



Boards of The Future

30 April 2026

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090
UNITED STATES

Via online submission

Re: File No. CLL-15 — Statement on Reforming Regulation S-K

Boards of the Future appreciate the opportunity to respond to the Securities and Exchange Commission (SEC)'s request for comment on reforming Regulation S-K and to contribute our perspective.

Boards of the Future is a US-based global nonprofit focused on strengthening ethical leadership and integrity in boardrooms, working with directors, committee chairs, and ethics, risk, and compliance leaders internationally.

We offer the following observations on selected Regulation S-K items, based on our work on board ethics oversight, governance, culture, risk, and ethical decision-making, including our research on board ethical readiness and our guide, *How Boards Should Oversee Ethics*. Our central submission is that reform should reduce generic, duplicative, and immaterial disclosure, while preserving and improving disclosure that helps investors assess how boards oversee material risks, exercise judgment, and support long-term value creation.

1. Item 105 – Risk Factors

We support the Commission's objective of reducing generic, duplicative, and immaterial risk factor disclosure. However, we believe the debate should centre on the quality, not only the quantity, of risk factors. Reducing boilerplate disclosure is a worthy goal, but equating non-financial risk with immaterial risk would be an oversimplification.

Reform should not create a presumption that ethics, culture, conduct, human capital, cybersecurity, corruption, conflicts of interest, or stakeholder-facing risks are immaterial because they are not immediately quantifiable as financial exposure. These risks often become financially material only after earlier warning signs have been missed.

The Commission should therefore encourage registrants to disclose such risks where they are material and company-specific, and to explain their connection to the registrant's business model, governance arrangements, incentive structures, control environment, or operating context.

This would benefit both investors and companies. For investors, it would provide a clearer view of the company's overall risk profile. For companies, the discipline of preparing such disclosure can support better risk foresight: identifying early warning signs before they materialize into financial, regulatory, or operational harm.

2. Item 402 – Executive Compensation

We support modernizing Item 402 to reduce duplicative, overly technical, and low-value compensation disclosure. However, simplification should not weaken investors' ability to assess whether executive compensation is aligned with long-term value creation, prudent risk taking, ethical conduct, and accountability. Executive compensation is one of the board's most powerful tools for shaping desired executive conduct and should be treated as such.

Current disclosure often provides extensive information about award design at the time of grant, but less standardized insight into how performance criteria were evaluated. We recommend that the Commission modernizes Item 402 to provide a clearer lifecycle disclosure for executive awards.

3. Item 406 – Code of Ethics

If the Commission is concerned about generic, boilerplate disclosure, Item 406 deserves particular attention. The current requirement is effectively reducing ethics disclosure to a binary statement about whether a code of ethics exists. In practice,

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that tells investors very little about whether ethical risks are understood, escalated, debated, and acted on by senior management and the board. The disclosure on how the code is embedded into governance, incentives, reporting channels, investigations, disciplinary outcomes, waivers, and board oversight, therefore, appears as much more useful.

In that respect, Item 406 illustrates the broader challenge the Commission has identified. A disclosure regime can require information on an important topic and still produce little insight if the requirement focuses on formal adoption rather than governance substance.

We strongly advocate for keeping Item 406 – eliminating it can send a very wrong signal to the market, with potential adverse consequences for investors. But it needs to be modernized significantly, to move toward concise disclosure about how ethical standards are governed and enforced. The Department of Justice has spent years on educating companies on the perils and insufficiency of “paper” ethics and compliance programs, and we advocate that the Regulation S-K is aligned and reflects the evolution of corporate ethics and compliance expectations.

In that regard, we recommend that the Commission focus on disclosures that provide evidence that ethical risks are governed effectively, including the board or committee responsible for ethics oversight; how material code violations, waivers, conflicts, and retaliation concerns are escalated and managed; and whether adherence to the code is considered in executive accountability, compensation, or disciplinary decisions, in connection with the Item 402.

Another observation is that the current item remains too closely tied to senior financial officer conduct, which reflects its post-Sarbanes-Oxley origins. Modern ethical risk is not limited to financial reporting. It arises across the enterprise: in sales incentives, third-party management, cybersecurity, human capital decisions, AI deployment, supply chains, conflicts of interest, safety, product integrity, and stakeholder impact. Item 406 should therefore be reframed so that investors understand not only whether certain officers are covered by a code, but how ethical standards apply to the company’s material risk areas.

4. Item 407



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The question of what makes a high-quality board is complex and hard to measure. At the same time, it is of critical importance for investors since the quality of the board can be used as one of proxy indicators for the investee's returns. However, investors have asymmetric information about boards – they don't know what happens inside the boardroom meetings. Reliable pointers on board quality are therefore vital and a material concern.

We believe Item 407 should remain principles-based but should be modernized to improve the scope and quality of disclosure beyond tenure, independence, and demographic diversity. Currently, the information on board and executive characteristics, including cognitive, socioeconomic, and skillset diversity, is often incomplete, inconsistently reported, or entirely unavailable. Such disclosure should not become a mechanical skills matrix or a generic list of desirable attributes. Rather, registrants should explain how the board's composition aligns with the company's business model, risk profile, strategy, and oversight responsibilities. If data quality improved, that would enable investors to have a more nuanced and holistic view of what drives high-performing boards, and whether the board has the independence of judgment, diversity of perspective, and relevant expertise needed to challenge management, identify emerging risks, and oversee long-term value creation.

Thank you again for the opportunity to provide our comments and suggestions. If it would be helpful, we would be pleased to elaborate on any of the points above. Please contact us at info@newboards.org.

Yours sincerely,

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