

SEC Final Ruling: Pay Versus Performance

After 12 years in the making, the U.S. Securities and Exchange Commission (SEC) recently announced its [final rule mandating the proposed Pay Versus Performance rules](#). Now, under the Dodd-Frank Act, the new rule requires companies to disclose in proxy statements how their executive compensation relates to certain executive compensation and performance measures over the previous five fiscal years. This adopted amendment reflects the relationship between executive compensation actually paid by a registrant and the registrant's financial performance. We originally wrote about this [earlier this year](#).

The final ruling applies to all reporting companies, except for foreign private issuers, registered investment companies, and Emerging Growth Companies, and will become effective 30 days following publication of the release in the Federal Register. Smaller reporting companies (SRCs) will be permitted to provide scaled disclosures. The disclosures are required to be included in proxy, and information statements for fiscal years ending on or after December 16, 2022.

The New Rules

Originally proposed in 2015, this ruling will require companies to provide a table disclosing specified executive compensation and financial performance measures for the five most recently completed fiscal years, subject to a transition period. This table will include, for the principal executive officer (PEO) and, as an average, for the other named executive officers (NEOs), the Summary Compensation Table measure of total compensation and a measure reflecting "executive compensation actually paid," as specified by the rule.

- Total shareholder return (TSR) for the company and peer group
- The company's net income
- Financial performance measure chosen by the company

In addition, the final rule requires companies and registrants to separately tag each value disclosed in the table, block-text tag the footnote and relationship disclosure, and tag specific data points (such as quantitative amounts) within the footnote disclosures, all in Inline XBRL. Additional details can be found [here](#).

[According to SEC Chair Gary Gensler](#), "This final rule will help investors receive the consistent, comparable, and decision-useful information they need to evaluate executive compensation policies."

We will continue to keep you apprised on all things involving the SEC and rulemaking, including the implications for your business. As your trusted advisor, partner, and leading resource on regulatory changes, DFIN will continue to provide you with the latest updates and assistance to ensure that you are prepared and ready for whatever comes next.

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