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Executive Compensation & Employee Benefits | Securities Regulation & Corporate Governance Update

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SEC Proposes Sweeping Overhaul of Executive & Director Compensation Disclosure Rules

The SEC's proposed rules would replace today's prescriptive line-item disclosure requirements with a more principles-based standard. The proposed rules' stated objective is to give investors "material information relevant to an assessment" of a company's executive and director compensation through disclosures that are "clearer, more concise, easier for investors to read and understand, and less burdensome for registrants to produce."

On November 13, 2026, the Securities and Exchange Commission (the SEC) proposed amendments to Item 402 of Regulation S-K and related rules and forms (the Proposal).[1] The Proposal is the most significant rewrite of the executive compensation disclosure rules since 2006.[2] If the rules are finalized in 2027, compliance for calendar year filers would be mandatory for annual reports and proxy statements filed in 2029 (covering fiscal 2028 compensation), but companies could begin to comply on a voluntary basis with their 2028 filings (covering fiscal 2027 compensation).

At a Glance

Topic	Proposal
Named Executive Officers (NEOs)	Generally reduces number of NEOs to two: principal executive officer (PEO) and principal financial officer (PFO) only (from five - seven under current rules applicable to large public companies); NEOs would include only those who served as PEO or PFO during last fiscal year *The Internal Revenue Code (IRC) § 162(m) $1 million deduction limit still applies to the three most highly compensated executive officers other than the PEO and PFO whether or not their compensation is required to be reported, so an analysis of annual compensation for all executive officers would still be required for tax deduction purposes.
Tables	Replaces Summary Compensation Table and three related equity tables (Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year-End, and Option Exercises and Stock Vested) with three new tables: (1) Earned Compensation Table, (2) Granted Compensation Table, and (3) Status of Equity Awards Table Eliminates the Pension Benefits and Nonqualified Deferred Compensation tables Requires only a qualitative summary of material terms of termination and change in control payments; eliminates quantitative requirements for hypothetical year end terminations Eliminates prescribed tabular format for director compensation disclosures, while still requiring quantification of director compensation earned (i.e., cash earned and value of equity awards realized) Streamlines Golden Parachute Compensation Table
Perquisites	Increases perquisite reporting threshold from $10,000 to $150,000 Adds de minimis tracking exclusion for any de minimis fringe benefit under IRC § 132(a)(4) Adds more flexibility for companies to determine whether an arrangement constitutes a perquisite and eliminates Commission interpretations listing examples of items deemed to be perquisites (including personal security)

CD&A	Reduces required Compensation Discussion & Analysis topics from seven to three; list of 15 example topics eliminated; instructions are streamlined SRCs and EGCs continue to be exempt
Pay versus Performance	Eliminates current detailed "compensation actually paid" concept, replacing with Total Compensation Earned (under new table) Reduces disclosure period from five to three years for all filers Limits performance measure disclosure to include only total shareholder return (TSR) (no peer group TSR, net income or "company-selected measure" required)
Pay Ratio	Allows median employee to be identified from full-time U.S. employees only (currently must assess global full- and part-time population with limited exceptions) Allows re-identification of median employee every five years (currently required every three years)
Other	Eliminates required disclosure on risk management policies and practices Eliminates equity grant practices disclosures Removes 10-K cover page checkboxes for financial statement error corrections and compensation recovery analysis and requirement to disclose why the company concluded recovery of erroneously awarded compensation was not required

Key Proposed Changes

Two NEOs. NEOs would be limited to the individuals who served as principal executive officer (PEO) or principal financial officer (PFO) during the last fiscal year. The three other most highly compensated executive officers, and the "up to two" additional former executive officers who would have been included in the previous category if they were executive officers at the end of the last fiscal year, would no longer be considered NEOs. A company could voluntarily present additional executives in the new tables without those individuals becoming NEOs for other purposes (e.g., Form 8-K disclosures), but, if included, must present such additional individuals in all three tables.

Three New Tables Replace the Summary Compensation Table; Other Tables Eliminated. Four current tables (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) would be replaced by:

- an ***Earned Compensation Table***, reporting the NEOs' base salary earned, non-equity awards earned (including annual cash bonuses, discretionary cash bonuses, and non-equity incentive plan awards), stock awards vested and option awards exercised (each valued at the closing price on the vesting or exercise date, as applicable), a new category of "miscellaneous compensation" received (including retirement plan contributions, perquisites, tax gross-ups, and other compensation), and a "Total Compensation Earned";
- a ***Granted Compensation Table***, reporting the NEOs' annualized salary as of the last day of the fiscal year, target value of non-equity awards granted in the year (including annual cash bonuses, discretionary cash bonuses, and non-equity incentive plan awards), and equity awards granted in the year valued at grant date fair value under ASC Topic 718 assuming target performance (with companies permitted to report equity awards for the fiscal year immediately prior to the year of grant if considered to be for performance in that prior year, granted in the first fiscal quarter of the year and consistently so reported), and a "Total Compensation Granted"; and
- a ***Status of Equity Awards Table***, tracking the terms and status of each equity award from the date first reported in the Granted Compensation Table until fully vested (for stock awards), exercised (for options) or forfeited.

The Earned and Granted Compensation Tables would cover the last three completed fiscal years (two years for current smaller reporting companies and emerging growth companies), which would require, when the rules are first effective, recalculation of prior fiscal years reported under the current rules. Large accelerated filers would be required to tag all three tables in Inline XBRL. If adopted, the Proposal would separately require companies to disclose any material information necessary to understand information presented in the three new tables. Although the format for such supplemental disclosures would not be strictly dictated, the Proposal provides a non-exhaustive list of representative examples including the use of a supplemental table, additional columns in a required table, footnotes to the tabular disclosures, or supplemental narrative disclosures.

The Proposal would eliminate the Pension Benefits Table and the Nonqualified Deferred Compensation Table.

Perquisites. The aggregate disclosure threshold for perquisites reported in the Earned Compensation Table would increase from $10,000 to $150,000, and individual items that qualify as de minimis fringe benefits would not need to be tracked.[3] The SEC would also revise its 2006 interpretive guidance describing standards for determining whether an arrangement is a perquisite and setting forth examples of arrangements deemed to be perquisites. Companies could determine based on the applicable facts and circumstances whether a benefit provided is "integrally and directly related" to the executive's duties and therefore not a perquisite, as long as the determination is reasonable and made in good faith. The list of perquisite examples included in the SEC's prior interpretive guidance, including the statement that security costs are a perquisite, would be withdrawn. Notably, the Proposal states that if a registrant determines that requiring the NEO to use company aircraft for personal travel due to security concerns is

integrally and directly related to the performance of the executive's duties, then such travel would not be a perquisite.

Streamlined CD&A. The seven required CD&A topics would be reduced to three: (1) the objectives of the compensation program in relation to corporate strategy; (2) the material elements of compensation and how amounts are determined; and (3) if applicable, how the company considered the most recent say-on-pay vote and the corresponding effect on the company's compensation policies and decisions. The Proposal would allow companies to focus on what they consider material to their pay program and overall corporate strategy, rather than addressing 15 sample topics that may need to be discussed in a given year if material. The SEC expects the three topics to be sufficient for concise disclosure that is more useful to an investor's assessment of the company's performance compared to existing disclosures.

Pay Versus Performance. "Compensation actually paid" would equal the Total Compensation Earned as reported in the Earned Compensation Table, eliminating the complex adjustment calculations currently required. The table would cover only the PEO and PFO, with cumulative TSR as the sole required performance measure to be disclosed. Peer group TSR, net income and the company-selected measure would be dropped from the table and the separate tabular list of financial performance measures would no longer be required. Companies could elect to provide additional company-selected financial measures, but would not be required to do so.

Pay Ratio. The median employee need only be identified from full-time U.S. employees (excluding any temporary or seasonal workers) and would only need to be re-identified at least every five years instead of every three under the current rules. The annual compensation for purposes of the ratio would be the Total Compensation Granted as reported in the Granted Compensation Table.

Potential Payments Upon Termination or Change in Control. Companies would no longer need to quantify potential payments under hypothetical termination and change-in-control scenarios and would instead describe the material terms of each plan or agreement providing for payments in connection with any termination or change in control (excluding any broad-based plans or arrangements that are generally available to all salaried employees and do not discriminate in favor of executive officers). Additionally, if a company previously disclosed the same information under Item 5.02 of a prior Form 8-K filing, it would not subsequently need to include that information in its proxy statement.

Golden Parachute Compensation. The golden parachute compensation table required under current Item 402(t) would be retained with consolidated columns for the NEOs' respective cash, equity, and miscellaneous (i.e., not otherwise addressed in the "cash" or "equity" columns) compensation that is based on or otherwise relates to the applicable transaction. Additionally, the Proposal would replace mandatory footnotes for each of the columns with a requirement to disclose any material information necessary to an understanding of the payments quantified in the table.

Directors. The Director Compensation Table would no longer be required. Companies would disclose cash, equity and other material compensation earned by any director who served in the last fiscal year, in narrative, tabular or combined form, specifically quantifying any cash earned during the last year and the aggregate dollar value realized on vesting of stock awards or exercise of option awards in the last fiscal year (each valued based on the closing price on the

vesting or exercise date, as applicable). For outstanding director equity awards, a company would disclose: the number of equity awards outstanding as of the end of the last completed fiscal year, and for each award, the grant date, vesting schedule, and any other material terms of any performance, market, and/or service conditions.

Eliminated Requirements. In addition to eliminating the Pension Benefits Table and the Nonqualified Deferred Compensation Table, the Proposal would eliminate the compensation risk disclosure under Item 402(s) and the Item 402(x) disclosure of option grant timing relative to the release of material nonpublic information. For clawbacks, it would eliminate the required explanation of why recovery was not required after a restatement and the two related check boxes on the Form 10-K cover page.

Points That May Be Overlooked

Impact on Section 162(m). Fewer NEOs does not mean fewer covered employees for purposes of IRC § 162(m). According to the Proposal, Treasury staff were informally consulted and noted that the IRC § 162(m) deduction limit would still apply to the three most highly compensated executive officers other than the PEO and PFO whether or not their compensation is required to be reported under SEC rules. Starting with taxable years beginning after December 31, 2026, the covered employee group will also include the next five highest compensated employees, whether or not they are executive officers. Companies will still need to calculate annual compensation for all of these individuals for purposes of IRC § 162(m). The Proposal does not expressly state how compensation is to be calculated for this purpose once the Summary Compensation Table is eliminated. Additional guidance on this would presumably need to be issued by the IRS. No specific timetable for such guidance has been announced.

Impact on Item 404 Related Person Transaction Disclosure. Similarly, fewer NEOs does not mean that companies will change their executive compensation review and approval processes. While the reduction in the number of NEOs means that the exclusion from Item 404 disclosure for compensation reported under Item 402 will apply to fewer executives, the Proposal does not appear to alter the Item 404 exemption that is available for executive officer compensation approved or recommended for approval by a company's board or committee of independent directors (although the wording of the Proposal is not entirely clear). The Proposal does not otherwise amend the substantive standards for related person transaction disclosure, presumably deferring any such amendments to the Commission's comprehensive review of other Regulation S-K rule amendments.

Form 8-K, Item 10 Exhibits, and Beneficial Ownership Disclosures. Items 5.02(b) and 5.02(e) of Form 8-K are currently tied to triggering events occurring with respect to a company's NEOs. As a result, new or amended compensatory arrangements with executives other than a PEO and PFO would no longer trigger a Form 8-K under Item 5.02(e). Departures of executives no longer categorized as NEOs would be reportable under Item 5.02(b) only if they held another listed role (principal executive officer, president, principal financial officer, principal accounting officer, principal operating officer, or any person performing similar functions). Furthermore, the determination that compensatory arrangements are "deemed material" for Form 10-Q and 10-K exhibit purposes under Regulation S-K Item 601 is also tied to the definition of an NEO, and thus this would be narrowed under the Proposal. In addition, the reduction in the number of NEOs would reduce the number of executives for whom individual disclosure of security ownership would be required under Regulation S-K Item 403(b) (aggregate group disclosure for all executive

officers would still be required).

IPO and Registration Statement Timing. Forms S-1, S-4, and S-11, Form 10 and Form N-2 filed by a business development company would no longer require Item 402 disclosure for the most recent fiscal year until the later of its inclusion in an Exchange Act filing or 120 days after the registrant's fiscal year-end. A registration statement that will go effective after that deadline would need a pre-effective amendment adding the disclosure. This aspect of the Proposal would ease a recurring timing squeeze on early-year offerings and business combinations.

Filer-Status Interaction. If the SEC's May 19, 2026 filer status proposal is also adopted, non-accelerated filers (which the SEC estimates would be about 81% of current registrants) would be exempt from say-on-pay votes, the CD&A requirements, pay ratio disclosures, pay versus performance disclosures and the golden parachute disclosure and related advisory vote.

Timing and Next Steps

No Change for the 2027 Proxy Season; 2028 Proxy Season Adoption Likely Voluntary. Current Item 402 continues to apply. Companies should report fiscal 2026 compensation disclosures under the existing rules, including the current perquisite guidance.

As proposed, the amendments would become effective on January 1 following publication of the final adopting release and would apply beginning with the first full fiscal year ending on or after that date. Companies could opt in early after the effective date, item by item, as long as they comply with each amended item in its entirety. Assuming that final rules are published in 2027, a calendar-year company could first apply them to fiscal year 2027 compensation as disclosed in its 2028 proxy statement on a voluntary basis, and would be required to apply them to fiscal year 2028 compensation disclosed in its 2029 proxy statement.

Consider Commenting. The Proposal includes more than 140 numbered requests for comment. Companies, compensation committees and their advisors should consider whether to comment, particularly on NEO coverage, the design of the new tables, transition relief and the perquisite guidance. Comments are due 60 days after publication in the Federal Register, which places the deadline in mid-January 2027.

Watch Investor and Proxy Advisor Reactions. Institutional investors and proxy advisors may still expect some of the disclosure the Proposal would eliminate when assessing say-on-pay. As a result, additional voluntary disclosures may still be prudent and could remain common practice.

[1] Executive Compensation Disclosure Reform, Release No. 33-11455 (Nov. 13, 2026), available at https://www.sec.gov/rules-regulations/2026/11/s7-2026-39.

[2] The Proposal works hand in hand with the SEC's May 19, 2026 filer status proposal, which would collapse the existing filer categories into two: (i) large accelerated filers and (ii) non-accelerated filers, and extend the current smaller reporting company and emerging growth company accommodations to all non-accelerated filers.

[3] The de minimis tracking exclusion for the increased disclosure threshold would apply to any individual perquisite that is a de minimis fringe benefit under Section 132(a)(4) of the IRC

(generally any property or service whose value is so small, and whose provision so infrequent, that accounting for it would be unreasonable or administratively impracticable).

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