

BDO BULLETIN

Executive Compensation Disclosure Reform (SEC Proposal)

NOVEMBER 2026

SUMMARY

The SEC proposed amendments to the executive compensation disclosure requirements in Item 402 of Regulation S-K (Item 402). The proposal is intended to make the disclosure requirements more principles-based and reduce compliance burdens, while continuing to provide investors with material information.

WHAT WOULD CHANGE?

Named Executive Officers

The proposal would limit the named executive officers (NEOs) for which the disclosure requirements apply to those who served as principal executive officer (PEO) or principal financial officer (PFO), or in a similar capacity during the last fiscal year. Under the current rules, executive compensation disclosure generally extends beyond the PEO and PFO.

New Executive Compensation Tables

The proposal would replace the Summary Compensation Table, Grants of Plan-Based Awards Table, Outstanding Equity Awards at Fiscal Year-End Table, and Option Exercises and Stock Vested Table with the following three new tables:

- **Earned Compensation Table.** This table would report all material compensation earned in the fiscal years covered, including salary, equity and non-equity awards (including cash bonuses), retirement contributions, perquisites[1] and other miscellaneous compensation. Stock awards would be reported in the year they vest, and option awards in the year they are exercised.
- **Granted Compensation Table.** This table would report the primary elements of compensation granted in the relevant fiscal year, including salary, and equity and non-equity awards (including cash bonuses).

[1] The minimum aggregate threshold for reporting perquisites would increase from $10,000 to $150,000 for each NEO, with a new de minimis exclusion, and interpretive guidance on what constitutes a perquisite would be revised.

Material discussed in this Bulletin is meant to provide general information and should not be acted upon without first obtaining professional advice appropriately tailored to your individual facts and circumstances.

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- Equity awards would be reported at target value, which is the grant date fair value determined in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718, *Compensation—Stock Compensation,* (ASC 718), assuming the target outcome of any performance, market, or service conditions is achieved. Accordingly, amounts in the Granted Compensation Table could differ from the ASC 718 amounts recognized in the financial statements, particularly for awards with market conditions or performance conditions. For more guidance on accounting under ASC 718, see BDO's Blueprint, **Share-based Payments Under ASC 718**.

- **Status of Equity Awards Table.** This table would track each equity award granted from the first year it is presented in the Granted Compensation Table until the award has been included in the Earned Compensation Table as earned or has fully expired. This table is intended to "bridge the gap" between the Granted Compensation and Earned Compensation Tables.

The Pension Benefits and Nonqualified Deferred Compensation tables would be eliminated.

Pay Versus Performance

The proposal would simplify pay-versus-performance disclosure by replacing Compensation Actually Paid (CAP) with the Total Compensation Earned amount from the Earned Compensation Table. Under the current rules, determining CAP can be complex because it requires registrants to remeasure the fair value of certain equity awards each year. Other changes would include:

- Reducing the disclosure period from five years to three and covering only the PEO and PFO.
- Removing the requirement to provide performance measures (including the Tabular List) other than cumulative total shareholder return (TSR).

For an overview of the pay versus performance disclosure requirements currently in effect, see BDO's publication, **Pay versus Performance Disclosures**.

Clawback Checkboxes

The proposal would amend certain disclosure requirements related to the recovery of erroneously awarded compensation (the "clawback" rules), including:

- Removing the clawback checkboxes currently on the cover pages of Forms 10-K, 20-F, and 40-F.
- Eliminating the requirement to disclose why a clawback analysis did not result in the recovery of erroneously awarded compensation.

For an overview of the clawback requirements currently in effect, see BDO's publication, **SEC Clawback Rules**.

Other Changes

The proposal would also make other changes, including:

- Consolidating and simplifying the Compensation Discussion and Analysis (CD&A) to be more principles-based.
- Simplifying the pay ratio disclosure. The proposal would simplify the calculation by selecting the median employee from full-time U.S. employees only, rather than all employees worldwide, and by identifying the median employee every five years instead of every three. The annual total compensation of the PEO and the median employee would be calculated using the Granted Compensation Table methodology.
- Eliminating the narrative and tabular disclosure for certain equity awards granted in close proximity to the release of material nonpublic information.
- Streamlining the golden parachute compensation disclosure requirements.
- Aligning the timing of executive compensation disclosure in registration statements on Forms S-1, S-4, S-11, 10, and N-2 with the timing for registration statements on Forms S-3 and S-8.
- Using a more principles-based approach to director compensation disclosures, such as eliminating certain prescriptive presentation requirements.
- Consolidating the existing scaled disclosure accommodations for smaller reporting companies (SRCs) and emerging growth companies (EGCs).

WHEN WOULD THE CHANGES BE EFFECTIVE?

The amendments would be effective on the next January 1 after the final rule is published in the Federal Register and would apply to the first full fiscal year ending on or after that date. For example, a final rule published in 2027 would be effective January 1, 2028. Registrants could adopt earlier by applying the amended item in its entirety.

The proposed rule is not final, and the SEC may change it before adopting final amendments or may decide not to adopt them. Registrants must continue to comply with existing requirements while monitoring the SEC's rulemaking.

REQUEST FOR COMMENT

Comments on the proposal are due within 60 days after publication in the Federal Register and may be submitted **here**.

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Link to the SEC's **proposed rule** and related **fact sheet**.

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The experienced professionals in BDO's Accounting Advisory practice can help navigate the complexities of SEC reporting requirements and proposed rule changes.

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