

TOOLKIT: DRAFT LETTER TO ENGAGE INVESTORS ON PAY DURATION MISALIGNMENT

Dear [Comp Committee Chair],

[Investor] holds [number] of voting shares in [corporation] as of [record date], the record date for distributing votes at the upcoming annual general meeting. This position is [at / above] the benchmark for the long-only equity strategies that we manage for clients.

I am responsible for casting [investor's] votes for the say-on-pay item on this ballot, and I am writing to request further information from you to inform this vote.

[Investor] believes that [corporation] performs best when the CEO is focused on long-term strategy, and one important way to encourage that focus is with pay design. The duration of [corporation's] pay package is [duration] years. While [investor] does not believe that pay duration must exceed any exact horizon, a duration this short seems necessarily to discourage long-term focus.

Is this calculation of [corporation's] CEO pay duration correct? For reference, we have calculated this number using a tool provided by FCLTGlobal, a non-profit organization whose mission is to focus capital on the long term to support a sustainable and prosperous economy. You may check our calculation using this same tool – [download it here](#).

If this figure is correct, [investor] requests that you, as chair of the compensation committee, address the following questions:

- What is the overall duration of [corporation's] investments, and how – if at all – did investment duration inform your choice of pay duration?
- Is [corporation] currently experiencing circumstances in which you believe short-term reward encourages long-term focus by the CEO? If so, what are those circumstances, and why do they give you this belief? (An example of such circumstances would be a corporation undergoing turnaround.)
- Do you use a pay metric other than duration to reward the CEO for focusing on long-term strategy? If so, what is that metric, and why do you emphasize it instead of duration?
- Do you share [investor's] belief that duration is a sound and important metric of long-term focus in pay design? Why or why not?

[Investor] will use the information that you are able to provide to determine whether to favor or oppose the say-on-pay ballot item at this year's annual meeting. This information may also contribute to [investor's] decision about whether to favor or oppose your board candidacy in the coming years. Accordingly, we ask that you respond in writing as fully and as quickly as possible. You may also use this reply to request a meeting to engage on this topic. If uncertainties remain that are material to our investment strategy, we will accept this meeting on an expedited basis. If not, we will note this request for our engagement planning over the next 12 months.

[Investor] understands and appreciates that our financial performance is rooted in the competitive success of [corporation's] business, and we thank you for all that you do to help us succeed together.

Best regards,

[Head of Corporate Governance]