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CLIENT ALERT

# Proposed Executive and Director Compensation Disclosure Rules

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On November 13, 2026, the U.S. Securities and Exchange Commission (the "Commission") proposed in Release No. 33-11455 a substantial revision of its executive and director compensation disclosure rules under Item 402 of Regulation S-K and related rules and forms (the "Proposed Rules"), which would narrow the group of covered executive officers, replace the principal compensation tables with fewer tables, and simplify many existing disclosures. The Commission states that its objective is twofold: first, to make disclosure requirements more principles-based and disclosures clearer, more concise, and less complex; and second, to reduce compliance burdens while preserving information material to investors.

Among other things, the Proposed Rules would:

- limit the group of named executive officers ("NEOs") to all individuals who served as principal executive officer ("PEO") or principal financial officer ("PFO") during the last completed fiscal year;
- replace the Summary Compensation Table and the other current primary tables with three new tables: an Earned Compensation Table, a Granted Compensation Table, and a Status of Equity Awards Table;

- eliminate the stand-alone Pension Benefits Table and Nonqualified Deferred Compensation Table;
- raise the aggregate perquisite reporting threshold for each NEO from $10,000 to $150,000 and provide greater flexibility in classifying and valuing perquisites;
- reduce the number of required Compensation Discussion and Analysis ("CD&A") topics from seven to three;
- add reconciliation and explanatory requirements for disclosed non-GAAP targets and registrant-selected financial performance measures (i.e., measures not calculated in accordance with U.S. generally accepted accounting principles ("GAAP")) (a quantitative GAAP reconciliation for historical measures and a narrative description for projected measures);
- simplify pay-versus-performance, clawback, and pay ratio disclosure, including by replacing the current specialized "Compensation Actually Paid" calculation with Total Compensation Earned;
- replace quantified estimates of potential payments under hypothetical termination and change-in-control scenarios with a description of the material terms of the arrangements, unless those terms were previously disclosed on Form 8-K;
- eliminate the prescribed Director Compensation Table format while retaining individual director compensation disclosure;
- exclude compensation paid to an NEO for services as a director from the executive compensation disclosure and instead include it in the director compensation disclosure; and
- eliminate the compensation-risk disclosure under Item 402(s) of Regulation S-K and the option-grant timing disclosure under Item 402(x) of Regulation S-K.

The Proposed Rules do not change registrants' present disclosure obligations. Registrants should continue preparing their compensation disclosures under the existing requirements, subject to applicable exemptions and scaled disclosure provisions. The timing and extent of any changes to compensation disclosure processes will depend on the final rules and their compliance dates. The Commission is seeking feedback on, among other matters, award valuation, perquisite treatment, and transition requirements. Comments are due 60 days after publication in the Federal Register.

**Named Executive Officers Limited to the PEO and PFO**

Under the Proposed Rules, NEOs for all registrants (including smaller reporting companies ("SRCs") and emerging growth companies ("EGCs")) would be limited to each individual who served as the registrant's PEO or PFO, or acted in a similar capacity, during the last completed fiscal year, removing the requirement to include compensation disclosure for the three highest-paid executive officers other than the PEO and PFO and for up to two additional former officers selected by compensation level. Registrants could voluntarily provide all three primary tables for additional executives; provided that the tables are completed in their entirety for each such executive and

accompanied by any material information necessary to understand them. However, those voluntarily included executives would not become NEOs solely because of that voluntary disclosure.

**Earned Compensation and Granted Compensation Tables**

Proposed Items 402(b), (c), and (d) would replace the Summary Compensation, Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year-End, and Option Exercises and Stock Vested Tables with three primary tables: the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table. The separate Pension Benefits and Nonqualified Deferred Compensation Tables would also be eliminated. The Earned Compensation Table and Granted Compensation Table would cover the last three completed fiscal years, or two years for SRCs and EGCs, with accommodations for newly reporting companies under proposed Item 402(a)(8).

The current rules require narrative and footnote disclosures to explain information reported in the compensation tables. Proposed Item 402(a)(5)(i) would replace several detailed requirements with a general obligation to provide material information necessary to understand the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table. Material employment terms, award conditions, repricings, and other award modifications could therefore continue to require disclosure. Registrants would have greater flexibility to present that information in narrative text, footnotes, supplemental tables, or additional columns.

***Earned Compensation Table***

The Earned Compensation Table would become the principal presentation of compensation outcomes. Many components are already disclosed under current rules, but the value of vested or exercised equity would now be included in the Total Compensation Earned column instead of the grant-date values used in the Summary Compensation Table. The proposed table would take the following form:

**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] | | | | | | | |

*Salary Earned and Non-Equity Awards Earned Columns.* Column (c) would retain the dollar value of base salary (cash and noncash) earned during the fiscal year. Column (d) would combine bonuses and non-equity incentive plan compensation (currently reported in separate Summary Compensation Table columns), including annual, discretionary, signing, and retention bonuses and earnings on outstanding non-equity incentive awards. Amounts would be reported in the year they are earned, even if payment is deferred, rather than in the year cash is received.

*Stock Awards Vested and Option Awards Exercised Columns.* Columns (e) and (f) would use realization concepts from the existing Option Exercises and Stock Vested Table. Stock awards would be valued at vesting by multiplying the number of shares or units by the closing market price on the vesting date. Options would be valued at exercise using the number of underlying securities multiplied by the difference between the closing market price on the exercise date and the exercise or base price. Transfers of awards for value would also be included.

*Miscellaneous Compensation Received Column.* Column (g) would combine much of the current "All Other Compensation" and retirement-related disclosure. Existing categories such as tax gross-ups, termination amounts paid or accrued, registrant retirement-plan contributions, above-market deferred compensation earnings, life insurance premiums, and certain discounted securities purchases would generally remain. The principal changes include:

- a higher perquisite threshold and revised related guidance, discussed below;
- pension or defined benefit supplemental executive retirement plan service costs and prior-service costs rather than the annual change in accumulated pension value. Service costs reflect benefits attributable to current-year services; prior-service costs reflect benefits granted or reduced by a plan amendment or initiation that relate to earlier service;
- dividends and other earnings paid on outstanding stock or option awards without the current exception for amounts already reflected in grant-date fair value; and
- a materiality-based catchall for compensation outside the specified categories rather than a requirement to capture all other compensation regardless of amount. The specified categories would remain mandatory.

*Total Compensation Earned Column.* Column (h) would sum columns (c) through (g).

***Perquisites and Personal Benefits***

The aggregate perquisite reporting threshold would increase from $10,000 to $150,000 for each NEO. A registrant could elect to exclude an individual benefit qualifying as a *de minimis* fringe benefit under Section 132(a)(4) of the Internal Revenue Code when determining whether the threshold is met. The threshold would remain a reporting trigger, not a deduction of the first $150,000, and would not extend to other miscellaneous compensation. Tax gross-ups would remain reportable even where the related perquisites are below the threshold.

The Proposed Rules would also remove the mandatory aggregate-incremental-cost valuation method for perquisites. Registrants could continue using that method or use values determined for federal income tax purposes. The prescribed requirements to identify and separately quantify individual perquisites would also be removed, subject to the requirement to disclose material information necessary to understand the tables.

The Proposed Rules would also give registrants flexibility in determining whether a benefit is integrally and directly related to an executive's duties (and therefore not a perquisite for disclosure purposes), including by taking account of business purpose and company benefit. Personal security (including requiring an executive to use company aircraft for personal travel for security reasons), commuting expenses, professional services, and personal use of properties, vehicles, or other assets of the registrant would no longer automatically count as perquisites.

***Granted Compensation Table***

The Granted Compensation Table would show compensation opportunities at target achievement rather than earned outcomes. It would be limited to salary, non-equity awards, and equity awards and would exclude miscellaneous compensation. Its total would therefore not represent all compensation. The proposed table would take the following form:

**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] | | | | | | |

*Annualized Salary Column.* Column (c) would show the annualized base salary rate in effect at fiscal year-end, rather than salary actually earned during the year.

*Non-Equity Awards Granted Column.* Column (d) would aggregate target opportunities familiar from the Grants of Plan-Based Awards Table and extend them to ad hoc awards, such as signing, retention, and discretionary bonuses. Separate threshold and maximum columns would not be prescribed, although material information about an award's range could still require disclosure. For an award with multiple outcomes, target means 100% of the stated target; a binary award would be reported assuming that its conditions are met and that it is fully earned.

*Stock Awards Granted and Option Awards Granted Columns.* Columns (e) and (f) would retain grant-date fair value under Financial Accounting Standards Board Accounting Standards Codification Topic 718 as the starting point but assume target outcomes for applicable performance, market, and service conditions. The current probable-outcome approach for performance conditions would not govern the proposed value. A binary award would be valued assuming full satisfaction of its conditions. Values could therefore differ from financial statement values, particularly for market-conditioned awards or targets unlikely to be achieved; a material divergence between target and probable outcomes could still require explanation.

*Reporting Year.* Equity awards would ordinarily remain reportable in the grant year. A new election would permit reporting in the immediately preceding fiscal year if the registrant considers the award to reward performance in that year and grants it in the first fiscal quarter of the following year. A registrant making the election would have to disclose that it has done so and apply the same year-of-reporting convention for every fiscal year shown in the Granted Compensation Table. Valuation would still be based on grant-date fair value at the actual grant date. If the election is used, the Status of Equity Awards Table would report the terms and status of all equity awards as of the end of that first fiscal quarter (or, if earlier, the latest practicable date) rather than as of fiscal year-end.

Non-equity awards would be treated differently: If an award was earned before its grant year, the Granted Compensation Table would have to report it in the earlier year. For example, a discretionary bonus earned for the last completed fiscal year but granted in the first quarter of the following year would be reported in the last completed fiscal year. This would align with existing earned-year reporting for cash bonuses, rather than creating the same optional election as for equity awards.

*Total Compensation Granted Column*. Column (g) would sum columns (c) through (f).

**Status of Equity Awards Table**

The Status of Equity Awards Table would consolidate information now spread across the outstanding award and grant tables into a continuing, award-by-award record. It would cover awards outstanding at the beginning of the last completed fiscal year, granted during that year, or otherwise reported in the Earned or Granted Compensation Table for that year. The proposed table would take the following form:

**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] | | | | | | | | |

*Equity Award Terms Columns.* Columns (b) through (g) would identify the grant date, award type, grant amount or payout range, end of the performance period where applicable, final vesting date if known, and exercise or base price where applicable. The grant amount or range would be stated in numbers of shares or underlying securities. Where an award has several potential payouts, relevant scenarios such as threshold, target, and maximum would be identified separately in column (d).

*Equity Award Status Columns.* Columns (h) and (i) would show the number of shares or underlying securities that have vested and the number of securities underlying options exercised or expired. Each award would have its own row; option-like components with different exercise or base prices or expiration dates would be reported separately. Awards would not need to be included after the required final reporting of full vesting, exercise, or expiration, as applicable.

Much of the underlying award information is already disclosed. The principal changes would be its consolidation into a record that follows each award and the removal of annual dollar valuations of unvested stock awards. The reporting date, vesting schedules, and material performance, market, and service conditions would also be required in the table or elsewhere in the Item 402 disclosure. Standard vesting schedules could be described once, with material deviations identified.

**Compensation Discussion and Analysis**

The CD&A would remain required for all registrants other than SRCs and EGCs. Proposed Item 402(e) would consolidate the seven currently required topics into three:

- the objectives of the registrant's compensation program in relation to its corporate strategy,
- the material elements of compensation and how the amounts are determined, and

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

Registrant-specific analysis, avoidance of boilerplate and repetition, and consideration of material post-year-end actions would remain important, and earlier years would still be discussed where necessary to provide context.

*Non-GAAP Measures.* The Proposed Rules would retain the exemption from Regulation G and Item 10(e) of Regulation S-K for disclosed non-GAAP target levels and registrant-selected financial performance measures but add requirements applicable throughout Item 402, not just in the CD&A. A disclosed measure based on historical financial results would require a quantitative reconciliation to the most directly comparable GAAP measure. A projected measure would require a narrative description of how it is calculated from the registrant's audited financial statements. In either case, registrants would need to explain why the non-GAAP measure is more appropriate than a GAAP measure for determining compensation or explaining the relationship between pay and performance, as applicable.

**Pay Versus Performance**

The Proposed Rules would replace the specialized Compensation Actually Paid calculation with Total Compensation Earned from the Earned Compensation Table, eliminating annual revaluation of unvested equity for this purpose. Disclosure would address each PEO and PFO rather than the PEO and an average of the other NEOs. Further, the look-back period would be reduced to three years from the five years currently required for registrants other than SRCs. EGCs would remain exempt from the pay-versus-performance disclosure.

The registrant's cumulative total shareholder return ("TSR") would become the only mandatory performance measure, using the existing $100-investment and dividend-reinvestment method. The requirements to disclose net income, peer-group TSR, and the Tabular List of three to seven measures would be removed, and registrant-selected measures would become optional. The prescribed table and detailed calculation footnotes would also be eliminated, though registrants would still have to explain clearly the relationship between compensation and TSR.

**Pay Ratio**

The Proposed Rules would narrow the employee population from worldwide full-time, part-time, temporary, and seasonal employees to full-time employees of the registrant and its consolidated subsidiaries in the United States and its territories, excluding temporary and seasonal employees and the PEO. Compensation for both the PEO and the median employee would be calculated using the Granted Compensation Table methodology rather than the Summary Compensation Table methodology. Pension benefits and other miscellaneous compensation would therefore be excluded.

The ratio and compensation figures would still be reported annually. Only the minimum frequency of identifying the median employee would change, from at least every three years to at least every five years. Detailed instructions and methodology disclosures would give way to general permission to use reasonable methods, adjustments, and estimates to identify the median employee and calculate compensation for employees other than the PEO.

The Proposed Rules would also remove the transition periods for newly reporting companies and registrants losing SRC or EGC status to comply with the full pay ratio rules.

**Potential Payments on Termination or Change in Control**

The Proposed Rules would eliminate the annual calculations of potential payments under hypothetical termination and change-in-control scenarios required under the current rules. In their place, registrants would be required to describe the material terms of written and unwritten arrangements for each PEO and PFO if not already described in a previously filed Form 8-K.

**Clawback Disclosure**

The Proposed Rules would remove the requirement to explain why an accounting restatement did not require recovery and would eliminate both the error-correction and recovery-analysis check boxes on Forms 10-K, 20-F, and 40-F. Amounts not pursued because recovery is impracticable would be disclosed in the aggregate rather than by executive.

Core disclosures concerning recoverable amounts, calculations, outstanding balances, and reasons for impracticability would largely remain, including individual disclosure for current or former NEOs with amounts outstanding for at least 180 days. Recovered compensation would still be identified, quantified, and deducted from reported compensation table amounts.

**Golden Parachute Compensation Table**

Proposed Item 402(j) would retain transaction-related compensation disclosure for applicable NEOs of acquiring and target companies, while narrowing the covered officers to PEOs and PFOs and simplifying the table. The proposed table would take the following form:

**GOLDEN PARACHUTE COMPENSATION TABLE**

| Name | Cash ($) | Equity ($) | Miscellaneous ($) | Total ($) |
|---|---|---|---|---|
| *(a)* | *(b)* | *(c)* | *(d)* | *(e)* |
| [PEO] | | | | |
| [PFO] | | | | |

*Cash and Equity Columns.* Columns (b) and (c) would retain the existing quantification of cash severance and transaction-related equity compensation, including accelerated vesting and payments to cancel stock or option awards.

*Miscellaneous and Total Columns.* Column (d) would combine the existing separate columns for pension and deferred compensation enhancements, benefits, tax reimbursements, and other compensation into a single materiality-based category. Column (e) would sum columns (b) through (d).

Where applicable, registrants would still separately identify arrangements previously voted on, new or amended arrangements, and the arrangements subject to a separate vote. EGCs would remain exempt.

**Compensation-Risk and Option-Timing Disclosures**

The Proposed Rules would eliminate the currently required compensation-risk narrative and the narrative and tabular disclosures concerning option awards granted near the release of material nonpublic information.

**Director Compensation Disclosure**

The Proposed Rules would eliminate the prescribed Director Compensation Table but retain disclosure for each person who served as a director during any part of the last completed fiscal year. Registrants could present the information in narrative form, tables, or a combination. In a change from the existing rules, compensation paid solely for director services to a director who is also an NEO would be reported under the director compensation disclosure rather than in the three primary executive compensation tables.

*Cash and Equity Compensation.* Cash earned for director services would continue to be quantified. The principal valuation change would be to replace equity grant-date values with values realized on stock vesting, option exercise, or transfer for value. The stock-vesting and option-exercise calculations would follow the approach used in the Earned Compensation Table.

*Program and Outstanding Award Information.* Program-level disclosure would largely continue, with express separate quantification of cash and equity retainers for board, committee, chair, and other services. The Proposed Rules would also require disclosure of outstanding equity awards, including award-level grant dates, vesting schedules, and material performance, market, and service conditions.

*Other Compensation.* The current prescribed categories of “All Other Compensation,” including specific pension and deferred compensation requirements, would give way to a material compensation catchall. Material pension or deferred compensation amounts could therefore still require disclosure.

**Timing of Compensation Disclosure in Registration Statements**

Long-form registration requirements can currently require updated Item 402 disclosure immediately after fiscal year-end, before compensation information has been finalized. The Proposed Rules would allow registrants filing a Form S-1, S-11, 10, or N-2, and registrants filing a Form S-4 that are not eligible to use Form S-3 or that do not incorporate Item 402 disclosure by reference, to omit the compensation disclosure until the earlier of the date the registrant otherwise discloses it or the date that is 120 days after fiscal year-end. The accommodation would not remove earlier-year disclosure: The otherwise required number of preceding fiscal years would still be presented. If

effectiveness would occur after the applicable disclosure deadline, a pre-effective amendment containing updated compensation information would be required, whether effectiveness occurs by acceleration or automatically.

**Comments and Proposed Compliance Dates**

*Questions for Comment.* The Commission requests comment on the proposal as a whole and on alternatives, including whether executive coverage should extend beyond PEOs and PFOs, whether different perquisite thresholds or treatment of security benefits would be appropriate, whether target-based values and Total Compensation Earned are suitable measures, and whether the proposed non-GAAP requirements are appropriate.

*Comment Process.* Comments are due 60 days after Federal Register publication. They may be submitted through the Commission's internet comment form, by email to rule-comments@sec.gov, or by mail to Vanessa A. Countryman, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. Comments should reference File No. S7-2026-39 (in the subject line if submitted by email). Submissions are public and should not contain personally identifiable information.

*Effective Date and Transition.* If adopted as proposed, the amendments would take effect on January 1 following the Federal Register publication of the adopting release. Mandatory compliance would begin for the first full fiscal year ending on or after that date. For example, publication of an adopting release during 2027 would result in an effective date of January 1, 2028. A calendar-year registrant not electing early compliance would first apply the new annual framework to fiscal 2028 compensation, generally reported in 2029. This is an illustration, not an established schedule.

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Willkie remains available to assist issuers and compensation committees in assessing the proposal, submitting comments to the Commission, and preparing for any changes that may follow final Commission action.

**If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.**


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