

Triennial Executive Pay Vote Shareholder Proposal

Resolved: That the shareholders of [name of corporation] (“Company”) hereby request that the board of directors institute a Triennial Executive Pay Vote (“TEP Vote”) program with the following features:

1. A triennial executive pay vote that provides shareholders an opportunity to vote at every third annual shareholder meeting on an advisory resolution, proposed by management, to approve the compensation of the Company’s Named Executive Officers (“NEOs”), as described and disclosed in the Company’s proxy statement;
2. A triennial executive pay vote ballot that, in addition to allowing shareholders to vote to approve or disapprove the overall compensation plan for the NEOs, affords shareholders an opportunity to register their approval or disapproval on three key components of the NEOs’ compensation: (1) the annual incentive plan, (2) the long-term incentive plan(s), and (3) post-employment benefits, such as retirement, severance, and change-of-control benefits; and
3. A forum conducted by the compensation committee on at least a triennial basis via webcast or alternative means that affords compensation committee members an opportunity to discuss senior executive compensation policies and practices, and also allows shareholders to directly comment on and ask questions regarding these policies and practices.

Supporting Statement: A company’s senior executive compensation plan is critically important in incentivizing executives to develop and implement a business strategy designed to maximize the long-term success of the corporate enterprise. Many executive compensation plans fail in this regard, all too often rewarding subpar or failing performance. Despite important executive compensation and governance reforms, including greater compensation committee independence, enhanced executive compensation disclosure, and widespread adoption of a majority vote standard in director elections leading to greater director accountability, the voice of shareholders remains an important missing element in the executive compensation process.

The TEP Vote program is a measured and constructive means to foster individual and institutional shareholder communication with compensation committees concerning executive pay plans. An advisory pay plan vote at every third annual meeting would provide shareholders an opportunity to make an informed and thoughtful vote based on close analysis of the pay plan. The modest pace of pay plan reforms and the significant costs associated with a thorough pay plan analysis suggests that a triennial vote, rather than an annual

vote, might improve the quality of the shareholder pay plan analysis and the informative value of the vote.

Given the multi-faceted nature of pay plans, a simple overall pay plan vote would be of modest value as it would provide little insight for the compensation committee into the basis for a vote. A TEP vote ballot would correct this deficiency by allowing shareholders to vote separately on important components of the plan, most importantly the annual and long-term incentive plans and post-employment plan components that often convey considerable amounts of compensation.

Finally, the compensation committee should establish a periodic communication forum that provides shareholders an opportunity to directly interact with the compensation committee, whose members frequently exercise discretion in determining pay plan outcomes.