CtW Investment Group

For Immediate Release **For more info:** Richard Clayton | 202.721.6038

Domino's Board Faces Groundswell of Shareholder Discontent over CEO Pay and Compensation Committee Chair

ANN ARBOR, MI, April 29, 2014 – The Board of Directors at Domino Pizza's (NYSE: DPZ) faced a rising tide of shareholder discontent at today's annual meeting. The CtW Investment Group joined with leading investors in asking for the resignation of Compensation Chairman Andrew Balson and an overhaul of the company's pay practices.

Over the past month, the CtW Investment Group has called for investors to oppose the reelection of Balson—a former Bain Capital executive—and to strike down management's 'say-on-pay' proposal. The group notes that CEO Doyle's $43 million in 3-year realizable pay was bloated to three times the median pay package of his peers and that the company is suffering from a potentially risky focus on short-term performance.

"Mr. Balson is a 'serial overpayer' with an abysmal record on pay issues at Domino's and at the other accompanies where he is a director. With this history, how can we expect him to represent the interests of shareholders?" asked Dieter Waizenegger, Director of CtW Investment Group. "Besides accepting Balson's resignation, the board should return the additional equity awards it paid itself last year and cut the level of short-term focused CEO pay."

Leading institutional investors, The California State Teachers Retirement System ("CalSTRS"), New York City Pension Funds, the Florida State Board of Administration, and the Illinois State Board of Investment, are calling for changes on Domino's board and in its CEO pay plan. Major proxy advisory firms Institutional Shareholder Services and Glass Lewis opposed the re-election of Balson, and Glass Lewis also opposed management's "say-on-pay" proposal.

The opposition by 31% of shareholders to Balson's re-election is unprecedented at Domino's, which has never experienced any meaningful opposition to a director. Balson was last re-elected in 2011 with 99% of the vote. According to ISS, the average level of support for directors in the Russell 3000 is over 95%. Today's vote is among the largest rebukes of a director over pay concerns so far this year.

The 24% vote against Domino's executive pay plan also sent a strong message to the Company's board. According to ISS, the average level of shareholder dissent in the Russell 3000 is 6%, but at Domino's four times amount rejected the company's pay practices.

After the vote, the Company's board will need to craft a response to shareholder opposition around its pay practices and their board oversight.

The CtW Investment Group works with pension and benefit funds sponsored by unions affiliated with Change to Win – a federation of unions representing over six million workers – to enhance long-term shareholder value through active ownership. These funds have over $250 billion in assets under management and are substantial Domino shareholders.

In its March 31st letter to shareholders, the CtW Investment Group warned investors over the serious misalignment between Domino's excessively short-termist pay practices and the long-run interests of shareholders, particularly given the company's high-leverage and richly\ valued stock price. The Group also queried why the Compensation Committee, having awarded CEO Patrick Doyle 3-year compensation valued at around $40 million, on a realizable basis, found it necessary to grant him additional discretionary equity awards last year. Concerns were also raised over the board's own level of compensation, and in particular its decision to grant outside members additional equity awards at the time of CEO Doyles award.

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1900 L Street NW, Suite 900 Washington, DC 20036
202-721-6060
www.ctwinvestmentgroup.com