

# Market Trends 2023/24: Pay Ratio Disclosure

A Practical Guidance® Practice Note by Jennifer Zepralka, Mayer Brown LLP



Jennifer Zepralka  
Mayer Brown LLP

This market trends practice note provides a legal analysis of the evolving landscape surrounding the U.S. Securities and Exchange Commission's (SEC) pay ratio disclosure requirements under Item 402(u) of Regulation S-K, as mandated by Section 953(b) of the Dodd-Frank Act. It examines how public companies have interpreted and operationalized the rule, particularly in the 2023 and 2024 proxy seasons. The discussion includes the legal framework for identifying the median employee, permissible methodologies for calculating total compensation, and the conditions under which companies may reuse or substitute the median employee

across fiscal years. The document also addresses the scope of exemptions—such as the de minimis and data privacy exceptions—for excluding non-U.S. employees and highlights the limited but legally permissible use of supplemental disclosures and alternative ratios. Through a series of real-world disclosure excerpts, the document illustrates how issuers have navigated compliance obligations, balanced investor expectations, and mitigated reputational risk associated with high CEO pay ratios. It further underscores the legal discretion afforded to issuers in crafting disclosures that are both compliant and contextually informative, while cautioning that comparability across companies remains inherently limited due to the flexibility embedded in the rule's implementation.

*Assistance provided by Hema Gharia, Mayer Brown LLP*

Click [here](#) for full access to this Practical Guidance® content.

---

### **Jennifer Zepralka, Partner, Mayer Brown LLP**

Jennifer Zepralka offers clients years of experience advising public companies on their obligations under the federal securities laws and on related corporate governance requirements. She also works with growth companies as they seek to raise capital under the federal securities laws and become public companies. Jennifer is the former Chief of the Office of Small Business Policy in the US Securities and Exchange Commission's Division of Corporation Finance and has also held other roles within the Division over her years with the Commission.

At the SEC's Office of Small Business Policy, Jennifer was responsible for administering the securities laws and regulations that particularly affect small businesses, including the smaller reporting company requirements, as well as the capital-raising exemptions from Securities Act registration. She was also responsible for interpreting and administering Regulation D, which is used by issuers of all sizes to raise amounts of capital that exceed the amount raised annually in registered offerings. Jennifer led the Division's efforts on substantial revisions to the exempt offering framework, from the 2019 concept release through the 2020 adoption of changes to the accredited investor definition and rule amendments intended to harmonize and simplify the offering exemptions. Jennifer also played a key role in the drafting and implementation of the pay versus performance disclosure rules and participated in the recently adopted amendments to the SPAC rules.

Jennifer advises public companies with SEC disclosure documents and provides advice on reporting obligations, including compliance with SEC executive compensation disclosure requirements and Section 13 and Section 16 reporting. She advises on corporate governance matters, including advice regarding director independence, board committee structure and charters, codes of conduct, corporate governance guidelines, controls and procedures, CEO and CFO certifications, and NYSE and Nasdaq requirements.

For emerging companies, Jennifer provides practical advice on federal securities law compliance in connection with capital raising activities, including private placements of debt and equity under Regulation D, Section 4(a)(2), or other Securities Act exemptions from registration. Jennifer also advises companies, particularly in the fintech sector, on the securities law implications of their business models. Jennifer also advises pre-IPO companies on preparation for their initial public offerings.

This document from Practical Guidance®, a comprehensive resource providing insight from leading practitioners, is reproduced with the permission of LexisNexis®. Practical Guidance includes coverage of the topics critical to practicing attorneys. For more information or to sign up for a free trial, visit [lexisnexis.com/practical-guidance](https://www.lexisnexis.com/practical-guidance). Reproduction of this material, in any form, is specifically prohibited without written consent from LexisNexis.

---