Compensation
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SEC Proposes Material Changes to Disclosure Rules for Executive Pay

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On Friday, November 13, 2026, the SEC proposed new rules impacting executive and director compensation disclosure. The proposed changes would significantly reduce the amount of executive compensation information required to be disclosed by public companies, with the aim of making the disclosures more principles-based and concise while reducing the compliance burdens for issuers.

Once adopted, the resulting changes will be the first comprehensive revisions to the executive pay disclosure rules since 2006 (Item 402 of Regulation S-K). This proposal is a continuation of the SEC's stated goals of reducing regulatory burdens for public companies.

Key Proposed Changes:

- **Reducing the number of Named Executive Officers:** This proposed change would limit required executive compensation disclosure to the CEO and CFO, generally reducing the number of NEOs to two, down from five for large filers and down from three for Smaller Reporting Companies (SRCs) and Emerging Growth Companies (EGCs). Disclosure would cover all individuals who served in either role during the fiscal year, including interim executives and executives who departed during the year. ***CAP Comments:*** *We expect significant commentary on this proposal. In our experience, investors will view compensation for other executives, including potential CEO successors and divisional leaders, as being material information. Eliminating required disclosure for these executives would reduce transparency into compensation and succession decisions, which is not a good thing.*

- **Replacing the primary executive compensation tables:** The proposed changes would replace the Summary Compensation Table, Grants of Plan-Based Awards Table, Outstanding Equity Awards Table, and Option Exercises and Stock Vested Table with three new tables:

  - **Granted Compensation Table:** This new table would aim to present target total direct compensation on a consistent basis. It would report compensation opportunities granted, including year-end annualized salary, generally target value non-equity awards, and equity awards valued at grant. Equity awards valued at grant would use the assumption of target payout and eliminate the need to incorporate and explain more complex valuation calculations for award values at grant, such as those with market-based performance metrics (e.g. relative TSR). Also, notably, companies may be able to elect to report equity awards in the preceding fiscal year if granted in the first fiscal quarter for that prior year's performance, which would be particularly useful for financial services companies.

  - **Status of Equity Awards Table:** This new table would track individual equity awards from grant through vesting, exercise, expiration, or other disposition, including material award terms and applicable threshold, target, and maximum share or unit amounts.

  - **Earned Compensation Table:** Reports compensation earned during the year, including salary, cash incentives, stock awards valued at vesting, options valued at exercise, and other compensation. This new table would effectively build on the prior Option Exercises and Stock Vested Table, providing more complete pay information.

CAP Comments: *Our initial reaction is that these new tables are a significant improvement over the current tables and will provide relevant information in a way that more effectively discloses compensation through the pay cycle from grant to settlement. We suspect that these changes would better address the needs of issuers and investors. We also note that, if adopted, the transition would not be simple for internal teams, and would require a significant "lift" upfront, including what supplemental voluntary disclosure will be maintained and/or added.*

See Appendix for the SEC-provided examples of the new executive compensation tables.

- **Streamlining the Compensation Discussion and Analysis (CD&A):** This proposed change would reduce the required discussion from seven topics to three: (i) compensation program objectives in relation to corporate strategy; (ii) material compensation elements and how amounts are determined; and (iii) whether and how the company considered its most recent say-on-pay results. ***CAP Comments:*** *While the move to a more principles-based approach with fewer prescriptive requirements will likely eliminate some of the repetition and boilerplate language in current CD&A's, there is a risk that issuers will take very different approaches to disclosures and comparability across companies may be reduced and/or challenging. We suspect that issuers may actually desire clearer guidance on what needs to be disclosed. We also suspect that there would still be a good deal of additional voluntary disclosure by many companies, considering investor and proxy advisor views and guidelines.*

- **Simplifying termination and change-in-control disclosure:** This proposed change would eliminate the requirement to quantify potential payments under scenarios such as retirement, death, disability, involuntary termination, and change in control. The new requirements would retain the need for disclosure of material arrangement terms. In addition, the transaction-related Golden Parachute Compensation Table disclosed in merger proxy statements would still be required, but simplified, consolidating amounts into cash, equity, miscellaneous compensation, and total compensation. ***CAP Comments:*** *We expect significant push-back on the elimination of this required element of executive pay disclosure. Investors have been highly critical of excessive termination pay, as it is viewed as a governance weakness, and this would significantly reduce related transparency.*

- **Reducing perquisites disclosure:** The proposed changes increase the aggregate reporting threshold from $10,000 to $150,000 per NEO and also allow companies to exclude small benefits that qualify as 'de minimis' under federal tax law, without tracking or counting them toward the threshold. This change would give companies greater discretion to determine whether company-provided benefits, including security arrangements, are integral and directly related to an executive's job duties and therefore do not constitute a perquisite. ***CAP Comments:*** *We expect that issuers will welcome this change as it is challenging to determine the value of perquisites and they require significant time relative to their quantum. We do expect commentary from investors, as the degree of discretion provided to issuers to determine what is a perquisite could lead to non apples-to-apples comparability of disclosure across companies, and we expect some investors and the proxy advisors may view $150,000 as too high, especially when evaluating non-CEO executive pay disclosure.*

- **Simplifying Pay-versus-Performance disclosure:** This proposed change would replace the current "Compensation Actually Paid" (CAP) calculation with total compensation from the Earned Compensation Table. The proposal would limit coverage to three fiscal years, rather than five for companies currently subject to the full requirements, and would retain TSR as the only required performance measure. It would also eliminate required net income, 'peer group' relative TSR, as well as the tabular list of performance measures, and would make inclusion of company-selected performance measures optional. ***CAP Comments:*** *In our view, the SEC proposal does a great job of simplifying this calculation and provides a calculation of compensation actually paid that is much more consistent with a plain English interpretation of the Dodd-Frank language.*

- **Revising CEO Pay Ratio disclosure:** This proposed change would limit the median-employee population to full-time employees in the United States, and exclude part-time, seasonal, temporary, and non-U.S. employees. CEO and median-employee pay would be calculated using the Granted Compensation Table methodology, which would be an improvement, and would require the identification of the median employee at least once every five years, down from once every three years. ***CAP Comments:*** *In our view, focusing this calculation on full-time U.S. employees is a material improvement. It will provide for better comparability across businesses and industries and will materially reduce the cost of the calculation. Since this disclosure has proven to be of limited value to investors, any simplification is a good thing.*

- **Revising director compensation disclosure:** This proposed change would eliminate the prescribed Director Compensation Table format while retaining individual disclosure of cash earned, realized equity values, outstanding equity awards, and other material compensation. Stock awards would be valued at vesting and stock options would be valued at exercise, rather than at grant-date fair value. There would still be required disclosure of material pay program terms, including separate quantification of board, committee, chair, and other retainers. ***CAP Comments:*** *We do not expect this to materially improve how concise the related disclosure is, or how much time and resources the related disclosure takes to prepare. We also expect some commentary from investors here, as they may like the simplicity of the tabular disclosure. Practically, investors will have adequate information to determine total pay to directors, but may have a preference for the current approach.*

- **Eliminating certain standalone disclosures:** The proposal also removes 1) the Pension Benefits and Nonqualified Deferred Compensation tables, while retaining specified retirement-related amounts in the Earned Compensation Table, 2) Item 402(s) compensation-risk disclosure requirements, and 3) Item 402(x) disclosure concerning equity grants near the release of material nonpublic information. ***CAP Comments:*** *We expect comments on this requirement similar to the elimination of the disclosures of termination values. As a practical matter, fewer companies have large deferred compensation or defined benefit pension plans than*

in 2006 when the current disclosure rules were established. However, in cases where companies still have meaningful nonqualified plans, investors oftentimes view related plan balances for the CEO and other top executives as material information. In addition, good process is oftentimes supported by the required pay-related risk disclosure. Given its simplicity, we do not see a material improvement by eliminating it.

- **Other proposed changes:** The proposed changes would also streamline clawback disclosure, while retaining underlying clawback requirements and adding reconciliation and explanatory requirements for certain non-GAAP compensation measures.

Conclusions

Executive compensation disclosure requirements have become increasingly complex over time, often resulting in boilerplate disclosure that can cloud material information. Requirements such as the CEO Pay Ratio and Pay-versus-Performance disclosures, under the prescribed methodologies and approaches, added significant implementation burdens while providing limited incremental value to investors. While we expect general support for these efforts to simplify disclosure and focus on material information, we anticipate that there will be robust commentary on several of the changes (e.g., reduction in number of executives disclosed, changes to CD&A requirements, elimination of termination payment amount disclosure, etc.). What issuers ultimately include in their disclosure is driven by more than just the rules; it is also driven by investor expectations and proxy advisors.

The public comment period will remain open for 60 days following publication of the proposal in the Federal Register, and Compensation Advisory Partners will submit a comment letter sharing our perspective on the proposed changes. Under the proposed implementation timeline, the final rules would take effect on January 1 of the year following publication. Assuming final rules are published in 2027, calendar-year companies would be required to comply beginning with fiscal year 2028 compensation, reported in the 2029 proxies. Companies would also be allowed to voluntarily comply earlier in their 2028 proxies, provided they follow the amended disclosure requirements in their entirety, but any transition will not be simple and we expect will initially require "all hands on deck". The actual implications of the new rules will depend on how closely the final rules align with the proposed rules.

Appendix. SEC-Provided Example Tables

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).

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 $575,000 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 $17 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 $150,000; and (ii) Oz Inc. contributions to Ms. Gale's 401(k) account of $50,000.