



April 27, 2026

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

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

Dear Ms. Countryman:

Thank you for providing Pay Governance, LLC (“Pay Governance” or “we”) and others with the opportunity to provide commentary on the Pay Versus Performance (PvP) disclosure requirements.

Pay Governance is one of the largest independent advisors to corporate boards on executive compensation matters. We provide advice to over 500 companies, many of whom are required to comply with the PvP disclosure rules. Based on our experience over the past four years in assisting clients with the preparation of the PvP disclosure, we agree wholeheartedly with SEC Chairman Atkins’ recent observations and comments on February 17, 2026, at the Texas A&M School of Law Corporate Law Symposium including:

- ◆ “SEC disclosure requirement ideally should be—intelligible by a reasonable investor and practical for a company to comply”
- ◆ “I agree with commenters that we should look for ways to make PvP disclosure simpler for companies to prepare and more straightforward for investors to understand.”

We acknowledge that the PvP rules are highly controversial due to their complexity, and some commentators have recommended the requirement be eliminated or radically revised. Should the SEC choose to pursue streamlining the existing disclosure requirement, we recommend the changes discussed below to reduce the administrative burden of complying with the PvP disclosure rules while still providing investors with relevant data required to evaluate pay and performance.

Summary of Recommendations

- ◆ As both preparers and users of the PvP disclosure over the past four years, we believe the changes listed below will streamline the calculations and greatly clarify the required disclosure. Limit the compensation disclosure to the CEO
- ◆ Drop GAAP Net Income and Company Selected Measure (CSM)
- ◆ Delete tabular list of most important performance measures
- ◆ Eliminate the inclusion of the peer group or index TSR
- ◆ Remove description of relationship of Compensation Actually Paid (CAP) to performance
- ◆ Provide safe harbor for valuing stock options

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- ◆ Exclude the impact of dividends when calculating CAP
- ◆ Rename compensation actually paid “PvP Compensation”

The balance of this letter outlines our rationale for these proposed changes.

Limit PvP Compensation Disclosure to the CEO

The PvP disclosure requirement to include the average compensation data for the Named Executive Officers (NEOs) other than the CEO is the best example of how the disclosure rules impose burdensome and unnecessary detailed information on companies that obscure the data investors require.

As Chairman Atkins noted in his Texas A&M speech,

- ◆ **“As one commenter explained, “with the exception of the [CEO], the volume of detailed information...about the remaining [executives] is often immaterial to investors and, if anything, tends to obscure the information that they genuinely seek.”**
- ◆ **“Requiring companies to devote extensive time and resources to prepare disclosure that can do more to obscure than illuminate is not rational. I agree with commenters that we should reconsider the number of executives for whom compensation information is provided to appropriately calibrate the level of disclosure with the cost.”**

For many investors, the focus on the relationship of pay and performance is naturally based on CEO compensation, as the CEO is generally the highest paid executive in the company and the structure of their compensation cascades down to the other top executives. As a result, the relationship between other NEO compensation and performance generally correlates to that of the CEO. No new information is gained by including NEO data. In addition, the average NEO data is susceptible to changes in composition from year to year and can be distorted by sign-on or promotional awards, severance, and varying tenures of the included or excluded NEOs.

We also recommend the SEC revise the requirement to calculate CAP for all the CEOs that served during the year and allow companies to disclose either 1) the CEO who served the longest during the current year or, 2) the CEO at year-end, as the inclusion of multiple CEOs creates confusion and added compliance costs.

Drop GAAP Net Income and Company Selected Measure

The inclusion of GAAP Net Income is not necessary as that information is already disclosed in the company’s financial statements, and with limited exceptions is not used to determine compensation. The requirement to disclose a CSM in the PvP table unnecessarily shines a spotlight on a single financial performance measure, which is inconsistent with the way companies measure and reward performance. Data provided by ESGAUGE indicates that most companies use three or more performance measures in their incentive plans. Moreover, both the types and weightings of these measures change year to year,. Requiring disclosure of a single CSM for the full five years based on the most recent year’s CSM can mask the relationship of pay and performance and confuse investors. It is also worth noting that the requirement to report the CSM based on a single year (e.g.,

2025) ignores the fact that the compensation earned based on the CSM may have been measured on three-year average or cumulative performance (e.g., 2023-2025). This reporting requirement likely explains why so many of the reported CSMs are drawn from the annual incentive plan.

The relevant performance measures, both financial and non-financial, are already covered extensively in the Compensation Discussion and Analysis (CD&A), where valuable context for the selection of the measures and relative importance (as evidenced by the weightings of such measures) is discussed extensively. We believe this disclosure more than mitigates inclusion of a CSM in the PvP table.

Delete Tabular List of Most Important Performance Measures

We also recommend eliminating the list of most important performance measures for the same reasons we recommend excluding GAAP Net Income and the CSM from the PvP table:

- ◆ The CD&A provides the relevant information and context for the performance measures used to determine compensation.
- ◆ The listed performance measures often vary or have different weightings from year to year, and the CAP information provided for the five-year period may have been based on different measures and weightings than those disclosed for the current year.

Eliminate Inclusion of Disclosed Index or Peer Group TSR

The inclusion of peer group TSR in the PvP table is unnecessary as that information is already required to be disclosed under Item 201(e) of Regulation S-K in the company's annual report and in many cases, the disclosed index is not used to determine compensation. We also note that the requirement to disclose either the same peer group used for purposes of Item 201(e) or a peer group used in the CD&A for purposes of disclosing registrants' compensation benchmarking practices has created confusion over what constitutes a peer group used in the CD&A for benchmarking purposes that continues today despite the SEC's issuance of clarifying guidance (CD&I 128D).

Another important reason to exclude the index or peer group's TSR is there is no other relative information being provided in the disclosure, which causes two issues:

- ◆ May create the impression that an increase or decrease in CAP may not be properly calibrated if the company's TSR lags or outperforms that of the disclosed index or peer group.
- ◆ Even if the index or peer group's TSR allows for a meaningful comparison of relative TSR, there is no comparable disclosure of index or peer company CAP, which is essential for evaluating the reasonableness of the relative quantum of the company's CAP.

Removing the inclusion of the index or peer group's TSR also eliminates the need to add a "shadow" calculation of TSR for the prior index or peer group every time the peer group changes. This is a particularly burdensome requirement for companies that use a custom peer group as the change of a single company often requires the recalculation of the market cap weighting of the group's TSR.

Remove Description of Relationship of CAP to Performance

The disclosure of the relationship of CAP to performance, either graphically and/or in narrative form, should be eliminated as the resulting disclosure over the past four years has mostly resulted in an array of charts that arguably do little to further investors understanding of the relationship of pay and performance. This is especially true of the comparisons of CAP to GAAP net income and the CSM.

We believe the relationship of compensation to performance is best covered in the CD&A, which allows companies to use a definition of compensation and performance criteria they believe is most relevant to investors. We also believe that many investors have their own methodologies for comparing pay and performance and the resulting charts or narrative disclosure of the relationship of CAP to performance is generally not being utilized to inform their assessment.

Provide Safe Harbor for Valuing Stock Options

Monthly vesting, which is common in certain industries, requires a significant number of stock option valuations that can be burdensome and does little to improve the accuracy of the CAP calculation. In some cases, 24 or 36 stock option valuations may be required for a single award as the stock options vest, and this number can be even higher if new hire, promotion, or other off-cycle awards have been granted.

The creation of a safe harbor that allows companies, if they choose to, value the stock options based on some type of average stock price and volatility assumption for each unique award would significantly reduce the number of required valuations of stock options vesting during the year.

Exclude Impact of Dividends When Calculating CAP

The treatment of accrued dividends (i.e., only paid if the underlying award vests) is unclear under the current PvP rules and SEC Staff guidance, leading to confusion and inconsistent treatment. Rather than clarifying the proper treatment, we recommend allowing for the exclusion of accrued dividends from the CAP calculation. This would greatly simplify the CAP calculation by eliminating the need to calculate the number of “accrued dividend equivalents” each quarter and marking them to market from the time of their accrual when calculating CAP. For most companies, dividends are immaterial to the calculation of CAP, and the added effort to comply far outweighs the benefits.

Rename Compensation Actually Paid “PvP Compensation”

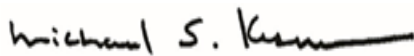
The current methodology for calculating CAP includes a significant amount of potential compensation that is subject to stock price fluctuations, continued service and performance conditions. The current disclosure rules do not require that companies delineate the portion of CAP that has been actually paid and the portion that might be earned in the future, causing confusion as to the amount being reported. We believe it would be beneficial to rename CAP “PvP Compensation” and to require companies separately disclose the amount actually paid and the amount subject to future performance and service conditions in addition to a total CAP figure.

We understand this may pose a challenge as Dodd-Frank mandated the SEC develop a framework that compares performance to compensation actually paid, but the use of the current label is undermining the credibility of the reported data.

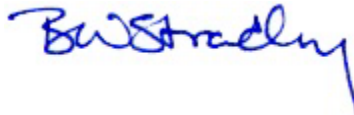
CONCLUSION

These targeted reforms would materially improve PvP disclosure by aligning cost with informational value, enhancing investor usability, and advancing the Commission's stated goal of a minimum effective dose of regulation. We appreciate the Commission's openness to reconsideration and welcome further dialogue.

Respectfully submitted,
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