Pearl Meyer

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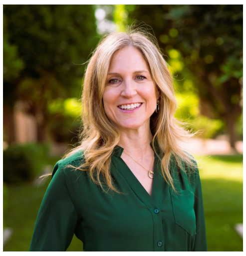
SEC Executive Compensation Disclosure Reform Is on the Horizon



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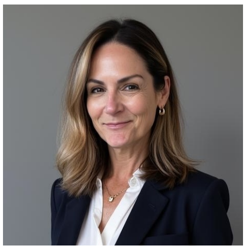

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Discussions of changes to Securities and Exchange Commission (SEC) reporting requirements—including a possible shift from quarterly to semi-annual disclosures—have brought renewed attention to the broader direction of executive compensation disclosures. While these changes in reporting frequency are not specific to executive pay, they reflect a broader effort to simplify and streamline public company disclosures. At the same time, signals from the SEC and evolving proxy practices this season point toward a meaningful shift in executive compensation disclosure itself: simpler, more principle-based requirements paired with heightened expectations for how companies explain pay decisions.

In this environment, attention is increasingly shifting from when changes will occur to what they may mean for how companies approach disclosure.

Early indicators suggest that future disclosure will place less emphasis on technical compliance and more on whether companies can clearly and credibly explain how compensation decisions are made. This evolving paradigm does not diminish rigor, it reframes it. As prescriptive rules potentially give way to more flexible standards, the burden shifts to companies to demonstrate discipline, governance, and alignment through their disclosures.

SEC Signals: Simplification Without Less Scrutiny

The SEC has made it clear that disclosure rules are changing. It has been nearly a year since the SEC convened a June 2025 public roundtable to gather input, and in the months since, there has been a steady stream of informal commentary and reporting on where the Commission may be headed.

In recent remarks, SEC Chair Paul Atkins indicated that periodic reporting requirements could shift from quarterly to semi-annual reporting. Notably, however, his comments did not directly address executive compensation disclosure, underscoring the continued uncertainty in this area. Even if legal requirements change, potential shareholder demand for quarterly statements could still compel publicly owned companies to provide these disclosures.

At this point, there has been no announcement—formal or informal—of a specific date for new executive compensation rules. However, several themes have emerged that provide meaningful directional insight.

What May Change: Key Areas to Watch

The SEC is focusing on simplifying executive compensation disclosure, moving away from what has been described as an overly complex and not decision-useful framework. While there is no definitive roadmap for how this simplification will be implemented, the direction is clear: a more principles-based approach and better alignment with how compensation decisions are actually made in practice.

Several areas of potential reform are coming into view:

- Dodd-Frank Disclosures (PvP and CEO Pay Ratio): A rollback or simplification appears likely. Full repeal is unlikely due to statutory constraints, but modifications to reduce cost and complexity—particularly around compensation actually paid (CAP)—are expected. At the same time, the SEC has shown interest in tracking equity awards across their lifecycle, suggesting that performance alignment disclosure will remain, albeit in a refined form.
- Perquisites Disclosure: This is a strong candidate for near-term reform. Potential changes could include higher disclosure thresholds and revised treatment of items such as executive security and personal aircraft usage.
- Disclosure Tables: Tables may be overhauled and reduced in number, with a shift toward clearer visuals and frameworks that better illustrate the relationship between target and realized pay, as well as the linkage between compensation outcomes and performance.

Despite these anticipated changes, core elements such as the CD&A narrative, say-on-pay, and clawback disclosures are expected to remain largely intact.

A Shift Already Underway: Narrative Disclosure in Practice

Even in the absence of finalized SEC rules, current proxy disclosures offer an early indication of where executive compensation disclosure is heading—and what will be required to do it well. This proxy season, many companies are recalibrating CD&A content toward more deliberate, decision-focused narratives that better align with how compensation committees actually evaluate performance and make pay decisions.

This is not a move away from rigor or quantitative disclosure. Rather, it reflects growing pressure from investors and proxy advisors to understand the framework and discipline behind those outcomes—predominantly how performance targets are set, calibrated, and assessed over time.

Companies are increasingly expanding their discussion of goal-setting processes, the role of discretion, and how compensation programs respond to both planned and unplanned business conditions. This shift signals a broader recognition that disclosure is not simply a compliance exercise, but a communication tool that must resonate with a wide range of stakeholders.

What “Good” Disclosure Is Starting to Look Like

What is becoming increasingly clear is that disclosure effectiveness will hinge on a company’s ability to demonstrate a robust, well-governed process. That includes:

- Articulating how targets incorporate internal budgets and external market conditions
- Explaining how “rigor” is defined and tested
- Describing how compensation committees apply judgment in determining final payouts

As the SEC continues to signal a move toward principles-based, decision-useful disclosure, these elements are likely to become even more important. Simplification at the rule level does not reduce expectations; it elevates the need for clear, defensible explanation.

In this context, consistency between process, outcomes, and disclosure becomes critical. Companies will need to ensure that what they do, how they decide, and what they disclose are tightly aligned.

Keep an Eye on Timing

Despite the volume of commentary and speculation, there is still no definitive timeline for executive compensation rule reform. If proposed rules are released in the near term, they could potentially become effective for the 2027 proxy season. However, if proposals are delayed, the administrative process—including notice and comment periods—could push implementation to 2028 or beyond.

Whenever new rules are finalized, they are expected to significantly impact executive compensation disclosure rules. A transition from quantitative gaming with complex calculations (e.g., SCT totals, CAP) to more principle-based reporting will likely redefine the landscape.

Looking Ahead: More Simplicity, Yet More Work?

Importantly, moving from complex rules to simplified frameworks does not necessarily reduce effort. In many cases, it may require more planning, stronger internal processes, and more thoughtful communication. The shift from "quantitative compliance" to "defensible narrative" places a premium on clarity, governance, and alignment.

In the interim, companies may benefit from evaluating their current disclosures through this emerging lens. Strengthening target-setting processes, enhancing narrative clarity, and ensuring that pay outcomes are well understood and well explained can help position organizations for whatever comes next. To some extent, market expectations, not just SEC requirements, will continue to shape disclosure practices.

We will continue to monitor developments and provide updates as more concrete information—and realistic timing—becomes available.

About the Authors

Deb advises on executive compensation from a legal and regulatory perspective, including securities disclosure, tax and governance matters, contract negotiation, and reasonableness opinion letters.

Sharon brings 25+ years guiding executive and broad-based pay communications and disclosure, helping boards and management manage change and respond to investor and proxy advisor scrutiny.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.