



Compensation
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SEC Proposes Significant Reduction in Executive Compensation Disclosure Requirements

■ By Kyle Eastman and Chris Callegari

The SEC recently proposed amendments to its public company reporting rules intended to simplify disclosure obligations, reduce compliance costs, and encourage more companies to access and remain in the public markets. For executive compensation purposes, the proposal would expand existing scaled disclosure accommodations, potentially reducing proxy disclosure and shareholder advisory vote requirements for many companies.

NEW YORK

1180 Avenue of the Americas
New York, NY 10036
+1 (212) 921-9350
www.capartners.com

CHICAGO

200 S Wacker Drive
Suite 3100
Chicago, IL 60606
+1 (312)-702-0307

LOS ANGELES

400 Continental Blvd
6th Floor
El Segundo, CA 90245
+1 (310) 426-2340

SEATTLE

500 108th Ave NE
Unit 1100
Bellevue, WA 98004
+1 (206) 246-2195

On May 19, 2026, the Securities and Exchange Commission (“SEC”) proposed amendments that would substantially reshape public company reporting requirements to simplify disclosure obligations, reduce compliance costs, and encourage more companies to access and remain in the public markets.

For executive compensation purposes, the proposal would shift many companies out of the current full-disclosure model and into a scaled disclosure regime that more closely resembles the accommodations currently available to Emerging Growth Companies (“EGCs”) and Smaller Reporting Companies (“SRCs”).

If adopted, the SEC’s proposal would change what many companies are required to include in their annual proxy statements, including both the scope of executive compensation disclosure and the need for recurring shareholder advisory votes.

The SEC notes that approximately 52% of companies currently “benefit from some form of disclosure scaling and other accommodations.” Under the proposal, that population would increase to approximately 81% of companies. Accordingly, the proposal should be viewed primarily as an extension of existing EGC/SRC-style disclosure accommodations to a broader group of established public companies.

Key Proposed Changes

The proposed rules would simplify the current public company reporting structure by reducing the number of relevant filer and scaled disclosure categories. Today, public companies may fall into several overlapping categories, including Large Accelerated Filer (“LAF”), Accelerated Filer (“AF”), Non-Accelerated Filer (“NAF”), Smaller Reporting Company (“SRC”), and Emerging Growth Company (“EGC”). The proposal would largely consolidate the framework into two primary categories: LAFs and NAFs.

Most notably, the proposal would:

- Raise the LAF public float threshold from \$700 million to \$2 billion
- Calculate public float based on the average stock price over the last 10 trading days of the second fiscal quarter (versus a single-day measurement currently)
- Require the \$2 billion threshold to be met for two consecutive years before a company becomes an LAF (versus a single year currently)
- Require at least 60 consecutive calendar months of reporting before a company can become an LAF (versus 12 months currently)
- Eliminate the AF and SRC categories as separate classifications¹
- Classify companies that are not LAFs as NAFs
- Extend broad scaled disclosure accommodations to NAFs, including scaled executive compensation disclosure and relief from certain shareholder advisory vote requirements

The SEC estimates that, if the proposed amendments were in place today, approximately 19% of current public companies would qualify as LAFs (down from 35%), while 81% would be NAFs. Although most public companies would fall into the NAF category, the SEC estimates that LAFs would still represent approximately 94% of total public float under the proposal.

¹ The proposal would retain EGC status, although for executive compensation purposes, proposed NAF treatment would closely resemble current EGC treatment.

Executive Compensation Implications

Reduced Proxy Disclosure Requirements

For companies that would move from the current full executive compensation disclosure framework to proposed NAF treatment, the proposal could materially reduce the scope of annual proxy disclosure.

Under the proposed NAF framework, companies generally would be permitted to provide scaled Item 402 disclosure, including:

- Three named executive officers instead of five
- Two years of Summary Compensation Table disclosure instead of three
- No Compensation Discussion & Analysis (“CD&A”)
- No Grants of Plan-Based Awards Table
- No Option Exercises and Stock Vested Table
- No Pension Benefits Table
- No Nonqualified Deferred Compensation Table
- No CEO pay ratio disclosure
- No pay-versus-performance disclosure

For legal, HR, finance, and compensation teams, the reduction in annual proxy drafting could be significant, particularly for companies that currently devote substantial time and resources to CD&A development, CEO pay ratio and pay-versus-performance calculations, and related disclosure controls.

Elimination of Say-on-Pay for NAFs

The proposal would also exempt NAFs from shareholder advisory votes on executive compensation, including say-on-pay, say-on-frequency, and say-on-golden-parachute votes.

This could meaningfully change the shareholder engagement dynamic for affected companies. Say-on-pay currently provides investors with a direct, recurring mechanism to express views on executive compensation. If that vote is no longer required, companies will need to consider whether and how investors may shift compensation-related feedback to other channels, including votes on compensation committee members, director elections more broadly, or direct company engagement.

Disclosure Relief Does Not Necessarily Mean Disclosure Disappears

Although the proposal would reduce required disclosure, many companies may choose to retain some elements of their current disclosure voluntarily. For example, some companies may continue to provide a streamlined CD&A-like narrative to explain incentive design, performance metrics, pay-for-performance alignment, governance practices, or significant compensation decisions.

This may be particularly relevant for companies with significant institutional ownership, recent shareholder engagement on executive compensation, prior say-on-pay issues, or a desire to maintain disclosure practices that are consistent with peers. The proposed rules would create flexibility, but investor and proxy advisor expectations will continue to influence market practice.

Relationship to the Current EGC/SRC Framework

A key point for executive compensation professionals is that, under the current rules, executive compensation disclosure requirements are driven primarily by EGC and SRC status, not by whether a company is an LAF, AF, or NAF.

Today, LAFs, AFs, and NAFs generally are subject to similar executive compensation disclosure requirements unless the company separately qualifies as an EGC or SRC. The proposal would change that by making proposed NAF status the primary dividing line for scaled executive compensation disclosure.

Although EGC status would be retained under the proposal, proposed NAF treatment would closely resemble current EGC treatment for executive compensation disclosure purposes.

The following table summarizes the current and proposed frameworks from an executive compensation disclosure perspective.

Requirement/Criteria	Current			Proposed	
	Emerging Growth Company (EGC)	Smaller Reporting Company (SRC)	Non-EGC/SRC Companies (LAF / AF / NAF)	Non-Accelerated Filer (NAF)	Large Accelerated Filer (LAF)
Primary Eligibility/ Status Criteria	Within first five fiscal years following IPO and revenue <\$1.235B and <\$1B debt issued and not an LAF ²	Public float <\$250M or revenue <\$100M with public float <\$700M	Does not satisfy criteria for EGCs/SRCs	Does not satisfy criteria for LAFs	Public float ≥\$2B and ≥ 60 months of SEC reporting
CD&A Required	No	No	Yes	No	Yes
Number of Named Executive Officers	3	3	5	3	5
Years in Summary Compensation Table	2	2	3	2	3
Detailed Compensation Tables	Scaled	Scaled	Full	Scaled	Full
CEO Pay Ratio Disclosure	No	No	Yes	No	Yes
Pay Versus Performance Disclosure	No	Scaled	Full	No	Full
Say-on-Pay and Related Advisory Votes	No	Yes	Yes	No	Yes

² Under current rules, LAF status generally requires public float of at least \$700 million (measured as of the last business day of the second fiscal quarter), at least 12 months of SEC reporting, and at least one annual report filed. Under the proposed rules, LAF status generally would require public float of at least \$2 billion for two consecutive years (measured using the average stock price over the last 10 trading days of the second fiscal quarter) and at least 60 months of SEC reporting.

Practical Steps for Companies

Although the proposal remains subject to public comment and could change before final adoption, companies should begin evaluating how the amendments could affect their future proxy disclosure and compensation governance practices.

Companies should consider:

- Assessing whether they would likely qualify as a proposed NAF or LAF
- Modeling how the proposed rules would change the content and timing of annual proxy preparation
- Identifying which current disclosures would no longer be required but may still be useful to investors
- Considering whether to retain a streamlined compensation narrative even if CD&A is no longer required
- Evaluating how the elimination of say-on-pay could affect the company's shareholder engagement strategy
- Assessing whether reduced peer company disclosure could affect peer group benchmarking analyses, especially for companies that rely heavily on proxy statement disclosure as a market data source
- Monitoring institutional investor and proxy advisor reactions to the proposal
- Following the SEC comment process and any changes made before final rule adoption

The SEC's proposed changes could significantly reduce required executive compensation disclosure for many companies. However, companies should expect market practice to evolve over time, and the right disclosure approach may depend on company size, ownership profile, compensation history, governance posture, and investor expectations.

The proposal was published in the Federal Register on May 21, 2026, and comments are due by July 20, 2026. After the comment period closes, the SEC will review comments and determine whether to adopt final rules, which could include modifications to the proposal. The timing of any final rules – and whether they would apply to the 2027 proxy season – remains uncertain.



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