



DRAGONGC

Tariff Disclosures and Executive Compensation

An Analysis of Tariff Disclosures and their
Impact on Executive Pay Plans in S&P 500
Proxy Filings so far in 2026

May 2026



EXECUTIVE SUMMARY

This report analyzes the impact of recent tariffs on executive compensation plans across 2026 proxy statement filings from S&P 500 companies. Drawing on the 406 proxy (DEF 14A) statements filed from January 1, 2026 to May 1, 2026—representing 81.2% of the S&P 500 index—the report documents how compensation committees characterized, measured, and responded to the tariff environment in designing and evaluating executive pay outcomes for the 2025 fiscal year.

Of the 406 filings covering the 2025 fiscal year, 136 (33.5%) contained at least one reference to tariffs, with tariff-related disclosures highly concentrated among companies in the industrial, manufacturing, and consumer goods sectors. Within that set, 62 companies (15.3% of all filers; 45.6% of those mentioning tariffs) explicitly linked tariff developments to executive pay plan design, goal setting, performance measurement, or payout decisions. The remaining 74 filings (54.4%) referenced tariffs generally (often in forward-looking statements or risk disclosure language) without connecting the discussion to compensation outcomes.

The keyword dataset tracking tariff mentions across S&P 500 proxy filings from 2010 through 2026 reveals a striking acceleration in disclosure frequency. After a period of moderate and variable mention rates through 2024, 2025 filings recorded 141 mentions—a threefold increase over the prior year average—followed by 450 mentions in 2026, representing the highest single-year count in the 16-year observation window. This trajectory reflects the escalation of U.S. trade policy actions beginning in 2025 and their direct impact on corporate financial results and executive pay decisions.

Among the 62 companies that linked tariffs to executive compensation, this report identifies four distinct disclosure patterns: (1) Tariff Impact Moderated, in which compensation committees excluded or moderated tariff costs when calculating performance metrics; (2) Mitigation Rewards, in which managements were credited for actions that mitigated the impact of tariffs; (3) Pre-emptive Goal Modification, in which committees incorporated tariff risk into plan design at the outset of the performance period in anticipation of tariff-related volatility; and (4) Shared Burden, in which companies declined to make accretive tariff-related adjustments and allowed below-target outcomes to stand (or even actively reduced payouts).

406

S&P 500 Proxies
filed so far for FY
2025 (81.2%)

136

Filings Mentioning
Tariffs (33.5%)

62

Linked Tariffs to
Executive Pay
(15.3%)

4

Distinct
Compensation
Patterns Identified



BACKGROUND

Macro Context: The 2025-2026 Tariff Environment

Beginning in early 2025, the United States government implemented a series of broad-based tariff actions targeting imports from a wide range of trading partners. Proclaiming April 2, 2025, as “Liberation Day”, the Trump administration announced a universal 10% tariff on all imported goods and imposed additional country-specific “reciprocal tariffs” on 57 countries.¹ Although some companies responded by increasing prices in order to shield themselves from tariff costs, the scope and pace of these policy changes exceeded what most corporations had incorporated into their annual operating plans and executive compensation targets, which are typically established in the first quarter of the fiscal year. Thus, proxy filings covering FY2025 had to grapple with and explain the impact of these sweeping tariffs on company performance and, by extension, on executive compensation (especially annual or short-term incentive plans), which is closely tied to financial metrics as a result of the “pay for performance” requirement and the emphasis on at-risk compensation plans.

The compensation implications were threefold. First, tariffs introduced direct cost pressure on earnings metrics—including adjusted EPS, operating income, and operating margin—that compensation committees had used to set incentive targets. Second, the speed of implementation limited management's ability to respond within the performance period, making it difficult to offset costs through pricing or supply chain adjustments. Third, for some companies, tariff-related volume shifts or mitigation actions created asymmetric effects on revenue and cost measures that, without adjustment, would have distorted the relationship between reported financial outcomes and underlying operational performance.

These dynamics prompted a broad reassessment by many compensation committees of whether established incentive plan mechanics—many of which pre-dated the tariff environment—would produce outcomes that appropriately reflected management's contribution to company performance. The resulting disclosures, analyzed in this report, reflect significant heterogeneity in how committees responded to this challenge.

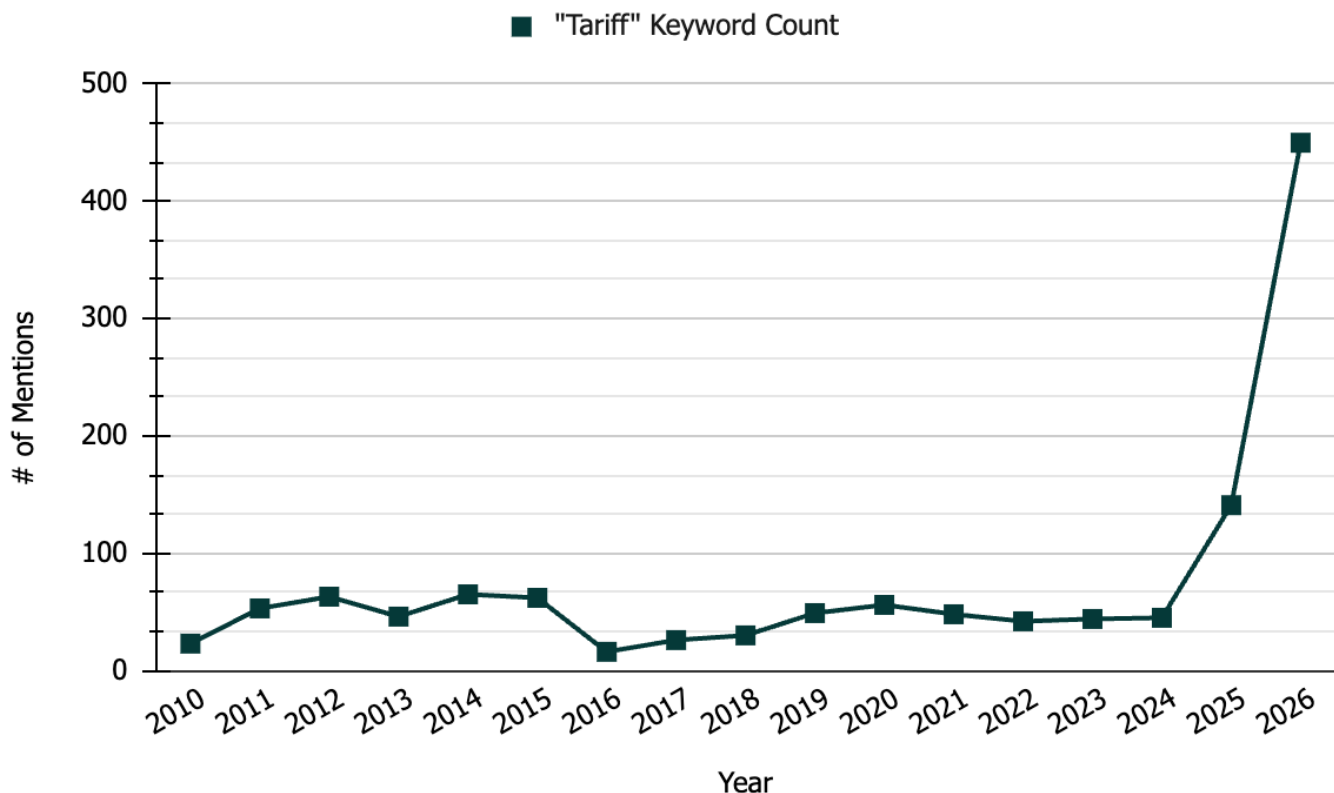


TARIFF DISCLOSURE GROWTH

Tariff Keyword Count in S&P 500 Proxy Filings (2010-2026*)

The dataset tracks the frequency of tariff-related keyword mentions across S&P 500 proxy filings from 2010 through 2026. The trend demonstrates that while tariffs have been a periodic disclosure topic for over a decade, the volume of mentions has escalated dramatically in the two most recent filing cycles.

*Note: As described above, at the date of this analysis, 406 S&P 500 companies have filed their proxy statements for FY2025 (81.2% of the list). The 2026 keyword count is thus partial; expect the total to increase slightly as the remaining companies file through the end of 2026. The trend remains the same.





Three periods are analytically significant. The 2010-2024 baseline reflects moderate, cyclical tariff activity associated with routine trade disputes and legislative changes. The 2016-2024 period shows relative stability interrupted by the 2018-2019 U.S.-China trade tensions. The 2025-2026 inflection represents a significant shift in tariff-related disclosures in proxy filings: the 2025 figure of 141 is more than three times the 2024 level, while the 2026 figure of 450 exceeds the prior 16-year cumulative trend (an average of 50 mentions) by a wide margin. This dramatic increase indicates the scope of the impact of the “Liberation Day” tariffs: disclosure has moved from a periodic concern to a much wider disclosure consideration, though disclosure frequency varies by industry.

Tariff-related disclosures in 2026 proxy filings are highly concentrated among firms with significant exposure to global supply chains and physical goods production. Within industrial and manufacturing-oriented sectors (including machinery, aerospace, autos, and electrical equipment), roughly 70-80% of firms mention tariffs at least once, with several companies reporting double-digit references (e.g., Caterpillar, RTX, BorgWarner, and Whirlpool). Consumer-facing goods sectors show similarly high, but more variable, exposure: approximately 60-70% of consumer staples and retail firms reference tariffs, with particularly high counts among import-heavy retailers and household goods manufacturers (e.g., Ross Stores, Dollar Tree, and Newell Brands).

By contrast, tariff disclosure is far less common in asset-light sectors. In information technology, fewer than 25-30% of firms mention tariffs, and those that do are disproportionately concentrated in hardware and semiconductor subsectors (e.g., Apple, Intel, Qualcomm), while software and platform companies almost never reference tariffs. Financials exhibit the lowest incidence overall, with well over 90% of firms reporting zero mentions, reinforcing the view that tariffs had little impact on their key operating model. Healthcare and utilities fall in between, with roughly 30-50% of firms mentioning tariffs, typically reflecting indirect exposure through equipment, supply inputs, or capital projects rather than core operating margins.

These industry-specific trends contextualize the shift illustrated by the keyword dataset, suggesting that tariff discussion is not a broad macroeconomic theme across the S&P 500. Rather, disclosure counts increased along industry lines, with high counts driven by supply chain risk, input cost exposure, and reliance on international imports.

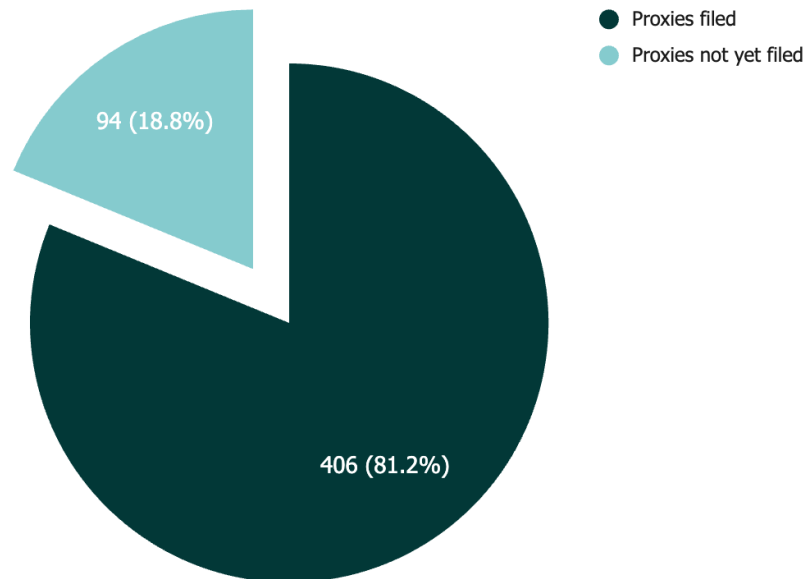


2026 Filing Landscape: Coverage and Disclosure Rates

The following charts present the filing coverage and tariff disclosure rates as of the date of this analysis. Figures are based on proxy statements covering the 2025 fiscal year.

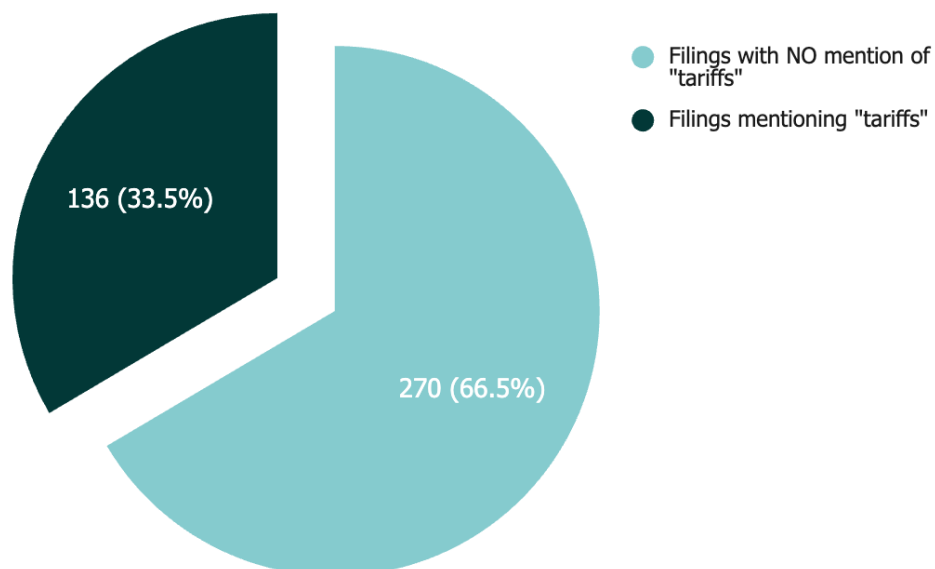
S&P 500 Proxy Filings

Proxy filings for FY2025, through May 1, 2026



"Tariff" Disclosures

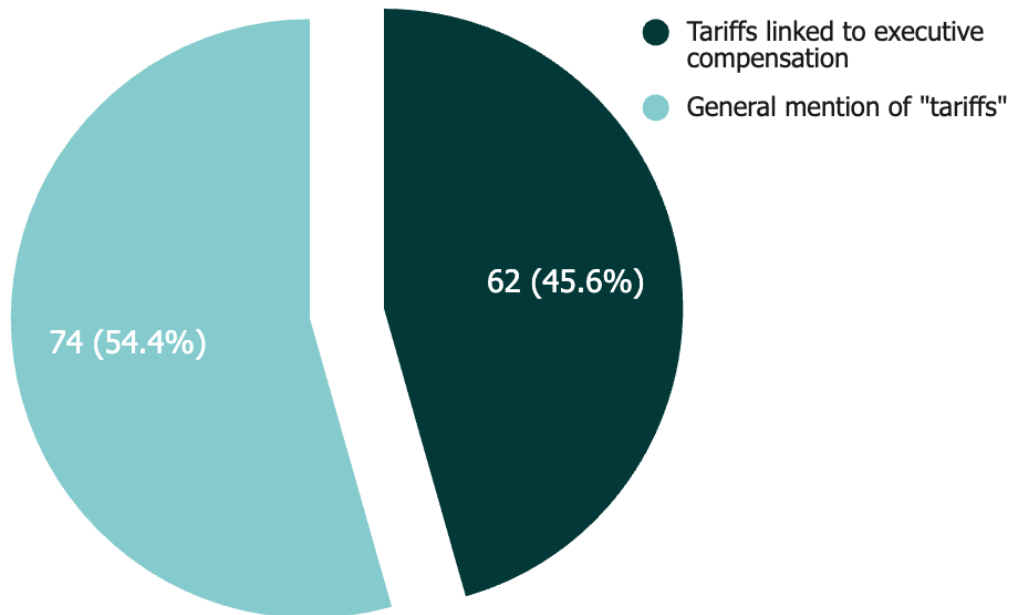
Among proxies filed through May 1, 2026





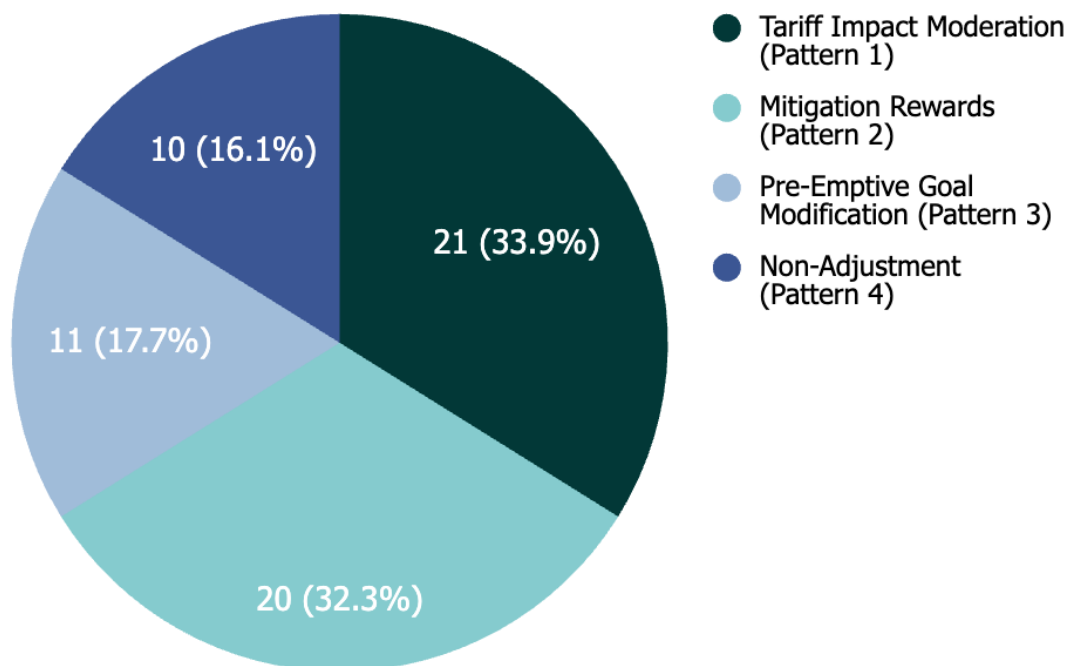
Impact on Executive Compensation

Among the 136 filings that mentioned tariffs



Disclosure "Patterns"

Among the 62 filings that linked tariffs to executive compensation





DISCLOSURE TRENDS – EXECUTIVE COMPENSATION

Executive Summary

The 62 companies that linked tariff developments to executive pay plan decisions for FY2025 exhibit four distinct disclosure patterns. These patterns differ along several dimensions: the timing of intervention (ex ante versus ex post), the nature of the compensation committee's action (adjustment versus qualitative weighting), the characterization of management's role (passive absorber versus active mitigator), and the alignment between executive outcomes and shareholder experience. There was some overlap across the patterns, as some companies amended executive pay plans both prior to and following the release of the tariffs. The companies analyzed have been categorized according to the most prominent or impactful action taken with regard to executive compensation in response to tariff impacts.

Pattern	Prevalence	Description
1. Tariff Impact Moderated	34%	Compensation committees excluded or moderated tariff costs when calculating performance metrics
2. Mitigation Rewards	32%	Managements were credited for actions that mitigated the impact of tariffs
3. Pre-emptive Goal Modification	18%	Committees incorporated tariff risk into plan design at the outset of the performance period in anticipation of tariff-related volatility
4. Shared Burden	16%	Companies declined to make accretive tariff-related adjustments and allowed below-target outcomes to stand (or even actively reduced payouts)

**Pattern 1: Tariff Impact Moderated****21 companies (34%)****Definition**

Pattern 1 companies treated tariff costs as extraordinary, unbudgeted items outside the scope of management's control and thus not an accurate reflection of their performance. Compensation committees excluded tariff-related impacts from one or more financial performance metrics—most commonly adjusted EPS, operating income, operating margin, or free cash flow—before determining incentive plan payouts. The primary rationale cited across filings is that plan targets were set prior to the announcement or implementation of tariffs, and thus the subsequent policy actions constituted external events not anticipated in the budgeting process.

Prevalence

21 companies (34% of the 62-company set) employed this pattern. It is the most prevalent approach observed across the dataset, appearing across a broad range of industries including healthcare, aerospace and defense, retail, consumer products, and industrial manufacturing.

Illustrative Disclosure Language

Becton, Dickinson and Company (BDX) provided a detailed description of its adjustment framework:

"BD's 2025 PIP, including the metrics and targets, were selected and approved in November 2024, prior to the announcement and implementation of tariffs imposed by the U.S. government and reciprocal tariffs imposed by its trading partners. Once the tariffs were in effect, rather than revising the metrics or the targets mid-cycle, the Compensation Committee worked with its independent consultant to develop an approach to considering the appropriateness of adjustments to the financial results."²

BDX's Compensation Committee further described the adjustment rationale:

"The tariffs affected three performance measures under the PIP: adjusted EPS, operating margin and free cash flow conversion as a percentage of adjusted net income. The Compensation Committee also concluded that the Strategic Scorecard Modifier, which includes gross margin, should be adjusted to remove the impact of tariffs due to the fact that gross margin and cash flow were negatively impacted by unbudgeted tariffs and the Strategic Modifier included an aggressive incremental gross margin improvement goal, supported largely by BD Excellence emphasis on manufacturing productivity. Excluding the unbudgeted tariffs, BD would have met the Strategic Modifier gross margin goal. Following the Compensation Committee's creation of a framework to consider adjusting the PIP performance factor, taking a holistic review of the list of considerations for decision-making and using the scorecard to evaluate the management of the impact of tariffs on BD, as discussed above, the Compensation Committee approved a final PIP performance factor of 85%."³

Caterpillar (CAT) similarly framed the tariff adjustment as calibration rather than full neutralization:

"The incremental tariffs announced in 2025 significantly impacted the company's operating profit. These government actions were outside of management's ability to anticipate,



influence, or offset through normal business planning. [...] In evaluating the 2025 AIP results, the CHRC determined that the financial impact of tariffs did not fully reflect management performance. Consistent with its authority under the AIP and in alignment with its pay-for-performance philosophy, the CHRC adjusted AIP performance factors to moderate, although not fully neutralize, the impact of tariffs."⁴

RTX Corporation (RTX) anchored its adjustment in existing mechanisms included at the beginning of the performance period:

"At its January 2025 meeting, the HCC Committee approved performance metric definitions for earnings and free cash flow for the 2025 AIP. Consistent with prior years, the HCC Committee included adjustments for changes in tax laws and accounting rules—factors outside of our employees' control that can materially distort financial results. Applying the same principle, the HCC Committee concluded that changes in laws and regulations impacting tariffs should be neutralized for AIP performance purposes, because they are externally imposed, unpredictable and unrelated to operational execution."⁵

Church & Dwight Co (CHD) disclosed the specific per-share magnitude of its tariff adjustment:

"In 2025, the Company delivered Adjusted Diluted EPS of \$3.57 after adjusting for [...] impact of unmitigated tariff costs (\$0.09)..."⁶

Dollar Tree (DLTR) applied both a cost-side and revenue-side adjustment to maintain symmetry:

"The Compensation Committee determined that the tariff-related adjustments (including the reciprocal adjustments to total revenue) were appropriate in light of the magnitude and volatility of the tariff environment during 2025. [...] The Committee determined that it was appropriate to make symmetrical adjustments to operating income and total revenue that increased operating income by \$148.8 million related to tariffs and decreased total revenue by \$259.4 million."⁷

Pattern Characteristics

Characteristic	Typical Pattern 1 Practice
Timing of intervention	Ex post (after performance period concludes)
Nature of committee action	Mathematical adjustment to financial results to exclude or moderate the impact of tariffs
Quantification	Usually specific: dollar amount added back to EPS, margin, or cash flow
Stated rationale	Tariffs were unbudgeted, externally imposed, and outside management control
Partial vs. full offset	Mixed: some committees fully neutralized tariff impact; others provided partial relief
Governance framework	Most cited independent compensation consultant involvement
Disclosure granularity	High: most specify which metrics were adjusted and by how much



Industry Concentration

Pattern 1 is distributed broadly across sectors, consistent with the widespread nature of tariff cost exposure. However, it appears with higher frequency in companies with significant manufacturing or imported goods exposure: healthcare devices (BDX), aerospace and defense (RTX, LMT), consumer products (CHD, NWL), and automotive suppliers (BWA). Compensation committees in these sectors appear to have been most likely to characterize tariffs as categorically separate from operational performance.

Pattern 2: Mitigation Rewards

20 companies (32%)

Definition

Pattern 2 companies did not simply exclude tariff costs from financial metrics. Instead, compensation committees credited management directly for specific, identifiable actions taken to reduce the company's tariff exposure, such as supply chain restructuring, geographic diversification of manufacturing, pricing adjustments, or policy engagement. These actions were evaluated as positive qualitative or strategic performance factors, augmenting or sustaining incentive plan payouts. Unlike Pattern 1, Pattern 2 involves positive attribution: management is rewarded not merely because external conditions were difficult, but because management responded to those conditions in a way that created value for the company and its shareholders.

Prevalence

20 companies (32% of the 62-company set) employed this pattern. It is the second most prevalent approach in the dataset, with particularly strong representation in consumer electronics, industrial technology, automotive, retail, and financial services.

Illustrative Disclosure Language

Abbott Laboratories (ABT) structured tariff management as a discrete, weighted strategic goal for CFO Philip P. Boudreau:

"Goal (5% weight): Develop and execute plans to manage tariff impacts. [Result:] Achieved [Score:] 5.0%"⁸

General Motors (GM) provided quantitative evidence of management's mitigation success, framing the effort as a measurable, value-creating outcome:

"Our exposure to tariffs for 2025 was initially projected in May to have a gross impact of \$4.0B-\$5.0B. Our leadership team undertook significant efforts to shift production and alter supply chains, as well as actively engage with policymakers, to reduce the immediate financial impact of tariffs on the business as much as possible. As a result of these extraordinary efforts, management meaningfully mitigated the impact of tariffs, reducing the impact to approximately \$3.1B. The Committee believes that our leadership team's actions were significantly beneficial to our shareholders, including as reflected in the Company's strong stock price performance for the year. As a result, in evaluating these outcomes at the



end of the year, the Committee determined that it was appropriate to incorporate certain tariff-related adjustments into our 2025 EBIT-adjusted and AAFCF performance results based on the Committee's pre-approved set of adjustments."⁹

HP Inc (HPQ) credited the CFO individually for tariff response leadership as part of the MBO (management-by-objective) evaluation:

"Ms. Parkhill did an exceptional job mitigating the headwinds brought on by the tariffs, helping to offset the impact through supply chain movement, cost reduction and price increases."¹⁰

Aptiv plc (APTIV) cited tariff offset as a component of its Strategic Results metric, awarding credit:

"Implemented cost optimization initiatives that offset foreign exchange, commodity and tariff headwinds. [...] Based on its holistic evaluation of our performance against our strategic goals, the Compensation Committee approved that a payout factor of 90% of target reflected the progress made in 2025 in relation to our Strategic Results Metric..."¹¹

Tractor Supply Company (TSCO) linked payouts directly to management actions to mitigate "tariff-related costs", specifically citing the roles played by the CFO and CMO, respectively:

"[Kurt D. Barton] Effectively navigated tariff-related cost pressures and inflation while delivering gross margin expansion and maintaining disciplined pricing and cost management"

"[J. Seth Estep] Led a proactive, portfolio-based response to tariff impacts, assessing exposure and executing early mitigation actions such as origin shifts and opportunistic buying while applying pricing strategies to protect margins and remain a strong advocate for customer value"¹²

Rockwell Automation (ROK) directly attributed its incentive payout level to tariff mitigation performance:

"For Fiscal 2025, participants in our annual incentive plan, including our NEOs, earned an annual incentive payout of 95.7%, reflecting strong performance against our financial targets and strategic goals. This includes exceeding our productivity target for the full fiscal year and mitigating the impact of tariffs on Adjusted EPS."¹³

Pattern Characteristics

Characteristic	Typical Pattern 2 Practice
Timing of intervention	Ex post (qualitative evaluation after performance period)
Nature of committee action	Qualitative scoring uplift; strategic metric credit; individual MBO achievement
Quantification	Variable: some companies quantify mitigation savings; others describe qualitatively
Stated rationale	Management took specific, identifiable value-creating actions in response to tariffs
Separation from financial metrics	Financial metrics may or may not be adjusted; reward is additive or independent



Characteristic	Typical Pattern 2 Practice
Governance framework	Typically involves NEO performance assessment and/or qualitative scorecard
Disclosure granularity	Moderate to high; mitigation actions often described in specific operational terms

Industry Concentration

Pattern 2 is more concentrated in sectors where supply chain flexibility and management agency are competitive differentiators: consumer electronics (HPQ), automotive manufacturing (GM, BWA), industrial technology (ROK, MSI), and defense-adjacent industrial firms (ABT). Financial services companies (Citigroup, for example) appear in this group via credits for managing tariff-related market volatility in trading operations rather than supply chain exposure.

Pattern 3: Pre-emptive Goal Modification

11 companies (18%)

Definition

Pattern 3 companies incorporated anticipated tariff risk into compensation plan design at the beginning of the performance period, rather than responding to actual tariff impacts after the fact. This approach took several forms: setting financial targets below prior-year actuals to account for anticipated tariff headwinds; widening performance ranges between threshold and maximum to absorb tariff-driven outcome volatility; establishing defined exclusion principles in plan documents that would automatically apply to tariff costs; or adopting split measurement intervals to allow mid-year recalibration. In all cases, the distinguishing feature is that the compensation committee's tariff-related action was proactive, preceding the performance period rather than following it.

Prevalence

11 companies (18% of the 62-company set) employed this pattern as their primary tariff response approach. Some overlap exists with Patterns 1 and 2, as companies that pre-calibrated goals may also have made ex post adjustments or credited mitigation actions. For companies cited here, proactive design was the primary or most prominent response.

Illustrative Disclosure Language

TE Connectivity (TEL) utilized “two-interval” performance metric in response to tariff uncertainty:

"In response to continued macroeconomic uncertainty and industry-specific challenges - including the evolving tariff environment, ongoing supply chain disruptions, and broader geopolitical and market volatility - the Company maintained a two-interval performance measurement approach for the fiscal year 2025 annual incentive program. [...] The two-period model ensures that performance targets remain rigorous, strategically aligned, and responsive to dynamic external environments."¹⁴



Intel (INTC) explicitly cited changing tariff conditions as one of several factors justifying targets set below prior-year actuals:

"At the time the Compensation Committee established the incentive compensation targets for 2025, there were a number of anticipated business challenges for 2025, including: [...] rapidly changing trade policies and regulations in the areas of tariffs and export controls [...] Targets were set at levels determined to be challenging yet achievable – in certain cases disclosed in the following CD&A, these targets were below the actual results achieved in 2024."¹⁵

Ross Stores (ROST) designed broader performance ranges at the outset and defined a specific tariff cost exclusion mechanism in the plan document:

"In response to this highly uncertain environment, the Committee adopted broader performance ranges and revised the payout schedules for the fiscal 2025 annual cash incentive bonuses and performance share awards, while maintaining a fully formulaic payout structure. In addition, given the potential for tariff-related costs to drive reported results in ways that might distort underlying business performance, the Committee also adopted a defined set of cost factors, designed to isolate tariff-related costs when evaluating performance relative to the established incentive goals."¹⁶

Eastman Chemical Company (EMN) set targets expressly below prior-year levels in anticipation of tariff-related headwinds:

"The adjusted EBIT target was set at \$1.20 billion, which was slightly below the 2024 actual adjusted EBIT of \$1.298 billion in response to continued industry weakness and anticipated impacts from global tariffs and trade disruption."¹⁷

SLB N.V. (SLB) widened its performance range specifically to reflect tariff policy uncertainty:

"The Committee set the target performance goal slightly below SLB's 2024 adjusted EBITDA result and provided a wider range of performance outcomes due to the challenging business outlook for the year, including potential impacts of changes to U.S. tariff policy [...] Our Compensation Committee approved a payout of **76%** of target for the adjusted EBITDA component of our 2025 STI plan after applying the payout matrix above to the actual results, excluding ChampionX."¹⁸

Newell Brands (NWL) disclosed that tariff provisions were embedded in the plan design at the time targets were set:

"Recognizing the prospect of new tariffs from the incoming U.S. presidential administration at the time of setting the 2025 performance targets, the Committee included in the plan design adjustments to targets or performance calculations to reflect any unbudgeted significant impact of tariff changes during the performance period on the Company's results relative to the Bonus Plan financial metrics. These adjustments are reflected below in the actual 2025 performance results for adjusted operating cash flow, adjusted EPS and adjusted operating income on a net impact basis."¹⁹



Pattern Characteristics

Characteristic	Typical Pattern 3 Practice
Timing of intervention	Ex ante (embedded in plan design at start of performance period)
Nature of committee action	Target-setting below prior year; wider performance ranges; defined exclusion principles; multi-interval structures
Quantification	Often directional rather than specific, anticipating future impacts
Stated rationale	Tariff uncertainty was anticipated; plan design needed to reflect foreseeable but unpredictable headwinds
Governance mechanism	Typically incorporated into formal plan documents or board-approved frameworks before fiscal year start
Relationship to ex post adjustment	Some Pattern 3 companies also apply ex post adjustments; the pattern refers to the primary, proactive action
Disclosure granularity	Moderate; detail on design rationale often higher than on specific adjustment amounts

Industry Concentration

Pattern 3 appears across a range of sectors but is somewhat more prevalent in companies with high import dependence or significant exposure to commodity-linked tariffs: specialty retail (ROST), oilfield services (SLB), specialty chemicals (EMN), semiconductor and technology hardware (INTC), and electronic components (TEL). For these companies, tariff exposure was foreseeable, enabling proactive pay plan adjustments.

Pattern 4: Shared Burden

10 companies (16%)

Definition

Pattern 4 companies explicitly declined to make accretive tariff-related adjustments to incentive plan metrics or payouts and in some cases actively reduced compensation. Compensation committees acknowledged the tariff impact on financial results but concluded that executives should share the burden with shareholders. This approach prioritizes the integrity of the incentive plan and the alignment between executive outcomes and reported financial performance over the smoothing of external shocks. Disclosures in this category frequently acknowledge the tariff headwind by name while explicitly stating that no discretionary adjustment was made.



Prevalence

10 companies (16% of the 62-company set) employed this pattern. While the least common of the four patterns, Pattern 4 is notable for its directness and the explicitness of its rationale, as committees typically articulate a principled basis for their decision not to intervene.

Illustrative Disclosure Language

Thermo Fisher Scientific (TMO) explicitly framed its decision as a governance matter, publicly rejecting a tariff adjustment in its Compensation Committee letter:

"In 2025, the Company operated in an environment characterized by significant uncertainty and an accelerated pace of change. [...] In that context, the Board carefully evaluated whether corresponding adjustments to our compensation metrics would be appropriate. After thoughtful consideration, we concluded that maintaining our established performance standards, and holding management to a heightened level of accountability, was in the best interests of shareholders."²⁰

Kimberly-Clark Corporation (KMB) disclosed that management's financial targets were not met, in part due to tariffs, and that no corrective adjustment was made:

"Based on 2025 performance, the Committee concluded that: management did not achieve its financial targets for 2025, mostly due to a more challenging macro environment, pricing pressures, and higher input cost inflation including tariffs. [...] the Management Development and Compensation Committee determined to not make adjustment to the annual incentive outcomes, which paid out below target."²¹

Trane Technologies (TT) disclosed a review of tariff impacts and a deliberate decision not to adjust:

"Although tariff-related impacts were discussed during the year, management did not recommend any adjustments to the AIM financial results or payout calculations. Management concluded that such impacts were effectively managed within the Company's operating performance and did not warrant modification of the established performance outcomes."²²

Kenvue Inc (KVUE) noted the impact of tariffs on financial metrics but did not disclose any adjustments to payouts:

"Our 2025 financial results were impacted by trade inventory reduction [...] Adjusted Gross Profit margin was below our annual incentive plan target largely due to the impact of the sales shortfall and tariffs."²³

Teradyne, Inc. (TER) went further than non-adjustment, implementing active pay reductions in response to the tariff-related business environment:

"In April 2025, in response to then evolving macroeconomic conditions and reduced near-term growth expectations, the Company implemented a series of cost management actions designed to align executive compensation and overall spending with business performance. As uncertainty increased due to global trade and tariff developments, the Company revised its full-year growth outlook and took proactive measures to limit operating expense growth relative to revenue. Consistent with this approach, management implemented a temporary 5% reduction in base salary for members of senior leadership, including the named executive officers, for the period from July 1, 2025 through December 31, 2025."²⁴



Pattern Characteristics

Characteristic	Typical Pattern 4 Practice
Timing of intervention	No ex post intervention; established metrics used as-is
Nature of committee action	Explicit acknowledgment of tariff impact; deliberate non-adjustment or payout reduction
Quantification	Payout outcomes frequently below target; sometimes specified in financial terms
Stated rationale	Shareholder alignment; maintaining plan integrity; heightened accountability
Disclosure tone	Transparent acknowledgment of missed targets; explanatory rather than defensive
Frequency of explicit rationale	High: committees articulate the principle behind non-adjustment more than in other patterns
Disclosure granularity	Moderate; focus on the decision not to act rather than the mechanics of what was not done

Industry Concentration

Pattern 4 appears with somewhat higher frequency in sectors where operational resilience is a stated competitive advantage or where shareholder alignment is a particularly prominent governance theme. Consumer healthcare (KVUE, KMB), diversified industrials (GD, TT), and technology (TER, TMO) are represented.

CONCLUSION

The volume of tariff-related language in proxy filings has accelerated sharply. The 2026 figure of 450 keyword mentions is more than three times the 2025 total and exceeds the 50-count average of the preceding decade. This trajectory reflects the corporate response to increased tariff exposure as a result of the 2025 “Liberation Day” tariffs.

Yet, tariff impact on executive pay outcomes was a minority phenomenon, even at elevated disclosure levels. Of the 406 filings reviewed, only 62 (15.3%) explicitly connected tariff developments to executive pay outcomes. The larger population of 270 filings that made no tariff reference at all suggests that for many S&P 500 companies, tariff exposure was limited and did not have a significant impact on compensation outcomes.

Within the subset of filers that linked tariffs to executive pay outcomes, disclosure practices varied significantly. The four patterns identified in this report—Tariff Impact Moderated, Mitigation Rewards,



Pre-emptive Goal Modification, and Shared Burden—reflect different governance philosophies and variable tariff impacts. No single approach predominates decisively, and the distribution across patterns (approximately 34%/32%/18%/16%) suggests that compensation committees are exercising genuine discretion rather than converging on a consensus practice.

Additionally, the characterization of tariffs within compensation disclosures varies significantly across these patterns. In Pattern 1, tariffs are cast as extraordinary external events categorically excluded from measurement. In Pattern 2, tariffs are treated as a strategic challenge for which management is accountable and potentially rewarded. In Pattern 3, tariffs are anticipated as a foreseeable source of plan volatility requiring pre-emptive accommodation. In Pattern 4, tariffs are acknowledged as a shared burden borne by executives and shareholders alike. These characterizations carry substantively different implications for the relationship between pay and performance as disclosed to shareholders.

In aggregate, the 2026 filing cycle documents that tariffs have become a material and widely-disclosed factor in executive compensation governance, one that compensation committees are addressing through a range of distinct and sometimes divergent approaches. The absence of standardized practice across these 62 companies, combined with the rapid growth in disclosure volume, suggests that tariff-related compensation governance will remain an active area of committee decision-making and shareholder scrutiny in subsequent filing cycles. Moreover, recent court rulings that struck down the 2025 tariffs and ordered refunds will further complicate next year's filing cycle. On February 20, 2026, the U.S. Supreme Court ruled in *Learning Resources, Inc. v. Trump*²⁵ that the tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unauthorized, and the Court of International Trade subsequently ruled on March 4, 2026²⁶ that the U.S. Customs and Border Protection (CBP) must refund IEEPA tariffs that were collected. In order to receive the refunds of IEEPA duties, eligible companies must submit requests through the CBP's Automated Commercial Environment Secure Data Portal (ACE Portal), using the new Consolidated Administration and Processing of Entries (CAPE) tool. With these tariff refunds expected to be paid soon to those who have already submitted CAPE Declarations, FY2026 will likely provide fertile ground for future analysis of tariff-related impacts on corporate disclosures.

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SOURCES AND CITATIONS

The following citations correspond to verbatim excerpts reproduced in this report. All excerpts are drawn from proxy statement filings (DEF 14A) available through the U.S. Securities and Exchange Commission EDGAR system.

Footnotes:

- ¹ "‘Liberation Day’ Tariffs Explained", *Center for Strategic & International Studies*, April 3, 2025, <https://www.csis.org/analysis/liberation-day-tariffs-explained>.
- ² Becton, Dickinson and Company (BDX), DEF 14A filed 2026. "Annual incentive compensation" section, CD&A.
- ³ Becton, Dickinson and Company (BDX), DEF 14A filed 2026. "Final 2025 corporate PIP performance factor" section.
- ⁴ Caterpillar Inc. (CAT), DEF 14A filed 2026. "2025 Earned Incentive Payments" section, CD&A.
- ⁵ RTX Corporation (RTX), DEF 14A filed 2026. "2025 Performance Metrics Definitions" section, CD&A.
- ⁶ Church & Dwight Co (CHD), DEF 14A filed 2026. Annual Incentive Plan section, CD&A.
- ⁷ Dollar Tree, Inc. (DLTR), DEF 14A filed 2026. "2025 Corporate Performance Metrics" section, CD&A.
- ⁸ Abbott Laboratories (ABT), DEF 14A filed 2026. Annual incentive plan goal table, CD&A.
- ⁹ General Motors Company (GM), DEF 14A filed 2026. "2025 Tariff and Regulatory Impacts and Mitigation" section, CD&A.
- ¹⁰ HP Inc (HPQ), DEF 14A filed 2026. "Fiscal 2025 annual incentive performance against non-financial component (MBOs)" section, CD&A.
- ¹¹ Aptiv plc (APT), DEF 14A filed 2026. "Strategic Results Metric" section, CD&A.
- ¹² Tractor Supply Company (TSCO), DEF 14A filed 2026. CD&A.
- ¹³ Rockwell Automation (ROK), DEF 14A filed 2026. "Aligning Pay with Performance" section, CD&A.
- ¹⁴ TE Connectivity Ltd. (TEL), DEF 14A filed 2026. "Annual Cash Incentive Awards" section, CD&A.
- ¹⁵ Intel Corporation (INTC), DEF 14A filed 2026. "Compensation Committee Letter" and "Setting Incentive Targets in a Challenging Environment" sections, CD&A.
- ¹⁶ Ross Stores, Inc. (ROST), DEF 14A filed 2026. "Setting Performance Metrics for Incentive Compensation" section, CD&A.
- ¹⁷ Eastman Chemical Company (EMN), DEF 14A filed 2026. "2025 Performance Targets and Payout Formula" section, CD&A.
- ¹⁸ SLB N.V. (SLB), DEF 14A filed 2026. "Adjusted EBITDA Targets and Results" section, CD&A.
- ¹⁹ Newell Brands Inc. (NWL), DEF 14A filed 2026. "2025 Bonus Targets and Actual Performance" section, CD&A.
- ²⁰ Thermo Fisher Scientific Inc. (TMO), DEF 14A filed 2026. "Letter from the Compensation Committee," CD&A.
- ²¹ Kimberly-Clark Corporation (KMB), DEF 14A filed 2026. "2025 Performance and Compensation Highlights" and "2025 Performance and Pay Decisions" sections, CD&A.
- ²² Trane Technologies plc (TT), DEF 14A filed 2026. "Annual Incentive Matrix (AIM) Program" section, CD&A.
- ²³ Kenvue Inc (KVUE), DEF 14A filed 2026. "2025 Financial Results" section, CD&A.
- ²⁴ Teradyne, Inc. (TER), DEF 14A filed 2026. "2025 Salary Decreases" section, CD&A.
- ²⁵ *Trump v. V.O.S. Selections, Inc.*, No. 25-00066 (Ct. Int'l Trade 2025), and *Learning Resources, Inc. v. Trump*, 784 F. Supp. 3d 209 (D.D.C. 2025), were consolidated into *Learning Resources, Inc. v. Trump*, 607 U.S. __ (2026). See SCOTUS ruling: https://www.supremecourt.gov/opinions/25pdf/24-1287_4gcj.pdf.
- ²⁶ U.S. Court of Int'l Trade, Audio Recording of Hearing, No. 26-0159 (Mar. 4, 2026).



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