CFA Institute

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February 6, 2026

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F St, N.E.
Washington, DC 20549-1090

RE: File No. 4-855, SEC Announces Roundtable on Executive Compensation Disclosure Requirements

Dear Ms. Countryman:

CFA Institute[1], in consultation with its Corporate Disclosure Policy Council ("CDPC") [2], appreciates the invitation from Chairman Atkins to provide comments on executive compensation disclosure requirements to the Securities and Exchange Commission's (the "Commission") roundtable (the "Roundtable") on the topic.[3]

CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

The information communicated by issuers in the Compensation Discussion & Analysis ("CD&A") section of proxy statements is invaluable to investors' understanding of how directors and executives, who are responsible for issuers' capital allocation decisions and outcomes, are incentivized and compensated. Investors judge whether management has adequate "skin in the game" and compensation aligned with value creation objectives to make investment and voting decisions.

Because of the importance of executive compensation disclosures, we have commented extensively on this topic in the past including comment letters to the Commission on proposals and releases dating back to 2001 and one letter to Members of Congress on the

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1 With offices in Charlottesville, VA; New York; Washington, DC; Brussels; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 190,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit www.cfainstitute.org or follow us on LinkedIn and Twitter at @CFAInstitute.

2 The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

3 Statement on the Upcoming Executive Compensation Roundtable by Paul S. Atkins, Chairman of the U.S. Securities and Exchange Commission (May 16, 2025).

topic. We have included, for your reference, links to our letters in the **Appendix** to this letter alongside links to the executive compensation research CFA Institute has published.

Between 2007 and 2015, CFA Institute organized two separate volunteer committees to produce research reports related to executive compensation.

- The first considered the kinds of information investors need to evaluate the structure and quantity of executive compensation and the most useful means of communicating that information.
- The second assembled a high-level group of representatives from asset managers, issuers, consultancies, and law firms to deliberate on how best to convey executive compensation information to investors and published a report titled "Compensation Discussion and Analysis Template." We refer to this as the Template herein. The committees used best practices based upon years of member input published in comment letters submitted to the Commission in response to seven consultations beginning in 2001.

In this letter, we draw upon this institutional knowledge and present our comments in three sections. In the first section provides a summary of our overarching recommendations to the Commission, while the second provides context and evidence for them. In the third section, we respond to the questions posed by Chairman Atkins in his statement announcing the Roundtable, before making concluding remarks.

RECOMMENDATIONS TO THE COMMISSION

We recommend that the Commission retain its existing compensation disclosure requirements and make targeted improvements to them to enhance their decision usefulness to investors.

The Commission's executive compensation disclosure requirements have been developed in response to scandals and subsequently refined over decades of rulemaking and trial-and-error. The stock options backdating scandal of the late 1990s and early 2000s was addressed, in part, by the Commission's 2006 executive compensation disclosure reforms.[4] Executive compensation and other corporate governance provisions in the Dodd Frank Act were motivated by widespread governance failures preceding the Global Financial Crisis.[5]

We are not aware of significant problems with the Commission's executive compensation disclosure requirements that warrant overhauling the rules. We recommend maintaining the existing requirements and making targeted improvements.

[4] Testimony Concerning Options Backdating Before the U.S. Senate Committee on Banking, Housing and Urban Affairs by Christopher Cox, Chairman of the U.S. Securities and Exchange Commission (September 6, 2006).

[5] The Economic Crisis: Broader Executive Compensation Reforms Coming Soon. K&L Gates LLP (July 2009)

The targeted improvements we recommend to the Commission's executive compensation disclosure requirements largely echo those in comments from other investor representatives,[6] which are:

- **Covered Persons** – Augment the covered persons for compensation disclosure to include executive management personnel besides just the CEO, CFO, and three other most highly compensated executive officers.
- **Rollforwards** – Develop table(s) of rollforwards of equity grants for each named executive officers that merges the information today disclosed in multiple tables, footnotes, and filings to more clearly illustrate officers' recent compensation history and outcomes.
- **Current Year Performance Measures and Targets** – Require disclosure of performance measures and target levels for performance-based compensation decisions made in the current fiscal year (i.e., the year in which the annual meeting is taking place).
- **Reconciliation of Non-GAAP Measures** – Remove the Regulation G exemption for reconciling non-GAAP financial metrics to their nearest GAAP equivalent for performance-based compensation measures and target levels in the CD&A.
- **Dollar Thresholds for Perks** – Index the dollar thresholds for disclosure of perquisites established over twenty years ago to inflation.
- **Pension Values** – Permit exemptions to the disclosure of pension value changes and defined contribution plan amounts if the amounts fall under an appropriately low floor of salary, bonus, and equity-based compensation (e.g., 5%).
- **CEO Pay Ratio** – Encourage issuers to contextualize the CEO pay ratio by referencing industry or compensation peer group CEO pay ratio figures and to explain why the issuer's CEO pay ratio may differ.

Additionally, we suggest that the Commission conducts focused outreach to investors and a public process exploring amendments to the pay-versus-performance rule. There may be an opportunity to use a more principles-based approach that trades some uniformity for greater information relevance, as we recommended in our comments to the Commission on the proposed rule in 2015.[7]

We discuss our recommendations in greater detail in the following section.

[6] See comments on the public docket from the State Board of Administration of Florida, Norges Bank Investment Management, Baillie Gifford, Erste Asset Management GmbH, NEI Investments, Council of Institutional Investors, Federated Hermes, and The Los Angeles County Employees Retirement Association.

[7] CFA Institute offers comments on the SEC's proposed pay for performance rule (6 July 2015)

EVIDENCE AND CONTEXT FOR OUR RECOMMENDATIONS

The Disclosure Overload Narrative Resurfaces

The Commissioners and issuers' representatives, issuers counsel, and compensation consultants who participated in the Roundtable or submitted comments on it share the view that requirements in Item 402 of Regulation S-K should be pared back because they result in immaterial information for investors, at a great cost to produce, and may impose undesirable influences on compensation practices.[8]

We observe these comments in light of the overarching campaign of "rationalizing disclosure practices," as it is titled and described in the Commission's Spring 2025 Regulatory Agenda, with such rationalization aimed at "facilitat[ing] material disclosure by companies and shareholders' access to that information."[9]

The campaign closely resembles the "Disclosure Effectiveness Initiative" that began in 2013 under Commission Chair Mary Jo White's leadership based on the comprehensive staff review of Regulation S-K as mandated by the JOBS Act.[10,11] That years-long effort concluded with several reductions to Regulation S-K disclosures that were finalized in August and November 2020, including the following to annual reports filed on Form 10-K:

- making the Description of Business section explicitly principles-based,
- adding a summary section and headers to the Risk Factors' section,
- elimination of Selected Financial and Interim Data and Off-Balance Sheet Arrangement and Contractual Obligation Information.
- The amendments added Human Capital as a specific disclosure topic to the description of business item.[12]

The 2020 reductions to Regulation S-K disclosures do not appear to have had much effect except for the loss of information for investors (particularly contractual obligations and off-balance sheet arrangements) that has not been replaced elsewhere or by other disclosures.

As we said at the outset of the Disclosure Effectiveness Initiative, we have not found evidence of disclosure overload through our surveys of members, nor have its proponents been able to empirically document it.[13]

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8 See remarks from Chairman Atkins, Commissioner Peirce, Commissioner Uyeda at the Roundtable and comments on the public docket including those from Business Roundtable, The American Bar Association, Society for Corporate Governance, National Association of Manufacturers, US Chamber of Commerce, Sullivan & Cromwell LLP, Davis Polk & Wardwell LLP, Compensia, and Meridian Compensation Partners which largely echo one another in their concerns and recommendations.

9 Rationalizing Disclosure Practices, SEC RegFlex Agenda

10 The Path Forward on Disclosure Speech by Chair Mary Jo White National Association of Corporate Directors - Leadership Conference at National Harbor, Md. (October 15, 2013)

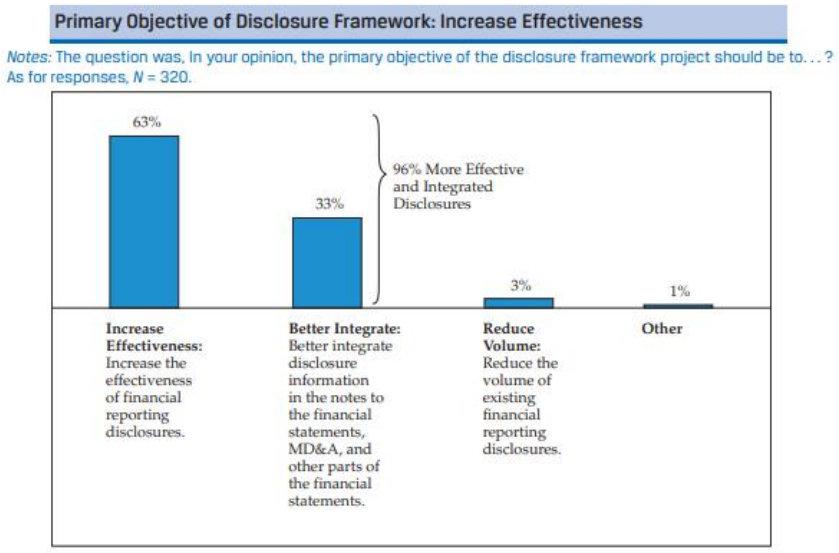
11 SEC Issues Staff Report on Public Company Disclosure (December 20, 2013)

12 SEC Adopts Amendments to Modernize and Enhance Management's Discussion and Analysis and other Financial Disclosures (November 19, 2020) and Modernization of Regulation S-K Items 101, 103, and 105 (August 26, 2020)

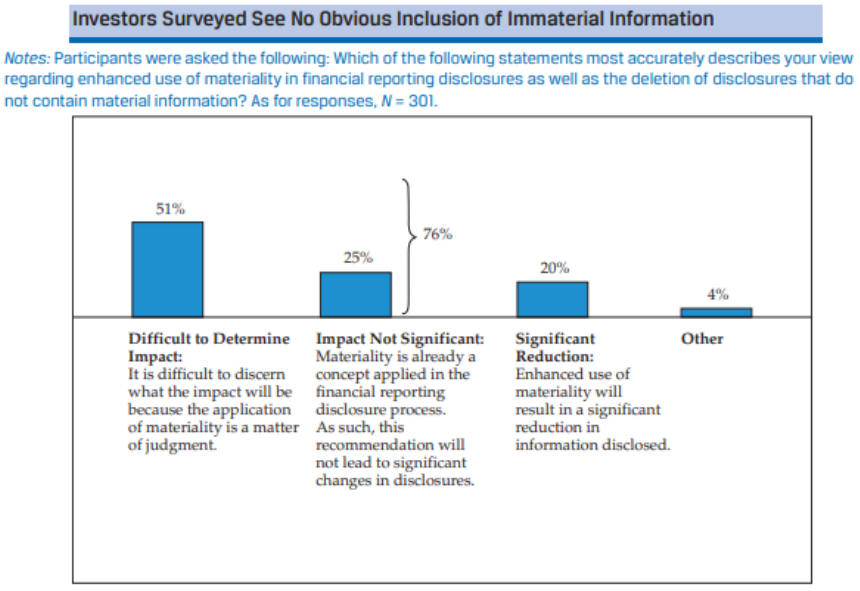
13 Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume (July 1, 2013)

In our member survey[14], we found very little support for reducing the volume of disclosures and members did *not* expect an effort to delete immaterial disclosures would result in big changes because immaterial information is not pervasive in financial reporting.

Only 5% of survey respondents indicated that the objective of the Disclosure Effectiveness Initiative ought to be reducing the volume of disclosures:



And 76% of survey respondents did not agree that an enhanced use of materiality standards in disclosures would result in the deletion of disclosures, because it is difficult to say what would be considered immaterial and/or materiality is already applied in reporting:



Accordingly, we do not share the view that investors are overloaded with immaterial disclosures.

[14] See Figure 6 at Page 49 and Figure 11 at Page 76 of Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume (July 1, 2013)

The reasons that investors are *not* overloaded with immaterial disclosures about executive compensation (or more generally) are manifold and include:

1. ***Executives' capital allocation decisions have billions or even trillions of investors' capital at stake.[15] Disclosure of and voting on their compensation is an alignment and accountability mechanism.*** By understanding executives' share ownership and compensation structures, investors can assess whether executives are incentivized to put the long-term interests of shareowners first. As one of the investor representatives at the Roundtable put so well:

   > *"[T]he reason we focus so much on this issue is, how soon we forget the bankruptcies of 2001, 2002, the great financial crisis. For those of us that managed money or were in charge of overseeing that, our pensioners were furious with us. If you were on the asset management side, your clients were furious with you for not paying attention to the people that were entrusted… the agents did such a poor job, and the amount of drawdown in the financial crisis for those pension funds… So are these $20, $30 million paychecks material to a company that's doing $200 billion in sales? Probably not. But it is material when those things fail."*

   Reducing disclosure for the sake of lowering administrative costs opens the door for abuse. Investors understand that many executives would rather the public not know how much they are paid. But investors are highly skeptical that reducing disclosure would improve compensation alignment between management and investors.

2. ***Investors have computers and the computers keep getting better***, which has made it easier and more efficient for investors to access and use both quantitative and qualitative disclosures. Tools range from simply accessing filings on EDGAR via a web browser and using CTRL-F to find information, to retrieving information through a platform like Bloomberg to compare companies, to running change and sentiment analyses with large language models. We continue to be in an era of rapidly improving information technologies and investors are sophisticated users of them.

   At the same time, issuers and their counsel and consultants are taking advantage of technological improvements as well, bringing down the cost of generation, presentation, and distribution to free up time on higher value tasks.

   Information technology has come a long way since Justice Marshall delivered the opinion for TSC Industries, Inc. v. Northway, Inc. in 1976 that spoke of the dangers of burying shareholders in an "avalanche of trivial information." We expect future process improvements from artificial intelligence for both investors and issuers.

3. ***Investors use trend and comparative analyses to highlight changes from period to period and across companies; disclosures are not read in a vacuum.*** Enabled by technology, investors pay close attention to changes in amounts, pay structures, and disclosures from period to period and differences between peer companies. What

[15] The enterprise value of the so-called Magnificent 7 companies, in aggregate, exceeds $20 trillion. Note that this value exceeds the total assets under management of all private funds by several trillion dollars.

companies say on a particular issue and how they say it may seem immaterial by itself but grows in significance in the context of what the company said in the prior period, particularly if there is a departure from past practice.

4. ***Compensation packages are multifaceted; the fine print matters.*** Management's descriptions of compensation packages including "what we do" and "what we don't do" can be useful introductory matter but do not portray actual payout structures which may be far less "at risk" or "performance based" than suggested due to low hurdles. The terms and conditions vary by form of payment and time period (e.g., a cash incentive is often rewarded for a single year's performance against target levels while equity awards are longer duration and vest using a different set of performance measures) which a company often tweaks year by year with each grant. Explaining the panoply of structures is unavoidably longwinded unless the issuer has designed straightforward programs with minimal changes over time.

   The ultimate goal in analyzing this information is both to understand the compensation strategies and to determine if they incentivize value creation objectives and align management's interests with those of investors. And because not every company uses the same tools, even when they operate in the same industry, investors must judge whether the projected outcomes of different compensation methods can or have produced positive results.

5. ***Professional investors have experience, education, and third-party services at their disposal.*** Professional investors have been working with CD&A disclosures from many companies for twenty years and often have access to governance research and analytics from investment banks, proxy voting advisors, and independent research firms. The features (and shortcomings) of the current disclosure rulebook are well known.

Targeted Improvements Are Needed

Rather than rerun the Disclosure Effectiveness journey of yesteryears that resulted in the paring down of disclosures, we join other investor representatives in recommending targeted improvements to the Item 402 disclosures for clarity and transparency.

Covered Persons

- **Augment the covered persons for compensation disclosure to include other executive management personnel besides just the CEO, CFO, and three other most highly compensated executive officers**. We observe that most companies are operated by teams, with division or functional heads at times having considerable control over capital allocation and operational decisions. On earnings calls and especially at investor or analyst days, investors often hear from and meet with several management personnel. Rather than solely rely on compensation amounts for the disclosure of executive officers beyond the CEO and CFO, the Commission should consider a broader principle of disclosure of executive management personnel. We echo the comments submitted by Michael McCauley Senior Officer, Investment Programs and Governance on behalf of the State Board of Administration of Florida:

> *"The current definition of NEOs—which includes the CEO, CFO, and three highest-paid executives—is too narrow for large and complex organizations. When individuals beyond the top five executives participate in strategic business decision-making, their compensation should likewise be disclosed publicly. 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."*[16]

We believe the Commission could leverage the definition of "management" from the FASB's Accounting Standards Codification: *"Persons who are responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the chief executive officer, chief operating officer, vice presidents in charge of principal business functions (such as sales, administration, or finance), and other persons who perform similar policy making functions. Persons without formal titles also may be members of management."*[17]

Rollforwards

- **Develop table(s) of rollforwards of equity grants** for each named executive officers that merges the information today disclosed in multiple locations and filings to more clearly illustrates officers' recent compensation history and outcomes. Along with the existing table of security ownership of beneficial owners and management, investors would be able to easily discern the amounts of shares and dollars granted, vested, forfeit, and outstanding. The rollforwards over multiple years would comprise a cumulative picture for the named executive officer. The general format might look like the following:

Named Executive Officer A

	Shares (#)	Value ($)	Notes to location of terms and conditions
Equity grants outstanding 12/31/20X1			
Granted in 20X2			
Vested in 20X2			
Forfeit in 20X2			
Equity grants outstanding 12/31/20X2			

Current Year Performance Measures and Targets

- **Require disclosure of performance measures and target levels for performance-based compensation decisions made in the current fiscal year (i.e., the year in which the annual meeting is taking place)**. We find that the information in the CD&A is

[16] Comments on Executive Compensation Roundtable. Mike McCauley, Senior Officer, Investment Programs and Governance, State Board of Administration of Florida

[17] FASB ASC. See topic 850, *Related Party Disclosures*.

limited to the past three fiscal years while annual meetings and say-on-pay votes occur four or more months into a fiscal year. For companies that provide annual guidance to the capital markets, that has already been provided by the time of the annual meeting. Inclusion of current year compensation decisions, even in a preliminary or estimated form would enhance the relevance of the say-on-pay vote by asking for their views on recent decisions, not on those made over a year ago and would reduce the risk that issuers are retroactively selecting performance measures and setting target levels, in other words, "forecasting the past." Estimates of these figures would suffice, and they should be subject to the forward-looking information safe harbor.

Reconciliation of Non-GAAP Measures

- **Require reconciliations of non-GAAP financial measures disclosed as, or as part of, performance-based compensation target levels to their nearest GAAP equivalent**. This would close a gap in Regulation G and address a longstanding ask of investors who do not desire a prohibition of non-GAAP financial measures in executive compensation but the same quantitative reconciliations to the nearest GAAP equivalents that are required in other Commission filings.[18] We observe that some issuers do this voluntarily today and do not believe such a requirement would require material incremental effort for preparers.

Perk Dollar Thresholds

- **Index the dollar thresholds for disclosure of perquisites established over twenty years ago to inflation.** The requirement to disclose perquisites and other personal benefits unless their aggregate value is below $10,000 or more and to disclose the value of individual perquisites valued at the greater of $25,000 or ten percent of total perquisites and other personal benefits were adopted in September 2006.[19] Since then, the Consumer Price Index for All Urban Consumers (not seasonally adjusted) has risen by 60%.[20] We do not believe the Commission intended to continuously widen the disclosure aperture due to inflation. We recommend the Commission increases these thresholds by 60% to account for the past twenty years of inflation and make subsequent adjustments at least every five years for changes in the price level.

Pension Values

- **Permit exemptions to the disclosure of pension value changes and defined contribution plan amounts if the amounts fall under an appropriately low floor of salary, bonus, and equity-based compensation (e.g., 5%).** These items of

[18] See our 2019 letter to the Commission in support of the Council of Institutional Investors' Petition for Rulemaking on this issue.

[19] Executive Compensation and Related Person Disclosure Adopting Release.

[20] Retrieved from FRED, data from September 2006 to December 2025. While this may not be the most economically appropriate price level indicator to use for perquisites (which likely have a much narrower basket of goods and services than the CPI) it is consistent with the inflation adjustment methodology used by the Commission on an annual basis for its civil monetary penalties and every five years for JOBS Act rules thresholds.

compensation tend to be relatively small, programmatic, and have a liquidity time horizon that vastly exceeds the typical NEO tenure. Outliers that warrant greater scrutiny would be captured by the appropriately low floor expressed as a percentage of salary, bonus, and equity-based compensation as presented in the Summary Compensation Table.

CEO Pay Ratios

Encourage issuers to contextualize the CEO pay ratio by referencing industry or compensation peer group CEO pay ratio figures and to explain why the issuer's CEO pay ratio may differ. Issuers' intense dislike of the CEO pay ratio is well known and documented in comments submitted to this Roundtable.[21] We've found that investors are mixed on its usefulness, with some finding that it contains useful information and others not.[22] The identification and quantification of median compensation is what is truly incremental in the pay ratio disclosure, and that figure over time and compared to a peer group can be useful for modelling compensation costs. Issuers' refrain that the pay ratio is meaningless because it lacks industry and business model context is not incorrect – but the solution is not to remove the disclosure but make it more effective by putting the ratio in context. The Commission should encourage issuers to show the pay ratio against that of its compensation peer group and highlight important differences.

Pay Versus Performance

Finally, we suggest that the Commission conducts focused outreach to investors and a public process on potential amendments to the pay-versus-performance rule. There may be an opportunity to use a more principles-based approach, as we recommended in our comments to the Commission on the proposed rule in 2015.[23] An approach that outlines principles and encourages the display of straightforward information – such as percentile ranks of absolute and relative TSR compared to the percentile ranks of the issuer's CEO and other NEO equity-based compensation granted and vested - with disclosure of underlying data may be more decision useful and easier to prepare.

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[21] See comments on the public docket including those from Business Roundtable, The American Bar Association, Society for Corporate Governance, National Association of Manufacturers, US Chamber of Commerce.

[22] SEC's CEO-Worker Pay Ratio Rule: Is It a Mixed Bag for Investors? CFA Institute Market Integrity Insights Blog (6 August 2015)

[23] CFA Institute offers comments on the SEC's proposed pay for performance rule (6 July 2015)

RESPONSES TO CHAIRMAN ATKINS' QUESTIONS

In the pages that follow, we respond to the questions Chairman Atkins raised in his remarks opening the Roundtable.[24] Our responses are based on the research we have performed on these issues and the comments we've provided to the Commission in previous consultations.

Executive Compensation Decisions: Setting Compensation and Making Investment and Voting Decisions

1. ***What is the process by which companies develop their executive compensation packages? What drives the development and decisions of compensation packages? What roles do the company's management, the company's compensation committee (or board of directors), and external advisors play in this development?***

   While our members are typically not directly involved in the development of executive compensation policies, practices, and strategies, the Task Force that CFA Institute and NIRI organized to create the Template to advise issuers to answer these very questions in their CD&A.

   A key driver that investors have sought from the CD&A is the added benefit of transparency about potential conflicts of interest that are present in various elements of executive compensation. Compensation drives behavior and while compensation committees are independent, we observe that management has great influence and may be directly involved in compensation decisions, as was confirmed by issuers' representatives at the Roundtable. Investors require disclosure as both an accountability mechanism in and of itself and for information to exercise their oversight responsibilities.

   Based on our experience with the Task Force, we know companies approach executive compensation matters in ways specific to their unique corporate governance structure, business models, and industries. However, in virtually all cases we can think of for public companies, other than closely held entities, final decisions on executive compensation are made by independent compensation committees with engagement and oversight from investors.

2. ***Current disclosure requirements seek to unpack these processes for investors. How can our rules be revised to better inform investors about the material aspects of how executive compensation decisions are made?***

   See our recommendations above for targeted improvements and the Template we published with the Task Force of investment firms, compensation consultants, issuers, and attorneys on strategies to enhance the value of the CD&A.

3. ***What level of detail regarding executive compensation information is material to investors in making their investment and voting decisions? Is there any information currently required to be disclosed in response to Item 402 of Regulation S-K that is not material to investors or that could be streamlined to improve the disclosure for***

[24] Statement on the Upcoming Executive Compensation Roundtable (May 16, 2025)

investors? How do companies' engagement with investors drive compensation decisions and compensation disclosure?

As noted above, professional investors do not have time for incidental or frivolous information. These individuals and firms were instrumental in creating the portfolio of disclosures as it exists today, so they are disinclined to seek material streamlining.

See our comments above regarding: 1) why the "fine print" matters on executive compensation, 2) the survey results that illustrate that investors do not see the inclusion of obviously immaterial information in financial disclosures and do not desire a reduction in disclosure volume, and 3) our recommendations to: a) adjust the dollar thresholds for perquisites for inflation, and b) exempt quantitatively immaterial retirement benefit disclosures.

We observe that companies' engagement with investors are highly consequential to compensation decisions and disclosure. Companies have a strong desire for successful say-on-pay votes and engage with investors well ahead of voting to consider their interests to make that outcome more likely. The very high success rate of say-on-pay votes across the market (i.e., over 90% "for") are a testament to successful engagement with investors. [25]

Executive Compensation Disclosure: Past, Present, And Future

4. ***The Commission substantially revised its executive compensation disclosure requirements in 2006 with requirements to provide, among other things, enhanced tabular disclosure of compensation amounts and a compensation discussion and analysis of the company's compensation practices. The rules were intended to provide investors with a clearer and more complete picture of the compensation earned by a company's executive officers.***

   Have these disclosure requirements met these objectives? Do the required disclosures help investors to make informed investment and voting decisions? Given the complexity and length of these disclosures, are investors able to easily parse through the disclosure to identify the material information they need? In what ways could disclosure rules be revised to return to a simpler presentation and focus?

   Yes, the amendments to the disclosure requirements in 2006 provide investors with a clearer and more complete picture of the compensation opportunities and outcomes for named executive officers. We have not heard calls for a reduction in the length of these disclosures by our members or investors broadly. Rather, the comments received from investor representatives at the Roundtable and in comment letters mostly call for *more* information not less. The 2006 amendments were supported by investors at the time to address the lack of transparency in the prior disclosure regime.

   Investors are able to parse through the disclosure to identify the information they need and this process has only become easier and more sophisticated as information technology has advanced. The capabilities of even off-the-shelf large language models

[25] ISS 2025 Proxy Season Review: United States – Executive Compensation (September 2, 2025)

available to retail investors far exceeds the capabilities of what was available to many professional investors just a few years ago.

Given the advances in information technology and how that augments investors' ability to consume information and issuers' ability to prepare it, asking about a "return to a simpler presentation and focus" seems to be looking in the wrong direction. The Commission should be looking forward, exploring how to enrich the information environment given the advances in technology. We make several recommendations in our comments above.

Removal of large swaths of disclosures would be a self-inflicted wound to investor confidence in US capital markets. We make this bold claim because executive compensation in the US is already the highest in the world by some margin (even adjusting for market cap)[26] and compensation is a highly polarizing issue such that any changes would be front page news.

5. ***The Dodd-Frank Act added several executive compensation related requirements to the securities laws, including shareholder advisory voting on various aspects of executive compensation. What types of disclosure do investors find material in making these voting decisions? Are companies able to provide such disclosure in a cost-effective manner? Do the current rules strike the right balance between eliciting material information and the costs to provide such information?***

   To cast an informed vote and faithfully discharge their oversight and fiduciary duties, professional investors require disclosure of information similar to (but with less detail) that of a board member asked to approve an executive compensation package, such as:

   - Indicators of how robust and independent the compensation decision-making process was, and who was and was not involved in making those decisions.
   - The persons, amounts, timing, terms and conditions (including performance measures and target levels), and forms of payments for all material aspects of the compensation package.
   - Exceptional payouts with terms and conditions (e.g., change in control, termination, etc.).
   - Information on clawback and other policies that could affect pay outcomes.
   - Comparative data on the above for proper context.

   We do not know how much it costs to prepare such disclosures. While we hear that the costs are exorbitant, we've not been able to observe them at the financial statement level, nor have claims of their costliness been empirically documented or quantified. We do know that the information technology underlying these processes have improved significantly since the amendments that mandated these disclosures in 2006, before the

[26] Under Pressure: Global CEO Pay Tectonics. Post by Robin Ferracone, Brian Bueno, and Ryan Resch at GECN Group on the Harvard Law School Forum on Corporate Governance (January 8, 2026). The median S&P 500 company CEO's target pay in 2025 was $15.2M, more than double that of executives at listed companies with similar market caps in Switzerland, Germany, France, and Canada.

release of the iPhone.[27] We expect preparation costs to continue to decline, particularly as a benefit of advances in artificial intelligence.

As for the balance between costs and investor value, we note 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.

6. ***With the experience of almost 20 years of implementing the 2006 rule amendments, how can the Commission address challenges that either companies or investors have encountered with executive compensation rules and the resulting disclosures in a cost-effective and efficient manner while continuing to provide material compensation information for investors? For example, are there requirements that are difficult or costly to comply with and that do not elicit material information for investors?***

   See our recommendations for targeted improvements above and the Template we published with the Task Force of investment firms, compensation consultants, issuers, and attorneys on strategies to enhance the value of the CD&A.

Executive Compensation Hot Topics: Exploring the Challenging Issues

7. ***The Commission recently adopted rules implementing the requirements of Dodd Frank related to pay-versus-performance and clawbacks. Now that companies have implemented the new rules, are there any lessons we can learn from their implementation? Can these rules be improved? If so, how? For example, which requirements of these rules are the most difficult to comply with and how could we reduce those burdens while continuing to provide investors with material information and satisfy these statutory mandates?***

8. ***Since adoption of the pay-versus performance rules, I have continued to hear concerns regarding the rule's definition of "compensation actually paid" (CAP). What has been companies' experience in calculating CAP and what has been investors' experience in using the information to make investment and voting decisions?***

   (Since these two questions are closely related, we answer them together below.)

   The Commission's clawback rules are relatively new, with the listing standards from the NYSE and NASDAQ taking effect in December 2023 and staff guidance on the topic still developing (staff issued five new C&DIs related to clawback provisions just last year) so it appears too early to tell whether these requirements need revisions or not. We are aware, though, that many companies have already adopted their own mechanisms for recovering compensation paid on faulty premises or fraudulent mechanisms. This suggests boards of directors are taking such matters seriously and have taken steps to prevent such problems in the first place, and to remedy those that have occurred despite those steps.

[27] Apple Reinvents the Phone with iPhone - Apple (January 9, 2007)

As we noted above, we suggest that the Commission conducts focused outreach to investors and a public process on potential amendments to the pay-versus-performance rule. There may be an opportunity to use a more principles-based approach, as we recommended in our comments to the Commission on the proposed rule in 2015.[28] An approach that outlines principles and encourages the display of straightforward information – such as percentile ranks of absolute and relative TSR compared to the percentile ranks of the issuer's CEO and other NEO equity-based compensation granted and vested - with disclosure of underlying data may be more decision useful and easier to prepare.

9. ***What has been companies' experience in applying the two-part analysis articulated by the Commission in 2006 with respect to evaluating whether perquisites for executive officers must be disclosed? How do disclosure requirements resulting from the test, and whether a cost constitutes a perquisite, affect companies' decisions on whether or not to provide a perquisite? For example, how has the application of the analysis affected evaluations relating to the costs of security for executive officers? Are there types of perquisites that have been particularly difficult to analyze? How do investors use information regarding perquisites in making investment and voting decisions?***

   Tragically, recent events have made executive security an issue of great importance. We concur with those that recognize that security has become a cost of doing business, particularly for well-known companies.

   We're hesitant to recommend sweeping changes to the disclosure of executive security costs such as a total disclosure carve out because that would require the Commission to clearly define security costs and enforce that definition to make sure that the costs of adjacent services aren't swept into security costs and escape disclosure. Services like private air travel have security aspects, and some personal security services like a private driver confer non-security benefits. Participants at the roundtable spoke of the nuisance of security measures but we suspect that some of these services would see considerable uptake if they were offered to all an issuer's employees.

   One approach that may resolve these issues while protecting investors from disclosure escape and maintaining investors' voice on this issue is to permit disclosure of security costs apart from "all other compensation" but still within the CD&A under a distinct heading titled "executive security costs" with a brief discussion of the types of services purchased and respective amounts.

   We observe that investors use information regarding perquisites as a measure of issuers' "tone at the top" and typically compare the information to peer group companies and ask questions when there are outliers. We're not aware of investors policing relatively small dollar or routine perquisites.

[28] CFA Institute offers comments on the SEC's proposed pay for performance rule (6 July 2015)

CONCLUDING REMARKS

We reiterate here what we stated more than once above. Investors supported the Commission's executive compensation disclosures, and their implementation followed decades of robust rulemaking efforts. The rulebook as it exists today addresses problems and scandals that led to substantial investor losses.

We advise the Commission to trust that past Commissioners were thoughtful and didn't write rules for their own sake, and to build on past decades of rulemaking experience with targeted improvements. Hastily moving to reduce disclosures based on anecdotal evidence of their futility is a solution in search of a problem.

CFA Institute

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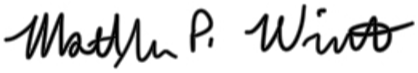
Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more detail on our letter. If you have any questions or seek further elaboration of our views, please contact Sandra J. Peters at sandra.peters@cfainstitute.org and Matthew P. Winters at matt.winters@cfainstitute.org.

Sincerely,



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APPENDIX

Research Publications

Year	Title
2007	The Compensation of Senior Executives at Listed Companies: A Manual for Investors
2009	U.S. Financial Regulatory Reform: The Investors' Perspective (co-sponsored with the Council of Institutional Investors)
2015	Compensation Discussion and Analysis Template-2nd Edition

Comment Letters

Date	Topic
SEC	
4/24/2001	S7-04-01 Disclosure of Equity Compensation Plan Information 4/24/01
4/13/2006	S7-03-06 Executive Compensation and Related Party Disclosure 4/13/06
5/30/2006	S7-03-06 Executive Compensation and Related Party Disclosure 5/30/06
12/20/2007	S7-03-06Executive Compensation and Related Party Disclosure 12/20/07
5/18/2011	S7-13-11 Listing Standards for Compensation Committees 5/18/11
6/17/2011	S7-12-11 Incentive-based Compensation Arrangements 6/17/11
9/14/2015	S7-12-15 Listing Standards for Recovery of Erroneously Awarded Compensation 0/14/15
7/6/2015	S7-07-15 Pay Versus Performance Rule
7/22/2016	S7-07-16Incentive-based Compensation Arrangements 7/22/16
11/22/2021	S7-12-15 Listing Standards for Recovery of Erroneously Awarded Compensation Reopening 11/22/21
12/14/2021	S7-11-21 Reporting of Proxy Executive Compensation Votes by Investment Managers 12/14/21
Congress	
5/15/2024	Letter to Congress re: Prohibitions Against Risk-Promoting Compensation 5/15/24