



**BE IT RESOLVED:** The shareholders of Capital One Financial urge the Compensation Committee of the Board of Directors to adopt a policy, applicable to future grants and awards of equity compensation, requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs for a significant period of time following the termination of their employment (through retirement or otherwise). The policy shall apply to future grants and awards of equity compensation.

**SUPPORTING STATEMENT:** Requiring senior executives to hold a significant portion of shares obtained through compensation plans after the termination of employment is an evolving best practice. For example, CalPERS recently updated its Governance and Sustainability Principles to include language suggesting that equity compensation earned by executives should be held for a minimum of two years after they retire or separate from the company.

Such a policy would help focus the attention of Capital One executives on long term success and better align executive interests with those of Capital One's shareholders. One reason boards provide incentives with stock is to create such long-term alignment. Awards that fail to include sufficient holding requirements instead allow executives to cash out options near or at the top of the market.

A CEO's stake in a company should grow larger with time, yet Capital One Financial CEO Richard Fairbank's beneficial ownership has decreased as he exercised options. In 2018 he exercised 970,403 shares, realizing value of over \$79 million dollars. In 2017 he exercised options for over one million shares, realizing value of over \$40 million dollars.

Shareholders believe it is important for the company to promote long-term and sustainable value creation that can withstand predictable long-term risks. Capital One, however, has faced sharp [criticism](#) for its emphasis on sub-prime credit. Analysts have [speculated](#) that Capital One may be more at risk than its peers in the next recession. If executives received disproportionate reward for shorter term stock price fluctuations, management may not be incentivized to take such long-range actions.

Capital One currently has a retention requirement that is only effective until its modest ownership guidelines have been met. The Company's recently updated ownership guidelines require the CEO to own six times salary. The company has chosen a "notional salary" of \$1 million. Requiring someone who has cashed in well over \$100 million in options over just a few year to hold \$6 million in shares seems symbolic at best. We view a more rigorous retention requirement as superior to the current stock ownership guidelines.

We urge shareholders to vote for this proposal.