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Corporate Insights

Less Disclosure, More Judgment: The SEC Rethinks Executive Compensation Reporting

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On November 13, 2026, the Securities and Exchange Commission (SEC) proposed the most significant overhaul of executive and director compensation disclosure since its 2006 reforms. The proposal would replace familiar Item 402 tables; narrow the population of executives whose compensation must be disclosed and remove various disclosure requirements added over the last two decades. The SEC's stated aim is to reduce compliance costs and focus disclosure on information material to investors.[1]

There is a great deal to like in revisiting a framework that has become increasingly complicated and prescriptive. The proposal would do more than shorten proxy statements. It would change how companies measure executive pay and how investors evaluate it. It could also influence how compensation committees make and explain their pay decisions.

The SEC's separate filer-status proposal from May (discussed below) could make the changes more consequential still, particularly for smaller public companies. At the same time, more discretion over what gets disclosed will require companies to decide what their shareholders need to know. And some of the proposed changes, especially the increase in the perquisite reporting threshold from US$10,000 to US$150,000, are likely to draw criticism from investors and proxy advisors.

At a glance

Area	Proposed change	Why it matters
Covered executives	Generally, only the principal executive officer (PEO) and principal financial officer (PFO)	Less public information on other senior executives
Compensation tables	Elimination of the Summary Compensation Table and related explanatory tables; implementation of new Earned, Granted and Status of Equity Awards Tables	Different measurement and timing of compensation; new reporting processes
Perquisites	US$150,000 threshold, good-faith classification and flexible valuation	Substantial disclosure relief; likely investor and proxy advisor scrutiny
CD&A	Reduction to three principal disclosure topics; elimination of 15 illustrative disclosure topics	More flexibility to tailor disclosures
Dodd-Frank disclosures	Simplified pay-versus-performance (PVP), pay ratio and clawback reporting	Lower compliance costs, but further reduced comparability across public companies
Other requirements	Elimination of the director compensation table, quantitative severance tables, pension and deferred compensation tables and Items 402(s) and (x)	Less annual work; some investor information no longer required

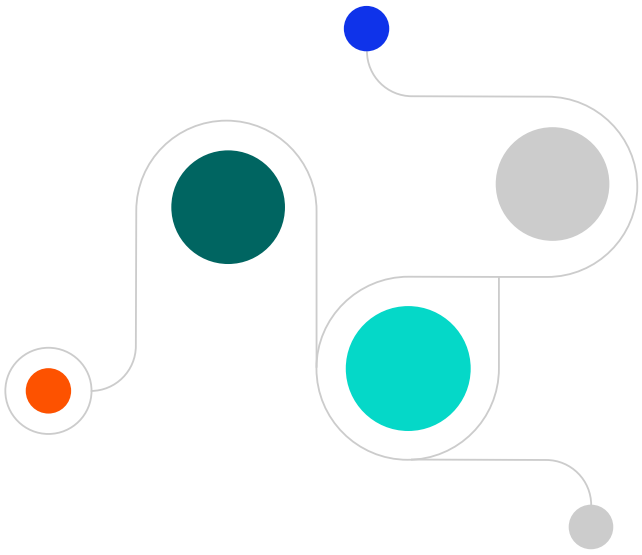
I. What the proposal changes

1. A smaller named executive officer population

The SEC would generally limit named executive officer (NEO) disclosures to anyone who served as PEO or PFO, or acted in a similar role, during the last completed fiscal year. A company that changes chief executive officers (CEOs) or chief financial officers (CFOs) during the year could still have more than two NEOs, including interim officeholders. Companies would be permitted to include other executives in the new compensation tables voluntarily without making them NEOs for other Item 402 or Form 8-K purposes.

Today, the disclosure rules generally cover five executives, together with certain former officers; smaller reporting companies (SRCs) generally report three. Moving to the PEO and PFO would remove a considerable amount of public information about the pay of other senior executives. The reduction in public data could have consequences for the compensation advisory business as well. Companies would still need to benchmark chief operating officers (COOs), division presidents, general counsel and other executives, but they would have less public information to work with. That could make proprietary databases more valuable, favor advisors with the broadest information sets and, over time, encourage consolidation among compensation consulting firms. Savings from preparing more focused disclosures could be offset by higher costs to obtain comparable data.

The changes go beyond the annual proxy. For example, a smaller NEO group would narrow certain Form 8-K Item 5.02(b) and (e) triggers, individual ownership disclosure under Item 403(b) and the automatic exhibit-filing treatment of NEO compensation arrangements under Item 601(b)(10)(iii). There may also be fewer occasions to rely on the executive compensation exception for related party transaction disclosures under Item 404(a), although qualifying compensation committee-approved arrangements could remain exempt. On the other hand, Section 162(m) would continue to require compensation tracking for the three highest-paid officers other than the PEO and PFO, plus five additional highly compensated employees beginning with tax years starting in 2027.[2]



2. Replacing the Summary Compensation Table

The SEC would replace the four principal executive compensation tables with three tables focused on the compensation a company grants, the compensation an executive earns and the status of an executive's outstanding equity awards. The distinction is welcome. The Summary Compensation Table has long mixed cash compensation for the year with grant-date equity values, making it difficult to distinguish compensation decisions from the amounts executives ultimately receive.

Under the proposed Earned Compensation Table, cash compensation would generally be reported when earned or received, with stock awards reported when they vest and options when they are exercised. The Granted Compensation Table would show compensation opportunities for the reporting period, generally using target values for incentive awards and applicable grant-date valuation conventions. These two tables would cover three fiscal years, or two fiscal years for smaller reporting companies (SRCs) and emerging growth companies (EGCs). A third table would track the status and material terms of outstanding equity awards.

The proposal would also permit qualifying awards granted early in the following year for prior-year service to appear in the earlier year's Granted Compensation Table, subject to conditions and an issuer election. That could better align the disclosure with how compensation committees make pay decisions for a fiscal year, even when the resulting awards are granted after year-end.

Separating grants from outcomes should make the information easier to understand. But measuring stock awards at vesting and options at exercise brings its own timing problems. An option exercise may reflect a grant made years earlier, while an increase in the value of an unvested award generally would not appear in earned compensation until a later period. Because earned compensation depends on when awards vest or options are exercised, reported pay could change substantially from year-to-year even when a company's compensation decisions and programs remain largely unchanged.

The distinction would also be carried into other SEC disclosures. PVP disclosures would use Total Compensation Earned, while pay ratio disclosures would use Total Compensation Granted. As a result, companies could report two very different measures of CEO compensation for the same year, each serving a different purpose.

Companies with performance shares, retirement-eligible awards, modified awards or cash-settled arrangements may face a more complicated transition. Legal, finance, human resources and equity administration teams would need to test those awards against the new reporting conventions and assemble the historical data required at transition.

3. Perquisites: More than a higher threshold

The SEC proposes four related changes to perquisite reporting: raising the aggregate disclosure threshold from US$10,000 to US$150,000; excluding qualifying *de minimis* fringe benefits under Internal Revenue Code Section 132(a)(4) from tracking; allowing reasonable, good-faith judgments about whether a benefit is a perquisite and eliminating the mandatory aggregate incremental-cost valuation method. The commission would also rescind its illustrative 2006 perquisites guidance.

The classification and valuation changes could matter just as much as the change to the threshold. A benefit reasonably treated as outside the perquisite definition never gets valued for this purpose. A benefit that remains a perquisite could be valued under a reasonable tax-based method, with a result well below the company's incremental cost. Both decisions affect whether the US$150,000 aggregate threshold is met. The SEC also intends to withdraw its prior position that security provided at an executive's residence, or during personal travel necessarily constitutes a perquisite.

Consider aircraft use. A company might reasonably conclude that some security-related travel is business-related and then use a tax-based method, such as Standard Industry Fare Level (SIFL) where applicable, to value personal use that remains a perquisite. The reported value could differ substantially from the cost to the company, even before applying the higher aggregate threshold.

The proposal would also eliminate the existing requirements to identify individual perquisites and quantify the larger ones. Even when the US$150,000 aggregate threshold is exceeded, the reportable amount would be included with other compensation in the "Miscellaneous Compensation Received" column.

There are good reasons to reduce the cost and complexity of tracking relatively minor benefits, but the fifteenfold threshold increase is hardly an inflation adjustment. Taken together, the proposed changes could substantially reduce the information investors receive about personal benefits, including aircraft use and security arrangements that have long been subjects of investor and proxy advisor scrutiny. We expect considerable debate over these changes.

The proposed disclosure relief would not, however, change directors' fiduciary duties in approving perquisites. Boards and compensation committees should continue to evaluate the appropriateness of executive benefits regardless of whether they must be disclosed. As a result, companies should also continue to document how they classify and value perquisites and how the underlying arrangements are approved.

4. Rethinking Compensation Discussion and Analysis (CD&A)

The SEC would recast CD&A around three subjects: the objectives of compensation in relation to corporate strategy, the material elements of pay and how they are determined, as well as the effect of the most recent say-on-pay vote, if applicable. It would remove the existing seven required topics and 15 illustrative topics. SRCs and EGCs would remain exempt from CD&A disclosure altogether.

This is an opportunity to make CD&A do what it was meant to do: explain why the compensation committee made its decisions. Too many disclosures have become a tour through program features and definitions, with the important judgment calls hidden in the detail. The proposal would give companies more freedom to organize the discussion around what drove pay decisions that year, rather than following the rule's list of examples.

That freedom has limits. A significant adjustment to a performance target, the grant of a retention award, the exercise of committee discretion or a material change in incentive design may still need explanation. Companies can cut repetitive disclosure without losing the reasons shareholders would care about a compensation decision. And once a company chooses to explain a decision, it must provide enough context to avoid a misleading impression. Rule 14a-9, Section 11 (where applicable) and state-law disclosure duties would continue to apply.

5. PVP and pay ratio

The SEC would simplify PVP by replacing Compensation Actually Paid with Total Compensation Earned, shortening the reporting period from five to three years for non-scaled filers, focusing on PEO and PFO compensation and retaining cumulative total shareholder return as the only prescribed performance measure.

The calculations would become easier, although the relationship they show might not be clearer. Stock vesting and option exercise values can reflect performance from earlier years. A simpler earned-pay measure may therefore tell a different story from the one that investors expect when they compare annual compensation with annual performance.

The SEC would limit the median employee population to US full-time employees, extend the median-employee determination period from three years to five years and use Total Compensation Granted methodology for both the PEO and median employee.

The changes go further than administrative relief. Less frequent median-employee determinations would save work, but excluding non-US and part-time employees would change the workforce being measured.

The SEC expects the narrower employee population generally to increase reported median pay and reduce pay ratios, particularly for multinational employers and companies with large part-time workforces. Changes to the compensation measure could push the other way. Excluding certain perquisites, tax gross-ups and retirement-related amounts could increase a ratio where those benefits account for a larger share of median employee compensation than CEO compensation. Companies could report different ratios without changing their pay practices, making comparisons with prior years difficult.

Dodd-Frank Section 953(b) refers to the compensation of all employees. The SEC relies on Exchange Act Section 36(a) and Securities Act Section 28 to exempt excluded employees from that requirement. That use of exemptive authority may face scrutiny given the statutory text and the commission's different approach in 2015.

6. Other meaningful eliminations and accommodations

- The proposal would eliminate annual calculations of hypothetical termination and change-in-control payments. Companies would still describe the material terms of those arrangements. Quantitative golden parachute disclosure for actual transactions would remain, but the prescribed table would shrink from eight columns to four.
- Companies would no longer need to provide a Director Compensation Table, but would continue to disclose individual director compensation and material arrangements. Equity awards would generally be measured when realized, potentially complicating comparisons among companies with different vesting schedules. Some companies may prefer to retain a table for clarity.
- The separate Pension Benefits and Nonqualified Deferred Compensation Tables would disappear. Certain annual amounts would move into the Earned Compensation Table, while accumulated balances would no longer appear in the familiar tables.
- The SEC would eliminate Item 402(s) compensation risk disclosure and Item 402(x) equity-grant timing disclosure. Companies would still need appropriate governance controls over compensation risk and the timing of equity awards.
- Clawback reporting would be streamlined by removing certain annual report checkboxes and overlapping disclosures. The underlying recovery requirements would remain unchanged.
- Companies could file certain registration statements shortly after year-end without including the latest annual compensation information, until the earlier of disclosure in an applicable Exchange Act filing or 120 days after fiscal year-end. The proposal covers Forms S-1, S-4, S-11, 10 and N-2, and would eliminate the follow-up Form 8-K Item 5.02(f) reporting requirement for salary or bonus amounts determined after the original filing.
- Large accelerated filers would have to tag the three new compensation tables in Inline XBRL, but not the accompanying narrative or footnotes. Other companies could tag voluntarily. Existing PVP and clawback tagging requirements would be eliminated.

7. One place the burden increases: Non-GAAP measures

For companies that use non-GAAP performance measures in executive incentive programs, the proposal adds a disclosure burden.

Historical non-GAAP measures would generally require quantitative reconciliation to the most directly comparable GAAP measure. Projected non-GAAP targets would require a narrative explanation of how they are calculated. Companies would also explain why the non-GAAP measure is more appropriate than a GAAP measure for compensation or PVP purposes.

The existing Regulation G and Item 10(e) exemptions would remain in the specified context, as would the ability to omit qualifying competitively sensitive targets.

Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted earnings per share (EPS) and adjusted return on invested capital (ROIC) are common incentive metrics. Explaining the committee's choices may help shareholders understand the compensation program, but it could also require more coordination among the compensation committee, finance team and disclosure counsel.

II. Broader implications

1. Interaction with the separate filer-status proposal

For most public companies, the SEC's May filer-status proposal matters more than the November one.[3]

The May proposal would consolidate the existing reporting-company classifications into large accelerated and non-accelerated filers, raise the public-float threshold for large accelerated filer status from US$700 million to US$2 billion, and add a five-year reporting-history requirement. It would extend scaled disclosure accommodations to the much larger non-accelerated filer population.

Today, about 51% of registrants subject to Item 402 provide the fuller executive compensation disclosures. The SEC estimates that figure would fall to about 19% if the May proposal is adopted. Its comment period closed July 20, 2026.

Qualifying companies would receive exemptions from CD&A, pay ratio, PVP, golden parachute compensation disclosure and say-on-pay and golden parachute advisory votes. Large accelerated filers, which represent most of the public float, would remain subject to the full regime.

Taken together, the two proposals could remove substantial compensation information and voting requirements for a large majority of public companies. Companies remaining in the full regime would still provide compensation disclosures, but under the rewritten Item 402 framework.

Public peer information would become harder to find for executives below the CEO and CFO level, even as compensation committees continue to rely on it. The two proposals could also change how shareholders evaluate and challenge compensation practices.

They are separate rulemakings, however, and could be finalized on different schedules or with different terms. Companies should consider both when planning their future disclosures.

2. Materiality, shareholder expectations and accountability

Compensation information matters to shareholders for reasons that go beyond valuing the company. It informs say-on-pay votes, director elections and judgments about whether executive incentives make sense.

The SEC can eliminate disclosure requirements, but it cannot eliminate investor expectations. Some companies will continue reporting compensation for other executives or explaining severance costs, performance metrics and perquisites. That may help shareholders, although different choices about what to disclose and how to value benefits could make comparisons between companies harder.

The ways shareholders express those expectations may change as well. The SEC has separately proposed rescinding the federal Rule 14a-8 shareholder-proposal mechanism, the filer-status proposal would eliminate say-on-pay votes for additional companies, and proxy advisory firm Glass Lewis has announced changes to its research model beginning in 2027. Director elections and direct engagement with compensation committees could carry more weight for some issuers if these proposals are adopted.

Voluntary disclosure should be a considered choice. A company that continues reporting compensation for a COO or another executive should think about whether it intends to do so consistently; an unexplained omission in a later year could draw attention. The goal should be to give shareholders useful context without preserving every legacy disclosure simply because it is familiar. Greater judgment also brings risk if selective disclosure leaves a misleading impression.

III. Smaller Reporting Companies (SRCs) and EGCs

SRCs already have scaled obligations, including exemptions from CD&A and pay ratio and a two-year reporting period. EGCs receive additional Dodd-Frank accommodations.

The November proposal would generally move both groups to the PEO/PFO group and the new tables, while retaining their applicable scaled treatment. Some SRCs would report realized equity values in a form they do not currently provide, and some would add a PFO who is not among their existing NEOs.

The changes therefore would not reduce every SRC's work.

The May filer-status proposal could matter more for established SRCs. It would extend exemptions from PVP, golden parachute disclosure, say-on-pay votes and golden parachute advisory votes. The November release asks whether SRCs should receive those exemptions even if the May proposal is not adopted (Question 115).

IV. Timing, transition and next steps

The proposal was published in the Federal Register on November 19, 2026. Comments are due January 19, 2027, under File No. S7-2026-39.[4]

Existing disclosure rules and frameworks remain in place, and calendar-year companies should continue preparing their 2027 proxy statements under the current framework.

The proposed effective date is January 1 following Federal Register publication of the final adopting release. Mandatory compliance would begin with the first full fiscal year ending on or after that date.

If final rules are published in 2027, they would become effective January 1, 2028. Calendar-year companies would generally first report under the new framework in their 2029 proxy statements, covering 2028 compensation. They could comply early after the effective date, potentially in 2028 proxies, but would have to adopt the relevant amended requirements in full.

The first required tables would include applicable historical periods. The SEC asks whether to allow a first-year phase-in (Questions 130–131), but has not proposed one. Companies may therefore need to reconstruct historical compensation information before their first filing.

The timetable could change in the final rule, and a future Commission could revisit the requirements through another rulemaking.

Practical next steps for companies

- Continue preparing 2027 proxy disclosures under current requirements
- Have legal, finance, human resources, equity administration and compensation consultants test the new tables against representative awards, including performance shares, retirement-eligible awards, option exercises, cash-settled awards and modifications
- Review perquisite classifications and valuation methods, particularly for aircraft and security benefits, as well as maintain supporting records
- Assess the use of non-GAAP compensation measures and the ability to prepare reconciliations and explain why those measures are appropriate
- Consider investor and proxy advisor expectations before deciding which disclosures might be eliminated or retained voluntarily
- Review Form 8-K, exhibit-filing, Item 403 and Item 404 processes for a narrower NEO population, as well as coordinate with tax advisors on Section 162(m) tracking
- Consider whether individual director compensation would remain clearest in a table or another format
- Distinguish the elimination of annual hypothetical change-in-control calculations from the transaction-specific golden parachute requirements that would remain
- For SRCs, EGCs and companies near potential new filer thresholds, evaluate the two proposals together. Consider submitting comments supported by examples of compliance costs, implementation issues or investor use of the information

Conclusion

The SEC would simplify a framework that has become difficult to administer and, at times, difficult for investors to use. The question for companies will be not only what they must disclose, but what they decide is worth telling their shareholders.

Questions or comments?

If you would like to discuss how the proposal could affect your company's compensation disclosures, disclosure controls or proxy preparation process, or whether to submit comments to the SEC, please contact your regular lawyer from our firm or a member of our securities and corporate governance team.

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Endnotes

[1] Securities and Exchange Commission, Executive Compensation Disclosure Reform, Release No. 33-11455 (November 13, 2026).

[2] 26 U.S.C. § 162(m)(3)(B)–(C); SEC Release No. 33-11455 (November 13, 2026), n. 92.

[3] Securities and Exchange Commission, Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies, Release No. 33-11419 (May 19, 2026).

[4] SEC rulemaking docket, File No. S7-2026-39, including Federal Register publication and comment deadline.

This memorandum discusses proposed rules, not current legal requirements or a final commission action. It is provided for general informational purposes and is not legal advice concerning any particular company or compensation arrangement.

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