Priests of the Sacred Heart

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The TJX Companies, Inc. (TJX)
Shareholder Proposal No. 8 on Executive Compensation Policies

Dear TJX Companies shareholders,

The Priests of the Sacred Heart, U.S. Province, seeks your support[1] for Proposal No. 8 on the TJX Companies, Inc. ("TJX" or "the Company") 2017 proxy ballot.

The resolved clause states:

> *Shareholders request the Board's Compensation Committee initiate a review of our company's executive compensation policies and make available, upon request, a summary report of that review by October 1, 2017 (omitting confidential information and processed at a reasonable cost). We request that the report include: 1) A comparison of the total compensation package of senior executives and our employees' median wage (including benefits) in the United States in July 2007, July 2012 and July, 2017; 2) an analysis of changes in the relative size of the gap and an analysis and rationale justifying this trend; 3) an evaluation of whether our senior executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) should be modified to be kept within boundaries, such as that articulated in the previously proposed Excessive Pay Shareholder Approval Act; and 4) an explanation of whether sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of senior executive pay to more reasonable and justifiable levels and how the Company will monitor this comparison annually in the future.*

Summary

TJX should report on the gap between senior executive compensation and that of median level employees (the "CEO-to-worker pay gap"), as well as the trend in that figure over time. This issue warrants the board's attention given that TJX maintains one of the largest pay gaps in America, public scrutiny of the CEO-to-worker pay ratio is high and increasing, and TJX may be risking the health of its labor force. The requested report would help the board and investors determine whether TJX is using capital to reward executives for short-term performance at the expense of long-term shareholder value.

I. The CEO-to-worker pay gap

Many S&P 500 CEOs are overpaid in comparison to the pay of CEOs of large complex European, Canadian, Australian, and Japanese companies, and far out of proportion to the value they provide. The Economic Policy Institute found that "CEO pay grew an astounding 943% over the past 37 years, greatly

[1] This communication is an exempt proxy solicitation submitted pursuant to Rule 14a-6(g)(1) promulgated under the Securities Exchange Act of 1934. Submission is not required under the terms of the Rule, but is made voluntarily in the interest of public disclosure and consideration of these important issues. This is not a solicitation of authority to vote your proxy and The Priests of the Sacred Heart, U.S. Province, will not accept proxies if sent. The Priests of the Sacred Heart, U.S. Province, urges shareholders to vote for the proposals discussed in this communication following the instructions provided on the management's proxy mailing. The cost of this communication is being borne entirely by The Priests of the Sacred Heart, U.S. Province.

outpacing the growth in the cost of living, the productivity of the economy, and the stock market, disproving the claim that the growth in CEO pay reflects the 'performance' of the company, the value of its stock, or the ability of the CEO to do anything but disproportionately raise the amount of his pay."

A recent Bloomberg report claimed that "the gap between pay for U.S. chief executive officers and the people who work for them has widened sevenfold in three decades."[2] The gap between senior executive compensation and that of median level employees at TJX is extraordinarily large. In a 2015 (FY2016[3]) PayScale report, TJX had one of the largest ratios between CEO and employee cash compensation at 327 to 1 — versus an average of 70 to 1 among all companies studied.[4] When you consider that Ms. Meyrowitz's stock and options in that year — awarded in addition to her cash compensation — brought her total compensation up to 2½ times cash compensation, the gap became even more excessive.

Ms. Meyrowitz was also listed in the study *The 100 Most Overpaid CEO's* published by As You Sow. They concluded that "excessive pay packages contribute to the destabilizing effects of income inequality and make consumers and employees wonder if they are playing in a game rigged against them."

The high CEO pay and large pay gaps at TJX continued in the most recent reported year. In FY2017, Mr. Herman's total compensation in his first year as CEO was slightly lower than Mrs. Meyrowitz's; however, his cash compensation was higher, bringing TJX's CEO-to-worker cash compensation ratio up to 362 to 1. That CEO-to-worker pay gap remains several times larger than the U.S. average.

II. What are the risks of TJX's large CEO-to-worker pay gap?

Investors are concerned that a large gap between executive compensation and that of average TJX employees puts the Company's reputation, human capital, and shareholder value at risk.

Reputational risk

TJX's proxy statement indicates that "… a key component of our continued success is developing and retaining talent." The company states that its compensation philosophy is to "establish a balanced program to attract and retain top talent" while "maintaining pay practices that align the interests of their Associates and shareholders."[5] Comparative studies showing that TJX is among the most unequal companies in America are inconsistent with its compensation philosophy and harmful to our company's reputation.

Reputational risk is particularly acute as Americans pay more attention to the broad social effects of economic inequality. It is now widely cited that the richest one percent hold as much as 40 percent of America's wealth, and their incomes continue to grow.[6] This coincides with a widening of the gap between what firms pay top executives and what they pay average workers.[7]

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[2] Via "Americans and CEO Pay: 2016 Public Perception Survey on CEO Compensation", Stanford Business, Feb 2016, https://www.gsb.stanford.edu/faculty-research/publications/americans-ceo-pay-2016-public-perception-survey-ceo-compensation.

[3] The PayScale report studied compensation disclosed by TJX for FY2016.

[4] http://www.payscale.com/data-packages/ceo-pay

[5] TJX 2017 Proxy Statement, https://www.sec.gov/Archives/edgar/data/109198/000119312517142785/d233676ddef14a.htm#toc233676_18

[6] https://thinkprogress.org/how-unequal-we-are-the-top-5-facts-you-should-know-about-the-wealthiest-one-percent-of-americans-a1d36a0f10f6

[7] In July 2015, *The New York Times* featured an extended front-page article entitled: "Pay Gap Widening as Top Workers Reap the Raises." A September 2015 *New York Times* piece ("Low-Income Workers See Biggest Drop in Paychecks") showed the decline in real wages (2009-2014) for the lowest-paid quintile was -5.7% while that of the highest-paid quintile was less than half

Public perception of high executive pay continues to be negative. A 2016 Stanford study surveying more than 1,000 people suggested that most Americans believe that CEOs are "vastly overpaid," and most support "drastic reductions" in CEO pay.[8] A 2014 study suggested that most Americans prefer much more equal pay scales. The average respondent estimated that the market-wide CEO-to-worker pay ratio was 30 to 1 (laughably equal compared to reality) and also opined that an *ideal* ratio would be 7 to 1.[9]

There is evidence that consumers are sensitive to CEO pay and think more highly of retailers that have smaller gaps between CEO and worker pay. A 2015 working paper based on experiments conducted at Harvard Business School found that "people were more willing to buy from [a] company with [a] lower pay ratio, and more than 30% said they would pay more…when given the option of two different companies with two different compensation ratios."[10]

In light of that and the reputational impacts of inequality discussed above, TJX's high CEO-to-worker pay ratio emerges as a key risk indicator and a natural focus for shareholders.

Human capital management

In addition to reputational risks, TJX's large CEO-to-worker pay gap suggests potential problems related to human capital management.

Human capital is the skill, talent, and productivity that employees bring to and develop within a company. The ability of a company to manage and maintain human capital affects that company's ability to deliver long-term, sustainable value and should thus be a key focus. Poor attention to employees, their rights, working conditions, skills, morale, and level of engagement with the mission of a company (collectively understood as the state of human capital) can create roadblocks for both existing operations as well as efforts by a company to expand to new markets. Conversely, companies that effectively manage human capital may be at a competitive advantage in attracting and retaining highly-talented individuals, which leads to increased revenues and reduced costs.[11]

Human capital management and risk mitigation is particularly important for companies operating in labor-intensive sectors such as retail, where continued success depends heavily on the ability of a company to leverage its employees' skill, morale, and engagement to create value.[12] For instance,

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of that: -2.6%. https://www.nytimes.com/2015/07/25/business/economy/salary-gap-widens-as-top-workers-in-specialized-fields-reap-rewards.html; https://www.nytimes.com/2015/09/03/business/low-income-workers-see-biggest-drop-in-paychecks.html?_r=0.

[8] https://www.gsb.stanford.edu/faculty-research/publications/americans-ceo-pay-2016-public-perception-survey-ceo-compensation

[9] https://www.scientificamerican.com/article/economic-inequality-it-s-far-worse-than-you-think/; http://www.hbs.edu/faculty/Publication%20Files/kiatpongsan%20norton%202014_f02b004a-c2de-4358-9811-ea273d372af7.pdf.

[10] https://hbr.org/2015/06/is-your-ceos-high-salary-scaring-away-customers. According to Harvard Business Review, a 2015 Harvard Business School working paper described experiments that asked consumers about their willingness to buy a set of towels from different fictional retailers with varying CEO-to-worker pay ratios.

[11] For example, Sysco Corporation's Human Capital investment analyses revealed that "operating units with highly satisfied employees have higher revenues, lower costs, greater employee retention, and superior customer loyalty." See Davenport, Harris, and Shapiro, "Competing on Talent Analytics," *Harvard Business Review*, 10 October 2010 at 4. https://www.growthresourcesinc.com/pub/res/pdf/HBR_Competing-on-Talent-Analytics_Oct-2010.pdf. Similarly, Google Inc.'s efforts to pinpoint the most effective Human Capital management practices revealed that, in the words of Google's Senior VP of People Operations, "there are three reasons [Google employees] stay: the mission, the quality of the people, and the chance to build the skill set of a better leader or entrepreneur." See Ibid. at 5.

[12] See, e.g., Ton, Zeynep. "Why 'Good Jobs' Are Good for Retailers," *Harvard Business Review Magazine*, January-February 2012. http://hbr.org/2012/01/why-good-jobs-are-good-for-retailers/ar/1

investment in human capital was a key factor, among others, in allowing Costco to outperform Wal-Mart, even while paying an average of $17/hour instead of $10/hour to employees in similar positions.[13]

Large pay gaps between executives and average workers can indicate specific human capital risks. Evidence suggests that organizations with large gaps risk a decline in employee morale and commitment to the organization. This can lead to more sick days, higher staff turnover, and more employee unrest.[14] This is confirmed by recent research published by the data provider MSCI which suggested that companies that paid top executives far more than they paid their rank-and-file workers tended to have lower labor productivity.[15]

Such risks can be driven by the level of CEO pay, but also by the prevailing wage for average workers (creating the gap) and the temptation for a firm to divert resources away from front-line workers in order to preserve short-term profit. Given the importance of effective human capital management, investors are justifiably concerned about companies that save money by cutting benefits, raises, and jobs for average workers while continuing relatively high executive payouts.

Given that TJX maintains one of the largest pay gaps in America, more scrutiny of the CEO-to-worker pay ratio and the trend of that ratio over time is warranted. The disclosure requested by this proposal would provide investors with essential information and context to understand whether TJX's CEO-to-worker pay gap diverts resources from the Company's labor force and risks its precious human capital.

Shareholder value

Questions over TJX's reputation and ability to manage its critical human capital mean that shareholder value may be at risk.

In a *Forbes* article on Wall Street pay, the director of the Program on Corporate Governance at Harvard Law School noted that compensation policies can "prove to be quite costly – excessively costly – to shareholders."[16] The MSCI study cited above found that firms that paid top executives far more than they paid their average workers tended to be less profitable over time than those that had narrow gaps between worker and executive pay.[17]

Accordingly, institutional investors are taking notice of the CEO-to-worker pay gap. For example, the Council of Institutional Investors (CII) recommends that compensation committees consider the "goals for distribution of awards throughout the company" and "the relationship of executive pay to the pay of other employees" as factors in developing their executive pay philosophy.[18]

III. Why now?

Proposal No. 8 simply requests more information from TJX so that investors can fully consider the range of issues indicated above by the CII. Investors need more data and context to determine whether TJX's large CEO-to-worker pay gap is a threat to long-term shareholder value.

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[13] https://hbr.org/2012/01/why-good-jobs-are-good-for-retailers; https://hbr.org/2006/12/the-high-cost-of-low-wages
[14] https://opinionator.blogs.nytimes.com/2014/03/29/can-we-close-the-pay-gap/?_r=0; http://highpaycentre.org/pubs/the-high-cost-of-high-pay-unequal-workplaces-suffer-more-strikes-and-higher
[15] https://www.msci.com/www/blog-posts/looking-more-closely-at-intra/0349632273
[16] https://www.forbes.com/2008/04/30/blankfein-pay-goldman-lead-bestbosses08-cx_ar_0430blankfein.html
[17] https://www.msci.com/www/blog-posts/looking-more-closely-at-intra/0349632273
[18] http://www.cii.org/corp_gov_policies

In its statement of opposition in the 2017 Proxy, TJX contends that it already provides information sufficient to respond to investors' concerns. However, the Company does not yet provide a comparison of the total pay package of senior executives and its employees' median wages.

Some companies have begun disclosing CEO-to-worker pay ratios in anticipation of the Pay Ratio Disclosure Rule approved by the Securities and Exchange Commission in August 2015. Beginning in 2018, that rule will require issuers to report the ratio between median employee compensation and the CEO's total compensation. However, without critical additional information and context from TJX, the legally mandated ratio disclosure will not be enough to determine:

1. The trend in the relative size of TJX's CEO-to-worker pay gap;
2. The board's informed view on whether senior executive compensation packages should be modified to be kept within boundaries that would promote long-term shareholder value; nor,
3. The board's informed view on whether the CEO-to-worker pay gap comes at the expense of the health of the Company's human capital and whether the gap should be decreased to avoid potential harm to human capital in the long term.

None of the above is provided currently nor mandated by the SEC's Pay Ratio Disclosure rule taking effect next year. The Compensation Discussion & Analysis disclosure cited by the Company in its statement of opposition is not responsive to the concerns above.

Existing Company disclosures are crafted to justify the executive compensation package in terms of individual performance, Company results, and the market for executive talent. There is currently no disclosure that analyzes executive compensation or the CEO-to-worker pay gap in terms of their effects on overall human capital management and the resources dedicated to developing the Company's front-line retail talent. Nor has the Company indicated that investors can expect such disclosure.

In view of the above risks and considerations, investors are requesting this missing disclosure in the form of Proposal No. 8.

Shareholders are urged to vote FOR Proposal No. 8 following the instructions provided on the Company's proxy mailing.

For questions regarding the proposal, please contact Mark Peters, Priests of the Sacred Heart, 414.427.4273, justdir@usprovince.org.