Compensia
THOUGHTFUL PAY

Via Electronic Submission

October 24, 2025

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

**Re: SEC Roundtable on Executive Compensation Disclosure (June 26, 2025)
File No. 4-855**

Dear Ms. Countryman:

This letter is submitted on behalf of Compensia, Inc. ("**Compensia**" or "**we**") in response to the request by the U.S. Securities and Exchange Commission (the "**Commission**") for comments following the Roundtable on Executive Compensation Disclosure requirements held on June 26, 2025 (the "**Roundtable**"). We welcome the opportunity to submit comments regarding these requirements.

Summary

1. Our observations are based on our broad executive compensation consulting practice advising the boards of directors of numerous technology, life sciences, and other companies (both privately held and publicly traded) and practical experience assisting clients design, implement, and disclose their executive and director compensation programs.

2. Since the Commission's most recent comprehensive review and revision of its executive compensation disclosure requirements in 2006, numerous factors have contributed to the perceived "bloat" in the Compensation Discussion and Analysis ("CD&A") and related disclosure. Most notable, in our view, is the outsized influence of proxy advisory firms' policies and guidelines in driving program design and disclosure practices that are often not aligned with the company's business priorities or investors' preferences. Other considerations include the growing complexity of executive compensation design, the significant shift in equity awards from stock options to performance-based stock or unit awards, the enactment of the stockholder advisory vote on named executive officer compensation, technological advances, and increasingly diversified investor voting policies.

3. Accordingly, our primary recommendations, all of which are described in more detail below, are as follows:

    - Maintain the CD&A's "principles-based" foundation, but expressly approve the use of graphics, tables, and charts to present material information more concisely and intuitively;

    - Revise the current CD&A disclosure requirements to clearly define (i) "competitive harm" for purposes of excepting disclosure of confidential commercial and financial information, and (ii) "adequate consideration" of Say-on-Pay vote results;

    - Exempt expenditures for executive security from treatment as a reportable perquisite;

    - Permit "standard" information about the compensation-setting process and related matters to be presented outside the CD&A;

    - Streamline the compensation elements used to identify an issuer's named executive officers ("NEOs") and reduce the inclusion of former executives in an issuer's disclosure;

    - Revise the Summary Compensation Table to highlight the target total direct compensation <u>opportunities</u> of the NEO group as well as the total compensation <u>earned</u> during the last completed fiscal year (with conforming revisions to the applicable supplemental tables and the required pay versus performance disclosure);

    - Eliminate the Director Compensation Table;

    - Narrow the definition of the term "employee" for purposes of the CEO pay ratio disclosure to focus solely on an issuer's U.S. employees; and

    - Modify the relevant disclosure requirements to eliminate redundant information and clarify that information presented in a tabular or graphic format in the CD&A does not need to be repeated narratively.

Introduction

Compensia is a management consulting firm providing executive compensation advisory services to the boards of directors and senior management of knowledge-based companies. Formed in Silicon Valley in 2003 by a group of leading executive compensation experts, we advise the boards of directors and/or compensation committees of numerous technology, life sciences, and other companies, and have extensive experience designing and implementing executive and director compensation programs. We understand how boards and compensation committees' function and have assisted many of our clients, which in the public markets range from recent initial public offerings to Fortune 50 corporations, including members of the "Magnificent 7," in developing market-leading compensation programs and preparing the attendant required executive compensation disclosure.

Our team of approximately 70 professionals has over 850 years of collective experience working with the boards of directors and compensation committees of emerging growth and reporting companies, including more than 35% of the technology companies in the Russell 3000 Index. We believe that the breadth and depth of our expertise enable us to offer important insights into the process by which our clients, and issuers more generally, develop their executive and director compensation programs and disclose to investors and other stakeholders the objectives and rationale underlying the structure and purpose of the compensation packages offered to senior leadership teams.

The Current Disclosure Environment

Leading up to the Roundtable, Chairman Atkins' posed a series of questions as to how the current executive compensation disclosure requirements may be simplified and streamlined while improving investors' understanding of the underlying decision-making process. Before presenting our recommendations for revising the current disclosure requirements, we would like to share our observations as to the various pressures boards and compensation committees encounter today as they analyze the competitive market for executive talent and shape executive compensation programs and then explain these programs and related pay actions and decisions to investors and other stakeholders.

We recognize that, both as noted at the Roundtable and reflected in several of the comment letters submitted to date, the current disclosure is criticized as too long, overly complex, and difficult to parse. This "bloated" disclosure nevertheless frequently falls short of investor expectations and needs, especially the CD&A, which is said to have lost its original "principles-based" focus, making it more difficult to identify the truly material aspects of an issuer's compensation program and related actions and decisions. Although we are sympathetic to these complaints, we believe they overlook a number of key developments that have led to the current state of the CD&A.

First, we note the significant impact of the stockholder advisory vote on named executive officer compensation (the "Say-on-Pay Vote')[1] enacted as part of the Dodd-Frank Act.[2] Since the adoption of the Say-on-Pay Vote requirement, the CD&A now serves as the *de facto* "supporting statement" of many issuers for their Say-on-Pay proposal. As such, both the format and content of the CD&A have evolved based on issuers' understanding of the information institutional investors (and their advisors) seek to formulate their annual meeting voting decisions. As the number of institutional investors with self-constructed voting policies and the sophistication of executive compensation designs and strategies has increased over the years, issuers have come under increased pressure to tailor the content of their CD&As to secure a favorable Say-on-Pay vote outcome.

Second, we must acknowledge the significant and ongoing influence of the major proxy advisory firms (such as Institutional Shareholder Services, Inc. ("ISS") and Glass Lewis & Co., Inc. ("Glass Lewis")), which, to date, have employed "benchmark" policies and guidelines for both corporate governance and executive compensation-related matters to formulate their annual meeting voting recommendations. Even more than the impact of the growing number of institutional investor policies and complexity of executive compensation programs, CD&As have been increasingly shaped by the preferences of these firms. In practice, we often see the influence of ISS's recommendation on the outcome of Say-on-Pay proposals exceed twice to three times that of an issuer's largest shareholder.[3]

This impact is most starkly evident in two proxy advisory firm policies that leverage the Commission's current rules to demand prescriptive *de facto* CD&A disclosure requirements. The first such policy reflects the expectation that issuers that fail or otherwise receive "significant opposition" to their Say-on-Pay proposal will present in their subsequent CD&A a discussion of their response to this outcome, including a detailed description of their actual shareholder engagement activities and a point-by-point summary of specific investor concerns raised and the issuer's response to each concern. In practice, issuers seeking to improve their chances of a subsequent favorable Say-on-Pay result omit or give only cursory attention to this disclosure at their own peril. We believe the threat of the major proxy advisory firms treating the quality of an issuer's responsiveness to a "low" but passing Say-on-Pay Vote as a problematic pay practice (and, therefore, deserving of an unfavorable Say-on-Pay Vote recommendation)[4] has empowered these

[1] Exchange Act Rule 14a-21(a).

[2] Pub. L. No. 111-203, 123 Stat. 1376 (July 21, 2010).

[3] Per Diligent data provided as of June 17, 2025, across annual meetings held from July 1, 2023 through June 30, 2024, average Say-on-Pay Vote support across all votes at U.S.-based companies (inclusive of those with multi-class voting structures) was 94.23%; average support where only Glass Lewis recommended "against" the Say-on-Pay proposal was 85.09%; average support where only ISS recommended "against" the Say-on-Pay proposal was 77.37%; average support where both proxy advisors recommended "against" the Say-on-Pay proposal was 67.54%.

[4] See ISS's U.S. Executive Compensation Policies, Frequently Asked Questions (Dec. 13, 2024), *available at* https://www.issgovernance.com/file/policy/active/americas/US-Compensation-Policies-FAQ.pdf?v=2024.12.1. FAQ #9 notes that responsiveness is one of the three primary areas assessed in evaluating executive pay, and FAQ #12 states that inadequate responsiveness will result in an "against" recommendation in the case of both a Say-on-Pay proposal and, potentially, incumbent compensation committee members standing for reelection. Glass Lewis's 2025 U.S. Benchmark Policy Guidelines, *available at* https://resources.glasslewis.com/hubfs/2025%20Guidelines/2025%20US%20Benchmark%20Policy%20Guidelines.pdf, include similar responsiveness expectations.

firms to serve as the arbiters of adequate compensation design and disclosure, notwithstanding the growing diversity in investor views on executive compensation matters.[5]

The second policy involves the insistence of proxy advisory firms that issuers disclose the threshold, target, and maximum performance levels for the financial and operational metrics that underpin their short-term and long-term incentive compensation programs, regardless of whether such disclosure may cause competitive harm – a matter that clearly involves a business – rather than a disclosure – decision. We believe this policy incentivizes issuers to select less suitable metrics for their incentive compensation programs, notwithstanding that such metrics are not those most critical to achievement of the issuer's key financial, operational, and/or strategic objectives. In our experience, this policy presents significant and frustrating obstacles to the execution of a carefully developed compensation strategy and disclosure reflecting a clear and concise explanation of that strategy.

Finally, we believe there are aspects of the current CD&A disclosure requirements that tend to diminish, over time, the materiality and perhaps even the importance of certain matters. In particular, we note the requirement to discuss how an issuer determines the amount to pay its NEOs for each material element of its executive compensation program often leads to lengthy and otherwise rote disclosure. In our experience, the disclosure of the compensation-setting process (including such items as the program philosophy and objectives, the identities and roles of the respective parties, the factors considered by the board and/or compensation committee in arriving at pay determinations, the individual performance evaluation process, and the methodology employed to establish the relevant competitive market for executive talent) rarely changes materially from year to year. Nonetheless, issuers continue to present this information each year in their CD&A to, among other things, demonstrate adherence to industry "best practices" and minimize the risk of proxy advisory firm criticism. While this information may indeed be decision-useful, given its often static nature, we question whether it may be more appropriately memorialized elsewhere in the proxy statement (such as part of the required discussion of the compensation committee's policies and procedures) or in another location that is broadly available (for example, as an appendix to the compensation committee's charter or in an issuer's corporate governance guidelines posted to its corporate website).

Apart from the developments contributing to the length and complexity of the CD&A, we note several of the rules adopted by the Commission in response to the executive compensation-related provisions of the Dodd-Frank Act have had a significant impact, both independently and cumulatively, on the length and complexity of issuers' overall executive compensation disclosure. While we appreciate the challenges the Commission has faced in developing thoughtful and balanced approaches to effectuate Congress' intent with respect to each of these provisions, both their disparate nature (for example, the CEO pay ratio requirement and the clawback policy requirement) as well as the prescriptive and somewhat overlapping nature of others (for example,

[5] Indeed, this diversification has led both proxy advisory firms to announce additional custom policy offerings in recent days (such as ISS's Custom Lens service outlined here and Glass Lewis's re-orientation towards custom policies discussed here), although there is no indication any such customization would necessarily address the policy matters raised in our letter.

the pay-versus-performance requirement) have made it difficult for issuers to seamlessly integrate the applicable requirements into their existing disclosure framework. Consequently, in our experience, many issuers simply insert these required disclosures after their preexisting executive compensation disclosure.

We believe the combined impact of these developments has led to the disclosure quality concerns raised by the various consumers of this information and warrants a thorough reassessment of the current executive compensation disclosure requirements. It is on this basis that we offer the following recommendations for the Commission's consideration.

Recommendations

As the Commission evaluates potential revisions to its executive compensation disclosure requirements, we respectfully request that it consider the following recommendations.

1. **Compensation Discussion and Analysis** – We recommend maintaining the current "principles-based" disclosure approach for the CD&A, subject to a careful reassessment of the material compensation program elements to be explained and related examples of information to be considered in determining "materiality." In addition, as outlined above, we direct the Commission's attention to two particular issues where, in our experience, current disclosure requirements have resulted in proxy advisory firm policies that often lead to compensation decisions that, at best, are not driven by investors' priorities and, at worst, are misaligned with investor interests:

    a) **Competitive Harm Exception**. We believe issuers and investors would benefit from both a reassessment of the current CD&A instruction that permits the omission of target levels with respect to specific quantitative or qualitative performance-related factors or any other factors or criteria involving confidential trade secrets or confidential commercial or financial information, the disclosure of which would result in competitive harm (the "Competitive Harm Exception") and clarification of the disclosure required when an issuer asserts the Competitive Harm Exception.

       In our experience, many issuers, particularly the high growth-oriented issuers we advise, do not publicly disclose the target performance levels for the key financial and operational metrics that drive their businesses (for example, for software companies, net new bookings, and, for semiconductor companies, microchip production data). Frequently, performance against these metrics is critical to the issuer's long-term growth trajectory and ultimate success, but, for obvious reasons, the disclosure of the target performance levels may jeopardize the issuer's viability by providing competitors with valuable (and, therefore, harmful) insights into the issuer's strategic roadmap and internal growth trajectory. In addition, even after-the-fact disclosure of actual performance results associated with such metrics raises similar concerns.

Further, these metrics often are not measures for which such issuers' offer forward-looking guidance to the capital markets. Consequently, when the target levels for performance-based incentive awards – which typically include a "stretch" goal based on their internal operating plan – may be required to be disclosed, in our experience, issuers express concern that investors may mistakenly interpret what are intended to be "stretch" performance levels as "guidance." Doing so may not only "guide" market expectations to levels far exceeding an issuer's more informed internal growth goals, but also expose the issuer to undue legal, reputational, and operational risks if the disclosed target levels prove to be inaccurate.

These twin concerns often lead issuers to credibly conclude that the disclosure of the target levels for their performance-based incentive awards may result in competitive harm. We have seen proxy advisory firms take, on numerous occasions, the position that an issuer's competitive harm rationale for omitting these target performance levels from its disclosure is unwarranted and in reviewing the issuer's executive compensation program and related decisions penalize this lack of disclosure (which may in turn lead to an unfavorable recommendation on the issuer's Say-on-Pay proposal). Issuers are then compelled to incur additional time and expense navigating the ramifications of the critique of their program or an unfavorable recommendation.

In response to these risks, we have seen numerous clients conclude that the most prudent and expedient course of action is to refrain from employing their most sensitive financial and operational metrics in their incentive program design, notwithstanding their primacy to the client's financial, operational, and strategic objectives. Instead, they typically opt to use a secondary metric for their performance-based incentive awards, even though it may be significantly less impactful on the issuer's long-term growth trajectory and success.

To correct this unintended consequence, we recommend the instruction for the Competitive Harm Exception be revised to clarify that if an issuer's board and/or compensation committee determines, in good faith, that the disclosure of target levels with respect to specific quantitative or qualitative performance metrics or factors or any other factors or criteria involving confidential commercial or financial information would result in competitive harm to the issuer, this determination (rather than the Commission's standard applicable to confidential treatment requests) would form a reasonable basis for omitting this information from the issuer's CD&A or otherwise. We also recommend that the Competitive Harm Exception be clarified to expressly apply to any incentive award, whether an "in-flight" award or an award for which the performance period has been completed.

We believe this revision and clarification, by reducing the influence of proxy advisory firms' determination of whether an issuer's basis for excluding this disclosure is acceptable, would better position issuers to design performance goals in furtherance of their long-term business objectives and the interests of their investors.

Further, we recommend the current instruction's requirement to discuss the difficulty associated with achieving the undisclosed performance targets or other factors be clarified, supplemented with examples or replaced with an alternative means to provide investors with insight into the rigor of the undisclosed targets. In our experience, issuers are uncertain as to how to satisfy the exception's requirement to discuss "how difficult it will be for the executive or how likely it will be for the registrant to achieve the undisclosed target levels or other factors."

b) **Say-on-Pay Responsiveness**. We also believe issuers and investors would benefit from the Commission's intervention in another unintended development resulting from its executive compensation disclosure requirements which directs issuers to address in the CD&A whether and, if so, how they have considered the results of their most recent Say-on-Pay Vote.[6] Although we understand the reasons underlying this requirement, we believe the subsequent "engagement" policies adopted by the major proxy advisory firms effectively, and inappropriately, dictate the content of an issuer's CD&A should it receive an "adverse" response to its Say-on-Pay proposal.

Currently, each of the major proxy advisory firms maintains its own threshold of acceptable shareholder support for a Say-on-Pay proposal, below which an issuer is effectively required to demonstrate in its subsequent annual meeting proxy statement to the satisfaction of the applicable firm its responsiveness to the vote outcome.[7] Specifically, in the event an issuer either fails a Say-on-Pay Vote (that is, fails to received majority support for its proposal) or otherwise receives "significant" opposition to its Say-on-Pay proposal (defined by Glass Lewis as opposition from 20% of the votes cast on the proposal and by ISS as 30% opposition), it is expected to conduct extensive shareholder outreach efforts and provide detailed information about its response to input received from shareholders in its subsequent proxy statement. This disclosure (typically consisting of a list of the engagement participants, the number of shareholders contacted and actually engaged (along with the percentage of outstanding shares represented by each group), the investor concerns raised, the program actions or decisions at issue, and the issuer's response (or rationale for no action)) has, as a

[6] Item 402(b)(1)(vii) of Regulation S-K.

[7] We note that, as to each such proxy advisory firm, this threshold seems conveniently close to the degree of influence of each such firm's voting recommendation have on the Say-on-Pay Vote result, as described in footnote 3 above.

practical matter, impacted both the content and length of CD&A to a degree far exceeding any expectation of "materiality."

As we have seen, once an issuer's Say-on-Pay Vote support dips below one or both of the two proxy advisory firm "bright line" support thresholds, the issuer is compelled to engage in extensive shareholder outreach (accompanied by the attendant expectation of detailed CD&A disclosure) subject to the applicable advisory firm's timeline, which often results in duplicative, costly engagement efforts – as the proxy advisory firms consider only outreach conducted following the actual Say-on-Pay Vote to be relevant – that often yields limited or no additional decision-useful information for the issuer, which, in many cases, already understands the reasons for the opposition and has taken action (or need not take any action at all) to mitigate the apparent concern. This exercise is exacerbated for resource-constrained small-cap and mid-cap issuers that often struggle to engage with shareholders representing a sufficient number of outstanding shares to satisfy proxy advisory firm expectations.

In addition, there may be further repercussions. In our experience, failing to achieve an acceptable level of shareholder support may doom an issuer to a vicious cycle of repeated unfavorable Say-on-Pay Vote recommendations and decreasing shareholder support. For example, the initial program opposition resulting in a low Say-on-Pay Vote outcome may have stemmed from a one-time action or decision that the issuer rectifies to investors' satisfaction or commits to avoid in the future, or which is unlikely to recur. However, proxy advisory firms often conclude in the absence of additional (acceptable) program changes that the issuer's reaction has been insufficiently responsive, leading to a cycle of ongoing unfavorable recommendations on an issuer's Say-on-Pay proposal until it capitulates to the firm's benchmark norms. In other cases, in response to a Say-on-Pay Vote outcome that falls below one or both of the proxy advisory firms' acceptable shareholder support threshold, an issuer's initial impulse may be to consider significant changes to its executive compensation program that best align to the relevant ISS or Glass Lewis benchmark policies. In our experience, this creates a new risk as such changes may conflict with either the feedback or policies of an increasingly diverse shareholder base on program design considerations, **resulting in significant homogenization of executive compensation program design aligned to proxy advisory firm preferences but less aligned with the issuer's business priorities or the actual preferences of its most significant investors.**

Consequently, we recommend the current CD&A disclosure requirement be revised to require affirmative disclosure of whether and, if so, how an issuer considered the results of its most recent Say-on-Pay Vote only in the event the results of such vote fall below a ***majority*** of the shares eligible to vote on such matter as governed by applicable state corporate law. We are unaware of any other annual meeting voting matters subject to an arbitrary threshold (set by a third party – not an issuer, shareholder or regulator) beyond which certain prescribed disclosure is expected and where its absence may have adverse consequences for issuers. We believe the applicable CD&A requirements should reflect a reasonable "bright line" upon which issuers, rather than a third party, can evaluate whether disclosure of their engagement activities following a Say-on-Pay Vote is material to investors and other stakeholders. Such revision would also enable shareholders to more consistently use their vote to express their views without triggering a multi-year shareholder engagement responsiveness effort to address arbitrary proxy advisor thresholds.

c) Finally, we note one of the more significant consequences of the Commission's interpretive guidance earlier this year regarding shareholders' eligibility to file beneficial ownership reports on Schedule 13G[8] has been to limit shareholder engagement that may have the unintended effect of shifting "viewpoint signaling" the voting process. In our experience, this has made engagement with most large shareholders problematic for all, rather than just smaller, issuers. In the absence of clarification of this guidance as it pertains to executive compensation-related matters, we anticipate that negative votes on future Say-on-Pay proposals are likely to increase, as investors and issuers have more limited means to transparently communicate with one another. Further, in the absence of clear perspective from their most significant investors, the viewpoints of ISS and Glass Lewis may be further amplified.

2. **Perquisites and Other Personal Benefits** – We recommend (i) revising the "two-step" analytical standard for determining whether item is a reportable "perquisite" to focus on whether the item's primary purpose is to satisfy a legitimate business objective, (ii) increasing the current perquisite reporting thresholds to more appropriate levels and indexing these amounts to cost-of-living adjustments, and (iii) exempting executive security from characterization as a perquisite.

3. **Summary Compensation Table** – We support the recommendations submitted to date by several comment letters[9] proposing the Summary Compensation Table be revised to (i) focus on each NEO's target total direct compensation opportunity as determined by the board of directors or compensation committee, and (ii) more clearly differentiate between

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[8] See Compliance and Disclosure Interpretation Question No. 103.12 (Feb 11, 2025). This C&DI addresses the circumstances in which a shareholder's engagement with an issuer's management on a particular topic would cause the shareholder to be deemed to hold the subject securities with the "purpose or effect of changing or influencing control of the issuer" - thereby losing its eligibility to report on Schedule 13G.

[9] See comment letters of Velika Talyarkhan, Director, Engagement, and Ellie Higgins, Assistant Manager, Engagement, EOS at Federated Hermes Limited (June 24, 2025), Davis Polk & Wardwell (July 31, 2025), Ani Huang, CEO, Center On Executive Compensation (July 31, 2025), Takis Makridis, CEO, Therese Sebastian, Managing Director, and David Outlaw, Managing Director, Equity Methods, LLC (Aug. 12, 2025), Heather Marshall, Senior Director and Steve Seelig, Senior Director, Towers Watson (Aug. 21, 2015), and Sullivan & Cromwell LLP (September 30, 2025).

target TDC and compensation elements that do not factor into the determination of target TDC. We believe these revisions will redirect the table's focus to the items of greatest value to investors while, at the same time, simplifying compliance for issuers.

4. **Equity Compensation Tables** – Similarly, we support the recommendations submitted to date by several comment letters proposing the Grants of Plan-Based Awards Table, Outstanding Equity Awards at Fiscal Year-End Table, and Options Exercises and Stock Vested Table be replaced with a single table that provides material information about the outstanding long-term incentive awards held by an issuer's NEOs as of the beginning of the last completed fiscal year and tracks the activity (if any) of such awards during the last completed fiscal year, facilitating investors' ability to trace the "life cycle" of these awards from grant through their eventual settlement. In our experience, the compliance burden associated with initially preparing and then annually updating the current three tables far outweighs the inherent value of the information available to investors from these tables. We believe the proposed recommendations offer an effective starting point for developing straightforward tabular disclosure that, as supplemented by a revised Summary Compensation Table, will enable investors and other stakeholders to understand and evaluate the effectiveness of an issuer's "pay-for-performance" philosophy.

5. **Other Compensation Tables** – We recommend revising the current post-employment compensation disclosure requirements for payments upon a termination of employment or a change in control to eliminate the requirement to calculate and disclose the estimated payments and benefits upon each enumerated triggering event a of the end of the last completed fiscal year. Similar to the equity compensation tables discussed above, we believe the compliance burden associated with preparing the tabular disclosure typically used to present this detailed information far outweighs the inherent value of the information being provided to investors.

6. **Named Executive Officers** – We believe the following two adjustments to the requirements for identifying the members of the NEO group would promote greater year-over-year consistency in the information available to investors and, at the same time, reduce issuers' compliance burden:

    a) As noted in Section 3 above, several of comment letters recommend the revision of the Summary Compensation Table to highlight the target total direct compensation opportunities of the NEO group and their total compensation earned during the last completed fiscal year. Should the Commission decide to propose such revisions, we recommend revising the current instruction for determining NEO status to consider for this purpose just an executive officer's annual target total direct compensation opportunity (i.e., the sum of base salary rate, short-term incentive compensation opportunity, and long-term incentive compensation opportunity) and exclude all non-recurring compensatory items (such as relocation benefits and severance payments) arising from contractual entitlements. We believe focusing the required disclosure on the group of executive officers whom the board and/or compensation committee has selected to receive the largest target total direct compensation opportunities for the last completed fiscal year most accurately identifies an issuer's key leaders.

b) We also recommend revising the number of former executives for whom disclosure is required, because the individual(s) would have been among an issuer's three most highly compensated executive officers but for the fact that the individual was not serving as an executive officer at the end of the last completed fiscal year, from two to one individual. We believe the inclusion of multiple former executive officers in the Summary Compensation Table needlessly complicates the required tabular disclosure while adding further complexity to the CD&A. Further, it is our understanding that material post-employment compensation arrangements of certain enumerated executive officers, including NEOs, who have terminated their employment must be disclosed in a current report on Form 8-K,[10] potentially leading to repetitive disclosure in an issuer's proxy statement without necessarily providing any new information to investors and other stakeholders.

7. **Director Compensation Disclosure** – We recommend revising the current director compensation disclosure requirements to eliminate the Director Compensation Table and, instead, limiting such disclosure to a description of an issuer's standard compensation arrangements for its directors as contained in a plan or policy, subject to the disclosure of any "non-standard" or different compensation arrangements with one or more directors (identifying such director and describing the terms of that arrangement). Given the relatively simple design of virtually all director compensation plans and policies, we believe the current Director Compensation Table is unnecessary. We further believe that the information presented in this table is of little value to investors who, in our experience, are most interested in the annual "cost of governance" embodied by the plan or policy and/or how that "cost" is allocated among the directors based on their various responsibilities.

8. **Pay-Versus-Performance Disclosure** – We understand and acknowledge that, given the statutory mandate, the Commission is limited in its ability to fully address either investor or issuer concerns about the materiality and utility of the disclosure required by Section 953(a) of the Dodd-Frank Act.[11] While we agree with the widespread view that the current disclosure requirements impose a compliance burden that outweighs the benefits of this reported information to investors, we also note that the full five-years' information required by this disclosure only began to appear this year. Accordingly, we recommend the Commission focus on two short-term objectives. First, to the extent reasonable and

[10] Specifically, Item 5.02 of Form 8-K requires disclosure within four business days in the event that a principal executive officer, president, principal financial officer, principal accounting officer, principal operating officer or any person performing similar functions or any named executive officer retires, resigns or is terminated from that position, and entry into or modification of compensatory arrangements with the principal executive officer, principal financial officer, or any named executive officer are also required to be disclosed.
[11] Item 402(v) of Regulation S-K.

appropriate, harmonizing the applicable disclosure requirements to the eventual revisions (if any) to the Summary Compensation Table and accompanying equity compensation-related tables and, second, minimizing the current compliance burden of these requirements. Based on our experience assisting clients to prepare this disclosure, two revisions that would further this goal would be to eliminate the required disclosure of (i) the average Summary Compensation Table "total compensation" and the average compensation actually paid for an issuer's non-PEO NEOs and (ii) the issuer's net income and a company-selected measure. In our experience, each of these requirements adds unnecessary time and expense to the preparation of this disclosure without the commensurate benefit of providing material information to investors.

9. **CEO Pay Ratio Disclosure** – Similarly, we encourage the Commission to address the current compliance challenges presented by Section 953(b) of the Dodd-Frank Act[12] and as contained in the pay ratio disclosure requirement. In our experience, the most significant revision would be to narrow the definition of the term "employee" to focus solely on an issuer's U.S. employees. We believe that, given the limited utility of comparisons across global workforces, the effort to obtain, integrate, and analyze the various elements of an issuer's non-U.S. workforce does not produce information that is meaningful to investors in evaluating the relationship between Chief Executive Officer and "rank-and-file" employee total compensation.

10. **Disclosure format –** Broadly speaking, we endorse a continued narrative and tabular approach to the required executive compensation disclosure, enhanced as the Commission determines to be reasonable and appropriate using currently widely-available technologies. We observed a recurring theme across Roundtable participants expressing concern as to the continuously growing length of the current disclosure requirements. Accordingly, we encourage the Commission to consider (i) permitting specific information currently included in the CD&A that largely remains "static" year-over-year (such as much of the information currently disclosed in connection with a discussion of an issuer's compensation-setting process) to be presented in a location outside the proxy statement or other Commission-required filing and cross-referenced as needed; and (ii) clarifying that a tabular or graphic presentation qualifies as material information on the same basis as narrative disclosure to reduce repetition within issuers' disclosures.

11. **"Cost" of Disclosure** – We recognize that, ultimately, the Commission's decisions to simplify and streamline the current executive compensation disclosure requirements will require a careful balancing of investor and issuer interests. We believe these examinations of the cost-benefit "tradeoffs" of possible revisions and other reforms to such requirements must be considered holistically. In addition to the discrete cost to an issuer preparing the required disclosure, we urge the Commission to also consider how the proposed disclosure will reverberate through the entire corporate "ecosystem" (for

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[12] Item 402(u) of Regulation S-K.

example, how the disclosure will affect an issuer's legal and other advisor costs, as well as the costs borne by investors to capture, organize, and assess the information to be disclosed, much of which will intentionally and necessarily vary among issuers under the "principles-based" disclosure regime). In our view, revisions or reforms that sacrifice the quality or availability of decision-necessary data will almost certainly have the unintended impact of increasing ecosystem costs that are ultimately borne by shareholders.

We are pleased to contribute to this important initiative and, again, commend the Commission's endeavor to reassess its executive compensation disclosure requirements. Should the Commission elect to proceed with rulemaking, we expect to be an active participant in this process and look forward to sharing our perspective and insights on ways to facilitate the Commission's goal to strike an appropriate balance between providing material, useful, and easily understood information for investors and imposing a reasonable compliance burden on companies in today's business environment.

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We appreciate the opportunity to participate in this process, and would be pleased to discuss our letter or any questions the Commission or its staff might have, which may be directed to Tom Brown at (408) 876-4023 or tbrown@compensia.com, Mark A. Borges at (415) 462-2995 or mborges@compensia.com or Hannah Orowitz at (332) 867.0566 or horowitz@compensia.com.

Very truly yours,

COMPENSIA, INC.