Disclosure Basics

There are three primary corporate filings related to executive compensation: the proxy statement, Form 8-K filings and Form 4 filings.

Proxy Statement

Companies must file proxy statements with the SEC in connection with shareholder meetings. The proxy contains executive compensation disclosures including the Compensation Discussion and Analysis (“CD&A”), other narrative disclosures and tabular disclosures.

- **CD&A**. The CD&A contains a discussion of the compensation awarded to, earned by, or paid to the named executive officers (NEOs), generally the CEO, CFO and three other most highly paid executive officers. The SEC prescribes extensive rules for such disclosures. Many companies also use an executive summary to cover the most important aspects of their pay disclosures.
- **Summary Compensation Table (SCT)**. The SCT lists the compensation paid to the NEOs for each of the company’s last three completed fiscal years.
- **Grants of Plan Based Awards Table (GPBAT)**. The GPBAT lists grants of any incentive awards made to NEOs in the last completed fiscal year, including both cash-based plans such as short-term incentives, and stock-based plans.
- **Other tables**. Other required tables are Outstanding Equity Awards at Fiscal Year-End, Option Exercises and Stock Vested, Pension Benefits, and Non-Qualified Deferred Compensation. A Director Compensation table is also required. Required disclosure of Other Potential Post-Employment Payments, while not strictly required, has evolved into table form at most companies.
- **Additional disclosures**. Additional proxy disclosures include those regarding compensation committee governance, use of an executive compensation consultant, the compensation risk evaluation process, and Say on Pay and Say on Pay Frequency resolutions.
- **CEO Pay Ratio**. Companies will be required to disclose the CEO Pay Ratio (ratio of CEO pay to the median employee pay) for the first full fiscal year beginning on or after January 1, 2017. For calendar year companies, this would require disclosure in the 2018 proxy.

Form 8-K

Companies must file a Form 8-K current report to disclose the terms of new or amended compensation arrangements with respect to named executive officers. Form 8-K filings may be triggered by hiring a senior executive, having a senior executive depart, making significant pay changes, amending existing arrangements, or entering into, extending or amending an employment contract or severance plan.

Generally filings must be made within four days of the occurrence of the event.

Form 4

Insider trading rules require directors and officers as well as 10%-or-more investors to file a Form 4 within two days of buying or selling a company’s stock. Individuals must report on Form 4 any change in ownership of securities or derivative securities, including the exercise or grant of stock options.