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CLIENT ALERT | U.S. PUBLIC COMPANY ADVISORY

SEC PROPOSES COMPREHENSIVE CHANGES TO EXECUTIVE COMPENSATION DISCLOSURE RULES

On November 13, 2026, the U.S. Securities and Exchange Commission ("SEC") proposed long-awaited changes to streamline and simplify executive and director compensation disclosure requirements under Item 402 of Regulation S-K.[1] The proposal is designed to make these disclosures "more principles-based and materiality-driven," providing investors with "clearer, more concise, and less complex disclosures" and giving companies flexibility to present their compensation programs in a manner consistent with their boards' and compensation committees' intentions. The SEC also indicated its goal of improving investors' ability to track equity awards through their lifecycle.

The proposal would:

- Limit the named executive officers ("NEOs") to the principal executive officer ("PEO") and principal financial officer ("PFO").
- Consolidate and revise the main tabular executive compensation disclosure requirements into three new tables.
- Significantly revise the SEC's interpretive guidance with respect to perquisites.
- Make the Compensation Discussion and Analysis ("CD&A") requirement more principles based and reduce the number of topics required to be discussed.
- Simplify disclosure and reduce burdens arising from pay-versus-performance, clawbacks, and pay ratio disclosure requirements.
- Revise the director compensation disclosure requirements to make them more principles based.
- Eliminate several current disclosure requirements—including the Pension Benefits and Nonqualified Deferred Compensation Tables, prescribed disclosure of hypothetical termination and change-in-control payments, and the compensation-risk and option-grant-timing disclosures.
- Give long-form registration statement filers up to 120 days after fiscal year-end to provide the prior year's executive compensation disclosure.

The proposal does not include specific additional accommodations for emerging growth companies ("EGCs") and smaller reporting companies ("SRCs") beyond those provided under the current disclosure regime, in light of the SEC's proposed expansion of scaled disclosure requirements, which, if adopted, would extend any Item 402 accommodations to all non-accelerated filers.

Chairman Paul S. Atkins framed the proposal, which is the most comprehensive revision of the executive compensation disclosure regime in 20 years, as part of a shift toward a disclosure regime rooted in materiality and focused on an "objective standard regarding needs of the reasonable investor, rather than on the specialized tastes of a specific

[1] The proposed rule changes are available at: Proposed rule: Executive Compensation Disclosure Reform. The fact sheet is available at: 33-11455-fact-sheet.pdf and the SEC's press release is available at: SEC.gov | SEC Proposes Executive and Director Compensation Disclosure Reforms.

investor." He emphasized reducing compliance burdens while remaining faithful to congressionally mandated disclosures, describing his approach as "prescribing the minimum effective dose of regulation."[2]

PROPOSED COMPLIANCE DATES

As proposed, the amendments would become effective on the next January 1 after publication of the adopting release in the Federal Register (for example, January 1, 2028, if the adopting release is published during 2027), and companies would be required to apply them for their first full fiscal year ending on or after the effective date. The amendments would also apply to any registration statement or prospectus that, on its initial filing date, is required to contain financial statements for a fiscal year ending on or after the effective date.

After the effective date, companies could elect to comply early, so long as they provide disclosure responsive to the amended item in its entirety. For a calendar-year company, publication of final rules in 2027 would mean mandatory compliance beginning with the proxy statement filed in 2029 (covering fiscal 2028), with the option to apply the new rules one year earlier, in the 2028 proxy statement. As proposed, there does not appear to be a phase-in: the proposed new Earned Compensation Table and Granted Compensation Table would require three fiscal years of data in the new format from the outset (two for SRCs and EGCs), so the 2029 proxy statement would present fiscal 2026 through 2028 on the new basis. The SEC has asked whether transition relief is needed.

KEY ASPECTS OF THE PROPOSED CHANGES

1. FEWER COVERED EXECUTIVES: TWO INSTEAD OF FIVE

The proposal would limit NEOs to individuals who served as PEO or PFO during the last completed fiscal year.[3] That would generally reduce the group from five or more executives to two, unless there were leadership changes during the fiscal year, which could increase that number, as companies would need to capture the compensation for any outgoing, interim and incoming PEO or PFO.[4] This change would significantly decrease the number of NEOs and focus the CD&A and other disclosure on PEO and PFO compensation, and remove the focus on departed executive officers outside the PEO and PFO.

The proposed changes to the NEO definition would also have the effect of limiting the scope of Form 8-K Items 5.02(b) and 5.02(e) filings disclosing departures and material changes in executive compensation of NEOs, making these disclosures required only for the PEO and PFO (as well as, in the case of departures, as is currently the case, the chief accounting officer, principal operating officer and president). These changes would also reduce the number of executives for whom security ownership disclosure would be required on an individual basis under Regulation S-K Item 403(b). [5]

2. PRIMARY TABULAR DISCLOSURE REQUIREMENTS: THREE INSTEAD OF SIX

The proposal would create three primary executive compensation tables that would replace certain tabular disclosure requirements under the current rules (the Summary Compensation Table and Outstanding Equity Awards at Fiscal Year-End Table currently applicable to all companies, and the Grants of Plan-Based Awards Table and Option Exercises and

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2 Chairman Atkins's statement is available at: SEC.gov | Statement on Proposing Release for Executive Compensation Disclosure Reform.

3 A company could voluntarily present additional executives in the proposed new compensation tables without those individuals becoming NEOs for other purposes (e.g., Form 8-K disclosures), but the company must then include such additional individuals in all three tables.

4 The proposal does not purport to impact the Internal Revenue Code (IRC), including the § 162(m) $1 million deduction limit, which would continue to apply to the executive officers and employees described therein, whether or not their compensation is required to be reported. Companies would therefore still need to identify and rank their executive officers' compensation each year for tax purposes, even though the resulting information would no longer appear in the proxy statement.

5 The general "executive officer" definition in other contexts (e.g., Section 16, biographies, claw-back policy, related party transaction disclosures, Rule 144 "affiliate" status and prohibited personal loans under Sarbanes-Oxley) would remain unchanged. Additionally, the following other disclosures regarding non-NEO executive officers would continue to be required: the requirement to file as exhibits to periodic reports their compensatory agreements, unless immaterial in amount or significance (under Item 601(b)(10) of Regulation S-K); the requirement to disclose in the annual report on Form 10-K or annual meeting proxy statement, as applicable, their beneficial ownership as a group along with current directors (under Item 403); and the requirement to disclose in applicable proxy proposals their new plan benefits as a group (under Item 10 of Schedule 14A). However, in all these places where disclosure about NEOs is currently required on an individual basis and disclosure about non-NEO executive officers is required on a group basis, the proposed rules would mean shortened disclosures given a smaller number of NEOs.

Stock Vested Table currently applicable to companies that are not eligible for scaled disclosures)[6]. The proposal would also entirely eliminate the Pension Benefits Table and the Nonqualified Deferred Compensation Table (both currently applicable to companies that are not eligible for scaled disclosures).

Under the proposal, companies would instead be required to include the following tables:

- **Earned Compensation Table:** This table would report the material compensation *earned* by each NEO for the covered years, including base salary earned, non-equity awards (including discretionary awards and those under incentive plans, consolidated into one value) earned,[7] equity awards earned, retirement contributions, and reportable perquisites and other compensation paid (such as gross-ups and severance). Stock awards would be treated as "earned" when vested, and options would be treated as earned when exercised, in order to communicate compensation outcomes by showing the value ultimately earned during the covered year on equity awards granted in prior years. This table would generally cover three fiscal years, or two for SRCs and EGCs.
- **Granted Compensation Table:** This table would report the primary elements of compensation *granted* to the NEO for each covered fiscal year, even if a different amount was ultimately earned. These elements would include annualized base salary (based on the salary level in effect at year end), as well as cash awards (including discretionary awards and those under cash bonus plans) and equity awards granted in the year at grant date fair value computed in accordance with ASC Topic 718, shown typically at target value (rather than, specifically for performance stock units, the current approach of reporting at probable outcome).[8] One objective of including a Granted Compensation Table is to avoid the current inconsistent approach in the Summary Compensation Table of showing cash incentive awards at their earned value and equity awards at their grant date value. This table would generally cover three fiscal years, or two for SRCs and EGCs.
- **Status of Equity Awards Table:** This table would cover award-by-award tracking from an equity award's initial inclusion in the Granted Compensation Table until after it is reported in the Earned Compensation Table as fully vested (for stock awards) or fully exercised or expired (for options), in order to make it easier for investors to track equity awards through their lifecycle. Each award would appear in its own row, and the table would show the share numbers (including the threshold, target and maximum range for performance awards) rather than dollar values, so no year-end revaluation would be required. Vesting schedules and the material terms of performance, market or service conditions would be disclosed in any location the company chooses, including the CD&A.

The proposed rules also provide for flexibility in how the information is reported in the tables, including express authority to omit a table or column if no compensation is required to be reported in that table or column and to split a column into

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[6] Summary of information currently required in these tables:

- **Summary Compensation Table**: aims to capture the primary elements of compensation paid or granted to NEOs and provide a basis for the remaining tables, including: (i) base salary earned; (ii) discretionary bonus earned (even if paid in a subsequent FY); (iii) non-discretionary cash bonus earned in FY (and earnings on outstanding awards); (iv) equity awards granted in FY, showing grant date fair value; and (v) perks and certain other specific compensation (e.g., deferred compensation earnings, 401(k) matches) (companies not eligible for scaled disclosure requirements must also include change in pension values).
- **Grants of Plan-Based Awards**: (i) non-discretionary cash bonus granted in FY, showing dollar value at threshold, target and maximum performance; and (ii) equity awards granted in FY, showing grant date fair value at threshold, target and maximum performance.
- **Outstanding Equity Awards Table**: value of all equity awards outstanding at end of FY, based on amounts vested/unvested or earned/unearned and value of underlying equity.
- **Options Exercised and Stock Vested**: number and value at vesting date of stock awards vested during FY and number and value at exercise date of options exercised during FY.

[7] Proposed Item 402(b)(2)(iv) would require the disclosure of the aggregate dollar value of non-equity awards (including annual cash bonuses, ad hoc cash bonuses, such as signing and retention bonuses, and non-equity incentive plan awards) earned by the NEO during the fiscal year covered and all earnings on any outstanding awards under non-equity incentive plans. Proposed Instruction 2 to Item 402(b)(2)(iv) provides: "Report amounts when earned (including when an amount is earned for a single year under an award with a multi-year performance period)." In its request for comment, the SEC asks whether any additional guidance should be provided regarding what it means for a non-equity award to be "earned." For example, should any such additional guidance specify that a non-equity award must be considered "earned" when all performance conditions (if applicable) are met, or when all vesting conditions (such as all time-based and performance-based conditions) are met?

[8] Specifically, the table would report annualized base salary as of the last day of the fiscal year, the aggregate target value of non-equity awards granted during the year (annual and ad hoc cash bonuses and non-equity incentive plan awards) and the aggregate grant date fair value of equity awards granted during the year, computed in accordance with ASC Topic 718 on the assumption that target outcomes are achieved. A non-equity award earned in a fiscal year before the year of grant (for example, an annual bonus for 2027 performance granted in the first quarter of 2028) would be required to be reported for the earlier year. Companies could elect to report equity awards granted in the first fiscal quarter as compensation for the prior fiscal year if they consider the awards to be for performance in that year; the election would have to be applied consistently and disclosed, and the Status of Equity Awards Table would then be presented as of the end of that first quarter.

multiple columns or present the information in a supplemental table. The proposal would separately require disclosure of any material information necessary to understand the information presented in the three new tables,[9] and large accelerated filers would be required (and other companies permitted) to tag all three tables in Inline XBRL.

For examples of the proposed charts, please see **Appendix A**.

3. HIGHER PERQUISITE THRESHOLD AND MORE DISCRETION

Under the proposal, the minimum aggregate perquisite reporting threshold would increase significantly, from $10,000 to $150,000 per NEO, and perquisites would be disclosed in the Miscellaneous Compensation Received column of the Earned Compensation Table. Further, a new exclusion would allow companies to omit from tracking and including in this threshold calculation individual perquisites that qualify as de minimis fringe benefits under Section 132(a)(4) of the Internal Revenue Code. Perquisites would also no longer be required to be individually identified or quantified in footnotes, except as needed to provide material information necessary for an understanding of the table.[10]

The proposed rules aim to make the perquisites analysis more flexible, modern and principles-based. The basic definition of a perquisite – a personal benefit that is not directly and integrally related to the performance of the executive's duties, unless it is generally available on a non-discriminatory basis to all employees – would remain unchanged. However, companies would have explicit discretion to determine "reasonably and in good faith" whether a benefit is integrally and directly related to an executive's duties, and could take the business purpose and the benefit to the company into account in making that determination. The SEC is proposing to remove existing examples of disclosable perquisites, including certain personal security arrangements, contained in the existing guidance, some of which it cites as outdated. In addition, the proposal expressly contemplates that personal security services, including required company-aircraft use for personal travel due to security concerns, *could* fall outside perquisite disclosure if the company reasonably determines in good faith that they are integrally and directly related to the executive's duties. It would also eliminate mandatory incremental-cost valuation of perquisites, allowing greater valuation flexibility.

4. A MORE FOCUSED COMPENSATION DISCUSSION AND ANALYSIS

The proposed amendments emphasize a principles-based approach to CD&A disclosures, focusing on three topics: (i) the compensation program's objectives in relation to corporate strategy; (ii) the material compensation elements and how amounts are determined; and (iii) if applicable, whether and how the most recent say-on-pay vote influenced compensation policies and decisions.

The proposal would reduce the required CD&A topics from seven to three and remove the current list of 15 illustrative topics, which the SEC believes can encourage repetitive or immaterial disclosures. However, this would not mean that matters such as benchmarking, individual performance or the exercise of discretion could always be omitted; those matters may still warrant discussion if material to the company's compensation policies and decisions. The express link to corporate strategy is intended to explain how compensation supports the company's business objectives, rather than simply describing pay components, and provide context for other compensation disclosures.

Under the proposal, disclosure of non-GAAP performance measures that are used as targets in the registrant's compensation program would continue to be exempt from Regulation G and Item 10(e). However, measures based on historical financial results would require a quantitative reconciliation to the most directly comparable GAAP measure and non-GAAP targets based on projections would require a narrative explanation of how they are calculated from the company's audited financial statements. Companies would also have to explain why the non-GAAP measure is more appropriate than a GAAP measure for determining compensation or illustrating the pay-performance relationship, as applicable.[11] These requirements go beyond the current instruction, which calls only for a narrative explanation of how a non-GAAP target is calculated, and would apply to any non-GAAP target level or company-selected measure disclosed under Item 402, not just in the CD&A.

5. SIMPLIFICATION OF CERTAIN DODD-FRANK-RELATED DISCLOSURE RULES

The proposed rule would simplify and reduce the disclosure requirements associated with the following mandates under the Dodd-Frank Act:

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[9] Although the proposal does not dictate a prescribed format for such supplemental disclosures, it does provide a non-exhaustive list of examples, including the use of a supplemental table, additional columns in a required table, footnotes to the tabular disclosures, or supplemental narrative disclosures.

[10] Under the current rule, once the minimum aggregate reporting threshold is met, each perquisite must be identified by type and any perquisite exceeding the greater of $25,000 or 10% of total perquisites must be quantified in a footnote.

[11] The proposal would retain the ability to omit target levels where disclosure of confidential information would cause competitive harm.

- **Pay-versus-performance:** Under the proposed amendments, the specialized (and highly complex) "Compensation Actually Paid" metric would be replaced with the total amount shown in the new Earned Compensation Table, streamlining the current multi-step and complex metric. The prescribed pay-versus-performance table and footnotes would also be eliminated; instead, companies would provide a clear description, in any format, of the relationship between Total Compensation Earned and the company's cumulative total shareholder return over the last three (rather than five) fiscal years, for the PEO and PFO only. Net income, peer-group TSR and the tabular list of "most important" performance measures would no longer be required, and a company-selected measure would be optional.
- **Clawbacks:** Under the proposal, companies would no longer have to explain *why* a restatement did not require recovery, although disclosure of required recoveries would remain. The proposal would also eliminate the requirement to disclose individually, for each executive, amounts determined to be recoverable but impracticable to recover (disclosure of the aggregate of such amounts would continue to be required). The proposal would not change Rule 10D-1's substantive recovery-policy requirements, but both financial-statement-error correction check boxes would be removed from the cover pages of Forms 10-K, 20-F and 40-F.[12]
- **Pay ratio:** The proposal would greatly simplify the median-employee determination by limiting the relevant population to U.S. full-time employees and excluding seasonal, temporary and non-U.S. employees (rather than all individuals employed by the registrant and its consolidated subsidiaries, subject to limited (and complex) exceptions, as is currently required). Companies would only be required to identify the median employee every five years, rather than every three years. In addition, the annual total compensation of the PEO and of the median employee would be determined using the Total Compensation Granted amount in, or the methodology of, the Granted Compensation Table, which excludes perquisites, retirement contributions and other miscellaneous compensation; the proposal notes that the ratio could rise at companies where such items represent a larger share of the median employee's pay.

The proposal would also eliminate existing Inline XBRL requirements for pay-versus-performance and clawback disclosures.

6. OTHER CHANGES

- **Director Compensation:** The proposed amendments would eliminate the prescriptive "Director Compensation Table" and make director compensation disclosure more principles-based, but would continue to require qualitative and quantitative disclosure of the material aspects of a registrant's director compensation program and compensation amounts earned by each member of the board of directors (including cash retainers and equity awards "earned" valued using the same methodology as in the "Earned Compensation Table").[13] Disclosure would also be required of outstanding equity awards, in a simplified form of that required for NEOs in the "Status of Equity Awards Table." Companies could provide this disclosure in narrative, tabular or combined form. Companies would also quantify the cash and equity retainers for board, committee and chair service.
- **Hypothetical Termination and Change of Control Disclosures:** Current Item 402(j) requires quantitative and qualitative disclosures regarding potential payments and benefits to each NEO in various termination and change-in-control scenarios. This has led to the use of multiple additional, complex tables that are not expressly prescribed by Item 402(j) but have become market practice for presenting the required hypothetical data. The proposal would replace these requirements with a principles-based requirement to disclose only the material terms of these arrangements (similar to what SRCs and EGCs are currently required to disclose). The SEC is also proposing a new instruction that would permit omission of this disclosure if the registrant has fulfilled the requirements of the rule in a filing made under Item 5.02 of Form 8-K.
- **Golden Parachute Disclosure:** The proposal would simplify these disclosures by streamlining the tabular presentation requirements, from eight required columns to four, replace the mandatory footnotes and the list of example "material factors" with a requirement to disclose material information necessary to an understanding of the amounts in the table and, because of the narrower NEO definition, cover only the PEO and PFO.
- **Longer Window for Disclosure by Long-Form Registration Statement Filers:** The proposal would give long-form registration statement filers up to 120 days after fiscal year-end to provide prior-year executive compensation disclosure. This would align the requirements with the current time period available for filers using short-form registration statements.

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12 In support of proposing this change, the SEC cited "concern[s] that the need to check the box even for restatements that are not required may cause registrants to avoid voluntarily making and reporting these restatements, the disclosure of which may benefit investors and market participants."

13 The proposed rules would also remove disclosure for directors of compensation related to pension plans and above-market or preferential earnings on nonqualified deferred compensation plans

Under the proposal, Forms S-1, S-4, S-11 and Form 10 and Form N-2 would not have to include the most recently completed fiscal year's executive compensation disclosure until *the earlier of* the date the registrant otherwise discloses that information in a filing under Section 13(a), 14 or 15(d) of the Exchange Act (typically its Form 10-K or proxy statement) or 120 days after the end of the registrant's fiscal year.[14] A registration statement that would become effective after that date would have to be amended before effectiveness to add the disclosure. The change would remove a recurring constraint on IPOs, follow-on offerings and registered business combinations launched early in a fiscal year, and the proposal would accordingly eliminate Item 5.02(f) of Form 8-K, which currently permits a company to report later salary or bonus amounts that were not calculable when its Item 402 disclosure was filed.

- **Eliminating prescribed disclosures regarding certain equity awards made close in time to the release of material nonpublic information ("MNPI"):** Under the current rules, all registrants are required to include a narrative and tabular disclosure related to option grants made close in time to the release of MNPI, regardless of their particular facts and circumstances. The release notes that this requirement has led many registrants to provide boilerplate disclosures that increase the length and complexity of their executive compensation disclosures, and proposes to eliminate these requirements entirely. However, this would not eliminate the obligation to provide material information needed to understand the compensation tables, and material facts about award timing, including "spring-loading" or "bullet-dodging", could still require disclosure. The separate requirement to disclose hedging policies and practices (Item 407(i)) would not change.
- **Removal of disclosures as to risk management-related compensation policies and practices**: The proposal would eliminate the current requirement for registrants, other than SRCs and EGCs, to discuss employee compensation policies and practices in narrative form as they relate to risk management and risk-taking incentives. The release notes that this requirement often results in formulaic disclosure that does not provide material information to investors. The SEC believes that other existing disclosure requirements, including MD&A requirements, will cover disclosure of compensation policies that create risk-taking incentives that are reasonably likely to be material.

For a summary of the proposed changes as compared to the current requirements, see the chart in **Appendix B**.

APPLICATION TO SRCS AND EGCS; INTERACTION WITH THE FILER-STATUS PROPOSAL

In its 2026 Filer Status Proposal, the SEC proposed streamlining the filer statuses for reporting companies into two primary categories—large accelerated filers and non-accelerated filers ("NAFs")—and eliminating the SRC filer status. The release notes that if those rules are adopted as proposed, the SEC would extend any Item 402 accommodations for SRCs and EGCs to all NAFs, and therefore the SEC is not proposing new executive compensation disclosure accommodations for SRCs and EGCs.

The proposal would streamline Item 402 by specifically identifying the rule provisions governing the disclosure requirements and accommodations applicable to SRCs and EGCs (in Item 402(a)(6)(i) and (ii)), thereby eliminating the need for a separate set of executive compensation disclosure provisions for SRCs and EGCs.

The disclosure accommodations available for SRCs and EGCs under the proposed amendments include the following:

- SRCs and EGCs would remain exempt from CD&A and pay ratio disclosure requirements.
- EGCs would remain exempt from pay-versus-performance and golden parachute disclosure.
- SRCs and EGCs would continue to only be required to provide two years of disclosure in the Earned Compensation and Granted Compensation tables.

SRCs and EGCs would, however, become subject to the same NEO definition as other companies (adding the PFO, who is not currently a required NEO for these companies) and would provide the Status of Equity Awards Table and pension service cost information.

PRACTICAL IMPLICATIONS AND CONSIDERATIONS

The proposal would do more than reduce the executive compensation section of the proxy statement. The following discussion addresses certain implications for compensation committees and corporate governance, as well as interactions with other pending sec rulemaking.

[14] Section II.P of the release refers to the "later of" these dates, whereas Request for Comment 127 and the proposed form amendments themselves use "earlier of." We expect the form text to control: a company that has already filed a Form 10-K or proxy statement containing the prior year's disclosure could not omit that disclosure from a later-filed long-form registration statement.

- **Compensation committees.** Committees would continue to set and oversee the compensation of all executive officers, not just the PEO and PFO, but what would change is the information available to committees and the number of judgment calls the disclosure process would require, including the following:
  - **Loss of market information**. The SEC acknowledges in its economic analysis that the proposal could reduce the public data available to compensation committees for benchmarking the pay of executive officers other than the CEO and CFO, and could increase reliance on compensation consultants' survey data. Other information that committees and their consultants use today would also become less consistently available: compensation peer groups would no longer be an enumerated CD&A topic; the annual revaluation of outstanding equity awards (in the Outstanding Equity Awards table and in Compensation Actually Paid) would disappear, making "realizable pay" comparisons across peers harder to construct; quantified termination and change-in-control payouts would give way to descriptions of material terms; and Form 8-K Item 5.02(e) filings would no longer signal new or amended arrangements with executives below the CEO and CFO. Committees should consider asking their consultants how these changes would affect the peer data on which the committee relies and the cost of obtaining it.
  - **New decisions**. The proposal would also present committees with choices they do not face today, including (i) whether to adopt the amended rules early; (ii) whether to continue, on a voluntary basis, to provide disclosure that would no longer be required—such as compensation of additional executives (which would require their inclusion in all three tables), quantified termination and change-in-control payments, a director compensation table, compensation peer groups or Compensation Actually Paid—particularly in light of the expectations of investors and proxy advisory firms, whose quantitative models are built on today's tables;[15] and (iii) how perquisite determinations, particularly for personal security and aircraft use, would be made and documented under the proposed "reasonable and made in good faith" standard, and by whom.
  - **Say-on-pay**. The say-on-pay vote would formally cover the compensation of only the PEO and PFO, because Rule 14a-21(a) refers to the compensation of the NEOs as disclosed under Item 402, and executives whose compensation a company chooses to disclose voluntarily would not be NEOs. Investors and proxy advisors may nonetheless continue to evaluate the pay of the broader executive team and to expect particular disclosures as a condition of their support.
- **Corporate governance implications.**
  - **Approval of non-NEO compensation**. Compensation committees would be expected to continue approving non-NEO compensation, both to ensure compliance with stock exchange requirements and to obtain certain related disclosure and liability benefits. First, the rules of the New York Stock Exchange and the Nasdaq Stock Market currently require compensation committees at non-controlled companies to approve or recommend to the board for approval the compensation of all executive officers, as applicable. The proposed changes to Item 402 do not touch these stock exchange rules. Second, transactions between any Section 16 officer (not just NEOs) and the issuer would continue to be exempt from Section 16(b) if approved by a committee of at least two non-employee directors (which is typically the compensation committee or a subcommittee) or the full board. Finally, under related party transaction disclosure requirements (Item 404 of Regulation S-K), compensation of a non-NEO executive officer would continue to be non-reportable as a related party transaction if the compensation was approved or recommended to the board for approval (and would be disclosable Item 402 disclosure for an NEO).
  - **Filing compensatory agreements of non-NEO executive officers**. As noted above, companies would continue to be required to file as exhibits to periodic reports the compensatory agreements of non-NEO executive officers, unless immaterial in amount or significance. As under the current framework, this could continue to lead to (at least partial) public disclosure of the compensation of non-NEOs, even though Item 402 does not separately compel it in the CD&A and compensation tables. The concurrent reduction in the scope of NEOs under the proposed rules would further amplify this discrepancy in required exhibit disclosure as compared to required Item 402 disclosure. Companies would thus be expected to continue evaluating how to handle this, including whether to determine that non-NEO executive officer compensatory agreements are immaterial in amount or significance.
- **Interaction with other SEC rulemaking.** The proposal is one of several pending initiatives that should be read together:
  - **2026 Filer Status Proposal (May 19, 2026)**. As discussed above, if the Filer Status Proposal is adopted as proposed, all non-accelerated filers would be entitled to the SRC and EGC accommodations under Item 402 and would be exempt from say-on-pay and say-on-frequency votes, pay-versus-performance disclosure, golden

[15] The release notes that the principal quantitative pay-for-performance tests used by Institutional Shareholder Services are based on CEO pay, while Glass Lewis also applies a test based on total NEO pay, and that both firms' measures of total compensation generally start from Summary Compensation Table data.

parachute disclosure and votes, pay ratio disclosure and the CD&A. The full Item 402 regime would then apply only to large accelerated filers.

- **Registered Offering Reform (May 19, 2026)**. The SEC's proposal to expand Form S-3 eligibility could reduce the number of companies that rely on long-form registration statements and therefore the number that would need the proposed 120-day accommodation. See our alert on the Registered Offering Reform proposal.
- **The third "pillar."** Chairman Atkins has described the proposal as the second of three pillars of his public company disclosure agenda—the filer status proposal, this proposal and, to come, reform of the business, risk and governance disclosure requirements of Regulation S-K. The related person transaction, corporate governance (Item 407) and other Regulation S-K requirements that interact with Item 402 may be revisited in that later rulemaking.

WHAT COMPANIES CAN DO NOW

Although the proposal could materially simplify disclosure, companies should continue complying with existing requirements unless and until final rules become applicable.

In the meantime, companies should consider the following steps:

- **Comment on the proposed rule.** The proposing release included extensive requests for comment on the proposed changes to the rules. Companies should consider addressing the questions most relevant to them, or on which they have useful input, including addressing any potential issues regarding data availability, implementation costs and any need for phased-in historical disclosure. The proposal was published in the Federal Register on November 19, 2026; comments are due on or before January 19, 2027.
- **Plan for potential transition.** Companies may want to start considering the impact of the proposed changes, if adopted, and should brief the compensation committee on the proposed timing, including the fact that the 2027 proxy season is unaffected. They should discuss the possibility of early compliance, recognizing that it would require following the amended item in its entirety after effectiveness, including providing three years of data in the new format (two years for SRCs and EGCs).
- **Consider investor expectations and the pay-for-performance narrative**. If the proposal is adopted, issuers will have significantly more latitude in crafting compensation disclosure. Compensation committees and management teams should begin to consider: (i) what types of disclosures will best describe their companies' compensation practices and objectives; (ii) what disclosures investors will be looking for when evaluating say-on pay and assessing pay-for performance; and (iii) what disclosure will allow investors to better compare their compensation programs to those of their peers.
- **Review perquisite and personal security programs.** Companies should consider how they would make and document determinations that are "reasonable and made in good faith" under the proposed guidance, who would make them (management, the compensation committee or both) and how the *de minimis* tracking exclusion would be implemented, while continuing to apply the current guidance for 2027.
- **Consider the non-GAAP measure requirements when setting 2027 incentive metrics.** Companies that use adjusted measures as incentive targets should consider the proposed requirement to reconcile historical non-GAAP measures to GAAP and to explain why the non-GAAP measure is more appropriate, particularly if early adoption for the 2028 proxy statement is a possibility.

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Appendix A

Earned Compensation Table							
Name and Position	Year	Salary Earned ($)	Non-Equity Awards Earned ($)	Equity Awards		Miscellaneous Compensation Received ($)	Total Compensation Earned ($)
				Stock Awards Vested ($)	Option Awards Exercised ($)		
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
[PEO]							
[PFO]							

Granted Compensation Table						
Name and Position	Year	Annualized Salary ($)	Non-Equity Awards Granted ($)	Equity Awards		Total Compensation Granted ($)
				Stock Awards Granted ($)	Option Awards Granted ($)	
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*
[PEO]						
[PFO]						

Status of Equity Awards Table								
Name and Position	Equity Award Terms						Equity Award Status	
	Grant Date	Award Type	Grant Amount or Range (#)	End of Performance Period, If Applicable	Final Vesting Date, If Known	Exercise Price, If Applicable	Amount Vested (#)	Amount of Options Exercised / Expired (#)
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*
[PEO]								
[PFO]								

Appendix B

Current Rule	Proposed Rule Addressing Similar Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Who is covered by the rule		
Named executive officers Item 402(a)(3)	**Named executive officers** Item 402(a)(2)	**Partially retained.** Would limit the NEOs to only the PEO and PFO, or anyone who served as PEO or PFO during the year, (for all registrants), and would eliminate existing coverage of: ◆ The three most highly compensated executive officers (EOs) other than the PEO and PFO; and ◆ Up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an EO at the end of the last completed fiscal year.
Required tables and related disclosures		
Summary compensation table Item 402(c)	**Earned Compensation Table; Granted Compensation Table** Item 402(b); Item 402(c)	**Substantially revised.** Would effectively split the disclosure currently required by the Summary Compensation Table into two simpler tables: ◆ The Earned Compensation Table would capture compensation earned during the fiscal years covered and would include the value realized on previous equity awards; and ◆ The Granted Compensation Table would capture the primary compensation elements granted during the fiscal years covered (generally at their target value) and would reflect compensation inputs in a manner designed to be more consistent with the registrant's compensation intentions.
Grants of plan-based awards table Item 402(d)	**Granted Compensation Table; Status of Equity Awards Table** Item 402(c); Item 402(d)	**Partially retained.** Would incorporate certain concepts currently used by the Grants of Plan-Based Awards Table into the Granted Compensation Table and Status of Equity Awards Table.
Outstanding equity awards at fiscal year-end table Item 402(f)	**Status of Equity Awards Table** Item 402(d)	**Substantially revised.** Would establish a Status of Equity Awards Table to provide disclosure relating to equity awards that are currently addressed in the Outstanding Equity Awards at Fiscal Year-End Table and incorporate certain concepts currently used by the Grants of Plan-Based Awards Table.
Option exercises and stock vested table Item 402(g)	**Earned Compensation Table** Item 402(b)	**Partially retained.** Would incorporate certain concepts currently used by the Option Exercises and Stock Vested Table into the Earned Compensation Table.
Pension benefits table Item 402(h)	N/A	**Eliminated.**
Nonqualified deferred compensation table Item 402(i)	N/A	**Eliminated.**

Current Rule	Proposed Rule Addressing Similar Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Omission of table or column Item 402(a)(5)	**Flexibility in the manner of tabular presentation** Item 402(a)(5)(ii)	**Retained with additions**. Largely tracks the current rule with respect to the omission of a table or column and would also provide additional flexibilities in the manner of tabular presentation by expressly permitting the splitting of a single column into multiple columns (or a supplemental table).
Narrative disclosure to summary compensation table and grants of plan-based awards table Item 402(e)	**Information necessary to an understanding of the tables** Item 402(a)(5)(i)	**Substantially revised.** Would incorporate certain concepts used in current Item 402(e) into proposed Item 402(a)(5)(i).
Compensation Discussion and Analysis		
Compensation Discussion and Analysis Item 402(b)	**Compensation Discussion and Analysis** Item 402(e)	**Partially retained.** Would: ◆ Require registrants to address three topics in the CD&A (versus seven under the current rule); ◆ Eliminate the non-exhaustive list of 15 example topics that may be material for discussion, depending on the facts and circumstances; ◆ Streamline the instructions to the CD&A; and ◆ Continue to exempt both SRCs and EGCs from this requirement.
Changes to Dodd-Frank-Required Disclosures		
Pay ratio disclosure Item 402(u)	**Pay ratio disclosure** Item 402(h)	**Partially retained.** Would: ◆ Limit the population of employees from which the median employee is identified to full-time workers employed in the U.S.; ◆ Use the proposed Granted Compensation Table, rather than the current Summary Compensation Table, to determine PEO and median employee compensation; and ◆ Change the required frequency for identifying a new median employee from once every three years to once every five years.
Pay-versus-performance Item 402(v)	**Pay-versus-performance** Item 402(f)	**Partially retained.** Would: ◆ Use the amount from the Total Compensation Earned column of the proposed Earned Compensation Table for "Compensation Actually Paid," instead of the current methodology; ◆ Limit the disclosure period to three years for all registrants; ◆ Limit required disclosure to PEO and PFO compensation; and ◆ Limit required performance measure disclosure to only cumulative total shareholder return ("TSR").

Current Rule	Proposed Rule Addressing Similar Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Clawback Disclosure Item 402(w)	**Clawback Disclosure** Item 402(g)	**Partially retained.** Would: ◆ Remove the requirement to explain, where applicable, why the registrant concluded that recovery of erroneously awarded compensation was not required; and ◆ Remove from annual reports the required cover-page check box disclosures regarding financial statement error corrections and related compensation recovery analysis.
	Other Changes	
Potential payments upon termination or change-in-control Item 402(j)	**Potential payments upon termination or change-in-control** Item 402(i)	**Substantially revised.** Would eliminate the requirement to quantify potential payments and benefits in various 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 the requirement to SRCs and EGCs in lieu of Item 402(q).
Compensation of directors Item 402(k)	**Compensation of directors** Item 402(k)	**Partially retained.** Would: ◆ Eliminate the requirement for a prescribed tabular format for quantitative director compensation disclosures; ◆ Limit quantified cash and equity disclosure to compensation earned during the last completed fiscal year (including cash earned and the value realized on previous equity awards) while eliminating the requirement for pension-related compensation and certain nonqualified deferred compensation disclosure; and ◆ Provide for a principles-based narrative requirement to describe the material aspects of the registrant's compensation of directors and other material compensation for the last completed fiscal year, without requiring disclosure of a prescriptive list of "other" items.
Narrative disclosure of registrant's compensation policies and practices as they relate to risk management Item 402(s)	N/A	**Eliminated.**
Golden parachute compensation Item 402(t)	**Golden parachute compensation** Item 402(j)	**Partially retained.** Would consolidate several columns in the current Golden Parachute Compensation Table and streamline narrative disclosure requirements.

Current Rule	Proposed Rule Addressing Similar Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Disclosure of the registrant's policies and practices related to the grant of certain equity awards close in time to the release of material nonpublic information Item 402(x)	N/A	**Eliminated.**
Application to different companies		
Smaller reporting companies and emerging growth companies Item 402(l) through 402(r)	**Smaller reporting companies and emerging growth companies** Item 402(a)(6)(i) and (ii)	**Substantially revised.** Would: ◆ Address the treatment of SRCs and EGCs each in a single paragraph of proposed Item 402; ◆ Continue to provide scaling and exemptions from Dodd-Frank Act provisions applicable to SRCs and EGCs; and ◆ Eliminate multiple current paragraphs that repeat disclosure provisions specifically for SRCs and EGCs.
Treatment of foreign private issuers Item 402(a)(1)	**Foreign private issuers** Item 402(a)(6)(iii)	**Largely retained.** Largely tracks the current rule, with some streamlining.
Additional provisions		
Information for full fiscal year Item 402(a)(4)	**Information required** Item 402(a)(3)	**Largely retained.** Largely tracks the current rule, with some streamlining.
All compensation covered Item 402(a)(2)	**Objective** Item 402(a)(1)	**Substantially revised.** Would continue to require clear, concise, and understandable disclosure of NEO and director compensation, but adds that the objective of the disclosure is to provide investors with material information relevant to an assessment of that compensation.
Definitions Item 402(a)(6)	**Definitions** Item 402(a)(7)	**Largely retained.** Largely tracks the current rule, with some streamlining.

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