



Get Started on SEC Pay versus Performance Disclosure Requirements

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- Lisa Cousino, Senior Director, XBRL Consulting Services Broadridge Financial Solutions, Inc.
- Scott Theis, President and CEO, Novaworks, LLC



Agenda

XBRL Fundamentals	Scott Theis, Novaworks, LLC
Review of Rule Requirements	Jeb Byrne, Securities and Exchange Commission Lisa Cousino, Broadridge Financial Solutions, Inc.
CPE Questions	
Discussion	Jeb Byrne, Securities and Exchange Commission Lisa Cousino, Broadridge Financial Solutions, Inc. Scott Theis, Novaworks, LLC
CPE Questions	

XBRL Fundamentals

The Problem

- Documents used to be primarily in paper form — very difficult to search, had to be manually indexed
- In the 1990s, many systems began using electronic documents as Text, PDF and HTML — easier to search but content not reliably machine identifiable
- Clearly a method was needed to identify data in a flexible and consistent manner

The Solution: XBRL

- e**X**tensible **B**usiness **R**eporting **L**anguage
- XBRL is more than just a “format” for documents and data
- XBRL brings meaning to the data as a self-described data model
- XBRL has many levels and options for data validation
- In many cases, the submitted data is also used by analysts, educational institutions and individual investors

What Makes XBRL Different

- Unlike spreadsheets, CSV, JSON and other formats, XBRL is self contained and self describing
- The taxonomy describes the data, the data model, relationships, documentation and authoritative references
- XBRL is often referred to as *Structured Data*

Adding Intelligence to Data

33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		71,327,413	57,718,289
36	Special Deposits (132-134)		6,886,597	6,951,064
37	Working Fund (135)		147,415	146,305
38	Temporary Cash Investments (136)		1,220,000,000	385,000,000
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		1,273,685,556	
41	Other Accounts Receivable (143)		3,128,236,294	1,294,343,299
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		56,198,372	64,476,202
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		34,585,453	21,355,991
45	Fuel Stock (151)	227	1,566,341	1,375,066
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	442,660,412	365,624,133
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	396,185,501	419,851,065

Concept: Customer Accounts Receivable

Data Type: Monetary

Documentation (definition)

Entity: Pacific Gas & Electric

Period: 2019

Units: US dollars

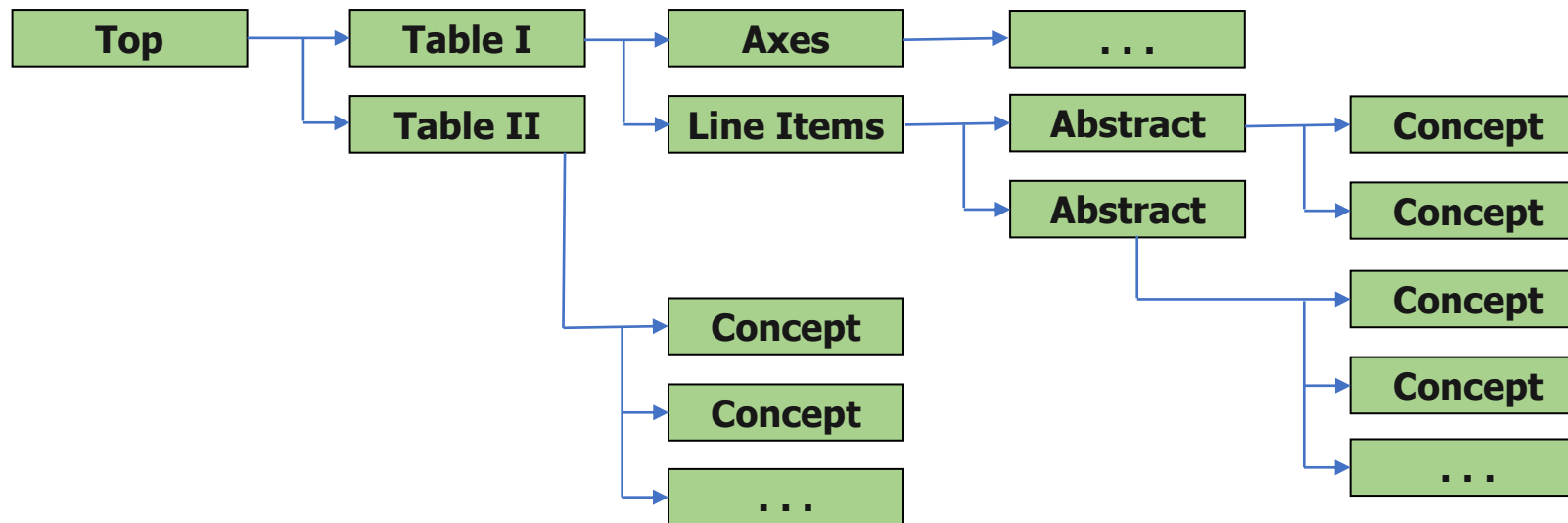
Where is XBRL Used

- XBRL is employed in the US by the:
 - SEC
 - FDIC
 - FERC
 - NGOs
 - Private industry
 - ... and more
- XBRL has also been implemented internationally by many countries

The Taxonomy

- The fundamental building block is the *Concept* (also known as an *Element*)
- A taxonomy defines the concepts, their characteristics and their relationships with other concepts
- Each concept has certain properties such as fact *data-type*, *period-type*, *balance-type*, etc.
- Concepts can also have related documentation (*labels*) and authoritative references (*references*)

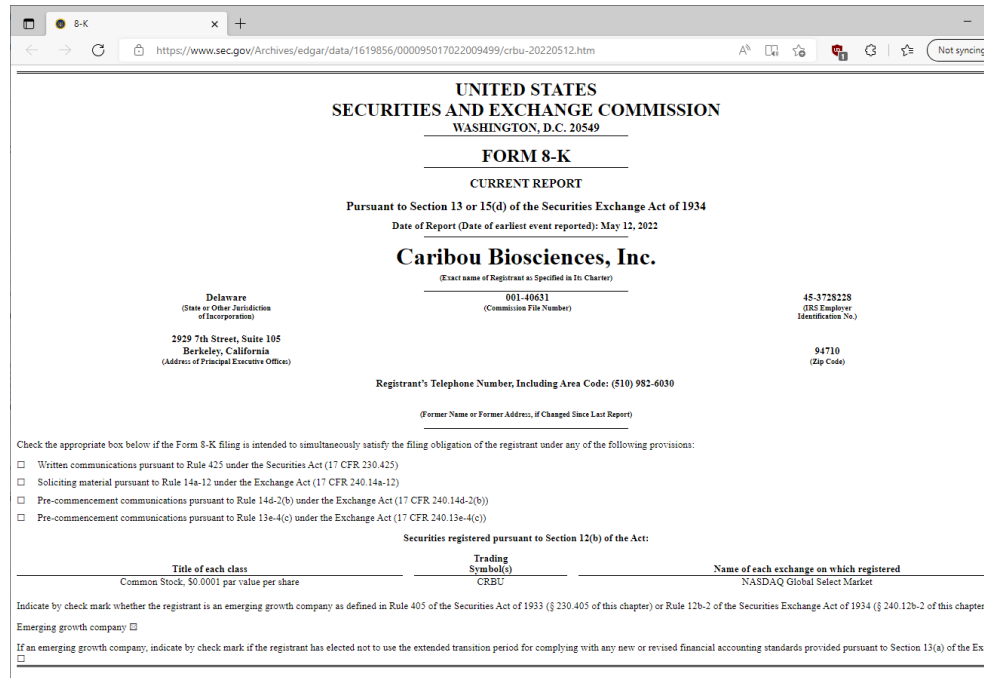
A Taxonomy Defines Structure



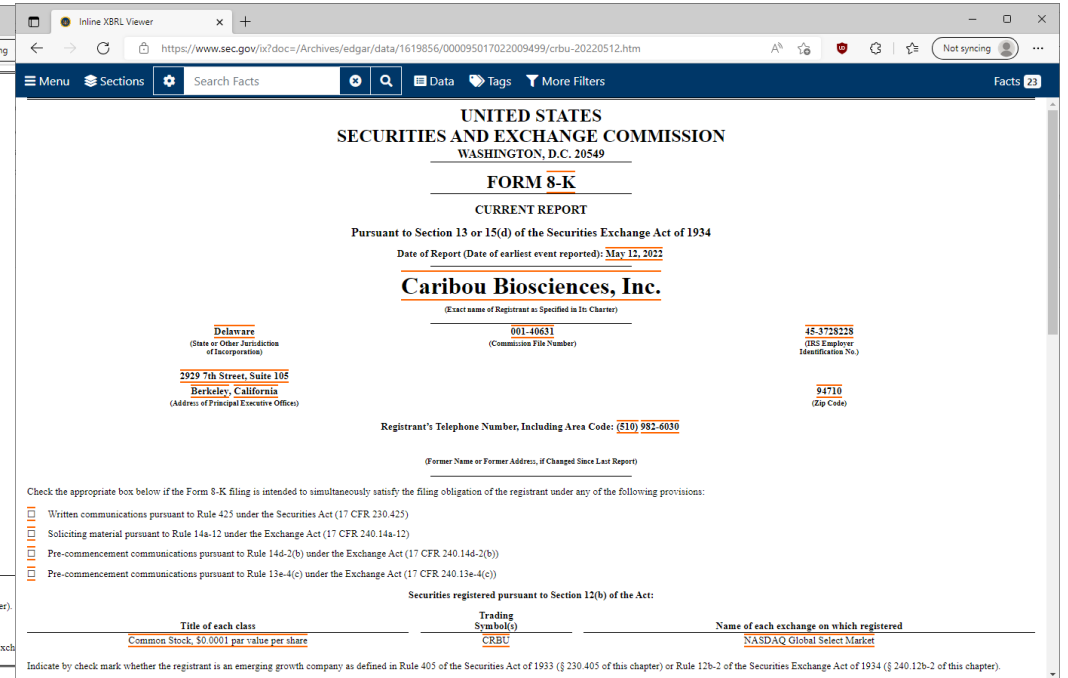
How is Data Identified

- For *Inline XBRL*, extra tags are added to the HTML to identify text as part of the *interactive data* to be submitted

Viewed as Conventional HTML



HTML Examined in Inline XBRL Viewer



Interactive Data

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<u>Common Stock, \$0.0001 par value per share</u>	<u>CRBU</u>	<u>NASDAQ Global Select Market</u>

Attributes

Security Exchange Name

Tag	dei:SecurityExchangeName
Fact	NASDAQ
Period	05/12/2022 - 05/12/2022
Type	Edgar Exchange Code Item Type
Format	exchnameen

Labels

Security Exchange Name

Documentation	Name of the Exchange on which a security is registered.
Label	Security Exchange Name

References

Security Exchange Name

Name	Exchange Act
Number	240
Publisher	SEC
Section	12
Subsection	d1-1

Concepts, Facts and Contexts

- The *Concept* is defined by the taxonomy
- *Facts* are part of the instance submitted to the regulatory agency
- *Contexts* define *periods* and other *dimensional* information and are also part of the instance

The Instance

- This is the collection of information that represents the XBRL disclosure of your data
- It contains *contexts* that define:
 - The *period* that the data applies to (at a minimum)
 - A context can also contain *dimensional* information
- It contains the data items or *facts* as defined by the unique intersection of a context and a concept

What Gets Filed

- *Instance* — Your main document was HTML is now XHTML with Inline XBRL embedded
- *Schema* — Defines your taxonomy and links to other standard taxonomies (Exhibit 101 or “Ex-101.SCH”)
- *Linkbases* — As required, labels, presentations, definitions, calculations (Exhibit 101, “Ex-101.LAB”, “Ex-101.PRE”, etc.)

Where Can I Find More Information?

- Regulation S-T and the EDGAR Filer Manual (EFM)
 - EFM Volume II Chapter 6 Covers XBRL
- Preparer's Guides
- SEC Website, XBRL Section
- XBRL US
- FASB
- Vendors, Agents, Law Firms

Rule Requirements

Policy Changes and Rulemaking

- SEC adopted rule on August 25, 2022, to include incremental disclosures in the annual proxy or information statements containing required executive compensation disclosures
 - Added new Item 402(v) to Regulation S-K
 - Disclose information reflecting the relationship between executive compensation actually paid and the financial performance of the registrant, tagged in inline XBRL
 - Effective for fiscal years ended on or after December 16, 2022 (2023 Proxy season)

Who is Impacted

- Applies to all reporting companies other than:
 - Foreign private issuers
 - Registered investment companies (including Business Development Companies)
 - Emerging growth companies
- Smaller reporting companies are subject to scaled down reporting requirements

What is Required

- **Tabular disclosure of executive compensation and financial performance measures**
 - Total compensation for Principal executive officer (PEO)
 - Average compensation for other named executive officers (NEOs)
 - Total compensation for PEO and NEOs actually paid
 - Measures of financial performance
- **Comparative disclosure in graphical form, narrative, or combination thereof**
- **Unranked tabular list of three (3) to seven (7) most important financial measures**

When is this Required

- **Large Accelerated and Accelerated Filers**
 - Required for five (5) most recently completed fiscal years
 - Provide three (3) years of data with their first annual proxy filing that includes this disclosure
 - Add one (1) additional year of data in each of the subsequent two annual proxy filings
- **Smaller Reporting Companies**
 - Subject to scaled down reporting requirements
 - Required for three (3) most recently completed fiscal years
 - Provide two (2) years of data with their first annual proxy filing that includes this disclosure
 - Add one (1) additional year of data in the subsequent annual proxy filing

Tabular Disclosure

Pay Versus Performance

Year	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO	Average Summary Compensation Table Total for Non-PEO Named Executive Officers	Average Compensation Actually Paid to Non-PEO Named Executive Officers	Value of Initial Fixed \$100 Investment Based On:		Net Income	[Company Selected Measure]*
					Total Shareholder Return	Peer Group Total Shareholder Return*		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Y1								
Y2								
Y3								
Y4*								
Y5*								

* Smaller Reporting Companies are exempt from this portion of the final rules

Measures of Financial Performance

- Total shareholder return (TSR) for the registrant
- TSR for registrant's peer group
- Registrant's net income
- A “company-selected measure”
 - Chosen by the registrant that is specific to the registrant
 - Represents most important financial performance measure used for the most recent fiscal year to link NEO compensation to company performance

Comparative Disclosure

- **Requires additional discussion around relationships between**
 - Financial performance measures and compensation paid to PEO and NEOs
 - TSR compared to peer group TSR
- **Provide list of three (3) to seven (7) most important financial performance measures**
 - List may be presented in three different ways:
 - One list
 - Two separate lists: one for PEO and one for NEOs
 - Separate lists for PEO and each NEO
 - Permitted, but not required, to include non-financial performance measures in the list (i.e. ESG metrics)

Inline XBRL (iXBRL) Requirements

- **Required to use iXBRL to tag Pay vs. Performance Disclosure**
 - Detail tagging of tabular disclosure
 - Detail tagging and text block tagging of comparative disclosure
 - Detail tagging and text block tagging of footnote disclosures
 - Required for Forms DEF-14A and DEF-14C
- **Smaller Reporting Companies begin reporting in iXBRL in the third filing containing Pay vs. Performance disclosure**

Sample Disclosure with inline XBRL

PAY VERSUS PERFORMANCE

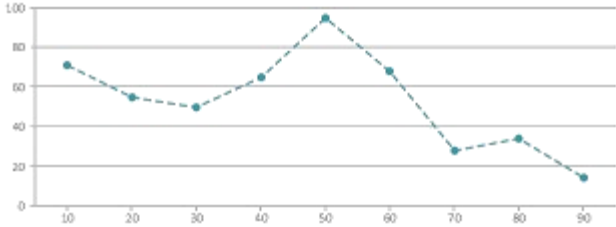
(dollars in thousands, except as indicated)

Year	Summary Comp. Table Total for PEO	Comp. Actually Paid to PEO	Average Summary Comp. Table Total for non-PEO Named Executive Officers (000s)	Average Comp. Actually Paid to non-PEO Named Executive Officers	Value of Initial Fixed \$100 Investment based on:			Company Selected Measure: Relative Total Shareholder Return (rTSR) Percentile
					Total Shareholder Return	Peer Group Total Shareholder Return	Net Income	
2022 \$	8,102	8,702 (1) \$	2,872 (2)	2,602 (3) \$	44.50 \$	159.59 (4)	43,375	12 (5)
2021	8,625	8,625	1,987	1,987	77.07	135.39	79,469	5
2020	9,398	9,398	2,239	2,239	145.79	117.45	76,526	72
2019	11,283	11,283	2,297	2,297	208.28	104.79	84,175	53
2018	18,121	18,121	4,466	4,466	186.30	101.00	140,267	92

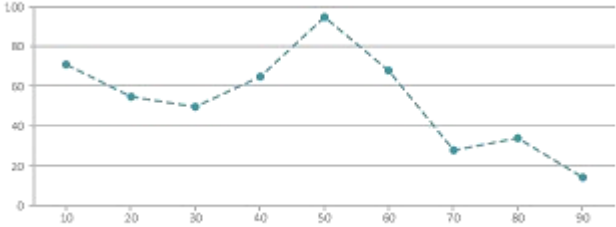
- (1) As adjusted per \$3.1m addition and \$2.5m deduction because of various and sundry reasons including a 7% solution and 98th percentile with an estimated count of 909, computed as the double log mean ratio of net income to third moment of value at risk.
- (2) For fiscal years 2018 through 2022, Fred W. Bock is included as the PEO, and Audie K. Gale, Florence A. Hood, Robin M. Murphy, and Nathan L. Bowie are included as other NEOs.
- (3) Includes the effect of deductions of \$1m for Messrs. Gale and Murphy, respectively, and \$860,000 for Ms. Hood for miscellaneous reasons and additions of \$250,000 for Ms. Hood and Mr. Bowie, and \$300,000 for Mr. Murphy also for various reasons.
- (4) Peer group companies currently include VAF, Inc., KKW Medical, Inc., EQE Laboratories, Inc., APP Corp., EKQ Corporation, OUM Medical Corp., HIB, Inc., TZC Medical, Inc., WYP Medical, Inc., HFK Corporation, QIZ LifeSciences, LMK Corporation, OLY, Inc., TKV, Inc., WPS Inc., NWQ PLC, and CDG Pharmaceutical Services, Inc., and ZYZ AG.
- (5) Relative total shareholder return (rTSR) is defined as the percentile of the company's three-year cumulative TSR within the peer group.

Sample Disclosure with inline XBRL

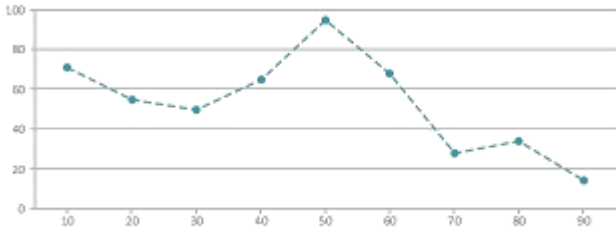
This is a clear description (graphically, narratively, or both graphically and narratively) of the relationships between PEO and non-PEO compensation actually paid vs. Total Shareholder Return.



This is a clear description (graphically, narratively, or both graphically and narratively) of the relationships between PEO and non-PEO compensation actually paid vs. Relative Total Shareholder Return (rTSR).



This is a clear description (graphically, narratively, or both graphically and narratively) of the relationships between PEO and non-PEO compensation actually paid vs. Net Income.



Sample Disclosure with inline XBRL



Three Most Important Company Performance Measures for Determining PEO Compensation

Relative Total Shareholder Return (rTSR)

Adjusted Revenue

Adjusted EPS



Four Most Important Company Performance Measures for Determining non-PEO NEO Compensation

Adjusted Revenue

Adjusted EPS

Hospital Business Unit Revenue

Adjusted Operating Income



What should Registrants do now

- **Reach out to Compensation Consultant and Legal Advisors**
 - Identify Company-selected measure for the tabular disclosure
 - Determine format of comparative disclosures – graphs, narrative or combination thereof
 - Determine “most important” performance measures to be included in unranked tabular list
 - Determine location of new disclosure in the proxy statement

What should Registrants do now

- Alert all interested parties in new Pay vs. Performance disclosure
- Gather historical data used to calculate compensation actually paid in 2020 and 2021
- Determine Peer Group
 - Industry Peer Group vs. Compensation Peer Group
- Draft the Pay Vs. Performance Table and circulate for comments
- Determine if additional voluntary disclosure is needed

CPE Questions

Discussion

SEC objectives and impact

- What are the SEC's goals with Pay vs Performance?
- What do you see as the impact on companies and investors? How will the SEC use the data generated through the rule?

SEC objectives and impact

- Given the information that needs to be disclosed, how do you think the issuer process will need to change? Will other staff from the public company need to be involved, e.g., corporate secretary? Legal?

What is required to be “XBRL tagged”?

Are there other sections of the proxy that should be tagged besides this table?

Year	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO	Average Summary Compensation Table Total for Non-PEO NEOs	Average Compensation Actually Paid to Non-PEO NEOs	Value of Initial Fixed \$100 Investment Based On:		Net Income	[Company-Selected Measure]*
					Total Shareholder Return	Peer Group Total Shareholder Return*		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Y1								
Y2								
Y3								
Y4*								
Y5*								



What is required to be “XBRL tagged”?

- Is there a requirement to tag the cover pages of Schedules 14A and 14C?
- Is our understanding correct that the PREM14A and DEFM14A proxy statements that do not contain executive compensation disclosures do not require XBRL tagging? Or is this mandate focused strictly on annual proxy statements that contain the executive compensation disclosures?

How should it be tagged?

- The rule states that the SEC is not requiring a specific placement for the table. Is there any additional guidance for issuers?
- Can registrants file the pay/performance table within a 10-K? If yes, should that be tagged?

How should it be tagged?

- Regarding 10-K preparation, the US-GAAP taxonomy is included in the schemas for ECD, does that mean the filer must use that GAAP version?
- Is it acceptable for a filer to use a different year release for the ECD versus the US GAAP, e.g., file the proxy with the ECD Taxonomy 2022 and the 10-K with the 2021 US GAAP Taxonomy?

How should it be tagged?

- Are there any additional recommendations with respect to the default presentation and guidelines for filers creating a custom presentation, for example should everything on the default presentation also be included on a custom presentation that an issuer creates?
- Can filers use the default presentations for DEI and the Cover page?

How should it be tagged?

- Will the SEC be expecting LAB, PRE and CAL files for ECD-only content? Clarification would be helpful as to what is mandatory and what is optional (we assume CAL is optional given that some issuers may not have a calculation).

When should it be tagged?

- When should we expect the first filings to be submitted under this rule? For the first required proxy statement after Dec 16, 2022, which typically would be filed in April 2023? Is there a rule we can apply to determine which filings need to be tagged?
- It is possible that 14Cs (Information Statement) could be issued prior to 14As (Proxy Statement). How should issuers/vendors handle Def 14Cs that are filed prior to the 14A?

What technical issues should registrants be aware of?

- Will the Arelle previewer/viewer be updated for ECD for both iXBRL and for normal XBRL presentation viewing? If so, when?
- Is the SEC planning for any standard error messages for issuers who are test filing? Would be helpful to see what standard messages will look like so they can be more easily interpreted when they are triggered.

CPE Questions

Upcoming Webinars from XBRL US

- FASB Meta Model ITC on Proposed Policy Election Element Relationships, November 2, 2022
 - <https://xbrl.us/events/221102/>
- Variable Annuity & Life Insurance Companies – Managing New Disclosure Requirements, November 15, 2022
 - <https://xbrl.us/events/221115/>