

INDEPENDENT BANK CORP  
Form DEF 14A  
March 30, 2017  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

INDEPENDENT BANK CORP.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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☒ No fee required.

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(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 30, 2017

Dear Fellow Shareholder:

I am pleased to invite you to our 2017 Annual Shareholder Meeting, which will be held at 10:00 a.m. on Thursday, May 18, 2017 at the DoubleTree by Hilton Boston, 929 Hingham Street, Rockland, Massachusetts. The formal meeting notice and proxy statement on the following pages contain information about the meeting. We are once again pleased to reduce the environmental impact of our proxy materials and lower the costs of delivery by furnishing you with a notice with instructions on how to access proxy materials over the internet and vote online. We will provide access to our proxy materials over the internet beginning on or about April 5, 2017 for the holders of record and beneficial owners of our common stock as of the close of business on March 24, 2017, the record date for our annual meeting. If you would like to receive a printed copy of proxy materials the notice provides instructions on how to request them.

Every shareholder vote is important. You can ensure that your shares are represented at the annual meeting by voting and submitting your proxy as promptly as possible. Voting procedures are described in the proxy statement.

I am extremely pleased that my colleague Gerard F. Nadeau, who has led our commercial lending division for many years, recently agreed to serve as the President of Rockland Trust and join me on our Board. I continue to serve as the Chief Executive Officer and President of our company and as the Chief Executive Officer of Rockland Trust, and look forward to working closely with Gerry to perpetuate our success for years to come.

Two of our directors, William P. Bissonnette and Maurice H. Sullivan, Jr., will retire this year upon reaching the age of 72, the mandatory retirement age established by our governance principles. On behalf of our grateful shareholders, and the rest of our Board, I thank Bill and Maurice for their devoted service.

Mindful of the need for our Board composition to evolve to match our growing size and sophistication, the nominating committee has been hard at work developing director recruitment criteria to identify potential candidates whose experience can further strengthen our Board and provide for an orderly succession as current directors retire. Those ongoing efforts led to the appointment of Mary L. Lentz to our Board last fall and will lead to other announcements in the near future that will further strengthen our Board.

Thank you for your support. I hope to see you at the annual meeting.

Cordially,  
Christopher Oddleifson  
President and Chief Executive Officer  
Independent Bank Corp.  
Chief Executive Officer  
Rockland Trust Company

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## DIRECTIONS TO ANNUAL MEETING

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### DRIVING DIRECTIONS

From Boston and Points North:

• Take Route 93 South to Route 3 South

• Take Exit 14 (Rockland, Nantasket) off Route 3

- At the end of the exit ramp bear right onto Hingham Street (Route 228)

• The DoubleTree by Hilton Boston is located approximately 0.4 miles on the left behind Bellas Restaurant.

From Cape Cod:

• Take Route 3 North to Exit 14 (Rockland, Nantasket)

- At the end of the exit ramp turn left onto Hingham Street (Route 228)

• The DoubleTree by Hilton Boston is located approximately 0.7 miles on the left behind Bellas Restaurant.

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## PROXY SUMMARY

This summary highlights information described in more detail elsewhere in this proxy statement. It does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. For more complete information about our Company's 2016 performance, please review our 2016 Annual Report on Form 10-K.

## 2017 Annual Shareholder Meeting

Date and Time: Thursday, May 18, 2017, at 10:00 a.m. eastern time

Place: DoubleTree by Hilton Boston  
929 Hingham Street  
Rockland, Massachusetts 02370

Record Date: March 24, 2017

## Voting Matters and Board Recommendations

Proposal	Board Recommendation					For More Information
Proposal 1 - Reelect William P. Bissonnette, Daniel F. O'Brien, Christopher Oddleifson, Maurice H. Sullivan, Jr., and Brian S. Tedeschi as Class III Directors	"FOR" all nominees					Page <u>4</u>
Name	Age	Director Since	Primary Occupation	Committee Memberships	Independent	
William P. Bissonnette	71	2009	Retired CPA	E, T	ü	
Daniel F. O'Brien	61	2009	CPA and Lawyer	A, C, E, T	ü	
Christopher Oddleifson	58	2003	President and CEO	E, T	CEO	
Maurice H. Sullivan, Jr.	71	2015	Retired CEO and Lawyer	E, T	ü	
Brian S. Tedeschi	67	1980	Retired Real Estate Developer	E, T	ü	
A - Audit Committee T - Trust Committee E - Executive Committee C - Compensation Committee						
Proposal 2 - Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2017	"FOR"					Page <u>5</u>
Proposal 3 - Approve the Company's 2017 Executive Incentive Plan	"FOR"					Page <u>6</u>
Proposal 4 - Approve, on an advisory basis, the compensation of our named executive officers	"FOR"					Page <u>10</u>
Proposal 5 - Select, on an advisory basis, the frequency of future advisory votes on the compensation of our named executive officers	for "1 Yr."					Page <u>10</u>

## How to Cast Your Vote

The Board of Directors of Independent Bank Corp. is soliciting proxies for use at the Annual Shareholder Meeting to be held on May 18, 2017, and at any adjournment or postponement of the meeting. The proxy materials were first made available to shareholders on or about April 5, 2017.

Your vote is important. Please cast your vote and play a part in the future of Independent Bank Corp.

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Even if you plan to attend our Annual Shareholder Meeting in person, please cast your vote as soon as possible by:

Internet

[www.envisionreports.com/INDB](http://www.envisionreports.com/INDB).

Telephone

Mail

The voting deadline is 11:59 p.m., Eastern Time, on May 17, 2017. Stock in the Rockland Trust Company Employee Savings, Profit Sharing and Stock Ownership Plan must be voted by May 16, 2017.

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## 2017 PROXY STATEMENT

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### THE ANNUAL MEETING AND VOTING PROCEDURES

This proxy statement contains information about the 2017 Annual Shareholder Meeting of Independent Bank Corp. The meeting will be held on Thursday, May 18, 2017, beginning at 10:00 a.m. at the DoubleTree by Hilton Boston, 929 Hingham Street, Rockland, Massachusetts. Independent Bank Corp. is, for ease of reference, referred to in this proxy statement as the "Company." Rockland Trust Company, our wholly-owned bank subsidiary, is for ease of reference referred to in this proxy statement as "Rockland Trust."

What is the purpose of the annual meeting?

At the annual meeting, shareholders will vote upon the matters that are summarized in the formal meeting notice. This proxy statement contains important information for you to consider when deciding how to vote. Please read it carefully.

Who can vote?

Shareholders of record at the close of business on March 24, 2017 are entitled to vote. Each share of common stock is entitled to one vote at the annual meeting. On March 24, 2017, there were 27,048,829 shares of our common stock outstanding and eligible to vote.

How do I vote?

If you are a registered shareholder (that is, if you hold shares directly registered in your own name) you have four voting options:

• Over the internet at the internet address shown on your Notice of Internet Availability of Proxy Materials ("Notice of Internet Availability");

• By telephone, by calling the telephone number on your proxy form;

• By mail, by completing, signing, dating, and returning your proxy form; or

- By attending the annual meeting and voting your shares in person.

If your shares are held in the name of a bank, broker, or other nominee, which is known as being held in "street name," you will receive separate voting instructions with your proxy materials. If you hold your shares in street name, your ability to vote by internet or by telephone depends on the voting process of the bank, broker, or other nominee that holds your shares. Although most banks, brokers, and nominees also offer internet and telephone voting, availability and specific procedures will depend on their voting arrangements. Please follow their directions carefully. If you want to vote shares that you hold in street name at the meeting, you must request a legal proxy from the bank, broker, or other nominee that holds your shares and present that proxy, along with proof of your identity, at the meeting.

If shares are held for your benefit in a retirement or deferred compensation plan sponsored by the Company or by

Rockland Trust, your ability to vote them will depend upon the terms and conditions of the plan and the voting process of the plan administrator or trustee. If you are contacted by a plan administrator or trustee please follow their directions carefully.

If you are a registered holder or hold your shares in street name, votes submitted by internet or telephone must be received by 11:59 p.m. eastern time on May 17, 2017. For Company stock you own in the Rockland Trust Company Employee Savings,

Profit Sharing and Stock Ownership Plan, your proxy card or voting instructions must be received by May 16, 2017. All outstanding shares of common stock for which you have provided instructions that are received by the applicable deadline will be voted.

Even if you plan to attend the meeting, you are encouraged to vote by proxy prior to the meeting.

Can I change my vote?

You may revoke your proxy and change your vote at any time before voting begins at the annual meeting.

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing a written notice of revocation with our Secretary at least one business day prior to the meeting, (ii) submitting a duly executed proxy bearing a later date which is received by our Secretary prior to the deadlines noted above, or (iii) by appearing at the meeting in person and giving our Secretary proper written notice of his or her intention to vote in person.

If your shares are held in street name, you should contact your bank, broker, or other nominee to revoke your proxy or, if you have obtained a legal proxy from your bank, broker, or other nominee giving you the right to vote your shares at the meeting, you may change your vote by attending the meeting and voting in person.

Who is asking for my vote?

The Independent Bank Corp. Board of Directors (the "Board") is requesting your vote. We filed a definitive proxy statement with the United States Securities and Exchange Commission ("SEC") on March 30, 2017 and the Board anticipates that it will be made available via the internet on April 5, 2017.

What are the Board's voting recommendations?

The Board recommends that you vote as follows:

- (1) "FOR" the reelection of each of William P. Bissonnette, Daniel F. O'Brien, Christopher Oddleifson, Maurice H. Sullivan, Jr., and Brian S. Tedeschi to serve as Class III Directors.
- (2) "FOR" the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2017.
- (3) "FOR" approval of the Company's 2017 Executive Incentive Plan.
- (4) "FOR" approval of the advisory vote on the compensation of our named executive officers.
- (5) For "ONE YEAR" on the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers.

Each proxy that the Board receives that is not timely revoked, in writing, will be voted in accordance with the instructions it contains. If you submit your proxy but do not specify how you want your shares to be voted, they will be voted in accordance with the Board's recommendations. The Board will only use proxies received prior to or at the annual meeting and any adjournments or postponements thereof for which no new record date is set. Upon such other matters as may properly come before the meeting, the persons appointed as proxies will vote in accordance with their best judgment.

How many votes are needed?

Assuming a quorum is present, the vote required for approval of the matters to be considered is as follows:

• Proposal 1: A majority of votes cast by shareholders present, in person or by proxy, at the annual meeting is required for the election of directors in uncontested elections.

• Proposal 2: A majority of votes cast by shareholders present, in person or by proxy, is required to approve the ratification of the appointment of our independent registered accounting firm.

• Proposal 3: A majority of votes cast by shareholders present, in person or by proxy, is required to approve the Company's 2017 Executive Incentive Plan.

Proposal 4: A majority of votes cast by shareholders present, in person or by proxy, is required to approve the advisory proposal on the compensation of our named executive officers.

Proposal 5: The frequency of one year, two years or three years receiving the greatest number of votes cast by shareholders present, in person or by proxy, will be considered the expressed preference of shareholders with respect to the frequency of future advisory votes on the compensation of our named executive officers.

Abstentions and broker non-votes are not considered votes cast and accordingly are disregarded for purposes of determining whether a proposal has been approved. Approval by a “majority of votes cast” means that the number of votes cast “FOR” must exceed the number of votes cast “AGAINST”.

Banks, brokers, or other nominees may vote shares held for a customer in street name on matters that are considered to be “routine” even if they have not received instructions from their customer. If a matter is not considered “routine” then the bank, broker, or other nominee may not vote shares with respect to that non-routine matter if they have not received instructions from their customer. A broker “non-vote” occurs when a bank, broker, or other nominee has not received voting instructions from a customer and cannot vote the customer's shares because the matter is not considered routine.

The only proposal before the meeting this year that is deemed a “routine” matter is the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm. This means that if your shares are held in street name, your bank, broker, or other nominee can vote your shares on that proposal even if you do not provide timely instructions for voting your shares. All other proposals are not considered “routine” matters. As a result, if you do not instruct your bank, broker, or nominee how to vote with respect to these proposals, your bank, broker, or nominee may not vote on them and a broker “non-vote” will occur.

Who can attend the meeting?

Shareholders of record and beneficial owners as of March 24, 2017 may attend the meeting, accompanied by one guest. Even if you plan to attend the annual meeting we encourage you to vote your shares by proxy. If you choose to attend, please bring proof of stock ownership and proof of your identity with you.

How many shareholders need to attend the meeting?

In order to conduct the meeting, a majority of shares entitled to vote as of the record date, or at least 13,524,415 shares, must be present in person or by proxy. This is called a quorum. If you return valid proxy instructions or vote in person at the meeting, you will be considered part of the quorum. Abstentions and broker non-votes are counted as being present for purposes of determining the presence of a quorum.

Where can I find the voting results from the meeting?

The voting results will be reported in a Form 8-K, which will be filed with the SEC within four business days of the meeting.

Householding of annual meeting materials

Some banks, brokers, and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that if a household participates in the householding program, it will receive one envelope containing the Notices of Internet Availability for all shareholders in the household (or, as the case may be, one set of proxy materials and a separate proxy card for each shareholder account in the household). If applicable,

please vote all proxy cards enclosed in such a package. We will promptly deliver the Notice of Internet Availability separately, or deliver multiple copies of the proxy statement materials, to you if you contact us at the following address or telephone number: Edward H. Seksay, General Counsel and Secretary, Independent Bank Corp., 288 Union Street, Rockland, Massachusetts 02370; telephone: (781) 982-6158. If you want to receive the Notice of Internet Availability separately or receive separate copies of the proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the address or telephone number above.

Participation in householding will not affect or apply to any of your other shareholder mailings. Householding saves us money by reducing printing and postage costs, and is environmentally friendly. It also creates less paper for participating



shareholders to manage. If you are a beneficial holder, you can request information about householding from your broker, bank or other nominee.

## PROPOSALS TO BE VOTED UPON AT ANNUAL MEETING

### Election of Directors (Proposal 1):

Our Board of Directors currently has 15 members. The Company's articles of organization provide that the Board shall be divided into three classes as nearly equal in number as possible, and that the members of each class are to be elected for a term of three years.

Directors continue to serve until their three-year term expires and until their successors are elected and qualified, unless they earlier reach the mandatory retirement age of 72, die, resign, or are removed from office. One class of directors is elected annually.

The Board or the Nominating and Corporate Governance Committee of the Board, which we sometimes refer to in this proxy statement as the nominating committee, selects director nominees to be presented for shareholder approval at the annual meeting, including the nomination of incumbent directors for reelection and the consideration of any director nominations submitted by shareholders. For information relating to the nomination, or recommendation for nomination, of directors by our shareholders, see "Board of Directors Information - Shareholder Director Nominations and Recommendations" below.

All director candidates are evaluated in accordance with the criteria set forth in the Company's Governance Principles, which may be viewed by accessing the Investor Relations link on the Rockland Trust website:

<http://www.rocklandtrust.com>., with respect to director qualifications. (We have included references to the Rockland Trust website address at different points in this proxy statement as an inactive textual reference and do not intend it to be an active link to our website. Information contained on our website is not incorporated by reference into this proxy statement.) In evaluating the qualifications of potential new directors, the Board considers a set of recruitment criteria intended to, based upon the characteristics of the then current Board, take Board diversity into account with respect to personal attributes and characteristics, professional experience, skills, and other qualifications. For incumbent directors, the Board and the nominating committee also consider the director's attendance and participation in, and overall contribution to, the work of the Board. Directors must be willing to devote sufficient time to carry out their duties and responsibilities and should be committed to serving on the Board for an extended period of time.

The Company's By-Laws and governance principles provide for majority voting in uncontested director elections. In an uncontested election, if an incumbent director standing for election is not reelected by a majority of the votes cast, the director is required to promptly tender a notice of resignation to the Board. The resignation is not effective unless accepted by the Board. The nominating committee would then recommend whether the Board should accept or reject a tendered resignation. In determining whether to accept a tendered resignation, the Board would consider the potential impact of the resignation on compliance with applicable legal and listing standards and any other factors deemed relevant. The decision of the Board would be promptly disclosed in a Form 8-K. In contested director elections, the vote standard would be a plurality of votes cast.

All nominees currently serve on our Board. The Board and the nominating committee, with the directors up for reelection abstaining, have nominated William P. Bissonnette, Daniel F. O'Brien, Christopher Oddleifson, Maurice H. Sullivan, Jr., and Brian S. Tedeschi, whom we refer to in this proxy statement as the "board nominees," for reelection at the annual meeting to the class of directors whose terms will expire at the 2020 annual meeting, with the anticipation that in accordance with the mandatory retirement age established by our governance principles Mr. Sullivan and Mr. Bissonnette will retire from the Board during 2017 when they reach the age of 72. In nominating each of the board nominees for reelection, the Board or the nominating committee determined that the board nominees

possess the specific experience, qualifications, attributes, and skills described below under "Board of Directors Information" to serve as a director of the Company and Rockland Trust. There are no agreements or arrangements between any director or director nominee and any third party other than the Company relating to compensation or other payments in connection with any director or director nominee's candidacy or service as a director.

Unless instructions to the contrary are received, it is intended that the shares represented by proxies will be voted for the reelection of the board nominees. Each of the board nominees has consented to serve, and we have no reason to believe that any of the board nominees will be unable to serve if elected. If, however, any of the board nominees should not be available for election at the time of the annual meeting, it is the intention of the persons named as proxies to vote the shares to which the proxy relates, unless authority to do so has been withheld or limited in the proxy, for the election of such other person or persons as may be designated by the Board or, in the absence of such designation, in such other manner as they may, in their discretion, determine.

The Board unanimously recommends that you vote  
FOR the reelection of each of the board nominees. Proxies solicited by  
the Board will be so voted in the absence of direction to the contrary.

#### Ratification of Appointment of Independent Registered Public Accounting Firm (Proposal 2):

The audit committee has appointed the firm Ernst & Young LLP (“EY”) to serve as the Company's independent registered public accounting firm for 2017. While we are not required to have shareholders ratify the selection of EY as our independent registered public accounting firm, the Board considers the selection of the independent registered public accounting firm to be an important matter and is therefore submitting the selection of EY for ratification by shareholders as a matter of good corporate practice.

The following table shows the fees paid or accrued by us for professional services provided by EY during 2016 and 2015:

	2016	2015
Audit Fees	\$819,576	\$891,845
Audit-Related Fees (1)	108,000	104,500
Tax-Related Fees	—	12,910
All Other Fees (2)	65,260	1,995
Totals	\$992,836	\$1,011,250

(1) Audit-related fees are associated with the employee benefit plan and other subsidiary stand-alone audits.

(2) Other fees are associated with a subscription to an online research tool and a one time fee for a web application assessment.

The audit committee has considered the nature of the other services provided by EY and determined that they are compatible with the provision of independent audit services. The audit committee has discussed the other services with EY and management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002.

The Board recommends that shareholders vote in favor of ratifying EY as our independent registered public accounting firm. If shareholders do not ratify selection of our independent registered public accounting firm, the audit committee will reconsider the appointment of EY at the appropriate time. We anticipate, however, that there would be no immediate change in our independent registered public accounting firm this year if shareholders do not ratify the selection of EY because of the practical difficulty and expense associated with making such a change mid-year. Even if shareholders ratify the selection of EY the audit committee may, in its discretion, change our independent registered public accounting firm at any time if it determines that it would be in the best interests of the Company to do so.

An EY representative is expected to be present at the annual meeting to respond to appropriate questions and will have the opportunity to make a statement if he or she desires to do so.

The Board unanimously recommends that you vote FOR the ratification of the appointment of EY as the Company's independent registered public accounting firm.  
Proxies solicited by the Board will be so voted in the absence of direction to the contrary.

### Approval of 2017 Executive Incentive Plan (Proposal 3)

On March 16, 2017, our Board adopted the Independent Bank Corp. 2017 Executive Incentive Plan (the “2017 Executive Incentive Plan”). The Board adopted the 2017 Executive Incentive Plan to benefit the Company and its shareholders by maximizing the tax deductibility of cash incentive compensation payments made to employees designated as participants in the 2017 Executive Incentive Plan.

Compensation that qualifies as “performance-based compensation” under Section 162(m) of the Internal Revenue Code of 1986, as amended (“Section 162(m)”) is not subject to the one million dollar federal income tax deduction limit that otherwise applies under Section 162(m) to compensation paid to “covered employees”. Under 162(m) “covered employees” are defined as the CEO and the three other most highly compensated named executive officers, other than the chief financial officer. To qualify 2017 Executive Incentive Plan performance-based compensation payments under Section 162(m), among other requirements, the material terms of the 2017 Executive Incentive Plan and the performance goals that may be used to structure performance-based compensation must be disclosed to, and approved by, shareholders at least every five years.

The 2017 Executive Incentive Plan is an element of our overall compensation strategy to align employee compensation with our annual performance and to enable us to attract, retain, and reward individuals who contribute to our success and motivate them to enhance the value of our Company.

A summary of the principal terms of the 2017 Executive Incentive Plan is set forth below. The following summary is qualified by reference to the full text of the 2017 Executive Incentive Plan, a copy of which is attached as Appendix A to this proxy statement and incorporated by reference into this proposal:

**Administration.** Pursuant to Section 162(m), the committee that administers awards intended to qualify as performance-based incentive compensation under 162(m) (“162(m) Awards”) must consist of at least two members of the Board, each of whom must be an “outside director” within the meaning of Section 162(m). The 2017 Executive Incentive Plan specifies that the Plan will be administered by the compensation committee of the Board; provided, however if any member of the compensation committee does not qualify as an “outside director” for purposes of Section 162(m) (or any successor standard), that individual shall not participate in the granting or administration of Awards intended to qualify as performance-based compensation exempt from the limitation on deductibility imposed by Section 162(m); provided, further, however, that the inadvertent participation by any member of the compensation committee not so qualified shall not otherwise invalidate any action or determination made by the compensation committee. The compensation committee will have full power and authority to construe and interpret the 2017 Executive Incentive Plan, subject to its terms and conditions. Currently, the compensation committee consists of directors Daniel O’Brien, who acts as Chair, Donna Abelli, Kevin Jones, and Eileen Miskell, each of whom qualifies an “outside director” within the meaning of Section 162(m).

**Eligible Participants.** The 2017 Executive Incentive Plan provides that the compensation committee has the power and authority to designate any of our executive officers and other key employees (as well as any executive officers and key employees of any of our subsidiaries) as participants. Accordingly, the number of participants will vary from time to time as determined by the compensation committee. Because we operate other cash incentive plans for other groups of our employee population, we expect participants will generally be limited to the employees who serve from time to time as our executive officers (as determined by reference to Exchange Act Rule 3b-7). We expect this group will typically consist of a range of 5 to 8 individuals.

**Maximum Award.** The maximum aggregate potential incentive amount that may be earned under the 2017 Executive Incentive Plan by any participant for any fiscal year is \$2,000,000.

**Determination of Performance Targets.** No later than 90 days after the beginning of a performance period (or an earlier or later date as may be required or permitted by Section 162(m)), the compensation committee will, with

respect to 162(m) Awards:

- designate each selected participant for the performance period,
- determine and establish in writing one or more performance goals applicable for awards granted to the selected participant during the performance period,
- establish one or more specific performance targets related to each performance goal and the incentive amounts that could be earned for the performance period by the participant upon attainment of the target goals, and
- specify the relationship between the performance target and the incentive amount that may be earned by each participant during the performance period.

Performance Period. Unless otherwise determined by the compensation committee, the performance period for an award will be one fiscal year.

Performance Measures. In the case of any 162(m) Award, the Performance Goals with respect to which the compensation committee may establish Performance Targets shall relate to one or more of the following performance criteria, as the compensation committee deems appropriate in its sole discretion (in each case as established by the compensation committee within the time periods and with the specificity intended to meet the requirements of Section 162(m)):

- i. earnings or earnings per share and any potential variant of earnings or earnings per share, including but not limited to net earnings per share, diluted earnings per share, diluted net earnings per share, operating earnings or operating earnings per share, operating net earnings per share, operating diluted earnings per share, operating diluted net earnings per share, adjusted operating earnings, net earnings from continuing operations, EBITA, adjusted EBITA, EBITDA, adjusted EBITDA;
- ii. return on assets and any potential variant of return on assets, including but not limited to return on net assets, return on average assets, core return on average assets, cash return on average assets;
  - return on equity and any potential variant of return on equity, including but not limited to core return on equity,
- iii. return on average equity, return on average tangible common equity, return on average common tangible equity, cash return on average tangible equity;
- iv. return on capital and any potential variant of return on capital, including but not limited to return on invested capital, average assets, shareholder equity as a percentage of assets;
  - income and any potential variant of income, including but not limited to income before or after taxes, net income or
- v. net income before or after taxes, interest income, net interest income, noninterest income, noninterest income as a percentage of revenue, noninterest income as a percentage of revenue on an operating basis;
- vi. cash flow and any potential variant of cash flow, including but not limited to operating cash flow, free cash flow, or free cash flow per share;
  - asset quality and any potential variant of asset quality, including but not limited to asset quality of loan portfolio,
- vii. credit quality, net charge-offs or net charge-off percentage, net recoveries, charge-offs, recoveries, reduction in nonperforming assets, delinquency, delinquency as a percentage of loans, allowance for loan losses, provision for loan losses as a percentage of loans, impairments, nonperforming loans, asset quality ratios;
- viii. internal rate of return, increase in net present value;
- ix. revenue, gross revenues, and pre-provision net revenue;
- x. gross margins, efficiency ratios, operating efficiency ratio;
- xi. expenses, expense reduction, expense control, expense efficiency ratios, noninterest expenses;
- xii. strategic plan development and implementation;
- xiii. capital levels, capital preservation (core or risk based);

xiv. loan growth, loan closings, loan sales, loan portfolio composition;

xv. stock price (including, but not limited to, total shareholder return, stock price, stock price appreciation, market capitalization or market share);

xvi. sustainability measures (such as percentage reduction in paper consumption);

xvii. growth in managed assets, return on securities held for investment, return on securities portfolio;

xviii. book values, tangible book value;



xix. change in deposits (including but not limited to an increase, decrease, or change in mix of deposits);

xx. net interest margin, net interest margin on a fully tax equivalent basis;

xxi. capital ratios, leverage ratios, risk-weighted assets, equity to assets ratio, dividend payout ratio;

xxii. profit and any potential variant of profit or profitability (including, but not limited to, net income).

A Performance Goal and/or Performance Target need not be based upon an increase or positive result under a business criterion and could include, for example, maintaining the status quo or limiting economic losses. The Performance Targets may be described in terms of objectives that are related to the individual participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time. Performance Targets may be measured in terms of our performance (or performance of the applicable subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

Adjustments to Performance Targets. At the time the compensation committee determines the terms of the Award, the compensation committee may specify adjustments to be applied to the calculation of the Performance Targets with respect to the relevant Performance Period to take into account certain items to the extent identified in the financial statements of the Company, including footnotes or in the Management's Discussion and Analysis of Financial Condition accompanying the financial statements, or in the Compensation Discussion and Analysis section, if any, of the Company's annual proxy statement, including, without limitation, any one or more of the following:

i. the impact of changes in GAAP, tax rates, tax provisions, tax valuation allowances, regulations, or laws;

ii. the gain, loss, income, cost or expense reported publicly by the Company that are unusual in nature or infrequent in occurrence determined in accordance with GAAP;

iii. the gain, loss, income, cost or expense resulting from the disposition of a business, in whole or in part, or the sale of investments or non-core assets;

iv. the gain, loss, income, cost or expense from litigation or claims or settlements, including, but not limited to, tax claim judgments or settlements;

v. the gain, loss, income, cost or expense from regulatory proceedings or inquiries to the extent such proceedings or inquiries are not routine or ordinary course proceedings or inquiries;

vi. the gain, loss, income, cost or expense related to insurance recoveries, including, but not limited to, life insurance benefits;

vii. the impact of impairment of tangible or intangible assets, including, but not limited to, impairment on acquired facilities;

viii. the impact of restructuring or business recharacterization activities, including, but not limited to reductions in force, that are reported publicly by the Company;

ix. mergers and acquisition costs or expenses or impacts, purchase accounting items, acquisition integration costs or expenses, or costs or expenses or other impacts from acquisitions or dispositions of assets or liabilities;

x. pension costs or expenses;

xi. the gain, loss, income, cost or expense from the sale of securities, including but not limited to fixed income securities;

xii. the gain, loss, income, cost or expense on extinguishment of debt;

xiii. the gain, loss, income, cost or expense on termination of derivatives; or

xiv. severance or termination related costs or expenses.

Notwithstanding anything to the contrary in the 2017 Executive Incentive Plan, the compensation committee's adjustment of any Performance Target(s) to take into account any of the items identified above shall not preclude the compensation committee's exercise of negative discretion to the extent permitted under the 2017 Executive Incentive Plan.

**Determination of Awards.** Following the completion of each performance period with respect to 162(m) Awards, the compensation committee is required to certify in writing whether the applicable performance targets have been achieved and the incentive amounts, if any, payable to the selected participants for that performance period. The compensation committee will then decide whether to use its discretion to reduce the incentive amount payable to take into account any additional factors that the compensation committee may deem relevant to the assessment of the selected participant. The exercise of negative discretion with respect to one participant is not permitted to result in an increase in the amount payable to another participant.

**Form and Payment of Awards.** Awards will be only paid in cash. Awards will generally be paid no later than 2 1/2 months following the end of the applicable performance period. The compensation committee may also require or permit deferral of all or any portion of an award in accordance with the terms of the 2017 Executive Incentive Plan. Except to the extent otherwise expressly set forth in the 2017 Executive Incentive Plan, no award will be paid to a participant unless the participant is employed by the Company or a Subsidiary on the date of payment.

**Termination of Employment.** If a participant's employment with us and our subsidiaries terminates prior to the payment date by reason of the participant's retirement, death, or disability the participant will remain eligible to receive a prorated award with respect to the year of his or her termination. In addition, if a participant's employment agreement or a severance plan provides for different treatment upon termination of employment, whether as a result of death, disability or otherwise, the participant's award will be paid to the extent provided by the employment agreement or severance plan.

**Clawback.** Awards made under the 2017 Executive Incentive Plan are subject to the Company's Incentive Compensation Recovery Policy, as it now exists or as it may be revised or amended in the future.

**Effective Date.** The 2017 Executive Incentive Plan became effective upon its adoption by the Board on March 16, 2017.

**Amendment and Termination.** Subject to any applicable laws, rules, and regulations, the Board or the compensation committee may, at any time, amend, suspend, discontinue, or terminate the 2017 Executive Incentive Plan. However, to the extent necessary to continue to qualify the amounts payable as performance-based compensation under Section 162(m), no such action will be effective without approval by our shareholders.

**Shareholder Approval.** The Company is seeking shareholder approval of the material terms of the 2017 Executive Incentive Plan. The Company may grant awards prior to shareholder approval of the 2017 Executive Incentive Plan. If shareholder approval is not obtained, the 2017 Executive Incentive Plan and any awards made under the 2017 Executive Incentive Plan shall terminate and be of no further force and effect.

**Requirements of 162(m).** Shareholder approval of the material terms of the 2017 Executive Incentive Plan is only one of several requirements under Section 162(m) that must be satisfied for awards under the 2017 Executive Incentive Plan to qualify for the performance-based compensation exemption. The rules and regulations promulgated under Section 162(m) are complicated and may change, sometimes with retroactive effect. As such, there can be no guarantee that any award intended to qualify as performance-based compensation within the meaning of Section 162(m) will so qualify. In addition, nothing in this proposal precludes the Board, compensation committee, or the Company from making any payment or granting awards, under the 2017 Executive Incentive Plan or otherwise, that do not qualify for tax deductibility under Section 162(m).

The Board believes that it is in the best interest of the Company and its shareholders to enable the compensation committee, as the compensation committee deems appropriate, to implement compensation arrangements that can qualify as tax-deductible, performance-based compensation under Section 162(m). The Board adopted the 2017 Executive Incentive Plan to help facilitate that objective. Shareholder approval of the 2017 Executive Incentive Plan is one of the requirements to position the Company to grant tax-deductible, performance-based compensation that meet the requirements of Section 162(m). The Board is therefore recommending that shareholders approve the 2017 Executive Incentive Plan.

The Board unanimously recommends that you vote FOR the approval of the 2017 Executive Incentive Plan.

Proxies solicited by the Board will be so voted in the absence of direction to the contrary.

Advisory Vote on Executive Compensation (Proposal 4):

The Company is providing shareholders with an advisory (non-binding) vote on the compensation of our named executive officers (sometimes referred to as our “say on pay” vote). In accordance with the preference expressed by our shareholders at our 2011 annual meeting, we currently hold an annual say on pay vote. Accordingly, you may vote on the following resolution at the 2017 annual meeting:

“Resolved, that the shareholders approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this Proxy Statement.”

This vote is nonbinding. The Board and the compensation committee, which is comprised of independent directors, expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

As discussed in the Compensation Discussion and Analysis in this proxy statement, the Board of Directors believes that our compensation policies and procedures are designed to provide a strong link between executive officer compensation and our short and long-term performance. The objective of the Company's compensation program is to provide compensation which is competitive, variable based on our performance, and aligned with the long-term interests of shareholders. Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure.

The Board unanimously recommends that you vote FOR the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure. Proxies solicited by the Board will be so voted in the absence of direction to the contrary.

Advisory Vote on the Frequency of  
Future Advisory Votes on Executive Compensation (Proposal 5):

In addition to providing shareholders with the opportunity to cast an advisory vote on executive compensation, in accordance with applicable law the Company is again providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two, or three years.

In 2011, when shareholders first cast an advisory vote on the frequency of future advisory votes on executive compensation, more than a majority of shareholders expressed a preference for a frequency of “every year” as the op