



BE IT RESOLVED:

Shareholders of Hasbro urge the Compensation Committee of the Board of Directors (the “Committee”) to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until two years following the termination of their employment (through retirement or otherwise), and to report to shareholders regarding the policy before Hasbro’s annual meeting of shareholders. The shareholders recommend that the Committee not adopt a percentage lower than 75% of net after-tax shares. The policy shall apply to future grants and awards of equity compensation and should address the permissibility of transactions, such as hedging transactions, which are not sales but reduce the risk of loss to the executive.

SUPPORTING STATEMENT:

Requiring senior executives to hold a significant portion of shares obtained through compensation plans after the termination of employment would focus them on Hasbro’s long-term success and would better align their interests with those of Hasbro’s shareholders.

Shareholders have given a low level of support to Hasbro’s advisory vote on compensation for the past two years. The directors stated that the 2013 vote, with 64% in support, was “well below what we consider satisfactory.” In 2014, the proposal failed to win even majority support from shareholders.

Of major concern to shareholders was an employment agreement entered into in October 2012, which provided the CEO Brian Goldner with extraordinarily large restricted stock awards. While performance-based (with stock price thresholds weighted equally with 25% of the award subject to the achievement of specific stock price thresholds), the agreement did not require the executive to retain the stock for any period of time once they had vested.

One reason boards provide incentives with stock is to create a long-term alignment between shareholder and executive interests. Awards that fail to include such requirements instead allow executives to cash out options near the top of the market. In fact, according to Barrons, in February 2014 Hasbro CEO Goldner sold 390,000 Hasbro shares for \$20,310,264 after exercising options priced from \$27.09 to \$31.62 each. These sales only represent a portion of the shares awarded under the plan. In 2013, in addition to receiving equity and option awards valued at \$24 million, Goldner received cash salary and incentives of an additional \$3 million.

Hasbro has a very limited holding requirement, adopted only in March 2014, and even that is only effective until modest ownership guidelines have been met. Other companies have more rigorous policies. ExxonMobil has placed holding requirements on equity incentive awards since 2002, requiring that half the annual award is restricted for five years, and half for 10 years or until retirement, whichever is later.

We view a more rigorous retention requirement as superior to a stock ownership policy with a one year retention guideline, because a guideline loses effectiveness once it has been satisfied and a one year retention requirement is not sufficiently long-term.