



November 28, 2022

1345 Avenue of the Americas
27th Floor c/o AICPA
New York, NY 10105
(202) 448 - 1985

To Whom It May Concern:

RE: Draft 2022 ECD Taxonomy

Thank you for the opportunity to provide input to the development of the Executive Compensation Disclosure (ECD) Taxonomy, to be used by issuers complying with the Securities and Exchange Commission (SEC) final rule on *Pay versus Performance*.

XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL. XBRL (eXtensible Business Reporting Language) is a free and open data standard widely used in the United States, and in over 200 implementations worldwide, for reporting by public and private companies, as well as government agencies.

We welcome the Commission's work to provide the ECD Taxonomy in advance and to conduct a public exposure period to solicit support from the marketplace. We also appreciate that the Commission has taken the time to respond to XBRL US' questions about the Pay versus Performance rule pertaining to technical tagging questions, and compliance deadlines. The XBRL US consortium is composed of filing agents, software and service providers who support most public company issuers required to report to the SEC. The Commission's answers to our detailed questions about correctly implementing the rule will help to support issuers. We also ask that the Commission post these questions and answers on the SEC's official FAQ section to ensure that all issuers have the same detailed answers to questions that may arise. This will improve the consistency and accuracy of data, and limit confusion in the market.

This letter addresses our review of the ECD Taxonomy and Taxonomy Guide by a group of members composed of issuers, filing agents, and tool and service providers that will be actively using the taxonomy to comply with the new requirements. We have certain concerns about the taxonomy, and the guidance and resources provided. We also hope to suggest some best practices to the Commission for future taxonomy development work which can improve the efficiency of new rule adoption for all stakeholders.

Executive Compensation Disclosures Taxonomy

Requests for guidance and resources

- We ask that the Commission define a minimum dataset to be reported, and provide validation rules in the Preparer's Guide, so that vendors and issuers understand what is expected to be reported.
- We urge the Commission to provide XBRL instance samples for the ECD (including the actual ECD table) to help issuers. This is the first time that issuers will be preparing this data and it will be challenging to determine how best to report the data, and then to determine how to appropriately apply XBRL tags. Providing a variety of sample XBRL-tagged documents, representing different possible situations that may need to be accommodated, would be helpful for registrants to determine the best approach.
- We encourage the Commission to expand the taxonomy with more standardized elements that could be used to represent multiple scenarios that may be necessary for issuers. Preparing XBRL formatted documents with the limited concept selection provided in the draft ECD Taxonomy, will force issuers to create many extensions elements. Not only will this be a significant burden on issuers, but it will also lead to data that cannot be compared across entities, making data produced less useful for investors. For example, standardized members such as "Change in Accumulated Benefits Under Defined Benefit and Actuarial Pension Plans" or "Service Costs Under Defined Benefit and Actuarial Pension Plans" could be included in the taxonomy to represent each of the adjustment types that are described in the rules. This would make it easier to tag and would improve the usefulness of the data.
- We also ask that the Commission include documentation labels in the taxonomy to further clarify the elements and make it easier to confirm element selection.
- In addition to posting multiple samples that represent a variety of reporting scenarios, we ask the Commission to post detailed FAQs on the SEC website that cover multiple reporting situations to assist issuers. We have already submitted some questions to the Commission and hope that these questions and the SEC responses, will be posted as an authoritative source for issuers, vendors, and the legal community. This approach will lead to greater consistency in tagging, and better data reported.

Technical issues with the taxonomy

- The ECD Taxonomy uses many abbreviations, for example "Amt" to represent "Amount" and "Comp" to represent "Compensation". This approach is inconsistent with the XBRL US Style Guide for taxonomy development. The Style Guide calls for these words to be spelled out to limit confusion in the market. Other taxonomies used by the same reporting entities, such as the US GAAP Taxonomy, follow the XBRL US Style Guide. Straying from standard Style Guide requirements could lead to confusion about the creation of company

extension elements as well. As noted above, companies will very likely need to create extensions. Should extension element names follow the Style Guide, or the new abbreviations created for the ECD Taxonomy? Do the abbreviations only apply to the ECD data prepared, or can they be used in other reporting situations for these same companies? We encourage the Commission to take the same approach with the ECD Taxonomy as that used with the US GAAP Taxonomy. We ask that the Taxonomy be revised to follow the approach recommended in the XBRL US Style Guide.

- Section 2.2 of the Taxonomy Guide explains that disclosures indicate a particular role within the taxonomy and its dimensional relationship; however, many of the items in **Example 1 – Taxonomy Guide** below do not match the actual taxonomy, which is shown in **Example 2 – Actual Taxonomy**, using the Arelle open-source software. This section of the Taxonomy Guide should be revised.

Example 1 – Taxonomy Guide

Figure 2. ECD taxonomy linkbase roles.

Role ID	Definition Text
PvpDisclosure	995410 - Disclosure - Pay vs Performance Disclosure
PvpTable	995411 - Document - Pay vs Performance Table
PvpAdjustmentsToCompensation	995412 - Document - Adjustments to Compensation
TabularListsByExecutiveCategory	995413 - Document - Tabular Lists by Executive Category
TabularListMeasures	995414 - Document - Tabular List Measures
PvpMeasures	995424 - Document - Measures
PvpExecutiveCategoriesOnly	995425 - Document - Executive Categories
PvpAdjustmentsOnly	995426 - Document - Pay vs Performance Adjustments
IndividualsOnly	995427 - Document - Individuals
ErrCompDisclosure	995440 - Disclosure - Recovery of Erroneously Awarded Compensation
ForgoneRecoveries	995441 - Document - Forgone Recoveries, by Individual
OutstandingRecoveries	995442 - Document - Outstanding Recoveries

Example 2 – Actual Taxonomy

arelle - ecd-entire-2023.xsd

File Tools View Help

DTS Properties Presentation Dimension

Property

role Uri

definition

used on

defined in

Presentation Relationships

995410 - Disclosure - Pay vs Performance Disclosure

995440 - Disclosure - Recovery of Erroneously Awarded Compensation

Pref. Label

Need for clarification

- Does the SEC require the standard presentation in the taxonomy to be used? It would be helpful if the Commission clarified to issuers if a specific presentation is required or preferred, or if companies are allowed or encouraged to create their own presentation.
- Can the Taxonomy Guide be revised to provide clarification on the use of the PEOFlag in Section 3.4 of the Taxonomy Guide? The PEOFlag appears to need to be associated with the title of an individual, rather than associated with the individual's name which one might expect. What is the most appropriate way to indicate to the data user which individual is the PEO? Separately, why is there only a PEOFlag, and no other associated flags to be reported? Might it be more appropriate to change the PEOFlag from a Boolean element to a string element that represents the name of the individual?
- Does the Commission want graphical content to be detail tagged or text block tagged? We ask that the Commission provide specific guidance on how to handle graphical presentations.

Timing of the Final Publication of the ECD Taxonomy

The first compliance deadlines for the *Pay versus Performance* rule begin in January 2023, and some companies may wish to early adopt. With a comment deadline on the taxonomy of November 28, 2022, there may be limited time for the Commission to collect and review submitted comments and revise the taxonomy before final publication. Will the Commission have sufficient time to consider and incorporate our proposed changes to the taxonomy and request for additional supporting materials?

Will the final ECD Taxonomy be published with sufficient time for needed testing? The timing of the publication of the final taxonomy will impact software vendors that must upload the final ECD Taxonomy into their applications for use.

Will the SEC have sufficient time to incorporate changes to the EDGAR acceptance process to appropriately accommodate specifics in a revised taxonomy? Given the recent history of annual GAAP adoption by the SEC, and the fact that the latest ECD schema links to the 2023 GAAP taxonomy which may not be available until March 2023, this is likely to cause technical difficulties with loading the Discoverable Taxonomy Set (DTS). This particularly applies to the testing process.

The limited window before first compliance dates may also limit the ability to conduct an EDGAR test pilot which is important to ensure that issuers and vendors can resolve any issues prior to the first compliance deadlines.

We ask the Commission to provide clarification on timing and on a possible EDGAR test pilot to assist issuers. This rule is the first time that issuers will be preparing their proxy statement in XBRL format, which will also very likely involve additional reviews by legal, investor relations,

corporate governance professionals and others beyond those who prepare the financial statements today.

Recovery of Erroneously Awarded Compensation

The ECD Taxonomy draft includes concepts related to the final rule, *Erroneously Awarded Compensation Policy*. Will the Commission conduct a second public exposure period on this portion of the taxonomy given that the Nov 28 deadline for this comment period applies specifically to the ECD taxonomy?

The final rule for *Erroneously Awarded Compensation Policy* was posted to the Federal Register today (November 28, 2022) with an effective date of January 27, 2023. Exchanges will be required to file proposed listing standards no later than 90 days from publication in the Federal Register, and issuers subject to the rule will be required to adopt a recovery policy no later than 60 days from the date on which the listing standards become effective. It would be helpful for issuers and vendors to have additional time to review that section of the taxonomy separately from the ECD.

While we have not conducted a thorough review of that section of the taxonomy, we noted that some elements have an incorrect period type. For example, the concepts *Outstanding Aggregate Erroneous Compensation Amount*, and *Outstanding Recovery Compensation Amount* would be expected to have instant period types, but both have duration period types.

Furthermore, references for *Outstanding Aggregate Erroneous Compensation Amount* in the Taxonomy have not been updated in the instruction guides for Forms 20-F and 40-F. To assist issuers, these guides should be updated prior to first compliance dates. We recommend that the SEC conduct a thorough examination of the rule, the taxonomy and the Preparer's Guide to ensure that it complies with current accepted best practice.

Suggestions on Taxonomy Development

We recognize that final rules that will be published in the coming months, may require the Commission to develop new taxonomies. We suggest that the Commission establish a standard approach to taxonomy development efforts to capture more input from the market, i.e., issuers, data consumers, and software providers, to ensure that once a final taxonomy is published, all stakeholders are informed, and in agreement on how to work with the taxonomy. The Financial Accounting Standards Board (FASB) for example, has a FASB Taxonomy Advisory Group that meets periodically to review the taxonomy modeling and assist in the direction of development work. The FASB also regularly publishes implementation guides which are useful for issuers in the preparation process and ensure that data generated from instance documents is consistent. If the Commission were to stand up a regular advisory group to meet whenever a taxonomy is under development, taxonomy development could be a smoother, more efficient process.

We ask that a robust and detailed data model for what must be reported be provided. If this is not feasible, depending on the relative newness of the reporting, and complexity of the tagging

required, the Commission may wish to adopt a phased approach for the detailed tagging requirement, e.g., block tagging in the first year, and detailed tagging in the second year once more information is available and incorporated into the data model. This approach will lessen the burden on issuers and increase the usability of the data generated. We also continue to support the phased implementation approach already taken in the rule for large company requirements first, followed by smaller companies that may have fewer resources.

The XBRL US member group that drafted this letter would be happy to be involved in the process to provide regular feedback. We have provided this form of input prior to public review on other taxonomy development processes, for example on review of the Sustainable Accounting Standards Board (SASB) Taxonomy.

The XBRL US community stands ready to support the Commission, and we would be happy to schedule a call to discuss these recommendations in greater detail prior to the completion of the final taxonomy.

We thank the Commission for allowing us to provide input to the ECD Taxonomy. Please contact me at (917) 582-6159 or Campbell.Pryde@xbrl.us with any questions, and to schedule a call with our consortium members to discuss our suggestions further.

Respectfully,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with the first name "Campbell" written in a larger, more prominent script than the last name "Pryde".

Campbell Pryde,
President and CEO