U.S. Securities and Exchange Commission

STATEMENT

Statement on Proposing Release for Executive Compensation Disclosure Reform

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Today, the Commission proposed amendments to its executive compensation disclosure requirements contained in Item 402 of Regulation S-K. These amendments reflect a comprehensive reform of Item 402 that, together with other previously proposed actions, are central tenets of my agenda and focus on transforming the SEC's public company disclosure regime to one rooted in materiality.

During each of my prior two tours of duty at the agency, the Commission amended Item 402. First, in 1992[1] when I served as Chief of Staff to Chairman Richard C. Breeden, and then again in 2006[2] when I served as a Commissioner. These prior amendments reflected a recognition that the Commission's rules for executive compensation disclosure require periodic updating to reflect developments in how companies compensate executives and how investors use compensation information to make investment and voting decisions.

Unfortunately, the last time the Commission comprehensively reviewed Item 402 was twenty years ago with the 2006 amendments. Since then, the rule has become bloated — reaching nearly the end of the alphabet in its internal organizational system — through the addition of both congressionally-mandated requirements and discretionary rulemaking for nuanced issues. Not

surprisingly, this accumulation over the past twenty years without a comprehensive retrospective review has resulted in a disclosure regime that no longer clearly informs investors of material aspects of companies' executive compensation decisions.

With the benefit of input from more than 80 comment letters received from investors, companies, and advisors in connection with the SEC's roundtable on executive compensation in July 2025,[3] today's proposal aims to elicit more informative disclosure rooted in materiality. As the Supreme Court has stated, materiality is an objective standard based on the reasonable investor.[4] The standard does not look to capture information that a particular investor is curious to know or would like to have as a datapoint, especially if there is not a substantial likelihood that the datapoint significantly alters the total mix of information for an investment or voting decision.[5]

As applied to executive compensation disclosure, a panelist at last year's roundtable aptly analogized current Item 402 to an ice cream parlor that carries rum raisin and maple walnut; flavors desired by only a single customer.[6] The proposed amendments would, if adopted, revise Item 402 to focus on an objective standard regarding needs of the reasonable investor, rather than on the specialized tastes of a specific investor.

Furthermore, the proposal would amend Item 402 to elicit information that clearly informs investors of when compensation is first granted and then ultimately earned, through tabular disclosure focused on the most common elements of compensation — salary, bonus, and equity. At the same time, amended Item 402's principles-based and materiality-centric approach would reduce costs to companies and provide them with more agency when crafting compensation disclosure.

Of course, Item 402 includes disclosure mandated by Congress, such as the Dodd-Frank Act's requirements for golden parachutes, pay versus performance, pay ratio, and clawbacks.[7] With respect to these rules, today's amendments aim to reduce compliance burdens for companies while remaining faithful to the congressional mandate. This approach reflects my regulatory philosophy of prescribing the minimum effective dose of regulation.

In the context of my overall policy agenda, today's proposal represents the second of three pillars aimed at transforming the Commission's public company disclosure regime. This past May, the Commission proposed amendments that would, if adopted, create two categories of public companies, with appropriately calibrated disclosure for each

category.[8] Today's proposal signifies the beginning of the next phase of transformation — revising the specific disclosure requirements themselves, starting with the executive compensation portion of Regulation S-K. Looking ahead, Commission staff is making great strides toward recommendations for the final stage of the transformation, which is to reform the business, risk, and governance requirements of Regulation S-K.

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I look forward to receiving and reviewing the public's feedback on today's proposal. Thank you to the following members of the Commission staff for their innovative ideas for, and dedication to, this consequential proposal.

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Office of the Chief Accountant: Kurt Hohl, Shehzad Niazi, Patrick Foley, Sheri York, Gaurav Hiranandani, Greg Hillson, Ginni Fritz, and Sarah Esquivel.

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1 Executive Compensation Disclosure, Release No. 33-6962 (Oct. 16, 1992) [57 FR 48126 (Oct. 21, 1992)], available at https://archives.federalregister.gov/issue_slice/1992/10/21/48122-48159.pdf#page=4 (https://archives.federalregister.gov/issue_slice/1992/10/21/48122-48159.pdf#page=4).

2 Executive Compensation and Related Person Disclosure, Release No. 33-8732A (Aug. 29, 2006) [71 FR 53158 (Sept. 8, 2006)], available at https://www.federalregister.gov/documents/2006/09/08/06-6968/executive-

compensation-and-related-person-disclosure (https://www.federalregister.gov/documents/2006/09/08/06-6968/executive-compensation-and-related-person-disclosure).

3 SEC Roundtable on Executive Compensation Disclosure Requirements, available at https://www.sec.gov/newsroom/meetings-events/sec-roundtable-executive-compensation-disclosure-requirements (https://www.sec.gov/newsroom/meetings-events/sec-roundtable-executive-compensation-disclosure-requirements).

4 TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438, 445 (1976) ("The question of materiality, it is universally agreed, is an objective one, involving the significance of an omitted or misrepresented fact to a reasonable investor.").

5 Id. at 449 ("What the [materiality] standard does contemplate is a showing of a substantial likelihood that, under all the circumstances, the omitted fact would have assumed actual significance in the deliberations of the reasonable shareholder. Put another way, there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available.").

6 Unofficial Transcript: SEC Roundtable on Executive Compensation Disclosure Requirements Panel (July 26, 2025) at page 76, available at https://www.sec.gov/files/sec-roundtable-executive-compensation-disclosure-requirements-2025-06-26-transcript.pdf (https://www.sec.gov/files/sec-roundtable-executive-compensation-disclosure-requirements-2025-06-26-transcript.pdf).

7 See Pub. L. No. 111-203, 124 Stat. 1376 (2010), sections 951, 953(a), 953(b), and 954.

8 Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies, Release No. 34-105515 (May 19, 2026) [91 FR 30086 (May 21, 2026)], available at https://www.federalregister.gov/documents/2026/05/21/2026-10222/enhancement-of-emerging-growth-company-accommodations-and-simplification-of-filer-status-for (https://www.federalregister.gov/documents/2026/05/21/2026-10222/enhancement-of-emerging-growth-company-accommodations-and-simplification-of-filer-status-for).

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