

A quick guide to understanding XBRL for proxy

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Why XBRL will continue to play a growing role in proxy filings

In today's fast-paced business environment, the need for accurate, transparent, and efficient communication is paramount. Extensible Business Reporting Language (XBRL) has emerged as a powerful tool for streamlining financial reporting and enhancing corporate transparency. It enables the electronic communication of business and financial data, simplifying the process of data analysis, storage, and exchange.

In 2023, the Securities and Exchange Commission (SEC) mandated the first-ever use of XBRL in proxy filings. XBRL plays a crucial role in ensuring that financial information is presented in a structured format, facilitating easier analysis and comparison. This overview aims to demystify XBRL for proxy, offering a comprehensive overview of its significance and benefits, while also addressing the evolving regulatory landscape and the lessons learned from the first year of XBRL proxy mandates.

Executive Compensation Disclosure (ECD)

In August 2022, the SEC adopted the Pay Versus Performance (PVP) disclosure rule mandating disclosure of executive compensation details for the Principal Executive Officer (PEO) and other Named Executive Officers (NEOs). This rule required tabular disclosure of executive compensation and financial performance measures, including comparative disclosure of compensation actually paid to financial performance measures and an unranked tabular list of 3-7 most important financial measures tagged in inline XBRL (iXBRL).

Lessons learned in 2023:

Issuers: After one year of iXBRL proxy mandates, issuers confront an increasingly complex environment. In the first year, most filers disclosed one unranked tabular list of financial measures, with an average of four financial measures reported. However, most filers faced challenges such as reconciling adjustments in a tabular format and footing issues within the table.

Legal: Teams faced challenges in managing the extra workload of XBRL tagging, as they often did not adjust their timelines to accommodate the tagging and review process. This lack of adjustment led to significant challenges in integrating XBRL tagging into the proxy drafting process and potentially added pressure to meet filing deadlines. This highlights the need for a holistic approach that considers the impact of XBRL tagging on existing processes and timelines, emphasizing proactive planning and coordination across functional teams to ensure a seamless integration of iXBRL requirements.



What's in store for 2024:

For the upcoming proxy season, you can expect two new mandates for tagged iXBRL disclosure:

- **Compensation clawbacks:** The Clawback Rule represents over ten years of dedicated efforts by the SEC to establish rules for the retrieval of improperly awarded compensation, in line with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This policy becomes relevant when an issuer needs to revise its financial statements due to significant non-adherence to financial reporting regulations. Disclosures concerning the impact of reclaimed sums in the Summary Compensation Table must be tagged using iXBRL. These adjustments will affect both the specific and total columns in the report for the initially stated year. Moreover, any such reclaimed amounts must be clearly marked with a footnote, which also requires iXBRL tagging.

- Listed companies will need to adhere to their clawback policies and fulfill new disclosure obligations in their proxy and information statements that are filed following the adoption of their clawback policy.

- **Insider trading regulations:** The recent changes to Rule 10b5-1, coupled with new disclosure mandates, aim to enhance transparency and tackle potential misuses by corporate insiders who might exploit Rule 10b5-1 for opportunistic trading, to the detriment of investors and market integrity. The revisions to Rule 10b5-1 necessitate additional disclosures concerning insider trading. This includes both tabular and

descriptive reporting of specific equity awards granted shortly before the disclosure of significant nonpublic information.

These disclosures, now a requirement in the executive compensation sections of proxy or information statements, must also be tagged using iXBRL.

- Companies that are not smaller reporting companies are required to submit this information following the end of the first complete fiscal year that starts on or after April 1, 2023.

- Conversely, smaller reporting companies need to start providing this information after the conclusion of the first full fiscal year commencing on or after October 1, 2023.

How to navigate in 2024 and beyond

As the regulatory landscape continues to evolve, it is crucial for issuers to stay ahead of the curve and ensure compliance with new SEC mandates. Broadridge offers comprehensive XBRL services, providing expertise and support to help issuers navigate the complexities of XBRL tagging for proxy statements. With Broadridge, issuers can streamline their XBRL tagging process, ensure accuracy and compliance, and ultimately enhance their communication and transparency in the fast-paced business environment.

Work with the Leaders in XBRL for Proxy

Choosing a reliable partner to navigate the complexities of XBRL tagging for proxy statements will simplify and accelerate compliance. Look no further than Broadridge. Ensure compliance with new mandates in 2024 and beyond with Broadridge as your trusted partner.

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