Client Alert: SEC Proposes Sweeping Changes to Executive Compensation Disclosure

Ferguson Partners

The SEC proposal calls for a narrowing of the executives subject to required compensation disclosure, replacement of the Summary Compensation Table, simplification of CD&A and significant changes to several Dodd-Frank disclosure requirements. If adopted, it could fundamentally change who is disclosed, how compensation is presented and evaluated, and how Compensation Committees access and analyze competitive pay data

On November 13, 2026, the U.S. Securities and Exchange Commission proposed a significant overhaul of its executive and director compensation disclosure requirements under Item 402 of Regulation S-K. The proposal represents the SEC's first comprehensive reconsideration of these requirements since 2006 and is intended to create a materiality-focused framework while reducing compliance burdens for public companies. If adopted substantially as proposed, the changes could meaningfully reshape the compensation disclosure landscape.

Key Proposed Changes

1. Narrow NEO Disclosure Principally to the CEO and CFO

The proposal would significantly narrow the definition of Named Executive Officer (NEO). Rather than covering the Principal Executive Officer (PEO), Principal Financial Officer (PFO) and generally the three other most highly compensated executive officers, NEOs would be limited to individuals who served as the PEO or PFO during the last completed fiscal year. The SEC notes that this would reduce the number of NEOs from typically five or more individuals to two officers in most circumstances. A company could have more than two NEOs when there is turnover in either role.

Why it matters: For most companies, this would materially reduce required executive compensation disclosure and eliminate required compensation disclosure for Presidents, Chief Operating Officers, General Counsels, Chief Investment Officers and other highly compensated senior executives who currently qualify as NEOs based on their level of compensation.

2. Replace the Current Compensation Tables With a New Three-Table Framework

The SEC is proposing to replace the existing core compensation tables, including the Summary Compensation Table and Pay vs. Performance, with three new tables designed to distinguish compensation opportunities from realized outcomes:

- ***Granted Compensation Table***: Compensation granted during the year, including salary, non-equity awards and equity awards, generally reflecting the compensation opportunity provided to the executive.
- ***Earned Compensation Table***: Compensation actually earned, including vested stock awards and exercised options.
- ***Status of Equity Awards Table***: An award-by-award view designed to track equity from grant through vesting, exercise, expiration or other disposition.

The proposed structure could significantly change how investors evaluate executive pay by creating a clearer distinction between compensation granted and compensation ultimately earned.

Why it matters: This could eliminate much of the complexity and cost associated with calculating and reconciling the current Pay-versus-Performance table. The Earned Compensation Table could also influence equity award design and settlement timing, including whether companies settle prior-year awards by December 31 rather than in Q1 to better align reported compensation outcomes with year-end stock price performance.

3. Refocus CD&A Around Three Core Questions

The proposal would move away from the current prescriptive list of CD&A considerations and return the CD&A to a more principles-based framework focused on:

- The objectives of the compensation program and its relationship to corporate strategy;
- The material elements of compensation and how amounts are determined; and
- Where applicable, whether the company considered the results of its most recent Say-on-Pay vote and, if so, how that consideration affected compensation policies and decisions.

Why it matters: This could allow companies to focus their compensation narrative on the information most material to investors while eliminating less relevant details. Initially, however, developing disclosure that is both streamlined and sufficiently comprehensive may require more, not less, effort.

4. Other Notable Changes

Additionally other proposed changes to proxy disclosure includes:

- ***Eliminate Quantitative Termination and Change-in-Control Payout Tables***: Rather than requiring prescriptive calculations of potential payments under hypothetical termination or change-in-control scenarios, the proposal would require qualitative disclosure of the material terms of these arrangements. Golden parachute disclosure would similarly move toward a streamlined framework with greater flexibility for narrative disclosure.

- ***Raise the Perquisite Disclosure Threshold From $10,000 to $150,000***: The proposal would increase the aggregate perquisite reporting threshold from $10,000 to $150,000 per NEO. The proposal would also introduce a de minimis tracking exclusion tied to Section 132(a)(4) of the Internal Revenue Code and provide companies greater discretion in determining whether a benefit is integrally and directly related to the performance of an executive's duties, provided that determination is reasonable and made in good faith.

- ***Simplify the CEO Pay Ratio***: The proposal would narrow the employee population used to identify the median employee to U.S. full-time employees, excluding seasonal, temporary and non-U.S. employees. It would also change the frequency for determining the median employee from once every three years to once every five years.

- ***Move Director Compensation Toward a More Principles-Based Framework:*** The proposal would continue to require disclosure of the material features of a company's director compensation program and the compensation earned by each director, consistent with the approach proposed for executives, while eliminating certain prescriptive presentation requirements and compensation elements that may not reflect how contemporary director compensation programs are structured.

- ***Streamline Other Compensation Disclosures***: The proposal would also simplify certain clawback-related disclosures and eliminate requirements associated with compensation risk policies and practices and equity grants made close in time to the release of material nonpublic information.

Potential Market Implications

Beyond reducing the volume and complexity of required disclosure, the proposal could have broader implications for how investors, Compensation Committees and compensation advisors evaluate executive pay.

Potential Implication	What It Means
Greater Investor Focus on CEO and Aggregate G&A	With disclosure focused principally on the CEO and CFO, scrutiny of CEO compensation could increase, while reduced visibility on other executives may lead investors to increasingly focus on broader measures of corporate cost and efficiency, including General and Administrative (G&A) expense, to assess the cost of the broader leadership organization. This could be particularly relevant for REITs, where investors already closely monitor G&A efficiency.
Competitive Pay Benchmarking Could Become More Challenging	Reducing NEO disclosure could significantly shrink the public-company dataset available to benchmark senior roles beyond the CEO and CFO, including Presidents, Chief Operating Officers, General Counsels and Chief Investment Officers. As a result, Compensation Committees may need to rely on a broader mix of high-quality market sources, including compensation surveys, industry-specific data and other validated market intelligence, to develop a complete view of competitive pay.

What Happens Next

- Companies should not change their 2027 proxy approach.
    - These are proposed amendments, not final rules, and are not currently effective. The proposal was issued on November 13, 2026. The public comment period will remain open for 60 days following publication of the proposing release in the Federal Register.
    - Ferguson Partners Consulting will continue to monitor developments related to the proposal, including investor and governance community reactions and any resulting final rulemaking. We expect the proposed changes, if adopted, to have important implications for Compensation Committee governance, executive and director compensation benchmarking, disclosure strategy, investor communications and proxy preparation.

Sources:

U.S. Securities and Exchange Commission, Executive Compensation Disclosure Reform, Release No. 33-11455, File No. S7-2026-39 (Nov. 13, 2026).

U.S. Securities and Exchange Commission, Fact Sheet: Executive Compensation Disclosure Reform (Nov. 13, 2026).

Ferguson Partners Public Compensation Consulting Practice is the market leader in advising public REITs on executive and director compensation matters. Leveraging unparalleled REIT compensation knowledge and extensive boardroom experience, we provide tailored advice on market benchmarking, incentive design, employment arrangements, proxy disclosure, M&A-related compensation, and shareholder engagement. Our unique combination of public REIT expertise and private market compensation intelligence enables us to deliver insights and solutions that are difficult to replicate.

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