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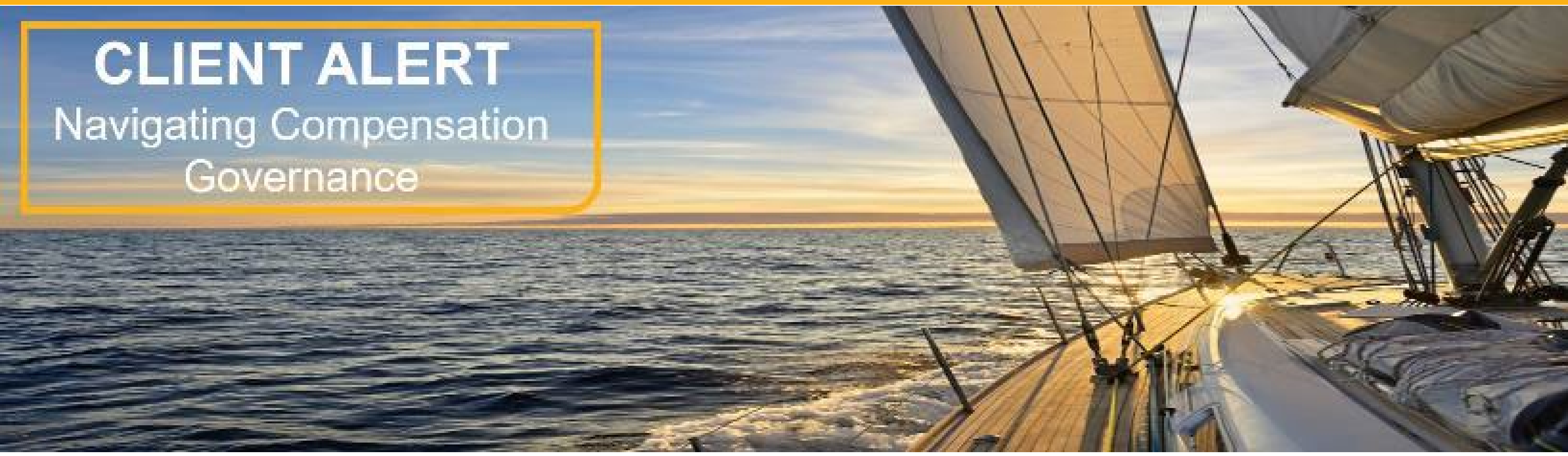

SEC Holds Roundtable Discussion on Executive Compensation Disclosure Requirements

Key takeaways include a consensus that the SEC should streamline burdensome disclosures and focus on materiality and usefulness to investors in revising the current disclosure framework.

The SEC has not indicated any timeframe during which it may address investor and company concerns regarding the disclosure requirements.

However, it would not be surprising if the SEC addressed regulatory concerns as early as the fourth quarter of this year.

Background

On June 26, 2025, the SEC held a roundtable to discuss various topics on executive compensation disclosure requirements with a select group of participants, which included compensation consultants, securities attorneys, and representatives from various institutional investors and public companies. Participants were divided into three panels which covered the following items:

- Panel 1: Executive Compensation Decisions: Setting Compensation and Informing Investment and Voting Decisions
- Panels 2 and 3: Executive Compensation Disclosure: How We Got Here and Where We Should Go

Opening Statements

The SEC Chair, Paul Atkins, kicked off the Roundtable with an overview of how we got to the current state of executive compensation disclosure rules[1]. He indicated that the SEC's rules "must be grounded in achieving the Commission's three-part mission: investor protection, fair, orderly and efficient markets, and capital formation." Furthermore, he stated that the rules "should be cost-effective for companies to comply with and provide material information to investors in plain English." Chair Atkins does not see the current disclosure framework as achieving those goals, as he noted, "one might describe the Commission's current disclosure requirements as a Frankenstein patchwork of rules. The volume and complexity of these rules may be just as scary to a law firm associate performing a 'form check' of a proxy statement, as the monster was to Dr. Frankenstein himself when the monster opened its eyes".

[1] Sec Chair Atkin's statement is available at SEC.gov | Remarks at the Executive Compensation Roundtable

Commissioners Peirce and Uyeda also made opening remarks, and Commissioner Crenshaw published a statement, in which they shared their views on the current executive compensation disclosure rules and what should be done.[2] The majority of the Commissioners view the current rules as overly complex, in some cases creating material costs without an associated benefit and believe they may not provide investors with the necessary information to make informed voting and investment decisions.

Panelists Observations

Panelists generally identified the following as challenges with the current disclosure rules:

- Complexity: The rules are overly complex and do not always result in useful disclosures.
- Materiality: Existing rules do not always consider the usefulness or materiality of certain information provided and the associated cost of compliance.
- Lack of Flexibility: The standardized format of certain disclosures may not be appropriate for all companies given their unique attributes.

Although the panelists did not agree in all respects on the attributes of the current disclosure rules, a consensus existed in the following respects:

- Simplified and streamlined disclosures would be more useful to investors (albeit some investor representatives suggested *additional* disclosures should be required).
- Flexibility and principles-based or materiality-based approaches are preferable to prescriptive rules, especially with regard to tabular disclosures.
- The SEC should consider the administrative burden in compliance, which is especially pronounced for small-cap and mid-cap companies, relative to investor needs for information.
- Despite the voluminous disclosure requirements, volitional disclosures are often useful to investors (e.g., to show pay-for-performance alignment, highlight pay outcomes/realized pay or explain the rationale for unusual practices).
- The SEC should evaluate the benefit of required supplemental compensation tables and post-employment payments disclosure.
- The SEC should reconsider the CEO pay ratio and pay versus performance disclosure rules.
- Personal security services should not be treated as a perquisite.

Meridian Comment: Given the opening comments from the SEC Chair and other SEC Commissioners and the comments of panel participants, we believe it is likely that the SEC will take steps to simplify the executive compensation disclosure requirements sometime during the fourth quarter of this year (although the SEC has not expressly provided any timeframe for taking any action). The SEC may take one or more approaches to simplifying the disclosure rules including rescinding existing rules (to the extent permitted by law), modifying or rescinding existing rules and lobbying Congress to modify or rescind statutory disclosure requirements, such as the CEO pay ratio and the pay vs. performance disclosure.

The SEC has requested interested parties to submit comments to the Commission within the next couple of weeks.

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[2] The Commissioners' statements are available at SEC.gov | Spare the Trees So Investors Can See the Forest: Remarks before the Executive Compensation Roundtable, SEC.gov | Statement at the Executive Compensation Roundtable, SEC.gov | Remarks at the Executive Compensation Roundtable.

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