ATLAS AIR WORLDWIDE HOLDINGS INC
Form DEF 14A
April 19, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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 Under Rule l4a-l2

ATLAS AIR WORLDWIDE HOLDINGS, INC.
(Name of Registrant As Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules l4a-6(i)(4) and 0-11

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

LETTER TO OUR SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Dear Shareholders,

We are pleased to invite you to attend the Annual Meeting of Shareholders on Wednesday, May 23, 2018. Our meeting will be held at 9:00 a.m., local time, at the Belmond Charleston Place Hotel, located at 205 Meeting Street, Charleston, South Carolina 29401.

As your Board, we welcome this opportunity to communicate with you. In stewarding your Company, we seek to achieve long-term, sustainable performance and create value through the right business strategies, prudent risk management, effective corporate governance practices, environmental and social initiatives, effective executive compensation programs, and well-functioning talent and succession planning. We would like to highlight a few areas of particular significance for the Board this past year:

A Year of Exciting Growth

2017 was a year of exciting growth for Atlas Air Worldwide. We delivered record volumes, record revenue, and robust earnings growth, and we expect that to continue in 2018. Our performance in 2017 and our outlook for higher volumes, revenue and earnings in 2018 reflect the strategic initiatives that we have put in place over many years initiatives that have transformed our company, broadened our customer base, and diversified our fleet.

We are capitalizing on our strong market position and our focus on express, e-commerce and fast-growing global markets. We are operating in a strong airfreight environment, underpinned by global economic growth. And with the building blocks we have in place, we see opportunities to grow with existing customers and new ones.

Our vision is to be our customers most trusted partner. And we are committed to driving value for our shareholders.

2017 Financial and Operating Performance

Our financial and operating performance in 2017 reflected the leadership and strength of our ACMI and Charter businesses, the growth of our annuity-like Dry Leasing operations, and ongoing efficiency and productivity initiatives.

Volumes increased 20% to 252,802 block hours in 2017, with revenue growing 17% to $2.16 billion and total direct contribution by our business segments increasing 15% to $422.6 million.

On a reported basis, income from continuing operations, net of taxes, increased more than five-fold to $224.3 million, or $8.68 per diluted share, primarily due to a $130.0 million benefit related to the revaluation of our deferred tax liabilities as a result of the U.S. Tax Cuts and Jobs Act.

On an adjusted basis, income from continuing operations, net of taxes*, grew 17% to $133.7 million, or $4.93 per diluted share in 2017, with EBITDA, as adjusted*, rising 12% to $428.6 million.

*

Adjusted income from continuing operations, net of taxes, Adjusted net income, Adjusted Diluted EPS, and EBITDA, as adjusted, are non-GAAP measures. A reconciliation to the most directly comparable GAAP measures is contained in Exhibit A attached hereto.

In addition to our focus on express, e-commerce and growing global markets, both reported and adjusted results in 2017 benefited from our first full year of contribution from Southern Air, a highly complementary business combination that has expanded our platform into 777 and 737 operations, and our service for Amazon, which was accretive for the full year and which we expect to become meaningfully more accretive to our earnings and cash flows over time.

A Stronger Company

Atlas Air Worldwide is a stronger company today, well-positioned to capitalize on market dynamics and to deliver significant growth in 2018 in our volumes, revenue, EBITDA, as adjusted, and adjusted net income.

As we move ahead, we will continue to build upon the innovations, successes and growth that are our hallmarks.

With the strength of our brand and our global market leadership in outsourced aircraft and services, the integration of Southern Air, our long-term agreements with Amazon, and our outstanding employees, we are eager to drive value and benefits for our customers and to grow revenue and earnings for our shareholders.

Shareholder Outreach and Say-on-Pay Responsiveness

In 2017, we further enhanced our already robust shareholder engagement practices in response to last year s Say-on-Pay result. We actively reached out to holders representing approximately 75% of our outstanding shares to better understand their perspectives and consider their ideas to further improve our corporate governance practices, sustainability, executive compensation programs, business strategy and performance, capital allocation strategy and public disclosures. A member of our Compensation Committee participated in a number of engagement meetings, and a number of extra meetings and discussions were held by our Compensation Committee to ensure timely and meaningful responsiveness to feedback as well as our recent Say-on-Pay outcomes. This specifically targeted engagement was done in parallel with our ongoing investor relations outreach.

At the Board level, we continue to take shareholder viewpoints under careful consideration when reviewing and refining our programs, communications, and disclosures.

In alignment with specific shareholder feedback, we have adopted some very significant and impactful changes to our executive pay programs that became effective in 2018, including amending our CEO s long-term incentives to contain a strict double-trigger provision, adding a relative Total Shareholder Return element to all performance long-term incentive (LTI) awards, enhanced disclosure regarding LTI goal setting, adjustments to our peer group to reflect appropriate comparators to our evolving global business and increasing CEO stock ownership guidelines from 5x to 6x base salary, further aligning our CEO and shareholder interests.

Board Composition and Refreshment

Over the past two years, we have continued our commitment to best-in-class corporate governance practices, with a particular focus on maintaining the right balance of skills, experience, and diversity on our Board.

As a result of our regular evaluation of the composition of the Board and focus on refreshment, we are pleased to report that we have nominated two new independent Directors for election at the 2018 Annual Meeting: Jane H. Lute, who brings to the Board extensive cybersecurity experience, and Sheila A. Stamps, who has an extensive background in banking and finance. Two of our long-standing Directors will not stand for re-election. Since 2016, we have added five new Directors, constituting one-half of the Board. Each of these individuals brings complementary perspectives and experiences that further align the Board s skills and expertise with the Company s long-term business strategy.

We have also refreshed our Board and Committee leadership roles. In 2017, we appointed a new Chairman of our Board and Chair of the Nominating and Governance Committee and refreshed the composition of each of our committees. In recent years, we also appointed new Chairs of the Audit Committee and Compensation Committee.

As demonstrated by the many actions we have taken to enhance the Board, the Board is vigilant when it comes to ensuring it has strong leadership and membership in place to promote shareholder interests and continued alignment with corporate governance and compensation best practices.

Continued Alignment of Strategy, Performance and Executive Compensation

Our strong 2017 financial and operating results are a reflection of our leadership in international aviation outsourcing. During 2017, key accomplishments included significant progress toward the integration of Southern Air, significant progress on our initiative to provide air transport services for leading e-commerce retailer Amazon, expanded relationships with existing customers, including DHL Express and FedEx, and the establishment of new relationships with new customers, including Asiana Cargo, Cathay Pacific Cargo, DHL Global Forwarding, and Nippon Cargo Airlines. Our long-term strategy is to move more deeply into express, e-commerce and fast-growing global markets. Driving our execution of this strategy are an experienced, dedicated team of employees focused on our customers expectations; a modern, superior fleet tailored to meet our customers unique needs; a broad array of value-added, global operating services; and a solid financial structure.

Our 2017 executive compensation programs were thoughtfully structured to align with our long term strategy and drive our operational performance and deliver strong financial results. Shareholder feedback has been and will continue to be influential in shaping our governance and executive compensation practices.

Focus on Environmental, Social and Governance Issues

We are dedicated to serving our customers and the communities in which we operate. Fulfilling this commitment dictates that we build a vibrant, innovative organization that satisfies our customers needs and delivers value to our shareholders. Effectively addressing environmental, social and governance issues is a key part of building a premier organization. Doing so means maintaining sound business practices and long-term, sustainable strategies that are designed to (1) minimize the impact of our business on the environment and partner us with our customers and other stakeholders to ensure a clean, low-carbon future (such as our FuelWise program and planned participation in CORSIA), (2) prioritize our shareholders while actively ensuring the needs of our other stakeholders are appropriately addressed for example, earning trust and support by maintaining the highest level of legal and ethical conduct by our employees, maintaining practices and policies that create a diverse and respectful environment for our globally situated employees and reward them for their hard work, ingenuity and creativity, and (3) actively involve our company and its employees in our local and global community through programs ranging from volunteering at local socioeconomically disadvantaged schools to providing varied and extensive aid relief during disasters and times of need. Please see the section titled Environmental, Social and Governance Issues for a discussion of the various ways in which we address these matters, which we view as an important part of our business.

We look forward to our continued dialogue with you and welcome your feedback as we execute our strategy and focus on sustainable, long-term value creation. Please feel free to share your thoughts or concerns with us. Communications may be addressed to the Board in care of the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577, or e-mailed to corporate.secretary@atlasair.com.

We value your input and thank you for your investment and ongoing support.

Robert F. Agnew, Chairman

Timothy J. Bernlohr

Charles F. Bolden, Jr.

William J. Flynn

James S. Gilmore III

Bobby J. Griffin

Carol B. Hallett

Frederick McCorkle

Duncan J. McNabb

John K. Wulff

Notice of 2018

Annual Meeting of Shareholders
To be held on May 23, 2018

We will hold the 2018 Annual Meeting of Shareholders of Atlas Air Worldwide Holdings, Inc., a Delaware corporation, on Wednesday, May 23, 2018, at 9:00 a.m., local time, at the Belmond Charleston Place Hotel, 205 Meeting Street, Charleston, South Carolina, for the following purposes:

1. To elect a Board of Directors to serve until the 2019 Annual Meeting of Shareholders or until their successors are elected and qualified;

2. To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2018;

3. To hold an advisory vote to approve the compensation of the Company s Named Executive Officers;

4. To consider and vote on a proposal to approve our 2018 Incentive Plan; and

5. To transact such other business, if any, as may properly come before the meeting and any adjournments thereof.

The foregoing matters are described in more detail in the Proxy Statement that is attached to this notice.

Only shareholders of record at the close of business on April 2, 2018, which date has been fixed as the record date for notice of the Annual Meeting of Shareholders, are entitled to receive this notice and to vote at the meeting and any adjournments thereof.

YOUR VOTE IS VERY IMPORTANT. WE HOPE YOU WILL ATTEND THIS ANNUAL MEETING OF SHAREHOLDERS IN PERSON. WHETHER OR NOT YOU ATTEND IN PERSON, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD. RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, YOU MAY VOTE IN PERSON EVEN IF YOU HAVE RETURNED A PROXY CARD. IF YOU HAVE RECEIVED MORE THAN ONE PROXY CARD, IT IS AN INDICATION THAT YOUR SHARES ARE REGISTERED IN MORE THAN ONE ACCOUNT. PLEASE COMPLETE, DATE, SIGN AND RETURN EACH PROXY CARD YOU RECEIVE.

By Order of the Board of Directors

ADAM R. KOKAS

Executive Vice President, General Counsel and Secretary

April 19, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 23, 2018

This Proxy Statement and the AAWW 2017 Annual Report are available for downloading, viewing and printing at http://www.ezodproxy.com/atlasair/2018.

PROXY SUMMARY

PROXY SUMMARY

2017 Performance Highlights

Overview of Business

We are a leading global provider of outsourced aircraft and aviation services. We operate the world s largest fleet of 747 freighters and provide customers a broad array of 747, 777, 767, 757 and 737 aircraft for domestic, regional and international cargo and passenger operations. Our fleet totaled 103 aircraft at year-end 2017, including 13 we added pursuant to growth initiatives in 2017.

We provide unique value to our customers by giving them access to a wide range of modern, efficient aircraft, combined with outsourced aircraft operating services that we believe lead the industry in terms of quality and global scale. We operated 48,983 flights serving 422 destinations in 103 countries in 2017, reflecting our far-reaching global scale and scope.

Our customers include express delivery providers, e-commerce retailers, airlines, freight forwarders, the U.S. military, and charter brokers. We provide global services with operations in Africa, Asia, Australia, Europe, the Middle East, North America, and South America.

2017 Performance Highlights and Key Accomplishments

We delivered record volumes, record revenue, and robust earnings growth in 2017, reflecting our growth initiatives and our focus on express, e-commerce and fast-growing global markets.

Strategic Initiatives

- We achieved significant progress during 2017 toward our integration of Southern Air, a highly complementary 2016 business combination that has expanded our platform into 777 and 737 operations; provided our customers with access to a broader array of aircraft and operating services; and generated new avenues of business growth.

- We recorded significant progress on our initiative to provide air transport services for leading e-commerce retailer Amazon. We placed and began operating 11 new 767-300 freighters for Amazon during 2017, raising the number to 12 at year-end. That was in line with our expectations when we commenced this new service in 2016 and with our expectation for a total of 20 aircraft by the end of 2018.

Also in 2017, we completed agreements to operate 747 freighters for several new customers, including Asiana Cargo, Cathay Pacific Cargo, DHL Global Forwarding, and Nippon Cargo Airlines.

Growth/Results

Our financial and operating performance in 2017 reflected the leadership and strength of our ACMI and Charter businesses, the growth and annuity-like contribution of our Dry Leasing operations, ongoing efficiency and productivity initiatives, and a disciplined balance sheet focus.

In addition to our focus on express, e-commerce and growing global markets, our results in 2017 benefited from the first full year of contribution from Southern Air and our service for Amazon, which was accretive for the full year and which we expect to become meaningfully more accretive to our earnings and cash flows over time.

We see tremendous opportunity for continued growth in these markets fueled by an expanding global middle class with higher levels of disposable income. Further globalization will require expansive and time-definite air networks to facilitate the international flow of goods.

Along with expanding our operating platforms and our fleet from 90 to 103 aircraft during 2017, we continued to maintain a safe, compliant operation while retaining the same lean management structure.

We continue to execute on strategic initiatives to strengthen and diversify our business mix, expand our customer base, generate cost savings through operating efficiencies, and enhance our portfolio of assets and services. Our actions have positioned us to capitalize on market opportunities.

Strong Performance in 2017

Integration of Southern Air (Five 777 and Five 737 Freighters)	**Initial Amazon Accretion (12 of 20 767-300Fs)**	**Key New Customer Agreements (Multiple 747 Placements)**	**Reported/Adjusted EPS[1] $8.68/$4.93**
Expanded Operating Platforms and Results	**Business, Earnings and Cash Flow Growth**	**Focused on Fast-Growing Global Markets**	**Growth Initiatives, Express/E-commerce Alignment**

Disciplined and Balanced Capital Allocation Strategy

We are committed to creating, enhancing and delivering value to our shareholders. Our commitment reflects a disciplined and balanced capital allocation strategy that has focused on maintaining a strong balance sheet, investing in modern, efficient assets and returning capital to shareholders.

2017 Capital Allocation Actions:

Expanded fleet from 90 to 103 aircraft

Issued $289 million of convertible senior notes

Secured $286 million of financing for thirteen 767-300 aircraft (including one spare) for Amazon dry lease and CMI agreements

Paid $207 million of debt principal

[1] *Adjusted Diluted EPS from continuing operations, net of taxes is a non-GAAP measure. A reconciliation to the most directly comparable GAAP measure is contained in Exhibit A attached hereto.*

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Focused on maintaining a healthy cash position $305.5 million[2] at year-end 2017

Maintained authority to repurchase shares up to $25 million

In May 2017, we issued $289.0 million aggregate principal amount of convertible senior notes that mature on June 1, 2024. The net proceeds of the offering were used to repay higher-cost revolving credit facility borrowings; enhance business and financial flexibility; support long-term growth; fund the cost of convertible note hedge transactions (after such cost was partially offset by proceeds to the Company from the sale of warrants); and for general corporate purposes.

Shareholder Outreach, Engagement and Say-on-Pay Responsiveness

We have engaged in extensive ongoing shareholder outreach over the past seven years to better understand shareholder perspectives and consider ideas for improvements to, among other things, our corporate governance, sustainability and executive compensation practices, as well as our business strategy and performance, capital allocation strategy and public disclosures. This year, we again engaged in a particularly robust shareholder outreach program, reaching out to shareholders representing approximately 75% of our outstanding shares and engaging in discussions with those representing about one-half of our outstanding shares. We have made significant recent changes to our governance and executive compensation practices in response to insights gained during these discussions.

In response to our 2017 Say-on-Pay result, the Board and its Compensation Committee undertook a particularly robust and multifaceted outreach program during the balance of 2017. These extra efforts included participation by a member of our Compensation Committee in multiple in-person and telephonic meetings with shareholders and resulted in specific shareholder feedback prompting tangible compensation and governance enhancements. All committee members also convened in a number of extra, non-regularly-scheduled meetings and discussions and considered and provided analysis focused on Say-on-Pay responsiveness.

During all shareholder outreach meetings, AAWW sought input on proactively developed changes to our pay program, as well as emerging topics of expressed shareholder interest, such as environmental, social and governance issues (ESG). We received many supportive and positive comments on the Company s direction (both from a business growth and governance perspective), the proposed pay program changes and our board rotation/refreshment and outlook, even from several shareholders who voted against Say-on-Pay or individual directors in 2017.

As a result of specific feedback from shareholders, we implemented a number of key changes to our compensation program and practices to specifically address our recent Say-on-Pay outcomes, and made changes to our governance practices in response to topics of importance raised by shareholders. Examples of feedback received are also included below.

[2] *Includes cash, cash equivalents, short-term investments and restricted cash.*

Summary of Key Messages and Actions Related to Shareholder Outreach and Response to 2017 Say-on-Pay Vote

Topic	What We Heard From Our Shareholders
Amazon acceleration of CEO LTI awards due to retirement eligibility	Strong preference for strict double-trigger awards Helpful to receive clarification that the CEO received no incremental CIC payments and that the CEO received no LTI payments in 2017
Favorability of relative LTI metrics	Strong support for the addition of a TSR metric with a thoughtful broad comparator group
LTI-goal setting disclosure	An enhancement of disclosure regarding the **process** of long-term incentive goal setting would be helpful. Understand concerns about providing long-term market guidance were AAWW to explicitly disclose long-term incentive metrics.
Share Ownership Guidelines	While current 5x CEO requirement is on market, further enhancement of CEO stock ownership would be viewed favorably
Peer Group	We understand your continued significant revenue growth and your business model are unique and global. Taking into account GICS codes along with other relevant factors when reviewing your peer group makes sense.
Board Composition & Refreshment	Inquiries made about Board diversity, in particular, gender diversity, annual Director evaluation process and use of an external advisor to conduct annual evaluation Certain investors specifically asked about Board succession planning, particular skills the Board is seeking, the process of identifying Director candidates and Committee refreshment and rotation
ESG/Sustainability	Investors asked about certain Environmental, Social and Governance (ESG) factors that may materially impact our business and/or create reputational risks Investor interest in sustainability continues to gain momentum as investors seek to gain a deeper understanding of the Company s focus on and commitment to

ESG matters

CHANGES MADE IN DIRECT RESPONSE TO FEEDBACK

Changes since our last annual shareholder meeting:

- **Transition to strict double-trigger standard for all awards, requiring actual separation from service for second trigger (p. 58-60)**
- **Addition of relative TSR performance measure to LTI awards to further strengthen pay-for-performance link (p. 43-45)**
- **Enhanced disclosure regarding LTI performance target setting (p. 44)**
- **Increased CEO stock ownership guidelines to 6x base salary to further align CEO interest with shareholders (p. 50)**
- **The naming of two new nominees to the 2018 Board slate with a focus on gender diversity, cybersecurity, banking and financial skills as well as other skills in our board matrix (see pages vii, viii, 6, 7, 14 and 15). Also rotated Chairs of Board and Nominating & Governance Committee in 2017 (p. 7, 11 and 13)**

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Revisions to peer group to reflect appropriate comparators for our evolving global business (p. 47-49)

Included a member of the Compensation Committee in shareholder outreach (p. iii and v)

Other recent shareholder-driven changes:

Added proxy access provisions to our by-laws

Increased the weight of corporate performance goals from 50% to 60% in determining compensation of our Named Executive Officers (NEOs) under the Annual Incentive Program

Strengthened disclosure to reflect that we once again set target goal for Company performance (net income) under the Annual Incentive Plan at levels higher than prior year actual Company performance

Memorialized our general practice of granting equity awards subject to vesting periods greater than one year by adding minimum vesting language to our 2016 Plan

Engaged a new independent compensation consultant, Pay Governance, in 2016

Added enhanced disclosure regarding our environmental, social and governance practices

Adopted limits on Director service on other boards in keeping with market best practices and investor input regarding a Director s time commitment

Refreshed our board membership (one new 2017 director, two new directors elected in 2016), with a view towards increasing diversity and board skills and expertise (p. vii)

Our CEO s base salary has not been increased in the past five years, his bonus opportunity has not been increased since 2010 and his long-term incentive opportunity was decreased from a 4.75 multiple of salary to a 3.75 multiple of salary in 2014 to be better aligned with peer group levels

Adopted majority voting to elect Directors in uncontested elections

We regularly conduct ongoing reviews of both our governance and executive compensation practices to ensure that we maintain best practices and enhanced disclosure in our proxy statement and other SEC filings. We have also worked to expand and enhance our public disclosure around the topics of interest to our shareholders during these discussions.

In general, our outreach program over the past two years has targeted shareholders representing approximately 75% of our outstanding shares, with investor discussions occurring throughout the year on relevant topics and on the evolving governance landscape in the off-season, as well as our annual meeting ballot items.

In-Season Engagement. In 2017, prior to our annual meeting, we reached out to shareholders representing approximately 75% of our outstanding shares (including each of our 35 largest holders) and held discussions with all available shareholders.

Off-Season Engagement. After our 2017 annual meeting, we reached out to shareholders representing approximately 75% of our outstanding shares and held discussions with all interested holders, with a member of our Compensation Committee participating in many meetings, representing approximately one-half of our outstanding shares, to obtain additional feedback on our corporate governance and executive compensation practices. Specific shareholder feedback has directly resulted in changes and enhancements to our executive compensation and corporate governance programs.

The diagram below represents our ongoing shareholder outreach process, further enhanced this year with Board member involvement and seeking specific feedback in response to our recent Say-on-Pay outcomes.

Compensation Program that Aligns Pay and Performance

Our compensation programs are designed to drive achievement of our business strategies and provide competitive opportunities. Accordingly, achievement of most of those opportunities depends on the attainment of certain performance goals tied to Company performance. Atlas compensation programs are designed to provide compensation that:

1. Attracts, motivates and retains high-performing executives

2. Provides performance-based incentives to reward achievement of short- and long-term business goals and strategic objectives which align with our operating plan, while recognizing individual contributions

3. Aligns the interests of our executives with those of our shareholders

In making compensation decisions for 2017, the Compensation Committee considered our operating strategy and goals, as well as comments received through our shareholder outreach program, and took into account our Say-on-Pay results. In response to shareholder feedback and Say-on-Pay voting results, we have adopted some very significant and impactful changes, as described on pages iv v and the Compensation Discussion and Analysis.

PROXY SUMMARY

The Company performance metrics we believe are important to our shareholders are the same metrics as we use in our incentive plans in 2017:

Annual Incentives

Company Performance Metric	NEO Performance Metric
Company Financial Performance Adjusted Net Income	Adjusted Net Income
Customer On-Time Reliability Stringent standards specified under customer contracts	Customer Service On-Time Reliability
Company Business Plan and Strategic Initiatives	Individual Performance Objectives based heavily on annually set corporate strategic objectives

Long-Term Incentives PSUs and Performance Cash

EBITDA Growth	EBITDA Growth
Return on Invested Capital	Return on Invested Capital
TSR (*for awards granted in 2018 and after*)	Comparative TSR (*for awards granted in 2018 and after*)

Strong, Well-Balanced Corporate Governance Practices

Highly Qualified Board. Our Directors bring deep industry experience to provide effective oversight in the boardroom.

Independent Board Leadership. We have separate Chairman of the Board and CEO roles with an independent Chairman elected annually by our Board. In recent years, we have refreshed the independent Chairman and the Chairs of our Audit Committee, Compensation Committee, and Nominating and Governance Committee, providing strong, independent Board and Committee leadership.

Focus on Board Composition, Refreshment and Rotation. We regularly evaluate the composition of our Board and our Committee leadership to ensure that we have the right balance of experience and perspective, and a mix of skills, backgrounds, and diversity to effectively facilitate oversight of management and strategy. To that end, we have welcomed three new directors, Bobby J. Griffin, John K. Wulff and Charles F. Bolden, Jr., to our Board in 2016 and 2017 and have nominated Jane H. Lute and Sheila A. Stamps for election to the Board at the 2018 Annual Meeting. As indicated above, we also rotated the Chair of the Board in mid-2017 following the rotation of the Chairs of our Audit Committee, Compensation Committee, and Nominating and Governance Committee.
Shareholders should note that while the Board does not follow formal age and tenure policies, it is the Board s current expectation that Chairs (Board and Committees) will serve from three to five years and that members of the Board will serve up to 15 years. Both the Board and the Nominating and Governance Committee review Board and Committee composition, refreshment and rotation matters on a regular basis.

Director Nominees

Jane H. Lute **Shelia A. Stamps**

Recently-Elected Directors

Bobby J. Griffin (2016)	John K. Wulff (2016)	Charles F. Bolden, Jr. (2017)

To best serve shareholders, our two Director nominees and three recently joined Directors bring an appropriate balance of fresh perspective and experience to effectively oversee strategy and management.

Upon election by our shareholders at the 2018 Annual Meeting, the average tenure of our Directors and the composition of our Board would be six years:

To evidence the Board s focus on refreshment, tenure and composition matters, the Board s average tenure has declined from eight years in April 2016 to six years today (assuming the election of the entire proposed Board slate).

Best Practices. We maintain corporate governance best practices that promote accountability and protect shareholder rights, including the adoption of proxy access provisions in our by-laws and the implementation of majority voting in uncontested elections.

In addition, we have annually elected Directors, 100% Board independence (except our CEO), separate CEO and Chairman positions, no poison pill in place, 100% independent Board committees, and ongoing dialogue with shareholders, including on governance, executive compensation, and other key business matters.

Please see pages 14-21 for further discussion of our governance practices.

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