Summary of Proposed Changes

Identifying the Named Executive Officers (NEOs)

CURRENT RULES

Non-Smaller Reporting Companies & Non-Emerging Growth Companies

- Each person serving as CEO or CFO during the last year
- The three other highest-paid executive officers
- Up to two former executives

Smaller Reporting Companies & Emerging Growth Companies

- Each person serving as CEO during the year
- The two other highest-paid executive officers
- Up to two former executives

PROPOSED RULES

All Registrants

Each person serving as CEO or CFO during the last year

Compensation Discussion and Analysis

CURRENT RULES

Principles-based disclosure of all material elements of NEO compensation program, covering seven topics:

- Program objectives
- Intended rewards
- Compensation elements
- Reasons for each element
- Method and formula for determining compensation
- How each compensation element achieves overall objectives and affects decisions regarding other elements
- Whether and how the registrant considers say-on-pay

PROPOSED RULES

Principles-based disclosure of all material elements of NEO compensation program, covering three topics:

- Program objectives in relation to corporate strategy
- Material compensation elements and methods for determining amounts
- Whether and how the registrant considers say-on-pay

Deleted:
Fifteen example topics of potentially material information to be disclosed

Smaller reporting companies and emerging growth companies continue to be excluded from the CD&A requirements

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Primary Tabular Disclosures

CURRENT RULES

Summary Compensation Table
Grants of Plan-Based Awards Table
Outstanding Equity Awards at Fiscal Year-End Table
Option Exercises and Stock Vested Table

Deleted Tables:
Pension Benefits Table
Nonqualified Deferred Compensation Table

PROPOSED RULES

Earned Compensation Table
Shows compensation earned during the fiscal year, including value realized on previously granted equity awards

Granted Compensation Table
Shows the target-level compensation granted during the fiscal year

Status of Equity Awards Table
Tracks equity awards throughout their lifecycles, from grant until vesting, exercise, or expiration (as applicable)

Disclosure of Perks

CURRENT RULES

Disclosure must include the **aggregate incremental cost** of all items provided to **NEOs that confer a personal benefit and that are not integrally and directly related to the NEO's duties**, if total cost aggregates to **$10,000 or more**

PROPOSED RULES

Disclosure must include the **aggregate value** of all items provided to NEOs **that the registrant determines in good faith are perks**, if total value is **$150,000 or more**

Severance and Change-in-Control Compensation

CURRENT RULES

Qualitative and quantitative disclosures of all arrangements that provide payments or benefits to an NEO in connection with an employment termination or a change in control

PROPOSED RULES

Disclosure must include only a description of the material terms of such arrangements

Continued on next page

Golden Parachute Compensation

CURRENT RULES

Tabular Disclosure
Detailed tabular disclosure of the following information:

- Cash severance
- Pension/NQDC enhancements
- Value of equity award vesting acceleration
- Perks and H&W benefits
- Tax gross-ups
- Other compensation based on or related to the transaction

PROPOSED RULES

Tabular Disclosure

- Cash severance
- Value of equity award acceleration
- Other compensation based on or related to the transaction

Retained narrative disclosure:
Must continue to include narrative disclosure of material factors necessary to an understanding of the tabular disclosure

Claw-Backs

CURRENT RULES

Registrants must give detailed information about clawing back incentive pay after an accounting restatement and must check two related boxes on the cover of their annual reports

PROPOSED RULES

Certain disclosure regarding the application of a registrant's claw-back policy would be reduced, including the requirement to explain why recovery was not required, and both check boxes relating to the correction of an error to previously issued financial statements would be removed from the covers of Forms 10-K, 20-F, and 40-F

Director Compensation

CURRENT RULES

Tabular Disclosure
Director Compensation Table

Narrative Disclosure
Narrative description of material factors necessary to an understanding of the Director Compensation Table

PROPOSED RULES

No prescribed tabular disclosure
Principles-based approach to disclosing all material aspects of the director compensation program, plus separate quantification of amounts earned by each director in the prior fiscal year (in a disclosure format chosen by the registrant)

Continued on next page

Pay Versus Performance (PvP)

CURRENT RULES

- Five years of complex disclosure of "Compensation Actually Paid, or CAP" determined via multiple deductions and add-backs from the Summary Compensation Table total column
- Comparisons of CAP versus multiple financial performance measures, including net income, cumulative TSR, and a company-selected performance measure
- Comparison of the registrant's TSU to the cumulative TSR of a peer group

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PROPOSED RULES

- No separate measure of compensation; PvP disclosure to apply the total from the new Earned Compensation Table
- Three years of PvP disclosure to match the primary tables
- Comparison only to cumulative TSR
- Company-selected performance measures to be optional

Pay Ratio Disclosure

CURRENT RULES

- Disclosure of the ratio between CEO total pay to median employee total pay (each determined in accordance with the Summary Compensation Table)
- Median employee to be identified from all employees at least once every three years

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PROPOSED RULES

- Pay ratio based on the new Granted Compensation Table
- Median employee to be identified only from full-time, U.S.-based employees
- Median employee to be identified only once every five years

Compensation Disclosure in Registration Statements

CURRENT RULES

Registrants filing shorter registration statements (such as Form S-3) have up to 120 days after year-end to add the prior year's compensation disclosures, but registrants filing longer forms (such as Form S-1) do not

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PROPOSED RULES

Registrants will have up to 120 days after year-end to add the prior year's compensation disclosures regardless of the type of filing

Registrants must file a pre-effective amendment if the 120-day period ends before the registration statement is effective

Deleted Disclosure Requirements

- **Item 402(s)** – disclosure of the relation between compensation policies/practices and risk-management
- **Item 402(x)** – disclosure of the registrant's policies/practices related to the grant of stock options close in time to the release of material non-public information