SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 229, 232, 239, 240, 249, and 274

[Release Nos. 33–11455; 34–106873; IC–36385; File No. S7–2026–39]

RIN 3235–AN60

Executive Compensation Disclosure Reform

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The Securities and Exchange Commission (''Commission'') is proposing amendments to its executive and director compensation disclosure rules to make the requirements more principles-based and to reduce compliance burdens for registrants, while maintaining the disclosure of material information to investors. The proposed amendments would focus the disclosures on the principal executive officer (''PEO'') and principal financial officer (''PFO''), streamline the tabular disclosure requirements, and simplify and rationalize various other aspects of the compensation disclosure rules, including the Compensation Discussion and Analysis (''CD&A''), pay ratio, pay-versus-performance, and perquisites disclosure requirements.

DATES: This release was published in the **Federal Register** on November 19, 2026. Comments should be submitted on or before January 19, 2027.

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number S7–2026–39 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number S7–2026–39. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's website (*https://www.sec.gov/rules-regulations/public-comments/s7-2026-39*). Do not include personally identifiable information in submissions; you should submit only information that you wish to make available publicly. The Commission may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

Studies, memoranda, or other substantive items may be added by the Commission or staff to the comment file during this rulemaking. A notification of the inclusion in the comment file of any such materials will be made available on the Commission's website. To ensure direct electronic receipt of such notifications, sign up through the ''Stay Connected'' option at *www.sec.gov* to receive notifications by email.

A summary of the proposal of not more than 100 words is posted on the Commission's website (*https://www.sec.gov/rules-regulations/2026/11/s7-2026-39*).

FOR FURTHER INFORMATION CONTACT: Dennis Hermreck, Special Counsel, and Amanda Ravitz, Senior Special Counsel, Office of Rulemaking, Division of Corporation Finance, at (202) 551–3430, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

SUPPLEMENTARY INFORMATION: The Commission is proposing to amend the following rules, forms, and schedules:

Commission Reference		CFR Citation (17 CFR)
Regulation S-K[1]	Item 201	§ 229.201
	Item 402	§ 229.402
	Item 403	§ 229.403
	Item 404	§ 229.404
	Item 601	§ 229.601
	Item 1011	§ 229.1011
Regulation S-T[2]	Rule 405	§ 232.405
Securities Act of 1933 ("Securities Act")[3]	Form S-1	§ 239.11
	Form S-11	§ 239.18
	Form S-4	§ 239.25
Securities Exchange Act of 1934 ("Exchange Act")[4]	Rule 14a-6	§ 240.14a-6
	Rule 14a-21	§ 240.14a-21
	Schedule 14A	§ 240.14a-101
	Rule 14c-5	§ 240.14c-5
	Schedule 14C	§ 240.14c-101
	Form 20-F	§ 249.220f
	Form 40-F	§ 249.240f
	Form 8-K	§ 249.308
	Form 10-K	§ 249.310
Investment Company Act of 1940 ("Investment Company Act")[5]	Form N-CSR	§ 274.128
Securities Act and Investment Company Act	Form N-2	§§ 239.14 and 274.11a-1

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I. Introduction

We are proposing amendments to our executive and director compensation disclosure rules [6] to make the requirements more principles-based and the disclosures clearer, more concise, and less complex. In addition, the proposed amendments are intended to reduce compliance burdens for registrants [7] and maintain investor protection by focusing the disclosures on material information.

A. Regulatory History

Disclosure requirements regarding executive compensation were initially set forth in Item 14 of Schedule A to the Securities Act and section 12(b) of the Exchange Act, which list the type of information to be included in Securities Act and Exchange Act registration statements.[8] Beginning in the 1930s, the Commission began expanding on compensation disclosure requirements by promulgating its first executive compensation disclosure rules for registration and proxy statements.[9] Over time, the Commission has continued to modify its executive compensation disclosure requirements. At various times, the Commission has mandated tabular, narrative, or combinations of tabular and narrative disclosures.[10] The Commission has likewise expanded its disclosure requirements over time to require disclosure of various components of compensation. While it is undisputed that these requirements, and the resulting disclosures, have become increasingly complex and lengthy, it is less clear if the increased complexity and length have always provided investors with corresponding additional information that would be viewed by a reasonable investor as significant to the total mix of information made available.[11] Further, some commenters indicate that some rulemaking releases may underestimate the compliance burdens associated with the disclosure requirements for some registrants.[12]

The Commission's current executive compensation disclosure requirements,

[6] References to ''executive compensation'' throughout this release generally are meant to include both named executive officer and director compensation. Where relevant, such as in section II.L, we have made substantive distinctions between named executive officer and director compensation.

[7] We generally use the terms ''companies,'' ''registrants,'' and ''issuers'' interchangeably in this release. Unless explained in the text, the use of different terms in different places is not meant to connote a substantive difference.

[8] Item 14 of Schedule A to the Securities Act calls for disclosure of ''the remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and ensuing year to (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them wherever such remuneration exceeded $25,000 during any such year.'' Section 12(b) of the Exchange Act requires disclosure of ''the directors, officers, and underwriters, and each security holder of record holding more than 10 per centum of any class of any equity security of the issuer (other than an exempted security), their remuneration and their interests in the securities of, and their material contracts with, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer.''

[9] *See, e.g.,* Release No. 34–1823 (Aug. 11, 1938) [3 FR 1991 (Aug. 13, 1938)].

[10] *See, e.g.,* Release No. 34–3347 (Dec. 18, 1942) [7 FR 10653 (Dec. 22, 1942)] (first introducing tabular executive compensation disclosure requirements); Release No. 34–4775 (Dec. 11, 1952) [17 FR 11431 (Dec. 18, 1952)] (expanding tabular disclosure for pensions and deferred remuneration); *Uniform and Integrated Reporting Requirements: Management Remuneration,* Release No. 33–6003 (Dec. 4, 1978) [43 FR 58181 (Dec. 12, 1978)] (expanding tabular disclosure to cover all forms of compensation); *Disclosure of Executive Compensation,* Release No. 33–6486 (Sept. 23, 1983) [48 FR 44467 (Sept. 29, 1983)] (''1983 Adopting Release'') (limiting tabular disclosure to cash compensation and adopting a mostly narrative approach).

[11] *See, e.g., TSC Indus.* v. *Northway, Inc.,* 426 U.S. 438 (1976).

[12] *See, e.g.,* letters from National Association of Manufacturers (Aug. 6, 2025) (''NAM–2''), available at *https://www.sec.gov/comments/4-855/4855-636727-1893534.pdf* (referring to a statement made by Roland Schustereder of ExxonMobil that ''it took his company 300 hours to prepare its initial 'pay versus performance' disclosure'' and stating that this number of hours was ''20 times more than the SEC estimated that disclosure would take.'').

which are contained in Item 402 of Regulation S–K, require an extensive combination of tabular and narrative disclosures, some of which are scaled for certain registrants.[13] In the context of the Commission's periodic reassessment of, and amendments to, its executive compensation disclosure requirements, current Item 402 is primarily the result of:

- A comprehensive revision of Item 402 adopted in 1992 (''1992 Amendments''); [14]
- A substantial expansion of Item 402 adopted in 2006 (''2006 Amendments''); [15] and
- A series of specialized additions to Item 402 adopted in response to Congressional mandates under the Dodd-Frank Wall Street Reform and Consumer Protection Act (''Dodd-Frank Act'') [16] regarding:
  - Disclosures related to shareholder approval of executive compensation and golden parachute compensation (''2011 Say-on-Pay Amendments''); [17]
  - Pay ratio disclosures (''2015 Pay Ratio Amendments''); [18]
  - Pay-versus-performance disclosures (''2022 Pay-versus-Performance Amendments''); [19] and
  - Disclosures of a registrant's actions to recover certain erroneously awarded compensation (''2022 Clawback Disclosure Amendments'' and, together with 2011 Say-on-Pay Amendments, 2015 Pay Ratio Amendments, and 2022 Pay-versus-Performance Amendments, ''Dodd-Frank Act Amendments'').[20]

The 1992 Amendments comprehensively overhauled the Commission's executive compensation disclosure requirements and mandated a series of detailed tabular disclosures. Among other things, the 1992 Amendments introduced the Summary Compensation Table [21] as the central point of focus of the executive compensation disclosures. The Summary Compensation Table aimed to provide an overview of executive compensation in a single location and set forth highly prescriptive presentation requirements that sought to increase consistency and comparability across years for each registrant and across registrants.

The 2006 Amendments built upon the 1992 Amendments by revising and expanding the required tabular disclosures and also adding substantial new narrative disclosure requirements. Among other changes to the required tabular disclosures, the 2006 Amendments notably added a ''total'' column to the Summary Compensation Table, requiring registrants to disclose a single dollar figure intended to represent total compensation for each named executive officer (''NEO'') for each covered fiscal year.[22] As the principal tabular disclosure vehicle under the current rule, the Summary Compensation Table attempts to present a comprehensive overview of an NEO's compensation, combining elements of compensation that have already been earned (such as salary) with elements that remain subject to contingencies (such as performance-based equity awards). As a result, some compensation reported in the Summary Compensation Table ultimately might not be earned at all, or might be earned at different levels depending on, for example, to what extent performance-based conditions are satisfied over the relevant performance period.

The 2006 Amendments also changed the narrative disclosure requirements, including introducing the CD&A. The CD&A was designed to be a principles-based overview of executive compensation in plain English and without boilerplate disclosures. The 2006 Amendments also provided an illustrative list of 15 example topics that may be material for discussion in the CD&A (depending on the registrant's particular facts and circumstances), as well as a number of topics that the CD&A is required to discuss.[23]

Subsequently, the Commission adopted the Dodd-Frank Act Amendments to implement the Dodd-Frank Act mandates related to Item 402. The Dodd-Frank Act added section 14A of the Exchange Act,[24] which requires registrants to (i) conduct non-binding, advisory shareholder votes to approve compensation of executives as disclosed pursuant to Item 402 (''say-on-pay'') and to determine the frequency of say-on-pay votes; and (ii) in connection with a meeting of shareholders to approve certain acquisitions, mergers, or similar transactions involving the registrant, to conduct a non-binding, advisory shareholder vote to approve agreements or understandings with any NEO of the registrant based on or relating to the transaction and related compensation. Section 14A of the Exchange Act also requires registrants to make specific golden parachute executive compensation disclosures, as implemented by the 2011 Say-on-Pay Amendments.[25] The Dodd-Frank Act also mandated the adoption of a rule requiring registrants to disclose the ratio between the annual total compensation of the principal executive officer and that of a median employee, as well as a rule requiring disclosure showing the relationship between executive pay and registrant performance.[26] The 2015 Pay Ratio Amendments adopted 17 CFR 229.402(u) (''Item 402(u)'') that requires registrants to disclose the ratio between the annual total compensation of the PEO and that of a median employee where the median employee is identified once every three years [27] from among all full-time and part-time,

[13] Item 402 of Regulation S–K was originally adopted in 1982. *See Adoption of Integrated Disclosure System,* Release No. 33–6383 (Mar. 3, 1982) [47 FR 11380–01 (Mar. 16, 1982)].

[14] *See Executive Compensation Disclosure,* Release No. 33–6962 (Oct. 16, 1992) [57 FR 48125 (Oct. 21, 1992)] (''1992 Adopting Release'').

[15] *See Executive Compensation and Related Person Disclosure,* Release No. 33–8732A (Aug. 29, 2006) [71 FR 53158 (Sept. 8, 2006)] (''2006 Adopting Release'').

[16] *See* Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376 (2010).

[17] *See Shareholder Approval of Executive Compensation and Golden Parachute Compensation,* Release No. 33–9178 (Jan. 25, 2011) [76 FR 6010 (Feb. 2, 2011)] (''2011 Say-on-Pay Adopting Release'').

[18] *See Pay Ratio Disclosure,* Release No. 33–9877 (Aug. 5, 2015) [80 FR 50103 (Aug. 18, 2015)] (''2015 Pay Ratio Adopting Release'').

[19] *See Pay Versus Performance,* Release No. 34–95607 (Aug. 25, 2022) [87 FR 55134 (Sept. 8, 2022)] (''2022 Pay-versus-Performance Adopting Release'').

[20] *See Listing Standards for Recovery of Erroneously Awarded Compensation,* Release No. 33–11126 (Oct. 26, 2022) [87 FR 73076 (Nov. 28, 2022)] (''2022 Clawback Adopting Release'').

[21] *See* 17 CFR 229.402(c).

[22] Under the 2006 Amendments, the Summary Compensation Table also requires that registrants base the value of stock and option awards on their grant date fair value and provide more detailed disclosure about perquisites and pensions. *See* 17 CFR 229.402(c)(2)(v) through (vi).

[23] *See* 17 CFR 229.402(b)(1) and (2). The 2006 Amendments established six required topics, including: the objectives of the registrant's compensation programs; what the compensation program is designed to reward; each element of compensation; why the registrant chooses to pay each element; how the registrant determines the amount; and how each compensation element and the registrant's decisions regarding that element fit into the registrant's overall compensation objectives and affect decisions regard other elements. A seventh topic, which was added to the CD&A via the 2011 Say-on-Pay Amendments, requires registrants to disclose whether and, if so, how the registrant has considered the results of its most recent say-on-pay advisory vote in determining compensation policies and decisions and, if so, how that consideration has affected the registrant's executive compensation decisions and policies.

[24] *See* Public Law 111–203, 124 Stat. 1376, section 951 (2010); *see also* 17 CFR 240.14a–21(a) through (c) (Commission rules addressing shareholder approval of executive compensation, frequency of votes for approval of executive compensation, and golden parachute compensation).

[25] *See* 17 CFR 229.402(t) (''Item 402(t)'').

[26] *See* Public Law 111–203, 124 Stat. 1376, sec. 953(b) and 953(a) (2010).

[27] Under the current rule, the median employee determination must be made more frequently when circumstances change with respect to a registrant's employee population or employee compensation arrangements as determined by the registrant in accordance with its reasonable belief. *See* 17 CFR 229.402(u); Instruction 2 to 17 CFR 229.402(u).

seasonal, and temporary U.S. and non-U.S. workers.[28] The 2022 Pay-versus-Performance Amendments adopted 17 CFR 229.402(v) (''Item 402(v)'') that, among other things, requires registrants to disclose the value of a specialized measure of executive compensation and several specific financial performance measures. Item 402(v) requires registrants to annually conduct a detailed and complex set of calculations to arrive at the specialized measure of executive pay used exclusively in pay-versus-performance disclosures and to demonstrate the relationship between that specialized pay measure and the financial performance of the registrant.

Also, in accordance with the Dodd-Frank Act, in 2022, the Commission adopted 17 CFR 240.10D–1 (''Exchange Act Rule 10D–1''), which directed the national securities exchanges and associations that list securities to establish listing standards that require issuers to develop and implement a policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers where that compensation is based on the erroneously reported financial information.[29] In connection with these amendments, the Commission added 17 CFR 229.402(w) (''Item 402(w)'') to require (i) in the event of an accounting restatement that required recovery of erroneously awarded compensation pursuant to the registrant's compensation recovery policy, disclosure regarding the restatement, including, but not limited to, the dollar amount of the erroneously awarded compensation attributable to such restatement; or (ii) in the event of an accounting restatement that did *not* require recovery of erroneously awarded compensation, a brief explanation of why the application of the recovery policy resulted in such conclusion.[30] In addition, the Commission added check boxes to Form 10–K, Form 20–F, and Form 40–F which require listed issuers to indicate whether the financial statements included in the filing reflect the correction of an error to previously issued financial statements and, if so, whether any of those error corrections are restatements that required the registrant to analyze whether to recover erroneously awarded compensation in accordance with Exchange Act Rule 10D–1.[31]

B. Public Views on the Executive Compensation Disclosure Rules

We believe that executive compensation disclosures are relevant to, among other things: evaluating the overall relationship between the registrant and its NEOs; assessing the cost of NEO compensation to the registrant; identifying retention risk with respect to NEOs; gauging the strength of alignment between NEO compensation and registrant performance; and informing say-on-pay advisory votes [32] and other corporate governance matters.[33] We also recognize, however, that the Commission's executive compensation disclosure rules have become increasingly complex and burdensome over the years. In response to prior rulemakings and requests for comment, some representatives of market participants have expressed concerns to the Commission regarding various aspects of the current rule and the often lengthy disclosures produced by registrants under it.[34] The Commission has also received a number of rulemaking petitions regarding executive compensation disclosures since the 2006 Amendments.[35]

[28] *See* 17 CFR 229.402(u).

[29] *See* 2022 Clawback Adopting Release at 73078.

[30] *See id.* at 73107.

[31] *See id.* at 73108. The 2022 Clawback Adopting Release also amended Form N–CSR for certain investment companies, to include the same disclosure requirements called for by Item 402(w).

[32] Say-on-pay advisory votes are required by section 14A(a)(1) of the Exchange Act, which was added to the Exchange Act pursuant to the Dodd-Frank Act. *See* Public Law 111–203, 124 Stat. 1376, section 951 (2010). Section 14A(a)(1) of the Exchange Act requires that ''[n]ot less frequently than once every 3 years, a proxy or consent or authorization for an annual or other meeting of the shareholders for which the proxy solicitation rules of the Commission require compensation disclosure shall include a separate resolution subject to shareholder vote to approve the compensation of executives,'' as disclosed pursuant to Item 402 of Regulation S–K, or any successor to Item 402. The shareholder vote to approve executive compensation required by section 14A(a)(1) ''shall not be binding on the issuer or the board of directors of an issuer'' and emerging growth companies are exempt from the requirement to hold such say-on-pay votes. *See* 15 U.S.C. 78n–1(c) and (e)(2). As part of the Commission's effort to simplify and rationalize disclosure obligations for registrants, on May 19, 2026, the Commission proposed, among other things, to extend existing scaled disclosure and other accommodations to all non-accelerated filers, which under that proposal would include approximately 81% of current registrants, representing 6.5% of total market public float. *See Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies,* Release No. 33–11419 (May 19, 2026) [91 FR 30086 (May 21, 2026)] (''2026 Filer Status Proposing Release''). More specifically, the 2026 Filer Status Proposing Release, if adopted as proposed, would exempt these companies from holding say-on-pay advisory votes.

[33] *See, e.g.,* letters from Americans for Financial Reform Education Fund (Aug. 6, 2025) (''AFREF''), available at *https://www.sec.gov/comments/4-855/4855-636507-1892934.pdf* (suggesting comprehensive executive compensation disclosures are necessary for shareholders to determine whether boards of directors are representing their interests in negotiations with executives); Axcelis Technologies, Inc. (June 10, 2025) (''Axcelis''), available at *https://www.sec.gov/comments/4-855/4855-610947-1790534.pdf* (suggesting factual executive compensation disclosures allow investors to assess the effectiveness of boards of directors and compensation committees, provide a sound basis for say-on-pay votes, and inform executive compensation decision-making by helping companies understand where their compensation falls relative to peers); Baillie Gifford & Co. (June 30, 2025) (''Baillie Gifford''), available at *https://www.sec.gov/comments/4-855/4855-619127-1817494.pdf* (indicating that, as a long-term active manager, it relies on executive compensation disclosures to evaluate the alignment between pay outcomes, corporate culture, and long-term value creation for investors); Council of Institutional Investors (June 25, 2025) (''Council of Institutional Investors''), available at *https://www.sec.gov/comments/4-855/4855-616687-1809534.pdf* (suggesting that executive compensation is a top priority for institutional investors and that executive compensation disclosures better equip investors to monitor the effectiveness of boards of directors in exercising their critical responsibility of oversight of executive compensation).

[34] *See, e.g.,* letters from Center for Capital Markets Competitiveness, U.S. Chamber of Commerce (Oct. 27, 2016), available at *https://www.sec.gov/comments/s7-15-16/s71516-33.pdf* (indicating that ''[t]he complexity of the SEC's rules and interpretations, coupled with the technical nature of the broader subject of executive compensation, means that special expertise is often required to understand what CD&A requires a company to disclose'' and that ''[t]he length of CD&A alone—a 20-page narrative is not uncommon and it has been known to run on for over 40 pages at some companies—can obscure what is material'' and citing a survey that suggested ''[l]ess than half (38 percent) of institutional investors believe that information about executive compensation is clear and effectively disclosed in the corporate proxy''); Center on Executive Compensation (Nov. 1, 2016), available at *https://www.sec.gov/comments/s7-18-16/s71816-14.pdf* (indicating that ''extensive additions to executive compensation disclosures have occurred since 2007, and especially since the 2010 Dodd-Frank Act'' and urging ''the SEC to undertake a comprehensive re-examination of the current content, structure, and format of the executive compensation disclosure regime as soon as is feasible'').

[35] *See* Stuart J. Kaswell, *Petition for Rulemaking to Amend Instruction 7 to 17 CFR 229.402(d),* SEC File Number 4–772 (Apr. 21, 2021), available at *https://www.sec.gov/files/rules/petitions/2021/petn4-772.pdf* (requesting the Commission amend Instruction 7 to 17 CFR 229.402(d) ''to better inform investors as to whether issuer repurchases trigger higher payments to senior executives under performance-based compensation schemes''); Kenneth A. Bertsch & Jeffrey P. Mahoney, *Petition for Rulemaking Regarding Disclosures on the Use of Non-GAAP Financials in Proxy Statement CD&As,* SEC File Number 4–745 (Apr. 29, 2019) (''Non-GAAP Petition''), available at *https://www.sec.gov/files/rules/petitions/2019/petn4-745.pdf* (requesting the Commission, among other things, ''provide that all non-GAAP financial measures presented in the [CD&A] are subject to the requirements of Regulation G''); Ira T. Kay, *Petition for Rulemaking to Amend Item 402 to Revise the Current Summary Compensation Table to Better Depict the Compensation Earned for the Year by Named Executive Officers,* SEC File Number 4–585 (May 26, 2009) (''Summary Compensation Table Petition''), available at *https://www.sec.gov/files/rules/petitions/2009/petn4-585.pdf* (requesting the Commission ''reconsider the current Summary Compensation Table'' and take an alternative approach ''which focuses on depicting the *pay*

In light of these considerations and in order to facilitate review of these requirements, including how the Commission's rules can focus more on requiring disclosure likely to elicit material compensation information, the Commission held a roundtable discussion on the executive compensation disclosure rules on June 26, 2025 (''2025 Roundtable'').[36] The 2025 Roundtable consisted of three panel discussions that featured a wide range of market participants, including representatives of registrants, investors, law firms, executive compensation consultants, industry bodies, labor unions, and pension funds.[37] Interested parties were also invited to submit written comment letters in connection with the 2025 Roundtable.[38] Commenters representing a wide range of interested parties, including registrants, investors, executive compensation and corporate governance consultants, law firms, and public interest organizations submitted over 70 comment letters in response to the 2025 Roundtable.

During the 2025 Roundtable, representatives of registrants and their advisors generally emphasized the burdens associated with the current regulatory regime and queried the value of certain executive compensation disclosures to investors.[39] In particular, some panelists expressed concerns about elements of the Summary Compensation Table and the requirement to disclose a total compensation amount given the disparate nature of the various components of compensation required to be included in the table.[40] Several panelists also voiced concern about the burden of preparing, and the value to investors of, the disclosures required by the Dodd-Frank Act Amendments.[41]

Representatives of investors who participated in the 2025 Roundtable generally were more supportive of the current executive compensation disclosure rules than were registrants and their advisors,[42] but also expressed dissatisfaction with certain aspects of the rules and related market practices.[43] In that regard, as with the representatives of registrants and their advisors, these panelists generally acknowledged that the current disclosures often include unnecessary complexity and repetition.[44] Other representatives of investors suggested that the complexity of registrants' executive pay practices (rather than the requirements of the Commission's rules) may be driving the length and density of the disclosures.[45] In addition, some of these panelists noted it is difficult to follow an equity award through its lifecycle and recommended revising the disclosure requirements to make it easier for investors to do so.[46]

Many written comments in connection with the 2025 Roundtable also stated that the disclosures required by the current rules have become increasingly complex and lengthy.[47] By way of example, one commenter highlighted a recent estimate that the average CD&A in a company's proxy statement comprises 10,000 words or 15 pages.[48] Further, some commenters

realizable by an executive during the year''). The Commission has considered these petitions in connection with developing the proposed rules.

[36] *See SEC Roundtable on Executive Compensation Disclosure Requirements* (June 26, 2025), available at *https://www.sec.gov/newsroom/meetings-events/sec-roundtable-executive-compensation-disclosure-requirements.* The Commission's Investor Advisory Committee also held a panel discussion in March 2026 on public company disclosure reform and in March 2024 on the use of materiality as a disclosure standard. *See* Investor Advisory Committee Meeting Agenda (March 12, 2026), available at *https://www.sec.gov/about/advisory-committees/investor-advisory-committee/iac031226-agenda;* Investor Advisory Committee Meeting Agenda (March 7, 2024), available at *https://www.sec.gov/advocate/iac030724-agenda.* The Commission's Office of the Advocate for Small Business Capital Formation also held roundtable discussions in June 2025 on reassessing the framework for small public companies and on reexamining the IPO on-ramp. The transcripts of these roundtable discussions are available at *https://www.sec.gov/files/small-cap-policy-roundtable-transcript.pdf* and *https://www.sec.gov/files/ipo-roundtable-transcript.pdf.* In July 2026, the Office of the Advocate for Small Business Capital Formation and the Division of Corporation Finance held another roundtable on modernizing the IPO process and access to public capital. The transcript of this roundtable discussion is available at *https://www.sec.gov/files/OASB-CF-Rethinking-Rulebook-transc-508.pdf.*

[37] The transcript of the remarks made during the 2025 Roundtable is available at *https://www.sec.gov/files/sec-roundtable-executive-compensation-disclosure-requirements-2025-06-26-transcript.pdf* (''2025 Roundtable Transcript'').

[38] *See* Chairman Paul S. Atkins, *Statement on the Upcoming Executive Compensation Roundtable* (May 16, 2025), available at *https://www.sec.gov/newsroom/speeches-statements/statement-upcoming-executive-compensation-roundtable.* Comments letters submitted in connection with the 2025 Roundtable are available at *https://www.sec.gov/comments/4-855/4-855.htm.*

[39] *See, e.g.,* Michael Lennartz (Mastercard), 2025 Roundtable Transcript at 34:18–25 (suggesting ''[i]t requires a Herculean effort to produce all of the numbers that go into the tables''); Zachary Levine (Metropolitan Commercial Bank), 2025 Roundtable Transcript at 113:19–21 and 114:10–11 (suggesting ''there's . . . an immense administrative burden that is particularly challenging'' and ''[i]f you're not sure who the NEOs are, that's really impactful from a cost perspective''); *see also* Sarah Fortt (Ford Motor Company), 2025 Roundtable Transcript at 156: 9–24 and 181:13–23 (suggesting that the current disclosure requirements can distort board decision-making, require substantial registrant resources, and may produce disclosures that are confusing to and often unread by investors).

[40] *See* Ning Chiu (Davis Polk & Wardwell), 2025 Roundtable Transcript at 161:20–24 and 162:1–3; Ronald O. Mueller (Gibson Dunn), 2025 Roundtable Transcript at 163:13–25 and 164:1–4; Marc Treviño (Sullivan & Cromwell), 2025 Roundtable Transcript at 166:13–25.

[41] *See, e.g.,* Roland Schustereder (ExxonMobil), 2025 Roundtable Transcript at 116:1–3 (suggesting that while it took his company 300 hours to prepare its initial pay-versus-performance disclosures, shareholders have not asked any questions about them); *see also* Lennartz, 2025 Roundtable Transcript at 84:3–9 (questioning the utility of certain disclosures and noting that ''[n]o one has ever asked me once about the CEO pay ratio on the investor side, nor about the pay-versus-performance table'').

[42] *See* Brandon Rees (American Federation of Labor and Congress of Industrial Organizations), 2025 Roundtable Transcript at 103:6–7 (suggesting that ''[n]o investor is asking the SEC to reduce the amount of disclosure'').

[43] *See* Drew Hambly (California Public Employees' Retirement System), 2025 Roundtable Transcript at 152:2–15, 174:25 and 175:1–2 (commenting that ''we've learned how to use the regime we have, but it's a very cumbersome and inefficient regime to use'').

[44] *See* Hambly, 2025 Roundtable Transcript at 152:2–15, 174:25, and 175:1–2 (commenting that the disclosure includes unnecessary repetition with graphics and paragraphs repeated verbatim); Michael McCauley (State Board of Administration of Florida), 2025 Roundtable Transcript at 107:1–3 (commenting on inclusion of ''generic boilerplate legalese [that] is not really helping anybody'').

[45] *See* Rees, 2025 Roundtable Transcript at 102:12–15 (suggesting that ''the problem with executive compensation disclosure is not that investors are receiving too much information . . . [but rather] that the executive compensation plans are too elaborate''); *see also* Hambly, 2025 Roundtable Transcript at 152:16–22 (''There is nothing in the rules . . . that says we have to set up compensation programs that require a slide rule and an abacus to figure out [what] somebody is going to get paid.'').

[46] *See* Ola Peter Krohn Gjessing (Norges Bank Investment Management), 2025 Roundtable Transcript at 50:15 and 80:2–10 (commenting that ''[e]ven though we have all this disclosure . . . it is incredibly hard to follow one equity grant through its life[cycle]''); *see also* Terry Adamson (Infinite Equity), 2025 Roundtable Transcript at 175:17–25 and 176:1–11 (commenting that ''it would be really easy with a life cycle that reconciles, this is what was outstanding at the beginning of the year, this is anything new that was granted . . . this is what vested during the year, and this is what's outstanding at the end of the year, grant by grant by grant, all the way through'').

[47] *See, e.g.,* letters from McGuireWoods LLP and Brownstein Hyatt Farber Schreck, LLP (June 20, 2025) (''McGuireWoods & Brownstein''), available at *https://www.sec.gov/comments/4-855/4855-614907-1802694.pdf;* NEI Investments (June 26, 2025) (''NEI''), available at *https://www.sec.gov/comments/4-855/4855-617107-1810154.pdf;* NYSE Institute (June 25, 2025) (''NYSE''), available at *https://www.sec.gov/comments/4-855/4855-617127-1810194.pdf.* In contrast, other commenters expressed support for retaining, and even expanding, the current executive compensation disclosure requirements. *See, e.g.,* Form Letter A, available at *https://www.sec.gov/comments/4-855/4855-typea.htm* (stating support for ''keeping, and even expanding, the SEC's strong disclosure rules for executive compensation''); Form Letter B, available at *https://www.sec.gov/comments/4-855/4855-typeb.htm* (urging the Commission ''to maintain its executive compensation disclosure rules in their current form'').

[48] Letter from U.S. Chamber of Commerce, Center for Capital Markets Competitiveness (June 25, 2025) (''Chamber of Commerce''), available at *https://www.sec.gov/comments/4-855/4855-622607-1826714.pdf* (noting that for ''many companies,

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asserted that the complexity of the disclosures mandated by the executive compensation disclosure rules has led to, among other things, registrants failing to apply the rules in a consistent manner, relying on boilerplate disclosures, and providing a voluminous amount of information that is difficult for investors to digest.[49] Some commenters stated that the executive compensation disclosure rules have become so complicated that registrants increasingly have had to rely on third parties who have unique expertise, such as specialized executive compensation lawyers and consultants, to assist them with compliance.[50] Some commenters also stated that investors similarly rely on third parties, such as proxy advisory firms, to advise them on matters related to executive compensation disclosures due to their complicated nature.[51] Furthermore, one commenter cited a 2015 survey finding that only 38 percent of institutional investors found executive compensation disclosure ''clear and easy to understand.'' [52]

Commenters suggested a variety of solutions to help address some of these issues. Many of the proposed solutions involved simplifying the disclosure requirements [53] and adopting more principles-based requirements that allow registrants to provide executive compensation disclosures that are more tailored to how compensation decisions are actually made.[54] Several commenters similarly recommended allowing companies to have more flexibility regarding their executive compensation disclosures.[55]

II. Discussion of Proposed Amendments

We are proposing primarily principles-based amendments to Item 402 that are intended to provide investors with material information relevant to an assessment of the compensation of the registrant's NEOs and directors by requiring disclosures that we anticipate to be clearer, more concise, easier for investors to read and understand, and less burdensome for registrants to produce.[56] We continue to recognize that a registrant's design of executive compensation, including the level of pay (also known as the ''amount'' or ''quantum'' of pay or pay ''opportunity'') and its performance sensitivity, may be material. The proposed amendments aim to, among other things:

- Reduce compliance burdens and provide registrants with more flexibility to present their executive compensation disclosures in a way that is consistent with their compensation programs and goals and the intentions of their boards of directors and compensation committees; and
- Refocus the disclosures on the information material to investors and improve investors' ability to track equity awards through their lifecycle.

The proposed amendments also include disclosure accommodations for smaller reporting companies (''SRCs'') [57] and emerging growth companies (''EGCs'').[58] In the 2026 Filer Status Proposing Release, we proposed streamlining the filer statuses for reporting companies into two primary categories—large accelerated filers (''LAFs'') and non-accelerated filers (''NAFs'')—and eliminating the SRC filer status.[59] If those rules are adopted as proposed, we would extend any proposed Item 402 accommodations for SRCs and EGCs to all NAFs.

The following table provides a high-level, non-exhaustive summary of how certain topics covered under the current rule would be addressed under the proposed amendments.[60]

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CD&A may be significantly longer, covering dozens of pages[.]'').

[49] *See, e.g.,* letters from EOS at Federated Hermes Limited (June 24, 2025) (''EOS''), available at *https://www.sec.gov/comments/4-855/4855-616227-1808194.pdf;* McGuireWoods & Brownstein; NYSE.

[50] *See, e.g.,* letters from McGuireWoods & Brownstein; NEI; NYSE.

[51] *See, e.g.,* letters from Committee on Federal Regulation of Securities of the American Bar Association, Section of Business Law (Oct. 6, 2025) (''ABA''), available at *https://www.sec.gov/comments/4-855/4855-669587-2016034.pdf;* Equity Abacus (June 10, 2025) (''Equity Abacus''), available at *https://www.sec.gov/comments/4-855/4855-613027-1795414.pdf;* McGuireWoods & Brownstein; Society for Corporate Governance (Aug. 27, 2025) (''Society for Corporate Governance''), available at *https://www.sec.gov/comments/4-855/4855-644367-1928454.pdf.*

[52] Letter from Chamber of Commerce (footnote omitted).

[53] *See, e.g.,* letters from Baillie Gifford (recommending, among other things, that some information required by Item 402 be dropped or moved to footnotes and that CD&A ''return'' to a simpler presentation); Norges Bank Investment Management (July 25, 2025) (''Norges Bank''), available at *https://www.sec.gov/comments/4-855/4855-635367-1885195.pdf* (suggesting that there should be ''[s]impler disclosure when pay structure is straightforward'' and recommending, among other things, that the length of CD&A be reduced and performance-related disclosures that have little relevance to time-based awards be eliminated).

[54] *See, e.g.,* letters from ABA; Business Roundtable (Aug. 19, 2025) (''Business Roundtable''), available at *https://www.sec.gov/comments/4-855/4855-640487-1915734.pdf;* McGuireWoods & Brownstein; NYSE.

[55] *See, e.g.,* letters from ABA (noting that ''the fundamental value of a 'principles-based' CD&A is its flexibility''); Business Roundtable (urging ''a return to a disclosure regime that prioritizes clarity, materiality and flexibility''); EOS (encouraging a ''more flexible requirement for companies to reflect how the compensation committee considers the appropriateness of executive pay relative to their employees in its own way, rather than one relaying on a specific metric'').

[56] We are also proposing to make conforming changes to cross-references to the appropriate provisions of Item 402 in the following places: 17 CFR 229.201, 17 CFR 229.403, 17 CFR 229.404, 17 CFR 229.407, 17 CFR 229.601, 17 CFR 229.1011, 17 CFR 240.14a–6, 17 CFR 14a–21, 17 CFR 14a–101, 17 CFR 14c–5, and 17 CFR 14c–101.We are additionally making some non-substantive clarifying edits to these rules, such as by changing the word ''shall'' to ''must'' in 17 CFR 229.601 and revising how the numbering of Instructions is labeled in 17 CFR 240.14a–21.

[57] *See* 17 CFR 229.10(f)(1); 17 CFR 229.405; 17 CFR 240.12b–2.

[58] *See* 17 CFR 230.405; 17 CFR 240.12b–2.

[59] *See* 2026 Filer Status Proposing Release.

[60] Unless otherwise stated or the context otherwise requires, when this proposing release mentions the current rule or the proposed rule, we are referring to the rules that apply to registrants generally, rather than to the scaled rules that apply to SRCs and EGCs. For a discussion of the scaled rules, see section II.M below.

Current Rule	Proposed Rule Addressing Similar Topic	Section(s) Discussing Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Item 402(a)(1) – Treatment of foreign private issuers	Item 402(a)(6)(iii) – Foreign private issuers	II.N	Largely retained. The proposed rule text largely tracks the current rule, with some streamlining.
Item 402(a)(2) – All compensation covered	Item 402(a)(1) – Objective	II.A	Substantially revised. The proposed rule text continues to require clear, concise, and understandable disclosure of NEO and director compensation, but adds that the objective of the disclosure is to provide investors with material information relevant to an assessment of that compensation.
Item 402(a)(3) – Persons covered	Item 402(a)(2) – Persons covered	II.B	Partially retained. The proposed rule text would limit the NEOs to only the PEO and PFO (for all registrants), and would eliminate existing coverage of: • The three most highly compensated executive officers other than the PEO and PFO; and • Up to two additional individuals for whom disclosure would have been provided but for the fact the individual was not serving as an executive officer at the end of the last completed fiscal year.
Item 402(a)(4) Information for full fiscal year	Item 402(a)(3) Information required	II.N	Largely retained. The proposed rule text largely tracks the current rule, with some streamlining.
Item 402(a)(5) – Omission of table or column	Item 402(a)(5)(ii) – Flexibility in the manner of tabular presentation	II.E.2	Retained with additions. The proposed rule text largely tracks the current rule with respect to the omission of a table or column and would also provide additional flexibilities in the manner of tabular presentation by expressly permitting the splitting of a single column into multiple columns (or a supplemental table).
Item 402(a)(6) – Definitions	Item 402(a)(7) – Definitions	II.N	Largely retained. The proposed rule text largely tracks the current rule, with some streamlining.
Item 402(b) – Compensation discussion and analysis	Item 402(e) – Compensation Discussion and Analysis	II.F; II.M	Partially retained. The proposed rule text would: • Require registrants to address three topics in the CD&A (as compared to seven topics under the current rule); • Eliminate the non-exhaustive list of 15 example topics that may be material for discussion, depending on the facts and circumstances; • Streamline the instructions to the CD&A; and • Continue to exempt both SRCs and EGCs from this requirement.
Item 402(c) – Summary compensation table	Item 402(b) – Earned Compensation Table; Item 402(c) – Granted Compensation Table	II.C.1; II.C.2	Substantially revised. The proposed rule text would, in effect, split the disclosure currently required by the Summary Compensation Table into two simpler tables: • The Earned Compensation Table would capture compensation earned during the fiscal years covered and would include the value realized on previous equity awards; and • The Granted Compensation Table would capture the primary compensation elements granted during the fiscal years covered (generally at their target value) and would reflect compensation inputs in a manner designed to be more consistent with the registrant's compensation intentions.

Current Rule	Proposed Rule Addressing Similar Topic	Section(s) Discussing Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Item 402(d) – Grants of plan-based awards table	Item 402(c) – Granted Compensation Table; Item 402(d) – Status of Equity Awards Table	II.C.2; II.C.3	Partially retained. The proposed rule text would incorporate certain concepts currently used by the Grants of Plan-Based Awards Table into the Granted Compensation Table and Status of Equity Awards Table.
Item 402(e) – Narrative disclosure to summary compensation table and grants of plan-based awards table	Item 402(a)(5)(i) – Information necessary to an understanding of the tables	II.E.1	Substantially revised. The proposed rule would incorporate certain concepts used in current Item 402(e) into proposed Item 402(a)(5)(i).
Item 402(f) – Outstanding equity awards at fiscal year-end table	Item 402(d) – Status of Equity Awards Table	II.C.3	Substantially revised. The proposed rule text would establish a Status of Equity Awards Table to provide disclosure relating to equity awards that are currently addressed in the Outstanding Equity Awards at Fiscal Year-End Table and incorporate certain concepts currently used by the Grants of Plan-Based Awards Table.
Item 402(g) – Option exercises and stock vested table	Item 402(b) – Earned Compensation Table	II.C.1	Partially retained. The proposed rule text would incorporate certain concepts currently used by the Option Exercises and Stock Vested Table into the Earned Compensation Table.
Item 402(h) – Pension benefits table	N/A	II.O.1	Eliminated. The proposed rule text would eliminate the current Pension Benefits Table.
Item 402(i) – Nonqualified deferred compensation table	N/A	II.O.1	Eliminated. The proposed rule text would eliminate the current Nonqualified Deferred Compensation Table.
Item 402(j) Potential payments upon termination or change-in-control	Item 402(i) Potential payments upon termination or change-in-control	II.J; II.M	Substantially revised. The proposed rule text would eliminate the requirement to *quantify* potential payments and benefits in various termination or change-in-control scenarios, and limit the requirement to provide *qualitative* disclosures to the material terms of arrangements that provide for payments or benefits in connection with such scenarios. The proposed rule text would also apply the requirement to SRCs and EGCs in lieu of Item 402(q).
Item 402(k) – Compensation of directors	Item 402(k) – Compensation of directors	II.L	Partially retained. The proposed rule text would: • Eliminate the requirement for a prescribed tabular format for quantitative director compensation disclosures; • Limit quantified cash and equity disclosure to compensation earned during the last completed fiscal year (including cash earned and the value realized on previous equity awards) while eliminating the prescriptive requirement for pension-related compensation disclosure and nonqualified deferred compensation; and • Provide for a principles-based narrative requirement to describe the material aspects of the registrant's compensation of directors and other material compensation for the last completed fiscal year, without requiring disclosure of a prescriptive list of "other" items.

Current Rule	Proposed Rule Addressing Similar Topic	Section(s) Discussing Topic	Summary of Treatment of Topic under Proposed Rule as Compared to Current Rule
Item 402(l) through 402(r) – Smaller reporting companies and emerging growth companies	Item 402(a)(6)(i) and (ii) – Smaller reporting companies and emerging growth companies	II.M	Substantially revised. The proposed rule text would: • Address the treatment of SRCs and EGCs each in a single paragraph of proposed Item 402; • Continue to provide scaling and exemptions from Dodd-Frank Act provisions applicable to SRCs and EGCs; and • Eliminate multiple current paragraphs that repeat disclosure provisions specifically for SRCs and EGCs.
Item 402(s) – Narrative disclosure of registrant's compensation policies and practices as they relate to risk management	N/A	II.O.2	Eliminated. The proposed rule would eliminate for all registrants the disclosure requirements currently contained in Item 402(s).
Item 402(t) – Golden parachute compensation	Item 402(j) – Golden parachute compensation	II.K; II.M	Partially retained. The proposed rule text would consolidate several columns in the current Golden Parachute Compensation Table and streamline narrative disclosure requirements.
Item 402(u) – Pay ratio disclosure	Item 402(h) – Pay ratio disclosure	II.I; II.M	Partially retained. The proposed rule text would: • Limit the population of employees from which the median employee is identified to full-time workers employed in the United States (these workers, "U.S.-based employees"); • Use the proposed Granted Compensation Table, rather than the current Summary Compensation Table, to determine PEO and median employee compensation; and • Change the required frequency for identifying a new median employee from once every three years to once every five years.
Item 402(v) – Pay-versus-performance	Item 402(f) – Pay-versus-performance	II.G; II.M	Partially retained. The proposed rule text would: • Use the amount from the Total Compensation Earned column of the proposed Earned Compensation Table for "Compensation Actually Paid," instead of the current methodology; • Limit the disclosure period to three years for all registrants; • Limit required disclosure to PEO and PFO compensation; and • Limit required performance measure disclosure to only cumulative total shareholder return ("TSR").
Item 402(w) – Disclosure of registrant's action to recover erroneously awarded compensation	Item 402(g) – Disclosure of registrant's action to recover erroneously awarded compensation	II.H	Partially retained. The proposed rule text would: • Remove the requirement to explain, where applicable, why the registrant concluded that recovery of erroneously awarded compensation was not required; and • Remove from annual reports the cover page required check box disclosures regarding financial statement error corrections and related compensation recovery analysis.
Item 402(x) – Disclosure of the registrant's policies and practices related to the grant of certain equity awards close in time to the release of material nonpublic information	N/A	II.O.3	Eliminated. The proposed rule would eliminate the disclosure requirements currently contained in Item 402(x).

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A. Objective—Proposed Item 402(a)(1)

The executive compensation rules today provide detailed and prescriptive requirements for a registrant's executive and director compensation disclosures. We are proposing to revise this prescriptive approach in favor of a primarily principles-based approach toward executive compensation disclosure. To implement this approach, proposed Item 402(a)(1) would specify that the objective of Item 402 is to provide investors with material information relevant to an assessment of the compensation of the registrant's NEOs and directors.[61] Proposed Item 402(a)(1), consistent with current Item 402(a)(2), would continue to require clear, concise, and understandable disclosure of the compensation granted to, earned by, or paid to the NEOs and directors for all services rendered in all capacities to the registrant and its subsidiaries.[62] This proposed shift to a more principles-based approach would allow for fewer and less prescriptive rules relating to NEO and director compensation disclosure in Item 402 but would continue to focus on providing investors with the material information relevant to an assessment of such compensation.[63] In so doing, this

[61] As proposed, registrants would be required to provide ''material information'' in contrast to current Item 402(a)(2) which requires disclosure of ''all plan and non-plan compensation'' even if also called for by another requirement. *See* 17 CFR 229.402(a)(2).

[62] The current rule generally refers to compensation awarded to, earned by, or paid to the NEOs. *See, e.g.,* 17 CFR 229.402(a)(2); 17 CFR 229.402(a)(5); 17 CFR 229.402(b)(1). The proposed rule generally refers to compensation granted to, earned by, or paid to the NEOs. *See, e.g.,* proposed Item 402(a)(1); proposed Item 402(a)(5)(ii)(A). This proposed change from ''awarded'' to ''granted'' is not intended to connote a substantive change; rather, the change was made to provide for greater consistency under the proposed rule.

[63] For example, current 17 CFR 229.402(a)(2) provides that no amount reported as compensation for one fiscal year need be reported in the same manner as compensation for a subsequent fiscal year. While this statement would continue to be true, the more principles-based approach provided in proposed Item 402(a)(1) would simply call for

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approach could reduce compliance costs and permit registrants to tailor disclosure in a way that provides greater transparency in regard to the registrant's compensation practices and is easier for investors to read and understand.

As proposed, executive compensation disclosure under Item 402 would be focused on compensation earned, compensation granted, and the status of outstanding equity awards, all of which disclosure would be required in a set of three new executive compensation tables. The tables and the related disclosure would not include all of the existing detailed instructions and footnote requirements associated with current lengthy and burdensome executive compensation disclosures. Instead, proposed Item 402(a)(1) would specify that the objective of Item 402 is to provide investors with material information relevant to an assessment of the compensation of the registrant's NEOs and directors and would permit the registrant to provide any information not explicitly called for by proposed Item 402 that is relevant to this objective in any format the registrant determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures.[64] As discussed further in section II.E.1 below, proposed Item 402(a)(5)(i) also would require the registrant to disclose any material information necessary to an understanding of the information disclosed in the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table.

Request for Comment

1. Should Item 402(a)(1) be adopted as proposed? What modifications, if any, should be made to proposed Item 402(a)(1)?

2. Would registrants' Item 402 disclosures made in accordance with the principles-based approach in proposed Item 402(a)(1) continue to provide investors with material information with respect to a registrant's NEO and director compensation that they need to make informed investment and voting decisions?

3. Should proposed Item 402(a)(1) require or encourage a brief narrative summary or overview, consistent with a layered disclosure approach?[65] Other than a summary page, are there other approaches to layered disclosure that we should consider?

B. Persons Covered—Proposed Item 402(a)(2)

Under the current rule, the executive compensation disclosures under Item 402[66] generally are required to cover each of the following individuals (the ''named executive officers'' or ''NEOs''):

- All individuals serving as the registrant's PEO or acting in a similar capacity during the last completed fiscal year, regardless of compensation level;[67]
- All individuals serving as the registrant's PFO or acting in a similar capacity during the last completed fiscal year, regardless of compensation level;[68]
- The registrant's three most highly compensated executive officers other than the PEO and PFO who were serving as executive officers at the end of the last completed fiscal year;[69] and
- Up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of the last completed fiscal year.[70]

Under the current rule, SRCs' and EGCs' disclosures are permitted to cover a more limited set of NEOs as follows:

- All individuals serving as the registrant's PEO or acting in a similar capacity during the last completed fiscal year, regardless of compensation level;[71]
- The registrant's two most highly compensated executive officers other than the PEO who were serving as executive officers at the end of the last completed fiscal year;[72] and
- Up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of the last completed fiscal year.[73]

We are proposing to amend Item 402(a) to provide that, for all registrants, the NEOs would consist of all individuals who served as the PEO or PFO, or acted in a similar capacity, during the last completed fiscal year.[74] Accordingly, the proposed amendments would reduce the number of NEOs to two in most circumstances,[75] as compared to typically five or more for non-SRCs and non-EGCs (and typically three or more for SRCs and EGCs) under the current rule.[76] The proposed amendments also would make the identified NEOs more consistent across registrants, including SRCs and EGCs.[77]

The Commission has considered alternative approaches regarding the number and scope of the executive officers for whom disclosure is required and has adjusted the standard over the decades. For example, in the 1983 Adopting Release, the Commission noted that it had requested comment on a variety of potential standards (*e.g.,* individuals holding certain positions, individuals performing certain designated functions, a straight numerical approach based on levels of compensation) and that, at that time, the greatest number of commenters who responded had favored a straight numerical approach and, of those, the majority had favored five.[78] Accordingly, in 1983, the Commission required disclosures for the five most highly compensated executive officers (regardless of their specific positions). Subsequently, in the 1992 Adopting

clear, concise, and understandable disclosure without specifying that a registrant need not provide repetitive disclosure.

[64] *See* proposed Instruction to Item 402(a)(1).

[65] *See Business and Financial Disclosure Required by Regulation S–K,* Release No. 33–10064 (Apr. 13, 2016) [81 FR 23915 (Apr. 22, 2016)], at 24004 (discussing layered disclosure and noting that ''some investors may prefer a summary presentation while others may seek detailed data that they can analyze and compare across companies or industries.'').

[66] In addition, a registrant's disclosure obligations under Item 5.02(b), (e), and (f) of Form 8–K (17 CFR 249.308) are tied to its NEOs. *See infra* accompanying text at notes 566 through 568. The reduction in the number of NEOs under Item 402 would affect certain other disclosure requirements under Regulation S–K, including 17 CFR 229.403(b) and 17 CFR 229.404(a). *See infra* note 91.

[67] *See* 17 CFR 229.402(a)(3)(i).

[68] *See* 17 CFR 229.402(a)(3)(ii).

[69] *See* 17 CFR 229.402(a)(3)(iii). Under the current rule, executive officers (other than the PEO and PFO) whose total compensation does not exceed $100,000 are not covered by this prong of the NEO definition. *See* Instruction 1 to 17 CFR 229.402(a)(3).

[70] *See* 17 CFR 229.402(a)(3)(iv).

[71] *See* 17 CFR 229.402(m)(2)(i).

[72] *See* 17 CFR 229.402(m)(2)(ii). Under the current rule, executive officers (other than the PEO) whose total compensation does not exceed $100,000 are not covered by this prong of the NEO definition. *See* Instruction 1 to 17 CFR 229.402(m)(2).

[73] *See* 17 CFR 229.402(m)(2)(iii).

[74] In effect, the proposed amendments would largely retain the current wording with respect to PEOs and PFOs in 17 CFR 229.402(a)(3)(i) and (ii), but eliminate the current wording with respect to additional NEOs in 17 CFR 229.402(a)(3)(iii) and (iv).

[75] If the registrant had multiple individuals who served as PEO or PFO during the last completed fiscal year (including interim or acting PEOs or PFOs and situations where the registrant has dual PEOs or co-PEOs), then all such individuals would be NEOs for whom disclosure would be required.

[76] The proposed amendments to limit the NEOs to just the PEO and PFO would apply throughout most of Item 402, including to disclosures regarding golden parachute compensation pursuant to current 17 CFR 229.402(t), and the recovery of erroneously awarded compensation pursuant to current 17 CFR 229.402(w).

[77] See section II.M below for a discussion of the scaled disclosure accommodations that would be provided to SRCs and EGCs under the proposed rule.

[78] *See* 1983 Adopting Release at 44469.

Release, the Commission adjusted the approach to require disclosures for the chief executive officer (regardless of compensation level), along with the four other most highly compensated executive officers.[79] Finally, in the 2006 Adopting Release, the Commission adjusted the approach again to require disclosures for the PEO and PFO (regardless of compensation level), along with the three other most highly compensated executive officers.[80]

We are proposing to focus the executive compensation disclosures on the PEO and PFO because we believe that disclosures about the individuals holding those positions are most important for investors due to the crucial roles such individuals play in managing the registrant. The PEO is typically the most senior and prominent executive officer and generally takes the leading role in managing the registrant's business and the other executive officers, and in determining and executing on the registrant's corporate strategy, among other things. The PFO often makes strategic investment decisions[81] and has responsibility for the registrant's financial management and financial disclosure (including financial statements), and (together with the PEO) provides the certifications of the registrant's Commission filings required under the Sarbanes-Oxley Act of 2002.[82] Understanding the PEO's and PFO's monetary incentives is therefore likely to be material to an investor when evaluating the strategic direction of the registrant and the reliability of the registrant's financial disclosures and the soundness of its financial decisions.

We also are proposing to limit the required disclosures to those persons who served as the PEO or PFO in order to reduce the length and complexity of registrants' executive compensation disclosures, as well as the costs and burdens incurred by registrants in preparing such disclosures. We believe that detailed compensation disclosures for additional executive officers based solely on their compensation level, regardless of position, also may be less relevant to investors than disclosures regarding the PEO and PFO, given the central roles played by the PEO and PFO in managing the registrant.[83] Indeed, a number of the comment letters submitted in connection with the 2025 Roundtable indicated that the number of individuals covered under the current rule contributes to the complexity and burdens of the disclosures without commensurate benefits to investors.[84] Some commenters stated that, based on their surveys, registrants estimated they would be able to reduce the number of hours worked on preparing executive compensation disclosures by up to 50–60 percent if such disclosures were limited to the PEO and PFO.[85] Commenters suggested a wide range of approaches to the number and type of individuals who should be covered, including covering:

- Only the PEO (and any other executive officer who is also a director);[86]
- The PEO and PFO;[87]
- The PEO and two most highly compensated non-PEO executive officers;[88] and
- The PEO, PFO, and one additional highly compensated executive officer.[89]

In contrast, some commenters recommended that the Commission consider expanding the persons covered as NEOs.[90]

We recognize that there are reasons why compensation of other executive

[79] *See* 1992 Adopting Release at 48129.

[80] *See* 2006 Adopting Release at 53189.

[81] *See, e.g.,* Dave Magnani, *The CFO's Expanding Role: Why Finance Leaders Are Becoming the Next CEOs,* M&A Executive Search (Apr. 15, 2025), available at *https://maexecsearch.com/the-cfos-expanding-role-why-finance-leaders-are-becoming-the-next-ceos/.*

[82] *See* Public Law 107–204, 116 Stat. 745 section 302(a) (2002); *see also* 17 CFR 240.13a–14; 17 CFR 240.15d–14.

[83] If the proposed amendments are adopted, the registrant could elect to provide disclosures for additional persons beyond the PEO and PFO in the Earned Compensation Table, Granted Compensation Table, and the Status of Equity Awards Table, so long as the registrant provided disclosures responsive to the proposed tables in their entirety for each such additional person. In that case, as a result of such voluntary disclosure, any such additional person(s) would not be considered NEOs (*e.g.,* the registrant would not be required to provide disclosures for such additional person(s) under other parts of proposed Item 402, such as compensation discussion and analysis disclosures under proposed Item 402(e) or pay-versus-performance disclosures under proposed Item 402(f), or under other regulations, forms, or schedules that reference NEOs, such as Item 5.02 of Form 8–K). However, proposed Item 402(a)(5)(i), which requires the registrant to disclose any material information necessary to an understanding of the information disclosed in the Earned Compensation Table, Granted Compensation Table, and the Status of Equity Awards Table, would apply to the disclosures for any additional person(s).

[84] *See, e.g.,* letters from ABA (suggesting that the number of individuals required to be covered under the current rule contributes to the length and complexity of the required executive compensation disclosures and that ''with the exception of the PEO, the volume of detailed information presented . . . about the remaining NEOs is often immaterial to investors and, if anything, tends to obscure the information that they genuinely seek''); McGuireWoods & Brownstein (''[I]t is not uncommon to see companies with six, seven, or even eight covered executives due to departures and individuals serving in interim CEO/CFO roles. In our experience, this is far too many executives and investors do not care about executive compensation decisions beyond the CEO, CFO and top paid other executive officer.'').

[85] *See* letters from Center on Executive Compensation (July 31, 2025) (''CEC–2''), available at *https://www.sec.gov/comments/4-855/4855-635147-1884055.pdf* (''A recent Center survey of its SEC Working Group found that limiting disclosure to the CEO/CFO would reduce hours worked by 30–50% due to reduced data collection, narrative, table publication and auditing, cost of physical publication, cost of external and internal counsel cost and leadership time to review.''); Davis Polk & Wardwell LLP (July 31, 2025) (''Davis Polk''), available at *https://www.sec.gov/comments/4-855/4855-635027-1882894.pdf* (''In the Davis Polk Survey, multiple issuers noted that they would save approximately 50–60% of hours worked on preparing executive compensation disclosure by limiting it to the CEO and CFO.'').

[86] *See* letter from Sullivan & Cromwell LLP (Sept. 30, 2025) (''Sullivan & Cromwell''), available at *https://www.sec.gov/comments/4-855/4855-665527-1989614.pdf* (suggesting ''disclosure should be required only for the Chief Executive Officer and for any other officer serving on the board of directors'' and indicating that requiring disclosure for the PFO and the other three most highly compensated executive officers ''does not provide material information and needlessly contributes to the length and complexity of disclosure'').

[87] *See* letters from Business Roundtable; Davis Polk (indicating that ''disclosure of compensation information related to the CEO and CFO is what is material to investors'' and that ''investors almost never discuss any compensation disclosed other than CEO compensation during shareholder engagement''); National Association of Manufacturers (June 25, 2025) (''NAM–1''), available at *https://www.sec.gov/comments/4-855/4855-616827-1809754.pdf* (''Other securities laws, such as the Sarbanes-Oxley Act, impose explicit obligations on the CEO and CFO positions (which are present at every public company) but not on other senior executives. Unlike with the CEO and CFO, the titles and responsibilities of the three other highest-paid positions vary considerably by company depending on industry, so requiring issuers to disclose what the third- or fourth-highest highest-paid executive earns generates additional data that is not directly comparable or even relevant to most investors, who primarily focus on CEO pay.''); Society for Corporate Governance (indicating that ''approximately 84% of respondents to the Society's Survey would support limiting the NEOs for all executive compensation disclosure requirements to only the CEO and CFO'').

[88] *See* letter from ABA.

[89] *See* letters from Chamber of Commerce; Equity Methods, LLC (Aug. 12, 2025) (''Equity Methods-1''), available at *https://www.sec.gov/comments/4-855/4855-638467-1904274.pdf;* Infinite Equity (June 25, 2025) (''Infinite Equity-2''), available at *https://www.sec.gov/comments/4-855/4855-616287-1808254.pdf;* McGuireWoods & Brownstein.

[90] *See* letters from CFA Institute (Feb. 6, 2026) (''CFA Institute''), available at *https://www.sec.gov/comments/4-855/4855-701151-2201014.pdf* (suggesting that the Commission ''[a]ugment the covered persons for compensation disclosure to include executive management personnel besides just the CEO, CFO, and three other most highly compensated executive officers''); State Board of Administration of Florida (Aug. 21, 2025) (''State Board Florida''), available at *https://www.sec.gov/comments/4-855/4855-641487-1919034.pdf* (''Investors would benefit from expanded disclosure for top five hundred companies or those meeting certain revenue thresholds, potentially covering 7–10 executives including business unit leaders and succession candidates who may not be among the highest paid but hold significant operational influence.'').

officers may be of interest to some investors. For example, such disclosure may facilitate investors' ability to evaluate the effectiveness of the compensation committee, provide insight into the dynamics of a registrant's management team or its ability to retain executive employees, or provide timely information about the departure of, or material contracts, plans, or arrangements with, the executive officers for whom Item 5.02(b) and (e) Form 8–K disclosure would no longer be required. We believe, however, that the proposed amendments would appropriately focus compensation disclosures on the executive officers for whom those disclosures are most likely to be material to investors given the central roles played by the PEO and PFO in managing the registrant. Reducing the number of NEOs as proposed should reduce the length and complexity of executive compensation disclosures, thereby reducing burdens on registrants and potentially making the disclosures easier to read and understand for investors.[91] We believe that the proposed amendments also would reduce burdens on registrants by making it easier for registrants to determine the executive officers for which disclosures must be provided (*i.e.,* the PEO and PFO, based on their position).[92]

Request for Comment

4. Should registrants be required to provide executive compensation disclosures for any individuals beyond the PEO and PFO, or should we adopt the proposal to limit the NEOs to the PEO and PFO for all registrants? For example, should the highest paid executive officer other than the PEO and PFO be deemed an NEO, or should any executive officer who is also a director be deemed an NEO? Should registrants be required to include a third named executive officer but be allowed to determine who that named executive officer should be, based on the registrant's particular facts and circumstances? If disclosures for any individual or individuals beyond the PEO and PFO are appropriate, should the disclosures for the additional individual(s) cover the same information as for the PEO and PFO, or only a subset of such information? If disclosures for additional individual(s) are appropriate, should this be required for all registrants or only some registrants or for all registrants but only in specific circumstances (*e.g.,* only if an executive officer is more highly compensated than the PEO and PFO)? Would any such expansion in the individual(s) for whom disclosures would be required (beyond the proposal) result in increased burdens on registrants?

5. Alternatively, should we require executive compensation disclosures for only the PEO for some or all registrants? For example, should registrants that are not LAFs only have to provide disclosures with respect to the PEO? Why or why not? Do investors monitor or scrutinize compensation disclosures regarding a registrant's PEO (or any other senior executives) more than the disclosures regarding other NEOs?

6. How would limiting the scope of the required disclosures to the PEO and PFO, as proposed, reduce costs and burdens for registrants?

7. Would requiring only the PEO and PFO to be covered as NEOs, as proposed, result in the loss of material information for investors or otherwise affect investor protection under proposed Item 402? Would the proposed approach result in a loss of material information or otherwise affect investor protection in connection with disclosure requirements beyond proposed Item 402 itself (*e.g.,* under 17 CFR 229.403(b) (Security ownership of certain beneficial owners and management))? If so, should any supplementary or alternative disclosure requirements be added regarding additional individuals or executive officer compensation generally to address any potential loss of material information? Are there any other consequences of the proposed approach that have not been adequately addressed under the proposed amendments? If so, how should any such consequences be addressed?

C. Primary Tabular Disclosure Requirements

We believe that the current rule's use of tabular disclosure allows for the efficient presentation of executive compensation information and that the current rule's approach of combining tabular and narrative disclosures remains a useful framework. We are, however, proposing to revise the primary tabular disclosure requirements in an effort to make the presentation more streamlined and consolidated and easier to digest, while continuing to allow investors to evaluate the level and performance sensitivity of executive compensation. We are therefore proposing to consolidate and revise the main tabular disclosure requirements of Item 402 into three new tables titled as follows:

- The Earned Compensation Table;
- The Granted Compensation Table; and
- The Status of Equity Awards Table.[93]

The three new tables would replace the following four tables required under the current rule:[94]

- The Summary Compensation Table;
- The Grants of Plan-Based Awards Table;[95]
- The Outstanding Equity Awards at Fiscal Year-End Table;[96] and
- The Option Exercises and Stock Vested Table.[97]

The proposed three new tables are intended to retain material information currently required in the four eliminated tables but would seek to streamline and clarify the presentation.[98]

[91] The reduction in the number of NEOs under Item 402 would affect certain other disclosure requirements under Regulation S–K. Under 17 CFR 229.403(b), registrants are required to disclose certain information regarding the security ownership of management, including for each NEO as defined in Item 402, as well as for directors and executive officers of the registrant as a group. *See* 17 CFR 229.403(b). Accordingly, as proposed, the reduction in the number of NEOs would reduce the number of executives for whom disclosure of security ownership would be required on an individual basis under 17 CFR 229.403(b). However, disclosure of security ownership of directors and executive officers as a group would continue to be required. Under 17 CFR 229.404(a), registrants are required to disclose certain information regarding transactions with related persons, subject to certain exceptions, including where the compensation arising from a transaction is reported pursuant to Item 402. *See* Instruction 5.a to 17 CFR 229.404(a). Accordingly, as proposed, the reduction in the number of NEOs may reduce the number of situations where a registrant would be able to rely on an exception from the disclosure requirements under 17 CFR 229.404(a).

[92] Commission staff consulted informally with staff from the Department of the Treasury (''Treasury'') regarding the continued applicability of 26 U.S.C. 162(m), which prohibits deductions for compensation over $1 million that is paid to certain employees, to compensation paid to the three most highly compensated executive officers of a publicly held corporation other than the PEO and PFO, if the amendments are finalized as proposed. Staff from Treasury advised Commission staff that 26 U.S.C. 162(m) contains a provision indicating that its deduction disallowance rule applies to this category of employees without regard to whether their compensation is required to be reported. Thus, to the extent that the deduction limit in 26 U.S.C. 162(m) is implicated, registrants may have to calculate compensation of executive officers for that purpose.

[93] Under the proposed amendments, registrants that are not EGCs also would be required to provide tabular disclosures with respect to golden parachute compensation under certain circumstances. *See infra* section II.K.

[94] In addition, the proposed amendments would also eliminate the following two tables required under the current rule: the Pension Benefits Table and the Nonqualified Deferred Compensation Table. *See infra* section II.O.1.

[95] *See* 17 CFR 229.402(d).

[96] *See* 17 CFR 229.402(f).

[97] *See* 17 CFR 229.402(g).

[98] Proposed Item 402(a)(1) would specify that the objective of Item 402 is to provide investors with

Under the current rule, the Summary Compensation Table includes the following two types of compensation in one table, with the intent of providing disclosure of an NEO's total compensation:

- Compensation that has been *earned* during the fiscal year covered by the disclosure (such as salary and annual cash bonuses); and
- Compensation that has been *granted* during the fiscal year covered but that may not have been earned (such as performance-based equity awards, which ultimately might not be earned at all, or might be earned in different amounts depending on, for example, to what extent the applicable conditions are satisfied over a defined performance period, which is typically the next several years).

In effect, the proposed amendments would split the information required in the current Summary Compensation Table into two simpler tables—namely, the Earned Compensation Table and the Granted Compensation Table.[99]

The Earned Compensation Table would aim to capture compensation that was earned in the fiscal years covered. As proposed, the Earned Compensation 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—earned in the fiscal years covered. With respect to equity awards in particular, as proposed, the Earned Compensation Table would deem stock awards to be earned once they have vested and option awards to be earned once they have been exercised.[100] Accordingly, the Earned Compensation Table would aim to communicate compensation outcomes, including the value ultimately earned on equity awards that were granted in prior years.

In turn, the Granted Compensation 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.[101] As proposed, the Granted Compensation Table is intended to be similar to the concept of ''total direct compensation'' and related metrics that many registrants currently present as being reflective of the primary compensation intention of the registrant, its board of directors, and compensation committee. The Granted Compensation Table generally would reflect equity awards at the time of grant[102] and be based on target outcomes.[103] The Granted Compensation Table would thus aim to communicate the compensation opportunity granted to the NEO by the registrant for each covered fiscal year. In contrast to the Earned Compensation Table, the Granted Compensation Table would be limited to salary, non-equity awards, and equity awards (similar to the concept of ''total direct compensation'') and thus would not provide a comprehensive picture of compensation.

Finally, the Status of Equity Awards 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 been reflected in the Earned Compensation Table as earned or otherwise has fully expired. As proposed, the Status of Equity Awards Table would be, in effect, a revised version of the current Outstanding Equity Awards at Fiscal Year-End Table that also would include certain concepts used in the current Grants of Plan-Based Awards Table.[104] The Status of Equity Awards Table is intended to make it easier for investors to track equity awards throughout their lifecycle by disclosing certain information regarding each equity award on an award-by-award basis, all in one consolidated location. At the same time, by limiting the disclosures to information that registrants should have readily available and by not requiring registrants to perform value recalculations each year, the proposed amendments would seek to reduce burdens on registrants.

We believe that, under the proposed principles-based approach, the three new tables and any accompanying narratives, when taken together, would provide investors with material information relevant to an assessment of the compensation of the registrant's NEOs and would clarify and streamline the reporting process and related disclosures.[105] We discuss each of the three new tables in more detail in the sections that follow.

1. Earned Compensation Table—Proposed Item 402(b)

The proposed Earned Compensation Table would seek to capture compensation that was earned in the fiscal years covered. The Earned Compensation Table would take the following form:

material information relevant to an assessment of the compensation of the registrant's NEOs and directors. *See supra* section II.A. Proposed Item 402(a)(5)(i) would require a registrant to disclose any material information necessary to an understanding of the information disclosed in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table. *See infra* section II.E.1. To the extent that information that would have been required to be disclosed in any of the eliminated tables constitutes such material information, proposed Item 402(a)(1) and proposed Item 402(a)(5)(i) would require this information to be disclosed under the proposed principles-based approach, but registrants would have additional flexibility as to how to provide such material information.

[99] Similar to the current Summary Compensation Table, the proposed Earned Compensation Table and Granted Compensation Table generally would cover the registrant's last three completed fiscal years. *See* 17 CFR 229.402(c)(1); proposed Item 402(b)(1); proposed Item 402(c)(1). Similar to the current rule, the proposed rule would require SRCs and EGCs to cover only the last two completed fiscal years. *See* 17 CFR 229.402(n); proposed Item 402(a)(6)(i) and (ii); *see also infra* section II.M.

[100] *See* proposed Item 402(b)(2)(v) and (vi).

[101] As proposed, salary would be reported in the Granted Compensation Table at the annualized dollar value of base salary as of the last day of the fiscal year covered and so salary in the Granted Compensation Table would reflect any salary raises that became effective by the end of the fiscal year. *See infra* section II.C.2.a. As proposed, equity awards would be reported in the Granted Compensation Table at grant date fair value computed in accordance with Financial Accounting Standards Board (''FASB'') Accounting Standards Codification (''ASC'') Topic 718, except that it would be assumed that the award's target outcome(s) will be achieved. *See infra* section II.C.2.c; proposed Instruction 3 to Item 402(c)(2)(v) and (vi).

[102] As proposed, while reporting an equity award in the fiscal year during which the award was granted would remain the default approach for the Granted Compensation Table, registrants would have the flexibility to report an equity award in the fiscal year immediately prior to the grant year under certain circumstances. *See infra* section II.C.2.c.

[103] For equity awards with multiple potential outcomes (*e.g.,* minimum, target, and maximum), the target outcome would be the achievement of the target outlined in the award at the 100% level. For equity awards that have a binary outcome (*i.e.,* awards that are either fully earned or not earned at all), the target outcome would be that the award criteria are met and the award is fully earned. *See infra* section II.C.2.c; proposed Instruction 3 to Item 402(c)(2)(v) and (vi).

[104] Under the current rule, the Grants of Plan-Based Awards Table covers equity awards and certain non-equity incentives (such as cash bonuses granted under an incentive plan). As proposed, the Status of Equity Awards Table would cover only equity awards.

[105] Under the principles-based approach set out in the proposed rule, registrants would be required to supplement the disclosure called for by the three new tables with any material information necessary to an understanding of such disclosure. *See infra* section II.E.1; proposed Item 402(a)(5)(i); *see also supra* section II.A; proposed Item 402(a)(1).

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]							

The Earned Compensation Table would retain many concepts currently used in the Summary Compensation Table and Option Exercises and Stock Vested Table. We discuss the primary columns of the proposed table below.

a. Salary Earned Column—Proposed Item 402(b)(2)(iii)

Under the current rule, registrants are required to disclose in column (c) of the Summary Compensation Table (''Salary'') the dollar value of base salary (cash and non-cash) earned by the NEO during the fiscal year covered.[106] Under the proposed rule, the Salary Earned column of the Earned Compensation Table would, in a similar manner, report the dollar value of base salary (cash and non-cash) earned by the NEO during the fiscal year covered.[107] The proposed rule text with respect to the Salary Earned column would therefore largely track the current rule text for reporting salary in the Summary Compensation Table.

b. Non-Equity Awards Earned Column—Proposed Item 402(b)(2)(iv)

Under the current rule, registrants are required to disclose in column (d) of the Summary Compensation Table (''Bonus'') the dollar value of bonuses (cash and non-cash) earned by the NEO during the fiscal year covered.[108] Registrants are also required to disclose in column (g) of the Summary Compensation Table (''Non-equity incentive plan compensation'') the dollar value of all earnings for services performed during the fiscal year pursuant to awards under non-equity incentive plans and all earnings on any outstanding awards.[109]

Under the proposed rule, the Non-Equity Awards Earned column of the Earned Compensation Table would report the aggregate dollar value of non-equity awards (including annual cash bonuses, *ad hoc* cash bonuses, such as signing and retention bonuses, and non-equity incentive plan awards) earned by the NEO during the fiscal year covered and all earnings on any outstanding awards under non-equity incentive plans.[110] The proposed rule text with respect to the Non-Equity Awards Earned column would therefore largely track the current rule text for reporting bonuses and non-equity incentive plan awards, including earnings on such awards, in the Summary Compensation Table, except that it would consolidate all types of non-equity awards and earnings into one column.[111]

Several commenters suggested that column (d) of the Summary Compensation Table (''Bonus'') and column (g) of the Summary Compensation Table (''Non-equity incentive plan awards'') should be merged into one column.[112] Commenters indicated that these two columns should be merged because the current rule makes unnecessary distinctions between certain cash awards and yields redundant disclosures.[113] We believe the proposed Non-Equity Award Earned column, which effectively combines elements of the ''Bonus'' and ''Non-equity incentive plan awards'' columns of the current Summary Compensation Table, would address such concerns.

c. Stock Awards Vested Column—Proposed Item 402(b)(2)(v)

Under the current rule, registrants are required to disclose in column (e) of the Option Exercises and Stock Vested Table (''Value realized on vesting'') the aggregate dollar value realized upon vesting of stock, or upon the transfer of an award for value, during the last completed fiscal year.[114]

Under the proposed rule, the Stock Awards Vested column of the Earned Compensation Table would report the aggregate dollar value realized upon the vesting of stock [115] (computed by

[106] *See* 17 CFR 229.402(c)(2)(iii).

[107] *See* proposed Item 402(b)(2)(iii). Under the proposed rule, registrants would be required to include in the Salary Earned column of the Earned Compensation Table any amount of cash salary forgone at the election of an NEO under which stock, equity-based, or other forms of non-cash compensation instead have been received by the NEO. *See* proposed Instruction 1 to Item 402(b)(2)(iii) and (iv). This approach would be similar to what is currently required under the salary column of the Summary Compensation Table. *See* Instruction 2 to 17 CFR 229.402(c)(2)(iii) and (iv). In contrast to the current rule, but consistent with the principles-based approach discussed below, the proposed rule would not mandate footnote disclosure of the receipt of forms of non-cash compensation instead of salary. *See infra* section II.E.1; *see also supra* section II.A.

[108] *See* 17 CFR 229.402(c)(2)(iv).

[109] *See* 17 CFR 229.402(c)(2)(vii).

[110] *See* proposed Item 402(b)(2)(iv). Under the proposed rule, registrants would be required to include in the Non-Equity Awards Earned column of the Earned Compensation Table any amount of non-equity awards forgone at the election of an NEO under which stock, equity-based, or other forms of non-cash compensation instead have been received by the NEO. *See* proposed Instruction 1 to Item 402(b)(iii) and (iv). This approach would be similar to what is currently required under the bonus column of the Summary Compensation Table. *See* Instruction 2 to 17 CFR 229.402(c)(2)(iii) and (iv). In contrast to the current rule but consistent with the principles-based approach discussed below, the proposed rule would not mandate footnote disclosure of the receipt of forms of non-cash compensation instead of non-equity awards. *See infra* section II.E.1; *see also supra* section II.A.

[111] In contrast to the current rule, but consistent with the principles-based approach discussed below, the proposed rule would not mandate that all earnings on non-equity incentive plan compensation be separately identified and quantified in a footnote. *See infra* section II.E.1; Instruction 2 to 17 CFR 229.402(c)(2)(vii); *see also supra* section II.A. Under the proposed rule, however, a registrant could elect to split the Non-Equity Awards Earned column into multiple columns (for example, to show annual cash bonuses, *ad hoc* cash bonuses, and earnings under multi-year cash incentive plan awards separately) or provide a supplemental table or footnotes disaggregating the earnings reflected in the Non-Equity Awards Earned column. *See* proposed Item 402(a)(5)(ii); *infra* section II.E.2.

[112] *See* letters from ABA; McGuireWoods & Brownstein; Society for Corporate Governance.

[113] *See* letters from McGuireWoods & Brownstein (stating that existing disclosure rules distinguish between discretionary cash awards as ''Bonuses'' and formulaic cash awards as ''Non-Equity Incentive Plan Awards'', but that the ''average reader/individual uses the term bonus to refer to both types of arrangements''); Society for Corporate Governance (stating that having separate columns in the Summary Compensation Table for ''Bonus'' and ''Non-Equity Incentive Plan Compensation'' is redundant and that the ''overlap of information distorts the overall total compensation for a given NEO'').

[114] *See* 17 CFR 229.402(g)(2)(v).

[115] As defined in the proposed amendments, ''stock'' means instruments such as common stock, restricted stock, restricted stock units, phantom stock, phantom stock units, stock equivalent units, or any similar instruments that do not have option-like features. This definition is substantially

multiplying the number of shares of stock or units by the closing market price of the underlying shares or units on the vesting date), or upon the transfer of a stock award for value.[116] As proposed, the rule text with respect to the Stock Awards Vested column would therefore largely track the current rule [117] for reporting the value realized on the vesting of stock awards in the Option Exercises and Stock Vested Table.[118]

d. Option Awards Exercised Column—Proposed Item 402(b)(2)(vi)

Under the current rule, registrants are required to disclose in column (c) of the Option Exercises and Stock Vested Table (''Value realized on exercise'') the aggregate dollar value realized upon the exercise of options, or upon the transfer of an award for value.[119]

Under the proposed rule, the Option Awards Exercised column of the Earned Compensation Table would report the aggregate dollar value realized upon exercise of options (computed by multiplying (a) the total number of securities underlying the options by (b) the difference between the closing market price of the underlying securities on the exercise date and the exercise or base price of the options), or upon the transfer of an option award for value.[120] As proposed, the rule text with respect to the Option Awards Exercised column would therefore largely track the current rule for reporting the value realized on the exercise of option awards in the Option Exercises and Stock Vested Table.[121]

We believe that showing the value realized upon exercise of an option award may more fully reflect the economic value of the award than showing the intrinsic value of the award at vesting.[122] We also believe that showing the value realized upon exercise of an option award may be less burdensome for registrants as compared to an alternative that would require registrants to compute a fair value for the award at vesting.

e. Miscellaneous Compensation Received Column—Proposed Item 402(b)(2)(vii)

Under the current rule, registrants are required to disclose in column (i) of the Summary Compensation Table (''All other compensation'') all other compensation for the fiscal year that the registrant could not properly report in any other column of the Summary Compensation Table including, but not limited to, the following items:

- Perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than $10,000; [123]
- All ''gross-ups'' or other amounts reimbursed during the fiscal year for the payment of taxes; [124]
- The compensation cost, if any, computed in accordance with FASB ASC Topic 718 for certain securities purchased at a discount from the registrant or its subsidiaries unless such discount is available generally, either to all security holders or to all salaried employees of the registrant; [125]
- The amount paid or accrued pursuant to a plan or arrangement in connection with any termination (*e.g.,* retirement, resignation, severance, or constructive termination) of the NEO's employment or a change in control of the registrant; [126]
- Registrant contributions or other allocations to vested and unvested defined contribution plans (such as plans established under section 401(k) [127] of the Internal Revenue Code of 1986 (''Internal Revenue Code'')); [128]
- The dollar value of any insurance premiums paid by, or on behalf of, the registrant with respect to life insurance for the benefit of the NEO; [129] and
- The dollar value of any dividends or other earnings on stock or option awards, when those amounts were not factored into the grant date fair value required to be reported in column (e) (''Stock awards'') or (f) (''Option awards'') of the Summary Compensation Table.[130]

Separately, under the current rule, registrants also are required to disclose in column (h) of the Summary Compensation Table (''Change in pension value and nonqualified deferred compensation earnings'') the sum of the following items:

- The aggregate change in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) from the pension plan measurement date used for financial statement reporting purposes for the prior completed fiscal year to the pension plan measurement date used for financial statement reporting purposes for the covered year; [131] and
- Above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including such earnings on

consistent with the current definition in 17 CFR 229.402(a)(6)(i).

[116] We are proposing to require the value realized upon vesting to be computed based on the closing market price on the vesting date so as to use the defined term ''closing market price'' consistently throughout the rule text. In the event that a stock award vests at a value other than the closing market price on the vesting date under the relevant contractual arrangements, registrants may explain the relevant facts in supplemental disclosures.

[117] In contrast to the current rule but consistent with the principles-based approach discussed below, the proposed rule would not mandate that registrants provide footnote disclosure, for any amount realized upon vesting for which receipt has been deferred, quantifying the amount and disclosing the terms of the deferral. *See infra* section II.E.1; Instruction to 17 CFR 229.402(g)(2); *see also supra* section II.A.

[118] *See* 17 CFR 229.402(g)(2)(v); Instruction to 17 CFR 229.402(g)(2). Accordingly, as proposed, the Stock Awards Vested column of the Earned Compensation Table would follow the approach taken to stock awards by the Option Exercises and Stock Vested Table rather than that taken by the Summary Compensation Table—*i.e.,* the Stock Awards Vested column would reflect the value realized on any stock awards that vested during the covered fiscal year (regardless of when the award was originally granted), rather than the grant date fair value of the stock awards that were originally granted during the covered fiscal year. Because the Earned Compensation Table aims to show compensation outcomes, we believe the approach taken for stock awards by the Summary Compensation Table is inapposite in this context. However, we are proposing to take an approach to stock awards similar to that taken by the Summary Compensation Table (with certain changes) in the context of the Granted Compensation Table. *See infra* section II.C.2.c.

[119] *See* 17 CFR 229.402(g)(2)(iii).

[120] We are proposing to require the value realized upon exercise to be computed based on the closing market price on the exercise date so as to use the defined term ''closing market price'' consistently throughout the rule text. In the event that an option award is exercised at a value other than the closing market price on the exercise date under the relevant contractual arrangements, registrants may explain the relevant facts in supplemental disclosures.

[121] *See* 17 CFR 229.402(g)(2)(iii); Instruction to 17 CFR 229.402(g)(2). Accordingly, as proposed, the Option Awards Exercised column of the Earned Compensation Table would follow the approach taken for option awards by the Option Exercises and Stock Vested Table rather than that taken by the Summary Compensation Table—*i.e.,* the Option Awards Exercised column would reflect the value realized on any option awards that were exercised during the covered fiscal year (regardless of when the award was originally granted), rather than the grant date fair value of the option awards that were originally granted during the covered fiscal year. Because the Earned Compensation Table aims to show compensation outcomes, we believe the approach taken to option awards by the Summary Compensation Table is inapposite in this context. However, we are proposing to take an approach to option awards similar to that taken by the Summary Compensation Table (with certain changes) in the context of the Granted Compensation Table. *See infra* section II.C.2.c.

[122] Intrinsic value is defined as the amount by which the fair value of the underlying stock exceeds the exercise price of an option. *See* FASB ASC Topic 718–10.

[123] *See* 17 CFR 229.402(c)(2)(ix)(A).

[124] *See* 17 CFR 229.402(c)(2)(ix)(B).

[125] *See* 17 CFR 229.402(c)(2)(ix)(C).

[126] *See* 17 CFR 229.402(c)(2)(ix)(D).

[127] *See* 26 U.S.C. 401(k).

[128] *See* 17 CFR 229.402(c)(2)(ix)(E).

[129] *See* 17 CFR 229.402(c)(2)(ix)(F).

[130] *See* 17 CFR 229.402(c)(2)(ix)(G).

[131] *See* 17 CFR 229.402(c)(2)(vii)(A).

nonqualified defined contribution plans.[132]

Under the proposed rule, the Miscellaneous Compensation Received column of the Earned Compensation Table would consolidate into one column the following types of compensation earned or otherwise received during the covered fiscal year that the registrant could not properly report in any other column of the Earned Compensation Table:

- Perquisites and other personal benefits, unless the aggregate total value of such compensation for an NEO is less than $150,000;[133]
- All ''gross-ups'' or other amounts reimbursed during the fiscal year for payment of taxes, including any reimbursements of taxes owed with respect to perquisites or other personal benefits;[134]
- The compensation cost, if any, computed in accordance with FASB ASC Topic 718 for certain securities purchased at a discount from the registrant or its subsidiaries, unless such discount is available generally, either to all security holders or to all salaried employees of the registrant;
- The value of payments for any exercises of options where the registrant paid the exercise or base price or related taxes or provided any other consideration with respect to the option exercise to or on behalf of the NEO;[135]
- The amount paid or accrued pursuant to a plan or arrangement in connection with any termination (*e.g.,* retirement, resignation, severance, or constructive termination) of the NEO's employment or a change in control of the registrant;
- Registrant contributions or other allocations to vested and unvested defined contribution plans and nonqualified deferred compensation plans, and any above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including earnings on nonqualified defined contribution plans;[136]
- For any plan that provides for the payment of retirement benefits or benefits that will be paid primarily following retirement, including but not limited to tax-qualified defined benefit plans and supplemental executive retirement plans (such as pensions based on the executive's salary history, number of years of service, or other factors), but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans, the aggregate of:
  - Service costs, calculated as the actuarial present value of each NEO's benefit under all such plans attributable to services rendered during the covered fiscal year, and
  - Prior service costs, calculated as the entire cost of benefits granted (or credit for benefits reduced) in a plan amendment (or initiation) during the covered fiscal year that are attributed by the benefit formula to services rendered in periods prior to the amendment;[137]
- The dollar value of any insurance premiums paid by, or on behalf of, the registrant with respect to life insurance for the benefit of the NEO;
- The dollar value of any dividends or other earnings on outstanding stock or option awards;[138] and
- The dollar value of any other compensation earned by or paid to the NEO for or during the fiscal year that the registrant determines is material or otherwise elects to disclose.

The proposed rule text with respect to the above-referenced items would largely track the current rule text for those items under the Summary Compensation Table, with certain exceptions as discussed below.

As proposed, registrants would be required to disclose in the Miscellaneous Compensation Received column compensation that falls into the enumerated categories under that column (including the catch-all category for any other compensation earned by or paid to the NEO for or during the fiscal year that the registrant determines is material or otherwise elects to disclose),[139] but (in contrast to the current requirement with respect to the ''All other compensation'' column of the Summary Compensation Table) registrants would not be required to analyze whether the enumerated categories of compensation under that column cover ''all'' compensation ''regardless of the amount''[140] (including immaterial compensation that falls outside the enumerated categories). The proposed Miscellaneous Compensation Received column of the Earned Compensation Table also would not (in contrast to the ''All other compensation'' column of the Summary Compensation Table) require detailed footnote disclosures regarding items of compensation reported under that column.[141] Consistent with the principles-based approach discussed below,[142] we believe that the proposed requirements for the Miscellaneous Compensation Received column would provide registrants with appropriate flexibility, while still ensuring that all material items of miscellaneous compensation would be reported in the Earned Compensation Table.[143]

As proposed, the current dollar-value threshold for reporting perquisites and other personal benefits would be increased. For a more detailed discussion of the proposed amendments with respect to the reporting of perquisites and other personal benefits, as well as proposed changes to related Commission guidance regarding what constitutes a perquisite or other personal benefit, see section II.D below.

The proposed rule text with respect to certain service costs and prior service costs for defined benefit retirement plans (such as pensions based on the executive's salary history, number of years of service, and other factors) would largely track the current rule for those items under the current pay-versus-performance disclosure requirements.[144] Accordingly, in

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[132] *See* 17 CFR 229.402(c)(2)(vii)(B).

[133] For a discussion of the proposed amendments and changes to Commission guidance with respect to perquisites and other personal benefits, see section II.D below.

[134] The proposed rule text with respect to gross-ups combines the current text in 17 CFR 229.402(c)(2)(ix)(B) with related language in Instruction 4 to 17 CFR 229.402(c)(ix).

[135] The proposed rule text with respect to this item combines the current text in 17 CFR 229.402(c)(2)(ix)(C) with related language in Instruction to 17 CFR 229.402(g)(2).

[136] The proposed rule text with respect to this item combines the current text in 17 CFR 229.402(c)(2)(ix)(E) and 17 CFR 229.402(c)(2)(viii)(B).

[137] As proposed, the required disclosure would focus on service costs of retirement benefit plans similar to the requirement in the pay-versus-performance rule. *See* 17 CFR 229.402(v)(2)(iii)(B)(*1*)(*i*) and (*ii*).

[138] Under the current rule, this item is caveated to include only amounts not factored into the grant date fair values required to be reported in column (e) (''Stock awards'') or column (f) (''Option awards'') of the Summary Compensation Table. *See* 17 CFR 229.402(c)(2)(ix)(G). We are not proposing to include a similar caveat for this item in the context of the Earned Compensation Table given that the Earned Compensation Table would not report the grant date fair values of equity awards (rather, as discussed above, the Earned Compensation Table would report the aggregate dollar value realized on vesting of stock and exercise of options).

[139] *See* proposed Item 402(b)(2)(viii)(H).

[140] *See* 17 CFR 229.402(c)(2)(ix).

[141] *See, e.g.,* Instruction 2 to 17 CFR 229.402(c)(2)(ix) (requiring any item reported under the ''All other compensation'' column of the Summary Compensation Table that is not a perquisite or personal benefit whose value exceeds $10,000 be identified and quantified in a footnote).

[142] *See infra* section II.E.1; *see also supra* section II.A.

[143] *See* proposed Item 402(b)(2)(vii)(J) (providing for disclosure of any other compensation that the registrant determines is material or otherwise elects to disclose).

[144] *See* 17 CFR 229.402(v)(2)(iii)(B). We are proposing to require all registrants, including EGCs, to disclose service costs and prior service costs for defined benefit plans. Disclosure of these costs would be newly required for EGCs; however, we believe that most registrants already conduct these

contrast to what is currently required under column (h) of the Summary Compensation Table (''Change in pension value and nonqualified deferred compensation earnings''), the proposed Miscellaneous Compensation Received column would not reflect the overall change in the aggregate pension value as of the end of the covered fiscal year (as compared to the end of the prior fiscal year). The proposed approach instead would seek to track the incremental pension benefit amount earned for the covered fiscal year (based on the executive's services, and any plan amendment or initiation, during the covered fiscal year), rather than fluctuations in the overall value of the pension (based on all years of service). Treating fluctuations in the overall value of the pension as compensation for the covered fiscal year may cause volatility in reported compensation levels due to exogenous factors not specific to the executive or related to the compensation intentions of the registrant (*e.g.,* due to market-wide factors such as changes in actuarial assumptions relating to long-term discount rates or mortality rates). The proposed approach would also eliminate pension value as a separate column, which would reduce the complexity of the table.

Many commenters suggested that the current rules should be revised to remove the requirement to include the change in accumulated pension in the Summary Compensation Table.[145] One commenter explained that changes in pension value represent ''an unrealized amount that fluctuates based on factors that are outside of the control of the company.'' [146] We believe the inclusion of service costs and prior service costs in the proposed Miscellaneous Compensation Received column, rather than the change in pension value in a separate column, would reduce such concerns.

Finally, to further streamline disclosure, we are proposing that nonqualified deferred compensation earnings be required to be disclosed under the proposed Miscellaneous Compensation Received column, rather than in a separate column.

Request for Comment

8. Should the Earned Compensation Table be adopted as proposed? What modifications, if any, should we consider to the proposed Earned Compensation Table to, among other things, enhance the clarity, comprehensibility, and efficiency of executive compensation disclosure? Would the proposed Earned Compensation Table reduce costs for registrants? What, if any, effects would the proposed Earned Compensation Table have on investors and the market, including with respect to the availability of material information for making investment or voting decisions?

9. Should the Earned Compensation Table be required to cover the last three completed fiscal years, as proposed? Should all registrants be required to cover only the last two completed fiscal years, similar to what is proposed with respect to SRCs and EGCs?

10. Should the Earned Compensation Table call for the presentation of one consolidated column for all non-equity awards, as proposed, or take an alternate approach? For example, should the Earned Compensation Table call for the presentation of more than one column of non-equity awards (*e.g.,* one column for *ad hoc* non-equity awards, one column for annual non-equity awards, and one column for long-term non-equity awards)? Does having one consolidated column for all types of non-equity awards, as proposed, represent an appropriate balance between conciseness and simplicity on the one hand (as fewer columns would be required), and flexibility on the other hand (as the registrant would still have the option to split bonus awards into multiple columns under proposed Item 402(a)(5)(ii)(B))?

11. Is proposed Instruction 2 to Item 402(b)(2)(iii) and (iv) clear? Should any additional guidance be provided regarding what it means for a non-equity award to be ''earned''? If so, how should such additional guidance be formulated? For example, should any such additional guidance specify that a non-equity award must be considered ''earned'' when all performance conditions (if applicable) are met, or when all vesting conditions (such as all time-based and performance-based conditions) are met?

12. Is there an alternative methodology for how options should be reflected in the Earned Compensation Table that would be, on balance, more appropriate than the method proposed (*i.e.,* reflecting the value realized when the options are exercised)? For example, should the Earned Compensation Table instead reflect (i) the intrinsic value of options on the date that they vest (or become exercisable), or (ii) the fair value of options on the date that they vest (or become exercisable)? Would any such alternative method provide investors with more meaningful or timely information? Would any such alternative method result in increased (or decreased) burdens on registrants? Would the proposed methodology (*i.e.,* reflecting the value realized when the options are exercised) be less burdensome for registrants than an alternative test based on the fair value of the options on the date that they vest (or become exercisable)?

13. Should registrants be required to add footnotes to the Miscellaneous Compensation Received column that disclose (i) the actuarial present value of the accumulated benefit under any defined benefit pension plans, and/or (ii) the total balance of the NEO's account under any nonqualified deferred compensation plan, each as of the end of the registrant's last completed fiscal year? Should such footnote disclosure be required in all cases given the proposed deletion of the Pension Benefits Table and the Nonqualified Deferred Compensation Table currently required under 17 CFR 229.402(h) (''Item 402(h)'') and 17 CFR 229.402(i) (''Item 402(i)''), respectively, or would the proposed tabular disclosure requirements, together with the principle-based disclosure requirements set out under proposed Item 402(a)(1) and 402(a)(5)(i), be sufficient?

14. Should any additional columns or categories of compensation be added to the Earned Compensation Table?

15. Should the Earned Compensation Table (or other tables or disclosure requirements under the proposed amendments) align with, reference, or otherwise utilize FASB's definition of ''employee compensation'' under ASU 2024–03—Disaggregated Income Statement Expenses (DISE) (FASB ASC Topic 220–40)? Why or why not?

16. Proposed Item 402(b)(2)(vii)(I) would require the dollar value of any dividends or other earnings paid on outstanding stock or option awards to be reported in the Miscellaneous Compensation Received column of the proposed Earned Compensation Table. Current 17 CFR 229.402(c)(2)(ix)(G) requires the dollar value of any dividends or other earnings paid on stock or option awards, *when those amounts were not factored into the grant date fair value required to be reported in column (e) or (f) of the current Summary Compensation Table,*

computations and anticipate any additional burden would be low.

[145] *See* letters from ABA (stating that the number of registrants providing post-employment benefits to their employees, including their executives, through defined benefit pension plans is relatively small; especially when compared to the number of plans that existed in 2006); Chamber of Commerce (stating that change in pension value included in the Summary Compensation Table is based upon changes in interest rates (not realized compensation)); McGuireWoods & Brownstein; Meridian Compensation Partners (July 11, 2025) (''Meridian''), available at *https://www.sec.gov/comments/4-855/4855-624747-1840454.pdf.*

[146] Letter from Meridian.

to be reported in the ''All other compensation'' column of the Summary Compensation Table. Given that the proposed Earned Compensation Table would not report the grant date fair value of equity awards, we have not proposed to include a carveout from proposed Item 402(b)(2)(vii)(I) based on whether dividends or other earnings paid on stock or option awards were factored into the grant date fair value. Should proposed Item 402(b)(2)(vii)(I) be adopted as proposed? If not, how should proposed Item 402(b)(2)(vii)(I) be modified and why?

17. Given that the ''All other compensation'' column of the current Summary Compensation Table requires disclosure of all other compensation without regard to its amount, what scope of compensation should the Miscellaneous Compensation Received column of the proposed Earned Compensation Table include? For example, should we adopt the proposed approach of requiring disclosure of any other compensation that the registrant determines is material or otherwise elects to disclose or take another approach? Are there any elements of compensation required to be disclosed pursuant to proposed Item 402(b)(2)(vii)(A) through (I) that should not be specifically enumerated for disclosure and that should instead be required to be disclosed only if the registrant determines the element is material or otherwise elects to disclose, pursuant to proposed Item 402(b)(2)(vii)(J)?

2. Granted Compensation Table—Proposed Item 402(c)

The proposed Granted Compensation Table aims to capture the primary elements of compensation granted to the NEO during the covered fiscal year and to reflect the primary components of compensation generally at their target value. As proposed, the Granted Compensation 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]						

As proposed, the Granted Compensation Table would retain many concepts currently used in the Summary Compensation Table and Grants of Plan-Based Awards Table. We discuss each of the primary proposed columns below.

a. Annualized Salary Column—Proposed Item 402(c)(2)(iii)

Under the current rule and as discussed above, registrants are required to disclose in column (c) of the Summary Compensation Table (''Salary'') the dollar value of base salary (cash and non-cash) earned by the NEO during the fiscal year covered.[147]

Under the proposed rule, the Annualized Salary column of the Granted Compensation Table would report the annualized dollar value of base salary for the NEO as of the last day of the fiscal year covered. The Granted Compensation Table generally aims to capture elements of compensation granted to the NEOs at their target value. We believe that the annualized dollar value of base salary for the NEO as of the last day of the fiscal year covered offers the closest analogy to target value in the context of salary, as it would reflect any raises or other adjustments to the NEO's base salary during the covered fiscal year.

b. Non-Equity Awards Granted Column—Proposed Item 402(c)(2)(iv)

Under the current rule, registrants are required to disclose in columns (c), (d), and (e) of the Grants of Plan-Based Awards Table (''Threshold,'' ''Target,'' and ''Maximum'' columns under the heading ''Estimated future payouts under non-equity incentive plan awards'') the dollar value of the estimated future payout upon satisfaction of the conditions in question under non-equity incentive plan awards granted in the fiscal year or the applicable range of estimated payouts denominated in dollars (threshold, target, and maximum).[148]

Under the proposed rule, the Non-Equity Awards Granted column of the Granted Compensation Table would report the aggregate target dollar value of non-equity awards (including annual cash bonuses and *ad hoc* cash bonuses, such as signing and retention bonuses) and the aggregate target dollar value of payouts pursuant to awards under non-equity incentive plans, in each case granted to the NEO during the fiscal year covered.

The proposed rule text with respect to Non-Equity Awards Granted therefore would be similar to the current rule text for column (d) of the Grants of Plan-Based Awards Table (''Target'' column under heading ''Estimated future payouts under non-equity incentive plan''), except that it would also cover *ad hoc* non-equity awards (such as signing and retention bonuses) and other non-equity awards not granted under an incentive plan (such as a discretionary annual cash bonus) to the NEO during the fiscal year covered.

We believe that the target amount of non-equity awards generally reflects the compensation intentions of registrants. While the Granted Compensation Table would not require separate disclosure of amounts beyond the target amount (such as threshold and maximum amounts), there may be circumstances where additional disclosures are needed to provide investors with material information relevant to an assessment of NEO compensation or necessary to an understanding of the information disclosed in the table. In such cases, registrants would be required to supplement the disclosures called for by the Granted Compensation Table with such material information, consistent with the principles-based approach discussed below.[149]

As proposed, the aggregate target dollar value of a non-equity award generally would be reportable in the fiscal year during which the award was granted. However, if a non-equity award was earned in a fiscal year prior to the

[147] *See* 17 CFR 229.402(c)(2)(iii).

[148] *See* 17 CFR 229.402(d)(2)(iii).

[149] *See infra* section II.E.1; *see also supra* section II.A.

grant year, then such award would be required to be reported in the Granted Compensation Table in that prior fiscal year.[150] We do not believe it makes sense conceptually for an award to be reported as earned before it is reported as granted. So while non-equity awards are generally reportable in the Granted Compensation Table when granted, we are proposing this exception to the general rule to ensure that a non-equity award is not reported as earned in the Earned Compensation Table before it has been reported as granted in the Granted Compensation Table. For example, if a discretionary annual cash bonus (*i.e.,* a bonus not granted under an incentive plan) was granted during the first quarter of the fiscal year immediately following the last completed fiscal year but was based on performance during the last completed fiscal year and earned in that year, then the bonus would be required to be reported in the Granted Compensation Table for the last completed fiscal year.

As proposed, non-equity awards generally would be reported at their aggregate target dollar value. For non-equity awards with multiple potential outcomes (*e.g.,* minimum, target, and maximum), the target outcome would be the achievement of the target outlined in the award at the 100 percent level. For non-equity awards that have a binary outcome (*i.e.,* awards that are either fully earned or not earned at all), the target outcome is that the award criteria are met and the award is fully earned.[151]

c. Equity Awards Columns—Proposed Item 402(c)(2)(v) and (vi)

Under the current rule, registrants are required to disclose in column (e) (''Stock awards'') and column (f) (''Option awards'') of the Summary Compensation Table the aggregate grant date fair value for stock awards and option awards, respectively, computed in accordance with FASB ASC Topic 718.[152] For any awards that are subject to performance conditions, under the current rule, registrants are required to report the grant date fair value based upon the probable outcome of such conditions.[153]

Under the proposed rule, the Stock Awards Granted column of the Granted Compensation Table would report for stock awards granted during the covered fiscal year, and the Option Awards Granted column of the Granted Compensation Table would report for option awards granted during the covered fiscal year, the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, except that it will be assumed that the award's target outcome(s) will be achieved.

The proposed rule text with respect to the Stock Awards Granted column and the Option Awards Granted column therefore would largely track the current rule text for reporting such awards in the Summary Compensation Table, except with respect to how such awards are valued and the timing for reporting such awards, each as discussed below.

With regard to how equity awards would be valued for purposes of the Granted Compensation Table, we are proposing to continue to have fair value computed generally in accordance with FASB ASC Topic 718, with the exception that the aggregate grant date fair value be based on the *target* outcome(s) of performance, market, and/or service conditions (if applicable).[154] As proposed, for equity awards with multiple potential outcomes (*e.g.,* minimum, target, and maximum), the target outcome would be the achievement of the target outlined in the award at the 100 percent level and, for equity awards that have a binary outcome (*i.e.,* awards that are either fully earned or not earned at all), the target outcome would be that the award criteria are met and the award is fully earned.[155] We recognize that the change to target outcome(s) (from probable outcome under the current rule) may result in differences between the aggregate grant date fair value calculation as presented in the Granted Compensation Table and the calculation under FASB ASC Topic 718 as presented in the registrant's financial statements, particularly with respect to awards with market conditions, and awards with service or performance conditions where the target outcome is not probable of being achieved. We are proposing this shift to target outcome(s) for consistency in how non-equity awards and equity awards are reported in the proposed Granted Compensation Table—*i.e.,* generally based on their target value, if applicable.[156] We also believe this approach may be more consistent with how many registrants view the compensation opportunity that is being granted to the NEOs.[157]

With regard to the timing for reporting equity awards, we are proposing that, while reporting the value of an equity award in the fiscal year during which the award was granted would remain the default approach, registrants would have the flexibility to elect to report an equity award in the fiscal year immediately prior to the grant year (rather than in the grant year) if:

- The registrant considers the award to be for performance in that prior year; and
- The award is granted in the first fiscal quarter of the grant year.[158]

As proposed, the registrant would be required to report equity awards on a consistent basis across the fiscal years covered in the Granted Compensation Table and, if the registrant elects to report equity awards in the fiscal year immediately prior to the grant year, to disclose that it is reporting equity awards in the fiscal year immediately prior to the grant year.[159]

[150] *See* proposed Instruction 1 to Item 402(c)(2)(iv).

[151] *See* proposed Instruction 2 to Item 402(c)(2)(iv).

[152] *See* 17 CFR 229.402(c)(2)(v) and (vi).

[153] *See* Instruction 3 to 17 CFR 229.402(c)(2)(v) and (vi).

[154] *See* proposed Instruction 3 to Item 402(c)(2)(v) and (vi).

[155] *See* proposed Instruction 3 to Item 402(c)(2)(v) and (vi).

[156] Proposed Item 402(a)(5)(i) would require disclosure of any material information necessary to an understanding of the information disclosed in the Granted Compensation Table. To the extent that there is a divergence between the target and probable outcomes (*e.g.,* in the case of a ''moonshot'' award where there is a very low probability that the target outcome will be achieved, or in the case of an award where there is a very high probability that the award will be achieved at a level above target) and such divergence constitutes material information necessary to an understanding of the grant date fair value disclosed in the Granted Compensation Table, proposed Item 402(a)(5)(i) would require supplemental disclosures regarding the divergence.

[157] *See, e.g.,* letters from ABA (recommending the Summary Compensation Table be revised and reorganized ''to present compensation information in a manner consistent with how a registrant's board of directors and compensation committee makes decisions, focusing primarily on each element of the target total direct compensation opportunity. . . .'' and stating that ''the current disclosure requirements . . . may obscure the board's or compensation committee's intent and decisions in establishing the target [total direct compensation] opportunity for a registrant's NEOs.''); Infinite Equity (July 11, 2025) (''Infinite Equity–3''), available at *https://www.sec.gov/comments/4-855/4855-623947-1837554.pdf* (defining total target direct compensation as the sum of target salary, target bonus and non-equity incentive awards, and target equity awards, and stating that this measure ''is often used as a primary point of reference for Boards and their compensation consultants when benchmarking and making pay decisions''); Semler Brossy Consulting Group (Sept. 26, 2025) (''Semler Brossy''), available at *https://www.sec.gov/comments/4-855/4855-663688-1981874.pdf* (suggesting requiring a table that focuses on the target compensation approved by the Compensation Committee or Board of Directors).

[158] If this flexibility is adopted as proposed, we believe that the reported fair value still should be calculated as of the grant date as defined under FASB ASC Topic 718, but based on target outcomes, even if the award is reported in the fiscal year immediately prior to the grant year.

[159] *See* Instruction 1 to proposed Item 402(c)(2)(v) and (vi); *see also* letter from Johnson & Johnson (July 1, 2025) (''Johnson & Johnson''), available at *https://www.sec.gov/comments/4-855/4855-619187-1817714.pdf* (suggesting that the Commission allow companies to report long-term incentive awards

Continued

We are proposing this accommodation to address the concern raised by some commentators that there may be a timing discrepancy between how annual cash bonuses and equity awards are reported in the Summary Compensation Table.[160] Under the current rule, in the Summary Compensation Table, registrants generally report equity awards in the fiscal year during which the award was granted. As a result, with respect to an annual cash bonus granted for performance during the last completed fiscal year but paid in the first quarter of the fiscal year immediately following the last completed fiscal year, under the current rule, a registrant would report the value of the annual cash bonus in the last completed fiscal year in the Summary Compensation Table (as that is when the annual cash bonus was earned).[161] In contrast, with respect to an equity award also granted for performance during the last completed fiscal year and also granted in the first quarter of the fiscal year immediately following the last completed fiscal year, the registrant would report the value of the equity award in the fiscal year immediately following the last completed fiscal year in the Summary Compensation Table (as that is when the equity award was granted).[162]

While we understand that there are differing views among registrants on these topics, those registrants who view annual cash bonuses and equity awards as both being granted with the intention of rewarding performance in the last completed fiscal year may take the view that the current rule necessitates a presentation in the Summary Compensation Table that is inconsistent with their compensation intentions.[163] The proposed approach to the Granted Compensation Table would give registrants more flexibility with respect to when equity awards are reported. Providing registrants with this flexibility may also reduce the likelihood that a registrant will take the view that it needs to include additional, supplemental disclosures to present information that differs from the required tables in order to more clearly reflect the registrant's compensation strategy and decisions, thereby reducing burdens on registrants and providing more registrant-specific information to investors.

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18. Should the Granted Compensation Table be adopted as proposed? What modifications, if any, should be made to the proposed requirement? Would the proposed Granted Compensation Table be burdensome for registrants to produce? What, if any, effects would the proposed Granted Compensation Table have on investors and the market, including with respect to the availability of material information for making investment or voting decisions?

19. Should the Granted Compensation Table be required to cover the last three completed fiscal years, as proposed? Should all registrants be required to cover only the last two completed fiscal years, similar to what is proposed with respect to SRCs and EGCs?

20. Should the Granted Compensation Table call for the presentation of one consolidated column for all types of non-equity awards, as proposed, or take an alternative approach? For example, should the Granted Compensation Table call for the presentation of more than one column for non-equity awards (*e.g.,* one column for *ad hoc* non-equity awards, one column for annual non-equity awards, and one column for long-term non-equity awards)? Does having one consolidated column for all types of non-equity awards, as proposed, represent an appropriate balance between conciseness and simplicity on the one hand (as fewer columns would be required), and flexibility on the other hand (as the registrant would still have the option to split bonus awards into multiple columns pursuant to proposed Item 402(a)(5)(ii)(B))?

21. Should we adopt the proposed methodology as to how equity awards would be reflected in the Granted Compensation Table (*i.e.,* report grant date fair value assuming that the award's target outcome(s) will be achieved)? How different would such values be from the equity valuations currently reported in the Summary Compensation Table? Are there any alternative methodologies we should consider? For example, should the Granted Compensation Table instead (i) reflect the target dollar value of equity compensation communicated by the registrant's board of directors (or compensation committee) to the NEO, (ii) reflect the grant date fair value based on the probable outcome, similar to what is required under the current rule,[164] or (iii) not show any dollar value and instead reflect the number of securities under relevant scenarios (*e.g.,* threshold, target, maximum)? Would any such alternative methodology provide investors with more meaningful information? Would any such alternative methodology impose increased burdens on registrants?

22. Given that FASB ASC Topic 718 has prescriptive guidance for valuing awards, would reporting the value based on the proposed methodology (*i.e.,* assuming the award's target outcome will be achieved) be more burdensome for registrants (*e.g.,* would it require registrants to perform calculations that are inconsistent with its financial

granted up to 2.5 months after the end of a fiscal year in the prior fiscal year to ''better reflect decisions on compensation for a fiscal year'' and stating that ''allowing 'up to 2.5 months' after the end of the fiscal year would align with tax laws that influence when many companies pay annual incentives for a fiscal year.''). We are proposing to require the award be granted in the first fiscal quarter of the grant year (*i.e.,* within the first three months, rather than the first 2.5 months) for simplicity and to give registrants some additional flexibility.

[160] *See, e.g.,* letters from Johnson & Johnson (stating that it provides ''additional disclosure to reconcile the CEO's total direct compensation as described in [its] Compensation Discussion & Analysis with [its] Summary Compensation Table[ ]'' in order to help ''explain the timing mismatch between the long-term incentives granted based on [its] performance year and those granted in [its] fiscal year''); McGuireWoods & Brownstein (stating that the rules should be revised to allow for alignment between cash and equity incentive awards because the current ''misalignment creates obvious problems for companies to be able to accurately describe their compensation decisions'' and that ''current disclosure rules suffer from the same potential misalignment of disclosure for incentive plan awards granted in a subsequent fiscal year that relate to performance in the covered fiscal year (*i.e.,* non-equity-awards are disclosed based on the year to which performance relates and equity awards are disclosed based on the year of grant)''); Society for Corporate Governance (suggesting that registrants ''should have discretion to align the timing for reporting of their cash-based incentive awards and equity incentive awards in the Grants of Plan-Based Awards table.''); The Travelers Companies, Inc. (June 30, 2025) (''Travelers''), available at *https://www.sec.gov/comments/4-855/4855-618887-1816514.pdf* (noting that the current rule establishes a ''bifurcation'' of the executive compensation disclosures where ''for many issuers, the Summary Compensation Table does not contain full information on an NEO's compensation awarded for the most recent year's performance (as cash awards are reported in one year while equity grants for the same performance year are reported in another year)'').

[161] *See* 17 CFR 229.402(c)(2)(iv).

[162] *See* 17 CFR 229.402(c)(2)(v) and (vi); Instruction 3 to 17 CFR 229.402(c)(2)(v) and (vi); 17 CFR 229.402(d)(1).

[163] *See, e.g.,* letter from Davis Polk (''Currently, issuers are required to disclose equity grants in the year they are granted and treated as compensation for the forward-looking period. However, a number of issuers, especially in certain industries such as financial services, consider the value of the equity incentive compensation to be based on the issuer's performance for the prior year. . . . [and] [h]ow a compensation program is designed can vary greatly among issuers, so requiring a single, one-size-fits-all approach to reporting these programs can result in burdens on the issuer to develop this disclosure and the distortion of the total compensation picture. While allowing for flexibility might detract from investors' ability to easily compare across issuers, the opposite is true: providing flexibility enhances comparability by giving investors a more accurate idea of how different compensation committees set compensation and how this might affect the total compensation picture, such as how the issuer determines grant values for equity awards.'').

[164] *See* 17 CFR 229.402(c)(2)(v) and (vi).

reporting)? Would calculating the grant date fair value based on the target outcome(s) or the probable outcome provide more meaningful information to investors? Should the grant date fair value based on target outcome(s) be presented in the Granted Compensation Table when there is a low likelihood that the award's target outcome(s) will be achieved (*e.g.,* in the case of a ''moonshot'' award)?

23. Would the proposed methodology of reporting equity awards in the Granted Compensation Table distort or otherwise affect the compensation decisions of registrants? For example, would the proposed methodology affect how registrants set targets (*e.g.,* would registrants be more likely to set more easily achieved targets) or the types of equity awards that registrants would choose to grant (*e.g.,* would registrants be less likely to award performance-based equity awards)?

24. Should any additional guidance be provided regarding what it means for an award to be ''granted''? If so, how should such additional guidance be formulated?

25. Is the guidance provided in proposed Instruction 2 to Item 402(c)(2)(iv) (for non-equity awards) and in proposed Instruction 3 to Item 402(c)(2)(v) and (vii) (for equity awards) regarding the meaning of target outcome(s) clear? Should any additional guidance be provided regarding the meaning of target outcome(s) or for additional types of awards? Are there circumstances where the target outcome would not be readily determinable (*e.g.,* uniquely designed award structures where target outcomes are not clearly defined based on the award structure and terms)? In these instances, should the target outcome be based on the most probable outcome or based on something else (*e.g.,* a representative amount based on the previous fiscal year's performance)?

26. Do the proposed tables appropriately account for the current (and potential future) variation in incentive award structures and terms? How often is a ''target'' payout level not available for equity or non-equity awards? In what types of cases, and how often, would the Grant Amount or Range column of the proposed Status of Equity Awards Table not be well suited to describing the potential outcomes of an incentive award?

27. Should we allow registrants to elect to report an equity award in the fiscal year immediately prior to the grant year if the registrant considers the award to be for performance in that prior year, and the award is granted in the first quarter of the grant year, as proposed? Would an alternative approach be more appropriate (*e.g.,* a simple rule requiring all registrants to report equity awards in the grant year, without exception)? Are there any other factors we should consider in providing flexibility for registrants regarding when equity awards are reported? For example, would providing registrants with flexibility reduce the likelihood of registrants presenting supplemental disclosure to more accurately reflect their compensation strategy and decisions?

28. Should we require registrants to report non-equity awards in the fiscal year granted, unless the non-equity award was earned in a fiscal year prior to the grant year, in which case the non-equity award must be reported in that prior fiscal year (rather than in the grant year), as proposed? Should we amend the proposed requirement so that it only applies in specific circumstances (*e.g.,* only if the award is granted during the first quarter of the grant year)? Would an alternative approach be more appropriate (*e.g.,* a simple rule requiring all registrants to report non-equity awards in the grant year, without exception)?

29. Should any additional columns or categories of compensation be added to the Granted Compensation Table? For example, should a miscellaneous column be added to the Granted Compensation Table and, if so, what categories of compensation should be included therein?

3. Status of Equity Awards Table—Proposed Item 402(d)

The proposed Status of Equity Awards Table is intended to ''bridge the gap'' between the Granted Compensation Table and the Earned Compensation Table by tracking each equity award from the first year it is introduced in the Granted Compensation Table until after it has been reflected in the Earned Compensation Table or otherwise has fully expired. As proposed, the Status of Equity Awards 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]								

As proposed, the Status of Equity Awards Table would be, in effect, a revised version of the Outstanding Equity Awards at Fiscal Year-End Table that also would incorporate certain concepts from the Grants of Plan-Based Awards Table. The proposed Status of Equity Awards Table seeks to make it easier for investors to track equity awards throughout their lifecycle by showing certain information regarding each equity award on an award-by-award basis, all in one consolidated location.[165] At the same time, by

[165] We understand that, under the current rule, some investors may find it difficult to track equity awards throughout their lifecycle in registrants' executive compensation disclosure. During the 2025 Roundtable, one panelist noted that ''it is incredibly hard to follow one equity award through its life[cycle]'' and that attempting to do so requires ''significant guesswork.'' Gjessing, 2025 Roundtable Transcript at 50:15 and 80:2–10; *see also* Adamson, 2025 Roundtable Transcript at 175:17–25 and 176:1–11 (commenting that the three current tables are duplicative, and indicated it would be easier ''with a life cycle that reconciles, this is what was outstanding at the beginning of the year, this is anything new that was granted . . . this is what vested during the year, and this is what's outstanding at the end of the year, grant by grant by grant, all the way through.''); letters from CEC–2 (stating that the current ''Outstanding Equity

Continued

limiting the disclosures to information that registrants should have readily available and by not requiring registrants to perform value recalculations each year, the proposed amendments aim to reduce burdens on registrants. We discuss each of the proposed columns below.

a. Equity Award Terms Columns—Proposed Item 402(d)(2)(ii) Through (vii)

Under the proposed rule, information with respect to equity award terms would be reported in the following six columns:

- *Grant Date:* Report the grant date for each equity award.[166]
- *Award Type:* Describe the award type or designation (*e.g.,* option award with a service condition, or performance-based stock award).
- *Grant Amount or Range:* Report the number of shares of stock, or the number of shares underlying options, to be vested upon satisfaction of the conditions, or the range of potential payouts denominated in the number of shares of stock or the number of shares underlying options (*e.g.,* threshold, target, and maximum amount).[167]
- *End of Performance Period, If Applicable:* Report the date on which the performance period ends, if applicable.[168]
- *Final Vesting Date, If Known:* Report the last date on which shares of stock, or shares underlying options, may vest, if known.
- *Exercise Price, If Applicable:* Report the exercise or base price, if applicable.

As proposed, the Grant Amount or Range column would show equity awards in terms of number of securities rather than in terms of their dollar value. In cases where an equity award specifies a range of potential payouts, registrants would be required to provide and clearly label the amounts for each relevant scenario (*e.g.,* ''Threshold: 25,000; Target: 100,000; Maximum: 200,000'').

Under the current rule, the Outstanding Equity Awards at Fiscal Year-End Table requires registrants to compute the aggregate market value or payout value of unvested stock awards in dollar terms,[169] and potentially to change the assumed outcome of performance conditions, each year.[170] This reported value is a hypothetical figure given that:

- The awards may ultimately fail to vest at all or may vest at a level different from what the calculation assumed; and
- The market price at vesting may differ, potentially substantially, from the market price assumed in the calculation.

The proposed approach seeks to provide clearer, more objective, and more consistent information to investors by showing the equity awards in terms of the number of securities, which generally would be based on the underlying contractual arrangements already known at the time of grant. The proposal to show the amounts for each relevant scenario (*e.g.,* ''Threshold: 25,000; Target: 100,000; Maximum: 200,000'') is intended to give investors a clear sense that there is a range of potential outcomes rather than a single, already known amount. The proposed approach is also intended to reduce burdens on registrants by eliminating the need to perform award-by-award value recalculations each year.

b. Equity Award Status Columns—Proposed Item 402(d)(2)(viii) Through (ix)

Under the proposal, information with respect to the status of an equity award would be reported in the following two columns:

- Amount Vested: Report the number of shares of stock, or the number of shares underlying options, that have vested; and
- Amount of Options Exercised/Expired: Report the number of shares underlying options that have been exercised and that have expired.

The Amount of Options Exercised/Expired column would require registrants to provide and clearly label the numbers for each relevant scenario (*e.g.,* ''Exercised: 50,000; Expired: 10,000'').[171]

In general, registrants would report the terms and status of each equity award as of the end of the last completed fiscal year; however, if a registrant reports an equity award granted during the first quarter of the fiscal year immediately following the last completed fiscal year in the Granted Compensation Table,[172] then the registrant must report the terms and status of all equity awards as of the end of the first quarter of the fiscal year immediately following the last completed fiscal year (or, if earlier, the latest practicable date).[173] Registrants would be required to disclose the date as of which the information in the Status of Equity Awards Table is reported.[174] We are proposing this approach for clarity and to ensure consistency in the reporting between the Granted Compensation Table and the Status of Equity Awards Table.

c. Disclosure of Other Information Relating to the Status of Equity Awards Table—Proposed Item 402(d)(3)

Proposed Item 402(d)(3) would require the disclosure of the following additional information relating to the Status of Equity Awards Table:

- The date as of which the information in the table is reported; [175]
- The vesting schedule of each equity award reported in the table; and
- The material terms of any performance, market, and/or service

Awards Table may present values based on assumptions inconsistent with those used elsewhere in financial reporting or incentive design, requiring further explanation and cross-referencing that ultimately detracts from clarity.''); Towers Watson (suggesting that the rules be revised to include tables that ''disclose the entire life-cycle values (from grant to monetization) for each tranche of equity and cash granted.''). *See also* Summary Compensation Table Petition (suggesting that the Commission should revise the Summary Compensation Table by focusing on depicting ''*pay realizable* by an executive during the year'' because such an approach ''depicts what the executive actually earned (or lost) in stock value during the year, and would be an extremely valuable change for shareholders seeking clarity on this issue.'') (emphasis in original).

[166] As proposed, the rule text with respect to the Grant Date column would largely track the current rule text for the ''grant date'' column of the Grants of Plan-Based Awards Table, except that, if the grant date is different than the date on which the compensation committee or board of directors takes action or is deemed to take action to grant the award, the proposed amendments would not require a separate, adjoining column to be added showing such additional date. *See* 17 CFR 229.402(d)(2)(ii).

[167] As proposed, the rule text with respect to the Grant Amount or Range column would largely track the current rule text for the ''threshold,'' ''target,'' and ''maximum'' columns (under the heading ''estimated future payouts under equity incentive plan awards'') of the Grants of Plan-Based Awards Table. *See* 17 CFR 229.402(d)(2)(iv).

[168] As proposed, registrants would be required to disclose the material terms of any performance, market and/or service conditions with respect to each equity award. *See* proposed Item 402(d)(3)(iii).

[169] *See* 17 CFR 229.402(f)(2)(x); Instruction 3 to 17 CFR 229.402(f)(2).

[170] *See* Instruction 3 to 17 CFR 229.402(f)(2) (generally instructing the registrant to assume threshold performance will be achieved, but if the previous fiscal year's performance exceeded threshold, then instructing the registrant to assume the next higher performance level—*e.g.,* target, maximum—that exceeds the previous fiscal year's performance will be achieved).

[171] *See* proposed Instruction 2 to Item 402(d)(2).

[172] *See* proposed Instruction 1 to Item 402(c)(2)(v) and (vi); *see also supra* section II.C.2.c.

[173] *See* proposed Instruction 1 to Item 402(d)(2).

[174] *See* proposed Item 402(d)(3)(i).

[175] Typically the Status of Equity Awards Table would be stated as of the end of the last completed fiscal year. Given the proposal to give registrants the flexibility to report equity awards granted during the first quarter of the fiscal year immediately following the last completed fiscal year under certain conditions, however, the Status of Equity Awards Table may be stated as of the end of the first quarter of the fiscal year immediately following the last completed fiscal year (or, if earlier, the latest practicable date). *See* proposed Instruction 1 to Item 402(d)(2). Accordingly, the requirement to disclose the date as of which the information in the table is reported is designed to avoid any lack of clarity on this point.

conditions with respect to each equity award reported in the table.

As proposed, the registrant would have flexibility in the manner and location in which it provides the above disclosures, including in the Status of Equity Awards Table, any footnotes thereto, any supplemental narrative disclosures thereto, or in conjunction with other disclosures called for by proposed Item 402 such as, if applicable, in the CD&A. Moreover, as proposed, the requirement to disclose the vesting schedule may be satisfied by disclosing any standard vesting schedule that the registrant applies to all awards of a given type (including, if applicable, any material deviations from the standard vesting schedule for a specific award).

Proposed Item 402(d)(3) is designed to provide investors with material information relevant to an assessment of the compensation of the NEOs, while also giving registrants flexibility in the manner and location in which they provide such information.

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30. Should we adopt the Status of Equity Awards Table as proposed? Would having some or all of this information collected in a single table for each equity award provide investors with meaningful information and/or improve the ability of investors to track an equity award through its lifecycle? Are the components of information proposed to be required factual details that the registrant would already have available?

31. Are there any additional categories of information that should be added to the Status of Equity Awards Table? For example, should columns be added that disclose (i) expiration date (if applicable), (ii) performance period beginning date (if applicable), or (iii) amounts earned based on satisfaction of applicable conditions (in addition to the proposed Amount Vested column)? Would including some or all of this information in a column facilitate use or understanding of the information for investor investment and voting decisions? Would requiring some or all of this information to be included result in increased burdens on registrants and, if so, to what extent?

32. Should proposed Item 402(d)(3) be expanded to require disclosure of any additional information relating to the awards in the Status of Equity Awards Table? If so, what additional information should be required to be disclosed and why?

33. Should the Status of Equity Awards Table have separate columns for (i) End of Performance Period, If Applicable, and (ii) Final Vesting Date, If Known, or could one of these columns be eliminated? If both columns are not needed, which of the two columns should be retained and why?

34. Should the Status of Equity Awards Table be expanded to also cover non-equity awards (*e.g.,* any short-term or long-term non-equity incentive plan awards)? Is the information about the range of potential payouts on short-term and/or long-term non-equity incentive plan awards material to investors? Is our estimate in section IV.C.4 below that only approximately four percent of registrants use long-term non-equity incentive awards accurate? Would expanding the Status of Equity Awards Table to cover non-equity awards while the awards are ''in flight'' (granted but not yet earned or fully expired) provide material information to investors or should the table instead just focus on equity awards? Would including non-equity awards in the table reduce the amount of material information that registrants would otherwise have to provide in supplemental disclosure such as footnotes? Whether or not non-equity awards are included in this table, should we explicitly require disclosure of the material terms of any performance, market, and/or service conditions that are relevant under each non-equity award, similar to what is required for equity awards?

4. Illustrative Example of Primary Tabular Disclosures Based on a Hypothetical Scenario

The proposed amendments would substantially reconceptualize the primary tabular disclosures required under Item 402. In order to facilitate understanding of the proposed tabular disclosure requirements, below we provide an illustrative example of how the proposed primary tabular disclosures (*i.e.,* the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table) may look in practice based on a hypothetical scenario. The illustrative example is intended merely to assist the reader in understanding the tabular disclosures required by proposed Item 402(b), (c), and (d) and does not attempt to cover any other required disclosures under Item 402. The manner of presentation in the illustrative example is not necessarily the only way to provide the primary tabular disclosures and may not be appropriate in all situations, and (if the proposed amendments are adopted as proposed) registrants would not be required to rigidly follow the illustrative example.[176] Furthermore, we provide supplemental footnote disclosures by way of example only and for clarity to the reader. We do not suggest that the content of the footnote disclosures would necessarily be required by proposed Item 402 or that such content must be provided through footnote disclosures (instead of, for example, through supplemental narrative disclosures to the tables or, if applicable, as part of the CD&A).[177]

For brevity, the illustrative example shows the primary tabular disclosures for a PEO only and is based on the following simplified hypothetical scenario:

- *Basic factual background:* Dorothy Gale became CEO of Oz Inc. on January 1, 2020. Oz Inc.'s fiscal year is based on the calendar year. Oz Inc. is producing executive compensation disclosures for Ms. Gale in March 2028 in connection with Oz Inc.'s proxy statement for its 2028 annual shareholder meeting. Oz Inc.'s board of directors certifies achievement of performance goals for equity and non-equity awards on February 15 of the year immediately following the end of the performance period for an award. Equity awards that are earned will vest on the date of board certification. Oz Inc.'s closing market price was $10 per share on February 15, 2020 and increased by $1 per share each year thereafter such that, on February 15, 2027, the closing market price was $17 per share. No amounts were recovered from Ms. Gale pursuant to Oz Inc.'s compensation recovery policy required by the listing standards adopted pursuant to 17 CFR 240.10D–1.
- *Salary:* Ms. Gale's salary when she became CEO on January 1, 2020 was $1

[176] Under the proposed amendments, the registrant would have flexibility in the manner of the tabular presentation and may, for example, split a single column into multiple columns (or a supplemental table) at the registrant's election. *See* proposed Item 402(a)(5)(ii).

[177] The objective of proposed Item 402 would be to provide investors with material information relevant to an assessment of the compensation of the registrant's NEOs and directors, and the registrant could provide additional information relevant to such an assessment in any format it determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures. *See* proposed Item 402(a)(1). Under the proposed amendments, the registrant also would be required to disclose any material information necessary to an understanding of the information disclosed in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table, but similarly would have the flexibility to disclose such information in any format it determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures. *See* proposed Item 402(a)(5)(i).

million per year. Effective from July 1 of each year thereafter, she received a raise of $100,000 such that, from July 1, 2027, her salary was $1,700,000 per year.[178]

- *Annual cash bonuses:* On February 15 of each year, Oz Inc.'s board of directors granted to Ms. Gale an annual cash bonus that is earned based on the company's net income during the grant year. The annual cash bonuses are subject to the following scaling factors: 25 percent, 100 percent, or 200 percent payouts if Oz Inc. achieves the net income goal at the threshold, target, or maximum level, respectively. Oz Inc. pays Ms. Gale the amount, if any, of the annual cash bonus earned following the board of directors' certification of the achievement level (on February 15 of the year immediately following the grant year).
  - The target value of the annual cash bonus award with respect to 2020 net income (granted on February 15, 2020) was $1 million and the target value of each subsequent annual cash bonus award increased by $100,000 each year thereafter such that the target value of the annual cash bonus award with respect to 2027 net income (granted on February 15, 2027) was $1,700,000.
  - Ms. Gale earned her 2027, 2026, and 2025 annual cash bonus awards at 100 percent, 25 percent, and 200 percent of target, respectively.
- *Long-term cash bonuses:* On February 15 of each year, Oz Inc.'s board of directors granted to Ms. Gale a long-term cash bonus award that is earned based on the company's market capitalization on the third anniversary of the grant date. The long-term cash bonuses are subject to the following scaling factors: 25 percent, 100 percent, or 200 percent payouts if Oz Inc. achieves the market capitalization goal at the threshold, target, or maximum level, respectively. Oz Inc. pays Ms. Gale the amount, if any, of the long-term cash bonus earned following the board of directors' certification of the achievement level (on the third anniversary of the grant date).
  - The target value of the long-term cash bonus award with respect to market capitalization as of February 15, 2023 (granted on February 15, 2020) was $2 million and the target value of each subsequent long-term cash bonus award increased by $100,000 each year thereafter such that the target value of the long-term cash bonus award with respect to market capitalization as of February 15, 2030 (granted on February 15, 2027) was $2,700,000.
  - Ms. Gale achieved her long-term cash bonus with respect to market capitalization as of February 15, 2027, 2026, and 2025 at 100 percent, 25 percent, and 200 percent of target, respectively.
- *Discretionary cash bonus:* On February 15, 2028, Oz Inc. granted Ms. Gale a discretionary cash bonus of $100,000, which was earned based on her and the company's performance during 2027.
- *Retention bonus:* On July 1, 2026, Ms. Gale received an offer from another company to become its CEO. To retain Ms. Gale, Oz Inc. granted her on July 15, 2026 a retention bonus of $6 million, which was earned based on Ms. Gale remaining with the company through December 31, 2026 and paid in early January 2027.
- *Stock awards:* On February 15 of each year, Oz Inc.'s board of directors granted to Ms. Gale a stock award that is earned based on the company's aggregate revenues for the grant year and the two years immediately following the grant year (*e.g.,* for the stock award granted on February 15, 2020, the company's aggregate revenues for 2020, 2021, and 2022). Oz Inc. does not consider the stock awards to be granted for Ms. Gale's performance in the immediately prior year; rather, it sees such awards as forward-looking incentives.[179] The stock awards are subject to the following scaling factors: 25 percent, 100 percent, or 200 percent payouts if Oz Inc. achieves aggregate revenues at the threshold, target, or maximum level, respectively. Earned stock awards, if any, vest following the board of directors' certification of the achievement level (on the third anniversary of the grant date).
  - The target value of the stock award with respect to 2020–2022 aggregate revenues (granted on February 15, 2020) was $4 million and the target value of each subsequent stock award increased by $100,000 each year thereafter such that the target value of the stock award with respect to 2027–2029 aggregate revenues (granted on February 15, 2027) was $4,700,000. Oz Inc. converts the target value of the stock awards into a number of shares based on its closing market price on the grant date, rounded to the nearest share.
  - Ms. Gale earned her stock award with respect to 2025–2027 aggregate revenues, 2024–2026 aggregate revenues, and 2023–2025 aggregate revenues at 100 percent, 25 percent, and 200 percent of target, respectively.
- *Option awards:* On February 15 of each year, Oz Inc.'s board of directors granted to Ms. Gale an option award that vests on the fourth anniversary of the grant date based on a service condition (*i.e.,* Ms. Gale remaining in her position in good standing as of the fourth anniversary of the grant date). Oz Inc. does not consider the option awards to be granted for Ms. Gale's performance in the immediately prior year; rather, it sees such awards as forward-looking incentives.[180] The option awards are not subject to any scaling factors (*i.e.,* they vest at 100 percent or not at all). The option awards were granted at-the-money (*i.e.,* the exercise price was set at the closing market price on the grant date) and the expiration date was set at the tenth anniversary of the grant date.
  - The dollar value of the option award granted on February 15, 2020 (vested based on fulfilling the service condition as of February 15, 2024) was $4 million and each subsequent option award increased by $100,000 each year thereafter such that the dollar value of the option award granted on February 15, 2027 (vesting based on fulfilling the service condition as of February 15, 2031) was $4,700,000. Oz Inc. converts the dollar value of the option award into a number of shares underlying the option award based on a Black-Scholes model that valued the options at 20 percent of the closing market price on the grant date, rounded to the nearest share (*e.g.,* the option award granted on February 15, 2020 was valued at $2 per share, when the closing market price was $10 per share).
  - On February 15, 2027, Ms. Gale exercised in full the option award originally granted on February 15, 2020 (the closing market price on February 15, 2027 was $17 per share compared to an exercise price of $10 per share).
- *Miscellaneous compensation:* Oz Inc. provided the following additional types of compensation to Ms. Gale: (1) pension service costs attributable to Ms. Gale of $150,000 per year; and (2) registrant contributions to Ms. Gale's 401(k) account of $50,000 per year.
- *Personal security services:* Oz Inc. also provided Ms. Gale with security services at her personal residence and during personal travel of $1 million per year, and reasonably determined in

[178] For simplicity, the illustrative example assumes there are an equal number of days in the first half (*i.e.,* January 1 through June 30) and second half (*i.e.,* July 1 through December 31) of each year.

[179] Accordingly, Oz Inc. reports the stock awards in the Granted Compensation Table in the grant year and does not elect to report the stock awards in the fiscal year immediately prior to the grant year as permitted under proposed Instruction 1 to Item 402(c)(2)(v) and (vi).

[180] Accordingly, Oz Inc. reports the option awards in the Granted Compensation Table in the grant year and does not elect to report the option awards in the fiscal year immediately prior to the grant year as permitted under proposed Instruction 1 to Item 402(c)(2)(v) and (vi).

good faith that the security services were integrally and directly related to the performance of Ms. Gale's work duties.[181]

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Earned Compensation Table							
Name and Position	Year	Salary Earned ($)	Non-Equity Awards Earned ($)	Equity Awards		Miscellaneous Compensation Received ($)[(h)]	Total Compensation Earned ($)
				Stock Awards Vested ($)	Option Awards Exercised ($)		
Dorothy Gale, CEO	2027	$1,650,000	$4,200,000[(a)]	$5,342,862[(d)]	$14,000,000[(g)]	$200,000	$25,392,862
	2026	$1,550,000	$6,975,000[(b)]	$1,323,072[(e)]	$0	$200,000	$10,048,072
	2025	$1,450,000	$7,400,000[(c)]	$10,500,000[(f)]	$0	$200,000	$19,550,000

(a) This amount consists of (i) earnings of $2,400,000 under a long-term cash bonus award (granted on February 15, 2024) based on the achievement of performance goals related to Oz Inc.'s market capitalization as of February 15, 2027 at the target level, resulting in a payout of 100% of the target value of the award; (ii) earnings of $1,700,000 under an annual cash bonus award (granted on February 15, 2027) based on the achievement of performance goals related to Oz Inc.'s net income during 2027 at the target level, resulting in a payout of 100% of the target value of the award; and (iii) a discretionary cash bonus award of $100,000 earned based on Oz Inc.'s and Ms. Gale's performance during 2027 (granted on February 15, 2028).

(b) This amount consists of (i) a retention bonus of $6,000,000 (granted on July 15, 2026) earned based on Ms. Gale remaining employed with Oz Inc. through December 31, 2026; (ii) earnings of S575,000 under a long-term cash bonus award (granted on February 15, 2023) based on the achievement of performance goals related to Oz Inc.'s market capitalization as of February 15, 2026 at the threshold level, resulting in a payout of 25% of the target value of the award; and (iii) earnings of $400,000 under an annual cash bonus award (granted on February 15, 2026) based on the achievement of performance goals related to Oz Inc.'s net income during 2026 at the threshold level, resulting in a payout of 25% of the target value of the award.

(c) This amount consists of (i) earnings of $4,400,000 under a long-term cash bonus award (granted on February 15, 2022) based on achievement of performance goals related to Oz Inc.'s market capitalization as of February 15, 2025 at the maximum level, resulting in a payout of 200% of the target value of the award; and (ii) earnings of $3,000,000 under an annual cash bonus award (granted on February 15, 2025) based on the achievement of performance goals related to Oz Inc.'s net income during 2025 at the maximum level, resulting in a payout of 200% of the target value of the award.

(d) This amount reflects the vesting of 314,286 shares on February 15, 2027 at a closing market price of $17 per share under a performance-based stock award (granted on February 15, 2024) that vested based on the achievement of performance goals related to Oz Inc.'s aggregate revenues from January 1, 2024 to December 31, 2026 at the target level, resulting in a payout of 100% of the target number of shares underlying the award.

(e) This amount reflects the vesting of 82,692 shares on February 15, 2026 at a closing market price of $16 per share under a performance-based stock award (granted on February 15, 2023) that vested based on the achievement of performance goals related to Oz Inc.'s aggregate revenues from January 1, 2023 to December 31, 2025 at the threshold level, resulting in a payout of 25% of the target number of shares underlying the award.

(f) This amount reflects the vesting of 700,000 shares on February 15, 2025 at a closing market price of $15 per share under a performance-based stock award (granted on February 15, 2022) that vested based on the achievement of performance goals related to Oz Inc.'s aggregate revenues from January 1, 2022 to December 31, 2024 at the maximum level, resulting in a payout of 200% of the target number of shares underlying the award.

(g) This amount reflects the exercise of options for 2,000,000 shares (whose exercise price was $10 per share) on February 15, 2027 (when the closing market price was S17 per share).

(h) This amount includes (for 2027, 2026, and 2025) (i) pension service costs attributable to Ms. Gale's services during the year under Oz Inc.'s defined benefit pension plan in the amount of S150,000; and (ii) Oz Inc. contributions to Ms. Gale's 401(k) account of $50,000.

[181] For a discussion of the proposed amendments and changes to Commission guidance with respect to perquisites and other personal benefits, see section II.D below.

Granted Compensation Table						
Name and Position	**Year**	**Annualized Salary ($)**	**Non-Equity Awards Granted ($)**	**Equity Awards**		**Total Compensation Granted ($)**
				Stock Awards Granted ($)[d]	**Option Awards Granted ($)[e]**	
Dorothy Gale, CEO	2027	$1,700,000	$4,500,000[a]	$4,700,000	$4,700,000	$15,600,000
	2026	$1,600,000	$10,200,000[b]	$4,600,000	$4,600,000	$21,000,000
	2025	$1,500,000	$4,000,000[c]	$4,500,000	$4,500,000	$14,500,000

(a) This amount consists of (i) a long-term cash bonus award with a target dollar value of $2,700,000 granted on February 15, 2027; (ii) an annual cash bonus with a target dollar value of $1,700,000 granted on February 15, 2027; and (iii) a discretionary cash bonus award of $100,000 granted on February 15, 2028 and earned based on Oz Inc.'s and Ms. Gale's performance during 2027. Payouts under the long-term cash bonus award depend on the achievement of performance goals related to Oz Inc.'s market capitalization as of the third anniversary of the grant date. Payouts under the annual cash bonus award depend on the achievement of performance goals related to Oz Inc.'s net income during 2027. The long-term and annual cash bonus awards are subject to the following scaling factors: 25%, 100%, or 200% payouts if the performance goals are achieved at threshold, target, or maximum levels, respectively

(b) This amount consists of (i) a retention bonus of $6,000,000 granted on July 15, 2026; (ii) a long-term cash bonus award with a target dollar value of $2,600,000 granted on February 15, 2026; and (iii) an annual cash bonus with a target value of $1,600,000 granted on February 15, 2026. Payouts under the long-term cash bonus award depend on the achievement of performance goals related to Oz Inc.'s market capitalization as of the third anniversary of the grant date. Payouts under the annual cash bonus award depend on the achievement of performance goals related to Oz Inc.'s net income during 2026. The long-term and annual cash bonus awards are subject to the following scaling factors: 25%, 100%, or 200% payouts if the performance goals are achieved at threshold, target, or maximum levels, respectively.

(c) This amount consists of (i) a long-term cash bonus award with a target dollar value of $2,500,000 granted on February 15, 2025; and (ii) an annual cash bonus with a target dollar value of $1,500,000 granted on February 15, 2025. Payouts under the long-term cash bonus award depend on the achievement of performance goals related to Oz Inc.'s market capitalization as of the third anniversary of the grant date. Payouts under the annual cash bonus award depend on the achievement of performance goals related to Oz Inc.'s net income during 2025. The long-term and annual cash bonus awards are subject to the following scaling factors: 25%, 100%, or 200% payouts if the performance goals are achieved at threshold, target, or maximum levels, respectively.

(d) The amounts reported in this column reflect performance-based stock awards granted on February 15 of the covered year. The amounts reported in this column are the grant date fair values computed in accordance with FASB ASC Topic 718, except that the valuation assumes that the award's target outcome will be achieved (i.e., achievement at the 100% level). The number of shares that vest under the awards depends on the achievement of performance goals related to Oz Inc.'s aggregate revenues for the performance period consisting of the fiscal year in which the award was granted and the immediately following two fiscal years. The awards are subject to the following scaling factors: 25%, 100%, or 200% payouts if the performance goals are achieved at threshold, target, or maximum levels, respectively.

(e) The amounts reported in this column reflect time-based option awards granted on February 15 of the covered year. Vesting of the options depends on the fulfillment of the service condition that Ms. Gale remain in her position in good standing as of the fourth anniversary of the grant date. The amounts reported in this column are the grant date fair values computed in accordance with FASB ASC Topic 718.

Status of Equity Awards Table – As of December 31, 2027								
	Equity Award Terms						Equity Award Status	
Name and Position	Grant Date[a]	Award Type	Grant Amount or Range (#)	End of Performance Period, If Applicable	Final Vesting Date, If Known[b]	Exercise Price, If Applicable	Amount Vested (#)	Amount of Options Exercised / Expired (#)
Dorothy Gale, CEO	2/15/2027	Performance-based stock	Threshold: 69,118 Target: 276,471 Maximum: 552,941	12/31/2029	2/15/2030			
	2/15/2026	Performance-based stock	Threshold: 71,875 Target: 287,500 Maximum: 575,000	12/31/2028	2/15/2029			
	2/15/2025	Performance-based stock	Threshold: 75,000 Target: 300,000 Maximum: 600,000	12/31/2027	2/15/2028[c]			
	2/15/2024	Performance-based stock	Threshold: 78,571 Target: 314,286 Maximum: 628,571	12/31/2026	2/15/2027		314,286	
	2/15/2027	Time-based option	1,382,353		2/15/2031	$17 per share		
	2/15/2026	Time-based option	1,437,500		2/15/2030	$16 per share		
	2/15/2025	Time-based option	1,500,000		2/15/2029	$15 per share		
	2/15/2024	Time-based option	1,571,429		2/15/2028[d]	$14 per share		
	2/15/2023	Time-based option	1,653,846		2/15/2027	$13 per share	1,653,846	
	2/15/2022	Time-based option	1,750,000		2/15/2026	$12 per share	1,750,000	
	2/15/2021	Time-based option	1,863,636		2/15/2025	$11 per share	1,863,636	
	2/15/2020	Time-based option	2,000,000		2/15/2024	$10 per share	2,000,000	Exercised: 2,000,000

(a) The option awards reflected in this column were granted at-the-money (i.e., the exercise price was set at the closing market price on the grant date) and expire on the tenth anniversary of the grant date.

(b) The stock awards reflected in this column vest upon the board of directors' certification of the achievement of performance goals related to Oz Inc.'s aggregate revenues during the fiscal year in which the award was granted and the immediately following two fiscal years. Oz. Inc.'s board of directors expects to certify such achievement, if any, on February 15 of the year immediately following the end of the performance period for an award. The option awards reflected in this column vest at 100% depending on the fulfillment of a service condition (i.e., Ms. Gale remaining in her position in good standing as of the fourth anniversary of the grant date).

(c) On February 15, 2028, Oz Inc.'s board of directors certified achievement of the performance goals related to aggregate revenues from January 1, 2025 to December 31, 2027 at the maximum level, resulting in vesting of 600,000 shares on that date.

(d) On February 15, 2028, options for 1,571,429 shares vested based on Ms. Gale's fulfilment of the service condition (i.e., Ms. Gale remaining in her position in good standing as of the fourth anniversary of the grant date).

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5. Structured Data Requirements—Inline XBRL

We are proposing to require registrants that are LAFs to tag the information disclosed within the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table in Inline eXtensible Business Reporting Language (''Inline XBRL'') in accordance with 17 CFR 232.405 (''Rule 405 of Regulation S–T'') and the EDGAR Filer Manual.[182] We are not proposing to require block text tagging or detail tagging of any footnotes to the tabular disclosures or other narrative disclosures made under proposed Item 402.

Currently, registrants are required to tag the pay-versus-performance information disclosed under Item 402(v) and compensation recovery disclosures under Item 402(w) in Inline XBRL.[183] We are proposing to eliminate those tagging requirements. Other information disclosed under Item 402 is not currently required to be tagged in structured (*i.e.,* machine-readable) data language.

Many comments received in connection with the 2025 Roundtable supported tagging the Summary Compensation Table in Inline XBRL, stating that it would increase transparency and investor access to compensation data and allow investors to better analyze the data.[184] We believe that the proposed amendments would benefit investors by making the primary tabular disclosures from LAFs more readily available and accessible to investors, market participants, and other users for aggregation, comparison, filtering, and other analysis. The proposal would enable automated extraction and analysis of LAF executive compensation disclosures, allowing investors and other market participants to more efficiently perform large-scale analysis and comparison of LAF executive compensation across registrants and time periods, including quantitative information on registrants' incentives and awards.[185] Inline XBRL tagging of the consolidated information disclosed in the proposed Status of Equity Awards Table would further augment the ability of investors to track awards throughout their lifecycle.[186]

[182] Non-LAF registrants would also be able to voluntarily tag this information, if they choose to do so. The Commission recently adopted joint standards that established certain properties for data transmission, structuring and formatting (the ''Joint Standards''). Inline XBRL is one of the available schema and taxonomy formats that have the properties established under the Joint Standards. *Financial Data Transparency Act Joint Data Standards,* Release No. 33–11420 (May 21, 2026) [91 FR 38246 (June 25, 2026)].

[183] *See* 17 CFR 229.402(v)(7) and (w)(4).

[184] *See* letters from Infinite Equity-2 (proposing to ''[e]xpand tagging beyond Pay vs. Performance tables to include key disclosures like the Summary Compensation Table, enabling better data analysis''); Chad Sandstedt, Tagnifi (June 6, 2025) (''Tagnifi''), available at *https://www.sec.gov/comments/4-855/4855-610387-1785614.html* (stating that tagging of the Summary Compensation Table ''represents an optimal use of structured data to significantly improve investor and aggregator access to executive compensation information.''); XBRL US (June 25, 2025), available at *https://www.sec.gov/comments/4-855/4855-616867-1809854.pdf* (recommending that the Commission expand compensation disclosure variables to be covered by XBRL ''including the Summary Compensation Table, the Outstanding Equity Awards at Fiscal Year-End Tables, and the Table of Grants''); *see also* Rees, 2025 Roundtable Transcript at 104:17–20 (recommending that the Summary Compensation Table data and other quantitative disclosures in the proxy statement be made in XBRL or another machine-readable data language).

[185] *See* letters from Erste Asset Management GmbH (June 26, 2025) (''Erste''), available at *https://www.sec.gov/comments/4-855/4855-617187-1810754.pdf* (stating that publishing their suggested dashboard of CEO and CFO total pay in Inline XBRL with a standard taxonomy would enable automated comparisons across registrants); Tagnifi; Towers Watson (Aug. 21, 2025) (''Towers Watson''), available at *https://www.sec.gov/comments/4-855/4855-641247-1918514.pdf* (commenting that making the life-cycle values of awards available in XBRL ''preserves and enhances access to this data for investors who then could perform their own calculations of whether a company pays for performance'').

[186] *See, e.g.,* Joung W. Kim, Jee-Hae Lim, & Won Gyun No, *The Effect of First Wave Mandatory XBRL Reporting Across the Financial Information Environment,* 26 J. Info. Sys. 127, 127–53 (2012) (finding evidence that ''mandatory XBRL disclosure decreases information risk and information asymmetry in both general and uncertain information environments''); Yuyun Huang et al., *Information-Processing Gap and Insider Trading Profitability: Evidence from the XBRL Mandate,*

Continued

Some commenters opposed tagging disclosures under Item 402, stating it was burdensome and did not provide any benefit to investors.[187] One such commenter expressed the view that Inline XBRL tagging should not apply to EGCs and SRCs.[188] Another commenter suggested that the Commission simplify XBRL requirements by limiting tagging to structured data tables and by not requiring tagging of every number and footnote.[189]

We acknowledge that the proposed amendments to tag the primary tables could increase costs for LAFs; however, we believe that these costs would be incremental since LAFs are subject to Inline XBRL tagging requirements for many other disclosures. We further believe that costs would be mitigated by the proposed removal of the Inline XBRL tagging requirements from pay-versus-performance disclosures and compensation recovery disclosures. In addition, we intend to reduce compliance burdens on non-LAFs by proposing to remove existing XBRL tagging requirements and to allow the tagging of any tabular executive compensation disclosure to remain optional.

Request for Comment

35. Should we require LAFs to tag the information disclosed in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table in Inline XBRL as proposed? Should we modify the scope of executive compensation disclosures required to be tagged by LAFs? For example, should footnote disclosures to the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table be required to be tagged? Would tagging these disclosures be valuable to investors or enhance comparability among different registrants?

36. Should we also require non-LAFs to tag these tables in Inline XBRL, instead of making it optional, as proposed? Do investors use LAF executive compensation data more than non-LAF executive compensation data?

37. Should we require registrants to use a different structured data language to tag these disclosures? If so, what structured data language should we require and why?

38. What was the incremental cost for registrants to tag disclosures within proxy statements following the 2022 Pay-versus-Performance Amendments? Would the incremental cost to LAFs for tagging information disclosed in the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table be more or less? How would these costs differ for non-LAFs who may elect to provide the tabular information in Inline XBRL?

39. Should the Commission retain current Item 402(v)(7) requiring that the pay-versus-performance disclosures be tagged in Inline XBRL? Do shareholders and investors use the tagged registrant TSR to analyze their investments or make investment decisions? Could such analysis be done using the proposed primary tabular disclosures such as the proposed Earned Compensation Table? What would be the incremental cost savings to registrants due to removing the requirement to tag pay-versus-performance disclosures, as proposed?

40. Should the Commission retain current Item 402(w)(4) requiring that the compensation recovery disclosures be provided in an Interactive Data File pursuant to Rule 405 of Regulation S–T and the EDGAR Filer Manual? What are the incremental costs for tagging this information? Do investors find the Inline XBRL tagging of the compensation recovery disclosures under Item 402(w) valuable?

D. Perquisite Disclosure Requirements

1. Perquisite Interpretive Guidance

We are proposing to revise the Commission's current interpretive guidance with respect to the disclosure of perquisites and other personal benefits by:

- Stating that registrants have flexibility in making the determination of 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; and
- Removing the examples of items requiring disclosure as perquisites or personal benefits, including that security provided at an executive's personal residence or during personal travel are perquisites.[190] We are requesting comment on whether the Commission should again provide guidance with respect to the application of this more flexible approach on any notable or common situations.

In the 2006 Adopting Release, the Commission provided interpretive guidance regarding factors to be considered in determining whether an item is a perquisite or other personal benefit. The Commission stated that, among the factors to be considered in determining whether an item is a perquisite or other personal benefit, a registrant should consider the following two-part analysis:

- An item is not a perquisite or personal benefit if it is integrally and directly related to the performance of the executive's duties.
- Otherwise, an item is a perquisite or personal benefit if it confers a direct or indirect benefit that has a personal aspect, without regard to whether it may be provided for some business reason or for the convenience of the registrant, unless it is generally available on a non-discriminatory basis to all employees.[191]

The Commission further stated, with respect to the first part of the two-part analysis, that the concept of a benefit that is ''integrally and directly related'' to job performance is a ''narrow one.'' [192] In particular, the Commission stated that ''the analysis draws a critical distinction between an item that a company provides because the executive needs it to do the job, making it integrally and directly related to the performance of duties, and an item provided for some other reason, even where that other reason can involve both company benefit and personal benefit.'' [193] The Commission also expressed the view that whether an expense is an ''ordinary'' or ''necessary'' business expense for tax or other purposes, or whether an expense is for the benefit or convenience of the registrant, is not responsive to the inquiry as to whether the expense provides a perquisite or other personal benefit for disclosure purposes under Item 402.[194]

In addition, the Commission included a non-exhaustive list of examples that, applying the Commission's interpretive guidance, would require disclosure as perquisites or personal benefits. Among these examples were items provided for security purposes.[195] Other examples

Brit. Acct. Rev. (publication forthcoming) (finding that XBRL levels the playing field between insiders and non-insiders by lowering disclosure processing costs and reducing information asymmetry), available at *https://doi.org/10.1016/j.bar.2026.101941*.

[187] *See, e.g.,* letters from Davis Polk; Society for Corporate Governance.

[188] *See* letter from Davis Polk (suggesting that LAFs are better able to implement XBRL tagging by engaging with third-parties with XBRL tagging experience).

[189] *See* letter from Society for Corporate Governance.

[190] *See* 2006 Adopting Release at 53177.

[191] *See* 2006 Adopting Release at 53176.

[192] *Id.* at 53177.

[193] *Id.*

[194] *See id.*

[195] *See id.* Specifically, the Commission stated that ''a company's decision to provide an item of personal benefit for security purposes does not affect its characterization as a perquisite or personal benefit,'' and, as a result, ''[a] company policy that for security purposes an executive (or an executive and his or her family) must use company aircraft

related to such items as executive commuting expenses, professional services provided to the executives, and the personal use of properties, vehicles, or other assets of the registrant.[196]

Several commenters expressed the view that the Commission's current guidance is unclear and/or should be updated to keep up with developments both with respect to the work environment in general, such as how and where individuals work, and in how registrants grant perquisites to their executives.[197] Other commenters stated that the current perquisite guidance remains useful and supported maintaining or bolstering the current guidance.[198] Commenters included a number of suggestions related to the disclosure of perquisites, including: deferring to a board of directors' determination that an expense is necessary for the registrant's business and therefore declining to treat such expenses as perquisites[199] and instituting a principles-based approach to disclosure focused on the primary purpose of the benefit.[200]

In the 2006 Adopting Release, the Commission noted that the elements of the two-part analysis were among the factors to be considered in determining whether an item required disclosure as a perquisite. These factors, including the guidance that the first element should be construed narrowly, together with the inclusion of a non-exhaustive list of example items that the Commission had determined constituted perquisites under the two-part analysis, appear to have constrained the analysis by registrants in certain cases, potentially leading to disclosure of items that could reasonably be concluded are not perquisites, and which the board does not consider as part of the executive's compensation.

We propose to revise our guidance as follows:

- An item is not a perquisite or personal benefit if it is integrally and directly related to the performance of the executive's duties, as determined by the registrant, so long as such determination is reasonable and made in good faith.
- An item is a perquisite or personal benefit if it is determined by the registrant, reasonably and in good faith, that it is not integrally and directly related to the performance of the executive's duties, *and* it confers a direct or indirect personal benefit to the executive, unless it is generally available on a non-discriminatory basis to all employees.

Consistent with the Commission's views in 2006, we continue to believe that the rule should not define perquisites or personal benefits, given that different forms of these items have continued to develop and evolve and that such a definition may become outdated. Consistent with this view, we also believe that registrants, not the Commission, are in the best position to determine what is properly categorized as a perquisite or personal benefit, so long as such determinations are reasonable and made in good faith. Accordingly, we believe it is appropriate to update the prior guidance to state that, in applying the two-part analysis, registrants have flexibility to determine, based on their specific facts and circumstances, whether an item is integrally and directly related to the performance of an executive's duties.

The proposed revisions to the Commission's interpretive guidance are intended to underscore that registrants can utilize the two-part analysis without the outcome being predetermined. For example, in applying the first prong of the analysis, as proposed to be revised, if a registrant acting in good faith reasonably concludes that providing personal security services at all times to a PEO or PFO, or requiring the PEO or PFO to use a company aircraft for personal travel due to security concerns, is integrally and directly related to the performance of the executive's duties, then such security services would not be a perquisite. As under the current guidance, the elements of the second prong of the analysis (*e.g.,* whether there is also a personal benefit or whether the item is generally available to all other employees on a non-discriminatory basis) are irrelevant to the first prong of the analysis. Likewise, if a registrant reasonably determines in good faith that an item is integrally and directly related to the performance of an executive's duties under the first prong of the two-part analysis, then there is no need to proceed to the second prong of the analysis.

As to the second element of the analysis, registrants that determine an item is not integrally and directly related to the performance of an executive's duties should continue to evaluate whether the item confers a direct or indirect benefit that has a personal aspect. If there is no such personal benefit, the item is not a perquisite. If there is such benefit, the registrant should consider whether it is generally available on a nondiscriminatory basis to all employees.[201] A company may reasonably conclude that an item is generally available to all employees on a non-discriminatory basis if it is

or other company means of travel for personal travel, or must use company or company-provided property for vacations, does not affect the conclusion that the item provided is a perquisite or personal benefit.''

[196] *See id.*

[197] *See* letters from ABA (recommending that ''the two-step analysis for determining whether an item is a perquisite or other personal benefit be clarified to address specific disclosure challenges resulting from its current application to various items which benefit both an executive officer and the registrant''); CEC–1 (stating that the ''two-part analysis has proven to be overly subjective and inconsistent in application, resulting in disclosure uncertainty and legal risk.''); McGuireWoods & Brownstein (stating that ''[e]xisting rules concerning perquisite disclosures have not kept up with today's climate and discourage companies from adequately protecting their executives, and by extension, their business and the interests of shareholders''); Society for Corporate Governance (''While the Commission's existing guidance indicated that developments and evolution in work arrangements and work technology would affect what is and is not considered a perquisite, the Commission has not updated or provided additional interpretive guidance on what constitutes a perquisite for nearly two decades[.]''); *see also* Levine, 2025 Roundtable Transcript at 120:12–19 and 121:5 (explaining that registrants ''spend so much time'' on the disclosure of perquisites, that it is ''challenging,'' and that the tracking and disclosure of perquisites is ''not always intuitive'').

[198] *See* letters from American Federation of Labor and Congress of Industrial Organizations, American Federation of State, County and Municipal Employees (AFSCME), Americans for Financial Reform Education Fund, Institute for Policy Studies, Global Economy Project, Public Citizen, and SOC Investment Group (June 25, 2025) (''AFL–CIO et al.''), available at *https://www.sec.gov/comments/4-855/4855-619667-1818694.pdf* (stating that they supported ''maintaining disclosure of the value of perquisites, which investors consider when voting on say-on-pay and compensation committee director elections.''); Farient Advisors (June 20, 2025) (''Farient-1''), available at *https://www.sec.gov/comments/4-855/4855-614947-1802715.pdf* (stating that it has ''not generally seen companies determine whether to provide a [perquisite] solely based on disclosure considerations'' and that it believes ''including perquisite costs in the [Summary Compensation Table] disclosure as currently defined allows investors to better assess an executive's total pay package[.]''); *see also* Rees, 2025 Roundtable Transcript at 131:13–15 and 17–20 (stating that ''the disclosure [of] perks helps boards of directors and compensation committees push back on excessive requests for perks'' and that ''the disclosure has a sanitizing effect, by giving boards and compensation committees the opportunity to say no to excessive [perquisite] requests'').

[199] *See* letter from Davis Polk.

[200] *See, e.g.,* letter from Cooley LLP (Aug. 15, 2025) (''Cooley''), available at *https://www.sec.gov/comments/4-855/4855-639727-1910274.pdf* (''[A] more workable alternative to the existing framework would be a 'primary purpose' test where the determinative inquiry would be based on whether the primary purpose of any benefit is to further a registrant's legitimate business objectives, not whether it is necessary for the job to be completed.'').

[201] For example, discounts on a registrant's products or services that are generally available to all employees on a non-discriminatory basis would not be a perquisite for purposes of disclosure under Item 402.

available to those employees to whom it lawfully may be provided.[202]

The proposed guidance would also eliminate the portion of the current guidance that indicates that whether a benefit is provided for business reasons or the convenience of the company should not be considered in applying this second prong of the analysis. Furthermore, we recognize that, pursuant to the more flexible approach reflected in the proposed guidance, consideration of the benefit to the company and the business purpose is more relevant for the first prong of the analysis and we find that it can be one of the factors that registrants consider in determining whether an item is integrally and directly related to the performance of the executive's duties, and thus not a perquisite or a personal benefit. The elimination of this portion of the guidance in the second prong of the analysis is also consistent with our view that registrants should have flexibility in making this determination under the first prong of the analysis.

Finally, consistent with a more flexible approach to applying the two-part analysis, we are proposing to rescind the Commission's prior statement of examples of items requiring disclosure as perquisites or personal benefits, including security provided at an executive's personal residence or during personal travel. We believe that a registrant is in the best position to determine what benefits are integrally and directly related to an executive's duties, and providing examples of items that would definitively be considered perquisites could be in tension with our view that a registrant should have flexibility to make this determination based on its own set of facts and circumstances.

We believe the primary concern of commenters with the current guidance regarding perquisites is the perceived lack of flexibility in applying the guidance due to prior Commission statements, as opposed to the substantive nature of the guidance itself. We believe the proposed guidance addresses this concern.[203] Accordingly, we have not proposed the suggestions by commenters highlighted above.[204]

Request for Comment

41. Should we modify the Commission's existing guidance regarding perquisites, as proposed? Alternatively, should we rescind the current guidance in its entirety and issue new guidance under a new analytical framework? If so, what should the new analytical framework be and why?

42. Should we retain the Commission's existing guidance regarding perquisites and instead should the Commission itself affirmatively exclude particular categories as not being perquisites, such as NEO and director personal security? If so, what categories should be affirmatively excluded by the Commission as not being perquisites?

43. Does the proposed guidance provide registrants with an appropriate degree of flexibility in determining what items constitute perquisites? Rather than requiring the registrant's determination be reasonable and made in good faith as proposed under the first prong, should the Commission instead apply some other standard? If so, what standard should the Commission apply and why?

44. Should any new or modified guidance be codified as Commission rules?

45. We are proposing to explicitly rescind the examples of items requiring disclosure as perquisites provided in the 2006 Adopting Release. Should we retain some of these or provide any other examples of what items are and are not perquisites? Should we provide guidance with respect to the application of the proposed, more flexible approach on any other notable or common situations? Would providing more explicit examples of the application of the two-part analysis result in such items being deemed *de facto* perquisites by registrants, or otherwise constrain a registrant's flexibility to make such determinations based on their own facts and circumstances?

46. Under our current guidance, an item is not a perquisite if it is generally available on a non-discriminatory basis to all employees of the registrant. Should we revise the guidance to instead reference whether the item is generally available on a non-discriminatory basis to all executive officers? What types of compensation or perquisites would such a revision likely exclude from disclosure and what is their value? Would those types of compensation or perquisites typically be excluded under the proposed *de minimis* exclusion? Would an item provided to executive officers of the registrant, but not necessarily to other employees, represent the type of matter that would, by its nature, be viewed as a perquisite? What would be the costs and benefits of such a change to the guidance?

2. Minimum Aggregate Reporting Threshold and De Minimis Tracking Exclusion—Proposed Item 402(b)(2)(vii)(A)

Under the current rule, registrants must disclose perquisites in column (i) of the Summary Compensation Table (''All other compensation'') for each NEO when the total amount of perquisites is $10,000 or more, an amount which has not been updated since the 2006 Amendments.[205] The current rule does not include a *de minimis* tracking exclusion, meaning that registrants must track all potential perquisites in order to determine if the minimum aggregate reporting threshold is met for each NEO.

Under the proposed rule, perquisites would be disclosed in the Miscellaneous Compensation Received column (proposed column (g)) of the Earned Compensation Table. We are proposing to increase the minimum aggregate reporting threshold and add a *de minimis* tracking exclusion for perquisites. Specifically, we are proposing to:

- Increase the minimum aggregate reporting threshold for perquisites (below which such perquisites would not be required to be included in the Miscellaneous Compensation Received column of the Earned Compensation Table) to $150,000; and
- Add a *de minimis* tracking exclusion for perquisites (below which individual perquisites would be excluded when calculating whether the minimum aggregate reporting threshold had been met and thus would not need to be tracked by the registrant) that would exclude any individual perquisite that is considered a *de minimis* fringe benefit under section

[202] As under the current guidance, for this purpose, a company may recognize jurisdictionally based legal restrictions (such as for foreign employees) or the employees' ''accredited investor'' status. In contrast, merely providing a benefit consistent with its availability to employees in the same job category or at the same pay scale does not establish that it is generally available on a nondiscriminatory basis to all employees.

[203] We are aware that the Commission in prior administrative proceedings may have applied the current guidance to make determinations about a registrant's disclosure obligations with respect to perquisites or personal benefits. If the Commission revises the guidance as proposed, registrants should look to the revised guidance, rather than those prior proceedings, to understand the Commission's current views with respect to perquisites disclosure.

[204] *See infra* notes 199 and 200.

[205] The $10,000 aggregate reporting threshold adopted in the 2006 Amendments was a decrease as compared to the threshold previously in place under the 1992 Amendments (*i.e.,* the lesser of either $50,000 or 10% of total annual salary and bonus as reported in the Summary Compensation Table). *See* 2006 Adopting Release; 1992 Adopting Release.

132(a)(4) of the Internal Revenue Code, or any successor provision.[206]

We continue to believe that disclosure regarding perquisites is important for investors to understand the overall compensation package made available to the PEO and PFO; however, we believe that the current aggregate reporting threshold is unnecessarily low. In addition, because the current rule does not have a *de minimis* tracking exclusion, registrants must compile and track any perquisite, regardless of how small the amount, for purposes of this disclosure item. The proposed amendments are intended to reduce compliance burdens for registrants while retaining disclosure of material perquisites for investors. The proposed increase in the minimum aggregate reporting threshold is intended to modernize the threshold given the passage of time since the 2006 Amendments (including to reflect the impact of inflation), as well as developments in executive compensation over the past decades (as benefits that are only modestly above a $10,000 threshold may often be immaterial in light of modern executive compensation levels).

The addition of a *de minimis* tracking exclusion should further reduce burdens on registrants by eliminating the need for registrants to track small, individual benefits over the course of the year, which investors are unlikely to consider material to an NEO's overall compensation. By using a *de minimis* threshold already applied by registrants for U.S. tax purposes, the proposal also aims to simplify the analysis for registrants.[207]

We are also proposing to eliminate the requirement that perquisites must be valued on the basis of the aggregate incremental cost to the registrant.[208] The 2006 Adopting Release indicated that the amounts attributed to perquisites for Federal income tax purposes should not be used for purposes of our executive compensation disclosure unless, independently of the tax characterization, such amounts constitute the incremental cost to the registrant.[209] However, we understand from engagement with market participants that there is no uniform way to value certain perquisites, and as a result of the Commission's prior statements, registrants may need to attribute different values to the same perquisite for Federal income tax and Federal securities law purposes, which can be burdensome without a commensurate benefit in the disclosure.[210] We are therefore proposing to eliminate the requirement that perquisites must be valued on the basis of the aggregate incremental cost to the registrant so as to provide registrants with greater flexibility in how perquisites are valued, and to reduce burdens on registrants by not requiring them to revalue perquisites already valued for Federal income tax purposes solely for purposes of their executive compensation disclosures under Item 402.

Request for Comment

47. Should we increase the minimum aggregate reporting threshold and add a *de minimis* tracking exclusion for perquisites as proposed? If not, please explain why not. If we should adopt a different approach instead, please describe the approach and why you believe it is preferable to the proposal.

48. Do the proposed amendments set the minimum aggregate reporting threshold for perquisites at an appropriate level (*i.e.,* $150,000)? Are there alternative aggregate reporting thresholds that would be more appropriate? If so, please describe the alternative threshold and explain why it would be more appropriate. For example, should we modify the proposed aggregate reporting threshold to a higher or lower numerical dollar value, eliminate the proposed dollar threshold in favor of a figure calculated on some other basis (*e.g.,* based on a percentage of total compensation, or certain components of compensation, as reported in the Granted Compensation Table or the Earned Compensation Table), or adopt some other approach (*e.g.,* a ''lesser of'' or a ''greater of'' structure that combines both a dollar value and a figure calculated on some other basis, such as a percentage)?

49. Do the proposed amendments set the *de minimis* tracking exclusion at an appropriate level (*i.e.,* any individual perquisite that is considered a *de minimis* fringe benefit under section 132(a)(4) of the Internal Revenue Code)? Are there alternative thresholds that we should consider, such as basing the exclusion on the dollar value of the perquisite? Are there alternative legal or regulatory provisions (other than section 132(a)(4) of the Internal Revenue Code) that we should consider for purposes of setting a *de minimis* tracking exclusion (*e.g.,* other subparts of section 132(a) of the Internal Revenue Code)? If so, please describe the alternative threshold and/or alternative legal or regulatory provision and explain why it would be preferable.

50. Should we eliminate the requirement that perquisites be valued on the basis of the aggregate incremental cost to the registrant, as proposed? Would providing registrants with greater flexibility in how perquisites are valued reduce burdens on registrants? Should we provide registrants with alternative guidance on how perquisites should be valued and, if so, how should such guidance be formulated? Would providing registrants with greater flexibility in how perquisites are valued eliminate material information that investors require to make informed investment and voting decisions?

51. Should we require the registrant to describe the methodology it used to value perquisites (*e.g.,* the aggregate incremental cost to the registrant or the value attributed to the perquisite for Federal income tax purposes)? Would requiring the registrant to describe the methodology used provide material information to investors? Would requiring such a description be burdensome for registrants? Would requiring registrants to describe the methodology it used to value perquisites make sense in the absence of a requirement to separately identify and quantify each perquisite that exceeds a certain value in a footnote or in supplemental disclosures?

[206] *See* 26 U.S.C. 132(a)(4). Given that whether a perquisite is a *de minimis* fringe benefit under the Internal Revenue Code is a matter of U.S. tax law that should be assessed by the registrant for U.S. tax purposes, the Commission would not anticipate providing further interpretative guidance on this topic.

[207] The *de minimis* tracking exclusion would provide registrants with the option to exclude *de minimis* fringe benefits under section 132(a)(4) of the Internal Revenue Code when calculating whether an NEO exceeds the minimum aggregate reporting threshold, but would not require registrants to do so. Accordingly, if a registrant is not subject to U.S. taxation or otherwise does not already apply the *de minimis* fringe benefit definition under the Internal Revenue Code, the registrant could either choose to apply the *de minimis* benefit definition just for purposes of proposed Item 402, or choose not to apply the *de minimis* tracking exclusion at all (*i.e.,* choose to include all perquisites regardless of size when calculating whether an NEO exceeds the minimum aggregate reporting threshold).

[208] *See* Instruction 4 to 17 CFR 229.402(c)(2)(ix). As proposed, registrants still would be permitted to value perquisites on the basis of the aggregate incremental cost to the registrant; however, this approach would not be mandatory.

[209] *See* 2006 Adopting Release at 53177.

[210] *See* letter from Meridian (stating that ''the current disclosure regime requires time-consuming, fact-specific assessment and incremental cost valuations'' and that ''[c]urrently, the SEC requires a company to compute and disclose the incremental value associated with personal use, which is a complicated calculation. Moreover, the amount included in the [Summary Compensation Table] generally does not align with the amount an executive recognizes as income under the tax code. In conjunction with additional guidance on perquisites and personal benefits, the SEC would likely need to coordinate with the Internal Revenue Service with respect to what is taxable compensation to ensure consistency and symmetry.'').

E. Certain Matters With Respect to Presentation

1. Information Necessary to an Understanding of the Tables—Proposed Item 402(a)(5)(i)

Under 17 CFR 229.402(e) (''Item 402(e)''), registrants are required to provide a narrative description of any material factors necessary to an understanding of the information disclosed in the Summary Compensation Table and the Grants of Plan-Based Awards Table.[211] Current Item 402(e) also includes a non-exhaustive list of four example topics that may be material for discussion, depending on the facts and circumstances.[212] The current rule further contains a number of other provisions that require registrants to provide supplemental narrative disclosures to the tabular disclosures. For example, registrants are required to include a narrative description of any material factors necessary to an understanding of each plan covered by the Pension Benefits Table and the Nonqualified Deferred Compensation Table.[213] These requirements were intended to make the disclosures more meaningful by requiring information that may not be expressly included in the tables, but that would otherwise be needed to provide a clear understanding of the compensation being provided.[214]

Under proposed Item 402(a)(5)(i), we would require registrants to disclose any material information necessary to an understanding of the information disclosed in the tables required by proposed Item 402(b) (the Earned Compensation Table), Item 402(c) (the Granted Compensation Table), and Item 402(d) (the Status of Equity Awards Table). As proposed, the registrant would be permitted to disclose such supplemental information in any format it determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures.[215] In contrast to current Item 402(e) but consistent with the principles-based approach discussed above, proposed Item 402(a)(5)(i) would not include a list of example topics that may be material for discussion, depending on the facts and circumstances. Under the proposed amendments, registrants would be required to consider the context around the quantitative disclosure in the tables to determine what supplemental information is necessary to an understanding of their tabular disclosures. The extent and nature of such supplemental information will vary depending on the registrant's particular facts and circumstances, but may include, among other things, material terms in employment agreements, material award terms not otherwise required by the tabular disclosures, or repricing or other material modifications of outstanding awards.

Request for Comment

52. Should we adopt the requirement to disclose any material information necessary to an understanding of the information disclosed in the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table, as proposed? Should we modify the proposed requirement? If so, how should we modify the requirement to continue to provide necessary information to investors?

53. Should we consider expanding application of the proposed requirement to other executive compensation disclosure, such as to all of the disclosure provided pursuant to Item 402? What would be the benefits and costs of this expansion?

2. Flexibility in the Manner of Tabular Presentation—Proposed Item 402(a)(5)(ii)

Under the current rule, registrants are permitted to omit a table or column for which there has been no compensation,[216] but there are no specific provisions that permit registrants to split a single column into multiple columns or a supplemental table.

We are proposing to give registrants more flexibility in the manner in which they present their tabular disclosures. Specifically, we are proposing to permit registrants to:

- Omit a table or column if no compensation is required to be reported in that table or column in any fiscal year covered by that table or column; [217] and
- Split a single column into multiple columns (or into a supplemental table) so long as the multiple columns (or supplemental table) are clearly labeled and in aggregate cover all items of compensation required to be reported in such single column.

The proposed amendments are intended to allow registrants more flexibility in presenting and explaining their executive compensation based on their particular facts and circumstances in a way that is more consistent with the compensation intentions of the registrant and its board of directors. We believe this additional flexibility would allow registrants to better tailor the tabular disclosures based on their particular compensation structure. The additional flexibility may also benefit investors by facilitating the provision of information in clearer and more digestible formats and in a manner more relevant to the specific compensation programs and decisions being described.

Request for Comment

54. Should we adopt the proposed flexibilities in the manner of tabular presentation? What would be the benefits and costs of the proposed flexibilities? Are there any additional flexibilities in the manner of tabular presentation that, if provided to registrants, would improve the quality and conciseness of executive compensation disclosures without compromising the ability of investors to read and understand them? If so, what additional flexibilities should be provided and why?

55. Would providing registrants with the proposed flexibilities reduce the value of executive compensation disclosures to investors (*e.g.,* by reducing comparability between registrants or other reasons)? If so, what changes to the proposed flexibilities should be implemented to alleviate or eliminate any such concerns?

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[211] *See* 17 CFR 229.402(e)(1).

[212] The current rule lists the following factors as examples: a description of the material terms of each NEO's employment agreement or arrangement; a description of any repricing or other material modification of outstanding equity awards; a description of the material terms of equity awards (*e.g.,* state whether dividends will be paid on stock and if so at what rate, describe any performance-based conditions); and an explanation of the amount of salary and bonus in proportion to total compensation. *See* 17 CFR 229.402(e)(1)(i) through (iv).

[213] *See* 17 CFR 229.402(h)(3); 17 CFR 229.402(i)(3). There are also similar requirements to provide a narrative description of any material factors necessary to an understanding of director compensation in current 17 CFR 229.402(k)(3), relating to golden parachute disclosure in current 17 CFR 229.402(t)(3), and in the scaled disclosure requirements for SRCs in current 17 CFR 229.402(o) and current 17 CFR 229.402(r)(3). The current rule also explicitly requires certain disclosures in footnotes to the tables. *See* 17 CFR 229.402(c); 17 CFR 229.402(d); 17 CFR 229.402(f); 17 CFR 229.402(g); 17 CFR 229.402(h); 17 CFR 229.402(i); 17 CFR 229.402(k).

[214] *See* 2006 Adopting Release at 6557.

[215] *See* proposed Instruction to Item 402(a)(5)(i).

[216] *See* 17 CFR 229.402(a)(5).

[217] As proposed, the wording with respect to the omission of a table or column tracks what is currently permitted under 17 CFR 229.402(a)(5).

3. Compensation in a Currency Other Than U.S. Dollars—Proposed Item 402(a)(5)(iii)

Under the current rule, all values reported in the Summary Compensation Table must be reported in U.S. dollars and, where compensation was paid to or received in a different currency, a footnote must be provided to identify the currency and describe the rate and methodology used to convert the amount to U.S. dollars.[218]

Under the proposed rule, if an amount required to be reported in U.S. dollars in a table was granted to, earned by, or paid to an NEO or director in a currency other than U.S. dollars, the registrant would be required to report such amount in U.S. dollars and to disclose, by adding a footnote to the table or otherwise, the rate and methodology used to convert the amount to U.S. dollars.

Accordingly, the proposed amendments would largely maintain the current approach as to how registrants should report the currency of compensation, but would generalize the requirement to all tables.

Request for Comment

56. Should we adopt the proposed amendments with respect to compensation in a currency other than U.S. dollars? If not, why not?

F. Compensation Discussion and Analysis—Proposed Item 402(e)

Under the current rule, certain registrants [219] are required to provide a CD&A that discusses the compensation awarded to, earned by, or paid to the NEOs and that explains all material elements of the registrant's compensation of the NEOs.[220] The purpose of the CD&A is to provide investors material information that is necessary to an understanding of the registrant's compensation policies and decisions, and the CD&A should discuss and analyze the information contained in the tables and otherwise disclosed pursuant to Item 402, as well as actions regarding executive compensation that were taken after the registrant's last fiscal year's end.[221] Accordingly, the CD&A provides an overview of both the separate elements of NEO compensation and also NEO compensation as a whole. Under the current rule, registrants subject to the CD&A requirement must address seven topics.[222] The current rule also includes a list of fifteen example topics that may be material for discussion in the CD&A, depending on the registrant's facts and circumstances.[223]

We are proposing to continue to require certain registrants to provide a CD&A, but are proposing to revise the requirement to be more principles-based.[224] As proposed, registrants subject to the CD&A requirement would be required to address fewer topics, and the rule would no longer include the current non-exhaustive list of example topics that may be material for discussion in the CD&A.[225] Specifically, the proposed amendments would consolidate and simplify the topics that the CD&A must cover into the following three required topics:

- 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; and
- 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.

Accordingly, the following three topics required under the current rule would be eliminated as separate topics under the proposed rule: (i) What the compensation program is designed to award; (ii) Why the registrant chooses to pay each element; and (iii) How each element and the registrant's decisions regarding that element fit into the registrant's overall compensation objectives and affect decisions regarding other elements.[226] In addition, the following two topics required under the current rule would be consolidated into one new topic that would be more principles-based and limited to material elements of compensation: (i) Each element of compensation; and (ii) How the registrant determines the amount (and, where applicable, the formula) for each element to pay.[227] Moreover, the required topic regarding the objectives of the registrant's compensation programs under the current rule [228] would be amended to relate the objectives to the registrant's corporate strategy.

Many commenters expressed concerns with respect to the length of current CD&A disclosures and the requirements related to the CD&A.[229]

[218] *See* Instruction 2 to 17 CFR 229.402(c).

[219] Under the current rule, SRCs, EGCs, and foreign private issuers are not required to provide a CD&A. *See infra* section II.M; 17 CFR 229.402(*l*); 17 CFR 229.402(a)(1).

[220] *See* 17 CFR 229.402(b).

[221] *See* Instruction 1 to 17 CFR 229.402(b); Instruction 2 to 17 CFR 229.402(b).

[222] Under the current rule, the following seven topics are required to be discussed in the CD&A: (i) the objectives of the registrant's compensation program; (ii) what the compensation program is designed to reward; (iii) each element of compensation; (iv) why the registrant chooses to pay each element; (v) how the registrant determines the amount (and, where applicable, the formula) for each element; (vi) how each element and the registrant's decisions regarding that element fit into the registrant's overall compensation objectives and affect decisions regarding other elements; and (vii) whether and how the registrant has considered the results of the most recent shareholder advisory vote. *See* 17 CFR 229.402(b)(1)(i) through (vii).

[223] Under the current rule, the following fifteen topics are included as example topics that may be material for discussion in the CD&A, depending on the facts and circumstances: (i) policies for allocating between long-term and currently paid out compensation; (ii) policies for allocating between cash and non-cash compensation; (iii) the basis for allocating compensation to each different form of long-term award; (iv) how the determination is made as to when awards are granted; (v) what specific items of corporate performance are taken into account; (vi) how specific forms of compensation are structured to reflect these items of the registrant's performance, including whether discretion can be or has been exercised; (vii) how specific forms of compensation are structured and implemented to reflect the NEO's individual performance; (viii) policies and decisions regarding the adjustment or recovery of awards or payments if the relevant registrant performance measures upon which they are based are restated or otherwise adjusted; (ix) factors considered in decisions to increase or decrease compensation materially; (x) how compensation or amounts realizable from prior compensation are considered in setting other elements of compensation; (xi) with respect to any arrangement that provides for payment in connection with any termination or change-in-control, the basis for selecting particular events as triggering payment; (xii) the impact of the accounting and tax treatments of the particular form of compensation; (xiii) equity or other security ownership requirements or guidelines; (xiv) whether the registrant engaged in any compensation benchmarking; and (xv) the role of executive officers in determining executive compensation. *See* 17 CFR 229.402(b)(2).

[224] In the 2026 Filer Status Proposing Release, the Commission proposed to extend the accommodations provided to current SRCs or EGCs to all registrants that would be NAFs under that proposal. As the current rule does not require SRCs to provide a CD&A, the 2026 Filer Status Proposing Release would extend that accommodation to the proposed category of NAFs. *See infra* section II.M.

[225] As proposed, the rule text would also continue to clarify that the disclosure of any target levels that are non-GAAP financial measures would not be subject to 17 CFR 244.100–102 (''Regulation G'') or 17 CFR 229.10(e). The proposed wording with respect to any target levels that are non-GAAP financial measures largely tracks the existing wording in Instruction 5 to 17 CFR 229.402(b), but (as discussed below) would apply to proposed Item 402 generally. *See* proposed Instruction 2 to Item 402.

[226] *See* 17 CFR 229.402(b)(ii), (iv), and (vi).

[227] *See* 17 CFR 229.402(b)(iii) and (v).

[228] *See* 17 CFR 229.402(b)(i).

[229] *See* letters from Baillie Gifford (stating that ''CD&A averages 25–30 pages and often reads like marketing copy, burying the key drivers of pay''); Chamber of Commerce (stating that ''[r]ecent estimates place the average CD&A in a company's proxy statement at roughly 10,000 words, or 15 pages with a 10-point font''); Society for Corporate Governance (stating that 72% of its members indicated that they believe there are too many factors to consider in drafting the CD&A and 73% of members indicated that the rules on CD&A disclosure should be changed).

Commenters stated that CD&A discussions are often complex and repetitive, and sometimes include information that is not material or that obscures material disclosures.[230] We believe that the proposed simplified list of required topics should help address these concerns, as a more principles-based approach should allow registrants greater flexibility to craft concise disclosures focused on material information that is necessary to an understanding of the registrant's compensation policies and decisions and should reduce the inclusion of repetitive, boilerplate disclosures. Additionally, we believe that requiring disclosure about how the objectives of the compensation program relate to the registrant's corporate strategy would provide meaningful information for investors and may provide context for other relevant disclosures (such as pay-versus-performance disclosures).[231]

The proposed amendments would also eliminate the current list of fifteen example topics that, depending on the facts and circumstances, may be material for discussion in the CD&A. One commenter asserted that the list of ''illustrative examples'' set forth in 17 CFR 229.402(b)(2) is overly broad and redundant and covers elements that are not material.[232] We are proposing to eliminate the example topics listed in the current rule because their inclusion in the rule text may create a perception that those particular topics always must be addressed in the CD&A and, in some cases, may have resulted in repetitive, immaterial, or otherwise unnecessary disclosures.[233]

Overall, the proposed amendments are intended to reemphasize a principles-based approach to the CD&A, reduce burdens on registrants, and improve readability and usefulness for investors. Streamlining the list of required topics by focusing on the registrant's objectives and material elements of compensation should give registrants more flexibility and allow them to be more concise when drafting the CD&A. While any of the fifteen example topics included in the current rule may warrant discussion depending on the registrant's particular facts and circumstances, eliminating the list of such example topics from the rule text, as proposed, may reduce any perceived need for registrants to cover all such topics in all cases, regardless of materiality, and may thereby reduce the inclusion of repetitive, boilerplate disclosures.

The proposed amendments would also streamline the instructions to the CD&A section by moving certain current instruction text into proposed Item 402(e) itself,[234] eliminating certain current instructions as superfluous or no longer relevant in light of the proposed amendments,[235] and moving certain current instructions from the CD&A section to apply instead to all of proposed Item 402.[236]

In particular, proposed Instruction 2 to Item 402 would address the disclosure of target levels or company-selected financial performance measures provided pursuant to Item 402 that are non-GAAP financial measures. Proposed Instruction 2 would (similar to current Instruction 5 to 17 CFR 229.402(b)) state that disclosure of a target level or company-selected financial performance measure that is a non-GAAP financial measure will not be subject to Regulation G (17 CFR 244.100–102) or Item 10(e) (§ 229.10(e)).

The proposed instruction would also provide that any non-GAAP target level or company-selected financial performance measure that is based on historical financial results (including performance, financial position, or cash flows) must be accompanied by a quantitative reconciliation of the differences between the non-GAAP financial measure and the most directly comparable GAAP financial measure.[237] Disclosure of target levels that are non-GAAP financial measures based on projections (*i.e.,* not based on historic financial results), on the other hand, must include a narrative description of how the non-GAAP financial measure is calculated from the registrant's audited financial statements.[238] The proposed instruction would further require that the registrant provide disclosure as to why the registrant believes the non-GAAP financial measure is more appropriate than a GAAP financial measure for (1) determining executive compensation, in the case of targets, or (2) showing the relationship between executive compensation and registrant performance, in the case of a company-selected financial performance measures.[239] These requirements would be in addition to what is required under current Instruction 5 to 17 CFR 229.402(b).

We are proposing to add (1) the required quantitative reconciliation for any non-GAAP measure that is based on historical financial results (including performance, financial position, or cash flows), and (2) disclosure of the reasons that the registrant believes the non-

[230] *See* letters from Center on Executive Compensation (June 20, 2025) (''CEC–1''), available at *https://www.sec.gov/comments/4-855/4855-614967-1802734.pdf* (''[T]he volume and complexity of required disclosures can obscure what is material to a particular company when it comes to executive compensation.''); Chamber of Commerce (citing a 2015 Stanford Business School Survey concluding that only 38% of institutional investors found executive compensation disclosure clear and easy to understand).

[231] *See also* Ani Huang (Center on Executive Compensation), 2025 Roundtable Transcript at 62:6–10 (stating that ''the strategy and objectives [of the company] come first, then we choose metrics that we think are going to align with those objectives''); Lennartz, 2025 Roundtable Transcript at 84:9–13 (stating that ''it's incumbent upon companies to demonstrate how their compensation programs align with the business strategy''); Fortt, 2025 Roundtable Transcript at 184:11–17 (stating that most boards of directors ''think about executive compensation . . . really as a tool of corporate strategy'').

[232] *See* letter from Society for Corporate Governance (stating that while ''illustrative examples'' set forth in 17 CFR 229.402(b)(2) might be helpful, ''the list of elements in the current disclosure rules are overly broad and redundant, covering elements that are *not* material, a result that is in direct tension with the stated purpose of the CD&A'' and that ''[t]o address the overbreadth of Item 402(b), [it] request[s] that the Commission clarify that the elements listed therein should only be required to the extent that they are material to investors'').

[233] *See, e.g.,* letter from Society for Corporate Governance (referring to 17 CFR 229.402(b)(2)(xii) regarding the *potentially* material ''impact of the accounting and tax treatments of a particular form of compensation'' and stating that ''[w]hile not strictly required, issuers may feel compelled to include such disclosure as a precautionary matter, even though such information might not be material to investor decision-making'').

[234] Proposed Item 402(e) would include text that largely tracks the text contained in current Instruction 3 to 17 CFR 229.402(b).

[235] Current Instruction 1 to 17 CFR 229.402(b) would be eliminated as superfluous in light of proposed Item 402(a)(1), proposed Item 402(a)(5)(i), and proposed Item 402(e). Current Instruction 6 to 17 CFR 229.402(b) would be eliminated as no longer relevant given that proposed Item 402(e) would eliminate the list of example topics in current 17 CFR 229.402(b)(2), including the example topic cited in current Instruction 6 to 17 CFR 229.402(b).

[236] Proposed Instruction 1 to Item 402 would include text that largely tracks the text contained in current Instruction 4 to 17 CFR 229.402(b). Proposed Instruction 2 to Item 402 would include text that largely tracks the text contained in current Instruction 5 to 17 CFR 229.402(b).

[237] Such a quantitative reconciliation could be included in the relevant filing or incorporated by reference from another filing. *See* 17 CFR 230.411; 17 CFR 240.12b–23.

[238] Because company-selected financial performance measures disclosed under proposed Item 402(f) would always be presented for historical periods, we do not expect that this narrative requirement would apply to disclosure of any company-selected financial performance measures.

[239] Proposed Instruction 2 to Item 402 describes certain information a registrant would be required to include when it discloses a non-GAAP target level or company-selected financial performance measure, but the proposed instruction would not mandate the disclosure of a target level or company-selected financial performance measure. Under proposed Instruction 1 to Item 402, which largely tracks current Instruction 4 to 17 CFR 229.402(b), registrants would be permitted to omit disclosure of target levels that involve confidential trade secrets or confidential commercial or financial information, the disclosure of which would result in competitive harm for the registrant. In addition, disclosure of company-selected measures would be optional under proposed Item 402(f)(3).

GAAP target or company-selected financial performance measure is more appropriate than a GAAP measure to address concerns expressed by commenters that, without a quantitative reconciliation of the differences between the non-GAAP and GAAP financial measures, investors often struggle to understand how registrants assess performance in approving complex executive compensation packages.[240]

Request for Comment

57. Should we adopt the proposed revisions to the CD&A requirement? If not, why not and what modifications, if any, should we make to the proposal?

58. The proposed amendments would provide a more principles-based requirement that would permit registrants more flexibility to assess what disclosure is material and should be disclosed and would reduce the number of required topics in the CD&A, including by eliminating required disclosure of (i) what the compensation program is designed to award, (ii) why the registrant chooses to pay each element, and (iii) how each element and the registrant's decisions regarding that element fit into the registrant's overall compensation objectives and affect decisions regarding other elements. Should the CD&A requirement instead continue to require disclosure of these topics or should we take a more principles-based approach as proposed?

59. Should we adopt the proposed required topic for the CD&A to discuss the objectives of the registrant's compensation program in relation to the registrant's corporate strategy? If not, why not? Is this topic likely to elicit disclosure similar to content that is provided in current CD&As, or to require discussions beyond what is included in current disclosures? Should we modify the proposed requirement to discuss the objectives of the registrant's compensation program in relation to the registrant's corporate strategy? If so, how should the proposed requirement be modified and why?

60. Should we eliminate the current list of example topics that may be material for discussion in the CD&A as proposed? Is the list of topics helpful to registrants in preparing their disclosure (thereby supporting retaining the list) or does it create a presumption or perception that those particular topics must be addressed regardless of materiality (thereby supporting eliminating the list)? If we should retain the list, should we include any other example topics or remove any additional example topics from the list, and how should we address any concerns that the list encourages repetitive or otherwise unnecessary disclosure?

61. Should we adopt proposed Instruction 2 to Item 402 relating to the disclosure of any target levels or company-selected financial performance measures that are non-GAAP financial measures? If not, why not and what amendments, if any, should we make to the proposed instruction? If so, should the instruction apply to all of proposed Item 402, or just the CD&A section, pay-versus-performance section, or other specific sections? Should we add the proposed additional requirement that the registrant disclose why the registrant believes the non-GAAP financial measure is more appropriate for determining executive compensation, in the case of targets, or for showing the relationship between executive compensation and registrant performance, in the case of a company selected measure, than a GAAP financial measure? Should we add the proposed additional requirement that, if a historical non-GAAP financial measure is included, the registrant must provide a quantitative reconciliation of the differences between the historical non-GAAP financial measure and the most directly comparable GAAP financial measure?

G. Pay-Versus-Performance Disclosure Requirements—Proposed Item 402(f)

We are proposing to amend the pay-versus-performance disclosure requirements in Item 402(v) to simplify and streamline the presentation of executive pay in relation to registrant performance and to reduce compliance burdens while remaining faithful to the statutory mandate. Specifically, the proposed amendments would, among other things, revise the measure of executive compensation for purposes of the pay-versus-performance disclosure and conform the content to track more closely other proposed executive compensation disclosures.[241]

Section 953(a) of the Dodd-Frank Act requires the Commission to adopt a rule that directs issuers to disclose the relationship between ''executive compensation actually paid'' and ''the financial performance of the issuer, taking into account any change in the value of the shares of stock and dividends of the issuer and any distributions.'' [242] The current rule, adopted in 2022 requires registrants to disclose, for each of the previous five fiscal years,[243] the relationship between the value of a specialized measure of executive compensation, Compensation Actually Paid,[244] and the value of three financial performance measures: net income, the cumulative TSR of the registrant, and a measure selected by the registrant (''Company-Selected Measure'').[245] The current rule requires prescriptive tabular disclosure, detailed footnotes, and a description of the relationship between Compensation Actually Paid and each of the financial performance measures. This disclosure, including both the Compensation Actually Paid value and the Summary Compensation Table value for total compensation, must be provided for the PEO and the remaining non-PEO NEOs on average. The rule includes detailed and extensive instructions about the required calculation of Compensation Actually Paid. The current rule also requires registrants to calculate and disclose cumulative TSR for a peer group and describe the relationship between the peer group TSR and the registrant's TSR. Finally, a registrant must disclose an additional tabular list of the names of three to seven financial

[240] *See* letter from Council of Institutional Investors (''CII acknowledges that alternative measures of performance targets for executive compensation may be useful for incentivizing prudent executive decisions benefitting long-term investors. But the bottom line is that GAAP is still the standard, so any deviations from GAAP need to be clear and put in context through disclosure of a quantitative reconciliation of GAAP to non-GAAP for executive compensation performance targets in the CD&A. This is important given that investors, including institutional investors, often struggle to make sense of how companies assess performance in approving large and complex executive compensation packages.'') (footnotes omitted); *see also* Non-GAAP Petition (''Companies that use executive compensation targets based on non-GAAP financial measures currently are not required to adequately disclose how those measures relate to GAAP. This information should be presented in proper context, within the proxy statement CD&A. This is clearly not being done by many companies using non-GAAP or 'adjusted' earnings and other non-GAAP measures to help determine how executives are paid.'').

[241] In addition to the proposed changes discussed here, in the 2026 Filer Status Proposing Release the Commission proposed to eliminate SRC filer status and to exempt all NAFs from the pay-versus-performance disclosure requirements. See the discussion relating to that release and SRC and EGC accommodations in section II.M below. We are also proposing to remove the requirement to structure pay-versus-performance disclosures under 17 CFR 229.402(v) in Inline XBRL. *See infra* section II.C.5.

[242] *See* Public Law 111–203, 124 Stat. 1376 (2010), sec. 953(a).

[243] 17 CFR 229.402(v)(1). Currently, SRCs are only required to provide three years of pay-versus-performance disclosure under 17 CFR 229.402(v)(8).

[244] Compensation Actually Paid is a measure of pay derived from the Summary Compensation Table that is used only in the pay-versus-performance disclosure context.

[245] Under 17 CFR 229.402(v)(2)(vi) the Company-Selected Measure must consist of an additional financial performance measure which in the registrant's assessment represents the most important financial performance measure used by the registrant to link compensation actually paid to the registrant's NEOs to company performance.

performance measures used by it to link Compensation Actually Paid to the registrant's NEOs during the last fiscal year to company performance (''Tabular List''). The current rule exempts EGCs from pay-versus-performance disclosure and provides scaled disclosure accommodations to SRCs.

Our proposed amendments are intended to reduce the burden of calculating and presenting pay-versus-performance disclosure by, among other things, replacing the specialized Compensation Actually Paid measure of compensation with the Total Compensation Earned amount presented in the proposed Earned Compensation Table. We believe that using the Total Compensation Earned amount presented in the proposed Earned Compensation Table may more closely serve the Dodd-Frank Act mandate to present ''executive compensation actually paid.'' We also propose to amend the current rule to eliminate or make optional all performance measures, including the Tabular List, other than the registrant's cumulative TSR.[246] In addition, our proposal to limit the disclosure to information about the PEO and PFO should simplify compliance with the rule by eliminating the complex averaging calculations currently necessitated in producing the non-PEO NEO compensation disclosure. Finally we expect that limiting the period of disclosure to three years for all registrants, which mirrors the time period of executive compensation disclosure under Item 402 more generally, will streamline the resulting disclosure.

Our proposed changes to Item 402(v) would continue to satisfy the statutory mandate while reducing registrant burdens and simplifying disclosure. Specifically, our proposal to use the total compensation amounts from the Earned Compensation Table, amounts to which the executive is immediately entitled, addresses the statutory mandate that registrants disclose compensation *actually* paid, while eliminating the need for both specialized pay-versus-performance calculations and additional disclosure, as currently required. In addition, we believe that our proposal to retain disclosure of the cumulative TSR of the registrant directly addresses the specific requirement of section 953(a) of the Dodd-Frank Act to take into account ''any change in the value of the shares of stock and dividends of the issuer and any distributions.'' Focusing on cumulative TSR of the registrant and eliminating the requirement for the other performance measures that are not mandated by statute would also decrease the length and complexity of disclosure.

We believe that the proposed amendments would address concerns about registrant burden and disclosure complexity that have arisen during the first four years of required pay-versus-performance disclosure.[247] Many comments received in connection with the 2025 Roundtable cited the need for registrants to devote significant internal resources and engage outside advisors to prepare the required pay-versus-performance disclosure.[248] While a number of commenters indicated that the required disclosures are useful or provide additional insights to investors,[249] other commenters suggested that the current Item 402(v) disclosures are not used by or useful to investors.[250] Among other concerns, these commenters suggested that the disclosures are too boilerplate,[251] that differing approaches to the disclosure reduce comparability,[252] and that the five-year horizon does not reflect how boards think about compensation.[253]

1. Compensation Actually Paid

We are proposing to replace the current Item 402(v)-specific Compensation Actually Paid amount with the amount shown in the Total Compensation Earned column of the proposed Earned Compensation Table (column (h)).[254] Today, Compensation Actually Paid is required to be calculated by taking the total compensation amount shown in the registrant's Summary Compensation Table and adding or subtracting various amounts determined through a series of complex calculations. As noted above,

[246] Section 953(a) of the Dodd-Frank Act requires that the performance information disclosed takes into account any change in the value of the shares of stock and dividends of the issuer and any distributions. *See* Public Law 111–203, 124 Stat. 1376 (2010), sec. 953(a). Indeed, the Commission noted in the 2022 Pay-versus-Performance Adopting Release its belief that ''the disclosure of the relationship between executive compensation actually paid and TSR will satisfy the language of Section 14(i) that registrants disclose the 'relationship' between executive compensation and registrant performance.'' 2022 Pay-versus-Performance Adopting Release at 55140.

[247] *See, e.g.,* David Lynn (Goodwin Procter), 2025 Roundtable Transcript at 96:15–20 (stating that ''everyone seems to agree that [CAP] is a very complex calculation that makes it hard not only to produce the disclosure, but actually interpret the disclosure and compare the disclosure across companies.''); Mark Borges (Compensia), 2025 Roundtable Transcript at 139:16–25 (suggesting that the pay-versus-performance rule be reevaluated, stating that ''the relationship between investor information and the compliance burden is out of balance.''); *see also* letter from Society for Corporate Governance (providing data from an internal member survey indicating that ''[o]ne quarter of survey respondents (26%) reported that they spend between twenty-five to seventy-five thousand dollars annually for outside advisors to prepare pay-versus-performance disclosures, and nearly 10% of respondents (9.5%) reported that they spend more than seventy-five thousand dollars annually on outside advisors to prepare pay-versus-performance disclosures.'').

[248] *See, e.g.,* letters from ABA; Axcelis (indicating that the calculation of Compensation Actually Paid requires a minimum of 75 calculations per year); Business Roundtable; CEC–2; Chamber of Commerce (noting that outside help was necessitated due to mark to market calculations needed to determine compensation actually paid); Compensia, Inc. (Oct. 4, 2025) (''Compensia''), available at *https://www.sec.gov/comments/4-855/4855-671748-2031714.pdf;* Cravath, Swaine & Moore LLP (June 20, 2025) (''Cravath''), available at *https://www.sec.gov/comments/4-855/4855-614887-1802674.pdf;* Davis Polk; Johnson & Johnson (citing complex simulations needed to create a value for outstanding performance share units that is not used for any other purpose); Jones Day (Aug. 18, 2025) (''Jones Day''), available at *https://www.sec.gov/comments/4-855/4855-640247-1914354.pdf;* McGuireWoods & Brownstein; Meridian; NAM–1; NAM–2; National Healthcare Properties (May 16, 2025) (''NHP''), available at *https://www.sec.gov/comments/4-855/4855-602935-1757042.html* (indicating that smaller companies have been particularly affected by the burden of compliance); NYSE; Rethink Legal Services (June 25, 2025) (''Rethink''), available at *https://www.sec.gov/comments/4-855/4855-616767-1809614.pdf;* Travelers.

[249] *See, e.g.,* letters from AFL–CIO et al.; AFREF (indicating that standardization of disclosure creates comparability which impacts voting decisions, citing several supporting studies); Dan and Jan Blair (July 12, 2025) (''Blair''), available at *https://www.sec.gov/comments/4-855/4855-1841194.htm;* Council of Institutional Investors; Nathan Harling (July 11, 2025) (''Harling''), available at *https://www.sec.gov/comments/4-855/4855-1830779.htm;* Public Citizen (June 25, 2025) (''Public Citizen''), available at *https://www.sec.gov/comments/4-855/4855-619687-1818714.pdf;* James F. Reda (Aug. 5, 2025) (''Reda''), available at *https://www.sec.gov/comments/4-855/4855-635967-1890954.pdf;* Shareholder Value Advisors (May 30, 2025) (''Shareholder Value Advisors''), available at *https://www.sec.gov/comments/4-855/4855-608307-1776514.pdf* (providing various calculations showing how the pay-versus-performance data can be used to provide insights); Brad Snyder (Aug. 5, 2025) (''Snyder''), available at *https://www.sec.gov/comments/4-855/4855-1890614.htm.*

[250] *See, e.g.,* letters from The American Securities Association (June 26, 2025) (''ASA''), available at *https://www.sec.gov/comments/4-855/4855-617227-1810874.pdf* (suggesting that executive compensation disclosure in general, specifically including pay-versus-performance, is ''completely immaterial for investors,'' and questioning whether pay-versus-performance is ''still relevant and necessary given that companies already disclose information about the relationship between pay and performance.''); Business Roundtable; CEC–1; EOS; Sullivan & Cromwell; Travelers.

[251] *See* letter from EOS (suggesting that current pay-versus-performance disclosure is ''too boilerplate in nature to reveal genuine insight or generate productive dialogue with management and at board level''); *see also* letter from Sullivan & Cromwell (asserting that the mandated metrics (TSR, Net Income) as well as the strictures around selecting and presenting the Company-Selected Measure in many cases create disclosure that is not material to the company or investors).

[252] *See, e.g.,* letters from CEC–1; Travelers.

[253] *See* letter from Business Roundtable.

[254] *See* section II.C.1 above for a detailed explanation of the proposed Earned Compensation Table and earned compensation.

we are proposing to eliminate the Summary Compensation Table, which presently contains the starting values for conducting Compensation Actually Paid calculations, necessitating a reconsideration of the appropriate means to derive ''executive compensation actually paid.''

The proposed Earned Compensation Table and related disclosure seek to reflect pay outcomes when receipt of the pay is no longer subject to conditions, which we believe would appropriately reflect executive compensation actually paid as contemplated by section 953(a) of the Dodd-Frank Act. Under the current pay-versus-performance rule, Compensation Actually Paid relies to a greater extent on theoretical future pay outcomes in that amounts attributable to *unvested* equity are included in the executive's Compensation Actually Paid at a value determined using estimates and assumptions about future events.[255] We believe that the information in the proposed Earned Compensation Table would provide investors with a clearer understanding of the compensation that an executive officer has earned, without further restrictions on receipt (*i.e.,* what has been actually paid). We further believe that using the Total Compensation Earned amount reflected in the proposed Earned Compensation Table would reduce registrant burdens by using an amount that registrants would already be calculating and eliminating complex Compensation Actually Paid calculations required under the current rule. In addition, using the Earned Compensation Table values might avoid the potential confusion that could result from continuing to use the current Compensation Actually Paid measure, a highly specialized measure derived from calculations that start with the Summary Compensation Table, which would no longer appear in or be prepared for purposes of a registrant's executive compensation disclosure under the proposed rules.

Section 953(a) of the Dodd-Frank Act uses the term ''executive compensation actually paid'' in discussing the requirement to disclose information that shows the relationship between executive compensation and financial performance, but the statute does not define that term. One challenge the Commission faced when developing the current rule was that there was not then a single definition or table in the existing Item 402 disclosure requirements that could represent compensation actually paid.[256] When adopting the rule, the Commission acknowledged this challenge, indicating its view that ''actually paid'' differs from disclosure required under current Item 402 of ''compensation awarded to, earned by or paid to'' the NEOs, reasoning that Item 402 does not use the term compensation ''actually paid.'' [257] In further support of this conclusion, the Commission noted that ''Congress was aware of the language of Item 402 *at the time of the Dodd-Frank Act,* and adopted text that did not mirror the language of that provision'' [258] (emphasis added). We believe the disclosure in the proposed Earned Compensation Table, which differs from the disclosure that is currently required, appropriately captures ''executive compensation actually paid'' as that term is used in section 953(a) of the Dodd-Frank Act.

Under the current rule, for each fiscal year covered by the disclosure, registrants must determine the Compensation Actually Paid to the PEO and the average Compensation Actually Paid to the non-PEO NEOs, using a series of complex, time consuming, and prescriptive calculations.[259] These calculations, for each fiscal year, involve deducting from the total compensation amount in the Summary Compensation Table for the NEO both (1) the aggregate change in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial pension plans; and (2) the total value of stock and option awards and then conducting, as applicable, the following additional calculations for stock and option awards:

- Adding the fair value (as of the end of the applicable fiscal year) of all awards granted in that year that are outstanding and unvested at the end of that year;
- Adding the change in fair value (from the end of the prior fiscal year to the end of the covered fiscal year) of each award granted in any prior fiscal year that was outstanding and unvested as of the end of the covered fiscal year;
- Adding the fair value (as of the vesting date) of any awards that are both granted and vest in the applicable fiscal year;
- Adding the change in fair value (from the end of the prior fiscal year to either the end of the covered fiscal year or the vesting date, as applicable) of awards granted in any prior fiscal year that vest at the end of or during the covered fiscal year;
- Subtracting the fair value (as of the end of the prior fiscal year) of awards granted in any prior fiscal year that failed to meet vesting conditions during the covered fiscal year;
- Adding the dollar value of dividends or other earnings paid on awards in the covered fiscal year prior to the vesting date that are not otherwise included in the total compensation disclosed in the Summary Compensation Table; and
- Adding the aggregate of service cost and prior service cost for all defined benefit and actuarial pension plans, as defined in the rule.[260]

In addition to these prescriptive calculation requirements, in the current Item 402(v) tabular disclosure, registrants must (1) present both the Summary Compensation Table total compensation value and Compensation Actually Paid for the PEO and (2) separately calculate and present the average value for the non-PEO NEOs collectively of both the Summary Compensation Table total compensation and Compensation Actually Paid.

The complex calculations necessary to determine Compensation Actually Paid are often described as a significant burden on registrants.[261] In addition, some commenters suggested that the current requirement to disclose these detailed calculations is an important contributor to the complexity of the proxy statement, is not relevant to

[255] 17 CFR 229.402(v)(2)(iii)(C) requires that registrants determine the value or change in value of unvested equity based upon various factors, including when the equity was originally granted and whether it vests within the relevant fiscal year. These valuations are required to be made using the same accounting methodologies, assumptions and judgments used in determining the original grant date fair value.

[256] Some of the approaches proposed included: using vesting date valuation of stock awards, but exercise date valuation of options; requiring the vesting date valuation of performance awards but the grant date value of option awards; valuing awards at the end of a multi-year period, such as a three-year period; valuing equity at grant date but reversing the value at the vesting date for awards that fail to vest; revaluing outstanding equity awards annually; and revaluing all equity granted during a period at the end of the most recent completed fiscal year. *See* 2022 Pay-versus-Performance Adopting Release at 55147.

[257] 2022 Pay-versus-Performance Adopting Release at 55143.

[258] *Id.*

[259] 17 CFR 229.402(v)(2)(vi).

[260] *See* 17 CFR 229.402(v)(2)(iii).

[261] *See, e.g., infra* notes 263 and 264; Lennartz, 2025 Roundtable Transcript at 34:17–24 (indicating that ''[i]t requires a Herculean effort to produce all of the numbers that go into the tables'' and that the pay versus performance table ''requires the revaluation of all outstanding equity awards, and equity awards can be quite complicated.''); *see also* Brandon Gantus et al., ''*Pay Versus Performance*'' *Rule Increase Disclosure Obligations for Public Firms,* Harv. L. Sch. F. on Corp. Governance (Sept. 28, 2022), available at *https://corpgov.law.harvard.edu/2022/09/18/pay-versus-performance-rule-increase-disclosure-obligations-for-public-firms/* (noting that ''the final rules are expected to create significant burdens on the company to run these calculations'').

investors, and does not provide corresponding insights.[262] Many comments received in connection with the 2025 Roundtable strongly objected to the current method for calculating Compensation Actually Paid, stating that it is unnecessarily complex, misleading, immaterial, and burdensome.[263] Some commenters pointed to the significant resources, including outside advisors and experts, needed to prepare these valuations.[264] Other commenters expressed concern that Compensation Actually Paid is not a good representation of executive compensation, indicating that: Compensation Actually Paid combines compensation elements that *have* been paid with hypothetical estimates that *have not* been paid; [265] the required calculations to determine Compensation Actually Paid can result in negative compensation values; [266] and the required ''non-standard'' equity valuations and pension changes create volatility unrelated to performance.[267] A number of commenters further suggested that Compensation Actually Paid may not be used by or useful to investors,[268] that proxy advisory firms have their own proprietary methodologies for calculating NEOs' pay-versus-performance,[269] and that the five-year horizon does not reflect how boards think about compensation.[270]

Other letters were supportive of the current rule,[271] with many of these indicating that the resulting disclosure is promising [272] and useful.[273] Some supportive commenters and other sources suggest a correlation between pay-versus-performance disclosure and shareholders' decisions in their say-on-pay votes.[274] Several commenters advocated alternative, often simpler, calculations of executive compensation ''actually paid'' that reflect variations of ''realized'' or ''realizable'' pay.[275]

The current definition of Compensation Actually Paid begins with the total compensation amount calculated for purposes of the Summary Compensation Table. Since we are proposing to replace Compensation

[262] *See. e.g.,* letters from Allen Overy Shearman Sterling US LLP (Aug. 6, 2025) (''A&O Shearman''), available at *https://www.sec.gov/comments/4-855/4855-636607-1893054.pdf* (asserting that disclosure of the reconciliation from the Summary Compensation Table to Compensation Actually Paid amounts is ''not relevant to investors and only serves to obscure the purpose of the rule''); Infinite Equity (Apr. 25, 2025) (''Infinite Equity–1''), available at *https://www.sec.gov/comments/4-855/4855-602995-1757162.pdf* (pointing out that even complex financial statement reporting does not mandate the level of reconciliation disclosure required by 17 CFR 229.402(v) and that the required reconciliation ''adds complexity without delivering meaningful additional insight''); Pearl Meyer (June 27, 2025) (''Pearl Meyer''), available at *https://www.sec.gov/comments/4-855/4855-617647-1811734.pdf* (indicating that the ''reconciliation of CAP to SCT adds unnecessary complexity without providing material insight, and should be eliminated'').

[263] *See, e.g.,* letters from ABA; A&O Shearman; CEC–1; CEC–2; Equity Methods–1; Pearl Meyer; Reda; Travelers (further noting that, for each fiscal year, registrants must make at least six adjustments to the Summary Compensation Table grant date fair value of equity awards for each NEO); *see also* letter from *Axcelis.*

[264] *See, e.g.,* letters from ABA; Axcelis; Business Roundtable; CEC–2; Chamber of Commerce (noting that outside help was necessitated due to mark-to-market calculations needed to determine compensation actually paid); Compensia; Cravath; Davis Polk; Johnson & Johnson (citing complex simulations needed to create a value for outstanding performance share units that is not used for any other purpose); Jones Day; McGuireWoods & Brownstein; Meridian; NAM–1; NAM–2; NHP (pointing out that smaller companies have been particularly affected by the burden of compliance); NYSE; Rethink; Travelers.

[265] *See, e.g.,* CEC–1 (analogizing the use of year over year changes in unvested equity value under the pay-versus-performance disclosure rule to determine the value of executive pay to ''determining the winner of a baseball game based on the score in the seventh inning since the outcome of the pay-for performance linkage cannot be known until the end of the performance period and unvested incentives are earned''); *see also* letters from Compensation Advisory Partners, LLC (Aug. 25, 2025) (''Compensation Advisory Partners''), available at *https://www.sec.gov/comments/4-855/4855-642147-1923414.pdf;* Cravath; Davis Polk.

[266] *See, e.g.,* letter from NAM–2. Because 17 CFR 229.402(v) requires that executive compensation actually paid reflect year over year changes in the value of an executive's unvested equity awards, the Compensation Actually Paid number will be negative in any fiscal year where a decrease in the value of such awards exceeds the value of the other compensation amounts included in that year's Compensation Actually Paid calculation.

[267] *See, e.g.,* letter from CEC–1.

[268] *See, e.g.,* letters from ASA; Axcelis; Business Roundtable; CEC–1; Davis Polk; Johnson & Johnson; NAM–2; NHP; NYSE; Total Rewards Strategies (June 25, 2025) (''Total Rewards''), available at *https://www.sec.gov/comments/4-855/4855-617047-1810034.pdf.*

[269] *See, e.g.,* letters from Cravath (noting that since proxy advisors have their own pay-versus-performance calculations ''this new disclosure may not be providing a benefit to investors commensurate with the burden to investors.''); Total Rewards (suggesting that pay-versus-performance disclosure ''does not properly convey the compensation earned relative to company performance'' as evidenced by the fact that proxy advisors and large institutional investors use their own methodologies.). *But see* letter from Farient–1 (indicating that proxy advisors typically use information gathered from the Summary Compensation Table in assessing pay and performance alignment, which is problematic since ''the grant date value of equity is shown in the Summary Compensation Table, proxy advisors analyze the value of equity grants before performance occurs rather than after performance has occurred'').

[270] *See* letter from Business Roundtable.

[271] *See, e.g.,* letters from AFL–CIO et al.; AFREF (indicating that standardization of disclosure creates comparability which impacts voting decisions, citing several supporting studies); Baillie Gifford; Blair; Council of Institutional Investors; Erste; Harling; Infinite Equity–1; Infinite Equity–2; Public Citizen; Reda; Shareholder Value Advisors (showing how the pay-versus-performance data can be used to provide insights into ''three basic objectives of executive pay: providing strong incentives to increase shareholder value, retaining key talent and limiting shareholder cost''); Snyder.

[272] *See* letter from Baillie Gifford (suggesting that the first year of pay-versus-performance disclosure was useful at ''signal[ing] long-term alignment,'' but also indicating that the disclosures are not comparable across registrants due to wide variations in calculating compensation actually paid, lack context for high growth companies, and should include both a measure of realized pay and a discussion of deviations between realized and granted pay).

[273] *See, e.g.,* letters from Better Markets (June 26, 2025) (''Better Markets''), available at *https://www.sec.gov/comments/4-855/4855-617307-1810974.pdf;* Council of Institutional Investors; Equity Methods, LLC (May 27, 2026) (''Equity Methods-2''), available at *https://www.sec.gov/comments/4-855/4855-792399-2398406.pdf* (indicating that, ''[b]y remeasuring the fair value of outstanding equity awards at fiscal year-end and at vesting dates, CAP tracks the real-time evolution of executive wealth in relation to shareholder outcomes. This is the new information that CAP provides that is otherwise not available to shareholders, and is deeply material to their understanding of executive pay and the pay-for-performance relationship.''); Farient–1; Farient Advisors LLC (Apr. 16, 2026) (''Farient–2''), available at *https://www.sec.gov/comments/4-855/4855-749787-2316534.pdf* (noting that ''the Compensation Actually Paid (CAP) figures in the PvP disclosure are uniquely relevant to assessing alignment between management and shareholders and now require only a relatively incremental cost to continue calculating and disclosing''); Shareholder Value Advisors (strongly recommending that the disclosure be retained because it is highly informative for investors, allowing them to estimate four key pay dimensions (incentive strength, alignment, performance adjusted cost, and relative pay risk)).

[274] *See, e.g.,* letters from AFREF; Baillie Gifford; *see also* Aiyesha Dey, *Pay Versus Performance and Investor Voting Decisions,* Harv. L. Sch. F. on Corp. Governance (Dec. 26, 2024), available at *https://corpgov.law.harvard.edu/2024/12/26/pay-versus-performance-and-investor-voting-decisions/* (summarizing results from a study of over 2,500 registrants, concluding that pay-versus-performance disclosure improves the ''decision-usefulness'' of pay disclosure by simplifying compensation analysis, but also stating that ''we do not evaluate whether CAP is a superior measure of pay-performance alignment'').

[275] *See, e.g.,* letters from Baillie Gifford; Compensation Advisory Partners (proposing a revision to compensation actually paid that reflects ''amounts disclosed in the Shares Vested and Options Exercised Table, which better represents realized compensation.''); CEC–1; Infinite Equity–1; Infinite Equity–2; Meridian (advocating a focus on ''realizable pay'' to show the alignment between compensation outcomes and company performance); NAM–1 (suggesting that ''the SEC should explore whether the Section 953(a) mandate could be satisfied by adding a new 'realized' or 'take-home' pay column to the Summary Compensation Table''); Semler Brossy (provides example of ''Compensation Actually Earned'' which includes earned salary and cash incentives and the value of vested equity); Sullivan & Cromwell; Total Rewards. While there does not appear to be a universal definition of either ''realized'' or ''realizable'' pay, our proposed approach to determining executive compensation actually paid, as discussed below, most closely resembles what is commonly referred to as ''realized'' pay because it only includes amounts to which the executive is immediately entitled.

Actually Paid with the amount reflected in the Total Compensation Earned column of the proposed Earned Compensation Table, it is important to note where the individual elements of the Earned Compensation Table may differ from those in the Summary Compensation Table. In general, the same non-equity-related compensation items that are required to be included in the Summary Compensation Table would also be required disclosure in the proposed Earned Compensation Table, as more fully discussed above.[276] We note, however, that the proposed Miscellaneous Compensation Received column of the proposed Earned Compensation Table, which requires disclosure of certain types of additional compensation and any other compensation that the registrant determines is material or chooses to disclose, may result in disclosure of fewer non-material compensation amounts than are currently required to be included in the Summary Compensation Table ''all other compensation'' column.[277]

Using the Total Compensation Earned amount in the Earned Compensation Table would eliminate the need to calculate interim valuations for equity awards and instead include stock award values when vested and option award values when exercised. The current Compensation Actually Paid calculation combines changes in unvested equity values, *i.e.,* amounts that may never be paid, and the value of equity upon vesting. The current requirement to revalue unvested equity awards for each year covered by the disclosure provides information about potential pay to which the executive is not yet entitled, rather than amounts to which the executive is immediately entitled.[278] The Total Compensation Earned amount in the proposed Earned Compensation Table, in contrast, would show equity compensation values only when they have been realized (*i.e.,* for stock awards once they have vested and for option awards once they have been exercised). We believe that this simpler presentation represents an accurate picture of executive pay outcomes, and, as such, addresses the requirement stated in section 953(a) of the Dodd-Frank Act that the disclosure reflect compensation *actually paid.* In addition, Compensation Actually Paid calculations under the current rule can yield negative amounts notwithstanding that the executive does not actually owe money to the employer. For these reasons, in comparison to the current approach, we believe the amount reported in the Total Compensation Earned column of the proposed Earned Compensation Table would better reflect compensation actually paid to and received by NEOs.[279]

In addition, we believe that the Total Compensation Earned amount as determined for purposes of the proposed Earned Compensation Table, when presented in relation to registrant performance, would facilitate an evaluation of executive compensation generally and may provide further insights into the effectiveness of compensation committees and compensation packages.[280] Specifically, presenting realized compensation values relative to registrant performance may help to reveal whether *ultimate* pay outcomes align with company results.

We are aware that using vesting or exercise date values in the calculation of compensation actually paid may in some instances result in timing misalignment between actual performance and related executive compensation actually paid. Some commenters have expressed the view that, for example, when performance metrics span several years from the grant date to the vesting date, presenting equity values only in the relevant vesting or exercise year would result in spikes in compensation numbers during those years and no potential values during the remainder of the performance period.[281] Indeed, the Commission was persuaded in part by these views when adopting the current Compensation Actually Paid equity valuation method, stating that ''the adopted approach will more effectively allow registrants to describe the relationship between compensation and registrant performance, as the reported amounts of compensation will annually adjust based on the registrant's performance, among other things, in that year.'' [282] However, we note that section 953(a) of the Dodd-Frank Act contemplates disclosure showing ''the relationship between executive compensation actually paid and the financial performance of the issuer,'' but does not require that the disclosure demonstrate whether there is year over year alignment between the value of unvested pay and executive performance. Further, we believe that questions raised by our proposed approach related to vesting spikes or other perceived mismatches between the timing of pay and performance could be mitigated by the proposed Status of Equity Awards Table, which would provide useful information about stock awards that are not yet vested and option awards that are not yet exercised,

[276] *See supra* section II.C.1.

[277] For a full discussion of our proposed treatment of each item currently required to be disclosed in the ''all other compensation'' column of the Summary Compensation Table, see section II.C.1.e above.

[278] The current rule aims to provide a complete picture of the executive's compensation package and ''at risk'' pay, showing the year-over-year changes in unvested equity awards. Under this approach, annual revaluations help to show the amount that an executive could receive upon vesting; however, the actual outcome at vesting could be very different if at the end of the performance period vesting conditions are not met.

[279] The proposed Earned Compensation Table treats stock awards as ''earned'' when vested, whereas option awards are treated as ''earned'' when the executive exercises them. This formulation most closely supports our current view that compensation is ''actually paid'' not merely when it represents *potential* value, but when the actual value is realized by the executive. With respect to stock awards, the value upon vesting can be seen as representing actual pay, whereas an option's compensation value may not be realized until after vesting, especially because the option may not be in-the-money upon vesting and potential future value may be part of the consideration in the compensation-setting process. As explained in section II.C.1 above, we believe that showing the value of option awards only once they have been exercised may more fully reflect the economic value of the option awards.

[280] Our proposed use of the Total Compensation Earned amount from the proposed Earned Compensation Table, which is based upon vesting or exercise date valuations, is different from the grant date fair value methodology used in the Summary Compensation Table. As noted, under our proposed approach, the Total Compensation Earned amount would reflect an amount as compensation only when realized (*i.e.* for stock awards once they have vested and for option awards once they have been exercised). Grant date fair value depends on future performance and is based upon assumptions and estimates, not actual pay. In contrast, the specific methods and dates used to determine final compensation outcomes for vested stock awards and exercised option awards in the Earned Compensation Table applies equally to the pay-versus-performance disclosure. These valuations are intended to reflect the value actually received by the executive.

[281] *See, e.g.,* 2022 Pay-versus-Performance Adopting Release at 55147 (discussing proposed approaches to valuing equity awards for the Compensation Actually Paid calculation). We recognize that using the Total Compensation Earned amount from the Earned Compensation Table to represent executive compensation actually paid could result in a certain degree of directional mismatch between pay and performance from year to year due to volatility associated with equity award vesting patterns that can create spikes in pay during vesting years.

[282] 2022 Pay-versus-Performance Adopting Release at 55150. The Commission noted that awards vesting over multiple years contingent on registrant performance could give investors the ''misleading impression'' that an executive was compensated for performance in the vesting year only, even if performance in that year did not appear to support the compensation. For example, for a performance award spanning three years, where registrant performance was positive in years one and two, when no compensation would be shown, and negative in year three when vesting occurred, using a vesting date valuation of compensation ''actually paid'' could give the impression that executives are being compensated for years of poor performance and not compensated in years of positive performance.

as well as any additional contextual disclosure a registrant might choose to provide.

We also recognize that *any* practicable approach could result in misalignment based upon the specific facts and circumstances. For example, under the current method for estimating compensation actually paid, the payouts on non-equity incentive awards are recorded only in the year they are paid out, even if they reflect performance over multiple years. In contrast, the payouts on equity incentives are effectively marked-to-market over time as performance is realized. The compensation actually paid values may thereby imply that a registrant relying more heavily on non-equity incentive awards has pay that is less sensitive to performance than a registrant that relies more heavily on equity incentives, even if this is not the case. Given that both the current and proposed approaches result in a degree of misalignment, we believe that the reduced burden on registrants by avoiding the complexity involved in calculating the current version of Compensation Actually Paid would justify a change in approach.

The proposed amendments are intended to simplify and reduce the burden [283] of producing pay-versus-performance disclosure. By using the information in the Earned Compensation Table, the proposed approach would eliminate the need for a separate set of calculations and provide a clearer integration of the pay-versus-performance disclosure with the remaining executive compensation disclosure under proposed Item 402.[284] We believe that using the Total Compensation Earned amount set forth in the proposed Earned Compensation Table would continue to meet the Dodd-Frank Act mandate to show the relationship between compensation actually paid and the registrant's financial performance, while providing a clearer picture of the PEO's realized pay.

[283] We note that, because we are proposing to eliminate the Summary Compensation Table, requiring registrants to continue to produce pay-versus-performance disclosure based on information that registrants would no longer be required to prepare or disclose would be unduly burdensome and impractical.

[284] The current rule requires one set of equity valuations for the Summary Compensation Table, based on grant date fair valuations, and an entirely separate set of valuations for Compensation Actually Paid. Using the Total Compensation Earned amount from the proposed Earned Compensation Table would reduce both the burden of creating an entirely separate set of valuations and the complexity of proxy disclosure.

2. Performance Measures

We are also proposing to simplify the pay-versus-performance presentation by removing required disclosure of several performance measures that can be burdensome to provide, are not mandated by the Dodd-Frank Act, significantly increase the length of the disclosure, and, in some cases, may have little relationship to executive pay. Our proposed amendments would retain a single financial performance measure, registrant cumulative TSR, which we believe would provide shareholders with an easily understandable financial performance measure that ultimately represents the core of shareholder value. Currently, registrants are required to quantify in a table and separately describe the relationship between executive compensation and three financial performance measures: GAAP net income, the cumulative TSR of the registrant, and the Company-Selected Measure. Registrants must also select a peer group and disclose the relationship between the registrant's TSR and the peer group's TSR. Finally, registrants must disclose a Tabular List of three to seven financial performance measures that, in the registrant's assessment, represent the most important financial performance measures used by the registrant to link compensation actually paid to its NEOs to company performance.[285]

Our proposed amendments are intended to shorten and simplify such requirements. Specifically, we propose to retain the registrant's cumulative TSR as the sole required performance measure, with the goal of emphasizing a metric that reflects the registrant's financial performance and frequently impacts executive compensation and investor value. To this end, we propose to remove tabular and relationship disclosure of GAAP net income and peer group total shareholder return, metrics that not only are already available [286] but also may have a less clear connection to executive pay at many registrants, and to make disclosure of a Company-Selected Measure optional. In addition, we propose to eliminate required disclosure of the Tabular List.

The calculation and presentation of the registrant's cumulative TSR information in our proposed amendments would be the same as the current requirement.[287] Section 953(a) of the Dodd-Frank Act specifically requires that pay-versus-performance disclosure take into account changes in the value of the shares of stock and dividends of the issuer and any distributions, which TSR does.[288] In addition, we agree with commenter feedback in the 2022 Pay-versus-Performance Adopting Release that the benefits of using registrant cumulative TSR as a performance measure include that it is well-understood by investors; is widely used by companies in setting compensation; is generally a fair representation of company performance; assists companies in articulating and providing justification for their compensation practices; promotes comparability; and reflects stock price fluctuations that regularly occur in response to publicly known information and company leadership.[289] As a result, we believe that retaining registrant cumulative TSR as the required financial performance measure both satisfies the statutory requirement and provides investors with the most useful information for evaluating pay-versus-performance while reducing the burdens of preparing the comparative disclosure.

When requiring the disclosure of additional financial performance measures in 2022, the Commission did not indicate a belief that additional measures were necessary to satisfy the Congressional mandate of section 953(a) of the Dodd-Frank Act. The Commission did indicate in the Reopening Release, however, that additional measures ''may

[285] *See* 17 CFR 229.402(v)(6). A registrant may include non-financial performance measures under certain circumstances, but not in lieu of the required financial performance measures. *See* 17 CFR 229.402(v)(6)(iii).

[286] Net income information is available in the registrant's audited financial statements, and peer group total shareholder return can be found in various stock data platforms or financial data aggregators.

[287] We are proposing to simplify the description of the cumulative TSR calculation, consistent with our goal of creating disclosures and disclosure requirements that are clearer, more concise and easier for investors to read and understand. As proposed, the disclosure requirement would remain the same, but would be revised to more clearly provide that a registrant must present the dollar value as of the end of each fiscal year covered by the disclosure, assuming dividend reinvestment, of a single $100 investment made at market close on the last trading day of the fiscal year immediately prior to the period covered by the disclosure. The disclosure provided in response to current 17 CFR 229.402(v) represents the full value of the initial $100 investment, assuming dividend reinvestment at the end of each year presented in the disclosure, not a percentage change or the net change in value of the investment. Using our proposed description of the measure of cumulative TSR would result in the same disclosure.

[288] The Commission in 2022 similarly made clear its belief that TSR is consistent with that statutory language that the ''disclosures should 'tak[e] into account any change in the value of the shares of stock and dividends of the issuer and any distributions.'" 2022 Pay-versus-Performance Adopting Release at 55153.

[289] 2022 Pay-versus-Performance Adopting Release at 55151.

help address concerns that using only TSR may mislead investors or provide an incomplete picture of performance'' and ''each of the additional disclosures . . . may broaden the picture of financial performance presented in the disclosure . . . [and] could enhance the usefulness of the disclosure by certain registrants or for certain investors.'' [290] We are now proposing to eliminate the additional financial performance measures based on commenter feedback [291] that TSR provides a well understood measure of shareholder value, and, in practice, the inclusion of the additional measures has not served to substantially enhance the usefulness of the disclosure.

Our goal in eliminating the other required performance measures is to simplify disclosure by removing requirements that may not be necessary to understand the link between executive pay and the registrant's performance. Based on the staff's experience reviewing pay-versus-performance disclosure, we believe that registrants frequently struggle to explain the link between some of these other performance measures and executive pay, which can result in lengthy disclosure explaining why a direct link does or does not exist. Many comments echo this concern, indicating the additional disclosures provide little insight into the pay/performance link.[292]

In the case of net income, for example, it appears that disclosure may often deviate from the rule's requirement by substituting a measure other than GAAP net income (such as adjusted net income or revenue) [293] or stating that there is no relationship between net income and executive pay. These deviations seem to reflect the viewpoint expressed in many comment letters [294] received in connection with both the original rule's adoption and the 2025 Roundtable, that ''few registrants use GAAP net income as a financial performance measure in their incentive programs.'' [295] Commenters also noted that GAAP net income information can already be found elsewhere.[296] When adopting Item 402(v), the Commission gave several reasons for including net income as a required financial performance measure, including that it is closely related to other profitability measures that may be used by registrants in setting compensation, is widely understood and standardized, and could complement the market-based performance measure of cumulative TSR.[297] Based upon staff experience, required pay-versus-performance net income disclosure (including numerical financial statement data and relationship disclosure) is frequently boilerplate and provides little meaningful insight about its relationship, if any, to executive pay. Although net income is widely understood and standardized, its inclusion as a financial performance measure does not appear to have enhanced either investors' understanding of other profitability measures or to have provided a complement to market-based TSR.

Similar to net income, it appears based on the staff's observation that, in many cases, presentation of a Company-Selected Measure may provide little insight into the registrant's executive compensation program because the direct link between the two is unclear.[298] The Company-Selected Measure is a financial performance measure which the registrant believes represents the most important financial performance measure used by it to link executive compensation to company performance.[299] In many cases, registrants' compensation programs include complex combinations of multiple financial inputs, over multiple timeframes, without individual weightings or rankings. The staff has observed that registrants often struggle to find a single ''most important'' financial measure and that disclosure is often rendered less meaningful by attempts to do so. On the other hand, where a registrant *is* able to identify a single most important measure, that disclosure can enhance investors' understanding of the link between executive pay and company's financial performance. As such, we are proposing that registrants would have the option, but not the obligation, to disclose a company-selected measure.

We are also proposing to eliminate the requirement to disclose the Tabular List of three to seven financial performance measures that are used to link compensation with the financial performance of the registrant. The staff has observed that, out of context, the names of these measures alone provide very little information about the relationship between executive pay and registrant performance. In addition, this information is often redundant with disclosures of performance conditions applicable to incentive awards, which appear elsewhere in the executive compensation disclosure.

As with net income and the Company-Selected Measure, we believe that the requirement to disclose the cumulative TSR of a peer group may not measurably and consistently enhance a shareholder's understanding of the link between pay and performance. Currently, registrants are required to provide cumulative TSR for a peer group, either the one used for purposes of Item 201(e) of Regulation S–K,[300] or the companies it uses as a peer group for purposes of its disclosures under Item 402(b).[301] While the inclusion of peer group cumulative TSR and relative pay-versus-performance information is not mandated by section 953 of the Dodd-

[290] *Reopening of Comment Period for Pay Versus Performance,* Release No. 34–94074 (Jan. 27, 2022) [87 FR 5751 (Feb. 2, 2022)] (''Reopening Release'') at 5754.

[291] *See, e.g.,* McCauley, 2025 Roundtable Transcript at 107:20–22 (indicating that ''as an investor, we're obviously biased towards total shareholder return, so TSR is kind of central.''); *see also* letters from Equity Methods-1 (explaining that measures other than company TSR can raise non-GAAP issues and are less comparable across registrants); Farient-1; McGuireWoods & Brownstein; Semler Brossy.

[292] *See, e.g.,* letters from ABA (''few registrants use GAAP net income as a financial performance measure in their incentive programs.''); Business Roundtable (''The requirement to identify the 'most important' financial performance measures to link compensation to company performance significantly oversimplifies a complex set of considerations''); Davis Polk (''Comparing a company-selected measure, which was selected by the board to improve an issuer's performance, with CAP, a compensation measure not used by the board, can lead to inconsistent and misleading results for investors.'').

[293] *See* David Outlaw, *What the SEC's 2024 PvP Comment Letters Mean for Year 3 Disclosure Preparation—Equity Methods* (Nov. 30, 2024), available at *https://www.equitymethods.com/articles/what-the-secs-2024-pvp-comment-letters-mean-for-year-3-disclosure-preparation/* (identifying net income concerns as a common concern raised in staff comment letters in 2024, explaining that the ''figure must be GAAP net income, not an alternative like net income attributable to shareholders.'').

[294] *See, e.g.,* letters from A&O Shearman; CEC–2; Compensia; Equity Methods-1; Farient-1; Infinite Equity-1; Johnson & Johnson; NAM–2; Pearl Meyer.

[295] *See, e.g.,* letter from ABA; *see also* letter from Davis Polk; 2022 Pay-versus-Performance Adopting Release at 55154. We also believe that net income is not frequently a measure by which companies or investors assess performance, particularly for early-stage companies or those in industries that typically operate at a net loss.

[296] *See* letter from Infinite Equity-1.

[297] *See* Pay-versus-Performance Adopting Release at 55155.

[298] *See also* Adamson, 2025 Roundtable Transcript at 189: 3–4 (stating that he does not ''feel a utility in the company selected measure.''); letters from ABA; Business Roundtable (stating that ''the requirement to identify the 'most important' financial performance measures to link compensation to company performance significantly oversimplifies a complex set of considerations''); Compensia; Davis Polk (''Comparing a company-selected measure, which was selected by the board to improve an issuer's performance, with CAP, a compensation measure not used by the board, can lead to inconsistent and misleading results for investors.''); Pearl Meyer.

[299] 17 CFR 229.402(v)(2)(vi).

[300] 17 CFR 229.201(e).

[301] 17 CFR 229.402(v)(2)(iv).

Frank Act, in the 2022 Pay-versus-Performance Adopting Release, the Commission noted that registrant TSR alone may not be a sufficient basis for comparison between companies, and that inclusion of peer group TSR could facilitate an assessment of whether the registrant's performance was driven by factors common to its peers or instead by the registrant's own strategy and other choice.[302] While side-by-side comparisons of peer and registrant TSR may provide such information, it is not clear that the disclosure has supplied peer-to-peer pay for performance comparability, since such a comparison would necessarily involve presenting peer companies' *pay* information as well.[303] A requirement to present such relative pay-versus-performance disclosures would increase not only registrant burdens, but also the volume of information in the proxy, running counter to our goal of streamlining and simplifying disclosure.

In addition, to the extent investors seek to analyze peer stock performance or relative pay and performance data, public company, industry and line of business stock performance, as well as peer executive compensation, data are readily available in public filings and other sources. As a result, we believe that removing the peer group cumulative TSR disclosure requirement would simplify the pay-versus-performance disclosure without substantially affecting investors' ability to evaluate a registrant's executive compensation.

3. Executives Covered

We are proposing to simplify the pay-versus-performance disclosure by limiting its coverage to the PEO and the PFO to conform to the coverage of the remaining proposed Item 402 executive compensation disclosure requirements. Currently, pay-versus-performance compensation-related disclosure is required to be provided for the PEO and, as a group, the other NEOs. Calculating the average total compensation for the non-PEO NEOs collectively in accordance with the methodology applicable under the pay-versus-performance rule, as currently required, can be especially time-consuming for registrants and obscure specific details about individual NEOs and their compensation.[304] In addition, based on staff experience, disclosures related to the additional non-PEO NEOs typically double the length of required pay-versus-performance disclosure.

In response to the 2025 Roundtable, many commenters suggested eliminating non-PEO NEOs from required pay-versus-performance disclosure or limiting the disclosure to information about the PEO only or the PEO and PFO.[305] These commenters reasoned that averaging other NEO compensation can cause distortions due to year-over-year changes in the identities and pay packages of named NEOs,[306] termination events resulting in spikes (such as accelerated vesting), and other one-time events, like signing bonuses.[307] These same factors can reduce the utility of such disclosure by obscuring the link between registrant performance and individual NEO pay and minimize insights into NEO pay practices overall.

We recognize that the addition of the average other NEO compensation adds additional burdens to preparing the pay-versus-performance disclosure and we acknowledge commenters' concerns about the burden and potential distortions that may complicate this disclosure. These burdens should be eliminated by our proposal to require compensation disclosure for only the PEO and PFO, without complex averaging. In addition, limiting the required disclosure to the PEO and PFO should help focus the disclosure on the information that is most likely to be material to investors. As discussed in section II.B, we are proposing to limit the NEOs for which Item 402 disclosure is required to only the PEO and PFO. This proposed change alone would reduce the burdens of the pay-versus-performance disclosure, and address many of the commenter concerns with the average other NEO compensation disclosure, because the average other NEO compensation disclosure would simply reflect the compensation of the PFO.

We recognize that the PEO's pay package may receive more scrutiny from investors than the pay packages for the other NEOs, including the PFO.[308] We note, however, the Commission's stated belief in the 2022 Pay-versus-Performance Adopting Release that ''Congress intended for the rules to provide disclosure about both PEOs and the remaining NEOs because Section 14(i) specifically refers to 'compensation required to be disclosed by the issuer under [Item 402 of Regulation S–K],' and Item 402 requires disclosure of NEO compensation.'' [309] Since we are proposing to limit Item 402 disclosure to only the PEO and PFO, we also are proposing to require pay-versus-performance disclosure for only the PEO and PFO. Inclusion of the PFO should minimally impact registrant burden since the proposed Earned Compensation Table would include the required compensation information for both executives.

4. Years Covered

We are proposing to simplify the pay-versus-performance disclosure by conforming the number of years it covers, from five fiscal years to three fiscal years, to match the remaining proposed Item 402 executive compensation disclosure. Currently, registrants are required to provide five years of tabular and narrative pay and performance disclosures under the rule,

[302] *See* 2022 Pay-versus-Performance Adopting Release at 55151. Even though the Commission did not specifically identify peer TSR as a tool for pay-versus-performance comparisons, it did refer to peer TSR as a ''performance measure.'' 2022 Pay-versus-Performance Adopting Release at 55153.

[303] The Commission acknowledged this concern in the Pay-versus-Performance Proposing Release, indicating that ''[t]here are also practical implementation considerations, as peer compensation for the last fiscal year is not likely to be available at the time a registrant is compiling the disclosure. Further, even if these practical considerations could be mitigated (*e.g.,* by permitting peer information to be excluded when unavailable), requiring relative pay-versus-performance would most likely impose higher compliance costs.'' *See Pay Versus Performance,* Release No. 34–74835 (Apr. 29, 2015) [80 FR 26329, 26356 (May 7, 2015)] (''2015 Pay-versus-Performance Proposing Release''). The Commission did reason, however, that presentation of peer TSR (even without peer compensation data) ''should help shareholders to understand when registrant performance could be driven by market moves, sector opportunities, commodity prices, or other factors unrelated to managerial effort or skill.'' 2015 Pay-versus-Performance Proposing Release at 26356. Given that the same peer TSR comparisons are available through various stock data platforms or financial data aggregators, we believe that the information available to investors should not be affected by the removal of peer TSR from the pay-versus-performance disclosure.

[304] *See, e.g.,* letter from Pearl Meyer.

[305] *See, e.g.,* letters from Compensation Advisory Partners; Compensia; Equity Methods-1; Infinite Equity-1 (reasoning that the non-PEO NEOs as well as their compensation can change due to various factors, such as new hire bonuses and prorated salaries as well as termination payments); Meridian; Pearl Meyer; Semler Brossy. Some commenters that suggested limiting disclosure to the PEO only (or eliminating the non-PEO NEOs) typically reasoned that removing the complications created by averaging the non-PEO NEO compensation would both reduce the burden of preparing the disclosure and eliminate concerns that it is not helpful or could be ''misleading.''

[306] *See* letter from Pearl Meyer.

[307] *See, e.g.,* letter from Infinite Equity-1.

[308] *See, e.g.,* letters from ABA (indicating that ''with the exception of the PEO, the volume of detailed information presented in the CD&A and the accompanying tabular disclosure about the remaining NEOs is often immaterial to investors and, if anything, tends to obscure the information that they genuinely seek.''); Infinite Equity-1 (stating that ''[t]he most valuable disclosure is with respect to the Principal Executive Officer (PEO) so the average of the non-PEO Named Executive Officers (NEO) should be removed.''); NAM–1 (asserting that ''most investors . . . primarily focus on CEO Pay.'').

[309] 2022 Pay-versus-Performance Adopting Release at 55142.

and SRCs are permitted to provide only three years instead. In contrast, most other Item 402 disclosures are currently limited to, at most, three years. Better alignment of the years covered by pay-versus-performance disclosure with the other executive compensation information included in the registrant's filing should help alleviate the need to refer to prior proxy statements or other filings to understand compensation for periods prior to what is presented in the current filing. To the extent that investors seek to assess pay and performance over a five-year period, that information would remain available in the registrant's filings with the Commission from prior years. Further, in light of recent studies suggesting a notable increase in PEO turnover rates, a longer time horizon can create substantial burdens for registrants in presenting and describing pay patterns for multiple PEOs.[310]

When adopting the current five-year requirement, the Commission stated that it would ''provide a meaningful period over which a relationship between annual measures of pay and performance over time can be evaluated.'' [311] The Commission also noted, when discussing the five-year time period in the 2015 Pay-versus-Performance Proposing Release that ''the stock performance graph required by Item 201(e) of Regulation S–K requires disclosure for the previous five fiscal years, although it does not include any compensation information.'' [312] Section 953(a) of the Dodd-Frank Act does not contain a specific period of coverage for the pay-versus-performance disclosure. In light of our goal to simplify and streamline and reduce the compliance burdens of executive compensation disclosure, we are proposing to align the pay-versus-performance disclosure with the remainder of the executive compensation disclosures, rather than with the stock performance chart, which appears outside of the proxy statement and does not include compensation information.

Request for Comment

62. Should we adopt the proposed amendments to the pay-versus-performance disclosure requirements? If not, please explain why not.

63. Does the amount reported in the Total Compensation Earned column of the Earned Compensation Table, as proposed, represent an appropriate ''executive compensation actually paid'' measure? Are there other components not included in the Total Compensation Earned column of the Earned Compensation Table that should be considered in calculating compensation actually paid for purposes of the pay-versus-performance disclosure?

64. Is the disclosure currently provided by registrants showing each of the numerical calculations made to determine Compensation Actually Paid material? Do investors or other stakeholders use the year-over-year changes in the value of unvested equity in assessing pay-versus-performance? If so, how?

65. Is there a reason to retain GAAP net income as a performance measure? In what context, if any, is GAAP net income relevant to investors in assessing executive pay and performance alignment?

66. Under the proposed amendments to the pay-versus-performance requirements, disclosure of a Company-Selected Measure would no longer be required. If a registrant elects voluntarily to include a Company-Selected Measure in its disclosure, should there be specific format or content requirements? For example, should we require that the Company-Selected Measure be the same measure for each of the years presented and, if so, should we require that it be calculated in the same way each year? Would it be material to investors for the registrant to discuss why the registrant chose a Company-Selected Measure or whether and how it is related to setting their executive compensation?

67. Should we retain disclosure of peer group cumulative TSR? How is this information currently used by investors? If investors use peer group cumulative TSR disclosure to conduct peer executive pay comparisons, is it possible to access peer group cumulative TSR information from the same source or sources as peer executive pay information? Do investors consult other sources for comparative TSR information, such as industry or line of business indexes?

68. Does TSR for the registrant, as currently required to be disclosed, provide a comprehensive and accurate measure of a registrant's financial performance? Is TSR alone, as proposed, a sufficient measure by which investors would be able to assess a registrant's financial performance for purposes of pay-versus-performance disclosure? If not, should any additional performance measures be required? If so, why?

69. Should we require pay-versus-performance disclosure only for the PEO and PFO, as proposed? If we were to adopt a definition of NEO that includes any additional executive officers other than the PEO and PFO, should the pay-versus-performance disclosure requirements instead apply to all NEOs including to the PEO and PFO, such as under the current rule?

70. Should we use our exemptive authority to require pay-versus-performance disclosure for the PEO only? How would investors use pay-versus-performance disclosure for the PFO, if at all, when making investment or voting decisions? What would be the potential cost savings for registrants if we were to not require pay-versus-performance disclosure for the PFO? How would requiring pay-versus-performance disclosure only for the PEO impact the burden of producing the pay-versus-performance disclosure given that we are proposing the use of the Total Compensation Earned from the proposed Earned Compensation Table total, which will include information for both the PEO and PFO?

71. We are proposing to require only three years of pay-versus-performance disclosure. Is there any reason to retain the current five-year time-period covered by the disclosure requirement? Should we consider the typical performance periods of incentive awards when determining the appropriate time period for the disclosure? If the period is reduced to three years as proposed, would disclosure in prior years' proxy statements be a sufficient source in light of the two years of information no longer required to be included in the registrant's proxy statement, to the extent investors wish to review the information from those two years?

72. Currently pay-versus-performance disclosure is only required in registrants' proxy statements and information statements in which Item 402 of Regulation S–K executive compensation disclosure is required. Unlike the majority of Item 402 disclosure, pay-versus-performance information is not required to be provided or incorporated by reference in any other filings, including the Form 10–K or any registration statement. We are not currently proposing to change the filings requiring pay-versus-performance disclosure or this

[310] *See, e.g., The Transformation of the CEO: Global CEO Turnover Index Annual Report,* Harv. L. Sch. F. on Corp. Governance (Feb. 13, 2025), available at *https://corpgov.law.harvard.edu/2025/02/13/the-transformation-of-the-ceo-global-ceo-turnover-index-annual-report/.*

[311] 2022 Pay-versus-Performance Adopting Release at 55161. The Commission further noted that ''a shorter time period . . . may not provide investors with enough data to evaluate the pay-versus-performance relationship, while . . . a longer period may be overly burdensome to registrants.''

[312] *Id.* at 26342.

limitation on incorporation by reference. In light of the significant simplification we are proposing, should we require incorporation by reference of this disclosure and inclusion in the Form 10–K and registration statements?

73. Should we adopt the approach to determining cumulative TSR and the applicable measurement period as provided in proposed Item 402(f)? Are there any modifications to the approach we should consider that could make the calculation methodology clearer, more practicable, or more appropriate? Should we permit registrants the flexibility to instead present TSR in other formats, such as an annualized percentage return or a cumulative percentage return, rather than a scaled cumulative return on a $100 investment? Would such flexibility facilitate registrants' ability to clearly describe how the specified measure of pay relates to registrant financial performance? Would such flexibility enhance or detract from investors' ability to evaluate the disclosures?

74. If the proposed amendments in the 2026 Filer Status Proposing Release expanding the exemption from pay-versus-performance disclosure to all NAFs, which would include current SRCs and EGCs, are not adopted, should we exempt or provide other accommodations to SRCs with respect to the pay-versus-performance disclosure requirements?

H. Disclosure on Actions To Recover Erroneously Awarded Compensation (''Clawbacks'')—Proposed Item 402(g)

We are proposing to amend certain disclosure requirements under current Item 402(w) regarding the application of a registrant's [313] policy on the recovery of erroneously awarded compensation to reduce compliance burdens and streamline disclosure.[314] We are also proposing to remove both check boxes on the cover pages of Forms 10–K, 20–F,[315] and 40–F relating to the correction of an error to previously issued financial statements. Neither these check boxes nor the disclosure requirements we are proposing to eliminate are required by section 954 of the Dodd-Frank Act.

Under the current rule, registrants must separately indicate by check box on the cover pages of Forms 10–K, 20–F, and 40–F whether:

- The financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements, and
- Any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Exchange Act Rule 10D–1(b).[316]

In adopting these check box requirements, the Commission observed that ''little r'' restatements [317] are typically not reported as prominently as ''Big R'' restatements [318] and stated that the check boxes would ''provide greater transparency around such restatements and easier identification for investors of those that triggered a compensation recovery analysis.'' [319]

The inclusion of these check boxes, however, appears to have created confusion for some registrants.[320] Additionally, registrants must ensure that every error correction to a previously issued financial statement, whether or not required, is accurately conveyed via the check boxes. We are concerned that the need to check the box even for restatements that are not required may cause registrants to avoid voluntarily making and reporting these restatements, the disclosure of which may benefit investors and market participants. Further, we believe that the check box relating to whether error corrections are restatements requiring a recovery analysis is not necessary, given that Item 11 of Form 10–K and current Item 402(w) of Regulation S–K already require a registrant to disclose any action to recover erroneously awarded compensation that arose from an accounting restatement.[321]

We are also proposing to amend current Item 402(w) of Regulation S–K by removing current paragraph (w)(2), which requires a registrant to disclose, if, at any time during or after its last completed fiscal year, the registrant was required to prepare an accounting restatement and the registrant concluded that recovery of erroneously awarded compensation was not required by the listing standards adopted pursuant to Exchange Act Rule 10D–1, and why it concluded that the recovery of erroneously awarded compensation was not required pursuant to the registrant's compensation recovery policy. The Commission added Item 402(w)(2) to provide context for the information elicited by the check boxes on the cover pages of Forms 10–K, 20–F, and 40–F.[322] The explanation was

[313] In this section, the term ''registrant'' is meant to refer to a ''listed issuer'' that is described in Exchange Act Rule 10D–1 and subject to the disclosure requirements of current 17 CFR 229.402(w).

[314] These requirements were adopted in 2022 in response to the requirement in section 10D of the Exchange Act, as added by section 954 of the Dodd-Frank Act. Pursuant to other proposed changes discussed in this proposing release, 17 CFR 229.402(w) would be redesignated. The Commission is proposing that the language that currently appears in 17 CFR 229.402(w) be renumbered to appear as 17 CFR 229.402(g). With the goal of further reducing compliance burdens, we are also proposing to remove the requirement in current 17 CFR 229.402(w)(4) to tag compensation recovery disclosures under Item 402(w) in Inline XBRL. *See infra* section II.C.5. We are also proposing to amend certain disclosure requirements under Form N–CSR, applicable to registered management investment companies. The disclosure requirements set forth in Item 18 of Form N–CSR mirror the requirements of Item 402(w).

[315] As noted in section II.N below, we are proposing to eliminate the following language from current 17 CFR 229.402(a)(1): ''A foreign private issuer that elects to provide domestic Item 402 disclosure must provide the disclosure required by Item 402(w) in its annual report or registration statement, as applicable.'' We are proposing to eliminate this language as a technical matter. Because foreign private issuers are required by the first sentence of 17 CFR 229.402(a)(1) to comply with Item 6.F of Form 20–F, which sets forth requirements related to the disclosure of a registrant's action to recover erroneously awarded compensation, it is duplicative to state that foreign private issuers electing to provide domestic Item 402 disclosure must provide disclosure required by current 402(w).

[316] *See* Form 10–K; Form 20–F; Form 40–F.

[317] Restatements that correct errors that are not material to previously issued financial statements but would result in a material misstatement if the errors were left uncorrected in the current report or the error correction was recognized in the current period are commonly referred to as ''little r'' restatements. *See* 2022 Clawback Adopting Release at 73083–84. A ''little r'' restatement generally does not trigger the filing of a Form 8–K under Item 4.02, and a registrant may make any corrections the next time the registrant makes a filing that includes the prior year financial statements. *Id.* at 73084.

[318] Restatements that correct errors that are material to previously issued financial statements are commonly referred to as ''Big R'' restatements. *See id.* at 73083. A ''Big R'' restatement requires the registrant to file an Item 4.02 Form 8–K and to amend its filings promptly to restate the previously issued financial statements. *Id.* at 73084.

[319] *Id.* at 73108.

[320] Staff in the Division of Corporation Finance received many inquiries regarding the application of various aspects of the rule. For example, some registrants and their representatives were unsure about the types of error corrections that required them to check the first box; yet others were unsure of what was meant by the second check box as to a restatement that requires a recovery analysis (such as, for example, where a required restatement did not implicate compensation and whether that amounted to a ''recovery analysis''). On Apr. 11, 2025, Commission staff issued several Corporation Finance Interpretations to address some of the more common questions received. *See* Corporation Finance Interpretations Exchange Act Forms Questions 140.20–140.25 dated Apr. 11, 2025. These Corporation Finance Interpretations and any other staff statements or guidance referenced in this release represent the views of Commission staff. Any such staff statements are not a rule, regulation, or statement of the Commission. Further, the Commission has neither approved nor disapproved their content. These statements, like all staff statements, have no legal force or effect; they do not alter or amend applicable law, and they create no new or additional obligations for any person.

[321] One commenter suggested that the check boxes lead to ''over-disclosure that confuses and potentially misleads investors and does not benefit their decision-making with respect to an issuer's financials.'' *See* letter from Davis Polk.

[322] 2022 Clawback Adopting Release at 73108 (stating that the Commission added this disclosure requirement to ''allow investors to understand the

intended to provide investors and exchanges with a better understanding of how a registrant is applying its recovery policy.[323] In the staff's experience, however, this disclosure often is boilerplate and frequently does not elicit relevant information on the application of these policies. Because the Commission required this narrative disclosure in connection with the check boxes on the cover pages which we are proposing to eliminate, we believe the narrative disclosure mandated by Item 402(w)(2) is also no longer necessary. Furthermore, we think that retaining current Item 402(w)(1), which requires disclosure when the registrant has determined a restatement requires recovery of erroneously awarded compensation, is more likely to elicit information that is considered material by investors. We believe that the proposed elimination would reduce compliance burdens for registrants and streamline disclosure.

We are proposing to remove Item 18(b) from Form N–CSR. That item requires registered management investment companies subject to the requirements of Rule 10D–1 to provide the same disclosure required by Item 402(w)(2). We are similarly proposing to make conforming changes to Item 6.F(2) of Form 20–F, and General Instruction B.19(c) of Form 40–F. We are proposing to remove these disclosure items for the same reasons we are proposing to remove current paragraph (w)(2) of Item 402 of Regulation S–K.[324]

We are also proposing to amend Item 402(w)(1)(ii), related to amounts determined to be recoverable but for which recovery would be impracticable. Specifically, we propose to remove the current requirement in Item 402(w)(1)(ii) that such amounts be separately disclosed for each current and former NEO and all other current and former executive officers as a group. In adopting current Item 402(w), the Commission indicated that ''[t]he disclosure requirements are intended to inform shareholders and the listing exchange as to both the substance of a listed issuer's recovery policy and how the listed issuer implements that policy in practice.'' [325] While disclosure about when and to what extent a registrant determines that recovery is impractical likely is important to an understanding of how an issuer implements its recovery policy, it is not clear that prescribing that the disclosure separate these amounts by executive is necessary to an understanding of the application of the impracticability exceptions. We propose to make conforming changes to Item 18(a)(2) of Form N–CSR, Item 6.F(1)(ii) of Form 20–F, and General Instruction B.19(b)(2) of Form 40–F, which includes the same disclosure requirements as current paragraph 402(w)(1)(ii) of Item 402.

We would still require registrants to disclose an action to recover erroneously awarded executive compensation stemming from an accounting restatement, including aggregate amounts that were determined to be recoverable but recovery would be impracticable.[326] We believe that our proposed rule would continue to meet the mandate of section 954 of the Dodd-Frank Act, which does not require the check boxes or the related disclosure we are proposing to remove.

In response to the 2025 Roundtable, some commenters suggested revisions to Exchange Act Rule 10D–1 (''Rule 10D–1''). Rule 10D–1 directs the national securities exchanges and associations that list securities to establish listing standards requiring listed issuers to develop and implement policies providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received executive officers where that compensation is based on the erroneously reported financial information.[327] The required listing standards are now in effect, and listed registrants are required to have such policies in place. The commenters that sought revisions to Rule 10D–1 suggested changes to how and when a registrant's policy to recover erroneously awarded executive compensation should be applied.[328] We acknowledge the concerns highlighted by these commenters; however, this proposing release is focused on amendments to the disclosure requirements in Item 402. Amendments to Rule 10D–1, such as how and when a registrant's policy to recover erroneously awarded executive compensation should be applied, are outside the scope of this proposal. We nevertheless believe that the changes we are proposing to eliminate certain disclosure requirements regarding the application of a registrant's recovery policy and remove the check boxes from Forms 10–K, 20–F, and 40–F should meaningfully reduce registrant compliance burdens arising from implementation of Rule 10D–1.

Request for Comment

75. Should we adopt the proposed amendments to remove Item 402(w)(2), Item 6.F(2) of Form 20–F, General Instruction B.19(c) of Form 40–F and Item 18(b) of Form N–CSR, revise Item 402(w)(1)(ii), Item 6.F(1)(ii) of Form 20–F, General Instruction B.19(b)(2) of Form 40–F and Item 18(a)(2) of Form N–CSR and eliminate the check boxes on the cover pages of Forms 10–K, 20–F, and 40–F? If we should not adopt these amendments, please explain why not. For example, do these requirements provide material information to investors regarding whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements that would support maintaining these requirements?

76. Should we consider any other changes to Item 402(w), Item 6.F of Form 20–F, General Instruction B.19 of Form 40–F and Item 18 of Form N–CSR?

77. If the Commission adopts the proposal to remove the two check boxes on the cover pages of Forms 10–K, 20–F, and 40–F indicating the correction of an error to previously issued financial statements and whether those error corrections are restatements that required a compensation recovery analysis, but does not adopt the proposal to remove the disclosure requirements in Item 402(w)(2), Item 6.F(2) of Form 20–F, General Instruction B.19(c) of Form 40–F and Item 18(b) of Form N–CSR, is the disclosure requirement set forth in current Item 402(w)(2), Item 6.F(2) from Form 20–F, General Instruction B.19(c) from Form 40–F and Item 18(b) of Form N–CSR still necessary or useful?

78. Is the information typically elicited by the check boxes sufficiently captured by other disclosure rules, such as Item 11 of Form 10–K and the remaining elements of Item 402(w)?

79. Should we remove the check box indicating whether the financial statements in the filing reflect an error correction to previously issued financial

check boxes in the appropriate context of the issuer's application of its recovery policy'').

[323] *Id.*

[324] The Commission added Item 18 to Form N–CSR to require listed funds that would be subject to Rule 10D–1 provide information that would generally mirror the disclosure requirements of Item 402(2) of Regulation S–K. *See* 2022 Clawback Adopting Release at note 66. Our proposal to remove Item 18(b) from Form N–CSR would be consistent with the Commission's policy goal of having listed funds subject to Rule 10D–1 provide similar relevant disclosure to that of listed operating companies.

[325] 2022 Clawback Adopting Release at 73106.

[326] *See* proposed Item 402(g)(1)(ii). Additionally, under the proposed rule, a foreign private issuer that elects to provide Item 402 disclosure would still be required to provide the disclosure required by proposed Item 402(g) in its annual report or registration statement, as applicable.

[327] *See* letters from ABA; Davis Polk; McGuireWoods & Brownstein.

[328] *See* letters from ABA; Davis Polk; McGuireWoods & Brownstein.

statements (which includes a voluntary error correction), but retain the check box regarding whether such error correction is a restatement that required a recovery analysis? If we remove the first check box, should we clarify that the remaining check box should be marked when the financial statements of the registrant in the filing reflect a required restatement? If we retain only that check box, should we broaden the scope of the requirement beyond listed issuers? Are there any other approaches with respect to the elimination or modification of the current check boxes that we should consider?

80. We understand that registrants may not complete their analysis of whether a recovery of erroneously awarded compensation is required prior to the related 10–K, 20–F or 40–F filing deadline. Should we include additional guidance for registrants about how to meet their disclosure obligations in these circumstances?

81. We are proposing to remove the current requirement in Item 402(w)(1)(ii) to separately disclose, for each current and former NEO and all other current and former executive officers as a group, amounts for which recovery would be impracticable. Does the separate disclosure of these amounts provide information that is meaningful to or considered by investors?

I. Pay Ratio Disclosure Requirements—Proposed Item 402(h)

We are proposing to amend the pay ratio disclosure rule to reduce compliance burdens, enhance comparability across registrants, and streamline the requirements.[329] Current Item 402(u), adopted in 2015 in response to section 953(b) of the Dodd-Frank Act,[330] requires registrants to disclose the ratio between the annual total compensation of the principal executive officer and that of a median employee, each determined in accordance with the methodology of the current Summary Compensation Table. Under the current rule, the median employee is identified from among all individuals employed by the registrant or any of its consolidated subsidiaries[331] whether as a full- or part-time, seasonal, or temporary U.S. or non-U.S. worker, but excluding certain independent contractors or ''leased'' workers.[332] In addition, registrants must determine the median employee once every three years, or more frequently under certain circumstances,[333] and each year disclose the median employee's annual total compensation, the annual total compensation of the PEO, and the ratio of the annual total compensation of the median employee to that of the PEO. The rule also requires certain disclosures about the methodology used to identify the median employee and the calculation used to determine total compensation for employees other than the PEO. The rule also provides lengthy guidance related to the use of adjustments, estimates, and sampling in determining the median employee and the treatment of employees resulting from recent acquisitions.[334] Due to the rule's inclusion of foreign, part-time, temporary, and seasonal workers, identifying the median employee annual compensation can involve numerous steps, such as identifying the world-wide employee population and converting foreign currencies and calculating the median employee compensation using the Summary Compensation Table methodology.

Our proposed revisions to the pay ratio rule would continue to require disclosure of the ratio of the annual total compensation of the median employee of the registrant with the annual total compensation of the PEO of the registrant. As proposed, however, the rule would limit the employee population from which the median employee is identified to those employed on a full-time basis, excluding seasonal and temporary employees, in any jurisdiction of the U.S. or its territories. In addition, because we are proposing to change the tabular presentation of executive compensation under Item 402, including replacing the Summary Compensation Table, we propose to revise provisions in the pay ratio disclosure rule relating to the methodology for determining annual total compensation of the PEO and median employee. Further, we are proposing to change the frequency with which registrants must determine the median employee from once every three years to once every five years. We are also proposing to streamline the rule text and simplify the guidance and disclosure requirements related to the process for identifying the median employee.

1. Employee Population

We are proposing to limit the scope of the population from which the median employee is identified. Specifically, under the proposed rule, the median employee would be determined based upon the annual total compensation of all employees of the registrant or any of its consolidated subsidiaries who are employed on a full-time basis in any jurisdiction of the United States or its territories, which would exclude temporary or seasonal workers. Under the current rule, a registrant must consider the annual total compensation of all its employees, whether they are employed on a full-time, part-time, seasonal, or temporary basis, as well as those of its consolidated subsidiaries, wherever they are located.[335] For registrants with international employees, determination of the median employee may entail, among other things, collection of compensation data for workers on different payroll systems, and conversion of compensation data from foreign currencies to U.S. dollars.

Many comments received in connection with the 2025 Roundtable expressed views that pay ratio disclosure provided under the current rule may not provide information that is useful to investors and does not impact compensation decisions.[336] Many

[329] We are also proposing to continue to exempt both SRCs and EGCs from these disclosure requirements as set forth in proposed Item 402(h). *See infra* section II.M. We also note that the rule changes currently contemplated in the 2026 Filer Status Proposing Release would expand to all non-accelerated filers (as defined in that release) the exemptions available to SRCs and EGCs from the pay ratio disclosure requirements.

[330] *See* Public Law 111–203, 124 Stat. 1376, sec. 953(b) (2010).

[331] Section 953(b) specifically excepts ''the chief executive officer (or any equivalent position)'' from ''all employees.''

[332] *See* 17 CFR 229.402(u). The current rule excludes those workers who are employed, and whose compensation is determined, by an unaffiliated third party but who provide services to the registrant or its consolidated subsidiaries as independent contractors or ''leased'' workers. *See* 17 CFR 229.402(u)(3); *see also infra* note 372 (describing limited exemptions under the current rule permitting registrants to exclude certain non-U.S. employees).

[333] *See* Instruction 2 to 17 CFR 229.402(u).

[334] *See* Instructions 4, 5, and 7 to 17 CFR 229.402(u).

[335] *See* 17 CFR 229.402(u)(1)(i) and (u)(3). As noted above, section 953(b) provides that for purposes of determining the median of the annual total compensation the chief executive officer or any equivalent person is excepted from the determination for ''all employees.'' In keeping with the statute, the current rule does and the proposed rule would except the PEO.

[336] *See, e.g.,* letters from Axcelis; ASA (asserting that ''[t]he rule provides no information that is of any use to investors''); Compensation Advisory Partners (stating that ''the pay ratio disclosure has not gained traction with investors and imposes a significant compliance burden on issuers''); EOS (stating that ''[t]he SEC requirement for disclosure of the CEO to median employee pay ratio does not appear to have played a material role in compensation committee discussions, investor decision-making, or the rapid rate of increase in executive pay relative to that of the wider workforce.''); Farient-1 (stating that pay ratio disclosure is rarely questioned, used, or referenced by proxy advisors or investors and that it ''provides

commenters also stated that the disclosure and is highly burdensome for registrants to produce.[337] One commenter, in contrast, stated that the final pay ratio rule provided adequate flexibility to companies to identify their median employee and that arguments that the rule creates undue compliance costs should be rejected.[338] Other commenters expressed support for the current rule, indicating that the disclosure can reveal possible problems with employee morale and productivity, which can adversely affect a company's performance.[339]

Some commenters that expressed concern with the current rule asserted that the burden reported is largely due to the inclusion of non-U.S., part-time, seasonal, and temporary workers in determining the median employee.[340] According to these commenters, inclusion of such employees also limits comparability across registrants, due, in part, to things like different countries' pay practices and workforce structures, variations in workforce composition, geographic distribution, reliance on outsourcing talent, and employee demographics.[341] Commenters report that these factors have contributed to the compliance burdens under the current rule despite certain accommodations provided in the rule.[342]

For purposes of determining the median employee, we propose eliminating the current lengthy definition of ''employee,'' which presently includes all global full-time, part-time, seasonal, and temporary workers, with limited exceptions. Our proposed revision would require the registrant to identify the median employee from among all employees of the registrant or any of its consolidated subsidiaries who are employed on a full-time basis in any jurisdiction of the U.S. or its territories, excluding temporary or seasonal workers. In addition, consistent with our principles-based approach to these amendments, ''employees'' will not expressly carve out independent contractors or ''leased'' workers. We believe that it is well understood that these categories of workers are not employees. In addition, we do not wish to create a special definition of employee for purposes of Item 402. As the Commission indicated in a 2017 interpretive release related to pay ratio disclosure, ''registrants already make determinations as to whether a worker is an employee or independent contractor in other legal and regulatory contexts, such as for employment law or tax purposes, . . . [and] we believe it would be consistent with Item 402(u) for a registrant to apply a widely recognized test under another area of law that the registrant otherwise uses to determine whether its workers are employees.'' [343] We believe that this same guidance would continue to apply when determining whether a worker is an employee under our proposed pay ratio rule, and, as such, our proposed rule does not provide for extensive carve-outs or other detailed guidance on this topic. The proposed amendments are intended both to increase the value of the disclosure to investors by enhancing comparability across registrants and to reduce compliance burdens for registrants.

Section 953(b) of the Dodd-Frank Act directed the Commission to amend Item 402 of Regulation S–K to require disclosure of ''the median of the annual total compensation of all employees of the issuer, except the chief executive officer (or any equivalent position) of the issuer,'' ''the annual total compensation of the chief executive officer . . . of the issuer,'' and the ratio of these amounts.[344] In adopting the current rule, the Commission noted that ''Congress did not expressly state the specific objectives or intended benefits of section 953(b)'' [345] and concluded that ''Section 953(b) should be interpreted consonant with [the] general purpose [of the relevant subtitle of the Dodd-Frank Act] of . . . facilitating shareholder engagement with executive compensation,'' particularly say-on-pay voting.[346] At that time, the Commission decided that a company-specific executive compensation metric, rather than one that would facilitate a comparison between registrants, would better facilitate shareholder engagement with and evaluation of a registrant's executive compensation and determined to include all U.S., non-U.S., part-time, seasonal, and temporary employees within the definition of *all employees*.[347]

At the time of adoption of the 2015 rules, the Commission carefully considered but declined to exercise its discretion to grant a wholesale exemption for non-U.S. employees from

no information about attraction, retention, alignment, or distinct data on compensation costs''); NAM–1; Pearl Meyer; Reda (''Analysis of voting patterns indicates that firms with very high CEO pay ratios generally still receive strong Say-on-Pay support, unless other performance issues exist. For example, among Russell 3000 firms, those with above-median ratios received average Say-on-Pay support around 89 percent, compared to approximately 92 percent for those below median. This suggests that investors are reluctant to penalize pay packages solely based on the ratio.''); Society for Corporate Governance; *see also* Southlea Group, *Rethinking the CEO Pay Ratio* (August 12, 2025), available at *https://www.southlea.com/rethinking-the-ceo-pay-ratio/* (stating that ''[g]overnance influencers such as proxy advisors . . . largely agree that the CEO pay ratio does not provide meaningful information to investors to support Say on Pay voting,'' referring to ISS and Glass Lewis).

[337] *See, e.g.,* letters from ABA; ASA; Axcelis (summarizing the work involved as: identifying the world-wide median employee, converting foreign currencies, calculating full-time equivalents, determining median employee compensation using Summary Compensation Table methodologies and dividing it into the CEO compensation); Compensation Advisory Partners; Chamber of Commerce; Davis Polk (discussing the additional burden created by the requirement to determine median employee more frequently than every three years under certain circumstances); Farient-1; International Bancshares Corporation (July 9, 2025) (''IBC''), available at *https://www.sec.gov/comments/4-855/4855-622807-1826934.pdf* (quoting Congressman Bill Huizenga's statement that the rule ''creates an enormous burden for publicly traded companies while offering no corresponding benefit''); NAM–1; Pearl Meyer; Rethink.

[338] *See* letter from Public Citizen.

[339] *See, e.g.,* letters from AFL–CIO et al.; AFREF.

[340] *See, e.g.,* letters from ABA; ASA (urging the Commission to reduce the burdens created by the pay ratio rule by ''at a minimum, exclud[ing] all non-U.S., seasonal, and part-time workers from the calculation of 'median employee' ''); Business Roundtable; Chamber of Commerce; Compensia; McGuireWoods & Brownstein (suggesting that limiting ''comparisons of compensation to the CEO and U.S.-based employees'' would help ''reduce the burden on the human resources and accounting teams in gathering all of the necessary information while still allowing shareholders to review a standard CEO pay ratio''); Meridian (noting in particular that ''the inclusion of non-North American and seasonal employees in determining the median employee makes the outcome less relevant, while materially increasing the calculation burden''); Pearl Meyer.

[341] *See, e.g.,* letters from A&O Shearman; Axcelis; Compensation Advisory Partners; Farient-1; NYSE; Pearl Meyer; Reda (''A challenge with the CEO pay ratio is its limited comparability across companies and industries. Differences in workforce composition, such as part-time versus full-time employees and domestic versus international workers, as well as hiring practices and geographic location, can cause significant variation in the ratio. This variability reduces the ratio's usefulness as a standalone measure.''); Society for Corporate Governance; Total Rewards; *see also* Steven A. Bank & George S. Georgiev, *Securities Disclosure as Soundbite: The Case of CEO Pay Ratios,* 60 B.C. L. Rev. 1123 (2019).

[342] *See, e.g.,* letters from ABA (suggesting expanding the *de minimis* exception for non-U.S. employees would ease registrant burden in preparing pay ratio disclosure); Chamber of Commerce (suggesting, as one of several changes needed to reduce registrant burden, that the rule allow the foreign data privacy exemption to operate independently from the *de minimis* exemption); Society for Corporate Governance (requesting that ''if the de minimis exemption for excluding non-US employees is maintained, eliminate the additional disclosure requirements, such as the jurisdictions, number of employees in each jurisdiction, and total number of US and non-US employees used for the de minimis calculation'').

[343] *See* Commission Guidance on Pay Ratio Disclosure, Release No. 33–10415 (Sept. 21, 2017) [82 FR 44917 (Sept. 27, 2017)] (''2017 Pay Ratio Interpretive Release'') at 44918.

[344] *See* Public Law 111–203, 124 Stat. 1376 (2010), sec. 953(b)(1).

[345] *See* 2015 Pay Ratio Adopting Release at 50105.

[346] *See id.* at 50106.

[347] *See id.* at 50105–06, 50111, 50117.

inclusion in the median employee determination. The Commission stated it did not believe it would be appropriate ''to second-guess Congress by granting a wholesale exemption for non-U.S. employees in a manner that we believe could fundamentally change the pay ratio information that Congress directed be provided to shareholders.'' [348] The Commission acknowledged concerns raised by commenters, however, that the inclusion of non-U.S. employees could raise compliance costs for multinational companies, introduce cross-border compliance issues, and have an adverse impact on competition. The Commission, therefore, provided two tailored exemptions that permit registrants to exclude non-U.S. employees from the median employee calculation under certain circumstances, which it believed would alleviate some of these concerns.[349] The first exemption applies when the individual is employed in a foreign jurisdiction in which the data privacy laws or regulations are such that, despite the registrant's reasonable efforts to obtain or process the information necessary to comply with the rule, the registrant is unable to do so without violating those laws or regulations.[350] The second is the *de minimis* exemption that permits a registrant to exclude non-U.S. employees when they account for five percent or less of the registrant's total employees, with certain limitations.[351]

We acknowledge the Commission's determination, at the time of the rule's adoption, that ''Congress thought that it was important for shareholders to have pay ratio disclosure that reflects 'all employees' of a registrant when making their say-on-pay votes;'' [352] however, our experience and commenter feedback suggest that inclusion of more than U.S. full-time employees in the median employee determination has not been an essential factor in pay ratio disclosure's impact on shareholder engagement with executive compensation or shareholder voting. We also no longer believe that granting a wholesale exemption for non-U.S. employees would fundamentally change the pay ratio information that Congress directed be provided to shareholders. In the years since the Commission adopted the current pay ratio rule, it has not been apparent that the information provided by the ratio has been contingent upon capturing both U.S. and non-U.S.-based employees. Many comments received in connection with the 2025 Roundtable indicated that the pay ratio disclosure in general may not be used or useful.[353] Commenters also stated that the burden of compliance with the rule is significant.[354] Even comments supporting the current pay ratio rule often focused on the link between pay ratio information and other matters of interest to stakeholders, such as employee morale or corporate performance, and not on the pool of employees from which the median employee is identified.[355] We believe that our proposed rule would produce pay ratio disclosure that would continue to provide similar information for investors to engage with executive compensation as the disclosure required under the current rule, while reducing the burden on registrants.

We continue to believe that the statutory intent of section 953(b) of the Dodd-Frank Act was to facilitate shareholder evaluation of and engagement with a registrant's executive compensation, and particularly to inform say-on-pay votes. We also believe, based upon our experience with the current pay ratio rule and commenter feedback, that our proposed rule would continue to serve that statutory intent, even when narrowing the scope of the employee pool from which the median employee is identified. Our proposed changes may also enhance comparability across registrants,[356] which could provide further insights that would enhance shareholder evaluation of and engagement with executive compensation and related say-on-pay votes.[357] Identifying the median employee from the types of workers that are most prevalent among registrants subject to the rule [358] could provide more comparable disclosure, not only across registrants in general, but also across registrants within specific

[348] 2015 Pay Ratio Adopting Release at 50123.

[349] *See* 2015 Pay Ratio Adopting Release at 50123. The Commission's proposing release for the pay ratio disclosure rule proposed a definition of ''employee'' that included U.S. and non-U.S. employees, without exemptions for specific categories of employees, such as non-U.S. employees. *See Pay Ratio Disclosure,* Release No. 33–9452 (Sept. 18, 2013) [78 FR 60560, 60566 (Oct. 1, 2013)]. At adoption, the Commission acknowledged its authority under section 36 of the Exchange Act and section 28 of the Securities Act to exempt registrants from including non-U.S. employees in the median employee determination, but declined to exercise that discretion in favor of the two tailored exemptions. *See* 2015 Pay Ratio Adopting Release at 50122–23.

[350] *See* 17 CFR 229.402(u)(4)(i). We would eliminate the data privacy and *de minimis* exemptions as part of our proposed amendments, since registrants would no longer need to consider foreign employees. As part of this change, we also propose to remove the requirement from Item 25(a) of Schedule 14A, which requires filing of a legal opinion when a company relies on the data privacy exemption.

[351] *See* 17 CFR 229.402(u)(4)(ii).

[352] 2015 Pay Ratio Adopting Release at 50123.

[353] *See supra* note 336; *see also* letters from ASA (''The rule provides no information that is of any use to investors, and it allows public companies to become subject to attacks from special interest groups that regularly exploit SEC rules to achieve their objectives—all at the expense of everyday investors''); Axcelis; Chamber of Commerce (''The intent behind the pay ratio rule has always been overtly political, as the rule attempts to address a problem that should be addressed through the political system and Americans' elected representatives; the rule has never been about providing investors with material, decision-useful information''); NYSE; Professor Steven M. Bainbridge (June 27, 2025) (''Prof. Bainbridge''), available at *https://www.sec.gov/comments/4-855/4855-618127-1813274.pdf.*

[354] *See supra* note 337.

[355] *See, e.g.,* letters from AFL–CIO et al.; AFREF; Public Citizen.

[356] Registrants take varying approaches to foreign operations and fluctuating labor needs, with some outsourcing these labor needs to other entities while others directly employing non-U.S. and/or part-time, seasonal, or temporary workers. These differences in approaches to fulfilling similar labor needs can lead to variation in pay ratios that does not reflect true differences in underlying labor expenditures, or the quantum of employee pay. Further, because the current rule does not permit part-time pay to be converted to a full-time equivalent or for seasonal or temporary worker pay to be annualized, comparing part-time, seasonal or temporary compensation to the full-time, annual compensation of a PEO can artificially inflate pay ratios.

[357] We are mindful of the Commission's statement in the 2015 Pay Ratio Adopting Release that ''[w]hile we do not believe a purpose of the rule is to facilitate comparisons among registrants, the opportunity to supplement the pay ratio disclosure and to provide additional pay ratios should help mitigate some concerns that shareholders may draw unwarranted conclusions from comparing one registrant's disclosed ratio to the ratio of others.'' 2015 Pay Ratio Adopting Release at 50118. We believe, however, that the goal of enhancing shareholder engagement with executive compensation would only be helped by increased comparability across registrants, and the ability to provide supplemental explanations would still be available to registrants that determine to provide them. *See, e.g.,* Bank & Georgiev, *supra* note 341, at 1186 (''For any individual firm's pay ratio to attain meaning . . . it must be compared against the pay ratios of other firms. Put simply, even if all ratios are 'bad,' some must be 'less bad' than others. But . . . the SEC has expressly stated that such cross-firm comparisons are meaningless due to the design of the rule. This presents a Catch-22 situation: The information of any given firm has utility for investors only when it is compared with the information released by other firms, and yet the pay ratio information cannot be compared across firms.'').

[358] While we acknowledge that multinational companies may employ a significant percentage of their workforce overseas, likely through majority-owned subsidiaries, data suggest that even these companies have historically continued to employ at least a majority of their workforce within the United States. *See* Bureau of Economic Analysis, U.S. Department of Commerce, *Activities of U.S. Multinational Enterprises, 2022* (August 23, 2024), available at *https://www.bea.gov/news/2024/activities-us-multinational-enterprises-2022.* In addition, even if there is a significant concentration of foreign employees at multinational companies, using only the individuals employed in the United States should provide the pertinent information available about these companies' United States-based compensation practices.

industries.[359] We believe that our proposed revisions, by creating a more uniform pool of employees (*i.e.,* U.S. full-time employees excluding seasonal and temporary workers) may permit more effective cross-registrant comparisons and, in so doing, may make the disclosures more useful to investors. To the extent that the Commission suggested otherwise when it adopted the original rule, we tentatively conclude that the Commission's prior suggestion was incorrect. We find no support in the text or legislative history of section 953(b) of the Dodd-Frank Act for the view that a company-specific metric, rather than one that would enhance comparability across registrants would better facilitate shareholder engagement. As a policy matter, we believe that revising the rule to enhance cross-registrant comparability may add benefits to investors in terms of the usefulness of the disclosure.

a. Full-Time Employees

We propose to exercise our exemptive authority to exclude part-time, seasonal, and temporary employees from the determination of the median employee.[360] When adopting the current rule, the Commission determined to include part-time, seasonal, and temporary employees because it believed that their inclusion would be more reflective of the actual composition of the registrant's workforce and would help provide shareholders with relevant information about a registrant's compensation practices.[361] As noted above, in the years since its adoption, it has appeared that the usefulness to investors of the disclosure is not grounded in the specific pool of employees used in computing the ratio. Comments in support of the rule generally mention its usefulness as a tool in assessing things like employee morale and productivity [362] or impact on registrant performance.[363] We do not believe that the benefits to investors of pay ratio disclosure would be diminished by limiting its application to full-time employees. Indeed, commenters frequently point to the considerable variation in global workforce composition as a weakness of the rule, potentially causing significant year-over-year fluctuations in a registrant's pay ratio [364] and hindering useful comparisons among registrants.[365] As proposed, the rule would focus only on full-time employees other than temporary or seasonal workers, eliminating such variability and complexity in favor of a simple, easy-to-apply standard that would still provide the kinds of insights that investors seek. We believe that this change would both reduce the burdens associated with producing this disclosure and result in more comparability across registrants. Even among those registrants that would have a smaller pool of full-time employees from which to identify the median employee under the proposed rule, the median employee would presumably represent a more stable datapoint over time than the part-time, seasonal, or temporary workforce.

Based on our experience with the current rule and commenters' expressed concerns regarding its usefulness, and in spite of the broad scope of the term ''*all employees*'' set forth in section 953(b) of the Dodd-Frank Act, we are proposing to limit the scope of the rule to full-time employees other than temporary or seasonal workers, which we believe would better reflect a registrant's compensation practices within a more stable, consistent employee population.[366] In considering recent U.S. employment data, most U.S. employees work on a full-time basis.[367] Although we acknowledge that different industries may have different average concentrations of full-time employees, the proposed rule would allow for more comparability across industries even with such variability, and, as noted above, we believe that facilitating cross-registrant comparisons may add benefits to investors in spite of the contrary suggestion in the 2015 Pay Ratio Adopting Release.[368] In addition, a ratio comparing the pay of employees who work on a full-time basis without a specific endpoint of employment to that of the PEO (also typically a full-time employee with an open-ended term of employment) would compare full-time employees to each other, creating a more meaningful comparison than one that likely requires supplemental disclosure to explain factors that could reduce the usefulness of quantitative pay ratio information.[369]

[359] Notably, foreign private issuers are not subject to the pay ratio rule. *See* 17 CFR 229.402(a)(1); 2015 Pay Ratio Adopting Release at 50116.

[360] Section 36(a) of the Exchange Act and section 28 of the Securities Act afford the Commission general exemptive authority to conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title (*i.e.,* the Exchange Act and the Securities Act, respectively) or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors. Although section 953(b) was not expressly incorporated into either Act, our view is that, to the extent that the statutory criteria for invoking exemptive authority under these sections are met, the exemptive authorities afforded by section 36(a) and section 28 are available here. We construe section 953(b) as a Congressional directive to us to rely on our Exchange Act and Securities Act rulemaking authorities to amend section 229.402 of Title 17, Code of Federal Regulations to require the pay ratio disclosure. The pay ratio amendments that we are proposing, therefore, are rules or regulations under the Exchange Act and the Securities Act and, thus, fall within the express terms of section 36(a) and section 28.

[361] *See* 2015 Pay Ratio Adopting Release at 50117.

[362] *See, e.g.,* letters from AFREF; Public Citizen.

[363] *See, e.g.,* letter from AFL–CIO et al.

[364] *See, e.g.,* letter from Reda.

[365] *See, e.g.,* letters from Axcelis (noting that the relative compensation of a median employee in a clothing manufacturing business is going to be significantly different than that of the median employee in a biotech company and explaining that ''[t]he composition of employees at a company is largely the result of (i) internal decisions on how to achieve needed work, *e.g.,* whether to hire employees or use out-sourced services, and (ii) the needs of a particular industry, where some industries require much different composition of workers in comparison to others.''); Farient-1 (factors that can impact a company's median employee include the ''company's industry, capital intensity, and geographic distribution of employees'').

[366] We further believe that full-time employees would be easier for registrants to identify, and focusing on full-time employees would no longer require registrants to determine whether and which part-time, seasonal, or temporary employees must be included for purposes of the pay ratio determination, reducing the burden on registrants in preparing this disclosure. *See, e.g.,* letter from Business Roundtable (noting the high compliance burdens associated with including part-time, seasonal, and temporary workers, and also that their inclusion ''generates an arbitrary and often misleading figure that varies widely based on factors unrelated to executive compensation practices—such as the use of seasonal or part-time workers, outsourcing models, or the geographic distribution of a company's workforce'').

[367] *See* U.S. Department of Labor, Bureau of Labor Statistics, *News Release: Work Experience of the Population—2024* (Jan. 22, 2026), available at *https://www.bls.gov/news.release/pdf/work.pdf* (stating that the percentage of workers that worked full time, year-round (working 50 to 52 weeks) in 2024 was 69.8, which was similar in 2023).

[368] *See, e.g.,* Daniel Culberson/Hiring Lab, *Part-Time Party: Charting the Rise of Part-Time Opportunities* (June 20, 2024), available at *https://www.hiringlab.org/2024/06/20/part-time-opportunities/* (discussing research showing that ''[f]ull-time work is, by far, the most common schedule type offered by employers in job postings'').

[369] Commenters cited in the adopting release expressed concern that ''applying the rule to part-time, temporary, and seasonal employees would make the pay ratio disclosure less meaningful because the compensation of these different types of employees are not comparable to each other or to the PEO's compensation.'' *See* 2015 Pay Ratio Adopting Release at 50116. Pay determinations for part-time workers often involve different types of considerations and calculations that would not be used with full-time workers. *See* Sébastien Moyon/CloudPay Inc. *Part-time vs full-time employees: the key differences for employers* (Nov. 14, 2024) available at *https://www.cloudpay.com/blog/full-time-vs-part-time-employees-differences/.* In addition, Instruction 5 to 17 CFR 229.402(u) expressly prohibits both annualizing compensation for seasonal and temporary employees and making

Continued

Considering the wide variability in employee populations, we believe that the median pay of full-time employees other than seasonal or temporary workers may provide the most consistent and stable measure across registrants for assessing the ratio of PEO to employee compensation, at a lower burden and with improved comparability; and that exclusion of part-time, seasonal, and temporary employees would not significantly alter the overall substance of the disclosure and accordingly still serve the purpose Congress intended for this rule. Specifically, as noted above, we believe that the usefulness of the disclosure to investors would not be diminished, and may be enhanced by the proposed amendment that would limit its application to full-time employees with an open-ended term of employment, since we believe that these employees' compensation should represent a stable, consistent signal of the registrant's pay practices for non-PEO employees. This proposed amendment is also expected to provide significant relief to registrants. For example, excluding part-time, seasonal, and temporary employees should reduce registrant costs created by integrating their non-full-time pay and, for seasonal and temporary employees who work on a full-time basis, their pay for a shorter time period than other full-time employees into the median employee determination, as well as supplementary narrative disclosures necessary to explain the impact of such integration. Overall, we believe that this proposed exemption would be necessary and appropriate in the public interest and consistent with the protection of investors.

b. U.S. Employees

We are also proposing to exercise our exemptive authority [370] to exclude non-U.S. employees from the determination of the median employee, which would as a result be based only on workers employed in the U.S. and its territories.[371] The current rule requires that registrants identify the median employee from among all of its employees regardless of their location, with limited exemptions.[372] Limiting the scope of employees to those employed in the U.S. and its territories is consistent with our goals of increasing the usefulness of the pay ratio disclosure to investors and reducing a registrant's burdens in preparing this disclosure.

The current inclusion of non-U.S. employees raises compliance costs for multinational companies, introduces cross-border compliance issues, and raises concerns about the impact of non-U.S. pay structures and labor markets on the comparability of the data.[373] In addition, implementation of the current rule necessitates the additional burden of evaluating foreign data privacy laws and applying the *de minimis* exemption.[374] Although some registrants may have significant foreign employee populations, including many of the larger U.S.-headquartered multinational companies,[375] we recognize that there may be a significant burden on registrants in identifying them and determining their compensation. Furthermore, the compensation-setting process for employees located in foreign jurisdictions, where highly disparate norms, employment and contract laws, expectations, local and national government rules, and practices, as well as differences in economic and labor market conditions may apply, is likely to be very different from the process used for U.S. employees. As such, the inclusion of foreign employees could reduce the comparability of pay ratio disclosure across registrants and provide less useful information to investors about the compensation setting process.

The pay ratio rule largely applies to U.S.-domiciled registrants. Although we acknowledge that the rule can apply to multinational registrants [376] with worldwide operations, we also believe that allowing registrants to focus on those employees to whom U.S. laws apply (*e.g.,* tax, employment, and labor laws) is appropriate for the largely U.S.-domiciled companies to which U.S. corporate (including employment-related) laws also apply.[377] We believe that this uniform application of the laws of the U.S. could further enhance consistent application of the rule, reduce burdens on registrants in preparing the disclosure, and yield more comparable disclosure across registrants.[378]

As discussed in section II.I.1. above, it does not appear that the usefulness of the pay ratio disclosure to investors is grounded on the specific pool of employees used in creating the ratio.[379] Based on our experience with pay ratio disclosure and feedback from registrants and other commenters, inclusion of non-U.S. employees has not been a factor in pay ratio disclosure's impact on shareholder engagement with executive compensation or shareholder

a full-time equivalent adjustment for part-time employees. As a result, a business relying substantially on temporary, seasonal, or part-time employees is likely to show a larger ratio than one with predominantly full-time workers which we anticipate registrants would, likely view as necessitating supplemental explanation, further lengthening executive compensation disclosures and reducing comparability.

[370] We discuss the basis for and details of our exercise of exemptive authority for the proposed amendments to the Pay Ratio rule at note 360 above.

[371] In contrast, as proposed, PEOs that are not U.S. employees would be treated the same as PEOs that are U.S. employees. Because the PEO compensation is only a single data-point, and is generally determined from a pool of one person or a small number or people, using PEOs that are not U.S. employees would not create the same burdens for registrants as does the entire employee population, while, at the same time, excluding a non-U.S. PEO could eliminate the disclosure altogether.

[372] 17 CFR 229.402(u)(4) allows registrants to exclude employees in a non-U.S. jurisdiction who (1) cannot be included without violating foreign data privacy laws (the ''data privacy exemption'') or (2) in the aggregate represent five percent or less of the registrant's total employee population (the ''*de minimis* exemption''). These exemptions were intended to reduce potential burdens of complying with the rule but some commenters have expressed the view that they are too limited to provide meaningful relief. *See, e.g.,* letters from ABA; Society for Corporate Governance.

[373] In its letter, Compensation Advisory Partners suggests that, short of repealing the pay ratio rule, the Commission should amend the rule so that ''the median employee calculation [is] based solely on the full-time U.S. workforce to reduce discrepancies arising from international compensation practices.''

[374] Because the proposed rules would exclude all foreign employees, we are proposing to remove the data privacy and *de minimis* exemptions that currently apply to these workers and removing and reserving Item 25(a) of Schedule 14A that concerns filing of the legal opinion supporting the data privacy exclusion.

[375] *See* Mark J. Perry/American Enterprise Institute, *Many Large US Firms Sell, Hire and Invest More Overseas Than in the US and Have to Think Globally to Survive* (June 22, 2020), available at *https://www.aei.org/carpe-diem/many-large-us-firms-sell-hire-and-invest-more-overseas-than-in-the-us-and-have-to-think-globally-to-survive/* (showing data for the 18 U.S. headquartered companies that were among the top 100 multinationals by foreign assets in 2019. Among these almost all ''have close to half, or more than half, of their global staffing outside the US'').

[376] Multinational registrants maintain headquarters in one country, but own or control production, services, or sales facilities in other countries. While the rule does not apply to foreign private issuers, it may apply to foreign issuers that are not foreign private issuers or to U.S. issuers that are multinational.

[377] The proposed rule changes include instructions about how registrants should determine whether an individual is employed in a jurisdiction of the United Stated or its territories, including by reference to its own internal policies and applicable laws.

[378] *See supra* notes 341 and 357.

[379] As we noted in the discussion above, we acknowledge the Commission's determination, at the time of the rule's adoption, that ''Congress thought that it was important for shareholders to have pay ratio disclosure that reflects 'all employees' of a registrant when making their say-on-pay votes.'' 2015 Pay Ratio Adopting Release at 50123. For the reasons discussed in this section, however, we believe it is appropriate to exercise our exemptive authority to limit the pool of employees from which the median employee determination is made, as proposed.

voting. At the same time, the burden on registrants resulting from the broad scope assigned to the term ''all employees'' at the time of the current rule's adoption does not appear to be necessary in order to retain the intended benefit to investors. We believe that investors should be better positioned to evaluate and engage with executive compensation and related say-on-pay votes if the pool of employees from which the median employee is identified are all subject to the same laws and standards affecting terms of employment and compensation (for example. minimum and overtime wage laws, anti-discrimination laws, including those protecting wages of employees with disabilities, and retirement income related laws), thereby enhancing comparability. Accordingly, we believe the proposed amendment to limit the determination of the median employee to employees located in the U.S. and its territories is necessary and appropriate in the public interest and consistent with the protection of investors.

Request for Comment

82. Should we adopt the proposed amendments to limit the scope of the population from which the median employee is identified for purposes of pay ratio disclosure to full-time workers employed in the U.S. and its territories? If not, please explain why not. If, instead, we should adopt a different approach, please describe the approach and why you believe it is preferable to the proposal. Should we include seasonal or temporary employees that are ''full-time'' when they are employees and if so, should we permit their compensation to be annualized? If so, explain how these workers' inclusion could impact disclosure overall or in certain industries.

83. How do investors presently use the pay ratio disclosure? In what ways does the pay ratio disclosure enhance investor engagement? What information included in the pay ratio disclosure is or could be useful to investors generally, and in making say-on-pay voting determinations in particular? Do investors currently compare pay ratio disclosures across registrants? Does the current rule's inclusion of non-U.S., part-time, seasonal, and temporary workers in determining the median employee limit comparability? Would the proposed amendments to the rule enhance comparability? Would focusing the disclosures on full-time workers employed in the U.S. and its territories across registrants, contributing to greater comparability, make the pay ratio disclosure more or less useful?

84. Should we omit from the amended pay ratio rule, as proposed, the current language excluding certain independent contractors and ''leased'' workers from the definition of ''employee''? Why or why not?

85. Should we include non-U.S. employees in the population from which a registrant identifies the median employee? What impact would the exclusion of non-U.S. employees, as proposed, have on pay ratio disclosure, including effects on investors and the market? Is the size or significance of the non-U.S. employee population of registrants overall or in certain industries such that their exclusion would impact the usefulness of pay ratio disclosure? If so, how? Alternatively, should we require the inclusion of employees in foreign jurisdictions in cases where most (or the largest distinct segment) of a registrant's employees are employed in non-U.S. jurisdictions?

86. If non-U.S.-based employees continue to be included in the population of employees for identification of the median employee, are there other changes that could reduce burdens on registrants? For example, should we expand the *de minimis* exemption provided in the current rule? If so, would a ten percent or 25 percent *de minimis* exemption be appropriate? Are there alternative exemptions or thresholds that would reduce burdens while still capturing relevant information regarding workers employed outside of the U.S.?

87. As proposed, PEOs that are not U.S.-based employees would be treated the same as U.S.-based PEOs. Are there specific factors or approaches that should be considered for registrants with such PEOs? Would the pay ratio disclosure in these instances be material to investors, particularly in evaluating and engaging with executive compensation and in say-on-pay votes?

88. As proposed, the pool of employees from which the median employee is identified would include those workers employed in the U.S. or any U.S. territory. Do registrants employ individuals who are outside of the U.S., but treat them as U.S. employees for salary, benefits, tax and other purposes?

89. We are proposing to provide in Item 402(h)(4) that a registrant may use reasonable methods to identify the median employee. What, if any, guidance should we provide in any adopting release or the rule to clarify how to distinguish between U.S. and non-U.S. employees? Should we allow registrants to use reasonable methods to make this determination, as proposed, or provide guidance regarding how registrants define the pool of employees for purposes of the median employee identification to distinguish U.S. and non-U.S. employees? If so, should we provide principles-based guidance or more prescriptive guidance? Alternatively, should the rule take a different approach to excluding non-U.S. employees? For example, should we limit the pool to employees for whom the registrant's tax and/or payroll systems use Internal Revenue Service Form W–2?

90. Should we provide guidance in the release or the rule regarding how to calculate the employee population when an employee is furloughed on the date used to determine the employee population from which a registrant identifies the median employee and, if included in the population, how to calculate the compensation of a furloughed employee? If so, what should that guidance or rule look like? Should it take a more principles-based or prescriptive approach?

2. Determination of Annual Total Compensation

We are proposing to align the approach to the determination of the PEO's and median employee's annual total compensation for purposes of the pay ratio disclosure rule with the proposed revisions to the tabular presentation of executive compensation.

Section 953(b)(2) of the Dodd-Frank Act requires that annual total compensation under the pay ratio rule be determined ''in accordance with [current Item 402(c)(x)] as in effect on the day before the date of enactment of this Act,'' referring to the then-current calculation of total compensation in the Summary Compensation Table. As described above, our proposed revisions to Item 402 would remove Item 402(c)(x), and the proposed amendments would not contain an equivalent table to the current Summary Compensation Table. Rather than retaining the substance of Item 402(c)(x) simply for purposes of the pay ratio rule, which we believe would be unduly burdensome, we are proposing to use our exemptive authority to look instead to the closest corollary to current Item 402(c)(x) in the proposed amendments.

We continue to believe that the principal compensation elements that are currently used to calculate annual total compensation for purposes of the pay ratio disclosure, including salary, bonus, and equity awards valued as of the grant date, are appropriate. Because we are proposing to replace the Summary Compensation Table with new tables and the proposed Granted Compensation Table would include

most of the same compensation elements as the Summary Compensation Table needed to calculate annual total compensation, we propose to use the information from the proposed Granted Compensation Table as the basis for determining annual total compensation for the PEO and median employee for purposes of the pay ratio disclosure. For example, for the PEO's annual total compensation, registrants would use the Total Compensation Granted amount from the proposed Granted Compensation Table (column (g)). With respect to the determination of compensation of the median employees, registrants would correspondingly apply the methodology of the proposed Granted Compensation Table.

We recognize that the proposed Granted Compensation Table does not include all of the elements included in the current Summary Compensation Table, including those related to pension benefits and compensation that is not reportable under another column of the table (*i.e.,* the all other compensation column); however, we believe that the total compensation amount included in the proposed Granted Compensation Table would provide the material elements of PEO compensation, for purposes of determining the pay ratio, and thus serve as a reasonable basis upon which to compare PEO and median employee compensation.[380] In addition, eliminating these elements (pension benefits and miscellaneous compensation items) would further reduce the burden on registrants since tracking these items for non-executive employees is generally not standard practice. Furthermore, we believe that using the proposed Granted Compensation Table as the basis for annual total compensation would not create additional burdens for registrants because the proposed rules do not change the current method of valuing employees' equity awards (using grant date fair value). In contrast, using the Earned Compensation Table valuation method for calculating pay ratio total compensation could require registrants to track employee grants of equity awards beyond the grant date to determine their values upon vesting or exercise.

In light of the proposed changes to the tabular presentation of executive compensation in Item 402, which we believe would improve executive compensation disclosure generally but also would eliminate current Item 402(c)(2)(x), we believe that the corresponding proposed changes to the determination of annual total compensation in the pay ratio disclosure rules are necessary and appropriate in the public interest, and consistent with the protection of investors.

Request for Comment

91. Should we adopt the proposed amendments to use the annual total compensation calculation amounts and methodology from the proposed Granted Compensation Table for purposes of the pay ratio disclosure? If not, please explain why not. If, instead, we should adopt a different approach, please describe the approach and why you believe it is preferable to the proposal.

92. Should we instead use the annual total compensation calculation methodology from the proposed Earned Compensation Table for purposes of the pay ratio disclosure? Are there elements of compensation from the Earned Compensation Table that should be included in PEO or median employee annual total compensation for purposes of pay ratio disclosure that are not included in the proposed Granted Compensation Table? For example, are there reasons that PEO or median employee annual total compensation for purposes of pay ratio disclosure should include one or more miscellaneous items, such as perquisites, tax gross ups, or pension-related expenses?

93. Should the value of equity awards be included at grant date or vesting date for purposes of determining annual total compensation? Do non-PEO employees in general receive equity awards to a sufficient extent to impact this determination?

3. Elimination of Certain Instructions; Timing of Determination of Median Employee

In keeping with the principles-based approach to these amendments, we propose to retain flexibility for registrants relating to the identification of the median employee but to eliminate the detailed requirements and instructions about the use of estimates and exclusion of certain employees. The current rule requires certain disclosures about the identification of the median employee, and provides lengthy guidance related to the use of adjustments, estimates, sampling, the treatment of employees resulting from recent acquisitions, and other matters. We believe that registrants should continue to have flexibility, but we propose to eliminate some of the detailed guidance from the current rule because we believe it may have resulted in disclosure that is unnecessary to an understanding of pay ratio disclosure and unintentionally constrained registrants' flexibility in preparing the disclosure. We also propose removing the disclosure requirements related to the identification process for the median employee because we believe the additional disclosure is not necessary for investor understanding of the pay ratio disclosure.

Specifically, we propose to remove the following current instructions to the pay ratio rule and incorporate some of their components into the proposed rule:

- *Instruction 1 to Item 402(u)—Disclosing the date chosen for identifying the median employee.* (Requiring disclosure relating to the date chosen for identifying the median employee.)
- *Instruction 2 to Item 402(u)—Identifying the median employee.* (Requiring, in part, that the registrant identify its median employee once every three years but also indicating that, every year, the registrant must determine if there has been a change in its employee population or employee compensation arrangements that the registrant reasonably believes would result in a significant change to its pay ratio disclosure and, if the registrant concludes there is no such a change, the registrant must include disclosure about that determination and use of the same median employee.)
- *Instruction 3 to Item 402(u)—Updating for the last completed fiscal year.* (Specifying the due date for pay ratio disclosure.)
- *Instruction 4 to Item 402(u)—Methodology and use of estimates.* (Providing guidance and requirements regarding the determination of the median employee and annual total compensation of employees other than the PEO, which concerns, among other things, (1) the use of reasonable estimates, (2) the use of reasonable methods to determine the median employee, like statistical sampling, (3) the ability to use annual total compensation or other compensation measures when consistently applied to all employees included in the calculation, (4) the ability to make cost-of-living adjustments to total compensation and required disclosure when such adjustments are made, and (5) the ability to include personal benefits that aggregate less than $10,000 and compensation under non-discriminatory benefit plans, which may

[380] As proposed, the Granted Compensation Table would include miscellaneous compensation items (such as perquisites, tax gross-ups, retirement-plan-related compensation and security expenses). By relying on the Total Compensation Granted in the Granted Compensation Table these items would not be included in CEO or median compensation for purposes of the pay ratio disclosure.

be excluded from the ''All other compensation'' column of the Summary Compensation Table, in total compensation.)

• *Instruction 5 to Item 402(u)—Permitted annualizing adjustments.* (Permitting annualizing adjustments for full- or part-time employees who were not employed for the full fiscal year, but prohibiting annualizing seasonal or temporary worker pay or making full-time equivalent adjustments for any employee.)

• *Instruction 6 to Item 402(u)—PEO compensation not available.* (Specifying disclosure required when a registrant is relying on current Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv) to delay disclosure of salary or bonus of the PEO.)

• *Instructions 7 and 8 to Item 402(u)—Transition periods for registrants and Emerging Growth Companies.* (Providing transition timing for registrants that are newly required to provide the disclosure (*i.e.,* registrants that lost EGC or SRC status and registrants that have become subject to the reporting requirements of section 13(a) or 15(d) of the Exchange Act) and permitting omission of employees that became employees of the registrant as a result of an acquisition or business combination from the median employee calculation for the fiscal year in which the transaction became effective.)

• *Instruction 9 to Item 402(u)—Additional information.* (Permitting registrants to include additional information to supplement the required ratio disclosure and providing guidance regarding the presentation of such information.)

• *Instruction 11 to Item 402(u)—Employees' personally identifiable information.* (Clarifying that registrants are prohibited from disclosing an employee's personally identifiable information and need not identify the position of the median employee and, indeed, should not do so if that information would identify the employee.) [381]

While the instructions have provided some helpful guidance to registrants, many of them have also required that registrants disclose some additional details that may be unnecessary to an understanding of pay ratio disclosure and may have unintentionally constrained registrants' flexibility in gathering and presenting information, including identifying the median employee and calculating the annual total compensation of its employees other than the PEO. Accordingly, we do not find all of the information and guidance included in the current instructions to the rule necessary. Rather, we believe that the proposed rule itself provides sufficient guidance and also allows for flexibility by following a more principles-based approach.

Under this approach, the proposed rules provide a registrant with sufficient flexibility to maintain its current processes for gathering and presenting information that were implemented consistent with the current instructions and guidance. Registrants would also not be precluded from using other methods in preparing and presenting their pay ratio disclosure.[382]

We are proposing to eliminate Instructions 1 and 2 to Item 402(u) regarding disclosure of the date chosen for identification of the median employee and triennial identification of the median employee.[383] We are proposing these changes in order to streamline the disclosure requirement because it is not clear that information about the date used to identify the median employee or why the registrant selected a new date for that purpose is necessary to understand the pay ratio disclosure, particularly in light of our proposal to exclude seasonal workers since they can cause significant changes in employee populations during different times of the year. Instruction 2 provides that the registrant identify the median employee at least once every three years. We are proposing to eliminate this language in Instruction 2, replacing it with a similarly structured requirement that the registrant identify the median employee at least once every five years in proposed Item 402(h)(2). We believe that the increase from three to five years would reduce registrant burdens without a materially negative impact on information available to investors.

Instructions 3, 6, 7, and 8 address the timing for providing pay ratio information when: (1) updating for the last completed fiscal year; (2) the compensation of the PEO is not yet available; (3) the registrant must comply with the rule after losing SRC or EGC status or upon becoming a reporting company; or (4) the registrant gains employees through a business combination or acquisition. Because the proposed rule would significantly simplify the pay ratio disclosure requirements, we are proposing to no longer provide the additional guidance [384] and transition periods for registrants after losing SRC or EGC status or entering the reporting system currently found in Instructions 3, 7, and 8 to Item 402(u).[385] In addition, our proposed revisions remove the requirement to file a Form 8–K for executive compensation information that later becomes available (current Instruction 6 to Item 402(u)), consistent with our proposal to eliminate current Instructions to 17 CFR 229.402(c)(2)(iii) and (iv), as discussed above in section II.P. We also propose to remove the accommodation of Instruction 7(2) that permits a registrant to omit any employees that became its employees as the result of the business combination or acquisition of a business for the fiscal year in which the transaction becomes effective from the text of the rule because, consistent with a more principles-based disclosure requirement, we believe that omitting employees in that scenario would be a reasonable adjustment in identifying the median employee under proposed Item 402(h)(4).

We are also proposing to provide in Item 402(h)(4) that a registrant may use any reasonable methods, adjustments (including annualizing the total compensation for all full-time employees that were employed by the

[381] We are proposing to retain current Instruction 10 to 17 CFR 229.402(u) that provides guidance relating to a registrant with more than one non-concurrent PEO serving during a fiscal year as proposed Instruction to Item 402(h).

[382] The 2017 Pay Ratio Interpretive Release provided additional guidance regarding: the use of reasonable estimates, assumptions, methodologies, and statistical sampling to identify the median employee and calculate the median employee's annual total compensation; the use of internal records, such as tax or payroll records, to determine the median of the annual total compensation of all employees excluding the PEO; and the scope of the exclusion for independent contractors or ''leased workers'' from the definition of ''employee.''

[383] Proposed Item 402(h)(2) would include a requirement that the registrant identify its median employee at least once every five years, replacing language in current Instruction 2 providing that this be done once every three years. Proposed Item 402(h)(2) would retain the related requirement of current 17 CFR 229.402(u)(3) that registrants must select the median employee in the last three months of the last completed fiscal year.

[384] Instruction 3 to 17 CFR 229.402(u) provides specific guidance relating to when pay ratio information is required to be disclosed for the last completed fiscal year. In light of our proposal that would significantly simplify the disclosure and would address concerns relating to the timing of executive compensation disclosure that covers the last completed fiscal year in registration statements (see section II.P below), we believe this guidance would be unnecessary, and pay ratio disclosure should be included with a registrant's other Item 402 disclosures.

[385] We note that the 2026 Filer Status Proposing Release has proposed to extend the accommodations provided to current SRCs or EGCs to all registrants that would be NAFs under that proposal. As such, if the 2026 Filer Status Proposing Release is adopted as proposed, all NAFs would be exempt from providing pay ratio disclosure during the sixty-month period after becoming subject to the requirements of section 13(a) or 15(d) of the Exchange Act. *See infra* section II.M.

registrant for less than the full fiscal year), and estimates to (1) identify the median employee (including to distinguish U.S. and non-U.S. employees) and (2) calculate the annual total compensation for employees other than the PEO. By providing the key elements that are included in the current detailed Instructions 4 and 5 to Item 402(u), which respectively relate to the use of estimates, adjustments, and sampling in determining the median employee and annualization of total compensation of employees other than the PEO, we do not believe that additional instructions would be necessary and are proposing to eliminate the detailed instructions in favor of a more principles-based approach in the rule.

We do not intend to limit or remove any of the examples of flexibilities in Instruction 4 but are concerned that listing certain permitted flexibilities may have inadvertently had the effect of limiting flexibility.[386] For example, we continue to believe that using the employee population or statistical sampling are examples of reasonable methods of determining the median employee. Similarly, a registrant may identify the median employee using annual total compensation or any other compensation measure that is consistently applied to all employees included in the calculation such as information derived from the registrant's tax and/or payroll records.

Further, in an effort to reduce lengthy executive compensation disclosure, we propose to remove requirements for specific disclosures explaining a registrant's application of estimates, adjustments, and sampling in determining the median employee and calculating annual total compensation. We are also proposing to remove as unnecessary Instructions 9 and 11, which concern the disclosure of supplemental information and employees' personally identifiable information, in order to streamline the rule, consistent with the more principles-based approach. Notwithstanding the elimination of Instructions 9 and 11, registrants may consider the general principles they reflect. That is, a registrant may, but need not, present additional information, like an additional ratio, but should clearly identify the information, ensure it is not misleading, and not present it with greater prominence than the required ratio. Registrants also should not disclose any personally identifiable information about the median employee other than his or her compensation—and are not required to identify an employee's position, even at a general level, and, indeed, should not do so if that information could identify a specific individual.

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94. Should we adopt the proposed amendments to eliminate the current instructions to Item 402(u)? If not, please explain why not.

95. Are there elements of the proposed rule that would be unclear absent the current instructions such that registrants would find additional clarification in instructions useful? Are there specific, current instructions about the use of methods, assumptions, and estimates in determining the median employee that continue to be useful or necessary? Should we retain Instruction 11 regarding the treatment of personally identifiable information?

96. Should the rule continue to specify that a registrant is not required to provide pay ratio disclosure until the first fiscal year commencing on or after the date the registrant became subject to the reporting requirements or ceases to qualify as an SRC or EGC? In light of the breadth of the proposed simplifications to the pay ratio disclosure rule, is such a transition period necessary? Should the rule continue to include the accommodation of Instruction 7(2) regarding the inclusion of acquired employees in the median employee calculation?

97. Should registrants continue to be required to disclose the date on which the median employee is identified and why the date changes, as applicable? Is this information necessary information for investors?

98. Should we adopt the proposal to change the frequency with which registrants must determine the median employee from once every three years to once every five years or another alternative cadence? Do employee populations, salaries, and/or registrant pay practices change significantly over a three-year versus five-year period? How would registrants' compliance costs change under a five-year requirement compared to a three-year requirement?

99. Is disclosure regarding a registrant's use of these methods, assumptions, and estimates necessary information for investors? Should we require disclosure that explains how the registrant identified the median employee and calculated annual total compensation? If so, should we require that a registrant briefly describe its methodology of identifying the median employee and any material adjustments or estimates used to identify the median employee and calculate the annual total compensation for employees other than the PEO? Should we identify particular reasonable methods that are permissible for identifying the median employee? If so, which reasonable methods should we identify? Should we take another approach to any explanatory disclosure requirements, such as by maintaining some or all of the aspects of Instruction 4 that we are not proposing to include in the rule in the same or a modified form?

J. Potential Payments Upon Termination or Change-in-Control—Proposed Item 402(i)

We are proposing to amend and redesignate 17 CFR 229.402(j) (''Item 402(j)'') to eliminate the current prescriptive quantitative requirement to disclose potential payments and benefits to an NEO in various termination or change-in-control scenarios.[387] We are also proposing to require the qualitative disclosure of only the material terms of both written and unwritten arrangements related to such payments and to eliminate the prescriptive qualitative and quantitative disclosure requirements of 17 CFR 229.402(j)(1) through (5) and current Instructions 1 through 3 to Item 402(j).

[386] Several comments received in connection with the 2025 Roundtable requested flexibilities not specifically mentioned in the current Instructions to 17 CFR 229.402(u), suggesting that some registrants may view the current instructions as the outer limit of permitted discretion in preparing the disclosure. *See, e.g.,* letters from McGuireWoods & Brownstein (suggesting that the rules allow companies to utilize a safe harbor determination methodology that compares W–2 compensation of the CEO to that of the U.S.-based median employee); CEC–2 (recommending, among other changes, allowing the use of W–2 records in determining employee count and compensation). These two letters are notable in their requests to use W–2 records to determine compensation and employee count, given that current Instruction 4 already permits the use of tax records as a method for identifying the median employee, so long as that method is consistently applied to all employees included in the calculation. *See also* letters from Prof. Bainbridge (suggesting that the Commission allow the use of statistical sampling from the Bureau of Labor Statistics); Chamber of Commerce (requesting a safe harbor to use data from the Bureau of Labor Statistics in determining the median employee, allow registrants to exclude employees who are on leave, and a standard definition of ''independent contractor'').

[387] *See* Instruction 1 to 17 CFR 229.402(j). We are also proposing that, in contrast to current 17 CFR 229.402(j) but consistent with current 17 CFR 229.402(c)(2)(ix)(D) (''All other compensation'' column of the Summary Compensation Table), a change in the NEO's responsibilities would be treated as an example of constructive termination, rather than as a separate prong of circumstances covered by proposed Item 402(i). We are proposing this change for consistency between how the termination and change-in-control scenarios are described in proposed Item 402(b)(2)(vii)(E) (Miscellaneous Compensation Received column of the proposed Earned Compensation Table) and proposed Item 402(i).

This disclosure would be required for any person who served as the PEO or PFO of the registrant during the last completed fiscal year. We also would retain the substance of current Instruction 5, which permits exclusion from disclosure of contracts, agreements, plans, or arrangements that do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all salaried employees, as proposed Instruction 2 to Item 402(i).[388]

We are also proposing a new instruction that would permit omission of this disclosure if the registrant has fulfilled the requirements of the rule in a filing made under Item 5.02 of Form 8–K.[389]

Under the current rule, registrants are required to provide a range of qualitative disclosures with respect to any written or unwritten arrangements that provide for payments or benefits to an NEO in connection with termination or change-in-control scenarios. Registrants are required to provide quantitative disclosures in this regard as well. The proposed amendments would instead require registrants to describe only the material terms of such arrangements.

Several commenters suggested that disclosure requirements related to potential payments upon termination or change-in-control be either simplified or eliminated entirely.[390] Some of these commenters expressed the view that these disclosure requirements are problematic, in part, because they require registrants to perform costly and extensive calculations based on hypothetical fact patterns that have not occurred.[391]

The proposed amendments would eliminate the requirement to include quantitative disclosures that:

- Are based on hypothetical scenarios; [392]
- Are often presented by registrants in multiple additional, complex tables that are not expressly prescribed by Item 402(j); and
- May require the registrant to make numerous, complex calculations and estimates.

We do not believe that detailed, complex, qualitative and quantitative disclosures that address a range of hypothetical scenarios are likely to be material to investors when the registrant would already present the material terms of arrangements that contain potential payments and benefits to an NEO in various termination or change-in-control scenarios. We additionally note that current Item 402(q)(2) provides an accommodation to SRCs that allows those registrants to provide a narrative description, to the extent material, of each contract, agreement, plan, or arrangement, whether written or unwritten, that provides for payment(s) to an NEO at, following, or in connection with the resignation, retirement, or other termination of an NEO, or a change in control of the SRC, or change in the NEO's responsibilities following a change in control, with respect to each NEO. We are proposing to extend a similar, more generalized requirement to all registrants, namely that they disclose only the terms of the termination or change in control arrangements that are likely to be material.[393]

By eliminating the prescriptive qualitative and quantitative disclosure requirements, the proposed amendments are intended to reduce compliance burdens for registrants and the length and complexity of their proxy disclosures, while retaining for investors relevant disclosures about the material terms of arrangements that provide for potential payments and benefits in connection with various termination and change-in-control scenarios.

Request for Comment

100. Should we eliminate the qualitative and quantitative disclosure requirements in current 17 CFR 229.402(j)(1) through (5) and Instructions 1 through 3 to Item 402(j) regarding potential payments and benefits in various termination or change-in-control scenarios, as proposed? Why or why not? What changes, if any, should be made to the disclosure requirements related to potential payments and benefits in termination or change-in-control scenarios under proposed Item 402(i)? Would eliminating or modifying the quantitative or qualitative disclosure requirements reduce costs for registrants?

101. Do investors use registrants' quantitative and qualitative disclosure related to potential payments and benefits in termination or change-in-control scenarios under current Item 402(j) and, if so, how? What, if any, effects would eliminating the quantitative disclosure requirement under Item 402(j), as proposed, have on investors and the market, including with respect to the availability of material information for making investment or voting decisions? Would eliminating or modifying the quantitative or qualitative disclosure requirements under current Item 402(j) result in the loss of material information for investors or otherwise affect investor protection?

102. Should a change in an NEO's responsibilities be treated as an example of constructive termination, rather than as a separate prong of circumstances covered by proposed Item 402(i), as proposed? Under the current rule, are there circumstances where a change in responsibilities would trigger a disclosure requirement under current 17

[388] *See* 17 CFR 229.402(j)(1) through (5) (requiring a range of qualitative disclosures about any contract or other arrangement that provides potential payments and benefits in connection with various termination and change-in-control scenarios, including descriptions of the circumstances that would trigger such payments or benefits, the type of payments or benefits and by whom they would be provided, how the payment and benefit levels would be determined, any material conditions or obligations that would be applicable to the recipient such as non-compete and confidentiality agreements, and any other material factors). Disclosure is not required with respect to contracts or other arrangements that do not discriminate in favor of executive officers and are available generally to all salaried employees. *See* Instruction 5 to 17 CFR 229.402(j).

[389] *See* Item 5.02 (Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers) of Form 8–K.

[390] *See* letters from ABA (''[W]e recommend the disclosure requirement be limited to a narrative description of the material elements of the NEOs' post-employment compensation plans and arrangements and the requirement to quantify the estimated payments and benefits under such plans and arrangements be removed.''); McGuireWoods & Brownstein (recommending that the disclosure requirements under the ''potential payments upon termination or change-in-control'' be eliminated); Society for Corporate Governance (''We recommend that the Commission eliminate this disclosure requirement and instead allow companies to provide simplified narrative disclosure without quantification of material terms of any contractual obligations that provide for payments to an NEO at, following, or in connection with their resignation, retirement or other termination, or a change in control of company or a change in the NEO's responsibilities following a change in control.'').

[391] *See* letters from McGuireWoods & Brownstein; Society for Corporate Governance.

[392] The current rule requires the registrant to quantify the payments and benefits that would have been provided to each NEO in connection with a range of termination or change-in-control scenarios, assuming that the triggering event for such termination or change-in-control scenario took place on the last business day of the registrant's last completed fiscal year. *See* Instruction 1 to 17 CFR 229.402(j).

[393] The SRC provision set forth in current 17 CFR 229.402(q)(2) differs somewhat from the non-SRC provision (17 CFR 229.402(j)) in that the list of change in control arrangements for which disclosure is required for SRCs includes a change in responsibilities *only* when it follows a change in control. The non-SRC provision, in contrast, requires disclosure for a change in responsibilities whether or not it follows a change in control. Although we are proposing to largely adopt the accommodation currently provided to SRCs, we are not proposing to limit disclosure related to a change in responsibilities to only those cases where it follows a change in control, consistent with the approach taken by the Commission in 2006. *See* note 313 in the 2006 Adopting Release at 53188.

CFR 229.402(j) but not under 17 CFR 229.402(c)(2)(ix)(D) (''All other compensation'' column of the Summary Compensation Table)? Is the set of circumstances covered by proposed Item 402(i) equivalent to those covered by current 17 CFR 229.402(j)? Should we use consistent wording to describe the termination and change-in-control scenarios covered by proposed Item 402(b)(2)(vii)(E) (Miscellaneous Compensation Received column of the proposed Earned Compensation Table) and proposed Item 402(i)? If not, why not?

K. Golden Parachute Compensation—Proposed Item 402(j)

We are proposing to simplify the existing golden parachute compensation disclosure requirements in 17 CFR 229.402(t) (''Item 402(t)'') and make them more principles-based.[394] More specifically, we are proposing to streamline the tabular disclosure requirements and provide more flexibility for narrative disclosure about golden parachute compensation.

Some commenters expressed the view that the Commission should reexamine or streamline the golden parachute disclosure requirements.[395] These commenters suggested that golden parachute shareholder advisory votes are of limited utility and not uniformly required in acquisition transactions.[396]

Under the current rule, which was adopted in accordance with section 14A(b)(1) of the Exchange Act as added by section 951 of the Dodd-Frank Act,[397] registrants are required to provide golden parachute compensation disclosure for each NEO for whom compensation disclosure is required pursuant to Item 402.[398] The current rule requires a detailed tabular presentation of the following information:

- Name of the NEO (column (a)); [399]
- Aggregate dollar value of any cash severance payments, including but not limited to payments of base salary, bonus, and pro-rated non-equity incentive compensation plan payments (column (b)); [400]
- Aggregate dollar value of: (1) stock awards for which vesting would be accelerated, (2) in-the-money option awards for which vesting would be accelerated, and (3) payments in cancellation of stock and option awards (column (c)); [401]
- Aggregate dollar value of pension and nonqualified deferred compensation benefit enhancements (column (d)); [402]
- Aggregate dollar value of perquisites and other personal benefits or property, and health care and welfare benefits (column (e)); [403]
- Aggregate dollar value of any tax reimbursements (column (f)); [404]
- Aggregate dollar value of any other compensation that is based on or otherwise relates to the transaction not properly reported in any other column (column (g)); [405] and
- Aggregate dollar value of the sum of all amounts reported in the columns that contain dollar figures (column h)).[406]

The current rule also requires a succinct narrative description of any material factors necessary to an understanding of each golden parachute-related contract, agreement, plan, or arrangement and the payments quantified in the tabular disclosure.[407] Finally, the rule provides the following non-exhaustive list of examples of such material factors: (1) the specific circumstances that would trigger payment(s); (2) whether the payments would or could be lump sum, or annual, disclosing the duration, and by whom they would be provided; and (3) any material conditions or obligations applicable to the receipt of payment or benefits, including but not limited to non-compete, non-solicitation, non-disparagement or confidentiality agreements, including duration of such agreements and provisions regarding waiver or breach of such agreements.[408]

We are proposing to consolidate the tabular disclosure of golden parachute compensation by revising the required table as follows:

Golden Parachute Compensation Table				
Name	**Cash ($)**	**Equity ($)**	**Miscellaneous ($)**	**Total ($)**
(a)	*(b)*	*(c)*	*(d)*	*(e)*
[PEO]				
[PFO]				

The purpose of the revised Golden Parachute Compensation Table is to streamline the disclosure requirements and create a simpler presentation of the required information. The proposed Golden Parachute Compensation Table

[394] In addition to the changes discussed below, the proposed amendments also would change ''shall'' to ''must'' and convert a number of instructions into rule text.

[395] *See* letters from A&O Shearman (suggesting that the disclosure requirements related to golden parachute shareholder advisory votes be reviewed by the Commission); McGuireWoods & Brownstein (stating that the Commission should ''dramatically streamline the say on golden parachute disclosure requirements'').

[396] *See* letters from A&O Shearman (''[T]he Say-on-Golden Parachute vote does not even uniformly apply to provide shareholders with a vote in all change-in-control transactions. For example, a Say-on-Golden Parachute vote is not required in a transaction structured as a tender offer followed by a short-form merger. This anomalous result given variations in transaction structure further reduces the utility of the Say-on-Golden Parachute vote.''); McGuireWoods & Brownstein (stating that ''[s]ay on golden parachute votes are also advisory/non-binding in nature, but are even more meaningless than say on pay votes as the company proposing the advisory shareholder vote will no longer exist following the closing of the transaction.'').

[397] *See* Public Law 111–203, 124 Stat. 1376, section 951 (2010).

[398] *See* 2011 Say-on-Pay Adopting Release. Current 17 CFR 229.402(t) requires the disclosure of golden parachute compensation in any proxy or consent solicitation material distributed in connection with a transaction that necessitates a shareholder advisory vote pursuant to 17 CFR 240.14a-21(c) (other than such a solicitation made by an EGC) or in any proxy consent solicitation that includes disclosure under Item 14 of Schedule 14A pursuant to Note A of Schedule 14A (excluding any proxy or consent solicitation made by an EGC). The current rule applies to SRCs, but specifically exempts EGCs. The 2026 Filer Status Proposing Release proposes to exempt registrants that qualify as NAFs, which would include all current SRCs and EGCs, from the requirement to conduct golden parachute shareholder advisory votes and from providing the associated golden parachute disclosure. We have not proposed to exempt SRCs in this proposal to avoid duplicating the pending proposal, but if the 2026 Filer Status Proposing Release is adopted as proposed, all NAFs would be exempt from the golden parachute disclosure requirements under Item 402 as well as the golden parachute shareholder advisory votes. See section II.M. for further discussion.

[399] *See* 17 CFR 229.402(t)(i).

[400] *See* 17 CFR 229.402(t)(ii).

[401] *See* 17 CFR 229.402(t)(iii).

[402] *See* 17 CFR 229.402(t)(2)(iv).

[403] *See* 17 CFR 229.402(t)(2)(v).

[404] *See* 17 CFR 229.402(t)(2)(vi).

[405] *See* 17 CFR 229.402(t)(2)(vii).

[406] *See* 17 CFR 229.402(t)(2)(viii).

[407] *See* 17 CFR 229.402(t)(3).

[408] *See* 17 CFR 229.402(t)(3)(i) through (iii).

would reduce the number of total columns from eight to four by consolidating current columns (d) through (g) into a single ''Miscellaneous'' column. Under the proposed rule, the disclosure requirements for columns (b) and (c) would be retained in their entirety and the column for the aggregate dollar value of the sum of all amounts reported in the columns that contain dollar figures (what is currently column (h) in the existing table) would be retained as well, except that it would be redesignated as column (e) in the new table.

Under the proposed rule, the registrant would be required to provide, in the tabular format discussed above, material information relevant to an assessment of any agreement or understanding, whether written or unwritten, between an NEO and the acquiring company or target company, concerning any type of compensation, whether present, deferred, or contingent, that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all assets of the issuer. The proposed ''Miscellaneous'' column would therefore require, pursuant to an assessment made by the registrant in light of the requirement set forth in proposed Item 402(j)(1), the disclosure of any other material compensation that is based on or otherwise related to the transaction that is not properly reported in either the proposed ''Cash'' or ''Equity'' columns. Such compensation may include what is currently required to be disclosed in 17 CFR 229.402(t)(2)(iv) through (vi) (*i.e.,* the aggregate dollar value of pension and nonqualified deferred compensation benefit enhancements, the aggregate dollar value of any perquisites and other personal benefits or property, and health care and welfare benefits, and/or the aggregate dollar value of any tax reimbursements) to the extent the compensation is material. The proposed rule would require registrants to consider and determine, based on their own particular facts and circumstances, the types and amounts of golden parachute compensation that should be disclosed in the ''Miscellaneous'' column.

We are also proposing to eliminate the following, in favor of more principles-based disclosure:

- Mandatory footnote requirements for each of the proposed columns; [409]
- Instructions to provide additional golden parachute compensation tables to cover new arrangements and understandings, and/or revised terms of agreements and understandings; [410] and
- The non-exhaustive list of examples of material factors necessary to an understanding of golden parachute compensation.[411]

We note that registrants would be required to continue to disclose material information that is necessary to an understanding of the payments quantified in the proposed tabular disclosure, and may continue to provide information that is similar in nature to the factors currently identified in 17 CFR 229.402(t)(3) or the additional tables currently referenced in Instructions 6 and 7 to 17 CFR 229.402(t)(2) to satisfy their disclosure requirements. However, the proposed rule would eliminate the requirements to provide specific disclosure of such factors or such additional tables.

In connection with our proposal to limit the definition of the NEOs in Item 402 to cover only the PEO and PFO, the required golden parachute compensation disclosure would also be limited to the PEO and PFO.[412] We believe that this proposed change is consistent with the statutory requirements of section 14A(b)(2), which specifically requires disclosure regarding golden parachute-related agreements or understandings with ''any named executive officers'' and does not mandate the executive officers that the definition of NEO must include.

Overall, the proposed changes to the golden parachute compensation disclosure requirements are meant to provide a more principles-based approach to the disclosure requirements, permitting registrants to have more flexibility in how they disclose the material aspects of these kinds of compensation arrangements and simplifying the required disclosures. We believe that the overly prescriptive nature of the current golden parachute compensation disclosure requirements has created a burden on registrants to disclose potentially immaterial information about golden parachute compensation that may have limited utility for investors and the marketplace.

Request for Comment

103. Should we revise the golden parachute disclosure requirements as proposed? Should any different or additional changes be made to these requirements? For example, should the required disclosure be limited to compensation that is likely to be paid or will be paid within a specific timeframe in connection with the subject transaction or any compensation that ''is based on or otherwise relates to'' the subject transaction, as proposed? Should we consolidate columns (d) through (g) of the current Golden Parachute Compensation Table, as proposed? Should we eliminate tabular disclosure requirements regarding golden parachute disclosure in their entirety? What would be the effects of eliminating tabular golden parachute disclosure on registrants' costs and burdens and investor protection?

104. Should we revise the instruction to remove reference to whom the requirements should apply,[413] as proposed?

105. If we should require golden parachute compensation disclosure about other executive officers besides just the PEO and PFO, what other executive officers would it be appropriate for the disclosure to cover?

[409] *See* Instructions 4 and 5 to 17 CFR 229.402(t)(2). The proposed rule does not prohibit footnote disclosure if a registrant deems that the use of footnotes with respect to its tabular disclosure is appropriate based on its facts and circumstances. Rather, the proposed rule eliminates the requirement to provide footnote disclosure for all registrants.

[410] *See* Instructions 6 and 7 to 17 CFR 229.402(t)(2). As proposed, new Item 402(j)(3) would continue to require that registrants separately disclose both the agreements and amounts previously disclosed and subject to a shareholder advisory vote and the new agreements and revised terms subject to a separate shareholder advisory vote without requiring that the disclosure be provided in a tabular format. *See* Instruction 6 to 17 CFR 229.402(t). Additionally, as proposed, new Item 402(j)(4) would continue to require, in cases where disclosure of agreements and understandings between an acquiring company and the named executive officers of the soliciting target company is required, clarification of whether the agreements and understandings are subject to the separate shareholder advisory vote by providing separate disclosure of all agreements and understandings subject to the shareholder advisory vote. *See* Instruction 7 to 17 CFR 229.402(t).

[411] 17 CFR 229.402(t)(3) requires a description of the specific circumstances that would trigger payment(s); whether payments would or could be lump sum, or annual, disclosing the duration, and by whom they would be provided; and any material conditions or obligations applicable to the receipt of payment or benefits, including but not limited to non-compete, non-solicitation, non-disparagement, or confidentiality agreements, including the duration of such agreements and provisions regarding waiver or breach of such agreements.

[412] *See supra* section II.B. If the rules are adopted as proposed, because disclosure would only be required regarding the PEO and PFO, the instruction that disclosures should be applied with respect to the NEOs for whom disclosure was required in the registrant's most recent filing with the Commission that required disclosure pursuant to Item 402(c) (Summary Compensation Table) would also be unnecessary and we are proposing to eliminate this portion of the current instruction. *See* Instruction 1 to 17 CFR 229.402(t)(2).

[413] *See* current Instruction 1 to 17 CFR 229.402(t)(2) (''Apply Instruction 1 to Item 402(t) with respect to those executive officers for whom disclosure was required in the issuer's most recent filing with the Commission under the Securities Act . . . or Exchange Act . . . that required disclosure pursuant to Item 402(c).'').

106. If the amendments expanding the exemption from golden parachute compensation disclosure to all NAFs, which would include current SRCs and EGCs, in the 2026 Filer Status Proposing Release are not adopted, should we exempt or provide other accommodations to SRCs relating to the golden parachute disclosure requirements?

107. Should golden parachute disclosure requirements be removed from Item 402 of Regulation S–K in their entirety and only mandated elsewhere, such as within Schedule 14A and Schedule 14C? What would be the effects of moving golden parachute disclosure requirements out of Item 402 and placing them within Schedule 14A and Schedule 14C (and elsewhere as appropriate) on registrants' costs and burdens and investor protection?

L. Compensation of Directors—Proposed Item 402(k)

We are proposing to continue to require qualitative and quantitative disclosure of the cash, equity and other material compensation amounts earned by members of the board of directors (or similar governing body) for the registrant's last completed fiscal year, but to amend the rule in favor of a more principles-based approach. The proposed rules would eliminate certain prescriptive requirements, including mandatory disclosure related to the change in value of pension plans, earnings on nonqualified deferred compensation and total director compensation; mandatory tabular presentation requirements; and a list of ''all other compensation'' amounts. Consistent with a principles-based approach, we are proposing to require that registrants describe the material aspects of the registrant's director compensation program and disclose any material information necessary to an understanding of the compensation amounts disclosed pursuant to the rule. Additionally, the proposed rule specifies the quantified information that would be required as to each person that served as a director during any part of the last fiscal year, and provides registrants with flexibility to present such information in a format they choose, including narrative, tabular, or a combination.

Under the current rule, the registrant is required to present the compensation of the directors for the last completed fiscal year in a tabular format, the Director Compensation Table, that largely tracks the Summary Compensation Table and to include a narrative description of any material factors necessary to an understanding of the compensation disclosed in the table.[414] Some commenters suggested that the disclosure rules related to director compensation be revised to permit presentation via narrative disclosure only.[415] In support of limiting director compensation disclosure to narrative presentation only, one commenter noted that ''[i]nvestors are typically interested in the director compensation policy and individual arrangements, from which they can determine whether director compensation is excessive.'' [416]

Although we are proposing to eliminate the prescriptive tabular presentation requirement currently set forth in Item 402(k), our proposed amendments would continue to require quantified disclosure of material director compensation elements. The current director compensation rule requires tabular disclosure of the following specific elements of compensation:

- The dollar amount of all fees earned or paid for services as a director, including annual retainer fees, committee and/or chairmanship fees, and meeting fees (17 CFR 229.402(k)(2)(ii));
- The grant date fair value (computed in accordance with FASB ASC Topic 718) of stock and option awards (17 CFR 229.402(k)(2)(iii) and (iv));
- Earnings for services performed during the fiscal year pursuant to non-equity incentive plans and all earnings on any outstanding awards (17 CFR 229.402(k)(2)(v));
- The sum of the aggregate change in the actuarial present value of the director's accumulated benefit under all defined benefit and actuarial pension plans and above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified (17 CFR 229.402(k)(2)(vi)); and
- All other compensation for the covered fiscal year, including an enumerated list of required items (17 CFR 229.402(k)(2)(vii)).

Our proposed amendments to the director compensation requirements would largely retain the substance of the quantitative content requirements of current Item 402(k).

Specifically, proposed Item 402(k)(1) would require separate quantification of retainer fees for board, committee, chairmanship, and other director services. Proposed Item 402(k)(2)(i) would require specific disclosure of the aggregate dollar amount of all cash earned by directors, which is intended to cover the substance of current 17 CFR 229.402(k)(2)(ii) related to cash compensation and current 17 CFR 229.402(k)(2)(v) related to non-equity incentive plan earnings. With respect to equity awards, proposed Item 402(k)(2)(ii) would retain the requirement to disclose the value of stock and option awards; however, rather than valuing equity awards at grant date fair value under FASB ASC Topic 718, our proposed rule would require disclosure of the dollar value realized upon the vesting of stock awards and exercise of option awards. This proposed equity valuation approach is consistent with the methodology we are proposing for the Earned Compensation Table for PEO and PFO compensation. Proposed Item 402(k)(2)(iv) would retain the ''catch-all'' nature of current 17 CFR 229.402(k)(2)(vii). Consistent with the principles-based approach we are taking in this release, however, our proposed catch-all item would eliminate the current requirement to disclose a prescriptive list of required ''other'' items and would also limit the disclosures to material compensation.[417]

We are not proposing to retain or replace the requirements of current 17 CFR 229.402(k)(2)(vi) to disclose

[414] *See* 17 CFR 229.402(k) (for registrants other than SRCs and EGCs); 17 CFR 229.402(r) (for SRCs and EGCs). 17 CFR 229.402(k)(3) and 17 CFR 229.402(r)(3), as applicable, also require registrants to provide a narrative description of any material factors necessary to an understanding of the director compensation disclosed in the table.

[415] *See, e.g.,* letters from Compensia (stating the belief that ''the information presented in this table is of little value to investors who, in our experience, are most interested in the annual 'cost of governance' embodied by the plan or policy and/or how that 'cost' is allocated among the directors based on their various responsibilities.''); Davis Polk (stating that ''[t]he Director Compensation Table, set forth in Item 402(k), should be removed because any material information concerning directors can be sufficiently covered by narrative disclosure, and the current tabular approach results in excess costs to [registrants].'').

[416] *See* letter from Davis Polk (this commenter also noted that ''[u]nlike executive compensation, which includes performance metrics which investors want to follow, director compensation is typically limited to cash retainers and service-vesting restricted stock units ('RSUs'), so there are no elements of director compensation which need to be tracked.'').

[417] Current Item 402(k)(2)(vii) requires disclosure of ''all other compensation'' paid to each director (regardless of amount) that could not properly be reported under another column in the director compensation table and lists nine categories of compensation that a registrant is required to disclose as ''all other compensation.'' These nine categories include, among other things, retirement contributions, tax gross-ups, consulting fees, and costs associated with director legacy programs. Consistent with the goal of focusing on material information and adopting a more principles-based approach, our proposed amendments would replace the requirement to disclose ''all other compensation'' (regardless of amount) with a general materiality catch-all that would capture compensation amounts falling into the currently enumerated nine categories, where material.

compensation related to pension plans and earnings on nonqualified deferred compensation plans. Although we are proposing to retain some disclosure related to these types of compensation for the PEO and PFO,[418] for director compensation, we do not believe that these requirements are necessary. Specifically, it does not appear that these benefits are common in director compensation packages although in the past they may have been.[419] As such, we propose to update the director compensation disclosure requirements to more closely reflect current director compensation practices. In addition, to the extent that a registrant's director compensation program includes pension or nonqualified deferred compensation, the registrant would need to consider whether any such compensation is required to be disclosed under proposed Item 402(k)(2)(iv).

In addition to the elements described above, we are also proposing to continue to require that registrants provide certain information about outstanding equity awards held by directors in proposed Item 402(k)(iii). These details include 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. As with the proposed Status of Equity Awards Table related to PEO and PFO disclosure discussed above in section II.C.3, the requirements we are proposing related to director equity awards are intended to make it easier for investors to track director equity awards. Although we do not intend the disclosure we are proposing for director equity awards to be as detailed as the proposed tabular disclosure requirements for the PEO and PFO, we believe that there is value for investors in understanding the status of director equity awards.

Our proposed amendments would also largely retain the narrative director compensation requirements set forth in current 17 CFR 229.402(k)(3), while also applying the principles-based approach of this release. Specifically, proposed Item 402(k)(1) would require a description of the registrant's director compensation program, including separate quantification of retainers for various director roles and responsibilities. Although our proposed amendments would retain required disclosure of basic director compensation elements, in an attempt to make our disclosure rules more principles-based and streamlined, and in response to the concerns expressed by commenters, we propose to amend the current rule to provide more flexibility to registrants in presenting and explaining their director compensation. Because, in many cases, director compensation is less structurally complex than PEO and PFO compensation, we believe there may be less need to require, in all cases, highly detailed disclosure for directors. By providing this flexibility, registrants with relatively simple director compensation arrangements would not be compelled to prepare detailed (but potentially immaterial) compensation information but could still choose to disclose the information in a tabular format if they prefer. We recognize, however, that there is value to investors in knowing how directors are compensated, for example, to understand their alignment with shareholder interests. We believe that the more principles-based approach we are proposing that also retains basic compensation elements (cash and equity), and which is rooted in materiality, will continue to ensure that investors receive key information about director pay.

We acknowledge that moving to a more principles-based approach for director compensation disclosure could lead to less standardization of the disclosure and could make it more difficult for investors to compare director compensation across registrants. However, we note, as we did in 2006, that director compensation continues to evolve.[420] We believe that allowing flexibility in the presentation of this information would permit registrants to reflect the material elements of their directors' compensation in an evolving marketplace while continuing to provide investors with information that is likely to be material to their investment and voting decisions. Further, while all registrants would have flexibility regarding how to present their director compensation, we anticipate that some registrants may satisfy the requirement in the rule by providing director compensation information similar to what we are proposing to require for NEOs in the Earned Compensation Table and/or the Granted Compensation Table on an individual director basis.[421]

Additionally, under the proposed rule, if a director is also the PEO or PFO, the registrant would be required to disclose any compensation the director receives solely for his or her services as a director pursuant to proposed Item 402(k) and exclude such amounts from the information disclosed as executive compensation pursuant to proposed Items 402(b), (c) and (d). The Commission is proposing this change to clarify that registrants should not be required to disclose the same compensation in multiple locations as may currently sometimes be the case when a registrant discloses an individual's compensation in the Summary Compensation Table and the Director Compensation Table. We believe that this proposed change would allow for a simplified presentation of the compensation being earned by individuals who serve as both a director and an NEO and will help investors gain a better understanding of the differences between an individual's executive compensation and director compensation.[422]

Request for Comment

108. Should we revise the director compensation disclosure requirements as proposed, including eliminating the requirement for a prescriptive tabular format and making the rule more principles-based? Are there other more targeted revisions to the current requirements that we should consider, such as any revisions that would focus the disclosure on material information and be less costly to prepare? For example, is there a more appropriate format for tabular disclosure of director compensation than what is prescribed in the current rule? Would the proposed modifications to the director compensation disclosure requirements result in the loss of material information

[418] The proposed Earned Compensation Table would include amounts attributable to service costs and prior service costs related to certain retirement benefit plans (see discussion in section II.C.1.e above for more details).

[419] *See* Diane Lemer (Pay Governance LLC), *Board of Directors Compensation: Past, Present and Future* Harv. L. Sch. F. on Corp. Governance Blog (Mar. 14, 2017), available at *https://corpgov.law.harvard.edu/2017/03/14/board-of-directors-compensation-past-present-and-future/* (providing historic context for the decrease in popularity of various elements of Director compensation, including pensions). *See also* section IV.C.5 (discussing the typically simpler structures of director compensation programs compared to executive compensation programs).

[420] *See* 2006 Adopting Release at 53191 (''Director compensation has continued to evolve from simple compensation packages . . . to more complex packages[.]'').

[421] *See supra* section II.C.1 and II.C.2.

[422] *See* proposed Instruction 1 to Item 402(k) (providing that if an NEO is also a director who receives compensation for his or her services as a director, the individual's director compensation should be disclosed separately from the information contained in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table).

for investors or otherwise affect investor protection?

109. Are the quantitative elements of cash and equity compensation we propose to retain sufficient for investors to assess director compensation?

110. Should disclosure of the value of stock and option awards be disclosed as the dollar value realized upon the vesting of stock awards and exercise of option awards, as proposed? In the alternative, should equity awards be disclosed at grant date fair value under FASB ASC Topic 718, or based on grant date fair value as calculated for the Granted Compensation Table, or based on some other methodology?

111. Do investors find the current disclosure relating to director compensation material in making investment and voting decisions? Have the current director compensation disclosure requirements established standardized disclosure practices that are comparable across registrants such that investors rely on these disclosures for investment or voting decisions?

112. Should we require disclosure of director compensation information on an individual, director-by-director basis, as proposed? Is director-by-director information costly and burdensome for companies to compile and provide? In the alternative, would the proposed Item 402(k)(1) requirement to describe the registrant's director compensation program in general provide sufficient material information for investors in assessing director compensation without director-by-director information?

113. We are proposing to eliminate the explicit requirement in current Item 402(k)(2)(vi) to disclose compensation for directors related to pension and nonqualified deferred compensation plans. Should we instead retain or replace this requirement?

M. Scaled Disclosure—Proposed Item 402(a)(6)

As noted above, in the 2026 Filer Status Proposing Release, we proposed streamlining the filer statuses for reporting companies and extending to the proposed NAF category all accommodations currently available to SRCs and EGCs.[423] If those rules are adopted as proposed, they would accordingly extend to NAFs all the Item 402 accommodations currently available to SRCs and EGCs.[424] In light of the expansion of scaled disclosure in that release, we are not here proposing new accommodations. We are however proposing to streamline Item 402 by identifying the rule provisions governing the disclosure requirements and accommodations applicable to SRCs and EGCs respectively into paragraphs (a)(6)(i) and (ii) of Item 402, thereby eliminating the need for a separate set of executive compensation disclosure provisions for SRCs and EGCs. If the 2026 Filer Status Proposing Release is adopted as proposed, we would consolidate these provisions into one paragraph (a)(6) applicable to NAFs.

Currently, SRCs and EGCs may elect to provide executive compensation disclosure that is generally subject to scaled disclosure accommodations as set forth in a parallel set of disclosure rules under Item 402. Current Item 402(*l*) provides that SRCs and EGCs may use the scaled requirements in paragraphs (m) through (r) of Item 402, instead of reporting pursuant to paragraphs (a) through (k), (s), and (u), which apply to registrants that are not SRCs or EGCs.[425] Under the scaled executive compensation disclosure requirements currently set out in paragraphs (m) through (r) of Item 402, SRCs and EGCs may, among other things:

- Provide executive compensation disclosure for three NEOs in most cases (specifically including the PEO but not the PFO), rather than at least five as required of larger companies;
- Provide the Summary Compensation Table disclosure for only the last two completed fiscal years, rather than the three years required of larger companies;
- Provide only two of the six primary executive compensation tables required of larger companies; and
- Provide only a narrative description of the material terms of potential payments and benefits to an NEO for the payment of retirement benefits and upon termination or a change-in-control event contracts, agreements, plans, or arrangements, not the prescriptive quantitative and qualitative requirements that apply to larger companies.

Further, SRCs and EGCs are currently not required to provide the following:

- CD&A (Item 402(b));
- Narrative disclosure of compensation policies and practices as they relate to risk management (Item 402(s)); or
- Pay ratio disclosure (Item 402(u)).

Additionally, EGCs are currently not required to provide golden parachute compensation disclosure under current Item 402(t) or the pay-versus-performance disclosure under current Item 402(v), while SRCs may provide scaled pay-versus-performance disclosure rather than the more extensive disclosure required for larger companies.[426]

As noted above, we are proposing to consolidate the various provisions that address the scaled disclosure rules available to SRCs under Item 402 into proposed Item 402(a)(6)(i) and to EGCs under proposed Item 402(a)(6)(ii). Proposed Item 402(a)(6)(i) would specify that a registrant that qualifies as an SRC would be deemed to comply with Item 402 if it provides the information required by:

- Proposed Item 402(a) (General);
- Proposed Item 402(b) (Earned Compensation Table) for each of its last two completed fiscal years;
- Proposed Item 402(c) (Granted Compensation Table) for each of its last two completed fiscal years;
- Proposed Item 402(d) (Status of Equity Awards Table);
- Proposed Item 402(f) (Pay-versus-performance);
- Proposed Item 402(g) (Disclosure of a registrant's action to recover erroneously awarded compensation);
- Proposed Item 402(i) (Potential payments upon termination or change-in-control);
- Proposed Item 402(j) (Golden parachute compensation); and
- Proposed Item 402(k) (Compensation of directors).

Proposed Item 402(a)(6)(ii) would specify that a registrant that qualifies as an EGC would be deemed to comply with Item 402 if it provides the information required by:

- Proposed Item 402(a) (General);
- Proposed Item 402(b) (Earned Compensation Table) for each of its last two completed fiscal years;

[423] *See* 2026 Filer Status Proposing Release.

[424] As part of that proposal, the Commission would extend the current exemptions applicable to either SRCs or EGCs to all NAFs. If the proposal were to be adopted, NAFs would be exempt from, among other things, compliance with 17 CFR 229.402(t) (Golden parachute compensation), 17 CFR 229.402(u) (Pay ratio disclosure), 17 CFR 229.402(v) (Pay-versus-performance). *See* 2026 Filer Status Proposing Release.

[425] SRCs and EGCs that are listed on a national securities exchange and therefore the subject of Rule 10D–1 are currently required to comply with current 17 CFR 229.402(w) (disclosure of a registrant's action to recover erroneously awarded compensation) and 17 CFR 229.402(x) (disclosure of the registrant's policies and practices related to the grant of certain equity awards close in time to the release of material nonpublic information).

[426] *See* 17 CFR 229.402(v)(8). SRCs are provided with additional pay-versus-performance accommodations which are also set forth in 17 CFR 229.402(v)(8), including the ability to provide the pay-versus-performance disclosure for only two fiscal years in the first filing in which they provide this disclosure and not being required to provide the disclosure specified by 17 CFR 229.402(v)(2)(iv) or (v)(5) with respect to the total shareholder return of any peer group, the Company-Selected Measure disclosure specified by 17 CFR 229.402(v)(2)(vi), or the Tabular List specified by 17 CFR 229.402(v)(6).

• Proposed Item 402(c) (Granted Compensation Table) for each of its last two completed fiscal years;
• Proposed Item 402(d) (Status of Equity Awards Table);
• Proposed Item 402(g) (Disclosure of a registrant's action to recover erroneously awarded compensation);
• Proposed Item 402(i) (Potential payments upon termination or change-in-control); and
• Proposed Item 402(k) (Compensation of directors).

Accordingly, as proposed, SRCs and EGCs would continue to be exempt from:

• Proposed Item 402(e) (Compensation Discussion and Analysis); and
• Proposed Item 402(h) (Pay Ratio Disclosure).

EGCs would continue to be exempt from:

• Proposed Item 402(f) (Pay-versus-Performance); and
• Proposed Item 402(j) (Golden parachute compensation).[427]

The proposed amendments would reduce the length and complexity of Item 402 by addressing the treatment of SRCs and EGCs each in a single paragraph, rather than repeating a large quantity of text for SRCs and EGCs (in scaled form) as the current rule does.[428] The proposed amendments would not change the nature of the scaled disclosure accommodations available to SRCs and EGCs. SRCs and EGCs would, like all other registrants under the proposed rules, be required to provide executive compensation disclosures for only two NEOs in most circumstances (*i.e.,* just the PEO and PFO), as compared to at least three (*i.e.,* the PEO and at least the two most highly compensated executive officers other than the PEO) required under the current rule for SRCs and EGCs. Also, like all other registrants, SRCs and EGCs would be required to describe potential payments upon termination or a change in control under proposed Item 402(i).[429]

Overall, the proposed amendments in this release are intended to streamline the rules that apply to SRCs and EGCs (or NAFs, if the 2026 Filer Status Proposing Release is adopted as proposed), and reduce burdens on SRCs and EGCs (or NAFs, if the 2026 Filer Status Proposing Release is adopted as proposed).

Request for Comment

114. Should we continue to scale the requirements for SRCs and EGCs under the executive compensation disclosure rules, as proposed, given the other amendments we are proposing to Item 402? If not, are there any elements of executive compensation disclosure that we should require of SRCs or EGCs? Are there any elements of the disclosure requirements as to which we are proposing to provide an exemption that we should continue to require from SRCs and EGCs?

115. If the Commission does not adopt the accommodations in the 2026 Filer Status Proposing Release that would exempt SRCs from the Item 402 pay-versus-performance and golden parachute disclosure, should we exempt SRCs from those requirements as is currently provided for EGCs?

116. Are there any additional executive compensation disclosure requirements, or elements of any requirements, as to which we should consider granting SRCs and/or EGCs an exemption or accommodation? If so, please explain why an exemption or accommodation would be appropriate. For example, should we further scale the proposed disclosure relating to potential payments upon termination or change-in-control?

117. Would providing scaled disclosure for SRCs and EGCs, as proposed, result in the loss of material information for investors or otherwise affect investor protection? How, if at all, does the materiality of executive compensation disclosure for investors differ based on the size or status of the registrant that provides the disclosure?

N. Certain Sections of Current Rule Largely Retained in Proposed Amendments

We are proposing to largely retain the following provisions of the current rule with only relatively minor changes:

• 17 CFR 229.402(a)(1) (Treatment of foreign private issuers);
• 17 CFR 229.402(a)(4) (Information for full fiscal year); and
• 17 CFR 229.402(a)(6) (Definitions).

Proposed Item 402(a)(6)(iii) would largely retain the wording with respect to foreign private issuers[430] currently contained in 17 CFR 229.402(a)(1).[431] Accordingly, consistent with the current rule, a foreign private issuer would be deemed to comply with Item 402 if it provides the information required by Items 6.B, 6.E.2, and 6.F of Form 20–F, with more detailed information provided if otherwise made publicly available or required to be disclosed by the issuer's home jurisdiction or a market in which its securities are listed or traded, or required to be disclosed by paragraph (19) of General Instruction B of Form 40–F, as applicable.

Proposed Item 402(a)(3) would largely retain the wording with respect to information being required for the full fiscal year currently contained in 17 CFR 229.402(a)(4), with some streamlining. In particular, the second sentence of 17 CFR 229.402(a)(4) regarding NEOs other than the PEO and

[427] As noted in section II.K., the Commission proposed in the 2026 Filer Status Proposing release to exempt NAFs, which would include all registrants that are currently considered SRCs and EGCs, from the requirements to provide pay-versus-performance disclosure, golden parachute disclosure, and shareholder advisory votes on executive compensation, the frequency of such votes, and votes on golden parachute compensation. EGCs are already exempt from the pay-versus-performance disclosure requirements under 17 CFR 229.402(v) and the golden parachute compensation disclosure requirements under 17 CFR 229.402(t). In light of the concurrent proposal, we are not proposing to change the obligations relating to SRCs and are therefore proposing to include proposed Item 402(f) and proposed Item 402(j) in the list of SRC scaled disclosures in proposed Item 402(a)(6)(i).

[428] *See* 17 CFR 229.402(m) (repeating General section specifically for SRCs); 17 CFR 229.402(n) (repeating Summary Compensation Table section specifically for SRCs); 17 CFR 229.402(o) (narrative disclosure to Summary Compensation Table section specifically for SRCs); 17 CFR 229.402(p) (repeating Outstanding Equity Awards at Fiscal Year-End Table section specifically for SRCs); 17 CFR 229.402(q) (additional narrative disclosure section specifically for SRCs); 17 CFR 229.402(r) (repeating Director Compensation Table specifically for SRCs). The Commission chose to restate the requirements for SRCs separately and in full for clarity when it adopted new rules applying to SRCs in 2007 that replaced the small business issuer requirements in Regulation S–B. *See Smaller Reporting Company Regulatory Relief and Simplification,* Release No. 33–8876 (Dec. 19, 2007) [73 FR 934 (Jan. 4, 2008)] (''2007 SRC Adopting Release''). Given that Item 402 would be streamlined and the treatment of SRCs and EGCs would be made more consistent under the proposed amendments, we believe it is not necessary or helpful to restate the requirements for SRCs and EGCs separately and in full, and that it may be clearer to address the treatment of SRCs and EGCs in a single paragraph as proposed.

[429] SRCs and EGCs are currently required to provide a narrative description of the material terms of contracts, agreements, plans, or arrangements relating to termination or change in control under 17 CFR 229.402(q). Proposed Item 402(i) would require similar narrative disclosure to what is currently required under 17 CFR 229.402(q), but would apply those principles-based disclosure requirements more broadly to all registrants and clarify the requirement applies to each person who served as the registrant's PEO or PFO during the last completed fiscal year.

[430] *See* 17 CFR 230.405; 17 CFR 240.3b-4(c).

[431] As noted in section II.H above, we are proposing to eliminate the following language from current 17 CFR 229.402(a)(1): ''A foreign private issuer that elects to provide domestic Item 402 disclosure must provide the disclosure required by Item 402(w) in its annual report or registration statement, as applicable.'' We are proposing to eliminate this language as a technical matter. Because foreign private issuers are required by the first sentence of 17 CFR 229.402(a)(1) to comply with Item 6.F of Form 20–F, which sets forth requirements related to the disclosure of a registrant's action to recover erroneously awarded compensation, it is duplicative to state that foreign private issuers electing to provide domestic Item 402 disclosure must provide disclosure required by current 17 CFR 229.402(w).

PFO would be deleted as superfluous, given that, as proposed, the NEOs would be limited to individuals who had served as PEO or PFO.[432]

Finally, proposed Item 402(a)(7) would largely retain the existing definitions applicable to Item 402 currently contained in 17 CFR 229.402(a)(6), except that the definitions would be presented in alphabetical order and one defined term, ''incentive plan award,'' would be deleted as superfluous.[433] We also are proposing to amend the definition of ''plan'' in current Item 402(a)(6)(ii) by adding disability plans to the list of plans about which registrants may omit information when such plans do not discriminate in scope, terms, or operation in favor of executive officers or directors of the registrant and are generally available to all salaried employees. We are proposing to add disability plans to the list of plans about which information may be omitted as disability plans are generally similar to the other types of plans that may rely on this exclusion under the current rule (*i.e.,* group life, health, hospitalization, and medical reimbursement plans). Overall, we believe that the existing definitions are well understood by market participants and that there may be limited benefit in revising the definitions further.

Request for Comment

118. Should we largely retain the existing definitions contained in the current rule, as proposed? Are there any definitions which are proposed to be retained that are not helpful and should be deleted? Should we amend any of the definitions which are proposed to be retained and, if so, which ones, why, and in what way? Are there any definitions which should be added?

119. Should we, alternatively, largely remove the definitions section and instead rely on more general definitions under relevant accounting standards and guidance?

O. Certain Sections of Current Rule Not Retained in Proposed Amendments

1. Pension Benefits Table and Nonqualified Deferred Compensation Table—Items 402(h) and 402(i)

We are proposing to eliminate the Pension Benefits Table currently required under 17 CFR 229.402(h) (''Item 402(h)'') and the Nonqualified Deferred Compensation Table currently required under 17 CFR 229.402(i) (''Item 402(i)''), both applicable to registrants that are not SRCs or EGCs. Current Item 402(h) requires a separate Pension Benefits Table that includes the following information for each NEO: plan name; number of years of credited service; present value of accumulated benefit; and payments during the last fiscal year.[434] Current Item 402(i) requires a separate Nonqualified Deferred Compensation Table that includes the following details for each NEO: executive contributions in the last fiscal year; registrant contributions in the last fiscal year; aggregate earnings in the last fiscal year; aggregate withdrawals/distributions; and aggregate balance of the NEO's account as of the end of the last fiscal year.[435]

As we have reconceived the NEO disclosure tables in this proposal, we have sought to reduce the length and complexity of the required disclosures and decrease compliance burdens for registrants. At the same time, we have sought to continue to require disclosure of material information relevant to an assessment of NEO compensation. We believe that the information most likely to be material for investors with respect to any pension plan or nonqualified deferred compensation plan is the incremental amount earned during the fiscal year, including registrant contributions or other allocations to nonqualified deferred compensation plans, any above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, and service costs and prior service costs of pension plans. As proposed, such amounts would be required to be disclosed in the Miscellaneous Compensation Received column of the Earned Compensation Table.[436] We therefore believe that the information most likely to be material to investors would continue to be disclosed under the proposed amendments.[437]

Request for Comment

120. Should we eliminate the Pension Benefits Table currently required under Item 402(h) as a separate table, as proposed? Would the amounts proposed to be required to be disclosed in the Miscellaneous Compensation Received column of the Earned Compensation Table provide investors with all the material information they need with respect to any pension plans? Is the total from the Pension Benefits Table (*i.e.,* the actuarial present value of the NEO's accumulated benefit under any such plans, computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to the registrant's audited financial statements for the last completed fiscal year) material information for investors? Why or why not? Should the proposal be modified to require the total from the current Pension Benefits Table to be disclosed (*e.g.,* in the footnotes to the Miscellaneous Compensation Received column of the Earned Compensation Table)?

121. Should we eliminate the Nonqualified Deferred Compensation Table currently required under Item 402(i) as a separate table, as proposed? Would the amounts proposed to be required to be disclosed in the Miscellaneous Compensation Received column of the Earned Compensation Table provide investors with all the material information they need with respect to nonqualified deferred compensation plans? Is the total amount from the ''Aggregate balance at last FYE'' column of the current Nonqualified Deferred Compensation Table (column (f)) (*i.e.,* the total balance of the NEO's account under any such plans as of the end of the registrant's last fiscal year) material information for investors? Why or why not? Should the proposal be modified to require the total as currently presented in the Nonqualified Deferred Compensation Table to be disclosed (*e.g.,* in the footnotes to the Miscellaneous Compensation Received column of the Earned Compensation Table)?

2. Compensation Policies and Practices Related to the Registrant's Risk Management—Item 402(s)

We are proposing to eliminate the requirement, applicable to registrants that are not SRCs or EGCs, to provide narrative disclosure of the registrant's compensation policies and practices as they relate to risk management currently

[432] *See* proposed Item 402(a)(2).

[433] The current rule defines the term *incentive plan award* to mean an award under an incentive plan. We are proposing to delete this definition as it does not appear to be necessary. *See* 17 CFR 229.402(a)(6)(iii).

[434] 17 CFR 229.402(h)(3) also requires registrants to provide a succinct narrative description of any material factors necessary to an understanding of each plan covered by the Pension Benefit Table and provides a non-exhaustive list of example factors that may be material, depending on the registrant's facts and circumstances.

[435] 17 CFR 229.402(i)(3) also requires registrants to provide a succinct narrative description of any material factors necessary to an understanding of each plan covered by the Nonqualified Deferred Compensation Table and provides a non-exhaustive list of example factors that may be material, depending on the registrant's facts and circumstances.

[436] *See* proposed Item 402(b)(2)(vii)(E) and (F); *see also supra* section II.C.1.e.

[437] Given that current Item 402(h) would be eliminated under the proposed amendments, we are also proposing to eliminate certain cross-references to current Item 402(h) contained in Schedule 14A. *See* Item 10(b)(1)(ii) of Schedule 14A; *Instruction to paragraph (b)(1)(ii).*

contained in 17 CFR 229.402(s) (''Item 402(s)''). Under the current rule, to the extent that risks arising from the registrant's compensation policies and practices for its employees are reasonably likely to have a material adverse effect on the registrant, the registrant is required to discuss its policies and practices of compensating its employees, including non-executive officers, as they relate to risk management practices and risk-taking incentives.[438] The current rule includes a list of example situations that may trigger the disclosure requirement, depending on the particular registrant and its compensation policies and practices. These examples include compensation policies and practices at a business unit:

- That carries a significant portion of the registrant's risk profile;
- With compensation structured significantly differently than other units within the registrant;
- That is significantly more profitable than others within the registrant; and
- Where compensation expense is a significant percentage of the unit's revenues.[439]

The current rule also includes an extensive, non-exclusive list of example issues that the registrant may need to address for the business units or employees discussed in the disclosure.[440]

When the Commission proposed the current rule in 2009, it noted concerns from some commentators that, at some companies, compensation policies had become insufficiently aligned with the long-term well-being of the company and that ''in some cases, the structure and the particular application of incentive compensation policies can create inadvertent incentives for management and employees to make decisions that significantly, and inappropriately, increase the company's risk, without adequate recognition of the risks to the company.'' [441] The Commission proposed to amend the CD&A requirements to broaden their scope to include a new section that would provide information about how registrants' overall compensation policies for employees create incentives that can affect registrants' risk and management of that risk.[442] In the adopting release, the Commission stated its belief that it is important for investors to be informed of the compensation policies and practices that are likely to expose registrants to material risk and explained that the rule was intended to elicit disclosure about incentives in the company's compensation policies and practices that would be most relevant to investors.[443] While we understand that many registrants, through their board of directors, compensation committee, or other similar mechanism, engage in an annual risk assessment regarding their compensation policies, the disclosure provided to comply with Item 402(s) has been observed by the staff to often be formulaic disclosure.[444]

We are of the view, based on staff experience, that the current rule generally has not provided investors with information that is likely to be material to their investment and voting decisions. As a result, we believe that eliminating the requirement in the current rule, as proposed, would streamline compensation disclosure for registrants without generally affecting investors' access to material information.

We believe that requirements of Regulation S–K outside of Item 402 will continue to provide investors with material information regarding whether registrants compensate their employees in ways that create incentives for employees to make decisions that significantly increase the registrant's risk. For example, the management's discussion and analysis requirement in Item 303 of Regulation S–K requires registrants to provide material information relevant to an assessment of the financial condition and results of operations of the registrant, and Item 105 of Regulation S–K requires a discussion of the material factors that make an investment in the registrant or offering speculative or risky.[445] To the extent a registrant's compensation policies have created incentives for its employees that may create risks that are reasonably likely to have a material adverse effect on a registrant, we expect that these requirements of Regulation S–K outside of Item 402 would require the disclosure of such risks.

Request for Comment

122. Should we eliminate the requirement to provide narrative disclosure of the registrant's compensation policies and practices as they relate to risk management currently contained in Item 402(s), as proposed? Alternatively, how could we revise the current rule to require relevant and material disclosure, without eliciting boilerplate disclosure?

123. Are the disclosures currently made by registrants in response to Item 402(s) material to investors? How often does the narrative disclosure of the registrant's compensation policies and practices as they relate to the registrant's risk management change from year to year?

124. Do existing disclosure requirements, such as Item 105 of Regulation S–K (Risk factors) and Item 303 (Management's discussion and analysis of financial condition and results of operations) make the requirements in current Item 402(s) unnecessary? Would the elimination of current Item 402(s), as proposed, have any effects on investor protection?

3. Policies and Practices Related to Grant of Equity Awards Close in Time To Release of Material Nonpublic Information—Item 402(x)

We are proposing to eliminate the narrative and tabular disclosure requirements related to the grant of certain equity awards close in time to the release of material nonpublic information currently contained in 17 CFR 229.402(x) (''Item 402(x)'').

Under the current rule, registrants are required to provide narrative

[438] *See* 17 CFR 229.402(s).

[439] *See id.* Under the current rule, the examples of situations that may require disclosure also include situations that vary significantly from the overall risk and reward structure of the registrant, such as when bonuses are awarded upon accomplishment of a task, while the income and risk to the registrant from the task extend over a significantly longer period of time.

[440] *See* 17 CFR 229.402(s)(1) through (6). Under the current rule, the examples of the issues that a registrant may need to address for the business units or employees discussed are: the general design philosophy of the registrant's compensation policies and practices for employees whose behavior would be most affected by the incentives established by the policies and practices; the registrant's risk assessment or incentive considerations in structuring its compensation policies and practices or in awarding and paying compensation; how the registrant's compensation policies and practices relate to the realization of risks resulting from the actions of employees in both the short term and the long term; the registrant's policies regarding adjustments to its compensation policies and practices to address changes in its risk profile; material adjustments the registrant has made to its compensation policies and practices as a result of changes in its risk profile; and the extent to which the registrant monitors its compensation policies and practices to determine whether its risk management objectives are being met with respect to incentivizing its employees.

[441] *See Proxy Disclosure and Solicitation Enhancements,* Release No. 33–9052 (July 10, 2009) [74 FR 35076 (July 17, 2009)] (citation omitted).

[442] *Id.* at 35078 (citation omitted).

[443] *See Proxy Disclosure Enhancements,* Release No. 33–9089 (Dec. 16, 2009) [74 FR 68334, 38336 (Dec. 23, 2009)].

[444] Such boilerplate disclosures often state that the compensation committee of the registrant's board of directors has conducted an annual risk assessment and concluded that its compensation policies do not create risks that are reasonably likely to have a material adverse effect on the registrant.

[445] *See* 17 CFR 229.303 (Management's discussion and analysis of financial condition and results of operations); 17 CFR 229.105 (Risk factors).

disclosures regarding their policies and practices on the timing of option awards in relation to the disclosure of material nonpublic information, including: how the board of directors determines when to grant such awards; whether the board or compensation committee takes material nonpublic information into account when determining the timing and terms of such awards; and whether the registrant has timed the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.[446] In addition, registrants are required to provide tabular disclosures regarding certain option awards to NEOs close in time to the filing or furnishing of periodic or current reports (with a limited exception) that disclose material nonpublic information, including: the grant date, exercise price, and grant date fair value of the option award; the number of securities underlying the award; and the percentage change in the closing market price of the securities underlying the award between the trading day ending immediately prior to the disclosure of material nonpublic information and the trading date immediately following the disclosure of material nonpublic information.[447]

When the Commission adopted the narrative disclosure requirements in 2022,[448] it acknowledged that investors could, with some effort, identify the timing both of option awards and earnings announcements (based on the registrant's other filings with the Commission), but indicated that the required narrative disclosures nonetheless may provide useful information to investors as such disclosures would also address the extent to which the board of directors considered, among other things, the effects of the timing of option awards and earnings announcements on its compensation practices, matters that would not necessarily be disclosed in a registrant's other filings.[449] While such information may be relevant for disclosure in certain circumstances (*e.g.,* where a registrant has presented its option awards as being granted at-the-money but has engaged in ''spring-loading'' or ''bullet-dodging'' of the sort discussed in the 2022 Insider Trading Arrangements Adopting Release),[450] we believe, based on staff observation, that requiring all registrants to include a narrative discussion of their policies and practices regardless of their particular facts and circumstances has led to many registrants to provide boilerplate disclosures that increase length and complexity of their executive compensation disclosures, without providing material information to investors beyond what could be identified from the registrant's other filings or disclosures with the Commission.

Similarly, the currently required tabular disclosure largely repeats information already included in the registrant's executive compensation disclosures (such as the grant date, exercise price, and grant date fair value of the option award) or includes information that could be learned from publicly available sources (such as the percentage change in the market price of the securities underlying the award immediately prior to, versus immediately following, an earnings release or other relevant registrant filing with the Commission).

Accordingly, we are proposing to eliminate the narrative and tabular disclosure requirements related to the grant of certain equity awards close in time to the release of material nonpublic information currently contained in Item 402(x) because we believe that, in practice, these disclosure requirements do not ''increase[] the mix of information available to investors.'' [451] Instead, we believe the current requirements add disclosure burdens on registrants by requiring them to provide unnecessary and duplicative information and have resulted in an increase in immaterial, boilerplate disclosures.

Request for Comment

125. Should we eliminate the narrative and tabular disclosure requirements related to the grant of certain equity awards close in time to the release of material nonpublic information currently required under Item 402(x), as proposed? Alternatively, should this rule be retained in a modified form? If so, how could we revise the current rule to require material information, without eliciting duplicative and/or boilerplate disclosures? For example, should we revise the rule to only require the disclosure in years when equity awards have been made close in time to the release of material nonpublic information?

126. Are the disclosures made by registrants in response to current Item 402(x) material to investors? Is the information currently included in the narrative and tabular disclosures otherwise available to investors? Would the elimination of the disclosure requirements under current Item 402(x), as proposed, have any effects on investor protection?

P. Timing of Executive Compensation Disclosure in Registration Statements

We are proposing to amend certain registration statement requirements to address the timing requirements for providing Item 402 disclosure that covers the last completed fiscal year. Currently, ''long form'' registration statements on Securities Act Forms S–1, S–4, and S–11, and Exchange Act Form 10, as well as Form N–2 under the Securities Act and Investment Company Act, enumerate Item 402 among the line-item disclosure requirements that must be included.[452] Because Item 402 requires disclosure for ''each of the registrant's last three completed fiscal years,'' any of these ''long form'' registration statements filed on or after the first day of a registrant's fiscal year must include Item 402 disclosure for the immediately preceding fiscal year.[453] Even when a registrant files a registration statement on the first day of its fiscal year, for example, it is required

[446] *See* 17 CFR 229.402(x)(1).

[447] *See* 17 CFR 229.402(x)(2).

[448] *See Insider Trading Arrangements and Related Disclosures,* Release No. 33–11138 (Dec. 14, 2022) [87 FR 80362 (Dec. 29, 2022)] (''2022 Insider Trading Arrangements Adopting Release'') (adopting Item 402(x)).

[449] *See* 2022 Insider Trading Arrangements Adopting Release at 80389.

[450] *See* 2022 Insider Trading Arrangements Adopting Release at 80387. We note that proposed Item 402(a)(5)(i) requires registrants to disclose any material information necessary to an understanding of the information disclosed in the Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table. To the extent a registrant has presented the option awards reported in those tables as being granted at-the-money but has engaged in ''spring-loading'' or ''bullet-dodging'' with respect to those awards, proposed Item 402(a)(5)(i) would require disclosure of the relevant facts and circumstances if material to understanding the disclosed option awards.

[451] *See* 2022 Insider Trading Arrangements Adopting Release at 80390.

[452] *See* Item 11(*l*) of Form S–1; Items 18 and 19 of Form S–4; Item 22 of Form S–11; Item 6 of Form 10; Item 18.14 of Form N–2 (requiring business development companies to provide the information required by Item 402). While Form N–2 can be used as a short-form registration statement in some cases, it currently refers to Item 402 in the same manner as the long-form registration statements discussed in this section and therefore is included when we refer to long-form registration statements in this section.

[453] Current Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv) and Instruction 1 to 17 CFR 229.402(n)(2)(iii) and (iv) provide that if the amount of salary or bonus earned is not calculable through the latest practicable date, the registrant must include a footnote disclosing that fact and provide the date that the amount of salary or bonus is expected to be determined, and when the amount is determined provide the disclosure in a filing under Item 5.02(f) of Form 8–K. We are also proposing to eliminate this provision since we are proposing to provide registrants with up to 120 days within which to determine and disclose their executive compensation information.

to include Item 402 disclosure for the fiscal year ended on the previous day. Registrants that are only eligible to use ''long form'' Securities Act registration statements are therefore limited in their ability to offer securities in the public capital markets until they can provide Item 402 disclosure for the immediately preceding fiscal year, which can impact capital formation. This requirement effectively acts as an impediment to the ability of a registrant using a long form Securities Act registration statement to raise capital or conduct business combination transactions through a registered offering until it can provide that executive compensation disclosure.[454] For an Exchange Act registration statement, a registrant might need to delay important actions, like the voluntary registration of a class of equity securities under section 12(g) of the Exchange Act when seeking to have securities quoted on certain over-the-counter markets, until it has had adequate time to prepare Item 402 disclosure for the last completed fiscal year. In addition, we see no compelling reason to apply a different standard for disclosure timing based upon whether the registration statement is filed under the Securities Act or Exchange Act.

By contrast, registrants using registration statements that do not specifically enumerate Item 402 among the required disclosures, such as Form S–3 and Form S–8, may delay their Item 402 disclosure for the last completed fiscal year until they make a filing with a line item that specifically requires that disclosure.[455] That filing typically is the Form 10–K and, depending on the filer status of the registrant, the Form 10–K must be filed within either 60, 75, or 90 days of the end of a fiscal year.[456] In addition to that period of time, General Instruction G.(3) of Form 10–K permits a registrant to delay Item 402 disclosure. Specifically, a registrant may omit the information called for by Part III of Form 10–K, which includes Item 402 disclosure, as long as the information is disclosed within 120 days of the end of the fiscal year in either the registrant's definitive proxy or information statement involving the election of directors or an amendment to its Form 10–K.[457] As a result, unlike with a ''long form'' registration statement, an eligible registrant could file a short form registration statement (*e.g.,* Form S–3) without Item 402 disclosure for the most recently completed fiscal year and have that registration statement declared effective without that disclosure for up to 120 days after the end of the fiscal year.[458]

We are proposing to amend Forms S–1, S–4,[459] S–11, 10, and N–2 to address this disparity and mitigate the resulting implications for capital raising and other actions that may depend on a ''long form'' registration statement. We propose to amend long form registration statements so that a registrant is not required to provide updated Item 402 disclosure for the most recently completed fiscal year until the later of the date the registrant otherwise discloses that information in a document filed pursuant to section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of that fiscal year. The Item 402 disclosure in any filing from which a registrant omits the most recently completed fiscal year pursuant to the proposed amendments should still include the number of fiscal years required by proposed Item 402 [460] using the time-period immediately preceding the omitted fiscal year.[461] The proposed amendments would further require, however, that, if a registrant files a registration statement without the Item 402 information for the immediately preceding fiscal year as permitted by the relevant Item, and the registration statement would go effective after the deadline for providing Item 402 information for that fiscal year, the registrant must file a pre-effective amendment to the registration statement which includes such Item 402 disclosure.[462]

The proposed changes would provide registrants using long form registration statements the same period of time to prepare their Item 402 disclosures for the most recently completed fiscal year that is currently available to registrants using short form registration statements. We believe that this proposed change appropriately balances registrants' disclosure obligations and burdens with the informational needs of investors and investor protection.

In light of our proposal to amend long form registration statements to provide registrants up to 120 days after their fiscal year end to provide updated Item 402 disclosure, we are proposing to remove certain Item 402 and Form 8–K provisions that relate to extended time to provide salary and bonus information in certain circumstances, as these would be duplicative and unnecessary. Current Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv) and current Instruction 1 to 17 CFR 229.402(n)(2)(iii) and (iv) provide that if the amount of salary or bonus earned is not calculable through the latest practicable date, the registrant must include a footnote disclosing that fact and provide the date that the amount of salary or bonus is expected to be determined, and when the amount is determined provide the disclosure in a filing under Item 5.02(f) of Form 8–K. This relief from the obligation to provide salary and bonus that is not calculable through the latest practicable date has been part of the executive compensation disclosure rules since at least the 1992 Amendments. The rules adopted at that time required the omitted salary or bonus disclosure to be included in the executive compensation for the subsequent fiscal year. In the 2006 Amendments, the Commission amended this requirement to require a filing of a Form 8–K reporting the omitted amounts to eliminate ''the delay that existed under the former rules'' (*i.e.,* that the omitted information would not be provided for a whole year).[463] Because we are now proposing to extend the period of time all registrants will have before they must provide Item 402 disclosure for the last completed fiscal year generally, we do not believe there would continue to be a need to

[454] We note that the determination of executive compensation is often based in whole or part on the financial results of the fiscal year to which the compensation relates. For registrants using ''long form'' registration statements this requirement may cause those registrants to provide executive compensation disclosure before some of that compensation has been determined, or delay its offering until such information is available.

[455] For example, Form S–3 is a ''short form'' registration statement that only enumerates a limited number of line-item disclosure requirements, primarily related to the offering itself and the registrant's securities, and incorporates by reference, among other things, the registrant's latest Form 10–K and all future current and periodic Exchange Act reports.

[456] *See* General Instruction A.2 to Form 10–K, 17 CFR 239.10.

[457] *See* Item 11 of Form 10–K.

[458] A registrant, however, is responsible for ensuring that any prospectus used in connection with a registered offering contains the information required to be included therein by Securities Act section 10(a).

[459] This discussion does not apply to Form S–4 to the extent the registrant or the company being acquired is eligible to use Form S–3 and elects to incorporate Item 402 disclosure into Form S–4 by reference to its Exchange Act filings. *See* Item 18(b) of Form S–4.

[460] Proposed Items 402(b) and (c) would require, for example, that non-SRC registrants (other than newly-reporting issuers) provide relevant disclosure covering three fiscal years. For SRCs (other than newly-reporting issuers), proposed Item 402(6)(i)(B) and (C) would require disclosure covering two fiscal years. Newly reporting issuers would provide disclosure for the period of time required pursuant to proposed Item 402(a)(8).

[461] For example, the disclosure that a non-SRC registrant (other than newly-reporting issuers) would provide pursuant to proposed Items 402(b) and (c) should include the three-year period immediately preceding the omitted fiscal year.

[462] This updating requirement applies regardless of whether the registration statement would become effective by automatic operation of a statute or acceleration of the effective date.

[463] 2006 Adopting Release at 53171.

delay inclusion of any salary or bonus amounts when the information is finally provided. For this reason, we are proposing to eliminate current Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv), current Instruction 1 to 17 CFR 229.402(n)(2)(iii) and (iv), and Item 5.02(f) of Form 8–K.

Request for Comment

127. Should we revise Forms S–1, S–4, S–11, 10, and N–2 as proposed, to permit registrants to file these forms without Item 402 information for their last completed fiscal year, as long as such information is disclosed by the earlier of the date that the registrant otherwise files that information in a document filed pursuant to section 13(a), 14, or 15(d) of the Exchange Act or 120 days following the end of that fiscal year? Should we also amend Schedule 14A to provide the same or a similar accommodation for Item 402 disclosure furnished under Item 8 in proxy or information statements, and, if so, why? Do investors need this information to be more current? If so, what accommodations could we provide to registrants while still requiring more current executive compensation disclosure?

128. Would the proposed revisions result in any loss of material information to investors or have any effects on investor protection? What effect would these revisions have on registrants' costs and burdens?

129. The Commission is proposing to eliminate current Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv), current Instruction 1 to 17 CFR 229.402(n)(2)(iii) and (iv), and Item 5.02(f) of Form 8–K, permitting the filing of salary and bonus information on Form 8–K at a later date if the information cannot be calculated at the time of making a Commission filing. If the amendments proposed in this release are adopted, are there still likely to be circumstances under which registrants would have a need to submit at a later time executive compensation information that cannot be calculated at the time of filing, as contemplated by current Item 5.02(f) of Form 8–K?

Q. Compliance Date

We are proposing that, if adopted, the proposed amendments would become effective on the next January 1 after publication of the adopting release in the **Federal Register**. For example, if the adopting release is published during 2027, then we are proposing that the effective date would be January 1, 2028. We are proposing that registrants would be required to apply the proposed amendments, if adopted, for their first full fiscal year ending on or after the effective date (the ''mandatory compliance date''). With respect to registration statements and prospectuses, we are proposing that registrants would be required to apply the proposed amendments, if adopted, in any registration statement or prospectus that, on its initial filing date, is required to contain financial statements for a fiscal year ending on or after the effective date.

We believe that setting a mandatory compliance date for fiscal years ending on or after the next January 1 after publication of the adopting release would allow sufficient time for registrants to prepare for and come into compliance with the proposed amendments.

Although registrants would not be required to apply the proposed amendments until the mandatory compliance date, we are proposing that registrants would be permitted to elect to provide disclosure consistent with the proposed amendments, if adopted, any time after the effective date, so long as they provide disclosure responsive to the amended item in its entirety. We believe that allowing registrants to elect to apply the proposed amendments sooner would provide registrants that can prepare for and comply with the final rules sooner with the flexibility to do so.

Request for Comment

130. Are the proposed effective date and mandatory compliance date appropriate? If not, what time period would be necessary and appropriate for registrants to comply with the proposed amendments?

131. Are any special transition provisions necessary for any aspect of the proposed amendments? For example, would registrants require a phased-in transition period for the Earned Compensation Table and Granted Compensation Table (*e.g.,* in the initial filing subject to the proposed amendments, would registrants only be able to report the last completed fiscal year, resulting in a phased-in implementation over two years for SRCs and over three years for all other registrants)? If any special transition provisions are necessary, please explain what is needed and why.

R. General Request for Comment

We request and encourage any interested person to submit comments on any aspect of the proposed amendments, other matters that might have an impact on the proposed amendments, and any suggestions for additional changes. With respect to any comments, we note that they are of greatest assistance if accompanied by supporting data and analysis of the issues addressed in those comments and by alternatives to our proposals where appropriate.

III. Other Matters

This action is an economically significant regulatory action under section 3(f)(1) of Executive Order 12866 and has been reviewed by the Office of Management and Budget (''OMB''), consistent with Executive Order 14215. This action, if finalized as proposed, is expected to be an Executive Order 14192 deregulatory action.

IV. Economic Analysis

We are attentive to the costs that would be imposed by, and the benefits that would be obtained from, the proposed amendments.[464] The discussion below addresses the potential economic effects of the proposed amendments, including the likely benefits and costs, as well as the likely effects on efficiency, competition, and capital formation. We also analyze the potential costs and benefits of reasonable alternatives to the amendments.

A. Introduction

Certain information about the compensation of a registrant's key executives is likely to be material to investment and voting decisions, as detailed in the Broad Economic Considerations section (section IV.B) below. Mandating the disclosure of such information can help to reduce agency problems[465] and information

[464] Securities Act section 2(b) and Exchange Act section 3(f) require us, when engaging in rulemaking that requires us to consider or determine whether an action is necessary or appropriate in the public interest, to consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation. *See* 15 U.S.C. 77b(b); 15 U.S.C. 78c(f). Exchange Act section 23(a)(2) requires us, when making rules under the Exchange Act, to consider the impact that the rules would have on competition and prohibits the Commission from adopting any rules that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. *See* 15 U.S.C. 78w(a)(2).

[465] Agency problems are issues that arise from a principal (such as an investor) delegating responsibilities to an agent (such as managers or directors) whose interests are not perfectly aligned with their own. *See, e.g.,* Michael Jensen & William Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure,* 3 J. Fin. Econ. 305 (1976) (''Jensen & Meckling 1976 Study''). Requiring disclosure ensures that investors receive information that is important to them even when it is not in managers' and/or directors' personal interest to disclose that information. Executive compensation disclosure in particular can help investors understand the degree to which executives' interests are aligned with their own.

asymmetries [466] that could result if registrants were permitted to disclose details about their executive compensation on a purely voluntary basis. At the same time, the compliance burden and volume of required executive compensation disclosures have grown substantially over time, and certain of these requirements may call for disclosure that is of limited importance to investors' voting and investment decisions. Many registrants and investors have reported difficulties in producing and in digesting many aspects of current executive compensation disclosures.[467]

The proposed amendments would focus required executive compensation disclosures on the information that is most likely to be material so that investors can continue to make informed voting and investment decisions, while reducing the total amount of disclosure that registrants are required to provide.[468] For example, registrants would no longer be required to provide disclosure about the compensation of any executive officers other than the PEO and PFO or to undertake significant computations with respect to outstanding equity awards for purposes of certain disclosures. They would also be able to reduce the detail disclosed about executive benefits, such as retirement plans and perquisites. Registrants would still be required to disclose certain standardized quantitative information about the compensation of their PEO and PFO, organized into a new, more condensed set of tables. Larger registrants [469] would continue to be required to make some further disclosures about their executive compensation programs, including CD&A and pay ratio disclosures, although these requirements are also proposed to be simplified and/or made more principles-based than the current requirements for these disclosures.[470]

The proposed requirements are also intended to better reflect the way many registrants view their compensation programs. By more closely aligning the requirements with the registrant perspective, simplifying the required disclosures, and permitting a degree of flexibility in the content and presentation of disclosures, the proposed amendments may reduce the extent of voluntary supplementary disclosures that some registrants currently provide to clarify certain mandated elements of the disclosures.

The proposed amendments are expected to reduce the costs of producing executive compensation disclosures by a substantial fraction relative to current expenditures while maintaining the disclosure of the information about executive compensation that is most likely to be material.[471] We expect that the proposed disclosures would be significantly less burdensome for registrants to prepare than current disclosures.[472] Our monetized estimate of these compliance cost savings is approximately $244,000 per year per registrant, on average across registrants.[473] The cost savings are expected to be driven by three key factors. First, reducing the scope of the disclosures as proposed—particularly with respect to the scope of named executive officers, the employees included in the pay ratio determinations, and certain *de minimis* perquisites—would reduce registrants' need to undertake data collection and tracking. Second, the proposed amendments would eliminate current requirements to make certain complex computations such as valuations of outstanding equity awards (after grant but prior to vesting or exercise) for the purpose of the disclosures. Finally, the overall lower total volume of required disclosures (including proposed reductions in the number of tables as well as the extent of narratives and footnotes) should reduce the burdens involved in registrant staff, board, and external advisor review of the disclosures. The resulting compliance cost savings may be redirected to other, potentially more productive uses including being returned to shareholders.

The proposed amendments may also eliminate some incentives to deviate from the practices that the registrant would otherwise determine to be most appropriate. For example, they would limit the likelihood that registrants would feel reluctant to provide security services that are integrally and directly related to the performance of an executive's work duties only because of the implications for compensation disclosure or to pay a bonus to one executive officer only because the amount would change the composition of the registrant's group of NEOs. To the extent that these considerations distort [474] decisions by registrants,[475] the proposed amendments would allow registrants to make these types of decisions based on their view of what best serves the company, without needing to weigh the disclosure implications of those decisions. Even when registrant decisions would be unchanged, the proposed amendments may simplify compensation committee

Further, transparency around executive compensation can help to address agency problems that arise in setting the level and structure of executive compensation and benefits. *See infra* section IV.B.

[466] Information asymmetries arise when, for example, managers or a subset of investors have access to important information about a registrant (such as key features of its executive compensation plans that could shed light on managerial ability or incentives) that is unavailable to other investors. Such asymmetries can give rise to adverse selection, in which market participants who are less well informed, recognizing that better-informed parties may trade on information they do not have, demand compensation for that risk or withdraw from trading altogether. This can, among other things, reduce liquidity, raise the cost of capital, and impair the efficiency with which securities prices reflect available information. *See infra* section IV.N.

[467] *See, e.g.,* 2025 Roundtable Transcript. For a more detailed discussion of investor and registrant concerns with current disclosures, see section IV.C.6 below.

[468] Some investors, such as retail investors who read executive compensation disclosure linearly, may also find it easier to process a reduced volume of disclosure. *See infra* section IV.N.

[469] The more extensive executive compensation disclosures would apply to registrants that are not EGCs or SRCs, or a total of about 51% of registrants subject to Item 402 disclosure requirements in 2025. We note that the Commission recently proposed changes to the definitions of these filer status categories, which, if adopted, would result in the category of registrants subject to the proposed more extensive executive compensation disclosures representing about 19% of the registrants subject to Item 402 disclosure requirements in 2025. These estimates are based on staff analysis of EDGAR filings made in calendar year 2025. *See infra* section IV.C.1; 2026 Filer Status Proposing Release.

[470] In addition, registrants other than EGCs (and certain other registrants as discussed in more detail below) would remain subject to pay-versus-performance disclosure requirements, but these requirements are also proposed to be simplified significantly relative to the current requirements. *See infra* section IV.G. Overall, this paragraph is meant to provide an overview of some of the major changes being proposed but is not a comprehensive description of the proposed amendments. The proposed amendments are discussed in more detail in the body of this Economic Analysis.

[471] While we are unable to quantify all of the potential benefits and costs discussed in this economic analysis, we present a monetization analysis of the effects that we are able to quantify in section IV.M.

[472] As discussed in more detail in the discussion of specific costs and benefits below, the potential savings may be offset by any additional registrant staff time, resources, and reliance on external advisors that may be necessary to make materiality determinations under the more principles-based approach of the proposed amendments.

[473] *See infra* Table 11, section IV.M.1. This is the estimated monetized cost savings for registrants subject to Item 402 disclosure requirements. We separately estimate an aggregate monetized cost saving of $6,188 across all filers of Form N–CSR with respect to the proposed amendment with respect to clawbacks disclosures affecting registered management investment companies. *See infra* section IV.M (for our discussion of monetized costs and benefits).

[474] In this economic analysis, we use the terms ''distort'' and ''distortions'' to discuss changes in compensation design that result solely from disclosure considerations rather than what the registrant would otherwise believe to be optimal for the purpose of maximizing shareholder value.

[475] *See infra* notes 651 and 744.

deliberations and reduce any perceived encumbrance on registrant discretion.[476]

The effects on investor search and analysis costs are more difficult to predict. Some of the proposed amendments may make it easier for investors to review registrants' executive compensation programs, particularly with respect to tracking the status of a given equity award. Other elements of the proposed amendments, such as the elimination of disclosures about the valuation of these equity awards as performance is realized but before the award status changes (to vested or exercised), may make the review somewhat more difficult. The additional flexibility that would be afforded to registrants to tailor their disclosures to reflect their perspective on their executive compensation program and their individual circumstances could increase the efficiency of investors' review, by highlighting the most important elements in the context of a particular registrant's compensation program. Alternatively, this added flexibility could reduce efficiency by making it harder for investors to find the information they are looking for or to compare disclosures to those of other registrants.

The proposed amendments overall represent a significant change from current disclosure requirements and would likely generate some short-term adjustment costs for both registrants[477] and investors. Also, while the proposed disclosures would continue to provide the information that we understand to be most broadly relied on by investors, investors would face a loss of some information relative to what is provided in current disclosures. While some of the information that would be forgone may be of little consequence, the elimination of some currently required disclosure may reduce the precision with which investors evaluate executive compensation programs. This less precise understanding of executive compensation by some or all investors may introduce noise[478] into investment and voting decisions and may increase information asymmetries between investors and management or among investors.

The proposed amendments would also reduce the extent of public disclosure about certain executive benefits and could thus incentivize some executives to request, and/or some registrants to provide, more generous executive benefits than might currently be the case. Any increase in expenditures on executives could at least partially offset the compliance cost savings associated with the proposed amendments. However, the proposed executive compensation disclosures are, taken as a whole, intended to reflect the material elements of compensation that are included in current disclosures in some form, making it difficult to obscure large transfers of value to executives. The proposed amendments may also introduce new disclosure considerations that could distort executive compensation design. For example, the proposal could encourage a greater use of some types of equity awards than others, relative to what would be chosen in the absence of disclosure considerations, because the proposed valuation approach at grant date may value certain similar instruments differently.[479] The proposed amendments could also lead to an increased reliance on non-equity incentive awards because of their reduced transparency relative to equity awards under the proposed amendments. That said, given the degree to which current compensation structures common among registrants rely on equity-based incentives, apparently reflecting a strong investor and registrant preference for the use of equity awards, we believe that large-scale market-level shifts in executive compensation structures as a result of disclosure considerations under the proposed requirements would be unlikely in the near term.

Below, we discuss in more detail the anticipated economic effects of the proposed amendments and of significant alternatives to the proposed amendments, including how these effects may vary depending on how registrants, investors, and third-party service providers react to any changes that may be adopted.

B. Broad Economic Considerations

Our economic analysis of the proposed amendments reflects our consideration of the broader utility and consequences of executive and director compensation disclosures. In particular, we recognize that investing in a registrant involves a basic agency problem: it requires delegating decision-making authority to a management team, whose interests may not align perfectly with those of investors.[480]

Executive compensation disclosures help to address this agency problem in two ways. First, transparency around executive compensation can help to ensure that investor resources are used appropriately. While executive compensation typically represents a relatively small percentage of a registrant's total expenses,[481] the determination of the level of compensation paid to management involves a direct conflict between the managers' personal interests and their responsibilities to shareholders, in that an additional dollar of pay directly benefits a manager while the costs of such pay are borne by investors in the registrant.[482] Disclosure of the amount of executive compensation can help to address this conflict by allowing investors to directly monitor the extent of registrant resources used to compensate senior management. A

[476] As discussed later in this section, it is possible that the proposed amendments could lead to other types of distortions in compensation programs at some registrants, such as an increased use of perquisites or of non-equity incentive awards beyond what registrants grant currently when these elements are more transparent.

[477] We estimate initial implementation costs of approximately $82,000 per registrant subject to Item 402 disclosure requirements. *See infra* Table 9, section IV.M.1, and the related discussion.

[478] As used in economics, ''noise'' represents variation that is not related to information. Introducing noise into decisions thus means that a source of variation is introduced into the decisions that are made that is due to a form of randomness (*e.g.,* making a rough guess when information is not precise) rather than these decisions being better informed. Such noise generally results in decisions that, on average, are less optimal than those made under more precise information.

[479] Equity awards with performance-based vesting conditions, including market conditions, would generally be valued at their target value in the Granted Compensation Table. Stock awards with market conditions can be constructed to have very similar payoffs as option awards and are currently valued using similar fair value computation methodologies, but these awards would be valued differently under the proposed approach. *See infra* section IV.E.3.

[480] For example, executives may care about their own wealth, job security, leisure time, prestige, and other such factors, and optimizing these factors may not always align with shareholder value. *See, e.g.,* Yueran Ma & Andrei Shleifer, *The Invention of Corporate Governance,* 172 J. Fin. Econ. 104115 (2025) at 104115 (stating that ''[the separation of ownership and control in large corporations] entails several agency problems reflecting conflicts between managers and shareholders, such as self-dealing by managers, low effort, consumption of perquisites, and excessive growth and diversification'').

[481] *See, e.g.,* Pearl Meyer, *Definitive Data on Executive Cost Ratios* (January 2024), available at *https://pearlmeyer.com/insights-and-research/advisor-blog/definitive-data-on-executive-cost-ratios* (presenting survey results for 2023 indicating that total direct compensation for the top two levels of management, including the CEO and all of the CEO's direct reports, represent from less than 0.1% of revenues for companies with revenues of $50 billion or more to less than 1.6% of revenues for companies with revenues of under $3.5 billion).

[482] *See, e.g.,* Jensen & Meckling 1976 Study, *supra* note 465, at 312–313 (identifying one key agency conflict between investors and managers as ''deriving from the manager's tendency to appropriate [benefits] out of the firm's resources for his own consumption'' because, as long as the manager holds less than 100% of the equity, ''he will then bear only a fraction of the costs of any . . . benefits he takes out in maximizing his own utility'').

similar case can be made with respect to the transparency of director compensation.

Second, executive compensation disclosures can provide insights into executives' monetary incentives to take particular corporate actions. This benefit of executive compensation disclosure may be more consequential for shareholder value than the first.[483] Specifically, recognizing the risk of misalignment between manager and shareholder interests, registrants may design executive compensation packages to encourage executives to exert effort and make decisions that enhance shareholder value. Indeed, a large body of literature (discussed below in this section) provides evidence that various aspects of compensation design—including the level of pay, its performance sensitivity, and other components and terms of compensation—can be used to predict how executives will run the business and how registrants will perform. Disclosure about the design of executive compensation thus allows investors to understand the incentives of the managers to whom they entrust their capital and to assess registrants' future performance. When considering the double-layered agency problem (wherein shareholders delegate oversight of managers to the board of directors, and the board of directors delegates management to the executives), executive compensation disclosures also allow investors to evaluate the strategic priorities and effectiveness of boards of directors in overseeing these executives, while director compensation disclosures allow investors to evaluate the monetary incentives of the board itself.

All of these factors—the responsible use of investor resources, the incentives of managers and directors, and the strategic priorities and effectiveness of boards of directors—may be material and thus relevant to investment and voting[484] decisions. The disclosure of material information about executive and director compensation allows investors to evaluate these factors and make informed decisions.

A compensation package can reward or penalize certain managerial traits, actions, or outcomes. The level and structure of an executive's compensation may thereby affect such executive's behavior, including the executive's expenditure of effort, degree of risk-taking, prioritization of goals, and likelihood of remaining at a registrant.[485] Information about the design of executive compensation can, therefore, allow investors to form more informed expectations about executive decisions and a registrant's future performance. For this purpose, investors would generally seek to understand the executives' *ex ante* incentives—that is, the potential rewards and motivations in place before performance is realized[486]—because they are the drivers of future performance; by the time *ex post* payoffs are made, the performance outcome will also generally be known.[487] That said, it may be difficult to disclose complete information in advance about these incentives.[488] Interim ''in flight'' updates about the progress towards achieving compensation outcomes and *ex post* realized compensation outcomes from the recent past can thereby help to refine investors' understanding of executives' incentives.[489]

Academic research has found that various key aspects of the level and structure of compensation can affect expectations of registrant and executive performance. For example, based on survey evidence, researchers have found that the motivation of CEOs to perform well is sensitive to their perception of the fairness of the level of their pay.[490] Regarding the structure of pay, the primary sources of monetary incentives are generally believed to stem from compensation's sensitivity to stock prices (also known as ''delta''), its sensitivity to volatility (that is, the degree of variation) in stock prices (also known as ''vega''), its vesting horizon, and the choice and rigor of performance goals.[491] The linkage of executive compensation to a registrant's stock price through equity compensation is, in most cases, the dominant source of variation in compensation outcomes,[492] and stronger equity incentives have been associated with actions that enhance or preserve shareholder value.[493] Researchers have also

[483] *See, e.g.,* Alex Edmans et al., *Executive Compensation: A Survey of Theory and Evidence,* in Benjamin Hermalin & Michael Weisbach (eds.), Handbook Econ. Corp. Gov. 383 (2017) (''Edmans et al. 2017 Survey Paper'') at 386 (stating that ''[the] level of pay receives the most criticism, but usually amounts to only a small fraction of firm value. Badly structured incentives, on the other hand, can easily cause value losses that are orders of magnitudes larger'').

[484] Information about executive compensation is likely relevant in say-on-pay, say-on-frequency, and say-on-golden-parachute advisory votes, votes regarding the approval of equity compensation plans, and in director elections, particularly with respect to voting for directors who are members of the registrant's compensation committee. It may also be relevant in other shareholder voting settings, such as when voting on certain corporate transactions, because managerial incentives can provide context for evaluating the potential value of a proposal or recommendation put forth by management.

[485] *See, e.g.,* Edmans et al. 2017 Survey Paper, *supra* note 483 (summarizing theoretical and empirical research on executive compensation).

[486] In practice, an executive's *ex ante* incentives from a compensation program are generally characterized by the terms of incentive awards (including any market, performance, and service conditions as well as the exercise prices and expiration dates of option awards) and by the executive's expectations about how other elements of the executive's pay may change based on performance outcomes.

[487] There is also a risk that in the absence of transparency about ex ante incentives, the incentive structure may be changed ex post to give the appearance of incentives that are aligned with shareholders' interests even when compensation is not actually driven by performance. *See* Adair Morse et al., *Are Incentive Contracts Rigged by Powerful CEOs?* 66 J. Fin. 1779 (2011) at 1779 (finding that ''some powerful CEOs induce their boards to shift the weight on performance measures toward the better performing measures, thereby *rigging* incentive pay''). We acknowledge, however, that some *ex post* changes in the terms of compensation can be appropriate. *See, e.g.,* Viral Acharya et al., *On the Optimality of Resetting Executive Stock Options,* 57 J. Fin. Econ 65 (2000).

[488] For example, investors would likely be less able than insiders to gauge the rigor of performance hurdles (and even disclosing the hurdles themselves could risk competitive harm).

[489] Such ''in flight'' or *ex post* information can allow investors to refine their views of currently reported performance incentives demonstrating how a previously reported compensation structure is translating, or has translated, into an eventual compensation payout. For example, such information can demonstrate whether a particular board's past selection of performance targets turned out to be more or less rigorous and whether it used its *ex post* discretion (such as when paying discretionary bonuses, modifying outstanding awards, or making new grants) to intensify or dampen the performance sensitivity of pay. *See, e.g.,* Mascia Ferrari et al., *Competitive Pay Policies in CEO Compensation,* Columbia Business School Research Paper No. 4407139 (Mar. 31, 2025), available at *https://ssrn.com/abstract=4407139* (discussing equity granting practices that offset apparent *ex ante* pay for performance incentives through awards of larger numbers of shares following poor stock performance); Andrea Pawliczek, *Performance-Vesting Share Award Outcomes and CEO Incentives,* 96 Acct. Rev. 337 (2021) (''Pawliczek 2021 Study'') (finding that the difficulty of the performance targets of stock awards with performance-based vesting cannot be easily determined using *ex ante* disclosures and that, on average, the *ex post* payout level of such awards is at 115% of target).

[490] The study also finds that CEO motivation is sensitive to the perceived fairness of how the CEO's pay varies with performance. *See* Alex Edmans et al., *CEO Compensation: Evidence from the Field,* 150 J. Fin. Econ. 103718 (2023) (''Edmans et al. 2023 Study'').

[491] *See, e.g.,* Edmans et al. 2017 Survey Paper, *supra* note 483.

[492] *See infra* note 706.

[493] Research is mixed as to whether greater equity exposure is associated with actions to increase shareholder value or to reduce risks in the interest of preserving value (but often resulting in stock price underperformance), demonstrating that the effects are likely context dependent. *See, e.g.,* John E. Core et al., *Executive Equity Compensation and Incentives: A Survey,* 9 Econ. Pol. Rev. 27 (2003); Neil Brisley et al., *Required CEO Stock Ownership: Consequences for Risk-Taking and Compensation,* 66 J. Corp. Fin. 101850 (2021). Other research has concluded that the optimal level of equity incentives to maximize shareholder value varies

Continued

demonstrated that a higher sensitivity of CEO compensation to volatility in the registrant's stock price is predictive of less conservative strategic choices, such as a greater investment in R&D or in higher risk business segments.[494] Others have found that the vesting horizon of a CEO's outstanding equity awards is associated with whether the CEO's actions appear to prioritize short-term goals at the expense of long-term value creation, such as in the context of investment and acquisition decisions,[495] or, separately, with the likelihood that the CEO voluntarily departs from that role.[496] The choice of performance metrics and the difficulty of performance goals have also been shown to predict elements of registrant[497] and executive[498] performance.

While the elements of compensation design mentioned above (which we refer to broadly in this economic analysis as the level and performance sensitivity of pay) are generally believed to provide an executive's primary monetary incentives, other elements (which we refer to as other components and terms of compensation) can provide additional insight into executive decision-making and performance.[499] For example, researchers have found that executives with high pension (or deferred compensation) balances manage registrants more conservatively,[500] and that bond prices rise and stock prices fall when investors become aware of such compensation (and thus, presumably, adjust their expectations about managerial risk-taking).[501] Others have found that the incidence and/or size of severance plans and golden parachutes are associated with reduced managerial conservatism, registrant acquisition likelihoods and premiums, and shareholder value.[502] The terms of executive equity grants with respect to their entitlement to dividends or the sensitivity of performance metrics to share repurchases have been found to be associated with registrant payout policy and shareholder value.[503] Even certain perquisites have been found to provide meaningful signals about registrant performance.[504]

Altogether, this body of research provides evidence that various aspects of executive compensation design are associated with executive behavior and registrant performance in ways that may be relevant to investors' voting and investment decisions.

Information about executive pay packages may also be used by investors to evaluate the effectiveness of board oversight over the registrant and its executives, as the board (generally through or with the involvement of its compensation committee) is responsible for designing and approving executive compensation. While the board has certain fiduciary duties, the ability of shareholders to evaluate how well the board is upholding its duties and to make informed voting decisions in director elections is central to maintaining the accountability of directors.[505] Compensation decisions have been termed the ''acid test'' of corporate governance; they can provide insight into the board's effectiveness at addressing a direct conflict between shareholders' and managers' interests.[506] For example, depending on

with characteristics such as registrant size, growth opportunities, and monitoring costs. *See, e.g.,* John Core & Wayne Guay, *The Use of Equity Grants to Manage Optimal Equity Incentive Levels,* 28 J. Acct. Econ. 151 (1999).

[494] *See, e.g.,* Jeffrey L. Coles et al., *Managerial Incentives and Risk-Taking,* 79 J. Fin. Econ. 431 (2006); Nicholas F. Carline et al., *CEO Compensation Incentives and Playing It Safe: Evidence from FAS 123R,* 58 J. Fin. Quant. Analys. 2993 (2023); J. Carr Bettis et al., *Performance-Vesting Provisions in Executive Compensation,* 66 J. Acct. Econ. 194 (2018) (''Bettis et al. 2018 Study'').

[495] *See, e.g.,* Alex Edmans et al., *Equity Vesting and Investment,* 30 Rev. Fin. Stud. 2229 (2017); Adam C. Kolasinski & Nan Yang, *Managerial Myopia and the Mortgage Meltdown,* 128 J. Fin. Econ. 466 (2018); Alex Edmans et al., *The Long-Term Consequences of Short-Term Investment,* 60 J. Acct. Res. 2229 (2022).

[496] *See, e.g.,* Torsten Jochem et al., *The Retention Effects of Unvested Equity: Evidence from Accelerated Option Vesting,* 31 Rev. Fin. Stud. 4142 (2018); Radhakrishnan Gopalan et al., *The Role of Deferred Equity Pay in Retaining Managerial Talent,* 38 Contemp. Acct. Res. 2521 (2021).

[497] *See, e.g.,* Clara Xiaoling Chen et al., *Accounting Performance Goals in CEO Compensation Contracts and Corporate Risk Taking,* 68 J. Mgmt. Sci. 6039 (2021) (''Chen 2021 Study'').

[498] *See* Azi Ben-Rephael et al., *Uncovering the Hidden Effort Problem,* 80 J. Fin. 1261 (2025) (finding that the distance from the performance goals as the year progresses is associated with the degree of effort expended by CEOs, in the form of longer work hours). *But see* Benjamin Bennett et al., *Compensation Goals and Firm Performance,* 124 J. Fin. Econ. 307 (2017) (finding that managers may make suboptimal decisions to just beat performance thresholds rather than just falling short); Chen 2021 Study, *supra* note 497.

[499] *See, e.g.,* David Yermack, *Golden Handshakes: Separation Pay for Retired and Dismissed CEOs,* 41 J. Acct. Econ. 237 (2006) at 239 (stating that, based on the findings of this study and of several other cited studies, ''understanding top management incentives requires looking beyond routine annual compensation'').

[500] *See, e.g.,* Rangarajan Sundaram & David Yermack, *Pay Me Later: Inside Debt and Its Role in Managerial Compensation,* 62 J. Fin. 1551 (2007).

[501] *See* Chenyang Wei & David Yermack, *Investor Reactions to CEOs' Inside Debt Incentives,* 24 Rev. Fin. Stud. 3813 (2011).

[502] *See, e.g.,* Lucian A. Bebchuk et al., *Golden Parachutes and the Wealth of Shareholders,* 25 J. Corp. Fin. 140 (2014) (finding that golden parachute arrangements are associated with higher acquisition premiums but that registrants that adopt such arrangements experience negative abnormal stock returns during and subsequent to the period surrounding their adoption); Eliezer M. Fich et al., *On the Importance of Golden Parachutes,* 48 J. Fin. Quant. Analys. 1717 (2013) (finding that acquisitions have higher completion probabilities but lower takeover premiums when target CEOs have larger golden parachute payments relative to the expected value of their lost compensation after an acquisition); Brian D. Cadman et al., *Are Ex Ante CEO Severance Pay Contracts Consistent with Efficient Contracting?* 51 J. Fin. Quant. Analys. 737 (2016) (''Cadman et al. 2016 Study'') (finding that the total amount of pre-contracted severance payments for a CEO—but not just an indicator variable for whether or not a severance plan exists—is positively associated with CEO risk-taking as measured by, for example, the volatility of the registrant's stock price, changes in the registrant's debt level, and the propensity to invest in focusing rather than diversifying acquisitions); Andrew C. W. Lund & Robert Schonlau, *Golden Parachutes, Severance, and Firm Value,* 68 Fl. L. Rev. 875 (2017) (finding that the amount of a CEO's pre-contracted severance pay is negatively associated with shareholder value, as measured by Tobin's Q).

[503] *See, e.g.,* Z. Tingting Jia & Don M. Chance, *Dividends on Unearned Shares and Corporate Payout Policy: An Analysis of Dividend Equivalent Rights,* 12 Quart. J. Fin. 2250013 (2022); Kristina Minnick & Leonard Rosenthal, *Stealth Compensation: Do CEOs Increase their Pay by Influencing Dividend Policy?* 25 J. Corp. Fin. 435 (2014); Steven Young & Jing Yang, *Stock Repurchases and Executive Compensation Contract Design: The Role of Earnings per Share Performance Conditions,* 86 Acct. Rev. 703 (2011).

[504] *See, e.g.,* David Yermack, *Flights of Fancy: Corporate Jets, CEO Perquisites, and Inferior Shareholder Returns,* 80 J. Fin. Econ 211 (2006) (finding that registrants' stock prices drop by an average of 1.1% upon the disclosure of CEO personal usage of company airplanes, and then continue to underperform market benchmarks by about 4% per year); Angela B. Andrews et al., *Corporate Governance and Executive Perquisites,* 16 Rev. Acct. Fin. 21 (2017) (finding that registrants with weak governance that newly disclosed relatively high levels of CEO perquisites upon the 2006 changes in disclosure rules experienced a negative stock price reaction after such disclosure, while no such reaction was found for well-governed registrants). While these studies do not definitively identify the reason for an investor reaction to CEO perquisite disclosures, it is possible that the level of CEO perquisites provides investors with information about, *e.g.,* the effectiveness of board monitoring of CEOs and/or the degree of leisure consumption by CEOs.

[505] *See, e.g.,* Lucian Bebchuk, *The Myth of the Shareholder Franchise,* 93 Va. L. Rev. 675 (2007) at 680 (stating that ''the fear of replacement [by shareholders] is supposed to make directors accountable and provides them with incentives to serve shareholder interests''); Reena Aggarwal et al., *The Power of Shareholder Votes: Evidence from Uncontested Director Elections,* 133 J. Fin. Econ. 134 (2019) (finding that dissent votes in uncontested director elections are an effective disciplining mechanism in that they result in negative consequences for directors, such as departure from the board, the loss of committee membership, and reduced opportunities in the market for directors); *see also* Blasius Indus. v. Atlas Corp., 564 A.2d 651, 659 (Del. Ch. 1988) (''The shareholder franchise is the ideological underpinning upon which the legitimacy of directorial power rests.'').

[506] *See, e.g.,* Pablo Ruiz-Verdu & Ravi Singh, *Public Thrift, Private Perks: Signaling Board Independence with Executive Pay,* 76 J. Fin. 845 (2021).

the context, a relatively high level of executive compensation could provide insight into the board's assessment of the executive's skill and contribution,[507] or could reflect a weak board that may be a less effective steward of investor capital.[508] The design of executive compensation also provides insights into the priorities and goals of the board, based on how compensation is linked to registrant or executive performance (or other factors) and which performance metrics and thresholds are emphasized. Consistent with the hypothesis that executive compensation information is relevant for evaluating the board's performance, researchers have found an association between reduced shareholder support for directors and concerns about a registrant's executive compensation,[509] and such concerns are commonly cited in investors' self-reported rationales for their voting decisions in director elections.[510] The effectiveness of boards [511] and the nature of the relationship between a board and the CEO [512] also have potential implications for registrant performance and, thus, for informed investment decisions.

Disclosures about the directors' own compensation provide further information that may be relevant to voting [513] and investment [514] decisions. For example, some market participants as well as academics have expressed the view that granting some equity-based compensation for directors can provide ''skin in the game'' to align the interests of boards with shareholders, affecting the board's expected monitoring intensity.[515] On the other hand, certain compensation levels or structures may raise concerns from an investor perspective as to whether they may compromise director independence [516] or create incentives that are not consistent with long-term shareholder value maximization.[517] Because, under State corporate law, the board of directors generally has authority to determine the pay of its own members, subject to oversight by shareholders as provided under applicable law, transparency around director compensation can also help to ensure integrity in the director pay-setting process.[518]

Information about executive and director compensation is also used by registrants (either directly or through compensation consultants) to benchmark their own pay decisions and practices.[519] The availability of publicly disclosed compensation data reduces the need for registrants to base their compensation decisions on third party survey data, which may be less reliable, less detailed, or less comprehensive than data disclosed in public filings. Executives themselves may also use peer compensation data to evaluate their compensation relative to that of other executives to assess, for example, whether they view their own compensation as fair.[520] They may use this information in negotiating their compensation packages and in making decisions about their own careers.

The disclosure of executive compensation also has indirect effects. By facilitating the monitoring of compensation committee decisions, such disclosure may lead to more effective compensation design and better executive performance.[521] Further, transparency around executive compensation can discourage excessive pay or pay practices that investors view unfavorably. For example, a study of the initial institution of executive compensation disclosure requirements upon the enactment of the Exchange Act found that disclosure had a moderating effect on the level of CEO pay at the most extreme outliers, with pay at the top end dropping by about eighty percent, despite average CEO pay increasing.[522] In more recent times, studies of the practice of retroactively assigning an earlier grant date to an option award (to assign a lower exercise price) found that this practice of backdating was greatly diminished after executives were required to disclose grants of stock options within two business days of the grant (rather than

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[507] *See, e.g.,* Robert Daines et al., *The Good, The Bad, And The Lucky: CEO Pay and Skill,* University of Pennsylvania Institute for Law and Economics Research Paper Series (August 2005), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=622223.*

[508] *See, e.g.,* John E. Core et al., *Corporate Governance, Chief Executive Officer Compensation, and Firm Performance,* 51 J. Fin. Econ 371 (1999).

[509] *See, e.g.,* Mary Elizabeth Badgett et al., *Director Reputational Penalties when Shareholders Disapprove of Executive Compensation,* 45 J. Fin. Res. 755 (2022).

[510] *See* Roni Michaely et al., *Voting Rationales,* Working Paper (June 2025), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4521854.*

[511] *See, e.g.,* Renee B. Adams et al., *The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey,* 48 J. Econ. Lit. 58 (2010).

[512] *See, e.g.,* Renee B. Adams et. al., *Powerful CEOs and their Impact on Corporate Performance,* 18 Rev. Fin. Stud. 1403 (2005).

[513] *See, e.g.,* Institutional Shareholder Services, *United States Procedures and Policies Frequently Asked Questions* (Dec. 23, 2025), available at *https://www.iss-stoxx.com/file/policy/current/americas/us-procedures-and-policies-faq.pdf,* at 40–41 (describing one proxy advisory service's evaluation of director compensation, and specifying that adverse vote recommendations may be issued in the case of a recurring pattern of excessive director pay magnitude without disclosure of a compelling rationale).

[514] *See, e.g.,* Lily Fang & Sterling Huang, *The Governance of Director Compensation,* 155 J. Fin. Econ. 103813 (2025) (identifying a positive stock price reaction to reductions in director compensation at registrants that had awarded higher-than-average director compensation prior to a court ruling that addressed the legal standard applicable to directors' decisions about their own pay).

[515] *See, e.g.,* Yuting Qian et al., *Skin in the Game: Does Outside Directors' Equity-Based Compensation Induce or Mitigate Stock Price Crash Risk?,* 51 J. Acct. Pub. Pol. 107308 (2025) (finding evidence that equity pay can align outside directors' interests with shareholders by strengthening risk oversight and summarizing the results of other studies on the effects of director equity compensation).

[516] *See, e.g.,* Mustafa A. Dah & Melissa B. Frye, *Is Board Compensation Excessive?,* 45 J. Corp. Fin. 566 (2017); I. Brick et al., *CEO Compensation, Director Compensation, and Firm Performance: Evidence of Cronyism?,* 12 J. Corp. Fin. 403 (2006).

[517] *See, e.g.,* Deborah S. Archambeault et al., *Audit Committee Incentive Compensation and Accounting Restatements,* 25 Contemp. Acct. Res. 965 (2008); Kristina Minnick & Mengxin Zhao, *Backdating and Director Incentives: Money or Reputation?,* 33 J. Acct. Pub. Pol. 391 (2017).

[518] *See, e.g.,* Melissa B. Frye et al., *Director Self-Dealing,* 85 J. Corp. Fin. 102560 (2024) (providing evidence consistent with shareholders monitoring director pay).

[519] Benchmarking is employed by registrants for a variety of reasons, including seeking to remain competitive in the labor market relative to other companies, validating that their compensation decisions satisfy their fiduciary duties, proactively addressing potential investor and/or executive questions about compensation decisions, and generating new ideas and adopting best practices for executive compensation. *See, e.g.,* letters from ABA (referencing ''insights into competitive market practices'' as having a role in ''board's or compensation committee's decision-making''); Axcelis (stating that ''the uniform and comprehensive disclosure of actual executive compensation terms by all public companies provides critical data for all executive compensation decision-makers, allowing them to determine appropriate . . . compensation by referencing broad datasets of peer information''); Pearl Meyer; Reda; Society for Corporate Governance (stating that, in a survey of their members, ''some respondents also expressed that registrants may derive benefit from the current disclosure requirements, for example, by using the information on NEOs other than the CEO and CFO in assessing competitive compensation for those roles, without the need to rely on external consultants or other sources for market information'').

[520] *See, e.g.,* Edmans et al. 2023 Study, *supra* note 490.

[521] *See, e.g.,* Dichu Bao et al., *The Real Effects of Disclosure Regulation: Evidence from Mandatory CFO Compensation Disclosure,* 41 J. Acct. Pub. Pol. 106995 (2022) (''Bao et al. 2022 Study'') at 106995 (finding that registrants which started disclosing CFO compensation information under the 2006 rules, compared to a group of control firms, which already disclosed CFO compensation before 2006, experienced ''an improvement in CFO performance following these disclosures, as exhibited in decreases in accounting misstatements and unexplained audit fees'').

[522] *See* Alexandre Mas, *Does Disclosure affect CEO Pay Setting? Evidence from the Passage of the 1934 Securities and Exchange Act,* Working Paper (March 2016), available at *https://www.princeton.edu/~amas/papers/CEODisclosureMandate.pdf.*

up to 40 days after the grant, prior to the rule change).[523] Executive compensation disclosures can also help investors to better interpret broader corporate disclosures through an understanding of how executives' monetary incentives may affect their exercise of discretion over the content or timing of disclosures, such as in the issuance of management earnings forecasts.[524]

Executive and director compensation disclosure also has costs, including the direct costs of producing the disclosures and the unintended consequences of such disclosure. The direct costs to registrants include the use of internal resources and expenditures on outside advisors for the purposes of, for example, information collection; computations; the design of any principles-based elements; the drafting of tables, narratives, and footnotes; and review of the disclosure.[525] With respect to unintended consequences, the disclosure of executive compensation information has been tied to ''ratchet'' effects, whereby registrant practices of benchmarking executives' compensation to be above the median among peers lead pay at all registrants generally to increase.[526] This ''ratchet'' effect may be reinforced by cross-registrant comparisons made by executives themselves, with potential discontent and demotivation resulting from comparisons to pay at a registrant's peers that make an executive feel relatively underpaid, even if these peer registrants do not reflect the executive's actual potential alternative employment opportunities.[527] Benchmarking practices and shareholder scrutiny of executive compensation disclosures can also lead to more uniform pay structures, which might come at the expense of compensation incentives that are more optimally designed for the individual circumstances of different registrants.[528] Further, historical disclosure requirements treating certain elements of pay or benefits (such as options or deferred compensation) differently than others were associated by researchers with distortions in compensation, with growth in compensation in the form of those elements that were less transparent, even if such compensation were not otherwise optimal from a registrant's perspective.[529]

The users of executive and director compensation disclosures generally seek to compare data about such compensation across registrants.[530] Without the ability to compare these data, it can be difficult to gauge its appropriateness, because the broader labor market for executives and directors plays a key role in determining the pay level and incentives for performance that may be necessary to attract, retain, and motivate these individuals.[531] A registrant's executive and director compensation data can therefore be more effectively evaluated by investors if it can be generally understood in comparison to the disclosures of other registrants. Comparability is also likely to be important for registrants and executives to the extent they seek to benchmark pay practices.

While the consistency and comparability of data across registrants' compensation disclosures facilitate these uses of the disclosures, the ability of registrants to otherwise tailor disclosures to their own individual circumstances can also contribute to the effective communication of executive compensation information. Such flexibility may be particularly likely to contribute to more effective disclosure when, for example, compensation packages have unique features that may be harder to understand from information presented in standardized formats or when compensation structures evolve such that prescriptive requirements designed in the past no longer clearly convey their material elements.

In addition, while many of the current executive and director compensation disclosures may, as discussed above, individually provide certain relevant information to the market, the utility of the disclosures may not be uniform. Some disclosures may be more relevant to investors' voting and investment decisions than others, and a given disclosure's contribution may be limited where it adds little to information conveyed elsewhere. With respect to some registrants, certain disclosures may be essentially irrelevant given their compensation structures or specific circumstances. Reducing redundancies and disclosure of immaterial information, while preserving the disclosure of information about executive compensation practices that is more likely to be material, could improve the overall effectiveness of compensation disclosures by concentrating investor attention on the information most relevant to their decisions.[532]

Taking into account all of these considerations on both the utility and cost of executive and director compensation disclosure, we analyze the benefits and costs of the specific provisions of the proposed amendments in detail below.

C. Baseline

To assess the economic impact of the proposed amendments, our primary baseline is the current state of the market and requirements with respect to executive compensation disclosure. We also consider an alternative baseline that assumes the adoption of the amendments proposed in the 2026 Filer Status Proposing Release,[533] due to the important effects those proposed amendments would have on the application of executive compensation disclosure requirements.

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[523] *See, e.g.,* Kevin J. Murphy & Michael C. Jensen, *The Politics of Pay: The Unintended Consequences of Regulating Executive Compensation,* 3 J. L. Fin. Acct. 189 (2018) (''Murphy & Jensen 2018 Study''); *see also Ownership Reports and Trading by Officers, Directors and Principal Security Holders,* Release No. 34–46421 (August 27, 2002) [67 FR 56461 (Sept. 3, 2002)].

[524] *See* Jung Min Kim, *Uncertainty about Managerial Horizon and Voluntary Disclosure,* 28 Rev. Acct. Stud. 615 (2023).

[525] The direct costs associated with disclosure requirements that would be revised or eliminated under the proposed amendments are discussed in more detail below. *See infra* sections IV.D to IV.L.

[526] *See, e.g.,* John M. Bizjak et al., *Does the Use of Peer Groups Contribute to Higher Pay and Less Efficient Compensation,* 90 J. Fin. Econ. 152 (2008).

[527] *See* Edmans et al. 2023 Study, *supra* note 490.

[528] *See, e.g.,* Felipe Cabezon, *Executive Compensation: The Trend Toward One-Size-Fits-All,* 79 J. Acct. Econ. 101708 (2025) (finding that, since 2006, 24% of the variation in the distribution of CEO compensation across pay components disappeared).

[529] *See, e.g.,* Murphy & Jensen 2018 Study, *supra* note 523, at 202–204 (discussing the growth in option compensation prior to options expensing and disclosure requirements); Lucian A. Bebchuk & Jesse M. Fried, *Stealth Compensation Via Retirement Benefits,* NBER Working Paper (September 2004), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=590730* (discussing pensions and deferred compensation arrangements under the more limited disclosure requirements for these items prior to the 2006 rules); Yaniv Grinstein et al., *The Economic Consequences of Perk Disclosure,* 34 Contemp. Acct. Res. 1812 (2017) (finding that registrants that did not previously disclose perquisites reduced perquisites by an average of 34% from 2006 to 2007 after disclosure of perquisites became mandatory).

[530] *See, e.g.,* letters from Baillie Gifford; CFA Institute; State Board Florida.

[531] *See, e.g.,* Edmans et al. 2017 Survey Paper, *supra* note 483, at 427–428 (discussing the theoretical role of a competitive labor market in the determination of the optimal executive compensation contract); Huasheng Gao et al., *Effects of Managerial Labor Market on Executive Compensation: Evidence from Job-Hopping,* 59 J Acct. Econ. 203 (2015) at 204 (stating that ''a surging amount of literature has proposed that executive compensation is better understood in the context of the managerial labor market'').

[532] As discussed below, including in section IV.N, more streamlined disclosures may be most likely to benefit retail investors and others who read the disclosures linearly and are thus most affected by the overall volume of disclosure.

[533] *See supra* note 32.

1. Affected Parties

We consider the impact of the proposed amendments on registrants (and their executive officers) and investors. As discussed above,[534] the proposed amendments would revise requirements for disclosures relating to executive compensation for all registrants with active reporting obligations under (a) section 13(a) of the Exchange Act due to a registration under section 12 of the Exchange Act [535] (''section 12 registrants'') or (b) section 15(d) of the Exchange Act [536] (when not also section 12 registrants, ''section 15(d) registrants''), in each case other than registered investment companies.[537] Registrants in different filer categories are currently subject to different executive compensation disclosure requirements, and the proposed amendments' effects on any given registrant would therefore vary across these categories. Similarly, investors may differ in how they review and use disclosures on executive compensation. We discuss some of these differences in section IV.C.6 below. We acknowledge that subgroups of investors (*e.g.,* institutional investors, financial intermediaries acting on behalf of investors, retail investors) may be differentially affected by certain provisions of the proposed amendments. Where possible, we discuss potential differential effects, and we invite comments to further our understanding of these differences and to help us quantify effects on investors.

Table 1 presents estimates of the numbers of registrants by filer category, including business development companies (''BDCs'') and foreign private issuers (''FPIs'').[538] Of the registrants included in the table, all are expected to be directly affected by at least one of the proposed amendments except the externally managed BDCs and FPIs that are not listed in the U.S.,[539] which may nevertheless also be included in some of the other subcategories presented in the table.

Table 1. Registrants by Filer Category

Section 12 registrants, other than registered investment companies and asset-backed securities issuers, of which:	6,535
SRCs	2,523
EGCs	1,615
All BDCs / Internally managed BDCs	142 / 5
All FPIs / U.S. listed FPIs	1,178 / 1,104
Not a member of any of these subcategories	2,589
Section 15(d) registrants, other than registered investment companies and asset-backed securities issuers, of which:	386
SRCs	189
EGCs	134
All BDCs / Internally managed BDCs	13 / 0
All FPIs / U.S. listed FPIs	28 / 5
Not a member of any of these subcategories	149

The filer subcategories in Table 1 are not mutually exclusive, such that the counts in the provided subcategories cannot be summed to produce the total number of registrants included in any combination of subcategories. The table, therefore, separately presents the total number of section 12 and section 15(d) registrants that are not members of any of the listed subcategories. Also, because the current executive compensation disclosure requirements applicable to SRCs and EGCs are substantially similar,[540] we note that the combined number of registrants that are either SRCs or EGCs (or both) based on their current filer status (using, as in the first column of the table, filings in calendar year 2025 to categorize registrants) is 3,189 in the case of section 12 registrants and 221 in the case of section 15(d) registrants.

Throughout this economic analysis, we also consider the ways in which the effects of the proposed amendments discussed in this release would differ if the proposed amendments in the 2026 Filer Status Proposing Release are adopted as proposed. That proposed rulemaking would define a new group of non-accelerated filers (''new NAFs'') that would include all SRCs and EGCs (and additional filers that are currently neither SRCs nor EGCs), extend to new NAFs the disclosure and other accommodations currently applicable to SRCs and EGCs, and eliminate the SRC category. Thus, if the proposed amendments in the 2026 Filer Status Proposing Release are adopted as proposed, the executive compensation disclosure accommodations currently available to SRCs and/or EGCs would

[534] *See supra* section II.

[535] 15 U.S.C. 78m(a). These registrants include those with securities registered under either section 12(b) of the Exchange Act [15 U.S.C. 78l(g)] or section 12(g) of the Exchange Act [15 U.S.C. 78l(g)].

[536] 15 U.S.C. 78o(d).

[537] To clarify, a registered management investment company with securities listed on a U.S. exchange would be affected by the proposed elimination of Item 18(b) of Form N–CSR, but registered investment companies would otherwise not be affected by any other elements of the proposed amendments.

[538] The estimates in this table are based on staff analysis of EDGAR filings in calendar year 2025. U.S. listed status for FPIs is determined based on data from the Center for Research in Security Prices (''CRSP'') database, which contains daily and monthly market data for securities with listings on the NYSE, NYSE American, Nasdaq, and NYSE Arca exchanges.

[539] We also note that the registrants in Table 1 include 152 co-registrants (not including the lead filer) who filed Form 10–K jointly with another registrant. We acknowledge that these co-filers often may not have independent executive compensation disclosure obligations separate from those of the lead filer. For example, under certain conditions, wholly-owned subsidiaries of a reporting company are generally permitted to omit executive compensation disclosures. *See infra* note 546 and associated text.

[540] *See supra* section II.M.

become available to a larger number of registrants.[541]

FPIs generally [542] file their annual reports on Form 20–F or Form 40–F, which require more limited executive compensation disclosures than domestic forms, though more detailed information is required if it is otherwise disclosed by the registrant or required to be disclosed in a different jurisdiction.[543] The proposed amendments would not change these requirements. However, FPIs with securities listed on a national U.S. exchange are subject to the check box disclosure requirements with respect to clawbacks and may thus be affected by the related elements of the proposed amendments.[544] Externally-managed BDCs, in contrast to internally-managed BDCs, generally do not have NEOs and thus are not subject to such disclosure.[545] Asset-backed securities issuers typically omit executive compensation disclosures in accordance with General Instruction J to Form 10–K because the issuing entity does not have executive officers or directors, and thus are unlikely to be affected by the proposed amendments. Similarly, a registrant that is a wholly-owned subsidiary of a reporting company may file an abbreviated Form 10–K, which omits Item 402 disclosure, if it meets the conditions of General Instruction I(1) to the form.[546] Principal executive compensation disclosure and advisory vote requirements for other domestic registrants, and how these vary across registrant categories, are summarized in brief in the following section.

2. Regulatory Baseline

The current requirements with respect to executive compensation disclosure are discussed in detail earlier in this release.[547] Here we provide only a brief summary to illustrate the different regulatory baselines that apply to different subsets of registrants.

All section 12 and section 15(d) registrants that are not EGCs or SRCs, other than FPIs and registered investment companies, are required to disclose annual compensation data about their NEOs [548] in six primary tables: [549] the Summary Compensation Table, the Grants of Plan-Based Awards Table, the Outstanding Equity Awards at Fiscal Year-End Table, the Option Exercises and Stock Vested Table, the Pension Benefits Table, and the Nonqualified Deferred Compensation Table, each with accompanying footnotes and narrative disclosures. As discussed in more detail in the previous section (section IV.C.1), asset-backed securities issuers, and, under certain conditions, wholly-owned subsidiaries of a reporting company are generally permitted to omit executive compensation disclosures whereas externally-managed BDCs generally do not have NEOs and thus are not required to provide executive compensation disclosures. Registrants subject to the Commission's proxy rules [550] generally include executive compensation disclosure in their proxy statements or information statements,[551] while section 15(d) registrants (which are not subject to the proxy rules) and some registrants with securities registered only under section 12(g) of the Exchange Act [552] (those that do not file a proxy statement or information statement in a given year, such as some limited partnerships) [553] include this annual disclosure in their reports on Form 10–K. This disclosure is also expressly required in several registration statements under the Securities Act and the Exchange Act.[554]

SRCs and EGCs are eligible to provide disclosure in accordance with a scaled version of these requirements, with only two primary tables (a Summary Compensation Table and an Outstanding Equity Awards at Fiscal Year-End Table, with accompanying footnotes and required narrative disclosures). SRCs and EGCs are also eligible to provide two rather than three years of executive compensation disclosure in the Summary Compensation Table, to exclude any amounts associated with pensions (except when benefits are accelerated pursuant to a change in control), and to apply a more limited definition of NEO.[555]

The registrants subject to the current tabular disclosure requirements, other than SRCs and EGCs, are also required to provide a CD&A explaining all material elements of the registrant's compensation of the NEOs, with a focus on the material principles underlying the registrant's executive compensation policies and decisions and the most important factors relevant to analysis of those policies and decisions.[556]

The Dodd-Frank Act Amendments also apply to varying subsets of registrants. Pay ratio disclosure is currently required for all registrants that must provide the principal tabular disclosures, other than EGCs and SRCs.[557] Pay-versus-performance

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[541] As discussed in the 2026 Filer Status Proposing Release, based on the data presented in that release (reflecting registrants filing annual reports in calendar year 2024), the number of new NAFs were estimated to be 4,825 registrants. Based on updated analysis reflecting 2025 calendar year filings, staff has estimated that the updated number of new NAFs would be 4,543 registrants, or 4,541 when excluding two registered investment companies that filed annual reports on Form 10–K. Of these 4,541 registrants, staff estimated that 4,183 were section 12 registrants while the remaining 358 were section 15(d) registrants. Further, based on these updated data, among registrants that are not registered investment companies or asset-backed securities issuers, staff estimated that a total of 1,168 registrants (all section 12 registrants) would neither be new NAFs nor a member of any of the other subcategories listed in Table 1.

[542] FPIs may choose to file their annual report on Form 10–K, in which case they must follow the rules for domestic issuers. Based on staff analysis of Form 10–K filings during CY 2023, at least nine FPIs filed on Form 10–K. *See Concept Release on Foreign Private Issuer Eligibility,* Release No. 33–11376 (June 4, 2025) [90 FR 24232 (June 9, 2025)] at 24237, n. 73 (identifying nine FPIs filing on Form 10–K).

[543] *See* Items 6.B, 6.E.2, and 6.F of Form 20–F and paragraph (19) of General Instruction B of Form 40–F.

[544] *See supra* section II.H.

[545] An externally-managed BDC generally contracts with a separate third-party investment advisor for managerial and advisory services rather than employing its own executive officers.

[546] While this paragraph focuses on annual reports in order to characterize the varying disclosure obligations of different types of registrants, several registration statements, such as Form S–1, Form 10, Form S–4, and Form S–11, also require Item 402 disclosures. In most cases, the annual report and registration statement disclosure obligations with respect to Item 402 are aligned. However, wholly-owned subsidiaries would need to provide Item 402 disclosure in their initial registration statement before omitting it from subsequent annual reports.

[547] *See supra* sections II.A through II.P.

[548] *See supra* section II.B.

[549] *See supra* section II.C.

[550] The Commission's proxy rules apply to the solicitation of proxies with respect to securities registered pursuant to section 12 of the Exchange Act [15 U.S.C. 78*l*].

[551] Item 11 of Form 10–K also calls for disclosure of the executive compensation information required under Item 402. However, this information may be incorporated in Form 10–K by reference from the registrant's definitive proxy statement or definitive information statement which involves the election of directors, if the definitive proxy statement or information statement is filed not later than 120 days after the end of the fiscal year covered by the Form 10–K. *See* General Instruction G.(3) to Form 10–K.

[552] 15 U.S.C. 78*l*(g).

[553] Proxy statement filing obligations only arise under section 14(a) of the Exchange Act [15 U.S.C. 78n(a)] when an issuer with a class of securities registered under section 12 of the Exchange Act [15 U.S.C. 78l] chooses to solicit proxies. Whether or not an issuer has to solicit proxies is dependent upon any requirement under its charter or bylaws or otherwise imposed by law in the state of incorporation or stock-exchange (if listed), not the federal securities laws. For example, NYSE, NYSE American, and Nasdaq require the solicitation of proxies for annual meetings of shareholders. Also, when issuers that do not solicit proxies from any or all security holders are nevertheless authorized by security holders to take a corporate action at or in connection with an annual meeting or by written consent in lieu of such meeting, they are required to file and disseminate an information statement under section 14(c) of the Exchange Act [15 U.S.C. 78n(c)].

[554] *See* Form S–1, Form S–4, Form S–11, and Form 10.

[555] *See supra* section II.M; section II.B.

[556] *See supra* section II.F.

[557] *See supra* section II.I.

disclosure is required for the subset of registrants required to provide the principal tabular disclosures, other than EGCs, that disclose this information in proxy or information statements.[558] Thus, this disclosure is not required for section 15(d) registrants or for those with securities registered under section 12(g) of the Exchange Act that do not disseminate a proxy or information statement in a given year. The pay-versus-performance disclosure requirements permit SRCs to provide scaled disclosures.[559] Finally, clawback disclosures related to a registrant's actions to recover certain erroneously awarded compensation are required for any section 12 or section 15(d) registrant that has securities listed on a U.S. exchange, including U.S.-listed FPIs and certain listed registered investment companies.[560] The check-box disclosure requirements that would be eliminated by these proposed amendments apply to all of the registrants subject to the clawback disclosure requirements with the exception of registered investment companies.[561]

Other disclosure requirements applying to all registrants that must provide the primary tables discussed above include, for example, the disclosure of director compensation,[562] narrative and quantitative disclosure regarding options granted to NEOs in close proximity to the release of material non-public information,[563] narrative disclosure of hedging policies, and, for registrants other than SRCs and EGCs, prescriptive narrative and quantitative disclosure of potential payments to NEOs upon termination or a change in control[564] and narrative disclosure of a registrant's compensation policies and practices as they relate to risk management.[565]

All section 12 and section 15(d) registrants other than FPIs and registrants that are wholly-owned subsidiaries of a reporting company[566] are also currently required to file current reports on Form 8–K under Item 5.02[567] upon the occurrence of matters including (a) the departure of directors; (b) the departure of certain officers, including, among others, any NEO; (c) the appointment of certain officers; (d) the election of new directors; (e) the commencement (or material modification) of a material compensatory plan, contract, or arrangement with a PEO, PFO, or any NEO; and (f) the calculation of salary and bonus information of an NEO that was omitted from previous Item 402 compensation disclosure in reliance on Instruction 1 to 17 CFR 229.402(c)(2)(iii) and (iv). We estimate that a total of approximately 11,053 Form 8-Ks were filed under all subsections of Item 5.02 in calendar year 2025 (including about 3,783 filings with disclosure under Item 5.02(b) regarding executive departures, about 3,665 filings with disclosure under Item 5.02(e) regarding compensation arrangements, and about 64 filings with disclosure under Item 5.02(f) regarding salary or bonus information omitted from a previous compensation disclosure).[568]

The affected registrants are also subject to requirements to disclose their annual performance outside of the Item 402 disclosure requirements, which can be relevant when evaluating executive compensation. All section 12 and section 15(d) registrants are subject to financial statement and disclosure requirements under Regulation S–X. All section 12 and section 15(d) registrants other than SRCs and FPIs are also subject to Item 201(e) of Regulation S–K, which requires the graphical disclosure of a five-year history of registrant TSR and peer group TSR.

Section 12 registrants that are not FPIs or EGCs (but including SRCs that are not EGCs) are also required to hold say-on-pay advisory votes on the compensation of the NEOs.[569] The frequency of these shareholder votes may be annual, every two years, or every three years, depending on the outcome of a binding shareholder vote on such frequency held at least every six years.[570] These registrants (section 12 registrants other than FPIs and EGCs, but including SRCs that are not EGCs) are also required, potentially, to make golden parachute disclosures and to hold say-on-golden-parachute votes. Shareholders also vote regularly in director elections at nearly all registrants other than section 15(d) registrants who have registered debt securities but not equity securities,[571] including for members of the compensation committee, and may consider compensation when making

[558] *See supra* section II.G.

[559] *See id.*

[560] *See* 17 CFR 229.402(w). We recognize that a section 15(d) reporting obligation typically is not active while a class of securities is traded on a national securities exchange because the section 13(a) reporting obligation arising from a section 12(b) registration would govern. That scenario could, however, occur if a registrant has filed a Form 25 to delist a class of securities and terminate its section 12(b) registration, and the registrant becomes obligated to file any reports that would be required under section 15(d) pending the delisting. *See* 17 CFR 240.12d2–2(d)(7).

[561] *See* Form 10–K; Form 20–F; Form 40–F. While not subject to the check-box requirements, a registered management investment company with securities listed on a U.S. exchange would be affected by the proposed elimination of Item 18(b) of Form N–CSR.

[562] *See supra* section II.L.

[563] *See supra* section II.O.3.

[564] *See supra* section II.J.

[565] *See supra* section II.O.2.

[566] *See* Instruction 1 to Item 5.02 of Form 8–K.

[567] *See* Form 8–K, Item 5.02(a) through (f).

[568] Staff reviewed filings using the Intelligize database and identified 11,967, 11,116, and 11,053 Item 5.02 Form 8–K filings in each of calendar years 2023, 2024, and 2025 respectively. The number of unique registrants making such filings in each of these years was 4,819, 4,526, and 4,469 respectively. Staff used a large language model (''LLM'') to analyze the Item 5.02(b), 5.02(e), and 5.02(f) disclosures from EDGAR in 2025. The LLM model used was OpenAI GPT–OSS–120B–1:0 with temperature set to 0. The model does not have access to the internet. We converted the filings to text and queried the LLM with the following prompt: ''Task: extract Item 5.02 structured records from the filing text. | Regulatory reasons for Item 5.02 filings include and are limited to |: a: Director resignation/removal due to disagreement/cause; | b: Departure of director or principal officer (standard/non-dispute); | c: Appointment of a new principal officer (not applicable to continuation of existing appointments); | d: Election of a new director; | e: New/amended material compensatory arrangement; | f: Determination of previously uncalculable salary/bonus. | Note: an individual being appointed as both a principal officer and a director should result in two extractions: one for 'c—appointment of a new principal officer' and one for 'd—election of a new director'. However, an existing officer being elected to a director position should not result in a new extraction for c, just for d. | Note: some filings are merely descriptions of changing compensation plans or agreements, not related to any individual, and should be labeled with reason e or f as applicable, but with null for name and role if none are specifically mentioned. | Output schema provided as (strict JSON object): | ''extractions'' | name, | role, | board_member, | reason_text, | reason_label, | date_effective, material_terms, and evidence. | Rules: Keep each extraction focused on a single person or single event. | Use null for unknown values; do not invent values. | Standardize role names where obvious (*e.g.,* CEO, CFO, Director). | Set board_member=true only when the focused individual is clearly stated to be a board member or director. | reason_text should be concise and quote-near to source wording. | evidence should be a short supporting excerpt from the filing text. | If nothing relevant is found, return an empty extractions array with filing_notes: 'No Item 5.02 content found'.'' We note that an LLM analysis can result in both false positives and false negatives, and that this analysis is stochastic in nature. Hence, re-running the same algorithm could yield different results. To assess and improve the accuracy of the results, we also conducted a manual validation of a random sample of 100 filings. This review identified five flagged items as potent errors. Two of the five flagged errors could be attributed to errors in prompting when isolating the Item 5.02 disclosures (in one instance the LLM extracted a table of contents and in another instance, the LLM extracted incorporation by reference language from Item 1.01). Of the three substantive errors, two involved 8-Ks with ambiguities in the source (*e.g.,* 8–K amendments and 8-Ks that used incorporation by reference language) and one error involved language that the LLM missed. The results reported above reflect the LLM's extraction output for the successfully processed filings with refinement using manual processing to further restrict the filings identified as containing type (b) or type (e) content to those where the focused individual was not identified to be only a board member (and not an executive officer).

[569] *See supra* section I.A.

[570] *See id.*

[571] We note that, in rare cases, holders of the registered class of equity may not have voting rights.

these voting decisions even in the absence of a say-on-pay vote.

The first five columns of Table 2 summarize how some of these existing principal requirements with respect to executive compensation disclosure currently vary across filer categories.[572] This table is a partial list for the purpose of demonstrating key differences and should not be viewed as an exhaustive list of regulatory requirements with respect to executive compensation.

Table 2. Application of Certain Baseline Disclosure and Advisory Vote Obligations by Filer Categories (Excluding Registered Investment Companies)

	FPI	EGC	SRC	Other Section 12 Registrants	Section 15(d) (only) Registrants	New NAFs
Six primary tables	No	Scaled	Scaled	Yes	Yes	Scaled
CD&A	No	No	No	Yes	Yes	No
Pay vs. performance	No	No	Scaled	Yes	No	No
Pay ratio	No	No	No	Yes	Yes	No
Clawbacks check boxes	If listed	If listed	If listed	If listed	If listed	If listed
Form 8-K re: NEOs	No	Yes	Yes	Yes	Yes	Yes
Golden parachutes	No	No	Yes	Yes	No	No
Option grant timing	No	Yes	Yes	Yes	Yes	Yes
Risk management	No	No	No	Yes	Yes	No
Say-on-pay votes	No	No	Yes	Yes	No	No

As discussed in the previous section (section IV.C.1), the 2026 Filer Status Proposing Release would define a new group of non-accelerated filers which we refer to in this economic analysis as ''new NAFs.'' The new NAFs would, based on the data presented in the 2026 Filer Status Proposing Release,[573] represent about 81 percent of registrants but only 6.5 percent of the total market public float of all registrants. The last column of Table 2 summarizes the requirements that would apply to new NAFs assuming the adoption (as proposed) of amendments in the 2026 Filer Status Proposing Release but without giving effect to the proposed amendments discussed in this release. New NAFs would be provided virtually all[574] scaled disclosure and other accommodations currently available to current NAFs, EGCs, and/or SRCs. As such, without giving effect to the amendments proposed in this release, the new NAFs would, like current SRCs and EGCs, be eligible to provide scaled disclosure for the primary tables, with two rather than six tables (a Summary Compensation Table and an Outstanding Equity Awards at Fiscal Year-End Table), two rather than three years of executive compensation information, the exclusion of any amounts associated with pensions (except when benefits are accelerated), and a more limited definition of NEOs. New NAFs would not have any CD&A, pay ratio, or pay-versus-performance disclosure requirements, and would not be required to hold say-on-pay votes. They would be subject to the clawbacks check box disclosure requirements if listed (without giving effect to the amendments proposed in this release) and would be subject to Item 5.02 Form 8–K disclosure.

3. Number and Tenure of NEOs

The current number of NEOs in a given year varies across registrants depending on, for example, the size of each registrant's executive team, the extent of transitions among its executive officers, and the definition of ''NEO'' applicable to the registrant (dependent on whether it is or is not an SRC and/or EGC). Currently, SRCs and EGCs, on

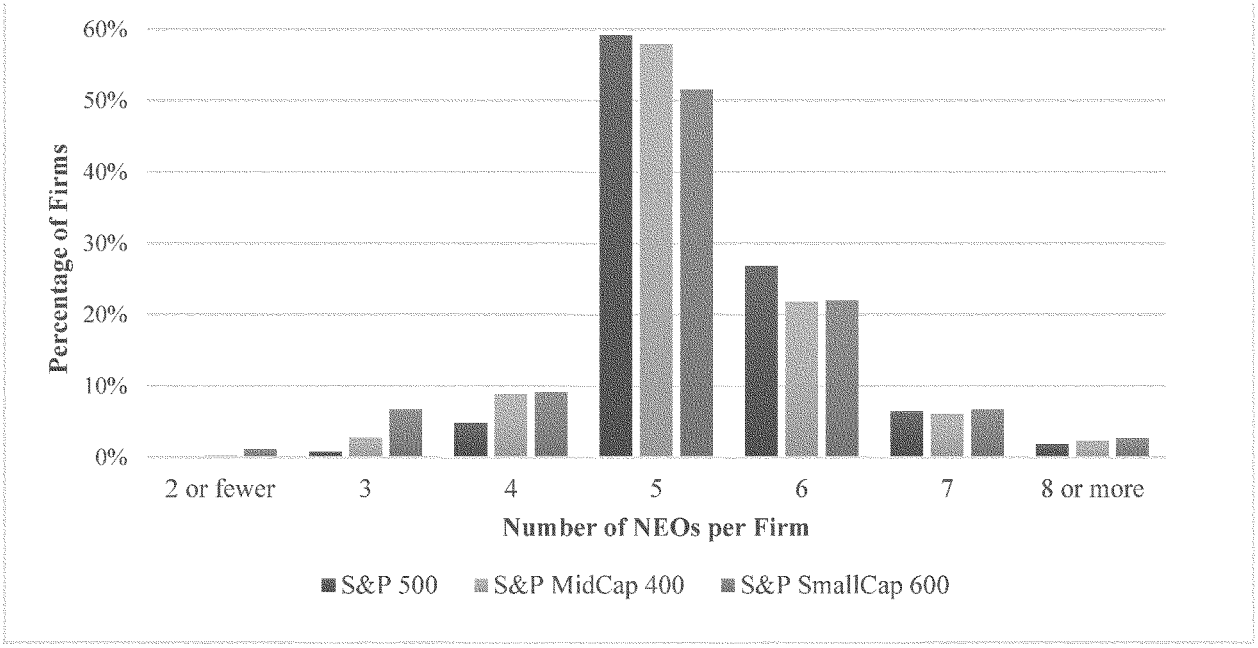
[572] A section 15(d) registrant with only registered debt and no public float would generally be able to also avail itself of the SRC accommodations presented in the SRC column. A registrant that has filed a Form 25 or Form 15 to terminate a section 12(b) or 12(g) registration remains subject to the proxy rules for 90 days thereafter. Registrants falling in this category would be subject to the same proxy requirements as section 12 registrants for that 90-day period, rather than, for example, the requirements delineated in the ''Section 15(d) (only) Registrants'' column.

[573] The data presented in the 2026 Filer Status Proposing Release is based on 2024 calendar year filings, while the registrant counts presented in this release are based on 2025 calendar year filings.

[574] *See* 2026 Filer Status Proposing Release, notes 222–227 and accompanying text (regarding the provision of confidentiality under section 6(e)(2) of the Securities Act).

average, have fewer NEOs than other registrants due to the more limited definition of NEOs applying to such registrants. Figure 1 demonstrates the current distribution of the number of NEOs across registrants of different sizes with available data.[575]

Figure 1. Number of NEOs across Registrants of Different Sizes



The mean and median number of NEOs in the full sample are 5.19 and 5, respectively. The minimum and maximum number of NEOs in the full sample are one and nine, respectively. Among the registrants with available data, 15 percent report four or fewer NEOs and 31 percent report six or more NEOs. While Figure 1 generally represents registrants that are not SRCs or EGCs,[576] in a separate analysis of a small combined sample of SRCs and EGCs for which data were readily available, we found that the majority have three NEOs.[577]

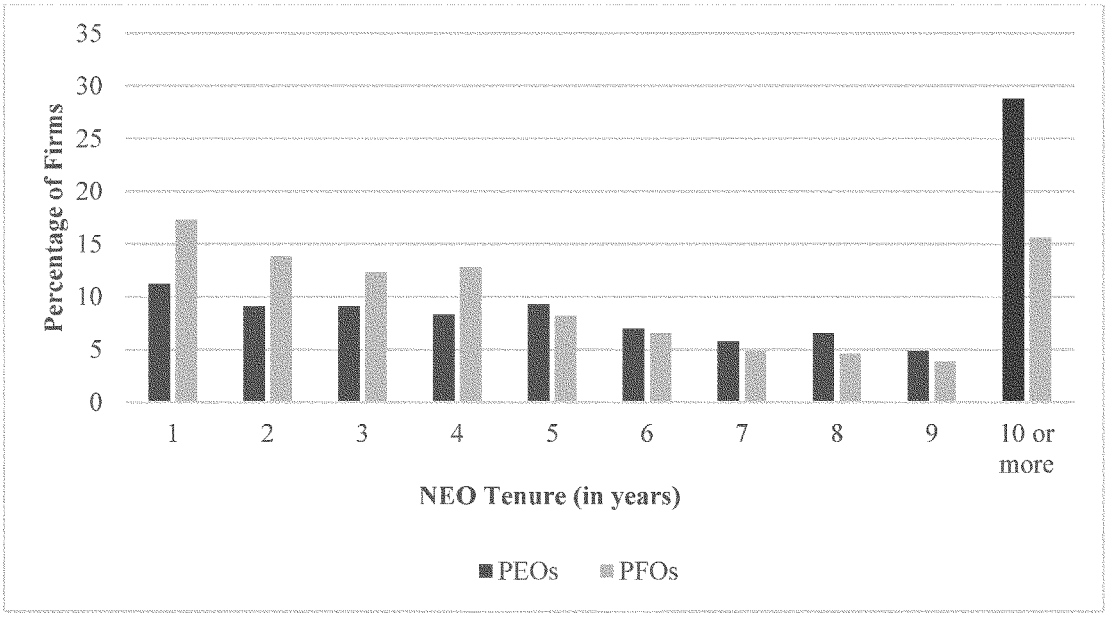
The frequency of transitions among NEOs affects the amount of individual-specific compensation history available for review by shareholders. Figure 2 demonstrates the current tenure of PEOs and PFOs at registrants with available data.

[575] These statistics are based on staff analyses of compensation data from the Standard & Poor's Execucomp (''Execucomp'') database, which in turn is sourced from company proxy statements. The statistics are thereby limited to issuers that are covered by the Execucomp database. Execucomp covers firms in the S&P Composite 1500 Index (which includes the S&P 500, S&P MidCap 400, and S&P SmallCap 600) as well as some firms that were previously removed from the index but are still trading and some requested by Execucomp clients. The presented statistics pertain to filings representing data from fiscal years ending from June 2024 to May 2025 (''proxy year 2025''). When identifying the PEO or PFO in the analyses using these data, we rely on Execucomp's identification of the CEO (for the PEO) and CFO (for the PFO). In fiscal years with multiple CEOs (or CFOs), Execucomp identifies the individual serving in that role for most of the indicated fiscal year as the CEO (or CFO).

[576] Based on staff analyses of EDGAR filings and the Execucomp data used to produce Figure 1, it appears that only five of the 1,482 registrants included in the figure are either SRCs, EGCs, or both (and all of which are in the S&P SmallCap 600 index). Removing these registrants does not markedly change the figure.

[577] This finding is based on staff analysis of EDGAR filings and data from Execucomp. Staff determined that there are 55 SRCs and seven EGCs (two of which are both SRCs and EGCs) with Execucomp data available that are, with the exception of five registrants, not presented in Figure 1 because they are not in the S&P indices for which statistics are presented.

Figure 2. Tenure of PEOs and PFOs, by Registrant Size



Based on the statistics presented in Figure 2, we expect that a three-year history of individual-specific PEO compensation should be available, in a given year, for about 80 percent of registrants, with little variation across registrants of different sizes. With respect to PFOs, such history should be available for 69 percent of registrants, with little variation across registrants of different sizes. The median tenure of PEOs in proxy year 2025 was six and a half, six, and five years at small-cap, mid-cap, and large-cap registrants respectively, while the median tenure of PFOs was consistently four years across small-cap, mid-cap, and large-cap registrants. In the same year, twelve percent of registrants in the sample experienced a transition in their PEO, and seventeen percent experienced a transition in their PFO.

4. Executive Compensation Composition

The structure of executive compensation, and how it varies across the affected registrants, also would influence the potential effects of the proposed amendments and how those effects would vary across registrants. We focus in this section on PEO compensation because it (together with PFO compensation) would be retained in the proposed revised disclosures and, based on staff experience, the structure of such compensation tends to be the most complex among the compensation contracts of the NEOs. To provide further context for this choice, Table 3 presents some statistics relating PEO and PFO compensation to other NEO compensation, by registrant size. The table is limited to the set of registrants for whom these data were readily available, which is a population of relatively larger registrants.[578]

[578] This estimate is based on staff analysis of data from Execucomp. *See supra* note 575.

Table 3. Relation of PEO and PFO Total Compensation to Other NEO Total Compensation in Proxy Year 2025, Among Registrants Covered by Execucomp

	All Registrants in Database	Registrants in S&P 500	Registrants in S&P MidCap 400	Registrants in S&P SmallCap 600
Registrants in Sample	1,776	495	395	592
% registrants where PEO is most highly compensated NEO	89%	87%	93%	90%
% registrants where PFO is second most highly compensated NEO	39%	35%	42%	39%
Among those with at least 3 NEOs:				
% of top three NEO total compensation represented by PEO total compensation	53%	52%	55%	53%

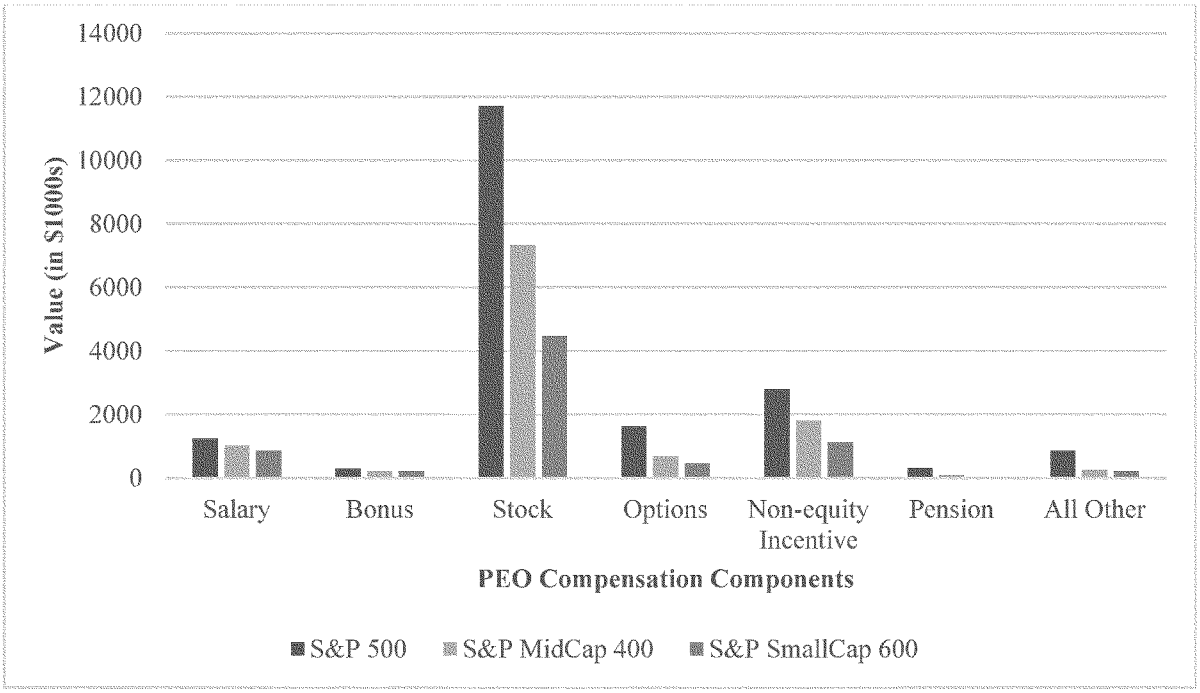
Based on the statistics presented in Table 3, the PEO is the most highly compensated NEO at 90, 93, and 87 percent of registrants among small-cap, mid-cap, and large-cap registrants respectively, while the PFO is the second most highly compensated NEO at 39, 42, and 35 percent of registrants among small-cap, mid-cap, and large-cap registrants respectively. In the full sample with available data, PFO total compensation is ranked second at 39 percent of registrants.[579] Among the remaining cases, the title of the second highest paid NEO is most often ''president'' (at 20 percent of registrants in the sample) and ''chief operating officer'' (at 9 percent).

Figure 3 presents the composition of total PEO compensation from the Summary Compensation Table across specified registrant size categories (based on index inclusion), for registrants with available data.[580]

[579] In the full sample with available data, PFO total compensation is ranked first, third, and fourth among the NEOs at 2%, 31%, and 14% of registrants, respectively.

[580] These estimates are based on staff analysis of data from Execucomp. *See supra* note 575.

Figure 3. PEO Compensation Components in Proxy Year 2025, Among Registrants Covered by Execucomp

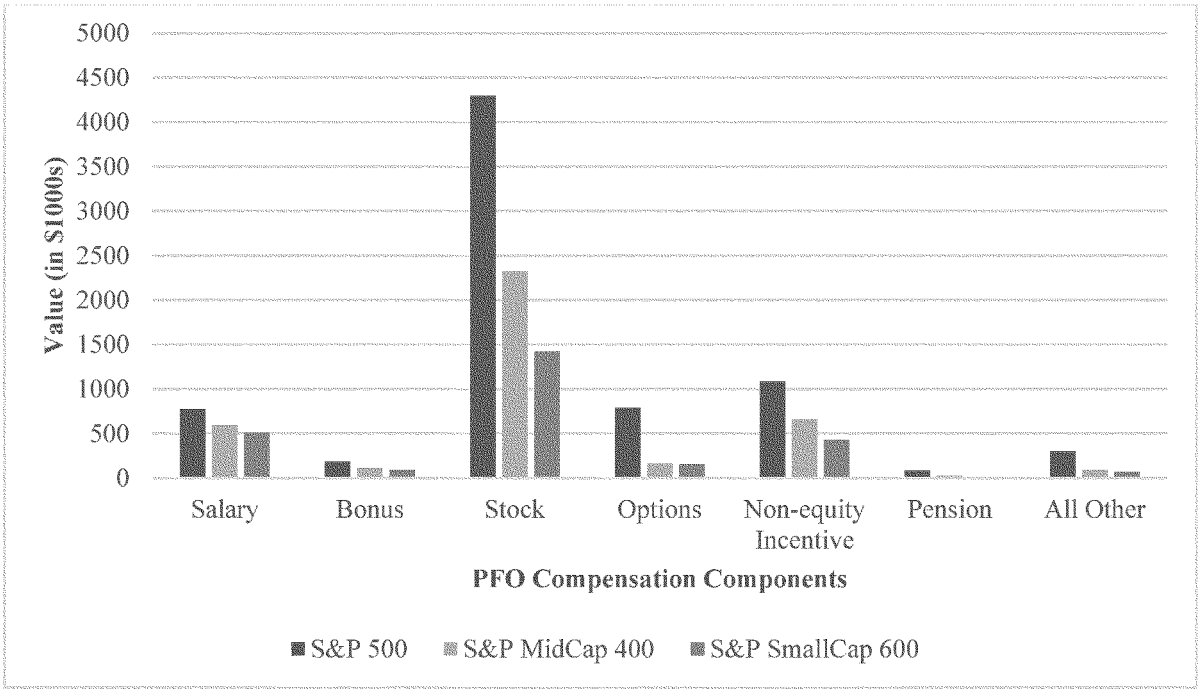


Stock awards dominate PEO compensation across all size groups in the sample of registrants with available data, representing over fifty percent of total individual PEO compensation, on average, in each category. Salary has limited variation across size categories, while the value of stock awards varies significantly by registrant size.

For comparison with the PEO data, Figure 4 presents the composition of total PFO compensation from the Summary Compensation Table across registrant size categories, for registrants with available data.[581]

[581] *See id.*

Figure 4. PFO Compensation Components in Proxy Year 2025, Among Registrants Covered by Execucomp



The structure of PFO pay is similar to that of PEOs, though in dollar terms the value of PFO compensation is, on average, lower than that of PEOs. Given the similarity of the PFO compensation composition to that of PEOs, we focus the remainder of this section on PEO compensation.

The data about PEO compensation presented thus far, like most of the other tables and figures in this section, are limited to a population of relatively larger registrants. To provide some context on executive compensation at the registrants for which detailed data are not readily available, we present some statistics on PEO total compensation (based on the Summary Compensation Table) extracted from pay-versus-performance disclosures tagged in XBRL. While this sample does not represent all the affected registrants under this proposal, it includes 3,116 registrants, as compared to 1,776 registrants covered by Figure 3.[582]

[582] These statistics are based on staff analysis of XBRL data from proxy statements extracted from EDGAR filings dated between July 1, 2024, and June 30, 2025. For the purpose of this table, staff excluded cases with more than one PEO in the same year.

Table 4. PEO Total Compensation in Proxy Year 2025, Among Registrants with Compensation Data Tagged in XBRL

	Number of Registrants	Percent of Registrants in Sample
Registrants in Sample	3,116	100%
Registrants where PEO total compensation is less than $500,000	161	5%
Registrants where PEO total compensation is between $500,001 and $1,500,000, inclusive	389	12%
Registrants where PEO total compensation is between $1,500,001 and $5,000,000, inclusive	733	24%
Registrants where PEO total compensation is between $5,000,001 and $15,000,000, inclusive	1,233	40%
Registrants where PEO total compensation is greater than $15,000,000	600	19%

Table 4 shows that, while the PEOs of about 60 percent of registrants with available data have total compensation of $5 million or greater, the remaining 40 percent have lower levels of compensation, including some with total compensation of less than $500,000. For the remainder of this section, we return to the sample of larger registrants to provide more granular analysis.

Table 5 presents further information about the use of different types of compensation elements by registrant size, among registrants with available data.[583] The dataset is limited to relatively larger registrants, and SRCs are not currently required to report pension data in their tabular compensation disclosures; the statistics on pension use below may therefore be underestimated.

[583] These estimates are based on staff analysis of data from Execucomp. *See supra* note 575.

Table 5. Prevalence of PEO Compensation Elements in Proxy Year 2025, Among Registrants Covered by Execucomp

	All Registrants in Database	Registrants in S&P 500	Registrants in S&P MidCap 400	Registrants in S&P SmallCap 600
Registrants in Sample	1,776	495	395	592
% Registrants whose PEO total compensation included the following:				
Salary	98%	99%	99%	98%
Bonus/Non-equity Incentive Awards	88%	90%	93%	89%
Stock Awards	92%	93%	94%	93%
Options	24%	38%	24%	17%
Pension	17%	27%	19%	13%
Other Compensation	97%	99%	98%	96%

Table 5 demonstrates that salary, bonuses and non-equity incentive plans, stock awards, and other compensation are each used to compensate PEOs at the vast majority of registrants, across size categories. In contrast, the use of options and pension plans is, in both cases, less prevalent generally but more common at larger than smaller registrants. Options may be granted periodically rather than annually at some registrants that use this form of compensation. Using the same data source, staff found that options were granted to the PEO in any one of proxy years 2023, 2024, or 2025 at 45 percent of large-cap registrants, 32 percent of mid-cap registrants, and 27 percent of small-cap registrants.

Table 5 does not distinguish between long-term (*i.e.,* with vesting beyond one year) and short-term non-equity incentive plans. Using a different data source, we find that 4.3 percent of registrants with available data used a long-term non-equity incentive plan to compensate a PEO at some point in the past three years.[584] Using this same data source, staff estimated that the median frequency of equity grants to PEOs is, among registrants granting these respective types of awards, two per year for stock awards and one per year for option awards.

Equity awards may be subject to vesting based on the PEO remaining in service with the registrant for a certain period of time, based on the achievement of specific performance or market conditions, or a combination of the two. Both types of equity awards deliver performance-based incentives. Equity awards that vest based on service for a period of time (*i.e.,* with only time-based vesting) deliver realized value that varies with stock price performance over the vesting period. Awards that vest based on the achievement of specific performance or market conditions (which we refer to in aggregate in this economic analysis as awards with ''performance-based vesting'')[585] deliver varying amounts of value depending on stock price performance (due to their nature as equity instruments) as well as the outcomes of the performance measures that were specified for the award.[586] Awards with time-based vesting may vest in full on a specific date (''cliff vesting'') or over multiple dates (''graded vesting''). Tables 6 and 7 present statistics on the vesting conditions in stock and option awards

[584] This statistic is based on staff analysis of data from IncentiveLab. Specifically, staff identified 129 unique firms out of 3019 (*i.e.,* 4.3%) registrants (with available data over the three-year period) using long-term cash plans at least once during fiscal years 2022, 2023, or 2024.

[585] ''Performance-based vesting'' as used in this economic analysis is, as defined above, not limited to awards with performance conditions as defined by FASB ASC Topic 718, and instead also includes awards with market conditions as defined by FASB ASC Topic 718. Our use of this term is only for purposes of this economic analysis and this term is not intended to identify, conflict with, or supersede the classification of an award for accounting purposes. We use the term performance-based vesting in this economic analysis for consistency with the academic literature, which used terms such as ''performance-vesting,'' ''performance-based vesting,'' and ''performance-based equity'' to represent these types of awards. *See, e.g.,* Bettis et al. 2018 Study, *supra* note 494; Edmans et al. 2017 Survey Paper, *supra* note 483; Pawliczek 2021 Study, *supra* note 489. We understand that similar terminology is also commonly used by practitioners to differentiate ''performance-based'' from ''time-based'' vesting or awards, without differentiating between performance conditions and market conditions. *See, e.g.,* letters from ABA; Meridian; Sullivan & Cromwell; Total Rewards.

[586] Awards with performance-based vesting typically, but not necessarily always, also deliver a number of instruments (*i.e.,* shares, units, or options) upon vesting that varies based on one or more performance or market conditions. Based on analysis of data from IncentiveLab, staff estimate that the majority (roughly 70%) of awards with performance-based vesting also deliver a variable number of instruments based on such conditions. The number of instruments underlying an equity award may also vary based on the outcome of service conditions, and there may also be factors other than vesting and the number of instruments (like the exercise price or contractual term of an award) that vary based on the outcome of service, performance, or market conditions; we refer to these later in this economic analysis as ''other such contingencies.''

to PEOs.[587] The first three rows present information about awards that vest only based on service conditions, while the following five rows present information about the rest of the awards (*i.e.,* those with performance-based vesting, with or without an additional time-based vesting period after the performance period).

Table 6. PEO Stock Award Vesting Conditions, At Registrants Covered by IncentiveLab

	All Registrants in Database	Registrants in S&P 500	Registrants in S&P MidCap 400	Registrants in S&P SmallCap 600	Registrants outside of S&P 1500
Percent with time-based vesting only	48%	38%	44%	47%	55%
Subset with cliff vesting	22%	28%	22%	18%	21%
Subset with graded vesting	78%	72%	78%	82%	79%
Percent with performance-based vesting	52%	62%	56%	53%	45%
Subset with cliff vesting	89%	89%	89%	90%	88%
Subset with graded vesting	11%	11%	11%	10%	12%
Subset with time-based vesting after end of performance period	7%	6%	7%	7%	7%
Average number of performance metrics	2.7	2.9	2.6	2.8	2.7

Table 6 shows that, of the total stock awards with time-based vesting (approximately 48 percent of stock awards), about 22 percent have cliff vesting schedules while the remainder have graded vesting.[588] The vast majority of the latter vest in annual increments. For the stock awards that vest based on achieving specific performance goals (approximately 52 percent of stock awards), the vast majority have cliff vesting schedules. Approximately seven percent of awards with performance-based vesting vest in two stages: they have an additional time-based vesting period at the end of the performance period. Among those with performance-based vesting, an average of 2.7 performance metrics were used in each award. Non-equity incentive plan awards in the same dataset, which are not reported in the table, have an average of 4.6 performance metrics per award.

[587] These statistics are based on staff analysis of data from IncentiveLab for proxy year 2025, which includes 2,585 registrants. As in the case of Execucomp, this database covers relatively larger registrants, including the S&P 1500. Their specific inclusion criteria were not available.

[588] In untabulated results, we find that the median time to complete vesting for all stock awards in this sample is three years.

Table 7. PEO Option Award Vesting Conditions, At Registrants Covered by IncentiveLab

	All Registrants in Database	Registrants in S&P 500	Registrants in S&P MidCap 400	Registrants in S&P SmallCap 600	Registrants outside of S&P 1500
Percent with time-based vesting only	88%	91%	88%	81%	88%
Subset with cliff vesting	17%	13%	5%	5%	25%
Subset with graded vesting	83%	87%	95%	95%	75%
Percent with performance-based vesting	12%	9%	12%	19%	12%
Subset with cliff vesting	91%	94%	92%	95%	88%
Subset with graded vesting	9%	6%	8%	5%	12%
Subset with time-based vesting after end of performance period	4%	5%	0%	0%	7%
Average number of performance metrics	1.9	2.1	1.3	1.5	2.2

Table 7 shows that, in contrast to stock awards, the majority of option awards (88 percent) have time-based vesting.[589] Most option awards with time-based vesting (83 percent) have graded vesting, while most with performance-based vesting (91 percent) cliff-vest, as in the case of stock awards.

Staff also considered variation in perquisites granted to PEOs across registrants. Because current disclosure requirements do not mandate separate tabular disclosure of perquisites, these data are more difficult to extract from filings. Staff therefore hand-collected perquisite information from a random sample of 100 registrants with proxy statements dated from July 1, 2024, through June 30, 2025. To generate the sample, staff used stratified random sampling in order to produce a sample that is representative of the population of registrants in terms of size (as measured by PEO total compensation). Figure 5 presents the distribution (in dollars) of reported perquisites provided to PEOs, as well as the dollar amount of reported perquisites excluding the value of security services and corporate aircraft usage,[590] across this sample of registrants.[591]

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[589] In untabulated results, we find that the median time to complete vesting for all option awards in this sample is four years.

[590] While we are proposing to rescind the Commission's prior statement of examples of items requiring disclosure as perquisites or personal benefits, including security provided at an executive's personal residence or during personal travel, under the proposal, registrants would still need to conduct an analysis on whether such benefit is integrally and directly related to the performance of the executive's duties to determine whether the benefit is a perquisite.

[591] These statistics are based on staff analysis of hand-collected perquisites data for fiscal year 2024 from a random sample of 100 registrants filing proxy statements in proxy year 2025, where random sampling was stratified by PEO total compensation (based on the Summary Compensation Table). In three cases, perquisites could not be estimated separately from the value of certain additional elements of ''other compensation''; in such cases, an upper bound estimate was used for the value of perquisites. In each of these cases, the total estimated perquisites were valued at around $50,000 or less, and dropping these three data points would not meaningfully change our analysis.

Figure 5. PEO Perquisites in Dollars, in Sample of 100 Registrants

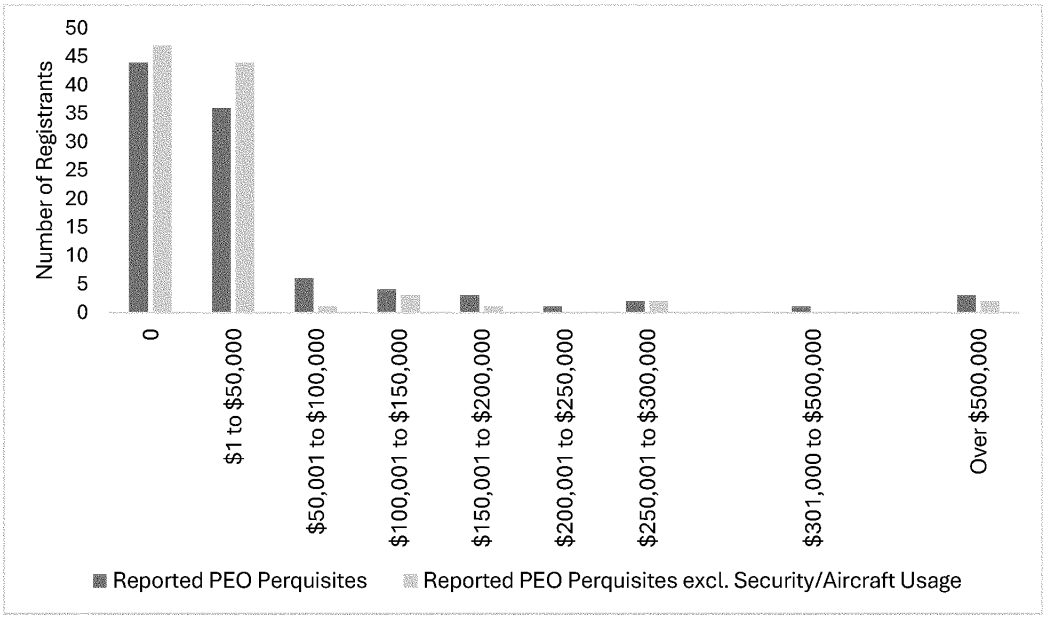


Figure 5 shows that most PEOs receive $50,000 or less in perquisites. When considering reported perquisites excluding security services and aircraft usage, the distribution shifts to the left, with even more PEOs falling in the under $50,000 categories. Commonly disclosed perquisites or personal benefits to PEOs in this sample include the usage of corporate aircraft for personal travel, security services, professional advisory services (including financial planning, tax, accounting, and legal services), ground transportation, relocation benefits, club memberships, and health and wellness benefits. Less common benefits disclosed in this sample include (among others) housing benefits, the reimbursement of children's tuition, and charitable donations.

Table 8 presents the number of registrants in this sample of 100 registrants whose PEO's reported perquisites, or reported perquisites excluding security services and aircraft usage (''Adjusted Perquisites''), met certain criteria relative to the level of total compensation (from the Summary Compensation Table) and various dollar value thresholds.[592]

[592] *See id.*

Table 8. Number of Registrants whose PEO's Perquisites or Adjusted Perquisites Meet Various Conditions, in Sample of 100 Registrants

	All	$100K or More	$150K or More	$200K or More	Over $100K and Over 10% of Salary+Bonus+ Non-Equity Incentives
Reported Perquisites Represent:					
(No Reported Perquisites)	44	0	0	0	0
Up to 2.5% of Total Compensation	43	5	3	2	1
2.5%+ to 5% of Total Compensation	9	5	4	2	2
Over 5% of Total Compensation	4	4	4	3	2
Adjusted Perquisites Represent:					
(No Adjusted Perquisites)	47	0	0	0	0
Up to 2.5% of Total Compensation	44	2	1	1	1
2.5%+ to 5% of Total Compensation	6	3	2	0	1
Over 5% of Total Compensation	3	3	3	3	1

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Table 8 demonstrates that few of the sampled registrants' PEOs had perquisites or adjusted perquisites representing over 5 percent of their total compensation. Among the three registrants whose perquisites or adjusted perquisites exceeded this level, all had perquisites or adjusted perquisites of over $150,000.

5. Director Compensation Composition

Non-employee director compensation is generally simpler in structure than executive compensation, and is rarely conditional on specific performance thresholds. For example, Figure 6 presents the composition of total non-employee director compensation from the Director Compensation Table across registrant size categories in proxy year 2025, for registrants with available data.[593]

[593] *See id.*

Figure 6. Director Compensation Components, Among Registrants Covered by Execucomp

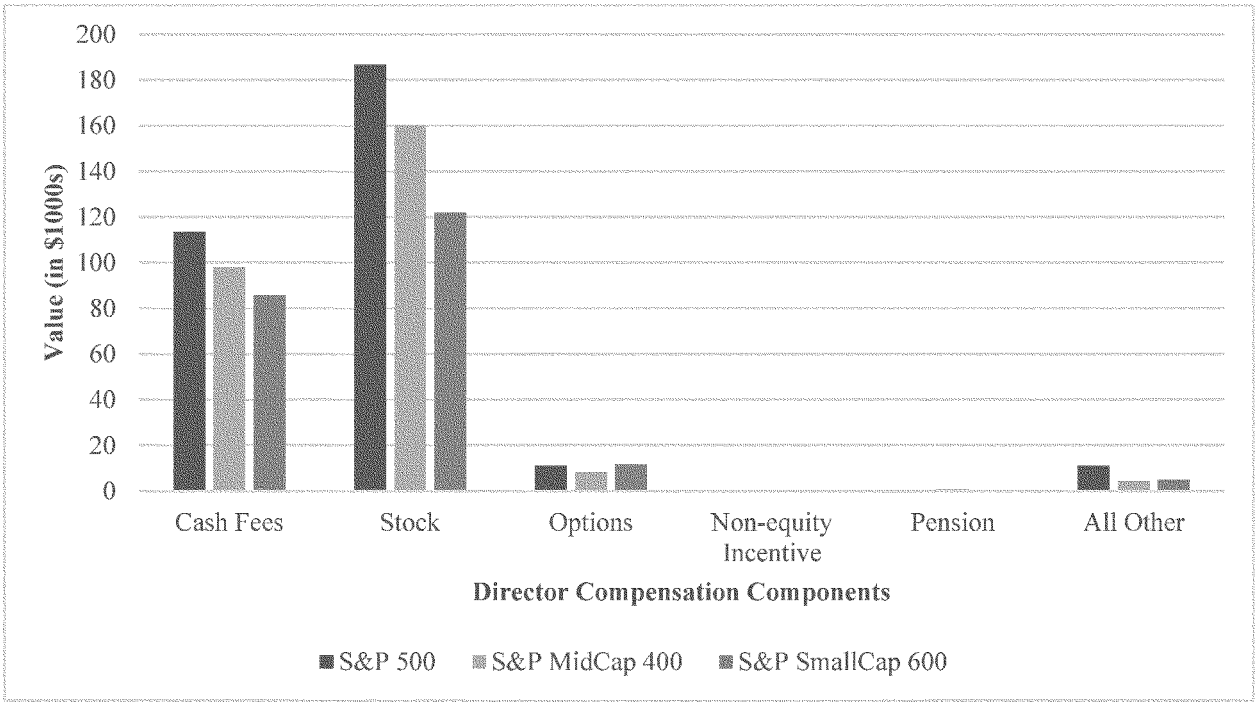


Figure 6 shows that non-employee director pay in the 2025 proxy year consisted primarily of cash fees and stock awards, which together represent, on average, ninety-four percent of the dollar value of director compensation in the sample for which data were available. Staff separately examined the fraction of registrants in this sample that granted compensation outside these two primary categories to directors, and found that eight, three, and 0.1 percent of registrants respectively reported option awards, changes in accumulated pension value or earnings on deferred compensation, or non-equity incentive awards for at least one director.[594] ''All other compensation'' to directors was reported more frequently, with thirty-four percent of registrants reporting a non-zero amount to at least one director.[595] That said, the amounts of ''all other compensation'' are small in magnitude, representing about two percent of total individual director compensation on average across the registrants with available data.

Based on practitioner studies, we understand that most non-employee director stock awards are granted without performance-based vesting and with either immediate vesting or vesting periods of one year or less.[596] One study indicates that the most commonly reported director perquisites are the reimbursement of travel expenses and director education tuition.[597] Less common director benefits disclosed include spouse travel reimbursement, access to corporate aircraft, medical and dental insurance, or discounts on company products.[598]

6. Market Practice

In this section we provide a brief overview of current practices by registrants and investors and recent market developments that are relevant to our consideration of the economic effects of the proposed amendments.

Registrants prepare executive compensation disclosures, often with the help of external advisors. For example, we understand that registrants' securities counsel may often work closely with registrant staff in preparing the proxy statement. Compensation consultants may draft, review, or otherwise provide advice on the CD&A and other compensation disclosures. Consultants, accountants, valuation experts, or other specialists may be retained to aid in producing the required tables and quantitative disclosures, particularly in constructing required valuations and making necessary computations.

In addition to the mandatory executive compensation disclosures required by Item 402, some registrants currently include voluntary disclosures that they believe may better explain their pay practices.[599] For example,

[594] *See id.*

[595] *See id.*

[596] *See. e.g.,* F.W. Cook, *2025 Director Compensation Report* (Sept. 2025), available at *https://fwcook.com/wp-content/uploads/2025/10/25-09-23_FWC_2025_Director_Comp_Final.pdf* (''Cook 2025 Report'') (analyzing director compensation at a sample of 300 registrants, split evenly across small-cap, mid-cap, and large-cap segments, and reporting that 96% of these registrants utilize one year or shorter time-based vesting, with the most common approach being one-year cliff vesting and the next most common being immediate vesting, and with immediate vesting being twice as common at large-cap registrants than the others in the sample).

[597] *See* Matteo Tonello (The Conference Board, Inc.), *Board of Director Compensation Practices in the Russell 3000 and S&P 500* (Feb. 10, 2026), Harv. L. Sch. F. on Corp. Governance Blog, available at *https://corpgov.law.harvard.edu/2026/02/10/board-of-director-compensation-practices-in-the-russell-3000-and-sp-500/.*

[598] *See id.*

[599] For example, in 2025, a compensation consulting firm found that, of 200 large public companies examined, 15% provided voluntary disclosure on the relationship between pay and performance in their executive compensation disclosure (of which 63% defined pay for this purpose as either ''realized'' or ''realizable'' pay, 27% used target pay, 10% used Summary Compensation Table total compensation, and 20% used an adjusted version of the latter, where multiple pay definitions could be used by a single registrant). *See* Meridian Compensation Partners, *2025 Corporate Governance & Incentive Design Survey* (Fall 2025), available at *https://www.meridiancp.com/app/uploads/2025/10/2025-Corporate-Governance-Incentive-Design-Survey.pdf.*

registrants may disclose measures of ''realized pay'' or ''realizable pay,'' [600] and may present trends or relations between different measures. Other registrants may present ''total direct compensation'' and/or other measures intended to demonstrate how the compensation committee views the compensation granted or earned that year. Both registrants and investors have indicated that the flexibility to include registrant voluntary disclosures can be helpful.[601] Such disclosures can allow registrants to better communicate their specific circumstances or provide context for standardized disclosures that they believe do not convey a complete picture of their compensation programs.[602] For investors, such voluntary disclosures can make it easier to understand how the board approaches its compensation decisions and programs.[603] However, the market does not seem to have coalesced around consistent definitions and formats for, or indeed the consistent inclusion of, such voluntary disclosures. Thus, while they may provide investors with useful context, the ability of investors to systematically evaluate these voluntary disclosures or to compare them to peer company disclosures may be limited.[604]

It is possible that some of these additional disclosures were introduced in connection with say-on-pay votes or in response to increased investor engagement associated with such votes.[605] To the extent that the LAF and NAF filer categories that we have proposed in the 2026 Filer Status Proposing Release are adopted, they would reduce the population of registrants required to hold such votes as that requirement would only apply to LAFs. The incentive to include these disclosures could thereby be reduced in the future, assuming the exempted registrants do not voluntarily conduct say-on-pay votes.[606]

We understand that investors currently approach the review of executive compensation disclosures in different ways. Investors often review large numbers of proxy statements and related filings over the relatively condensed proxy season every year.[607] To aid in this process, many investors, particularly institutional investors, use analyses of executive compensation disclosures produced by third parties, such as proxy advisory firms.[608] These products synthesize the information disclosed by a large number of registrants and present standardized computations, comparisons, and highlights for more efficient review.[609] Other investors undertake their own analyses based directly on registrant disclosures or information extracted from these disclosures by third-party data aggregators, or design bespoke analyses that are produced with the help of compensation consultants.[610] Recent advances in information technology may increase the feasibility of such direct review of large volumes of filings.[611]

Currently, some investors likely combine these approaches, for example, using third-party analyses to identify registrants whose executive compensation warrants further analysis, and then examining and analyzing those registrants' disclosures directly in more detail. Given the resources required for accessing third-party research and undertaking detailed quantitative computations and analysis of large numbers of proxy statements, smaller investors, particularly retail investors, are less likely to use the approaches mentioned above but may directly review executive compensation disclosures. Smaller investors, particularly those with investments in fewer registrants, are also more likely to read executive compensation disclosures linearly, whereas larger, institutional investors typically process disclosures in non-linear fashion.[612]

Investors may review executive compensation disclosures annually in advance of voting in director elections and on say-on-pay resolutions, but may

In 2021, the same firm found that 24% of the 200 large public companies examined included disclosures comparing pay and performance. *See* Meridian Compensation Partners, *2021 Corporate Governance & Incentive Design Survey* (Fall 2021), available at *https://www.meridiancp.com/app/uploads/2021/09/Meridian-2021-Governance-and-Design-Survey-2.pdf.*

[600] ''Realized pay'' and ''realizable pay'' measures are designed to provide insight into the value of compensation based on outcomes at some point in time after it is granted, though there are no standard definitions of either term or uniformly accepted approaches in how they are computed. ''Realized pay'' measures are generally intended to reflect the value that the executive receives based on performance outcomes, while ''realizable pay'' measures are generally intended to reflect a revised value of the opportunity to receive pay under outstanding awards based on performance to date.

[601] *See, e.g.,* letters from A&O Shearman; Sullivan & Cromwell; Hambly, 2025 Roundtable Transcript at 172:16–21.

[602] *See, e.g.,* letters from A&O Shearman (''[m]any companies and shareholders find that these alternative tables provide a more accurate reflection of compensation decisions with respect to the covered year''); Sullivan & Cromwell (stating that voluntary realizable or realized pay disclosures allow registrants to use ''approaches that are better tailored to their specific business models and incentive designs'').

[603] *See, e.g.,* Hambly, 2025 Roundtable Transcript at 172:16–21 (stating that ''the supplemental disclosures are often really, really helpful. Helping us look through compensation through the eyes of the board, and not through the eyes of the required disclosure often helps give us a different view into what they're thinking about pay'').

[604] *See, e.g.,* Kosmas Papadopoulos & John Roe (ISS Analytics), *Realizable Pay: Insights into Performance Alignment* (Apr. 29, 2019), Harv. L. Sch. F. on Corp. Governance Blog, available at *https://corpgov.law.harvard.edu/2019/04/29/realizable-pay-insights-into-performance-alignment/* (stating that ''[d]ifferent companies and different compensation consultants arrived at different ways of calculating and presenting these alternative [pay] measures, making it very difficult for investors to systematically use these disclosures in the analysis of pay and performance—much to the frustration of investors and companies alike'').

[605] *See, e.g.,* Lynn, 2025 Roundtable Transcript at 94:17–20 (stating that ''[i]f you go back and look at proxy statements before say on pay and after say on pay, there's a marke[d] difference in the approach that people took'').

[606] *See* 2026 Filer Status Proposing Release. At the same time, investors at registrants that would no longer be required to hold say-on-pay votes would still vote in director elections, including for compensation committee members, such that executive compensation disclosure (whether required disclosure or voluntary additional disclosure) would likely still be relevant to investor voting decisions.

[607] Based on staff experience, most annual meetings are held between April and June of a given year.

[608] Other third parties that may provide analyses of executive compensation disclosures include investment banks, via their equity research analysts, and independent research firms. *See, e.g.,* letter from CFA Institute. However, these analyses may be less detailed or less consistently available across large populations of registrants than those provided by proxy advisors.

[609] The simplicity and standardization of these analyses have also led to criticism that they are not appropriately tailored to the circumstances of different kinds of registrants. *See, e.g.,* Compensia, *The New ISS Pay-for-Performance Methodology—A Closer Look at the Gathering Storm* (June 12, 2017), available at *https://compensia.com/the-new-iss-pay-for-performance-methodology-a-closer-look-at-the-gathering-storm/.* We note that proxy advisors regularly update their analyses based on investor and registrant feedback and other factors. *See, e.g.,* Jesse T. Foley et al., *ISS and Glass Lewis Release Compensation-Related Updates For 2026 Proxy Season* (Feb. 3, 2026), available at *https://www.erisapracticecenter.com/2026/02/iss-and-glass-lewis-release-compensation-related-updates-for-2026-proxy-season/.*

[610] *See, e.g.,* California Public Employees Retirement System (''CalPERS''), *CalPERS' Executive Compensation Analysis Framework* (Apr. 2026), available at *https://www.calpers.ca.gov/docs/executive-compensation-analysis-framework.pdf* (''CalPERS Methodology'') (describing the evaluation of executive compensation by a pension fund, using bespoke analysis constructed with the help of a compensation consultant).

[611] *See, e.g.,* Jack Pitcher, *JPMorgan Cuts All Ties with Proxy Advisers in Industry First,* Wall St. J., Jan. 7, 2026, available at *https://www.wsj.com/finance/banking/jpmorgan-cuts-all-ties-with-proxy-advisers-in-industry-first-78c43d5f* (discussing one large asset manager's plans to start using an internal ''artificial-intelligence-powered platform'' to analyze proxy data).

[612] *See, e.g.,* Hambly, 2025 Roundtable Transcript at 152:2–4 and 173:5–6 (stating that he does not usually read ''front to cover . . . because I know the elements I'm looking for'' and that ''[w]e don't start with the text, and I'm sorry to tell all of you that''); Brok Romanek, *How Investors Read Proxies (In the Real World)* (June 20, 2018), TheCorporateCounsel.net Blog, available at *https://www.thecorporatecounsel.net/blog/2018/06/how-investors-read-proxies-in-the-real-world.html.*

also review these disclosures more sporadically to inform their investment decisions.[613] For example, investors may consider executive compensation when deciding whether to enter into or divest of an investment in a registrant or when monitoring their existing holdings. Investors may also more closely examine the terms of a registrant's executive compensation plans upon major corporate actions or transactions, strategic shifts, poor registrant performance, corporate scandals, or other significant developments for which the executives' incentives could provide context.

Registrants also use the data included in executive compensation disclosures to benchmark and validate their own compensation programs. We understand that compensation committee members and registrant staff involved in this process typically access this information through compensation consultants, who extract and analyze data from proxy statements as well as providing data from proprietary surveys.[614] Directors, registrant staff, and members of management may also directly review the proxy statements of peers or other registrants with similar circumstances.[615] Individual executives or management teams may also engage compensation consultants (who may use proxy statement disclosures) or directly review other registrants' proxy statements to gain insight into the overall executive labor market, to understand how their pay packages compare to those of their peers, and to prepare for compensation negotiations.[616]

Executive compensation disclosures have grown in length over at least the past two decades. While the average proxy statement in 2005 contained about 14,600 words, the average word count grew to about 25,400 words in 2015 and about 33,100 words in 2025.[617] Both investors and registrants have expressed discontent with at least some aspects of current executive compensation disclosures. While some investors have expressed criticism of the length and complexity of proxy statements,[618] many of them attribute the excess volume of disclosure to vague or boilerplate language[619] or the complexity of compensation packages themselves[620] rather than information overload or concern about the data being overly detailed.[621] Some investors have also indicated that they have experienced difficulties in finding the specific information they are looking for in proxy statements, particularly with respect to understanding the rigor of performance targets[622] and tracking a given incentive award through its lifecycle to, for example, understand how its initial structure translated into a final outcome.[623]

Representatives of registrants also have expressed criticism of the length and complexity of current disclosures,[624] but with a greater concern about the level of detail required[625] and the lengthy

[613] In a 2015 survey of 64 institutional investors (which a combined $17 trillion in assets), 59% of the investors indicated that they use information in proxy statements when making investment decisions. When asked which sections of proxy statements they read and rely on to make investment decisions, the two most highly cited areas were performance metrics used in compensation plans and the alignment of pay with performance. *See* Stanford University, RR Donnelley & Equilar, *2015 Investor Survey: Deconstructing Proxy Statements—What Matters to Investors* (Feb. 2015), available at *http://www.sec.gov/comments/4-681/4681-3.pdf* (''Stanford 2015 Investor Survey'').

[614] *See, e.g.,* Kevin J. Murphy & Tatiana Sandino, *Compensation Consultants and the Level, Composition, and Complexity of CEO Pay,* 95 Acct. Rev. 311 (2020), at 322 (stating that the most frequently reported reason by registrants in proxy statements for hiring compensation consultants was benchmarking, including identifying and understanding the pay practices employed by peer companies recruiting executives in comparable labor markets and making recommendations on competitive pay levels for executives); letters from CEC–1; McGuireWoods & Brownstein.

[615] *See, e.g.,* letter from Society for Corporate Governance (stating that some registrants responding to a survey indicated that they benefit from the ability to use current disclosures to obtain information on competitive compensation for certain executive roles without the need to rely on external consultants or other sources for market information).

[616] *See, e.g.,* letter from McGuireWoods & Brownstein (stating that ''[o]ccasionally, management teams will engage an independent compensation consultant to provide information on market trends and support executives'').

[617] These estimates are based on staff analysis of data from Wharton Research Data Services (''WRDS'') SEC Analytics Suite.

[618] *See, e.g.,* letters from Baillie Gifford; EOS; NEI; *see also* Hambly, 2025 Roundtable Transcript at 151:25–152:1 (stating that ''the complexity and the pagination has gotten out of control''); Stanford 2015 Investor Survey, *supra* note 613 (finding that 55% of the surveyed investors believed that a typical proxy statement was too long).

[619] *See, e.g.,* letters from Baillie Gifford (suggesting a reduction in boilerplate language, and stating that a CD&A ''often reads like marketing copy, burying the key drivers of pay''); EOS (indicating that current executive compensation disclosures are ''often too boilerplate in nature to reveal genuine insight or generate productive dialogue with management and at board level''); State Board Florida (stating that ''many firms focus on justifying their compensation decisions rather than providing transparent, analytical insights'').

[620] *See, e.g.,* letters from NEI (stating that the solution to lengthy and complex disclosure ''may not necessarily reside in reducing the transparency expectations for companies, but rather [in] encourag[ing] companies to simplify their compensation frameworks''); Norges Bank; *see also* Hambly, 2025 Roundtable Transcript at 152:16–19 (stating that ''[t]here is nothing in the rules and regulations that says we have to set up compensation programs that require a slide rule and an abacus to figure out [what] somebody is going to get paid'').

[621] *See, e.g.,* letters from AFREF (stating that if some disclosures are overly complex, ''the fault lies with those issuers and is no reason to decrease the amount of disclosures available to investors, none of whom have called for less information''); Better Markets (stating that investors do not ''appear to believe that they should have less information about executive compensation''); CFA Institute (stating that it has ''not found evidence of disclosure overload through [its] surveys of members'' and that it has ''not heard calls for a reduction in the length of these disclosures by [its] members or investors broadly''); Council of Institutional Investors (stating that it ''supports comprehensive (but not necessarily more complex) disclosures rather than less''); Los Angeles County Employees Retirement Association (June 23, 2025) (''LACERA''), available at *https://www.sec.gov/comments/4-855/4855-616387-1808394.pdf* (supporting comprehensive disclosures and stating that ''transparency that is not comprehensive risks creating an incentive for pay to be rewarded through benefits, perquisites, and other avenues that are detached from performance and result in 'pay padding' ''); Rees, 2025 Roundtable Transcript at 103:2–7 (stating that ''[r]egarding the level of disclosure . . . investors . . . are perfectly capable of focusing on the aspects of executive compensation that [are] most important for our analysis. No investor is asking the SEC to reduce the amount of disclosure'').

[622] *See, e.g.,* letters from Baillie Gifford; Council of Institutional Investors; Norges Bank; *see also* Bob McCormick (Council of Institutional Investors), 2025 Roundtable Transcript at 77:9–18 (stating that in the case of two registrants, where ''one grants very challenging performance metrics along with its awards, one that's very easy,'' that ''[t]hat's probably the hardest thing for investors to really understand'' and that ''the disclosure's there, but you sort of have to dig'').

[623] *See, e.g.,* letters from CFA Institute (recommending that ''information today disclosed in multiple tables, footnotes, and filings'' about the lifecycle of equity grants be merged in a single location); Norges Bank (stating that it ''find[s] that current requirements . . . mak[e] it difficult to assess the total incentive that the CEO received in any given period and how such incentives compared to the original targeted value and metrics''); *see also* Hambly, 2025 Roundtable Transcript at 171:10–23 (stating ''how do we track some of this over time? And so my biggest gripe today is, to get at that value transfer number, especially with . . . PSUs, that number doesn't have to be disclosed for about 14 months, right? . . . So I spend a lot of time trying to put this whole thing together''); John Roe (BlackRock), 2025 Roundtable Transcript at 173:21–174:15 (stating ''the summary compensation table for the short-term incentive . . . tells you how much was paid, but it doesn't tell you what was the target. . . . The short-term incentive, usually that's reported in the grants of plan-based awards table. Others aren't easy to do—it takes an awful lot of work to go through''); Adamson, 2025 Roundtable Transcript at 175:24–176:3 (stating ''I personally struggle, is this option that was exercised, what award does that go back to here? And, oh, let me see if I can find the Form 4, and I'm navigating through a haystack'').

[624] *See, e.g.,* letters from CEC–2; Davis Polk; IBC; Johnson & Johnson; McGuireWoods & Brownstein; NAM–2 (stating that ''under an ideal disclosure regime, a company's board should be able to explain its approach to incentivizing executives in plain English in five to ten pages,'' in contrast to current disclosures that ''often exceed 20 or 30 pages''); Society for Corporate Governance; Sullivan & Cromwell.

[625] *See, e.g.,* letters from A&O Shearman (stating that certain of the tabular disclosures ''tip the

clarifications and explanations some believe to be necessitated by the mandated disclosures.[626] Some registrants have also raised concerns about certain burdensome data collection and computation requirements that they do not believe to be useful to investors,[627] prescriptive requirements that do not suit varying registrant circumstances,[628] and disclosure formats or computations that they believe are internally inconsistent, inconsistent with other required computations, and/or could be misleading.[629]

7. Recent Governance Developments

We note that there have been several recent changes in the overall governance landscape that could impact the potential effects of the proposed amendments. In particular, investors have highlighted that certain forms of intervention in registrant governance, such as direct engagement,[630] shareholder proposals,[631] and certain campaigns involving notices of exempt solicitation,[632] may be becoming less accessible or less effective means of communicating their views or concerns to registrant management.[633] Different forms of corporate governance mechanisms, such as external monitoring and interventions and well-designed monetary incentives for managers, may substitute for each other to some extent in addressing the potential misalignment of interests between management and investors.[634] Thus, if certain direct interventions become less practical or effective than they were previously, investors may become even more concerned about the precise structure of executive compensation and what decisions or behavior it may incentivize on the part of management, leading them to rely to a greater degree on executive compensation disclosure than they may have in the absence of these developments.

Another recent development is increasing fragmentation of investor voting at corporate shareholder meetings.[635] Specifically, some voting authority at large institutional investors has moved from centralized stewardship teams to the individual managers of funds [636] or through voting pass-through programs to end investors in the funds.[637] Other institutional investors have reduced their reliance on traditional external proxy advisory services, and proxy advisory services themselves have introduced more customizable offerings.[638] Other innovations that have arisen may increase the voting participation of retail investors.[639] While we understand

balance'' between ''adequate disclosure'' and ''information overload'' towards the latter); Business Roundtable (referring to ''duplicative and immaterial tabular disclosures''); CEC–1 (stating that disclosures have become ''overly detailed'' and encouraging approaches that would ''make certain that investors . . . are not overloaded by an avalanche of immaterial information''); Davis Polk (stating that ''[t]he rules require disclosure far beyond what is material to investors and, as a result, clutter proxy statements with immaterial information''); IBC (criticizing a focus on the ''quantity over quality of information''); McGuireWoods & Brownstein(stating that the disclosures are ''far too voluminous and technical for even the most sophisticated investors to understand, let alone an average retail investor''); NAM–1 (stating that some of the tabular disclosures are ''not understandable or relevant to most individual and institutional investors'').

[626] *See, e.g.,* letters from Business Roundtable (stating that ''the narrative disclosure that companies often feel compelled to add on top of the required disclosures to provide a meaningful picture of their compensation results in ever lengthier and more overwhelming disclosures''); CEC–2 (stating that ''the increasing number of mandated tables and rigid definitions . . . has forced companies to provide supplementary explanations''); Sullivan & Cromwell (stating that ''registrants almost universally include non-standard tables'' to better reflect how registrants view, or how market participants evaluate, executive compensation than the mandated tables); Travelers (stating that ''companies . . . often expand their . . . disclosures to include supplemental compensation tables and accompanying narratives in an effort to correct the timing mismatch and to provide a clearer picture of executive compensation'').

[627] *See, e.g.,* letters from Axcelis; Business Roundtable; CEC–2 (describing the ''considerable'' burden involved in preparing the tabular disclosures and stating that ''these tasks are not only time-consuming but often yield disclosures that go unused by the intended audience''); McGuireWoods & Brownstein (referencing ''obtuse requirements'' that result in ''more work for human resource and accounting departments to create hypothetical calculations that do not further shareholder interests''); Society for Corporate Governance.

[628] *See, e.g.,* letters from Business Roundtable (stating that registrants ''often feel compelled to conform to rigid templates that emphasize compliance over clarity, and that leave little room for tailored explanation of how executive compensation decisions support long-term corporate strategy''); CEC–2 (stating that ''force-fitting the details of compensation into a one-size-fits-all series of mandated tables and narratives limits the ability of the company to convey the criteria used to assess the effectiveness'' of its compensation program); IBC (stating that ''[t]he one-size-fits-all approach to the disclosure requirements ignore[s] company-specific circumstances''); Society for Corporate Governance; Sullivan & Cromwell.

[629] *See, e.g.,* letters from Business Roundtable; Davis Polk (stating that ''different tables require different calculations under different accounting rules'' and that ''[t]he hodgepodge of current tabular disclosure . . . risks misleading and confusing investors by distracting from material information''); Society for Corporate Governance (stating that the disclosures ''require information to be provided in formats that are complex and at times internally inconsistent, which may cause confusion among even sophisticated investors and financial professionals'').

[630] We understand that some investors changed their engagement strategies following the staff of the Division of Corporation Finance's February 2025 release of staff guidance with respect to Schedule 13D and 13G filings. Some registrants disclosed in 2025 proxy statements that they had difficulty receiving investor feedback in that proxy season. *See, e.g.,* Subodh Mishra (ISS Stoxx), *Top Governance & Stewardship Trends for 2026,* Harv. L. Sch. F. on Corp. Governance Blog (Mar. 9, 2026), available at *https://corpgov.law.harvard.edu/2026/03/09/top-governance-stewardship-trends-for-2026/.*

[631] The number of shareholder proposals submitted to registrants dropped significantly and the number of such proposals omitted from proxy statements increased significantly in the 2025 proxy season. *See, e.g.,* Matteo Tonello (The Conference Board, Inc.), *2025 Proxy Season Review: From Escalation to Recalibration*, Harv. L. Sch. F. on Corp. Governance Blog (Sept. 15, 2025), available at *https://corpgov.law.harvard.edu/2025/09/15/2025-proxy-season-review-from-escalation-to-recalibration/.*

[632] Filings of notices of exempt solicitation decreased in the 2025 proxy season, potentially in response to revised staff guidance issued by staff of the Division of Corporation Finance in January 2025. Voluntary submissions accounted for a substantial majority of the filings. *See, e.g.,* Sullivan & Cromwell, *2025 Proxy Season Review: Part 1,* (Aug. 11, 2025), available at *https://www.sullcrom.com/SullivanCromwell/_Assets/PDFs/Memos/2025-Proxy-Season-Review-Part-1.pdf.* In light of a further staff update to a related CD&A in January 2026, which indicated that staff would object to voluntary submissions of notices of exempt solicitations, the number of such filings may drop substantially in the 2026 proxy season.

[633] *See, e.g.,* Severine Neervoort (International Corporate Governance Network), *Statement on Investor Concerns About Shareholder Rights and SEC Policy Before the SEC's Investor Advisory Committee,* Harv. L. Sch. F. on Corp. Governance Blog (Feb. 9, 2026), available at *https://corpgov.law.harvard.edu/2026/02/09/statement-on-investor-concerns-about-shareholder-rights-and-sec-policy-before-the-secs-investor-advisory-committee/;* Shareholder Rights Group, *New Securities and Exchange Commission Policy Bars Main Street Investors From Posting on Its Public Database* (Jan. 28, 2026), available at *https://www.shareholderrightsgroup.com/2026/01/new-securities-and-exchange-commission.html.*

[634] *See, e.g.,* Stuart Gillan et al., *Tradeoffs in Corporate Governance: Evidence from Board Structures and Charter Provisions,* 1 Q. J. Fin. 667 (2011) (finding that certain governance mechanisms are substitutes).

[635] *See, e.g.,* Andrey Malenko et al., *Fragmentation of Shareholder Power,* Working Paper (Mar. 2026), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6083066.*

[636] *See, e.g.,* Nathan Hermann et al., *Decentralizing Voting Power,* European Corporate Governance Institute Finance Working Paper No. 1092/2025 (Sept. 2025), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5500098.*

[637] *See, e.g.,* Alon Brav et al., *The Proxy Voting Choice Revolution,* European Corporate Governance Institute Law Working Paper No. 875/2025 (Dec. 2025), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5500098.*

[638] *See, e.g.,* Lillian Tsu & Shuangjun Wang, Cleary Gottlieb Steen & Hamilton LLP, *Shareholder Engagement: Is the Power of Proxy Advisors and Institutional Investors Shifting?* Harv. L. Sch. F. on Corp. Governance (Feb. 6, 2026), available at *https://corpgov.law.harvard.edu/2026/02/06/shareholder-engagement-is-the-power-of-proxy-advisors-and-institutional-investors-shifting/.*

[639] At least one application was launched within the past five years to enable retail investors to create

Continued

that the changes thus far have been modest, they may represent the early stages of a greater trend toward more decentralized voting. Such a trend may result in an increase, in comparison to the baseline, in the variety of approaches used to review disclosure and in the number of individuals separately evaluating executive compensation disclosures when making voting decisions.[640]

D. Persons Covered

The NEOs of a registrant are the group of executive officers for whom executive compensation disclosure under Item 402 is required.[641] In addition, the departure of an NEO, or the commencement or material modification of (or a material grant or award under) a material compensatory plan, contract, or arrangement with an NEO, triggers a required Form 8–K filing containing certain disclosure under Item 5.02.[642] Moreover, say-on-pay advisory votes apply to the compensation of NEOs.[643]

The current definition of NEO for registrants other than SRCs and EGCs includes a registrant's (a) PEO and PFO, including all individuals serving in either of these capacities during the last completed fiscal year, (b) three most highly compensated individuals other than the PEO and PFO who served as executive officers as of the end of the fiscal year and whose adjusted total compensation was at least $100,000, and (c) up to two additional individuals who would have been included under (b) if they had still served as executive officers at fiscal year-end. For SRCs and EGCs, the NEOs include a registrant's (a) PEO, including all individuals serving in this capacity during the last completed fiscal year, (b) two most highly compensated individuals other than the PEO who served as executive officers as of the end of the fiscal year and whose adjusted total compensation[644] was at least $100,000, and (c) up to two additional individuals who would have been included under (b) if they had still served as executive officers at fiscal year-end. Thus, the core number of NEOs is five, scaled down to three for SRCs and EGCs, but the total number of NEOs for a given registrant can range from one (in the case of an SRC/EGC with no executive officers other than the PEO with adjusted total compensation of at least $100,000) to seven (or potentially more, in cases of PEO or PFO transitions within a fiscal year) individuals.

The proposed amendments would limit the group of NEOs for which disclosure must be provided to a registrant's PEO and PFO (including individuals who served in these capacities for any part of the year).

1. Benefits

As detailed in the Baseline section (IV.C above), registrants have a median of five NEOs, with 15 percent of registrants in the sample reporting four or fewer and 31 percent of registrants with available data reporting six or more.[645] Limiting the NEO definition to individuals serving as PEO or PFO would therefore significantly reduce the number of executives for which compensation disclosure is required at most registrants. Such a reduction in the coverage of Item 402 disclosure and Form 8–K Item 5.02(b)[646] and (e) disclosure (regarding departures and compensatory plans, contracts, or arrangements, as discussed earlier in this section) would, in turn, be expected to generate significant compliance cost savings for those registrants relative to their current expenditures on such disclosures.

Most directly, reducing the number of NEOs at most registrants (by 60 percent, from five to two for the typical registrant that is not an SRC or EGC[647]) would reduce the volume of executive compensation disclosure that needs to be prepared (including the registrant's data collection and monitoring of information). The volume of some components of the disclosures, such as the individual-by-individual compensation information presented in tables, is directly proportional to the number of NEOs and would thus decrease proportionally to the reduction in that number. Narrative disclosures, such as those in the CD&A, may decrease less than proportionally with the number of NEOs if the same discussion can currently apply to multiple NEOs, but may decrease significantly at registrants where compensation design varies sufficiently across the executive roles that incremental NEOs necessitate significant additional narrative.[648] Overall, the length of most components of executive compensation disclosures would likely decrease to some extent with each fewer NEO. A smaller group of NEOs would thus be expected to significantly reduce the amount of information needed to be collected, reviewed, and presented in disclosures by registrants.

Beyond this volume-related reduction in disclosure burdens, we anticipate that limiting the NEOs to the PEO and PFO, as proposed, would also reduce burdens associated with yearly volatility in a registrant's list of NEOs. Registrants may currently expend resources on tracking, computing, and reviewing the compensation of a large group of executive officers for the purpose of identifying who among them will qualify as the three most highly

customized voting policies and more efficiently vote their shares. *See, e.g.,* Jill Fisch & Jeff Schwartz, *Corporate Democracy and the Intermediary Voting Dilemma,* 102 Tex. L. Rev. 1, 49–50 (2023). Separately, one registrant recently introduced a retail voting program allowing investors to opt in to having their shares automatically voted in line with the Board's recommendations. *See, e.g.,* Jeremiah Garvey & Seth Popick, *SEC's No-Action Relief Could Dramatically Alter Retail Voting, Law*360 (Oct. 22, 2025), available at *https://www.law360.com/articles/2400526/sec-s-no-action-relief-could-dramatically-alter-retail-voting.*

[640] Fragmentation of the voting base could also reduce the effectiveness of engagement by institutional investors, which, as discussed above, could increase the focus of investors on executive compensation as an alternative means of addressing managerial alignment with investors.

[641] *See supra* section II.B.

[642] *See* Item 5.02(b) and (e) of Form 8–K. For purposes of Item 5.02, under current Form 8–K, the term ''named executive officer'' refers to those executive officers for whom disclosure was required in the registrant's most recent filing with the Commission under the Securities Act or Exchange Act that required disclosure pursuant to Item 402(c) of Regulation S–K. *See* Instruction 4 to Item 5.02 of Form 8–K. Under the proposal, Instruction 4 to Item 5.02 of Form 8–K would be amended to update the reference from ''Item 402(c) of Regulation S–K'' to ''Item 402(b) of Regulation S–K.''

[643] *See* 17 CFR 240.14a–21(c) (Commission rules addressing shareholder approval of executive compensation, frequency of votes for approval of executive compensation, and golden parachute compensation). As discussed above, the definition of NEOs will also impact disclosures under Regulation S–K Items 403 and 404 and the filing of material contracts under Exhibit 10 to certain registration statements and periodic reports. *See supra* note 91.

[644] Adjusted total compensation in this section refers to total compensation based on all of the elements included in the Summary Compensation Table less any amounts attributable to the change in accumulated pension value or above-market earnings on deferred compensation.

[645] As discussed in section IV.C above, the registrants for which these data were readily available to us represent a subset of relatively larger registrants and exclude most SRCs and EGCs. *See supra* notes 575 and 576.

[646] As discussed below, the proportionate effect on Form 8–K Item 5.02(b) disclosure may be lower than for other affected disclosures because this disclosure requirement expressly applies to certain of the registrant's executive officers other than the PEO and PFO, whether or not they are NEOs, in addition to the PEO, PFO, and other NEOs. *See supra* note 642 (regarding the definition of NEO for purposes of Form 8–K Item 5.02).

[647] *See supra* section IV.C.3.

[648] *See, e.g.,* letters from Davis Polk (stating that ''issuers may compensate executive officers differently depending on whether they lead a business unit or a key function of the issuer, or both''); Sullivan & Cromwell (stating that disclosure of the compensation of the three highest paid executive officers other than the PEO and PFO ''needlessly contributes to the length and complexity of disclosure,'' ''particularly because executives responsible for business lines often are compensated differently from executives responsible for corporate functions'').

compensated by fiscal year-end.[649] The NEOs may vary from year to year as the various amounts and components of compensation for different executives fluctuate over time (including changes due to varying bonuses and equity awards), and ad hoc payments such as severance pay or relocation payments can cause unexpected changes in the list of NEOs. Such variation and uncertainty may increase not only the data collection and monitoring costs discussed above, but also the registrant staff time and effort required to revise the disclosures to explain in public filings the compensation of a different group of NEOs (with different roles and responsibilities) from year to year.[650] In contrast, individuals acting in the capacity of PEO or PFO are readily identifiable and have generally consistent executive roles. Limiting the NEOs to the PEO and PFO would also prevent pay distortions or additional compensation committee deliberations that could result solely because of the effect of compensation decisions on the composition of the registrant's NEOs.[651]

A smaller group of NEOs also could reduce the time that registrant staff and directors expend on outreach and investor engagement by reducing the number of executives whose pay is disclosed and subject to say-on-pay votes. However, we understand these discussions already focus primarily on PEO compensation[652] and that any such savings are therefore likely to be minimal. A smaller, more consistent group of NEOs could also likely reduce the time that registrant staff, directors, or external advisors spend informing executives that they will appear in the disclosures and discussing the disclosures with them.[653]

In addition, a smaller group of NEOs would also reduce the likelihood of triggering Form 8–K Item 5.02(b) or (e) disclosure and the accompanying time and cost expenditures. The proportionate impact is likely to be greater in the case of Item 5.02(e) disclosure of the commencement or material modification of (or a material grant or award under) a material compensatory plan, contract, or arrangement, because this disclosure requirement relates only to a registrant's NEOs as defined under Item 5.02(e). Item 5.02(b) disclosure relating to the departure of executives is required for the NEOs, but also expressly required for the registrant's PEO, president, PFO, principal accounting officer, principal operating officer, or any person performing similar functions, regardless of whether these individuals are NEOs. We estimate that registrants would, in aggregate, file about 695 fewer Form 8-Ks per year,[654] leading to additional expected compliance cost savings.

The compliance cost savings from a smaller group of NEOs may benefit shareholders to the extent that registrant staff, management and board time and resources are redirected to more productive uses. While larger and/or more sophisticated investors are likely able to readily digest the existing large volumes of disclosure, others, particularly retail investors, may benefit from the increased readability of shorter disclosures.[655]

Two commenters indicated that, based on registrant survey responses, registrants could save approximately thirty to sixty percent of the hours devoted to preparing executive compensation disclosure if the NEOs were limited to the PEO and PFO.[656] Given its significant effects on both the volume of disclosure and the number of executive officers whose compensation may need to be tracked, the proposed change in the definition of NEOs is likely to account for a large fraction of the total cost savings from the proposed amendments. However, other elements of the proposed amendments, such as the changes to the primary tabular disclosure requirements, would reduce the per-NEO burdens of producing executive compensation disclosure. Thus, the incremental impact of narrowing the scope of the NEO definition beyond the effects of the other proposed amendments may be somewhat smaller than the effects of this proposed revision considered in isolation.

The benefits of this proposed revision to the NEO definition are expected to vary across registrants based on two factors: (1) their current number of NEOs (which would drive any reduction in the volume of required disclosure); and (2) the size of the pool of executive officers whose compensation is high enough that they could potentially be classified as an NEO at the end of the fiscal year (which would drive savings due to registrants no longer tracking who might become the most highly compensated executive officers other than the PEO and PFO). Registrants currently disclosing compensation for the largest number (such as seven or more) NEOs, or those registrants with many highly paid executive officers whose similar pay levels create uncertainty about the final list of NEOs, would likely experience the greatest savings. In contrast, SRCs and EGCs, which currently typically disclose compensation for three NEOs, would generally realize more modest benefits from moving to an NEO group of only the PEO and PFO as proposed, though they may still experience substantial savings in tracking executive compensation to the extent they have a

[649] *See, e.g.,* letters from ABA (describing ''the compliance burden registrants face in determining their most highly compensated executive officers; namely, the technical requirements which often compel them to closely track throughout the fiscal year the total compensation of numerous executive officers, particularly as it involves the third most highly compensated executive officer position''); Davis Polk (citing a registrant that stated it spends ''quite a lot'' of time during the year projecting who would be an NEO); Society for Corporate Governance (stating that ''it is frequently necessary for an issuer to calculate total compensation for multiple executive officers in order to determine the NEOs that require compensation disclosure''). We understand that compensation committees are responsible for reviewing the compensation of all executive officers, such that some tracking of the compensation of these other executives is still likely to be required, but the nature of such tracking may differ from what is undertaken in anticipation of and preparation for proxy statement disclosure. In addition, to the extent that the deduction limits in 26 U.S.C. 162(m) are implicated, registrants may have to calculate compensation of executive officers for those purposes.

[650] *See, e.g.,* letter from ABA (stating that volatility in the executive officers included in the NEOs ''has raised the compliance burden for registrants that must ensure that both their narrative and tabular disclosures reflect the required information for these constant changes'').

[651] *See, e.g.,* letter from CEC–2 (stating that ''[c]ompanies may feel pressure to manage compensation levels to avoid including or excluding certain individuals as NEOs, as the public disclosure of an executive's NEO status can send unintended signals to the market about succession plans, performance, or internal dynamics''). *But see* Lennartz, 2025 Roundtable Transcript at 74:15–20 (stating that ''[t]he NEO inclusion is another area where I haven't actually seen a decision be distorted by that consideration, but there's a lot of nail biting that happens as you're going through that process'').

[652] *See, e.g.,* letters from CEC–2; Davis Polk.

[653] *See, e.g.,* Chiu, 2025 Roundtable Transcript at 192:12–18 (stating that ''the most daunting thing was, after putting the disclosure together, [she] then had to go to each executive and explain their pay to them'').

[654] *See infra* section V; *see also supra* section IV.C.2 (regarding estimates of the current number of Form 8–K filings containing disclosure responsive to Items 5.02(b) and 5.02(e)).

[655] *See, e.g.,* Brian Miller, *The Effects of Reporting Complexity on Small and Large Investor Trading,* 85 Acct. Rev. 2107 (2010) (finding that longer and less readable filings are associated with a reduction in trading activity which appears to be due to lower trading by small investors, and that such filings are also associated with a decrease in consensus among small investors).

[656] *See* letters from CEC–2 (citing a recent internal survey that found that ''limiting disclosure to the CEO/CFO would reduce hours worked by 30–50% due to reduced data collection, narrative, table publication and auditing, cost of physical publication, cost of external and internal counsel cost and leadership time to review''); Davis Polk (citing a recent internal survey in which ''multiple issuers noted that they would save approximately 50–60% of hours worked on preparing executive compensation disclosure by limiting it to the CEO and CFO'').

large number of highly paid executive officers who might qualify as NEOs by fiscal year-end under the current definition.

If the amendments proposed in the 2026 Filer Status Proposing Release are adopted, a much larger group of registrants would be subject to the same NEO definition as SRCs and EGCs and would similarly derive more modest direct benefits from the revised NEO definition. Nevertheless, the savings from eliminating the need to track the compensation of many executive officers to identify the most ''highly compensated'' could still be substantial.

2. Costs

Narrowing the NEO definition to only PEOs and PFOs, as proposed, would reduce the information available to investors about the compensation of registrants' other top executives.[657] The significance of this information loss is expected to vary across registrants depending on, among other factors, the degree to which executives other than the PEO and PFO (such as a president or chief operating officer) play a pivotal role in a registrant's strategic decisions. Registrants and investors, directly or through costs passed along by their third-party advisors, may also incur limited short-term transition costs to adapt to the new requirements.

Disclosure about executive compensation can provide information that is likely to be material to investment and voting decisions by allowing investors to, among other things, develop informed expectations about executive decision-making and registrant performance.[658] Because the PEO typically has the most direct input into a registrant's direction and strategy, disclosure that conveys an understanding about the PEO's incentives is the most likely to be material for forming these expectations. As the most senior and likely most influential executive, the PEO may also set the tone for the overall dynamic between the board and management. Thus, PEO compensation may also be an important factor in evaluating the effectiveness of boards of directors.

In practice, as indicated by the feedback from commenters, the compensation of PEOs is generally more closely monitored and scrutinized than that of other NEOs.[659] For example, some analyses used by investors in reviewing compensation disclosures focus primarily on the compensation of the PEO.[660] We therefore believe that investors generally find PEO compensation to be the most important element of executive compensation disclosure when making investment and voting decisions.

Nonetheless, there are reasons why the compensation of other key executives may also be relevant to investors' investment and voting decisions and therefore the amendment to the definition of NEO may, in some cases, result in a loss of information likely to be material to investors. For example, strategic decision-making responsibilities may be concentrated in a PEO at one registrant but dispersed across several executive officers at a different registrant. Attaining the same degree of understanding about the economic incentives that could affect key decisions might involve information about the compensation of more executive officers at the latter registrant than at the former. Information about the compensation of other executive officers would also demonstrate the similarities and differences between the compensation of the PEO and that of other executives and across the non-PEO executives, allowing investors to more fully evaluate the effectiveness of the compensation committee.[661]

Compensation information about other executive officers can also provide insight into the dynamics of a registrant's management team. For example, the differential between a PEO's compensation and that of other executives may provide insights about registrant performance that may relate to the influence of the PEO relative to the rest of the management team,[662] about expected synergies or teamwork among executives,[663] about possible PEO successors,[664] and about how competition for such succession may incentivize senior executives.[665] The design of non-PEO executive compensation can also provide information about the likelihood that these important employees will choose to stay at the registrant.[666]

Additionally, some commenters referenced investors' consideration of non-PEO compensation,[667] and some analyses used by investors also include non-PEO compensation as one of the many factors evaluated,[668] despite,

[657] Some compensation information for certain executives other than the PEO and PFO may still be required to be disclosed when they are newly appointed to one of a delineated list of roles. *See* Item 5.02(c) of Form 8–K.

[658] *See supra* section IV.B.

[659] *See, e.g.,* letters from CEC–2; Norges Bank; Rees, 2025 Roundtable Transcript at 137:8–9.

[660] *See, e.g.,* CalPERS Methodology, *supra* note 610 (describing an investor's quantitative analysis of executive compensation disclosure, which focuses on CEO pay); Institutional Shareholder Services, *United States Pay-for-Performance Mechanics: ISS' Quantitative and Qualitative Approach* (Dec. 9, 2025), available at *https://www.iss-stoxx.com/file/policy/current/americas/pay-for-performance-mechanics.pdf,* at 3–5 (''ISS Pay-for-Performance Methodology'') (describing, alongside qualitative considerations, four quantitative measures of alignment between executive pay and company performance, all of which are based on CEO pay, and stating that ''ISS primarily focuses on the CEO's pay because it sets the compensation pace at most companies''); Glass Lewis, *United States & Canada Pay-for-Performance Methodology Overview* (July 2025), available at *https://resources.glasslewis.com/hubfs/Glass%20Lewis%20Pay%20for%20Performance%202026%20Update%20-%20North%20America%20FAQs.pdf* (''Glass Lewis Pay-for-Performance Methodology'') at 1–3 (describing, alongside qualitative considerations, five quantitative analyses of pay-for-performance alignment, of which four pertain to CEO pay, and stating that the focus on CEO pay in the analyses described in the document is ''primarily a result of market norms, investor feedback, and discussion'').

[661] *See, e.g.,* letter from ABA (referencing ''investors' ability to understand differences in a registrant's compensation philosophy between its most senior leader and the rest of the executive team, as well as its attention to pay parity among its executive officers'').

[662] *See, e.g.,* Lucian Bebchuk et al., *The CEO Pay Slice,* 102 J. Fin. Econ. 199 (2011) (finding that the fraction of the aggregate compensation of the top-five executive team captured by the CEO, as a measure of the dominance of the CEO, is associated with the value, performance, and behavior of public firms).

[663] *See, e.g.,* Robert Bushman et al., *Management Team Incentive: Dispersion and Firm Performance,* 91 Acct. Rev. 21 (2016) (studying how firms incorporate synergistic interrelationships among executives into optimal incentive design, focusing on the dispersion in the pay-for-performance sensitivities across top executives).

[664] *See, e.g.,* Spenser Essman et al., *Signaling a Successor? A Theoretical and Empirical Analysis of the Executive Compensation-Chief Executive Officer Succession Relationship,* 42 Strat. Mgmt. J. 1 (2021) (finding that a lower pay disparity between the CEO and the highest paid non-CEO executive is predictive of a higher likelihood of the CEO being succeeded by an internal candidate rather than an external one).

[665] *See, e.g.,* Jayant Kale et al., *Rank-Order Tournaments and Incentive Alignment: The Effect on Firm Performance,* 64 J. Fin. 1479 (2009) (finding that tournament incentives, as measured by the pay differential between the CEO and other named executive officers, relate positively to firm performance).

[666] *See, e.g.,* Radhakrishnan Gopalan et al., *The Role of Deferred Equity Pay in Retaining Managerial Talent,* 38 Contemp. Acct. Res. 2521 (2021) (finding that executives with a greater pay duration, measured based on the weighted average of the vesting periods of different components of their pay, are less likely to leave the firm voluntarily).

[667] *See, e.g.,* letters from ABA (referring to ''investors' ability to understand differences in a registrant's compensation philosophy between its most senior leader and the rest of the executive team, as well as its attention to pay parity among its executive officers''); CFA Institute; State Board Florida (stating an interest in compensation disclosures for any executives that ''participate in strategic business decision-making'' or ''hold significant operational influence''); *see also* Rees, 2025 Roundtable Transcript at 137:8–11 (stating that ''it's true that investors by and large mostly focus on CEO pay'' but that investors also look at ''whether CEO pay is in alignment with how the rest of the C-suite is being compensated'').

[668] *See, e.g.,* CalPERS Methodology, *supra* note 610, at 5 (describing the consideration of non-CEO NEO pay in some elements of the qualitative

generally, a primary focus on PEO compensation, as noted above.

Registrants may also use compensation disclosures to obtain compensation benchmarking data.[669] The proposed amendment to the definition of NEOs could reduce the amount of public data available to compensation committees about the compensation of executive officers other than PEOs and PFOs at peer registrants or could increase the reliance of these committees on third-party survey or consultant data (potentially at an incremental cost) when designing compensation for these executives.[670] Finally, investors may also receive less information and/or less timely information about the departure of, or material contracts, plans, or arrangements with, the executive officers for whom Item 5.02(b) and (e) Form 8–K disclosure would no longer be required due to the proposed amendment to the definition of NEO.[671] While some of this information (*e.g.,* regarding executive changes) would generally be disclosed eventually by the registrant, such as in the list of executive officers in its Form 10–K,[672] or may become available through other sources (such as the registrant's website or individual executives' profiles on social media), under the proposed amendments much of the compensation-related information regarding these individuals may not be publicly available to investors and the release of information about these individuals' departures may be delayed.

Including the PFO in the proposed NEO definition partially mitigates these potential reductions in available information. For example, including the PFO may provide partial insight into executive team dynamics and how the compensation committee makes pay decisions for different executive roles. Compensation committees would also continue to have uniform benchmarking data for setting PFO compensation. The executive officers for whom compensation data would no longer be disclosed are those for whom such data are less uniformly available or comparable across registrants under the current rule, because the roles of the other NEOs (beyond PEO and PFO) may vary significantly. That said, such data can still be informative to investors under the baseline for the reasons discussed above, and the reduction in disclosure under the proposal may thereby, for some registrants, reduce the amount of information incorporated into registrant security prices and increase information asymmetries between registrant management and investors or among investors.

Transparency into executive officers' compensation may also encourage more effective compensation design for those executives, which could translate into enhanced executive performance.[673] It is therefore possible that reducing the transparency of the compensation of some highly paid executive officers by narrowing the scope of the definition of NEOs could, over time, lead to less effective incentives and thus suboptimal performance by top executives other than PEOs and PFOs. Continuing the disclosure of PEO and PFO compensation should partially mitigate this risk by maintaining transparency of the compensation packages that may set the tone for the design of other executives' compensation and maintaining scrutiny of the compensation of the PEO, who likely bears the greatest responsibility for the performance of other managers and of the registrant and who often plays a role in setting the compensation of the other, non-PEO executives.

Registrants may bear some short-term adjustment costs to update their compliance and disclosure processes. Investors may bear some short-term adjustment costs to adapt their review practices and analyses of executive compensation to a narrower definition of NEO. In both cases, these costs may be borne directly or via payments to third parties. We expect these costs to be minor relative to other adjustment costs discussed in this release because it should be relatively straightforward to identify what to remove from current disclosures or compensation analyses in connection with this proposed revision.

Like the potential benefits of the proposed revision to the definition of NEO, the potential costs of this proposed revision are expected to vary across registrants. The costs to investors may be particularly significant in the case of registrants at which one or more highly paid executive officers who are not the PEO or PFO have a significant role in many strategic decisions (which could include a president or chief operating officer), as, under the proposed amendments, those executive officers' economic incentives may no longer be fully disclosed to investors. Beyond such cases, the costs to investors are generally expected to be the greatest in the context of registrants that report five to seven (or more) NEOs under the current rule, because transparency around the compensation of top executives other than the PEO and PFO would decrease the most in such cases. In contrast, in the context of SRCs, EGCs, and other registrants currently reporting fewer NEOs, the proposed revision to the definition of NEOs would have a more limited effect on the amount of available information about executive officer compensation. If the amendments proposed in the 2026 Filer Status Proposing Release are adopted, depending on timing, a much larger group of registrants would be subject to the same NEO definition applicable to SRCs and EGCs and would thus similarly be associated with more limited costs from the proposed revision to the definition of NEO.

3. Reasonable Alternatives

We considered an alternative definition of NEO that would include either three or four executive officers, with one or more of these individuals being the most highly paid executive officers after the PEO (or PEO and PFO), as recommended by some

analysis used by this investor); ISS Pay-for-Performance Methodology, *supra* note 660, at 13 (stating that, while the focus of the analysis is generally the CEO's compensation, the qualitative factors considered in their evaluation of a registrant's compensation decisions and practices ''may also be considered for other NEO compensation''); Glass Lewis Pay-for-Performance Methodology, *supra* note 660, at 1–2 (including a test relating total granted NEO pay to financial performance alongside four other quantitative analyses of pay-for-performance alignment, of which the others pertain to CEO pay).

[669] *See supra* section IV.B.

[670] *See, e.g.,* letters from Axcelis (stating that ''the uniform and comprehensive disclosure of actual executive compensation terms . . . provides critical data for . . . decision-makers, allowing them to determine appropriate . . . compensation by referencing broad datasets of peer information''); Society for Corporate Governance (citing survey respondents who ''expressed that issuers may derive benefit from . . . the information on NEOs other than the CEO and CFO in assessing competitive compensation for those roles, without the need to rely on external consultants or other sources for market information''). *But see* letter from ABA (recommending limiting the NEOs to the PEO and two next most highly paid executive officers and arguing that ''reducing the size of the group would not . . . necessarily complicate the board's or compensation committee's decision-making by reducing insights into competitive market practices'').

[671] The security ownership of executive officers who would no longer be NEOs would also no longer be available on an individual basis under Item 403 but would be available in aggregate form jointly with other executive officers pursuant to Item 403(b). Information about the security ownership of executive officers can also be obtained from filings pursuant to section 16 (with some additional effort to trace and aggregate section 16 filings over time), though Item 403 requires additional disclosure (with respect to, for example, beneficial ownership or shares to which the persons have the right to acquire beneficial ownership) that may not be available in section 16 filings.

[672] *See* Item 10 of Form 10–K.

[673] *See, e.g.,* Bao et al. 2022 Study, *supra* note 521 (finding that firms that start disclosing CFO compensation information after it was made mandatory in 2006 thereafter experience an improvement in CFO performance relative to control firms that already disclosed CFO compensation before 2006).

commenters.[674] Such an approach would preserve more of the information currently available about the compensation of top executives, and may be particularly valuable in the case of registrants with, for example, a chief operating officer or president with significant strategic decision-making responsibilities (in light of the relative importance of the third executive to registrant performance). More generally, this approach may provide investors with a broader understanding of the registrant's overall managerial incentives, executive team dynamics, and the compensation committee's and board's compensation philosophy and relationship with the management team. It would also make more data available to compensation committees of peer registrants for the purpose of benchmarking pay. However, such an approach would not reduce compliance costs as significantly as the proposed approach. As discussed in section IV.D.1 above, identifying the most ''highly compensated'' executive officers under this alternative may require tracking the compensation of a larger group of executive officers than the group of NEOs, particularly for registrants with many highly paid executive officers whose similar pay levels create uncertainty about the final list of NEOs. This task could be simplified by, for example, requiring the determination of the most ''highly compensated'' executive officers to be based on a limited number of compensation components (such as salary and bonus). Regardless, this alternative tends to introduce at least some uncertainty and volatility into the determination of the group of NEOs due to the uncertainty and volatility in final pay levels (as is the case under the baseline), which in turn would disproportionately increase the compliance burden of adding an additional executive officer to the definition relative to the proposal. Including a most ''highly compensated'' executive officer without regard for that officer's role would also increase the likelihood that the officer's compensation design differs significantly from that of the PEO, likely expanding the extent of explanatory disclosures a registrant may feel necessary to an understanding of the individual's pay package. Further, given that the additional NEOs under this alternative would not have consistent roles or titles across all registrants, the additional information included under this alternative would be less comparable and thus somewhat more difficult to evaluate for investors than the information pertaining to the PEO and PFO as proposed.

We also considered limiting the definition of NEO to include only the PEO,[675] given the primary interest in, and scrutiny of, PEO compensation. However, as discussed in section IV.D.2 above, including the PFO provides insight into issues such as executive team dynamics and how the compensation committee tailors pay to specific roles. The PFO, who has oversight of the registrant's financial management and financial disclosure, also has a unique role at the registrant. Including the PFO provides investors with compensation information that may allow them to gauge the incentives of this key executive and, thereby, the reliability of the registrant's financial disclosures and the soundness of its financial decisions.[676]

In addition, within the proposed definition, we considered including only the individuals serving as PEO and PFO as of the end of the fiscal year, rather than all individuals who served in either capacity at some point during the fiscal year.[677] Under this alternative, the required disclosures would be further simplified and compliance costs would be further reduced in years of executive transition. This approach would also reduce the volatility in disclosed compensation caused by severance or other departure payments. However, as discussed in the Baseline section (section IV.C. above), PEO and PFO transitions are quite common: approximately twenty percent of PEOs, and thirty percent of PFOs, at registrants with readily available data had less than three years of compensation history in proxy year 2025. Limiting compensation disclosures to PEOs and PFOs serving at the end of a fiscal year, under the alternative, would therefore result in frequently incomplete years of compensation and gaps in the compensation data, making it difficult for investors to analyze pay patterns and evaluate the full cost of executive compensation, including by making it more difficult to compare disclosures across registrants and across years for the same registrant.

E. Primary Tabular Disclosure, Perquisite Disclosure, and Compensation Actually Paid Disclosure Requirements and Flexibility in the Manner of Tabular Presentation

A number of provisions in the current rule and proposed amendments pertain to the standardized quantitative data that registrants must disclose about executive compensation. Because the proposed amendments would substantially revise and reorganize the content that is disclosed in the current set of tables and narrative disclosures into a different set of tables and associated supplemental disclosures, we address all of these provisions in this section. We include consideration of the Compensation Actually Paid measure from existing pay-versus-performance disclosures in this section because it represents quantitative data about executive compensation and because the proposed amendments replace this measure with a measure from one of the new primary compensation tables, but we discuss the other pay-versus-performance disclosure requirements separately in section IV.G. below.

As discussed in the Baseline section (section IV.C. above), most section 12 and section 15(d) registrants[678] are currently required to disclose annual data about each of their NEOs' compensation in tabular format. For registrants that are not SRCs or EGCs, the executive compensation information is currently presented in six primary tables.[679] Additional disclosures are either required or delineated as items that must be included if material in footnotes and/or supplementary narrative disclosures to the tables. SRCs and EGCs are currently eligible to use a scaled version of these requirements, including only two primary tables, two rather than three years of disclosure in the Summary Compensation Table, and the exclusion of any amounts or tabular

[674] *See, e.g.,* letters from ABA; Chamber of Commerce; Equity Methods-1; Infinite Equity-2; Jones Day; McGuireWoods & Brownstein.

[675] *See, e.g.,* letter from Sullivan & Cromwell.

[676] *See, e.g.,* John Jiang et al., *CFOs and CEOs: Who Have the Most Influence on Earnings Management?* 96 J. FIN. ECON. 513 (2010) (finding that measures of earnings management are more sensitive to CFO equity incentives than to those of the CEO); Sudheer Chava & Amiyatosh Purnanandam, *CEOs versus CFOs: Incentives and Corporate Policies,* 97 J. FIN. ECON. 263 (2010) (finding that CFO equity incentives dominate those of the CEO in explaining decisions involving specialized financial judgment such as debt maturity and accrual management).

[677] *See, e.g.,* letters from Davis Polk; Society for Corporate Governance.

[678] FPIs and registered investment companies are not subject to these requirements. Externally-managed BDCs and asset-backed securities issuers also generally do not have to provide these disclosures. *See supra* section IV.C.2.

[679] These tables are the Summary Compensation Table, the Grants of Plan-Based Awards Table, the Outstanding Equity Awards at Fiscal Year-End Table, the Option Exercises and Stock Vested Table, the Pension Benefits Table, and the Nonqualified Deferred Compensation Table. For SRCs and EGCs, the required tables are limited to the Summary Compensation Table and the Outstanding Equity Awards at Fiscal Year-End Table. *See supra* section IV.C.2.

disclosures associated with pensions (except when benefits are accelerated).

A subset of the registrants required to provide the primary tabular compensation disclosures [680] are also required to provide pay-versus-performance disclosures. These disclosures include, among other things, tabular disclosure of five years of Compensation Actually Paid to the PEO and, collectively as an average, to the other NEOs. The current rule defines Compensation Actually Paid based on a computation that is intended to quantify how the value of an executive's total compensation package changed that year, including changes in the value of outstanding equity awards. Other pay-versus-performance requirements are discussed separately in section IV.G below.

The proposed amendments would condense and reorganize the information required in the current primary tabular disclosures into three new tables that would apply to all of the affected registrants. The Granted Compensation Table would present the primary elements of compensation generally at the targeted values initially granted by compensation committees or boards. The Earned Compensation Table would present the value of compensation ultimately earned by executives and provide more comprehensive coverage of the primary as well as other elements of compensation. Both of these tables would present three years of compensation data, or two years for SRCs and EGCs. The Status of Equity Awards Table would provide certain factual details about each outstanding, newly granted, or newly vested (or exercised) equity award, such as the range of shares underlying each award and the current status of each award with respect to vesting or exercise.

In addition to reorganizing certain of the information included in the current tables, the proposed new tabular disclosures would reduce the degree of detail provided, particularly about non-equity incentives, deferred compensation and perquisites, and certain other components of miscellaneous compensation, and would eliminate many currently required computations in favor of focusing on factual disclosure and computations already produced by registrants for other purposes. While the value of the primary elements of pay and certain key terms of incentive awards would be explicitly required to be disclosed, registrants would be subject to a higher dollar threshold below which perquisites need not be reported, would have additional flexibility to include some elements of miscellaneous compensation only if they are material, and would have discretion to determine what additional footnotes or other supplementary disclosure are material information necessary to an understanding of the information disclosed in the primary tabular disclosures. For example, when an amount reported in one of the proposed tables represents an aggregation of multiple individual amounts (such as multiple non-equity award payouts or various miscellaneous items), registrants would have discretion whether to identify the individual components and their values. The proposal would also eliminate the disclosure of Compensation Actually Paid and require that registrants instead use total compensation from the Earned Compensation Table in pay-versus-performance disclosures.

The proposed amendments would also give registrants more flexibility in the manner in which they present their tabular disclosures, such as by splitting a single column into multiple columns (or into a supplemental table) so long as the multiple columns (or supplemental table) are clearly labeled and in the aggregate cover all items of compensation required to be reported in that single column. A registrant would also be permitted to provide any supplemental information in any format it determines to be appropriate, including in additional columns in an existing table.

1. Comparison of Information Environment

Given the significant reorganization and revision of the quantitative executive compensation information that would be required to be disclosed under the proposed amendments, we first identify the most significant changes in the information that registrants would disclose as a result of the proposed changes to the primary tabular disclosures of executive compensation information (and the disclosure of Compensation Actually Paid) in order to facilitate the discussion of potential benefits and costs of these aspects of the proposed amendments.

The proposed amendments would generally reduce the amount of data about executive compensation that is either explicitly required or specifically suggested as possibly meriting inclusion in registrant disclosures. These reductions are expected to decrease the compliance costs associated with producing the disclosures and to enable more streamlined disclosures that registrants would have greater flexibility to tailor to their specific circumstances. The proposed amendments are also intended to better align executive compensation disclosures with the way many registrants view their compensation programs. However, they will likely result in less information being disclosed to the public than under the baseline.

Potential changes to the information environment may stem from the proposed revisions to certain bright-line standards (such as the proposed revised minimum aggregate reporting threshold for perquisites) as well as the proposed movement to more principles-based standards for other provisions. The proposed amended bright-line requirements are intended to retain the information that is most likely to be material to investors, but as they would apply consistently across registrants it is possible in some circumstances that they could result in information that is important to voting and investment decisions no longer being disclosed. There is also information required in current disclosures that would not be explicitly required under the proposal and which may be outside the scope of the proposed principles-based disclosure requirements. For example, the aggregate balances of executive pension and deferred compensation plans are reported currently but are not required under the proposal and, even if material, may not be within the scope of the materiality catch-all provisions discussed in more detail below.

Other information would no longer be explicitly required to be disclosed, or would no longer be delineated in lists of examples of potentially material items for consideration in registrant disclosures, but would still be the subject of a duty to disclose if material given a registrant's specific facts and circumstances. Some of this information may thereby still be disclosed by some registrants under the proposed principles-based disclosure requirements but may no longer be as consistently available (or as consistently presented) across registrants.

The principles-based requirements are intended to continue to require registrants to disclose material information, thereby preserving investor access to this information, but may still result in some information that is within the scope of the principles-based disclosure requirements and relevant to

[680] Among the registrants subject to the primary tabular disclosure requirements, those that are EGCs, are not subject to the proxy rules due to the absence of a section 12 registration, or do not disseminate a proxy or information statement in a given year (such as certain section 12(g) issuers) are not required to make pay-versus-performance disclosures. *See supra* section IV.C.2.

voting and investment decisions no longer being disclosed. In the next subsection, we discuss how this may happen. In the following subsections, we then discuss the potential changes that could result from the proposed amendments in three broad categories of information: information about the level of executive compensation (also known as the ''amount'' or ''quantum'' of pay), information about the performance sensitivity of such compensation, and information about other components and terms of compensation. We consider changes in information in these three categories because we understand that they are consistent with the factors that investors most commonly evaluate with respect to executive compensation.[681]

a. Sources of Potential Information Loss Under Materiality-Based Standards

The proposed amendments introduce several new materiality-based standards for the disclosures.[682] Pursuant to proposed Item 402(a)(1), the objective of Item 402 disclosures would be to provide investors with material information relevant to an assessment of the compensation of the registrant's named executive officers and directors. Pursuant to proposed Item 402(a)(5)(i), registrants would be required to disclose any material information necessary to an understanding of the information disclosed in the primary tabular disclosures, namely the proposed Earned Compensation Table, Granted Compensation Table and Status of Equity Awards Table. Also, specifically with respect to the components of pay included in the proposed Earned Compensation Table, outside of certain delineated items, registrants would be instructed to include any other compensation that the registrant determines is material (or otherwise elects to disclose).[683]

As discussed in the previous section, the scope of these materiality-based disclosure standards would not encompass all of the information that is required to be disclosed in current Item 402 disclosures. Nevertheless, we expect that these materiality-based disclosure provisions—including one applying broadly to information material to an understanding of the information disclosed in the primary tabular disclosures and one applying specifically to the inclusion of dollar values of material compensation to the NEOs—would preserve the disclosure of material information that falls within these categories. At the same time, there are several factors, discussed in the following paragraphs, that may result in investors having access to a reduced amount of relevant information when making their investment and voting decisions.

First, the materiality determinations would be made at the registrant level, but investors often consider information about compensation practices in the broader market when evaluating and making decisions about a particular registrant.[684] For example, when evaluating whether the performance conditions applied to a PEO's non-equity incentive award appear appropriate, investors may consider how these conditions compare to the performance conditions attached to non-equity incentive awards of peer PEOs. Under the proposed amendments, an element of compensation that is disclosed by all registrants under the baseline might be disclosed, for instance, by one registrant, because it is material given that registrant's circumstances, but might not be disclosed by other registrants, because it is not material based on their own facts and circumstances. While all of these registrants would be properly disclosing material information, investors may have less context with which to precisely evaluate the first registrant's disclosures than they would under the baseline.

Second, materiality determinations are fact-specific for a given time. Item 402 compensation disclosures are generally made annually, and the underlying facts may change at a time when there is not a present duty to disclose or update information about an executive's compensation and monetary incentives. In contrast, investors evaluate registrants and make decisions throughout the year, the materiality of information may change at any point during the year.[685] For example, at a company that has not historically paid dividends, it may not be material whether or not the PEO is entitled to dividends on unearned equity; but if the company newly begins paying dividends during the year, factors that could help investors to better understand the context and ramifications of this corporate action may become more important to their investment or voting decisions. Under the baseline, information about (for example) certain terms of incentive awards or certain components of compensation is generally disclosed by all registrants regardless of materiality. Under the proposed amendments, if this information (such as whether the PEO is entitled to dividends on unearned equity, or any specific terms of non-equity incentive awards) is not material at the time that a registrant's annual compensation disclosure is made, the information might not be available to investors if it becomes material thereafter.

Third, there may be information in current executive compensation disclosures that is important to investment or voting decisions that registrants deem to be immaterial.[686]

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[681] *See, e.g.,* LACERA (stating that it is ''imperative that SEC guidance require disclosure of . . . the total quantum of pay and the mechanisms through which pay is realized'' and describing some of these mechanisms, such as the timelines and range of pay outcomes that depend on performance); NEI (organizing the information about executive compensation that it considers to be material into three categories: the ''[q]uantum of executive pay,'' ''[d]egree of pay alignment with performance,'' and ''[c]ompensation framework disclosures''). Academic research on executive compensation also tends to categorize the features of compensation as the level, performance sensitivity, and other elements of pay structure. *See, e.g.,* Edmans et al. 2017 Survey Paper, *supra* note 483.

[682] This section is focused on the primary tabular disclosures. There are additional proposed materiality standards that would apply specifically to other elements of the disclosures, such as director compensation and certain components of NEO golden parachute payments and benefits. *See, e.g., infra* sections IV.I and IV.L.2.

[683] *See* proposed Item 402(b)(2)(viii)(I).

[684] Academic research demonstrates that peer disclosures play a role in the evaluation of a particular registrant's disclosure. *See, e.g.,* Nemit Shroff et al., *When Does the Peer Information Environment Matter?* 64 J. ACCT. ECON. 183 (2017); Christian Leuz & Peter D. Wysocki, *The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research,* 54 J. ACCT. RES. 525 (2016); Anat R. Admati & Paul Pfleiderer, *Forcing Firms to Talk: Financial Disclosure Regulation and Externalities,* 13 REV. FIN. STUD. 479 (2000).

[685] *See, e.g.,* Michael Dambra et al., *Disclosure, Materiality Thresholds, and the Cost of Capital: Evidence from Federal Open Market Committee Announcements,* 70 MGMT. SCI. 8322 (2024) (finding evidence consistent with changes in the cost of capital, based on unexpected changes in the target federal funds rate, affecting registrants' materiality thresholds).

[686] Researchers have identified situations in other contexts in which the stock market appeared to react to the disclosure of information that registrants initially deemed to be immaterial. *See, e.g.,* Preeti Choudhary et al., *Immaterial Error Corrections and Financial Reporting Reliability,* 38 CONTEMP. ACCT. RES. 2423 (2021) (''Choudhary et al. 2021 Study'') (finding a modest negative stock market reaction to the disclosure of restatements that were deemed immaterial, with a greater reaction for the misstatements that decreased net income or that involved multiple issues); Judson Caskey et al., *Noncompliance With SEC Regulations: Evidence from Timely Loan Disclosures,* 64 J. ACCT. ECON. 183 (2017) (finding that, even after controlling for loan size as a percentage of assets, registrants are less likely to disclose a loan contract pursuant to a materiality determination if it bears a less favorable interest rate, and that registrants not immediately disclosing these loans have short-term stock market outperformance that later reverses into longer-term stock market underperformance relative to registrants that disclose the loans, as the

The materiality of executive compensation depends on multiple complex factors. For example, a small quantum of pay, which could look immaterial by typical quantitative standards, may still be material because of the outsize effects executive actions (and, by extension, their incentives) can have on registrant performance.[687] There is thus a risk that information in current disclosures that appears to be immaterial but may, in fact, be material to investor decisions may not be disclosed under the proposal.

While materiality-based standards may increase the likelihood of the loss of important information relative to what would be available under a more prescriptive disclosure standard, they also have benefits, including reducing the risk of immaterial disclosures. The potential loss of information under the proposal may be partially mitigated by investor expectations for more detailed information, as expressed through their voting support or direct engagement with registrants, and the development of market practices or norms for disclosure. It is also possible that some registrants respond to the proposed principles-based requirements with an over-disclosure of information beyond what is material in order to limit the risk of omitting material information, thus reducing any information loss relative to the baseline.[688]

In summary, while the proposed amendments are intended to retain the disclosure of the information about executive compensation that is most likely to be material, some reduction in information will nevertheless result. In characterizing the effects of the proposed amendments on the information available to investors in the following subsections we therefore identify some of the information that may no longer be available (or consistently available) to investors even though we believe that aspects of the proposal would mitigate the loss of material information.

b. Information About the Level of Executive Compensation

In this and the following two sections, we focus on characterizing the potential change in the information that would be available in the primary tabular executive compensation disclosures as a result of the proposed amendments. We defer our discussion of the benefits and costs of the identified changes in information environment, as well as the format in which the information is presented, to sections IV.E.2 and IV.E.3 below.

Information about the level[689] of executive compensation would continue to be available to investors under the proposed amendments, but may not be as precise as currently disclosed information. Any such difference in precision relative to the information available under the baseline is expected to be modest in most cases but could be more significant under some circumstances. The potential reduction in the precision of estimates of the level of pay would stem in many cases from detailed elements of the proposed amendments. We describe these fine distinctions in this section to clearly identify the difference in information that would be available under the proposal as compared to the baseline.

Effects on the precision of estimates of the level of pay would also vary depending on the specific measure relied on by a given investor. Measures of the level of executive compensation used by investors currently vary but often begin with the compensation disclosed in the Summary Compensation Table.[690] Some may directly use the total compensation from this table,[691] some may revalue certain components but otherwise closely track this total compensation measure,[692] and some may adjust the year in which certain awards are included[693] or drop some of the components included in this table in the process of constructing their measures.[694]

Because the Earned Compensation Table and Granted Compensation Table together encompass, to a large extent, the components of the Summary Compensation Table, we expect that investors and other market participants would continue to be able to use the proposed tables to construct measures of the level of executive compensation. For example, the total from the Granted Compensation Table would provide one measure of ''total direct compensation''[695] that could be used to evaluate the level of pay. Under some circumstances, this measure may be a more up-to-date measure of the level of pay granted than the measures that are available today. In particular, given the proposed flexibility to allow registrants to include, in a given year's granted compensation, equity awards that were granted early in the following year in recognition of that previous year's performance, information about equity awards made soon after the fiscal year end could be made available to investors earlier than under the current rule.

More directly replicating other measures in use today would be possible with varying degrees of precision depending on the specifics of the desired measure and the extent to which registrants provide additional context to the required tables. For example, to reconstruct a measure similar to Summary Compensation Table total compensation, one could take all of the individual components of the Earned Compensation Table other than the values for stock and option awards and substitute the values of these awards from the Granted

information flows into stock prices in the longer term).

[687] *See, e.g.,* Alison Mackey, *The Effect of CEOs on Firm Performance,* 29 STRAT. MGMT. J. 1357 (2008).

[688] We acknowledge that registrants may be less likely to increase the transparency of their executives' pay beyond what is required than they would be to increase other corporate disclosures in the face of these kinds of factors. *See, e.g.,* Attila Balogh et al., *Does Stakeholder Outrage Determine Executive Pay?,* 15 REV. CORP. FIN. Stud. 227 (2026) (discussing managerial incentives to camouflage their pay and providing related evidence).

[689] As discussed above, we use the term ''level'' of compensation to represent the amount of such compensation, also known as the ''quantum'' of pay or pay ''opportunity.'' *See supra* section II.

[690] *See, e.g.,* McCormick, 2025 Roundtable at 77:5–8 (stating that ''when investors are looking at the overall disclosure . . . . [t]hey start with the summary comp table''); Hambly, 2025 Roundtable at 170:21 through 171:2 (stating that ''one of the things as an investor I'm trying to understand is, what is the value transfer opportunity the board is making for this individual? . . . And so . . . I use the summary comp table, I use the [Form 4] disclosures to try to say, okay, what was the stuff we just paid?'').

[691] *See, e.g.,* letter from NEI (stating that total compensation from the Summary Compensation table is one among multiple factors considered when evaluating the ''quantum of executive pay'').

[692] *See, e.g.,* Institutional Shareholder Services, *ISS United States Executive Compensation Policies: Frequently Asked Questions* (updated Dec. 9, 2025), available at *https://www.iss-stoxx.com/file/policy/current/americas/us-compensation-policies-faq.pdf* (''ISS Compensation FAQ'') at 7 (stating that the ''total compensation'' included in ISS reports and related to peer ''total compensation'' matches what is disclosed in the Summary Compensation Table, with a substitution of annual salary for any part-year salary and potential substitution of ISS-computed valuations of stock and options for those included in the table).

[693] *See, e.g.,* letter from Johnson & Johnson; *id.* at 22 (stating that ISS may consider adjusted total compensation—reflecting equity in the year of performance it was intended to reward rather than the following year, in which it was technically granted—as part of its qualitative analysis).

[694] *See, e.g.,* Glass Lewis Pay-for-Performance Methodology, *supra* note 660, at 3 (stating that its definition of total compensation excludes any cash severance or changes in pension value).

[695] *See, e.g.,* letter from Infinite Equity-3 (defining total target direct compensation as the sum of target salary, target bonus and non-equity incentive awards, and target equity awards, and indicating that this measure ''is often used as a primary point of reference for Boards and their compensation consultants when benchmarking and making pay decisions'').

Compensation Table.[696] The resulting measure would differ from the Summary Compensation Table total compensation measure in three respects: (i) it would value equity grants with performance-based vesting[697] or with other such contingencies[698] differently, (ii) it would include pension service costs rather than the change in the actuarial present value of accumulated pension benefits; and (iii) it would exclude certain perquisites below the proposed threshold and may exclude other miscellaneous compensation that is deemed immaterial.

Regarding the first of these points, equity awards appearing in the Summary Compensation Table are currently valued at fair value computed in accordance with FASB ASC Topic 718.[699] For any awards that are subject to performance conditions, the grant date fair value reported in the Summary Compensation Table is based upon the probable outcome of such conditions. For awards with market conditions, the estimate of grant date fair value is based on valuation techniques which incorporate the likelihood of achieving the market conditions into the award's fair value.[700] The proposed amendments would require stock and option awards with performance-based vesting or other such contingencies to be included in the Granted Compensation Table at their fair value under the assumption that the award's target outcome will be achieved. For awards with only service conditions that affect whether or not an award vests, there should be no difference in the valuations. Awards with service conditions that affect factors other than whether or not an award vests (such as, for example, an exercise price that varies with years of service) are generally rare, and the degree to which the value reported for such awards they would differ under the proposed amendments would depend on the nature of the service condition and how the award is structured. For awards with performance conditions, we understand that the proposed and baseline valuation approaches should generally give similar results because the target outcome is usually closely aligned with the probable outcome.[701] That said, it is possible that registrants could respond to the proposed amendments by setting target outcomes that differ more significantly from probable outcomes than in current practice, which could introduce greater imprecision into the reported valuations. For awards with market conditions, the current and proposed valuations may differ significantly. Because reasonable techniques for valuing the effects of market conditions currently exist and account for all of the possible outcomes of an award, we expect that the simpler approach of assuming the target outcome is achieved would generally provide a less precise estimate of award value than the values disclosed currently.

The second difference delineated above should reduce the volatility in reported pay caused by the change in value of all previously accumulated pension benefits with changes in interest rates and other actuarial assumptions. This reduction in reported pay volatility would only affect registrants whose NEOs receive pension benefits, which are a minority of registrants among which larger registrants are disproportionately represented.[702] While we understand that pension plans are more prevalent among larger registrants, the inclusion of pension service costs even for SRCs and EGCs, which are not currently required to disclose pension-related compensation, should increase the precision with which investors can measure the level of executive compensation for any EGCs and SRCs that provide pension benefits to their NEOs.[703] That said, the proposed change in the treatment of pensions would obscure the effects on pension benefits of any unexpected increases in pay,[704] which are not reflected in computations of pension service costs.

With respect to the third point of difference listed above, if compensation practices were to remain unchanged, the exclusion of perquisites below the proposed threshold would reduce the precision with which investors can measure the level of executive compensation to a modest degree. Table 8 of the Baseline section (section IV.C) above demonstrates the degree to which different levels of PEO perquisites reported today (as a percentage of Summary Compensation Table total compensation), based on a random sample of 100 registrants, would be reported under the proposed reporting threshold of $150,000 (in the third column of the table). As demonstrated in this table, the proposed threshold would result in the vast majority of perquisites that total no more than 2.5 percent of total compensation no longer

[696] To more closely approximate Summary Compensation Table total compensation, one could further add back, to the extent applicable, any compensation related to director services recorded elsewhere in the proxy statement under the proposed amendments.

[697] As discussed above, for the purpose of this economic analysis, we define performance-based vesting to include both performance and market conditions that affect vesting. *See supra* note 585. We estimate that about 52% of stock awards and 12% of option awards granted in a given year are subject to performance-based vesting. *See supra* Tables 6 and 7. Awards with any performance condition or market condition would be valued differently (for the purposes of the tabular compensation disclosures) under the proposed amendments as compared to the baseline.

[698] ''Other such contingencies'' include factors other than vesting (like the exercise price, conversion ratio, or contractual term of an award) that vary based on the outcomes of service, performance, or market conditions; but not, for example, a fixed exercise price (upon which any eventual payout is contingent but which itself is a fixed contractual term). We understand that awards that do not have performance-based vesting but have ''other such contingencies'' are rare.

[699] *See* Instruction 3 to 17 CFR 229.402(c)(2)(v) and (vi).

[700] For example, market conditions may be valued using a lattice model or Monte Carlo simulation.

[701] We understand that the probable outcome of awards with performance conditions at the grant date is typically the target outcome, such that the valuation of these awards under the proposal and the baseline should not differ. In some cases, we understand that the probable and target values may differ due to slightly different assumptions being used by the compensation committee and for accounting purposes, which could lead to a somewhat less accurate estimate of the value transferred on the grant date (but a more accurate estimate of the board's intentions) being reported under the proposed amendments. *See, e.g.,* Takis Makridis et al., *Top 10 Equity Compensation Issues for 2025,* Equity Methods Blog Post (Feb. 2025), available at *https://www.equitymethods.com/articles/top-10-equity-compensation-issues-for-2025/* (stating that ''[m]any budgets or long-range plans comprise a few scenarios based on different states of nature or sets of assumptions. One of these scenarios—typically, the one considered most probable—will likely be used for setting the goals on a PSU'' and that ''the accounting team will begin accruing expense based on what they understand to be the probable outcome of the performance condition. If they're making that assumption from a different budget, they won't be expensing at target'').

[702] We estimate that about 17% of registrants with available data reported pension plans for their PEO in proxy year 2025, including about 27% of registrants in the S&P 500 Large-Cap Index, compared to about 13% of registrants in the S&P 600 Small-Cap Index. *See supra* section IV.C.4. Companies that grant executive pensions also differ from other registrants along other dimensions. *See, e.g.,* Brian Cadman & Linda Vincent, *The Role of Defined Benefit Pension Plans in Executive Compensation,* 24 Eur. Acct. Rev. 779 (2015) (finding that registrants whose CEOs have defined benefit pension plans are significantly larger in terms of sales and assets, are more highly levered, have lower stock price volatility, and have lower free cash flows than registrants whose CEOs do not have such plans; and that the electrical, gas, and sanitary services industry and the commercial banking industry have a significantly higher percentage of registrants with CEO pension plans than other industries).

[703] While data on pension usage by these registrants is unavailable due to this disclosure accommodation, we understand that pensions are rarely used by smaller companies. *See supra* section IV.C.4.

[704] Researchers have found that such increases prior to pension plan freezes or lump sum pension payouts may be used to opportunistically increase compensation. *See* Irina Stefanescu et al., *Pay Me Now (and Later): Pension Benefit Manipulation Before Plan Freezes and Executive Retirement,* 127 J. Fin. Econ. 152 (2018).

being disclosed. It would also result in some perquisites totaling over 2.5 percent but less than 5 percent of total compensation no longer being disclosed, introducing somewhat more noise into measures of the level of executive compensation at registrants that make heavier use of perquisites.[705]

If the use of perquisites were to expand as a result of reduced scrutiny, such that our random sample is not representative of expected practices, the proposed disclosure threshold could introduce a larger amount of noise into measures of the level of executive compensation, particularly at smaller registrants. As demonstrated in Table 4 of the Baseline section (section IV.C) above, we estimate that about five percent of registrants currently pay their PEOs $500,000 or less in total compensation. For such registrants, the proposed threshold could result in perquisites representing 30 percent or more of a PEO's compensation not being disclosed.

The proposed miscellaneous category of compensation may also introduce a small degree of imprecision into measures of the level of pay given that what items (beyond the delineated list of items) are material and therefore included in this category may vary across registrants. We expect any resulting noise to be minor, but it may be difficult for investors or third parties to make adjustments to enhance comparability because specific information about the components of miscellaneous compensation received (and thus what is either included or excluded) may not be available.

Under the proposed amendments, the ability to construct the alternative measures of the level of pay currently in use that involve revaluing equity awards under alternative assumptions or removing certain components of compensation would depend on the extent to which registrants disclose all of the terms of equity awards necessary for such computations and identify the amounts of each of the components of compensation that would be deducted.

[705] Our sample of 100 registrants is not sufficiently large to reliably characterize the types of registrants that make heavier use of perquisites. Research on which registrants make greater use of perquisites has had mixed results. *See, e.g.,* Angela Andrews et al., *Corporate Governance and Executive Perquisites,* 16 Rev. Acct. Fin. 21 (2017) (finding that registrants with weak corporate governance are more likely to award perquisites to executives); Raghuram G. Rajan & Julie Wulf, *Are Perks Purely Managerial Excess?* 79 J. Fin. Econ. 1 (2006) (finding that at least some perks appear to be more likely to be used when there is greater potential for such perks to contribute to improved managerial productivity).

c. Information About the Performance Sensitivity of Compensation

Equity awards, non-equity incentive awards, and certain bonuses deliver varying amounts of value to NEOs depending on registrant and/or NEO performance. While other components of pay tend to vary less with performance,[706] the amount of pay delivered through these other components can also fluctuate in a way that can serve to either enhance or partially offset these performance incentives.

Current executive compensation disclosures include information about the *ex ante* contingencies that affect future compensation payouts, information about outstanding equity awards and how the expected value of these ''in flight'' awards has changed, and information about the *ex post* value eventually realized by the NEOs from all of the elements of their compensation. The ''in flight'' and *ex post* values cannot be perfectly constructed based on the disclosure about *ex ante* compensation structure because, for example, specific performance thresholds are often not disclosed [707] and incremental compensation decisions made while awards are outstanding may affect the total amount of compensation that is eventually realized. The progress toward outcomes reflected in ''in flight'' valuations and the actual *ex post* outcomes provide insight into the rigor of performance goals and how the board's compensation decisions during a given performance period may have magnified, dampened, or otherwise modified the executive's monetary incentives. Under the proposed amendments, we believe that most of the information about *ex ante* incentives and *ex post* outcomes would still be disclosed in some form, while disclosure about ''in flight'' values would be limited.

Regarding the *ex ante* contingencies that affect future payouts, the primary terms that are set in advance to provide direct performance incentives and establish the horizon of these incentives are (with varying applicability depending on the award): vesting schedules; performance or market conditions (or service conditions affecting factors other than vesting), including the associated formula or range of payouts and performance period; and option exercise prices and expiration dates. Registrants (including SRCs and EGCs) are currently required to disclose option exercise prices and expiration dates in tabular format; [708] equity vesting schedules in footnote disclosures; [709] and non-equity incentive award vesting schedules and performance-based conditions (whether for equity or non-equity awards) in narrative disclosures.[710] Registrants other than SRCs and EGCs are also currently required to disclose the range of potential payouts of newly-granted incentive awards in the Grants of Plan-Based Awards Table.

Under the proposed amendments, the range of potential payouts under equity awards and the exercise prices of any option awards would be reported in the proposed Status of Equity Awards Table, while all of the other primary *ex ante* equity award terms other than option expiration date would be explicitly required to be disclosed pursuant to proposed Item 402(d)(3), but could be provided in footnotes, narrative, or tabular disclosure at the registrant's election. Option expiration dates would be disclosed to the extent material given a registrant's facts and circumstances.[711] Under both the

[706] *See, e.g.,* Edmans et al. 2017 Survey Paper, *supra* note 483, at 410 (presenting evidence that ''the vast majority of executive incentives stem from revaluations of stock and option holdings, rather than changes in annual pay''); Kevin J. Murphy, *Executive Compensation: Where We Are, and How We Got There,* in: George M. Constantinides et al. (eds.), 2 Handbook Econ Fin 211 (2013) at 234 (stating that studies show that virtually all of the sensitivity of pay to corporate performance for the typical CEO is attributable to the direct link between stock price performance and the CEO's portfolio of stock and options).

[707] *See, e.g.,* letter from Cravath (stating that ''[i]t is our experience that it has become commonplace for issuers to withhold disclosure of performance-related measures at the outset of any award and to disclose them only for the time period when the award is earned (backward-looking disclosure rather than forward-looking disclosure)'').

[708] Option exercise prices and expiration dates are reported in the Outstanding Equity Awards at Fiscal Year-End Table. For registrants other than SRCs and EGCs, option exercise prices are also reported in the Grants of Plan-Based Awards Table.

[709] Equity vesting schedules are required to be reported in footnotes to the Outstanding Equity Awards at Fiscal Year-End Table.

[710] Registrants other than SRCs and EGCs are required to disclose (in narrative disclosure to the Summary Compensation Table and Grants of Plan Based Awards Table) the material terms of any award disclosed in the Grants of Plan Based Awards Table, which are specified to include ''a general description of the formula or criteria to be applied in determining the amounts payable, and the vesting schedule'' as well as ''any performance-based conditions, and any other material conditions, that are applicable to the award.'' SRCs and EGCs are required to disclose (in narrative disclosure to the Summary Compensation Table) the ''material terms of each grant'' and the ''material terms of any non-equity incentive plan award made to a named executive officer during the last completed fiscal year, including a general description of the formula or criteria to be applied in determining the amounts payable and vesting schedule.''

[711] We understand that there is currently very little variation in option expiration dates, and that

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current rule and the proposed amendments, registrants are not required to disclose specific target levels or goals that affect compensation outcomes if doing so would result in competitive harm to the registrant.

The current rule requires disclosures about outstanding equity awards in the Outstanding Equity Awards at Fiscal Year-End Table, with, for registrants other than SRCs and EGCs, additional information in the Grants of Plan-Based Awards Table. Current disclosures also provide information about the updated value of ''in flight'' equity awards in two places. For equity awards with performance-based vesting, all registrants are required to compute and report in the Outstanding Equity Awards at Fiscal Year-End Table a number of shares or units as well as an estimated dollar payout value based on either the actual achievement of performance goals (for awards that have been earned but not yet vested) or how actual performance to-date compares to upcoming performance goals (for unearned, unvested awards).[712] More broadly, in the computation of Compensation Actually Paid for the purpose of pay-versus-performance disclosures, registrants other than EGCs (and those not filing proxy or information statements)[713] are required to calculate and include (and separately identify) the updated fair value of all new equity awards as of the end of the fiscal year and the change in fair value relative to the prior fiscal year-end of any outstanding equity awards through the end of the fiscal year (or, in both cases, as of their vesting date, if earlier). These computations are provided for the PEO and, as an average, for the other NEOs as a group. The measure of compensation actually paid in these disclosures can be used directly as an aggregate measure of ''realizable pay'' reflecting these ''in flight'' values.

The proposed amendments would not require any ''in flight'' valuations of incentive awards. However, the proposed Status of Equity Awards Table would provide an overview of all of an NEO's equity awards, including those granted in previous years that are still ''in flight'' as well as those newly granted, newly vested, or newly exercised or expired. Investors or their advisors may be able to construct approximate estimates of the value of ''in flight'' awards, as some do currently,[714] with the potential precision of such estimates depending on the extent to which registrants disclose all of the terms and performance goals necessary to compute a precise fair value for such awards. The greatest sources of imprecision in these estimates relative to registrant-produced estimates are likely to be (i) a lack of access to the specific performance goals underlying awards[715] and therefore how performance is tracking relative to those goals[716] and (ii) any simplifications used by investors or third parties to make these computations for a large number of registrants.[717]

The current rule also requires the disclosure of certain *ex post* realized amounts of pay based on actual performance outcomes. As in the case of measures of the level of pay, measures of realized pay in use by investors and third parties differ in what components they include and how they value them (particularly with respect to whether they consider options at vesting or at exercise).[718] Currently, in the case of salary, bonuses, non-equity incentive payouts, and items categorized in ''all other compensation'' (such as perquisites and registrant contributions to deferred compensation plans), the realized amounts are reported in the Summary Compensation Table for all registrants and can be included or excluded based on the particular definition of realized pay being used. With respect to equity, depending on the definition of realized pay, the realized amounts can be obtained directly from the Option Exercises and Stock Vested Table or can be constructed based on the award terms disclosed in other tables or narrative.[719]

options generally expire in ten years from the grant date. *See supra* section IV.C.

[712] The number of shares or units and the associated market or payout value for awards for which performance-based vesting conditions have not yet been satisfied are to be computed based on achieving threshold performance goals, except that if the previous fiscal year's performance has exceeded the threshold, the disclosure shall be based on the next higher performance measure (target or maximum) that exceeds the previous fiscal year's performance. If the award provides only for a single estimated payout, that amount should be reported. If the target amount is not determinable, registrants must provide a representative amount based on the previous fiscal year's performance. *See* 17 CFR 229.402(f)(2); Instruction 3 to 17 CFR 229.402(f)(2) (for registrants that are not SRCs or EGCs); 17 CFR 229.402(p)(2); Instruction 3 to 17 CFR 229.402(p)(2) (for SRCs and EGCs).

[713] *See supra* note 680.

[714] *See, e.g.,* CalPERS Methodology, *supra* note 610 (describing one investor's focus on realizable pay and its realizable pay methodology); ISS Compensation FAQ, *supra* note 692, at 12–13 (describing the calculation of ''realizable pay'' produced by one proxy advisory service); *see also* letter from Axcelis (stating that ''if an investor wanted to engage in the calculations required by Regulation S–K Item 402(v), the investor has access to all the factual information needed to undertake that exercise'').

[715] While proposed Item 402(d)(3) would require registrants to disclose the material terms of any performance, market, and/or service conditions with respect to each equity award reported in the Status of Equity Awards Table, registrants would, as under the current rule, be permitted to omit target levels with respect to specific quantitative or qualitative performance-related factors the disclosure of which would result in competitive harm for the registrant. We understand that specific performance goals are currently not disclosed by registrants in many cases. *See infra* note 794.

[716] Academic researchers have found that ''in flight'' valuations provided by registrants contain information that does not seem to be otherwise known to investors, particularly with respect to updated values for the estimated payouts of equity awards with performance-based vesting. *See, e.g.,* Mary Ellen Carter & Andrea Pawliczek, *Extracting Information from Compensation Actually Paid: Stock Price Effects vs. Other Signals,* Working Paper (Dec. 30, 2025), available at *https://ssrn.com/abstract=4531025* (extracting the part of compensation actually paid that can be explained by publicly-available information, and finding that the remaining, unexplained variation in this measure, which the authors state is likely to reflect information like changes in registrant expectations about future performance share payouts, is associated with future operating and stock performance); C. Edward Fee et al., *Hidden Gems: Do Market Participants Respond to Performance Expectations Revealed in Compensation Disclosures?,* 75 J. Acct. Econ. 101509 (2023) at 101509 (finding that the information provided in the updated numbers of unearned shares in the Outstanding Equity Awards at Fiscal Year-End Table ''is not captured by other information channels'' available to investors and is associated with future registrant accounting and stock performance); *see also* ISS Compensation FAQ, *supra* note 691, at 12 (indicating that, in its calculation of ''realizable pay,'' all outstanding awards with performance-based vesting are simply valued at target).

[717] *See, e.g.,* ISS Compensation FAQ, *supra* note 692, at 12 (indicating that, in its calculation of ''realizable pay,'' all outstanding awards with performance-based vesting are simply valued at target).

[718] *See, e.g.,* Glass Lewis, *United States & Canada Pay-for-Performance Methodology Overview* (Feb. 2025), available at *https://resources.glasslewis.com/hubfs/PDF%20File%20Links/Pay%20for%20Performance%20Methodology%20-%20North%20America.pdf,* at 2 (stating that ''Realized CEO Pay is the sum of actual cash payouts, exercised options and SARs, and vested full value awards. . . . We exclude severance, change in pension value/non-qualified deferred compensation and director fees. Base salary, short-term incentives, and other payments and benefits are recorded in respect to the fiscal year for which they were earned''); Robin Ferracone & Jack Zwingli, *Pay Definitions: What Works Best in Pay for Performance Analysis* (Nov. 2012), available at *https://farient.com/wp-content/uploads/2012/11/20121101-Farient-Advisors-Pay-Definitions-White-Paper.pdf,* at 9 (stating that realized pay includes salary, bonus, non-equity incentive plan payouts, pension change/deferred compensation, all other compensation, options valued upon exercise, and stock valued upon vesting); Equilar, *Resources* (accessed Aug. 2026), available at *https://www.equilar.com/resources.html* (stating that ''[r]ealized pay comprises base salary, bonuses, any stock or options that vested only during the fiscal year, and the value of 'all other compensation' '').

[719] The values of stock when vested and options when exercised are available in the Options Exercised and Stock Vested Table. To compute the fair value of options at their vesting date instead, the exercise price, expiration date, and vesting schedule can be obtained from the disclosures of *ex ante* terms discussed above, with potential

For SRCs and EGCs, which are not required to include the Options Exercises and Stock Vested Table, information about the realized value on option or stock grants can be derived based on information in Form 4 disclosures with potential reference to Item 402 disclosures to compute realized equity values under the desired definition.[720]

The proposed amendments would make one measure of realized pay—the total presented in the proposed Earned Compensation Table—directly accessible for all of the affected registrants. The measure would be similar to one that can currently be constructed relatively easily for registrants other than SRCs and EGCs,[721] but not so easily for SRCs and EGCs.[722] The ability of investors or third parties to construct alternative measures of realized pay that involve valuing options upon vesting or removing certain components of compensation would depend on the extent to which registrants disclose all of the terms of equity awards necessary for such computations and separately identify and quantify each of the components of compensation.

d. Information About Other Components and Terms of Compensation

Beyond the information about the level of pay and the primary performance incentives provided by equity and non-equity awards, there are details about a number of other components of compensation and about other terms of incentive awards that are currently required to be disclosed and that investors may evaluate today. Examples of some of these other compensation components and terms are provided throughout this subsection. While information about some of these factors would still be required to be reported by registrants if it is material information necessary to an understanding of the information disclosed in the tables pursuant to proposed Item 402(a)(5)(i), and may be reported voluntarily in additional cases, the proposed amendments are expected to result in reduced disclosure about at least some of these compensation components and terms by some registrants.

For registrants other than SRCs and EGCs, current disclosures provide significant detail about the balances of and annual changes in NEO retirement plans in the Pension Benefits Table and Nonqualified Deferred Compensation Table. Because these tables would be eliminated under the proposed amendments, information about the NEOs' present value of accumulated benefits in any pension plans and aggregate balance in any non-qualified deferred compensation plans may no longer be disclosed.[723] Similarly, actual payments and distributions under any of these plans to NEOs who already qualify to receive such amounts, as well as years in service and any contributions made by NEOs themselves, might not be disclosed. SRCs and EGCs are not currently required to provide the tables specific to retirement benefits but are required to disclose the material terms of each plan that provides for the payment of retirement benefits; these disclosures might also not be provided under the proposed amendments. While pension service costs and prior service costs, employer contributions to defined contribution or other deferred compensation plans, and any above-market or preferential earnings on non-qualified deferred compensation plans would be included in dollar terms in the aggregate in the Miscellaneous Compensation Received column of the proposed Earned Compensation Table, they may no longer be separately identified.

Beyond these retirement-related amounts, other elements of the current ''other compensation'' category that could be included in the proposed ''miscellaneous'' category may also be less likely to be separately identified than under the current rule. Currently, registrants other than SRCs and EGCs are required to identify and quantify any item that is not a perquisite whose value exceeds $10,000, while SRCs and EGCs are required to identify and quantify any item of ''other compensation'' to the extent material, where identification of an item is not considered material if it does not exceed the greater of $25,000 or 10 percent of all items of a given type.[724] Under the proposed amendments, while an aggregate amount of miscellaneous compensation to an NEO would be disclosed, it may be unclear to what extent, for example, the miscellaneous compensation consists of tax gross-ups, retirement contributions, a discount for purchases of the registrant's securities, or another item included in the miscellaneous category. It also may be unclear which elements the registrant has included (because they are material or because the registrant otherwise elects to include them) versus which have been excluded as immaterial.

Current disclosures also include significant detail specific to perquisites. For registrants other than SRCs and EGCs, if the total value of perquisites to an NEO exceeds $10,000, these registrants must identify each perquisite by type (regardless of its amount, but without quantification). All registrants, including SRCs and EGCs,[725] generally

reference to the Outstanding Equity Awards at Fiscal Year-End Table or Form 4 disclosures to confirm the extent to which options subject to performance-based vesting have been earned. The fair value of options at their vesting date is also embedded in the computation of compensation actually paid but may be difficult to extract from this number depending on how many other components are included in the computation and how much detail a registrant provides about the calculation of compensation actually paid.

[720] For these registrants, the value of stock at vesting for awards with time-based vesting may be identified in Form 4 or, if the stock was reported in Form 4 at the grant date, can be identified based on market data and the vesting schedule which is reported among the *ex ante* award terms whose disclosure is discussed above. The value of performance-based stock when vested should generally be computable based on Form 4 and market price data, unless there is an additional time-based vesting period after the end of the performance period, in which case the vesting details in Item 402 disclosure may have to be referenced as in the case of stock awards with only time-based vesting. The value of options when exercised should be computable from Form 4 disclosures of the exercise event and market price data. To compute the fair value of options at their vesting date instead, the same data sources can be used as in the case of other registrants as noted above. *See supra* note 719. The value of stock at vesting and the fair value of options at their vesting date are also embedded in the computation of compensation actually paid for those registrants that are required to produce pay-versus-performance disclosures, but may be difficult to extract from this number depending on how many other components are included in the computation and how much detail a registrant provides about the calculation of compensation actually paid.

[721] The compensation in the proposed Earned Compensation Table could be replicated using current disclosures of these registrants by using the Summary Compensation Table amounts for all non-equity items and the Options Exercised and Stock Vested Table for equity items.

[722] The compensation in the proposed Earned Compensation Table can be replicated using current disclosures of SRCs and EGCs by using the Summary Compensation Table amounts for all non-equity items. For equity items, the value of stock at vesting and options at exercise can be obtained using information in Form 4 disclosures with potential reference to Item 402 disclosures. *See supra* note 720.

[723] We estimate that about 17% of registrants report a pension plan (in the Pension Benefits Table) and about 42% report a non-qualified deferred compensation plan (in the Non-Qualified Deferred Compensation Table) for their PEO in proxy year 2025 filings. Among these registrants reporting such plans, the median reported total pension balance for the PEO was $2.6 million (with a 99th percentile of $47 million) and the median reported total balance in non-qualified deferred compensation was $2.3 million (with a 99th percentile of $75 million). These estimates are based on staff analysis of data from Execucomp. *See supra* note 575.

[724] *See* Instruction 4 to 17 CFR 229.402(c)(2)(ix); 17 CFR 229.402(o)(7).

[725] While other registrants are required to quantify these perquisites pursuant to an

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also quantify the value of each perquisite that exceeds the greater of $25,000 or 10 percent of the NEO's total perquisites in footnote disclosure. Given the proposed higher threshold for disclosing perquisites and no longer requiring individual perquisites to be identified or quantified, we expect that most of these details would no longer be disclosed under the proposed amendments. Further, the proposed changes in interpretive guidance to determine whether an item is a perquisite would give registrants greater flexibility to identify certain benefits as not constituting perquisites. Additionally, the proposed changes to perquisites would specifically rescind a prior Commission statement that security services provided at an executive's personal residence or during personal travel are always perquisites. These changes may result in reduced disclosure of certain items, such as the provision of security services, relative to what is currently reported.

Registrants (including SRCs and EGCs) are also currently required to disclose the material terms of all incentive awards with respect to NEOs, which the current rule defines to include certain delineated terms beyond those pertaining directly to the performance contingencies and horizons discussed in the previous subsection. For example, these delineated terms include any tandem features [726] and whether dividends will be paid on stock awards, and if so, the applicable dividend rate and whether that rate is preferential. Registrants might not disclose all such terms of incentive awards in Item 402 disclosures under the proposed amendments. It is possible that some of these terms may be disclosed in relation to compensatory plans, contracts or arrangements and material grants thereunder filed pursuant to the current reporting requirements under Item 5.02 of Form 8–K.[727]

2. Benefits

The proposed amendments to the tabular disclosures and associated footnotes and narrative disclosures are expected to reduce compliance costs, make certain information more readily available to the users of disclosure, and reduce the risk of certain distortions in executive compensation due solely to the nature of current disclosure requirements.

The primary sources of compliance cost savings would be a reduction in the need to track and collect certain data, the elimination of certain complex computations, and a reduced volume of disclosure that would have to be produced and reviewed.

With respect to tracking and data collection, the proposed amendments would introduce a new *de minimis* tracking exclusion below which registrants would not be required to track perquisites. Several commenters indicated that the tracking, recordkeeping, and analysis of even very minor potential perquisites imposed significant burdens on registrants.[728] The proposed *de minimis* tracking exclusion would align with the threshold used to identify fringe benefits for tax purposes, and should thus limit the need to track small benefits beyond what would already have to be tracked for these other purposes.[729] The *de minimis* tracking exclusion would thereby reduce burdens on a registrant's internal time and resources and could reduce the costs of consulting outside advisors to analyze, even for very minor benefits, whether they are perquisites. The revised interpretive guidance with respect to identifying perquisites could also reduce the items that must be tracked (to the extent that registrants determine certain items are not properly categorized as perquisites) and could, in some circumstances, further align which benefits must be tracked with benefits that would, regardless, be tracked for tax purposes. The proposed amendments would also require items of miscellaneous compensation that are not specifically delineated in proposed Item 402(b)(2)(vii) to be included only if material (or if the registrant otherwise opts to include them), in contrast to the current requirement to include all other compensation regardless of amount, which may reduce the need to track other immaterial forms of compensation.

The proposed amendments would also eliminate the need for registrants to perform certain complex computations that we understand are not used for any other purpose beyond compensation disclosures. For example, the calculation of Compensation Actually Paid for the purpose of pay-versus-performance disclosures has been cited as a particularly burdensome element of the current requirements.[730] Commenters particularly highlighted the burdens of revaluing equity awards every year and at every vesting date [731] and tracking accrued dividends,[732] and noted that many registrants must rely on external consultants to construct the measure.[733] While some commenters

instruction specific to perquisites, SRCs and EGCs are required to separately identify and quantify a perquisite under the instruction with respect to any item currently categorized as ''other compensation.'' As stated above, the latter instruction requires identification and quantification of an item to the extent material, where identification of an item is not considered material if it does not exceed the greater of $25,000 or 10% of all items of a given type (in this case, of total perquisites).

[726] A tandem grant of two instruments, such as an option and an accompanying stock appreciation right, may be used to give an executive more flexibility as to how to exercise an award (*e.g.,* for cash as opposed to for equity); we understand that one of the awards is typically cancelled if the other is exercised.

[727] *See, e.g.,* Item 5.02(c) and (e) of Form 8–K.

[728] *See, e.g.,* letters from Davis Polk (citing the survey response of one issuer as stating that if ''issuers would not have to track de minimis amounts of perquisites toward the aggregate threshold, their time burden of compliance would decrease by 40% of hours worked''); McGuireWoods & Brownstein (stating that ''companies devote significant time and effort to tracking, analyzing and recordkeeping of potential perquisites that appear to have little to no value to investors,'' and giving the example of a bag of items such as a water bottle and pullover received at a corporate event that would require ''company personnel to have to (1) inventory such ''swag bag'', (2) input such items into a tracker, and (3) later analyze (often with the help of executive compensation lawyers) whether such items may be perquisites''); Society for Corporate Governance; Travelers.

[729] We acknowledge that the definitions of perquisites and fringe benefits do not perfectly overlap but increasing the alignment of the *de minimis* threshold should nonetheless reduce the degree of tracking required.

[730] *See, e.g.,* letters from Axcelis; CEC–2; Davis Polk; McGuireWoods & Brownstein; NAM–2; Society for Corporate Governance (citing an internal member survey indicating that ''[o]ne quarter of survey respondents (26%) reported that they spend between twenty-five to seventy-five thousand dollars annually for outside advisors to prepare pay versus performance disclosures, and nearly 10% of respondents (9.5%) reported that they spend more than seventy-five thousand dollars annually on outside advisors to prepare pay versus performance disclosures; and [n]early 40% of respondents spend approximately 21 to 60 hours annually in connection with their pay versus performance disclosures, and 14% of respondents stated that they spend more than 60 hours annually on pay versus performance disclosures'').

[731] *See, e.g.,* letters from Axcelis (stating that ''[t]he calculation of the annual 'Equity Award Adjustment' amount requires, typically, at least 15 single date valuation determinations for each executive officer . . . . Large spreadsheets and many hours of data input are required''); Davis Polk (stating that the required revaluations of equity are ''burdensome to issuers, particularly those that grant options and particularly if they have a frequent vesting schedule, which is the case for many tech, fintech and life sciences issuers''); NYSE; Travelers.

[732] *See, e.g.,* letters from NYSE; Pay Governance, LLC (Apr. 27, 2026), available at *https://www.sec.gov/comments/4-855/4855-763667-2344554.pdf.*

[733] *See, e.g.,* letters from Davis Polk; Johnson & Johnson (stating that ''[t]he current fair value approach requires us to use costly vendors to conduct complex simulations to value our outstanding performance share units that are based on relative total shareholder return''); McGuireWoods & Brownstein (stating that the ''numerous adjustments require a significant amount of time and attention to perform, such that most companies we work with are forced to

indicated that costs have come down since the initial years of the disclosure,[734] this computational burden still represents an incremental cost on registrants other than EGCs (and other registrants that do not file a proxy or information statement in a given year), and removing the requirement to make this computation should result in meaningful cost savings.

Other complex computations that would be eliminated by the proposed amendments currently apply to a broader group of registrants. Specifically, several commenters stated that producing the Outstanding Equity Awards Table, which is required in executive compensation disclosure for all registrants and requires a different set of equity award valuations than any other table, is burdensome.[735] The most complex computations required in this table are likely those involving the determination of the number of shares or units and the dollar payout value of outstanding awards with performance-based vesting based on how the performance goals compare to recent performance. Such computations would no longer be required under the proposed amendments; the proposed Status of Equity Awards Table would instead present only factual information about equity awards and whether they have vested or been exercised. The proposed interpretive guidance with respect to the identification of perquisites and the elimination of the requirement that perquisites must be valued on the basis of the aggregate incremental cost to the registrant could also reduce the computational burden on registrants. In particular, the need to undertake complicated calculations could be reduced to the extent that (i) registrants determine that certain items which required complex computations to derive the value to be reported in compensation disclosure were not properly categorized as perquisites (given their specific circumstances) and/or (ii) the greater flexibility in how perquisites are valued allows registrants to use simpler computations than they do currently or to rely on computations already produced for tax or other purposes.[736]

The proposed amendments with respect to the primary tabular compensation disclosures are also expected to significantly reduce the volume of disclosure that must be prepared and reviewed by registrant staff, the board and, often, external advisors. Registrants other than SRCs and EGCs are currently required to include six primary tables, each of which is often associated with detailed footnotes and/or narrative disclosure and is time-consuming to produce.[737] Under the proposal, only three primary tables would be required of all registrants. Additional reductions in the volume of disclosures may result depending on how registrants use the flexibility afforded to them. For example, the proposed tabular disclosures would have no explicit footnote requirements, which may allow registrants to condense disclosures and limit duplication of any material information that is required to supplement the data in the tables. Also, to the extent that the proposed tables are substitutes, or close substitutes, for some disclosures that registrants currently provide on a voluntary basis to supplement the mandated disclosures, registrants may reduce the extent of supplementary disclosures they provide. Overall, the proposed amendments to the primary tabular disclosures are expected to substantially reduce the volume of disclosures (via the number of tables, the length of accompanying narrative and footnotes, and potentially the extent of voluntary supplemental disclosures) and thereby reduce the time and resources required to produce and review the disclosures.[738]

Certain aspects of the proposed amendments to the tabular and associated disclosures would also provide investors with more ready access to certain information. For example, investors would have more direct access to a target-based measure of the level of the primary components of pay in the proposed Granted Compensation Table. In some cases, this measure may be something that investors could easily construct based on existing disclosures, but in other cases, it could provide access to compensation values that investors currently may have difficulty estimating. Specifically, to the extent that registrants include information about performance-stock units granted soon after the end of the fiscal year, the total column in the proposed Granted Compensation Table may provide a more up-to-date picture of the level of granted pay than can often be gleaned from current disclosures.[739] To the extent that some SRCs and EGCs provide pension benefits to their NEOs, the proposed amendments would also allow for the construction of a more consistent measure of the comprehensive level of compensation for such issuers relative both to larger issuers that award and currently report pensions and to SRCs and EGCs that do not provide pensions.

With respect to the performance sensitivity of pay, while the proposed amendments would not require any valuations of ''in flight'' equity awards, the proposed Status of Equity Awards Table would provide a single, more uniform (given that it would apply to all registrants) source of award-by-award information about the status of all new, in flight, and recently vested or expired awards.[740] Because this information is

outsource the actual calculations to compensation consulting firms''); NAM–2; NYSE; Travelers (stating that ''because of the complexity of the rules, and due to resource constraints, many companies have outsourced the computational work required to produce the necessary CAP calculations to external vendors, imposing meaningful and arguably unnecessary expense'').

[734] *See, e.g.,* letters from Equity Methods-1 (stating that after the initial disclosures, ''standardization and automation significantly reduced complexity and costs''); Farient-2 (stating that ''[w]ith the machinery of calculating CAP now in place and the need for a good alignment measure, it would be a step backwards to change the definition or remove the data, which is relatively easy to update going forward'').

[735] *See, e.g.,* letters from Davis Polk; McGuireWoods & Brownstein; Society for Corporate Governance.

[736] *See, e.g.,* letters from Jones Day; Meridian.

[737] *See, e.g.,* letter from CEC–2 (stating that ''the administrative burden of producing these tables is considerable. Each table requires precise calculations, detailed footnotes, and extensive coordination between HR, legal, finance, and external advisors. Companies must ensure consistency across multiple data sources, reconcile fair value assumptions with financial statement inputs, and provide explanatory disclosures if inconsistencies or interpretive ambiguities arise'').

[738] Some commenters noted that improved systems and technological capabilities have reduced the costs of producing current disclosures. *See, e.g.,* letters from CFA Institute; Equity Methods-1. We acknowledge that some of these costs may have come down over time but continue to believe that the proposed amendments to the tabular and associated disclosures would be associated with compliance cost savings, particularly with respect to processes that are less automated, such as the inputting of minor perquisites into a tracking system or the review of large volumes of disclosure by the board, or that require the use of external advisors, such as complex computations.

[739] *See, e.g.,* letter from LACERA (stating that they ''encourage the SEC to facilitate disclosures that provide timely and consistent disclosures of equity grants awarded to senior executives'' and that while ''Form 4 requires timely disclosure of option grants, disclosures do not currently require reporting of PSUs until the completion of vesting''); Hambly, 2025 Roundtable Transcript at 171:11–19 (stating that his ''biggest gripe today is, to get at that value transfer number, especially with . . . PSUs, that number doesn't have to be disclosed for about 14 months, right? You don't have to do a Form 4. Very few people do a press release about that one. And it's not in the proxy statement I'm reading of the most recent grant; that'll come next year's proxy statement'').

[740] As discussed above in this subsection, to the extent that registrants opt to include information beyond the end of the fiscal year, the proposed Status of Equity Awards Table may also provide more up-to-date information about the outcomes of equity awards with performance-based vesting than

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spread across multiple tables in current compensation disclosures and is sometimes aggregated across awards of the same type, the proposed table may reduce search costs for investors seeking to track the status of particular awards or to understand how the actual and potential outcomes of awards granted in recent years layer together to provide performance and retention incentives.[741] The proposed tabular disclosures would also provide more direct access to a measure of *ex post* realized compensation, in the total column of the proposed Earned Compensation Table. For investors interested in evaluating how the board's design of executive compensation granted some years in the past translated into pay outcomes based on actual performance,[742] this proposed table would likely make the inputs required to perform this analysis more accessible, particularly in the case of SRCs and EGCs.[743]

The reduced volume of disclosures and additional flexibility afforded to registrants to tailor their primary tabular and associated disclosures under the more principles-based approach of the proposed amendments could also increase the efficiency with which some investors review the disclosures. By allowing registrants to split the prescribed columns or tables to more clearly present their specific compensation programs, to focus any supplementary disclosure to the tables on material information, and to format these supplementary disclosures in the way they believe to be most effective, the proposed amendments may allow investors reading disclosures linearly to more readily understand registrants' unique compensation programs.

The proposed amendments to the primary tabular and associated disclosures may also reduce the risk of certain distortions in board and/or compensation committee decision-making. In particular, registrants' decisions to provide their NEOs with certain benefits or services may be influenced by considerations of the impact of such decisions on executive compensation disclosure.[744] Separately, the increased complexity of calculating Compensation Actually Paid for pay-versus-performance disclosure when awards have frequent (such as monthly or quarterly) vesting schedules may discourage such vesting schedules solely because of the associated computational burden.[745] The proposed revised interpretive guidance regarding the identification of perquisites and the proposed elimination of the requirement to compute the current measure of Compensation Actually Paid would reduce the risk of such distortions or, even in the absence of actual distortions, would enable boards and/or compensation committees to focus on more substantive considerations when making these decisions.

The benefits of the proposed amendments to the primary tabular and associated disclosures are expected to vary across registrants. Specifically, any compliance cost savings are likely to be lower for SRCs and EGCs given that they are not currently required to include many of the tables and associated disclosures that would no longer be required under the proposed amendments. If the proposed amendments in the 2026 Filer Status Proposing Release are adopted as proposed, a larger subset of registrants (*i.e.,* NAFs) would be subject to all of the accommodations currently available to SRCs or EGCs. Under those circumstances, the compliance costs savings attributable to the proposed amendments to the tabular and associated disclosures would be lower than they would be with the current filer status framework in place. At the same time, investors may benefit more from the proposed amendments to the primary tabular and associated disclosures in the context of SRCs and EGCs (or, if the 2026 Filer Status Proposing Release are adopted as proposed, the broader group of NAFs) than in the case of other registrants, given the increased accessibility and comparability of the information in the proposed Earned Compensation Table relative to similar information in these registrants' current disclosures.[746]

The proposed narrowing the scope of NEOs would also directly reduce the degree of perquisite tracking, the number of computations, and the volume of disclosure produced in the tabular and associated disclosures. Thus, when considered in combination with that proposed change, the incremental compliance cost savings of the proposed amendments to the tabular and associated disclosures would be lower than when considered independently.

current executive compensation disclosures. This may reduce search costs for investors who would otherwise seek this information earlier in Form 4 disclosures.

[741] *See, e.g.,* letter from Norges Bank (stating that ''current requirements emphasize detailed information at the time of grant but provide limited standardized disclosure about vesting outcomes and how performance criteria were actually evaluated, making it difficult to assess the total incentive that the CEO received in any given period and how such incentives compared to the original targeted value and metrics. A simple format tracking each award through its lifecycle, such as a table or chart, could provide investors with useful information about how compensation programs function in practice''); McCormick, 2025 Roundtable Transcript at 77:13–22 (explaining that investors may seek to understand ''how often are . . . grants being actually paid'' and that investors look for ''the disclosure . . . that it was either not paid, or only paid at 80 percent, or something like that''); Mueller, 2025 Roundtable Transcript at 177:7–13 (stating that the current tabular disclosures are ''repetitious but incomplete, right? And so—because they're reporting—you have the outstanding equity awards table that has options on a grant-by-grant basis, but RSUs are not required to be on a grant-by grant basis, and then . . . in the option exercise table, it doesn't necessarily tie that back to which options got exercised'').

[742] *See, e.g.,* Carolyn Cross (Vanguard, Inc.), Vanguard Portfolio Management: Proxy Voting Policy for U.S. Portfolio Companies, Harv. L. F. on Corp. Governance Blog (Feb. 26, 2026), available at *https://corpgov.law.harvard.edu/2026/02/26/vanguard-portfolio-management-proxy-voting-policy-for-u-s-portfolio-companies/* (stating that one large asset manager mainly assesses the alignment of pay and performance ''through alignment of incentive targets with strategy set by the company and analysis of three-year total shareholder return and realized pay over the same period versus a relevant set of peer companies'').

[743] As discussed in section IV.E.1.c above, identifying the realized amounts for equity grants may currently be slightly more involved in the case of SRCs and EGCs, which are not required to include the Options Exercised and Stock Vested Table.

[744] *See, e.g.,* letters from Baker & McKenzie LLP (May 7, 2026), available at *https://www.sec.gov/comments/4-855/4855-771227-2361274.pdf* (stating that ''treating personal security as a perquisite can deter or delay companies from providing needed protection or can pressure companies to reduce coverage—an outcome we have seen repeatedly in practice''); Davis Polk; McGuireWoods & Brownstein (stating that they ''worry that in today's environment, companies are not providing benefits deemed perquisites under current regulations that would greatly enhance the safety of executives and thereby protect and promote shareholder value''); Society for Corporate Governance (stating that ''the current disclosure requirement, where the cost of executive security is reported as part of an executive's compensation, is a factor that boards of directors or board committees evaluate when reviewing and approving such arrangements, weighing unnecessarily on the exercise of their business judgment''). We understand that there has been an increased focus on executive security in recent years, which may increase the value to registrants of greater perceived discretion in their decisions in this area. *See* Shane Heitzman et al., *Corporate Executive Protection,* U.S.C. Marshall School of Business Research Paper (Jan. 7, 2026), available at *https://ssrn.com/abstract=5044075,* at 6 (finding that the fraction of registrants in the S&P 500 that reported benefits provided to their CEOs for off-the-job security increased in recent years, from 31.0% in 2014 to 46.4% in 2024).

[745] *See* letter from NYSE (stating that ''[t]he potential frequency of a complex valuation has been distorting executive compensation disclosure decisions to the extent that some issuers (including pre-initial public offering companies) consider changing their vesting schedules to try to lessen the burden of the PvP disclosure requirement'').

[746] As discussed earlier in this subsection, the Earned Compensation Table may make information about equity award outcomes easier to access in the case of SRCs and EGCs (which are not currently required to include the Option Exercises and Stock Vested Table) and the inclusion of pension service costs (and prior service costs) in the Earned Compensation Table for all registrants would make the disclosures of SRCs and EGCs more comparable to those of other registrants.

3. Costs

The proposed amendments to the primary tabular and associated disclosures are expected to result in short-term adjustment costs for multiple parties, ongoing search and analysis costs for investors, a reduction in the precision with which executive compensation is evaluated (and thus an increased risk of suboptimal investment and voting decisions), costs to registrants in determining materiality and tailoring disclosures, and a risk of distortions in compensation structures.

Registrants and investors, either directly or through third parties (such as compensation consultants, proxy advisors, and executive compensation data aggregators), are expected to experience short-term adjustment costs in adapting to the proposed primary tabular and associated disclosures. The proposed amendments represent a significant overhaul of the executive compensation disclosures with which these parties have developed experience—in many cases, over the past two decades.[747] As a result, these parties may all have to revise their technological systems, internal processes, and contracts with other parties to adapt to a new set of disclosures, all of which may entail costs. For registrants, making materiality determinations and deciding how best to tailor disclosures may require extra effort in the first year of compliance with new disclosure requirements. Registrants may also expend some resources to engage with investors, other registrants, and third parties, including external advisors and trade groups, to develop market practices and norms relating to some of the more principles-based elements of the proposed amendments. For investors and other users of executive compensation disclosure, in the short term, comparisons across years may be more likely to span the current and proposed new disclosure regimes and may thus be complicated by the changes in data and presentation format. Similarly, comparisons across registrants may be complicated in the short term by differences in the interpretation and application of the rules across registrants, until the development of market practices and norms relating to varied compensation features and structures in the proposed tables.

For the investors and other users of executive compensation disclosure, more condensed and principles-based disclosures may entail ongoing incremental search and analysis costs to find, organize, and evaluate material information.[748] Specifically, investors, other registrants, and third parties (such as compensation consultants and proxy advisors) may bear increased search costs to the extent that information that they currently have experience finding in relatively consistent locations (whether in tables, footnotes, or narrative) would be inconsistently available under the proposed amendments or presented in different formats and locations by different registrants, which is a risk of any principles-based disclosure requirement. Sections V.E.1.b, c, and d above identify information about the level of pay, its performance sensitivity, and other factors with respect to executive compensation that may be used currently by investors or other registrants (directly or via compensation consultants or proxy advisors) that may be less readily or less consistently available under the proposed amendments.

For example, the proposed amendments do not prescribe how or where in the disclosure (and at what level of detail or aggregation) information about certain terms of incentive awards should be reported, so the time required to locate, understand, and organize this information may be greater than in the case of current disclosures. Also, the proposed Status of Equity Awards Table would, like the current Grants of Plan-Based Awards Table, include certain terms of newly granted equity awards, but, unlike the current table, would not be required to include information about non-equity incentive awards. Depending on where the material terms of these awards are disclosed it may therefore take additional time to understand the nature of non-equity incentive awards.[749] The flexibility afforded to registrants under the proposal to split columns or tables may further increase the variation in location of similar information across filings of different registrants and thus entail additional search costs. These search costs may be partially mitigated, over time, by the potential development of any market practices or norms (or investor requests) that increase the consistency of the inclusion and location of information in disclosures.

Elements of the proposed amendments that condense the disclosures could also contribute to search costs. For example, under the current rule, the Options Exercised and Stock Vested Table can currently be used to identify options that have been exercised or stock that has vested in this fiscal year. Under the proposed disclosures, identifying these amounts would require comparing items in the proposed Status of Equity Awards Table to the similar table in the previous year's disclosure. Sections V.E.1.b, c, and d above also identify information that may excluded from a particular registrant's executive compensation disclosures under the proposal but may be included in other filings (such as a Form 4 or an Item 5.02 8–K); users of executive compensation disclosure who seek such information would also bear search costs to access and review these additional disclosures.[750]

The proposed amendments could also increase the resources users of disclosures expend on analyzing the information in the disclosures, particularly to the extent they seek measures or analyses reflecting the ''in flight'' valuations of outstanding awards to get a more real-time and comprehensive sense of how compensation is tracking performance than possible using *ex post* realized pay.[751] As discussed in section IV.E.1.c

[747] *See, e.g.,* letter from CFA Institute (stating that ''[p]rofessional investors have been working with [executive compensation] disclosures from many companies for twenty years . . . . The features (and shortcomings) of the current disclosure rulebook are well known''); Rees, 2025 Roundtable Transcript at 103:14–16 (stating that ''changes to the summary compensation table presentation are particularly problematic. We've been relying on this table presentation since 2006''); Hambly, 2025 Roundtable Transcript at 173:7–9 (stating that ''[t]he current system of disclosure is flawed, but it's what we have, and we've learned to operate within it'').

[748] *See, e.g.,* letter from Compensia (stating that the Commission should consider ''costs borne by investors to capture, organize, and assess the information to be disclosed, much of which will intentionally and necessarily vary among issuers under [a] 'principles-based' disclosure regime'').

[749] We estimate that about 81% of registrants reported paying non-equity incentive compensation to their PEO in the most recent year reported in proxy year 2025 filings. This estimate is based on staff analysis of data from Execucomp. *See supra* note 575.

[750] For example, the Outstanding Equity Awards at Fiscal Year-End Table currently presents shares that are earned based on performance-based vesting conditions separately from those that are unearned, even if they have not yet vested. Because the proposed Status of Equity Awards Table would report changes in the status of such awards only when they fully vest, investors seeking this information under the proposed amendments may have to separately search for it in Form 4 disclosures. As reported in Table 6 in the Baseline section above, we estimate that about 7% of performance-based stock awards have an additional time-based vesting period after the performance period. As discussed in section IV.E.1.c above, the interpretation of the data in the current Outstanding Equity Awards at Fiscal Year-End Table may be limited due to the aggregation of multiple awards in the same row.

[751] *See, e.g.,* letter from Equity Methods-1 (stating that ''[t]he problem with showing only realized pay is that it is extremely backward-looking and can create an illusion of clarity insofar as it ignores the much larger batch of in-flight awards that are progressing toward a vesting event''); Aiyesha Dey et al., *Pay Versus Performance and Investor Voting*

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above, the proposed disclosures would no longer require such valuations and would thus reduce access to registrant-computed values, though some investors or third parties already produce their own related estimates.[752] To the extent that additional investors begin to construct such estimates or rely more heavily on third parties for such analysis if the proposed amendments are adopted, those investors may bear direct or indirect costs of such computations.[753] The costs of analysis may also increase for investors or third parties who rely on measures of the level of pay or realized pay outcomes other than those that can be directly extracted from the proposed disclosures, to the extent that these measures are more readily constructed based on current disclosures, as discussed in section IV.E.1.c above.

The proposed amendments to the primary tabular and associated disclosures would also result in less detailed and comprehensive information about executive compensation being available to investors. Some of the information that may no longer be disclosed or that may be less consistently or readily available under the proposed amendments to the primary tabular and associated disclosures may be of little consequence. For example, some of this information may be highly granular and thus unlikely to be material, such as the individual identification of extremely low-value perquisites. But other information that may be unavailable or less consistently available under the proposed amendments may, particularly when considered in aggregate, reduce the precision of investor evaluations of executive compensation and thus introduce noise into decisions that are made in reliance on information about executive compensation.[754]

Specifically, as discussed in sections V.E.1.b, c, and d above, the reduction of certain details in the mandated disclosures under the proposed amendments may result in somewhat less precise estimates of the level and performance sensitivity of executive compensation and a reduced availability of information about more secondary components and terms of compensation. The increased search and analytical costs noted above could also lead some investors or their advisors to use more simplified computations or heuristics to limit such costs even when more precise evaluations are possible, further increasing the potential noise in investors' evaluation of executive compensation.[755] The principles-based approach to certain elements of the disclosures and the focus on materiality in the context of a specific registrant may also reduce the precision of comparative analyses, whether across time or across registrants.[756]

To the extent the proposed amendments result in a lower degree of precision in the evaluation of executive compensation, some noise may be introduced into both investment and voting decisions.[757] Based on the evaluation of informational effects presented in section IV.E.1.b above, the potential reduced precision in measures of the level of pay is expected to be modest in most cases.[758] However, the precision of such measures may be more significantly affected in the case of smaller registrants, who tend to pay lower levels of executive compensation because any given dollar amount of undisclosed compensation represents a larger share of total pay at such registrants.[759] The noise that could be introduced into investors' evaluation of the primary performance incentives stemming from NEO compensation, including any noise introduced by an imprecise understanding about how changes in the level of pay over time either enhance or dampen these incentives, is similarly expected to be modest based on the assessment in sections V.E.1.b and c above. That said, even a small degree of imprecision in understanding executive incentives may have greater implications than a comparable degree of imprecision in understanding the level of pay.[760] To

Decisions, Working Paper (June 30, 2026), available at *https://ssrn.com/abstract=5017414* (''Dey et al. 2026 Study'') (finding evidence consistent with the hypothesis that the disclosure of Compensation Actually Paid decreased information processing costs for some investors, such as by demonstrating that this measure was more associated with voting outcomes in cases where there were more complex pay packages, longer pay disclosures, or a higher emphasis on performance-based compensation, all of which could make it more difficult for investors to produce similar analysis on their own).

[752] These estimates are likely to be less precise than registrants' own valuations. *See supra* notes 716 and 717 and associated text; *see also* letter from Pennant (May 8, 2026), available at *https://www.sec.gov/comments/4-855/4855-771627-2362154.pdf* (describing the data that had to be extracted from different sources to construct a measure like Compensation Actually Paid prior to the pay-versus-performance disclosure requirements, and stating that ''performing this extraction consistently across thousands of issuers required either large analyst teams or costly bespoke data vendors'' and that ''[t]he result was that some organizations with larger dedicated stewardship and governance organizations attempted it, while many other investors defaulted to the proxy advisors' [Summary Compensation Table]-based models'').

[753] Some commenters indicated that investors do not seem to rely on the information in current Pay-versus-Performance disclosures, which may imply that they would not bear costs to seek similar computations elsewhere. *See, e.g.,* letters from Business Roundtable; Davis Polk; NAM–2. However, others stated that it is a useful disclosure for investors. *See, e.g.,* letters from AFL–CIO et al.; AFREF; Better Markets; Council of Institutional Investors. Also, there is some evidence that the measure of compensation actually paid is used at least to some extent in making voting decisions. *See, e.g.,* Dey et al. 2026 Study, supra note 751 (finding that reported PEO compensation actually paid is associated with say-on-pay voting support, and providing supportive evidence of a causal relation between the measure and voting decisions by demonstrating that a similar linkage does not hold in the prior year, for which compensation actually paid was eventually reported but not made available at the time of that year's vote); Glass Lewis Pay-for-Performance Methodology, *supra* note 660, at 2–3 (describing, as part of the pay-for-performance assessment provided by a proxy advisory service, a test using reported compensation actually paid that it began using in proxy year 2026).

[754] *See, e.g.,* letters from CFA Institute (stating that ''overhauling the disclosures to eliminate or materially change their tenor and direction comes with a large price tag, whereby the costs of preparing this information inside companies with precision is transferred to investors across the capital markets who will be making less precise estimates with incomplete information''); Compensia (stating that ''revisions or reforms that sacrifice the quality or availability of decision-necessary data will almost certainly have the unintended impact of increasing ecosystem costs that are ultimately borne by shareholders'').

[755] *See, e.g.,* David Hirshleifer & Siew Hong Teoh, *Limited Attention, Information Disclosure, and Financial Reporting,* 36 J. Acct. & Econ. 337 (2003) (developing a theoretical model where investors have limited attention and processing power and showing that, with partially attentive investors, the means of presenting information may have an impact on stock price reactions, mis-valuation, long-run abnormal returns, and corporate decisions).

[756] *See, e.g.,* letters from CFA Institute (stating that ''disclosures are not read in a vacuum . . . investors pay close attention to changes in amounts, pay structures, and disclosures from period to period and differences between peer companies''); Equity Methods-1 (stating that ''while we are generally in favor of a principles-based approach that affords leeway in structure, we believe investors benefit most when they can draw comparisons across firms (cross-sectionally) as well as over time for any given firm (longitudinally)''); State Board Florida (stating that ''inconsistency makes it difficult for investors to analyze and compare compensation practices effectively'').

[757] See section IV.B above for a discussion of why information about executive compensation may be relevant to investment and voting decisions. *See also* letters from AFL–CIO et al.; CFA Institute; LACERA; NEI.

[758] As discussed in section IV.E.1.b above, the potential sources of reduced precision include the proposed change in the valuation methodology for equity grants, the amount of information that would be disclosed about pensions and other deferred compensation, and the amount of information that would be disclosed about perquisites and miscellaneous compensation.

[759] *See, e.g., supra* Figure 3 and Table 4. As discussed in section IV.E.1.b above, for PEOs receiving $500,000 or less in total compensation, and assuming an expanded use of perquisites, the proposed amendments could potentially result in a significant percentage of PEO compensation being obscured.

[760] *See, e.g.,* letters from CFA Institute (stating that ''incentives can significantly impact managers'

the extent that information about pension balances and entitlements to dividends is less likely to be disclosed under the proposed amendments (after considering disclosures pursuant to the proposed materiality-based provisions as well as any voluntary disclosures as discussed in section IV.E.1.d above) investors may also have a weaker understanding of how these monetary factors could contribute to an executive's decision-making.[761] Reduced information about the components of miscellaneous compensation or of perquisites, also discussed in section IV.E.1.d, could prevent investors from distinguishing the provision of benefits that support the productivity of executives from those that may signal governance concerns.[762] Each of these potential sources of noise in an investor's evaluation of executive compensation may contribute to investment or voting decisions that deviate somewhat from the decisions that would be made based on more precise information, particularly when all of the potential sources of imprecision are considered in the aggregate.

Registrants may also bear ongoing incremental costs under the proposal, including costs to evaluate materiality to determine what information to include or exclude from disclosures under the proposed, more principles-based, tabular and associated disclosure requirements. For example, registrants would have to determine, based on a materiality assessment, what items to include in the miscellaneous compensation category of the proposed Earned Compensation Table besides those that are explicitly delineated, whether to identify and quantify the individual components that are aggregated in any given category of compensation, what amount of detail to provide with respect to the terms of incentive awards, and what other supplemental disclosure may be required. As discussed in section IV.E.1(a) above, such assessments may be quite complex. Determining the scope of disclosure that is material may require the consultation of external advisors, and certain factors may require reassessment each year as the registrant's facts and circumstances change. In addition, to the extent that some registrants may disclose more than what is strictly material to reduce the risk of omitting material information, some of the anticipated savings discussed in the previous section from reducing the volume of disclosure may be mitigated. Similarly, determining how best to tailor disclosures may entail varying degrees of annual (or periodic) reconsideration of which elements to highlight, whether to use the flexibility to split columns or tables, or whether there is a more effective way of presenting the information that supplements the tabular disclosures.

Costs may also be associated with any distortions in compensation structures that result from the proposed amendments to the tabular and associated disclosures. For example, the proposed amendments would decrease the level of transparency around perquisites and retirement plans and could thus contribute to greater use of such forms of compensation.[763] Creating a salient threshold for the disclosure of perquisites could also unintentionally encourage an aggregate use of perquisites closer to this level.[764] The proposed amendments would also treat equity and non-equity incentive awards somewhat differently. While the proposed Status of Equity Awards Table would highlight, for example, the performance period and final vesting date, range of possible outcomes, and actual outcome (upon vesting or exercise), on an award-by-award basis for all equity incentive awards, registrants would have flexibility in disclosing any material terms and material award-level outcomes for non-equity incentive awards. To the extent that this disclosure is less comprehensive or less prominent than that for equity awards, such lower transparency could result in an increased use of non-equity incentive awards.[765] The proposed Granted Compensation Table would also require equity with market conditions to be valued assuming the target outcome is achieved while options (whose payout outcomes also vary based on market outcomes) would continue to be valued using techniques that take into account all of their possible outcomes. This differential treatment could distort decisions about what type of equity to award executives. Any distortions in compensation structures that may arise in response to the proposed amendments could result in costs to shareholders to the extent that pay structures provide suboptimal performance incentives or levels of pay for executive officers.

The costs of the proposed amendments to the primary tabular and associated disclosures are expected to vary across registrants. Specifically, any adverse effects on investor access to information are likely to be smaller with respect to SRCs and EGCs given that they are not currently required to include many of the tables and associated disclosures that would no longer be required under the proposed amendments. If the proposed amendments in the 2026 Filer Status Proposing Release are adopted, a larger subset of registrants would receive all the accommodations currently available to SRCs or EGCs. The costs attributable to changes to investor access to information under the proposed amendments to the tabular and associated disclosures would thereby be lower than if those rules are not adopted.

The proposed narrowing in the definition of NEOs would also directly

priorities and, by extension, companies' long-term performance''); Farient-1 (stating that ''[u]nreasonable pay quantum can cost shareholders millions of dollars [but] [w]eak alignment can cost shareholders billions through short-term or myopic decisions driven by perverse incentives''); Norges Bank (stating that ''[h]ow a company's management team is incentivized and rewarded has significant influence over their decision-making and financial performance over time'').

[761] As discussed above, high pension and deferred compensation balances have been associated with the degree of managerial risk-taking, while entitlements to dividends have been associated with registrant payout policy. *See supra* section IV.B.

[762] *See, e.g.,* letters from AFL–CIO et al. (stating that ''[h]igh levels of perquisites, while the dollar amounts may not be material, can indicate a power imbalance between senior executives and boards of directors''); LACERA (stating that ''enhanced disclosure of tax gross-ups [and other benefits] enabled investors to scrutinize such pay provisions and led to the subsequent reduction in market practice of firms providing these pay padding mechanisms''); State Board Florida (stating that ''excessive or poorly justified perks can signal governance concerns when they appear excessive, unaligned with performance, or poorly justified'' and that ''[a] lack of clear rationale for perks undermines investor confidence in board oversight''); *see also supra* section IV.B.

[763] *See supra* note 529 and the associated text; *see also* letters from CFA Institute (stating that ''reducing disclosure for the sake of lowering administrative costs opens the door for abuse''); LACERA (stating that ''[t]ransparency that is not comprehensive risks creating an incentive for pay to be rewarded through benefits, perquisites, and other avenues that are detached from performance and result in 'pay padding'); Meridian (stating, in the context of the potential exclusion of certain retirement-related costs from the Summary Compensation Table, that the Commission could ''require the absolute dollar amount to be included elsewhere in the compensation disclosures to discourage companies from using retirement plans more aggressively to 'hide' compensation'').

[764] *See, e.g.,* Murphy & Jensen 2018 Study, *supra* note 523, at 208 (discussing the introduction of tax penalties on golden parachutes representing over three times base pay and stating that ''[a]pparently compensation committees and executives took the regulation as effectively endorsing . . . the payments of three times average compensation (which quickly became the standard)'').

[765] *See supra* note 529 and associated text; *see also* letter from LACERA (stating, in the context of the treatment of performance stock units as compared to restricted stock units, that ''[e]quitable treatment . . . avoids creating an unintended incentive for companies to favor grants that require less timely disclosure'').

reduce the information to be provided in the tabular and associated disclosures. While investors are often most focused on PEO pay,[766] to the extent that a larger group of NEOs would be associated with, for example, higher levels of the search and analysis costs discussed in this section, the incremental costs of the proposed amendments to the tabular and associated disclosures would be somewhat lower when considered in combination with the proposed NEO definition than when considered independently.

4. Reasonable Alternatives

We considered several alternative approaches to the primary tabular disclosures of executive compensation data.

For example, we considered additional prescriptive requirements to disclose certain factual information about the terms of incentive awards in a standardized format. The proposed Status of Equity Awards Table includes some terms of equity awards, such as the final vesting date and range of potential payouts. We could require additional columns or footnotes to the proposed tables, or even an additional table, for example, to present additional terms of equity awards (such as performance-based vesting conditions, vesting schedules, and/or option expiration dates) or to present the terms of non-equity awards (such as the final vesting date, vesting schedule, range of potential payouts, and/or performance-based vesting conditions). As discussed in the Broad Economic Considerations section (section IV.B. above), an *ex ante* understanding of the basic monetary incentives of NEOs (*e.g.,* how their compensation varies with stock price, volatility in stock price, and non-market performance metrics, as well as the horizon of these incentives) is important to developing expectations as to how the NEOs and registrants may perform. Prescriptive requirements to disclose all of the award terms that drive this performance sensitivity in a specified format could reduce investor search costs if the information would otherwise be presented in more variable formats and would ensure that this information is consistently available across registrants for comparative purposes. That said, the proposed amendments would require registrants to provide any material information necessary to an understanding of the information disclosed in the primary tabular disclosures and would provide greater flexibility as to how the information is presented.[767] Not prescribing a presentation method could allow market practices or norms to develop under which this information may be presented in a more efficient manner than what we might consider prescribing.

We also considered alternatives to the proposed perquisites disclosure threshold. For example, we considered higher or lower dollar thresholds. Some commenters suggested a flat threshold of $50,000 [768] or $100,000.[769] Table 8 in the Baseline section above demonstrates (in its second and third columns) that a threshold of $100,000 or the proposed level of $150,000 would likely result in the vast majority of reported perquisites that currently represent five percent or more of total compensation being disclosed.[770] But, in contrast to the proposed threshold, a lower threshold would be more likely to capture perquisites representing lower percentages of total compensation.[771] A higher threshold than proposed (such as the $200,000 threshold presented in column four of Table 8) would be more likely to exclude perquisites from the disclosure even if they represent five percent or more of total compensation.

We also considered percentage thresholds or dual dollar and percentage thresholds for the disclosure of perquisites. For example, we could require that perquisites be disclosed if they exceeded the greater of $100,000 or 10 percent of the total of salary and bonuses (including all non-equity incentive payouts), as reported in the fifth column of Table 8. Such a threshold could be more permissive in terms of not requiring the disclosure of some low levels of perquisites. However, a percentage threshold based on salary and bonuses (as under the disclosure requirements adopted in 1992), would result in a threshold that would vary across NEOs with similar levels of compensation but different degrees of reliance on equity versus non-equity pay, and could encourage greater use of non-equity incentives. A flat threshold rather than a percentage or combined dollar and percentage threshold also reduces the risk of obscuring larger amounts of pay and introducing more noise in measured total compensation, particularly if the usage of perquisites were to increase in response to the proposed amendments.[772] Another alternative would be to require a dual dollar and percentage threshold with a ''lesser of'' rather than ''greater of'' approach. Such a threshold would have similar benefits as a dollar threshold at companies with higher levels of NEO compensation while also requiring the disclosure of perquisites that represent a larger fraction of compensation at registrants with lower levels of NEO compensation relative to the $150,000 threshold.[773] However, a two-pronged threshold would be more complex than the proposed threshold.

Given the proposed flexibility in the methodology used to value perquisites, we considered requiring registrants to disclose the methodology used. Such disclosure could allow investors to better understand how to interpret any reported perquisite amounts or factors that may impact the comparability of the perquisite disclosures across different registrants. However, given that the proposed amendments do not require that perquisite amounts be separately identified (except to the extent material per proposed Item 402(a)(5)(i)), the incremental value of methodology disclosure to investors may be limited in many cases. We expect that some registrants may disclose such methodologies on a voluntary basis or pursuant to the materiality standards of Item 402(a)(1) and Item 402(a)(5)(i).

We further considered whether to revise the current guidance indicating that an item is not a perquisite if it is generally available on a non-discriminatory basis to all employees of the registrant to instead reference whether the item is generally available on a non-discriminatory basis to all executive officers. Such an approach could result in additional compliance cost savings by further limiting the scope of benefits that would need to be tracked and reported for executive compensation disclosure purposes.

[766] *See supra* section IV.D.

[767] *See supra* section II.E.1.

[768] *See* letters from Compensation Advisory Partners; CEC–1; McGuireWoods & Brownstein.

[769] *See* letters from ABA; Business Roundtable; Cooley; Meridian; NAM–2; NYSE.

[770] In the sample of 100 registrants presented in Table 8, in all of the cases in which PEO perquisites represented over 5% of total compensation the level of perquisites exceeded both $100,000 and $150,000.

[771] In the sample of 100 registrants presented in Table 8, among PEO perquisites that represented less than either 5% or 2.5% of total compensation, a higher number exceeded a $100,000 threshold than those that exceeded a $150,000 threshold.

[772] For example, in the sample of 100 registrants presented in Table 8, in all of the cases in which PEO perquisites represented over 5% of total compensation, these perquisites would also exceed a flat threshold of $150,000, whereas only half (or fewer when considering the adjusted measure of perquisites) of these would be disclosed under a threshold of the greater of $100,000 or 10% of salary and bonuses.

[773] For example, many smaller registrants pay $500,000 or less in total compensation to their PEO, of which $150,000 in potential perquisites would represent 30% or more of total compensation.

However, the alternative approach could also reduce the amount of information available to investors to assess executive benefits. Assuming that perquisite granting practices remain unchanged, we already expect that a very small percentage of registrants would report perquisites under the proposed amendments.[774]

With respect to the data required to be presented in the proposed Earned Compensation Table and proposed Granted Compensation Table, we considered requiring that registrants provide a breakdown of any items presented in the aggregate in the tables. For example, if multiple annual bonuses or equity grants were made in the same year, the values attributable to each would be required to be identified in a footnote. Similarly, under this alternative approach, registrants would be required to identify individual components of the Miscellaneous Compensation Received column of the Earned Compensation Table, potentially subject to some minimum threshold as under the current requirements for the ''all other compensation'' column of the Summary Compensation Table.[775] This approach would allow investors and their advisors, as well as other registrants, more complete access to individual components of pay so that they can, for example, make adjustments (within their own analyses) for comparability, construct alternative measures that are more suited to their methods of evaluating executive compensation, or more precisely benchmark individual components of pay. Given the flexibility available to registrants under the proposal to exclude components of pay that are not material or to present certain items of pay in an alternate year if (consistent with the proposed requirements) they believe it to be more appropriate given their award schedule, identifying the individual components of pay could allow users of the disclosure to better understand what is included or excluded in any given column in a given year. Identifying the individual components of pay could also allow investors to better understand specific components of pay, like a retention bonus, that could skew their evaluation if not differentiable from other components of pay. On the other hand, not requiring such breakdowns would give registrants more flexibility and may encourage more concise disclosure. Under the proposal, registrants would nonetheless be required to provide these breakdowns to the extent they constitute material information relevant to an assessment of NEO compensation.

F. Compensation Discussion and Analysis

Certain registrants are required to provide a CD&A discussing the compensation granted to, earned by, or paid to the NEOs. The current stated purpose of the CD&A is ''to provide investors material information that is necessary to an understanding of the registrant's compensation policies and decisions regarding the NEOs,'' which can reduce information asymmetries between registrants and investors about how the registrant approaches its executive compensation program. Currently, the rules include seven required topics to be covered in CD&As, as well as a list of fifteen example topics that may be material for inclusion depending on a registrant's facts and circumstances.[776] CD&A disclosure is required of all registrants required to provide Item 402 disclosures[777] other than SRCs and EGCs.

The proposed amendments would simplify the requirements of the CD&A and take a more principles-based approach by reducing the number of required topics to three and eliminating the non-exhaustive list of example topics.

1. Benefits

The proposed revisions to the requirements for CD&As are expected to reduce the costs of preparing and reviewing these disclosures and to encourage more succinct, tailored disclosure. We understand that CD&A disclosures are often the lengthiest component of current executive compensation disclosures.[778] Both investors[779] and registrants[780] have identified content included in current CD&As that is not helpful to registrants in communicating, or to investors in understanding, a registrant's compensation policies and decisions. We expect that the proposed amendments would facilitate the reduction of this type of CD&A content, although the degree of streamlining and simplification would depend in part on registrants' choices and approaches to drafting.

Specifically, the proposed reduction in the number of required topics and elimination of the non-exhaustive examples of potential topics may allow registrants to reduce the inclusion of boilerplate, repetitive, or superfluous content to the extent that it was merely being included to ensure a response to some or all of these potential topics despite such topics having been already sufficiently covered or not being material in the context of their compensation programs. While the cost of preparing such disclosures may be relatively modest, given that boilerplate-type disclosures can likely be modeled after the prior year or other registrants' proxy disclosures, they may unnecessarily add to the volume of disclosure that must be reviewed by multiple parties. It is possible that reducing the length of CD&As could also reduce the production of introductory proxy summary sections by registrants, if the resulting volume of disclosure is more digestible without a summary.

We recognize that there can be elements of narrative disclosures that are not susceptible to rapid change, in that norms, other statutory or regulatory requirements, investor and stakeholder expectations, and liability concerns can create outside pressures to continue to produce longer disclosures.[781] However,

[774] *See supra* Table 8.

[775] Currently, registrants are required to identify to the extent material any item included under ''All Other Compensation,'' where identification of an item shall not be considered material if it does not exceed the greater of $25,000 or 10% of all items included in one of the specified categories of compensation required to be included in this column.

[776] See section II.F above for a complete list of these topics.

[777] These registrants include all section 12 and section 15(d) registrants that are not registered investment companies, FPIs, or either asset-backed securities issuers or externally-managed BDCs which do not have executive officers. *See supra* section IV.C.2.

[778] *See, e.g.,* letters from Baillie Gifford (stating that ''CD&A averages 25–30 pages''); Chamber of Commerce; Society for Corporate Governance (citing 2021 data from Equilar, Inc., indicating that CD&As in their sample averaged nearly 10,000 words, or approximately 15 pages in 10-point font); *see also* Schustereder, 2025 Roundtable Transcript at 100:2 (stating that the CD&A for his registrant is about 35 pages in length today).

[779] *See, e.g.,* Hambly, 2025 Roundtable Transcript at 152:2–15 (stating that, in one example CD&A he reviewed that day, he ''saw the same graphic twice in the 40 pages . . . [and] the same paragraph three times in the 40 pages'' and that with ''most . . . proxies [he] could cut 25 percent off with a good copy editor''); McCauley, 2025 Roundtable Transcript at 106:17–107:3 (stating that, with respect to CD&As, ''volume is not the problem'' but that ''[q]uality is the deficiency in many investors' minds'' and that ''the generic boilerplate legalese is really not helping anybody'').

[780] *See, e.g.,* letters from Chamber of Commerce (stating that the ''CD&A provided by most companies is laden with technical jargon and information that is immaterial to investors''); Society for Corporate Governance (stating that ''overly broad and redundant'' rule text pertaining to CD&As has a ''tendency to produce unwieldy disclosure'').

[781] *See, e.g.,* letters from ABA (stating that the length of CD&As results from the scope of their functionality, which has extended to include providing a supporting statement for the say-on-pay

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given the other significant changes proposed to executive compensation disclosure in this release, we anticipate that registrants (in their disclosure choices) and market participants (in their engagement with registrants) may be more likely in this context to take the opportunity to establish new approaches and develop new expectations of what structure and content is optimal for CD&A disclosure. We therefore believe that reducing the perceived need to provide some of these disclosures would result in compliance cost savings. Given that CD&A disclosures are often the lengthiest component of executive compensation disclosures, and that the time and effort required to review the disclosures likely increase with their length and involve multiple parties (including, often, legal counsel, compensation consultants, and directors), even a partial reduction in the size of CD&A disclosures could generate meaningful aggregate savings across the population of affected registrants.

Investors may benefit from the proposed revisions to CD&A disclosures to the extent that these revisions result in disclosures that are more focused on information that is likely to be material. In particular, more focused disclosures may make it easier for investors to find the parts of the disclosures that matter to them [782] and to more efficiently distinguish between disclosure of compelling compensation policies and potential attempts to obfuscate less ideal pay practices.[783] Investors may also benefit from any new insights provided by registrants in response to the revised disclosure topic requiring the objectives of the compensation program to be disclosed in relation to the registrant's corporate strategy. As discussed above, the implications of compensation programs for the registrant's strategic priorities and executive decision-making in relation to those priorities are likely among the most value-relevant information that can be extracted from executive compensation disclosures.[784] Consistent with this view, the relation between compensation design and corporate strategy has been identified as an important consideration by registrants [785] and investors.[786] While some registrants may currently address strategic considerations in the CD&A when discussing the objectives of their compensation programs, it is unclear to what extent current CD&As are consistently effective in addressing this topic beyond discussing more universal objectives of compensation programs.[787] Explicitly requiring that the objectives of the compensation program be discussed in the context of corporate strategy may thus encourage registrants to better tailor these disclosures and allow investors to more effectively evaluate compensation programs.

The benefits of the proposed revisions to the rules governing CD&As may interact with those of the proposed amendments to the definition of NEO. By reducing the number of NEOs whose compensation must be discussed in the CD&A, the proposed revision to the definition of NEO may already reduce the volume of CD&A disclosures, thereby reducing the incremental benefit from reduced volume that could result from the proposed revision to the required and example topics for the CD&A.

The benefits of the proposed revisions to the CD&A topics are also expected to vary across registrants. Because EGCs and SRCs are exempt from CD&A disclosure requirements, they (and their investors) would not experience any incremental benefits. For other registrants required to provide Item 402 disclosures that must include a CD&A, the degree of benefits would vary based on the current extent of potentially extraneous disclosure in their CD&As and the extent to which they streamline these CD&As in response to the enhanced flexibility. If the proposed amendments in the 2026 Filer Status Proposing Release are adopted, a smaller group of registrants (representing about 20 percent of registrants but over 93 percent of the total market public float) would be subject to CD&A disclosure requirements, which would reduce the scope of benefits of the proposed amendments with respect to CD&As.[788] That said, the reduction in these benefits would be expected to be proportionately lower than the change in the number of affected registrants, because the large companies that would remain subject to the CD&A requirements likely have longer and more complex CD&A disclosures currently (and thus a greater opportunity to streamline these disclosures), on average, than other registrants.[789]

2. Costs

We expect that the proposed amendments to CD&A requirements could generate short-term adjustment costs for the registrants required to provide CD&As. There may also be some short-term adjustment costs for investors, as well as costs associated with potential reductions in the information disclosed in CD&As. The potential costs to investors are likely to be at least partially mitigated because the proposal would consolidate and

vote, addressing proxy advisor expectations, and addressing an audience of a variety of stakeholders including ''employees, the media, customers, suppliers and vendors, creditors, governmental entities, and the general public''); Compensia (stating that ''numerous factors have contributed to the perceived 'bloat''' in CD&As, including the influence of proxy advisory firms, the complexity of executive compensation design, the shift in equity awards from stock options to performance-based stock or unit awards, the enactment of say-on-pay votes, technological advances, and increasingly diversified investor voting policies); Society for Corporate Governance (stating that ''litigation trends, proxy advisory firm standards, and investor questions further . . . [increase] the length and complexity of the disclosures'').

[782] *See, e.g.,* letters from IBC (stating that ''for investors, these disclosures are buried in volumes of regulatory compliance text though they describe critical decisions''); Pearl Meyer (stating that ''critical information—such as sign-on awards, one-time grants, or significant changes to pay structure—often remains scattered throughout the document or relegated to the back of the CD&A''); State Board Florida (stating that ''[a] primary issue encountered by investors regarding executive compensation disclosure is the difficulty in navigation and comparability'').

[783] *See, e.g.,* Indrarini Laksmana et al., *Compensation Discussion and Analysis (CD&A): Readability and Management Obfuscation,* 31 J. Acct. Pub. Pol. 185 (2012) (finding that registrants with CEO pay exceeding the level that the researchers could attribute to the economic determinants of compensation had a more difficult to read CD&A).

[784] *See supra* section IV.B.

[785] *See, e.g.,* Fortt, 2025 Roundtable Transcript at 184:13–17 (stating that ''most boards that I've worked with, at least, over the course of my career, how they think about executive compensation is really as a tool of corporate strategy, and a strategic implementation''); Lennartz, 2025 Roundtable Transcript at 84:10–13 (stating that ''it's incumbent upon companies to demonstrate how their compensation programs align with the business strategy and ultimately shareholder interest'').

[786] *See, e.g.,* letter from Council of Institutional Investors (stating that ''[e]valuating board-level compensation decisions requires that shareowners have complete and thorough information about,'' among other things, ''the relationship between compensation decisions and the company's business objectives'').

[787] *See, e.g.,* Chiu, 2025 Roundtable Transcript at 175:7:11 (stating that ''issuers continue to say that we pay to recruit, retain, motivate, incentivize, even though maybe we could just have a template, and everybody says check, and we could maybe spare everybody at least 10 pages of that''); Stanford 2015 Investor Survey, *supra* note 613, at 14 and 16 (in which investors indicated in open-ended responses that they seek additional information on, among other things, the ''link between the pay structure, where the company wants to go, and how it will get there,'' ''[h]ow the executive compensation is tied to long-term company strategy,'' and ''[m]ore narrative on how the company's governance is informed by its strategic goals'').

[788] *See* 2026 Filer Status Proposing Release.

[789] *See, e.g.,* Jieqiong Gao et al., *On the Informational Effectiveness of the Compensation Discussion and Analysis (CD&A): Evidence From Textual Features,* 41 J. Acct. Aud. Fin. 1281 (2026) at 1303 (finding, in Table 5, that registrant size, as measured by the log of total assets, is a statistically significant predictor of CD&A length and a measure of CD&A readability).

simplify the required topics such that the topics that would be deleted could be adequately covered (to the extent material) by the discussions of the topics that would continue to be required. That said, the magnitude of the costs to both registrants and investors will depend on how registrants exercise their increased discretion in revising the disclosures.

Registrants may bear some short-term costs to remove unnecessary CD&A content and to decide how to respond to the required topic that we are proposing to amend to relate the objectives of the compensation program to the registrant's corporate strategy, if they do not already fully address this matter in their current disclosures. Once a registrant decides how to address this revised topic, we expect material ongoing incremental costs of preparing and including disclosure responsive to this topic to be limited outside of years where the compensation program or corporate strategy changes markedly, as the disclosure is otherwise likely to be similar from year to year.

The potential costs to investors from the proposed amendments to the CD&A requirements depend on how registrants would use their expanded discretion in developing revised disclosures. To the extent that only boilerplate and repetitive information would be omitted, any costs to investors would be minimal, short-term, and limited to adjusting review processes to reflect more focused CD&As. If, instead, CD&A disclosures are revised to remove some information that is currently either directly considered by investors as a factor in their decisions or provides context that increases the efficiency or accuracy with which investors evaluate other executive compensation disclosures, then investors may bear additional costs to evaluate executive compensation in the absence of this information and their investment and voting decisions may be based on less complete information. Some of the CD&A content that investors have highlighted as particularly valuable include the overview of how senior executives are compensated and how boards make compensation decisions,[790] discussions about long-term incentive awards,[791] and voluntarily provided quantitative analyses (such as of realized or realizable pay).[792] We do not expect that the proposed amendments are likely to significantly change the provision of these disclosures.

One topic that many investors have expressed is important to them but which would be removed from the example topics suggested for CD&As is represented by the Item 402(b)(2)(vi) and (vii) examples regarding how specific forms of compensation are structured and implemented to reflect performance, as well as related Instruction 4 regarding the disclosure of target levels with respect to specific quantitative or qualitative performance-related factors.[793] As discussed in the Broad Economic Considerations section (section IV.B. above), performance metrics and the rigor of targets can affect investor expectations about executive and registrant performance. However, we understand that specific target levels are currently not disclosed in CD&As in many cases, based on concerns about potential competitive harm and in reliance on Instruction 4.[794] Where such targets are currently disclosed, we expect they would continue to be disclosed given investor expectations.

Another example topic that would no longer be enumerated, and that some investors have indicated is important to them, is the disclosure pursuant to Item 402(b)(2)(xiv) of any peer groups used in benchmarking executive compensation, including the specific component companies of such peer groups.[795] As discussed in the Broad Economic Considerations section (section IV.B. above), the labor market for executives plays a significant role in the appropriate level of pay and strength of incentives. Peer group disclosures provide insight into the labor market specific to the executive officers of a particular registrant.[796] However, there has long been skepticism of registrant peer selection,[797] and it is unclear whether disclosure of peer groups has helped to limit the risk that certain registrants could be included in a peer group in order to justify higher pay rather than to provide an unbiased measure of compensation in the most comparable external positions.[798] We expect that many of the investors that have access to third party analyses (or invest at a scale that justifies expending the resources to undertake their own analyses) will have alternate sources for understanding the executive labor market even if fewer registrants disclose the components of their peer groups under the proposed amendments.[799] That said, other investors, particularly retail investors and smaller institutional investors, may lose access to peer group information and thus have somewhat less context with which to evaluate the rest of the executive compensation disclosures.[800]

The potential costs for registrants and for investors associated with the

[790] *See, e.g.,* letters from AFL–CIO et al.; CFA Institute (specifying that ''[a] key driver that investors have sought from the CD&A is the added benefit of transparency about potential conflicts of interest''); Council of Institutional Investors.

[791] *See, e.g.,* Stanford 2015 Investor Survey, *supra* note 613, at 8 (in which ''the CD&A discussion of long-term incentives or equity awards'' was among the top three responses to the question, ''[w]hat three sections of a company's proxy are you most likely to look at first?'').

[792] *See, e.g.,* Hambly, 2025 Roundtable Transcript at 172:16–173.

[793] *See, e.g.,* letters from AFREF; Baillie Gifford; CFA Institute; Council of Institutional Investors; Erste; LACERA; NEI; State Board Florida; *see also* Stanford 2015 Investor Survey, *supra* note 613 (presenting survey results indicating that sections discussing ''pay for performance alignment'' and ''performance metrics'' are two of the top three cited sections both when the surveyed investors are asked which sections of the proxy they read and rely on to make voting decisions and when they are asked a similar question about their investment decisions).

[794] *See, e.g.,* Margaret Engel et al., Compensation Advisory Partners, *Current State of Forward Goal Disclosure in Long-Term Incentive Plans,* (Apr. 16, 2025), available at *https://www.capartners.com/cap-thinking/current-state-of-forward-goal-disclosure-in-long-term-incentive-plans/* (stating that, in a review of the proxy statements of the 100 largest U.S. publicly-traded companies, based on revenues, they found that ''only 30% of companies with absolute performance metrics in the long-term incentive plan disclose forward-looking goals''); letter from Cravath (stating that ''it has become commonplace for issuers to withhold disclosure of performance-related measures at the outset of any award and to disclose them only for the time period when the award is earned'').

[795] *See, e.g.,* letters from Baillie Gifford; LACERA; NEI.

[796] *See, e.g.,* Ray Rui Gao & Yifei Lu, *Aggregated Compensation Peer Group Disclosure and Managerial Labor Market Competition: A Network Analysis,* 64 J. Acct. Res. 831 (2026).

[797] *See, e.g.,* Michael Faulkender & Jun Yang, *Inside the Black Box: The Role and Composition of Compensation Peer Groups,* 96 J. Fin. Econ. 257 (2010).

[798] *See, e.g.,* Michael Faulkender and Jun Yang, *Is Disclosure an Effective Cleansing Mechanism? The Dynamics of Compensation Peer Benchmarking,* 26 Rev. Fin. Stud. 806 (2013).

[799] For example, proxy advisory services generally identify and present their own peer groups to allow their clients to evaluate compensation in the context of the labor market. While we understand that these firms use a registrant's self-selected compensation peer group as an input in developing their own peer groups, we expect that they could develop a reasonable peer group (though it may differ materially from a registrant-identified peer group) even in the absence of this information. *See* Institutional Shareholder Services, *Peer Group Selection Methodology and Issuer Submission Process: Frequently Asked Questions,* (Dec. 9, 2025), available at *https://www.issgovernance.com/file/policy/active/americas/US-Peer-Group-FAQ.pdf;* Glass Lewis Pay-for-Performance Methodology, supra note 660, at 6. Investors may also be able to identify reasonable peer registrants by considering registrants that have similar characteristics, such as a comparable market capitalization and related industry, to that of the registrant in question.

[800] As technology improves, it is possible that lower-cost information sources about peer groups may be available to more investors. For example, research has demonstrated that generative AI tools can be used to identify product-market peers (though these are not the same as compensation peers). *See* Yi Cao et al., *Can Generative AI Help Identify Peer Firms?,* 30 Rev. Acct. Stud. 3344 (2025).

proposed revisions to CD&A requirements are expected to vary based on the characteristics of registrants. Specifically, SRCs and EGCs are not subject to CD&A disclosure requirements, so they (and their investors) are not expected to be impacted by these costs. For other registrants, the costs would depend on how they react to the proposed amendments. The greatest costs are likely to be associated with those registrants that respond to the increased flexibility by making significant changes to their CD&A disclosures, which would involve greater short-term adjustment costs for both registrants and investors and which could, depending on what type of disclosure is removed in these revisions, result in reduced information being available to investors. It is possible that the increased flexibility to no longer make certain disclosures could be disproportionately exercised by registrants whose pay practices may be viewed less favorably by the market. Any such effect could reduce the informativeness of CD&A disclosures as a result of the proposed amendments, irrespective of the intent of the changes made by registrants to their disclosures.

If the amendments proposed in the 2026 Filer Status Proposing Release are adopted, a more limited subset of registrants would be subject to CD&A disclosure requirements, thus limiting the scope of any costs of the proposed amendments with respect to these disclosures.

3. Reasonable Alternatives

As an alternative to the proposed amendments to CD&A requirements, we could amend the rule to replace all of the current required topics and example topics with a fully principles-based requirement that registrants discuss any material information necessary to an understanding of the registrant's compensation policies and decisions regarding the NEOs. This approach would maximize flexibility to registrants and could result in even more focused, tailored disclosure. However, this approach could be more burdensome for registrants, who may need to spend a significant additional amount of time determining the scope of information to disclose in the absence of any required items for the disclosure. This approach could also lead to over disclosure (reducing the size of any potential reductions in disclosure volume and compliance cost savings), if, in the absence of guidance, registrants produce excess disclosures in order to reduce the risk of missing any potentially material topics. The resulting disclosures could also be less efficient for investors to process, if different registrants interpret the scope of the CD&A very differently.

We could, alternatively, retain a select number of example topics from the current rule (with the same or revised language) targeted at more consistently retaining disclosures in which investors have shown the greatest interest. However, such an approach would reduce registrant flexibility and increase the risk of boilerplate disclosures and could reduce the extent to which CD&As are shortened and streamlined to focus on material information.

G. Pay-Versus-Performance Disclosure Requirements

A subset of the registrants required to provide the primary tabular compensation disclosures [801] are also required to provide pay-versus-performance disclosures presenting five years of Compensation Actually Paid,[802] total compensation from the Summary Compensation Table, and the annual outcomes of four performance measures (namely, the TSR of the registrant, TSR of a peer group, net income, and a Company-Selected Measure) in a prescribed tabular format. The tabular disclosure must include the two compensation measures for both the PEO and, collectively on an average basis, the non-PEO NEOs, and is required to be accompanied by detailed footnotes demonstrating how Compensation Actually Paid was derived from total compensation from the Summary Compensation Table and providing (or cross-referencing) equity valuation assumptions. Under a principles-based requirement, the registrants subject to pay-versus-performance disclosure requirements are also currently required to describe the relationship between Compensation Actually Paid (for the PEO and, collectively on an average basis, the other NEOs) and each of the three registrant performance measures in the tabular disclosures (where the description of the relationship with the TSR of the registrant must include a comparison of the registrant's TSR to the reported peer group TSR). The pay-versus-performance disclosures are also required to include a table listing the names of the three to seven ''most important'' financial performance measures that are used to link Compensation Actually Paid to performance (the Tabular List). SRCs are subject to a scaled version of these requirements with three years of disclosures, fewer quantified performance measures, no peer group disclosure, no Tabular List, and the exclusion of amounts associated with pension plans in the computation of Compensation Actually Paid.[803]

These requirements are proposed to be amended to reflect a more simplified requirement to relate the PEO's and PFO's total compensation from the Earned Compensation Table to registrant TSR over the past three years, with no prescriptive tabular elements or mandated formats.

1. Benefits

The proposed amendments to the pay-versus-performance requirements are expected to reduce compliance costs, provide registrants with greater flexibility in their disclosures of how their executive compensation relates to performance, and simplify compensation disclosures.

The greatest compliance costs savings from these amendments are expected to result from the elimination of the disclosure of the Compensation Actually Paid measure. As discussed previously in section IV.E, this computation is often quite complex and has been associated with significant burdens, though these computational costs may have decreased since the initial years of disclosure.[804]

The proposed amendments to the pay-versus-performance disclosure requirements are also expected to reduce costs by reducing the volume of disclosure that must be prepared and reviewed by registrant staff, directors, and external advisors such as legal counsel and compensation consultants. The current pay-versus-performance disclosures require two tables and very extensive footnotes reconciling computations and providing valuation assumptions, all of which would no longer be required. Based on staff experience, eliminating these footnotes alone would typically reduce pay-versus-performance disclosure by a full page. Replacing the disclosure comparing two compensation measures to each of three performance measures, as well as a comparison of TSR to peer

[801] Among the registrants subject to the primary tabular disclosure requirements, those that are not EGCs or do not disseminate a proxy or information statement in a given year (such as certain section 12(g) registrants and, in general, section 15(d) registrants which are not also section 12 registrants) are required to make pay-versus-performance disclosures. *See supra* section II.E.

[802] As discussed in section IV.E above, the current rule defines Compensation Actually Paid in a given year based on a computation that is intended to quantify how the value of an executive's total compensation package changed that year, including changes in the value of outstanding equity awards.

[803] *See* 17 CFR 229.402(v)(8).

[804] *See supra* notes 733 and 734 and associated text.

TSR—that is, a narrative or graphical description of seven total relationships—with a description of two relationships (namely, for each of the PEO and PFO, between the executive officer's total earned compensation and the registrant's TSR) should also significantly reduce the volume of disclosure that must be produced.

While the current requirements have principles-based elements, they are also quite prescriptive. By reducing the prescribed elements of the current requirements, such as by eliminating the required tables and the required inclusion of multiple compensation and performance measures, the proposed amendments provide registrants with greater flexibility to tailor their disclosure to more effectively communicate how their executive compensation relates to their performance. Under the proposal, some registrants may voluntarily continue to include performance measures other than TSR in the pay-versus-performance disclosure or to provide voluntary supplemental disclosures with other compensation measures (such as Compensation Actually Paid or realizable pay), while others may produce simpler disclosures.

The simplification of the pay-versus-performance requirements and associated reduction in disclosure volume may benefit some investors, such as retail investors, who may read disclosures linearly. Given that some of the currently prescribed disclosures (such as narratives comparing compensation to net income regardless of whether a registrant is profitable or ties compensation to any measures of profitability) may not be particularly relevant for a given registrant, removing some of this disclosure may also reduce the likelihood that less sophisticated investors are confused by some of the disclosure.

The proposed pay-versus-performance disclosures would provide somewhat different information than current disclosures, because of their focus on *ex post* rather than in flight compensation values. The inputs into such an analysis are relatively easier to construct from other executive compensation disclosures because more complete information is available under the current rule (and would become even more readily available under the proposal) for equity awards that have vested or been exercised than for those that are still in flight. The proposed pay-versus-performance disclosures are therefore not anticipated to provide significant additional information beyond the other proposed disclosures, but, if registrants use their flexibility to present this information effectively, it may help investors to more easily evaluate whether ultimate pay outcomes align with registrant performance than would be possible otherwise.

As discussed above, the benefits of the proposed amendments to pay-versus-performance disclosures are likely to vary across investors of different types, with investors that read executive compensation linearly benefiting the most from any simplification of the disclosures. The benefits of the proposed amendments are also expected to vary across registrants. EGCs and certain other registrants (such as section 15(d) registrants)[805] are not currently subject to these requirements and thus would not be affected by the proposed changes. Among other registrants, those with the most complex equity compensation structures (particularly those that use option compensation and that have frequent vesting, such as monthly vesting schedules) likely incur the greatest burdens in computing Compensation Actually Paid currently and are thus likely to experience the greatest compliance cost savings as a result of the proposed amendments to the pay-versus-performance requirements. Registrants that voluntarily continue to disclose Compensation Actually Paid or similar measures or that voluntarily continue to include and explain multiple performance measures in their pay-versus-performance disclosures may experience lower compliance cost savings than other registrants.

The proposed narrowing of the scope of NEOs would also directly reduce the number of computations required to produce the current pay-versus-performance disclosures and simplify the required descriptions of relationships between pay and performance. Under the proposed definition of NEO, the current pay-versus-performance requirements would no longer require computing Compensation Actually Paid for multiple non-PEO NEOs and then taking the average, as the only non-PEO NEO would be the PFO. The relationship of the Compensation Actually Paid of the PFO with the registrant performance measures may be easier to describe than that of the average Compensation Actually Paid across multiple NEOs, given that the latter would reflect changes in the composition of the NEOs over time as well as factors such as registrant performance. Thus, when considered in combination with the proposed amendment to the definition of NEO, the incremental compliance cost savings and degree of disclosure simplification expected to result from the proposed amendments to the pay-versus-performance requirements would be lower than when considered independently.

If the amendments in the 2026 Filer Status Proposing Release are adopted as proposed, a much smaller group of registrants (*i.e.,* LAFs, to the extent they disseminate proxy or information statements) would be subject to pay-versus-performance disclosure requirements, which would reduce the incremental benefits of the proposed amendments to these requirements relative to what they would be with the current filer status framework in place.

2. Costs

The proposed amendments to the pay-versus-performance requirements may make it somewhat more difficult for investors to evaluate the sensitivity of executive compensation to registrant performance, which may result in increased analytical costs for some investors (either directly or through third parties) and increased noise in investment and voting decisions. Registrants may also bear some short-term adjustment costs to determine how to present the disclosure given the proposed flexibility in format and change in content of the pay-versus-performance disclosures.

The elimination of the disclosure of the Compensation Actually Paid measure would represent a loss of some information, and particularly of readily available analysis, for investors. As discussed above in section IV.E, this computation provides insight into how the value of an executive's overall compensation package changes from year to year (including for awards that are ''in flight''), allowing investors to relate registrant performance with concurrent changes in the value of compensation.[806] While investors and

[805] Pay-versus-performance disclosure is only required in proxy or information statements that involve Item 8 of Schedule 14A (the item that requires all Item 402 disclosure). Thus, this disclosure is not required of, for example, section 15(d) registrants or for those with securities registered under section 12(g) of the Exchange Act that do not disseminate a proxy or information statement in a given year. *See supra* section IV.C.2.

[806] In contrast, the proposed Earned Compensation Table would include the value of stock awards at vesting and option awards at exercise. These values are generally affected by registrant performance over the full period from the grant date until vesting (or exercise). Given the typical time to total vesting of three years for stock awards and typical expiration date of ten years for option awards, the total compensation in the Earned Compensation Table for a given fiscal year may often reflect registrant performance over the

Continued

third parties can construct estimates of Compensation Actually Paid or similar ''realizable pay'' measures based on other disclosed information, these estimates would lack the precision of registrant-constructed measures,[807] and may result in duplicative analytical effort by multiple parties. Investors with fewer resources to allocate towards evaluating executive compensation disclosures may lose access to any such measure. These factors may reduce the accuracy of investors' understanding of the sensitivity of executive compensation to performance and, at times, may lead some investors to make different investment or voting decisions than they would with more precise information.[808] To the extent that some registrants voluntarily continue to disclose Compensation Actually Paid, realizable pay, or similar measures, these effects on the precision with which investors evaluate executive compensation may be mitigated at such registrants.

The proposed elimination of prescribed tabular disclosures for the purpose of pay-versus-performance disclosure may make it harder for investors to extract the underlying information for the purpose of comparative analysis. This cost may be mitigated by the proposed simplification of the disclosures, in that there is less such information that could be extracted and such information (such as registrant TSR) can be collected from other readily available sources.

Much of the other information that would no longer be required in the proposed pay-versus-performance disclosures may be of only minor consequence. For example, some of this information, such as the values of net income and peer cumulative TSR or the list of company-selected additional financial performance metrics, would generally remain available in other registrant disclosures or other readily available sources.[809] Other information that may no longer be reported may be irrelevant, such as narratives comparing compensation actually paid to net income at registrants that are not profitable and do not link compensation to net income. That said, removing this information from pay-versus-performance disclosures could, in some cases, increase the time that investors spend referring to other disclosures or other sources in order to interpret the pay-versus-performance disclosure, or could lead some investors to overlook important context about the broader performance or pay-for-performance programs of a registrant when evaluating the pay-versus-performance disclosure.[810]

Registrants required to provide pay-versus-performance disclosure may bear some short term adjustment costs to transition to the proposed amendments. While the proposed requirements would be substantially more limited than current requirements, they would retain the same flexibility in presentation format for the description of the relationship between pay and performance as the current requirements. Registrants may initially need to reconsider the best way to present the pay-versus-performance disclosure given the proposed shift in focus of these disclosures from Compensation Actually Paid to a measure of realized pay (Total Compensation Earned from the Earned Compensation Table) and the different nature of the relationship of each of these pay measures with registrant TSR.

The costs of the proposed amendments to the pay-versus-performance disclosure requirements are expected to vary across investors. As discussed above, investors who do not have access to third party analyses, have fewer analytical resources, or are less adept at interpreting current disclosures on their own may be the most likely to have a less precise understanding of how pay relates to performance under the proposal than under the current requirements. In contrast, investors who do have access to third party analyses or who undertake their own detailed analyses of executive compensation disclosures are the most likely to bear increased analytical burdens as a result of the proposal.

The costs of the proposed amendments to the pay-versus-performance requirements are also expected to vary across registrants. EGCs and certain other registrants (such as section 15(d) registrants)[811] are not currently subject to the pay-versus-performance requirements, so investors would not bear costs with respect to these registrants (and these registrants would bear no transition costs). Among other registrants, the information in current pay-versus-performance disclosures would be the hardest to replicate by investors or third parties for the registrants with the most complex equity compensation structures or those that would not disclose specific performance targets and thresholds in performance or market conditions applied to their awards under the proposal. The proposed amendments would thereby be the most likely to result in increased analytical burdens for investors and increased imprecision in the understanding of how NEO pay relates to performance at these registrants.

The proposed narrowing of the scope of NEOs would also directly affect the scope of the current pay-versus-performance disclosures. However, given the significant investor focus on PEO compensation and the difficulties in interpreting the average compensation actually paid to a group of NEOs, we do not expect the incremental costs of the proposed amendments to the pay-versus-performance requirements to be significantly different when considered in combination with the proposed definition of NEO than when considered independently.

Should the amendments in the 2026 Filer Status Proposing Release be adopted as proposed, the incremental costs associated with the proposed amendments to the pay-versus-performance requirements would be

previous three years (considering only stock awards) or up to ten years (when also considering option awards). *See supra* section IV.C.4.

[807] *See supra* notes 715–717 and associated text.

[808] *See supra* note 753.

[809] Specifically, net income is disclosed in registrant financial statements and a measure of peer TSR can be constructed for an alternate peer group using readily available market data, while the names of financial performance metrics used to link Compensation Actually Paid with registrant performance would typically be included in executive compensation disclosures about performance and/or market conditions applicable to equity incentive awards under the proposed amendments. Performance metrics used only to determine the outcome of non-equity incentive awards or only to determine the amount of a discretionary bonus but that are not referenced in supplemental disclosures to the proposed principal tabular disclosures or discussed under the proposed CD&A requirements (in response to the requirement to discuss the ''material elements of compensation and how those amounts are determined'') may no longer be listed elsewhere in disclosures, but in such cases are not expected to be material.

[810] For example, relying solely on TSR to evaluate registrant and executive performance could provide an incomplete picture of such performance in certain situations, such as when expected outperformance is already reflected in the starting stock price, when a stock is thinly traded, when market dynamics cause stock returns to become particularly disconnected from fundamental performance, or when executive performance is best measured by other financial performance metrics. The current required disclosure of TSR of a peer group and of additional financial performance measures (both quantitatively and in the Tabular List) may help to address these concerns by providing additional context and broadening the picture of registrant performance and pay-for-performance programs presented in the disclosure. Under the proposal, registrants will retain the flexibility to include any additional measures or context that they feel necessary to clearly describe the relationship of their executive compensation with registrant performance. However, they may be less likely to provide such context when it highlights a potential disconnect of pay with performance than when it supports a strong relationship between pay and performance.

[811] *See supra* note 805.

reduced. In that scenario, the pay-versus-performance requirements, and thus the effects of any changes to these requirements, would be limited to LAFs that disseminate proxy or information statements, a smaller group of registrants than the group subject to these requirements under the baseline.

3. Reasonable Alternatives

As an alternative to the proposed amendments, we could retain the disclosure of Compensation Actually Paid and use this measure rather than total compensation from the Earned Compensation Table in the pay-versus-performance requirements, while eliminating the prescriptive tables, footnotes, and other compensation and performance measures included in the current disclosures. This approach may provide investors with clearer and more timely insights into how executive compensation varies with registrant performance. However, given that the construction of the Compensation Actually Paid measure represents a large share of the burdens of the current requirements, this approach would provide very limited compliance cost savings for registrants relative to the baseline.

Another alternative would be to propose a more fully principles-based pay-versus-performance disclosure requirement, under which registrants would be required to provide a clear description of the relationship between executive compensation and registrant performance, without specific measures of compensation and performance being prescribed for this purpose. Such an approach would increase the flexibility of registrants to tailor the disclosure to their specific compensation structures, but may make it more difficult for investors to evaluate the disclosures by increasing the variation in the nature and content of the disclosures across registrants.

We also considered using our exemptive authority to eliminate pay-versus-performance disclosure requirements in the context of the PFO's compensation. Limiting the pay-versus-performance disclosure to the PEO would further reduce compliance costs while continuing to provide the disclosure for the executive officer whose pay is most scrutinized by investors.[812] However, given the simplified pay-versus-performance requirements under the proposed amendments, the incremental costs of providing this disclosure are expected to be modest, and investors may benefit from disclosures highlighting how the PFO's eventual pay outcomes have aligned with registrant performance, both to better understand the PFO's compensation structure and to understand how the alignment of such pay outcomes with performance may differ for other senior executives as compared to the PEO.

H. Pay Ratio Disclosure Requirements

Each registrant subject to the pay ratio disclosure requirements currently must disclose, each year, the ratio between the annual compensation of its PEO and that of its median employee identified in accordance with the rule. This pay ratio must be computed using total compensation based on all elements included in such total in the Summary Compensation Table. The median employee is to be identified based on the distribution of compensation across all of the registrant's full- and part-time, seasonal, and temporary U.S. and non-U.S. employees. A data privacy exemption permits registrants to exclude any individual employed in a foreign jurisdiction in which the data privacy laws or regulations are such that the registrant is unable to obtain or process the required information without violating those laws or regulations. A *de minimis* exception is also available in that registrants whose non-U.S. employees represent five percent or less of their total U.S. and non-U.S. employees may exclude those employees from the computation. This disclosure is not required of SRCs or EGCs, but is required of all other registrants that must make Item 402 disclosures.[813]

The proposed amendments would simplify the computation of this ratio by limiting the population used to identify the median employee to full-time, U.S.-based employees, excluding seasonal and temporary employees, and changing the definition of total compensation used in the ratio to that reflecting the total from the proposed Granted Compensation Table (which contains fewer elements than the Summary Compensation Table). Under the proposed amendments, registrants would be required to determine the median employee once every five years (as compared to three years under the baseline). The proposed amendments would also remove certain requirements to make disclosures about the selection process for the median employee (such as requirements to disclose the compensation measure used and the date chosen for identifying the median employee).[814]

1. Benefits

Limiting the population from which the median employee is drawn to full-time, U.S.-based employees, excluding seasonal and temporary employees, is expected to significantly reduce the costs of preparing pay ratio disclosures relative to the compliance costs of producing these disclosures under the current rule.[815]

In particular, excluding non-U.S. based employees from this computation would eliminate the need to, for example, test whether the *de minimis* exemption applies, make foreign exchange computations, integrate data from the potentially different payroll systems often used to track compensation for employees in disparate foreign locations, and comply with the potentially complex requirements of local data privacy laws when integrating such data.[816] Commenters have highlighted the inclusion of employees in foreign jurisdictions in the determination of the median employee as a source of significant compliance costs.[817] For example, when the pay ratio rule was first proposed, commenters submitted

[812] *See supra* section IV.D.

[813] These registrants include all section 12 and section 15(d) registrants that are not registered investment companies, FPIs, either asset-backed securities issuers or externally-managed BDCs which do not have executive officers, and, for purposes of Form 10–K, certain wholly-owned subsidiaries of a reporting company. *See supra* section IV.C.2.

[814] The proposed amendments would also simplify and streamline the instructions and requirements in the rule text regarding the identification of the median employee, including in relation to the use of estimates, but we do not expect this revision to have meaningful economic effects because the change in text is not intended to change the flexibilities afforded to registrants in this process. *See supra* section II.I.3.

[815] At the time of adoption, the Commission estimated the ongoing cost of producing pay ratio disclosures each year after the initial year of disclosure to be about 40% of the estimated $368,159 in average first year compliance costs per registrant, or, on average, about $147,264 each year for each affected registrant. The ongoing cost for a registrant with foreign operations was estimated to be about 1.9 times the cost for an average affected registrant. These estimates reflected the Commission's consideration of comments, including reports of survey data, regarding the expected costs of compliance. *See* 2015 Pay Ratio Adopting Release. We are not aware of more recent estimates of the cost of these disclosures.

[816] The costs savings from these sources may be more limited for registrants who currently rely on the data privacy exemption or *de minimis* exemption to exclude some or all non-U.S. employees from their current computations.

[817] *See, e.g.,* letters from Axcelis; Business Roundtable; Compensia; Meridian; *see also* 2015 Pay Ratio Adopting Release at 50158 (stating that ''[s]ome commenters indicated that the most important driver for the compliance costs of the required disclosure is the presence of foreign operations and the complexity of dealing with, or the need to create compatible employee data and payroll systems that track the compensation of employees of such foreign operations'').

the results of a survey of registrants that indicated that requiring only U.S. employees to be used when estimating the pay ratio would decrease the costs of the disclosure on average by 40 percent.[818]

Excluding part-time, seasonal, or temporary employees from the computation of the pay ratio is expected to provide additional cost savings by reducing the number of employees whose compensation data must be integrated to identify the median employee. Such a change could also reduce the likelihood that registrants feel the need to provide supplementary narrative disclosures explaining that their pay ratio may be skewed due to the inclusion of employee compensation that is not on a full-time basis.[819] The survey results submitted to the comment file when the pay ratio rule was first proposed indicated that requiring only full-time employees, excluding seasonal and temporary employees, to be used when estimating the pay ratio would decrease the costs of the disclosure on average by 11 percent.[820] These savings are smaller in magnitude than those associated with excluding foreign workers, and the two estimates should not be treated as fully additive given potential overlap in the underlying cost drivers.

Because wages outside of the U.S. and unadjusted part-time, temporary, and seasonal pay are likely to be lower on average than full-time, annual U.S.-based wages, excluding these employees from the median calculation is likely to raise the reported median employee wage for registrants with such employees, thereby lowering the reported pay ratio. To the extent that the inclusion of part-time, temporary, seasonal, and non-U.S. employees—without time-equivalent or purchasing-power-parity[821] adjustments—currently inflates reported ratios, the revised computation may produce a ratio that more accurately represents the compensation structure of a registrant's domestic full-time workforce. Research indicates that higher reported pay ratios can be associated with less favorable investor,[822] employee,[823] and public[824] perceptions. If the current ratio overstates a registrant's pay disparity, correcting this may reduce perceptions that are not warranted by the registrant's actual compensation practices.

Requiring that the median employee be determined once every five years instead of once every three years should further reduce the compliance costs borne by registrants to produce pay ratio disclosure. In particular, identifying the median employee may be the most burdensome aspect of producing the disclosure given the large compensation datasets and the various processing steps that may be required. Reducing the frequency of this process should therefore reduce compliance costs.

With regard to benefits to investors, to the extent the proposed amendments reduce registrant costs, these savings may ultimately benefit the shareholders of the affected registrants. Investors may also benefit from more comparable pay ratio disclosures under the proposal. Registrants take varying approaches to foreign operations and fluctuating labor needs, with some outsourcing these labor needs to other entities while others directly employ non-U.S. and/or part-time, seasonal, or temporary workers. Some may employ such part-time, seasonal, or temporary workers at consolidated subsidiaries while others do so through unconsolidated subsidiaries (whose employees are not included in pay ratio computations). These differences in approaches to fulfilling similar labor needs can lead to variation in pay ratios that does not reflect true differences in underlying labor costs. Further, because the current rule does not permit the compensation of a part-time employee to be converted to a full-time equivalent or seasonal or temporary worker pay to be annualized, including their pay in comparison to the full-time, annual compensation of a PEO can artificially inflate pay ratios.[825]

Amending the definition of total compensation to be used in the ratio to reflect the definition used in the proposed Granted Compensation Table could result in further cost savings for some registrants. In particular, to the extent that a registrant's median employee receives benefits or miscellaneous compensation that would otherwise be included in a total compensation measure based on the Summary Compensation Table (but not in a measure based on the proposed Granted Compensation Table)—such as participation in a registrant pension plan or registrant contributions to a defined contribution plan—the registrant's computation of the median employee's total compensation may be simplified under the proposed amendments because these components would not be required to be included under the proposal.

Eliminating requirements to make supplementary disclosures related to the selection process for the median employee may lead to additional cost savings by reducing the volume of necessary disclosure that must be prepared, reviewed, and included in registrants' filings. Relative to the expected savings from excluding non-U.S. based employees and part-time, temporary, and seasonal workers from the computations, these savings are expected to be more marginal.

The benefits of the proposed revisions to the pay ratio disclosure requirements are expected to vary across registrants. Because EGCs and SRCs are exempt from the pay ratio disclosure requirements, they would not experience any incremental benefits. For other registrants required to provide Item 402 disclosures, those expected to benefit the most from the proposed revisions are the registrants with significant foreign operations, particularly those with employees in a large number of different countries or whose employees are otherwise tracked in many separate payroll systems. Registrants in industries that are more likely to employ part-time, temporary, or seasonal workers, such as retail or agricultural industries, are also likely to experience greater savings (and potential positive reputational effects from lower reported pay ratios) than other registrants. Finally, those with broad-based retirement plans or other employee benefits that are included in the Summary Compensation Table definition of total compensation but omitted from the proposed Granted Compensation Table may benefit from simpler computations of median employee compensation.[826]

[818] *See* 2015 Pay Ratio Adopting Release at 50158.

[819] For example, registrants may provide a supplementary ratio that reflects full-time equivalent adjustments to the pay of part-time workers, given that Instruction 5 to Item 402(u) prohibits full-time equivalent adjustments for any employee in the required pay ratio disclosure. A study of the initial pay ratio disclosures found that 14% of registrants reported a supplementary ratio, though these may have been included for a range of reasons. *See* Sun-Moon Jung et al., *Why Do Firms Utilize the Flexibility Allowed in CEO-Employee Pay Ratio Disclosure? Evidence from Dodd-Frank Act Section 953 (b),* 35 Acct. Horiz. 83 (2021).

[820] *See* 2015 Pay Ratio Adopting Release at 50158.

[821] Purchasing power parity is a measure of the relative buying power of different currencies based on the price of the same basket of goods in different countries.

[822] *See* Yihui Pan et al., *Do Equity Markets Care about Income Inequality? Evidence from Pay Ratio Disclosure,* 77 J. Fin. 1371 (2022) (''Pan et al. 2022 Study'').

[823] *See* Audra Boone et al., *The Saliency of the CEO Pay Ratio,* 28 Rev. Fin. 1059 (2024).

[824] *See* Wonjae Chang et al., *Does Sensationalism Affect Executive Compensation? Evidence from Pay Ratio Disclosure Reform,* 61 J. Acct. Res. 187 (2023).

[825] *See* R. Pozen and K. Qadeer, *The Fix for Misleading 'CEO Pay Ratios,'* Wall. St. J. (Mar. 19, 2018), available at *https://www.wsj.com/articles/the-fix-for-misleading-ceo-pay-ratios-1521497476.*

[826] These registrants could, however, end up disclosing higher pay ratios under the proposed rules because retirement or other benefits may represent a larger share of total compensation for

In addition, if the amendments proposed in the 2026 Filer Status Proposing Release are adopted, a much smaller group of registrants would be subject to pay ratio disclosure requirements, which would reduce the overall incremental benefits of the proposed amendments to these requirements. However, we note that the large registrants that would continue to be subject to pay ratio disclosure requirements are the most likely to be multinational, with employees in a large number of countries, and may thus individually benefit the most from the proposed amendments.

2. Costs

The proposed amendments to the pay ratio disclosure requirements are expected to reduce the amount of underlying information summarized in registrant pay ratios. However, given our understanding of how these ratios are currently used, as discussed below, we do not expect significant adverse effects on investors' ability to use and interpret pay ratios relative to the baseline.

While there is some indication that pay ratios are not relied on by investors to the same extent as many other executive compensation disclosures,[827] researchers have found evidence that at least some investors seem to consider pay ratio information when making voting[828] and investment[829] decisions. Investors have expressed that pay ratio disclosures can provide information relevant to understanding a registrant's human capital management and associated risks.[830]

For these uses, we expect a pay ratio limited to U.S., full-time employees, excluding seasonal and temporary employees, to suffice for most investors. In fact, as discussed in the context of benefits above, this proposed revision could make the ratio more easily interpretable. That said, the exclusion of part-time, seasonal, and temporary workers, as well as the use of a less comprehensive compensation measure in the ratio, may add new sources of imprecision into the ratios, in that the proposed ratios would reflect less complete information than current ratios. Requiring that the median employee be determined once every five years instead of once every three years (and eliminating the instruction explicitly requiring registrants to update the median employee sooner under certain circumstances)[831] may introduce a further source of imprecision into the ratio, by increasing the likelihood that the median employee reflected in the disclosure is an outdated reflection of the registrant's current workforce. However, pay ratios already reflect a number of factors that complicate cross-registrant comparisons, such as differences in industry and business type; in the degree of vertical integration; in the reliance on contract and outsourced workers; and in corporate structure with respect to ownership and consolidation.[832] We therefore do not expect the incremental imprecision that could result from simplifying the ratio to be significant relative to the baseline level of imprecision in the ratio due to existing factors.

The proposed amendments would also remove certain requirements to make disclosures about the selection process for the median employee. There is evidence that some registrants may use their discretion in how the median employee is identified to lower their reported pay ratios.[833] The proposed amendments could make it more difficult for investors to identify such behavior, complicating investors' interpretation of the disclosures. However, at least some of the elements of discretion, included in both the current and proposed rule, such as the choice of a date for identifying the median employee, may be less consequential in the context of the proposed amendments, where, for example, temporary and seasonal employees are excluded. Further, as discussed above, the structural imprecision inherent in pay ratio disclosures (arising from workforce composition and other factors) means that any additional variation caused by the application of this discretion may not significantly affect investors' ability to interpret pay ratios.

While we expect limited costs of the proposed revisions to pay ratio disclosures, the potential costs are expected to vary across investors depending on how they use pay ratio disclosures and will vary across registrants based on their characteristics. Specifically, SRC and EGCs are not subject to pay ratio disclosure requirements and thus they and their investors bear none of these incremental costs. The greatest costs may be associated with registrants in any industries with significant reliance on part-time, seasonal, or temporary workers, or with registrants with variation in employee compensation structure among otherwise similar registrants, which could make it more

the median employee than for the PEO, such that removing them from the compensation measure increases the ratio of PEO to median employee compensation.

[827] *See, e.g.,* letters from Farient-1 (stating that ''we rarely see this measure questioned, used, or referenced by proxy advisors or investors''); NAM–1 (stating that pay ratio disclosures ''are not relevant or used by most investors (aside for a handful of labor activists) in their proxy voting decisions''); Society for Corporate Governance (reporting based on a survey of their members that ''nearly 80% of the respondents had never been asked about their pay ratio disclosure in shareholder engagement meetings in the past three years''); *see also* Institutional Shareholder Services, *U.S. Executive Compensation Policies FAQ* (Dec. 9, 2025), available at *https://www.issgovernance.com/file/policy/latest/americas/US-Executive-Compensation-Policies-FAQ.pdf,* at 25 (stating that ''[t]he CEO pay ratio . . . does not affect [ISS's] say-on-pay or director vote recommendations''); Glass Lewis, *2026 Benchmark Policy Guidelines—United States* (Dec. 2025), available at *https://resources.glasslewis.com/hubfs/2026%20Guidelines/Benchmark/Benchmark%20Policy%20Guidelines%202026%20-%20United%20States.pdf,* at 64 (stating that ''[w]hile the pay ratio has the potential to provide additional insight when assessing a company's pay practices, at this time it is not a determinative factor in the Benchmark Policy's voting recommendations'').

[828] *See* Steven Crawford et al., *Mind the Gap: CEO–Employee Pay Ratios and Shareholder Say-on-Pay Votes,* 48 J. Bus. Fin. Acct. 308 (2021) (finding that, in the first year of pay ratio disclosure in the U.S., and among registrants in the S&P 1500, the rate of votes against say-on-pay resolutions is significantly higher for registrants disclosing pay ratios in the top decile).

[829] *See* Pan et al. 2022 Study, *supra* note 822 (finding that firms disclosing higher pay ratios experience significantly lower abnormal announcement returns to the first-time disclosure of pay ratios in the U.S., and that during the year of such disclosure, relative to other investors, inequality-averse investors rebalanced their portfolios away from stocks with high pay ratios).

[830] *See, e.g.,* letters from AFREF; AFL–CIO et al.; CFA Institute; Public Citizen; *see also* Hambly, 2025 Roundtable Transcript at 186:14–187:4 (stating that the pay ratio disclosures are ''driving some really interesting engagements'' with registrants about ''that bottom 50% of the people that work for them,'' and explaining that they are interested in the pay of these workers ''because when I go into a business, I'm probably interacting with a lower wage worker, and if we're going to drive value over time, those—that's the face of your companies'').

[831] Current Instruction 2 to 17 CFR 229.402(u) specifies that a registrant is required to identify its median employee only once every three years ''*provided that,* during a registrant's last completed fiscal year there has been no change in its employee population or employee compensation arrangements that it reasonably believes would result in a significant change to its pay ratio disclosure.''

[832] *See* 2015 Pay Ratio Adopting Release at 50132.

[833] *See, e.g.,* Zinat Alam et al., *Discretion in Pay Ratio Estimation,* 173 J. Bank. Fin. 107416 (2025) (finding that, after controlling for factors that could explain the complexity of a registrant's estimation approach to pay ratio disclosure, the use of more complex approaches is associated with producing lower pay ratios, particularly for registrants headquartered in states where aversion to income inequality is expected to be greater or when their executive compensation has recently drawn shareholder attention).

difficult for investors to identify outliers based on the revised disclosures. If the amendments proposed in the 2026 Filer Status Proposing Release are adopted, a more limited subset of registrants would be subject to pay ratio disclosure requirements, thus limiting the scope of any costs of the proposed amendments.

3. Reasonable Alternatives

As an alternative to limiting the population used to identify the median employee to full-time, U.S.-based employees, excluding seasonal and temporary employees, we could limit the population to all U.S.-based employees regardless of employment status (*i.e.,* including part-time, seasonal, or temporary workers) and permit registrants to convert their pay to full-time, annual equivalents in the pay ratio computations. This approach could lead to somewhat more comparable pay ratios across registrants with respect to domestic workforces. However, including these workers and allowing annualization and full-time equivalent computations would likely increase costs for registrants relative to the proposal, because of the greater number of employees whose compensation data must be integrated to identify the median employee and because the registrant may need to perform annualization and full-time-equivalent computations for large numbers of employees. Alternatively, we could include only full-time employees, excluding seasonal and temporary workers, but include non-U.S.-based employees. Under this alternative, we could, for example, expand the *de minimis* exemption provided in the current rule (such as to 10 or 25 percent) and permit purchasing-power-parity adjustments for non-U.S. based employees. Including non-U.S. workers for registrants at which these employees constitute a larger fraction of the workforce, but allowing adjustments to factor in variations in wages across countries, may increase comparability of these registrants' pay ratios with those of registrants that meet similar labor needs using primarily U.S. employees. However, as discussed above, commenters have highlighted integrating foreign and domestic compensation systems for this purpose to be a significant source of compliance costs,[834] and some of these costs may be borne even by registrants that are able to avail of an expanded *de minimis* exemption because of the need to determine whether the *de minimis* threshold is met. Separately, the extent to which either of these alternatives (including additional types of domestic employees or including foreign employees) would improve the comparability of pay ratios across registrants would be limited by the substantial existing imprecision in pay ratios arising from other sources, as discussed in section IV.H.2 above.

We also considered using the annual total compensation calculation methodology from the proposed Earned Compensation Table (rather than from the Granted Compensation Table, as proposed) for purposes of the pay ratio disclosure. The Earned Compensation Table provides a more comprehensive measure of compensation, including components that are not reflected in the Granted Compensation Table (such as retirement benefits and perquisites), and could thus enhance comparability of pay ratio disclosures across registrants that rely to a different degree on, for example, retirement or other benefits to compensate their PEO. However, as in the case of the currently required Summary Compensation Table methodology as discussed above, computing a measure based on Earned Compensation Table methodology for the median employee may be more burdensome than computing the measure as proposed. Further, as in the case of the other alternatives discussed above, the extent to which this alternative would improve the comparability of pay ratios across registrants would be limited by the substantial existing imprecision in pay ratios arising from other sources.

I. Compensation of Directors

Registrants are currently required to provide tabular disclosure regarding the compensation of directors for the last completed fiscal year in a Director Compensation Table that largely mirrors the Summary Compensation Table, with cash fees instead of salaries in the first column of the table. The Director Compensation Table does not include a bonus column, but includes stock awards, option awards, non-equity incentive plan compensation, change in pension value [835] and nonqualified deferred compensation earnings,[836] and all other compensation columns that parallel the columns in the Summary Compensation Table. The delineated list of items to be included in ''all other compensation'' in the Director Compensation Table includes some items in the equivalent category in the Summary Compensation Table (such as perquisites, tax gross-ups, and contributions to defined benefit retirement plans) but also includes items that are specific to the director context (such as consulting fees and costs associated with director legacy programs). In all cases, the tabular disclosure is required to be accompanied by a narrative description of any material factors necessary to an understanding of the director compensation disclosed in the table.

The proposed amendments would continue to require certain qualitative and quantitative disclosure of the material compensation of directors, including disclosure of compensation at the individual director level, but would eliminate (1) mandatory disclosure of certain specified categories of compensation (such as retirement contributions, tax gross-ups, consulting fees, and costs associated with director legacy programs) regardless of materiality and (2) prescriptive tabular presentation requirements, in favor of a more principles-based approach. The proposed amendments would also change the focus of disclosure with respect to equity awards at the individual director level from the grant date fair value reported in the current Director Compensation Table to a combination of disclosure of the value of any earned (*i.e.,* vested or exercised) equity and the size and material terms of any outstanding equity awards. In addition, registrants would be required to describe the material aspects of the director compensation program in general (*i.e.,* not in the context of individual named directors), including quantification of cash and equity retainers for different roles. Registrants would also be required to disclose any material information necessary to an understanding of the information otherwise disclosed. Further, unlike the current rule, the proposed amendments would require that registrants include compensation to NEOs for any services they provide as directors in the director compensation disclosure and require that registrants exclude that compensation from the executive compensation tables.

1. Benefits

The proposed amendments to the director compensation disclosure requirements are expected to reduce repetitive disclosures and the costs of preparing disclosures. It is also possible

[834] *See supra* notes 817 and 818.

[835] As in the case of the Summary Compensation Table, SRCs and EGCs are required to include a similar table as other registrants but are not required to include information about pension plans.

[836] As discussed in section IV.C.5 above, staff found that eight, three, and 0.1% of registrants respectively reported option awards, changes in accumulated pension value or earnings on deferred compensation, or non-equity incentive awards for at least one director in the 2025 proxy year.

that the proposed principles-based requirements could increase the information available to investors about how directors are compensated.

As discussed in the Baseline section above, the structure of director pay is generally simpler than that of executive pay. Registrants often describe this structure, such as the level of annual director fees and how these base fees are augmented by additional fees for board leadership positions or committee service as well as how stock grants are sized, in narrative and supplemental tabular disclosures. This information, as well as information about other items of director compensation, is then also summarized at the director level in the Director Compensation Table. The proposed amendments, by not prescribing a presentation format, may allow registrants to more succinctly describe the material aspects and quantified elements of the compensation of directors. By requiring the disclosure of any amounts of NEO compensation that are attributable to service on the board in this section alone, and not in the tabular disclosures of executive compensation, the proposed amendments may also reduce any duplicative explanations of the director pay structure that may currently be made in the executive compensation disclosures.

Reducing any redundant disclosures should reduce, to a modest extent, the costs of preparing director compensation disclosures as well as the overall length of disclosures and thus the cost of disclosure review by registrant staff, outside advisors, and the board. To the extent that some of the elements of compensation included in the current tabular disclosures are not material in the context of a particular registrant or a particular director, there may be additional savings associated with no longer tracking and/or reporting these elements. Consistent with these expectations, some commenters stated that the current tabular disclosure requirement is costly and suggested that narrative disclosure of material information about director compensation would be less burdensome to produce.[837]

Finally, researchers have raised concerns that directors may receive certain benefits as a result of their board position that are not currently disclosed as compensation.[838] To the extent that there are material director benefits that are not encompassed by the current disclosure requirements, the proposed more principles-based approach to the disclosure of director compensation, together with the materiality standards applied in proposed Item 402(k) and the objective put forth in proposed Item 402(a)(1), could potentially result in increased information being disclosed, to the benefit of investors, about how individuals are compensated for their service as directors.

2. Costs

The proposed amendments to the director compensation disclosure requirements may, because of the transition to a different disclosure framework with more principles-based standards and presentation flexibility, generate some new (primarily short-term) costs for registrants to evaluate materiality and decide how to present their disclosures and may increase search costs for the users of disclosure. The proposed amendments may also reduce the amount of information available to investors (and registrants) for the purpose of evaluating (and benchmarking) director pay.

The proposed requirements rely on registrants to identify the material aspects of their compensation of directors in order to define the scope of the disclosure beyond the minimum required quantified elements (such as any cash and equity retainers for board, committee, chairmanship, and other director services). Registrants may need to expend some effort to determine what factors to disclose, and they may choose to consult with outside advisors to assist them in making this determination. We expect that the relatively simple structure of director compensation should simplify this task in most cases, but the materiality determinations may be more complicated for those with relatively more complex director compensation, such as those with directors receiving pay in the current ''all other compensation'' category.[839]

Given that the proposed amendments would not mandate a specific disclosure format, registrants would also have to decide how to present the information, and they may potentially consult with outside advisors to assist them. Additional costs may be associated with engaging with investors, other registrants, external advisors, and trade groups to develop market practices or norms for presenting the disclosures. That said, while there may be some ongoing costs associated with evaluating the materiality of various elements as the directors and their circumstances or the director compensation program as a whole change over time, most of the costs associated with determining the content and presentation format for the disclosures should be limited after the initial years of experience with the proposed amendments.

To the extent that registrants respond to the proposed amendments by employing a wide range of alternative presentation formats, or by relying on narrative rather than organized tabular presentations, or by excluding some information currently in the disclosures but that can be computed[840] or found in other filings or locations,[841] the search and analysis costs expended by investors, peer registrants, and/or third parties such as compensation consultants and proxy advisors to understand, extract, and compare director compensation information across registrants may be increased.[842]

As discussed in section IV.E.1.a above, there are various reasons why a principles-based disclosure standard may result in investors being less informed despite registrants disclosing all material information. For example, there may be elements of such compensation that are not material to some registrants and thus may appropriately not be disclosed under the proposed amendments, resulting in less consistent peer information to judge the reasonable level of these elements at other registrants. While we expect that the materiality standard, together with concern about litigation risks, should limit the loss of information about director compensation, we note that researchers have found that even modest variation in their compensation

[837] *See* letters from ABA (stating that the Director Compensation Table ''involves a time-consuming and expensive compliance undertaking for registrants'' and recommending that any required disclosure of director compensation be limited to a narrative disclosure requirement); Davis Polk (stating that the Director Compensation Table is ''superfluous and unnecessarily costly'' and that ''any material information concerning directors can be sufficiently covered by narrative disclosure'').

[838] *See, e.g.,* Ye Cai et al., *Paying by Donating: Corporate Donations Affiliated with Independent Directors,* 34 Rev. Fin. Stud. 618 (2021) (finding, in a sample of S&P 500 firms over ten years, that about one-fourth of the firm-years included a corporate donation to a charity affiliated with one or more of the board's independent directors, that the size of such donations typically exceeded the annual director compensation, and that such donations were associated with 9.4% higher CEO compensation and a lower likelihood of the CEO being replaced for poor performance).

[839] As discussed in the Baseline section above, about 34% of registrants with available data had at least one director with non-zero ''other compensation'' in proxy year 2025.

[840] For example, while the proposed rule would not explicitly require the disclosure of the total compensation received by, or the grant date fair value of equity awarded to, a particular director, these could be estimated based on other elements that would be explicitly required to be disclosed.

[841] For example, information about director compensation may be included in a stock incentive plan included as an exhibit to a registrant's annual report or in an Item 5.02 Form 8–K disclosure.

[842] See section IV.B above for a discussion of the uses of this information.

may impact director behavior.[843] It is therefore possible that the proposed amendments may result in an increase in the imprecision of investors' understanding of director compensation at some registrants, introducing some noise into investment and voting decisions.

3. Reasonable Alternatives

As an alternative to the proposed amendments, we considered retaining more prescriptive presentation requirements. For example, we could have designed a new Director Compensation Table with simplified requirements and columns to reflect factors that are currently commonly disclosed in narrative or supplemental tables (such as separate columns for base director fees and fees associated with board leadership or committee positions). Relative to the proposed approach, a prescriptive tabular disclosure requirement would reduce the need for registrants to decide how to present their disclosures and would make the data more readily extractable and comparable for investors, peer registrants, and third parties. However, a revised tabular disclosure could still result in duplicative disclosure to the extent that it does not fully align with how registrants prefer to describe their director pay practices. Under the proposed approach, it is possible that market norms for director compensation disclosure may develop to provide similar benefits to this alternative without lengthier or repetitive disclosure.

We also considered requiring program-level disclosure about the material aspects of director compensation while no longer requiring director compensation disclosure on an individual, director-by-director basis. Requiring only program-level disclosure could further reduce the volume of director compensation disclosure that would have to be produced and reviewed. However, given potential variation across directors in elements of compensation outside of the basic retainers and potential differences in equity exposure due, for example, to when different directors joined the board, director-level compensation information may be material to investors in assessing director incentives.

The proposed amendments would require quantitative disclosure of the value of any earned equity (*i.e.,* vested stock or exercised options) and the size and material terms of any outstanding equity awards as of the end of the fiscal year. Alternatively, we could instead require the disclosure of the grant date fair value of equity (and the material terms of any grants). It is possible that investors may be most directly interested in the grant date fair value and material terms of equity when it is initially awarded to a director given that this amount and these terms may be most relevant to an understanding of the performance sensitivity of awarded compensation and thus the director's *ex ante* incentives—such as their degree of ''skin in the game.'' [844] While grant date fair values could be computed (and material terms of grants could likely be identified) based on the proposed disclosure of the material aspects of the director compensation program in general, obtaining this information may involve more search and analysis costs for investors and other users of the disclosure than if it is directly disclosed (as under the current rule).

Requiring the disclosure of information about granted rather than earned and outstanding equity may also enhance comparability by resulting in more equivalent disclosure for director compensation structures that have similar economic implications. For example, disclosure of granted equity would result in similar disclosure for stock awards that cliff-vest in one year (and are thus earned after a year) and stock awards that vest immediately (and are thus earned immediately) but that are subject to a holding requirement, which have similar economic implications (in that the stock cannot be sold for at least a year after it is granted) and are both common structures for director equity.[845] That said, the proposed approach to director compensation disclosure may be more consistent with the proposed approach for executive compensation disclosure in that the proposed requirements for director-level disclosure would require similar information to what would be disclosed for each NEO in the proposed Earned Compensation Table and Status of Equity Awards Table.

We also considered not requiring the disclosure of outstanding equity awards for directors. Given the very short duration of most non-executive director equity awards (which generally vest in one year or less than a year, including a large fraction that vest immediately),[846] many directors are likely to have no outstanding unvested equity at fiscal year-end, and most are likely to have no overlapping grants that are outstanding at the same time. Further, given that directors are usually subject to equity ownership requirements and director holdings often increase over time until they achieve a minimum retention requirement,[847] investors may be more interested in the total amount of equity subject to such holding requirements rather than the extent of unvested equity at fiscal year-end. However, the proposed requirement to disclose outstanding equity awards may supplement the proposed requirement to disclose earned equity compensation to provide a more complete picture of director equity awards across directors and registrants.

J. Scaled Disclosure

Currently, SRCs and EGCs may elect to provide executive compensation disclosure that is generally subject to scaled disclosure accommodations. For example, among many other accommodations, as discussed above,[848] SRCs and EGCs typically have three rather than five NEOs, have two rather than six required tables under the primary tabular disclosure requirements, may include fewer years of data in certain prescribed tables, and are not currently required to include a CD&A or pay-ratio disclosure. SRCs and EGCs may also provide only a narrative description of the material terms of retirement plans and of potential payments and benefits to an NEO in the case of certain termination and change-in-control events, in contrast to the more detailed and prescribed disclosures on these topics currently required of other registrants.

Some aspects of the proposed amendments (such as the proposed, more narrow NEO definition or the proposed streamlined tabular disclosure requirements) would apply more limited disclosure requirements to all registrants, thereby reducing the extent of differences between the requirements that apply to SRCs and EGCs and all other registrants. Other aspects of the proposed amendments would maintain current accommodations for SRCs and EGCs, such as the exemptions for these registrants from CD&A and pay ratio disclosures. The proposed amendments would also eliminate the current Item 402(q)(1) narrative disclosure requirement (with respect to retirement plans) that applies to these registrants.

[843] *See* Renee B. Adams & Daniel Ferreira, *Do Directors Perform for Pay?* 46 J. Acct. Econ. 154 (2008) (studying director meeting fees and finding that director meeting attendance can be affected by even small monetary rewards).

[844] *See supra* section IV.B.

[845] *See, e.g.,* Cook 2025 Report, *supra* note 596.

[846] *See id.*

[847] *See id.*

[848] *See supra* section II.M.

1. Benefits

Because compliance costs generally do not scale perfectly with size, in that they have some fixed cost components, the same disclosure requirement can result in disproportionate burdens on smaller companies. While the proposed amendments would reduce and streamline the extent of disclosure required by all registrants, they would also maintain a scaled disclosure regime for SRCs and EGCs. As under the baseline, the continuing accommodations would help to limit the disproportionate burden that disclosure requirements can otherwise place on smaller registrants.

Maintaining scaled disclosure accommodations for SRCs and EGCs may help to support the potential capital formation benefits of the proposed amendments. In particular, these smaller and younger registrants may be more likely than other registrants to face constraints in their financial or managerial resources and may thus be more likely to redirect any additional compliance cost savings towards strategic planning or capital investment.

The nature of the proposed revised requirements for SRCs and EGCs may also benefit investors. While these registrants would remain eligible to elect scaled requirements, they would, in contrast to the current requirements, produce the same set of tabular disclosures (though with two rather than three years of data where applicable) with the same content (including with respect to pensions) as other registrants. These more consistent disclosures may facilitate investors' review and comparison of the disclosures across registrants of different types. The proposed disclosures would also make certain information about SRCs and EGCs, particularly with respect to stock vesting or option exercises, more accessible than under current rule.

If the proposed amendments in the 2026 Filer Status Proposing Release are adopted, SRCs would no longer be subject to the pay-versus-performance requirements or golden parachute disclosure (and voting) requirements. Further, the proposed exemption from Item 402(q)(1) (*i.e.,* narrative disclosure about retirement plans) and other executive compensation disclosure accommodations would be extended to all new NAFs, a much larger group of filers (with a broader range of individual characteristics) than current SRCs and EGCs. While the larger registrants among the new NAFs might not benefit as significantly from accommodations as current SRCs and EGCs (because they are less likely to face the same resource constraints as these smaller registrants) they may also benefit from incremental compliance cost savings and investors would benefit from more consistent disclosures than would be available if the new NAFs avail themselves of the accommodations under current executive compensation disclosure rules.

2. Costs

The proposed amendments, by applying more consistent tabular disclosure requirements across all registrants, may generate some incremental compliance costs for SRCs and EGCs. In particular, these registrants would newly have to reflect in the proposed Earned Compensation Table stock that vested or options that were exercised. They would also have to include, in this table, the service costs and prior service costs associated with pension plans. However, we expect the collection of this information to impose minimal costs because equity outcomes are likely tracked for other purposes and pension service costs are reported for accounting purposes. Also, the proposed amendments would eliminate the current Item 402(q)(1) narrative disclosure requirement pertaining to pension and other retirement compensation, which would reduce other compliance costs for these registrants.

For investors, the proposed elimination of the current Item 402(q)(1) narrative disclosure requirement with respect to retirement plans would reduce the amount of information available with which to assess the overall monetary incentives of NEOs at SRCs and EGCs. As discussed in section IV.B above, pensions and deferred compensation can affect, for example, the likelihood that managers will be more or less conservative in their strategic choices.

If the proposed amendments in the 2026 Filer Status Proposing Release are adopted, SRCs would no longer be subject to the pay-versus-performance requirements and the golden parachute disclosure (and voting) requirements. Further, the proposed elimination of Item 402(q)(1) disclosure would be extended to all new NAFs, likely increasing any costs to investors of somewhat less detailed information about the pensions and other retirement compensation of NEOs of these registrants.

3. Reasonable Alternatives

As an alternative to the proposed accommodations for SRCs and EGCs, we considered expanding these accommodations. For example, we could allow these issuers to exclude the Status of Equity Awards Table or to provide disclosure only for the PEO rather than both the PEO and PFO. Further accommodations could reduce the volume of disclosures produced by SRCs and EGCs and provide additional compliance cost savings for these registrants, which could be directed toward other purposes.

However, the proposed Status of Equity Awards Table would require the disclosure of factual information, with no incremental computations, and should not be overly burdensome to produce. Similarly, we expect that the proposed disclosure of the PFO's compensation, given the proposed simplified requirements and that the PFO is easily identifiable, would require limited tracking, data collection, or computation for SRCs and EGCs beyond what we expect is produced for other purposes (though it would still contribute to the overall volume of disclosure that would need to be produced). On the other hand, as discussed in sections IV.D and IV.E above, these disclosures may be material to investors' understanding of the executive compensation structures at these registrants.

K. Structured Data

As discussed in section II.C.5, the proposed amendments would require LAFs, and permit all other registrants, to tag the information disclosed within the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table in Inline XBRL. As proposed, registrants would not be required to tag any footnotes to the tabular disclosures or the narrative disclosures made under Item 402. The proposed amendments would remove the requirement to tag pay-versus-performance disclosures and compensation recovery disclosures in Inline XBRL.[849]

1. Benefits

The proposed amendments requiring LAFs, and permitting all other registrants, to tag certain tabular disclosures in Inline XBRL would largely augment the benefits discussed above in section IV.E.2, namely by reducing compliance costs by removing certain existing XBRL tagging requirements and allowing the tagging of any tabular executive compensation disclosure to remain optional for non-LAFs and by making certain LAF executive compensation disclosures

[849] *See supra* section II.C.5.

more readily available to investors and other users of executive compensation disclosure.

With regard to reducing compliance costs, non-LAFs that do not elect to tag the information disclosed within the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table in Inline XBRL would benefit from reduced compliance costs as they would no longer be required to tag, to the extent applicable, disclosures related to pay-versus-performance (402(v)) or actions to recover erroneously awarded compensation (402(w)) in their proxy statements or other reports.

The tagging of disclosures in Inline XBRL by LAFs and by non-LAFs that would choose to do so under the proposed rule would make compensation information more accessible to users and investors and increase disclosure processing efficiency.[850] Research indicates that XBRL requirements have led to benefits for individual companies, investors and the market as a whole, by reducing information asymmetry,[851] improving stock price informativeness of public disclosures,[852] enhancing market competition,[853] increasing liquidity,[854] decreasing cost of capital,[855] improving the accuracy of financial analysis,[856] and enhancing artificial intelligence (also known as ''super intelligence'') [857] capabilities.[858] While those observations are specific to operating company financial statement disclosures, and not proxy statement executive compensation disclosures, they indicate that the proposed Inline XBRL requirements would likely provide investors with increased insight into executive compensation information disclosed in the proposed tables. A number of commenters stated that tagging the summary compensation information would improve investor and data provider access to executive compensation data, enabling investors to better analyze the data, compare disclosures across registrants and enhance transparency.[859] Others suggested that tagging executive compensation data could reduce reliance on proxy advisor services, or reduce the expense of collecting such data by data providers.[860] These benefits, however, may be limited because only the proposed main tables will be tagged, and some analysis of executive compensation data may require context that is contained within the narrative disclosures or footnotes to the tables.

Under the proposed Inline XBRL tagging requirements, non-LAFs may elect to tag certain tabular disclosures. However, it is unclear how many would choose to do so, and, as a result, the overall impact on users of executive compensation disclosures, due to not requiring non-LAFs to tag these disclosures, is uncertain. For example, investors could still benefit from the transparency and improved access to information that would be provided by the proposed structuring requirements to the extent LAF compensation data are more commonly analyzed by investors, or to the extent that executive compensation information for non-LAFs that would choose to tag their disclosures could be benchmarked to LAFs for comparison purposes.

On the other hand, some of the benefits to investors and other data users from the proposed structuring requirements may be offset to the extent they would still rely on proxy advisor services or other data providers to obtain compensation data for non-LAFs who do not elect to tag the primary tabular disclosures.

2. Costs

LAFs, and other registrants who elect to tag the proposed primary tables in Inline XBRL, could incur increased compliance costs. However, we believe these costs would be modest since registrants are subject to Inline XBRL tagging requirements for many other disclosures and have experience tagging proxy statements for pay-versus-performance disclosures and compensation recovery disclosures. Such costs would be mitigated by the removal of the existing Inline XBRL tagging requirements for pay-versus-performance disclosures and compensation recovery disclosures. Further, because the proposed amendments streamline and reduce the overall disclosure volume,[861] and the proposal regarding Inline XBRL do not require LAFs and other electing registrants, to tag narrative or footnote disclosures, the overall costs for Inline XBRL tagging under the proposal could be reduced in the aggregate to the extent that it is simpler or less costly for registrants or their third-party vendors to tag the proposed primary tabular disclosures as compared to the existing pay-versus-performance or compensation recovery disclosures.

The proposed amendments to remove the requirement to tag pay-versus-performance and compensation recovery disclosures would result in investors receiving fewer tagged

[850] *See supra* section IV.E.2; U.S. Sec. & Exch. Comm'n, *Semi-Annual Report to Congress Regarding Public and Internal Use of Machine-Readable Data for Corporate Disclosures* (Dec. 2025), available at *https://www.sec.gov/files/fdtareport-1-2026.pdf.*

[851] *See, e.g.,* Xin Luo et al., *Initial Evidence on the Market Impact of the iXBRL Adoption,* 37 Acct. Horizons 143 (2023).

[852] *See, e.g.,* Yuyun Huang et al., *Information Processing Costs and Stock Price Informativeness: Evidence from the XBRL Mandate,* 46 Austl. J. Mgmt. 110 (2021); Ju-Chun Yen & Tawei Wang, *The Association Between XBRL Adoption and Market Reactions to Earnings Surprises,* 29 J. Info. Sys. 51 (2015); Yi Dong et al., *Does Information-Processing Cost Affect Firm-Specific Information Acquisition? Evidence from XBRL Adoption,* 51 J. Fin. & Quant. Analysis 435 (2016); Yanan Zhang et al., *XBRL Adoption and Expected Crash Risk,* 38 J. Acct. & Pub. Pol'y 31 (2019); Jap Efendi et al., *Do XBRL Filings Enhance Informational Efficiency? Early Evidence from Post-earnings Announcement Drift,* 67 J. Bus. Rsch. 1099 (2014).

[853] *See, e.g.,* Bing Li et al., *The Impact of XBRL Adoption on Local Bias: Evidence from Mandated US Filers,* 39 J. Acct. & Pub. Pol'y 6 (2020).

[854] *See, e.g.,* Wafa Sassi et al., *The Impact of Mandatory Adoption of XBRL on Firm's Stock Liquidity: A CrossCountry Study,* 19 J. Fin. Reporting & Acct. 299 (2021).

[855] *See* Chae-Won Ra & Ho-Young Lee, *XBRL Adoption, Information Asymmetry, Cost of Capital, and Reporting Lags,* 10 iBusiness 93 (2018); Syou-Ching Lai et al., *XBRL Adoption and Cost of Debt, Int'l. J. Acct. & Info. Mgmt.* 199 (2015); Tienshih Hsieh & Jean C. Bedard, *Impact of XBRL on Voluntary Adopters' Financial Reporting Quality and Cost of Equity Capital,* 15 J. Emerging Tech. Acct. 45 (2018); Marcin Jaskowski & Daniel Rettl, *Information Acquisition Costs and Credit Spreads,* 149 J. Banking Fin. 106775 (2023).

[856] *See, e.g.,* Andrew J. Felo et al., *Can XBRL Detailed Tagging of Footnotes Improve Financial Analysts' Information Environment?,* 28 Int'l. J. Acct. Info. Sys. 45 (2018); Marcus Kirk et al., *From Print to Practice: XBRL Extension Use and Analyst Forecast Properties* (Aug. 18, 2016), available at *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2826159;* Chunhui Liu et al., *XBRL's Impact on Analyst Forecast Behavior: An Empirical Study,* 33 J. Acct. & Pub. Pol'y 69 (2014). *But see* Sherwood Lane Lambert et al., *Analysts' Forecasts Timeliness and Accuracy Post-XBRL,* 27 Int'l J. Acct. & Info. Mgmt. 151 (2019).

[857] *See* Executive Order 14434.

[858] *See, e.g.,* Marcelo Farr et al., *Can AI Be Trusted with Financial Data?* (Sept. 15, 2025), available at *https://ssrn.com/abstract=5316518; see also* Revathy Ramanan, *Why Structured Data and Definitions Vastly Outperform Unstructured PDFs in LLM Analysis,* XBRL (Dec. 19, 2024), available at *https://www.xbrl.org/why-structured-data-and-definitions-vastly-outperform-unstructured-pdfs-in-llm-analysis/.*

[859] *See supra* note 184.

[860] *See* letter from XBRL US (recommending making tabular disclosures machine-readable, which would allow automatic extraction of data by data providers and make it less costly and more timely to investment clients); Rees, 2025 Roundtable Transcript at 104 (stating that issuers who want to reduce investor dependence on proxy advisors should support requiring compensation disclosure in a machine-readable format so investors can conduct their own economic analysis); *see also* letter from Equity Methods-1 (recommending structured data for compensation disclosures, which combined with other recommendations would ''empower investors to apply their own models and make independent assessments versus having to rely on black-box models procured by third-party proxy advisory (or other firms)'').

[861] *See supra* section II.C.5.

disclosures and would increase the burden on investors for analyzing or processing them.[862] However, we expect the costs of this reduced tagged disclosure to be modest because the proposed amendments would include tagged information that makes up a substantial portion of the proposed executive compensation disclosure overall and is generally of greatest relevance to investors.[863]

3. Reasonable Alternatives

As an alternative to the proposed requirement for LAFs to tag the information disclosed in the proposed Earned Compensation Table, Granted Compensation Table, and Status of Equity Awards Table in Inline XBRL, we could require all registrants to tag these tables in Inline XBRL. We also could have required LAFs or all registrants to block text tag or detail tag any footnotes to the tabular disclosures or other narrative disclosures made under proposed Item 402. Relative to the proposed approach, these approaches would have made executive compensation data more readily accessible to investors and increased disclosure processing efficiency. However, a broader tagging requirement would have increased compliance costs for registrants, particularly for SRCs, if the requirement applied to them. Further, because the proposed requirement replaces the existing tagging requirements with tagged information that makes up a substantial portion of the proposed executive compensation disclosure overall, any incremental benefit to investors for tagging additional compensation disclosures could be limited given such disclosures are largely being simplified and streamlined under the proposal.

L. Other Proposed Amendments

In this subsection we discuss the costs and benefits of the proposed amendments that have not already been discussed in the preceding subsections.

1. Disclosure on Actions To Recover Erroneously Awarded Compensation

Clawback disclosures related to a registrant's actions to recover certain erroneously awarded compensation from executive officers (not limited to the NEOs) are required for any section 12 or section 15(d) registrant that has securities listed on a national securities exchange, including U.S.-listed FPIs and certain listed registered investment companies.[864] Some of these disclosures are triggered if the registrant was required to prepare a restatement at any time during or after the last completed fiscal year. Specifically, these requirements include (i) the disclosure of certain information if the restatement required the recovery of erroneously awarded compensation and (ii) the disclosure of certain information if the registrant concluded that the restatement *did not* require recovery of erroneously awarded compensation.[865] Registrants other than registered investment companies are also currently required to indicate, in two check-boxes on the cover pages of Forms 10–K, 20–F, and 40–F, (1) whether the financial statements in the filing reflect the correction of an error to previously issued financial statements (regardless of whether such correction was required or voluntary) and (2) whether any such error corrections are restatements that required a recovery analysis under the registrant's clawback policy.[866]

The proposed amendments would eliminate the disclosure requirements that apply when the registrant concludes that a restatement *did not* require recovery of erroneously awarded compensation (*i.e.,* Item 402(w)(2) and the corresponding elements of Forms 20–F, 40–F, and N–CSR) and would eliminate the check-box requirements that flag for investors whether the filing reflects restatements and whether a recovery analysis was required. The rule would still require registrants to disclose an action to recover erroneously awarded executive compensation stemming from an accounting restatement, including information where an amount was determined to be recoverable but recovery would be impracticable. The proposed amendments would, however, remove the current requirement that amounts determined to be recoverable but for which recovery would be impracticable be separately disclosed for each current and former NEO and all other current and former executive officers as a group.

The proposed amendments to the disclosure requirements associated with clawbacks may generate limited compliance cost savings and contribute to more streamlined disclosure. More importantly, such elimination would reduce the likelihood that the need to check the first box even in the case of restatements that are not required may cause registrants to avoid voluntarily making and reporting these restatements. Reducing any incentive to avoid voluntary restatements could decrease the likelihood of less reliable financial statements and larger restatements in the future.

The removal of the check-boxes and the disclosures currently required when a registrant concludes that a restatement did not require the recovery of compensation would reduce, somewhat, the transparency around restatements and the application of clawback policies. Specifically, the disclosures that would be eliminated may currently make it easier for investors to identify when a ''little r'' restatement has been made (given that such restatements, unlike ''big R'' restatements, do not trigger Item 4.02 Form 8–K disclosure) [867] and facilitate investor monitoring of how clawback policies are applied in practice by flagging situations when it was concluded that recovery was not required. However, it is unclear whether investors are relying on these disclosures, and, in staff's experience, the narrative disclosures that the requirements have elicited are typically boilerplate and generally provide little information. Removing the current requirement that amounts determined to be recoverable but for which recovery would be impracticable be separately disclosed for each current and former NEO and for all current and former executive officers as a group may also reduce the granularity of the information available to investors to monitor how registrants are applying clawback policies in practice, but it is not clear whether, or to what extent, this level of detail is relied upon by investors.

Under the proposal, ''little r'' restatements could still be identified by comparing current to previously issued

[862] *See* 2022 Pay-versus-Performance Adopting Release at 55172 (discussing benefits of Inline XBRL tagging for pay-versus-performance disclosures); 2022 Clawback Adopting Release at 73124 (discussing benefits of Inline XBRL tagging for clawback disclosures).

[863] *See supra* section II.C.5.

[864] *See supra* note 560.

[865] These requirements are contained in 17 CFR 229.402(w)(1) and 17 CFR 229.402(w)(2) respectively for affected registrants other than registered management investment companies, and in Items 18(a) and 18(b) of Form N–CSR respectively for the latter.

[866] A practitioner analysis of registrant filings found that 235 and 90 registrants checked the first and second boxes respectively in 2025. Of these, eight involved an actual clawback of compensation with an additional four having a clawback analysis that was still in process. *See* Olga Usvyatsky, *SEC Compensation Recovery Rule: Restatements and Related Clawbacks, Quarterly Update # 4,* Deep Quarry Substack Blog (Mar. 5, 2026), available at *https://deepquarry.substack.com/p/sec-compensation-recovery-rule-restatements-1ed.*

[867] Researchers have raised concerns that some issuers may not be making appropriate materiality determinations for errors identified in that certain ''little r'' restatements may have been more appropriately categorized as ''big R'' restatements. *See, e.g.,* Choudhary et al. 2021 Study, *supra* note 686. Greater transparency into ''little r'' restatements could thus better inform investors about the reliability of a registrant's financial statements.

financial statements (though with greater search costs than may be possible using the current checkboxes), and the application of clawback policies could be monitored to some extent based on the disclosure requirements that are proposed to be retained that apply when registrants conclude that the recovery of compensation is required.[868] We therefore expect that the costs to investors of eliminating these disclosures should be at least partially mitigated by the continued availability of these other sources of information.

2. Potential Payments and Benefits Upon Termination or Change-in-Control and Golden Parachute Compensation

Registrants required to provide the primary tabular executive compensation disclosures, other than SRCs and EGCs, are also required under current Item 402(j) to disclose any payments and benefits that an NEO is contracted to receive in various potential termination or change in control scenarios.[869] Current Item 402(j) requires registrants to (i) describe and explain the circumstances that would trigger payments or the provision of benefits; (ii) describe and quantify the estimated payments and benefits that would be provided in each circumstance; (iii) describe and explain how the amounts provided are determined; (iv) describe and explain any material conditions or obligations applicable to the receipt of payments or benefits; and (v) describe any other material factors regarding each such arrangement.[870] In practice, many registrants address these requirements with a combination of narrative disclosure and tabular disclosure. SRCs and EGCs are not required to provide these disclosures under current Item 402(j) but are instead required, under current Item 402(q)(2), to provide narrative disclosure of the material terms of any arrangements providing for payments to an NEO in any termination or change of control situation.[871]

All of these registrants, other than EGCs (but including SRCs), are separately required under current Item 402(t) to provide tabular and narrative disclosure about golden parachute arrangements in connection with certain actual transactions (such as acquisitions, mergers, going-private transactions, and tender offers) when such transactions are the subject of a shareholder vote or are otherwise disclosed subject to Item 14 of Schedule 14A.[872] The tabular element of the disclosure includes columns separately identifying the aggregated dollar value of the cash, equity, pension or non-qualified deferred compensation, perquisites or benefits, tax reimbursement, and ''other'' components of golden parachute compensation.[873] The disclosures may be required of acquirers or targets and must include information about any golden parachute arrangements that NEOs of either entity have with either the acquirer or target (that is, not just about arrangements that the registrant has with its own NEOs). We estimate that 165 registrants, of which about 27 percent were SRCs, made such disclosures in 2025.[874] Under certain circumstances, these registrants are also required to conduct a non-binding shareholder advisory vote to approve the golden parachute compensation.[875]

The proposed rule would replace current Item 402(j)'s prescriptive quantitative and qualitative requirements for registrants other than SRCs and EGCs to disclose potential payments and benefits to each NEO in various termination and change-in-control scenarios with a principles-based requirement (under proposed Item 402(i)) to disclose the material terms of written and unwritten arrangements related to such payments (similar to the requirements under current Item 402(q)(2) for SRCs and EGCs).[876] At the same time, the proposal would replace the similar narrative disclosure requirement (current Item 402(q)(2)) for SRCs and EGCs with a requirement that these registrants instead comply with similar proposed Item 402(i), like other registrants.[877] Separately, proposed Item 402(j) would revise the golden parachute disclosure requirements (current Item 402(t)) to apply a materiality standard to both the quantitative and qualitative disclosures and to streamline the disclosure (by combining several columns in the tabular disclosure into a broader miscellaneous column and by replacing the required footnote and narrative disclosures with a principles-based narrative requirement).[878]

These proposed amendments are expected to reduce the compliance costs associated with the disclosures of potential payments upon various termination and change in control events and of golden parachutes in the context of specific transactions. Most significantly, the proposed amendments would reduce the computations required to produce these disclosures. In particular, registrants would no longer have to undertake complex quantifications of different types of payments under a range of hypothetical circumstances,[879] or to make

[868] While the proposed amendments would not provide full transparency into the situations that trigger consideration of a clawback in the absence of a determination that recovery is required, investors could continue to monitor such situations in the context of PEO and PFO compensation by using information about restatements and about the performance conditions that apply to NEO incentive awards.

[869] The covered circumstances include, without limitation, resignation, severance, retirement or a constructive termination of an NEO; a change in control of the registrant; or a change in the NEO's responsibilities.

[870] 17 CFR 229.402(j).

[871] 17 CFR 229.402(q)(2).

[872] Item 402(t) disclosures are required in proxy or consent solicitations relating to such transactions and/or in information statements relating to such transactions filed pursuant to Regulation 14C; proxy or consent solicitations that do not contain merger proposals but require disclosure of information under Item 14 of Schedule 14A; registration statements on Forms S–4 and F–4 containing disclosure relating to mergers and similar transactions; going private transactions on Schedule 13E–3; and third-party tender offers on Schedule TO and Schedule 14D–9 solicitation/recommendation statements. *See* 2011 Say-on-Pay Adopting Release.

[873] Academic researchers have found that, on average, approximately 42% (of the total reported dollar value) of reported golden parachute payments is cash, while about 48% is in the form of equity, 2% represents tax reimbursements, and the remaining 8% falls into the other categories. *See* Stuart L. Gillan & Nga Q. Nguyen, *What Influences Shareholder Votes on Golden Parachute Payments?,* 37 **J. APP. CORP. FIN.** 77 (2025) (''Gillan & Nguyen 2025 Study'').

[874] This estimate is based on staff review of registrant filings using Intelligize as well as filer status data based on staff review of EDGAR filings.

[875] A say-on-golden-parachute vote is not required in every circumstance or for all arrangements for which golden parachute disclosure is required. Such votes are required when shareholders are asked to approve an acquisition, merger, consolidation, or proposed sale or other disposition of all or substantially all assets, unless Item 402(t) disclosure of the same arrangements was previously made and subjected to a broader say-on-pay vote. *See* 2011 Say-on-Pay Adopting Release.

[876] *See supra* section II.J. We are also proposing a new instruction that would permit omission of this disclosure if the registrant has fulfilled the requirements of the rule in a filing made under Item 5.02 of Form 8–K. We are also proposing that, in contrast to current 17 CFR 229.402(j) but consistent with current 17 CFR 229.402(c)(2)(ix)(D) (''All other compensation'' column of the Summary Compensation Table), a change in the NEO's responsibilities would be treated as an example of constructive termination, rather than as a separate prong of circumstances covered by proposed Item 402(i). We are proposing this change for consistency between how the termination and change-in-control scenarios are described in proposed Item 402(b)(2)(vii)(E) (Miscellaneous Compensation Received column of the proposed Earned Compensation Table) and proposed Item 402(i). This proposed change in the language describing the covered scenarios is not intended to change the scope of circumstances covered by proposed Item 402(i) relative to that covered by current Item 402(j).

[877] *See supra* sections II.J and II.M.

[878] *See supra* section II.K.

[879] *See* letters from McGuireWoods & Brownstein (stating that current Item 402(j) requires ''companies to perform extensive calculations'' and that producing the associated disclosures involves ''hours of internal and external resources''); Meridian (stating that Item 402(j) disclosures ''can

computations associated with immaterial amounts for inclusion in golden parachute disclosures. The increased flexibility afforded to registrants under the proposed amendments with respect to determining material information to be included and in what format to present this information under both proposed Item 402(i) and (j) (outside of the prescribed cash and equity columns of the golden parachutes table) may also contribute to a reduction in the overall length of disclosures.[880]

As discussed in section IV.B above, information about severance plans and golden parachutes can provide investors with a more complete understanding about executive incentives (including in the context of current or future potential transactions) and expected registrant performance.[881] Investors who therefore seek to extract and compare executives' pre-contracted payments in case of termination or a change in control may bear increased search costs under the proposal given that the content and format of the disclosures is likely to vary more across registrants than under the current, more prescriptive requirements. Search costs would increase further to the extent that registrants rely on the proposed instruction to omit the disclosure of such pre-contracted payments if equivalent disclosure has been made under Item 5.02 of Form 8–K, in that investors would have to search additional filings to obtain this information. Investors may also bear increased analytical costs to compute quantitative amounts no longer calculated and reported by registrants. Investors seeking to understand the detailed terms and components of golden parachutes disclosed in the context of a specific transaction may also bear greater search costs to find and extract information (to the extent it continues to be disclosed) that is now required consistently in a prescribed location (such as the required footnotes identifying payments associated with single-trigger versus double-trigger arrangements or quantifying each separate form of compensation included in the reported totals).[882]

Under the more principles-based proposed amendments, investors may also have a less precise understanding of severance, golden parachute, and other termination and change of control arrangements than under the current rule.[883] This reduced precision in the available information about such arrangements—and thus of executive incentives—may introduce noise into investors' investment and voting decisions, including when they are evaluating and voting on potential transactions or making say-on-golden-parachute votes.

Both the costs and benefits of the proposed replacement of current Items 402(j), (t), and (q)(2) with proposed Items 402(i) and (j) would depend on how registrants use the flexibility afforded to them and thus how the information available to investors, and the format of this information, changes in response to the more principles-based requirements. The effects would also vary across registrants based on their filer status. SRCs and EGCs are not subject to current Item 402(j) but are instead subject to current Item 402(q)(2); given the similarity of their current requirements under this item (which is proposed to be eliminated) and proposed Item 402(i) (to which they are proposed to be subject) we do not anticipate significant effects from this proposed change for these registrants.[884] EGCs are not required to make golden parachute disclosures under current Item 402(t) and would not be subject to proposed Item 402(j) which would replace it and would thus not be affected by this proposed change.

If the proposed amendments in the 2026 Filer Status Proposing Release were to be adopted, SRCs would (like EGCs) no longer be subject to current Item 402(t) golden parachute disclosures (or say-on-golden-parachute votes). In that case, the proposed amendments to the golden parachute requirements in this release would result in no incremental costs or benefits with respect to SRCs (and all NAFs). Further, the number of registrants eligible to use scaled disclosures (*i.e.,* new NAFs) would be significantly increased and thus the incremental effects of the proposed amendments to current Item 402(j) (which would not apply to new NAFs) would be more limited.

3. Policies and Practices Related to Grant of Equity Awards Close in Time To Release of Material Nonpublic Information—Item 402(x)

All registrants required to provide the tabular compensation disclosures discussed in section IV.E above are also subject to Item 402(x), which requires them to disclose certain information about the timing of option grants.[885] In narrative form, registrants are required to discuss any policies and practices on the timing of awards of options in relation to the disclosure of material nonpublic information. If a registrant makes any option awards to NEOs in the period beginning four business days before, and ending one business day after, the filing (or furnishing) of a periodic or current report (with a limited exception) that discloses material nonpublic information, they must also disclose certain quantitative information in tabular format. The required table includes certain terms of the award and the percentage change in market price of the underlying securities from one trading day prior to one trading day following the disclosure of material nonpublic information.

The proposed amendments would eliminate these requirements. This proposed change may be associated with modest compliance cost savings relative to the total expenditures on producing compensation disclosure. In particular, the reported policies and practices may not change significantly from year to year, thus requiring only modest preparation costs after the first year of compliance, and we understand that companies are rarely required to

be burdensome for a company to prepare, particularly (i) in the first year in which an NEO qualifies as an NEO and (ii) if a company must calculate whether excise tax payments would have been made using theoretical year-end values'').

[880] The increased flexibility afforded to registrants under proposed Item 402(i) may also result in some short-term adjustment costs for registrants as they reconsider the content and presentation format for these annual disclosures under the proposed amendments.

[881] *See supra* note 502 and associated text.

[882] Academic researchers have found that the presence of single-trigger arrangements and the inclusion of tax reimbursements are both individually associated with say-on-golden-parachute voting outcomes, which may suggest that some investors seek information on these terms. *See* Gillan & Nguyen 2025 Study, *supra* note 873.

[883] *See, e.g.,* Cadman et al. 2016 Study, *supra* note 502, at 765–766 (stating that registrant disclosures about severance pay prior to 2006 ''consisted of a statement as to whether a severance agreement exists and a narrative description of the material payments due upon CEO termination'' and finding that ''estimates of contracted severance pay based on [these] disclosures were, on average, 59% lower than the true amount''). *See* section IV.E.1.a above for a discussion of how investors may lose access to meaningful information under a principles-based standard even when registrants are required to disclose material information.

[884] Current 17 CFR 229.402(q)(2) lists a slightly narrower group of circumstances for which arrangements must be disclosed, in that, in contrast to current 17 CFR 229.402(j) and proposed Item 402(i), information about payments in the case of a change in the executive's responsibilities is required only in connection with a change in control, but not otherwise (such as in case of an executive's demotion outside of a change in control). Proposed Item 402(i) may thereby slightly enhance investors' understanding of arrangements associated with a change in an executive's responsibilities at SRCs and EGCs while slightly increasing the costs of compliance to these registrants.

[885] *See supra* section II.O.3.

include the tabular disclosures [886] and that these disclosures do not impose significant data collection or computational burdens. Still, these elements contribute to the time required to produce and review disclosures,[887] and eliminating them would reduce the length of disclosure. Eliminating the tabular disclosure requirement may also increase registrant flexibility in the timing of their option grants, given that registrants may feel unduly constrained to avoid the appearance of ''spring-loading'' or ''bullet-dodging'' even when no such intention exists and there are legitimate reasons to time grants close to the release of material nonpublic information.[888]

The direct costs of the elimination of Item 402(x) are expected to be limited, given that the quantitative information presented in the tabular disclosures would still be available or possible to estimate from other sources.[889] While some commenters indicated that the narrative disclosures are duplicative of other disclosure requirements,[890] we note that, under the proposed amendments, the CD&A would no longer explicitly require a discussion of how the determination is made as to when awards are granted. Regardless, it is unclear whether investors have found these narrative disclosures to be material, and we expect that registrants subject to CD&A requirements would continue to disclose related policies and practices to the extent material. The indirect costs of eliminating the disclosure may be more significant than the direct costs, to the extent that the disclosure discourages grant practices that may obscure the transfer of value to executives or dampen their implied performance incentives.[891] However, it is unclear whether Item 402(x) actually allows investors to distinguish opportunistic timing of grants or news from legitimate timing and compensation decisions.[892] Also, option compensation is now used by a minority of registrants,[893] mitigating any costs (though also limiting the benefits) of eliminating the disclosure.

4. Compensation Policies and Practices Related to the Registrant's Risk Management—Item 402(s)

Under the current Item 402(s), to the extent that risks arising from a registrant's compensation policies and practices for its employees (including non-executive officers) are reasonably likely to have a material adverse effect on the registrant, the registrant is required to discuss its policies and practices as they relate to risk management practices and risk-taking incentives. The proposed amendments would eliminate this requirement for all registrants.

While the preparation of this disclosure may not be as resource-intensive as other executive compensation requirements, registrants must still devote time and effort to assess whether their compensation policies and practices create risks that could have a material adverse effect, draft or update narrative disclosures, and review these disclosures with internal stakeholders and external advisors. Removing the requirement would reduce the time and resources spent on these activities. Given the reported policies and practices may not change significantly from year to year, thus requiring only modest preparation costs after the first year of compliance, removing Item 402(s) is expected to yield modest compliance cost savings relative to the total expenditures on producing compensation disclosure. The proposed changes may also reduce boilerplate or repetitive disclosure to the extent that other disclosure requirements (*e.g.,* Item 105 of Regulation S–K) already require discussion of material risks.

The direct costs of information loss from the elimination of Item 402(s) are expected to be limited, given that to the extent that a registrant's compensation policies and practices create risks that are reasonably likely to have a material adverse effect, the disclosure of such risks would generally continue to be required, if material, pursuant to other disclosure requirements.[894] There may be indirect costs of eliminating the Item 402(s) disclosure requirement in that registrants may be likely to more thoroughly consider the risk management effects of their compensation decisions (including in the context of employees other than the PEO and PFO) when there is an explicit disclosure requirement pertaining to compensation-related risks than otherwise. However, the risk of such indirect effects may be limited given the degree of overlap with other disclosure requirements described above.[895]

5. Timing of Executive Compensation Disclosure in Registration Statements

Under current rules, it can be difficult to file a ''long form'' registration statement (*i.e.,* Forms S–1, S–4, S–11, 10, and N–2) after the end of the fiscal year but before the annual executive compensation disclosure would typically be made because these forms require Item 402 disclosure that covers the fiscal year ended prior to the filing. In contrast, when using a ''short form'' registration statement, like Form S–3, a filer has up to 120 days after the end of the fiscal year to prepare and file executive compensation information. The proposed amendments would extend comparable flexibility for providing Item 402 disclosure for the last completed fiscal year to registration statements on Forms S–1, S–4, S–11, 10, and N–2.

Specifically, the proposal would permit registrants to file these registration statements without Item 402 disclosure for the last completed fiscal year so long as the registrant files the Item 402 information within (at the latest) a 120-day period following fiscal year-end.[896] Under the proposal, if this maximum 120-day period would end before the date of effectiveness, the registrant must pre-effectively amend the registration statement to include the Item 402 disclosure for the last completed fiscal year.

[886] *See, e.g.,* Morgan Lewis, *Public Companies Faced Added Disclosure Scrutiny During this Proxy Season* (August 2025), available at *https://www.morganlewis.com/pubs/2025/08/public-companies-faced-added-disclosure-scrutiny-during-this-proxy-season* (stating, based on their evaluation of disclosures during the 2025 proxy season, the first year that calendar-year filers were required to include Item 402(x) disclosure in their proxy statements, that ''most companies did not need to include the tabular disclosure component of Item 402(x)'').

[887] Several commenters stated that the 17 CFR 229.402(x) disclosures are burdensome. *See* letters from Cooley; NAM–1; Society for Corporate Governance.

[888] *See, e.g.,* letters from Davis Polk; Society for Corporate Governance.

[889] The grant date, number of underlying securities, and exercise price of options would be disclosed in the proposed Status of Equity Awards Table. The grant date fair value of options may be disclosed in the Granted Compensation Table or, if aggregated with other grants and not separately broken out, may be estimated based on the disclosed terms of the options. The date of release of material nonpublic information and stock price movements in the days surrounding such release can generally be determined based on public filings and broadly available market data.

[890] *See. e.g.,* letters from Business Roundtable; Cooley.

[891] Academic research provides evidence of strategic timing of option grants or news releases around the time of option grants that have the effect of decreasing the option exercise price, which increases the value of option compensation and the likelihood of a positive eventual option payoff. *See* 2022 Insider Trading Arrangements Adopting Release, notes 525–528 and 531; *see also* letter from A&O Shearman (stating that the Item 402(x) tabular disclosure ''is rarely required . . . but rather serves as a deterrent against poor option timing practices'').

[892] *See, e.g.,* letters from Davis Polk; Society for Corporate Governance.

[893] Table 4 in section IV.C indicates that 24% of registrants with available data granted options to their PEO based on disclosures for proxy year 2025.

[894] *See supra* section II.O.2.

[895] *See id.*

[896] *See supra* section II.P.

Allowing a maximum 120-day window for Item 402 updates may prevent offerings [897] from being delayed when certain amounts in executive compensation disclosures are not yet determinable. Thus, the proposal would limit rule-related constraints on registrant's securities offering timetables, potentially reducing frictions in the offering process, such as a reliance on specialized advisors for rushed computations or the risk of congestion in offering schedules (and thus higher demand and higher costs for advisors and underwriters and potentially lower attention from investors) prior to common fiscal year-ends or 120 days after such year-ends. By reducing the need to delay offerings solely to finalize Item 402 computations, the proposal should lower direct and indirect issuance costs for registrants and expand scheduling flexibility for underwriters, potentially benefiting smaller issuers and time-sensitive transactions.

Deferring Item 402 disclosure until later in the maximum 120-day window could introduce temporary information gaps for investors reviewing the initial registration statement during the period prior to the filing of the Item 402 information, potentially affecting pricing and demand in select offerings. However, registrants and investors will be able to determine the potential staleness of executive compensation information before making their offering and investment decisions and can make informed choices in light of this consideration. Also, the proposed requirement to pre-effectively amend the registration statement when the maximum 120-day deadline will occur before the effective date is expected to limit the duration of such delays in the availability of information.[898]

On May 19, 2026, the Commission proposed, among other things, to make Form S–3 available to significantly more registrants.[899] If that proposal is adopted, a more limited group of registrants may be subject to the timing constraints discussed in this subsection because some registrants would newly be able to use Form S–3 (which is not subject to these constraints) rather than relying on long form registration statements. In this case, the proposed amendments with respect to the timing of executive compensation disclosure in registration statements may have more limited costs and benefits.

M. Monetized Benefits and Costs

In this section, we present estimates of the aggregate initial and ongoing monetized benefits and costs. These totals include only benefits and costs that are monetized in this release and thus do not encompass all of the proposed rule's benefits and costs.[900] For example, we were not able to quantify costs to investors, including any short-term adjustment costs or any ongoing search and analysis costs, beyond current costs borne by investors, that could result from the proposed amendments.[901]

1. Estimates and Monetization of Compliance Costs and Cost Savings

The analysis above discusses the ongoing compliance cost savings that are anticipated to be associated with proposed amendments.[902] The preceding analysis also discusses transition or short-term adjustment costs that registrants may bear to adapt to certain of the proposed amendments, which represent initial implementation costs for registrants.[903] This section discusses the estimates of these initial compliance costs and ongoing compliance cost savings. For estimation purposes, these costs and savings are attributed to the burden per response for Forms 10–K and N–CSR and Schedules 14A and 14C, and to a reduction in the number of responses per year for Form 8–K.[904] We request comment on all aspects of the methodology and assumptions used and estimates obtained in this section.[905]

We present our estimates of the initial implementation costs in Table 9. These estimates are based on a number of assumptions, including an assumption that registrants will incur initial implementation costs to adjust to some aspects of the proposed amendments,[906] but no initial implementation costs (separate from the ongoing compliance costs) with respect to certain other elements of the proposed amendments, including, among others, those associated with the golden parachutes disclosures under proposed Item 402(j) and those affecting Forms 8–K and N–CSR.

We expect that each affected registrant will incur initial implementation costs once. For estimation purposes, we ascribe initial implementation costs to each response on the various affected forms and schedules, before later computing a per registrant average. To aggregate the initial implementation costs across registrants, we also assume that registrants affected by the proposed amendments would incur these initial implementation costs immediately upon effectiveness of the proposed amendments, if adopted as proposed, even though we acknowledge that some of these costs would likely be incurred over the course of the first year or in other early years after effectiveness (*e.g.,* for registrants subject to pay-versus-performance disclosures who do not disseminate a proxy or information statement in the first year after effectiveness of the proposed rules).

In Table 9 we estimate that registrants would incur approximately $527 million in aggregate costs to implement those elements of the proposed amendments whose burdens we attribute to Form 10–K.[907] In deriving this estimate, we assume that registrants would spend 125 hours on average to transition to the proposed disclosure requirements, including, for example, to make materiality determinations where necessary to identify the content to be disclosed, to tailor the content and format of the disclosures given their individual circumstances, to engage with other parties regarding potential market practices or norms for the revised disclosures, and to revise their processes, such as revising technological systems, internal

[897] Some registration statements are not accompanied by offerings, such as a Form 10 filed in the context of a direct listing or to meet OTC quotation requirements. We refer to ''offerings'' for simplicity, but other such registration statements are subject to similar current timing constraints and would have similar costs and benefits from the proposed timing flexibility as those discussed in the context of offerings in this section.

[898] The proposed amendments would also eliminate the provision of Item 402 that provides registrants with extra time to disclose salary and bonuses that are not yet calculable if they provide the disclosure in an Item 5.02(f) 8–K (and therefore to also eliminate Item 5.02(f) of Form 8–K) because the proposed amendments with respect to the timing of executive compensation disclosure in registration statements would render this provision unnecessary. We do not expect incremental economic effects, beyond the effects discussed in this section, to be associated with these elements of the proposed amendments.

[899] *See Registered Offering Reform,* Release No. 33–11418 (May 19, 2026) [91 FR 31022 (May 26, 2026)].

[900] *See supra* notes 473 and 477.

[901] *See, e.g., supra* section IV.A (summarizing uncertainties with respect to the potential effects on investors).

[902] *See supra* sections IV.D.2, IV.E.3, IV.F.2, IV.G.2, IV.H.2, IV.I.2, IV.J.2, IV.K.2, and IV.L.

[903] *See supra* sections IV.D.2, IV.E.3, IV.F.2, IV.G.2, IV.I.2, IV.K.2, and IV.L.2.

[904] *See infra* section V.B.

[905] *See infra* section IV.O.

[906] The aspects of the proposed amendments for which we estimate initial implementation costs are those for which we have identified short-term transition or adjustment costs for registrants in the discussions of costs and benefits pertaining to the various aspects of the proposed amendments above. *See supra* note 903.

[907] *See* PRA Table 1, *infra* section V.B (summarizing the elements of the proposed amendments whose burdens or reduction in burdens we attribute to different forms and schedules).

processes, and contracts.[908] In Table 9, we estimate that registrants would incur approximately $26 million in aggregate costs to implement the proposed amendments to the pay-versus-performance disclosure requirements. In deriving this estimate, we assume that registrants would spend 10 hours on average to transition to the proposed disclosure requirements, which we believe would primarily be spent deciding how to tailor the content and format of the disclosures given their individual circumstances and whether to supplement with additional disclosure.[909]

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Table 9. Estimated and Monetized Initial Implementation Costs (2026 Dollars)

Proposed Amendment Summary[i]	Form	Estimated Burden Hours per Affected Response for Initial Implementation[ii] (A)	Monetized Initial Implementation Costs per Affected Response (B) =(A)×$625[iii]	Estimated Number of Affected Annual Responses[iv] (C)	Aggregate Monetized Initial Implementation Costs (rounded) (D) = (B)×(C)
Revising Item 402 disclosure requirements	Form 10-K	125	$78,125	6,740	$527 Million
Revising NEO definition	Form 8-K	0	0	n/a	0
Revising pay-versus-performance disclosure requirements	Schedule 14A	10	$6,250	3,935	$24.6 Million
	Schedule 14C	10	$6,250	231	$1.4 Million
Revising golden parachute disclosure requirements	Schedule 14A	0	0	n/a	0
	Schedule 14C	0	0	n/a	0
Removing a disclosure item[v]	Form N-CSR	0	0	n/a	0
Total					$553 Million
Average per registrant subject to Item 402 (i.e., excluding Form N-CSR), assuming number of registrants equals number of 10-K responses					$82,000

[i] *See* PRA Table 1 for more detail on the elements of the proposed amendments whose burdens (or reduction in burdens) we attribute to each form/schedule

[ii] These burden hours are estimates of the internal and external hours that would be involved in the short-term transition and adjustment activities discussed in this section.

[iii] The rate of $625 per hour is a blended hourly rate of our current estimate of the hourly rate for each of four occupations: lawyers ($774), accountants and auditors ($330), financial managers ($730), and general and operations managers ($656). This blended hourly rate assumes that lawyers will account for 50 percent of the time spent on compliance activities; accountants and auditors, 30 percent; financial managers, 10 percent; and general and operations managers, 10 percent. This also reflects both internal and external hourly costs. We expect that the types of individuals, the rates for those individuals, and the proportion of each individual's contributions would vary among registrants and could differ depending on which specific form a registrant is completing. Nonetheless, for purposes of this economic analysis, we believe the $625 per hour rate is a reasonable estimate of the hourly cost of completing the required forms. To calculate the occupational hourly rates used in this release, the Commission uses the May 2025 occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for "Securities, Commodity Contracts, and Other Financial Investments and Related Activities" (NAICS 523). *See Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, available at https://www.bls.gov/oes/; *see also Standard Occupational Classification*, U.S. Bureau of Labor Statistics, available at https://www.bls.gov/soc/ (describing occupational classification system used by BLS); Exec. Off. of the President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), available at https://www.census.gov/naics/reference files tools/2022 NAICS Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is multiplied by an employment cost index (ECI) factor of 1.0227, calculated as one plus the percentage change in the seasonally adjusted ECI for wages and salaries of private industry workers from the second quarter of 2025 (ECI=173.563), which contains the May 2025 OEWS reference period, to the first quarter of 2026 (ECI=177.498), which is the date of the most recently available ECI observations when the occupational hourly rates used in this release were calculated. *See Employment Cost Index*, U.S. Bureau of Labor Statistics, Seasonal Data 2001-Present, available at https://www.bls.gov/eci/tables.htm. The adjusted mean hourly wage is then multiplied by a nonwage cost adjustment factor of 5.734, which accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as the average, over 2016-2025, of the ratio of the Bureau of Economic Analysis's gross output for NAICS 523 to total wages across all occupations for NAICS 523 in the OEWS data. *See Gross Output by Industry*, U.S. Bureau of Economic Analysis, available at https://www.bea.gov/data/industries/gross-output-by-industry; *Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, available at https://www.bls.gov/oes/. For example, the $774 occupational hourly rate for lawyers is calculated as $131.91 × 1.0227 × 5.734, or approximately $774 (where $131.91 is the May 2025 mean hourly wage for lawyers in NAICS 523). The final product is the occupational hourly rate. *See generally* Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), available at https://www.sec.gov/files/method-occupational-hourly-rates.pdf.

[iv] *See* section V, PRA Table 2 "Number of Affected Annual Responses."

[v] Removing the disclosure item that requires registered management investment companies subject to the requirements of Rule 10D-1 to provide the same disclosure required by Item 402(w)(2) of Regulation S-K.

Table 10 presents the annual compliance cost savings for registrants, based on the estimates in section V below. The estimates in section V reflect the average expected compliance cost savings across the first three years of effectiveness of the proposed amendments, net of any initial implementation costs. For the purposes of this section, we have separately estimated the initial implementation costs (in Table 9) and thus can also separate the ongoing compliance costs savings excluding the reduction resulting from these initial implementation costs. The necessary computation to separate these initial costs and ongoing savings are presented in Table 10. Specifically, the table starts with the three-year average reduction in burdens (reflecting both ongoing savings and the initial costs) from PRA Table 2, monetizes the burden hours to obtain an estimate of the net dollar savings per response, and multiplies that by three to obtain the total net burden reduction over this three-year period. The table then adds back the estimated monetized burden for initial implementation of the proposed amendments from Table 9 to compute the total gross reduction in burdens (not reduced by initial implementation costs) in column (F) of Table 10 and divides this by three to present the annual reduction in burdens in column (G) of Table 10.

[908] *See supra* sections IV.D.2, IV.E.3, IV.F.2, IV.I.2, IV.K.2, and IV.L.2.

[909] *See supra* section IV.G.2.

Table 10. Monetized Cost Savings Per Response (2026 Dollars)

Proposed Amendment	Form	Net Burden Hour Reduction per Affected Response[i] (A)	Net Cost Burden Reduction per Affected Response[ii] (B)	Monetized Net Cost Savings Per Response (C) = $625[iii]x(A) +(B)	Monetized 3-Year Total Net Cost Savings (D) = 3x(C)	Monetized Initial Implementation Costs per Affected Response (E)[iv]	Monetized 3-Year Total Gross Cost Savings (F) = (D)+ (E)	Monetized Ongoing Annual Cost Savings per Affected Response (rounded) (G) = (F)/3
Revising Item 402 disclosure requirements	Form 10-K	254.28	$50,166	$209,091	$627,272	$78,125	$705,397	$235,000
Revising NEO definition	Form 8-K	6.31[v]	$843	$4,787	$14,360	$0	$14,360	$4,800
Revising pay-versus-performance disclosure requirements	Schedule 14A	13.28	$2,655	$10,955	$32,865	$6,250	$39,115	$13,000
	Schedule 14C	13.28	$2,655	$10,955	$32,865	$6,250	$39,115	$13,000
Revising golden parachute disclosure requirements	Schedule 14A	1	$1,800	$2,425	$7,275	$0	$7,275	$2,400
	Schedule 14C	1	$1,800	$2,425	$7,275	$0	$7,275	$2,400
Removing a disclosure item[vi]	Form N-CSR	8	$1,188	$6,188	$18,564	$0	$18,564	$6,200

[i] *See* section V, PRA Table 2, column "Burden Hour Decrease Per Affected Response." These burden hour reductions are based on a number of assumptions. *See* section V, PRA Tables 1 and 2. For example, for Form 10-K it is assumed that 30% of the current burdens for Form 10-K are attributable to Item 402 and that the proposed amendments would reduce the burden attributable to Item 402 by approximately 50%. *See* section V, PRA Table 1 at footnote (i). These are key assumptions underlying the cost savings estimates.

[ii] *See* section V, PRA Table 2, column "Cost Burden Decrease Per Affected Response." These external cost reductions are based on a number of assumptions. *See* section V, PRA Tables 1 and 2. For example, for Form 10-K it is assumed that 30% of the current external cost burdens for Form 10-K are attributable to Item 402 and that the proposed amendments would reduce the burden attributable to Item 402 by approximately 50%. *See* section V, PRA Table 1 at footnote (i). These are key assumptions underlying the cost savings estimates.

[iii] *See* Table 9 at note iii.

[iv] *See* Table 9 Column (B).

[v] *See* section V, PRA Table 2 at footnote (i).

[vi] Removing a disclosure item that requires registered management investment companies subject to the requirements of Rule 10D-1 to provide the same disclosure required by Item 402(w)(2) of Regulation S-K.

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Table 11 begins with the annual ongoing cost savings from Table 10, aggregates them across responses, and computes an average estimate of these savings per year per registrant. We estimate that the proposed amendments would result in aggregate annual cost savings of approximately $1.64 billion.

Table 11. Ongoing Annual Compliance Cost Savings in Aggregate and Per Registrant (2026 dollars)

Proposed Amendment	Form	Estimated Ongoing Annual Cost Savings per Response[i] (A)	Estimated Number of Responses[ii] (B)	Estimated Aggregate Ongoing Annual Cost Savings (C)=(A)×(B)
Revising Item 402 disclosure requirements	Form 10-K	$235,000	6,740	$1.58 Billion
Revising NEO definition	Form 8-K	$4,800	695	$3.34 Million
Revising pay-versus-performance disclosure requirements	Schedule 14A	$13,000	3,935	$51.2 Million
	Schedule 14C	$13,000	231	$3.00 Million
Revising golden parachute disclosure requirements	Schedule 14A	$2,400	153	$367,000
	Schedule 14C	$2,400	12	$28,800
Removing a disclosure item	Form N-CSR	$6,200	1	$6,200
Total				$ 1.64 Billion
Average per registrant subject to Item 402 (i.e., excluding Form N-CSR row), assuming number of registrants equals number of 10-K responses				$244,000

[i] *See* Table 10 at column (G)

[ii] See section V, PRA Table 2 "Number of Affected Annual Responses."

As presented in Table 11, our monetized estimate of the compliance cost savings for the proposed amendments is approximately $244,000 per year per registrant, on average across registrants. The cost savings are expected to be driven by three key factors. First, reducing the scope of the disclosures as proposed—particularly with respect to the scope of named executive officers, the employees included in the pay ratio determinations, and certain *de minimis* perquisites—would reduce registrants' need to undertake data collection and tracking. Second, the proposed amendments would eliminate current requirements to make certain complex computations such as valuations of outstanding equity awards (after grant but prior to vesting or exercise) for the purpose of the disclosures. Finally, the overall lower total volume of required disclosures (including proposed reductions in the number of tables as well as the extent of narratives and footnotes) should reduce the burdens involved in registrant staff, board, and external advisor review of the disclosures. The compliance cost savings are expected to vary across registrants, as discussed in the following section.

2. Initial and Annual Aggregate Monetized Benefits and Costs

We summarize our estimates of aggregate annual monetized benefits and costs in Table 12.[910] The figures in this table summarize the analysis presented in Tables 9, 10 and 11. These estimates represent averages, and we recognize that the burdens will likely vary among individual registrants based on a number of factors, including the structure and complexity of their executive compensation program; their current status and relief currently available to them; and their existing service providers and costs associated with them. These estimates are also dependent on their underlying assumptions, which are laid out in the tables above and the text describing the tables. Registrants' implementation costs and ongoing cost savings would depend on their filing status, and would both generally be expected to be lower for registrants that are permitted to provide scaled executive compensation disclosures (*i.e.,* SRCs and EGCs currently) than for other registrants required to provide executive compensation disclosures.[911] As such, the aggregate implementation cost estimates and ongoing cost saving estimates for the proposed amendments would be lower if the Commission adopts the amendments in the 2026 Filer Status Proposing Release because the disclosure accommodations available under the baseline would be extended to a larger number of the affected registrants.

Table 12. Aggregate Annual Monetized Benefits and Costs Estimates (millions of 2026 dollars)

Aggregated Monetized Effects	Initial Effects	Year 1 through Year 10
Benefits	$0	$1,640
Costs	$553	$0

3. Present Values and Annualized Values of Aggregate Monetized Benefits and Costs

Consistent with the requirements of Executive Order 12866, the Commission reports estimated total monetized benefits and costs for all affected entities in two additional ways specified in OMB Circular A–4.[912] These two presentations address the fact that the benefits and costs of the proposed rule accrue at different points in time, and that benefits and costs realized sooner are generally more valuable than those realized later.[913]

We report (1) the present values of expected benefits and costs that are monetized in our economic analysis, aggregated across all affected entities over a 10-year time horizon starting in 2026, and (2) the annualized values over the same time horizon, derived from the present values. This time horizon represents the period over which the principal benefits and costs that are monetized in the Economic Analysis are expected to accrue.[914] The present values and annualized values account for the timing of benefits and costs through discounting, which is a procedure that accounts for the time value of money.[915]

Table 13 provides the present discounted values of the aggregate annual monetized annual benefits and costs shown in Table 12. The analysis uses annual real discount rates of three percent and seven percent over a 10-year time horizon, starting in 2026. We estimate that the present value of total monetized benefits is about $14.2 billion using a three percent discount rate and about $11.9 billion using a seven percent discount rate. The estimate of the present value of the

[910] *See* Table 13 below for the present value of monetized benefits and costs over 10 years.

[911] *See supra* sections IV.D.2, IV.E.3, IV.F.2, IV.G.2, IV.H.2, IV.J.2, IV.K.2, and IV.L.

[912] *See* E.O. No. 12866 (Sept. 30, 1993) [58 FR 51735, 51741 (Oct. 4, 1993)] (requiring agencies to provide an analysis of benefits, costs, and regulatory alternatives to OIRA for significant regulatory actions); OMB, Circular A–4, at 31–34, 45 (Sept. 17, 2003) (providing guidance to agencies regarding compliance with E.O. 12866); *see also* E.O. No. 14215 (Feb. 18, 2025) [90 FR 10447, 10448 (Feb. 24, 2025)] (requiring all Federal agencies, including the Securities and Exchange Commission, to comply with E.O. No. 12866). In addition, E.O. 14192 requires agencies to provide their best approximation of the total costs or savings associated with each new regulation or repealed regulation consistent with the analyses required by E.O. 12866. *See* E.O. No. 14192 (Jan. 31, 2025) [90 FR 9065, 9066 (Feb. 6, 2025)].

[913] *See* Circular A–4, at 32.

[914] *See id.* at 31 (stating that ''[t]he ending point should be far enough in the future to encompass all the significant benefits and costs likely to result from the rule''). For the purposes of this analysis, we assume the effective date of the proposal, as well as the start year for the analysis's time horizon, is the present year.

[915] *See id.* at 32 (''The Rationale for Discounting'') and 45 (''Treatment of Benefits and Costs over Time''); *see also* OIRA, Regulatory Impact Analysis: A Primer, at 11 (Aug. 15, 2011), available at *https://www.reginfo.gov/public/jsp/Utilities/circular-a-4_regulatory-impact-analysis-a-primer.pdf* (''To provide an accurate assessment of benefits and costs that occur at different points in time or over different time horizons, an agency should use discounting. Agencies should provide benefit and cost estimates using both 3 percent and 7 percent annual discount rates expressed as a present value as well as annualized.''); Harvey S. Rosen & Ted Gayer, Public Finance 151 (8th ed. 2008) (defining present value as ''the value today of a given amount of money to be paid or received in the future'').

initial implementation costs is $553 million because that is assumed to be incurred without a delay.

Table 13. Present Value of Monetized Benefits and Costs over 10 years from 2026 to 2035 (millions of 2026 dollars)[a]

Estimated Effects[b]	3% real discount rate	7% real discount rate
Benefits	$14,200	$11,900
Costs	$553	$553

[a] This Table includes only benefits and costs that are monetized. As discussed in this economic analysis, there are other benefits and costs that we are not able to monetize.

[b] For each discount rate, the present value calculations are based on these assumptions: (i) all one-time monetized costs are incurred immediately and not discounted; (ii) all recurring annual monetized benefits and costs begin to accrue in the first year in which affected entities rely on the proposed rule; (iii) recurring monetized benefits and costs occur in a steady stream. We use a mid-year discount rate.

Table 14 reports annualized aggregate monetized benefits and costs using real discount rates of 3 percent and 7 percent over a 10-year horizon.[916] The lump sum present values of aggregate monetized benefits and costs reported in Table 13 are converted in Table 14 into a constant stream of annualized benefits and costs over a 10-year time horizon, starting in 2026.[917] Annualized benefits and costs may differ from the sum of recurring monetized annual benefits and costs discussed earlier in this Economic Analysis because they incorporate the timing of benefits and costs through discounting, and combine one-time and recurring benefits and costs.[918] We estimate that the annualized total monetized benefits are about $1.64 billion per year using a three percent discount rate and about $1.64 billion per year using a seven percent discount rate.

Table 14. Annualized Monetized Benefits and Costs over 10 years from 2026 to 2035 (millions of 2026 dollars)[a]

Estimated Effects[b]	3% real discount rate	7% real discount rate
Benefits	$1,640	$1,640
Costs	$63.9	$76.1

[a] This Table includes only benefits and costs that are monetized. As discussed in this economic analysis, there are other benefits and costs that we are not able to monetize.

[b] For each discount rate, the annualized values are calculated by dividing the corresponding present values in Table 13 by the sum of discount factors over the time horizon. The discount factor in year t of the time horizon is equal to $1/(1 + \text{discount rate})^{(t-0.5)}$.

N. Effects on Efficiency, Competition, and Capital Formation

While the preceding sections of this economic analysis focused on the detailed effects of the proposed amendments on the affected parties, in this section we consider the broader market-level effects on efficiency, competition, and capital formation.

[916] This approach is consistent with the recommended treatment of benefits and costs over time in Circular A–4. *See id.* at 45 (''You should present annualized benefits and costs using real discount rates of 3 and 7 percent'').

[917] For each discount rate, the annualized monetized benefits (costs, respectively) in Table 14 represent the constant annual stream of benefits (costs, respectively) whose present value over the time horizon equates the corresponding present value in Table 13. See note b, Table 14, for additional calculation details.

[918] The annualized benefits and costs present these values over the 10-year time horizon, starting in the present year.

The proposed amendments, in aggregate, are expected to significantly reduce the compliance costs required to produce executive compensation disclosures, relative to the current burdens on registrants associated with these disclosures. The resulting savings of cash flow as well as registrant staff, board, and management time and attention may facilitate capital formation by redirecting these resources from compliance efforts toward other, more productive uses.[919] In particular, for companies that face financing constraints or limited managerial capacity, such savings may be redirected to strategic planning or capital investments that would not otherwise have been undertaken.[920] In other cases, the savings may be returned to shareholders, who may direct them to other investment opportunities. A reduced disclosure burden on reporting issuers could also be a positive factor in encouraging additional companies to raise capital through registered securities offerings or to become or remain a public company,[921] which may also enhance capital formation.[922] There is also a possibility that reduced transparency with respect to executive and director compensation could increase the cost of capital for reporting companies or reduce trust in markets, which could have offsetting effects on capital formation.[923]

The proposed amendments would be expected to generate some short-term inefficiencies due to the adjustment costs that would be borne by registrants and investors (directly and/or via third parties) to adapt to the significant proposed changes (such as by designing new disclosures or revising disclosure review practices) relative to the current executive compensation disclosure requirements, as discussed above.[924] The potential inefficiencies would also include, for investors, any time and resources that may be expended to express to registrants their requests for disclosure and, for registrants, to engage with investors and potentially work with external advisors and other entities, including trade groups, to develop market practices and norms relating to some of the more principles-based elements of the proposed amendments.[925] Beyond these short-term adjustment costs, the effects of the proposed amendments on efficiency depend on the extent to which the proposal would affect investor search and analysis costs, would reduce the precision with which investors can evaluate executive compensation, and/or would contribute to distortions in compensation programs relative to the compensation design that would be optimal for shareholder value maximization.[926]

In particular, for investors that review large numbers of executive compensation disclosures, the more principles-based approach of the proposed amendments may increase search and analysis costs (borne either directly or via third parties such as proxy advisors and data aggregators) by reducing the consistency of format, location, and inclusion of certain information. The proposed amendments would afford registrants substantial discretion with respect to, for example, what information about director compensation and about potential payments to executives upon termination is material and how to report it;[927] what amounts of executive compensation beyond the types that are explicitly delineated are material and must thus be included;[928] how to format the required tabular disclosures;[929] what supplementary information is necessary or appropriate to understand the tabular disclosures;[930] where to present and how to format any such supplementary information as well as the performance, market and service conditions of equity awards;[931] what specific topics should be covered in CD&As;[932] and, broadly, what information is material to an assessment of the registrant's executive and director compensation.[933]

To the extent that the flexibility afforded to registrants would result in significant variation in the format, organization, and content of disclosures across registrants (or across time for the same registrant), investors (directly or via third parties) may require more time and resources than they expend today to identify, understand, extract, and compare information about executive compensation. Registrants (directly or via third parties) may also bear increased search costs in their benchmarking exercises. Certain other aspects of the proposed amendments that may help to condense the disclosures may, at the same time, increase the likelihood that some of the users of disclosures would need to refer

[919] It is also possible that the reduced transparency of certain elements of executive compensation under the proposal could contribute to higher compensation being paid (such as in the form of higher perquisites), which could offset the compliance costs savings.

[920] *See, e.g.,* Jonathan Lewellen & Katharina Lewellen, *Investment and Cash Flow: New Evidence,* 51 J. Fin. Quant. Analys. 1135 (2016) (finding that increases in cash flow are associated with additional investment for those firms that are the most likely to be financially constrained).

[921] Studies have found that costs associated with mandated reporting may affect companies' going public decision. For example, there is some evidence of favorable effects of EGC accommodations on IPO activity. *See, e.g.,* Michael Dambra et al., *The JOBS Act and IPO Volume: Evidence that Disclosure Costs Affect the IPO Decision,* 116 J. Fin. Econ. 121 (2015). There is also evidence suggesting that costs associated with the Sarbanes-Oxley Act regulations encouraged companies to exit U.S. public stock markets. *See, e.g.,* Christian Leuz et al., *Why do Firms Go Dark? Causes and Economic Consequences of Voluntary SEC Deregistrations,* 45 J. Acct. Econ. 181 (2008) at 181 (finding that ''many firms go dark due to poor future prospects, distress and increased compliance costs after SOX''). While savings associated with the proposed amendments, if adopted, might be one factor in a company's decision to go public (or to stay public), we also acknowledge that non-regulatory factors may play a more significant role in driving initial public offering activity. *See, e.g.,* Michael Ewens et al., *Regulatory Costs of Being Public: Evidence from Bunching Estimation,* 153 J. Fin. Econ. 103775 (2024) (estimating that regulatory costs may explain about 7% of the decline in the likelihood of initial public offerings after 2000, and stating that non-regulatory factors, such as abundant private equity financing, changing economies of scale and scope, and changing acquisition behavior, are likely to have played a more important role); Xiaohui Gao et al., *Where Have All the IPOs Gone?* 48 J. Fin. Quant. Analys. 1663 (2013) (documenting various patterns in initial public offering activity, small firm profitability, mergers and acquisitions activity, and other trends that the authors find to be inconsistent with a regulatory costs explanation for the decline in initial public offerings after 2000 but consistent with increases in the importance of economies of scope over time).

[922] An increase in the number of companies who access public capital markets could increase capital formation to the extent it facilitates the raising of more capital than would be available to these issuers outside of public markets and the investment of such capital toward productive uses. Access to public markets may facilitate the raising of more capital due, for example, to an enhancement of investor protections and a broadening of the investor base.

[923] *See, e.g.,* Douglas Diamond & Robert Verrecchia, *Disclosure, Liquidity, and the Cost of Capital,* 46(4) J. of Fin. 1325 (1991); David Easley & Maureen O'Hara, *Information and the Cost of Capital,* 59(4) J. of Fin. 1553 (2004); Luigi Guiso et al., *Trusting the Stock Market,* 63 J. Fin. 2557 (2008); letters from AFL–CIO et al. (stating that ''changes to the . . . executive compensation disclosure rules would also harm capital formation, as investors will respond to less transparency on executive compensation by withholding their capital''); CFA Institute (stating that ''[t]he rulebook as it exists today addresses problems and scandals that led to substantial investor losses'' and that the ''[r]emoval of large swaths of disclosures would be a self-inflicted wound to investor confidence in US capital markets''); Public Citizen (stating that changes to executive compensation disclosure requirements would ''subtract from capital formation, as investors might know less about the efficiency of corporate funds shaping incentives and withhold their capital'').

[924] *See, e.g., supra* sections IV.E.3, IV.F.2, and IV.I.2.

[925] *See id.*

[926] *See id.*

[927] *See supra* sections II.L and II.J.

[928] *See supra* sections II.C.1 and II.K.

[929] *See supra* section II.E.2.

[930] *See supra* section II.E.1.

[931] *See supra* sections II.C.3 and II.E.1.

[932] *See supra* section II.F.

[933] *See supra* section II.A.

to other filings to access information that is currently contained in a single filing, further increasing potential search costs.[934]

In other ways, search costs may be reduced by the proposed amendments. In particular, the proposed Status of Equity Awards Table may make it easier to assess the complete set of equity awards that have been newly granted, remain outstanding, or have newly vested or been exercised, on an award-by-award basis. Today, this information is spread across multiple tables and presented at different levels of aggregation. For example, for SRCs and EGCs, some of this information (regarding the final outcomes of awards) may have to be accessed in different filings, as these registrants are not currently required to include an Option Exercises and Stock Vested Table. To the extent that registrants use the flexibility afforded to them to include information about grants or award outcomes that occurred after the end of the last completed fiscal year in the proposed Status of Equity Awards Table, such up-to-date information may also become easier to access without referring to other filings. The proposed requirement that LAFs tag the proposed primary tabular disclosures in Inline XBRL may also reduce the costs of extracting information from the disclosures of this subset of registrants.

The net effect on investor search costs, and thus the efficiency of the process by which investors and the market as a whole digest the disclosures, would likely depend on how registrants would use the flexibility afforded to them and whether the potential increases or decreases in search costs are associated with the information that is most frequently sought and most resource-intensive to find.

The proposed amendments may also increase the costs of analysis for some investors (either directly or via third parties). Current disclosures include certain registrant-computed measures of the value of in flight awards, both in the Outstanding Equity Awards at Fiscal Year-End Table (for all registrants) and in more detailed form in the disclosure of Compensation Actually Paid (for registrants required to provide pay-versus-performance disclosures). Removing the requirement that registrants compute these measures may increase analytical burdens on investors (directly or via third parties) who use such computations to evaluate how compensation is tracking performance over time.[935] For those registrants required to include a CD&A, the disclosure of, for example, compensation peer groups would no longer be explicitly required. To the extent that some such registrants would no longer disclose peer groups, investors and/or third parties may bear greater analytical burdens to identify appropriate peers against which to judge the appropriateness of a registrant's executive compensation design without input from the registrant. Inefficiencies may result from these analytical burdens in that there may be an increased risk of duplicative analytical effort by investors and/or third parties.

Any increased search and analytical burdens are likely to be borne primarily by those investors who most actively review executive compensation disclosures in detail and allocate the greatest resources to such review, which are likely institutional investors and larger investors.[936] Other investors, such as retail investors or smaller investors for whom it is not possible or cost-effective to allocate significant resources to such review, would be less likely to bear such costs but would, in the absence of taking on such search and analysis, be more likely to have less information and analysis available when making investment and voting decisions. Given recent governance changes that increase the delegation of voting to the end holders of securities,[937] the role of this group of investors may become more important to voting outcomes in the future, which may exacerbate any effects of reduced access to information and analysis. That said, these investors may be the most likely to read executive compensation disclosure linearly. As such, these investors are also the most likely to benefit from the expected reduction in the volume of disclosure; while they may have less detailed information and analysis at their disposal, they may find the information that remains easier to digest than current disclosures. Given the limited time and resources these investors allocate to reviewing executive compensation disclosures, the cost of their review is unlikely to change meaningfully. However, information asymmetries about executive compensation between investors of different types could either increase or decrease or remain unchanged depending on the extent to which the more principles-based approach would result in information being more readily understood by retail and smaller investors, offsetting the increased asymmetries that may arise from differences in the degree of additional search and analysis undertaken.

The proposed amendments would reduce the detail and comprehensiveness of executive compensation disclosure and may thus lead, overall, to a less precise evaluation (by even the investors with more significant experience or resources for disclosure review) of the appropriateness of the level of pay and of the full set of monetary incentives provided to executive officers.[938] For example, the proposed amendments are expected to reduce the amount of detailed information available about certain terms of incentive awards (including information about the rigor of performance goals that, in some cases, is currently only available via in flight estimates provided by registrants), certain miscellaneous components of pay (including perquisites and retirement benefits), and potential payments upon termination. The proposed amendments are expected to reduce the comprehensiveness of information about, for example, the compensation of a larger group of executive officers, all amounts of compensation paid to NEOs (however small), and director compensation. Any increase in search and analysis costs could further increase the imprecision of investor evaluations to the extent that some investors would be unwilling to bear additional costs to more closely approach the current precision with which they understand executive compensation.[939]

Any such reduced precision in investors' understanding of the executive compensation at registrants may introduce noise into their voting and investment decisions, in that these decisions may be more likely to vary

[934] For example, the proposed amendments would require reference to the proposed Status of Equity Awards Table from the prior year to identify, in the current year's table, stock that vested or options that were exercised in the most recently completed fiscal year; would require reference to Form 4 disclosures to identify the number of earned shares at the end of the performance period of a stock award with performance-based vesting plus an additional time-based vesting period; and may require reference to Forms 8–K or exhibits to other filings for certain terms of termination agreements and equity awards. *See supra* section IV.E.1.

[935] For evidence that investors and third parties are using the provided computations currently, see note 753 above.

[936] These investors may have clients that include retail and smaller investors, who may thereby indirectly bear some of these costs.

[937] *See supra* section IV.C.7.

[938] As discussed in the more detailed discussion of economic costs and benefits of the individual provisions of the proposed amendments, materiality considerations and voluntary disclosures may reduce the amount of information loss under the proposal as compared to the baseline, but some information is still expected to be lost. *See supra* sections IV.D through IV.J and IV.L.

[939] *See supra* note 755.

from the decisions that would be made with more detailed and comprehensive information. Such noise may reduce allocative efficiency in the capital market, in that investors' ability to direct capital to its most productive uses may be negatively affected by a diminished ability to reliably evaluate different investment alternatives. A reduction in the detail and comprehensiveness of executive compensation would also be expected to reduce the amount of information incorporated into stock prices, and thus the informational efficiency of markets. Noise in voting decisions may reduce productive efficiency, in that less informed voting outcomes in director elections, say-on-pay votes, votes on equity incentive plans, and other relevant votes may result in less optimal board composition, compensation design, and other registrant-level decisions than otherwise, which could affect the performance and productivity of registrants.

The proposed amendments may also affect compensation design because of the influence disclosure considerations can have on compensation decisions. Some aspects of the proposed amendments reduce factors that could contribute currently to distortions in compensation design (such as in the consideration of whether to provide personal security services to executives or whether to pay a bonus that could change the composition of the NEOs). However, other aspects of the proposed amendments may contribute to new potential distortions, through reduced transparency of some elements (such as perquisites, non-equity incentive pay, retirement benefits, and termination pay) relative to the transparency of other elements of compensation or through differences in how similar awards may be valued (in the case of options versus stock with market conditions). Any distortions associated with disclosure considerations rather than shareholder value optimization may reduce the optimality of executive compensation design and thereby affect the productive efficiency of registrants.

The potential effects of the proposed amendments on efficiency and capital formation may be influenced by other concurrent changes in market practices and regulation. On one hand, other regulatory initiatives to reduce disclosure burdens may, together with the proposed amendments, result in aggregate compliance cost savings that are more likely to have meaningful impacts on capital formation and the decision of companies to go (or stay) public. On the other hand, these initiatives, in totality, may also be more likely to reduce transparency to an extent that there may be offsetting effects on the cost of capital and overall trust in public markets. Market and regulatory environment changes around other governance mechanisms, as discussed in section IV.C.7 above, may also increase the relative importance of executive compensation information to investors' voting and investment decisions and may thus exacerbate the effects of any noise that would be introduced into these decisions as a result of the more condensed and less detailed disclosures that would result from the proposed amendments. A recent trend towards more fragmented shareholder voting, also discussed in section IV.C.7 above, may result in an increase in the number of individuals separately evaluating executive compensation disclosures and in the variety of approaches used for such evaluations. Such a trend could increase the costs associated with a reduction in registrant-provided computations or in the accessibility of certain information, while also increasing the potential benefits of a reduced volume of disclosure given the more limited resources these investors may expend in reviewing the disclosure.

We anticipate limited competitive effects of the proposed amendments on registrants. Because compliance costs generally do not scale perfectly with size, in that they have some fixed cost components, the same disclosure requirement can result in disproportionate burdens on smaller companies. The scaled accommodations currently available to SRCs and EGCs may encourage competition by reducing the risks of such disproportionate burdens. Some aspects of the proposed amendments (such as the proposed NEO definition or the proposed tabular disclosure requirements) would reduce the extent of differences between the requirements that apply to SRCs and EGCs and all other registrants by applying more limited disclosure requirements to all registrants. However, the proposed amendments would also maintain an exemption for SRCs and EGCs from some of the disclosure requirements under the proposal that we expect to be relatively more costly to produce, such as CD&A and pay ratio disclosures. The proposed amendments would thereby maintain a scaled disclosure regime for SRCs and EGCs (or for NAFs, if the proposed amendments in the 2026 Filer Status Proposing Release are adopted) and are thus not expected to meaningfully affect competition among registrants on the whole.

O. Request for Comment

132. What compliance cost savings would be realized by registrants under the proposed amendments? What costs, including transition costs and ongoing costs, would registrants incur under the proposed amendments? Please provide any data or estimates regarding the costs of compliance under the current rules and the anticipated costs of compliance under the proposal, such as (in both cases) preparing the disclosures, including registrant staff and director time; the fees of legal counsel, compensation consultants, or other external advisors; costs for XBRL data tagging; and other costs associated with preparing the disclosures. Where possible, please associate any potential compliance cost savings with the specific elements of the proposed amendments that facilitate such savings.

133. To what extent would the principles-based elements of the proposed amendments benefit registrants and/or investors by facilitating the tailoring of registrants' executive compensation disclosures? To what extent would the principles-based elements result in additional costs to evaluate materiality and design tailored disclosure formats? Would the principles-based elements of the proposed amendments increase or decrease the use of, or degree of reliance on, external advisors, including compensation consultants?

134. Would the disclosures under the proposed amendments facilitate investors' evaluation of a registrant's executive compensation practices? How does the information that would be provided in the proposed tabular disclosures align with the measures and metrics that investors focus on or view as material in making investment and voting decisions? Is the total compensation measure that would be included in the Granted Compensation Table a measure of total compensation that investors would use directly, or would they make adjustments to evaluate the level of an NEO's pay? Would investors be able to directly use the total compensation measure from the proposed Earned Compensation Table as a measure of realized pay or would they make adjustments to evaluate compensation outcomes and practices? How would they use these two proposed measures, or the quantitative elements in the Granted Compensation Table and Earned Compensation Table, in their analyses?

135. Are there additional values or measures that should be required to be disclosed under Commission executive compensation disclosure rules in

tabular format or in footnotes because they are material to investors? To what extent do investors require separate identification of the individual items that would be aggregated in columns of the proposed tabular disclosures (such as the individual grant date fair value of each equity award, or the individual components of miscellaneous compensation) to evaluate executive compensation? How do investors use such information in making investment and voting decisions?

136. Is all of the executive compensation information that is material to investors in the context of larger companies also material in the context of SRCs and EGCs (or new NAFs, as defined in the 2026 Filer Status Proposing Release)? If not, how so?

137. How would the proposed amendments affect investors' costs to review and evaluate executive compensation disclosures, relative to their costs under the current rule? In what ways would search costs and analysis costs decrease for investors? In what ways would these costs increase? How would the costs vary across different types of investors? Please provide any data or estimates regarding the costs to investors of reviewing current executive and director compensation disclosures and the anticipated costs of reviewing the proposed revised disclosures, including individual or institutional staff time; any costs associated with extracting and analyzing data, including producing any required computations; the fees of third parties, including data aggregators or proxy advisors; and other costs associated with reviewing and analyzing the disclosures. Where possible, please associate any potential increases in costs with the specific elements of the proposed amendments that would result in such costs.

138. What adjustment costs would investors experience in the initial year after the effectiveness or compliance date of the proposed amendments? How would such costs vary across different types of investors? Please provide any data or estimates regarding such costs, linking any such transition costs with the specific elements of the proposed amendments that would result in such costs.

139. Given the overall objective of a more principles-based approach to executive compensation disclosure, would there be any costs to investors of the overall potential reduction in information? Specifically, we are proposing to consolidate the primary tabular disclosures into three new tables. What would be the costs to investors, if any, of the reduction in information in the tabular disclosures?

140. Would executive compensation levels or structures be likely to change as a result of the proposed amendments? How so? For example, would the use of non-equity incentive awards be likely to change? Would the level of perquisites or retirement benefits provided to executives be likely to change?

141. Would different types of investors (*e.g.,* institutional investors, financial intermediaries acting on behalf of investors, or retail investors) be differentially affected by the proposed amendments? How so?

142. Are the monetized estimates and underlying assumptions in section IV.M appropriate? Why or why not? Is the estimate of initial compliance costs a reasonable reflection of the potential transition costs to registrants? Are there additional costs or benefits that can be reasonably estimated? Please provide any data or analysis that could inform the monetization of costs and benefits.

143. Do investors and other market participants have any reliance interests in the current executive compensation disclosure rules? If so, please describe.

144. What would be the effects of the proposed amendments on efficiency, competition, capital formation, and investor protection?

V. Paperwork Reduction Act

A. Summary of the Collections of Information

Certain provisions of our rules, forms, and schedules that would be affected by the proposed amendments contain ''collection of information'' requirements within the meaning of the Paperwork Reduction Act (''PRA'').[940] We are submitting the proposed amendments to the OMB for review and approval in accordance with the PRA and its implementing regulations.[941] The hours and cost associated with preparing, filing, and sending the forms and schedules and retaining records constitute paperwork burdens imposed by each collection of information.[942] An agency may not conduct or sponsor, and a person is not required to comply with, a collection of information requirement unless it displays a currently valid OMB control number. The titles for the affected collections of information are:

- Form 10–K (OMB Control No. 3235–0063);
- Form 8–K (OMB Control No. 3235–0060);
- Regulation 14A and Schedule 14A (OMB Control No. 3235–0059);
- Regulation 14C and Schedule 14C (OMB Control No. 3235–0057); and
- Form N–CSR (OMB Control No. 3235–0570).

The forms and schedules listed above were adopted under the Exchange Act, and Form N–CSR was adopted under the Investment Company Act. Responses to these collections of information are mandatory. Responses are not kept confidential, and there is no mandatory retention period for the information disclosed.

A description of the proposed amendments, including the need for the information and its proposed use, as well as a description of the likely respondents and a discussion of the potential economic effects of the proposed amendments, can be found in sections II and IV above.

For purposes of the PRA analysis, the paperwork burden is generally allocated between burden hours, which reflect the portion of the burden that is performed by a registrant internally, and costs, which typically reflect the cost of outside professionals retained by the registrant in connection with the information collection. The estimates in the PRA analysis represent the average burden for all registrants, both large and small. In deriving our estimates, we recognize that the burdens will likely vary among individual registrants based on a number of factors, including the size and complexity of their businesses. These estimates include the time and the cost of preparing and reviewing disclosure, filing documents, and retaining records. We believe that some registrants will experience costs in excess of this average and some registrants will experience less than the average costs. The estimates also reflect the average expected compliance cost savings across the first three years of effectiveness of the proposed amendments, though these savings may be reduced in, for example, the first year of effectiveness (due to short-term transition costs) and greater in the later years. For purposes of the PRA analysis, the burden estimates are presented on a net basis, reflecting the offsetting effect of estimated cost savings against estimated information collection costs of the proposed amendments. Our methodologies for deriving these estimates are discussed in section V.B below.

[940] 44 U.S.C. 3501 *et seq.*

[941] *See* 44 U.S.C. 3507(d); 5 CFR 1320.11.

[942] The paperwork burdens for Regulation S–K and Regulation S–T are imposed through the forms, schedules, and reports that are subject to the requirements in these regulations and are reflected in the analysis of those documents.

B. Estimated Paperwork Burden Effects of the Proposed Amendments

The following PRA Table 1 summarizes the estimated effects of the proposed amendments on the paperwork burdens associated with the affected forms and schedules.

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PRA Table 1. Estimated Paperwork Burden Effects of the Proposed Amendments		
Proposed Amendments	**Affected Forms / Schedules**	**Estimated Effects**
Revising Item 402 disclosure requirements, including: • Reducing the number of NEOs; • Reducing the number of required tables; • Simplifying various other requirements, including with respect to CD&A, pay ratio, clawbacks, and perquisites; and • Eliminating various other requirements, including with respect to quantification of potential payments upon termination or change-in-control, compensation policies and practices related to risk management, and policies and practices related to grant of equity awards close in time to release of material non-public information.	Form 10-K	Decrease of 254.28 burden hours and $50,165.82 in costs per response[(i)] No change in number of annual responses
Revising NEO definition, thereby reducing the number of situations where a Form 8-K filing would be required under Item 5.02(b) and (e) of Form 8-K.	Form 8-K	No change in burden hours or costs per response Decrease of 695 Form 8-K filings per year[(ii)]
Revising pay-versus-performance disclosure requirements, including substantially streamlining the requirements.	Schedule 14A, Schedule 14C	Decrease of 13.28 burden hours and $2,655.07 in costs per response[(iii)] No change in number of annual responses
Revising golden parachute disclosure requirements, including simplifying the tabular requirements.	Schedule 14A, Schedule 14C	Decrease of 1.00 burden hour and $1,800.00 in costs per response[(iv)] No change in number of annual responses
Removing the disclosure item that requires registered management investment companies subject to the requirements of Rule 10D-1 to provide the same disclosure required by Item 402(w)(2) of Regulation S-K.	Form N-CSR	Decrease of 8 burden hours and $1,188 in costs per response[(v)] No change in number of annual responses

(i) The current OMB inventory for Form 10-K reflects, on average, approximately 1,695.20 burden hours and $334,438.81 in costs per response (which we calculate based on the current Form 10-K OMB inventory of 6,740 total responses annually, 11,425,648 total burden hours annually, and $2,254,117,579 total cost burden annually). We estimate that approximately 30% of the current burdens for Form 10-K are attributable to Item 402 and that the proposed amendments would reduce the burden attributable to Item 402 by approximately 50%. Accordingly, we estimate that the proposed amendments would decrease the burden per response by approximately 254.28 burden hours (30% of 1,695.20 hours multiplied by 50%) and $50,165.82 in costs (30% of $334,438.81 multiplied by 50%). In deriving our estimates, we considered, among other things, the length and complexity of Item 402 disclosures as compared to other annual report and proxy statement disclosures and the fact that the proposed amendments would reduce the number of NEOs and required tables typically by greater than 50%.

(ii) The current OMB inventory for Form 8-K reflects total annual responses of 70,760. We estimate that the proposed amendments would decrease the number of Form 8-K filings by approximately 695. In deriving our estimates, we considered, among other things, the number of Forms 8-K that were filed in 2025 that responded to Item 5.02(b) and (e) and the fact that the proposed amendments would reduce the number of NEOs.

(iii) The Commission estimated in 2022 that Item 402(v) would impose, on average, approximately 17.70 burden hours and $2,360.06 in costs per response. *See* 2022 Pay-versus-Performance Adopting Release at 55190. We are adjusting these cost estimates by a factor of 1.5 to reflect the Commission's determination, subsequent to the 2022 Pay-versus-

Performance Adopting Release estimates, to update for inflation the OMB cost inventory for its collections of information. *See* 2022 Clawback Adopting Release at 73133. When applied to the cost burden for Item 402(v), this results in an updated cost of approximately $3,540.09 per response. We estimate that the proposed amendments would reduce the burden attributable to pay-versus-performance disclosures by approximately 75%. Accordingly, we estimate that the proposed amendments would decrease the burden per response by approximately 13.28 burden hours (17.70 hours multiplied by 75%) and $2,655.07 ($3,540.09 multiplied by 75%) in costs. In deriving our estimates, we considered, among other things, the fact that the proposed amendments would substantially streamline the pay-versus-performance disclosure requirements (e.g., eliminating the requirement to present in a specified tabular format and eliminating the requirement to calculate a separate compensation actually paid figure) and would exempt a broader range of registrants (i.e., SRCs) from the requirement entirely.

(iv) The Commission estimated in 2011 that Item 402(t) would impose, on average, approximately 5.00 burden hours and $6,000.00 in costs per response. *See* 2011 Say-on-Pay Adopting Release at 6035-36. We are adjusting these cost estimates by a factor of 1.5 to reflect the Commission's determination, subsequent to the 2011 Say-on-Pay Adopting Release estimates, to update for inflation the OMB cost inventory for its collections of information. *See* 2022 Clawback Adopting Release at 73133. When applied to the cost burden for Item 402(t), this results in an updated cost of approximately $9,000.00 per response. We estimate that the proposed amendments would reduce the burden attributable to golden parachute disclosures by approximately 20%. Accordingly, we estimate that the proposed amendments would decrease the burden per response by approximately 1.00 burden hour (5.00 hours multiplied by 20%) and $1,800.00 in costs ($9,000.00 multiplied by 20%). In deriving our estimates, we considered, among other things, the fact that the proposed amendments would simplify the tabular requirements, including by reducing the number of required columns.

(v) The Commission estimated in 2022 that Item 18 of Form N-CSR would impose, on average, approximately 25 burden hours and $3,600 in costs per response. *See* 2022 Clawback Adopting Release at 73134. We estimate that the proposed amendments would reduce the burden attributable to Item 18 of Form N-CSR disclosures by 33%. Accordingly, we estimate that the proposed amendments would decrease the burden per response by approximately 8 burden hours (as rounded) (25 hours multiplied by 33%) and $1,188 ($3,600 multiplied by 33%) in costs. In deriving our estimates, we considered, among other things, the fact that the proposed amendments would eliminate certain disclosure, as well as the tagging of that disclosure in XBRL format, currently required by Item 18(b) of Form N-CSR.

For PRA purposes, the Item 402 paperwork burden generally is reflected in the OMB inventory for the Form 10–K collection of information notwithstanding the fact that, as a practical matter, registrants must also include the disclosures required by Item 402 in their annual proxy or information statement on Schedule 14A or Schedule 14C and often incorporate by reference such disclosures into their annual report on Form 10–K. We recognize that Item 402 information is required by collections of information beyond Form 10–K and that, as a result, there also may be incremental reductions in burdens for additional collections of information as a result of the proposed amendments not reflected in our estimates.[943] We have not taken separate reductions in burdens for such collections as typically the disclosures provided in response to such collections duplicate (or incorporate by reference) what is provided in response to Form 10–K. We believe this approach reflects the overall effect of the proposed amendments and also errs on the side of being conservative by avoiding overstating the reductions in burdens.[944]

C. Incremental and Aggregate Burden and Cost Estimates

The following PRA Table 2 summarizes the estimated number of affected annual responses and the estimated aggregate change in burden hours and costs as result of the proposed amendments.

[943] Such collections of information include: Form S–1 (OMB Control No. 3235–0065); Form S–4 (OMB Control No. 3235–0324); Form S–11 (OMB Control No. 3235–0067); Form 10 (OMB Control No. 3235–0064); and Form N–2 (OMB Control No. 3235–0026).

[944] We also recognize that there may be an incremental reduction in burden not separately reflected in our estimates under Item 10 of Schedule 14A due to the reduction in the number of NEOs under the proposed amendments. *See* Item 10(a)(2)(ii)(A) of Schedule 14A (requiring tabular disclosures for each NEO under Item 402). We have not reflected a separate reduction in burden in this respect given that executive officers as a group are required to be covered under Item 10 of Schedule 14A and to take a conservative position with respect to reductions in burdens. *See* Item 10(a)(2)(ii)(B) of Schedule 14A (requiring tabular disclosures for all executive officers as a group).

PRA Table 2. Estimated Number of Affected Responses and Incremental Burden Hour and Cost Burden Decreases						
Affected Forms / Schedules	Decrease in Annual Responses (from PRA Table 1)	Number of Affected Annual Responses	Burden Hour Decrease Per Affected Response (from PRA Table 1)	Cost Burden Decrease Per Affected Response (from PRA Table 1)	Decrease in Burden Hours	Decrease in Cost Burden
	(a)	*(b)*	*(c)*	*(d)*	*(e) = (b) x (c)*	*(f) = (b) x (d)*
Form 10-K	N/A	6,740	254.28	$50,165.82	1,713,847	$338,117,627
Form 8-K	695	695	N/A	N/A	4,385[(i)]	$585,816[(i)]
Schedule 14A	N/A	3,935 / 153[(ii)]	13.28 / 1.00	$2,655.07 / $1,800.00	52,410[(iii)]	$10,723,100[(iv)]
Schedule 14C	N/A	231 / 12[(ii)]	13.28 / 1.00	$2,655.07 / $1,800.00	3,080 [(v)]	$634,921[(vi)]
Form N-CSR	N/A	1	8	$1,188	8	$1,188[(vii)]

(i) For purposes of calculating the decrease in burden hours and decrease in cost burden for Form 8-K, the number of affected responses in column (b) has been multiplied by, in the case of column (e), the average burden hours per response currently reflected in the OMB inventory for Form 8-K (i.e., approximately 6.31 hours per response, which we calculate based on the current Form 8-K OMB inventory of 70,760 total responses annually and 446,650 total burden hours annually) and, in the case of column (f), the average cost burden per response currently reflected in the OMB inventory for Form 8-K (i.e., approximately $842.90 in costs per response, which we calculate based on the current Form 8-K OMB inventory of 70,760 total responses annually and $59,643,418 total cost burden annually).

(ii) The first number reflects the estimated number of affected responses with respect to the proposed pay-versus-performance amendments and is based on the number of registrants that are currently subject to the pay-versus-performance requirements and the ratio of the number of annual responses reflected in the OMB inventory for Schedule 14A as compared to Schedule 14C. The second number reflects the estimated number of affected responses with respect to the proposed golden parachute amendments and is based on the number of Schedules 14A or Schedules 14C that were filed in 2025 that included golden parachute disclosures.

(iii) The decrease in burden hours for Schedule 14A is the sum of the burden hour decreases for the proposed pay-versus-performance amendments and the proposed golden parachute amendments (i.e., (3,935*13.28) + (153*1.00)).

(iv) The decrease in cost burden for Schedule 14A is the sum of the cost burden decreases for the proposed pay-versus-performance amendments and the proposed golden parachute amendments (i.e., (3,935*$2,655.07) + (153*$1,800.00)).

(v) The decrease in burden hours for Schedule 14C is the sum of the burden hour decreases for the proposed pay-versus-performance amendments and the proposed golden parachute amendments (i.e., (231*13.28) + (12*1.00)).

(vi) The decrease in cost burden for Schedule 14C is the sum of the cost burden decreases for the proposed pay-versus-performance amendments and the proposed golden parachute amendments (i.e., (231*$2,655.07) − (12*$1,800.00)).

(vii) *See supra* PRA Table 1.

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The following PRA Table 3 summarizes the current and requested paperwork burdens and calculates the changes to affected information collections' estimated responses and total burdens under the proposed amendments.

PRA Table 3. Changes in Paperwork Burdens under the Proposed Amendments									
Form / Schedule	Current Burden (from OMB inventory)			Program Change (from PRA Table 2)			Revised Burden		
	Current Annual Reponses	Current Burden Hours	Current Cost Burden	Decrease in Annual Responses	Decrease in Burden Hours	Decrease in Cost Burden	Annual Responses	Burden Hours	Cost Burden
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g) = (a) − (d)*	*(h) = (b) − (e)*	*(i) = (c) − (f)*
Form 10-K	6,740	11,425,648	$2,254,117,579	N/A	1,713,847	$338,117,627	6,740	9,711,801	$1,915,999,952
Form 8-K	70,760	446,650	$59,643,418	695	4,385	$585,816	70,065	442,265	$59,057,602
Schedule 14A	6,043	816,349	$163,269,774	N/A	52,410	$10,723,100	6,043	763,939	$152,546,674
Schedule 14C	354	39,756	$7,951,194	N/A	3,080	$634,921	354	36,676	$7,316,273
Form N-CSR	26,104	202,306	$5,455,736	N/A	8	$1,188	26,104	202,298	$5,454,548

D. Request for Comment

Pursuant to 44 U.S.C. 3506(c)(2)(B), we request comment in order to:

- Evaluate whether the proposed changes to the collections of information are necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility;
- Evaluate the accuracy of our estimates of the change in burden hours and cost burden that would result from adoption of the proposed amendments;
- Determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected;
- Evaluate whether there are ways to minimize the burden of the collections of information on those who respond, including through the use of automated collection techniques or other forms of information technology; and
- Evaluate whether the proposed amendments would have any effects on any other collection of information not previously identified in this section.

Any member of the public may direct to us any comments concerning the accuracy of these burden estimates and any suggestions for reducing these burdens. Persons submitting comments on the collection of information requirements should direct them to the OMB Desk Officer for the U.S. Securities and Exchange Commission, *MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov,* and should send a copy to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission, using any of the methods in the **ADDRESSES** section, with reference to File No. S7–2026–39. Requests for materials submitted to OMB by the Commission with regard to the collection of information should be in writing, should refer to File No. S7–2026–39, and should be submitted to the U.S. Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736. OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication of this release. Consequently, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication.

VI. Initial Regulatory Flexibility Act Analysis

When an agency issues a rulemaking proposal, the RFA [945] requires the agency to prepare and make available for public comment an IRFA that describes the impact of the proposed rule on small entities.[946] This IRFA relates to the proposed amendments to rules and forms described in section II above.

A. Reasons for, and Objectives of, the Proposed Action

The proposed amendments are intended to make the Commission's executive compensation disclosure requirements more principles-based and the disclosures clearer, more concise, and less complex. In addition, the proposed amendments are intended to reduce compliance burdens for registrants and focus the disclosure on information that is likely to be material to investors. To this end, the proposed amendments would primarily (1) consolidate the main tabular disclosure requirements of Item 402 into three new tables, (2) reduce the number of NEOs for whom executive compensation disclosure is required from five or more to two in most circumstances, (3) provide registrants more flexibility in identifying and reporting perquisites, (4) make compensation disclosure generally, including the CD&A, more principles-based, (5) narrow the required scope of pay-versus-performance, pay ratio and clawbacks disclosures, (6) eliminate prescriptive requirements to disclose potential payments and benefits to an NEO in various termination or change-in-control scenarios, making them more principles-based, (7) simplify and make more principles-based the existing golden parachute compensation disclosure, (8) eliminate mandatory tabular disclosure for director compensation, and (9) extend the period of time available to registrants for providing Item 402 disclosure regarding the last completed fiscal year in registration statements that require Item 402 information. A discussion of the proposed amendments, including a high-level tabular comparison of certain elements of the proposal to current requirements, is set forth in section II above. We discuss the economic impact and potential alternatives to the amendments in section IV, the estimated compliance costs and burdens of the amendments under the PRA in section V, and the present values and annualized values of monetized benefits and costs in section IV.M, above.

B. Legal Basis

The amendments contained in this release are proposed under the authority set forth in: sections 3(b), 6, 7, 10, 19(a), and 28 of the Securities Act; sections 3(b), 9, 10D, 10(b), 12, 13, 14, 14A, 15(d), 16, 20A, 21A, 23(a), and 36 of the Exchange Act; sections 8, 20(a), 24(a), 30, and 38 of the Investment Company Act; section 211 of the Investment Advisers Act; [947] sections 3(a), 306(a), and 406 of the Sarbanes-Oxley Act of 2002; sections 102, 103, and 107 of the Jumpstart Our Business Startups Act; [948] sections 951, 953(a), 953(b), and 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and 5 U.S.C. 601.

C. Small Entities Subject to the Proposed Amendments

The proposed amendments to Item 402 and the related forms, rules, and schedules under the Securities Act, the Exchange Act and Investment Company Act would apply to registrants that are small entities, either as issuers or as investment companies. The RFA defines ''small entity'' to mean ''small business,'' ''small organization,'' or ''small governmental jurisdiction.'' [949] For purposes of the Regulatory Flexibility Act, currently under our rules, an issuer, other than an investment company, is a ''small business'' or ''small organization'' if it had total assets of $5 million or less on the last day of its most recent fiscal year and is engaged or proposing to engage in an offering of securities that does not exceed $5 million.[950] An investment company, including a BDC or face-amount certificate company that is a registrant under the Securities Act or the Exchange Act, is considered to be a small entity if it, together with other investment companies in the same group of related investment companies, has net assets of $50 million or less as of the end of its most recent fiscal year.[951] We estimate that, based on calendar year 2025 data, there were 678 issuers, 5 BDCs, and 62 open-end or closed-end management investment companies (''funds'') [952] that may be considered small entities under the current rules' definitions that would be subject to the proposed amendments.[953]

D. Projected Reporting, Recordkeeping, and Other Compliance Requirements

We expect the proposed amendments to reduce burdens associated with preparing executive compensation disclosure for *all* registrants. The proposed amendments should result in savings for registrants, by reducing both the time spent and the financial expense of preparing required disclosure under Item 402, which would benefit smaller companies.

The proposed amendments would substantially change the executive compensation disclosure requirements for *all* companies that file reports under the Exchange Act, offer securities for sale under the Securities Act, or register a class of securities under section 12(b) or section 12(g) of the Exchange Act on Form 10.

Additionally, smaller registrants, including ''small entities,'' would continue to be exempt from certain existing disclosure requirements. Specifically, smaller registrants are not currently required to provide disclosure related to CD&A, pay ratio, and compensation policies and practices related to risk management.[954] The proposed amendments would continue these accommodations, to the extent these requirements are being retained for other registrants.[955]

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[945] 5 U.S.C. 601 *et seq.*

[946] 5 U.S.C. 603(a).

[947] 15 U.S.C. 80b–1 *et seq.*

[948] Public Law 112–106, 126 Stat. 306 (2012).

[949] 5 U.S.C. 601(6).

[950] *See* 17 CFR 240.0–10(a); *see also* 17 CFR 230.157 (providing that an issuer, other than an investment company, is a ''small business'' or ''small organization'' if it had $5 million or less in total assets on the last day of its most recent fiscal year). In the 2026 Filer Status Proposing Release the Commission proposed to update the rules that define ''small entity'' under the RFA. As discussed in section II.E above, we are proposing to revise to $35 million the current $5 million threshold in our small business and small organization definitions for issuers for purposes of the RFA under the Securities Act and Exchange Act. We encourage commenters to review that proposal to determine whether it might affect their comments on this IRFA.

[951] *See* 17 CFR 270.0–10(a).

[952] These estimates are based on staff analysis of issuers potentially subject to the proposed amendments during calendar year 2025. This analysis is based on data from Morningstar Direct and data reported to the Commission for the quarter-end time period.

[953] The Commission also has a pending proposal addressing the definition under the Investment Company Act of small organization and small business for purposes of the RFA. *See Amendments to the ''Small Business'' and ''Small Organization'' Definitions for Investment Companies and Investment Advisers for Purposes of the Regulatory Flexibility Act,* Release No. IC–35864 (Jan. 7, 2026) [91 FR 1107 (Jan. 12, 2026)]. We encourage commenters to review that proposal to determine whether it might affect their comments on this IRFA.

[954] See section II.M above for a more detailed discuss of the scaling and other accommodations available currently and under the proposed rules for SRCs and EGCs, which would include small entities.

[955] SRCs and EGCs, including those that are small entities, are currently not required to comply with 17 CFR 229.402(s) (narrative disclosure of compensation policies and practices as they relate to risk management). *See* 17 CFR 229.402(m). Under

E. Duplicative, Overlapping, or Conflicting Federal Rules

We do not expect the proposed rules, if adopted, to duplicate, overlap, or conflict with other rules.

F. Significant Alternatives

The RFA directs us to consider alternatives that would accomplish our stated objectives, while minimizing any significant adverse impact on small entities. In connection with the proposed amendments, we considered the following alternatives:

- Establishing different compliance or reporting requirements or timetables that take into account the resources available to small entities;
- Clarifying, consolidating, or simplifying compliance and reporting requirements under the rules for small entities;
- Using performance rather than design standards; and
- Exempting small entities from all or part of the requirements.

As noted, we expect that all or nearly all small entities would be permitted to take advantage of any existing accommodations, to the extent retained in the proposed rule, that allow smaller registrants to provide reduced disclosure in certain areas as compared to other registrants or to be exempt from certain disclosure requirements. The proposed rules would continue to exempt small registrants from substantially the same executive compensation disclosure requirements from which they are exempt under the current rules, as discussed in more detail in section II.M above. In addition, as with all registrants, under the proposal small entities would only be required to provide disclosure for their PEO and PFO, which for SRCs and EGCs is a reduction from the current requirement to provide the PEO, PFO, and next most highly paid executive officer.

With regard to the non-scaled portions of the proposed rule, we believe that the expected benefits of the proposed amendments, including a more principles-based approach and greater flexibility in regard to certain provisions, will accrue to all registrants, including small entities. These expected benefits would result from, among other things:

- Requiring registrants to determine and disclose compensation information only for the PEO and PFO, instead of three or more executives (for small entities);
- A consolidated, more streamlined approach to tabular disclosure of executive compensation;
- Eliminating mandatory tabular disclosure for director compensation;
- Eliminating required disclosure related to grants of certain equity awards close in time to the release of material nonpublic information; and
- Simplifying disclosure requirements related to a registrant's action to recover erroneously awarded compensation.

After taking into account transition costs, we do not expect that the requirements included in the proposed amendments would increase burdens on any registrants, including small entities. We do not anticipate that small entities would experience any significant adverse impact from the proposal.

We have used both performance standards and design standards in connection with the proposed amendments. Where performance standards supported the goals of the proposed rule amendments, we sought to provide registrants with flexible, principles-based opportunities to meet related disclosure requirements. Where necessary or appropriate to achieving the goals of the proposed rule amendments to elicit specific information, we included design standards, requiring more prescriptive content and/or format to promote clarity and comparability. We believe that, in those areas where we have used design standards, the objectives of the proposed rules are unlikely to be met using performance standards. In these instances, we do not believe that small entities would be disproportionately affected by the proposed prescriptive requirements, some of which they are already complying with under the current rule.

We did consider several alternatives to certain provisions of the proposed rules, which we discuss in detail in section IV above. Some of these alternatives include:

- Reducing the NEOs covered to only the PEO (section IV.D.3). Because the elimination of the PFO may not significantly reduce costs, while the information loss to investors could be significant, we are not proposing this alternative.
- Requiring alternative presentations for the primary tabular disclosures, such as additional prescriptive requirements to disclose certain factual information about the terms of incentive awards in a standardized form or further delineation of Miscellaneous Compensation Received items (section IV.E.4). Because such additional prescriptive measures would likely increase costs, and not prescribing a presentation method could allow market practices or norms or company-specific approaches to develop under which this information may be presented in a more efficient manner, we are not proposing these alternatives.

The proposed amendments are intended to make the executive compensation disclosure requirements more principles-based, reduce compliance burdens for registrants, and focus the disclosure on information that is likely to be material to investors. We expect that the proposed amendments will generate compliance cost savings for registrants generally, including small entities. As indicated above, the proposed amendments include or retain a number of scaled disclosure accommodations for small entities, which encompass different compliance or reporting requirements, simplified compliance and reporting requirements, and certain exemptions.

Request for Comment

We encourage the submission of comments with respect to any aspect of this IRFA. In particular, we request comments regarding:

- The number of small entities that may be affected by the proposed amendments;
- The existence or nature of the potential impact of the proposed amendments on small entities discussed in the analysis;
- Whether and to what extent the proposed new accommodations related to golden parachute disclosure, pay-versus-performance disclosure and narrative disclosures relating to required tables would benefit small entities;
- Whether and to what extent the proposed continuation of existing exemptions from CD&A and pay ratio disclosure and, for small entities that are EGCs, pay-versus-performance and golden parachute compensation disclosure, would continue to benefit small entities;
- Whether and to what extent the proposed amendments aimed at reducing burdens for all registrants, including providing executive compensation disclosure for only two NEOs and eliminating required tabular disclosure for director compensation and narrative and tabular disclosure requirements related to grants of equity awards close in time to the release of material nonpublic information, would benefit small entities;
- Whether additional accommodations should be made available to small entities;
- Whether there are modifications to the proposed amendments that could

the proposal, the requirements contained in 17 CFR 229.402(s) would be eliminated for all registrants.

further lower the burden on small entities; and

• How to quantify the impact of the proposed amendments.

Commenters are asked to describe the nature of any impact and provide empirical data (or quantitative estimates) supporting the extent of the impact. Comments will be considered in the preparation of the Final Regulatory Flexibility Analysis, if the proposed amendments are adopted, and will be placed in the same public file as comments on the proposed amendments themselves.

VII. Congressional Review Act

For purposes of Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act),[956] the Commission must seek OMB's determination as to whether a final regulation constitutes a ''major rule.'' Under the Congressional Review Act, a rule is considered ''major'' where, if adopted, it results in or is likely to result in:

• An annual effect on the economy of $100 million or more;

• A major increase in costs or prices for consumers or individual industries; or

• Significant adverse effects on competition, investment, or innovation.[957]

To help inform OMB's determination as to whether any final rule that results from the proposal would be a ''major rule,'' the Commission solicits comment and data on:

• The potential effect on the U.S. economy on an annual basis;

• Any potential increase in costs or prices for consumers or individual industries; and

• Any potential effect on competition, investment, or innovation.

Commenters are requested to provide empirical data and other factual support for their views to the extent possible to inform OMB's determination regarding whether any final rule following this proposal is likely to be a ''major rule'' for the purposes of the Congressional Review Act.

Statutory Authority

The proposed amendments contained in this release are being proposed under the authority set forth in: sections 3(b), 6, 7, 10, 19(a), and 28 of the Securities Act; sections 3(b), 9, 10D, 10(b), 12, 13, 14, 14A, 15(d), 16, 20A, 21A, 23(a), and 36 of the Exchange Act; sections 8, 20(a), 24(a), 30, and 38 of the Investment Company Act; section 211 of the Investment Advisers Act; sections 3(a), 306(a), and 406 of the Sarbanes-Oxley Act of 2002; sections 102, 103, and 107 of the Jumpstart Our Business Startups Act; sections 951, 953(a), 953(b), and 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and 5 U.S.C. 601.

List of Subjects in 17 CFR Parts 229, 232, 239, 240, 249, and 274

Reporting and recordkeeping requirements, Securities, Investment companies, Administrative practice and procedure, Electronic filing.

Text of Proposed Amendments

For the reasons set forth in the preamble, the Commission is proposing to amend title 17, chapter II of the Code of Federal Regulations as follows:

PART 229—STANDARD INSTRUCTIONS FOR FILING FORMS UNDER SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT OF 1934 AND ENERGY POLICY AND CONSERVATION ACT OF 1975—REGULATION S–K

■ 1. The authority citation for part 229 continues to read as follows:

Authority: 15 U.S.C. 77e, 77f, 77g, 77h, 77j, 77k, 77s, 77z–2, 77z–3, 77aa(25), 77aa(26), 77ddd, 77eee, 77ggg, 77hhh, 77iii, 77jjj, 77nnn, 77sss, 78c, 78i, 78j, 78j–3, 78l, 78m, 78n, 78n–1, 78o, 78u–5, 78w, 78ll, 78mm, 80a–8, 80a–9, 80a–20, 80a–29, 80a–30, 80a–31(c), 80a–37, 80a–38(a), 80a–39, 80b–11 and 7201 *et seq.;* 18 U.S.C. 1350; sec. 953(b), Pub. L. 111–203, 124 Stat. 1904 (2010); and sec. 102(c), Pub. L. 112–106, 126 Stat. 310 (2012).

■ 2. Amend § 229.201 by revising Instruction 2 to the *Instructions to paragraph (d)* to read as follows:

§ 229.201 (Item 201) Market price of and dividends on the registrant's common equity and related stockholder matters.

* * * * *

Instructions to paragraph (d).

* * * * *

■ 2. For purposes of this paragraph, an ''individual compensation arrangement'' includes, but is not limited to, the following: a written compensation contract within the meaning of ''employee benefit plan'' under § 230.405 of this chapter and a plan (whether or not set forth in any formal document) applicable to one person as provided under Item 402(a)(7) of Regulation S–K (§ 229.402(a)(7)).

* * * * *

■ 3. Revise and republish § 229.402 to read as follows:

§ 229.402 (Item 402) Executive compensation.

(a) *General.*

(1) *Objective.* The objective of this Item is to provide investors with material information relevant to an assessment of the compensation of the registrant's named executive officers and directors. This Item requires clear, concise, and understandable disclosure of the compensation granted to, earned by, or paid to the named executive officers designated under paragraph (a)(2) of this Item and the directors covered by paragraph (k) of this Item for all services rendered in all capacities to the registrant and its subsidiaries.

Instruction to Item 402(a)(1). The registrant may provide any information not explicitly called for by this Item that is relevant to this objective in any format it determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures.

(2) *Persons covered.* Disclosure must be provided pursuant to this Item for each of the following (each a ''named executive officer'' and collectively ''named executive officers''):

(i) All individuals serving as the registrant's principal executive officer or acting in a similar capacity during the last completed fiscal year (''PEO''); and

(ii) All individuals serving as the registrant's principal financial officer or acting in a similar capacity during the last completed fiscal year (''PFO'').

(3) *Information required.* If a named executive officer served as the registrant's principal executive officer or principal financial officer or acted in a similar capacity during any part of a fiscal year with respect to which information is required, provide information for all of that person's compensation for the full fiscal year.

(4) *Recovered compensation.* If any amount has been recovered pursuant to the compensation recovery policy required by the listing standards adopted pursuant to 17 CFR 240.10D–1, identify and quantify the recovered amount and reduce the amount reported in the tables required under this Item by the recovered amount.

(5) *Certain matters with respect to presentation.*

(i) *Information necessary to an understanding of the tables.* The registrant must disclose any material information necessary to an understanding of the information disclosed in the tables required by paragraph (b) (Earned Compensation Table), (c) (Granted Compensation

[956] *See* 5 U.S.C. chapter 8.

[957] *See* 5 U.S.C. 804(2) (defining ''major rule'').

Table), and (d) (Status of Equity Awards Table) of this Item.

Instruction to Item 402(a)(5)(i). The registrant may disclose this information in any format it determines to be appropriate, including in a supplemental table, in additional columns in an existing table, in footnotes to the tabular disclosures, or in supplemental narrative disclosures.

(ii) *Flexibility in the manner of tabular presentation.* The registrant has flexibility in the manner of presentation of the tables required under this Item, as follows:

(A) *Omission of table or column.* A table or column may be omitted if no compensation granted to, earned by, or paid to any of the named executive officers is required to be reported in that table or column in any fiscal year covered by that table or column; and

(B) *Splitting columns.* A registrant may split a single column into multiple columns (or into a supplemental table) so long as the multiple columns (or supplemental table) are clearly labeled and in aggregate cover all items of compensation required to be reported in such single column.

(iii) *Compensation in a currency other than U.S. dollars.* If an amount required to be reported in U.S. dollars was granted to, earned by, or paid to a named executive officer or director in a currency other than U.S. dollars, report such amount in U.S. dollars and disclose, by a footnote to the table or otherwise, the rate and methodology used to convert the amount to U.S. dollars.

(6) *Treatment of specific types of issuers.*

(i) *Smaller reporting companies.* A registrant that qualifies as a ''smaller reporting company'' as defined by Item 10(f) (§ 229.10(f)(1)) may comply with this Item by providing the information required by:

(A) Paragraph (a) of this Item (General);

(B) Paragraph (b) of this Item (Earned Compensation Table) for each of its last two completed fiscal years;

(C) Paragraph (c) of this Item (Granted Compensation Table) for each of its last two completed fiscal years;

(D) Paragraph (d) of this Item (Status of Equity Awards Table);

(E) Paragraph (f) of this Item (Pay-versus-performance);

(F) Paragraph (g) of this Item (Disclosure of a registrant's action to recover erroneously awarded compensation);

(G) Paragraph (i) of this Item (Potential payments upon termination or change-in control);

(H) Paragraph (j) of this Item (Golden parachute compensation); and

(I) Paragraph (k) of this Item (Compensation of directors).

(ii) *Emerging growth companies.* A registrant that is an ''emerging growth company'' as defined in Rule 405 under the Securities Act (§ 230.405 of this chapter) or Rule 12b–2 under the Exchange Act (§ 240.12b–2 of this chapter), may comply with this Item by providing the information required by:

(A) Paragraph (a) of this Item (General);

(B) Paragraph (b) of this Item (Earned Compensation Table) for each of its last two completed fiscal years;

(C) Paragraph (c) of this Item (Granted Compensation Table) for each of its last two completed fiscal years;

(D) Paragraph (d) of this Item (Status of Equity Awards Table);

(E) Paragraph (g) of this Item (Disclosure of a registrant's action to recover erroneously awarded compensation);

(F) Paragraph (i) of this Item (Potential payments upon termination or change-in control); and

(G) Paragraph (k) of this Item (Compensation of directors).

(iii) *Foreign private issuers.* A foreign private issuer will be deemed to comply with this Item if it provides the information required by Items 6.B, 6.E.2, and 6.F of Form 20–F (17 CFR 249.220f), with more detailed information provided if otherwise made publicly available or required to be disclosed by the issuer's home jurisdiction or a market in which its securities are listed or traded, or paragraph (19) of General Instruction B of Form 40–F (17 CFR 249.240f), as applicable.

(7) *Definitions.* For purposes of this Item, the following definitions apply, unless the context otherwise requires:

Closing market price means the price at which the registrant's security was last sold in the principal market for such security as of the date for which the closing market price is determined.

Equity means stock and/or options, or similar instruments.

Equity incentive plan means an incentive plan or portion of an incentive plan under which awards are granted that fall within the scope of FASB ASC Topic 718, *Compensation—Stock Compensation.*

Grant date means the grant date determined for financial statement reporting purposes pursuant to FASB ASC Topic 718.

Incentive plan means any plan providing compensation intended to serve as incentive for performance to occur over a specified period, whether such performance is measured by reference to financial performance of the registrant or an affiliate, the registrant's stock price, or any other performance measure.

Non-equity incentive plan means an incentive plan or portion of an incentive plan that is not an equity incentive plan.

Option means an instrument such as a stock option, stock appreciation right, or similar instrument with option-like features.

Plan includes, but is not limited to, a plan, contract, authorization, or arrangement, whether or not set forth in any formal document, pursuant to which cash, securities, similar instruments, or any other property may be received. A plan may be applicable to one person. Registrants may omit information regarding group life, health, hospitalization, medical reimbursement, or disability plans that do not discriminate in scope, terms, or operation in favor of executive officers or directors of the registrant and that are available generally to all salaried employees.

Stock means instruments such as common stock, restricted stock, restricted stock units, phantom stock, phantom stock units, stock equivalent units, or any similar instruments that do not have option-like features.

Stock appreciation rights or SARs means SARs payable in cash or stock, including SARs payable in cash or stock at the election of the registrant or a named executive officer.

(8) *Newly reporting companies.* Information with respect to fiscal years prior to the last completed fiscal year will not be required if the registrant was not a reporting company pursuant to section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78m(a) or 78o(d)) at any time during that fiscal year, except that the registrant will be required to provide information for any such year if that information previously was required to be provided in response to a Commission filing requirement.

(b) *Earned Compensation Table.*

(1) *General.* Provide the information specified in paragraph (b)(2) of this Item, concerning the compensation earned by the named executive officers for each of the registrant's last three completed fiscal years, in an Earned Compensation Table in the following tabular format:

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]							

(2) Include in the Earned Compensation Table:

(i) The name and principal position of the named executive officer (column (a));

(ii) The fiscal year covered (column (b));

(iii) The dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year covered (column (c));

(iv) The aggregate dollar value of non-equity awards (including annual cash bonuses, *ad hoc* cash bonuses, such as signing and retention bonuses, and non-equity incentive plan awards) earned by the named executive officer during the fiscal year covered and all earnings on any outstanding awards under non-equity incentive plans (column (d));

Instruction 1 to Item 402(b)(2)(iii) and (iv). Include in the Salary Earned column (column (c)) or Non-Equity Awards Earned column (column (d)) any amount of salary or non-equity awards forgone at the election of a named executive officer under which stock, equity-based, or other forms of non-cash compensation instead have been received by the named executive officer.

Instruction 2 to Item 402(b)(2)(iii) and (iv). Report amounts when earned (including when an amount is earned for a single year under an award with a multi-year performance period).

(v) The aggregate dollar value realized upon vesting of stock (computed by multiplying the number of shares of stock or units by the closing market price of the underlying shares or units on the vesting date), or upon the transfer of a stock award for value (column (e));

(vi) The aggregate dollar value realized upon exercise of options (computed by multiplying the total number of securities underlying the options by the difference between the closing market price of the underlying securities on the exercise date and the exercise or base price of the options), or upon the transfer of an option award for value (column (f));

Instruction to Item 402(b)(2)(v) and (vi). Include the value of any related payment or other consideration provided (or to be provided) by the registrant to or on behalf of a named executive officer, including payment of the exercise price or related taxes, in the Miscellaneous Compensation Received column (column (g)).

(vii) Miscellaneous compensation earned or otherwise received during the covered fiscal year that the registrant could not properly report in any other column of the Earned Compensation Table (column (g)), as follows:

(A) Perquisites and other personal benefits, unless the aggregate total value of such compensation for a named executive officer is less than $150,000;

Instruction to Item 402(b)(2)(vii)(A). To determine if perquisites and personal benefits exceed the perquisites aggregate reporting threshold, the registrant may exclude from the calculation any individual perquisite or personal benefit that is a *de minimis* fringe benefit under section 132(a)(4) of the Internal Revenue Code (26 U.S.C. 132(a)(4)), or any successor provision.

(B) All ''gross-ups'' or other amounts reimbursed during the fiscal year for the payment of taxes, including any reimbursements of taxes owed with respect to perquisites or other personal benefits;

(C) For any security of the registrant or its subsidiaries purchased from the registrant or its subsidiaries (through deferral of salary or bonus, or otherwise) at a discount from the market price of such security at the date of purchase, unless that discount is available generally, either to all security holders or to all salaried employees of the registrant, the compensation cost, if any, computed in accordance with FASB ASC Topic 718;

(D) For any exercises of options where the registrant paid the exercise or base price or related taxes, or provided any other consideration with respect to the option exercise to or on behalf of the named executive officer, the value of those payments;

(E) The amount paid or accrued to any named executive officer pursuant to a plan or arrangement in connection with:

(*1*) Any termination of such named executive officer's employment with the registrant and its subsidiaries, including without limitation through resignation, severance, retirement, or constructive termination (including a change in responsibilities); or

(*2*) A change in control of the registrant.

(F) Registrant contributions or other allocations to vested and unvested defined contribution plans and nonqualified deferred compensation plans, and any above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including earnings on nonqualified defined contribution plans;

Instruction to Item 402(b)(2)(vii)(F). Interest on deferred compensation is above-market only if the rate of interest exceeds 120 percent of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code (26 U.S.C. 1274(d))) at the rate that corresponds most closely to the rate under the registrant's plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation must be made on the basis of the interest rate at the time of such reset, rather than when originally established. Only the above-market portion of the interest must be included. If the applicable interest rates vary depending upon conditions such as a minimum period of continued service, the reported amount should be calculated assuming satisfaction of all conditions to receiving interest at the highest rate. Dividends (and dividend equivalents) on deferred compensation denominated in the registrant's stock are preferential only if earned at a rate higher than dividends on the registrant's common stock. Only the preferential portion of the dividends or equivalents must be included.

(G) For any plan that provides for the payment of retirement benefits or benefits that will be paid primarily following retirement, including but not

limited to tax-qualified defined benefit plans and supplemental executive retirement plans, but excluding tax-qualified defined contribution plans and nonqualified defined contribution plans, the aggregate of:

(*1*) Service costs, calculated as the actuarial present value of each named executive officer's benefit under all such plans attributable to services rendered during the covered fiscal year, and

(*2*) Prior service costs, calculated as the entire cost of benefits granted (or credit for benefits reduced) in a plan amendment (or initiation) during the covered fiscal year that are attributed by the benefit formula to services rendered in periods prior to the amendment;

Instruction to Item 402(b)(2)(vii)(G). For purposes of the amount(s) reported pursuant to paragraph (b)(2)(vii)(G), the registrant must use the same methodology as used for the registrant's financial statements under generally accepted accounting principles.

(H) The dollar value of any insurance premiums paid by, or on behalf of, the registrant during the covered fiscal year with respect to life insurance for the benefit of a named executive officer;

(I) The dollar value of any dividends or other earnings paid on outstanding stock or option awards; and

(J) The dollar value of any other compensation earned by or paid to the named executive officer for or during the fiscal year that the registrant determines is material or otherwise elects to disclose.

(viii) The sum of all amounts reported in columns (c) through (g) (column (h)).

Instruction to Item 402(b)(2). Any amounts deferred, whether pursuant to a plan established under section 401(k) of the Internal Revenue Code (26 U.S.C. 401(k)), or otherwise, must be included in the appropriate column for the fiscal year in which earned.

(3) A registrant that is a large accelerated filer (as defined in § 240.12b–2 of this chapter) must provide, and all other registrants are permitted to provide, the disclosure required under paragraph (b)(2) of this section in an Interactive Data File as required by 17 CFR 232.405 (Rule 405 of Regulation S–T) in accordance with the EDGAR Filer Manual (referenced in § 232.301 of this chapter).

Instruction 1 to Item 402(b)(3). Information or disclosures provided in a footnote to the Earned Compensation Table are not required to be provided in an Interactive Data File.

(c) *Granted Compensation Table.*

(1) Provide the information specified in paragraph (c)(2) of this Item, concerning the compensation granted to the named executive officers for each of the registrant's last three completed fiscal years, in a Granted Compensation Table in the following tabular format:

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]						

(2) Include in the Granted Compensation Table:

(i) The name and principal position of the named executive officer (column (a));

(ii) The fiscal year covered (column (b));

(iii) The annualized dollar value of base salary for the named executive officer as of the last day of the fiscal year covered (column (c));

(iv) The aggregate target dollar value of non-equity awards (including annual cash bonuses and *ad hoc* cash bonuses, such as signing and retention bonuses) and the aggregate target dollar value of payouts pursuant to awards under non-equity incentive plans granted to the named executive officer during the fiscal year covered (column (d));

Instruction 1 to Item 402(c)(2)(iv). The aggregate target dollar value of a non-equity award is reportable in the fiscal year during which the award was granted; *provided, however,* that if a non-equity award was earned in a fiscal year prior to the grant year, such award must be reported in that prior fiscal year (*e.g.,* an annual bonus not granted until the first quarter of the fiscal year immediately following the last completed fiscal year but earned in the last completed fiscal year must be reported in the last completed fiscal year).

Instruction 2 to Item 402(c)(2)(iv). For non-equity awards with multiple potential outcomes (*e.g.,* minimum, target, and maximum), the target outcome is the achievement of the target outlined in the award at the 100 percent level. For non-equity awards that have a binary outcome (*i.e.,* awards that are either fully earned or not earned at all), the target outcome is that the award criteria are met and the award is fully earned.

(v) For awards of stock granted during the covered fiscal year, the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, except that it must be assumed that the award's target outcome(s) will be achieved (column (e));

(vi) For awards of options granted during the covered fiscal year, the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, except that it must be assumed that the award's target outcome(s) will be achieved (column (f)); and

Instruction 1 to Item 402(c)(2)(v) and (vi). The grant date fair value of an equity award is reportable in the fiscal year during which the award was granted; *provided, however,* that a registrant may elect to report an equity award in the fiscal year immediately prior to the grant year if the registrant considers the award to be for performance in that prior year and the award is granted in the first quarter of the grant year. The registrant must report equity awards on a consistent basis across the fiscal years covered in the table and, if the registrant elects to report equity awards in the fiscal year immediately prior to the grant year pursuant to this Instruction, the registrant must disclose that it is reporting equity awards in the fiscal year immediately prior to the grant year.

Instruction 2 to Item 402(c)(2)(v) and (vi). If at any time during the last completed fiscal year, the registrant has adjusted or amended the exercise price of options or SARs previously granted to

a named executive officer, whether through amendment, cancellation, or replacement grants, or any other means, or otherwise has materially modified such awards, the registrant must include, as awards required to be reported in the Option Awards Granted column (column (f)), the incremental fair value, computed as of the repricing or modification date in accordance with FASB ASC Topic 718, with respect to that repriced or modified award.

Instruction 3 to Item 402(c)(2)(v) and (vi). Report the grant date fair value based upon the target outcome(s) of the performance, market, and/or service conditions (if applicable). For equity awards with multiple potential outcomes (*e.g.,* minimum, target, and maximum), the target outcome is the achievement of the target outlined in the award at the 100 percent level. For equity awards that have a binary outcome (*i.e.,* awards that are either fully earned or not earned at all), the target outcome is that the award criteria are met and the award is fully earned.

(vii) The sum of all amounts reported in columns (c) through (f) (column (g)).

(3) A registrant that is a large accelerated filer (as defined in § 240.12b–2 of this chapter) must provide, and all other registrants are permitted to provide, the disclosure required under paragraph (c)(2) of this section in an Interactive Data File as required by 17 CFR 232.405 (Rule 405 of Regulation S–T) in accordance with the EDGAR Filer Manual (referenced in § 232.301 of this chapter).

Instruction 1 to Item 402(c)(3). Information or disclosures provided in a footnote to the Granted Compensation Table are not required to be provided in an Interactive Data File.

(d) *Status of Equity Awards Table.*

(1) Provide the information specified in paragraph (d)(2) of this Item, concerning the terms and status of equity awards outstanding as of the beginning of, or granted during, the registrant's last completed fiscal year, or otherwise reported in the Granted Compensation Table or the Earned Compensation Table with respect to the last completed fiscal year, for each named executive officer, in a Status of Equity Awards Table in the following tabular format:

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]								

(2) Include, on an award-by-award basis, in the Status of Equity Awards Table:

(i) The name and principal position of the named executive officer (column (a));

(ii) The grant date for each equity award (column (b));

(iii) A description of the award type or designation (column (c));

(iv) The number of shares of stock, or the number of shares underlying options, to be vested upon satisfaction of the conditions, or the range of potential payouts denominated in the number of shares of stock or the number of shares underlying options (*e.g.,* threshold, target, and maximum amounts) (column (d));

(v) The date on which the performance period ends, if applicable (column (e));

(vi) The last date on which shares of stock, or shares underlying options, may vest, if known (column (f));

(vii) The exercise or base price, if applicable (column (g));

(viii) The number of shares of stock, or the number of shares underlying options, that have vested (column (h)); and

(ix) The number of shares underlying options that have been exercised and that have expired (column (i)).

Instruction 1 to Item 402(d)(2). An equity award no longer needs to be included in the table after the award has been reported as fully vested, in the case of a stock award, or fully exercised or fully expired, in the case of an option award, in the Earned Compensation Table (or otherwise expired). Report the terms and status of each equity award as of the end of the last completed fiscal year; *provided, however,* that if a registrant has reported an equity award granted during the first quarter of the fiscal year immediately following the last completed fiscal year pursuant to Instruction 1 to Item 402(c)(2)(v) and (vi), the registrant must report the terms and status of all equity awards as of the end of the first quarter of the fiscal year immediately following the last completed fiscal year (or, if earlier, the latest practicable date).

Instruction 2 to Item 402(d)(2). If the award specifies a range of potential payouts, provide and clearly label the amounts in column (d) for each relevant scenario (*e.g.,* ''Threshold: 25,000; Target: 100,000; Maximum: 200,000''). In column (i), if applicable, state the amount of option awards that have been exercised and that have expired (*e.g.,* ''Exercised: 50,000; Expired: 10,000'').

Instruction 3 to Item 402(d)(2). Report each award granted to the named executive officer separately in its own row. Report an award consisting of a combination of options, SARs, and/or similar option-like instruments as separate awards with respect to each tranche or component with a different exercise and/or base price or expiration date.

(3) Disclose the following information relating to the Status of Equity Awards Table:

(i) The date as of which the information in the Status of Equity Awards Table is reported;

(ii) The vesting schedule of each equity award reported in the Status of Equity Awards Table; and

(iii) The material terms of any performance, market, and/or service conditions with respect to each equity award reported in the Status of Equity Awards Table.

Instruction 1 to Item 402(d)(3). The registrant has flexibility in the manner and location in which it provides the disclosures required under Item 402(d)(3). The registrant may provide such disclosures in the Status of Equity

Awards Table, any footnotes thereto, any supplemental narrative disclosures thereto, or in conjunction with other disclosures required by this Item such as, if applicable, any Compensation Discussion and Analysis provided under paragraph (e) of this Item.

Instruction 2 to Item 402(d)(3). The requirement to disclose the vesting schedule may be satisfied by disclosing the standard vesting schedule that the registrant applies to all awards of a given type and, if applicable, any material deviations from the standard vesting schedule for a specific award.

(4) A registrant that is a large accelerated filer (as defined in § 240.12b-2 of this chapter) must provide, and all other registrants are permitted to provide, the disclosure required under paragraph (d)(2) of this section in an Interactive Data File as required by 17 CFR 232.405 (Rule 405 of Regulation S–T) in accordance with the EDGAR Filer Manual (referenced in § 232.301 of this chapter).

Instruction 1 to Item 402(d)(4). Information or disclosures provided in footnotes to the Status of Equity Awards Table are not required to be provided in an Interactive Data File.

(e) *Compensation Discussion and Analysis.* Disclose the material principles underlying the registrant's executive compensation policies and decisions and the most important factors relevant to analysis of those policies and decisions. The Compensation Discussion and Analysis must reflect the individual circumstances of the registrant, and must describe:

(1) The objectives of the registrant's compensation program in relation to the registrant's corporate strategy;

(2) The material elements of compensation and how amounts are determined; and

(3) If applicable, whether the registrant has considered the results of the most recent shareholder advisory vote on executive compensation required by section 14A of the Exchange Act (15 U.S.C. 78n–1) in determining compensation policies and decisions and, if so, how that consideration has affected the registrant's executive compensation policies and decisions.

Instruction to Item 402(e). The Compensation Discussion and Analysis must avoid boilerplate language and should address the information contained in the tables and otherwise disclosed pursuant to this Item while avoiding repetition of such detailed information. The Compensation Discussion and Analysis should also cover material actions regarding executive compensation that were taken after the registrant's last completed fiscal year's end that could affect a fair understanding of the named executive officer's compensation for the last completed fiscal year. Moreover, in some situations, it may be necessary to discuss years prior to the registrant's last completed fiscal year in order to give context to the disclosure provided.

(f) *Pay-versus-performance.*

(1) In connection with any proxy or information statement for which the rules of the Commission require executive compensation disclosure pursuant to this Item, provide a clear description of the relationship across the registrant's last three completed fiscal years between:

(i) The executive compensation actually paid to each of the PEO and the PFO, which is the Total Compensation Earned (column (h) of the Earned Compensation Table) for each person who served as the PEO or the PFO, as applicable, for each fiscal year included in the disclosure; and

(ii) The registrant's financial performance measure, which is the cumulative total shareholder return of the registrant on a class of the registrant's common stock registered under section 12 of the Exchange Act (15 U.S.C. 78*l*) for each fiscal year included in the disclosure.

(2) Cumulative total shareholder return means, for purposes of this Item, the dollar value as of the end of each fiscal year covered by the disclosure, including cumulative dividends and assuming dividend reinvestment, of a $100 investment in the registrant's common stock made at market close on the last trading day of the fiscal year immediately prior to the period covered by the disclosure.

(3) A registrant may disclose one or more additional company-selected financial performance measures that it views as important to an understanding of the Total Compensation Earned by the PEO and the PFO. A financial performance measure means a measure that is determined and presented in accordance with the accounting principles used in preparing the registrant's financial statements, any measures that are derived wholly or in part from such measures, or stock price. A financial performance measure need not be presented within the registrant's financial statements or otherwise included in a filing with the Commission. If a registrant discloses a company-selected financial performance measure, it should either present the same company-selected financial performance measure for each of the last three completed fiscal years or explain why it chose different measures for certain fiscal years or omitted a measure for certain fiscal years.

(4) The disclosure provided pursuant to this paragraph (f) will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(g) *Disclosure of a registrant's action to recover erroneously awarded compensation.*

(1) If at any time during or after the last completed fiscal year the registrant was required to prepare an accounting restatement that required recovery of erroneously awarded compensation pursuant to the registrant's compensation recovery policy required by the listing standards adopted pursuant to 17 CFR 240.10D–1, or there was an outstanding balance as of the end of the last completed fiscal year of erroneously awarded compensation to be recovered from the application of the policy to a prior restatement, the registrant must provide the following information:

(i) For each such restatement:

(A) The date on which the registrant was required to prepare an accounting restatement;

(B) The aggregate dollar amount of erroneously awarded compensation attributable to such accounting restatement, including an analysis of how the amount was calculated;

(C) If the financial reporting measure (as defined in 17 CFR 240.10D–1(d)) related to a stock price or total shareholder return metric, the estimates that were used in determining the erroneously awarded compensation attributable to such accounting restatement and an explanation of the methodology used for such estimates;

(D) The aggregate dollar amount of erroneously awarded compensation that remained outstanding at the end of the last completed fiscal year; and

(E) If the aggregate dollar amount of erroneously awarded compensation has not yet been determined, disclose this fact, explain the reason(s) and disclose the information required in paragraphs (g)(1)(i)(B) through (D) of this Item in the next filing that is required to include disclosure pursuant to this Item;

(ii) If recovery would be impracticable pursuant to 17 CFR 240.10D–1(b)(1)(iv), disclose the amount of recovery forgone and a brief description of the reason the listed registrant decided in each case not to pursue recovery; and

(iii) For each current and former named executive officer from whom, as of the end of the last completed fiscal year, erroneously awarded compensation had been outstanding for

180 days or longer since the date the registrant determined the amount the individual owed, disclose the dollar amount of outstanding erroneously awarded compensation due from each such individual.

(2) The information is required only in proxy or information statements that require disclosure under this Item and the registrant's annual report on Form 10–K, and will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the listed registrant specifically incorporates it by reference.

(h) *Pay ratio disclosure.*

(1) Disclose:

(i) The annual total compensation of the employee earning the median of the annual total compensation of all employees of the registrant and any of its consolidated subsidiaries who are employed on a full-time basis in any jurisdiction of the United States or its territories, except for temporary or seasonal employees and the PEO of the registrant;

(ii) The annual total compensation of the PEO of the registrant; and

(iii) The ratio of the amount in paragraph (h)(1)(i) of this section to the amount in paragraph (h)(1)(ii) of this section, expressed as:

(A) a ratio with the amount in paragraph (h)(1)(i) of this section equal to one, or

(B) a narrative of the multiple that the amount in paragraph (h)(1)(ii) of this Item bears to the amount in paragraph (h)(1)(i) of this Item.

(2) At least once every five years, registrants must identify the median employee as of a date chosen by the registrant within the last three months of the registrant's last completed fiscal year.

(3) Registrants must determine annual total compensation in accordance with paragraph (c)(2)(vii) of this Item, which is the Total Compensation Granted in the Granted Compensation Table (column (g)). For purposes of this paragraph (h), references in paragraph (c) and the Instructions to paragraph (c) to ''named executive officer'' may be deemed to refer instead, as applicable, to ''employee'' and, for non-salaried employees, references to ''base salary'' and ''salary'' may be deemed to refer instead, as applicable, to ''wages plus overtime.''

(4) Registrants may use reasonable methods, adjustments (including annualizing the total compensation for all full-time employees that were employed by the registrant for less than the full fiscal year), and estimates to identify the median employee and to calculate the annual total compensation for employees other than the PEO.

Instruction to Item 402(h) A registrant with more than one non-concurrent PEO serving during the last completed fiscal year may either calculate the annual total compensation provided to each person who served as PEO during the year for the time he or she served as PEO and combine those figures or look to the PEO serving in that position on the date it selects to identify the median employee and annualize that PEO's compensation. Regardless of the alternative selected, the registrant must disclose which option it chose and how it calculated its PEO's annual total compensation.

(i) *Potential payments upon termination or change-in-control.* For each person who served as the registrant's PEO or PFO during the last completed fiscal year, describe the material terms of each contract, agreement, plan, or arrangement, whether written or unwritten, that provided for payment(s) at, following, or in connection with any termination, including without limitation resignation, severance, retirement, or a constructive termination (including a change in responsibilities) of such person, or a change in control of the registrant.

Instruction 1 to Item 402(i). If a registrant has provided the disclosure required by this paragraph in a filing under Item 5.02 of Form 8–K (17 CFR 249.308), then no further disclosure is required by this paragraph.

Instruction 2 to Item 402(i). The registrant need not provide information with respect to contracts, agreements, plans, or arrangements that do not discriminate in scope, terms, or operation in favor of executive officers of the registrant and are available generally to all salaried employees.

(j) *Golden parachute compensation.*

(1) In connection with any proxy or consent solicitation material providing the disclosure required by section 14A(b)(1) of the Exchange Act (15 U.S.C. 78n–1(b)(1)) or any proxy or consent solicitation that includes disclosure under Item 14 of Schedule 14A (§ 240.14a–101 of this chapter) pursuant to Note A of Schedule 14A, with respect to each named executive officer of the acquiring company and the target company, provide material information relevant to an assessment of any agreement or understanding, whether written or unwritten, between such named executive officer and the acquiring company or target company, concerning any type of compensation, whether present, deferred, or contingent, that is based on or otherwise relates to an acquisition, merger, consolidation, sale, or other disposition of all or substantially all assets of the issuer, as follows:

GOLDEN PARACHUTE COMPENSATION TABLE

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

(2) Include in the Golden Parachute Compensation Table for each named executive officer:

(i) The name of the named executive officer (column (a));

(ii) The aggregate dollar value of any cash severance payments, including but not limited to payments of base salary, bonus, and pro-rated non-equity incentive compensation plan payments (column (b));

(iii) The aggregate dollar value of:

(A) Stock awards for which vesting would be accelerated;

(B) In-the-money option awards for which vesting would be accelerated; and

(C) Payments in cancellation of stock and option awards (column (c));

(iv) The aggregate dollar value of any other material compensation that is based on or otherwise relates to the transaction not properly reported in any other column of the Golden Parachute Compensation Table (column (d)); and

(v) The aggregate dollar value of the sum of all amounts reported in columns (b) through (d) (column (e)).

Instruction 1 to Item 402(j)(2). If this disclosure is included in a proxy or consent solicitation seeking approval of an acquisition, merger, consolidation, or proposed sale or other disposition of all or substantially all the assets of the registrant, or in a proxy or consent solicitation that includes disclosure under Item 14 of Schedule 14A (§ 240.14a–101 of this chapter) pursuant to Note A of Schedule 14A, quantify the disclosure provided in this table assuming that the triggering event took place on the latest practicable date, and determine the price per share of the registrant's securities as follows: If the shareholders are to receive a fixed dollar amount, the price per share must be that fixed dollar amount, and if that value is not a fixed dollar amount, the price per share must be the average closing market price of the registrant's securities over the first five business days following the first public announcement of the transaction. Compute the dollar value of in-the-money option awards for which vesting would be accelerated by determining the difference between this price and the exercise or base price of the options. Include only compensation that is based on or otherwise relates to the subject transaction.

Instruction 2 to Item 402(j)(2). If this disclosure is included in a proxy solicitation for the annual meeting at which directors are elected for purposes of subjecting the disclosed agreements or understandings to a shareholder vote under section 14A(a)(1) of the Exchange Act (15 U.S.C. 78n–1(a)(1)), quantify the disclosure provided by this table assuming that the triggering event took place on the last business day of the registrant's last completed fiscal year, and the price per share of the registrant's securities is the closing market price as of that date. Compute the dollar value of in-the-money option awards for which vesting would be accelerated by determining the difference between this price and the exercise or base price of the options.

Instruction 3 to Item 402(j)(2). In the event that uncertainties exist as to the provision of payments and benefits or the amounts involved, the registrant is required to make a reasonable estimate applicable to the payment or benefit and disclose material assumptions underlying such estimates in its disclosure. In such event, the disclosure would require forward-looking information as appropriate.

(3) A registrant conducting a shareholder advisory vote pursuant to § 240.14a–21(c) of this chapter to cover new agreements or understandings, and/or revised terms of agreements or understandings that were previously subject to a shareholder advisory vote pursuant to § 240.14a–21(a) of this chapter, must separately disclose both the agreements or understandings and amounts previously disclosed and subject to a shareholder advisory vote under section 14A(a)(1) of the Exchange Act (15 U.S.C. 78n–1(a)(1))) and § 240.14a–21(a) of this chapter and the new agreements or understandings and/or revised terms subject to the separate shareholder advisory vote under section 14A(b)(2) of the Exchange Act (15 U.S.C. 78n–1(b)(2)) and § 240.14a–21(c) of this chapter.

(4) In cases where disclosure of agreements or understandings between an acquiring company and the named executive officers of the soliciting target company is required, the registrant must clarify whether these agreements or understandings are subject to the separate shareholder advisory vote pursuant to § 240.14a–21(c) of this chapter by providing separate disclosure of all agreements or understandings subject to the shareholder advisory vote required by section 14A(b)(2) of the Exchange Act (15 U.S.C. 78n–1(b)(2)) and § 240.14a–21(c) of this chapter, if different from the full scope of golden parachute compensation subject to Item 402(j) disclosure.

(5) Disclose any material information necessary to an understanding of the payments quantified in the tabular disclosure required by this paragraph (j)(2).

(k) *Compensation of directors.*

(1) Describe the material aspects of the registrant's director compensation program, including separate quantification of the cash and equity retainer(s) for board, committee, chairmanship, and other director services.

(2) For each person who served as a director of the registrant during any part of the last completed fiscal year, separately disclose the following information:

(i) The aggregate dollar amount of all cash earned during the last completed fiscal year as fees for services as a director;

(ii) The aggregate dollar value realized upon the following, in each case during the last completed fiscal year:

(A) vesting of stock awards (computed by multiplying the number of shares of stock or units by the closing market price of the underlying shares or units on the vesting date),

(B) exercise of option awards (computed by multiplying the total number of securities underlying the options by the difference between the closing market price of the underlying securities on the exercise date and the exercise or base price of the options), and

(C) upon the transfer of a stock or option award for value;

Instruction to Item 402(k)(2)(ii). Include the value of any related payment or other consideration provided (or to be provided) by the registrant to or on behalf of a director, including payment of the exercise price or related taxes.

(iii) For equity awards outstanding as of the end of the most recently completed fiscal year:

(A) The aggregate number of stock awards and aggregate number of option awards outstanding; and

(B) For each award outstanding, the grant date, vesting schedule, and any other material terms of any performance, market, and/or service conditions with respect to the award;

Instruction to Item 402(k)(2)(iii). The requirement to disclose the vesting schedule may be satisfied by disclosing the standard vesting schedule that the registrant applies to all awards of a given type and, if applicable, any material deviations from the standard vesting schedule for a specific award.

(iv) The aggregate dollar value of any other material compensation earned during the last completed fiscal year; and

(v) Any material information necessary to an understanding of the information disclosed pursuant to paragraph (2)(i) through (iv).

Instruction 1 to Item 402(k). If a named executive officer is also a director who receives compensation solely for his or her services as a director, disclose such compensation pursuant to this paragraph (k) and exclude such amounts from the information called for pursuant to paragraphs (b), (c), and (d) of this Item.

Instruction 2 to Item 402(k). A registrant may disclose the information required pursuant to this paragraph (k) in any format it determines to be appropriate, including in tabular or in narrative disclosure.

Instruction 1 to Item 402. Registrants are not required to disclose information, including target levels with respect to specific quantitative or qualitative performance-related factors considered by the compensation committee or board of directors, involving confidential trade secrets or confidential commercial or financial information, the disclosure of which would result in competitive harm for the registrant. The standard to use when determining whether disclosure would cause

competitive harm for the registrant is the same standard that would apply when a registrant requests confidential treatment of confidential trade secrets or confidential commercial or financial information pursuant to Securities Act Rule 406 (17 CFR 230.406) and Exchange Act Rule 24b–2 (17 CFR 240.24b–2), each of which incorporates the criteria for non-disclosure when relying upon Exemption 4 of the Freedom of Information Act (5 U.S.C. 552(b)(4)). A registrant is not required to seek confidential treatment under the procedures in Securities Act Rule 406 and Exchange Act Rule 24b–2 if it determines that the disclosure would cause competitive harm in reliance on this instruction; however, in that case, the registrant must discuss how difficult it will be for the executive or how likely it will be for the registrant to achieve the any target level not disclosed based on this instruction.

Instruction 2 to Item 402. Disclosure of a target level or company-selected financial performance measure that is a non-GAAP financial measure will not be subject to Regulation G (17 CFR 244.100–102) or Item 10(e) (§ 229.10(e)); provided, however, that if such non-GAAP financial performance measure is based on historical financial results (including performance, financial position, or cash flows), the disclosure must include a quantitative reconciliation of the differences between the non-GAAP financial measure and the most directly comparable GAAP financial measure, and if such non-GAAP financial performance measure is a projected non-GAAP financial measure (not based on historic financial performance, financial position, or cash flows), the disclosure must include a narrative description of how the non-GAAP financial measure is calculated from the registrant's audited financial statements. In addition, any disclosure of a target level or company-selected financial performance measure that is a non-GAAP financial measure must include disclosure of the reason(s) that the registrant believes the non-GAAP financial measure is more appropriate than a GAAP financial measure for determining executive compensation or showing the relationship between executive compensation and registrant performance, as applicable.

■ 4. Amend § 229.403 by revising paragraph (b) to read as follows:

§ 229.403 (Item 403) Security ownership of certain beneficial owners and management.

* * * * *

(b) Security ownership of management. Furnish the following information, as of the most recent practicable date, in substantially the tabular form indicated, as to each class of equity securities of the registrant or any of its parents or subsidiaries, including directors' qualifying shares, beneficially owned by all directors and nominees, naming them, each of the named executive officers as defined in Item 402(a)(2) (§ 229.402(a)(2)), and directors and executive officers of the registrant as a group, without naming them. Show in column (3) the total number of shares beneficially owned and in column (4) the percent of the class so owned. Of the number of shares shown in column (3), indicate, by footnote or otherwise, the amount of shares that are pledged as security and the amount of shares with respect to which such persons have the right to acquire beneficial ownership as specified in § 240.13d–3(d)(1) of this chapter.

* * * * *

■ 5. Amend § 229.404 by revising Instruction 5 to the *Instructions to Item 404(a)* to read as follows:

§ 229.404 (Item 404) Transactions with related persons, promoters and certain control persons.

* * * * *

Instructions to Item 404(a).

* * * * *

5.a. Disclosure of an employment relationship or transaction involving an executive officer and any related compensation solely resulting from that employment relationship or transaction need not be provided pursuant to paragraph (a) of this Item if:

i. The compensation arising from the relationship or transaction is reported pursuant to Item 402 (§ 229.402);

ii. The executive officer is not an immediate family member (as specified in Instruction 1 to paragraph (a) of this Item) and such compensation would have been reported under Item 402 (§ 229.402) as compensation earned for services to the registrant if the executive officer was a named executive officer as that term is defined in Item 402(a)(2) (§ 229.402(a)(2)), and such compensation had been approved, or recommended to the board of directors of the registrant for approval, by the compensation committee of the board of directors (or group of independent directors performing a similar function) of the registrant; or

iii. The transaction involves the recovery of erroneously awarded compensation computed as provided in 17 CFR 240.10D–1(b)(1)(iii) and the applicable listing standards for the registrant's securities, that is disclosed pursuant to Item 402(g) (§ 229.402(g)).

b. Disclosure of compensation to a director need not be provided pursuant to paragraph (a) of this Item if the compensation is reported pursuant to Item 402(k) (§ 229.402(k)).

* * * * *

■ 6. Amend § 229.407 by revising paragraph (e)(5)(i)(A) to read as follows:

§ 229.407 (Item 407) Corporate Governance.

* * * * *

(e) *Compensation committee.* * * *

(5) * * *

(i) * * *

(A) The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(e) (§ 229.402(e)) with management; and

* * * * *

■ 7. Amend § 229.601 by revising paragraph (b)(10)(iii)(A) and (b)(10)(iii)(C)(5) to read as follows:

§ 229.601 (Item 601) Exhibits.

* * * * *

(10) *Material Contracts.* * * *

(iii)

(A) Any management contract or any compensatory plan, contract or arrangement, including but not limited to plans relating to options, warrants or rights, pension, retirement or deferred compensation or bonus, incentive or profit sharing (or if not set forth in any formal document, a written description thereof) in which any director or any of the named executive officers of the registrant, as defined by Item 402(a)(2) (§ 229.402(a)(2)), participates will be deemed material and must be filed; and any other management contract or any other compensatory plan, contract, or arrangement in which any other executive officer of the registrant participates must be filed unless immaterial in amount or significance.

* * * * *

(C) * * *

(5) Any compensatory plan, contract or arrangement if the registrant is a foreign private issuer that furnishes compensatory information under Item 402(a)(6)(iii) (§ 229.402(a)(6)(iii)) and the public filing of the plan, contract or arrangement, or portion thereof, is not required in the registrant's home country and is not otherwise publicly disclosed by the registrant.

* * * * *

■ 8. Amend § 229.1011(b) by revising Item 1011(b) and Instruction 2 to the *Instructions to Item 1011(b)* to read as follows:

§ 229.1011 (Item 1011) Additional Information.

* * * * *

(b) Furnish the information required by Item 402(j)(2) and (5) of this part (§ 229.402(j)(2) and (5)) and in the tabular format set forth in Item 402(j)(1) of this part (§ 229.402(j)(1)) with respect to each named executive officer:

(1) Of the subject company in a Rule 13e–3 transaction (§ 229.240.13e–3 of this chapter); or

(2) Of the issuer whose securities are the subject of a third-party tender offer, regarding any agreement or understanding, whether written or unwritten, between such named executive officer and the subject company, issuer, bidder, or the acquiring company, as applicable, concerning any type of compensation, whether present, deferred or contingent, that is based upon or otherwise relates to the Rule 13e–3 transaction or third-party tender offer.

Instructions to Item 1011(b). * * *

2. For the purposes of Instruction 1 to Item 402(j)(2) of this part: If the disclosure is included in a Schedule 13E–3 (§ 240.13e–100 of this chapter) or Schedule 14D–9 (§ 240.14d–101 of this chapter), the disclosure provided by this table shall be quantified assuming that the triggering event took place on the latest practicable date and that the price per share of the securities of the subject company in a Rule 13e–3 transaction, or of the issuer whose securities are the subject of the third-party tender offer, shall be determined as follows: If the shareholders are to receive a fixed dollar amount, the price per share shall be that fixed dollar amount, and if such value is not a fixed dollar amount, the price per share shall be the average closing market price of such securities over the first five business days following the first public announcement of the transaction. Compute the dollar value of in-the-money option awards for which vesting would be accelerated by determining the difference between this price and the exercise or base price of the options. Include only compensation that is based on or otherwise relates to the subject transaction.

* * * * *

PART 232—REGULATION S–T—GENERAL RULES AND REGULATIONS FOR ELECTRONIC FILINGS

■ 9. The authority citation for part 232 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77f, 77g, 77h, 77j, 77s(a), 77z–3, 77sss(a), 78c(b), 78*l,* 78m, 78n, 78n–1, 78o(d), 78w(a), 78*ll,* 80a–6(c), 80a–8, 80a–29, 80a–30, 80a–37, 7201 *et seq.;* and 18 U.S.C. 1350, unless otherwise noted.

* * * * *

■ 10. Amend § 232.405(b) by:

■ a. Removing and reserving paragraphs (b)(2)(v) and (b)(4)(ii); and

■ b. Revising paragraphs (b)(4)(i) and (iii).

The amendments read as follows:

§ 232.405 Interactive Data File Submissions.

* * * * *

(b) * * *

(2) * * *

(v) [Reserved]

* * * * *

(4) * * *

(i) The information provided pursuant to § 229.402(b)(2), (c)(2) and (d)(2) of this chapter (Item 402(b)(2), (c)(2) and (d)(2) of Regulation S–K).

(ii) [Reserved]

(iii) Any disclosure provided in response to: § 229.408(a)(1) and (2) of this chapter (Item 408(a)(1) and (2) of Regulation S–K); § 229.408(b)(1) of this chapter (Item 408(b)(1) of Regulation S–K); and Item 16J(a) of Form 20–F (§ 249.220f of this chapter).

* * * * *

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

■ 11. The authority citation for part 239 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77f, 77g, 77h, 77j, 77s, 77z–2, 77z–3, 77sss, 78c, 78*l,* 78m, 78n, 78*o*(d), 78*o*–7 note, 78u–5, 78w(a), 78*ll,* 78mm, 80a–2(a), 80a–3, 80a–8, 80a–9, 80a–10, 80a–13, 80a–24, 80a–26, 80a–29, 80a–30, 80a–37, and sec. 71003 and sec. 84001, Pub. L. 114–94, 129 Stat. 1321, unless otherwise noted.

* * * * *

■ 12. Amend Form S–1 (referenced in § 239.11) by revising Item 11(*l*) to read as shown in Appendix A.

Note: The text of Form S–1 does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form S–1 are attached as Appendix A to this document.

■ 13. Amend Form S–4 (referenced in § 239.25) by revising Item 18(a)(7)(ii) and Item 19(a)(7)(ii) to read as shown in Appendix B.

Note: The text of Form S–4 does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form S–4 are attached as Appendix B to this document.

■ 14. Amend Form S–11 (referenced in § 239.18) by revising Item 22 to read as shown in Appendix C.

Note: The text of Form S–11 does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form S–11 are attached as Appendix C to this document.

■ 15. Amend Form N–2 (referenced in §§ 239.14 and 274.11a–1) by revising Item 18.14 to read as shown in Appendix D.

Note: The text of Form N–2 does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form N–2 are attached as Appendix D to this document.

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

■ 16. The authority citation for part 240 continues to read in part as follows:

Authority: 15 U.S.C. 77c, 77d, 77g, 77j, 77s, 77z–2, 77z–3, 77eee, 77ggg, 77nnn, 77sss, 77ttt, 78c, 78c–3, 78c–5, 78d, 78e, 78f, 78g, 78i, 78j, 78j–1, 78j–4, 78k, 78k–1, 78*l,* 78m, 78n, 78n–1, 78*o,* 78*o*–4, 78*o*–10, 78p, 78q, 78q–1, 78s, 78u–5, 78w, 78x, 78dd, 78*ll,* 78mm, 80a–20, 80a–23, 80a–29, 80a–37, 80b–3, 80b–4, 80b–11, 1681w(a)(1), 6801–6809, 6825, 7201 *et seq.,* and 8302; 7 U.S.C. 2(c)(2)(E); 12 U.S.C. 5221(e)(3); 18 U.S.C. 1350; Pub. L. 111–203, 939A, 124 Stat. 1376 (2010); and Pub. L. 112–106, sec. 503 and 602, 126 Stat. 326 (2012), unless otherwise noted.

* * * * *

■ 17. Amend § 240.14a–6 by revising paragraph (a)(5) to read as follows:

§ 240.14a–6 Filing requirements.

(a) *Preliminary proxy statement.*

* * *

(5) The approval or ratification of a plan as defined in paragraph (a)(7) of Item 402 of Regulation S–K (§ 229.402(a)(7) of this chapter) or amendments to such a plan;

* * * * *

■ 18. Amend § 240.14a–21 by revising paragraph (c) and the *Instructions to § 240.14a–21* to read as follows:

§ 240.14a–21 Shareholder approval of executive compensation, frequency of votes for approval of executive compensation and shareholder approval of golden parachute compensation.

* * * * *

(c) If a solicitation is made by a registrant, other than an emerging growth company as defined in Rule 12b–2 (§ 240.12b–2), for a meeting of shareholders at which shareholders are asked to approve an acquisition, merger, consolidation or proposed sale or other disposition of all or substantially all the assets of the registrant, the registrant must include a separate resolution subject to shareholder advisory vote to approve any agreements or understandings and compensation disclosed pursuant to Item 402(j) of Regulation S–K (§ 229.402(j) of this chapter), unless such agreements or understandings have been subject to a shareholder advisory vote under paragraph (a) of this section. Consistent

with section 14A(b) of the Exchange Act (15 U.S.C. 78n–1(b)), any agreements or understandings between an acquiring company and the named executive officers of the registrant, where the registrant is not the acquiring company, are not required to be subject to the separate shareholder advisory vote under this paragraph.

Instruction 1 to § 240.14a–21: Disclosure relating to the compensation of directors required by Item 402(k) (§ 229.402(k) of this chapter) is not subject to the shareholder vote required by paragraph (a) of this section. To the extent that risk considerations are a material aspect of the registrant's compensation policies or decisions for named executive officers, the registrant may discuss them as part of its Compensation Discussion and Analysis under § 229.402(e) of this chapter, and therefore such disclosure could be considered by shareholders when voting on executive compensation.

Instruction 2 to § 240.14a–21: If a registrant includes disclosure of golden parachute compensation arrangements pursuant to Item 402(j) (§ 229.402(j) of this chapter) in an annual meeting proxy statement, such disclosure would be subject to the shareholder advisory vote required by paragraph (a) of this section.

Instruction 3 to § 240.14a–21: Registrants that are smaller reporting companies entitled to provide scaled disclosure in accordance with Item 402(a)(6)(i) of Regulation S–K (§ 229.402(a)(6)(i) of this chapter) are not required to include a Compensation Discussion and Analysis in their proxy statements in order to comply with this section. For smaller reporting companies, the vote required by paragraph (a) of this section must be to approve the compensation of the named executive officers as disclosed pursuant to Item 402(a)(6)(i) of Regulation S–K (§ 229.402(a)(6)(i) of this chapter).

Instruction 4 to § 240.14a–21: A registrant that has ceased being an emerging growth company shall include the first separate resolution described under § 240.14a–21(a) not later than the end of (i) in the case of a registrant that was an emerging growth company for less than two years after the date of first sale of common equity securities of the registrant pursuant to an effective registration statement under the Securities Act of 1933 (15 U.S.C. 77a *et seq.*), the three-year period beginning on such date; and (ii) in the case of any other registrant, the one-year period beginning on the date the registrant is no longer an emerging growth company.

■ 19. Amend § 240.14a–101 by:

■ a. Revising paragraph (a)(5) of Item 5;

■ b. Revising paragraph (b)(3) of Item 5;

■ c. Revising paragraph (a)(2)(ii)(A) and the Instruction of Item 10;

■ d. Revising paragraph (a)(2)(iii)(A) of Item 10;

■ e. Revising paragraph (b)(1)(ii) of Item 10;

■ f. Revising paragraph (b)(2)(ii)(A) of Item 10;

■ g. Redesignating ''Instructions'' in Item 10, to read ''*Instructions to Item 10*'';

■ h. Revising instruction 1 to the Instructions to Item 10; and

■ i. Removing and reserving paragraph (a) of Item 25.

The amendments read as follows:

§ 240.14a–101 Schedule 14A. Information required in proxy statement.

* * * * *

Item 5. Interest of certain Persons in Matters To Be Acted Upon

(a) *Solicitations not subject to Rule 14a–12(c) (§ 240.14a–12(c)).* * * *

(5) If the solicitation is made on behalf of the registrant, furnish the information required by Item 402(j) of Regulation S–K (§ 229.402(j) of this chapter).

* * * * *

(b) *Solicitation subject to Rule 14a–12(c) (§ 240.14a–12(c)).* * * *

(3) If the solicitation is made on behalf of the registrant, furnish the information required by Item 402(j) of Regulation S–K (§ 229.402(j) of this chapter).

* * * * *

Item 10. Compensation Plans. * * *

(a) * * *

(2) * * *

(ii) * * *

(A) Each person (stating name and position) specified in paragraph (a)(2) of Item 402 of Regulation S–K (§ 229.402(a)(2) of this chapter);

Instruction: In the case of investment companies registered under the Investment Company Act of 1940, furnish the information for Compensated Persons as defined in Item 22(b)(13) of this Schedule in lieu of the persons specified in paragraph (a)(2) of Item 402 of Regulation S–K (§ 229.402(a)(2) of this chapter).

* * * * *

(iii) * * *

(A) Each person (stating name and position) specified in paragraph (a)(2) of Item 402 of Regulation S–K (§ 229.402(a)(2) of this chapter;

* * * * *

(b) * * *

(1) * * *

(ii) The estimated annual payment to be made with respect to current services.

Instruction to paragraph (b)(1)(ii). In the case of investment companies registered under the Investment Company Act of 1940 (15 U.S.C. 80a), refer to Instruction 4 in Item 22(b)(13)(i) of this Schedule.

(2) * * *

(ii) * * *

(A) Each person (stating name and position) specified in paragraph (a)(2) of Item 402 of Regulation S–K (§ 229.402(a)(2) of this chapter);

* * * * *

Instructions to Item 10

1. The term plan as used in this Item means any plan as defined in paragraph (a)(7) of Item 402 of Regulation S–K (§ 229.402(a)(7) of this chapter).

* * * * *

Item 25. Exhibits. * * *

(a) [Reserved];

* * * * *

■ 20. Amend § 240.14c–5 by revising paragraph (a)(4) to read as follows:

§ 240.14c–5 Filing requirements.

(a) * * *

(4) The approval or ratification of a plan as defined in paragraph (a)(7) of Item 402 of Regulation S–K (§ 229.402(a)(7) of this chapter) or amendments to such a plan.

* * * * *

■ 21. Amend § 240.14c–101 by revising Item 3(c) to read as follows:

§ 240.14c–101 Schedule 14C. Information required in information statement.

* * * * *

Item 3. Interest of certain persons in or opposition to matters to be acted upon. * * *

(c) Furnish the information required by Item 402(j) of Regulation S–K (§ 229.402(j) of this chapter).

PART 249—FORMS, SECURITIES EXCHANGE ACT OF 1934

■ 22. The authority citation for part 249 continues to read in part as follows:

Authority: 15 U.S.C. 78a *et seq.* and 7201 *et seq.;* 12 U.S.C. 5461 *et seq.;* 18 U.S.C. 1350; Sec. 953(b) Pub. L. 111–203, 124 Stat. 1904; Sec. 102(a)(3) Pub. L. 112–106, 126 Stat. 309; Sec. 107 Pub. L. 112–106, 126 Stat. 313, Sec. 72001 Pub. L. 114–94, 129 Stat. 1312; and secs. 2 and 3 Pub. L. 116–222, 134 Stat. 1063, unless otherwise noted.

Section 249.220f is also issued under secs. 3(a), 202, 208, 302, 306(a), 401(a), 401(b), 406 and 407, Pub. L. 107–204, 116 Stat. 745, and secs. 2 and 3, Pub. L. 116–222, 134 Stat. 1063.

Section 249.240f is also issued under secs. 3(a), 202, 208, 302, 306(a), 401(a), 406 and 407, Pub. L. 107–204, 116 Stat. 745.

Section 249.308 is also issued under 15 U.S.C. 80a–29 and 80a–37.

* * * * *

Section 249.310 is also issued under secs. 3(a), 202, 208, 302, 406 and 407, Pub. L. 107–204, 116 Stat. 745.

* * * * *

■ 23. Amend Form 10 (referenced in § 249.10) by revising Item 6 to read as shown in Appendix E.

Note: The text of Form 10 does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form 10 are attached as Appendix E to this document.

■ 24. Amend Form 20–F (referenced in § 249.220f) by:
■ a. On the cover, removing the words ''If securities are registered pursuant to section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.'' and the accompanying check box;
■ b. On the cover, removing the words ''Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D–1(b).'' and the accompanying check box; and
■ c. In Part I, Item 6.F.(1)(ii), removing the words '', for each current and former named executive officer and for all other current and former executive officers as a group.''
■ d. In Part I, removing and reserving Items 6.F.(2) and 6.F.(4).

Note: The text of Form 20–F does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form 20–F are attached as Appendix F to this document.

■ 25. Amend Form 40–F (referenced in § 249.240f) by:
■ a. On the cover, removing the words ''If securities are registered pursuant to section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.'' and the accompanying check box;
■ b. On the cover, removing the words ''Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D–1(b).'' and the accompanying check box; and
■ c. In General Instruction B.(19)(b)(2), removing the words ''for each current and former named executive officer and for all other current and former executive officers as a group.''
■ d. In General Instruction B.(19), removing and reserving General Instruction B.(19)(c) and (e).

Note: The text of Form 40–F does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form 40–F are attached as Appendix G to this document.

■ 26. Amend Form 8–K (referenced in § 249.308) by:
■ a. Removing and reserving Item 5.02(f); and
■ b. Revising instruction 4 of the Instructions to Item 5.02 to read as shown in Appendix G.

Note: The text of Form 8–K does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form 8–K are attached as Appendix H to this document.

■ 27. Amend Form 10–K (referenced in § 249.310) by:
■ a. On the cover, removing the words ''If securities are registered pursuant to section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.'' and the accompanying check box; and
■ b. On the cover, removing the words ''Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D–1(b).'' and the accompanying check box.

Note: The text of Form 10–K does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form 10–K are attached as Appendix I to this document.

PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

■ 28. The authority citation for part 274 continues to read as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 78c(b), 78*l,* 78m, 78n, 78n–1, 78*o*(d), 80a–8, 80a–24, 80a–26, 80a–29, and sec. 939A, Pub. L. 111–203, 124 Stat. 1376 unless otherwise noted.

■ 29. Amend Form N–CSR (referenced in § 274.128) by removing and reserving paragraph (b) from Item 18.

Note: The text of Form N–CSR does not, and these amendments will not, appear in the Code of Federal Regulations. The amendments to Form N–CSR are attached as Appendix J to this document.

By the Commission.

Dated: November 13, 2026.

J. Matthew DeLesDernier,

Deputy Secretary.

Note: The following appendices will not appear in the Code of Federal Regulations.

Appendix A—Form S–1

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S–1

* * * * *

PART I—INFORMATION REQUIRED IN PROSPECTUS

* * * * *

Item 11. Information With Respect to the Registrant

* * * * *

(*l*) Item 402 of Regulation S–K (§ 229.402 of this chapter), executive compensation, and paragraph (e)(4) of Item 407 of Regulation S–K (§ 229.407(e)(4) of this chapter), corporate governance. A registrant is not required to provide the information required by Item 402 for the most recently completed fiscal year until the earlier of the date that the registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item and the registration statement will either automatically become effective or the registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, the registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Appendix B—Form S–4

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S–4

* * * * *

PART I. INFORMATION REQUIRED IN THE PROSPECTUS

* * * * *

Item 18. Information if Proxies, Consents or Authorizations Are To Be Solicited

* * * * *

(ii) Item 402 of Regulation S–K (§ 229.402 of this chapter), executive compensation, and paragraph (e)(4) of Item 407 of Regulation S–K (§ 229.407(e)(4) of this chapter), corporate governance. For any entity for which Item 402 disclosure is required pursuant to this Form, but which does not meet the requirements for use of Form S–3, the information required by Item 402 for the

most recently completed fiscal year is not required to be disclosed until the earlier of the date that the registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item, and the registration statement will either automatically become effective or the registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, the registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Item 19. Information if Proxies, Consents or Authorizations Are Not To Be Solicited or in an Exchange Offer

* * * * *

(ii) Item 402 of Regulation S–K (§ 229.402 of this chapter), executive compensation, and paragraph (e)(4) of Item 407 of Regulation S–K (§ 229.407(e)(4) of this chapter), corporate governance. For any entity for which Item 402 disclosure is required pursuant to this Form, but which does not meet the requirements for use of Form S–3, the information required by Item 402 for the most recently completed fiscal year is not required to be disclosed until the earlier of the date that the registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item, and the registration statement will either automatically become effective or the registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, he registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Appendix C—Form S–11

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S–11

* * * * *

PART I. INFORMATION REQUIRED IN PROSPECTUS

* * * * *

Item 22. Executive Compensation

Furnish the information required by Item 402 of Regulation S–K (§ 229.402 of this chapter), executive compensation, and paragraph (e)(4) of Item 407 of Regulation S–K (§ 229.407(e)(4) of this chapter), corporate governance. A registrant is not required to provide the information required by Item 402 for the most recently completed fiscal year until the earlier of the date that the registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item, and the registration statement will either automatically become effective or the registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, the registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Appendix D—Form N–2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N–2

* * * * *

Item 18. Management

* * * * *

14. In the case of a Registrant that is a business development company, provide the information required by Item 402 of Regulation S–K [17 CFR 229.402]. A Registrant is not required to provide the information required by Item 402 for the most recently completed fiscal year until the earlier of the date that the Registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a Registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item and the registration statement will either automatically become effective or the Registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, the Registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Appendix E—Form 10

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10

* * * * *

INFORMATION REQUIRED IN REGISTRATION STATEMENT

* * * * *

Item 6. Executive Compensation

Furnish the information required by Item 402 of Regulation S–K (§ 229.402 of this chapter), executive compensation, and paragraph (e)(4) of Item 407 of Regulation S–K (§ 229.407(e)(4) of this chapter), corporate governance. A registrant is not required to provide the information required by Item 402 for the most recently completed fiscal year until the earlier of the date that the registrant otherwise discloses such information in a document filed pursuant to Section 13(a), 14, or 15(d) of the Exchange Act or 120 days after the end of such fiscal year. If a registrant files a registration statement on this Form without the Item 402 information for the most recently completed fiscal year as permitted by this Item, and the registration statement will either automatically become effective or the registrant requests an effective date of such registration statement after the earliest date that the disclosure is due as specified by this Item, the registrant must file a pre-effective amendment to this Form which includes such information.

* * * * *

Appendix F—Form 20–F

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20–F

* * * * *

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued by the International Accounting Standards Board ☐

Other ☐

* * * * *

PART I

* * * * *

Item 6. Directors, Senior Management and Employees

* * * * *

F. Disclosure of a Registrant's Action To Recover Erroneously Awarded Compensation

* * * * *

(1) * * *

(ii) If recovery would be impracticable pursuant to 17 CFR 240.10D

1(b)(1)(iv), disclose the amount of recovery forgone and a brief description of the reason the listed registrant decided in each case not to pursue recovery; and

* * * * *

(2) [Reserved];

(3) The information must appear with, and in the same format as, the rest of the disclosure required to be provided pursuant to this Item 6, is required only in annual reports and does not apply to registration statements on Form 20–F, and will not be

deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the listed registrant specifically incorporates it by reference; and

(4) [Reserved].

Appendix G—Form 40–F

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 40–F

* * * * *

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

GENERAL INSTRUCTIONS

* * * * *

B. Information To Be Filed on This Form

* * * * *

(19) Recovery of erroneously awarded compensation.

* * * * *

(b) * * *

(2) If recovery would be impracticable pursuant to 17 CFR 240.10D–1(b)(1)(iv), disclose the amount of recovery forgone and a brief description of the reason the listed registrant decided in each case not to pursue recovery; and

* * * * *

(c) [Reserved]

* * * * *

(e) [Reserved]

* * * * *

Appendix H—Form 8–K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8–K

* * * * *

INFORMATION TO BE INCLUDED IN THE REPORT

* * * * *

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

* * * * *

(f) [Reserved]

* * * * *

Instructions to Item 5.02.

* * * * *

4. For purposes of this Item, the term ''named executive officer'' refers to those executive officers for whom disclosure was required in the registrant's most recent filing with the Commission under the Securities Act (15 U.S.C. 77a *et seq.*) or Exchange Act (15 U.S.C. 78a *et seq.*) that required disclosure pursuant to Item 402(b) of Regulation S–K (17 CFR 229.402(b)).

* * * * *

Appendix I—Form 10–K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10–K

* * * * *

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☐ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☐ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S–T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of ''large accelerated filer,'' ''accelerated filer,'' ''smaller reporting company'' and ''emerging growth company'' in Rule 12b–2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b–2 of the Act).

☐ Yes ☐ No

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Appendix J—Form N–CSR

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N–CSR

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Item 18. Recovery of Erroneously Awarded Compensation

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(b) [Reserved]

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[FR Doc. 2026–23555 Filed 11–18–26; 8:45 am]

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