

WALT DISNEY CO/
Form PRE 14A
December 23, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

The Walt Disney Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 - (3) Filing Party:
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-

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January , 2016

Dear Fellow Shareholder,

I am pleased to invite you to our 2016 Annual Meeting of shareholders, which will be held on Thursday, March 3, 2016, at 10 a.m. at the Auditorium Theatre of Roosevelt University in Chicago, Illinois.

At the meeting, we will be electing 10 members of our Board of Directors. We will also be considering ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accountants, an advisory vote to approve executive compensation, an amendment to our Restated Certificate of Incorporation and two shareholder proposals.

You may vote your shares using the Internet or the telephone by following the instructions on page 66 of the proxy statement. Of course, you may also vote by returning a proxy card or voting instruction form if you received a paper copy of this proxy statement.

If you wish to attend the meeting in person, you will need to obtain an admission ticket in advance. You can obtain a ticket by following the instructions on page 67 of the proxy statement. If you cannot attend the meeting, you can still listen to the meeting, which will be webcast and available on our Investor Relations website.

Thank you very much for your continued interest in The Walt Disney Company.

Sincerely,

Robert A. Iger
Chairman and Chief Executive Officer

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The 2016 Annual Meeting of shareholders of The Walt Disney Company will be held:

Thursday, March 3, 2016

10:00 a.m. Local Time

Auditorium Theatre of Roosevelt University
50 East Congress Parkway
Chicago, Illinois 60605

The items of business are:

1. Election of the ten nominees named in the proxy statement as Directors, each for a term of one year.
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for fiscal 2016.
3. Consideration of an advisory vote to approve executive compensation.
4. Amendment of the Restated Certificate of Incorporation
5. Consideration of up to two shareholder proposals, if presented.

Shareholders of record of Disney common stock (NYSE: DIS) at the close of business on January 4, 2016, are entitled to vote at the meeting and any postponements or adjournments of the meeting. A list of these shareholders is available at the offices of the Company in Burbank, California.

January 4, 2016
Burbank, California

Alan N. Braverman
Senior Executive Vice President,
General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on March 3, 2016

The proxy statement and annual report to shareholders and the means to vote by Internet are available at www.ProxyVote.com.

Your Vote is Important

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Please vote as promptly as possible by using the Internet or telephone or by signing, dating and returning the Proxy Card mailed to those who receive paper copies of this proxy statement.

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The Walt Disney Company (500 South Buena Vista Street, Burbank, California 91521) is providing you with this proxy statement relating to its 2016 Annual Meeting of shareholders. We began mailing a notice on January 11, 2016 containing instructions on how to access this proxy statement and our annual report online, and we also began mailing a full set of the proxy materials to shareholders who had previously requested delivery of the materials in paper copy. References to "the Company" or "Disney" in this Proxy Statement refer to The Walt Disney Company

and its consolidated subsidiaries.

The Walt Disney Company Notice of 2016 Annual Meeting and Proxy Statement

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Proposals to be Voted On

The following proposals will be voted on at the Annual Meeting of shareholders.

	For More Information	Board Recommendation
Proposal 1: Election of ten directors Susan E. Arnold John S. Chen Jack Dorsey Robert A. Iger Maria Elena Lagomasino Fred H. Langhammer Aylwin B. Lewis Robert W. Matschullat Sheryl K. Sandberg Orin C. Smith	Pages 56 to 60	For Each Nominee
Proposal 2: Ratification of appointment of independent registered public accountants	Pages 60 to 61	For
Proposal 3: Advisory vote on executive compensation	Page 61	For
Proposal 4: Proposal to Amend Restated Certificate of Incorporation	Pages 62	For
Proposal 5: Shareholder proposal on Simple Majority Vote	Pages 63 to 64	Against
Proposal 6: Shareholder proposal on Lobbying Disclosure You may cast your vote in any of the following ways:	Pages 64 to 65	Against

Internet

Visit www.ProxyVote.com. You will need the 16-digit number included in your proxy card, voter instruction form or notice.

You can scan this QR code to vote with your mobile phone. You will need the 16-digit number included in your proxy card, voter instruction form or notice.

Phone

Call 1-800-690-6903 or the number on your voter instruction form. You will need the 16-digit number included in your proxy card, voter instruction form or notice.

Mail

Send your completed and signed proxy card or voter instruction form to the address on your proxy card or voter instruction form.

In Person

See below regarding Attendance at the Meeting.

Attendance at the Meeting

If you plan to attend the meeting, you must be a shareholder on the record date and obtain an admission ticket in advance following the instructions set forth on page 67 of this proxy statement. Tickets will be available to registered and beneficial owners and to one guest accompanying each registered or beneficial owner.

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Requests for admission tickets will be processed in the order in which they are received and must be requested no later than March 2, 2016. Please note that seating is

limited and requests for tickets will be accepted on a first-come, first-served basis. On the day of the meeting, each shareholder will be required to present valid picture identification such as a driver's license or passport with their admission ticket. Seating will begin at 9:00 a.m. and the meeting will begin at 10:00 a.m. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting. You will be required to enter through a security check point before being granted access to the meeting.

Proxy Summary

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This summary provides highlights of certain information in this proxy statement. As it is only a summary, please review the complete proxy statement and 2015 annual report before you vote.

Executive compensation in fiscal 2015 continued to drive the creation of long-term shareholder value and reflected the attainment of impressive growth in key financial metrics over the record levels achieved in fiscal 2014.

Fiscal 2015 Performance

Fiscal 2015 was another outstanding year for Disney. The Company once again achieved impressive growth in all key financial metrics, even following the increases in those metrics attained in 2014, which were among the highest levels in nearly a decade.

This sustained strong performance resulted in compounded annual growth rates (CAGR) between fiscal 2013 and fiscal 2015 of 20% in diluted earnings per share (EPS), 17% in net income, 17% in segment operating income (OI), and 8% in revenue.

Growth Rates

*

For a reconciliation of segment operating income to net income, see Annex A.

For the second year in a row, operating income increased in every segment.

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Operating Income by Segment

This performance helped drive strong total shareholder return (TSR) in fiscal 2015, which outperformed the S&P 500 for the one-, three-, five-, and ten-year periods.

1-, 3-, 5- and 10-Year TSR, DIS vs. S&P 500

We also significantly outperformed our Media Industry Peers (used for benchmarking purposes as described on page 19) for the one-, three-, five-, and ten-year periods.

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1-, 3-, 5- and 10-Year TSR, DIS vs. Media Industry Peers

*

Market cap-weighted TSR for The Walt Disney Company, CBS, Twenty-First Century Fox, Time Warner, Viacom, and Comcast

This outperformance is even greater if Disney itself is excluded from the Media Industry Peers, as the TSR for the other companies was (7)%, 48%, 170% and 129% for the one-, three-, five-, and ten-year periods.

Compensation Structure and Philosophy

We summarize the Committee's compensation philosophy and address Mr. Iger's fiscal 2015 compensation below. We provide a more detailed explanation of our compensation program, Mr. Iger's compensation and the compensation of other named executive officers in the Compensation Discussion and Analysis beginning on page 18.

The Compensation Committee firmly believes in pay-for-performance. Over 90% of Mr. Iger's target annual total direct compensation depends on the Company's financial results and the performance of Disney stock.

Base salary is the only fixed element of Mr. Iger's annual compensation. Substantially all other annual compensation breaks into the following performance-based categories:

A performance-based annual cash bonus opportunity that is:

- (a) 70% dependent on achievement of performance against four financial measures (adjusted segment operating income, adjusted EPS, after-tax free cash flow, and return on invested capital), all of which the Committee believes drive long-term shareholder value creation; and
- (b) 30% dependent on the Compensation Committee's assessment of individual contributions toward achievement of pre-defined qualitative goals tied to the Company's strategic priorities.

An annual equity award, which for the Chief Executive Officer is comprised of 50% options and 50% performance-based units. The realized option value depends on the performance of Disney stock and the realized performance-unit value depends on three-year achievement of relative TSR and EPS performance.

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Fiscal 2015 Chief Executive Officer

Compensation

Over the course of his tenure as Chief Executive Officer, Mr. Iger has driven spectacular financial performance and created significant shareholder value, with Disney's market capitalization increasing 308% from \$45.8 billion when Mr. Iger became Chief Executive Officer in October 2005 to \$186.8 billion at the end of fiscal 2015. Since fiscal 2005, Disney has achieved exceptional financial performance highlighted by:

13% compounded annual growth in income from continuing operations attributable to Disney

15% compounded annual growth in diluted EPS

393% increase in total shareholder return, illustrating significant outperformance relative to the S&P 500 and Media Industry Peers, whose total returns increased 96% and 171% respectively, over this period

Income from Continuing Operations Attributable to Disney

Diluted EPS (Reported)

TSR from Sept. 30, 2005 Oct. 3, 2015

*

Market cap-weighted TSR for The Walt Disney Company, CBS, Twenty- First Century Fox, Time Warner, Viacom, and Comcast

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Against the backdrop of this track record of consistent strong performance, the Committee made the following decisions with respect to Mr. Iger's fiscal 2015 compensation.

Salary: The Compensation Committee left Mr. Iger's annual salary rate for fiscal 2015 unchanged, though the amount he received during the fiscal year increased by a small amount because fiscal 2015 had 53 weeks whereas fiscal 2014 had 52 weeks.

Equity Awards: The Compensation Committee left the value of Mr. Iger's equity awards for fiscal 2015 approximately equal to the values in fiscal 2014, 2013 and 2012. Half of this equity award is in the form of performance-based stock units and half is in the form of stock options.

Non-Equity Incentive Plan Compensation: Mr. Iger's performance-based cash bonus of \$22.3 million reflects performance against the four financial performance measures and pre-defined qualitative goals as discussed below:

Financial Performance Measures: The Compensation Committee sets aggressive performance ranges for the four financial performance measures that are used to determine 70% of each named executive officer's bonus award and which require overall growth in financial performance in order to maintain or exceed prior-year bonus levels.

In establishing these ranges for fiscal 2015, the Committee considered how to best define measures of success in light of the historic growth rates achieved in fiscal 2014, which were driven in part by the uniquely strong performance of the Company's 2014 film slate. The Committee determined that, given these unique circumstances, somewhat lower (but still substantial) growth rates in fiscal 2015 would represent comparably excellent performance and established appropriately challenging target ranges accordingly. All fiscal 2015 performance ranges were still well above performance ranges in 2014, with the high end of the ranges representing substantial growth over the record results in fiscal 2014.

The Company delivered exceptional financial performance against these financial measures as adjusted for purposes of evaluating compensation:

- o Adjusted segment operating income grew 12% on top of 21% growth in fiscal 2014.
- o Adjusted earnings per share grew 19% on top of 27% growth in the prior year.
- o Return on invested capital grew 120 basis points to 13.3%.
- o After-tax free cash flow grew 15% to \$8.7 billion, compared with growth of 1% in fiscal 2014.

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This outstanding performance generated performance factors equal to the maximum of 200% for each of the measures except after-tax free cash flow, which generated a performance factor of 136%. The weighted financial performance factor was 186%.

Reconciliations of segment operating income and EPS as adjusted for evaluating compensation are set forth in Annex A. Return on investment capital and after tax free cash flow as adjusted for compensation purposes are calculated as set forth on page 30.

Other Performance Factors: The Committee applied a factor of 186% to Mr. Iger's qualitative performance in fiscal 2015 versus 200% in fiscal 2014. This factor reflected the Committee's judgment that Mr. Iger's continued strategic and creative leadership of the Company has been critical to the development of the Company's strong intellectual property, brands and reputation, which collectively have been integral to the Company's success across lines of business and around the globe, and have driven sustained exceptional financial performance. Key accomplishments demonstrating this leadership included successful creative execution in all of the Company's film and television brands and continued growth at Parks and Resorts. In addition, the Company was recognized by Fortune as one of the world's most admired companies and continued to achieve the highest ranking among media and entertainment companies in several independent studies.

The application of the financial performance measures and other performance factors led to a \$470,000 reduction in Mr. Iger's bonus compared to fiscal 2014, notwithstanding the excellent results achieved.

The Committee's pay-for-performance approach is reflected in the compensation program through the relationship between the Company's outstanding performance in recent years and Mr. Iger's total compensation over that same period. As shown below, the Company's adjusted EPS grew at a compound annual growth rate of 23% from fiscal 2013 to fiscal 2015 and operating income grew at a compound annual growth rate of 17% over the period. Mr. Iger's total compensation during that period grew 14% on a compounded basis.

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EPS excluding certain items	\$	3.39	\$	4.32	\$	5.15	23%
Operating Income (\$M)	\$	10,724	\$	13,005	\$	14,681	17%
Mr. Iger's Total Compensation	\$	34,321,055	\$	46,497,018	\$	44,913,614	14%

*

Reconciliations of segment operating income to net income and earnings per share excluding certain items to reported earnings per share (diluted EPS) are set forth in Annex A.

In the most recent fiscal year (2014) for which there is full compensation data for all of the Media Industry Peers, Mr. Iger's reported compensation was \$46.5 million versus a median of \$33.0 million for the Media Industry Peers. This aligns with our exceptional performance on an absolute and relative basis in fiscal 2014, as Disney achieved 38% TSR for the one-year period ending in fiscal 2014 versus the average for the other Media Industry Peers of 13%. This also aligns with the fact that Disney has a higher market capitalization, more employees, more diverse business segments, and a more extensive global footprint than any of the Media Industry Peers as well as greater revenue and operating income than all but one of the Media Industry Peers.

Additional details on our compensation program and fiscal 2015 compensation can be found in the Executive Compensation section of this proxy statement beginning on page 18.

Amendment to Certificate of Incorporation

The Board recommends that shareholders approve an amendment to the Company's Restated Certificate of Incorporation to eliminate the provision that requires a supermajority vote of two-thirds of outstanding shares to approve certain business combinations. In light of developing governance practices and other provisions in our Certificate of Incorporation and applicable law, the Board no longer believes that this protection against certain business combinations is necessary. Upon approval of this amendment, all supermajority vote provisions would be eliminated from our bylaws.

Shareholder Proposals

In this year's proxy statement, you will find two shareholder proposals, one seeking to establish a simple majority voting standard for all matters presented to shareholder votes and one seeking additional disclosure regarding lobbying expenses.

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Simple Majority Vote: This proposal asks the Board to take action to adopt a simple majority vote standard for all matters presented to a shareholder vote. The amendment to our Certificate of Incorporation described above will eliminate the only provision in our governing documents that requires a supermajority of outstanding shares. The proposal would also seek elimination of the requirement for a majority of shares outstanding to approve a shareholder-initiated amendment to the Company's by-laws and seek to change the standard for all other votes from a majority of shares present and eligible to vote to a majority of votes cast for and against. The Board believes these additional changes are inappropriate and therefore recommends that you vote against this proposal and for the proposed Amendment to the Certificate of Incorporation that the Board recommends as referenced above.

Lobbying Disclosure: This proposal requests the Company to provide additional disclosure regarding its political activities, including information regarding its lobbying activities. The Board believes that the additional disclosure would put the Company at a strategic disadvantage in advancing shareholder interests through political activities, and therefore recommends that you vote against this proposal.

You can read our detailed positions on these proposals on pages 63 to 65.

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Governing Documents

The Board of Directors has adopted *Corporate Governance Guidelines*, which set forth a flexible framework within which the Board, assisted by its Committees, directs the affairs of the Company. The *Guidelines* address, among other things, the composition and functions of the Board of Directors, director independence, stock ownership by and compensation of Directors, management succession and review, Board leadership, Board Committees and selection of new Directors.

The Company has *Standards of Business Conduct*, which are applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer. The Board has a separate *Code of Business Conduct and Ethics for Directors*, which contains provisions specifically applicable to Directors.

Each Committee on the Board of Directors is governed by a charter adopted by the Board of Directors.

The *Corporate Governance Guidelines*, the *Standards of Business Conduct*, the *Code of Business Conduct and Ethics for Directors* and each of the Committee charters are available on the Company's Investor Relations website under the "Corporate Governance" heading at www.disney.com/investors and in print to any shareholder who requests them from the Company's Secretary. If the Company amends or waives the *Code of Business Conduct and Ethics for Directors* or the *Standards of Business Conduct* with respect to the principal executive officer, principal financial officer or principal accounting officer, it will post the amendment or waiver at the same location on its website.

The Board of Directors

The current members of the Board of Directors are:

Susan E. Arnold

John S. Chen

Jack Dorsey

Robert A. Iger

Maria Elena Lagomasino

Fred H. Langhammer

Aylwin B. Lewis

Monica C. Lozano

Robert W. Matschullat

Sheryl K. Sandberg

Orin C. Smith

The Board met six times during fiscal 2015. Each current Director attended at least 75% of all of the meetings of the Board and Committees on which he or she served that occurred while he or she served on the Board or the Committees. All but one of the directors who were serving at the time attended the Company's 2015 annual shareholders meeting. Under the Company's *Corporate Governance Guidelines*, each Director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending annual and special meetings of the shareholders of the Company, and meetings of the Board and Committees of which he or she is a member.

Board Leadership

The Company's *Corporate Governance Guidelines* specify that the Chairman of the Board shall in the normal course be an independent Director, unless the Board determines that, in light of the circumstances then present when any such decision is made, a different structure would better serve the best interests of the shareholders. The *Guidelines* also provide that the Board will disclose in each proxy statement the reasons for a different arrangement and appoint an independent Director as Lead Director with duties and responsibilities detailed in the *Corporate*

Governance Guidelines.

Mr. Iger has served as Chairman since March of 2012, when he assumed that position upon the retirement of John Pepper who had previously served as Chairman. In making Mr. Iger Chairman, the Board determined that doing so would promote a number of important objectives: it would add a substantial strategic perspective to the Chair position and put in place an effective plan for the future transition of leadership while at the same time providing important continuity to Board leadership. In making these judgments, the Board took into account its evaluation of Mr. Iger's performance as

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Corporate Governance and Board Matters 

Chief Executive Officer and President, his very positive relationships with the other members of the Board of Directors and the strategic vision and perspective he would bring to the position of Chairman. The Board was uniformly of the view that Mr. Iger would provide excellent leadership of the Board in the performance of its duties and that naming him as Chairman would serve the best interests of shareholders.

Mr. Iger's employment agreement provides that he will serve as Chief Executive Officer and Chairman through the end of its term. Each year, the independent members of the Board determine whether to elect Mr. Iger Chairman in accordance with the employment agreement. In doing so, the Board considers whether Mr. Iger's continuing to serve as both Chairman and Chief Executive Officer would be in the best interests of shareholders. Based on the demonstrated success of this structure to date, both in terms of the functioning of the Board and the growth of the Company, and the continued benefits of retaining Mr. Iger's strategic perspective in the position of Chairman, the Board has concluded that Mr. Iger's continuing service as Chairman remains in the best interests of shareholders and that, absent an unexpected change in circumstances, he should continue to serve in the role through the term of his agreement.

At the time Mr. Iger became Chairman, the Board unanimously elected Orin Smith as independent Lead Director. The duties of the independent Lead Director were expanded in connection with the appointment of Mr. Iger as Chairman, and were further expanded in 2013 based on feedback from investors regarding Lead

Director duties. The duties of the Lead Director are as follows:

Preside at all meetings of the Board of Directors at which the Chairman is not present, including executive sessions of non-management or independent Directors;

Call meetings of the independent or non-management Directors;

Serve as liaison between the Chairman and the independent and non-management Directors;

Advise as to the scope, quality, quantity and timeliness of information sent to the Board of Directors;

In collaboration with the Chief Executive Officer and Chairman, and with input from other members of the Board, develop and have final authority to approve meeting agendas for the Board of Directors, including assurance that there is sufficient time for discussion of all agenda items;

Organize and lead the Board's annual evaluation of the Chief Executive Officer;

Be responsible for leading the Board's annual self-assessment;

Be available for consultation and direct communication upon the reasonable request of major shareholders;

Advise Committee Chairs with respect to agendas and information needs relating to Committee meetings;

Provide advice with respect to the selection of Committee Chairs; and

Perform such other duties as the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities.

Committees

The Board of Directors has four standing committees: Audit, Governance and Nominating, Compensation and

Executive. Information regarding these committees is provided below.

Audit Committee

John S. Chen
Fred H. Langhammer
Aylwin B. Lewis
Robert W. Matschullat
(Chair)

The functions of the Audit Committee are described below under the heading "*Audit Committee Report*." The Audit Committee met eight times during fiscal 2015. All of the members of the Audit Committee are independent within the meaning of SEC regulations, the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*. The Board has determined that each of the members of the Committee is qualified as an audit committee financial expert within the meaning of SEC regulations and that they have accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange.

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Governance and Nominating Committee

Jack Dorsey
Robert W. Matschullat
Sheryl K. Sandberg
Orin C. Smith (Chair)

The Governance and Nominating Committee is responsible for developing and implementing policies and practices relating to corporate governance, including reviewing and monitoring implementation of the Company's *Corporate Governance Guidelines*. In addition, the Committee assists the Board in developing criteria for open Board positions, reviews background information on potential candidates and makes recommendations to the Board regarding such candidates. The Committee also reviews and approves transactions between the Company and Directors, officers, 5% shareholders and their affiliates under the Company's Related Person Transaction Approval Policy, supervises the Board's annual review of Director independence and the Board's annual self-evaluation, makes recommendations to the Board with respect to compensation of non-executive members of the Board of Directors, makes recommendations to the Board with respect to Committee assignments and oversees the Board's director education practices. The Committee met six times during fiscal 2015. All of the members of the Governance and Nominating Committee are independent within the meaning of the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*.

Compensation Committee

Susan E. Arnold (Chair)
Maria Elena Lagomasino
Aylwin B. Lewis
Monica C. Lozano
Orin C. Smith

The Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer, evaluating the performance of the Chief Executive Officer and, either as a committee or together with the other independent members of the Board, determining and approving the compensation level for the Chief Executive Officer. The Committee is also responsible for making recommendations to the Board regarding the compensation of other executive officers and certain compensation plans, and the Board has also delegated to the Committee the responsibility for approving these arrangements. Additional information on the roles and responsibilities of the Compensation Committee is provided under the heading "*Compensation Discussion and Analysis*," below. In fiscal 2015, the Compensation Committee met eight times. All of the members of the Committee are independent within the meaning of SEC regulations, the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*.

Executive Committee

Robert A. Iger
Orin C. Smith (Chair)

The Executive Committee serves primarily as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Executive Committee is authorized to act for the full Board on matters other than those specifically reserved by Delaware law to the Board. In practice, the Committee's actions are generally limited to matters such as the authorization of routine transactions including corporate credit facilities and borrowings. In fiscal 2015, the Executive Committee held no meetings.

The Board's Role in Risk Oversight

As noted in the Company's *Corporate Governance Guidelines*, the Board, acting directly or through Committees, is responsible for "assessing major risk factors relating to the Company and its performance" and "reviewing measures to address and mitigate such risks." In discharging this responsibility, the Board, either directly or through Committees, assesses both (a) risks that relate to the key economic and market assumptions that inform the Company's business plans and growth strategies and (b) significant operational

risks related to the conduct of the Company's day-to-day operations.

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Risks relating to the market and economic assumptions that inform the Company's business plans and growth strategies are specifically addressed with respect to each business unit in connection with the Board's annual review of the Company's five-year plan. The Board also has the opportunity to address such risks at each Board

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Corporate Governance and Board Matters 

meeting in connection with its regular review of significant business and financial developments. The Board reviews risks arising out of specific significant transactions when these transactions are presented to the Board for review or approval.

Significant operational risks that relate to on-going business operations are the subject of regularly scheduled reports to either the full Board or one of its committees. The Board acting through the Audit Committee periodically reviews whether these reports appropriately cover the significant risks that the Company may then be facing.

Each of the Board's committees addresses risks that fall within the committee's areas of responsibility. For example, the Audit Committee periodically reviews the audit plan of management audit, the international labor standards compliance program, the Company's information technology risks and mitigation strategies, the tax function, treasury operations (including

insurance) and the Company's standards of business conduct compliance program. In addition, the Audit Committee receives regular reports from: corporate controllership and the outside auditor on financial reporting matters; management audit about significant findings; and the general counsel regarding legal and regulatory risks. The Audit Committee reserves time at each meeting for private sessions with the chief financial officer, general counsel, head of management audit and outside auditors. The Compensation Committee addresses risks arising out of the Company's executive compensation programs as described at pages 23 to 24, below.

The independent Lead Director promotes effective communication and consideration of matters presenting significant risks to the Company through his role in developing the Board's meeting agendas, advising committee chairs, chairing meetings of the independent Directors and facilitating communications between independent Directors and the Chief Executive Officer.

Director Selection Process

Working closely with the full Board, the Governance and Nominating Committee develops criteria for open Board positions. In developing these criteria, the Committee takes into account a variety of factors, which may include: the current composition of the Board; the range of talents, experiences and skills that would best complement those already represented on the Board; the balance of management and independent Directors; and the need for financial or other specialized expertise. Applying these criteria, the Committee considers candidates for Board membership suggested by Committee members, other Board members, management, and shareholders. The Committee retains a third-party executive search firm to identify and review candidates upon request of the Committee from time to time.

Once the Committee has identified a prospective nominee including prospective nominees recommended by shareholders it makes an initial determination as to whether to conduct a full evaluation. In making this determination, the Committee takes into account the information provided to the Committee with the recommendation of the candidate, as well as the Committee's own knowledge and information obtained through inquiries to third parties to the extent the Committee deems appropriate. The preliminary determination is based primarily on the need for additional Board members and the likelihood that the prospective nominee can satisfy the criteria that the Committee has established. If the Committee determines,

in consultation with the Chairman of the Board and other Directors as appropriate, that additional consideration is warranted, it may request the third-party search firm to gather additional information about the prospective nominee's background and experience and to report its findings to the Committee. The Committee then evaluates the prospective nominee against the specific criteria that it has established for the position, as well as the standards and qualifications set out in the Company's *Corporate Governance Guidelines*, including:

the ability of the prospective nominee to represent the interests of the shareholders of the Company;

the prospective nominee's standards of integrity, commitment and independence of thought and judgment;

the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee's service on other public company boards, as specifically set out in the Company's *Corporate Governance Guidelines*;

the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board;

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the extent to which the prospective nominee helps the Board reflect the diversity of the Company's shareholders, employees, customers and guests and the communities in which it operates; and

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the willingness of the prospective nominee to meet the minimum equity interest holding guideline set out in the Company's *Corporate Governance Guidelines*.

If the Committee decides, on the basis of its preliminary review, to proceed with further consideration, members of the Committee, as well as other members of the Board as appropriate, interview the nominee. After completing this evaluation and interview, the Committee makes a recommendation to the full Board, which makes the final determination whether to nominate or appoint the new Director after considering the Committee's report.

In selecting nominees for Director, the Board seeks to achieve a mix of members who together bring experience and personal backgrounds relevant to the Company's strategic priorities and the scope and complexity of the Company's business. In light of the Company's current priorities, the Board seeks experience relevant to managing the creation of high-quality branded entertainment products and services, addressing the impact of rapidly changing technology and expanding business outside of the United States. The Board also seeks experience in large, diversified enterprises and demonstrated ability to

manage complex issues that involve a balance of risk and reward and seeks Directors who have expertise in specific areas such as consumer and cultural trends, business innovation, growth strategies and financial oversight. The background information on current nominees beginning on page 56 sets out how each of the current nominees contributes to the mix of experience and qualifications the Board seeks.

In making its recommendations with respect to the nomination for re-election of existing Directors at the annual shareholders meeting, the Committee assesses the composition of the Board at the time and considers the extent to which the Board continues to reflect the criteria set forth above.

A shareholder who wishes to recommend a prospective nominee for the Board should notify the Company's Secretary or any member of the Governance and Nominating Committee in writing with whatever supporting material the shareholder considers appropriate. The Governance and Nominating Committee will also consider whether to nominate any person nominated by a shareholder pursuant to the provisions of the Company's Bylaws relating to shareholder nominations as described in "*Shareholder Communications*" below.

Director Independence

The provisions of the Company's *Corporate Governance Guidelines* regarding Director independence meet and in some areas exceed the listing standards of the New York Stock Exchange. These provisions are included in the Company's *Corporate Governance Guidelines*, which are available on the Company's Investor Relations website under the "Corporate Governance" heading at www.disney.com/investors.

Pursuant to the *Guidelines*, the Board undertook its annual review of Director independence in December 2015. During this review, the Board considered transactions and relationships between the Company and its subsidiaries and affiliates on the one hand and, on the other hand, Directors, immediate family members of Directors, or entities of which a Director or an immediate family member is an executive officer, general partner or significant equity holder. The Board also considered whether there were any transactions or relationships between any of these persons or entities and any members of the Company's senior management or their affiliates. As provided in the *Guidelines*, the purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the Director is independent.

As a result of this review, the Board affirmatively determined that all of the Directors serving in fiscal 2015 or nominated for election at the 2016 Annual Meeting are independent of the Company and its management under the standards set forth in the *Corporate Governance Guidelines*, with the exception of Mr. Iger. Mr. Iger is considered an inside Director because of his employment as a senior executive of the Company.

In determining the independence of each Director, the Board considered and deemed immaterial to the Directors' independence transactions involving the sale of products and services in the ordinary course of business between the Company, on the one hand, and, on the other, companies or organizations at which some of our Directors or their immediate family members were officers or employees during fiscal 2015. In each case, the amount paid to or received from these companies or organizations in each of the last three years was below the 2% of total revenue threshold in the *Guidelines*. The Board determined that none of the relationships it considered impaired the independence of the

Directors.

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Corporate Governance and Board Matters

Certain Relationships and Related Person Transactions

The Board of Directors has adopted a written policy for review of transactions involving more than \$120,000 in any fiscal year in which the Company is a participant and in which any Director, executive officer, holder of more than 5% of our outstanding shares or any immediate family member of any of these persons has a direct or indirect material interest. Directors, 5% shareholders and executive officers are required to inform the Company of any such transaction promptly after they become aware of it, and the Company collects information from Directors and executive officers about their affiliations and affiliations of their family members so the Company can search its records for any such transactions. Transactions are presented to the Governance and Nominating Committee of the Board (or to the Chairman of the Committee if the Committee delegates this responsibility) for approval before they are entered into or, if this is not possible, for ratification after the transaction has been entered into. The Committee approves or ratifies a transaction if it determines that the transaction is consistent with the best interests of the Company, including whether the transaction impairs independence of a Director. The policy does not require review of the following transactions:

Employment of executive officers approved by the Compensation Committee;

Compensation of Directors approved by the Board;

Transactions in which all shareholders receive benefits proportional to their shareholdings;

Ordinary banking transactions identified in the policy;

Any transaction contemplated by the Company's Restated Certificate of Incorporation, Bylaws or Board action where the interest of the Director, executive officer, 5% shareholder or family member is disclosed to the Board prior to such action;

Commercial transactions in the ordinary course of business with entities affiliated with Directors, executive officers, 5% shareholders or their family members if the aggregate amount involved during a fiscal year is less than the greater of (a) \$1,000,000 and (b) 2% of the Company's or other entity's gross revenues and the related person's interest in the transaction is based solely on his or her position with the entity;

Charitable contributions to entities where a Director is an executive officer of the entity if the amount is less than the lesser of \$200,000 and 2% of the entity's annual contributions; and

Transactions with entities where the Director, executive officer, 5% shareholder or immediate family member's sole interest is as a non-executive officer employee of, volunteer with, or director or trustee of the entity.

Shareholder Communications

Generally. Shareholders may communicate with the Company through its Transfer Agent, Broadridge Corporate Issuer Solutions, by writing to Disney Investor Relations, c/o Broadridge Corporate Issuer Solutions, P.O. Box 1342, Brentwood, NY 11717, by calling Disney Shareholder Services care of Broadridge at 1-855-553-4763, or by sending an e-mail to disneyshareholder@broadridge.com. Additional information about contacting the Company is available on the Disney Shareholder Services website (www.disneyshareholder.com) under the "Contact Us" tab.

Shareholders and other persons interested in communicating directly with the independent Lead Director or with the non-management Directors as a group may do so by writing to the independent Lead Director, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-1030. Under a process approved by the Governance and Nominating Committee of the Board for handling letters received by the Company and addressed to non-management members of the Board, the office of the Secretary of the

Company reviews all such correspondence and forwards to Board members a summary and/or copies of any such correspondence that, in the opinion of the Secretary, deals with the functions of the Board or Committees thereof or that he otherwise determines requires their attention. The Governance and Nominating Committee reviews summaries of all correspondence from identified shareholders at each regular meeting of

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the Committee. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence.

Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

[Shareholder Proposals for Inclusion in 2017 Proxy Statement](#). To be eligible for inclusion in the proxy statement for our 2017 Annual Meeting, shareholder

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proposals must be received by the Company's Secretary no later than the close of business on September 16, 2016. Proposals should be sent to the Secretary, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-1030 and follow the procedures required by SEC Rule 14a-8.

[Shareholder Director Nominations and Other Shareholder Proposals for Presentation at the 2017 Annual Meeting](#). Under our bylaws, written notice of shareholder nominations to the Board of Directors and any other business proposed by a shareholder that is not to be included in the proxy statement must be

delivered to the Company's Secretary not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. Accordingly, any shareholder who wishes to have a nomination or other business considered at the 2017 Annual Meeting must deliver a written notice (containing the information specified in our bylaws regarding the shareholder and the proposed action) to the Company's Secretary between November 3, 2016 and December 3, 2016. SEC rules permit management to vote proxies in its discretion with respect to such matters if we advise shareholders how management intends to vote.

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The elements of annual Director compensation for fiscal 2015 were as follows.

Annual Board retainer	\$105,000
Annual committee retainer (except Executive Committee) ¹	\$10,000
Annual committee chair retainer (Governance and Nominating Committee only) ²	\$15,000
Annual committee chair retainer (Audit Committee and Compensation Committee only) ²	\$20,000
Annual deferred stock unit grant	\$180,000
Annual retainer for independent Lead Director ³	\$50,000

1 Per committee.

2 This is in addition to the annual committee retainer the Director receives for serving on the committee.

3 This is in addition to the annual Board retainer, committee fees and the annual deferred stock unit grant.

To encourage Directors to experience the Company's products, services and entertainment offerings personally, each non-employee Director may receive Company products and services up to a maximum of \$15,000 in fair market value per calendar year plus reimbursement of associated tax liabilities. Director's spouses, children and grandchildren may also participate in this benefit within each Director's \$15,000 limit.

The Company reimburses Directors for the travel expenses of, or provides transportation on Company aircraft for, immediate family members of Directors if the

family members are specifically invited to attend events for appropriate business purposes. Family members (including domestic partners) may accompany Directors traveling on Company aircraft for business purposes on a space-available basis.

Directors participate in the Company's employee gift matching program on the same terms as employees. Under this program, the Company matches up to \$15,000 per calendar year of contributions per Director to charitable and educational institutions meeting the Company's criteria.

Directors who are also employees of the Company receive no additional compensation for service as a Director.

Under the Company's *Corporate Governance Guidelines*, non-employee Director compensation is determined annually by the Board of Directors acting on the recommendation of the Governance and Nominating Committee. In formulating its recommendation, the Governance and Nominating Committee receives input from the third-party compensation consultant retained by the Compensation Committee regarding market practices for Director compensation.

Director Compensation for Fiscal 2015

The following table sets forth compensation earned during fiscal 2015 by each person who served as a non-employee Director during the year.

Susan E. Arnold	\$135,000	\$180,050	\$21,545	\$336,595
John S. Chen	115,000	180,050	1,509	296,559
Jack Dorsey	115,000	180,050		295,050
Fred H. Langhammer	115,000	180,050	34,391	329,441
Aylwin B. Lewis	125,000	180,050		305,050
Monica C. Lozano	115,000	180,050	26,651	321,701
Robert W. Matschullat	145,000	180,050	18,860	343,910
Sheryl K. Sandberg	115,000	180,050		295,050
Orin C. Smith	190,000	180,050	30,408	400,458

Fees Earned or Paid in Cash. "Fees Earned or Paid in Cash" includes the annual Board retainer and annual committee and committee-chair retainers, whether paid currently or deferred by the Director to be paid in cash or shares after service ends. Directors are permitted to elect each year to receive all or part of their retainers in Disney stock and, whether paid in cash or stock, to defer all or part of their retainers until after service as a Director ends. Directors who elect to receive deferred compensation in cash receive a credit each quarter, and the balance in their deferred cash account earns interest at an annual rate equal to the Moody's Average Corporate (Industrial) Bond Yield, adjusted quarterly. For fiscal 2015, the average interest rate was 4.24%.

The following table sets forth the form of fees received by each Director who elected to receive compensation in a form other than currently paid cash. The number of stock units awarded is equal to the dollar amount of

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fees accruing each quarter divided by the average over the last ten trading days of the quarter of the average of the high and low trading price for shares of Company common stock on each day in the ten-day period. Stock units distributed currently were accumulated throughout the year and distributed as shares following December 31, 2015.

	Cash	Stock Units		
Susan E. Arnold	\$135,000			
John S. Chen	57,500	\$57,500		556
Jack Dorsey	57,500	\$57,500		556
Fred H. Langhammer	115,000			
Aylwin B. Lewis	62,500	62,500		604
Monica C. Lozano	35,938	\$14,375	32,344	32,344
Robert W. Matschullat	145,000			
Sheryl K. Sandberg	57,500	57,500		556
Orin C. Smith	190,000			

Stock Awards. "Stock Awards" sets forth the market value of the deferred stock unit grants to Directors and the amount reported is equal to the market value of the Company's common stock on the date of the award times the number of shares underlying the units. Units are awarded at the end of each quarter and the number of units is determined by dividing the amount payable with respect to the quarter by the average over the last ten trading days of the quarter of the average of the high and low trading price for shares of the Company common stock on each day in the ten-day period. Each Director was awarded 1,739 units in fiscal 2015.

Unless a Director elects to defer receipt of shares until after his or her service as a Director ends, shares with respect to annual deferred stock unit grants are normally distributed to the Director on the second anniversary of the award date, whether or not the Director is still a Director on the date of distribution.

At the end of any quarter in which dividends are distributed to shareholders, Directors receive additional stock units with a value (based on the average of the high and low trading prices of the Company common stock averaged over the last ten trading days of the quarter) equal to the amount of dividends they would have received on all stock units held by them at the end of the prior quarter. Shares with respect to these additional units are distributed when the underlying units are distributed. Units awarded in respect of dividends are included in the fair value of the stock units when the units are initially awarded and therefore are not included in the tables above, but they are included in

the total units held at the end of the fiscal year in the table below.

Prior to fiscal 2011, each Director serving on March 1 of any year received an option on that date to acquire shares of Company stock. The exercise price of the options was equal to the average of the high and low prices reported on the New York Stock Exchange on the date of grant.

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The following table sets forth all stock units and options held by each Director as of the end of fiscal 2015. All stock units are fully vested when granted, but shares are distributed with respect to the units only later, as described above. Stock units in this table are included in the share ownership table on page 68 except to the extent they may have been distributed as shares and sold prior to January 4, 2016.

Susan E. Arnold	12,372	22,503
John S. Chen	21,285	28,503
Jack Dorsey	3,782	
Fred H. Langhammer	18,430	
Aylwin B. Lewis	21,929	34,503
Monica C. Lozano	28,637	34,503
Robert W. Matschullat	36,549	18,143
Sheryl K. Sandberg	7,978	
Orin C. Smith	3,889	18,143

The Company's *Corporate Governance Guidelines* encourage Directors to own, or acquire within three years of first becoming a Director, shares of common stock of the Company (including stock units received as Director compensation) having a market value of at least five times the amount of the annual Board retainer for the Director. Unless the Board exempts a Director, each Director is also required to retain stock representing no less than 50% of the after-tax value of exercised options and shares received upon distribution of deferred stock units until he or she meets the stock holding guideline described above. Based on the holdings of units and shares on January 4, 2016, each Director complied with the minimum holding requirement on that date except Mr. Dorsey and Ms. Lagomasino, who are within the three-year period following the date on which they first became a Director.

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Director Compensation 

All Other Compensation. "All Other Compensation" includes:

Reimbursement of tax liabilities associated with the product familiarization benefits. The value of the product familiarization benefits themselves and travel benefits are not included in the table as permitted by SEC rules because the aggregate incremental cost to the Company of providing these benefits did not exceed \$10,000 for any Director. The reimbursement of associated tax liabilities was less than \$10,000 for each Director other than Susan E. Arnold, Fred H. Langhammer, and Robert W. Matschullat, for whom the reimbursement was \$14,266, \$13,813, and \$18,860 respectively.

Interest earned on deferred cash compensation, which was less than \$10,000 for each Director except for Ms. Lozano, for whom interest earned totaled \$26,266.

The matching charitable contribution of the Company, which was less than \$10,000 for each Director other than Mr. Smith and Mr. Langhammer for whom the amounts were \$30,000 (\$15,000 in calendar 2014 and \$15,000 in calendar 2015) and \$15,000 respectively.

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Compensation Discussion and Analysis

Executive Compensation Program Structure

Objectives and Methods

We design our executive compensation program to drive the creation of long-term shareholder value. We do this by tying compensation to the achievement of performance goals that promote the creation of shareholder value and by designing compensation to attract and retain high-caliber executives in a competitive market for talent.

We have adopted the following approach to achieve these objectives.

Pay for Performance

Provide a strong relationship of pay to performance through:

A performance-based bonus tied to the achievement of financial performance factors and an assessment of each executive's individual performance against other performance factors

Competitive Compensation Levels

Equity awards that deliver value based on stock price performance and, in the case of performance-based stock units, whose vesting depends on meeting performance targets
Provide compensation opportunities at a level and with practices that are competitive with our peers

Compensation Mix

Compensation levels and practices at peer companies are one factor in making compensation decisions, but compensation is not targeted to any specific percentile
Provide a mix of variable and fixed compensation that:

Is heavily weighted toward variable performance-based compensation for senior executives

Uses short-term (annual performance-based bonus) and longer-term performance measures (equity awards) to balance appropriately incentives for both short and long-term performance

Peer Groups

Establishing Compensation Levels

The Committee believes that the pool of talent with the set of creative and organizational skills needed to run a global creative organization like the Company is quite limited and that, accordingly, the market for executive talent to lead a global creative organization is best reflected by the five other major media companies who compete for this talent – CBS, Comcast, Twenty-First Century Fox, Time Warner and Viacom (with Disney, the "Media Industry Peers"). For that reason, the Committee looks to those five companies as the relevant peer group for named executive officer compensation purposes.

The Committee understands that some groups have reservations about using these companies because some of the companies are effectively controlled by a single shareholder.

The Committee acknowledges these concerns, but believes that executives with the background needed to manage companies such as ours have career options with compensation opportunities that normally exceed those available in most other industries and that

compensation levels within the peer group are driven by the dynamics of compensation in the entertainment industry and not the ownership structure of a particular company. Moreover, the Committee believes that a majority shareholder has just as much (if not more) incentive as any other shareholder to demand a compensation structure that maximizes shareholder value. In any event, the Committee believes that it is a competitive reality that these companies set the market for the talent we need.

The Committee has also considered suggestions to expand the peer group to better reflect the universe of companies in which investors themselves choose to invest, so that executive compensation at the Company is evaluated based on the Company's performance relative to the performance of that broader group. While the Committee understands the perspective of investors who may invest within this broader group, it believes that approach would not appropriately reflect either the distinctive talents needed to manage our businesses or the competitive market for talent the Company faces. The fact that a particular level of performance has been achieved by appropriately compensated executives in another industry is not a

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Executive Compensation 

meaningful indicator of what market driven compensation must be offered to attract and retain executives with the talent to achieve comparable levels of performance at Disney.

Establishing Compensation Structure, Policies and Practice

The Committee believes that the features of the Company's overall compensation structure, policies and practices should normally be consistent for all executives. Because the five distinct segments of our operations span multiple industries, the Committee believes that a consistency of approach across the breadth of the Company's operations with respect to such features is best achieved by reference to a broader general industry group.

The peer group used for establishing compensation structure, policies and practices consists of companies that have:

A consumer orientation and/or strong brand recognition;

A global presence and operations;

Annual revenue no less than half and no more than twice our annual revenue; and

A market capitalization no less than one-quarter and no more than four times our market capitalization;

Plus companies that do not meet the revenue test, but that are included in the peer groups used by one or more of the Media Industry Peers.

The companies that meet these criteria and were included in the peer group at the beginning of fiscal 2015 were:

Accenture

Intel

Alphabet

Johnson & Johnson

Amazon.com

Kimberly-Clark

AT&T

Microsoft

CBS

Twenty-First Century Fox

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Cisco Systems

Oracle

Coca-Cola

PepsiCo

Comcast

Procter & Gamble

DirecTV

Sprint Nextel

EMC Corp.

Time Warner

Hewlett-Packard

Verizon Communications

IBM

Viacom

Advised by its independent consultant, the Committee reviewed the criteria for selecting members of this peer group during fiscal 2015 and determined that the criteria remained appropriate. In connection with this review, Kimberly-Clark has been removed from the group because it no longer satisfies the revenue criterion, Sprint Nextel has been removed because it no

longer meets the market capitalization criterion, and Time Warner Cable has been added because it is included in the peer group of one or more of our Media Industry Peers. In addition, DirecTV will no longer be included in the group because of its acquisition by AT&T in July 2015.

[Evaluating Performance](#)

The overall financial performance of the Company is driven by the sum of the individual performances of the Company's five distinct segments Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products and Interactive each of which competes in different sectors of the overall market. The Committee continues to believe that, given the span of the Company's businesses, the best measure of relative performance is how the Company's diverse businesses have fared in the face of the economic trends that impact companies in the overall market and that the best benchmark for measuring such success is the Company's relative performance compared to that of the companies comprising the S&P 500. Accordingly, the Committee like the other media companies and many other businesses has selected the S&P 500 to set the context for evaluating the Company's performance and to measure relative performance for performance-based restricted stock unit awards.

[Summary of Peer Groups](#)

The following table summarizes the three distinct peer groups we use for the three distinct purposes described above:

Media Industry Peers	Evaluating compensation levels for the named executive officers	Disney and the five other major media companies:
----------------------	---	--

CBS

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Comcast

Twenty-First Century Fox

Time Warner

Viacom

General Industry Peers	Evaluating general compensation structure, policies and practices	24 similarly-sized global companies with a consumer orientation and/or strong brand recognition
Performance Peers	Evaluating relative economic performance of the Company	Standard & Poor's (S&P) 500

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Compensation Program Elements

2015 Total Direct Compensation

The following table sets forth the elements of total direct compensation for our named executive officers (NEOs) in fiscal 2015 and the objectives and key features of each element.

Salary	<p>Objectives</p> <p>The Committee sets salaries to reflect job responsibilities and to provide competitive fixed pay to balance performance-based risks.</p> <p>Key Features</p> <p>Minimum salaries set in employment agreement</p> <p>Compensation Committee discretion to adjust annually based on changes in experience, nature and responsibility of the position, competitive considerations, CEO recommendation (except his own salary)</p>
Performance-based Bonus	<p>Objectives</p> <p>The Committee structures the bonus program to incentivize performance at the high end of ranges for financial performance measures that it establishes each year to drive meaningful growth over the prior year. The Committee believes that incentivizing performance in this fashion will lead to long-term, sustainable gains in shareholder value.</p> <p>Key Features</p> <p>Target bonus for each NEO set by Committee early in the fiscal year in light of employment agreement provisions, competitive considerations, CEO recommendation (except his own target), other factors Committee deems appropriate</p> <p>Payout on 70% of target determined by performance against financial performance ranges established early in the fiscal year</p> <p>Payout on 30% of target determined by Committee's assessment of individual performance based on other performance objectives established early in the fiscal year</p>

and based on CEO recommendation (except his own payout)

In addition, Mr. Iger has an opportunity to earn a performance-based retention award in fiscal 2018, as described on page 40

Equity
Awards
Generally

Objectives

The Committee structures equity awards to directly reward long-term gains in shareholder value. Equity awards carry vesting terms that extend up to four years and include restricted stock units whose value depends on company performance relative to the performance of the S&P 500. These awards provide incentives to create and sustain long-term growth in shareholder value.

Key Features

Combined value of options, performance units and time-based units determined by Committee in light of employment agreement provisions, competitive market conditions, evaluation of executive's performance and CEO recommendation (except for his own award)

Allocation of awards for CEO and COO (based on award value):

50% performance-based restricted stock units

50% stock options

Allocation of awards for other NEOs (based on award value):

30% performance-based restricted stock units

30% time-vesting restricted stock units

40% stock options

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Executive Compensation 

Stock Option
Awards

Key Features

Exercise price equal to average of the high and low trading prices on day of award

Option re-pricing without shareholder approval is prohibited

10-year term

Vest 25% per year

Performance-
Based
Restricted
Stock Units

Key Features

Performance-based units reward executives only if specified financial performance measures are met

Subject to performance tests, units vest three years after grant date*

Half of award vests based on Total Shareholder Return relative to S&P 500; half of award vests based on Earnings Per Share relative to S&P 500

No units tied to a performance measure vest if performance on that measure is below the 25th percentile

50% of target units tied to a performance measure vest if performance on that measure is equal to 25th percentile, increasing to a maximum of 150% of target units vesting if performance on that measure is at the 75th percentile or higher**

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All units awarded to executive officers are subject to Section 162(m) test

Time-Based
Restricted
Stock Units

Key Features

25% vest each year following grant date

All units awarded to executive officers are subject to Section 162(m) test

*

Units awarded in prior fiscal years had performance tests as described in our proxy statements for the years in which the awards were issued.

**

Earnings Per Share for the Company is adjusted (i) to exclude the effect of extraordinary, unusual and/or nonrecurring items and (ii) to reflect such other factors as the Committee deems appropriate to fairly reflect earnings per share growth. Adjustments to diluted Earnings Per Share from continuing operations of S&P 500 companies will not normally be made because the Committee has no reason to believe that the average of adjustments across the S&P 500 companies would result in an amount that is significantly different from the reported amount.

Compensation at Risk

The Committee believes that most of the compensation for named executive officers should be at risk and tied to a combination of long-term and short-term Company performance. Approximately 90% of the target compensation for the CEO and the COO, and approximately 80% of the target compensation for other named executive officers, varies with either short or long-term Company performance.

In establishing a mix of fixed to variable compensation, the mix of various equity awards, target bonus levels, grant date equity award values and performance ranges, the Committee seeks to maintain its goal of making compensation overwhelmingly tied to performance while

at the same time affording compensation opportunities that, in success, would be competitive with alternatives available to the executive. In particular, the Committee expects that performance at the high end of ranges will result in overall compensation that is sufficiently attractive relative to compensation available at successful competitors and that performance at the low end of ranges will result in overall compensation that is less than that available from competitors who are more successful.

In determining the mix between options and restricted stock units, the Committee also considers the number of shares required for each of these types of award to deliver the appropriate value to executives.

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The following chart shows the percentage of the target total direct compensation (constituting base salary and performance-based bonus plus the grant-date fair value of regular annual equity awards) for Mr. Iger that is variable with performance (performance-based bonus and equity awards) versus fixed (salary).

2015 Target Total Direct Compensation Mix for CEO

92% of CEO target compensation is considered performance-based

For the COO, 87% of target compensation is considered performance-based and for other NEOs 81% of average target compensation is considered performance-based.

Employment Agreements

We enter into employment agreements with our senior executives when the Compensation Committee determines that it is appropriate to attract or retain an executive or where an employment agreement is consistent with our practices with respect to other similarly situated executives.

We have employment agreements with each of the named executive officers that extend to the dates shown below:

	Term Ends
Robert A. Iger	June 30, 2018
Thomas O. Staggs	June 30, 2018
Christine M. McCarthy	June 30, 2019
Alan N. Braverman	March 31, 2018
Kevin A. Mayer	June 30, 2019

Mr. Rasulo had an employment contract whose term expired January 31, 2015. He remained employed by the Company throughout the fiscal year without an

agreement, but with his salary and bonus opportunity unchanged from that in effect at the time his employment agreement expired.

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Material terms of the employment agreements with the named executive officers are reflected under "*Total Direct Compensation*," above, and "*Benefits and Perquisites*," "*2015 Compensation Decisions*" and "*Compensation Tables - Potential Payments and Rights on Termination or Change in Control*," below.

Benefits and Perquisites

The Company provides employees with benefits and perquisites based on competitive market conditions. All salaried employees, including the named executive officers, receive the following benefits:

health care coverage;

life and disability insurance protection;

reimbursement of certain educational expenses;

access to favorably priced group insurance coverage; and

Company matching of gifts of up to \$15,000 per employee each calendar year to qualified charitable organizations.

Officers at the vice president level and above, including named executive officers, receive the following benefits:

complimentary access to the Company's theme parks and some resort facilities;

discounts on Company merchandise and resort facilities;

for officers at the vice president level and higher before October 1, 2012, a fixed monthly payment to offset the costs of owning and maintaining an automobile;

relocation assistance;

eligibility for annual reimbursement of up to \$1,000 for wellness-related purposes such as fitness, nutrition and physical exams; and

personal use of tickets acquired by the Company for business entertainment when they become available because no business use has been arranged.

Named executive officers (and some other senior executives) are also entitled to the following additional benefits and perquisites: basic financial planning services, enhanced excess liability coverage, increased relocation assistance, and an increased automobile benefit.

The Company pays the cost of security services and equipment for the Chief Executive Officer in an amount that the Board of Directors believes is reasonable in light

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of his security needs and, in the interest of security, requires the Chief Executive Officer to use corporate aircraft for all personal travel. Other senior executive officers may also have security expenses reimbursed and are permitted at times to use corporate aircraft for personal travel, in each case at the discretion of the Chief Executive Officer.

In fiscal 2015, the Committee approved the payment of legal fees incurred in connection with the renegotiation of Mr. Iger's employment agreement. The Committee considers it appropriate to pay these expenses because they arose as a result of the Company's request that Mr. Iger extend the term of his employment agreement.

Retirement Plans

Named executive officers participate in defined benefit programs available to all of our salaried employees hired prior to January 1, 2012 and defined contribution retirement programs available to all of our salaried employees.

Tax-qualified defined benefit and defined contribution plans limit the benefit to participants whose compensation or benefits would exceed maximums imposed by applicable tax laws. To provide retirement benefits commensurate with compensation levels, the Company offers non-qualified plans to key salaried employees, including the named executive officers, using substantially the same formula for calculating benefits as is used under the tax-qualified defined benefit plans on compensation in excess of the compensation limitations and maximum benefit accruals and allowing deferral of income in addition to that permitted under tax qualified defined contribution plans.

Additional information regarding the terms of retirement and deferred compensation programs for the named executive officers is included in "Compensation Tables Pension Benefits" beginning on page 45 and "Compensation Tables Fiscal 2015 Nonqualified Deferred Compensation Table" beginning on page 47.

Risk Management Considerations

The Compensation Committee believes that the following features of our annual performance-based bonus and equity programs appropriately incentivize the creation of long-term shareholder value while discouraging behavior that could lead to excessive risk:

Financial Performance Metrics. The financial metrics used to determine the amount of an executive's bonus are measures the Committee believes drive long-term shareholder value. The ranges set for these measures are intended to reward success without encouraging excessive risk taking.

Limit on Bonus. The overall bonus opportunity is not expected to exceed two times the target amount, no matter how much financial performance exceeds the ranges established at the beginning of the fiscal year.

Equity Vesting Periods. Performance-based stock units vest in three years. Time-based stock units and options vest annually over four years and options remain exercisable for 10 years. These periods are designed to reward sustained performance over several periods, rather than performance in a single period.

Equity Retention Guidelines. Named executive officers are required to acquire within five years of becoming an executive officer, and hold as long as they are executive officers of the Company, shares (including restricted stock units) having a value of at least three times their base salary amounts, or four times in the case of the Chief Operating Officer and five times in the case of the Chief Executive Officer. If these levels have not been reached, these officers are required to retain ownership of shares representing at least 75% of the net after-tax gain (100% in the case of the Chief Executive Officer) realized on exercise of options for a minimum of 12 months. Based on holdings of units and shares on January 4, 2016, each named executive officer exceeded the minimum holding requirement on that date.

No Hedging or Pledging. Named executive officers (and other employees subject to the Company's insider trading compliance program) are not permitted to enter into any transaction designed to hedge, or having the effect of hedging, the economic risk of owning the Company's securities and they are prohibited from pledging Company securities.

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Clawback Policy. If the Company is required to restate its financial results due to material noncompliance with financial reporting requirements under the securities laws as a result of misconduct by an executive officer, applicable law permits the Company to recover incentive compensation from that executive officer (including profits realized from the sale of Company securities). In such a situation, the Board of Directors would exercise its business judgment to determine what action it believes is appropriate. Action may include recovery or cancellation of any bonus or incentive payments made to an executive on the basis of having met or exceeded performance targets during a period of fraudulent activity or a material misstatement of financial results if the Board determines that such recovery or cancellation is appropriate due to intentional misconduct by the executive officer that resulted in performance targets being achieved that would not have been achieved absent such misconduct.

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At the Compensation Committee's request, management conducted its annual assessment of the risk profile of our compensation programs in December 2015. The assessment included an inventory of the compensation programs at each of the Company's segments and an evaluation of whether any program contained elements that created risks that could have a material adverse impact on the Company. Management provided the results of this assessment to Frederic W. Cook & Co., Inc., which evaluated the findings and reviewed them with the Committee. As a result of this review, the Committee determined that the risks arising from the Company's policies and practices are not reasonably likely to have a material adverse effect on the Company.

Other Considerations

Timing of Equity Awards

Equity awards are made by the Compensation Committee only on dates the Committee meets. Committee meetings are normally scheduled well in advance and are not scheduled with an eye to announcements of material information regarding the Company. The Committee may make an award with an effective date in the future contingent on commencement of employment, execution of a new employment agreement or some other subsequent event, or may act by unanimous written consent on the date of such an event when the proposed issuances have been reviewed by the Committee prior to the date of the event.

Extended Vesting of Equity Awards

Options and restricted stock units continue to vest beyond retirement (and options remain exercisable) if (1) they were awarded at least one year prior to the date of an employee's retirement and (2) the employee was age 60 or older and had at least ten years of service on the date he or she retired. In these circumstances:

Options continue to vest following retirement according to the original vesting schedule. They remain exercisable for up to five years following retirement if the options were awarded after March 2011 and for up to three years following retirement if the options were awarded between December 2009 and March 2011. Options do not, however, remain exercisable beyond the original expiration date of the option.

Restricted stock units continue to vest following retirement according to the original vesting schedule, but vesting remains subject to any applicable performance conditions (except, in some cases, the test to ensure that the compensation is deductible pursuant to Section 162(m)).

The extended vesting and exercisability is not available to certain employees outside the United States.

Options and restricted stock units awarded to executive officers with employment agreements also continue to vest (and options remain exercisable) beyond termination of employment if the executive's employment is terminated by the Company without cause or by the executive with good reason. In this case, options and restricted stock units continue to vest (and options remain exercisable) as though the executive remained employed through the end of the stated term of the employment agreement. If the executive would be age 60 or older and have at least ten years of service as of the end of the stated term of the employment agreement, the options and restricted stock units awarded at least one year prior to the end of the stated term of the agreement would continue to vest (and options remain exercisable) beyond the stated term of the employment agreement as described above.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1 million paid for any fiscal year to the corporation's chief executive officer and up to three other executive officers (other than the chief financial officer) whose compensation must be included in this proxy statement because they are our most highly compensated executive officers. Section 162(m) exempts qualifying performance-based compensation from the deduction limit if applicable requirements are met.

The Compensation Committee has structured awards to executive officers under the Company's annual performance-based bonus program and equity awards program to qualify for this exemption. However, the Committee believes that shareholder interests are best served if its discretion and flexibility in awarding compensation is not restricted, even though some compensation awards may result in non-deductible compensation expenses. Therefore, the Committee has approved salaries for executive officers that were not fully deductible because of Section 162(m) and may approve other compensation that is not deductible for income tax purposes.

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To qualify for deduction, awards to executive officers under the annual performance-based bonus program and the long-term incentive program include a performance test based on adjusted net income in addition to the other performance tests described above. Adjusted net income means net income adjusted, as appropriate, to exclude the following items or variances: change in

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Executive Compensation 

accounting principles; acquisitions; dispositions of a business; asset impairments; restructuring charges; extraordinary, unusual or infrequent items; and extraordinary litigation costs and insurance recoveries. For fiscal 2015, the adjusted net income target was \$5.1 billion, and the Company achieved adjusted net income of \$8.8 billion. Net income was adjusted by

increasing reported net income to reflect the write-off of a deferred tax asset related to the Disneyland Paris recapitalization (\$399 million) and the net impact of restructuring and impairment charges and timing adjustments (\$4 million). Therefore, bonuses earned in fiscal 2015 and restricted stock units vesting based on fiscal 2015 results are deductible under Section 162(m).

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Compensation Process

The following table outlines the process for determining annual compensation awards.

<p>Annually, at the end of the calendar year, the CEO recommends salaries for executives other than himself for the following calendar year</p>	<p>Committee participates in regular Board review of operating plans and results and review of annual operating plan at the beginning of the fiscal year</p>	<p>In first fiscal quarter, CEO recommends grant date fair value of awards for executives other than himself</p>
<p>Committee reviews proposed salary changes with input from consultant</p>	<p>Management recommends financial and other performance measures, weightings and ranges</p>	<p>Committee reviews proposed awards with input from consultant and reviews with other non-management directors</p>
<p>Committee determines annual salaries for all NEOs</p>	<p>Early in the fiscal year, the Committee reviews proposed performance measures and ranges with input from consultant and determines performance measures and ranges that it believes establish appropriate stretch goals</p>	<p>Committee determines the dollar values of awards</p>
<p>Committee reviews determinations with the other non-management directors</p>	<p>CEO recommends bonus targets for executives other than himself</p>	<p>Exercise price and number of options and restricted stock units are determined by formula based on market price of common shares on the date of award</p>
	<p>Early in the fiscal year, the Committee reviews bonus targets with input from its consultant and in light of the targets established by employment agreements and competitive conditions and determines bonus targets as a percentage of fiscal year-end salary for each executive</p>	
	<p>After the end of the fiscal year, management presents financial results to the Committee</p>	

CEO recommends other performance factor multipliers for executives other than himself

Committee reviews the results and determines whether to make any adjustments to financial results and determines other performance factor multipliers and establishes bonus

Committee reviews determinations with the other non-management directors and, in the case of the CEO, seeks their concurrence in the Committee's determination

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Executive Compensation 

The following table outlines the process for determining terms of employment agreements and compensation plans in which the named executive officers participate.

CEO

Committee arrives at proposed terms of agreement with input from consultant	Committee requests management and consultant to review compensation plans
Committee recommends terms of agreement to other independent directors following negotiation with CEO	Management and consultant recommend changes to compensation plans in response to requests or on their own initiative
Committee participates with other non-management directors in determining terms of agreement for CEO	Committee reviews proposed changes to compensation plans with input from consultant

Other NEOs

CEO recommends terms of agreements	Committee determines changes to compensation plans or recommends to Board if Board action is required
Committee reviews proposed terms of agreements with input from consultant	Committee participates with Board in determining changes when Board action is required
Committee determines material terms of agreements, subject to consultation with Board where the Committee deems appropriate	

Management Input

In addition to the CEO recommendations described above, management regularly:

provides data, analysis and recommendations to the Compensation Committee regarding the Company's executive compensation programs and policies;

administers those programs and policies as directed by the Committee;

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provides an ongoing review of the effectiveness of the compensation programs, including competitiveness and alignment with the Company's objectives; and

recommends changes to compensation programs if needed to help achieve program objectives.

The Committee meets regularly in executive session without management present to discuss compensation decisions and matters relating to the design and operation of the executive compensation program.

Compensation Consultant

The Compensation Committee has retained the firm of Frederic W. Cook & Co., Inc. as its compensation consultant. The consultant assists the Committee's development and evaluation of compensation policies and practices and the Committee's determinations of compensation awards by:

attending Committee meetings;

meeting with the Committee without management present;

providing third-party data, advice and expertise on proposed executive compensation awards and plan designs;

reviewing briefing materials prepared by management and outside advisers and advising the Committee on the matters included in these materials, including the consistency of proposals with the Committee's compensation philosophy and comparisons to programs at other companies; and

preparing its own analysis of compensation matters, including positioning of programs in the competitive market and the design of plans consistent with the Committee's compensation philosophy.

The Committee considers input from the consultant as one factor in making decisions on compensation matters, along with information and analyses it receives from management and its own judgment and experience.

The Compensation Committee has adopted a policy requiring its consultant to be independent of Company management. The Committee performs an annual assessment of the consultant's independence to determine whether the consultant is independent. The Committee assessed Frederic W. Cook & Co. Inc.'s independence in December 2015 and confirmed that the firm's work has not raised any conflict of interest and the firm is independent under the policy.

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2015 Compensation Decisions

This section discusses the specific decisions made by the Compensation Committee in fiscal 2015 or with respect to fiscal 2015 compensation.

Investor Engagement

At our 2015 Annual Meeting, 84% of shares cast voted in favor of the advisory vote on executive compensation. We maintain a robust shareholder engagement program, and in fiscal 2015, we spoke with most of our fifteen largest investors and contacted over two-thirds of our largest 100 investors, seeking input on compensation and governance matters. To enable the Board and the Compensation Committee to consider direct shareholder feedback, the Compensation Committee is updated on these conversations with investors and Committee and other Board members participate directly in a number of them. Consistent with views received by the Committee in connection with this engagement, the Committee remains focused on the alignment of pay and performance as well as the absolute level of executive compensation, particularly for the Chief Executive Officer.

The Committee believes that recent compensation demonstrates this focus. Over the last several years, total compensation for the Chief Executive Officer and other named executive officers has tracked changes in performance, with exceptional performance in fiscal 2014 and fiscal 2015 rewarded with relatively higher levels of total compensation and strong, but less exceptional performance in fiscal 2013 rewarded by lower levels of compensation.

Employment Agreements

Employment Agreement with Mr. Iger

As described in detail in our 2015 Proxy Statement, the Board amended Mr. Iger's employment agreement early in fiscal 2015 to extend the period during which Mr. Iger would remain employed by the Company and serve as Chairman and Chief Executive Officer from June 30, 2016 to June 30, 2018. The amendment

provided that Mr. Iger's annual compensation for the extended employment period will be determined on the same basis as his annual compensation for fiscal 2016. The amendment also provided for an incentive retention award as described under "Fiscal 2015 Grants of Plan Based Awards," below.

Employment Agreement with Mr. Staggs

The Compensation Committee approved a new employment agreement with Mr. Staggs in connection with his appointment as Chief Operating Officer. The agreement provides that Mr. Staggs will serve as Chief Operating Officer during the term of the agreement, which runs through June 30, 2018. The new agreement provides for a minimum annual base salary of \$2,000,000 and provides that the target for calculating his annual performance-based bonus opportunity will be 250% of his annual base salary as expected to be in effect at the end of the fiscal year. The agreement also provides that the target accounting value of his annual long-term incentive compensation award will be four times his annual base salary as expected to be in effect at the end of the fiscal year, with the Compensation Committee retaining discretion to adjust the target value of the award in any fiscal year based on its evaluation of Mr. Staggs's performance and/or any economic, financial or market conditions affecting the Company. Fifty percent of Mr. Staggs's annual long-term incentive compensation award will be in the form of options and 50% will be in the form of performance-based restricted stock unit awards.

To bring Mr. Staggs's equity awards for fiscal 2015 into alignment with the terms of his new employment agreement, at the time he signed his new employment agreement Mr. Staggs received an award of options and performance-based restricted stock units with a value of \$2,392,707. Half of the value of the award was in the form of stock options and half was in the form of performance-based restricted stock units. This award combined with the award received by Mr. Staggs earlier in the fiscal year brought the accounting value of his equity awards for fiscal 2015 up to four times his annual base salary.

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Executive Compensation 

Employment Agreement with Mr. Braverman

The Compensation Committee approved an amendment to Mr. Braverman's employment agreement, extending the termination date under the agreement from March 31, 2016 to March 31, 2018. The extended agreement also increased Mr. Braverman's minimum annual base salary to \$1,500,000, which was equal to his base salary at the time. Except for this extension of the term and the revision of the minimum salary, the remaining terms of Mr. Braverman's agreement remained unchanged.

Employment Agreements with Ms. McCarthy and Mr. Mayer

The Compensation Committee approved an employment agreement with Ms. McCarthy and a new employment agreement with Mr. Mayer in connection with their appointments as Senior Executive Vice President and Chief Financial Officer and Senior Executive Vice President and Chief Strategy Officer, respectively. The agreements provide, respectively, that Ms. McCarthy and Mr. Mayer will serve in their respective positions through June 30, 2019. Each agreement provides for a minimum annual base salary of \$1,250,000 and provides that the targets for calculating their annual performance-based bonus opportunity will be 200% of their annual base salary as expected to be in effect at the end of the fiscal year. The agreements also provide that the target accounting value of their annual long-term incentive compensation award will be 2.5 times their annual base salary as expected to be in effect at the end of the fiscal year, with the Compensation Committee retaining discretion to adjust the target value of the award in any fiscal year based on its evaluation of their respective performance and/or any economic, financial or market conditions affecting the Company. The awards will be subject to substantially the same terms and conditions (including vesting and performance conditions) as will be established for other executive officers of the Company in accordance with the Board's policies for the grant of equity-based awards, as in effect at the time of the award.

Other material terms of the employment agreements with Mr. Staggs, Mr. Braverman, Ms. McCarthy and Mr. Mayer are described under "Compensation Program Elements," above, and "Compensation Tables Potential Payments and Rights on Termination or Change in Control," beginning on page 47.

Deferred Compensation Plan

In December 2014, the Compensation Committee approved the terms of a Non-Qualified Deferred Compensation Plan for all U.S.-based executives at the level of Senior Vice President or above. This plan allows participating executives to defer a portion of their compensation and applicable taxes with an opportunity to earn a tax-deferred return on the deferred amounts. In light of recent changes to the Company's defined benefit plan and limitations in tax-qualified deferred compensation plans, the Non-Qualified Deferred Compensation Plan provides executives an additional opportunity to save for retirement on a tax-deferred basis. Material terms of the plan are described under "Compensation Tables Fiscal 2015 Nonqualified Deferred Compensation Table," beginning on page 47.

Performance Goals

The Compensation Committee sets performance goals for each fiscal year early in that year, and evaluates performance against those goals after the fiscal year has ended to arrive at its compensation decisions.

Setting Goals

Financial Performance

In December 2014, the Compensation Committee selected the following financial measures and relative weights for calculating the portion of the named executive officers' bonuses that is based on financial performance:

segment operating income (25.0%)

earnings per share (28.6%)

after-tax free cash flow (21.4%)

return on invested capital (25.0%)

These are the same measures used in recent years, and the Committee selected them because it believes successful performance against these measures promotes the creation of long-term shareholder value. The Committee places slightly more weight on earnings per share and slightly less weight on after-tax free cash flow because, between the two, it believes earnings per share is somewhat more closely related to shareholder value.

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The Committee also established performance ranges for each of the measures in December 2014. These ranges are used to determine the multiplier that is applied to 70% of each named executive officer's target bonus. The overall financial performance multiple is equal to the weighted average of the performance multiples for each of the four measures. The performance multiple for each measure is zero if performance is below the bottom of the range and varies from 35% at the low end of the range to a maximum of 200% at the top end of the range. The Committee believes the top of each range represents extraordinary performance and the bottom represents disappointing performance. The target for 70% of an executive's bonus that is tied to these measures generally cannot be achieved unless there is meaningful growth across the four financial measures on a weighted basis.

In establishing these ranges for fiscal 2015, the Committee considered how best to define measures of success in light of the historic growth rates achieved in fiscal 2014, which were driven in part by the uniquely strong performance of the Company's 2014 film slate. The Committee determined that, given these unique circumstances, somewhat lower (but still substantial) growth rates in fiscal 2015 would represent comparably excellent performance and established appropriately challenging target ranges accordingly. All fiscal 2015 performance ranges were still substantially above performance ranges in 2014. The following table shows actual performance in fiscal 2014 and the target ranges chosen by the Committee for fiscal 2015 (dollars in millions except per share amounts):

Segment Operating Income*	\$13,005	\$11,162-\$14,545
Adjusted earnings per share*	\$4.32	\$3.60-\$4.98
After-tax free cash flow**	\$7,580	\$4,138-\$10,910
Return on Invested Capital***	12.1%	10.3%-13.0%

*

For purposes of the annual performance-based bonuses, "segment operating income" and "adjusted earnings per share" are calculated as set forth in Annex A.

**

For purposes of the annual performance-based bonuses, "after-tax free cash flow" was defined as cash provided by operations less investments in parks, resorts and other properties and less certain planned expenses that were not incurred in fiscal 2015 and that are expected to be incurred in fiscal 2016, all on an equity basis (i.e., including Euro Disney, Hong Kong Disneyland and Shanghai Disney Resort on a basis that reflects actual ownership percentage rather than on a consolidated basis).

For purposes of the annual performance-based bonuses "return on invested capital" was defined as the aggregate segment operating income less corporate and unallocated shared expenses (both on an after tax basis), and less certain planned expenses that were not incurred in fiscal 2015 that are expected to be incurred in fiscal 2016, divided by average net and assets (including net goodwill) invested in operations, all on an equity basis (i.e., including Euro Disney, Hong Kong Disneyland and Shanghai Disney Resort on a basis that reflects actual ownership percentage rather than on a consolidated basis).

Other Performance Factors

The Committee also established other performance factors for the fiscal 2015 annual bonus in December 2014. The Committee established the following factors based on the recommendation of Mr. Iger and the strategic objectives of the Company:

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Foster quality, creativity and innovation in how we create, market and distribute all of our products

Drive long-term growth internationally, particularly through recent acquisitions and initiatives

Manage efficiency across all areas of spending

Support the hiring, development and talent planning of diverse executives; champion flexible work practices, a workplace and women's initiative and U.S. Hispanic priorities; and develop content, products, and guest experiences that appeal to diverse audiences

Evaluating Performance

After the fiscal year ended, the Compensation Committee reviewed the overall performance of the Company. The Company once again achieved impressive growth in all key financial metrics even following increases in those metrics in fiscal 2014 that were among the highest levels in nearly a decade. Data detailing this performance is set forth in the proxy statement summary beginning on page 1.

The outstanding financial performance drove growth in each of the four financial measures used to determine 70% of each named executive officer's bonus award. As adjusted for purposes of determining compensation, segment operating income grew 12% on top of 21% growth in fiscal 2014, adjusted earnings per share grew 19% on top of 27% growth in the prior year, and return on invested capital grew 120 basis points to 13.3%. After-tax free cash flow grew 15% to \$8.7 billion compared with growth of 1% in fiscal 2014. Achievement of these results generated a performance factor equal to the maximum of 200% for each of the measures except after-tax free cash flow, which generated a factor of 136%. The weighted financial performance factor was 186%, the same as in fiscal 2014.

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Executive Compensation 

The following chart shows actual performance in fiscal 2015 (as adjusted for purposes of determining compensation) with respect to each of these measures relative to prior year performance and the ranges established at the beginning of the fiscal year and the resulting performance factor used in calculating the aggregate financial performance goal multiple. (Dollars in millions except per share amounts.)

In comparing actual performance for fiscal 2015 to the performance ranges, the Compensation Committee excluded the impacts of the write-off of a deferred tax asset related to the Disneyland Paris recapitalization and the net impact of restructuring and impairment charges. The Committee also excluded the benefit of certain planned expenses that were not incurred in fiscal 2015 and that are expected to be incurred in fiscal 2016, thus lowering the levels of performance achieved for purposes of calculating bonus awards.

The Committee also evaluated performance of each executive officer against the other performance factors established at the beginning of the year. While based on the individual factors for each executive discussed below, the evaluations took into account the Company's strong performance during fiscal 2015 arising from successful execution against each of the strategic objectives reflected in the other performance factors for the Company set forth above.

Individual Compensation Decisions

The following table summarizes compensation decisions made by the Committee with respect to each of the named executive officers. The Committee established the calendar year salary and performance-based bonus target amount for Mr. Iger, Mr. Rasulo and Mr. Braverman early in the fiscal year, and established the annual calendar year salary rate and target bonuses shown below for Mr. Staggs, Ms. McCarthy and Mr. Mayer upon execution of their new or amended employment contracts as described under "Employment Agreements," above. The final bonus award was calculated after the fiscal year ended using the financial performance factor of 186% described above and the other performance factors determined by the Committee described below applied to the target bonus opportunity for that executive. The dollar value of the equity award was determined early in the fiscal year, except that an additional award of options and target performance units was made to Mr. Staggs upon his appointment as Chief Operating Officer.

Salary

Performance-Based Bonus

Equity Awards

Robert A. Iger	\$2,500,000	\$12,000,000	186%	186%	\$22,340,000	\$16,839,618	91,287		372,411
Thomas O. Staggs	\$2,000,000	\$5,000,000	186%	140%	\$8,620,000	\$7,920,000	28,711	17,955	145,799
Alan N. Braverman	\$1,500,000	\$3,000,000	186%	180%	\$5,532,000	\$3,000,000	9,758	9,758	53,077
Christine M. McCarthy	\$1,250,000	\$2,500,000	186%	140%	\$4,310,000	\$1,630,000	5,302	5,302	28,833
Kevin A. Mayer	\$1,250,000	\$2,500,000	186%	140%	\$4,310,000	\$2,200,000	7,156	7,156	38,922
James A. Rasulo	\$1,840,000	\$3,680,000	186%	154%	\$6,500,000	\$5,520,000	17,955	17,955	97,666

*

Multiplied by 70% of the target amount.

**

Multiplied by 30% of the target amount.

The number of restricted stock units and options was calculated from the dollar value of the award as described in the table on page 20.

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The compensation set forth above and described below differs from the total compensation reported in the Summary Compensation Table as follows:

The dollar value of equity awards differs from the aggregate dollar value for equity awards reported in the Summary Compensation Table and the Fiscal 2015 Grants of Plan Based Awards Table because the dollar value reported in this table for performance-based restricted stock units is equal to the grant-date share price multiplied by the number of target shares granted. This amount is less than the amount reported in the other tables, which report the cost used for accounting purposes and which adjust for the probability that strong performance will increase the number of units vesting over the target number of units. The Committee used the dollar value included in the table above where employment agreement provisions regarding equity awards were based on this value. For Mr. Iger and Mr. Staggs, the Committee determined award values as described below.

The compensation set forth above does not include the change in pension value and nonqualified

deferred compensation earnings as the change in pension value does not reflect decisions made by the Committee during the fiscal year.

The compensation set forth above does not include perquisites and benefits and other compensation as these items are generally determined by contract and do not reflect decisions made by the Committee during the fiscal year.

The Committee's determination on each of these matters was based on the recommendation of Mr. Iger (except in the case of his own compensation), the parameters established by the executive's employment agreement and the factors described below. In addition, in determining equity awards, the Committee considered its overall long-term incentive guidelines for all executives, which, in the context of the competitive market for executive talent, attempt to balance the benefits of incentive compensation tied to performance of the Company's common stock with the dilutive effect of equity compensation awards.

Mr. Iger

Salary Mr. Iger's 2015 annual salary rate was unchanged from his 2014 salary and is equal to the amount set in his employment agreement.

Performance-based Bonus **Target Bonus**
Mr. Iger's fiscal 2015 target bonus amount was unchanged from fiscal 2014 and is equal to the amount set in his employment agreement.

Other Performance Factor

The Committee applied a factor of 186% with respect to other performance factors for Mr. Iger in fiscal 2015 compared to a factor of 200% in fiscal 2014. This factor reflected the Committee's judgment that Mr. Iger's continued strategic and creative leadership of the Company has been critical to the development of the Company's strong intellectual property, brands and reputation, which collectively have been integral to the Company's success across all lines of business and around the globe, and have driven sustained exceptional financial performance. Key accomplishments demonstrating this leadership during the year included:

Successful creative execution across all of the Company's film brands leading to record revenue and operating income at the Studio for fiscal 2015, led by:

Strong performance of Disney-branded films *Big Hero 6* and *Cinderella* with the continued strong sales of consumer products in fiscal 2015 from fiscal 2014's hit *Frozen*;

Pixar's *Inside Out* leading box office performance for an original animated film for fiscal 2015;

Combined worldwide box office of over \$1.8 billion for Marvel films *Avengers: Age of Ultron* and *Ant-Man* along with the Marvel release on Netflix of the critically-acclaimed *Daredevil*.

Record-breaking enthusiasm for the fiscal 2016 release of *Star Wars: The Force Awakens*, evidenced by records for online viewing of trailers and consumer response to the "Force Friday" unboxing event for *Star Wars* related merchandise.

ABC's success in the 2014-15 Primetime Season as the only broadcast network to improve ratings year-over-year. ABC also showcased diverse perspectives both on screen and behind the camera. Disney Junior's *Doc McStuffins*, depicting a young African-American girl who is a skilled doctor for toys, won the 2015 Peabody Award.

ESPN successfully launched the first College Football Playoff, garnering the three highest rated shows in the history of cable television.

Disney Parks and Resorts delivered its fifth consecutive year of growth in revenue and operating income, setting attendance records at its domestic parks.

The Company established a new operational policy for flexible work arrangements to promote a positive, effective and productive work environment for its 185,000 employees.

Fortune named Disney as one of the world's most admired companies for 2015, and Disney continued to achieve the highest ranking among media and entertainment companies in several independent studies including Interbrand's Best Global Brands and *Forbes* Most Reputable Companies.

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Executive Compensation 

Equity Award
Value
Mr. Staggs

The Committee left the value of Mr. Iger's equity award approximately equal to the value of his fiscal 2014 award.

Salary

The Committee established Mr. Staggs's salary of \$2,000,000 to reflect the market for executive talent and the outstanding performance Mr. Staggs had exhibited in his prior positions.

Performance-
based Bonus

Target Bonus

Mr. Staggs' target bonus for fiscal 2015 is equal to 2.5 times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 140% with respect to other performance factors for Mr. Staggs in fiscal 2015. The determination this year reflected Mr. Iger's recommendation (including an adjustment for the length of time Mr. Staggs held his current position during the year) and Mr. Staggs' accomplishments during the year, which included:

Transitioned into the role of COO and took on primary day-to-day responsibility for several segments of the Company.

Led Disney Consumer Products prior to a new leadership announcement and during the transition began the work to consolidate Disney Interactive and Disney Consumer Products into one segment.

Equity Award
Value
Mr. Braverman

Continued involvement in park completion in Shanghai and addressed unique challenges and complexities. The aggregate equity award value for Mr. Staggs was set so that the accounting cost of this award would be approximately four times his fiscal year end salary, as set forth in his new employment agreement.

Salary

The Committee increased Mr. Braverman's 2015 salary by 7% to \$1,500,000 to reflect changes in the market for executive talent and his continued outstanding performance.

Performance-
based Bonus

Target Bonus

Mr. Braverman's target bonus for fiscal 2015 is equal to two times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 180% with respect to other performance factors for Mr. Braverman in fiscal 2015 compared to a factor of 200% in fiscal 2014. The determination this year reflected Mr. Iger's recommendation and Mr. Braverman's accomplishments during the year, which included:

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Continued leadership of the Company's legal positions on significant litigation matters, transactions, and regulatory compliance.

Established a framework for evaluating legal issues arising out of the evolving ecosystem for distribution and monetization of video content.

Oversaw the development and implementation of policies and procedures relating to data privacy and protection.

Led oversight of the Company's governmental affairs and public policy positions on both a domestic and global level.

Continued to promote diversity of hiring in the legal department and to promote development of the department's pro bono legal program.

Equity Award
Value

The equity award value for Mr. Braverman is equal to two times his fiscal year end salary as set forth in his employment agreement.

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Ms. McCarthy

Salary The Committee set Ms. McCarthy's salary as Senior Executive Vice President and Chief Financial Officer at \$1,250,000 to reflect the market for executive talent, the reconfiguration of responsibilities among the executive team and the outstanding performance she had exhibited in her prior positions.

Performance-based Bonus **Target Bonus** Ms. McCarthy's target bonus for fiscal 2015 is equal to two times her fiscal year end salary, as set forth in her employment agreement.

Other Performance Factor

The Committee applied a factor of 140% with respect to other performance factors for Ms. McCarthy in fiscal 2015. This determination reflected Mr. Iger's recommendation (including an adjustment for the length of time Ms. McCarthy held her current position during the year) and Ms. McCarthy's accomplishments during the year, which included:

Successfully transitioned to the Chief Financial Officer's role including preparation for third quarter earnings announcement shortly after appointment, finalization of the fiscal 2016 operating plan, and organizational changes to the department.

Led the oversight and management of the Company's balance sheet profile ensuring access to short-term commercial paper and term financing.

Led finance teams on significant capital structure and project finance issues including recapitalization of Disneyland Paris and implementation of Shanghai Disney Resort shareholder capital structure and project financing.

Equity Award Value The annual equity award value for Ms. McCarthy (which was made prior to promotion to Chief Financial Officer) was equal to 2.25 times her expected fiscal year end salary at the time of the award based on Mr. Iger's recommendation and equity award guidelines for executives at her level.

Mr. Mayer

Salary The Committee set Mr. Mayer's salary as Senior Executive Vice President and Chief Strategy Officer at \$1,250,000 to reflect the market for executive talent, the reconfiguration of responsibilities among the executive team and the outstanding performance he had exhibited in his prior positions.

Performance-based Bonus **Target Bonus** Mr. Mayer's target bonus for fiscal 2015 is equal to two times his fiscal year end salary, as set forth in his employment agreement.

Other Performance Factor

The Committee applied a factor of 140% with respect to other performance factors for Mr. Mayer in fiscal 2015 compared to a factor of 200% in fiscal 2014. The determination this year reflected Mr. Iger's recommendation (including an adjustment for the length of time Mr. Mayer held his current position during the year) and Mr. Mayer's accomplishments during the year, which