



Your Views. Your Values. Your Votes.

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May 8, 2026
The Honorable Paul Atkins
Chairman
U.S. Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number 4-855 Executive Compensation Disclosure Requirements

Dear Chairman Atkins:

Pennant respectfully submits this comment in response to File No. 4-855, and specifically in support of the April 13, 2026, comment letter submitted by Farient Advisors LLC regarding the Compensation Actually Paid (CAP) disclosure within the Pay vs. Performance (PvP) framework.^[1]

This letter also follows a discussion hosted by the National Association of Corporate Directors (NACD) on April 16, 2026, specifically their Compensation Committee Leader Exchange, in which both SEC Commissioner Hester Peirce and Pennant Founder and CEO Ryan Nowicki Stewart participated as guest speakers. Through the conversation, the continued submission of comment letters and perspectives by market participants was encouraged on this topic.^[2]

Pennant is an AI-native proxy voting and governance intelligence platform built to serve institutional investors, ranging from the largest global asset managers to state and company-level pension plans safeguarding the retirements of millions of Americans. Our platform applies tailored large language models and structured data pipelines to SEC filings—including DEF 14A proxy statements, 10-Ks, 8-Ks, and N-PX reports—to generate independent and highly-customized voting recommendations and pay-for-performance assessments at portfolio scale. We write from the perspective of a technology company building tools that institutional investors increasingly use to analyze disclosure data like CAP.

A critical distinction: Pennant does not maintain a benchmark voting policy or house view that seeks to influence vote outcomes. Unlike current proxy advisory firms, we do not issue voting recommendations rooted in our own governance philosophy. Instead, our platform is designed to empower each investor to apply its own stewardship and governance principles, informed by the most complete and material data available. Our interest in this rulemaking is accordingly focused on supporting disclosure practices that provide investors with the optimal amount of information to make informed, independent voting decisions—without imposing undue compliance burdens on issuers. We recognize that issuers bear the cost of producing this data, while investors benefit from its standardization. We also believe that CAP provides a standardized input that is less costly to use than reconstructing realized pay independently, and is a key element in the emerging ecosystem of independent proxy analysis.

We recognize that CAP is not without limitations. Some commenters have noted that the measure incorporates unrealized equity value changes and therefore may not correspond directly to realized compensation or to the frameworks used by compensation committees in evaluating pay outcomes.^[3] At the same time, investor representatives, including the Council of Institutional Investors, have generally emphasized the importance of clear, comparable disclosure that enables independent evaluation of pay-for-performance alignment.^[4]

We also take seriously concerns raised about the compliance cost of PvP disclosure, particularly during its initial implementation period. However, as Farient notes in its comment letter, the substantial upfront investment in systems and processes appears to have already been made by many issuers. The ongoing incremental cost of calculating and disclosing CAP is materially lower than the initial implementation burden and would be reduced further under the streamlined framework Farient proposes. In our view, eliminating a disclosure that issuers have already invested in, at the very moment when technology is making that data actionable for investors, would forfeit the return on that investment for both issuers and shareholders.

In practice, CAP can introduce volatility and, in certain cases, may complicate interpretation for investors when viewed in isolation. However, we believe these considerations reflect the nature of the metric rather than a defect in its utility. CAP should not be understood as a measure of realized income, but as a standardized, performance-sensitive lens through which investors can evaluate alignment between executive outcomes and shareholder experience over time. In our view, these characteristics do not outweigh CAP's value as a standardized measure that can be compared across companies at scale by investors.

CAP Enables AI-Assisted Alignment Analysis at Scale

Farient's letter makes a compelling case that Compensation Actually Paid, as a realized and realizable pay measure, is uniquely sensitive to stock price performance in a way that Summary Compensation Table (SCT) Total Compensation is not. We endorse this view, and our experience building AI-assisted stewardship solutions adds a practical dimension: *CAP is a key and consistently disclosed data element that can materially reduce the cost and complexity of scalable, institution-specific pay-for-performance assessments across the public company universe.*

Prior to the PvP disclosure, an investor seeking to construct a realized-and-realizable pay figure for a given company had to extract grant details from the Grants of Plan-Based Awards table, track unvested positions in the Outstanding Equity Awards table, identify vesting events in the Option Exercises and Stock Vested table, parse performance share unit (PSU) achievement rates from scattered Compensation Discussion and Analysis (CD&A) narrative, and reconcile forfeitures and modifications, all against historical stock price data. Performing this extraction

consistently across thousands of issuers required either large analyst teams or costly bespoke data vendors. The result was that some organizations with larger dedicated stewardship and governance organizations attempted it, while many other investors defaulted to the proxy advisors' SCT-based models.

CAP addressed this gap. By mandating a consistently calculated, performance-sensitive pay figure in a structured disclosure, the SEC created the raw input that enables AI systems to facilitate alignment analysis at scale. Our platform, for example, can now ingest PvP disclosures across the Russell 3000, compute the CAP:SCT ratio that Farient describes in its letter, and flag misalignment patterns—including the “round-trip effect” from fixed-value grants and large trough grants—that are invisible in grant-date data. Before CAP, no standardized measure existed to enable this on a consistent, comparable basis.

For example, two companies may report similar Summary Compensation Table totals over a multi-year period, while producing materially different CAP outcomes because of differences in stock-price performance, fixed-value equity grants, vesting outcomes, or large trough grants. Standardized CAP disclosure can help investors distinguish between compensation programs that appear similar at grant date and those that ultimately produce materially different realized and realizable pay outcomes relative to shareholder experience.

Research submitted to this docket by Stephen O’Byrne of Shareholder Value Advisors provides empirical confirmation that CAP data enables investors to estimate key pay dimensions, including incentive strength, alignment, and relative pay risk, that SCT data alone cannot reliably capture.^[5]

The Shift Toward AI-Enabled Proxy Voting Is Already Underway

The proxy voting ecosystem is in a moment of structural transition. In January 2026, J.P. Morgan Asset Management became the first large institutional investor to discontinue its use of external proxy advisory services for U.S. companies, launching an internal AI-enabled platform, Proxy IQ, to manage voting decisions across approximately 3,000 annual meetings.^[8] Weeks later, Wells Fargo Wealth & Investment Management launched its own proprietary proxy voting system, reducing its reliance on third-party advisors for its \$2.5 trillion in client assets.^[9]

As Langston and Lu of Paul, Weiss have observed, AI’s near-term impact on proxy voting will likely be most acutely felt in the shift away from benchmark voting policies developed by proxy advisors toward customized policies developed with the aid of AI—a shift that “could potentially upend the tactics, tools and timing of future proxy contests.”^[6] Separately, recent research by Kekst CNC analyzing contested elections from 2023 to 2025 found that AI recommendations may exhibit meaningfully different patterns than those of Institutional Shareholder Services

(ISS) and Glass Lewis, underscoring the need for robust, performance-sensitive disclosure data as the inputs to these emerging systems.^[7]

These developments represent a market-driven restructuring of the proxy voting infrastructure that has been accelerated by the Administration’s December 2025 Executive Order directing the SEC to review rules relating to proxy advisors.^[11] As Paul, Weiss has noted, the expansion of custom voting policies enabled by AI “could be highly consequential for investor voting practices, shareholder engagement, and the tactics and outcomes of future proxy contests.”^[10]

Eliminating CAP Could Further Entrench Proxy Advisor Influence

One of the structural reasons, among other factors, that ISS and Glass Lewis exercise outsized influence over executive compensation votes is that developing and maintaining an independent, defensible pay-for-performance framework across a large portfolio has historically been prohibitively expensive and operationally intensive for all but the largest asset managers. AI-native platforms are beginning to change this cost structure. But they can only do so if the underlying data exists in a consistently disclosed, machine-readable form. CAP is an important standardized input into this process.

Eliminating CAP would remove a key consistently disclosed, performance-sensitive pay measure available across all public companies and could effectively re-centralize alignment analysis in the hands of these incumbents, who have proprietary data pipelines and dedicated analyst teams that smaller investors cannot easily replicate today. Retaining a streamlined CAP disclosure would support more competitive development of independent pay-for-performance analysis tools. It lowers the barrier for institutional investors of all sizes to develop house views on pay-for-performance alignment, making more widely accessible the kind of independent, fiduciary-driven voting that the Commission has consistently encouraged—and that the Administration’s Executive Order seeks to advance.

Simplification Should Preserve Machine Readability

We endorse Farient’s recommendation to streamline PvP to three core elements: (1) SCT Total Compensation, (2) CAP, and (3) Total Shareholder Return (TSR) for the CEO only, with the pension treatment modifications described in their letter. We would add one additional request: that any revised PvP disclosure be required in Inline XBRL format, as is currently the case. Structured, tagged data is essential for programmable ingestion at scale. A disclosure that exists only in narrative CD&A text, while critical and informative to a human reader, is best complemented by this structured quantitative information for the AI-enabled stewardship infrastructure that is emerging across the industry.

We also support renaming CAP to “Realized and Realizable Pay” (RRP), as Farient proposes. The current name has caused confusion among governance professionals who note, correctly, that much of the figure represents unrealized gains. A more accurate label would encourage adoption of the measure for its intended purpose: assessing alignment, not quantum.

Implications for Compensation Committees

The emergence of AI-enabled alignment analysis has direct implications for issuers, which the Commission may wish to consider as it evaluates disclosure reform. As institutional investors increasingly develop independent pay-for-performance frameworks—enabled by CAP data and AI tooling—compensation committees will face engagement from a more heterogeneous set of investor viewpoints. In our view, this is a healthy development: it means that well-designed programs will be recognized as such by investors who look beyond the proxy advisors’ standardized screens, and that poorly designed programs will be scrutinized with greater analytical rigor. This will also lead to more substantive engagements between companies and their shareholders, strengthening the case for robust Compensation Committee oversight.

In this context, preserving CAP maintains decision-useful disclosure for investors, and this data enables a more informed and independent market for proxy votes on executive compensation.

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We appreciate the opportunity to submit these comments and welcome the chance to discuss them further with Commission staff.

Sincerely,



Ryan Nowicki Stewart

Founder & CEO

Pennant

www.getpennant.ai

^[1] Farient Advisors LLC, Comment Letter on File No. 4-855 (April 13, 2026).

^[2] National Association of Corporate Directors (NACD), Compensation Committee Leader Exchange, hosted April 16, 2026. Guest speakers included SEC Commissioner Hester Peirce and Pennant Founder and CEO Ryan Nowicki Stewart.

^[3] Business Roundtable, Comment Letter on File No. 4-855 (August 19, 2025).

^[4] The Council of Institutional Investors, Policies on Corporate Governance (current version).

^[5] Stephen F. O’Byrne, Shareholder Value Advisors, Comment Letter on File No. 4-855.

^[6] James E. Langston & Carmen X. Lu, “Five Ways AI Could Transform Coming Proxy Seasons,” Harvard Law School Forum on Corporate Governance (March 8, 2026).

^[7] Kekst CNC, “AI as the New Proxy Advisor,” Harvard Law School Forum on Corporate Governance (April 20, 2026).

^[8] J.P. Morgan Asset Management discontinued use of external proxy advisory services and launched Proxy IQ. First reported by The Wall Street Journal (January 7, 2026).

^[9] Wells Fargo Wealth & Investment Management, Press Release (January 28, 2026).

^[10] Scott A. Barshay, Carmen X. Lu & Frances F. Mi, Paul, Weiss (December 16, 2025).

^[11] Executive Order, “Protecting American Investors from Foreign-Owned and Politically-Motivated Proxy Advisory Firms” (December 2025).