

SCHWAB CHARLES CORP
Form DEF 14A
March 30, 2016
Table of Contents

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|---|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to Section 240.14a-12 | |

The Charles Schwab Corporation

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee previously paid with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

March 30, 2016

Dear Fellow Stockholders,

We cordially invite you to attend our 2016 Annual Meeting of Stockholders to be held on Tuesday, May 17, 2016, at 2:00 p.m. Pacific Time. The annual meeting will be held at www.schwabevents.com/corporation, or you also may attend in person at 211 Main Street, San Francisco, California. Please follow the registration instructions as outlined in this proxy statement to attend the meeting either virtually via the internet or in person.

At the annual meeting, we will conduct the items of business outlined in this proxy statement. We also will report on our corporate performance in 2015 and answer your questions.

Your vote is important. We encourage you to read this proxy statement carefully and to vote your shares as soon as possible, even if you plan to attend the meeting. Voting instructions are contained on the proxy card or voting instruction form that you received with this proxy statement.

We look forward to your participation.

Sincerely,

CHARLES R. SCHWAB
CHAIRMAN

WALTER W. BETTINGER II
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Table of Contents

TABLE OF CONTENTS

<u>Proxy Summary</u>	ii
<u>Notice of 2016 Annual Meeting of Stockholders</u>	vi
<u>Proxy Statement</u>	1
<u>Voting Your Shares</u>	1
<u>Attending the Annual Meeting</u>	1
<u>Proposal One: Election of Directors</u>	2
<u>Members of the Board of Directors</u>	2
<u>Director Independence</u>	7
<u>Corporate Governance Information</u>	8
<u>Director Compensation</u>	10
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Director Nominations</u>	13
<u>Communications with the Board of Directors</u>	15
<u>Proposal Two: Ratification of the Selection of Independent Auditors</u>	16
<u>Auditor Fees</u>	16
<u>Audit Committee Report</u>	18
<u>Proposal Three: Advisory Approval of Named Executive Officer Compensation</u>	19
<u>Compensation Discussion and Analysis</u>	19
<u>Compensation Committee Report</u>	32
<u>Executive Compensation Tables</u>	33
<u>2015 Summary Compensation Table</u>	33
<u>2015 Grants of Plan-Based Awards Table</u>	35
<u>Narrative to Summary Compensation and Grants of Plan-Based Awards Tables</u>	36
<u>2015 Termination and Change in Control Benefits Table</u>	39
<u>Outstanding Equity Awards as of December 31, 2015</u>	42
<u>2015 Option Exercises and Stock Vested Table</u>	49
<u>2015 Nonqualified Deferred Compensation Table</u>	49
<u>Securities Authorized for Issuance under Equity Compensation Plans</u>	50
<u>Security Ownership of Certain Beneficial Owners and Management</u>	52
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	54
<u>Transactions with Related Persons</u>	54
<u>Proposals Four and Five: Stockholder Proposals</u>	55
<u>Information about Voting Procedures and Proxies</u>	59

Table of Contents

PROXY SUMMARY

This summary highlights information contained in the proxy statement. This summary does not contain all of the information that you should consider, and you should review all of the information contained in the proxy statement before voting.

ANNUAL MEETING OF STOCKHOLDERS

Date: Tuesday, May 17, 2016
Time: 2:00 p.m., Pacific Time
Location: www.schwabevents.com/corporation

or

211 Main Street, San Francisco, California

Record Date: March 18, 2016
Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote.
Registration: Please follow the advance registration instructions contained in the proxy statement on page 1.

VOTING PROPOSALS

	Board Recommendation	Page
Election of Directors		
John K. Adams, Jr.	For	2
Stephen A. Ellis	For	2
Arun Sarin	For	2
Charles R. Schwab	For	2
Paula A. Sneed	For	2
Ratification of Independent Auditors	For	16
Advisory Approval of Named Executive Officer Compensation	For	19
Stockholder Proposal on Lobbying Payments	Against	55
Stockholder Proposal on Annual Disclosure of EEO-1 Data	Against	56

Table of Contents**DIRECTOR NOMINEES**

We ask that you vote for the election of John K. Adams, Jr., Stephen A. Ellis, Arun Sarin, Charles R. Schwab and Paula A. Sneed. The following table provides summary information on these nominees; complete biographical information is contained in the proxy statement.

Name	Age	Director Since	Occupation	Skills	Independent	Committees
John K. Adams, Jr.	60	2015	Former Managing Director, Financial Institutions Group, UBS Investment Bank	Financial services and investment banking experience	X	Audit Nominating Risk
Stephen A. Ellis	53	2012	Managing Partner, TPG Capital	Leadership skills and global management consulting experience	X	Nominating Risk
Arun Sarin	61	2009	Former Chief Executive Officer, Vodafone Group Plc	Public company knowledge and leadership experience	X	Audit Nominating
Charles R. Schwab	78	1986	Chairman, The Charles Schwab Corporation	Founder of The Charles Schwab Corporation		
Paula A. Sneed	68	2002	Chairman and Chief Executive Officer, Phelps Prescott Group, LLC	Marketing skills and management and executive leadership experience	X	Compensation Nominating

INDEPENDENT AUDITORS

We ask that you ratify the appointment of Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu (collectively referred to as Deloitte) as the company's independent registered public accounting firm for the 2016 fiscal year. While the Audit Committee has the sole authority to retain the independent auditors, we are asking for your ratification as part of the Audit Committee's evaluation process of the independent registered public accounting firm for the 2016 fiscal year.

Fees for services provided by Deloitte in the last two fiscal years were:

	2015	2014
	(amounts in millions)	
Audit Fees	\$ 6.6	\$ 7.6
Audit-Related Fees	2.6	2.3
Tax Fees	None	0.1
All Other Fees	None	None

Total	\$ 9.2	\$ 10.0
-------	--------	---------

Table of Contents

EXECUTIVE COMPENSATION

We ask that you approve on an advisory basis the compensation of our named executive officers. The named executive officers are those executive officers listed in the Summary Compensation Table. The advisory approval of named executive officer compensation is required by federal law, and while the vote is not binding, the Compensation Committee considers the vote as part of its evaluation of executive compensation programs.

2015 Executive Compensation Highlights

In 2015, our management team continued to execute on its strategy of providing our clients individual investors, registered investment advisors and employers with advice and services to help them achieve their financial goals. This Through Clients Eyes strategy, combined with ongoing expense discipline, resulted in core net new assets of \$134.7 billion (the fourth consecutive year in excess of \$100 billion), total client assets of \$2.51 trillion, a pre-tax profit margin of 35.7% and revenue growth of 5%. Earnings per share (EPS) was \$1.03 (up 8% over the prior year), and return on common equity (ROCE) was 12%.

The company's compensation programs are designed to link pay to the long-term performance of the company. Key elements of 2015 compensation included:

Element	Form	Terms	Objectives
Base Salary	· Cash	· Reviewed annually	· Attract, motivate and retain executives
Annual Incentives	· Cash	· Subject to satisfaction of performance criteria	· Attract, motivate and retain executives
			· Reward executives for individual performance
			· Link pay with company financial performance
Long-Term Incentives	· Performance-based restricted stock units	· Restricted stock units vest one-sixth per year in the first two years and two-thirds in the third year, subject to satisfaction of performance criteria	· Attract, motivate and retain executives
	· Stock options		· Reward executives for individual performance

- Stock options generally vest 25% per year and have a ten-year term

- Link pay with company financial performance

- Align with long-term interests of stockholders

Execution on the company's strategy led to solid financial performance in 2015, and the Compensation Committee approved funding at 99.04% of the target award for the named executive officers for annual cash incentives. The performance goal for performance-based restricted stock units (PBRsUs) granted in 2015 was based on ROCE divided by cost of equity capital (COE) to align the executives' incentives with the long-term interests of stockholders. The PBRsUs were designed to transition to a three-year performance period and vesting schedule, with one-sixth vesting per year in the first two years and two-thirds in the third year.

Summary compensation information for the named executive officers, including an additional individual who served as an executive officer for a portion of 2015, is contained in the following table. As discussed in the proxy statement, these amounts are presented in accordance with accounting assumptions and Securities and Exchange Commission rules, and the amount that the executive actually receives may vary substantially from what is reported in the equity columns of the table.

Table of Contents**2015 SUMMARY COMPENSATION**

Name and Principal Position	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Walter W. Bettinger II President and Chief Executive Officer	1,000,000	3,750,000	3,750,000	3,714,000	123,373	12,337,373
Joseph R. Martinetto Senior Executive Vice President and Chief Financial Officer	610,417	1,125,000	1,125,000	1,209,113	38,762	4,108,292
Charles R. Schwab Chairman	500,000	1,500,000	1,500,000	1,238,000	62,269	4,800,269
Marie A. Chandoha President and Chief Executive Officer, Charles Schwab Investment Management, Inc.	560,000	750,000	750,000	970,592	36,828	3,067,420
Terri R. Kallsen Executive Vice President Investor Services	450,000	625,000	625,000	668,520	603,876	2,972,396
James D. McCool Executive Vice President Corporate Initiatives	550,000	750,000	750,000	953,260	38,233	3,041,493

STOCKHOLDER PROPOSALS

There are stockholder proposals to vote on that are described in the proxy statement.

Table of Contents

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Date: Tuesday, May 17, 2016
Time: 2:00 p.m., Pacific Time
Location: www.schwabevents.com/corporation,

or

211 Main Street, San Francisco, California

- Agenda:
- elect five directors for three-year terms,

 - vote to ratify the selection of independent auditors,

 - vote for the approval, on an advisory basis, of compensation of named executive officers,

 - vote on two stockholder proposals, if properly presented, and

 - consider any other business properly coming before the meeting.

Stockholders who owned shares of our common stock at the close of business on March 18, 2016 are entitled to attend and vote at the meeting and any adjournment or postponement of the meeting. A complete list of registered stockholders will be available prior to the meeting at our principal executive offices at 211 Main Street, San Francisco, California 94105.

By Order of the Board of Directors,

DAVID R. GARFIELD
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL AND
CORPORATE SECRETARY

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of

Stockholders to be Held on May 17, 2016. The proxy statement and annual report to

security holders are available in the Investor Relations section of our website at

www.aboutschwab.com.

Table of Contents

PROXY STATEMENT

The Board of Directors is sending these proxy materials to you on or about March 30, 2016. Stockholders who owned the company's common stock at the close of business on March 18, 2016 may attend and vote at the annual meeting. Each share is entitled to one vote. There were 1,321,396,131 shares of common stock outstanding on March 18, 2016.

VOTING YOUR SHARES

Please vote as promptly as possible by following the instructions on your proxy card or voting instruction form. You may vote by internet, telephone or mail in advance of the meeting by following the instructions on your proxy card or voting instruction form.

If you do not vote in advance and plan to submit your vote at the annual meeting, you will need a legal proxy to vote your shares if your shares are held in street name (e.g., through a bank or broker). You may obtain a legal proxy from your bank or broker. If you plan to vote at the virtual meeting, please send your legal proxy to our transfer agent, Wells Fargo Bank, N.A., by fax to (651) 450-4026 or email to wfssproxyteam@wellsfargo.com. If you plan to vote at the in-person meeting, please bring the legal proxy with you. If you hold shares registered in your name (e.g., in certificate form), you will not need a legal proxy to vote your shares at the annual meeting.

ATTENDING THE ANNUAL MEETING

You must register in advance to attend the annual meeting virtually via the internet or in person. To register, please go to:

www.schwabevents.com/corporation.

You will be asked to provide your name, mailing address, email address and proof that you own Schwab shares (such as the Schwab account number in which you hold the shares, or the name of the broker and number of shares that you hold in an account outside of Schwab). You also may write the Assistant Corporate Secretary at the address in the Corporate Governance Information section of this proxy statement or call the Assistant Corporate Secretary at (415) 667-9979 if you plan to attend the in-person meeting.

If you register in advance to attend the virtual annual meeting, we will email you information on how to access the area of www.schwabevents.com where you will be able to submit questions and vote. While you may watch the webcast without registering in advance, you will not be able to access the area of the website where you can ask questions and vote.

If you plan to attend the in-person meeting, in accordance with our security procedures, you will be asked to present picture identification to enter the meeting. Attendance at the annual meeting is limited to stockholders or one named representative of a stockholder. Seating is limited and, therefore, admission to the in-person annual meeting is on a first-come, first-served basis. If you will be naming a representative to attend the meeting on your behalf, the name, address and telephone number of that individual also must be provided.

Table of Contents

PROPOSAL ONE:

ELECTION OF DIRECTORS

Nominees for directors this year are:

· John K. Adams, Jr.

· Stephen A. Ellis

· Arun Sarin

· Charles R. Schwab

· Paula A. Sneed

Each nominee is presently a director of the company and has consented to serve a three-year term. Biographical information about each of the company's directors, including the director nominees, is contained in the following section.

MEMBERS OF THE BOARD OF DIRECTORS

JOHN K. ADAMS, JR.

DIRECTOR SINCE 2015

Mr. Adams, age 60, served as managing director in the Financial Institutions Group at UBS Investment Bank, a financial services firm, from 2002 until 2013. Prior to joining UBS, Mr. Adams was with Credit Suisse's Financial Institutions Group from 1985 until 2002. He currently serves on the board of directors of Charles Schwab Bank and Navient Corporation, a loan management, servicing and asset recovery company. Mr. Adams is a nominee for election this year.

Mr. Adams has significant experience with respect to the financial services industry, investment banking, capital markets and mergers and acquisitions, having served as head of UBS's North American banks practice and in Credit Suisse's Financial Institutions Group.

NANCY H. BECHTLE

DIRECTOR SINCE 1992

Ms. Bechtle, age 78, served as President and Chief Executive Officer of the San Francisco Symphony from 1987 until 2001 and has served as a member of the San Francisco Symphony Board of Governors since 1984. She was a director and Chief Financial Officer of J.R. Bechtle & Co., an international consulting firm, from 1979 to 1998. Ms. Bechtle has served as Chairman and a director of Sugar Bowl Corporation, a ski resort operator, since 1998. She was appointed a director of the Presidio Trust in 2008 and served as its Chairman through 2015. She also served as a director of the National Park Foundation from 2002 until 2008 and was its Vice Chairman from 2005 until 2008. Ms. Bechtle's term expires in 2018.

Ms. Bechtle brings leadership skills and financial experience to the board, having served as Chief Financial Officer of J.R. Bechtle & Co., Chair of Sugar Bowl Corporation and Chief Executive Officer of the San Francisco Symphony. She has deep knowledge of the company and its business, having served on the board since 1992.

Table of Contents

WALTER W. BETTINGER II

DIRECTOR SINCE 2008

Mr. Bettinger, age 55, has served as President and Chief Executive Officer of The Charles Schwab Corporation and a member of the Board of Directors since 2008. He also serves as a member of the Board of Directors of Charles Schwab Bank and Charles Schwab & Co., Inc., and as Chairman and trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, Laudus Institutional Trust, and Schwab Strategic Trust, all registered investment companies. Prior to assuming his current role, he served as President and Chief Operating Officer of the company. He also served as Executive Vice President and President Schwab Investor Services from 2005 until 2007, Executive Vice President and Chief Operating Officer Individual Investor Enterprise from 2004 until 2005, Executive Vice President and President Corporate Services from 2002 until 2004 and Executive Vice President and President Retirement Plan Services from 2000 until 2002. Mr. Bettinger joined the company in 1995 as part of the acquisition of The Hampton Company, which he founded in 1983. Mr. Bettinger's term expires in 2018.

Mr. Bettinger has significant financial services experience, having served in a senior executive role overseeing sales, service, marketing and operations. As Chief Executive Officer of the company, Mr. Bettinger works closely with the board in evaluating and enhancing the strategic position of the company.

C. PRESTON BUTCHER

DIRECTOR SINCE 1988

Mr. Butcher, age 77, has been Chairman and Chief Executive Officer of Legacy Partners (formerly Lincoln Property Company N.C., Inc.), a real estate development and management firm, since 1998 and Chairman of the Board, Chief Executive Officer and Director of KBS Legacy Partners Apartment REIT, Inc., a real estate investment trust, since 2009. Mr. Butcher served as President, Chief Executive Officer and Regional Partner of Lincoln Property Company N.C., Inc. from 1967 until 1998. He served as a director of Northstar Realty Finance Corp until September 2014. Mr. Butcher's term expires in 2018.

Mr. Butcher brings leadership skills and experience in complex financial transactions to the board as Chairman and Chief Executive Officer of Legacy Partners. He has deep knowledge of the company and its business, having served on the board since 1988.

CHRISTOPHER V. DODDS

DIRECTOR SINCE 2014

Mr. Dodds, age 56, has served as a senior advisor at The Carlyle Group, a private equity firm, since 2008. He also serves on the board of directors of Charles Schwab Bank, Avalon Advisors, LLC, a wealth management firm, and Conifer Financial Services, a fund administration firm. From 1986 to 2007, Mr. Dodds held several key positions at The Charles Schwab Corporation, including Executive Vice President and Chief Financial Officer. Mr. Dodds' term expires in 2018.

Mr. Dodds brings leadership skills, knowledge of the financial services industry, and financial and accounting experience. He has deep knowledge of the company and its business, having served as its Chief Financial Officer from 1999 until 2007, and as a director of Charles Schwab Bank since 2007.

Table of Contents

STEPHEN A. ELLIS

DIRECTOR SINCE 2012

Mr. Ellis, age 53, is a Managing Partner of TPG Capital, a private equity and alternative investment firm. Prior to joining TPG Capital in 2015, Mr. Ellis served as Chief Executive Officer of Asurion, LLC, a provider of consumer technology protection services, from 2012 through 2014 and continues to serve on its Board of Directors. Prior to Asurion, Mr. Ellis served as Worldwide Managing Director of Bain & Company, a management consulting firm, from 2005 until 2012, and as Managing Partner for Bain's West Coast offices from 1999 through 2004. Mr. Ellis joined Bain in 1993. Mr. Ellis is a nominee for election this year.

Mr. Ellis brings leadership skills, operating management experience and deep knowledge of global industry trends through his experience at TPG Capital and having served as Worldwide Managing Director of Bain & Company and Chief Executive Officer of Asurion, LLC.

MARK A. GOLDFARB

DIRECTOR SINCE 2012

Mr. Goldfarb, age 64, has served as managing partner of BDO USA, LLP, an accounting and consulting firm, since January 2015. He was a founder of SS&G, Inc. (SS&G), an accounting and business consulting firm, and served as managing partner of SS&G from 1987 until 2012, and as senior managing director of SS&G from 2012 until January 2015, at which time SS&G merged with BDO USA, LLP. Mr. Goldfarb served on the Board of Trustees and as Chairman of the Audit Committee of Schwab Strategic Trust, a registered investment company, from 2009 until 2012. He is also a past president of Cascade Capital Corporation. Mr. Goldfarb's term expires in 2018.

Mr. Goldfarb brings financial and operational leadership experience to the board, having served as a founder and senior managing director of SS&G and a managing partner with BDO USA, LLP. His financial expertise is critical for his role as Audit Committee Chairman.

WILLIAM S. HARAF

DIRECTOR SINCE 2015

Mr. Haraf, age 67, serves as a special advisor for Promontory Financial Group, a financial consulting firm. He was a managing director of Promontory Financial Group from 2012 until 2014. Mr. Haraf serves as a member of the Board of Directors of Charles Schwab Bank. From 2008 until 2012, he served as Commissioner of the California Department of Financial Institutions. Mr. Haraf served as a member of the Financial Stability Oversight Council from 2010 until 2012, as managing director of Banc of America Securities from 1999 until 2003 and as Senior Vice President of Strategic Policy Development and Planning at Bank of America from 1994 until 1999. Mr. Haraf's term expires in 2017.

Mr. Haraf brings substantial financial services and regulatory experience to the board, having served as managing director of Promontory Financial Group, Commissioner of the California Department of Financial Institutions and a member of the Financial Stability Oversight Council.

Table of Contents

FRANK C. HERRINGER

DIRECTOR SINCE 1996

Mr. Herringer, age 73, is the retired Chairman of the Board and Chief Executive Officer of Transamerica Corporation, a financial services company. He served as Chairman of the Board of Transamerica from 1996 until 2015, Chief Executive Officer from 1991 until 1999 and President from 1986 until 1999, when Transamerica was acquired by AEGON N.V. From the date of the acquisition until 2000, Mr. Herringer served on the Executive Board of AEGON N.V. and as Chairman of the Board of AEGON USA, Inc. Mr. Herringer is a director of Transamerica Corporation, the holding company for AEGON N.V.'s operations in the United States, and Amgen Inc., a biotechnology company. Mr. Herringer's term expires in 2017.

Mr. Herringer brings public company knowledge and leadership experience to the board, having served as Chairman and Chief Executive Officer of Transamerica, and his service at Transamerica and AEGON contribute to his knowledge of the financial services industry. Mr. Herringer brings insights to the board from his service on other public company boards.

STEPHEN T. McLIN

DIRECTOR SINCE 1988

Mr. McLin, age 69, has been Chairman and Chief Executive Officer of STM Holdings LLC, which offers merger and acquisition advice, since 1998. He serves as a member of the Board of Directors of Charles Schwab Bank. From 1987 until 1998, he was President and Chief Executive Officer of America First Financial Corporation, a finance and investment banking firm, and parent of EurekaBank. Before that, he was an Executive Vice President of Bank of America. Mr. McLin's term expires in 2017.

Mr. McLin brings leadership experience to the board, having served as Chief Executive Officer of America First Financial Corporation, and financial services experience, having extensive knowledge of the financial services industry through his experience at STM Holdings LLC, America First Financial Corporation and Bank of America.

ARUN SARIN

DIRECTOR SINCE 2009

Mr. Sarin, age 61, served as Chief Executive Officer of Vodafone Group Plc, a mobile telecommunications company, from 2003 until his retirement in 2008. Beginning in 1984, he held a variety of management positions with Pacific Telesis Group, a telecommunications company, and AirTouch Communications, Inc., a wireless telecommunications company, which was spun off from Pacific Telesis Group in 1994. He was appointed President and Chief Operating Officer of AirTouch in 1997. In 1999, Mr. Sarin was appointed Chief Executive Officer of Vodafone's US/AsiaPacific region. He left Vodafone in 2000 to become Chief Executive Officer of Infospace, Inc., an information technology company. From 2002 until 2003, he served as Chief Executive Officer of Accel-KKR Telecom, a private equity firm. He served as a non-executive director of the Court of the Bank of England from 2005 until 2009. Mr. Sarin is a director of Accenture PLC, a consulting and information technology services company, Cisco Systems, Inc., a networking and communications technology company, and Blackhawk Network Holdings, Inc., a pre-paid and payments network. Mr. Sarin is a nominee for election this year.

Mr. Sarin brings public company knowledge and leadership experience to the board, having served as President and Chief Operating Officer of AirTouch Communications, Inc. and Chief Executive Officer of Vodafone Group Plc. He brings insights to the board from his service on other public company boards.

Table of Contents

CHARLES R. SCHWAB

DIRECTOR SINCE 1986

Mr. Schwab, age 78, has been Chairman and a director of The Charles Schwab Corporation since its incorporation in 1986. Mr. Schwab served as Chief Executive Officer of the company from 1986 to 1997 and from 2004 until 2008. He served as Co-Chief Executive Officer of the company from 1998 to 2003. Mr. Schwab was a founder of Charles Schwab & Co., Inc. in 1971, has been its Chairman since 1978, and served as its Chief Executive Officer from 2004 until 2008. Mr. Schwab is Chairman of Charles Schwab Bank. He served as Chairman and trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust and Laudus Institutional Trust, all registered investment companies, through December 31, 2015. Mr. Schwab is a nominee for election this year.

Mr. Schwab is the founder of the company, was the Chief Executive Officer of the company, and has been the Chairman since its inception. His vision continues to drive the company's growth.

PAULA A. SNEED

DIRECTOR SINCE 2002

Ms. Sneed, age 68, is Chairman and Chief Executive Officer of Phelps Prescott Group, LLC, a strategy and management consulting firm. She served as Executive Vice President, Global Marketing Resources and Initiatives, of Kraft Foods, Inc., a global food and beverage company, from 2005 until her retirement in 2006; Senior Vice President, Global Marketing Resources and Initiatives from 2004 to 2005; and Group Vice President and President of E-Commerce and Marketing Services for Kraft Foods North America, part of Kraft Foods, Inc., from 2000 until 2004. She joined General Foods Corporation (which later merged with Kraft Foods) in 1977 and held a variety of senior executive positions, including Chief Marketing Officer, Executive Vice President and President eCommerce division, Executive Vice President and President Desserts division, and Senior Vice President and President Food Service division. Ms. Sneed is a director of Airgas, Inc., a national distributor of industrial, medical and specialty gases and related equipment, and TE Connectivity, Ltd., a manufacturer of engineered electronic components, network solutions, wireless systems and telecommunications systems. Ms. Sneed is a nominee for election this year.

Ms. Sneed brings marketing skills and general management and executive leadership experience to the board, having served in a variety of senior executive positions at Kraft Foods, and as Chairman and Chief Executive Officer of Phelps Prescott Group. She brings insights to the board through her service on other public company boards.

ROGER O. WALTHER

DIRECTOR SINCE 1989

Mr. Walther, age 80, has served as Chairman and Chief Executive Officer of Tusker Corporation, a real estate and business management company, since 1997. He served as Chairman and Chief Executive Officer of ELS Educational Services, Inc., a provider in the United States and internationally of courses in English as a second language, between 1992 and 1997. Mr. Walther was President, Chief Executive Officer and a director of AIFS, Inc., which designs and markets educational and cultural programs internationally, from 1964 until 1993. Mr. Walther served as Chairman and a director of First Republic Bank from 1985 until 2007. Mr. Walther's term expires in 2017.

Mr. Walther brings public company knowledge, leadership, and financial services industry experience to the board, having served as Chairman and Chief Executive Officer of Tusker Corporation, Chairman and a director of First Republic Bank, Chief Executive Officer of ELS Educational Services, Inc. and Chief Executive Officer of AIFS, Inc.

Table of Contents

ROBERT N. WILSON

DIRECTOR SINCE 2003

Mr. Wilson, age 75, is Chairman of Mevion Medical Systems, Inc. (formerly Still River Systems), a medical device company. Mr. Wilson was Chairman of Caxton Health Holdings, LLC, a healthcare-focused investment firm, from 2004 through 2007, and was Vice Chairman of the board of directors of Johnson & Johnson, a manufacturer of health care products, from 1989 until 2003. Mr. Wilson joined Johnson & Johnson in 1964. Mr. Wilson is a director of Hess Corporation, an integrated oil and gas company, and Synta Pharmaceuticals Corporation, a bio-pharmaceutical company. Mr. Wilson's term expires in 2017.

Mr. Wilson brings public company knowledge and leadership experience to the board, having served as Vice Chairman of Johnson & Johnson, Chairman of Mevion Medical Systems, and Chairman of Caxton Health Holdings. He brings insights to the board as a director of other public company boards.

DIRECTOR INDEPENDENCE

We have considered the independence of each member of the board in accordance with New York Stock Exchange corporate governance standards. To assist us in our determination, we also adopted general guidelines for independence. The guidelines for independence are available on the company's website at www.aboutschwab.com/governance.

Based on our guidelines and New York Stock Exchange corporate governance standards, we have determined that the following directors are independent: John K. Adams, Jr., Nancy H. Bechtle, C. Preston Butcher, Christopher V. Dodds, Stephen A. Ellis, Mark A. Goldfarb, William S. Haraf, Frank C. Herringer, Stephen T. McLin, Arun Sarin, Paula A. Sneed, Roger O. Walther, and Robert N. Wilson.

In determining independence, the Board of Directors considers broadly all relevant facts and circumstances regarding a director's relationships with the company. All non-employee directors receive compensation from the company for their service as a director, as disclosed in the section Director Compensation, and are entitled to receive reimbursement for their expenses in traveling to and participating in board and committee meetings. As disclosed in the Transactions with Related Persons section of this proxy statement, some directors and entities with which they are affiliated have credit transactions with the company's banking and brokerage subsidiaries, such as mortgage loans, revolving lines of credit, or other extensions of credit. These transactions with directors and their affiliates are made in the ordinary course of business and as permitted by the Sarbanes-Oxley Act of 2002. Such transactions are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the lender and do not involve more than the normal risk of collectability or present other unfavorable features. As disclosed in the Transactions with Related Persons section of the proxy statement, director Stephen T. McLin's son is employed by the company in a non-executive officer, non-managerial capacity.

In addition to the relationships outlined above, the board considered the following types of relationships for the following directors:

- Nancy H. Bechtle: The director serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.
- C. Preston Butcher: The director's spouse serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.
- Mark A. Goldfarb: The director serves as managing partner of a firm which the company has engaged. The director serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.

Table of Contents

- William S. Haraf: The director serves as a special advisor of a consulting firm which the company has engaged.
- Frank C. Herringer: The director's spouse serves as a director of a nonprofit organization to which the company, its affiliates or its charitable foundation have made donations.

CORPORATE GOVERNANCE INFORMATION

Board Leadership

The Chairman of the Board is Charles R. Schwab. The Chairman and Chief Executive Officer roles are split, and Mr. Bettinger serves as Chief Executive Officer. The Chairman of the Board approves the agenda for board meetings and leads the board in its discussions. Mr. Schwab and Mr. Bettinger, as the only two management directors, do not participate in sessions of non-management directors. As provided in our Corporate Governance Guidelines, non-management directors meet regularly in executive session without management. The Chairman of the Nominating and Corporate Governance Committee presides over the executive sessions of non-management directors. Mr. Herringer, as Chairman of the Nominating and Corporate Governance Committee, leads the non-management directors in executive session.

The board has four standing committees (Audit, Compensation, Nominating and Corporate Governance, and Risk) that are composed entirely of independent directors and are chaired by independent directors. Given the role and scope of authority of these committees, and that over 85% of the board is composed of independent directors, the board believes that its leadership structure, with the Chairman of the Board leading board discussions, and the Chairman of the Nominating and Corporate Governance Committee leading non-management executive sessions, is appropriate.

Risk Oversight

As part of its oversight functions, the Board of Directors is responsible for oversight of risk management at the company. The board has a Risk Committee, which assists the board in fulfilling its oversight responsibilities with respect to the company's risk management program and provides reports to the board and the Audit Committee. The Audit Committee reviews reports from management and the Risk Committee concerning the company's risk assessment and major risk exposures and the steps management has taken to monitor and control such exposures. The Compensation Committee, as described in the Compensation Discussion and Analysis, separately reviews the compensation program with respect to the potential impact of risk-taking by employees. For further discussion of risk management at the company, please see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management of the company's Form 10-K for the period ended December 31, 2015.

Board Structure and Committees

The authorized number of directors is currently fifteen and the company has fifteen directors. Five directors are nominees for election this year and ten directors will continue to serve the terms described in their biographies.

Directors currently serve staggered terms. Each director who is elected at an annual meeting of stockholders serves a three-year term, and the directors are divided into three classes.

The board held seven meetings in 2015. Each director attended at least 75% of all applicable board and committee meetings during 2015. As provided in our Corporate Governance Guidelines, we expect directors to attend the annual meeting of stockholders. In 2015, fourteen of the fifteen directors attended the annual meeting.

Table of Contents

We have an Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Risk Committee. Each of these committees is composed entirely of independent directors as determined by the Board of Directors in accordance with its independence guidelines and New York Stock Exchange corporate governance standards. In addition to those standing committees, the board may from time to time establish *ad hoc* committees to assist in various matters.

The Audit Committee held twelve meetings in 2015 and is composed of the following members: Mark A. Goldfarb (Chairman), John K. Adams, Jr., C. Preston Butcher, Christopher V. Dodds, William S. Haraf and Arun Sarin. None of the directors on the Audit Committee is or, during the past three years, has been an employee of The Charles Schwab Corporation or any of its subsidiaries. None of the Audit Committee members simultaneously serves on the audit committees of more than three public companies, including ours. The board has determined that all of the members of the Audit Committee are financially literate in accordance with New York Stock Exchange listing standards and that Mark A. Goldfarb, Christopher V. Dodds and William S. Haraf are Audit Committee financial experts in accordance with Securities and Exchange Commission rules. The Audit Committee:

- reviews and discusses with management and the independent auditors the company's annual and quarterly financial statements and the integrity of the financial reporting process,
- reviews the qualifications, independence and performance of the independent auditors,
- reviews the activities and performance of the internal auditors,
- reviews reports from management and the Risk Committee regarding major risk exposures and steps management has taken to address such exposures, and
- reviews compliance with legal and regulatory requirements.

The Compensation Committee held six meetings in 2015 and is composed of the following members: Roger O. Walther (Chairman), Nancy H. Bechtle, Frank C. Herringer, Paula A. Sneed, and Robert N. Wilson. The Compensation Committee:

- annually reviews and approves corporate goals and objectives relating to compensation of executive officers and other senior officers,
- evaluates the performance of executive officers and other senior officers and determines their compensation levels,
- reviews and approves compensatory arrangements for executive officers and other senior officers, and
- approves long-term awards for executive officers and other senior officers.

The Nominating and Corporate Governance Committee held one meeting in 2015 and is composed of the following members: Frank C. Herringer (Chairman), John K. Adams, Jr., Nancy H. Bechtle, C. Preston Butcher, Christopher V. Dodds, Stephen A. Ellis, Mark A. Goldfarb, William S. Haraf, Stephen T. McLin, Arun Sarin, Paula A. Sneed, Roger O. Walther and Robert N. Wilson. The Nominating and Corporate Governance Committee:

- identifies and evaluates individuals qualified to serve on the board,

- recommends nominees to fill vacancies on the board and each board committee and recommends a slate of nominees for election or re-election as directors by the stockholders,
- makes recommendations regarding succession planning for the Chief Executive Officer and executive management, and
- assesses the performance of the board and its committees and recommends corporate governance principles for adoption by the board.

Table of Contents

The Risk Committee held five meetings in 2015 and is composed of the following members: Christopher V. Dodds (Chairman), John K. Adams, Jr., Stephen A. Ellis, William S. Haraf, Stephen T. McLin and Robert N. Wilson. The Risk Committee:

- reviews and approves the company's risk governance structure to identify, measure, monitor and mitigate risks,
- reviews and approves the company's enterprise-wide risk management framework,
- reviews the performance and activities of the company's risk management organization, and
- reviews and approves key policies with respect to oversight of specific risks, including credit, operational, capital and liquidity risk.

The Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Risk Committee have written charters. You may find a copy of these charters, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics, on the company's website at www.aboutschwab.com/governance. You also may obtain a paper copy of these items, without charge, from:

Assistant Corporate Secretary

The Charles Schwab Corporation

Mailstop SF211MN-05

211 Main Street

San Francisco, California 94105

DIRECTOR COMPENSATION

Mr. Schwab and Mr. Bettinger, who are employed by the company, receive no additional compensation for their service as directors. In 2015, non-employee directors received the following cash retainers and equity grants:

Cash Retainers

Each non-employee director received an annual cash retainer in the amount of \$100,000. In addition, the Chairs of the Audit Committee and Risk Committee received an annual cash retainer of \$25,000, and each other member of the Audit Committee and Risk Committee received an annual cash retainer of \$10,000. The Chairs of the Compensation Committee and Nominating and Corporate Governance Committee received an annual cash retainer of \$15,000, and each other member of the Compensation Committee and Nominating and Corporate Governance Committee received an annual cash retainer of \$5,000.

There are no fees for attendance at board or committee meetings, but the board retains the discretion to establish special committees and to pay a special retainer to the Chair and the members of any special committee.

Equity Grants

Each non-employee director received an annual equity grant under the 2013 Stock Incentive Plan with an aggregate value of \$140,000. Non-employee directors received this equity grant 50% in stock options and 50% in restricted stock units (RSUs).

Terms and Conditions

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

Non-employee directors receive the annual grants of options and RSUs on the second business day after the annual meeting of stockholders. In the event a new non-employee director is elected to the board during the year, a pro-rata

Table of Contents

amount of cash retainers and equity awards is granted to that individual for the first calendar year in lieu of the full amount. The non-employee director equity grants are subject to the following terms and conditions:

- The annual grants of options and RSUs vest over the three-year period following the grant date, with 25% vesting on each of the first and second anniversary of the grant date and the remaining 50% on the third anniversary of the grant date. The options and RSUs become 100% vested in the event of the non-employee director's death, disability or retirement.
 - The number of RSUs for the annual grant is determined by dividing 50% of the aggregate value of the annual equity grant by the average of the high and low market price of the company's common stock on the grant date.
 - The number of options for the annual grant of stock options is determined by dividing 50% of the aggregate value of the annual equity grant by the fair value of an option on the grant date.
 - Each stock option is designated as a nonqualified stock option and has an exercise price equal to the fair market value of common stock on the grant date.
 - Each stock option expires on the earliest of (1) the date ten years after the grant date, (2) the date three months after termination of service for any reason other than death, disability or retirement, or (3) the date one year after termination of service because of death or disability.
- The company also has stock ownership guidelines for non-employee directors. Under our guidelines, each non-employee director should own company stock with a fair market value equal to or exceeding \$250,000. A new director should reach this target level upon completing five years of service. Once this target level is reached, the director is deemed to meet this target so long as he or she continues to hold an equivalent number of shares as on the date the target level was met. Shares owned outright, deferred shares and RSUs are counted in determining the threshold under our stock ownership guidelines, but stock options are not.

Directors' Deferred Compensation Plan

Non-employee directors also may participate in the Directors' Deferred Compensation Plan II. This plan allows them to defer receipt of all or a portion of their cash retainers and, at their election, either to:

(1) receive stock options that:

- have a fair value equal to the amounts deferred (as determined under the valuation method used by the company to value stock options at the time of the deferral),
 - have an option exercise price equal to the closing price of common stock on the date the deferred amount would have been paid, and
 - vest immediately upon grant and generally expire ten years after the grant date,
- or

(2)

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

receive RSUs that are funded by an equivalent number of shares of common stock to be held in a rabbi trust and distributed to the director when he or she ceases to be a director.

Table of Contents

The company does not provide any non-equity incentive plans, defined benefit and actuarial pension plans, or other defined contribution retirement plans for non-employee directors. The company does not offer above-market or preferential earnings under its nonqualified deferred compensation plans for directors. The following table shows compensation paid to each of our non-employee directors during 2015.

2015 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$) Deferred into Restricted Stock				All Other Compensation ⁵	Total
	Cash ¹	Units or Options ^{2, 6}	Stock Awards ^{3, 6}	Option Awards ^{4, 6}		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
John K. Adams, Jr.	198,222		100,834	64,167	385	363,608
Nancy H. Bechtle	110,000		70,000	70,000	1,706	251,706
C. Preston Butcher		115,000	70,000	70,000	1,706	256,706
Christopher V. Dodds	223,333		110,000	70,000	1,105	404,438
Stephen A. Ellis	57,500	57,500	70,000	70,000	1,497	256,497
Mark A. Goldfarb	130,000		70,000	70,000	1,451	271,451
William S. Haraf	183,889		100,834	64,167	385	349,275
Frank C. Herringer		120,000	70,000	70,000	1,706	261,706
Stephen T. McLin	71,250	115,000	110,000	70,000	2,449	368,699
Arun Sarin	115,000		70,000	70,000	1,706	256,706
Paula A. Sneed	110,000		70,000	70,000	1,706	251,706
Roger O. Walther	120,000		70,000	70,000	1,706	261,706
Robert N. Wilson	120,000		70,000	70,000	1,706	261,706

- (1) This column shows amounts earned or paid in cash for retainers. For Mr. Adams, Mr. Dodds, Mr. Haraf and Mr. McLin, the amount in this column includes their cash retainer and meeting fees for service on the Charles Schwab Bank board of directors.
- (2) This column shows the dollar amount of retainers and meeting fees deferred into stock options or RSUs under the Directors' Deferred Compensation Plan II. The corresponding stock options or RSUs were as follows: 15,919 stock options for each of Mr. Butcher and Mr. McLin, 7,960 stock options for Mr. Ellis and 3,953 RSUs for Mr. Herringer.
- (3) The amounts shown in this column represent the grant date fair value of the RSU award. In 2015, non-employee directors who served the full year received an automatic grant of RSUs with a grant date fair value of \$70,000. Mr. Adams and Mr. Haraf's awards were prorated from the time they joined the board on January 29, 2015.

In addition, Mr. Dodds and Mr. McLin received a grant of RSUs with a grant date fair value of \$40,000 for their full year of service on the Charles Schwab Bank board. Mr. Adams and Mr. Haraf's awards were prorated from the time they joined the Bank board on January 28, 2015.

- (4) The amounts shown in this column represent the grant date fair value of the stock option award. In 2015, non-employee directors who served the full year received an automatic grant of stock options with a grant date fair value of \$70,000. The amounts for Mr. Adams and Mr. Haraf represent the grant date fair value of the stock option award, prorated from the time they joined the board on January 29, 2015.

Table of Contents

- (5) This column shows the dollar amount of dividend equivalents on unvested RSUs.
- (6) The following table shows the aggregate number of outstanding stock option and RSU awards held by the non-employee directors as of December 31, 2015:

Name	Stock Option Awards	Restricted Stock Unit Awards
John K. Adams, Jr.	7,835	3,209
Nancy H. Bechtle	101,230	6,741
C. Preston Butcher	292,876	34,893
Christopher V. Dodds	9,994	5,524
Stephen A. Ellis	52,700	12,289
Mark A. Goldfarb	34,747	6,163
William S. Haraf	7,835	3,209
Frank C. Herringer	101,230	114,507
Stephen T. McLin	238,359	40,437
Arun Sarin	73,895	6,163
Paula A. Sneed	101,230	51,920
Roger O. Walther	95,986	35,065
Robert N. Wilson	105,163	309,459

Changes to Committee Chair and Committee Member Compensation in 2016

In 2015, the Compensation Committee conducted a review of non-employee director compensation with input from its outside consultant, Semler Brossy Consulting Group LLC (Semler Brossy). This review included a comparison to the company's peer group. Based on this review, the board approved, effective January 1, 2016, an annual cash retainer of \$35,000 for the Chairs of the Audit Committee and Risk Committee, an annual cash retainer of \$30,000 for the Chair of the Compensation Committee, an annual cash retainer of \$25,000 for the Chair of the Nominating and Corporate Governance Committee, annual cash retainers of \$15,000 for each other member of the Audit Committee and Risk Committee, and annual cash retainers of \$10,000 for each other member of the Compensation Committee and the Nominating and Corporate Governance Committee.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee is or has been an officer or employee of the company or any of its subsidiaries. There were no Compensation Committee interlocks as defined under Securities and Exchange Commission rules during 2015.

DIRECTOR NOMINATIONS

The Nominating and Corporate Governance Committee recommended all of the nominees for election included in this year's proxy statement. The Board of Directors appointed Mr. Adams as a director effective January 29, 2015, and this is the first time he is standing for election since his appointment. Mr. Adams was originally recommended to the Nominating and Corporate Governance Committee as a potential director by

the Chief Executive Officer and

Table of Contents

other executive management. The Nominating and Corporate Governance Committee, comprised of independent directors, recommended Mr. Adams' nomination as a candidate.

The Nominating and Corporate Governance Committee has a policy to consider candidates recommended by stockholders. The policy provides that stockholder recommendations must be in writing and include the following information: (i) the name, address and contact information of the recommending stockholder; (ii) proof of the stockholder's share ownership; (iii) a resume or statement of the candidate's qualifications; and (iv) a statement of the stockholder's relationship with the proposed candidate or interest in the proposed candidacy. The written recommendation must be addressed to the Assistant Corporate Secretary at the address provided in the Corporate Governance Information section of this proxy statement.

Diversity

When identifying director nominees, the board considers the qualifications and skills represented on the board. As discussed in the Director Qualifications section below, one of the considerations evaluated by the board is the diversity of experience and background of directors. This consideration is broad, is consistent with our company's non-discrimination policies, and includes diversity of skill sets and experience as well as background, including race and gender.

The Nominating and Corporate Governance Committee annually reviews the structure and size of the board to assure that the proper skills are represented on the board. This assessment includes the effectiveness of board composition, including the qualifications, skills, and diversity represented on the board.

Director Qualifications

The qualifications for directors are described in our Corporate Governance Guidelines, which are available on the company's website at www.aboutschwab.com/governance. In addition, the Nominating and Corporate Governance Committee believes that the following specific, minimum qualifications must be met by a nominee for the position of director:

- the ability to work together with other directors, with full and open discussion and debate as an effective group,
- current knowledge and experience in the company's business or operations, or contacts in the community in which the company does business and in the industries relevant to the company's business, or substantial business, financial or industry-related experience, and
- the willingness and ability to devote adequate time to the company's business.

The committee also considers the following qualities and skills when making its determination whether a nominee is qualified for the position of director:

- relationships that may affect the independence of the director or conflicts of interest that may affect the director's ability to discharge his or her duties,
- diversity of experience and background, including the need for financial, business, academic, public sector and other expertise on the board or board committees, and
- the fit of the individual's skills and experience with those of the other directors and potential directors in comparison to the needs of the company.

When evaluating a candidate for nomination, the committee does not assign specific weight to any of these factors or believe that all of the criteria necessarily apply to every candidate.

Table of Contents

Identifying and Evaluating Candidates for Director

The Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of board members in the context of the current composition of the board. Candidates considered for nomination to the Board of Directors may come from several sources, including current and former directors, professional search firms and stockholder recommendations. Nominees for director are evaluated, in consultation with the company's Chairman, by the committee, which may retain the services of a professional search firm to assist it in identifying or evaluating potential candidates.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

If you wish to communicate with the board, the Chairman of the Nominating and Corporate Governance Committee, or with the independent directors as a group, you may send your communication in writing to the Assistant Corporate Secretary at the address provided in the Corporate Governance Information section of this proxy statement. You must include your name and address in the written communication and indicate whether you are a stockholder of the company.

The Assistant Corporate Secretary will compile all communications, summarize lengthy, repetitive or duplicative communications and forward them to the appropriate director or directors. The Assistant Corporate Secretary will not forward non-substantive communications or communications that pertain to personal grievances, but instead will forward them to the appropriate department within the company for resolution. In such cases, the Assistant Corporate Secretary will retain a copy of such communication for review by any director upon his or her request.

Table of Contents**PROPOSAL TWO:****RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee has the sole authority to hire, retain and terminate the independent auditors. The independent auditors report directly to the Audit Committee, and the Audit Committee is directly responsible for oversight of the work of the independent auditors. The Audit Committee oversees fees paid to the independent auditors and pre-approves all audit, internal control-related and permitted non-audit services to be performed by the independent auditors. The Audit Committee evaluates the qualifications, performance and independence of the independent auditors, including the rotation and selection of the lead audit partner and whether it is appropriate to rotate the audit firm itself.

The Audit Committee has selected Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu (collectively referred to as Deloitte) as the company's independent registered public accounting firm for the 2016 fiscal year. Deloitte has served in this capacity since the company's inception. The Audit Committee and the Board of Directors believe that the retention of Deloitte for the 2016 fiscal year is in the best interests of the company and its stockholders. Although we are not required to submit the selection of the independent auditors to stockholders, we are asking for your ratification as part of the Audit Committee's evaluation process of the independent registered public accounting firm for the next fiscal year.

We expect representatives of Deloitte to attend the annual meeting of stockholders, where they will respond to appropriate questions from stockholders and have the opportunity to make a statement.

AUDITOR FEES

Fees for services provided by Deloitte in the last two fiscal years were:

	2015	2014
	(amounts in millions)	
Audit Fees ¹	\$ 6.6	\$ 7.6
Audit-Related Fees ²	2.6	2.3
Tax Fees ³	None	0.1
All Other Fees ⁴	None	None
Total	\$ 9.2	\$ 10.0

(1) Audit fees are the aggregate fees for professional services billed by Deloitte in connection with their audits of the consolidated annual financial statements and management's assessment of the effectiveness of internal control over financial reporting, and reviews of the consolidated financial statements included in quarterly reports on Form 10-Q.

(2) Audit-Related fees include assurance and related services, such as reports on internal controls, review of Securities and Exchange Commission filings, merger and acquisition due diligence and related services.

(3) Tax fees are limited by the Audit Committee to services by Deloitte for tax return review, preparation and compliance.

(4) All other fees represent fees not included in audit fees, audit-related fees, and tax fees.

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

In addition to the services listed above, Deloitte provides audit services to certain unconsolidated affiliated mutual funds and foundations. The fees for such audit services are included in the expenses of the mutual funds and foundations and borne by the stockholders of the funds and foundations. Amounts billed by Deloitte for these services were \$0.2 million in 2015 and 2014. These amounts are not included in the expenses of The Charles Schwab Corporation.

Table of Contents

Non-Audit Services Policies and Procedures

The Audit Committee has adopted a policy regarding non-audit services performed by Deloitte. The Audit Committee's policy prohibits engaging Deloitte to perform the following services:

- any contingent fee arrangement,
- bookkeeping or other services relating to accounting records or financial statements of the audit client,
- broker-dealer services,
- actuarial services,
- management and human resource functions (including executive search services),
- legal services and expert services unrelated to the audit,
- appraisal and valuation services, fairness opinions or contribution-in-kind reports,
- internal audit outsourcing,
- financial information systems design and implementation,
- tax consulting or advice or a tax opinion on an aggressive tax position or on a listed transaction or a confidential transaction as defined by U.S. Department of Treasury regulations, and
- tax services to employees who have a financial reporting oversight role.

The policy requires the pre-approval of the Audit Committee for other non-audit services performed by Deloitte. The policy divides non-audit services into three separate categories, which the Audit Committee has pre-approved subject to an annual aggregate dollar limit for each category. Once the dollar limit in each of these three categories is reached, the Audit Committee will decide whether to establish an additional spending limit for the category or specifically pre-approve each additional service in the category for the remainder of the year. The three categories are:

- accounting theory consultation (includes services such as guidance on the application of Generally Accepted Accounting Principles to various transactions and guidance on the effects of new accounting pronouncements),
-

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

assurance and due diligence (includes services such as certain reports on internal controls, review of Securities and Exchange Commission filings, merger and acquisition due diligence, employee benefit plan audits, and foreign statutory audits and regulatory reports), and

- tax return review, preparation and compliance.

Services not subject to pre-approval limits in one of the three categories above require specific pre-approval from the Audit Committee. Fees related to services requiring specific pre-approval are limited, on an annual basis, to 50% of the combination of audit fees, audit-related fees and tax fees.

The policy permits the Audit Committee to delegate pre-approval authority to one or more members of the Audit Committee, provided that the member or members report to the entire Audit Committee pre-approval actions taken since the last Audit Committee meeting. The policy expressly prohibits delegation of pre-approval authority to management.

In fiscal years 2015 and 2014, the Audit Committee pre-approved 100% of the services performed by Deloitte relating to audit-related fees and tax fees.

Table of Contents

AUDIT COMMITTEE REPORT

The Audit Committee has met and held discussions with management and the company's independent registered public accounting firm. As part of this process, the committee has:

- reviewed and discussed the audited financial statements with management,
- discussed with the independent registered public accounting firm the matters required to be discussed pertaining to Public Company Accounting Oversight Board AS 16 (Communications with Audit Committees), and
- received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the SEC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Mark A. Goldfarb, Chairman

John K. Adams, Jr.

C. Preston Butcher

Christopher V. Dodds

William S. Haraf

Arun Sarin

Table of Contents

PROPOSAL THREE:

ADVISORY APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION

This proxy statement contains detailed information in the Compensation Discussion and Analysis and executive compensation tables regarding compensation of the named executive officers. The named executive officers are those executive officers who are listed in the Summary Compensation Table. We ask that you provide an advisory vote to approve the following, non-binding resolution on named executive officer compensation:

RESOLVED, that the stockholders of The Charles Schwab Corporation approve the compensation paid to the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and related footnotes, and narrative disclosures.

The advisory approval of named executive officer compensation is required by federal law, and the company currently conducts annual advisory votes on that compensation. Although the vote is not binding on the Board of Directors or the Compensation Committee, the Compensation Committee intends to consider the vote as part of its evaluation of executive compensation programs.

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

This Compensation Discussion and Analysis describes the company's executive compensation program, policies and practices, which are designed to support the company's strategic objectives.

Key Business Results

Our business strategy focuses on providing our clients—individual investors, registered investment advisors and employers—with advice and services to help them achieve their financial goals. By seeing our business through clients' eyes and offering them a compelling combination of personalized relationships, superior service and great value, the company seeks to build enduring client loyalty. Loyal clients bring us more business and refer their friends, colleagues and family to us. By operating the business in a disciplined manner and leveraging shared processes and technology, we are able to invest in new products and services for clients and deliver a meaningful return to stockholders.

Schwab's Through Clients' Eyes strategy remains the driver of our growth. Effective execution of this strategy helped us succeed with clients throughout 2015 as they faced a generally difficult investing environment.

- Core net new assets of \$134.7 billion were up 8% from 2014 and marked the fourth consecutive year in excess of \$100 billion.
 - We ended the year with 9.8 million active brokerage accounts and 1.0 million banking accounts, up 4% and 5%, respectively, over year-end 2014.
 - Clients entrusted \$2.51 trillion in assets to us as of December 31, 2015, up 2% over year-end 2014. Of these assets, approximately half (\$1.25 trillion) were receiving some form of ongoing advisory service, up 2%: \$1,061 billion were under the guidance of an independent advisor and \$193 billion in client assets were enrolled in one of our retail advisory solutions.
- Our success with clients combined with our ongoing expense discipline in 2015 led to some of the strongest financial results in the company's history.

- Net revenues of \$6.4 billion were up 5% over year-end 2014, and net income of \$1.4 billion was up 10% over year-end 2014—both amounts are records for the firm.

Table of Contents

- Revenue growth of over 5% was 130 basis points higher than our 4% expense growth during the year.
- Pre-tax profit margin of 35.7% was up 0.8 percentage points over the prior year.
- Earnings per share (EPS) of \$1.03 was up 8% over the prior year.
- Return on common equity was 12%.

Execution on our strategy produced solid financial results in 2015, including meaningful operating leverage, despite a tougher than expected environment.

A more thorough discussion of our business and business strategy is provided in our Annual Report on Form 10-K.

Our Executive Compensation Program

Our executive compensation program is intended to support our success by:

- attracting, motivating and retaining talented, highly capable executive officers,
 - rewarding executives for individual performance,
 - linking executive pay with the company's financial performance, and
 - aligning incentives for executive officers with the interests of the company and its stockholders by linking pay with longer-term performance.
- Our compensation program uses three elements—base salary, annual cash incentives and long-term incentive awards (LTI)—to achieve these objectives. As illustrated by the charts below, the majority of compensation is delivered through variable performance-based incentives. This approach maintains a strong link between executive pay and the company's financial performance, only rewards executives when value has been created for stockholders, and drives long-term performance.

* Pay mix is based on amounts in the Summary Compensation Table.

Table of Contents

Key Compensation Decisions

The company's commitment to disciplined execution of its business strategy has delivered solid financial results in the years since the onset of the financial crisis of 2008. In 2015, in an environment of significant equity market volatility and continued low interest rates, the company drove strong business growth through its innovative, full-service model that continued to resonate with clients. Strong business growth and the company's overall spending discipline led to solid financial performance that resulted in annual cash incentive payouts of 99.04% of the target set by the Compensation Committee.

The Compensation Committee's decisions for 2015 aligned with this disciplined focus on financial results. In 2015, the Compensation Committee:

- Continued to use EPS as the performance criterion for the Corporate Executive Bonus Plan, because it measures profitability and focuses executive officers on operating performance and decisions around capital structure.
- Set the target EPS goal for 100% payout upon achieving the company's financial plan approved by the board.
- Set a threshold for payment of annual cash incentives at 50% of the target EPS.
- Awarded performance-based restricted stock units (PBRsUs) designed to transition to a three-year performance period and vesting schedule.
- Continued to use return on common equity (ROCE) equaling or exceeding cost of equity (COE) as the performance goal for the 2015 PBRsUs, because it reflects the creation of financial value for stockholders in all phases of the business cycle and measures the earnings power of the company.
- Modified the peer group used as a reference for assessing the competitiveness of executive and director pay for periods after 2015.

The Compensation Committee continuously reviews and evaluates the company's compensation program and policies and considers stockholder views regarding executive compensation. For the 2016 program, the Compensation Committee made decisions that strengthen the relationship between compensation opportunity and the management team's success in executing on the business strategy. For 2016, the Compensation Committee:

- Awarded PBRsUs with cliff-vesting based on a three-year performance period to ensure continued focus on long-term performance and retention.

Table of Contents

SUMMARY OF THE EXECUTIVE COMPENSATION PROGRAM

Our compensation program uses three key elements: base salary, annual cash incentives and long-term incentives. The table below identifies how each of these elements supports the objectives articulated above.

Objective	Element of Compensation		
	Base Salary	Annual Cash Incentives	Long-Term Incentives
Attract, Motivate and Retain	ü	ü	ü
Reward Executives for Individual Performance		ü	ü
Link Pay with Company Financial Performance		ü	ü
Align Incentives with Long-term Interests of Stockholders			ü
Performance Metric	EPS measures profitability and reflects the annual impact of operational actions and decisions around capital structure.	PBRUs; ROCE compared to COE measures earnings on stockholder equity and long-term profitability.	Stock options: reward share price appreciation by delivering compensation only when the stock price appreciates above the fair market value exercise price.

COMPENSATION PLANNING AND THE DECISION-MAKING PROCESS

The Compensation Committee reviews and approves compensation for the Chairman, the Chief Executive Officer, executive officers, and other senior officers, and it reviews and recommends to the Board of Directors compensation for the non-employee directors.

The Compensation Committee evaluates as a committee, or together with the other independent directors and the Chairman, the performance and compensation of the Chief Executive Officer. The Compensation Committee also considers:

- recommendations from the Chairman and the Chief Executive Officer regarding compensation for the other executive officers and performance criteria for annual and long-term incentives, developed in consultation with the Executive Vice President – Human Resources,
- recommendations from the Chief Financial Officer regarding performance criteria and goals for annual and long-term incentives,
- advice from the Executive Vice President – Corporate Risk regarding the design and results of incentive compensation programs to ensure consistency with the company’s financial plan, strategic objectives and risk profile, and
- guidance and advice of its independent compensation consultant, Semler Brossy.

While the Compensation Committee considers the information provided by management and its independent, third-party advisor, it does not delegate authority to management for executive compensation decisions.

The Compensation Committee’s review of executive compensation in January 2015 included consideration of:

- the economic environment, market trends, and proposed regulations,
- a competitive pay analysis of peer companies with data from proxy statements and the 2014 McLagan Top Management survey,

Table of Contents

- each executive's experience, responsibilities, individual performance, and pay relative to internal peers, and
- reports prepared by the company's Human Resources Department on each executive's pay history with:
 - actual total compensation for 2011 to 2014,
 - projected 2015 compensation,
 - the value and vesting schedule of outstanding long-term awards,
 - each component of pay as a percentage of total compensation, and
 - 401(k) balances, deferred compensation balances, and other cash compensation (e.g., relocation benefits, company match for the 401(k) plan, and wellness incentives).

The Compensation Committee does not use a formula or assign a weighting to various factors considered in setting compensation. It does not target a specific percentage mix between cash compensation and long-term incentives or any specific percentage of total compensation for each compensation component.

The Compensation Committee uses a peer group as a source of market data to assess the competitiveness of compensation; however, the data is not used to set compensation targets. Peers were selected considering the following factors:

- Quantitative: revenue, market capitalization, and number of employees; and
- Qualitative: business model, geographic coverage, and competition for customers and/or employees.

Because the company has few competitors comparable in terms of business model and geographic coverage, the peer group includes a mix of brokerage firms, banking and asset management companies, as well as companies that process a significant daily volume of consumer financial transactions. The peer group of 21 companies used for compensation for 2015 was:

Table of Contents

The Compensation Committee periodically reviews the peer group to ensure that it remains relevant as a market reference tool and modifies it as necessary to reflect changes at the company, among peers or within the industry. For 2016, the Compensation Committee reviewed and updated the peer group by increasing the size of the banking peers to include larger bank holding companies that are subject to the Federal Reserve's Comprehensive Capital Analysis and Review requirements, given the heightened regulatory environment. In addition, the Compensation Committee renamed the high volume consumer operations sector the custody and processing sector to more closely align with the company's business and increased the size of the custody and processing sector to include companies that Schwab competes with for talent. KeyCorp and M&T Bank were removed from the banking sector, and BB&T Corporation, PNC Financial Services Group, Inc., Sun Trust Banks, Inc., and U.S. Bancorp were added. Fiserv and Western Union were removed from the custody and processing sector; Bank of New York Mellon and State Street were moved from the asset management sector to the custody and processing sector; and Mastercard, Inc. and Visa, Inc. were added to this sector.

Compensation Consultant

Under its charter, the Compensation Committee is authorized to retain compensation consultants and to approve the terms of the engagement. In 2015, the Compensation Committee engaged Semler Brossy to review pay trends across the financial services industry and in the peer group, advise directly on Chief Executive Officer and Chairman compensation, review the company's long-term incentives as well as the long-term incentives used by companies in the peer group, and provide general advice and counsel with respect to executive compensation programs, market practices and trends. Semler Brossy was engaged by the Compensation Committee directly and does not provide other services to the company. In 2015, the Compensation Committee reviewed information regarding potential conflicts of interest with Semler Brossy, including: other services it might provide to the company, fees received from the company as a percentage of its total revenue, policies and procedures designed to prevent conflicts of interest, any business and/or personal relationships with members of the Compensation Committee, company stock owned, and any business and/or personal relationships between Semler Brossy consultants and any executive officer of the company.

ELEMENTS OF COMPENSATION

Base salary, annual cash incentives and long-term incentives are the key compensation elements for achieving the company's objectives. The following adjustments were made to base salary, annual cash incentives and long-term incentives of the named executive officers in 2015:

Executive	Base Salary	Compensation Adjustments	
	\$ Increase	Increase in Bonus Target (% of salary)	LTI \$ Increase
Walter W. Bettinger			\$ 1,000,000
Joseph R. Martinetto	\$ 50,000	25%	\$ 750,000
Marie A. Chandoha		25%	
<i>Base Salary</i>			

Base salaries are established at levels intended to attract, motivate and retain highly capable executive officers. As illustrated by the pay mix charts in the Executive Summary above, executive officers receive a small percentage of their overall compensation in base salary.

Table of Contents

In January 2015, the Compensation Committee increased Mr. Martinetto's base salary by \$25,000, effective March 1, 2015, based on his individual performance, pay relative to internal peers, and pay relative to external compensation data. In April 2015, upon Mr. Martinetto's promotion to Senior Executive Vice President, the Compensation Committee increased Mr. Martinetto's base salary by an additional \$25,000, effective June 1, 2015.

Annual Cash Incentives

Annual cash incentive awards for the named executive officers were made pursuant to the Corporate Executive Bonus Plan. In the first quarter of 2015, the Compensation Committee established the performance criterion, set performance goals and approved a target bonus award, expressed as a percentage of salary, for each named executive officer. For 2015, the Compensation Committee increased bonus targets for Mr. Martinetto to 200% of base salary and for Ms. Chandoha to 175% of base salary in recognition of their individual performance, pay relative to internal peers, and pay relative to external compensation data.

EPS was established as the performance criterion for all named executive officers. The Compensation Committee believes EPS provides a comprehensive measure of the company's profitability and focuses executive officers on operating performance and decisions around capital structure. For purposes of the Corporate Executive Bonus Plan, EPS is calculated as fully diluted EPS in accordance with U.S. Generally Accepted Accounting Principles, subject to categories of adjustments and exclusions approved by the Compensation Committee at the time the performance criterion was established. EPS goals were summarized in a matrix with potential payouts ranging from 50% to 200% of the target bonus award, with a 100% payout assigned to the EPS goal set by the Compensation Committee. Achieving EPS of less than 50% of the target EPS goal would result in no bonus payment; achieving EPS between 50% and 100% of the target EPS goal would result in a payout of between 50% and 100% of the target bonus award; and achieving EPS of more than the target EPS goal would result in a payout of between 100% and 200% of the target bonus award. The threshold of 50% of target EPS was adopted to establish the minimum level of achievement for a bonus payment and a cap on bonus payout was set at 200% of the target award. When determining whether the performance goals have been achieved, the Compensation Committee reviews unusual gains and losses and whether results have been achieved in a manner consistent with the company's risk profile. Based on this review, the Compensation Committee may exercise discretion to reduce payouts.

Table of Contents

In 2015, the target EPS goal was increased to \$1.04; the maximum payment was 200% of the target bonus award for EPS of \$2.08 or higher; the minimum payment was 50% of the target bonus award for EPS of \$0.52. The target EPS goal of \$1.04 was set to result in a payout of 100% of the target bonus award for performance in line with the company's financial plans approved by the board. For 2015, the Compensation Committee approved payouts based on EPS of \$1.03. The Compensation Committee determined that the company achieved these results while maintaining a low credit risk profile and remaining within its parameters for interest rate risk. The Compensation Committee did not reduce the cash incentive award for any individual named executive officer and approved funding at 99.04% of target for each of the named executive officers.

Long-Term Incentives

At its January 2015 meeting, the Compensation Committee approved equity awards to be granted on March 2, 2015 for the named executive officers pursuant to the 2013 Stock Incentive Plan. Of the total target equity awards granted, 50% was granted in stock options and 50% was granted in PBRsUs to align the incentives of executives with the long-term interests of stockholders. This mix reflects a steady evolution over the past several years towards PBRsUs, moving from 30% PBRsUs in 2009, 2010 and 2011 to 40% in 2012, and 50% in 2013, 2014 and 2015.

In January 2015, the Compensation Committee increased the value of the awards granted to Mr. Bettinger by \$1,000,000 and Mr. Martinetto by \$250,000 in recognition of their individual and company performance, pay relative to internal peers, and pay relative to external compensation data.

In April 2015, upon his promotion to Senior Executive Vice President, the Compensation Committee granted Mr. Martinetto additional equity awards of \$250,000 in stock options and \$250,000 in time-based RSUs with a grant date of June 1, 2015, each award vesting 25% annually over four years.

Stock Options

The Compensation Committee approved stock options to be granted on March 2, 2015 vesting 25% annually over four years.

Table of Contents

Performance-Based Restricted Stock Units

The Compensation Committee approved PBRsUs with the following features.

Feature	Comments
Grant Date	· March 2, 2015
Vesting Schedule	<ul style="list-style-type: none"> · 16.7% vesting on the first anniversary of the grant date · 16.7% vesting on the second anniversary of the grant date · 66.6% vesting on the third anniversary of the grant date All vesting is subject to Compensation Committee certification that the performance goal for that period has been met
Performance Periods	<ul style="list-style-type: none"> · 16.7% based on performance from January 1, 2015 to December 31, 2015 · 16.7% based on performance from January 1, 2015 to December 31, 2016 · 66.6% based on performance from January 1, 2015 to December 31, 2017
Dividend Equivalent Payments	<ul style="list-style-type: none"> · Dividend equivalent payments equal to the dividends paid on a share of company stock will accumulate and be paid in cash when, and if, the underlying units vest · If the performance goals for the units are not met, the dividend equivalent payments are forfeited
Payment	<ul style="list-style-type: none"> · The number of shares of company stock payable upon vesting will vary based upon performance · 200% of the target award is the maximum number of shares of company stock payable for each unit that vests
Performance Criteria	<ul style="list-style-type: none"> · ROCE · COE

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

The Compensation Committee approved performance goals based on ROCE and COE with variable payouts where the number of shares payable is determined by dividing ROCE by COE and multiplying the result times the funding levels summarized in a matrix. Shares are forfeited if the performance target is not met or paid in a range from 100% to 200% of the target award when performance equals or exceeds target. A 100% payout of the target award is achieved when ROCE equals or exceeds COE. Achieving ROCE greater than 200% of COE would result in payment between 100% and 200% of the target award, but in no event would the payment exceed 200% of the target award.

The Compensation Committee approved performance criteria as ROCE equaling or exceeding COE because it reflects the creation of financial value for stockholders in all phases of the business cycle and measures the earnings power of the company. The opportunity for a payout up to 200% of the target award incents executives to exceed target performance and directly links the magnitude of the payout to the company's performance up to a cap of 200%. If the Compensation Committee certifies that the goal has been met for each performance period, then the tranche of the award that is due to vest for that performance period will vest. If the goal has not been met, then the PBRsUs and associated dividend equivalent payments will be forfeited with no second opportunity to be earned.

ROCE is calculated as net income available to common stockholders divided by average common stockholders' equity, for the applicable performance period, subject to categories of adjustments and exclusions approved by the Compensation Committee at the time the performance criteria were established.

COE is calculated using the Capital Asset Pricing Model (CAP-M), which is a commonly used financial metric that incorporates the risk-free interest rate (the company uses the six-month average of the five-year Treasury rate), the

Table of Contents

beta of the company's equity (a measure of the volatility of the company's common stock relative to the broader equity market), and a market equity risk premium (an estimate of the expected excess return required for holding equities instead of a risk-free asset). At December 31, 2015, COE was 8.0%.

When determining whether the performance goals have been achieved, the Compensation Committee may exclude losses from discontinued operations, extraordinary losses, unusual losses, the cumulative negative effects of changes in accounting principles and laws, losses on acquisitions or divestitures, losses on foreign exchange transactions, and any unusual, non-recurring losses.

Vesting of Performance-Based Restricted Stock Units for One-Year Performance Periods Ending September 30, 2015 and December 31, 2015

In 2015, the Compensation Committee granted performance-based equity awards with a transitional three-year performance period, and vesting of one-sixth of the award is based on a one-year performance period from January 1, 2015 to December 31, 2015. In 2014, 2013 and 2012, the Compensation Committee granted performance-based equity awards with four one-year performance periods and one-fourth of these awards had a one-year performance period ending on December 31, 2015. In 2011, the Compensation Committee granted performance-based equity awards that have four one-year performance periods and one-fourth of these awards had a one-year performance period ending on September 30, 2015. These awards only vest if the Compensation Committee certifies that the applicable performance goals have been achieved.

When granting the PBRsUs each year, the Compensation Committee selects appropriate measures of performance given the company's business objectives and the economic environment. The Compensation Committee chose ROCE compared to COE as criteria that reflects the creation of financial value for stockholders in all phases of the business cycle and measures the earnings power of the company. The Compensation Committee interpreted return on equity as ROCE for the quarters following the issuance of non-cumulative preferred stock in January 2012 to maintain continuity throughout the performance period by measuring results with respect to common equity. The achievement of the performance goals for the tranches of those awards with performance periods ending in 2015 were:

Grant Year	Performance Goal	ROCE	COE	Performance Goal Met
2015		11.9%	8.0%	Yes
2014	ROCE ³ COE	11.9%	8.0%	Yes
2013		11.9%	8.0%	Yes
2012	Cumulative ROCE	12.8%	8.0%	Yes
2011	>Cumulative COE	11.8%	8.1%	Yes

Other Compensation***Executive Benefits and Perquisites***

The company provides limited executive perquisites. The Compensation Committee approved certain benefits for Mr. Bettinger in connection with his promotion to President and Chief Executive Officer in 2008, including a car service for commuting purposes, which he has not used, parking, and use of fractionally owned aircraft consistent with company policies.

Table of Contents

In connection with her promotion to Executive Vice President – Investor Services, the Compensation Committee approved certain benefits for Ms. Kallsen to assist with her relocation to the San Francisco Bay Area, including relocation benefits consistent with the company’s relocation program for officers and a special, one-time cash payment of \$500,000.

For named executive officers, the company:

- does not provide financial planning assistance,
- does not gross up payments to cover executives’ personal tax liability,
- does not offer executive retirement or medical plans, and
- does not match contributions to the deferred compensation plan.

Employee Benefit Plans

The company offers no defined benefit plan, special retirement plan for executives or other nonqualified excess plans to named executive officers. Executive officers may participate in the company’s 401(k) plan and employee stock purchase plan available to all eligible employees subject to Internal Revenue Service limits (except Mr. Schwab, who is excluded from the employee stock purchase plan because he owns more than 5% of the company’s stock), and a deferred compensation plan available to officers and other key employees.

Severance

All employees, including executive officers other than Mr. Schwab, are eligible to receive severance benefits under the company’s Severance Pay Plan, which is described in the narrative following the Termination and Change in Control Benefits Table. Benefits are available under this plan only in the event of termination of employment on account of job elimination. Under the severance program, executive officers are eligible to receive 15 days of base salary for each year of service with a minimum of seven months and a maximum of 12 months of severance pay. Mr. Schwab is entitled to severance benefits pursuant to his employment agreement described in the narrative to the Summary Compensation Table.

Compensation Policies

Stock Ownership Guidelines

The Board of Directors has adopted stock ownership guidelines to promote significant equity ownership by executives and further align their long-term financial interests with those of other stockholders. Under the guidelines:

- The Chief Executive Officer is expected to maintain an investment position in company stock equal to at least five times base salary.
 - All other executive officers are expected to maintain an investment position equal to at least three times base salary.
- Shares owned directly, shares beneficially owned under company benefit plans, restricted stock, and restricted stock units are included in determining ownership levels, but stock options are not. The stock ownership guidelines allow the Compensation Committee to take action if the target ownership levels are not met within five years. For 2015, all of the named executive officers had stock ownership exceeding the guidelines, except one recently promoted named executive officer who is on track to meet the guidelines by the applicable deadline.

Table of Contents

Prohibition on Speculative Trading in Company Stock

Speculative trading in the company's stock is prohibited. Prohibited speculative trading includes short-term trading, selling short, buying options to open a position and selling uncovered options.

Guidelines for Equity Awards

The company has no program, plan or practice to time the grant of stock-based awards relative to the release of material non-public information or other corporate events. All equity grants to directors and executive officers are approved by the Compensation Committee or the independent directors at regularly scheduled meetings or, in limited cases involving key recruits or promotions, by a special meeting or unanimous written consent. The grant date is the meeting date or a fixed, future date specified at the time of the grant. Under the terms of the company's stock incentive plan, the exercise price of options cannot be less than the closing price of company stock on the grant date.

Recoupment Policies

The company has a recoupment policy to recover incentive awards granted to executive officers in the event of a significant restatement of financial results due to material noncompliance with financial reporting requirements due to misconduct.

In addition, in the event of certain securities law violations, the Compensation Committee reserves the right to reduce or cancel equity awards or require executives to disgorge any profit realized from equity awards.

The company also reserves the right to cancel equity awards of employees who are terminated for cause.

Response to Advisory Vote on Say-on-Pay and Stockholder Engagement

The Compensation Committee considers the result of the stockholders' advisory say-on-pay vote when reviewing and evaluating the executive compensation program throughout the year. The Compensation Committee noted the strong support of the stockholders, who approved the company's advisory vote by approximately 98% of the votes at the 2015 Annual Meeting of Stockholders, and believes this vote reflects broad support of our compensation program and policies.

The Compensation Committee continues to review and evaluate the company's compensation program and policies in the context of our business, regulatory requirements, and evolving best practices. As part of this process, the Compensation Committee takes into consideration stockholder views regarding executive compensation that the company receives from time to time.

Risk Assessment

The Compensation Committee reviewed a report by management on incentive compensation practices and policies throughout the company and the potential impact on risk-taking by employees. The report assessed all employee incentive compensation programs with an emphasis on changes made in 2015, reviewed the bank product incentives, and summarized the incentive compensation risk management program implemented under banking regulations. The report identified the following risk-mitigating factors currently in place:

- approval of executive compensation by an independent board committee,
- review of plan design and performance results for all executive incentive plans by the corporate risk officer,

Table of Contents

- performance-based long-term incentive awards,
- a balanced suite of performance metrics with a strong link to stockholder value,
- caps on annual incentive opportunities,
- performance goals based on financial plans reviewed by the board,
- a four-year vesting period for stock options with limited opportunities for accelerated vesting,
- transitional three-year performance and vesting periods for performance-based RSUs with limited opportunities for accelerated vesting,
- meaningful executive stock ownership guidelines,
- annual review of incentive plan performance, along with centralized design and administration of all incentive plans, and
- modest severance benefits.

In addition, when reviewing the design of and payments pursuant to incentive compensation programs, the Compensation Committee considers the review by the Executive Vice President – Corporate Risk regarding consistency with the company’s financial plan, strategic objectives and risk profile.

Internal Revenue Code Section 162(m)

Generally, plans are structured so that compensation is performance-based and deductible under Section 162(m) of the Internal Revenue Code; however, depending on business needs, the Compensation Committee may approve compensatory arrangements that are not deductible under Section 162(m). In 2015, compensation of the named executive officers was deductible under Section 162(m) except for portions of compensation in excess of \$1 million received by: a named executive officer due to the taxable, imputed value of parking, spousal travel for a business event, and employer-provided life insurance; and a named executive officer due to a special, one-time cash payment made in connection with a promotion.

COMPENSATION DECISIONS MADE FOR 2016

2016 Compensation for the Chief Executive Officer

In January 2016, the Compensation Committee approved a \$50,000 increase in base salary and a \$250,000 increase in long-term incentives for Mr. Bettinger to reward and recognize his accomplishments as CEO. The Compensation Committee believes that Mr. Bettinger’s leadership has been a key factor in building the long-term strength of our franchise by focusing on serving our clients, operating in a disciplined manner and building a leadership team for the future.

2016 Annual Cash Incentives

In the first quarter of 2016, the Compensation Committee considered performance criteria for 2016 annual cash incentive awards under the Corporate Executive Bonus Plan. The Compensation Committee selected overall corporate performance as measured by EPS and established a threshold for payment at 50% of target EPS.

Table of Contents

2016 Long-Term Incentives

In the first quarter of 2016, the Compensation Committee approved long-term equity awards of 50% stock options and 50% PBRsUs under the 2013 Stock Incentive Plan to align the long-term incentives of the executives with the long-term interests of the stockholders. These equity awards were approved to be granted on March 1, 2016. The stock options will vest 25% annually over four years. The PBRsUs will have cliff-vesting based on the three-year performance period from January 1, 2016 to December 31, 2018. The main features of the 2016 PBRsUs are summarized below.

Feature	Comments
Grant Date	· March 1, 2016
Vesting Schedule	· 100% vesting on the third anniversary of the grant date All vesting is subject to Compensation Committee certification that the performance goal for that period has been met
Performance Periods	· 100% based on performance from January 1, 2016 to December 31, 2018
Dividend Equivalent Payments	· Dividend equivalent payments equal to the dividends paid on a share of company stock will accumulate and be paid in cash when, and if, the underlying units vest · If the performance goals for the units are not met, the dividend equivalent payments are forfeited
Payment	· The number of shares of company stock payable upon vesting will vary based upon performance · 200% of the target award is the maximum number of shares of company stock payable for each unit that vests
Performance Criteria	· ROCE · COE

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the company's annual report on Form 10-K for the fiscal year ended December 31, 2015 and the proxy statement on Schedule 14A.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Roger O. Walther, Chairman

Nancy H. Bechtle

Frank C. Herringer

Paula A. Sneed

Robert N. Wilson

Table of Contents**EXECUTIVE COMPENSATION TABLES**

The following tables show compensation information for the named executive officers: Walter W. Bettinger II, President and Chief Executive Officer, Joseph R. Martinetto, Senior Executive Vice President and Chief Financial Officer, and the next three most highly compensated executive officers as of December 31, 2015. It also contains information for James D. McCool, who served as an executive officer for a portion of 2015. No bonuses were paid to a named executive officer in the fiscal years shown, except as part of a non-equity incentive plan.

2015 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards ¹ (\$)	Option Awards ² (\$)	Non-Equity Incentive Plan Compensation ³ (\$)	All Other Compensation ⁴ (\$)	Total (\$)
Walter W. Bettinger II	2015	1,000,000	3,750,000	3,750,000	3,714,000	123,373	12,337,373
President and Chief Executive Officer	2014	1,000,000	3,250,000	3,250,000	4,224,000	117,179	11,841,179
	2013	1,000,000	5,044,527	3,250,000	3,363,750	68,211	12,726,488
Joseph R. Martinetto	2015	610,417	1,125,000	1,125,000	1,209,113	38,762	4,108,292
Senior Executive Vice President and Chief Financial Officer	2014	575,000	750,000	750,000	1,133,440	36,302	3,244,742
	2013	575,000	1,244,116	870,000	902,606	25,665	3,617,387
Charles R. Schwab⁵	2015	500,000	1,500,000	1,500,000	1,238,000	62,269	4,800,269
Chairman	2014	500,000	1,500,000	1,500,000	1,408,000	61,301	4,969,301
	2013	500,000	2,328,240	1,500,000	1,121,250	38,542	5,488,032
Marie A. Chandoha							
President and Chief Executive Officer, Charles Schwab Investment Management, Inc.	2015	560,000	750,000	750,000	970,592	36,828	3,067,420
Terri R. Kallsen							
Executive Vice President							
Investor Services	2015	450,000	625,000	625,000	668,520	603,876	2,972,396
James D. McCool	2015	550,000	750,000	750,000	953,260	38,233	3,041,493
Executive Vice President	2014	550,000	750,000	750,000	1,084,160	37,010	3,171,170
Corporate Initiatives	2013	550,000	1,164,116	750,000	863,362	25,586	3,353,064

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

- (1) The amounts shown in this column represent the aggregate grant date fair value of PBRsUs and RSUs and do not reflect the amounts ultimately realized by the named executive officer. The values shown are as of the grant date determined in accordance with Statement of Financial Accounting Standards Board ASC Topic 718, which is the date on which all of the significant terms, including any performance criteria, were established. The values represent the aggregate compensation cost expected at the grant date to be recognized over the service period and are not adjusted for the effect of any estimated forfeitures. The maximum value of the 2015 PBRsU grants on the grant date, assuming the performance conditions are met at 200% of the target award, would be: \$7,500,000 for Mr. Bettinger; \$3,000,000 for Mr. Schwab; \$1,750,000 for Mr. Martinetto; \$1,500,000 for Ms. Chandoha and Mr. McCool; and \$1,250,000 for Ms. Kallsen.

PBRsUs awarded in 2015, 2014 and 2013 vest only upon satisfaction of the performance conditions of those awards. For the 2015 and 2014 PBRsUs, the date the Compensation Committee granted the units and the date all significant terms of the award were finalized were the same. For the 2013 PBRsU grants, the Compensation Committee granted the units on January 30, 2013 and finalized performance criteria for the first tranche on March 1, 2013 and for the second, third and fourth tranches on December 10, 2013. The accounting grant dates

Table of Contents

for the 2013 PBRsUs are therefore March 1, 2013 for the first tranche and December 10, 2013 for the remaining tranches. The values reflected in the table for the grants are the number of units granted multiplied by the average of the high and low market price of the company's common stock on the accounting grant date.

For further discussion of the company's accounting for its equity compensation plans, including key assumptions, see Part II Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 2. Summary of Significant Accounting Policies, and Note 20. Employee Incentive, Retirement, and Deferred Compensation Plans from the company's Form 10-K for the period ended December 31, 2015.

- (2) The amounts shown in this column represent the aggregate grant date fair value of the stock option awards and not the amount ultimately realized by the named executive officer. For further discussion of the company's accounting for its equity compensation plans, including key assumptions, see Part II Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 2. Summary of Significant Accounting Policies, and Note 20. Employee Incentive, Retirement, and Deferred Compensation Plans from the company's Form 10-K for the period ended December 31, 2015.
- (3) The amounts shown in this column include amounts earned under the Corporate Executive Bonus Plan.
- (4) The amounts shown in this column for 2015 include the following:

Named Executive Officer	Employer Matching Contributions ^a (\$)	Dividend Equivalents ^b (\$)	Relocation ^c (\$)
Walter W. Bettinger II	13,500	104,600	
Joseph R. Martinetto	13,500	24,006	
Charles R. Schwab	13,500	48,277	
Marie A. Chandoha	13,500	22,105	
Terri R. Kallsen	13,500	4,023	580,451
James D. McCool	13,500	23,532	

- (a) The amounts in this column are employer match payments under the company's defined contribution plan, the SchwabPlan Retirement Savings and Investment Plan, which is a 401(k) plan available to all eligible employees.
- (b) The amounts in this column are dividend equivalent payments on vested PBRsUs and unvested RSUs. These amounts are not included in the fair market value of the stock on the grant date shown in the Grants of Plan-Based Awards Table.
- (c) In connection with her promotion to Executive Vice President Investor Services in December 2014, the Compensation Committee approved certain benefits for Ms. Kallsen to assist with her relocation to the San Francisco Bay Area, including a special one-time cash payment of \$500,000 and relocation benefits consistent with the company's relocation program for officers. The amount in this column is valued at its aggregate incremental cost to the company and includes the \$500,000 cash payment and relocation expenses paid in 2015

based on the cost of relocation services invoiced to the company.

- (5) Mr. Schwab has had an employment contract with the company since 1987. His employment contract is described in the Narrative to Summary Compensation and Grants of Plan-Based Awards Tables.

Table of Contents*2015 Grants of Plan-Based Awards Table*

Name	Grant Date	Date of Action if Not Grant Date ¹	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ²			Estimated Future Payouts Under Equity Incentive Plan Awards ³			All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying Options ⁵	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Equity Awards (\$) ⁶
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	(#) ⁴	(#)		
Walter W. Bettinger II	1/29/2015		1,875,000	3,750,000	7,500,000							
	3/2/2015	1/29/2015					125,966	251,932				3,750,000
	3/2/2015	1/29/2015							451,264	30.17	3,750,000	
Joseph R. Martinetto	1/29/2015		610,417	1,220,833	2,441,666							
	3/2/2015	1/29/2015					29,393	58,786				875,000
	3/2/2015	1/29/2015							105,295	30.17	875,000	
	6/1/2015	4/22/2015							7,934		250,000	
	6/1/2015	4/22/2015							30,121	31.44	250,000	
Charles R. Schwab	1/29/2015		625,000	1,250,000	2,500,000							
	3/2/2015	1/29/2015					50,387	100,774				1,500,000
	3/2/2015	1/29/2015							180,506	30.17	1,500,000	
Maria A. Chandoha	1/29/2015		490,000	980,000	1,960,000							
	3/2/2015	1/29/2015					25,194	50,388				750,000
	3/2/2015	1/29/2015							90,253	30.17	750,000	
Terri R. Kallsen	1/29/2015		337,500	675,000	1,350,000							
	3/2/2015	1/29/2015					20,995	41,990				625,000
	3/2/2015	1/29/2015							75,211	30.17	625,000	
James D. McCool	1/29/2015		481,250	962,500	1,925,000							
	3/2/2015	1/29/2015					25,194	50,388				750,000
	3/2/2015	1/29/2015							90,253	30.17	750,000	

(1) This column shows the date that the Compensation Committee or the independent directors took action with respect to the award if that date is different than the grant date. If the grant date is not the meeting date, it is a fixed, future date specified at the time of the grant.

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

- (2) These columns show, for the January 29, 2015 grant date for each named executive officer, the range of possible payouts for annual cash incentive awards granted in 2015 under the Corporate Executive Bonus Plan. The actual annual cash incentive awards paid for 2015 performance under this plan are shown in the non-equity incentive plan compensation column to the Summary Compensation Table. The threshold column shows the bonus payment for achieving 50% of the target EPS goal; achieving less than 50% of the target EPS goal would result in no bonus payment.
- (3) These PBRSU awards were granted under the 2013 Stock Incentive Plan and vest one-sixth on the first and second anniversary of the grant date and two-thirds on the third anniversary of the grant date, provided that a target performance goal based on ROCE divided by COE for the one, two or three-year performance period preceding the vesting date is met. Shares are forfeited if the performance target is not met or will be paid in a range from 100% to 200% of the target award when performance equals or exceeds target.
- (4) This RSU award to Mr. Martinetto approved on April 22, 2015 with a grant date of June 1, 2015 was granted under the 2013 Stock Incentive Plan and vests in four equal annual installments beginning on the first anniversary of the grant date.
- (5) These stock option awards were granted under the 2013 Stock Incentive Plan, vest in four equal annual installments beginning on the first anniversary of the grant date and expire on the tenth anniversary of the grant date.

Table of Contents

- (6) For the option awards approved on January 29, 2015 with a grant date of March 2, 2015, the grant date fair value was determined by multiplying the number of shares granted by the fair value of the option as determined by a binomial option pricing model. The fair value of the option determined by the binomial pricing model on March 2, 2015 was \$8.31. For PBRSU awards, the grant date fair value was determined by multiplying the number of units granted by the average of the high and low market price of the company's common stock on the grant date of March 2, 2015, which was \$29.77.

For the option award to Mr. Martinetto approved on April 22, 2015 with a grant date of June 1, 2015, the grant date fair value was determined by multiplying the number of shares granted by the fair value of the option as determined by a binomial option pricing model. The fair value of the option determined by the binomial pricing model on June 1, 2015 was \$8.30. For the RSU award to Mr. Martinetto, the grant date fair value was determined by multiplying the number of units granted by the average of the high and low market price of the common stock on the grant date of June 1, 2015, which was \$31.51.

NARRATIVE TO SUMMARY COMPENSATION AND GRANTS OF PLAN-BASED AWARDS TABLES

Base Salaries

In 2015, the Compensation Committee increased the base salary for Mr. Martinetto by \$50,000 (8.7%). The Compensation Committee made no other adjustments to base salary for the named executive officers in 2015.

Annual Cash Incentives

In 2015, the Compensation Committee increased Mr. Martinetto's annual cash incentive target from 175% to 200% of base salary and Ms. Chandoha's annual cash incentive target from 150% to 175% of base salary. The Compensation Committee made no other adjustments to annual cash incentive targets for the named executive officers in 2015.

Defined Benefits and Deferred Compensation

The company does not offer defined benefit and actuarial pension plans, special retirement plans or other nonqualified excess plans for executives. The company does not offer above-market or preferential earnings under nonqualified deferred compensation plans or defined contribution plans.

All Other Compensation

Dividend equivalent payments on vested PBRsUs and on unvested RSU awards are included in the "all other compensation" section of the Summary Compensation Table because these dividend equivalent payments are not included in the fair value of the stock on the grant date as shown in the Grants of Plan-Based Awards Table.

Employment Agreement for Mr. Schwab

The company and Mr. Schwab entered into an amended employment agreement, effective March 31, 2003. Stockholders approved the amended employment agreement. The amended agreement has an initial term of five years, and provides that as of each March 31, the term of the employment agreement is automatically extended by an additional year, under the same terms and conditions, unless beforehand either party provides notice to the other of an intention not to extend it. To address potential penalty taxes on deferred compensation pursuant to Section 409A of the Internal Revenue Code and associated regulations, the Board of Directors and Mr. Schwab agreed to amendments

Table of Contents

to his employment agreement in 2008 to specify the timing of payments, establish definitions of triggering events that are consistent with the Internal Revenue Service's guidance under Section 409A, and delay certain payments until six months after Mr. Schwab terminates employment, as required by Section 409A for certain employees. The amendments do not impact the amount of the payments.

The amended employment agreement provides for an annual base salary of \$900,000, subject to annual review by the board, and provides that Mr. Schwab will be entitled to participate in all compensation and fringe benefit programs made available to other executive officers, including stock-based incentive plans. Mr. Schwab's bonus is determined under the Corporate Executive Bonus Plan, as described in the Compensation Discussion and Analysis.

The employment agreement also provides that certain compensation and benefits will be paid or provided to Mr. Schwab (or his immediate family or estate) if his employment is terminated involuntarily, except for cause. Cause is defined as the commission of a felony, or willful and gross negligence, or misconduct that results in material harm to the company. Involuntary termination includes a material change in Mr. Schwab's capacities or duties at the company.

If an involuntary termination is not due to death, disability or cause:

- Mr. Schwab will be entitled to receive for a period of 36 months all compensation to which he would have been entitled had he not been terminated, including his then current base salary and participation in all bonus, incentive and other compensation and benefits for which he was or would have been eligible (but excluding additional grants under stock incentive plans), and
- all his outstanding, unvested shares and options under stock incentive plans will vest fully on the termination date.

If an involuntary termination is due to disability, Mr. Schwab will be entitled to receive:

- his base salary and benefits, less any payments under the long-term disability plan, for a period of 36 months from the termination date, and
- a prorated portion of any bonus or incentive payments for the year in which the disability occurs.

If an involuntary termination is due to death, a lump sum payment will be made to Mr. Schwab's estate equal to five times his then base salary.

If Mr. Schwab voluntarily resigns his employment within 24 months of a change in control of the company, he will be entitled to receive his base salary up to the date of resignation, plus a prorated portion of any bonus or incentive payments payable for the year in which the resignation occurs. In addition, Mr. Schwab has the right (but not the obligation) to enter into a consulting arrangement with the company if he voluntarily resigns his employment upon 6 months' written notice to the company, or within 24 months of a change in control of the company if he voluntarily resigns or his employment is involuntarily terminated. Under that arrangement, Mr. Schwab would provide certain consulting services to the company for a period of five years for an annual payment equal to \$1 million or 75% of his then base salary, whichever is less.

For estimated termination and change in control payments and benefits to Mr. Schwab, please refer to the Termination and Change in Control Benefits Table.

The employment agreement prohibits Mr. Schwab from becoming associated with any business competing with the company during the term of the agreement and for a period of five years following a voluntary resignation of employment. (However, that restriction does not apply if Mr. Schwab resigns his employment within 24 months of a change in control of the company.)

Table of Contents

License Agreement for Mr. Schwab

The company and Charles Schwab & Co., Inc. also are parties to an assignment and license agreement with Mr. Schwab that was approved in July 1987 by the company's non-employee directors. Under the agreement, Mr. Schwab has assigned to the company all service mark, trademark, and trade name rights to Mr. Schwab's name (and variations on the name) and likeness. However, Mr. Schwab has the perpetual, exclusive, irrevocable right to use his name and likeness for any activity other than the financial services business, so long as Mr. Schwab's use of his name does not cause confusion about whether the company is involved with goods or services actually created, endorsed, marketed or sold by Mr. Schwab or by third parties unrelated to the company. The assignment and license agreement defines the financial services business as the business in which Charles Schwab & Co., Inc. is currently engaged and any additional and related business in which that firm or the company is permitted to engage under rules and regulations of applicable regulatory agencies.

Beginning immediately after any termination of his employment, Mr. Schwab will be entitled to use his likeness in the financial services business for some purposes (specifically, the sale, distribution, broadcast and promotion of books, videotapes, lectures, radio and television programs, and also any financial planning services that do not directly compete with any business in which the company or its subsidiaries are then engaged or plan to enter within three months). Beginning two years after any termination of his employment, Mr. Schwab may use his likeness for all other purposes, including in the financial services business, as long as that use does not cause confusion as described above.

No cash consideration is to be paid to Mr. Schwab for the name assignment while he is employed by the company or, after his employment terminates, while he is receiving compensation under an employment agreement with the company. Beginning when all such compensation ceases, and continuing for a period of 15 years, Mr. Schwab or his estate will receive three-tenths of one percent (0.3%) of the aggregate net revenues of the company (on a consolidated basis) and those of its unconsolidated assignees and licensees that use the name or likeness. These payments may not, however, exceed \$2 million per year, adjusted up or down to reflect changes from the cost of living prevailing in the San Francisco Bay Area in May 1987, and they will terminate if the company and its subsidiaries cease using Mr. Schwab's name and likeness. For estimated payments to Mr. Schwab under his license agreement, please refer to the Termination and Change in Control Benefits Table below.

The license agreement permits the company to continue using Mr. Schwab's name and likeness even after he is no longer affiliated with the company and, under most circumstances, limits Mr. Schwab's separate use of his name and likeness in the financial services business. However, the company's ability to assign the license agreement, or to permit others to use Mr. Schwab's name and likeness, is limited during Mr. Schwab's lifetime. Thus, without Mr. Schwab's consent, the company may not transfer the license, or any of the company's rights under the license, to a third party, including by means of mergers or reorganizations in which the stockholders who held shares prior to the transaction do not retain the ability to elect the majority of the board immediately following such transaction (among other circumstances).

Table of Contents*2015 Termination and Change in Control Benefits Table*

Name	Event ¹	Salary and Bonus	Early Vesting of Stock Options ²	Early or Continued Vesting of Restricted Stock Units ²	Vesting of Cash LTIP Awards ²	Other	Total
Walter W. Bettinger II	Termination under Severance Plan	\$ 1,182,053 ³	\$ 11,497,719 ⁴	\$ 12,074,772 ⁴		\$ 20,691 ⁵	\$ 24,775,235
	Change in control		11,497,719 ⁶	12,074,772 ⁶	\$ 4,000,000 ⁷		27,572,491
	Death or disability		11,497,719 ⁶	12,074,772 ⁶	4,740,000 ⁸		28,312,491
	Retirement or voluntary resignation			11,497,719 ⁴	12,074,772 ⁴		23,572,491
Joseph R. Martinetto	Termination under Severance Plan	738,780 ³	2,290,190 ⁹	2,044,459 ⁹		20,961 ⁵	5,094,390
	Change in control		2,882,339 ⁶	3,123,542 ⁶	1,437,500 ⁷		7,443,381
	Death or disability		2,882,339 ⁶	3,123,542 ⁶	1,703,438 ⁸		7,709,319
Charles R. Schwab	Termination without cause	5,214,000 ¹⁰	5,230,024 ¹¹	5,317,767 ⁴		66,957,122 ¹²	82,718,913
	Change in control		5,230,024 ⁶	5,317,767 ⁶	2,000,000 ⁷		12,547,791
	Death	2,500,000 ¹³	5,230,024 ⁶	5,317,767 ⁶	2,370,000 ⁸	66,074,610 ¹⁴	81,492,401
	Disability	1,500,000 ¹⁵	5,230,024 ⁶	5,317,767 ⁶	2,370,000 ⁸	66,074,610 ¹⁴	80,492,401
	Resignation following a change in control	1,875,000 ¹⁶	5,230,024 ⁶	5,317,767 ⁶	2,000,000 ⁷	66,074,610 ¹⁴	80,497,401
	Retirement or voluntary resignation	1,875,000 ¹⁶	5,230,024 ⁴	5,317,767 ⁴		66,074,610 ¹⁴	78,497,401
Marie A. Chandoha	Termination under Severance Plan	425,025 ³	1,170,497 ⁹	1,087,875 ⁹		12,227 ⁵	2,695,624
	Change in control		2,544,526 ⁶	2,635,289 ⁶	1,362,500 ⁷		6,542,315
	Death or disability		2,544,526 ⁶	2,635,289 ⁶	1,614,563 ⁸		6,794,378
Terri R. Kallsen	Termination under Severance Plan	341,543 ³	120,237 ⁹	149,206 ⁹		12,227 ⁵	623,213
	Change in control		504,719 ⁶	1,085,208 ⁶			1,589,927
	Death or disability		504,719 ⁶	1,085,208 ⁶			1,589,927
James D. McCool	Termination under Severance Plan	650,122 ³	2,615,033 ⁴	2,658,933 ⁴		19,969 ⁵	5,944,057
	Change in control		2,615,033 ⁶	2,658,933 ⁶	1,375,000 ⁷		6,648,966
	Death or disability		2,615,033 ⁶	2,658,933 ⁶	1,629,375 ⁸		6,903,341
	Retirement or voluntary resignation			2,615,033 ⁴	2,658,933 ⁴		5,273,966

(1) This table shows the amount of benefits due to termination or change in control to be paid to the named executive officers pursuant to existing agreements (assuming the event triggering the termination or change in control took place as of December 31, 2015).

The benefits payable to Mr. Schwab are based on the terms of his employment, license, and equity incentive award agreements. The events triggering payments are described more fully in the description of his employment and license agreements contained in the Narrative to Summary Compensation and Grants of Plan-Based Awards Tables.

Table of Contents

Except for Mr. Schwab, all other named executive officers are eligible for benefits in the event of job elimination under the Charles Schwab Severance Pay Plan (Severance Plan), and these benefits are included in amounts shown for termination under Severance Plan.

Stock option and RSU agreements may contain provisions for accelerated vesting due to a change in control, death or disability, or retirement, and these accelerated amounts are included in amounts shown for change in control, death or disability, and retirement or voluntary resignation. As of December 31, 2015, Mr. Bettinger, Mr. McCool and Mr. Schwab met the eligibility criteria for retirement under existing equity award agreements.

PBRSU award agreements may contain provisions for continued vesting following either termination under the Severance Plan or retirement, subject to achievement of performance goals established at the time such awards were granted. The value of awards subject to these continued vesting and performance achievement provisions is included in amounts shown for termination under Severance Plan and retirement or voluntary resignation as applicable.

Cash Long Term Incentive Plan (LTIP) award agreements may contain provisions for accelerated vesting due to a change in control and provisions for continued pro rata vesting due to death or disability, subject to the achievement of performance goals established at the time such awards were granted. The value of awards subject to these provisions is included in the amounts shown for change in control, and death or disability.

- (2) For stock options, the amounts are based on the spread between the exercise price and the closing price of a share of company common stock on December 31, 2015 (\$32.93), multiplied by the number of shares subject to accelerated vesting. For RSUs, the amounts are based on the closing price of a share of company common stock on December 31, 2015 (\$32.93), multiplied by the number of shares subject to accelerated vesting. For PBRSUs, the amounts are based on \$32.93 multiplied by the target number of shares that would vest, to the extent not already forfeited, under accelerated vesting provisions (in the case of death, disability or change in control), or the number of shares that will continue to vest, to the extent not already forfeited, under continued vesting provisions (in the case of retirement or severance under the Severance Plan) subject to achievement of performance goals established at the time such awards were granted. For Cash LTIP awards, the amounts shown for accelerated vesting on change in control are the target value of the awards and the amounts shown for continued vesting on death or disability are prorated amounts of the target awards assuming the death or disability took place on December 31, 2015.
- (3) Includes a base salary payable under the Severance Plan for the severance period and a 60-day notice period. Under the terms of the Severance Plan, an executive officer is eligible to receive a lump-sum severance benefit equal to base salary (at December 31, 2015 rate) for a specified period (a minimum of seven months and a maximum of 12 months) based upon years of service. In addition, the Severance Plan provides for base salary during the 60-day notice period. To receive the lump-sum severance benefit, an employee must execute a severance agreement that provides the company and its affiliates with a general release and waiver of claims.
- (4) Under equity award agreements, if the employee meets the eligibility criteria for retirement at the time of termination, stock options vest and PBRSUs continue to vest based on the achievement of the related performance goals.
- (5) Under the Severance Plan, amounts represent a lump-sum payment to cover part of the cost of COBRA premiums based on group health plan COBRA rates for the severance period.
- (6) Under equity award agreements, these awards fully vest in the event of a change in control of the company, death or disability.
- (7) Under the Cash LTIP award agreements, these awards fully vest and are paid at the target level of performance in the event of a change in control.

Table of Contents

- (8) Under the Cash LTIP award agreements, a prorated portion of these awards vests based on the number of days served during the performance period in the event of death or disability. Award payouts remain subject to achievement of performance goals. The amounts shown are based on accounting estimates regarding achievement of the performance goals and are prorated as of December 31, 2015.
- (9) Under the Severance Plan, amounts result from vesting of outstanding long-term awards that would have vested during the 60-day notice period, accelerated vesting of outstanding stock options and RSU awards that would have vested upon termination, and continued vesting of PBRSU awards that may vest during the severance period after termination.
- (10) Under Mr. Schwab's employment agreement, includes 36 months of salary (at December 31, 2015 rate of \$500,000) and bonus (at 2015 cash incentive of \$1,238,000), to be paid in 36 monthly installments.
- (11) Under Mr. Schwab's employment agreement, unvested stock options fully vest upon an involuntary separation from service other than for cause.
- (12) Under Mr. Schwab's employment and license agreements, includes: annual installments of \$4,404,974 (which represents \$2 million adjusted to the consumer price index from 1987 as specified in his license agreement) for 15 years, and estimated cost of office space and secretarial support for 36 months of \$882,512.
- (13) Under Mr. Schwab's employment agreement, represents a lump-sum death benefit payable to Mr. Schwab's estate in an amount equal to five times annual salary (at December 31, 2015 rate of \$500,000).
- (14) Under Mr. Schwab's license agreement, represents annual installments of \$4,404,974 for 15 years payable to Mr. Schwab or his estate.
- (15) Under Mr. Schwab's employment agreement, represents 36 months of annual salary (at December 31, 2015 rate of \$500,000), to be paid in monthly installments. A prorated bonus is not included, as it is already included in the 2015 Summary Compensation Table and is not an additional expense to the company.
- (16) Under Mr. Schwab's employment agreement, represents \$1,875,000 payable in 60 monthly installments of \$31,250 in the event that Mr. Schwab elects to provide consulting services following a voluntary resignation, or resignation or termination after a change in control. A prorated bonus is not included, as it is already included in the 2015 Summary Compensation Table and is not an additional expense to the company.

Charles Schwab Severance Pay Plan

Employees other than Mr. Schwab are eligible for benefits under the Severance Plan in the event of job elimination, as defined in the plan.

Under the Severance Plan, an executive officer is eligible to receive a lump-sum severance pay benefit of base salary equal to 15 business days multiplied by his or her full years of service, with a minimum of seven months and maximum of 12 months of the base salary that would have been payable to the executive officer. Prorated benefits will be provided for partial years of service. The lump-sum amount is in addition to base salary for the 60-day notice period.

An executive officer who becomes entitled to severance benefits under the plan is also eligible to receive a lump-sum payment to cover a portion of the cost of group health plan coverage. The amount of the payment is based upon the period of time for which he or she is eligible to receive severance pay and current COBRA rates for group health plan coverage. In addition, the portion of the executive officer's long-term awards, except PBRsUs or similar performance-based awards, which would have vested had the officer remained employed during the severance period will vest following his or her termination date. Executive officers are treated as employees during their severance period for purposes of determining their vesting in PBRsUs to the extent performance goals are met or exceeded for the period.

Table of Contents**OUTSTANDING EQUITY AWARDS AS OF DECEMBER 31, 2015**

Name	OPTION AWARDS				STOCK AWARDS			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ¹
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ¹	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	
Walter W. Bettinger II	685,241		17.38	11/2/2019			366,680 ^{14,15,16,17}	12,074,772
	243,446		18.25	3/1/2020				
	281,909		15.00	8/2/2020				
	287,248		15.43	11/1/2020				
	274,759		18.66	3/1/2021				
	320,649		15.05	8/1/2021				
	359,400		11.75	11/1/2021				
	201,447	67,149 ²	13.91	3/1/2022				
	254,569	84,857 ³	12.45	8/1/2022				
	243,750	81,250 ⁴	13.64	11/1/2022				
	131,154	131,155 ⁵	16.40	3/1/2023				
	84,110	84,110 ⁶	22.67	8/1/2023				
	78,050	78,050 ⁷	23.12	11/1/2023				
	38,580	115,741 ⁸	25.86	3/3/2024				
	36,500	109,502 ⁹	27.45	8/1/2024				
	33,770	101,310 ¹⁰	28.44	11/3/2024				
		451,264 ¹¹	30.17	3/2/2025				
Joseph R. Martinetto	122,920	14,463 ²	19.36	11/3/2018	10,628 ^{18,19}	349,980	94,854 ^{14,15,16,17}	3,123,542

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

126,507	18,277 ³	17.38	11/2/2019
44,944	17,500 ⁴	18.25	3/1/2020
52,045	14,085 ¹²	15.00	8/2/2020
53,031	30,267 ⁵	15.43	11/1/2020
54,952	19,410 ⁶	18.66	3/1/2021
64,130	18,012 ⁷	15.05	8/1/2021
21,880	26,710 ⁸	11.75	11/1/2021
43,389	25,270 ⁹	13.91	3/1/2022
54,831	23,380 ¹⁰	12.45	8/1/2022
52,500	105,295 ¹¹	13.64	11/1/2022
14,085	30,121 ¹³	15.08	1/2/2023
30,266		16.40	3/1/2023
19,410		22.67	8/1/2023
18,012		23.12	11/1/2023
8,903		25.86	3/3/2024
8,423		27.45	8/1/2024
7,793		28.44	11/3/2024
		30.17	3/2/2025
		31.44	6/1/2025

Table of Contents

Name	OPTION AWARDS				STOCK AWARDS			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ¹
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ¹	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	
	Exercisable	Unexercisable	(\$)		(#)	(\$)	(#)	
Charles R. Schwab	316,266		17.38	11/2/2019			161,487 ^{14,15,16,17}	5,317,767
	112,360		18.25	3/1/2020				
	130,112		15.00	8/2/2020				
	132,576		15.43	11/1/2020				
	126,812		18.66	3/1/2021				
	147,992		15.05	8/1/2021				
	165,877		11.75	11/1/2021				
	92,975	30,992 ²	13.91	3/1/2022				
	117,493	39,165 ³	12.45	8/1/2022				
	112,500	37,500 ⁴	13.64	11/1/2022				
	60,533	60,533 ⁵	16.40	3/1/2023				
	38,820	38,820 ⁶	22.67	8/1/2023				
	36,023	36,024 ⁷	23.12	11/1/2023				
	17,806	53,420 ⁸	25.86	3/3/2024				
	16,846	50,540 ⁹	27.45	8/1/2024				
	15,586	46,759 ¹⁰	28.44	11/3/2024				
		180,506 ¹¹	30.17	3/2/2025				
Marie A. Chandoha	17,279	14,463 ²	11.75	11/1/2021			80,027 ^{14,15,16,17}	2,635,289
		18,277 ³	13.91	3/1/2022				
	16,847	17,500 ⁴	12.45	8/1/2022				
	17,500	30,267 ⁵	13.64	11/1/2022				

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

	19,410 ⁶	16.40	3/1/2023
	18,012 ⁷	22.67	8/1/2023
9,006	26,710 ⁸	23.12	11/1/2023
4,452	25,270 ⁹	25.86	3/3/2024
4,212	23,380 ¹⁰	27.45	8/1/2024
7,793	90,253 ¹¹	28.44	11/3/2024
		30.17	3/2/2025

Terri R. Kallsen	81	3,281 ¹⁴	12.10	6/1/2022	11,960 ^{20,21,22,23}	393,843	20,995 ¹⁷	691,365
	200	5,000 ⁴	13.64	11/1/2022				
	63	7,926 ⁷	23.12	11/1/2023				
	4,052	12,158 ¹⁰	28.44	11/3/2024				
		75,211 ¹¹	30.17	3/2/2025				

Table of Contents

Name	OPTION AWARDS					STOCK AWARDS		
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ¹ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ¹ (\$)
James D. McCool	64,041		19.36	11/3/2018			80,745 ^{14,15,16,17}	2,658,933
	23,981		18.49	12/10/2018				
	73,591		17.38	11/2/2019				
	52,435		18.25	3/1/2020				
	60,719		15.00	8/2/2020				
	46,402		15.43	11/1/2020				
	59,179		18.66	3/1/2021				
	51,797		15.05	8/1/2021				
	19,353		11.75	11/1/2021				
	30,992	15,496 ²	13.91	3/1/2022				
	39,164	19,583 ³	12.45	8/1/2022				
	56,250	18,750 ⁴	13.64	11/1/2022				
	30,266	30,267 ⁵	16.40	3/1/2023				
	19,410	19,410 ⁶	22.67	8/1/2023				
	18,012	18,012 ⁷	23.12	11/1/2023				
	8,903	26,710 ⁸	25.86	3/3/2024				
	8,423	25,270 ⁹	27.45	8/1/2024				
	7,793	23,380 ¹⁰	28.44	11/3/2024				
		90,253 ¹¹	30.17	3/2/2025				

Edgar Filing: SCHWAB CHARLES CORP - Form DEF 14A

- (1) Represents the market value of unvested RSUs or PBRsUs held as of December 31, 2015 based on the closing price of a share of common stock of \$32.93 on December 31, 2015.
- (2) These nonqualified stock options were approved on January 22, 2012 under the 2004 Stock Incentive Plan with a grant date of March 1, 2012 and vest in four equal annual installments beginning on the first anniversary of the grant date.
- (3) These nonqualified stock options were approved on January 22, 2012 under the 2004 Stock Incentive Plan with a grant date of August 1, 2012 and vest in four equal annual installments beginning on the first anniversary of the grant date.
- (4) These nonqualified stock options were ap