Cooley

SEC Proposes Executive Compensation Disclosure Overhaul: What Public Companies Should Know

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On November 13, 2026, the Securities and Exchange Commission (SEC) proposed sweeping and generational changes to the executive and director compensation disclosure requirements under Item 402 of Regulation S-K. The proposal is intended to make executive compensation disclosure more principles-based and materiality-driven and would, among other things, reduce the number of named executive officers (NEOs), replace the four existing primary compensation tables with three new tables, significantly reform perquisite disclosure requirements, and simplify CEO pay ratio, pay-versus-performance and clawback disclosures. The proposed rules are accompanied by an SEC press release and fact sheet.

The proposal is the latest step in the SEC's broader agenda to reduce the costs and regulatory burdens associated with joining and remaining in the public markets and to refocus public company disclosure on material information. In drafting the proposal, the SEC drew on the more than 80 comment letters received from investors, companies and advisors in connection with the SEC's roundtable on executive compensation in July 2025 (see Cooley's comment letter to the SEC, which is cited several times in the proposing release and focuses on, among other matters, the reform of perquisite disclosure and further scaling of the scaled disclosure rules applicable to smaller reporting companies (SRCs)).

These are proposed rules only. The comment period will remain open for 60 days after publication of the proposing release in the Federal Register, and the SEC is likely to receive substantial comments given the breadth of the changes. The final rules therefore could differ meaningfully from the proposal. Importantly, the proposal will not apply to the upcoming 2027 proxy season, so companies should continue preparing their 2027 proxy statements under the existing executive and director compensation disclosure requirements.

Companies still have an opportunity to help shape the final rules through the comment process, and Cooley is happy to help craft submissions to the SEC.

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, the effective date would be January 1, 2028, and companies would be required to apply the amendments, if adopted, for their first full fiscal year ending on or after the effective date (i.e., for calendar year-end companies, the new rules would first be required to be applied in the 2029 proxy statement). Companies would be permitted to comply with the amended rules earlier than the mandatory compliance date, but only after the effective date, and only if their disclosure is responsive to the amended item in its entirety.

SRCs and emerging growth companies (EGCs) would enjoy additional disclosure relief, and many more companies could be eligible for that relief if the SEC finalizes its separate May 2026 filer status proposal, which would extend the scaled executive compensation disclosure accommodations to all non-accelerated filers. See Cooley's May 2026 alert on the proposed filer status amendments.

This initial alert provides a high-level overview. We will also discuss the proposal and other developments at Cooley's December 9 Comp Talks: 2027 Proxy Season Preview.

Key highlights

NEOs would be limited to the CEO and CFO. The proposal would limit the NEOs to individuals who served as principal executive officer (PEO) or principal financial officer (PFO) during the last completed fiscal year, reducing the number of NEOs from the current five or more (three or more, in the case of SRCs and EGCs) to two in most circumstances.

Scaled disclosure for SRCs and EGCs would largely continue. The proposal would preserve the nature of the existing scaled disclosure accommodations, but SRCs and EGCs would provide disclosure for two NEOs (PEO and PFO) in most circumstances, rather than three or more, and would be required to include the same three new tables as large filers. SRCs and EGCs would continue to be exempt from compensation discussion and analysis (CD&A) and pay ratio disclosure, and EGCs would continue to be exempt from pay-versus-performance and golden parachute disclosure.

The existing compensation tables would be eliminated or replaced. The proposal would replace the current primary tabular framework, including the Summary Compensation Table and the three equity and plan-based incentive compensation tables, with three new tables: Earned Compensation Table; Granted Compensation Table; and Status of Equity Awards Table. The new tables are designed to distinguish compensation opportunities from amounts actually earned and make equity awards easier to track over their life cycle. In addition, the proposal would eliminate the Pension Benefits Table, Nonqualified Deferred Compensation Table, and 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) of Regulation S-K.

The proposal notes that companies must provide any material information necessary to an understanding of the information provided in the three tables but emphasizes that a company may provide such information in any format it determines to be appropriate, including in a supplemental table, additional columns in an existing table, footnotes to the tabular disclosures or supplemental narrative disclosures.

Perquisite determination and disclosure would be substantially reformed. Under the proposal, the aggregate reporting threshold for perquisites would increase from $10,000 to $150,000 per NEO, and perquisites that qualify as de minimis fringe benefits under Section 132(a)(4) of the Internal Revenue Code would be excluded. In addition, companies would have discretion to determine whether a benefit is "integrally and directly related to an executive's duties" and thus not a perquisite, so long as the determination is reasonable and made in good faith. Finally, the proposal would remove current guidance that identifies particular items as perquisites.

Notably, the proposal retreats from a present position that personal security arrangements are presumptively perquisites and expressly acknowledges that whether any particular security arrangement qualifies as a perquisite is dependent on all the relevant facts and circumstances. The SEC also expressly acknowledges that the benefit of an arrangement to the company and the business purpose behind it may be factors in determining whether an item is integrally and directly related to the executive's duties and therefore not a perquisite. The proposal also would eliminate the prescriptive aggregate incremental cost to the company valuation requirement and instead allow companies to use any reasonable valuation methodology.

CD&A requirements would emphasize principles-based disclosure. The CD&A disclosure requirement would be limited to three topics: the objectives of the compensation program in relation to corporate strategy; the material elements of compensation and how amounts are determined; and, where applicable, the effect of the most recent say-on-pay vote on compensation policies and decisions. In addition, the 15 illustrative topics would be eliminated.

CEO pay ratio, pay-versus-performance and clawback disclosures would be simplified. For pay ratio, the proposal would limit the population used to determine the median employee to US full-time employees, excluding seasonal and temporary employees, provide that the median employee could be identified once every five years, and align the compensation methodology with the proposed Granted Compensation Table. Under the proposal, no tabular pay-versus-performance disclosure would be required, and the complex compensation actually paid metric currently required to be disclosed would be replaced by the total disclosed in the proposed Earned Compensation Table. In addition, the only performance measure required to be disclosed would be cumulative total shareholder return, and the disclosure would be required to cover only the PEO and PFO and only the prior three years, rather than five years. With respect to clawback disclosure, the proposal would remove the two annual report cover page check boxes and require disclosure only in cases where the recovery of erroneously awarded compensation was required pursuant to the company's clawback policy, without changing the underlying clawback mechanics.

Director compensation disclosure would be streamlined. The proposal would retain qualitative and quantitative disclosure of material director compensation and amounts earned by individual directors but would make the framework more principles-based and eliminate certain prescriptive presentation requirements and elements that may not reflect typical director compensation programs.

Companies filing long-form registration statements would have up to 120 days to provide prior year executive

compensation. The proposal would amend Forms S-1, S-4, S-11, 10 and N-2 so that a company is not required to provide updated Item 402 disclosure for the most recently completed fiscal year until the earlier of the date the company otherwise discloses that information in a filing under the Securities Exchange Act of 1934, as amended, or 120 days after the end of that fiscal year. As a result, companies using long-form registration statements would be able to have those registration statements declared effective without including executive compensation information for the prior fiscal year for up to 120 days after the end of the fiscal year.

Other prescriptive requirements would be reduced or eliminated. The proposal would eliminate the quantitative hypothetical termination and change-in-control payment disclosure, simplify golden parachute disclosure and allow greater use of narrative, and eliminate disclosure requirements concerning compensation risk-management policies and practices.

Overall impact

The amendments would represent the first comprehensive reform of executive compensation disclosure since 2006. The common theme is a shift away from highly prescriptive requirements and toward disclosure that the SEC describes as more principles-based, materiality-driven and better aligned with how compensation programs are designed today. The proposed three-table structure also would place greater emphasis on distinguishing compensation granted from compensation earned and on tracking equity awards over time.

For most public companies, the proposal would materially reduce the volume and prescriptiveness of current compensation disclosure. The existing regime generally requires disclosure for five or more NEOs (for companies subject to the full Item 402 regime), a Summary Compensation Table and multiple supplemental tables, detailed perquisite tracking, a lengthy CD&A, complex pay-versus-performance calculations and quantitative termination and change-in-control disclosure. The proposal, among other things, would limit required executive compensation disclosure to just the compensation of the CEO and CFO, replace the existing Summary Compensation Table and the three equity and plan-based incentive compensation tables with three redesigned tables, eliminate other compensation tables as well as quantitative termination and change in control disclosure, provide for a higher perquisite disclosure threshold, and limit the topics required to be covered in the CD&A, while continuing to require disclosure of material compensation information.

Companies should consider whether they would benefit from additional changes to the proposed rules in their particular circumstances, and, if so, make their voices heard before the end of the comment period. Please reach out to your Cooley contacts if you would like our help in crafting any comments because we expect to stay actively involved in this rulemaking process.

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