FACT SHEET

Executive Compensation Disclosure Reform

On Nov. 13, 2026, the Securities and Exchange Commission proposed amendments to its executive and director compensation disclosure requirements. The proposed amendments are intended to make the requirements more principles-based and reduce compliance burdens for registrants while maintaining the disclosure of material information to investors.

Background

The requirement to provide executive compensation information is as old as the federal securities laws themselves, enumerated in Schedule A to the Securities Act of 1933. The Commission has subsequently adopted numerous rules over the years adding further requirements, some stemming from Congressional mandates and others not.

Highlights of Proposing Release

The Commission's proposed amendments to the executive and director compensation disclosure requirements in Item 402 of Regulation S-K would:

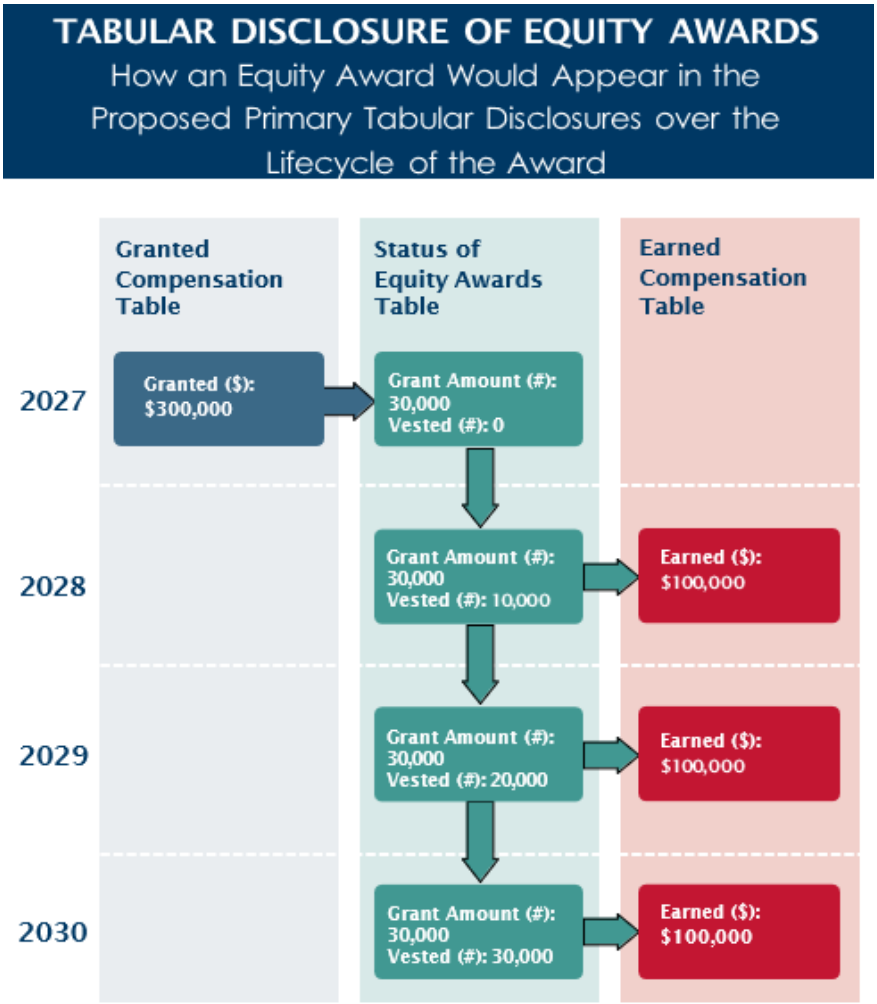
- Limit the named executive officers (NEOs) to the principal executive officer (PEO) and principal financial officer (PFO).
- Consolidate and revise the main tabular executive compensation disclosure requirements into three new tables.
- Revise the Commission's interpretive guidance with respect to perquisites.
- Make the Compensation Discussion and Analysis (CD&A) requirement more principles-based.
- Simplify disclosure and reduce compliance burdens arising from pay-versus-performance, clawbacks, and pay ratio requirements.
- Streamline the director compensation disclosure requirements and make them more principles-based.

Covered Individuals

Under the proposed rule, the NEOs would be limited to individuals who served as the PEO or PFO during the last completed fiscal year. Accordingly, the proposed amendments would reduce the number of NEOs from typically five or more individuals to two officers in most circumstances.

Primary Tabular Disclosure Requirements

The proposed rule would consolidate the primary tabular executive compensation disclosure requirements into three new tables that would replace the tabular disclosure requirements under the current rule in their entirety, including the Summary Compensation Table.



This simplified graphic assumes that: (i) on July 1, 2027, the company grants its principal executive officer 30,000 restricted stock units when the closing market price of the company's stock is $10 per share; (ii) the restricted stock units vest ratably over three years on each anniversary of the grant date; and (iii) the closing market price of the company's stock on each vesting date is $10 per share.

Granted Compensation Table

This table would aim to capture the primary elements of compensation granted to the NEO in the relevant fiscal year — specifically, salary, non-equity awards (including cash bonuses), and equity awards — typically at their target value. This table would thus aim to communicate the compensation opportunity granted to the NEO by the registrant for each covered fiscal year.

Earned Compensation Table

This table would aim to capture compensation that was earned in the covered fiscal years. The table is intended to reflect a comprehensive picture of all material compensation — including salary, non-equity awards (including cash bonuses), equity awards, retirement contributions, and perquisites and other miscellaneous compensation. With respect to equity awards, this table would deem stock awards to be earned once they have vested and option awards to be earned once they have been exercised. Accordingly, this table would aim to communicate compensation outcomes, including the value ultimately earned on equity awards granted in prior years.

Status of Equity Awards Table

This table would aim to bridge the gap between the Granted Compensation Table and the Earned Compensation Table by tracking each equity award granted to the NEO from the first year it is introduced in the Granted Compensation Table until after the award has either been reflected in the Earned Compensation Table as earned or otherwise has fully expired. This table is intended to make it easier for investors to track equity awards throughout their lifecycle by disclosing, in one consolidated location, certain information on an award-by-award basis.

Perquisites

The Commission proposed the following changes with respect to perquisites disclosure:

- Update the minimum aggregate reporting threshold from $10,000 to $150,000 for each NEO.
- Introduce a new *de minimis* tracking exclusion that would exclude any individual perquisite that is considered a *de minimis* fringe benefit under Section 132(a)(4) of the Internal Revenue Code. If an individual perquisite is below this threshold, it could be excluded when calculating whether the minimum aggregate reporting threshold had been met and thus would not need to be tracked by the registrant.
- Revise the Commission's current interpretive guidance with respect to perquisites by:
    - Giving registrants the discretion 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.
    - Removing the examples of items requiring disclosure as perquisites contained in the current guidance, including security provided at an executive's personal residence or during personal travel.

Compensation Discussion and Analysis

Under the proposed amendments, which reemphasize a principles-based approach to the CD&A, registrants subject to the requirement would be required to address three topics, and the rule would no longer include a list of example topics.

Under this proposal, the CD&A would be required to cover:

- The objectives of the registrant's compensation program in relation to its corporate strategy.
- The material elements of compensation and how those amounts are determined.
- 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 affected its compensation policies and decisions.

Certain Dodd-Frank-Related Disclosure Rules

The proposed rule would simplify and reduce the disclosure requirements associated with mandates under the Dodd-Frank Wall Street Reform and Consumer Protection Act — including pay-versus-performance, recovery of erroneously awarded compensation (clawbacks), and pay ratio — while still maintaining disclosure of material information.

Pay-Versus-Performance

The proposed amendments would replace the specialized Compensation Actually Paid (CAP) measure of executive compensation with the total amount shown in the Earned Compensation Table, eliminating the complex calculations necessary to derive CAP under the current rule. The proposed amendments would also limit required performance measure disclosure to the registrant's cumulative total shareholder return, require three years of pay-versus-performance disclosure rather than five years, and cover only the PEO and PFO.

Clawbacks

The proposed amendments would reduce certain disclosure requirements regarding the application of a registrant's clawback recovery policy and remove both check boxes from the cover pages of Forms 10-K, 20-F, and 40-F relating to the correction of an error to previously issued financial statements.

Pay Ratio

The proposed amendments would limit the population used to determine the "median employee" to U.S. full-time employees, excluding seasonal and temporary employees. The current rule requires registrants to consider all individuals employed by the registrant or any of its consolidated subsidiaries (including U.S. and non-U.S. employees that are full-time, part-time, seasonal, or temporary) in determining the "median employee". The proposal would also change the frequency with which registrants must determine the median employee from once every three years to once every five years. The proposed amendments would also revise the methodology for determining

annual total compensation of the PEO and median employee by using the information in (or applying the methodology of) the Granted Compensation Table.

Director Compensation

The proposed amendments 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. However, the revised requirements would take a more principles-based approach, eliminating certain prescriptive presentation requirements as well as certain elements of compensation that may not reflect the typical structures of director compensation programs.

Other Amendments

The proposed amendments include a number of other modifications that are intended to streamline, simplify, or clarify the requirements and to reduce compliance burdens for registrants. Specifically, the proposed amendments would:

- Eliminate prescriptive quantitative disclosure requirements related to potential payments and benefits in hypothetical termination or change-in-control scenarios and instead require qualitative disclosure of the material terms of such arrangements.
- Simplify and make more principles-based golden parachute compensation disclosure by streamlining the tabular presentation requirements and providing more flexibility for narrative disclosure.
- Provide registrants using long-form registration statements (e.g., Form S-1) up to 120 days after fiscal year end to provide executive compensation disclosure for the last fiscal year, the same period of time currently available for short-form registration statements (e.g., Form S-3).
- Eliminate disclosure requirements associated with a registrant's risk management-related compensation policies and practices and grants of equity awards close in time to the release of material nonpublic information.

What's Next

The public comment period will remain open for 60 days following the date of publication of the proposing release in the Federal Register.