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ARTICLE | NOV 2026

Executive Compensation: Fall 2026 Regulatory and Governance Outlook



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After more than a decade of expanding disclosure requirements, heightened regulatory scrutiny, and increasingly prescriptive proxy advisory firm policies, the executive compensation landscape is entering a period of recalibration. The Securities and Exchange Commission (SEC) has proposed several measures that, if adopted, would reduce or scale back existing disclosure and reporting requirements. Separately, a broader overhaul of executive compensation disclosure requirements appears to be imminent. Meanwhile, ISS and Glass Lewis have announced relatively limited changes to their 2027 US benchmark policies, even as Glass Lewis prepares to fundamentally change its research model in 2027.

Taken together, these developments raise questions about whether companies will have greater flexibility in their disclosure practices and governance approaches. But regulatory relief does not necessarily translate into less scrutiny or fewer responsibilities for compensation committees. As external requirements and expectations evolve, committees may have greater discretion—and correspondingly greater responsibility—to exercise independent judgment, ensure appropriate pay-for-performance alignment, and explain their decisions to shareholders.

With 2027 approaching, this overview highlights eight developments that compensation committees should have on their radar, what they mean in practical terms, and what they may signal about the future of executive compensation governance.

SEC Updates

1. Filer-Status Reform and Expanded Scaled Compensation Disclosure

Proposed by the SEC on May 19, 2026, this initiative would simplify the existing filer-status framework by eliminating the accelerated filer and smaller reporting company categories and focusing primarily on two categories: large accelerated filers (LAFs) and non-accelerated filers (NAFs).
Under the proposal, LAF status generally would require at least $2 billion in public float at

the end of each of the issuer's two most recent second fiscal quarters, together with at least 60 consecutive calendar months of reporting history under the Exchange Act. The SEC estimates that approximately 81% of reporting companies could qualify for NAF status.

If adopted as proposed, NAFs would receive scaled disclosure accommodations generally resembling those currently available to smaller reporting companies and emerging growth companies. With respect to executive compensation, these accommodations would include:

- Three named executive officers (NEOs), rather than five
- Two years of Summary Compensation Table information, rather than three
- No Compensation Discussion and Analysis (CD&A)
- Elimination of certain compensation tables, including the grants of plan-based awards, pension benefits, option exercises and stock vested, and nonqualified deferred compensation tables
- No pay-ratio or pay-versus-performance disclosure
- Exemptions from specified advisory shareholder votes, including say-on-pay, say-on-frequency, and say-on-golden-parachute votes

Status and Committee Considerations

The comment period closed on July 20, 2026, but the SEC has not issued a final rule as of the date of this publication. The timing of adoption and effectiveness therefore remains uncertain, including whether the changes could affect the 2027 proxy season.

Companies that may qualify as NAFs should consider modeling the proposed disclosure and voting changes and evaluating their potential impact on existing proxy practices.

Committees should also consider which disclosures and shareholder-engagement practices continue to serve a governance or investor-relations purpose, rather than retaining them solely out of habit. Reduced mandatory disclosure would not necessarily eliminate investor interest in executive pay. The challenge going forward will be determining how to preserve investor confidence, demonstrate disciplined oversight, and clearly connect executive pay decisions to strategy and long-term shareholder value, without specific disclosure mandates.

2. Separate, Comprehensive Item 402 Overhaul

Separate from the filer-status proposal, the SEC is set to release broader executive compensation disclosure reform proposals which, at the time of this publication, are thought to be imminent (RIN 3235-AN60). The initiative has been under White House and Office of Information and Regulatory Affairs review since August 26, 2026.
The fall regulatory agenda contemplated an October 2026 notice of proposed rulemaking, but no proposal had been published as of this publication. The scope of any revisions to Item 402 of Regulation S-K remains unknown, although the initiative is intended to be a significant overhaul.

Status and Committee Considerations

Companies should continue to monitor the SEC's publication of a proposed rule and the subsequent comment process. Even if a proposal is issued in the near term, a comprehensive overhaul would likely require additional time to take effect. Changes for the 2027 proxy season are unlikely.

While companies should avoid redesigning disclosure practices around unissued proposals, it may be worthwhile to identify areas where existing compensation disclosure could be streamlined if these revisions are ultimately adopted.

3. Optional Semiannual Reporting

Proposed May 5, 2026, the SEC's optional semiannual reporting framework would allow companies to elect annually on Form 10-K to replace three quarterly reports on Form 10-Q with one new Form 10-S at midyear and one Form 10-K.

The proposed Form 10-S would retain core interim financial and narrative disclosures, with a 40- or 45-day filing deadline depending on filer status. The proposal would not require companies to abandon quarterly earnings calls or earnings releases; those would remain business and investor-relations decisions.

Status and Committee Considerations

The comment period closed July 6, 2026, but the SEC has not issued a final rule as of the date of this publication. It therefore remains uncertain whether the option will be available for 2027.

Although the proposal would not directly change executive compensation requirements, a move to semiannual SEC reporting could affect the cadence of performance reviews, compensation committee oversight, and the communication of pay-for-performance alignment. Committees should consider whether their own performance-monitoring and reporting processes would need to change if the company elected semiannual reporting.

4. Shareholder Proposals: SEC Reform and the Emerging Role of State Law

On September 16, 2026, the SEC proposed rescinding Rule 14a-8, which generally requires public companies to include qualifying shareholder proposals in their proxy

statements, and leaving the treatment of shareholder proposals to state law and company governing documents. The SEC also proposed amendments to Rule 14a-4 that would expand the circumstances in which companies could exercise discretionary voting authority on certain matters presented at a shareholder meeting but not included in the company's proxy materials. Separately, on August 14, 2026, SEC staff announced that it would discontinue responding to all company no-action requests under Rule 14a-8 and would no longer issue no-objection responses to company notices seeking to exclude shareholder proposals.

On November 9, 2026, the Council of the Corporation Law Section of the Delaware State Bar Association released a discussion draft proposing a new provision of the Delaware General Corporation Law to establish a state-law framework for shareholder proposals if the SEC rescinds Rule 14a-8. The proposal would limit the right to submit nonbinding shareholder proposals to larger Delaware public companies (those with a market capitalization of at least $30 billion), impose higher shareholder ownership requirements, and limit the number of proposals based on company size. The proposal is not yet law and would take effect only if the SEC's rescission of Rule 14a-8 becomes effective.

Status and Committee Considerations

The comment period on the proposed rule remains open through November 20, 2026. The SEC has not adopted a final rule, and Rule 14a-8 remains in effect for the upcoming proxy season.

The Delaware proposal highlights a potentially important shift in shareholder proposal regulation: responsibility may move from the federal level to the states, with different requirements depending on where a company is incorporated. For Delaware companies, the proposed framework could significantly limit shareholder access to the proxy process, although it would preserve a limited right to submit proposals.

As this issue relates to executive compensation, shareholders have historically used Rule 14a-8 to press for changes, including severance arrangements, incentive metrics, equity awards, and clawback policies. If Rule 14a-8 is rescinded and the Delaware framework is ultimately adopted, fewer compensation-related proposals may appear on company proxy ballots. However, shareholder pressure may shift to other channels, including say-on-pay votes, director elections, direct engagement, and public campaigns.

Companies should monitor both the SEC's rulemaking and developments in Delaware and other states, as the potential shift to state-law regulation could change the rules governing shareholder proposals.

Tax Law Changes

5. Section 162(m): Five Additional Covered Employees

The American Rescue Plan Act of 2021 (ARPA) amended Section 162(m) to expand the definition of a covered employee for taxable years beginning after December 31, 2026. Beginning in 2027 for calendar-year companies, the $1 million compensation deduction limitation will extend to five additional highest-compensated employees, beyond the existing covered-employee categories.

These additional employees are identified from the five highest-compensated employees for the taxable year, excluding the principal executive officer, principal financial officer, and the three highest-compensated executive officers already covered under the existing statutory categories. They need not be SEC-named executive officers or even executive officers. Importantly, under the IRS's January 2025 proposed regulations, compensation for this purpose is determined based on amounts that would be deductible for federal income tax purposes (but for Section 162(m)), rather than compensation reported in the Summary Compensation Table under Item 402 of Regulation S-K. The five-person group is determined annually and may include individuals who are already covered under the once-covered-always-covered rule; however, employees covered solely under this new category do not automatically remain covered in subsequent years.

Status and Committee Considerations

The statutory expansion to the additional five employees applies to taxable years beginning after December 31, 2026. It is not deferred until 2028. Companies should therefore begin monitoring compensation throughout 2027 because the additional-five population generally will depend on compensation for that taxable year and may not be known until year-end. Tax, payroll, legal, and accounting teams should coordinate to forecast deductibility across salary, bonuses, deferred compensation, and equity settlement or exercise.

2027 Proxy-Adviser Outlook

6. ISS: Restrained 2027 US Policy Changes

ISS issued its proposed 2027 policy updates on October 22, 2026, with the comment period closing November 4. Although ISS's broader policy survey solicited feedback on several topics, including the treatment of discretionary bonuses at large financial institutions and potential approaches when a company does not hold a say-on-pay vote, the only proposed US executive compensation-related change was to replace the binomial option-pricing model with Black-Scholes when calculating Shareholder Value Transfer (SVT) for equity plan proposals.

The change would align the option valuation methodology used in equity plan cost calculations with the methodology ISS already uses in certain other analyses, including executive option valuations in its pay-for-performance, burn-rate, and realizable-pay

assessments.

Status and Committee Considerations

Final policies are expected in late November or early December 2026 and generally would apply to meetings held on or after February 1, 2027. Until ISS publishes its final policies, the proposal should not be considered final.

Companies with equity plans approaching ISS's plan-cost or SVT thresholds should rerun sensitive proposals using the proposed Black-Scholes methodology and assess whether the change affects the likelihood of obtaining shareholder approval.

More broadly, the limited scope of the proposed U.S. compensation changes—despite the more detailed policy survey—may signal a more measured approach to policy revisions for the 2027 season.

7. Glass Lewis: 2027 Guidelines and "Four Perspectives"

Glass Lewis's existing Benchmark Voting Policy Guidelines and Proxy Paper research approach will remain available for the 2027 proxy season. Changes to the 2027 benchmark guidelines are expected to be limited to significant regulatory and corporate governance developments from 2026, with no major new US executive compensation policy overhaul identified in the materials available as of the date of this publication.

Separately, Glass Lewis is developing a new research model built around four distinct perspectives: Business Fundamentals, Foundational Governance, Global Stewardship, and Sustainability Focused. The firm has indicated that it plans to launch the Four Perspectives model in September 2027.

The new approach is intended to move away from a single "house view" and allow institutional investors to select research perspectives and voting approaches that more closely reflect their own stewardship priorities.

Status and Committee Considerations

The existing Benchmark Voting Policy Guidelines and Proxy Paper approach will remain available for the 2027 proxy season. Companies should continue to assess their compensation programs under the existing Glass Lewis framework, including its pay-for-performance analysis.

Looking further ahead, the Four Perspectives model could result in different governance and compensation assessments depending on the research perspective an investor selects.

The practical question will be which perspectives—and any customized voting policies—are used by a company's largest shareholders. Companies should consider whether their investor outreach provides sufficient insight into how major holders approach

pay, performance, and governance.

Political Shifts

8. Implications of the 2026 Midterm Elections

The November 2026 midterm elections have changed the political backdrop for public companies. With Democrats controlling Congress and the executive branch remaining under Republican control, companies may face increased congressional oversight and greater uncertainty around future policy changes in 2027.

Areas to watch include:

- Proxy advisors and institutional investors: How will the change in Congressional control affect oversight of proxy advisory firms, SEC policy toward these firms, and institutional investor stewardship and voting practices?
- Shareholder rights and activism: Will the balance between boards and shareholders shift, particularly with respect to shareholder proposals, proxy access, and shareholder engagement?
- SEC rulemaking: Could Congressional oversight, hearings, or legislative priorities affect pending SEC initiatives involving executive compensation disclosure, semiannual reporting, shareholder proposals, and modernization of Regulation S-K?
- Diversity, Equity & Inclusion (DEI) and Environmental, Social, and Governance (ESG) factors: Will companies that scaled back DEI programs or ESG-related disclosure face renewed Congressional scrutiny or pressure to revisit those decisions? What is the future of climate-related and other ESG disclosure and governance?
- SEC enforcement, funding, and staffing: Could Congressional appropriations and oversight affect the agency's enforcement emphasis, examination capacity, and ability to advance rulemaking?

Status and Committee Considerations

The election results have changed the political and Congressional landscape, but their specific effects on the SEC, proxy advisors, and shareholder oversight remain uncertain. A shift in Congressional control does not automatically reverse SEC rulemaking already underway or determine how institutional investors will vote.
Compensation committees should monitor whether the election affects proxy-advisor oversight, investor stewardship, the SEC's disclosure agenda, and the treatment of shareholder proposals. The central question for committees is whether the balance among regulation, proxy-advisor influence, and shareholder activism will change—and how the company should respond without losing sight of its own compensation philosophy and governance standards.

Looking Ahead

The developments discussed above suggest that executive compensation governance may be entering a period of transition. In the near term, regulatory requirements may become less prescriptive, proxy advisory firms may take a more measured approach to policy changes, and companies may have greater flexibility in determining how best to structure and disclose executive compensation programs.

For compensation committees, however, the fundamental responsibilities remain unchanged. Committees must continue to ensure that compensation decisions support business strategy, appropriately reward performance, attract and retain talent, and withstand shareholder scrutiny.

The challenge for 2027 may be less about complying with an expanding set of rules and more about exercising sound judgment in an evolving governance environment.

About the Author

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

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.