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# SEC PROPOSES NEW EXECUTIVE COMP DISCLOSURE RULES: ICE CREAM FOR EVERYONE?

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On November 13, 2026, the Securities and Exchange Commission (the "SEC" or the "Commission") published long-awaited proposed revisions to the rules governing the disclosure of executive compensation in Item 402 of Regulation S-K (the "Proposing Release"). The revisions are intended to return to principles-based disclosure of material information, marked by simplified, streamlined requirements and fewer examples of what registrants may want to (or need to) disclose. In his Statement about the Proposing Release, SEC Chairman Paul S. Atkins noted that "a panelist at last year's roundtable [on executive compensation disclosure] aptly analogized current Item 402 to an ice cream parlor that carries rum raisin and maple walnut; flavors desired by only a single customer. The proposed amendments would, if adopted, revise Item 402 to focus on an objective standard regarding needs of the reasonable investor, rather than on the specialized tastes of a specific investor." The outstanding question, then, is whether stakeholders will view these proposed amendments as a welcome return to vanilla and chocolate, or whether there is a strong desire for cookies and cream or mint chip, after all.

## REGULATORY BACKGROUND

While some compensation-related disclosure has been required under the SEC's rules since the 1930s, the scope of such disclosure has expanded dramatically over time. Following a series of rule amendments through the 1970s and 1980s, the SEC in 1992 adopted a disclosure approach weighted heavily toward formatted tables intended to capture and categorize the various elements of compensation. As compensation practices became more complex over time, the SEC further revised the executive compensation disclosure requirements in 2006, to include not only broad-based tabular disclosure requirements but also expanded narrative requirements to provide context for the tables, including the Compensation Discussion and Analysis ("CD&A"). Item 402 continued to expand over time, mainly due to new provisions required to be added in the wake of the financial crisis by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), including pay ratio, pay-versus-performance, and clawbacks disclosures, which have been widely judged as overly burdensome or complex. The result of these years of evolution is a disclosure regime that is frequently criticized as repetitive, complex, and costly for companies, while at the same time failing to clearly and effectively present material compensation information to investors.

In light of this, it has been a priority of the current SEC leadership to reconsider the existing executive compensation disclosure requirements and propose amendments that would provide investors with a more straightforward presentation of companies' compensation practices, while reducing complexity and the burdens on public companies. In June 2025, the SEC hosted a roundtable on executive compensation disclosure requirements (the "Roundtable") with representatives from public companies, their advisors, and

investors, focusing on executive compensation determinations and specific SEC disclosure requirements, and discussing potential improvements to make the disclosure more effective for both companies and investors.

In connection with the Roundtable, the SEC sought comment from the public on the executive compensation disclosure requirements, which has clearly informed the current proposals. Common themes raised by commenters included the complexity of the disclosure requirements and the costs and difficulties faced by companies in preparing the disclosures, along with questions about the usefulness of the current disclosures for investors.

## OBJECTIVE OF THE EXECUTIVE COMPENSATION DISCLOSURE RULES: PROPOSED ITEM 402(A)(1)

The SEC proposes to replace the current detailed, prescriptive executive compensation disclosure rules with a mostly principles-based approach. Proposed Item 402(a)(1) would state that the objective of Item 402 is to give investors material information relevant to an assessment of the compensation of the registrant's named executive officers ("NEOs") and directors.

If the new rules are adopted, some things would stay the same. As under current Item 402(a)(2), registrants would still need to provide clear, concise and understandable disclosure of compensation granted to, earned by or paid to NEOs and directors for all services rendered in all capacities to the registrant and its subsidiaries. The principles-based framing, however, would provide more flexibility to registrants while also evidencing an overall shift in tone away from some of the current rule's more mechanical statements and requirements. For example, the current rule says amounts reported for one year need not be reported again in the same way for a later year. The proposal would instead simply call for clear, concise and understandable disclosure, without addressing repetition.

In practice, Item 402 disclosure would center on three new tables covering compensation earned, compensation granted and the status of outstanding equity awards, without many of the detailed instructions and footnote requirements of the current rules. Registrants could provide any additional information relevant to the objective in whatever format they consider appropriate, including supplemental tables, extra columns in existing tables, footnotes or narrative disclosure. Separately, proposed Item 402(a)(5)(i) would require disclosure of any material information needed to understand the new tables.

The SEC expects this approach to lower compliance costs. It also expects registrants to be able to tailor their disclosure so it is more transparent about their pay practices and easier for investors to read.

## PERSONS COVERED: PROPOSED ITEM 402(A)(2)

The proposal would sharply narrow who is considered to be an NEO. Under the current disclosure requirements, NEO disclosure generally covers four groups: the principal executive officer ("PEO") and principal financial officer ("PFO"), regardless of compensation level; the three most highly compensated other executive officers serving at fiscal year-end; and up to two additional individuals who would have been included but for not serving as executive officers at year-end. Smaller reporting companies ("SRCs") and emerging growth companies ("EGCs") may cover a more limited group consisting of the PEO, the two most highly compensated other executive officers, and up to two former executive officers. Notably, the PFO is not separately required to be an NEO for SRCs and EGCs under the current rule.

For all registrants, the proposal would define NEOs as every individual who served as PEO or PFO, or acted in a similar capacity, during the last completed fiscal year. This would reduce the number of NEOs to two for most registrants, down from five or more for most registrants and three or more for SRCs and EGCs today. Interim, acting, dual or co-PEOs and PFOs would all count as NEOs. The narrower definition would apply throughout most of Item 402, including golden parachute and clawback disclosure.

The SEC explained that its focus on the PEO and PFO is based on the belief that disclosure about them is most material to investors, although it conceded that investors may also find compensation information about other executives useful. The PEO typically leads the business and corporate strategy and the PFO is responsible for financial management and financial reporting. The SEC expects the change to shorten disclosure and reduce the burden of preparing it. The proposal has several other features:

- **Voluntary additional disclosure:** A registrant could choose to include additional executives in its disclosure, as long as it provides complete responsive disclosure for each person.
- **Additional potential effects:** Fewer NEOs would mean less individual beneficial ownership disclosure under Item 403(b) of Regulation S-K, although group disclosure for directors and executive officers would continue. It could also limit when registrants can rely on the exception from related-person transaction disclosure in Item 404(a) for compensation reported under Item 402. In addition, because Items 5.02(b) and (e) of Form 8-K are tied to NEO status, departures of, and material compensatory arrangements with, executive officers other than the PEO and PFO would generally no longer trigger those items (the SEC estimates about 695 fewer Form 8-K filings per year), although Item 5.02(c) would continue to apply to the appointment of certain officers. The say-on-pay vote, which relates to NEO compensation, would likewise cover only the PEO and PFO.
- **Section 162(m):** Department of the Treasury staff informally advised that Section 162(m)'s deduction limit will continue to apply to the three most highly compensated other executive officers regardless of whether their compensation is reported, so registrants may still need to calculate such compensation for tax purposes.

## PRIMARY TABULAR DISCLOSURE REQUIREMENTS: PROPOSED ITEMS 402(B), (C) AND (D)

The SEC continues to believe that tabular disclosure is an efficient way to present executive compensation information and that a combination of tables and narrative remains a useful framework. The proposal would, however, consolidate the main tabular requirements into three new tables: the Earned Compensation Table, the Granted Compensation Table and the Status of Equity Awards Table. These would replace four current tables: the Summary Compensation Table, the Grants of Plan-Based Awards Table, the Outstanding Equity Awards at Fiscal Year-End Table and the Option Exercises and Stock Vested Table. The Pension Benefits Table and the Nonqualified Deferred Compensation Table would be eliminated, as discussed below.

The SEC intends the new tables to retain the material information in the current tables while streamlining and clarifying the presentation. To the extent information from an eliminated table is material, proposed Items 402(a)(1) and 402(a)(5)(i) would still require its disclosure, but registrants would have more flexibility with regard to presentation.

The central conceptual change is the splitting of the Summary Compensation Table, which currently combines compensation already earned, such as salary and annual bonus, with compensation granted but not yet earned, such as performance-based equity that may vest at a different level or not at all. As in the current rule, the Earned Compensation Table and the Granted Compensation Table would generally cover the last three completed fiscal years (two years for SRCs and EGCs).

### EARNED COMPENSATION TABLE

The Earned Compensation Table would capture compensation outcomes. It is intended to reflect "a comprehensive picture of all material compensation" earned in the covered fiscal years, including the value ultimately earned on equity awards granted in prior years. The table would have columns for Salary Earned, Non-Equity Awards Earned, Stock Awards Vested, Option Awards Exercised, Miscellaneous Compensation Received and Total Compensation Earned.

**Salary and non-equity awards**. The Salary Earned column would largely track the current Summary Compensation Table. The Non-Equity Awards Earned column would consolidate the current "Bonus" and "Non-equity incentive plan compensation" columns into a single column, reflecting the concerns of commenters that the current distinction is unnecessary and redundant. That column would cover annual bonuses, ad hoc bonuses such as signing and retention bonuses, non-equity incentive plan awards and earnings on outstanding awards. Registrants could still split the column, or disaggregate amounts in a supplemental table or footnotes.

**Equity awards**. Stock awards would be reported in the year that they vest, valued at the closing market price on the vesting date. Option awards would be reported in the year they are exercised, at the value realized on exercise. The SEC believes that value realized on exercise "may more fully reflect the economic value of the award" than intrinsic value at vesting. It also believes this approach is less burdensome than calculating fair value at vesting. The timing of option value in this table, and therefore in pay-versus-performance disclosure, would turn on the executive's exercise decisions. The SEC acknowledged that, given typical 10-year option terms, a single year's total may reflect performance over as many as 10 years, and that vesting- and exercise-date values can produce some misalignment between pay and performance. The SEC asked whether an alternative methodology would be more appropriate.

**Miscellaneous Compensation Received**. This column would consolidate the current "All other compensation" column with the current pension and nonqualified deferred compensation earnings column. It would include the following enumerated categories:

- perquisites, unless they total less than $150,000;
- tax gross-ups and other tax reimbursements, including on perquisites;
- the compensation cost of registrant securities purchased at a discount not generally available to all security holders or salaried employees;
- any exercise price or taxes on an option exercise paid by the registrant on the NEO's behalf;
- severance and change-in-control payments;
- registrant contributions to defined contribution and nonqualified deferred compensation plans;

- above-market or preferential earnings on nonqualified deferred compensation;
- life insurance premiums;
- service cost and prior service cost under defined benefit plans and SERPs (discussed below);
- dividends or other earnings paid on outstanding stock or option awards; and
- any other compensation the registrant determines is material or elects to disclose.

The enumerated categories would remain mandatory (subject to the perquisite threshold). Unlike the current rule, however, registrants would not need to analyze whether they have captured "all" compensation "regardless of the amount," so immaterial items outside the enumerated categories could be omitted. Registrants also would not need to provide detailed footnotes identifying each item.

**Pension benefits**. For defined benefit plans and SERPs, the column would report service cost and prior service cost for the year, an approach drawn from the current pay-versus-performance rule. It would no longer report the change in the present value of accumulated benefits. The SEC explained that changes in overall pension value can produce volatility from factors unrelated to the executive or the registrant's compensation decisions, such as changes in discount-rate or mortality assumptions. Registrants would use the same methodology as in their GAAP financial statements. This disclosure would be new for EGCs and SRCs, both of which may currently omit pension amounts.

Given the proposed elimination of the Pension Benefits Table and the Nonqualified Deferred Compensation Table, the SEC has asked whether footnotes should disclose two figures:

- the actuarial present value of accumulated pension benefits; and
- year-end nonqualified deferred compensation account balances.

The SEC estimates that about 17 percent of registrants report a pension plan, and about 42 percent a nonqualified deferred compensation plan, for their PEO. It acknowledges that these aggregate balances, even if material, may not fall within the proposal's materiality-based catch-alls.

### GRANTED COMPENSATION TABLE

The Granted Compensation Table would capture the primary elements of compensation granted in each covered fiscal year, generally at target value. Those elements are salary, non-equity awards and equity awards. The SEC describes the table as similar to the "total direct compensation" metrics that many registrants already present as reflecting the compensation intentions of the board and compensation committee. Unlike the Earned Compensation Table, it is not intended to provide a comprehensive picture of compensation.

**Salary and non-equity awards**. Salary would be reported at its annualized rate as of the last day of the fiscal year. The SEC views this as the closest analogue to target value, because it reflects any raises during the year. Non-equity awards would be reported at aggregate target value. The threshold and maximum amounts now shown in the Grants of Plan-Based Awards Table would not be required unless material to an understanding of the table. Unlike the current Grants of Plan-Based Awards Table, this would include discretionary bonuses and ad hoc awards such as signing and retention bonuses. A non-equity award would

generally be reported in the year granted. However, if the award was earned in an earlier year, such as an annual bonus granted in the first quarter of a fiscal year but earned in the prior fiscal year, it would be reported in that earlier year, so that an award is never shown as earned before it is shown as granted.

**Equity awards**. Equity awards would be reported at aggregate grant date fair value under ASC Topic 718, "except that it will be assumed that the award's target outcome(s) will be achieved." The target outcome would be achievement at the 100 percent level or, for an all-or-nothing award, full achievement. This departs from the current "probable outcome" standard. The SEC explained that the change would create consistency with how non-equity awards are reported, and may better reflect how registrants view the opportunity they are granting.

The SEC acknowledged that values in the table may differ from ASC 718 values in the financial statements. It noted this is particularly likely for awards with market conditions and for awards whose target outcome is not probable. Where target and probable outcomes diverge (as with a "moonshot" award, or an award very likely to pay out above target) and the divergence is material to an understanding of the table, supplemental disclosure would be required.

The SEC expects the change to matter little for awards with performance conditions because the target outcome is usually the probable outcome. For awards with market conditions, such as relative total shareholder return ("TSR") awards, it acknowledged that values may differ significantly from current values and would generally be less precise. It also noted that valuing market-condition stock awards at target, while options continue to be valued using techniques that reflect all possible outcomes, could distort the choice of award type.

**Election to report equity in the prior year**. A registrant would be able to elect to report an equity award in the fiscal year before the grant year if (i) the registrant considers the award to be for performance in that prior year and (ii) the award is granted in the first fiscal quarter of the grant year. A registrant making this election must apply it consistently across the covered years and disclose that it has done so.

### STATUS OF EQUITY AWARDS TABLE

The Status of Equity Awards Table is intended to bridge the gap between the other two tables. It would track each equity award from its first appearance in the Granted Compensation Table until it has been reflected as earned in the Earned Compensation Table or has fully expired. In effect, it would be a revised Outstanding Equity Awards at Fiscal Year-End Table that incorporates certain concepts from the Grants of Plan-Based Awards Table. The SEC explained that the table responds to investor comments that following a single award through its lifecycle currently requires "significant guesswork."

For each award, the table would report:

- grant date;
- award type;
- grant amount or range;

- end of the performance period, if applicable;
- final vesting date, if known;
- exercise price, if applicable;
- amount vested; and
- amount of options exercised or expired.

Each award would appear in its own row, and option tranches with different exercise prices or expiration dates would be shown separately. An award would remain in the table until it has been reported as fully vested (for stock) or fully exercised or expired (for options), so vested but unexercised options would continue to appear.

Notably, awards would be shown in numbers of shares rather than dollar values. Where a range of payouts is possible, each scenario would be labeled, for example, "Threshold: 25,000; Target: 100,000; Maximum: 200,000." The SEC described the year-end dollar values required today as "hypothetical." Share counts are intended to be clearer and more objective, and to eliminate the need for annual award-by-award revaluations.

Option expiration dates would not have their own column and would be disclosed only to the extent material. The SEC asked whether to add columns for expiration dates, performance period start dates and amounts earned but not yet vested.

The table would generally be stated as of fiscal year-end. If a registrant elects to report a first-quarter equity grant in the prior year, the table would instead be stated as of the end of that first quarter (or, if earlier, the latest practicable date). Registrants would also need to disclose the date as of which the table is presented, the vesting schedule of each award and the material terms of any performance, market or service conditions. They would have flexibility as to where and how to provide that information, including by describing a standard vesting schedule and any material deviations from it. As today, specific performance targets could be omitted where disclosure would cause competitive harm.

As proposed, the table would cover only equity awards. The SEC asked whether it should be expanded to include non-equity awards, and whether its estimate that only about four percent of registrants use long-term non-equity incentive awards is accurate.

The SEC provided a helpful illustrative example of how the new tables would work (see page 80 of the Proposing Release). Among other things, the example shows how a single option exercise can drive the Earned Compensation Table: the hypothetical CEO's 2027 Total Compensation Earned of about $25.4 million includes $14 million from exercising an option granted in 2020, compared with Total Compensation Granted of $15.6 million for the same year.

### STRUCTURED DATA REQUIREMENTS

The SEC proposed requiring large accelerated filers to tag the information in the three new tables in Inline XBRL in order to make compensation data easier to aggregate and compare across companies and over time, despite the potential increase in cost this might create. Other registrants would be able to tag the tables voluntarily. Footnotes and narrative disclosure would not need block text or detail tagging, and the current requirement for Inline XBRL tagging of pay-versus-performance disclosure under Item 402(v) and clawback disclosure under Item 402(w) would be eliminated.

## PERQUISITE DISCLOSURE REQUIREMENTS

The Commission previously provided interpretive guidance regarding the disclosure of perks and personal benefits for NEOs, including a two-part analysis. First, an item is not a perquisite if it is "integrally and directly related to the performance of an executive's duties," a concept the Commission described as a narrow one. Otherwise, an item is a perquisite if it "confers a direct or indirect benefit that has a personal aspect," without regard to whether it may be provided for some business reason or for the convenience of the registrant, unless it is generally available on a non-discriminatory basis to all employees. In addition, the Commission included a non-exhaustive list of examples that required disclosure as perquisites, such as personal security. Despite this guidance, companies have struggled with applying this test, and stakeholders often argued that it lacked flexibility and should be updated to account for today's circumstances.

In response, the Commission proposed (i) providing registrants with the flexibility to determine whether a benefit is "integrally and directly related" to the performance of an executive's duties, so long as the determination is reasonable and made in good faith, and (ii) clarifying that an item is a perquisite or personal benefit if the registrant, reasonably and in good faith, determines that it is not integrally and directly related to the performance of the executive's duties, and it confers a direct or indirect personal benefit to the executive, unless it is generally available on a non-discriminatory basis to all employees. If a registrant reasonably determines in good faith that an item is integrally and directly related to the performance of an executive's duties under (i) above, then there is no need to proceed to (ii). In regard to (ii), if there is no personal benefit, an item is not a perk, and a registrant may reasonably conclude that an item is generally available to all employees on a non-discriminatory basis if it is available to those employees to whom it may lawfully be provided. The proposed guidance would also eliminate the current statement that a business reason or the convenience of the registrant is irrelevant under the second prong.

Further, the Commission proposed removing all existing examples of perks, including that security provided at an executive's personal residence or during personal travel is a perquisite, so as to provide registrants with more freedom and flexibility in their decisions. The Commission also stated that, if the guidance is revised as proposed, registrants should look to the revised guidance, rather than prior administrative proceedings, to understand the Commission's current views on perquisites. However, the Commission specifically requested comment on this point, and asked whether guidance on common scenarios would be helpful, or would constrain registrants' ability to make their own determinations.

In addition to the above, the Commission proposed increasing the minimum aggregate reporting threshold for perks from $10,000 to $150,000 and creating a new *de minimis* threshold for reporting, below which individual perquisites would be excluded when considering whether the minimum aggregate reporting threshold is met and thus would not need to be tracked by the registrant. As proposed, the threshold would exclude any individual perquisite that is considered a *de minimis* fringe benefit under section 132(a)(4) of

the Internal Revenue Code, and registrants could choose whether to apply it. In combination, these changes are intended to reduce the compliance burden on registrants, while still providing valuable information to enable investors to understand the total compensation of NEOs. Importantly, the Commission also proposed eliminating the requirement that perquisites must be valued on the basis of the aggregate incremental cost to the registrant (although that method would remain permitted) so as to provide registrants with greater flexibility in how perquisites are valued, and to reduce burdens created by causing registrants to revalue perquisites already valued for federal income tax purposes.

## MATTERS WITH RESPECT TO PRESENTATION: INFORMATION NEEDED TO UNDERSTAND TABULAR DISCLOSURE, FLEXIBILITY IN PRESENTATION AND FOREIGN CURRENCY CONCERNS

Under current Item 402(e), registrants must provide a narrative description of any material factors necessary to understand the information disclosed in the Summary Compensation Table and the Grants of Plan-Based Awards Table; the rule further provides examples of such disclosure. Under proposed Item 402(a)(5)(i), registrants would be required to disclose any material information necessary to an understanding of the information disclosed under Item 402(b) (the Earned Compensation Table), Item 402(c) (the Granted Compensation Table), and Item 402(d) (the Status of Equity Awards Table). The format of such supplemental information would be up to the registrant, and the rule would no longer list example topics, but any material information necessary to understand the tables must be disclosed.

In addition, the Commission proposed providing registrants with flexibility in how they present tabular disclosures. Registrants would be able to omit a table or column in a table if there is no disclosure required, and to split a single column into multiple columns (or into a supplemental table) so long as the multiple columns (or supplemental table) are clearly labeled and in aggregate cover all items of compensation required to be reported. In support of this approach, the Commission pointed out that investors would be able to more clearly understand specific, clear disclosure, and companies would not need to provide tables (or columns) with no disclosure. In its request for comment, the Commission asked for feedback as to the proposed flexibility, as well as the potential impact on the usefulness of the disclosure to investors.

Lastly, as proposed, the amendments would retain the current requirement to report amounts in U.S. dollars, but expand this approach to all tables in Item 402.

## COMPENSATION DISCUSSION AND ANALYSIS: PROPOSED ITEM 402(E)

Currently, most registrants are required to provide a CD&A that discusses the compensation awarded to, earned by, or paid to the NEOs by the registrant, and explains all material elements of such compensation. The CD&A is intended to analyze and clarify the disclosure included in the compensation-related tables, as well as help investors to understand the registrant's approach to compensation and why compensation was paid. Registrants need to address seven topics; the current rule also includes a list of 15 example topics that may be material for discussion, depending on specific facts and circumstances.

The proposed revisions would enable registrants to provide more specific, principles-based disclosure covering (i) the objectives of a compensation program in relation to corporate strategy, (ii) the material elements of compensation and how those amounts are determined and (iii) if applicable, whether the registrant has considered the results of the most recent say-on-pay vote in determining compensation

policies and decisions and, if so, how that consideration has impacted its policies and decisions. The SEC expects the simplified approach to shorten CD&A and eliminate repetitive disclosure, as well as provide material information about compensation decisions and objectives to investors. The 15 existing example discussion topics would be eliminated, in order to eliminate any idea that companies "need" to address all 15.

The Commission also proposed revising the instructions to Item 402(e), including by adding new requirements for non-GAAP measures. Specifically, proposed Instruction 2 to Item 402 would provide that disclosure of a target level or company-selected financial performance measure that is a non-GAAP financial measure will not be subject to Regulation G or Item 10(e), but any such measure that is based on historical financial results (including performance, financial position, or cash flows) must be accompanied by a quantitative reconciliation of the differences between the non-GAAP financial measure and the most directly comparable GAAP financial measure. Disclosure of target levels that are non-GAAP financial measures based on projections (i.e., not based on historical financial results) must instead include a narrative description of how the non-GAAP financial measure is calculated from the registrant's audited financial statements. In addition, any disclosure of a non-GAAP target level or company-selected financial performance measure, whether historical or projected, must explain why the registrant believes the non-GAAP financial measure is more appropriate than a GAAP financial measure for (i) determining executive compensation or (ii) showing the relationship between executive compensation and company performance, as applicable. Under proposed Instruction 1 to Item 402, registrants would be permitted to omit disclosure of target levels that involve confidential trade secrets or confidential commercial or financial information where disclosure could result in competitive harm.

## PAY-VERSUS-PERFORMANCE DISCLOSURE REQUIREMENTS: PROPOSED ITEM 402(F)

The Commission also proposed revising the current pay-versus-performance disclosure. This disclosure, which is required by Section 953(a) of the Dodd-Frank Act, currently requires disclosure of, for each of the previous five fiscal years (three for SRCs), the relationship between the value of Compensation Actually Paid (a complex calculation to be completed by the registrant) and the value of specific financial performance measures: net income, the cumulative TSR of the registrant, and a measure selected by the registrant (a "Company-Selected Measure"), as well as peer group TSR. Notably, a registrant must provide an additional tabular list of the names of three to seven financial performance measures used by it to link Compensation Actually Paid to the registrant's NEOs during the last fiscal year to company performance (a "Tabular List").

The proposed amendments would replace the Compensation Actually Paid measure with Total Compensation Earned, as presented in the Earned Compensation Table (discussed above), eliminating the need for an additional calculation. Using this measure, which reflects compensation actually paid to and received by NEOs, is intended to align more closely with the intent of the disclosure required by Section 953(a), as well as provide investors with a clearer picture of what an NEO actually took home from the registrant during the relevant time period and how that aligns with company results. In addition, all performance measures, including the Tabular List, other than the registrant's cumulative TSR would be eliminated or made optional on the ground that cumulative TSR is an "understandable" financial performance measure that "ultimately represents the core of shareholder value," in that it reflects the registrant's financial performance and often impacts executive compensation and investor value.

Further, disclosure would be limited to information about the PEO and PFO instead of, as currently required, the PEO and, on an average basis, the other NEOs. This proposed change reflects the fact that the averaging calculations can be time-consuming and burdensome for companies, make it difficult to clearly reflect elements of individual compensation, and lead to very lengthy disclosure. Lastly, the time period would be reduced from five years to three, consistent with most other Item 402 disclosure requirements and with commenters' views that a five-year horizon does not reflect the way boards of directors approach executive compensation.

## "CLAWBACKS" DISCLOSURE: PROPOSED ITEM 402(G)

Exchange Act Rule 10D-1 mandates that stock exchanges implement rules to require registrants to adopt policies to recover incentive-based compensation from executive officers following a restatement of the registrant's financial statements (a "Clawback Policy"). Under current Item 402(w), if a restatement required recovery, the registrant must disclose information about the recovery, including the amount of erroneously awarded compensation; if a restatement did not require recovery, the registrant must briefly explain why application of its Clawback Policy resulted in that conclusion. The SEC proposed eliminating the second requirement, so that a registrant would not be required to disclose the reasons that it was not required to recover the incentive-based compensation under its Clawback Policy. Among other explanations, the SEC noted that the disclosure has become boilerplate and not informative, and views the requirement that registrants disclose when they are required to recover incentive-based compensation as more material and helpful. The remaining requirements would be renumbered as proposed Item 402(g).

In addition, the SEC proposed amending Item 402(w)(1)(ii), pursuant to which registrants that determine recovery would be impracticable are currently required to disclose the amount of recovery forgone separately for each current and former NEO and for all other current and former executive officers as a group, to require disclosure of only the aggregate amount of recovery forgone.

Finally, the SEC proposed removing the check boxes on the cover of Forms 10-K, 20-F and 40-F, which indicate whether there has been a correction to an error made in previously filed financial statements and whether the correction amounts to a restatement that requires a recovery analysis of executive officers' incentive-based compensation. The SEC explained that the check boxes appear to have created confusion for registrants and that every error correction, whether or not required, currently must be conveyed by the check boxes, which may disincentivize voluntary corrections from being made. Disclosure of actions taken to recover erroneously awarded incentive-based compensation would still be required under proposed Item 402(g).

Lastly, the SEC proposed making conforming changes to Form N-CSR, Form 20-F and Form 40-F.

## PAY RATIO DISCLOSURE REQUIREMENTS: PROPOSED ITEM 402(H)

Currently, Item 402(u) requires a registrant to disclose the ratio between the annual compensation of its PEO and that of a median employee in accordance with the methodology required for reporting compensation in the Summary Compensation Table, referred to as the "pay ratio." Registrants are currently required to identify the median employee at least once every three years among all of their employees and those of their consolidated subsidiaries, including part-time, seasonal and temporary employees in the U.S. or abroad, subject to certain exclusions, and disclose the related methodologies and calculations.

The key changes the SEC proposed are as follows:

- Limiting the employee population to full-time employees based in the U.S. or its territories, excluding temporary and seasonal workers (and without the current express carve-out for independent contractors and leased workers, which the SEC views as unnecessary because such workers are understood not to be employees), and streamlining related guidance and disclosure requirements;
- Aligning the approach to the determination of the PEO's and median employee's compensation with the proposed revisions to the tabular presentation of executive compensation; and
- Decreasing the frequency with which the median employee is identified from every three years to five years.

The SEC is seeking to reduce the burden of tracking and measuring the compensation of foreign, part-time and seasonal employees and to enhance comparability across registrants. In 2015, the Commission interpreted the statute as intended to facilitate shareholder engagement with executive compensation, particularly say-on-pay voting, but the SEC now believes that comparisons to other U.S. earners may be more useful since these employees are subject to the same employment and compensation laws and standards, including minimum and overtime wage laws, as well as anti-discrimination laws. The SEC plans to rely on its exemptive authority to narrow the employee population and to replace the statutory reference to Summary Compensation Table total compensation, and it tentatively concludes that the 2015 Commission's suggestion that a company-specific metric would better facilitate shareholder engagement was incorrect.

In addition, the revisions to compensation calculations would exclude pension benefits and the information currently in the "all other compensation" column, which includes all other compensation not otherwise covered, personal benefits, property above a certain dollar amount, and tax reimbursements or payments, among other forms of compensation. The SEC noted that tracking these items for non-executive employees is generally not standard practice, so excluding them would make reporting less burdensome while still providing a reasonable basis for comparison that includes the material elements of compensation.

The SEC also proposed eliminating the instructions and requirements therein related to the identification of the median employee, the process registrants use to identify the median employee and the exclusion of certain employees with respect thereto, and instead allowing registrants to use any reasonable methods or adjustments, including annualizing compensation for employees employed for less than a year, and the use of estimates to identify the median employee and calculate the annual total compensation of employees, excluding the PEO. By eliminating these instructions, the SEC seeks to give registrants flexibility in developing a methodology and disclosure that is appropriate for their circumstances. Lastly, due to the significant simplification of the proposed rules, the transition periods for registrants that lose SRC or EGC status or that newly become reporting companies are viewed as no longer necessary.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL: PROPOSED ITEM 402(I)

The SEC proposed eliminating certain of the prescriptive quantitative requirements related to potential payments and benefits to NEOs when an NEO is terminated or a change in control occurs required under current Item 402(j). Instead, as proposed, this disclosure would be replaced with qualitative disclosure of the

material terms of such arrangements for PEOs and PFOs serving during the last completed fiscal year, while maintaining the existing exclusion for contracts, agreements, plans or arrangements that do not discriminate in scope, terms or operation in favor of executive officers and are available generally to all salaried employees. In addition, this information may be omitted if the registrant already provided it under Item 5.02 of Form 8-K. SRCs and EGCs would also be subject to proposed Item 402(i), in place of the similar narrative requirement in current Item 402(q)(2). The Commission aims to eliminate burdensome disclosure that requires registrants to perform costly and extensive calculations based on hypothetical situations in favor of disclosing only the terms of such arrangements that are likely to be material.

## GOLDEN PARACHUTE COMPENSATION: PROPOSED ITEM 402(J)

The SEC proposed amending Item 402(t) related to the NEO golden parachute compensation disclosure to streamline the tabular disclosure and provide more flexibility with respect to the narrative disclosure. Registrants must currently disclose: NEO name, aggregate dollar value of severance payments (including base salary, bonus, pro-rated non-equity incentive compensation, among other payments), information about vested and accelerated securities and payments in cancellation of securities, value of pensions and similar benefits, value of personal benefits, tax reimbursements and any other miscellaneous payments related to the transaction. In addition, a registrant is required to provide a narrative description of the material factors necessary to understand each arrangement and payment, including triggers for payment, whether the payment is lump sum or paid over time and by whom and any conditions agreed to by the NEO.

The SEC proposed replacing this table with a table that discloses cash, equity and miscellaneous payments for each NEO, consolidating several of the current separate columns into one miscellaneous column and retaining the instructions related to the columns that will not change. The proposed rule requires tabular disclosure of material information related to any type of compensation that is relevant to an assessment of any agreement or understanding, whether written or unwritten, between an NEO and the acquiring company or target company. The miscellaneous column would require disclosure of any other material compensation related to the transaction not reported elsewhere in the table. The SEC encourages registrants to base the materiality determination on the specific facts and circumstances and seeks to remove (i) mandatory footnotes to the table, (ii) the requirement that new tables be added for new arrangements (although new or revised arrangements would still need to be separately disclosed, without a required tabular format) and (iii) the list of example material factors necessary to understand the compensation being disclosed. The SEC notes that registrants would still be required to provide a narrative disclosure of material information necessary to understand the payments, but that the rule would no longer pre-determine what specific information is material and will instead leave that to the registrant to determine based on the circumstances.

## COMPENSATION OF DIRECTORS: PROPOSED ITEM 402(K)

The SEC proposed amending the requirements in Item 402(k) related to the Director Compensation Table, including by retaining cash, equity and other material compensation but removing required disclosure related to the change in value of pension plans, earnings on nonqualified deferred compensation and total director compensation, in addition to removing the mandatory tabular presentation requirement and the inclusion of a list of all other compensation. Under the proposed rule, the material quantitative information

currently required to be disclosed would largely be retained, but the registrant could present such information in either a tabular or narrative format.

The key characteristics of the proposal include: (i) separate quantification of the cash and equity retainers for board, committee, chairmanship, and other director services, (ii) specific disclosure of the aggregate dollar amount of all cash earned by directors, intended to cover cash compensation and non-equity incentive plan earnings, (iii) disclosure of the value of stock and option awards, valued at the dollar value realized upon the vesting of stock awards and exercise of option awards, instead of the value of the equity award at the grant date fair value under FASB ASC Topic 718, and (iv) a catch-all for other compensation, limited to material amounts.

As proposed, the Commission aims to update the disclosure to reflect current compensation practices and, therefore, would also eliminate required disclosure of compensation in the form of pension plans and earnings on nonqualified deferred compensation plans, since this type of compensation has become less common, but would require such information to be disclosed as miscellaneous compensation if material. Where a director also serves as a PEO or PFO, any amounts received for service as a director would be disclosed here, separately from the PEO and PFO compensation disclosure included in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table.

The SEC noted that the proposed rules would continue to require registrants to provide certain information about outstanding equity awards held by directors under Item 402(k)(2)(iii), including the number of equity awards outstanding as of the end of the last fiscal year, the grant date of each award, vesting schedule and other material terms of any performance, market or service conditions to vesting.

The SEC explained that this disclosure would not be as detailed as the disclosure of PEO and PFO compensation, but that it would reflect the less complicated nature and material elements of director compensation and contain the details necessary for investors to understand the status of director equity awards.

## SCALED DISCLOSURE: PROPOSED ITEM 402(A)(6)

The Commission noted that, earlier in 2026, it proposed extending to the entire proposed non-accelerated filer ("NAF") category the accommodations that are currently available to SRCs and EGCs; thus, the Commission is not proposing to change the existing SRC and EGC exemptions in this Proposing Release. Currently, scaled disclosure requirements are set forth in parallel disclosure for EGCs and SRCs under Item 402. These provisions are proposed to be consolidated into proposed Item 402(a)(6)(i) for SRCs and proposed Item 402(a)(6)(ii) for EGCs, which would reduce the length and complexity of Item 402 by addressing the accommodations for SRCs and EGCs each in a single paragraph. SRCs and EGCs would remain exempt from CD&A and pay ratio disclosure, and EGCs from pay-versus-performance and golden parachute disclosure. However, SRCs and EGCs would now provide the same three tables as other registrants (with two years of data in the Earned Compensation Table and the Granted Compensation Table), including stock vesting and option exercise values and pension service costs, would include the PFO as an NEO, and would provide termination and change-in-control disclosure under proposed Item 402(i).

## SECTIONS OF CURRENT RULES PROPOSED TO BE RETAINED

The SEC proposed retaining a minority of sections of the current rule generally as-is, including requirements for foreign private issuers, the requirement to provide information for a full fiscal year, and definitions in Item 402(a)(6). Each section would be slightly updated to reflect the other proposed changes to Item 402.

## SECTIONS OF CURRENT RULES NOT PROPOSED TO BE RETAINED

Conversely, the SEC proposed eliminating the Pension Benefits Table currently required under Item 402(h) and the Nonqualified Deferred Compensation Table currently required under Item 402(i). This change is based on the belief that the information most likely to be material for investors with respect to these items is the incremental amount earned during the fiscal year, and such amounts would be required to be disclosed in the Miscellaneous Compensation Received column of the Earned Compensation Table. The SEC therefore believes that the information most likely to be material would continue to be disclosed, although it requests comment on whether accumulated pension benefits and deferred compensation balances should be disclosed in footnotes.

The SEC proposed eliminating two narrative requirements entirely: the Item 402(s) disclosure of compensation policies and practices as they relate to risk management, and the Item 402(x) disclosure regarding the timing of option grants close in time to the release of material nonpublic information. The SEC noted that, if a registrant has engaged in "spring-loading" or "bullet-dodging" with respect to option awards presented as granted at-the-money, proposed Item 402(a)(5)(i) would require disclosure of the relevant facts and circumstances if material to understanding the disclosed awards.

## TIMING OF EXECUTIVE COMPENSATION DISCLOSURE IN REGISTRATION STATEMENTS

Today, Item 402 disclosure is required in "long form" registration statements on Forms S-1, S-4, S-11, 10 and N-2. Because these forms require Item 402 disclosure for the last completed fiscal year, any of these forms filed on or after the first day of a new fiscal year must include compensation disclosure for the year that just ended, even if the filing is made the day after fiscal year-end, which is challenging for registrants and can, in some cases, delay offerings and capital-raising transactions. However, short-form registration statements on Forms S-3 and S-8 do not require Item 402 disclosure, so, by operation of various securities law rules and instructions, an eligible registrant can have a Form S-3 declared effective without current-year compensation disclosure for up to 120 days after fiscal year-end.

To close this gap, the proposal would amend Forms S-1, S-4, S-11, 10 and N-2 so that a registrant would not have to provide Item 402 disclosure for the most recently completed fiscal year until the earlier of (i) the date the registrant otherwise discloses the information in a filing under Exchange Act Section 13(a), 14 or 15(d) or (ii) 120 days after fiscal year-end. (Although the Proposing Release's discussion refers to the "later of" these dates, the proposed form amendments and the related request for comment use "earlier of.") The proposal has several key features:

- **Look-back period:** A filing that omits the most recent fiscal year would still have to cover the required number of years, counted back from the year immediately before the omitted one.

- **Pre-effective amendment:** If the registration statement would go effective after the deadline for the omitted disclosure, the registrant must file a pre-effective amendment that includes it, whether the filing will go effective automatically by operation of statute or via an acceleration request.
- **Form S-4 carve-out:** The changes do not apply to a Form S-4 to the extent the registrant or the target is eligible to use Form S-3 and incorporates Item 402 disclosure by reference.
- **Salary and bonus relief eliminated:** Since all registrants will have up to 120 days to include compensation information in a registration statement, the SEC proposes to eliminate the instructions that currently let registrants omit salary or bonus amounts that cannot yet be calculated and report them later on Form 8-K as no longer necessary. As a result, Item 5.02(f) of Form 8-K, requiring this disclosure, would also be eliminated.

## COMPLIANCE DATE

If adopted, the amendments would take effect on the first January 1 after the adopting release is published in the Federal Register, in order to give registrants time to prepare. Registrants would have to apply the amendments for their first full fiscal year ending on or after the effective date, which the release calls the "mandatory compliance date." For registration statements and prospectuses, the amendments would apply to any registration statement or prospectus that, on its initial filing date, must contain financial statements for a fiscal year ending on or after the effective date. However, at any time after the effective date, a registrant could choose to provide disclosure under the amended rules, as long as it provides disclosure responsive to the amended item in its entirety.

Among other requests for comments, the SEC asked whether any special transition provisions are needed, and whether the new Earned Compensation Table and Granted Compensation Table should be phased in. Under one approach, the first filing under the new rules would report only the last completed fiscal year. The tables would then build up over two years for SRCs and three years for all other registrants.

## REQUESTS FOR COMMENT

There are almost 150 requests for comment in the Proposing Release, ranging from high-level questions about the approach to executive compensation disclosure overall to specifics, such as whether to adopt given Items as proposed, which executive officers should be covered by the disclosure, appropriate time periods for which to require disclosure and other points about the thresholds and examples throughout the Proposing Release. Comments may also address other matters that could affect the proposed amendments and suggest further changes. As Commissioner Uyeda noted, "[t]hese proposed modernizations aim to provide registrants with greater flexibility to tailor disclosures to their compensation programs, while ensuring that investors receive the information most relevant to their investment and voting decisions." Commenters will opine on that and more in what is sure to be an interesting and voluminous comment file, given the importance of this disclosure to companies, investors, and other stakeholders. The SEC notes that comments are most helpful when they include supporting data, analysis of the issues raised and, where appropriate, alternatives to the proposals.

Read the Proposing Release. Comments are due 60 days after publication of the Proposing Release in the Federal Register and can be submitted (i) via the comment form on the SEC's website, (ii) via e-mail to rule-

comments@sec.gov, including File Number S7-2026-39 on the subject line, or (iii) on paper to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

Read Chairman Atkins' Statement and Commissioner Uyeda's Statement.

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**Comparison of Current and Proposed Regulation S-K Item 402**

| Current Rule | Proposed Rule Addressing Similar Topic | Summary of Treatment of Topic Under Proposed Rule as Compared to Current Rule |
|---|---|---|
| Item 402(c) – Summary compensation table | Item 402(b) – Earned Compensation Table; Item 402(c) – Granted Compensation Table | Would split disclosure currently in the Summary Compensation Table into two tables:<br>• The Earned Compensation Table covering compensation earned during the fiscal years covered, including the value realized on previous equity awards; and<br>• The Granted Compensation Table covering primary compensation elements granted during the fiscal years covered (generally at target value) and reflecting compensation inputs consistently with a registrant's compensation intentions. |
| Item 402(d) – Grants of plan-based awards table | Item 402(c) – Granted Compensation Table; Item 402(d) – Status of Equity Awards Table | Would retain certain concepts currently used by the Grants of Plan-Based Awards Table in the Granted Compensation Table and Status of Equity Awards Table. |
| Item 402(e) – Narrative disclosure to summary compensation table and grants of plan-based awards table | Item 402(a)(5)(i) – Information necessary to understanding tables | Would incorporate certain concepts from current Item 402(e) into proposed Item 402(a)(5)(i). |
| Item 402(f) – Outstanding equity awards at fiscal year-end table | Item 402(d) – Status of Equity Awards Table | Would create a Status of Equity Awards Table to provide disclosure relating to equity awards that are currently in the Outstanding Equity Awards at Fiscal Year-End Table and incorporate certain concepts currently used by the Grants of Plan-Based Awards Table. |
| Item 402(g) – Option exercises and stock vested table | Item 402(b) – Earned Compensation Table | Would retain only certain concepts currently used by the Option Exercises and Stock Vested Table for the Earned Compensation Table. |

| Current Rule | Proposed Rule Addressing Similar Topic | Summary of Treatment of Topic Under Proposed Rule as Compared to Current Rule |
|---|---|---|
| Item 402(h) – Pension benefits table | N/A | Eliminated. |
| Item 402(i) – Nonqualified deferred compensation table | N/A | Eliminated. |
| Item 402(j) – Potential payments upon termination or change-in-control | Item 402(i) – Potential payments upon termination or change-in-control | Would eliminate the requirement to quantify potential payments and benefits in termination or change-in-control scenarios, and limit the requirement to provide qualitative disclosures to the material terms of arrangements that provide for payments or benefits in connection with such scenarios; would also apply to SRCs and EGCs. |
| Item 402(k) – Compensation of directors | Item 402(k) – Compensation of directors | Would (i) eliminate the requirement for a prescribed tabular format for quantitative director compensation disclosures; (ii) limit quantified cash and equity disclosure to compensation earned during the last completed fiscal year (including with regard to previous equity awards) while eliminating the requirement for pension-related compensation disclosure and nonqualified deferred compensation; and (iii) provide for a principles-based narrative requirement to describe the material aspects of compensation of directors and other material compensation for the last completed fiscal year. |
| Item 402(l) through 402(r) – SRCs and EGCs | Item 402(a)(6)(i) and (ii) – SRCs and EGCs | Would simplify the treatment of SRCs and EGCs and eliminate repeat disclosure requirements, and continue to provide scaling and exemptions from certain Dodd-Frank Act provisions. |
| Item 402(s) – Narrative disclosure of registrant's compensation policies and practices as they relate to risk management | N/A | Eliminated. |

| Current Rule | Proposed Rule Addressing Similar Topic | Summary of Treatment of Topic Under Proposed Rule as Compared to Current Rule |
|---|---|---|
| Item 402(t) – Golden parachute compensation | Item 402(j) – Golden parachute compensation | Would consolidate several columns in the current Golden Parachute Compensation Table and streamline narrative disclosure requirements. |
| Item 402(u) – Pay ratio disclosure | Item 402(h) – Pay ratio disclosure | Would (i) limit the population from which the median employee is identified to full-time, U.S.-based employees; (ii) use the proposed Granted Compensation Table to determine PEO and median employee compensation; and (iii) reduce the required frequency for identifying a new median employee to once every five years. |
| Item 402(v) – Pay-versus-performance | Item 402(f) – Pay-versus-performance | Would (i) use the amount from the Total Compensation Earned column of the proposed Earned Compensation Table for "Compensation Actually Paid"; (ii) limit the disclosure period to three years for all registrants; (iii) limit required disclosure to PEO and PFO compensation; and (iv) limit required performance measure disclosure to only cumulative TSR. |
| Item 402(w) – Disclosure of action to recover erroneously awarded compensation | Item 402(g) – Disclosure of action to recover erroneously awarded compensation | Would (i) remove the requirement to explain, where applicable, why the registrant concluded that recovery of erroneously awarded compensation was not required and (ii) remove both related check boxes from annual reports' cover pages. |
| Item 402(x) – Disclosure of policies and practices related to the grant of certain equity awards close in time to the release of material nonpublic information | N/A | Eliminated. |




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