

**SUPPORTING STATEMENT FOR PROPOSED RULES UNDER THE  
SECURITIES EXCHANGE ACT OF 1934 AND DODD-FRANK WALL STREET  
REFORM AND CONSUMER PROTECTION ACT**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq.

**A. JUSTIFICATION**

**1. CIRCUMSTANCES MAKING THE COLLECTION OF INFORMATION NECESSARY**

In Release No. 34-74835,<sup>1</sup> the Commission proposed amendments to implement Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). Section 953(a) of the Dodd-Frank Act added Section 14(i) of the Securities Exchange Act of 1934 (“Exchange Act”), which directs the Commission to adopt rules requiring registrants to disclose in a clear manner the relationship between executive compensation actually paid and the financial performance of the registrant.

The Commission proposed amendments to require registrants to disclose in any proxy or consent solicitation material for an annual meeting of shareholders a clear description of any compensation required to be disclosed by the registrant under Item 402 of Regulation S-K, including information that shows the relationship between executive compensation actually paid and the financial performance of the registrant.

The final amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles of the collections of information impacted by the amendments are:

- “Regulation S-K” (OMB Control No. 3235-0071);
- “Schedule 14A” (OMB Control No. 3235-0059); and
- “Schedule 14C” (OMB Control No. 3235-0065).

**2. PURPOSE AND USE OF THE INFORMATION COLLECTION**

The purpose of the amendments is to implement Section 953(a) of the Dodd-Frank Act. Section 953(a) added Section 14(i) of the Exchange Act, which directs the Commission to issue rules requiring registrants to disclose in any proxy or consent solicitation material for an annual meeting of the shareholders the relationship between executive compensation actually paid and the financial performance of the registrant. We believe the purpose of the disclosure is to provide shareholders with information that will help them assess a registrant’s executive compensation when they are exercising their right to cast advisory votes on executive compensation under Exchange Act Section 14A.

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<sup>1</sup> Pay Versus Performance, Release No. 34-74835 (April 29, 2015) [80 FR 26330].

3. **CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY**

The collection of information requirements of the amendments will be set forth in Schedule 14A and Schedule 14C. These forms are filed electronically with the Commission using the Commission's Electronic Data Gathering and Retrieval (EDGAR) system.

4. **DUPLICATION OF INFORMATION**

We are not aware of any rules that conflict with or substantially duplicate the final rules.

5. **REDUCING THE BURDEN ON SMALL ENTITIES**

The proposed amendments would affect some companies that are small entities that have a class of securities that are registered under Section 12 of the Exchange Act. The Commission performed an Initial Regulatory Flexibility Act Analysis and estimated that there are approximately 428 issuers that may be considered small entities.

The Commission proposed scaled disclosure requirements for smaller reporting companies to limit the compliance burden that would be imposed on such companies. The proposed amendments would permit smaller reporting companies to present fewer years of information in the disclosure, to exclude peer group performance, and to exclude items related to pension plans in computing executive compensation actually paid. The Commission did not believe it was necessary to exempt small entities from the proposed amendments because, with the exception of the values to be included with respect to pension benefits and options, all of the individual components needed to calculate executive compensation actually paid already must be reported under existing disclosure rules.

6. **CONSEQUENCES OF NOT CONDUCTING COLLECTION**

Schedule 14A and Schedule 14C set forth the disclosure requirements for proxy and information statements filed by issuers to help investors make informed investment decisions. Less frequent collection of the information required by the proposed amendments would frustrate the statutory intent of Section 14(i) of the Exchange Act because shareholders would have less executive compensation information on which to base voting decisions.

7. **SPECIAL CIRCUMSTANCES**

None

## 8. CONSULTATIONS WITH PERSONS OUTSIDE THE AGENCY

The Commission issued a release soliciting comment on the new “collection of information” requirements and associated paperwork burdens.<sup>2</sup> Comments on the Commission’s releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in an ongoing dialogue with representatives of various market participants through public conferences, meetings and informal exchanges. The Commission considers all comments received. No comments were received in response to the Commission’s solicitation of comment on the new “collection of information” requirements and associated paperwork burdens. Comments received on the proposed amendments are available at <http://www.sec.gov/comments/s7-07-15/s70715.shtml>. A copy of the proposing release is attached.

## 9. PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

## 10. CONFIDENTIALITY

Not applicable.

## 11. SENSITIVE QUESTIONS

No information of a sensitive nature would be required under this collection of information regarding Regulation 14A (Commission Rules 14a-1 through 14a-21 and Schedule 14A) and Regulation 14C (Commission Rules 14c-1 through 14c-7 and Schedule 14C). The information collection collects basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile number, email address, and Tax ID Number (TIN). The information collection is covered under the System of Records Notices (SORN), which may be found at the following link: <http://www.sec.gov/about/privacy/sorn/secorn8.pdf>. The Privacy Impact Assessment (PIA) is provided as a supplemental document.

Regulation S-K under this collection of information does not contain any personal identifiable Information (PII).

## 12/13. ESTIMATES OF HOUR AND COST BURDENS

The paperwork burden estimates associated with the final rules include the burdens attributable to collecting, preparing, reviewing and retaining records.

### Schedules 14A and 14C

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<sup>2</sup> See Pay Versus Performance, *supra*, note 1.

We proposed to add new Item 402(v) to Regulation S-K.<sup>3</sup> This item would require registrants to provide a table containing the values of the prescribed measures of executive compensation actually paid and the Summary Compensation Table measure of total compensation for the Principal Executive Officer (“PEO”) and as an average for the other Named Executive Officers (“NEOs”), as well as total shareholder return (“TSR”) for both the registrant and the peer group. This new item also would require that a registrant provide a clear description of the relationship between executive compensation actually paid to its NEOs and the registrant’s TSR for each of the five most recently completed fiscal years. A registrant also would be required to disclose the relationship between its TSR and peer group TSR. The disclosure in the table and the disclosure about the relationship would be required to be tagged in XBRL. Smaller reporting companies would be subject to scaled disclosure requirements. The proposed disclosure would be required in proxy statements on Schedule 14A and information statements on Schedule 14C in which executive compensation disclosure pursuant to Item 402 is required.

We have proposed to base much of the information required in the proposed disclosure on items that already are required elsewhere in the executive compensation disclosure provided by registrants. We believe that using as a starting point the total compensation that registrants already are required to report and making adjustments to those figures will help reduce the burden on registrants in preparing the disclosure required by new Item 402(v) of Regulation S-K. The proposed amendments are not expected to result in the provision of significant new information to shareholders, or to require registrants to collect significant new data, relative to current disclosure requirements.

We arrived at the estimates below by reviewing and considering our burden estimates for similar disclosure and considering our experience with other tagged data initiatives. We estimate that the average incremental burden for a registrant to prepare the disclosure would be 15 hours. This estimate includes the time and cost of preparing disclosure that has been appropriately reviewed, including, as applicable, by management, in-house counsel, outside counsel, and members of the board of directors as well as tagging the data in XBRL format. Because this estimate is an average of all companies, the burden could be more or less for any particular company, and may vary depending on a variety of factors, such as the degree to which companies use the services of outside professionals, or internal staff and resources to tag the data in XBRL. This burden would be added to the current burdens for Schedule 14A and Schedule 14C.

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<sup>3</sup> Regulation S-K contains the disclosure requirements for filings under both the Securities Act and the Exchange Act, including the item requirements in Schedules 14A and 14C. The paperwork burden from Regulation S-K is imposed through the forms that are subject to the disclosures in Regulation S-K, and is reflected in the analysis of those forms. To avoid a Paperwork Reduction Act inventory reflecting duplicative burdens, for administrative convenience we estimate the burdens imposed by Regulation S-K to be a total of one hour.

As a result of the estimates discussed above, we estimate for purposes of the PRA that the total incremental burden on all registrants of the proposed amendments would be 69,243 hours for internal company time and \$9,232,500 for the services of outside professionals. We estimate that 75% of the burden of preparation is carried by the company internally and that 25% of the burden of preparation is carried by outside professionals retained by the company at an average cost of \$400 per hour.

The changes in burden associated with Regulation 14A relate to enhanced disclosure requirements in Regulation S-K relating to executive compensation. With respect to Regulation 14A and Schedule 14A, we estimate an increase of 62,842 burden hours and an increase of \$8,379,000 in cost burden.

The changes in burden associated with Regulation 14C relate to enhanced disclosure requirements in Regulation S-K relating to executive compensation. With respect to Regulation 14C and Schedule 14C, we estimate an increase of 6,401 burden hours and an increase of \$853,500 in cost burden.

**a. Summary of final changes to annual burden compliance in Collection of Information**

Form	Current Annual Responses	Proposed Annual Responses	Current Burden Hours	Increase in Burden Hours	Proposed Burden Hours	Current Professional Costs	Increase in Professional Costs	Proposed Professional Costs
Schedule 14A	5,586	5,586	546,814	62,842	609,656	\$72,908,472	\$8,379,000	\$81,287,472
Schedule 14C	569	569	55,881	6,401	62,282	\$7,451,624	\$853,500	\$8,305,124
Total				69,243			\$9,232,500	

**14. COSTS TO FEDERAL GOVERNMENT**

We estimate that the cost of preparing the amendments is approximately \$100,000.

**15. REASON FOR CHANGE IN BURDEN**

As explained in further detail in Items 12 and 13 above, the proposed rules in Release No. 34-74835 implement the requirements of Section 953(a) of the Dodd-Frank Act.

The changes in burden of Schedule 14A and Schedule 14C relate to enhanced disclosure requirements in Regulation S-K relating to executive compensation. These disclosure requirements implement Section 953(a) of the Dodd-Frank Act by requiring issuers to disclose in any proxy or consent solicitation material for an annual meeting of shareholders a clear description of any compensation required to be disclosed by the issuer under Item 402 of Regulation S-K, including information that shows the relationship between executive compensation actually paid and the financial performance of the registrant, as required under Section 953(a). The change in burdens of Schedule 14A and Schedule 14C corresponds to these new disclosure requirements. The changes

in burden associated with Regulation 14A relate to enhanced disclosure requirements in Regulation S-K relating to executive compensation. With respect to Regulation 14A and Schedule 14A, we estimate an increase of 62,842 burden hours and an increase of \$8,379,000 in cost burden.

The changes in burden associated with Regulation 14C relate to enhanced disclosure requirements in Regulation S-K relating to executive compensation. With respect to Regulation 14C and Schedule 14C, we estimate an increase of 6,401 burden hours and an increase of \$853,500 in cost burden.

**16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES**

Not applicable.

**17. APPROVAL TO OMIT OMB EXPIRATION DATE**

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

**18. EXCEPTIONS TO CERTIFICATION FOR PAPERWORK REDUCTION ACT SUBMISSIONS**

Not applicable.

**B. STATISTICAL METHODS**

Not applicable.