

# Executive Compensation Disclosure Rules: Upcoming Roundtable and SEC Chair Statement

Posted in: Disclosure Requirements, Executive Compensation, SEC

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***Retrospective review of the agency's executive compensation disclosure rules to kick off with public roundtable and comment solicitation***

“When the Commission instituted tabular executive compensation disclosure in 1992, then-Chairman Richard C. Breeden championed an easily comprehensible disclosure regime centered around a graphical presentation of total executive compensation with comparisons against compensation of executives in peer firms and against the issuer’s performance.

In the intervening years, 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.”

—SEC Chair Paul Atkins

The SEC under the new leadership of Chair Atkins is undertaking a retrospective review of its executive compensation disclosure requirements. As part of this review, the SEC **will host a roundtable** on June 26, 2025 “with representatives from public companies and investors, as well as other experts in this field,” with additional details

about the agenda and speakers to come. The discussion will be streamed live on SEC.gov, and a recording will be posted at a later date.

Chair Atkins today also **issued a statement** presenting the following set of potential questions for consideration by both the SEC staff and the public. The questions—which presumably will inform future rulemaking or agency guidance—are grouped into three buckets: executive pay decisions, disclosure and hot topics, and span a wide array of issues, ranging from compensation-setting processes (including the roles of management, comp committees and external advisors) and optimal levels of disclosure detail to strike the right balance between eliciting material information for investors and companies’ compliance costs, to perquisites and Dodd-Frank pay-related requirements such as say-on-pay, pay-versus-performance (including the definition and calculation of “compensation actually paid,” or CAP) and clawbacks. Interested parties may provide their views (on these or related questions) either before or after the roundtable.

### **Executive Compensation Decisions—*Setting Compensation and Making Investment and Voting Decisions***

1.	<ul style="list-style-type: none"><li>• What is the process by which companies develop their executive compensation packages?</li><li>• What drives the development and decisions of compensation packages?</li><li>• What roles do the company’s management, the company’s compensation committee (or board of directors), and external advisors play in this development?</li></ul>
2.	<p>Current disclosure requirements seek to unpack these processes for investors.</p> <p>How can our rules be revised to better inform investors about the material aspects of how executive compensation decisions are made?</p>
3.	<ul style="list-style-type: none"><li>• What level of detail regarding executive compensation information is material to investors in making their investment and voting decisions?</li><li>• Is there any information currently required to be disclosed in response to Item 402 of Regulation S-K that is not material to investors or that could be streamlined to improve the disclosure for investors?</li><li>• How do companies’ engagement with investors drive compensation decisions and compensation disclosure?</li></ul>

## Executive Compensation Disclosure—*Past, Present and Future*

	<p>The Commission substantially revised its executive compensation disclosure requirements in 2006 with requirements to provide, among other things, enhanced tabular disclosure of compensation amounts and a compensation discussion and analysis of the company's compensation practices. The rules were intended to provide investors with a clearer and more complete picture of the compensation earned by a company's executive officers.</p>
4.	<ul style="list-style-type: none"><li>• Have these disclosure requirements met these objectives?</li><li>• Do the required disclosures help investors to make informed investment and voting decisions?</li><li>• Given the complexity and length of these disclosures, are investors able to easily parse through the disclosure to identify the material information they need?</li><li>• In what ways could disclosure rules be revised to return to a simpler presentation and focus?</li></ul>
5.	<p>The Dodd-Frank Act added several executive compensation related requirements to the securities laws, including shareholder advisory voting on various aspects of executive compensation.</p> <ul style="list-style-type: none"><li>• What types of disclosure do investors find material in making these voting decisions?</li><li>• Are companies able to provide such disclosure in a cost-effective manner?</li><li>• Do the current rules strike the right balance between eliciting material information and the costs to provide such information?</li></ul>
6.	<ul style="list-style-type: none"><li>• With the experience of almost 20 years of implementing the 2006 rule amendments, how can the Commission address challenges that either companies or investors have encountered with executive compensation rules and the resulting disclosures in a cost-effective and efficient manner while continuing to provide material compensation information for investors?</li><li>• For example, are there requirements that are difficult or costly to comply with and that do not elicit material information for investors?</li><li>• Are there ways that we can reduce the cost or otherwise streamline the compensation information required by the rules?</li></ul>

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## Executive Compensation Hot Topics—*Exploring the Challenging Issues*

7.	<p>The Commission recently adopted rules implementing the requirements of Dodd Frank related to pay-versus-performance and clawbacks.</p> <ul style="list-style-type: none"><li>• Now that companies have implemented the new rules, are there any lessons we can learn from their implementation?</li><li>• Can these rules be improved? If so, how?</li><li>• For example, which requirements of these rules are the most difficult to comply with and how could we reduce those burdens while continuing to provide investors with material information and satisfy these statutory mandates?</li></ul>
8.	<p>Since adoption of the pay-versus performance rules, I have continued to hear concerns regarding the rule's definition of "compensation actually paid" (CAP). What has been companies' experience in calculating CAP and what has been investors' experience in using the information to make investment and voting decisions?</p>
9.	<ul style="list-style-type: none"><li>• What has been companies' experience in applying the two-part analysis articulated by the Commission in 2006 with respect to evaluating whether perquisites for executive officers must be disclosed?</li><li>• How do disclosure requirements resulting from the test, and whether a cost constitutes a perquisite, affect companies' decisions on whether or not to provide a perquisite?</li><li>• For example, how has the application of the analysis affected evaluations relating to the costs of security for executive officers?</li><li>• Are there types of perquisites that have been particularly difficult to analyze?</li><li>• How do investors use information regarding perquisites in making investment and voting decisions?</li></ul>

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