

Life Sciences Trends and Compensation Planning for 2027, Regulatory Update, and Strategies for Investor Outreach

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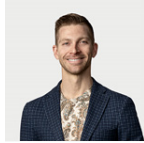
Today's Speakers



Gina Hancock

Partner, Gibson Dunn

Gina Hancock is a partner in the Dallas office. She practices in the firm's Executive Compensation and Employee Benefits Practice Group. Gina has significant experience with executive compensation, complex domestic and international transactional matters, initial public offerings, health and welfare benefit plans, retirement plans, and related matters. Her practice focuses on all aspects of equity compensation; employee stock purchase plans; 401(k), pension and nonqualified deferred compensation plans; executive employment, severance, retention, change in control and restrictive covenant agreements; incentive compensation; and cafeteria and other welfare benefit plans. She also provides advice with respect to general corporate governance and disclosure matters. Gina is ranked in Band 2 by Chambers USA 2026, named on Law360's 2025 Rising Stars list, and on the 2025 Best Lawyers: Ones to Watch® in America list for Employee Benefits (ERISA) Law.



Aaron Briggs

Partner, Gibson Dunn

Aaron Briggs is a partner in Gibson Dunn's San Francisco office, a member of the firm's Securities Regulation and Corporate Governance Practice Group, and co-chair of its ESG Risk, Litigation and Reporting Practice Group. He advises public companies and their boards, particularly in the technology and life sciences sectors, on SEC reporting and compliance, corporate governance, ESG disclosure, investor engagement, annual meetings, shareholder activism, and executive compensation. Before rejoining the firm, Aaron spent five years as Executive Counsel, Corporate, Securities and Finance at General Electric Company, where he led a redesign of GE's investor communications. He is a Fellow of the American College of Governance Counsel and was named Governance Professional of the Year by Corporate Secretary magazine in 2016.



Ed Speidel

Partner, Aon

Ed Speidel has 25 years of experience in executive and employee compensation, corporate governance and deep expertise in equity compensation practices. His clientele consists of companies of varying size and complexity, primarily in the technology and life sciences industries. He maintains a strong focus in biotech, med devices, diagnostics, and emerging technology. Prior to joining Aon, Ed was principal and national executive compensation practice leader for Mellon Human Resources & Investor Solutions (formerly Buck Consultants). Before Mellon, Ed was managing director of the Northeast compensation practice for PricewaterhouseCoopers. Ed earned a Bachelor of Arts in economics from University of Delaware, a Master of Business Administration from Lehigh University, a Juris Doctorate from New England Law, and a Master of Laws in taxation from Boston University School of Law. In addition, he is a certified compensation, benefits, and equity professional, respectively. Ed writes and speaks frequently on executive and equity compensation issues.



Tanaz Moazami

Partner, Aon

Tanaz Moazami is a Partner in Aon's Human Capital Solutions practice. She leads the Global Life Sciences Data Solutions sector and oversees Aon's Life Sciences and Medical Device & Technology Executive Council forums, where she convenes senior executives to share insights, benchmark practices and address emerging rewards and talent challenges across the industry. Tanaz has extensive experience advising global organizations on compensation strategy, pay programs and talent-related aspects of transformation. Prior to joining Aon, she was part of Mercer's M&A transaction team, responsible for strategic and technical HR due diligence. In that capacity, she led complex transactions and post-merger integrations for both corporate and private equity buyers and sellers, helping align reward programs, organizational structures and people strategies with deal objectives.



Laura Wanlass

Partner, Aon

Laura Wanlass is a Partner within Aon's market leading Executive & Board Advisory practice, providing strategic consulting to boards and executive leadership teams across the globe, on data-led approaches to the oversight, strategy, and execution of Corporate Governance, Executive Compensation, the evolving legal & regulatory environment, and other emerging topics impacting businesses. She is also a dedicated advisor to various private and public company Nominating & Governance Committees, Human Capital/Executive Compensation Committees, and more. Key consulting includes providing recommendations and assistance on corporate governance matters, creating effective external communication strategies across all channels (including regulatory filings (10-K, DEF 14A), global sustainability reporting standards (voluntary and mandatory), corporate website and more), creating board and c-suite level reporting and dashboards, and in conducting board and c-suite level education and evaluations.

Agenda

01 Turnover trends and 2027 salary increase budgets

02 Long-term incentive trends: pre-commercial vs. commercial companies

03 State law compensation and employment updates

04 SEC rulemaking agenda and filer status simplification

05 Preparing for the 2027 proxy season

06 The changing investor and proxy advisor landscape

Overall Turnover Trends – U.S.

Voluntary turnover is declining, but involuntary turnover is increasing. As outside job opportunities slow and companies tighten budgets, employees are less likely to leave on their own, while employers are more actively managing and reducing headcount.

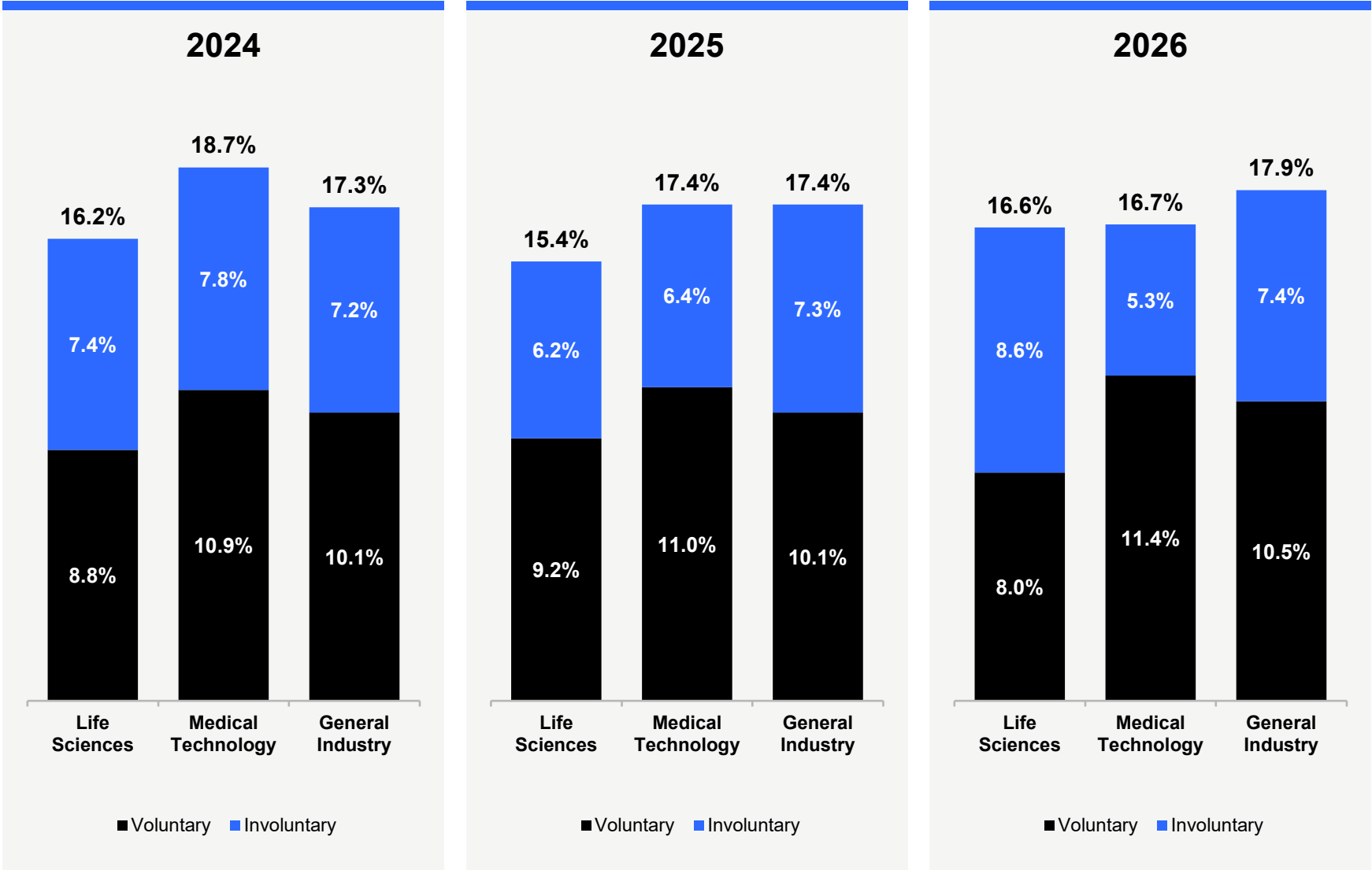
How Turnover Is Measured

Overall: total FTE terminations over a 12-month period ÷ average full-time headcount

Voluntary: overall terminations minus involuntary terminations ÷ average headcount

Involuntary: overall turnover minus voluntary turnover

TURNOVER RATES BY INDUSTRY, 2024–2026



Source: Aon's SITS Second Edition Refresh, December 2024–2025, Second Edition 2026. General Industry, Life Sciences, and Medical Technology.

Salary Increase – Merit and Overall Budget

2027 budgets are holding steady. Life Sciences continues to project the highest increases, with a 4.6% overall budget and 3.5% merit budget for 2027 (U.S.).

How to Read This

Highlighted columns show 2027 projected budgets by U.S. region.
Figures are diluted medians (50th percentile, including zeros).

MERIT BUDGET

	General Industry			Life Sciences			Medical Technology		
	2026 Budget	2026 Actual	2027 Projected	2026 Budget	2026 Actual	2027 Projected	2026 Budget	2026 Actual	2027 Projected
United States Overall	3.2%	3.2%	3.2%	3.5%	3.5%	3.5%	3.5%	3.3%	3.2%
Central/Midwest States	3.2%	3.1%	3.0%	3.0%	3.2%	3.1%	3.3%	3.4%	3.1%
Mid-Atlantic States	3.0%	3.0%	3.3%	3.0%	3.0%	3.5%	—	—	—
Northeast States	3.2%	3.2%	3.4%	3.5%	3.5%	3.5%	3.0%	3.1%	3.1%
Northern CA	3.5%	3.4%	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.3%

OVERALL BUDGET

	General Industry			Life Sciences			Medical Technology		
	2026 Budget	2026 Actual	2027 Projected	2026 Budget	2026 Actual	2027 Projected	2026 Budget	2026 Actual	2027 Projected
United States Overall	4.0%	3.8%	4.0%	4.8%	4.5%	4.6%	4.0%	4.0%	4.0%
Central/Midwest States	3.5%	3.5%	3.5%	4.3%	4.3%	4.8%	3.5%	3.5%	3.8%
Mid-Atlantic States	3.5%	3.5%	3.5%	4.0%	4.0%	4.5%	—	—	—
Northeast States	4.0%	4.0%	4.0%	5.0%	4.7%	5.0%	3.8%	3.6%	3.8%
Northern CA	4.5%	4.4%	4.5%	5.0%	4.5%	4.8%	4.5%	4.5%	4.0%

Source: Aon’s SITS Second Edition 2026. Diluted = including zeros, 50th percentile. Insufficient data (n=5) to report Mid-Atlantic Medical Technology.

LTI Value Year-on-Year

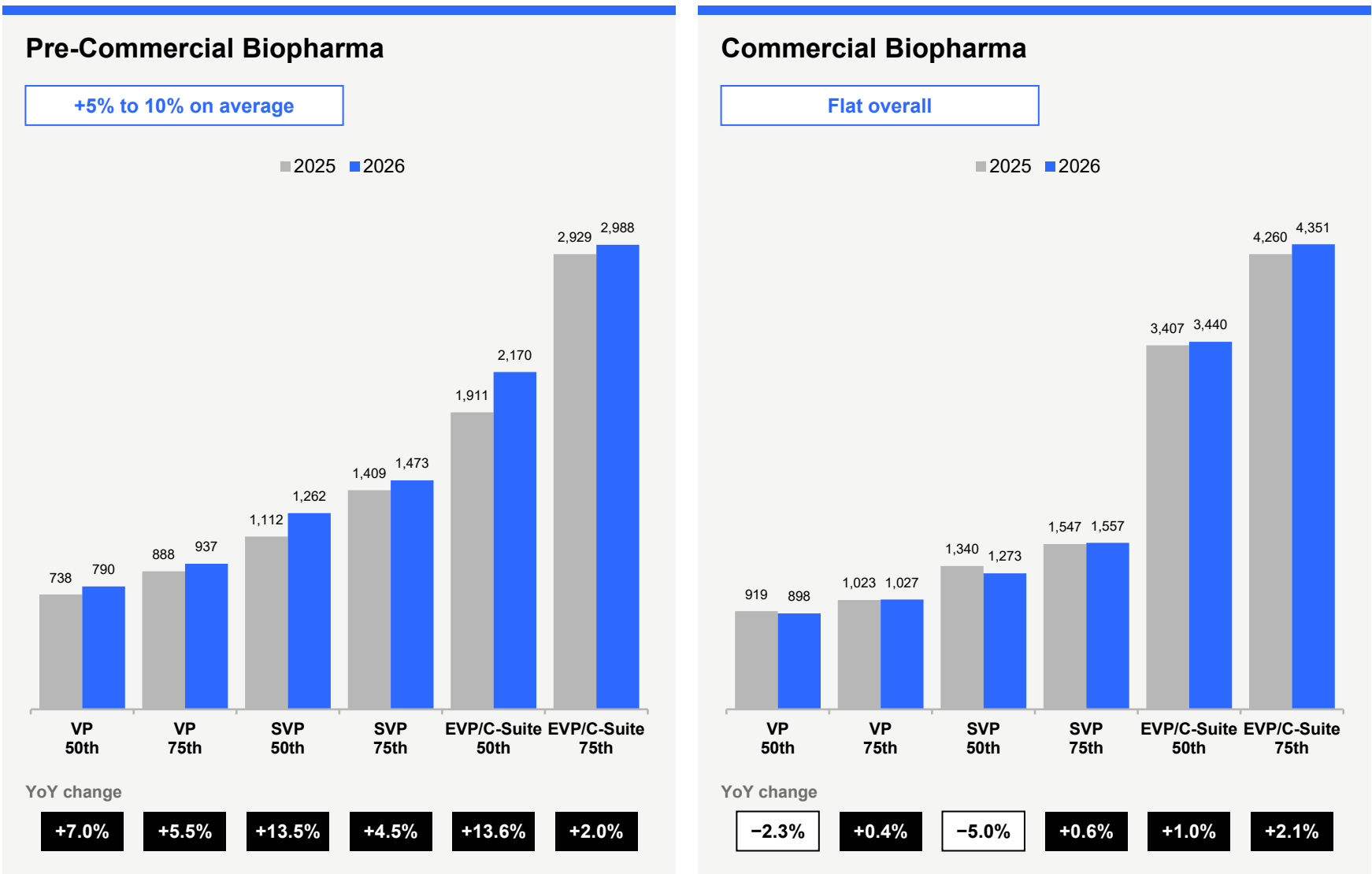
Pre-commercial biopharma pay is rising; commercial is flat. Year-over-year change in total target direct compensation for VP through EVP/C-suite roles, 2025 vs. 2026.

Peer Groups

Pre-Commercial Biopharma: public pre-commercial biopharma companies with market cap between \$500M and \$2.0B

Commercial Biopharma: commercial biopharma companies with market cap between \$2B and \$15B and revenue under \$3B

TOTAL TARGET DIRECT COMPENSATION, 2025 VS. 2026 (\$000s)



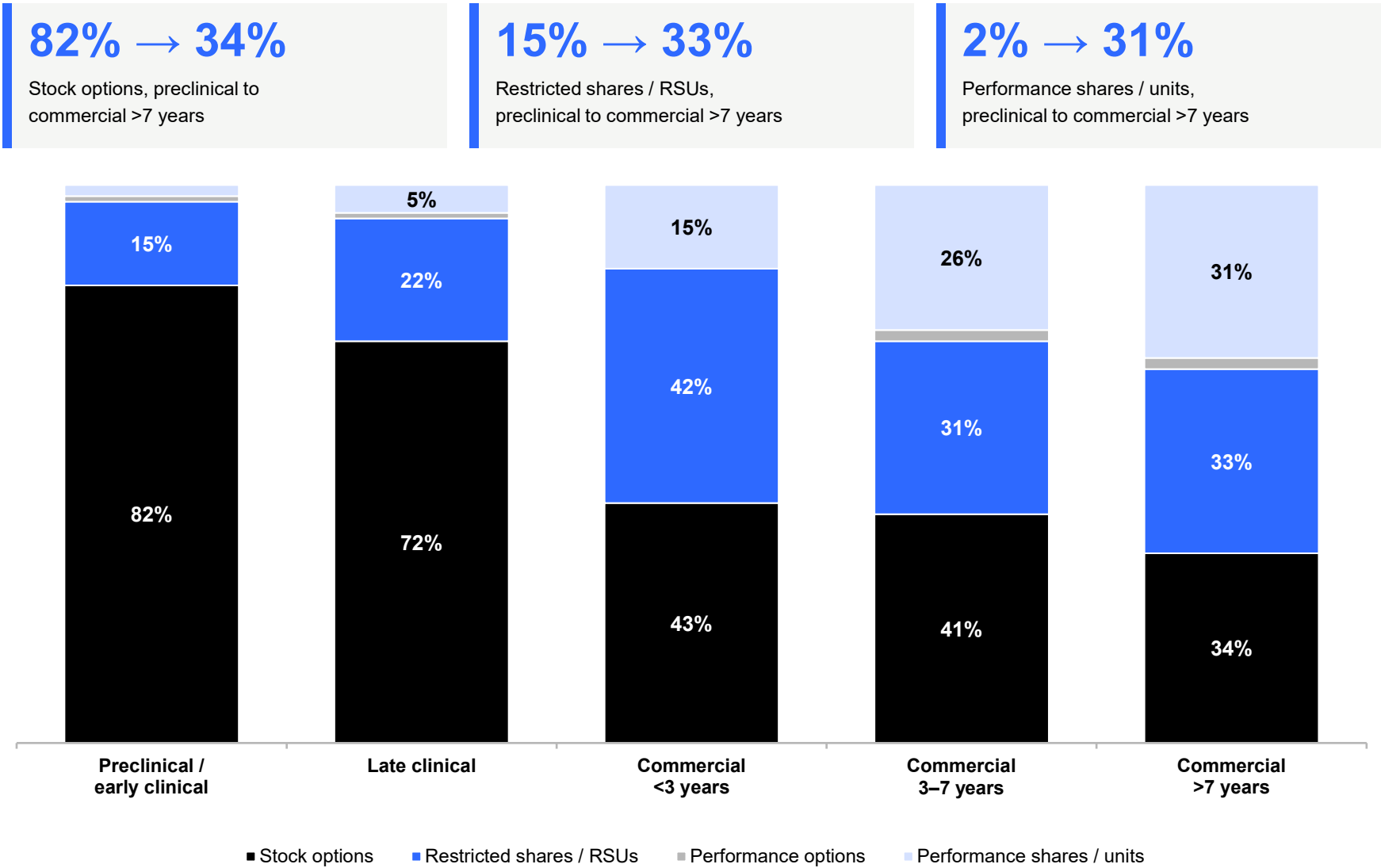
Public Biotech Executive LTI Mix Evolution

LTI mix shifts from options to performance-based equity as companies mature. Typical evolution of executive LTI mix (based on grant value) for a public biotech company moving from preclinical/early clinical stage to mature commercial stage.

Bottom Line

As companies commercialize, RSUs and performance shares/units take a growing share of LTI. Performance options stay minimal (0–2%) at every stage.

EXECUTIVE LTI MIX BY COMPANY STAGE (% OF GRANT VALUE)



Source: Aon's proprietary public executive compensation database. Performance options (0–2%) and other values under 5% are not labeled.

Pre-Commercial vs. Commercial LTI

Vesting practices are similar in both groups. Use of performance equity is where they differ, and it picks up once a company is selling product.

About the Data

Pre-commercial: 89 U.S. public companies

Commercial: 72 U.S. public companies

Based on 2026 proxy filings

WHERE PRACTICES DIFFER

	PRE-COMMERCIAL	COMMERCIAL
LTI Mix	Options make up most of LTI value	➡ PSUs grow with maturity and size
Performance Equity	Granted by 10 – 20% of companies	➡ Common at mature and large companies
Metrics	Clinical and R&D milestones	➡ Financial goals and relative TSR
Payout Range	Max. usually 200%; threshold rarely disclosed	➡ 50% threshold; max. 125–200%

WHAT STAYS THE SAME

Four-Year Vesting Standard for options and RSUs in both groups	Vesting Frequency Options vest monthly; RSUs vest annually	Limited Target Disclosure Few companies in either group disclose PSU goals
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Source: Aon analysis of 2026 proxy filings.

Time-Based Vesting Practices

Vesting looks much the same before and after launch. Four-year vesting, monthly option vesting and annual RSU vesting are typical in both groups.

Where Practices Differ

In both groups, three-year RSU vesting becomes less common as companies advance and grow.

Mature and large commercial companies use a broader mix of monthly and annual option vesting.

PRE-COMMERCIAL PREVALENCE: EARLY STAGE | LATE STAGE

90% 91%	57% 86%	93% 85%	93% 79%
4-year option vesting	4-year RSU vesting	Monthly option vesting	Annual RSU vesting

HOW PRACTICES COMPARE

Pre-Commercial	Commercial	Both Groups
• Period: four years standard for options and RSUs at every stage and size • 3-year RSUs: 43% of early-stage vs. 14% of late-stage companies • Frequency: options monthly after a 1-year cliff; RSUs annually	• Period: four years standard across stages and market caps • 3-year RSUs: less frequent as companies mature; more common below \$2B • Frequency: options monthly at recent/mid-stage and small/mid-cap firms; RSUs annually	• Four-year vesting is standard at every stage • Annual RSU vesting is typical at every stage and size • Size and maturity have a bigger effect on award mix than on vesting

Takeaway: Companies approaching commercialization can generally keep their current vesting schedules. Most of the redesign work is in award mix and performance equity.

Prevalence figures reflect time-based options and RSUs at pre-commercial companies (early stage = Phase II or earlier; late stage = Phase III or later). Pre-commercial: 89 U.S. public companies; commercial: 72 U.S. public companies. Source: Aon analysis of 2026 proxy filings.

Performance Equity Practices

Few pre-commercial companies grant PSUs. They are common at mature and large commercial companies, which add financial goals and relative TSR.

In Both Groups

Three-year performance periods are most prevalent in both groups, and few companies disclose PSU targets.

HOW PERFORMANCE EQUITY DIFFERS

PRE-COMMERCIAL

10% | 19%

of early | late-stage companies grant PSUs

- **Design:** 73% use milestone-based vesting, with shares delivered when goals are met
- **Metrics:** clinical, regulatory and R&D milestones; usually one or two
- **Payout:** max. tends to be 200% of target

COMMERCIAL

Largest

share of LTI value at companies above \$10B

- **Design:** PSUs are the main vehicle, and few companies use performance options
- **Metrics:** two or more at larger firms; relative TSR more common
- **Payout:** 50% threshold; max. rises from ~125–150% to 200%

Takeaway: Companies nearing launch should start planning how milestone awards will evolve into PSUs tied to financial and market-based goals, with payout ranges suited to their size.

Source: Aon analysis of 2026 proxy filings (pre-commercial n=89; commercial n=72).

Implications for Comp Committees

LTI design varies with company stage and size. Development stage, years on the market and market cap all shape typical practice, so the relevant market data changes as the company grows.

Bottom Line

Market data is one input. Committees should weigh it alongside clinical strategy, financing, talent needs, investor expectations and pay philosophy.

PLANNING LTI AROUND COMMERCIALIZATION

1 Use the Right Peer Data

Every Cycle

- Pre-commercial and commercial companies differ on award mix and PSU use
- Size cut-offs differ: \$1.5B pre-commercial vs. \$2B and \$10B commercial

2 Keep Options and RSUs in the Mix

At Launch

- Commercial companies continue to grant options and RSUs as they add PSUs
- PSUs are the largest share of LTI only at companies above \$10B

3 Match Metrics to Strategy

PSU Design

- Pre-commercial: clinical, regulatory and R&D milestones
- Commercial: broaden metrics and consider relative TSR as the company grows

4 Set Payout Ranges

PSU Design

- Commercial threshold is typically 50% of target
- Max. of ~125–150% for smaller firms, 200% for large and mature firms

WHAT STAYS CONSISTENT

Four-Year Vesting

Standard for time-based options and RSUs in both groups

Annual RSU Vesting

Typical at every stage and size

Three-Year Performance Periods

Most prevalent PSU design in both groups

Takeaway: Most LTI changes around commercialization involve award mix and performance design. Vesting schedules can usually stay as they are.

Pre-commercial: 89 U.S. public companies; commercial: 72 U.S. public companies. Source: Aon analysis of 2026 proxy filings.

State Law Comp & Employment Updates

Where are your employees?

While in-office employees are easier to track, remote employees introduce complexity to the employment relationship. Often the laws of the employee's home state will apply, regardless of the company's office locations.

STAY-OR-PAY LAWS

- New trend prohibiting sign-on or similar bonuses subject to recoupment upon subsequent termination of employment
- California & New York enacted laws originally effective in 2026, although the effective date of California's law was recently delayed to January 1, 2027

RESTRICTIVE COVENANTS

- Ever-evolving state-law landscape applicable to restrictive covenant obligations
- Washington joins states prohibiting all non-competition covenants effective June 30, 2027
- Virginia and Tennessee further restricted non-competes in specific circumstances during 2026
- On the flip side, Florida's CHOICE Act provides an easier avenue for enforcement

PAY TRANSPARENCY

- Expanding state-specific requirement for job postings, including Delaware, Maine and Virginia
- Updated requirements for California, Connecticut and Washington

AI IN EMPLOYMENT DECISIONS

- Emerging area requiring notice when AI is used in hiring and other employment decisions

SEC Rulemaking Agenda

In July 2026, the SEC published an updated agenda outlining its expected rulemaking priorities

Focus on reducing compliance burdens, eliminating disclosure overload & returning to principles-based materiality.

Title	Stage of Rulemaking	Topic
Optional Semi-Annual Reporting	Proposed rule <i>Issued May 2026</i>	Can opt into semi-annual reporting to reduce compliance burdens from quarterly reporting cycle
Shelf Registration Modernization	Proposed rule <i>Issued May 2026</i>	Modernizes the shelf registration process to reduce compliance burdens and further facilitate capital formation
Simplification of Filer Status	Proposed rule <i>Issued May 2026</i>	Streamlines filer categories & increases threshold to be a larger company meaning more can qualify for scaled disclosures
Rescission of Climate Rules	Proposed rule <i>Issued May 2026</i>	Formally rescinds climate change rules after SEC determined not to continue defending rules in pending 8th circuit litigation
E-Delivery of Proxy Materials	Proposed rule <i>Issued July 2026</i>	Moves from opt in to opt out system for e-delivery of proxy materials, meaning can send an email instead of paper
Shareholder Proposal Regime Termination	Proposed rule <i>Issued Sept. 2026</i>	Rescinds Rule 14a-8 in full, meaning stockholder proposals will be governed by state law, bylaws & private ordering
Proxy Solicitation Modernization	Proposed rule <i>Issued Sept. 2026</i>	Eliminates annual report delivery, shortens broker search period to 5 bus. days & eliminates investor exempt solicitations
Tokenized Securities Innovation Exemption	Exemptive order <i>Issued Sept. 2026</i>	Enables block chain trading of tokenized securities through automated market makers & liquidity pools for 5-yr trial period
Executive Compensation Disclosure Reform	Proposed rule <i>In process</i>	Potential significant rethink of exec comp disclosures (expected to significantly reduce compliance burdens)
Rationalization of Disclosure Practices	Proposed rule <i>In process</i>	Potential significant rethink of other disclosures, moving away from prescriptive rules to principles-based materiality
Other	Proposed rules <i>In process</i>	Potential simplification and enhancement of ability to raise money privately & expansion of use of Rule 144 safe harbor

Simplification of Filer Status

PROPOSED RULES

- Filer status regime streamlined into two categories: large accelerated filers (LAFs) and non-accelerated filers (NAFs): effectively eliminates accelerated filer, smaller reporting company and emerging growth company status
- LAF threshold set at higher public float of \$2B+: this is an increase from the current threshold of \$700M+; companies below \$2B are NAFs and can take advantage of scaled disclosures
- New calculation methodology reduces YoY volatility: 10-day trading period vs. 1-day snapshot; companies must meet threshold for 2 years in a row before switching filer categories

DISCLOSURE ACCOMMODATION FOR NAFS

Annual Reports

- Business disclosures: scaled business section and MD&A (reports 2 vs. 3 years); no need to provide stock performance graph or market risks
- Financial statements: 2 (vs. 3) years of audited financials
- SOX 404(b): no need for auditor attestation on ICFR
- Deferred compliance with new or revised accounting standards: only available for companies within first 5 years following IPO

Proxy Statements

- Executive compensation disclosures: 3 (vs. 5) NEOs; 2 (vs. 3) yrs of comp disclosures; no need to include CD&A, pay vs. performance or CEO pay ratio
- Say-on-pay: no need to hold shareholder votes on say on pay and say on frequency

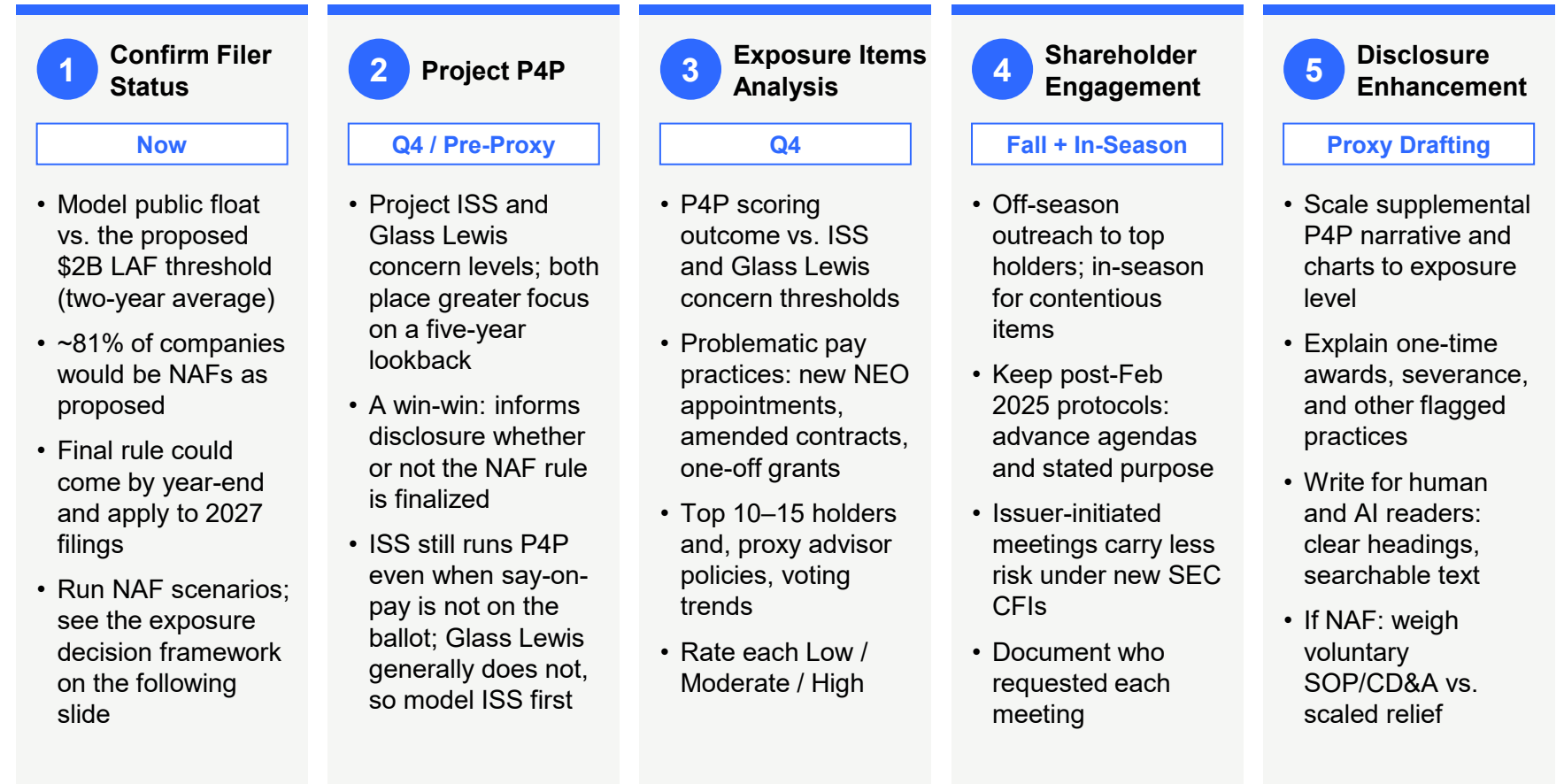
Getting Ready for the 2027 Proxy Season

Regulatory relief does not mean lower expectations. Investors and proxy advisors will still expect robust, decision-useful pay-for-performance and governance disclosure.

Bottom Line

Prepare 2027 proxy disclosures under existing requirements unless and until SEC amendments are adopted, effective, and applicable.

FIVE-STEP READINESS ROADMAP



ALSO ON THE 2027 RADAR: EQUITY PLANS

ISS opposed 35% of equity plans in 2026 vs. 11% for Glass Lewis — pressure-test burn rate, dilution, and plan features early

Exposure Items Analysis

If the SEC's filer-status proposal reduces your reporting obligations, scaled relief is an option — not an answer. Two SEC proposals could shrink required disclosure: simplification of filer status and exec comp disclosure reform

How to use this:

Rate each exposure area Low, Moderate, or High, then follow the corresponding disclosure and engagement actions.

EXPOSURE ITEMS ANALYSIS

	LOW Monitor	MODERATE Targeted action	HIGH Act now
P4P Scoring CEO/NEO pay-performance alignment vs. ISS & Glass Lewis	Low concern Monitor; minimal supplemental disclosure unless board responsiveness is triggered	Borderline CD&A narrative and charts; targeted engagement with key investors; revisit TSR and P4P story	Elevated / failing Robust P4P narrative, outlier rationale, governance enhancements; proactive engagement
Problematic Pay Practices New or amended contracts & one-off grants flagged when pay is not linked to performance, terms are richer than market, or undisclosed rationale	None identified Standard disclosure; confirm alignment with policy and leading practice	Minor Brief clarifying CD&A disclosure; engage if prior SOP support was weak or declining	Material Explicit rationale and safeguards; proactive engagement, especially if CEO-impacting
ISS / GL & Top Investor Influence Top 10–15 holders, proxy advisor policies, voting trends	No concerns Standard engagement cadence and disclosure	Emerging Prioritize flagged/non-friendly holders; align P4P messaging; tailor disclosure	High concern Intensive engagement with tailored messaging; enhanced disclosure on specific themes

Takeaway: Moderate or high exposure in any area calls for proactive disclosure and shareholder engagement. Low exposure across all three, company keeps a standard cadence.

Navigating the Changing Investor & Proxy Advisor Landscape

Proxy advisor influence is fragmenting, but it has not disappeared. Line of sight into voting outcomes is less clear than in prior seasons.

Set Board Expectations

Historical support levels may no longer predict future outcomes.

2026 SEASON: PROXY ADVISORS STILL MOVE VOTES¹

11% | 13%

ISS | Glass Lewis against recommendations on say-on-pay

35% | 11%

ISS | Glass Lewis against recommendations on equity plans

20

Say-on-pay proposals failed

4

Equity plan proposals failed

WHAT IS CHANGING

Proxy Advisors Under Pressure

- Dec. 2025 executive order directs SEC, FTC, and DOL to increase oversight
- SEC suing ISS to enforce a subpoena; DOJ withdrew its ISS clearance letter
- State laws expanding; courts have blocked or enjoined several

Investor Practices

- JPMorgan AM and Wells Fargo WIM dropped ISS and Glass Lewis for in-house models
- Index funds segmenting stewardship teams and expanding voting choice programs
- More investors using AI tools to review proxies
- Greater focus on targeting retail investors for votes

Proxy Advisor Policy Shifts

- Glass Lewis: benchmark policy still applies to 2027 meetings; four thematic policies launch Sept. 2027
- ISS: neutral on mostly time-based LTI with a 5-year horizon; Glass Lewis still expects ≥50% performance-based

SEC Engagement Guidance

- New CFIs (Sept. 2, 2026): routine engagement alone does not cost Schedule 13G eligibility
- No safe harbor — pressing for specific actions can still signal intent to control

HOW COMPANIES SHOULD RESPOND

1 Map Investors

Identify which top holders follow proxy advisors, use custom policies, or rely on in-house models; track voting history

2 Engage Directly

Fall off-season outreach to top holders plus in-season outreach on contentious items; keep post-Feb 2025 protocols

3 Sharpen Disclosure

Clear, AI-readable proxy: consistent headings, searchable text, data that leads readers to the intended conclusion

4 Prepare the Board

Brief the board on evolving landscape and potential for shifts in vote outcomes

¹Metrics reflect Russell 3000 companies with annual meetings held during the 2026 proxy season (January 1 – June 30, 2026).

Clarified Investor Engagement Interps

May facilitate engagement meetings during proxy season, but other dynamics continue to chip away at return on investment (e.g., pass-through votes to retail, splitting of investor stewardship teams)

BACKGROUND

- 13D vs 13G: passive investors who own 5%+ and don't have intent to influence control at the company can report holdings on short-form 13G rather than long-form 13D
- Historical interpretation: "Big A" activism (e.g., proxy contests) reflects intent to influence control while "little a" activism (e.g., investor engagement on ESG) does not
- SEC interp issued in February 2025: clarified that investors exerting pressure (direct or indirect, express or implied) to adopt governance measures (including on E&S issues) can be viewed as influencing control, particularly when tied to how the investor will vote on director elections
- Proxy season fall-out: chilled investor willingness to engage (e.g., Vanguard's Q2 '25 U.S. engagements fell 59% YoY) and, when they do accept meetings, more are in "listen only" mode and unwilling to discuss voting plans

NEW GUIDANCE

- SEC interpretations issued in September 2026: clarified certain activities that, by themselves, won't cause investors to lose 13G eligibility:
 - participating in issuer-requested engagement meetings to discuss views or voting decisions (who initiates meeting now can matter)
 - discussing with solicitation participants views and how they inform voting decisions (proxy contest engagement should be easier)
 - requesting clarifying info from issuers ahead of a vote (ordinary course pre-vote outreach should be ok)

Questions

Thank you for joining us. Please reach out to any of today's speakers with follow-up questions.

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