Compensation & Benefits

Voting Guidelines for Say On Pay & Incentive Plan

ORRICK

SAY ON PAY/EXECUTIVE COMPENSATION - VOTING GUIDELINES						
	BlackRock	**T Rowe Price**	**Vanguard**	**Fidelity**	**Morgan Stanley**	**State Street**
Peer Group Selection	We may determine to vote AGAINST Say on Pay proposals in certain instances, including but not limited to when we determine that compensation is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company's selected peers. Peers should be broadly comparable to the company based on objective criteria directly relevant to setting competitive compensation. Factors giving rise to an AGAINST vote include: • Excessive compensation relative to peer group, and • An inappropriate peer group. We are concerned with the "ratchet effect" of explicit benchmarking to peers. Peer groups should be used to maintain awareness of competitive market pay and pay practices, while mitigating ratcheting of pay disconnected from actual performance.	May vote AGAINST if (i) the automatic benchmarking of pay is in the top half of the peer group or (ii) there's a lack of proportionality in the pay plan relative to the company's size and peer group, along with other problematic pay practices.	We generally support pay programs that provide compensation opportunities that are competitive relative to industry peers.		We review remuneration structures and potential poor pay practices, such as relative magnitude of pay and peer group construction.	We seek adequate disclosure of peer selection and benchmarking.

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Pay For Performance	Compensation committees should ultimately be focused on incentivizing long-term shareholder value creation and not necessarily on achieving a certain level of support on Say on Pay at any particular shareholder meeting. We may engage with members of management and/ or the compensation committee of the board, where concerns are identified or where we seek to better understand a company's approach to executive compensation. We may vote AGAINST a Say on Pay proposal if we identify a misalignment over time between target and/or realizable compensation and company performance. We consider factors such as inappropriate or non-rigorous performance measures or hurdles, whether compensation is insufficiently sensitive to company performance, and the key changes to pay components from previous years and consider the compensation committee's rationale for those changes. We examine both target and realizable compensation to judge the appropriateness and rigor of performance measures and hurdles, and to assess sensitivity to company performance.	From July 2013 through June 2014, we voted against the Say on Pay vote at 7% of U.S. companies. We use a proprietary, quantitative scorecard as an initial screening mechanism. We generally support an annual Say on Pay Frequency vote. We may vote AGAINST a Say on Pay proposal if there has been a poor link over the past 3-5 years between the executives' pay and the company's performance and profitability.	We generally support pay programs that demonstrate effective linkage between pay and performance over time. In evaluating Say on Pay proposals, we consider a number of factors, including the amount of compensation that is at risk, the amount of equity -based compensation that is linked to the company's performance, and the level of compensation as compared to industry peers. Pay programs in which significant compensation is guaranteed or insufficiently linked to performance will be less likely to earn our support.	We will generally vote for proposals to ratify executive compensation unless such compensation appears misaligned with shareholder interests or otherwise problematic, taking into account such factors as, among other things, (i) whether, in the case of stock awards, the restriction period was less than 3 years for non-performance-based awards, and less than 1 year for performance-based awards, and (ii) whether the compensation committee has lapsed or waived equity vesting restrictions.	We consider proposals relating to an advisory vote on remuneration on a case-by-case basis. Considerations include a review of the relationship between executive remuneration and performance based on operating trends and total shareholder return over multiple performance periods. We generally support emphasis on long-term components of senior executive pay and strong linkage of pay to performance; also consider factors such as whether a proposal may be overly prescriptive, and the impact of the proposal, if implemented as written, on recruitment and retention.	We support management proposals on executive compensation where there is a strong relationship between executive pay and performance over a 5-year period. We seek adequate disclosure of different compensation elements, absolute and relative pay levels, mix of long-term and short-term incentives and alignment of pay structures with shareholder interests as well as with corporate strategy and performance.

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Discretionary Bonuses	Companies should explicitly disclose how incentive plans reflect strategy and incorporate long-term shareholder value drivers; this discussion should include the commensurate metrics and timeframes by which shareholders should assess performance. We support formulas, but do not believe that a solely formulaic approach necessarily drives shareholder value. Thus, compensation committees should use some discretion, but we may vote AGAINST if there is an overreliance on discretion without explaining how those decisions align with shareholder interests. We examine extraordinary pay items like one-time bonuses and/or retention awards to understand the compensation committee's rationale and alignment with shareholder interests.	From July 2013 through June 2014, we voted against the Say on Pay vote at 7% of U.S. companies. We use a proprietary, quantitative scorecard as an initial screening mechanism. We generally support an annual Say on Pay Frequency vote. We may vote AGAINST a Say on Pay proposal if there has been a poor link over the past 3-5 years between the executives' pay and the company's performance and profitability.	We generally support pay programs that demonstrate effective linkage between pay and performance over time. In evaluating Say on Pay proposals, we consider a number of factors, including the amount of compensation that is at risk, the amount of equity -based compensation that is linked to the company's performance, and the level of compensation as compared to industry peers. Pay programs in which significant compensation is guaranteed or insufficiently linked to performance will be less likely to earn our support.	We will generally vote for proposals to ratify executive compensation unless such compensation appears misaligned with shareholder interests or otherwise problematic, taking into account such factors as, among other things, (i) whether, in the case of stock awards, the restriction period was less than 3 years for non-performance-based awards, and less than 1 year for performance-based awards, and (ii) whether the compensation committee has lapsed or waived equity vesting restrictions.	We consider proposals relating to an advisory vote on remuneration on a case-by-case basis. Considerations include a review of the relationship between executive remuneration and performance based on operating trends and total shareholder return over multiple performance periods. We generally support emphasis on long-term components of senior executive pay and strong linkage of pay to performance; also consider factors such as whether a proposal may be overly prescriptive, and the impact of the proposal, if implemented as written, on recruitment and retention.	We support management proposals on executive compensation where there is a strong relationship between executive pay and performance over a 5-year period. We seek adequate disclosure of different compensation elements, absolute and relative pay levels, mix of long-term and short-term incentives and alignment of pay structures with shareholder interests as well as with corporate strategy and performance.

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Discretionary Large Equity Grants	We examine extraordinary pay items (including but not limited to actual inducement grants) to understand the compensation committee's rationale and alignment with shareholder interests.	We generally oppose compensation packages that: --provide excessive awards to few senior executives, --rely on an inappropriate mix of options and full-value awards, and --provide bonuses that are not adequately linked to performance.	In evaluating Say on Pay proposals, we consider a number of factors, including the amount of compensation that is at risk, the amount of equity-based compensation that is linked to the company's performance, and the level of compensation as compared to industry peers. Pay programs in which significant compensation is guaranteed or insufficiently linked to performance will be less likely to earn our support.			
Severance Pay	We examine extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards) to understand the compensation committee's rationale and alignment with shareholder interests.	We generally oppose compensation packages that provide egregious pay, such as excessive severance. We generally vote AGAINST severance plans in the context of a significant transaction.			We generally support severance plans, provided that research does not indicate that approval of the plan would be against shareholder interest.	
Tax Gross Ups		We may vote AGAINST a Say on Pay proposal where there is an unacceptable number of problematic pay elements, such as the presence of objectionable structural features in the compensation plan, including tax gross-ups.			We review remuneration structures and potential poor pay practices, such as tax gross ups. As long-term investors, we support remuneration policies that align with long-term shareholder returns.	

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Golden Parachutes	We generally support proposals requiring shareholder approval of plans that exceed 2.99 times an executive's current salary and bonus, including equity compensation.	We may vote AGAINST a Say on Pay proposal where there is an unacceptable number of problematic pay elements, such as the presence of objectionable structural features in the compensation plan, including golden parachutes. We may vote AGAINST a Say on Pay proposal if the company offers a golden parachute (presumably above 2.99 times executive's base comp) along with other problematic pay practices.	Severance benefits in connection with or following change in control (double-trigger) are generally acceptable to the extent they do not exceed 3 times executive's salary and bonus. Arrangements exceeding the 3 times limit should be justified and submitted for shareholder approval. We generally do not support severance absent a change in control.	We generally vote AGAINST if a "golden parachute" was adopted or extended without shareholder approval. We generally vote AGAINST proposals to ratify "golden parachutes." "Golden parachutes" include excise tax gross-ups, change in control bonuses, and other payments that may result in a lump sum payment of cash and equity acceleration more than 3 times the executive's base compensation upon or following a change in control.		We generally support proposals requiring shareholder approval of plans that exceed 2.99 times an executive's current salary and bonus, including equity compensation.
Excessive Perks		We may vote AGAINST a Say on Pay proposal where there is an unacceptable number of problematic pay elements, such as the presence of objectionable structural features in the compensation plan, including excessive perquisites.				
SERPs	We may support proposals putting extraordinary benefits in SERPs unless the company's executive pension plan does not contain excessive benefits beyond what is offered under employee-wide plans.	We may vote AGAINST a Say on Pay proposal where there is an unacceptable number of problematic pay elements, such as the presence of objectionable structural features in the compensation plan, including SERPs.			We consider on a case-by-case basis shareholder proposals that seek to limit SERPs, but support such shareholder proposals where we consider SERPs excessive.	

INCENTIVE PLAN - VOTING GUIDELINES						
	BlackRock	**T Rowe Price**	**Vanguard**	**Fidelity**	**Morgan Stanley**	**State Street**
Evergreen	We generally oppose equity plans containing evergreen provisions allowing for unlimited increase in share reserve without requiring further shareholder approval after a reasonable time period.	We generally considers evergreen provisions a poor structural feature. We may vote AGAINST an equity plan that contains an evergreen provision along with other problematic provisions.	An evergreen provision is a factor weighing AGAINST the approval of an equity plan.	We generally vote AGAINST equity plans containing an evergreen provision.		
High Burn Rate / Dilution		We may vote AGAINST an equity plan if there's a high burn rate relative to the peer group. We may vote AGAINST an equity plan that has an unacceptable level of potential dilution relative to the company's size, industry and growth profile.	If the total potential dilution (including all stock-based plans) exceeds 15% of shares outstanding, that is a factor weighing AGAINST the approval of an equity plan. Other stated factors weighing AGAINST approval include: (i) annual equity grants that exceed 2% of shares outstanding, and (ii) an equity plan that provides for reload options.	We generally vote AGAINST equity plans if: (a) the company's average 3-year burn rate is greater than 1.5% for a large-cap company, 2.5% for a small-cap company, or 3.5% for a micro-cap company; and (b) there were no circumstances specific to the company or the plans that lead Fidelity to conclude that the burn rate is acceptable. We generally vote AGAINST equity plan if dilution effect of shares authorized under the plan plus the shares reserved for issuance pursuant to all other equity plans is greater than 10%. For smaller market cap companies, the dilution effect may not be greater than 15%.	We may vote AGAINST an equity plan if it authorizes excessive dilution and shareholder cost, particularly in the context of a high burn rate of equity compensation in the recent past.	We may vote AGAINST an equity plan if it authorizes excessive voting power dilution, which is calculated by dividing (i) the number of shares required to fully fund the proposed equity plan, the number of authorized but unissued shares and the issued but unexercised shares by (ii) the fully diluted share count. This number is considered in light of certain other factors, including industry of the company.
Change in Control	We encourage change of control provisions to require the termination of the covered employee before acceleration or special payments are triggered.				We review remuneration structures and potential poor pay practices, such as change-in-control features. As long-term investors, we support remuneration policies that align with long-term shareholder returns.	Automatic vesting acceleration upon a change in control viewed negatively.

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Repricing	We generally oppose equity plans permitting repricing without shareholder approval.		Repricing or replacement of options without shareholder approval is a factor weighing AGAINST the approval of an equity plan.	We generally vote AGAINST equity plans permitting repricing or if the company has repriced options under the plan in the last 2 years, unless terms of the plan or a board resolution provides for repricing to be rarely used and within the "de minimis exception" (unknown).	Repricing program is considered on a case-by-case basis. Considerations include the company's reasons and justifications, the company's competitive position, whether senior executives and outside directors are excluded, potential cost to shareholders, whether the repricing/ exchange is on a value-for-value basis, and whether vesting requirements are extended.	We will vote AGAINST an equity plan if repricing is expressly permitted. We will also vote AGAINST an equity plan if the company has a history of repricing underwater options.
Accelerated Vesting	We may oppose equity plans that provide for vesting acceleration.			We generally vote AGAINST the inclusion of vesting acceleration.		
Other	Solely formulaic approaches to compensation do not drive shareholder value; compensation committees should use discretion in designing incentive plans, establishing pay quanta, and finalizing compensation decisions, and should demonstrate how they are aligned with shareholder interests. Companies should explicitly disclose how incentive plans reflect strategy and incorporate long-term shareholder value drivers; this discussion should include the commensurate metrics and timeframes by which shareholders should assess performance.	Other stated problematic elements include (i) unusually high concentration of total awards to NEOs, (ii) unduly heavy reliance of full-value awards, and (iii) poor pay practices generally.				Other stated negative factors include "gun-jumping" grants that anticipate shareholder approval of a plan or amendment.