Pay Governance

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SEC Proposes Seismic Redesign of Executive Compensation Disclosure Requirements



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The SEC 's Executive Compensation Disclosure Reform proposal issued on November 13, 2026, would replace today's compilation of executive compensation disclosure rules with a more focused approach centered on the Chief Executive Officer and Chief Financial Officer, compensation granted and earned, the lifecycle of equity awards, and a streamlined Compensation Discussion & Analysis (CD&A). The proposal does not affect 2027 proxy disclosures.

This proposal is separate from the SEC's proposed Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies issued on May 19, 2026, that would reclassify approximately 80% of public companies as non-accelerated filers (NAFs) and allow them to take advantage of reduced disclosure requirements. These rules have not been finalized. Importantly the SEC's latest proposal would require that all public companies prepare three new compensation tables as more fully discussed below.

At a Glance: Six Fundamental Changes

Change	Proposed Approach
Covered executives	Limit named executive officers to the Principal Executive Officer (PEO) and Principal Financial officer (PFO).
Core compensation tables	Replace the Summary Compensation Table and other required tables with (i) a Granted Compensation Table and (ii) an Earned Compensation Table to communicate both pay opportunity and pay outcomes to the PEO and PFO.
Equity lifecycle presentation	Introduce a third required table, Status of Equity Awards Table, that tracks individual awards from grant through vesting, exercise, expiration, or forfeiture.
CD&A	Focus on program objectives in relation to strategy, material elements and how amounts are determined, and the response to the most recent say-on-pay vote.
Dodd-Frank disclosures	Streamline pay-versus-performance, pay ratio, and clawback disclosure.
Other disclosures	Scale back or eliminate termination/CIC hypothetical payments, compensation risk, material nonpublic information grant timing, and director compensation presentation requirements.

The Three Proposed Compensation Tables

The proposal separates compensation opportunity, compensation outcomes, and outstanding equity. That division is the central conceptual change. If the SEC's separate filer-status proposal is also adopted as proposed, non-accelerated filers (NAFs) would be required to complete all three tables, subject to applicable scaled accommodations.

1. Granted Compensation Table

Component	Proposed Presentation	Key Implications
Salary	Annualized salary as of fiscal year-end.	Reflects any raises or other adjustments during the fiscal year.
Annual incentives	Target annual incentive opportunity granted during the year (also includes sign-on, retention, and discretionary bonuses)	Reports target opportunity rather than the amount ultimately earned.
Equity awards	Target grant-date value of long-term incentive awards granted during the year.	Reflects grant date value for all equity awards. Performance-based awards are valued at 100% of target, rather than based on probable outcomes (for example, Monte Carlo simulations are no longer required for performance awards with a market measure such a relative total shareholder return for proxy reporting purposes; financial statements must still use the Monte Carlo valuation for P&L purposes). Flexibility to include awards granted during the fiscal year or for the fiscal year immediately prior if awards are connected to performance in the prior year.

Discussion. The Granted Compensation Table is essentially a total direct compensation table: annualized salary, target annual incentive, and the grant-date target value of long-term incentives. Other compensation values, including retirement plan contributions and perquisites, are not included. This narrower presentation should make the committee's core pay decisions easier for investors to evaluate, but it will not provide a complete measure of all compensation or show the value ultimately earned.

2. Earned Compensation Table

Component	Proposed Presentation	Key Implications
Salary	Value earned for the fiscal year.	Similar to current SCT salary disclosure.
Annual incentives	Value earned based on performance for the fiscal year.	Links disclosed value to the applicable performance result.
RSUs, PSUs, and dividends	Value generally when vested; dividends when paid or vested.	Produces a W-2 earnings-like measure.
Options	Value when exercised.	Includes post-vesting appreciation and may introduce significant earned compensation volatility based on option exercise patterns.

Discussion. The Earned Compensation Table is similar to a W-2 earnings concept and would also serve as the proposed basis for the Dodd-Frank pay-versus-performance (PVP) disclosure in place of Compensation Actually Paid (CAP). Time-based stock awards or units ("RSUs") and performance-based stock awards or units ("PSUs") generally are reported when they vest, and dividends are reported when paid or vested. Stock options are reported when exercised.

For PSUs, the timing of when amounts are reported and earned may make performance comparisons more difficult than under the current CAP framework which seeks to align the performance measurement period with the valuation date of outstanding PSUs. For example, in the proposed new Earned Compensation Table, a 2026–2028 PSU award reflects performance over 2026–2028 but generally would not be reported as earned until 2029, when the award vests, creating a mismatch of performance and earned compensation in both 2028 and 2029.

The treatment of stock options represents an even more significant departure from CAP. Under the current CAP methodology, post-vesting appreciation generally is treated as the result of the executive's investment decision. Under the proposal, the full in-the-money value would be reported when the option is exercised. Because options commonly have ten-year terms, an exercise value may reflect stock-price performance over a period much longer than the proposed PVP table's three-year period. That timing mismatch could make pay-for-performance comparisons more volatile and less closely aligned with the three-year cumulative TSR performance period presented in the PVP table.

3. Status of Equity Awards Table

Information Tracked	Illustrative Content	Purpose
Award identification	Grant date and award type.	Connects each outstanding award to its original grant.
Potential shares	Number of potential shares originally granted (threshold, target, and maximum for performance-based awards) and, for options, exercise price.	Shows award size in shares, but not the current value or expected performance outcome.
Vesting and settlement timing	Vesting date, and for performance-based awards, performance period.	Tracks progress from grant through realization.
Final disposition	Shares vested and options exercised or expired.	Completes the award lifecycle and bridges granted and earned compensation.

Discussion. The Status of Equity Awards Table tracks awards primarily by number of shares. Although this improves award-by-award lifecycle visibility, it makes changes in economic value and expected performance outcomes harder to assess. In contrast, the current CAP calculation remeasures the value of outstanding awards and incorporates the probable outcome of performance conditions, albeit on an aggregated award basis. Companies and investors may therefore need supplemental analysis to understand how the value of outstanding awards changes over time.

Other Major Changes

Area	Proposed Change	Practical Consideration
NEO population	Generally only the PEO and PFO.	Investors or proxy advisors may still seek information about other senior leaders. Would eliminate 8-K filing requirement for contracts or other material agreements with other executives.
Perquisites	Raise aggregate threshold from $10,000 to $150,000 and add a de minimis exclusion.	Security and aircraft programs may no longer be considered perquisites under certain circumstances, but decisions must remain reasonable and in good faith.
Pay versus performance	Use Earned Compensation; three years; PEO/PFO only; company cumulative TSR as the required measure.	Current methodologies and trend comparisons would need to be reset.
Pay ratio	Generally use U.S. full-time employees; exclude temporary and seasonal employees; permit five-year median employee use.	May reduce calculation burden and materially change reported ratios.
Clawbacks	Streamline disclosure and remove annual-report checkboxes; Rule 10D-1 remains.	Recovery policies and underlying compliance obligations would continue. Clawback disclosure only required if the company has an actual recovery of incentive compensation.
Termination/CIC	Replace quantitative hypothetical payment disclosure principally with qualitative terms.	Some companies may retain selected estimates voluntarily.
Director compensation	Eliminate the mandatory Director Compensation Table; companies must disclose the key elements of compensation (cash retainers and equity awards) with equity awards valued and disclosed when vested or exercised; non-material elements of director compensation are no longer required to be reported.	Companies may report director compensation in any format they choose. However, consideration should be given to using a format similar to the new executive Earned Compensation and Status of Equity Award tables to capture the items the SEC has signaled remain material.

What Compensation Committees Should Consider

Preserving core data and internal controls is important as the proposal may change before adoption and a new Administration and SEC Chair could reinstate the prior rules or issue even more expansive disclosure requirements. Nevertheless, compensation committees and management teams should consider the following in light of these new proposed rules:

- Confirm equity administration systems can track individual awards from grant through vesting, exercise, expiration, or forfeiture.
- Consider how the shift from Summary Compensation Table total compensation to separate granted and earned views changes the pay-for-performance narrative.
- Determine which disclosures may remain useful voluntarily, even if no longer mandated.
- Monitor how institutional investors and proxy advisors adapt their evaluation methodologies.

Timing and Pay Governance Perspective

The comment period will remain open for 60 days after Federal Register publication. There is no immediate effect on 2027 proxy disclosures. If final rules are adopted during 2027, the effective date would be January 1, 2028, and require that the 2029 proxy comply with the new disclosure requirements. Actual effective and compliance dates will depend on the final rules.

Think beyond what is required. *The proposal could make executive compensation easier to understand, but less prescriptive disclosure will increase the importance of judgment in determining what is useful for investors to understand the compensation committee's decision process. Compensation committees and management teams should distinguish among what is required, what remains decision-useful to investors, and what is essential to explaining pay-for-performance alignment.*

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