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## FOCUS ON SEC EXECUTIVE COMPENSATION DISCLOSURE OBLIGATIONS IN 2025: SECURITY COSTS AND NEW ITEM 402(X)

*Heading into 2025, boards of directors must be prepared to address both rising concerns around executive security costs and new Securities and Exchange Commission (“SEC”) disclosure rules relating to the timing of option and stock appreciation right (“SAR”) awards. We discuss the issues directors should consider below.*

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### EXECUTIVE SECURITY DURING VOLATILE TIMES

The recent killing of UnitedHealthcare Group’s insurance division CEO Brian Thompson outside a New York City hotel while he was attending the company’s annual investor meeting has brought executive security into sharp focus for many boards of directors heading into 2025.<sup>1</sup> Although companies may conclude that providing personal security benefits outside of business engagement to CEOs or other senior executives is necessary to protect the company’s human capital assets, the SEC has to date been clear that these expenses should be disclosed as perquisites to the impacted executives,<sup>2</sup> and we thus far have not seen any indication

<sup>1</sup> Chip Cutter, Theo Francis & Andrew Tangel, “UnitedHealth Shooting Is a Wake-Up Call on Corporate Security” (December 5, 2024), available at <https://www.wsj.com/business/united-healthcare-ceo-shooting-corporate-security-ca9cd820>.

<sup>2</sup> One recent example is the SEC’s recent settlement with the Greenbrier Companies Inc. and certain of its executives for failing to disclose certain perquisites, including personal security costs. Securities and Exchange Commission Press Release, “SEC Charges Global Transportation Company

that the SEC’s views will shift during the current proxy season. That said, investor perspectives with respect to security-related expenses may well shift as a result of the very serious and tangible risks to key management. Below, we discuss key issues associated with executive security costs and the related disclosure that directors should take into account.

- **Companies Disclosing Security Expenses:** According to data from Equilar cited by the *WALL STREET JOURNAL*, just over a quarter of S&P 500 companies disclosed providing personal security services as a prerequisite to CEOs in 2023, while only about 13% disclosed providing personal security services to executives other than the CEO.<sup>3</sup> Given recent events, absent a change in the SEC’s position on personal security protection, we would expect

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*footnote continued from previous column...*

Greenbrier and Former CEO for Failing to Disclose Perks and Payments” (March 2, 2023), available at <https://www.sec.gov/newsroom/press-releases/2023-43>.

<sup>3</sup> Cutter et al. *supra* note 1.

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