

SCHWAB CHARLES CORP

Form DEF 14A

March 29, 2019

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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:

Preliminary Proxy Statement
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Section 240.14a-12

**Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e)(2))**

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:

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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:

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March 29, 2019

Dear Fellow Stockholders,

We cordially invite you to attend our 2019 Annual Meeting of Stockholders to be held on Wednesday, May 15, 2019, 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.

We extend our sincerest thanks to Robert N. Wilson. Mr. Wilson retired in January 2019 following 15 years of service to our board. We appreciate his longstanding and distinguished contributions to the company, exemplified by his effective guidance and leadership.

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 2018 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

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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: Wednesday, May 15, 2019
 Time: 2:00 p.m., Pacific Time
 Location: www.schwabevents.com/corporation

or

211 Main Street, San Francisco, California
 Record Date: March 18, 2019
 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		
<u>John K. Adams, Jr.</u>	For	6
<u>Stephen A. Ellis</u>	For	10
<u>Arun Sarin</u>	For	16
<u>Charles R. Schwab</u>	For	17
<u>Paula A. Sneed</u>	For	18
<u>Ratification of Independent Auditors</u>	For	27
<u>Advisory Approval of Named Executive Officer Compensation</u>	For	30
<u>Stockholder Proposal on Annual Disclosure of EEO-1 Data</u>	Against	65

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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.	63	2015	Former Managing Director, Financial Institutions Group, UBS Investment Bank	Financial services and investment banking experience	X	Audit Risk
Stephen A. Ellis	56	2012	Managing Partner, TPG	Leadership skills and global management consulting experience	X	Audit Nominating
Arun Sarin	64	2009	Former Chief Executive Officer, Vodafone Group Plc	Public company knowledge and leadership experience	X	Nominating Risk
Charles R. Schwab	81	1986	Chairman, The Charles Schwab Corporation	Founder of The Charles Schwab Corporation		
Paula A. Sneed	71	2002	Chairman and Chief Executive Officer, Phelps Prescott Group, LLC	Marketing skills and management and executive leadership experience	X	Compensation

INDEPENDENT AUDITORS

We ask that you ratify the appointment of Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu Limited (collectively referred to as Deloitte) as the company's independent registered public accounting firm for the 2019 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 next fiscal year.

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

	2018	2017
	(amounts in millions)	
Audit Fees	\$ 7.6	\$ 8.0
Audit-Related Fees	3.7	2.6
Tax Fees		
All Other Fees		
Total	\$ 11.3	\$ 10.6

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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.

2018 Executive Compensation Highlights

In 2018, our management team continued to execute on its strategy of helping our clients – individual investors, registered investment advisors and employers – to achieve their financial goals. This “Through Clients’ Eyes” strategy, combined with ongoing expense discipline, aided us in producing record core net new assets of \$227.8 billion, total client assets of \$3.25 trillion, and a record pre-tax profit margin of 45.0%. Earnings per share (EPS) was \$2.45 (up 52% over the prior year), and return on common equity (ROCE) was 19%, the highest since 2008.

The company’s compensation programs are designed to link pay to the long-term performance of the company. Key elements of 2018 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 with cliff-vesting based on a three-year performance period, subject to satisfaction of performance criteria	· Attract, motivate and retain executives
			· Reward executives for individual performance
	· Stock options	· 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

Given the company’s financial performance in 2018, the Compensation Committee approved funding at 111.6% 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 2018 was based on ROCE divided by cost of equity capital (COE) to align the executives’ incentives with the long-term interests of stockholders.

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The PBRsUs have cliff-vesting based on a three-year performance period.

Summary compensation information for the named executive officers 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 (SEC) rules, and the amount that the executive actually receives may vary substantially from what is reported in the equity columns of the table.

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2018 SUMMARY COMPENSATION

Name and Principal Position	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Walter W. Bettinger II	1,275,000	4,500,000	4,500,000	5,335,875	16,732	15,627,607
President and Chief Executive Officer						
Peter B. Crawford	470,833	500,000	500,000	788,175	15,069	2,274,077
Executive Vice President and Chief Financial Officer						
Charles R. Schwab	683,333	1,725,000	1,725,000	1,906,500	14,428	6,054,261
Chairman						
Joseph R. Martinetto	687,500	1,500,000	1,500,000	1,611,225	15,485	5,314,210
Senior Executive Vice President and Chief Operating Officer						
Terri R. Kallsen	545,833	825,000	825,000	1,066,012	15,247	3,277,092
Executive Vice President – Investor Services						

STOCKHOLDER PROPOSAL

There is a stockholder proposal to vote on that is described in the proxy statement.

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NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

Date: Wednesday, May 15, 2019

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 a stockholder proposal, 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, 2019 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 15, 2019. The proxy statement and annual report to

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

www.aboutschwab.com.

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PROXY STATEMENT

The Board of Directors is sending these proxy materials to you on or about March 29, 2019. Stockholders who owned the company's common stock at the close of business on March 18, 2019 may attend and vote at the annual meeting. Each share is entitled to one vote. There were 1,334,221,067 shares of common stock outstanding on March 18, 2019.

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, Equiniti Trust Company, by fax to (651) 450-4026 or email to wfssproxyteam@eq-us.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 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.

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CORPORATE GOVERNANCE

The Company

The Charles Schwab Corporation is a savings and loan holding company that engages, through its subsidiaries, in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. At December 31, 2018, the company had \$3.25 trillion in client assets, 11.6 million active brokerage accounts, 1.7 million corporate retirement plan participants, and 1.3 million banking accounts.

The company was founded on the belief that all Americans deserve access to a better investing experience. Although much has changed in the intervening years, our purpose remains clear to champion every client's goals with passion and integrity. Guided by this purpose and our vision of creating the most trusted leader in investment services, management has adopted a strategy described as Through Clients' Eyes.

Board Leadership

The Chairman of the Board is Mr. 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, Mr. Herringer, presides over the executive sessions of non-management directors.

The board has four standing committees (Audit, Compensation, Nominating and Corporate Governance, and Risk) composed entirely of independent directors and 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 is responsible for oversight of risk management at the company. The Risk Committee 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 oversees incentive compensation risk and 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Board Structure and Committees

The authorized number of directors is currently fourteen and the company has fourteen directors. There are five nominees for election this year and nine 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.

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The board held seven meetings in 2018. Each director attended at least 75% of all applicable board and committee meetings during 2018. As provided in our Corporate Governance Guidelines, we expect directors to attend the annual meeting of stockholders. In 2018, fourteen of the then fifteen directors attended the annual meeting.

Each of our four standing committees is composed entirely of independent directors as determined by the board in accordance with its independence guidelines and New York Stock Exchange corporate governance standards. In addition to these standing committees, the board may from time to time establish *ad hoc* committees to assist in various matters.

Each standing committee conducts its own self-assessment annually and reports the results to the Nominating and Corporate Governance Committee or to the full board. The board also conducts its self-assessment on an annual basis.

The board and its committees are currently comprised of the following individuals:

COMMITTEE MEMBERSHIPS				
NAME	INDEPENDENT	AC	CC	NCGC