
2026 Consumer Packaged Goods Incentive Trends Report Summary

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Authored By :

Alysse Merila, Senior Consultant
amerila@meridiancp.com

Paige Thaler, Consultant
pthaler@meridiancp.com

Gianna Marrone, Consultant
gmarrone@meridiancp.com

Nadia Atton, Consultant
natton@meridiancp.com

Introduction



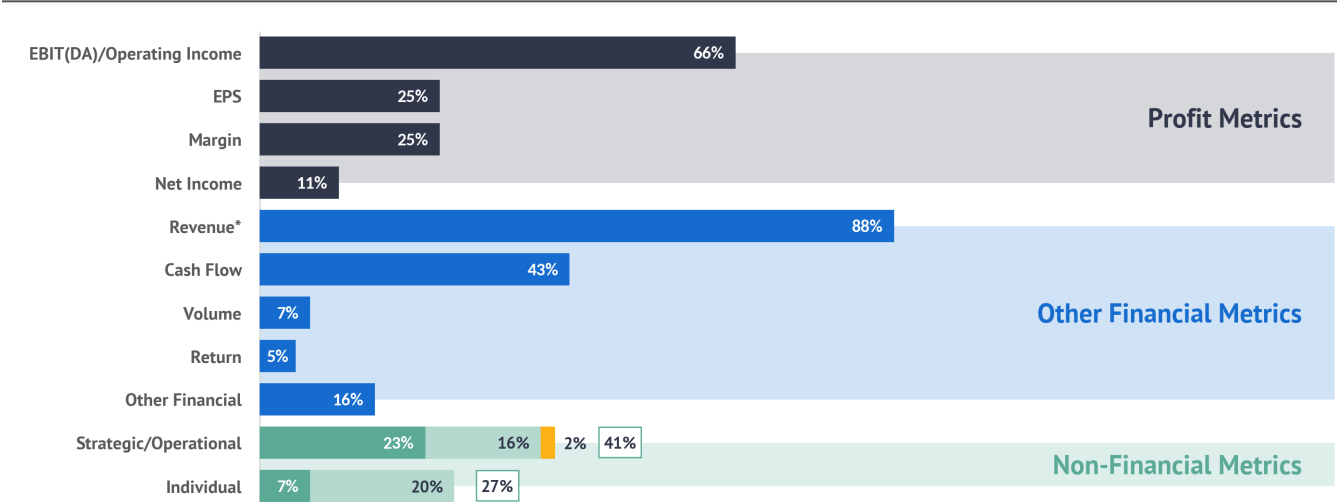
Meridian reviewed the annual and long-term incentive design practices of 45 consumer packaged goods (CPG) companies to identify key trends and common design approaches across the industry. The study examines annual incentive metrics and payout opportunities, as well as long-term incentive vehicles, performance measures, vesting provisions, and payout structures. Where relevant, CPG practices are compared with general industry to highlight areas of alignment and key differences from the broader market.

Highlights

Annual Incentive Plan Design Practices

Annual incentive plans remain simple and financially driven. Profit measures continue to anchor plan design, often paired with revenue or another top-line metric. Rather than adding new measures, most companies are adjusting payout ranges and metric weightings to better align pay outcomes with current business priorities.

Annual Incentive Plan Metric Prevalence



*Includes revenue growth. Percentages may not sum to 100% due to rounding.

■ Weighted Metric ■ Modifier ■ Both (Metric & Modifier)

- Financial metrics remain firmly at the center of annual incentive plans. Most companies use 2 to 3 weighted financial metrics, emphasizing continued prioritization of simple designs with clear line.
- Both revenue and profitability measures are nearly universally used within incentive programs. Top-line measures dominate incentive programs, most often paired with a profitability metric. Cash flow measures

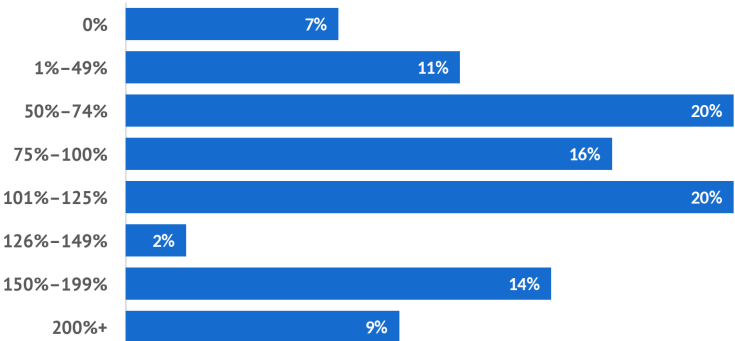
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are also included by a strong minority (43%). While profitability is also a core component of annual incentive design across general industry, CPG companies place greater emphasis on revenue, reflecting the importance of top-line performance within the industry.

- **Non-financial measures play a modest role in CPG annual incentive plans.** 53% incorporate at least one non-financial metric or modifier – meaningfully less than general industry (~80%). This reflects a wider range of areas including individual performance, strategic objectives, operational performance, customer experience, sustainability/ESG, and culture. For those CPG companies that included non-financial weighted metrics, these measures represent 25% of the incentive opportunity on average.
- **Where CPG companies do use non-financial measures, strategic objectives dominate.** Among CPG companies, strategic measures are most prevalent (41%). Common themes include innovation, product launches, portfolio transformation, market share, and category leadership.
- **Annual incentive payout curves are broadly aligned with general industry, with variation in threshold levels.** CPG companies most commonly use a 50% – 200% payout range, consistent with general industry. Similar to general industry, CPG companies maintain variation in threshold levels.
- **2025 annual incentive payouts landed close to target.** Average payout was 101% of target with the largest concentration between 50% – 125% of target, suggesting that overall outcomes directionally tracked to plan.

2025 Annual Incentive Payout Distribution

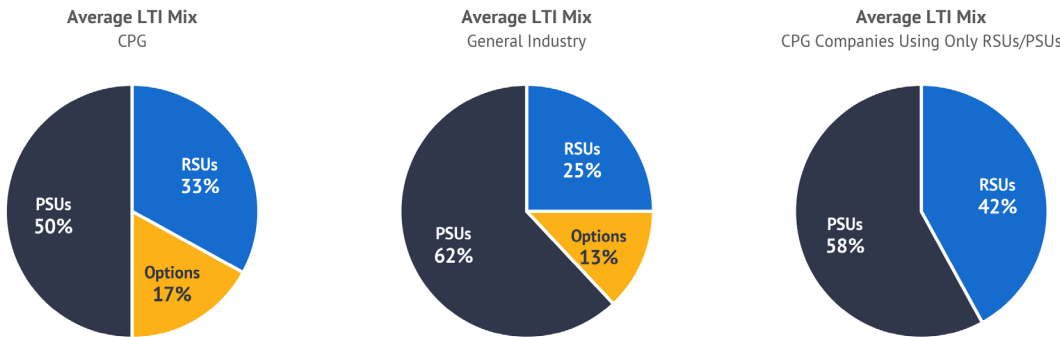
as % of Target



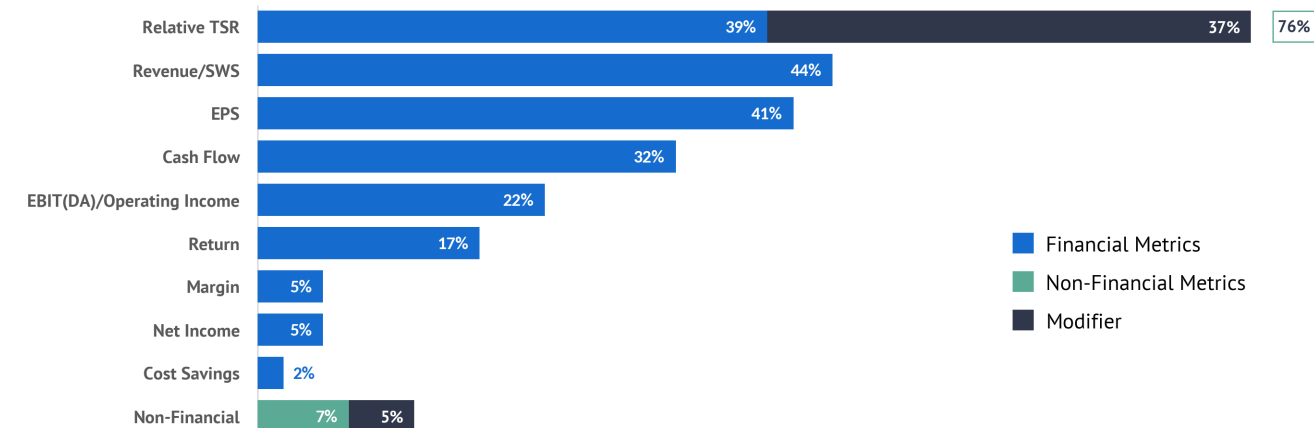
Percentages may not sum to 100% due to rounding.

Long-Term Incentive Plan Design and Vehicle Mix Practices

Average LTI Vehicle Weighting



PSU Metric Prevalence



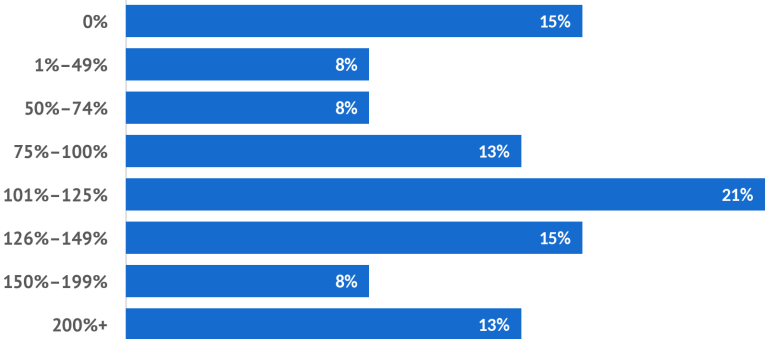
- LTI vehicle mix most commonly consists of a combination of RSUs and PSUs.** CPG long-term incentive (LTI) programs generally align with broader market practices, with performance stock units (PSUs) and restricted stock units (RSUs) as the most dominant vehicles.
- Performance-based equity still anchors executive LTI Plans.** 91% of companies include a performance-based vehicle with RSUs close behind at 89%; 45% grant stock options.
- Three-year vesting schedules are the clear standard for time-based equity vehicles.** Majority of stock options and RSUs vest over three years.
- Performance equity is most commonly measured on a cumulative basis over a 3-year timeframe.** Similar to the broader market, most CPG companies (81%) evaluate PSU measures solely against cumulative goals. However, ~20% incorporate an annual performance measurement, compared to only 9% in general industry. Among our clients, we have observed some shift to annual performance or growth-focused goals given the difficulty in setting a 3-year goal.
- Like the broader market, Relative Total Shareholder Return (rTSR) remains the most common performance measure.** Most CPG companies (75%) include two to three weighted metrics in PSU plans. The most prevalent measures are rTSR (76%), revenue (44%), EPS (41%), and cash flow (32%), while EBITDA/operating income (22%) and return measures (17%) are used less often – a notable contrast with the broader market, where return measures are considerably more common. This difference signals growth, earnings, and cash generation as more central performance indicators for CPG companies while also acknowledging CPG companies are less capital intensive than the broader market.
- CPG companies are nearly evenly divided on use of rTSR as a weighted metric or a modifier.** Among companies using rTSR, 52% include as a weighted metric and 48% as modifier. In comparison, companies in the general industry study are more likely to incorporate rTSR as a weighted metric at 60%, compared with 40% that use it as a modifier. Given the broad market trend towards shifting rTSR from a weighted metrics to modifier, CPG companies seem to lead market. Within the mechanics of rTSR, the most common performance framework generally establishes threshold at the 25th percentile, target at the 50th percentile, and maximum above the 75th percentile for rTSR. Most companies in general industry using rTSR set maximum performance level at the 75th percentile.

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- **Relative TSR comparator-groups are relatively diverse and customized to company situation.** Approximately 47% use an index or index subset, while others use their compensation peer group or custom performance group (i.e., S&P 500 Consumer Staples, S&P 500 Food & Beverage, or S&P 1500 Packaged Foods & Meats).
- **LTI payout curves are directionally aligned with general industry, although CPG plans show slightly more upside leverage.** A 50% threshold and 200% maximum are the most common structures in both groups, but 19% of CPG companies provide maximum opportunities above 200%, compared with ~12% of general industry.
- **Despite ongoing economic uncertainty and tariff-related headwinds, CPG companies generated solid long-term incentive outcomes for the 2023-2025 cycle.** On average, companies pay out at 106% of target, though performance varies across companies.

2023–2025 Long-Term Incentive Payout Distribution

as % of Target



Percentages may not sum to 100% due to rounding.

Looking Ahead

CPG companies continue to balance top-line growth and profitability with a focused set of strategic priorities in their annual incentive plans. Long-term incentive design remains similarly anchored in performance-based equity, with modestly more emphasis on options and time-based awards than the broader market. As companies navigate shifting consumer preferences, evolving portfolios, and continued pressure on growth and margins – compounded by the practical difficulty of setting credible multi-year performance goals – we expect incentive designs to continue to evolve to reinforce the business priorities most critical to performance. Annual incentive measures and payout leverage are likely to remain largely stable, though we expect companies to re-evaluate how they set performance curves, with more openness to non-traditional or non-linear curves that get flatter around target to reflect increased uncertainty. Among performance-based equity programs, we expect to see more growth-related measures, reflecting the continued emphasis on revenue and earnings, and a continued shift from rTSR as a weighted measure to a modifier.

The financial highlights of the 45 companies represented in this study are shown below. The study includes companies across five GICS industry groups: Food, Beverage & Tobacco; Consumer Durables & Apparel; Household & Personal Products; Capital Goods; and Health Care Equipment & Services. All figures are as of August 1, 2026.

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Percentile	Revenue (LTM) (\$Mn)	Market Cap (\$Mn)	1-Yr TSR
75th Percentile	\$20,444	\$42,341	+15%
Median	\$11,282	\$20,409	-8%
25th Percentile	\$7,620	\$9,437	-16%

Source: S&P Capital IQ

General industry data is sourced from Meridian’s 2025 Corporate Governance & Incentive Design Survey, which includes 200 large publicly traded companies. Additional information, including the list of companies represented in the survey, is available in the [2025 Meridian Corporate Governance & Incentive Design Survey](#).

The authors are Consultants and Senior Consultants at Meridian Compensation Partners. Please reach out to Alysse (amerila@meridiancp.com) with any questions.



100 Saunders Rd Suite 250, Lake Forest, IL 60045