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Executive Compensation Group

SEC Proposes Significant Changes to Executive Compensation Disclosure Requirements

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By Manan (Mike) Shah, Kelly P. Bartley, Scott Golenbock, Iliana Ongun, Brett D. Nadritch, Rod Miller and Shirley Ureña

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On November 13, 2026, the United States Securities and Exchange Commission ("SEC") proposed amendments to the executive and director compensation disclosure requirements under Item 402 of Regulation S-K. The SEC stated that the proposed amendments are intended to simplify compliance, reduce disclosure burdens and make the disclosure framework more principles-based than the current requirements.

Key Takeaways

The proposed amendments would represent the most significant overhaul of Item 402 executive compensation disclosure requirements in nearly two decades. Among other changes, the SEC proposes to:

- Reduce the number of named executive officers generally subject to disclosure from five or more executives to only the principal executive officer ("PEO") and principal financial officer ("PFO"), i.e., effectively just the CEO and CFO;
- Replace the existing Summary Compensation Table and related compensation tables with three simplified tables;
- Substantially reduce required disclosure regarding perquisites, pay-versus-performance, pay ratio and clawback matters;
- Eliminate several prescriptive compensation disclosure requirements in favor of more principles-based disclosure; and
- Reduce and provide more flexibility with respect to director compensation disclosure requirements.

Named Executive Officers (NEOs)

The proposal would narrow the group of executive officers who constitute NEOs from typically five or more under the current rules to only the CEO and CFO.

Tabular Disclosure Requirements

If the proposed amendments are adopted, the current tabular disclosure framework would be replaced with three new compensation tables as follows:

- The "Earned Compensation Table," which would present information regarding the compensation "earned" by the NEOs for each of the last three fiscal years, including the dollar value of base salary,

non-equity awards (including cash bonuses) earned in respect of the applicable fiscal year, equity compensation earned upon vesting or upon exercise of option awards, and miscellaneous compensation (including perquisites or retirement benefits).

- The "Granted Compensation Table," which would present information regarding the compensation granted to the NEOs for each of the last three fiscal years, including annualized salary, equity awards granted (based on the aggregate grant-date fair value calculated in accordance with FASB ASC Topic 718, assuming target performance rather than "probable performance" for performance-based awards under the current rules) and the aggregate target dollar value of non-equity awards (including cash bonuses).
    - Unlike the Earned Compensation Table, equity awards would be reported based on their grant-date fair value, and non-equity awards based on their target value at grant, rather than amounts ultimately earned or realized.
- The "Status of Equity Awards Table," which would present information regarding the terms and status of equity awards outstanding as of the beginning of, or granted during, the last completed fiscal year, or as otherwise reported in the Granted Compensation Table or the Earned Compensation Table, including the grant date, the award type, grant amount or range, the final vesting date (if known), the exercise price, the amount vested and the number of options exercised/expired.

Perquisites

As part of the amendments, the SEC has proposed providing greater flexibility as to whether perquisites need to be disclosed, including the following changes:

- Raising the minimum aggregate reporting threshold for perquisites from $10,000 to $150,000 and adding a de minimis tracking exclusion that would exclude any individual perquisites that are considered de minimis fringe benefits under Section 132(a)(4) of the Internal Revenue Code from the minimum aggregate reporting threshold calculation;
- Revising its interpretive guidance to provide registrants with more discretion to determine whether a benefit is "integrally and directly related" to the performance of an executive's duties, as long as such determination is reasonable and made in good faith; and
- Eliminating the current examples of perquisites or personal benefits requiring disclosure, including executive security provided at an executive's personal residence or during personal travel.

Compensation Discussion & Analysis (CD&A)

Consistent with the SEC's intent to follow a more principles-based approach, if adopted, the proposed amendments would:

- Simplify the CD&A disclosure requirements by limiting required discussion to:
    - The objectives of the registrant's compensation program in relation to its corporate strategy;

  - The material elements of compensation and how compensation amounts are determined; and

  - If applicable, whether and how the registrant has considered the results of its most recent say-on-pay vote in determining its compensation policies and decisions.

- Eliminate the non-exhaustive list of 15 example topics that may be material for the CD&A, depending on the facts and circumstances.

Certain Dodd-Frank Act Disclosures

The proposal would modify certain required disclosures under the Dodd-Frank Act as follows:

- *Pay-versus-Performance.*
  - Simplify the pay-versus-performance disclosure requirement by replacing the "Compensation Actually Paid" calculation with the total compensation earned amount(s) listed in the Earned Compensation Table;

  - Limit the "performance measures" disclosure to the registrant's cumulative total shareholder return and reduce the disclosure period from five to three years; and

  - Limit the required disclosure to the PEO's and PFO's compensation.

- *Pay Ratio Disclosure*.
  - Limit the population of employees used to identify the median employee to US full-time employees, excluding seasonal and temporary employees;

  - Change the required frequency for identifying a new median employee to once every five years (instead of once every three years); and

  - Determine annual total compensation for the PEO and the median employee by using the information and methodologies provided in the Granted Compensation Table.

- *Clawback Disclosures*.
  - Remove certain disclosure requirements relating to the application of the registrant's clawback policy; and

  - Remove both check boxes from the cover pages of Form 10-K, 20-F and 40-F relating to the correction of an error to previously issued financial statements.

Potential Payments Upon Termination or Change-in-Control

The proposed amendments would eliminate the current requirement to provide quantitative disclosures based on hypothetical termination or change-in-control scenarios and would instead limit the required disclosures to qualitative descriptions of material terms of any written or unwritten arrangements providing payments or benefits to the PEO or PFO in connection with termination or change-in-control scenarios.

Golden Parachute Compensation

Under the proposal, the existing golden parachute compensation disclosure requirements would be streamlined and made more principles-based, including by reducing the amount of information required in the Golden Parachute Compensation Table and limiting the required disclosure to the PEO and PFO.

Specifically, the Golden Parachute Compensation Table would be revised to reduce the number of columns from eight to four, requiring registrants to disclose only cash, equity, miscellaneous compensation and the aggregate total value of such compensation. As a result, registrants would no longer be required to separately disclose categories of compensation such as pension and nonqualified deferred compensation enhancements, tax reimbursements, and other perquisites or benefits, which instead would be included in the miscellaneous compensation column. Consistent with this principles-based approach, the SEC also proposed eliminating the mandatory footnote requirements for the new columns, the requirement to provide additional tables covering new arrangements, and the non-exclusive list of material factors necessary to understand golden parachute compensation.

Director Compensation

If approved, the proposed amendments would:

- Eliminate the mandatory tabular director compensation requirements and the required disclosure relating to the change in value of pension plans, earnings on nonqualified deferred compensation and total director compensation; and
- Provide registrants with greater flexibility to describe their director compensation program and allow any relevant quantified information to be presented in any format, including narrative, tabular or a combination of the two.

Other Proposed Changes

Other changes reflected in the proposed amendments include:

- The elimination of current disclosure requirements regarding the registrant's policies and practices on the grant of equity awards close in time to the release of material nonpublic information; and
- The elimination of the required narrative disclosure of the registrant's compensation policies as they relate to risk management.

Process

The proposed amendments are subject to a 60-day public comment period.

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