

EXPRESS, INC.
Form DEF 14A
May 02, 2019
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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

Express, Inc.

(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):

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No fee required.

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- 3) Filing Party:

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*Notice of
2019
Annual Meeting
of Stockholders*

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Columbus, Ohio

May 2, 2019

LETTER TO OUR STOCKHOLDERS

FROM THE BOARD OF DIRECTORS

Dear Fellow Stockholders,

After a positive start to 2018, business performance declined in the back half of the year, and in particular Q4. The retail sector continues to face challenges but the Board believes in the growth potential of the Company, and remains committed to maximizing long-term value for our stockholders. With a view toward the future, the Board determined in January that a change of leadership at the CEO level was necessary and replaced Chief Executive Officer David Kornberg. In line with the Board's succession plan, we have appointed Matthew Moellering, our EVP and COO, to serve as Interim CEO, and the Board is making good progress on the search for a new CEO.

I want to assure you, as fellow stockholders, that while the CEO search is ongoing, the Board and management are actively working on several important initiatives that are intended to address the Company's underperformance and to reposition the business for future growth and improved profitability. These initiatives include getting the right product assortment, ensuring that our brand and product voice is clear to our customers, acquiring new customers, and retaining those we have with a focus on fashion and newness. Additional details on these initiatives are included in this proxy statement and in our annual report.

While 2018 financial performance fell short of expectations, there are reasons to be optimistic, including our e-commerce business, which grew on a comparable sales basis by 21% on top of 22% comparable sales growth the previous year. In addition, the Company remains in a strong financial position, ending the 2018 fiscal year with \$172 million in cash and no debt financing.

As we address the underlying issues that have led to the disappointing financial performance, we continue to acknowledge the critical role that corporate governance plays in carrying out our commitment to you, and we remain committed to focusing on issues important to our stockholders. I want to highlight a few of these items.

We continue to focus on having a diverse and deeply knowledgeable Board. We understand the importance of having the right combination of skills and experience on the Board to oversee the Company as it carries out its strategy to transform and position itself for success in the ever-changing retail environment in which we operate. During 2018, we added Winnie Park to our Board, who brings deep retail experience, both domestically and internationally, amongst other skills, to the Board. With this addition, three of our seven directors are female, and each of the directors brings broad diversity of experience and expertise.

We continue to strategically evaluate our capital use strategy to maximize long-term value. The Board, together with the management team, regularly evaluates the Company's capital use strategy and we remain committed to deploying capital in ways that will generate long-term value for our stockholders. As such, in 2018, we repurchased 10 million shares of our outstanding common stock at an aggregate cost of \$83 million, and have repurchased 13 million shares for \$105 million life to date under the \$150 million share repurchase program approved in November 2017 as part of a capital return plan for our stockholders.

We continue to emphasize a strong pay-for-performance culture for our senior leadership team. It is important to us that the interests of our executives are aligned with the interests of stockholders by setting rigorous performance targets that are tied to key financial results and strategic objectives that further the Company's long-term strategy. While we believe in providing a target pay opportunity that is competitive with the market, actual compensation should align with Company performance. In 2018, our outgoing CEO's target compensation did not increase from 2017 and his actual compensation, exclusive of a one-time separation payment, was significantly less than target, reflecting business results. In addition, in 2018 we further aligned the interests of our executives with our stockholders by introducing a relative total shareholder return modifier into our long-term incentive program. Finally, while the Company focuses on addressing the underlying issues that have led to financial underperformance, the senior management team's compensation will in general remain the same in 2019 as 2018, reflecting a continued pay-for-performance culture below the CEO level as well.

We continue to engage with you, our stockholders. During 2018, we reached out to stockholders representing a majority of our outstanding common stock. We highly value our conversations with stockholders and as a Board, discuss and take into consideration feedback shared. We appreciate those who took the time to engage and share their viewpoints with us in 2018 and we look forward to continued engagement with stockholders in 2019.

Express continues to be a relevant and resilient brand. We believe in its future, and thank you for your continued support.

Mylle H. Mangum

Chairman of the Board

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Notice of

2019 Annual Meeting of Stockholders

Time and Date 8:30 a.m., Eastern Daylight Time, on Wednesday, June 12, 2019

Place Express Corporate Headquarters, 1 Express Drive, Columbus, OH 43230

Items of Business 1. Election of Class III directors;

2. Advisory vote to approve executive compensation (say-on-pay);

3. Advisory vote to determine the frequency of future advisory votes on executive compensation;

4. Ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2019; and

5. Such other business as may properly come before the meeting.

Record Date Holders of record of the Company's common stock at the close of business on April 16, 2019 are entitled to notice of and to vote at the 2019 Annual Meeting of Stockholders or any adjournment or postponement thereof.

This proxy statement is issued in connection with the solicitation of proxies by the Board of Directors of Express, Inc. for use at the 2019 Annual Meeting of Stockholders and at any adjournment or postponement thereof. On or about May 2, 2019, we will begin distributing print or electronic materials regarding the annual meeting to each stockholder entitled to vote at the meeting. Shares represented by a properly executed proxy will be voted in accordance with instructions provided by the stockholder.

How to Vote

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the 2019 Annual Meeting of Stockholders, we urge you to vote your shares now in order to ensure the presence of a quorum.

Stockholders of record may vote:

By Internet: go to
www.proxyvote.com;

By telephone: call toll free
(800) 690-6903; or

By mail: if you received
paper copies in the mail of
the proxy materials and
proxy card, mark, sign,
date, and promptly mail the
enclosed proxy card in the
postage-paid envelope.

Beneficial Stockholders. If you hold your shares through a broker, bank, or other nominee, follow the voting instructions you receive from your broker, bank, or other nominee, as applicable, to vote your shares.

By Order of the Board of Directors,

Melinda R. McAfee

Senior Vice President, General Counsel and Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on June 12, 2019: this Notice of Annual Meeting and Proxy Statement and our 2018 Annual Report are available in the investor relations section of our website at www.express.com/investor. Additionally, and in accordance with the Securities and Exchange Commission (SEC) rules, you may access our proxy materials at www.proxyvote.com, a site that does not have cookies that identify visitors to the site.

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The Board of Directors (the **Board**) of Express, Inc. (the **Company**) is soliciting your proxy to vote at the Company's 2019 Annual Meeting of Stockholders (the **Annual Meeting**), or at any adjournment or postponement of the Annual Meeting. To assist you in your review of this proxy statement, we have provided a summary of certain information relating to the items to be voted on at the Annual Meeting in this section. For additional information about these topics, please review this proxy statement in full and the Company's Annual Report on Form 10-K for 2018 which was filed with the SEC on March 19, 2019 (the **Annual Report**).

Our fiscal year ends on the Saturday closest to January 31. Fiscal years are referred to by the calendar year in which the fiscal year commences. All references herein to 2018, 2017, and 2016 refer to the 52-week period ended February 2, 2019, the 53-week period ended February 3, 2018, and the 52-week period ended January 28, 2017, respectively. Comparable sales for 2018 was calculated using the 52-week period ended February 2, 2019 as compared to the 52-week period ended February 3, 2018.

In this proxy statement, we refer to adjusted operating income and adjusted diluted earnings per share (**Adjusted EPS**), which are financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (**GAAP**). Please refer to Appendix A to this proxy statement for more information on adjusted operating income and Adjusted EPS, and a reconciliation of such measures to reported operating income and diluted earnings per share (**EPS**), respectively, which are their most directly comparable GAAP measures.

2018 Business Performance

Overall financial performance proved challenging in 2018 due to comparable sales and earnings declines during the Fall 2018 season, which more than offset positive year over year growth in comparable sales and earnings during the Spring 2018 season. Our e-commerce business continued to be a strength, generating record sales of over \$600 million in 2018. We also continued to generate strong cash flow in 2018 and ended the year with more than \$172 million in cash and no debt on our balance sheet. The Company's ability to generate cash flow beyond its investment needs allowed for the return of \$83 million in value to our stockholders through share repurchases in 2018. The retail sector continues to face challenges and opportunities that come from rapid change. We continue to believe in the opportunities presented by the changing dynamics in retail and our ability to generate long-term value for our stockholders. To fully capitalize on this opportunity, the Board determined a change in leadership was necessary and in January 2019 terminated the employment of our President and Chief Executive Officer and commenced a search for a new President and Chief Executive Officer.

Net Sales**Adjusted Operating Income⁽¹⁾ Adjusted EPS⁽¹⁾**

- (1) Adjustments to operating income and EPS are shown in the unshaded boxes above. Refer to Appendix A for more information on adjustments made to operating income and EPS. Figures may not foot due to rounding.
- (2) Reflects adjustments made to the Company's financial statements in connection with the adoption of the new revenue recognition standard ASC 606 in the first quarter of 2018.

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Proxy Statement Summary Information

Progress Against Select Business Initiatives

E-commerce Growth. Achieved e-commerce sales at an all-time high in 2018 with sales of over \$600 million, up 21% on a comparable sales basis versus 2017. ***Increase Store Productivity.*** Decline in same store sales of 9% compared to prior year.

Optimize Retail Store Fleet. Reduced our retail store fleet by 43 stores, consisting of 29 conversions to outlet stores and the closure of 14 stores. ***Elevate The Customer Experience.*** Introduced extended sizing across women's and men's product assortment in stores for the first time, launched Express Style Trial, a subscription-based rental service, and opened two new retail stores with formats that feature enhanced customer facing technology.

Open New Outlet Stores. Added 39 outlet locations in 2018, including 29 retail store conversions to the outlet format and 10 new outlet stores.

Significant Cost Savings Initiatives. Achieved \$12 million cost savings target in 2018.

Expand Omni-Channel Capabilities. Reached target with approximately 400 active ship from store retail locations and expanded test of buy online, pick up in store in 2018. ***Share Repurchases.*** Repurchased approximately 10 million shares of our outstanding common stock at an aggregate cost of \$83 million in 2018.

Strong Cash Flow Generation. Generated strong cash flow in 2018, which allowed for continued investment in the business as well as share repurchases and ended the year with cash of \$172 million.

Chief Executive Officer Transition and Forward Looking Strategy

The end of fiscal 2018 was marked by a leadership change at the Chief Executive Officer level. David Kornberg ceased to serve as President and Chief Executive Officer of the Company and resigned as a member of the Board, effective January 22, 2019. Mr. Kornberg remained employed by the Company through February 21, 2019. On January 22, 2019 Matthew Moellering, our Executive Vice President and Chief Operating Officer, was appointed Interim Chief Executive Officer and Interim President until a permanent Chief Executive Officer and President is appointed.

In 2019, led by the Interim CEO, the Company is focused on three key areas of the business including product, brand and product clarity, and customer acquisition and retention to reposition the business for future growth and improved profitability.

Across these focus areas, the Company has several initiatives underway, including:

- improving product acceptance through enhancing customer insights, reassessing testing and buying processes, and bringing in small quantities of forward season merchandise to get a better read on styles and more time to maximize trend-right product during the selling season;
 - improving product and brand clarity by sharpening edit points for the women's and men's customer with a single fashion point of view, creating a new commercial planning process to align and focus key customer messages, and optimizing the product portfolio to improve clarity in stores; and
 - growing the customer base by expanding partnerships with key fashion influencers and optimizing marketing spend.
- In addition, the Company continues its efforts to capture the benefits from systems investments as well as its disciplined approach to managing expenses.

2018 Named Executive Officers

The Compensation Discussion and Analysis included in this proxy statement focuses on the compensation of our named executive officers (our NEOs) for 2018, who are listed below:

Name	Position
David Kornberg	Former President and Chief Executive Officer ⁽¹⁾
Matthew Moellering	Interim Chief Executive Officer and Interim President, Executive Vice President and Chief Operating Officer ⁽¹⁾
James (Jim) Hilt	Former Executive Vice President and Chief Customer Experience Officer ⁽²⁾
John J. (Jack) Rafferty	Executive Vice President Planning and Allocation
Colin Campbell	Executive Vice President Sourcing and Production
Periclis (Perry) Pericleous	Senior Vice President, Chief Financial Officer and Treasurer

(1) Effective January 22, 2019, Mr. Kornberg ceased to serve as President and Chief Executive Officer and Mr. Moellering was appointed Interim Chief Executive Officer and Interim President.

(2) Mr. Hilt left the Company on March 19, 2019.

2 www.express.com

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Proxy Statement Summary Information

2018 Compensation Highlights

The last day of our 2018 fiscal year was Saturday February 2, 2019. Mr. Kornberg served as our President and CEO for all but the last two weeks of our fiscal year. Accordingly, our Compensation Discussion and Analysis focuses on Mr. Kornberg's compensation for 2018, including information showing the relationship between the CEO's 2018 target compensation and 2018 actual realizable compensation. Unless otherwise noted, compensation related references in this proxy statement to the CEO are references to Mr. Kornberg.

Our executive compensation program is designed to strongly align executive compensation with the Company's financial performance. In 2018:

- **CEO Target Pay Opportunity Remained the Same in 2018:** CEO target pay opportunity for Mr. Kornberg was established at the median of our peer group in 2016 and remained unchanged in both 2017 and 2018. In 2019, target pay opportunity for our Interim CEO, Mr. Moellering, will reflect a base salary of approximately \$1.1 million until his interim assignment ends, and his short-term cash incentive target percentage and amount of long-term incentive award will remain unchanged from 2018 levels when he served as Executive Vice President and Chief Operating Officer. Target pay opportunity for our other NEOs will generally stay the same in 2019.
- **CEO Pay-for-Performance Compensation Design with Challenging Performance Targets Continued:** Overall, the design of the CEO compensation package remained the same year over year, with 86% of Mr. Kornberg's target compensation package composed of short-term cash incentives and long-term equity and cash incentives. The performance-based short-term and long-term incentives continued to include challenging performance targets so that realizable compensation reflects business performance.
- **Short-Term Incentive Program Continues to Include a Strategic Performance Component:** Under the Company's 2018 short-term cash incentive program, 75% of the target bonus opportunity was based on achievement of challenging financial goals and 25% was based on achievement of key strategic objectives in furtherance of the Company's long-term growth strategy.
- **Long-Term Incentives Updated to Include a Relative TSR Modifier:** Performance-based long-term incentive awards continue to be dependent on the achievement of challenging three-year Adjusted EPS performance targets. In 2018, however, the design was modified by providing that the payout based on Adjusted EPS

performance could be modified upwards or downwards by 20%, based on Company TSR performance relative to the Dow Jones U.S. Retail Apparel Index (Relative TSR).

Portion of Long-Term Incentives Cash Denominated: While performance-based awards continue to represent 50% of the annual long-term incentive grant, to help manage share usage and overhang, in 2018, performance-based long-term incentive awards were delivered half in the form of equity and half in the form of cash. As a result, 2018 long-term incentive awards were comprised of 25% performance-based restricted stock units and 25% performance-based cash, with the remaining 50% comprised of restricted stock units with time-based vesting. Each of the performance-based restricted stock units and performance-based cash awards are subject to the same challenging three-year Adjusted EPS targets and subject to a Relative TSR modifier. No stock options were granted to our NEOs in 2018.

CEO Actual Realizable Total Direct Compensation was Significantly Below Target in 2018, Reflecting Business Results: Reflecting the Company's disappointing business performance, Mr. Kornberg's actual realizable total direct compensation in 2018 was 63% below target total direct compensation, due to payout of the short-term cash incentive program below target and the forfeiture of all of his long-term incentive awards due to his termination of employment except for a portion of time-based restricted stock units that became vested pursuant to the terms of his employment agreement. Mr. Kornberg's actual realizable total direct compensation was also significantly below target for both 2017 and 2016 approximately 70% below target in 2017 and 80% below target in 2016. In connection with Mr. Kornberg's termination, he became entitled to certain separation payments under his employment agreement, including a cash separation payment not included in the calculation of actual realizable total direct compensation. His separation payments are described in Executive Compensation Compensation Discussion and Analysis What We Pay and Why: Elements of Compensation Chief Executive Officer Transition on page 39.

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Proxy Statement Summary Information

Summary Compensation Table Total Direct Compensation

For 2016 through 2018, Mr. Kornberg's pay structure was the same: \$1 million salary, 130% target bonus, and long-term incentives with a value of \$5 million.

As reported in the Summary Compensation Table on page 45, the corresponding actual total direct compensation numbers for 2016, 2017, and 2018 were approximately \$6 million, \$6.4 million, and \$5.5 million, reflecting that (1) no short-term cash incentive compensation was paid for 2016, (2) 2017 short-term cash incentive compensation was \$400,000, and (3) 2018 short-term cash incentive compensation was \$700,000 (including \$195,000 reflected in the all other compensation column). The portion of the 2018 long-term incentive award denominated in performance-based cash (\$1,250,000) is not reflected in the Summary Compensation Table.

Total Direct Compensation excludes non-qualified deferred compensation and all other compensation as reported in the Summary Compensation Table, including Mr. Kornberg's separation compensation provided under his employment agreement. For a discussion of Mr. Kornberg's separation compensation, see Executive Compensation Compensation Discussion and Analysis What We Pay and Why: Elements of Compensation Chief Executive Officer Transition on page 39.

CEO Realizable Total Direct Compensation⁽¹⁾: Target vs. Actual

The chart below illustrates CEO actual realizable total direct compensation compared to target realizable total direct compensation for the 2016, 2017, and 2018 fiscal years. Actual realizable total direct compensation reflects the actual amount of pay our CEO can expect to receive from equity awards.

For more information on the computation of CEO realizable compensation, which does not include the CEO's separation compensation provided under his employment agreement, refer to Executive Compensation Compensation Discussion and Analysis What We Pay and Why: Elements of Compensation CEO Realizable Pay on page 38.

For more information on the CEO's separation compensation, refer to Executive Compensation Compensation Discussion and Analysis What We Pay and Why: Elements of Compensation Chief Executive Officer Transition on page 39.

(1) Total direct compensation is comprised of base salary, short-term incentives, and long-term incentives, and excludes non-qualified deferred compensation and all other compensation reported in the Summary Compensation

Table on page 45, except for a portion of Mr. Kornberg's Fall 2018 short-term incentive (\$195,000) reflected in all other compensation for 2018. Total direct compensation does not include the value of a one-time cash separation payment made to Mr. Kornberg pursuant to his employment agreement equal to 1.5 times the sum of his base salary and target bonus (\$3,450,000).

(2) Long-term equity incentive awards consist of performance-based restricted stock units, time-based restricted stock units, stock options for 2016 and 2017, and performance-based cash for 2018.

For more information on our short-term cash incentive program, refer to Executive Compensation Compensation Discussion and Analysis What We Pay And Why: Elements of Compensation Performance-Based Incentives Short-Term Incentives beginning on page 32. For information on our long-term incentive program, see Executive Compensation Compensation Discussion and Analysis What We Pay And Why: Elements of Compensation Performance-Based Incentives Long-Term Incentives beginning on page 35.

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Proxy Statement Summary Information

EXECUTIVE COMPENSATION OBJECTIVES AND PRACTICES

Program Objective	What We DO:
Pay for Performance	Performance-Based CEO Compensation Package with 86% Variable Compensation Short-Term and Long-Term Incentives with Challenging Performance Targets that Incentivize Creation of Stockholder Value
Pay Competitively	50% of Long-Term Incentives are Performance-Based with 3-Year Performance Periods Robust Compensation Setting Process that Utilizes Market Data to Ensure Competitiveness
Pay Responsibly	Long-Term Vesting Requirements: 3-year Performance Periods for Performance-Based Equity Awards and Performance-Based Cash Awards and 4-year Vesting Requirements for Time-Based Restricted Stock Units
	Annual Stockholder Engagement Process and the Incorporation of Stockholder Feedback into Executive Compensation Decision Making
	Stock Ownership Guidelines
	Mitigate Risk Through Incentive Compensation Design
	Utilize Independent Compensation Consultant
	Clawback Policy
	What We DON'T DO:
Pay Responsibly	No Special Tax Gross-Ups
	No Pension Plans or Other Post-Employment Defined Benefit Plans
	No Liberal Share Recycling, Repricing of Underwater Stock Options, or Reloads of Stock Options
	No Hedging or Pledging Transactions
	No Single Trigger Change-in-Control Payments
	No Special Perquisites

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Proxy Statement Summary Information

Governance Highlights

Governance Changes:

Board Composition

In 2018, the Board strengthened its collective competencies and experience with the appointment of Ms. Winnie Park as the Board's seventh independent director. Our Board is comprised of directors with diverse and deep experience in those areas that are core to the Company's strategy.

Three out of seven of our directors are women, including our Chairman.

Average director tenure is five years.

Committee Chair Rotation

Effective in April 2019, Mr. Archbold will assume the role of Chair of the Audit Committee and Mr. Devine will step down as Chair and continue to serve as a member of the Audit Committee.

Other Governance

Highlights:

Board Independence

All of our directors are independent, which includes an independent Chairman of the Board and Committees comprised entirely of independent directors.

- Our independent directors have an opportunity to meet in executive session at each meeting and do so routinely.

Director Elections

- We adhere to a majority vote standard, with a director resignation policy, for uncontested director elections.

Board and Committee

- Each of our directors attended at least 75% of all Board meetings and applicable Committee meetings.

Meetings

Board and Committee