

# DOWNLOAD PDF EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK

## Chapter 1 : Executive Compensation: Executive Compensation Disclosure Handbook

*revised handbook provides an overview of the SEC's compensation disclosure rules, including the most significant changes and requirements through March 1, under the rules and guidance and offers practical advice to help.*

The financial crisis of further widened the chasm when many employees walked out of crumbling businesses with cardboard boxes while their executive officers jumped out with golden parachutes. Understanding the common practices related to executive compensation is important for companies seeking an IPO, as the elements of the compensation package may greatly influence management performance, talent attraction, tax implication, analyst perception, and public image. This article gives a high-level overview of executive compensation, including common types of compensation and required disclosures for public companies.

**Named Executive Officers Generally**, an executive officer in a company is a person responsible for running an organization or a principal business unit; this may include the C-suite officers, presidents, VPs, and principals.

**Principal executive officer** **Principal financial officer** **Three next most highly compensated executive officers** Up to two former executives who served as executive officers during any part of the last fiscal year, if the total compensation would have made that executive one of the three most highly compensated executive officers for the last fiscal year

Companies preparing an IPO should understand that they will need to disclose executive compensation in registration statements e. In practice, proxy statements usually give the most thorough disclosure, and other filings often refer readers to find detailed executive compensation disclosures in the proxy statements. An overarching principal of corporate governance is that the compensation package should align the goals of the executives and the corporation. Poor design of incentives may lead management to become single-minded, less adaptable, less willing to learn, or tolerant of unethical behavior. The following paragraphs introduce several common types of executive compensation. Note that some of these compensation types require complex accounting, human resource, and tax knowledge and execution. Many companies rely on outside specialists such as executive insurance firms or executive compensation consulting firms to properly design and implement these benefits.

**Salary** Salary or base pay is perhaps the most common type of compensation, indicating a base-line reward and is often categorized as a short-term incentive. **Bonus** Bonuses without specific targets or goals may just be another form of salary that does not encourage smarter and better business decisions. However, bonuses associated with specific conditions or goals can stimulate better management performance. Traditionally, specified financial indicators, such as return on assets or revenue growth, serve as metrics to gauge performance. Though bonuses may directly encourage performance, management may temporarily balloon the targeted indicators at the expense of long-term growth. To mitigate this risk, sophisticated bonus plans may incorporate multiple financial indicators to evaluate management performance, set longer term goals, or penalize deficient performance.

**Equity Compensation** Equity compensation or equity grants are non-cash compensation that represent ownership in the company and can be in many different forms such as stock options, restricted stock, performance shares, and stock appreciation rights. Equity compensation has many advantages, including the following: Startups that have limited positive cash flow often choose to compensate employees with equity to conserve cash. The value of equity compensation often ties directly to company performance which aligns employee incentives and company interests. Of course, equity compensation has drawbacks, including the following: Equity securities are always more complicated than cash, therefore requiring more accounting, tax, human resource, and legal expertise. Companies using equity grants risk giving too much ownership away. Research indicates that some types of equity grants e. For more information on specific types of equity grants, their functions, and other pros and cons, please see our article [Equity Compensation](#).

**Designated as a non-qualified retirement plan 2** for key employees, SERPs are usually funded by life insurance plans or company cash flows. SERPs provide much higher payouts than K s to executives upon their retirement, enabling an executive to continue funding his or her lifestyle as long as the executive met the agreed upon conditions. **Severance Package** A severance package

## DOWNLOAD PDF EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK

is the benefits and compensation paid to an employee upon termination of employment. Severance packages for executives have different titles based on the scenario. A golden parachute refers to the valuable severance package paid to an executive in the case of a merger or takeover. A golden handshake refers to the severance package paid to an executive upon being fired, company restructuring, and even scheduled retirement. A golden umbrella usually refers to the severance package for a startup executive because it protects the executive from the risks of starting the company. A golden boot refers to the financial inducement to encourage an old executive to take voluntary early retirement. Executive Benefits and Perks Most employees enjoy different benefits, such as meal plans, parking reimbursements, gym memberships, and other fringe benefits. However, to attract and retain leadership, companies often provide lavish and even creative benefits for executives. Below are some examples of executive benefits and perks:

# DOWNLOAD PDF EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK

## Chapter 2 : Executive Compensation and Disclosure | IPOhub

*The edition of the Executive Compensation Disclosure Handbook: A Practical Guide to the SEC's Executive Compensation Disclosure Rules, a publication written by Perkins Coie attorneys and published by RR Donnelley, is a comprehensive guide to help public company management, directors and general counsel navigate the SEC's requirements for.*

In August , the SEC adopted new Form 8-K rules that significantly affect how and when public companies report material definitive agreements, including agreements related to compensation. This disclosure must be included in the annual proxy statement or in periodic reports pursuant to the Securities Exchange Act of , or in both places. In addition, in various speeches during and January , Alan Beller, the Director of the Division of Corporation Finance at the SEC, asserted that current SEC rules, as written, already require "clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, or paid to the named executive officers and directors by any person for all services rendered in all capacities to the registrant and its subsidiaries, unless otherwise specified". Beller, as well as the general trend of heightened scrutiny regarding executive compensation disclosure, public companies should closely examine and adjust if necessary their executive compensation disclosure practices. This is a rapidly changing and uncertain area. Described below are the best practices that should be followed in taking a conservative approach to what SEC policy currently requires in this area. We note that most reporting companies have not previously deemed it necessary to file summaries of oral at-will employment compensation or other arrangements with any of its NEOs or other executive officers. Although no uniform practice has yet developed with regard to the filing of summaries of oral employment and compensatory arrangements, we believe that more companies with such arrangements will be filing these summaries as exhibits in future periodic reports. If the oral agreements cover salary only and not bonus, severance, health insurance, perquisites or other benefits, it would seem appropriate to file a list of salaries opposite the names of the officers and a notation that the arrangements are "at will. On the other hand, compensatory plans, contracts or arrangements with other executive officers who are not NEOs need not be reported on Form 8-K if they are "immaterial in amount or significance. In the FAQs, the SEC also clarified that amendments to a material definitive agreement must be disclosed on Form 8-K if the amendment itself is material to a registrant. In response to these formal and informal SEC and Staff positions, companies have begun to report material salary changes for all NEOs as "constructive" amendments to material agreements under Item 1. In addition, we are recommending to public companies that, if a material amendment to a material agreement of a registrant must be reported on Form 8-K and the underlying agreement that is being amended has not previously been filed as an exhibit, companies should also file it as an exhibit to the Form 8-K which discloses the amendment. This is based on the theory that a material amendment to an agreement can only be properly and fully understood with reference to the underlying agreement. Bonuses and Bonus Plans. Bonus arrangements and bonus plans constitute "compensatory plans" for purposes of the new Form 8-K rules, and must be disclosed on Form 8-K within four business days of the establishment of the plan, or if there is no formal "plan," the establishment of the criteria upon which a company will determine bonuses for its executives. If a bonus arrangement or plan contains fixed criteria such as a formula based on certain performance metrics , and bonuses are paid out in accordance with such pre-determined criteria, the actual payment of bonuses will not trigger another Form 8-K filing. If, however, the registrant through its compensation committee or the board of directors exercises discretion in determining bonuses notwithstanding formally articulated criteria, then the payment of such discretionary bonuses will trigger a new Form 8-K filing. If at a later date the actual payout of material bonuses is not in accordance with the established criteria and made at the discretion of the board or compensation committee , the material payout would also trigger a new Form 8-K filing. Consequences of Failure to File. Under the new Form 8-K rules, which have substantially increased the number and scope of events reportable on Form 8-K, as an

## DOWNLOAD PDF EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK

accommodation, the SEC also instituted a safe harbor for registrants with respect to certain items on Form 8-K the "Safe Harbor". Safe Harbor Covers Item 1. The Safe Harbor provides that registrants will not lose S-3 eligibility, Rule eligibility, or incur securities fraud liability under Section 10 b or Rule 10b-5 solely because of a failure to timely file a Form 8-K to report certain categories of events, provided that the information that should have been disclosed on Form 8-K is reported in the Form Q or Form K periodic report relating to the period in which the event occurred. For instance, the Safe Harbor does not cover a failure to timely file a Form 8-K to report the departure or appointment of a new officer under Item 5. However, the Safe Harbor does cover a failure to timely file a Form 8-K to report entry into a material definitive agreement including bonus plans and establishment of bonus criteria or a material amendment of a material agreement including executive salary increases. Perquisite Disclosure Background and Definition of Perquisites. The SEC has historically been disinclined to provide guidance to registrants as to what constitutes a "perquisite. In addition, as noted in the overview above, Mr. Beller stated that companies must disclose all forms of compensation even if they are not specifically required by the rules to do so. The non-material elements of compensation would, therefore, be made part of proxy statement disclosures but not rise to the level of a material exhibit for periodic filings. Once a company has decided that an item is a perquisite, the value of the perquisite must be determined for disclosure purposes. SEC rules provide that perquisites should be valued at their "aggregate incremental cost" to the company. Although there is little guidance on what constitutes an "aggregate incremental cost," commentators, experts and registrants have considered it to mean the additional cost that the company incurs as a result of providing the perquisite, rather than its value to the recipient. Under the current rules, not all perquisites must be reported. If this threshold is not met, no further disclosure is required. The SEC could require additional or different disclosures from those described in this memorandum in the future or could issue guidance that eliminates the need to make some of the disclosures described above. However, until further guidance from the SEC, we recommend that public companies take heed of, and follow, these best practices in taking a more conservative approach to executive compensation disclosures than they may have done in the past. Notwithstanding this telephone interpretation, until recently most registrants have not filed summaries of oral employment agreements such as "at will" employment agreements and annual amendments to increase salaries , and in the past have apparently taken the position that such agreements need not be filed as exhibits to periodic reports. On September 23, , the SEC issued a cease-and-desist order against General Electric Company alleging that it violated the proxy solicitation and periodic reporting requirements of the Exchange Act by filing with the SEC annual reports and proxy statements that failed to fully and accurately disclose perquisites to its former chief executive Jack Welch. Also, please note that our attorneys do not seek to practice law in any jurisdiction in which they are not properly authorized to do so.

### Chapter 3 : Deloitte Corporate Governance - Compensation

*EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK: A PRACTICAL GUIDE TO THE SEC'S EXECUTIVE COMPENSATION DISCLOSURE RULES Revised October Elizabeth A. Ising, Gibson, Dunn & Crutcher LLP.*

### Chapter 4 : Proxy Rules Handbook, ed. (Se | Legal Solutions

*SEC Issues Final Rules On Executive And Director Compensation SEC Issues Final Rules on Executive and Director Compensation Disclosure Requirements by Brian M. Wong and Harpreet S. Bal Corporate & Securities Brian M. Wong And if the CD&A and any of the other disclosure regarding executive officer and director.*

### Chapter 5 : Compensation Committee Handbook | Skadden, Arps, Slate, Meagher & Flom LLP - JDSupra

*Executive compensation has become a controversial topic attracting significant public attention ever since the gap*

# DOWNLOAD PDF EXECUTIVE COMPENSATION DISCLOSURE HANDBOOK

between company executive officers' compensation and that of average employees started to widen exponentially in the s.

## Chapter 6 : theinnatdunvilla.com | Executive Compensation

*"Executive Compensation Disclosure Treatise" The highly anticipated full revision of the Lynn, Borges & Romanek's "Executive Compensation Disclosure Treatise," the major and essential work on executive compensation disclosure, is.*

## Chapter 7 : Handbook for Reading & Preparing Proxy Statements

*This handbook provides: An overview for public companies navigating the SEC's compensation disclosure rules Anticipated rulemaking mandated by the Dodd-Frank, Wall Street Reform and Consumer Protection Act ("Dodd-Frank").*

## Chapter 8 : Executive Compensation Disclosure Handbook

*The Summary Compensation Table is the cornerstone of the SEC's required disclosure on executive compensation. The Summary Compensation Table provides, in a single location, a comprehensive overview of a company's executive pay practices.*