute resolution mechanism when an employment agreement is otherwise silent on this issue.

Reimbursement of Legal Fees

Approximately one-third of CEO Employment Agreements provide for the reimbursement of legal fees incurred by the CEO in connection with negotiating the Agreement.

Governing Law and Venue for Disputes.

CEO Employment Agreements almost universally specify the governing law applicable to the Agreement and the venue in which disputes must be resolved. Governing law provisions typically designate the law of the company's state of incorporation or principal place of business. Venue provisions often require disputes to be brought in a specified state or federal court located in that jurisdiction or, in the case of arbitration, identify the location of the arbitration proceedings. These provisions are intended to promote predictability, reduce forum-shopping risk and ensure that disputes are adjudicated in a jurisdiction familiar to the company and its advisors.

Appendix

Appendix A: Profile of Study Companies

Financial Highlights

Financial highlights of the 95 Study Companies are provided below.

	Trailing Twelve Months Revenues as of December 31, 2025 (\$M)	Market Capitalization December 31, 2025 (\$M)
75th Percentile	\$25,286	\$63,613
Median	\$10,464	\$30,545
25th Percentile	\$5,041	\$16,045

Study Companies

(n-95)

American International Group, Inc.	Bunge Global SA	DaVita Inc.
Advanced Micro Devices, Inc.	BXP, Inc.	Dollar General Corporation
Aflac Incorporated	Cadence Design Systems, Inc.	Domino's Pizza, Inc.
Akamai Technologies, Inc.	Caesars Entertainment, Inc.	Elevance Health, Inc.
Alexandria Real Estate Equities, Inc.	Camden Property Trust	Equifax Inc.
Align Technology, Inc.	Cencora, Inc.	Expedia Group, Inc.
ANSYS, Inc.	Centene Corporation	Fidelity National Information Services, Inc.
Arch Capital Group Ltd.	Charter Communications, Inc.	Fiserv, Inc.
Autodesk, Inc.	Citizens Financial Group, Inc.	Freeport-McMoRan Inc.
Best Buy Co., Inc.	CME Group Inc.	Gartner, Inc.
Biogen Inc.	Cognizant Technology Solutions Corporation	General Electric Company
Bio-Techne Corporation	Comcast Corporation	Global Payments Inc.
Booking Holdings Inc.		

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GoDaddy Inc.	Monolithic Power Systems, Inc.	Synopsys, Inc.
Halliburton Company	Monster Beverage Corporation	Texas Pacific Land Corporation
Hasbro, Inc.	Motorola Solutions, Inc.	The Cooper Companies, Inc.
HCA Healthcare, Inc.	Nasdaq, Inc.	The Estée Lauder Companies Inc.
Huntington Bancshares Incorporated	News Corporation	The TJX Companies, Inc.
IDEXX Laboratories, Inc.	Norwegian Cruise Line Holdings Ltd.	The Walt Disney Company
Incyte Corporation	NRG Energy, Inc.	T-Mobile US, Inc.
Ingersoll Rand Inc.	Nucor Corporation	TransDigm Group Incorporated
Intercontinental Exchange, Inc.	ON Semiconductor Corporation	Tyler Technologies, Inc.
IQVIA Holdings Inc.	Paycom Software, Inc.	Tyson Foods, Inc.
Labcorp Holdings Inc.	Quanta Services, Inc.	UDR, Inc.
Las Vegas Sands Corp.	Ralph Lauren Corporation	United Rentals, Inc.
Leidos Holdings, Inc.	Regeneron Pharmaceuticals, Inc.	UnitedHealth Group Incorporated
Live Nation Entertainment, Inc.	Revvity, Inc.	Universal Health Services, Inc.
lululemon athletica inc.	Ross Stores, Inc.	Ventas, Inc.
MarketAxess Holdings Inc.	Royal Caribbean Cruises Ltd.	
Match Group, Inc.	SBA Communications Corporation	
Molina Healthcare, Inc.	ServiceNow, Inc.	

Appendix B: Typical Provisions in CEO Employment Agreements

The table below outlines the key terms often included in CEO Employment Agreements and examined in this Report.

Nature of Term	Term
Context	<ul style="list-style-type: none"> • Recitals (parties to the Agreement; attainment of position) • Role and Responsibilities (subject to certain carveouts) • Term of Agreement
Current Compensation	<ul style="list-style-type: none"> • Base Salary • Annual Incentive • Long-Term Incentive • Special Compensation Awards • Perquisites and Personal Benefits • Health, Welfare and Retirement Benefits
Post-Termination Compensation	<ul style="list-style-type: none"> • Compensation Payable Upon Death or Disability • Compensation Payable upon Termination
Protection of Corporate Interests	<ul style="list-style-type: none"> • Restrictive Covenants • Remedies for Breach of Restrictive Covenants • Clawback Provision • Release and Waiver of Claims • Executive Representations • For “Cause” Termination
Protection of Executive Interests	<ul style="list-style-type: none"> • Modification of Employment Agreement (subject to CEO consent) • Assignment of Employment Agreement to successor • Indemnification • Directors & Officers Insurance Coverage • Whistleblower Rights • Rights Related to Termination for Cause
Administrative Rules of the Road	<ul style="list-style-type: none"> • Notice Requirements • Dispute Resolution • Reimbursement of Legal Fees • Governing Law and Venue for Disputes

Appendix C: Typical Provisions Related to Executive Severance

Summarized below are the key terms typically associated with General Severance and CIC-related Severance.

Conditions to Receive Severance Benefits

Term	General Severance	CIC-related Severance
Triggering Event	<ul style="list-style-type: none"> Qualified Termination (outside of a CIC) 	<ul style="list-style-type: none"> Qualified Termination during Protection Period
Release and Waiver of Claims	<ul style="list-style-type: none"> Conditioned upon execution 	<ul style="list-style-type: none"> Same

Severance Benefits

Term	General Severance	CIC-related Severance
Cash Severance	<ul style="list-style-type: none"> 1x to 2x “pay” (typically defined as base salary and bonus) 	<ul style="list-style-type: none"> 2x to 3x “pay” (nearly always defined as base salary and bonus)
Year of Termination Bonus	<ul style="list-style-type: none"> Pro rata bonus paid 	<ul style="list-style-type: none"> Pro rata bonus paid
Continuation of Health Care Period	<ul style="list-style-type: none"> 12, 18 or 24 months 	<ul style="list-style-type: none"> 18, 24 or 36 months
Acceleration of Vesting of Equity Awards	<ul style="list-style-type: none"> Full or partial vesting of equity awards (majority practice) 	<ul style="list-style-type: none"> Full vesting of equity awards
Response to Potential Imposition of Excise Tax	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Best net (CIC-related benefits are cut back if doing so would result in greater after-tax proceeds absent such cutback)

Key Definitions

Term	General Severance	CIC-related Severance
Cause	<ul style="list-style-type: none"> • Failure to perform assigned duties • Willful misconduct • Conviction of a felony • Acts of dishonesty or fraud • Acts of moral turpitude • Failure to follow directions • Breach of confidentiality • Breach of company code of conduct 	<ul style="list-style-type: none"> • Same
Change-in-Control	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Certain changes in board composition • Acquisition of a specified percentage of outstanding shares • Certain corporate transactions • Certain asset sales
Good Reason	<ul style="list-style-type: none"> • Relocation of office • Diminution in authority, duties or responsibilities • Reduction of base pay • Failure to assume agreement • Reduction in bonus opportunity • Material breach of agreement 	<ul style="list-style-type: none"> • Same
Protection Period	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • 2-year period starting on date of CIC
Qualified Termination	<ul style="list-style-type: none"> • Involuntary termination without Cause • Voluntary termination for Good Reason (to a lesser extent) 	<ul style="list-style-type: none"> • Involuntary termination without Cause • Voluntary termination for Good Reason

Meridian Compensation Partners Profile

Meridian Compensation Partners, LLC is the premiere executive compensation consulting firm in North America, providing trusted counsel to Boards and Management at over 800 companies. We consult on executive and board compensation and their design, amounts and corporate governance. Our consultants across the U.S. and in Canada have decades of experience in pay solutions that are responsive to shareholders, reflect good corporate governance principles and align pay with performance. Our depth of resources, content expertise and Boardroom experience are unparalleled.

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Acknowledgements



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