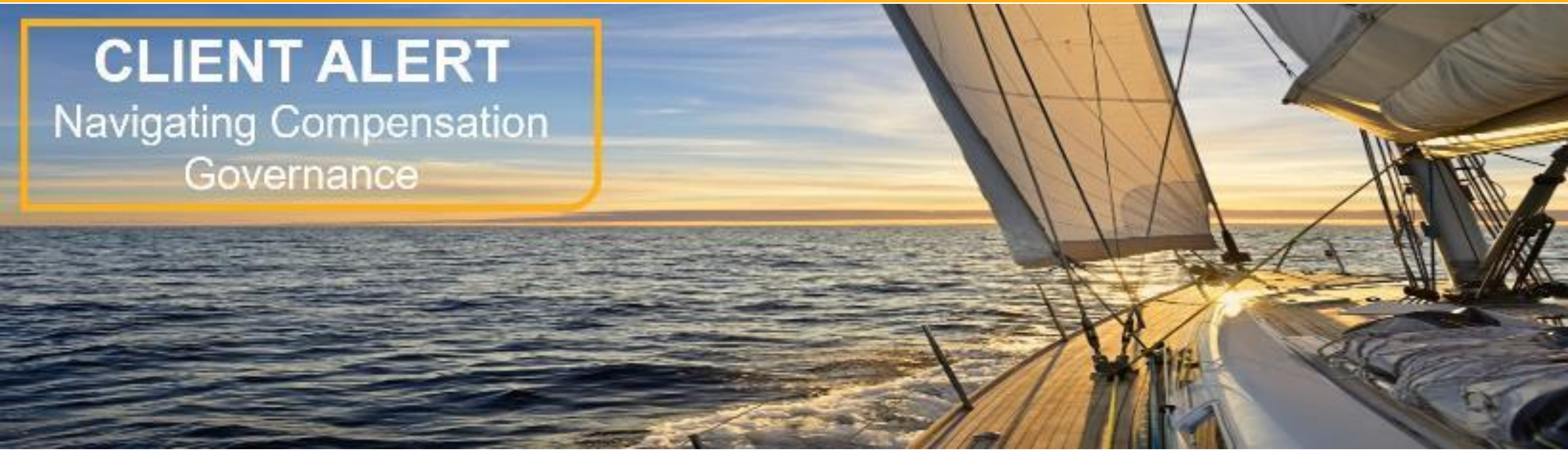
July 14, 2025 Volume 16, Issue 10

MERIDIAN
COMPENSATION PARTNERS



Meridian Submits Comment Letter on Executive Compensation Disclosures to the SEC

In response to SEC Chair Atkins' request when announcing the SEC Roundtable on Executive Compensation Disclosures and his request for comments during his open remarks at the roundtable on June 26, 2025, Meridian has submitted a letter to the Securities and Exchange Commission (SEC) regarding the current executive compensation disclosure requirements. Meridian's letter is included as an attachment to this Alert.

Background

As we previously reported, the SEC held a roundtable on executive compensation disclosure on June 26, 2025.[1] In his roundtable remarks, Chairman Paul Atkins encouraged interested parties to submit commentary on the current executive compensation disclosure regime.

Meridian's Recommendations

As detailed in our comment letter, we recommend that the Commission eliminate or modify disclosure requirements to simplify, clarify and streamline the disclosure framework. Our recommended changes to the disclosure requirements take into account (i) investor proxy voting policies, (ii) companies' regulatory compliance burden and (iii) our extensive experience and understanding of executive compensation.

The following is a summary of Meridian's recommended changes to the executive compensation disclosure requirements:

- Eliminate or modify the CEO Pay Ratio and Pay versus Performance disclosures
- Eliminate the Option Exercise and Stock Vested Table and the Nonqualified Deferred Compensation Table
- Clarify the definitions of "executive officer" and "policy-making function" for purposes of determining the named executive officers
- Revise the disclosure rules related to executive perquisites and personal benefits to (i) increase the *de minimis* threshold, (ii) increase the dollar amount necessary for separately identifying perquisites and (iii) expressly exclude executive security

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[1] *See* Meridian's Client Alerts: SEC Announces Roundtable Discussion on Executive Pay Disclosures, Agenda Announced for SEC Roundtable on Executive Compensation Disclosure Requirements, and SEC Holds Roundtable Discussion on Executive Compensation Disclosure Requirements.

- Amend the disclosure rules related to the Summary Compensation Table (SCT) to (i) exclude change in pension value and above market earnings on nonqualified deferred compensation and (ii) streamline SCT footnote requirements
- Modify the Outstanding Awards Table to require footnote disclosure of the vesting schedule of each outstanding award or, alternatively, consolidate the separate equity award lifecycle tables into a single table
- Revise the post-termination benefits disclosure requirements to (i) limit the disclosure to four key termination events, (ii) limit the disclosure of hypothetical amounts to the CEO and CFO and (iii) not require quantification of theoretical excise tax gross-up or cut-back amounts
- Streamline the CD&A's principles-based disclosure framework to eliminate redundancies and focus on information that is material to the typical investor

Next Steps

Meridian will continue to monitor the developments with respect to the executive compensation disclosure rules and any actions taken by the SEC to eliminate, revise or amend the current disclosure rules.

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The ***Client Alert*** is prepared by Meridian Compensation Partners' Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Alert or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or dkalfen@meridiancp.com.

Attachment:
Meridian Compensation Partners' SEC Comment Letter

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July 11, 2025

Via E-Mail (rule-comments@sec.gov)

Ms. Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090

Re: File Number 4-855 Executive Compensation Disclosure Requirements

Dear Ms. Countryman:

Meridian Compensation Partners, LLC ("Meridian," "our" or "we") is pleased to provide comments to the Securities and Exchange Commission ("Commission") on the executive compensation disclosure requirements following the Commission's roundtable discussion on this matter.

Meridian is one of the largest independent executive compensation advisory firms in North America. We provide trusted counsel to Boards and Management at hundreds of large public and private companies, consulting on executive compensation design issues, corporate governance matters and related disclosures. Our consultants have decades of experience in developing pay solutions that are responsive to shareholders, reflect good governance practices and align with company performance.

We share Chair Atkins' concerns regarding the benefits of the current executive compensation disclosure requirements and their benefits to investors. Accordingly, we propose several revisions to the current executive compensation disclosure rules to more appropriately balance the burden on companies with investor interests.

Background

On May 16, 2025, Commission Chair Paul Atkins issued a statement announcing the Commission's intent to hold a roundtable discussion on June 26, 2025, with representatives from public companies and investors, as well as other experts in this field to discuss executive compensation disclosure requirements. In the statement, Chair Atkins noted:

> "The disclosure requirements have been expanded to focus more and more on variations of components of compensation, rather than on total compensation. While it is undisputed that these requirements, and the resulting disclosure, have become increasingly complex and lengthy, it is less clear if the increased complexity and length have provided investors with additional information that is **material to their investment and voting decisions** (emphasis added)."

Chair Atkins further noted that "[i]t is important for the Commission to engage in retrospective reviews of its rules to ensure that they continue to be cost-effective and result in disclosure of material information without an overload of immaterial information."

Chair Atkins has encouraged the public to submit to the Commission "their views on executive compensation disclosure requirements." Accordingly, we respectfully submit our views and comments on the executive compensation disclosure requirements for the Commission's consideration. Our comments are limited to the disclosure requirements as they relate to informing investors on voting decisions.[1]

Recommended Changes to Executive Compensation Disclosure Requirements

We believe the SEC should streamline the executive compensation disclosure requirements to provide a fact-based discussion on executive compensation and pay outcomes.[2] Such streamlined disclosures should still provide investors with material information to make informed voting decisions on executive compensation matters.

We recommend that the Commission eliminate or modify certain disclosure requirements to simplify, clarify and streamline the disclosure framework. Our recommended changes to the disclosure requirements take into account (i) investor proxy voting policies, (ii) companies' regulatory compliance burden and (iii) our extensive experience and understanding of executive compensation. Our recommended changes are detailed below.

Summary of Recommended Changes

The following is a summary of Meridian's recommended changes to the executive compensation disclosure requirements, which is followed by a detailed rationale for each of these recommendations.

- Eliminate or modify the CEO Pay Ratio and Pay versus Performance disclosures
- Eliminate the Option Exercise and Stock Vested Table and the Nonqualified Deferred Compensation Table
- Clarify the definitions of "executive officer" and "policy-making function" for purposes of determining the named executive officers
- Revise the disclosure rules related to executive perquisites and personal benefits to (i) increase the de minimis threshold, (ii) increase the dollar amount necessary for separately identifying perquisites and (iii) expressly exclude executive security
- Amend the disclosure rules related to the Summary Compensation Table (SCT) to (i) exclude change in pension value and above market earnings on nonqualified deferred compensation and (ii) streamline SCT footnote requirements
- Modify the Outstanding Awards Table to require footnote disclosure of the vesting schedule of each outstanding award or, alternatively, consolidate the separate equity award lifecycle tables into a single table
- Revise the post-termination benefits disclosure requirements to (i) limit the disclosure to four key termination events, (ii) limit the disclosure of hypothetical amounts to the CEO and CFO and (iii) not require quantification of theoretical excise tax gross-up or cut-back amounts
- Streamline the CD&A's principles-based disclosure framework to eliminate redundancies and focus on information that is material to the typical investor

A. Disclosures that Could Be Eliminated

We believe certain disclosure requirements should be eliminated entirely to ensure an appropriate balance between the burden placed on companies and the materiality of the information disclosed to investors.

[1] Since we are not investors, investment advisors or asset managers (or are otherwise involved in any aspect of making or advising on investment decisions), we are not commenting on the executive compensation disclosure requirements as they relate to informing investors on investment decisions.

[2] The SEC's current disclosure framework allows for scaled disclosure by smaller reporting companies (SRCs). Our recommendations to streamline the disclosure framework would lessen the compliance burden gap between SRCs and mid- and large-cap companies, which would smoothen such transitions and further the SEC's objectives associated with the current scaled disclosure framework.

Certain Dodd-Frank Disclosures

The SEC promulgated several rules that implement Dodd-Frank disclosure requirements, including:

- The ratio between the median annual total compensation of the CEO of a company and the median annual total compensation of all other employees ("CEO Pay Ratio" disclosure) and
- A description of the relationship between executive compensation "actually paid" and financial performance of the company ("PVP" disclosure).

Subject to limited exceptions, companies have included these disclosures since 2018 and 2023, respectively. Based on investor proxy voting policies and our observations monitoring proxy voting, investors do **not** appear to consider these disclosures in determining how to vote on corporate ballot measures.

- The CEO pay ratio disclosure inconsistently measures relative compensation of the CEO and median employee, because the preponderance of CEO pay is equity grant value reflecting the *opportunity* to earn actual compensation based on future performance and service, whereas the median employee's pay is primarily delivered cash compensation. As well, the inclusion of non-North American and seasonal employees in determining the median employee makes the outcome less relevant, while materially increasing the calculation burden.
- The PVP disclosure does **not** describe the relationship between realized or realizable compensation and company performance, because the current calculation of "compensation actually paid" reflects year-over-year change in accounting value of granted and outstanding equity.

Despite the limited value of this information companies incur substantial costs in complying with these disclosure rules. Compliance costs are high due to the complexities of the requisite data collection and calculations, as well as the prescriptive nature of the PVP disclosure. In particular, the PVP disclosure rule requires a company to calculate accounting value of vested and nonvested equity awards at several measurement dates, which include Black-Scholes valuations for stock option grants and Monte Carlo valuations for performance awards that include a market condition. A company typically retains an external equity valuation firm to perform such time-consuming, complex calculations.

Meridian Recommendation

We recommend that the SEC consider **eliminating** these disclosure requirements if feasible. Rescinding the SEC's final rules implementing Congressionally mandated disclosures would require Congressional action. Alternatively, if rescission of the PVP and CEO Pay Ratio disclosure rules is not feasible, then we recommend that the SEC modify the rules to lessen the compliance burdens, as discussed below.

Compensation Disclosure Tables

The proxy rules require a company (other than a smaller reporting company) to disclose detailed information in several compensation tables, including the following disclosure items:

- Summary Compensation Table ("SCT")
- Grants of Plan-Based Awards Table
- Outstanding Equity Awards at Fiscal Year-End Table
- Option Exercises and Stock Vested Table
- Post-Employment Compensation Tables and Narrative Disclosure
  - — Pension Benefits Table
  - — Non-qualified Deferred Compensation Table
  - — Other Potential Post-Employment Payments (narrative or table)

Despite the granularity of these disclosures, some of the compensation tables provide little or no useful information to investors to assist them in determining how to vote on proxy proposals.

Meridian Recommendations

To simplify the tabular disclosures and focus on material elements of executive compensation, we recommend that the SEC consider **eliminating** two tables: (i) Option Exercise and Stock Vested Table and (ii) Nonqualified Deferred Compensation Table. This would lessen the burden on companies in preparing their disclosures and eliminate information that does not appear to be material to investors. Alternatively, as described below, the SEC could amend the current disclosure rules to simplify, clarify and streamline these tabular disclosures.

B. Disclosures that Could Be Simplified or Clarified

Some of the current disclosures should be simplified and/or clarified to focus on information that is material to investors. To that end, we recommend that the SEC consider modifying the following elements of the current disclosures on executive compensation.

Executives Included as Named Executive Officers (NEOs)

The SEC has prescriptive rules defining the individuals who are covered by the executive compensation disclosure rules. The NEO definition includes the CEO , the CFO[3], and the company's three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers at the end of the last completed fiscal year.

To determine whether an individual qualifies as a potential NEO (other than the CEO and CFO), a company must assess whether the individual is an "executive officer" under SEC rules. That secondary assessment often requires a company to determine whether the individual serves in a policy-making function. By requiring this multilayered, fact-based assessment, the SEC's rules on the determination of NEOs are unduly burdensome, while allowing a high degree of latitude for each company to make this assessment. This undermines the SEC's goal of providing comparable pay disclosures across companies.

Meridian Recommendation

We recommend that the SEC clarify the definitions of "executive officer" and "policy-making function" to provide more consistent and comparable disclosures across companies. Such guidance could specify positions that commonly qualify as a named executive officer, such as an executive chair, a chief operating officer, a general counsel, a chief human resources officer and a head of technology.

Perquisites and Personal Benefits

Perquisites and other personal benefits are reported in the "All Other Compensation" column of the SCT. The SEC also requires identification and quantification in the SCT footnotes if certain dollar value thresholds are met. While many perquisites are a hot-button issue which investors scrutinize for appropriateness and reasonableness, the current disclosure regime requires time-consuming fact-specific assessment and incremental cost valuations. It also covers executive security arrangements that are provided solely for business purposes. For these reasons, we believe the SEC should consider revising the current disclosure requirements to focus on items that are material to investors and lessen the compliance burden on companies.

[3] SEC proxy disclosure rules refer to the CEO and CFO as the principal executive officer and principal financial officer, respectively.

Meridian Recommendations

We recommend that the SEC consider each of the following changes to the disclosure rules related to executive perquisites and personal benefits:

- **Guidance:** We believe the SEC should provide additional guidance on how to determine the disclosed values for perquisites, particularly those such as personal use of a corporate aircraft. Currently, the SEC requires a company to compute and disclose the incremental value associated with personal use, which is a complicated calculation. Moreover, the amount included in the SCT generally does not align with the amount an executive recognizes as income under the tax code. In conjunction with additional guidance on perquisites and personal benefits, the SEC would likely need to coordinate with the Internal Revenue Service with respect to what is taxable compensation to ensure consistency and symmetry.
- **De Minimis Perquisites:** We believe that the SEC should consider raising the de minimis threshold for perquisites to be required to be disclosed in the SCT. We recommend a threshold of greater than $100K in total perquisite value for any perquisites to be reported in the SCT. Perquisite amounts below that threshold arguably are immaterial to investors.
- **Increase Threshold for Identifying Individual Perquisites:** We also believe the SEC should consider increasing the threshold for quantifying individual perquisites from the current thresholds (>$25K or 10% of the total amount of perquisites) to a threshold more in line with current economic realities (e.g., >$50K or 25% of the total amount of perquisites).
- **Executive Security:** Currently, if a company provides executive security at the office, it is treated as a business expense. However, if the same security is provided at the executive's home or during personal travel, the amount is a reportable perquisite. The provision of security may reasonably be viewed as an appropriate business expense not a personal benefit, particularly when remote work is widely adopted and executive security is a key business challenge. We suggest that the SEC expressly provide guidance that the provision of security to an executive does **not** constitute a perquisite for purposes of the executive compensation disclosure rules.

Dodd-Frank Disclosures

As noted above, we believe that the SEC should rescind the CEO Pay Ratio and PVP disclosure rules. However, if rescission is not feasible, we recommend that the SEC simplify and clarify these disclosure requirements to lessen the compliance costs on companies and provide more meaningful information to investors.

Meridian Recommendations

- **CEO Pay Ratio:** We recommend that the SEC consider amending the CEO Pay Ratio disclosure rule to:
  - — Provide safe harbor guidance on reasonable methods for identifying the median employee, especially where multiple individuals have the same compensation amount based on the company's consistently applied compensation method[4] and
  - — Allow for a company to identify the median employee based on a company's full-time, permanent, U.S.-based employees, which would provide a more representative pay equity ratio than provided under the current methodology.[5]
- **PVP Disclosure:** The current PVP disclosure rule does not show the degree of alignment between compensation outcomes and company performance due to the definition of "compensation actually paid" and the timing disconnect between pay delivery and the performance measurement period. To reduce the compliance burden on companies and show a more meaningful relationship between pay and performance, we recommend the SEC consider amending the PVP disclosure rule in the following two respects:
  - — Limit the tabular disclosure to only the CEO and
  - — Revise the definition of "compensation actually paid" to focus on "realizable pay," which would show the alignment between compensation outcomes and company performance.[6]

[4] Under the current CEO Pay Ratio disclosure rule, if a company has identified multiple individuals who could be selected as the "median employee," a company should select the person whose pay is most representative of the covered employee population. The SEC does not prescribe a specific methodology for making this selection. The Company can adopt a "reasonable method" for selected the median employee in such scenario. However, the SEC has not set forth what constitutes a "reasonable method" in this situation.

[5] Under the current CEO Pay Ratio disclosure rule, a company must identify the median employee based on a company's full-time, part-time, temporary and seasonal workers across the company's global workforce, subject to limited exceptions. This requires country-by-country analyses and pay data collection.

[6] Compensation Actually Paid could be defined as the sum of (i) base salary paid, (ii) annual cash bonus paid, (iii) other cash awards paid, (iv) the current value of time-based equity awarded during the measurement period, (v) the current value of performance-based equity awarded during the measurement period, with equity awards calculated based on actual shares earned for completed performance cycles and target number of shares for performance cycles in process.

Summary Compensation Table (SCT)

The SCT includes the value of individual pay components and a total amount for each NEO over the three most recently completed fiscal years. The SEC also requires companies to include extensive footnotes to the SCT. The current structure of the SCT includes both material and immaterial pay elements and disclosures that do not assist investors to easily understand total compensation received by the NEOs.

Meridian Recommendations

To ensure that the SEC disclosure framework appropriately balances the burden on companies with the material information provided to investors, we recommend that the SEC revise the SCT disclosure requirements as follows:

- **Change in Pension Value:** Eliminate the requirement to report change in pension value in the SCT, which is not "compensation" and represents an unrealized amount that fluctuates based on factors that are outside of the control of the company.
- **Above Market Earnings on Nonqualified Deferred Compensation (NQDC):** Either (i) eliminate the requirement to report above market earnings on NQDC or (ii) establish a minimum dollar value threshold for reporting these amounts. In either event, we believe that the SEC should maintain the current requirement to provide narrative disclosure of the formulae behind pension value calculations and NQDC earnings. If the SEC excludes these elements from the SCT, the SEC could also require the absolute dollar amount to be included elsewhere in the compensation disclosures to discourage companies from using retirement plans more aggressively to "hide" compensation.
- **Footnote Requirements:** Streamline the SCT footnote disclosure requirements to succinctly describe material information to investors.

Equity Award Lifecycle Tables

The SEC requires a company to disclose compensation tables that track an equity award's lifecycle. These tables include information on in-flight and recently settled equity awards, which is helpful for investors to understand realizable and realized equity award values and the current retention value for each NEO at year-end.

One of the tables is the Outstanding Equity Awards at Fiscal Year-End Table ("Outstanding Awards Table"), which requires a company to disclose, on an award-by-award basis, the number of and value of unexercised options and unvested stock awards at fiscal year-end.

Meridian Recommendation

To help investors understand the retention value of outstanding equity awards granted to NEOs, we recommend that the SEC modify the Outstanding Awards Table to require footnote disclosure of the vesting schedule of each outstanding award.

Alternatively, to make the tabular disclosures a more effective snapshot for investors, we suggest that the SEC consider consolidating the equity award lifecycle tables into a single table with the grant date fair value and year-end values by award and tranche (whether the award was granted, outstanding or settled during the year), with vesting detailed in a footnote.

Post-Termination Benefits

The SEC proxy disclosure rules require a company to provide detailed information regarding the termination-related benefits that may be payable to NEOs upon various termination events as if termination had occurred at the end of the relevant year. As such, the narrative and/or tabular amounts represent theoretical termination benefits, which can be presented in tabular or narrative format. The disclosure can be burdensome for a company to prepare, particularly (i) in the first year in which an NEO qualifies as an NEO and (ii) if a company must calculate whether excise tax payments would have been made using theoretical year-end values.

Meridian Recommendations

To streamline the post-termination benefits disclosure framework and ease the burden on companies, we recommend that the SEC amend the disclosure rules as follows:

- **Limit Disclosure to Specific Termination Events:** Limit the disclosure to four scenarios: (i) voluntary resignation, (ii) retirement, (iii) termination without cause and (iv) termination without cause in connection with a change in control. This streamlined disclosure requirement would provide material information on potential benefits payable to executives under the most common termination events.
- **Limit Disclosure of Hypothetical Amounts to the CEO and CFO:** Limit the disclosure of quantifiable hypothetical termination payment amounts to solely cover the CEO and CFO and any NEO who receives termination benefits in excess of those provided to the CEO. Typically, post-termination arrangements are similar across an organization and the CEO and CFO receive the highest cash severance multiples. Thus, the CEO and CFO arrangements are sufficiently representative to provide material information to investors on whether the company's post-termination arrangements align with shareholder interests.
- **No Quantification of Theoretical Excise Tax Gross-up or Cut-Back Amounts:** Clarify that a company does **not** need to quantify the impact of Sections 280G and 4999 on termination payments but instead should allow a company to explain this in a narrative format. This calculation is complex and subject to a significant number of assumptions resulting in a hypothetical value that is likely materially different from what would actually occur upon the termination event.
- **Actual Separation Payments:** Under the current disclosure rules, if an NEO no longer serves as executive officer due to a termination event that occurred prior to the end of the last completed fiscal year, a company must disclose the actual payments received by such NEO (but not the hypothetical amounts upon other termination events). We believe this disclosure requirement should be maintained for all NEOs, even if the SEC limits the disclosure of hypothetical amounts to solely the CEO and CFO as we propose above. We believe that payments to any NEO upon an actual separation of service occurring prior to the most recent fiscal year-end is material information for investors to assess the reasonableness of a company's compensation practices.

CD&A

The SEC requires a company to disclose in the CD&A "compensation awarded to, earned by, or paid" to the NEOs, including all material elements of compensation. The CD&A is intended to provide investors with material information needed to understand a company's compensation policies and decisions regarding the NEOs during the last fiscal year. Although the CD&A is a principles-based disclosure, it has become an ever-expanding disclosure that includes a dense mixture of (i) commonly accepted "material" information and (ii) supplemental information that a company volitionally discloses to provide additional context for investors and their proxy advisors.

Meridian Recommendations

We believe that the CD&A's principles-based disclosure framework, while appropriately flexible, should be simplified to focus on material information to investors. To that end, we believe the SEC should consider the following principles in deciding how to streamline the CD&A disclosure rules:

- Ensure the detailed information included by companies is material to the typical investor[7],
- Eliminate duplicative disclosure requirements and
- Increase the ability to cross-reference to other public disclosures, to shorten, simplify and clarify the CD&A.

* * * * *

We appreciate the opportunity the Commission has afforded the public to comment on its review of the executive compensation disclosure requirements. We welcome the opportunity to discuss with the Commission and its staff our comments provided herein.

Sincerely,

Meridian Compensation Partners, LLC

Ryan Harvey
Managing Partner

Christina Medland
Managing Partner

[7] In the context of federal securities laws, the standard for materiality is whether there is a substantial likelihood that a reasonable investor would consider the misstatement or omission important in deciding whether to purchase or sell a security. We believe the SEC's proxy rules should be based on a similar materiality standard as other situations. Thus, a particular disclosure item should be material to a typical investor's voting decisions to warrant inclusion in the proxy. A disclosure item should not be considered material based on the preferences of a single or a few investors.