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SEC Proposes to Streamline Executive Compensation Disclosure Requirements

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Public companies could face significantly different, and potentially less burdensome, executive compensation disclosure requirements under a new proposal from the Securities and Exchange Commission. On November 13, 2026, the SEC proposed amendments to Item 402 of Regulation S-K (Release No. 33-11455) that would replace much of the current executive and director compensation disclosure framework with a more principles-based approach intended to reduce compliance costs while preserving information the SEC considers material to investors. If adopted, the proposal would fundamentally change both the scope of public

company executive compensation disclosure and how that compensation is measured.

The proposal would apply to all public companies that provide Item 402 disclosure, although smaller reporting companies (SRCs) and emerging growth companies (EGCs) would continue to receive scaled disclosure, including two years of data, rather than three, in the principal compensation tables, and continued exemptions from Compensation Discussion and Analysis (CD&A) and pay ratio disclosure.

Fewer Named Executive Officers

Currently, companies other than SRCs and EGCs typically report compensation for five or more named executive officers (NEOs): the principal executive officer (PEO), the principal financial officer (PFO), and the three other highest-paid executive officers. SRCs and EGCs typically report on three: the PEO and the two other highest-paid executive officers. The proposal would apply a single definition to all companies, limiting NEOs to individuals who served as PEO or PFO at any time during the last completed fiscal year, regardless of compensation level. Most companies would therefore report on two executives, but a company would report on more if, for example, it changed its PEO or PFO during the year, appointed an interim or acting officer, or had co-PEOs.

The change would extend beyond the proxy statement. An executive who currently qualifies as an NEO solely because of compensation level would generally no longer trigger Item 5.02 Form 8-K reporting, and individual beneficial ownership reporting would narrow as well. Companies could voluntarily include additional executives in the new compensation tables, provided each table is completed in full, but those individuals would not become NEOs for other purposes.

According to Treasury staff, the $1 million deduction limitation under Section 162(m) of the Internal Revenue Code (the Code) would continue to apply to the three other highest-paid officers. To the extent Section 162(m) applies, companies would therefore need to continue identifying and tracking that group for tax purposes.

Three New Compensation Tables

Three new tables, discussed below, together with accompanying narrative disclosure, would replace the Summary Compensation Table, Grants of Plan-Based Awards Table, Outstanding Equity Awards at Fiscal Year-End Table, and Option Exercises and Stock Vested Table. The Pension Benefits and Nonqualified Deferred Compensation tables would be eliminated, although material information concerning those arrangements could still require disclosure.

- **Granted Compensation Table.** This table would show the executive's compensation opportunity, including annualized salary and cash and equity awards, generally at target value. Equity awards would be reported at grant-date fair value under FASB ASC Topic 718, calculated as though target performance would be achieved rather than using the probable outcome applied for accounting purposes.
- **Earned Compensation Table.** This table would show compensation outcomes, including salary, bonuses, retirement contributions, perquisites, and other compensation. Stock awards would be reported when they vest and option awards when exercised, so the table could include value realized from awards granted in earlier years.
- **Status of Equity Awards Table.** This table would connect the other two by tracking each equity award from grant until it is earned or expires, including its terms, vesting and performance conditions, and current status.

The single “total compensation” figure would be replaced by separate granted and earned totals.

Higher Threshold for Perquisites

The aggregate perquisite reporting threshold would increase from $10,000 to $150,000 per NEO. Individual items that qualify as de minimis fringe benefits under Section 132(a)(4) of the Code would not need to be tracked, and companies could use values already calculated for tax purposes instead of the incremental-cost method.

The proposal would also relax aspects of the SEC’s 2006 interpretive guidance. A company’s reasonable, good-faith determination that a benefit is “integrally and directly related” to an executive’s duties would determine whether a benefit is a reportable perquisite, and the SEC would rescind the guidance’s examples of items that must be treated as perquisites, including home security and security during personal travel. On that basis, around-the-clock security for a PEO or mandatory personal use of company aircraft for security reasons might not be a reportable perquisite. Security arrangements would not, however, be categorically exempt, and treatment would continue to depend on the facts.

A Simpler Pay-Versus-Performance Test

The proposal would eliminate compensation actually paid, the specialized measure that requires companies to revalue unvested equity annually, in favor of the Earned Compensation Table total. Company cumulative total shareholder return would be the only required performance measure, and the disclosure would cover only the PEO and PFO over three years rather than five.

The trade-off is timing. Because equity compensation would be reported upon vesting or exercise, compensation could spike in years that do not correspond to the performance period that

produced the award. The SEC would rely on the Status of Equity Awards Table for context.

Other Notable Changes

Streamlined CD&A. CD&A would address three required topics rather than seven:

- the objectives of the compensation program in relation to corporate strategy;
- the material elements of compensation and how the amounts are determined; and
- if applicable, whether and how the company considered its most recent say-on-pay vote.

The existing list of 15 illustrative topics would be eliminated.

The proposal would also change how companies disclose non-GAAP financial measures. Disclosure of a target level or company-selected financial performance measure that is a non-GAAP financial measure would continue to be exempt from Regulation G and Item 10(e) of Regulation S-K. Additional disclosure would be required, however, depending on the nature of the measure. If the measure is based on historical financial results, including performance, financial position, or cash flows, the company would need to provide a quantitative reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure. If the measure is a projected non-GAAP measure that is not based on historical results, the company would instead need to provide a narrative description of how the measure is calculated from its audited financial statements.

In either case, the company would also need to explain why it believes the non-GAAP measure is more appropriate than a GAAP measure. For a target, the explanation would address the measure's use in determining executive compensation. For a

company-selected measure, it would address the measure's use in showing the relationship between executive compensation and company performance.

Pay Ratio. Currently, companies identify the median employee from their entire workforce, including U.S. and non-U.S. employees, whether full-time, part-time, seasonal, or temporary. Under the proposal, the median employee would be selected only from full-time employees in the United States and its territories. A new median employee determination would generally be required only once every five years, rather than once every three years.

Clawbacks. The cover-page check boxes on Forms 10-K, 20-F, and 40-F would be eliminated, as would the requirement to explain why recovery was not required following a restatement.

Director Compensation and Termination Payments. Director compensation disclosure would become more principles-based, and quantified disclosure of potential termination and change-in-control payments would be replaced with a description of the material terms.

Impacts on Other Disclosure Requirements. The proposal would also:

- replace quantified disclosure of potential payments upon termination or a change in control with a description of the material terms of those arrangements;
- streamline golden parachute disclosure by applying a materiality standard, consolidating several columns of the table into a broader miscellaneous column, and replacing the required footnotes and narrative with a principles-based narrative requirement;
- eliminate disclosure of compensation policies and practices as they relate to risk management;
- eliminate the Item 402(x) disclosure regarding the timing of option awards in relation to the release

of material nonpublic information; and

- give companies filing long-form registration statements, such as Form S-1, up to 120 days after fiscal year end to provide executive compensation disclosure for the last completed fiscal year, the same period currently available for short-form registration statements, such as Form S-3.

Proxy Advisors and Investors

How proxy advisory firms and institutional investors would adapt their pay analyses remains to be seen, as the proposal would change much of the underlying data: fewer covered executives, separate granted and earned totals, and more limited pay-versus-performance and perquisite disclosure. Companies that use the proposed flexibility should be prepared for questions from proxy advisory firms such as Institutional Shareholder Services (ISS) and Glass Lewis & Co. (Glass Lewis), and for updates to those firms' guidance as they reconcile their policies with the new framework.

Comment Period and Likely Timeline

Comments are due 60 days after Federal Register publication, which has not occurred as of this writing. If adopted, the rules would become effective on January 1 following publication of the final release in the Federal Register and would apply beginning with the first full fiscal year ending on or after that date. Early compliance would be permitted after the effective date, but only if a company complies with amended Item 402 in its entirety. Under the SEC's illustration, an adopting release published in 2027 would produce a January 1, 2028 effective date. For a calendar-year company, that would mean mandatory compliance beginning with proxy statements filed in 2029

Useful near-term work may include identifying information the proposed tables would require that current systems do not capture, deciding which disclosures to continue providing voluntarily, and

evaluating the effect of losing disclosure for executives who would no longer qualify as NEOs and of reduced year-over-year comparability.

We will continue to monitor the proposal and will provide further updates.