June 25, 2025

The Honorable Paul S. Atkins
Chair
U.S. Securities and Exchange Commission
100 F St NE
Washington DC

Re: SEC Roundtable on Executive Compensation Disclosure Requirements

Dear Chair Atkins:

We, the undersigned organizations who promote good corporate governance, provide the following comment in connection to the June 26 Securities and Exchange Commission (SEC) Roundtable on Executive Compensation Disclosure Requirements.

We welcome the SEC's attention to executive compensation disclosure. However, given that the invited participants are dominated by corporate representatives, with only 5 of the 21 participants representing investors, we are concerned that this initiative could lead to watering down disclosure rules and a dimmer spotlight on a critical issue for investors.

In the last half-century, executive compensation has exploded. Leaving aside issues of equity, the massive payouts flowing to top executives drain corporate profits. Compensation structures also too often encourage reckless and even criminal actions to boost short-term share prices — and bonus values — in ways that undercut capital formation and long-term growth.

This is a moment for greater transparency and scrutiny of executive compensation. Investors need this information to make capital allocation decisions, as well as proxy voting decisions on say on pay and directors. Below we summarize our views on pay disclosure rules adopted by the SEC, three of which were mandated by the 2010 Dodd-Frank Wall Street Reform Act and were finalized many years later after extensive comment periods.

Pay Ratio Disclosure Rule (Item 402(u) of Regulation S-K)

A wide range of institutional investors, policymakers, and academics, along with tens of thousands of concerned individuals, submitted comments to the SEC during the initial comments periods in 2013 and 2015 and again in 2017, when the acting chair re-opened the issue shortly before corporations were to calculate their first ratios. These public letter commenters overwhelmingly called for clear and strong federal regulations on pay ratio disclosure. For instance, one letter signed by 100 investors representing over $3 trillion in assets under management offered several arguments for the material value of pay ratio disclosure, including that "Wide pay gaps between CEOs and other employees are associated with higher employee turnover, which can adversely affect a company's performance and thereby shareowner interests." A bibliography of research supporting this assertion is available here.

Corporate complaints about the difficulty in calculating median employee pay levels delayed finalization of the pay ratio disclosure rule for years. The final rule provided adequate flexibility to companies to identify their median employee for pay ratio disclosure purposes while still providing meaningful and comparable information to investors. The SEC staff now notes that it is “not aware of recent issues with the rule.” Any arguments that this disclosure rule creates undue compliance costs should be rejected.

Recovery of Erroneously Awarded Compensation Rule (Exchange Act Section 10D)

This rule requires the obvious: that when pay went out the door based on achievements later revealed to be false, that pay should be clawed back. There should be no exceptions to this basic concept. It should not matter by how much the executive missed the target, what type of restatement the company had to make, the amount of compensation at issue, or whether there was any intentionality behind the mistake. The bottom line is that executives should not retain compensation for financial goals they did not actually achieve.

Pay-Versus Performance Rule (Exchange Act Section 14(i))

This rule helps investors understand how CEO pay structures align with a firm’s results using objective, comparable metrics. Arguments that these metrics can be allegedly misleading should not justify providing investors less information. Firstly, companies can pick a metric to report on based on what is important to them, as well as a list of 3-7 additional metrics of their choice. Additionally, companies have an opportunity to tell their own story about their executive compensation decisions – and therefore address any misleading pictures they believe the pay v. performance disclosures paint -- in their compensation discussion and analysis.

Executive Compensation and Related Person Disclosure (Release No. 33-8732A)

We support the enhanced tabular disclosure of compensation amounts in the summary compensation table and the compensation disclosure and analysis requirements that were adopted by the Commission in Release No. 33-8732A. This overview of how senior executives are compensated and the way boards make these decisions is important information investors need to make capital allocation and proxy voting decisions. We note that many investors rely on the summary compensation table disclosures to make say-on-pay vote determinations because these figures represent the grant date fair value of compensation awards made by boards of directors in the year in question.

We also support maintaining disclosure of the value of perquisites, which investors consider when voting on say-on-pay and compensation committee director elections. We note that the current disclosure of certain prerequisites — such as the incremental cost for the personal use of corporate aircraft —understates the market value of these benefits that we believe should be disclosed. Personal security prerequisites for senior executives should also be disclosed as the company’s shareholders ultimately bear the cost of these benefits. High levels of perquisites, while the dollar amounts may not be material, can indicate a power imbalance between senior executives and boards of directors. Investors generally oppose excessive executive prerequisites as a waste of corporate assets and as a form of compensation that is not linked to performance.

Conclusion

As the Commission reviews disclosures, we believe major changes would be expensive for corporations to adopt and lead to greater unpredictability in proxy voting by investors for say-on-pay votes and compensation committee director elections. Changes to the Commission’s longstanding executive compensation disclosure rules would also harm capital formation, as investors will respond to less transparency on executive compensation by withholding their capital. For these reasons, we urge the Commission to maintain its existing disclosure requirements for senior executive compensation.

For questions, please contact Bartlett Naylor at bnaylor@citizen.org.

Sincerely,

American Federation of Labor and Congress of Industrial Organizations

American Federation of State, County and Municipal Employees (AFSCME)

Americans for Financial Reform Education Fund

Institute for Policy Studies, Global Economy Project

Public Citizen

SOC Investment Group

cc: The Honorable Mark T. Uyeda, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner