

UNION PACIFIC CORP
Form DEF 14A
April 06, 2016
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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
(Amendment No. __)

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

UNION PACIFIC CORPORATION

(Name of Registrant as Specified In Its Charter)

(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 14a-6(i)(1) and 0-11.

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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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**Notice of Annual Meeting
of Shareholders**

Union Pacific Corporation
1400 Douglas Street, 19th Floor
Omaha, NE 68179

To Shareholders:

April 6, 2016

The 2016 Annual Meeting of Shareholders (the Annual Meeting) of Union Pacific Corporation (the Company) will be held at the Little America Hotel, 500 S. Main Street, Salt Lake City, Utah, at 11:00 A.M., Mountain Daylight Time, on Thursday, May 12, 2016, for the following purposes:

- (1) To elect the eleven directors named in the Proxy Statement, each to serve for a term of one year and until their successors are elected and qualified;
- (2) To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for 2016;
- (3) To approve, by non-binding vote, the compensation of the Company's Named Executive Officers;
- (4) To consider and vote upon two shareholder proposals if properly presented at the Annual Meeting; and
- (5) To transact such other business as may properly come before the Annual Meeting.

Only shareholders of record at the close of business on March 11, 2016, are entitled to notice of, and to vote at, the Annual Meeting.

Your vote is very important. New York Stock Exchange rules now provide that if your shares are held by a broker, your broker will NOT be able to vote your shares on most matters presented at the Annual Meeting, including the election of directors, unless you provide voting instructions to your broker. We strongly encourage you to submit your proxy card to your broker or utilize your broker's telephone or internet voting services (if available) and exercise your right to vote as a shareholder.

Diane K. Duren

Executive Vice President and

Corporate Secretary

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UNION PACIFIC CORPORATION

2016 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

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PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Meeting Information and Mailing of Proxy Materials

Date and Time: May 12, 2016, at 11:00 A.M., Mountain Daylight Time
Location: Little America Hotel, 500 S. Main Street, Salt Lake City, Utah
Record Date: March 11, 2016
Mailing Date: On or about April 6, 2016, we are initially mailing this Proxy Statement and the accompanying proxy card to shareholders.

Voting Matters and Board Recommendations

Proposal	Matter	Our Board's Recommendations
1	Election of Eleven (11) Director Nominees (page 19)	FOR Each Director Nominee
2	Ratification of Appointment of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2016 (page 25)	FOR
3	Advisory Vote to Approve Executive Compensation (page 27)	FOR
4	Shareholder Proposal Regarding Executives to Retain Significant Stock (page 28)	AGAINST
5	Shareholder Proposal Regarding Independent Chairman (page 29)	AGAINST

How to Vote

Even if you plan to attend the 2016 Annual Meeting of Shareholders in person, we encourage you to vote in advance of the meeting. You may vote using one of the following voting methods. Make sure to have your proxy card or voting instruction form in hand and follow the instructions. Participant s in Union Pacific s thrift and retirement plans who hold Company stock through such plans will receive separate voting instructions.

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You can vote in one of three ways:

Record Holders

Vote via the Internet

Go to www.investorvote.com/UNP

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Vote by mail

Sign, date and return the card in the enclosed envelope

Beneficial Owners

Follow the instructions set forth on the voting instruction form provided by your broker with these proxy materials

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Company Performance Highlights

This past year was challenging in many respects, but we continued our strong operational and financial performance in the face of dramatic declines in volumes and shifts in business mix. We combined our unrelenting focus on safety, productivity, and service. Highlights of the Company's 2015 operational and financial performance include:

The Company achieved its second-best financial performance year ever despite a 6% decline in volumes. Core pricing of 3.7%, productivity and improved network operations helped offset the lower volumes

An operating ratio for 2015 of 63.1%, which was an all-time best, improving from last year's operating ratio of 63.5%

The reportable personal injury rate per 200,000 employee-hours improved 11%, to a best-ever result of 0.87, making us the safest Class I railroad in the United States in 2015

Significant improvements in operating and service metrics, reflected in average train speed, as reported to the Association of American Railroads, increased 6% in 2015 compared to 2014, and average terminal dwell time decreased 3%

Notwithstanding these efforts, total shareholder return was negative 33% over the fiscal year; however, our three-year total shareholder return was a positive 32%

Governance Highlights

The Company's sound governance practices and policies demonstrate the Board's commitment to strong corporate governance, effective risk management and strong independent oversight of management by the Board. Governance Highlights include:

All independent directors, other than Mr. Fritz, our Chairman and CEO (11 out of 12 directors)

Annual election of all directors with majority voting standard

Board membership marked by diversity, leadership and a variety of perspectives

Adoption of proxy access By-law provisions

Active and empowered lead independent director, including communications with shareholders

Executive sessions of non-management, independent directors at each Board and Committee meeting

Board oversight of enterprise risk management and strategy

Four active Board committees comprised solely of independent directors

Stringent director and executive stock ownership guidelines

Executive Compensation Highlights

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The compensation earned in 2015 by Mr. Fritz and the named executive officers (NEOs), as described in the Compensation Discussion and Analysis section of this Proxy Statement, reflect our policy of having a significant portion of the executive's compensation tied to annual and long-term Company performance

Bonuses earned for the 2015 performance year were negatively impacted by the Company's lower financial performance on a year-over-year basis, but increased for Mr. Fritz and Mr. Scott due to their additional responsibilities in their respective roles as Chairman, President and CEO and Executive Vice President - Operations

The value of long-term incentives awarded in 2015 for Mr. Fritz and the NEOs increased due to outstanding Company and individual performance during 2014; 67% of the compensation provided to Mr. Fritz and 55% of the compensation provided to the rest of the NEOs in 2015 was in the form of long-term incentive equity awards

Performance stock units for the three-year performance period (2013-2015) ending in 2015 vested at 200% of target, reflecting the achievement of the maximum ROIC performance over the performance period

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UNION PACIFIC CORPORATION

1400 Douglas Street, 19th Floor

Omaha, NE 68179

PROXY STATEMENT

For Annual Meeting of Shareholders to Be Held on May 12, 2016

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting to Be Held on May 12, 2016

This Proxy Statement and our 2015 Annual Report on Form 10-K are available at www.up.com

under the Investors caption link by selecting Annual Reports/Form 10-Ks and Proxy Statements

www.up.com/investors/annuals/index/shtml.

Information About the Annual Meeting, Voting and Proxies

Date, Time and Place of Meeting

This Proxy Statement is being furnished to shareholders of Union Pacific Corporation (the Company) in connection with the solicitation of proxies by the Board of Directors of the Company (the Board) for use in voting at the Annual Meeting of Shareholders or any adjournment or postponement thereof (the Annual Meeting). The Annual Meeting will be held on Thursday, May 12, 2016, at 11:00 A.M., Mountain Daylight Time at Little America Hotel, 500 S. Main Street, Salt Lake City, Utah. We are initially mailing this Proxy Statement and the accompanying proxy card to shareholders of the Company on April 6, 2016.

Record Date, Outstanding Shares and Quorum

Only holders of record of the Company's common stock at the close of business on March 11, 2016 (the Record Date), will be entitled to vote at the Annual Meeting. On the Record Date, we had 843,000,988 shares of common stock outstanding and entitled to vote. If a majority of the shares outstanding on the Record Date are present and entitled to vote on any matter at the Annual Meeting, either in person or by proxy, we will have a quorum at the Annual Meeting. Any shares represented by proxies that are marked for, against or to abstain from voting on a proposal

will be counted as present for the purpose of determining whether there is a quorum.

Voting Rights and Voting of Proxies

Holders of our common stock are entitled to one vote for each full share held as of the Record Date.

Under Proposal Number 1, directors will be elected by a majority of the votes cast by the shares of common stock present at the Annual Meeting (either in person or by proxy) and entitled to vote on the election of directors, which means that a nominee will be elected if he or she receives more for votes than against votes. Pursuant to Section 9 of Article I of the Company's By-Laws and applicable laws of the State of Utah, a nominee who does not receive more for votes than against votes will be elected to a shortened term expiring on the earlier of: (i) 90 days after the day on which the Company certifies the voting results; or (ii) the day on which a person is selected by the Board to fill the office held by the director.

Approval of Proposal Number 2 (ratification of the appointment of the independent registered public accounting firm), Proposal Number 3 (advisory vote to approve executive compensation), Proposal Number 4 (shareholder proposal regarding executive stock ownership) and Proposal 5 (shareholder proposal regarding independent chairman) requires the affirmative vote of a majority of the votes cast on the proposal (either in person or by proxy).

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If your shares are held in street name (that is, through a broker, bank, nominee or other holder of record) and you do not provide voting instructions to your broker in advance of the Annual Meeting, New York Stock Exchange rules grant your broker discretionary authority to vote on the ratification of the independent registered accounting firm in Proposal 2. If you do not provide voting instructions, your broker will not have discretion to vote your shares on Proposal Numbers 1, 3, 4 and 5 resulting in what is referred to as broker non-votes on those matters. The Board recommends that you vote FOR Proposal Numbers 1, 2 and 3, and AGAINST Proposal Numbers 4 and 5.

Although the advisory vote on Proposal Number 3 is non-binding, the Board will review the results of the vote and, consistent with the Company's strong record of shareholder engagement, will take it into account in making determinations concerning executive compensation.

In accordance with Utah law, abstentions and broker non-votes are not treated as votes cast and, therefore, are not counted in determining which directors are elected under Proposal 1 and which matters are approved under Proposal Numbers 2, 3, 4 and 5.

Solicitation and Voting of Proxies

The proxy included with this Proxy Statement is solicited by the Board for use at the Annual Meeting. You can submit your proxy card by mailing it in the envelope provided. You may also use the toll free telephone number or access the Internet address listed on the proxy card to submit your proxy. The proxy card includes specific directions for using the telephone and Internet voting systems. If your proxy is properly received and not revoked before the Annual Meeting, your shares will be voted at the Annual Meeting according to the instructions indicated on your proxy card. If you sign and return your proxy card but do not give any voting instructions, your shares will be voted for the election of each of the director nominees listed in Proposal Number 1 below, for Proposal Numbers 2 and 3, and against Proposal Numbers 4 and 5. To our knowledge, no other matters will be presented at the Annual Meeting. However, if any other matters of business are properly presented, the proxy holders named on the proxy card are authorized to vote the shares represented by proxies according to their judgment.

Confidential Voting Policy

The Board maintains a confidential voting policy pursuant to which the Company's stock transfer agent, Computershare Investor Services, receives shareholder proxies or voting instructions, and officers of Computershare, serving as independent inspectors of election, certify the vote. Proxies and ballots, as well as telephone and Internet voting instructions, will be kept confidential from management (except in certain cases where it may be necessary to meet legal requirements, including a contested proxy solicitation or where a shareholder writes comments on the proxy card). Reports concerning the vote may be made available to the Company, provided such reports do not reveal the vote of any particular shareholder.

Revocation of Proxies

After you submit your proxy you may revoke it at any time before voting takes place at the Annual Meeting. You can revoke your proxy in three ways: (i) deliver to the Secretary of the Company a written notice, dated later than the proxy you want to revoke, stating that the proxy is revoked; (ii) submit new telephone or Internet instructions or deliver a validly executed later-dated proxy; or (iii) attend the Annual Meeting and vote in person. For this purpose, communications to the Secretary of the Company should be addressed to 1400 Douglas Street, 19th Floor, Omaha, Nebraska 68179 and must be received before the time that the proxy you wish to revoke is voted at the Annual Meeting. Please note that if your shares are held in street name (that is, a broker, bank or other nominee holds your shares on your behalf) and you wish to revoke a

previously granted proxy, you must contact that entity. If a broker, bank or other nominee holds your shares on your behalf and you

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wish to vote at the Annual Meeting, you must obtain what is referred to as a legal proxy covering the shares you beneficially own from that entity prior to the Annual Meeting.

Expenses of Solicitation

The Company will pay the costs of preparing, printing and mailing this Notice of Annual Meeting of Shareholders and Proxy Statement, the enclosed proxy card and the Company's 2015 Annual Report on Form 10-K. In addition to using mail, proxies may be solicited by personal interview, telephone and electronic communication by the directors, officers and employees of the Company acting without special compensation. We also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the street name holders of shares held of record by such individuals, and the Company will reimburse such custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with such solicitation. In addition, the Company engaged Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902 to solicit proxies on its behalf. The anticipated fees of Morrow & Co., LLC are \$17,500, plus certain other customary fees and expenses.

Attending the Annual Meeting

Only shareholders as of the Record Date are entitled to attend the Annual Meeting. The Company reserves the right to require proof of stock ownership as of the Record Date and a government-issued photo identification of any person wishing to attend the Annual Meeting. You may obtain directions to the Annual Meeting by contacting the Secretary of the Company at the address set forth on the notice page of this Proxy Statement. Please note that the use of cameras (including via cell phones with photographic capabilities), recording devices and other electronic devices is strictly prohibited at the meeting.

Information Regarding the Company

References to the Company's website included in this Proxy Statement and in the Company's Annual Report on Form 10-K are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained in, or available through, the website.

Board Corporate Governance Matters

Board of Directors Meetings and Committees

In accordance with applicable provisions of Utah law and the By-Laws of the Company, the business and affairs of the Company are managed under the direction of the Board. The Board has established standing Committees and adopted guidelines and policies to assist it in fulfilling its responsibilities as described below.

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During 2015, the Board met six times. None of the directors attended fewer than 75% of the aggregate number of meetings of the Board and the Committees on which he or she served during the period of service. The average attendance of all directors at Board and Committee meetings was 100%. The Corporate Governance Guidelines and Policies included in this Proxy Statement beginning on page 10 reflect our policy that all directors should attend the Annual Meeting. In accordance with this policy, all directors then serving attended last year's Annual Meeting, except for two directors who had previous commitments.

The Board currently maintains four standing committees – the Audit Committee, Finance Committee, Compensation and Benefits Committee, and Corporate Governance and Nominating Committee. Each of the committees operates under a written charter adopted by the Board, copies of which are available on the Company's website at www.up.com/investors/governance, and

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shareholders may obtain copies by contacting the Secretary of the Company at the address set forth on the notice page of this Proxy Statement. Each committee has the ability to retain outside advisors to assist it in the performance of its duties and responsibilities. All Board Committees are composed entirely of independent directors, satisfying both the independence standards of the New York Stock Exchange (NYSE) and the Director Independence Standards set forth in the Company's Corporate Governance Guidelines and Policies. Audit Committee members and Compensation and Benefits Committee members also satisfy the additional independence criteria applicable to Audit Committee and Compensation and Benefits Committee members under the listing standards of the NYSE.

Audit Committee. The members of the Audit Committee are Mr. Card, Mr. Dillon, General Krulak, Mr. McConnell and Mr. Villarreal. Mr. McConnell serves as chairperson of the Committee. The Committee met nine times in 2015, including four meetings dedicated to the review of the Company's quarterly earnings and financial statements.

The Board has determined that all members of the Committee are independent directors and satisfy the additional independence criteria under NYSE listing standards applicable to audit committee members. The Board also reviewed the experience and training of the members of the Committee and determined that each member is financially literate and that at least one member has accounting or related financial management expertise. Additionally, the Board determined that Mr. McConnell and Mr. Dillon qualify as audit committee financial experts within the meaning of the rules and regulations of the Securities and Exchange Commission (SEC).

The Audit Committee meets regularly with the independent registered public accounting firm of the Company, financial management, the internal auditors, the chief compliance officer and the general counsel to provide oversight of the financial reporting process, internal control structure, and the Company's compliance requirements and activities. The independent registered public accounting firm, the internal auditors, the chief compliance officer and the general counsel have unrestricted access to the Committee and meet regularly with the Committee, without Company management representatives present, to discuss the results of their examinations, their opinions on the adequacy of internal controls and quality of financial reporting, and various legal matters. Furthermore, the Committee meets to review and discuss the Company's earnings releases, audited annual financial statements and unaudited quarterly financial statements with management and the independent registered public accounting firm, including reviewing the Company's specific disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Committee appoints the independent registered public accounting firm of the Company; reviews the scope of audits as well as the annual audit plan; evaluates the independent registered public accounting firm through assessments of quality control procedures; peer reviews, and results of inquiries or investigations; and establishes hiring policies with respect to employees and former employees of the independent registered public accounting firm. The Committee reviews the adequacy of disclosures to be included in the Annual Report on Form 10-K regarding the Company's contractual obligations and commercial commitments, including off-balance sheet financing arrangements. The Committee periodically receives from, and discusses with, management reports on the Company's programs for assessing and managing risk. As part of this process, the Committee reviews with management the status of pending environmental and litigation matters, as well as regulatory, tax and safety matters. In addition, the Committee reviews the Company's compliance program and risk assessments, including the annual enterprise risk management plan described in more detail below in the section titled Risk Oversight of the Company. The Committee also oversees the administration of the Company's Code of Ethics for the Chief Executive Officer and Senior Financial Officers and the Statement of Policy on Ethics and Business Conduct for employees, as well as policies concerning derivatives, environmental management, use of corporate aircraft, insider trading, related person and related party transactions, and officers' travel and business expenses.

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The Audit Committee's charter requires the Committee to approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent registered public accounting firm. By approving the engagement, which is performed in conjunction with the first Board meeting of each year, the audit services are deemed to be pre-approved. With respect to non-audit services provided by the independent registered public accounting firm, the Audit Committee adopted and observes procedures that require the independent registered public accounting firm to present a budget for the three categories of non-audit services: (i) audit-related services, (ii) tax services and (iii) other services. The budget is detailed as to the particular services to be provided so that the Committee knows what services it is being requested to pre-approve in order to facilitate a well-reasoned assessment of the impact of the services on the auditor's independence. After review and approval of the annual budget by the Committee, no further approval by the Committee is required to undertake the specific projects within the three categories of non-audit services. If the Company determines that it requires any other non-audit services after approval of the budget, either the Committee Chair or the full Committee must pre-approve the additional non-audit services, depending on the anticipated cost of the services. In addition, the Committee Chair must review and approve any projects involving non-audit services that exceed budget costs during the year. Any non-audit services pre-approved by the Committee Chair pursuant to delegated authority and any projects involving non-audit services that exceed budget costs will be reported to the full Committee at the next regularly scheduled Committee meeting.

Finance Committee. The members of the Finance Committee are Mrs. Hope, General Krulak, Mr. McCarthy, Mr. McConnell, and Mr. McLarty. Mr. McCarthy serves as chairperson of the Committee. The Committee met four times in 2015.

The Committee is responsible for assisting the Board with its review and oversight of the financial position of the Company. The Committee meets regularly with management and reviews the Company's capital structure, balance sheet, credit ratings, short- and long-term financing plans and programs, dividend policy and actions, investor relations activities, access to sources of liquidity, insurance programs, market conditions and other related matters. The Committee also reviews the performance of the Company's internal investment committee that oversees the investment management of assets held by the Company's pension, thrift and other funded employee benefit programs.

Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are Mr. Card, Mr. Davis, Mr. Dillon, Mr. Rogel and Mr. Villarreal. Mr. Davis serves as chairperson of the Committee. The Committee met five times in 2015, including a special one-day meeting to review and assess the Company's overall compensation strategy and programs.

The Board has determined that all members of the Committee are independent directors and satisfy the additional independence criteria under NYSE listing standards applicable to compensation committee members.

The Committee is directly responsible for reviewing and approving corporate goals and objectives relevant to the compensation of the Company's CEO, evaluating the CEO's performance and, together with the other independent directors, determining and approving the CEO's compensation level based on such evaluation. The Committee reviews and refers to the Board for approval the compensation of the Company's other elected executives and certain other executives as determined by the Committee or the Board. The Committee oversees the Company's executive incentive plans and reviews the amounts of awards and the individuals who will receive awards. The Committee refers its determinations with respect to the annual incentive program to the Board for approval. The Committee is responsible for reviewing and recommending to the Board all material amendments to the Company's pension, thrift and employee stock plans. The Committee also oversees the administration of the Company's general compensation plans and employee benefit plans. In addition, the Committee periodically reviews the Company's benefit plans to assess whether

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these benefit plans remain competitive with comparably situated companies. The Committee reviews and discusses the Compensation Discussion and Analysis (CD&A) and recommends to the Board that the CD&A be included in the Company's Proxy Statement and Annual Report on Form 10-K.

In early 2016, the Committee, with the assistance of the Committee's outside compensation consultant, conducted its annual compensation risk assessment of our executive compensation programs and confirmed that there were no notable changes to these programs for 2015 and that they are designed and operate within a system of guidelines and controls to avoid creating any material adverse risks to the Company.

In accordance with its charter, the Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate. A subcommittee may not have fewer than two members. The Committee cannot delegate to a subcommittee any power or authority required by law, regulation or listing standards to be exercised by the Committee as a whole and has not delegated any of its authority with respect to compensation of the Named Executive Officers.

Under its charter, the Committee has the authority to retain, terminate and approve fees for advisors and consultants as it deems necessary. The Committee, in its discretion, uses outside advisors and experts to assist it in performing its duties and fulfilling its responsibilities. Frederic W. Cook & Co., Inc. (FWC) is an independent compensation consulting firm that reports directly to the Committee. A representative of FWC regularly attends all Committee meetings. The Committee is solely responsible for the engagement and termination of this relationship. At its March 2016 meeting, the Committee reviewed and reaffirmed the engagement of FWC as the Committee's compensation consultant and determined that the retention of FWC did not raise any conflicts of interest.

FWC advises the Committee on compensation philosophy and matters related to CEO and other executive and director compensation. The Committee annually requests that FWC update compensation and performance data on the peer companies selected by the Committee, as described in the CD&A beginning on page 52 of this Proxy Statement, and provide an assessment of the Committee's performance. In addition, the Committee periodically requests that FWC make presentations on various topics, such as compensation trends and best practices, regulatory changes, long-term incentive components and award mix and stock plan utilization. The Committee Chair reviews and approves all charges for these consulting services.

Under the Committee's engagement, FWC also confers with management on a limited basis to promote consistency and efficiency. In such matters, FWC acts in its capacity as the Committee's advisor, and the Committee Chair reviews and approves any major projects for which management requests the assistance of FWC. Such projects involve only the amount and form of executive or director compensation and may include analysis of competitive director compensation data, design and development of new compensation and stock plans, calculation of compensation amounts reported in this Proxy Statement and review of materials prior to distribution to the Committee to confirm that the materials conform with the Committee's philosophy and policies. The Committee Chair reviews and approves all charges for any projects requested by management. During 2015, the Company paid fees to FWC only for advising on the amount or form of executive and director compensation. The Company did not pay any fees for additional projects or services.

The role of management in recommending the forms and amounts of executive compensation is described on page 42 in the CD&A section of this Proxy Statement.

Corporate Governance and Nominating Committee. The members of the Corporate Governance and Nominating Committee are Mr. Davis, Mrs. Hope, Mr. McCarthy, Mr. McLarty, and Mr. Rogel. Mr. Rogel serves as chairperson of the Committee. The Committee met five times in 2015.

The Committee oversees the Company's corporate governance, assists management with succession matters, and reviews and recommends changes to compensation of the Board. The

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Committee reviews the qualifications of candidates for director positions in accordance with the criteria approved by the Board and recommends candidates to the Board for election at Annual Meetings or to fill any Board vacancies that may occur during the year. The Committee also oversees the Corporate Governance Guidelines and Policies discussed below, which promote Board independence, integrity and ethics, diversity (inclusive of gender, race, ethnicity and natural origin), and excellence in governance. In addition, the Committee oversees the Company's Code of Business Conduct and Ethics for Members of the Board of Directors, reviews related party transactions, reviews current trends in corporate governance and recommends to the Board for adoption new (or modifications of existing) practices, policies or procedures. In connection with performing these duties, the Committee periodically reviews the composition and activities of the Board, including, but not limited to, committee memberships, Board self-evaluation, Board size, continuing education, retirement policy and stock ownership requirements. Additionally, the Committee oversees the election of a lead independent director, if necessary (as discussed below). Under its charter, the Committee has the authority to retain, terminate and approve fees for advisors and consultants as it deems necessary.

The Committee reviews director compensation periodically to assess whether the compensation paid to non-management directors is competitive and reflects their duties and responsibilities as Board members. The Committee considers competitive director compensation data of comparable companies provided by FWC in reviewing the appropriateness of annual retainers and Committee fees.

In accordance with its charter, the Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate. No subcommittee can have fewer than two members. The Committee cannot delegate to a subcommittee any power or authority required by law, regulation or listing standards to be exercised by the Committee as a whole. The Committee has not delegated any of its authority with respect to director compensation.

Board Leadership Structure

The Board believes it is in the best interest of the Company for the Board to periodically evaluate the leadership structure of the Company and make a determination regarding whether to separate or combine the roles of Chairman and CEO based on circumstances at the time of its evaluation. By retaining flexibility to adjust the Company's leadership structure, the Board is best able to provide for appropriate management and leadership of the Company and address any circumstances the Company may face. Accordingly, pursuant to the Company's Corporate Governance Guidelines and Policies set forth on page 12 of this Proxy Statement, the Board annually will elect a Chairman of the Board, who may or may not be the CEO of the Company. Additionally, the Guidelines provide that if the individual elected as Chairman of the Board is not an independent director, the independent directors also will elect a lead independent director. On February 5, 2015, the Board appointed Mr. Lance M. Fritz to serve as President and CEO when Mr. Koraleski retired from his positions as President and CEO, which he held since March 2012. The Board requested that Mr. Koraleski remain executive Chairman of the Board until his retirement on September 30, 2015. During this time of leadership transition, the Board determined that having Mr. Koraleski serve as executive Chairman provided consistent development, oversight, and implementation of corporate strategy and succession planning by both the Board and management. On October 1, 2015, Mr. Fritz was appointed Chairman of the Board. The Board determined that having a combined Chairman and CEO at this time best allows the Board and management to focus on the oversight and implementation of the Company's strategic initiatives and business plan to efficiently and effectively protect and enhance the Company's long-term success and shareholder value.

In addition, the independent directors of the Board elected Mr. Rogel, the former Chairman and CEO of Weyerhaeuser Company, as the lead independent director with the following responsibilities:

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(i) preside at meetings of the Board at which the Chairman and CEO are not present, including executive sessions of the independent directors; (ii) approve the flow of information sent to the Board, and approve the agenda, schedule and what materials are sent for the Board meetings; (iii) serve as the liaison between the independent directors and the Chairman and CEO; (iv) be available for consultation and communication with major shareholders as appropriate; (v) in conjunction with the Compensation and Benefits Committee, oversee the process of evaluating and compensating the Chairman and CEO; (vi) assure that a succession plan is in place for the Chairman and CEO, as well as the lead independent director; (vii)&