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The Hard Truth About Disclosure Committees

Yes, my titles tend to be a tad dramatic (see [my prior "materiality" blog](#)). That's the way to draw eyeballs, right? But in this case, it is a hard truth. Disclosure committees are not much of a committee at most companies. The notion of a "disclosure committee" was born in 2002, when the SEC's adopting release relating to disclosure controls recommended that companies form disclosure committees. It wasn't required that companies do so – just recommended. Surveys show that most companies do indeed have one. That adopting release indicated that committee could include the principal accounting officer (or the controller), the general counsel or other senior legal official with responsibility for disclosure matters, the risk management officer, the chief investor relations officer, and others deemed appropriate, including business unit people. The disclosure committee essentially has three tasks: draft and review disclosure for the company's SEC filings, keep an eye out for things that happen at the company that should be disclosed – and help make those challenging "materiality" judgements for those situations that bubble up to the committee. The reality is that it's rare to have someone within a company truly interested in bubbling up information to those on the disclosure committee, even if they're specifically tasked to do so. After all, who wants to raise their hand to take on extra work? The upshot is that at most companies, the lawyer primarily responsible for drafting and those in Finance involved with the numbers are the gatekeepers of what goes into the SEC filings. Others typically play nominal roles – sticking to their lanes - such as the tax person being responsible for tackling the tax section of the Form 10-K. The gatekeepers strive to ensure that what goes into the SEC filings is consistent – they try to keep the disclosure from becoming disjointed. They're wearing "quality control" hats. Everyone else? They barely care. The drafting task isn't much of a group effort. Let's face it. No one's clamoring to wear an "I'm on the disclosure committee" T-shirt.

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