U.S. Securities and Exchange Commission

STATEMENT

Statement on Proposing Release for Executive Compensation Disclosure Reform

Commissioner Mark T. Uyeda (/about/sec-commissioners/mark-t-uyeda)

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Twenty years have passed since the Commission's last comprehensive evaluation of executive compensation in 2006.[1] Since then, the Commission has added to that framework on a piecemeal basis. For example, Title IX of the Dodd-Frank Act directed the Commission to adopt a series of new disclosure and governance requirements — say-on-pay, pay ratio, pay-versus-performance, and clawback rules among them.[2] In implementing the Dodd-Frank mandates, the Commission took these requirements up one at a time, through separate rulemakings, without stepping back to consider how they would function together within the broader Item 402 of Regulation S-K framework.

Last year's Executive Compensation Roundtable made clear that this accumulation has come at a cost: disclosure that is increasingly duplicative, costly to produce, and in some instances only loosely tied to what a reasonable investor actually needs to make an informed investment or voting decision. That is, the executive compensation framework is at times both costly and ineffective — the worst regulatory outcome.[3] Today's proposal reflects the

discussion at the Roundtable and other feedback received by the Commission and its staff.[4]

The objective of our proposal has not changed from the Commission's longstanding goal: find the "best methods for communicating clear, concise and meaningful information about executive and director compensation and relationships with the company."[5] With this proposal, the Commission takes a step toward untangling and streamlining an executive compensation disclosure framework that has, for decades, grown by accretion rather than design. Too often the focus has been on adding granular line items rather than evaluating whether the overall structure is cohesive and rational. In other words, we have missed the forest for the trees.

The proposed amendments would refocus disclosures on the principal executive officer (PEO) and principal financial officer (PFO), aiming to reduce unnecessary complexity and volume,[6] while aligning reporting with the individuals most critical to the success or failure of the enterprise. It also proposes to streamline and rationalize the tabular disclosure requirements, replacing the current array of tables with three clearer, comprehensible tables: the Earned Compensation Table, the Granted Compensation Table, and the Status of Equity Awards Table. Another goal of today's proposal is to simplify the Compensation Discussion and Analysis (CD&A) to emphasize material, principles-based information, and eliminate boilerplate and immaterial repetition.

These proposed modernizations aim to provide registrants with greater flexibility to tailor disclosures to their compensation programs, while ensuring that investors receive the information most relevant to their investment and voting decisions. Finally, the proposal seeks to re-evaluate whether the rules implemented pursuant to the Dodd-Frank Act mandates can be improved. It satisfies the statutory intent without taking overexpansive interpretations resulting in confusing or irrelevant disclosure while imposing additional compliance costs that are borne by the shareholders.

At its core, this proposal is intended to re-anchor executive compensation disclosure to financial and business materiality rather than to special interest group opinions about whether pay levels are appropriate. The Commission's role is to ensure investors have the material information they need to evaluate compensation decisions, not to shape or influence those compensation decisions themselves.

History counsels caution about using securities law disclosure as a means of regulating executive compensation. In the 1990s, Congress attempted to curb executive pay indirectly, by limiting the tax deductibility of CEO salaries above $1 million. The effort backfired: rather than constraining pay, it accelerated the shift toward equity-based compensation that has defined executive pay structures ever since. Former Chairman Christopher Cox later observed that this episode deserves "pride of place in the Museum of Unintended Consequences."[7]

The lesson extends beyond tax policy. Disclosure requirements crafted to influence compensation levels, rather than to inform investment and voting decisions, risk producing the same kind of result — a rule aimed at one outcome that instead entrenches another.

I thank the staff of the Divisions of Corporation Finance, Investment Management, and Economic and Risk Analysis as well as the Offices of the General Counsel and the Chief Accountant for their work on this proposal.

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[1] *Executive Compensation and Related Person Disclosure*, Release No. 33-8732A (Aug. 29, 2006) [71 FR 53158 (Sept. 8, 2006)] ("2006 Executive Compensation Release").

[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

[3] Mark T. Uyeda, Remarks at the SEC Speaks Conference 2022 (Sept. 9, 2022), available at https://www.sec.gov/newsroom/speeches-statements/uyeda-speech-sec-speaks-090922.

[4] Executive Compensation Disclosure Reform, Release Nos. 33-11455; 34-106873, available at https://www.sec.gov/files/rules/proposed/2026/33-11455.pdf (https://www.sec.gov/files/rules/proposed/2026/33-11455.pdf).

[5] 2006 Executive Compensation Release, 71 Fed. Reg. at 53160.

[6] For instance, to determine the three individuals who are the most highly-compensated non-PEO/PFO named executive officers, it is often necessary to

calculate summary compensation calculations for a much larger group of individuals in order to identify the top three.

[7] Christopher Cox, Chairman, U.S. Sec. & Exch. Comm'n, Testimony Concerning Options Backdating, Before the U.S. Senate Committee on Banking, Housing and Urban Affairs (Sept. 6, 2006), available at https://www.sec.gov/news/testimony/2006/ts090606cc.htm (https://www.sec.gov/news/testimony/2006/ts090606cc.htm).

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